



ANNUAL REPORT 2008



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The financial statements for 2008 are available as a separate file.

Incap in brief

> Incap is an internationally operating contract manufacturer. Our service offering covers the entire life-cycle of electromechanical products, from design and manufacture to repair and maintenance services. For our customers, who are leading suppliers of energy efficiency and well-being technologies, we provide new competitiveness through strategic partnerships.



> Incap has operations in Finland, Estonia and India. In 2008, the company's revenue was approx. EUR 94 million. Incap employs about 730 people and its share is listed on the NASDAQ OMX Helsinki.

The year in brief

> There was a clear change of course in Incap's strategy. Incap abandoned the role of electronics-focused contract manufacturer and will now concentrate on serving leading equipment manufacturers in energy efficiency and well-being technology.

Structural change in revenue

Incap Group's revenue increased by 13% on the previous year to approximately EUR 94 million. There was a clear change in the breakdown of revenue by customer industry. The demand for power technology products and well-being technology increased the most, whereas the share of telecommunications products decreased. Cooperation with a large supplier of telecommunications networks ended in a controlled manner at the end of the year.

New strategy

A sharp change of course took place in the strategy, and the company's management and operating model were renewed at the same time. Incap seeks profitable growth by focusing on services for the leading equipment manufacturers in energy efficiency and well-being technology. The company will seek a strong market position and improve its competitiveness by expanding its service offering with life-cycle services that complement the manufacturing services.

The President and CEO of Incap Group changed and the Management Team was reformed. The organisation structure was adjusted with a strong emphasis on the customer perspective. At the core of operations are the two business units Energy efficiency and Well-being solutions, which are aligned with the customer industries. Customer accounts that are emerging and being developed further are within the Emerging Business unit.

Moderate growth in India

The year 2008 was the first full accounting period for the Indian operations. Production capacity was developed moderately through minor equipment investments and the organisation was complemented in line with customer needs. Resources were increased in design services and material procurement in particular. We managed to gain six new customers. As their products did not reach volume production at the expected rate, the growth of the Indian company's revenue fell short of expectations.

Work on the new factory building proceeded almost on schedule, and the new premises will be inaugurated in early 2009. The Tumkur plant was also audited and approved for the TS 16949 quality certificate required by the automotive industry. In order to develop the Indian operations, a long-term financing contract was negotiated with Finnfund Oy.

Strategic development programmes

In connection with the strategy reform, improving profitability was set as the main objective. In order to make production more efficient, the roles of different plants were revised and the number of personnel was adjusted in electronic manufacturing and the Group's support functions. Ultraprint Oy, a subsidiary manufacturing etched sheet-metal products, was sold to its operative management.

The reorganisation programme emphasises profitability and efficiency. The programme increases return on working capital, makes responsibilities clearer and adjusts and streamlines manufacturing operations. Cost savings are also sought in sourcing, and extensive cooperation with a partner in Asia was begun.

> A sharp change of course took place in the strategy, and the company's management and operating model were renewed.

Key Figures (IFRS)	2008	2007
Revenue, EUR millions	93.9	83.0
Operating profit, EUR millions	-3.6	0.3
% of revenue	-3.9	0.4
Profit before taxes, EUR millions	-5.4	-1.1
% of revenue	-5.8	-1.3
Profit/loss for the period, EUR million	-5.4	-1.1
Earnings per share (EPS), euro	-0.44	-0.09
Return on investment (ROI), %	-8.6	1.3
Return on equity (ROE), %	-33.4	-5.6
Equity ratio, %	27	35
Gearing ratio, %	146	103
Investments, EUR millions	1.8	1.5
% of revenue	1.9	1.8
Personnel at year's end	727	810

New strategic focus on energy efficiency and well-being

> Incap's new strategy aims to transform the company from a component manufacturer for the telecommunications sector into a solution-oriented partner for technology companies in the energy efficiency and well-being sectors. The company will also strengthen its market position by differentiating itself as a supplier of life-cycle services.



> Incap is already strongly involved in the delivery chain for solutions that improve energy efficiency and well-being. In addition to manufacturing components and complete solutions, we offer a wide selection of services covering the entire product life-cycle.

Our customers are leading companies in their respective value chains. They build competitiveness by networking and appreciate strategic business partners. By serving these companies Incap aims to improve its competitiveness and to grow profitably with focus on selected core sectors and life-cycle services.

Our extensive experience as a partner to leading technology companies in the energy and well-being segments provides a solid foundation for implementing the renewed strategy. Incap will also centralise its sales and new business resources to serve primarily its strategic business sectors.

Carefully selected business segments

The global growth forecast for energy efficiency and well-being solutions is based on the growing demand for sustained environmental and social development. There is a broad global consensus concerning these targets.

Improved energy efficiency and environmentally friendly green energy play a critical role in climate change and the economic use of limited natural resources. Energy segment companies are a core customer group for our plants in Vaasa, Finland and in Tumkur, India. Most of our new customers in India are electric power and energy technology suppliers.

New markets are opening up in healthcare, well-being and security technologies, thanks to increased life expectancy,

growing demand for services enhancing life quality and improved health awareness. This global trend is visible for instance in Asian economies, where a growing middle class is fuelling demand for well-being products.

Organisation structure aligned with the customers' business

Our new organisation structure aims to further enhance our customers' competitiveness through trustworthy partnerships.

In line with its strategy, Incap has organised Energy efficiency and Well-being solutions as business units. Alongside them, the unit for Emerging business will serve current and developing customer relationships in different sectors.

These units with overall business responsibility will focus on serving growth sectors in which the outsourcing of product manufacturing and related service is profitable and efficient. In these sectors, our customer companies' core business competence is increasingly product development, marketing and distribution as well as creating a globally valued product brand.

Global manufacturing capabilities

Incap's plants in Finland, Estonia and India complement each other in terms of capacity and expertise, while retaining a clear division of tasks. They also provide our global customers with a geographically extensive network.



> Our extensive experience as a partner to leading technology companies in the energy and well-being segments provides a solid foundation for implementing the renewed strategy.

The successful launch of our Indian operations strengthens the company's competitiveness in Asian markets. Incap's presence in India means that the company's current and future customers will be able to manufacture volume products more cost-efficiently than before. One of the strengths of our Indian unit is the design expertise, which is based on a proven track record.

From components to integrated solutions and life-cycle management

Incap is known as a trusted contract manufacturing partner, who delivers technically demanding components, equipment and product entities effectively and at reasonable price.

By partnering with Incap, customers profit from secure availability of production capacity. They can focus on their core competences by transferring partial or complete responsibility for production and material sourcing to the manufacturing partner.

Successful contract manufacturing requires in-depth knowledge of customer needs as well as extensive manufacturing and technology expertise. Incap's unique competitive edge is based on proven manufacturing expertise in electronics and mechanics as well as in combining these into integrated product solutions. This is supported by versatile design, prototype, testing, NPI and after-sales services.

Looking beyond the PCB assembly

Today, contract manufacturers of electronics and mechanics are polarising into two groups. Companies must choose whether they focus on highly price-sensitive volume production or on limited high value-adding expertise. In the telecommunications sector, for example, the profitable manufacturing of PCB assemblies requires large production volumes and a subcontractor role.

Incap has chosen an alternative route: we are looking beyond conventional contract manufacturing in cooperation with our customers. We aim to specialise in their business sectors and seek for close integration with their operations. Our major competitive edge is our ability to deliver reliable manufacturing services for demanding applications and technology products.

> Successful contract manufacturing requires in-depth knowledge of customer needs as well as extensive manufacturing and technology expertise.



Energy efficiency solutions

> Demand for technology that improves energy efficiency is growing rapidly in the near future, in large part due to challenges brought on by climate change. As a contract manufacturing partner, Incap provides companies in the energy sector with generator and electrical motor components, emergency power sources, energy meters, power supplies, and components for electricity supply equipment.





> Rising electricity prices call for energy-saving solutions and equipment. This is why demand for ecologically sustainable solutions based on energy efficient technologies and renewable energy sources is growing around the world.

Core targets guiding the sector's development are besides the reduction of carbon dioxide emissions also the maximisation of the reliability of power supplies and the minimisation of the power loss of electrical equipment. Incap helps customers to develop and implement solutions that enable them to achieve these environmentally friendly targets more effectively and economically than before.

Global growth sector as the base for customer relationships

The Energy efficiency business unit serves internationally operating companies, which supply equipment especially to energy production, the electric power industry, as well as electric power supply and power electronics sectors. The remote use of electricity networks and the remote reading of electricity consumption are also growing in popularity and open up new business opportunities in the energy sector's value chain.

The business unit delivers rotor components for electric motors and generators, power sources for various electrotechnical equipment, as well as UPS equipment for uninterrupted and undisturbed current input. In addition to manufacturing, Incap

provides its energy-segment customers with design capacity and other life-cycle services.

For energy-sector companies, we offer manufacturing services from a choice of Incap plants in Europe and Asia. A significant part of our Indian unit's customers operate in the energy technology sector, where one of our strengths in comparison with competing companies in the region is our local design competence.

More efficient use of contract manufacturing

The core of Incap's service offering is a reliable manufacturing service for products, assemblies and components, with each of them complementing the customer's own expertise. We provide our partners with long-term availability of manufacturing capacity as well as the agility and flexibility to react to changing demand.

Customers who require a full-scope manufacturing partner can profit from Incap's product integration expertise, which covers electronic and mechanical components and their integration into box-build products. Incap's life-cycle services ensure optimum product manufacturability, rapid ramp-up, continuous maintenance, and controlled ramp-down.

> We provide energy technology companies with manufacturing services through our plants in Europe and Asia.

Contract manufacturing also includes the cost-effective use of materials and components as well as their competitive sourcing. Incap takes responsibility for sourcing after the customer has transferred partial or complete manufacturing of the product to the company.

Efficiency through the versatile competence in energy technology

We aim to achieve a better understanding of the energy sector than our competitors and use this knowledge to develop product solutions for the sector's technology needs. Our ambition is to be an efficient, service-minded and flexible partner for leading companies in the sector.

Our core competitive edge in the energy segment is our ability to offer both extensive life-cycle services and unique expertise in the integration of electronics, electric power engineering and machine shop products – all from one contract manufacturer.



> Increased wind power use is boosting demand for Incap's rotor components.



Well-being solutions

> The Well-being solutions business unit provides technology companies in healthcare, well-being, security and entertainment industries with versatile equipment manufacturing services, which are complemented by a broad range of value-added services for product life-cycle management.



> Increasing average life expectancy is having a major impact on the development of the healthcare and well-being sector. This means growing demand for solutions that promote health, life quality and wellness.

