

# Review by the board of directors

## Net sales and earnings performance

Year 2007 on the whole was challenging, but the latter half of the year shows that the direction is right and considerable improvements in terms of improvement of operative efficiency and development have been achieved. In the last quarter, we launched a development project in which the processes and products of our company will be brought in line with the mass tailoring principles. Our objective is to cut the delivery times of our products up to just a third of the present level. Based on the feedback we have received, this is an area of development that is particularly welcome among our customers.

The company has restated its financial statements for 2005 by removing a deferred tax asset of EUR 1.7 million. This item is not included in the comparative figures for 2005 or 2006, or the balance sheet for 2007. The restated figures have been used as comparative figures.

Net sales, at EUR 20.3 million, exceeded the level of the previous year (2006: EUR 20.0 million and 2005: EUR 35.3 million). Operating result improved from last year, being EUR -1.1 million (2006: EUR -3.3 million and 2005: EUR 0.8 million). The Group's net financial items totalled EUR 2.8 (1.5) million. Financial items included a non-recurring expense of EUR 1.5 million in accordance with the IFRSs related to the restructuring of the terms of a convertible bond in October 2007. This is based on the IFRS norms (IFRS 2 and IAS 32), providing that the profit for the period must account for the imputed impact on profits resulting from a change in the terms of a convertible subordinated loan. This item is related to a convertible subordinated loan of EUR 5.7 million drawn in 2006, of which EUR 3.0 million was converted into company shares in October 2007 at the price of EUR 0.35 per share. The initial conversion rate under the subordinated loan was EUR 0.70. The difference between the actual conversion rate (0.35) and initial rate (0.70) is recognised in the profit for the period, amounting to EUR 1.5 million. This recognition is non-recurring, it only affects the profit for the period and has no impact on the consolidated equity, equity ratio or the group's cash flow.

The remaining part of the convertible subordinated loan (EUR 2.7 million) includes a similar expense recognition risk depending on the share price at the time of conversion. If the price paid on a share is EUR 0.34, the expense recognition would amount to EUR 1.4 million, and as the price of the share increases, the expense recognition is correspondingly reduced and when the price reaches EUR 0.70, no expense reduction is made. The price payable on a share equals the average price over ten trading days before subscription of the shares. However, the subscription price per share is at the minimum EUR 0.34 and at the maximum EUR 0.70.

Profit for the period before taxes was EUR -3.9 million (2006: EUR -4.9 million and 2005: EUR 0.3 million), and the net profit for the period was EUR -4.0 million (2006: EUR -4.9 million

and 2005: EUR 0.3 million). Diluted earnings per share were EUR -0.12 (2006: EUR -0.14 and 2005: EUR 0.01).

Cencorp's consolidated net sales were generated by a single business segment: the automation and testing business. The fibre laser business, which has been moved to Cencorp Corporation's subsidiary Singulase Corporation, did not generate any revenue in 2007, as the company continued to focus on product development. There has been a delay of over a year in product development due to external factors. The operating profit of the automation and testing business amounted to EUR -0.9 (-3.0) million, while earnings before taxes stood at EUR -3.8 (-4.5) million and the net profit for the period at EUR -3.8 (-4.5) million. The operating profit, profit before taxes and net profit for the period of Singulase Corporation, which began its operations in May 2006, totalled EUR -0.2 (-0.3) million.

Geographically, Cencorp's net sales for 2007 were divided as follows: Europe 54% (40%), the Americas 17% (33%), and Asia and Australia 29% (27%).

Cencorp achieved its targets for the fourth quarter. Net sales in October-December 2007 amounted to EUR 6.3 (4.2) million and operating profit (EBIT) was 8.6% (-30.4%) of net sales, totalling EUR 0.5 (-1.3) million. Cost reductions made in 2006 had an expected impact in the last quarter.

Consolidated net profit for the fourth quarter was affected by a non-recurring imputed financial item of EUR 1.5 million related to the conversion of convertible bonds made in October 2007.

In November 2007, we introduced a new product platform named Cencorp 1001. Deliveries of products based on this new platform will begin in the second quarter of 2008. During 2007 we got several new customers and started deliveries of several new products including: the Cencorp MLT4 tester, the Cencorp VIC 500 vision inspection machine as well the Cencorp 500-SL-RF tester. We also introduced new lower cost versions of inline depaenelling and odd-form placement machines (Cencorp 1000 VR and Cencorp 1000 OF Flex). We were particularly delighted to find customers for our odd-form placement applications also in Finland and to get our first tester equipment customers for outside the telecom sector.

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### Balance sheet and financing

The company's cash flow after investments totalled EUR -1.0 (-2.6) million. Gross investments totalled EUR 0.3 (0.4) million and were mainly made in product development. Interest-bearing net liabilities at the end of the period were EUR 10.8 (13.7) million. Trade receivables increased to EUR 6.4 (5.6) million, and inventories decreased to EUR 4.3 (5.2) million.

The Group's equity ratio rose to 13.7% (2006: 4.9% and 2005: 22.2%). Return on equity was -238.2% (2006: -160.2% and 2005: 5.4%). Share key indicators for the past five years are presented in the financial statements. The balance sheet total at the end of the period was EUR 17.5 million (2006: EUR 19.5 million and 2005: EUR 23.4 million).

In February 2007, Cencorp Corporation and Sampo Bank Plc agreed on a EUR 1,500,000 financing arrangement. As part of the arrangement, Cencorp Corporation's Board of Directors decided to grant 1,801,400 share options to Sampo Bank Plc based on the authorisation given by the Extraordinary General Meeting on 8 September 2006. The share options will be identified as 2007 A and they entitle to the subscription of 1,801,400 new company shares at a price of EUR 0.40 per share. The subscription period ends on 30 September 2011.

The Board of Directors of Cencorp Corporation received the company's Auditor's Report for period 1 January - 31 December 2006. The Auditors' Report contained the following statement of the company's financial position: "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 the Board of Directors, the repayment of these receivables depends on the profitable performance of the subsidiaries in the future. Additionally there is a EUR 1.69 million deferred tax asset in the consolidated balance sheet, the value of which depends on whether the parent company turns profitable in the near future. If the parent company stays unprofitable, it may have to start proceedings according to § 20:23 of the Companies Act in order to reorganize its financial situation."

