InCap

ANNUAL REPORT 2007

Incap is a strongly developing, internationally operating electronics contract manufacturer with over 30 years of experience in the business. Our service offering covers the entire life cycle of electronic products, from design and manufacture to repair and maintenance services. In addition to electronics, we also manufacture mechanical products and parts.

We specialise in technically demanding products and product entities that are manufactured in small and medium-sized production series for the world's leading equipment suppliers in the electronics and electrical industry.

Incap has operations in Finland, Estonia and India. In 2007 the company had revenue of EUR 83 million and, at the end of the year, employed 810 people. Incap's share has been listed on the OMX Nordic Exchange Helsinki since 1997.

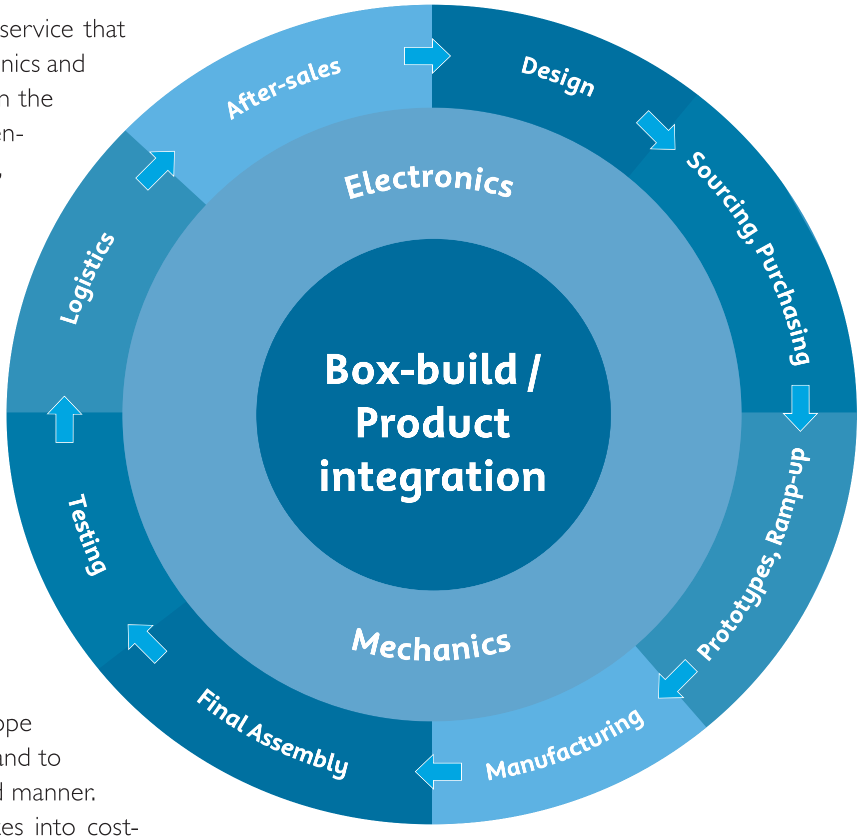
Contents

Versatile and local service

Incap offers a high-quality comprehensive service that combines versatile expertise in both electronics and mechanics to leading equipment suppliers in the electronics and electrical industry. Our clientele includes ABB, Ascom, ASSA ABLOY, Electron Tubes, Environics, GE Digital Energy, KONE, Metso, Nokia Siemens Networks, Oras, Planmeca, Rapiscan Systems, RAY, Solotop, Suunto, Tellabs, Vaisala and Victron Energy.

Our services cover the entire life cycle of a product and we have the capability to take overall responsibility for our customers' products, from design to maintenance. This means that customers can focus on their core business operations and have all the services they need provided by one supplier flexibly, reliably and with a great deal of expertise.

Incap serves its customers locally in Europe and Asia, which enables it to react quickly and to deal with its customers in a straightforward manner. Incap's presence in low-cost areas translates into cost-effective manufacturing and better competitiveness for customers.



Incap's service offering

Hi-tech – High mix – Medium volume

We focus on technically demanding products that are manufactured in medium-sized and small series. We have developed our expertise particularly in this segment, where the flexibility and high quality of our operations and our good service provide the customer with added value. Markets involving large production volumes, such as the manufacture of mobile phones, are not part of our competitive strategy.

Vision

Incap is a significant global electronics contract manufacturer specialising in technically demanding products that are manufactured in medium-sized and small series.

Strategy

Profitability
We ensure the long-term growth in shareholder value by boosting the efficiency of our business operations in all areas. Our objective is to become one of the most profitable companies among our peers.

Competitiveness
Our manufacturing services boast high technical quality and a competitive price. We are improving our operational efficiency and utilising low-cost markets in the sourcing of materials and the production of services.

Growth
We aim at growing the company's business operations both organically and through mergers and acquisitions. The increase in outsourcing and Incap's presence in strongly developing markets provide good capabilities for increasing revenue generated by existing and new customers.

Internationalisation
We offer our customers a global partnership, serving them near their markets in Europe and Asia. We are strengthening our presence in regions that offer the best opportunity for growing business operations profitably.

Values

Focus on customers
We build enduring partnerships based on mutual trust and commitment with our customers.

Profitability
We ensure our competitiveness with cost-consciousness and the correct targeting of resources.

Continuous improvement
We guarantee the company's success by developing our operations in accordance with customers' needs.

Respect for the individual
We support open interaction and a constructive team spirit in our working community.

Objectives by the year 2010

- doubling the size of our business operations through organic growth and M&A arrangements
- achieving profitable organic growth, which exceeds the average growth of EMS markets
- maintaining a balanced customer base so that none of our customer sectors has a share that exceeds 30 per cent of revenue
- becoming more international so that at least half of the company's operations are based outside Finland

Consider it well done.

Our slogan is a promise to the customer. We do what we promise. Whatever we do, we do it well.

The customer can rely on us and the high level of our service. We are satisfied only when the quality of our work fully lives up to what was agreed with the customer.

Reliable and flexible partner

What is contract manufacturing?

In order to focus on their core competence, original equipment manufacturers purchase a part or all of the services required for the manufacture of a product from companies specialising in manufacturing services. A contract manufacturer assumes responsibility for the manufacture of the entire end product or some of its components, depending on the requirement. In addition to actual volume production, the service often covers the early stages of a product's life cycle, i.e. design, manufacturability issues and prototype fabrication. In addition, after-sales services, such as maintenance and repair services, are often outsourced to contract manufacturers.

What are the benefits of outsourcing?

By outsourcing its production to a contract manufacturer, an equipment manufacturer

- frees up its own resources for the core business and its development,
- utilises the expertise of a company specialising in manufacturing operations,
- gets the products to the market more quickly,
- is able to better react to changes in demand,
- cuts costs and
- diversifies its operational risks.

Added value from our strengths

Experience and professional skill

Thanks to a history of over 30 years, Incap has solid experience in the methods used in the manufacture of electronics and sheet-metal mechanics. We have developed our operations together with our customers, based on their needs. In addition to the manufacture of electronics and mechanics, we are also proficient in the chemical milling and etching technology for the manufacture of sheet-metal products.

Focus on customers and commitment

Our organisation has been shaped in line with customers' needs. Each key customer has been assigned a designated customer-accountable sales manager and other contact persons, who together ensure quick service. We operate near our customers, which means dealing with us is easy and straightforward. The strong commitment and good service attitude of our personnel are qualities which underpin our customer relationships.

Speed and flexibility

Our operational models and manufacturing technologies have been built on small and medium-sized production series. Since we manufacture a large number of different products, our operations must be particularly quick and smooth. Our customers' needs and forecasts often change at short notice, which means that the flexibility and agility of our operations are tested daily.

Quality and delivery reliability

Our customers' products are used in demanding environments which require above-average dependability and operating reliability. Healthcare and security equipment in particular have high quality requirements, and therefore we develop our manufacturing methods in accordance with international standards. Delivery reliability forms a part of high-quality service and is one of the most important benchmarks of our operations.

Comprehensive manufacturing services in electronics and mechanics

Incap's manufacturing services cover the entire life cycle of a product and all the production stages from design and productisation to volume production and after-sales services.

Incap's integrated manufacturing services include

- product design
- selection of materials and components
- design for manufacturability and testing
- materials sourcing and purchasing
- prototype fabrication and pre-series production
- manufacture of sheet-metal mechanics
- machining of sheet-metal using chemical milling and etching technology
- assembly of electronic components, PCB assembly
- final assembly and product integration
- testing
- deliveries and logistics
- maintenance and repairs
- controlled ramp-down of a product

Design services

Design services are a growing part of our operations. In customers' product development projects we offer our expertise in mechanics and HW design, the selection of materials and components, manufacturing and testing technology, and delivery logistics. We can also take overall responsibility for a customer's product development and test design projects. When we carry out the design for testing of a product efficiently, the customer's resources are freed up to be used elsewhere and the product is delivered to the market more quickly.

Our design services cover all key areas, including product design, design for manufacturability, design for testing, component engineering services, product integration, delivery logistics and maintenance design.

The customer gains the greatest added value from our design services from the extra attention that is given to manufacturability as part of the design process. Even existing products can often be re-designed to be simpler and capable of being manufactured at a lower cost. This type of product re-design may be necessary, for example, when a product's manufacturing costs have to be lowered or components that are no longer available on the market have to be replaced.

Productisation and prototype fabrication

Our efficient productisation service ensures that the transition of products from the design stage to actual volume production occurs smoothly, so that the product is delivered to the market quickly and successfully.

We manufacture electronics and sheet-metal prototypes quickly and flexibly. A typical production time is 1–5 working days, depending on the complexity of the product in question.

Cooperation with customers in the production of prototypes enables us to raise manufacturability issues already at the design stage, when changes to the product can be carried out easily and at a reasonable cost.

Electronics manufacturing

The manufacturing of electronic products consists of widely used manufacturing processes, such as automatic and manual assembly, protective coating, final assembly and product testing. Our surface-mounted PCB production lines employ state-of-the-art technology, are ideal for the assembly of prototypes and small and large production series, and are compatible with all currently available component technologies (0201, 0402, QFP, BGA, µBGA).

Flexible and rapid reaction to customers' changing needs is guaranteed by our automated assembly, which utilises modern surface-mounted PCB technology, coupled with manual assembly carried out by teams. The quality and functionality of products are ensured with process and product testing.

We employ high-level AOI, X-RAY, Flying Probe, ICT, Boundary Scan and FUT testing technologies in the testing of products.

Sheet-metal mechanics

In the manufacture of sheet-metal products, we employ the latest technology, which enables the manufacture of demand-

ing products and the precise and speedy machining of complicated shapes. Our typical machining equipment includes flexible manufacturing systems (FMS) for punching, cutting and bending as well as automatic press lines and trimmers.

We also employ state-of-the-art jointing systems and provide surface treatments through our partner network.

Chemical milling of sheet-metal products

Our subsidiary, Ultraprint Oy, offers chemical milling and etching as a solution for the high-precision manufacture of sheet-metal products. The chemical milling and etching technology enables us to manufacture products to customer specifications quickly and economically, without incurring high tooling or start-up costs. Typical applications include EMC and EMP filters, stencils, boxes, supporting structures, seals, decoration, washers and springs.

The materials used include copper, nickel silver, brass, spring bronze, stainless steel and beryllium copper, and are usually 0.05–1.0 mm thick. The entire product or part of it can be plated with nickel-gold, copper, tin, tin-lead or silver.

Final assembly and integrated products

Box-build products incorporating both electronic and mechanical components and product integration services are a growing part of our comprehensive service. One of our most important strengths is the combination of our competence in electronics and mechanics. Contrary to many other electronics contract manufacturers, we are able to offer our customers in-house mechanics manufacture. When operations take place within the same organisation, their management is efficient and creates savings in costs. Moreover, the customer will not need to use up its resources for the coordination of deliveries.

The assembly of products incorporating both electronic and mechanical components, or the box-build/product integration services, may also include the packing of products in the customer's own packaging and direct delivery to end users.

Logistics services

With the aim of enhancing customer satisfaction and ensuring that our operations are efficient, we use information technology to create an open and systematic flow of information throughout the delivery chain.

Our logistics services include the selection of materials and their suppliers, the procurement of components and materials, the selection of the most suitable manufacturing location, coordination between factories, forwarding and transportation and direct deliveries to end users.

After-sales services

Incap's after-sales services include, in addition to the repair of products, a product maintenance and spare parts service. Our repair service mainly covers the troubleshooting and repair of equipment manufactured by Incap that has become faulty during use. In addition, we offer maintenance design, which can be used to prolong a product's service life. Incap is able to design and test changes required for a product and to carry out the necessary electronics, software or mechanics design.

Demand for contract manufacturing set to grow

The outsourcing rate of electronics manufacturing still remains at a low level, offering plenty of opportunities for growth. The position of contract manufacturers in the value chain of industry is already significant and it is expected to further strenghten and become more versatile.

Electronics contract manufacturing market still growing

According to estimates presented by various research institutes, the global Electronics Manufacturing Services (EMS) market will grow by about 10 to 12% annually until 2011. Revenue generated by the EMS sector in 2007 was, according to research institutes following the industry, 10 to 15% larger than a year earlier. Growth in 2008 is expected to be about 12%.

Contract manufacturers assume larger role in product manufacture

The contract manufacturer's role during the different stages of a product's manufacture has expanded in recent years. Original Equipment Manufacturers (OEMs) require increasingly comprehensive participation from contract manufacturers in the different stages of a product's life cycle. The Original Design Manufacturer (ODM) industry, which emerged alongside the traditional EMS model, has consolidated its position, but its growth rate has slowed down to the same level as that of the EMS industry. In the ODM model, a company specialising in design offers to manufacture a product, in addition to carrying out product design and development.

In order to survive tough competition, EMS manufacturers must be able to offer comprehensive manufacturing services also at the early stage of a product's life cycle. Participation in the design of a product also benefits the contract manufacturer and enables the selection of components and the planning of production in a more cost-effective way.

Cost pressures call for operational efficiency to be stepped up

In order to improve their competitiveness, Original Equipment Manufacturers are trimming the number of their suppliers and centralising their procurements, which, in turn, intensifies competition among contract manufacturers and lowers the sector's price levels. Contract manufacturers are also expected to be able to continuously step up the efficiency of their operations and reduce the costs of products.

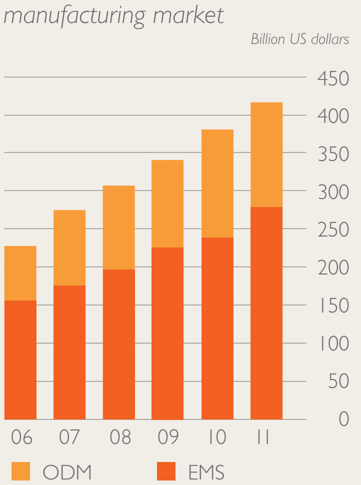
Asian markets are attracting

Drawn by low production costs, electronics contract manufacturing – and especially the manufacture of high-volume products – has migrated at an accelerating pace to countries in Eastern Europe and Asia. Among Asian countries, India, in particular, has strengthened its role alongside China in recent years.

The electronic products market in India is expected to grow by about 25–30% in the coming years and the outsourcing rate is forecast to increase by 30% annually. The skilled workforce, strong product development expertise, cost-effectiveness, English language skills and rapid social development in India offer a fertile ground for expanding contract manufacturing operations.

Demand for contract manufacturing in India and its neighbouring areas is strong, as many global equipment manufacturers have started operations there. This trend has also attracted an increasing number of component manufacturers, and the launching of their production operations in India is an important factor in ensuring the competitiveness of contract manufacturers.

The development of electronics contract manufacturing market



Source: Manufacturing Market Insider, December 2007

Incap's market position strengthened

Incap is ranked among the ten largest manufacturers in the Nordic EMS market in terms of revenue. In India there are in addition to ten large global EMS manufacturers, about fifteen local manufacturers. Incap Contract Manufacturing Services Pvt Ltd is ranked seventh among these in terms of revenue.

International and local service

Today Incap is an internationally operating contract manufacturer that is able to provide local services in Europe as well as in Asia.

The manufacturing unit located in southern India serves both international and local equipment manufacturers. The manufacturing units in Finland provide competitive services to customers who need a partner located near them to carry out either product development and prototype fabrication or serial production requiring short delivery times. The factory in Estonia, on the other hand, is attractive to Nordic and Central European customers as a manufacturing location with low cost-level.

Incap estimates that, in the coming years, its business operations will experience the strongest growth in India. Growth in Europe will be more moderate and, in Finland, business operations are estimated to remain at their current level.

A supplier to many sectors

Incap's dependence on a single customer or sector is small compared to many competitors, and the company systematically endeavours to further expand its customer structure.

Incap's wide customer base reduces the cyclical effects of the EMS business and brings stability to operations. Due to the fact that Incap's customers represent several business sectors, the company's future development cannot be forecast on the basis of any single sector's growth outlook. Therefore the company bases its future outlook forecasts primarily on customers' views of their revenue trend and on forecasts on the growth of the global contract manufacturing market released by various research institutes.

Key figures (IFRS)

Key figures (IFRS)	2007	2006
Revenue, EUR million	83.0	89.3
Operating profit, EUR million	0.3	2.8
% of revenue	0.4	3.2
Profit before taxes, EUR million	-1.1	2.3
% of revenue	-1.3	2.6
Profit/loss for the period, EUR million	-1.1	3.2
Earnings per share (EPS), euros	-0.09	0.26
Return on investment (ROI), %	1.3	10.5
Return on equity (ROE), %	-5.6	17.3
Equity ratio, %	35	45
Gearing, %	103	44
Investments, EUR million	1.5	7.1
% of revenue	1.8	8.0
Number of employees at the end of the year	810	541

2007

January
Co-operation with Bevesys Finland in the production of recycling systems started.

February
Letter of Intent signed on the acquisition of a business in India.

March
The manufacture of rectifier systems for Efore was started and co-operation with Onninen Teletekno Oy was deepened.

April
Annual General Meeting held in Oulu on 3 April.

