FINANCIALS 2008

Contents

Report of the Board of Directors 2008

A clear change in direction was made in Incap's strategy, according to which the company now will focus on serving equipment manufacturers in energy efficiency and well-being technology. In the same context, Incap applied for a transfer of its share from the Nordic Stock Exchange's Information Technology sector to the Industrials category. The change entered into force after the end of the financial period in February 2009.

The company strengthened its competitive position through the offering of comprehensive solutions and design and other life-cycle services. Consolidated revenue increased by 13% from the previous year. In addition to increased production and financing costs, profitability was strained by expenses related to operational development and personnel arrangements, as well as the development of revenue in India beeing slower than expected.

Operating environment

Through its new strategy, Incap has transferred to business areas where the growth rate is expected to be quicker than average. The general demand for manufacturing services remained at a good level in 2008, and the demand for energy and electric equipment manufacturing, in particular, developed positively.

Tight competition between contract manufacturers created cost and price pressures. The transfer of production and related functions to areas of low cost levels continued especially among products manufactured in large series. Customers outsourced services related closely to manufacturing to an even greater extent, such as the design of new products and re-design of old products. Customers are reducing the number of partners, aiming at acquiring larger product entities from a single supplier.

The uncertainty in the global economy was, above all, seen as tighter financial markets.

Revenue and earnings in 2008

Incap Group's revenue amounted to about EUR 93.9 million, i.e., it was 13% higher than the previous year (2007: EUR 83.0 million). The increase was mainly caused by the expanded manufacturing cooperation in rotor components and slot machines. During the year, a number of new products were introduced in pre-serial manufacture and volume production. Product entities increased their share of overall deliveries in line with the company's targets, and revenue particularly from customers in the energy and security technology as well as in the well-being technology industries developed favourably.

There was a significant change in the structure of revenue as volume manufacturing for two telecommunications customers was terminated at the end of 2008. The revenue produced by these customers over the entire year decreased as expected, even though the manufacture of products in the customer's reserve stock increased the revenue temporarily in the latter half of the year. About EUR 4.5 million of the consolidated revenue comprised sales of materials used mainly in telecommunications products at a sales margin lower than in normal production. Manufacturing cooperation in prototype and small set products with another customer will continue.

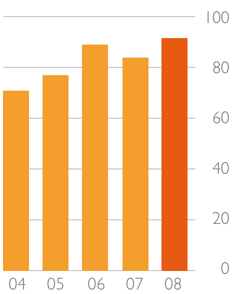
The Group's operating result over the entire year stood at EUR -3.6 million, including the non-recurring expense reserve of about EUR 0.8 million registered for the final quarter of the year regarding reorganisation of the production structure. During the year, non-recurring costs amounted to EUR 1.8 million.

Because of tight competition on the contract manufacturing market, great pressure was directed at sales margins. However, the price level of certain products could be increased through price adjustments agreed upon with the customers.

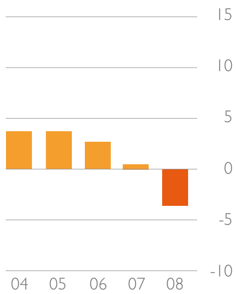
Particularly at the beginning of the year, a number of new products were at the start-up stage in production, reducing productivity with an impact on profitability. A similar impact was caused by the emphasis of manufacturing on material-dominant products where the share of components and raw materials from the products' total value is high.

The amount of inventories at the end of the financial period was EUR 16.1 million. The level of EUR 15 million set as the objective could not be reached because some of the final deliveries of telecommunications products to be terminated extended over the turn of the year to the first quarter of 2009.

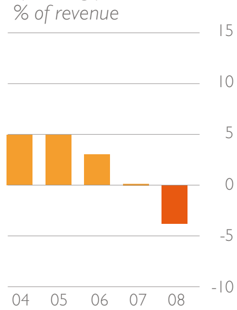
Revenue, EUR million



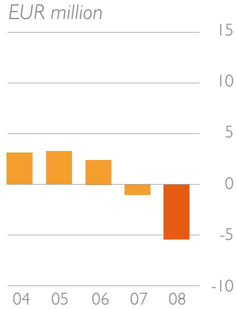
Operating profit, EUR million



Operating profit, % of revenue



Profit before taxes, EUR million



Net loss for the financial period amounted to EUR 5.4 million (2007: net loss of 1.1 million). The result for the period was particularly influenced by the increase in financing costs related to the development of the operations in India.

Earnings per share amounted to EUR -0.44 (EUR -0.09), while equity per share stood at EUR 1.08 (EUR 1.57).

Indian operations

Year 2008 was the first full financial period for the Indian subsidiary, Incap Contract Manufacturing Services Pvt. Ltd.

Agreements with six significant new customers were signed in India during 2008. The products of these customers proceeded to the prototype and pre-series stage during the year, but volume production could not be started at the expected rate. As a result, the revenue of the Indian company increased less than expected, and operating profit did not cover all expenses.

The production capacity of the Indian subsidiary was developed moderately through small machine acquisitions and the organisation was built according to customers' needs. Plant production was focused on PCB assembly for applications in energy technology and industrial electronics, as well as on the manufacture of product entities, such as emergency power sources and power units.

The Indian manufacturing services expanded to automotive industry during 2008, which is a new customer area for the company. The Tumkur plant was audited and approved for the TS 16949 quality certificate required by the automotive industry.

The construction of new production facilities advanced nearly on schedule in Tumkur. The construction of the new facilities did not cause any costs for Incap because the new building was included in the business transaction signed with TVS in 2007.

Development and reorganisation of operations

The focus of material sourcing was transferred to Asia over the review period by launching cooperation with a partner operating in the region. Cost-effective sources of material were utilised in purchases of electronics and mechanics. The Indian plant increased strategic sourcing resources.

Incap is aiming at new competitive benefits through the development of life-cycle services. Design service resources were increased, particularly in India where the design unit of 12 people provides design, testing and certification of mechanics, electronics and PCBs for customers, including those operating outside India.

The objective of the reorganisation programme launched in August is to achieve significant cost savings and strengthen the company's financial base. The programme emphasises the improvement of the working capital ratio and profitability, and also the adaptation of the cost structure. In order to reach the objective, there will be measures for expanding the service offering, eliminating low-margin or unprofitable assignments, and further increasing the role of Indian and Estonian plants in service production. The majority of the measures in the reorganisation programme will be reflected in the result during 2009.

Redefining the strategy

Incap redefined its strategy strongly, aiming at profitable growth by focusing particularly on serving leading device manufacturers in energy-efficiency and well-being technology. The company will increase its competitiveness by expanding its service selection through life-cycle services that supplement the manufacturing services. The company's organisational model was renewed and the business responsibility was centralised in units formed on the basis of customer segments.

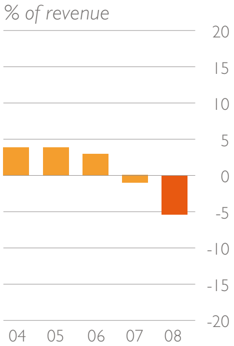
Thanks to its expertise, Incap has excellent possibilities for strengthening its position in the new, growing customer segments where outsourcing of manufacturing and related services continues to increase. Strongly growing areas include applications related to improving energy-efficiency and increasing well-being. Incap is already strongly involved in the delivery chain of these applications.

Financing and cash flow

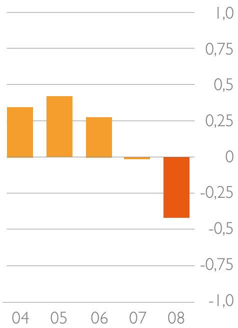
The Group's equity ratio was 27.0% (35.3%). Interest-bearing net liabilities totalled EUR 19.3 million (EUR 19.7 million) and the gearing ratio was 146.1% (103.2%). Net financial expenses were EUR 1.8 million (EUR 1.4 million) and depreciation and amortisation expense was EUR 2.8 million (EUR 2.8 million).

