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**Tervetuloa Incap Oyj:n varsinaiseen yhtiökokoukseen**  
**Welcome to Incap Corporation's Annual General Meeting**

6.4.2016

# Esityslista / Agenda

1. **Kokouksen avaaminen** / Opening of the meeting
2. **Kokouksen järjestäytyminen** / Calling the meeting to order
3. **Pöytäkirjantarkastajien ja ääntenlaskun valvojen valitseminen** / Election of persons to scrutinise the minutes and to supervise the counting of votes
4. **Kokouksen laillisuuden toteaminen** / Recording the legality of the meeting
5. **Läsnä olevien toteaminen ja ääniluettelon vahvistaminen** / Recording the attendance at the meeting and adoption of the list of votes
6. **Vuoden 2015 tilinpäätöksen, toimintakertomuksen ja tilintarkastuskertomuksen esittäminen - Toimitusjohtajan katsauksen esittäminen** / Presentation of the annual accounts, the report of the Board of Directors and the auditor's report for the year 2015 - Review by the President and CEO



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# **Toimitusjohtajan katsaus / Review by the CEO**

## **Tilinpäätöksen esittely / Presentation of annual accounts**

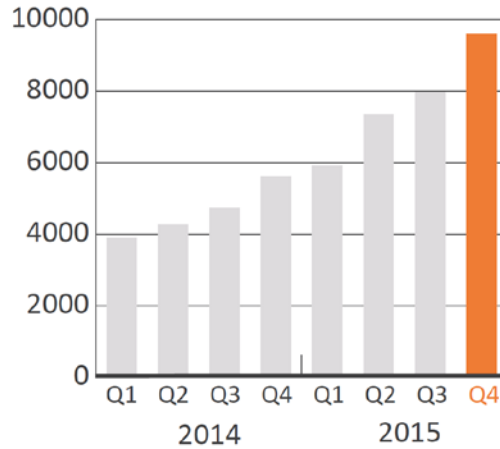
Ville Vuori, CEO

# Review by the CEO

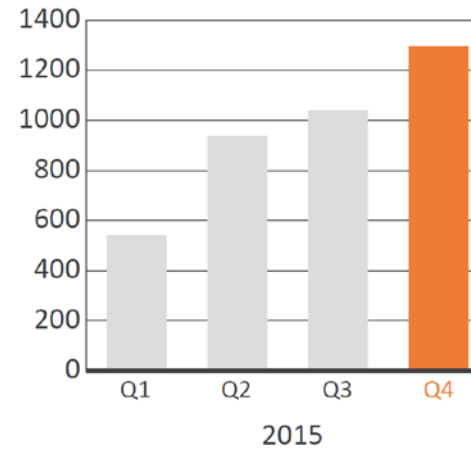
- Performance in 2015
- Financing
- Organisation & Operation
- Customers
- India Review
- Forecasting Challenge
- Outlook 2016
- Market Cap
- Summary
- Annual Accounts

# Performance in 2015

REVENUE, KEUR



EBIT, KEUR



KEY FIGURES (IFRS)		2015	2014
Revenue	EUR million	30.6	18.5
Operating profit (EBIT)	EUR million	3.7	1.1
share of revenue	%	12	6
Operating profit before taxes	EUR million	3.2	0.3
Profit for the period	EUR million	2.0	0.2
Earnings per share (EPS)	EUR	0.01	0.00

