

## Cencorp Corporation Interim Report for 1 January – 31 March 2007

### January-March 2007

- Net sales amounted to EUR 3.8 (5.9) million
- Operating profit (EBIT) totalled EUR -1.0 (-1.2) million
- Profit before taxes was EUR -1.3 (-1.4) million
- Equity ratio stood at 6.8% (22.8%).

The figures given for comparison are those for the corresponding period in the previous year unless otherwise stated.

The interim report has been prepared in compliance with the recording and valuation principles of the IFRS Standards but that not all the requirements of the IAS 34 Standard have been complied with.

### Group's key figures

(unaudited)			
EUR 1,000	1-3/2007	1-3/2006	1-12/2006
Net sales	3 820	5 943	19 974
Operating profit/loss (EBIT)	-1 018	-1 242	-3 348
% of net sales	-26.6 %	-20.9 %	-16.8 %
Profit/loss before taxes (EBT)	-1 335	-1 439	-4 874
% of net sales	-34.9 %	-24.2 %	-24.4 %
Research and development costs	203	187	512
% of net sales	5.3 %	3.1 %	2.0 %
Equity ratio, %	6.8 %	22.8 %	12.7 %
Personnel on average	139	205	185
Personnel at the end of period	132	202	156
Profit/share, EUR	-0.05	-0.04	-0.14

## **Net sales and earnings performance**

### **January-March 2007**

Net sales in January-March 2007 totalled EUR 3.8 million (EUR 5.9 million) while operating profit amounted to EUR -1.0 million (EUR -1.2 million). The weak level of net sales was due market situation that formed tighter than expected. A considerable part of customers felt that the profitability of their own business had weakened and the resulting uncertainty got them to postpone planned investments. Thus the deliveries during the review period decreased clearly. Measures launched in 2006 decreased the group's fixed costs with more than EUR 1 million compared with the previous year. The Group's net financial items were EUR -0.3 (-0.2) million. Profit before taxes totalled EUR -1.3 (-1.4) million. The net profit for the period was EUR -1.3 (-1.5) million. Earnings per share were EUR -0.05 (-0.04).

## **Balance sheet and financing**

The balance sheet figures at 31 March 2007 are compared to those at 31 December 2006.

At the end of the review period, the balance sheet total was EUR 19.6 (21.1) million. The company's cash flow after investments was EUR -0.1 million, while interest-bearing net debts at the end of the review period amounted to EUR 14.1 (13.7) million. Accounts receivables were EUR 4.6 (5.6) million, and inventories were EUR 4.8 (5.2) million.

Non-interest-bearing liabilities amounted to EUR 3.8 (4.8) million and interest bearing liabilities to EUR 15.0 (14.6) million. The equity ratio was 6.8% (12.7%). Gross investments in January-March totalled EUR 0.05 (0.1) million, or 1.2% (2%) of the period's net sales, and mainly came from product development.

## **Events in the review period**

Details about events in the review period are available in Cencorp Corporation's stock exchange releases on Cencorp's website at [www.cencorp.com](http://www.cencorp.com).

## **The Board of Directors of Cencorp Corporation decided on financing arrangement and distribution of stock options**

Cencorp Corporation and Sampo Pankki Oyj agreed on EUR 1,500,000 financing arrangement. As part of the arrangement the board of Cencorp Corporation decided to issue 1,801,400 stock options to Sampo Pankki Oyj, on the basis of an authorization received at the Extraordinary General Meeting of Shareholders held on 8 September 2006. Stock options are marked by code 2007A and they entitle the holder to convert the stock options into 1,801,400 new shares. The subscription price is EUR 0.40. Share subscription period ends on September 9, 2011.

Furthermore, the Board of Directors of Cencorp Corporation approved the distribution of the stock options directed to the key personnel of Cencorp Corporation and to PMJ testline Oy, a wholly-owned subsidiary of the Company. The General Meeting of Shareholders of Cencorp Corporation decided on the issue of the stock options on 8 September 2006.

A total of 350.000 stock options 2006A, were distributed to the key personnel of Cencorp Corporation. The rest of the stock options were granted to PMJ testline Oy, to be further distributed to the present or future key personnel of the Group.