May
Agreement signed with the TVS Group and manufacturing operations started in India. Capital Markets Day held and strategic objectives up to the year 2010 published.

June
Co-operation with the Electrical Machines unit of ABB Oy was expanded with the signing of an agreement on the manufacture of enamelled copper windings for rotor poles.

2007: A year of change and increased international presence

Incap's international presence increased and the structure of its revenue changed at short notice. The company's weakened profitability posed challenges that called for a boost in the efficiency of operations. Tendering activities were brisk, new partnership agreements were signed and new customer acquisition in Asia took off at a rapid pace.

Incap launches manufacturing operations in Asia

TVS Electronics' contract manufacturing unit in Tumkur and the related design functions in Bangalore were transferred to Incap's subsidiary in June. The start-up of manufacturing operations in Asia considerably improves Incap's market position and enables it to offer competitive services to globally operating customers. The acquisition was a significant step in Incap's drive to become more international and a quick way for the company to establish itself in Asian markets.

New customers – close partnerships

The situation in the electronics contract manufacturing market remained favourable and there was active interest towards Incap's manufacturing services throughout the year. Co-operation was started with several new customers. The ramp-up of new products kept the production utilisation rate high at all manufacturing units. New delivery agreements signed during the year will only begin to generate substantial revenue in 2008, once volume production has been started. The acquisition of new customers picked up towards the end of the year particularly in India, where the market looks promising.

Structural change in revenue posed challenges

The Incap Group's revenue was behind the target mainly due to the weakening of demand from the telecommunications sector. The launching of manufacturing operations in India and the heavy investments in growth according to strategy resulted in non-recurring expenses that burdened the company's result.

Measures implemented for improving profitability

Due to its weakened profitability, Incap started an action program with the central objective of improving the company's profitability and ensuring a positive earnings trend for 2008. The program focuses on growing the company profitably by increasing revenue, boosting the efficiency of operations through the definition of key processes and reducing materials costs and overheads.

July

August: New SMD assembly line was installed and introduced at the Tumkur manufacturing unit.

September: The company's operations and objectives were presented to various stakeholders in Bangalore and Tumkur.

October: Measures to increase efficiency were started with the aim of improving profitability.

November: Agreement on the manufacture of security equipment components signed with Ascom (Finland) Oy.

December: Letter of Intent signed with the Electrical Machines unit of ABB Oy concerning the manufacture of flat bar copper windings for the magnetic poles of electrical motors.

2008

Review by the President and CEO

The year 2007 posed many challenges. The company's drive to become more international and the substantial change in revenue structure required great efforts from the entire organisation. We laid a good foundation for improving competitiveness and profitability by developing our operations, and the conditions for future growth are excellent.

The expansion into the growing Asian markets was a significant step in the implementation of our strategy focused on internationalisation and growth. The determined work begun about a year and a half ago produced the desired result in June 2007 when we acquired a business and a factory in India. At the same time, we gained a highly valued partner, the TVS Group, which discontinued its own electronics contract manufacturing operations.

The start of business operations in Asia was a considerable challenge for a company the size of Incap. Thanks to careful market surveys and sufficient resourcing, the search for a partner, the negotiations for the acquisition of the business and the integration of the operations were successfully carried out as planned. The manufacturing unit in Tumkur proved to be well-functioning and efficient in terms of personnel, operational model and quality assurance capability.

Even though the revenue generated in India did not reach original estimates, partnership agreements signed with new customers at the end of the year showed that the market potential corresponds to, and even partially exceeds, forecasts produced by our market survey. The promising outlook confirmed that the expansion of our operations to India was correctly timed – we are a pioneer in our size category.

The revenue trend fell short of expectations due to a sharp and unexpected decline in demand for telecommunications products. Despite our efforts, we failed to fully replace the shortfall in revenue with orders from other customers. One of the positive aspects in this situation was the fact that our customer structure became more balanced in accordance with our strategy. The proportion of revenue generated by customers from the telecommunications sector fell to 34 per cent of total revenue, compared with the previous year's 48 per cent. This trend will stabilise the company's operations.

Decrease in volumes greatly weakened the company's performance early in the year. Moreover, investments and other measures aiming at implementing our growth strategy created expenses that reduced earnings. On the other hand, the result was improved by non-recurring gains on the sale of the premises in Helsinki.

The global contract manufacturing market grew by about 10 to 15%, according to various research institutes. The majority of the growth came from products manufactured in large series, which are not included in Incap's strategy. Geographically the growth was strongest in Asia. Growth in European contract manufacturing is centred on Eastern Europe, where large equipment manufacturers are concentrating products that, due to logistics, have to be manufactured in Europe.

Competition in the already very developed European contract manufacturing market is tougher and growth is slower than in Asia. Our response to these challenges is the new factory located in Kuressaare, Estonia, which was completed in 2006. The manufacture of labour-intensive products competitively entails that they be produced in low-cost countries, which means our operations in Estonia will continue to grow.

The units in Finland also have their own designated roles. Our location close to the customer, the rapid ramp-up of products and technical support are factors that many of our customers appreciate. Technically demanding products that are manufactured with a high degree of automation are competitive also when manufactured in Finland.

The improvement of operational efficiency and the revamp of our management model were important development projects during the past year. The focus in the improvement of our operations were on the clearer definition of our marketing strategy, the streamlining of our production structure by fine-tuning different units' roles and the refining of our service offering so that it becomes more comprehensive in accordance with customers' demands.

Our basic strategic decision is to focus on technically demanding products that are manufactured in small or medium-sized series and in several different versions. This has proven to be a sound strategy and it will guide our operations in the future as well.

If a contract manufacturer wishes to maintain the ability to serve global equipment manufacturers competitively, it cannot restrict its market area to just Finland, the Nordic countries or even Europe. Now that Incap's operations have expanded into Asia, where the EMS market differs from the one in Europe, it is imperative that we operate locally, under local conditions. The change will also be reflected in our management system, and we have revised our organisation accordingly.

In the development of our services, we have focused on the early stages of production, which is the most critical phase in a product's life cycle. It is important for customers that their products are delivered quickly to the market to produce cash flows. With the aim of making the shift from the design stage to serial production as smooth as possible, we have shored up our resources in design and the take-over of a customer's product or entire production.

In 2007, we built the foundation for Incap's future growth and competitiveness. All signs are showing that the start-up of operations in India took place at an opportune time. Our presence in the growing Asian markets creates excellent capabilities for growing the company's revenue and also provides opportunities for developing materials management and our service offering. The main focus in European markets with slower growth is on improving profitability by boosting the efficiency of operations.

I would like to thank our customers and all of our partners for their trust and good co-operation. Our personnel has done a good job in rapidly changing situations, for which I would like to extend my gratitude. I am sure there will be enough challenges in the coming years – and we will embrace them with enthusiasm!

Helsinki, March 2008

Juhani Hanninen
President and CEO

Big step into India

Incap's presence in vigorously growing markets offers new business opportunities. Lower costs in Asia and the closeness of procurement sources enable the company to enhance its services and material sourcing.

From charting the market to taking action

Incap began manufacturing operations in India in June 2007 after it acquired an electronics contract manufacturing unit from the TVS Group. The deal saw the transfer of TVS Electronics' contract manufacturing unit in Tumkur and the related design operations in Bangalore to Incap Contract Manufacturing Services Pvt. Ltd. In addition to the business operations, the sale agreement included the property and the factory building with its equipment in Tumkur.

Incap had charted business opportunities in India already since the beginning of 2006, when it opened a sales office in New Delhi. According to the market study, there is demand in India for the services of a contract manufacturer like Incap. A large number of small family businesses offering contract manufacturing operate in the country alongside a few large, international contract manufacturers. Due to their insufficient resources, small enterprises are not a viable partner for equipment manufacturers with international operations, whereas large contract manufacturers are focusing on serving their own global clientele in India. In addition, many of Incap's present customers had already established business operations in India, and their estimates confirmed that there was demand on the market.

Cost-effective manufacturing services in growing markets

The manufacturing unit acquired by Incap is located in Tumkur, about 80 kilometres northwest of Bangalore. There are plans for the construction of a large industrial area in the town, which is located near a new international airport that is currently being built. About 230 people work in our factory and, in addition to electronics manufacturing and product assembly, its services cover materials procurement, distribution and logistics services and repairs. The factory has a good reputation and its quality assurance capability is held in high value on the markets. The factory, which has about 6,000 square metres of floor space, manufactures power supply units and electronic products used by the medical industry for equipment manufacturers operating in Europe and India.

It was agreed in connection with the acquisition that TVS Electronics will construct a new factory building for Incap near the existing factory, with the aim of transferring Incap's current production operations to the new building by the end of 2008. The new factory will have the same floor area as the current one but will feature the possibility of being extended to up to three times its size. Moreover, the factory will boast a more modern floor plan and technical equipment than the current one.

The integration of the business operations proceeded according to the set timetable. The objective was to acquire new customers for the unit as soon as possible, and by the end of the year, the first prototypes and test series were being manufactured for new customers. In preparation for an increase in demand, a new assembly line was installed in August, as a result of which the unit's automatic SMD assembly capacity was tripled.

Presence in Asia brings many benefits

Incap estimates that, in the coming years, its business operations will experience the strongest growth in India. With the aim of fully utilising the opportunities offered by low-cost location, Incap will also grow its design functions in India, in addition to manufacturing. The location near Asian procurement sources creates excellent capabilities for developing also the sourcing and purchasing function from India.

Customer structure more balanced, share of integrated products grew

The revenue trend fell short of expectations due to a sharp decline in demand for telecommunications products. Operations were developed particularly in the early stages of production and the ramp-up of new products.

The share of telecommunications products shrank

A substantial change took place in the structure of Incap's revenue in 2007. Demand from major telecommunications customers declined considerably already during the early months of the year. Even though demand levelled off towards the end of the year, the full-year revenue generated by telecommunications products was down by about EUR 15 million from the previous year's level. Alternative revenue was sought with intensified measures, but the growth in other customer sectors did not fully compensate for the shortfall.

The customer structure became significantly more balanced in 2007, with the largest customer sector, telecommunications, accounting for about 34% of revenue. The comparative figure in 2006 was 48%.

Long-standing customer relationships developed moderately

Co-operation with existing customers continued steadily. The strongest growth took place with customers operating in the energy technology and the security and healthcare sectors. Considerable expansion in co-operation took place with, in particular, the Electrical Machines unit of ABB Oy, which chose Incap as its strategic partner in the manufacture of magnetic poles for electrical motors. The agreement signed with the company increased the scope of the delivery contract for rotor poles, the manufacture of which had been taken over earlier by Incap, to include larger part of the complete product.

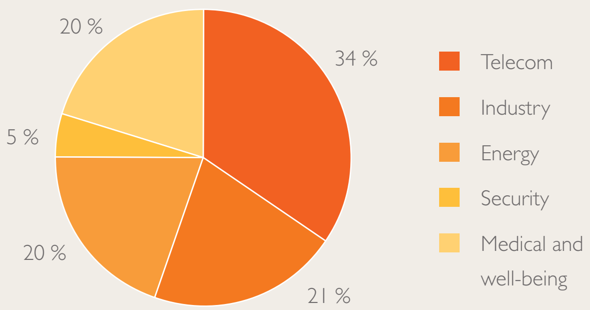
The co-operation in the manufacture of rectifier systems, which was started with Efore Group, was also significant in terms of volume and reference value. The manufacture of new rectifier system product ranges began in the summer at the Kuressaare factory, where the contract employed about 15 people at the end of the year. New delivery contracts were also signed with Bevesys Finland Oy for the manufacture and assembly of components used in recycling systems for used beverage containers, and with Ascom (Finland) Oy for the manufacture of parts used in security equipment.

The majority of the new customer contracts involved the manufacture of integrated products containing electronics and mechanics. The revenue generated by integrated products also grew compared with the previous year. The trend confirms Incap's strategic objective of basing its competitiveness on the combination of two areas of competence.

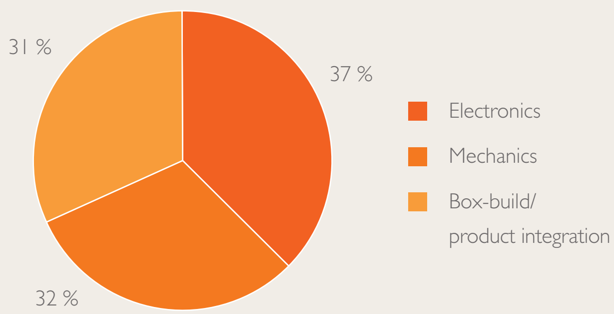
More resources allocated to the early stages of production

The share of product design grew on the previous year. Incap continued to develop its operational model in design services and to devote more resources to design and the ramp-up of products. Design services now support the acquisition of new customers better than before, ensuring the quick transfer of

Revenue by customer sector, %



Revenue by product segment, %



Electronic and mechanical components manufactured by Incap can be found in a wide range of products, e.g. patient monitors, wrist computers, slot machines and generators.

products from the prototype stage to serial production.

In order to improve the efficiency of New Product Introduction, the company formed a team with the task taking over products and transferring them from one factory to another quickly and cost-effectively. The larger allocation of resources to the ramp-up of products significantly improves Incap's ability to serve existing and new customers. The efficiency of new customer acquisition will also be boosted when sales personnel are freed up to concentrate on launching and developing customer relationships.

Positive challenges in manufacturing services

The development of manufacturing services focused on the harmonisation of factories' operations and the fine-tuning of mutual co-operation.

Contracts for the manufacture of a large number of new products were received from current and new customers. Prototype fabrication and preproduction manufacturing experienced occasional overloads, which temporarily weakened delivery reliability in the first half of the year. The operating guidelines of the order-delivery process were defined more precisely and work planning was improved, with the objective of guaranteeing impeccable delivery reliability even when an exceptionally large number of new products is in production.

The human resources of the company's quality assurance function were increased. The audit of the Helsinki and Vuokatti factories for an ISO 13485:2003 certificate, which is widely applied in the manufacture of medical equipment, was an important milestone in the improvement of the quality of operations.

Improving profitability becomes main objective

In the autumn, the Group launched a development program with the aim of improving profitability by increasing productivity, lowering fixed costs, increasing the efficiency of materials management and streamlining the company's processes. Customer and product-specific profitability, new customer acquisition, materials costs and fixed costs are tracked closely. Revised metrics for business operations are used to improve the ability to react and the reliability of forecasts.

Towards the end of the year the company began exploring the possibility of selling its production and office facilities in Helsinki, Vuokatti and Kempele to property investors. Following a potential sale, Incap would continue its operations in the same premises as a lessee. An agreement for the sale of the Helsinki factory's premises was signed at the beginning of 2008, and a sales gain of EUR 3.1 million was recorded in the result for 2007.

Focuses of development in 2008

The focus in European operations will be on increasing the efficiency of operations and improving productivity. In India, the main objective will be to increase revenue by acquiring new customers.

The company will continue to enhance its design services by, among other things, utilising the expertise of the unit in India. The objective in materials and procurement activities is to further lower the purchase prices of materials and components by taking advantage of the opportunities offered by procurement sources in Asia.

With the aim of increasing customer satisfaction, Incap will continue to enhance its processes and streamline its operational models so that the quality of operations and delivery reliability are improved. New tools to be integrated in the operations control system will be utilised in the overall planning of production, among other things. The roles of different units will be further developed so that each manufacturing location operates at optimal efficiency.

Capable personnel are the mainstay of service ability

Incap's goal in human resources management is to ensure that the number of employees, level of competence and commitment are consistent with the company's business needs and strategy. During 2007, Incap carried out a survey on the company's internal image, updated supervisors' human resources management tools and invested in preventive healthcare.

Number of personnel increases with the acquisition of the Indian unit

At the end of 2007 Incap employed 810 people, of whom 45% were based in the Finnish units and 55% in the units in Estonia and India. The number of employees increased by 33% on the previous year.

The total number of personnel was boosted specifically by the acquisition of the Indian unit, which brought 228 people onto Incap's payroll. The number of employees grew most strongly at the Kuressaare factory, where manufacturing of several new products was started. The biggest cut in personnel was at Vuokatti, where operations were scaled back after the conclusion of co-determination negotiations in January. In the Finnish units the number of employees was increased especially in assembly tasks. During the year resources and competence were also strengthened in project management, quality management and sales among others.

Development measures based on employee opinion survey

Incap conducts a survey on the company's internal corporate image among the Group's entire personnel every two years. The response percentage of the survey carried out in 2007 was 80%, and the index describing the overall satisfaction of the personnel was roughly on the same level as in previous surveys.

Based on the survey, the most significant positive changes have occurred in the working environment and the stressfulness of the work. Employees feel that the quality of work and services is good and that changes relating to their jobs are adopted quickly.

The employees considered the most important areas of development to be clarification of areas of responsibility, improvement of information flow, development of pay and reward system as well as enhancement of training opportunities.

Based on the results, internal communications both at unit and Group level were enhanced and the flow of information in day-to-day operations was improved during 2007. Areas of responsibility and job descriptions were updated and the organisation was developed further.

The skills of the employees were augmented by familiarising them with new tools and standard working methods. Training on quality, language and cultural awareness skills, among others, was organised during the year. The Group's joint development objective was to enhance the effectiveness of performance appraisal discussions and, indeed, the guidelines for these discussions were improved over the course of the year.

Tools for supervisory work

The human resources management guidelines were updated and expanded during the year, while the units' procedures were harmonised. Clear principles facilitate the work of supervisors and employees and increase employee equality. The practices employed in the Estonian and Indian units still deviate somewhat from those in the other units because of differences in legislation.

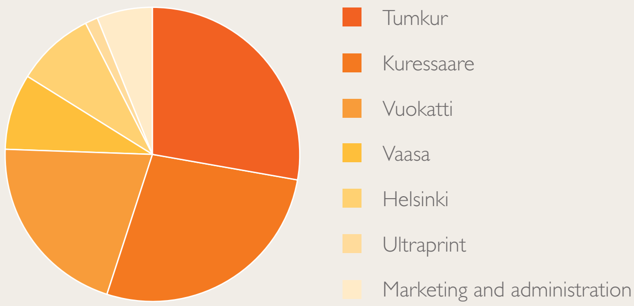
Meetings were organised in Finnish units to provide support for supervisors. In these meetings issues relating to routine supervisory work, such as the joint human resources management practices of the Group, were discussed.

