Incap Corporation

FINANCIAL STATEMENTS 2006

INCAP CORPORATION

STOCK EXCHANGE RELEASE
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INCAP GROUP FINANCIAL STATEMENTS FOR 2006: REVENUE GREW, BUT INVESTMENTS IN GROWTH WEAKENED EARNINGS

- revenue rose by 17% on the previous year to EUR 89.3 million (EUR 76.7 million in 2005)
- operating profit was EUR 2.8 million (EUR 3.8 million), or 3.2% of revenue (4.9%)
- net profit for the financial year was EUR 3.2 million (EUR 5.1 million)
- earnings per share amounted to EUR 0.26 (EUR 0.42)
- total capital expenditures came to EUR 7.1 million (EUR 0.8 million), or about 8.0% of revenue (1.1%)
- Incap continued to invest strongly in growth and internationalisation in accordance with strategy

Juhani Hanninen, President and CEO of Incap Corporation: “Our business operations enjoyed a favourable trend in 2006. Demand for Incap’s manufacturing services continued at a good level and revenue grew more vigorously than the market average.”

”We boosted our competitiveness by investing heavily in production equipment and in improving our operations. Although operating profit fell from last year due to these investments, our profitability remains on a satisfactory level and our operating profit represented more than 3% of revenue.”

Revenue and earnings in October-December

Fourth-quarter revenue totalled EUR 24.0 million, or 20.2% more than in the same period last year (Oct.-Dec. 2005: EUR 20.0 million).

Operating profit in October-December amounted to EUR -0.3 million (EUR 0.7 million), representing -1.4% of revenue (3.4%).

Vuokatti personnel arrangements reduced profitability in the final quarter of 2006 when EUR 0.5 million were recorded as costs of lay-offs. Other non-recurring costs were created by the market study in India and product transfers from Finland to Estonia.

Quarterly comparison (EUR thousands)	Oct.-Dec./ 2006	July-Sept./ 2006	April-June/ 2006	Jan.-March/ 2006	Oct.-Dec./ 2005	July-Sept./ 2005	April-June/ 2005	Jan.-March/ 2005
Revenue	24 014	21 810	22 486	21 038	19 975	16 600	19 891	20 208
Operating profit	-331	599	1 163	1 396	680	756	1 088	1 227
Net profit for the financial year	-376	728	1 320	1 553	1 234	1 286	2 176	796
Earnings per share, EUR	-0,03	0,06	0,11	0,13	0,10	0,11	0,18	0,06

Operational performance in 2006

Consolidated revenue rose by 17% on the previous year to EUR 89.3 million (EUR 76.7 million in 2005). Operating profit amounted to EUR 2.8 million (EUR 3.8 million), representing 3.2% of revenue (4.9%). Operating profit was weakened by non-recurring expenses of about EUR 0.9 million, from which majority was spent on research of business opportunities in India and start-up of the new Kuressaare factory. Also a cost of EUR 0.5 million was written off for personnel arrangements at the Vuokatti factory. Excluding non-recurring expenses, operating profit reached almost the same level as in 2005, representing about 4.7% of revenue.

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

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

Financial year comparison (EUR thousands)	2006	2005	Change %
Revenue	89 347	76 673	17
Operating profit	2 828	3 750	-25
Net profit for the financial year	3 225	5 109	-37
Earnings per share, EUR	0,26	0,42	-38

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

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

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

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

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

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

Development of operations

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

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

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

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

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

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

Financing and cash flow

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

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

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

Research and development

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

Capital expenditures

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

Environmental issues

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

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

Personnel

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

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

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

Management Team

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

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

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

Annual General Meeting

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

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

Board of Directors

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

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

Auditors

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

Shares and shareholders

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

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

Share options

The Incap Group currently runs a share option scheme that was introduced in 2004 and that commits key employees to long-term share ownership. There are a total of 630,000 option rights, entitling their holders to subscribe for an equal number of shares. On the basis of the subscriptions, Incap's share capital can rise by a maximum of about EUR 1,058,400. At the close of the year, the option scheme covered 10 key employees.