The Group's equity at the close of the financial period amounted to EUR 13.2 million (EUR 19.1 million). Debt totalled EUR 35.7 million (EUR 35.1 million), of which interest-bearing debt amounted to EUR 19.9 million (EUR 20.7 million).

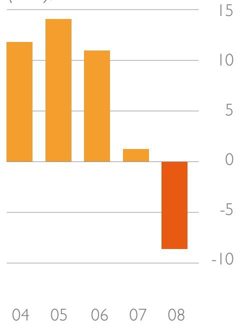
Profit before taxes, % of revenue



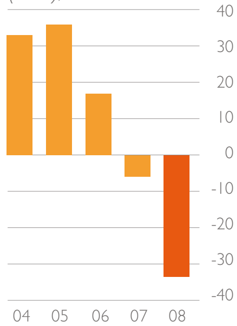
Earnings per share (EPS), EUR



Return on investment (ROI), %



Return on equity (ROE), %



The Group's quick ratio was 0.7 (0.8) and the current ratio is 1.4 (1.4). Cash flow from operations was EUR 1.4 million (EUR -4.0 million) and the change in cash and cash equivalents was a decrease of EUR 0.3 million (an increase of EUR 0.5 million).

In order to finance Indian investments and working capital, Incap signed a financing agreement with Finnfund (Finnish Fund for Industrial Cooperation Ltd.), through which Finnfund executed a share capital investment of EUR 1.9 million in Incap's Indian subsidiary, Incap CMS Pvt. Ltd. The financing was withdrawn in full after the close of the financial period in January 2009.

Incap aims at securing its liquidity primarily by improving the efficiency of the management of working capital.

Research and development

The expenses arising from Incap's research and development operations stood at EUR 0.5 million (EUR 0.3 million).

Capital expenditures

The Group's capital expenditures over the financial period were EUR 1.8 million (EUR 1.5 million) or 1.9% (1.8%) of revenue. Manufacturing capacity was renewed the most strongly at the Vaasa rotor component plant and in the Tumkur production. Of capital expenditures, EUR 0.5 million was acquired for financial leasing (EUR 0.2 million)

Environmental issues

All of Incap's plants employ environmental and quality assurance systems certified by Lloyd's or TÜV Rheinland. The environmental system corresponds to the ISO 14001:2004 standard and the quality system complies with the ISO 9001:2000 standard.

The Helsinki, Kuressaare and Vuokatti plants have been granted the ISO 13485:2003 certificate which is widely applied to the manufacture of medical devices. The Indian plant was audited and approved for the TS 16949 quality certificate required by the automotive industry.

Personnel

At the beginning of the year, the Incap Group employed 739 people, and 727 at the end of the period. On average, the company employed 735 people in 2008 (678). The number of personnel decreased by 2% from the previous year. At the end of the year, 47% of the personnel worked in Finland (45%), 26% in Estonia (27%) and 28% in India (28%).

At the end of the year, 303 of Incap's personnel were women and 429 were men. Permanently employed staff comprised 601 people, and there were 126 fixed-term employees. There were eight part-time employment contracts at the end of the year.

During the year, there were negotiations pursuant to the Co-operation Act in material management and group services as well as at the Vuokatti and Helsinki plants. As a result, 19 people where discharged and 35 people were laid off temporarily. In group services, the number of personnel was reduced by seven people.

Group Management

The company's President and CEO during the financial period was Juhani Hanninen, M.Sc. (Eng.), on 1 January – 31 May 2008 and Sami Mykkänen, B.Sc. (Eng.), on 1 June – 31 December 2008. The members of the Group Management Team at the close of the financial period included Kimmo Akiander (Well-being Solutions, as of 1 December), Jari Koppelo (Energy Efficiency Europe, as of 24 November), Jarmo Kolehmainen (Energy Efficiency Asia and Incap Contract Manufacturing Services Pvt. Ltd.), Mikko Hirvinen (Operations, as of 2 June), Eeva Vaajoensuu (Finance and Administration, as of 14 April) and Hannele Pöllä (Communications and HR).

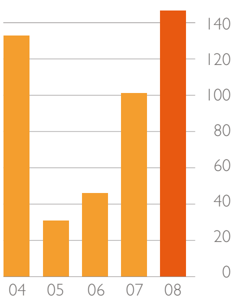
In addition, Liam Kenny (Materials and Logistics, until 30 April), Niklas Skogster (Business Development, until 14 November), Anne Sointu (Finance and Administration, until 14 April), Jukka Turtola (Global Sales and Marketing, until 10 September) and Tuula Ylimäki (Ultraprint Oy, until 17 July) served with the Group Management Team for part of the year.

Decisions of the Annual General Meeting

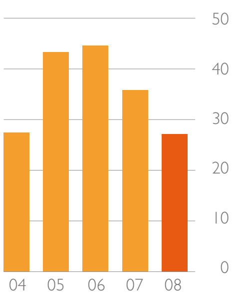
Incap Corporation's Annual General Meeting was held in Oulu on 10 April 2008. The AGM approved the 2007 financial statements of the Group and parent company and discharged those accountable from liability. No dividends were paid for 2007.

The AGM authorised the Board of Directors to decide within one year of the AGM on the increase of share capital through one or more rights issues and the granting of options so that the total number of shares to be subscribed for on the basis of the

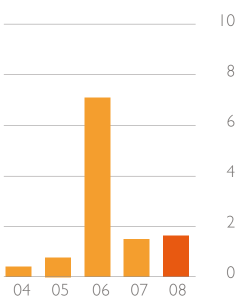
Gearing, %



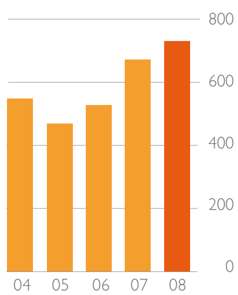
Equity ratio, %



Investments, EUR million



Average number of employees



authorisation will be a maximum of 4,000,000 of which a maximum of 600,000 shares can be used for options. The Board of Directors exercised the authorisation after the financial period on 2 February 2009 as it decided on granting options to the company's Management and key personnel. The option programme includes a total of 600,000 options, entitling to subscription for an equal number of the company's shares.

Board of Directors and Auditors

The Annual General Meeting re-elected Kalevi Laurila, Susanna Miekk-oja and Jukka Harju as members of the Board of Directors. Kari Häyrinen was elected to the Board of Directors as a new member. The Board of Directors elected from among its members Kalevi Laurila as Chairman and Susanna Miekk-oja as Deputy Chairman. The Board of Director's secretary was Jari Pirinen, LL.M.

In 2008, the Board of Directors convened 22 times and the Board members' average rate of participation in the meetings was 98%.

Ernst & Young Oy acted as the company's auditor.

Shares and shareholders

Incap Corporation has one series of shares and the number of shares is 12,180,880. During the financial period, the share price varied between EUR 0.49 and EUR 1.60 (EUR 1.25 and EUR 2.67), and the closing price of the year was EUR 0.55 (EUR 1.34). During the financial period, the trading volume was 14% of outstanding shares (54%).

At the end of the financial period, the company had 1,003 shareholders (1,004). Nominee-registered owners represented 3.7% (6.1%) of all shares. The company's market capitalisation on 31 December 2008 was EUR 6.7 million (EUR 16.3 million). The company does not own any of its own shares.

The standard industrial classification of Incap's shares changed after the close of the financial period on 2 February 2009, after which the new classification is Industrial Products and Services and the industrial code is 20104010 (Electrical Components and Equipment).

Share-based incentive programmes

At the close of the financial period, the Incap Group had a share option scheme that was introduced in 2004 and commits key employees to long-term share ownership. There are a total of 630,000 share options, entitling their holders to subscribe for an equal number of shares. On the basis of the subscriptions, Incap's share capital can increase by a maximum of EUR 1,058,400. At the end of the year, three people were within the scope of the option scheme.