New energy for work through rehabilitation

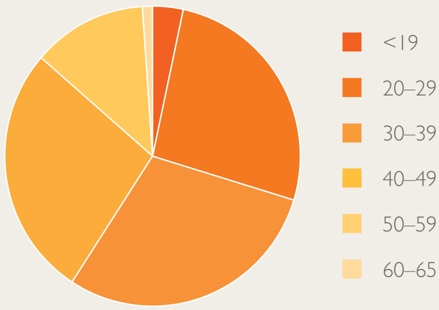
Preventive healthcare was continued by carrying out various workplace surveys and inspections. Particular attention was given to ergonomic issues, both in the production facilities and in the offices. In order to maintain occupational fitness, the personnel can avail themselves of various sponsored sports and fitness opportunities, and take part in recreational events organised by the company.

In 2007, Incap's employees in the Finnish units participated in the Aslak early intervention rehabilitation program organised by Kela, the Social Insurance Institution of Finland. The aim of rehabilitation is to improve occupational fitness and functional ability through group exercise and individual rehabilitation.

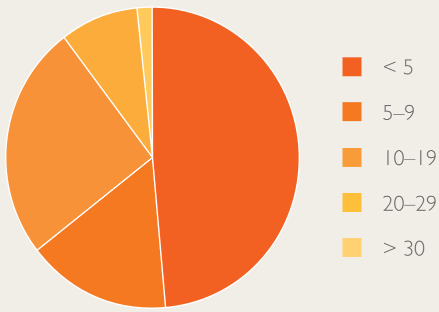
Personnel by location



Age breakdown of personnel



Years in service



Responsibility for tomorrow

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. Company'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. Incap strives after minimising raw material waste in its production and uses methods and materials in its manufacturing processes, which cause as little damage to the nature as possible.

Reliable total quality

Certification for the manufacture of medical devices was expanded to cover the Helsinki and Vuokatti factories too. The quality organisation was strengthened and the importance of total quality was emphasised in internal development.

Certified quality

Incap invested in developing quality throughout the company in 2007. The most important measures to improve efficiency and quality assurance capability were reorganisation of the Group's quality responsibility and determination of joint procedures in quality management. The quality systems of all Incap's units are certified according to the ISO 9001 standard. In addition, all of the European units have been certified in accordance with the ISO 14001 standard.

The electronics contract manufacturing unit in India, which joined the Group in June, is recognised for its high quality, and the factory has already applied the Six Sigma methods for years. The Indian factory refined its ISO 9001 quality system during the year and developed operations to be able to apply for ISO 14001 environmental certification. At the end of the year, TÜV Rheinland gave a recommendation of approval for the environmental certificate.

The Kuressaare factory was granted certification in accordance with the ISO 13485:2003 quality standard applicable to the manufacture of medical devices. In addition, the Vuokatti and Helsinki factories were audited in accordance with the requirements of the standard and LRQA (Lloyd's Register Quality Assurance Ltd.) gave its recommendation for granting the certificate in December. Based on an audit by the Tampere accreditation section of VTT Technical Research Centre of Finland, the Helsinki factory is further approved as a manufacturer of products intended for use in hospitals.

Inter-unit co-operation improves total quality

The Group's quality organisation was realigned, and co-operation between the various units in quality assurance was enhanced. By combining the factories' competence in quality and environmental issues, it will be easier to select the Group's most appropriate resource for each development project and gain a wider perspective on problems solving and the development of operations. Supplier audits were improved and assessment criteria were redefined.

Customer satisfaction remains good

The annual customer satisfaction survey showed that Incap's strengths were being easy to deal with, attending to environmental and social responsibility, having competent personnel, technological competence in manufacturing services and a high quality of work, among other things. Room for improvement was found, especially in the competitiveness of work and materials costs, innovativeness and the range of design services.

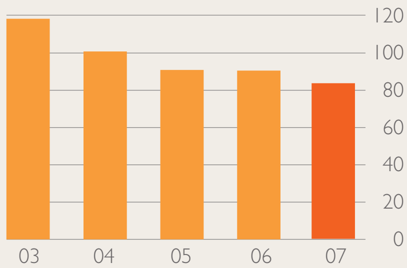
Customer satisfaction with Incap's operations was almost on a par with that of 2006, despite the fact that the service level was burdened by numerous changes during the assessment period. Factors affecting customers' perception of quality included the start of a number of new customer accounts simultaneously, the transfer of several product families from Finland to Estonia and the allocation of resources to the company's process of internationalisation.

Environmental responsibility as a competitive edge

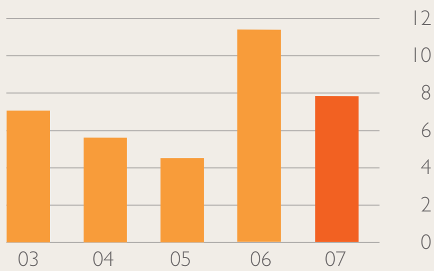
Reassessment and harmonisation of the guidelines for the quality and environmental systems between the factories was started during the year. Assessments of the RoHS eligibility of healthcare equipment were continued, as parts for manufacturers of healthcare devices must meet the requirements of the EU's RoHS Directive 2002/95/EC and the Waste Electrical and Electronic Equipment (WEEE) Directive by 2010.

Incap monitors the development of environmental legislation and strives to take a proactive approach to changes. The company constantly improves its operations in order to respond to tightening regulations and to meet its corporate social responsibility regarding environmental issues.

Power consumption, kWh/turnover in k€

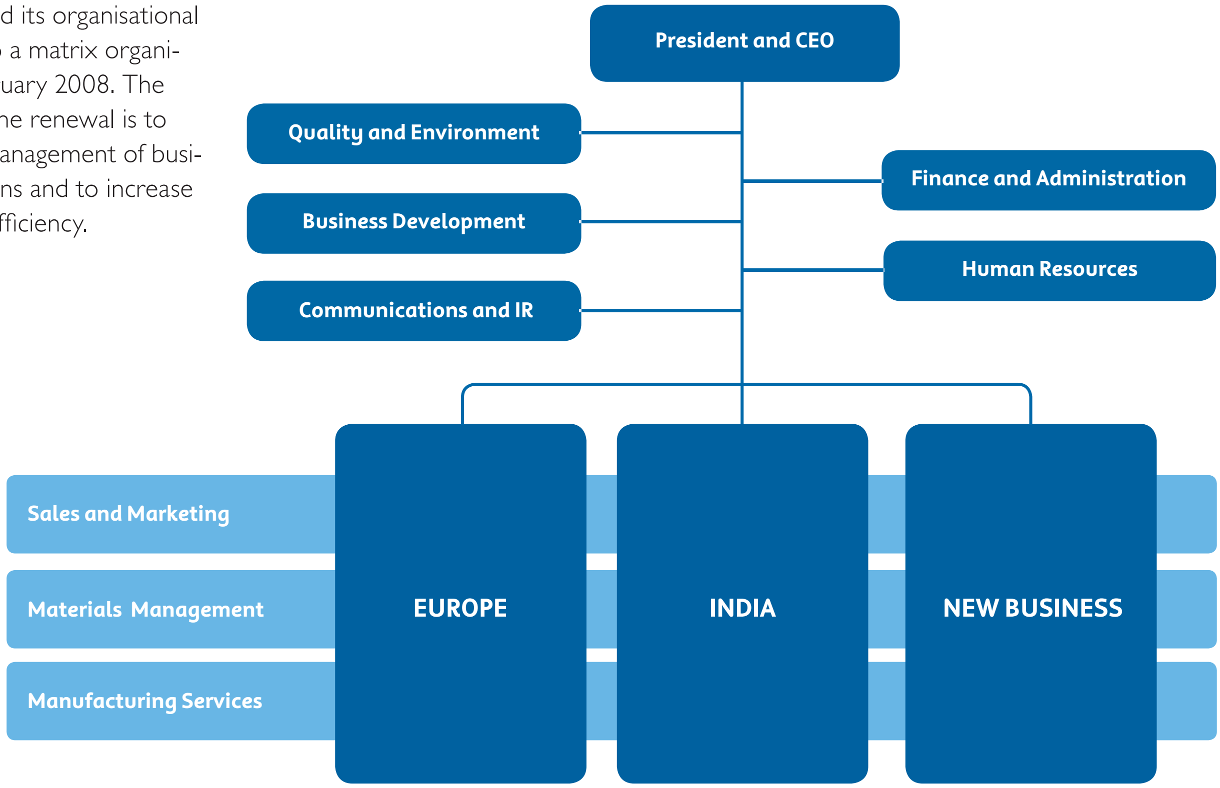


Defective products of customer deliveries, DPPM



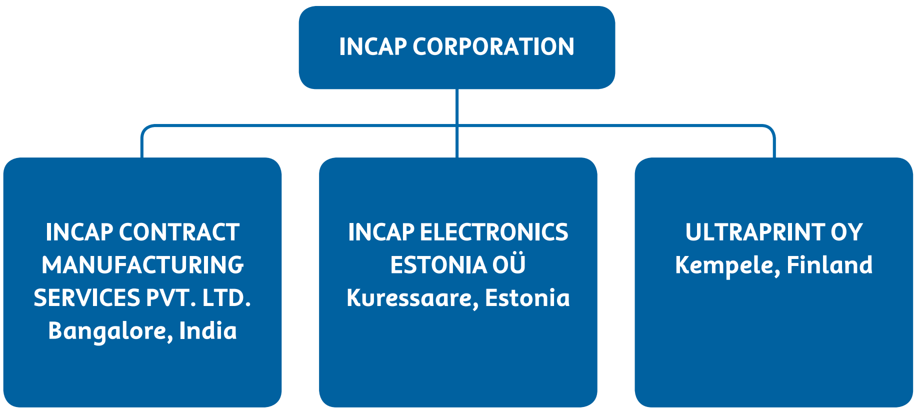
Organisation

Incap renewed its organisational structure into a matrix organisation in February 2008. The objective of the renewal is to strengthen management of business operations and to increase operational efficiency.



Corporate structure

Incap Corporation, parent company of Incap Group, is a limited company registered and located in Finland. In addition to the parent company, the subsidiaries Incap Contract Manufacturing Services Pvt. Ltd., Incap Electronics Estonia OÜ and Ultraprint Oy are included in the Group.



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 2007, the Annual General Meeting was held on 3 April in Oulu. A total of 13 shareholders participated in the Annual General Meeting. They represented a total of 47.7% 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 financing 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. 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.

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 2007 resolved to elect five members to the Board of Directors. Jukka Harju, Juha-Pekka Kallunki, Kalevi Laurila, Susanna Miekk-oja and Sakari Nikkanen were elected to seats on the Board of Directors. At its organisation meeting, the Board of Directors elected, from amongst its number, Kalevi Laurila as Chairman and Susanna Miekk-oja as Vice-Chairman of the Board. The Board of Directors convened 20 times in 2007 and the average attendance was 99%.

The 2007 Annual General Meeting confirmed that the monthly remuneration paid to the Chairman of the Board of Directors shall be EUR 4,000, the monthly remuneration paid to the Vice-Chairman of the Board of Directors shall be 3,000 and the monthly remuneration paid to directors shall be EUR 2,000. A fee of EUR 200 is paid for each meeting. There will be no fees paid for telephone conferences. The salaries and remuneration paid to directors in 2007 totalled EUR 169,400.

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 appointed 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, period of notice 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 2007 financial year. The salary and remuneration paid to him for 2007 amounted to a total of EUR 260,390. 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 President and CEO has subscribed convertible promissory notes offered in May, which entitle to subscribe altogether 20,000 pieces of Incap Corporation shares.

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

Board of 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.

Board members and entities under their control, the President and CEO and the Management Team own a total of 2,021,348 shares and 229,000 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 2007 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 77,081 in audit fees and for other services a total of EUR 38,095.

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

Chairman of the Board
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. Kalevi Laurila is a member of several other corporate boards.

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

Vice-Chairman of the Board
SUSANNA MIEKK-OJA
M.Sc. (Econ.), born 1950
A non-executive director, who is independent of the company and its major shareholders

Susanna Miekk-oja has been a member of the Board of Directors of Incap Corporation since 2007. She serves as Director at Sampo Fund Management Ltd. Previously she has held versatile expert and executive positions at Sampo Group and its predecessors Postipankki and Leonia. Susanna Miekk-oja has held a number of corporate board positions.

Incap shares: -
Share options: -

JUKKA HARJU
M.Sc. (Eng.), M.Sc. (Econ.), born 1956
A non-executive director, who is independent of the company and its major shareholders

Jukka Harju has been a member of the Board of Directors of Incap Corporation since 2007. He is a Partner of Boier Capital Ltd. Previously he has among others served as Chief Operating Officer and Executive Vice President at Elektrobit Corporation, as Managing Director at Tellabs Ltd. and in various positions at Nokia Telecommunications Ltd. (present Nokia Siemens Networks). Jukka Harju holds a number of corporate board positions.

Incap shares: -
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 acts as professor of financial accounting at the University of Oulu, Faculty of Economics and Business. His specialty areas are the stock market activities, financial statement analysis and the valuation of a firm. He has published several management books and international papers in accounting and financing. Juha-Pekka Kallunki has been a member of several other companies.

Incap shares: 4,000
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. He has occupied various positions with Nokia Networks leading the Microwave Radio, Radio Access and Systems Technology businesses as well as with PI-Group, where he held various top management positions, most recently as President and CEO of the entire group.
At present, Sakari Nikkanen is a Management Consultant with Sanik Consulting Oy. He is a member of several other corporate boards.

Incap shares: -
Share options: -

Management

JUHANI HANNINEN
President & CEO

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

JUKKA TURTOLA
Global Sales and Marketing

M.Sc. (Eng.), EMBA, born 1960
With the company since 2007. Previous positions with Datex-Ohmeda (Div. of Instrumentarium Corp.), and GE Healthcare among others in the U.S.A.

Incap shares: -
Stock options: -

LIAM KENNY
Materials and Logistics

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

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

SAMI MYKKÄNEN
Manufacturing Services

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

Incap shares: 3,400
Stock options: -

ANNE SOINTU
Finance and Administration

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

Incap shares: -
Stock options: -

NIKLAS SKOGSTER
Business Development

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 options: -

HANNELE PÖLLÄ
Communications and IR

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

JARMO KOLEHMAINEN
Managing Director of Incap Contract Manufacturing Services Pvt. Ltd.

B.Sc. (Eng.), born 1965
With the company since 2008. Previous positions with Perlos Telecommunication & Electronic Components (India) Pvt. Ltd.

Incap shares: -
Stock options: -

TUULA YLIMÄKI
Managing Director of Ultraprint Oy

M.Sc. (Econ.), born 1955
With the company since 2003. Previous positions with Technopolis Plc, SCI Systems Finland Oy and Pohjois-Suomen Opiskelija-asuntosäätiö (Northern Finland Student Housing Foundation).

Incap shares: 11,100
Stock options: 45,800

Also the following persons have been members of the management team during 2007:
Petri Saari, B.Sc. (Eng.), Vice President for Sales and Marketing from 2002 to October 2007
Anja Rouhiainen, M.Sc. (Ph.), Vice President for Manufacturing Services from 2006 to February 2007

Shares and shareholders

Incap Corporation has one series of shares and a total of 12,180,880 shares. Company's share value registered in the trade registry was EUR 20,486,769.50 on 31 December 2007. 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 EUR 16,800,000 and the maximum share capital EUR 67,200,000. Company does not have any of its own shares in its possession.

Incap Corporation's shares are listed on the OMX Nordic Exchange Helsinki. In the Nordic OMX List, Incap belongs to the Small Cap segment and the industry sector of Incap is Information Technology. The company code is ICP and the book-entry type code is ICP1V.

The price of Incap Corporation's share varied in the range of EUR 1.25 to EUR 2.67 during the financial year. The last quotation in trading at the end of the year was EUR 1.34. The total trading of the share during the financial year was 54%. The company's market capitalisation on 31 December 2007 was EUR 16,322,379. At the close of the financial year, the company had 1,004 shareholders, and 6.1% of the shares were nominee-registered.

Authorisations by the Board of Directors

On 3 April 2007 the Annual General Meeting authorised the Board of Directors to increase the share capital 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 2,500,000 shares. The Board of Directors exercised the authorisation on 21 May 2007 by offering convertible promissory notes to a limited group of investors. The convertible promissory notes were subscribed in full.

Shareholder agreements

The Board of Directors is not aware of any shareholder agreements concerning the ownership and voting rights of the company's shares.

Stock option scheme 2004

The stock option scheme introduced in 2004 includes a total of 630,000 option rights, 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. 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 May 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 March 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 exceeds EUR 3.00. By 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 program 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, their circle of acquaintances as well as the companies under their control, owned a total of 1,998,848 shares, or 16% 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 2007 are converted into shares, the President and the Board of Directors as well as the companies under their control will hold 17% of the total shares outstanding. The convertible promissory notes, which were announced in 2007 were subscribed by the President and two members of the Board of Directors. If they apply the subscription right in its entity, their holdings and the holdings of their family members and controlled corporations of the share capital and votes of Incap Corporation will be 18%.

