INCAP CORPORATION | ANNUAL REPORT 2006

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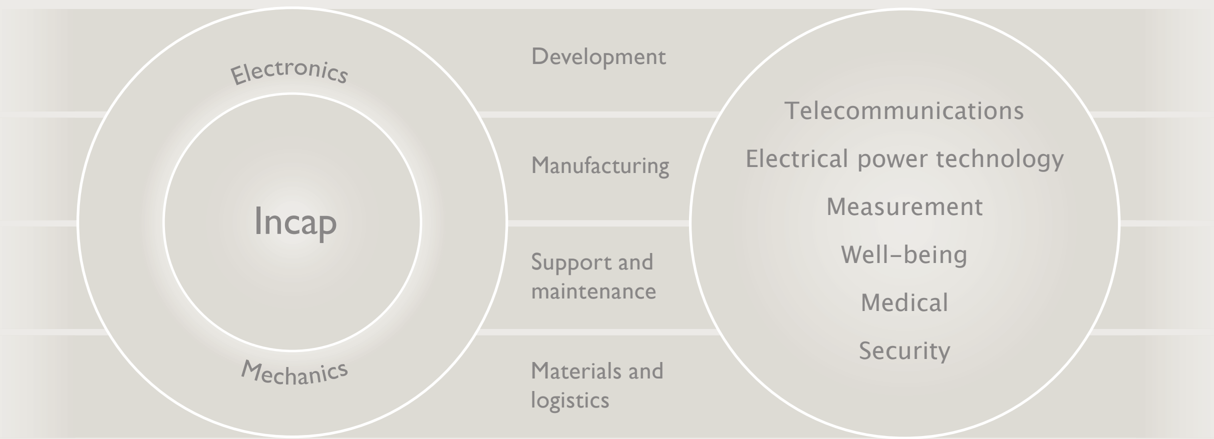
Incap is a strongly developing European electronics contract manufacturer. Our services cover the entire lifecycle of electronics products, from design and manufacturing to repair and maintenance services. In addition to electronics, we also manufacture mechanical products and parts.

Incap develops its service ability especially in technically demanding products that are manufactured in medium-sized and small series.

Incap in the value chain of electronics products



INCAP IN BRIEF

Solid experience

- Incap has over 30 years' experience in electronics and mechanics manufacturing services.
- The company employs approx. 540 people.
- Business locations in Helsinki, Kempele, Oulu, Vaasa, Vuokatti and Kuressaare, Estonia.
- Incap's share has been listed on the Helsinki Stock Exchange since 1997.

High-quality service

- Incap's services are versatile, flexible and of high quality.
- We specialise in technically demanding products manufactured in medium-sized and small series.
- Our services cover the entire lifecycle of a product.
- Our objective is to become the preferred partner for the development and manufacture of demanding high mix – low volume solutions in the European electronics and electrical industry.

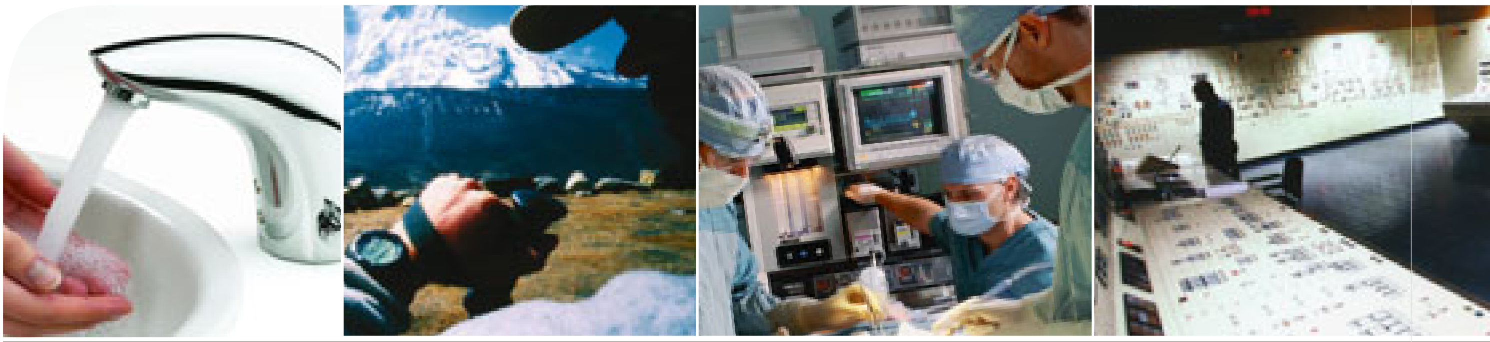
Versatile expertise

Incap's five factories focus on their own areas of expertise as follows:

- Helsinki and Vaasa factories: sheet-metal mechanics and assembly. Vaasa factory manufactures also motor components.
- Vuokatti factory: prototype fabrication and small-series production, ramp-up of new products.
- Kuressaare factory: volume manufacturing of electronics products, labour-intensive products.
- Ultraprint Oy: chemically milled sheet-metal products, flexible circuit boards.
- All factories have a certified ISO 9001:2000 quality system and an ISO 14001:2004 environmental system. The manufacturing processes of the Kuressaare factory match the requirements of an ISO 13485:2003 certificate for medical devices and services.

Customers from many industries

Incap's customers are international equipment suppliers in the electronics and electrical industry, such as ABB, ASSA ABLOY, Electron Tubes, Environics, GS-Group, KONE, Metso, Nokia Networks, Oras, PaloDEx, Planmeca, Rapiscan Systems, RAY, Solotop, Suunto, Tellabs and Vaisala.



Electronics and sheet-metal mechanics manufactured by Incap can be found in several familiar products, including state-of-the-art touchless faucets, wrist computers, patient monitors, x-ray equipment and solutions for electricity production and distribution devices.

THE ELECTRONICS CONTRACT MANUFACTURING MARKET

Outsourcing still on the rise

According to forecasts by various research institutes, the outlook for the electronics contract manufacturing market (EMS, Electronics Manufacturing Services) is still bright, although its growth has already peaked. The level of outsourcing in the manufacture of electronics products is expected to continue its rise in the coming years, meaning the industry's growth opportunities are still good.

The EMS sector's revenue in 2006 was on average 13% higher than the previous year, according to research institutes following the industry. The sector is forecast to grow by 12% in 2007.

Two partnership models

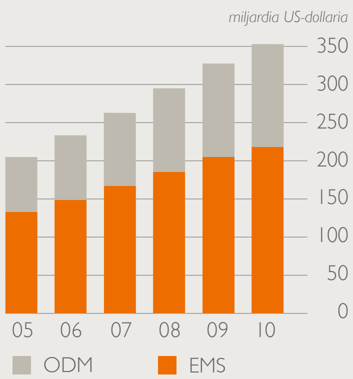
Contract manufacturing has diversified its position in the value chain of industry, as contract manufacturers actively participate in product design. The ODM (Original Design Manufacturer) industry, which has become widespread alongside the traditional EMS model, continues to grow. Under the ODM model, a company specialising in design offers the manufacture of a product in addition to its design and development. This model has become widespread especially in the manufacture of mobile phones and computers.

EMS manufacturers are also, to a greater extent, striving to increase co-operation with their customers at the early stages of the production value chain, namely during the development stage of a product. With its design expertise, a contract manufacturer can significantly influence a product's manufacturability and production costs.

The ODM sector's growth continues at a faster rate than that of EMS manufacturing, but the gap is closing. According to forecasts, in 2010, the EMS sector will account for about 60 % of the overall yield of contract manufacturing, while the ODM sector will account for about 40 %.

The contract manufacturing market, as the combined total of the EMS and ODM sectors, is expected to continue to grow in the near future, although gradually slowing down. The average annual growth rate in 2005-2010 is still estimated to be over 10%, with the EMS industry growing by about 11% and the ODM industry by over 13%.

The electronics contract manufacturing market is expected to continue its steady growth.



Source: Manufacturing Market Insider, December 2006

Competition places greater demands

Contract manufacturers are increasingly required to be able to participate in the active development of a product and to move new product innovations quickly into volume production and onto the market. Original equipment manufacturers also expect their partners to continuously boost efficiency and to cut production costs. Other crucial conditions for success in the competitive contract manufacturing market include quality assurance capability, delivery reliability, flexibility and the ability to react quickly to fluctuations in demand.

Indian market continues its strong growth

Growth in the contract manufacturing market continues to come mostly from countries with lower costs, where companies have transferred the manufacture of large series of products in particular.

Growth is at its fastest in India which is becoming a major manufacturer alongside China. Analysts predict that contract manufacturing services in India will grow at an annual rate of about 30% between 2005 and 2010. Most of this growth is due to increasing demand in the telecommunications sector.

India's advantages include quick product design, cost-effectiveness and a workforce with good professional and language skills. The importance of this competitive edge is growing, as the EMS industry is increasing its own design expertise and developing its services from mere assembly to high-quality design, product development and manufacturing.

INCAP'S MARKET POSITION

Among the largest in Scandinavia

In terms of revenue, Incap is among the ten largest manufacturers on the Scandinavian EMS market. In its size category, the company's market position is also secure in the entire European market. Incap is mainly seeking new customer relationships in Scandinavia, Germany, the Benelux countries, the UK and Ireland.

The company is focusing on technically demanding products that are manufactured in small or medium-sized series. Markets based on large volumes, such as the manufacture of mobile phones, are not included in Incap's competitive strategy.

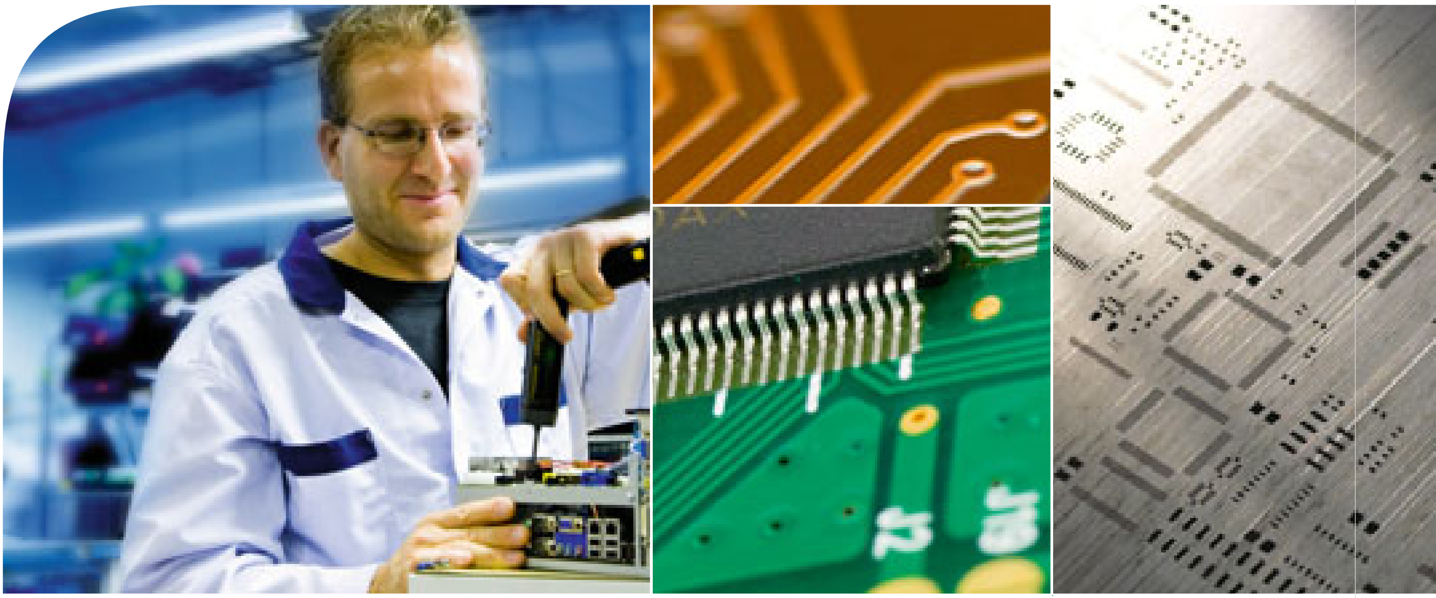
Close to European customers

Incap's production capacity and services are well-suited to products in many sectors, and the company is developing its service ability on the basis of a wide-based customer structure. Sectors of strong growth are especially healthcare technology, electric power technology and security products.

Aiming for more global operations

In India, where the contract manufacturing market is growing at a considerably faster pace than elsewhere, Incap is currently charting the market situation and the potential for customers. Several of the company's important customers already have a solid footing in India. The need for a presence in this fastest-growing market has become more and more important due to the company's objective of strong growth. A global service is also an increasingly crucial factor in competition.

Finland remains a competitive manufacturing location, especially in the case of products requiring specialisation and a high degree of automation. Incap has developed the division of tasks among its electronics factories, with the Finnish units taking care of prototype fabrication for new products and the quick ramp-up of production. The Estonian factory is focusing on manufacturing larger series and labour-intensive products.



The company's customers are device manufacturers with international operations, whose decision-making processes, product development or end markets are located in Europe. In the EU, Incap operates near its European clientele, offering low-cost manufacturing within easy reach in Estonia. In addition to low manufacturing costs, Estonia's advantages also include the ease of conducting business and smooth-running logistics. As a manufacturing location, the island of Saaremaa has lower costs than the Northern parts of Estonia.

Due to its wide customer base, the company's future development cannot be forecast based on the growth outlook of a single sector. Incap establishes its future outlook estimates on its customers' expectations for the trend in their own revenue. Incap's estimates are also based on forecasts by research institutes on the growth of the global contract manufacturing market.

STRENGTHS

Experience and professional skill
Thanks to a history of more than 30 years, Incap has solid experience in the manufacturing methods of both electronics and sheet-metal mechanics. We have developed and enriched our expertise together with our customers. Many of our customer relationships date as far back as our history.

Focus on customers and commitment
Our organisation has been shaped in line with our customers' needs. Each key customer is assigned a designated customer-accountable sales manager and other key persons, who together ensure quick and straightforward service for the customer. The strong commitment and good service attitude of our personnel are qualities which underpin our enduring customer relationships.

Speed and flexibility
Our operational model and manufacturing technology are built on small and medium-sized production series. With a large number of products being manufactured, operations are required to be particularly quick and smooth. Since customers' needs and forecasts change at short notice, the flexibility and agility of our operations are tested every day.

Quality and delivery reliability
Our customers' products are used in demanding environments that require above-average dependability and operating reliability. Healthcare and security equipment in particular have high quality requirements. Delivery reliability is part of quality service and it is one of the most important measurements of our functions. We develop systematically our production and supply chain process in order to achieve the best possible delivery reliability.



VALUES

Focus on customers
The cornerstone of our success is customer satisfaction, which we aim to achieve by building enduring partnerships based on mutual trust and commitment with our customers.

Profitability
A good earnings trend stipulates efficient and competitive operations, cost-consciousness and the correct targeting of resources.

Continuous improvement
In order to succeed, we must continue to renew the company and to develop operations to better meet our customers' present and future demands.

Respect for the individual
Open interaction, encouragement, the sharing of know-how and a constructive team spirit when dealing with situations – even difficult ones – produce positive results for each individual and the working community as a whole.

STRATEGIC GOALS

Competitiveness and growth

We offer our customers manufacturing services that boast a high technical level and a competitive price. The considerable increase in our Estonian unit's manufacturing capacity further improves the cost-effectiveness of our services. The potential for doubling the size of the unit's premises supports our growth objective.

We are actively charting business opportunities in various market areas. We are seeking growth in Europe and offering our customers a global partnership in regions where the market and demand are growing vigorously.

We aim at growing our company's operations both organically and inorganically. The swing to outsourcing is paving the way for organic growth. Realising our long-term growth objective will call for carrying out M&A arrangements. We are actively looking for possibilities to expand our functions through different kinds of company networking.

Good profitability trend

We are ensuring the company's long-term growth in shareholder value by continuously increasing the efficiency of our business operations in all divisions. 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.

Focusing on high mix - low volume solutions

We are enhancing our service ability, particularly in the provision of technologically demanding products that are manufactured in several different versions in small and medium-sized production series. Our flexible operating model, high responsiveness and positive service attitude give us a strong competitive edge.

Versatile customer structure

We are maintaining our versatile customer mix, which buffers us against cyclical ups and downs. Instead of specialising in services for a specific industry, we offer customers in various industries the manufacturing services that are suited precisely to their needs. Due to the special requirements of different sectors, our competence accumulates and benefits our customers in other sectors as well.

We are expanding our co-operation and operational models with our current strategic customers and nurturing new, long-term customer relationships with companies whose competitiveness we can improve with the help of our operational model.

Comprehensive service

We are a service company, and understanding customers' needs is a part of our core competence. Our integrated services cover the entire product lifecycle and all production processes from product development and design to prototype fabrication and preproduction manufacturing, volume production, testing and maintenance services. In addition to the actual manufacturing of electronics and mechanical parts, our services also include final assembly and the combining of different parts into a finished product.

We are willing to take over an increasingly larger responsibility in a product's value chain. We are expanding and developing our services by means of both our own resources and by networking with skilled partners in co-operation. We are further improving our competitiveness by investing in production technology and developing our flexible operational model.

VISION

Incap is a significant European electronics contract manufacturer that is growing profitably at a faster rate than the market. We offer the best services for technically demanding high mix - low volume solutions and are a preferred partner, a good investment and a rewarding employer.

REVIEW BY THE PRESIDENT AND CEO

The large-scale investments and development projects in 2006 helped build a more effective Incap Group that has the ability to meet both the challenges posed by the markets and the targets set for the company. The most important targets are strong, profitable growth and increasingly global operations.

The contract manufacturing market continued to grow. The electronics sector has great outsourcing potential worldwide. Finland has been a trailblazer in the outsourcing trend, as people here have seen the benefits of outsourcing early on and have been able to harness the opportunities it brings with it. The strengthening of this trend will increase Incap's opportunities to acquire new customers and grow its operations.

Amid the good market trend that has continued for years, our company has grown more vigorously than the average. While the industry experienced a general annual growth of about 10%, Incap's revenue grew at a rate of 17% in 2006.

Competition in the sector has continuously grown stiffer and is currently extremely tough. It influences the prices of products and services first and foremost, and puts pressure on companies to constantly improve their cost-effectiveness.