The total number of Cencorp Corporation new shares that can be subscribed for with the stock options 2006 is 1,500,000. The share subscription period for stock options 2006A will be 1 April 2008—30 April 2010, for stock options 2006B 1 April 2009—30 April 2011 and for stock options 2006C 1 April 2010—30 April 2012.

The share subscription price for stock options 2006A is EUR 0.56/share, i.e. the trade volume weighted average quotation of the Cencorp Corporation share on the Helsinki Stock Exchange during 1 September—30 September 2006, for stock options 2006B the trade volume weighted average quotation of the Cencorp Corporation share on the Helsinki Stock Exchange during 1 July—31 August 2007, and for stock options 2006C the trade volume weighted average quotation of the Cencorp Corporation share on the Helsinki Stock Exchange during 1 April—31 May 2008. From the share subscription price of stock options will be deducted the amount of the dividend distributed annually.

A share ownership plan, in which the key personnel included in the stock option plan, are obliged to acquire the company's shares with 20% of the net income gained from the realized stock options, is incorporated to the stock options 2006. A key person must own the shares he/she has acquired as long as his/her employment or service in a corporation belonging to the Group continues.

## **Cencorp outsourced sales and after sales operations to Danutek in Hungary**

Cencorp Corporation and Hungarian based Danutek Kft. signed on March 28, 2007 a Representative Agreement over Cencorp products for sales, marketing and after sales in Hungary, Romania and Bulgaria. Four Hungarian employees of Cencorp were transferred to Danutek and two employee agreements were terminated. After April 1, 2007 Cencorp will not have any own employees in the territory.

The co-operation between Cencorp and Danutek aims to offer better after sales service to customers as well as acquire new customers amongst OEM manufacturers and contract manufacturers in the territory. Furthermore, the cooperation enables offering of larger equipment systems to customers.

The contract is in accordance with Cencorp strategy: Cencorp's sales resources are strengthened in strategic areas through cooperation with distributors up to the standards of Cencorp's customers.

Danutek is a part of UK based Altus Group. Altus Group is Cencorp's distributor also in UK and Ireland.

### **New Vice President, Sales and Marketing**

M.Sc. Mr. Kimmo Akiander (B. 1969) has been nominated as Vice President, Sales and Marketing of Cencorp Corporation starting on April 10, 2007. Mr. Akiander reports to CEO Jouni Suutarinen.

Mr. Kimmo Akiander has previously worked as Sales and Marketing Director in Business Unit Systems of Efore Oyj. Before Efore Oyj he worked as a Key account manager for Motorola in Ascom Energy Systems GmbH.

### **Auditor's Report of Cencorp Corporation**

The Board of Cencorp Corporation was informed on March 29, 2007 of auditor's report concerning the financial year January 1 – December 31, 2006. Auditor's report included following mentioning concerning financial situation of the company: "The liquidity of the group is stringent. There are EUR 4,2 million receivables from unprofitable subsidiaries in the balance sheet of the parent company. As mentioned in the report of Board of Directors, the repayment of these receivables depends on the profitable performance of the subsidiaries in the future. Additionally there is EUR 1,69 million deferred tax asset in the group balance sheet, the value of which depends on whether the parent company turns profitable within near future. If the parent company stays unprofitable, it may have to start proceedings according to Companies Act 20:23 § in order to reorganize its financial situation."

### **CHANGES IN GROUP STRUCTURE**

Kiinteistö Oy Salon Ratakatu 10, a real estate company owned by Cencorp Corporation, sold its factory hall and the related land lease agreement in December 2006. Since the real estate company's sole purpose was to administer the property traded, the company was decided to be dissolved through liquidation, which has been started by liquidator Attorney-at-Law Mr. Mikko Tuononen.

## **Board, management and personnel**

At the end of the period, Cencorp Corporation's Board of Directors consisted of Mr Jorma Kielenniva, Chairman, LL.M. with court training, Mr Markku Jokela, Deputy Chairman, B.Sc. (Eng) and Sauli Kiuru, member, M.Sc. (Econ). The company's management team comprised Jouni Suutarinen (CEO), Jarmo Kanervo (finance and administration), Ville Parpola (legal affairs and personnel), Markku Jokela (sales and marketing), Juha Kantola (production), Hannu Seppälä (testing business) and Pekka Kettunen (product development).