On 29 June 2007, Cencorp Corporation published interim financial statements for the period 1 January 2007 - 31 March 2007 and a report of the Board referred to in chapter 20, section 23 of the Companies Act.

The company's balance sheet was strengthened by EUR 1.4 million through the share issue organised in September 2007. The General Meeting of shareholders on 27 September 2007 revised the terms of the convertible subordinated loan of 2007 amounting to EUR 5.7 million to the effect that the conversion rate was set at EUR 0.34-0.70 per share depending on the average price over the ten previous trading days. In October, this convertible subordinated loan was converted with EUR 3,050 million into company shares at a price of EUR 0.35 per share. Both equity increases (EUR 4,410 million) were entered in the invested non-restricted equity reserve. The matured interest of EUR 0.3 million on the convertible subordinated loan could not be paid due to an equity-related covenant under the loan. This was made into a separate loan item, bearing interest at 8.75% under the loan terms.

Non-interest-bearing liabilities amounted to EUR 3.7 (4.8) million and interest-bearing liabilities to EUR 11.0 (14.6) million.

The Group's financing facilities amounting to EUR 3.5 million mature on 30 April 2008 and require reorganisation.

Singulase Corporation has a subordinated loan of EUR 1.0 million from the parent company, whose repayment depends on the profitability of the laser business.

The financial position of the Group improved materially in the second year-half due to improved profitability and the share issue conducted in the autumn.

The company has restated its financial statements for 2005 by removing a deferred tax asset of EUR 1.7 million. This item is not included in the comparative figures for 2006 or the balance sheet for 2007.

### Customers and cooperation agreements

The electronics and automotive industry is changing constantly, and success as a production automation supplier in the industry requires an ability to respond quickly to customer needs. Part of the customers' production is shifting to lower labour-cost countries, where the challenges include labour turnover and the low level of education. In contrast, in the higher labour-cost countries, the challenge is to keep production cost effective.

In 2007, Cencorp already partly renewed its product range, but reforms and product range extensions will continue in 2008. The overall goal is to provide competitive automation solutions to a considerably wider customer base than before.

Cencorp's customer satisfaction and the reliability and performance of its products have remained high. Many customers are harmonising their processes, so they only source production equipment from selected suppliers regardless of the target country. Furthermore, the customer base is constantly consolidating. These developments are expected to further solidify Cencorp's competitive position in the markets since Cencorp is able to provide global support to the equipment provided by it.

### Research and development

During 2007, Cencorp started deliveries of the Cencorp MLT4 test products, Cencorp VIC 500 vision inspection systems as well as Cencorp 500-SL-RF targeted for radio frequency testing applications. A new laser marker for the VIC 500 product platform was also introduced. The company also launched a new Cencorp 1000 VR for PCB-depanelling and Cencorp 1000 OF Flex for odd-form component placement.

During 2007 we also developed a new PCB-laser cutting process in co-operation with a Finnish research institute. The first prototype was introduced in November 2007. We also continued the co-development project on an unleaded laser-soldering process machine with Philips Lighting Systems.

Cencorp introduced a new lower cost but highly capable Cencorp 1001 platform at the Productronica exhibition in November 2007. In its design, particular attention has been paid to the number and cost of items needed in the production. The goal is to halve the number of items needed in the production as well as to significantly shorten the production time. Deliveries of

products based on this new platform are scheduled to start in Q2 2008.

Cencorp's R&D expenses for 2007 accounted for 4.4% of net sales, or EUR 0.9 million (EUR 0.5 million, or 2.6%).

### Personnel

The expected annual savings of EUR 3.5 million from the operational reorganisation and streamlining measures conducted in 2006 were exceeded in 2007.

On 28 March 2007, Cencorp Corporation and the Hungarian Danutek Kft signed a distribution and maintenance agreement on cooperation concerning the sale, marketing and maintenance of Cencorp's products in Hungary, Rumania and Bulgaria. Four of Cencorp's Hungarian employees were transferred to Danutek's payroll and two were laid off. After 1 April 2007, Cencorp no longer had any employees of its own in the region.

Mr Kimmo Akiander, M.Sc. (Eng.), (born 1969) was nominated as Vice President, Sales and Marketing of Cencorp Corporation starting from 10 April 2007. Mr Akiander reports to Cencorp's CEO Jouni Suutarinen. Kimmo Akiander has previously worked as Sales and Marketing Director at Business Unit Systems at Efore Oyj. Before that, he worked as Key Account Manager for Motorola at Ascom Energy Systems GmbH. Sami Lahokoski (34) was nominated as Vice President, Operations of Cencorp Corporation and as member of the group executive management team from 1 December 2007. Mr Lahokoski has worked at Cencorp Corporation from 2000 in various positions, for example, as manager responsible for customer projects and as manager responsible for purchasing operation. Mr Lahokoski reports to CEO Jouni Suutarinen.

At the end of the period, Cencorp Corporation's Board of Directors consisted of Chairman Jorma Kielenniva, LL.M, Deputy Chairman Markku Jokela, BSc (Eng.) and member Sauli Kiuru, MSc (Econ.). The company's management team consisted of: Jouni Suutarinen (CEO), Jarmo Kanervo (finance and administration), Ville Parpola (legal affairs), Kimmo Akiander (sales and marketing), Sami Lahokoski (production), Hannu Seppälä (test solutions) and Pekka Kettunen (product development).

In 2007, Cencorp employed an average of 134 (185) persons. The payroll at the end of the period totalled 133 (156) employees: At the end of the period, 115 (113), or 86% (72%), of the employees worked in Finland and 18 (43), or 14% (28%), abroad. Wages and remuneration in 2007 totalled EUR 5.1 million (2006: EUR 6.4 million, 2005: EUR 8.5 million).

### Strategic risks

Cencorp's main risks are related to general development in the sector and to maintaining sufficient product competitiveness. One of the company's key competitors is manual assembly in countries with low labour costs. Competitiveness is maintained and developed further by product development as well as operational development and the improvement of efficiency.

