

A man with a beard and glasses, wearing a white lab coat and a white safety cap, is focused on working on a prosthetic arm. He is holding a green printed circuit board (PCB) with various electronic components and wires. The prosthetic arm is white and appears to be a myoelectric or body-powered arm. The background is a laboratory or workshop setting.

INCAP

Annual Report 2010



Incap is a contract manufacturer of high-quality electromechanical products, offering services especially for equipment suppliers in energy efficiency and well-being technologies.



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INCAP IN BRIEF



- › Incap's manufacturing services cover the entire life-cycle of electromechanical products, from design and manufacture to repair and maintenance services.
- › Our customers are leading equipment suppliers in energy efficiency and well-being technologies, for which we provide services as a strategic partner.
- › Incap is operating internationally with plants in Finland, Estonia and India. In 2010, the Group's revenue was approx. EUR 59 million and the company employs about 730 people.
- › Incap's share is listed on the NASDAQ OMX Helsinki.

Year 2010 in brief

In 2010, Incap's revenue decreased by 15 per cent from the previous year to EUR 59.2 million. The markets turned in the latter half of the year back onto a steady growth track after the long recession. The growth in revenue was however suffocated by the global shortage of components, which postponed deliveries to customers.

The growth of markets was most clearly seen in products of the energy efficiency industry, and towards the end of the year the demand for well-being technology products also increased. Among the market areas, the most vigorous growth was seen in Asia, while the European markets recovered more slowly.

The operating result (EBIT) improved each quarter but the financial result for the full year remained in the red. The operating loss contracted from the previous year and was about EUR 3.2 million. The structural change in production had a strong impact on the company's performance as it included closing down the Vuokatti electronics factory and transferring the production to Estonia. The structural change increased the costs because there had to be partly double resources due to the production transfers. On the other hand the centralisation of two plants' production began to have a positive effect on the result during the third quarter.

During the financial year, the company continued to focus on developing services for growing customer industries, in accordance with its strategy. Over the past three years, Incap has carried out a structural change to become a company specialising in services for the energy efficiency and well-being technology sectors. The next step in the strategy involves focusing on profitable growth in the chosen industries.

Key figures (IFRS)

	2010	2009
Revenue, EUR million	59.2	69.8
Operating profit, EUR million	-3.2	-5.0
% of revenue	-5.4	-7.1
Profit before taxes, EUR million	-4.9	-6.7
% of revenue	-8.4	-9.7
Profit/loss for the period, EUR million	-4.9	-6.7
Earnings per share (EPS), euros	-0.33	-0.55
Return on investment (ROI), %	-10.6	-15.9
Return on equity (ROE), %	-81.0	-68.5
Equity ratio, %	13.2	16.2
Gearing, %	383	320
Investments, EUR million	0.5	1.1
% of revenue	0.8	1.5
Personnel at year end	767	783

REVIEW BY THE PRESIDENT AND CEO

Through structural change to profitable growth

We have carried out a significant structural change in our company. The process was initiated in 2008, when we redirected our strategy. We used to rely heavily on the assembly of circuit boards for the telecommunications sector, and we have now developed the company into a broad-based contract manufacturer that focuses on new growth industries and works with global partners. We have organised our operations based on the chosen customer segments, cut the number of factories, shifted the focus of operation to lower-cost areas and made design services an integral part of our service portfolio.



After the long recession, Incap's markets began to grow in the latter half of 2010. However, the growth of Incap's revenue was slowed down by a shortage of semiconductor components. This impaired our ability to deliver and led to prolonged delivery times for products. In addition, the shortage increased component prices worldwide and presented additional challenges to profitability.

Incap's operating result improved quarter by quarter and in the final quarter of the year, the operating result already was in the black, just above the break-even. The result for the entire period still remained in the red. This was mainly due to the low volume caused by the recession and the costs of the structural change of production.

Growth in Asia

Among Incap's market areas, India is showing the most vigorous growth. Our systematic work to increase volume in India was seen in 2010, particularly in products delivered to the energy efficiency industry.

We have succeeded in centralising the design services to India and increasing our resources there. It has brought us both new customers and new products. Because of our sufficient design capacity, we can increase the proportion of complete final products and box-build products in our deliveries.

In box-build products, the added value provided by Incap and the benefit to customers are greater than in component manufacturing.

A turn for the better was also seen in European markets. After a slow beginning, growth accelerated towards the end of the year. In the latter half of 2010, new orders were flowing in to our plants in Finland and Estonia.

Production transferred to Kuressaare

In 2010, we implemented a considerable structural change in production when we concentrated the electronics manufacturing in Europe to a single production plant. The Vuokatti plant was closed down, and its products and production equipment were moved to Kuressaare. The transfer was successful, and as a result, Kuressaare doubled its production volume. We expect this to bring us considerable savings in 2011.

As a responsible corporate citizen, Incap wanted to alleviate the impact of the closing of the Vuokatti plant on the personnel. We assisted in the re-employment of the personnel and worked in close co-operation with local authorities and other actors.

As part of the structural change, in autumn 2010 we announced our intention to sell the sheet-metal operations of the Helsinki plant in an asset deal. The deal was not closed and the negotiations ended with no result. Incap still aims to develop the Helsinki plant into a unit that specialises in assembly and focuses on increasing the proportion of broad box-build products in our revenue. However, we will not completely give up our own sheet-metal production because it will continue in Vaasa.

Strengthening of financial position

In order to strengthen the company's capital and financing structures, we carried out two private offerings in 2010. Both offerings were successful and showed that the major shareholders trust Incap's capacity and opportunities for growth. As a result of the share issue in the autumn, Finnish Industry Investment Ltd. became one of the major shareholders. This was most welcome and gives stability to the future development of Incap.

Implementation of growth strategy

During the recession, we have modernised the company's structure and operations and have developed it into an international organisation that provides services for the central customer industries. The geographic

distribution of personnel reflects this: in 2010 the proportion of personnel working outside of Finland was 76 per cent while in 2008 it only was 52 per cent.

During the period of economic growth that is just starting, Incap's strategic goal is to benefit fully from the changes in production and operations implemented over the last three years. We are now seeking profitable growth for the company in the vigorously growing energy efficiency and well-being technology industries.

In the future, Incap will continue to increase its product design activities in India. The purpose is to find new customer groups and completely new product areas in products designed for customers. The electric car industry equipment we designed and introduced in 2010 is a good example of this development. Thanks to Incap's design and manufacturability expertise, we improved the technical performance of the equipment and cut energy consumption.

In addition, Incap will focus on the improvement of sales operations and customer service, paying special attention to the needs of our globally operating customers.

Outlook for 2011

Our expectations for 2011 are positive, because the order book and outlook have clearly improved compared with the same time last year, and demand seems to be returning back to normal. Now that the company's structural change has been completed, we can fully concentrate on growth.

I wish to thank Incap's customers, personnel, shareholders and partners for the good co-operation in 2010.

Helsinki, March 2011

Sami Mykkänen
President and CEO

STRATEGY AND OPERATING ENVIRONMENT



Partnership
with growth
industries

At the core of Incap's business strategy is specialisation in contract manufacturing of products related to energy efficiency and well-being. Growth prospects in these products are good because of global mainstream trends. Incap is well-equipped to increase its share in the design and manufacture of these products.

Incap's customers are leading companies in their industries, who build their competitiveness in co-operation with strategic partners. Incap wants to be the first choice as a manufacturing and technology partner for its selected customers.

Incap aims for long-lasting customer relationships. Success requires profound knowledge of customers' businesses and service development according to their needs. Incap operates in Europe and Asia. This gives the company the opportunity to provide global customers with local services. Incap believes that its service offering has considerable growth potential, particularly in the growing Asian market.

Incap manufactures product packages that contain electronics and mechanics and is frequently responsible for the design of the product and related life-cycle services. Services are developed in accordance with the demand of key accounts. Product design, in particular, is reinforced to cover the technological needs of the most important customer industries.

Sales and marketing emphasise active management of customer relationships, expanding the service portfolio with existing customers, and systematic acquisition of new customers.

Change of operating environment opens new opportunities

Trends affecting Incap's operating environment include more intense competition in manufacturing services, good growth prospects in the chosen market segments, and the accentuated role of local services in global business. These trends have changed the company's future outlook significantly.

In a period of economic growth, customers will be increasingly needing new product solutions, and they will be increasingly willing

to reorganise their operations. This will open new opportunities for Incap. At the same time, customers are cutting down on the number of their partners, and they expect their chosen contract manufacturers to expand their service range.

In addition to actual manufacturing, co-operation in contract manufacturing will expand to cover product design and other product life-cycle services, which will enable customers to concentrate on their core business: product development, brand management, sales, and marketing.

The core of Incap's strategy

- › We focus on contract manufacturing of energy efficiency and well-being equipment.
- › We make use of the considerable growth potential in Asia. We reinforce product design in India to serve all customers globally.
- › We develop our services in accordance with the key accounts' needs.
- › We focus on profitable growth in the chosen industries.



The growth prospects for Incap's chosen market segments are good, because industrial megatrends accelerate their development. These trends include, for example, aiming for energy efficiency in all operations, the need to make use of new energy sources, and an increasing demand for services related to well-being and health. Incap's strategic choices are based on making use of these trends.

Incap's key accounts need more local services, even if they engage in global business. Customer companies want to organise contract

manufacturing so that they can use the local market conditions to strengthen their competitiveness. Therefore, the contract manufacturing partner must be able to offer a wide range of services in different markets. Because Incap has manufacturing plants in both Europe and Asia, the company can support its customers in their main market areas.





