



Incap Corporation

INTERIM REPORT JANUARY-JUNE 2008

INCAP

INCAP GROUP INTERIM REPORT JANUARY-JUNE 2008: REVENUE INCREASED, OPERATING PROFIT WAS NEGATIVE

- Revenue in January-June was EUR 46.7 million, up 29% on the same period the previous year (Jan-Jun 2007: EUR 36.1 million)
- Operating profit (EBIT) was EUR 1.9 million negative (EUR 1.1 million negative), or 4.1% negative of revenue (3.2% negative).
- Net profit for the report period amounted to EUR 2.7 million negative (1.5 million negative).
- Earnings per share (EPS) were EUR 0.22 negative (0.12 negative)
- Profitability was burdened by increased production costs, non-recurring items for organisational development and delayed revenue growth in India

This unaudited interim financial report has been prepared in compliance with the recognition and measurement principles of the IFRS standards. The tables in the report have been prepared in compliance with the requirements of the IAS 34 standard approved by the EU. The accounting principles and methods of the interim report are the same as in the last annual financial statements. Unless mentioned otherwise, the comparison figures used in the text portion of the report are the figures for the comparable period during the previous year. The figures for 2007 include the Indian operations as of 1 June 2007.

Revenue and earnings in April-June 2008

Revenue during the second quarter was EUR 26.4 million (4-6/2007: EUR 19.1 million) or 38% higher than during the comparable period in 2007. Compared to the first quarter in 2008, growth amounted to 30%.

The operating profit was EUR 0.6 million negative (EUR 0.04 million) and as a percentage of revenue it was 2.3% negative (0.2%). Compared to the first quarter in 2008, the operating profit improved by 55%.

Quarterly comparison (EUR thousands)	4-6/ 2008	1-3/ 2008	10-12/ 2007	7-9/ 2007	4-6/ 2007	1-3/ 2007
Revenue	26 412	20 330	26 304	20 593	19 130	16 982
Operating profit/loss	-600	-1 329	2 025	-578	44	-1 188
Net profit/loss	-1 005	-1 681	1 450	-1 071	-139	-1 342
Earnings per share, EUR	-0.08	-0.14	0.12	-0.09	-0.01	-0.11

Revenue and earnings in January-June 2008

Revenue for the first half of the year was EUR 46.7 million (Jan-Jun 2007: EUR 36.1 million) or 29% higher than during the comparable period in 2007. In addition to an upswing in the demand for some established products, revenue was increased by several new products entering actual

serial production. The figures for the comparable period include the operations in India as from 1 June 2007.

Operating profit, EUR 1.9 million negative, was weaker than during the comparable period in 2007 (EUR 1.1 million negative) and as a percentage of revenue it was 4.1% negative (3.2% negative). Sales margin was lower than expected, because the production was focused on material-intensive products and several new products were launched simultaneously to volume production. The revenue development in India was slower than expected and therefore, the fixed costs were high compared to revenue and the operations were not yet profitable. The increase in material prices could not yet be transferred to customer prices. Approximately EUR 1.9 million of revenue came from the low-margin sale of materials.

The operating profit includes approx. EUR 0.5 million of non-recurring costs connected with the development of the organisation and Group structure. During the comparable period the non-recurring costs amounted to EUR 0.6 million.

Net profit for the report period amounted to EUR 2.7 million negative (EUR 1.5 million negative). Net profit was particularly affected by an increase in financing expenses. Earnings per share amounted to EUR 0.22 negative (EUR 0.12 negative), while equity per share stood at EUR 1.31 (EUR 1.55).

Comparison by report period (EUR thousands)	1-6/2008	1-6/2007	1-12/2007
Revenue	46 742	36 113	83 010
Operating profit/loss	-1 929	-1 144	303
Profit/loss for the period	-2 686	-1 481	-1 102
Earnings per share, EUR	-0.22	-0.12	-0.09

Development of operations

Incap's deliveries increased towards the end of the report period. Integrated product entities increased their share of overall deliveries according to targets, and revenue particularly from customers in the energy technology industries developed favourably.

Several new delivery agreements were signed during the report period. An agreement signed with ABB further increased Incap's share in the manufacturing of magnetic poles for electric motors. Collaboration with Finland's Slot Machine Association (RAY) and Rapiscan Systems deepened to increasingly extensive product entities. During the report period, negotiations on new collaboration in the manufacturing of sub-assemblies for wind generators, among others, were initiated.

Collaboration with six new customers was launched in India. Integrated product entities for the energy technology and industrial electronics industries comprise the majority of the factory's production. Construction of the new premises proceeded as planned. The country organisation in India was reinforced in terms of design services, sales and materials management.

