



INCAP

Incap Group Half-Year Financial Report January-June 2017

(unaudited)



Incap Corporation
Half-year financial report 23 August 2017 at 8.00 a.m. (EEST)

INCAP GROUP HALF-YEAR FINANCIAL REPORT FOR JANUARY-JUNE 2017 (UNAUDITED): REVENUE AND OPERATING PROFIT IMPROVED, THE COMPANY UPGRADES ITS FULL-YEAR ESTIMATE OF REVENUE

Key figures in January-June 2017

- The Group's revenue in January-June 2017 increased by 33% on corresponding period last year and amounted to EUR 23.8 million (1-6/2016: EUR 17.9 million).
- The Group's operating profit (EBIT) increased on corresponding period and amounted to EUR 2.3 million, being 10% out of revenue (EUR 2.2 million or 12% out of revenue).
- Net profit for the report period improved year-on-year and amounted to EUR 1.6 million (EUR 1.3 million).
- The company estimates that the full-year revenue in 2017 is approximately EUR 45-50 million and the operating profit (EBIT) is somewhat higher than in 2016, provided that there are no major changes in exchange rates. In 2016 the full-year revenue was EUR 38.6 million and the operating profit (EBIT) EUR 4.4 million.

Key figures in April-June 2017

- The revenue of the second quarter amounted to EUR 12.8 million, showing an increase of 39% compared with the corresponding period last year (4-6/2016: EUR 9.2 million) and up 16% compared with the first quarter of the year (1-3/2017: EUR 11.0 million).
- Operating profit (EBIT) for the second quarter was EUR 1.3 million, i.e. approximately 24% higher than in the corresponding period last year (4-6/2016: EUR 1.0 million) and in the first quarter (1-3/2017: EUR 1.0 million).

The accounting principles for the half-year report

This half-year report has been prepared in accordance with international financial reporting standards (IFRS) - IAS 34 Interim Financial Reporting standard. When preparing the release, the same principles have been used as in the 2016 financial statement. Unless otherwise stated, the comparison figures refer to the same period in the previous year. The information in this half-year financial report is unaudited.

Ville Vuori, President and CEO of Incap Group:

"Our business grew in the first half of the year according to our expectations and especially the second quarter of the year was excellent both in terms of revenue and the operating profit. Equity keeps improving, though it was not yet visible in equity ratio as inventory and receivables were peaking at the measuring point due to the growing business. The financing position of the company is good.



In India the new Goods and Services Tax was introduced as from 1 July 2017. The implementation required some additional effort from us and caused some delays in transactions between companies. The transfer went finally relatively smoothly. We prepared for the change and eventual delays by increasing the inventory volumes towards the end of June.

Performance in the Indian operations continued strong. This year the business unit in Tumkur has been a part of the Incap Group since 10 years and it has had a significant role in the internationalization and development of Incap's operations. The extension of the factory was taken successfully into use and the increased capacity enables the acquisition of new customers and production of new products.

Operations of the factory in Estonia have stabilized being on the track of profitable growth. As an act of development the company has updated its operations to meet with the latest Medical manufacturing ISO 13485/2016 certificate that is needed in the manufacture of medical devices.

Currency fluctuations have had no significant effect on the revenue or profitability.

The pressure from customers on the price reduction and the increased costs for raw-materials at the same time are challenging us also in future. I trust that we can with our efficient and lean operational model grow our business further while at the same time keeping the profitability at the present good level. The market outlook is good at the moment and I trust that our active operations aimed at realizing organic growth will produce successful results."

Incap Group's revenue and earnings in January-June 2017

Revenue for January-June amounted to EUR 23.8 million, showing an increase of 33% year-on-year (1-6/2016: EUR 17.9 million) and being 15% higher than in the latter half of the year 2016 (7-12/2016: EUR 20.8 million). The growth was mainly caused by the increased manufacturing volumes in the Estonian factory.

The operating profit (EBIT) for January-June amounted to EUR 2.3 million, improving slightly when compared with the corresponding period last year (EUR 2.2 million) and the second half of 2016 (EUR 2.2 million). The operating profit margin for the report period amounted to 10%, which is generally considered to be a good level in the business of electronics manufacturing services.

