

The cover features a green printed circuit board (PCB) with various electronic components like resistors, capacitors, and integrated circuits. The board is set against a background of a warm, golden-brown wood grain texture. A diagonal beam of light cuts across the image from the bottom left towards the top right. The company name 'INCAP' is prominently displayed in white on a dark grey rectangular background in the upper left corner.

INCAP

companies

Annual Report 1998

Business philosophy

Incap Group provides contract manufacturing services for the export market in self-assembly solid softwood furniture and electronics.

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To the shareholders

Annual general meeting

The annual general meeting of Incap Corporation will be held at 11:00 on Wednesday, 7 April 1999, in the America cabinet of the Oulu Technopolis main building, address Teknologiantie 1, Oulu, Finland.

Persons intending to attend the meeting should register by 16:00 on Friday, 1 April 1999, by calling Maija Aronen at Incap Oulu, tel. +358 8 551 4567, or by a letter addressed to Incap Corporation, Teknologiantie 13, FIN-90570 Oulu.

Each shareholder intending to attend the annual meeting must be listed on the shareholder register maintained by the Finnish Central Securities Depository (APK), 1 April 1999 at the latest.

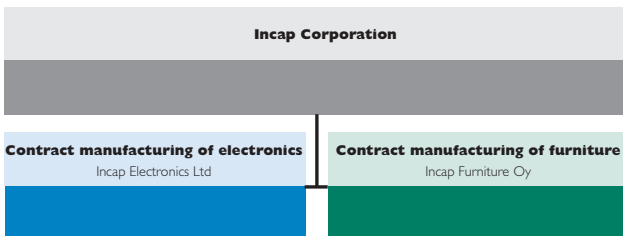
Proposal for the distribution of dividend

The board of directors of Incap Corporation will propose at the annual general meeting that dividends worth FIM 1.50 should be paid to the 3,510,110 dividend-earning shares for the financial period of 1998. Each shareholder listed on the shareholder register maintained by the Finnish Central Securities Depository (APK) on the record date of 12 April 1999 will be entitled to the dividend as proposed by the board. The dividends will be paid on 20 April 1999.

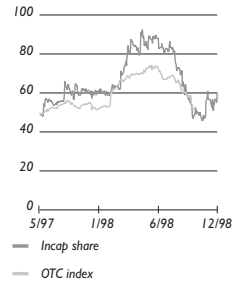
Financial information 1999

Interim reports : January-March 4 May 1999, January-June 11 Aug. 1999,
January-September 3 Nov. 1999

The annual report and interim reports will be available in both Finnish and English on Incap Group's website at www.incap.fi or by post from: Incap Corporation, Communications, Paula Kähkönen, Lönnrotinkatu 8, FIN-87100 Kajaani, tel. +358 8 551 4161, fax +358 8 551 4162,
e-mail: paula.kahkonen@incap.fi



Quotations for Incap shares and OTC index from 5 May 1997 to 31 Dec. 1998, FIM

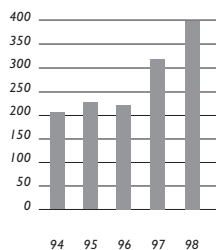


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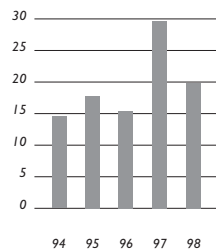
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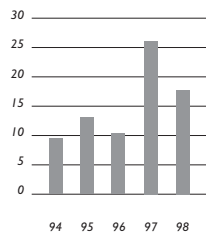
Net turnover, FIM million



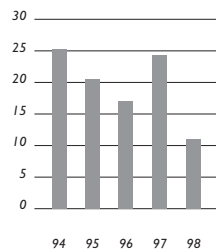
Operating profit, FIM million



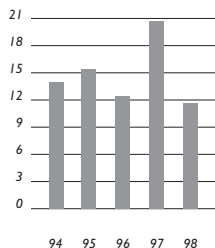
Income before extraordinary items and taxes, FIM million



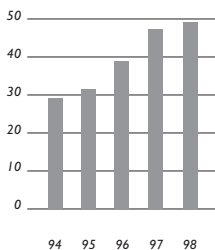
Return on equity, %



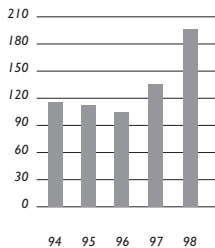
Return on investment, %



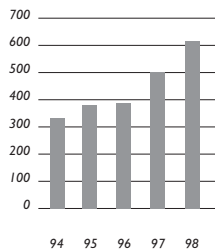
Equity ratio, %



Exports, FIM million



Average number of employees



Year 1998 in brief

Investments

Incap Group made substantial investments to expand its business and to develop technologies. The extensions to the Helsinki and Kärsämäki production units, which were completed by the end of 1997, were commissioned in early 1998. The extensions to the Vuokatti and Varpaisjärvi production units were completed last summer. The investments amounted to FIM 34 million.

Special issue to personnel

The Incap Corporation general annual meeting decided to issue shares for subscription by Incap Group's permanent personnel and employees. They were further given a right, upon certain conditions, to subscribe options. The special issue, which was aimed as an employee benefit and incentive scheme, was accomplished successfully.

Personnel training programme

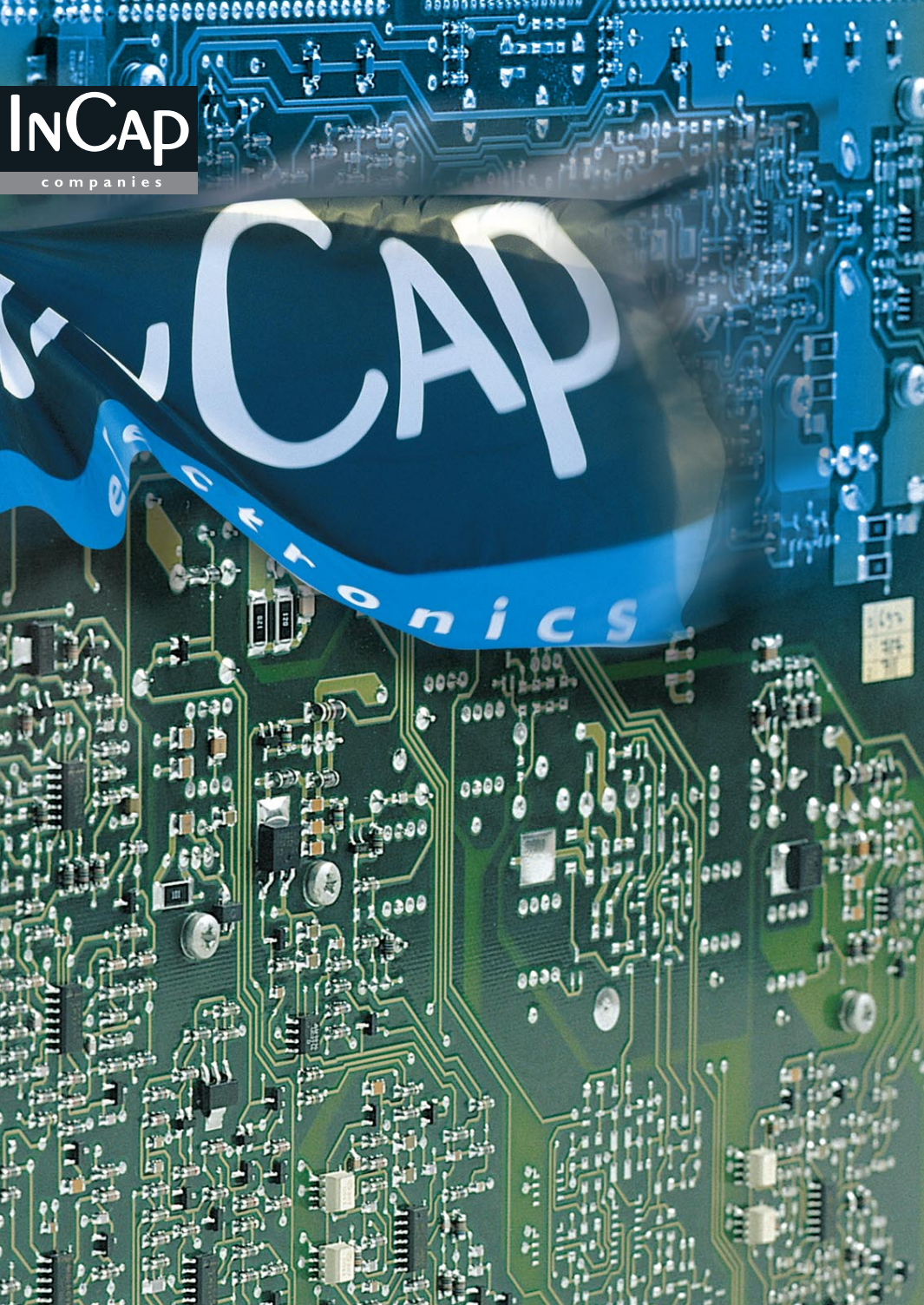
Incap Group maintains a training and development programme as an inherent part of its strategy, aiming to ensure career development, improve contract manufacturing skills, promote change and quality management, and encourage cooperation. The implementation of the development programme was continued by arranging customised training in the different units and business sectors, to develop all units and the Group.

Network development programme

Incap Group wants to establish a functional and competitive network of suppliers and subcontractors. Both financial and human resources will therefore be invested in the development of this network. During the past year, the Group's collaborative network was surveyed and analysed, after which a development programme involving some of the networked companies was started, to improve and maintain the competitive capacities of all companies within the network.

