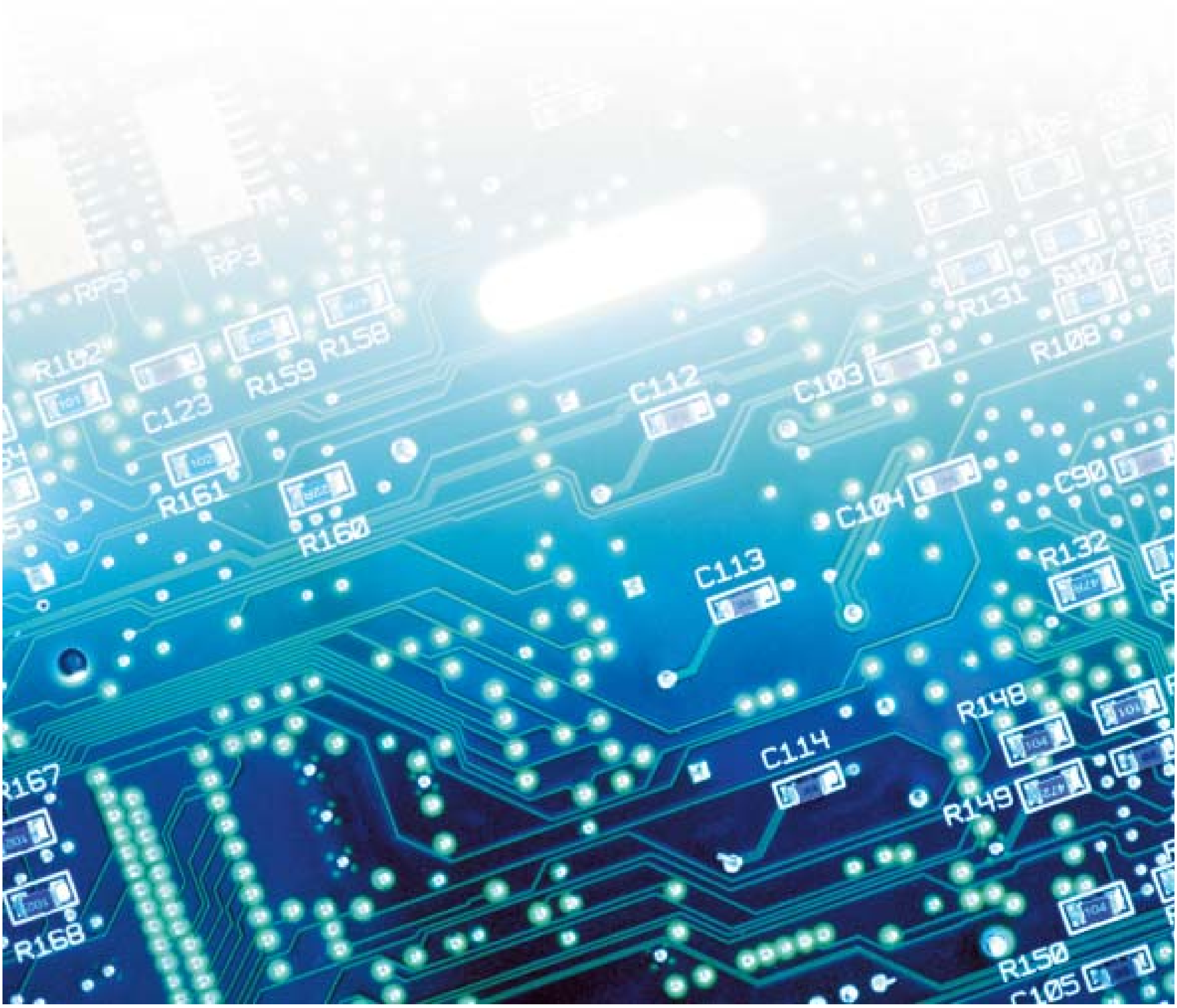
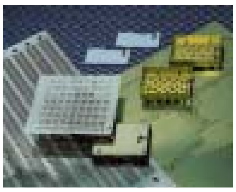




Annual Report 2003

Contents

Business Idea

Incap is an electronic contract manufacturer that offers diverse, flexible and high-quality manufacturing services covering design and construction as well as repair and maintenance services.

We are an active part of the value chain for electronics products and we build close long-term partnerships with customers, suppliers, subcontractors and other partners in co-operation.

◆ PROTOTYPE FABRICATION ◆ MACHINING ◆ ETCHING ◆ SHEET METAL FABRICATION ◆ HIGH-PRECISION PLATING ◆ PCB ASSEMBLY ◆ DESIGN SERVICES ◆ LOGISTICS SERVICES ◆ FINAL ASSEMBLY ◆ PRODUCT INTEGRATION ◆ TESTING ◆ SERVICING AND MAINTENANCE

Incap in Brief



Incap offers leading equipment suppliers in the electronics and electrical industry flexible and high-quality manufacturing services that combine versatile know-how in electronics and mechanics.

Comprehensive manufacturing services

Incap has about 25 years of solid experience of manufacturing electronics products. The service palette covers a large part of the value chain of an electronics product and Incap is able to provide its customers with integrated packages encompassing

- design services
- prototype fabrication
- machining
- etching
- high-precision plating
- PCB assembly
- sheet metal fabrication
- manufacture of flexible circuit boards
- final assembly
- product integration
- testing
- servicing and maintenance
- logistics services.

Customers in many industries

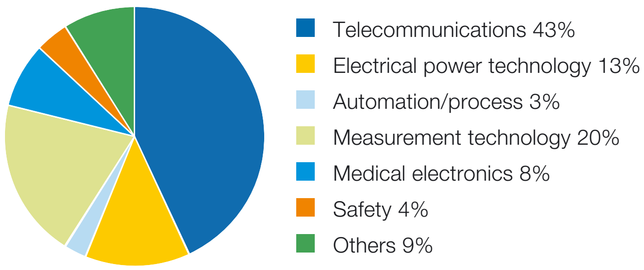
The company's main customer sectors are telecommunications, electrical power technology, the automation and process industry as well as equipment manufacture for measurement technology, safety electronics and healthcare. Customers include ABB, Abloy, Environics, GE-Instrumentarium, Kone, Metorex Security Products, Metso, Nokia Networks, Oras, Planmeca, REMEC, Solotop, Suunto and Vaisala.

Incap's production facilities are located in Helsinki, Kempele, Ruukki, Vaasa, Vuokatti and Kuressaare in Estonia. All the factories have a certified ISO 9001:2000 quality system and an ISO 14001:1996 environmental system.

The Incap Group has two subsidiaries: Incap Electronics Estonia OÜ and Ultraprint Oy. The Group has a payroll of a total of 552 employees.

Incap Corporation's shares are listed on the I List of Helsinki Exchanges. ■

Net turnover by customer sector, %.



Incap's Values

Focus on customers
Long-term success is possible only if our customers are satisfied with our services. We build an enduring partnership with our customers, a relationship that is based on trust and mutual benefit.

Profitability
Efficient and competitive operations ensure a good earnings trend and make possible future growth and internationalisation.

Continuous development
We improve and develop our operations actively so that we can keep performing well. We seek to renew ourselves continually and to shape our business to fit the customer's needs.

Respect for the individual
We support each other in learning new things and we share our abilities with other members of the workgroup for the benefit of all. We strive for open interaction and deal with matters – even difficult ones – in a good spirit. We give each other positive and constructive feedback.

Incap's Strengths

Reliability and experience
- long-term customer relationships
- ability to co-operate
- commitment to strategic partnership
- good references

Comprehensive services
- services covering the product's entire life cycle
- supplier of integrated services

Delivery ability
- high quality and delivery reliability
- flexibility and fast response
- state-of-the-art technology
- solid and versatile know-how

Straightforward and easy to deal with
- customer-oriented organisation
- personnel committed to good customer service

Trend in the Operating Environment

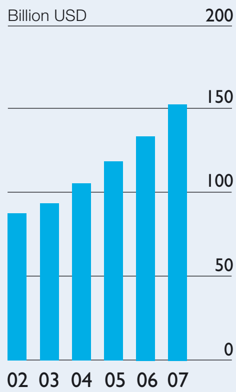
The trend towards outsourcing is strengthening and manufacturers of electronic equipment are transferring their production and design operations to contract manufacturers who offer extensive integrated services covering the product's entire life cycle. In the face of tough competition, contract manufacturers who operate flexibly, to high standards of quality and cost-effectively will come out on top.

A challenging market situation

There was continuing overcapacity in the provision of manufacturing services in 2003. Large international contract manufacturers reassessed their operations in Finland, closed factories, discontinued production lines and revised their strategies and objectives. Providers of manufacturing services jockeyed for new positions in the value chain by making acquisitions, joining together in mergers or networking with partners in co-operation. The transfer of high-volume production to low-cost countries that are close to growing markets gained pace.

Manufacturers of equipment for the electronics industry cut down the number of their suppliers and sought close co-operation with a few reliable suppliers. Concurrently, the weak demand and tough competition in the market led to a declining price trend and forced equipment manufacturers to seek cost savings. This trend had a pronounced impact on the entire delivery chain, and contract manufacturers had to revise their prices and step up operational efficiency further. With product life cycles shortening, it has become more difficult than ever to forecast demand. In the face of tight competition, new products must be brought to market quickly, and a contract manufacturer's speed, responsiveness and flexibility constitute a major competitive advantage.

The electronics contract manufacturing market in 2002–2007



Source: Technology Forecasters, Inc., December 2003

Contract manufacturing gains ground

Contract manufacturing is still an expanding business, though the trend over the past two years has not been in line with expectations. Outsourcing is continuing and strengthening as the economy bounces back. Instead of individual components, a contract manufacturer is called on to provide ever larger product and service packages.

According to a study published by the Ministry of Trade and Industry in November 2003, about 25% of electronics production in Europe has been outsourced. In Finland, a good third of the manufacture of telecommunications equipment has been outsourced, and the share within other electronics manufacture is clearly smaller. In order to cope with the difficult market situation, manufacturers of electronics equipment are looking for new ways of stepping up their operations and are outsourcing both manufacturing, production support functions and entire business processes. So far, only a fraction of design and after-market services has been outsourced, and the outsourcing of these services will increase at a faster rate than that of mainline manufacturing.

Service ability is crucial

The sector is dividing into large global contract manufacturers and medium-sized regional players. The large electronics contract manufacturers are able to focus their operations on certain industries, whereas medium-sized contract manufacturers serve a wider clientele.

There is still tough price competition and customers are insisting on an annual price-drop of up to 10%, depending on the industry. Price pressures may ease off if there is particularly strong growth in the market and component availability comes under pressure. Ever tighter competition is leading to more open pricing. This is resulting in a closer partner relationship between electronics equipment manufacturers and contract manufacturers. The supply of cheap labour is being utilised actively, and high-volume production in particular is moving from Finland to the Baltic countries, eastern Europe, Mexico and the Far East.

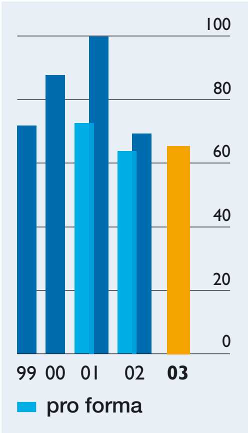
In price comparisons, the priority is shifting from a narrow concern with a product's manufacturing cost to its total costs and the supplier's service ability because in the manufacture of electronics products, fast ramp-up, delivery reliability and dependable quality are major factors in the overall analysis.

Because of logistics costs and the time lag, it doesn't pay to transport completed products from one continent to another. This means that products that are needed in the European markets will for the most part continue to be manufactured in Europe. On the other hand, the fact that companies' product development will remain in Finland and Europe guarantees that at least production ramp-up will be done here, even if, some years in the future, actual high-volume production is moved closer to the markets, say, to China.

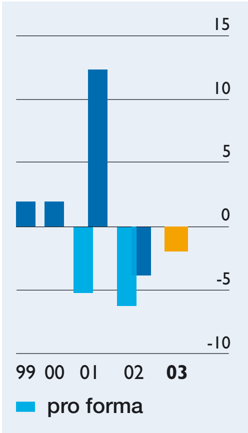
The life cycles of electronics products are shortening continually and several versions of products that are tailored to the needs of different user groups are being made. This is a factor limiting the size of manufacturing volumes. In the manufacture of products of this kind, flexible and agile suppliers like Incap, whose production technology is suited to small and medium-sized series will be successful. ■

1999–2003

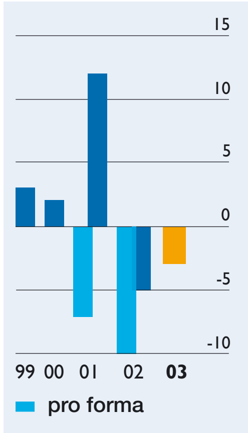
Net turnover, EUR million



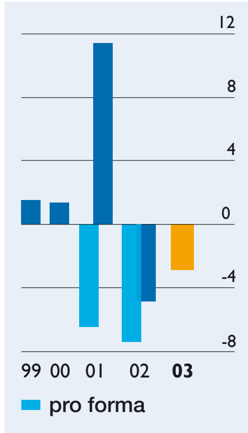
Operating profit, EUR million



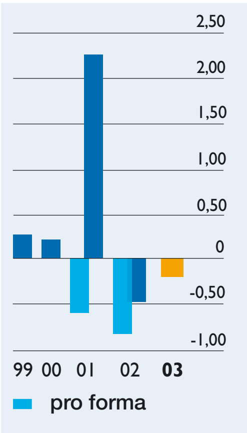
Operating profit of net turnover, %



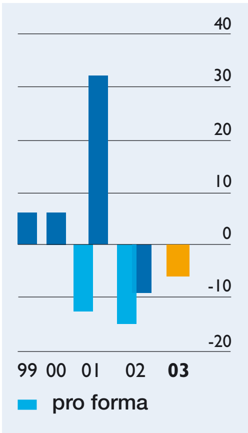
Profit before extraordinary items, EUR million



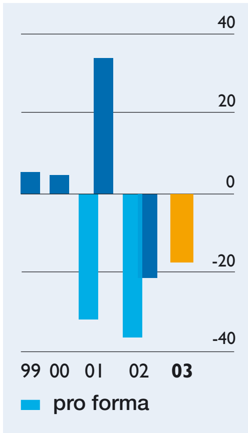
Earnings/share, EUR



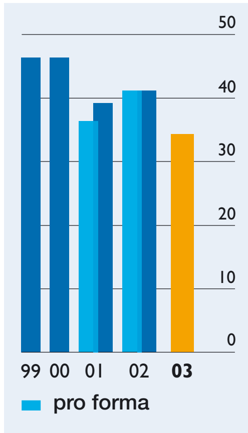
Return on investment, (ROI) %



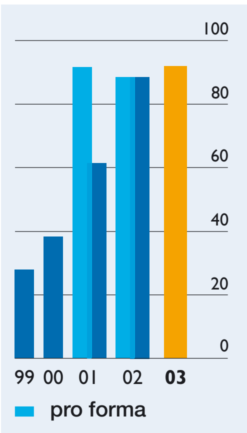
Return on equity, (ROE) %



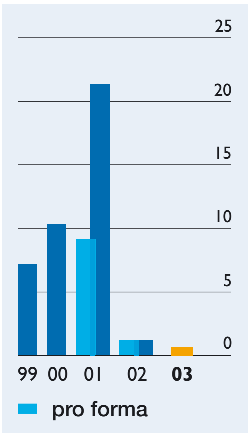
Equity ratio, %



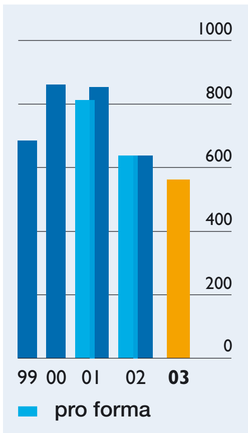
Gearing, %



Investments, EUR million



Average number of personnel



The graphs for 2001 and 2002 show both the Incap-JMC pro forma figures and the official Incap Group figures.

