

# Cencorp Corporation Interim Report for 1 January – 30 June 2005, draft 7

## April–June 2005

- Net sales amounted to EUR 10.5 (6.9) million.
- Operating profit (EBIT) totalled EUR 1.4 (-1.1) million.
- The financial performance is burdened by non-recurring expenses of EUR 1.1 million.
- Profit before taxes was EUR 1.4 (-1.3) million.
- Equity ratio rose to 25.4% (31 December 2004: 17.6%).
- The order book on 30 June 2005 totalled EUR 5.1 (9.3) million.

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

## Group's key figures

(unaudited) EUR 1,000	4-6/2005	4-6/2004	1-6/2005	1-6/2004	1-12/2004
Net sales	10,456	6,938	19,092	12,362	32,473
Operating profit/loss (EBIT)	1,421	-989	2,114	-2,655	-541
% of net sales	14%	-14%	11%	-21%	-2%
Profit/loss before taxes (EBT)	1,362	-1,194	1,931	-2,975	-1,286
% of net sales	13%	-17%	10%	-24%	-4%
Research and development costs	481	438	1,152	837	2,148
% of net sales	5%	6%	6%	7%	7%
Equity ratio %	25%	7%	25%	7%	18%
Personnel on average	203	276	203	276	263
Personnel at the end of period	226	277	226	277	207
Profit/share (diluted), EUR	0.04	-0.06	0.06	-0.14	-0.04

## **Net sales and earnings performance**

### **April–June 2005**

The April–June 2005 period was the fourth successive quarter in which Cencorp posted a positive result. Net sales grew by 52% over the corresponding period last year, amounting to EUR 10.5 (6.9) million. EUR 1.9 million of net sales comes from the sales of production lines manufactured by Photonium Oy, part of the same network of companies, which do not generate sales margin. The sales of production lines is related to the sale of Cencorp's project business unit at the end of 2004, in context of which, a share of Cencorp's order book was transferred to be manufactured by Photonium Oy. Operating profit (EBIT) totalled EUR 1.4 (-1.1) million, including EUR 1.1 million of non-recurring expenses resulting from business restructuring. The reorganisation measures that were adopted in the second quarter of 2004 that have had a considerable impact on the company's financial performance were thereby concluded. The Group's net financial items totalled EUR -0.1 (-0.2) million. Profit before taxes was EUR 1.4 (-1.3) million, while diluted earnings per share were EUR 0.04 (-0.06). Operating profit for April–June includes a total of EUR 1.0 million of other income from operations, most of which resulted from the real estate arrangements at the Virkkala plant and the sale of product rights to the OTACCO production control system to Photonium Oy.

### **January–June 2005**

Cencorp's net sales saw positive development in the first half of the year. Net sales grew by 54% over the corresponding period last year, amounting to EUR 19.1 (12.4) million. Operating profit (EBIT) totalled EUR 2.1 (-2.8) million, while the Group's net financial items for the review period were EUR -0.2 (-0.3) million. Profit before taxes was EUR 1.9 (-3.0) million. The net profit for the period was EUR 1.9 (-2.8) million and diluted earnings per share EUR 0.06 (-0.14).

## **Balance sheet and financing**

The balance sheet figures for 30 June 2005 were compared to the balance sheet for 31 December 2004, and adjusted to comply with the IFRS standards.

The balance sheet total at the end of the review period was EUR 23.7 (25.3) million. The Company's cash flow after investments was EUR 0.8 million, while interest-bearing net debts at the end of the review period amounted to EUR 11,3 (12.1) million. Accounts receivable increased to EUR 6.4 (4.7) million, and inventories decreased to EUR 6.8 (8.8) million.

Non interest-bearing liabilities amounted to EUR 4.7 (6.5) million and interest-bearing liabilities to EUR 12.4 (14.4) million. The equity ratio was 25.4% (17.6%). Gross investments in April–June totalled EUR 0.5 (0.2) million, or 4.8% (3.3%) of the period's net sales, and mainly came from product development.

## **Events in the review period**

### **Incorporation of fibre laser business**

Cencorp incorporated its fibre laser business into Singulase Oy, which operates in Espoo, Finland. The company's CEO as of 1 May 2005 is Jouni Suutarinen, MSc (Eng.).

Singulase Oy focuses on the sale, marketing and product development of fibre laser solutions. The equipment will be manufactured by the parent company, Cencorp.

The first product developed for the semiconductor industry, Singulase LD 10 for silicon wafer grooving and cutting, was introduced at the Semicon Europe fair in Munich 12–14 April 2005.