INCAP
companies

INCAP
electronics



President's review

Competitive edge from networks and training

Contract manufacturing is gaining ground in a growing number of business sectors. Each business is concentrating more and more on its own core competencies. It is necessary to invest in the development of these core competencies, and the keen competition pushes rival businesses to continually streamline their value chain to guarantee cost efficiency.

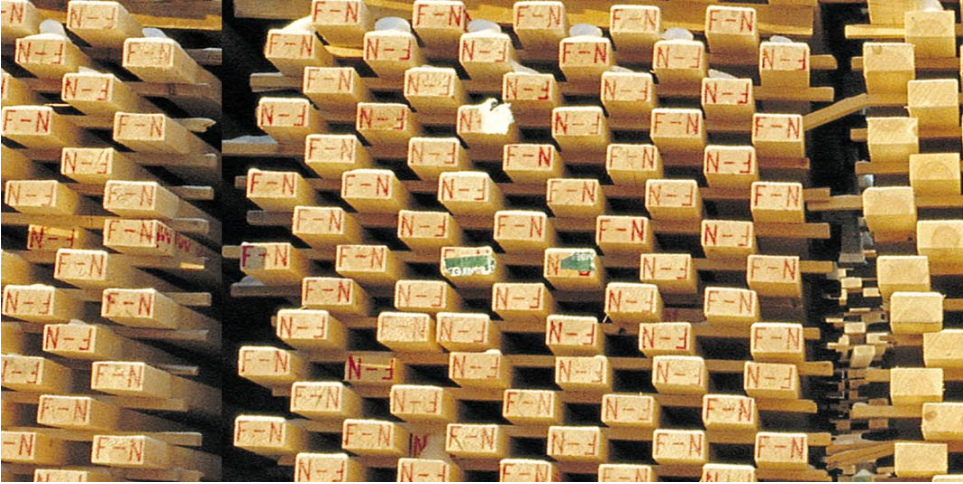
Incap Group is a service-providing company whose core competency is contract manufacturing. We sell production services to our customers, but often also cooperate with them at all stages of product development from design to production planning. In electronics we provide contract manufacturing services to some of the Finnish leaders in international markets, and in the furniture business we are pioneers in supplying some of the leading furniture chains in the European Union.

The Group level business developments during the past year proceeded along two lanes. The electronics sector grew fast during the first six months, but the growth slowed down towards year-end, as demand levelled off. The furniture sector, on the other hand, continued to grow steadily throughout the year. The demand for self-assembly home furniture made of Scandinavian solid softwood grew clearly faster than the other sectors of furniture business within the EU, and we managed to increase our market shares within the customers in our major market areas.

Experience enhances efficiency

The Group's profit development was slow in the early part of the year, and overall financial performance fell short of the level attained during the previous year. The profitability target in the furniture sector was not reached, owing to difficulties in the commissioning of the Kärsämäki extension, although most of the problems were ultimately solved. The profitability of the electronics sector, on the other hand, remained good throughout the year.

President's review



The extensive training programme started in the Group and the units was implemented at all levels of organisation. Most of the personnel received training in occupational skills or team work, information management, quality assurance or supervisory skills. New employees were recruited and underwent intensive training before they were assigned regular duties. The multiskilling process, however, will take several years, and we will ultimately be able to increase our efficiency even further as our employees acquire more experience.

The special issue of shares to the personnel and the related option arrangement, which constituted part of an employee benefit scheme, were successful.

This year, we will begin to test a new incentive salary system as a first step towards implementing a novel productivity-based salary system in the whole Group.

Contract manufacturing will boost competitiveness and increase our market share

The strategic plan for the next three years and the annual plan for this year support our forecast that growth will slow down in the early part of the reporting period, but will continue over a longer span. The goal for this year is to normalise the Group's financial status. Contract manufacturing, however, will make us more competitive and allow us to increase market shares

within our customers. The investments made in the Helsinki, Vuokatti, Käräsämiäki and Varpaisjärvi units will also enable significant growth over the next few years, and our investment rate will normalise, unless our customers decide to outsource a notable part of their production with us.

Network collaboration within the Group will increase, and both financial and human resources will be invested in material operations will also acquire new significance, as even now more than half of our net turnover is used to purchase materials and services, and the growing volume of turnkey manufacturing in the electronics sector will further increase



material costs. The most important aspects of growth management will be information service and personnel training. The information management strategy that is being prepared in the Group will provide a rough outline of the next system generation, and we need to make substantial investments in systems, equipment and training if we want to retain our competitiveness in the rapidly developing field of electronic data transmission and information systems.

The future will also expose us to some threats, the major one being the unpredictability of financial trends. The financial situation is relatively favourable in Finland and within the European Union, but

if the turmoil in the Far East persists, it may affect our customers especially in the electronics sector. The risk involved in currency exchange is considerably smaller now that Finland is part of the EMU. The risk has not been completely eliminated, however, for some of our competitors in the furniture sector are from Sweden and Denmark, who will remain outside the EMU. The availability of raw materials is not expected to involve any special threats to our operation.

I want to thank our shareholders and investors for the confidence they have shown in our company despite the inconstancy of the stock market. The trading in Incap shares remained at a healthy

level throughout the year; although the prices of the shares of especially small listed companies fluctuated widely. Thanks are also due to our customers for their confidence and patience. From now on, we will be able to serve you even better and more competitively than before. I also take this opportunity to thank the Group's personnel for their magnificent contribution, partly even in the midst of difficulties. We have now overcome the greatest obstacles and can take a confident step into the future.


Tero Frey
President & CEO



Contract manufacturing of electronics

- **Profitability remained good**
- **Growth continued, but levelled off towards year-end**
- **The extensions to both units were commissioned**
- **ISO 9002 quality and ISO 14001 environmental certificates**

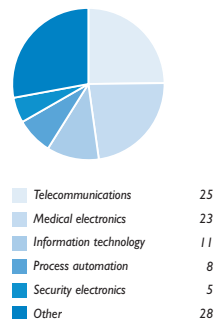
Incap Electronics is a contract manufacturer for the electronics industry. We manufacture electronic equipment and components to our customers' point-of-sale terminals, meteorological instruments, telecommunication and industrial automation systems as well as slot machines, security gates, remote readers and medical instruments.

The flexible, quick and economical production process management of Incap Electronics will guarantee our customers' competitiveness in the international market sectors of telecommunication, information technology, medical electronics, process automation and security electronics. Depending on the customer's needs, our contract manufacturing service includes design, material acquisition, manufacturing, final assembly and testing as well as delivery of the product to the end user. We utilise a combination of our own multiskilled and competitive services and the special competencies of our collaborative network. We mostly produce small and medium-sized product series.

The operations of Incap Electronics are expanding and developing along with our customers' growing business potential. The long-term rapid growth of contract manufacturing in electronics continued for the first half of the year, but clearly slowed down during the latter half. Despite this, profitability and the volume of both orders and quotations remained good throughout the year, and the goals that had been set were attained. The lagging demand was due to the volatility of global economics and the caution of the customers as the growth of exports evened out. The net turnover of Incap Electronics for the past year was FIM 192.6 million, with an increase of nearly 15 percent. The company's operating profit was FIM 18.8 million, which is almost 10 percent of net turnover.

	1998	1997
Net turnover, FIM million	192,6	168,1
Operating profit, FIM million	18,8	15,6
Share of Group net turnover, %	48,4	53,5
Export, FIM million	3,0	1,7
Share of net turnover, %	1,6	1,0
Average number of employees	401	324

Breakdown of net turnover by customer fields, %



Contract manufacturing of electronics

Investments and development targets

Both units of Incap Electronics accomplished large-scale investments. The extension to the production facility of the Helsinki mechanics unit was completed at the end of 1997, but the commissioning fell behind schedule because of delays in equipment deliveries. The extension to the Vuokatti electronics unit was completed according to schedule last summer. The extensions and the investments in machinery and equipment, apart from increasing the total size of the production facilities by one third and raising the level of automation and flexibility, gave us extra capacity and competitiveness to meet the challenges of contract manufacturing.

Incap Electronics also launched a development project aiming at a certification of its quality and environmental systems. On the basis of an audit carried out in early December, Lloyd's Register Quality Assurance granted the company the ISO 9002 quality and ISO 14001 environmental certificates. The systems that were now certified were elaborations of the previously effective quality and environmental systems and are applicable in both the Helsinki and Vuokatti units.

The personnel development programme of Incap Electronics continued as envisioned. During the past year, special



efforts were made to develop quality and environmental aspects as well as effective time management and internationalisation. Team work proceeded via pilot teams towards the appointment of customer-specific teams. Our ability to comprehend and fully utilise the potential of team work is only preliminary at this stage, but the experiences obtained so far have been positive. We have been able to attain shorter lead times, increasing flexibility and reliability of deliveries and an increasing sense of responsibility and motivation.

Future prospects

Growth in the early part of this year is expected to be slower compared to the same period last year, but to be stepped up towards year-end. If the unpredictable economic situation in the Far East persists, it may have impacts on our customers' business and even repercussions on the operation of Incap Electronics. Up until now, we have been able to manage our recruitment plan well, but especially key employees are more difficult to find in the capital region than elsewhere in Finland.

The goal of Incap Electronics is to grow profitably by increasing its market shares



within the customers and by increasing the volume of turnkey manufacturing. A balanced customer structure will be maintained by selecting the customers from several fields of electronic industry.

The maintenance of a competitive production technology and the management of a wide range of customised products are of primary importance for a contract manufacturer. The extensions to both units with the consequent investments in machinery and equipment as well as the continuous development of both personnel and operating scenarios will enable us to provide increasingly fast and flexible

contract manufacturing services and also to respond to our customers' possible decisions to outsource production.