Risks related to business development mainly involve new product or product platform development projects and the market launch of end products. These risks are minimised through

close cooperation with customers in the development of both new products and product platforms. Cooperation with suppliers is also developed continuously, and in the manufacture of products, only tried and proven components by known global manufacturers are used.

When carrying out product development projects Cencorp follows a five-phase model which requires sufficient commercial potential to be ensured before a development project is started. This so-called Stage-Gate model ensures that product development resources are used in an appropriate and correctly allocated manner.

### Operational risks

Owing to the relatively strong cyclical nature of the sector and the speeding up of the order-supply process, Cencorp aims to manufacture its products using similar components in different products whenever possible. The product platform philosophy aims to minimise risks related to the purchase of outdated components.

The risk related to critical components and component suppliers will be minimised by selecting at least two suppliers. In the case of development projects involving new technologies, such as laser technology, it is nearly impossible to find two serious suppliers in the early phases of the project. In this case, the company will actively monitor the development of other players in the field and take action when required.

In the case of production equipment delivered to customers, risks will be minimised through agreements so that Cencorp is, in principle, not liable for any indirect damage caused by the production equipment to a customer. All of the supplied devices are designed and manufactured in compliance with the CE or UL directives in effect.

### Damage risks

A significant share of Cencorp's customers operate outside Finland. The products sold are mainly delivered to customers as air freight. Products are also transported abroad to fairs and similar events. Products designed and manufactured by Cencorp are insured against transport and other damage for full value. The buildings and property administered by the company are appropriately insured. Product liability insurance and interruption insurance have also been taken into consideration in the company's insurance policy.

### Personnel risks

Competition over competent people is relentless. A significant part of the competitiveness of a company is created by motivated personnel. Personnel turnover at Cencorp has remained at a normal level.

Cencorp's objective is to be an open and encouraging working community. The results of a personnel survey made in spring 2007 showed that the atmosphere was indeed good. Over a half of the personnel responded to the survey. Areas receiving the most positive feedback included cooperation between departments as well as fair and equitable treatment by supervisors.

Atmosphere in the working groups and job satisfaction were also at a good level. Identified areas of development were flow of information and large variation in work load.

### Financial risks

Cencorp's normal business activities expose it to financial risks: interest rate risk, credit risk, currency risk and funding risk. Risk management aims to minimise the adverse effects that changes in the financial markets may have on the Group's results and balance sheet position. The Group's general risk management principles are approved by the Board of Directors, and their implementation is the joint responsibility of the Group's centralised financial department and the business areas. The financial department identifies, assesses and acquires the instruments needed to hedge against risks in close cooperation with the operational units. Hedging transactions are carried out in compliance with the risk management policy approved by Group management.

### Liquidity risk

The Group continuously assesses and monitors the financing needed for business to ensure that it has enough liquid assets at its disposal to finance operations and repay loans falling due. The Group's financing policy determines the optimum size of the liquidity reserve. The maturity and amortisation of loans are planned so as to optimise liquidity. The availability and flexibility of financing are ensured through sufficient credit limits. The Group's financial position was improved considerably in autumn 2007 due to the directed share issue, partial conversion into shares of a convertible subordinated loan and improvement of profitability over the second year-half. Thanks to these, the company was able to pay up its overdue debtors and pay its loan instalments in accordance with the schedule. The Group's short-term financing facilities of EUR 3.5 million mature on 30 April 2008 and require reorganisation.

### Currency risks

The Group's international operations expose it to transaction risks caused by foreign exchange positions and to risks arising from the translation of investments denominated in foreign currencies to the parent company's functional currency. USD is the most significant foreign currency for the Group. Currency risks arise from purchases and sales carried out in a currency other than the Group's functional currency, from foreign currency denominated trade receivables and payables, as well as from net investments in foreign subsidiaries.

The primary sales and invoicing currency is EUR. If required, other commonly used currencies (USD, SEK, HUF and GBP) can also be used. Of these, USD accounts for 18% of overall sales while the other currencies together account for less than 1%. The Group has foreign net investments in subsidiaries and is thus exposed to risks that arise from translating investments denominated in USD, SEK, HUF and GBP into the parent company's functional currency. The Group has decided not to hedge net investments in foreign subsidiaries due to the small size of the investments. The Group's subsidiary in the USA has more USD-

denominated intra-Group loans to cover its USD trade receivables. The parent company's net USD receivable has not been hedged.

### Interest rate risk

The Group's revenue and operational cash flows are mostly independent of fluctuations in market rates. The Group is exposed to fair value interest rate risk (fixed rate debts) and cash flow interest rate risk (floating rate debts) mainly due to interest on debts. In compliance with the principles of risk management, at least 10% of the credit portfolio must be fixed rate and the loan portfolio shall have an average duration of 3–6 years. On the balance sheet date, 38% of the credit portfolio was fixed rate, the bulk consisting of a five-year convertible subordinated loan. The Group's investments in market-priced shares and other instruments are minor, leading to market risk from investment activities being very small.

### Credit risk

The Group does not have significant external credit risk pools thanks to its broad and geographically widely distributed customer base. It only grants credit to companies with an impeccable credit rating. The parent company of the Group wrote down an interest receivable of EUR 0.9 million from the US subsidiary and an EUR 0.2 million receivable from the Hungarian subsidiary. The parent company has intra-Group internal trade receivables, interest receivables and loan receivables from its US subsidiary worth a total of EUR 2.0 million, as well as a EUR 1.0 million subordinated loan from its subsidiary, Singulase Corporation. Their repayment is linked to the companies' future performance.

### Changes in Group structure

Kiinteistö Oy Salon Ratakatu 10, 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, it was decided that the company be dissolved through liquidation. An Extraordinary General Meeting approved the final account by the liquidator on 27 December 2007, and the company was dissolved.

