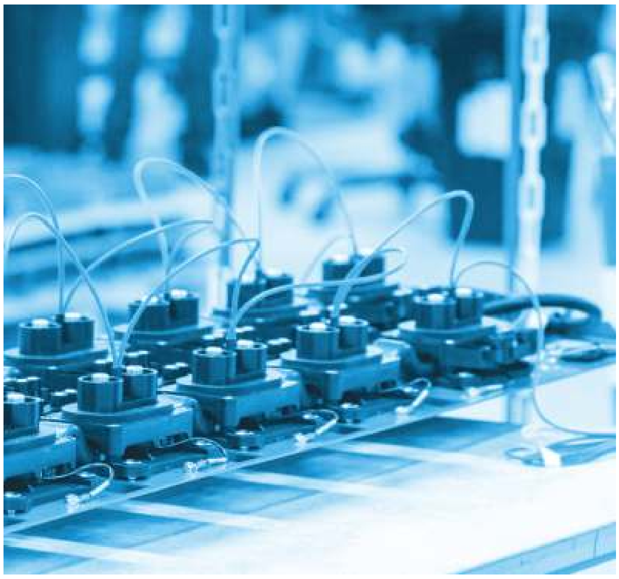
InCap



ANNUAL REPORT

2018

INCAP IN BRIEF

We are an Electronics Manufacturing Services (EMS) company with manufacturing operations in India and Estonia and a sourcing team in Hong Kong. Our professional and competent team is especially focusing on customer service. With our flexible, agile and efficient operations we are able to provide the best solutions to meet our customers' needs.

In the EMS marketplace, Incap has a long history and reputation of high quality. Over the years we have learned that alongside with the core EMS market demand of On Time Delivery, Quality and Cost efficiency, our customers expect their partners to be able to adjust for continuous change. That is how we develop and run our operations.

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YEAR 2018

Incap continued its profitable growth. Both revenue and operating profit increased and the share of the operating profit out of revenue stayed at a good level. A new production line in India and the renewal of production capacity in Estonia enabled continued organic growth.

Incap Group's revenue grew by 21.5% and was EUR 59.0 million. The operating profit increased from EUR 4.5 to 8.6 million. The second half of the year was especially strong both in revenue and profit. Revenue for the first half of the year amounted to EUR 27 million and for the second half to EUR 32 million. Operating profit stood at EUR 3.1 million for the first half of the year and 5.5 for the second half. Earnings per share were EUR 1.34.

The EBIT margin improved to 14.6 per cent of revenue. The company continued to be among the best companies in its peer group in this respect.

Special attention was paid to the customer-focused flexibility and efficiency of operations.

The company's overhead costs were kept low in order to ensure profitable operations and competitiveness. Thanks to successful cost management the financial position was strengthened further.

The factory extension in India and the modernisation of production machinery in Estonia enable the acquisition of new customers and new products. The revenue can be increased further without any significant new investments in factory premises.

Key Figures (IFRS)		**2018**	**2017**
Revenue	EUR million	59.0	48.5
Operating profit (EBIT)	EUR million	8.6	4.5
share of revenue	%	14.6	9.4
Profit before tax	EUR million	7.9	4.0
Profit for the period	EUR million	5.8	3.1
Earnings per share (EPS)	EUR	1.34	0.72
Return on investments (ROI)	%	46.8	28.4
Equity ratio	%	49.1	42.0
Investments	EUR million	2.2	0.7
Personnel at year end		768	570

> Our world-class quality and efficiency are based on seamless team work throughout the whole production and delivery chain.

STRONG YEAR FOR INCAP

Review by the president and CEO

OTTO PUKK

President and CEO

Our business performed well throughout 2018. Our revenue increased mainly thanks to the growing demand from the established customers, and we were also able to increase the volumes with new customers.

I am especially delighted in the good profitability. Operating profit amounted to EUR 8.6 million, corresponding to 14.6 percent of revenues. In Electronics Manufacturing Services business this is generally considered to be a good level.

When developing our operations we continue to focus on functions which bring the highest added value to our customers. We maintained a lean organizational structure and continued strict management of costs, and consequently, this together with the revenue increase, our profitability clearly improved.

Naturally, these results cannot be achieved without a highly professional and ambitious personnel. Our world-class quality and efficiency are based on seamless team work throughout the whole production and delivery chain. The dedicated team spirit can also be seen in our low employee turnover rate. We aim to keep the best professionals at Incap by providing good training opportunities and family-friendly working atmosphere.

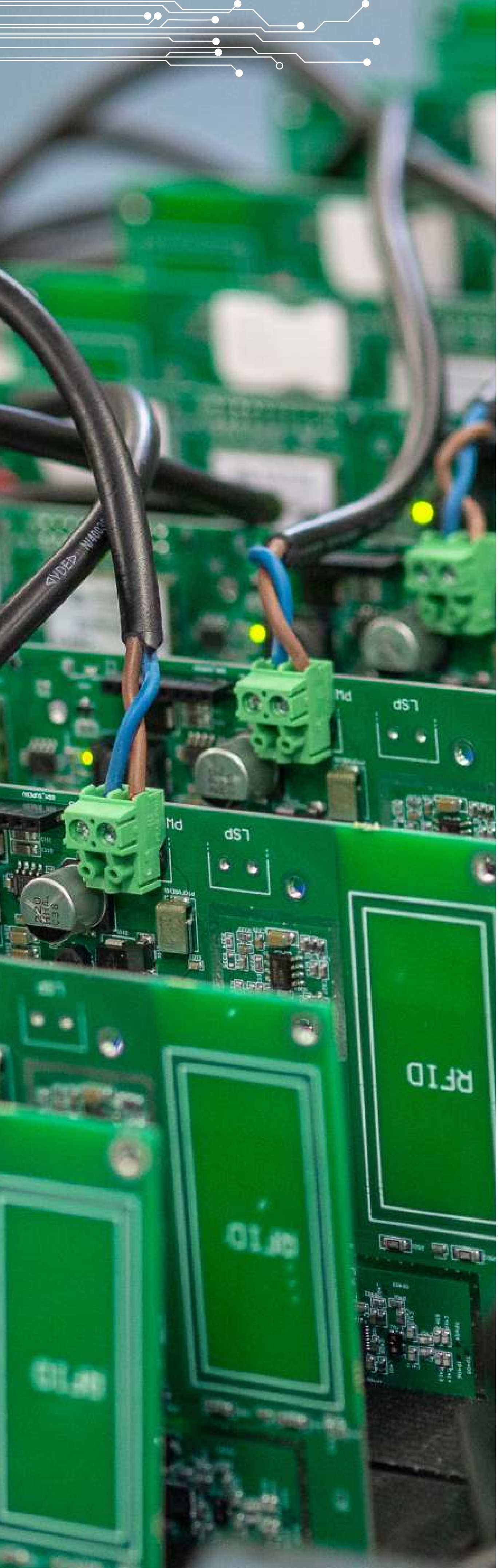
Along with the increased demand from our customers we focus on improving and increasing our manufacturing capacity. In India, the factory expansion with a new production line was indeed necessary to meet the growing demand. Furthermore, the development actions implemented in our factory in Estonia improved efficiency. In order to respond to growing demand and customer deliveries we will continue our investments in developing the production capabilities and capacity even further.

The electronics manufacturing services industry has suffered from problems in component availability during the whole year. Thus, we increased our inventories for components and continued to cooperate closely with our suppliers in order to secure on-time deliveries to our customers.

We continue our work to expand our customer base. Alongside the established industrial companies we are also co-operating with several promising technology start-ups in applications such as light vehicles.

We face the future with confidence as the use of electronics in various application areas is expanding worldwide. Prospects for contract manufacturing services currently look bright but as an Electronic Manufacturing Service provider we need to be prepared to adjust quickly to the possible changes in market situation. I trust that our effective business model keeps us competitive also in the future. Our financial position is solid and we are in a good position to grow our business also through mergers and acquisitions should the right opportunity arise.

I would like to thank our personnel, our customers, suppliers, partners and owners for a successful year 2018.



OPERATING ENVIRONMENT

Quick adaptation is key to success in the electronics industry

In the Electronics Manufacturing Service business, customers expect that their manufacturing partners continuously increase their efficiency and stay competitive.

Incap's business grew during 2018, as a consequence of more and more electronics applications introduced to the market. General cost level remained stable in the countries where Incap has operations. However, the electronics manufacturing services business is currently suffering from problems in component availability due to the increased demand worldwide, and prices of components and raw materials showed a moderate trend of increase.

Incap believes that the skill to adapt quickly is key to success in the electronics manufacturing industry, and this trend is expected to continue. In order to launch new production methods and products successfully as well as to make new ideas easier to implement, companies have to be ready to quickly adapt to new situations – in terms of motivation and ambition as well as technological readiness. Today, mounting of components on boards in many cases would not even be possible without robotics, as details are often measured in fractions of millimeters.

In the long run, Incap sees the market development positive as electronics are more and more used also in new areas such as in light vehicles or other everyday devices. Further more the global megatrends, with a growing and ageing population, will offer market opportunities in health care and environmental technology.

BUSINESS REVIEW

Strong year for Incap

FLEXIBLE, AGILE AND EFFICIENT. THAT IS INCAP´S ORIENTATION.

Year 2018 was successful for Incap Group. Revenue amounted to EUR 59.0 million, up 21.5% year-on-year. Operating profit (EBIT) amounted to EUR 8.6 million, up by EUR 4.1 million, corresponding to 14.6 per cent of the revenue. Thanks to both an increasing demand from the established customers, and increasing volumes from new customers. Healthy profitability was achieved by keeping the organizational structure lean and overhead costs low, and improving the efficiency of both factories. Profitability also increased due to the growth in revenues.

Alongside the core Electronic Manufacturing Services (EMS) market demand - on time delivery, quality and cost efficiency - customers expect their partners to be able to adapt for continuous change. With this in mind, a new production line was taken into use both in Incap´s Indian and in Estonian factories during 2018. The extensions will enhance efficiency and flexibility of the production lines.

FACTORIES CLOSE TO THE KEY MARKET AREAS IN EUROPE

Incap's factory in Kuressaare, Estonia focuses on technologically advanced production. Its customers represent most often world-class companies in the field of industrial electronics, consumer electronics or medical electronics. The main market area is Europe particularly due to the factory's geographical location. In addition to Europe, the Kuressaare factory serves both established industrial customers as well as technology start-ups worldwide.

The Estonian services include sourcing and purchasing, logistic solutions, vendor management, inventory management, PCB-, box-build- and electromechanical assemblies and other customized solutions. Also new product introduction, prototypes and pre-series as well as controlled production ramp-ups are part of the day-to-day operations.

Incap sees that lease-based production lines are playing an increasing role in a constantly transforming industrial sector. This is why in Incap Electronics Estonia, has three production lines, including a novel leased production line that was installed in 2017 and complemented in 2018 in order to render the production process more flexible. Using a high-level automated production, the rate of defects has at the same time been reduced to a minimum. However, the new machinery has not reduced the need for specialists, who take care of the setup and operations that automation cannot yet perform independently.

Incap has operated in Estonia since 2000. In 2018, Incap Electronics Estonia OÜ employed approximately 70 professionals.

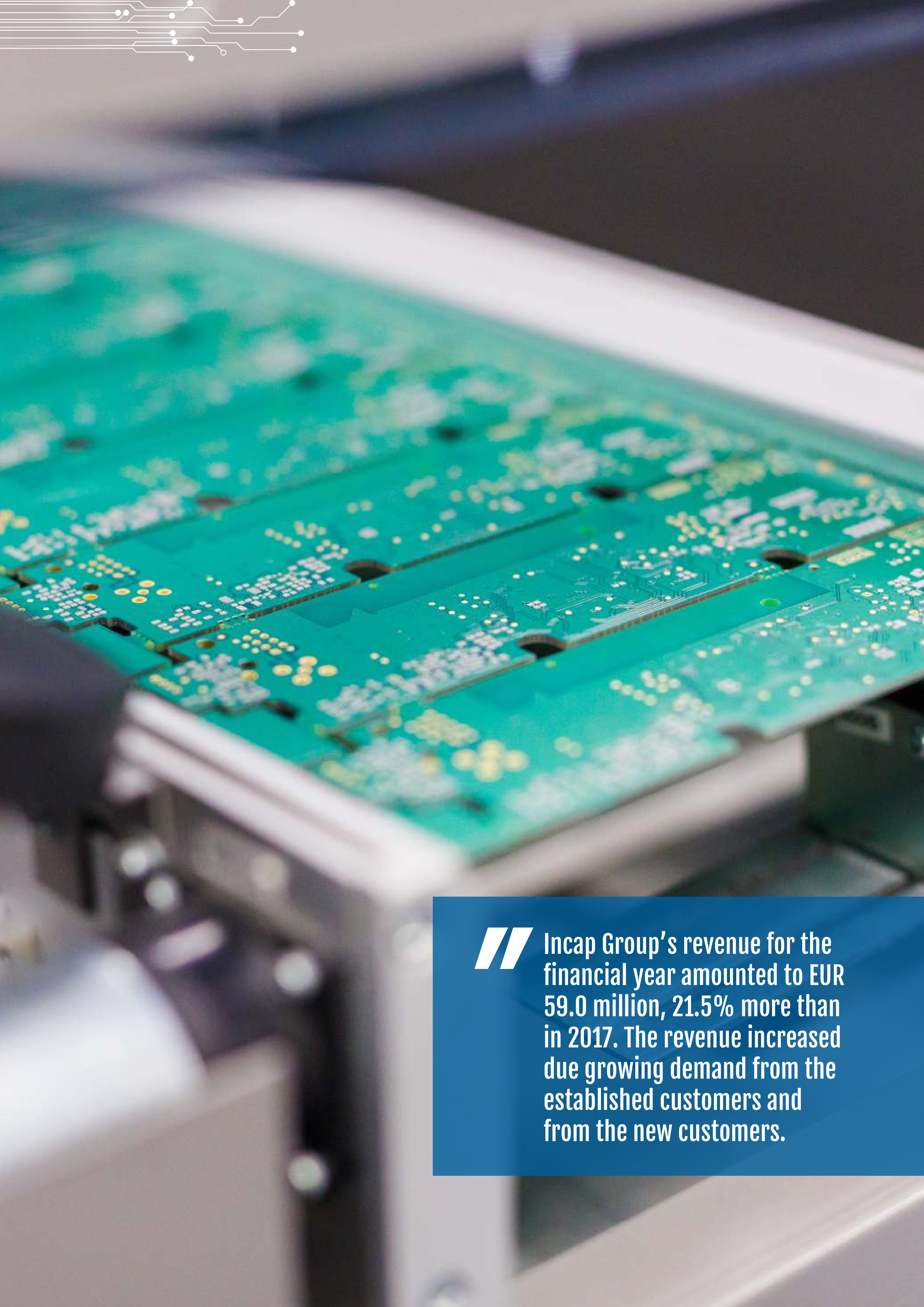
... AND IN ASIA

Incap´s Tumkur factory in India specialises in the manufacturing of electronics and box-build products. The focus is on industrial customers such as automation, power and telecom companies. Customers represent mainly globally-operating electronic device manufacturers, who may be established in Europe but have production facilities in Asia. With the location near Bangalore, Incap is well situated to serve customers in the whole Asia-Pacific area. In addition to the international customers, Tumkur also serves the Indian market.

Solutions and services include PCB assembly and manufacturing, box-build assembly, prototyping & engineering services, tester development and magnetic assemblies.

Tumkur factory was acquired by Incap in 2007. The latest significant expansion on the production premises was started in 2017, and was further completed with a new assembly line during 2018. This clearly increased the volumes from the second half of the year 2018. At the year-end approximately 690 professionals worked in Incap Contract Manufacturing Pvt. Ltd in India.

In 2018, Incap India was rewarded a Smart Logistic Award 2018, as a best performers across the value chain of shipping and logistics industry in Karnataka region. It was also honoured with the "Best District Exporter Award Tumkur" for the years 2017-2018.



Incap Group’s revenue for the financial year amounted to EUR 59.0 million, 21.5% more than in 2017. The revenue increased due growing demand from the established customers and from the new customers.