The importance of a competitive supplier and subcontractor network will further increase in the future, and the management of this network will require real-time knowledge of its status. Incap Electronics has analysed its network to identify the points in need of development. The streamlining of material and logistic management will also deserve special attention in the future. International competition and our increasingly international clientele will require us to

improve our skills of operating in an international context, including material acquisition, export promotion and establishment abroad.

INCAP
furniture



Contract manufacturing of furniture

- **Business grew substantially**
- **The extensions to both units were commissioned**
- **The difficulties in the Kärämäki unit impaired profitability**
- **Number of employees increased by one fourth**

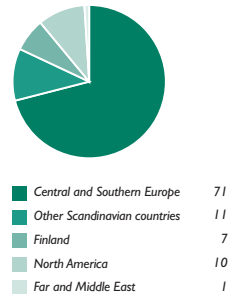
Incap Furniture manufactures self-assembly solid softwood home furniture mainly for major international furniture chains. Exports accounted for 93 percent of net turnover, and the main marketing area is the European Union. We have product ranges that consist of our own products and products acquired through the supplier network. We work in close cooperation with our customers in product design and development, utilising the customers' knowledge of the market.

Incap Furniture is a pioneer of contract manufacturing in furniture business. This company strategy has, however, proved competitive in the furniture industry, and we have been able even to increase market shares within our major customers.

During the past year, Incap Furniture had to operate in exceptional circumstances. The delay in the commissioning of the extension to the Kärämäki unit, which was completed at the end of 1997, caused more extra costs than it had been anticipated. This was due to the increase of material costs when the quality of material and production did not meet the requirements. The increasing demand by our customers and our inability to comply with the production schedules also resulted in a threefold volume of subcontracting compared to normal. We were, however, able to meet the needs of our major customers, but the unexpectedly large share of subcontracting resulted in lower profitability. Last year's net turnover amounted to FIM 205.4 million, of which growth accounted for 41 percent. Operating profit was FIM 3.2 million, or almost two percent of net turnover.

	1998	1997
Net turnover, FIM million	205,4	145.8
Operating profit, FIM million	3,2	15.8
Share of Group's net turnover, %	51,6	46.5
Export, FIM million	191,0	135.1
Share of net turnover, %	93,0	93.0
Average number of employees	213	170

Breakdown of net turnover by market areas, %



Contract manufacturing of furniture

Investments and development targets

The investments and the expansion of operations at both Kärsämäki and Varpaisjärvi units increased the need for employees. The extension to the Varpaisjärvi production and storage facility, which was constructed by the municipality, was also completed in the summer. The newly recruited employees of the two production units attended three six-month training courses. Apprenticeship training aiming at an occupational qualification in carpentry was also started to upgrade the old employees' multiskilling and special competencies.

Last year's key development target was to improve the flexibility and lead times of the production process. The training and induction especially concentrated on team work and order-based management of production and, via that, the development of team work practices and supervisory skills. The training focus in marketing was on the development of the product and service scenario and the promotion of cooperative skills and practices between sales, production and product development.

The environmental system of Incap Furniture was accomplished on schedule by the end of 1998. The new system was developed by upgrading the quality system



based on the ISO 9002 standard previously used in the company to meet the criteria of the ISO 14001 environmental standard. The system is applicable in both production units, and an appropriate personnel training programme will be carried out during this spring.

Future prospects

The demand for furniture usually depends on the general economic trends, the volume of construction and the purchasing power of households. The development in our major markets in the European Union has been mostly favourable, and the demand for

self-assembly home furniture of Scandinavian solid softwood has grown faster than the demand for other types of home furniture. The order backlog of Incap Furniture in early 1999 was better than at the same time last year; and the prospects are good. Our major goal will be to consolidate the company's profit at the target level and to make the production process compatible with the quality system. We do not expect problems with the availability and price of raw material.

Incap Furniture aims to grow profitably and faster than the market and to become the market leader in Europe as a supplier of



self-assembly solid softwood furniture. The risks possibly due to financial volatility will be buffered by a geographically decentralised international clientele. In order to retain its strategically managed customer structure even in the future, Incap Furniture will concentrate on developing and expanding its cooperation with the major international furniture chains.

Contract manufacturing and the extensions to the two production units as well as the investments in production automation, which will increase efficiency and flexibility, will safeguard our ability to serve our customers even better than in

the past. Our efforts towards a customer-oriented scenario of product development, operation and service as well as our investments in quality and training will help us increase market shares within our customers and respond to the increasing demand.

As a contract manufacturer, we can offer our customers product sets that consist of our own products and products manufactured by our collaborative network. We therefore highly appreciate the functionality and competitiveness of our network of suppliers and subcontractors. Incap Furniture surveyed and analysed the

companies that make up its network and launched a project with some subcontractors to develop the logistic chains of production and communication, the methods of production control, the compatibility of data transmission systems, the quality systems and the efficiency of the entire service chain.

Board of director's report

Markets in the business sectors

Incap Group carried out contract manufacturing of electronics and furniture. At the beginning of the financial year, the customer markets in electronics continued to grow at a rate of 10-15 percent and those in telecommunication even at 30 percent. The growth levelled out after the summer; however, mostly due to the volatility of the Far East markets, which resulted in a decrease or postponement of orders in the autumn. The demand for furniture remained good in the European Union. Self-assembly furniture sets of Scandinavian solid wood are special favourites of the ecologically conscious consumers in Central Europe.

Development of Group financials

The net turnover of Incap Group in 1998 was FIM 398.1 million (FIM 313.8 million in 1997). The net turnover thus increased by 27 percent. Most of the exports, which mainly consisted of furniture, went to the European Union, accounting for 49 percent of net turnover. The operating profit was FIM 19.8 (29.4) million, or 5 percent (9 %) of net turnover. The decline of profitability was due to problems in the commissioning of the extension to the Kärsämäki production unit. The profit of the last quarter, in particular, failed to meet the expectations, because there were problems in the use of material. Profit before extraordinary items was FIM 17.5 (26.6) million, or about 4 percent (8 %) of net turnover. Profit for the financial year was FIM 12.3 (19.9) million. The appropriations in the consolidated profit and loss account have now been divided into deferred tax liabilities and profit.

The return on capital invested in the Group was 11.4 percent (20.8 %). Equity ratio was 48.5 percent (46.8 %).

Profit development in the two business sectors

The net turnover of Incap Electronics Ltd. was FIM 192.6 (168.1) million. The fast growth of net turnover slowed down in the summer,

being about 15 percent for the financial year. The volatility of the Far East markets caused some of the customers in medical electronics and process automation to postpone their orders in expectation of greater economic stability in that area. Profitability remained good. Operating profit was FIM 18.8 (15.6) million, or nearly 10 percent (9 %) of net turnover.

Incap Furniture Oy reached the FIM 205.4 million milestone (145.8) in net turnover. Most of the 41 percent growth of net turnover came from market shares within our customers. Despite this, profitability dropped due to the cost of commissioning the extension to the Kärsämäki production facility and, especially during the last quarter, the increased material costs. Operating profit was FIM 3.2 (15.8) million, or two percent (11 %) of net turnover.

The remaining insurance refunds for the Ranua unit that was destroyed in a fire in the early 1997 were credited during the past fiscal period. Their impact on operating profit was FIM 0.2 million.

Investments

The total investments by the Group amounted to FIM 34.0 (35.0) million, or 9 percent (11 %) of net turnover. Of the investments in construction, FIM 4.8 million were accomplished through rental and installment agreements. Production machinery and equipment were acquired through leasing agreements worth FIM 7.8 million. The investments made by both subsidiaries enhanced the level of automation and the capacity of production.

Research and development

Altogether FIM 12.0 (9.1) million were invested in research and development, which accounts for 3 percent (3 %) of net turnover.

Financing

The Group's financial position remained good throughout the financial

year, with a quick ratio of 1.3 (1.6) and a current ratio of 2.1 (2.3). Net debt was FIM 36.8 (13.2) million. Cash flow per share was FIM 7.42 (9.38).

Dividend policy

The company intends to distribute annually as dividends about 30 percent of the Group's profit before extraordinary items and after taxes. The board of directors will propose to the general annual meeting summoned for 7 April 1999 that FIM 1.50 per share should be paid as dividend out of the 1998 profit to the 3,510,110 shares.

Statutes of the company

The statutes of the company were amended to be congruent with the new Companies Act in the general annual meeting held on 2 April 1998. The company is a public limited company, whose official name is Incap Oyj in Finnish, Incap Corporation in English and Incap Abp in Swedish.

The board of directors will propose to the general annual meeting summoned for 7 April 1999 that the subscribed capital in Finnish marks be converted into euros. After this conversion, the company's minimum capital will be 5,900,000 euro. A total of 3,581.23 euro will be deposited on a share premium account. The par value of the share will be eliminated. The company has 3,510,110 shares.

Corporate governance

According to the statutes of Incap Corporation, the company must have three to seven board directors. The ordinary general annual meeting decides on the number of board directors and elects them. The directors' term of office begins at the general annual meeting where they are elected and terminates at the end of the next ordinary general annual meeting. The board directors can be re-elected.

The general annual meeting of Incap Corporation on 2 April 1998 elected four directors: Seppo Arponen, Director for Small and Medium-Sized Enterprises, who chaired the board, Director Matti Kaitera, Managing Director Pertti Karhinen and Managing Director Juhani Vesterinen. Juhani Ruutu, LL.M., served as secretary of the board. The board of directors met 10 times in 1998.

The Group-level decision-making process is based on the consistent strategic and annual plans applied systematically in the Group. The board of directors of Incap Corporation approves the Group-level plans, which are based on a précis of the plans submitted by the subsidiaries, and decides on strategic investments, acquisitions of business operations, and purchases and sales of companies.