### Share capital, share performance and changes in ownership

On 31 December 2007, the share capital of Cencorp Corporation was EUR 3 425 000 and the number of shares 46 964 857. The company has one share series, and each share gives one vote in General Meetings. The company also had four share-entitling securities series at the end of the financial period. The first of the securities series consists of the 2004A and B employee share options, the loan shares related to the 2006 convertible subordinated loan, the 2006 A, B and C employee share options and the 2007 A share options in possession of the Sampo Bank Plc. The share options are discussed in more detail in section "Share options" below and its terms are discussed in this report under "Balance sheet and financing".

The 4 000 000 new shares subscribed for on the basis of

the directed issue decided by the Extraordinary General Meeting of Cencorp Corporation on 27 September 2007 and the 8 714 284 new shares subscribed for on the basis of the convertible subordinated loan 2006 were registered in the Trade Register on 25 October 2007. The new shares carry shareholders' rights from the date of registration and they were combined with the company's existing shares in The Nordic Exchange on 26 October 2007.

Share amount of Cencorp Corporation increase by altogether 12 714 284 shares, from 34 250 591 shares to 46 964 875 shares. The subscription price of the shares will be recorded entirely to the invested non-restricted equity reserve.

Changes in holdings are described in Cencorp Corporation's disclosures during the period. The most significant changes in holdings are related to the equity-related financial arrangements decided by the Extraordinary General Meeting on 27 September 2007.

The issue of new shares will be decided by the General Meeting. The Board of Directors decides on the issue of new shares only if the General Meeting has authorised the Board to do so.

Section 15 of Cencorp Corporation's Articles of Association includes a redemption clause.

During the review period, share trading in the Helsinki Stock Exchange amounted to 15 224 169 shares worth EUR 5.3 million (2006: 25 765 595 and EUR 20.9 million). The period's highest share price was EUR 0.46 and the lowest EUR 0.22. The period's average share price was EUR 0.35 and the price on the last trading day of the period (28 December 2006) was EUR 0.24. The market value of the company's share capital was EUR 11.3 million at the end of the year.

The company had a total of 5 425 shareholders at the end of the period. The ten largest shareholders held 58.7% of the company's shares and voting rights on 31 December 2007. The company's largest shareholder is Markku Jokela, the founder of PMJ, former CEO and current Deputy Chairman of the Board, who holds 17.9 per cent of the company's shares and voting rights. The members of the company's Board of Directors held, either directly or through companies controlled by them, a total of 14 344 255 shares on 31 December 2007, representing 30.5% of the company's shares and voting rights. YCEO Jouni Suutarinen owned 44 418 shares at the year end. Shares owned by foreign shareholders on 31 December 2007 totalled 375 843, representing 0.8 per cent of all shares and voting rights. Cencorp Corporation did not own any of its own shares at the end of the year.

On 21 November 2006, Cencorp Corporation acquired the share capital of TMD - Test Mechanic & Design Oy, a Finnish company specialising in the product development of test equipment and the production of prototype equipment. The shares were sold by TMD's personnel. The transaction price consisted of a EUR 120 000 cash portion and a possible additional trade price linked to the development in the net sales and profit of Cencorp Corporation's testing business. The additional trade price will be settled in Cencorp Corporation's shares in 2009. A maximum of 1 000 000 new Cencorp Corporation shares can be used for this purpose.

## Share options

In the authorisation granted by the Extraordinary General Meeting of 15 July 2004, Cencorp Corporation's Board of Directors decided on 5 October 2004 to grant share options to key personnel of the Group and to PMJ testline Oy, a wholly owned subsidiary. The total number of the option rights granted is 2 226 694 and they entitle to subscribe for a total of 2 226 694 Cencorp Corporation's shares.

The option rights are divided into A and B option rights (both totalling 1 113 347 shares).

At the time of issue, all option rights were granted to PMJ testline Oy, which will later grant them to key personnel employed or to be employed by the Cencorp Group. At the end of the period, PMJ testline Oy held the following Cencorp 2004 share options. The rest had been granted to key personnel.

Cencorp share options 2004 A: 183 847

Cencorp share options 2004 B: 141 347

The subscription price of the shares with the A and B share options is EUR 0.78, or the closing price of Cencorp Corporation shares at the Helsinki Stock Exchange on 4 October 2004, plus ten (10) per cent and minus the amount of dividend distributed after the end of the subscription price determination period and before the share subscription, on the record date of each distribution of dividend.

For A share options, the share subscription period is from 1 January 2006 to 31 January 2009, and for B share options, from 1 January 2007 to 31 January 2009.

The Extraordinary General Meeting held on 8 September 2006 decided to issue share options to the Group's key personnel and to its fully owned subsidiary, PMJ testline Oy.

The 2006 share options entitle the subscription of 1 500 000 new Cencorp Corporation shares. The subscription period for share options 2006A is from 1 April 2008 to 30 April 2010, for share options 2006B from 1 April 2009 to 30 April 2011 and for share options 2006C from 1 April 2010 to 30 April 2012.

The share subscription price for the 2006A share option is EUR 0.56, which corresponds to the average price, weighted by the trading volume of Cencorp Corporation's share, on the Helsinki Stock Exchange from 1 September to 30 September 2006, for the 2006B share option the average price, weighted by the trading volume of Cencorp Corporation's share, on the Helsinki Stock Exchange from 1 July to 31 August 2007 and for the 2006C share option the average price, weighted by the trading volume of Cencorp Corporation's share, on the Helsinki Stock Exchange from 1 April to 31 May 2008. The annually distributed dividend is deducted from the subscription price.

The 2006 share options are linked to a share ownership scheme. Key employees covered by the option scheme are obligated to purchase company shares with 20% of the net benefits from exercised share options. The key employees must hold the acquired shares as long as they are in an employment relationship with a Group company.

At the end of the period, PMJ testline Oy held the following Cencorp 2006 share options. The rest had been granted to key personnel.

Cencorp share options 2006 A: 150,000

Cencorp share options 2006 B: 500,000

Cencorp share options 2006 C: 500,000

In February 2007 Cencorp Corporation and Sampo Bank plc agreed on a EUR 1 500 000 financing arrangement. As part of the arrangement, Cencorp Corporation's Board of Directors decided to grant 1 801 400 share options to Sampo Bank plc based on the authorisation given by the Extraordinary General Meeting on 8 September 2006. The share options will be identified as 2007A and they entitle to the subscription of 1 801 400 new company shares at a price of EUR 0.40 per share. The subscription period ends on 30 September 2011.