REPORT OF THE BOARD OF DIRECTORS FOR 2018

BUSINESS ENVIRONMENT

There were no significant changes in the business environment of Incap Group in 2018. The customers are very price-conscious and expect that their manufacturing partners increase efficiency continuously and stay competitive. General cost level remained stable in countries where Incap has operations. However, the electronics manufacturing services business has suffered and is still suffering from problems in component availability due to high demand. Prices of components and raw materials showed a moderate trend of increase.

In the long run, Incap sees the market development positive as electronics is used more and more in industry but also in new areas such as in light vehicles and other everyday items. Also, the growing environmental technology sector will offer the market opportunities.

REVENUE AND EARNINGS IN 2018

Incap Group's revenue for the financial year amounted to EUR 59.0 million, 21.5% more than in 2017 (1-12/2017: EUR 48.5 million). The revenue increased due to the growing demand from the established customers and from the new customers.

The profitability was good. The full-year operating profit (EBIT) amounted to EUR 8.6 million (EUR 4.5 million), being 14.6% out of revenue (9.4%) which is generally considered to be a good level in the industry. The profitability was achieved by keeping organization structure lean and overhead costs low, and increasing the efficiency of both companies. In addition to this, the profitability also increased due to the growth in revenues.

Personnel expenses increased due to the growing volumes and amounted to EUR 4.6 million (EUR 4.1 million). Other business costs amounted to EUR 3.5 million (EUR 3.3 million). As a result of the growing business volume the material costs increased from EUR 36.9 million to EUR 44.3 million. The value of inventories increased from EUR 7.7 million to EUR 11.6 million at the end of the reporting period.

Net financial expenses amounted to EUR 0.7 million (EUR 0.5 million). Depreciation amounted to a total of EUR 0.5 million (EUR 0.4 million).

Profit for the period was EUR 5.8 million (EUR 3.1 million). Earnings per share were EUR 1.34 (EUR 0.72).

INVESTMENTS

Investments in 2018 totalled EUR 2.2 million (EUR 0.7 million) and were mainly related to the new manufacturing line in India.

BALANCE SHEET, FINANCING AND CASH FLOW

The balance sheet total on 31 December 2018 stood at EUR 32.1 million (EUR 24.8 million). The Group's equity at the closing of the financial period was EUR 15.7 million (EUR 10.4 million). The parent company's equity totalled EUR 12.1 million (EUR 10.7 million).

The Group's equity ratio improved further amounting to 49.1% (42.0%). Net gearing improved to 16.1% (41.9%).

Liabilities increased slightly to EUR 16.3 million compared with previous year (EUR 14.4 million), of which EUR 5.5 million (EUR 7.2 million) were interest-bearing liabilities.

Interest bearing net debt decreased to EUR 2.6 million (EUR 4.4 million).

The Group's non-current interest-bearing liabilities amounted to EUR 1.0 million (EUR 2.3 million) and non-interest-bearing liabilities EUR 0.5 million (0.0). The current interest-bearing liabilities were EUR 4.5 million (EUR 4.9 million). Out of the interest-bearing liabilities EUR 3.1 million are related to the Indian subsidiary (EUR 3.0 million). Other liabilities include EUR 1.4 million of bank loans and limits granted by the company's Finnish bank and EUR 1.0 million of factoring financing used in Estonia.

The covenants of the Group's loans include equity ratio and the Group's interest-bearing debt in relation to EBITDA, and their status is reviewed every six months. In the review on 31 December 2018 the target level of interest-bearing debt in relation to EBITDA was below 2.5 and the equity ratio more than 25%. The company met these covenants and the actual figure interest-bearing debt/EBITDA on the review date was 0.6 (1.5) and the equity ratio 49.1% (42.0%).

As to the loans granted by the Indian bank the company has committed to follow ordinary covenants and the bank's general loan conditions.

The Group's cash position during the report period was good. The Group's quick ratio was 1.0 (1.0), and the current ratio was 1.7 (1.6).

Cash flow from operations was EUR 4.1 million (EUR 1.9 million). On 31 December 2018, the Group's cash and cash equivalents totalled EUR 2.9 million (EUR 2.9 million). The cash and cash equivalents showed an increase of EUR 0.03 million.

PERSONNEL

At the end of 2018, the number of personnel in Incap Group was 768 (570). Of the personnel 90.5% (87%) worked in India, 9.2% (12%) in Estonia and 0.3% (0.5%) in Finland. At the end of the year, 126 of Incap's personnel were women (113) and 642 were men (457). The average age of the personnel was 33 years (31). The average number of personnel was 684 (535).

The number of permanent personnel totalled 215 (198), and the number of fixed-term contracts was 553 (372).

MANAGEMENT AND ORGANISATION

The management team of Incap consists of CEO Otto Pukk, who is also the Managing Director for Incap's subsidiary in Estonia, CFO Antti Pynnönen (from January 21, 2019 onwards) and Managing Director of the Indian subsidiary Murthy Munipalli.

The duties of CEO of Incap were carried out until 25 June 2018 by Vesa Mäkelä (M.Sc. Eng., MBA, born 1964). Otto Pukk (M.Sc. Econ. born 1978) was appointed CEO on September 18, after acting as interim CEO from 25 June 2018. Otto Pukk is also the Managing Director for Incap's subsidiary in Estonia. Antti Pynnönen (M.Sc. Econ., born 1982) was appointed as CFO and member of the Management Team on 23 November 2018 and he assumed his duties as of 21 January 2019.

The Group has business units in Estonia and in India and sourcing operations in Hong Kong. Business units in Estonia and in India operate as profit centres and are responsible besides for the actual order-delivery process also for the quotations and pricing in accordance with the corporate guidelines. Finance and administration, sourcing, sales, IT and communications are coordinated by the corporate office.

SIGNIFICANT CONTRACTS DURING THE PERIOD

In November Incap signed a manufacturing services partnership contract with Corvus Energy, the leading provider of the world's most advanced maritime energy storage systems. More than 90% of large commercial hybrid vessels utilize Corvus energy high power energy storage systems, the modular lithium-ion battery systems. According to the contract, Incap will act as the preferred supplier manufacturing for the new product lines of Corvus. The manufacture and assembly of the products will take place in Incap's factory in Kuressaare, Estonia and the first deliveries were made in late 2018. The partnership contract is estimated to bring additional revenue of over EUR 5 million annually.

Incap will act as the preferred supplier manufacturing for the new product lines of Corvus. The manufacture and assembly of the products will take place in Incap's factory in Kuressaare, Estonia and the first deliveries were made in 2018.

QUALITY ASSURANCE AND ENVIRONMENTAL ISSUES

Incap Group's both business units have environmental management and quality assurance systems certified by Bureau Veritas. The systems are used as tools for continuous improvement. The environmental management system in both business units complies with ISO 14001:2015, and the quality assurance system complies with ISO 9001:2015. In addition, the Estonian unit has the ISO 13485/2016 quality certification for the manufacture of medical devices. The Estonian unit also complies with the Occupational health and safety management system OHSAS 18001.

ANNUAL GENERAL MEETING 2018

The Annual General Meeting of Incap Corporation was held in Helsinki on 17 April 2018. The Annual General Meeting adopted the financial statements for the financial period ending 31 December 2017 and decided, in accordance with the proposal of the Board of Directors, that no dividend be distributed for the financial period and that the profit for the financial period (EUR 888,818.01) be recognised in equity.

AUTHORISATION OF THE BOARD OF DIRECTORS

The Annual General Meeting held on 17 April 2018 authorized the Board of Directors to decide to issue a maximum of 436,516 new shares either against payment or without payment. The new shares may be issued to the company's shareholders in proportion to their current shareholdings in the company or deviating from the shareholders' pre-emptive right through one or more directed share issue, if the company has a weighty financial reason to do so, such as developing the company's equity structure, implementing mergers and acquisitions or other restructuring measures aimed at developing the company's business, financing of investments and operations or using the shares as a part of the company's remuneration and compensation system, to the terms and scope decided by the Board of Directors.

The Board has not exercised the authorisation, which is valid for one year until the next annual general meeting.

BOARD OF DIRECTORS AND AUDITOR

The Annual General Meeting held on 18 April 2018 resolved that the number of members of the Board of Directors is three. The annual general meeting re-elected Carl-Gustaf von Troil, and elected Päivi Jokinen and Ville Vuori as new members to the Board of Directors. Carl-Gustaf von Troil and Päivi Jokinen are independent of the company and the shareholders. In the meeting after the Annual General Meeting board members selected Carl-Gustaf von Troil as the Chairman of the Board.

Johan Ålander acted as the Chairman of the Board of Directors until 18 April 2018.

The Board convened 14 times in 2018 and the attendance rate of all Board members was 100 %.

The firm of independent accountants Ernst & Young Oy continued to act as the company's auditor, with Bengt Nyholm, Authorised Public Accountant, as the principal auditor.

CORPORATE GOVERNANCE

Incap Corporation is complying with the valid Corporate Governance Code of Securities Market Association. The company will release a report on the company's corporate governance in compliance with the Securities Market Act as a separate document in connection with the publication of the Report of the Board of Directors and the Annual Report in week 12/2019. The report will be available also at the company's website.

Corporate Governance Code of Securities Market Association is publicly available at the website of Securities Market Association at www.cgfinland.fi.

SHARES AND SHAREHOLDERS

Incap Corporation has one series of shares, and the number of shares at the end of the period was 4,365,168 (31 December 2017: 4,365,168).

During the financial period, the share price varied between EUR 8.22 and 5.60 (EUR 7.20 and 5.25). The closing price for the period was EUR 7.26 (EUR 6.19). The market capitalisation on 31 December 2018 was EUR 31.7 million (EUR 27.0 million). At the end of financial period, the company had 2,437 shareholders (2,489). Nominee-registered or foreign owners held 4.2% (36.0%) of all shares. The company does not hold any of its own shares.

At the end of the financial period 2018, the members of Incap Corporation's Board of Directors and the President and CEO and their interest parties owned a total of 40,604 shares or 0.93% of the company's shares outstanding (40,604; 0.93%).

ANNOUNCEMENTS IN ACCORDANCE WITH SECTION 10 OF CHAPTER 9 OF THE SECURITIES MARKET ACT ON A CHANGE IN HOLDINGS

The company announced on 20 February 2018 the following changes in holdings:

The holding of Oy Etra Invest Ab out of Incap Corporation's shares and votes changed on 19 February 2018 and exceeded the flagging limit. New holding was 838,000 shares and 19.2% of all shares and voting rights of Incap.

The holding of Joensuun Kauppa ja Kone Oy/K22 Finance Oy out of Incap Corporation's shares and votes changed on 19 February 2018 and exceeded the flagging limit. New holding was 504,100 shares and 11.55% of all shares and voting rights of Incap.

The holding of IFF Konsult Ab out of Incap Corporation's shares and votes has decreased below the flagging limit and it holds as from 19 February 2018 no shares of Incap.

The holding of FBM Consulting Ab out of Incap Corporation's shares and votes has decreased below the flagging limit and it holds as from 19 February 2018 no shares of Incap.

The holding of Nordea Life Insurance Suomi Oy out of Incap Corporation's shares and votes changed on 19 February 2018 and exceeded the flagging limit. New holding was 614,099 shares and 14.07% of all shares and voting rights of Incap.

On October 1, 2018 Incap received an announcement that the holding of Nordea Bank Abp in Incap's shares and votes was 14.07% i.e. 614,099 shares in total. The announcement was in connection with a transfer of shares from Nordea Bank AB (publ) after its merger to Nordea Bank Abp.

CORPORATE RESPONSIBILITY

The most relevant factors of corporate responsibility in Incap Group's business are social responsibility, environmental responsibility and responsibility to stakeholders.

Social responsibility at Incap means that the principles of sustainability are compiled in the company's operations. Incap practices and develops its business operations in such a way that productivity and competitiveness are improved in harmony with the demands of the company's various stakeholders and environment.

Social responsibility

Incap complies with the local legislation of the countries where it has operations and acts as a responsible member of the society. Incap respects and adheres to international agreements on human and children's rights as well as employees' rights. 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 by supporting activities that maintain working ability. The progress in safety is measured mainly by the number of injuries at work. In 2018, there was one minor work-related injury. In 2017, no injuries were reported in either of the factories.

Employee competence is further developed by goal-oriented training and the promotion of work motivation is addressed in supervisor training, among others. In 2018, personnel turnover was 2.7 per cent in Estonia and one percent in India. In 2017 the figures were 3.9 in Estonia and one per cent in India. The progress in human resources development is measured mainly by training hours. Training hours per employee increased from 4.7 to 6.5 Training hours increased significantly in India as a result of a new on-the-job training system.

The company's support for non-profit activity is directed to those promoting the well-being of children and youth. The factory in India is promoting the education of children by granting an annual financial support for the local school development. A new school building, where Incap was one of the supporters, was taken in use in March 2018. The factory in Estonia was rewarded a Gold label as Family-Friendly Company by the Estonian Ministry of Social Affairs.

Incap also has a Group Policy concerning Conflict Minerals.

Environment

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

Out of environmental metrics, the company is following the energy consumption, the amount of waste and the degree of recycling. The amount of waste was reduced by approximately one third both in India and in Estonia despite the growth in production. In India, particularly, more attention has been paid to the recycling of carton and wood packings. In addition, less waste of raw materials and fewer line rejections has been achieved by continuous training. The absolute energy consumption stood at the same level as in the previous year despite the increased production volumes. In Estonia, the lower waste and energy consumption resulted mainly from changes made in product mix and production processes.

Both Incap Group's factories have environmental management and quality assurance systems certified by Bureau Veritas. The systems are used as tools for continuous improvement. Environmental management system in both factories complies with ISO 14001:2015, and the quality assurance system complies with ISO 9001:2015. In addition, the Kuressaare factory has updated its operations to meet with the ISO 13485/2016 quality certification for the manufacture of medical devices. The Kuressaare factory also complies with the Occupational health and safety management system OHSAS 18001.

Stakeholders

Incap´s responsibility to stakeholders includes responsibility to customers, suppliers, service providers, personnel, owners and the community near Incap's production premises. The feedback from the company's customers is of major importance when developing the operations and services further. Incap supports its customers in improving product safety by, among other things, paying special attention to eliminating risk factors in its products. Quality inspections and testing carried out during the manufacturing process prevent faulty goods from reaching the market.

Incap monitors the operations of its suppliers and service providers as well as conducts regular supplier assessments, which are used to examine suppliers' social responsibility in addition to their quality and delivery reliability. Incap recognises its responsibility as part of the supply chain and strives to promote the success of all of its partners in co-operation. In the customer satisfaction surveys carried out in 2018 Incap received very good results, in particular, in product quality and customer relations. Since the customers' satisfaction is in the core of Incap´s business strategy, the company will focus on improving it also in the future.

Incap does not tolerate corruption, bribery or attempt at such in any forms (for example facilitation payments, improper gifts, entertainment, gratuities, favors, donations or any other improper transfer of value). Incap has not been involved in claims concerning corruptive behavior in 2018.

Incap aims to maintain its good earnings trend, which also supports the implementation of its corporate social responsibility principles. The financial success ensures that operations and working conditions are constantly improved and increases job security for employees. The company aims to maximize the return on capital invested by shareholders in the company and to ensure that the company's value enhances steadily.

RISK MANAGEMENT

The Risk Management Policy approved by the Board of Incap Corporation classifies risks as risks connected to the operating environment, operational risks and damage and funding risks. The company's risk management is mainly focused on risks that threaten the company's business objectives and continuity of operations. In order to improve its business opportunities, the company is willing to take on managed risks within the scope of the Group's risk management capabilities. The company regularly reviews its insurance policies as part of its risk management system.

SHORT-TERM RISKS AND FACTORS OF UNCERTAINTY CONCERNING OPERATIONS

General risks related to the company's business operations and sector include the development of customer demand, price competition in contract manufacturing, success in acquirement of new customers, availability and price development of raw material and components, sufficiency of funding, liquidity and exchange rate fluctuations.

At the moment the financing position of the company is good and the sufficiency of financing and working capital is posing no significant risk.

In the definition of the volumes of internal transactions the actual value added and the so-called "arm's length" principle are considered. After the cumulative losses in India were covered during the latter half of 2015, it is possible to repatriate profits also through dividends.

The value of the shares in subsidiaries in the parent group has a significant impact on the parent company's equity and therefore on, for example, equity ratio. Based on the impairment calculations in connection with the financial statements for 2018, there is no need for any write-down of the value of the shares in subsidiaries. However, based on the company's estimate there is a risk connected with the valuation of the shares of the Estonian subsidiary because of the previous unprofitable operations of the subsidiary. There is no such risk in the valuation of the subsidiary in India.