President, management and personnel

The president of the company is elected by the board of directors, who decide on his salary, bonus and other benefits. Tero Frey has been President & CEO of Incap Corporation since 1992. His terms of employment have been defined in a written President employment contract.

Apart from President Tero Frey, the Group's executive team includes Sauli Huikuri, Vice President, Projects, Tapio Kuokkanen, Vice President, Business Development, Paula Kähkönen, Communications Manager, Rauni Nokela, Vice President, Finance & Administration, Markku Keski-Filppula, President for Incap Electronics Ltd., and Vesa Karihtala, President for Incap Furniture Oy. Since the beginning of 1999, Sauli Huikuri has been employed as Vice President of Marketing for Incap Furniture Oy.

The Group has an employee bonus salary system. Each person's salary is determined by the profit made in the business sector and the attainment of personal profit goals.

During the financial year, the Group had an average of 621 employees (501 employees), of whom about 401 persons (324 persons) worked for Incap Electronics Ltd. and 213 persons (170

persons) for Incap Furniture Oy, Incap Corporation employed an average of 7 persons (7 persons). At the end of the financial year, the Group had a total of 672 persons (577 persons) on its payroll.

Auditors

The general annual meeting appointed Pertti Tarvainen, Authorised Public Accountant, primary auditor and Tapio Raappana, Authorised Public Accountant and a fully licensed auditor from KPMG Wideri Oy Ab, deputy auditor:

Changes required for the year 2000

During the past financial year, the subsidiaries started the year 2000 projects, whose aim was to identify the risks involved in the maintenance of customer and supplier contacts. The financial administration and production management systems were updated at the beginning of 1999, when the euro was adopted as the valid currency. The updating and other changes in the electronic systems that may affect business operations will take place within the first half of the current year.

Future prospects

The Group's order backlog at the end of the year was FIM 151.9 (139.0) million.

Although the Group's net turnover in the electronics sector has been estimated to grow less fast in the early part of 1999 than at the same time last year, the growth for the whole year is expected to reach last year's level. The profitability of electronics business is also expected to remain good.

The net turnover of furniture business is expected to grow moderately well, but to level out somewhat compared to last year. The growth will take place as an increase of market shares within customers. Profitability has been forecast to improve significantly.

The investments made in facility extensions in both business sectors will guarantee the growth of net turnover in the near future. Incap Group will continue to invest in innovative production technologies and automated production as well as high-standard logistic systems.

Consolidated profit and loss account

		I.I. - 31.12.1998	I.I. - 31.12.1998	I.I. - 31.12.1997
		FIM 1 000	EUR 1000	FIM 1 000
Net turnover	1)	398 078	66 952	313 841
Variation in stocks of finished goods and in work in progress		7 317	1 231	3 270
Work performed for own purpose and capitalised		26	4	30
Other operating income	2)	1 829	307	1 536
Raw materials and services				
Raw materials and consumables				
Purchases during the financial year		227 228	38 217	176 518
Variation in stocks		-7 978	-1 342	-12 942
External services		16 123	2 712	18 281
Staff expenses	3)			
Wages and salaries		79 983	13 452	65 118
Social security expenses				
Pension expenses		12 188	2 050	10 210
Other social security expenses		8 539	1 436	7 491
Depreciation and reduction in value	4)			
Depreciation according to plan		12 863	2 163	11 435
Other operating charges		38 468	6 470	13 154
Operating profit		19 836	3 336	29 412
Financial income and expenses	5)			
Income from investments in fixed assets		19	3	22
Other interest and financial income		1 142	192	1 136
Interest and other financial expenses		-3 524	-592	-3 949
Profit before extraordinary items		17 473	2 939	26 621
Extraordinary items	6)			
Extraordinary income		0	0	602
Extraordinary expenses		0	0	-170
Profit before taxes		17 473	2 939	27 053
Income taxes	7)	-4 276	-719	-5 807
Change in deferred tax liabilities		-849	-143	-1 316
Other direct taxes		0	0	-8
Profit for the financial year		12 348	2 077	19 922

Numbers) refer to the notes to the accounts

Consolidated balance sheet

ASSETS		31.12.1998	31.12.1998	31.12.1997
		<i>FIM 1 000</i>	<i>EUR 1 000</i>	<i>FIM 1 000</i>
Non-current assets	8)			
Intangible assets				
Intangible assets		2 550	429	1 479
Goodwill		150	25	175
Other capitalised long-term expenses		1 910	321	1 627
		4 610	775	3 281
Tangible assets				
Land and waters		599	101	677
Buildings		29 712	4 997	24 095
Machinery and equipment		55 331	9 306	43 234
Other tangible assets		447	75	201
Advance payments and construction in progress		431	73	8 064
		86 520	14 552	76 271
Investments	9)			
Holdings in other shares		1 840	309	1 842
Other receivables		5	1	5
		1 845	310	1 847
Current assets				
Stocks				
Raw materials and consumables		34 220	5 755	26 242
Work in progress		12 824	2 157	10 960
Finished products/Goods		11 223	1 888	5 770
		58 267	9 800	42 972
Debtors	10)			
Short-term				
Trade debtors		42 066	7 075	37 067
Loan receivables		60	10	60
Other debtors		66	11	58
Prepayments and accrued income		6 966	1 172	21 005
		49 158	8 268	58 190
Short-term investments	11)			
Other short-term investments		24 791	4 169	31 565
Cash in hand and at banks		10 940	1 840	13 755
		236 131	39 714	227 881

LIABILITIES**31.12.1998**
*FIM 1 000***31.12.1998**
*EUR 1000***31.12.1997**
*FIM 1 000***Capital and reserves**

12)

Subscribed capital	35 101	5 904	34 866
Share premium account	25 118	4 224	23 553
Retained earnings	41 880	7 044	28 268
Profit for the financial year	12 348	2 077	19 922
	114 447	19 249	106 609

Provisions

Other provisions

0

0

50

Creditors

Long-term

14)

Deferred tax liabilities	5 370	903	4 521
Loans from credit institutions	27 896	4 692	35 111
Pension loans	4 625	777	4 629
Other creditors	17 153	2 885	12 684
	55 044	9 257	56 945

Short-term

15)

Loans from credit institutions	7 796	1 311	9 660
Pension loans	535	90	500
Advances received	135	23	66
Trade creditors	23 222	3 906	19 782
Other creditors	14 556	2 448	15 639
Accruals and deferred income	20 396	3 430	18 630
	66 640	11 208	64 277

236 131**39 714**

227 881

Consolidated statement of cash flows

	1.1. - 31.12.1998	1.1. - 31.12.1998	1.1. - 31.12.1997
	FIM 1 000	EUR 1 000	FIM 1 000
Operations			
Operating profit	20 215	3 400	29 411
Provisions	50	8	0
Depreciation and reduction in value	12 863	2 163	11 435
Financial income and expenses	-2 363	-397	-2 791
Extraordinary items	0	0	432
Taxes	-5 332	-897	-5 815
	25 433	4 277	32 672
Change in working capital			
Stocks, increase (-), decrease (+)	-15 203	-2 557	-16 212
Trade debtors and other short-term debtors, increase (-), decrease (+)	8 925	1 501	-27 617
Change in short-term investments	6 774	1 139	-14 502
Non-interest bearing short-term creditors, increase (+), decrease (-)	3 828	644	20 640
	4 324	727	-37 691
Cash flow from operations	29 757	5 004	-5 019
Investments			
Investments in fixed assets	-24 786	-4 169	-28 361
Sales of fixed assets	347	58	392
Change in the group structure	0	0	201
	-24 439	-4 111	-27 768
Cash flow before financial items	5 318	893	-32 787
Financial items			
Long-term debtors, increase (-), decrease (+)	0	0	0
Increase in long-term creditors	0	0	2 723
Decrease in long-term creditors	-3 623	-609	0
Short-term creditors, increase (-), decrease (+)	0	0	0
Dividends paid	-6 310	-1 061	-2 325
Other financial items	1 800	303	33 495
	-8 133	-1 367	33 893
Liquid assets above, increase (+), decrease (-)	-2 815	-473	1 106
Liquid assets at the beginning of the financial year	13 755	2 313	12 649
Liquid assets at the end of the financial year	10 940	1 840	13 755
Liquid assets at the end of the financial year	10 940	1 840	13 755

Parent company's profit and loss account

		<i>I.I. - 31.12.1998</i>	<i>I.I. - 31.12.1998</i>	<i>I.I. - 31.12.1997</i>
		<i>FIM 1 000</i>	<i>EUR 1 000</i>	<i>FIM 1 000</i>
Net turnover	1)	3 981	670	5 704
Other operating income	2)	187	31	181
Staff expenses	3)			
Wages and salaries		2 272	382	2 510
Social security expenses				
Pension expenses		726	122	783
Other social security expenses		204	34	108
Depreciation and reduction in value	4)			
Depreciation according to plan		474	80	443
Other operating charges		2 687	452	4 060
Operating loss		-2 195	-369	-2 019
Financial income and expenses	5)			
Income from other non-current investments				
From other companies		19	3	22
Other interest and financial income				
From the Group		3 774	635	2 854
From other companies		902	152	784
Interest and other financial expenses				
To the Group		-218	-37	-268
To other companies		-372	-63	-645
Profit before extraordinary items		1 910	321	728
Extraordinary items	6)			
Extraordinary income		12 000	2 018	18 366
Profit before taxes		13 910	2 339	19 094
Income taxes	7)	-3 922	-659	-5 339
Profit for the financial year		9 988	1 680	13 755