# Financing

**Feb:** New instalment program with Finnish bank

**June:** Directed share issue, net 2MEUR

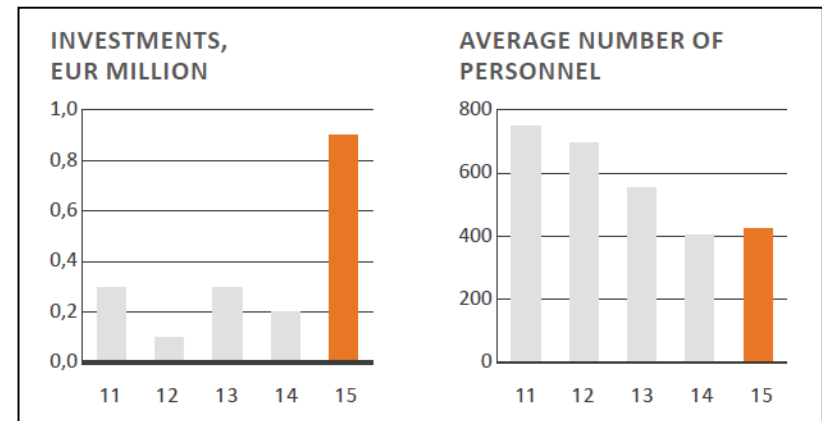
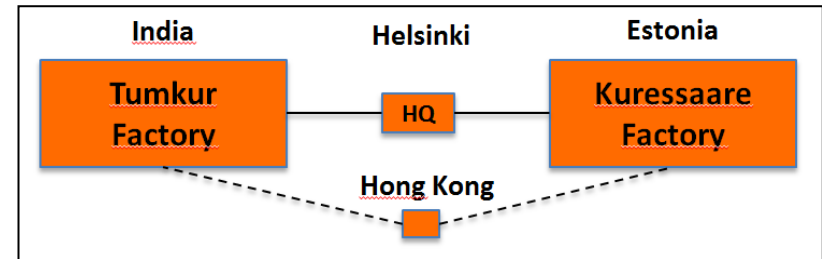
**September:** Repaid Finnfund 's share capital investment of 1.9MEUR in Indian subsidiary in 2009.

**Subsequently, March 2016:** Finnvera's guarantee release

STATUS OF THE COMPANY'S FINANCING ON 31 DECEMBER 2015			
Loans from credit institutions	Balance on 31 Dec 2015	Balance on 31 Dec 2014	Expiry date
1. Factoring limit (< EUR 1.2 million)	753	608	for the present
2. Account with credit facility (< EUR 1.5 million)	1,077	1,410	for the present
3. Bank loan in Finland	0	68	29 Jan 2015
4. Bank loan in Finland	1,567	1,912	29 Oct 2018
5. Bank loan in Finland	824	824	6 Aug 2017
6. Bank loan in Finland	463	495	16 Oct 2018
7. Bank loan in Finland	184	364	29 Jan 2017
8. Account with credit facility in India	2,384	1,275	several
9. Finnfund's investment in Indian operations	0	1,899	22 Jul 2015
<b>Total</b>	<b>7,252</b>	<b>8,854</b>	
<b>Other loans</b>			
OP-loan (previous convertible loan 2007)	0	239	30 Jun 2015
Other loans	46	46	1 Sep 2018
Pension loan (India)	321	210	–
<b>Total</b>	<b>367</b>	<b>496</b>	
<b>Total</b>	<b>7,620</b>	<b>9,349</b>	

# Organization & Operation

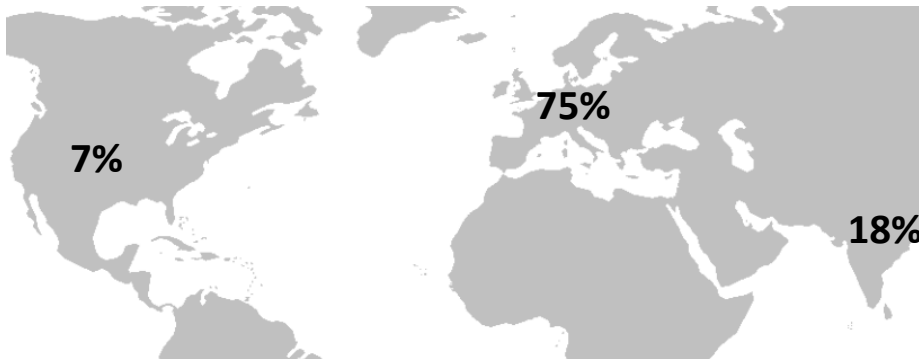
- Clear and streamlined corporate structure – Fast decision making
- Lean HQ in Finland, all support functions outsourced
- Same ERP (SAP) in both factories
- MD Appointed to Estonia
- Personnel at year end 468 (423)
- Investments to production & service accelerated: 0.9MEUR (0.2MEUR)





# Customers

- As a company policy and as per a request from the customers, we don't disclose the names of majority of the customers.
- Most customers can be allocated under Industrial Electronics segments. Also customers from Consumer electronics and medical electronics.
- The new market promise with strong emphasis on customer service has proven to be successful and we have won new customer and new projects from existing customers. The revenue growth was 65% in 2015.
- The establishment of a new account takes time: In 2015, 8 customers were >500k€ in revenues. In 2016, we expect 3 more customer to reach above that level.
- Two biggest customers contributed to 65% of revenue in 2015. Due to new customers and overall growth, this share is showing a declining trend in 2016.



