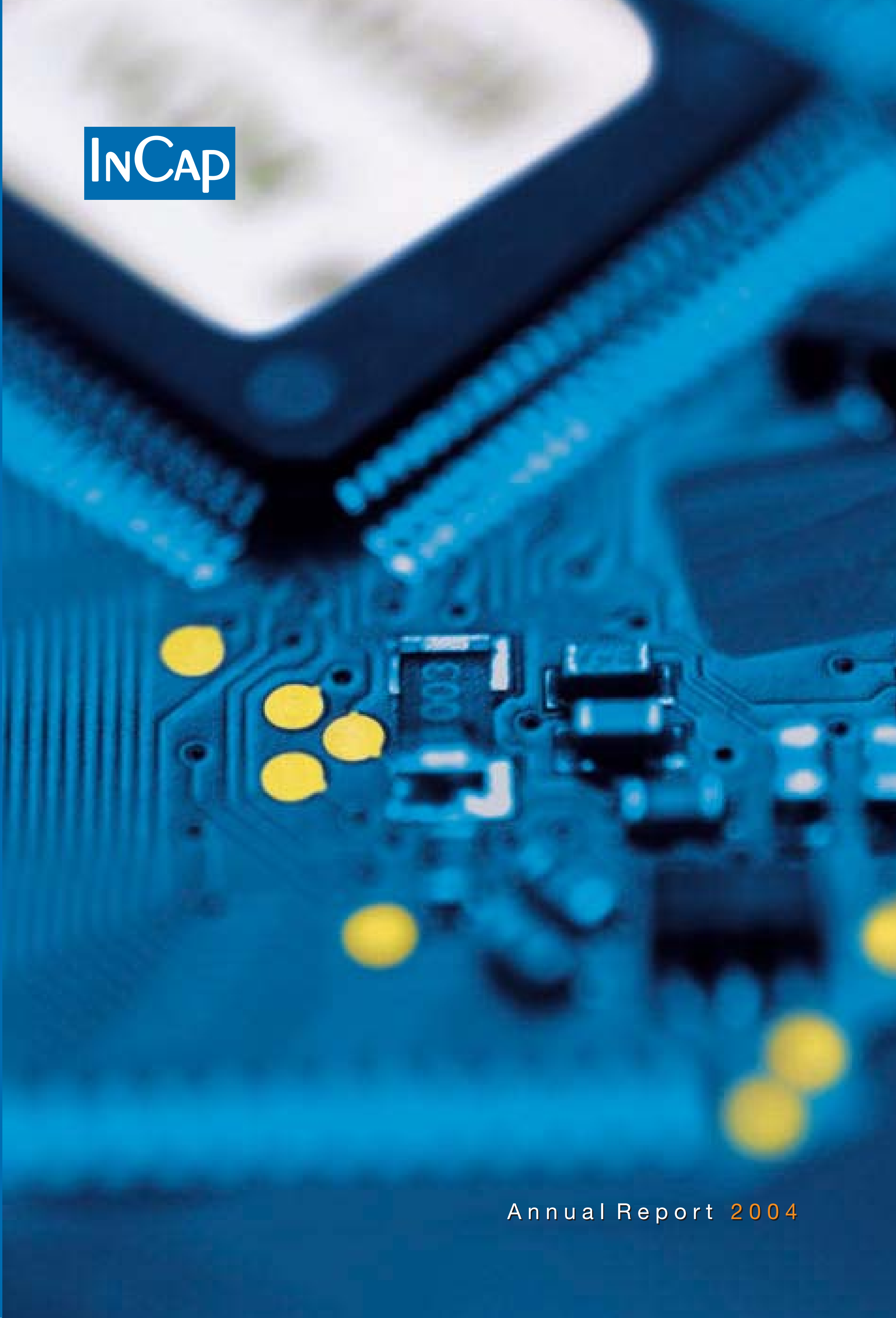


InCap

Annual Report 2004

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 forge close long-term parterships with our stakeholders.

◆ *PROTOTYPE FABRICATION* ◆ *CHEMICAL MILLING* ◆ *SHEET METAL FABRICATION*
◆ *PCB ASSEMBLY* ◆ *DESIGN SERVICES*
◆ *LOGISTICS SERVICES* ◆ *FINAL ASSEMBLY* ◆ *PRODUCT INTEGRATION*
◆ *TESTING* ◆ *SERVICING AND MAINTENANCE*

Incap in Brief

Incap is a fast-developing electronics contract manufacturer whose services combine versatile know-how in electronics and mechanics. Our customers are leading equipment suppliers in the electronics and electrical industry.

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
- chemical milling
- PCB assembly
- sheet metal fabrication
- manufacture of flexible circuit boards
- final assembly
- product integration
- testing
- servicing and maintenance
- logistics services.

Customers in many industries

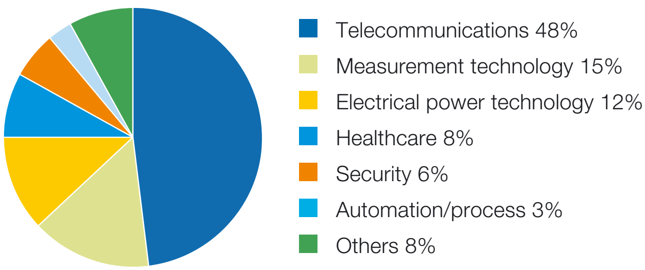
The company's main customer sectors are telecommunications, electrical power technology, the automation and process industry as well as equipment manufacture for measurement technology, security electronics and healthcare. Customers include ABB, Abloy, Environics, GE Healthcare, KONE, Metorex Security Products, Metso, Nokia Networks, Oras, Planmeca, RAY, Solotop, Suunto, Tellabs, UPM Rafsec 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 about 540 employees.

Incap Corporation's shares are listed on the I List of Helsinki Exchanges. The company's Finnish ISIN trading code is ICP1V.

Net turnover by customer sector, %



Trend in the Operating Environment

The market situation developed favourably in 2004 and worldwide demand for contract electronics manufacturing (EMS, Electronics Manufacturing Services) increased by about 10%, according to estimates by various research institutes. The growth in outsourcing strengthened, especially in the telecommunications sector, but in industrial electronics as well. Demand for design services expanded further and companies offering product design played a more prominent role alongside EMS manufacturers.

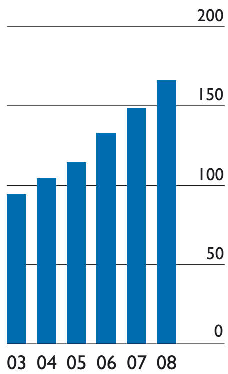
Increased demand and tougher competition

The willingness of original equipment manufacturers to outsource their production operations increased and electronics manufacturing services grew by an estimated 10-12% worldwide, according to various research institutes. Contract manufacturers were also called upon to offer design services and complete design, and product development was outsourced to a greater extent than heretofore.

Customers pared down the number of their suppliers and consolidated their procurements, thus leading to a tightened-up competitive situation among contract manufacturers and squeezing prices in the sector. Price competition in customers' markets remained tough and impacted contract manufacturers in the form of continuous pressure to lower product costs. Price and delivery precision gained in significance when choosing a supplier, and efficient contract manufacturers fared best in this competitive environment. Contract manufacturers' profitability improved when demand swung upward and delivery volumes increased.

Rapid fluctuations occurred in the demand for end products, and this required contract manufacturers to be faster and more responsive than ever before. It was still difficult to read the trend in the market, and visibility is not expected to improve in the near future.

Outlook for electronics manufacturing services (EMS) in 2003–2008, billion USD



Source: IDC, December 2004

Structural and regional changes

Structural arrangements continued to unfold within contract manufacturing. Large international players grew through acquisitions, accentuating the division of the industry into large global contract manufacturers and medium-sized local ones. Manufacturing was increased mainly in countries with a low cost level, and large international manufacturers cut back their operations in Finland. Of the countries with low-cost labour, India and Brazil showed the strongest development.

In the contract manufacturing field, the so-called ODM model (Original Design Manufacturer) gained ground alongside the EMS model. Under the ODM model, the supplier offers the customer not only product design and development but also manufacture of the product. The ODM model is gaining currency in the mobile phone industry, for example, where manufacturing volumes are huge.

Outsourcing on the increase

According to a survey published by Electronic Trend Publications in June 2004, only somewhat more than 20% of the global manufacture of electronics products has been outsourced, and the degree of outsourcing is expected to grow to more than 28% in 2008.

Because of the increase in outsourcing, electronics contract manufacturing is likely to continue to grow faster than the overall market for the manufacture of electronics equipment. The entire EMS market is estimated to grow at an annual rate of about 11-14% over then next few years.

Outsourcing agreements will increasingly cover not only manufacturing but also various services, such as design and product development as well as maintenance and warranty services. To date, only a few per cent of these services has been outsourced, and they have good growth prospects.

Service ability stands out in importance

Thanks to its flexible operational model, Incap's competitiveness comes to the fore in technically demanding products that are manufactured in medium-sized and small series. The operational model of large global contract manufacturers is based on high volumes, and Incap does not compete with them in the same markets.

The majority of Incap's customers are internationally operating equipment manufacturers for whom Finland and the European market area are important owing to the location of decision-making or product development units. Incap is close to the customers and is also able to offer affordable manufacturing costs that are close at hand in the Baltic countries. In products that require special expertise and a high level of automation, having a manufacturing capability in Finland is still a competitive alternative. In labour-intensive products, on the other hand, Incap's unit in Estonia has a cost level that is just as attractive to manufacturers as, say, nearby areas in Russia.

Because Incap's customers operate in a number of different sectors, the growth outlook in any individual sector does not have a direct bearing on forecasts of the future trend in the company's revenues. Incap's estimates of prospects for the future are based on projections of the global markets for contract manufacturing and customers' estimates of their own growth outlook. Because the degree of outsourcing among Incap's clientele is still low, increasing co-operation with present customers can lift Incap's net turnover more than the overall growth in client industries.

Values and Strengths

VALUES

Focus on customers

Long-term success is possible only when 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.

Continuous improvement

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 others in our workplace for the benefit of all. We strive for open interaction and deal with matters - even difficult ones - in a good spirit.

INCAP'S STRENGTHS

Reliability

Professional skill

Speed and flexibility

High quality and delivery reliability

The staff's strong commitment

Vision and Strategy

VISION

- *Incap is a European electronics contract manufacturer that is growing profitably at a faster rate than the market.*
- *We have the best service ability for technically demanding "high mix - low volume" solutions.*
- *We're a sought-after partner, a good investment and a rewarding employer.*

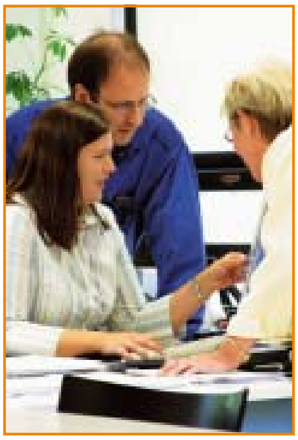
STRATEGIC GOALS

• A broad customer base
We offer manufacturing services for a chosen clientele operating in several industries. We want to maintain our versatile customer mix, which buffers us against the cyclical ups and downs in any given industry. Instead of specialising in service for a specific industry, we offer each customer those of our manufacturing services that are suited precisely to their needs.

We're expanding our co-operation and operational models with our present strategic customers and seeking new, long-term customer relationships with companies whose strategy and potential fit in with our way of working.

• A wide range of services
We're a service company, and an understanding of customers' needs is part of our core know-how. Our integrated services cover the entire product life cycle, encompassing design, product development, materials procurement, prototype fabrication, volume production, integrated deliveries and after sales services.

We're expanding and developing design services by means of both our own resources and by networking with skilled partners in co-operation.



• A supplier of integrated services
We're strengthening our position as a supplier of integrated product deliveries incorporating electronics and mechanical fabrication. We're taking on an expanded responsibility for the customer's design and production functions.

We're bolstering the competitiveness of our production technology by means of investments and we're pushing ahead with the development of our flexible operational model.

• Focus on high mix - low volume solutions
We are focusing our efforts on developing our service ability for technologically demanding products that are manufactured in several different versions in small and medium-sized production series. Our operational model and customer base are well suited to delivering precisely these "high mix - low volume" solutions, and our present strengths - flexibility, quick response and professional skill - give a clear competitive edge in this segment.

• A strong European player
Because we have production facilities in Finland and Estonia, we're able to offer our customers high-level technical capabilities and competitively priced solutions. We're expanding our operations in different market areas according to customers' needs - with an eye to staying competitive.

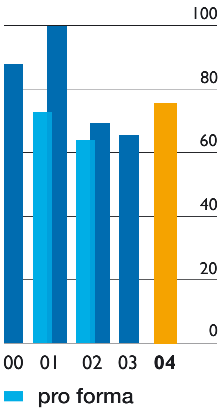
Our primary way of increasing the company's business volume is through organic growth. We're aiming to increase co-operation with our present customers and to be active in lining up new customers in Scandinavia and central Europe. The swing to outsourcing is paving the way for our own organic growth. Realising our long-term growth objective will call for carrying out M&A arrangements and we're on the lookout for opportunities to expand our operations.

• A good profitability trend
We're seeking to ensure the company's long-term growth in shareholder value and to step up our operations in all subareas. Our goal is to operate cost-effectively regardless of changes in the business cycle and to rise to the front rank of our peer group as measured with profitability benchmarks.

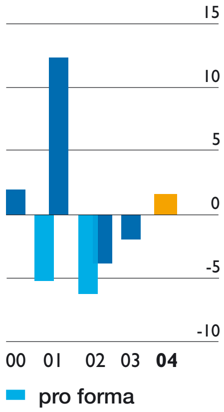
• Professional and motivated staff
We want to be a respected and competitive employer. We're ensuring our company's long-term success by developing our people's competence in a systematic way. We also see to the staff's well-being and want to create the conditions for a balance between work and leisure.