### **The Board's effective authorisations to increase share capital**

The Extraordinary General Meeting held on 17 April 2007 authorised the Board of Directors to decide on the issue of share options or other share-entitling rights referred to in chapter 10, section 1 of the Companies Act in one or more instalments 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 authorised to resolve on all the terms and conditions concerning the issue of shares and share 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. The authorisation is valid until further notice but for no longer than five years from the General Meeting's decision. The authorisation has not been used during the period.

### **Decisions made by the Annual General Meeting**

The Annual General Meeting held on 17 April 2007 approved the financial statements for the fiscal year 2006. 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 retained earnings account. Release from liability for the fiscal year 1 January – 31 December 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. The Board's organisation meeting held after the General Meeting elected Jorma Kielenniva as Chairman and Markku Jokela as Deputy Chairman. Ville Parpola, Cencorp Corporation's Vice President, Legal Affairs, was elected as Board Secretary. Jorma Kielenniva and Markku Jokela were elected as members of the Board's Compensation and Nomination Committee, the former as its Chairman. Tuokko Auditing Ltd was appointed as the company's auditor, with Authorised Public Accountant Timo Tuokko as the main 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 was authorised to resolve on all the terms and conditions concerning the issue of shares and share 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. The authorisation is valid until further notice but for no longer than five years from the General Meeting's decision.

### **Decisions made by the Extraordinary General Meeting**

Extraordinary General Meeting of Cencorp Corporation, held on September 27, 2007, decided issues related to strengthening of the financial position of the company.

Extraordinary General Meeting decided as proposed by the Board of Directors that the Company offers for subscription minimum of 2 000 000 and maximum of 4 000 000 new shares in deviation of the shareholders' pre-emptive subscription right to the members of the Board of Directors and the Management Group of the Company.

The subscription price of each new share is EUR 0.34. The subscription price of the shares is recorded entirely to the invested non-restricted equity reserve.

Extraordinary General Meeting decided as proposed by the Board of Directors that the terms and conditions of the company's convertible subordinated loan 2006 are amended as follows:

(i) The conversion rate of the loan is amended so that the conversion rate is equal to the average trading price of the shares of the Company during the 10 trading days prior to subscription of shares. The minimum conversion rate is EUR 0.34 and the maximum conversion rate is EUR 0.70. If all holders of the loan exercise their right to subscribe the shares in full, the number of shares in the Company is increased by minimum of 8 198 582 shares and maximum of 16,879,433 shares.

(ii) The subscription price of the shares is recorded entirely to the fund of invested non-restricted equity.

### Increase to the number of shares

The 4 000 000 new shares subscribed for in the directed share issue decided by the Extraordinary General Meeting held on 27 September 2007 and the and 8 714 284 new shares subscribed for on the basis of the convertible capital notes 2006 were recorded in the Trade Register on 25 October 2007. The new shares carry shareholders' rights from the date of registration and they were combined with the company's existing shares in The Nordic Exchange on 26 October 2007.

The number of shares in Cencorp Corporation increased by altogether 12 714 284 shares, from 34 250 591 shares to 46 964 875 shares. The subscription price of the shares will be recorded entirely to the invested non-restricted equity reserve.

### Board of Directors, managing directors and auditors

The Board members are elected by the General Meeting for one term at a time. The term begins at the end of the General Meeting at which the election was made and terminates at the end of the following Annual General Meeting. The Articles of Association impose no restrictions on the General Meeting's power to appoint members to the Board. The Board of Directors elects a Chair and Vice Chair among its members. The Board constitutes a quorum when more than half of its members are present. The Board of Directors has appointed a nomination and compensation committee among its members to deal with the compensation and benefits of senior management, to find potential successors to Board members and to prepare proposals to the General Meeting concerning the composition and remuneration of the Board for the next term. The committee is also responsible for assessing the company's compensation and incentive scheme and its development. The nomination and compensation committee's term is the same as that of the Board of Directors.

The Annual General Meeting held on 17 April 2007 re-elected Markku Jokela, Jorma Kielenniva and Sauli Kiuru as members to the Board of Directors. At its assembly meeting, the Board of Directors elected Jorma Kielenniva, LL.M. with court training, as Chairman of the Board, and Markku Jokela, BSc (Eng.), as Deputy Chairman. Ville Parpola, Cencorp Corporation's Vice President, Legal Affairs, was invited to act as Secretary of the Board. Jorma Kielenniva and Markku Jokela were appointed as members of the Board's Compensation and Nomination Committee. The Compensation and Nomination Committee has considered that a three-member Board is sufficient with respect to the extent of the company's business. The General Meeting has decided on the number of Board members in accordance with the proposal of the Compensation and Nomination Committee. The number of Board members is assessed annually in context of the Annual General Meeting.

At the end of the period, Jorma Kielenniva, Chairman of the Board, held 170 093 Cencorp shares, 53 500 Cencorp 2004 A options and 53 500 Cencorp 2004 B options. One option entitles to the subscription of one Cencorp Corporation share.

Markku Jokela, Vice Chairman of the Board, held 8 407 757 Cencorp shares at the end of the period. FT Capital Oy, an investment company under the control of Markku Jokela, held 1 707

140 Cencorp shares. In addition, Mr Jokela owns 53 500 Cencorp 2004 A options and 53 500 Cencorp 2004 B options. One option entitles to the subscription of one Cencorp Corporation share.

At the end of the period, Sauli Kiuru, member of the Board held, through Tilitoimisto Capital Oy, a company under his control, held 3 851 275 shares and through Tuohi & Paalu Oy, also under his control, 207 900 Cencorp shares and 47 000 Cencorp 2004 A options and 60 000 Cencorp 2004 B options. One option entitles to the subscription of one Cencorp Corporation share.