In the well-being sector, the global trend is the introduction of consumer goods alongside conventional medical technologies. For example, more and more consumers are interested in monitoring their fitness exercise and transferring stored performance data between electronic devices.

The growing demand for security technologies is also a global trend, which opens new business opportunities. Security solutions for air traffic and public premises as well as the surveillance of residential areas and properties are attracting increased global attention. Incap's contract manufacturing programme includes security technology such as airport security gates and different locks.

Customers at the top of their businesses

The Well-being solutions business unit's customers have in common well-known and respected brands, some of which are global market leaders. Incap is the natural choice of partner in terms of expertise and production capacity for international well-being technology companies that value long-term cooperation and a strong business partnership.

The business unit's customers' end products are health and patient care monitors, performance measuring devices for sports, electronic weighing scales, dentistry equipment, slot machines, metal detectors, locks, and weather forecasting equipment. These solutions are marked by increasingly sophisticated data technology and the growing importance of built-in features for users.



> Rising life expectancy and health awareness are increasing demand for well-being technology.



Clean & lean

Incap provides its customers in well-being sector with ISO-certified manufacturing services. Contract manufacturing also includes the cost-effective use of materials and components as well as their competitive sourcing. Incap takes responsibility for sourcing after the customer has transferred partial or complete manufacturing of the product to the company.

We can deliver customised manufacturing services for well-being technologies from our plants in Finland, Estonia and India.

The customer and Incap complement each other

Incap's manufacturing partnerships are characterised by a clear division of responsibilities: the customer focuses on developing the product's core features, while Incap is taking care of the manufacture and assembly of the product – often on a turnkey basis. We also help our customers to design the product in the way that the manufacturing and testing are done efficiently and the product can be launched quickly to the market.

For many of our customer companies, the key strategic priority is building of a strong international brand and securing effective distribution and marketing channels. This also includes industrial design, usability, and the development of key software features. By partnering with Incap, customers can free more time and resources to meet all these challenges.

> By partnering with Incap, customers can free more time and resources for their core businesses.

Incap's service offering

> Our services cover the entire life-cycle of a product. We are able to take overall responsibility for our customer's product, from product design to maintenance. We focus on technically demanding products, in which our operational flexibility, high quality and good service provide customers with added value.

Design services and materials sourcing

The customer gains the greatest added value from Incap's design services from the extra attention that is given to manufacturability as part of the design process. Our services cover all key areas, from product and testing design to product integration and maintenance design. We offer our expertise in mechanics and HW design, the selection and sourcing of materials and components, as well as manufacturing and testing technology.

Prototypes and pre-series, production ramp-up

Our efficient productisation service ensures that the transition of products from the design stage to actual volume production occurs smoothly, so that the product is delivered to the market quickly and successfully. We use professional project management to transfer a product's manufacturing from the customer to us or between production plants. We are also prepared to receive the outsourcing of the customer's entire production. We manufacture prototypes for electronics and sheet-metal mechanics quickly and flexibly.

Serial production, final assembly and testing

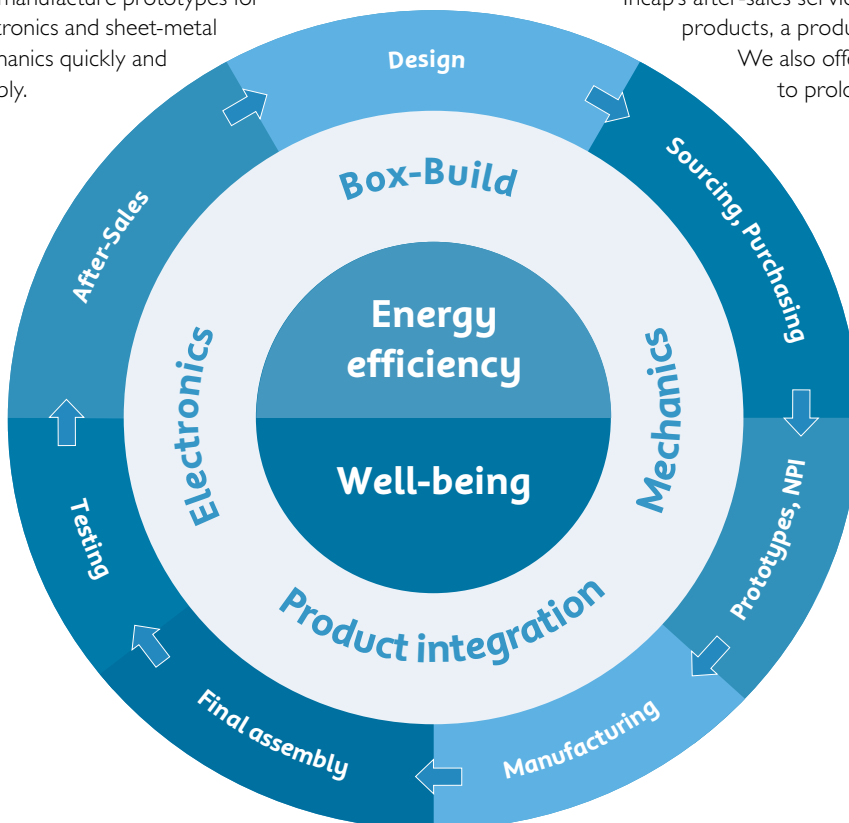
The manufacturing of electronic products consists of widely used manufacturing processes, such as automatic and manual assembly, protective coating, final assembly and product testing. In the manufacture of sheet-metal products, we employ the latest technology, which enables the manufacture of demanding products and the precise and speedy machining of complicated shapes.

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

Process and product testing is used to ensure the quality and performance of products. We employ advanced testing technologies in product testing.

After-sales services

Incap's after-sales services include, in addition to the repair of products, a product maintenance and spare parts service. We also offer maintenance design, which can be used to prolong a product's service life.



Mission

Incap provides its customers with new competitiveness as their strategic business partner.

Vision

Incap is a leading supplier of manufacturing and life-cycle services for electromechanical products among selected customers.

Values

Customer focus

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

Profitability

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

Continuous improvement

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

Respect for the individual

We support open interaction and a constructive team spirit in our working community.

Strengths

Experience and professional skill

Thanks to a history of over 30 years, Incap has solid experience in the methods used in the manufacture of electronics and sheet-metal mechanics. We have developed our operations together with our customers, based on their needs.

Focus on customers and commitment

Our organisation has been shaped in line with the customers' needs. We operate near our customers and therefore, dealing with us is easy and straightforward. The strong commitment and good service attitude of our personnel are qualities which underpin our customer relationships.

Speed and flexibility

Our operational models and manufacturing technologies have been built on small and medium-sized production series. Our customers' needs and forecasts often change at short notice, which means that the flexibility and agility of our operations are tested daily.

Quality and delivery reliability

Energy-efficiency, healthcare and security equipment have high quality requirements, as our customers' products are used in demanding environments which require above-average dependability and operating reliability. Delivery reliability forms a part of high-quality service and is one of the most important benchmarks of our operations.

Objectives

By the year 2010

Incap has a sound business foundation for operating and growing

- > good return on working capital

Incap has a unique market position

- > differentiated profile in its business segment
- > leading position in selected customers
- > operating in esteemed customer segments

Incap has positive growth prospects

- > operating in growing customers and markets
- > chance to expand operations through networking
- > offering significant upside as an investments



Review by the President and CEO

> In 2008, the keyword at Incap Corporation was change, which began with the redefining of the Group's overall strategy. We made profitability our primary target. To achieve this goal, we have renewed our business priorities and organisation considerably.

The new strategy raises profitability as Incap's primary target. The core of the new strategy is customer perspective and a deeper integration with the customer's operations. These factors also play an important role in the development of our service offering.

Incap is looking for profitable growth by partnering with leading equipment manufacturers of energy efficiency and well-being technologies. We aim to take advantage of our proven business sector-specific expertise and to strengthen our position in growth segments where the outsourcing of production to manufacturing partners will continue to increase in the future.

We will further increase the share of electromechanical box-build products in our production portfolio and develop increasingly versatile life-cycle services, from product design and ramp-up to maintenance and controlled ramp-down. With the implementation of our new strategy, we will place even greater emphasis on value-adding services related to manufacturing.

The strategic realignment has proven to be necessary, because our position as a conventional contract manufacturer with emphasis on PCB assembly was difficult to sustain and our competitiveness especially in the volume production of telecommunication products had weakened.

The new alignment means that the telecommunications sector will play a significantly smaller role in Incap's operations. The sector's share in our revenue contracted noticeably, when cooperation with a major telecommunications customer ceased at the end of 2008.

Strategy-based organisation and renewed Group structure

In 2008, the company's management also underwent major changes as part of the new strategic alignment. The company has a new President and CEO, a new CFO as well as new sales, material sourcing and production directors.

Incap's organisation was renewed according to the strategy by forming sector-specific business units, which will pursue active engagement and enthusiasm for growth at customer interface. The company also established new director-level positions for the business units and recruited key persons to oversee the units' operations and development.

During the year under review, the company carried out co-determination negotiations in electronics manufacturing and Group operations. The negotiations aimed to adjust personnel resources to changing demand. The Group structure was changed in July, when Ultraprint Oy, a subsidiary manufacturing etched sheet-metal products in Kempele, was sold to its management.

Positive business development

In 2008, the company initiated and expanded cooperation with several customers. In Europe, the most significant expansion in cooperation was carried out with ABB, RAY (Finland's Slot Machine Association) and Rapiscan. In India, we gained six new customers, including the TATA Group's Taco Sasken

Automotives Electronics, Emerson Network Power and Mango Global.

Production development focused on building future production capabilities, such as the development of a process-based operational model, the strengthening of new product introduction, and the improvement of quality assurance. The focus for material sourcing was shifted to Asia, where the company began cooperation with a local business partner.

Incap's design services in India were strengthened considerably in the past year. The solution proved to be successful, as demand for this service was brisk locally and internationally. The company also began construction of a new plant in India, established offices in Bangalore, and complemented the subsidiary's organisation. In addition, our India plant was audited successfully for quality certification required by customers in the automotive industry.

Improved profitability as main target

In 2008, the Group's profitability was unsatisfactory. As a result, we enhanced the review of customer-specific profitability, leading to the re-evaluation of pricing and to the controlled termination of delivery contracts with some customers.

We reduced fixed costs by improving the efficiency of Group operations, even though these measures created non-recurring costs as well. Other targets aiming at enhanced profitability focus on increasing sales margins and enhancing material management. The long-term development of Incap's Indian operations will in future benefit from the financing granted by Finnfund.

Outlook for 2009

The market situation will continue to be uncertain, though none of our customers have so far indicated any significant weakening of demand. Many of Incap's customers operate in post-cyclical sectors which are not first affected by the recession. At the moment, it is impossible to estimate when and with what force the global uncertainty may affect our customers and our operations.