2000–2004

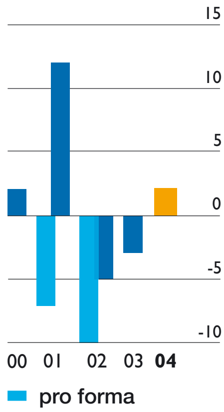
Net turnover,
EUR million



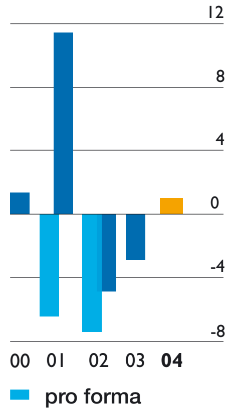
Operating profit,
EUR million



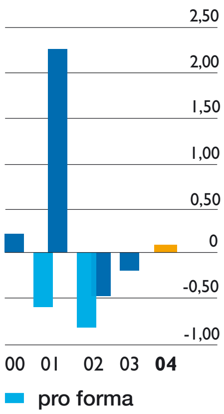
Operating profit of
net turnover, %



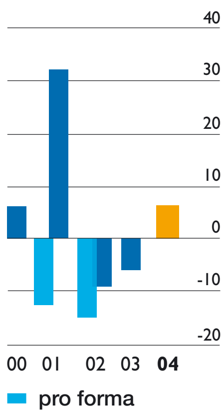
Profit before extraordinary
items, EUR million



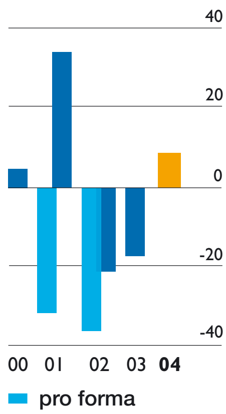
Earnings/share, EUR



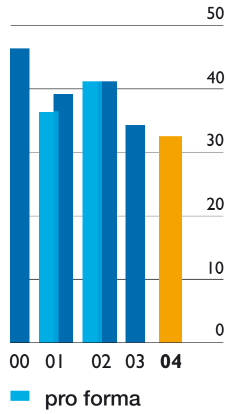
Return on investment,
(ROI) %



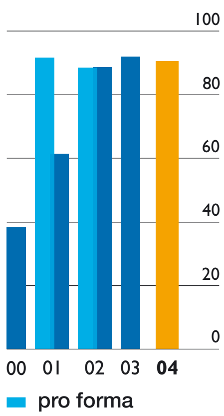
Return on equity,
(ROE) %



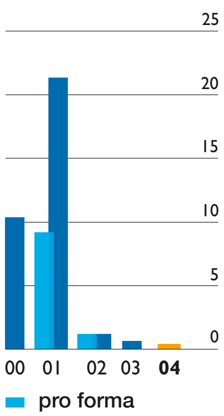
Equity ratio, %



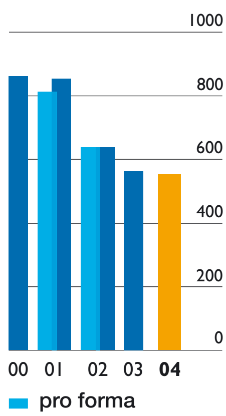
Gearing, %



Investments,
EUR million



Average number of
personnel



The graphs for 2001 and 2002 show also the pro forma figures, which describe the business with the present Group structure.

The official figures for 2000 and 2001 include besides the electronics contract manufacturing business also the furniture business, which was divested from the Group in 2002.

The official figures for 2002 include the furniture business for January and February as well as the merged JMC Tools Group for May - December.

2004 in Brief

Incap achieved its key financial targets

Incap's net turnover grew by 16% on the previous year and was EUR 75.7 million. Profitability swung sharply upward, and operating profit amounted to EUR 1.6 million.

A favourable market trend

The stepped-up demand towards the end of the previous year remained at a good level in 2004 as well. Deliveries to the telecommunications sector increased faster than other client industries, and demand for security and healthcare technology products also revived.

Incap retained its strong position as a manufacturing services partner of its strategic customers. Delivery agreements were expanded to both new products and ever-larger integrated deliveries.

Focusing on stepping up materials management

Materials make up an important share of the costs of manufacturing electronics products, and efficient management of materials flows is a way of realising substantial savings. The objective of the project that was launched with the aim of enhancing materials management is to bring about a substantial increase in the inventory turnover rate, to improve delivery reliability and to shorten production throughput times.

A special accent on design services and a lead-free process

The development of engineering design services has moved ahead thanks to actions aimed at commercialising services, beefing up Incap's own personnel resources and expanding cooperation with consulting and engineering companies. Sales and marketing resources were also strengthened.

Preparations for the lead-free process required by the RoHS directive were continued and the first manufacturing line in compliance with the lead-free process went into operation towards the end of the year. Product and component traceability was developed further within electronics manufacturing.

Capital expenditures set in motion

Interest in electronics manufacturing located in Estonia grew and it was decided to triple the production capacity of the unit in Kuressaare.

It was decided to lease an SMD assembly line and ancillary optical quality inspection device for the electronics unit in Vuokatti. In order to modernise the machinery capacity for sheet metal fabrication in Helsinki, an agreement was signed, after the close of the financial year, on the purchase of a modern punch press with integrated laser cutting. The additional capacity will be in use at the Vuokatti unit in March and in Helsinki in June 2005.

Due to increased demand for RFID applications, a new chemical milling line was purchased for Ultraprint Oy, and it was placed in use in autumn 2004.

Incap to exit aluminium machining and plating

In January 2005, after the close of the financial year, Incap began exploring measures whereby the company could exit its loss-making aluminium machining and plating operations in Kempele and Ruukki. The primary objective is to sell the operations at the units to a company that would continue the business in the same premises. Incap is nevertheless also preparing for closing down the operations, and the negotiations in accordance with the Codetermination Act were started at the beginning of February.

Outlook for 2005

Incap is seeking to increase its net turnover principally by strengthening its position as a supplier to its current customers. The company's service offerings and delivery ability are being developed further and measures aiming at improving profitability will continue in 2005.

On the basis of the forecasts made by customers, Incap Group's net turnover in 2005 is estimated to grow moderately. The Group's profitability is expected to improve from the level reached in 2004 thanks to a rise in net turnover, enhanced materials functions and an improvement in productivity.

Structural arrangements within machining and plating functions are estimated to improve the Group's result right from 2005.

Key figures

	2004	2003	Change %
Net turnover, EUR million	**75.7**	65.2	16
Operating profit, EUR million	**1.6**	–1.9	184
% of net turnover	**2.1**	–2.9	
Result before extraordinary items, EUR million	**1.0**	–2.8	135
Profit/loss for the period, EUR million	**–1.2**	–5.6	78
Earnings per share (EPS), euros	**0.09**	–0.20	
Return on equity (ROE), %	**8.5**	–17.7	
Return on investment (ROI), %	**6.5**	–6.0	
Equity ratio, %	**32**	34	
Personnel, average	**552**	562	

Quarterly trend in 2004

	Q1/2004	Q2/2004	Q3/2004	Q4/2004
Net turnover, EUR million	19.2	18.0	16.8	21.7
Operating profit, EUR million	0.6	0.3	0.3	0.4
% of net turnover	3.1	1.7	1.6	1.9
Profit/loss for the period, EUR million	0.4	0.2	0.1	–1.9
Earnings per share, euros	0.04	0.01	0.01	0.03
Equity ratio, %	36	37	35	32
Personnel, average	556	556	555	552

The rules for calculating the key ratios are given on page 35.

Review by the President and CEO

Incap saw an upswing in its operations in 2004. We succeeded in reaching our key objectives: an improvement in profitability and growth in net turnover. During the year we carried out many actions and took decisions that will increase our competitiveness and lay a long-lasting foundation for future growth.

An upbeat market

A turn for the better took place in the market situation towards the end of 2003 and demand remained at a good level in the early months of 2004. The pace of net turnover growth slowed down somewhat as mid-year approached, but it picked up again after the summer. Fourth-quarter net turnover was the best of the entire year, as it was a year ago.

Many of our strategic customers increased their purchases and there was a gratifying rise in manufacturing volumes, especially for telecommunications products. With a number of customers, we succeeded in extending co-operation to new products and larger integrated solutions. We also concluded new agreements on delivering design and after-sales services. What's more, we moved up in the supplier rankings of certain customers to the role of global supplier.

There were monthly fluctuations in demand, and it was still difficult to make business forecasts. Limited visibility in the markets appears to have become a permanent situation to which the entire industry will have to adapt. Incap's versatile customer mix nevertheless evens out the ups and downs in individual industries and helps to keep our operations on an even keel.

M&A arrangements altered the competitive line-up, and many competitors moved their production operations from Finland to areas with a lower cost level. Customers' need to lower product costs fed through into the entire supply chain and caused intense price competition.

Honing strategy

Incap's vision and strategic objectives were updated in the autumn. Incap is focusing on technologically demanding products that are manufactured in several different versions in small and medium-sized production series. The manufacture of these "high mix - low volume" products calls for flexibility and high responsiveness - capabilities for which Incap's present operational model and production structure are excellently suited. Incap's objective is to offer, within these products, the best service ability in the industry.

Our operations are centred in Europe, close to the sites where customers do their decision making and have their development functions. We offer our services to customers operating in different sectors and we intend to maintain our present balanced customer mix.

A good foundation for increased growth

Our profitability improved significantly in 2004. The operating profit level that was now reached nevertheless does not yet meet our long-term objective. We're pushing ahead with efficiency-boosting measures to strengthen our profitability and competitiveness. By operating cost-effectively, we also best promote our customers' competitiveness. In developing materials management, we made big strides in electronics manufacture, and this brought an improved inventory turnover rate. Development work is moving ahead within materials management for mechanical fabrication, where we're seeking the same kind of enhancement of operations as we've reached in our electronics business.

Demand for aluminium machining has diminished considerably, because a shift is being made from the machining of solid metal to machining cast components, and suppliers of aluminium castings have adequate machining capacity themselves. Machining and closely related plating operations have been loss-making, and we've actively sought means to improve profitability. Because we haven't reached the desired result, we're presently examining solution models that would enable us to exit machining and plating operations.

Electronics manufacturing capacity at the facilities in Vuokatti and Kuressaare is at a competitive level in both technological and volume terms. The situation will be improved further by the extension to the Kuressaare unit, which will make possible an increase in present customers' volumes and also pave the way for lining up new customers. Plans for the second phase of enlarging the Kuressaare unit are ready and can be set in motion very swiftly when a rise in demand is apparent.

In the latter part of the year it was decided to increase the capacity at the Vuokatti unit by adding an automatic assembly line, which was installed in February after the close of the report period. At the Ultraprint Oy subsidiary that manufactures flexible circuit boards, a new copper chemical milling line became operational in the autumn, enabling the unit's production volumes to be increased in step with demand.

To improve the competitiveness of sheet metal mechanical fabrication, it was decided to modernise the manufacturing capacity at the unit in Helsinki at the end of the year, when a modern new punch press with integrated laser cutting was ordered for the unit. The investment will step up the efficiency

of the manufacture of demanding sheet metal products substantially and bring faster and more competitive service.

A clear course ahead

Incap is seeking net turnover growth primarily by expanding services for our present customers and securing a greater role as their partner. We're beefing up our sales resources and going after new customers, mainly in Scandinavia and central Europe. The priority for the development of service provision is still integrated design services for manufacturing, because demand for them will grow strongly and they offer a natural avenue for forging closer co-operation with customers, also in other subareas of our service palette.

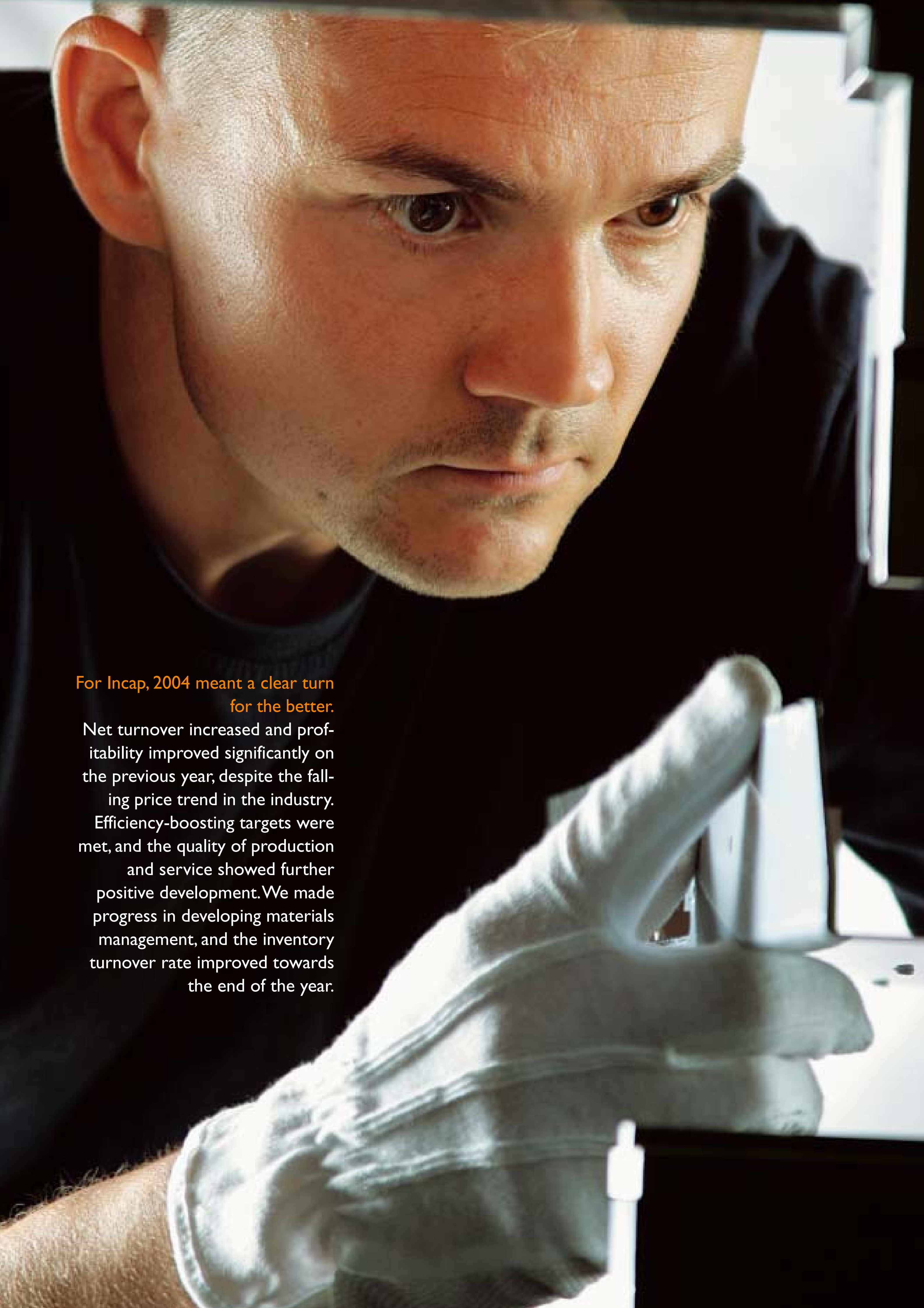
Organic growth is our primary objective, but if required we're also prepared to expand our operations through acquisitions and by taking on outsourcing of customers' entire production. The objective is to safeguard our capital resources, with an eye to providing for an energetic increase in operations when necessary and expedient.