Development of share capital 1991–2007

Date		Change, 1,000 euros	Registered on	Share capital, 1,000 euros
31.01.1991	Merger	5,760	26.02.1992	7,862
28.04.1992	Increase	424	25.11.1992	8,286
30.09.1992	Decrease	4,972	02.12.1992	3,314
15.01.1993	Increase	32	11.08.1993	3,347
16.03.1994	Increase	563	21.12.1994	3,910
10.03.1997	Increase	978	21.03.1997	4,889
05.05.1997	Increase	975	05.05.1997	5,864
04.05.1998	Increase	40	04.05.1998	5,904
21.03.2002	Increase	14,583	24.04.2002	20,487

Breakdown of shareholdings by sector on 31 December 2007

	Owners		Shares and votes	
	pcs	%	pcs	%
Private enterprises	70	7.0	7,536,090	61.9
Financial institutions	10	1.0	1,129,021	9.2
Public sector entities	4	0.4	775,150	6.4
Non-profit organisations	5	0.5	14,501	0.1
Households	915	91.1	2,726,118	22.4
Total	1,004	100.0	12,180,880	100.0
Nominee-registered shares	5		748,649	6.1

Breakdown of shareholdings by number of shares on 31 December 2007

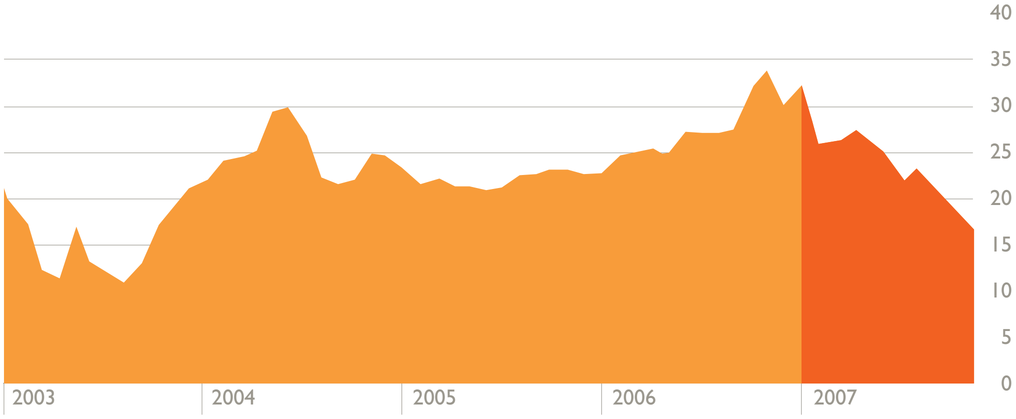
Shares	Owners		Shares and votes	
pcs	pcs	%	pcs	%
1–100	137	13.6	9,074	0.1
101–500	297	29.6	98,270	0.8
501–1 000	199	19.8	174,239	1.4
1 001–5 000	246	24.5	664,471	5.5
5 001–10 000	60	6.0	472,953	3.9
10 001–50 000	44	4.4	945,654	7.8
50 001–100 000	9	0.9	670,210	5.5
100 001–500 000	8	0.8	1,769,285	14.5
500 001–	4	0.4	7,376,724	60.5
Total	1,004	100.0	12,180,880	100.0

Largest shareholders on 31 December 2007

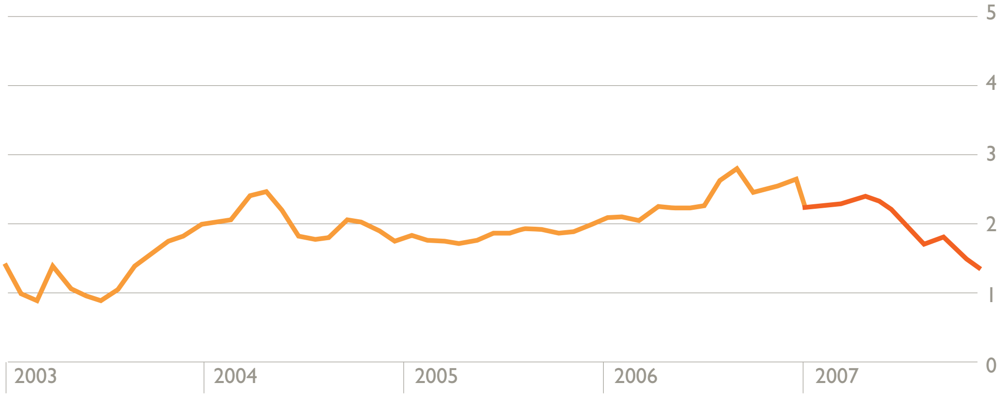
	Share, pcs	Percentage of shares and votes, %
Etra Invest Oy Ab	3,500,001	28.7
JMC Finance Oy	1,845,296	15.1
Ingman Finance Oy Ab	1,521,407	12.5
Svenska Handelsbanken AB (publ)	510,020	4.2
Ilmarinen Mutual Pension	499,350	4.1
Sampo Oyj	290,672	2.4
City of Turku Risk Management Fund	255,800	2.1
Skandinaviska Enskilda Banken	209,087	1.7
Thominvest Oy	150,000	1.2
Laurila Kalevi Henrik	131,552	1.1

List of 50 largest shareholders is available on Incap's website at www.incap.fi and is updated once a month.

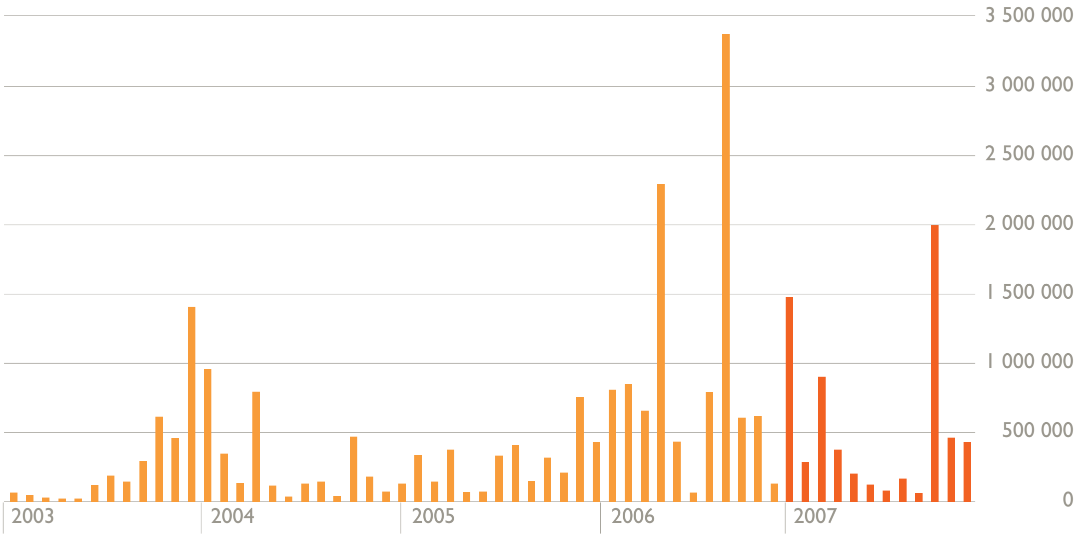
Market capitalisation 2003–2007, EUR million



Share price 2003–2007, EUR



Turnover volume 2003–2007, number of shares



Information for shareholders

Annual General Meeting

The Annual General Meeting of Incap Corporation will be held on Thursday, 10 April 2008 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 31 March 2008. Owners of nominee-registered shares, who would like to attend the Annual General Meeting can be temporarily added into Shareholder Register. Registration has to be done by latest on 31 March 2008 and for this the shareholder has to be in contact with his/her account operator.

Registration for attending the AGM must be made no later than 4.00 p.m. on Thursday 3 April 2008. Registration can be made

- by e-mail to laura.kuusela@incap.fi
- by a letter to Incap Corporation/Laura Kuusela, Valuraudankuja 6, 00700 Helsinki
- by phone on +358 40 509 4757/Laura Kuusela
- 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 2008 are the following:

- Financial Statement Bulletin for 2007 Tue, 4 March 2008
- Interim Report for Jan–Mar Wed, 7 May 2008
- Interim Report for Jan–June Wed, 6 August 2008
- Interim Report for Jan–Sep Wed, 5 November 2008

Incap follows a two weeks' silent period and 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 events.

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".

Any mail to shareholders is sent to the addresses given in the register of Finnish Central Securities Depository Ltd. Shareholders must make notification of changes of address by reporting the information to book-entry register of the bank with which they have a book-entry account.

Publications can be ordered from Corporate Communications by e-mail at communications@incap.fi, at the address Incap Oyj/Communications, Valuraudankuja 6, 00700 Helsinki or by phone on +358 40 509 4757/Laura Kuusela.

Investor relations

The task of Incap's investor communications is to support the appropriate formation of the share price by providing precise and up-to-date information in the Incap Group's business operations and financial performance. 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 shareholders, analysts and investors at investor fairs, in seminars, at functions arranged by various organisations and in one-on-one meetings. The presentation material of company events 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 share

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

Teemu Saari
Glitnir
Tel. +358 9 6134 6514
teemu.saari@glitnir.fi

Hannu Rauhala
Pohjola Bank Plc.
Tel. +358 10 252 4392
hannu.rauhala@pohjola.fi

Gideon Bolotowsky
OsakeTieto (Share Information, an investor research organisation)
Tel. +358 9 681 1990
gideon.bolotowsky@osaketieto.com

Year 2007 releases

JANUARY

Incap and Bevesys Finland started cooperation in manufacturing of recycling systems. *(Press release, 24 January 2007)*

Incap gave out preliminary information on financial results of 2006 and concluded co-determination procedure at Vuokatti factory. As a result of the procedure 53 people were made redundant. *(Stock exchange release, 25 January 2007)*

The holdings of Ingman Finance out of share capital and votes of Incap Corporation exceeded 10%. *(Stock exchange announcement, 26 January 2007)*

The holdings of OKO Bank out of share capital and votes of Incap Corporation decreased below 5%. *(Stock exchange announcement, 31 January 2007)*

FEBRUARY

Incap signed a Letter of Intent with TVS Electronics on the acquisition of TVS's electronics contract manufacturing business in India. *(Stock exchange release, 27 February 2007)*

Incap published financial statements and told that the Group's revenue for 2006 had grown by 17% from the previous year to EUR 89.3 million and that the operating profit was EUR 2.8 million or 3.2% of revenue. Net profit for the financial year was EUR 3.2 million. Total capital expenditures amounted to EUR 7.1 million, or about 8.0% of revenue.
(Stock exchange release, 27 February 2007)

MARCH

Sami Mykkänen was appointed to Vice President, Manufacturing Services and a member of the management team.
(Press release, 7 March 2007)

Incap signed a cooperation agreement with Efore Group regarding manufacture of rectifier systems at the Estonian factory.
(Press release, 8 March 2007)

Notice of Annual General Meeting.
(Stock exchange release, 14 March 2007)

The demand for Incap's deliveries to the telecommunications sector had during the first months of the year been even weaker than forecasted and therefore Incap told that its result for the first quarter will be clearly negative.
(Stock exchange release, 20 March 2007)

Incap's Annual Report and summary of year 2006 releases were published. *(Stock exchange announcement, 22 March 2007)*

Incap signed a new agreement with Onninen Teletekno Oy regarding deliveries of sheet-metal parts and mechanical assemblies for telecommunications and professional electronics.
(Press release, 29 March 2007)

Shareholders whose aggregate proportion of the voting rights and share capital is 43% made a proposal for Annual General Meeting on members of the Board of Directors.
(Stock exchange release, 30 March 2007)

APRIL

The Annual General Meeting was held on 3 April 2007 in Oulu. The Board of Directors was authorised for one year to decide on increasing the share capital through one or more rights issues and/or stock options so that the total number of new shares to be subscribed on the basis of the authorisation is a maximum of 2,500,000 shares.
(Stock exchange release, 3 April 2007)

MAY

Incap published its interim report for January-March and told that the revenue was down by about 19% on the same period a year earlier, totalling EUR 17 million. Operating profit was EUR 1.2 million negative and net profit for the report period EUR 1.3 million negative. The telecommunications sector's demand weakened more than expected and the amount of deliveries decreased remarkably.
(Stock exchange release, 9 May 2007)

Incap published its defined strategic objectives up to 2010.
(Stock exchange release, 11 May 2007)

The Board of Directors decided to offer convertible promissory notes to a group of investors. The convertible promissory notes will be used for financing of acquisitions in accordance with Incap's strategy. *(Stock exchange release, 21 May 2007)*

The Board of Directors approved all subscriptions of the convertible promissory notes, for a nominal value of EUR 6,750,000 in total. *(Stock exchange release, 23 May 2007)*

Ilmarinen Mutual Pension Insurance Company's reported that if they apply the subscription right relating to Incap's convertible promissory notes in its entity, their holdings of the share capital and votes of Incap Corporation exceed 5%. *(Stock exchange announcement, 24 May 2007)*

OP Bank Group Central Cooperative reported that if the funds of OP Fund Management Company Ltd use the subscription right relating to Incap's convertible promissory notes in its entity, OP Bank Group Central Cooperative's holdings of the share capital and votes of Incap Corporation exceed 5%. *(Stock exchange announcement, 28 May 2007)*

Incap and Indian electronics company TVS Electronics Limited signed an agreement on the acquisition of TVS Electronics' contract manufacturing business in line with the Letter of Intent signed in February. *(Stock exchange release, 31 May 2007)*

JUNE

Incap and ABB Oy, Electrical Machines signed a Letter of Intent on manufacturing of enamelled copper windings for rotor poles. *(Stock exchange release, 4 June 2007)*

Jukka Turtola was appointed to Incap's Vice President, Global Sales and Marketing and a member of management team. *(Press release, 19 June 2007)*

AUGUST

Incap's revenue for January-June was EUR 36.1 million and operating profit EUR 1.1 million negative. Profit for the report period was EUR 1.5 million negative. The launch of manufacturing operations in India generated non-recurring costs of about EUR 0.5 million in profit and loss statement. *(Stock exchange release, 8 August 2007)*

SEPTEMBER

Incap organised a Stakeholder Event in Bangalore, India and informed about targeting for strong growth in India so that the revenue in the Asian market would be EUR 40 million by 2010. *(Press release, 20 September 2007)*

OCTOBER

Incap Group's revenue for July-September was lower than expected and therefore Incap lowered its revenue and profit estimate for 2007. *(Stock exchange release, 1 October 2007)*

The holdings of Etra Invest out of share capital and votes of Incap Corporation exceeded 15%. *(Stock exchange announcement, 10 October 2007)*

The holdings of Etra Invest out of share capital and votes of Incap Corporation exceeded 25% *(Stock exchange announcement, 11 October 2007)*

The holdings of Irish Life International out of share capital and votes of Incap Corporation decreased below 5%. *(Stock exchange announcement, 18 October 2007)*

Incap investigated possibilities for eventual sale of its office and production facilities in Helsinki, Vuokatti and Kempele and gave a respective assignment to a real estate agency. *(Stock exchange release, 25 October 2007)*

NOVEMBER

Incap's revenue for January-September was EUR 56.7 million and operating profit was EUR 1.7 million negative. Profit for the period was EUR 2.6 million negative. The result was burdened by the decrease in revenue volume and the costs related to internationalisation. *(Stock exchange release, 7 November 2007)*

Incap and Ascom (Finland) Oy signed an agreement regarding manufacturing of parts for security equipment. *(Press release, 12 November 2007)*

Jarmo Kolehmainen was appointed to Managing Director of the Group's Indian subsidiary Incap Contract Manufacturing Private Limited as from 1 January 2008. *(Press release, 19 November 2007)*

DECEMBER

Incap and ABB Oy signed a Letter of Intent regarding transfer of manufacture of flat bar copper windings for rotor poles to Incap. *(Press release, 21 December 2007)*

Contact information

Domicile Oulu
E-mail info@incap.fi
Website www.incap.fi
Business ID FI 0608849-6

Incap Corporation

Corporate offices
Kirkkokatu 13, 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 A, 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 Contract Manufacturing Services Pvt. Ltd.