Materials operations were made more efficient by renewing the organisation and transferring the focus of procurement to India and China. Sourcing cooperation with a partner operating in China got off to a promising start, and direct material deliveries to India and Europe were carried out on schedule.

Financing and cash flow

The Group's equity ratio was 31.2% (35.2%). Interest-bearing net liabilities totalled EUR 19.2 million (EUR 18.8 million) and the gearing ratio was 120.4% (99.5%). Net financial expenses were EUR 0.8 million (EUR 0.4 million) and depreciation expenses were EUR 1.5 million (EUR 1.3 million).

The Group's equity at the close of the period under review was EUR 16.0 million (EUR 18.9 million). Debt totalled EUR 35.2 million (EUR 34.8 million), of which interest-bearing debt amounted to EUR 19.7 million (EUR 20.9 million).

The Group's quick ratio was 0.7 (0.9) and the current ratio 1.3 (1.8). Cash flow from operations was EUR 0.9 million positive (EUR 1.6 million negative) and the change in cash and cash equivalents was a decrease of EUR 0.4 million (an increase of EUR 1.7 million).

Capital expenditures

The Group's capital expenditures were EUR 1.3 million (EUR 0.6 million) or 2.7% (1.6%) of revenue.

Personnel

At the end of the report period, Incap Group had 731 employees (773) in addition to which a total of 102 leased employees worked at the company. The number of employees decreased the most in Estonia. In European operations, the number of clerical workers decreased by 13 compared to the beginning of the year. At the end of the report period, 52% of personnel worked in Finland, 27% in Estonia and 21% in India.

The co-determination negotiations concerning Incap's material and purchasing operations as well as the corporate support functions in Finland concluded in April. As a result, five people were made redundant.

Management

Sami Mykkänen was appointed President and CEO for Incap Corporation on temporary basis as from 1 June to 31 December 2008. He joined Incap in 2007 and has previously been responsible for the manufacturing services and strategic sourcing of Incap as Vice President and member of the management team. Before Incap he acted as manufacturing Director at Powerwave Shanghai and before that among others as production and purchasing director at REMEC and ADC.

Juhani Hanninen, President and CEO since 2003, assumed responsibility for the development of Incap's marketing and sales. He will also advance further internationalisation of the Group in the boards of Incap's foreign subsidiaries.

Eeva Vaajoensuu was appointed as Chief Financial Officer of Incap Group and as a member of the management team on 14 April. Her area of responsibility includes the Group's administration, financing and IT management.

Authorisations of the Board of Directors

The Annual General Meeting of 10 April 2008 authorised the Board of Directors to decide, within one year of the Annual General Meeting, on increasing the share capital through one or more rights issues and on granting stock options so that the total number of new shares to be subscribed for on the basis of the authorisation is a maximum of 4,000,000 shares, from which a maximum of 600,000 shares can be used in stock options. At the end of the report period, the Board of Directors had not exercised the authorisation.

Shares and shareholders

Incap Corporation has one series of shares and the number of shares is 12,180,880. During the report period, the share price varied between EUR 1.04 and EUR 1.60 and the closing price of the period was EUR 1.04 (EUR 2.20). During the report period, the trading volume was 8% of outstanding shares (28%).

At the end of the report period, the company had 1,074 shareholders (1,122). Foreign or nominee-registered owners held 4% (17%) of all shares. The company's market capitalisation on 30 June 2008 was EUR 12.8 million (EUR 26.8 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 3 March 2008, and no significant changes have taken place with regard to these factors during the report period.

The most significant short-term uncertainties are connected with the volume of business, the management of the costs of materials and the financing arrangements of the Indian operations. Deliveries to customers operating in the telecommunications sector will decrease during 2008 in accordance with expectations.

Events after the report period

Incap sold the entire share capital of its subsidiary Ultraprint Oy on 16 July 2008 to the operative management of the subsidiary. The business operations were passed over to the new owners the same day. The sale does not have any remarkable effect on Incap's result, and the resulting expenses have been recognised for the second quarter. The company's revenue in 2007 amounted to about EUR 1.2 million and it had 12 employees.

Outlook for the rest of 2008

Due to the uncertainty of general economic trends and the rapid fluctuation of demand typical of the industry segment, market visibility is very limited. Incap's estimates of future business development are mainly based on its customers' estimates of the trend in their own demand.

Incap's revenue estimate for the year as a whole remains unchanged. Incap estimates that the Group's revenue in 2008 will increase from last year's EUR 83.0 million. Profitability is expected to improve during the second half of the year compared to the first half of the year, but the operating profit from operations in 2008 is expected to be on the same level than in 2007.