Weakening of the Indian Rupee in relation to Euro lowered the revenue by approximately EUR 0.6 million and the operating profit by approximately EUR 0.06 million.

Personnel expenses in the report period increased in line with the growing business volumes and amounted to approximately EUR 2.0 million (EUR 1.7 million). The value of inventories increased to EUR 8.0 million based on the growth of business volumes and the renewed taxation in India (EUR 5.9 million). In the most significant post-independence reform of Indian taxation various indirect taxes are integrated into a single Goods and Services Tax. The reform will improve the local business environment of enterprises.



Net financial expenses amounted to EUR 0.3 million (EUR 0.3 million). Depreciation amounted to EUR 0.2 million (EUR 0.2 million).

Net profit for the period was EUR 1.6 million (EUR 1.3 million). Earnings per share were EUR 0.36 (EUR 0.29).

COMPARISON BY REPORT PERIOD (1,000 euros)	1-6/2017	1-6/2016	7-12/2016	1-12/2015
Revenue	23,779	17,872	20,754	38,626
Operating profit/loss (EBIT)	2,251	2,202	2,184	4,386
Profit/loss for the period	1,550	1,265	1,476	2,742
Earnings per share, EUR	0.36	0.29	0.34	0.63

Investments

Investments in the report period totalled EUR 0.7 million (EUR 0.6 million), and they were connected mainly with the modernisation of the manufacturing equipment in the factory extension in India.

Balance sheet, financing and cash flow

The balance sheet total on 30 June 2017 stood at EUR 25.8 million (EUR 19.0 million). The Group's equity at the close of the report period was EUR 9.8 million (EUR 6.7 million). The equity ratio improved from the comparison period and was 37.9% (25.0 %).

Liabilities increased on the comparison period to EUR 16.0 million (EUR 12.4 million), out of which EUR 7.4 million (EUR 7.0 million) were interest-bearing. Net debt decreased to EUR 3.4 million (EUR 3.6 million). Net gearing improved and was 39% (87%).

The covenants of the company's loans include among others equity ratio and the Group's interest-bearing debt in relation to EBITDA, and their status is reviewed every six months. In the review on 30 June 2017 the target level of interest-bearing debt in relation to EBITDA was below 2.5 and the equity ratio 25.0%. The company met these covenants and the actual interest-bearing debt/EBITDA on the review date was 1.5 and the equity ratio 37.9%.

The Group's non-current interest-bearing liabilities amounted to EUR 3.3 million (EUR 3.7 million) while the current interest-bearing liabilities were EUR 4.2 million (EUR 3.3 million). Approximately EUR 2.1 million of liabilities concern the Indian subsidiary (EUR 2.6 million). Other liabilities include EUR 3.3 million of bank loans and limits granted by the company's Finnish bank and EUR 2.1 million of factoring financing used in Estonia.

As to the loans granted by the Indian bank the company has committed to follow ordinary covenants and the bank's general loan conditions.



The Group's cash position during the report period was good. The Group's quick ratio was 1.0 (0.9), and the current ratio was 1.6 (1.6).

Cash flow from operations was EUR 2.5 million (EUR 0.4 million). On 30 June 2017, the Group's cash and cash equivalents totalled EUR 3.7 million (EUR 1.2 million). The change in cash and cash equivalents showed an increase of EUR 1.5 million (decrease of EUR 0.8 million).

Aspects related to the Group's financing and liquidity are also described in the section "Short-term risks and factors of uncertainty concerning operations".

Personnel

At the end of report period, Incap Group had a payroll of 517 employees (520). 83% (89%) of the personnel worked in India, 16% (11%) in Estonia and 0.6% (0.4%) in Finland. The average number of personnel during the report period was 513 (489).