The figures for 1999-2000 describe the then Incap Group and comprise the electronics and furniture contract manufacturing businesses.

The pro forma figures describe the business with the present Group structure.

2003 in Brief

Improved profitability – increase in net turnover

Incap Corporation retained its established position as a supplier of manufacturing services. The continued slack demand in the telecommunications network sector had an especially marked impact on the operations of the Group's units that manufacture network and base station products. Despite low manufacturing volumes, productivity improved at all the factories. The pick-up in the market towards the end of the year increased the capacity utilisation rate and had a positive effect on earnings.

Consolidated net turnover was EUR 65.2 million, up 3% on the pro forma turnover in 2002. The Group reported an operating loss of EUR 1.9 million, i.e. a 70% improvement on the pro forma operating result in 2002.

The operating result includes a total of EUR 1.6 million of non-recurring costs resulting from efficiency-boosting and downsizing arrangements. Due to structural rearrangement, non-recurring writedowns concerning machinery and equipment were entered in extraordinary expenses to a total of EUR 3.2 million.

Enhancement in integrated services

All of the company's areas of expertise were utilised in the deliveries of base station components that got under way at the beginning of the year. The manufacture of products involved machining, plating, PCB assembly, sheet metal fabrication, product assembly, integration, tuning and testing.

In the face of tougher competition, customers are seeking ever-newer cost savings, thereby increasing the need for the continuous enhancement of operations. With the aim of lowering manufacturing costs, a greater amount of electronics manufacture and assembly was done in Estonia.

At the factories in Kempele and Ruukki, quality and environmental systems were built and they were granted an ISO 9001:2000 quality certificate and an ISO 14001:1996 environmental certificate in January 2004. All the Group's factories have the same types of certification.

The results of the customer satisfaction survey improved in all the subareas of customer service compared with the corresponding survey in 2002. Customers identified Incap's main strengths as being its understanding of customers' needs, the ease of dealing with us and the competence of our people.

Business development priorities

The paramount near-term objective is to improve profitability by increasing productivity, stepping up materials management processes and raising the capital turnover rate. Growth in net turnover will be sought primarily by expanding co-operation with present customers.

Incap's manufacturing services and way of working are suited to most customers in the electronics and product fabrication sectors, and the company wants to maintain its versatile customer mix. Instead of focusing on a single customer sector, Incap is concentrating on customer-specific service and tailoring its operations in accordance with each customer's needs.

Incap is amplifying co-operation with its customers by offering ever more extensive integrated services and by assuming total responsibility for the customer's production and related services.

Incap's flexible way of working, versatile expertise and ability to respond quickly are major strengths, especially in manufacturing products that are made in several versions designed for the needs of different user groups. Incap is very competitive in the manufacture of such "high mix - low volume" products because its expertise is well suited to the small and medium-sized production series required for these products.

Outlook for 2004

Signs of a revival in demand can be seen in a number of industries. Incap's objective is to strengthen its role as a partner of its present customers, and consolidated net turnover is estimated to grow in 2004 at least in line with the market growth.

Profitability will be improved by increasing cost-efficiency, especially within production and materials management. The objective is to post an operating result that is in the black and clearly better than the figure reported in 2003. ■

Key ratios

	2003	2002 pro forma	Change %	2002 official	By quarters Q1/2003	Q2/2003	Q3/2003	Q4/2003
Net turnover, EUR million	65.2	63.2	3	69.0	15.3	14.6	15.3	20.0
Operating profit, EUR million	–1.9	–6.3	70	–3.8	–0.7	–0.6	–0.5	–0.1
% of net turnover	–3	–10	-	–5	–4	–4	–3	–1
Profit before extraordinary items, EUR million	–2.8	–7.3	62	–4.7	–0.8	–0.8	–0.7	–0.5
Profit/loss for the period, EUR million	–5.6	–7.3	23	–10.8	–0.8	–0.8	–0.7	–3.3
Earnings/share, (EPS), EUR	–0.20	–0.76	-	–0.49	–0.07	–0.07	–0.06	–0.01
Return on equity, (ROE), %	–18	–36	-	–21	-	-	-	-
Return on investment, (ROI), %	–6	–16	-	–9	-	-	-	-
Equity ratio, %	34	41	-	41	41	41	39	34
Personnel at end of period	552	589	–6	589	568	561	561	552

The Group's officially reported figures include the January and February 2002 figures of the furniture business as well as the figures of the JMC Tools Group as from 1 May 2002. The pro forma figures describe the operations of the merged Incap-JMC entity similar to the present structure of the Group.
The rules for calculating the key ratios are given on page 40.

Review by the President and CEO

"Our prime objectives are to improve profitability and increase net turnover. We have done a great deal of work to achieve these goals and the trend during the last months of the year was already pointing in the right direction."

The priority for Incap's operations was on deepening customer relationships and improving our integrated services for customers. Work was done on many fronts with the aim of improving profitability. Our operational model and cost structures were honed, and co-operation between the different areas of expertise was developed. The whole palette of expertise was used in the first integrated deliveries of base station products at the beginning of the year. We also racked up successes in rapidly ramping up the production of new products and in carrying through customers' outsourced production according to a tight schedule.

Earnings trend heads upwards

Back at the beginning of 2003, an upswing in the economy was forecast to get under way by the summer, but at the close of the first quarter, the optimism had already become more cautionary, and the anticipated revival in the markets again failed to materialise.

Demand for Incap's manufacturing services varied by both industry and customer. In the telecommunications sector, demand picked up at the end of the year, and in deliveries of measuring technology equipment there was a marked revival after the summer. For part of our electrical power technology customers, demand grew, whereas for others it fell further. The situation was the same for manufacturers of healthcare equipment.

The trend in net turnover was satisfactory, but the operating result was still in the red. In the last two quarters, the operational result was already in the black and we estimate that the positive trend will continue this year. In 2003, earnings were also burdened by non-recurring entries, primarily for downsizing arrangements and restructuring of production.

During the year we carried out streamlining and efficiency-boosting arrangements across Incap. The Group structure was simplified when the functions of JMC Tools Oy were transferred to Incap Corporation's name in mid year. Within the new organisation that went into effect in November, all manufacturing operations were centralised within the same business sector, sales activities were pulled together into a single team and materials management was made into a separate unit. The objective of the change is to improve customer service, delineate procedures clearly, focus operations towards extensive total deliveries in line with our strategy and raise the efficiency of materials functions.

On the basis of our experiences, customers' requirements and ever-mounting cost pressures, we undertook planning for utilising the business potential of the Baltic area more widely than at present. This means both increasing our production in Estonia and expanding operations further in the Baltic area. Incap wants to grow and develop its operations primarily in Europe.

Customers are actively seeking rational solutions for arranging their production, and intensive negotiations were held with a number of customers concerning the transfer of manufacturing operations to Incap. The outsourcing of Solotop's scale manufacturing and the transfer of production operations were accomplished in a first-rate manner. The process was a good example of the benefits of outsourcing to the customer and it gave a convincing demonstration of Incap's ability to take on the customer's production operations.

A brighter future

The three-year long slump within contract manufacturing appears to be swinging to growth at last. In all customer sectors, there are signs of a clear pick-up, and business forecasts are predominantly positive.

Consolidation within the industry will probably move ahead and there will continue to be fierce competition among electronics contract manufacturers. The trend towards outsourcing will strengthen and design services will grow in importance. Equipment manufacturers are cutting down the number of their suppliers and procuring ever-larger total deliveries from the same supplier. Contract manufacturing still has great market potential, but growth and success will not come easily: as cost pressures mount, only those who adapt swiftly and flexibly will come out on top.

Our prime objectives are to improve profitability and increase net turnover. We have done a great deal of work to achieve these goals and the trend during the last months of the year was already pointing in the right direction.

Improving customer service and deepening customer relationships is a key priority for us. We will go after net turnover growth primarily by expanding services for present customers and securing a greater role as their partner. Incap is ready for growth in demand and prepared to take on additional responsibility: we can quickly double our present production volume with minor additional investments, and our integrated services have been honed in line with even the most demanding needs.

I wish to thank our customers, shareholders and partners in co-operation for the confidence they have shown in us and for their good co-operation. An especial vote of thanks goes to our personnel, who even when faced with major challenges, have worked with enthusiasm and commitment in order to achieve our shared objectives. ■

Kempele, February 2004

Juhani Hanninen

President and CEO

The development of service provision and operations was continued successfully in spite of a difficult market situation. Well-established customer relationships were strengthened and new customers were landed. The revamped organisation stresses the importance of good customer service, smoothly running internal co-operation and materials management, which has a direct impact on profitability. Incap's streamlined and clear-cut operational model makes possible fast decision-making as well as flexible and straightforward customer service.

Testing design is part of Incap's integrated services. The tests and testing environment for products to be manufactured are designed so that post-production testing can be carried out quickly and reliably.

Development of Operations

Faint signs of a turn in the market situation

Manufacturing services for electronics and fabricated products continued to face a challenging market situation. The uncertain outlook for the international economy impacted customers' business operations, and there was still overcapacity within electronics manufacturing services. Visibility worsened further, order lead times shortened and the pressure to lower costs across the entire delivery chain led to tougher price competition. Signals portending a growth in demand strengthened towards the end of the year, but there was still no clear consensus in the markets regarding the strength and onset of the upswing.

Consolidation within the contract manufacturing sector moved ahead. Many rearrangements of manufacturing capacity were carried out in the field with the aim of achieving operational efficiency advantages in response to customers' demands for lower costs. Customers' willingness to outsource production and services strengthened further.

There was a slight increase in the demand from Incap's customers in the telecommunications sector right in the first months of the year, and deliveries of products used in telecommunications networks showed especially marked growth towards the end of the year. Demand for industrial electronics products was stable and the growth that still beckoned at the beginning of the year failed to materialise. The market for measurement technology equipment nevertheless picked up substantially in the latter half of the year.

Gratifying trend in customer relationships

Established customer relationships were deepened by expanding co-operation to design services and new products and product families. Customers continued their efforts to trim the number of suppliers. On the one hand, this meant a tighter competitive situation, but on the other, it also offered new opportunities. In most situations, Incap's competitiveness proved to be soundly based in terms of quality, delivery reliability and price, and Incap succeeded in improving its relative position among its customers. In some cases, where not only price but also speed of response had a big significance in the choice of a manufacturer, Incap was competitive even compared with manufacturers who use low-cost Far Eastern labour, and deliveries were also made to Asia.

One of the most important new customers was Solotop Oy, which outsourced its entire production of scales to Incap. The transfer of production was accomplished according to a very fast timetable fully in line with plans and demonstrated that Incap is capable of taking charge of production operations quickly and reliably.

Towards the end of the year, Incap started electronics and assembly co-operation with a major customer in the telecommunications sector in connection with box-build deliveries, where after manufacture and assembly the product is sent directly to the end user in the customer's own package. The timetable was tight and production start-up was carried through swiftly.

New customer-specific teams were set up within electronics production with the aim of stepping up customer service. Contacts between the customer and the team are straightforward and fast, and the team members are highly committed to serving the customer. In addition, customer responsibilities in the area of sales and marketing were fine-tuned and sales teams were strengthened both through internal arrangements and recruitment.

Tuija Pietinen,
Customer Support:

"My work consists mainly of customer service. Customers' needs, wishes and opinions are the starting for everything I do. Apart from product documentation, product development and keeping system information up to date, I'm involved in pricing and production control.
I tackle the customers' day-to-day problems and seek out the best solutions to them. I view my role as being a kind of customer's advocate, his agent in dealings here at Incap – in line with our customer-oriented operational model."

Positive feedback on customer satisfaction

A customer satisfaction survey was carried out in the spring, as in the previous year. The elements measured were customers' views on co-operation, the quality of operations, service, competence, social responsibility and the corporate image. A positive trend was observed in all sub-areas. The biggest progress was made in speed of response and the ability to be proactive. Better rankings than in the previous year were also registered for the understanding of customers' needs, the adequacy of resources and the corporate image in the contract manufacturing market. The highest marks were given for Incap's mainline manufacturing services, technology and infrastructure, product quality, staff professionalism and environmental awareness. Customers pointed out that Incap's particular strengths are understanding customers' needs, the ease of dealing with us and the competence of our people.

Improved service ability

Customers were paring down the number of their suppliers and seeking to get larger, more integrated service packages from a single supplier – even entire completed products. Incap's competitive position was good because our services cover all of a product's manufacturing stages: the plating and machining of fabricated frames, the manufacture of electronic components and sheet metal fabrication, product assembly and integration as well as tuning and testing. Incap's objective is to offer integrated deliveries that utilise all the company's areas of expertise. To this end, we succeeded in expanding our delivery scope from the manufacture of components to final assembly, notably, in the manufacture of base station components, equipment for telecommunications networks and scales. The first orders for total deliveries of mast top amplifiers were landed at the beginning of the year and after a fast ramp-up, actual deliveries got started in the summer. At the end of the year negotiations were completed on the start-up of high-volume production of base station filters at the Kuressaare factory during the first quarter of 2004.

The ability to deliver integrated total packages was improved by beefing up manufacturing know-how within RF products through recruitment and internal training. The plating, tuning and testing processes for high frequency technology products were developed, and outlays were made on these operations, among other things, by purchasing new measuring equipment. Co-operation between the different units was honed by harmonising ways of working and bringing together all the factory units into a single Manufacturing Services organisation.

The company had excellent success throughout the year in placing new products in production and in improving manufacturability, and very positive feedback came in from many customers. The shortening of product life cycles is highlighting the need to get new products moved from the design and prototype phase into mass production quickly and cost-effectively, whilst ensuring high quality. The results of the Fast Ramp-up development project that was carried out in 2001-2003 and co-ordinated by VTT Industrial Systems (VTT Technical Research Centre of Finland) brought a noticeable improvement in operations.