We believe the market situation will remain favourable, because customers are expanding their operations and outsourcing a greater amount of their manufacturing. The actions that have been carried out to enhance our service ability will strengthen our competitive position, and we expect higher net turnover and profitability in 2005, in line with our improvement last year.

I wish to thank our customers, partners in co-operation and all our stakeholders for the confidence they have shown in us and the smooth co-operation we have had. A special vote of thanks goes to our personnel, who have made our performance upswing possible. Getting on to a growth track and achieving interim objectives give us all a boost and encourage us to work with an increased measure of commitment on behalf of our joint success.

Kempele, February 2005

Juhani Hanninen
President and CEO



For Incap, 2004 meant a clear turn for the better.

Net turnover increased and profitability improved significantly on the previous year, despite the falling price trend in the industry. Efficiency-boosting targets were met, and the quality of production and service showed further positive development. We made progress in developing materials management, and the inventory turnover rate improved towards the end of the year.

Development of Operations

A more challenging operating environment

Price competition among providers of electronics contract manufacturing services became tighter owing to downward pressure on product costs. As customers looked for ways to lower their costs, they were ready to undertake often sweeping changes in their supply chain. On the other hand, demand strengthened further and interest in outsourcing grew, leading to new opportunities for contract manufacturers.

Market visibility was still poor. Rapid changes in demand took place, calling for great flexibility in capacity and delivery ability on the part of contract manufacturers.

Success in the drive for deeper customer relationships

One of the paramount objectives set for 2004 was to deepen present customer relationships, and the expected results were achieved. Ensuring that objectives were in line with strategies was still the focal point in developing co-operation with customers. Incap strengthened its market position by expanding the scope of its deliveries to key customers, with design work now accounting for an increased share of deliveries. The co-operation that got under way with a new customer in the telecommunications sector towards the end of 2003 got up to speed, and delivery volumes reached a significant level.

In line with its strategy, Incap maintained a well-rounded customer mix. Demand in the telecommunications sector grew faster than in other fields, but lower prices meant that delivery volumes showed a greater increase than net turnover. There was a pick-up in demand for products incorporating security and healthcare technology. Although overall demand remained relatively stable, there were large monthly variations by sector and product group.

Customers' need to safeguard their own competitiveness put a further squeeze on manufacturing costs. In facing up to competition, price and delivery reliability were the critical criteria for customers. Incap responded to the market situation by improving productivity and expanding its manufacturing operations in Estonia. The placing of new products in high-volume production was executed successfully according to a very tight schedule, and in a number of cases speed gave a significant competitive edge.

The general view was that the low cost level in Asia, above all in China, was a threat to production based in Finland, especially in the manufacture of mass-market products. Nevertheless, many of the products manufactured by Incap in Finland were competitive in the Asian market as well, and a significant amount of deliveries were made to Asia during the year. By contrast, functions such as aluminium machining and coating were moved to Asia, close to the end customer, in accordance with the strategic decisions taken by Incap's customers.

Prioritising materials management efficiency

To lift the efficiency of materials management, a project was launched in June with the aim of gaining a substantial improvement in the inventory turnover rate and shortening production throughput times, whilst improving delivery reliability further. The development effort will focus on the entire order-delivery process, and new ways of working will be sought, particularly for optimising forecasting practice, production planning as well as optimising material call-off.

The first stage of the project in electronics manufacture at the Vuokatti unit was seen to completion in January 2005, when the new operational model was in use. The measures carried out during the project brought a marked improvement in the inventory turnover rate.

Prices of certain electronics components rose in the first part of the year and delivery times lengthened, but the situation normalised over the spring. Owing to the sharp rise in prices of steel products, materials costs for mechanical fabrication increased.

Direct purchases from component manufacturers were increased, delivery agreements were renegotiated and the number of suppliers was trimmed. The need to improve information flows across the entire delivery chain sped up the creation of electronic connections between suppliers of raw materials, manufacturers and customers.

A growing role for design services

Demand for design services grew during 2004 and capacity was beefed up both by increasing Incap's own design staff and by developing networking co-operation with engineering design offices. For example, an extensive co-operation agreement was signed with Sweco PIC Oy. Incap's own design department offers flexible design capacity for customers' electronics, mechanical fabrication and production testing needs. More extensive product development projects calling for special expertise and tools are carried out in co-operation with Sweco PIC.

Incap is a service company. Understanding of customers' needs and fulfilling them smartly are part of our core know-how.

The customer gains the greatest value added from Incap's design services through the extra attention that is given to manufacturing - and manufacturability - as part of the product's design process. During the year a number of projects were carried out in which existing products were designed to be simpler and capable of being manufactured at a lower cost. Incap partnered up with Tellabs Oy in developing a product which won Technology Industries of Finland's Plootu Fennica Sheet Metals Award 2004. Incap was in charge of the product's prototype fabrication and improvement of its manufacturability. Fabrication costs were successfully reduced by around 30% compared with traditional manufacturing methods and the time taken for fabricating the product was also cut considerably.

A large part of Incap's design service revolves around design and manufacture of production testers and test applications, an area where having nearby manufacturing operation and production know-how is a clear-cut advantage. Because of the outsourcing of production, customers are gradually giving up the design of testing, a function that is closely connected with production. As a result, a larger amount - in euro terms - of testing for design projects was carried out in 2004 than ever before.

Aiming for the best service ability

Manufacturing services were developed by modernising and increasing manufacturing capacity according to customers' needs. The flexibility of capacity was boosted by developing a flexible working time system.

Of the benchmarks of customer satisfaction, the biggest improvement was registered in delivery reliability and the complaint rate. Positive feedback on Incap's service ability was received in regular factory assessments by customers, which rate not only delivery reliability and faultlessness but also factors such as the supplier's responsiveness, information flow and openness.

Productivity improved within electronics and sheet metal functions, but in the machining and plating areas low manufacturing volumes caused a weakening in productivity.

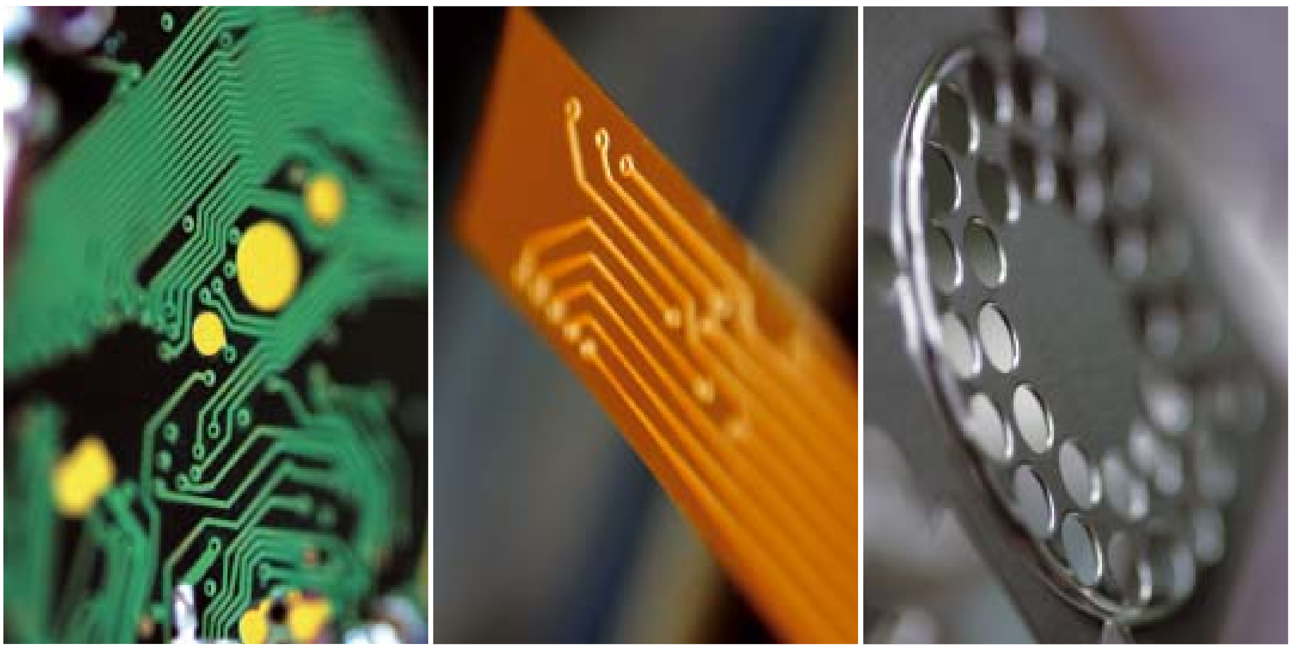
The changeover to a lead-free RoHS process was continued as planned. The first products according to the lead-free process were delivered to a customer towards the end of the year, and an entire manufacturing line using the lead-free process went into operation in December 2004. The Group's electronics manufacturing will go over to a lead-free process ahead of schedule right during 2005.

Product and component traceability was developed further in accordance with customers' needs. At the end of the year, traceability software was added to the enterprise resource planning system, enabling it to trace the components and materials of an individual product throughout its entire life cycle.

Capital expenditures set in motion

Demand for low-cost manufacturing in Estonia grew, and on the basis of a study of various alternatives, it was decided to increase production at the present unit in Kuressaare. The production facilities will be expanded to three times their present size and production capacity will be boosted, among other things, by means of automated surface-mounting lines and testing equipment.

Demand for chemically milled products increased in the first months of the year to such an extent that it was decided to purchase a new copper chemical milling line for the unit in Kempele manufacturing these products. The line that went into operation in September will quadruple flexible PCB production and also make it possible to manufacture larger-sized



Incap is a supplier of integrated product deliveries incorporating electronics and mechanical fabrication. Besides the actual manufacturing we are willing to take on an expanded responsibility for the customer's design and after-sales operations.

units. The products will be used mainly in automation and telecommunications applications as well as in various antenna constructions.

In order to increase production flexibility, it was decided to increase manufacturing capacity for both electronics and sheet metal mechanical fabrication. An automatic PCB assembly line and an optical quality inspection device were ordered for the unit in Vuokatti. The line went into use in February 2005, after the end of the financial year. It was decided to upgrade the machinery at the unit in Helsinki by ordering a modern punch press with integrated laser cutting. The equipment also embodies highly-automated materials handling functions. The additional capacity at the unit in Helsinki will be in operation by the end of June 2005.

Easy information flow, professional skill and strong commitment are essential elements in Incap's service ability.

A major change in the market situation for machining and plating

Because of the sharp change in the market situation, the capacity utilisation rate for the aluminium machining and plating functions was exceptionally low throughout the year. The shift from the use of aluminium plate to cast aluminium has reduced demand for machining significantly, and cast aluminium suppliers are able to handle the minor machining they require by means of their own capacity. Furthermore, major customers moved their machining and plating functions as well as procurements to Asia.

Efforts to build up the order backlog and land new customers continued all year long, but new projects did not get started in the way that was expected. In addition, a search was launched to find partners with whom it would be possible to develop operations to a profitable level with an expanded customer base. The negotiations nevertheless did not lead to the desired result, and in January 2005 Incap decided to look into measures whereby it could exit the loss-making machining and plating operations.

A strategic focus on technically demanding "high mix - low volume" products

In accordance with its updated strategy, Incap will concentrate on technically demanding products that have medium-sized or small production volumes and whose manufacture calls for a very flexible way of working. The company's capacity and operational model are in line with this strategy and based on the needs of our present clientele. The skills of our staff have also been developed to deliver "high mix - low volume" solutions, because suppliers of them are required above all to show flexibility and responsiveness.

Incap is seeking to achieve a solid position as a European contract manufacturer. Although the company's present and sought-after customers operate globally, a significant part of their decision making and operations is located in Europe.

Incap is going after growth both organically and through M&A arrangements. To be successful in an increasingly competitive environment calls for continuous efficiency-boosting: improvement of profitability, development of the service palette and strengthening of professional skills.

The growth outlook for electronics manufacturing services is good, because the forecasts of a number of research institutes indicate that manufacturing volumes of products incorporating electronics will grow and the outsourcing of production is gathering pace.

Market visibility is still limited and it is not believed that it will get any easier to forecast demand. Furthermore, it is estimated that there will be large fluctuations in demand moving forward. This trend will improve the competitive position of a flexible contract manufacturer that is able to respond swiftly.

Personnel

A capable and motivated staff underpin Incap's success. A good earnings trend calls for continual inputs into building up competence and skills. Supervisors play a central role in supporting the workplace and encouraging our people to engage in active and continuous development.

The development of a unified corporate culture and unified ways of working was continued in 2004. The priority for internal development was the matters that emerged in the employee opinion survey that was completed at the beginning of the year. The areas singled out as being the most important development issues were workplace conditions, training opportunities and incentive systems. The progress made will be assessed by means of a follow-up questionnaire in 2005.

Actions to improve workplace conditions

Incap embarked on developing workplace conditions in working groups at each unit and the improvements relate to creating a pleasant and well-functioning working environment as well as the tools used. In addition, new, unified practices and ways of working were created within human resources and financial management, and areas of responsibility were delineated more clearly.

At the Vuokatti factory, an initiative bonus practice was launched on a test basis with the aim of encouraging employees to bring forth ideas relating to the development of operations and working conditions of their own accord. Testing of suggestion initiatives will be continued in 2005 and it will be expanded to the other units on the basis of the results obtained.

Developing supervisor skills

Training for developing supervisor work was launched with the aim of promoting a unified management culture within the Incap Group and developing supervisors' interactive and leadership skills. The long-term programme is based on leadership assessments which were made for supervisors in autumn 2004.

Internal training was carried out primarily at the individual units. On the basis of the development discussions held, training and development plans were prepared. These plans specify actions to be carried out at both the Group and unit level.