SHARATH BV, Design Manager, India

Smart chargers extend the age of electric car batteries

Incap's Indian design unit has achieved a notable opening by designing a charging device for the REVA electric car produced by Indian manufacturer Mahindra. Incap has designed a charging device that fixes onto the car and is able to charge the car's batteries very fast using a normal mains current. The device also protects batteries against overcharging, and thereby extends their operating life.

Sharath BV of Incap's Indian design unit describes the electric car charging device as an interesting project:

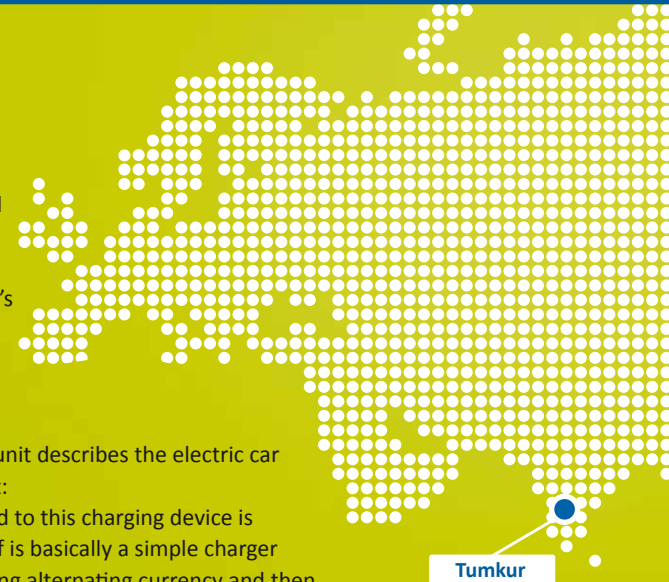
"Incap's special expertise with regard to this charging device is specifically its software. The device itself is basically a simple charger and inverter which charges batteries using alternating current and then, when driving, discharges the batteries' direct current in the form of alternative current usable by motors. The sophistication of the device is in its software, which is able to optimise consumption of current as well as charging periods."

Mahindra is one of India's largest car manufacturing plants, and its global personnel exceeds 100,000 people. The company initiated operations in 1945 when it began to manufacture Willys Jeeps under an American licence. Today Mahindra manufactures a range of vehicles, tractors, heavy-duty vehicles, motorcycles, light commercial vehicles and SUVs. Electric cars are a relatively new area for Mahindra, having in 2010 acquired a controlling stake in the company that manufactures REVA electric cars.

Originally from Bangalore, REVA sells its electric cars in 24 countries and has delivered more than 3,500 vehicles to customers across the globe. REVA estimates that it has delivered more electric cars than any other single manufacturer to date.

"In designing the charging equipment we had to take several different factors into account. Protection categories, vibration, weight and many other elements had to be designed in line with automobile industry standards. As a design project, it was a demanding undertaking", Sharath BV says.

From Incap's perspective, the opportunity to deliver charging devices for the cars is a major opening. Energy efficiency will be an ever more important factor in the future. Energy use by electric cars can be made more efficient precisely with the help of charging/discharge devices that monitor the functions of the whole system according to the situation.



Tumkur

INCAP'S SERVICE OFFERING

Comprehensive services

Incap's comprehensive service offering gives customers the opportunity to cover the entire life-cycle of a product with one partner. Services range from product design to the controlled termination of product. The key issues in producing our services are flexibility, speed of operations, high quality, delivery reliability and good customer service.

Design services

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 product design process. Our services cover all key areas, from product and testing design to product integration and maintenance design. We make also approval, EMC and environmental test to our products if so required. We invest significantly into development of our product design and offer our customers new alternatives to develop products further.

Materials sourcing

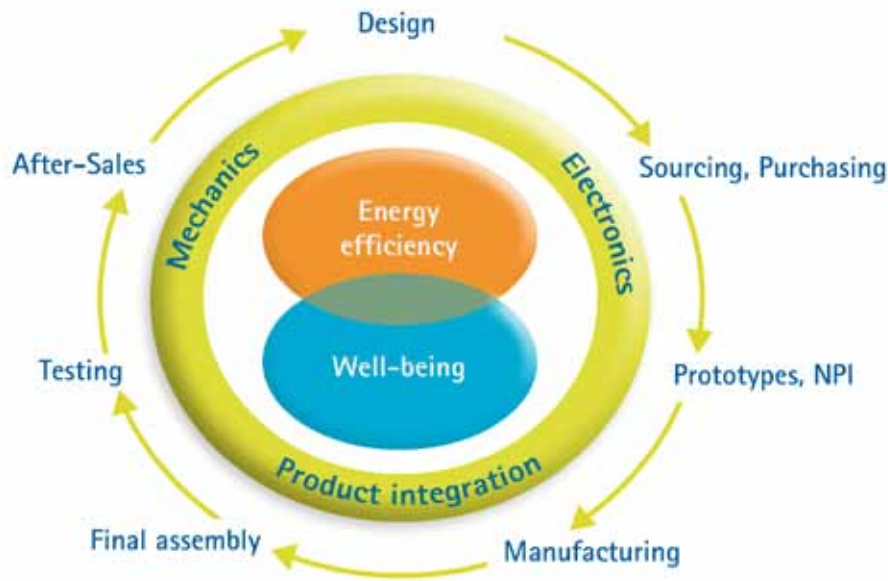
Incap procures all the materials required in the different stages of product life-cycle quickly and affordably by utilising international material sources. Systematic materials management secures high quality and cost-effective manufacturing.

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 manufacture customer's prototypes and execute their testing promptly and flexibly. We give feedback for design in order to improve manufacturability and we prepare documents for productisation. We use professional project management to transfer a product's manufacturing from the customer to us or between production plants. Thanks to the reviews made in different stages, the projects proceed in a controlled way. We are also prepared to receive the outsourcing of the customer's entire production.

Serial production, final assembly and testing

The manufacturing of electronic products consists of widely used manufacturing processes, such as automatic and manual assembly,



Life-cycle services

Incap offers its customers a possibility to outsource the entire life-cycle of their product. In the most comprehensive scope of life-cycle services, the customer only specifies the most important features of the product and Incap designs and manufactures the complete marketable product. With the help of life-cycle services the customers free their own resources fully for taking care of customer relationships, sales and marketing and new product innovations.

protective coating, final assembly and product testing. In the manufacture of sheet-metal products, we employ technology, which enables the manufacture of demanding products and the precise and speedy machining of complicated shapes.

Final assembly and box-build products are a remarkable part of our comprehensive service. The assembly of products incorporating both electronic and mechanical components, or the so-called 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.

We take responsibility of keeping manufacturing competitive by developing our production continuously more and more effective on behalf of our customers.

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. We also take care of controlled ramp-down of the manufacturing when a new product generation replaces the old one and take care of the availability of so-called End-of-life components.

Strenghts

› 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 as well as in final assembly. We have developed our operations together with our customers, based on their needs.

› 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.

› 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.

› 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. Delivery reliability forms a part of high-quality service and is one of the most important benchmarks of our operations.





MIHKEL VISKUS, Production Manager, Estonia

Kuressaare plant doubled production

Incap's Kuressaare plant in Estonia nearly doubled its production in 2010. In practice, the growth of production volume took place over only eight months, because products previously manufactured by the Finnish Vuokatti plant were transferred to Kuressaare only as from spring. The rapid growth presented quite a challenge to the Kuressaare plant.

"In addition to the products we received from Vuokatti, more orders from old customers were flowing in at the same time. When the production of many new products is ramped up over a short time, it always requires extra work and effort," says Mihkel Viskus, Production Manager at Kuressaare.

At the end of 2010, the Kuressaare plant employed 197 people. Despite the increase in production, only slightly more than ten new people were hired during the year. In addition to recruiting new personnel, competence was improved by enhancing the systematics of the ramp-up stage.

"Competence in production has always been one of our key strengths here at Kuressaare. Therefore, it was not a problem even in a phase of vigorous growth like this. What was more challenging was the starting of the production of new products. That presented the greatest challenges to us during the transition stage," Viskus explains.

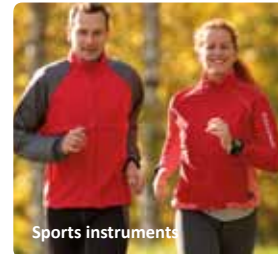
He says that thorough preparation is the key to a successful ramp-up. "Detailed documentation of products and customers' expectations on production is particularly important. A competent and systematic approach by the project managers and customer support people is essential," he states.

The plant has modern production technology, and it is engaged in both electronics manufacturing and final assembly. Early in 2010, Incap's Kuressaare plant celebrated its tenth year as part of Incap. The plant is one of the most important employers in Kuressaare, and in 2009 it was chosen the best employer in Kuressaare town.



WELL-BEING SOLUTIONS

Growing technologies for work and leisure



Sports instruments



Scales



Communications modu

The Well-being unit provides a broad range of equipment manufacturing services for safety, health care, well-being and leisure technology companies. Manufacturing is complemented by comprehensive value-added services for product life-cycle management.

The Well-being unit designs and manufactures products for leisure-time activities and easier everyday life. The market for the unit's products continues to grow, because the population is aging, leisure time is increasing, and people are becoming more and more interested in the well-being and safety of themselves and their family members.

The end products of the business unit's customers include health and patient care monitors, performance measuring devices for sports, electronic weighing scales, dentistry equipment, slot machines, equipment for monitoring and tracking, metal detectors, locks, and weather forecasting equipment. These solutions are characterised by increasingly sophisticated data technology and the critical importance of built-in features for users. Applications are found in the entertainment and security industries, as well as health care and elderly care.

The business unit's customers are leading technology companies in their respective industries. Services are an essential part of many customers' businesses. Thus, their actual core business is not just selling equipment, but increasingly also producing related services.