Bangalore office
No. 415, 2nd Floor,
2nd Main, 1st Block, RT Nagar,
Bangalore - 560032
Karnataka, India
Tel. +91 80 4075 1100
Fax +91 80 4075 1199

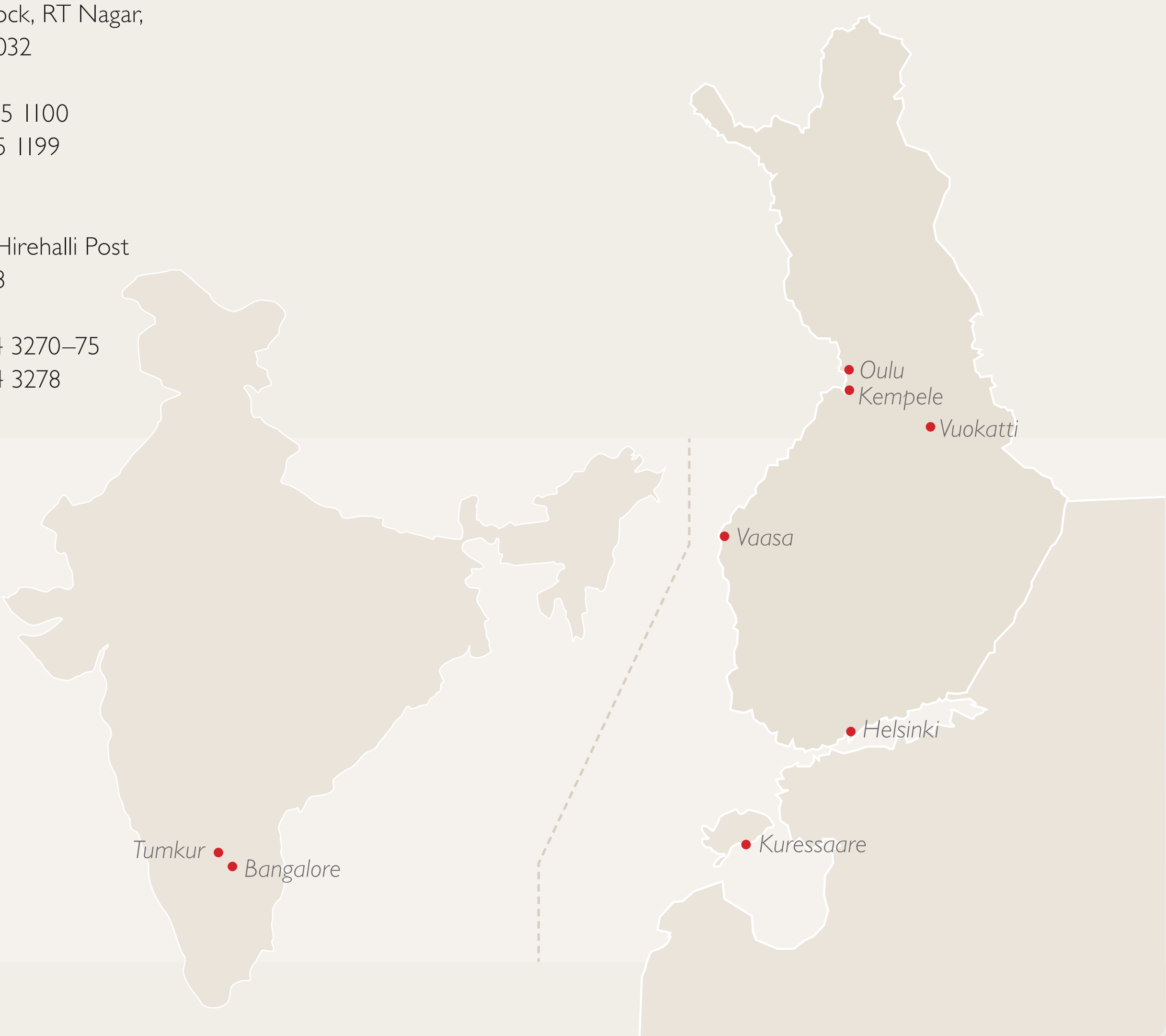
Tumkur unit
Pandithanahalli, Hirehalli Post
Tumkur - 572168
Karnataka, India
Tel. +91 81 6224 3270–75
Fax +91 81 6224 3278

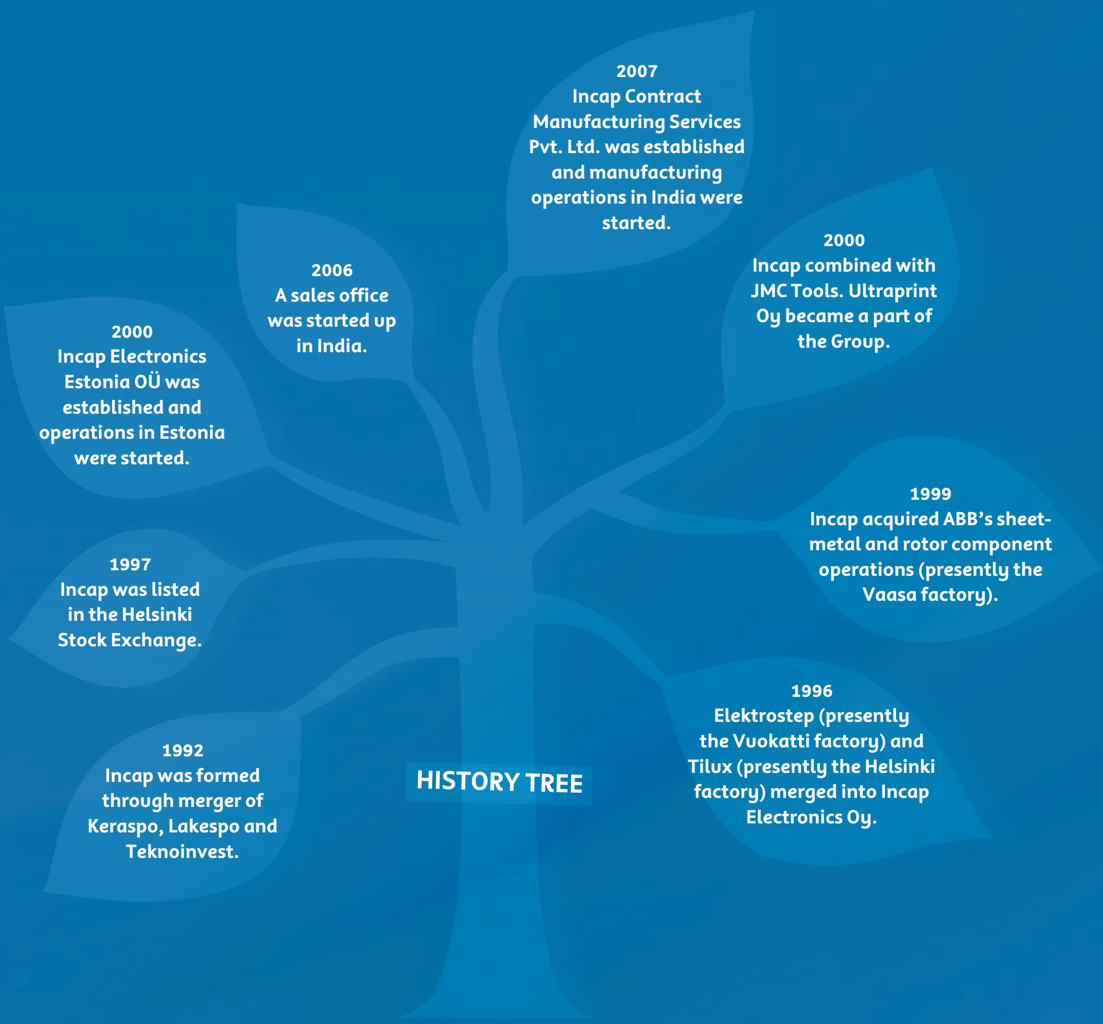
Incap Electronics Estonia OÜ

Tehnika 9, EE-93802 Kuressaare
Tel. +372 45 21723
Fax +372 45 20955

Ultraprint Oy

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




HISTORY TREE
2007
Incap Contract Manufacturing Services Pvt. Ltd. was established and manufacturing operations in India were started.
2006
A sales office was started up in India.
2000
Incap Electronics Estonia OÜ was established and operations in Estonia were started.
2000
Incap combined with JMC Tools. Ultraprint Oy became a part of the Group.
1999
Incap acquired ABB's sheet-metal and rotor component operations (presently the Vaasa factory).
1997
Incap was listed in the Helsinki Stock Exchange.
1996
Elektrostep (presently the Vuokatti factory) and Tilux (presently the Helsinki factory) merged into Incap Electronics Oy.
1992
Incap was formed through merger of Keraspo, Lakespo and Teknoinvest.

Incap Corporation
Kirkkokatu 13, FI-90100 Oulu
Tel. +358 10 612 11
Fax +358 8 311 2080
www.incap.fi

FINANCIALS 2007 (IFRS)

Contents

Report of the Board of Directors 2007

Incap proceeded in the implementation of its strategy of becoming more international when it launched manufacturing operations in India. The structure of the company's revenue underwent a significant change due to a sharp decline in demand for telecommunications products. Consolidated revenue fell by 7.1% from the previous year. Change in revenue structure as well as measures related to international expansion and the development of operations weakened profitability.

Operating environment

Demand for electronics contract manufacturing services continued at a good level in 2007 and, for example, the research company IDC estimated that the global EMS sector grew by over 10% on the previous year. The strongest growth occurred in volume products manufactured in large series as well as in products, which are manufactured in small series and demand comprehensive services. From a geographical point of view, most of the growth took place in Eastern Europe and Asia.

The constant pressure to lower the costs of products increased equipment manufacturers' need to outsource manufacturing operations to contract manufacturers. Price pressures further tightened competition among contract manufacturers. The transfer of production and its closely related functions to low-cost areas continued.

Revenue and financial performance in 2007

The Incap Group's revenue amounted to about EUR 83.0 million (EUR 89.3 million in 2006). The decrease in revenue was mainly a result of a sharp decline in the delivery volumes of telecommunications products during the first quarter of the year. Incap's revenue with the customers from the telecommunications sector was about EUR 15 million lower than in 2006. Sales to other customer sectors had a favourable trend and Incap received a large number of new products for manufacturing. After the first quarter, the revenue grew every quarter. In particular, deliveries to the equipment manufacturers in energy technology as well as security and healthcare sectors grew.

Consolidated operating profit totalled EUR 0.3 million (EUR 2.8 million), or 0.4% of revenue (3.2%). Operating profit was improved by a capital gain of EUR 3.1 million recorded on the sale of the shares of the property company owning the Helsinki factory. The result of actual operations, less the above-mentioned capital gain, amounted to EUR -2.8 million, or about -3.4% of revenue. The result was weakened by non-recurring expenses of about EUR 0.6 million related to the development of operations and the implementation of Incap's growth strategy.

Net loss for the financial year was EUR 1.1 million (net profit of EUR 3.2 million). The result included a deduction of EUR 0.05 million in deferred tax assets. The profitability was weakened by the decrease in revenue and the measures related to the internationalisation process and the operations development.

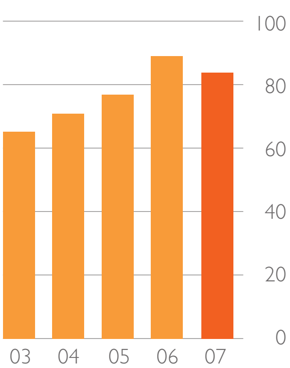
Earnings per share were EUR -0.09 (EUR 0.26) and equity per share was EUR 1.57 (EUR 1.67).

Development of operations in 2007

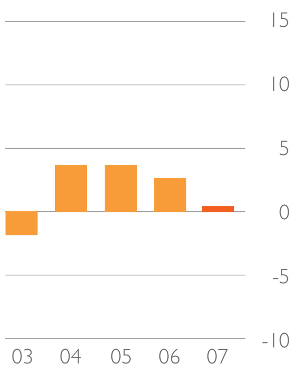
In accordance with its strategy, which was defined more clearly in the spring of 2007, Incap is aiming at strong, profitable growth and a more international profile in its operations. At the end of the year, over half of the company's personnel worked outside Finland.

Incap acquired the electronics contract manufacturing business of TVS Electronics Limited in India on 31 May 2007, whereby the factory manufacturing electronics and integrated products and a related design unit were transferred to Incap

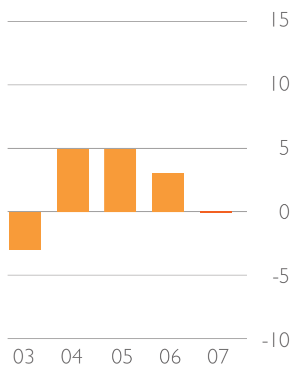
Revenue, EUR million



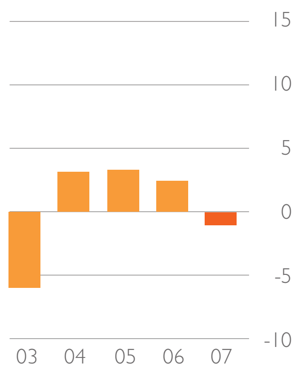
Operating profit, EUR million



Operating profit, % of revenue



Profit before taxes, EUR million



Contract Manufacturing Services Pvt. Ltd., a subsidiary of Incap operating in Bangalore. The total acquisition cost of the business amounted to about EUR 8.3 million, which includes the additional land required for expanding the operations in India and immediate expenses connected with the acquisition. The revenue generated by the operations in India during June-December totalled EUR 4.9 million.

The start-up of manufacturing operations in Asia improves Incap's market position and enables it to offer competitive services to customers with global operations. There was a positive trend in interest towards Incap's services, and the acquisition of new customers in India took off well.

Tendering activities were brisk and, in the end of the year, there were higher number of new products in the prototype and preseries production stage than before. Project management competence was increased at the end of the year in order to speed up the transfer of these products into production and the take-over of customers' production.

Incap's customer mix continued to become more balanced. The share of revenue generated by the company's largest customer sector, telecommunications, fell from the previous year's 48% to about 34%.

Measures initiated for the boosting of profitability began to have an effect on the company's result at the end of the year. Focal areas included the reduction of materials costs and fixed expenses and the improvement of productivity and the turnover of working capital.

Other operating income

At the end of December, Incap exercised its option, which was included in its lease agreement for the premises of the Helsinki factory, for the acquisition of the shares of Valuraudankuja Oy. The shares of the property company were immediately resold to Sponda Plc for about EUR 5.3 million. The acquisition and sale transactions were recognised in the financial statements for 2007, resulting in a capital gain of approximately EUR 3.1 million. Incap will continue its operations in the premises as before as Sponda's lessee.

Financing and cash flow

The Group's equity ratio was 35.3% (44.7%). Interest-bearing net liabilities totalled EUR 19.7 million (EUR 8.9 million) and the ratio of net liabilities to equity (gearing) was 103.2% (43.9%). Net financial expenses amounted to EUR 1.4 million (EUR 0.5 million) and depreciation to EUR 2.8 million (EUR 2.3 million).

The Group's equity totalled EUR 19.1 million (EUR 20.3 million) at the close of the financial year. Liabilities amounted to EUR 35.1 million (EUR 25.2 million), of which interest-bearing liabilities amounted to EUR 20.7 million (EUR 9.4 million).

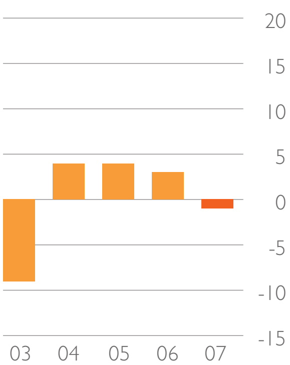
The Group's liquidity was satisfactory: the quick ratio was 0.8 (0.8) and the current ratio 1.4 (1.6). Cash flow from operations totalled EUR -4.0 million (EUR 3.0 million) and the change in cash and cash equivalents was an increase of EUR 0.5 million (a decrease of EUR 1.7 million). The change in cash and cash equivalents was influenced in particular by non-recurring items and an increase in working capital.

The Group issued convertible promissory notes in May for the financing of the acquisition in India and future investments. The total amount of the convertible bonds was 6,750,000 euros and it includes the right to convert the bonds into a total of 2,500,000 pieces of Incap's shares. The convertible promissory notes were subscribed in full by the deadline.

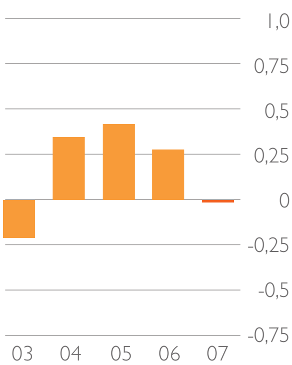
Research and development

Incap's research and development expenses totalled EUR 0.3 million (EUR 0.5 million).

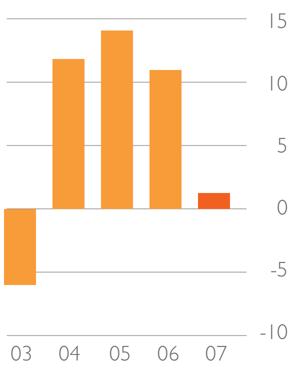
Profit before taxes, % of revenue



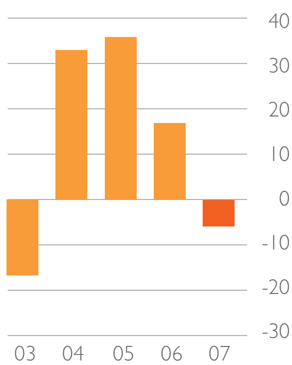
Earnings per share (EPS), EUR



Return on investment (ROI), %



Return on equity (ROE), %



Capital expenditures

The Group's capital expenditures in the financial year, without the business acquisition in India, totalled EUR 1.5 million (EUR 7.1 million), or about 1.8% of revenue (8.0%). Incap implemented the most extensive measures for the modernisation of production capacity at the Kuressaare factory, while at other units it mostly made replacement investments. Finance leases accounted for EUR 0.2 million (EUR 5.6 million) of the investments.

Environmental issues

All of Incap's factories employ 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 Helsinki, Kuressaare and Vuokatti factories have been granted certificates of compliance with the ISO 13485:2003 standard, which is widely applied to the manufacture of medical devices.

Personnel

At the beginning of the year, the Incap Group employed 541 people and, at the end of the year, 810. On average, there were 678 (521) people on the payroll in 2007. The number of personnel grew by about 33% compared with the previous year. The majority of the increase came from the acquisition in India, as a result of which 228 people were transferred to Incap's payroll. At the close of the year, about 45% of all personnel worked in Finland, 27% in Estonia and 28% in India.

At the end of the year, 326 of Incap's personnel were women and 484 were men. Permanently employed staff numbered 614 and fixed-term employees 196. There were 12 part-time employment contracts at the end of the year. The average age of the personnel is 37 years.

As a result of the codetermination negotiations held at the Vuokatti unit, the company terminated the employment contracts of 53 people at the unit. The factory's personnel strength was reduced by a total of 48 employees during the year.

Group Management

The company's president and CEO during the financial year was Juhani Hanninen, M.Sc. (Engineering). In addition to him, the members of the Group Management Team included Liam Kenny (Materials and Logistics), Sami Mykkänen (Manufacturing Services), Hannele Pöllä (Communications and Investor Relations), Niklas Skogster (Business Development), Anne Sointu (Finance and Administration), Jukka Turtola (Global Sales and Marketing) and Tuula Ylimäki (Ultraprint Oy).

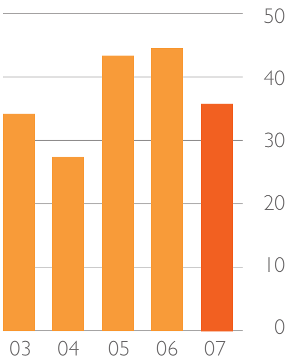
Anja Rouhiainen (Manufacturing Services, until 28 February) and Petri Saari (Sales and Marketing, until 30 September) also served with the Group Management Team for a part of the year.

The management at the Helsinki, Kuressaare and Vuokatti factories was reorganised. Jarmo Kolehmainen was appointed Managing Director of the Indian subsidiary Incap Contract Manufacturing Services Pvt. Ltd. as from 1 January 2008.

