



Incap Corporation

INTERIM REPORT JANUARY-MARCH 2008

INCAP

INCAP GROUP INTERIM REPORT JANUARY-MARCH 2008: REVENUE INCREASED FROM THE COMPARABLE PERIOD OF THE PREVIOUS YEAR, OPERATING PROFIT WAS NEGATIVE

- Revenue stood at EUR 20.3 million or 20% higher than during the comparable period of the previous year (Q1/2007: EUR 17.0 million)
- Operating profit (EBIT) was EUR 1.3 million negative (EUR 1.2 million negative), or 6.5% negative of revenue (7.0% negative)
- Net profit for the report period amounted to EUR 1.7 million negative (1.3 million negative)
- Earnings per share (EPS) were EUR 0.14 negative (0.11 negative)

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.

Revenue and earnings in January-March 2008

Revenue during the first quarter was EUR 20.3 million (EUR 17.0 million) or 20% higher than during the comparable period in 2007. The period's operating profit, EUR 1.3 negative, was slightly lower than during the comparable period last year (EUR 1.2 million negative) and as a percentage of revenue it was 6.5% negative (7.0% negative). The comparable operating profit from actual operations during the final quarter of 2007 was EUR 1.1 million negative. The profitability of the report period was affected particularly by the focus of manufacturing on material-intensive products, which have a relatively low sales margin. The comparable period in 2007 does not include operations in India, which were consolidated into the Group on 1 June 2007.

Net profit for the report period amounted to EUR 1.7 million negative (1.3 million negative). The decline in net profit was affected by increased financing expenses. Earnings per share amounted to EUR 0.14 negative (EUR 0.11 negative), while equity per share stood at EUR 1.41 (EUR 1.56).

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

Development of operations

The company won new customer accounts during the report period and the products of some important customers moved from the prototype and preliminary series stage into actual production. A contract was concluded in February with ABB Oy Electrical Machines concerning the manufacturing of flat bar copper windings for the magnetic poles of electric motors which starts in June 2008 at Incap's factory in Vaasa.

The materials management organisation was reformed. To improve the efficiency of sourcing and procurement operations and to reduce the cost of materials, a cooperation concerning procurement of electronics and mechanics was started with a partner operating in Shanghai, Suzhou and Hong Kong. The material and purchasing operations of the Indian subsidiary were strengthened to serve the needs of the whole Group.

Indian operations

The active acquisition of new customers continued in India and cooperation with six new customers started during the report period. Most of the new products are at the prototype stage at the moment. The new customers are equipment manufacturers in energy technology and industrial electronics for which Incap supplies both electronics and product entities.

Construction work has started on the new factory in Tumkur, India and production is due to move to the new premises in November/December.

On 1 January 2008, Jarmo Kolehmainen started as the managing director of Incap's Indian subsidiary and as a member of Incap Group's Management Team. Kolehmainen has wide experience in the electronics industry and business operations in Asia.

Financing and cash flow

The Group's equity ratio was 33.3% (45.3%). Interest-bearing net liabilities totalled EUR 18.3 million (EUR 11.6 million) and the gearing ratio was 106.5% (61.2%). Net financial expenses were EUR 0.4 million (EUR 0.2 million) and depreciation expenses were EUR 0.8 million (EUR 0.7 million).

The balance sheet total at the end of the report period stood at EUR 51.7 million (EUR 41.9 million). The increase was a result of the change in the Group structure on 1 June 2007 when the operations of the acquired business in India were consolidated into the Group. The delay of some deliveries increased the inventory compared with the turn of the year.

The Group's equity at the close of the report period was EUR 17.2 million (EUR 19.0 million). Debt totalled EUR 34.5 million (EUR 22.9 million), of which interest-bearing debt amounted to EUR 18.9 million (EUR 11.7 million).

The Group's liquidity was satisfactory: the quick ratio was 0.6 (0.6) and the current ratio 1.4 (1.5). Cash flow from operations was EUR 1.8 million positive (EUR 2.6 million negative) and the change in cash and cash equivalents was a decrease of EUR 0.3 million (a decrease of EUR 0.4 million).