Technical equipment is needed for making the services available to end-users. Incap's role in the co-operation is to manufacture and, when needed, design the required equipment for customers. Co-operation with a contract manufacturer enables customers to focus on improving their own core competence and building their brand.

Market trends in 2010

In the Well-being unit, positive revenue development was seen mainly in the latter half of 2010. Early in the year, the order book was very poor, but demand clearly increased during the year.

Most of the new products were ramped up in production in the last months of the year, and at the same time, orders for old products began to increase. The rapid increase in demand led to some delivery difficulties, because production ramp-ups must be well-controlled, and proper advance planning is essential. In addition, a worldwide shortage of components contributed to prolonged delivery times.

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Sensors and control electronics



Gas detectors



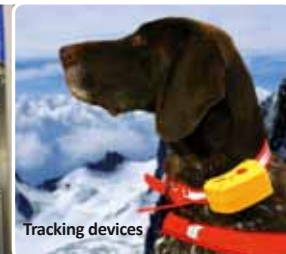
Weather stations



Slot machines



Walk-through metal detectors



Tracking devices

Because of the growing demand, the production capacity was increased by cancelling ongoing temporary layoffs and adding more shifts. However, we could not fully respond to the vigorous increase in demand.

Most of the new products that were ramped up in the last months of the year had been designed by our customers a year earlier. Because of the recession, production was not started until the end of 2010.

Traceability and safety boosted growth

Various traceability and safety solutions are growing product categories in the Well-being unit. Their share of production is still low, but many customer groups have shown great interest in designing these types of products.

Examples of practical applications are safety gates and airport equipment. Many products use mobile data transfer, GPS or radio frequency communication. Incap's experience and competence in the manufacture of products using these technologies improves the company's competitiveness.

Another trend is the continuously increasing demand for box-build products. An increasing number of products manufactured by Incap are delivered in customers' brand packages directly into the distribution channel. This trend is particularly strong in new technology companies, which do not necessarily have any production of their own. Instead, they focus on innovation and brand-building. For these customers, Incap is an ideal strategic partner.

The Well-being unit's products are manufactured in Finland, Estonia and India. The Kuressaare and Helsinki plants have the required ISO13485:2003 certifications for well-being technology and the manufacture of medical devices.

> Cooperation with a contract manufacturer enables customers to focus on improving their own core competence.



TUIJA PIETINEN, Customer support manager, Finland

Building trust through customer service

"Genuine partnership with the customer is best created through the flexibility and efficiency of operative actions. We need to understand the customer's business, be familiar with their complete order and delivery process, and know their customer-specific product specifications. With these factors in our control, we can create additional value through customer service," says Tuija Pietinen, on working in Incap's customer service.

Pietinen works in an exceptionally customer-oriented position to be employed in the industry. Her main task is to represent the customer in Incap's organisation and to ensure that the customer's wishes and feedback reach the correct recipients.

"Especially when we are dealing with a new customer we have a lot of work to do. Each customer has a different operating method, and it is our task to learn it quickly and apply our own expertise to achieve fluent ramp-up of products. When the learning process runs smoothly and we make the necessary investments, there are fewer problems in the actual production, start-up times are shorter, and productivity is better," says Pietinen.

"I think that persons who find customer service particularly important end up working in customer support. This is how it should be, as we are constantly in contact with the customer in this work. Everyone here also has a long experience in production, so we know first hand which questions need to be considered in product ramp-up," Pietinen adds.

"Most challenging are surely those situations where we have to handle with faults in design. We try to clarify all factors in advance, and especially when new products are considered, we are - based on our manufacturing competence - well able to suggest modifications to products in order to increase their manufacturability. Here we must have a proactive and good service attitude and social skills, in order to ensure the good cooperation with the design engineers of the customers," says Pietinen.

Increasingly, Incap participates in the customer's product planning from a very early stage. As a part of product planning, prototype production is launched in a flexible manner to gain manufacture-related information, which is then used to verify the final and functional product specification with the customer.

When product manufacture is started, it is the task of customer support to ensure the process control required by the products and to react quickly to any modification requirements by the customer. "Our job is to be constantly ready to act and to support the customer at the production interface," Pietinen concludes.



ENERGY EFFICIENCY SOLUTIONS

Energy efficiency
is based on
proper design



Windmill components

The Energy efficiency unit provides equipment suppliers in the energy industry with sub-assemblies and equipment for the production and distribution of energy and for various electrotechnical applications.

For the Energy efficiency solutions unit, the most important growth drivers in the market include varied uses of renewable energy sources and efforts to improve energy efficiency in energy production, energy transfer, and electrical equipment. In recent years, the increasing importance of environmental aspects in most industries has intensified interest in electrical equipment that involves advanced automation and control engineering. This is a favourable trend for Incap, because the design and manufacture of electrotechnical equipment are among the company's core competences.

The business unit supplies its customers with rotor components for electric motors and generators, power sources, equipment for the transformation of electrical energy, and UPS equipment for uninterrupted and undisturbed current input. Other growing product segments include equipment for solar and wind power solutions and the electric car industry, electronics and mechanics for heating systems, and LED lighting systems.

In Europe, the Energy Efficiency unit focuses on the manufacture of components and equipment for the production and distribution of energy. Most of the production in Europe is carried out at the Finn-

ish Vaasa plant, which manufactures rotors for electric motors and generators, as well as various other components.

The Indian plant focuses on the manufacture of equipment for ensuring, transforming, measuring, and controlling the supply of current.

Increasing demand

In the European markets, demand began to increase in the second quarter of 2010, and by late autumn, sales were brisk. However, the effect of the demand increase on revenue was dampened by component availability problems and subsequent delays in deliveries.

In Asia, the market for the Energy Efficiency unit continued to grow fast. Nearly half of the Indian plant's production is based on the company's own product design, and this proportion is still expected to grow.

Incap's core competitive edge in equipment manufacturing is its preparedness to offer extensive life-cycle services and unique expertise in the integration of electronics, electrical power engineering, and machine shop products. Customers get all the manufacturing services they need from one contract manufacturing partner.



Control cabinets

Measuring devices

UPS' and inverters

Rotor components

Compact substations

Incap aims to integrate more closely into its customers' business chains and to build strategic partnerships with globally operating customers. The company's goals include gaining superior knowledge of the energy industry and the ability to actively develop product solutions for the needs of leading companies in the industry.

New control engineering products

Rising energy prices increase the need for new, intelligent energy-efficient solutions. For Incap, this means continuous new product opportunities as an equipment designer and manufacturer for solar and wind power solutions and electric motor and heating system control. Another growing category is LED lighting systems, which are replacing other lighting technologies.

In addition to new product opportunities, the business unit continues to develop the production of current products. For example, in 2010 the Vaasa plant implemented a production line that uses robotics. The line manufactures parts for electric motors and generators and various shell constructions for electrical equipment.

The Indian plant's capacity for current products was increased throughout the year, in accordance with the growth of sales. Furthermore, the resources of the product development centralised in India increased steadily towards the end of the year.

> Rising energy prices increase the need for intelligent energy-efficient solutions.




MARKO VISURI, Rotor factory supervisor, Finland

Teams improve efficiency

Incap's rotor factory in Vaasa manufactures rotor components for ABB's electric motors and generators. Rotor components are used in different applications in the petrochemical, marine, metal and mining industries and the production of electricity and renewable energy. Incap manufactures rotor poles and conducts winding and assembly of different rotor structures.

Rotor factory supervisor Marko Visuri describes the work of the plant's production teams:

"Of the 76 people employed at the Vaasa rotor factory, 19 are working in two assembly teams and machining. The assembly teams are responsible for the manufacturing of rotors up to their delivery," Visuri explains.

Each year, the Vaasa teams manufacture thousands of magnetic poles and other rotor components. The manufacturing is organised as projects in accordance with customer orders. Nearly all projects are different. Production series are short, and there are many different product variations. The largest products can weigh several tons, and even the smallest ones weigh about two hundred kilograms.

The introduction of teams meant a cultural change at the factory

"The work used to be led by supervisors, who also mastered the manufacturing process from beginning to end. The supervisors' responsibilities have changed: they act more as team coaches, and the team members have the manufacturing expertise. The teams are also independently responsible for the progress of the work. For example, team members go on their own initiative to help when assistance is needed at any stage of the work," Visuri explains.

The Vaasa factory has broad expertise in rotor component assembly. Material procurement and flexibility of production have been particular areas of focus.

"We are very advanced in material and component procurement. In practice, procurement has to be very efficient, anticipating workloads and taking into account irregular situations. With active procurement management, there is no need to keep large inventories at the factory. Because of the efficiency in procurement, we can also guarantee flexible service to our customers. For example, in deliveries of after-sales products, we must be able to respond immediately. Then also the materials must be available without undue delays," Visuri says.

DEVELOPMENT OF OPERATIONS IN 2010

Positive turn in demand

In 2010, Incap created opportunities for profitable growth by implementing a structural change and honing its processes. The turn in the economic trend led to considerable improvement in demand towards the end of the year.

Profit development

Demand for Incap's services increased in 2010, particularly in the latter half of the year. The growth in demand was rapid in India, but slower in Europe. The effect of the improved market conditions on the company's revenue was dampened by a global shortage of components and subsequent delays in deliveries.

Incap Group's revenue in 2010 was EUR 59.2 million, down about 15 per cent from the previous year. The decrease was mainly due to the effects of the economic situation and the shortage of components.

The Energy efficiency unit posted revenue of EUR 31 million, and the Well-being unit's revenue was EUR 28 million. Revenue from the Indian operations was EUR 12 million and it is included in the revenue of Energy efficiency.