Incap's design services extend from product design to the design of maintenance functions. Demand for these services picked up further, and additional resources were obtained for testing and fabrication design as well as for component engineering services. Know-how and service provision were directed towards mainline product development work, testing

Pekka Laitila,
Electronics Purchasing:

"Nowadays, a contract manufacturer's purchasing function is all-embracing and lasts throughout the product's life cycle. That's why the buyer is involved, right from the design stage, in helping to select the right components and manufacturers. We have direct contacts with the leading component manufacturers in different parts of the world and we always seek to find the alternatives that offer the greatest overall economy.
In a purchasing agent's work no two days are the same – situations keep changing and you have to be flexible."

design, selections of materials and improving manufacturability. Design was increasingly incorporated as part of the deliveries to customers, and a number of co-operation agreements for design service were concluded.

Manufacturing efficiency improves

Competitiveness was improved successfully by increasing operational efficiency at all units. The objective is to reach a break-even profitability level with a much lower capacity utilisation rate than at present.

The ease of dealing with Incap and our staff's professional skill received praise in the customer satisfaction survey.

Special expertise in RF technology is needed in the tuning and testing of base station products.

Development work in the manufacture of RF components was carried out with a special focus on plating, where process efficiency was improved. SMD assembly methods were developed, and small µBGA and 0201 chip components were assembled within electronics manufacture. Active preparations were made for introducing a lead-free process by carrying out test production with lead-free circuit board platings, components and solders. The development work is continuing ahead and the objective is to get the lead-free process up and running in good time before it becomes compulsory in 2006.

Incap took part in the "CIM2005" electronics fabrication development programme in the Oulu area. The programme aided in building up manufacturing competence in the area of RF products. A Tekes (National Technology Agency of Finland) project connected with long-term RF know-how ran throughout the year.

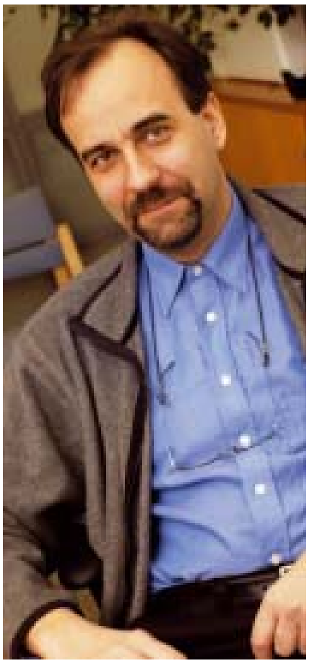
In the manufacture of high frequency technology products, investments were geared mainly towards improving working conditions and environmental technology. The Vaasa unit's operations were stepped up and painting shop operations were outsourced to a partner in co-operation.

The quality and environmental systems of the production units in Kempele and Ruukki were harmonised with the systems of the other units and they were granted an ISO 9001:2000 quality certificate and an ISO 14001:1996 environmental certificate in January 2004. All Incap units now have uniform certification.

Stepped-up materials management

Prices of electronics components fell in 2003. Negotiations were held with established suppliers on lowering prices, and new low-cost procurement sources were sought actively. The number of suppliers was cut down and co-operation with raw materials suppliers was developed. In addition, the use of consignment stocks was expanded.

A coordinate measuring machine is one of the tools used for the quality assurance of machined products.



Andreas Weber,
Programming:

"I take part in product manufacture very early on. It's my task in 3D design and programming to ensure that the production run for the customer's new products goes without a hitch. I also take care of maintaining the product's documentation and try to see to it that it's easy to make any needed modifications to the product. The people I collaborate with are the customer's designers, and our own methods planning and production staff. To do a good job, it's very important that we have an uncomplicated and fast flow of information."

Materials account for a major portion of the costs of contract manufacturing for electronics and fabricated products, and they have an essential bearing on the profitability of operations. One of the main objectives of the new materials organisation is purposeful development of materials and purchasing functions. The aim is to reduce the value of inventories significantly and to improve quickly the inventory turnover rate. Especial attention will be paid to the usability of materials, because as product life cycles grow shorter, there is a greater risk of unsaleable raw materials.

Expanded operations in the Baltic countries

Production at the unit located in Kuressaare, Estonia, grew thanks both to an increase in the manufacturing volumes for present customers and to landing new customers. Integrated deliveries accounted for a steadily growing share of the unit's manufacturing operations, and know-how connected with it was built up. In addition, equipment that is to be used in manufacturing RF products was purchased.

The operational model of the Kuressaare unit was brought up to the same speed and flexibility as the electronics production at the company's sites in Finland. When Estonia joins the EU in May 2004, co-operation and logistics between Kuressaare and the units in Finland will be simpler and even faster.

The objective is to boost production in Estonia and to expand operations in the Baltic area further in accordance with customers' needs.

A streamlined corporate structure

Incap's operations were streamlined, primarily by simplifying the corporate structure. JMC Tools Oy, which was acquired in 2002, was dissolved through voluntary liquidation and the company's operations were transferred to the parent company at the end of May. After the arrangement, the Incap Group has two subsidiaries: Incap Electronics Estonia OÜ and Ultraprint Oy.

Business development priorities

The paramount near-term objective is to improve profitability by increasing productivity and by stepping up materials management processes. Growth in net turnover will

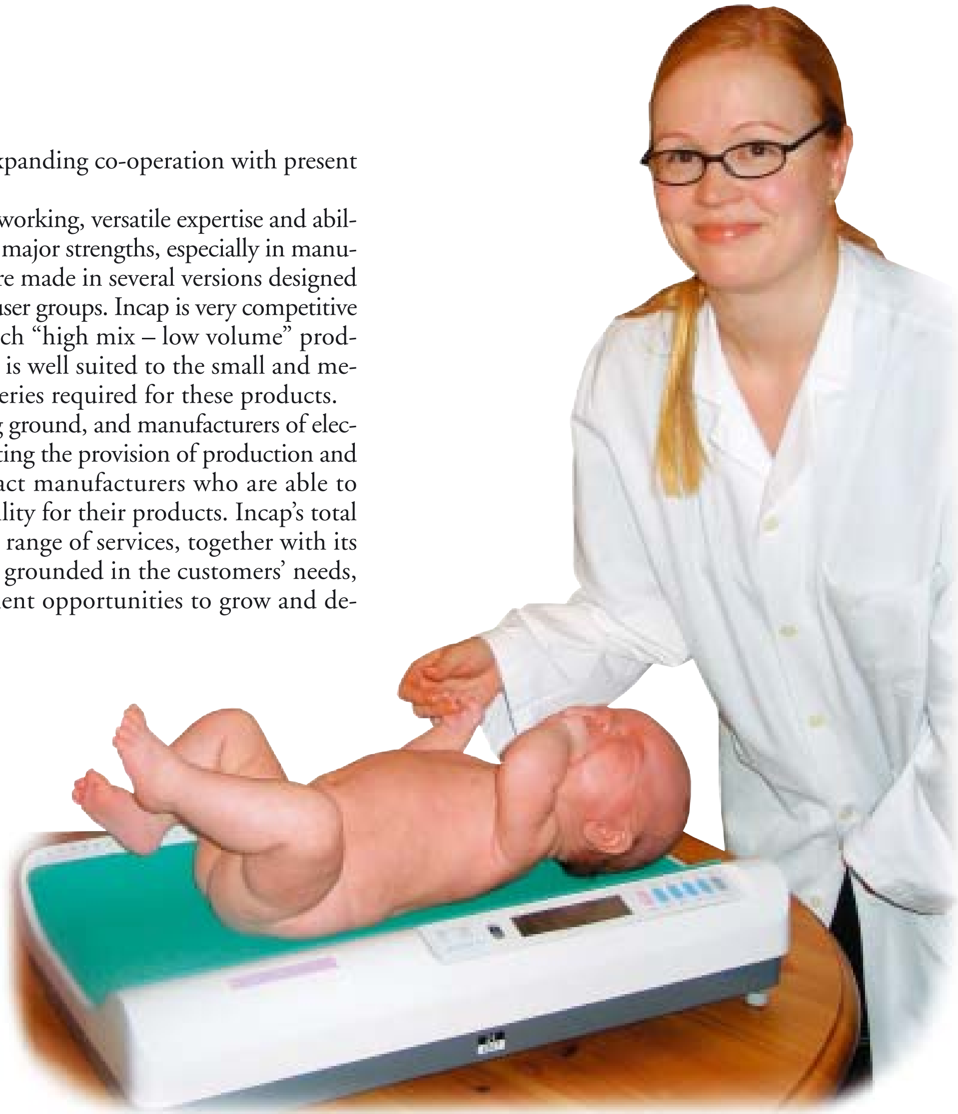
Incap's electronics and fabrication expertise also find their way into locks.

Genuine partnership is built up through close and trustworthy co-operation with the customer.

be sought primarily by expanding co-operation with present customers.

Incap's flexible way of working, versatile expertise and ability to respond quickly are major strengths, especially in manufacturing products that are made in several versions designed for the needs of different user groups. Incap is very competitive in the manufacture of such "high mix – low volume" products because its expertise is well suited to the small and medium-sized production series required for these products.

Outsourcing is gaining ground, and manufacturers of electronic equipment are shifting the provision of production and design services to contract manufacturers who are able to assume overall responsibility for their products. Incap's total delivery ability and wide range of services, together with its ways of working that are grounded in the customers' needs, offer the company excellent opportunities to grow and develop. ■



Solotop Oy transferred its scale manufacture to Incap in spring 2003, when Incap's production was audited in accordance with the EU directives for the manufacture of healthcare equipment.

Personnel

A capable and committed staff ensures smoothly running operations and flexible customer service. The objective of Incap's human resources policy is to support the staff's development, promote independent working and taking responsibility whilst encouraging our people to engage in co-operation for high performance.

One Incap
The Human Resources management function supports the creation of a unified company culture. The aim is to bring the ways of working and practices of the different units closer together so that the personnel work with full commitment to achieving the company's common goals.

JMC Tools Oy's functions continued to be integrated into the rest of the Group in 2003 by harmonising the factories' ways of working. Right from the start of the year, fast-paced and successful co-operation got under way between the different units in carrying out for the first integrated deliveries of base station products, and operational models were fine-tuned all year long. Internal development now takes place throughout the company in accordance with the same principles because in January 2004 the Kempele and Ruukki units were granted the same quality and environmental certifications as the other factories.

New organisation
The Group's new organisation came into effect at the beginning of November. The aim of the realignment is to channel resources towards developing functions that are essential for achieving business success. The customer interface was streamlined by bringing sales activities together into a single team and the role of materials management was emphasised by turning it into an independent unit. Furthermore, manufacturing operations were stepped up by centralising all the manufacturing services within a single organisational unit.

Competence development
The development priority was know-how for manufacturing base station products. This expertise was augmented both through recruitment and internal training sessions. Training was carried out both in co-operation with customers and by means of external experts.

Downsizing
Maintaining competitiveness in a challenging market situation resulted in pressure to step up operational efficiency. Cost structures were examined critically all year long, and various staff adjustment measures ranging from working time arrangements to pension agreements were applied. Although layoffs had to be made at nearly all the units, the situation improved towards the end of the year, when the number of laid-off staff had fallen to 51 employees, from 84 at the start of the year.

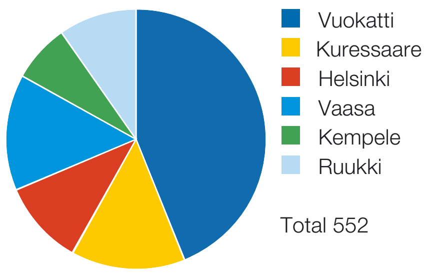
Incentive system
Progress was made in building the Group's unified bonus system, and the scheme was expanded from the beginning of 2004. The way the system works in practice is assessed regularly and it is recast as necessary to ensure motivation and fairness.

Personnel satisfaction survey
An internal atmosphere survey was carried out amongst the personnel in November–December with the aim of finding out the entire staff's views on their own work, their job, workplace co-ordination and job atmosphere as well as proposals for developing these areas. The response rate was excellent: 91%. The high level of participation makes the results reliable and is an indication of the staff's willingness to participate in developing operations.

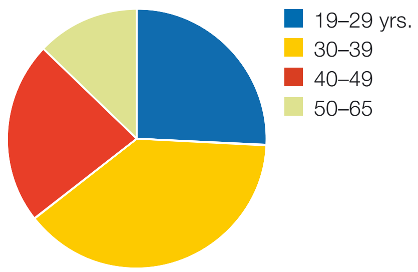
The survey results became available in January 2004. According to them, the staff consider Incap's strengths to be efficient operations and the quality of its products and services. The staff estimate that the external corporate image reflects a company that is service-minded, high quality and flexible. The most important areas for development turned out to be the working environment, training opportunities and motivation-building compensation.

The priority for internal development in 2004 is the subject areas that were pointed up in the personnel survey. On the basis of the results, a few main development areas will be selected and a purposeful effort will be launched to improve them. Progress will be measured by means of repeat surveys at regular intervals.

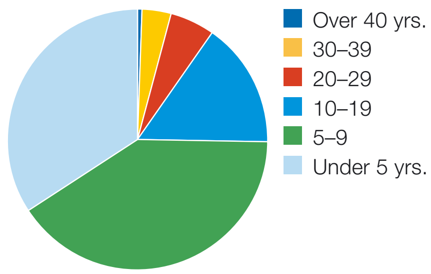
Personnel by location at 31 December 2003



Age breakdown of personnel



Years of employment



Quality and Environment

All Incap units have quality and environmental systems, in accordance with the ISO9001:2000/ISO14001:1996 standards, which are used as tools for the continual improvement of operations. Quality and environmental awareness is part of the personnel's professional skill, and it is emphasised in human resources development and in training.

The environment

The significant environmental effects of production are analysed on a facility-by-facility basis in terms of defined benchmarks and goals. The achievement of objectives is monitored continuously as part of daily operations and by conducting a quarterly management review.

In 2003 there were no significant new environmental protection activities, but the changes implemented in the previous year were maintained and developed

Operations do not involve environmental risks, and safeguarding and developing measures that are part of the environmental system are being carried out across the units.

Goals and benchmarks

During 2003 a process aiming at obtaining quality and environmental certification for the Kempele and Ruukki facilities was started. The work moved ahead in line with plans and the systems at the units were certified in January 2004.

The majority of the environmental goals were achieved. The goals for 2004 are more ambitious than in 2003 while the benchmarks are largely similar.

A customer satisfaction survey that was carried out in 2003 indicated that customer satisfaction has improved markedly over the year-ago results in all sub-areas.

