

INCAP CORPORATION

STOCK EXCHANGE RELEASE  
4 January 2002 at 11.30 am

INCAP AND JMC TOOLS SIGN A LETTER OF INTENT ON MERGER

Incap Corporation acquires the total share capital of JMC Tools Oy, which manufactures high-frequency components for the telecommunication industry. The Boards of these companies signed a letter of intent concerning the merger on 4 January 2002. The merger will be implemented as an exchange of shares.

The merger will enhance Incap Corporation's position as a provider of manufacturing services to the electronics industry in accordance with the company's strategy. Incap has yesterday signed a letter of intent concerning the sale of its subsidiary Incap Furniture Ltd, as informed in a separate stock exchange release.

This combination of business operations of Incap and JMC Tools will result in a solid and competitive technology corporation, whose operating concept will expand the range of services available to the current customers and improve the possibilities to provide multi-skilled and thorough expertise to the telecommunication sector, especially to meet the needs of wireless telecommunication networks.

Business in wireless communication is expected to grow strongly in the near future, and larger units and international operation will be needed to tap the market potential in this sector and to command the requisite technological competencies.

"This merger will provide Incap with new technology and know-how alongside the already existing manufacturing services. Further, it enhances our position in the strongly expanding telecommunication sector", says Kari Saarinen, President and CEO of Incap Corporation.

"The planned merger will broaden the service concept to the current customers and makes a faster internationalisation possible", notes Kalevi Laurila, Managing Director of JMC Tools Oy.

JMC Tools Oy will become a subsidiary of Incap Corporation. The Boards of Incap Corporation and JMC Tools propose preliminarily an exchange ratio, whereby the owners of JMC Tools Oy will have a 70 % share of the combined company's shares.

The combined net turnover of the merging companies in 2000 was EUR 64.3 million and operating profit EUR 2.7 million. The companies employ a total of 809 persons.

## MERGING COMPANIES

Incap Corporation's turnkey manufacturing services include design for manufacture, design for testing, manufacturing of subassemblies with electronic and sheet metal components, product integration, final assembly and logistic services. The key customer sectors are telecommunication, power technology, automation and process industries and manufacturers of equipment for security electronics and health care. The company has production units in Helsinki, Vuokatti and Vaasa and a subsidiary Incap Electronics Estonia at Kuressaare, Estonia. The net turnover of Incap's electronics sector in 2000 was EUR 49.0 million, the operating profit EUR 1,3 million and the number of personnel 599.

The merger of Incap Corporation and Incap Electronics Ltd was registered on 31 December 2001 in accordance with the previous plan.

JMC Tools Oy has as the core of its business concept the mechanical components and solutions involving RF technology. The concept includes design for mechanics and manufacturability, technologies for machining and RF coating, protection solutions as well as material and logistic services. The present main products of the company are radio-frequency filters for base stations and supporting structures of tower mounted amplifiers. The key customer sector is the globally operating manufacturers of components and appliances in the field of wireless telecommunication.

The company consists of the JMC Tools Oy units in Kempele and Ruukki and the Ultraprint Oy in Kempele. The company's net turnover in 2000 was EUR 15.3 million, operating profit EUR 1.4 million and the number of personnel 210.

## THE NEW COMPANY WILL BE OPERATING IN A RAPIDLY GROWING FIELD

The telecommunication sector, especially wireless communication, will continue to grow fast. The focus will shift from the oral communication to the wireless transmission of data and mobile images, and the new technologies require transfer rates and capacities, which are remarkably higher than the present ones. The manufacturing of base stations and terminals requires both expertise in electronics and high-frequency technologies and competencies in mechanical design and management of material, machining and surface coating technologies.

Apart from the telecommunication sectors, the other sectors of electronics industry will also continue to grow, and the company expects the demand for and outsourcing of manufacturing services to increase during the latter half of 2002.

## VERSATILE RANGE OF PRODUCTS AND SERVICES

After the merger, Incap Corporation's range of products and services will become more versatile. The merger will mean enhancement of Incap's product and service offering. Besides components and subassemblies with both electronic and mechanical parts the company now offers design and manufacture of high-frequency mechanical components and systems.

