# Financial Statements 2012

Incap Corporation Stock Exchange Release 26 February 2013 at 8:30 a.m.

# INCAP GROUP'S FINANCIAL STATEMENTS RELEASE FOR 2012 (UNAUDITED)

**January–December 2012: Profitability improved further, revenue decreased due to the restructuring process**

- the Group's revenue in 2012 amounted to EUR 64.1 million, a decrease of approximately 7% year-on-year (2011: EUR 68.9 million)
- the revenue generated by the operations in India grew by 37% from the previous year and the earnings trend also exceeded expectations
- the demand for equipment related to energy production, storage and supply in particular developed favourably
- full-year operating result (EBIT) improved year-on-year and was EUR -0.7 million (EUR -1.6 million)
- a write-down on deferred tax assets of EUR 3.3 million was made in the consolidated balance sheet, resulting in the decrease of parent company's equity to less than 50% of share capital
- the Board of Directors proposes to the Annual General Meeting that no dividend be paid out
- Incap estimates that the Group's revenue in 2013 will be at the same level or somewhat lower as in 2012 and the full-year operating result (EBIT) will be positive.

**October–December 2012: Revenue did not meet expectations and impaired earnings**

- revenue for the final quarter of 2012 amounted to EUR 14.5 million (10–12/2011: EUR 16.9 million)
- revenue was decreased by the elimination of certain products from the manufacturing programme and the partial postponement of deliveries to early 2013
- operating result (EBIT) was EUR -0.6 million (EUR -0.6 million)
- decrease in revenue and increase in costs impaired the result for the period

These financial statements have been prepared in compliance with the international financial reporting standards (IFRS) IAS 34 Interim Financial Reporting. When preparing the release, the same preparation principles have been used as in the 2011 financial statements and in interim reports published in 2012. Unless otherwise mentioned, the comparison figures refer to the same period in 2011. The information in this financial statements release is unaudited.

**Sami Mykkänen, President and CEO of Incap Group:**
"In many aspects, the year 2012 was very challenging. Our revenue decreased from the previous year, mainly because slot machines and certain products made at the Helsinki plant with lower profitability were eliminated from the manufacturing programme. As a result of this development, there was a distinct change in the structure of our customer base and the share of well-being technology products in the Group's revenue decreased clearly.

Demand for our services at profitable prices was bigger than what we were able to fulfill. Here, our financial situation was a bottleneck offering us challenges when obtaining components for production.

Strong growth in our operations in India compensated for losses occurring elsewhere. Revenue from products delivered from our Indian plant increased by 37% on the previous year, and nearly one third of the entire Group's revenue was generated by the Indian operations. The earnings trend in India was strong as well and the unit has lived up to the expectations set for it at the time of the acquisition.

We successfully completed the strategic structural change. By centralising our production activities we have been able to reduce the number of plants. In addition, Group Services have been streamlined and the focus has been shifted to low-cost regions. Efficiency improvement measures are well under way in all functions. At the moment we are searching for the best and most effective form of organising the Group's management and administration.

The company's difficult financial situation required special effort throughout the year. We managed to rearrange the redemption of the convertible loan issued in 2007, which matured in May. At the time of the publication of the financial statements, the vast majority of the original amount (approximately EUR 6.8 million) of the convertible loan has been redeemed or rearranged, and the last, EUR 1 million instalment of the convertible loan will mature at the end of June 2013.

In these challenging circumstances, the major shareholders of the company have expressed their support for the company by participating in the private placement and by granting a capital loan to cover the company's financial needs. In 2013, one of the important milestones for financing is the share issue to be arranged in the spring, and I am very confident it will be a success."

**Operating environment 2012**
Incap Group’s operating environment continued to be challenging 2012. Due to uncertain outlook in global economy, many customers postponed bringing new products to the market and shortened the forecast scope for current products.

The fact that Incap’s business operations are spread over several customer sectors balances the development of the company’s revenue. Part of products manufactured for the energy efficiency sector are capital goods that have a delayed reaction to market changes. Although the demand for large motor components weakened during the second half of the year, this decline was short-lived and the demand returned to the normal level at the end of the year. Deliveries of UPS equipment ensuring uninterrupted and undisturbed current input increased clearly on the previous year.

The general increase in the cost levels affects Incap’s earnings trend and the company aims to balance the situation by distributing production activities into several countries of operation. For the most part, the company’s production activities are located in low-cost regions such as India and Estonia which have, thanks to their moderate wage trends, maintained their price competitiveness in 2012.

**Incap’s growth drivers**
Incap builds its growth strategy on the basis of these market trends and its own strengths. Incap is a technology company that focuses on energy efficiency and has industrial operations in India, Estonia and Finland. In addition to manufacturing of products, the company’s services cover design and other product life-cycle services.

Factors that drive the demand for new equipment solutions include varied use of renewable energy resources and efforts to improve energy efficiency in energy production, transfer and use. Increasing environmental awareness also increases interest in equipment that involves advanced automation and control engineering. These global trends boost the growth of Incap’s business operations, because the design and manufacturing of electrotechnical equipment are among the company’s core competencies.

Equipment manufacturers wish to concentrate on their own core expertise and outsource an increasing proportion of manufacturing of products to partners. In order to improve the efficiency of their operations, equipment manufacturers try to decrease the number of their partners and prefer contract manufacturers whose service covers an extensive part of the product life cycle and who are also capable of providing local service near their main markets.

Economic growth continues in Asia and Incap is here in a good position thanks to its Indian operations. In order to ensure the company’s competitive edge, equipment manufacturing and product design are centralised in low-cost regions.

**Incap Group’s revenue and earnings in October–December 2012**
Revenue for the final quarter of 2012 amounted to EUR 14.5 million, approximately 14% lower than in the same period in 2011. The decrease in revenue resulted mainly from the fact that certain products that were previously manufactured at the Helsinki plant were eliminated from the manufacturing programme. In addition, some revenue moved to the beginning of the year 2013 due to difficulties in deliveries. On the other hand, revenue was boosted by the price increases made by the company on the basis of both the increasing general cost level and higher material expenses.