After the close of the financial period on 2 February 2009, Incap Corporation's Board of Directors launched an option scheme, consisting of a total of 600,000 option rights and entitling to subscription for 600,000 of Incap Corporation's shares. In February 2009, 100,000 options were distributed to the President and CEO, and another 100,000 options will be distributed in 2010, provided that the objectives set by the Board of Directors for the company's operating profit and return on working capital in 2009 are met. A maximum of 400,000 options will be distributed to the company's key personnel in two issues, provided that the objectives set by the Board of Directors for the company's operating profit and return on working capital in 2009 and 2010 are met and that each reaches its individual objectives.

Short-term risks and factors of uncertainty concerning operations

Incap's risk management policy divides risks 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 controlled risks within the limits of the Group's risk management resources.

Fluctuations in global economy and customer sectors have an indirect impact on Incap's demand and financial position. Incap's sales are spread over several customer sectors, which hedges the company against sharp seasonal changes. The Group will continue to balance its customer base so that dependency on a single customer or several customers operating in the same sector will not expose the company to a significant financial risk.

Incap's industry – contract manufacturing – is highly competitive and places great pressure on the management of cost levels. The company aims at managing the risk by continuously 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 between Finland and other countries.

Incap is continuously assessing the organisation of its different functions, and the sufficiency and level of its personnel resources. This aims at ensuring that the organisation operates efficiently, competence is at the correct level and the company can provide its customers with the services they need and see to its obligations toward other stakeholders without interruptions, while maintaining high quality. Significant factors for competitiveness include the availability of labour force and the development of labour costs in the countries where Incap has operations.

The quality, manufacturing and distribution problems of material suppliers, and changes in the world market prices of materials have an impact on the availability and prices of materials used by Incap.

The general development in the financial market and the future profitability trend of the company affect the company's financing position. Incap aims at securing its liquidity through efficient management of working capital, and different financing options will be assessed for lowering the financing costs. The Group's interest and currency risk is controlled through the selected financing structure which is based on financing instruments with fixed and variable interest rates in the selected currencies.

The company reviews its insurance regularly as part of risk management.

The operating environment is expected to be very challenging during the current financial period. The reorganisation programme launched in 2008 is aimed at improving the cost structure and adding flexibility.

Objectives for 2009

The improvement of profitability is a central objective in 2009. Measures following the reorganisation programme will be continued to adapting the production capacity and allocating it to different plants according to demand and customer needs. The efficiency of material sourcing will be improved and costs will be eliminated further.

The new operational model will continue to be fine-tuned and stabilised at the beginning of 2009. Business units will study the key customers' operations thoroughly and aim at expanding cooperation with them. The objective is to increase the customer-specific market share through new products and larger delivery packages.

New customer relationships will be sought, particularly among leading device manufacturers in the energy-efficiency and well-being industries, and in other growth areas.

Services will be developed so that Incap can provide its customers with as large a portion of the needs related to product manufacturing as possible.

Outlook for 2009

Incap's estimates of future business development are mainly based on its customers' estimates that include more uncertainty than usual due to the economic recession. According to current information, Incap estimates the consolidated revenue to be lower in 2009 than in 2008. Full-year operating profit (EBIT) is estimated to improve clearly from 2008.

Board of Directors' proposal for the distribution of profit

The parent company's loss from the financial period is EUR 3,908,068.33. The Board of Directors will propose for the Annual General Meeting to convene on 3 April 2009 that no dividend be paid and the loss from the period be left in equity.

Annual General Meeting in 2009

Incap Corporation's Annual General Meeting will be held on Friday 3 April 2009 at 3:00 p.m. in Helsinki World Trade Center at Aleksanterinkatu 16, 2nd floor, Helsinki.

Helsinki, 24 February 2009

INCAP CORPORATION
Board of Directors

Consolidated Income Statement

1,000 euros	Note	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
CONTINUING OPERATIONS			
Revenue	3	93,925	83,010
Other operating income	4	53	3,166
Changes in inventories of finished goods and work in progress		791	-999
Work performed by the enterprise and capitalised		0	99
Raw materials and consumables used		66,672	56,896
Personnel expenses	7	18,722	15,979
Depreciation and amortisation	6	2,823	2,753
Other operating expenses	5	10,165	9,343
Operating profit/loss		**-3,612**	**303**
Financing income and expenses	9	-1,810	-1,356
Profit/loss before tax		**-5,422**	**-1,053**
Income tax expense	10	21	-49
Profit/loss for the year from continuing operations		**-5,401**	**-1,102**
Earnings per share from profit for the year attributable to equity holders of the parent			
Basic, from continuing operations	11	-0.44	-0.09
Diluted, from continuing operations	11	-0.44	-0.09

Consolidated Balance Sheet

1,000 euros	Note	31 Dec 2008	31 Dec 2007
ASSETS			
Non-current assets			
Property, plant and equipment	12	11,250	12,883
Goodwill	13	969	1,326
Other intangible assets	13	1,311	1,575
Other financial assets	14	16	21
Deferred tax assets	15	4,148	4,223
Total Non-current Assets		**17,693**	**20,028**
Current assets			
Inventories	16	16,153	14,882
Trade and other receivables	17	14,444	18,367
Cash and cash equivalents	18	641	944
Total Current Assets		**31,239**	**34,192**
Total Assets		**48,932**	**54,220**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	19		
Share capital		20,487	20,487
Share premium account		44	44
Exchange differences		-478	-216
Retained earnings		-6,864	-1,188
Total equity		**13,190**	**19,127**
Non-current liabilities			
Deferred tax liabilities	15	99	121
Interest-bearing loans and borrowings	23	12,977	11,188
Current liabilities			
Trade and other payables	24	15,731	14,294
Interest-bearing loans and borrowings	23	6,935	9,490
Total liabilities		**35,742**	**35,093**
Total equity and liabilities		**48,932**	**54,220**

Consolidated Cash Flow Statement

1,000 euros	Note	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Cash flow from operating activities			
Net income		-3,612	303
Adjustments to operating profit	27	2,760	-372
Change in working capital		3,702	-3,070
Interest paid		-1,640	-977
Interest received		143	142
Cash flow from operating activities		**1,353**	**-3,974**
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets		-1,698	-1,974
Proceeds from sales of tangible and intangible assets		160	3,118
Acquisition of subsidiary		0	-8,261
Sale of shares of subsidiary		50	0
Cash flow from investing activities		**-1,488**	**-7,117**
Cash flow from financing activities			
Drawdown of loans		1,753	14,316
Repayments of borrowings		-838	-1,116
Repayments of obligations under finance leases		-1,063	-1,643
Cash flow from financing activities		**-148**	**11,557**
Change in cash and cash equivalents		**-283**	**466**
Cash and cash equivalents at beginning of period		944	500
Effects of changes in exchange rates		-20	-22
Cash and cash equivalents at end of period		**641**	**944**

Consolidated Statement of Changes in Equity

	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

	Share capital	Share premium account	Exchange differences	Retained earnings	Total equity
Equity at 1 January 2008	20,487	44	-216	-1,188	19,127
Change in exchange differences	0	0	-262	0	-262
Options and share-based compensation	0	0	0	-275	-275
Net income and losses recognised directly in equity	0	0	-262	-275	-537
Profit for the year	0	0	0	-5,401	-5,401
Total income and losses for the year	0	0	-262	-5,676	-5,938
Equity at 31 December 2008	20,487	44	-478	-6,864	13,190

Notes to the Consolidated Financial Statements

CORPORATE INFORMATION

Incap Corporation is a Finnish public listed company under Finnish law which is domiciled in Helsinki and whose registered address is Valuraudankuja 6, 00700 Helsinki. The company is a contract manufacturer whose comprehensive service covers the entire life-cycle of electromechanical 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; Incap Contract Manufacturing Services Pvt. Ltd., Bangalore, India; and Euro-ketju Oy. The former subsidiary Ultraprint Oy was sold to its operating management of the subsidiary during the financial year.

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 2008. 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 (until 15 July 2008), 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 18–24 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 after 1 January 2004. 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 or net realisable value. Cost is determined using the fifo method. The cost of finished and semi-finished products comprises raw materials, direct labour expenses, other direct expenses as well as fixed and variable production overheads, based on the normal capacity of the production facilities. 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 has made a reserve for restructuring in accordance with IAS 37. The details of the recognition have been specified in section 22 of the Notes to the Consolidated Financial Statements.