Cencorp's CEO is appointed by the Board of Directors. The CEO attends to the company's day-to-day management in compliance with the Companies Act and the rules and guidelines issued by the Board of Directors. The company's CEO is Mr Jouni Suutarinen. The Board of Directors decides on the terms and conditions of the CEO's employment relationship in a written contract. If the contract is terminated by the company, the period of notice and pay for the period of notice is 6 months. Should Cencorp terminate the contract because the CEO has not achieved the targets set by the Board of Directors, the CEO receives a lump sum benefit corresponding to the gross salary of six (6) months at the end of the period of notice. Should Cencorp terminate the contract even though the CEO has achieved the targets set by the Board of Directors, the CEO receives a lump sum benefit corresponding to the gross salary of twelve (12) months at the end of the period of notice. The lump sum benefit is considered to be earned income and is subject to tax and other payments related to earned income. Should the contract be terminated by the CEO, the period of notice is 6 months. The CEO's pension is determined in compliance with the Employees' Pension Act. The CEO's monthly salary is EUR 12 000.

At the end of the period, Mr Suutarinen held 44 418 Cencorp shares, 78 500 Cencorp 2004 A options and 78 500 Cencorp 2004 B options in addition to 100 000 Cencorp 2006 A options. One option entitles to the subscription of one Cencorp Corporation share.

Jarmo Kanervo, CFO and deputy to the CEO, had 110 660 Cencorp shares and 16 900 shares through a company under his control, as well as 60 000 Cencorp 2004 B options and 50 000 Cencorp 2006 A options at the end of the review period. One option entitles to the subscription of one Cencorp Corporation share.

Tuokko Auditing Ltd was appointed the company's auditor at the Annual General Meeting on 17 April 2007, with Timo Tuokko, Authorised Public Accountant, as the main auditor.

### Business environment and prospects

In 2007, Cencorp launched an extensive project called MURTO, aiming at changing the operating and production procedures. The starting point for change is the need of customers to receive automation and testing equipment at increasingly faster delivery schedules and more competitive prices. The needs of production are taken into account already in product development, where different products are designed with modular parts and connections. The number of product platforms will be reduced. Tailoring is made by connecting the parts required by the customer to the product

platform. The change also enables broadening of the customer base into new industries. In connection with the adoption of mass-tailored production, the manufacture of products into warehouse in anticipation of demand will be given up. With the new operating procedure, delivery times can be cut in half, and therefore only standard parts will be kept in the warehouse.

The new operating procedure will be rolled out during this year. Extensive training will be organised for the entire personnel since the change entails increased challenges and diversity for almost every position. Furthermore, more staff will engage in close cooperation with customers. The change challenges the personnel to develop the company and themselves.

Year 2008 has begun in considerably favourable terms. Customer investments have remained at a satisfactory level despite a degree of general uncertainty in the world economy.

### Material events after the financial period

#### Cencorp wrote down a deferred tax asset

The consolidated financial statements of Cencorp Corporation of 31 December 2005 included deferred tax assets of EUR 1,690 million. These deferred tax assets were also recognised in the interim reports of 27 April 2006, 17 August 2006, 19 October 2006 and in the consolidated financial statements of 31 December 2006 and in the interim reports of 10 May 2007, 21 August 2007 and 6 November 2007.

The company has reappraised recognition principles based on IAS 12.34 - 36 and IAS 12.56 of deferred tax assets. Furthermore, as part of an internal evaluation process related to the preparation of financial statements for 1 January - 31 December 2007, the company has discussed the interpretation of IFRS standards with the Financial Supervision Authority.

Based on the abovementioned, the Board of Directors of Cencorp Corporation have decided to adjust the comparative information concerning the recognition of deferred tax assets for years 2005 and 2006 according to IAS 8 in its financial statements for 2007. The corresponding adjustments of comparative information will also be included in the interim reports of 27 April 2006, 17 August 2006, 19 October 2006, 10 May 2007, 21 August 2007 and 6 November 2007. The figures are unaudited. Based on the adjustment, the deferred tax assets will not be included in the financial statements for 1 January - 31 December 2007. The adjustment affects to the equity of the consolidated Cencorp Corporation but not to the equity of the parent company, so it is irrelevant to the calculation of the sufficiency of equity of Cencorp Corporation.

#### Public warning by FIN-FSA to Cencorp

Cencorp Corporation received the following decision by the Financial Supervision Authority on 3 March 2008: "Public warning by FIN-FSA to Cencorp for neglect of disclosure obligation

The Financial Supervision Authority (FIN-FSA) has issued a public warning to Cencorp Corporation for neglect of the disclosure obligation. The FIN-FSA is of the view that Cencorp's conduct has repeatedly during the year 2006 been in violation of financial markets provisions, since it has provided unjustified

estimates of the company's prospects and has delayed the correction of these estimates and because, due to the recognition of a deferred tax asset, has failed to give a true and fair view of the result of the company's operations and financial position in its financial statements for 2005 and 2006. Due to the continuous and repetitive nature of the company's misconduct, FIN-FSA is of the opinion that the company's behaviour qualifies for a public warning.

The prospects of the company's net sales and results published by Cencorp in 2006 were unjustified, since in publishing its prospects, the company failed to pay due attention to its actual performance and uncertainties related to its business operations, such as changes in customers' purchasing behaviour and tightening of the competitive situation. The further the period proceeded, the clearer the excessive optimism of the prospects became. The company revised its prospects during the period, but these changes were inadequate and were not made without undue delay. The company has failed to provide sufficient justifications for the guidance it issued.

The financial statements for 2005 and 2006 failed to give a true and fair view of the result of the company's operations and financial position, as the consolidated financial statements contained a material error. The company should not have recognised deferred tax assets for the carry forward of unused tax losses in its consolidated financial statements for years 2005 and 2006. The criteria for recognising a deferred tax asset for carry forward of unused tax losses were not met, since the company had a history of recent losses and it could not present in its consolidated financial statements for 2005 and 2006 other convincing evidence, as required by IAS 12 Income Taxes, that sufficient taxable profit would be available against which the unused tax losses could be utilised. The amount of the error was material, since the deferred tax asset, the recognition criteria of which was not met, amounted to 24% of equity in the consolidated balance sheet on 31 December 2005, and 51% of equity on 31 December 2006. The company announced its decision to restate in its financial statements for 2007 the comparative figures for 2005 and 2006 concerning the deferred tax asset.