Incap has done well in this demanding market situation. The company's share price trend has also been positive. The company has attracted interest as an investment, and the involvement of new, well-known investors speaks of growing confidence in the company.

The company's earnings trend, particularly early in the year, was extremely positive. Incap incurred non-recurring expenses primarily from the launching of production at the new factory in Kuressaare on the island of Saaremaa, Estonia. Large-scale projects for the development of operations as well as investments in personnel and market surveys have had an effect on Incap's result. All of these investments, however, have been made with the aim of strong growth in accordance with our strategy.

Significant investments in the expansion and development of production have improved our competitive edge as well as the essential prerequisites of our business. The start-up of the new factory in Kuressaare signalled a leap towards more international operations and will ensure that we have sufficient capacity for high-quality, competitive manufacturing services in the near future.

In connection with the start-up of the new unit, we renewed the division of tasks among our electronics factories. The Kuressaare factory has now become our volume facility that focuses on electronics and integrated products. The Vuokatti factory, on the other hand, will specialise in prototype fabrication and small-series production and the ramp-up of new products.

Efforts to boost the efficiency of operations, develop processes and improve productivity have also been made at our mechanics factories and in our subsidiary, Ultraprint. All in all, our investments in production in 2006 amounted to more than seven million euros, or about 8% of our revenue.

In order to develop our operations, we pressed on with projects started in the previous year, the most important of which were the development of the sales process and increasing the efficiency of materials management.

In order to improve our delivery efficiency and quality assurance capability, we initiated a large-scale process development project at the Vuokatti factory in the autumn, and the results of this project were already visible towards the end of the year. The operational model, which significantly promotes productivity in operations, efficiency and the quality and enjoyment of work will be implemented at all our production units.

Our customers will be able to see the results of our development processes quite quickly, as the quality and reliability of our operations improve and our flexibility and ability to serve our customers increase.

In addition to our investments, our strategy of strong growth is supported by the considerable increase in our marketing and sales resources. Customer acquisitions in the area of central Europe have taken off promisingly. The competitive, modern production capacity at the Kuressaare factory is the clincher in the negotiations for new agreements.

Growth in the market indicates a favourable growth outlook for Incap in the coming years as well. However, this will not suffice as, in addition to organic growth, we will be purposefully looking for opportunities to expand our operations both from within our clientele and from our competition.

Considerable opportunities for growth are provided by the trend of expansion among multinational companies, in which global service is a central factor in competition. With this in mind, we have actively charted the industry's general market situation and examined business opportunities in Asia. The outlook for operations especially in the Indian market seems to be very promising for Incap.

When realising our vision of growth, we aim to work for the long haul and with careful consideration. Several examples from our industry have shown that Asia is not the solution to all challenges. In any case, the tighter market situation for our customers means that the costs of our products and services must also be reduced.

It is obvious that labour-intensive products must be manufactured in countries with lower labour costs than Finland. Our customers also wish to increasingly concentrate their procurements in areas where their products have sufficient demand and where the market is growing strongly. Asia fulfils all of these preconditions.

In Finland, we will focus on technically demanding products. In the future, our electronics manufacturing in Finland will be based and will focus on product development and the early part of a product's lifecycle.

An important prerequisite for growth and success is also to guarantee an excellent local service for our customers operating in Europe. It is still feasible to manufacture product series intended for the European market in Europe. The feedback we have received from our customers clearly supports the fact that it makes sense to operate in close proximity to our customers.

The tight competitive situation places great demands on all of our personnel. With pressures increasing, employees' stamina and well-being at work will frequently be tested. On the other hand, concrete results from work and clearer opportunities to succeed will provide employees with strength and more motivation amid the trickiest of challenges.

We will not survive in our sector's current cost competition simply by running faster. Instead, if we wish to maintain our competitiveness, we must create new, more efficient working methods and operational models. Crucial competitive advantages will also include modern and efficient production equipment and an increase in automation. We have invested considerably in all of these, taking care of developing personnel competence at the same time.

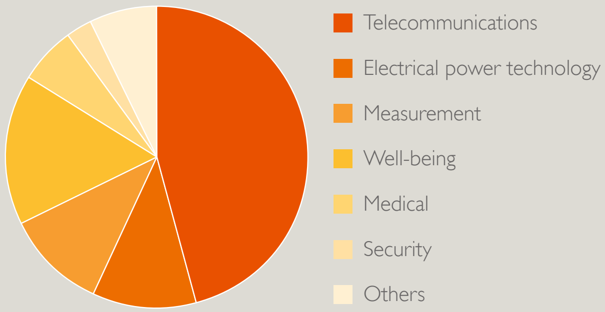
The requirements for success are really good at Incap at the moment. Our profitability is at a good level, extensive investments have been seen through and operations have been made more efficient. The past year has proven that our strategy – focusing on products manufactured in small and medium-sized series as well as technically demanding products – has been a success.

My thanks go to all of our customers and partners for their smooth co-operation and their confidence in us. I would also like to thank our personnel for their firm commitment in demanding times of change and for a job well done that has helped our company and our customers thrive.

Helsinki, March 2007

Juhani Hanninen
President and CEO

Revenue by customer sector, %



DEVELOPMENT OF OPERATIONS

The year 2006 was a time of vigorous development and progress for Incap. The company invested in production equipment, personnel and the development of operations. Investments accounted for about 8% of revenue. These modernisation measures have improved the company's competitiveness and consolidated its position in traditional and new market areas alike.

Extensive investments in production and sales

The extension of the Kuressaare factory on the island of Saaremaa, Estonia, where operations were started in the summer, will enable Incap to offer and market its services more effectively in its main target areas, namely Scandinavia, Germany, the Benelux countries, the UK and Ireland. The new factory tripled the company's production facilities in Estonia, and the factory's total floor space of 3,700 square metres can even be doubled in a fairly short time, if necessary.

The factory extension was an important step in Incap's drive to become more international. It was also a direct response to its customers' need to cut the manufacturing costs of their products. Labour costs in Estonia are about a quarter of Finland's and a seventh of Germany's level, for example. Incap signed an agency agreement with Jürgen Arpe Ingenieurbüro of Germany and SHG Group Ltd of the UK. The number of sales personnel in Finland and Estonia was also increased.

An important new co-operation agreement was signed in the spring with Electron Tubes Ltd of the UK, which manufactures electronic measurement equipment. The photomultiplier tubes required by the UK company's end products are now being manufactured at Incap's Kuressaare factory.

Important sectors in Incap's customer acquisitions are healthcare technology, especially its medical applications, as well as electrical power technology and security products. One of the important achievements was the audit of the Kuressaare factory for obtaining a certificate under the ISO 13485:2003 standard which is widely applied to the manufacture of medical devices. The factory's manufacturing processes were found to be compliant with requirements set for healthcare products and services. Plans call for a future audit of the company's factories in Vuokatti and Helsinki in order to obtain this medical devices certificate for those facilities as well.

An EU directive banning, for environmental and health reasons, the use of lead in electrical and electronics devices came into force at the beginning of July. All of Incap's factories were fully prepared in advance for manufacturing products in compliance with the so-called RoHS directive (Restriction of Certain Hazardous Substances).

Important step in NPI operations

Co-operation was further expanded with several customers in 2006. Tellabs Ltd., a company with worldwide operations that specialises in data transport and network access systems for telecommunications networks, outsourced its prototype fabrication and preproduction manufacturing to Incap at the end of 2005 in order to be able to focus on product development. At the beginning of 2006, the operations were transferred from Espoo to the Vuokatti factory, where Incap has procured modern equipment suitable for prototype fabrication and preproduction manufacturing.

Experience and know-how gained from NPI co-operation (New Product Introduction), which requires extensive specialisation, gives Incap an important competitive edge, as the company seeks to consolidate its position in the production value chain of contract manufacturing. Effective prototype fabrication means customers will have the opportunity to move new products quickly into mass production and onto the market. In the area of NPI, the company has good capabilities of increasing co-operation with current and new customers.

Growth potential from new market areas

Its customers' need to cut production costs has prompted Incap to start a systematic study of the market opportunities offered by India. Several of Incap's remarkable customers have operations in India.

The electronics contract manufacturing market is growing at an annual rate of up to 25-30% in India, compared with a growth rate of around 11% elsewhere. Incap has an office in New Delhi for the purpose of charting the general market situation and acquiring new customers.

At the start of 2006, Incap's Vuokatti factory began manufacturing prototypes and preproduction series for telecommunications cards for Tellabs' product development units in Finland and Denmark. Tellabs, which specialises in the development of telecommunications networks and has worldwide operations, has outsourced these production stages to Incap in order to be able to focus on product development.

Distribution of factories' tasks boosts efficiency and competitiveness

The year 2006 was marked by growth in investments, capacity and production volume at every Incap unit. One of the year's significant achievements was the consolidation of the units' new roles and distribution of tasks.

The company now employs an efficiently functioning multi-factory model in which several factories co-operate together in accordance with a well-organised division of tasks and responsibilities. The Kuressaare factory in Estonia serves volume production customers, while the Vuokatti factory focuses on product development services, such as prototype fabrication and preproduction manufacturing. Vuokatti also manufactures volume products to a certain extent. New production lines were procured for both the Kuressaare and the Vuokatti factories.

The modern punch press and automated warehouse procured for the Helsinki factory, which specialises in the manufacture of sheet-metal parts and integrated products, will now enable the unit to manufacture larger and more demanding integrated products.

Development projects were carried out at the Vaasa factory as well. Among the most important of these were the revision of the factory's layout and the procurement of a planer-type milling machine. The production of Ultraprint, which manufactures chemically milled sheet-metal products and flexible circuit boards, was concentrated entirely in Kempele. The unit's production processes were developed by, for example, making chloral and ferric processes more effective in cooperation with an external chemistry consultant organisation.

In addition to improving productivity, all of the investments and development measures carried out at Incap's units during the year have also provided more opportunities for enhancing quality and speeding up manufacturing processes. The company now has better capabilities for offering services to new customers as well.

Quality and certainty in the order-delivery process

With the aim of improving delivery reliability and quality assurance capability, the Vuokatti factory launched a large-scale project for the development of operating processes in the autumn. The company's largest production plant in terms of revenue has functioned as a pilot unit for the implementation of a new operational model which ensures that the manufacturing process runs smoothly and efficiently through the systematic planning of orders and production and materials resources. Planning aids include an IT based process simulation.

The development project was already producing positive results by the end of the year. Running according to set weekly production programmes, the entire production functions in an efficient and integrated

Photomultiplier tubes needed for the end products of Electron Tubes Ltd, are manufactured at the Incap's Kuressaare factory. The tubes are used in various radiation detectors and space technology applications, for example. David Loveless (right), in charge of photomultiplier tube manufacturing at Electron Tubes, has trained the Kuressaare factory's personnel. On the left is the Kuressaare factory's Production Manager, Mihkel Viskus.

manner, following a single sequence. This operational model will enable Incap to improve delivery reliability considerably without compromising flexibility. The model will be made the guiding principle for operations at all of the company's production units during spring 2007.

New materials strategy cuts costs

Incap's materials management adopted a new operational model in 2006 with the objective of reducing materials costs and increasing the efficiency of procurements. Materials account for a large share of production expenses, which means that their price and availability are extremely important. The efficiency of a contract manufacturer's materials management has a considerable effect on the customer's competitiveness. Under the new model, the tasks of materials management were divided into strategic and tactical activities. The strategic team is in charge of developing the entire Group's procurement functions so that the factories are able to focus on attending to their day-to-day procurement activities effectively. The strategic Commodity Team actively negotiates prices and other terms and conditions with component and materials suppliers so that they are best suited to customers' needs. The tactical team works within the factories' organisations, attending to the day-to-day intake of materials and goods.

Development work creates new strengths for customer service

Incap received an overall mark of 8 out of 10 in its annual customer satisfaction survey, an improvement on the previous year's mark for the third year in a row. The highest marks were given for safety, being easy to deal with and a reliable partner, attending to our environmental and social responsibility and having competent personnel. On the other hand, customers found room for improvement in cost competitiveness and innovativeness, among other things.

The sales process was developed as a follow-up of the project for the management of customer relationships carried out in the previous year. The objective was to make sure that targets set for sales work are achieved. The development project was also speeded up by the company's drive to become more international.

The project's central achievement was the creation of a concrete operational model for working together with customers. It outlines clear principles that persons in charge of sales are meant to follow when dealing with both current and potential customers.

As a part of the sales development project, Incap also clarified its bidding process and created tools for measuring the success of sales work.

PERSONNEL

Incap's internationalisation and profitable growth objectives pose great challenges to the maintenance and improvement of its personnel's competence, motivation and well-being at work. Significant projects in 2006 included the introduction of software that supports the management of competence and the development of the organisation. The software will help ensure the required expertise and the correct investments for achieving future objectives.

Modern competence management

The new Skills software is being widely utilised in human resources management processes, the management of competence and training plans. The software is an efficient tool for clarifying joint objectives, updating work roles and increasing each individual employee's and the entire organisation's competence capital.

With the adoption of this software, the company is also improving its performance evaluation discussion process in order to make it more comprehensive. In addition to the monitoring of personnel's work objectives and results, the process's content will be expanded to include working ability, well-being at work as well as the assessment of factors related to their maintenance and promotion.

Competent personnel fill key positions in Finland and Estonia

Resourcing was one of Incap's key focus areas in 2006. New experts and key personnel were recruited to positions in the company's senior management and to key tasks in the sales and materials management organisations, among others.

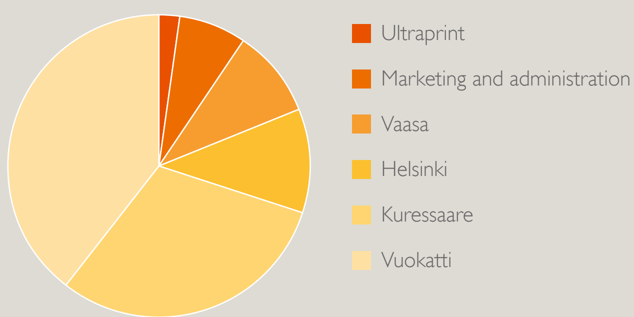
At the end of 2006, Incap employed 541 people, representing an increase of 91 employees over the previous year. The largest increase in the payroll occurred at the new Kuressaare factory which was opened in June. At the end of the year, Kuressaare employed 165 people, of whom 72 had been recruited in 2006.

Due to the redistribution of the electronics factories' tasks, co-determination negotiations were started at the Vuokatti factory in May, and they were concluded in January 2007. As a result, 53 people were laid off.

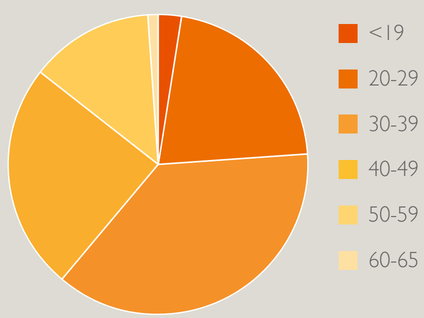
Training provides new skills and motivation

Incap invested in the development of its personnel's competence and professional skill in various ways in 2006. Employees holding supervisory positions convened for a training forum where the new competence management system was presented and the company's strategic objectives and challenges in the near future were discussed. Training that enhances competence was

Personnel by location



Age breakdown of personnel



organised according to everyone's personal development plans. Sales personnel were familiarised with mechanics in connection with internal training.

At each factory, the company organised guidance and training related to occupational safety and first aid, the onset of the RoHS directive, the use of equipment and software and working methods.

Incap faced tough personnel development challenges due to the redistribution of tasks at the electronics factories that took place after the opening of the Kuressaare factory. The new facility almost doubled the company's personnel working in Estonia, and the training of recruited employees has required a large-scale transfer of internal know-how.

Occupational health services harmonised

The occupational health services of Incap's Finnish units were harmonised in August when the occupational health services of the Vuokatti factory were transferred to Medivire Oy. Unified occupational health reporting boosts the efficiency of preventive healthcare in the company and facilitates administration.

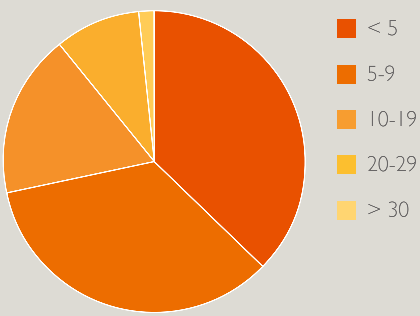
The company also supports the health and well-being of its personnel by funding the exercise activities of individuals and units. The business locations draw up their own exercise plans and organise an annual recreational event with an emphasis on exercise.

Continuous development makes us a better partner

The efforts of human resources management and personnel development projects in 2006 enhance and ensure Incap's capability to act as a reliable and skilful partner to its customers. They also reinforce the company's ability to meet future challenges and to develop its competence and operations.

A competitive rewards system also helps achieve our objectives. All of Incap's personnel groups are covered by performance bonus or production bonus schemes.

Years of employment



QUALITY AND ENVIRONMENT

Extensive investments boosted the efficiency of Incap's operating fundamentals and quality assurance capability at all of the company's production units. Some of the important achievements of 2006 included the audit of the Kuressaare factory for a healthcare technology ISO certificate. The company met its objectives for environmental protection.

New certificate opens up possibilities

Incap's operations in matters related to quality and the environment are guided by systems certified by Lloyd's. All of the company's business locations have been certified in accordance with the ISO 9001 and ISO 14001 standards.

Healthcare technology, and particularly its medical applications, is one of the central customer sectors in Incap's operations. The audit of the Kuressaare factory's manufacturing processes found that they complied with the requirements of the ISO 13485:2003 standard, and the auditor, LRQA (Lloyd's Register Quality Assurance Ltd), gave its recommendation for granting the certificate on 19 December 2006. The audit was an important step towards further improving the company's operating capabilities in this demanding sector.

In the future, Incap plans to also audit the Vuokatti and Helsinki factories for a medical device certificate. Based on an audit by the Tampere unit of VTT Technical Research Centre of Finland, the Helsinki factory was several years ago approved as a manufacturer of products intended for use in hospitals, as required by a customer's quality management systems.