Semiconductor manufacturing technology has adopted layered structures to multiply the capacity and performance of memory circuits. The density of integrated circuits is increased by stacking several layers of thin microprocessors on top of each other. The new structures call for increasingly thin silicon wafers and the adoption of new, fragile Low-K materials.

Laser cutting has long been suggested as a solution for cutting thin and fragile silicon wafers since traditional saws make cutting both difficult and slow. The problem with traditional lasers, however, is their heating effect. These problems can now be countered with the new Singulase LD 10 fibre laser, the operation of which is based on repeating ultra-short laser pulses at a very high frequency. The processed material hardly heats up, and no water cooling is needed, which simplifies the process. Singulase LD 10 also enables the cutting of free-form components.

Deliveries of Singulase LD 10 are expected to start in the third quarter of 2005. Cencorp's goal is to develop semiconductor production automation into a strong cornerstone alongside production and testing automation for the electronics industry, the target being for the semiconductor business to generate a significant part of Cencorp's net sales by the end of 2007.

### **Change in the composition of the Board of Directors**

Cencorp's Board member Pekka Välimäki, MSc, (b. 1957) has assumed the post of Cencorp's Vice President, Operations and R&D, as of 6 June 2005, thereby giving up his place on the Board. Välimäki is a member of the Cencorp Management Team (CMT). He previously worked as Director of operations at GE Healthcare Finland Oyj's unit in Tuusula. Välimäki has extensive experience as head of production and product development in industrial enterprises. Before GE he worked, among other things, as director of product development at Powerware Oy.

Välimäki has been on Cencorp's Board since spring 2004. For now, Cencorp's Board will continue with three members: Chairman Jorma Kielenniva, Master of Laws with court training, Markku Jokela, BSc (Eng.), and Petri Väinölä, President and CEO.

### **Real estate arrangements**

Cencorp and the Town of Lohja reached an agreement on real estate arrangements concerning the Virkkala plant. As a result, Cencorp gave up some of its office and production facilities. The decreased need for space in Virkkala came about after Cencorp's project business was sold to Photonium Oy in December 2004 and its fibre laser operations were incorporated into Espoo-based Singulase Oy. Cencorp now has 6,600 square metres of office and production facilities in Virkkala.

The real estate arrangements have a considerable impact on Cencorp's balance sheet. The company's loan liabilities to the Town of Lohja fell by EUR 925,000, and it received EUR 250,000 from the future tenant – Photonium Oy - as compensation for transfer of the lease and the right of redemption. The sum corresponds to the loan amortisation that Cencorp paid the Town of Lohja for the facilities.

### **Business conditions and customers**

Cencorp operates in the global market for production automation for the electronics industry. The company supplies production automation systems and testing equipment to the telecommunications, consumer electronics, industrial electronics and automotive electronics industries.

Market demand on product delivery times has changed considerably during the first part of the year. The need for quick supplies can be seen clearly in the order book, which now covers a shorter period than ever before. However, companies are still showing a healthy interest in investments, and the markets also indicate a great need for Cencorp's products in the latter part of the year. Cencorp's order book on 30 June 2005 was EUR 5.1 million.

### **Research and development**

Product development expenses from April to June accounted for 4.6% of net sales, amounting to EUR 0.5 (0.4) million.

Investments in product development have focused particularly on new product groups to enable growth in new market segments, such as production automation for the semiconductor industry. The company also made significant investments to expand the depaenelling product family and plans to introduce three new products by the end of 2005.

Cencorp will continue to develop soldering applications, part of the assembly product range for speciality components, which are based on uninterrupted fibre laser and

designed especially for lead-free soldering, as well as the Cencorp MLT product family.

## **Board, management and personnel**

Cencorp's Board of Directors consists of Chairman Jorma Kielenniva, Master of Laws with court training, and members Markku Jokela, BSc (Eng.) and Petri Väinölä, President and CEO. The company's management team consists of: Petri Väinölä (President and CEO), Jouni Suutarinen (CEO, Singulase Oy), Pekka Välimäki (Vice President, Operations and R&D), Marko Liimatainen (Vice President, Sales), Carl-Johan Pyynönen (Vice President, Marketing), Hannu Seppälä (Vice President, Special Projects), Veli Olavi Kataja (CEO, Cencorp USA), Olli-Pekka Juhantila (Vice President, Finance and Control) and Ville Parpola (Vice President, Legal Affairs).

Cencorp employed an average of 207 (276) people from April to June. The payroll at the end of the period totalled 226 (277) employees: 178 (225), or 79% (81%), in Finland and 48 (52), or 21% (19%), abroad.