The outlook for profitability development continues to be challenging, and the company will pursue measures to improve profitability as stated in the reorganisation programme for 2009. We trust that customers will see our new operational model as a positive change, which, in turn, will provide us with new business opportunities.

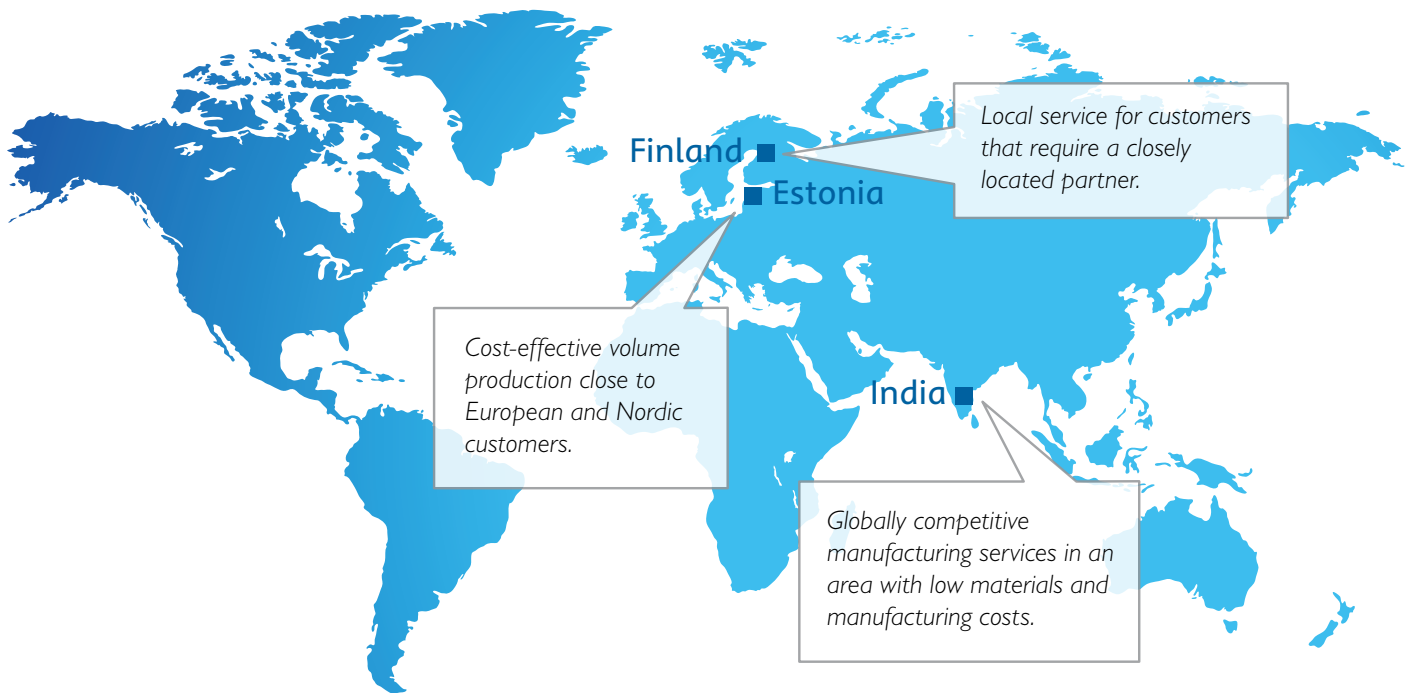
Improving the competitiveness is a continuous challenge in contract manufacturing: increased customer focus and operational efficiency will help us achieve our ambitious targets. We must be innovative and courageous, and not cling to old business models. We must be open-minded and look for new solutions in cooperation with our customers, partners and entire personnel. I would like to thank all these key groups for the year 2008.

Helsinki, March 2009

Sami Mykkänen
President and CEO

Incap's market position in contract manufacturing

> Incap is among the 40 largest manufacturers in terms of revenue in the European contract manufacturing market. In the Indian market, Incap is the sixth largest contract manufacturer.



The global contract manufacturing market is divided into two segments. Large international contract manufacturers have developed their services for large manufacturing batches and concentrate on serving customers that manufacture telecommunications or consumer products in particular. Low costs are a very significant competitive factor for these customers. The second contract manufacturer segment comprises small and medium-sized contract manufacturers specialised in specific customer industries, products or geographic areas.

Incap falls into the second category and differentiates from other players based on the following:

- > Incap focuses on serving manufacturers in energy efficiency and well-being technology.
- > Incap offers services for the entire life-cycle of the product.
- > Incap operates internationally and offers local service not only in Europe, but also in Asia.
- > Incap leverages the opportunities of Asia in the sourcing of materials.
- > Incap has solid experience with both electronics and mechanics and is able to leverage this competence in the manufacture of product entities.
- > Incap has a broad customer base, so it does not depend on

trends in the demand of a single customer or industry.

- > Incap has been a manufacturing partner of the world's leading equipment suppliers for more than 30 years.
- > Incap is listed on the NASDAQ OMX Helsinki under Industrials/Electrical Equipment.

Gaining a solid market position through specialisation

In accordance with its strategy, Incap focuses on services for equipment manufacturers of energy and well-being technology. The choice was natural as the profitability of business based on electronics and telecommunications decreased with tight competition, and thus operations were sensitive to fluctuations in demand. Focusing on small and medium-sized manufacturing batches did not provide sufficient competitive edge as such.

The selected customer industries are growing solidly due to global trends. The development of the health care and well-being sector is driven by the increase in average life expectancy and general increase in living standards. The growth of energy technology, on the other hand, is fuelled by increasing electricity prices and the need to utilise renewable energy sources.

Trends in contract manufacturing

> The demand for contract manufacturing services continued to grow in 2008 and the outsourcing of production is expected to boost also in future. Original equipment manufacturers need a versatile manufacturing partner in order to focus their own resources on their core business and the marketing of their own brand.

Market growth will slow down

According to estimates by several research institutes, the revenue of global contract manufacturing increased by approximately 5% on average in 2008. In 2009, the growth is forecast to slow to approximately 3%. A sharp decline in investments and general demand due to the global recession also impact the operation of contract manufacturers.

As the competition becomes tighter, large contract manufacturers aim to expand their operating areas and take part also in tenders that they were not previously interested in due to small manufacturing quantities or value.

According to some estimates, a high number of restructuring activities will be seen in contract manufacturing in the next few years. New companies, many of which depend on only a few customers or a limited industry, have emerged in the industry in the last few years. If the economic operational conditions of these often small companies strongly deteriorate, their position as a contract manufacturing partner will weaken due to the risk related to delivery reliability.

In addition, global original equipment manufacturers in particular require their manufacturing partners to operate near their own markets. Local contract manufacturers are therefore in a weaker position in the competition than those capable of serving the customer on several continents.

According to some estimates, original equipment manufacturers will pull the manufacturing of products back to their own production when the market situation weakens, which would further decrease the revenue of contract manufacturers. On the other hand, due to the pressure on prices, original equipment manufacturers may be even more interested in outsourcing manufacturing to contract manufacturers.

> Global original equipment manufacturers in particular require their manufacturing partners to operate near their own markets.

Customers require extensive services

Several contract manufacturers have expanded their service offering. At first, operations focused on electronics and the PCB assembly. Subsequently, services have been expanded to mechanics and design and after-market services, so many contract manufacturers are capable of providing the entire manufacturing process of products.

Extensive service that covers the life-cycle of the product is a necessity, as original equipment manufacturers are willing to make their operations more efficient and reduce the number of suppliers and partners. Then, contract manufacturers that are able to provide all the services related to the product from design to volume manufacturing and service take priority over others.

The position of the contract manufacturer becomes even stronger if it operates near the customer's product development and final markets. In this case, the contract manufacturer is able to act swiftly in product design, prototype fabrication and pre-series production, enabling the product to be launched quickly to generate revenue.

New fields

The most recent trend in the industry is that of contract manufacturers expanding outside the traditional industries – computer hardware, telecommunications technology and industrial electronics. Some manufacturers have reported that they are specialising in medical, automotive or military electronics equipment. A few large contract manufacturers have also started manufacturing challenging and complicated mechatronic products.

Customer in the focus of development

> Incap experienced a pleasing increase in revenue and entered into new collaborative agreements, particularly in the manufacturing of energy and power technology products. The customer-oriented nature of Incap’s operations is emphasised in the new strategy focusing on services for energy efficiency and well-being technology equipment suppliers.

Incap Group’s revenue for 2008 increased by 13% on the previous year. The majority of the growth was due to expanded collaboration in the deliveries of rotor components and slot machines. During the year, a large number of new products entered pre-series production and volume production. In addition, cooperation with several customers expanded into larger sub-assemblies.

There was a significant change in business structure when volume production for two customers in the telecommunications sector ceased at the end of 2008. Manufacturing collaboration in prototypes and pre-series production with one of the customers continues. Some of the revenue for 2008 comprised sales of materials used in these customers’ products to the customers.

Indian revenue amounted to approximately EUR 8 million and fell short of the original target. The reason for the slow growth was the start-up of new customer accounts being slower than anticipated – in some cases, the time from first contact to the ramp-up of volume production took as much as a year and a half.

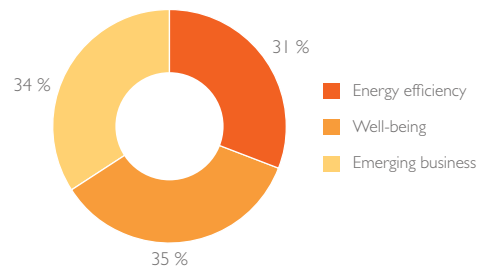
Strategic change of course

The strategy work that started in the spring resulted in the decision to forcefully realign Incap’s operations. The change of course was natural as Incap’s position in the electronics products manufacturing chain was weakening in telecommunications products in particular whose margins have continuously decreased. Business built on the PCB assembly did not provide sufficient competitive edge, and the company had to seek new ways to facilitate profitable growth.

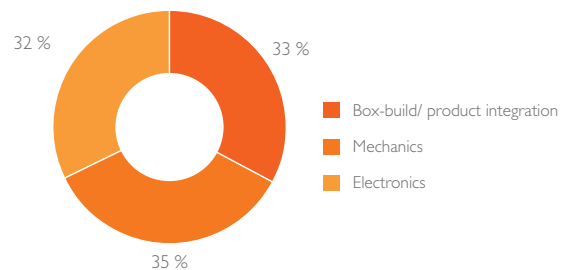
As Incap is highly proficient in the manufacture of advanced product entities, electromechanical and technologically demanding products were chosen to be the focus of the service offering. Incap concentrates on serving customers in strongly growing industries that need a comprehensive manufacturing partner. In order to build a differentiating competitive edge, Incap develops new added value services based on the customers’ needs.