Consolidated operating loss contracted year-on-year, amounting to EUR 3.2 million. The decrease in operating loss was a result of the

company's efficiency improvement measures which were initiated in 2009 and continued through most of 2010. The most important reasons for the loss were low revenue and the partly doubled cost structure, due to the structural change. Saving plan aiming to recover profitability was continued and also personnel expenses and other operating expenses were about EUR 5.8 million lower than in 2009.

Investments and improvement of production activities

In 2010, Incap's most important investment in production was the implementation of a new production line at the Vaasa plant. The production line uses robotics and increases the production capacity of electric motors and generators. It is particularly suitable for the manufacturing of large objects.

The most significant change in the Group's production activities was the closing down of the Vuokatti plant in Finland and the transfer

of the production to Kuressaare, Estonia. As a result of the change, the Kuressaare plant doubled its production in eight months. The transfer was completed successfully, and Kuressaare is now honing its operating models. In particular, processes relating to the production ramp-up of new products are being enhanced.

The Indian plant increased its production by about 30 per cent during the year. Incap will continue to increase product design capacity in India, as this will provide us with considerable growth opportunities.

In order to clarify the production structure and the roles of the production plants, the Helsinki plant will specialise in final assembly. For this purpose, in autumn 2010, Incap decided to initiate negotiations to sell the Helsinki plant's sheet-metal operations in an asset deal. The negotiations with the partner, who specialises in mechanics manufacturing, were discontinued in February 2011.

More resources for product design

According to its strategy, Incap will considerably enhance its product design expertise in the next few years. New designers were hired in India.

The enhancement of design expertise aims for closer co-operation with key accounts by offering them a broader range of services than before. Through its own product design activity, Incap can increase the added value for customers.

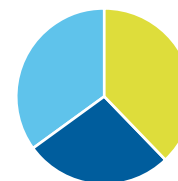
In addition, own product design activities offer the opportunity to discover completely new product areas. A good example of this is intelligent electric car charging equipment for a customer who was the world's largest electric car manufacturer in 2009.

Revenue by business unit



- Energy efficiency 53%
- Well-being 47%

Revenue by product segment



- Product integration 38%
- Mechanics 27%
- Electronics 35%



› Incap's design team responds proactively to customer needs and offers innovative solutions and fine-tuned processes using state-of-the-art design tools.

SOCIAL RESPONSIBILITY

A young child wearing a white jacket and a striped hat is holding the hand of an adult. The child is looking upwards with a thoughtful expression. The background is a blurred outdoor setting with trees and a path.

Aiming at
a better tomorrow

Incap's social responsibility is underpinned by values of sustainable development in the company's operations. 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.

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 relevant decision-makers and other stakeholders. Incap provides support to non-profit causes that promote the well-being of children and the youth.

Social responsibility

Incap's personnel policy is based on equality between the sexes, nationalities and different ethnic groups. 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. Employee competence is developed further using goal-oriented training and the promotion of work motivation is addressed in supervisor training, among others.

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 protecting and conserving environment by preventing pollution and reducing the use of natural resources and raw materials.

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.

Financial responsibility

Incap aims at good earnings trend, which supports also the implementation of its corporate social responsibility principles. Financial success 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.

QUALITY AND ENVIRONMENT

Improvement of quality requires continuous effort

Quality is of high importance to Incap in the development of the company's operations and the manufacturing of customers' products. Incap's quality goals are customer satisfaction, minimisation of quality costs, and lower environmental load.

At Incap, continuous improvement of quality and productivity is governed by the company's quality and environmental policy. The purpose of this effort is to meet customers' requirements and authorities' regulations and to continuously improve the quality of performance, thus ensuring the company's future competitiveness.

The most significant environmental effects of Incap's operations are related to the use of energy and materials and to logistics. Chemicals are used in production to some extent, but their environmental impact and risks have been estimated to be low.

Management system enhances continuous improvement

In 2010, Incap developed its quality and environmental system in all the European units by using an electronic management system. The entire Group's operating processes are described in the system, and it also contains the documentation of the quality and environmental system. The use of the electronic management system was expanded during the year to include an analysis of operations and the further development of processes. The system has been used in both internal and external audits.

The describing of processes continued in 2010, advancing from "as is" to "to be". Because the processes of each plant and unit have now been described and operating procedures have been standardised to the greatest possible extent, we can efficiently use the process descriptions for orientation training of new employees, as well as for continuous training of the personnel to adopt a uniform operating model in the entire Group. Uniform operating procedures at the plants improve the efficiency of product transfers and ramp-ups of new products. In addition, it is easier for process owners to set development goals for their respective processes.

In 2010, quality and environmental documentation and plant-specific work instructions were updated and entered in the new system. Moreover, we started using the reporting feature of the system. It is used for the processing, monitoring, and evaluation of customer feedback, supplier reclamations, accidents, and close-call situations and the continuous improvement measures. The reporting system makes it easy to monitor the measures taken for continuous improvement and their effects throughout the Group. In addition, we renewed our effectiveness indicators.

Uniform certification

In October 2010, the quality and environmental system of Incap’s plants in Europe was recertified for the first time simultaneously in accordance with the multi-site principle. The certification was performed by Det Norske Veritas. The goal of multi-site certification is to standardise operational processes in the entire Group and facilitate the manufacturing of the same products flexibly at the company’s different production plants.

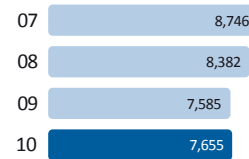
In March 2010, all the units implemented a renewed operations manual that emphasises continuous improvement.

Incap’s all production units in Europe and India have ISO9001:2008-compliant quality systems and ISO14001:2004-compliant environmental systems. In addition, the Helsinki and Kuressaare plants have certifications in accordance with the ISO 13485:2003 quality standard for the manufacture of medical devices, and the Indian plant has the TS 16949 quality certification required by the automotive industry.

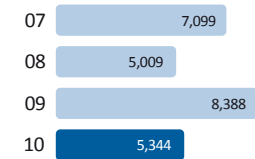
Continuous monitoring of customer satisfaction

Incap performs annual customer satisfaction surveys in order to continuously monitor the efficiency of operations from the customers’ viewpoint. The results of the survey in autumn 2010 were slightly poorer than in 2009. Intensified improvement measures were initiated based on the survey.

Power consumption kWh



Defective products of customer deliveries (DPPM)



The most important areas of development were related to the reliability of delivery, including better predictability of changes in demand and communication with customers in sales and production start-ups.

More intense participation by the Indian plant

One of the most important development goals for 2011 is closer integration of the Indian plant into Incap Group’s joint systems. For example, the Indian plant will be included in the uniform certification procedure.

The Kuressaare plant is focusing on improving the process of new product introduction. The purpose is to improve ramp-up of products in accordance with the “Properly at once” principle. This will speed up ramp-ups and save costs.

A third object of development in 2011 is more efficient use of quality assurance tools and use of statistical methods when applicable.



The main principles in quality and environmental management

- > We improve the quality of products and services based on customer feedback.
- > We continuously improve our operating processes to protect and conserve the environment.
- > We reduce the use of natural resources and materials to prevent pollution.
- > We adhere to environmental legislation and other requirements.
- > We measure the level of quality as part of daily activities.
- > We encourage personnel to continuously improve quality.
- > We improve profitability through enhanced productivity and less waste.
- > We regularly improve and assess our quality and environmental goals.

PERSONNEL

Increased importance of competence development

Incap aims for close co-operation with its customers, and it will be manufacturing even more demanding products. At the same time, the proportion of our own design activities is increasing and customers' expectations are growing. Incap is focusing on the development of competence and operations in order to fully meet the customers' expectations.

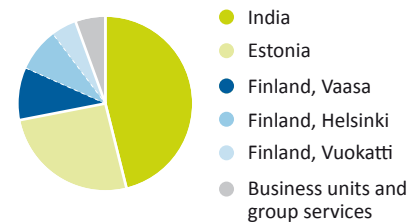
The goal of Incap's HR management is to ensure that the number, competence, and commitment of the personnel are in line with the company's business needs and strategy. Good managerial work is essential to ensure the efficiency and motivation of the the personnel, and one of the HR management's most important responsibilities is to support the supervisors. Performance appraisal discussions are an important managerial tool. They help align the objectives of the company and the individual and make the areas of focus concrete, both for long-term development and daily work.

Personnel and organisation

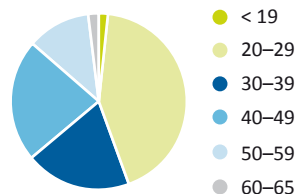
At the beginning of 2010, Incap employed a total of 783 people, and at year's end, 767 people. Of these, 49% were based in India, 27% in Estonia and 24% in Finland. The unit with the largest number of employees is the Indian Subsidiary, with 355 employees at year's end.

In 2010, the most vigorous increase in personnel was seen in India, with an increase of 47 employees during the year. The activities in India

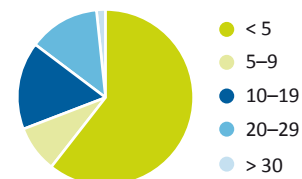
Personnel by location



Age breakdown of personnel



Years in service





PEKKA LAITILA, Director, Sourcing and materials, Finland

What matters are the total costs

Incap's Sourcing Director Pekka Laitila is in charge of sourcing for the entire company and for purchasing operations for the Finnish and Estonian units. Laitila has a clear opinion on what the goals of sourcing should be:

"What is most important is ensuring the supply of components at all times, so that we can secure deliveries to customers," Laitila describes the basic objective of sourcing.

"Thanks to the extensive product range, Incap has quite a broad component and supplier base. We are developing our sourcing and purchasing strategy using category analysis of components and suppliers, so that a large number of components and suppliers can be managed in a profitable way and we can concentrate on the correct issues. The purpose of this process is to improve the company's competitiveness through global sourcing," he adds.

