

INCAP GROUP'S INTERIM REPORT 1 - 3/2001

Incap Group's net turnover in January - March was EUR 22.5 million and operating profit EUR 0.3 million. The net turnover of Incap Electronics grew by 20% compared to the corresponding reporting period a year previously, being EUR 13.6 million. The operating profit of Incap Electronics was EUR 0.3 million. The net turnover of Incap Furniture was EUR 8.9 million and operating profit EUR 0.1 million. The Annual General Meeting of Incap Corporation authorised the Board of Directors to raise the share capital and to lower the subscription price of the A warrants in the 2000 warrant scheme to EUR 8 and that of the B warrants to EUR 10.

Group's financial development

Incap Group's net turnover in January - March was EUR 22.5 million (EUR 21.8 million in 2000), being higher by 3% than during the corresponding period in the preceding year. The Group's operating profit was EUR 0.3 million (EUR 0.6 million), which accounts for about 1% (3%) of net turnover. The unsatisfactory profit development was due to the higher than anticipated material and subcontracting costs incurred by Incap Electronics and the shortage of components at Incap Furniture, which caused some deliveries to be delayed in January - February.

The Group's profit before extraordinary items was EUR 0.20 million (EUR 0.56 million) and profit for the reporting period EUR 0.14 million (EUR 0.40 million). Earnings per share were EUR 0.04 (EUR 0.11) and balance sheet total EUR 45.8 million (EUR 42.5 million).

Investments

The Group's total investments during the reporting period totalled EUR 1.5 million (EUR 2.8 million), or about 7 % (13%) of net turnover. Altogether EUR 0.8 million of the investments were accomplished through leasing arrangements.

Financing

Quick ratio, which reflects the company's financial status, was 1.0 and current ratio 1.6. Net debt amounted to EUR 8.5 million (EUR 6.3 million), and gearing ratio was 53.7% (36.8%). The Group's solvency ratio was 42.8% (46.4%).

Personnel

At the end of the reporting period, the Group was employing 833 (843) persons.

Annual General Meeting

The Annual General Meeting held on 18 April 2001 approved the Group's and the parent company's profit and loss account and balance sheet for the financial period ending on 31 December 2000 and discharged the Board of Directors and the presidents (Tero Frey, Rauni Nokela, Kari Saarinen) from liability. The Annual General Meeting decided to pay EUR 0.10 per share as dividend. The dividend was paid on 3 May 2001.

The Annual General Meeting appointed the following persons to continue as Board directors: Managing Director Matti Kaitera, CFE Hannu Lipponen, and President and CEO Juhani Vesterinen. Mr Jorma Terentjeff, Chairman of the Board of Avanti Management Oy was appointed as a new member of the Board. Juhani Vesterinen has been appointed by the Board of Incap Corporation to continue as its chair. Auditing community KPMG Wideri was appointed auditor, with Tapio Raappana, APA, acting as the responsible auditor.

The Board of Directors was authorised by the Annual General Meeting to raise the share capital in the manner stipulated in paragraph 1, chapter 4 of the Companies Act by making one or more subscription issues or by issuing warrants and/or convertible bonds. The authorisation will be valid for a year and will include a right to deviate from the pre-emptive right of shareholders. The Annual General Meeting lowered the subscription prices for the warrants in the 2000 warrant scheme to EUR 8 for the A warrants and EUR 10 for the B warrants. The subscription price of the shares subscribable based on the C and D warrants will remain at EUR 12. The subscription price per share will be deducted, on each record date for the distribution of dividend, by the amount of dividend paid in cash after 11 April 2000 and before the date of subscription.

Shares and shareholders

The market price of Incap Corporation's shares varied between EUR 4.25 and 5.29 during the reporting period. The company has altogether 3,510,110 shares, of which 0.20% changed hands during the reporting period. At the end of the reporting period, the company had 508 shareholders. The company's market value was EUR 16.5 million.

