

INCAP CORPORATION'S INTERIM REPORT 1-6/2001

- Incap Corporation's net turnover grew by 2 % from last year, being EUR 46.0 million in January - June
- Both subsidiaries improved their profitability: the Group's comparable operating profit was EUR 2.0 million
- The net turnover of Incap Electronics grew as forecast, being higher by 27 % than during the corresponding period a year previously and amounting to EUR 29.5 million
- The re-building of the Kärsämäki production facility of Incap Furniture, which was destroyed in a fire, has been started.

Group's financial development

Incap Group's net turnover in January - June was EUR 46.0 million, or higher by 2 % than during the corresponding period last year (EUR 45.0 million).

The Group's comparable operating profit was EUR 2.0 million (EUR 1.0 million), which is about 4 % (2 %) of net turnover. The operating profit of EUR 8.3 million shown in the profit and loss account includes the insurance refunds for the fixed asset items destroyed in the fire of the Incap Furniture facility at Kärsämäki, which total EUR 6.3 million.

The Group's comparable profit before extraordinary items was EUR 1.7 million (EUR 0.8 million) and the profit shown in the profit and loss account was EUR 8.1 million. Comparable profit for the reporting period was EUR 1.2 million (EUR 0.6 million), and the profit shown in the profit and loss account EUR 5.7 million.

Comparable profit per share was EUR 0.35 (EUR 0.15) and the profit in the profit and loss account EUR 1.63. The balance sheet total was EUR 57.7 million (EUR 42.5 million).

Investments

The Group's total investments during the reporting period were EUR 3.3 million (EUR 4.1 million) or about 7 % (9 %) of net turnover. Most of the investments were related to the efforts to modernize production capacity and to improve efficiency. Of the capital invested, EUR 2.0 million was acquired by leasing arrangements.

Financing

Quick ratio, which reflects the company's financial status, was 1.0 (1.1) and current ratio 1.8 (1.8). Net debt amounted to EUR 7.1 million (EUR 7.5 million), and gearing ratio was 50.2 % (36.9 %). The Group's solvency ratio was 43.1 % (45.5 %).

Personnel

At the end of the reporting period, the Group was employing 904 (923) persons, which was more by 69 than at the turn of the year.

Rauni Nokela, Vice President for Finance and Administration for Incap Corporation, handed in her resignation on 31 May but continued with her duties until 14 August, after which Eija Jansson-Tervonen, CFO for Incap Electronics Ltd, has been responsible for Nokela's duties along with those of her own.

Shares and shareholders

The market price of Incap Corporation's shares varied between EUR 3.80 and 6.00 during the reporting period. The company has a total of 3,510,110 shares, of which 3.5 % changed hands during the reporting period. At the end of the period, the company had 507 shareholders. Altogether 0.75 % of the shares were in administrative registers. The company's market value was EUR 20.9 million.

A total of EUR 0.35 million were paid out as dividend during the reporting period.

The subsidiary merger of Incap Corporation and Incap Electronics Ltd is under way. The implementation of the merger will be registered on 31 December 2001 at the latest.

Business sectors

Incap Electronics

The net turnover of Incap Electronics grew by 27 % compared to the reference period, being EUR 29.5 million (EUR 23.2 million). Operating profit was EUR 1.1 million (EUR 0.54 million), or about 4 % of net turnover (2 %). Although telecommunications industry constitutes a significant customer sector, the recent fluctuations of demand in that sector have not had any appreciable impact on the company's development. Most deliveries were made to second-generation networks and switching centres, which means that the decline in the demand for mobile phones and the delay in the market entry of third-generation solutions have not impaired the company's financial performance. Net turnover and profit in the other major sectors of Incap Electronics, namely electrical engineering, measurement and process automation and health care electronics, developed nearly as forecast.

During the reporting period, the efforts towards greater operative efficiency and lower fixed costs were continued as planned. Focusing on improved service of the key customers proceeded according to plan.

The operation of the Estonian subsidiary in Kuressaar developed as anticipated, and the unit made profit. The Kuressaar unit also recruited 20 new employees.

The 2000 m² extension to the Vuokatti production facility was completed in late June and commissioned in July.

Incap Electronics and its Estonian subsidiary were employing 631 (650) people at the end of the reporting period.

Incap Furniture

The net turnover of Incap Furniture was EUR 16.5 million (EUR 21.8 million), or less by 24 % than during the corresponding period a year previously. The delivery problems experienced during the early part of the winter were eliminated in March, when both net turnover and profit began to improve. The growth was temporarily interrupted in mid-May, when the Käräsämäki facility was destroyed by a fire.

Comparable operating profit was EUR 1.1 million (EUR 0.1 million), which is over 6 % of net turnover.

The fire at the company's largest unit at Käräsämäki on 16 May destroyed the whole production facility with the exception of the drying unit, the offices and two storage buildings. The company had full insurance coverage for both the destroyed fixed assets and the suspension of operation. Co-operation with remarkable customers continues and the pending deliveries are made by the Varpaisjärvi unit and the network of subcontractors. Part of the company's staff is temporarily employed by the subcontractors to ensure quality.

