

INCAP GROUP FINANCIAL STATEMENTS FOR 2002

- The Incap Group's officially reported net turnover in 2002 was EUR 69.0 million and the Group posted an operating loss of EUR 3.8 million.
- The Incap-JMC entity had pro forma net turnover of EUR 63.2 million, down 12% on 2001. Incap-JMC reported a pro forma operating loss of EUR 6.3 million.
- Fourth-quarter net turnover was up 20% on the previous quarter and the result improved markedly compared with the previous quarters of 2002.

The Group's official profit and loss account for 2002 includes besides the earnings figures of the electronics sector also the earnings figures of the furniture sector for January-February as well as JMC Tools Oy's earnings figures for May-December 2002. The Furniture business sector is included in the 2001 comparative figures for the full year. The 2001 result included insurance claim income of EUR 10.2 million, whereby the figures are not fully comparable.

The accounting policy for the Group's pro forma figures is described in Annex 7.

Net turnover and result in the last quarter of 2002

The Incap Group's fourth-quarter pro forma net turnover was up 20% on the previous quarter and was EUR 16.1 million. The pro forma operating loss was EUR 0.7 million, which included non-recurring cost entries in total of EUR 0.3 million. The operating loss in the third quarter was 3.1 million. The result in the latter part of the year was improved by an increased demand in certain telecommunications products, the growth in the production volumes of the RF business and cost savings arising from efficiency-boosting.

Net turnover and result in 2002

The Incap Group's official net turnover in 2002 was EUR 69.0 million, down 30% on 2001 (99.7 million). The Group posted an operating loss of EUR 3.8 million (officially reported operating profit of 12.2 million). The Group's loss before extraordinary items for the financial year was EUR 4.7 million (profit of 11.4 million).

Incap-JMC's pro forma net turnover in 2002 was EUR 63.2 million (EUR 71.6 million in 2001). The entity posted a pro forma operating loss of EUR 6.3 million (a loss of 5.2 million) and the loss before extraordinary items for the financial year was EUR 7.3 million (a loss of 6.4 million).

Non-recurring cost entries totalling EUR 2.2 million were charged to the earnings for the financial year. Of these charges, EUR 1.3 million concerned write-offs of inventory while the other charges concerned the personnel arrangements and the expenses of downscaling operations.

The Group's official earnings per share were EUR 0.49 negative (earnings of 2.24) and Incap-JMC's pro forma earnings per share were EUR 0.76 negative (0.59 negative).

The Group's equity ratio was 40.8% (39.2%) and total assets were EUR 45.6 million (68.9 million).

Operating environment

Overcapacity in the supply of manufacturing services continued and price competition became even tougher. Customers trimmed the number of their suppliers and also outsourced value-added services, such as design. Providers of manufacturing services are striving to position themselves better in the value chain through acquisitions, mergers or by networking with partners in co-operation.

Keener price competition reinforced the trend towards moving high-volume manufacturing to countries with low labour costs: the Baltic countries and eastern Europe as well as near to large market potential in the Far East.

Merger of Incap and JMC Tools Oy

In order to strengthen its electronics business sector, Incap carried out an exchange of shares to acquire the entire shares outstanding in JMC Tools Oy, a manufacturer of components for telecommunications base stations. The objective of the merger was to form a strong technology company that develops, manufactures and supplies machined and high-precision plated RF mechanical components as well as electronics and box-build solutions for strategic customer sectors in Europe. Integration of the operations of Incap and JMC Tools moved ahead largely in line with expectations. Owing to the prolonged recession in the telecommunications industry, however, the company was not able to make use of the synergy benefits in the way that had been planned.

The company's strategy was updated in accordance with the new operational concept during the summer and early autumn. The strategy emphasises the multi-sectoral nature of the customer base, the comprehensiveness of the company's palette of services, making the most of the opportunities afforded by wireless communications and profitable operations across business cycles.

Development of Incap's operations

The sharp weakening in demand from telecommunications network suppliers was reflected particularly in the operations of JMC Tools Oy, which manufactures components for base stations, and it meant a significant lowering in the capacity utilisation rate. The telecommunications sector accounted for about 40% of Incap's total net turnover in 2002. Demand in the electric power industry also fell markedly in tandem with the decline in capital expenditures. There was stable demand in the other customer sectors: the process and automation industry as well as equipment manufacture for healthcare and technical safety equipment.