The October–December operating result (EBIT) was approximately EUR -0.6 million, roughly the same level as in the same period in 2011. The result of the comparison period included a non-recurring provision of approximately EUR 0.6 million for the closure of the Helsinki plant. The result for the report period was impaired by the decrease in revenue, the increase in material and personnel expenses, a write-down on tax assets amounting to approximately EUR 3.3 million as well as high financial expenses.

| Quarterly comparison (EUR thousand) | 10–12/ 2012 | 7–9/ 2012 | 4–6/ 2012 | 1–3/ 2012 | 10–12/ 2011 | 7–9/ 2011 | 4–6/ 2011 | 1–3/ 2011 |
|---|---|---|---|---|---|---|---|---|
| Revenue | 14,498 | 15,701 | 18,378 | 15,564 | 16,906 | 18,286 | 17,694 | 16,005 |
| Operating profit/loss (EBIT) | -628 | 280 | 13 | -345 | -609 | 35 | -623 | -423 |
| Net profit/loss | -4,616 | 44 | 352 | -711 | -1,288 | -576 | -1,182 | -951 |
| Earnings per share, EUR | -0.23 | 0.00 | 0.02 | -0.04 | -0.07 | -0.03 | -0.06 | -0.05 |

**Incap Group's revenue and earnings in 2012**
Incap Group's revenue in 2012 was EUR 64.1 million, or about 7% less than in 2011. Deliveries to energy efficiency customers remained at a good level, and the demand for rotor components as well as for inverter and UPS products grew clearly. Revenue generated by the manufacturing of equipment for well-being technology decreased by approximately 33%. Underlying reasons include the decline in the general market situation and the elimination of slot machines and certain volume products from the production programme after the closure of the Helsinki plant. Increasing demand in the energy efficiency sector partly compensated for the decline in the revenue from well-being technology customers. Business developed particularly well in India where revenue grew by 37%.

Incap's profitability improved further, but the full-year operating result (EBIT) remained negative, EUR -0.7 million. Operating result was nearly a EUR 1 million higher than in the previous year. The earnings trend was good especially in the third quarter when the operating result (EBIT) was satisfactory, or 1.8% of revenue. The profitability trend in India was strong during the full year.

Material costs and other production costs decreased compared to the previous year, and fixed costs went down as well. On the other hand, the result was weighed down by costs that were related to the closure of the Helsinki plant and arose from partly overlapping resources and the transfer of production and machines.

Measures aimed at improving the cost structure included the reorganisation of Group Services and the centralisation of tasks to Incap's Tallinn office.

Net financial expenses were EUR 0.8 million (EUR 2.4 million). Financial expenses decreased from the previous year and amounted to EUR 2.2 million (EUR 2.6). Financial income was EUR 1,4 million, of which 1.0 million arose in connection with the decrease in the redemption value of the convertible loan. Depreciation stood at EUR 1.5 million (EUR 2.0 million).

Net profit/loss for the period was EUR -4.9 million (EUR -4.0 million). This was affected by the non-recurring write-down on deferred tax assets. Earnings per share amounted to EUR -0.25 (EUR -0.21).

| Comparison by report period (EUR thousand) | 1–12/2012 | 1–12/2011 | Change, % | 1–12/2010 |
|---|---|---|---|---|
| Revenue | 64,141 | 68,890 | -7 | 59,162 |
| Operating profit/loss (EBIT) | -681 | -1,619 | -58 | -3,223 |
| Net profit/loss | -4,930 | -3,997 | 23 | -4,884 |
| Earnings per share, EUR | -0.25 | -0.21 | 19 | -0.33 |

**Write-down on deferred tax assets and equity**
Incap Corporation has approved tax losses, which can be utilised in the years 2013-2022. Parent company's deferred tax assets of EUR 3.3 million has been recorded as an expense in the financial statements for 2012, because there are no longer IFRS-based prerequisites for keeping deferred tax assets in the balance sheet based on IAS 12.

Despite the write-down the company's management trusts that the deferred tax assets can be utilised against the parent company's taxable income in the future. The demand for energy efficiency technology products manufactured at the Vaasa plant is estimated to develop favourably in the future, too, and ongoing restructuring will also improve the parent company's profitability.

As the operations of the Indian subsidiary have been profitable, approximately EUR 0.2 million of its tax assets has been utilised in 2012. After this, the consolidated balance sheet contains EUR 0.6 million of deferred tax assets relating to the Indian subsidiary. According to the impairment testing, their value has not been impaired, and on the basis of calculations, it is probable that the Indian subsidiary will accumulate sufficient taxable income to utilise its deferred tax assets.

As a result of the write-down recorded in the parent company's and the Group's balance sheet, the Group's equity becomes negative and the Group's equity ratio is -10.3%. The parent company's equity capital is EUR 8.1 million, or 39% of the share capital. The capital loan according to the Companies Act, Chapter 12 of EUR 0.6 million strengthens the parent company's shareholders' equity, and taking this into account, the parent company's equity capital is 1.6 million less than the minimum capital required by the Companies Act.

Due to the equity of Incap Group's parent company decreasing to less than half of the share capital, the Board of Directors of Incap Corporation has taken steps to convene the Annual General Meeting to decide on measures to consolidate the company's operations. The Board of Directors of Incap together with the management is preparing an action plan to ensure the company's profitability in 2013. To improve the capital structure the Board of Directors will also propose to the Annual General Meeting to decide on a rights issue in spring 2013.

**Restructuring process**
The company has continued the strategic restructuring process launched in 2006. In 2012 the company's plant network was reduced by one company, after which the company will have one production plant in each of its countries of operation. The Kuressaare plant in Estonia was

developed, and the extension project nearly doubled the area of its facilities. The new facilities make it possible to increase the efficiency of operations and improve profitability. Another significant structural change carried out during the financial period was the shift in focus of Group Services to Estonia and personnel reductions in Group Services.

As the negotiations on the sale of the sheet-metal operations of the Helsinki plant did not lead to a satisfactory result and no sustainable solutions were found for improving profitability through other measures, Incap decided in January 2012 to close down the Helsinki plant and transfer the production to the company’s other plants in Vaasa and Kuressaare.

The production operations at the Helsinki plant ended in August, at which point the sheet-metal mechanics manufacturing had been transferred partly to Incap’s plant in Vaasa and partly to subcontractors. Manufacturing of some products was discontinued entirely in connection with the closure of the plant due to a tendering carried out by a customer among other things.

The centralisation of production increases the capacity utilisation rate and lowers fixed costs. Incap estimates that the closure of the plant and the centralisation of production will bring savings of about EUR 1.0 million in 2013, mainly in personnel expenses. Decrease in production costs enhances also the competitive edge of our customers’ products. The aim of centralisation is to create better prerequisites for developing the company’s operations, too.

The result of 2011 included a non-recurring provision of approximately EUR 0.6 million for the closure of the Helsinki plant. By the end of the year 2012, EUR 0.6 million of this provision was used.