Numbers) refer to the notes to the accounts

Parent company's balance sheet

ASSETS	31.12.1998	31.12.1998	31.12.1997
	<i>FIM 1 000</i>	<i>EUR 1 000</i>	<i>FIM 1 000</i>
Non-current assets			
8)			
Intangible assets			
Intangible assets	150	25	160
Other capitalised long-term expenses	5	1	8
	155	26	168
Tangible assets			
Buildings	3 467	583	3 639
Machinery and equipment	399	67	543
	3 866	650	4 182
Investments			
9)			
Holdings in the Group companies	12 515	2 105	12 887
Receivables from the Group companies	5 500	925	5 500
Other shares and similar rights of ownership	1 770	298	1 400
	19 785	3 328	19 787
Current assets			
Debtors			
10)			
Long-term			
From the Group companies	34 247	5 760	37 635
Short-term			
Trade debtors	24	4	27
Amounts owed by the Group companies	19 907	3 348	10 407
Loan receivables	60	10	60
Prepayments and accrued income	1 208	203	57
	55 446	9 325	48 186
Investments			
11)			
Other short-term investments	24 791	4 169	31 565
Cash in hand and at banks	7 175	1 207	9 255
	111 218	18 705	113 143

LIABILITIES**31.12.1998**
FIM 1 000**31.12.1998**
EUR 1000**31.12.1997**
FIM 1 000**Capital and reserves**

12)

Subscribed capital	35 101	5 904	34 866
Share premium account	25 118	4 224	23 553
Retained earnings	30 971	5 209	23 526
Profit for the financial year	9 988	1 680	13 755
	101 178	17 017	95 700

Creditors

Long-term

14)

Loans from credit institutions	1 698	285	3 390
Amounts owed to the Group companies	1 719	289	2 344
	3 417	574	5 734

Short-term

15)

Loans from credit institutions	1 691	284	2 809
Trade creditors	137	23	104
Amounts owed to the Group companies	4 057	682	3 160
Other creditors	283	48	4 924
Accruals and deferred income	455	77	712
	6 623	1 114	11 709

111 218**18 705**

113 143

Numbers) refer to the notes to the accounts

Parent company's statement of cash flows

	<i>1.1. - 31.12.1998</i>	<i>1.1. - 31.12.1998</i>	<i>1.1. - 31.12.1997</i>
	<i>FIM 1 000</i>	<i>EUR 1000</i>	<i>FIM 1 000</i>
Operations			
Operating loss	-2 195	-369	-2 020
Depreciation and reduction in value	474	80	443
Financial income and expenses	4 105	690	2 747
Extraordinary items	12 000	2 018	18 366
Taxes	-3 923	-660	-5 339
	10 461	1 759	14 197
Change in working capital			
Stocks, increase (-), decrease (+)	0	0	0
Short-term trade debtors, increase (-), decrease (+)	-10 648	-1 791	20 182
Change in short-term investments	6 774	1 139	-14 502
Non-interest bearing creditors, increase (+), decrease (-)	-3 968	-667	6 455
	-7 842	-1 319	12 135
Cash flow from operations	2 619	440	26 332
Investments			
Investments in fixed assets	-322	-54	-135
Sales of fixed assets	177	30	42
	-145	-24	-93
Cash flow before financial items	2 474	416	26 239
Financial items			
Long-terms debtors, increase (-), decrease (+)	3 389	570	-37 636
Change in long-term creditors	0	0	0
Decrease in long-term creditors	-3 434	-578	-11 513
Short-term creditors, increase (+), decrease (-)	0	0	0
Dividends paid	-6 310	-1 061	-2 325
Other financial items	1 800	303	33 497
	-4 555	-766	-17 977
Liquid assets above, increase (+), decrease (-)	-2 081	-350	8 262
Liquid assets at the beginning of the financial year	9 255	1 557	993
Liquid assets above at the end of the financial year	7 174	1 207	9 255
Liquid assets at the end of the financial year	7 174	1 207	9 255

Notes to the annual accounts

Accounting principles of the consolidated annual accounts for 1998

Extent of the consolidated annual accounts

The consolidated annual accounts cover the parent company Incap Corporation and the fully owned subsidiaries Incap Electronics Ltd. and Incap Furniture Oy. The subsidiaries of Incap Electronics Ltd., Telemetalli Oy and Euro-Ketju Oy, are non-active companies and have therefore not been included in the consolidated accounting. The subsidiaries of Incap Corporation, Incap Talousohjaus Oy, Apetta Oy and Teknoinvest Oy, have not been included in the consolidated statistics either, because of their minor significance. Incap Corporation was a liable partner in Efin Ky, which did no business during the past financial year. Incap Corporation has no liabilities in the company, and Efin Ky has no liabilities to third parties.

Comparability

The profit and loss accounts, balance sheets and notes for both the past financial year and the reference period (1997) have been reformulated to be congruent with the Accounting Act effective as of 31 Dec. 1997. The accumulated appropriations in the consolidated balance sheet have been divided into equity and deferred tax liabilities and the appropriations in the consolidated profit and loss account into a change in deferred tax liabilities and profit. In the consolidated profit and loss account for the reference period, other operating charges included, among other things, the insurance refunds received by the subsidiaries, which were credited against the expenses.

Principles of consolidation

The consolidated annual accounts are based on the principle of acquisition costs. The Group's internal business, the non-realised profits of internal deliveries, internal receivables and debts as well as internal profit distribution have been eliminated. There are no minority interests.

Valuation of fixed assets

Fixed assets are given in the balance sheet as acquisition costs minus depreciation according to plan. The investment subsidies received have been entered by crediting the corresponding item of fixed assets. Further depreciation have been made in the fixed assets if the value adjustment has been justifiably considered permanent.

The depreciation according to plan have been calculated linearly on the basis of the economic life span of the fixed asset items. The depreciation according to plan were first made in the consolidated annual accounts for 1994. The losses of the reference period and the losses previously accrued upon the merger have been included in the annual costs and activated as part of the fixed asset items, but only up to the current value of the fixed assets. The previous depreciation practice has been applied to the depreciation of group goodwill.

The same depreciation periods have been used in the Group's two business sectors; the depreciation made during the reference period for the Group's land areas was included in the merger assets activated on the appropriate balance sheet item.

Intangible rights

- goodwill	10 yr;
- group goodwill	10 yr;
- other intangible rights	1 - 10 yr;

Tangible rights

- buildings and structures	20 - 40 yr;
- production machinery	4 - 20 yr;
- other machinery	4 - 15 yr;
- vehicles	3 yr;
- other equipment	3 - 15 yr;

Valuation of stocks

The Group's stocks have been valued at the acquisition value or a lower replacement value or selling price. The costs have been determined based on a weighted mean price, including variable costs. Internal profits have been eliminated.

Valuation of short-term investments

The short-term investments are shares in short-term interest funds, which were valued at their market price on 30 Dec. 1998.

Currency items

Currency items were converted into Finnish marks at the Bank of Finland's mean rate of exchange on 30 Dec. 1998. The differences between the buying and selling rates were credited or debited on the appropriate items.

Parent company's turnover

The net turnover of Incap Corporation consisted of group administration payments

Leasing

The leasing payments for fixed assets acquired through finance lease contracts have been included as rental costs in other operating charges.

Research and development costs

Research and development costs have been recorded as annual costs in other business expenditure.

Pension expenditure

The employees' pension schemes and related benefits have been insured in pension insurance companies. Pension expenditure is calculated over time and entered in the profit and loss account.

Income tax

The income tax on the taxable income of Incap Corporation, Incap Electronics Ltd. and Incap Furniture Oy has been entered in the

annual accounts as far as the profit cannot be covered by losses endorsed upon taxation and corporate tax refunds. The accumulated appropriations in the consolidated annual accounts have been divided into equity and tax debt. The change in deferred tax liabilities has been entered in the profit and loss account. The items have been specified in the notes.

Parent company's profit

The profit accumulated by Incap Corporation mostly consisted of group contributions by the profitable subsidiary Incap Electronics Ltd.

Rental, leasing and sale and leaseback agreements

The rental and the leasing contracts as well as sale and leaseback agreements not included in the balance sheets have been itemised in the liabilities of the notes.

Information by business sectors

	1998	1997
Contract manufacturing of electronics		
Net turnover, FIM million	192.6	168.1
Operating profit, FIM million	18.8	15.6
Balance sheet, FIM million	104.7	91.2
Total investments in fixed assets, FIM million	21.6	12.7
Average number of employees	401	324
Contract manufacturing of furniture		
Net turnover, FIM million	205.4	145.8
Operating profit, FIM million	3.2	15.8
Balance sheet, FIM million	99.0	96.0
Total investments in fixed assets, FIM million	12.2	22.1
Average number of employees	213	170

Notes to the profit and loss account

	GROUP, FIM 1 000		PARENT COMPANY, FIM 1 000	
	1998	1997	1998	1997
1. Net turnover				
Net turnover by business sectors				
Contract manufacturing of furniture	205 447	145 784	0	0
Contract manufacturing of electronics	192 631	168 057	0	0
Other	0	0	3 981	5 704
Total	398 078	313 841	3 981	5 704
Net turnover by market areas				
Domestic	204 087	177 056	3 981	5 704
Europe	171 100	119 085	0	0
Other	22 891	17 700	0	0
Total	398 078	313 841	3 981	5 704
2. Other operating income				
Profit from the sales of fixed assets	1 769	1 511	0	29
Other income	60	25	187	152
Total	1 829	1 536	187	181
3. Staff expenses and number of personnel				
3.1 Number of employees				
The Group and the parent company employed an average number of				
Employees	84	70	7	7
Workers	537	431		
In the end of the financial year				
Employees	94	73	6	7
Workers	578	504		
3.2 Staff expenses				
Wages and salaries	79 984	65 118	2 272	2 510
Benefits	474	450	90	87
Pension expenses	12 188	10 211	726	783
Other social security expenses	8 539	7 491	203	108
Total	101 185	83 270	3 291	3 488
3.3 Salaries and bonus of the management				
Presidents and the Board	2 235	1 937	749	790

Management's pension rights

One member of Incap Corporation's executive team is entitled, if he so wishes, to retire at the age of 55 years, one at the age of 56 and four at the age of 63.