Incap meets environmental targets at all production units

Benchmarks and target figures for monitoring the environmental effects of operations are specified annually for all of Incap's factories. In 2006, the factories achieved their target levels in most areas that were monitored, including the use of energy, the consumption of tin-lead, the amount of mixed waste generated and the consumption of solvents, among others.

An EU directive banning, for environmental and health reasons, the use of lead in electrical and electronics devices came into force at the beginning of July. Production at all of Incap's factories was fully compliant with the RoHS directive even before its onset. The Kuressaare factory has also participated in customers' projects aiming at making their production RoHS compliant.

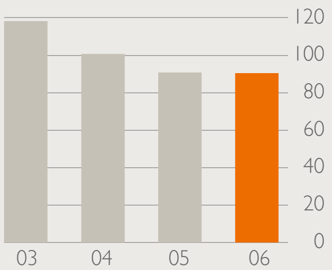
Extensive development project improves quality

Incap's benchmarks for quality assurance capability include the number of hours spent on repairs, frequency of faults, customer complaint rate and delivery reliability.

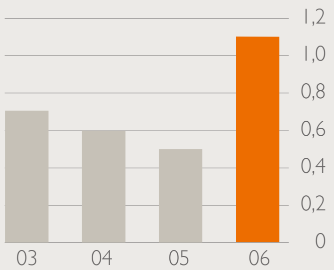
With the aim of improving delivery reliability and quality assurance capability, the Vuokatti factory launched a large-scale project for the development of operating processes. At its core lies an operational model whereby production and materials resources are planned systematically to match customer orders, and the entire production chain functions in an integrated manner, following a single sequence. This ensures that manufacturing processes run smoothly and efficiently, according to set weekly production programmes. The project was already producing concrete results by the end of the year. Since October, the Vuokatti factory's delivery reliability has shown significant improvement. The complaint rate also fell sharply.

In the annual customer satisfaction survey, Incap received high marks for, among other things, safety, reliability, being easy to deal with, attending to its environmental and social responsibility and having competent personnel. On the other hand, customers found room for improvement in cost competitiveness and innovativeness.

Energy consumption in relation to revenue, kWh/v k€



The amount of reclamations on deliveries, %



CORPORATE SOCIAL RESPONSIBILITY

Incap practices and develops its business operations in such a way that the profitability of operations and competitiveness are improved in harmony with the demands of the company's stakeholders and the environment. Incap's corporate social responsibility is underpinned by the values of sustainable development.

Responsibility to stakeholders

Incap respects and adheres to international agreements on human and children's rights as well as employees' rights.

Incap monitors the operations of its suppliers and service providers and conducts regular supplier assessments which are used to examine suppliers' social responsibility in addition to their quality and delivery reliability.

Incap is in regular contact with decision-makers and other stakeholders in areas where the company has production facilities. In accordance with its annual plan, Incap sponsors non-profit campaigns in localities where it has facilities and provides support to non-profit causes that promote the well-being of children.

Financial responsibility

Incap's financial success promotes the implementation of its corporate social responsibility principles. A good earnings trend ensures that operations and working conditions are improved constantly and guarantees jobs for employees.

Incap recognises its responsibility as a part of a supply chain when dealing with customers and with its own suppliers, and strives to promote the success of all of its partners in co-operation.

The company aims to maximise the return on the capital invested by shareholders in the company and to ensure that the company's value grows steadily.

Social responsibility

Incap fosters the well-being of its employees by developing occupational safety and healthcare and by supporting activities that maintain working ability. Employee satisfaction is gauged with regular surveys, where the company's results are also compared to respective companies. Employee expertise is developed via goal-oriented training and the promotion of work motivation is addressed in manager training, among others. Incap's personnel policy is based on equality between the sexes, nationalities and races.

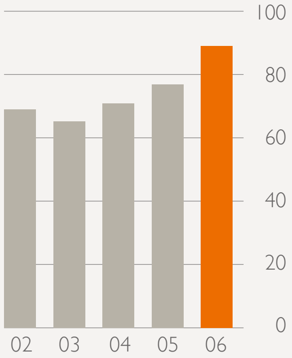
Incap supports its customers in improving product safety by, among other things, paying special attention to eliminating risk factors in products in the design stage. Quality inspections and testing carried out during the manufacturing process prevent faulty goods from reaching the market.

Environmental responsibility

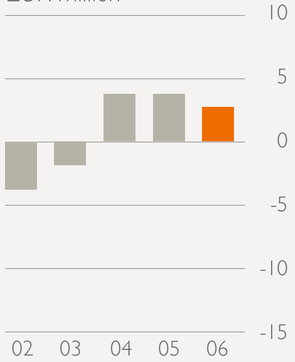
In accordance with its quality and environmental policy, Incap is committed to using natural resources responsibly, to constantly improving the management of environmental issues as well as to preventing harmful environmental effects.

2002–2006

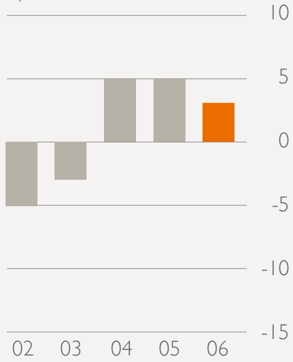
Revenue, EUR million



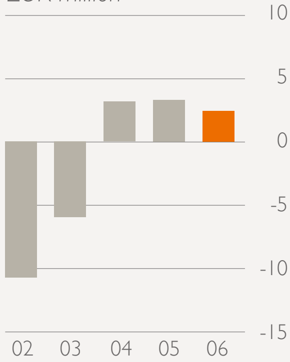
Operating profit, EUR million



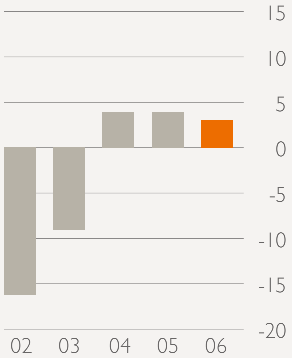
Operating profit, % of revenue



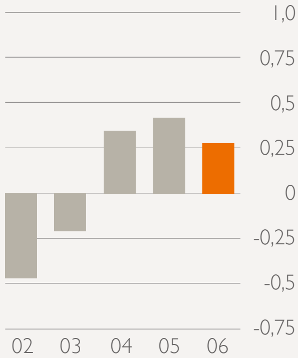
Profit before tax, EUR million



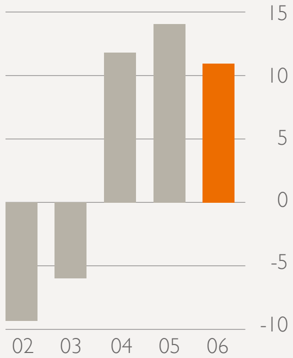
Profit before tax, % of revenue



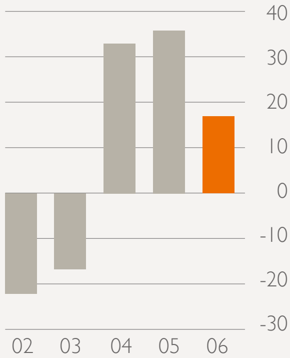
Earnings per share (EPS), EUR



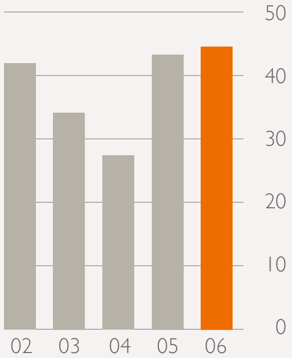
Return on investment (ROI), %



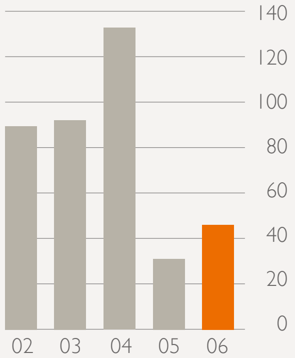
Return on equity (ROE), %



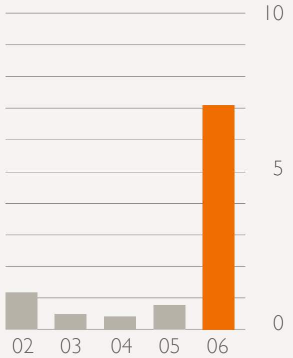
Equity ratio, %



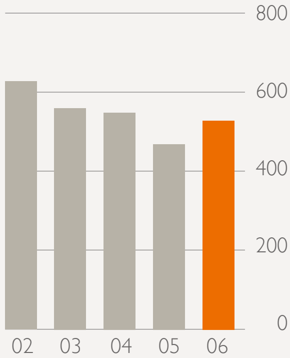
Gearing, %



Investments, EUR million



Average number of personnel



The figures for 2004–2006 have been prepared in accordance with IFRS.

THE INCAP GROUP IN 2006

- Revenue grew by about 17%, totalling EUR 89.3 million
- Operating profit amounted to EUR 2.8 million
- Operating profit represented 3.2% of revenue
- Earnings per share were EUR 0.26
- Return on investment was 10.5%
- Equity ratio was 44.7%

- The market situation continued to be favourable and demand for Incap's products and services was brisk. The sector's price competition remained tight.
- The profitability of operations remained at a satisfactory level. The result was burdened by non-recurring capital expenditure on future growth.
- The company invested extensively in production, sales and the development of operations. Investments amounted to more than EUR 7 million, or about 8% of revenue.
- A new, modern factory was opened in Kuressaare. The facility focuses on the volume production of electronics and on labour-intensive products.
- The company signed co-operation agreements with agencies operating in Germany, the UK and Ireland.
- Electron Tubes Ltd of the UK, which manufactures electronic measurement devices, began co-operation with Incap's Kuressaare factory.
- The take-over of Tellabs Oy's prototype fabrication and preproduction manufacturing and the transfer of these operations to the Vuokatti factory were carried out successfully.
- The company undertook improvement measures related to sales, marketing, quality assurance capability, service ability, cost-effectiveness and delivery reliability.
- The Kuressaare factory was audited for obtaining a certificate under the ISO 13485:2003 standard, which is widely applied to the manufacture of medical devices.

Key figures (IFRS)	2006	2005
Revenue, EUR million	**89.3**	76.7
Operating profit, EUR million	**2.8**	3.8
% of revenue	**3.2**	4.9
Profit before taxes, EUR million	**2.3**	3.2
% of revenue	**2.6**	4.1
Profit for the period, continuing operations, EUR million	**3.2**	5.1
Profit/loss for the period, discontinued operations, EUR million	–	0.4
Profit/loss for the period, EUR million	**3.2**	5.5
Earnings per share (EPS), euros	**0.26**	0.42
Return on investment (ROI), %	**10.5**	14.7
Return on equity (ROE), %	**17.3**	36.0
Equity ratio, %	**45**	43
Gearing, %	**44**	31
Investments, EUR million	**7.1**	0.8
% of revenue	**8.0**	1.1
Average number of employees	**521**	468

REPORT OF THE BOARD OF DIRECTORS 2006

Incap Group's business operations enjoyed a favourable trend in 2006. Demand for Incap's manufacturing services continued at a good level and revenue grew about 17% from the previous year. Profitability remained on a satisfactory level and operating profit was 3.2% of revenue. Incap continued to invest strongly in growth and internationalisation in accordance with its strategy. The competitive position was improved with significant investments into production equipment and the development of functions.

Operating environment

The demand for electronics manufacturing services experienced great seasonal and quantitative fluctuations. Customers' need to reduce the manufacturing costs of their products kept competition tight and prompted the providers of manufacturing services to constantly increase the efficiency of their operations. Production and operations closely related to it continued to be transferred to lower-cost areas.

Group's revenue and operating profit

Consolidated revenue grew by 17% on the previous year to EUR 89.3 million (2005: EUR 76.7 million). Operating profit amounted to EUR 2.8 million (EUR 3.8 million) representing 3.2% of revenue (4.9%). Operating profit was weakened by non-recurring expenses of about EUR 0.9 million related to the development of operations and achieving planned growth. The majority was spent on researching business opportunities in India and the start-up of the new Kuressaare factory. In addition, a cost of EUR 0.5 million was written off for personnel arrangements at the Vuokatti factory. Excluding non-recurring expenses, operating profit reached almost the same level as in 2005, representing about 4.7% of revenue.

Net profit for the financial year totalled EUR 3.2 million (EUR 5.1 million). The result includes a change in deferred tax assets.

Earnings per share were EUR 0.26 (EUR 0.42) and equity per share was EUR 1.67 (EUR 1.39).

Market position and customer base

Incap maintained its strong position as a contract manufacturing partner to its significant customers and enlarged the scope of services it provided to several of its customers. Deliveries to equipment manufacturers in the telecommunications, electrical and measurement technology industries in particular grew.

The customer mix was further balanced, with the largest single customer accounting for less than 25% of revenue. The largest customer sector was telecommunications, deliveries to which represented about 45% of consolidated revenue.

There was increased interest towards Incap's manufacturing services, and bidding was brisk. Investments to increase and modernise production capacity reinforced the company's capability to expand its services to the present clientele and to acquire new customers.

The extension of the Kuressaare factory, where operations were started in the summer, improved Incap's ability to actively market its services to equipment manufacturers operating in Scandinavia and central Europe. The signing of a co-operation agreement with Electron Tubes Ltd, a UK company that manufactures measurement devices, was proof of the fact that Estonia is a competitive manufacturing location for products destined for European markets.

The acquisition of new customer relationships was beefed up by the signing of agency agreements with companies operating in Germany, the UK and Ireland. The sales process was also enhanced, following an earlier development project which focused on customer relationship management, and sales operations were bolstered with new recruitments.

Roles of the factories and development of functions

In a move to improve its competitiveness, Incap increased the efficiency of its operations with a clearer division of tasks among its factories. The Vuokatti facility was developed to specialise in electronics prototype fabrication, the ramp-up of new products and demanding testing and maintenance operations. The factory's new role was reinforced by the transfer of Tellabs' prototype fabrication and preproduction manufacturing to Incap at the beginning of the year. The Vuokatti factory's expertise in NPI (New Product Introduction) operations, which take place at the early stages of the production chain, was strengthened by the procurement of modern equipment suited to prototype fabrication and preproduction manufacturing. Vuokatti's functions were reorganised in line with the new operational model, and the factory launched a new development programme with the aim of significantly boosting efficiency.

Labour-intensive products and volume production of electronics were concentrated at the Kuressaare factory. Operations in Estonia expanded considerably in the summer with the opening of a new factory extension. In addition to about 3,700 square metres of floor space in the new building, Incap is using an older factory building with about 1,300 square metres of floor space for product assembly and the training of new employees. Major investments at the new factory included an SMD assembly line and an ancillary optical quality inspection device. The design of the new building allows for the expansion of production space to almost double its current size in a short period of time.

The manufacture of certain customers' volume products was moved from the Vuokatti factory to the Kuressaare facility. Due to the strong growth in demand, the production transfers took place mostly in the latter half of the year.

The manufacture of sheet-metal mechanics was made more efficient by procuring a modern punch press and an automated warehouse for the Helsinki factory. The Vaasa factory upgraded its equipment and revised its organisation. The operations of Ultraprint Oy, the subsidiary that manufactures chemically milled sheet-metal products, flexible PCBs and RFID products, were concentrated at a single business location, and the unit's production methods were developed.

In order to improve its delivery reliability and quality assurance capability, Incap undertook large-scale development measures aimed at ensuring the smooth functioning of manufacturing processes through the systematic management and planning of production and materials resources. The new operational model was first adopted at the Vuokatti factory, and it will be applied to other facilities during 2007.

The coming into force of the RoHS directive, which restricts the use of environmentally hazardous materials, in the beginning of July, did not call for changes in Incap's operations, as the company's facilities were fully compliant with the directive already at the beginning of the year.

Financing and cash flow

The Group's equity ratio remained at a good level and was 45% (43%). Interest-bearing net liabilities totalled EUR 8.9 million (EUR 5.3 million) and the ratio of net liabilities to equity (gearing) was 43.9% (31.2%). Net financial expenses amounted to EUR 0.5 million (EUR 0.6 million) and depreciation to EUR 2.3 million (EUR 2.6 million).

The Group's equity increased, totalling EUR 20.3 million (EUR 17.0 million) at the close of the financial year. Liabilities amounted to EUR 25.2 million (EUR 22.2 million), of which interest-bearing liabilities amounted to EUR 9.4 million (EUR 7.5 million). The company did not use any short-term credit facilities available at the close of the financial year.

The Group's liquidity was satisfactory: the quick ratio was 0.8 (0.9) and the current ratio 1.6 (1.7). Cash flow from operations totalled EUR 3.0 million (EUR 7.6 million) and the change in cash and cash equivalents was a decrease of EUR 1.7 million (an increase of EUR 1.8 million). The change in cash and cash equivalents was influenced in particular by non-recurring items and the increase in working capital.

Research and development

Incap's research and development expenses were spent on the improvement of the company's operational processes, and totalled EUR 0.5 million (EUR 0.6 million).

Capital expenditures

The Group's capital expenditures in the financial year totalled EUR 7.1 million (EUR 0.8 million), or about 8.0% of revenue (1.1%). The largest investments were made in connection with the start-up of the Kuressaare factory and the increase and modernisation of production capacity in Vuokatti and Helsinki. Finance leases accounted for EUR 5.6 million (EUR 0.1 million) of the investments.

Environmental issues

All of Incap's factories have environmental and quality assurance systems certified by Lloyd's, and these are used as tools for continuous improvement. The environmental system complies with the ISO 14001:2004 standard, while the quality assurance system complies with the ISO 9001:2000 standard.

The Kuressaare factory was audited for obtaining a certificate under the ISO 13485:2003 standard which is widely applied to the manufacture of medical devices. Similar audits will also be carried out at the company's Helsinki and Vuokatti factories.

Personnel

At the beginning of the year, the Incap Group employed 450 people and, at the end of the year, 541. On average, there were 521 (468) people on the payroll in 2006. The strongest growth in the number of personnel occurred at Kuressaare, where 72 new employees were recruited during the year. At the close of the year, about 70% of all personnel worked in the Finnish units.

Of Incap's personnel at the end of the year, 282 were women and 259 men. 452 are permanently employed staff and 89 fixed-term employees. There were 11 part-time employment contracts at the end of the year. The average age of the personnel was 37 years.