Some of the production equipment of the Helsinki plant were transferred to Vaasa and some were sold. Net income from the sales of equipment – EUR 0.4 million in total – has been recorded in other operating income

**Capital expenditure**
Capital expenditure totalled EUR 0.1 million in 2012 (EUR 0.3 million), consisting mainly of replacement investments that aimed to develop of production at the Vaasa and Tumkur plants in particular. According to the company’s estimate, it is possible to grow business operations significantly with current production capacity, without major investments.

**Quality assurance and environmental issues**
All of Incap Group’s plants have environmental management and quality assurance systems certified by Det Norske Veritas. 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.

The systems are used as tools for continuous improvement. The quality assurance system of the Tumkur plant was included in Incap Group’s “multisite” certification in 2012.

**Balance sheet, financing and cash flow**
The balance sheet total was EUR 29.3 million (EUR 39.3 million). The Group's equity at the close of the report period was negative, EUR -3.0 million (EUR 1.3 million). The parent company's equity capital is EUR 8.1 million, or 39% of the share capital (EUR 12.8, 63%). The Group’s equity ratio was negative, -10.3% (3.3%).

Liabilities totalled EUR 32.3 million (EUR 38.0 million), of which EUR 20.5 million (EUR 24.9 million) were interest-bearing liabilities.

Interest-bearing net liabilities decreased from the comparison period and were EUR 19.8 million (EUR 24.5 million), and the gearing ratio was -659% (1,868%).

Interest-bearing liabilities:

| **Non-current financial liabilities measured at amortised cost** | (EUR thousand) |
|---|---|
| Capital loan | 600 |
| Convertible loan | 1,886 |
| Finance lease liabilities | 5 |
| | **2,491** |
| **Current financial liabilities measured at amortised cost** | |
| Bank loan | 12,558 |
| Other liabilities | 1,899 |
| Convertible loans | 3,405 |
| Finance lease liabilities | 97 |
| | **17,959** |
| Non-current liabilities total | **20 450** |

The company has long-term debt of EUR 2.5 million, of which EUR 1.9 million of the 2012 convertible bonds and EUR 0.6 million loan.

On 31 December 2012, Incap Group's current interest-bearing loans and borrowings stood at EUR 18.0 million. Of this amount, EUR 14.5 million is a loan from credit institutions, of which EUR 4.1 million is directed towards the Indian subsidiary. In Finland and Estonia, the parent company uses factoring financing which is part of current liabilities.

Of the company's loans, a part of finance leases and a part of the 2012 convertible loan and the capital loan 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.

On 31 December 2012, Incap's loans from credit institutions and other loans totalled EUR 20.5 million. Of this, EUR 14.5 million was loans from credit institutions (31 December 2011: EUR 17.0 million) and EUR 6.0 million other loans (31 December 2011: EUR 7.8 million).

| **Loans from credit institutions** | **Balance on 31 Dec 2012** (EUR thousand) | **Review of covenants** |
|---|---|---|
| Bank loan in Finland | 5,043 | 30 Jun 2013 |
| Account with credit facility (< EUR 1 million) | 25 | 30 Jun 2013 |
| Factoring limit (< EUR 8.5 million) | 5,265 | 30 Jun 2013 |
| Account with credit facility in India | 668 | |
| Bank loan in India | 1,555 | |

| | |
|---|---|
| Finnfund's investment in Indian operations | 1,899 |
| Bank loan in Estonia | 2 |
| Total | 14,456 |

| **Other loans** | |
|---|---|
| Convertible loan 2007 | 2,406 |
| Convertible loan 2012 | 2,885 |
| Capital loan in Finland | 600 |
| Finance lease in Finland | 86 |
| Finance lease in Estonia | 17 |
| Total | 5,994 |
| | |
| **Total** | **20,450** |

From the loans from financial institutions, EUR 10.3 million was granted by the Finnish bank to bank loans and lines of credit in use. Of the Finnish bank's credit line and factoring credit line, EUR 5.3 million was in use and EUR 4.2 million was unused on 31 December 2012. For operations in India and Estonia, the balances of bank loans and credit line totalled EUR 4.1 million. Finnfund's EUR 1.9 million investment in Incap's operations in India is included in the loans from credit institutions.

Other loans (EUR 6.0 million) include convertible loans, capital loan as well as finance lease liabilities in Finland and Estonia. The amount of the convertible loan of 2007 at the end of the financial year was EUR 2.4 million, of which a part was reorganised after the end of the financial year and the remainder of 1.0 million is due 30 June 2013. The convertible loan 2012 abount to EUR 2.9 million and will mature on 25 May 2017. Other loans are the Finnish and Estonian finance leases, totalling EUR 0.1 million, and the EUR 0.6 million instalment of the Finnish capital loan, drawn in December 2012. The last instalment of the loan from the municipality of Sotkamo, approximately EUR 43,000, was repaid in 2012.

Instalments and interests of loans:

| (EUR thousand) | Instalments | Interests | 31 Dec 2012 |
|---|---|---|---|
| Less than 6 months | 17,905 | 525 | 18,430 |
| 6–12 months | 54 | 1 | 54 |
| 1–5 years | 2,492 | 772 | 3,263 |
| More than 5 years | | | |
| | **20,450** | **1,297** | **21,747** |

At the end of financial period, EUR 12.6 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.

Incap’s liabilities for debts reduced in May 2012 when the value of the 2007 convertible loan decreased by approximately EUR 1.0 million in connection with the financing arrangement. The decrease in the value resulted from the fact that the company committed itself to redeeming some of the loan units of the convertible loan at a price that is on average 27% lower than the nominal value of the loan units.

During 2012, approximately EUR 0.2 million of deferred tax assets have been utilised from the consolidated balance sheet on the basis of the taxable income accumulated by the Indian subsidiary. On 31 December 2012, 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 (0.4), and the current ratio was 0.8 (0.7).

The company was able to reduce stock value and free capital from inventories. During the financial period, the value of inventories decreased from EUR 11.4 million at the beginning of 2012 to EUR 9.4 million. The increase in the demand in the energy efficiency sector increased inventories especially at the Indian plant. On the other hand, the closure of the Helsinki plant decreased the entire Group’s inventories by approximately 1.6 million when compared to the end of 2011.

Cash flow from operations was positive: EUR 2.4 million (EUR -3.1 million). On 31 December 2012, the Group's cash and cash equivalents totalled EUR 0.6 million (EUR 0.4 million). The change in cash and cash equivalents showed an increase of EUR 0.2 million (a decrease of EUR 0.4 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”.