Cencorp employed an average of 139 (205) people from January to March. The payroll at the end of the period totalled 132 (202) employees: 107 (158), or 81% (78%), in Finland and 25 (44), or 19% (22%), abroad.

### **NOTIFICATIONS PURSUANT TO CHAPTER 2, SECTION 9, OF THE SECURITIES MARKET ACT**

Notifications pursuant to chapter 2, section 9, of the Securities Market Act are available in Cencorp Corporation's stock exchange releases on the Cencorp website at [www.cencorp.com](http://www.cencorp.com).

### **EVENTS AFTER THE REVIEW PERIOD**

Details about events after the review period are available in Cencorp Corporation's stock exchange releases on Cencorp's website at [www.cencorp.com](http://www.cencorp.com)

### **Decisions of The Annual General Meeting of Cencorp Corporation held on April 17, 2007**

The financial statements for the fiscal year 2006 were approved. In accordance with the Board's proposal, it was resolved that no dividend shall be paid for the fiscal year January 1 – December 31, 2006. Likewise, it was resolved that the net loss of the fiscal year 2006 will be entered in the in the retained earnings account. Release from liability for the fiscal year January 1 – December 31, 2006 was granted to the members of the parent company's Board and the CEOs employed by the company during the fiscal year.

The Annual General Meeting passed a resolution to elect three members to the Board. The previous members elected to the Board were Mr. Jorma Kielenniva, Mr. Markku Jokela and Mr. Sauli Kiuru.

At the Board's organization meeting that was held after the Annual General Meeting, Jorma Kielenniva was elected Chairman of the Board and Markku Jokela Vice Chairman of the Board. Cencorp's Vice President, Legal Affairs Mr. Ville Parpola continues as the secretary of the board. Jorma Kielenniva and Markku Jokela were elected as members of the Nomination and Compensation Committee. Mr Jorma Kielenniva was elected as the Chairman of the Nomination and Compensation Committee.

Tuokko Tilintarkastus Oy was elected as the Company's auditor, with Authorised Public Accountant Timo Tuokko to be the primarily responsible auditor.

In accordance with the Board's proposal, it was resolved that Articles of Association of the company will be changed as follows:

- Sections 3, 4 and 13 concerning share capital of the company, number of shares and voting rights attached to the shares were wholly or partly removed as redundant.
- Sections 8 and 9 concerning the right to sign for the company were amended to correspond to the wording of the Companies Act.
- Section 11 concerning the notice of a General Meeting was amended to the effect that the notices can be delivered not earlier than three months prior to the General Meeting instead of the current two months.
- The list of matters to be considered at the Annual General Meeting of Shareholders was amended to correspond to the amended legislation.
- The reference concerning the date of registration in section regarding the Book-entry System was removed as redundant.
- Section concerning record date procedure was removed as redundant.
- The numbering of the sections in the Articles of Association was amended correspondingly due to the above amendments.

In accordance with the Board's proposal, it was resolved that the Board of Directors of the company is authorized to resolve on the issuance of shares and stock options and other special rights entitling to shares subject to chapter 10, section 1 of the Companies Act as follows.

The aggregate number of shares issued on the basis of the authorization may not exceed 10,000,000 shares. The Board of Directors is authorized to resolve on all the terms and conditions concerning the issue of shares and stock options and other special rights entitling to shares. Issuance of shares and other special rights entitling to shares can be carried out as a directed issue. Authorization is valid until further notice, however not more than five years from the decision by the Annual General Meeting of Shareholders.

## **Business environment and customers**

Cencorp operates in the global market of production automation for the electronics and semiconductor industries. The company supplies production automation systems and testing equipment to the semiconductor, telecommunications, consumer electronics, industrial electronics and automotive electronics industries as well as to the electronics contract manufacturers.

The competition situation between the telecommunication sector's customers has reflected indirectly also to the automation manufacturers whose customers have postponed their investments as their own profitability has weakened. Thus, the demand has decreased and price competition tightened.