Due to the arrangements related to the distribution of the factories' tasks, co-determination negotiations concerning a maximum of 130 employees were started at the Vuokatti factory. As a result of the negotiations concluded after the close of the financial year in January 2007, 53 people were laid off from the unit.

Group Management Team

The company's president and CEO during the financial year was Juhani Hanninen, M.Sc. (Eng.). In addition to him, the members of the Group's Management Team included Liam Kenny (Materials and Logistics), Hannele Pöllä (Communications and Investor Relations), Anja Rouhiainen (Manufacturing Services, as from 1 September), Petri Saari (Sales and Marketing), Niklas Skogster (Development of Operations, as from 1 August), Timo Sonninen (Manufacturing Services, until 31 July) and Tuula Ylimäki (Finance and Administration).

The Group's Chief Financial Officer Tuula Ylimäki was appointed as CEO of Ultraprint Oy, a subsidiary of Incap Corporation, as from 1 January 2007. Anne Sointu, M.Sc. (Econ.), eMBA, was appointed as the new Chief Financial Officer.

The President and CEO and the members of the Group Management Team receive bonuses linked to the company's annual result in accordance with the earnings-tied bonus scheme confirmed by the Board of Directors. The bonus for 2006 was tied to the targets that had been set for revenue, net profit and the inventory turnover rate.

Annual General Meeting

The Annual General Meeting of Incap Corporation was held on 11 April 2006 in Oulu. The Annual General Meeting adopted the consolidated and parent company financial statements for 2005 and granted release from liability to the responsible officers. No dividend was paid for the 2005 financial year.

The Annual General Meeting authorised the Board of Directors to decide on increasing the share capital through one or more rights issues, the floating of one or more issues of convertible bonds and/or granting stock options. The authorisation provides for raising the company's share capital by a maximum of about EUR 4,092,776, and it is valid up to 11 April 2007. The Board of Directors did not exercise its authorisation during the financial year.

Board of Directors

The Annual General Meeting re-elected Seppo Arponen, Juha-Pekka Kallunki, Kalevi Laurila, Timo Leinilä, Sakari Nikkanen and Jorma Terentjeff to seats on the Board of Directors. From amongst its number, the Board of Directors re-elected Jorma Terentjeff as Chairman. Jari Pirinen, (LL.M.), served as secretary to the Board of Directors.

The Board of Directors met 17 times in 2006 and the average attendance of the directors at meetings was 99 per cent.

Auditors

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

Shares and shareholders

Incap had 12,180,880 shares in issue. The price of the Incap Corporation share varied in the range of EUR 1.82 to EUR 2.90 during the financial year, and the share price at the close of the year was EUR 2.51. The trade volume was 90% of the shares outstanding.

At the end of the report year, the company had 1,179 shareholders. Foreign and nominee-registered owners held 10% of all shares. The company's market capitalisation at 31 December 2006 was EUR 30.6 million.

Share options

The Incap Group currently runs a share option scheme that was introduced in 2004 and that commits key employees to long-term share ownership. There are a total of 630,000 option rights, 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. At the close of the year, the option scheme covered 10 key employees.

Board of Directors' proposal for the disposal of profits

The parent company's distributable funds total EUR 633 581.59 including EUR 2 805 820.03 in net profit for the financial year. The Board of Directors will propose to the Annual General Meeting to be held on 3 April 2007 that no dividend be distributed and that the profit for the financial year be transferred to retained earnings.

Operational risks and factors of uncertainty

The electronics and mechanics contract manufacturing market is estimated to grow steadily in the coming years, even though the pace of growth is expected to slow down slightly. There are strong fluctuations in the sector's demand, which makes it difficult to provide even short-term forecasts of the industry's future trend.

The sector is highly competitive and, in order to remain profitable, contract manufacturers are constantly forced to improve the efficiency of their own operations and supply chains. The efficiency of materials management and productivity of manufacturing operations are key to maintaining cost-competitiveness.

Incap's customers operate in a number of different industries, and this balanced customer structure shields the company from sharp seasonal fluctuations. Although the company is not overly dependent on any single customer, the simultaneous loss of one or more important customers may have an impact on the company's finances.

Targeting strong growth and more international operations

Incap's objective is to achieve strong, profitable growth through internationalisation. Organic growth in revenue can be achieved by increasing the volume of deliveries to present customers and by taking over customers' entire production under outsourcing agreements. New customer relationships are sought particularly among device manufacturers in the healthcare industry. The increased manufacturing capacity of the Estonian unit has created good conditions for growth in revenue and the acquisition of new customers especially in Scandinavia and central Europe. In addition to organic growth, Incap is examining the possibility of expanding its operations through mergers and acquisitions.

Most device manufacturers with global operations expect their contract manufacturing partners to have international operations and to provide service near customers' main markets. In response to this challenge, Incap has extensively studied the possibility of starting manufacturing operations in Asia, close to rapidly growing markets where Incap's present customers are already operating. At the beginning of 2006, Incap opened an office in New Delhi for the purpose of charting the local contract manufacturing market.

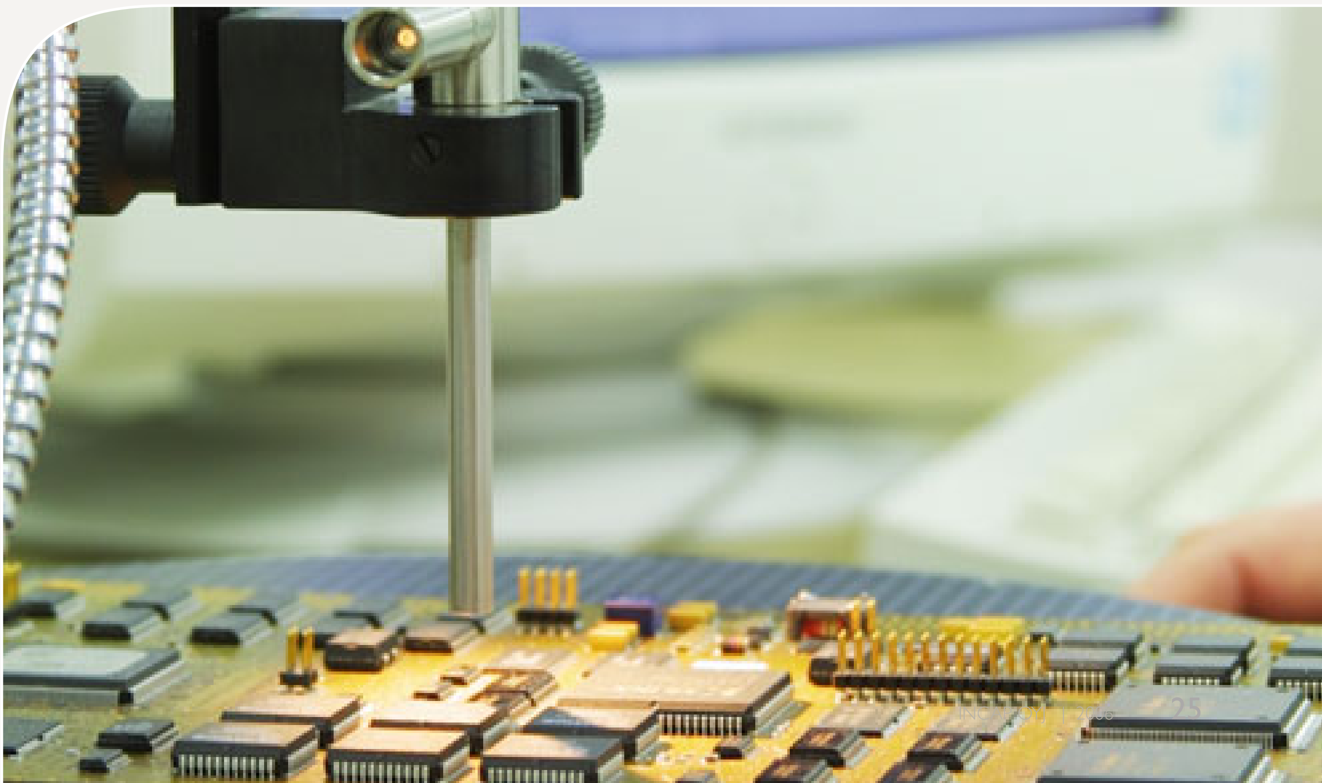
Events after the close of the financial year

In February 2007, Incap signed a Letter of Intent with TVS Electronics Limited for the acquisition of an electronics contract manufacturing unit in India. The facility assembles circuit boards and manufactures power supply units, among other products. The objective is to transfer the unit's business operations during the second quarter of 2007 to a new subsidiary to be established.

Outlook for 2007

The outlook for electronics manufacturing services remains bright and various research institutes estimate that the worldwide EMS market will continue to grow at around 10% annually in the near future.

The majority of Incap's customers have given positive forecasts of their demand in 2007 and, judging by the offer backlog, interest in the company's services has increased. Incap's deliveries to the telecommunications sector will decline, and compensating revenue is sought from other customer branches and from new market areas such as India.



CONSOLIDATED INCOME STATEMENT

1,000 euros	Note	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
Continuing operations			
Revenue		89,347	76,673
Other operating income	1	383	211
Changes in inventories of finished goods and work in progress		1,409	-296
Raw materials and consumables used		61,634	50,340
Personnel expenses	4	16,245	13,328
Depreciation and amortisation	3	2,284	2,491
Impairment losses	3	0	101
Other operating expenses	2	8,149	6,576
Operating profit/loss		2,828	3,750
Financing income and expenses	6	-505	-574
Profit/loss before tax		2,323	3,177
Income tax expense	7	902	1,933
Profit/loss for the year from continuing operations		**3,225**	**5,109**
Discontinued operations			
Profit/loss for the year from discontinued operations		0	382
Profit/loss for the year		**3,225**	**5,491**

Earnings per share from profit for the year attributable to equity holders of the parent

Basic, from continuing operations	8	0.26	0.42
Diluted, from continuing operations	8	0.26	0.42
Basic, from discontinued operations	8	0	0.03
Diluted, from discontinued operations	8	0	0.03

CONSOLIDATED BALANCE SHEET

1,000 euros	Note	31 Dec. 2006	31 Dec. 2005
ASSETS			
Non-current assets			
Property, plant and equipment	9	11,571	7,169
Goodwill	10	164	164
Other intangible assets	10	331	276
Other financial assets	11	15	15
Deferred tax assets	12	4,310	3,545
Total Non-current Assets		**16,391**	**11,169**
Current assets			
Inventories	13	14,626	12,880
Trade and other receivables	14	13,994	12,899
Cash and cash equivalents	15	500	2 213
Total Current Assets		**29,120**	**27,991**
Total Assets		**45,511**	**39,160**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	16		
Share capital		20,487	20,487
Share premium account		44	44
Retained earnings		-206	-3,566
Total equity		**20,325**	**16,965**
Non-current liabilities			
Deferred tax liabilities	12	147	284
Interest-bearing loans and borrowings	19	6,806	5,544
Current liabilities			
Trade and other payables	20	15,620	14,400
Interest-bearing loans and borrowings	20	2,613	1,966
Total liabilities		**25,186**	**22,195**
TOTAL EQUITY AND LIABILITIES		**45,511**	**39,160**

CONSOLIDATED CASH FLOW STATEMENT

1,000 euros	Note	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
Cash flows from operating activities	23		
Net income		2,828	4,163
Adjustments to operating profit		1,996	2,020
Change in working capital		-1,420	2,066
Interest paid		-411	-554
Interest received		22	31
Taxes paid		0	-77
Cash flow from operating activities		**3,015**	**7,649**
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets		-1,547	-813
Proceeds from sales of tangible and intangible assets		15	3,115
Cash flow from investing activities		**-1,532**	**2,302**
Cash flow from financing activities			
Repayments of borrowings		-1,235	-6,448
Repayments of obligations under finance leases		-1,961	-1,702
Cash flow from financing activities		**-3,196**	**-8,150**
Change in cash and cash equivalents		**-1,713**	**1,801**
Cash and cash equivalents at beginning of period		2,213	412
Cash and cash equivalents at end of period		**500**	**2,213**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1,000 euros	Share capital	Share premium account	Retained earnings	Total equity
Equity at 1 January 2005	20,487	44	-9,111	11,420
Options and share-based compensation	0	0	54	54
Net income and losses recognised directly in equity	0	0	54	54
Profit for the year	0	0	5,491	5,491
Total income and losses for the year	0	0	5,546	5,546
Equity at 31 December 2005	20,487	44	-3,566	16,965

	Share capital	Share premium account	Retained earnings	Total equity
Equity at 1 January 2006	20,487	44	-3,566	16,965
Options and share-based compensation	0	0	135	135
Net income and losses recognised directly in equity	0	0	135	
Profit for the year	0	0	3,225	3,225
Total income and losses for the year	0	0	3,360	3,360
Equity at 31 December 2006	20,487	44	-206	20,325

ACCOUNTING POLICIES APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Corporate Information

Incap Corporation is a Finnish public listed company under Finnish law which is domiciled in Oulu and whose registered address is Kirkkokatu 13, 90100 Oulu. Incap Corporation is an electronics contract manufacturer whose comprehensive service covers the entire product lifecycle from design to repair and maintenance services.

The Group comprises the parent company Incap Corporation and the Group's wholly-owned subsidiaries Incap Electronics Estonia OÜ, Kuressaare, Estonia, and Ultraprint Oy, Kempele, Finland. The subsidiary Euro-Ketju Oy is a dormant company and is not consolidated as part of the Group.

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards in conformity with the IAS and IFRS standards and SIC and IFRIC interpretations in force at the balance sheet date, 31 December 2006. The notes to the consolidated financial statements are also in accordance with Finnish accounting and company legislation.

The financial statements in the official compiled version are presented in unabbreviated form to an accuracy of two decimals. In the Annual Report, the financial statement data are presented in thousands of euros.

The preparation of financial statements in accordance with IFRS calls for the making of certain estimates by Group management as well as for management's judgement in applying accounting policies. The estimates having the greatest effect on the financial statement figures are presented in the Note "Accounting policies calling for management's judgement and key sources of estimation uncertainty."

Subsidiaries

The consolidated financial statements include the parent company Incap Corporation and its subsidiaries Incap Electronics Estonia OÜ and Ultraprint Oy.

Intra-Group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group has obtained control, and divested subsidiaries up to the time when control ceases. All intra-Group transactions, receivables, liabilities, unrealised gains and internal distribution of profits are eliminated in preparing the consolidated financial statements.

Associates

A company is considered to be an associate if the Group owns more than 20% of the company's voting rights or when the Group otherwise has significant influence in the company but not control. The Incap Group does not have associates.

Foreign Currency Transactions

Figures relating to the profit and financial position of Group units are measured in the currency that is the main functional currency of each unit. The Incap Group's financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company.

Transactions denominated in foreign currency are recorded in euros using the exchange rate on the date of the transaction. Monetary items denominated in foreign currency are translated to euros using the exchange rates at the balance sheet date. Gains and losses arising from transactions denominated in foreign currency and the translation of monetary items are recorded in the corresponding items in the income statement above operating profit.

Property, Plant and Equipment

Property, plant and equipment is measured at original cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated using the straight-line method over their useful life. Land areas are not depreciated. The estimated useful lives of assets are the following:

Buildings	20–24 years
Machinery and equipment	3–10 years
Motor vehicles	3–5 years

The residual value of assets and their useful life are reviewed at each balance sheet date and, if necessary, they are adjusted to reflect changes that have occurred in the expectations for the asset's useful life.

Subsequent costs are included in the carrying value of an item of property, plant and equipment only when it is probable that future economic benefits from the asset will flow to the Group. Other repair and maintenance expenses are recognised as an expense, as they arise.

Depreciation of an item of property, plant and equipment ceases when the asset is classified as for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Capital gains and losses on the retirements and disposals of property, plant and equipment are recorded either in other operating income or expenses.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Transaction expenses directly attributable to the obtaining of loans are included in the original amortised cost of the loan and amortised to interest expense using the effective interest method.

Government Grants

Government grants are recorded on a net basis as a deduction from property, plant and equipment, whereby the grants are recognised as income in the form of smaller depreciation charges over the life time of the asset.

Investment Property

The Incap Group does not have assets that are classified as investment property.

Intangible Assets

Goodwill is the proportion of the acquisition cost which exceeds the Group's share of the fair value, at the date of purchase, of the net asset value of a company acquired after 1 January 2004. In consolidating operations prior to this, the exemption permitted under IFRS 1 of using the carrying amount in accordance with FAS has been used as the deemed cost. The classification of these acquisitions or their treatment in the financial statements has not been adjusted in preparing the Group's opening IFRS balance sheet at 1 January 2004.

Goodwill and other intangible assets with an indefinite useful life are not amortised but are tested annually for any impairment. The testing involves the allocation of goodwill to cash-generating units and the measurement at cost less impairment losses. In the financial report 2006 business value has been tested and left unregistered because it has no essential effect.

Research and development expenditure is recorded as an expense in the income statement.

An intangible asset is recorded in the balance sheet only if the cost of the asset can be determined reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity. Intangible assets are recorded in the balance sheet at cost and amortised in the income statement over their known or estimated useful life.

The Incap Group's intangible assets are amortised over 3-5 years.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the fifo method. The cost of finished and semi-finished products comprises raw materials, direct labour expenses, other direct expenses as well as fixed and variable production overheads, based on the normal capacity of the production facilities. In ordinary operations the net realisable value is the estimated selling price of the asset less the estimated costs incurred in bringing the product to its present condition and selling expenses.

Leases

The Group as Lessee

Leases of property, plant and equipment where the lessee has substantially all the risks and rewards of ownership are classified as finance leases. An asset obtained on a finance lease is recorded in the lessee's balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment. An asset obtained on a finance lease is depreciated over the useful life of the asset or, if shorter, the lease term. Lease payments for items of property, plant and equipment are split between financial expenses and a reduction in lease liabilities. Finance lease liabilities are included in the Incap Group's interest-bearing liabilities.

When the lessor retains the risks and rewards of ownership, the agreement is treated as an operating lease. In respect of operating leases, the lease payments are recorded as an expense in the income statement.

Impairment of Assets

In preparing each year's financial statements, the Incap Group assesses whether there is any indication that the value of an asset item may be impaired. If any such indication exists, impairment testing is carried out on the asset item to assess its recoverable amount. Impairment testing is done at the lowest possible unit level which is independent of other units and whose cash flows can be distinguished from the other cash flows of the entity.