In the earlier statement on 7 May 2008 Incap estimated that the operating profit from operations would be better than in 2007, when it was EUR 2.8 million negative.

Incap will release its January-September Interim Report on Wednesday, 5 November 2008.

Helsinki, 6 August 2008

INCAP CORPORATION
Board of Directors

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DISTRIBUTION

OMX Nordic Exchange Helsinki

Principal media

The company's website www.incap.fi

PRESS CONFERENCE

Incap will arrange a conference for the press and financial analysts today 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.

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 electronics contract manufacturer whose comprehensive service covers the entire product lifecycle from design and manufacture to maintenance services. In addition to electronics, Incap also manufactures mechanical products and parts. The company specialises in technically demanding products and entities that are manufactured in small and medium-sized production series. Incap's customers are leading equipment suppliers in telecommunications, energy, industrial electronics, security as well as in medical and well-being sectors. Incap has operations in Finland, Estonia and India. The Group's revenue in 2007 amounted to EUR 83 million and the company currently employs approx. 730 persons. Incap's share is listed on the OMX Nordic Exchange Helsinki. For additional information, please visit www.incap.fi.

Annex 1

**CONSOLIDATED INCOME STATEMENT
(IFRS)**

(EUR thousands, unaudited)

	1-6/2008	1-6/2007	Change %	1-12/2007
REVENUE	46 742	36 113	29	83 010
Work performed by the enterprise and capitalised	0	99		99
Change in inventories of finished goods and work in progress	917	-118	-877	-999
Other operating income	17	6	183	3 166
Raw materials and consumables used	33 638	24 352	38	56 896
Personnel expenses	9 275	7 458	24	15 979
Depreciation and amortisation	1 510	1 277	18	2 753
Other operating expenses	5 182	4 156	25	9 343
OPERATING PROFIT/LOSS	-1 929	-1 144	69	303
Financing income and expenses	-757	-353	114	-1 356
PROFIT/LOSS BEFORE TAX	-2 686	-1 496	80	-1 053
Income tax expense	0	15	-100	-49
PROFIT/LOSS FOR THE PERIOD	-2 686	-1 481	81	-1 102
Earnings per share	-0.22	-0.12	83	-0.09
Options have no dilutive effect in accounting periods 2007 and 2008				

Annex 2

**CONSOLIDATED BALANCE SHEET
(IFRS)**

(EUR thousands, unaudited)	30.6.2008	30.6.2007	Change %	31.12.2007
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	12 198	13 594	-10	12 883
Goodwill	1 061	1 158	-8	1 326
Other intangible assets	1 361	1 627	-16	1 575
Other financial assets	19	22	-14	21
Deferred tax assets	4 151	4 310	-4	4 223
TOTAL NON-CURRENT ASSETS	18 790	20 711	-9	20 028
CURRENT ASSETS				
Inventories	15 174	17 034	-11	14 882
Trade and other receivables	16 710	13 707	22	18 367
Cash and cash equivalents	475	2 178	-78	944
TOTAL CURRENT ASSETS	32 359	32 918	-2	34 192
TOTAL ASSETS	51 149	53 629	-5	54 220
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital	20 487	20 487	0	20 487
Share premium account	44	44	0	44
Exchange differences	-486	-48	913	-216
Retained earnings	-4 079	-1 627	151	-1 188
TOTAL EQUITY	15 966	18 856	-15	19 127
NON-CURRENT LIABILITIES				
Deferred tax liabilities	121	132	-8	121
Interest-bearing loans and borrowings	10 714	16 237	-34	11 188
NON-CURRENT LIABILITIES	10 835	16 369	-34	11 309
CURRENT LIABILITIES				
Trade and other payables	15 369	13 711	12	14 294
Current interest-bearing loans and borrowings	8 979	4 694	91	9 490
CURRENT LIABILITIES	24 348	18 404	32	23 784
TOTAL EQUITY AND LIABILITIES	51 149	53 629	-5	54 220

Annex 3

CONSOLIDATED CASH FLOW STATEMENT

(EUR thousands, unaudited)

