

## INCAP GROUP INTERIM REPORT JANUARY–JUNE 2009: REVENUE DECREASED AS PLANNED - RESULT IMPROVED CLEARLY DESPITE DECREASE IN REVENUE

- Revenue in January–June decreased by approximately 24% on the same period the previous year, amounting to EUR 35.4 million (Jan–Jun 2008: EUR 46.7 million)
- Focus of business volume shifted over to energy efficiency and well-being technology products, whereas business with telecommunications products was decreased strongly according to the restructuring plan
- Operating profit (EBIT) improved on the same period the previous year, amounting to EUR 1.0 million negative (EUR 1.9 negative)
- Capacity and cost structure were adjusted in line with the reorganisation programme, while at the same time creating prerequisites for growth in selected business areas in energy and well-being, which provide good prospects for improved profitability
- Net profit for the report period amounted to EUR 2.0 million negative (EUR 2.7 million negative)

This unaudited interim report has been prepared in accordance with international financial reporting standards (IFRS). Unless otherwise stated, the comparison figures refer to the same period the previous year.

Sami Mykkänen, the President and CEO of Incap Group: “The decrease in revenue was due to a planned and controlled winding down of the high-volume manufacturing of telecommunications products. Other customer industries have developed positively, without any surprises. We continued with our reorganisation and restructuring programme and managed to cut costs and develop our business operations as planned compared with the first half of last year. The increase in financing costs continued to burden net profit.

The restructuring has proceeded as planned and we have made advances in new customer acquisition. New inquiries are at an active phase in India, in particular, where the quotation base and demand for design services by global customers have grown sharply. The introduction of modern production premises has further enhanced the opportunities for business growth in India.

Improving profitability is still our key challenge, so we will continue to adjust the production capacity, improve the efficiency of materials management and cut fixed costs. At the same time we continue with strong development of our business operations in selected focus areas.”

### **Revenue and earnings in April–June 2009**

Revenue during the second quarter totalled EUR 16.9 million (4-6/2008: EUR 26.4 million), or 36% less than in the same period in 2008. Decrease in revenue was due to the expected discontinuation of volume production in telecommunications. Revenue developed positively especially in well-being technology products, whose sales increased in the second quarter compared with both the first quarter and the corresponding period the previous year.

Operating profit for April–June was EUR 0.5 million negative (EUR 0.6 million negative), representing 2.8% negative (2.3% negative) of revenue. Net profit for the second quarter amounted to EUR 1.0 million negative (1.0 million negative). In particular, net profit was reduced by the increase in financing expenses by about 40% compared with the same period the previous year. Earnings per share were EUR 0.08 negative (EUR 0.08 negative).

## Revenue and earnings in January–June 2009

Revenue for January–June totalled EUR 35.4 million (1–6/2008: EUR 46.7 million), or 24% less than in the same period in 2008. The main reason behind the decline in revenue was the planned decrease in revenue from the high-volume manufacturing of telecommunications products by about EUR 9 million on the same period the previous year. Revenue developed steadily in the strategic focus areas in energy efficiency and well-being technology. Of the revenue for the first half of the year, EUR 1.6 million represented the sale of materials of products to be discontinued to customers.

Operating loss reduced by almost one half with operating profit amounting to EUR 1.0 million negative (EUR 1.9 million negative), representing 2.8% negative (4.1% negative) of revenue. The efficiency measures in line with the reorganisation programme reduced costs, fixed costs being EUR 1.6 million lower than in the same period the previous year.

Net profit for the report period amounted to EUR 2.0 million negative (EUR 2.7 million negative). Net profit was particularly affected by the sharp increase in financing costs.

Earnings per share amounted to EUR 0.16 negative (EUR 0.22 negative), while equity per share stood at EUR 0.92 (EUR 1.31).

Quarterly comparison (EUR thousands)	4-6/ 2009	1-3/ 2009	10-12/ 2008	7-9/ 2008	4-6/ 2008	1-3/ 2008
Revenue	16,928	18,479	25,789	21,395	26,412	20,330
Operating profit/loss	-472	-518	-1,241	-442	-600	-1,329
Net profit/loss	-1,035	-949	-1,915	-800	-1,005	-1,681
Earnings per share, EUR	-0.08	-0.08	-0.16	-0.07	-0.08	-0.14

## Development of operations

The demand for the Indian unit's services picked up, and the quotation base showed strong growth. The new production facilities, the modern capacity and extensive design services will improve the unit's competitiveness further.

The value of inventories fell from EUR 16.2 million to EUR 14.1 million at the end of June. The positive development reflected both the decrease in telecommunications component stocks and higher efficiency in materials management.