Annual General Meeting 2017

The Annual General Meeting of Incap Corporation was held on 18 April 2017 in Helsinki. A total of 27 shareholders participated in the meeting, representing approximately 53.3% of all shares and votes of the company. The Annual General Meeting adopted the financial statements for the financial period ended 31 December 2016 and decided, in accordance with the proposal of the Board of Directors, that no dividend be distributed for the financial period and that the profit for the financial period, EUR 464,201.93, be recognised in equity. The Annual General Meeting resolved to discharge the members of the Board of Directors and the President and CEO from liability.

The Annual General Meeting authorised the Board of Directors to decide to issue new shares either against payment or without payment. The authorization was given to a maximum of 436,516 new shares. The Board has not exercised the authorisation, which is valid until 18 April 2018.

Board of Directors and Auditor

In the Annual General Meeting held on 18 April 2017 Carl-Gustaf von Troil was re-elected and Per Kristiansson, Vesa Mäkelä and Johan Ålander were elected as new members to the Board of Directors. From among its members, the Board elected Johan Ålander to the Chairman of the Board.

The firm of independent accountants Ernst & Young Oy was re-elected as the company's auditor, with Bengt Nyholm, Authorised Public Accountant, acting as the principal auditor.

Shares and shareholders

Incap Corporation has one series of shares, and the number of shares at the end of the period was 4,365,168 (30 June 2016: 4,365,168).

During the report period, the share price varied between EUR 5.25 and 6.10 (EUR 5.60 and 8.65). The closing price for the period was EUR 5.81 (EUR 6.02). The trading volume during the report period was 1,329,377 shares (39,553,856 shares). The market capitalisation on



30 June 2017 was EUR 25.4 million (EUR 26.3 million). At the end of report period, the company had 2,711 shareholders (2,925). Nominee-registered or foreign owners held 36.6% (40.5%) of all shares. The company does not hold any of its own shares.

LARGEST SHAREHOLDERS on 30 June 2017	Shares, pcs	Holding , %
Nordea Bank AB (publ), Finnish branch (nominee-reg.)	637,406	14.6
Skandinaviska Enskilda Banken AB (publ.) Helsinki branch (nominee-reg.)	635,076	14.5
OY Etra Invest AB	538,000	12.3
Ilmarinen Mutual Pension Insurance Company	332,308	7.6
Danske Bank Oyj (nominee-reg.)	296,886	6.8
Nordea Life Insurance Suomi Oy	188,388	4.3
Laurila Kalevi Henrik	89,419	2.0
Penan Raudoitus Oy	76,762	1.8
Onvest Oy	66,047	1.5
OY Kontino Invest AB	56,440	1.3
10 largest in total	2,916,732	66.8

Announcements in accordance with Section 10 of Chapter 9 of the Securities Market Act on a change in holdings

The company had during the report period no announcements according to Section 10 of Chapter 9 of the Securities market Act.

Events after the end of the report period

The company announced after the end of the report period on 17 July 2017 that Ville Vuori, President and CEO of the company, has resigned and informed that he will pursue his career in the service of another company. The search for a successor has already been initiated and the target is to fill the position as soon as possible. In order to ensure a smooth transition period Ville Vuori will continue in his position until his replacement has been selected.

Short-term risks and factors of uncertainty concerning operations

General risks related to the company's business operations and sector include the development of customer demand, price competition in contract manufacturing, successful acquisition of new customers, availability and price development of raw material and components, sufficiency of funding, liquidity and exchange rate fluctuations.

The company's financial position is good and the sufficiency of financing and working capital are posing no remarkable risk. Based on the cash flow calculation prepared in connection with the half-year financial report the company estimates that the working capital of the company will meet with the demand for the forthcoming 12 months.



In the definition of internal transactions the actual value added and the so-called “arm’s length” principle are considered. After the cumulative losses in India were covered during the latter half of 2015, it is possible to repatriate profits of the Indian subsidiary also through distribution of dividends.

The value of the shares in subsidiaries in the parent group has a significant impact on the parent company’s equity and therefore on, for example, equity ratio. Based on the value calculations in connection with the financial statements for 2016 there is no need to decrease the value of the shares in subsidiaries. However, the company estimates that there is a risk connected with the valuation of the shares of the Estonian subsidiary because of the previous unprofitable operations of the subsidiary. There is no similar risk connected with the valuation of the business of the subsidiary in India.