This is the first public warning issued by the FIN-FSA. A public warning is an administrative sanction, which the FIN-FSA has been authorised to issue since 2003.

The decision is not legally final as Cencorp Corporation has the right to appeal the decision, issued on 3 March 2008, with the Market Court within 30 days of receiving the decision.

Cencorp Corporation has conducted an internal review of the matter and restated in its consolidated financial statements for 2007 the comparative figures for 2005 and 2006 in terms of the deferred tax asset and reported on the matter on 1 January 2008.

The company is of the view that it has acted diligently in the matter and provided requisite explanations to the Financial Supervision Authority.

According to the decision of the Financial Supervision Authority, the matter on the whole does not give grounds to more severe measures.

## Income statement

EUR 1000	Notes	1.1. - 31.12.2007		1.1.-31.12.2006	
<b>Net sales</b>	1	<b>20 323</b>	100,0 %	19 974	100,0 %
Other income	2	<b>421</b>		446	
Changes in inventories of finished goods and work in progress		<b>-312</b>		-825	
Material and equipment used		<b>8 735</b>		8 502	
Employee benefits expense	4	<b>6 268</b>		7 763	
Depreciation and amortisation	5	<b>893</b>		1 309	
Impairment of property, plant and equipment					
Other expenses	3	<b>5 586</b>		5 369	
<b>Operating profit</b>		<b>-1 050</b>	-5,2 %	-3 348	-16,8 %
Financial income	6	<b>163</b>		96	
Financial expenses	7	<b>3 002</b>		1 622	
<b>Profit before taxes</b>		<b>-3 889</b>	-19,1 %	-4 874	-24,4 %
Income taxes	8	<b>-58</b>		-17	
Change in deferred taxes	8	<b>-16</b>		-8	
<b>Profit for the period</b>		<b>-3 963</b>	-19,5 %	-4 899	-24,5 %
Earnings per share for the profit attributable to the equity holders of the parent company:					
Earnings per share (undiluted), EUR	9	<b>-0,11</b>		-0,15	

# Balance sheet

EUR 1 000	Notes	31.12.2007	31.12.2006
<b>ASSETS</b>			
<b>Long-term assets</b>			
Tangible assets	10	1 613	1 778
Investment property	12	343	343
Goodwill	11	2 028	2 028
Other intangible assets	11	430	1 016
Incomplete product development projects	11	1 340	1 199
Deferred tax asset	14	23	33
Available-for-sale investments	13	17	17
		<b>5 794</b>	<b>6 414</b>
<b>Short-term assets</b>			
Inventories	15	4 298	5 188
Accounts receivable	16	6 388	5 589
Other short-term assets		744	1 323
Cash and bank receivables	17	253	937
		<b>11 683</b>	<b>13 037</b>
<b>Total assets</b>		<b>17 477</b>	<b>19 451</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Shareholders' equity	18		
Share capital		3 425	3 425
Other restricted equity		8 842	4 432
Non restricted equity		-9 883	-6 914
<b>Total shareholders' equity</b>		<b>2 384</b>	<b>943</b>
<b>Long-term liabilities</b>			
Long-term loans	21	7 078	10 356
Deferred tax liability	14	303	361
<b>Total long-term liabilities</b>		<b>7 381</b>	<b>10 717</b>
<b>Short-term liabilities</b>			
Accounts payable and other liabilities	22	3 724	4 450
Short-term loans	21	2 219	1 394
Long-term loans shortening	21	1 564	1 824
Tax liabilities		13	25
Short-term reserves	20	192	98
<b>Total short-term reserves</b>		<b>7 712</b>	<b>7 791</b>
<b>Liabilities</b>		<b>15 093</b>	<b>18 508</b>
<b>Total liabilities and shareholder's equity</b>		<b>17 477</b>	<b>19 451</b>

## Cash flow statement

1000 EUR		IFRS 1-12/2007	IFRS 1-12/2006
<b>Cash flow from business operations</b>			
Income statement profit/loss before taxes		-3 889	-4 874
Non-monetary items adjusted on income statement			
Depreciation and amortisation	+	893	1309
Impairment	+/-		0
Unrealised exchange rate gains (-) and losses (+)	+/-	108	75
Interest expenses and other financial expenses	+	3 002	1622
Interest gains	-	-163	-95
Investment income	-		
Total cash flow before changes in working capital		-49	-1963
<b>Change in working capital</b>			
Increase (-) / decrease (+) in accounts and other receivables		-270	1 935
Increase (-) / decrease (+) in inventories		830	365
Increase (+) / decrease (-) in accounts and other payables		-628	-969
Changes in provisions		94	-244
Change in working capital		26	1 087
<b>Adjustment of financial items and taxes to cash-based accounting</b>			
Interest paid	-	-723	-1992
Interest received	+		
Income taxes paid	-	-45	-40
Financial items and taxes		-768	-2 032
<b>Net cash flow from business operations</b>		<b>-791</b>	<b>-2 908</b>
<b>Cash flow from investments</b>			
Investments in tangible and intangible assets	-	-261	-314
Proceeds on disposal of tangible and intangible assets	+		768
Acquisition of subsidiaries and other business units	-		-122
Disposal of subsidiaries and other business units	+		
<b>Net cash flow from investments</b>		<b>-261</b>	<b>332</b>
<b>Cash flow from financing activities</b>			
Proceeds on share issue	+	1 360	1 050
Long-term loans raised	+		10 157
Long-term loans repaid	-	-1 698	-4 061
Short-term loans raised	+	786	1 706
Short-term loans repaid	-	-96	-5 665
Payment of finance lease liabilities	-		
Dividends paid	-		
<b>Net cash flow from financing activities</b>		<b>352</b>	<b>3 187</b>
<b>Increase (+) or decrease (-) in cash flow</b>		<b>-700</b>	<b>611</b>
Cash and cash equivalents at the beginning of the period		937	319
Translation adjustment to cash and cash equivalents		-16	7
Cash and cash equivalents at the end of the period		253	937
		-700	611