An impairment loss is recorded when the carrying value of an asset item is greater than its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. Value in use means the estimated discounted cash flows obtainable from said asset item or cash-generating unit.

An impairment loss is recognised in profit or loss. If an impairment loss is allocated to a cash-generating unit, it is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and thereafter to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss is reversed if the recoverable amount of the asset has changed since the last impairment loss was recognised. An impairment loss is not, however, reversed to an extent greater than what the carrying amount of the asset would have been without recording of the impairment loss.

The Incap Group's goodwill is tested annually. An impairment loss recorded on goodwill is not reversed in any situation.

Employee Benefits

Pension Obligations

The Incap Group's pension plans are classified as defined-benefit and defined-contribution plans. Payments made for the defined contribution plans are recognised as an expense in the income statement in the period which the debit concerns. The obligations of defined-benefit plans are calculated separately for each plan using the projected unit credit method. Because the Incap Group has only defined-contribution pension plans, actuarial gains and losses have not been recorded in equity in the Incap Group's opening balance sheet at the date of transition to IFRS, 1 January 2004, in accordance with the exemption permitted under IFRS 1.

Share-based Payment

The Incap Group has applied IFRS 2 *Share-based Payment* to all share option plans. Warrants are measured at fair value at the time they are granted and entered as an expense in the income statement in even instalments during the vesting period. The expense determined at the moment of granting the options is based on the Incap Group's estimate of the number of options that will vest at the end of the vesting period. The fair value is determined on the basis of the Black-Scholes pricing model for share options.

The Incap Group updates the estimate of the final number of share options at each balance sheet date. Changes in the estimates are recorded in the income statement. When granted share options are exercised, the cash payments received on the basis of share subscriptions (adjusted for any transaction expenses) are recognised in equity and in the share premium fund.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that a payment obligation will be realised and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the obligation.

A warranty provision is recognised when a product is sold. The amount of the provision is based on an estimate of future warranty costs made on the basis of actual warranty costs.

A reorganisation provision is booked when the Group has prepared a detailed reorganisation plan and begun implementation of the plan or announced the matter. A restructuring plan must include at least the following information: the business or part of a business concerned, the principal locations affected, the location, function and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken and when the plan will be implemented.

A provision is recognised for an onerous contract when it is certain that the direct expenses required to meet the obligations exceed the benefits received from the contract.

A provision is recorded on an obligation incurred on the basis of environmental legislation and the Group's environmental responsibility principles, which is related to the decommissioning of a plant, the remediation of environmental damage or the removal of equipment and its transfer elsewhere.

The Incap Group does not have legal or constructive obligations under IAS 37 at the balance sheet date.

Income Taxes

Income tax in the income statement comprises the current tax and deferred taxes. Taxable profit is calculated on taxable income on the basis of the tax rate in force in Finland. Taxes are adjusted for taxes for previous periods.

Deferred taxes are calculated on all temporary differences between the carrying amount of an asset or liability and its tax base. In the Incap Group the largest temporary differences arise from finance leases, depreciation of buildings and other property, plant and equipment as well as unused tax losses.

Deferred taxes have been calculated by applying the tax rates in force by the balance sheet date.

A tax asset is recognized to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized.

Revenue Recognition

Goods Sold and Services Rendered

Revenue from the sale of goods is booked when significant risks and benefits connected with ownership of the goods have been transferred from the seller to the purchaser. In calculating revenue, sales income has been adjusted for indirect taxes and discounts. Revenue from services is recorded when the service has been rendered.

Construction Contracts

The Incap Group does not have construction contracts in progress.

Assets Held for Sale and Discontinued Operations

Available-for-sale non-current assets as well as asset items connected with a discontinued operation have been treated in accordance with IFRS 5 and classified as available-for-sale and measured at the lower of the carrying amount or the fair value less costs to sell. Depreciation has not been recorded on these asset items after the time of classification.

In January 2005 the Incap Group decided it would divest its aluminium machining and plating business. The income and expenses of these operations in the years 2005 have been separated out from continuing operations in the income statement, and the result of the discontinued operations is presented as a separate item in the IFRS income statement.

Financial Assets and Financial Liabilities

Incap Group's financial assets have been classified in accordance with the IAS 39 standard in the following groups: financial assets at fair value through profit or loss, held-to-maturity investments, loans and other receivables and available-for-sale financial assets. The classification is made on the basis of the purpose for which the financial assets were acquired at the time they were originally acquired. Other financial assets presented in the financial statements are classified as available-for-sale financial assets. Available-for-sale financial assets consist mainly of unquoted shares and participations that are not entered in the balance sheet at fair value because their fair value cannot be determined reliably.

Cash and cash equivalents consists of cash on hand, demand deposits and other short-term, highly liquid investments. Items classified as cash and cash equivalents have a maximum of a three-month maturity from the time of acquisition. Financial liabilities are originally entered in the accounts at fair value on the basis of the consideration received. Transaction costs are included in the original carrying amount of financial liabilities. Subsequently, all financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities are included in non-current and current liabilities, and they can be either interest-bearing or non-interest-bearing.

Accounting Policies Requiring Management's Judgement and Key Sources of Estimation Uncertainty

When financial statements are prepared, future scenarios and assumptions have to be made, the outcomes of which may differ from the original scenarios and assumptions. Judgement is also used in applying the accounting policies.

Impairment Testing

In the Incap Group, goodwill is tested annually for any impairments. The impairment of other asset items can be estimated annually as discussed above in the accounting policies. The recoverable amounts of cash-generating units are determined through calculations based on value in use. The preparation of these calculations requires the use of estimates.

Deferred Tax Asset

A deferred tax asset has been recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Segment Information

The Incap Group does not have business or geographical segments which should be reported according to IAS 14. The risks and profitability related to the Group's different business and geographical areas do not differ significantly from each other. The company's management regularly assesses future changes and the possible formation of segments via them.

Application of New or Amended IFRS Standards

The Group has taken account of the new standards and interpretations published during the period by the IASB and will introduce them in future accounting periods as they enter into force. The Group estimates that the new standards and interpretations will not have a material effect on the Group's financial statements in coming years. New standarts, interpretations and contents are as follows:

IFRS 7 Financial Instruments: Disclosures
Change to IAS 1 Presentation of Financial Statements: Notes concerning capital
IFRS 8 Operating Segments (updating of segment information in notes)
IFRIC 8 Scope of IFRS 2
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 10 Interim Financial Reporting and Impairment (testing impairment of goodwill and available-for-sale financial assets in interim reports as well)
IFRIC 12 Service Concession Arrangements (of private and public sectors)

1. Other operating income

	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
Net gains on the disposal of property, plant and equipment	49	208
Lease income for previous years	331	0
Other income	3	3
	383	**211**

2. Other operating expenses

	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
Lease expenses	1,429	1,786
Operating and maintenance expenses for property and machinery	2,314	2,071
Other expenses	4,406	2,719
	8,149	**6,576**

3. Depreciation and amortisation

	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
Depreciation and amortisation by assets class		
Intangible assets	80	191
Tangible assets		
Buildings	260	257
Machinery and equipment	1,892	2,007
Other tangible assets	51	36
	2,204	**2,300**
Impairment losses by asset class		
Tangible assets		
Machinery and equipment	0	101
Total depreciation, amortisation and impairment losses	**2,284**	**2,592**

4. Employee benefits expense

	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
Wages and salaries	12,862	10,441
Pension costs - defined contribution plans	1,951	1,667
Expense of share-based payments	135	54
Other statutory employer expenses	1,297	1,167
	16,245	**13,328**
Average number of Group personnel during the period	521	468

Information on management's employee benefits is presented in Note 26 Related Party Transactions.

Information on share options granted is presented in Note 17 Share-based Payment.

5. Research and development costs

A total of EUR 0.5 million in research and development costs has been recorded as an annual expense in the income statement in 2006 (EUR 0.6 million in 2005).

6. Financial income and expenses

	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
Financial income		
Interest income from investments	7	7
Dividend income	1	1
Other financial income	14	24
	22	**31**
Financial expenses		
Interest expenses	-505	-574
Exchange rate losses	-3	-2
Other financial expenses	-20	-29
	-528	**-605**
Total financial income and expenses	**-505**	**-574**

Interest expenses include variable lease payments of EUR 0.2 million (EUR 0.2 million in 2005) recorded as lease expenses from finance lease agreements.

7. Income tax

	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
Income tax in the income statement		
Tax expense for previous years	0	-78
Deferred income tax	902	2,010
	902	**1,933**
Reconciliation of income statement tax expense		
Profit before taxes	2,323	3,559
Tax at the applicable rate in the home country	-604	-925
Divergent tax rates of foreign subsidiaries	-80	84
Tax-free income	86	117
Expenses that are not deductible	-7	-7
Eliminations	94	71
Use of tax losses	510	659
Changes in deferred tax assets for previous years	765	1,895
Changes in deferred tax liabilities for previous years	137	115
Tax for previous periods	0	-78
	902	**1,933**
Deferred taxes in the balance sheet		
Deferred tax assets	4,310	3,545
Deferred tax liabilities	-147	-284
	4,163	**3,261**

8. Earnings per share

Undiluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the period.

	2006	2005
Profit for the year attributable to equity holders of the parent, continuing operations	3,225	5,109
Profit for the year attributable to equity holders of the parent, discontinued operations	0	382
Weighted average number of shares during the period	12,180,880	12,180,880
Undiluted earnings per share, EUR/share, continuing operations	0.26	0.42
Undiluted earnings per share, EUR/share, discontinued operations	0.00	0.03

In calculating diluted earnings per share, share options are taken into account in the weighted average number of shares. Share options have a dilutive effect when their subscription price is lower than the fair value of the share. The fair value of the share is based on the average price of the shares during the period.

	2006	2005
Profit for the year attributable to equity holders of the parent, continuing operations	3,225	5,109
Profit for the year attributable to equity holders of the parent, discontinued operations	0	382
Weighted average number of shares during the period	12,180,880	12,180,880
Dilution effect of issued share options	18,154	0
Share-weighted diluted average price used in calculating adjusted earnings per share	12,199,034	12,180,880
Diluted earnings per share, EUR/share, continuing operations	0.26	0.42
Diluted earnings per share, EUR/share, discontinued operations	0.00	0.03

9. Property, plant and equipment

	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan. 2006	60	5,249	36,168	475	41,952
Increase	0	69	6,535	47	6,652
Decrease	0	0	-31	0	-31
Acquisition cost, 31 Dec. 2006	60	5,318	42,671	523	48,572
Accumulated depreciation and impairment losses, 1 Jan. 2006	0	-1,838	-32,587	-358	-34,783
Depreciation	0	-260	-1,907	-51	-2,218
Impairment loss	0	0	0	0	0
Accumulated depreciation and impairment losses, 31 Dec. 2006	0	-2,099	-34,494	-408	-37,001
Carrying amount, 1 Jan. 2006	60	3,410	3,581	118	7,169
Carrying amount, 31 Dec. 2006	60	3,219	8,177	114	11,571

	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan. 2005	60	5,428	38,081	376	43,945
Increase	0	0	1,051	100	1,150
Decrease	0	-179	-2,964	0	-3,143
Acquisition cost, 31 Dec. 2005	60	5,249	36,168	476	41,953
Accumulated depreciation and impairment losses, 1 Jan. 2005	0	-1,581	-30,479	-322	-32,382
Depreciation	0	-257	-2,007	-36	-2,300
Impairment loss	0	0	-101	0	-101
Accumulated depreciation and impairment losses, 31 Dec. 2005	0	-1,838	-32,587	-358	-34,784
Carrying amount, 1 Jan. 2005	60	3,847	7,602	54	11,563
Carrying amount, 31 Dec. 2005	60	3,410	3,581	118	7,169

The remaining undepreciated portion of the cost of machinery and equipment included in the Group's property, plant and equipment was EUR 7.9 million in 2006 (EUR 3.6 million in 2005).

Finance leases

Property, plant and equipment includes assets obtained on finance leases as follows

	Buildings	Machinery and equipment	Motor vehicles	Total
31 Dec. 2006				
Acquisition cost	183	16,845	127	17,155
Accumulated depreciation	-174	-10,292	-65	-10,531
Carrying amount	9	6,553	63	6,625
31 Dec. 2005				
Acquisition cost	183	10,930	92	11,205
Accumulated depreciation	-173	-8,949	-37	-9,159
Carrying amount	10	1,981	55	2,046

Increases on the acquisition cost of property, plant and equipment include assets leased on finances leases totalling EUR 5.6 million in 2006 (EUR 0.2 million in 2005).

10. Intangible assets

	Goodwill	Other intangible assets	Total
Acquisition cost, 1 Jan. 2006	1,879	2,783	4,662
Increase	0	135	135
Acquisition cost, 31 Dec. 2006	1,879	2,918	4,797
Accumulated amortisation and impairment losses, 1 Jan. 2006	-1,714	-2,507	-4,221
Amortisation	0	-80	-80
Accumulated amortisation and impairment losses, 31 Dec. 2006	-1,714	-2,587	-4,302

	Goodwill	Other intangible assets	Total
Carrying amount, 1 Jan. 2006	164	276	440
Carrying amount, 31 Dec. 2006	164	331	495
Acquisition cost, 1 Jan. 2005	1,879	2,699	4,577
Increase	0	85	85
Acquisition cost, 31 Dec. 2005	1,879	2,783	4,662
Accumulated amortisation and impairment losses, 1 Jan. 2005	-1,714	-2,316	-4,031
Amortisation	0	-191	-191
Accumulated amortisation and impairment losses, 31 Dec. 2005	-1,714	-2,507	-4,221
Carrying amount, 1 Jan. 2005	164	382	546
Carrying amount, 31 Dec. 2005	164	276	440

In the 2006 financial year, an impairment test was carried out on goodwill which did not give indications of an impairment.

11. Other financial assets

	2006	2005
Publicly quoted shares	4	4
Unquoted shares	11	11
Total available-for-sale investments at the end of the year	**15**	**15**

The fair value of publicly quoted investments in shares does not differ materially from their carrying amount.

12. Deferred tax assets and liabilities

	1 Jan. 2006	Recorded in income statement	31 Dec. 2006
Deferred tax assets			
Tax losses carried forward	3,545	765	4,310
Deferred tax liabilities			
Timing differences	284	137	147

	1 Jan. 2006	Recorded in income statement	31 Dec. 2006
Deferred tax assets			
Tax losses carried forward	1,650	1,895	3,545
Deferred tax liabilities			
Timing differences	400	-115	284

The non-recorded cumulative tax assets on tax losses carried forward totalled EUR 4.2 million in 2006 (EUR 6.7 million in 2005).

13. Inventories

	2006	2005
Raw materials and supplies	10,331	9,998
Work in progress	2,316	1,476
Finished goods	1,975	1,405
Advance payments	5	0
	14,626	**12,880**

EUR 0.1 million was recorded as an expense for the financial year, and the carrying amount of inventories was lowered by this figure to bring it in line with the net realisable value (EUR 0.3 in 2005).

14. Trade and other receivables

	2006	2005
Trade receivables	13,421	12,055
Prepaid expenses and accrued income	393	767
Other receivables	180	76
	13,994	**12,899**

Material items included in prepaid expenses and accrued income are related to leases. The fair values of receivables do not differ from their carrying amount. Receivables are not exposed to significant credit risks.

15. Cash and cash equivalents

	2006	2005
Cash and bank accounts	500	2,213

The cash and cash equivalents according to the cash flow statement comprise the following:

Cash and bank accounts	500	2,213

16. Notes to the statement of changes in equity

	Number of shares	Share capital	Share premium account	Total
31 Dec. 2005	12,180,880	20,487	44	20,531
31 Dec. 2006	12,180,880	20,487	44	20,531

The maximum amount of the Incap Group's shares at the balance sheet date is 40 million shares, the same as in 2005. The countervalue of the share is EUR 1.68 and the Group's maximum share capital is EUR 67.2 million (EUR 67.2 million in 2005). The shares are fully paid in.

After the balance sheet date, the Board of Directors has proposed that no dividend be paid out.

17. Share-based payment

At the balance sheet date, the Group had a share option plan, granted on 25 February 2004, which commits key personnel to ownership of Incap shares on a long-term basis. A component of the share option plan is a share-ownership programme according to which key employees must purchase the company's shares with 20 per cent of the gross proceeds from exercised share options. If a person's employment or contractual relationship with the company ends prior to the commencement of each share subscription period, the person must tender their options back to the company, forfeiting any cumulative gain in value on the options. This provision, however, does not apply in the case of retirement or death. The warrants are divided into warrants 2004A, 2004B and 2004C. A maximum of 630,000 warrants were granted, entitling their holders to subscribe for 630,000 Incap Corporation shares. It is a condition for the granting of warrants 2004A and 2004B in the issue stage that the option holder has acquired a certain amount of Incap shares, as decided in advance by the Board of Directors, prior to the granting of the warrants. It is a condition for the granting of warrants 2004C that certain profit criteria based on the Incap Group's financial targets, as defined separately by the Board of Directors, are met. The share subscription period for warrants 2004A is 1 April 2007 - 30 April 2009; for warrants 2004B, 1 April 2008 - 30 April 2010; and for warrants 2004C, from 1 April 2009 - 30 April 2011. The subscription price of shares to be subscribed for with warrants 2004A and 2004B is the trade volume weighted average price of the Incap share on the Helsinki Stock Exchange from 1 May to 31 May 2004 (EUR 2.25 per share), and with warrants 2004C, the trade volume weighted average price of the Incap share on the Helsinki Stock Exchange from 1 March to 31 March 2006 (EUR 2.05 per share). The subscription period for shares to be subscribed for with the warrants will not commence until the average price of the Incap share exceeds a certain share price level that is defined in detail in the terms and conditions. The subscription price of a share to be subscribed for with the warrants shall be lowered, on each record date for the dividend payout, by the amount of dividends declared after commencement of the subscription period and prior to the share subscription. The number of warrants 2004A and 2004B which have been granted is 133,000 each, and the number of warrants 2004C is 139,400.