Capital expenditures

The Group's capital expenditures were EUR 0.8 million (EUR 0.3 million) or 4.1% (1.8%) of revenue.

Personnel and management

At the end of the report period, Incap Group had 724 employees (525) in addition to which a total of 91 leased employees worked at the company. At the end of the report period, 51% of personnel worked in Finland, 27% in Estonia and 22% in India.

Eeva Vaajoensuu, M.Sc. (Econ.), was appointed as the Chief Financial Officer of Incap Group and as a member of the Management Team after the end of report period on 14 April. Her area of responsibility includes the Group's administration, financing and IT management.

On 11 February 2008, layoff negotiations pursuant to the Co-operation Act started in the material and purchasing operations of the Finnish units and the Group support operations, which ended after the report period on 2 April 2008. The negotiations on temporary layoffs that were started at the Vuokatti unit on 28 February were interrupted on 3 April 2008 due to an improvement in demand.

Decisions of the Annual General Meeting

Incap Corporation's Annual General Meeting was held in Oulu on 10 April 2008. The AGM approved the 2007 financial statements of the Group and parent company and discharged the Board of Directors and CEO from liability. No dividend was paid for the 2007 and the loss for the financial year was transferred to retained earnings.

The AGM approved the Board of Director's proposal for a change to the Articles of Association. The company's domicile was moved from Oulu to Helsinki.

The AGM re-elected Jukka Harju, Kalevi Laurila and Susanna Miekk-oja as members of the Board of Directors. Kari Häyrynen was elected to the Board of Directors as a new member. The Board of Directors elected Kalevi Laurila as Chairman and Susanna Miekk-oja as Deputy Chairman from among its members. Authorised Public Accountants Ernst & Young Oy was selected again as the company's auditor.

The AGM authorised the Board of Directors to decide within one year of the AGM on the increase of share capital through one or more rights issues and on granting of stock options so that on the basis of the authorisation the total number of new shares to be subscribed is a maximum of 4,000,000, of which a maximum of 600,000 shares can be used in stock options.

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 1.09 and EUR 1.60 and the closing price of the period was EUR 1.10. During the report period, the trading volume was 3% of outstanding shares.

At the end of the report period, the company had 1,052 shareholders. Foreign or nominee-registered owners held 5.9% of all shares. The company's market capitalisation on 31 March 2008 was EUR 13.4 million. The company does not own any of its own shares.

Short-term risks and factors of uncertainty concerning operations

Even though Incap's sales come from several customer sectors, which evens out the effect of industry sectors' cyclical fluctuations, the loss of a single large customer can have a significant impact on the company's revenue and profitability. Incap's demand and financial position are also affected by the international economic trends.

In Incap's industry segment, contract manufacturing, there is continuous pressure on the management of cost levels and the company strives to reduce the respective risk through the improvement of operational efficiency and cost competitiveness. Rapid changes can occur in the market prices of materials and in particular there are clear signs of increases in the prices of metals.

The acquisition of a new business unit in India has increased the Group's exposure to financing risks. The interest and currency rate risks are managed with a special financing structure, based on financing instruments with fixed and variable interest rates and denominated in selected currencies.

Outlook for the rest of 2008

Incap's customers have given mainly positive estimates of the trend in their own demand. The prediction of the future development of the market is difficult due to the short visibility and the weakening of the global economic outlook.

Incap continues to expect that the Group's revenue in 2008 will increase from last year (2007: EUR 83.0 million). The profitability is expected to improve during the second half of the year and operating profit from operations in 2008 is expected to be better than in 2007 in line with the company's earlier statement. Operating profit from operations was EUR 2.8 million negative in 2007.

Incap will release its January-June Interim Report on Wednesday, 6 August 2008.