The production capacity and the cost structure were adapted to the market situation. The electronics factories adopted reduced working hours. The work situation at the mechanical factories was good during the report period, and the production of sheet-metal parts is concentrated in Vaasa, while the Helsinki factory is focusing on product assembly. Due to the decreased demand in certain mechanics products, statutory cooperation negotiations concerning eventual temporary lay-offs were launched in the Vaasa factory after the end of the report period in August.

Incap is investigating possibilities to concentrate the company's electronics production in Europe in the Kuressaare factory. For this purpose, the company will during autumn explore if part of the products manufactured in the Vuokatti factory can be transferred to Kuressaare and if part of the operations could be taken over by a third party.

### **Financing and cash flow**

The Group's equity ratio was 26.4% (31.2%). Interest-bearing net liabilities totalled EUR 18.6 million (EUR 19.2 million) and the gearing ratio was 164.9% (120.4%). Net financial expenses stood at EUR 0.99 million (EUR 0.76 million) and depreciation and amortisation expense at EUR 1.4 million (EUR 1.5 million). Incap aims to improve liquidity primarily by enhancing working capital management. Trade receivables continued to decline compared with the beginning of the year, and no credit losses arose during the report period.

The Group's equity at the close of the report period was EUR 11.3 million (EUR 16.0 million). Debt totalled EUR 31.5 million (EUR 35.2 million), of which interest-bearing debt amounted to EUR 19.3 million (EUR 19.7 million).

The Group's quick ratio was 0.6 (0.7) and the current ratio 1.3 (1.3). Cash flow from operations was EUR 1.0 million (EUR 0.9 million), and the change in cash and cash equivalents was an increase of EUR 73,000 (a decrease of EUR 0.4 million).

### **Capital expenditures**

The Group's capital expenditures amounted to EUR 0.7 million (EUR 1.3 million). The majority of these were related to the operations of the Indian company.

### **Personnel**

Incap Group employed 757 people at the end of June (727 people at the beginning of the year). The number of personnel in India increased by 49 persons and was 243 at the end of the report period. At the end of June, 35 people were temporarily laid off.

### **Shares and shareholders**

Incap Corporation has one series of shares, and the number of shares is 12,180,880. During the period under review, the share price varied between EUR 0.43 and EUR 0.99 and the last closing price of the period was EUR 0.66. During the report period, the trading volume was 16.8% of outstanding shares.

At the end of the report period, the company had 1,153 shareholders. Foreign or nominee-registered owners held 2.8% of all shares. The company's market capitalisation on 30 June 2009 was EUR 8.0 million. The company does not own any of its own shares.

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

The risks and factors of uncertainty relating to Incap's operations are described in more detail in the report by the Board of Directors dated 24 February 2009, and no significant changes have taken place with regard to these factors during the report period.

The most significant short-term risks are connected with the volume of business, the profitability as well as the financing.

Incap's sales are spread over several customer sectors, which hedges the company against sharp seasonal changes. However, market visibility is very limited.

The company's financial position is influenced by the trends in the general financial market and the company's future earnings development. Incap aims at ensuring the company's liquidity by efficient working capital management and investigate different financing options in order to enhance the financial position.

### **Outlook**

Incap's estimates of the future business development are based on its customers' forecasts and the company's own assessments. Customers' views of the future market development vary, and the forecasts are still very cautious.

In line with the earlier estimate, Incap expects that the Group's revenue in 2009 will be lower than in 2008, when it totalled EUR 93.9 million. Operating profit for the latter half of the year is estimated to be better than during the first half of the year. Full-year operating profit (EBIT) is estimated to be clearly better compared with 2008 (EUR 3.6 million negative).

**INCAP CORPORATION**  
Board of Directors

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**DISTRIBUTION**  
NASDAQ OMX Helsinki Ltd  
Principal media  
The company's website: [www.incap.fi](http://www.incap.fi)

### **PRESS CONFERENCE**

Incap will arrange a conference for the press and financial analysts on 5 August 2009 at 10:00 a.m. at the World Trade Center Helsinki, in Meeting Room 1 on the 2nd floor at

Aleksanterinkatu 17, FI-00100 Helsinki. The presentation material will be available on the company's website the same day.