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 impairment. The testing is based on cash flow estimate which involves the budget confirmed by the management and the business plan for the forthcoming three years. For the time exceeding this, a growth factor of 10% has been used, with other essential factors being a discount rate of 18.2% and the estimated operating profit before depreciation and amortisation. The impairment of other asset items is 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 in the companies in Finland and in India. 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
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
IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 11: IFRS 2 Group and Treasury Share Transactions
IFRIC 12 Service Consession Arrangements
IFRIC 14 IAS 19– The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRS1 First-time Adoption of International Financing Reporting Standards and IAS27 Consolidated and Separate Financial Statements; changes concerning "cost of investment in a subsidiary, jointly controlled entity of associate"
IFRS2 Share-Based Payment, Vesting Conditions and Cancellations; change in standard
IFRS8 Operating segments (1 January 2009) replacing the IAS 14 Standard
IAS1 Presentation of Financial Statements; change (1 January 2009)
IAS23 Borrowing costs; change (1 January 2009)
IAS32 Financial Instruments: Presentation; change in standard
IFRS5 Non-current Assets Held for Sale and Discontinued Operations
IAS16 Property, Plant and Equipment; changes in principles for calculation
IAS20 Accounting for Government Grants and Disclosure of Government Assistance; changes in principles for calculation
IAS28 Investments in Associates; changes in principles for calculation
IAS 38 Intangible Assets; changes in principles for calculation
IAS40 Investment Property; changes in principles for calculation
IFRS3 Business Combinations and IAS27 Consolidated and Separate Financial Statements (implemented in the Group as from 1 January 2010).
IFRIC13 Customer Loyalty Programmes (1 January 2009)
IFRIC15 Agreement for Construction of Real Estate
IFRIC16 Hedges of a Net Investments in a foreign operation
IFRIC17 Distribution on non-cash assets to owners
IFRIC18 Transfer of assets from customers.

1. Sale of group companies

Incap Corporation sold as per 16 July 2008 its 100-% owned subsidiary Ultraprint Oy to the subsidiary's operating management.

Result of Ultraprint Oy, IFRS	1 Jan–15 Jul 2008	1 Jan–31 Dec 2007
Revenue	521	1,152
Expenses	-633	-1,165
Profit/Loss	**-112**	**-13**

Effect of the sale of Ultraprint Oy to the financial position of the Group

	Fair value	Carrying amount
Property, plant and equipment	556	556
Intangible assets	16	16
Investments	1	1
Inventories	59	59
Trade and other receivables	175	175
Cash and cash equivalents	0	0
Total current assets	**807**	**807**
Loss of disposal of non-current assets	-206	0
Non-current interest-bearing liabilities	-127	-127
Current interest-bearing liabilities	-383	-383
Trade and other payables	-205	-205
Total liabilities	**-921**	**-715**
Net assets	-114	92
Goodwill decrease due to disposal	164	0
Total disposal price	50	0
Cash and cash equivalents of sold companies	0	0
Cash flow effect of sold Group companies	50	0

There were no sales of business operations in the Group in 2007.

2. Acquired operations

No business acquisitions were made during financial year 2008.

Of the decrease of goodwill in 2008, exchange difference amounts to EUR 104 thousands and decrease to EUR 89 thousands. Decrease is due to the cancellation of the write-downs of inventories that were made at the time of the acquisition.

Acquisitions in financial year 2007

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 1.2 million euros is based on Incap's improved position in the Asian contract manufacturing markets. Goodwill in the financial statements 2007 includes 0.2 million euros 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	0
Goodwill	1,162	0

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

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

3. Revenue

	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Revenue from the sale of goods	93,812	82,846
Revenue from the services	114	164
	93,925	**83,010**

4. Other operating income

	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Net gains on the disposal of property, plant and equipment	6	3 118
Lease income for previous years	0	0
Other income	47	47
	53	**3 166**

5. Other operating expenses

	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Lease expenses	2,144	1,675
Operating and maintenance expenses for property and machinery	2,485	2,495
Other expenses	5,536	5,174
	10,165	**9,343**

Auditors' fees	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Auditing fees	88	86
Certificates and statements	0	0
Tax advice	7	14
Other services	12	21
	107	**121**

6. Depreciation and amortisation

	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Depreciation and amortisation by assets class	0	0
Intangible assets	332	217
Tangible assets		
Buildings	288	27
Machinery and equipment	2,080	2,150
Other tangible assets	123	116
	2,491	**2,537**
Total depreciation, amortisation and impairment losses	2,823	2,753

7. Employee benefits expense

	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Wages and salaries	15,478	12,584
Pension costs - defined contribution plans	2,094	2,013
Pension costs - defined-benefit plans	15	42
Expense of share-based payments	0	121
Other statutory employer expenses	1,135	1,220
	18,722	**15,979**
Average number of Group personnel during the period	**735**	**678**

Information on management's employee benefits is presented in Note 30 Related-party Transactions.
Information on share options granted is presented in Note 20 Share-based Payment.

8. Research and development costs

A total of EUR 0.5 million in research and development costs has been recorded as an annual expense in the income statement in 2008 (EUR 0.3 million in 2007).

9. Financial income and expenses

	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Financial income		
Dividend income from available-for-sale financial assets	3	3
Interest income from investments held until due date	0	20
Interest income from other deposits	58	4
Interest income from trade receivables	78	108
Interest income from loan receivables	4	0
Foreign exchange gains on liabilities	314	0
	456	**135**
Financial expenses		
Interest expenses from financial liabilities measured at amortised cost	-566	-619
Interest expenses from convertible promissory notes	-480	-276
Other interest expenses	-499	-375
Exchange rate losses	-334	-90
Other financial expenses	-388	-132
	-2,267	**-1,492**
Total financial income and expenses	**-1,810**	**-1,356**

Interest expenses include variable lease payments of EUR 0.1 million (EUR 0.2 million in 2007) recorded as lease expenses from finance lease agreements.

10. Income tax

	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Income tax in the income statement		
Deferred income tax	21	-49
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	-5,422	-1,053
Tax at the applicable rate in the home country	1,410	274
Divergent tax rates of foreign subsidiaries	-62	-303
Tax-free income	-2	0
Expenses that are not deductible	-12	-7
Other temporary differences	156	137
Use of tax losses	-1,489	-100
Changes in deferred tax assets for previous years	0	-76
Changes in deferred tax liabilities for previous years	21	26
	21	**-49**
Deferred taxes in the balance sheet		
Deferred tax assets	4,148	4,223
Deferred tax liabilities	-99	-121
	4,049	**4,103**

Deferred tax assets and liabilities are presented in Note 15 .

11. 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.

	2008	2007
Profit for the year attributable to equity holders of the parent	-5,401	-1,102
Weighted average number of shares during the period	12,180,880	12,180,880
Undiluted earnings per share, EUR/share,	-0.44	-0.09

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. A right to subscribe for a maximum of 2,500,000 new shares in the company is attached to the convertible promissory notes. 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.

Convertible promissory notes are presented in Note 23 Interest-bearing Liabilities.