A key element in the long run is continuous development and improvement of forecasting procedures in collaboration with customers and Incap's sales personnel. In addition, Incap is opening new sourcing channels. For instance, for a couple of years now the company has been successfully increasing its sourcing from Asia.

"We have gained valuable experience in how the Chinese operate, and we have had many contacts with potential new suppliers," Laitila explains.

He has been involved in sourcing at Incap since 2001. The past two years have been exceptional in his area of responsibility:

"After the recession due to the financial crisis, we are already on a growth track again. Unfortunately, our growth has been suffocated by a shortage of semiconductor components, because their production crashed during the recession. It takes time to restart component production, but I believe that the situation will improve in 2011 and delivery times will be back to normal," Laitila says.

About fifteen Incap employees altogether are engaged in sourcing and purchasing at the production plants. Their number depicts well the critical nature of the work: successful deliveries to customers according to orders depend on the availability of components and materials.

"We continuously forecast future market conditions and need for materials. In all situations, we aim for the most rational solution in terms of costs. At the same time, we are trying to keep our own inventories as low as possible without compromising our delivery capacity. In this way, we can reduce the capital tied to inventories and efficiently allocate our development input," Laitila states.



are still growing, and the number of personnel in the unit is expected to continue to increase. In particular, more designers have been hired in India, and the goal is to further expand the service.

The operations of two production plants specialising in electronics manufacturing were merged in 2010. This meant that the Vuokatti factory was closed down and the production was transferred to Estonia. Because of the closing, the employment of 124 people was terminated during the year. At the end of the year, Incap still had 36 people in Vuokatti on notice but without an obligation to work. Incap co-operated with the local authorities to find new employment opportunities for the personnel and offered support through occupational health care services, among others.

After the production of the Vuokatti factory was gradually transferred to Kuressaare, Estonia, 13 new employees were recruited there.

At the end of 2010, Incap organised the Energy Efficiency unit's Asian and European operations under the same business management. At the same time, local management was appointed for the Indian subsidiary, and local representatives from India were included in the Group's expanded management team. The purpose of the changes is to streamline operations and improve Group management.

Because of the economic recession, Incap Group's Finnish units adapted the operations to the decrease in demand mainly through temporary layoffs. Some of the temporary layoffs could be cancelled when demand picked up in the late autumn.

Enhancement of competence

At Incap, enhancement of the personnel's competence aims at increasing multiple skills to promote flexibility within and between the production units. The distribution of roles between the production units and the specialisation makes it possible to specify employees' responsibilities clearly and achieve deeper competence.

Incap develops competence through internal learning and external training services. In 2010, learning at work and the distribution of competence between plants were used particularly between the Vuokatti and Kuressaare electronic plants. The Vuokatti plant transferred products to Kuressaare that required mastering new technology, and the unit focused on training, particularly in responsibilities relating to the ramp-up of production.

In Finland, a managerial training programme was initiated, and at the end of the year we started planning a similar programme for Estonia.

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, an incentive scheme for key employees and white-collar employees, and the management's option scheme.

In the key employees' incentive system, the company's strategic goals have been converted into individual operational goals for each employee. The white-collar employee incentive system is based on achievement of



the goals for earnings and return on working capital. In the production bonus system, the main indicators are productivity and reliability of deliveries.

Company-wide intranet promotes uniform company culture

Human Resources management promotes internal co-operation by enhancing the open flow of information and interaction. These are supported by internal communications among others.

In 2010, Incap implemented the new intranet, which covers all units. In addition to current unit and Group news, it contains permanent guidelines and general policies. The intranet considerably improves internal communication and facilitates management. It increases the entire personnel's awareness of the operations and joint goals of the Incap Group.

TOMAS GRANBERG, Project manager, Estonia

Ramp-up of production is team work

Initial production runs with gradually increasing production output are called "ramp-up" in professional jargon. Tomas Granberg is a project management professional and responsible for ramp-up projects in electronics manufacturing at Incap.

"At Incap, we use a process-like system that involves planning and reviewing each stage of the production ramp-up. We have a very systematic approach: we organise a project team, check the basic product information, and ensure controlled ramp-up of the product together," Granberg explains.

"Basically, what we are doing is implementing plans as efficiently and quickly as possible without compromising quality," he says.

The importance of efficient procedures in the ramp-up of new products is emphasised today, especially since product development cycles have become shorter. New product versions are being introduced at an accelerating pace. Therefore, any time saved during the ramp-up is valuable as extra selling time for the finished product.

"Systematic, predesigned methods can eliminate mistakes at the product development stage and ramp-up of production. Every mistake is expensive, and the closer to the ramp-up the mistake occurs, the more costly it is. Efficient process-like methods help in this, because they force you to check everything thoroughly in advance," Granberg says.

The company's information systems are efficiently used in production ramp-ups. Information is distributed between the project team members by email and in personal discussions and also through the ERP system, which is supported by the material management's system. The processes of project management and ramp-up of new products have been documented in the electronic management system. The system also contains the internal forms used in the different stages of the project.

"The greatest advantages of process-like production ramp-up eventually lie in the quality of products. A carefully conducted production ramp-up with reviews at each stage improves quality and helps to minimise costs caused by mistakes. This benefits everyone, both the customer and us," Granberg summarises.



REPORT ON CORPORATE GOVERNANCE

Report on Corporate Governance

In its operations, Incap Corporation complies with the Finnish legislation, 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 and recommendations of Central Chamber of Commerce Helsinki Takeover Code. In addition to these the company follows the rules and regulations of Financial Supervisory Authority.

Incap Corporation complies with the Finnish Corporate Governance Code for listed companies issued by The Securities Market Association. The Finnish Corporate Governance Code is publicly available e.g. in the Securities Market Association's website on www.cgfinland.fi.

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 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 documents that will be presented to the General Meeting, the proposals of the Board or of another authorised body, the total number of shareholders and votes on the date of the notice, 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 (www.incap.fi) 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 2010, the Annual General Meeting was held on 13 April in Helsinki. A total of 17 shareholders participated, representing a total of 60.1 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 sufficient 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 more than 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. In addition to this the Board analyses in the

beginning of their operational period, how the action plan for the previous year has succeeded and what kind of expectations the company's interest groups have in relation to operations of the Board.

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 2010 resolved to elect five members to the Board of Directors. Kari Häyrinen, Kalevi Laurila, Lassi Noponen and Susanna Miekko-oja and also new member Raimo Helasmäki 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. Senior Lawyer, Jari Pirinen has acted as the Secretary of the Board.

The Board of Directors convened 20 times in 2010 and the average attendance was 93 per cent.

The 2010 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 36,000 and the annual remuneration paid to Directors shall be EUR 24,000. A fee of EUR 200 is paid for each meeting. No fees will be paid for telephone conferences. The salaries and remuneration paid to Directors in 2009 totalled EUR 156,000. 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 Companies Act, other applicable laws and 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.

Sami Mykkänen, B.Sc. (Eng.), born in 1973, served as the President and CEO of the Incap Group in 2010. The salary and remuneration paid to him for 2010 amounted to a total of EUR 176,231. At the close of the financial year 2010, Sami Mykkänen held 208,000 Incap shares and 100,000 stock options 2009A and also 25,000 options 2009B. 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 compensation 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 2010 the Board members and entities under their control, the President and CEO and the Management Team own a total of 3,409,003 shares and 230,800 stock options.

Of the salary and remuneration paid to the President and CEO and the Management Team during the financial year 2010, 100% fell for the fixed salary.

In the share-based reward system launched in 2009, there were 100,000 stock options A and 25,000 stock options B distributed to the President and CEO, and 90,000 stock options to the members of the Management Team. At the close of the financial year, one member of the Management Team was included in the share-based reward system launched in 2004.

Risk management

The objective of Incap Corporation's risk management is to observe and analyse factors that have a negative impact on the achievement of the

company's goals in the long and short run, and take measures to minimise and postpone or eliminate the risks. 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.

Essential features in risk management include coverage of control and actions, systematic approach, essentiality, continuity, competence, traceability and documentation.

Significant short-term risks and uncertainties relating to business operations are described in interim reports and financial statement releases. Moreover, the Board evaluates the most important risks and uncertainties in the Report of the Board of Directors.

Internal control and audit

The Board of Directors at Incap Corporation is responsible for determining operating principles for internal control, as well as for monitoring internal control. Internal control is executed at different levels at Incap by the Board of Directors, management and personnel.

The objective of internal control is to assure the management that the following items are under control:

- Operations are effective, functional and in line with the strategy.
- Financial reporting and information given to the management are reliable, complete and up-to-date.
- Financial reports issued by the company give substantial and correct information on the company's financial position.
- The company operates according to specified internal operating instructions.
- The Group follows laws and regulations, as applicable.

The President and CEO, and the directors of business units and Group operations are responsible for arranging adequate control actions, as well as training related to the observance of orders in their units. Moreover, they make certain that bookkeeping and administration in their own areas of responsibility comply with the laws, Group's operating principles and the instructions and orders given by the Board of Directors at Incap Corporation.

Incap's internal control consists of operations by the Board and the management team, as well as of different financial and accounting operations. There are defined control actions for every level of organisation. Their purpose is to ensure that all applicable laws, regulations, internal operating instructions and ethical principles are observed. Control actions refer to

the operating instructions and procedures that are used to ensure that the management's orders are obeyed. These actions include, for instance, approvals, authorisations, inspections, balancing, performance monitoring, protection of property and division of tasks.

Individual operations are monitored continuously with separate evaluations, such as internal audits and audits of the accounts, supplier audits made by customers, as well as external and internal quality audits.

The internal control of financial reporting is performed by the Group's financial department located in Finland. The Group's financial and controller functions monitor that the financial reporting processes and control instructions are observed. Moreover, the financial and control functions monitor the correctness of external and internal financial reporting.