Incap adjusted its operations to the lower level of demand by trimming fixed costs and downsizing the staff through layoffs and redundancies. Efficiency-boosting measures to improve profitability and to ensure competitive edge were continued.

With the aim of strengthening Incap's ability to offer integrated products and to support its know-how in the area of high frequency technology, the Group's businesses were organised into two business sectors in October. The Electronics and Mechanics businesses were combined and now comprise the factories in Helsinki, Vaasa, Vuokatti and Kuressaare in Estonia as well as the Ultraprint Oy unit in Kempele. The RF business forms the second business sector, which focuses on the manufacture and development of products incorporating high frequency technology at its production plants in Kempele and Ruukki.

The priority areas for sales work were defined to be improved service for the present customer base and active marketing of the new, extensive range of integrated services. In order to improve customer service and step up the acquisition of new customers, additional resources were allocated to sales work. Towards the end of the year several new customer relationships were formed, and they will show up in net turnover and profitability during 2003.

Financing

The Group's liquidity remained satisfactory: the quick ratio was 0.6 (0.7) and the current ratio 1.6 (1.5). Cash flow from operations was EUR 1.9 million negative (6.6 million negative), cash flow after investments was EUR 3.9 million negative (2.3 million negative) and cash flow after financial income and expenses was EUR 5.2 million (6.7 million). The change in cash flows was a decrease of EUR 0.6 million (decrease of 2.2 million). Net financial expenses came to EUR 1.0 million (0.8 million). Net debt totalled EUR 16.3 million (EUR 16.7 million) and the net gearing ratio was 88.1% (61.4%). The equity ratio was 40.8% (39.2%).

Capital expenditures

The Group's gross capital expenditures in 2002 totalled EUR 1.1 million (capital expenditures by the official Group in 2001: 21.3 million), or about 1.6% of net turnover (21 %). Major capital expenditures were not made during the year because manufacturing capacity was underused and the stock of equipment had been modernised in the previous year. The bulk of the capital expenditures in the comparison year went for rebuilding the furniture sector's factory that was destroyed in a fire.

Research and development

Spending on research and development amounted to EUR 2.1 million, or 3% of net turnover (EUR 3.0 million in 2001, 3% of net turnover). Research and development expenditure has been booked to expenses for the financial year.

Personnel and management

At the beginning of the year the Incap Group had a payroll of 794 employees and at the end of the year it had 589 employees. Divestment of the Furniture business sector caused a decrease in staff of 237 people, whereas the merger with JMC Tools Oy increased the headcount by 151 employees. At the end of the year, 84 people had been laid off.

Incap Corporation's president and CEO up to 21 March 2002 was Kari Saarinen, and Eija Jansson-Tervonen served as acting president from 22 March to 1 April 2002. The company's president since 2 April 2002 has been Seppo Ropponen.

The members of the company's Corporate Executive Team were Seppo Ropponen, chairman, the other members being Sakari Heikkinen, Eija Jansson-Tervonen, Jyrki Luojumäki, Jari Niskanen, Rauni Nokela, Hannele Pöllä, Petri Saari, Timo Sonninen and Martti Vaurio.

Group structure

With the sale of the shares in Incap Furniture Oy on 1 March 2002, the group relationship between Incap Corporation and the Incap Furniture subgroup was dissolved. When the Group relationship ended on 28 February 2002, the change in the Group structure resulted in booking an EUR 6.1 million loss to Extraordinary expenses in the profit and loss account.

As a consequence of the M&A arrangements carried out, the Group comprises the parent company Incap Corporation, which has two subsidiaries: Incap Electronics Estonia Oü and JMC Tools Oy. JMC Tools Oy has a subsidiary, Ultraprint Oy.

On 3 May 2002 the Boards of Directors of Incap Corporation and JMC Tools Oy signed a merger plan on merging the subsidiary into the parent company

on or about 31 December 2002. The formal combining of the companies was deferred to 2003 due to advance ruling enquiries to the tax authorities concerning the tax effects of the changes in the Group structure.

Administration of Group companies

On 21 March 2002 the Annual General Meeting elected Seppo Arponen, Kalevi Laurila, Markku Puskala, Jorma Terentjeff and Juhani Vesterinen to seats on Incap Corporation's Board of Directors. The Board of Directors elected Jorma Terentjeff chairman.