The service concept includes design, prototype manufacturing, machining, coating, PSB assembly, sheet metal mechanics, final assembly, testing, turnkey delivery and logistic services.

## TOTAL SERVICE

The company's customers are leading electronic companies in several sectors, including ABB, ADC Telecommunication, Filtronic, Forem, Instrumentarium, Metso, Nokia, Remec, SSH, Suunto and Vaisala.

The company will provide the rapidly growing telecommunication sector with turnkey services that will cover an increasingly large portion of the value chain.

The service concept is also more versatile to customers operating in other business sectors. The growing resources will raise the standard of expertise in design and utilization of opportunities of internationalization, among other things.

## THE STRATEGY IS COMPATIBLE WITH THE PRINCIPLES OF ADDED VALUE AND DEEP COOPERATION

Incap's strength will be its versatile expertise in a large part of the value chain. The company intends to play an active role in the value creation process of its key customers and is aiming at equal standards of technology, quality and efficiency compared to the best suppliers in selected fields.

The goal is to become an international market leader as a developer and manufacturer of high-frequency solutions for wireless communication in selected marked sectors. Apart from the telecommunication sector, the company will also continue deepening cooperation in other selected customer sectors and developing the activities further.

The operating model based on life span thinking, extensive and close collaboration within the value chain, customer relationship management and services backed up by an integrated concept will secure the competitive advantage both in Finland and in the international market.

The size and the focus of the merging companies will enable flexible operation, which will be a benefit in the rapidly fluctuating business sector.

## SYNERGIC BENEFITS

The merger of business operations of Incap Corporation and JMC Tools Oy will allow adequate resources to be allocated to expanding operation, more effective research and development and internationalization in both the telecommunication sector and the other customer sectors.

Resources will be allocated to the focal areas, and volume benefits in material acquisitions, for example, can be achieved.

## THE MERGER WILL BE IMPLEMENTED BY INTERCHANGING SHARES

The merger will be implemented as an exchange of shares, whereby the shareholders of JMC Tools Oy will receive as consideration a number of Incap Corporation's shares, based on the agreed upon exchange ratio, from a directed issue of new shares. The Boards of Incap Corporation and JMC Tools propose preliminarily an exchange ratio, whereby the owners of JMC Tools Oy will have a 70 % share of the combined company's shares.

The exchange of shares can be completed provided among other things that the conditions of the final merger agreement are agreed upon, all parties to the shareholder agreement of JMC Tools Oy consent to it, the articles of association of JMC Tools Oy are amended, and Incap Corporation's general meeting of shareholders passes a resolution concerning the directed issue of shares.

Before the completion of the transaction JMC Tools Oy will direct a new share issue to all of its shareholders and holders of option rights and to Jorma Terentjeff, member of the Board of Directors of Incap Corporation, or to companies controlled by him. After the completion of the exchange of the shares Jorma Terentjeff will become a major shareholder of the combined company.

A normal lock up agreement concerning restrictions of the sale of the new shares of Incap is planned to be agreed with the major shareholders and certain key persons of JMC Tools.

After the transaction the major owners of Incap Corporation will be JMC Finance Oy, Finnvera plc, Jorma Terentjeff, Teknoventure Oy and Eqvitec Technology Funds.

Kari Saarinen, now President and CEO of Incap Corporation, will act as the President and CEO of the merged company.

## ACCOUNTING TREATMENT

According to a statement received by the company the exchange of shares does not create any goodwill for accounting purposes.

## SCHEDULE OF MERGER

The Boards of the merging companies approved on 4 January 2002 the merger plan and will propose the owners of the two companies that they accept the actions necessary to the realization of the merger. The actual merger agreement will be signed on by 28 February 2002 so that the actual merger can take place by 30 April 2002.

The merger of the companies will have no direct consequences on employment relations.