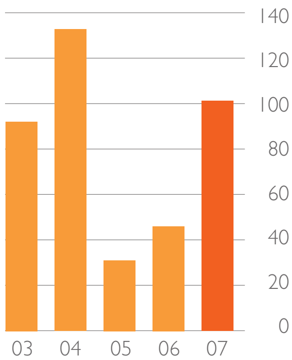
Events after the close of the financial year

The structure of the Group's organisation was revamped in February to better correspond to the company's current operational model. The new organisation is based on customer-orientated focus and includes three business units: Europe, India and New Business.

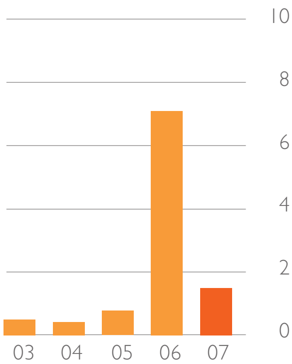
Equity ratio, %



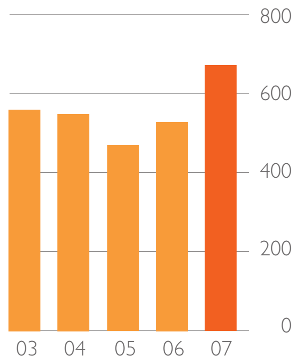
Gearing, %



Investments, EUR million



Average number of employees



The figures for 2004–2007 have been prepared in accordance with IFRS.

Resolutions of the Annual General Meeting

The Annual General Meeting of Incap Corporation was held on 3 April 2007 in Oulu. The Annual General Meeting adopted the consolidated and parent company financial statements for 2006 and granted release from liability to the responsible officers. No dividend was paid for the 2006 financial year.

The Annual General Meeting authorised the Board of Directors to decide on increasing the share capital through one or more rights issues and on granting stock options so that the total number of new shares to be subscribed for on the basis of the authorisation is a maximum of 2,500,000 shares. The Board of Directors exercised the authorisation in full on 21 May 2007, when it issued convertible promissory notes for the financing of the acquisition in India and future investments.

Board of Directors and Auditors

The Annual General Meeting re-elected Juha-Pekka Kallunki, Kalevi Laurila and Sakari Nikkanen to seats on the Board of Directors. Susanna Miekk-oja and Jukka Harju were elected as new members of the Board. From amongst its number, the Board of Directors elected Kalevi Laurila as Chairman and Susanna Miekk-oja as Vice-Chairman. Jari Pirinen, (LL.M.), served as secretary to the Board of Directors.

The Board of Directors met 20 times in 2007 and the average attendance of the directors at the meetings was 99%.

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 Corporation has one series of shares, and the number of shares in issue is 12,180,880. The price of the Incap Corporation share varied in the range of EUR 1.25 to EUR 2.67 during the financial year, and the share price at the close of the year was EUR 1.34. The trade volume was 54% of the shares outstanding.

At the end of the report year, the company had 1,004 shareholders. Nominee-registered owners held 6.1% of all shares. The company's market capitalisation at 31 December 2007 was EUR 16.3 million. The company does not hold any of its own shares.

Announcements in accordance with chapter 2, section 9 of the Securities Market Act

Ingman Finance Oy Ab announced on 26 January that its holdings had exceeded 10% of the share capital and votes of Incap Corporation. OKO Bank plc announced on 31 January that its holdings of the share capital of Incap Corporation had decreased below 5%.

Ilmarinen Mutual Pension Insurance Company announced on 24 May that if it exercises its subscription right to Incap's convertible promissory notes in its entirety, its holdings of the share capital of Incap Corporation will exceed 5%. OP Bank Group Central Cooperative announced on 28 May that if the investment funds managed by its subsidiary OP Fund Management Company Ltd exercise their subscription right to Incap's convertible promissory notes in its entirety, the OP Bank Group Central Cooperative's holdings of the share capital and votes of Incap Corporation will exceed 5%.

Etra Invest Oy announced on 10 October that its holdings of the share capital of Incap Corporation first exceeded 15%, then 25%. Irish Life International announced on 16 October that its holdings of the share capital and votes of Incap Corporation have decreased under 5%.

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 be increased by a maximum of about EUR 1,058,400. At the close of the year, the option scheme covered 9 key employees.

Short-term risks and factors of uncertainty concerning operations

Risks are grouped in Incap's risk management policy into risks related to the operating environment, operational risks and liability and financing risks. Incap's risk management focuses primarily on risks that threaten the objectives and continuity of business operations. In order to utilise business opportunities, Incap is prepared to take risks that can be managed within the limits of the Group's risk management resources.

Cyclical fluctuations in the global economy and customer sectors affect Incap's demand and financial position. Incap's sales come from several customer sectors, which evens out the effect of industry sectors' cyclical fluctuations. The customer sector mix is further balanced so that dependence on a single customer or several customers operating in the same sector does not expose the company to a substantial financial risk.

Incap's sector, contract manufacturing, is highly competitive and places great pressures on the management of cost levels. The company strives to manage risks by constantly monitoring and controlling operational efficiency and cost levels. Incap has enhanced the flexibility of its cost structure by spreading its production to different countries and coordinating manufacturing operations between Finland and other countries where it has operations.

Incap constantly assesses the organisation of different functions and the adequacy and quality of human resources. This is done to ensure that the organisation functions efficiently and competence is at an adequate level, and that the company can offer its customers the services they need and attend to its responsibilities towards other stakeholders without interruptions, while maintaining high quality. The availability of labour and the trend in labour costs in the countries where Incap has operations are of material importance to the company's competitiveness.

The quality, manufacturing and distribution problems of materials suppliers and changes in the world market prices of materials affect the availability and prices of materials used by Incap. A large number of materials procurements are linked to customer contracts, which further minimises risks concerning the prices of materials.

The company makes efforts to eliminate as much as possible the adverse effects of changes in financing markets on the Group's performance and cash flow. The acquisition of a new business unit in India has increased the Group's exposure to financing risks. The Group's interest and currency rate risks are managed with a special financing structure, based on financing instruments with fixed and variable interest rates and denominated in selected currencies. Financing risks are presented in more detail in the notes to the financial statements.

The company regularly checks its insurance cover as a part of risk management.

The operating environment is expected to remain challenging during the current financial year. The profitability improvement program which is currently in progress is aimed at improving the company's cost structure and increasing flexibility.

Objectives for 2008

Incap's objective is to grow its operations and improve its profitability. The company will focus on organic growth as a means for achieving its growth target for 2008. Incap aims to increase the scope of deliveries to current customers and seeks to take over the outsourcing of the entire production of its customers.

The focus in European operations is on boosting the efficiency of operations and improving productivity. In India, the main objective will be to increase revenue by acquiring new customer relationships.

Outlook for 2008

Incap's customers have produced positive estimates of the trend in their own demand. New customer relationships acquired in 2007 will proceed to the serial production stage during 2008, so the basis for growth in revenue is good. However, order backlog and market visibility is very short, which is typical for the business.

Incap estimates that the Group's revenue will grow in 2008 compared with last year (2007: EUR 83.0 million) and that its profit from actual operations will improve (2007: EUR -2.8 million without the capital gain in the sale of property).

Board of Directors' proposal for the disposal of profits

The parent company's net loss for the financial year amounts to EUR 717,875.93. The Board of Directors will propose to the Annual General Meeting to be held on 10 April 2008 that no dividend be distributed and that the result of the financial year be transferred to retained earnings.

Annual General Meeting in 2008

The Annual General Meeting of Incap Corporation will be held at 2.00 p.m. on Thursday 10 April 2008, at Sokos Hotel Arina in Oulu, at the address Isokatu 24, 3rd floor, 90100 Oulu.

Helsinki, 3 March 2008

INCAP CORPORATION
Board of Directors

Consolidated Income Statement

1,000 euros	Note	1 Jan.–31 Dec.2007	1 Jan.–31 Dec.2007
CONTINUING OPERATIONS			
Revenue		83,010	89,347
Other operating income	2	3,166	383
Changes in inventories of finished goods and work in progress		-999	1,409
Work performed by the enterprise and capitalised		99	0
Raw materials and consumables used		56,896	61,634
Personnel expenses	5	15,979	16,245
Depreciation and amortisation	4	2,753	2,284
Other operating expenses	3	9,343	8,149
Operating profit/loss		303	2,828
Financing income and expenses	7	-1,356	-505
Profit/loss before tax		-1,053	2,323
Income tax expense	8	-49	902
Profit/loss for the year from continuing operations		**-1,102**	**3,225**
Earnings per share from profit for the year attributable to equity holders of the parent			
Basic, from continuing operations	9	-0.09	0.26
Diluted, from continuing operations	9	-0.09	0.26

Consolidated Balance Sheet

1,000 euros	Note	31 Dec. 2007	31 Dec. 2006
ASSETS			
Non-current assets			
Property, plant and equipment	10	12,883	11,571
Goodwill	11	1,326	164
Other intangible assets	11	1,575	331
Other financial assets	12	21	15
Deferred tax assets	13	4,223	4,310
Total Non-current Assets		**20,028**	**16,391**
Current assets			
Inventories	14	14,882	14,626
Trade and other receivables	15	18,367	13,994
Cash and cash equivalents	16	944	500
Total Current Assets		**34,192**	**29,120**
Total Assets		**54,220**	**45,511**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	17		
Share capital		20,487	20,487
Share premium account		44	44
Exchange differences		-216	0
Retained earnings		-1,188	-206
Total equity		**19,127**	**20,325**
Non-current liabilities			
Deferred tax liabilities	13	121	147
Interest-bearing loans and borrowings	20	11,188	6,806
Current liabilities			
Trade and other payables	21	14,294	15,620
Interest-bearing loans and borrowings	20	9,490	2,613
Total liabilities		**35,093**	**25,186**
Total equity and liabilities		**54,220**	**45,511**

Consolidated Cash Flow Statement

1,000 euros	Note	1 Jan.–31 Dec. 2007	1 Jan.–31 Dec. 2006
Cash flow from operating activities	24		
Net income		303	2,828
Adjustments to operating profit		-372	1,996
Change in working capital		-3,070	-1,420
Interest paid		-977	-411
Interest received		142	22
Cash flow from operating activities		**-3,974**	**3,015**
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets		-1,974	-1,547
Proceeds from sales of tangible and intangible assets		3,118	15
Acquisition of subsidiary		-8,261	0
Cash flow from investing activities		**-7,117**	**-1,532**
Cash flow from financing activities			
Drawdown of loans		14,316	0
Repayments of borrowings		-1,116	-1,235
Repayments of obligations under finance leases		-1,643	-1,961
Cash flow from financing activities		**11,557**	**-3,196**
Change in cash and cash equivalents		**466**	**-1,713**
Cash and cash equivalents at beginning of period		500	2,213
Effects of changes in exchange rates		-22	0
Cash and cash equivalents at end of period		**944**	**500**

Consolidated Statement of Changes in Equity

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

	Share capital	Share premium account	Exchange differences	Retained earnings	Total equity
Equity at 1 January 2007	20,487	44	0	-206	20,325
Change in exchange differences	0	0	-216	0	-216
Options and share-based compensation	0	0	0	120	120
Net income and losses recognised directly in equity	0	0	-216	120	-95
Profit for the year	0	0	0	-1,102	-1,102
Total income and losses for the year	0	0	-216	-982	-1,197
Equity at 31 December 2007	20,487	44	-216	-1,188	19,127

Notes to 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. The company is an electronics contract manufacturer whose comprehensive service covers the entire life cycle of electronics products, from design to repair and maintenance services.

The Group comprises the parent company, Incap Corporation, and the parent company's wholly-owned subsidiaries: Incap Electronics Estonia OÜ, Kuressaare, Estonia; Ultraprint Oy, Kempele, Finland; Incap Contract Manufacturing Services Pvt. Ltd., Bangalore, India; and Euro-ketju Oy.

ACCOUNTING POLICIES APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

These Incap Group 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 2007. The notes to the consolidated financial statements also comply 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 is 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 requiring 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, Ultraprint Oy, Incap Contract Manufacturing Services Pvt. Ltd. and Euro-ketju 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 when preparing the consolidated financial statements.

Translation of items denominated in foreign currency

Separate companies

Transactions denominated in foreign currency are recorded in the functional currency using the exchange rate on the date of the transaction. Balance sheet items denominated in foreign currency are translated to the functional currency using the exchange rates at the balance sheet date.

Gains and losses resulting from transactions denominated in foreign currency and the translation of balance sheet items are recorded in the income statement. Exchange gains and losses resulting from operations are recorded under the corresponding items above operating profit. Exchange gains and losses resulting from loans denominated in foreign currency are recorded under financial income and expenses.

Group

Figures relating to the profit and financial position of Group units are measured in 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.

The income and expense items in the income statements of foreign Group companies have been translated to euros using the average exchange rate during the year, and their balance sheets using the exchange rates at the balance sheet date. The translation of the profit for the financial year using different exchange rates in the income statement and the balance sheet results in an exchange difference, which is recorded in equity. The exchange differences arising from the elimination of the acquisition cost of foreign subsidiaries and equity items accumulated after the acquisition are recorded in equity.

Property, plant and equipment

Property, plant and equipment are measured at original cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated using the straight-line method over their estimated useful life. 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 lives are reviewed at each balance sheet date and, if necessary, are adjusted to reflect changes that have occurred in the expectations for an asset's economic benefits.

Subsequent costs are included in the carrying amount 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 convertible debt are included in the original cost of the debt and amortised over the debt period 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 useful life of an asset.

Intangible assets

Goodwill is the proportion of the acquisition cost which exceeds the Group's share of the fair value, at the date of acquisition, of the net asset value of a company acquired. Other costs directly attributable to an acquisition, such as experts' fees, are also included in the acquisition cost.

Goodwill and other intangible assets with an indefinite useful life, such as the value of customer relationships, are not amortised but are tested annually for any impairment. The testing involves the allocation of goodwill to units generating cash flow and the measurement at cost less impairment losses. 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 semifinished 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. 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 bears 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 the start of the lease period at the lower of the fair value of the leased property and the present value of the minimum lease payment. An asset obtained on a finance lease is depreciated over the shorter of the useful life of the asset and the lease term. Lease payments for items of property, plant and equipment are split between financial expenses and a reduction in lease liabilities for the period of the lease finance agreement. 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. Lease payments paid on operating leases are recorded as an expense in the income statement.

Impairment of assets

At each balance sheet date, the Incap Group assesses whether there is any indication that the value of an asset item may be impaired. If any such indication exists, the asset item is tested for impairment 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 amount 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 refers to 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 the recording of the impairment loss.

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

Employee benefits

Pension obligations

The Incap Group's pension plans are classified as defined-benefit and defined-contribution plans. Payments made for defined-contribution plans are recognised as an expense in the income statement for the period which the debit concerns. The obligations of defined-benefit plans are calculated separately for each plan using the projected unit credit method. Pension costs are recorded as an expense for the duration of employees' period of service on the basis of calculations carried out by authorised actuaries.

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.

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 taxes on taxable income for the period and deferred taxes. Taxes on the profit for the financial year are 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 recognised to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilised.

Revenue recognition

Goods sold and services rendered

Revenue from the sale of goods is booked when significant risks and benefits connected with the 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.

Financial assets and financial liabilities

The 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 consist 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. The transaction expenses of convertible bonds are included in the original carrying amount of the bonds. The fair value of the debt component of convertible bonds has been determined using the market interest rate on similar debt at the time of issuance. The debt component is recorded at amortised cost until it is extinguished by converting the bonds to shares or by repayment of the bonds. Because the equity component of convertible bonds is not material, it has not been recorded separately in the invested non-restricted equity reserve.

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. In the consolidation of business operations, the Group has used external consultants when assessing the fair values of property, plant and equipment and intangible assets. Concerning property, plant and equipment, Incap has made comparisons with the market prices of similar products and assessed any impairment resulting from the age and wear of the assets and other similar factors affecting them. The determination of the fair value of intangible assets is based on estimates of cash flows related to the assets. It is the view of the management that the estimates and assumptions used are sufficiently accurate as a basis for the determination of fair value. The Group furthermore examines any indications of impairment on property, plant and equipment and intangible assets at least at every balance sheet date.

Estimates made in connection with the preparation of the financial statements are based on management's best knowledge at the balance sheet date. The estimates take into account prior experiences and assumptions which concern the future, are considered the most probable at the balance sheet date and are related to the expected development of the Group's financial operating environment in terms of sales and cost levels. Changes are monitored on a regular basis using internal and external information sources, and potential changes in estimates and assumptions are recorded during the financial year when they are revised, and during all financial years thereafter.

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 the asset can be utilised against future taxable profits.

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, consequently, the possible formation of segments.

Application of new or amended IFRS standards

The Group has taken into consideration 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. The new standards, interpretations and contents are as follows:

IFRS 7 Financial Instruments: Disclosures Amendment to
IAS 1 Presentation of Financial Statements:
Notes Concerning Capital
IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8 Scope of IFRS 2
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 10 Interim Financial Reporting and Impairment.

1. Acquired operations

Incap Corporation's subsidiary Incap Contract Manufacturing Services Pvt. Ltd., established in India in April 2007, acquired a business unit manufacturing electronics and box-build products from TVS Electronics Limited on 31 May 2007. The number of personnel transferred in the business acquisition was 228, and the revenue for seven months, EUR 4.9 million is included in the 2007 income statement.

The total acquisition cost was EUR 8.3 million, paid in cash. In addition to the cash consideration, a total of EUR 0.5 million in consultancy fees and other costs immediately associated with the acquisition are included in the acquisition cost. Part of the acquisition cost exceeding the balance sheet value, EUR 1.2 million, was allocated to intangible rights by calculating fair values for the acquired customer base. The remaining business value of EUR 1.2 million is based on Incap's improved position in the Asian contract manufacturing markets. Goodwill in the financial statements 2007 includes EUR 0.2 million of revaluation of inventories based on the contract of business transfer.