Demand for Incap's services and the company's financial position are affected by global economic trends and the fluctuation among customer industries. The risks connected with the customer demand and the solvency of customers are monitored and evaluated separately for each customer. The management considers the customer relationship management to be of utmost importance and is paying special attention to it.

The company's sales are spread over several customer sectors balancing out the impact of the economic fluctuation in different industrial sectors. Out of the total revenue in 2018, two companies exceeded 10% each, and approximately 68% came from those two biggest customers. In 2017, out of the total revenue approximately 74% came from the two biggest customers.

The company's business segment, electronics manufacturing services, is highly competitive and there are major pressures on cost level management. The company has succeeded in increasing the efficiency of its operations and in lowering the costs. Furthermore, the company's production is located in countries with competitive levels of wage and general costs.

The most significant exchange rate risk of the company is related to the Indian subsidiary. A remarkable part of the Group's operations is located in India, and the fluctuation in the exchange rates between Indian Rupee and Euro may have a remarkable effect on revenue and result.

The Indian subsidiary of the company had a tax audit in 2016, and based on the audit, the tax authorities do not approve the depreciations made on the capitalized customer contracts during accounting periods 2008/2009-2012/2013 and the transfer costs during the accounting period 2011/2012. The estimated effect with eventual interest is amounting to a maximum of EUR 0.6 million. The company's complaint is still in the process of tax authorities. The tax debt has been presented in the off-balance sheet liabilities.

In the tax audit conducted by Indian tax authorities for period 2015/2016 the deductibility of group costs are being investigated. Group has recorded a reservation for tax and interest totalling EUR 0.5 million for the financial period 2018. The case is still under preliminary investigation and if an agreement cannot be settled with a local tax authority the company's point of view will be processed.

SIGNIFICANT EVENTS AFTER THE PERIOD

There have been no significant events after the reporting period.

STRATEGY AND TARGETS

The positive trend in profitability has enabled the strong development of the company ensuring the future growth. The efficient operational model of the company guarantees fast decision-making and operational flexibility. The company is targeting to increase the business volumes further organically and is also seeking possibilities to expand its operations by mergers and acquisitions.

OUTLOOK FOR 2019

Incap's estimates for future business development are based both on its customers' forecasts and on the company's own assessments.

The company estimates that the Group's full-year revenue and operating profit (EBIT) for 2019 will be approximately at the same level or somewhat higher than in 2018, provided that there are no major changes in currency exchange rates or in component availability.

BOARD OF DIRECTORS' PROPOSAL ON MEASURES RELATED TO THE RESULT

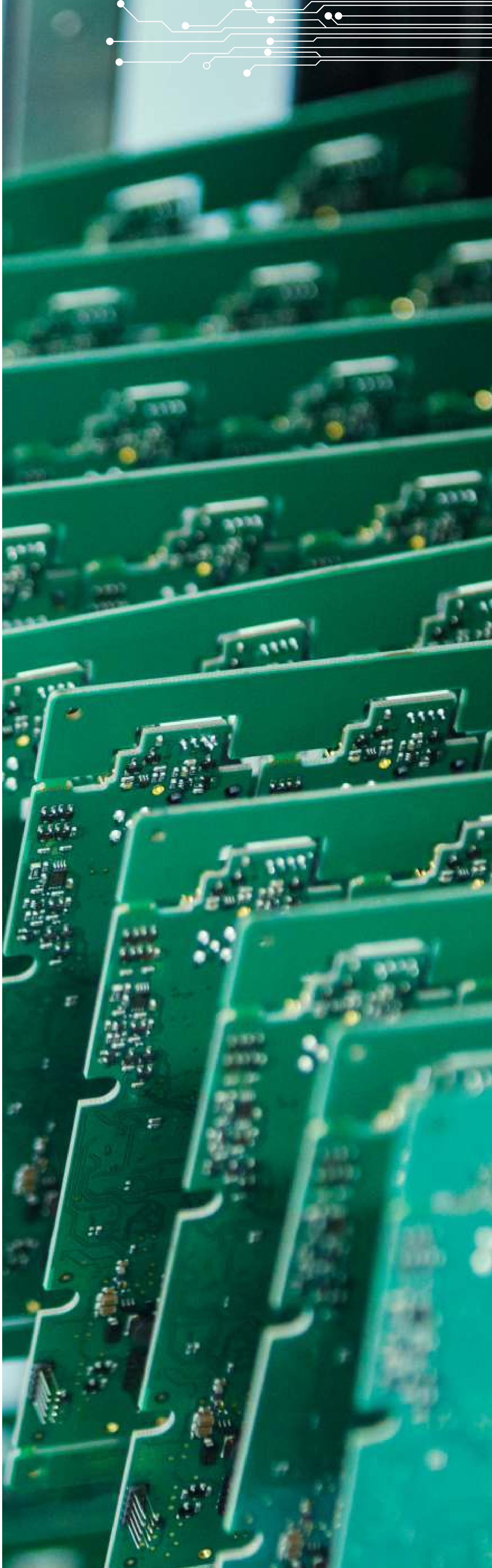
The parent company's profit for the financial period totals EUR 1,330,795.88. Due to the share capital reduction carried out in 2016 there are limitations for distribution of dividends until 31 August 2019. The Board of Directors will propose to the Annual General Meeting to be held on 15 April 2019 that no dividend be paid and the result for the financial period be recognized in equity.

ANNUAL GENERAL MEETING 2019

The Annual General Meeting will be held on Monday, 15 April 2019 in Helsinki at 15.00 at Mannerheimintie 113 (Aitio Business Park, 8th floor). Notice to the Annual General Meeting will be given on week 12.

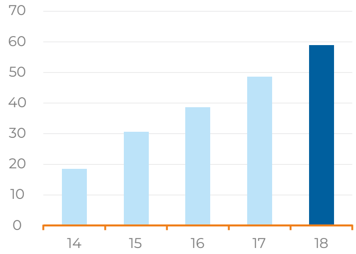
In Kuressaare, 12 March 2019

Incap Corporation
Board of Directors

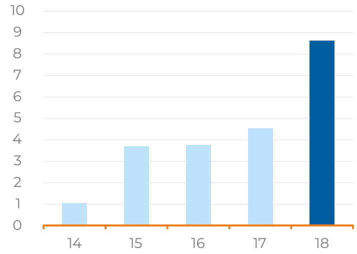


KEY FIGURES

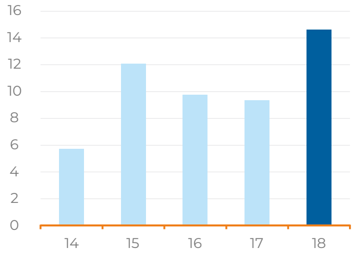
REVENUE, EUR MILLION



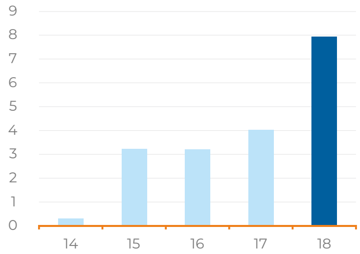
OPERATING PROFIT (EBIT), EUR MILLION



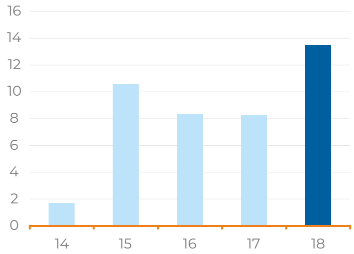
OPERATING PROFIT (EBIT), % OF REVENUE



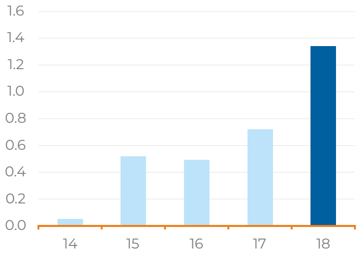
PROFIT BEFORE TAX, EUR MILLION



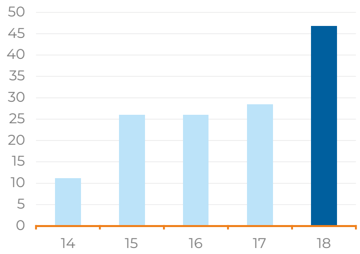
PROFIT BEFORE TAX, % OF REVENUE



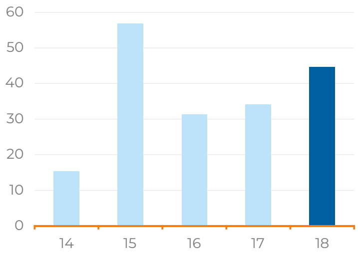
EARNINGS PER SHARE (EPS), EUR



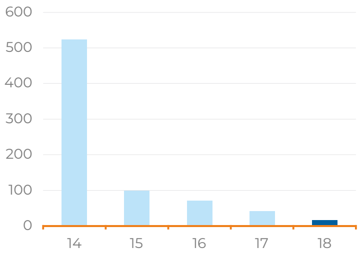
RETURN ON INVESTMENT (ROI), %



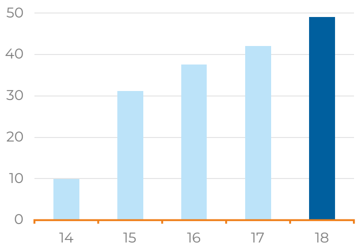
RETURN ON EQUITY (ROE), %



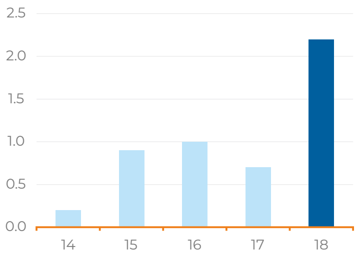
NET GEARING, %



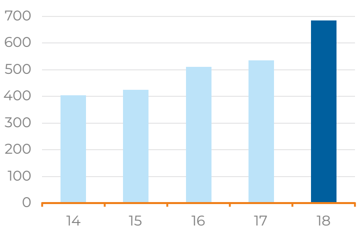
EQUITY RATIO, %



INVESTMENTS, EUR MILLION



AVERAGE NUMBER OF PERSONNEL

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CONSOLIDATED INCOME STATEMENT

1 000 euros	Note	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Revenue	3	58,961	48,543
Other operating income	4	1,063	268
Changes in inventories of finished goods and work in progress	5	1,428	463
Raw materials and consumables used	5	44,277	36,896
Personnel expenses	8	4,560	4,052
Depreciation and amortisation	7	509	443
Other operating expenses	6	3,472	3,336
Operating profit		**8,633**	**4,547**
Financial income and expenses	9	-692	-529
Profit before tax		7,941	4,018
Income tax	10	-2,094	-884
Profit for the year		**5,847**	**3,134**
Consolidated statement of comprehensive income			
Other comprehensive income:			
Items that are not transferred to the statement of income			
Revaluation of employee benefits		-100	-18
Items that may be reclassified subsequently to profit or loss			
Translation differences from foreign units		-424	-632
Other comprehensive income, net		-524	-650
Total comprehensive income attributable to:		**5,323**	**2,484**
Profit for the year, attributable to:			
Equity holders of the parent company		5,847	3,134
Non-controlling owners			
		5,847	3,134
Total comprehensive income attributable to:			
Equity holders of the parent company		5,323	2,484
Non-controlling owners			
		5,323	**2,484**
Earnings per share from profit for the year attributable to equity holders of the parent			
Basic earnings per share	12		
Earnings per share		1.34	0.72
Diluted earnings per share	12		
Earnings per share		1.34	0.72
Average number of shares:			
basic		4,365,168	4,365,168
diluted		4,365,168	4,365,168

CONSOLIDATED BALANCE SHEET

1 000 euros	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment	12	4,545	2,980
Goodwill	13	895	914
Other intangible assets	13	15	18
Other financial assets	14	4	4
Deferred tax assets	15	141	123
Other receivables	17	183	1,023
Total non-current assets		**5,782**	**5,062**
Current assets			
Inventories	16	11,647	7,721
Trade and other receivables	17	11,757	9,135
Cash and cash equivalents	18	2,894	2,862
Total current assets		**26,297**	**19,718**
Total assets		**32,080**	**24,780**
Equity and liabilities			
Equity attributable to equity holders of the parent	19		
Share capital		1,000	1,000
Share premium account			
Exchange differences		-1,569	-1,147
Unrestricted equity reserve		11,028	11,028
Retained earnings		5,279	-467
Total equity		**15,738**	**10,414**
Non-current liabilities			
Non-Interest-bearing liabilities	16	468	0
Interest-bearing liabilities	22	1,000	2,311
Current liabilities			
Trade and other payables	23	10,370	7,140
Interest-bearing loans and borrowings	22	4,503	4,915
Total liabilities		**16,342**	**14,366**
Total equity and liabilities		**32,080**	**24,780**

CONSOLIDATED CASH FLOW STATEMENT

1 000 euros	Note	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Cash flow from operations			
Operating profit, in total		8,633	4,547
Adjustmets to operating profit	26	621	474
Change in working capital		-2,995	-1,796
Interest paid		-439	-410
Interest received		3	5
Tax paid and tax refund		-1,686	-899
Cash flow from operations		**4,137**	**1,921**
Cash flow from investing activities			
Capital expenditure on tangible and intangible assets		-2,199	-674
Cash flow from investing activities		**-2,199**	**-674**
Cash flow from financing activities			
Drawdown of loans		3,389	1,397
Repayments of loans		-5,279	-1,854
Cash flow from financing activities		**-1,889**	**-457**
Change in cash and cash equivalents			**790**
Cash and cash equivalents at beginning of period		2,862	2,347
Effects of changes in exchange rates		-17	-275
Cash and cash equivalents at end of period		**2,845**	**2,862**

CONSOLIDATED STATEMENT IN CHANGES OF EQUITY

1 000 euros	Share capital	Share premium account	Unrestricted equity reserve	Translation differences	Retained earnings	Total equity
Equity at 1 January 2018	**1,000**	**0**	**11,028**	**-1,147**	**-467**	**10,414**
Total comprehensive income					5,847	5,847
Currency translation differences				-422		-422
Adjustments to equity						
Other changes[1]					-100	-100
Equity at 31 December 2018	**1,000**	**0**	**11,028**	**-1,569**	**5,279**	**15,738**

1 000 euros	Share capital	Share premium account	Unrestricted equity reserve	Translation differences	Retained earnings	Total equity
Equity at 1 January 2017	**1,000**	**0**	**11,028**	**-515**	**-3,584**	**7,929**
Total comprehensive income					3,134	3,134
Currency translation differences				-632		-632
Adjustments to equity						
Other changes[1]					-18	-18
Equity at 31 December 2017	**1,000**	**0**	**11,028**	**-1,147**	**-467**	**10,414**

[1] Re-measurements of employee benefits


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ACCOUNTING PRINCIPLES APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

These Incap Group financial statements have been prepared in accordance with International Financial Reporting Standards in conformity with the IAS and IFRS standards and SIC and IFRIC interpretations in force at the balance sheet date, 31 December 2018. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation.

The financial statements in the official compiled version are presented in unabbreviated form to an accuracy of two decimals. In the Annual Report, the financial statement data is presented in thousands of euros.

The preparation of financial statements in accordance with IFRS calls for the making of certain estimates by Group management as well as for management's judgement in applying accounting policies. The estimates having the greatest effect on the financial statement figures are presented in the note "Accounting policies requiring management's judgement and key sources of estimation uncertainty."

SUBSIDIARIES

The consolidated financial statements include the parent company Incap Corporation and its subsidiaries Incap Electronics Estonia OÜ, Incap Hong Kong Ltd., Incap Contract Manufacturing Services Pvt. Ltd. and Euro-ketju Oy which has no operations.

Intra-Group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are included in the consolidated financial statements from the time when the Group has obtained control, and divested subsidiaries up to the time when control ceases. All intra-Group transactions, receivables, liabilities, unrealised gains and internal distribution of profits are eliminated when preparing the consolidated financial statements.

TRANSLATION OF ITEMS DENOMINATED IN FOREIGN CURRENCY

Separate companies

Transactions denominated in foreign currency are recorded in the functional currency using the exchange rate on the date of the transaction. Balance sheet items denominated in foreign currency are translated to the functional currency using the exchange rates at the balance sheet date.