## INVITATION TO PRESS CONFERENCE

The companies will arrange a press conference for representatives of the press and analysts at 1 pm today, 4 Friday 2002 at Radisson SAS Plaza, Mikonkatu 23, Helsinki.

Espoo, 4 January 2002

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Kari Saarinen  
President and CEO

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## APPENDIX

Key figures of Incap Group and JMC Tools Group

DISTRIBUTION  
Helsinki Stock Exchange  
Major media

APPENDIX TO STOCK EXCHANGE RELEASE OF INCAP CORPORATION ON 4  
JANUARY 2002

Key figures

<b>INCAP GROUP</b>	1998	1999	2000	1-9 2000	1-9 2001
Million euro					
Net turnover	67,0	70,8	86,8	64,4	70,2
Operating profit	3,3	1,8	1,8	1,2	8,9
Financial income and expenses	0,4	0,4	0,5	0,4	0,5
Taxes	0,8	0,4	0,5	0,3	2,4
Profit for the financial period	2,1	1,0	0,8	0,6	6,0
Earning per share, euro	0,59	0,27	0,22	0,17	1,70
Non-current assets	15,6	16,0	16,4	16,0	20,1
Stocks	9,8	9,2	11,0	11,3	23,5
Receivables	8,3	10,5	11,5	12,0	17,3
Short-term investments, cash in hand and at banks	6,0	6,3	3,5	2,8	3,2
Capital and reserves	19,2	19,3	19,5	19,3	25,1
Long-term creditors	12,5	11,5	10,9	11,3	14,6
Short-term creditors	8,0	11,2	12,0	11,5	24,4
Equity ratio, %	48,5	46,0	46,0	45,9	39,2
Gearing, %	33,6	26,8	37,6	43,7	45,5
Personnel	621	683	855	860	863

Operating profit for January - September 2001 includes a total income of 6.5 million euro in insurance refunds that exceed the previous value of the fixed asset items of the Kårsämäki facility, which was destroyed in a fire in 2001.

Both the net sales and the operating profit of Incap Corporation will in 2001 exceed the level of the previous year. The result will be clearly positive.

The operating profit of the electronic sector for 2001 will be lower than in the previous year due to the decrease in market demand but is expected to be positive.

The demand of electronic industry is expected to increase during the latter half of 2002. Incap's net turnover is expected to continue to grow faster than the market in general, and the company's profitability is expected to improve.

<b>JMC TOOLS GROUP</b>	1998	1999	2000	1-9 2000	1-9 2001
Million euro					
Net turnover	2,8	5,8	15,3	10,8	8,7
Operating profit	0,2	-0,8	1,4	1,3	-2,6
Financial income and expences	-0,06	-0,3	-0,6	-0,4	-0,6
Taxes	-0,03	-	-	-	-
Profit for the financial period	0,06	-1,1	0,8	0,9	-3,2
Earning per share, euro *)	0,21	-1,97	1,36	1,52	-4,23
Non-current assets	4,2	6,5	10,7	9,1	11,7
Stocks	0,3	0,8	2,0	1,5	2,4
Receivables	0,7	1,5	3,9	3,98	2,4
Short-term investments, cash in hand and in banks	0,2	0,003	0,3	0,07	0,5
Capital and reserves	1,3	1,6	5,1	3,4	5,2
Long-term creditors	2,8	4,7	8,4	8,5	10,3
Short-term creditors	1,3	2,5	3,3	2,8	1,6
Equity ratio, %	23,5	18,5	30,6	23,2	30,4
Gearing, %	896	726	283	370	246
Personnel	25	99	210	150	176

The long-term creditors include subordinated loans.

\*) Due to the lack of a market value of shares, the dilution effect of convertible bonds and option rights has not been calculated. In key figures given by share the splittings of shares have been taken into consideration.

JMC Tools Oy's net turnover and result will in 2001 be lower than targeted. The net turnover is expected to increase slightly during the first quarter of 2002. Based on market estimates for the industry the market conditions are expected to improve more markedly during the latter half of 2002. Net turnover for 2002 is expected to grow from the previous year and the result is expected to be clearly profitable.