During the review period Cencorp Corporation received first orders for four new products. Cencorp 500 SLT-RF has been designed to be cost-effective and

inexpensive solution for testing radio frequency systems. Cencorp MLT-4 testing system enables flexible software downloading for terminal handsets. Cencorp 1000 VR on the other hand is directed to customers who need a high capacity but less flexible depanelling solutions. Cencorp 1000 OF Flex is a new, cost-effective assembly odd-form assembly machine. The deliveries of the above mentioned products are scheduled on the second quarter of the financial year.

## **Research and development**

The R&D expenses for January–March totalled 5.3% of net sales, or EUR 0.2 (0.2) million.

## **Share performance and changes in ownership**

The price of the company's share ranged from EUR 0.30 (1-3/2006: EUR 0.93) to EUR 0.46 (1-3/2006: EUR 1.29) over the review period, the average share price being EUR 0.40 (1-3/2006: EUR 1.11). A total of 2,824,538 (1-3/2006: 6,522,961) shares, or 8.2% (1-3/2006: 20.9%) of the company's entire share capital, were traded during the period.

The company's market capitalisation at the end of the review period was EUR 11 million (1-3/2006: EUR 31 million).

At the end of the review period, the company had 6 006 registered shareholders (1-3/2006: 6,803). A total of 317,373 shares were nominee registered (1-3/2006: 284,123), i.e., 0.9% (1-3/2006: 0.9 %). Cencorp had a total of 34,250,591 shares outstanding at the end of the review period (1-3/2006: 31,250,591), and one share series.

## **Outlook for the future**

In the automotive electronics industries the tightening legislation contributes to increasing the automation level. The legislation especially applies to the production of safety systems, like abs or esp systems. In addition, the global standardization of production processes directs the automation solutions in a way that the same processes are used globally despite the destination country's cost level.

In the telecommunications industry the mass production of lower-cost category handsets enables to increase the automation level also in the so called low-cost countries.

The above mentioned development trends are suited to create new market potential for automation manufacturers.

The first laser business applications are targeted to be on the market on the second half of the year. For the laser business development, one major factor is related to the technology partner Corelase Oy's development of the more effective versions of the XLase fibre laser. According to Corelase's statement released on 4 April 2007, a Nasdaq and Frankfurt listed Rofin-Sinar Technologies Inc. has acquired the ownership of the company. According to the statement, with the acquisition Corelase will get the use of the technological and financial resources of Rofin-Sinar.

The Group's order backlog has developed positively during the review period. Net sales for the whole year are expected to increase from 2006. Operating profit is estimated to be positive.

## **Future risks and uncertainty factors**

The most significant risks from Cencorp business perspective are related to the ongoing tight financing situation as well as to the development of the sales. Cencorp's sales forecasts are based on the company's own views as well as the sales development estimates from customers and the distributor network.

## **Preparing of financial statements as defined in the Companies Act 20:23.1§ and convene extraordinary shareholders meeting to clarify the financial status of the company**

Because the shareholders' equity of the parent company has decreased under 50% of the share capital, the Company will prepare financial statements as defined in the Companies Act 20:23.1§ by end of June 2007. After the financial statements are ready the board of Cencorp will convene an extraordinary shareholders meeting within three months from the date when financial statements are ready.

The Company has a 5.7 million euros convertible loan which has not been considered when the proportion between the shareholders' equity and the share capital has been calculated. In case capital loan would be considered as part of the shareholders' equity the shareholders' equity would be larger than the share capital.

In the Annual General Meeting which was held on April 17, 2007 it was resolved that the Board of Directors of the company is authorized to resolve on the issuance of shares and stock options and other special rights entitling to shares subject to chapter 10, section 1 of the Companies Act as follows. The aggregate number of shares issued on the basis of the authorization may not exceed 10,000,000 shares. The Board of Directors is authorized to resolve on all the terms and conditions concerning the issue of shares and stock options and other special rights entitling to shares.

Virkkala 10.5.2007

Cencorp Corporation

Board of Directors

Tables can be found on the following page.