Helsinki, 7 May 2008

INCAP CORPORATION
Board of Directors

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DISTRIBUTION

OMX Nordic Exchange Helsinki

Principal media

PRESS CONFERENCE

Incap will arrange a conference for the press and financial analysts today at 10.00 a.m. at the World Trade Centre Helsinki, in Meeting Room 1 on the 2nd floor at Aleksanterinkatu 17, Helsinki.

ANNEXES

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INCAP IN BRIEF

Incap Corporation is an internationally operating electronics contract manufacturer whose comprehensive service covers the entire product life cycle from design and manufacture to repair and maintenance services. In addition to electronics, Incap also manufactures mechanical products and parts. The company specialises in technically demanding products and product entities that are manufactured in small and medium-sized production series. Incap's main customers are leading equipment suppliers in telecommunication, energy, industrial electronics, security as well as in medical and well-being. 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. 720 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)

	1-3/2008	1-3/2007	Change %	1-12/2007
REVENUE	20 330	16 982	20	83 010
Work performed by the enterprise and capitalised	0	0		99
Changes in inventories of finished goods and work in progress	882	150	488	-999
Other operating income	6	1	500	3 166
Raw materials and consumables used	14 847	11 652	27	56 896
Personnel expenses	4 485	3 898	15	15 979
Depreciation and amortisation	759	659	15	2 753
Other operating expenses	2 456	2 112	16	9 343
OPERATING PROFIT/LOSS	- 1 329	- 1 188	12	303
Financing income and expenses	-352	-165	113	-1 356
PROFIT/LOSS BEFORE TAX	-1 681	-1 352	24	-1 053
Income tax expense	0	10	-100	-49
PROFIT/LOSS FOR THE PERIOD	-1 681	-1 342	25	-1 102
Earnings per share	-0,14	-0,11	27	-0,09
Options have no dilutive effect in accounting periods 2007 and 2008				

Annex 2

**CONSOLIDATED BALANCE SHEET
(IFRS)**

(EUR thousands, unaudited)	31.3.2008	31.3.2007	Change %	31.12.2007
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	12 670	11 162	14	12 883
Goodwill	1 271	164	675	1 326
Other intangible assets	1 466	374	292	1 575
Other financial assets	21	15	40	21
Deferred tax assets	4 183	4 310	-3	4 223
TOTAL NON-CURRENT ASSETS	19 611	16 025	22	20 028
CURRENT ASSETS				
Inventories	17 425	15 579	12	14 882
Trade and other receivables	13 993	10 274	36	18 367
Cash and cash equivalents	630	62	916	944
TOTAL CURRENT ASSETS	32 048	25 915	24	34 192
TOTAL ASSETS	51 659	41 940	23	54 220
EQUITY AND LIABILITIES				
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	-365	0		-216
Retained earnings	-2 985	-1 518	97	-1 188
TOTAL EQUITY	17 181	19 013	-10	19 127
NON-CURRENT LIABILITIES				
Deferred tax liabilities	121	137	-12	121
Interest-bearing loans and borrowings	10 904	6 000	82	11 188
NON-CURRENT LIABILITIES	11 025	6 137	80	11 309
CURRENT LIABILITIES				
Trade and other payables	15 436	11 086	39	14 294
interest-bearing loans and borrowings	8 017	5 704	41	9 490
CURRENT LIABILITIES	23 453	16 790	40	23 784
TOTAL EQUITY AND LIABILITIES	51 659	41 940	23	54 220

Annex 3

CONSOLIDATED CASH FLOW STATEMENT

(EUR thousands, unaudited)

	1-3/2008	1-3/2007	1-12/2007
Cash flow from operating activities			
Net income	-1 329	-1 188	303
Adjustments to operating profit	643	647	-372
Change in working capital	2 733	-1 979	-3 070
Interest paid	-287	-129	-977
Interest received	79	2	142
Cash flow from operating activities	1 839	-2 647	-3 974
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets	-696	-290	-1 974
Proceeds from sales of tangible and intangible assets	0	0	3 118
Acquisitions of subsidiary	0	0	-8 261
Cash flow from investing activities	-696	-290	-7 117
Cash flow from financing activities			
Drawdown of loans	0	3 205	14 316
Repayments of borrowings	-1 115	-418	-1 116
Repayments of obligations under finance leases	-313	-288	-1 643
Cash flow from financing activities	-1 428	2 499	11 557
Change in cash and cash equivalents	-285	-438	466
Cash and cash equivalents at beginning of period	944	500	500
Effect of changes in exchange rates	-29	0	-22
Cash and cash equivalents at end of period	630	62	944