Main conditions for determining the fair value of equity instruments granted and received during the period

	Granted in 2006	Granted in 2005	Granted in 2004	All share options
Number of instruments granted	139,400	38,000	244,000	421,400
Average (weighted) subscription price	2.05	2.25	2.25	2.18
Average (weighted) maturity	5.3	4.5	5.5	5.4
Expected average (weighted) volatility	51.0 %	66.0 %	72.0 %	71.2 %
Average (weighted) risk-free interest rate	3.3 %	2.5 %	3.7 %	3.4 %
Expected personnel reductions (at grant date)	9.0 %	9.0 %	9.0 %	9.0 %
Total fair value, euros	139,818	27,104	234,926	401,848

Total fair value, euros	Black-Scholes
Actual	In shares

In determining the fair values of share options granted, the requirement of a market-determined minimum average price on the subscription date has also been taken into account. Because dividend payouts were not expected, dividends were not taken into account in calculating the fair value of share options.

Changes during the share option period and weighted average strike prices

	2006 Average weighted strike price, euros/share	Number of options	2005 Average weighted strike price, euros/share	Number of options
Beginning of year	2.25	266,000	5.19	1,436,800
New options granted	2.05	139,400	2.25	38,000
Share options forfeited	2.25	-57,900	2.25	-16,000
Expired options	0.00	0	5.79	-1,192,800
Share options outstanding at end of year	**2.17**	**347,500**	**2.25**	**266,000**
Exercisable at end of period	0.00	0	0.00	0

Strike prices and expiry times of share options outstanding at end of period

Year of expiry	Strike price (euro)	Number of shares 2006	Number of shares 2005	Number of shares 2004
2009	2.25	114,000	133,000	122,000
2010	2.25	114,000	133,000	122,000
2011	2.05	119,500		

18. Pension obligations

	2006	2005
Pension liability in the balance sheet	368	362

The Incap Group does not have a defined benefit pension liability in its balance sheet.

19. Interest-bearing liabilities

	2006 carrying amount	2005 carrying amount
Non-current		
Bank loans	629	1 147
Pension loans	179	255
Other loans	1,606	2,111
Finance lease liabilities	4,393	2,032
	6,806	**5,544**
Current		
Bank loans	461	648
Pension loans	13	19
Other loans	462	467
Finance lease liabilities	1,676	832
	2,613	**1,966**

Repayment schedule of non-current liabilities

2006	2007	2008	2009	2010	2011	at a later date
Bank loans, fixed	90	90	65	0	0	0
Bank loans, variable	371	305	168	0	0	0
Pension loans	13	13	12	11	10	134
Other loans	462	409	342	342	342	171
Finance lease liabilities	1,676	1,095	1,018	967	837	475
	2,613	**1,912**	**1,605**	**1,320**	**1,189**	**780**

2005	2006	2007	2008	2009	2010	at a later date
Bank loans, fixed	50	90	90	65	0	0
Bank loans, variable	597	374	309	172	3	43
Pension loans	19	18	17	15	14	191
Other loans	467	462	409	342	342	556
Finance lease liabilities	832	644	476	423	405	84
	1,966	**1,589**	**1,301**	**1,017**	**764**	**874**

The fair values of liabilities are presented in Note 22.

Breakdown by currency of interest-bearing liabilities, EUR

	2006	2005
Non-current liabilities		
EEK	1,228	43
EUR	5,578	5, 501
Current liabilities		
EEK	252	17
EUR	2,360	1,949

Weighted averages of the effective interest rates of interest-bearing liabilities

	2006	2005
Bank loans, fixed	3.07 %	3.40 %
Bank loans, variable	3.48 %	3.56 %
Pension loans	5.45 %	5.44 %
Other loans	3.80 %	3.23 %
Finance lease liabilities	4.60 %	2.97 %

Due dates of finance lease liabilities

	2006	2005
Finance lease liabilities - Minimum lease payments		
Less than 1 year	1,848	943
1–5 years	4,206	2,122
Later than 5 years	509	92
	6,563	**3,157**
Finance lease liabilities - Present value of minimum lease payments		
Less than 1 year	1,676	832
1–5 years	3,917	1,947
Later than 5 years	475	84
	6,068	**2,864**
Future finance charges	495	293
Total finance lease liabilities	**6,563**	**3,157**

20. Trade and other payables

	2006	2005
Current		
Trade payables	10,435	8,901
Cash proceeds	0	93
Accrued liabilities	3,421	3,708
Other liabilities	1,764	1,698
	15,620	**14,400**

Material items in accrued liabilities and deferred income are related to salary expenses.

21. Risk management

Incap Corporation's risk management is based on the company's risk management policy which was adopted in 2002 and updated in 2006, and which covers every area of operations in the entire organisation. Risk management is used as a systematic management tool, with risk monitoring a part of the normal tasks of the Management Team and the Board of Directors.

Incap's risk management operations aim to identify in advance any unexpected situations that the company may face and to devise plans with procedures that can be used to prevent risks from materialising or to at least minimise the consequences of risks.

The Incap Group's risks are divided, in accordance with their object, into contract risks, market risks, production and operational risks, supplier and materials risks, personnel risks, environmental risks, data risks and financial risks.

Management of financial risks

The Incap Group's operations are subject to normal risks associated with international operations. The objective of the Group's risk management is to ensure that the Incap Group receives the financing it requires cost-effectively and to minimise the effect of fluctuations in financial markets on the Group's results.

Currency risks

The Incap Group mainly operates in the euro area and Estonia where operations are not susceptible to currency risks. The main currency rate risks in the Group's operations are connected with purchases and sales made in the United Kingdom, China and the United States. During the financial year, the Group did not hedge its operations against adverse changes in currency rates, because currency rate risks were not considered significant.

Interest rate risk

At the balance sheet date, interest-bearing liabilities on the consolidated balance sheet totalled EUR 9.4 million, the bulk of which had a variable rate. The Group did not carry out any special hedging procedures against interest rate risks during the financial year.

Liquidity risk

The Incap Group ensures its liquidity through concentrated cash management and an undrawn credit facility. Surplus cash is invested in a money market fund. At 31 December 2006, undrawn credit totalled EUR 5.0 million.

Credit risk

The Incap Group determines its customers' creditworthiness and deals mostly with companies with a good credit rating. Trade debtors are spread among a large clientele, and no large credit risk concentrations have materialised. The Incap Group has not used credit insurance to hedge its trade receivables.

Commodity risk

The Incap Group is subject to commodity risk associated with availability and price fluctuations of commodities. Incap aims to minimise this risk by concluding frame agreements with renowned partners. The Group does not carry out any hedging procedures against this risk at the moment, because this risk is not considered significant.

22. Fair values of financial assets and liabilities

The fair values of financial assets do not differ from their carrying amount.

	Carrying amount 2006	Fair value 2006	Carrying amount 2005	Fair value 2005
Financial liabilities				
Bank loans	1,090	1,087	1,795	1,791
Pension loans	193	192	274	273
Other interest-bearing loans	2,068	2,103	2,578	2,582
Finance lease liabilities	6,068	6,068	2,864	2,696
Trade and other payables	15,620	15,620	14,400	14,400

The fair values of interest-bearing finance lease liabilities and current liabilities do not differ materially from their carrying amount.

Discount rates applied in determining fair value

	2006	2005
Bank and other loans	2.57% – 5.78%	2.77% – 5.50%

23. Adjustments to cash flows from operations

1,000 euros	2006	2005
Non-cash transactions		
Depreciation and impairment losses	2,284	2,592
Change in finance lease agreements due to IFRS adjustments from other operating expenses	-1,190	-1,203
Employee benefits expense	135	54
Allocation of fixed expenses to inventories	0	62
Transfer of capital gains on tangible assets to cash flow from investments	-2	-650
Transfer of finance lease payments to cash flow from financing activities	1,100	1,165
Adjustments to leases	-331	0
	1,996	**2,020**

24. Operating leases

The Group has leased the production and office space it uses, except for the premises of the Vuokatti factory and the premises used by Ultraprint Oy. Part of these agreements are in force until further notice, whereas the length of others is up to a maximum of five years. The termination periods of lease agreements in force until further notice vary from three to eighteen months. Lease agreements ending on a fixed date include an option of continuing the agreement after the original expiry date. The index, renewal and other terms of the agreements differ from each other.

Non-cancellable operating leases also include equipment leases, which are not classified as finance leases under IFRS.

The Group as lessee

Minimum lease payments under non-cancellable operating leases. The amounts do not include value added tax

	2006	2005
Less than 1 year	1,287	915
1–5 years	2,842	1,531
Over 5 years	0	311
	4,130	**2,758**

The income statement for 2006 includes EUR 1.4 million of lease expenses paid for operating leases (EUR 1.0 million in 2005).

25. Collateral and contingent and related liabilities

	2006	2005
Collateral given on behalf of own commitments		
Mortgages	538	841
Business mortgages	5,447	7,776
Collateral given on behalf of others		
Guarantees on behalf of subsidiaries	164	205
Repurchase liability for trade receivables sold to finance companies	2,737	2,647
Lease liabilities, net of VAT	4,130	2,758
Incap Corporation has an obligation, as the leaseholder, to acquire the shares of the property Valuraudankuja 7 Oy		
from Varma-Sampo Insurance Company no later than on the expiry of the lease period on 31 December 2011.		
Repurchase price corresponding to fair value	3,273	3,330
Obligation to return value added tax in the situations set out in Section 33 of the Value Added Tax Act		
Value added tax deducted for a new building or basic improvement, for which there is a liability to refund		
the amount under Section 33, in respect of investments made in the financial years 2002–2006	29	593

26. Related-party transactions

Management's employee benefits	2006	2005
Management comprises the members of the Board of Directors and the Group Management Team		
Salaries and other current employee benefits	880	636
Share-based payment	105	41
	985	678

The President and CEO's period of notice is six months, and if his contract is terminated by the company, he will be paid separate compensation corresponding to 12 months of salary in addition to the salary during the period of notice. The pension benefits of the President and CEO and the other members of the Group Management Team are determined in accordance with the Employment Pensions Act (TEL).

Wages and salaries	2006	2005
President and CEO	235	255
Board members		
Seppo Arponen	23	17
Juha-Pekka Kallunki	23	13
Kalevi Laurila	23	18
Timo Leinilä	23	18
Sakari Nikkanen	23	18
Jorma Terentjeff	34	26
Juhani Vesterinen, former Board member	0	5

The company's management was granted 94,800 share options in 2006 and 30,000 share options in 2005.
Management's share options are subject to the same terms and conditions as the options for the rest of the personnel.

PARENT COMPANY INCOME STATEMENT

1,000 euros	Note	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
Revenue	1	87,804	76,274
Changes in inventories of finished goods and work in progress		1,318	-337
Other operating income	2	701	683
Raw materials and services	3	63,250	52,287
Personnel expenses	4	14,886	12,812
Depreciaton, amortisation and impairment losses	5	1,688	2,036
Other operating expenses	6	7,986	7,540
Operating profit/loss		**2,013**	**1,945**
Financial income and expenses	7	-304	-409
Profit/loss before extraordinary items		**1,710**	**1,536**
Extraordinary items	8	331	1 089
Profit/loss before appropriations and taxes		**2,041**	**2,625**
Income taxes	9	765	1,817
Profit/loss for the financial year		**2,806**	**4,442**

PARENT COMPANY BALANCE SHEET

1,000 euros	Note	31 Dec. 2006	31 Dec. 2005
ASSETS			
Non-current assets			
Intangible assets	10	1,542	2,381
Tangible assets	10	4,227	4,297
Investments	11		
Holdings in Group companies		871	871
Other investments		14	14
Non-current assets, total		**6,653**	**7,562**
Current assets			
Inventories	12	12,373	11,027
Non-current receivables	13	4,434	3,710
Current receivables	13	15,890	13,110
Cash in hand and at bank		434	2,094
Current assets, total		**33,131**	**29,941**
Assets, total		**39,784**	**37,503**
LIABILITIES			
Equity	14		
Share capital		20,487	20,487
Share premium account		44	44
Retained earnings		-2,172	-6,615
Profit for the financial year		2,806	4,442
Equity, total		**21,165**	**18,359**
Appropriations		**252**	**252**
Liabilities			
Non-current liabilities	15	2,414	3,447
Current liabilities	16	15,954	15,446
Liabilities, total		**18,368**	**18,893**
Equity and liabilities, total		**39,784**	**37,503**

PARENT COMPANY'S CASH FLOW STATEMENT

1,000 euros	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
Cash flows from operating activities		
Operating profit	2,013	1,945
Adjustments to operating profit	1,670	1,821
Change in working capital	-3,143	2,454
Interest paid	-346	-500
Interest received	39	29
Taxes paid	0	-78
Cash flows from operating activities	**233**	**5,671**
Cash flows from investing activities		
Investments in tangible and intangible assets	-808	-614
Proceeds from sales of tangible and intangible assets	47	3,122
Repayments of loan receivables	77	124
Cash flows from investing activities	**-684**	**2,632**
Cash flows from financing activities		
Loan repayments	-1,209	-6,395
Cash flow from financing activities	**-1,209**	**-6,395**
Change in cash and cash equivalents	**-1,660**	**1,908**
Cash and cash equivalents at the beginning of the financial year	2,094	186
Cash and cash equivalents at the end of the financial year	**434**	**2 094**
Change in working capital:		
Increase in current trade receivables	-2,815	1,920
Increase in inventories	-1,346	809
Increase in current liabilities	1,018	-275
	-3,143	2,454

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Accounting policies 2006

Principles of measurement and periodisation

Non-current assets

Non-current tangible and intangible assets are recorded in the balance sheet at historical cost less depreciation according to plan and amortisation. Investment grants received have been entered as a credit to the corresponding asset item. Depreciation according to plan has been calculated according to the straight-line principle on the basis of the useful life of the property, plant and equipment.

Intangible assets	
Goodwill	5-6 years
Goodwill on consolidation	5 years
Other intangible rights	3-5 years

Tangible assets	
Buildings and structures	20-24 years
Machinery and equipment	3-10 years
Vehicle fleet	3-5 years

Inventories

Inventories are measured at the lower of historical cost under FIFO or the repurchase value or selling price.

Financial assets and management of financial risks

Trade receivables and payables are not exposed to significant interest rate or foreign currency risks.

Foreign currency transactions

Items denominated in foreign currency have been translated at the average rate stated by the European Central Bank at the balance sheet date. Exchange differences between sales and purchases have been allocated as a credit or debit to said items. Exchange differences have not arisen on the consolidation of a foreign subsidiary.

Leases

In the parent company's financial statements, lease payments for property, plant and equipment obtained on a finance lease are included as lease expenses in other operating expenses.

Research and development expenditure

Research and development expenditure in 2006 has been treated as annual expenses within other operating expenses.

Periodisation of pension expenses

Employees' pension security including supplementary benefits has been insured with pension insurance companies. Pension expense is calculated on a time apportionment basis and entered in the income statement.

Income taxes

Incap Corporation has, for taxation purposes, unused losses which have been approved and can be utilised in the years 2007-2015. A tax asset is recognized to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized.

NOTES TO THE PARENT COMPANY INCOME STATEMENT

Notes to the income statement

	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
1. Revenue		
Revenue by market area		
Finland	74,937	68,197
Europe	6,671	4,069
Other	6,196	4,007
	87,804	**76,274**
2. Other operating income		
Capital gains on the sale of property, plant and equipment	91	215
Other income	610	468
	701	**683**
3. Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	51,658	42,868
Change in inventories	-29	-613
	51,630	**42,255**
External services	11,620	10,032
	63,250	**52,287**
4. Personnel expenses and number of personnel		
4.1 Number of personnel		
Average number of employees of the parent company during the year		
White collar	97	85
Blue collar	283	275
Total	380	360
4.2 Personnel expenses		
Wages and salaries	11,933	10,214
Pension expenses	1,898	1,607
Other social security expenses	1,055	991
	14,886	**12,812**
4.3 Salaries and bonus of the management		
President and the Board	386	386

	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
5. Depreciation and impairment losses		
Depreciation according to plan	1,688	1,989
Impairment losses on non-current assets	0	47
	1,688	**2,036**

The specification of depreciation and amortisation for individual balance sheet items is included in the item Intangible and Tangible Assets. The depreciation and amortisation periods are presented in the accounting policies.

	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
6. Other operating expense		
Lease payments	2,356	2,908
Maintenance expenses for machinery and properties	1,986	1,903
Other expenses	3,644	2,729
	7,986	**7,540**
7. Financial income and expenses		
Dividend income		
From other companies	1	1
Other interest and financial income		
From Group companies	19	0
From other companies	19	29
Interest paid and other financial expenses		
To other companies	-343	-440
	-304	**-409**
8. Extraordinary items		
Extraordinary income	331	1,089

Extraordinary income comprises lease incomes from previous years.

	1 Jan.–31 Dec. 2006	1 Jan.–31 Dec. 2005
9. Income taxes		
Change in deferred tax asset	765	1,895
Income taxes for previous periods	0	-78
	765	**1,817**

10. Property, plant and equipment

Intangible assets

	Intangible rights	Goodwill	Other long-term expenditure	Total
Acquisition cost, 1 Jan. 2006	1,171	16,337	1,496	19,004
Increase	114	0	0	114
Acquisition cost, 31 Dec. 2006	1,285	16,337	1,496	19,118
Accumulated amortisation and impairment losses, 1 Jan. 2006	-925	-14,223	-1,475	-16,623
Amortisation during the year	-60	-875	-18	-953
Accumulated amortisation, 31 Dec. 2006	-985	-15,098	-1,493	-17,576
Carrying amount, 31 Dec. 2006	300	1,239	3	1,542
Carrying amount, 31 Dec. 2005	246	2,114	21	2,381

Tangible assets

	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan. 2006	60	4,685	23,351	475	28,572
Increase	0	0	646	47	694
Decrease	0	0	-29	0	-29
Acquisition cost, 31 Dec. 2006	60	4,685	23,969	523	29,237
Accumulated depreciation and impairment losses, 1 Jan. 2006	0	-1,558	-22,360	-358	-24,275
Depreciation during the year	0	-243	-441	-51	-735
Impairment losses	0	0	0	0	0
Accumulated depreciation, 31 Dec. 2006	0	-1,801	-22,801	-408	-25,010
Carrying amount, 31 Dec. 2006	60	2,884	1,168	114	4,227
Carrying amount, 31 Dec. 2005	60	3,127	991	118	4,297

Carrying amount of production machinery and equipment, 31 Dec. 2006	1,035
Carrying amount of production machinery and equipment, 31 Dec. 2005	991

11. Investments

	Holdings in Group companies	Other shares	Total
Acquisition cost, 1 Jan. 2006	871	14	884
Acquisition cost, 31 Dec. 2006	871	14	884
Carrying amount, 31 Dec. 2006	871	14	884

12. Inventories

	2006	2005
Raw materials and consumables	8,344	8,315
Work in progress	2,119	1,402
Finished goods	1,911	1,310
	12,373	**11,027**

A total of EUR 208,403.00 was allocated to inventories as fixed costs of purchases and production in 2006, of which EUR 309,779.00 was recorded as an increase in previous years' results and EUR 101,375.00 as a decrease in the financial year's result.