## CONSOLIDATED INCOME STATEMENT

(unaudited figures)

EUR 1 000	1-3/2007	1-3/2006	1-12/2006
<b>Net sales</b>	<b>3 820</b>	5 943	19 974
Other operating income	37	78	446
Expenses, total	-4 566	-6 972	-22 459
Depreciations and write-downs	-309	-291	-1 309
<b>Operating result</b>	<b>-1 018</b>	-1 242	-3 348
Financial income and expenses	-317	-197	-1 526
<b>Result before taxes</b>	<b>-1 335</b>	-1 439	-4 874
Income taxes	1	-27	-25
<b>Consolidated net result</b>	<b>-1 334</b>	-1 466	-4 899

## CONSOLIDATED BALANCE SHEET

(unaudited figures)

EUR 1 000	1-3/2007	1-3/2006	1-12/2006
<b>ASSETS</b>			
<b>Long-term assets</b>			
Tangible assets	1 585	2 202	1 778
Investment property	338	987	343
Goodwill	2 028	1 902	2 028
Other intangible assets	942	1 606	1 016
Incomplete product development projects	1 239	1 189	1 199
Deferred tax asset	1 726	1 739	1 723
Available-for-sale investments	17	20	17
	<b>7 875</b>	9 645	8 104
<b>Short-term assets</b>			
Inventories	4 841	5 508	5 188
Accounts receivable	4 601	7 501	5 589
Other short-term assets	1 281	667	1 323
Cash and bank receivables	980	163	937
	<b>11 703</b>	13 839	13 037
<b>Total assets</b>	<b>19 578</b>	23 484	21 141
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	3 425	3 125	3 425
Other restricted equity	4 695	4 158	4 432
Non-restricted equity	0	441	
<b>Total shareholders' equity</b>	<b>-6 826</b>	-2 397	-5 224
	<b>1 294</b>	5 327	2 633
<b>Long-term liabilities</b>			
Long-term loans	10 426	5 463	10 356
Deferred tax liability	331	42	361
Long-term reserves		27	
<b>Total long-term liabilities</b>	<b>10 757</b>	5 532	10 717
<b>Short-term liabilities</b>			
Accounts payable and other liabilities	4 078	7 200	4 450
Short-term loans	2 030	4 059	1 394
Long-term loans shortening	1 338	1 188	1 824
Tax liabilities	0	27	25
Short-term reserves	81	151	98
<b>Total short-term reserves</b>	<b>7 527</b>	12 625	7 791
<b>Total liabilities</b>	<b>18 284</b>	18 157	18 508
<b>Total liabilities and shareholders' equity</b>	<b>19 578</b>	23 484	21 141

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 1.1. - 31.3.2006

(unaudited figures)

	Share capital	Other restricted equity	Translation difference	Retained earnings	Total
EUR 1 000					
<b>Shareholders' equity</b>					
<b>31.12.2005</b>	<b>3 125</b>	<b>4 158</b>	<b>-3 621</b>	<b>3 201</b>	<b>6 863</b>
Translation difference			-70		-70
Net result				-1 466	-1 466
<b>Shareholders' equity</b>					
<b>31.03.2006</b>	<b>3 125</b>	<b>4 158</b>	<b>-3 691</b>	<b>1 735</b>	<b>5 327</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 1.1. - 31.3.2007

(unaudited figures)

	Share capital	Other restricted equity	Translation difference	Retained earnings	Total
EUR 1 000					
<b>Shareholders' equity</b>					
<b>31.12.2006</b>	<b>3 425</b>	<b>4 432</b>	<b>-3 641</b>	<b>-1 583</b>	<b>2 633</b>
Translation difference			-448		-448
IAS 12				30	30
IAS 39				11	11
IFRS 3				402	402
Net result				-1 334	-1 334
<b>Shareholders' equity</b>					
<b>31.03.2007</b>	<b>3 425</b>	<b>4 432</b>	<b>-4 089</b>	<b>-2 474</b>	<b>1 294</b>

## CONSOLIDATED CASH FLOW STATEMENT

(unaudited figures)