Geographic division of external customers' revenue	1 Jan–31 Dec 2015
Europe	22,742
North America	2,055
South America	59
Asia	5,679
Africa	30
	<b>30,566</b>



# Indian opportunity

- *“India to be the third largest economy in the world by 2030.*
- *The Indian electronics system design & manufacturing (ESDM) industry is one of the fastest growing sectors in India.*
- *Witnessing uninterrupted growth the ESDM industry in India is globally renowned for its consumption potential.*
- *Changing global landscapes in electronics design & manufacturing capabilities and cost structures have turned the attention of global companies towards India.*
- *Companies from around the world are looking to build local capabilities in India not just to serve the resident market but to also cater to overseas market.*
- *The Indian ESDM industry was estimated to be \$68.31 billion in 2012 and with expected Compounded Annual Growth Rate (CAGR) of 9.88% the corresponding size of the industry is anticipated to be \$94.20 billion by 2016.*
- *The GDP of India grew at an estimated 7.50% during the F.Y 2015-16 and is expected to grow between 7 to 8% in the coming two years.”*

**Source: Indian ESDM Market-Analysis from Opportunity & Growth Plan-Indian Electronics of Semiconductor Association and from Frost and Sullivan Report**

## Summary

- ESDM industry is one of the fastest growing sectors in India.
- India not just to serve the resident market but to also cater to overseas market.
- Indian ESDM industry \$68.31 billion in 2012 and \$94.20 billion by 2016.
- GDP growth between 7 to 8%

# Indian Opportunity

## How do we see it?

- Growth in Exports from India
- Growth in Domestic Sales in India
- Global enterprises appear to be localizing the supply chains to India
- Indian Acquisitions discounting future growth: 74% share of a peer competitor acquired with valuation of 1.2 x Revenue / 23 x Net profit (Source: The Times of India)

## How do we utilize it?

- Increasing customer awareness of Incap as the European EMS in India (Sales)
- Ensuring the capacity in India and continuously improving the capabilities

Geographic division of external customers' revenue	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Europe	22,742	12,062
North America	2,055	1,681
South America	59	0
Asia	5,679	4,756
Africa	30	0
	<b>30,566</b>	<b>18,499</b>

# Forecasting challenge

## Fundamentals:

- Currency fluctuations can be major and hedging is difficult for transactions within India.
- Short outlook to the market – fixed orders typically cover few months only.
- Customers are conservative in their estimates.
- "Fast track" -orders cannot be estimated, yet they have great effect particularly to profitability.
- Visibility improves in Q2.



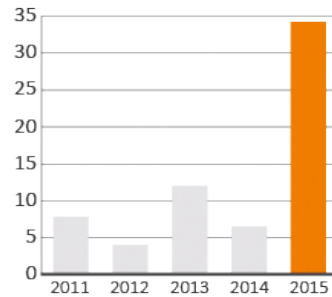
## Outlook for 2016

The Group's revenue in 2016 is estimated to be higher than in 2015 and the operating profit (EBIT) is estimated to be approximately at the same level than in 2015, provided that there are no major changes in exchange rates.

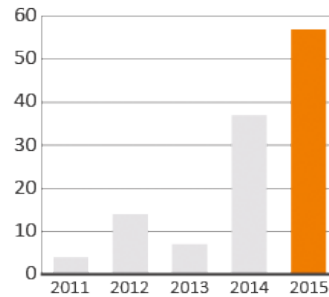
The estimate will be specified more accurately quarterly.