In addition, the Group’s organisation and operating model were realigned with the new strategy. The plant-based organisation structure was replaced with business units based on key customer industries, and these units have a strong role in the management of business operations as a whole.

Revenue by business unit, %



Revenue by product segment, %



Favourable development in customer relationships

Several new delivery agreements were signed during 2008. Incap's market share in the manufacturing of rotor components for wind generators and magnetic poles for electric motors increased further. Collaboration with ABB, Finland's Slot Machine Association and Rapiscan Systems deepened to increasingly extensive product entities. Long-term manufacturing cooperation was started with Powernet Oy in energy technology applications.

Cooperation was started with six new customers in India, most of them engaged in energy technology. Sub-assemblies of UPS equipment for industrial use are manufactured for Emerson Network Power. GSM- and CDMA-based point of sale terminals are manufactured for Mango Global as turnkey deliveries. Vehicle positioning and information systems are manufactured for Taco Sasken. Product entities for the energy technology and industrial electronics industries comprise the majority of the Indian plant's production.

Manufacturing quantities of telecommunications products temporarily increased during the autumn as discontinued products were manufactured for the customer's stock. In connection with the disposal of the products, the material stock used in their manufacture was sold to customers.

A campaign was launched in Europe to attract new customers, mainly among equipment manufacturers in the energy sector. Sales resources were strengthened in all countries of operations.

Plants will specialise based on their strengths

The roles of the different plants were clarified to make manufacturing operations more efficient. After a sharp decline in the demand for telecommunications products, the Vuokatti plant will focus on the manufacture of prototype and pre-series production of electronics, and the plant's personnel and manufacturing capacity will be adjusted to match this role. At the end of the year, an automatic SMD line was moved from Vuokatti to India, where it will be installed in the new industrial plant completed in early 2009.

The plants' production areas were rearranged according to the needs of assembling large units. In Kuressaare, additional premises were leased as a result of increasing production



quantities. In Vaasa, machine capacity was increased and new production personnel were recruited after the extent of rotor component deliveries increased considerably with a cooperation agreement signed with a customer.

In order to develop the Group's quality assurance, a management system tool that includes quality documentation and descriptions of the Group's main and support processes was adopted. The quality assurance system supports the realisation of Incap's new strategy and harmonises the plants' separate quality systems.

Incap sold its subsidiary that offers etching services and manufacturing of flexible circuit boards to the operative management of the subsidiary. Ultraprint Oy's expertise differed from Incap's other operations, and its development as a separate branch would have drawn resources from other activities. The subsidiary employed 12 persons, and the sale did not have a significant impact on Incap's revenue or earnings.

Aiming at consolidating the financial foundation

In order to boost profitability, the actions that were started the previous year continued, aiming at increasing the sales margin and profits through e.g. decreased raw material costs. The productivity of plants was sought among others with a partial reform of the production bonus system.

The reorganisation programme that began in August focused on improving profitability, increasing the return on working capital and adjustment of the cost structure. The measures included increasing the extent of deliveries and service offering, cutting down low-margin or unprofitable assignments and increasing production in the Indian and Estonian plants.

Some of the reorganisation programme measures had a favourable impact on earnings towards the end of the year, even though the full impact on profitability will not be seen until 2009.

> In 2008, Incap signed several new manufacturing agreements and expanded its cooperation with current customers.

In order to finance the Indian investments and working capital, Incap and Finnfund entered into a financing contract whereby Finnfund invested EUR 2 million in Incap's subsidiary in India. Once Incap has taken out Finnfund's investment in full, Finnfund's holding in Incap's Indian subsidiary will amount to approximately 33%.

Competitive edge through new life-cycle services

In addition to manufacturing electromechanical product entities, Incap will provide design, ramp-up, testing, repair and maintenance services that cover the full life-cycle of products.

Incap's product design covers applicable mechanics, electronics and SW design. The demand for design services has increased along with Incap's offering and competence, and in India in particular, customers are interested in design as well.

It is very important for the customer that the manufacturing of products or production as a whole is moved to Incap quickly and smoothly. The procedure applied in the take-up of new products was developed, and all plants adopted an identical project management process.

Thanks to new customer accounts and delivery agreements, there was a large number of new products in the production ramp-up stage. Resources of the NPI function (New Product Introduction) responsible for productisation projects were increased to guarantee effective take-up of not only individual products but also the entire production of customers.

Focus of material procurement in Asia

As material costs account for a significant part of Incap's manufacturing expenses, the key aim in material sourcing and procurement activities was to lower the purchase prices of materials and components. The focus of sourcing was moved to Asia because of this, launching comprehensive collaboration with a Chinese partner. Alternative sources were tested in components as well as other raw materials, and direct material deliveries from Asia to Europe and India started during the latter half of the year.



Material management was made more efficient by streamlining the sourcing and procurement operating model and strengthening the Indian purchasing organisation.

Focus of operations in 2009

Improving profitability is a key target, and measures of the reorganisation programme will be continued in 2009. Production capacity will be adjusted and allocated to different plants depending on demand and customer needs. Material management will be made more efficient and fixed costs will be cut further.

Fine-tuning and establishment of the new operating model will continue during the first half of 2009. The business units will go deep into key customers' business and aim at expanding the cooperation with them. The target is to increase the customer-specific market share. Services will be developed so that Incap will be able to provide as large an extent of the customer's manufacturing-related needs as possible. New customers will be sought particularly from the leading equipment manufacturers in energy efficiency and well-being industries and other growing sectors.

> In India, Incap manufactures vehicle tracking systems for a customer belonging to the TATA Group.

Competence with attitude

> In Incap's business – contract manufacturing of technologically demanding products – the personnel's professional competence, service attitude and responsibility are a significant competitive factor. Developing the personnel's commitment and job satisfaction is a key target of the HR policy.

Reaching the targets through collaboration

The task of HR management is to promote internal cooperation and high-quality managerial work. In promoting cooperation, the most important means are open flow of information and interaction, which is supported by, for example, internal communications. Performance appraisal discussions are an important tool that align the company's and the individual's objectives and make the areas of focus concrete both for long-term development and daily work.

Due to the organisational and personnel changes in 2008, the performance appraisal discussions were performed only partially. The strategy announced in August was communicated in information sessions and other internal forums. The new operating model based on business units was fine-tuned during the rest of the year, and the implementation of strategy at the individual level will proceed in the performance appraisal discussions that started at the beginning of 2009.

Number of personnel

At the beginning of 2008, Incap employed a total of 739 people and at year's end 727 people. The largest unit in terms of the number of employees is the Tumkur plant with 194 employees at year's end.

In addition to Incap employees, there are also employees hired from staffing agencies. At the beginning of the year, such employees numbered over 100 and at year's end 50.

The number of personnel was adjusted due to a decrease in demand and profitability. During the year, statutory negotiations in accordance with the Cooperation Act took place in materials management, Group services and the Vuokatti and Helsinki plants. In connection with these negotiations, the employment of a total of 19 employees was terminated and 35 people were laid off temporarily.

Development of competence

In addition to training, in the development of personnel also other means are utilised, such as hands-on learning and sharing of competence in teams.

During 2008, internal training was arranged among others in IT skills, electronic processing of invoices and the use of ERP system. In production, the focus was on new manufacturing technologies, and e.g. ESD and welding training was arranged. Quality work was developed with training in the use of the new quality management software and audit training.

The induction of new employees was strengthened in some plants by starting regular induction events and creating tools for induction in production.

Development of managerial work is one of the focus areas of HR management. Unit- and function-specific supervisors' meetings discussed the practices and tools of daily management and sought solutions to support managerial work together.

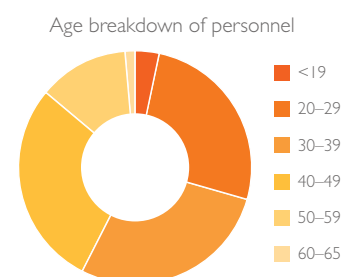
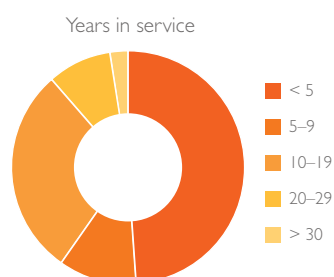
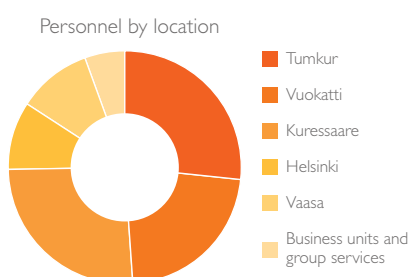
At year's end, a training cooperation project with TKK Dipoli was started, providing sales and quality management software and in auditing with additional resources and competence.

Incentives and reward system

The company's reward system aims to encourage and commit the personnel to strategy-compliant activity. The reward system comprises production bonuses, a bonus scheme for white-collar workers and the management's option scheme.

In 2008, production employees were paid a production bonus tied to the realisation of plant-specific metrics set for efficiency of production, delivery accuracy and rate of complaints. The bonus scheme for white-collar workers was tied to the earnings target and could not be realised due to the negative earnings development.

The reward scheme approved for 2009 covers all employees. The level of production bonuses is tied to indicators set for delivery accuracy and rate of complaints, among others. The bonuses for white-collar workers will be paid based on the realisation of objectives set for earnings and return on working capital.



Responsibility for tomorrow

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

Responsibility to stakeholders

Incap respects and adheres to international agreements on human and children's rights as well as employees' rights. Incap monitors the operations of its suppliers and service providers and conducts regular supplier assessments which are used to examine suppliers' social responsibility in addition to their quality and delivery reliability.

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

Financial responsibility

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

Incap recognises its responsibility as a part of a supply chain when dealing with customers and with its own suppliers, and strives to promote the success of all of its partners in co-operation. The company aims to maximise the return on the capital invested by shareholders in the company and to ensure that the company's value grows steadily.

Social responsibility

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



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

Environmental responsibility

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

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

Certified quality

> Manufacturing operations were developed based on customer feedback and internal audits. The Indian manufacturing unit was audited and approved for an automotive quality certificate. A project in which a process-based operating system will be adopted was started in order to improve comprehensive quality control.

Extensive system certification

Every unit of the Incap Group has an ISO 9001 compliant quality system and certificates according to the ISO 14001 environmental standard. The Indian plant was granted a certificate according to the ISO 14001 environmental standard by TÜV Rheinland in 2008. The Indian plant was audited and approved for the TS 16949 quality certificate required by the automotive industry.