No loans or guarantees have been issued to persons or organisations who are part of the inner circle.

	GROUP, FIM 000		PARENT COMPANY, FIM 000	
	1998	1997	1998	1997
4. Depreciation and reduction in value				
Depreciation according to plan				
Intangible rights	553	538	35	29
Other capitalised long-term expenses	1 002	1 930	4	4
Goodwill	25	25	0	0
Group goodwill	0	453	0	0
Buildings	1 691	1 042	172	171
Machinery and equipment	9 501	6 955	263	239
Other tangible assets	91	51	0	0
Total	12 863	10 994	474	443
Reduction in value of the non-current assets				
Land	0	441	0	0
Change in depreciation difference				
Intangible rights	16	0	0	0
Buildings	311	186	0	0
Machinery and equipment	2 726	5 287	0	0
Other tangible rights	-19	-22	0	0
Total	3 034	5 451	0	0
Depreciation periods are included in the principles of the annual accounts				
5. Financial income and expenses				
Income from the investments in non-current assets				
From other companies	19	22	19	22
Other interest and financial income				
From the Group companies	0	0	3 774	2 854
From other companies	1 142	1 136	902	784
Total	1 142	1 136	4 676	3 638
Interest and other financial expenses				
To the Group companies	0	0	-218	-268
To other companies	-3 524	-3 949	-372	-645
Total	-3 524	-3 949	-590	-913
Total of financial income and expenses	-2 363	-2 791	4 105	2 747
Profit or loss from the exchange of currencies included in the item of other financial expenses	-40	-143	2	-7
6. Extraordinary items				
Group contribution received	0	0	12 000	18 000
Other extraordinary income	0	602	0	366
Other extraordinary expenses	0	-170	0	0
Total	0	432	12 000	18 366
7. Direct taxes				
Income tax from operations	4 276	5 815	3 923	5 339
Change in deferred tax liabilities	849	1 316	0	0

Notes to the balance sheet

	GROUP, FIM 1 000		PARENT COMPANY, FIM 1 000	
	1998	1997	1998	1997
8. Change in fixed assets				
Intangible rights				
Acquisition cost I.1.	2 850	2 759	236	191
Increase	1 624	364	26	44
Decrease	0	-273	0	0
Transfers between the items	0	0	0	0
Acquisition cost 31.12.	4 474	2 850	262	235
Accumulated depreciation				
Depreciation of the year	-1 372	-889	-76	-47
Depreciation of the year	-552	-482	-35	-28
Accumulated depreciation 31.12.	-1 924	-1 371	-111	-75
Book value 31.12.	2 550	1 479	151	160
Goodwill				
Acquisition cost I.1.	250	250	0	0
Increase	0	0	0	0
Decrease	0	0	0	0
Transfers between the items	0	0	0	0
Acquisition cost 31.12.	250	250	0	0
Accumulated depreciation I.1.	-75	-50	0	0
Depreciation of the year	-25	-25	0	0
Accumulated depreciation 31.12.	-100	-75	0	0
Book value 31.12.	150	175	0	0
Group goodwill				
Acquisition cost I.1.	0	1 074	0	0
Increase	0	0	0	0
Decrease	0	-27	0	0
Transfers between the items	0	0	0	0
Acquisition cost 31.12.	0	1 047	0	0
Accumulated depreciation I.1.	0	-594	0	0
Depreciation of the year	0	-453	0	0
Accumulated depreciation 31.12.	0	-1 047	0	0
Book value 31.12.	0	0	0	0
Other long-term expenditure				
Acquisition cost I.1.	6 831	6 627	72	72
Increase	1 287	274	0	0
Decrease	-1	-70	0	0
Transfers between the items	0	0	0	0
Acquisition cost 31.12.	8 117	6 831	72	72
Accumulated depreciation I.1.	-5 205	-3 748	-63	-60
Depreciation of the year	-1 002	-1 456	-4	-4
Accumulated depreciation 31.12.	-6 207	-5 204	-67	-64
Book value 31.12.	1 910	1 627	5	8

	GROUP, FIM / 000		PARENT COMPANY, FIM / 000	
	1998	1997	1998	1997
Land				
Acquisition cost 1.1.	1 118	1 146	0	0
Increase	0	0	0	0
Decrease	-78	-28	0	0
Transfers between the items	0	0	0	0
Acquisition cost 31.12.	1 040	1 118	0	0
Accumulated reduction in value 1.1.	-441	0	0	0
Reduction of the year	0	-441	0	0
Accumulated reduction in value 31.12.	-441	-441	0	0
Book value 31.12.	599	677	0	0
Buildings				
Acquisition cost 1.1.	27 991	21 079	3 883	3 883
Increase	7 740	9 067	0	0
Decrease	-520	-2 156	0	0
Transfers between the items	88	0	0	0
Acquisition cost 31.12.	35 299	27 990	3 883	3 883
Accumulated depreciation 1.1.	-3 895	-2 853	-244	-72
Depreciation of the year	-1 692	-1 042	-172	-172
Accumulated depreciation 31.12.1	-5 587	-3 895	-416	-244
Book value 31.12.	29 712	24 095	3 467	3 639
Machinery and equipment				
Acquisition cost 1.1.	68 045	54 995	1 315	1 262
Increase	20 720	15 360	299	94
Decrease	-1 105	-2 311	-177	-42
Transfers between the items	1 985	0	0	0
Acquisition cost 31.12.	89 645	68 044	1 437	1 314
Accumulated depreciation 1.1.	-24 811	-16 931	-771	-532
Depreciation of the year	-9 504	-7 879	-267	-239
Accumulated depreciation 31.12.1	-34 315	-24 810	-1 038	-771
Book value 31.12.	55 330	43 234	399	543
Acquisition cost of the production machinery and equipment 31.12.	49 900	42 533	0	0
Other tangible assets				
Acquisition cost 1.1.	875	875	0	0
Increase	337	0	0	0
Decrease	0	0	0	0
Transfers between the items	0	0	0	0
Acquisition cost 31.12.	1 212	875	0	0
Accumulated depreciation 1.1.	-674	-623	0	0
Depreciation of the year	-91	-51	0	0
Accumulated depreciation 31.12.	-765	-674	0	0
Book value 31.12.	447	201	0	0

	GROUP, FIM 1 000		PARENT COMPANY, FIM 1 000	
	1998	1997	1998	1997
Fixed assets in progress				
Acquisition cost 1.1.	8 063	114	0	0
Increase	0	8 064	0	0
Decrease	-5 559	-114	0	0
Transfers between the items	-2 073	0	0	0
Book value 31.12.	431	8 064	0	0

9. Investments

Investments in the Group companies				
Balance sheet value 1.1.	0	0	12 515	12 515
Increase	0	0	0	0
Decrease	0	0	0	0
Book value 31.12.	0	0	12 515	12 515
Other shares or similar rights of ownership				
Balance sheet value 1.1.	1 847	1 566	1 772	1 774
Increase	0	339	0	0
Decrease	-2	-58	-2	-3
Book value 31.12.	1 845	1 847	1 770	1 771
Debtors from the Group companies				
Balance sheet value 1.1.	0	0	5 500	5 500
Increase	0	0	0	0
Decrease	0	0	0	0
Book value 31.12.	0	0	5 500	5 500

	Ownership share %	Shares no.	Par value FIM 1 000	Book value FIM 1 000	Profit of the financial year FIM 1 000	Group share of the capital and reserves FIM 1 000
Subsidiaries						
Incap Electronics Ltd. Helsinki	100	5 000	5 000	5 000	43	5 271
Incap Furniture Oy Oulu	100	7 515	7 515	7 515	97	7 465
			12 515	12 515	140	12 736

Other Group company shares, that are not consolidated to the accounts

1 841

	GROUP, FIM 1 000		PARENT COMPANY, FIM 1 000	
	1998	1997	1998	1997
10. Amounts owed by the Group companies				
Long-term				
Loan receivables	0	0	34 247	37 636
Short-term				
Trade debtors	0	0	1 244	527
Loan receivables	0	0	18 663	9 880
	0	0	19 907	10 407
11. Short-term investments	24 791	31 565	24 791	31 565

Other short-term investments are shares in short-term interest funds.