Subsidiary merger of Incap Electronics Ltd to Incap Corporation

The Boards of Incap Corporation and Incap Electronics Ltd approved of a merger plan on 27 March 2001, whereby Incap Electronics was to be merged to Incap Corporation, which owns all shares of the merging company. The shareholders were notified of the subsidiary

merger on 9 April 2001 by publishing the information in Helsingin Sanomat and Kaleva. The shareholders did not present, by the set deadline of 9 May 2001, any demands for an extraordinary General Meeting to be arranged. The implementation of the merger will be registered by 31 December 2001 at the latest.

Business sectors

Incap Electronics Ltd

The net turnover of Incap Electronics grew by 20% compared to the reference period, being EUR 13.6 million (EUR 11.3 million). The company's operating profit was EUR 0.31 million (EUR 0.54 million), which was about 2% of operating profit. The development of profitability was unsatisfactory. The main reasons for the poor profitability were the higher than anticipated material and subcontracting costs of some deliveries, especially in mechanical manufacturing. The outsourcing of certain functions also temporarily raised the costs. The Estonian subsidiary became fully operative after the renovation of the facility, and its balance sheet showed profit.

The Annual General Meeting of Incap Electronics Ltd on 18 April, 2001 appointed the following Board members: President Juha Oikarinen, Rauni Nokela, Vice President for Finance and Administration, President and CEO Kari Saarinen and Raimo Kuikka as a personnel representative. KPMG Wideri Oy AB was appointed auditor, with Tapio Raappana, APA, as the responsible auditor.

At the end of the reporting period, Incap Electronics and its Estonian subsidiary had 584 (579) persons on their payroll.

Incap Furniture Ltd

The net turnover of Incap Furniture Ltd. was EUR 8.9 million (EUR 10.4 million), which is less by 15% than during the corresponding period a year previously. Exports accounted for 93% of net turnover. The company's operating profit was EUR 0.12 million (EUR 0.24 million), or 1% of net turnover. The decline of both net turnover and profitability was due to the delayed deliveries of some subcontracted components needed for certain new products in January - February. When these problems in delivery were eliminated in March, both net turnover and profit began to improve.

The Annual General Meeting of Incap Furniture Ltd on 18 April, 2001 appointed the following Board members: President and CEO Pertti Karhinen, Managing Director Risto Koskimäki, President Sauli Huikuri, and President and CEO Kari Saarinen as well as Jari Madetoja as a personnel representative. KPMG Wideri Oy AB was appointed auditor, with Tapio Raappana, APA, as the responsible auditor.

At the end of the reporting period, Incap Furniture Ltd. had 242 (257) persons on its payroll.

Future prospects

The net turnover of Incap Electronics is expected to grow during the rest of the year more rapidly than during the first quarter. Part of the forecast growth will be due to the shift of full responsibility for materials from the customers to Incap Electronics. This change in the structure of net turnover will affect the comparability of relative profitability. It is also expected that the measures undertaken to enhance productivity and efficiency of material operations and purchasing will improve profitability. Moreover, fixed costs will be cut and resources targeted to the focal areas identified in the strategy.

Incap Furniture is aiming to reach a growth rate higher than the market average this year. The record-breaking volume of orders will enable large-scale production, which, together with the improvement of productivity already attained, will have a positive impact on profitability. It can hence be expected that Incap Furniture will gain the increasing volumes and profits targeted for this year. The demand in the USA is expected to increase. The growth of deliveries to the EU countries is expected to continue as forecast.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1000)

| (unaudited) | 1-3/ 2001 | 1-3/ 2000 | Change % | 1-12/ 2000 |
|--------------------------------------|--------------|--------------|-------------|---------------|
| NET TURNOVER | 22 483 | 21 776 | 3 | 86 773 |
| Operating charges | -22 201 | -21 134 | 5 | -84 930 |
| OPERATING PROFIT | 282 | 642 | -56 | 1 843 |
| Financial income and expenses | -86 | -83 | 4 | -576 |
| PROFIT BEFORE EXTRAORDINARY ITEMS | 196 | 559 | -65 | 1 267 |
| PROFIT BEFORE TAXES | 196 | 559 | -65 | 1 267 |
| Direct taxes | -57 | -162 | -65 | -491 |
| PROFIT FOR THE FINANCIAL PERIOD | 139 | 397 | -65 | 776 |