The Vuokatti and Helsinki plants were granted a certificate according to the ISO 13485:2003 quality standard applied in the manufacturing of medical equipment in 2008; the Kuussaare plant already held this certificate. The Helsinki plant has also been approved for the manufacturing of products for hospital use based on an audit by VTT's Tampere accreditation body.

Comprehensive quality management

An integrated software solution was obtained to improve quality management. The software enables a move from current plant-specific quality systems to process-based quality management covering the entire company. The management software is used for documenting the extensive description and definition of processes, which had begun already earlier.

The Group's quality and environmental policy was renewed, and quality documentation was developed further.

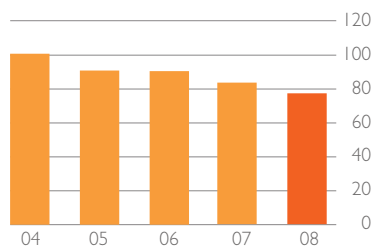
Internal development emphasised the significance of total quality. Internal audit methods were fine-tuned, and e.g. induction of new personnel to their tasks was made more effective.

All plants had several customer audits, providing concrete feedback for the development of operations. The plants' basic processes were developed with the aim of ensuring high quality in all production stages. Quality-related training was also increased.

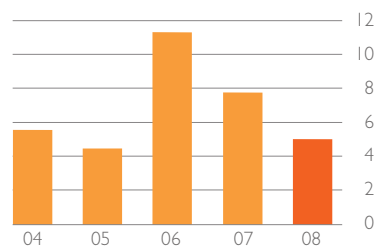
Customer feedback provides a basis for development

The respondent rate of the annual customer satisfaction survey remained nearly the same as the previous year. According to the results of the survey, Incap's strengths were being easy to deal with, having competent personnel, attending to environmental and social responsibility and technological competence in production. Based on the 2008 survey, there is particular room for improvement in competitiveness of pricing, delivery accuracy and innovativeness.

Power consumption, kWh/turnover in k€



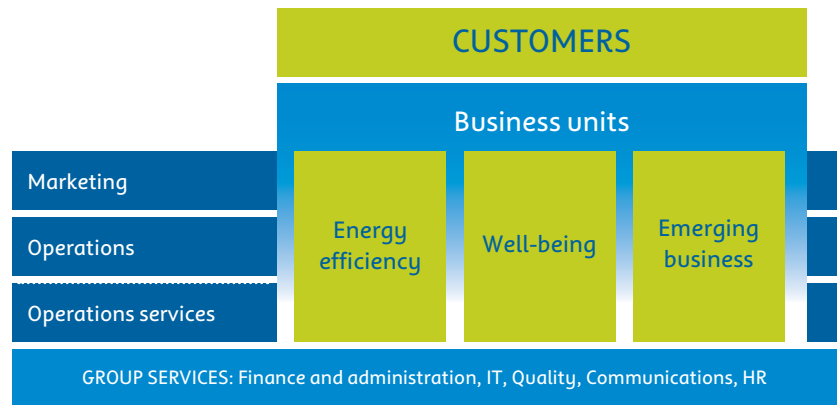
Defective products of customer deliveries, DPPM



Organisation

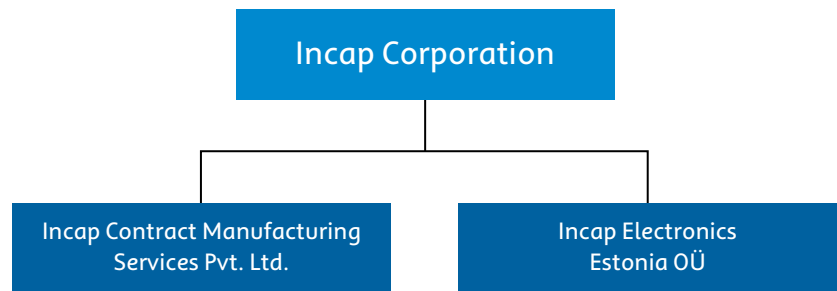
Incap renewed its organisational structure in accordance with the new customer-oriented strategy. Customers and their needs are setting guidelines for our operations and therefore, the Business Units that are responsible for customer relationships play an important role in steering the company's operations.

Operations Unit serves the business units and its mission is to provide the most efficient and competitive manufacturing services possible. Operations services are responsible for sourcing, ramp-up of new products as well as for design and other value-adding services.



Corporate structure

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



Corporate governance

> In its operations, Incap Corporation complies with the Finnish Companies Act, its own Articles of Association and the regulations and instructions concerning public listed companies. Further, the company follows the regulations and rules of NASDAQ OMX Helsinki Ltd. and complies among others with the Guidelines for Insiders published by the Helsinki Exchange.

Incap Corporation complies, with two exceptions, with the Finnish Corporate Governance Code for listed companies that was issued on 1 January 2009 by The Securities Market Association.

These exceptions are:

- > Incap will publish a separate corporate governance statement in connection with the financial statements and report by the Board of Directors for the financial year starting on 1 January 2009.
- > Incap will update the information on the company's website in the extent described in the Finnish Corporate Governance Code after the Annual General Meeting to be held in spring 2009.

Annual General Meeting

Incap Corporation's highest decision-making body is the general meeting of shareholders, which at the invitation of the Board, convenes once a year in an Annual General Meeting. The General Meeting is held within six months of the end of the financial period, generally in April. An extraordinary General Meeting is arranged if shareholders who represent a total of at least 10% of the company's shares, request it in written form for a specified issue to be decided in the General Meeting.

The tasks falling within the competence of the Annual General Meeting are defined in the Companies Act and the Articles of Association. The most important matters to be decided at the General Meeting include amending the Articles of Association, raising the share capital, approving the financial statements, adopting the profit and loss account and balance sheet, deciding on the payment of dividends, confirming the number of

members on the Board of Directors and electing the members of the Board and the Auditors.

The company announces the agenda for the General Meeting in a Notice of Meeting that is published as a stock exchange release and on the company's website at least 21 days prior to the General Meeting. At the same time, the company publishes the total number of shareholders and votes on the date of the notice, the documents that will be presented to the General Meeting, the proposals of the Board or of another authorised body as well as eventual items that have been included in the agenda without any proposal for a decision to be made. The information is available on the company's website at least until the end of the General Meeting.

The names of the prospective Director candidates announced to the Board of Directors are published in the Notice of Meeting, provided that the candidates are supported by shareholders holding at least 10% of the votes conferred by the shares in the company and provided that the candidates have given their consent to being elected and that the company has received the information in good time so that it can be included in the Notice of Meeting. Candidates that are proposed in corresponding order after the publication of the Notice of Meeting are disclosed separately. The personal information on the candidates is published on the company's website.

The General Meeting is organised in the way that promotes, with the available reasonable means, the shareholders to participate in the meeting and to exercise their ownership rights effectively.

Present at the General Meeting are the President and CEO, the Chairman of the Board of Directors and, if possible, all

the members of the Board of Directors. Persons proposed to the Board for the first time participate in the General Meeting that decides on their election, unless there are well-founded reasons for the absence. Also the Auditor is present at the Annual General Meeting.

The minutes of the General Meeting with results of the voting as well as the appendices to the minutes relating to the decisions of the General Meeting shall be published on the company's website within two weeks after the General Meeting.

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

In 2008, the Annual General Meeting was held on 10 April in Oulu. A total of 16 shareholders participated, representing a total of 62.5 per cent of the company's shares and voting rights.

Board of Directors

The administration of Incap Corporation and the due arrangement of its operations are attended to by the Board of Directors. The Annual General Meeting determines the number of members on the Board of Directors and elects the Directors. Under the Articles of Association, the Board of Directors shall have from four to seven ordinary members. The term of office for members of the Board of Directors is one year and it commences from the date of the Annual General Meeting at which they are elected and ends at the close of the next Annual General Meeting. Directors can be re-elected.

The Annual General Meeting elects the members of the Board. When the

number of Directors and the composition of the Board are decided, the needs of the company's operations and the present development stage of the company shall be taken into consideration with the target to ensure an efficient management of the Board's tasks. Persons to be elected to the Board shall have the qualifications required by the duties and the possibility to devote a sufficient amount of time to the work. Both genders are represented on the Board.

When electing Board members, it is taken into consideration that the majority of the Directors must be independent of the company. In addition, at least two of the Directors representing this majority must be independent of significant shareholders in the company. The Board is evaluating the independence of the members and informs who are independent of the company and who are independent of significant shareholders. For the evaluation of a member's qualifications and independence, a member shall give to the Board adequate information and inform also on the eventual changes in the information.

New members of the Board of Directors are introduced to the company's affairs. The President and CEO is responsible for ensuring that Directors are provided at all times with enough necessary information on the company's operations.

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

- > decide on the Group's strategic objectives
- > decide on the Group structure and organisation
- > review and approve interim reports, the consolidated financial statements and the Report of the Board of

Directors

- > approve the Group's operating plan, budget and investment plan
- > decide on mergers and acquisitions, divestments and other corporate restructuring
- > decide on individual investments of strategic and financial importance and contingent liabilities according to the approval guidelines of the company
- > approve the Group's financing agreements and contractual risks that are above average
- > approve the Group's risk management and reporting procedures
- > approve the Group's financing policy
- > approve the framework of the Management Team's terms of employment and pay
- > decide on the Group's performance bonus system
- > appoint the President and CEO and decide on his or her compensation
- > ensure that the company's management system is functional.

The Board of Directors ensures that the company has specified guidelines for internal control and that the company is monitoring the proper functioning of the control. Further, the Board of Directors ensures that the company has specified the values and ethical principles that the company shall comply with in its operations.

The Board of Directors has drawn up written rules of procedure for its work, describing the major tasks, operating principles and decision-making procedures of the Board of Directors. The Board of Directors meets as required and it has a quorum when at least half of the members are present. The decisions are made by the statutory majority and in case the votes are even, the Chairman of the Board has the decisive vote. The Board will elect

the Chairman among its members.

The Board of Directors draws up an action plan and annual calendar for the period between General Meetings. The plan includes among others the meeting schedule and the regular topics of the agenda. The number of the meetings during financial year as well as the average attendance of Directors at the meetings is recorded in the Report of the Board of Directors.

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

The biographical details and holdings of the Directors and information on the remuneration paid to Directors and their other financial benefits for the financial year are published in the Annual Report and on the company's website.

The Incap Group does not have a Supervisory Board and the Board of Directors has not appointed committees.

The Board of Directors shall take care of the duties of an audit committee in accordance with the written rules of procedure for its work. In this role, the Board of Directors among others

- > monitors the efficiency of internal controlling, internal auditing and risk management
- > monitors and controls the reporting process of financial statements and other financial information
- > monitors the statutory audit of the financial statements
- > evaluates the independence of the Auditor
- > prepares the proposal for the election of the Auditor to the Annual General Meeting.