Preparing for future environmental requirements

During 2003 Incap participated in projects aiming at familiarising the employees with lead-free soldering and the changes this will cause to the soldering processes and product characteristics. In 2004, pilot series will be continued using lead-free soldering and components. The objective is to bring processes into line with the RoHS directive by the beginning of 2006. ■

Comparison with Pro Forma Figures 2002

Consolidated Financial Information

	2003	2002 pro forma
Net turnover, MEUR	65.2	63.2
Operating profit, MEUR	–1.9	–6.3
Share of net turnover, %	–3	–10
Profit before extraordinary items, MEUR	–2.8	–7.3
Share of net turnover, %	–4	–12
Profit before taxes, MEUR	–6.0	–7.3
Share of net turnover, %	–9	–12
Return on equity (ROE), %	–17.7	–35.6
Return on investment (ROI), %	–6.0	–15.7
Balance sheet total, MEUR	37.7	45.6
Equity ratio, %	34.3	40.8
Gearing, %	92.0	88.1
Net debt, MEUR	12.8	16.3
Quick ratio	0.7	0.6
Current ratio	1.5	1.6
Investments, MEUR	0.5	1.1
Share of net turnover, %	1	2
Investment in R&D, MEUR	2.0	1.9
Share of net turnover, %	3	3
Average number of employees	562	630
Dividends, MEUR [1]	0.0	0.0
Per share data		
Earning per share, EUR	–0.20	–0.76
Equity per share, EUR	1.06	1.52
Dividend per share, EUR [1]	0.0	0.0
Dividend out of profit, % [1]	0.0	0.0
Cash flow per share, EUR	–0.20	–0.29
Trend in share price		
Minimum price during year, EUR	0.87	1.63
Maximum price during year, EUR	2.15	5.63
Mean price during year, EUR	1.59	3.37
Closing price at end of year, EUR	1.80	1.63
Total market value of shares on 31 Dec, MEUR	21.9	19.9
Turnover in shares, no.	3,367,276	867,553
Turnover in shares, %	28	9
Number of shares, adjusted for new issue		
Mean number during year	12,180,880	9,615,282
Number at end of year	12,180,880	12,180,880

[1] According to the proposal of the Board, no dividend will be paid

Consolidated Profit and Loss Account

EUR 1,000	2003	2002 pro forma
Net turnover	**65,153**	**63,241**
Variation in stocks of finished goods and in work in progress	–404	–2,048
Other operating income	63	245
Raw materials and services	39,577	38,811
Personnel expenses	14,427	15,536
Depreciation and reduction in value	3,593	3,728
Other operating charges	9,092	9,613
Operating profit/loss	**–1,877**	**–6,250**
Financial income and expenses	–913	–1,095
Profit/loss before extraordinary items	**–2,790**	**–7,345**
Extraordinary items	–3,210	0
Profit/loss before taxes	**–6,000**	**–7,345**
Income taxes	366	34
Profit/loss for the financial year	**–5,634**	**–7,311**

Accounting policy applied in the pro forma reports

The pro forma profit and loss account for the period 1 January-31 December 2002 has been prepared on the assumption that the sale of the shares in Incap Furniture Oy and the purchase of the shares in JMC Tools Oy had taken place at the beginning of the pro forma period on 1 January 2002. Accordingly, the January-February 2002 data for Incap Furniture Oy have been deleted from the Incap Group's official profit and loss account for the period 1 January-31 December 2002, and JMC Tools Oy's profit and loss account for the period 1 January-31 December 2002 has been consolidated into this profit and loss account. The Incap Furniture Oy shares were sold on 1 March 2002 and the JMC Tools Oy shares were purchased on 19 April 2002.

The pro forma balance sheet has been prepared on the assumption that the sale of the shares in Incap Furniture Oy and the purchase of the shares in JMC Tools Oy took place on 31 December 2002.

Consolidated Balance Sheet

EUR 1,000	2003	2002 pro forma
ASSETS		
Non-current assets		
Intangible assets	731	1,609
Tangible assets	13,021	17,670
Investments		
Holdings in other shares	11	11
Non-current assets, total	**13,763**	**19,290**
Current assets		
Stocks	11,983	15,604
Short-term debtors	10,748	9,973
Short-term investments		
Other short-term investments	2	2
Cash in hand and at banks	1,245	686
Current assets, total	**23,978**	**26,265**
Assets, total	**37,741**	**45,555**
LIABILITIES		
Capital and reserves		
Subscribed capital	20,487	20,487
Share premium account	4,224	4,224
Retained earnings	–6,148	1,174
Profit for the financial year	–5,634	–7,310
Capital loans	0	82
Capital and reserves, total	**12,929**	**18 657**
Creditors		
Deferred tax liabilities	140	507
Long-term creditors	8,452	9,455
Short-term creditors	16,220	16,936
Creditors, total	**24,812**	**26,898**
Liabilities, total	**37,741**	**45,555**

Consolidated Sources of Funds

EUR 1,000	2003	2002 pro forma
Cash flow from operations		
Operating profit	–1,877	–6,250
Adjustments for operating profit	4,345	3,243
Change in working capital	2,595	1,802
Interests and other financial expenses	–960	–1,337
Interest income from operations	47	20
Taxes	405	–850
Cash flow from operations	**4,555**	**–3,372**
Cash flow from investments		
Investments in subsidiaries	0	–474
Investments in tangible and intangible assets	–393	–810
Income from sales of tangible and intangible assets	26	717
Income from sales of subsidiaries	0	1,950
Cash flow from investments	**–367**	**1,383**
Cash flow from financial items		
Paid in subscribed capital	0	3,027
Long-term loan receivables, increase (–), decrease (+)	0	3,600
Decrease in short-term creditors	–1,560	–3,391
Increase in long-term creditors	2,076	673
Decrease in long-term creditors	–4,145	–1,580
Dividends paid	0	–105
Cash flow from financial items	**–3,629**	**2,224**
Change in funds, increase (+), decrease (–)	559	235
Funds at the beginning of the financial year	688	453
Funds at the end of the financial year	**1,247**	**688**

Report of the Board of Directors, 2003

Incap Corporation retained its established position as a supplier of manufacturing services. The continued slack demand in the telecommunications network sector had an especially marked impact on the operations of the Group's units that manufacture network and base station products. Despite low manufacturing volumes, productivity improved at all the factories. The pick-up in the market towards the end of the year increased the capacity utilisation rate and had a positive effect on earnings.

Group financial performance in 2003

Consolidated net turnover was EUR 65.2 million, up 3% on the pro forma turnover in 2002 (63.2 million). The Group's officially reported net turnover in 2002 was EUR 69.0 million.

The Group reported an operating loss of EUR 1.9 million, i.e. a 70% improvement on the pro forma operating result in 2002 (operating loss: 6.3 million). The officially reported operating result in 2002 was a loss of EUR 3.8 million.

Earnings per share were EUR 0.20 negative (pro forma: 0.76 negative, reported: 0.49 negative) and equity per share was EUR 1.06 (1.52). The Group's equity ratio was 34% (41%) and total assets were EUR 37.7 million (45.6 million).

The operating result for 2003 includes a total of EUR 1.6 million of non-recurring costs resulting from efficiency-boosting and downsizing arrangements as well as from unsaleable stocks. Due to structural rearrangement, non-recurring write-downs concerning machinery and equipment were entered in extraordinary expenses to a total of EUR 3.2 million. The aim of the structural rearrangement is to step up capacity utilisation and to improve productivity. Machinery is reorganised between units, production is centralised to the most efficient machines and obsolete equipment is decommissioned. The arrangement will be carried out during 2004.

Result of the fourth quarter

The last quarter of 2003 was the year's best in terms of both net turnover and the operational result. Net turnover for the period increased by 31% on the previous quarter and was EUR 20.0 million, representing growth of 24% on the same quarter a year ago (Oct.-Dec. 2002: 16.2 million). Net turnover increased thanks to the revival in demand in the telecommunications sector and among manufacturers of measurement technology equipment.

The fourth-quarter operating result was burdened by non-recurring write-downs on stocks, to a total amount of EUR 0.6 million, pushing the operating result into the red at EUR 0.1 million negative. The overall result of operations was nevertheless in the black, as it was in the previous quarter. The earnings improvement was due mainly to the growth in production volumes. Compared with the same period of 2002, the operating loss figure improved by 81%. Earnings per share in the period were EUR 0.01 negative (0.08 negative).

Trend in the operating environment

There was still an overhang of excess capacity in the supply of electronics manufacturing services in 2003. Consolidation in the sector moved ahead as mass production was moved to countries with a low cost level. Manufacturers of equipment for the electronics industry cut down the number of their suppliers and sought close co-operation with a few reliable suppliers. The low demand and tough competition that have prevailed for three years now led to a declining price trend and increasing efforts to achieve cost savings across the entire delivery chain. The upswing in the economy, which was forecast at the start of the year, did not materialise in the way that was expected.

Development of the Group's operations

In line with Incap's aim to supply integrated product entities, all of the company's areas of expertise were utilised in the deliveries of base station components that got under way at the beginning of the year. The manufacture of products involved machining, plating, PCB assembly, sheet metal fabrication, product assembly, integration, tuning and testing.

In the face of tougher competition, customers were seeking ever-newer cost savings, thereby increasing the need for the continuous enhancement of operations. With the aim of lowering manufacturing costs, a greater amount of electronics manufacture and assembly was done in Estonia.

At the factories in Kempele and Ruukki, quality and environmental systems were built and they were granted an ISO 9001:2000 quality certificate and an ISO 14001:1996 environmental certificate in January 2004. All the Group's factories have the same types of certification.

The results of the customer satisfaction survey improved in all the subareas of customer service compared with the corresponding survey in 2002. Customers identified Incap's main strengths as being its understanding of customers' needs, the ease of dealing with us and the competence of our people.

Business development priorities

The paramount near-term objective is to improve profitability by increasing productivity, stepping up materials management processes and raising the capital turnover rate. Growth in net turnover will be sought primarily by expanding co-operation with present customers.

Incap's manufacturing services and way of working are suited to most customers in the electronics and product fabrication sectors, and the company wants to maintain its versatile customer mix. Instead of focusing on a single customer sector, Incap is concentrating on customer-specific service and tailoring its operations in accordance with each customer's needs.

Incap is amplifying co-operation with its customers by offering ever more extensive integrated services and by assuming total responsibility for the customer's production and related services.

Incap's flexible way of working, versatile expertise and ability to respond quickly are major strengths, especially in manufacturing products that are made in several versions designed for the needs of different user groups. Incap is very competitive in the manufacture of such "high mix - low volume" products because its expertise is well suited to the small and medium-sized production series required for these products.

Financing

The Group's liquidity was satisfactory: the quick ratio was 0.7 (0.6) and the current ratio 1.5 (1.6). Cash flow from operations was EUR 4.6 million (pro forma: 3.4 million negative, reported: 1.9 million negative) and the change in cash flows was an increase of EUR 0.6 million (pro forma increase of 0.2 million, reported decrease of 0.6 million). The result for the period includes non-recurring expenses that do not affect cash flow.

Net financial expenses came to EUR 0.9 million (pro forma: 1.1 million, reported: 1.0 million). Net debt totalled EUR 12.8 million (16.3 million) and the gearing ratio was 92% (88%). Interest-bearing net debt amounted to EUR 11.9 million at the close of the financial year (16.1 million). The equity ratio remained satisfactory and was 34% (41%).

Capital expenditures

The Group's gross capital expenditures in the report period totalled EUR 0.5 million (1.1 million) or about 1% of net turnover (2%). Capital expenditures were made mainly on environmental technology and testing equipment for RF products.

Research and development

Spending on research and development amounted to EUR 2.0 million, or 3% of net turnover (1.9 million, 3% of net turnover). Research and development focused, notably, on improving plating, tuning and testing processes for products incorporating high frequency technology as well as the development of a lead-free process. Research and development expenditure has been booked to expenses for the period.

Personnel and management

At the beginning of the year the Incap Group had a payroll of 589 employees and at the end of the year it had 552 employees. The number of laid-off staff decreased from 84 employees at the beginning of the year to 51 employees at 31 December 2003. New staff were hired mainly for sales, the plating process and materials management.

The company's president and CEO up to 7 July was Seppo Ropponen, after which Chief Financial Officer Rauni Nokela served as acting CEO. Juhani Hanninen, M.Sc. (Eng.) took over as the Group's president and CEO on 1 September. Tuula Ylimäki, M.Sc. (Econ.), was appointed as the Group's chief financial officer effective 1 October. Ari Turunen, a technician, was appointed Vice President of Materials Management as from 1 November.

The members of the Group's Management Team were Juhani Hanninen (President and CEO), Hannele Pöllä (Communications and Investor Relations), Petri Saari (Sales and Marketing), Timo Sonninen (Manufacturing Services), Ari Turunen (Materials Management) and Tuula Ylimäki (Finance and Administration).

Personnel survey

An internal atmosphere survey was carried out amongst the personnel in November-December with the aim of finding out the staff's views on their own work, their job and workplace co-ordination as well as proposals for developing these areas. The participation rate in the survey was 91%. According to the survey results, the staff consider Incap's strengths to be efficient operations and the quality of its service. The most important areas for development turned out to be the working environment, training opportunities and motivation-building compensations.

Organisational revamp

The Group's new organisation came into effect at the beginning of November. Customer relationship management was improved and streamlined by bringing the sales functions together into a single team. The role of materials management was emphasised by turning it into an independent unit. Furthermore, manufacturing operations were stepped up by centralising all the manufacturing services within a single organisational unit.

Group structure

In order to simplify the Group structure, JMC Tools Oy, which became a Group subsidiary in 2002, was merged into the parent company by way of a voluntary dissolution procedure. The JMC Tools Oy business was transferred to the parent company at the beginning of June, and the dissolution was reported to the Trade Register in accordance with a resolution of an extraordinary general meeting of the shareholders of JMC Tools Oy on 23 December 2003. Of JMC Tools' loss on dissolution, EUR 6.3 million has been booked to the parent company's extraordinary expenses and depreciation. The remaining goodwill will be amortised in the parent company's profit and loss account over 5 years. After the arrangement, the Incap Group has two subsidiaries: Incap Electronics Estonia OÜ and Ultraprint Oy.

Board of Directors

The Annual General Meeting held on April 25, 2003, re-elected Seppo Arponen, Kalevi Laurila, Markku Puskala, Jorma Terentjeff and Juhani Vesterinen to seats on the Board of Directors. The Board of Directors re-elected Jorma Terentjeff chairman.

Auditors

The independent firm of accountants Ernst & Young Oy was the company's auditor, with Rauno Sipilä, Authorised Public Accountant, acting as chief auditor.

Introduction of IFRS standards (IAS)

The Incap Group will go over to reporting in accordance with the international IFRS standards in 2005. Preparations for introducing the standards were started in 2003, and the project has moved ahead according to plans. Decisions on the accounting policies for financial statements will be taken in 2004, at which time the figures for the opening IFRS balance sheet will be calculated, along with the comparison information for 2004.

Shares and trading information

The number of shares is 12,180,880. The price of the Incap Corporation share varied in the range of EUR 2.15 to EUR 0.87, and the share price at the close of the year was EUR 1.80. Share turnover was 28%.