An extraordinary general meeting of the shareholders of JMC Tools Oy, held on 3 May 2002, elected Seppo Ropponen, Seppo Airio, Jari Niskanen and Rauni Nokela to seats on JMC Tools Oy's Board of Directors. An extraordinary general meeting held on 5 November 2002 elected for JMC Tools Oy a new Board of Directors whose members were Jorma Terentjeff, Kalevi Laurila and Juhani Vesterinen.

Auditors

The Annual General Meeting held on 21 March 2002 elected as the company's auditor the firm of independent public accountants Ernst & Young Oy, whose representative Rauno Sipilä, Authorised Public Accountant, will act as chief auditor.

Share and share price trend

The number of shares at the beginning of the year was 3,510,110. The Annual General Meeting held on 21 March 2002 floated a rights issue of 8,670,770 shares directed at the shareholders of JMC Tools Oy. The issue was subscribed in its entirety, after which there were a total of 12,180,880 shares.

The price of the Incap Corporation share varied in the range of from 5.63 to 1.63 euros during the financial year, and the share price on the last trading day of the year was 1.63 euros. The company has a total of 12,180,880 shares, 9% of which have changed owners during the report year. At the end of the report year the company had 551 shareholders. The company's market capitalisation at 30 December 2002 was EUR 19.9 million.

Events related to shares and shareholdings

The merger of Incap Corporation and JMC Tools Oy was made through an exchange of shares. A share issue was directed at the shareholders of JMC Tools Oy, in which one JMC Tools Oy Series A or B share entitled its holder to subscribe for 7.856 new Incap Corporation shares. The rights issue was entered in the Trade Register on 24 February 2002, when Incap

Corporation's share capital was increased by EUR 14,583,188.27 and the number of shares increased by 8,670,770 shares to a total of 12,180,880 shares.

The share transfer restriction which was binding upon subscribers to the directed share issue and was written into the Merger Agreement between Incap Corporation and JMC Tools Oy lapsed upon publication of the Interim Report for January-September 2003. The restriction covered 70% of the shares subscribed for in the directed share issue.

At the Annual General Meeting held on 21 March 2002, the Board of Directors was granted an authorisation to raise the share capital by a maximum of 1,180,679.24 euros. The authorisation was exercised on 21 January 2003 after the close of the report period, when a total of 702,000 warrants entitling their holders to subscribe for an equal number of shares was directed at Varma-Sampo Mutual Pension Insurance Company. The subscription price of the shares is determined according to the mathematical average of the closing prices of the company's share during the period from 3 February to 30 May 2003. The subscription price must nevertheless be at least 2.50 euros per share. The subscription period for the shares commences on 1 June 2003 and ends on 31 December 2005.

Annual General Meeting 2003

The Annual General Meeting of Incap Corporation will be held on Friday, 25 April 2003 beginning at 3.00 p.m. at the World Trade Center Helsinki, 3rd floor in Meeting Rooms 7 and 8 at the address Aleksanterinkatu 17, 00100 Helsinki.

Board of Directors' proposal to the Annual General Meeting

The Board of Directors is proposing to the Annual General Meeting to be held on 25 April 2003 that the net loss for the financial year, EUR 1,145,292.79, be transferred to retained earnings and that no dividend be distributed. The Board proposes that the loss be covered from retained earnings.

Events after the close of the financial year

On the basis of an authorisation granted by a general meeting of the company's shareholders on 21 January 2003, the Board of Directors issued 702,000 warrants directed at Varma-Sampo Mutual Pension Insurance Company. Granting of the warrants was part of a two million euro financing arrangement that is intended to strengthen the Group's financial structure.

In accordance with the new operational concept that was formulated when Incap and JMC Tools merged, Incap offers its customers integrated

deliveries that make optimal use of all the company's areas of expertise. The negotiations that were started in 2002 on expanding the scope of deliveries from components to total packages, assembly, tuning and testing led to the first orders at the beginning of 2003.

Outlook for 2003

Demand in most of Incap's customer industries is estimated to remain stable or to grow compared with last year. These industries account for more than half of Incap's net turnover. The company's position as a supplier to the telecommunications sector will strengthen thanks to Incap's integrated delivery capability and its special expertise within high-frequency technology.