The Annual General Meeting in 2008 resolved to elect four members to the

Board of Directors. Jukka Harju, Kari Häyrinen, Kalevi Laurila and Susanna Miekko-oja were elected to seats on the Board of Directors. At its organisation meeting, the Board of Directors elected from amongst its number Kalevi Laurila as Chairman and Susanna Miekko-oja as Vice Chairman of the Board. The Board of Directors convened 22 times in 2008 and the average attendance was 98 per cent.

The 2008 Annual General Meeting confirmed that the annual remuneration paid to the Chairman of the Board of Directors shall be EUR 48,000, the annual remuneration paid to the Vice-Chairman of the Board of Directors shall be EUR 36,000 and the annual remuneration paid to Directors shall be EUR 24,000. A fee of EUR 200 is paid for each meeting. The salaries and remuneration paid to Directors in 2008 totalled EUR 190,800. No consultation fee was paid to the Board members.

None of the Directors is part of the share-based compensation system.

President and CEO

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

The President and CEO is elected by the Board of Directors, which decides on the President and CEO's salary and other benefits. The terms and conditions of the President and CEO's employment are

specified in writing in his or her written employment contract that is approved by the Board of Directors. The Chairman of the Board of Directors is the President and CEO's supervisor. The President and CEO participates in Board meetings as a presenting officer, but is not a Board member.

The biographical details and the holdings of the President and CEO are disclosed in the Annual Report and on the company's website in the same extent than the respective information of Board members. In addition, the company publishes the President and CEO's salary and other financial benefits included in his or her contract, shares and stock options received as remuneration, retirement age and the criteria for determining his or her pension, period of notice and the terms and conditions of salary for the period of notice and eventual other compensation payable on the basis of termination.

Juhani Hanninen, M.Sc. (Eng.), served as the President and CEO of the Incap Group from 1 January until 31 May 2008. The salary and remuneration paid to him for 2008 amounted to a total of EUR 385,677. At the close of the financial year, Juhani Hanninen holds 18,000 Incap shares, 30,000 stock options 2004A, 30,000 stock options 2004B and 31,600 stock options 2004C. He has subscribed convertible promissory notes offered in 2007, which entitle to subscribe altogether 20,000 pieces of Incap Corporation shares. The employment contract of Juhani Hanninen terminated on 31 December 2008.

As from 1 June 2008, Sami Mykkänen, B.Sc. (Eng.), served as the President and CEO of the Incap Group. The salary and remuneration paid to him for 2008 for this duty amounted to a total of EUR 148,972. Sami Mykkänen holds at the close of the financial year a total of 11,400

Incap shares. The retirement age of the President and CEO is determined in accordance with the Employees' Pensions Act. The chief executive's period of notice is six months, and if his executive contract is terminated by the company, he will be paid the salary during the period of notice.

Other management

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

The composition of the Management team with the members' biographical details and areas of responsibility as well as the members' holdings are disclosed in the Annual Report and on the company's website.

Salary and incentives

Information on the remuneration and other financial benefits of the Board of Directors as well as the total number of shares and stock options held by the President and CEO and the Management Team are published in the Annual Report and on the company's website.

The main criteria concerning the com-

pensation system covering the President and CEO and other executives are decided upon by the Board of Directors and they are disclosed in the Annual Report and on the company's website.

At the close of the financial year 2008 the Board members and entities under their control, the President and CEO and the Management Team own a total of 2,088,718 shares and 137,400 stock options.

Of the salary and remuneration paid to the President and CEO and the Management Team during the financial year 2008, 91% fell for the fixed salary and 9% for the variable salary. The variable share was based on the decision of the Board of Directors and was given depending on the launch of the structural changes in line with the strategy.

At the close of the financial year, two members of the Management Team were included in the share-based reward system launched in 2004.

Internal control, risk management and internal audit

Incap Group's internal audit reviews and evaluates the systems of the internal control, the legality and appropriateness of the risk management activities, the efficient and economical use of resources as well as the reliability of the information used in management and decision-making.

Internal audit covers all units and functions in Incap Group. The audit is primarily focused on activities that are central to the reliability of the company's operations.

Internal audit follows the operating instructions and plan that have been accepted by the Board of Directors. The audit is planned using a risk-based three-year action plan which includes the functions to be reviewed and the auditing resources

on annual basis.

Internal audit has been organised by means of an external audit service provided by Tuokko Tilintarkastus Oy (PKF International), an external, independent, skilled and adequately resourced authorised public accounting firm. Internal audit function reports to the Board of Directors and the President and CEO. The Board of Directors is responsible for the appropriateness and independency of the internal audit.

Internal audit aims also to promote further development of the risk management in different functions of the company.

Risk management is part of the company's control system. The principles of the company's risk management are specified in writing. The supervision of business risks is part of the normal tasks of the Management Team and the Board of Directors. The company's risks are divided according to the objects to financial and financing risks, market risks, contractual risks, production risks, environmental risks and supplier risks, among others. Essential features in the risk management are the coverage of control and actions, systematic approach, essentiality, continuity, competence, traceability and documentation.

The significant short-term risks and uncertainties related to the business operations are described in interim reports and financial statement releases. The Board of Directors also evaluates the most important risks and uncertainties in the Report of the Board of Directors.

Insiders

The Incap Group's Guidelines for Insiders comply with the NASDAQ OMX Helsinki's Guidelines for Insiders, which came into effect on 2 June 2008, and they have been posted on the company's website. The Guidelines for Insiders have been

distributed to all insiders and compliance with the Guidelines is supervised by, for example, inspecting the information on and trading by insiders once a year.

According to the company's Guidelines for Insiders, permanent insiders may not trade in the company's shares or equivalent securities in the 14-day period before the publication of an interim report or the financial statement bulletin. The appropriate time for such trading is within 28 days from the publication of an interim report and financial statement bulletin, nevertheless with the provision that a person who is a permanent insider does not have in his or her possession at that time any other insider information. The members of the Board of Directors and the Management Team as well as the secretary to the Board of Directors must always ascertain the appropriateness of their own trading by checking with the person in charge of insider issues prior to ordering the purchase or sale of shares. Persons who are temporary insiders must not engage in trading in the company's shares during the time when they are insiders participating in a particular project.

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

Audit

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

The Auditor is elected each year at the Annual General Meeting for a term that ends at the conclusion of the next Annual General Meeting. The proposal for Auditor made by the Board of Directors or by the shareholders having at least 10% of the company's votes will be published in the Notice of Meeting provided that the candidate has given his or her consent to the election and that the company has received the information in good time so that it can be included in the Notice of

Meeting. If the candidate for an Auditor is not known to the Board at that time, a proposal made in a similar manner will be announced separately.

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

The 2008 Annual General Meeting re-elected as the company's Auditor the independent firm of accountants Ernst & Young Oy. The Auditor was paid a total of EUR 55,601 in audit fees and for other services a total of EUR 6,060.

Communications

In connection with its financial statements and report of the Board of Directors,

Incap will release a separate report on the corporate governance and steering principles for the financial year starting on 1 January 2009. Information on the issues addressed in the Corporate Governance Code is provided on the company's website (www.incap.fi), which is available in Finnish and English.

Incap provides consequent and comprehensive information on its financial development and other issues relevant to its operations. Incap's investor communications aim to ensure that all stakeholders are provided with sufficient information on the company's operations simultaneously.

Board of Directors



Kalevi Laurila
Chairman of the Board
B.Sc. (Eng.), Executive MBA,
born 1947
Non-executive director

Kalevi Laurila has been a member of the Board of Directors of Incap Corporation since 2002. Previously he was CEO of JMC Tools Oy and Turveruukki Oy as well as a director with Rautaruukki Oyj. Kalevi Laurila is a member of several other corporate boards.

Incap shares (direct owning, ownings of family members and controlled corporations): 2,037,918
 Share options: -



Susanna Miekko-oja
Vice-Chairman of the Board
M.Sc., born 1950
A non-executive director, who is independent of the company and its major shareholders

Susanna Miekko-oja has been a member of the Board of Directors of Incap Corporation since 2007. She serves as Director at Sampo Bank Plc Wealth Management. She has previously been running capital markets operations and starting asset management activities. She has also acted as Managing Director of a fund management company. Susanna Miekko-oja has held a number of corporate board positions.

Incap shares: 12,000
 Share options: -



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

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

Incap shares: -
 Share options: -



Kari Häyrynen
M. Sc. (Eng.), MBA,
born 1959
A non-executive director, who is independent of the company and its major shareholders

Kari Häyrynen has been a member of the Board of Directors of Incap Corporation since 2008. He serves as Senior Vice President, Global Insight and Strategy at Finpro ry. Previously he has among others served as President for APAC Region at Perlos Corporation and Elcoteq SE.

Incap shares: 6,400
 Share options: -

Management



Sami Mykkänen
President & CEO

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

Incap shares: 11,400
Stock options: 100,000
(allocated in February 2009)



Jarmo Kolehmainen
*Director, Energy Efficiency Asia
Managing Director of Incap
CMS Pvt. Ltd.*

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

Incap shares: -
Stock options: -



Jari Koppelo
*Director, Energy Efficiency
Europe*

B.Sc. (Eng.), born 1975
With the company since 2008.
Previous positions among others with ABB and Serres Oy.

Incap shares: -
Stock options: -



Kimmo Akiander
Director, Well-being Solutions

M. Sc. (Eng.), born 1969
With the company since 2008.
Previous positions among others with Cencorp Corporation, Efore Plc and Ascom Energy Systems.

Incap shares: -
Stock options: -



Mikko Hirvinen
Chief Operations Officer

Born 1968
With the company since 2007.
Previous positions among others with Pulse Finland Oy and Orbis Oy.

Incap shares: -
Stock options: -



Eeva Vaajoensuu
CFO

M. Sc. (Econ.), born 1969
With the company since 2008.
Previous positions among others with Sarlin Group and Schindler Plc.

Incap shares: -
Stock options: -



Hannele Pöllä
*Director, Communications and
Human Resources*

Translation diploma (DKK), commercial institute graduate (MKT), Diploma in Corporate Communication Management (VJD), born 1955.

With the company since 2000.
Previous positions with Instrumentarium Corporation, Hoechst Fennica Oy and Nextrom Oy.

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

Shares and shareholders

> Incap Corporation has one series of shares and a total of 12,180,880 shares. Company's share capital registered in the trade registry was 20,486,769,50 euros on 31 December 2008. Share's accounting countervalue is EUR 1.68. The company does not own any of its own shares.