A new production facility will be built to replace the burnt-down buildings. The new investment, which has already been launched, will also include the surface treatment plant and the logistics centre for which there were already construction plans. It is estimated that production can be started in February 2002.

The extraordinary general meeting of Incap Furniture Ltd appointed Director Seppo Arponen member of the board on 21 June. President Sauli Huikuri and Jari Madetoja, staff representative, resigned their respective board memberships. The board will continue with Kari Saarinen, President and CEO, as chairman and Presidents Pertti Karhinen and Risto Koskimäki as members.

At the end of the reporting period, Incap Furniture Ltd was employing 266 (266) persons, of whom 176 had been laid off or were attending training courses and 90 were working in the company's own production or for subcontractors.

Future prospects

Based on customer forecasts, the net turnover of Incap Electronics is likely to continue to grow during the latter half of the year. Profitability is expected to remain at the present level, thanks to the previously launched developmental measures and cost level optimization. The uncertainty on the market, especially in the telecommunications sector, and the delay in the market entry of the customers' new product generations may, however, affect both growth and profitability in the future. To prepare for a decline in demand, e.g. shortened weekly working hours are adopted at the Helsinki unit, where respective negotiations have been started.

The net turnover of Incap Furniture was lower than forecast due to the fire at the Kårsämäki facility. The refund from consequential loss insurance will guarantee the projected level of profitability. The company is expected to increase its market share with certain contract manufacturing customers, thanks to the investments in product development made last year. The improved efficiency of the new production facility is also likely to enhance competitiveness on the international market.

Negotiations to differentiate the furniture sector are under way.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1000)
(unaudited)

	1-6/ 2001	1-6/ 2000	Change %	1-12/ 2000
NET TURNOVER	45 988	44 999	2	86 773
Operating charges	-37 685	-43 997	-14	-84 930
OPERATING PROFIT	8 303	1 002	729	1 843
Financial incomes and expenses	-241	-203	19	-576
PROFIT BEFORE EXTRAORDINARY ITEMS	8 062	799	909	1 267
Extraordinary items	-	81	-100	-
PROFIT BEFORE TAXES	8 062	880	816	1 267
Direct taxes	-2 338	-279	738	-491
PROFIT FOR THE FINANCIAL PERIOD	5 724	601	852	776

CONSOLIDATED BALANCE
SHEET (EUR 1000)
(unaudited)

	30.6.01	30.6.00	Change %	31.12.00
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ASSETS

NON-CURRENT ASSETS	11 556	16 381	-29	16 356
Intangible assets	2 230	1 673	33	2 100
Tangible assets	9 316	14 695	-37	14 246
Investments	10	13	-23	10
CURRENT ASSETS	42 842	26 080	64	26 059
Stocks	20 464	10 470	95	11 009
Debtors	22 378	12 246	83	11 518
Short-term investments, cash in hand and at banks	3 293	3 364	-2	3 532
TOTAL	57 691	42 461	36	42 415

LIABILITIES

CAPITAL AND RESERVES	24 849	19 326	29	19 506
Subscribed capital	5 904	5 904	-	5 904
Share premium account	4 224	4 224	-	4 224
Retained earnings	8 997	8 597	5	8 602
Profit for the financial period	5 724	601	852	776
CREDITORS	32 842	23 135	42	22 909
Deferred tax liabilities	2 815	986	185	985
Other long-term creditors	5 141	7 317	-30	7 033
Short-term creditors	24 886	14 832	68	14 891
TOTAL	57 691	42 461	36	42 415

Earnings/share, euro	1,63	0,15	987	0,22
Equity/share, euro	7,08	5,51	28	5,56
Equity ratio, %	43,1	45,5	-5	46,0
Investments, million euro	3,3	4,1	-20	10,2
% of net turnover	7	9		12
Average number of staff	852	857		855

GROUP'S LIABILITIES, EUR million

FOR ITS OWN DEBT

Mortgages	9,0	7,8		7,8
Corresponding debt	6,7	6,1		5,6
Other liabilities	13,8	11,8		14,1

FOR DEBTS OF OTHERS

Pledges	-	0,1		-
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Notes to interim report:

The key figures in the table have been calculated based on the official profit and loss account. According to the calculations, 29 % of the profit for the reporting period will be payable as taxes. Due to the insurance refunds entered as income, taxes include a change of deferred tax liabilities worth EUR 1.8 million and income tax for the reporting period worth EUR 0.5 million.

The income from the insurance refund was EUR 6.3 million. The insurance refund that remains to be paid for the destroyed property and the interruption of business operations will be entered as income on an accrual basis during the future reporting periods. It is estimated that there will be such insurance refunds up till the end of February 2002, by which time the new production facility will have been commissioned and ramped up.

Interim report 1-9/2001 will be published on 6 November 2001.

Espoo, 16 August 2001

INCAP CORPORATION
Board of Directors

Kari Saarinen
President and CEO

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