	2008	2007
Profit for the year attributable to equity holders of the parent, continuing operations	-5,401	-1,102
Weighted average number of shares during the period	12,180,880	12,180,880
Dilution effect of issued share options	0	2,469
Share-weighted diluted average price used in calculating adjusted earnings per share	12,180,880	12,183,349
Diluted earnings per share, EUR/share	-0.44	-0.09

12. Property, plant and equipment

	Land	Buildings and advances	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan 2008	576	6,576	44,556	689	52,396
Increase	3	535	1,415	125	2,079
Disposals	0	0	-119	0	-119
Reclassifications between items	0	-181	-1,399	-25	-1,605
Sale of assets in Group companies	-3	-514	-1,389	0	-1,906
Exchange differences	-76	-181	-138	-22	-417
Acquisition cost, 31 Dec 2008	499	6,236	42,927	766	50,428
Accumulated depreciation and impairment losses, 1 Jan 2008	0	-2,369	-36,644	-500	-39,513
Depreciation	0	-288	-2,080	-123	-2,491
Increase	0	0	0	0	0
Cumulative depreciation on reclassifications and disposals	0	0	34	0	34
Reclassifications between items	0	168	1,217	25	1,410
Cumulative depreciation on sales of assets in Group companies	0	158	1,191	0	1,350
Exchange differences	0	2	-8	38	32
Accumulated depreciation and impairment losses, 31 Dec 2008	0	-2,329	-36,290	-560	-39,179
Carrying amount, 1 Jan 2008	576	4,207	7,911	188	12,883
Carrying amount, 31 Dec 2008	499	3,907	6,637	207	11,250
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

Finance leases

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

	Buildings	Machinery and equipment	Total
31 Dec 2008			
Acquisition cost	0	15,906	15,906
Accumulated depreciation	0	-11,550	-11,550
Carrying amount	0	4,355	4,355
31 Dec 2007			
Acquisition cost	183	17,187	17,370
Accumulated depreciation	-183	-11,852	-12,035
Carrying amount	0	5,335	5,335

Increases on the acquisition cost of property, plant and equipment include assets leased on finances leases totalling EUR 0.6 million in 2008 (EUR 0.2 million in 2007).

13. Intangible assets

	Goodwill	Other intangible assets	Total
Acquisition cost, 1 Jan 2008	3,041	4,403	7,443
Increase	0	221	221
Disposals	-89	0	-89
Sale of assets in Group companies	-390	-18	-408
Exchange difference	-104	-172	-276
Acquisition cost, 31 Dec 2008	2,458	4,434	6,892
Accumulated amortisation and impairment losses, 1 Jan 2008	-1,714	-2,828	-4,543
Amortisation	0	-332	-332
Cumulative depreciation on sales of assets in Group companies	226	2	228
Exchange difference	0	34	34
Accumulated amortisation and impairment losses, 31 Dec 2008	-1,489	-3,123	-4,612
Carrying amount, 1 Jan 2008	1,326	1,575	2,901
Carrying amount, 31 Dec 2008	969	1,311	2,279
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

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 18.15 % discount rate and the estimated operating profit before depreciation.

Based on calculations, there are no indications of impairment on goodwill and other intangible assets with an indefinite useful life.

If the revenues used in testing would decrease by 30% during each forthcoming year, this would not yet call for impairment of goodwill.

14. Other financial assets

	2008	2007
Publicly quoted shares	4	4
Unquoted shares	12	17
Total available-for-sale investments at the end of the year	**16**	**21**

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

15. Deferred tax assets and liabilities

	1 Jan 2008	Recorded in income statement	Exchange differences	31 Dec 2008
Deferred tax assets				
Tax losses carried forward	4,223	0	-75	4,148
Deferred tax liabilities				
Accumulated depreciation difference	121	-21	0	99

	1 Jan 2007	Recorded in income statement	Exchange differences	31 Dec 2007
Deferred tax assets				
Tax losses carried forward	4,310	-76	-11	4,223
Deferred tax liabilities				
Accumulated depreciation difference	147	-26	0	121

Amount of deferred tax assets is based on the Board of Directors' estimate on the future development of the company.
The non-recorded cumulative tax assets on tax losses carried forward totalled EUR 5.8 million in 2008 (EUR 4.6 million in 2007).

16. Inventories

	2008	2007
Raw materials and supplies	11,353	11,166
Work in progress	1,687	1,259
Finished goods	2,582	2,354
Advance payments	531	103
	16,153	**14,882**

EUR 0.9 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 0.8 in 2007).

17. Trade and other receivables

	2008	2007
Trade receivables	12,845	15,387
Loan receivables	13	13
Prepaid expenses and accrued income	1,249	2,602
Other receivables	337	365
	14,444	**18,367**

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

	2008	2007
Not past due	8,487	11,385
Past due		
Less than 30 days	3,301	2,776
30–60 days	528	523
61–90 days	43	387
More than 90 days	487	315
	12,845	**15,387**
Items recorded as credit losses	18	12

Distribution of current receivables by currency, EUR

	2008	2007
USD	1,916	355
SEK	50	33
GBP	1	0
EEK	172	162
INR	1,369	2,613
EUR	10,937	15,204
	14,444	**18,367**

18. Cash and cash equivalents

	2008	2007
Cash and bank accounts	515	591
Short-term investments	127	353
	641	**944**

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

19. Notes to the statement of changes in equity

	Number of shares	Share capital	Share premium account	Total
31 December 2008	12,180,880	20,487	44	20,531
31 December 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 2007). The shares are fully paid in.

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

20. Share-based payment

At the balance sheet date, the Group had a share option plan, granted on 25 February 2004, which commits key personnel to ownership of Incap shares on a long-term basis. A component of the share option plan is a share-ownership programme according to which key employees must purchase the company's shares with 20 per cent of the gross proceeds from exercised share options. If a person's employment or contractual relationship with the company ends prior to the commencement of each share subscription period, the person must tender their options back to the company, forfeiting any cumulative gain in value on the options. This provision, however, does not apply in the case of retirement or death. The warrants are divided into warrants 2004A, 2004B and 2004C. A maximum of 630,000 warrants were granted, entitling their holders to subscribe for 630,000 Incap Corporation shares. It is a condition for the granting of warrants 2004A and 2004B in the issue stage that the option holder has acquired a certain amount of Incap shares, as decided in advance by the Board of Directors, prior to the granting of the warrants. It is a condition for the granting of warrants 2004C that certain profit criteria based on the Incap Group's financial targets, as defined separately by the Board of Directors, are met. The share subscription period for warrants 2004A is from 1 April 2007 to 30 April 2009; for warrants 2004B, from 1 April 2008 to 30 April 2010; and for warrants 2004C, from 1 April 2009 to 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

	2008 Average weighted strike price, euros/share	Number of options	2007 Average weighted strike price, euros/share	Number of options
Beginning of year	2.25	301,700	2.17	347,500
New options granted	0	0	0	0
Share options forfeited	2.18	-225,600	2.18	-45,800
Share options outstanding at end of year	2.18	76,100	2.17	301,700

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

Year of expiry	Strike price (EUR)	Number of shares 2008	Number of shares 2007	Number of shares 2006	Number of shares 2005
2009	2.25	25,000	99,000	114,000	133,000
2010	2.25	25,000	99,000	114,000	133,000
2011	2.05	26,100	103,700	119,500	

21. 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.

	2008	2007
Change in defined-benefit pension liability in the income statement	15	42
Defined-benefit pension liability in the balance sheet	44	40

22. Provisions

	Restructuring provision
31 December 2007	0
Increase in provisions	1,506
Used provisions	-393
31 December 2008	**1,113**

Because of the decline in the manufacturing volumes of telecommunications products the company launched a restructuring programme and registered a corresponding provision for expenses. The provision is exptected to be used during 2009.

23. Interest-bearing liabilities

Non-current financial liabilities measured at amortised cost

	2008	2007
Bank loans	2,955	233
Convertible promissory notes	6,623	6,586
Pension loans	0	0
Other loans	855	1,166
Finance lease liabilities	2,545	3,203
	12,977	**11,188**

Current financial liabilities measured at amortised cost

	2008	2007
Bank loans	5,388	7,770
Pension loans	0	0
Other loans	342	440
Finance lease liabilities	1,205	1,281
	6,935	**9,490**

The fair values of liabilities are presented in Note 26.