Gains and losses resulting from transactions denominated in foreign currency and the translation of balance sheet items are recorded in the income statement. Exchange gains and losses resulting from operations are recorded under the corresponding items above operating profit. Exchange gains and losses resulting from loans denominated in foreign currency are recorded under financial income and expenses.

Group

Figures relating to the profit and financial position of Group units are measured in the main functional currency of each unit. The Incap Group's financial statements are presented in euros which is the functional and presentation currency of the Group's parent company.

The income and expense items in the income statements of foreign Group companies have been translated to euros using the average exchange rate during the year, and their balance sheets using the exchange rates at the balance sheet date. The translation of the profit for the financial year using different exchange rates in the income statement and the balance sheet results in an exchange difference, which is recorded in equity. The exchange differences arising from the elimination of the acquisition cost of foreign subsidiaries and equity items accumulated after the acquisition are recorded in equity.

Currency rates used in consolidation 31 Dec 2018

31.12.2018	EUR/INR	USD/INR	EUR/HKD	EUR/USD
Average exchange rate during the year 2018	80,7140	68,3895	9,2599	-
Exchange rate	79,7805	69,7923	8,9675	1,145

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at original cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated using the straight-line method over their estimated useful life. The estimated useful lives of assets are the following:

- Buildings 18–24 years
- Machinery and Equipment 3–10 years
- Motor Vehicles 3–5 years

The residual value of assets and their useful lives are reviewed at each balance sheet date and, if necessary, are adjusted to reflect changes that have occurred in the expectations for an asset's economic benefits.

Subsequent costs are included in the carrying amount of an item of property, plant and equipment only when it is probable that future economic benefits from the asset will flow to the Group. Other repair and maintenance expenses are recognised as an expense as they arise.

Depreciation of an item of property, plant and equipment ceases when the asset is classified as for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Non-current assets held for sale are measured at the lower by carrying amount or by the fair value less the selling expenses. Depreciations on assets held for sale have been ceased at the date of classification.

Capital gains and losses on the retirements and disposals of property, plant and equipment are recorded either in other operating income or expenses.

BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

GOVERNMENT GRANTS

Government grants are recorded on a net basis as a deduction from property, plant and equipment, whereby the grants are recognised as income in the form of smaller depreciation charges over the useful life of an asset.

INTANGIBLE ASSETS

Goodwill is the proportion of the acquisition cost which exceeds the Group's share of the fair value, at the date of acquisition, of the net asset value of a company acquired after 1 January 2004. Other costs directly attributable to an acquisition are also included in the acquisition cost.

Goodwill and other intangible assets with an indefinite useful life, such as the value of customer relationships, are not amortised but are tested annually for any impairment. The testing involves the allocation of goodwill to units generating cash flow and the measurement at cost less impairment losses. Research and development expenditure is recorded as an expense in the income statement.

An intangible asset is recorded in the balance sheet only if the cost of the asset can be determined reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity. Intangible assets are recorded in the balance sheet at cost and amortised in the income statement over their known or estimated useful life.

The Incap Group's intangible assets are amortised over 3–5 years.

INVENTORIES

Inventories are measured at the lower of acquisition cost or net realisable value. Cost is determined using the weighted average cost method. The cost of finished and semi-finished products comprises raw materials, direct labour expenses, other direct expenses as well as fixed and variable production overheads, based on the normal capacity of the production facilities.

The net realisable value is the estimated selling price of the asset less the estimated costs incurred in bringing the product to its present condition and selling expenses. The company is evaluating annually the inventory realisable and usable value and is making write-downs if required.

LEASES

The Group as lessee

Leases of property, plant and equipment where the lessee bears the risks and rewards of ownership are classified as finance leases. An asset obtained on a finance lease is recorded in the lessee's balance sheet at the start of the lease period at the lower of the fair value of the leased property and the present value of the minimum lease payment. An asset obtained on a finance lease is depreciated over the shorter of the useful life of the asset and the lease term. Lease payments for items of property, plant and equipment are split between financial expenses and a reduction in lease liabilities for the period of the lease finance agreement. Finance lease liabilities are included in the Incap Group's interest-bearing liabilities.

When the lessor retains the risks and rewards of ownership, the agreement is treated as an operating lease. Lease payments paid on operating leases are recorded as an expense in the income statement.

IMPAIRMENT

At each balance sheet date, the Incap Group assesses whether there is any indication that the value of an asset item may be impaired. If any such indication exists, the asset item is tested for impairment to assess its recoverable amount. Impairment testing is done at the lowest possible unit level which is independent of other units and whose cash flows can be distinguished from the other cash flows of the entity.

An impairment loss is recorded when the carrying amount of an asset item is greater than its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. Value in use refers to the estimated discounted cash flows obtainable from referred asset item or cash-generating unit.

An impairment loss is recognised in profit or loss. If an impairment loss is allocated to a cash-generating unit, it is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and thereafter to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss is reversed if the recoverable amount of the asset has changed since the last impairment loss was recognised. An impairment loss is not, however, reversed to an extent greater than what the carrying amount of the asset would have been without the recording of the impairment loss.

The Incap Group's goodwill is tested annually. An impairment loss recorded on goodwill is not reversed under any circumstances.

EMPLOYEE BENEFITS

Pension obligations

The Incap Group's pension plans are classified as defined-benefit and defined-contribution plans. Payments made for defined contribution plans are recognised as an expense in the income statement for the period which the debit concerns. The obligations of defined-benefit plans concerning the Indian unit are calculated separately for each plan using the projected unit credit method. Pension costs are recorded as an expense for the duration of employees' period of service on the basis of actuarial calculations carried out by authorised actuaries.

SHARE-BASED PAYMENT

The Incap Group has applied IFRS 2 Share-based Payment to all share option plans. Warrants are measured at fair value at the time they are granted and entered as an expense in the income statement in even instalments during the vesting period. The expense determined at the moment of granting the options is based on the Incap Group's estimate of the number of options that will vest at the end of the vesting period. The fair value is determined on the basis of the Black-Scholes pricing model for share options.

The Incap Group updates the estimate of the final number of share options at each balance sheet date. Changes in the estimates are recorded in the income statement. When granted share options are exercised, the cash payments received on the basis of share subscriptions (adjusted for any transaction expenses) are recognised in equity and invested non-restricted equity reserve.

During the report period 2018 Incap Corporation has had no share options.

PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that a payment obligation will be realised and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the obligation.

INCOME TAXES

Income tax in the income statement comprises taxes on taxable income for the period and deferred taxes. Taxes on the profit for the financial year are calculated on taxable income on the basis of the tax rate in force in each country. Taxes are adjusted for taxes for previous periods.

Deferred taxes have been calculated by applying the tax rates in force by the balance sheet date.

A tax asset is recognised to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilised.

REVENUE RECOGNITION

Goods sold and services rendered

Revenue recognition from the sale of goods is recorded according to the IRFS 15 standard when customer obtains control of the goods in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. IFRS 15 standard requires comprehensive disclosures about the contracts with customers. Incap has adapted at required effective date using the Modified Approach. Incap performed a rather extensive analysis of customer contracts which are very similar and company has identified only one type of revenue flow. Revenue recognition occurs when customer obtains control of goods at a given moment of time. IFRS 15 had no impact on revenue recognition or business practise. Compared to the earlier practise customers obtain control of goods with same manner and there are no changes revenue recognition practise. Existing customer contracts have no obligations of after marketing, installation, maintenance or any other performance obligations that customer could benefit on stand-alone basis.

Discontinued operations

There were no discontinued operations in the financial years 2017 and 2018.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Incap has applied from 1 Jan 2018 new IRFS 9 standard which replaces standard IAS 39. In implementation, companies are obliged to apply the changed standard without restating comparative figures. IFRS 9 provides a new bad debt impairment model based on expected credit losses.

IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect a company's risk management activities especially with regard to managing nonfinancial risks. Incap applies the simplified approach to record expected credit losses on its trade receivables. The Group estimates credit losses in the future by using a provision matrix where overdue accounts receivables are grouped by each customer and different historical realised loss patterns. IFRS 9 application had no impact on 2018 recording practises and group has credit loss provision neither for due nor non-due accounts receivables in the balance sheet 31 Dec 2018.

Incap's financial assets are as measured at amortized cost, at fair value through other comprehensive income and at fair value through statement of income. The standard eliminated previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

Under IFRS 9, all shares and non-current financial assets which were previously classified as available-for-sale investments and measure at cost are classified as investments measured at fair value through other comprehensive income. Investments in interest rate funds which were previously classified as loans and receivables and measured at amortized cost are classified at fair value through statement of income

Cash and cash equivalents consist of cash on hand, demand deposits and other short-term, highly liquid investments. Items classified as cash and cash equivalents have a maximum of a three-month maturity from the time of acquisition.

Financial liabilities are originally entered in the accounts at fair value on the basis of the consideration received. Transaction costs of the convertible loan are included in the original book value of the loan. The fair value of the debt of the convertible loan is determined by using the market rate of interest for a corresponding loan at the date of origination. The debt is recorded at amortized cost until it is annulled by exchanging the loan to shares or by paying the debt back.

Incap had no convertible loans in the financial years 2017 and 2018.

ACCOUNTING POLICIES REQUIRING MANAGEMENT´S JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When financial statements are prepared, future scenarios and assumptions have to be made, the outcomes of which may differ from the original scenarios and assumptions. Judgement is also used in applying the accounting policies. In the consolidation of business operations, the Group has used external consultants when assessing the fair values of property, plant and equipment and intangible assets. Concerning property, plant and equipment, Incap has made comparisons with the market prices of similar products and assessed any impairment resulting from the age and wear of the assets and other similar factors affecting them. The determination of the fair value of intangible assets is based on estimates of cash flows related to the assets. It is the view of the management that the estimates and assumptions used are sufficiently accurate as a basis for the determination of fair value. The Group furthermore examines any indications of impairment on property, plant and equipment and intangible assets at least at every balance sheet date.

Estimates made in connection with the preparation of the financial statements are based on management's best knowledge at the balance sheet date. The estimates take into account previous experiences and assumptions which concern the future, are considered the most probable at the balance sheet date and are related to the expected development of the Group's financial operating environment in terms of sales and cost levels. The management's judgement and estimates have been used when testing goodwill and deferred tax assets. Changes are monitored on a regular basis using internal and external information sources, and potential changes in estimates and assumptions are recorded during the financial year when they are revised, and during all financial years thereafter.

The Group continuously assesses and monitors the amount of financing required for business operations so that the Group would have sufficient liquid assets to finance its operations and repay loans that mature. The aim is to guarantee the availability and flexibility of financing through overdraft facilities and other forms of financing.

In order to evaluate liquidity, Incap has prepared a 12-month cash flow estimate that is based on the Group's budget for 2019. Based on the cash flow estimate Incap does have sufficient working capital for the company's needs for the forthcoming 12 months.

Because the forecasts that form the basis of the cash flow calculation have previously deviated from the forecasts, there is an element of uncertainty associated with them.

Impairment testing

Incap Group tests goodwill for impairment annually. The testing is based on a cash flow estimate prepared on the basis of the budget and the business plan for forthcoming four-year period ratified by the management. Discount rate after taxes, forecast operating profit before depreciation and change in working capital are used as the key factors. The discount rate is comprised of industry risk, interest on liabilities and country-specific risk. The discount rate factors are updated annually in connection with the testing using information received from the market. On the basis of the calculations, there are no indications of impairment of goodwill and other intangible assets with an indefinite useful life. This has been verified in calculations concerning recoverable amount.

The recoverable amounts used in the impairment test calculations are determined on the basis of value in use. The cash flow forecasts are based on the budget for the next financial period and four-year business plan prepared by the management and approved by the Board of Directors.

The impairment of other assets is evaluated annually as described above under Impairment. The recoverable amounts of cash-generating units have been determined by way of calculations based on the value in use. These calculations require the use of estimates. These calculations require the use of estimates.

Deferred tax asset

Deferred tax assets have been recognized to the extent that is considered to be possible to utilize against future taxable income. The deferred tax asset is based on the Board of Directors' estimate of the company's future development during the next five years and the resulting imputed taxable profit.

There are no deferred tax assets recorded in the balance sheet of the Group.

Segment information

The Incap Group does not have business or geographical segments which should be reported according to IFRS 8. The risks and profitability related to the Group's different business and geographical areas do not differ significantly from each other. The company's management regularly assesses future changes and, consequently, the possible formation of segments.

APPLICATION OF NEW OR AMENDED IFRS STANDARDS

The Group has taken into consideration the new standards and interpretations published during the period by the IASB and will introduce those in future accounting periods as they enter into force. The Group estimates that the new standards and interpretations will not have a material effect on the Group's financial statements in coming years.

As from 1 January 2018 the Group has applied the following new or updated standards and interpretations published by IASB:

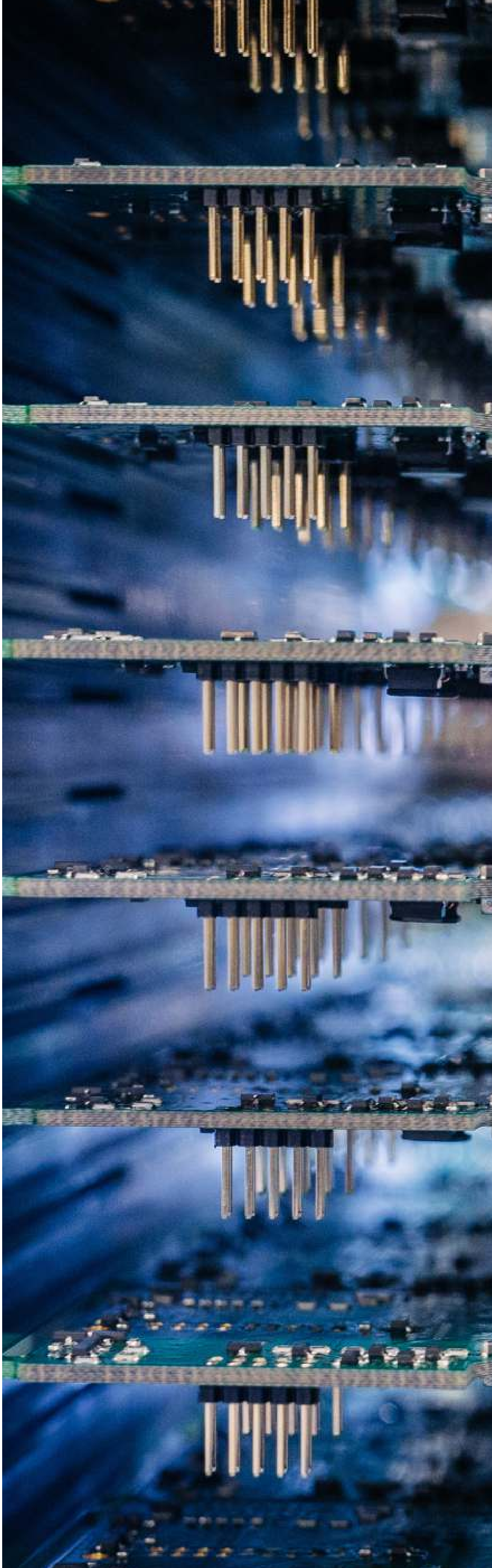
- Specifications to effective standards, which have been published in 2013 and became valid during 2015 (Annual Improvements). The changes have had no impact on consolidated financial statements.
- Amendment IAS 19 concerning Employee Benefits. The changes have had no impact on consolidated financial statements.
- IFRS 9 Financial Instruments: Classification and measurement. The amendment had no material impact on consolidated financial statements.
- IFRS 14 Regulatory deferral accounts. The amendment had no effect on consolidated financial statements.
- IFRS 15 Revenues from contracts with customers. IFRS 15 standard establishes a five-step model that will apply to revenue arising from contracts with customers. Revenue is recognised when the customers obtains control to the agreed goods or services. IFRS 15 requires comprehensive disclosures about contracts with customers. Incap adopted the standard on the required effective date using the Modified Approach. When assessing eventual effects of the standard the company completed a rather extensive study on its contracts. The contracts are very similar and the company has identified one type of income flow. Revenue is recognised when the customer obtains control to the agreed goods or services at a given moment of time. IFRS 15 did not impact on the company's present business practice. Existing customer contracts have no obligations of after marketing, installation, maintenance or other separate performance commitments of which customer would benefit on stand-alone basis. In Balance Sheet the valuation and recording principles of the inventory did not change and recording trade receivables remained the same as at the present.