As part of the development project for materials management, staff belonging to the purchasing organisation took part in competence-based assessments on the basis of which the job descriptions of buyers were further specified according to supplier and customer areas of responsibility. The surveys will also be used as a basis for future training and development.

A motivating compensation system

Development of a motivating compensation system was continued. Virtually the entire personnel are covered by the incentive bonus scheme as from the beginning of 2005. Bonuses for 2004 were determined on the basis of achievement of the objectives set for net turnover, net profit and the inventory turnover rate. Development of reward systems is being continued, and their fairness and incentive-building are evaluated regularly.

In addition, the company has two stock option schemes for motivating key personnel and building their commitment to the company. The new stock option scheme that was introduced in 2004 is designed to increase the commitment of the company's key employees to long-term share ownership.

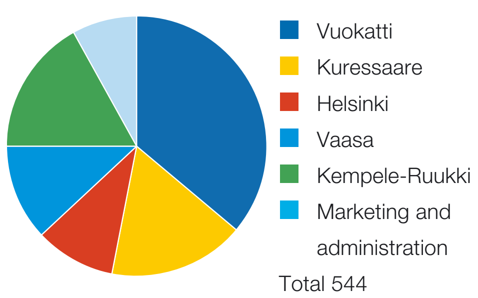
Harmonising occupational health services

Maintaining the personnel's working ability and promoting well-being at work call for long-term inputs into activities that maintain working ability. The occupational health service was harmonised in 2004 by providing the same kinds of occupational health services for the entire personnel irrespective of the company location. Harmonised occupational health reporting also facilitates administrative needs and moves the emphasis towards preventive healthcare and workplace well-being.

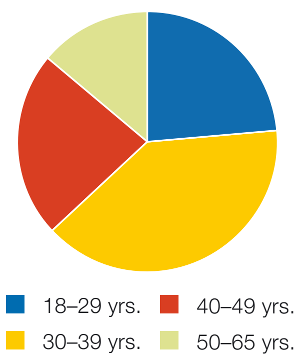
A wider internal dialogue

Representatives of the personnel and the Management Team got together in a joint meeting in November with the aim of promoting a dialogue between the different functions and units. The objective of creating an open, discussion-oriented atmosphere is to increase mutual trust and improve employee contentment. Regular meetings between management and personnel representatives will be continued.

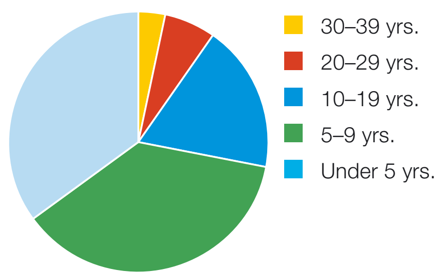
Personnel by locality at 31 December 2004



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.

Measuring and tracking environmental impacts

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 in daily operations and by conducting a quarterly management review.

An environmental permit was granted to Ruukki's plating units in 2004. A new chemical milling line and a water treatment plant with greater efficiency were procured for Ultraprint Oy, the subsidiary that manufactures chemically milled products.

Within sheet metal fabrication, particular attention was paid to preventing metal waste from arising. The new sheet metal machining centre that will go into operation at the unit in Helsinki in spring 2005 will bring a marked reduction in metal waste.

More stringent objectives

The quality and environmental systems of the Kempele and Ruukki units were granted Lloyd's certification in January 2004, after which all Incap units have the same level of quality and environmental certification.

The validity of all Incap's quality and environmental certificates was set to end in December 2004. Following the re-audits by Lloyd's, the certificates were renewed and are now in effect up to the end of 2007.

The quality and environmental targets for 2004 were more ambitious than in 2003, and most of the targets were reached. The average rating of customer satisfaction measurements was at the same level as a year ago. Positive development was registered particularly in delivery reliability and precision, and customers wished for further development, notably, in the adequacy of resources and management of co-operation.

Lead-free electronics manufacturing

Within high-precision plating, various processes were tested for replacing lead and chrome with lead-free and chrome-free processes. Tin lead was removed from processes during 2004 and the objective is to eliminate passivations involving tin lead and chrome entirely in 2005. Furthermore, tests were started with the aim of finding a replacement process for the tri-acid desmutting of die cast bodies.

The lead-free electronics manufacturing process according to the RoHS directive that will enter into force in July 2006 is already in operation at the Vuokatti unit, where about EUR 0.1 million was invested in developing the process. During the year Incap participated in various projects aiming at familiarising the employees with lead-free soldering and the changes this will cause within reflow, wave and manual soldering processes. The lead-free manufacturing process will go into use next at the Kuressaare unit, and Incap's entire electronics production process will operate in accordance with the RoHS directive - ahead of schedule - by the end of 2005.

Product and component traceability was developed further within electronics production. A new system became operational at the Vuokatti unit, enabling it to trace the components and materials of an individual product throughout its entire life cycle.

Report of the Board of Directors

Incap reached the main objectives set for 2004, which were improved profitability, increased efficiency and growth in net turnover. Despite the falling price trend in the industry the net turnover rose by 16% on the previous year and the profitability improved significantly. Efficiency-boosting was continued, and special emphasis was given to the development of materials management. After the close of the financial year it was decided to explore measures whereby the company could exit its loss-making aluminium machining and plating operations.

Trend in the operating environment

The improved demand towards the end of 2003 remained at a good level in 2004 as well. Competition amongst providers of electronics manufacturing services was still tight. The continuous need to lower production costs led to an increase in outsourced manufacturing, especially in labour-intensive operations, to countries with a low cost level. It was still difficult to read the trend in the market, and there were rapid changes in demand.

Group financial performance

Consolidated net turnover rose by 16% on the previous year to EUR 75.7 million (2003: 65.2 million). Incap generated operating profit of EUR 1.6 million (a loss of 1.9 million). Deferred tax receivables of EUR 1.7 million were booked to extraordinary income in 2004. A total of EUR 3.9 million of write-downs were made for structural arrangements within aluminium machining and plating operations and booked to extraordinary expenses. Owing to these non-recurring items, the full-year result was a loss of EUR 1.2 million.

Earnings per share were EUR 0.09 (0.20 negative) and equity per share was EUR 1.00 (1.06). The Group's equity ratio was 32% (34%) and total assets were EUR 36.1 million (37.7 million).

Development of the Group's operations

Incap retained its strong position as a manufacturing services partner of its strategic customers. Delivery agreements were expanded to both new products and ever-larger integrated deliveries.

A balanced customer mix and sectoral structure was maintained in line with Incap's strategy. Deliveries to the telecommunications sector increased faster than other client industries, and demand for security and healthcare technology products also picked up.

The development of engineering design services has moved ahead thanks to actions aimed at commercialising services, beefing up Incap's own personnel resources and expanding co-operation with consulting and engineering companies. Sales and marketing resources were also strengthened.

A special efficiency-boosting area was materials management, where the aim was to bring about a substantial increase in the inventory turnover rate, to improve delivery reliability and to shorten production throughput times.

There was increased interest in electronics manufacturing located in Estonia. On the basis of a study concerning various expansion alternatives, it was decided to triple the production capacity of the unit in Kuressaare.

It was decided to lease an SMD assembly line and ancillary optical quality inspection device for the electronics unit in Vuokatti. In order to modernise the machinery capacity for sheet metal fabrication in Helsinki, an agreement was signed, after the close of the financial year, on the purchase of a modern punch press with integrated laser cutting. Due to increased demand for RFID applications, a new chemical milling line was purchased for Ultraprint Oy.

Preparations for complying with the lead-free process required by the RoHS directive were continued. The first manufacturing line employing the lead-free process went into operation towards the end of the year, and Incap's electronics manufacturing will go over to a lead-free process during 2005, before the deadline specified in the directive. Product and component traceability was developed further within electronics manufacturing.

Business development priorities

In accordance with its strategy, Incap will concentrate on technically demanding products that have medium-sized or small production volumes and whose manufacture calls for a very flexible way of working. The present operational model and customer base support the chosen strategy, which highlights Incap's present strengths: flexibility, quick response and professionalism.

Incap's objective is to secure a solid position as a European electronics and mechanical fabrication contract manufacturer. Instead of concentrating on a specific industry, the target is to maintain a balanced customer mix.

Services covering a product's entire life cycle are being developed in mainline manufacturing and especially within design functions. Incap is strengthening further its ability to deliver integrated product packages incorporating electronics and mechanical fabrication and is ready to take on a broad responsibility for the customer's manufacturing and services connected with it.

Incap is seeking a strong increase in its volume of operations primarily through organic growth, but it is also prepared to expand its scope by means of M&A arrangements and by taking on customers' outsourcing of their entire production.

Measures aiming at improving profitability and boosting efficiency are continuing.

Financing

The Group's liquidity was satisfactory: the quick ratio was 0.9 (0.7) and the current ratio 1.6 (1.5). Cash flow from operations was EUR 1.6 million (4.6 million) and the change in cash flows was a decrease of EUR 0.8 million (increase of 0.6 million).

Consolidated shareholders' equity amounted to EUR 11.7 million at the close of the report period (12.9 million). Liabilities totalled EUR 24.4 million (24.8 million), of which interest-bearing liabilities amounted to EUR 11.0 million (13.1 million).

Net financial expenses were EUR 0.6 million (0.9 million) and depreciation EUR 2.8 million (3.6 million). Net

debt decreased to EUR 9.1 million (12.8 million) and the gearing ratio was 91% (92%). Interest-bearing net debt amounted to EUR 10.6 million at the close of the financial year (11.9 million). The equity ratio was satisfactory: 32% (34%).

Capital Expenditures

The Group's capital expenditures in the financial year totalled EUR 0.4 million (EUR 0.5 million), or about 1% of net turnover (1%). The largest single capital expenditure item was a chemical milling line that had a price tag of about EUR 0.3 million. Other capital expenditures went mainly for replacing equipment and for software.

Research and development

Spending on research and development amounted to EUR 1.9 million (2.0 million), or 3% of net turnover (3%). Incap's research and development activities consist largely of the development of the company's own processes and the chief areas of the R&D effort in 2004 were the development of traceability and the lead-free process. Research and development expenditure has been booked to expenses for the financial year.

Personnel and management

At the beginning of the year the Incap Group had a payroll of 552 employees and at the end of the year it had 544 employees. The number of laid-off staff decreased from 51 employees at the beginning of the year to 19 employees at 31 December 2004. New staff were hired for sales, purchasing and design services.

Juhani Hanninen, M.Sc. (Eng.), served as the president and CEO of the Incap Group during the financial period. The members of the Group's Management Team were besides him Hannele Põllä (Communications and Investor Relations), Petri Saari (Sales and Marketing), Timo Sonninen (Manufacturing Services) and Tuula Ylimäki (Finance and Administration). Ari Turunen (Materials Management) left Incap in September 2004.

The President and CEO, the Management Team members and eight other key employees were granted a total of 252,000 option rights from the option scheme 2004, entitling their holders to subscribe for an equal number of shares in 2007 and 2008.

The president and CEO and Management Team members receive remuneration tied to annual earnings in accordance with the performance bonus system covering the entire company that has been approved by the Board of Directors.

For 2004, criteria for the remuneration in the Group were the net turnover, net result and inventory turnover rate.

Corporate governance

In its corporate governance, Incap observes the new Corporate Governance recommendation that was published by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers and came into force at the beginning of July 2004. The updated corporate governance principles according to the recommendation were approved at a meeting of Incap Corporation's Board of Directors in June.

Annual General Meeting

The Annual General Meeting of Incap Corporation was held on 20 April 2004 in Oulu. The Annual General Meeting adopted the consolidated and parent company financial statements for 2003 and granted release from liability to the responsible officers. No dividend was paid for the 2003 financial year.

The Annual General Meeting authorised the Board of Directors to decide on increasing the share capital through one or more rights issues and/or the floating of one or more issues of convertible bonds and/or the granting of stock options such that the authorisation provides for raising the company's share capital by a maximum of 4,092,775.68 euros (not an exact figure).

In May 2004 the Board of Directors exercised part of its authorisation to implement a stock option scheme targeted at the Group's key employees. At 31 December 2004 the Board of Directors had a valid authorisation to increase the share capital by EUR 3,033,191.74.

Board of Directors

The Annual General Meeting re-elected Seppo Arponen, Kalevi Laurila, Jorma Terentjeff and Juhani Vesterinen to seats on the Board of Directors. Timo Leinilä and Sakari Nikkanen were elected new members of the Board of Directors. From amongst its number, 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 principal auditor.

Adoption of IFRS standards (IAS)

The Incap Group will adopt financial reporting in accordance with international IFRS standard in its 2005 financial statements, and the first IFRS interim report will be published for January-March 2006. Information on the effects on financial figures of the transition to IFRS standards will be presented during 2005.

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 1.65 to EUR 2.59, and the share price at the close of the year was EUR 1.90. Share turnover was 28%.

At the end of the report year the company had 976 shareholders. The company's market capitalisation at 31 December 2004 was EUR 23.1 million.

Stock options

The subscription period for the Group's 1998 stock option scheme expired on 30 November 2004. Warrants have not been exercised to subscribe for shares.

In May 2004 the company introduced a new stock option scheme that commits key personnel to ownership of Incap shares on a long-term basis. A total of 630,000 option rights were granted, entitling their holders to subscribe for an equal number of shares. On the basis of the subscriptions, Incap's share capital can rise by a maximum of about EUR 1,058,400. In the first phase, stock options were allocated to thirteen Incap Group key employees, who at the same time gave their commitment to abide by the terms of the company's long-term share ownership programme. It was a condition for granting of the stock options that the optionholder would first purchase a given amount of Incap shares.

The Board of Directors directed in 2003 a total of 702,000 warrants at Varma Mutual Pension Insurance Company entitling the holders of said warrants to subscribe for an equal number of shares. The subscription period for the shares commenced on 1 June 2003 and it ends on 31 December 2005. The subscription price of the shares is EUR 2.50 per share. If Varma exercises its option rights-based warrants in their entirety, the shareholding of Varma Mutual Pension Insurance Company in Incap Corporation will be 5.4% of the company's share capital and voting rights.

Board's proposal to the Annual General Meeting

The Board of Directors will propose to the Annual General Meeting to be held on 31 March 2005 that the loss for the financial year be transferred to the retained earnings account and that no dividend be distributed for the 2004 financial year.