# Market Cap

**Total market capitalisation at 31 Dec, EUR million**



**Trade volume, %**



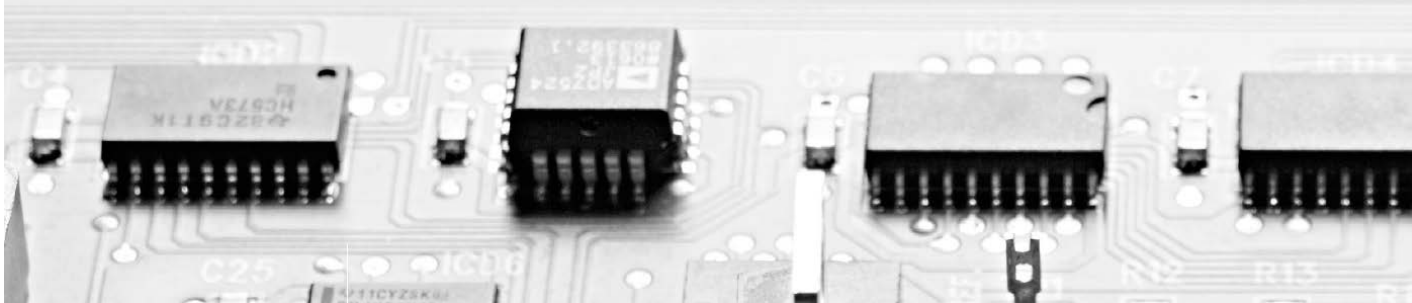
		<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Total market capitalisation at 31 Dec	EUR million	34.3	6.5	12.0	4.0	7.8
Trade volume	no. of shares	123,997,394	40,584,525	7,065,282	2,952,411	746,382
Trade volume	%	57	37	7	14	4

# Summary

**Concentration and lean operations enable good profitability**

**Marketing message and positioning work well and the company is able to tackle further organic growth**

**Well-positioned to capture the emerging opportunity in India**



# ANNUAL ACCOUNTS



# Financial highlights 2015

Net sales, Million EUR 30,6 (18,5)

- Revenue growth 65 %
- Old and new customers
- Growth 48% with comparative exchange rates (INR)

Operating profit, Million EUR 3,7 (1,1)

- Volume increase, efficiency
- Improvement due to exchange rates (INR) 0,5 Million EUR

Operating profit margin % 12 % (6 %)

Income tax expense, Million EUR 1,2 (0,2)

- India (Cumulative losses in India wiped out in May)

Operational cashflow, Million EUR 1,0 (-0,7)

# Financial highlights 2015

Investments, Million EUR 0,9 (0,2)

- Growth investments

Net working capital Million EUR 7,1 (5,3)

- Capital need for growth
- 23% of revenue (29%)

Return on investment % 26,0 % (11,2)

Net debt, Million EUR 5,6 (7,5)

- Improved cash flow
- Share issue

Equity ratio % 31,2 % (9,9)

- Group equity 5,6 Million EUR (1,4)
- Net result improvement
- Share issue

# Financial highlights 2015

- Auditors have removed the additional comments from the audit report regarding the sufficiency of net working capital

<b>CONSOLIDATED INCOME STATEMENT, Million EUR</b>	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Revenue</b>	<b>30,6</b>	<b>18,5</b>	<b>12,1</b>
Other operating income	0,0	0,3	-0,3
Operating expenses	26,6	17,4	9,2
Depreciation and amortisation	0,3	0,3	0,0
<b>Operating profit</b>	<b>3,7</b>	<b>1,1</b>	<b>2,6</b>
Financial income and expenses	-0,5	-0,7	0,2
<b>Profit before tax</b>	<b>3,2</b>	<b>0,4</b>	<b>2,8</b>
Income tax expenses	-1,2	-0,2	-1,0
<b>Profit for the year, continuing operations</b>	<b>2,0</b>	<b>0,2</b>	<b>1,8</b>

<b>CONSOLIDATED BALANCE SHEET, Million EUR</b>	<b>2015</b>	<b>2014</b>	<b>Change</b>
Goodwill	0,9	0,9	0,0
Other non-current assets	3,2	2,7	0,5
Inventories	5,2	3,4	1,8
Trade and other receivables	6,8	5,6	1,2
Cash	2,0	1,8	0,2
<b>Total assets</b>	<b>18,1</b>	<b>14,4</b>	<b>3,7</b>
Equity	5,6	1,4	4,2
Interest-bearing liabilities	7,6	9,3	-1,7
Non-interest-bearing liabilities	4,9	3,7	1,2
<b>Total liabilities</b>	<b>18,1</b>	<b>14,4</b>	<b>3,7</b>