	1-6/2008	1-6/2007	1-12/2007
Cash flow from operating activities			
Net income	-1 929	-1 144	303
Adjustments to operating profit	1 299	591	-372
Change in working capital	2 503	-831	-3 070
Interest paid	-1 101	-299	-977
Interest received	106	89	142
Cash flow from operating activities	878	-1 594	-3 974
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets	-1 160	-765	-1 974
Proceeds from sale of tangible and intangible assets	118	0	3 118
Acquisition of subsidiary	0	-8 261	-8 261
Cash flow from investing activities	-1 042	-9 026	-7 117
Cash flow from financing activities			
Drawdown of loans	810	13 641	14 316
Repayments of borrowings	-504	-671	-1 116
Repayments of obligations under finance leases	-523	-672	-1 643
Cash flow from financing activities	-217	12 298	11 557
Change in cash and cash equivalents	-381	1 678	466
Cash and cash equivalents at beginning of period	944	500	500
Effect of changes in exchange rates	-88	0	-22
Cash and cash equivalents at end of period	475	2 178	944

Annex 4

**CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY (IFRS)**

(EUR thousands, unaudited)

	Share capital	Share premium account	Exchange differences	Retained earnings	Total
Equity at 1 January 2007	20 487	44	0	-206	20 325
Options and share-based compensation	0	0	0	60	60
Net income and losses recognised directly in equity	0	0	0	60	60
Profit/loss for the period	0	0	-48	-1 481	-1 529
Total income and losses	0	0	-48	-1 421	-1 469
Equity at 30 June 2007	20 487	44	-48	-1 627	18 856
Equity at 1 January 2008	20 487	44	-216	-1 188	19 127
Options and share-based compensation	0	0	0	-205	-205
Net income and losses recognised directly in equity	0	0	0	-205	-205
Profit/loss for the period	0	0	-270	-2 686	-2 956
Total income and losses	0	0	-270	-2 891	-3 161
Equity at 30 June 2008	20 487	44	-486	-4 079	15 966

Annex 5

GROUP KEY FIGURES AND CONTINGENT LIABILITIES (IFRS)

	1-6/2008	1-6/2007	1-12/2007
Revenue, EUR millions	46.7	36.1	83.0
Operating profit, EUR millions	-1.9	-1.1	0.3
% of revenue	-4.1	-3.2	0.4
Profit before taxes, EUR millions	-2.7	-1.5	-1.1
% of revenue	-5.7	-4.1	-1.3
Return on investment (ROI), %	-9.2	-6.1	1.3
Return on equity (ROE), %	-30.6	-15.1	-5.6
Equity ratio, %	31.2	35.2	35.3
Gearing, %	120.4	99.5	103.2
Net debt, EUR millions	18.0	18.9	15.8
Net interest-bearing debt, EUR millions	19.2	18.8	19.7
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	-0.22	-0.12	-0.09
Equity per share, euro	1.31	1.55	1.57
Investments, EUR millions	1.3	0.6	1.5
% of revenue	2.7	1.6	1.9
Average number of employees	729	568	678
CONTINGENT LIABILITIES, EUR millions			
FOR OWN LIABILITIES			
Mortgages	12.3	8.8	12.3
Other liabilities	7.7	9.6	7.4

Annex 6

QUARTERLY KEY FIGURES (IFRS)

	4-6/ 2008	1-3/ 2008	10-12/ 2007	7-9/ 2007	4-6/ 2007	1-3/ 2007
Revenue, EUR millions	26.4	20.3	26.3	20.6	19.1	17,0
Operating profit, EUR millions	-0.6	-1.3	2.0	-0.6	0.0	-1,2
% of revenue	-2.3	-6.5	7.7	-2.8	0.2	-7,0
Profit before taxes, EUR millions	-1.0	-1.7	1.5	-1.1	-0.1	-1,4
% of revenue	-3.8	-8.3	5.8	-5.2	-0.8	-8,0
Return on investment (ROI), %	-4.9	-13.4	23.8	-6.5	1.5	-15,7
Return on equity (ROE), %	-22.9	-37.0	29.4	-22.5	-2.8	-27,3
Equity ratio, %	31.2	33.3	35.3	31.2	35.2	45,3
Gearing, %	120.4	106.5	103.2	124.3	99.5	61,2
Net debt, EUR millions	18.0	19.9	15.8	22.8	18.9	12,6
Net interest-bearing debt, EUR millions	19.2	18.3	19.7	22.0	18.8	11,6
Average number of shares during the report period, adjusted for share issues	12 180 880	12 180 880	12 180 880	12 180 880	12 180 880	12 180 880
Earnings per share (EPS), euro	-0.08	-0.14	0.12	-0.09	-0.01	-0,11
Equity per share, euro	1.31	1.41	1.57	1.46	1.55	1,56
Investments, EUR millions	0.4	0.8	0.4	0.5	0.3	0,3
% of revenue	1.6	4.1	1.4	2.4	1.5	1,8
Average number of employees	724	733	794	776	649	530