On the basis of the potential offered by its comprehensive range of services and the new delivery agreements made in the latter part of 2002, Incap believes that its net turnover in 2003 will grow from the previous year's level. The company has stepped up its operational efficiency significantly, and profitability in 2003 is expected to be markedly better than it was in 2002 pro forma.

The Incap Group's Annual Report will come out in week 12 (beginning on 17 March). The Interim Report for the January-March period of 2003 will be published on 14 May 2003 at 9.00 a.m.

INCAP CORPORATION
Board of Directors

Seppo Ropponen
President and CEO

For additional information, contact:

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Press conference

Incap will arrange a press conference for the media and analysts on Tuesday 25 February 2003 at 1.00 p.m. in the Adams Auditorium at the address Erottajankatu 15-17, 00130 Helsinki.

DISTRIBUTION
Helsinki Exchanges
Main media

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Annex 1

Official Incap Group profit and loss account and balance sheet data

OFFICIAL INCAP CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1000) (unaudited)

	Jan.- Dec./2002	Jan.- Dec./2001	Change %
NET TURNOVER	68 991	99 692	-31
Operating charges	-72 748	-87 483	-17
OPERATING PROFIT/LOSS	-3 757	12 209	-131
Financial income and expenses	-980	-795	23
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	-4 737	11 414	-142
Extraordinary items	-6 081	-3	
PROFIT/LOSS BEFORE TAXES	-10 818	11 411	-195
Direct taxes	11	-3 534	-100
PROFIT/LOSS FOR THE FINANCIAL YEAR	-10 807	7 877	-237

OFFICIAL CONSOLIDATED BALANCE SHEET (EUR 1000) (unaudited)

	31 Dec. 2002	31 Dec. 2001	Change %
ASSETS			
NON-CURRENT ASSETS	19 290	26 922	-28
Intangible assets	1 609	2 175	-26
Tangible assets	17 670	24 737	-29
Investments	11	10	10
CURRENT ASSETS	26 265	42 021	-37
Stocks	15 604	22 335	-30
Debtors	9 973	18 362	-46
Short-term investments, cash in hand and at banks	688	1 324	-48
TOTAL	45 555	68 943	-34

LIABILITIES

CAPITAL AND RESERVES	18 657	27 032	-31
Subscribed capital	20 487	5 904	247
Share premium account	4 224	4 224	-
Retained earnings	4 671	9 027	-48
Profit/loss for the financial year	-10 807	7 877	-237
Capital loans	82	-	
OBLIGATORY RESERVES	-	800	-100
CREDITORS	26 898	41 111	-35
Deferred tax liabilities	507	3 557	-86
Other long-term creditors	9 455	10 281	-8
Short-term creditors	16 936	27 273	-38
TOTAL	45 555	68 943	-34

Annex 2

Official Incap Group key ratios and contingent liabilities

KEY RATIOS	31 Dec. 2002	31 Dec. 2001	Change %
Return on investment, %	-9,1	32,1	-128
Return on equity, %	-20,7	33,9	-161
Equity ratio, %	40,8	39,2	4
Gearing, %	88,1	61,4	43
Net debt, EUR million	16,3	16,7	-2
Earnings per share, EUR	-0,49	2,24	-122
Equity per share, EUR	1,5	7,7	-81
Investments, EUR million	1,1	21,3	-95
% of net turnover	1,6	21,0	
Average number of personnel	630	847	

GROUP'S LIABILITIES (EUR million)	31 Dec. 2002	31 Dec. 2001
FOR ITS OWN DEBT		
Mortgages	10,5	18,9
Corresponding debt	5,3	11,8
Other liabilities	15,2	22,7

Notes to the accounts:

The comparison year 2001 includes the Incap Furniture Oy Group which, because the business sector was divested, is included in the 2002 figures only for January and February. The report period furthermore includes the May-December consolidated figures for JMC Tools Oy, which was acquired in

April 2002. The report period and comparison period thus do not provide a comparable picture of the trend in business operations.