Events after the close of the financial year

The Board of Directors authorised the company's management in January 2005 to explore measures whereby the company could exit its loss-making aluminium machining and plating operations. The market situation for these services has changed materially and the demand for machining in particular declined markedly during 2004. The negotiations with the personnel employed in the machining and plating operations, in accordance with the Co-determination Act, have been started and a solution will be sought as quickly as possible.

Outlook for 2005

According to the forecasts of various research institutes, the growth outlook for electronics manufacturing services is good. It is believed that manufacturing volumes of electronics products will grow and there will be a further increase in the outsourcing of production.

Incap is seeking to boost its net turnover both by strengthening its position as a supplier to present customers and by cultivating new customer relationships over the long term. On the basis of the forecasts made by customers, Incap Group's net turnover in 2005 is estimated to grow moderately. The Group's profitability is expected to improve from the level reached in 2004 thanks to a rise in net turnover, enhanced materials functions and an improvement in productivity. Structural arrangements within machining and plating functions are estimated to improve the Group's result right from 2005.

Consolidated Profit and Loss Account

EUR 1,000	Note	2004	2003
Net turnover	1	**75,711**	**65,153**
Variation in stocks of finished goods and in work in progress		–95	–404
Other operating income	2	55	63
Raw materials and services	3	47,720	39,577
Personnel expenses	4	14,798	14,427
Depreciaton and reduction in value	5	2,797	3,593
Other operating charges		8,784	9,092
Operating profit/loss		**1,572**	**–1,877**
Financial income and expenses	6	–590	–913
Profit/loss before extraordinary items		**982**	**–2,790**
Extraordinary items	7	–2,259	–3,210
Profit/loss before taxes		**–1,277**	**–6,000**
Income taxes	8	60	366
Profit/loss for the financial year		**–1,217**	**–5,634**

Consolidated Balance Sheet

EUR 1,000	Note	2004	2003
ASSETS			
Non-current assets			
Intangible assets	9	471	731
Tangible assets	9	8,060	13,021
Investments	10		
Other investments		15	11
Non-current assets, total		**8,546**	**13,763**
Current assets			
Stocks	11	12,260	11,983
Deferred tax receivables	12	1,650	0
Short-term debtors	12	13,232	10,748
Short-term investments			
Other short-term investments		0	2
Cash in hand and at banks		412	1,245
Current assets, total		**27,554**	**23,978**
Assets, total		**36,100**	**37,741**
LIABILITIES			
Capital and reserves	13		
Subscribed capital		20,487	20,487
Share premium account		44	4,224
Retained earnings		–7,602	–6,148
Profit for the financial year		–1,217	–5,634
Capital and reserves, total		**11,712**	**12,929**
Creditors			
Deferred tax liabilities	15	80	140
Long-term creditors	16	6,669	8,452
Short-term creditors	17	17,639	16,220
Creditors, total		**24,388**	**24,812**
Liabilities, total		**36,100**	**37,741**

Consolidated Sources of Funds

EUR 1,000	2004	2003
Cash flow from operations		
Operating profit	1,572	–1,877
Adjustments for operating profit	3,450	4,345
Change in working capital	–2,835	2,595
Interests and other financial expenses	–601	–960
Interest income from operations	11	47
Taxes	0	405
Cash flow from operations	**1,597**	**4,555**
Cash flow from investments		
Investments in tangible and intangible assets	–429	–393
Income from sales of tangible and intangible assets	130	26
Cash flow from investments	**–299**	**–367**
Cash flow from financial items		
Increase in short-term creditors	1,162	0
Decrease in short-term creditors	–548	–1,560
Increase in long-term creditors	0	2,076
Decrease in long-term creditors	–2,747	–4,145
Cash flow from financial items	**–2,133**	**–3,629**
Change in funds	**–835**	**559**
Funds at the beginning of the financial year	1,247	688
Funds at the end of the financial year	**412**	**1,247**

Parent Company's Profit and Loss Account

EUR 1,000	Note	2004	2003
Net turnover	1	**73,500**	**61,388**
Variation in stocks of finished goods and in work in progress		–168	–479
Other operating income	2	554	381
Raw materials and services	3	48,404	39,946
Personnel expenses	4	13,858	12,933
Depreciation and reduction in value	5	4,404	3,790
Other operating charges		7,893	7,630
Operating profit/loss		**–673**	**–3,009**
Financial income and expenses	6	–572	–768
Profit/loss before extraordinary items		**–1,246**	**–3,777**
Extraordinary items	7	–5,912	–8,447
Profit/loss before appropriations and taxes		**–7,158**	**–12,224**
Appropriations		233	1,261
Profit/loss for the financial year		**–6,924**	**–10,963**

Parent Company's Balance Sheet

EUR 1,000	Note	2004	2003
ASSETS			
Non-current assets			
Intangible assets	9	3,365	9,146
Tangible assets	9	7,294	12,421
Investments	10		
Holdings in the Group companies		871	871
Other investments		14	9
Non-current assets, total		**11,544**	**22,447**
Current assets			
Stocks	11	10,442	10,447
Long-term debtors	12	165	554
Deferred tax receivables	12	1,650	0
Short-term debtors	12	14,862	11,350
Investments			
Other short-term investments		0	2
Cash in hand and at banks		186	787
Current assets, total		**27,304**	**23,140**
Assets, total		**38,848**	**45,587**
LIABILITIES			
Capital and reserves	13		
Subscribed capital		20,487	20,487
Share premium account		44	4,224
Retained earnings		0	6,783
Profit for the financial year		–6,924	–10,963
Capital and reserves, total		**13,607**	**20,531**
Appropriations		**252**	**485**
Creditors			
Long-term creditors	16	6,619	8,374
Short-term creditors	17	18,370	16,197
Creditors, total		**24,989**	**24,571**
Liabilities, total		**38,848**	**45,587**

Parent Company's Sources of Funds

EUR 1,000	2004	2003
Cash flow from operations		
Operating profit	–673	–3,009
Adjustments for operating profit	4,930	5,175
Change in working capital	–1,920	1,817
Interests and other financial expenses	–582	–700
Interest income from operations	9	33
Taxes	0	405
Cash flow from operations	**1,764**	**3,721**
Cash flow from investments		
Investments in tangible and intangible assets	–216	–362
Income from sales of tangible and intangible assets	389	13
Loan receivables	–471	0
Cash from merged subsidiary	0	42
Cash flow from investments	**–298**	**–307**
Cash flow from financial items		
Increase in short-term creditors	1,162	0
Decrease in short-term creditors	–548	–1,596
Increase in long-term creditors	0	2,076
Decrease in long-term creditors	–2,683	–3,292
Cash flow from financial items	**–2,069**	**–2,812**
Change in funds	**–603**	**602**
Funds at the beginning of the financial year	789	187
Funds at the end of the financial year	**186**	**789**

Accounting Policy Applied in the Consolidated Annual Accounts

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 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 periodization

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	5–6 yrs.
goodwill on consolidation	5 yrs.
other intangible rights	1–5 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.

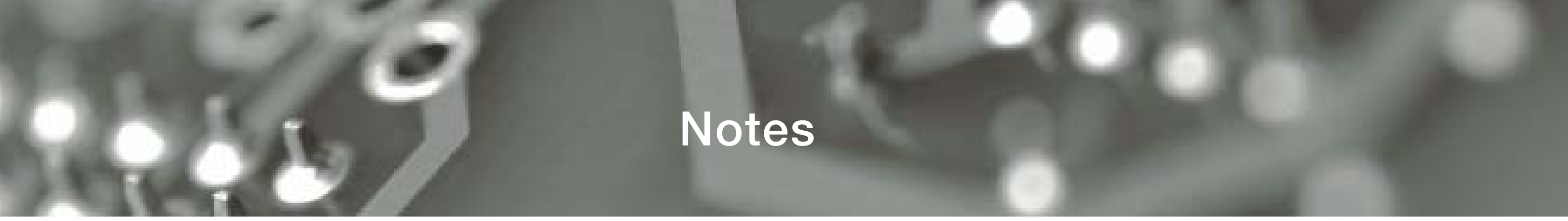
Items denominated in foreign currency
Items denominated in foreign currency have been translated at the middle rate quoted by the European Central Bank on the balance sheet date. Foreign exchange differences on sales and purchase amounts have been credited or debited to the appropriate items. Mentionable 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 2004 research and development expenditure has been treated as an annual expense within Other operating expenses.

Periodization of pension expenses
The pension security of employees, including supplementary benefits, has been insured 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 carryovers that have been approved in taxation and can be applied during the years 2005-2013. Deferred tax receivables of EUR 1.7 million have been booked to extraordinary income, based on the budget drawn up for the parent company for the years 2005 and 2006.



Notes

EUR 1,000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
NOTES TO THE PROFIT AND LOSS ACCOUNT				
1. Net turnover				
Net turnover by market areas				
Finland	64,044	60,591	62,848	57,212
Europe	4,505	2,616	3,505	2,230
Other	7,162	1,946	7,148	1,946
	75,711	**65,153**	**73,500**	**61,388**
2. Other operating income				
Profit from the sale of fixed assets	43	53	89	53
Other income	12	10	465	328
	55	**63**	**554**	**381**
3. Raw materials and services				
Raw materials and consumables				
Purchases during the financial year	46,297	34,939	39,407	29,650
Variation in stocks	–342	2,940	–163	3,046
	45,955	**37,879**	**39,244**	**32,696**
External services	1,765	1,698	9,160	7,250
	47,720	**39,577**	**48,404**	**39,946**
4. Personnel expenses and number of personnel				
4.1 Number of personnel				
The group and the parent company employed an average number of				
Employees	110	107	93	95
Workers	442	455	350	388
4.2 Personnel expenses				
Wages and salaries	11,696	11,393	10,965	10,219
Pension expenses	1,908	1,905	1,866	1,769
Other social security expenses	1,194	1,129	1,028	945
	14,798	**14,427**	**13,858**	**12,933**
4.3 Salaries and bonus of the management				
Presidents and the Board	355	340	316	297

EUR 1,000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
5. Depreciation and reduction in value				
Depreciation according to plan	2,737	3,593	4,404	3,790
Reduction in value of goods held as non-current assets	60	0	0	0
	2,797	3,593	4,404	3,790
6. Financial income and expenses				
Other interest and financial income				
From other companies	10	47	9	33
Interests paid and other financial expenses				
To other companies	–601	–960	–582	–802
Financial income and expenses, total	**–590**	**–913**	**–572**	**–769**
7. Extraordinary items				
Extraordinary income				
Deferred tax receivables	1,650	0	1,650	0
Extraordinary expenses				
Reduction in value of goods held as non-current assets	–2,723	–2,547	–6,376	–7,784
Other extraordinary expenses	–1,186	–663	–1,186	–663
	–2,259	**–3,210**	**–5,912**	**–8,447**

Extraordinary expenses are composed of the structural arrangements within machining and plating operations. Expenses include reduction of machinery and equipment and goodwill as well as expenses of dismissal and liability of rents.

EUR 1,000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
8. Income taxes				
Change in deferred tax liabilities	60	366	0	0

NOTES TO THE BALANCE SHEET

9. Fixed assets

Group

Intangible assets

	Intangible rights	Goodwill	Other long-term expenditure	Total
Acquisition cost, 1 Jan. 2004	1,090	1,879	1,600	4,568
Increase	9	0	0	9
Acquisition cost, 31 Dec. 2004	1,099	1,879	1,600	4,577
Accumulated depreciation, 1 Jan. 2004	–733	–1,714	–1,389	–3,837
Depreciation during the year	–97	–75	–97	–269
Accumulated depreciation, 31 Dec. 2004	–830	–1,790	–1,486	–4,106
Book value, 31 Dec. 2004	269	89	114	471
Book value, 31 Dec. 2003	357	164	210	731

Tangible assets

	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan. 2004	134	5,003	26,857	376	32,371
Increase	0	63	389	0	452
Decrease	0	0	–130	0	–130
Acquisition cost, 31 Dec. 2004	134	5,065	27,116	376	32,692
Accumulated depreciation, 1 Jan. 2004	–74	–1,162	–17,831	–283	–19,350
Depreciation during the year	0	–246	–2,215	–39	–2,500
Reduction	0	0	–2,783	0	–2,783
Accumulated depreciation, 31 Dec. 2004	–74	–1,408	–22,828	–322	–24,633
Book value, 31 Dec. 2004	60	3,657	4,288	54	8,060
Book value, 31 Dec. 2003	60	3,841	9,027	93	13,021
Book value of the production machinery and equipment, 31 Dec. 2004			3,937		
Book value of the production machinery and equipment, 31 Dec. 2003			8,725		

Parent company

Intangible assets

	Intangible rights	Goodwill	Other long-term expenditure	Total
Acquisition cost, 1 Jan. 2004	1,081	16,337	1,496	18,915
Increase	9	0	0	9
Acquisition cost, 31 Dec. 2004	1,090	16,337	1,496	18,923
Accumulated depreciation, 1 Jan. 2004	–731	–7,752	–1,286	–9,769
Depreciation during the year	–96	–1,944	–97	–2,137
Reduction	0	–3,653	0	0
Accumulated depreciation, 31 Dec. 2004	–827	–13,349	–1,383	–15,558
Book value, 31 Dec. 2004	263	2,989	114	3,365
Book value, 31 Dec. 2003	351	8,585	210	9,146

Intangible assets

	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan. 2004	60	4,685	25,613	376	30,735
Increase	0	0	207	0	207
Decrease	0	0	–343	0	–343
Acquisition cost, 31 Dec. 2004	60	4,685	25,477	376	30,599
Accumulated depreciation, 1 Jan. 2004	0	–1,084	–16,947	–283	–18,314
Depreciation during the year	0	–233	–1,995	–39	–2,268
Reduction	0	0	–2,723	0	–2,723
Accumulated depreciation, 31 Dec. 2004	0	–1,317	–21,665	–322	–23,305
Book value, 31 Dec. 2004	60	3,368	3,812	54	7,294
Book value, 31 Dec. 2003	60	3,601	8,666	93	12,421
Book value of the production machinery and equipment, 31 Dec. 2004			3,514		
Book value of the production machinery and equipment, 31 Dec. 2003			8,384		

10. Investments

	Group	Parent company	
	Other shares	Holdings in the Group companies	Other shares
Acquisition cost, 1 Jan. 2004	11	871	9
Increase	4	0	4
Acquisition cost, 31 Dec. 2004	15	871	14
Book value, 31 Dec. 2004	15	871	14