13. Assets

	2006	2005
Non-current		
Amount owed by Group companies		
Loan receivables	124	165
Deferred tax asset	4,310	3,545
Current		
Trade receivables	13,115	11,670
Amount owed by Group companies		
Trade receivables	1,390	567
Interest receivables	19	1
Loan receivables	146	182
	1,555	**750**
Prepaid expenses and accrued income	1,221	689
Total receivables	**20,324**	**16,820**

14. Equity

	2006	2005
Subscribed capital, 1 Jan.	20,487	20,487
Subscribed capital, 31 Dec.	20,487	20,487
Share premium account, 1 Jan.	44	44
Share premium account, 31 Dec.	44	44
Total restricted equity	**20,531**	**20,531**
Retained earnings, 1 Jan.	-2,172	-6,924
Fixed expenses from purchases and production included in value of inventories	0	310
Retained earnings, 31 Dec.	-2,172	-6,615
Profit for the financial year	2,806	4,442
Total non-restricted equity	**634**	**-2,172**
Total equity	**21,165**	**18,359**
Distributable funds		
Retained earnings	-2,172	-6,615
Profit for the financial year	2,806	4,442
	634	**-2,172**

15. Non-current liabilities

	2006	2005
Loans from credit institutions	629	1,147
Pension loans	179	255
Other liabilities	1,606	2,045
	2,414	**3,447**
Liabilities falling due after five years		
Pension loans	0	144
Other non-current liabilities	171	513
	171	**657**

16. Current liabilities

	2006	2005
Loans from credit institutions	460	630
Pension loans	13	19
Advances received	0	93
Trade payables	9, 080	7,982
Amount owed to Group companies		
Trade payables	996	877
Other liabilities	2,127	2,082
Accruals and deferred income	3,277	3,762
	15,954	**15,446**
Total interest-bearing liabilities	914	1,089

Material items in accruals and deferred income

Wages and salaries, incl. social costs	3,099	2,843
Lease payment liabilities	50	231
Interest	26	23
Other	102	666
	3,277	**3,762**

Other notes to the accounts

Collateral

	2006	2005
Loans for which real-estate has		
been mortgaged as collateral		
Loans from credit institutions	338	574
Mortgages	504	841
Loans for which business mortgages		
have been given as collateral		
Loans from credit institutions	843	845
Mortgages	5,279	7,776
Guarantees on behalf of		
Group companies	164	205

Contingent and other liabilities

	2006	2005
Lease liabilities, net of VAT		
Liabilities falling due next year	2,107	1,079
Liabilities falling due after one year	3,141	2,424

Finance leases include the option to buy acquired fixed assets at fair value at the end of the lease period.

Repurchase agreement,		
off-balance sheet	3,273	3,330

As the leaseholder, Incap Corporation has an obligation to acquire the shares of Valuraudankuja 7 Oy from Varma-Sampo. The obligation must be exercised by the end of the lease period on 31 December 2011. The repurchase price is the fair value.

Repurchase liability for trade receivables		
sold to finance companies	2,737	2,647
Lease liabilities for the Group's premises	2,304	2,785
Lease and instalment liabilities included in the balance sheets		
Premises,		
carrying amount of fixed assets	2,884	3,127
Corresponding liabilities	2,045	2,485
Obligation to return value added tax in the situations set out in Section 33 of the Value Added Tax Act	0	587

For basic improvements carried out in 2002–2006, value added tax has been deducted where there is a refund obligation under Section 33 of the Value Added Tax Act.

DEFINITIONS OF KEY FIGURES

Return on equity, %

$$\frac{100 \times (\text{profit before tax less tax})}{\text{equity (mean for financial year)} + \text{minority interest}}$$

Return on investment, %

$$\frac{100 \times (\text{profit before tax} + \text{interest and other financial expenses})}{\text{total assets less non-interest-bearing loans (mean for financial year)}}$$

Equity ratio, %

$$\frac{100 \times (\text{equity} + \text{minority interest})}{\text{total assets less advance payments received}}$$

Gearing, %

$$\frac{100 \times (\text{interest-bearing liabilities less cash and cash equivalents})}{\text{equity} + \text{minority holdings}}$$

Net debt

liabilities less financial assets

Liability payback period, years

$$\frac{\text{interest-bearing liabilities}}{\text{calculated cash flow}^{1)}}$$

Quick ratio

$$\frac{\text{financial assets}}{\text{short-term liabilities}}$$

Current ratio

$$\frac{\text{financial assets} + \text{inventories}}{\text{current liabilities}}$$

Investments

purchases of property, plant and equipment net of VAT and including investment subsidies

Average personnel

average number of employees at end of month

Per-share data

Earnings per share

$$\frac{\text{net profit}}{\text{share issue-adjusted mean number of shares during financial year}}$$

Equity per share

$$\frac{\text{equity}}{\text{share issue-adjusted number of shares at end of financial year}}$$

Dividend per share

$$\frac{\text{dividend during financial year}}{\text{share issue-adjusted number of dividend-earning shares at end of financial year}}$$

Dividend out of profit, %

$$\frac{100 \times \text{dividend per share}}{\text{earnings per share}}$$

Cash flow per share

$$\frac{\text{calculated cash flow}^{1)}}{\text{share issue-adjusted number of shares at end of financial year}}$$

Effective dividend yield, %

$$\frac{100 \times \text{dividend per share}}{\text{last price at balance sheet date}}$$

Price per earnings (P/E) ratio

$$\frac{\text{last price at balance sheet date}}{\text{earnings per share}}$$

Total market capitalisation

last price at balance sheet date × number of shares in issue

[1)] Calculated cash flow is profit before taxes less income taxes in the income statement + depreciation.

FIVE-YEAR KEY FIGURES

		IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002
Revenue	EUR million	89.3	76.7	70.8	65.2	69.0
Growth	%	17	8	9	-6	-31
Export	EUR million	13.1	8.2	10.0	4.6	9.6
Share of revenue	%	15	11	14	7	14
Operating profit	EUR million	2.8	3.8	3.8	-1.9	-3.8
Share of revenue	%	3	5	5	-3	-5
Profit before taxes	EUR million	2.3	3.2	3.1	-6.0	-10.8
Share of revenue	%	3	4	4	-9	-16
Return on equity (ROE)	%	17.3	36.0	32.9	-17.7	-20.7
Return on investment (ROI)	%	10.5	14.7	12.8	-6.0	-9.1
Total assets	EUR million	45.5	39.2	40.1	37.7	45.6
Equity ratio	%	44.7	43.4	28.5	34.3	40.8
Gearing	%	43.9	31.2	133.0	92.0	88.1
Net debt	EUR million	10.7	7.1	15.1	12.8	16.3
Liability payback period	years	2	1	3	-5	-2
Quick ratio		0.8	0.9	0.7	0.7	0.6
Current ratio		1.6	1.7	1.4	1.5	1.6
Investments	EUR million	7.1	0.8	0.4	0.5	1.1
Share of revenue	%	8	1	1	1	2
R&D expenditure	EUR million	0.5	0.6	1.9	2.0	2.1
Share of revenue	%	1	1	3	3	3
Average number of employees		521	468	552	562	630
Dividends	EUR million [1]	0.0	0.0	0.0	0.0	0.0
Per-share data						
Earnings per share	EUR	0.26	0.42	0.34	-0.20	-0.49
Equity per share	EUR	1.67	1.39	0.94	1.06	1.52
Dividend per share	EUR [1]	0.0	0.0	0.0	0.0	0.0
Dividend out of profit	% [1]	0.0	0.0	0.0	0.0	0.0
Cash flow per share	EUR	0.38	0.47	0.50	-0.20	-0.62
Effective dividend yield	% [1]	0.0	0.0	0.0	0.0	0.0
P/E ratio		9.7	4.5	5.6	-9.04	-3.3
Trend in share price						
Minimum price during year	EUR	1.82	1.65	1.65	0.87	1.63
Maximum price during year	EUR	2.90	2.07	2.59	2.15	5.63
Mean price during year	EUR	2.32	1.82	2.09	1.59	3.37
Closing price at end of year	EUR	2.51	1.87	1.90	1.80	1.63
Total market capitalisation at 31 Dec.	EUR million	30.6	22.8	23.1	21.9	19.9
Trade volume	no. of shares	11,010,588	3,276,966	3,438,988	3,367,276	867,553
Trade volume	%	90	27	28	28	9
Share issue-adjusted number of shares						
Mean number during year		12,180,880	12,180,880	12,180,880	12,180,880	9,615,282
Number at end of year		12,180,880	12,180,880	12,180,880	12,180,880	12,180,880

[1] The Board of Directors proposes to the Annual General Meeting that no dividend be paid out.

The balance sheets used in calculating the key ratios for 2004 and 2005 include the carrying amounts of discontinued operations.

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 Helsinki Stock Exchange. In the Nordic OMX List, Incap belongs to the Small Cap segment and Incap's industry sector is Information Technology. The company code is ICP and the book-entry type code is ICPIV.

The price of Incap Corporation's share varied in the range of EUR 1.82 to EUR 2.90 during the financial year. The last quotation in trading at the end of the year was EUR 2.51. The total trading of the share during the financial year was 90%. The company's market capitalisation at 31 December 2006 was EUR 30,574,009. At the close of the financial year, the company had 1,179 shareholders, and 10% of the shares were owned by foreigners and nominee-registered holders.

Authorisations by the Board of Directors

On 11 April 2006 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, entitling to increase the share capital by a maximum of EUR 4,092,776. The Board of Directors did not exercise the authorisation during the financial year.

Stock option scheme 2004

The stock option scheme introduced in 2004 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.

Stock options are divided into stock options A, B and C. At the issuing stage, a condition of the distribution of stock options 2004A and 2004B was 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 is EUR 2.25, which is the trade volume weighted average quotation of the Incap share traded on the Helsinki Exchanges from 1 to 31 May 2004. The subscription price with 2004C option warrants is accordingly the trade volume weighted average quotation of the Incap share traded on the Helsinki Exchanges between 1 to 31 March 2006, which was EUR 2.05. 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.

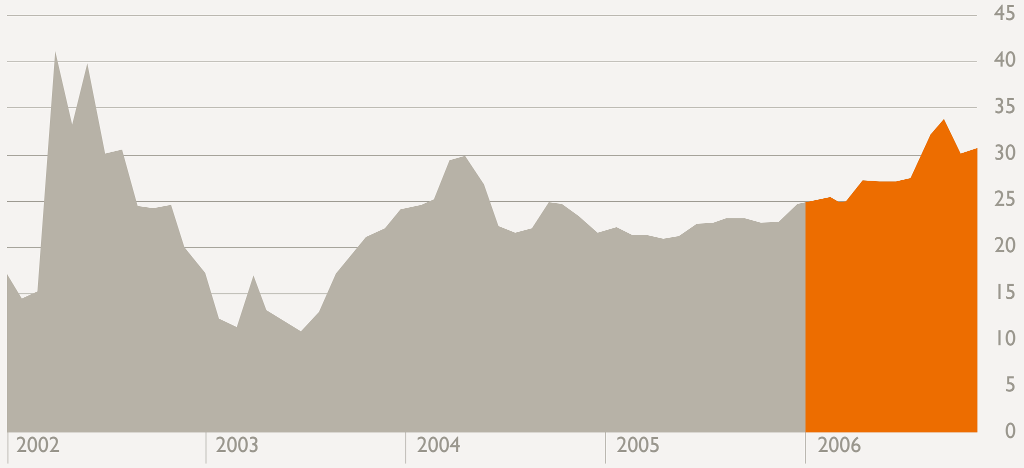
The subscription period for shares with 2004A option warrants is from 1 April 2007 to 30 April 2009, with 2004B option warrants from 1 April 2008 to 30 April 2010 and with 2004C option warrants from 1 April 2009 to 30 April 2011. The subscription period for shares through the exercise of option warrants 2004A shall only begin, however, when the average price of the Incap share, weighted by two months' trade volume, exceeds EUR 3.00. With option warrants 2004B, the respective average minimum price is EUR 4.20. For option warrants 2004C, there is no minimum share price defined.

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. 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.

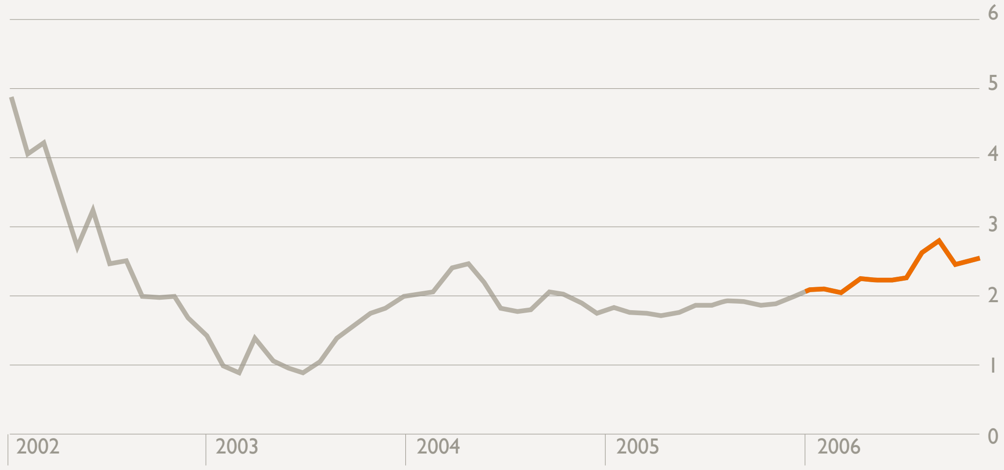
Shareholdings of the Board of Directors and the president

The members of the company's Board of Directors and the president as well as the companies under their control, owned a total of 2,572,324 shares, or 21% of the company's shares outstanding and voting rights. At the end of the financial year, the President has a total of 91,600 warrants of the year 2004 stock option scheme. If all the warrants issued by the end of 2006 are converted into shares, the president and the Board of Directors as well as the companies under their control will hold 22% of the total shares outstanding.

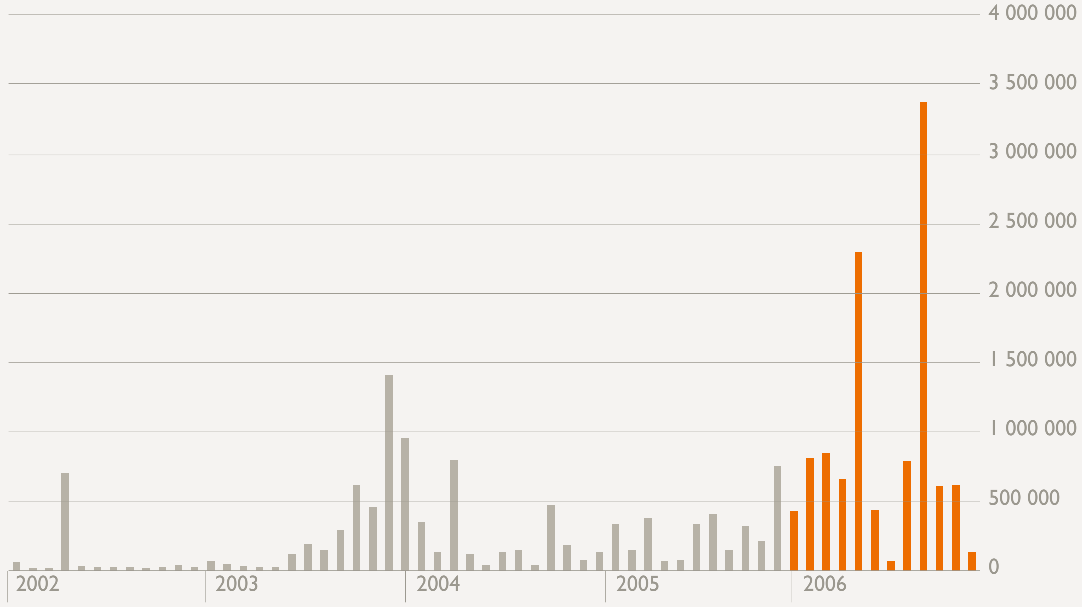
Market capitalisation 2002-2006, EUR million



Share price 2002-2006, EUR



Turnover volume 2002-2006, number of shares



Development of share capital 1991–2006

Date		Change, 1 000 euros	Registered on	Share capital, 1 000 euros
31.1.1991	Merger	5,760	26.2.1992	7,862
28.4.1992	Increase	424	25.11.1992	8,286
30.9.1992	Decrease	4,972	2.12.1992	3,314
15.1.1993	Increase	32	11.8.1993	3,347
16.3.1994	Increase	563	21.12.1994	3,910
10.3.1997	Increase	978	21.3.1997	4,889
5.5.1997	Increase	975	5.5.1997	5,864
4.5.1998	Increase	40	4.5.1998	5,904
21.3.2002	Increase	14,583	24.4.2002	20,487

Breakdown of shareholdings by sector at 29 December 2006

	Owners		Shares and votes	
	pcs	%	pcs	%
Private enterprises	87	7.4	5,582,427	45.8
Financial institutions and insurance companies	13	1.1	1,131,584	12.1
Public sector entities	4	0.3	620,800	5.1
Non-profit organisations	7	0.6	23,001	0.2
Households	1,065	90.3	3,306,327	27.2
Foreigners	3	0.3	1,169,200	9.6
Total	1,179	100.0	12,180,880	100.0
Nominee-registered shares	7		347,541	2.9

Breakdown of shareholdings by number of shares at 29 December 2006

Shares	Shareholders		Shares and votes	
pcs	pcs	%	pcs	%
1 – 100	131	11.1	9,501	0.1
101 – 1 000	580	49.2	322,899	2.7
1 001 – 10 000	393	33.3	1,392,436	11.4
10 001 – 100 000	60	5.1	1,803,445	14.8
100 001 – 500 000	10	0.9	2,405,503	19.7
500 001 –	5	0.4	6,247,096	51.3
Total	1,179	100.0	12,180,880	100.0

Twenty largest shareholders at 29 December 2006

	Share pcs	Percentage of total shares and votes, %
JMC Finance Oy	1,845,296	15.2
Etra Invest Oy	1,732,500	14.2
Irish Life	1,161,700	9.5
Ingman Finance Oy Ab	849,500	7.0
Pohjola Group plc	658,100	5.4
Ilmarinen Mutual Pension Insurance Company	400,000	3.3
Leimark Invest Oy Ab	358,500	2.9
Terentjeff Jorma	304,504	2.5
Sampo plc	290,672	2.4
West-Holdings Oy Ab	265,472	2.2
Svenska Handelsbanken AB (publ)	246,103	2.0
City of Turku Risk Management Fund	202,800	1.7
Laurila Kalevi Henrik	131,552	1.1
Soini Heikki	105,000	0.9
Suutari Pekka Johannes	100,900	0.8
Sundholm Göran	100,000	0.8
Nordea Bank plc	96,700	0.8
Arola Antti	90,550	0.7
Placeringsfonden Handelsbanken Aktie	80,000	0.7
Sampo Life Insurance Company Ltd	77,000	0.6

List on 50 largest shareholders is available on Incap's website and is updated once a month.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFITS

The parent company's distributable funds total EUR 633,581.59 including EUR 2,805,820.03 in net profit for the financial year. The Board of Directors will propose to the Annual General Meeting to be held on 3 April 2007 that no dividend be distributed and that the profit for the financial year be transferred to retained earnings.