Incap Corporation's shares are listed on the NASDAQ OMX Helsinki. In the Nordic OMX List, Incap belongs to the Small Cap segment and the industry sector of Incap is Information Technology. The standard industrial classification of Incap's shares changed after the report period on February 2009, after which the new classification is Industrial/Electrical Equipment. The company code is ICP and the book-entry type code is ICPIV.

The price of Incap Corporation's share varied in the range of EUR 0.49 to EUR 1.60 during the financial year. The last quotation in trading at the end of the year was EUR 0.55. The total trading of the share during the financial year was 14%. The company's market capitalisation on 31 December 2008 was 6,699,484 euros. At the close of the financial year, the company had 1,003 shareholders, and 3.7% of the shares were nominee-registered.

Authorisations by the Board of Directors

On 10 April 2008 the Annual General Meeting authorised the Board of Directors to increase the share capital through one or more rights issues, by granting stock options and/or issuing convertible bonds, entitling to increase the share capital by a maximum of 4,000,000 shares. The Board of Directors exercised part of the authorisation after financial period on 2 February 2009 and launched a new share-based incentive scheme in order to commit the management and key personnel. The incentive scheme includes a total of 600,000 stock options.

Shareholder agreements

The Board of Directors is not aware of any shareholder agreements concerning

the ownership and voting rights of the company's shares.

Stock option scheme 2004

The stock option scheme introduced in 2004 includes a total of 630,000 option rights, entitling their holders to subscribe for an equal number of shares. The shares that can be subscribed for through the exercise of the stock options represent a maximum of 4.9% of the company's shares and the votes conferred by the shares after any possible increase in share capital.

Stock options are divided into stock options A, B and C. The subscription price of shares with 2004A and 2004B option warrants is EUR 2.25, which is the trade volume weighted average quotation of the Incap share traded on the Helsinki Exchanges from 1 May to 31 May 2004. The subscription price with 2004C option warrants is accordingly the trade volume weighted average quotation of the Incap share traded on the Helsinki Exchanges between 1 March and 31 March 2006, i.e. EUR 2.05. The subscription price of shares through the exercise of option warrants will be lowered, on each record date for the distribution of dividends, by the amount of dividends, to be decided after the commencement of the period for determining the subscription price of the share and prior to the share subscription.

The subscription period for shares with 2004A option warrants is from 1 April 2007 to 30 April 2009, with 2004B option warrants from 1 April 2008 to 30 April 2010 and with 2004C option warrants from 1 April 2009 to 30 April 2011. The subscription period for shares through the exercise of option warrants 2004A shall only begin, however, when the average price of the Incap share exceeds EUR 3.00. By option warrants 2004B, the

respective average minimum price is EUR 4.20. For option warrants 2004C, there is no minimum share price defined.

The purpose of the stock options is to commit key personnel to the company on a long-term basis. Should a person cease to be employed by or in the service of the company before each share subscription begins, such a person must offer his or her option warrants back to the company without compensation for any value that the options may have gained. Also linked to the option scheme is a share ownership programme by which key personnel shall acquire the company's shares with 20% of the gross yield received from the stock options.

Stock option scheme 2009

The stock option scheme launched on February 2009 consists of a total of 600,000 option rights and entitling to subscription for 600,000 of Incap Corporation's share. In February 2009, a total of 100,000 options were distributed to the President and CEO and further 100,000 options will be distributed 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 one reaches his or her individual objectives.

The shares that can be subscribed for through the exercise of the stock options represent a maximum of 4.7% of the company's shares and the votes conferred by the shares after any possible increase in share capital.

Stock options will be divided into stock options 2009A, 2009B and 2009C. The number of 2009A options amounts to 100,000 pieces, 2009B options to 100,000 pieces and 2009C options to 400,000 pieces. The subscription price of shares with all option warrants shall be one euro. The subscription period for shares with 2009A option warrants is from 1 April 2010 to 31 January 2014, and with 2009B and 2009C option warrants from 1 April 2011 to 31 January 2014.

At the issuing stage, all stock options that are not distributed shall be issued to Euro-Ketju Oy, a wholly-owned subsidiary of Incap Corporation, and they will be distributed by a separate decision of the Board of Directors.

Shareholdings of the Board of Directors and the President

The members of the company's Board of Directors and the president, their circle of acquaintances as well as the companies under their control, owned a total of 2,067,718 shares, or 17% of the company's shares outstanding and voting rights.

Development of share capital 1991–2008

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

Breakdown of shareholdings by sector on 31 December 2008

	Owners		Shares and votes	
	pcs	%	pcs	%
Private enterprises	69	6.9	7 549,179	62.0
Financial institutions	8	0.8	825,279	6.8
Public sector entities	4	0.4	791,501	6.5
Non-profit organisations	5	0.5	14,501	0.1
Households	917	91.4	3,000,420	24.6
Total	1,003	100.0	12,180,880	100.0
Nominee registered shares	4		445,307	3.7

Breakdown of shareholdings by number of shares on 31 December 2008

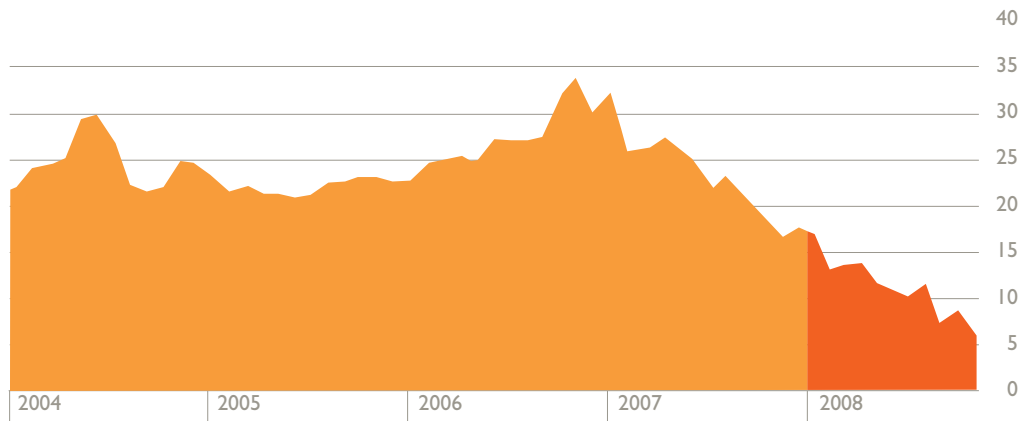
Shares pca	Shareholders		Shares and votes	
	pcs	%	pcs	%
1–100	145	14.5	9,235	0.1
101–500	289	28.8	94,292	0.8
501–1 000	197	19.6	172,647	1.4
1 001–5 000	241	24.0	630,706	5.2
5 001–10 000	56	5.6	422,303	3.4
10 001–50 000	54	5.4	1,190,591	9.8
50 001–100 000	10	1.0	717,248	5.9
100 001–500 000	8	0.8	2,026,154	16.6
500 001–	3	0.3	6,917,704	56.8
Total	1,003	100.0	12,180,880	100.0

Largest shareholders on 31 December 2008

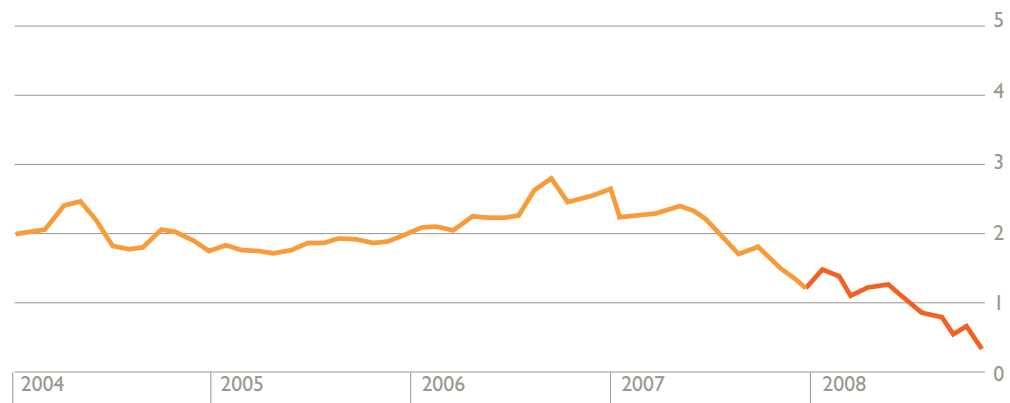
	Share, pcs	Percentage of shares and votes, %
Etra Invest Oy Ab	3,551,001	29.2
JMC Finance Oy	1,845,296	15.1
Ingman Finance Oy Ab	1,521,407	12.5
Ilmarinen Mutual Pension	500,000	4.1
Svenska Handelsbanken AB (publ)	367,000	3.1
Sampo Plc	290,672	2.4
City of Turku Risk Management Fund	271,501	2.2
Laurila Kalevi Henrik	187,557	1.5
Thominvest Oy	150,000	1.2
Lehtonen Jussi Tapio	133,000	1.1

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

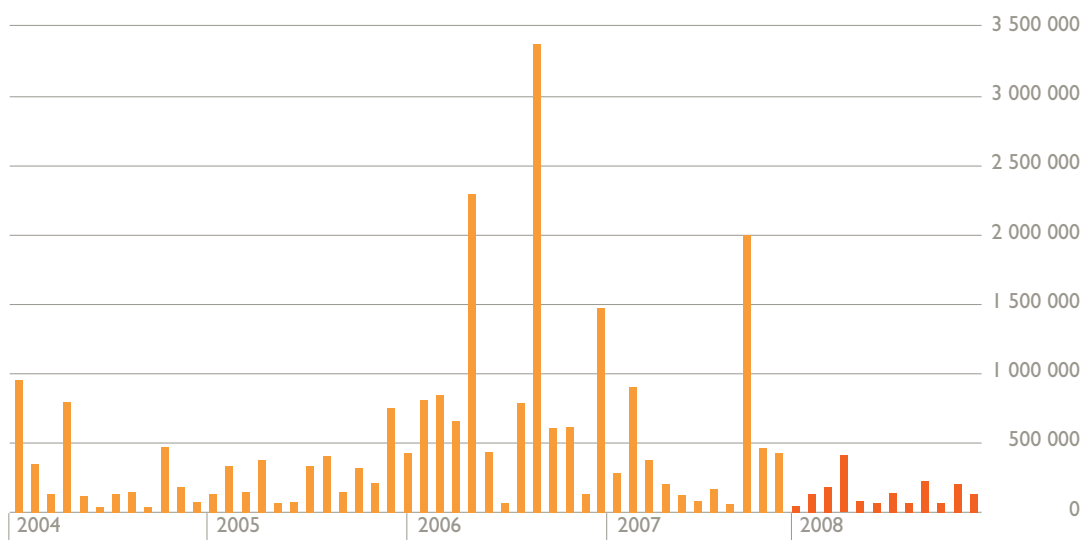
Market capitalisation 2004–2008, EUR million



Share price 2004–2008, EUR



Turnover volume 2004–2008, number of shares



Information for shareholders

Annual General Meeting

The Annual General Meeting of Incap Corporation will be held on Friday, 3 April 2009 beginning at 3.00 p.m. in the World Trade Center Helsinki at the address Aleksanterinkatu 17, 00100 Helsinki. In order to attend the Annual General Meeting, shareholders must be registered in the Shareholder Register kept by Euroclear Finland Ltd. (former Finnish Central Securities Depository Ltd.) no later than by 24 March 2009. Owners of nominee-registered shares, who would like to attend the Annual General Meeting must be added into Shareholder Register on 24 March 2009 at the latest. For this the shareholder should be in contact with his/her account operator:

Registration for attending the AGM must be made no later than 4.00 p.m. on Thursday, 26 March 2009.