Of non-current financial liabilities, EUR 0 will be due for repayment in more than five years (EUR 0.02 million in 2007). The Group's bank loans have both variable and fixed interest rates. The Group's average interest rate is 5.75% (6.32% in 2007). The amounts of the Group's variable rate loans and their interest rate adjustment periods,in accordance with their agreements, are as follows:

	2008	2007
Less than 6 months	5,215	5,438
6–12 months	4,334	4,485
1–5 years	0	0
Later than 5 years	0	0
	9,550	**9,923**

Distribution of interest-bearing liabilities by currency, EUR

	2008	2007
Non-current liabilities		
USD	0	0
EEK	798	1,073
INR	2,955	0
EUR	9,225	10,115
	12,977	**11,188**
Current liabilities		
USD	1,505	1,352
EEK	307	707
INR	992	3,879
EUR	4,130	3,552
	6,935	**9,490**

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 conversio 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	2008	2007
Finance lease liabilities - Minimum lease payments		
Less than 1 year	1,370	1,453
1–5 years	2,723	3,428
Later than 5 years	0	30
	4,093	**4,910**
Finance lease liabilities - Present value of minimum lease payments		
Less than 1 year	1,205	1,281
1–5 years	2,545	3,175
Later than 5 years	0	28
	3,750	**4,483**
Future finance charges	344	427
Total finance lease liabilities	**4,093**	**4,910**

24. Trade and other payables

	2008	2007
Current		
Trade payables	9,472	9,398
Cash proceeds	23	13
Accrued liabilities	4,174	3,083
Other liabilities	2,062	1,799
	15,731	**14,294**

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

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

	2008	2007
USD	483	811
SEK	40	41
CHF	74	37
GBP	10	14
NOK	0	1
JPY	1	2
SGD	6	0
EEK	567	707
INR	1,748	1,130
EUR	12,803	11,552
	15,731	**14,294**

25. 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 any remarkable currency risks. In this respect, the Group did not undertake any hedging measures against changes in currency exchange rates during the financial year. After the close of the financial year, hedging measures were implemented.

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 +15%/-15% in the EUR/INR exchange rate results in an increase of EUR 179,693.86 or a decrease of EUR 219,625.83 compared with the exchange difference at 31 December 2008.

Interest rate risk

At the balance sheet date, interest-bearing liabilities in the consolidated balance sheet totalled EUR 19.9 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 +/- 97,733.21.

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 64,229.90 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 17 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 2008 amounted to EUR 2.7 million. One of Incap Group's financing agreements includes covenants, some of which are not fulfilled at the moment. The financing partner in charge has informed that it will not apply to the covenants but will continue the negotiations on the continuation of the respective financing agreement. The general development in the financial market and the future profitability trend of the company affect the company's financing position. Incap aims at securing its liquidity through efficient management of working capital, and different financing options will be assessed for lowering the financing costs. In the financial statements the loans are treated in accordance with the valid agreement conditions.

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 2008, the Group's interest-bearing net liabilities totalled EUR 19.3 million (EUR 19.7 at 31 Dec 2007) and its gearing was 146.2% (103.2% at 31 Dec 2007). 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 financial development of the year and the financing of the acquisition of the business in India in 2007. During 2008, the equity ratio dropped to 27.0% (35.3% at 31 Dec 2007).

26. Fair values of financial assets and liabilities

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

	Carrying amount 2008	Fair value 2008	Carrying amount 2007	Fair value 2007
Financial liabilities				
Bank loans	8,343	8,342	8,003	8,005
Pension loans	0	0	0	0
Convertible promissory notes	6,623	6,852	6,586	6,405
Other interest-bearing loans	1,197	1,285	1,606	1,772
Finance lease liabilities	3,750	3,761	4,483	4,480
Trade and other payables	15,731	15,731	14,294	14,294

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

Discount rates applied in determining fair value

	2008	2007
Bank and other loans	1.25% – 6.00%	1.25% – 7.68%

27. Adjustments to cash flows from operations

	2008	2007
Non-cash transactions		
Depreciation and impairment losses	2,823	2,753
Change in finance lease agreements due to IFRS adjustments	0	-1,661
Lease payments in cash flow from financing activities	0	1,533
Employee benefits expense	-275	121
Transfer of capital gains on tangible assets to cash flow from investments	0	-3,118
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	212	0
	2,760	**-372**

28. Operating leases

The Group has leased the production and office space it uses, except for the premises of the Vuokatti factory. 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 one to eighteen months. Lease agreements ending on a fixed date include an option of continuing the agreement after the original expiry date. The index, renewal and other terms of the agreements differ from each other.

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

The Group as lessee

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

	2008	2007
Less than 1 year	1,510	2,126
1–5 years	2,317	3,138
	3,828	**5,263**

The income statement for 2008 includes EUR 2.1 million of lease expenses paid for operating leases (EUR 1.7 million in 2007).

29. Collateral and contingent and related liabilities

	2008	2007
Collateral given on behalf of own commitments		
Mortgages	0	34
Business mortgages	12,028	12,281
Collateral given on behalf of others		
Guarantees on behalf of subsidiaries	0	131
Repurchase liability for trade receivables sold to finance companies	4,950	2,092
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 2004–2008	0	40

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.

30. Related-party transactions

Management's employee benefits	2008	2007
Salaries and other current employee benefits	876	430
Share-based payment	0	37
	876	**466**

The President and CEO's period of notice is six months, and if his contract is terminated by the company, he will be paid 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	2008	2007
President and CEO	535	260
Board members		
Seppo Arponen	0	7
Juha-Pekka Kallunki	8	26
Kalevi Laurila	66	45
Timo Leinilä	0	7
Sakari Nikkanen	9	27
Jorma Terentjeff	0	10
Susanna Miekk-oja	50	29
Jukka Harju	34	20
Kari Häyrinen	25	0

The wages and salaries for the Board of Directors cover the full term of office for Board members from 10 April 2008 until 3 April 2009.
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 2,067,718 shares, or 17% of the company's shares outstanding and voting rights.

31. Events occurring after the balance sheet date

In order to finance Indian investments and working capital, Incap signed a financing agreement with Finnfund (Finnish Fund for Industrial Cooperation Ltd.), through which Finnfund executed a share capital investment of EUR 1.9 million in Incap's Indian subsidiary, Incap CMS Pvt. Ltd. The financing was withdrawn in full after the close of the financial period in January 2009, after which Finnfund owns 32.6% of the share capital of Incap CMS Pvt. Ltd. According to the agreement terms, Incap's detachment from the agreement will occur in 2011 at the earliest. For the Indian subsidiary, the investment comprises equity financing. Due to the terms and conditions of the loan, the investment is regarded as a long-term loan in the Group's IFRS financial statement. The investment will be entered in 2009 book-keeping as EUR 1,897,000 and its fair value is EUR 1,689,000 calculated at a three-year loan period.

After the close of the financial period on 2 February 2009, Incap Corporation's Board of Directors launched an option scheme, consisting of a total of 600,000 option rights and entitling to subscription for 600,000 of Incap Corporation's shares. In February 2009, 100,000 options were distributed to the President and CEO, and another 100,000 options will be distributed in 2010, provided that the objectives set by the Board of Directors for the company's operating profit and return on working capital in 2009 are met. A maximum of 400,000 options will be distributed to the company's key personnel in two issues, provided that the objectives set by the Board of Directors for the company's operating profit and return on working capital in 2009 and 2010 are met and that each reaches its individual objectives. The options have no significant effect on the result in the future.