Notes to the capital and reserves	GROUP, FIM / 000		PARENT COMPANY, FIM / 000	
	1998	1997	1998	1997
12. Capital and reserves				
Subscribed capital				
Balance sheet value 1.1.	34 866	23 249	34 866	23 249
Increase	235	11 617	235	11 617
Decrease	0	0	0	0
Book value 31.12.	35 101	34 866	35 101	34 866
Issue				
Balance sheet value 1.1.	0	0	0	0
Increase	0	5 800	0	5 800
Decrease	0	-5 800	0	-5 800
Book value 31.12.	0	0	0	0
Reserve fund				
Balance sheet value 1.1.	0	1 675	0	1 675
Increase	0	21 878	0	21 878
Decrease	0	-23 553	0	-23 553
Book value 31.12.	0	0	0	0
Share premium account				
Balance sheet value 1.1.	23 553	0	23 553	0
Increase	1 565	23 553	1 565	23 553
Decrease	0	0	0	0
Balance sheet value 31.12.	25 118	23 553	25 118	23 553
Total	60 219	58 419	60 219	58 419
Retained earnings 1.1.	48 190	22 151	37 281	25 851
Increase	0	202	0	0
Decrease	0	0	0	0
Dividends paid	-6 310	-2 325	-6 310	-2 325
Share from the appropriations and untaxed reserves	0	8 240	0	0
Profit for the financial year	12 348	19 922	9 988	13 755
Total	54 228	48 190	40 959	37 281
Capital and reserves 31.12.	114 447	106 609	101 178	95 700
13. Nonrestricted capital				
Retained earnings	41 880	28 268	30 971	25 851
Profit for the financial year	12 348	19 922	9 988	13 755
Share of the accumulated appropriations written in the capital	-11 625	-8 240	0	0
Total 31.12.	42 603	39 950	40 959	39 606

	GROUP, FIM / 000		PARENT COMPANY, FIM / 000	
	1998	1997	1998	1997
Notes to the creditors				
14. Non-current creditors				
Deferred tax liability	5 370	4 521	0	0
Creditors maturing after five years				
Loans from credit institutions	5 961	10 183	382	428
Pension loans	2 822	3 141	0	0
Other non-current creditors	10 489	8 541	0	0
Total	19 272	21 865	382	428
15. Current creditors				
Interest bearing current creditors				
Decrease in current creditors	8 331	10 160	1 690	2 809
Loans from the Group companies	0	0	4 006	3 125
Other loans	10 770	4 835	24	0
	19 101	14 995	5 720	5 934
Non-interest bearing current creditors				
Advances received	135	65	0	0
Trade creditors	23 222	19 782	137	104
Amounts owed to the Group companies	0	0	51	35
Other creditors	3 527	10 792	0	4 924
Accruals and deferred income	20 655	18 643	714	712
	47 539	49 282	902	5 775
Other notes to the accounts				
16. Guarantees and contingent liabilities				
Debts for which mortgages are given				
Loans from credit institutions	39 178	43 554	2 777	4 541
Corresponding mortgages	13 746	16 196	1 225	2 425
Corresponding mortgages secured by stocks and machinery	35 964	38 164	4 100	7 100
Pension loans	352	0	0	0
Corresponding mortgages	1 000	0	0	0
Debts for which shares and other pledges are given				
Loans from credit institutions	2 427	3 833	2 427	3 833
Book value of pledges given	2 078	2 107	2 078	2 107
Debts of the Group companies				
Guarantees	0	0	5 081	5 622
Debts of other companies				
Pledges given	800	800	800	800

	GROUP, FIM / 000		PARENT COMPANY, FIM / 000	
	1998	1997	1998	1997
Sale and leaseback agreement not included in the balance sheet	20 000	20 000	0	0
As the leaseholder, Incap Electronics Ltd. has an option to subscribe the shares of Valuraudankuja 7 Oy from Varna-Sampo. The option must be exercised by the end of the term of lease on 31 Dec. 2011. The repurchasing price shall be the current market value.				
Leasing and installment liabilities not included in the balance sheet				
Liabilities maturing next year	3 128	265	37	37
Liabilities maturing later	7 567	940	56	130
Finance lease contracts include the option to buy the acquired fixed assets at the current market price at the end of term of lease.				
Leasing and installment liabilities included in the balance sheets				
Incap Electronics Ltd., premises				
balance sheet value of fixed assets	6 884	2 780		
corresponding liabilities	8 325	2 982		
Incap Furniture Oy, premises				
balance sheet value of fixed assets	9 261	9 776		
corresponding liabilities	10 940	10 441		

Special issue, options and trading

The ordinary general annual meeting of Incap Corporation decided on 2 April 1998 to raise the company's subscribed capital through a special issue to the personnel. The most important financial reason why the company suspended the shareholders' subscription privilege was the intention to start an employee benefit scheme. The offering circular on the special issue was publicised on 9 April 1998, and the subscription period for the shares was 15 April-24 April 1998. Persons permanently employed by Incap Group in Finland on 31 March 1998 and intending to continue their employment after the end of the subscription period were entitled to subscribe shares. The subscription price was FIM 76.40. The ordinary general annual meeting further authorised the board of directors to raise the company's subscribed capital in case of oversubscription by the personnel. By virtue of the aforesaid decision to raise the subscribed capital and their authorisation to issue shares, the board of directors decided, on 27 April, to raise the subscribed capital by a total of FIM 235,600. The board of directors approved the 39 subscriptions of altogether 23,560 shares made in accordance with the terms and conditions of the special issue. The increase of subscribed capital was entered in the Trade Register on 4 May, and trading in the shares began in the Helsinki Stock Exchange on the same day.

By virtue of the decision made by the ordinary general annual meeting on 2 April 1998, the persons who had acceptably subscribed a minimum of 200 shares upon the special issue were also entitled to

related option rights. The share subscriptions approved by the board of directors included subscriptions for altogether 280,400 options. The options, which include equal numbers of A and B options, were allotted free of charge. The options will allow subscription of a total of 280,400 new shares at a par value of ten Finnish marks in such a way that each A and B option entitles the owner to one share. As a consequent of the subscriptions, the subscribed capital of Incap Corporation may increase by FIM 2,804,000. The share subscription period will begin on 1 July 2000 for A options and on 1 July 2002 for B options. It will be possible annually to subscribe shares during 1 July - 30 Nov. The subscription period will terminate on 30 Nov. 2004. The subscription price will be the weighted mean price of the shares in March 1998 plus 40 percent rounded upwards to the closest 10 pennies for the A options, which means that the subscription price will be FIM 118.80 per share, and the same mean price plus 60 percent rounded upwards to the next 10 pennies for the B options, which means that the subscription price will be FIM 135.70 per share. The dividend per share paid after 1 May 1998 will be deducted from the subscription price. The deduction will be made on the record date of each dividend payment.

The quotations for Incap Corporation's shares varied from FIM 47.00 to FIM 94.00. The market value of Incap Corporation on 30 Dec. 1998 was FIM 211.1 million. At the end of the financial year, the company had 579 shareholders. Altogether 3.1 percent of the shares were in five administrative registers.

Development of subscribed capital in 1991 - 1998

Date		Change, FIM 1000	Registered	Share capital, FIM 1000
31.01.1991	Merger	34,247	26.02.1992	46,747
28.04.1992	Increase	2,520	25.11.1992	49,267
30.09.1992	Decrease	29,560	02.12.1992	19,707
15.01.1993	Increase	192	11.08.1993	19,899
16.03.1994	Increase	3,350	21.12.1994	23,249
10.03.1997	Increase	5,817	21.03.1997	29,066
05.05.1997	Increase	5,800	05.05.1997	34,866
04.05.1998	Increase	236	04.05.1998	35,101

Distribution of ownership by sectors on 31 Dec. 98

	Owners,		Shares and votes,	
	No.	%	No.	%
Private enterprises	72	12.5	873,982	24.9
Financial institutions and insurance companies	16	2.8	2,021,972	57.6
Public corporations	6	1.0	167,100	4.8
Non-profit organisations	20	3.5	104,900	3.0
Households	459	80.0	341,756	9.7
Foreign owners	1	0.1	400	0.0
Total	574	100.0	3,510,110	100.0

Shares in administrative registers (5) 109,650 3.1

Distribution of shares by the number of shares owned on 31 Dec. 98

Shares no.	Shares, no.	Percentage of shares, %	Shares and votes, no.	Percentage of shares and votes, %
1 - 100	86	14.8	6,439	0.2
101 - 1,000	329	56.8	161,539	4.2
1,001 - 10,000	133	23.0	370,302	10.6
10,001 - 100,000	27	4.7	986,850	28.1
100,001 - 1,000,000	3	0.5	488,160	14.0
1,000,001 -	1	0.2	1,496,820	42.9
Total	579	100.0	3,510,110	100.0

Ten biggest shareholders on 31 Dec. 1998

	Shares, no.	Percentage of share capital and votes, %
Kera Ltd.	1,496,820	42.9
Norvestia Plc.	249,860	7.2
Comstock Oy	125,300	3.6
Mutual Pension Insurance Company Ilmarinen	113,000	3.2
Partita Ltd.	95,000	2.7
Thomproperties Oy	82,500	2.4
Mutual Fund Evil Nordic Small Companies	60,500	1.7
Tuotemarkkinointi Brade Oy	60,500	1.7
Merita Avanti	60,000	1.7
Nova Life Insurance Company Ltd	56,800	1.6
Other shareholders	1,109,830	31.3
Total	3,510,110	100.0

The company's board directors and president own a total of 4350 shares, i.e. 0.12 % of the company's subscribed capital and votes. These shares include a total of 8000 A options and 8000 B options, which entitle to the subscription of equal numbers of shares in the manner described above. If all options are converted into shares, the president and board directors will own 0.54 % of the subscribed shares.