Subsidiaries

	Parent company ownership share %
Incap Electronics Estonia OÜ, Estonia	100
Ultraprint Oy, Kempele	100

	Group		Parent company	
EUR 1,000	2004	2003	2004	2003
11. Stocks				
Raw materials and consumables	9,148	8,775	7,485	7,322
Work in progress	1,372	1,254	1,305	1,217
Finished goods	1,741	1,954	1,652	1,907
	12,260	**11,983**	**10,442**	**10,447**

EUR 1,000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
12. Debtors				
Long-term				
Amount owed by Group companies				
Loan receivables			165	554
Deferred tax receivables	1,650	0	1,650	0
Short-term				
Trade debtors	12,763	10,010	12,413	9,731
Amounts owed by Group companies				
Trade debtors			1,394	374
Interest receivables			2	4
Loan receivables			711	427
Accrued income			0	360
			2,106	**1,165**
Other receivables	37	249	0	0
Prepayments and accrued income	432	489	342	454
Debtors total	**14,882**	**10,748**	**16,677**	**11,904**
13. Capital and reserves				
Subscribed capital, 1 Jan.	20,487	20,487	20,487	20,487
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
Transter to retained earnings	–4,180	0	–4,180	0
Share premium account, 31 Dec.	**44**	**4,224**	**44**	**4,224**
Retained earnings, 1 Jan.	–11,783	–6,148	–4,180	6,783
Transfer from share premiun account	4,180	0	4,180	0
Retained earnings, 31 Dec.	**–7,602**	**–6,148**	**0**	**6,783**
Profit for the financial year	–1,217	–5,634	–6,924	–10,963
Capital and reserves, total	**11,712**	**12,929**	**13,607**	**20,531**
Nonrestricted capital				
Retained earnings	–7,602	–6,148	0	6,783
Profit for the financial year	–1,217	–5,634	–6,924	–10,963
Share of the accumulated appropriations written in the capital	–172	–344	0	0
Total	**–8,991**	**–12,127**	**–6,924**	**–4,180**

EUR 1,000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
14. Depreciation reserve and untaxed reserves				
Accumulated depreciation difference and provisions in equity	172	344	0	0
15. Deferred tax liabilities				
Appropriations	80	141	0	0
16. Non-current creditors				
Loans from credit institutions	3,861	5,494	3,861	5,494
Pension loans	274	298	274	298
Other creditors	2,535	2,660	2,485	2,583
Total	**6,669**	**8,452**	**6,619**	**8,375**
Creditors maturing after five years				
Loans from credit institutions	85	269	85	269
Pension loans	202	220	202	220
Other non-current creditors	855	855	855	855
Total	**1,142**	**1,344**	**1,142**	**1,344**
17. Current creditors				
Loans from credit institutions	3,847	4,290	3,847	4,253
Pension loans	24	33	24	33
Advances received	0	7	0	0
Trade creditors	6,248	6,050	5,721	5,447
Amounts owed to group companies				
Trade creditors	0	0	1,483	733
Accruals and deferred income	0	0	0	36
Other creditors	2,208	1,677	2,102	1,603
Accruals and deferred income	5,311	4,164	5,192	4,093
Total	**17,639**	**16,220**	**18,370**	**16,197**
Total of interest-bearing creditors	4,339	4,689	4,311	4,625

EUR 1,000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
OTHER NOTES TO THE ACCOUNTS				
Guarantees				
Loans for which real-estate has been mortgaged as collateral				
Pension loans	4	14	4	14
Mortgages	168	168	168	168
Loans from credit institutions	872	851	872	851
Mortgages	336	336	336	336
Loans for which corporate mortgages have been given as collateral				
Loans from credit institutions	4,344	4,533	4,344	4,497
Mortgages	7,776	8,550	7,776	7,944
Contingent liabilities				
Leasing and instalment liabilities not included in the balance sheet				
Liabilities maturing next year	1,849	4,642	1,788	4,609
Liabilities maturing later	3,485	1,680	3,252	1,644
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.				
Contingent liabilities for Group companies				
Guarantees for Group companies			292	0
Other liabilities				
Sale and leaseback agreement not included in the balance sheet	3,387	3,445	3,387	3,445
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	1,961	2,101	1,961	2,101
Lease liabilities for the group premises	3,782	1,459	3,782	1,459

EUR 1,000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Leasing and instalment liabilities included in the balance sheets				
Incap Corporation, premises				
balance sheet value of fixed assets	3,368	3,601	3,368	3,601
corresponding liabilities	2,925	3,094	2,925	3,094
Ultraprint Oy, premises				
balance sheet value of fixed assets	289	240		
corresponding liabilities	77	104		
VAT to be paid back under provisions of 33 §				
Concerning investments in buildings and rebuilding in 2000–2004	598	587	587	587

Rules for Calculating Financial Information

Return on equity, %	100 x (profit before extraordinary items – tax) / equity (mean for financial year) + minority holding
Return on investment, %	100 x (profit before extraordinary items + interest and other financial expenses) / balance sheet total – non-interest loans (mean for financial year)
Equity ratio, %	100 x (equity + minority holding) / balance sheet total – advance payments received
Gearing, %	100 x (interest bearing liabilities – short term investments and cash in hand and at banks) / equity + minority holdings
Net debt	liabilities – financial assets
Liability payback period, years	liabilities with interest / calculated cash flow [1]
Quick ratio	financial assets / short-term liabilities
Current ratio	financial assets + stocks / short-term liabilities
Investments	fixed asset acquisitions without VAT and without investment subsidies subtracted
Average personnel	average end-of-month number of employees
Per share data	
Earnings per share	profit before extraordinary items +/– minority holdings – tax (income tax + change in deferred tax liability) / mean number of shares during financial year adjusted for new issue
Equity per share	equity / mean number of shares adjusted for new issue at the end of financial year
Dividend per share	dividend during financial year / number of dividend-earning shares adjusted for new issue at the end of financial year
Dividend out of profit, %	100 x dividend per share / earnings per share
Cash flow per share	calculated cash flow [1] / number of shares adjusted for new issue at the end of financial year
Effective dividend yield, %	100 x dividend per share / last price on the day of closing the accounts
Price per earnings ratio	last price on the day of closing the accounts / 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.

Consolidated Financial Information

		2004	2003	2002	2001	2000
Net turnover	MEUR	75.7	65.2	69.0	99.7	86.8
Growth	%	16	–6	–31	15	23
Export	MEUR	11.7	4.6	9.6	38.7	36.3
Share of net turnover	%	15	7	14	39	42
Operating profit	MEUR	1.6	–1.9	–3.8	12.2	1.8
Share of net turnover	%	2	–3	–5	12	2
Profit before extraordinary items	MEUR	1.0	–2.8	–4.7	11.4	1.3
Share of net turnover	%	1	–4	–7	11	1
Profit before taxes	MEUR	–1.3	–6.0	–10.8	11.4	1.3
Share of net turnover	%	–2	–9	–16	11	1
Return on equity (ROE)	%	8.5	–17.7	–20.7	33.9	4.0
Return on investment (ROI)	%	6.5	–6.0	–9.1	32.1	6.3
Balance sheet total	MEUR	36.1	37.7	45.6	68.9	42.4
Equity ratio	%	32.4	34.3	40.8	39.2	46.0
Gearing	%	90.5	92.0	88.1	61.4	37.6
Net debt	MEUR	9.1	12.8	16.3	16.7	7.9
Liability payback period	years	7	–5	–2	1	3
Quick ratio		0.9	0.7	0.6	0.7	1.0
Current ratio		1.6	1.5	1.6	1.5	1.7
Investments	MEUR	0.4	0.5	1.1	21.3	10.2
Share of net turnover	%	1	1	2	21	12
Investment in R&D	MEUR	1.9	2.0	2.1	3.0	2.6
Share of net turnover	%	3	3	3	3	3
Average number of employees		552	562	630	847	855
Dividends	MEUR [1)	0.0	0.0	0.0	0.1	0.4
Per share data						
Earning per share	EUR	0.09	–0.20	–0.49	2.24	0.22
Equity per share	EUR	1.00	1.06	1.52	7.70	5.56
Dividend per share	EUR [1)	0.0	0.0	0.0	0.03	0.10
Dividend out of profit	% [1)	0.0	0.0	0.0	1.3	45.3
Cash flow per share	EUR	0.13	–0.20	–0.62	3.75	0.98
Effective dividend yield	% [1)	0.0	0.0	0.0	0.6	2.2
P/E ratio		22.2	–9.0	–3.3	2.2	20.5
Trend in share price						
Minimum price during year	EUR	1.65	0.87	1.63	3.70	4.50
Maximum price during year	EUR	2.59	2.15	5.63	6.00	17.00
Mean price during year	EUR	2.09	1.59	3.37	4.97	9.75
Closing price at end of year	EUR	1.90	1.80	1.63	4.99	4.50
Total market value of shares on 31 Dec.	MEUR	23.1	21.9	19.9	17.5	15.8
Turnover in shares	no.	3,438,988	3,367,276	867,553	186,036	314,162
Turnover in shares	%	28	28	9	5	9
Number of shares, adjusted for new issue						
Mean number during year		12,180,880	12,180,880	9,615,282	3,510,110	3,510,110
Number at end of year		12,180,880	12,180,880	12,180,880	3,510,110	3,510,110

[1) According to the proposal of the Board dividend should not be paid.

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 ICP, the round lot is 100 shares and the book-entry type code is ICP1V.

The price of Incap Corporation's share varied in the range of EUR 2.59 to EUR 1.65 during the financial year. The last quotation in trading at the end of the year was EUR 1.90. At the close of the financial year, the company had 976 shareholders, and 10.3% 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 28.2% during the financial year. The company's market capitalisation at 30 December 2004 was EUR 23,143,672.

Authorisations by the Board of Directors

On 20 April 2004 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 Board of Directors exercised the authorisation on 25 May 2004 by granting the key employees of Incap Corporation and its subsidiaries a total of 630,000 stock options entitling to subscribe a total of 630,000 shares.

On 31 December 2004 the Board of Directors had a valid authorisation to increase the share capital by a maximum of EUR 3,033,191.74.

Stock option scheme 2004

In May 2004 the company introduced a new stock option scheme that commits key personnel to ownership of Incap shares on a long-term basis. A total of 630,000 option rights were granted, entitling their holders to subscribe for an equal number of shares. The shares that can be subscribed for through the exercise of the stock options represent a maximum of 4.9% of the company's shares and the votes conferred by the shares after any possible increase in share capital. In the first stage, a maximum of 252,000 stock options, representing around 2% of the company's shares and of the votes conferred by the shares, were distributed to 13 Incap Group key personnel.

Stock options are divided into stock options 2004A, 2004B and 2004C. At the issuing stage, a condition of the distribution of stock options 2004A and 2004B is that the option holder has acquired a certain number of Incap shares, decided in advance by the Board of Directors. A condition of the distribution of stock options 2004C is that certain criteria based on financial targets, to be determined in advance by the Board of Directors, shall be fulfilled. At the issuing stage, stock options 2004C as well as those stock options 2004A and stock options 2004B that are not distributed to key personnel shall be issued to Euro-Ketju Oy, a wholly-owned subsidiary of Incap Corporation.

The subscription price of shares with 2004A and 2004B option warrants shall be the trade volume weighted average quotation of the Incap share traded on the Helsinki Exchanges from 1 May to 31 May 2004 and with 2004C option warrants the trade volume weighted average quotation of the Incap share traded on the Helsinki Exchanges between 1 March to 31 March 2006. The subscription price of shares through the exercise of option warrants will be lowered, on each record date for the distribution of dividends, by the amount of dividends, to be decided after the commencement of the period for determining the subscription price of the share and prior to the share subscription. The subscription period for shares with 2004A option warrants is from 1 April 2007 to 30 April 2009, with 2004B option warrants from 1 April 2008 to 30 April 2010 and with 2004C option warrants from 1 April 2009 to 30 April 2011. The subscription period for shares through the exercise of option warrants shall only begin, however, when the average price of the Incap share exceeds a certain threshold level, specified in more detail in the terms and conditions.

The purpose of the stock options is to commit key personnel to the company on a long-term basis. Should a person cease to be employed by or in the service of the company before each share subscription begins, such a person must offer his or her option warrants back to the company without compensation for any value that the options may have gained. This does not, however, apply in cases of retirement or death. Also linked to the option scheme is a share ownership programme by which key personnel shall acquire the company's shares with 20% of the gross yield received from the stock options.

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).

The subscription price of shares to be subscribed for with the A warrants is 8 euros, with the B warrants 10 euros and 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.

Stock options for Varma

On 21 January 2003 the Board of Directors directed a total of 702,000 warrants at Varma Mutual Pension Insurance Company entitling the holders of said warrants to subscribe for an equal number of shares. The subscription period for the shares commenced on 1 June 2003 and it ends on 31 December 2005. The issue of warrants was related to a financing arrangement to improve Incap Corporation's financial structure. The subscription price of the shares is EUR 2.50 per share. If Varma exercises its option rights-based warrants in their entirety, the shareholding of Varma Mutual Pension Insurance Company in Incap Corporation will be 5.4% of the company's share capital and voting rights.

Stock Option Scheme 1998

The subscription period for the Group's 1998 stock option scheme expired on 30 November 2004. Warrants have not been exercised to subscribe for shares.

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 2,879,072 shares, or 23.6% 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. The president has a total of 60,000 warrants of the year 2004 stock option scheme. 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 24.4% of the total shares outstanding.