**Private placement in April 2012**

On 11 April 2012, the company’s Board of Directors used the authorisation issued by the Annual General Meeting held in 2011 and offered a total of 2,168,100 new shares to the major shareholders of the company. The private placement was a part of the financing arrangement prepared by the company, aiming to improve the company's equity ratio and solvency and to ensure the continued development of the company.

The share issue was subscribed in full at the price of EUR 0.35 per share. In addition to four major shareholders, shares were subscribed by all members of the Board of Directors and the President and CEO of the Group.

The received subscription amount, approximately EUR 759,000 in total, has been recognised in the reserve for invested unrestricted equity. The new shares were registered in the Trade Register on 18 July 2012, increasing the total number of the company’s shares to 20,848,980. In order to enter the new shares for public trading, Incap drew up a prospectus, and the new shares were admitted to public trading at the Helsinki Stock Exchange on 18 September 2012 after the prospectus was approved.

**Convertible loan 2007**

The convertible loan of EUR 6.75 million, issued by Incap in 2007, matured on 25 May 2012. In May 2012, the company agreed upon re-financing for the convertible loan so that the company redeems the loan units of some of the convertible loan’s holders while a portion of the holders convert their loan units to a new convertible loan. Some of the redemptions were carried out in

May–June 2012, and the amount to be redeemed by 31 December 2012 was EUR 2,405,950.27.

In January 2013, after the end of the financial period, Incap negotiated the final redemption of the convertible loan. In January 2013, the company redeemed out of the remaining loan units a total of 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.

**Convertible loan 2012**
In the redemption arrangements of the convertible loan issued in 2007, a portion of the holders converted their loan units to a new convertible loan. The Board of Directors approved subscriptions for this new loan on 25 May 2012. The issue rate of the convertible loan is 100% and an annual fixed interest of 7% will be paid on the loan after each 12-month period. The subscription price of the new loan was formed in the following way: one loan unit in the 2007 convertible loan can be converted into one loan unit in the 2012 convertible loan.  The loan amount is EUR 2,916,000 and a total of 540 loan units with the nominal value of EUR 5,400 were granted out of the loan. The convertible loan will expire on 25 May 2017.

**Personnel**
At the end of 2012, the Incap Group had a payroll of 614 employees (735). Some 55% (51%) of the personnel worked in India, 28% (27%) in Estonia and 17% (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.

At the end of the year, 170 of Incap's employees were women and 444 were men. Permanently employed staff totalled 414, and the number of fixed-term employees was 200. The company had two part-time employment contracts at the end of the year. The average age of the personnel was 33.5 years.

**Company management and organisation**
The company's President and CEO during the financial period was Sami Mykkänen. In addition to the CEO, the Group's Management Team included Kimmo Akiander (Business Unit Well-being, until 29 February 2012), Kirsi Hellsten (Human resources, until 31 October 2012), Mikko Hirvinen (Special Projects), Jari Koppelo (Business Unit Energy efficiency and, from 1 March 2012, Business Unit Well-being), Sami Kyllönen (Production, Europe), Kirsti Parvi (Finance and administration) and Hannele Pöllä (Communications).

In addition to the members of the actual Management Team, the Extended Management Team included Siret Kegel (Quality), Murthy Munipalli (Energy efficiency Asia), Pekka Laitila (Materials management), Päivi Luotola (IT) and Marko Tapaninaho (Engineering).

**Annual General Meeting 2012**
Incap Corporation's Annual General Meeting (AGM) was held in Helsinki on 11 April 2012. The AGM adopted the financial statements for the financial period that ended on 31 December 2011. In accordance with the proposal of the Board of Directors, the AGM decided that no dividend be distributed for the financial period and that the loss for the financial period (EUR 2,372,981.70) be recognised in equity.

**Authorisation of the Board of Directors**
On 11 April 2012, the Annual General Meeting authorised the Board of Directors to decide

during one year after the Annual General Meeting to issue a maximum of 9,300,000 new shares either against payment or without payment. Of the new shares, a maximum of 300,000 shares can be used for the option rights of the company's remuneration and compensation system.

The Board of Directors exercised the authorisation in connection with the company's financing arrangement on 25 May 2012 when a portion of the holders of the convertible loan issued in 2007 converted their loan units to a new convertible loan. The new convertible loan includes a right to convert loan units to a maximum total of 7,112,195 new shares in the company.

At the end of the financial period 2012, the Board of Directors had a total of 2,187,805 unused shares from the authorisation granted by the Annual General Meeting. The Board of Directors exercised the authorisation on 30 January 2013 and directed one holder of the convertible loan 2007 the company's new shares against the redemption of the convertible loan. After this the Board of Directors have an unused authorisation for a total of 490,519 shares.

**Board of Directors and auditor**

The Annual General Meeting held on 11 April 2012 re-elected Raimo Helasmäki, Kalevi Laurila, Susanna Miekk-oja and Lassi Noponen as members of the Board of Directors and elected Matti Jaakola as a new member. From among its members, the Board elected Kalevi Laurila as Chair and Lassi Noponen as Deputy Chair. The secretary of the Board was Anu Kaskinen, LL.M. The Board convened 49 times in 2012, and the average attendance rate was 88%.

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

**Report on corporate governance**

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

**Shares and shareholders**

Incap Corporation has one series of shares, and the number of shares at the end of the period is 20,848,980. During the financial period, the share price varied between EUR 0.15 and 0.65 (EUR 0.37 and 0.64). The closing price for the year was EUR 0.19 (EUR 0.42). During the report period, the trading volume was 2,952,411 shares, or 14.2% of outstanding shares (746,382, or 4.0%).

At the end of the financial period, Incap had 1,159 shareholders (1,053). Nominee-registered or foreign owners held 0.5% (0.5%) of all shares. The company's market capitalisation on 31 December 2012 was EUR 4.0 million (7.8 million). The company does not hold any of its own shares.

The largest shareholders on 31 December 2012:

| | No. of shares | Share of ownership, % |
|---|---|---|
| Oy Etra Invest Ab | 4,834,547 | 23.2 |
| JMC Finance Oy | 2,402,286 | 11.5 |
| Suomen Teollisuussijoitus Oy | 2,185,509 | 10.5 |
| Sundholm Göran | 1,481,113 | 7.1 |
| Laurila Kalevi Henrik | 1,460,429 | 7.0 |
| Oy Ingman Finance Ab | 1,250,000 | 6.0 |
| Mandatum Life | 1,116,059 | 5.4 |
| Lehtonen Jussi Tapio | 300,000 | 1.4 |

| | | |
|---|---|---|
| Oksanen Markku | 242,033 | 1.2 |
| Noponen Lassi Tapani | 237,909 | 1.1 |

At the end of the financial period, the members of Incap Corporation's Board of Directors and the President and CEO and their related persons owned a total of 4,512,174 shares, or approximately 21.6% of the company's shares outstanding.