Board of Directors' proposal for the disposal of profits

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

Announcements in accordance with Chapter 2, Section 9, of the Securities Market Act on changes in holdings

Eqvitec Partners Oy announced on 19 April 2006 that the mutual funds managed by it had decreased their holdings of Incap Corporation's shares to 4.9% of Incap Corporation's share capital and votes. Ingman Group Oy Ab announced on 7 September 2006 that the total holdings of the companies under its management, Leimark Invest Oy Ab and Ingman Finance Oy Ab, had increased to 5.9% of the share capital and votes of Incap Corporation. Teknoventure Oy announced that it had sold all of its holdings in Incap Corporation, or 6.4% of the share capital and votes of Incap Corporation, in a transaction concluded on 27 September 2006. Etra Invest Oy announced on 29 September 2006 that its holdings of the share capital and votes of Incap Corporation had increased to 14.2%. Finnvera plc, in turn, announced that it had sold its 14.2% holding in a deal concluded on 29 September 2006.

After the close of the financial year, on 26 January 2007, Ingman Finance Oy Ab announced that its holdings of the share capital and votes of Incap Corporation had increased to 10.1%. OKO Bank plc announced on 31 January 2007 that its holdings had fallen below 5%.

Operational risks and factors of uncertainty

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

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

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

Targeting strong growth and more international operations

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

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

Events after the close of the financial year

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

Outlook for 2007

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

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

Revenue of the first quarter of the year 2007 is expected to be smaller than during the same period last year due to a decline in revenue in the telecommunications sector. Operating profit in the first quarter is estimated to be significantly smaller than during January-March 2006.

Incap will publish its Interim Report for January-March on Wednesday, 9 May 2007.

INCAP CORPORATION
Board of Directors

For additional information, contact:
Juhani Hanninen, President and CEO, tel. +358 50 556 7199
Anne Sointu, Chief Financial Officer, tel. +358 40 347 2059
Hannele Pöllä, Director, Communications and Investor Relations, tel. +358 40 504 8296

PRESS CONFERENCE
Incap will arrange a conference for the press and financial analysts today at 10.00 a.m. at the World Trade Center Helsinki, in Meeting Room 1 on the 2nd floor, at the address Aleksanterinkatu 17, FI-00100 Helsinki.

DISTRIBUTION
Helsinki Stock Exchange
Principal media

INCAP IN BRIEF
Incap Corporation is a fast-growing electronics contract manufacturer whose comprehensive service covers the entire product life cycle from design and manufacture to repair and maintenance services. The company's main customer sectors are leading equipment suppliers in telecommunications, electrical power technology, the automation and process industries as well as measurement technology, safety electronics and healthcare. The Incap Group's revenue in 2006 amounted to EUR 89 million and the company currently employs about 540 people. Incap's share is listed on the Helsinki Stock Exchange and it is a component of the Nordic Small Cap list within the information technology sector. For additional information, please visit www.incap.fi.

ANNEXES
Consolidated Income Statement
Consolidated Balance Sheet
Consolidated Cash Flow Statement
Consolidated Statement of Changes in Equity
Group Key Figures and Contingent Liabilities

Annex 1

CONSOLIDATED INCOME STATEMENT (IFRS)
(EUR thousands, unaudited)

	Jan.-Dec. 2006	Jan.-Dec. 2005	Change %
REVENUE	89 347	76 673	17
Other operating income	383	211	82
Changes in inventories of finished goods and work in progress	1 409	-296	-576
Raw materials and consumables used	61 634	50 340	22
Personnel expenses	16 245	13 328	22
Depreciation, amortisation and impairment losses	2 284	2 592	-12
Other operating expenses	8 149	6 576	24
OPERATING PROFIT/LOSS	2 828	3 750	-25
Financial income and expenses	-505	-574	-12
PROFIT/LOSS BEFORE TAXES	2 323	3 177	-27
Income taxes	902	1 933	-53
PROFIT/LOSS FOR THE REPORT PERIOD FROM CONTINUING OPERATIONS	3 225	5 109	-37
Profit/loss for the report period from discontinued operations	-	382	-100
PROFIT/LOSS FOR THE REPORT PERIOD	3225	5 491	-41
Earnings per share, from continuing operations	0.26	0.42	-38
Earnings per share, from discontinued operations	-	0.03	-100

Share options did not have a dilutive effect in the 2005 and 2006 financial years.