Demand for Incap’s services and the company’s financial position are effected by global economic trends and the fluctuation among Incap’s customer industries. Even though the business environment in 2017 is evaluated to continue challenging, the general financial development is estimated to have no remarkable negative effect on the demand or the solvency of the company’s customers. The customer relationship management is of utmost importance in a challenging market situation and the management is paying special attention to it.

The company’s sales are spread over several customer sectors balancing out the impact of the economic fluctuation in different industrial sectors. In 2016, there were three customers in the Group with a revenue exceeding 10% of the total revenue of the Group. The combined revenue of these customers was 73% of the Group’s revenue.

The company’s operating segment, electronics manufacturing services, is highly competitive and there are major pressures on cost level management. The company has succeeded in increasing the efficiency of its operations and in lowering the costs remarkably. Furthermore, the company’s production is located in countries with competitive levels of wage and general costs.

The most significant exchange rate risk of the company is related to the Indian subsidiary. A remarkable part of the Group’s operations is located in India. The fluctuation in the exchange rates between Indian Rupee and Euro may have a remarkable effect on revenue and result.

The Indian subsidiary of the company had a tax audit in 2016, and based on that the tax authorities do not approve the depreciations made on the capitalized customer contracts during accounting periods 2008/2009-2012/2013 and the transfer costs during the accounting period 2011/2012. The estimated tax effect with eventual increases is amounting to a total of EUR 0.4 million. The company has raised a complaint on these tax issues and is presenting the tax debt in the off balance sheet liabilities in the balance sheet.

Strategy and targets

The positive development of profitability has enabled the strong development of the company aiming at ensuring the future growth. The operational model of the company has



been adjusted to great efficiency enabling fast decision-making and operational flexibility. In 2017 the company is targeting at growing the volume of business further and at creating prerequisites for the expansion of operations also by mergers and acquisitions.

Outlook for 2017

Incap's estimates for future business development are based both on its customers' forecasts and on the company's own assessments.

The company estimates that the Group's revenue in 2017 will be approximately EUR 45-50 million and that the operating profit (EBIT) in 2017 is somewhat higher than in 2016, provided that there are no major changes in exchange rates. The Group's revenue in 2016 was EUR 38.6 million and the operating profit (EBIT) EUR 4.4 million.

Previously on 16 May 2017 the company estimated that the revenue in 2017 would be higher than in 2016 and the operating profit (EBIT) somewhat higher than in 2016.

Incap will publish a financial business report for January-September 2017 on Tuesday, 14 November 2017.

In Helsinki, 23 August 2017

INCAP CORPORATION
Board of Directors

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The company's home page www.incapcorp.com

ANNEXES

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INCAP IN BRIEF

Incap Corporation is an international contract manufacturer. Incap's customers are leading suppliers of high-technology equipment in their own business segments, and Incap increases their competitiveness as a strategic partner. Incap has operations in Finland, Estonia, India and China, and the company currently employs approximately 520 people. Incap's share is listed on the Nasdaq Helsinki Ltd. as from 1997. Additional information: www.incapcorp.com.



Annex 1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS), CONTINUING OPERATIONS

(1,000 euros, unaudited)	1-6/2017	1-6/2016	Change, %	7-12/2016	1-12/2016
REVENUE	23 779	17 872	33,0 %	20 754	38 626
Change in inventories of finished goods	569	310	83,8 %	266	575
Other operating income	116	27	324,7 %	219	246
Raw materials and consumables used	18 341	12 955	41,6 %	15 564	28 519
Personnel expenses	1 982	1 748	13,4 %	1 782	3 531
Depreciation, amortisation and impairment losses	208	170	22,2 %	199	369
Other operating expenses	1 682	1 134	48,3 %	1 509	2 643
OPERATING PROFIT/LOSS	2 251	2 202	2,2 %	2 184	4 386
Financing income and expenses	-256	-259	-1,5 %	-294	-553
PROFIT/LOSS BEFORE TAX	1 995	1 942	2,7 %	1 890	3 833
Income tax expenses	-445	-677	-34,2 %	-414	-1 091
PROFIT/LOSS FOR THE PERIOD	1 550	1 265	22,5 %	1 476	2 742
Earnings per share *)	0,36	0,29	22,5 %	0,34	0,63