Standards that will take effect in 2019 or later:

- Amendments to standards IFRS 10, IFRS 12 and IAS 28 concerning investment entities. The amendment has no impact on consolidated statements.
- Amendments to standards IAS 27 Separate Financial Statements. The amendment has no impact on consolidated financial statements.
- IFRS 16 Leases and it amendments to standard IAS 17 concerning rental contracts. Under IAS 17, lessees recognized leases either as operating leases or finance leases. IFRS 16 was published in January 2016 and sets out the requirements for the recognition, measurement, presentation and disclosure of leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities for substantially all leases in the consolidated statement of financial position excluding short term or low value contracts. The Group will adopt IFRS 16 on 1 January 2019 using the modified retrospective method where comparative information will not be restated. Incap has analyzed the effect of the standard to its consolidated financial statements. The analysis contained reviewing current lease contracts, determining incremental borrowing rates and calculation of preliminary accounting impacts. Additional information on the impact on financial statement will be provided in business review of the first quarter 2019. On adoption, all right-of-use assets will be recorded with an equivalent value recorded for the related lease liabilities. Key judgments and estimates used under IFRS 16 primarily relate to the evaluation of lease period and the use of discount rates. In the consolidated financial statements for 31 December, 2018 Incap disclosed non-cancellable operating lease commitments of EUR 1,1 million, of which the majority relates to real estate and machinery operating lease commitments. Group expects that the adoption of IFRS 16 will slightly increase EBIT as the interest component on the lease payments will be recognized in financial income and expenses. In the consolidated statement of cash flows, cash flow from operating activities is expected to increase as the principal component of lease payments will now be recorded within cash flows from financing activities. The impact of IFRS 16 adoption on total equity is not expected to be material.
  Incap has at the moment no activities as a lessor.

  Incap will not adapt IFRS 16 to leasing agreements with rental period 12 months or less or when the contracts notice period is less than 12 months without sanctions.

  The amendments are estimated to increase the volumes of rental contracts to be recorded in the consolidated balance sheet. Most of Incap's leasing commitments are either short term or low value agreements which will be handled as operating lease contracts.
- IFRIC 23 Uncertainty over Income Tax Treatment. IFRIC 23 specifies how to reflect uncertainty in accounting for income taxes. Incap does not expect that the interpretation will have any material effect on its financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NON-CURRENT ASSETS HELD FOR SALE

There were no sales of business operations in the Group in 2017 and 2018.

2. ACQUIRED OPERATIONS

No business acquisitions were made during financial years 2017 and 2018.

The change in goodwill comes from the exchange difference, decrease of 19 thousand euros in 2018 (decrease of 30 thousand euros in 2017).

3. REVENUE

	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Revenue from the sale of goods	58,961	48,543
Revenue from the services	0	0
	58,961	**48,543**

Geographic division of external customers' revenue	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Europe	41,791	36,875
North-America	6,372	2,104
Asia	8,750	8,428
Africa	0	20
Australia	2,048	1,115
	58,961	**48,543**

The Group has two customers, whose revenue exceeds 10% of the Group's revenue.

The combined share of these customers out of the Group's revenue is approximately 68%.

4. OTHER OPERATING INCOME

	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Export incentive from Indian government	1,059	252
Net gains on the disposal of property, plant and equipment	1	6
Unrealised liability for employee's unemployment	0	8
Other income	3	3
	1,063	**268**

5. RAW MATERIALS AND SERVICES

Raw materials and consumables	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Purchases during the financial year	46,643	38,521
Change in inventories	-2,481	-1,742
	44,162	**36,778**
External services	115	117
	44,277	**36,896**

6. OTHER OPERATING EXPENSES

	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Lease expenses	575	544
Operating and maintenance expenses for property and machinery	468	395
Other expenses	2,430	2,397
	3,472	**3,336**

Auditors' fees	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Auditing fees	85	64
Certificates and statements	0	0
Tax advice	2	1
Other services	2	7
	90	**72**

7. DEPRECIATION AND AMORTISATION

	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Depreciation and amortisation by assets class		
Intangible assets		
Other capitalised expenditure	10	21
Other long term assets	0	0
	10	**21**
Tangible assets		
Buildings	89	78
Machinery and equipment	371	300
Other tangible assets	39	44
	499	**423**
Total depreciation, amortisation and write-downs	**509**	**443**

8. EMPLOYEE BENEFITS EXPENSE

	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Wages and salaries	3,967	3,492
Pension costs - defined contribution plans	208	160
Pension costs - defined-benefit plans	146	63
Re-measurements on defined benefit pensions, actuarial calculation profit (+), loss (-)	-100	-18
Other statutory employer expenses	339	355
	4,560	**4,052**
Average number of Group's personnel during the period	684	535

Information on management's employee benefits is presented in Note 30 Related-party transactions.

9. FINANCIAL INCOME AND EXPENSES

Financial income	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Dividend income from available-for-sale financial assets	0	3
Foreign exchange gains on liabilities	449	193
Other financing income	18	27
	467	**223**

Financial expenses	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Interest expenses from financial liabilities measured at amortised cost	518	339
Exchange rate losses	564	345
Other financial expenses	79	67
	1,160	**751**
Total financial income and expenses	**-692**	**-529**

10. INCOME TAX

Income tax in the income statement	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Income tax on profits for the year	-1,804	-1,007
Income tax on profits of previous periods	-301	0
Income taxes for the financial period	**-2,105**	**-1,007**
Changes in deferred tax assets created this year	11	123
Change in deferred taxes total	**11**	**123**
Income tax expense	**-2,094**	**-884**

Reconsillation of tax expenses in the income statement and taxes calculated on the basis of the 20% tax rate applicable in the Group's home country	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Profit before taxes	7,841	4,000
Tax at the applicable rate in the home country	-1,568	-800
Divergent tax rates of foreign subsidiaries	-400	-401
Non-deductible expenses	0	15
Other temporary difference	11	123
Non-recorded deferred tax	-138	179
Tax charge	**-2,094**	**-884**

The Group has no material deferred tax liabilities.
See Note 15 for further information.

11. EARNINGS PER SHARE

Undiluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the period.

	2018	2017
Profit for the year attributable to equity holders of the parent	5,847	3,134
Weighted average number of shares during the period	4,365,168	4,365,168
Undiluted earnings per share, EUR/share	1,34	0,72

Continuing operations	2018	2017
Profit for the year attributable to the equity holders of the parent, continuing operations	5,847	3,134
Weighted average number of shares during the period	4,365,168	4,365,168
Weighted average number of shares used in calculating adjusted diluted earnings per share	4,365,168	4,365,168
Diluted earnings per share, EUR/share	1,34	0,72

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and advances	Machinery and Equipment	Other tangible assets	Total
Acquisition cost 1 Jan 2018	**392**	**1,798**	**3,179**	**477**	**5,846**
Increase	0	0	56	0	56
Decrease [1]	0	0	0	-2	-2
Reclassifications between items	0	294	1,799	29	2,121
Exchange differences	-17	-76	-128	-23	-244
Acquisition cost 31 Dec 2018	**375**	**2,016**	**4,906**	**481**	**7,778**
Accumulated depreciation and write-downs 1 Jan 2018	**0**	**-494**	**-2,061**	**-371**	**-2,926**
Depreciation		-90	-375	-37	-502
Exchange differences	0	21	84	18	124
Accumulated depreciation and write-downs, 31 Dec 2018	**0**	**-563**	**-2,351**	**-390**	**-3,304**
Book value 1 Jan 2018	**392**	**1,304**	**1,118**	**106**	**2,920**
Book value 31 Dec 2018	**375**	**1,453**	**2,555**	**91**	**4,474**
Acquisition cost 1 Jan 2017	**418**	**1,216**	**3,734**	**478**	**5,846**
Increase	0	0	48	0	48
Decrease	0	0	-59	0	-59
Reclassifications between items	0	658	-356	29	332
Exchange differences	-26	-76	-189	-30	-320
Acquisition cost 31 Dec 2017	**392**	**1,798**	**3,179**	**477**	**5,846**
Accumulated depreciation and write-downs 1 Jan 2017	**0**	**-446**	**-2,542**	**-351**	**-3,338**
Depreciation	0	-75	-290	-43	-408
Cumulative depreciation on reclassifications and disposals	0	0	651	0	651
Exchange differences	0	28	120	22	169
Accumulated depreciation and write-downs, 31 Dec 2017	**0**	**-494**	**-2,061**	**-371**	**-2,926**
Book value 1 Jan 2017	418	769	1,193	127	2,508
Book value 31 Dec 2017	**392**	**1,304**	**1,118**	**106**	**2,920**

[1] Decrease consists of Fixed Assets that have been disabled in the financial year or in previous years.

Finance leases

The Group does not have valid financial leases.

13. INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Total
Acquisition cost 1 Jan 2018	**914**	**1,015**	**1,928**
Reclassifications between items	0	8	8
Exchange differences	-19	-43	-63
Acquisition cost 31 Dec 2018	**895**	**980**	**1,874**
Accumulated amortisation and write-downs 1 Jan 2018	**0**	**-997**	**-997**
Amortisation	0	-10	-10
Exchange differences	0	42	42
Accumulated amortisations and write-downs 31 Dec 2018	**0**	**-964**	**-964**
Book value 1 Jan 2018	**914**	**1,015**	**1,928**
Book value 31 Dec 2018	**895**	**15**	**910**
Acquisition cost 1 Jan 2017	944	1,082	2,026
Exchange differences	-30	-68	-98
Acquisition cost 31 Dec 2017	**914**	**1,015**	**1,928**
Accumulated amortisation and write-downs 1 Jan 2017	0	-1,042	-1,042
Depreciation	0	-20	-20
Exchange differences	0	65	65
Accumulated amortisation and write-downs 31 Dec 2017	**0**	**-997**	**-997**
Book value 1 Jan 2017	944	40	985
Book value 31 Dec 2017	914	18	932

Recoverable amounts from cash generating units have been defined in calculations based on the value in use, and they involve the use of estimates.

Testing for impairment is based on a cash flow estimate prepared on the basis of the budget and the business plan for four forthcoming years approved by the management. According to the company's estimate there are no external or internal indications of the impairment of goodwill and other intangible assets with an indefinite useful life. This has been verified in calculations concerning recoverable amount.

The goodwill of approx. EUR 0.9 million in the consolidated balance sheet refers to the Indian subsidiary. In the cash flow estimates, the revenue in India is estimated to grow 10–15% annually and EBIT to be approximately 13%. Growth estimate of residual value is 2%.

In the calculations of the financial year 2018 in India, a discount rate of 14.66% has been used (14.18% in 2017).

Should the EBIT used in the testing decrease by approximately 48.7% or should the discount rate increase by less than 30.25 percentage points, there would be no need for write-down of shares. Revenue and profitability of the operations in India have developed favourably during the past few years and there is estimated to be no need or risk of any impairment.

In impairment testing of goodwill, the residual value of future cash flows is 61% of the cash flows in the calculations for value in use.

Testing of impairment is described also in the Notes to the Consolidated Financial Statements under Impairment of assets and Impairment testing.

14. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2018	2017
Shares	4	4
Total available-for-sale investments at the end of the year	**4**	**4**

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

15. DEFERRED TAX ASSETS AND LIABILITIES

During the financial year 2018, deferred assets of EUR 11,444 have been recorded in the Indian subsidiary (EUR 122,915 for the 2017 financial year). No deferred tax assets against accumulated losses have been recorded in the Group in the financial periods 2017 or 2018.

The parent company's confirmed tax losses amount to EUR 14.9 million on 31 December 2018. The parent company's deferred tax assets amount to approximately EUR 3.0 million and none of it has been recorded in the consolidated balance sheet.

Out of the confirmed tax losses, EUR 5.3 million expired. Remaining confirmed tax losses will expire in years 2019–2025.

16. INVENTORIES

	2018	2017
Raw materials and supplies	8,665	5,704
Work in progress	1,497	645
Finished goods	819	905
Advance payments	666	466
Total	**11,647**	**7,721**

17. TRADE AND OTHER RECEIVABLES

Trade and other receivables – non-current	**2018**	**2017**
Tax and other receivables from authorities in Indian subsidiary	167	1,005
Other non-current receivables	157	140
Total	**324**	**1,146**

Trade and other receivables – current	**2018**	**2017**
Trade receivables	9,275	7,380
Loan receivables	20	20
Prepaid expenses and accrued income	2,378	1,568
Other receivables	83	167
Total	**11,757**	**9,135**

The fair values of receivables do not differ from their book value. Receivables are not exposed to any significant credit risks.

Aging structure of trade receivables and items recorded as credit losses	**2018**	**2017**
Not past due	7,076	5,967
Past due		
Less than 30 days	1,969	1,034
30–60 days	200	255
61–90 days	14	10
Over 90 days	17	114
Total	**9,275**	**7,380**
Items recorded as credit losses	0	68

Group has no credit loss provision for not due or due trade receivables.

Distribution of current receivables by currency	**2018**	**2017**
USD	5,198	3,795
HKD	0	0
INR	2,281	3,525
EUR	1,796	1,815
Total	**9,275**	**9,135**

18. CASH AND CASH EQUIVALENTS

	2018	2017
Cash and bank accounts	2,894	2,862
Total	**2,894**	**2,862**

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

19. NOTES TO THE STATEMENT OF CHANGES IN EQUITY

	Number of shares	Equity	Share premium account	Total
31 Dec 2018	4,365,168	1,000	0	1,000
31 Dec 2017	4,365,168	1,000	0	1,000

20. PENSION LIABILITIES

The Group has both defined-contribution and defined-benefit pension plans. Defined-benefit pension plans are only employed in the subsidiary in India.

In defined-benefit pension plans, the amount of the pension benefit at the time of retirement is determined on the basis of certain factors, such as salary and years of employment.

Defined-benefit pension liability in the balance sheet is determined as follows	**2018**	**2017**
Present value of funded liabilities	608	483
Fair value of plan assets	-261	-196
Underfunding/overfunding	347	287
Amounts in the balance sheet:		
Liability	347	287

Defined-benefit pension expenses recognised in the income statement	**2018**	**2017**
Pension costs based on financial period's service	25	24
Benefit-related interest expense	36	30
Expected return on plan assets	-15	-11
Actuarial gains (+) and losses (-)	101	17
Total	**148**	**61**

Actual return on plan assets was EUR 15 thousand in 2018 (EUR 11 thousand in 2017).

Changes in the present value of the defined benefit obligation	**2018**	**2017**
Defined benefit obligation at 1 January	462	418
Current service cost	25	24
Interest cost	36	30
Actuarial gains (+) and losses (-)	100	18
Benefits paid	-15	-7
Defined benefit obligation at 31 December	**608**	**483**

Changes in the fair value of plan assets	**2018**	**2017**
Fair value of plan assets at 1 January	187	146
Expected return on plan assets	15	11
Actuarial gains (+) and losses (-)	-1	0
Contributions by employer	75	46
Benefits paid	-15	-7
Fair value of plan assets at 31 December	**261**	**196**

Plan assets are comprised as follows:	2018	2017
Funds managed by insurer	261	196

The principal actuarial assumptions used 31 December	2018	2017
Asia		
Discount rate	7.55%	7.65%
Expected return on plan assets	7.50%	7.50%
Future salary increases	10.0 %	8.0 %

Amounts for the current and previous two periods	2018	2017
Change from previous year	**26.04%**	**8.29%**
Present value of defined benefit obligation	608	483
Fair value of plan assets	261	196
Surplus (+) / deficit (-)	347	287
Experience adjustments on plan liabilities	5	38
Experience adjustments on plan assets	-1	0

The Group expects to contribute the defined benefit plan pensions EUR 0.05 million in 2019.

21. RESTRUCTURING PROVISION AND OTHER PROVISIONS

Expense provision	
1 Jan 2018	51
Used provisions	0
31 Dec 2018	**51**

Expense provision	
1 Jan 2017	59
Used provisions	-8
31 Dec 2017	**51**

Reserves of 31 December 2017 and 31 December 2018 consist of the own risk for unemployment insurance funding.