Besides the Group's external and internal reporting, the financial department is responsible for financing, hedging against currency risks and transfer pricing.

Financial reporting aims to produce up-to-date and relevant information for decision-making. The company's reporting is based on IFRS standards. The interpretation and application of accounting standards is centralised in the Group's finance and administration function. The standards were used as the basis when creating Group-wide recognition principles, as well as reporting and accounting standards. The controlling function, which is part of the financial department, provides the whole organisation with instructions on the general principles for monthly reporting. In addition, it is responsible for special reporting instructions related to budgeting and forecasting. The Group's financial department distributes internal instructions on the processes and practices related to financial reporting. The finance and administration function also provides other organisations with focused training related to practices and changes in financial reporting.

Another task of the Group's financial department is to take care of accounting and reporting for the Finnish parent company. External accounting and reporting of the Estonian subsidiary are managed by the local financial department, but internal accounting is managed by the Group's financial department. Internal and external accounting tasks at the Indian subsidiary are managed by the local financial department. The subsidiaries report actual figures on a monthly basis to the Group's reporting system. Consolidated financial statements are compiled with a tool chosen for consolidation and reporting. The Group's financial

department draws up actual reports and forecasts that are part of the Board of Directors' documents used at monthly meetings.

The Group has no specific organisation for internal auditing due to the scope of its business. The company has arranged internal auditing so that the audit service is acquired from an external, independent, professional and adequately resourced auditing service provider selected by the Group's Board of Directors. The service provider usually is an authorised public accounting firm. The action plan for internal auditing is taken into account in the annual plan for auditing the accounts. The internal auditing function reports directly to the Board of Directors and top management. The Board of Directors is responsible for the appropriateness and independency of internal auditing. The CFO acts as the coordinator for internal auditing.

Internal auditing follows the operating instructions and plan accepted by the Board of Directors at Incap Group. The audit is planned using an annual action plan with definitions for audit objects and auditing resources.

Internal auditing monitors the operations of all units and functions at Incap Group. The audit is primarily focused on activities that are essential to the reliability of the company's operations.

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

Internal audit by an external auditing service provider was not carried out in 2010. According to the plan for internal auditing the next audit will take place in spring 2011.

Insiders

The Incap Group's Guidelines for Insiders comply with the NASDAQ OMX Helsinki's Guidelines for Insiders, which came into effect on 9 October 2009, and they have been posted on the company's website. The Guidelines for Insiders have been distributed to all insiders and the compliance with the Guidelines is supervised by, for example, reviewing the information on insiders and their trading 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. 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 companies 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 2010 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 47,780 in audit fees, EUR 14,658 in tax advice and a total of EUR 46,434 for other services.

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. 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.

The purpose of Incap's investor communications is to support the right development of the share price by providing precise and up-to-date information on its business operations and financial development. It is ensured with open, timely and diverse communications that all stakeholders are provided with sufficient information on the company's operations simultaneously in order to assess the company as a prospective investment.

Helsinki, 22 February 2011

INCAP CORPORATION
Board of Directors

BOARD OF DIRECTORS

Board of Directors



Top, left to right
Kalevi Laurila
Susanna Miekko-oja
Raimo Helasmäki

Bottom, left to right
Kari Häyrinen
Lassi Noponen

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 has held a number of corporate board positions.

Incap shares (direct owning, owning of family members and controlled corporations): 2,933,038

Stock options: -

Susanna Miekk-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 Miekk-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 Miekk-oja is a board member at the Research Foundation of the University of Helsinki.

Incap shares: 43,250

Stock options: -

Raimo Helasmäki**M.Sc. (Mechanical Engineering), born 1963****A non-executive director, who is independent of the company and its major shareholders.**

Raimo Helasmäki has been a member of the Board of Directors of Incap Corporation since 2010. He works as Executive Vice President of Small Caliber Division at the Scandinavian Nammo Group and as President of Nammo Lapua Oy. Previously he has worked as the Managing Director of Esmi Oy, part of Schneider Electric Group, and as Marketing Director of TAC Finland Oy.

Incap shares: 10,000

Stock options: -

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

Kari Häyrinen has been a member of the Board of Directors of Incap Corporation since 2008. He serves as President and CEO at Finpro ry. Previously he has among others served as President for APAC Region at Perlos Corporation and Elcoteq SE.

Incap shares: 6,400

Stock options: -

Lassi Noponen**LL.M., MBA, born 1963****A non-executive director, who is independent of the company and its major shareholders.**

Lassi Noponen was elected into Incap Corporation's Board of Directors in 2009. He is a partner at Cleantech Invest Oy. He has previously acted as the Chairman of the Board of WinWind Ltd. and served as CEO of Proventia Group, a partner in Evli Corporate Finance and held different tasks in Neste Corporation. Lassi Noponen has been a member of the Sitra management team, which prepared the national Cleantech strategy for Finland.

Incap shares (direct owning and owning of family members): 187,822

Stock options: -

MANAGEMENT

Group management team



Top, left to right
Sami Mykkänen
Jari Koppelo
Kimmo Akiander
Mikko Hirvinen

Bottom, left to right
Eeva Vaajoensuu
Hannele Pöllä

Sami Mykkänen

President & CEO

B.Sc. (Eng.), born 1973

With the company since 2007 and as President and CEO since 2008.

Previous positions with Power-wave Technologies and its predecessors ADC, REMEC and Solitra among others in China.

Incap shares: 208,000

Stock options: 125,000

Jari Koppelo

**Director,
Energy Efficiency**

B.Sc. (Eng.), born 1975

With the company since 2008.

Previous positions among others with ABB and Serres Oy.

Incap shares: 3,000

Stock options: 17,000

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: 7,250

Stock options: 17,000

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: 17,000

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: 4,900

Stock options: 17,000

Hannele Pöllä

**Director, Communications
and Human Resources**

B.A. (Multilingual Communications), MKT, VJD, born 1955

With the company since 2000.

Previous positions with Instrumentarium Corporation, Hoechst Fennica Oy and Nextrom Oy.

Incap shares: 3,000

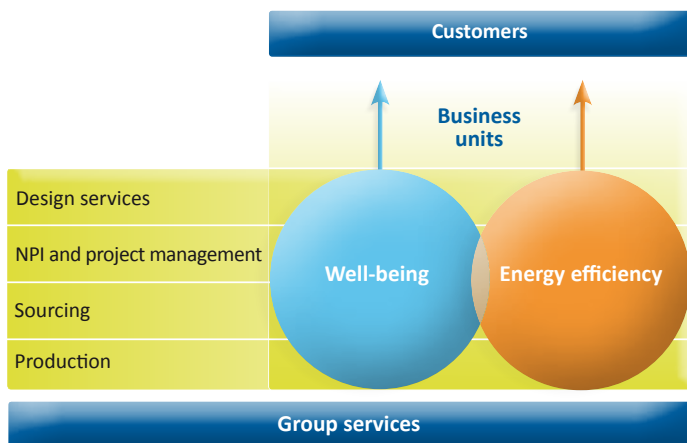
Stock options: 20,800

Until the end of year 2010 the Group's management team also included Jarmo Kolehmainen (B.Sc. (Eng.), born 1965). Jarmo Kolehmainen acted as director of Energy Efficiency Asia and as managing director of Incap Contract Manufacturing Services Pvt. Ltd. Kolehmainen worked with the company since 2008.

Incap's management organisation includes also so-called extended management team which includes besides the Group's members also Sami Kyllönen (operations services manager), Pekka Laitila (sourcing and materials director), Päivi Luotola (IT manager), Murthy Munipalli (director, Energy efficiency Asia), Riitta Pönniö (quality manager) and K.R. Vasantha (managing director of Incap CMS Pvt. Ltd.). The extended management team convenes once in a quarter.

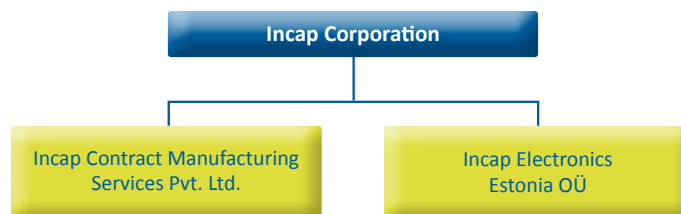
MANAGEMENT

Organisation



Customers and their needs are setting guidelines for Incap's operations and therefore, the business units that attend to the customer relationships play an important role in steering the company's operations. Business units are responsible for customers in their area of expertise, the new customer acquisition as well as for the sales and marketing of services.

Production serves the business units and its mission is to produce manufacturing services that are as efficient and competitive as possible. Design services, New Product Introduction (NPI) and project management as well as Sourcing provide services to business units and work in close co-operation with production.



Corporate structure

Incap Corporation, the parent company of Incap Group, is a public 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.

INVESTORS

Shares and shareholders

Incap Corporation has one series of shares and a total of 18,680,880 shares. Company’s share capital registered in the trade registry was 20,486,769.50 euros on 31 December 2010. 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 Industrial/Electrical Equipment. The company code is ICP and the book-entry type code is ICP1V. Incap’s share has been listed on the NASDAQ OMX Helsinki since 5 May 1997.