#### 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

#### *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 maintenance services. Incap's customers are leading equipment suppliers in energy-efficiency and well-being technology, for which the company produces new competitiveness as a strategic partner. Incap has operations in Finland, Estonia and India. The Group's revenue in 2008 amounted to around EUR 94 million, and the company currently employs approximately 760 people. Incap's shares are listed on the NASDAQ OMX Helsinki Oy. For additional information, please visit our website, [www.incap.fi](http://www.incap.fi).*

## Annex 1

### CONSOLIDATED INCOME STATEMENT (IFRS) (EUR thousands, unaudited)

	1-6/2009	1-6/2008	Change %	1-12/2008
REVENUE	35,407	46,742	-,24	93,925
Work performed by the enterprise and capitalised				
Change in inventories of finished goods and work in progress	-264	917	-129	791
Other operating income	114	17	573	53
Raw materials and consumables used	23,204	33,638	-31	66,672
Personnel expenses	7,433	9,275	-20	18,722
Depreciation and amortisation	1,424	1,510	-6	2,823
Other operating expenses	4,187	5,182	-19	10,165
OPERATING PROFIT/LOSS	-990	-1,929	-49	-3,612
Financing income and expenses	-992	-757	31	-1,810
PROFIT/LOSS BEFORE TAX	-1,982	-2,686	-26	-5,422
Income tax expense	-3	0		21
PROFIT/LOSS FOR THE PERIOD	-1,984	-2,686	-26	-5,401
Earnings per share	-0.16	-0.22	-27	-0.44
Options have no dilutive effect in report periods 2008 and 2009				
OTHER COMPREHENSIVE INCOME	1-6/2009	1-6/2008	Change %	1-12/2008
PROFIT/LOSS FOR THE PERIOD	-1,984	-2,686	-43	-5,401
OTHER COMPREHENSIVE INCOME:				
Translation differences from foreign units	42	-270	-116	-262
Other comprehensive income, net	42	-270	-124	-262
TOTAL COMPREHENSIVE INCOME	-1,942	-2,956	-34	-5,663
Attributable to:				
Shareholders of the parent company	-1,942	-2,956	-34	-5,663
Minority interest				0

## Annex 2

### CONSOLIDATED BALANCE SHEET (IFRS)

(EUR thousands, unaudited)

	30 June 2009	30 June 2008	Change %	31 December 2008
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	10,565	12,198	-13	11,250
Goodwill	973	1,061	-8	969
Other intangible assets	1,170	1,361	-14	1,311
Other financial assets	14	19	-24	16
Deferred tax assets	4,152	4,151	0	4,148
<b>TOTAL NON-CURRENT ASSETS</b>	<b>16,874</b>	<b>18,790</b>	<b>-10</b>	<b>17,693</b>
<b>CURRENT ASSETS</b>				
Inventories	14,099	15,174	-7	16,153
Trade and other receivables	11,043	16,710	-34	14,444
Cash and cash equivalents	707	475	49	641
<b>TOTAL CURRENT ASSETS</b>	<b>25,849</b>	<b>32,359</b>	<b>-20</b>	<b>31,239</b>
<b>TOTAL ASSETS</b>	<b>42,723</b>	<b>51,149</b>	<b>-16</b>	<b>48,932</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>				
Share capital	20,487	20,487	0	20,487
Share premium account	44	44	0	44
Exchange differences	-435	-486	-10	-478
Retained earnings	-8,838	-4,079	117	-6,864
<b>TOTAL EQUITY</b>	<b>11,257</b>	<b>15,966</b>	<b>-29</b>	<b>13,190</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities	99	121	-18	99
Interest-bearing loans and borrowings	11,495	10,714	7	12,977
<b>NON-CURRENT LIABILITIES</b>	<b>11,595</b>	<b>10,835</b>	<b>7</b>	<b>13,077</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	12,097	15,369	-21	15,731
Current interest-bearing loans and borrowings	7,774	8,979	-13	6,935
<b>CURRENT LIABILITIES</b>	<b>19,871</b>	<b>24,348</b>	<b>-35</b>	<b>22,666</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>42,723</b>	<b>51,149</b>	<b>-16</b>	<b>48,932</b>

## Annex 3

### CONSOLIDATED CASH FLOW STATEMENT

(EUR thousands, unaudited)

	1-6/2009	1-6/2008	1-12/2008
Cash flow from operating activities			
Net income	-990	-1,929	-3,612
Adjustments to operating profit	1,441	1,299	2,760
Change in working capital	2,133	2,503	3,702
Interest paid	-1,580	-1,101	-1,640
Interest received	21	106	143
Cash flow from operating activities	1,024	878	1,353
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets	-603	-1,160	-1,699
Proceeds from sale of tangible and intangible assets	158	118	160
Loans granted	-4	0	0
Shares of subsidiaries sold	0	0	50
Repayments of loan receivables	2	0	1
Cash flow from investing activities	-448	-1,042	-1,488
Cash flow from financing activities			
Drawdown of loans	1,917	810	1,753
Repayments of borrowings	-1,847	-504	-838
Repayments of obligations under finance leases	-573	-523	-1,063
Cash flow from financing activities	-503	-217	-148
Change in cash and cash equivalents	73	-381	-283
Cash and cash equivalents at beginning of period	641	944	944
Effect of changes in exchange rates	-8	-88	-20
Cash and cash equivalents at end of period	707	475	641