CONSOLIDATED BALANCE SHEET (EUR 1000)
(unaudited) 31.3.01 31.3.00 Change 31.12.00
%

ASSETS

| | | | | |
|--|--------|--------|-----|--------|
| NON-CURRENT ASSETS | 16 261 | 16 088 | 1 | 16 356 |
| Intangible assets | 2 153 | 1 713 | 26 | 2 100 |
| Tangible assets | 14 098 | 14 362 | -2 | 14 246 |
| Investments | 10 | 13 | -23 | 10 |
| CURRENT ASSETS | 29 551 | 26 429 | 12 | 26 059 |
| Stocks | 11 819 | 9 965 | 19 | 11 009 |
| Debtors | 14 948 | 12 520 | 19 | 11 518 |
| Short-term investments, cash in hand and at banks | 2 784 | 3 944 | -29 | 3 532 |
| TOTAL | 45 812 | 42 517 | 8 | 42 415 |

LIABILITIES

| | | | | |
|------------------------------------|--------|--------|-----|--------|
| CAPITAL AND RESERVES | 19 619 | 19 721 | -1 | 19 506 |
| Subscribed capital | 5 904 | 5 904 | - | 5 904 |
| Share premium account | 4 224 | 4 224 | - | 4 224 |
| Retained earnings | 9 352 | 9 196 | 2 | 8 602 |
| Profit for the financial period | 139 | 397 | -65 | 776 |
| CREDITORS | 26 193 | 22 796 | 15 | 22 909 |
| Deferred tax liabilities | 984 | 962 | 2 | 985 |
| Other long-term creditors | 6 654 | 7 709 | -14 | 7 033 |
| Short-term creditors | 18 555 | 14 125 | 31 | 14 891 |
| TOTAL | 45 812 | 42 517 | 8 | 42 415 |
| Earnings/share, EUR | 0,04 | 0,11 | -64 | 0,22 |
| Equity/share, EUR | 5,59 | 5,62 | -1 | 5,56 |
| Equity ratio, % | 42,8 | 46,4 | -8 | 46,0 |
| Investments, EUR million | 1,5 | 2,8 | -46 | 10,2 |
| % of net turnover | 7 | 13 | | 12 |
| Average number of personnel | 833 | 798 | | 855 |

GROUP'S LIABILITIES, EUR million

FOR ITS OWN DEBT

| | | | | |
|--------------------|------|------|--|------|
| Mortgages | 7,8 | 7,8 | | 7,8 |
| Corresponding debt | 8,7 | 5,5 | | 5,6 |
| Pledges | - | 0,2 | | - |
| Corresponding debt | - | 0,2 | | - |
| Other liabilities | 14,5 | 10,7 | | 14,1 |

FOR DEBTS OF OTHERS

| | | | | |
|---------|---|-----|--|---|
| Pledges | - | 0,1 | | - |
|---------|---|-----|--|---|

Notes to interim report: 29% of the profit for the reporting period has been calculated to be payable as taxes.

Interim report 1 - 6/2001 will be published on 16 August 2001.

Espoo, 10 May 2001

Incap Corporation
Board of Directors

Kari Saarinen
President and CEO

For further information, please contact President and CEO Kari Saarinen, tel. +358 40 830 5689, or Rauni Nokela, Vice President, Finance & Administration, tel. +358 400 383 409.

The interim report is also available in Finnish and English on Incap Group's website at www.incap.fi.