22. INTEREST-BEARING AND NON-INTEREST BEARING LIABILITIES

Non-current financial liabilities measured at amortised cost

	2018	2017
Bank loans	669	1,979
Pension loans	297	235
Other loan	34	98
	1,000	**2,311**

Current financial liabilities measured at amortised cost

	2018	2017
Bank loans	3,397	3,508
Other loans	1,106	1,407
	4,503	**4,915**

Forthcoming payable interest and instalments of loans

	2018	2017
Less than 6 months[1]	1,705	4,350
6–12 months	615	685
1–5 years	3,184	2,128
Over 5 years	0	0
	5,503	**7,163**

The forthcoming instalments and interests have been calculated based on the present effective loan agreements.

[1] Includes an open-ended account with credit facility (EUR 174,176) in India and an open-ended factoring limit EUR 1,003,860 in Estonia.

Distribution of interest-bearing liabilities by currency, EUR

	2018	2017
USD	34	227
INR	568	235
EUR	398	1,849
	1,000	**2,311**

Non-current liabilities	2018	2017
USD	2,193	2,192
INR	268	382
EUR	2,042	2,342
	4,503	**4,915**

Subordinated debt

There are no capital notes in the balance sheets for 2018 or in 2017.

23. PROVISIONS, TRADE AND OTHER PAYABLES

Non-current	2018	2017
Trade payables	0	0
Other liabilities	468	0
	468	0
Current		
Trade payables	8,823	5,874
Accrued liabilities	852	757
Short-term provisions	536	365
Other liabilities	159	143
	10,370	7,140
Total	**10,838**	**7,140**

Material items in accrued liabilities are related to interest, rent and salary expenses.

Distribution of non-interest-bearing liabilities by currency, 1,000 EUR

	2018	2017
USD	4,471	2,089
SEK	117	0
GBP	54	13
JPY	6	35
HKD	1	1
INR	3,889	3,386
EUR	2,299	1,615
	10,838	**7,140**

24. MANAGEMENT OF FINANCIAL RISKS

The nature of the Incap Group's business exposes the company to currency, interest rate, credit and liquidity risks. The objective of the Group's financial risk management policy is to minimize the adverse effects of changes in financial markets on its result and cash flow. The company's finance administration identifies and assesses the risks, obtains the necessary instruments for hedging the risks and reports to the President and CEO and the Board of Directors on these risks and any changes in them. Hedging transactions are carried out in accordance with the principles approved by the Group's Board of Directors. Currency forward contracts, currency loans and interest rate swaps are used in risk management, whenever necessary. The financial structure of subsidiaries is planned, assessed and controlled with a view to the management of financial risks.

CURRENCY RISKS

Because the Incap Group operates in the euro area and Asia, the company's business involves currency risk. In accordance with its risk management policy, the company aims to hedge itself from currency risks with currency options and currency forward contracts. In the Estonian company, a part of material purchases is made in USD. The respective transaction position is taken into consideration when calculating the company-specific position and is hedged in accordance with the currency risk policy.

The short-term working capital financing liabilities of the Indian subsidiary are mainly USD-denominated, and the company additionally has an overdraft facility denominated in the Indian rupee.

Incap uses the subsidiary's home currency (Indian rupee, INR) in invoicing between the parent company and the subsidiary. Therefore, exposure to transaction risk concerns almost completely the Group's parent company and the foreign subsidiary is not exposed to substantial transaction risk. The risk exposure of the parent company's balance sheet is hedged with forward exchange agreements and options when necessary.

In line with the Group's currency risk policy the euro-denominated investment made in the subsidiary in India has not been hedged. The currency exchange differences arising from the investment are presented under exchange differences in the Group's non-restricted equity. Strengthening of INR exchange rate in relation to EUR by 15% increases the Group's equity by EUR 203,398 while weakening of INR exchange rate in relation to EUR by 15% decreases the Group's equity by EUR 275,187 compared with the exchange difference at 31 December 2018.

INTEREST RATE RISK

At the balance sheet date, interest-bearing liabilities in the consolidated balance sheet totalled EUR 5.5 million (EUR 7.2 million). Total EUR 0.5 million of the interest-bearing liabilities have a fixed rate. The weighted average duration of the interest-bearing non-current loan at the balance sheet date is 1.7 years. Bank overdrafts and factoring limits have been treated as bullet loans. The Group has not carried out special hedging measures against interest rate risks during the financial year.

The Group analyses its interest rate exposure by preparing calculations of the defined interest rate change on the company's result, when needed. Calculations are made only for the loans that have the largest impact on the overall interest rate exposure. A change of +1%/-1% in the market interest rates of variable rate loans would change the Group's annual interest rate expenses by EUR +/- 48 thousand at 31 December 2018.

CREDIT RISK

The principles and responsibilities of credit control are defined in the Group's documented operating methods. The Group has significant receivables from several large Finnish and global customers. These customers are well-established, long-standing and creditworthy. When a new customer relationship is established, the company assesses the annual volume generated by the new business, its share in revenue and the customer's creditworthiness.

No credit losses were recorded during the financial year (Yr 2017 EUR 68 thousand). During financial period the Group has not renegotiated payment terms for receivables that would otherwise have been due or that would have decreased in value. The aging structure of trade receivables is presented in Note 17.

LIQUIDITY RISK

The Group continuously evaluates and monitors the amount of financing required by business operations, so that it has sufficient liquid funds to finance operations and repay due loans. The company strives to ensure the availability and flexibility of financing by using credit facilities and other forms of financing. Incap's main sources of financing are cash flow from operations, loans from financial institutions and share issues.

The company's interest-bearing liabilities on 31 December 2018 amounted to EUR 5.5 million (7.2 million on 31 December 2017). Of this amount, EUR 5.1 million is bank loans and EUR 3.1 million out of it concerns the Indian subsidiary. Out of the separate factoring credit line for the Estonian subsidiary in an Estonian bank, EUR 1.0 million was in use at the end of the financial period.

Status of the company's financing on 31 December 2018

Loans from credit institutions	Balance on 31 Dec 2018	Balance on 31 Dec 2017
1. Factoring limit (< EUR 2.5 million)	1,004	1,342
2. Account with credit facility (< EUR 1.0 million)	398	811
3. Bank loan in Finland	1,038	2,038
4. Account with credit facility in India	2,630	2,637
Total	**5,070**	**6,828**
Other loans		
Other loans	604	163
Pension loans (India)	347	287
Total	**951**	**450**
Total	**6,021**	**7,278**

In connection with the rearrangement of loans in 2016 the company has agreed with the bank that the covenants related to the loans, credit line and factoring credit line include equity ratio (more than 25.0%) and the Group's interest-bearing debt in relation to EBITDA (less than 2.5), which are reviewed every six months until 30 June 2018. EBITDA is calculated for the rolling 12 months except in the first review for the preceding 6 months. One condition for the new instalment schedule was that the company will have a share issue strengthening the equity. The bank has the right to terminate the contracts within a notice period of 45 days should the covenants not be met. The company met the covenant levels in both review dates on 30 June 2018 and on 31 December 2018.

	31 Dec 2018	30 June 2018	31 Dec 2017
Interest bearing debt/EBITDA (<2.5)	0.6	1.0	1.5
Equity ratio (>25%)	49.1	43.4	42.0

Forthcoming instalments and interests are described in the Note 22. Based on the cash flow estimate prepared in connection with the financial statements, the company estimates that the company's working capital will cover the requirement for the next 12 months.

CAPITAL MANAGEMENT

The aim of the Group's capital management activities is to support business operations with an optimal capital structure by ensuring normal resources for operations and increasing shareholder value with the goal of generating the best possible return. An optimal capital structure also guarantees smaller costs of capital.

The trend in the Group's capital structure is constantly tracked with net gearing. On 31 December 2018 the Group's interest-bearing liabilities totalled EUR 2.6 million (EUR 4.4 at 31 Dec 2017) and the net gearing was 16.6% (41.9% at 31 Dec 2017). Net gearing is calculated by dividing net debt by equity. Net debt equals liabilities less interest-bearing receivables and cash and bank accounts On 31 December 2018, the equity ratio was 49.1% (42.0% at 31 Dec 2017).

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial liabilities	Book value 2018	Fair value 2018	Book value 2017	Fair value 2017
Bank loans	5,070	5,070	5,486	5,486
Pension loans	347	347	287	287
Other interest-bearing loans	136	136	1,453	1,453

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

At the balance sheet date, the company has no financial assets and liabilities at fair value through profit or loss.

26. ADJUSTMENTS TO CASH FLOWS FROM OPERATIONS

	2018	2017
Non-cash transactions	131	-41
Depreciation and write-downs	514	428
Employee benefits	-100	-18
Gains (-) and losses (+) of disposals of fixed assets and other non-current assets	0	-6
Write-down of inventory	75	111
	621	**474**

27. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 Jan 2018	Cash flow	Reclassified	Foreign exchange movements	31 Dec 2018
Current interest-bearing loans and borrowings	4,967	-1,340	1,038	-112	4,553
Non-current interest-bearing loans and borrowings	2,311	-253	-1,038	-20	1,000
Total	7,278	-1,593		-131	5,554

	1 Jan 2017	Cash flow	Reclassified	Foreign exchange movements	31 Dec 2017
Non-current interest-bearing loans and borrowings	4,223	-681	1,340	86	4,967
Non-current interest-bearing loans and borrowings	3,752	-142	-1,340	41	2,311
Total	7,975	-823		127	7,278

28. OPERATING LEASES

The Group has leased the production and office space in Estonia as well as the office space in Bangalore, Tallinn and Helsinki. Part of the lease agreements ending on a fixed date include an option of continuing the agreement after the original expiry date. The index, renewal and other terms of the agreements differ from each other.

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

The Group as lessee

Minimum lease payments under non-cancellable operating leases, excluding value added tax.

	2018	2017
Less than one year	579	545
1-5 years	474	388
	1,053	**933**

The income statement for 2018 includes EUR 0.6 million of lease expenses paid for operating leases (EUR 0.5 million in 2017).

29. CONTINGENT LIABILITY, ASSETS AND RESPONSIBILITIES

	2018	2017
Bank loans with collaterals given	3,950	5,439
Collateral given on behalf of own commitments		
Mortgages	2,515	2,637
Business mortgages	12,113	12,113

The credit line is EUR 1.0 million at a maximum and at the balance sheet date, EUR 397,789.27 of the credit line was in use. Furthermore, the credit line of Nordea has been guaranteed by the shares of Indian subsidiary.

Trade receivables with recourse right sold to finance companies	1,004	1,342
Rent security deposit for Group office	3	1
Other liability		
Other off balance sheet items	1,894	2,365

30. RELATED-PARTY TRANSACTIONS

Management's employee benefits	2018	2017
Salaries and other current employee benefits	464	539
Benefits related to the termination of employment	86	0
Post-employment benefit	115	0
Total	**664**	**539**

During the financial period, as the company's President and CEO acted Vesa Mäkelä until 25 June 2018 and Otto Pukk from 25 June 2018.

The pension benefits of the CEO and other members of the management team are determined in accordance with the Employment Pensions Act (Tel).

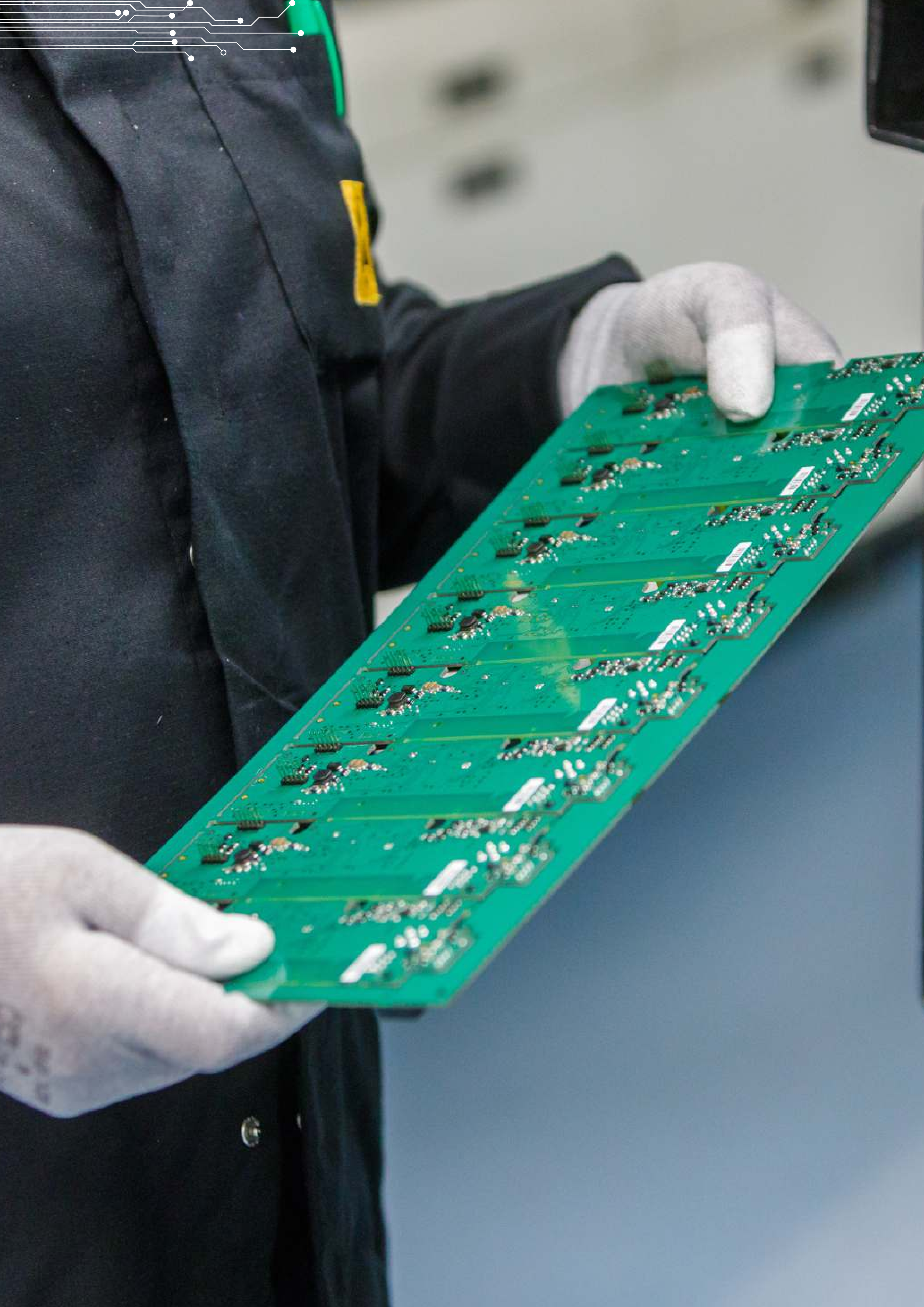
Wages and salaries	2018	2017
President and CEO	299	239
Board members		
Olle Hulteberg		5
Fredrik Berghel		3
Susanna Miekk-oja		3
Rainer Toiminen		3
Carl-Gustav von Troil	23	10
Päivi Jokinen	10	
Ville Vuori	10	
Johan Ålander	5	10
Per Kristiansson	3	7
Vesa Mäkelä	3	7

At the end of the financial period of 2018, the members of the Board and the President and CEO and their related parties held a total of 40,604 shares, i.e. 0,9% of all shares and votes.

31. EVENTS OCCURING AFTER THE BALANCE SHEET DATE

The company has no significant events after the balance sheet date.