Annex 2

CONSOLIDATED BALANCE SHEET (IFRS)
(EUR thousands, unaudited)

	31 Dec. 2006	31 Dec. 2005	Change %
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	11 571	7 169	61
Intangible assets	495	440	13
Deferred tax assets	4 310	3 545	22
Other non-current receivables	15	15	-
TOTAL NON-CURRENT ASSETS	16 391	11 169	47
CURRENT ASSETS			
Inventories	14 626	12 880	14
Trade and other receivables	13 994	12 899	8
Cash and cash equivalents	500	2 213	-77
TOTAL CURRENT ASSETS	29 120	27 991	4
TOTAL ASSETS	45 511	39 160	16
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	20 487	20 487	-
Share premium account	44	44	-
Retained earnings	-206	-3 566	-94
TOTAL EQUITY	20 325	16 965	20
NON-CURRENT LIABILITIES			
Deferred tax liabilities	147	284	-48
Interest-bearing loans and borrowings	6 806	5 544	23
CURRENT LIABILITIES			
Trade and other payables	15 620	14 400	8
Interest-bearing loans and borrowings	2 613	1 966	33
TOTAL LIABILITIES	25 186	22 195	13
TOTAL EQUITY AND LIABILITIES	45 511	39 160	16

Annex 3

CONSOLIDATED CASH FLOW STATEMENT (IFRS)
(EUR thousands, unaudited)

	Jan.-Dec. 2006	Jan.-Dec. 2005
Cash flow from operating activities		
Operating profit	2 828	4 163
Adjustments to operating profit	1 996	2 020
Change in working capital	-1 420	2 066
Interest and other payments made	-411	-554
Interest received	22	31
Income taxes paid	-	-77
Cash flow from operating activities	3 015	7 649
Cash flow from investing activities		
Investments in tangible and intangible assets	-1 547	-813
Gains on the sale of tangible and intangible assets	15	3 115
Cash flow from investing activities	- 1532	2 302
Cash flow from financing activities		
Repayments of borrowings	-1 235	-6 448
Repayments of obligations under finance leases	-1 961	-1 702
Cash flow from financing activities	-3 196	-8 150
Change in net cash	-1 713	1 801
Cash and cash equivalents at beginning of period	2 213	412
Cash and cash equivalents at end of period	500	2 213

Annex 4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)
(EUR thousands, unaudited)

	Share capital	Share premium account	Retained earnings	Total
Equity at 1 January 2005	20 487	44	-9 111	11 420
Option and share-based compensation	-	-	54	54
Net income (loss) recognised directly in equity	-	-	54	54
Result for the financial year	-	-	5 491	5 491
Total income and expense for the report period	-	-	5 546	5 546
Equity at 31 December 2005	20 487	44	-3 566	16 965
Equity at 1 January 2006	20 487	44	-3 566	16 965
Option and share-based compensation	-	-	135	135
Net income (loss) recognised directly in equity	-	-	135	135
Result for the financial year	-	-	3 225	3 225
Total income and expense for the report period	-	-	3 360	3 360
Equity at 31 December 2006	20 487	44	-206	20 325

Annex 5

GROUP KEY FIGURES AND CONTINGENT LIABILITIES (IFRS, CONTINUING OPERATIONS)

	Jan.-Dec. 2006	Jan.-Dec. 2005
Revenue, EUR millions	89.3	76.7
Operating profit, EUR millions	2.8	3.8
% of revenue	3.2	4.9
Profit before taxes, EUR millions	2.3	3.2
% of revenue	2.6	4.1
Return on investment (ROI), %	10.5	14.7
Return on equity (ROE), %	17.3	36.0
Equity ratio, %	44.7	43.4
Gearing, %	43.9	31.2
Net debt, EUR millions	10.7	7.1
Interest-bearing net debt, EUR millions	8.9	5.3
Average number of share issue-adjusted shares during the financial year	12 180 880	12 180 880
Earnings per share (EPS), euros	0.26	0.42
Equity per share, euros	1.67	1.39
Investments, EUR millions	7.1	0.8
% of revenue	8.0	1.1
Average number of employees	521	468

CONTINGENT LIABILITIES (EUR millions)	31 December 2006	31 December 2005
FOR OWN LIABILITIES		
Mortgages	6.0	8.6
Other liabilities	10.2	9.3