OTHER COMPREHENSIVE INCOME	1-6/2017	1-6/2016	Change, %	7-12/2016	1-12/2016
PROFIT/LOSS FOR THE PERIOD	1 550	1 265	22,5 %	1 476	2 742
OTHER COMPREHENSIVE INCOME:					
Items that may be recognized in profit or loss at a later date:					
Translation differences from foreign units	-313	-249	25,9 %	407	158
Other comprehensive income, net	-313	-249	25,9 %	407	158
TOTAL COMPREHENSIVE INCOME	1 237	1 017	21,6 %	1 883	2 900
Attributable to:					
Shareholders of the parent company	1 237	1 017	21,6 %	1 883	2 900
Non-controlling interest	0	0		0	0



Annex 2

CONSOLIDATED BALANCE SHEET (IFRS), CONTINUING OPERATIONS

(EUR thousands, unaudited)	30 June 2017	30 June 2016	Change, %	31 Dec 2016
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	2 364	2 609	-9,4 %	2 883
Goodwill	929	922	0,7 %	944
Other intangible assets	985	48	1952,8 %	40
Other financial assets	4	6	-36,2 %	6
Other receivables	873	792	10,3 %	863
TOTAL NON-CURRENT ASSETS	5 155	4 377	17,8 %	4 736
CURRENT ASSETS				
Inventories	8 015	5 888	36,1 %	6 280
Trade and other receivables	9 007	7 561	19,1 %	8 320
Cash and cash equivalents	3 660	1 189	207,7 %	2 347
TOTAL CURRENT ASSETS	20 683	14 639	41,3 %	16 947
TOTAL ASSETS	25 837	19 016	35,9 %	21 683
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital	1 000	20 487	-95,1 %	1 000
Share premium account	0	44	-100,0 %	0
Reserve for invested unrestricted equity	11 028	19 464	-43,3 %	11 028
Exchange differences	-828	-922	-10,2 %	-515
Retained earnings	-1 416	-32 410	-95,6 %	-2 966
TOTAL EQUITY	9 784	6 664	46,8 %	8 547
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	3 215	3 697	-13,0 %	3 752
NON-CURRENT LIABILITIES	3 215	3 697	-13,0 %	3 752
CURRENT LIABILITIES				
Trade and other payables	8 604	5 364	60,4 %	5 161
Current interest-bearing loans and borrowings	4 235	2 941	28,7 %	4 223
CURRENT LIABILITIES	12 838	8 305	48,3 %	9 383
TOTAL EQUITY AND LIABILITIES	25 837	19 016	35,9 %	21 683



Annex 3

CONSOLIDATED CASH FLOW STATEMENT (IFRS), CONTINUING OPERATIONS

(EUR thousands, unaudited)	1-6/2017	1-6/2016	1-12/2016
Cash flow from operating activities			
Operating profit, continuing operations	2 251	2 202	4 386
Adjustments to operating profit	294	212	508
Change in working capital	210	-1 419	-1 775
Interest paid	-218	-216	-512
Interest received	3	3	6
Paid tax and tax refund	1	-407	-1 486
Cash flow from operating activities	2 541	375	1 126
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets	-711	-612	-982
Cash flow from investing activities	-711	-612	-982
Cash flow from financing activities			
Drawdown of loans	192	3 294	4 712
Repayments of borrowings	-546	-3 887	-4 612
Cash flow from financing activities	-354	-593	100
Change in cash and cash equivalents	1 476	-830	245
Cash and cash equivalents at beginning of period	2 347	2 068	2 068
Effect of changes in exchange rates	-162	-48	35
Cash and cash equivalents at end of period	3 660	1 189	2 347



Annex 4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS), CONTINUING OPERATIONS