EUR 1 000	1-3-/2007	1-3/2006	1-12/2006
Cash flow from operations	-68	1 417	-2 908
Cash flow into and from investments	-45	-117	332
Financial cash flow	<b>158</b>	-1 354	3 187
Increase(+)/ decrease(-) in financial assets	<b>45</b>	-54	611

## GROUP KEY FIGURES

(unaudited figures)

EUR 1 000	1-3/2007	1-3/2006	1-12/2006
Net sales	<b>3 820</b>	5 943	19 974
Operating result	<b>-1 018</b>	-1 242	-3 348
% of net sales	<b>-26.6 %</b>	-20.9 %	-16.8 %
Result before taxes	<b>-1 335</b>	-1 439	-4 874
% of net sales	<b>-34.9 %</b>	-24.2 %	-24.4 %
Total assets	<b>19 578</b>	23 484	21 141
Equity ratio, %	<b>6.8 %</b>	22.8 %	12.7 %
Gearing ratio, %	<b>1 064.5 %</b>	197.8 %	467.9 %
Gross investments	<b>45</b>	117	436
% of net sales	<b>1.2 %</b>	2.0 %	2.2 %
R&D expenditure	<b>203</b>	187	512
% of net sales	<b>5.3 %</b>	3.1 %	2.6 %
Personnel, average	<b>139</b>	205	185
Personnel, at end of period	<b>132</b>	202	156
Non-interest bearing liabilities	<b>3 801</b>	7 447	4 835
Interest bearing liabilities	<b>15 036</b>	10 710	14 610
Per-share key figures			
Equity per share*, EUR	<b>0.04</b>	0.17	-0.14
Earnings per share, EUR/share (diluted)	<b>-0.05</b>	-0.04	-0.15
Earnings per share, EUR/share (undiluted)	<b>-0.04</b>	-0.04	0.08
Share price trend			
High, euros	<b>0.46</b>	1.29	1.33
Low, euros	<b>0.30</b>	0.93	0.42
Average, euros	<b>0.40</b>	1.11	0.81
Price at end of period, euros	<b>0.31</b>	1.00	0.44
Market capitalization at end of period, EUR millions	<b>11</b>	31	15

## CALCULATION OF KEY FIGURES

Equity ratio, %

$$\frac{\text{Shareholders' equity} + \text{minority interest} \times 100}{\text{Balance sheet total} - \text{advances received}}$$

Net gearing, %

$$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents and marketable securities} \times 100}{\text{Shareholders' equity} + \text{minority interest}}$$

Earnings per share (EPS)

$$\frac{\text{Profit before extraordinary items} +/- \text{minority interest of profit/loss for the period} - \text{taxes}}{\text{Number of shares adjusted for share issue (average)}}$$

Equity per share

$$\frac{\text{Shareholders' equity}}{\text{Number of shares adjusted for share issue at the end of the financial year}}$$

## CONTINGENT LIABILITIES

(unaudited figures)

EUR 1 000	31.03.2007	31.03.2006	31.12.2006
<b>Loans from financial institutions</b>	<b>13 533</b>	6 330	13 069
Corporate mortgages granted	<b>12 687</b>	12 452	12 687
Real-estate mortgages granted	<b>0</b>	168	0
<b>Other loans</b>	<b>1 503</b>	1 758	1 541
Real-estate mortgages granted	<b>0</b>	0	0
<b>Used bank guarantee facility</b>	<b>151</b>	152	151
Real-estate mortgages granted	<b>0</b>	0	0
<b>Given as collateral</b>			
Corporate mortgages granted, total	<b>12 687</b>	12 452	12 687
Real-estate mortgages granted, total	<b>0</b>	168	0
<b>Leasing commitments</b>			
falling due during the next 12 months	<b>110</b>	126	112
falling due later	<b>84</b>	225	103
<b>Rental liabilities</b>			
falling due during the next 12 months	<b>97</b>	147	59
falling due later	<b>83</b>	99	59
<b>Liabilities due to derivative contracts</b>			
Forward exchange contracts	0	0	0
of which taken out to hedge the parent company's accounts receiv	0	0	0
of which taken out to hedge the parent company's other receivabl	0	0	0

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Cencorp supplies the electronics and semiconductor industries with automation solutions that enhance productivity.

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