**Share-based incentive system 2009**
The option scheme implemented in 2009 includes a total of 600,000 stock options entitling their holders to subscribe for an equal number of Incap shares. The stock options are broken into three categories: 2009A, 2009B and 2009C. The subscription price for all stock options is EUR 1. The subscription period is from 1 April 2010 to 31 January 2014 for 2009A stock options and from 1 April 2011 to 31 January 2014 for 2009B and 2009C stock options. The President and CEO has received 100,000 A stock options and 100,000 B stock options. The members of the Management Team have received a total of 129,000 C stock options.

The proportion of shares to be subscribed on the basis of stock options is up to 1.6% of the company's shares and votes after a possible increase in share capital. Undistributed and returned stock options will be given to Euro-ketju Oy, a subsidiary fully owned by Incap, and the Board of Directors will make a separate decision on distributing these.

**Announcements in accordance with Section 10 of Chapter 9 of the Securities Market Act on a change in holdings**
On 16 April 2012, Incap announced that after the registration of the new shares issued in the private placement of Incap Corporation, the holdings of Kalevi Laurila of Incap Corporation's shares and votes will exceed 5%. Furthermore, on 21 September 2012, the company announced that the holdings of Oy Ingman Finance Ab of Incap Corporation's shares and votes decreased below 10% after several consecutive trades.

**Information related to the liquidity risk and continuity of operations in the interim report for January–June**
On 22 May 2012, Incap published a stock exchange release with regard to financing arrangements that were related to the extension of the financing agreements, the granting of a new bank loan and a rearrangement of the company's convertible loan. In its interim report for January–June published on 31 July 2012, the company provided information on the final result of the negotiations and financial risks and referred to information in the financial statements for 2011. However, the information about financing agreements provided in the financial statements was no longer up-to-date, as the financing agreements had been partially renegotiated. The interim report did not contain liquidity risk details as required by the IFRS 7 standard and did not comment, in a manner required by recommendations, on the continuity of operations in the company's prevailing financial position. Due to these inadequacies information the interim report did not meet the requirements of the IAS 34 standard.

Information missing from the interim report was presented in the stock exchange release published on 14 September 2012 and in the prospectus. The release provided more information about the company's loans and related covenants, risks related to liquidity, the sufficiency of the working capital for the next 12 months and aspects related to continuity of operations. The most significant risks in respect of continuity of the company's operations were related to the success of the share issue to be arranged, the fulfilment of the conditions set by the bank in order to draw the second instalment of additional financing, the fulfilment of the covenant levels set for the continuation of loans from credit institutions, sufficiency of the actions to improve profitability and inventories, as well as development of the company's customers' market situation and demand.

**Risk management**

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

**Short-term risks and factors of uncertainty concerning operations**

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 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>

The convertible loan of EUR 6.75 million, issued by Incap in 2007, matured on 25 May 2012. In May 2012, the company agreed upon re-financing for the convertible loan so that the company redeems the loan units of some of the convertible loan's holders while a portion of the holders convert their loan units to a new convertible loan. Some of the redemptions were carried out in May–June 2012, and the amount to be redeemed by 31 December 2012 was EUR 2,405,950.27.

In January 2013, after the end of the financial period, Incap concluded its negotiations concerning the final redemption of the convertible loan. In January 2013, the company redeemed out of the remaining loan units a total of 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.

Withdrawal of the second instalment of additional financing granted
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 after the end of the financial period in January 2013. The remaining part of the loan can be drawn by 29 July 2013 after a separate confirmation of the bank.

Loan financing and covenants
At the end of the financial period, Incap's loans amounted to EUR 20.5 million.

Loans, credit line and factoring credit line granted by a Finnish bank totalled EUR 10.3 million on 31 December 2012. These loans involve the following covenants:

| | Equity ratio | Net IBD/EBITDA |
|---|---|---|
| 31 December 2012 | at least 10% | up to 7 |
| 30 June 2013 onwards | at least 15% | up to 5 |

The covenants were not met on 31 December 2012. On this date, the company's equity ratio was -10.3% and net IBD/EBITDA was 18.7. The bank has the right to terminate the agreements to expire after 60 days if any covenant is not met on the testing date. On 28 January 2013, the company received a written confirmation from the bank that the bank will not exercise its right to terminate the loans, even though the covenants were not met on 31 December 2013. The covenants will be tested next on 30 June 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. The bank has approved the financing arrangement made after the end of the financial period and announced that it will not exercise its right to terminate the additional loan agreement.

On the basis of the forecast prepared by Incap on 25 February 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. The total amount of the tax liabilities within the scope of this arrangement is approximately EUR 1.2 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 financial statements release. 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 company’s potential share issue 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 is confident 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 co-operative negotiations with the Group Services personnel, with the aim of reorganising the company’s administration and improving the efficiency of operations significantly. 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.

Assets held for sale

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 5-year lease contract for the property and continues measures aimed at selling the property.

Development of customers’ market situation and demand

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. The cost structure has been made more flexible by distributing production activities into several countries: Finland, Estonia and India. The focus of production activities is in countries where wage and general cost levels are competitive.

**Events after the end of the financial period**

Adjustment of operations and co-operative negotiations

In January 2013, Incap started co-operative negotiations, in accordance with the Act on Co-operation within Undertakings, with both the personnel of its Vaasa plant and the personnel working in its Group Services in Finland. The outcome of the negotiations in Vaasa is that, if necessary, the personnel of the Vaasa plant will be laid off temporarily for a maximum of 90 days. This will take place by the end of June. Instead of immediate temporary lay-offs, the plant's operations were adjusted to demand by continuing training and increasing multi-skills of the personnel. Need for temporary lay-offs will be evaluated weekly based on the order book. The negotiations with the Group Services are still ongoing, and their outcome is estimated to affect the employment of a maximum of 14 employees.

Rearrangement of the convertible bond 2007

On 17 January 2013, Incap published a release about a financing arrangement that was related to the redemption of the convertible loan issued in 2007. Incap redeemed out of the remaining loan units a total of EUR 1.0 million in cash payment in January 2013. 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, will be settled by the end of June 2013.