The following assets and liabilities were recognised for the acquired object:

	Fair value	Balance sheet value
Property, plant and equipment	1,783	1,783
Advance payment for building	979	979
Customer contracts and associated customer relationships (incl. in other intangible assets)	1,233	0
Inventories	1,941	1,941
Trade and other receivables	2,616	2,616
Total assets	8,552	7,319
Trade and other payables	-1,454	-1,454
Net assets	7,099	5,866
Acquisition cost	8,261	–
Goodwill	1,162	–

There are no temporary tax differences to be recognised on the allocated intangible rights.

Acquisition cost paid in cash	8,261	
Cash and cash equivalents of acquired subsidiary	0	–
Effect on cash flow	8,261	–

2. Other operating income

	1 Jan.–31 Dec. 2007	1 Jan.–31 Dec. 2006
Net gains on the disposal of property, plant and equipment	3,118	49
Lease income for previous years	0	331
Other income	47	3
	3,166	**383**

3. Other operating expenses

	1 Jan.–31 Dec. 2007	1 Jan.–31 Dec. 2006
Lease expenses	1,675	1,429
Operating and maintenance expenses for property and machinery	2,495	2,314
Other expenses	5,174	4,406
	9,343	**8,149**

4. Depreciation and amortisation

	1 Jan.–31 Dec. 2007	1 Jan.–31 Dec. 2006
Depreciation and amortisation by assets class		
Intangible assets	217	80
Tangible assets		
Buildings	270	260
Machinery and equipment	2,150	1,892
Other tangible assets	116	51
	2,537	**2,204**
Total depreciation, amortisation and impairment losses	**2,753**	**2,284**

5. Employee benefits expense

	1 Jan.–31 Dec. 2007	1 Jan.–31 Dec. 2006
Wages and salaries	12,584	12,862
Pension costs - defined-contribution plans	2,013	1,951
Pension costs - defined-benefit plans	42	0
Expense of share-based payments	121	135
Other statutory employer expenses	1,220	1,297
	15,979	**16,245**
Average number of Group personnel during the period	678	521

Information on management's employee benefits is presented in Note 27 Related-party transactions. Information on share options granted is presented in Note 18 Share-based payment.

6. Research and development costs

A total of EUR 0.3 million in research and development costs has been recorded as an annual expense in the income statement in 2007 (EUR 0.5 million in 2006).

7. Financial income and expenses

	1 Jan.–31 Dec. 2007	1 Jan.–31 Dec. 2006
Financial income		
Dividend income from available-for-sale financial assets	3	1
Interest income from investments held until due date	20	7
Interest income from other deposits	4	3
Interest income from trade receivables	108	11
	135	**22**
Financial expenses		
Interest expenses from financial liabilities measured at amortised cost	-619	-238
Interest expenses from convertible promissory notes	-276	0
Other interest expenses	-375	-267
Exchange rate losses	-90	-3
Other financial expenses	-132	-20
	-1,492	**-528**
Total financial income and expenses	**-1,356**	**-505**

Interest expenses include variable lease payments of EUR 0.2 million (EUR 0.2 million in 2006) recorded as lease expenses from finance lease agreements.

8. Income tax

	1 Jan.–31 Dec. 2007	1 Jan.-31 Dec. 2006
Income tax in the income statement		
Deferred income tax	-49	902
Reconciliation of tax expenses in the income statement and taxes calculated on the basis of the 26% tax rate applicable in the Group's home country		
Profit before taxes	-1,053	2,323
Tax at the applicable rate in the home country	274	-604
Divergent tax rates of foreign subsidiaries	-303	-80
Tax-free income	0	86
Expenses that are not deductible	-7	-7
Eliminations	137	94
Use of tax losses	-100	510
Changes in deferred tax assets for previous years	-76	765
Changes in deferred tax liabilities for previous years	26	137
	-49	**902**
Deferred taxes in the balance sheet		
Deferred tax assets	4,223	4,310
Deferred tax liabilities	-121	-147
	4,103	**4,163**

9. 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.

	2007	2006
Profit for the year attributable to equity holders of the parent	-1,102	3,225
Weighted average number of shares during the period	12,180,880	12,180,880
Undiluted earnings per share, EUR/share	-0.09	0.26

In calculating diluted earnings per share, share options are taken into account in the weighted average number of shares and convertible promissory notes. 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. Options for the subscription of new shares related to the convertible promissory notes do not have a dilutive effect, because the shares' trading price is higher than the fair value of the share.

	2007	2006
Profit for the year attributable to equity holders of the parent, continuing operations	-1,102	3,225
Weighted average number of shares during the period	12,180,880	12,180,880
Dilution effect of issued share options	2,469	18,154
Share-weighted diluted average price used in calculating adjusted earnings per share	12,183,349	12,199,034
Diluted earnings per share, EUR/share	-0.09	0.26

10. Property, plant and equipment

	Land	Buildings and advances	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan. 2007	60	5,318	42,671	523	48,572
Increase	0	48	1,005	128	1,181
Consolidation of operations	546	1,283	934	40	2,803
Exchange differences	-31	-73	-54	-2	-161
Acquisition cost, 31 Dec. 2007	576	6,576	44,556	689	52,396
Accumulated depreciation and impairment losses, 1 Jan. 2007	0	-2,099	-34,494	-408	-37,001
Depreciation	0	-270	-2,150	-92	-2,512
Accumulated depreciation and impairment losses, 31 Dec. 2007	0	-2,369	-36,644	-500	-39,513
Carrying amount, 1 Jan. 2007	60	3,219	8,177	114	11,571
Carrying amount, 31 Dec. 2007	576	4,207	7,911	188	12,883
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
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

Finance leases

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

	Buildings	Machinery and equipment	Total assets
31 Dec. 2007			
Acquisition cost	183	17,187	17,370
Accumulated depreciation	-183	-11,852	-12,035
Carrying amount	0	5,335	5,335
31 Dec. 2006			
Acquisition cost	183	16,972	17,155
Accumulated depreciation	-174	-10,356	-10,531
Carrying amount	9	6,616	6,625

Increases on the acquisition cost of property, plant and equipment include assets leased on finances leases totalling EUR 0.2 million in 2007 (EUR 5.6 million in 2006).

11. Intangible assets

	Goodwill	Other intangible assets	Total
Acquisition cost, 1 Jan. 2007	1,879	2,918	4,797
Increase	0	323	323
Consolidation of operations	1,220	1,233	2,453
Exchange difference	-58	-72	-130
Acquisition cost, 31 Dec. 2007	3,041	4,403	7,443
Accumulated amortisation and impairment losses, 1 Jan. 2007	-1,714	-2,587	-4,302
Amortisation	0	-241	-241
Accumulated amortisation and impairment losses, 31 Dec. 2007	-1,714	-2,828	-4,543
Carrying amount, 1 Jan. 2007	164	331	495
Carrying amount, 31 Dec. 2007	1,326	1,575	2,901
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
Carrying amount, 1 Jan. 2006	164	276	440
Carrying amount, 31 Dec. 2006	164	331	495

The recoverable amounts assessed when testing goodwill and other intangible assets with an indefinite useful life for impairment are determined on the basis of their value in use. Estimates of cash flows are based on budget for the next financial year and on three-year forecasts approved by management. Cash flows generated after the forecast period approved by management are extrapolated using an even growth factor of 10% for Indian subsidiary and as other key variables the 17.06% discount rate and the estimated operating profit before depreciation.

For domestic subsidiary, calculations are based on the budget and three-year business plan approved by management with 7.5% discount rate and operating profit before depreciation as the focal variable. Based on calculations, there are no indications of impairment on goodwill and other intangible assets with an indefinite useful life.

12. Other financial assets

	2007	2006
Publicly quoted shares	4	4
Unquoted shares	17	11
Total available-for-sale investments at the end of the year	**21**	**15**

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

13. Deferred tax assets and liabilities

	1.1.2007	Recorded in income statement	31.12.2007
Deferred tax assets			
Tax losses carried forward	4,310	-76	
Exchange differences		-11	4,223
Deferred tax liabilities			
Timing differences	147	-26	121

	1.1.2006	Recorded in income statement	31.12.2006
Deferred tax assets			
Tax losses carried forward	3,545	765	4,310
Deferred tax liabilities			
Timing differences	284	-137	147

The non-recorded cumulative tax assets on tax losses carried forward totalled EUR 4.6 million in 2007 (EUR 4.2 million in 2006).

14. Inventories

	2007	2006
Raw materials and supplies	11,166	10,331
Work in progress	1,259	2,316
Finished goods	2,354	1,975
Advance payments	103	5
	14,882	**14,626**

EUR 0.8 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 0.1 in 2006).

15. Trade and other receivables

	2007	2006
Trade receivables	15,387	13,421
Loan receivables	13	0
Prepaid expenses and accrued income	2,602	393
Other receivables	365	180
	18,367	**13,994**

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.

Aging structure of trade receivables and items recorded as credit losses

	2007	2006
Not past due	11,385	11,363
Past due		
Less than 30 days	2,776	1,790
30–60 days	523	129
61–90 days	387	-22
More than 90 days	315	162
	15,387	**13,421**
Items recorded as credit losses	12	37

Distribution of current receivables by currency, EUR

	2007	2006
USD	355	21
SEK	33	4
EEK	162	222
INR	2,613	0
EUR	15,204	13,746
	18,367	**13,994**

16. Cash and cash equivalents

	2007	2006
Cash and bank accounts	591	500
Short-term investments	353	0
	944	**500**

The cash and cash equivalents according to the cash flow statement comprise same items.

17. Notes to the statement of changes in equity

	Number of shares	Share capital	Share premium account	Total
31.12.2006	12,180,880	20,487	44	20,531
31.12.2007	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 2006. The nominal value of the share is EUR 1.68 and the Group's maximum share capital is EUR 67.2 million (EUR 67.2 million in 2006). The shares are fully paid in.

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

18. 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 program 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.

No new options were granted during the financial year. The main terms governing the determination of the fair value of granted equity instruments that were accepted earlier

	2006	2005	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
Valuation model	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

	2007 Average weighted strike price, euros/share	Number of options	2006 Average weighted strike price, euros/share	Number of options
Beginning of year	2.17	347,500	2.25	266,000
New options granted	0.00	0	2.05	139,400
Share options forfeited	2.18	-45,800	2.25	-57,900
Share options outstanding at end of year	**2.25**	**301,700**	**2.17**	**347,500**

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

Year of expiry	Strike price (EUR)	Number of shares 2007	Number of shares 2006	Number of shares 2005	Number of shares 2004
2009	2.25	99,000	114,000	133,000	122,000
2010	2.25	99,000	114,000	133,000	122,000
2011	2.05	103,700	119,500		

19. Pension obligations

The Group has both defined-contribution and defined-benefit pension plans. Defined-benefit pension plans are only employed in the subsidiary in India. In defined-benefit pension plans, the amount of the pension benefit at the time of retirement is determined on the basis of certain factors, such as salary and years of employment.

	2007	2006
Change in defined-benefit pension liability in the income statement	42	0
Defined-benefit pension liability in the balance sheet	40	0

20. Interest-bearing liabilities

Non-current financial liabilities measured at amortised cost

	2007	2006
Bank loans	233	629
Convertible promissory notes	6,586	0
Pension loans	0	179
Other loans	1,166	1,606
Finance lease liabilities	3,203	4,393
	11,188	**6,806**

Current financial liabilities measured at amortised cost

Bank loans	7,770	461
Pension loans	0	13
Other loans	440	462
Finance lease liabilities	1,281	1,676
	9,490	**2,613**

The fair values of liabilities are presented in Note 23.

Of non-current financial liabilities, EUR 0.02 million will be due for repayment in more than five years (EUR 0.5 million in 2006). The Group's bank loans have both variable and fixed interest rates. The Group's average interest rate is 6.32% (4.30% in 2006). The amounts of the Group's variable rate loans and their interest rate adjustment periods, in accordance with their agreements, are as follows:

	2007	2006
Less than 6 months	5,438	4,299
6–12 months	4,485	3,864
	9,923	**8,163**

Distribution of non-interest-bearing liabilities by currency, EUR

	2007	2006
Non-current liabilities		
EEK	1,073	1,228
EUR	10,115	5,578
	11,188	**6,806**
Current liabilities		
USD	1,352	0
EEK	707	252
INR	3,879	0
EUR	3,552	2,360
	9,490	**2,613**

Convertible promissory notes

On 21 May 2007 Incap Corporation offered convertible promissory notes for subscription by a limited group of professional investors (Private Placement). The convertible promissory notes were used for financing of acquisitions in accordance with Incap's strategy. The maximum principal of the convertible promissory notes is EUR 6.7 million. The issue rate of the convertible promissory notes is 100%, and the annual fixed interest to be paid on the principal of the convertible promissory notes is 7.0%. The maturity is five years. The subscription period for the convertible promissory notes was 21 and 22 May 2007.

A right to subscribe for a maximum of 2,500,000 new shares in the company is attached to the convertible promissory notes. Each note unit in the amount of EUR 5,400 entitles the note unit holder to convert the note unit into 2,000 new shares. The conversion rate is EUR 2.70. The conversion period for the note units will commence on the date of the trade register entry concerning the issue of stock options attached to the convertible promissory notes and will end on 30 April 2012. Stock options cannot be detached from the note units. The conversion rate will be recorded in the invested non-restricted equity fund.

Due dates of finance lease liabilities	2007	2006
Finance lease liabilities - Minimum lease payments		
Less than 1 year	1,453	1,848
1–5 years	3,428	4,206
Later than 5 years	30	509
	4,910	**6,563**
Finance lease liabilities - Present value of minimum lease payments		
Less than 1 year	1,281	1,676
1–5 years	3,175	3,917
Later than 5 years	28	475
	4,483	**6,068**
Future finance charges	427	495
Total finance lease liabilities	**4,910**	**6,563**

21. Trade and other payables

	2007	2006
Current		
Trade payables	9,398	10,435
Cash proceeds	13	0
Accrued liabilities	3,083	3,421
Other liabilities	1,799	1,764
	14,294	**15,620**

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

Distribution of non-interest-bearing liabilities by currency, EUR

	2007	2006
USD	811	1,524
SEK	41	8
CHF	37	62
GBP	14	53
NOK	1	1
JPY	2	15
DKK	0	2
EEK	707	539
INR	1,130	0
EUR	11,552	13,418
	14,294	**15,620**

22. Management of financial risks

Organisation of risk management

The nature of the Incap Group's business exposes the company to currency, interest rate, credit and liquidity risks as well as risks related to materials prices. The objective of the Group's risk management policy is to minimise the adverse effects of changes in financial markets on its result and cash flow.

The company's financial department is responsible for the management of financial risks and reports to the President and CEO and the Board of Directors on these risks and any changes in them. The financial department identifies and assesses financial risks and obtains the necessary instruments for hedging these risks.

Hedging transactions are carried out in accordance with principles approved by the Group's management. Currency forward contracts, currency loans and interest rate swaps are used in risk management, whenever necessary. The financial structure of subsidiaries is planned, assessed and controlled with a view to the management of financial risks. The company does not apply hedge accounting in accordance with IAS 39.

Currency risks

The Incap Group mainly operates in the euro zone and Estonia, where operations are not exposed to currency risks. In this respect, the Group did not undertake any hedging measures against changes in currency exchange rates during the financial year.

The debt financing of the subsidiary in India has been mostly carried out using local loans denominated in Indian rupees. The short-term working capital financing of the subsidiary in India is denominated in US dollars, and is used to hedge the local USD-denominated transaction exposure. Other currencies used in the business in India are not significant in terms of currency risk management.

The euro-denominated investment made in the subsidiary in India was not hedged during the financial year. The currency exchange differences arising from the investment are presented under exchange differences in the Group's non-restricted equity. A change of +10%/-10% in the EUR/INR exchange rate results in an increase of EUR 211,182.72 or a decrease of EUR 258,112.21 compared with the exchange difference at 31 December 2007.

Interest rate risk

At the balance sheet date, interest-bearing liabilities in the consolidated balance sheet totalled EUR 20.7 million, about half of which had a fixed rate and half a variable rate. The durations of the loans are 1–6 years. The Group has not carried out special hedging measures against interest rate risks during the financial year.

The Group analyses its interest rate exposure by preparing alternative calculations, simulating different financing options and forms of financing and the updating of current exposures, and anticipating potentially necessary hedging. Based on these calculations, the Group determines the effect of a defined interest rate change on the company's result. Calculations are made only for the loans that have the largest impact on the overall interest rate exposure. A change of +1%/-1% in the market interest rates of variable rate loans would change the Group's annual interest rate expenses by EUR +/- 98,687.33.

Credit risk

The principles and responsibilities of credit control are defined in the Group's documented operating methods.

The Group has significant receivables from several large Finnish and global customers. These customers are well-established, long-standing and creditworthy. During the financial year, a credit loss of EUR 11,961.18 was recognised in the income statement. When a new customer relationship is established, the company assesses the annual volume generated by the new business, its share in revenue and the customer's creditworthiness. Separate collateral is requested for major individual business transactions. During the financial year, the Group did not renegotiate payment terms for receivables that would otherwise have been due or whose value would have decreased. Receivables transferred in connection with the acquisition of the business in India were mostly collected by the end of the year, and the remaining receivables are not exposed to particular risks. No credit insurance has been used to hedge trade receivables. The aging structure of trade receivables is presented in section 15 of the notes.

Liquidity risk

The Group continuously evaluates and monitors the amount of financing required by business operations, so that it has sufficient liquid funds to finance operations and repay due loans. The optimal size of cash funds in the liquidity reserve is determined in the operating guidelines for the Group's financing. The company strives to ensure the availability and flexibility of financing using credit facilities and other forms of financing. Unused credit facilities and liquid funds at 31 December 2007 amounted to EUR 7.7 million. Surplus cash is invested in a money market fund.

Materials risk

The company has been exposed to risks related to the availability of materials and fluctuations in their prices. Threats created by these risks are managed by the signing of framework agreements with renowned partners. The effects of fluctuations in the prices of materials are taken into consideration in supply agreements signed with customers.

Capital management

The aim of the Group's capital management activities is to support business operations with an optimal capital structure by ensuring normal resources for operations and increasing shareholder value with the goal of generating the best possible return. An optimal capital structure also guarantees smaller capital expenses. The trend in the Group's capital structure is constantly tracked with gearing.