## Annex 4

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS) (EUR thousands, unaudited)

	Share capital	Share premium account	Exchange differences	Retained earnings	Total
Equity on 1 January 2008	20,487	44	-216	-1,188	19,127
Change in exchange differences			-270		-270
Options and share-based compensation				-205	-205
Net income and losses recognised directly in equity			-270	-205	-475
Net profit/loss				-2,686	-2,686
Total income and losses			-270	-2,891	-3,161
Equity on 30 June 2008	20,487	44	-486	-4,079	15,966
Equity on 1 January 2009	20,487	44	-478	-6,864	13,189
Change in exchange differences			42		42
Options and share-based compensation				10	10
Net income and losses recognised directly in equity			42	10	52
Net profit/loss				-1 984	-1 984
Total income and losses			42	-1 975	-1 932
Equity on 30 June 2009	20 487	44	-435	-8 838	11 257

## Annex 5

### GROUP KEY FIGURES AND CONTINGENT LIABILITIES (IFRS)

	30 June 2009	30 June 2008	31 December 2008
Revenue, EUR millions	35.4	46.7	93.9
Operating profit, EUR millions	-1.0	-1.9	-3.6
% of revenue	-2.8	-4.1	-3.9
Profit before taxes, EUR millions	-1.9	-2.7	-5.4
% of revenue	-5.6	-5.7	-5.8
Return on investment (ROI), %	-3.6	-9.2	-8.6
Return on equity (ROE), %	-32.5	-30.6	-33.4
Equity ratio, %	26.4	31.2	27.0
Gearing, %	164.9	120.4	146.1
Net debt, EUR millions	19.7	18.0	20.7
Net interest-bearing debt, EUR millions	18.6	19.2	19.3
Average number of shares during the report period, adjusted for share issues	12,180,880	12,180,880	12,180,880
Earnings per share (EPS), euro	-0.16	-0.22	-0.44
Equity per share, euro	0.92	1.31	1.08
Investments, EUR millions	0.7	1.3	1.8
% of revenue	2.0	2.7	1.9
Average number of employees	730	729	735
CONTINGENT LIABILITIES, EUR millions			
FOR OWN LIABILITIES			
Mortgages	12.0	12.3	12.0
Other liabilities	6.5	7.7	8.8
Nominal value of currency options EUR thousands	0	0	0
Fair values of currency options, EUR thousands	0	0	0

## Annex 6

### QUARTERLY KEY FIGURES (IFRS)

	4-6/ 2009	1-3/ 2009	10-12/ 2008	7-9/ 2008	4-6/ 2008	1-3/ 2008
Revenue, EUR millions	16.9	18.5	25.8	21.4	26.4	20.3
Operating profit, EUR millions	-0.5	-0.5	-1.2	-0.4	-0.6	-1.3
% of revenue	-2.8	-2.8	-4.8	-2.1	-2.3	-6.5
Profit before taxes, EUR millions	-1.0	-0.9	-1.9	-0.8	-1.0	-1.7
% of revenue	-6.1	-5.1	-7.5	-3.7	-3.8	-8.3
Return on investment (ROI), %	-2.1	-4.9	-11.1	-4.1	-4.9	-13.4
Return on equity (ROE), %	-33.9	-29.8	-47.4	-18.7	-22.9	-37.0
Equity ratio, %	26.4	27.4	27.0	29.43	31.2	33.3
Gearing, %	164.9	151.1	146.1	132.6	120.4	106.5
Net debt, EUR millions	19.7	19.6	20.7	21.7	18.0	19.9
Net interest-bearing debt, EUR millions	18.6	18.6	19.3	20.1	19.2	18.3
Average number of share issue-adjusted shares during report period	12,180,8 80	12,180,8 80	12,180,8 80	12,180 880	12,180 ,880	12,180,8 80
Earnings per share (EPS), euro	-0.08	-0.08	-0.16	-0.07	-0.08	-0.14
Equity per share, euro	0.92	1.01	1.08	1.24	1.31	1.41
Investments, EUR millions	0.5	0.1	0.3	0.3	0.4	0.8
% of revenue	2.9	0.6	1.3	1.2	1.6	4.1
Average number of employees	732	728	743	739	724	733