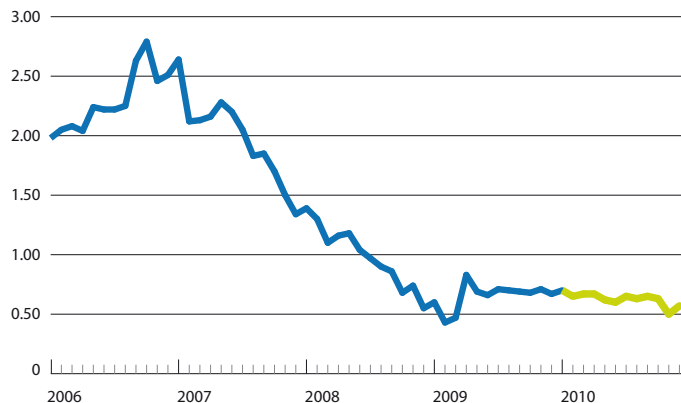
The price of Incap Corporation’s share varied in the range of EUR 0.49 to EUR 0.75 during the financial year. The last quotation in trading at the end of the year was EUR 0.57. The total trading of the share during the financial year was 39%. The company’s market capitalisa-

tion on 31 December 2010 was 10,648,101 euros. At the close of the financial year, the company had 1,084 shareholders, and less than 0.6% of the shares were nominee-registered.

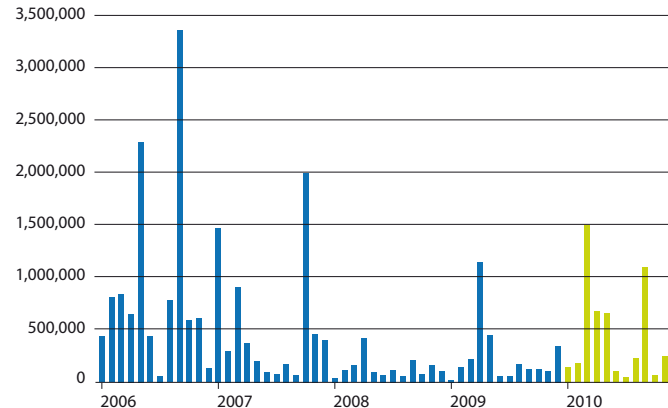
Directed share issues

Incap had in 2010 two directed share issues in which a total of 6,500,000 stock shares were subscribed. In order to have the new shares admitted for public trading on the NASDAQ OMX Helsinki, Incap published prospectus’ on 29 June and 13 December 2010.

Share price, EUR



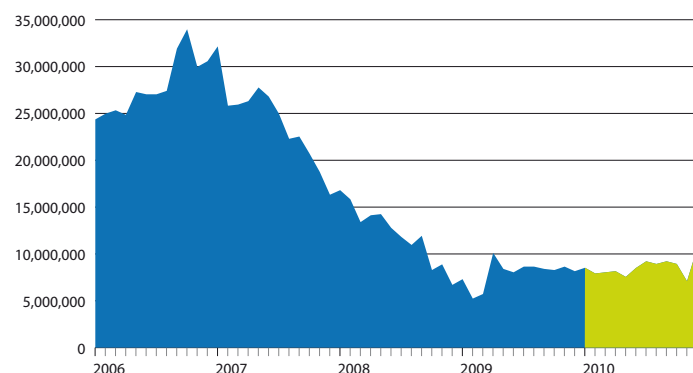
Trading volume, number of shares



The Annual General Meeting held on 13 April 2010 decided, according to the Board of Directors' proposal, upon a directed share issue where 2,000,000 new shares were, deviating from the pre-emptive right of the current shareholders, offered to the company's Board of Directors, President and CEO, management team members, and those of the current shareholders who, at the beginning of the placement on 13 April 2010, held at least 100,000 shares in the company. The subscription price of the shares was EUR 0.64, which was the volume-weighted average price of the company's share on the NASDAQ OMX Helsinki Ltd in March 2010. Seven of the biggest shareholders subscribed for a total of 1,812,200 shares, which represented approximately 91% of all the new shares. The Board of Directors, President and CEO, and management team members subscribed for a total of approximately 9% of the new shares.

The Extraordinary General Meeting decided on 9 September 2010 to carry out a directed share issue where a minimum of 4,000,000 and a maximum of 4,500,000 new shares were, deviating from the pre-emptive right of shareholders, offered to professional investors, the Board of Directors, President and CEO, the management team members, and those of the current shareholders who held at least 100,000 shares on 14 September 2010. The subscription price was EUR 0.64, which was the volume-weighted average price of the company's share in August 2010. Subscriptions were made for the maximum number of shares, a total of 4,500,000 shares. The new shares issues and subscribed for represent approximately 24% of all shares and voting rights after the share issue.

Market capitalisation, EUR



Following the registration of the new shares, Incap Corporation has a total of 18,680,880 shares.

Authorisations by the Board of Directors

The Annual General Meeting authorised on 13 April 2010 the Board of Directors to decide, within one year of the Annual General Meeting, on increasing the share capital through one or more rights issues so that the total number of new shares to be subscribed for on the basis of the authorisation is a maximum of 1,500,000 shares. The authorisation includes the right to disapply shareholders' pre-emptive subscription rights and to decide on subscription prices and other terms and conditions of subscription. Shareholders' pre-emptive rights can be disapplied providing that, from the company's standpoint, there is a weighty economic reason for doing so, such as the development of the company's business operations, the financing of M&A arrangements, an arrangement related to capital funding or personnel policy reasons. The Board of Directors shall have the right to decide that shares can be subscribed for through a contribution in kind, by way of offsetting rights or otherwise subject to certain conditions. By the end of the financial year, the Board had not used the authorisation.

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. By the end of the financial year, there were a total of 315,000 valid stock options 2004C, and they entitle to a subscription of a maximum of 1.7% of the company's shares and votes after the eventual increase in share capital.

The subscription price with 2004C option warrants is 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 com-

mencement of the period for determining the subscription price of the share and prior to the share subscription.

Subscription period for shares with 2004C option warrants is from 1 April 2009 to 30 April 2011. 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 in February 2009 consists of a total of 600,000 option rights entitling to a subscription of 600,000 of Incap Corporation's share. Stock options are divided into stock op-

tions 2009A, 2009B and 2009C. The number of A options amounts to 100,000 pieces, B options to 100,000 pieces and C 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.

By the launch of the stock option scheme in spring 2009, 100,000 stock options A were distributed to the President and CEO, and in February 2010 he was granted 25,000 stock options B. A total of 100,000 stock options C were distributed to key personnel of the company in February 2010.

Development of share capital

		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 2010

	Owners, pcs	%	Shares and votes, pcs	%
Private enterprises	66	6.1	10,949,864	58.6
Financial institutions	7	0.6	1,122,196	6.0
Public sector entities	2	0.2	287,501	1.5
Non-profit organisations	4	0.4	13,801	0.1
Households	1,005	92.7	6,307,518	33.8
Total	1,084	100	18,680,880	100
Nominee-registered shares	4		109,896	0.6

The shares that can be subscribed for through the exercise of the stock options represent a maximum of 3.1% of the company's shares and the votes conferred by the shares after any possible increase in share capital.

At the issuing stage, all stock options that are not distributed shall be issued to Euro-ketju Oy, a wholly-owned subsidiary of Incap 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, the president and their interest parties as well as the companies under their control, own a total of 3,388,510 shares, or 18.1% of the company's shares and votes.

Breakdown of shareholdings by number of shares on 31 December 2010

Shares, pcs	Shareholders		Shares and votes	
	pcs	%	pcs	%
1–100	156	14.4	9,443	0.1
101–500	299	27.6	96,690	0.5
501–1,000	218	20.1	189,675	1.0
1,001–5,000	259	23.9	679,908	3.6
5,001–10,000	73	6.7	544,780	2.9
10,001–50,000	53	4.9	1,191,806	6.4
50,001–100,000	11	1.0	739,627	4.0
100,001–500,000	8	0.7	1,499,555	8.0
500,001–	7	0.7	13,729,396	73.5
Total	1,084	100	18,680,880	100

Largest shareholders on 31 December 2010

	Shares, pcs	Percentage of shares and votes, %
Oy Etra Invest Ab	4,139,801	22.2
JMC Finance Oy	2,188,000	11.7
Finnish Industry Investment Ltd.	2,185,509	11.7
Oy Ingman Finance Ab	2,000,000	10.7
Sundholm Göran	1,481,113	7.9
Mandatum Life Insurance Company Limited	1,000,000	5.4
Laurila Kalevi Henrik	734,973	3.9
City of Turku Risk Management Fund	271,501	1.5
Mykkänen Sami Petteri	208,000	1.1
Jäntti Eero Juhani	197,511	1.1

INVESTORS

Information for shareholders

Annual General Meeting

The Annual General Meeting of Incap Corporation will be held on Wednesday, 13 April 2011 beginning at 3.00 p.m. at Hotel Kämp at the address Pohjoisesplanadi 29, 00100 Helsinki. In order to attend the Annual General Meeting, shareholders must be registered in the Shareholder Register kept by Euroclear Finland Ltd. no later than by 1 April 2011.

Registration for attending the AGM must be made no later than 4.00 p.m. on Thursday 7 April 2011.

A holder of nominee-registered shares is considered having registered for the participation in the Annual General Meeting if he/she has temporarily been entered into Shareholder Register by 8 April 2011 at 10 a.m. at the latest. For this the shareholder should be in contact with his/her custodian operator.

Registration can be made

- by email to pii.ahtiainen@incap.fi
- by a letter to Incap Corporation/AGM, Valuraudankuja 6, 00700 Helsinki
- by phone on +358 40 347 2124/Pii Ahtiainen
- by fax to the number +358 9 224 4095.

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

Financial information

The publication dates for financial reports in 2011 are the following:

- Financial Statements for 2010 on Wednesday, 23 February 2011

- Interim Report for January-March on Wednesday, 4 May 2011
- Interim Report for January-June on Wednesday, 3 August 2011
- Interim Report for January-September on Wednesday, 2 November 2011.

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 their custodian operator.

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 40 347 2125/Sanna-Mari Kylli.