Oulu, 26 February 2007

Jorma Terentjeff *Chairman of the Board*	Seppo Arponen	Juha-Pekka Kallunki
Kalevi Laurila	Timo Leinilä	Sakari Nikkanen
Juhani Hanninen *President and CEO*		

AUDITOR'S REPORT

To the shareholders of Incap Corporation

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Incap Corporation for the period 1.1. – 31.12.2006. The Board of Directors and the CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

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

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the 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 disposal of distributable funds is in compliance with the Companies Act.

In Oulu, February 26, 2007

Ernst & Young Oy
Authorised Public Accountants

Rauno Sipilä
Authorised 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 the Helsinki Stock Exchange, 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 2005.

Annual General Meeting

Incap Corporation's highest decision-making body is the general meeting of shareholders, which at the invitation of the Board, convenes once a year in an Annual General Meeting. The General Meeting is held within six months of the end of the financial period, generally in April. 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 to be decided 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 members on the Board of Directors and electing the members.

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 website 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 holding 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 publication of the Notice of Meeting are announced separately.

Present at the General Meeting are the President and CEO, the chairman of the Board of Directors and, if possible, all the members of the Board of Directors. Persons proposed to the Board 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 2006, the Annual General Meeting was held on 11 April in Oulu. A total of 28 shareholders participated in the Annual General Meeting. They represented a total of 43 per cent of the company's shares and 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 determines the number of members on the Board of Directors and elects the directors. Under the Articles of Association, the Board of Directors shall have from five to seven ordinary members. The term of office for members of the Board of Directors is one year and it commences from the date of the Annual General Meeting at which they are elected and ends at the close of the next Annual General Meeting. Directors can be re-elected.

Incap Corporation's Board of Directors steers 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 written rules of procedure 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, generally about 8–9 times a year. 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 rules of procedure. The Board carried out its self-assessment in January 2006.

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 provided at all times 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 major 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 website.

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 2006 resolved to elect six members to the Board of Directors. Seppo Arponen, Kalevi Laurila, Timo Leinilä, Sakari Nikkanen and Jorma Terentjeff were re-elected to seats on the Board of Directors, and Juha-Pekka Kallunki was elected as a new member. At its organisation meeting, the Board of Directors elected, from amongst its number, Jorma Terentjeff chairman. The Board of Directors convened 17 times in 2006 and the average attendance was 99 per cent.

The 2006 Annual General Meeting confirmed that the monthly remuneration paid to the Chairman of the Board of Directors shall be EUR 3,000 and the monthly remuneration paid to directors shall be EUR 2,000. A fee of EUR 200 is paid for each meeting. The salaries and remuneration paid to directors in 2006 totalled EUR 151,200.

None of the directors is part of the equity-derivative compensation system unveiled in 2004.

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 oversees 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 website. In addition, the company publishes the President and CEO's salary and other benefits, shares and stock options received as remuneration, retirement age and period of notice as well as the criteria for determining his or her pension and 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 2006 financial year. The salary and remuneration paid to him for 2006 amounted to a total of EUR 234,700. The President and CEO holds 18,000 Incap shares, 30,000 stock options 2004A, 30,000 stock options 2004B and 31,600 stock options 2004C. The chief executive's retirement age is determined in accordance with the Employees' Pensions Act. The chief executive's period of notice is six months, and if his executive contract is terminated by the company, he will be paid separate compensation corresponding to 12 months of salary in addition to the salary during the period of notice.

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 different functions. The members of the Management Team are appointed by the President and CEO, who also decides on the terms and conditions of the employment and salaries of the Management Team's members following the one-over-one principle. 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 Management Team are disclosed in the Annual Report and on the company's website.

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 website.

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 the company's 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 2006 were revenue, net result and inventory turnover rate.

Board members and entities under their control, the President and CEO and the Management Team own a total of 2,595,424 shares and 274,800 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 normal tasks 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 January 2006, and they have been posted on the company's website. 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 within 28 days from the publication of an interim report and financial statement bulletin, nevertheless with the provision that a person who is a permanent insider does not have in his or her possession at that time any other insider information. The members of the Board of Directors and the Management Team as well as the secretary to the Board of Directors must always ascertain the appropriateness of their own trading by checking with the person in charge of insider issues prior to ordering the purchase or sale of shares.

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 particular project.

The Group's permanent insiders are recorded in a register kept by Finnish Central Securities Depository Ltd. The register is divided into a public and non-public register. The public register includes the members of the Board of Directors, the auditor and the deputy auditor, the President and CEO and the Management Team. The non-public register includes Incap employees who have regular access to insider information in the course of their duties and whom the President and CEO has specified as insiders. A register of project-specific insiders is kept by Corporate Administration.

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

The 2006 Annual General Meeting re-elected as the company's auditor the independent firm of accountants Ernst & Young Oy, with Rauno Sipilä, Authorised Public Accountant, acting as principal auditor. The auditors were paid a total of EUR 45,753 in audit fees and for other services a total of EUR 24,362.

Communications

Incap provides reliable, sufficient and up-to-date information on its business operations, financial development and business objectives. Corporate communications aim to raise the visibility of the company and generate increased interest in it, making sure that all interest groups have a correct and comprehensive view of the company that is in line 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 website (www.incap.fi), which is available in Finnish and English.

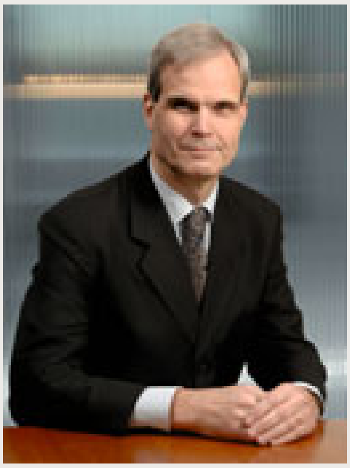
BOARD OF DIRECTORS

Jorma Terentjeff
Chairman of the Board

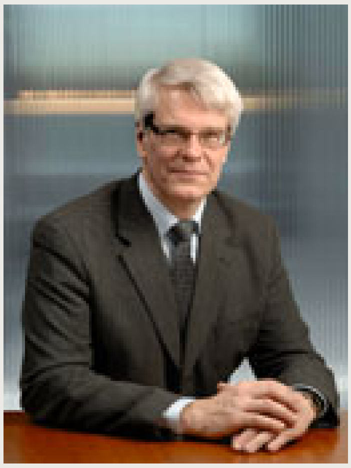
Seppo Arponen

Juha-Pekka Kallunki

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. Jorma Terentjeff is a member of the supervisory board of Kaleva Mutual Insurance Company and also a member of several other corporate boards. He is one of the ten largest shareholders in Incap.

Incap shares (held directly, by family members and controlled corporations): 569,976
Share options: -

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 (held directly, by family members and controlled corporations): 3,500
Share options: -

Juha-Pekka Kallunki
Professor, D.Sc. (Econ.)
Born 1969
A non-executive director who is independent of the company and its major shareholders.

Juha-Pekka Kallunki has been a member of the Board of Directors of Incap since 2005. He is professor of financial accounting at the University of Oulu, Faculty of Economics and Business. His specialist subjects are stock market activities, financial statement analysis and the valuation of a firm. He has published several management books and dozens of international papers in accounting and financing. Juha-Pekka Kallunki has been a member of several other companies' Boards.

Incap shares (held directly, by family members and controlled corporations): 4,000
Share options: -

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 the largest shareholder in Incap.

Incap shares (held directly, by family members and controlled corporations): 1,976,848
Share options: -

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 Oyj and Evac Oy.

Incap shares: -
Share 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 Microwave Radio as well as Radio Access businesses and as Vice President in charge of 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 managerial 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: -
Share options: -

MANAGEMENT TEAM

Juhani Hanninen
President & CEO

Petri Saari
Sales & Marketing

Liam Kenny
Materials & Logistics

Anja Rouhiainen
Manufacturing Services
(until 28 February 2007)

Sami Mykkänen
Manufacturing Services
(as from 1 March 2007)

Niklas Skogster
Business Development

Tuula Ylimäki
Finance and Administration
(Until 31 December 2006)
CEO of Ultraprint Oy
(as from 1 January 2007)

Anne Sointu
Finance and Administration
(as from 1 January 2007)

Hannele Pöllä
Communications and Investor Relations

Juhani Hanninen
M.Sc. (Eng.), born 1948
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: 91,600

Petri Saari
B.Sc. (Eng.), born 1969
With the company since 2002
Previous positions with Nokia Cellular Systems (nowadays Nokia Networks) and JOT Automation Group

Incap shares: 4,000
Stock options: 45,800

Liam Kenny
Materials and Logistics
Various certificates by American Purchasing and Inventory Control Society (APICS), born 1973
With the company since 2005
Previous positions in SCI Ireland Ltd., SCI Systems Finland Oy and Sanmina-SCI EMS Haukipudas Oy

Incap shares: 3,000
Stock optons: 45,800

Anja Rouhiainen
M. Sc. (Ph.), born 1945
With the company since 2006
Previous positions with Nokia Electronics, Metalex Oy, Elcoteq Network Oy and Enics Estonia AS

Incap shares: -
Stock options: -

Sami Mykkänen
B.Sc (Eng.), born 1973
With the company since 2007
Previous positions with Powerwave Technologies and its predecessors ADC, REMEC and Solitra

Incap shares: -
Stock options: -

Niklas Skogster
M.Sc. (Eng.), born 1974
With the company since 2006
Previous positions with ABB, in the ABB LV Drives unit and in the Estonian unit ABB AS.

Incap shares: 2,000
Stock optons: -

Tuula Ylimäki
M.Sc. (Econ.), born 1955
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: 11,100
Stock options: 45,800

Anne Sointu
M.Sc. (Econ.), eMBA, born 1956
With the company since 2007
Previous positions with Kemppi Oy, Starkjohann Group and Varma Mutual Insurance Company

Incap shares: -
Stock options: -

Hannele Põllä
Translation diploma (DKK), commercial institute graduate (MKT), Diploma in Corporate Communication Management (VJD), born 1955
With the company since 2000
Previous positions with Instrumentarium Corporation, Hoechst Fennica Oy and Nextrom Oy

Incap shares: 3,000
Stock options: 45,800

PRESS RELEASES IN 2006

March
Incap's financial statements for the year 2005 showed that revenue had grown by 8.3% on the previous year to EUR 76.7 million. Net profit for financial year had improved and was EUR 5.5 million. Operating profit amounted to EUR 3.8 million, or 4.9% of revenue. All of Incap's electronics manufacturing operations became lead-free in the beginning of 2006. *(15 March 2006)*

April
The Annual General Meeting was held on 11 April 2006 in Oulu. The Annual General Meeting authorised the Board of Directors for one year 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 stock options. *(12 April 2006)*

May
Incap's revenue for the first quarter was EUR 21 million , or 4.1% higher than in the same period a year earlier. Operating profit amounted to EUR 1.4 million, or 6.6 % of revenue. *(4 May 2006)*
Incap started co-determination negotiations, which concerned a maximum of 130 people at the Vuokatti factory. The company's objective is to ensure and increase its competitive edge with an enhanced division of roles between its different manufacturing units. The Vuokatti unit will be developed to focus especially on the manufacture of prototypes, the ramp-up of new products and demanding testing and after-sales services. Actual volume manufacturing and labour-intensive production are planned to be concentrated at the Kuressaare factory, Estonia. *(16 May 2006)*

June
Incap continued modernising its production technology by purchasing from FINN-POWER Oy a product entity, which will increase the efficiency of Incap's sheet-metal mechanics manufacturing. *(1 June 2006)*

Incap acquired two new SMD assembly lines, one for Kuressaare and another one for Vuokatti.
(20 June 2006)

July
Incap's new factory in Kuressaare, Estonia was taken into use. The building has about 3,700 square metres of total floor space and it triples the size of previous production facilities. Due to the increased production space the technology and capacity of the unit can be raised to a level that corresponds with demand. *(24 July 2006)*

August
Revenue in January–June was up 8.5% on the same period a year earlier and was EUR 43.5 million. Operating profit amounted 5.9% of revenue i.e. EUR 2.6 million. Revenue in the second quarter amounted to EUR 22.5 million. Operating profit, a total of EUR 1.2 million, was up 6.9% over the same quarter in 2005.
(10 August 2006)

September
The opening of Incap's Kuressaare factory was celebrated on 19 September 2006. The unit's high technological level and manufacturing capacity will create good prerequisites for growth in revenue and for the acquisition of new customers in Scandinavia and Central Europe. *(19 September 2006)*

November
Revenue in January–September was up 15.2% on the same period a year earlier and was EUR 65.3 million. Operating profit amounted to EUR 3.6 million i.e. 4.8% of revenue. Revenue in the third quarter amounted to EUR 21.8 million. Costs of production transfer burdened the profitability more than expected and third-quarter operating profit represented a 2.7% share of revenue.
(9 November 2006)

Flaggings
Incap made during the year 2006 the following announcements in accordance with Chapter 2, Section 9, of the Securities Market Act on changes in holdings:

	Change in ownership	New ownership
Eqvitec Partners Oy *(19 Aptil 2006)*	below 5%	4,86%
Ingman Finance Oy Ab and Leimark Invest Oy Ab *(7 September 2006)*	over 5% *	5,89%
Teknoventure Oy *(27 September 2006)*	below 5%	0%
Etra Invest Oy *(29 September 2006)*	over 10%	14,22%
Finnvera plc *(2 October 2006)*	below 5%	0%
Announcements after the close of the financial year		
Ingman Finance Oy Ab *(26 January 2007)*	over 10%	10,10%
OKO Bank plc *(31 January 2007)*	below 5%	0%

* in total

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

The Annual General Meeting of Incap Corporation will be held on Tuesday, 3 April 2007 beginning at 2.00 p.m. in the Sokos Hotel Arina at the address Isokatu 24, 3rd floor, 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 23 March 2007.

Registration for attending the AGM must be made no later than 4.00 p.m. on Tuesday 27 March 2007.

Registration can be made by email to joanna.viileinen@incap.fi, by mailing a letter to Incap Corporation, Valuraudankuja 6, 00700 Helsinki, by phone on +358 400 437 263/Joanna Viileinen or by fax to the number +358 10 612 5680.

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

Financial information

The publication dates for financial reports in 2007 are the following:

- Financial Statement Bulletin for 2006 on Tuesday, 27 February 2007
- Interim Report for January-March on Wednesday, 9 May 2007
- Interim Report for January-June on Wednesday, 8 August 2007
- Interim Report for January-September on Wednesday, 7 November 2007.

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 Link.In 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 the book-entry register of the bank with which they have a book-entry account.

Publications can be ordered from Corporate Communications by e-mail at communications@incap.fi, at the address Incap Corporation / Communications, Valuraudankuja 6, 00700 Helsinki, by phone on +358 400 437 263/Joanna Viileinen or on the company's website at the address www.incap.fi.

Investor relations

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

When publishing its results, Incap arranges press conferences for analysts, investors, providers of finance and members of press. A Capital Markets Day 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. The respective presentation material is available on the company's website.

Incap's investor relations are managed by Hannele Pöllä, Director, Communications and Investor Relations, tel. +358 40 504 8296, hannele.polla@incap.fi.

Analysts who follow Incap Corporation

To the best of our knowledge, at least the following analysts follow 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

Antti Karessuo
OKO Bank plc
Tel. +358 9 404 2973
antti.karessuo@oko.fi

Raine Vammelvirta
FIM Securities Ltd
Tel. +358 9 6134 6443
raine.vammelvirta@fim.com

Gideon Bolotowsky
OsakeTieto
Tel. +358 9 6811 990
gideon.bolotowsky@osaketieto.com

CONTACT INFORMATION

Incap Corporation

Domicile Oulu
E-mail info@incap.fi
Website www.incap.fi
Business ID FI 06088496

Corporate offices
Kirkkokatu 13, P.O.Box 133
FI-90100 Oulu
Tel. +358 10 612 11
Fax +358 8 311 2080

Valuraudankuja 6, FI-00700 Helsinki
Tel. +358 10 612 11
Fax +358 10 612 5680

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

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

Incap Electronics Estonia OÜ
Tehnika 9, P.O.Box 241
EE-93802 Kuressaare
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

India Liaison Office
1543, Regus Business Centre
Eros Corporate Tower, Level 15
Nehru Place, New Delhi 110019, India
Tel. +91 11 4223 5158
Fax +91 11 4223 5222

Picture on page 16:
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Incap Corporation
Kirkkokatu 13
FI-90100 Oulu
Tel. +358 10 612 11
Fax +358 8 311 2080

www.incap.fi

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