Parent Company Income Statement

1,000 euros	Note	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Revenue	1	78,891	75,157
Changes in inventories of finished goods and work in progress	3	687	-1,107
Other operating income	2	21	27
Raw materials and services	3	56,611	53,378
Personnel expenses	4	16,090	13,351
Depreciaton, amortisation and impairment losses	5	1,350	1,739
Other operating expenses	6	8,585	8,184
Operating profit/loss		**-3,037**	**-2,575**
Financial income and expenses	7	-952	-584
Profit/loss before extraordinary items		**-3,990**	**-3,159**
Extraordinary items	8		3,118
Profit/loss before appropriations and taxes		**-3,990**	**-41**
Appropriations	9	82	-84
Income taxes	10	0	-593
Profit/loss for the financial year		**-3,908**	**-718**

Parent Company Balance Sheet

1,000 euros	Note	31 Dec 2008	31 Dec 2007
ASSETS			
Non-current assets			
Intangible assets	11	706	1,053
Tangible assets	11	4,022	3,898
Investments	12		
Holdings in Group companies		7,077	6,945
Other investments		11	11
Total non-current assets		**11,816**	**11,906**
Current assets			
Inventories	13	10,644	10,914
Non-current receivables	14	3,717	3,800
Current receivables	14	13,785	16,996
Cash in hand and at bank		368	268
Total current assets		**28,514**	**31,976**
Total assets		**40,330**	**43,883**
LIABILITIES			
Equity	15		
Share capital		20,487	20,487
Share premium account		44	44
Retained earnings		-212	506
Profit for the financial year		-3,908	-718
Total equity		**16,411**	**20,319**
Appropriations	**16**	**382**	**464**
Liabilities			
Non-current liabilities	17	7,605	8,150
Current liabilities	18	15,932	14,951
Total liabilities		**23,537**	**23,100**
Total equity and liabilities		**40,330**	**43,883**

Parent Company's Cash Flow Statement

1,000 euros	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Cash flow from operating activities		
Operating profit/loss	-3,037	-2,575
Adjustments to operating profit/loss	2,176	1,739
Change in working capital	3,906	-4,898
Interest paid	-1,035	-421
Interest received	85	119
Cash flow from operating activities	**2,095**	**-6,036**
Cash flows from investing activities		
Investments in tangible and intangible assets	-1,186	-918
Acquisition of subsidiary	-1,000	-4,019
Disposal of subsidiaries	50	0
Proceeds from sales of tangible and intangible assets	50	3,118
Repayments of loan receivables	382	-112
Cash flow from investing activities	**-1,704**	**-1,931**
Cash flows from financing activities		
Drawdown of loans	539	8,893
Loan repayments	-830	-1,092
Cash flow from financing activities	**-291**	**7,801**
Change in cash and cash equivalents	**100**	**-166**
Cash and cash equivalents at the beginning of the financial year	268	434
Cash and cash equivalents at the end of the financial year	**368**	**268**

Change in working capital		
Increase in current trade receivables	2,911	-3,006
Increase in inventories	269	1,459
Increase in current liabilities	726	-3,351
	3,906	**-4,898**

Notes to the Parent Company Financial Statements

ACCOUNTING POLICIES 2008

Principles of measurement and periodisation

Non-current assets

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

Intangible assets

Goodwill	5–6 years
Goodwill on consolidation	5 years
Other intangible rights	3–5 years

Tangible assets

Buildings and structures	20–24 years
Machinery and equipment	3–10 years
Vehicle fleet	3–5 years

Inventories

Inventories are measured at the lower of historical cost under FIFO or the repurchase value or selling price. The value of inventories includes variable expenses and their share in the fixed expenses of procurements and manufacturing.

Financial assets and management of financial risks

Trade receivables and payables are not exposed to significant interest rate or foreign currency risks and the company has not carried out any hedging measures against exchange rate fluctuations during the financial year.

Foreign currency transactions

Items denominated in foreign currency have been translated at the average rate stated by the European Central Bank at the balance sheet date. Exchange differences between sales and purchases have been allocated as a credit or debit to said items.

Leases

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

Research and development expenditure

Research and development expenditure in 2008 has been treated as annual expenses within other operating expenses.

Periodisation of pension expenses

Employees' pension security including supplementary benefits has been insured with pension insurance companies. Pension expenses are recognised as an expense during their year of accrual.

Income taxes

Incap Corporation has, for taxation purposes, unused losses which have been approved and can be utilised in the years 2009–2019. A tax asset is recognized to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilised.

1. Revenue

Revenue by market area	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Finland	67,365	58,425
Europe	7,207	9,684
Other	4,319	7,049
	78,891	**75,157**

2. Other operating income

Capital gains on the sale of property, plant and equipment	8	0
Other income	13	27
	21	**27**

3. Raw materials and services

Raw materials and consumables		
Purchases during the financial year	45,269	39,230
Change in inventories	262	1,460
	45,532	**40,690**
External services	10,392	13,796
	55,924	**54,486**

4. Personnel expenses and number of personnel

4.1 Number of personnel Average number of employees of the parent company during the year		
White-collar	93	100
Blue-collar	265	251
	358	**351**

4.2 Personnel expenses		
Wages and salaries	13,171	10,741
Pension expenses	2,022	1,929
Other social security expenses	897	680
	16,090	**13,351**

4.3 Salaries and bonus of the management		
President and the Board	725	430

5. Depreciation and amortisation

Depreciation according to plan in 2008 totalled EUR 1.4 million (EUR 1.7 million in 2007). The specification of depreciation and amortisation for individual balance sheet items is included in the item "Intangible and Tangible Assets". The depreciation and amortisation periods are presented in the accounting policies.

6. Other operating expense

	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
Lease payments	2,665	2,632
Maintenance expenses for machinery and properties	2,028	2,042
Other expenses	3,892	3,511
	8,585	**8,184**

Auditors fees		
KHT-Group Ernst & Young Oy		
Auditing fees	56	50
Certificates and statements	0	0
Tax advice	3	6
Other services	3	13
	62	**69**

7. Financial income and expenses

Dividend income		
From other companies	2	3
Other interest and financial income		
From Group companies	0	8
From other companies	83	108
Interest paid and other financial expenses		
To other companies	-1,037	-704
	-952	**-584**

8. Extraordinary items

Extraordinary income	0	3 118

Extraordinary income is sales gain from the sales of Helsinki factory premises.

9. Appropriations

Difference between depreciation according to plan and depreciation for taxation purposes	82	84

10. Income taxes

Change in deferred tax asset	0	-593

11. Property, plant and equipment

Intangible assets

	Intangible rights	Goodwill	Other long-term expenditure	Total
Acquisition cost, 1 Jan 2008	1,579	16,337	1,682	19,599
Increase	164	0	0	164
Acquisition cost, 31 Dec 2008	1,744	16,337	1,682	19,763
Accumulated amortisation and impairment losses, 1 Jan 2008	-1,056	-15,973	-1,518	-18,546
Amortisation during the year	-109	-364	-37	-510
Accumulated amortisation, 31 Dec 2008	-1,164	-16,337	-1,555	-19,057
Carrying amount, 31 Dec 2008	579	0	127	706
Carrying amount, 31 Dec 2007	524	364	164	1,053

Part of the issuing expenses resulting from the issue of convertible promissory notes during the financial year was recognised as other long-term expenditure. Of this amount, EUR 127,012.99 remained at the close of the financial year.

Tangible assets

	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost, 1 Jan 2008	60	4,685	24,416	516	0	29,677
Increase	0	390	493	28	110	1,021
Decrease	0	0	-58	0	0	-58
Acquisition cost, 31 Dec 2008	60	5,075	24,852	544	110	30,641
Accumulated depreciation and impairment losses, 1 Jan 2008	0	-2,047	-23,273	-459	0	-25,779
Depreciation during the year	0	-259	-537	-43	0	-840
Accumulated depreciation, 31 Dec 2008	0	-2,306	-23,810	-502	0	-26,619
Carrying amount, 31 Dec 2008	60	2,769	1,042	41	110	4,022
Carrying amount, 31 Dec 2007	60	2,638	1,143	57	0	3,898

12. Investments

	Holdings in Group companies	Other shares	Total
Acquisition cost, 1 Jan 2008	6,945	11	6,956
Increase	1,000	0	1,000
Transfers between items	-868	0	-868
Acquisition cost, 31 Dec 2008	7,077	11	7,088
Carrying amount, 31 Dec 2008	7,077	11	7,088
Carrying amount, 31 Dec 2007	6,945	11	6,956

Group companies

Incap Electronics Estonia OÜ, Kuressaare, Estonia
Ultraprint Oy, Kempele, Finland until 15.7.2008
Incap Contract Manufacturing Services Pvt. Ltd., Bangalore, India
Euro-ketju Oy, Kajaani, Finland

Incap Corporation owns 100% of the group companies. All companies are combined in the parent company consolidated financial statements.