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 events 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 Pohjola Bank Plc./Hannu Rauhala, tel. +358 10 252 4392, follows Incap as a portfolio investments. Incap is not responsible for the contents of analyses or the estimates presented in them.

Year 2010 releases

January

Incap published an annual summary of previous year's stock exchange and press releases. (Stock exchange release, 18 January 2010)

Incap Group's Estonian subsidiary was nominated for the first ever title of the Best Employer of the Year 2009 in Kuressaare by the Kuressaare Town Government. (Press release, 18 January 2010)

Incap's Vuokatti factory won the series for Electronics and Electro-technical Industry in the working environment evaluation contest 2009 arranged by the Federation of Finnish Technology Industries. (Press release, 21 January 2010)

February

Negotiations concerning eventual business transaction of the Vuokatti factory were concluded with no results and the company planned to transfer the production to Estonia during the year 2010. Incap started cooperation negotiations, which included eventual redundancies of approximately 130 employees. (Stock exchange release, 4 February 2010)

Incap lowered its result estimate for 2009 and informed that based on the possible closing down of Vuokatti factory, Incap recognised a total of approx. EUR 2.5 million of non-recurring expenses in its fourth quarter result 2009. After the recognition, Incap Group's full-year operating profit 2009 was estimated, according to preliminary calculations, to be approx. EUR 4.9 million negative. (Stock exchange release, 4 February 2010)

Incap published financial statements for 2009. Full-year revenue decreased by approx. 26% on previous year and amounted to 69.8 million. Revenue decrease was due to expected cut down of deliveries to telecommunications customers. Operating profit was EUR 5.0 million negative. Result includes approx. EUR 2.5 million of non-recurring expenses due to eventual close down of Vuokatti factory. Thanks to re-

organisation programme, personnel expenses and other operational expenses decreased from the previous year by approx. EUR 3.8 million. (Stock Exchange Release, 24 February 2010)

March

Statutory cooperation negotiations were concluded in Vuokatti plant. Since no solutions were found during the negotiations for continuation of the factory operations, Incap decided to transfer the factory's production to Estonia. As a result, the factory operations are closed down gradually during 2010 and altogether 124 persons' employment contracts will be terminated. (Stock exchange release, 17 March 2010)

Notice to the Annual General Meeting on 13 April 2010. (Stock Exchange Release, 23 March 2010)

Incap Corporation's electronic annual report for 2009 was published in Finnish and in English on the company's website. (Stock Exchange Release, 25 March 2010)

April

The Annual General Meeting of Incap Corporation was held on Tuesday, 13 April 2010 in Helsinki. A total of 17 shareholders participated in the meeting, representing a total of 60.1% of all shares and votes. Of the previous members of the Board of Directors, Kari Häyrinen, Kalevi Laurila, Susanna Miekko-oja and Lassi Noponen were re-elected to the Board of Directors and Raimo Helasmäki was elected as a new Director. (Stock Exchange Release, 14 April 2010)

Incap's Annual General Meeting decided on a directed issue according to the Board's proposal. Maximum of 2,000,000 new shares were issued. The number of new shares represents approximately 16.4% of the company's all shares prior to the share issue. (Stock Exchange Release, 14 April 2010)

Incap celebrated its 10-year presence in Estonia. Starting production in Estonia was for Incap Group the first step in the internationalisation of the company. (Press release, 23 April 2010)

May

The Board of Incap approved the subscriptions of directed share issue. All of the new shares were subscribed. (Stock Exchange Release, 4 May 2010)

Incap's interim report January–March 2010 was published. Revenue in the first quarter stood at EUR 13.4 million, or 27% lower than during the comparable period in the previous year. Operating profit was EUR -1.7 million. (Stock Exchange Release, 5 May 2010)

Incap and ABB Oy, Machines signed a supply contract on the manufacture of rotor components. The contract was a continuation of previous supply agreement which dates back to the year 2000. (Press release, 10 May 2010)

June

Incap signed a partnership agreement with Kenyan Thames Electricals Ltd. According to the agreement, Incap designs and manufactures inverters for the customer. For Incap, this agreement was a head start in marketing the company's own products in the emerging markets. (Press release, 21 June 2010)

Incap signed an agreement on the participation in the venture capital fund Clean Future Fund I whose potential investments included more than one hundred firms operating in cleantech business. (Press release, 23 June 2010)

Incap published a prospectus concerning the directed share issue implemented in April 2010. The prospectus was prepared in order to enable the company to apply for the admission of the new shares to public trading. (Stock Exchange Release, 29 June 2010)

July

After the registration of the new shares subscribed in the directed share issue of Incap, the holdings of Göran Sundholm of Incap shares

exceeded 5%. Göran Sundholm subscribed a total of 500,000 new shares and his holdings of Incap's shares amounted to a total of 1,123,263 shares representing 7.9% of the shares and votes. (Stock Exchange Announcement, 22 July 2010)

August

Incap published interim report January-June 2010. Revenue in January-June stood at EUR 29.3 million, down 17% compared with corresponding period in 2009. Operating profit was EUR -2.8 million. The second-quarter revenue increased and the loss clearly decreased compared to the first quarter. (Stock Exchange Release, 4 August 2010)

Notice was given to the shareholders of Incap to the Extraordinary General Meeting on 9 September 2010 (Stock Exchange Release, 18 August 2010)

Incap convened negotiations in accordance with the Cooperation Act in its operations in Finland which referred to temporary layoffs for a maximum total duration of 90 days, due to production and financial reasons. The negotiations concerned 186 employees who work in Incap's factories in Vaasa and Helsinki as well as in corporate services. (Stock Exchange Release, 26 August 2010)

September

Incap's Extraordinary General Meeting was held on 9 September 2010 and approved the proposal made by the Board of Directors concerning a directed issue. The company's capital structure was strengthened by issuing a minimum of 4,000,000 and a maximum of 4,500,000 new shares. (Stock Exchange Release, 9 September 2010)

Incap's cooperation negotiations in Finland were concluded and resulted in temporary layoffs of the personnel in Finland due to production and financial reasons for different periods of time varying from eleven days to three months. All the temporary layoffs of the personnel took place by the end of the year 2010. (Stock Exchange Release, 14 September 2010)

Incap Corporation and Lankapaja Corporation signed a letter of intent regarding the sale of the sheet-metal business of Incap's Helsinki

plant. The intention is to sign the actual agreement so that the sheet-metal production at the plant will be transferred to Lankapaja on 1 January 2011. The planned sale of business, if concluded, will enable the specialisation of the Helsinki plant into a final assembly plant. (Stock Exchange Release, 17 September 2010)

Incap was informed that in Sampo Group the holdings of Mandatum Life Insurance Company Ltd. of Incap Corporation's shares have exceeded 5%. Mandatum Life Insurance Company Ltd.'s new share of Incap's shares and votes was 1,000,000 shares i.e. 7.05%. (Stock Exchange Announcement, 21 September 2010)

Holdings of Oy Etra Invest Ab of Incap's shares decreased below 25%. Oy Etra Invest Ab's new share of Incap's shares and votes was 3,139,801 shares i.e. 22.14%. (Stock Exchange Announcement, 21 September 2010)

Incap's directed share issue was subscribed in full. The subscriptions for new shares, a total of 4,500,000 new shares, represent approximately 31.7% of all shares before the directed share issue. (Stock Exchange Release, 30 September 2010)

After the subscriptions of the directed share issue and the registration of the new shares of Incap, the holdings of Finnish Industry Investment Ltd. of Incap Corporation's shares exceeded 10%. New share of Finnish Industry Investment Ltd. of Incap's shares and votes was 2,185,509 shares i.e. 11.7% after the registration of the new shares. (Stock Exchange Announcement, 30 September 2010)

October

After the subscriptions of the directed share issue and the registration of the new shares of Incap, the holdings of JMC Finance Oy of Incap's shares declined below 15%. New share of JMC Finance Oy of Incap's shares and votes was 2,188,000 shares i.e. 11.7% after the registration of the new shares. (Stock Exchange Announcement, 1 October 2010)

The combined holdings of OP Pohjola Group Central Cooperative and entities controlled by it as well as its subsidiaries and investment funds administered by such subsidiaries, based on Incap's convertible prom-

issory notes, declined below 5%. If the subscription right based on convertible promissory notes is realised, OP Pohjola Group Central Cooperative had a total of 760,000 shares i.e. 4.1% of shares and votes. (Stock Exchange Release, 12 October 2010)

November

Incap published interim report January-September 2010. Revenue in January-September stood at EUR 43.0 million and operating profit was EUR -3.2 million. Profitability was burdened by the decline in revenue and the structural change. Centralisation of European electronics manufacturing in one unit has progressed according to schedule. (Stock Exchange Release, 3 November 2010)

Wrong information on the parent company's equity in Incap's interim report was corrected. (Stock Exchange Release 4 November 2010)

Incap's Financial Calendar for the year 2011 was published. (Stock Exchange Announcement, 19 November 2010)

December

Appointments in Incap India were published. Jarmo Kolehmainen, Managing Director of the Indian operations and a member of the Group Management Team, left Incap to accept new duties in another company. Mr K.R. Vasantha was appointed Managing Director of Incap Contract Manufacturing Services Pvt. Ltd. and Mr Murthy Muniipalli was appointed Director, Energy Efficiency Asia. Mr Jari Koppelo, who is in charge of the Business Unit Energy Efficiency Europe, became responsible also for Energy Efficiency Asia. (Stock Exchange Release, 2 December 2010)

Incap published a prospectus concerning the directed share issue implemented in September 2010. (Stock Exchange Release, 13 December 2010)

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Vaasa

Helsinki

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The logo for INCAP, featuring the word "INCAP" in a white, serif font on a blue rectangular background.

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