## Esityslista / Agenda

- 7. Tilinpäätöksen hyväksyminen / Adoption of the annual accounts**
- 8. Taseen osoittaman voiton käyttäminen ja osingonmaksusta päättäminen /**  
Resolution on the use of the profit shown on the balance sheet and the payment of dividends
- 9. Vastuuvapaudesta päättäminen hallituksen jäsenille ja toimitusjohtajalle /**  
Resolution on the discharge of the members of the Board of Directors and the President and CEO from liability
- 10. Hallituksen jäsenten palkkioista päättäminen /** Resolution on the remuneration of the members of the Board of Directors
- 11. Hallituksen jäsenten lukumäärästä päättäminen /** Resolution on the number of members of the Board of Directors
- 12. Hallituksen jäsenten valitseminen /** Election of members of the Board of Directors

## Esityslista / Agenda

13. **Tilintarkastajan palkkiosta päättäminen** / Resolution on the remuneration of the auditor
14. **Tilintarkastajan valitseminen** / Election of auditor
15. **Yhtiön osakkeiden lukumäärän vähentäminen uusia osakkeita luovuttaen ja omia osakkeita lunastaen** / Reducing the quantity of company's shares by way of issuing new company shares and by the redemption of company's own shares



# **REDUCTION OF THE QUANTITY OF SHARES THE REVERSE SPLIT**

## Board's proposal for reverse split

The Board proposes that the General Meeting would decide to reduce the quantity of Incap's shares in such a way that each current 50 shares shall correspond to 1 share (reverse split).

During recent years, Incap's share price has constantly been below 0.20€. Incap has managed to turn its business to profitable growth last year. The purpose of the reverse split is to improve the trade conditions of the shares and the reliability of their price formation.

The reverse split is proposed to be executed by:

- Issuing a minimum amount of new shares to each shareholder free of charge so that the number of all shares per book-entry accounts owned by the shareholders are divisible by 50, and
- Then redeeming free of charge 49 shares for every 50 shares.

No action by individual shareholders is needed. Trading with the new total number of shares starts approximately on 11 April.

# Esityslista / Agenda

- 16. Osakepääoman alentaminen tappioiden kattamiseksi ja varojen siirtämiseksi sijoitetun vapaan oman pääoman rahastoon / Reduction of share capital to cover losses and to transfer funds to unrestricted equity reserves**

# SHARE CAPITAL REDUCTION

# Reduction of share capital to cover losses and to transfer funds to reserve for invested unrestricted equity

## WHY THIS?

Limit is set in the Companies Act, chapter 20, section 23: Equity shall be more than half of the share capital.

Board of Directors proposes to the AGM that the losses accumulated before and on the financial period ending on 31 December 2015 be covered by decreasing the unrestricted equity reserve by EUR 16,804,218.62, by decreasing the share premium account by EUR 44,316.59 and by decreasing the share capital by EUR 11,118,952.29.

After covering the losses the share capital would further be decreased by EUR 8,367,817.21 by transferring the funds to the invested unrestricted equity reserve.

# Action to resolve the issue

## Accumulated losses 31.12.2015

27.967.487,50	Present accumulated losses
-44.316,59	Share premium account
<u>-16.804.218,62</u>	<u>Invested unrestricted equity reserve</u>
11.118.952,29	Remaining loss to be covered

## Share capital 31.12.2015

20.486.769.50	Present share capital
11.118.952,29	Reduction of share capital to cover losses
<u>- 8.367.817,21</u>	<u>Reduction of share capital to invested unrestricted equity reserve</u>
1.000.000,00	New share capital

# Equity

	After change	Before change
Share capital	1.000.000,00	20.486.769,50
Share premium account	0,00	44.316,59
Reserve for invested unrestricted equity	8.367.817,21	16.804.218,62
<u>Accumulated losses</u>	<u>0,00</u>	<u>-27.967.487,50</u>
Total equity	9.367.817,21	9.367.817,21