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

The price of the company's share ranged from EUR 0.70 (4-6/2004: EUR 0.48) to EUR 0.94 (4-6/2004: EUR 0.63) over the review period, the average share price being EUR 0.80 (4-6/2004: EUR 0.55). A total of 3,517,693 (4-6/2004: 1,805,200) shares, or 11.3% (4-6/2004: 6.2%) of the company's entire capital stock, were traded during the period.

The company's market capitalisation at the end of the review period was EUR 29 million (30 June 2004: EUR 17 million).

At the end of the review period the company had 6,476 registered shareholders (30 June 2004: 7,543). A total of 323,091 (30 June 2004: 513,391) shares, or 1.0 %, were nominee registered. Cencorp had a total of 31,250,591 shares outstanding at the end of the review period (30 June 2004: 29,133,470), and it had one share series.

## **Outlook for the future**

In line with its strategy, the company will focus on increasing its standard equipment sales. The main goal in customised automation lines is to serve existing customers in cooperation with Photonium Oy. The company will continue to emphasise product development.

Development of the Singulase product family will continue and new products will be introduced in the second half of the year. The assembly range for speciality components will be expanded in the third quarter, for example, by introducing soldering applications based on uninterrupted fibre laser and designed especially for lead-free soldering. Cencorp will also introduce three new depanelling products in 2005 and continue to develop the Cencorp 1000 and Cencorp MLT product families.

The company's goal is to increase its net sales in 2005 to over EUR 35 million. Profitability is expected to total more than 8% of net sales.

Cencorp Corporation will present its interim report 1-6/2005 to analysts, investors and the media on Tuesday 16 August 2005 at 11:00 a.m. in the Marski Hall at the World Trade Center, Aleksanterinkatu 17, 00100 Helsinki. A summary of Cencorp subsidiary's operations and outlook for fiber business will be presented as well. The presented material will be published on Cencorp's Web site immediately after the beginning of the event.

Virkkala, Finland, 16 August 2005

Cencorp Corporation

Board of Directors

final

CONSOLIDATED INCOME STATEMENT  
(unaudited figures)

EUR 1 000	4-6/2005	4-6/2004	1-6/2005	1-6/2004	1-12/2004
Net sales	10 456	6 938	19 092	12 362	32 473
Other operating income	970	46	1 040	105	1 551
Expenses, total	-9 765	-7 708	-17 528	-14 546	-33 174
Depreciations and write-downs	-240	-265	-490	-576	-1 391
Operating result	1 421	-989	2 114	-2 655	-541
Financial income and expenses	<u>-59</u>	<u>-205</u>	<u>-183</u>	<u>-320</u>	<u>-745</u>
Result before taxes	1 362	-1 194	1 931	-2 975	-1 286
Income taxes	<u>-10</u>	<u>93</u>	<u>-30</u>	<u>173</u>	<u>-66</u>
Consolidated net result	1 352	-1 101	1 901	-2 802	-1 352

CONSOLIDATED BALANCE SHEET  
(unaudited figures)

EUR 1 000	30.6.2005	30.6.2004	31.12.2004
<b>ASSETS</b>			
Long-term assets			
Tangible assets	2 821	4 746	3 334
Goodwill	1 902	1 902	1 902
Other intangible assets	1 433	1 962	1 668
R & D projects in process	1 682	564	650
Shares in associated companies		17	
Other shares and memberships	<u>85</u>	<u>85</u>	<u>85</u>
	7 923	9 276	7 639
Short-term assets			
Inventories	6 775	9 464	8 844
Accounts receivable	6 447	5 865	4 708
Other short-term assets	1 430	1 006	1 874
Cash and bank receivables	<u>1 127</u>	<u>572</u>	<u>2 264</u>
	15 779	16 907	17 690
Total assets	23 702	26 183	25 329
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Shareholders' equity			
Share capital	3 125	2 913	3 125
Other restricted equity	4 159	5 770	6 658
Non-restricted equity	<u>-1 119</u>	<u>-6 914</u>	<u>-5 657</u>
Total shareholders' equity	6 165	1 769	4 126
Long-term liabilities			
Long-term loans	7 842	10 208	8 745
Deferred tax liability	39	43	46
Long-term reserves	<u>202</u>	<u>71</u>	<u>43</u>
Total long-term liabilities	8 083	10 322	8 834
Short-term liabilities			

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 1.1. - 30.6.2004  
(unaudited figures)