Development of share capital 1991–2004

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 2004

	Owners, no.	%	Shares and votes, no.	%
Private enterprises	91	9.3	4,783,771	39.3
Financial institutions and insurance companies	14	1.0	3,310,449	27.2
Public sector entities	3	0.3	362,536	3.0
Non-profit organisations	14	1.4	277,900	2.3
Households	852	87.8	2,284,124	18.7
Foreigners	2	0.2	1,162,100	9.5
Total	976	100.0	12,180,880	100.0
Shares in the nominee-registers (5)			93,900	0.8

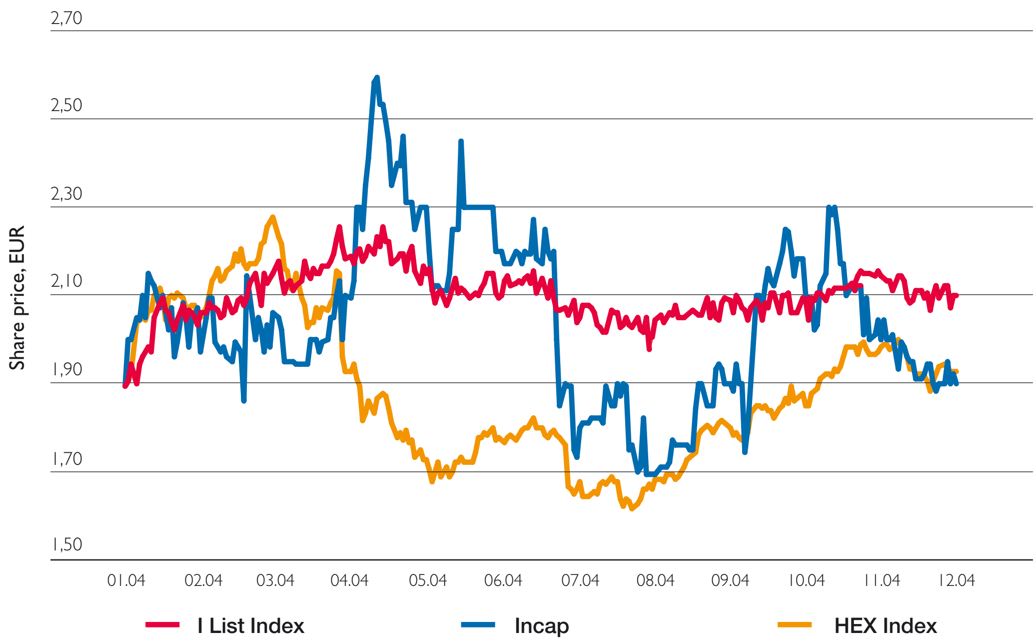
Breakdown of shareholdings by number of shares at 31 December 2004

Shares, no.	Shareholders, no.	%	Shares and votes, no.	%
1 – 100	118	12.1	8,784	0.1
101 – 1 000	498	51.0	263,796	2.2
1 001 – 10 000	299	30.7	969,067	7.9
10 001 – 100 000	43	4.4	1,497,272	12.3
100 001 – 1 000 000	15	1.5	4,654,465	38.2
1 000 001 –	3	0.3	4,787,496	39.3
Total	976	100.0	12,180,880	100.0

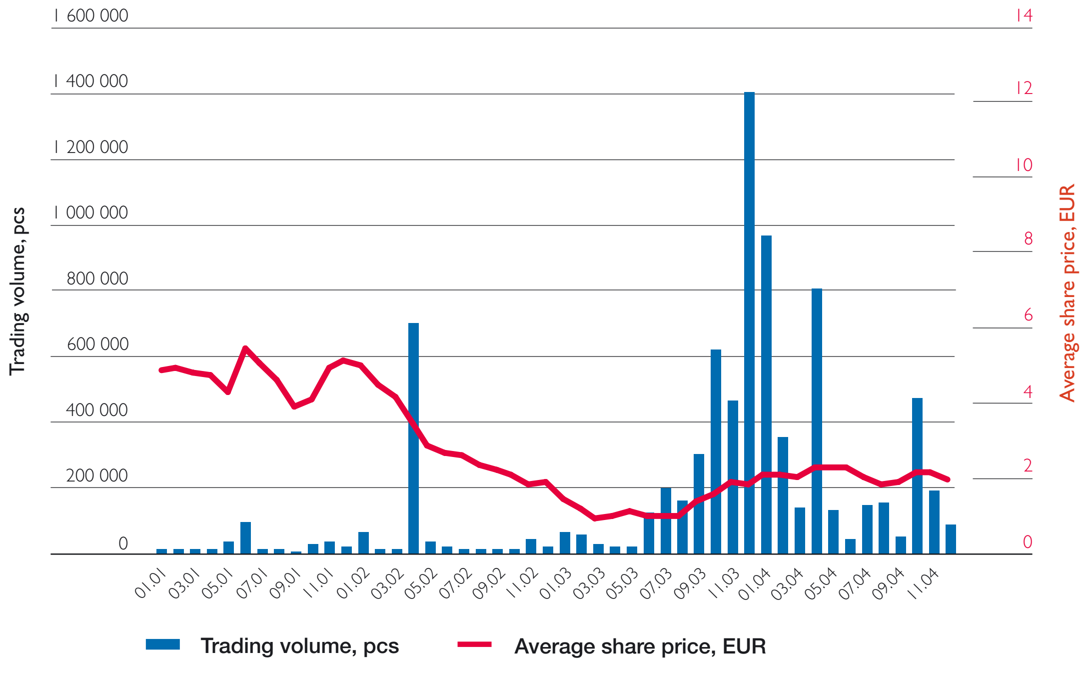
Ten largest shareholders at 31 December 2004

	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	783,485	6.4
Pohjola Group plc	658,100	5.4
Eqvitec Technology Fund II Ky	416,368	3.4
Aura Capital Fund V Ky	361,376	3.0
Jorkale Oy	314,240	2.6
Jorma Terentjeff	304,504	2.5
OP-Finland Small Firm Fund	297,600	2.4

Trend of Incap's share prices in 2004



Incap's trading volume and share price 2001 – 2004



Proposal by the Board of Directors and Auditor's Report

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 31 March 2005 that the net loss for the financial year, EUR 6,924,391.88 be transferred to retained earnings and that no dividend be distributed.

Oulu, 21 February 2005

Jorma Terentjeff	Seppo Arponen	Kalevi Laurila
Juhani Vesterinen	Timo Leinilä	Sakari Nikkanen

Juhani Hanninen
President and CEO

Auditor's Report

To the shareholders of Incap Oyj

We have audited the accounting, the financial statements and the corporate governance of Incap Oyj for the period 1.1.2004 - 31.12.2004. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit we express an opinion on these financial statements and on corporate governance of the parent company.

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

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Oulu, February 21, 2005

ERNST & YOUNG OY
Authorized Public Accountants

Rauno Sipilä
Authorized Public Accountant

Corporate Governance

In its operations, Incap complies with the Finnish Companies Act, its own Articles of Association and the regulations and instructions concerning public listed companies. The company complies with the Corporate Governance Recommendation for Listed Companies that was issued in December 2003 by HEX plc, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers as well as with the Guidelines for Insiders published by the Helsinki Stock Exchange in 2000.

Annual General Meeting

Incap Corporation's highest decision-making body is the general meeting of shareholders, which is convened by the Board of Directors once a year as an Annual General Meeting. The General Meeting is held within six months of the end of the financial period. The tasks falling within the competence of the Annual General Meeting are defined in the Companies Act and the Articles of Association. The most important matters decided on at the General Meeting include amending the Articles of Association, raising the share capital, approving the financial statements, adopting the profit and loss account and balance sheet, deciding on the payment of dividends, confirming the number of directors on the Board of Directors and electing the directors.

The company announces the agenda for the General Meeting in a Notice of Meeting that is published as a stock exchange release, on the company's Internet site, and in newspapers in Oulu and Helsinki. The names of the prospective director candidates announced to the Board of Directors are published in the Notice of Meeting, provided that the candidates are supported by shareholders owning at least 10% of the votes conferred by the shares in the company and the candidates have given their consent to being elected. Candidates proposed after the Notice of Meeting has been sent are reported on separately.

The president and CEO, the chairman of the Board of Directors and, if possible, all the directors attend the General Meeting. Persons nominated as directors for the first time participate in the General Meeting that decides on their election.

Incap Corporation's Articles of Association do not contain redemption clauses and the company is not aware of shareholder agreements or agreements restricting the transfer of the company's shares.

In 2004, the Annual General Meeting was held on 20 April in Oulu. A total of 21 shareholders participated in the Annual General Meeting. They represented a total of 57 per cent of the company's voting rights.

Board of Directors

The administration of Incap Corporation and the due arrangement of its operations are attended to by the Board of Directors. 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 is one year and it 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.

Incap Corporation's Board of Directors directs and supervises the company's operational management. The most important tasks of the Board of Directors are to:

- decide on the Group's strategic objectives
- decide on the Group structure and organisation
- review and approve interim reports, the consolidated financial statements and the Report of the Board of Directors
- approve the Group's operating plan, budget and investment plan
- decide on individual investments, acquisitions, divestments, corporate restructuring measures and contingent liabilities that are strategically or financially significant
- approve the Group's risk management and reporting procedures
- approve the Group's financial policy
- approve the framework of the Management Team's terms of employment and pay
- decide on the Group's performance bonus system model
- appoint the president and CEO and decide on his or her compensation
- ensure that the company's management system is functional

The Board of Directors also ensures that the values and ethical principles the company shall comply with in its operations have been specified.

The Board of Directors has drafted a written charter for its work, describing the major tasks, operating principles and decision-making procedures of the Board of Directors. The Board of Directors meets as required. The average attendance of directors at the meetings is recorded in the Report of the Board of Directors.

The Board conducts an annual evaluation of its performance and working methods using an internal self-assessment method that is described in the Board's written charter.

New members of the Board of Directors are introduced to the company's affairs. The president and CEO is responsible for ensuring that directors are at all times provided with enough necessary information to enable them to assess the company's operations and financial position.

When electing Board members, it is taken into consideration that the majority of the directors must be independent of the company. In addition, at least two of the directors representing this majority must be independent of significant shareholders in the company.

The biographical details and holdings of the directors and information on the remuneration paid to directors and their other benefits are published in the Annual Report and on the company's Internet site.

The Incap Group does not have a Supervisory Board. The Board of Directors has not appointed committees from amongst its number.

The Annual General Meeting in 2004 resolved to elect six members to the Board of Directors. Seppo Arponen, Kalevi Laurila, Jorma Terentjeff and Juhani Vesterinen were re-elected to seats on the Board of Directors, and Timo Leinilä and Sakari Nikkanen were elected as new members. At its organisation meeting, the Board of Directors elected Jorma Terentjeff as its chairman from amongst its number. The Board of Directors convened 17 times in 2004 and the average attendance was 94 per cent.

The 2004 Annual General Meeting confirmed that the monthly remuneration paid to the chairman of the Board of Directors shall be EUR 2,000 and the monthly remuneration of directors shall be EUR 1,300. A meeting fee of EUR 200/meeting shall be paid. The salaries and remuneration paid to directors totalled EUR 119,400 in 2004.

Of the members of the Board of Directors, Seppo Arponen, Kalevi Laurila, Jorma Terentjeff and Juhani Vesterinen hold a total of 28,750 stock options under the company's 2000 stock option scheme. The stock options entitle their holders to subscribe for an equal number of shares. None of the directors is part of the equity-derivative compensation system unveiled in 2004. Their holdings are presented in the biographical information on directors on page 45.

President and CEO

The company's line operations are managed by the president and CEO, who carries out his or her duties in accordance with the instructions and regulations laid down by the Board. The president and CEO informs the Board of Directors of the development of the company's business operations and financial situation as well as attends to the legality of the company's operations and accounting and the reliable organisation of treasury management.

The president and CEO is elected by the Board of Directors, which decides on the president and CEO's salary and other benefits. The principal terms and conditions of the president and CEO's employment are specified in writing in his or her written employment contract that is approved by the Board of Directors. The chairman of the Board of Directors is the president and CEO's supervisor. The president and CEO participates in Board meetings as a presenting officer, but is not a Board member.

The biographical details and the holdings of the president and CEO are disclosed in the Annual Report and on the company's Internet site. In addition, the company publishes the president and CEO's salary and other benefits, shares and stock options received as remuneration, age of retirement, the criteria for setting his or her retirement age as well as the terms and conditions of salary for the period of notice and other compensation payable on the basis of termination.

Juhani Hanninen, M.Sc. (Eng.), served as the president and CEO of the Incap Group during the financial period. The salary and remuneration paid to him for 2004 amounted to a total of EUR 196,215. The president and CEO's age of retirement is determined on the basis of the Employees' Pensions Act. The president and CEO's period of notice is 6 months. If the company terminates the president and CEO's employment contract, he or she shall be paid, over and above the salary for the period of notice, a separate compensation corresponding to 12 months' salary.

Other management

The Incap Group's Management Team assists the president and CEO in the management of line operations and participates in the preparation of matters that are to be dealt with by the Board of Directors. In addition to the president and CEO, the Management Team includes the executives in charge of the company's functions. The members of the Management Team are appointed by the president and CEO, who also has the final say on the terms and conditions of the employment and salaries of the Management Team members. The Management Team meets regularly under the direction of the president and CEO, following the general guidelines of the Board of Directors.

The biographical details and the holdings of the president and CEO and the Management Team members are presented on page 46 of the Annual Report.

Salary and incentives

Information on the remuneration and other benefits of the directors as well as the total number of shares and stock options held by the president and CEO and the Management Team are published in the Annual Report and on the company's Internet site.

The main criteria concerning the compensation system covering the president and CEO and other executives are decided upon by the Board of Directors. The president and CEO and Management Team members receive remuneration tied to annual earnings in accordance with the performance bonus system covering the entire company that has been approved by the Board of Directors.

The criteria for the remuneration paid to the president and CEO and the Management Team for 2004 were the net turnover, net result and inventory turnover rate. Board members, the president and CEO and the Management Team own a total of 426,120 shares and 232,750 stock options.

Internal control, risk management and internal audit

The main principles and operating model for the company's internal control and internal audit are defined in the administration instructions approved by the Board of Directors. The Board of Directors ensures that the principles of internal control are complied with in the company and that the functionality of control is supervised.

The principles of the company's risk management are specified in writing. The supervision of business risks is part of the ordinary work of the Management Team and the Board of Directors. The company reports on significant risks of which it is aware in accordance with the recommendations on the communications of listed companies.

Insiders

The Incap Group's Guidelines for Insiders comply with the Helsinki Stock Exchange's Guidelines for Insiders, which came into effect on 1 March 2000, and they have been posted on the company's Internet site. The Guidelines for Insiders have been distributed to all insiders and compliance with the Guidelines is supervised by, for example, inspecting the information on and trading by insiders once a year.

According to the company's Guidelines for Insiders, permanent insiders may not trade in the company's shares or equivalent securities in the 14-day period before the publication of an interim report or the 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. Before making deals, the members of the Board of Directors and Management Team and the secretary of the Board of Directors must always turn to the executive in charge of investor relations to verify that it would be appropriate for them to trade in shares at that time.

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.

External audit

The primary purpose of the audit is to confirm that the financial statements give a true and fair view of the company's result of operations and financial position. In addition, the auditor inspects the legality of the company's administration.