# Process

1. AGM approval
2. Application to Trade Register within one month
  - Reduction of share capital
  - Launch of creditor protection procedure
3. PatentRegisterBoard (PRH) publishes a note to debtors in the public newspaper (note period is three months). Incap sends a notice to debtors, the debtors inform if they are against the reduction of share capital.
  - If no objections → reduced share capital is entered into Trade Register
  - If objections → debt is paid or renegotiation of debt and agreement. If not successful, the arrangement becomes void.
4. Restriction to distribute dividends
  - Reducing the share capital results in a restriction concerning the distribution of dividends for three years following the registration of the reduced share capital.

# Osakepääoman alentaminen tappioiden kattamiseksi ja varojen siirtämiseksi sijoitetun vapaan oman pääoman rahastoon

MIKSI?

Osakeyhtiölain 20 luvun 23 §:ssä mukaan oman pääoman tulee olla yli puolet osakepääomasta.

Hallitus ehdottaa yhtiökokoukselle, että 31.12.2015 ja sitä ennen päättyneiden tilikausien aikana kertyneet tappiot katettaisiin alentamalla yhtiön vapaan oman pääoman rahastoa 16.804.218,62 eurolla, ylikurssirahastoa 44.316,59 eurolla ja osakepääomaa 11.118.952,29 eurolla.

Tappioiden kattamisen jälkeen osakepääomaa alennettaisiin edelleen 8.367.817,21 eurolla siten, että varat siirrettäisiin sijoitetun vapaan pääoman rahastoon.

# Tilanteen korjaamiseksi seuraavat toimenpiteet

## Kertyneet tappiot 31.12.2015

27.967.487,50	Nykyiset kertyneet tappiot
-44.316,59	Ylikurssirahasto
<u>-16.804.218,62</u>	<u>Sijoitetun vapaan pääoman rahasto</u>
11.118.952,29	Jäljelle jäävät katettavat tappiot

## Osakepääoma

20.486.769,50	Nykyinen osakepääoma
-11.118.952,29	Osakepääoman alentaminen tappioiden kattamiseksi
<u>- 8.367.817,21</u>	<u>Osakepääoman alentaminen sijoitetun vapaan oman pääoman rahastoon</u>
1.000.000,00	Uusi osakepääoma

# Oma pääoma

	Muutoksen jälkeen	Ennen muutosta
Osakepääoma	1.000.000,00	20.486.769,50
Ylikurssirahasto	0,00	44.316,59
Sijoitettu vapaan oman pääoman rahasto	8.367.817,21	16.804.218,62
<u>Kertyneet voittovarot/tappiot</u>	<u>0,00</u>	<u>-27.967.487,50</u>
Oma pääoma yhteensä	9.367.817,21	9.367.817,21

# Prosessin kulku

1. Yhtiökokouksen hyväksyminen
2. Kaupparekisteri-ilmoitus
  - osakepääoman alentaminen
  - velkojainsuojamenettelyn käynnistäminen
3. PRH tekee viran puolesta julkisen kuulutuksen velkojille julkisessa lehdessä. Kuulutusaika on 3 kuukautta. Yritys lähettää ilmoituksen velkojilleen. Velkojien täytyy ilmoittaa, mikäli vastustavat osakepääoman alentamista.  
EI VASTUSTUSTA → alentunut osakepääoma merkitään kaupparekisteriin  
VASTUSTUS → velka maksetaan tai → velkojen uudelleen neuvottelu ja sopiminen. Jos tämä ei onnistu, järjestely raukeaa.
4. Osingonjakokiello  
Tappioiden kattamisen ja osakepääoman alentamisen johdosta yhtiöllä on kolmen vuoden osingonjakokiello alkaen osakepääoman alentamisen rekisteröinnistä.

## Esityslista / Agenda

- 17. Hallituksen valtuuttaminen päättämään osakeannista sekä optio-oikeuksien ja muiden osakkeisiin oikeuttavien erityisten oikeuksien antamisesta / Authorising the Board of Directors to decide on the issuance of shares as well as the issuance of other special rights entitling to shares**
- 18. Kokouksen päättäminen / Closing of the meeting**