At the close of 2007, the Group's interest-bearing net liabilities totalled EUR 19.7 million (EUR 8.9 at 31 Dec. 2006) and its gearing was 103.2% (43.9% at 31 Dec. 2006). Gearing is calculated by dividing interest-bearing net liabilities by equity. Net liabilities equal interest-bearing liabilities less interest-bearing receivables and cash and cash equivalents. Gearing increased during the financial year due to the financing of the acquisition of the business in India. During 2007, the equity ratio dropped to 35.3% (44.7% at 31 Dec. 2006).

23. Fair values of financial assets and liabilities

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

	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Financial liabilities				
Bank loans	8,003	8,005	1,090	1,087
Pension loans	0	0	193	192
Convertible promissory notes	6,586	6,405	0	0
Other interest-bearing loans	1,606	1,772	2,068	2,103
Finance lease liabilities	4,483	4,480	6,068	6,068
Trade and other payables	14,294	14,294	15,620	15,620

The fair value of current liabilities do not differ materially from their carrying amount.

Discount rates applied in determining fair value

	2007	2006
Bank and other loans	1.25% – 7.68%	2.57% – 5.78%

24. Adjustments to cash flows from operations

	2007	2006
Non-cash transactions		
Depreciation and impairment losses	2,753	2,284
Change in finance lease agreements due to IFRS adjustments	-1,661	-1,190
Lease payments in cash flow from financing activities	1,533	1,100
Employee benefits expense	121	135
Transfer of capital gains on tangible assets to cash flow from investments	-3,118	-2
Adjustments to leases	0	-331
	-372	**1,996**

25. 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 twelve 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)

	2007	2006
Less than 1 year	2,126	1,287
1–5 years	3,138	2,842
	5,263	**4,130**

The income statement for 2007 includes EUR 1.7 million of lease expenses paid for operating leases (EUR 1.4 million in 2006).

26. Collateral and contingent and related liabilities

	2007	2006
Collateral given on behalf of own commitments		
Mortgages	34	538
Business mortgages	12,281	5,447
Collateral given on behalf of others		
Guarantees on behalf of subsidiaries	131	164
Repurchase liability for trade receivables sold to finance companies	2,092	2,737
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 2003-2007	40	29

Incap Corporation has used the obligation in the end of financial year 2007, as the leaseholder, to acquire the shares of the property Valuraudankuja Oy from Varma-Sampo Insurance Company. In the financial statements 31 December 2006 the repurchase price corresponding to fair value is EUR 3.3 million.

27. Related-party transactions

Management's employee benefits	2007	2006
Salaries and other current employee benefits	430	386
Share-based payment	37	37
	466	**423**

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	2007	2006
President and CEO	260	235
Board members		
Seppo Arponen	7	23
Juha-Pekka Kallunki	26	23
Kalevi Laurila	45	23
Timo Leinilä	7	23
Sakari Nikkanen	27	23
Jorma Terentjeff	10	34
Susanna Miekk-oja	29	0
Jukka Harju	20	0

The members of the company's Board of Directors and the President and CEO and their related persons and the corporations in which they have a controlling interest owned a total of 1,998,848 shares, or 16% of the company's shares outstanding and voting rights. At the close of the financial year, the President and CEO had a total of 91,600 warrants of the 2004 stock option scheme. If all the warrants of the 2004 stock option scheme issued by the end of 2007 are converted into shares, the President and CEO and the Board of Directors and their closely related persons and the corporations in which they have a controlling interest will hold 17% of the total shares outstanding. The President and CEO and two members of the Board subscribed for the convertible promissory notes issued by Incap in 2007. If the President and CEO and the Board members fully exercise their subscription right to Incap's shares, as provided for by the convertible promissory notes, they and their related persons and the corporations in which they have a controlling interest will hold 18% of Incap's shares outstanding.

Parent Company Income Statement

1,000 euros	1 Jan.–31 Dec. 2007	1 Jan.–31 Dec. 2006
Revenue	75,157	87,804
Changes in inventories of finished goods and work in progress	-1,107	1,318
Other operating income	27	701
Raw materials and services	53,378	63,250
Personnel expenses	13,351	14,886
Depreciaton, amortisation and impairment losses	1,739	1,688
Other operating expenses	8,184	7,986
Operating profit/loss	**-2,575**	**2,013**
Financial income and expenses	-584	-304
Profit/loss before extraordinary items	**-3,159**	**1,710**
Extraordinary items	3,118	331
Profit/loss before appropriations and taxes	**-41**	**2,041**
Appropriations	-84	0
Income taxes	-593	765
Profit/loss for the financial year	**-718**	**2,806**

Parent Company Balance Sheet

1,000 euros	31 Dec. 2007	31 Dec. 2006
ASSETS		
Non-current assets		
Intangible assets	1,053	1,542
Tangible assets	3,898	4,227
Investments		
Holdings in Group companies	6,945	871
Other investments	11	14
Total non-current assets	**11,906**	**6,653**
Current assets		
Inventories	10,914	12,373
Non-current receivables	3,800	4,434
Current receivables	16,996	15,890
Cash in hand and at bank	268	434
Total current assets	**31,976**	**33,131**
Total assets	**43,883**	**39,784**
LIABILITIES		
Equity		
Share capital	20,487	20,487
Share premium account	44	44
Retained earnings	506	-2,172
Profit for the financial year	-718	2,806
Total equity	**20,319**	**21,165**
Appropriations	**464**	**252**
Liabilities		
Non-current liabilities	8,150	2,414
Current liabilities	14,951	15,954
Total liabilities	**23,100**	**18,368**
Total equity and liabilities	**43,883**	**39,784**

Parent Company's Cash Flow Statement

1,000 euros	1 Jan.–31 Dec. 2007	1 Jan.–31 Dec. 2006
Cash flows from operating activities		
Operating profit/loss	-2,575	2,013
Adjustments to operating profit/loss	1,739	1,670
Change in working capital	-4,898	-3,143
Interest paid	-421	-346
Interest received	119	39
Cash flows from operating activities	**-6,036**	**233**
Cash flows from investing activities		
Investments in tangible and intangible assets	-918	-808
Acquisition of subsidiary	-4,019	0
Proceeds from sales of tangible and intangible assets	3,118	47
Repayments of loan receivables	-112	77
Cash flows from investing activities	**-1,931**	**-684**
Cash flows from financing activities		
Drawdown of loans	8,893	0
Loan repayments	-1,092	-1,209
Cash flows from financing activities	**7,801**	**-1,209**
Change in cash and cash equivalents	**-166**	**-1,660**
Cash and cash equivalents at the beginning of the financial year	434	2,094
Cash and cash equivalents at the end of the financial year	**268**	**434**
Change in working capital		
Increase in current trade receivables	-3,006	-2,815
Increase in inventories	1,459	-1,346
Increase in current liabilities	-3,351	1,018
	-4,898	**-3,143**

Notes to the parent company's financial statements are available on Incap's website at www.incap.fi.

Board of Directors' Proposal for the Disposal of Profits

The parent company's net loss for the financial year amounts to EUR 717,875.93. The Board of Directors is proposing to the Annual General Meeting to be held on 10 April 2008 that no dividend be distributed and that the result for the financial year be transferred to retained earnings.

Helsinki, 3 March 2008

Kalevi Laurila *Chairman of the Board*	Jukka Harju	Juha-Pekka Kallunki
Susanna Miekk-oja	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.–31.12.2007. 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 distribution of result from the period is in compliance with the Companies Act.

In Helsinki, March 3, 2008

Ernst & Young Oy
Authorized Public Accountant Firm

Rauno Sipilä
Authorized Public Accountant

Definitions of Key Figures

Return on equity, %	100 x (profit before tax less tax) / equity (mean for financial year) + minority interest
Return on investment, %	100 x (profit before tax + interest and other financial expenses) / total assets less non-interest-bearing loans (mean for financial year)
Equity ratio, %	100 x (equity + minority interest) / total assets less advance payments received
Gearing, %	100 x (interest-bearing liabilities less cash and cash equivalents) / equity + minority holdings
Net debt	liabilities less financial assets
Liability payback period, years	interest-bearing liabilities / calculated cash flow [1]
Quick ratio	financial assets / short-term liabilities
Current ratio	financial assets + inventories / current liabilities
Investoinnit	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	net profit / share issue-adjusted mean number of shares during financial year
Equity per share	equity / share issue-adjusted number of shares at end of financial year
Dividend per share	dividend during financial year / share issue-adjusted number of dividend-earning shares at end of financial year
Dividend out of profit, %	100 x dividend per share / earnings per share
Cash flow per share	calculated cash flow [1] / share issue-adjusted number of shares at end of financial year
Effective dividend yield, %	100 x dividend per share / last price at balance sheet date
Price per earnings (P/E) ratio	last price at balance sheet date / earnings per share
Total market capitalisation	last price at balance sheet date x 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 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003
Revenue	EUR million	83.0	89.3	76.7	70.8	65.2
Growth	%	-7	17	8	9	-6
Export	EUR million	16.9	13.1	8.2	10.0	4.6
Share of revenue	%	20	15	11	14	7
Operating profit	EUR million	0.3	2.8	3.8	3.8	-1.9
Share of revenue	%	0	3	5	5	-3
Profit before taxes	EUR million	-1.1	2.3	3.2	3.1	-6.0
Share of revenue	%	-1	3	4	4	-9
Return on equity (ROE)	%	-5.6	17.3	36.0	32.9	-17.7
Return on investment (ROI)	%	1.3	10.5	14.7	12.8	-6.0
Total assets	EUR million	54.2	45.5	39.2	40.1	37.7
Equity ratio	%	35.3	44.7	43.4	28.5	34.3
Gearing	%	103.2	43.9	31.2	133.0	92.0
Net debt	EUR million	15.8	10.7	7.1	15.1	12.8
Liability payback period	years	13	2	1	3	-5
Quick ratio		0.8	0.8	0.9	0.7	0.7
Current ratio		1.4	1.6	1.7	1.4	1.5
Investments	EUR million	1.5	7.1	0.8	0.4	0.5
Share of revenue	%	2	8	1	1	1
R&D expenditure	EUR million	0.3	0.5	0.6	1.9	2.0
Share of revenue	%	0	1	1	3	3
Average number of employees		678	521	468	552	562
Dividends	EUR million [1)]	0.0	0.0	0.0	0.0	0.0
Per-share data						
Earnings per share	EUR	-0.09	0.26	0.42	0.34	-0.20
Equity per share	EUR	1.57	1.67	1.39	0.94	1.06
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	0.14	0.38	0.47	0.50	-0.20
Effective dividend yield	% [1)]	0.0	0.0	0.0	0.0	0.0
P/E ratio		-14.9	9.7	4.5	5.6	-9.04
Trend in share price						
Minimum price during year	EUR	1.25	1.82	1.65	1.65	0.87
Maximum price during year	EUR	2.67	2.90	2.07	2.59	2.15
Mean price during year	EUR	2.10	2.32	1.82	2.09	1.59
Closing price at end of year	EUR	1.34	2.51	1.87	1.90	1.80
Total market capitalisation at 31 Dec.	EUR million	16.3	30.6	22.8	23.1	21.9
Trade volume	no. of shares	6,535,047	11,010,588	3,276,966	3,438,988	3,367,276
Trade volume	%	54	90	27	28	28

Share issue-adjusted number of shares

Mean number during year	12,180,880	12,180 880	12,180,880	12,180,880	12,180,880
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. Company's share value registered in the trade registry was EUR 20,486,769.50 on 31 December 2007. 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 EUR 16,800,000 and the maximum share capital EUR 67,200,000. Company does not have any of its own shares in its possession.

Incap Corporation's shares are listed on the OMX Nordic Exchange Helsinki. In the Nordic OMX List, Incap belongs to the Small Cap segment and the industry sector of Incap is Information Technology. The company code is ICP and the book-entry type code is ICP1V.

The price of Incap Corporation's share varied in the range of EUR 1.25 to EUR 2.67 during the financial year. The last quotation in trading at the end of the year was EUR 1.34. The total trading of the share during the financial year was 54%. The company's market capitalisation on 31 December 2007 was EUR 16,322,379. At the close of the financial year, the company had 1,004 shareholders, and 6.1% of the shares were nominee-registered.

Authorisations by the Board of Directors

On 3 April 2007 the Annual General Meeting authorised the Board of Directors to increase the share capital 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 2,500,000 shares. The Board of Directors exercised the authorisation on 21 May 2007 by offering convertible promissory notes to a limited group of investors. The convertible promissory notes were subscribed in full.

Shareholder agreements

The Board of Directors is not aware of any shareholder agreements concerning the ownership and voting rights of the company's shares.

Stock option scheme 2004

The stock option scheme introduced in 2004 includes a total of 630,000 option rights, 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. 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 May 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 March 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 exceeds EUR 3.00. By 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 program 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, their circle of acquaintances as well as the companies under their control, owned a total of 1,998,848 shares, or 16% 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 2007 are converted into shares, the President and the Board of Directors as well as the companies under their control will hold 17% of the total shares outstanding. The convertible promissory notes, which were announced in 2007 were subscribed by the President and two members of the Board of Directors. If they apply the subscription right in its entity, their holdings and the holdings of their family members and controlled corporations of the share capital and votes of Incap Corporation will be 18%.

Development of share capital 1991–2007

Date		Change, 1,000 euros	Registered on	Share capital, 1,000 euros
31.01.1991	Merger	5,760	26.02.1992	7,862
28.04.1992	Increase	424	25.11.1992	8,286
30.09.1992	Decrease	4,972	02.12.1992	3,314
15.01.1993	Increase	32	11.08.1993	3,347
16.03.1994	Increase	563	21.12.1994	3,910
10.03.1997	Increase	978	21.03.1997	4,889
05.05.1997	Increase	975	05.05.1997	5,864
04.05.1998	Increase	40	04.05.1998	5,904
21.03.2002	Increase	14,583	24.04.2002	20,487

Breakdown of shareholdings by sector on 31 December 2007

	Owners		Shares and votes	
	pcs	%	pcs	%
Private enterprises	70	7.0	7,536,090	61.9
Financial institutions	10	1.0	1,129,021	9.2
Public sector entities	4	0.4	775,150	6.4
Non-profit organisations	5	0.5	14,501	0.1
Households	915	91.1	2,726,118	22.4
Total	1,004	100.0	12,180,880	100.0
Nominee-registered shares	5		748,649	6.1

Breakdown of shareholdings by number of shares on 31 December 2007

Shares	Owners		Shares and votes	
pcs	pcs	%	pcs	%
1–100	137	13.6	9,074	0.1
101–500	297	29.6	98,270	0.8
501–1 000	199	19.8	174,239	1.4
1 001–5 000	246	24.5	664,471	5.5
5 001–10 000	60	6.0	472,953	3.9
10 001–50 000	44	4.4	945,654	7.8
50 001–100 000	9	0.9	670,210	5.5
100 001–500 000	8	0.8	1,769,285	14.5
500 001–	4	0.4	7,376,724	60.5
Total	1,004	100.0	12,180,880	100.0

Largest shareholders on 31 December 2007

	Share, pcs	Percentage of shares and votes. %
Etra Invest Oy Ab	3,500,001	28.7
JMC Finance Oy	1,845,296	15.1
Ingman Finance Oy Ab	1,521,407	12.5
Svenska Handelsbanken AB (publ)	510,020	4.2
Ilmarinen Mutual Pension	499,350	4.1
Sampo Oyj	290,672	2.4
City of Turku Risk Management Fund	255,800	2.1
Skandinaviska Enskilda Banken	209,087	1.7
Thominvest Oy	150,000	1.2
Laurila Kalevi Henrik	131,552	1.1

List of 50 largest shareholders is available on Incap's website at www.incap.fi and is updated once a month.

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Incap Corporation will be held on Thursday, 10 April 2008 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 31 March 2008. Owners of nominee-registered shares, who would like to attend the Annual General Meeting can be temporarily added into Shareholder Register. Registration has to be done by latest on 31 March 2008 and for this the shareholder has to be in contact with his/her account operator.

Registration for attending the AGM must be made no later than 4.00 p.m. on Thursday 3 April 2008. Registration can be made

- by e-mail to laura.kuusela@incap.fi
- by a letter to Incap Corporation/Laura Kuusela, Valuraudankuja 6, 00700 Helsinki
- by phone on +358 40 509 4757/Laura Kuusela
- 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 2008 are the following:

- Financial Statement Bulletin for 2007 Tue, 4 March 2008
- Interim Report for Jan–Mar Wed, 7 May 2008
- Interim Report for Jan–Jun Wed, 6 August 2008
- Interim Report for Jan–Sep Wed, 5 November 2008

Incap follows a two weeks' silent period and 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 events.

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".

Any mail to shareholders is sent to the addresses given in the register of Finnish Central Securities Depository Ltd. Shareholders must make notification of changes of address by reporting the information to book-entry register of the bank with which they have a book-entry account.

Publications can be ordered from Corporate Communications by e-mail at communications@incap.fi, at the address Incap Oyj/Communications, Valuraudankuja 6, 00700 Helsinki or by phone on +358 40 509 4757/Laura Kuusela.

Investor relations

The task of Incap's investor communications is to support the appropriate formation of the share price by providing precise and up-to-date information in the Incap Group's business operations and financial performance. 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 shareholders, analysts and investors at investor fairs, in seminars, at functions arranged by various organisations and in one-on-one meetings. The presentation material of company events 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 share

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

Teemu Saari
Glitnir
Tel. +358 9 6134 6514
teemu.saari@glitnir.fi

Hannu Rauhala
Pohjola Bank Plc.
Tel. +358 10 252 4392
hannu.rauhala@pohjola.fi

Gideon Bolotowsky
OsakeTieto (Share Information, an investor research organisation)
Tel. +358 9 681 1990
gideon.bolotowsky@osaketieto.com

Incap Corporation
Kirkkokatu 13, FI-90100 Oulu
Tel. +358 10 612 11
Fax +358 8 311 2080
www.incap.fi