Capital loan

In connection with the negotiations concerning the redemption of the convertible loan, three of Incap Corporation's major shareholders granted the company a capital loan of EUR 1.05 million, with a loan period of three years and at an interest rate of 10%. Of this capital loan, EUR 0.6 million was recorded in the financial statements for 2012. The loan conditions include the right to set off eventual subscription price of shares in a share issue arranged by the company. Kalevi Laurila, who is closely related to the company, is one of the shareholders who granted the capital loan.

Of the capital loan, EUR 0.6 million was drawn on 28 December 2012 and recorded in the financial statements for 2012. According to the loan conditions, upon the liquidation or the bankruptcy of the parent company, the capital and the interest may only be paid at a lower privilege in comparison to all other debts. Otherwise the capital or the interest may be returned only for the part that the unrestricted equity and capital loans of the parent company at the time of the payment exceed balance sheet losses confirmed for the parent company's latest financial period or included in more recent financial statements. No security has been provided for interest on the capital or for the loan. The loan interest is recognised as an expense on a time apportionment basis. Unless the prerequisites set in the Finnish Limited Liability Companies Act for payment of interest are fulfilled, the interest may not encumber the result for the financial period. The interest is presented as interest liability in the notes for the parent company. In the consolidated IFRS financial statements, the accumulated interest of the capital loan is recognised as an expense for the financial period. The loan is due for repayment at the latest on 31 December 2015.

Private placement

On 30 January, 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 was 22,546,266.

Additional bank loan
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. In addition, the company has further agreed on other financing arrangements that strengthen the working capital. As a result of these measures, Incap's cash in hand was increased by EUR 1.2 million.

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

Demand in the company’s strategic customer segments is expected to develop evenly, although the market outlook is typically very short-term. 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.

Long-term growth prospects are good especially in the field of energy efficiency but also in well-being technology where new, innovative and promising products are constantly being introduced to the market. Many new growing companies have adopted the strategy of focusing on core functions and outsourcing all production activities. For these companies, Incap is able to offer the entire production process or comprehensive product integration.

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 our 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 the 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.

With the previously initiated actions for improved efficiency, Incap intends to cut costs by a total of approximately EUR 3.3 million in 2012– 2013, compared to 2011, by enhancing the efficiency of material sourcing, closing down the Helsinki plant, and centralising Group Services in Estonia.

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 will also look into opportunities for business restructuring.

**Outlook for 2013**

According to the new Securities Market Act, a company is obliged to present its future outlook in its annual report of operations. Incap Corporation's Board of Directors will continue the company's existing practice and present its estimate on future outlook both in the report of the Board of Directors and in interim reports.

Incap's estimates for future business development are based both on its customers' forecasts and on the company's own assessments. In the energy efficiency sector, demand is expected to grow from the 2012 level both in Europe and in India. Revenue from well-being technology products is estimated to decrease from last year due to the discontinuation of manufacturing of certain volume products.

The closure of the Helsinki plant in 2012 was the last phase of the company's strategic change to production structure, creating the prerequisites for profitable growth. Reduction of the number of plants and other efficiency improvements in production, together with the streamlining of the Group services, will improve the company's profitability in 2013.

Incap estimates that the Group's revenue in 2013 will be the same or somewhat lower than the EUR 64.1 million achieved in 2012. The company estimates that its full-year operating result (EBIT) will be clearly positive. In 2012 the operating result was negative EUR -0.7 million.

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

The parent company's loss for the financial period totalled EUR 5,505,693.92. The Board will propose to the Annual General Meeting on 10 April 2013 that no dividend be paid and the loss for the financial period be recognised in equity.

**Annual General Meeting 2013**

Incap Corporation's Annual General Meeting will take place on Wednesday, 10 April 2013 at 3:00 p.m. at Hotel Kämp, Pohjoisesplanadi 29, 00100 Helsinki. Notice to the Annual General Meeting will be given on 18 March 2013 at the latest.

**Publication of the financial statements for 2012**

Incap will publish the Group's annual report and financial statements including the Report of the Board of Directors and the auditor's report for 2012, during Week 12/2013 on the company's home page (www.incap.fi).

Helsinki, 25 February 2013

INCAP CORPORATION
Board of Directors

For additional information, please contact:
Sami Mykkänen, President and CEO, tel. +358 40 559 9047 or
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DISTRIBUTION
NASDAQ OMX Helsinki Ltd
Principal media
The company's home page www.incap.fi

PRESS CONFERENCE
Incap will arrange a conference for the press and financial analysts on 26 February 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
1 Consolidated Income Statement
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 internationally operating contract manufacturer whose comprehensive services cover the entire life cycle of electromechanical products from design and manufacture to repair and 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 610 people. Incap's share is listed on the NASDAQ OMX Helsinki Ltd. Additional information: www.incap.fi.*

Annex 1

## CONSOLIDATED INCOME STATEMENT (IFRS)

| (EUR thousand, unaudited) | **10–12/ 2012** | 7–9/ 2012 | 4–6/ 2012 | 1–3/ 2012 | 10–12/ 2011 | **1–12/ 2012** | Change % | 1–12/ 2011 |
|---|---|---|---|---|---|---|---|---|
| REVENUE | **14,498** | 15,701 | 18,378 | 15,564 | 16,906 | **64,141** | -7 | 68,890 |
| Work performed by the enterprise and capitalised | **0** | 0 | 0 | 0 | 0 | **0** | | 0 |
| Change in inventories of finished goods and work in progress | **-323** | -169 | -327 | 176 | -358 | **-643** | 77 | -363 |
| Other operating income | **49** | 136 | 134 | 85 | 49 | **404** | 178 | 145 |
| Raw materials and consumables used | **9,968** | 10,978 | 12,568 | 10,801 | 11,515 | **44,315** | -9 | 48,631 |
| Personnel expenses | **2,538** | 2,419 | 3,119 | 3,011 | 3,164 | **11,087** | -8 | 12,016 |
| Depreciation, amortisation and impairment losses | **231** | 378 | 435 | 415 | 460 | **1,460** | -29 | 2,047 |
| Other operating expenses | **2,114** | 1,612 | 2,051 | 1,944 | 2,068 | **7,721** | 2 | 7,597 |
| OPERATING PROFIT/LOSS | **-628** | 280 | 13 | -345 | -609 | **-681** | -58 | -1,619 |
| Financing income and expenses | **-569** | -156 | 339 | -366 | -679 | **-751** | -68 | -2,378 |
| PROFIT/LOSS BEFORE TAX | **-1,197** | 124 | 352 | -711 | -1,288 | **-1,432** | -64 | -3,997 |
| Income tax expense | **-3,418** | -79 | 0 | 0 | 0 | **-3,498** | | 0 |
| PROFIT/LOSS FOR THE PERIOD | **-4,616** | 44 | 352 | -711 | -1,288 | **-4,930** | 23 | -3,997 |
| Earnings per share | **-0.23** | 0.00 | 0.02 | -0.04 | -0.07 | **-0.25** | 19 | -0.21 |
| Options have no dilutive effect in financial periods 2011 and 2012 | | | | | | | | |