At the end of the report period, the company had 834 shareholders, or 51% more than at the beginning of the year. The company's market capitalisation at December 31, 2003 was EUR 21.9 million.

Events related to shares and shareholdings

On 21 January 2003 the Board of Directors exercised the authorisation it had received at the 2002 Annual General Meeting through an issue of a total of 702,000 warrants directed at Varma Mutual Pension Insurance Company entitling the holders of said warrants to subscribe for an equal number of shares. The subscription price of the shares is determined according to the mathematical average of the closing prices of the company's share during the period from 3 February to 30 May 2003, but nevertheless such that the subscription price is a minimum of EUR 2.50 per share. The subscription period for the shares commenced on 1 June 2003 and it ends on 31 December 2005.

If Varma exercises its option rights-based warrants in their entirety, the shareholding of Varma Mutual Pension Insurance Company in Incap Corporation will exceed 1/20 of the company's voting rights and share capital. Varma would hold 702,000 shares, representing 5.4% of Incap Corporation's share capital and voting rights.

In a transaction completed on 2 December 2003, Jorma Terentjeff sold 1,161,700 Incap Corporation shares to Irish Life International Limited, whereby Irish Life International Limited became an Incap Corporation shareholder, with a 9.5% stake in the company. Following the transaction, Jorma Terentjeff's proportion of Incap shares is 2.5%.

Annual General Meeting

The Annual General Meeting of Incap Corporation was held on Friday, 25 April 2003 in Helsinki. The Annual General Meeting authorised the Board of Directors to decide on increasing the share capital, granting stock options and/or issuing convertible bonds. On the basis of the authorisation, the share capital can be increased by a maximum of EUR 4,092,775.68. The authorisation is valid up to 25 April 2004. The Board of Directors did not exercise the authorisation during 2003.

The Annual General Meeting amended the Articles of Association in accordance with the Board of Directors' proposal, whereby the company's domicile was changed from Helsinki to Oulu.

Dividend

The Board of Directors will propose to the Annual General Meeting convening on 20 April 2004 that the loss for the financial year be transferred to the retained earnings account and that no dividend be distributed for the 2003 financial year.

Outlook for 2004

Signs of a revival in demand can be seen in a number of industries. Incap's objective is to strengthen its role as a partner of its present customers, and consolidated net turnover is estimated to grow in 2004 at least in line with the market growth.

Profitability will be improved by increasing cost-efficiency, especially within production and materials management. The objective is to post an operating result that is in the black and clearly better than the figure reported in 2003.

Consolidated Profit and Loss Account

EUR 1,000	Note	2003	2002
Net turnover	1	**65,153**	**68,991**
Variation in stocks of finished goods and in work in progress		–404	–1,877
Other operating income	2	63	169
Raw materials and services	3	39,577	43,204
Personnel expenses	4	14,427	15,231
Depreciaton and reduction in value	5	3,593	3,221
Other operating charges		9,092	9,384
Operating profit/loss		**–1,877**	**–3,757**
Financial income and expenses	6	–913	–980
Profit/loss before extraordinary items		**–2,790**	**–4,737**
Extraordinary items	7	–3,210	–6,081
Profit/loss before taxes		**–6,000**	**–10,818**
Income taxes	8	366	11
Profit/loss for the financial year		**–5,634**	**–10,807**

Consolidated Balance Sheet

EUR 1,000	Note	2003	2002
ASSETS			
Non-current assets			
Intangible assets	9	731	1,609
Tangible assets	9	13,021	17,670
Investments	10		
Other receivables		11	11
Non-current assets, total		**13,763**	**19,290**
Current assets			
Stocks	11	11,983	15,604
Short-term debtors	12	10,748	9,973
Short-term investments	13		
Other short-term investments		2	2
Cash in hand and at banks		1,245	686
Current assets, total		**23,978**	**26,265**
Assets, total		**37,741**	**45,555**
LIABILITIES			
Capital and reserves	14		
Subscribed capital		20,487	20,487
Share premium account		4,224	4,224
Retained earnings		–6,148	4,671
Profit for the financial year		–5,634	–10,807
Capital loans	15	0	82
Capital and reserves, total		**12,929**	**18,657**
Creditors			
Deferred tax liabilities		140	507
Long-term creditors	17	8,452	9,455
Short-term creditors	18	16,220	16,936
Creditors, total		**24,812**	**26,898**
Liabilities, total		**37,741**	**45,555**

Consolidated Sources of Funds

EUR 1,000	2003	2002
Cash flow from operations		
Operating profit	–1,877	–3,757
Adjustments for operating profit	4,345	2,376
Change in working capital	2,595	480
Interests and other financial expenses	–960	–1,017
Interest income from operations	47	24
Taxes	405	–22
Cash flow from operations	**4,555**	**–1,916**
Cash flow from investments		
Investments in tangible and intangible assets	–393	–4,974
Income from sales of tangible and intangible assets	26	717
Sold subsidiaries	0	815
Acquired subsidiaries	0	–494
Investments in holdings in other shares	0	–1
Cash flow from investments	**–367**	**–3,937**
Cash flow from financial items		
Creditors after change in Group structure	0	6,257
Decrease in short-team creditors	–1,560	0
Increase in long-term creditors	2,076	673
Decrease in long-term creditors	–4,145	–1,607
Dividends paid	0	–105
Cash flow from financial items	**–3,629**	**5,218**
Change in funds, increase (+), decrease (–)	559	–635
Funds at the beginning of the financial year	688	1,323
Funds at the end of the financial year	**1,247**	**688**

Parent Company's Profit and Loss Account

EUR 1,000	Note	2003	2002
Net turnover	1	**61,388**	**58,885**
Variation in stocks of finished goods and in work in progress		–479	–1,658
Other operating income	2	381	162
Raw materials and services	3	39,946	38,255
Personnel expenses	4	12,933	12,369
Depreciation and reduction in value	5	3,790	1,691
Other operating charges		7,630	6,605
Operating profit/loss		**–3,009**	**–1,531**
Financial income and expenses	6	–768	–415
Profit/loss before extraordinary items		**–3,777**	**–1,946**
Extraordinary items	7	–8,447	686
Profit/loss before taxes		**–12,224**	**–1,260**
Appropriations		1,261	114
Income taxes	8	0	1
Profit/loss for the financial year		**–10,963**	**–1,145**

Parent Company's Balance Sheet

EUR 1,000	Note	2003	2002
ASSETS			
Non-current assets			
Intangible assets	9	9,146	1,146
Tangible assets	9	12,421	7,831
Investments	10		
Holdings in the Group companies		871	15,082
Other investments		9	8
Non-current assets, total		**22,447**	**24,067**
Current assets			
Stocks	11	10,447	12,989
Long-term debtors	12	554	2,982
Short-term debtors	12	11,350	12,105
Investments	13		
Other short-term investments		2	2
Cash in hand and at banks		787	185
Current assets, total		**23,140**	**28,263**
Assets, total		**45,587**	**52,330**
LIABILITIES			
Capital and reserves	14		
Subscribed capital		20,487	20,487
Share premium account		4,224	4,224
Retained earnings		6,783	7,928
Profit for the financial year		–10,963	–1,145
Capital and reserves, total		**20,531**	**31,494**
Appropriations	16	485	1,747
Creditors			
Long-term creditors	17	8,374	6,043
Short-term creditors	18	16,197	13,046
Creditors, total		**25,056**	**20,836**
Liabilities, total		**45,587**	**52,330**

Parent Company's Sources of Funds

EUR 1,000	2003	2002
Cash flow from operations		
Operating profit	–3,009	–1,531
Adjustments for operating profit	5,175	576
Change in working capital	1,817	2,214
Interests and other financial expenses	–700	–568
Interest income from operations	33	53
Taxes	405	–850
Cash flow from operations	**3,721**	**–106**
Cash flow from investments		
Investments in subsidiaries	0	–496
Investments in tangible and intangible assets	–362	–442
Income from sales of tangible and intangible assets	13	648
Income from sales of subsidiaries	0	1,950
Cash from merged subsidiaries	42	0
Cash flow from investments	**–307**	**1 660**
Cash flow from financial items		
Long-term loan receivables, increase (–), decrease (+)	0	896
Decrease in short-term creditors	–1,596	–1,660
Increase in long-term creditors	2,076	0
Decrease in long-term creditors	–3,292	–907
Dividends paid	0	–105
Cash flow from financial items	**–2,812**	**–1,776**
Change in funds, increase (+), decrease (–)	602	–222
Funds at the beginning of the financial year	187	409
Funds at the end of the financial year	**789**	**187**

Accounting Policy Applied in the Consolidated Annual Accounts for 2003

Extent of the consolidated annual accounts
The consolidated annual accounts include the parent company Incap Corporation, which is domiciled in Oulu, and the company's wholly-owned subsidiaries Incap Electronics Estonia OÜ, Kuressaare, Estonia and Ultraprint Oy, Kempele. The subsidiary JMC Tools Oy has been included in the consolidated annual accounts on 23 December 2003. The subsidiary Euro-Ketju Oy is a dormant company and as such has not been included in the consolidation.

A copy of the consolidated annual accounts can be obtained from the parent company's head office at the address Kempeleentie 46, 90440 Kempele.

Principles of consolidation
The consolidated annual accounts have been prepared according to the acquisition cost method. The difference in the purchase price and shareholders' equity of acquisitions of shares in subsidiaries made prior to 2002 has resulted in the formation of goodwill on consolidation. In connection with the merger of JMC Tools Oy in 2002, the compilation of the consolidated balance sheets has been carried out in compliance with Decision 1591/1999 of the Finnish Accounting Standards Board concerning the accounting treatment of exchanges of shares. In accordance with said decision, Group goodwill is not formed in an exchange of shares.

Intra-Group transactions and margins
Intra-Group transactions, unrealised margins on internal deliveries and internal receivables and debts have been eliminated. There are no minority interests.

Principles of valuation and periodisation

Valuation of non-current assets
Tangible assets included in non-current assets have been entered in the balance sheet at the direct acquisition cost less depreciation according to plan. Investment grants received have been booked by crediting the corresponding asset item. Depreciation according to plan has been calculated on the economic lifetime of the fixed asset items on a straight-line basis.

Intangible assets	
goodwill	10 yrs.
goodwill on consolidation	5 yrs.
other intangible rights	1 – 10 yrs.

Tangible assets	
buildings and structures	20 – 24 yrs.
production machinery	4 – 20 yrs.
other machinery	4 – 15 yrs.
vehicles	3 – 5 yrs.
other equipment	3 – 15 yrs.

Valuation of stocks
The stocks have been valued at their direct acquisition cost or the repurchase value or selling cost, whichever is lower, and costs are stated according to the FIFO principle.

Financial assets and management of financial risks
Trade debtors and creditors do not involve major interest rate or foreign exchange risks.

Items denominated in foreign currency
Items denominated in foreign currency have been translated at the middle rate quoted by the European Central Bank on the balance sheet date. Foreign exchange differences on sales and purchase amounts have been credited or debited to the appropriate items. Mentionable translation differences have not arisen in consolidating the foreign subsidiary.

Leasing
Leasing payments for fixed assets acquired through financial lease contracts are included as rental expense in Other operating charges.

Research and development expenditure
In 2003 research and development expenditure has been treated as an annual expense within Other operating expenses.

Periodisation of pension expenses
The pension security of employees, including supplementary benefits, has been provided for by taking out policies with pension insurance companies. Pension expenses are calculated over time and entered in the profit and loss account.

Income taxes
All the Group companies in Finland have tax loss carry-overs that have been approved in taxation and can be applied during the years 2004-2012. In accordance with the principle of financial prudence, these carry-overs have not been entered as imputed tax assets in the annual accounts. Deferred tax liabilities in the consolidated annual accounts consist of appropriations.

Notes

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
NOTES TO THE PROFIT AND LOSS ACCOUNT				
1. Net turnover				
Net turnover by market areas				
Finland	60,591	59,354	57,212	56,130
Europe	2,616	7,610	2,230	1,008
Other	1,946	2,027	1,946	1,747
	65,153	**68,991**	**61,388**	**58,885**
2. Other operating income				
Profit from the sale of fixed assets	53	106	53	55
Other income	10	63	328	107
	63	**169**	**381**	**162**
3. Raw materials and services				
Raw materials and consumables				
Purchases during the financial year	34,939	36,431	29,650	27,080
Variation in stocks	2,940	4,886	3,046	4,047
	37,879	**41,317**	**32,696**	**31,127**
External services	1,698	1,887	7,250	7,128
	39,577	**43,204**	**39,946**	**38,255**
4. Personnel expenses and number of personnel				
4.1 Number of personnel				
The Group and the parent company employed an average number of				
Employees	107	109	95	67
Workers	455	521	388	360
At the end of the financial year				
Employees	107	108	92	76
Workers	445	481	370	339
4.2 Personnel expenses				
Wages and salaries	11,393	11,926	10,219	9,639
Pension expenses	1,905	2,134	1,769	1 810
Other social security expenses	1,129	1,171	945	920
	14,427	**15,231**	**12,933**	**12,369**
4.3 Salaries and bonus of the management				
Presidents and the Board	340	446	297	425

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
5. Depreciation				
Depreciation according to plan from tangible and intangible assets	3,593	3,221	3,790	1,691
Depreciation of the balance sheet items is shown under fixed assets. The depreciation schedule is included in the accounting principles.				
6. Financial income and expenses				
Dividends				
From other companies	0	13	0	0
Other interest and financial income				
From the Group	0	0	0	39
From other companies	47	24	33	13
	47	24	33	52
Interests paid and other financial expenses				
To other companies	–960	–1,017	–802	–467
Financial income and expenses, total	**–913**	**–980**	**–769**	**–415**
7. Extraordinary items				
Loss from the sale of a subsidiary	0	–6,081	0	0
Profit from the sale of a subsidiary	0	0	0	686
Reduction in value of goods held as non-current assets	–2,547	0	–7,784	0
Reduction in value of goods leased	–663	0	–663	0
	–3,210	**–6,081**	**–8,447**	**686**
8. Income taxes				
Income tax from extraordinary items	0	0	0	–199
Income tax from operations	0	22	0	198
Change in deferred tax liabilities	–366	–33	0	0
	–366	**–11**	**0**	**–1**