Annex 4

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

(EUR thousands, unaudited)

	Equity capital	Share premium account	Exchange differences	Retained earnings	Total equity
Equity at 1 January 2008	20 487	44	-216	-1 188	19 127
Options and share-based compensation	0	0	0	-116	-116
Net income and losses recognised directly in equity	0	0	0	-116	-116
Profit/loss for the period	0	0	-149	-1 681	-1 830
Total income and losses	0	0	-149	-1 797	-1 946
Equity at 31 March 2008	20 487	44	-365	-2 985	17 181
Equity at 1 January 2007	20 487	44	0	-206	20 325
Options and share-based compensation	0	0	0	30	30
Net income and losses recognised directly in equity	0	0	0	30	30
Profit/loss for the period	0	0	0	-1 342	-1 342
Total income and losses	0	0	0	-1 312	-1 312
Equity at 31 March 2007	20 487	44	0	-1 518	19 013

Annex 5

GROUP KEY FIGURES AND CONTINGENT LIABILITIES (IFRS)

	1-3/2008	1-3/2007	1-12/2007
Revenue, EUR millions	20.3	17.0	83.0
Operating profit, EUR millions	-1.3	-1.2	0.3
% of revenue	-6.5	-7.0	0.4
Profit before taxes, EUR millions	-1.7	-1.4	-1.1
% of revenue	-8.3	-8.0	-1.3
Return on investment (ROI), %	-13.4	-15.7	1.3
Return on equity (ROE), %	-37.0	-27.3	-5.6
Equity ratio, %	33.3	45.3	35.3
Gearing, %	106.5	61.2	103.2
Net debt, EUR millions	19.9	12.6	15.8
Net interest-bearing debt, EUR millions	18.3	11.6	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	-0.14	-0.11	-0.09
Equity per share, euro	1.41	1.56	1.57
Investments, EUR millions	0.8	0.3	1.5
% of revenue	4.1	1.8	1.9
Average number of employees	733	530	678
CONTINGENT LIABILITIES, EUR millions			
FOR OWN LIABILITIES			
Mortgages	12.3	6.0	12.3
Other liabilities	7.5	9.2	7.4

Annex 6

QUARTERLY KEY FIGURES (IFRS)

	Q1/2008	Q4/2007	Q3/2007	Q2/2007	Q1/2007
Revenue, EUR millions	20.3	26.3	20.6	19.1	17.0
Operating profit, EUR millions	-1.3	2.0	-0.6	0.0	-1.2
% of revenue	-6.5	7.7	-2.8	0.2	-7.0
Profit before taxes, EUR millions	-1.7	1.5	-1.1	-0.1	-1.4
% of revenue	-8.3	5.8	-5.2	-0.8	-8.0
Return on investment (ROI), %	-13.4	23.8	-6.5	1.5	-15.7
Return on equity (ROE), %	-37.0	29.4	-22.5	-2.8	-27.3
Equity ratio, %	33.3	35.3	31.2	35.2	45.3
Gearing, %	106.5	103.2	124.3	99.5	61.2
Net debt, EUR millions	19.9	15.8	22.8	18.9	12.6
Net interest-bearing debt, EUR millions	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
Earnings per share (EPS), euro	-0.14	0.12	-0.09	-0.01	-0.11
Equity per share, euro	1.41	1.57	1.46	1.55	1.56
Investments, EUR millions	0.8	0.4	0.5	0.3	0.3
% of revenue	4.1	1.4	2.4	1.5	1.8
Average number of employees	733	794	776	649	530