| OTHER COMPREHENSIVE INCOME | **10–12/ 2012** | 7–9/ 2012 | 4–6/ 2012 | 1–3/ 2012 | 10–12/ 2011 | **1–12/ 2012** | Change % | 1–12/ 2011 |
|---|---|---|---|---|---|---|---|---|
| PROFIT/LOSS FOR THE PERIOD | **-4,616** | 44 | 352 | -711 | -1,288 | **-4,930** | 23 | -3,997 |
| OTHER COMPREHENSIVE INCOME: | | | | | | | | |
| Translation differences from foreign units | **-129** | 63 | -50 | -2 | -34 | **-118** | -63 | -316 |
| Other comprehensive income, net | **-129** | 63 | -50 | -2 | -34 | **-118** | -63 | -316 |
| TOTAL COMPREHENSIVE INCOME | **-4,745** | 107 | 302 | -712 | -1,322 | **-5,048** | 17 | -4,313 |
| Attributable to: | | | | | | | | |
| Shareholders of the parent company | **-4,745** | 107 | 302 | -712 | -1,322 | **-5,048** | 17 | -4,313 |
| Non-controlling interest | **0** | 0 | 0 | 0 | 0 | **0** | | 0 |

Annex 2

## CONSOLIDATED BALANCE SHEET (IFRS)

| (EUR thousand, unaudited) | 31 December 2012 | 31 December 2011 | Change % |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 2,578 | 4,007 | -36 |
| Goodwill | 940 | 964 | -2 |
| Other intangible assets | 178 | 341 | -48 |
| Other financial assets | 311 | 314 | -1 |
| Deferred tax assets | 560 | 4,085 | -86 |
| **TOTAL NON-CURRENT ASSETS** | **4,568** | **9,710** | -53 |
| CURRENT ASSETS | | | |
| Inventories | 9,352 | 11,423 | -18 |
| Trade and other receivables | 12,815 | 15,834 | -19 |
| Cash and cash equivalents | 613 | 369 | 66 |
| **TOTAL CURRENT ASSETS** | **22,780** | **27,625** | -18 |
| Non-current assets held-for-sale | **1,936** | 1,936 | 0 |
| **TOTAL ASSETS** | **29,283** | **39,271** | -25 |
| 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 | 4,818 | 4,084 | 18 |
| Exchange differences | -917 | -799 | 15 |
| Retained earnings | -27,440 | -22,506 | 22 |
| **TOTAL EQUITY** | **-3,008** | **1,311** | -329 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 0 | 0 | 0 |
| Interest-bearing loans and borrowings | 2,492 | 259 | 862 |
| **NON-CURRENT LIABILITIES** | **2,492** | **259** | 862 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11,841 | 13,109 | -10 |
| Current interest-bearing loans and borrowings | 17,959 | 24,336 | -26 |
| **CURRENT LIABILITIES** | **29,800** | **37,445** | -20 |
| Liabilities relating to non-current assets held-for-sale | 0 | 256 | -100 |
| **TOTAL EQUITY AND LIABILITIES** | **29,283** | **39,271** | -25 |

Annex 3

## CONSOLIDATED CASH FLOW STATEMENT

| (EUR thousand, unaudited) | 1–12/2012 | 1–12/2011 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Operating profit/loss | -681 | -1,619 |
| Adjustments to operating profit | 728 | 2,157 |
| Change in working capital | 4,188 | -1,920 |
| Interest paid and payments made | -1,814 | -1,793 |
| Interest received | 27 | 38 |
| **Cash flow from operating activities** | **2,448** | **-3,137** |
| | | |
| **Cash flow from investing activities** | | |
| Capital expenditure on tangible and intangible assets | -124 | -280 |
| Proceeds from sale of tangible and intangible assets | 139 | 148 |
| Other investments | -61 | -80 |
| Loans granted | 0 | -6 |
| Sold shares of subsidiary | 0 | 0 |
| Repayments of loan assets | 3 | 0 |
| **Cash flow from investing activities** | **-43** | **-218** |
| | | |
| **Cash flow from financing activities** | | |
| Proceeds from share issue | 734 | 0 |
| Drawdown of loans | 1,819 | 4,946 |
| Repayments of borrowings | -4,201 | -1,118 |
| Repayments of obligations under finance leases | -594 | -843 |
| **Cash flow from financing activities** | **-2,242** | **2,985** |
| | | |
| Change in cash and cash equivalents | 163 | -371 |
| Cash and cash equivalents at beginning of period | 369 | 476 |
| Effect of changes in exchange rates | 99 | 288 |
| Changes in fair value (cash and cash equivalents) | -18 | -24 |
| **Cash and cash equivalents at end of period** | **613** | **369** |

Annex 4

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR thousand, unaudited)

| | Share capital | Share premium account | Reserve for invested unrestricted equity | Exchange differences | Retained earnings | Total |
|---|---|---|---|---|---|---|
| Equity at 1 January 2011 | 20,487 | 44 | 4,084 | -483 | -18,510 | 5,622 |
| 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 | -316 | 0 | -316 |
| Options and share-based compensation | 0 | 0 | 0 | 0 | 2 | 2 |
| Other changes | 0 | 0 | 0 | 0 | 0 | 0 |
| Net income and losses recognised directly in equity | 0 | 0 | 0 | -316 | 2 | -314 |
| Net profit/loss | 0 | 0 | 0 | 0 | -3,997 | -3,997 |
| | 0 | 0 | 0 | -316 | -3,995 | -4,311 |
| Equity at 31 December 2011 | 20,487 | 44 | 4,084 | -799 | -22,506 | 1,311 |
| Equity at 1 January 2012 | 20,487 | 44 | 4,084 | -799 | -22,506 | 1,311 |
| Share issue | 0 | 0 | 759 | 0 | 0 | 759 |
| Transaction costs for equity | 0 | 0 | -25 | 0 | 0 | -25 |
| Change in exchange differences | 0 | 0 | 0 | -118 | 0 | -118 |
| 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 | 734 | -118 | -5 | 611 |
| Net profit/loss | 0 | 0 | 0 | 0 | -4,930 | -4,930 |
| Total income and losses | 0 | 0 | 734 | -118 | -4,935 | -4,319 |
| Equity at 31 December 2012 | 20,487 | 44 | 4,818 | -917 | -27,440 | -3,008 |