EUR 1 000	Share capital	Other restricted equity	Translation difference	Retained earnings	Total
Shareholders' equity FAS 31.12.2003	2 813	6 541	-3 608	-1 256	4 490
IAS-17 effect in 2003				-303	
Shareholders' equity IFRS 31.12.2003	2 813	6 541	-3 608	-1 559	4 187
Directed share issue	100	250			350
Transfer of the reserve fund		-1 021		1 021	
Translation difference			384		384
Net result, FAS				-2 973	
IFRS 3 effect				159	
IAS 17 effect				12	
Net result, IFRS				-2 802	-2 802
The effect of IFRS 3 and IAS 17 to the retained earnings				-350	-350
Shareholders' equity 31.3.2004	2913	5770	-3224	-3690	1769

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 1.1. - 30.6.2005  
(unaudited figures)

EUR 1 000	Share capital	Other restricted equity	Translation difference	Retained earnings	Total
Shareholders' equity 31.12.2004	3 125	6 658	-3 767	-1 890	4 126
Transfer of the reserve fund		-2 500		2 500	
Translation difference			138		138
Net result				1 901	1 901
Shareholders' equity 31.3.2005	3 125	4 158	-3 629	2 511	6 165

CONSOLIDATED CASH FLOW STATEMENT  
(unaudited figures)

EUR 1 000	1-6/2005	1-6/2004	1-12/2004
Cash flow from operations	1 657	-1612	1 224
Cash flow into and from investments	-906	-526	-830
Financial cash flow	-1 937	434	-341
Increase(+)/ decrease(-) in financial assets	-1 186	-1704	53

GROUP KEY FIGURES  
(unaudited figures)

EUR 1 000	4-6/2005	4-6/2004	1-6/2005	1-6/2004	1-12/2004
Net sales	10 456	6 938	19 092	12 362	32 473
Operating result	1 421	-1 399	2 114	-3 295	-541
% of net sales	13,6 %	-20,2 %	11,1 %	-26,7 %	-1,7 %
Result before taxes	1 362	-1 194	1 931	-2 975	-1 286
% of net sales	13,0 %	85,3 %	10,1 %	-24,1 %	-4,0 %
Total assets	23 702	26 183	23 702	26 183	25 329
Equity ratio, %	25,4 %	6,9 %	25,4 %	6,9 %	17,6 %
Gearing ratio, %	184,1 %	889,1 %	184,1	889,1 %	293,7 %
Gross investments	507	231	1 280	526	860
% of net sales	4,8 %	-16,5 %	6,7 %	4,3 %	2,6 %
R&D expenditure	481	432	1 152	837	2 148
% of net sales	4,6 %	-30,9 %	6,0 %	6,8 %	6,6 %
Personnel, average	207	276	207	276	263
Personnel, at end of period	226	273	226	277	207
Non-interest bearing liabilities	4 652	7 406	4 652	7 406	6 498
Interest bearing liabilities	12 446	16 301	12 446	16 301	14 383
Per-share key figures					
Equity per share*, EUR	0,21	0,07	0,21	0,07	0,13
Earnings per share, EUR/share (diluted)	0,04	-0,06	0,06	-0,14	-0,04
Earnings per share, EUR/share (undiluted)	0,04	-0,04	0,06	-0,11	-0,05
Share price trend					
High, euros	0,94	0,63	0,94	1,02	1,02
Low, euros	0,7	0,48	0,6	0,48	0,48
Average, euros	0,8	0,55	0,74	0,74	0,72
Price at end of period, euros	0,94	0,57	0,94	0,57	0,66
Market capitalization at end of period. EUR	29	17	29	17	21

CONTINGENT LIABILITIES  
(unaudited figures)

EUR 1 000	30.6.2005	30.6.2004	31.12.2004
Pension loans	91	316	182
Corporate mortgages granted	235	235	235
Real-estate mortgages granted	0	0	0
Loans from financial institutions	7 445	12 746	8 137
Corporate mortgages granted	12 452	12 452	12 452
Real-estate mortgages granted	168	0	168
Other loans	1 932	3 239	3 064
Real-estate mortgages granted	0	0	0
Used bank guarantee facility	334	941	1 936
Real-estate mortgages granted	0	0	0
Given as collateral			
Corporate mortgages granted, total	12 687	12 687	12 687
Real-estate mortgages granted, total	168	0	168
Leasing commitments			
falling due during the next 12 months	116	112	156
falling due later	74	60	199
Rental liabilities			
falling due during the next 12 months	58	8	96
falling due later	173	32	179
Liabilities due to derivative contracts			
Forward exchange contracts	0	2 468	734
of which taken out to hedge the parent company's accounts receivable	0	2 468	734
of which taken out to hedge the parent company's other receivables	0	0	0

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