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
NOTES TO THE BALANCE SHEET				
9. Fixed assets				
Research expenses				
Acquisition cost, 1 Jan.	165	165	0	0
Decrease	0	0	165	0
Acquisition cost, 31 Dec.	**165**	**165**	**165**	**0**
Accumulated depreciation, 1 Jan.	–162	0	0	0
Accumulated depreciation of JMC Tools Oy	0	0	–162	0
Depreciation during the year	–3	–162	–3	0
Accumulated depreciation, 31 Dec.	**–165**	**–162**	**–165**	**0**
Book value, 31 Dec.	**0**	**3**	**0**	**0**
Intangible rights				
Acquisition cost, 1 Jan.	1,052	1,482	877	886
Increase	38	176	204	1
Decrease	0	–606	0	–10
Acquisition cost, 31 Dec.	**1,090**	**1,052**	**1,081**	**877**
Accumulated depreciation, 1 Jan.	–548	–419	–474	–378
Accumulated depreciation of JMC Tools Oy	0	0	–73	0
Depreciation during the year	–130	–129	–129	–96
Reduction	–55	0	–54	0
Accumulated depreciation, 31 Dec.	**–733**	**–548**	**–730**	**–474**
Book value, 31 Dec.	**357**	**504**	**351**	**403**
Goodwill				
Acquisition cost, 1 Jan.	1,865	997	997	997
Increase	14	868	15,340	0
Acquisition cost, 31 Dec.	**1,879**	**1,865**	**16,337**	**997**
Accumulated depreciation, 1 Jan.	–1,201	–427	–623	–427
Accumulated depreciation of JMC Tools Oy	0	–427	–320	0
Depreciation during the year	–335	–347	–1,393	–196
Reduction	–179	0	–5,416	0
Accumulated depreciation, 31 Dec.	**–1,715**	**–1,201**	**–7,752**	**–623**
Book value, 31 Dec.	**164**	**664**	**8 585**	**374**
Other long-term expenditure				
Acquisition cost, 1 Jan.	1,598	2,119	1,397	1,368
Increase	2	233	99	32
Decrease	0	–754	0	–3
Acquisition cost, 31 Dec.	**1,600**	**1, 598**	**1,496**	**1,397**

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Accumulated depreciation, 1 Jan.	–1,159	–1,026	–1,029	–915
Accumulated depreciation of JMC Tools Oy	0	0	–26	0
Depreciation during the year	–137	–133	–137	–114
Reduction	–94	0	–94	0
Accumulated depreciation, 31 Dec.	**–1,390**	**–1,159**	**–1,286**	**–1,029**
Book value, 31 Dec.	**210**	**439**	**210**	**368**
Land				
Acquisition cost, 1 Jan.	134	176	60	60
Decrease	0	–42	0	0
Acquisition cost,, 31 Dec.	**134**	**134**	**60**	**60**
Accumulated reduction, 1 Jan.	–74	–74	0	0
Accumulated reduction, 31 Dec.	**–74**	**–74**	**0**	**0**
Book value, 31 Dec.	**60**	**60**	**60**	**60**
Buildings				
Acquisition cost, 1 Jan.	5,003	7,134	4,685	5,462
Increase	0	326	0	9
Decrease	0	–2,457	0	–786
Acquisition cost, 31 Dec.	**5,003**	**5,003**	**4,685**	**4,685**
Accumulated depreciation, 1 Jan.	–922	–816	–857	–764
Depreciation during the year	–240	–106	–227	–93
Accumulated depreciation, 31 Dec.	**–1,162**	**–922**	**–1,084**	**–857**
Book value, 31 Dec.	**3,841**	**4,081**	**3,601**	**3,828**
Machinery and equipment				
Acquisition cost, 1 Jan.	26,280	17,448	11,732	11,155
Increase	693	15,114	13,976	709
Decrease	–116	–6,282	–95	–132
Acquisition cost, 31 Dec.	**26,857**	**26,280**	**25,613**	**11,732**
Accumulated depreciation, 1 Jan.	–12,847	–10,103	–7,885	–6,936
Accumulated depreciation of JMC Tools Oy	0	0	–4,278	0
Depreciation during the year	–2,764	–2,744	–2,565	–949
Reduction	–2,219	0	–2,219	0
Accumulated depreciation, 31 Dec.	**–17,830**	**–12,847**	**–16,947**	**–7,885**
Book value, 31 Dec.	**9,027**	**13,433**	**8,666**	**3,847**
Acquisition cost of the production machinery and equipment, 31 Dec.	8,725	12,710	8,384	3,394

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Other tangible assets				
Acquisition cost, 1 Jan.	345	344	344	344
Increase	31	1	32	0
Decrease	0	0	0	0
Acquisition cost, 31 Dec.	**376**	**345**	**376**	**344**
Accumulated depreciation, 1 Jan.	–248	–213	–248	–213
Depreciation during the year	–35	–35	–35	–35
Accumulated depreciation, 31 Dec.	**–283**	**–248**	**–283**	**–248**
Book value, 31 Dec.	**93**	**97**	**93**	**96**
Fixed assets in progress				
Acquisition cost, 1 Jan.	0	13,081	0	0
Decrease	0	–13,081	0	0
Book value, 31 Dec.	**0**	**0**	**0**	**0**
10. Investments				
Investments in the Group companies				
Book value, 1 Jan.	0	0	15,082	1,266
Increase	0	0	868	15,079
Decrease	0	0	–15,079	–1,263
Book value, 31 Dec.	**0**	**0**	**871**	**15,082**
Other shares or similar rights of ownership				
Book value, 1 Jan.	11	9	8	8
Increase	0	3	1	0
Decrease	0	–1	0	0
Acquisition cost, 31 Dec.	**11**	**11**	**9**	**8**
Book value, 31 Dec.	**11**	**11**	**9**	**8**
Other debtors				
Book value, 1 Jan.	0	1	0	0
Decrease	0	–1	0	0
Book value, 31 Dec.	**0**	**0**	**0**	**0**

	Parent company ownership share, %	No. of shares	Book value EUR 1,000
Subsidiaries			
Incap Electronics Estonia OÜ, Estonia	100	400	3
Ultraprint Oy, Kempele	100	2,398	854

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
11. Stocks				
Raw materials and consumables	8,775	11,991	7,322	9,598
Work in progress	1,254	995	1,217	893
Finished goods	1,954	2,617	1,908	2,499
Prepayment	0	1	0	0
	11,983	**15,604**	**10,447**	**12,990**
12. Debtors				
Long-term				
Amount owed by Group companies				
Loan receivables	0	0	554	2,983
Short-term				
Trade debtors	10,010	8,337	9,731	7,040
Amounts owed by Group companies				
Trade debtors	0	0	374	148
Interest receivables	0	0	4	17
Loan receivables	0	0	427	3,680
Accrued income	0	0	360	30
Other receivables	249	3	0	0
Prepayments and accrued income	489	1,633	454	1,190
	10,748	**9,973**	**11,350**	**12,105**
Accrued income includes leasing rents	297	464	297	464
13. Short-term investments				
Other short-term investments	2	2	2	2

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

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
14. Capital and reserves				
Subscribed capital, 1 Jan.	20,487	5,904	20,487	5,904
Increase	0	14,583	0	14,583
Subscribed capital, 31 Dec.	**20,487**	**20,487**	**20,487**	**20,487**
Share premium account, 1 Jan.	4,224	4,224	4,224	4,224
Share premium account, 31 Dec.	**4,224**	**4,224**	**4,224**	**4,224**
Retained earnings, 1 Jan.	–6,148	16,904	6,783	8,033
Changes in Group structure	0	–12,129	0	0
Dividends paid	0	–105	0	–105
Profit for the financial year	–5,634	–10,807	–10,963	–1,145
Total, 31 Dec.	**–11,782**	**–6,137**	**–4,180**	**6,783**
Capital loans	0	82	0	0
Capital and reserves, 31 Dec.	**12,929**	**18,657**	**20,531**	**31,494**
Nonrestricted capital				
Retained earnings	–6,148	4,670	6,783	7,928
Profit for the financial year	–5,634	–10,807	–10,963	–1,145
Share of the accumulated appropriations written in the capital	–345	–1,240	0	0
Non-paid interests on capital loans	0	–42	0	0
Formation and research expenses	0	–3	0	0
Total, 31 Dec.	**–12,127**	**–7,422**	**–4,180**	**6,783**

15. Subordinated loan

A subsidiary had a capital loan of 82,412.08 euros in 2002.

Provisions:

The capital, interest and other remuneration may, upon the dissolution of the company or in the bankruptcy of the company, be paid subordinated to all the other debts. The capital may otherwise be refunded only if the restricted equity and other non-distributable items appearing in the balance sheet to be adopted for the Group for the financial period last ended are fully covered thereafter.

Interest may be paid only if the amount payable may be used for the distribution of profit in accordance with balance sheet to be adopted for the Group. Interest is 3.0 per cent above market interest and it will be accounted annually.

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
16. Depreciation reserve				
Accumulated depreciation difference, 1 Jan.	0	0	1,747	1,860
Changes	0	0	–1,262	–113
Accumulated depreciation difference, 31 Dec.	**0**	**0**	**485**	**1,747**
17. Non-current creditors				
Loans from credit institutions	5,494	5,925	5,494	2,617
Pension loans	298	331	298	331
Other creditors	2,660	3,199	2,583	3,095
	8,452	**9,455**	**8,375**	**6,043**
All non-current creditors are interest-bearing.				
Creditors maturing after five years				
Loans from credit institutions	269	601	269	526
Pension loans	220	237	220	237
Other non-current creditors	855	1,266	855	1,265
	1,344	**2,104**	**1,344**	**2,028**
18. Current creditors				
Loans from credit institutions	4,289	6,914	4,253	4,011
Pension loans	33	34	33	34
Advances received	7	7	0	0
Trade creditors	6,050	5,084	5,446	4,166
Amounts owed to Group companies				
Trade creditors	0	0	733	633
Accruals and deferred income	0	0	36	0
Other creditors	1,677	1,733	1,603	1,507
Accruals and deferred income	4,164	3,164	4,093	2,696
	16,220	**16,936**	**16,197**	**13,047**
Total of interest-bearing creditors	4,689	7,519	4,625	4,694

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
OTHER NOTES TO THE ACCOUNTS				
Guarantees and contingent liabilities				
Debts for which mortgages have been given				
Loans from credit institutions	4,533	5,307	4,497	3,708
Corresponding mortgages	336	336	336	336
Corresponding mortgages secured by stocks and machinery	8,550	9,979	7,944	6,960
Pension loans	14	24	14	24
Corresponding mortgages	168	168	168	168
Sale and leaseback agreement not included in the balance sheet	3,364	3,364	3,364	3,364
As the leaseholder, Incap Corporation has an obligation to subscribe the shares of Valuraudankuja 7 Oy from Varma-Sampo. The obligation must be exercised by the end of the term of lease on 31 Dec. 2011. The repurchasing price shall be the current market value.				
Invoices sold to financing institution with liability to buy back, total	2,101	2,679	2,101	1,966
Leasing and instalment liabilities not included in the balance sheet				
Liabilities maturing next year	4,642	2,133	4,609	1,954
Liabilities maturing later	1,680	3,723	1,644	3,468
Finance lease contracts include the option to buy the acquired fixed assets at the current market price at the end of the term of lease.				
Lease liabilities for the group premises	1,459	2,499	1,459	816
Leasing and instalment liabilities included in the balance sheets				
Incap Corporation, premises				
balance sheet value of fixed assets	3,601	3,828	3,601	3,828
corresponding liabilities	3,094	3,435	3,094	3,435
Ultraprint Oy, premises				
balance sheet value of fixed assets	240	252	240	0
corresponding liabilities	104	132	104	0
VAT to be paid back under the provisions of Section 33 of Value Added Tax Act				
Concerning investments in buildings and rebuilding in 1999–2003	587	809	587	809

Consolidated Financial Information

		2003	2002	2001	2000	1999
Net turnover	MEUR	65.2	69.0	99.7	86.8	70.8
Growth	%	–6	–31	15	23	6
Export	MEUR	4.6	9.6	38.7	36.3	34.1
Share of net turnover	%	7	14	39	42	48
Operating profit	MEUR	–1.9	–3.8	12.2	1.8	1.8
Share of net turnover	%	–3	–5	12	2	3
Profit before extraordinary items	MEUR	–2.8	–4.7	11.4	1.3	1.4
Share of net turnover	%	–4	–7	11	1	2
Profit before taxes	MEUR	–6.0	–10.8	11.4	1.3	1.4
Share of net turnover	%	–9	–16	11	1	2
Return on equity (ROE)	%	–17.7	–20.7	33.9	4.0	5.0
Return on investment (ROI)	%	–6.0	–9.1	32.1	6.3	6.2
Balance sheet total	MEUR	37.7	45.6	68.9	42.4	42.1
Equity ratio	%	34.3	40.8	39.2	46.0	46.0
Gearing	%	92.0	88.1	61.4	37.6	26.8
Net debt	MEUR	12.8	16.3	16.7	7.9	5.9
Liability payback period	years	neg.	neg.	1	3	4
Quick ratio		0.7	0.6	0.7	1.0	1.2
Current ratio		1.5	1.6	1.5	1.7	1.9
Investments	MEUR	0.5	1.1	21.3	10.2	7.1
Share of net turnover	%	1	2	21	12	10
Investment in R&D	MEUR	2.0	2.1	3.0	2.6	2.1
Share of net turnover	%	3	3	3	3	3
Average number of employees		562	630	847	855	683
Dividends	MEUR [1]	0.0	0.0	0.1	0.4	0.6
Per-share data						
Earning per share	EUR	–0.20	–0.49	2.24	0.22	0.27
Equity per share	EUR	1.06	1.52	7.70	5.56	5.51
Dividend per share	EUR [1]	0.0	0.0	0.03	0.10	0.17
Dividend out of profit	% [1]	0.0	0.0	1.3	45.3	63.0
Cash flow per share	EUR	–0.20	–0.62	3.75	0.98	0.91
Effective dividend yield	% [1]	0.0	0.0	0.6	2.2	1.7
P/E ratio		neg.	neg.	2.2	20.5	36.5
Trend in share price						
Minimum price during the year	EUR	0.87	1.63	3.70	4.50	5.50
Maximum price during the year	EUR	2.15	5.63	6.00	17.00	12.40
Mean price during the year	EUR	1.59	3.37	4.97	9.75	8.00
Closing price at the year end	EUR	1.80	1.63	4.99	4.50	10.00
Total market value of shares on 31 Dec.	MEUR	21.9	19.9	17.5	15.8	35.1
Turnover in shares	no.	3,367,276	867,553	186,036	314,162	1,261,104
Turnover in shares	%	28	9	5	9	36
Number of shares, adjusted for new issue						
Mean number during the year		12,180,880	9,615,282	3,510,110	3,510,110	3,510,110
Number at the year end		12,180,880	12,180,880	3,510,110	3,510,110	3,510,110

[1] According to the proposal of the Board, no dividend will be paid.