Annex 3

Official Incap consolidated sources of funds

CONSOLIDATED SOURCES OF FUNDS (EUR 1000)	2002	2001
Cash flow from operations	-1 916	-6 586
Cash flow from investments	-3 937	-2 313
Cash flow from financial items	5 218	6 689
Change in funds	-635	-2 210
Funds at the beginning of the financial year	1 323	3 533
Funds at the end of the financial year	688	1 323

Annex 4

Incap-JMC pro forma consolidated profit and loss account and balance sheet data

INCAP-JMC PRO FORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1000) (unaudited)

	Jan. - Dec./2002	Jan. - Dec./2001	Change %
NET TURNOVER	63 241	71 561	-12
Operating expenses	-69 491	-76 778	-9
OPERATING RESULT	-6 250	-5 217	20
Financial income and expenses	-1 095	-1 134	-3
RESULT BEFORE EXTRAORDINARY ITEMS	-7 345	-6 351	16
Extraordinary items	-	3 596	-100
RESULT BEFORE TAXES	-7 345	-2 755	167
Direct taxes	34	-863	-104
RESULT FOR THE FINANCIAL YEAR	-7 311	-3 618	102

INCAP-JMC CONSOLIDATED BALANCE SHEET (EUR 1000) (unaudited)

	31 Dec. 2002	31 Dec. 2001	Change %
ASSETS			
NON-CURRENT ASSETS	19 290	23 983	-20
Intangible assets	1 609	2 227	-28
Tangible assets	17 670	20 481	-14
Investments	11	1 275	-99
CURRENT ASSETS	26 265	38 658	-32
Stocks	15 604	23 584	-34
Debtors	9 973	14 526	-31
Short-term investments,	688	548	26

cash in hand and at banks			
TOTAL	45 555	62 641	-27
LIABILITIES			
CAPITAL AND RESERVES	18 657	22 520	-17
CREDITORS			
Interest-bearing creditors			
Long-term	9 455	13 470	-30
Short-term	7 210	7 655	-6
Non-interest-bearing creditors			
Short-term	10 233	18 996	-46
TOTAL	45 555	62 641	-27

Annex 5

Incap-JMC pro forma consolidated key ratios

KEY RATIOS	31 Dec. 2002	31 Dec. 2001	Change %
Earnings per share, EUR	-0,76	-0,59	
Equity per share, EUR	1,52	1,85	29
Equity ratio, %	40,8	36,0	-18
Investments, EUR millions	1,1	9,2	13
% of net turnover	1,8	12,8	-88
Average number of personnel	630	815	

Annex 6

Incap-JMC pro forma consolidated sources of funds

INCAP-JMC PRO FORMA CONSOLIDATED SOURCES OF FUNDS (1000 EUR)	2002	2001
Cash flow from operations	-3 372	-11 516
Cash flow from investments	1 383	-5 796
Cash flow from financial items	2 224	14 331
Change in funds	235	-2 981
Funds at the beginning of the financial year	453	3 529
Funds at the end of the financial year	688	548

Annex 7

Accounting policy applied in the pro forma reports

The Incap-JMC combined pro forma profit and loss account for 1 January - 31 December 2002 (and the comparison profit and loss account for 2001) has been prepared on the assumption that the sale of the shares in Incap Furniture Oy and the purchase of the shares in JMC Tools Oy had taken place at the beginning of the pro forma period on 1 January 2002 (1 January 2001). Accordingly, Incap Furniture Oy's financial data for January-February 2002 (2001 comparison data) have been deleted from the official Incap profit and loss account 1 January - 31 December 2002 (1 Jan. - 31 Dec. 2001) and the JMC Tools Oy profit and loss account for the period 1 January - 30 April 2002 (1 Jan. - 31 Dec. 2001) has been consolidated within this profit and loss account. The shares in Incap Furniture Oy were sold on 1 March 2002 and the shares in JMC Tools Oy were purchased on 19 April 2002.

The pro forma balance sheets have been prepared on the assumption that the sale of the shares in Incap Furniture Oy and the acquisition of the shares in JMC Tools Oy took place on 31 December 2002 (31 December 2001). Incap Furniture Oy shares totalling EUR 1.26 million have not been eliminated from the pro forma balance sheet at 31 December 2001 but are included in investments held in non-current assets. Consolidated shareholders' equity has nevertheless been adjusted by taking the effects of the sale of shares into account.

The consolidation of both the official and pro forma consolidated balance sheets has been carried out in compliance with Decision 1591/1999 of the Finnish Accounting Standards Board concerning the accounting treatment of exchanges of shares, whereby Group goodwill is not formed in an exchange of shares. The consolidation principles according to IAS may differ from the above-mentioned procedure.