InCap



PARENT COMPANY INCOME STATEMENT

1 000 euros	Note	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Revenue	1	2,595	1,708
Other operating income	2	0	8
Raw materials and services	3	0	0
Personnel expenses	4	648	419
Depreciation, amortisation and impairment losses	5	0	0
Other operating expenses[1]	6	517	356
Operating profit/loss		**1,430**	**941**
Financial income and expenses	7	-100	-52
Profit/loss before extraordinary items		**1,331**	**889**
Profit/loss for the financial year		**1,331**	**889**

PARENT COMPANY BALANCE SHEET

1 000 euros	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Investments	8		
Holdings in Group companies		12,300	12,300
Other investments		4	4
Total non-current assets		**12,304**	**12,304**
Current assets			
Current receivables	9	1,423	1,377
Cash in hand and at bank		11	10
Total current assets		**1,434**	**1,387**
Total assets		**13,738**	**13,691**
LIABILITIES			
Equity	10		
Share capital		1,000	1,000
Unrestricted equity reserve		8,368	8,368
Retained earnings		1,353	464
Profit for the financial year		1,331	889
Total equity		**12,052**	**10,721**
Liabilities			
Non-current liabilities	11	398	1,849
Current liabilities	12	1,288	1,121
Total liabilities		**1,686**	**2,970**
Total equity and liabilities		**13,738**	**13,691**

PARENT COMPANY CASH FLOW STATEMENT

1 000 euros	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Cash flow from operations		
Operating profit	1,430	941
Adjustments to operating profit	2	1
Change in working capital	120	-296
Interest paid	-139	-112
Dividends received	0	3
Cash flow from operations	**1,414**	**536**
Cash flows from investing activities		
Cash flow from investing activities	**0**	**0**
Cash flows from financing activities		
Loans granted	0	-5
Repayment of non-current loans	-1,414	-531
Cash flow from financing activities	**-1,414**	**-536**
Exchange rate change in cash and cash equivalents	0	-1
Change in cash and cash equivalents	0	**-1**
Cash and cash equivalents at the beginning of the financial year	10	12
Cash and cash equivalents at the end of the financial year	**11**	**10**
Change in working capital		
Change in current trade receivables	-18	-246
Change in current liabilities	138	-51
	120	**-296**

PARENT COMPANY ACCOUNTING POLICIES

PRINCIPLES OF MEASUREMENT AND PERIODISATION

NON-CURRENT ASSETS

Non-current tangible and intangible assets are recorded in the balance sheet at historical cost less depreciation according to plan and amortisation. Investment grants received have been entered as a credit to the respective asset item. Depreciation according to plan has been calculated according to the straight-line method on the basis of the useful life of the property, plant and equipment. There are non-current assets in the financial statements neither for 2018 nor 2017.

Intangible assets

Goodwill	5–6 years
Consolidated goodwill	5 years
Other intangible assets	3–5 years

Tangible assets

Buildings and structures	18–24 years
Machinery and equipment	3–10 years
Motor Vehicles	3–5 years

FINANCIAL ASSETS AND MANAGEMENT OF FINANCIAL RISKS

Trade receivables and payables are not exposed to significant interest rate or foreign currency risks.

FOREIGN CURRENCY TRANSACTIONS

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

LEASES

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

PERIODISATION OF PENSION EXPENSES

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

INCOME TAXES

Incap Corporation has, for taxation purposes, unused losses amounting to EUR 14.9 million, which have been approved and can be utilised in the years 2019–2025.

The parent company's confirmed tax losses amount to EUR 14.9 million on 31 December 2018. Remaining confirmed tax losses will expire in years 2019–2025. Out of the confirmed tax losses, EUR 5.3 million expired during the financial period. The parent company's deferred tax assets amount to approximately EUR 3.0 million and none of it has been recorded in the consolidated balance sheet.

IMPAIRMENT TESTING OF SHARES IN SUBSIDIARIES

The value of subsidiaries in the parent group is the acquisition cost plus subsequent investments to strengthen the equity of the subsidiaries. The value of the shares has a significant impact on the parent company's equity and therefore for example on equity ratio.

The impairment testing of shares in subsidiaries has been carried out on the basis of the situation at the end of December 2018. The recoverable amounts are determined in calculations on the basis of the value in use, and the preparation of these calculations requires the use of judgement.

The value of subsidiaries in the parent group is approximately EUR 12.3 million.

In cash flow estimates, the revenue in India is estimated to grow by 10–15% annually and the EBIT is approximately 13%. The residual value is estimated to grow by 2%. In the calculations for the financial period 2018, the discount rate of 14.66% has been used in India (14.18% in financial period 2017). Should the EBIT used in the testing decrease by approximately 53% or should the discount rate increase less than 45 percentage points, there would be no need for write-down of shares. Should the estimated residual value growth be 0%, there would be no need for write-down of shares. Because the revenue and profitability in India have shown a positive trend during the few past years, it is estimated that there is no need or risk for a write-down of shares.

In cash flow estimates, the revenue in Estonia is estimated to decrease by approximately 0-13% annually and the EBIT is estimated to be approximately 3–5%. The residual value is estimated to grow by 2%. In the calculations for the financial period 2018, the discount rate of 8.06% has been used in Estonia (8.5% in financial period 2017). Should the EBIT used in the testing decrease by approximately 58% or should the discount rate increase less than 9.3 percentage points, there would be no need for write-down of shares. Should the estimated residual value growth be 0%, there would be no need for write-down of shares. It is estimated that there is no need for write-down of shares of the Estonian subsidiary in 2018. The levels of revenue and operating profit before depreciation used in the impairment calculations of the Estonian subsidiary do not reflect the actual development during the preceding years and there is an element of uncertainty associated with them.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The financial statements have been compiled in accordance with Chapter 2 of the Accounting Act.

1. REVENUE

Revenue by market area	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Finland	0	0
Europe	248	234
Other	2,348	1,474
	2,595	**1,708**

2. OTHER OPERATING INCOME

	2018	2017
Unrealised liability for employee's unemployment	0	8
	0	**8**

3. RAW MATERIALS AND SERVICES

	2018	2017
Raw materials and consumables		
Purchases during the financial year	0	0
External services	0	0

4. PERSONNELL EXPENSES AND NUMBER OF PERSONNEL

	2018	2017
Average number of employees	**3**	**3**
Personnel expenses		
Wages and salaries	599	382
Pension expenses	37	27
Other social security expenses	12	9
	648	**419**
Salaries and bonus of the management		
CEO and the Board	308	280
	308	**280**

5. DEPRECIATION AND AMORTISATION

	2018	2017
Depreciation according to plan	0	0

6. OTHER OPERATING EXPENSES

	2018	2017
Lease payments	30	50
Maintenance expenses for machinery and properties	31	13
Other expenses	456	292
	517	**356**
Auditors fees		
Authorised Public Accountant Firm Ernst & Young Oy	42	15
Certificates and statements	0	0
Tax advice	1	0
Other services	2	7
	45	**21**

7. FINANCIAL INCOME AND EXPENSES

	2018	2017
Dividend income		
From other companies		3
Other interest and financial income		
From Group companies	30	38
From other companies	1	23
Interest paid and other financial expenses		
To Group companies		6
To other companies	130	110
	-100	**-52**

8. SHARES

	Shares in subsidiaries	Receivables from Group companies	Other shares	Total
Acquisition cost, 1 Jan	12,300	0	4	12,304
Acquisition cost, 31 Dec	**12,300**	**0**	**4**	**12,304**
Book value, 31 Dec 2018	12,300	0	4	12,304
Book value, 31 Dec 2017	12,300	0	4	12,304

FINANCIAL STATEMENTS 31 DECEMBER 2018

The Group's equity at the close of the financial period was EUR 15,7 million (EUR 10.4 million in 2017) and the parent company's equity was EUR 12.1 million (EUR 10.7 million in 2017). The equity of the Group is increased by the profit of the parent company.

The value of shares in subsidiaries in the parent company is the acquisition cost plus subsequent investments to strengthen the equity of the subsidiaries. In the financial statements of the parent company, the value of the Indian subsidiary's shares in the balance sheet is approximately EUR 8.2 million and the value of the Estonian subsidiary approximately EUR 4.1 million. The value of the shares in subsidiaries has a significant impact on the parent company's equity and accordingly on equity ratio, among others. The impairment testing of subsidiaries has been carried out based on the situation at the close of the financial period 2018. The recoverable amounts used in the impairment test calculations are determined on the basis of use value.

The cash flow forecasts are based on the budget for next financial period and the business plan prepared for the four forthcoming years by the management and approved by the Board. In cash flow estimates, the revenue in India is estimated to grow by 10–15% annually and EBIT is approximately 13%. In cash flow estimates, the revenue in Estonia is estimated to grow by 0-13% annually and EBIT is 3-5%. The residual value is estimated to grow by 2%.

The discount rate is comprised of industry risk, interest on liabilities and country-specific risk. The discount rate factors are updated annually in connection with the testing using information received from the market. In the calculations for the financial period 2018, the discount rate of 14.66% has been used in India and 8.06% in Estonia.

Should the EBIT used in the testing decrease by approximately 53% in India or 58% in Estonia, or should the discount rate increase by less than 9.3 percentage points in Estonia and 45 percentage points in India, there would be no need for write-down of shares.

The profitability in the Indian subsidiary is at a good level and there is no need or risk of related write-down. As to the Estonian subsidiary, the levels of revenue and operating profit before depreciation used in the impairment test calculation do not reflect the actual development during preceding years, and therefore there is an element of uncertainty associated with them. 78% of the business value of the Estonian subsidiary consists of a so-called residual value. The revenue of the Estonian subsidiary decreased in 2018 by 10.5% and EBIT increased by 21.5%.

GROUP COMPANIES

- Incap Electronics Estonia OÜ, Kuressaare, Estonia
- Incap Contract Manufacturing Services Pvt. Ltd., Bangalore, India
- Euro-ketju Oy, Helsinki, Finland (dormant)
- Incap Hong Kong Limited, Hong Kong

Incap Corporation owns 100% of Incap Electronics Estonia OÜ, Incap Hong Kong Ltd and Incap Contract Manufacturing Services Pvt. Ltd. All companies are combined in the parent company consolidated financial statements.

9. RECEIVABLES

	2018	2017
Non-current		
Trade receivables	0	0
Amount owed by Group companies		
Trade receivables	558	540
Interest receivables	105	77
Other receivables	744	742
	1,407	**1,358**
Other receivables	12	8
Prepaid expenses and accrued income	3	10
Total receivables	**1,423**	**1,377**

10. EQUITY

	2018	2017
Share capital, 1 Jan	1,000	1,000
Share capital, 31 Dec	1,000	1,000
Share premium account, 1 Jan	0	0
Share premium account, 31 Dec	0	0
Total restricted equity	**1,000**	**1,000**
Unrestricted equity reserve 1 Jan	8,368	8,368
Unrestricted equity reserve 31 Dec	8,368	8,368
Retained earnings, 1 Jan	1,353	464
Retained earnings, 31 Dec	1,353	464
Profit for the financial year	1,331	889
Total non-restricted equity	**11,052**	**9,721**
Total equity	**12,052**	**10,721**

Distributable funds according to the Companies Act, Chapter 13, § 5	**2018**	**2017**
Unrestricted equity reserve	8,368	8,368
Retained earnings	1,353	464
Profit/loss for the financial year	1,331	889
Total distributable funds	**11,052**	**9,721**

11. NON-CURRENT LIABILITIES

	2018	2017
Loans from credit institutions	398	1,849
Total	**398**	**1,849**

All liabilities are falling due within five years.

12. CURRENT LIABILITIES

	2018	2017
Loans from credit institutions	1,038	1,000
Trade payables	51	13
Amount owed to Group companies:		
Trade payables	23	2
Advances received		
Other liabilities	13	10
Accruals and deferred income	164	96
	1,288	**1,121**
Total interest-bearing liabilities	1,038	1,000
Material items in accruals and deferred income		
Wages and salaries, incl. social costs	106	31
Interest	4	13
Expense reserve	51	51
Other	3	
	164	**96**
Other current liabilities		
Tax account		-2
Others	13	12
	13	**10**

13. OTHER NOTES TO THE ACCOUNTS

Collateral	**2018**	**2017**
Loans for which real-estate has been mortgaged as collateral		
Loans from credit institutions	1,038	2,038
Mortgages	12,113	12,113
Furthermore, the credit line of Nordea amounting to EUR 1.0 million has been guaranteed by the shares of the Indian subsidiary.		
Loans for which business mortgages have been given as collateral		
Guarantees of financing loan		
Rental guarantee	985	608
Guarantee on recourse right of trade receivables	1,004	1,342
Contingent and other liabilities		
Lease liabilities, net of VAT		
Liabilities falling due next financial year	1	2
Liabilities falling due after one year	0	0

BOARD OF DIRECTORS' PROPOSAL ON MEASURES RELATED TO THE RESULT

The parent company's profit for the financial period totalled EUR 1,330,795.88.

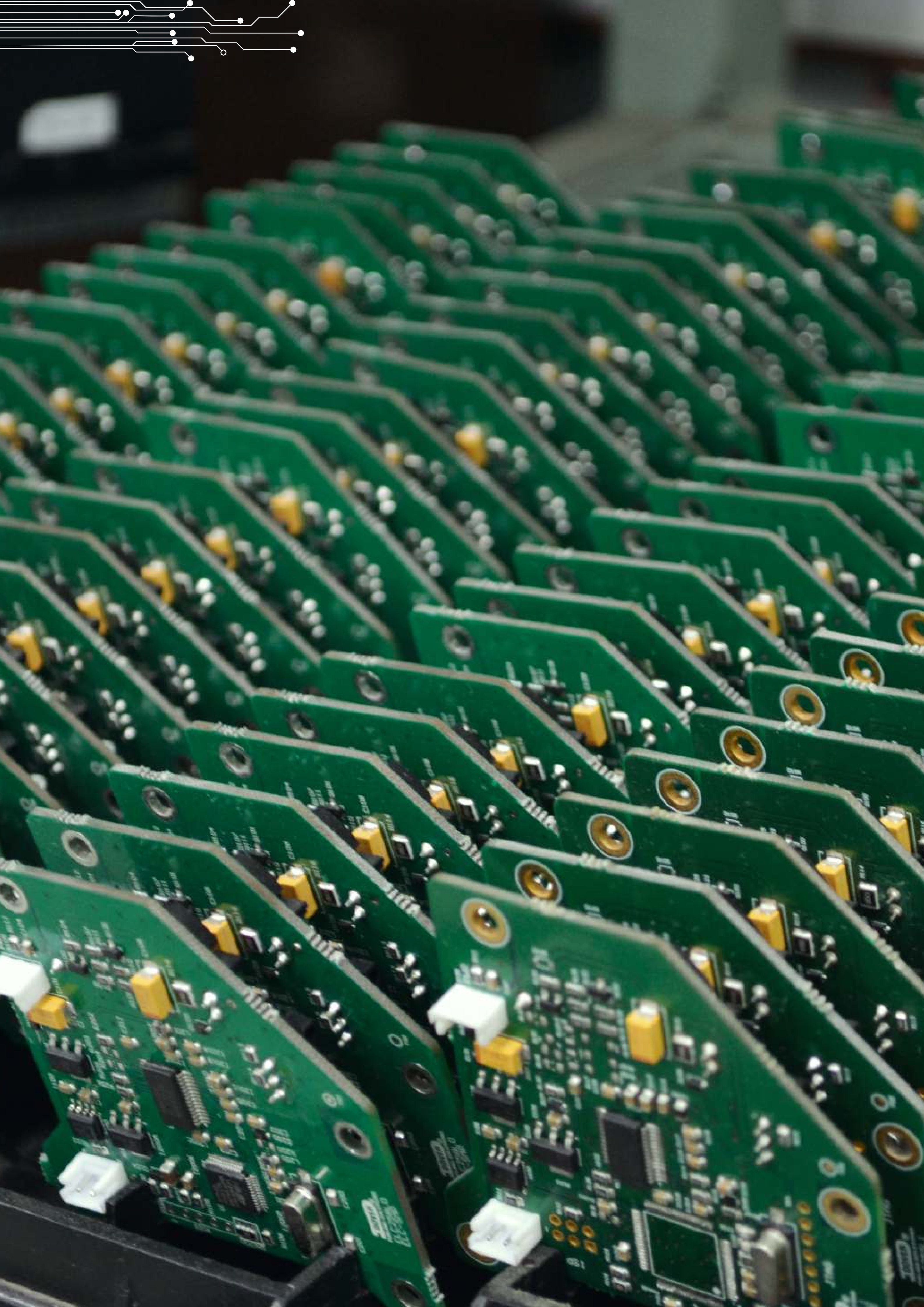
The Board will propose to the Annual General Meeting on 15 April 2019 that no dividend be paid and the result for the financial period be recognized in equity.