Annex 5

| GROUP KEY FIGURES AND CONTINGENT LIABILITIES | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Revenue, EUR million | 64.1 | 68.9 |
| Operating profit, EUR million | -0.7 | -1.6 |
| % of revenue | -1.1 | -2.4 |
| Profit before taxes, EUR million | -1.4 | -4.0 |
| % of revenue | -2.2 | -5.8 |
| Return on investment (ROI), % | -12.6 | -5.1 |
| Return on equity (ROE), % [2] | 580.8 | -115.3 |
| Equity ratio, % | -10.3 | 3.3 |
| Gearing, % | -659.4 | 1,867.7 |
| Net debt, EUR million | 18.9 | 21.8 |
| Net interest-bearing debt, EUR million | 19.8 | 24.5 |
| Quick ratio | 0.5 | 0.4 |
| Current ratio | 0.8 | 0.7 |
| Average number of shares during the report period, adjusted for share issues | 20,067,042 | 18,680,880 |
| Earnings per share (EPS), EUR | -0.25 | -0.21 |
| Equity per share, EUR | -0.14 | 0.07 |
| Dividend per share, EUR | 0 | 0 |
| Dividend out of profit, % | 0 | 0 |
| Effective dividend yield, % | 0 | 0 |
| P/E ratio | -0.8 | -2.0 |
| Trend in share price | | |
| Minimum price during the period, EUR | 0.15 | 0.37 |
| Maximum price during the period, EUR | 0.65 | 0.64 |
| Mean price during the period, EUR | 0.30 | 0.52 |
| Closing price at the end of the period, EUR | 0.19 | 0.42 |
| Total market capitalisation, EUR million | 4.0 | 7.8 |
| Trade volume, no. of shares | 2,952,411 | 746,382 |
| Trade volume, % | 14.2 | 4.0 |
| Investments, EUR million | 0.1 | 0.3 |
| % of revenue | 0.2 | 0.4 |
| Average number of employees | 683 | 749 |
| CONTINGENT LIABILITIES, EUR million | | |
| FOR OWN LIABILITIES | | |
| Mortgages | 14.3 | 12.3[1] |
| Off-balance sheet liabilities | 7.1 | 9.3 |
| 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 financial statements for 2011 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)**

| | 10–12/ 2012 | 7–9/ 2012 | 4–6/ 2012 | 1–3/ 2012 | 10–12/ 2011 | 7–9/ 2011 | 4–6/ 2011 | 1–3/ 2011 |
|---|---|---|---|---|---|---|---|---|
| Revenue, EUR million | 14.5 | 15.7 | 18.4 | 15.6 | 16.9 | 18.3 | 17.7 | 16.0 |
| Operating profit, EUR million | -0.6 | 0.3 | 0.0 | -0.3 | -0.6 | 0.0 | -0.6 | -0.4 |
| % of revenue | -4.3 | 1.8 | 0.1 | -2.2 | -3.6 | 0.2 | -3.5 | -2.6 |
| Profit before taxes, EUR million | -1.2 | 0.1 | 0.4 | -0.7 | -1.3 | -0.6 | -1.2 | -1.0 |
| % of revenue | -8.3 | 0.8 | 1.9 | -4.6 | -7.6 | -3.2 | -6.7 | -5.9 |
| Return on investment (ROI), % | -73.2 | 3.3 | 17.8 | -1.5 | -7.6 | 1.1 | -9.4 | -4.3 |
| Return on equity (ROE), % | 2,175.3 | 11.7 | 95 | -297.7 | -148.7 | -55.8 | -106.5 | -75.2 |
| Equity ratio, % | -10.3 | 4.9 | 4.3 | 1.6 | 3.3 | 6.3 | 7.6 | 11.0 |
| Gearing, % | -659.4 | 1,205.2 | 1,372.9 | 4,103.2 | 1,867.7 | 946.5 | 739.3 | 486.6 |
| Net debt, EUR million | 18.9 | 18.9 | 20.3 | 23.2 | 21.8 | 22.0 | 22.9 | 21.7 |
| Net interest-bearing debt, EUR million | 19.8 | 20.8 | 22.7 | 24.6 | 24.5 | 24.9 | 24.1 | 21.9 |
| Average number of shares during the financial period, adjusted for share issues | 20,067,042 | 19,804,494 | 19,276,512 | 18,680,880 | 18,680,880 | 18,680,880 | 18,680,880 | 18,680,880 |
| Earnings per share (EPS), EUR | -0.23 | 0.00 | 0.02 | -0.04 | -0.07 | -0.03 | -0.06 | -0.05 |
| Equity per share, EUR | -0.14 | 0.08 | 0.08 | 0.03 | 0.07 | 0.14 | 0.17 | 0.2 |
| Investments, EUR million | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| % of revenue | 0.3 | -0.1 | 0.3 | 0.2 | 0.0 | 0.7 | 0.7 | 0.3 |
| Average number of employees | 639 | 684 | 696 | 713 | 753 | 770 | 745 | 727 |

Annex 7

## CALCULATION OF KEY FIGURES

| | |
|---|---|
| Return on investment, % | $\dfrac{\text{100 x (profit/loss for the period + financial expenses)}}{\text{equity + interest-bearing financing loans}}$ |
| Return on equity, % | $\dfrac{\text{100 x profit/loss for the period}}{\text{average equity during the financial period}}$ |
| Equity ratio, % | $\dfrac{\text{100 x equity}}{\text{balance sheet total - advances received}}$ |
| Gearing, % | $\dfrac{\text{100 x interest-bearing net financing loans}}{\text{equity}}$ |
| Net liabilities | liabilities - current assets |
| Quick ratio | $\dfrac{\text{current assets}}{\text{short-term liabilities - short-term advances received}}$ |
| Current ratio | $\dfrac{\text{current assets + inventories}}{\text{short-term liabilities}}$ |
| Earnings per share | $\dfrac{\text{net profit/loss for the period}}{\text{average number of shares during the period, adjusted for share issues}}$ |
| Equity per share | $\dfrac{\text{equity}}{\text{number of shares at the end of the period, adjusted for share issues}}$ |
| 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 |