(EUR thousands, unaudited)	Share capital	Share premium account	Reserve for invested unrestricted equity	Exchange differences	Retained earnings	Total
Equity at 1 January 2017	1 000	0	11 028	-515	-2 966	8 547
Total comprehensive income	0	0	0	0	1 550	1 550
Currency translation differences	0	0	0	-313	0	-313
Directed share issue	0	0	0	0	0	0
Other changes	0	0	0	0	0	0
Equity at 30 June 2017	1 000	0	11 028	-828	-1 416	9 784
Equity at 1 January 2016	20 487	44	19 464	-673	-33 675	5 647
Total comprehensive income	0	0	0	0	1 265	1 265
Currency translation differences	0	0	0	-249	0	-249
Other changes	0	0	0	0	0	0
Equity at 30 June 2016	20 487	44	19 464	-922	-32 410	6 664



Annex 5

GROUP KEY FIGURES AND CONTINGENT LIABILITIES (IFRS), CONTINUING OPERATIONS

(unaudited)	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Revenue, EUR million	23,8	17,9	38,6
Operating profit/loss, EUR million	2,3	2,2	4,4
% of revenue	9,5	12,3	11,0
Profit/loss before taxes, EUR million	2,0	1,9	3,8
% of revenue	8,4	10,9	10,0
Return on investment (ROI), %	27,0	32,9	29,6
Return on equity (ROE), %	33,8	41,1	38,6
Equity ratio, %	37,9	35,0	39,4
Net Gearing, %	38,7	87,0	65,8
Net debt, EUR million	3,4	5,8	5,6
Quick ratio	1,0	0,9	1,1
Current ratio	1,6	1,6	1,8
Average number of shares during the report period, adjusted for share issues	4 365 168	4 365 168	4 365 168
Earnings per share (EPS), EUR	0,36	0,29	0,63
Equity per share, EUR	2,24	1,53	1,96
P/E ratio	16,4	20,8	8,7
Trend in share price			
Minimum price during the period, EUR	5,25	5,60	4,95
Maximum price during the period, EUR	6,10	8,65	8,65
Mean price during the period, EUR	5,68	7,04	6,43
Closing price at the end of the period, EUR	5,81	6,02	5,46
Total market capitalisation, EUR million	25,4	26,3	23,8
Trade volume, no. of shares	1 329 377	39 553 856	40 565 856
Trade volume, %	30	-	-
Investments, EUR million	0,7	0,6	1,0
% of revenue	3,0	3,4	2,5
Average number of employees	513	498	511
Personnel at the end of period	517	520	514
CONTINGENT LIABILITIES, EUR million			
FOR OWN LIABILITIES			
Mortgages and pledges	14,4	16,3	14,6
Surrender liability of trade receivables sold to finance company	2,0	0,8	2,2
Off balance sheet liabilities	1,6	1,6	3,0
Transactions with closely-related parties			
The company has no transactions with closely-related parties			



Annex 6 CALCULATION OF KEY FIGURES

Return on investment, %	$\frac{100 \times (\text{profit/loss for the period} + \text{financial expenses} + \text{taxes})}{\text{equity} + \text{interest-bearing financing loans}}$
Return on equity, %	$\frac{100 \times \text{profit/loss for the period}}{\text{average equity during the financial period}}$
Equity ratio, %	$\frac{100 \times \text{equity}}{\text{balance sheet total} - \text{advances received}}$
Net gearing, %	$\frac{100 \times \text{net debt}}{\text{equity}}$
Net debt	interest-bearing debt - cash and cash equivalents
Quick ratio	$\frac{\text{current assets}}{\text{short-term liabilities} - \text{short-term advances received}}$
Current ratio	$\frac{\text{current assets} + \text{inventories}}{\text{short-term liabilities}}$
Earnings per share	$\frac{\text{net profit/loss for the period}}{\text{average number of shares during the period, adjusted for share issues}}$
Equity per share	$\frac{\text{equity}}{\text{number of shares at the end of the period, adjusted for share issues}}$
Capital expenditure	VAT-exclusive working capital acquisitions, without deduction of investment subsidies
Average number of employees	Average of personnel numbers calculated at the end of each month
Total market capitalisation	Closing price for the period x number of shares available for public trading