Rules for Calculating Financial Information

Return on equity, %	$\dfrac{\text{100 x (profit before extraordinary items – tax)}}{\text{equity (mean for financial year) + minority holding}}$
Return on investment, %	$\dfrac{\text{100 x (profit before extraordinary items + interest and other financial expenses)}}{\text{balance sheet total – non-interest loans (mean for financial year)}}$
Equity ratio, %	$\dfrac{\text{100 x (equity + minority holding)}}{\text{balance sheet total – advance payments received}}$
Gearing, %	$\dfrac{\text{100 x (interest bearing liabilities – short term investments and cash in hand and at banks)}}{\text{equity + minority holdings}}$
Net debt	liabilities – financial assets
Liability payback period, years	$\dfrac{\text{liabilities with interest}}{\text{calculated cash flow [1]}}$
Quick ratio	$\dfrac{\text{financial assets}}{\text{short-term liabilities}}$
Current ratio	$\dfrac{\text{financial assets + stocks}}{\text{short-term liabilities}}$
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	$\dfrac{\text{profit before extraordinary items +/– minority holdings – tax (income tax + change in deferred tax liability)}}{\text{mean number of shares during financial year adjusted for new issue}}$
Equity per share	$\dfrac{\text{equity}}{\text{mean number of shares adjusted for new issue at the end of financial year}}$
Dividend per share	$\dfrac{\text{dividend during financial year}}{\text{number of dividend-earning shares adjusted for new issue at the end of financial year}}$
Dividend out of profit, %	$\dfrac{\text{100 x dividend per share}}{\text{earnings per share}}$
Cash flow per share	$\dfrac{\text{calculated cash flow [1]}}{\text{number of shares adjusted for new issue at the end of financial year}}$
Effective dividend yield, %	$\dfrac{\text{100 x dividend per share}}{\text{last price on the day of closing the accounts}}$
Price per earnings ratio	$\dfrac{\text{last price on the day of closing the accounts}}{\text{earnings per share}}$
Total market value of shares	last price on the day of closing the accounts x number of shares in circulation

[1] Calculated cash flow is profit after extraordinary items – taxes in profit and loss account + depreciation.

Proposal by the Board of Directors

Board of Directors' proposal to the Annual General Meeting

The Board of Directors is proposing to the Annual General Meeting to be held on 20 April 2004 that the net loss for the financial year, EUR 10,962,861.93 be transferred to retained earnings and that no dividend be distributed. The Board proposes that the loss be covered from retained earnings and share premium account.

Oulu, 24 February 2004

Jorma Terentjeff	Seppo Arponen	Kalevi Laurila
Markku Puskala	Juhani Vesterinen	Juhani Hanninen *President and CEO*

Auditors' Report

To the Shareholders of Incap Corporation

We have audited the accounting, the annual accounts and the corporate governance of Incap Corporation for the financial year 1 January 2003 - 31 December 2003. The annual accounts, prepared by the Board of Directors and the President, include the report of the Board of Directors, the consolidated and parent company profit and loss accounts, balance sheets and notes to the annual accounts. Based on our audit we express an opinion on these annual accounts and on corporate governance.

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 annual accounts are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the annual accounts, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall presentation of the annual accounts.

The purpose of our audit of corporate governance is to examine the legal compliance of the members of the Board of Directors and the President with the rules of the Companies Act.

In our opinion the annual accounts have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of annual accounts. The annual accounts 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 annual accounts together with the consolidated annual accounts can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of retained earnings is in compliance with the Companies Act.

Oulu, 24 February 2004

ERNST & YOUNG OY
Authorised Public Accountants

Rauno Sipilä
Authorised Public Accountant

Shares and Shareholders

Incap Corporation has one series of shares and a total of 12,180,880 shares. The share does not have a par value, and its accounting countervalue is EUR 1.68. According to the company's Articles of Association, the company shall have a minimum of 10,000,000 and a maximum of 40,000,000 shares; the company's minimum share capital is 16,800,000 euros and the maximum share capital 67,200,000 euros.

Incap Corporation's shares are listed on the I List of Helsinki Exchanges. The company code is INC, the round lot is 100 shares and the book-entry type code is INC1V. The company code will change as of 1 April 2004. The new company code is ICP and the new book-entry type code is ICP1V.

The price of Incap Corporation's share varied in the range of EUR 2.15 to EUR 0.87 during the financial year. The last quotation in trading at the end of the year was EUR 1.80. At the close of the financial year, the company had 834 shareholders, and 9.8% of the shares was owned by foreigners and nominee-registered. The total share turnover calculated according to the average number of shares, 12,180,880, was 27.6% during the financial year. The company's market capitalisation at 30 December 2003 was EUR 21,925,584.

Authorisations by the Board of Directors

On 21 January 2003 the Board of Directors exercised the authorisation it had received from the Annual General Meeting in 2002 by directing an issue of 702,000 warrants for subscription by Varma Mutual Pension Insurance Company. Each warrant entitles its holder to subscribe for one Incap Corporation share from 1 June 2003 to 31 December 2005. The price of the shares to be subscribed for with the warrants is EUR 2.50. Varma subscribed for all the warrants on 21 January 2003.

On 25 April 2003 the Annual General Meeting authorised the Board of Directors to increase the share capital, in the manner set out in Chapter 4, Section 1, of the Companies Act, through one or more rights issues, by granting stock options and/or issuing convertible bonds. The authorisation is valid until 25 April 2004 and includes the right to disapply shareholders' pre-emptive right to subscribe for new shares. The authorisation granted by the Annual General Meeting was entered in the Trade Register on 27 May 2003. On the basis of the authorisation the share capital can be increased by a maximum of EUR 4,092,775.68. The Board of Directors did not exercise the authorisation in 2003.

Stock option scheme 1998

In line with the incentive and commitment-building scheme for the personnel, in 1998 the Incap Group carried out a share issue directed at its permanent employees, including the possibility to subscribe for stock options. By exercising the stock options, Incap Corporation shares can be subscribed for during 2000–2004 at a price specified in the terms and conditions of the stock options. The share subscriptions covered the subscription of a total of 280,400 warrants. The Board of Directors approved the subscriptions for warrants on 31 March 2000. There are a total of 51,200 valid 1998 warrants, the subscription period for which began on 1 July 2000 and will end on 30 November 2004. As a consequence of the subscriptions, the share capital can rise by a maximum of EUR 86,000 (not an exact figure).

Stock option scheme 2000

On 11 April 2000 the Annual General Meeting issued new stock options to the Group's key employees, to the members of the Board of Directors of Incap Corporation and the Group companies as well as to Incap Corporation's wholly-owned subsidiary. The stock options under the 1998 stock option scheme could furthermore be exchanged for year 2000 warrants in a conversion ratio determined by the Board of Directors. The year 2000 stock options are divided into A, B, C and D warrants, numbering 122,700 of each. The subscription period with the A warrants began on 1 December 2000, with the B warrants on 1 December 2001, with the C warrants on 1 December 2002 and with the D warrants on 1 December 2003. The subscription right for all the warrants will end on 31 December 2005. The total number of warrants is 550,600 and as a consequence of subscriptions, Incap Corporation's share capital can be increased by a maximum of EUR 925,000 (not an exact figure).

On 18 April 2001 the Annual General Meeting lowered the share subscription prices under the year 2000 stock option scheme such that the subscription price of shares to be subscribed for with the A warrants is 8 euros and the price for subscriptions with the B warrants is 10 euros. The price of subscribing for shares with the C and D warrants is 12 euros. The subscription price for the share will be lowered, on the record date for each dividend payout, by the amount of the per-share cash dividends to be distributed after 11 April 2000 and prior to the share subscription.

Shareholdings of the Board of Directors and the president

The members of the company's Board of Directors and the president as well as the companies under their control, in accordance with Chapter 1, Section 5 of the Securities Market Act, owned a total of 2,896,272 shares, or 23.7% of the company's shares outstanding and voting rights. Under the terms of year 2000 stock option scheme, the members of the Board of Directors have a total of 28,750 warrants, entitling them to subscribe for an equal number of shares in the manner set out in the terms and conditions of the warrants. If all the warrants are converted into shares, the president and the Board of Directors as well as the companies under their control will hold 24.0% of the total shares outstanding. ■

Development of share capital 1991–2003

Date		Change 1 000 euros	Registered on	Share capital, 1 000 euros
31 Jan. 1991	Merger	5,760	26 Feb. 1992	7,862
28 Apr. 1992	Increase	424	25 Nov. 1992	8,286
30 Sept. 1992	Decrease	4,972	2 Dec. 1992	3,314
15 Jan. 1993	Increase	32	11 Aug. 1993	3,347
16 Mar. 1994	Increase	563	21 Dec. 1994	3,910
10 Mar. 1997	Increase	978	21 Mar. 1997	4,889
5 May 1997	Increase	975	5 May 1997	5,864
4 May 1998	Increase	40	4 May 1998	5,904
21 Mar. 2002	Increase	14,583	24 Apr. 2002	20,487

Breakdown of shareholdings by sector at 31 December 2003

	Owners, no.	%	Shares and votes, no.	%
Private enterprises	91	10.9	5,426,532	44.5
Financial institutions and insurance companies	13	1.1	3,147,030	25.8
Public sector entities	3	0.3	462,772	3.8
Non-profit organisations	11	1.3	81,300	0.7
Households	713	86.0	1,897,146	15.6
Foreigners	3	0.4	1,166,100	9.6
Total	834	100.0	12,180,880	100.0
Shares in the nominee-registers (5)		29,600	0,2	

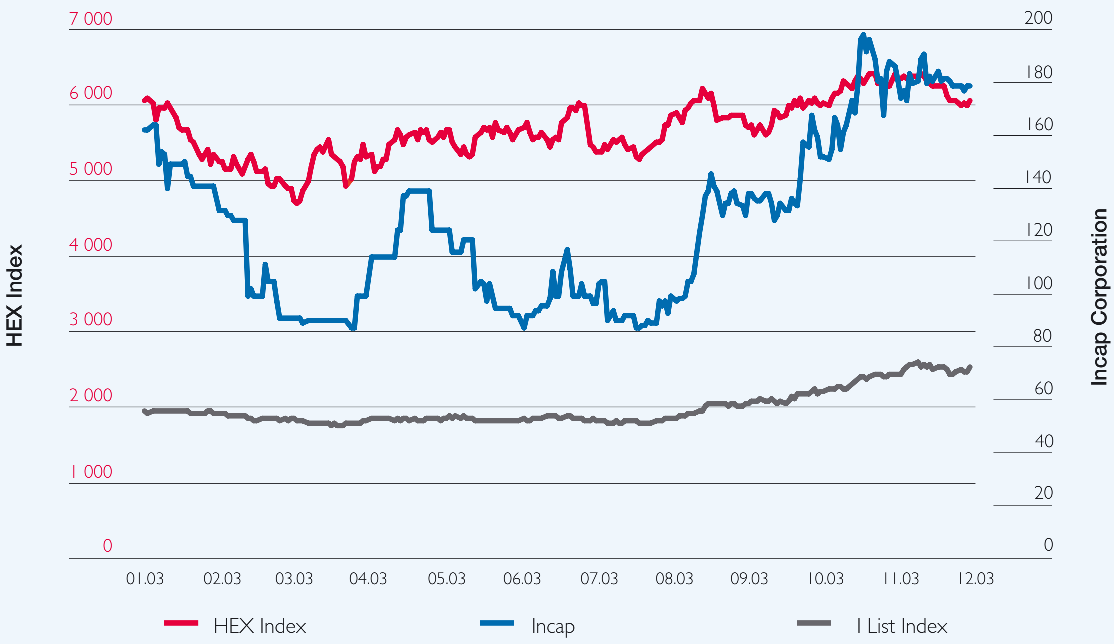
Breakdown of shareholdings by number of shares at 31 December 2003

Shares, no.	Shareholders	%	Shares and votes, no.	%
1 – 100	106	12.7	7,964	0.1
101 – 1,000	441	52.9	235,138	1.9
1,001 – 10,000	232	27.8	751,041	6.2
10,001 – 100,000	37	4.4	1,334,665	10.9
100,001 – 1,000 000	15	1.8	5,064,576	41.6
1,000,001 –	3	0.4	4,787,496	39.3
Total	834	100.0	12,180,880	100.0

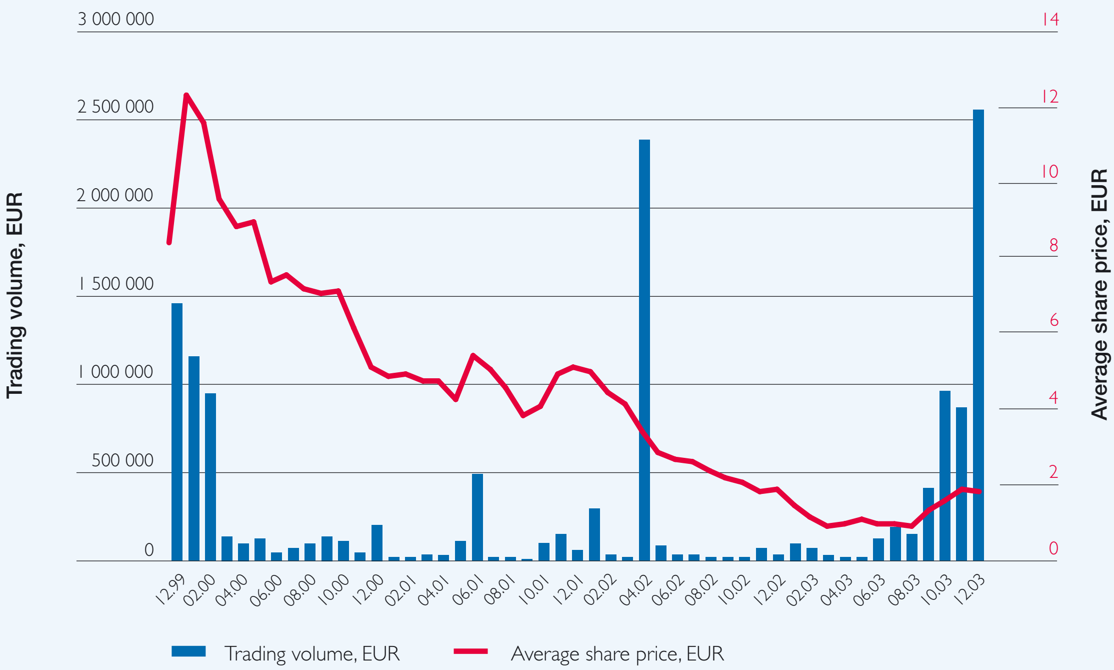
Ten largest shareholders at 31 December 2003

	Shares, no.	Percentage of total shares and votes, %
JMC Finance Oy	1,893,296	15.5
Finnvera plc	1,732,500	14.2
Irish Life International	1,161,700	9.5
Teknoventure Oy	883,485	7.3
Pohjola Group plc	658,100	5.4
Jorkale Oy	604,912	4.9
Eqvitec Technology Fund II Ky	416,368	3.4
Aura Capital Fund V Ky	361,376	3.0
ABB Pension Fund	343,772	2.8
Jorma Terentjeff	304,504	2.5

Trend on Incap's share prices, 2 January 2003 – 30 December 2003



Incap's trading volume and share price, 12/1999 – 12/2003



Corporate Governance

During the 2003 report period, the Incap Group has complied with the recommendation on the Corporate Governance of publicly listed companies, issued by the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers in 1997. On 1 July 2004, Incap Corporation will begin to apply the new recommendation on the Corporate Governance of listed companies, which was published by the Helsinki Stock Exchange (HEX Plc), the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers in December 2003.