13. Inventories

	2008	2007
Raw materials and consumables	7,035	7,992
Work in progress	1,286	935
Finished goods	2,323	1,987
	10,644	**10,914**

14. Assets

	2008	2007
Non-current		
Amount owed by Group companies		
Loan receivables	0	83
Deferred tax asset	3,717	3,717
Current		
Trade receivables	9,540	12,292
Amount owed by Group companies		
Trade receivables	3,394	1,647
Interest receivables	0	28
Loan receivables	0	299
	3,394	**1,974**
Prepaid expenses and accrued income	851	2,729
Total receivables	**17,502**	**20,795**

Material items included in prepaid expenses and accrued income are related to leases.

15. Equity

	2008	2007
Subscribed capital, 1 Jan	20,487	20,487
Subscribed capital, 31 Dec	20,487	20,487
Share premium account, 1 Jan	44	44
Share premium account, 31 Dec	44	44
Total restricted equity	**20,531**	**20,531**
Retained earnings, 1 Jan	-212	634
Recording of previous years' depreciation differences	0	-128
Retained earnings, 31 Dec	-212	506
Profit for the financial year	-3,908	-718
Total non-restricted equity	**-4,120**	**-212**
Total equity	16,411	20,319
Distributable funds		
Retained earnings	-212	506
Profit for the financial year	-3,908	-718
	-4,120	**-212**

16. Accumulated appropriations

The company's accumulated appropriations consist of accumulated depreciation differences.

17. Non-current liabilities

	2008	2007
Loans from credit institutions	0	233
Pension loans	0	0
Convertible promissory notes	6,750	6,750
Other liabilities	855	1,166
	7,605	**8,150**

All liabilities are falling due after five years.

18. Current liabilities

	2008	2007
Loans from credit institutions	2,890	2,539
Pension loans	0	0
Trade payables	6,055	6,265
Amount owed to Group companies	0	0
Trade payables	973	1,622
Advances received	23	0
Other liabilities	1,965	1,667
Accruals and deferred income	4,025	2,858
	15,932	**14,951**
Total interest-bearing liabilities	3,232	2,978
Material items in accruals and deferred income		
Wages and salaries, incl. social costs	2,436	2,318
Lease payment liabilities	55	83
Interest	311	30
Restructuring provision	1,113	0
Other	110	149
	4,025	**2,858**

19. Other notes to the accounts

Collateral	2008	2007
Loans for which real-estate has been mortgaged as collateral		
Loans from credit institutions	0	0
Mortgages	0	0
Loans for which business mortgages have been given as collateral		
Loans from credit institutions	2,850	2,616
Mortgages	12,028	12,113
Collateral given on behalf of the Group companies		
Business mortgages	12,028	12,028
Guarantees on behalf of Group companies	0	172
Contingent and other liabilities		
Lease liabilities, net of VAT		
Liabilities falling due next year	1,291	1,750
Liabilities falling due after one year	2,158	2,483

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

Repurchase liability for trade receivables sold to finance companies	4,950	2,092
Lease liabilities for the Group's premises	2,227	3,045

Board of Directors' Proposal for the Disposal of Profits

The parent company's net loss for the financial year amounts to EUR 3,908,068.33. The Board of Directors is proposing to the Annual General Meeting to be held on 3 April 2009 that no dividend be distributed and that the result for the financial year be transferred to retained earnings.

Helsinki, 24 February 2009

Kalevi Laurila	Jukka Harju	Kari Häyrinen	Susanna Miekk-oja	Sami Mykkänen
Chairman of the Board				*President and CEO*

Auditor's Report

To the Annual General Meeting of Incap Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Incap Oyj for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the President

The Board of Directors and the President are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the President have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

We recommend that the Members of the Board of Directors and the President should be discharged from liability for the financial period audited by us.

In Oulu, February 24, 2009

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

Five-Year Key Figures

		IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Revenue	EUR million	93.9	83.0	89.3	76.7	70.8
Growth	%	13	-7	17	8	9
Export	EUR million	24.4	16.9	13.1	8.2	10.0
Share of revenue	%	26	20	15	11	14
Operating profit	EUR million	-3.6	0.3	2.8	3.8	3.8
Share of revenue	%	-4	0	3	5	5
Profit before taxes	EUR million	-5.4	-1.1	2.3	3.2	3.1
Share of revenue	%	-6	-1	3	4	4
Return on equity (ROE)	% 2)	-33.4	-5.6	17.3	36.0	32.9
Return on investment (ROI)	% 2)	-8.6	1.3	10.5	14.7	12.8
Total assets	EUR million	48.9	54.2	45.5	39.2	40.1
Equity ratio	% 2)	27.0	35.3	44.7	43.4	28.5
Gearing	% 2)	146.1	103.2	43.9	31.2	133.0
Net debt	EUR million	20.7	15.8	10.7	7.1	15.1
Liability payback period	years	-8	2	1	3	
Quick ratio		0.7	0.8	0.8	0.9	0.7
Current ratio		1.4	1.4	1.6	1.7	1.4
Investments	EUR million	1.8	1.5	7.1	0.8	0.4
Share of revenue	%	2	2	8	1	1
R&D expenditure	EUR million	0.5	0.3	0.5	0.6	1.9
Share of revenue	%	1	0	1	1	3
Average number of employees		735	678	521	468	552
Dividends	EUR million 1)	0	0	0	0	0
Per-share data						
Earnings per share	EUR	-0.44	-0.09	0.26	0.42	0.34
Equity per share	EUR	1.08	1.57	1.67	1.39	0.94
Dividend per share	EUR 1)	0	0	0	0	0
Dividend out of profit	% 1)	0	0	0	0	0
Cash flow per share	EUR	-0.21	0.14	0.38	0.47	0.50
Effective dividend yield	% 1)	0	0	0	0	0
P/E ratio		-1.2	-14.9	9.7	4.5	5.6
Trade in share price						
Minimum price during year	EUR	0.49	1.25	1.82	1.65	1.65
Maximum price during year	EUR	1.60	2.67	2.90	2.07	2.59
Mean price during year	EUR	1.02	2.10	2.32	1.82	2.09
Closing price at end of year	EUR	0.55	1.34	2.51	1.87	1.90
Total market capitalisation at 31 Dec.	EUR million	6.7	16.3	30.6	22.8	23.1
Trade volume no. of shares	pcs	1,651,176	6,535,047	11,010,588	3,276,966	3,438,988
Trade volume	%	14	54	90	27	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.
2) Key figures for 2008 have been calculated in accordance with the standard 5.1 of Financial Supervision Authority.

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

Definitions of Key Figures

Return on equity, %	$\frac{\text{100 × (profit/loss)}}{\text{equity (mean for financial year)}}$
Return on investment, %	$\frac{\text{100 × (profit/loss + financial expenses)}}{\text{equity + interest-bearing loans (mean for financial year)}}$
Equity ratio, %	$\frac{\text{100 × equity}}{\text{total assets less advance payments received}}$
Gearing, %	$\frac{\text{100 × (interest-bearing liabilities less cash and cash equivalents)}}{\text{equity}}$
Net debt	liabilities less financial assets
Liability payback period, years	$\frac{\text{interest-bearing liabilities}}{\text{calculated cash flow 1)}}$
Quick ratio	$\frac{\text{financial assets}}{\text{short-term liabilities – current advance payments received}}$
Current ratio	$\frac{\text{financial assets + inventories}}{\text{current liabilities}}$
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	$\frac{\text{net profit}}{\text{share issue-adjusted mean number of shares during financial year}}$
Equity per share	$\frac{\text{equity}}{\text{share issue-adjusted number of shares at end of financial year}}$
Dividend per share	$\frac{\text{dividend during financial year}}{\text{share issue-adjusted number of dividend-earning shares at end of financial year}}$
Dividend out of profit, %	$\frac{\text{100 × dividend per share}}{\text{earnings per share}}$
Cash flow per share	$\frac{\text{calculated cash flow 1)}}{\text{share issue-adjusted number of shares at end of financial year}}$
Effective dividend yield, %	$\frac{\text{100 × dividend per share}}{\text{last price at balance sheet date}}$
Price per earnings (P/E) ratio	$\frac{\text{last price at balance sheet date}}{\text{earnings per share}}$
Total market capitalisation	last price at balance sheet date × number of shares in issue

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

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