Kuressaare, 12 March 2019

Carl-Gustaf von Troil
Chairman of the Board

Päivi Jokinen
Board Member

Ville Vuori
Board Member



AUDITOR'S REPORT

To the Annual General Meeting of Incap Oyj

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Incap Oyj (business identity code 0608849-6) for the year ended 31 December, 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition We refer to the Group's accounting policies and the note 3 The Group's business consists of contract manufacturing of electronics in Group's factories located in India and Estonia. Revenues from the sale of goods is recognized when the customer obtains control of goods at a point in time. Revenue is a key performance measure in assessing the performance of the Group. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10 (2) due to the risk associated with the timely and accurate recognition of the revenue.	Our audit procedures, among others, included the review of the Group's accounting policies over revenue recognition and comparison to IFRS standards. We tested Group's internal controls over proper timing and amount of revenue recognized. We examined Group's sales contracts throughout the financial year and in connection with the year-end audit. We tested the proper timing of revenue recognition as at end of financial year. We evaluated the disclosures in respect of revenue.
Inventory valuation We refer to the Group's accounting policies and the note 16 The value of inventories at 31 December 2018 was 11.6 million euros comprising 36 % of total assets. Inventory valuation was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) because the valuation of inventory involves the use of management judgement related to the risk of obsolescence inventory and because the value of inventories is significant to the financial statements.	Our audit procedures, among others, included the processes related to cut-off, stocktaking and valuation of inventories. As part of the audit we compared the inventory valuation principles to IFRS standards. As at the end of the financial year we tested the valuation of inventories based on a testing sample. In our audit procedures to address the risk of inventory obsolescence, we evaluated and tested management's assumptions and calculations related to valuation. We evaluated the disclosures in respect of inventory.
Valuation of subsidiary shares in parent company's financial statements We refer to the Parent company's financial statement and the note 8 The value of shares in subsidiaries as of 31 December 2018 was 12.3 million euros comprising 90 % of the parent company's total assets and 102 % of the parent company's equity. Valuation of subsidiary shares in parent company's financial statements was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2) because the impairment testing of shares is based on management's assumptions about the future cash flow used in value-in-use calculations. The assumptions used to determine the value-in-use are, among others, revenue growth, operating profit before depreciation and discount rate applied in discounting future cash flows. The estimated value-in-use may vary significantly depending on changes in assumptions and these changes may result in an impairment of shares.	As part of the audit procedures related to valuation of shares in subsidiaries, our audit processes included, among others, evaluation and testing of management's assumptions and accounting method. The audit procedures included testing the clerical accuracy of impairment testing, comparison of actual figures to prior years' forecasts in order to evaluate management's ability to forecast as well as comparing the testing documentation to long-term forecasts approved by the board of directors. In addition we evaluated the sensitivity of the model in relation to the key assumptions and evaluated the disclosures in respect of impairment testing.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

INFORMATION ON OUR AUDIT ENGAGEMENT

We were first appointed as auditors by the Annual General Meeting on 21 March 2002 and our appointment represents a total period of uninterrupted engagement of 17 years.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In Helsinki 13 March 2019

Ernst & Young Oy
Authorized Public Accountant Firm

Bengt Nyholm
Authorized Public Accountant


LG
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InCap
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FIVE-YEAR KEY FIGURES

IFRS		2018	2017	2016[x]	2015	2014
Revenue	EUR million	59.0	48.5	38.6	30.6	18.5
Growth/change	%	21	26	26	65	-28
Operating profit/loss	EUR million	8.6	4.5	3.8	3.7	1.1
Share of revenue	%	14.6	9.4	9.8	12.1	5.7
Profit/loss before tax	EUR million	7.9	4.0	3.2	3.2	0.3
Share of revenue	%	13.5	8.2	8.3	11.0	2.0
Return on equity (ROE)	%	44.7	34.2	31.3	56.9	15.4
Return on investment (ROI)	%	46.8	28.4	26.0	26.0	11.2
Total assets	EUR million	32.1	24.8	21.1	18.1	14.4
Equity ratio	%	49.1	42.0	37.6	31.2	9.9
Net gearing	%	16.6	41.9	71.0	98.3	524
Interest-bearing net debt	EUR million	2.6	4.4	5.6	5.6	7.5
Quick ratio		1.0	1.0	1.1	1.1	0.6
Current ratio		1.7	1.6	1.7	1.8	0.9
Investments	EUR million	2.2	0.7	1.0	0.9	0.2
Share of revenue	%	3.7	1.4	3	3	1
R&D expenditure	EUR million	0	0	0	0	0
Share of revenue	%	0	0	0	0	0
Average number of employees		684	535	511	425	404
Dividends[1]	EUR million	0	0	0	0	0
Per-share data						
Earnings per share[2]	EUR	1.34	0.72	0.49	0.52	0.05
Equity per share[2]	EUR	3.61	2.39	1.82	1.29	0.44
Dividend per share[2]	EUR	0.00	0.00	0.00	0.00	0.00
Dividend out of profit[1]	%	0	0	0	0	0
Effective dividend yield[1]	%	0	0	0	0	0
P/E ratio		5.4	8.6	11.2	15.3	43.3
Trend in share price						
Minimum price during year	EUR	5.60	5.25	4.95	0.03	0.04
Maximum price during year	EUR	8.22	7.20	8.65	0.20	0.11
Average price during year	EUR	6.02	5.93	6.43	0.12	0.06
Closing price at end of year	EUR	7.26	6.19	5.46	0.16	0.06
Total market capitalisation at 31 Dec	EUR million	31.7	27.0	23.8	34.3	6.5
Trade volume	no. of shares	2,891,606	2,009,629	40,565,856	123,997,394	40,584,525
Trade volume	%	66	46	929	57	37
Average number during year[3]		4,365,168	4,365,168	4,365,168	3,835,433	3,273,421
Number at end of year[3]		4,365,168	4,365,168	4,365,168	4,365,168	3,273,421

[1] The Board of Directors proposes to the Annual General Meeting that no dividend be paid out.

[2] In accordance with the resolution of the Annual General Meeting the quantity of the company's shares was reduced during the financial period 2016 so that each of previous 50 shares correspond to one share of the company.
In practice, the number of shares was divided by 50.
Comparison periods have been adjusted accordingly.

[3] Share issue-adjusted number of shares, each of previous 50 shares correspond to one share from 2016.

[x] The 2016 key figures have been adjusted to reflect the adjusted result and the corresponding balance sheet

DEFINITIONS OF KEY FIGURES

Return on equity, %	=	100 x profit/loss for the period / average equity during the financial period
Return on investment, %	=	100 x (profit/loss + financial expenses + taxes) / equity + interest-bearing financing loans
Equity ratio, %	=	100 x equity / balance sheet total - advances received
Net gearing, %	=	100 x net debt / equity
Net debt	=	Interest-bearing debt - cash and bank accounts
Quick ratio	=	current assets / short-term liabilities - short-term advances received
Current ratio	=	current assets + inventories / short-term liabilities
Investments	=	VAT-exclusive working capital acquisitions, without deduction of investment subsidies
Average number of employees	=	average of personnel numbers at the end of each month

PER-SHARE DATA

Earnings per share	=	net profit/loss for the period / average number of shares during the period, adjusted for share issues
Equity per share	=	equity / number of shares at the end of the period, adjusted for share issues
Dividend per share	=	dividend during financial year / number of dividend-earning shares at end of period, adjusted for share issue
Dividend out of profit, %	=	100 x dividend per share / earnings per share
Effective dividend yield, %	=	100 x dividend per share / closing price at balance sheet date
Price per earnings (P/E) ratio	=	closing price at balance sheet date / earnings per share
Total market capitalisation	=	closing price for the period x number of shares available for public trading

BOARD OF DIRECTORS

CARL-GUSTAF VON TROIL

Chairman of the Board

B.Sc. (Eng.), born 1954

A non-executive director, who is independent of the company and its major shareholders.

Carl-Gustaf von Troil is a member of the Board at United Bankers and acts as a partner and asset manager at UB Wealth management. He has acted as Managing Director and Board member in several companies in banking, investment and property businesses. He is a member of the Board at Oy Kontino Ab, additionally he is a member of the Board in several companies in the United Bankers Group.

Board member as from 31 March 2015.

Incap shares (direct ownership and holding of interest parties): 40,604 pcs

Options: –

PÄIVI JOKINEN

Board member

M. Sc. (Econ), born 1968

A non-executive director, who is independent of the company and its major shareholders.

Päivi Jokinen works as a Vice President at Stora Enso Consumer Board division. She has been employed by Stora Enso since 2016. Before that, Päivi has held various leadership positions at Kemira and International Paper Europe, among others. Päivi has solid experience in international business, strategic planning, marketing and communications. She is also a member of the board of the Board Professionals Finland ry and a member of the Advisory Council of the private equity company Bocap.

Board member as from 17 April 2018.

Incap shares (direct ownership and holding of interest parties): –

Options: –

VILLE VUORI

Board member

B.Sc. (Eng.), eMBA, born 1973

A non-executive director, who is independent of the company's major shareholders.

CEO of Kemppi Oy. Ville Vuori has acted as President and CEO of Incap Group during 2014-2017. Before that he worked at Kumera Drives Oy and Skyhow Ltd. as Managing Director and at ABB Group in several managerial positions.

Board member as from 17 April 2018.

Incap shares (direct ownership and holding of interest parties): –

Options: –

MANAGEMENT TEAM

OTTO PUKK

President and CEO of the Group
Director, Operations Estonia
M.Sc.B.E., born 1978

With the company as from 2015, first as the director for Incap operations in Estonia. CEO of the Group as from 18 September 2018. Otto has served previously at Eesti Energia Technology Industries and ETAL Group, among others.

MURTHY MUNIPALLI

Director, Operations India
& Sales Asia
M.Sc. (Eng.), MBA, born 1964

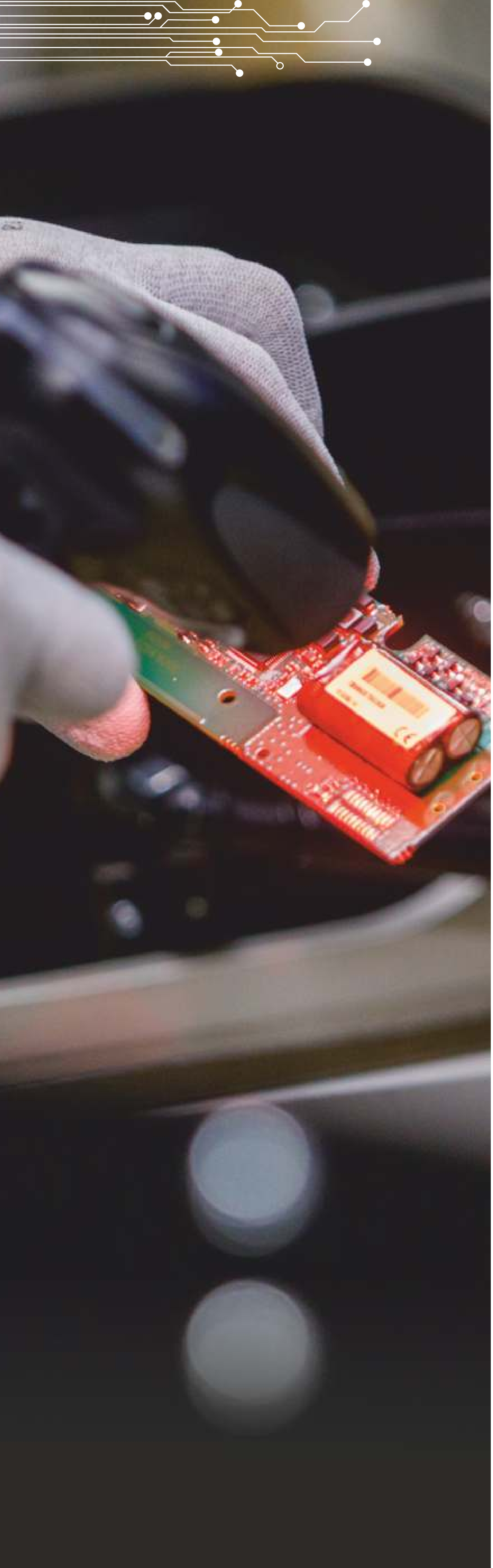
With the company as from 2008, serving first as Sales Director and as Managing Director of the Indian subsidiary. He has worked previously at Spike Technologies Ltd (present Qualcomm) and Tata Elxsi Ltd.

ANTTI PYNNÖNEN

CFO
M.Sc. (Econ.), born in 1982

With the company as from 21 January 2019. He has worked in different managerial finance and business development positions at ABB during 2007-2011 and in Wärtsilä during 2011-2019.

Management team members hold neither Incap shares nor stock options.



SHARES AND SHAREHOLDERS

Incap Corporation has on 31 December 2018 one series of shares and a total of 4,365,168 shares. Company's share capital registered in the trade registry was EUR 1,000,000 on 31 December 2018. The company does not own any of its own shares.

Incap Corporation's shares are listed on the NASDAQ OMX Helsinki since 5 May 1997. In the Nordic OMX List Incap belongs to the Small Cap segment and the industry sector of Incap is Industrials/Industrial Goods & Services. The company code is ICP and the book entry type code is ICP1V.

The price of Incap Corporation's share varied in the range of EUR 5.60 to EUR 8.22 during the financial year. The last quotation in trading at the end of the year 2018 was EUR 7.26. The company's market capitalisation on 31 December 2018 was EUR 31.7 million. In the end of the financial year 2018 the company had 2,437 shareholders and 4.2% of the shares were nominee-registered.

SHAREHOLDER AGREEMENTS

The Board of Directors is not aware of any shareholder agreements concerning the ownership and voting rights of the company's shares.

SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND THE PRESIDENT

The members of the company's Board of Directors, the President and their interest parties owned a total of 40,604 shares, or 0.9% of the company's shares and votes. Changes in the holdings of the Board of Directors, the President and the Group management team are announced in stock exchange releases, which are available on the company's website at www.incapcorp.com, section Investors/News and Releases.

Development of share capital Date		**Change** **1,000 euros**	**Registered on**	**Share capital,** **1,000 euros**
31.01.1991	Merger	5,760	26.02.1992	7,862
28.04.1992	Increase	424	25.11.1992	8,286
30.09.1992	Decrease	4,972	02.12.1992	3,314
15.01.1993	Increase	32	11.08.1993	3,347
16.03.1994	Increase	563	21.12.1994	3,910
10.03.1997	Increase	978	21.03.1997	4,889
05.05.1997	Increase	975	05.05.1997	5,864
04.05.1998	Increase	40	04.05.1998	5,904
21.03.2002	Increase	14,583	24.04.2002	20,487
06.04.2016	Decrease	19,487	31.08.2016	1,000

Largest shareholders on 31 December 2018	**Shares,** **pcs**	**Percentage of shares** **and votes, %**
OY ETRA INVEST AB	853,000	19.54
NORDEA HENKIVAKUUTUS SUOMI OY	624,099	14.30
JOENSUUN KAUPPA JA KONE OY	375,513	8.60
ILMARINEN KESKINÄINEN ELÄKEVAKUUTUSYHTIÖ	232,308	5.32
LAAKKONEN MIKKO KALERVO	218,257	5.00
MANDATUM LIFE UNIT-LINKED	160,000	3.67
DANSKE BANK A/S HELSINKI BRANCH	141,620	3.24
K22 FINANCE OY	134,100	3.07
KAKKONEN KARI HEIKKI ILMARI	100,000	2.29
LAURILA KALEVI HENRIK	79,021	1.81
10 largest total	2,917,918	66.85

Holding by sector on 31 December 2018	**Shareholders** **pcs**	**%**	**Shares and votes** **pcs**	**%**
Private enterprises	90	3.7	777,626	17.81
Financial institutions	11	0.5	1,888,672	43.27
Public sector entities	1	0.0	232,308	5.32
Households	2,323	95.3	1,447,710	33.17
Non-profit organisations	4	0.2	4,491	0.10
Foreign ownership	8	0.3	14,361	0.33
TOTAL	2,437	100.0	4,365,168	100.00
nominee registered	8		184,882	4.24

Holding by number of shares on 31 December 2018 **Shares, pcs**	**Shareholders** **pcs**	**%**	**Shares and votes** **pcs**	**%**
1 - 100	1,275	52.3	41,960	0.96
101 - 500	735	30.2	187,961	4.31
501 -1,000	203	8.3	153,759	3.52
1,001 - 5,000	170	7.0	384,401	8.81
5,001 - 10,000	22	0.9	155,246	3.56
10,001 - 50,000	20	0.8	390,721	8.95
50,001 - 100,000	4	0.2	312,223	7.15
100,001 - 500,000	6	0.2	1,261,798	28.91
500,001 -	2	0.1	1,477,099	33.84
TOTAL	2,437	100.0	4,365,168	100.00
nominee registered	8		184,882	4.24

NOTES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