The auditor is elected each year at the Annual General Meeting for a term that ends at the conclusion of the next Annual General Meeting. The auditor proposed by the Board of Directors is announced in the Notice of Meeting, if the candidate is known at that time, or separately after the publication of the actual Notice.

The fees paid to the external auditor, as well as the fees paid for non-audit services, if any, are reported in the Annual Report and on the company's Internet site.

The 2004 Annual General Meeting re-elected as the company's auditor Ernst & Young Oy, with Rauno Sipilä, Authorised Public Accountant, acting as principal auditor. The auditors were paid a total of EUR 27,600 in audit fees.

Communications

Incap provides reliable, sufficient and up-to-date information on its business operations, financial development and business objectives. Corporate communications aim to increase the profile of the company and interest in it such that the impression of the company shared by all interest groups is correct, comprehensive and aligned with its strategy. Incap's communications comply with the regulations and statutes concerning the obligation of listed companies to provide information.

Information on the issues addressed in the Corporate Governance Recommendation is provided on the company's Internet site, which is available in Finnish and English.

Board of Directors

From left: Jorma Terentjeff, Juhani Vesterinen, Seppo Arponen, Kalevi Laurila, Timo Leinilä, Sakari Nikkanen.

Jorma Terentjeff *Chairman of the Board*

Industrial Counsellor, M.Sc. (Eng.), born 1949
A non-executive director who is independent of the company and its major shareholders.

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 Hansacon 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.
Incap shares: 304,504
Stock options: 7,500 (stock option scheme 2000)

Seppo Arponen

Industrial Counsellor, M.Sc. (Econ.), born 1943
Non-executive director

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.
Incap shares: 2,000
Stock options: 6,250 (stock option scheme 2000)

Kalevi Laurila

B.Sc. (Eng.), Executive MBA, born 1947
Non-executive director

Kalevi Laurila has been a member of the Board of Directors of Incap Corporation since 2002. Previously he was CEO of JMC Tools Oy and Turveruukki Oy as well as a director with Rautaruukki Oyj. He is also a member of several other corporate boards and is through JMC Finance Oy one of the ten largest shareholders in Incap.
Incap shares: 78,560
Stock options: 5,000 (stock option scheme 2000)

Timo Leinilä

M.Sc. (Eng.), born 1950
A non-executive director who is independent of the company and its major shareholders.

Timo Leinilä was appointed to the Board of Directors of Incap Corporation in 2004. He has served as President & CEO of Perlos plc from 1997 to 2003. Prior to this he was managing director of the Metra Corporation subsidiary IDO Bathroom Ltd, and from 1976 to 1988 he was employed in various positions with Dalsbruk Oy Ab, a part of Rautaruukki, most recently as head of the Dalsbruk unit. Timo Leinilä serves on a number of corporate boards, notably, Perlos plc, Salcomp Oy and Evac Oy.
Incap shares: -
Stock options: -

Sakari Nikkanen

Licentiate in Technology, born 1952
A non-executive director who is independent of the company and its major shareholders.

Sakari Nikkanen was appointed to the Board of Directors of Incap Corporation in 2004. From 1996 to 2004 he has occupied various positions with Nokia Networks, notably, as head of the Radio Access business and as vice president in charge of developing long-term systems technology. Before joining Nokia, Sakari Nikkanen was employed by Sanik Consulting Oy, a consultancy owned by him, and prior to this, from 1979 to 1994, in various positions with the former PI-Group, most recently as president and CEO of the entire Group. At present, Sakari Nikkanen is a management consultant with Sanik Consulting Oy. He is also a member of several other corporate boards.
Incap shares: -
Stock options: -

Juhani Vesterinen

M.Sc. (Econ.), M.Sc. (Nat.Sc.), born 1953
A non-executive director who is independent of the company and its major shareholders.

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 director on a number of boards and he is a member of Hallitusammattilaiset ry (Board Professionals reg. assoc.).
Incap shares: 3,000
Stock options: 10,000 (stock option scheme 2000)

Management Team

From left: Petri Saari, Tuula Ylimäki, Hannele Póllä, Juhani Hanninen, Timo Sonninen.

Juhani Hanninen *President and CEO*
Born 1948
M.Sc. (Eng.)
With the company since 2003
Previous positions with Siemens Oy, Aspo Oy Electronics, Ahlstrom Corporation and the Sulzer Group
Incap shares: 18,000
Stock options: 60,000 (stock option scheme 2004)

Hannele Póllä *Communications and Investor Relations*
Born 1955
Translation diploma (DKK), commercial institute graduate (MKT), Diploma in Corporate Communication Management (VJD)
With the company since 2000
Previous positions with Instrumentarium Corporation, Hoechst Fennica Oy and Nextrom Oy
Incap shares: 3,000
Stock options: 30,000 (stock option scheme 2004), 12,000 (stock option scheme 2000)

Petri Saari *Sales and Marketing*
Born 1969
B.Sc. (Eng.)
With the company since 2002
Previous positions with Nokia Cellular Systems and JOT Automation Group
Incap shares: 4,000
Stock options: 30,000 (stock option scheme 2004)

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: 10,056
Stock options: 30,000 (stock option scheme 2004), 12,000 (stock option scheme 2000)

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: 3,000
Stock options: 30,000 (stock option scheme 2004)

Press Releases in 2004

January
Notification was made to the Trade Register concerning the dissolution of Incap's subsidiary, JMC Tools Oy. The dissolution was aimed at streamlining the corporate structure. (Stock exchange release, 2 January 2004)

February
Incap's financial statements for 2003 showed an increase in consolidated net turnover of 3% on the previous year to EUR 65.2 million. The operating result improved on the year-ago figure but was still in the red: a loss of EUR 1.9 million. The operating result includes a total of EUR 1.6 million of non-recurring costs resulting from efficiency-boosting and downsizing arrangements as well as unsaleable stocks. A charge of EUR 3.2 million for rearrangements of the production structure was entered in extraordinary expenses.

Net turnover in October-December was up 24% on the same period a year earlier to EUR 20.0 million. The operational result for the period, excluding write-downs, was in the black, as it was in the previous quarter. (Stock exchange release, 25 February 2004)

March
In order to increase the volume of production operations in Estonia, it was decided to triple the size of the Kuressaare unit's production facilities. Increasing the unit's capacity will strengthen Incap's delivery capability and improve its competitive position significantly. (Stock exchange release, 24 March 2004)

April
On the basis of advance information, it was announced that the Incap Group's earnings trend would move clearly into the black and that operating profit of EUR 0.6 million would be posted for the first quarter. The main factors behind the improved result were lower fixed costs, an increase in the capacity utilisation rate and an improvement in productivity. (Stock exchange release, 14 April 2004)

The Annual General Meeting was held on 20 April in Oulu. The meeting granted 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. (Stock exchange release, 20 April 2004)

May
Net turnover in January-March grew by 26% compared with the net turnover in the same period of last year and was EUR 19.2 million. Earnings moved clearly into the black and the Group reported operating profit for January-March of EUR 0.6 million. The operating loss in the same period of 2003 was EUR 0.7 million. (Stock exchange release, 5 May 2004)

Incap Corporation partnered with Tellabs Oy in developing a telecommunications product which won the Technology Industries of Finland's Sheet Metal Product of the Year award. Incap was in charge of the product's prototype fabrication and improving its manufacturability. The fabrication costs for the product were successfully reduced by around 30% compared with traditional manufacturing methods and the time taken for fabricating the product was also cut considerably. (Press release, 11 May 2004)

Incap will introduce a new stock option scheme that commits key personnel to ownership of Incap shares on a long-term basis. In the first phase, stock options will be distributed to thirteen key employees of the Group. It is a condition for the granting of stock options in the issuance stage that the optionholder has purchased a given amount of the company's shares. Subscription for the shares through exercise of the warrants will commence stepwise on 1 April 2007, 1 April 2008 and 1 April 2009. It is nevertheless a condition for commencement of the subscriptions that the average price of the Incap share exceeds a given, pre-defined level. (Stock exchange release, 26 May 2004)

July
According to Incap's advance estimate, second-quarter operating profit will be short of the first-quarter level and come in at about EUR 0.3 million. Net turnover is estimated to grow by about 25% on the same period of last year. (Stock exchange release, 12 July 2004)

August
Net turnover in January-June grew by 25% on the figure reported for the same period of last year and was EUR 37.2 million. The operating result improved markedly on the same period of 2003 and was a profit of EUR 0.9 million.

Net turnover in April-June was about 24% higher than in the year-ago period and rose to EUR 18.0 million. Operating profit in April-June was EUR 0.3 million, as against an operating loss of EUR 0.6 million in the same period a year earlier. (Stock exchange release, 11 August 2004)

October
Incap and KONE signed a new co-operation agreement, significantly increasing the co-operation between the two companies and positioning Incap as a global supplier to KONE Elevators & Escalators. The co-operation agreement covers the volume production of electronics and mechanics, as well as design, manufacturability, the production of pilot series and final assembly. (Press release, 4 October 2004)

November
Net turnover in January-September grew by 20% on the figure reported for the same period of last year and was EUR 54.0 million. The operating result improved from the previous year's loss of EUR 1.7 million to a profit of EUR 1.2 million.

Net turnover in July-September was up 10% on the same period a year ago. Third-quarter operating profit improved markedly on the previous year and was EUR 0.3 million. Fourth-quarter net turnover is estimated to be roughly on a par with the same period of last year. Full-year operating profit is expected to improve significantly on 2003. (Stock exchange release, 10 November 2004)

December
The subscription period of Incap Corporation's 1998 option scheme ended on 30 November 2004. Warrants had not been exercised to subscribe for shares. (Stock exchange announcement, 7 December 2004)

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Incap Corporation will be held on Thursday, 31 March 2005 beginning at 2.00 p.m. in the Hotel Lasaretti at the address Kasarmintie 13, 90100 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 21 March 2005.

Registration for attending the AGM must be made no later than 4.00 p.m. on 22 March 2005.

Registration can be made

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

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

Financial information

The publication dates for financial reports in 2005 are the following:

- Financial Statement Bulletin for 2004 on Tuesday, 22 February 2005
- Interim Report for January-March on Tuesday, 26 April 2005
- Interim Report for January-June on Thursday, 4 August 2005
- Interim Report for January-September on Wednesday, 26 October 2005.

Incap does not make statements on the company's financial development or meet with capital market representatives two weeks before publication of its financial statements or interim reports.

Bulletins are named in accordance with the instructions issued by the Helsinki Stock Exchange. Stock exchange releases are published on events which are of major significance for the company and are estimated to have an impact on the share price. Bulletins designated as press releases provide information on the company's operations that is not expected to influence the share price. Stock exchange announcements contain information of an administrative or technical nature, such as the dates of releasing financial information or company functions for guests.

Publications

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 shareholders at their addresses according to the Shareholder Register kept by Finnish Central Securities Depository Ltd. Subscriptions to the magazine can be made by registering on the company's website, using the order form.

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

Publications can be ordered from Corporate Communications

- at the address Incap Oyj / Viestintä, Valuraudankuja 7, 00700 Helsinki
- by phone on +358 10 612 5613 / Maria Fernelius
- by e-mail at the address maria.fernelius@incap.fi
- 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, by the means at our disposal, 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.

When publishing its results, Incap arranges press conferences for analysts and members of the press. A Capital Markets Day intended for investors, analysts and providers of finance is held once a year.

In addition, the company's representatives meet with analysts and investors face to face, in seminars, at functions arranged by various organisations and at investor fairs.

Incap's investor relations are managed by Hannele Pöllä, Director, Communications and Investor Relations, tel. +358 10 612 5616, hannele.polla@incap.fi.

Analysts who track Incap Oyj

To the best of our knowledge, at least the following analysts track Incap as a portfolio investment. Incap is not responsible for the content of such analyses or the estimates presented in them.

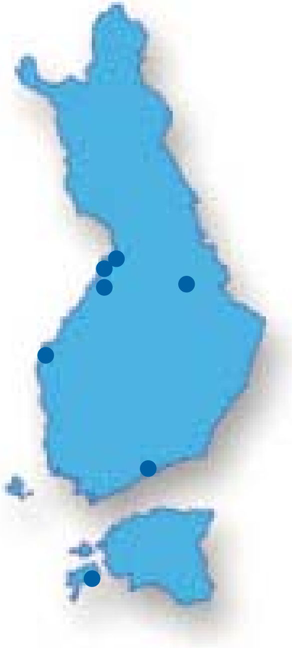
Timo Heinonen / Evli Bank Plc
Tel. +358 9 4766 9635
timo.heinonen@evli.com

Erik Sucksdorff / FIM Securities Ltd
Tel. +358 9 6134 6398
erik.sucksdorff@fim.com

Antti Karessuo / Opstock
Tel. +358 10 252 2973
antti.karessuo@oko.fi

Gideon Bolotowsky /OsakeTieto
(Share Information, an investor research organisation)
Tel. +358 9 6811 990
gideon.bolotowsky@osaketieto.com

Contact Information



Incap Corporation

Domicile: Oulu
E-mail: info@incap.fi
Website: www.incap.fi

Corporate Office
Kempeleentie 46, FI-90440 Kempele
Tel. +358 10 612 11
Fax +358 10 5628 240

Helsinki unit
Valuraudankuja 7, FI-00700 Helsinki
Tel. +358 10 612 11
Fax +358 10 612 5650

Kempele unit
Kempeleentie 46, FI-90440 Kempele
Tel. +358 10 612 11
Fax +358 10 5628 240

Ruukki unit
Ahlströmintie 1, FI-92400 Ruukki
Tel. +358 10 612 11
Fax +358 10 5628 830

Vaasa unit
Strömbergin Puistotie 6 B, FI-65320 Vaasa
Tel. +358 10 612 11
Fax +358 10 612 4077

Vuokatti unit
Lastaajantie 3, FI-88610 Vuokatti
Tel. +358 10 612 11
Fax +358 10 612 6288

Estonian unit
Incap Electronics Estonia OÜ
Pikk 59B, EE-93802 Kuressaare
Estonia
Tel. +358 10 612 18
Fax +358 10 612 8890

Ultraprint Oy
Vääräojantie 6, FI-90440 Kempele
Tel. +358 8 520 8701
Fax +358 8 520 8721

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Incap Corporation

Kempeleentie 46
FI-90440 Kempele
Tel. +358 10 61211
Fax +358 10 5628 240

www.incap.fi