Registration can be made

- > by email to laura.kuusela@incap.fi
- > by a letter to Incap Corporation/
Laura Kuusela, Valuraudankuja 6,
00700 Helsinki
- > by phone on +358 40 509 4757/
Laura Kuusela
- > by fax to the number
+358 10 612 5680.

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

Financial information

The publication dates for financial reports in 2009 are the following:

- > Financial Statements for 2008 on
Wednesday, 25 February 2009
- > Interim Report for January-March on
Wednesday, 6 May 2009
- > Interim Report for January-June on
Wednesday, 5 August 2009
- > Interim Report for January-September
on Wednesday, 4 November 2009.

Incap follows a two weeks' silent period

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

Incap publishes stock exchange releases on events which are of major significance for the company and are estimated to have an impact on the share price. Press releases provide information on the company's operations that is not expected to influence the share price. Stock exchange announcements contain information of an administrative or technical nature, such as the dates of releasing financial information or company events.

Publications

Incap's Annual Report, Interim Reports as well as stock exchange releases are published in Finnish and English. They are also available on the company's website at the address www.incap.fi. The main information directed at investors is grouped under the website heading "Investors".

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

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

Investor relations

The task of Incap's investor communications is to support the correct price formation of Incap's share by providing precise and up-to-date information on the Incap Group's business operations

and financial development. By means of open, timely and versatile information the company seeks to ensure that all market participants receive information that is the same and adequate, so that they can assess the company as a prospective investment.

When publishing its results, Incap arranges press conferences for analysts, investors, providers of financing and members of media. A Capital Markets Day for investors, analysts and providers of financing is held once a year. In addition, the company's representatives meet with shareholders, investors and analysts at investor fairs, in seminars, at functions arranged by various organisations and in one-on-one meetings. The presentation material of company events is available on the company's website.

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

Analysts who follow Incap share

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

Hannu Rauhala
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hannu.rauhala@pohjola.fi

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

Year 2008 releases

January

Incap sold its manufacturing premises in Helsinki to Spondapl. The sales price was approx. EUR 5.3 million. *(Stock exchange release, 3 January 2008)*

Incap Group's Chief Financial Officer, Ms Anne Sointu, will move to another company and the search for a new CFO was started. *(Press release, 7 January 2008)*

February

Incap published preliminary information on financial results in 2007. The full-year's operating profit was estimated to be positive. *(Stock exchange release, 5 February 2008)*

Incap launches co-determination negotiations in its materials and purchase functions as well as in the corporate support functions in Finland. *(Stock exchange release, 11 February 2008)*

Incap starts co-determination negotiations regarding temporary layoffs at Vuokatti factory. *(Stock exchange release, 28 February 2008)*

March

Incap published Financial Statements for 2007 and reported that Group's revenue amounted to EUR 83.0 million, which was about 7% lower than the previous year. Revised operating profit totalled EUR 0.3 million, or 0.4% of revenue. Net profit for the financial year was EUR 1.1 million negative. *(Stock exchange release, 4 March 2008)*

Notice of the Annual General Meeting of Incap Corpo-

ration. *(Stock exchange release, 4 March 2008)*

Incap Corporation's Annual Report and a summary of year 2007 releases were published. *(Stock exchange announcement, 25 March 2008)*

Eeva Vaajoensuu was appointed to CFO and a member of Management Team of Incap Corporation. *(Press release, 28 March 2008)*

April

Co-determination negotiations concerning Incap's materials and corporate support functions were concluded. As a result, five people were made redundant. *(Stock exchange release, 2 April 2008)*

Due to increase of order backlog the co-determination procedures concerning personnel at Incap's Vuokatti factory were discontinued. *(Stock exchange release, 3 April 2008)*

Incap Corporation's Annual General Meeting was held on 10 April 2008 in Oulu. Annual General Meeting approved the new Articles of Association, elected four members to Board of Directors and authorised the Board to decide on increasing the share capital. *(Stock exchange release, 10 April 2008)*

Correction of the information on fees for the Board of Directors given in the release on AGM decisions. *(Stock exchange release, 10 April 2008)*

May

Incap's revenue for January-March was EUR 20.3 million and operating profit EUR 1.3 million negative. Net profit for

the report period was EUR 1.7 million negative. *(Stock exchange release, 7 May 2008)*

Incap Corporation and Finland's Slot Machine Association (RAY) signed a cooperation agreement on the assembly of slot machines, which RAY outsourced to two manufacturers based on public competitive procurement. *(Stock exchange release, 7 May 2008)*

June

Incap Corporation's President and CEO Mr. Juhani Hanninen assumed responsibility for the development of Incap's marketing and sales. Mr. Sami Mykkänen, was appointed President and CEO for Incap Corporation on temporary basis. *(Stock exchange release, 2 June 2008)*

July

Incap Corporation sells its subsidiary operating in the manufacture of etched sheet-metal products to the operative management of the subsidiary. The sale of the subsidiary did not have any remarkable effect on Incap Group's result. *(Stock exchange release, 16 July 2008)*

August

Incap published its Interim Report January-June 2008. The revenue was EUR 46.7 million, up 29% on the same period the previous year. Operating profit was EUR 1.9 million negative and net profit for the report period amounted to EUR 2.7 million negative.

Profitability was burdened among others by increased production costs and delayed revenue growth in India. *(Stock exchange release, 6 August 2008)*

Invitation to Incap's Capital Markets Day. *(Stock exchange release, 14 August 2008)*

Incap published its new strategy and operating model. Incap is targeting at profitable growth by focusing on the service of leading equipment manufacturers operating in energy efficiency and well-being technologies. Incap will improve its competitive edge by expanding the service offering by life-cycle services connected with manufacturing. The organisation was renewed by centralising business responsibility in units based on customer segmentation. *(Stock exchange release, 26 August 2008)*

Because of decreased demand for telecommunications products, Incap Corporation started cooperation negotiations at the Vuokatti plant. *(Stock exchange release, 26 August 2008)*

October

Incap started cooperation with six new customers in India. Most of the new customers operate in the energy technology. *(Press release, 22 October 2008)*

Incap concluded co-determination procedure at Vuokatti factory. As a result, 12 people were made redundant and a total of 67 persons were laid off temporarily. *(Stock exchange release, 23 October 2008)*

November

Incap's revenue in January-September increased by approx. 20% on the same period the previous year, amounting to EUR 68.1 million. Operating profit was EUR 2.4 million negative and net profit for the report period was EUR 3.5 million negative. Profitability was affected among others by non-recurring items for organisational development and personnel arrangements. *(Stock exchange release, 5 November 2008)*

Finnfund made a share capital investment, totalling EUR 2 million, to Incap's operations in India. *(Stock exchange release, 26 November 2008)*

December

Sami Mykkänen was appointed to President and CEO for Incap Corporation. *(Stock exchange release, 1 December 2008)*

Incap and Powernet reach an agreement on the manufacture of power supplies at Incap's factory in Kuressaare. *(Press release, 16 December 2008)*

Schedule for Incap Corporation's financial reporting in 2009 was published. *(Stock exchange announcement, 22 December 2008)*

Contact information

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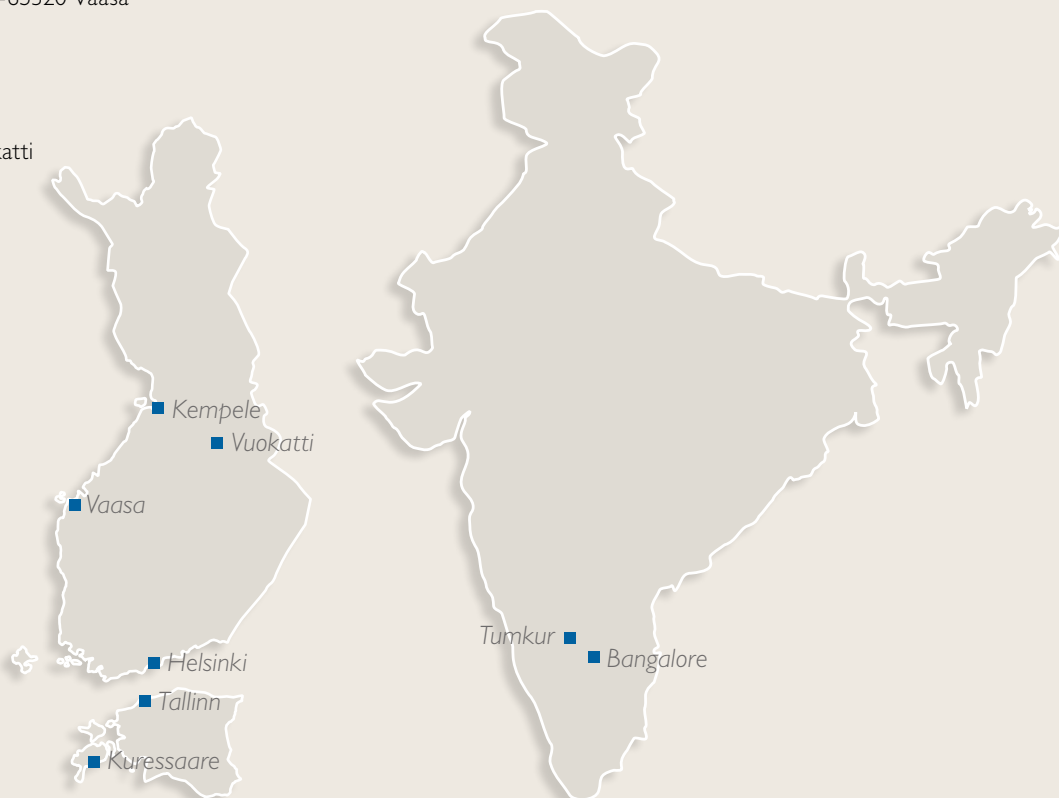
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