Annual General Meeting

Incap Corporation's highest decision-making body is the general meeting of shareholders, which convenes once a year in an Annual General Meeting. The tasks falling within the competence of the Annual General Meeting are defined in the Companies Act and the Articles of Association.

Board of Directors

The administration of Incap Corporation and the due arrangement of its operations are attended to by the Board of Directors, which according to the Articles of Association has from three to seven members. The Annual General Meeting decides on the number of members of the Board of Directors and elects the directors. The term of office of members of the Board of Directors commences from the date of the Annual General Meeting at which they were elected and ends at the close of the next Annual General Meeting. Directors can be re-elected.

The Annual General Meeting held on 25 April 2003 re-elected Seppo Arponen, Kalevi Laurila, Markku Puskala, Jorma Terentjeff and Juhani Vesterinen to seats on the Board of Directors. The Board of Directors elected Jorma Terentjeff chairman.

Incap Corporation's Board of Directors approves the Group-wide objectives that are drawn from the strategy and annual plans of the operating Group companies and decides on strategic investments, purchases of business operations, acquisitions and divestments.

The Board of Directors meets as required. In 2003 the Board of Directors met 21 times.

Executive Committee

The Board of Directors has appointed from amongst its number an Executive Committee which prepares matters to be dealt with in meetings of the Board of Directors and oversees the implementation of development projects approved by the Board. The members of the Executive Committee are Jorma Terentjeff, chairman of the Board of Directors, as well as the Board members Juhani Vesterinen and Kalevi Laurila.

President and CEO

The company's line operations are managed by the president, who is elected by the Board of Directors and carries out his duties in accordance with the instructions and regulations issued by the Board. The Board of Directors decides on the president's salary and other compensation. The principal terms and conditions of the president's executive post are defined in a written chief executive contract.

The employment contract of Incap Corporation's president and CEO Seppo Ropponen ended on 7 July 2003, after which Rauni Nokela served as acting president. Juhani Hanninen assumed the duties of president and CEO on 1 September 2003.

Management Team

Incap Corporation's president heads the Management Team, whose members are the managers in charge of individual functions. The Management Team meets once a month.

The salaries and other compensation of the Group's management and the Management Team are decided by the Board of Directors.

Insiders

The Incap Group's instructions to insiders are in accordance with Helsinki Exchanges' guidelines that entered into force on 1 March 2000. The company had a total of 40 permanent insiders at 31 December 2003.

Persons belonging to the group of permanent insiders must not trade in the company's shares or securities comparable with shares during the 14 days prior to the publication of an interim report or financial statement bulletin. The appropriate time for such trading is in 28 days from publication of an interim report and financial statement bulletin, nevertheless with the provision that a person who is a permanent insider does not have in his or her possession at that time any other insider information. The members of the Board of Directors and the Management Team as well as the secretary to the Board of Directors must always ascertain the appropriateness of their own trading by checking with the Chief Financial Officer prior to the making of buy or sell orders.

Persons who are temporary insiders must not engage in trading in the company's shares during the time when they are insiders participating in a given project.

The Group's permanent insiders are recorded in a register kept by Finnish Central Securities Depository Limited, which is overseen by the Financial Supervision Authority. A register of project-specific insiders is kept by Corporate Administration. ■

Board of Directors

From left: Seppo Arponen, Jorma Terentjeff, Kalevi Laurila, Markku Puskala and Juhani Vesterinen

Jorma Terentjeff *Chairman*
Industrial Counsellor, M.Sc. (Eng.), born 1949

Jorma Terentjeff has been a member of the Board of Directors of Incap Corporation since 2001. He is Chairman of the Board of Avanti Group Oy and previously has served as CEO of JOT Automation Group Ltd from 1995 to 2000. Prior to these posts he was CEO of Teknoventure Oy, Aspocomp Oyj and Oy Edacom Ab and he has served in a number of positions with Hansacom Oy, Salcomp Oy and Salora Oy. He is also a member of several other corporate boards. He is one of the ten largest shareholders in Incap.

Seppo Arponen
Industrial Councellor, M.Sc. (Econ.), born 1943

Seppo Arponen was appointed to the Board of Directors of Incap Corporation in 2002. He has served as COO of Finnvera plc since 1999. He previously held a number of positions in Finnvera's predecessor organisations Kehitysaluerahasto Oy and Kera Corporation, beginning in 1976. He is also a member of several other corporate boards.

Kalevi Laurila
B.Sc.(Eng.), Executive MBA, born 1947

Kalevi Laurila was named to the Board of Directors of Incap Corporation in 2002. Previously he was CEO of JMC Tools Oy and Turveruukki Oy as well as a director at Rautaruukki Oyj. He is also a member of several other corporate boards and is one of the ten largest shareholders in Incap.

Markku Puskala
M.Sc. (Eng.), M.Sc. (Econ.), born 1948

Markku Puskala has been a member of the Board of Directors of Incap Corporation since 2002. Since 1998 he has been a Senior Partner of Eqvitec Partners. He has previously worked for SFK-Finance Oy, Valmet Paper Machinery, Sensodec/Valmet Oyj, Sensodec Inc., Neles Ges. mbH, and Finnatom Oy. He is a member of the Board of Directors of, among other companies, Normet Corporation and Teletekno Corporation.

Juhani Vesterinen
M.Sc. (Econ.), M.Sc. (Nat.Sc.), born 1953

Juhani Vesterinen has been a member of the Board of Directors of Incap since 1998 and has served as chairman of the Board from 1999 to 2002. During 1983-2001 he has worked in several executive positions with the Sampo Group, most recently as CEO of Yritys-Sampo as well as Sampo Life Insurance Company Limited and as deputy CEO of the former Sampo Insurance Company. Juhani Vesterinen is a member of several other boards of directors and is one of the ten largest shareholders in Incap. Juhani Vesterinen is a member of Hallitusammattilaiset ry (Board Professionals reg. assoc.).

Management Team

The Management Team in December 2003. From left to right:
Juhani Hanninen, Petri Saari, Ari Turunen, Tuula Ylimäki, Timo Sonninen, Hannele Pöllä

Juhani Hanninen *President and CEO*
Born 1948, M.Sc. (Eng.)
With Incap since 2003
Previous positions with Siemens Oy, Aspo Oy Electronics, Ahlstrom Corporation and the Sulzer Group
Incap shares: 12,000
Stock options: -

Petri Saari *Sales and Marketing*
Born 1969, B.Sc. (Eng.)
With Incap since 2002
Previous positions with Nokia Cellular Systems (now Nokia Networks) and JOT Automation Group
Incap shares: 1,000
Stock options: -

Ari Turunen *Materials Management*
Born 1967, technician, diploma in materials management (MTO)
With the company since 2003
Most recently employed by REMEC Oy
Incap shares: -
Stock options: -

Tuula Ylimäki *Finance and Administration*
Born 1955, M.Sc. (Econ.)
With the company since 2003
Previous positions with Technopolis Plc, SCI Systems Finland and Pohjois-Suomen Opiskelija-asuntosäätiö (Northern Finland Student Housing Foundation)
Incap shares: -
Stock options: -

Timo Sonninen *Manufacturing Services*
Born 1966, B.Sc. (Eng.)
With the company since 1992
Previous positions with Elektrostep Oy and Incap Electronics Oy, which were part of the Incap Group
Incap shares: 7,056
Stock options: 12,000

Hannele Pöllä *Communication and Investor Relations*
Born 1955, translation diploma,
commercial institute graduate
With the company since 2000
Previous positions with Instrumentarium Corporation, Hoechst Fennica Oy and Nextrom Oy
Incap shares: -
Stock options: 12,000

Press Releases in 2003

January

Incap's Board of Directors carries out a directed issue of 702,000 warrants for subscription by Varma Mutual Pension Insurance Company in accordance with the authorisation granted to it by the Annual General Meeting. Granting of the warrants is part of a two million euro financing arrangement that will strengthen Incap's financial structure. Each warrant entitles to subscribe for one share during the period from 1 June 2003 to 31 December 2005 at a subscription price of EUR 2.50 per share. (21 January 2003)

Metso Automation Oy and Incap sign a co-operation agreement on design services. (23 January 2003)

February

Giwano Computers Ltd. and Incap sign a co-operation agreement on the manufacturing of safe computers. (7 February 2003)

Solotop Oy and Incap sign a co-operation agreement by which Solotop's entire scale production is outsourced to Incap. The agreement covers, among other things, the manufacture, assembly and testing of retail and healthcare scales. The agreement is in accordance with Incap's strategy that is geared to integrated deliveries, and the products fit in well with the company's production structure. (11 February 2003)

Incap's financial statements for 2002 show that the Group's pro forma net turnover declined by 12% on the previous year, to EUR 63.2 million. The pro forma operating result was in the red and declined to a loss of EUR 6.3 million compared with the previous year's pro forma operating loss of EUR 5.2 million. The Group's officially reported net turnover was EUR 69.0 million, or about 30% lower than in the previous year. The officially reported operating result was likewise in the red, a loss of EUR 3.8 million. (25 February 2003)

March

No bulletins.

April

Finn-Power Oy and Incap sign a Letter of Intent, according to which Finn-Power's sheet metal fabrication and electrical assembly businesses in Alahärmä and Kauhava will be transferred to Incap at the beginning of May. (7 April 2003)

The Annual General Meeting is held on 25 April 2003 in Helsinki. The meeting changes the company's domicile to Oulu and grants the Board of Directors authorisations to increase the share capital through a rights issue, an issue of convertible bonds and/or the granting of stock options. (25 April 2003)

May

The Letter of Intent signed with Finn-Power Oy lapses because a final agreement has not been concluded by the deadline. (2 May 2003)

Incap and Franke Finland Oy, which manufactures washer-disinfectors for hospitals and laboratories, sign a co-operation agreement on electronics manufacture, testing and testing design. (6 May 2003)

Net turnover in January-March fell by 10% compared with the pro forma net turnover in the same period of last year and was EUR 15.3 million. Compared with the previous quarter, net turnover declined by 6%. The operating result improved by 43% on the previous year's same-quarter pro forma result and was a loss of EUR 0.7 million. Compared with the previous quarter, the result rose by 15%. The improvement in the operating result was attributable to the savings measures that were started in 2002 and to an increase in productivity. (14 May 2003)

June

Incap and Environics Oy, which manufactures gas detectors and environmental monitoring systems, sign a co-operation agreement on the manufacture of the ChemPro gas detector that is intended for military use. (19 June 2003)

July
Juhani Hanninen, M.Sc. (Eng.), is appointed as the new president and CEO of Incap Corporation effective 1 September. (7 July 2003)

August
Tuula Ylimäki, M.Sc. (Econ.), is appointed as the Group's new chief financial officer effective 1 October. (6 August 2003)

Net turnover in January-June fell by 12% on the figure reported for the same period of last year and was EUR 29.9 million. The operating result improved by 48% on the same-quarter pro forma result in 2002 and was a loss of EUR 1.2 million. Second-quarter net turnover was down 4% on the first quarter, to EUR 14.6 million. The operating result improved by 10% on the previous quarter but was a loss of EUR 0.6 million. The operating result included EUR 0.3 million of non-recurring costs. (20 August 2003)

September
Incap streamlines its operations through an organisational revamp that goes into effect at the beginning of November. The objective is to improve customer service, clarify ways of working among the different production units, gear operations towards extensive total deliveries and increase the efficiency of materials functions. According to President and CEO Juhani Hanninen, the new, clearly defined organisational structure will help to allocate resources correctly: "Instead of operating as individual factories or businesses, we'll be a close, unified team, and customers will perceive this in the form of better total service. By stepping up materials management, we'll improve profitability and increase our competitiveness." (30 September 2003)

October
No bulletins.

November
Net turnover in January-September fell by 4% on the figure reported for the same period of last year and was EUR 45.2 million The operating result, however, improved by 68% on the previous year's operating loss of EUR 5.5 million and was a loss of EUR 1.7 million. The operating result for January-September included non-recurring costs totalling EUR 1.0 million. Third-quarter net turnover was up 5% on the previous quarter, to EUR 15.3 million. The operating result for the period improved by 15% on the previous quarter but was still in the red, a loss of EUR 0.5 million. Operationally, the third-quarter result was nevertheless in the black, because the operating result included a total of EUR 0.7 million of non-recurring costs. (19 November 2003)

December
Jorma Terentjeff, chairman of Incap Corporation's Board of Directors and one of Incap's largest shareholders, sells a total of 1,161,700 Incap shares to Irish Life International Ltd, whereby his holding in Incap's shares falls from 12 per cent to 2.5 per cent. Irish Life International Ltd thereby becomes Incap's third-largest owner by virtue of its 9.5 per cent shareholding. (3 December 2003) ■

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Incap Corporation will be held on Tuesday, 20 April 2004 beginning at 2.00 p.m. in the Oulu Radisson SAS hotel at the address Hallituskatu 1, Oulu. In order to attend the Annual General Meeting, shareholders must be registered in the Shareholder Register kept by Finnish Central Securities Depository Ltd no later than by 8 April 2004.

Registration for attending the AGM must be made no later than 4.00 p.m. on 13 April 2004. Notification can be made by

- mailing a letter to Incap Corporation, Kempeleentie 46, 90440 Kempele,
- or by telephone on +358 10 5628 227 / Maija Aronen or by email to maija.aronen@incap.fi
- or by fax on +358 10 5628 250.

It is requested that any proxies be delivered when registering for the meeting.

Financial information in 2004

The publication dates for financial reports are the following:

- Financial Statement Bulletin for 2003 on Wednesday, 25 February 2004
- Interim Report for January-March on Wednesday, 5 May 2004.
- Interim Report for January-June on Wednesday, 11 August 2004.
- Interim Report for January-September on Wednesday, 10 November 2004.

Incap's Annual Report, Interim Reports as well as stock exchange releases are published in Finnish and English. They are also available on the company's website at the address www.incap.fi. The main information directed at investors is grouped under the website heading "Investors".

The company's stakeholder magazine Incap Info comes out twice a year and it is mailed to the addresses in the Shareholder Register kept by Finnish Central Securities Depository Ltd. Subscriptions to the magazine can be made by registering on the company's website.

Shareholders must make notification of changes of address by reporting the information to the book-entry register in which they have a book-entry account.

All publications can be ordered from Corporate Communications

- at the address Incap Corporation / Corporate Communications, Valuraudankuja 7, 00700 Helsinki,
- by telephone on +358 10 612 5613 / Maria Fernelius,
- by email at the address maria.fernelius@incap.fi
- or on the company's website at the address www.incap.fi.

Investor relations

The objective of Incap's investor communications is to provide precise and up-to-date information on the Incap Group's business operations and financial development. The company seeks to ensure that all market participants receive information that is the same and adequate, so that they can assess the company as a prospective investment.

Incap's investor relations are managed and co-ordinated by Hannele Pöllä, Director Communications & IR, tel. +358 10 612 5616, hannele.polla@incap.fi.

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