Consolidated financial information 1994-1998	1998	1997	1996	1995	1994
Net turnover, FIM million	398.1	313.8	222.0	228.5	204.7
Growth, %	27	41	-3	12	18
Export, FIM million	194.0	136.8	105.3	114.2	115.8
Share of net turnover, %	49	44	47	50	57
Operating profit, FIM million	19.8	29.4	15.5	17.8	14.6
Share of net turnover, %	5	9	7	8	7
Profit before extraordinary items	17.5	26.6	10.4	12.7	9.2
Share of net turnover, %	4	8	5	6	4
Profit before taxes, FIM million	17.5	27.1	5.5	8.7	15.7
Share of net turnover, %	4	9	2	4	8
Return on equity, %	11.2	24.2	17.0	21.2	25.1
Return on investment, %	11.4	20.8	12.4	15.3	13.8
Balance sheet turnover	1.7	1.4	1.4	1.3	1.2
Balance sheet total, FIM million	236.1	227.9	151.9	169.5	167.9
Equity ratio, %	48.5	46.8	38.2	32.0	29.2
Net debt, FIM million	36.8	13.2	33.1	37.3	32.9
Liability payback period, years	3	2	4	5	3
Quick ratio	1.3	1.6	1.3	1.4	1.8
Current ratio	2.1	2.3	1.9	2.0	2.3
Gross investments, FIM million	34.0	35.0	18.6	24.3	13.1
Share of net turnover, %	9	11	8	11	6
Investment in R & D, FIM million	12.0	9.1	6.5	2.2	
Share of net turnover, %	3	3	3	1	
Order backlog 31.12., FIM million	151.9	139.0	116.0		
Average number of employees	621	501	391	386	335
Dividends, FIM million	5.3	6.3	2.3	3.6	
Per share data					
Earning per share, FIM	3.53	6.16	4.09	4.78	4.32
Equity per share, FIM	32.60	30.58	24.99	23.27	20.91
Dividend per share, FIM	1.5	2.00	1.00	1.55	
Dividend as % of earnings	42.5	32.4	24.4	32.5	
Cash flow per share, FIM	7.42	9.38	6.30	6.60	10.30
Effective dividend yield, %	2.5	3.3			
P/E ratio	17.0	9.9			
Trend in share price					
Price on issue, FIM		44.00			
Minimum price during year, FIM	47.00	48.00			
Maximum price during year, FIM	94.00	67.00			
Mean price during year, FIM	74.17	56.82			
Closing price at end of year, FIM	60.90	61.00			
Total market value of shares on 31.12., FIM million	211.1	210.9			
Turnover in shares, no.	2,459,915	2,469,231			
Turnover in shares, %	70.2	78.1			
Number of shares, adjusted for new issue					
Mean number during year	3,502,171	3,163,613	2,324,880	2,324,880	2,194,840
Number at end of year	3,510,110	3,486,550	2,324,880	2,324,880	2,324,880

1) Comparable data for 1994-1995 not available

Rules for calculating financial information

Return on equity,%	1) $\frac{100 \times (\text{profit before extraordinary items} - \text{tax})}{\text{Equity (mean for financial year)} + \text{minority holding}}$
Return on investment,%	$\frac{100 \times (\text{profit before extraordinary items} + \text{interest and other financial expenses})}{\text{Balance sheet total} - \text{non-interest loans (mean for financial year)}}$
Balance sheet turnover	$\frac{\text{Net turnover}}{\text{Balance sheet total}}$
Equity ratio,%	1) $\frac{100 \times (\text{equity} + \text{minority holding})}{\text{Balance sheet total} - \text{advance payments received}}$
Net debt	Liabilities - financial assets
Liability payback period, years	$\frac{\text{Liabilities with interest}}{\text{Calculated cash flow}} \quad 2)$
Quick ratio	$\frac{\text{Financial assets}}{\text{Short-term liabilities}}$
Current ratio	$\frac{\text{Financial assets} + \text{stocks}}{\text{Short-term liabilities}}$
Gross investments	Fixed asset acquisitions without VAT and without investment subsidies subtracted and with purchases by finance lease contracts
Average personnel	Average end-of-month number of employees
Per share data	
Earnings per share	$\frac{\text{Profit before extraordinary items} +/- \text{minority holdings} - \text{tax}}{\text{Mean number of shares during financial year adjusted for new issue}}$
Equity per share	1) $\frac{\text{Equity}}{\text{Mean number of shares adjusted for new issue at the end of financial year}}$
Dividend per share	$\frac{\text{Dividend during financial year}}{\text{Number of dividend-earning shares adjusted for new issue at the end of financial year}}$
Dividend out of profit,%	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Cash flow per share	$\frac{\text{Calculated cash flow}}{\text{Number of shares adjusted for new issue at the end of financial year}} \quad 2)$
Effective dividend yield,%	$\frac{100 \times \text{dividend per share}}{\text{Price on the day of closing the accounts}}$
Price/earnings ratio	$\frac{\text{Price on the day of closing the accounts}}{\text{Earnings per share}}$
Total market value of shares	Price on the day of closing the accounts x number of shares in circulation
Price on the day of closing the accounts	Mean rate of exchange adjusted for new issue and weighted with the numbers of shares traded on the last day of trading of the financial year
1) When the financial information for the years 1994-1996 was calculated, the accumulated appropriations were not divided into equity and deferred tax liabilities, because, due to the accepted losses, they were not considered to include taxes. In the consolidated balance sheets for 1997 and 1998, the accumulated appropriations were divided into equity and deferred tax liabilities.	
2) Calculated cash flow is profit after extraordinary items - taxes in profit and loss account + depreciation	

Proposal of the board of directors' concerning the distribution of profit

The distributable equity of Incap Corporation is FIM 40,958,718.77. The distributable equity of the Group is FIM 42,603,178.43 when the amount transferred from the appropriations to equity has been detracted from the Group's unrestricted equity.

The board of directors proposes to the general annual meeting that FIM 1.50 of dividend per share should be paid, which will amount to a total of FIM 5,265,165.00, and FIM 4,722,439.85 of the profit of the financial year, 9,987,604.85, should be deposited in the profit account.

Oulu, 16 February 1999


Seppo Arponen


Matti Kaitera


Pertti Karhinen


Juhani Vesterinen


Tero Frey
President & CEO

Auditor's statement on balance sheet

The annual accounts have been prepared in accordance with the appropriate accounting practice. An auditor's report has been issued today.

Oulu, 17 February 1999


Pertti Tarvainen
APA

Auditors' report

To the shareholders of Incap Corporation

We have audited the accounting, the financial statements and the administration of Incap Corporation for the year entered 31 December 1998. The financial statement, which includes the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on the administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of the audit of administration is to examine that the Board of Directors and the Managing Director have complied with the rules of the Companies Act.

In our opinion, the financial statements with the group profit of FIM 12,347,809.26 for the financial year have been prepared in accordance with the Accounting Act and other rules and regulations covering the preparation of financial statements. The financial statement give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations, as well as of the financial position. The financial statements with the consolidated financial statements can be adopted, and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the profit for the period is in compliance with the Companies Act.

We have reviewed the interim reports made public by the company during the year. It is our understanding that the interim reports have been prepared in accordance with the rules and regulations covering the preparation on such reports in Finland.

Oulu, 17 February 1999



Pertti Tarvainen

Authorised Public Accountant

Group administration

Board of directors

Chairman

Seppo Arponen (b. 1943)

MSc (Econ.), Director for Small and Medium-Sized Enterprises, Finnvera Plc.

Chairman since 1995

Chairman of the board for Teknoventure Ltd. and Matkailunkehitys Nordia Ltd., board member for PK Cables Oyj.

Matti Kaitera (b. 1935)

MSc (Eng.), Management Consultant Kaivas Oy

Member since 1997

Chairman of the board for Aplac Solutions Corporation and Pentti Kaitera-Fund in the University of Oulu, board member for Teknoventure Ltd., Videra Ltd. and Orient-Occident Ltd.

Pertti Karhinen (b. 1950)

BSc (Econ.), Managing Director of Finndomo Oy (previously Finnish Timber Houses Ltd.)

Member since 1992, chairman in 1992 - 1995

Chairman of Pientaloteollisuus ry (Association of Small House Industry), chairman of the board for Oy Kareliaparketti Ltd. and T-Drill Oy, member of the investment council of Finnish Industry Investment Ltd.

Juhani Vesterinen (b. 1953)

BSc (Econ.), BSc, Managing Director of Sampo Enterprise Insurance Company Limited

Member since 1998

Member of the Group's executive committee at Sampo Insurance Company Plc., chairman of the board for AAS Sampo Latvija and Sampo Kindlustuse As, board member for Sampo Industriförsäkring Ab, board member and member of the board working committee for the Federation of Accident Insurance Institutions, board member for Finnish Workers' Compensation Insurance Pool, member of the supervisory boards of VVO-Group Corporation and Radiolinja Oy, chairman of the board for PCA Corporate Finance Ltd.

Executive team

President & CEO

Tero Frey, BSc (Eng.), BSc (Econ.), (b. 1950) since 1992

Chairman of the board for Incap Electronics Ltd. and Incap Furniture Oy, Vice President, Marketing of Evox Oy (1977)-1983, Managing Director of Keraspo Oy (1983)-1992

Vice President, Projects

Sauli Huikuri, MSc, (b. 1958) 1996 - 1998

President, Incap Furniture Oy

Vesa Karihtala, Technician, (b. 1940) since 1992

President, Incap Electronics Ltd.

Markku Keski-Filppula, BSc (Eng.), (b. 1949) since 1992

Vice President, Business Development

Tapio Kuokkanen, BSc (Eng.), MSc (Econ.& Bus.Adm.), (b. 1947) since 1992

Vice President, Finance & Administration

Rauni Nokela, MSc (Econ.& Bus.Adm.), (b. 1947) since 1992

Communications Manager

Paula Kähkönen, BSc (Comm.), (b. 1995) since 1992

Auditor

Pertti Tarvainen, Authorised Public Accountant

Contact information

Group administration

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Incap Electronics Ltd.
Vuokatti Works
P.O. Box 52, FIN-88601 Sotkamo
tel. +358 8 616 21, fax +358 8 666 2944

Contract manufacturing of furniture

Incap Furniture Oy
Teknologiantie 13, FIN-90570 Oulu
tel. +358 8 551 4300, fax +358 8 551 5930

Incap Furniture Oy
Kärsämäki Works
Teollisuustie, FIN-86710 Kärsämäki

Incap Furniture Oy
Varpaisjärvi Works
Vaatturintie 4, FIN-73200 Varpaisjärvi