## Statement of changes in shareholders' equity 1.1.-31.12.2007

EUR 1 000	Share capital	Other reserves	Translation difference	Reserve of invested non-restricted equity	Retained earnings	Total
Shareholders' equity 31.12.2006	3 425	4 432	-3 254		-1 970	2 633
Translation difference			-2 101		2 107	6
Directed share issue IAS12				4 410	-202	4 410
Correction of translation difference of loan receivables IAS39			5 361		-5 361	0
Net result					-3 963	-3 963
<b>Shareholders' equity 31.12.2007</b>	<b>3 425</b>	<b>4 432</b>	<b>6</b>	<b>4 410</b>	<b>-9 889</b>	<b>2 384</b>

## Statement of changes in shareholders' equity 1.1.-31.12.2006

EUR 1 000	Share capital	Other reserves	Translation difference	Reserve of invested non-restricted equity	Retained earnings	Total
Shareholders' equity 31.12.2005	3 125	4 158	-3 362		2 942	6 863
IAS40		441			-441	
		-167				-167
Translation difference			108			108
Directed share issue IAS12	300				-353	300
IAS39					771	771
Net result					-4 899	-4 899
Shareholders' equity 31.12.2006	3 425	4 432	-3 254		-1 970	2 633

# Notes to the consolidated financial statements

## General Information

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

The Group's parent company is Cencorp Corporation, a Finnish public limited company domiciled in Lohja. The company's registered address is Maksjoentie 11, FI-08700 Lohja.

A copy of the consolidated financial statements is available on the Internet at [www.cencorp.com](http://www.cencorp.com) or from the Group's headquarters at Maksjoentie 11, FI-08700 Lohja.

Cencorp Corporation's Board of Directors has approved these financial statements for publication at its meeting held on 31 March 2008. According to the Finnish Companies Act, shareholders are entitled to approve or reject the financial statements at the Annual General Meeting held after their publication. The Annual General Meeting is also entitled to amend the financial statements.

## Accounting Principles

### Basis of Preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), following the IAS and IFRS standards, as well as the SIC and IFRIC interpretations, effective on 31 December 2007. International Financial Reporting Standards mean the standards and related interpretations in the Finnish Accounting Act and provisions issued on the grounds thereof that have been approved for adoption in the EU according to the procedure laid out in Regulation (EC) No 1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting and European community legislation.

The consolidated financial statements have been prepared under the historical cost convention, with the exception of available-for-sale investments and investment property, which have been measured at fair value. The figures in the financial statements are given in thousands of euros.

As of 1 January 2007, the Group has adopted the following revised standards and interpretations:

--IFRS 7 Financing Instruments: Disclosures standard. IFRS 7 requires disclosures about the significance of financial instruments for an entity's financial position and performance and about the nature and extent of exposure to risks arising from financial instruments. The standard has expanded the notes to the consolidated financial statements. The new notes mainly concern sensitivity analyses.

--Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures. The amended IAS 1 requires disclosures about the level of an entity's capital and how it has managed capital during the financial year. The adoption of the amended standard has increased the amount of information presented in the notes to the consolidated financial statements.

-- IFRIC 8 Scope of IFRS 2. IFRIC 8 applies to arrangements where equity instruments are granted and the identifiable consideration given appears to be less than the fair value of the equity instruments granted. The Group has not concluded any arrangements referred to in the interpretation in the financial year or in the preceding financial years.

-- IFRIC 9 Reassessment of Embedded Derivatives. IFRIC 9 prohibits the reassessment of the separation of embedded derivatives from the host contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows on the host contract. The adoption of the interpretation has not affected the financial statements.

-- IFRIC 10 Interim Financial Reporting and Impairment. The interpretation prohibits an entity to reverse an impairment loss recognised in a previous interim period in respect of goodwill or an equity instrument classified as available for sale or an unquoted equity instrument that is carried at cost at a subsequent balance sheet date. The adoption of the interpretation has not affected the financial statements.

-- The segment reporting specified under IFRS 8 Operating Segments is applied for annual periods beginning on or after 1 January 2009.

The adoption of the revised or amended standards and interpretations has not had a significant impact on the consolidated financial statements for 2007.

Interpretations effective in 2008 are not expected to affect future financial statements. IFRIC 11 Group and Treasury Share Transactions, IFRIC 12 Service Concession Arrangements and IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The preparation of financial statements in conformity with IFRS requires the management to make certain estimates and to exercise its judgment in applying the accounting policies. Information on the discretion that the management has used in applying the accounting principles of the consolidated financial statements that has the most significance on the figures shown in the financial statements is given under "Critical Accounting Estimates and Judgements".

### Critical Accounting Estimates and Judgements

Preparation of the financial statements requires the Group management to make certain estimates and assumptions concerning future events, and the realized results can differ from these estimates and assumptions. In addition, the management must exercise its judgment in applying the accounting principles of the financial statements. When preparing the consolidated financial statements in compliance with IFRS, the company management must make certain estimates and assumptions that affect the balance sheet

figures, commitments at reporting date disclosed in the notes to the financial statements, as well as the income and expenses for the period. Although the estimates are based on the latest available information, the actual figures and results may deviate from them. Possible deviations are corrected at the time of reassessment.

The Group management uses discretion in the selection and application of accounting principles. Management estimates are used especially in goodwill impairment testing, the valuation of inventories and the recognition of deferred tax assets.

When testing for the impairment of assets, estimates are made on the recoverable amount of assets. Further information on the estimates used in goodwill and consolidated goodwill testing, as well as the bases for the estimates, is available under "Depreciation and Impairment" and "Intangible Assets / Goodwill" in the notes to the consolidated financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the future against which the tax assets can be utilised. The Group has adjusted the figures of the financial statements for 2005 by writing down the deferred tax asset of EUR 1.69 million related to the parent company's confirmed losses. The adjustment has affected the result of 2005 and thereby the shareholders' equity and key figures reported for 2005 and 2006. The Group issued a stock exchange release on the issue on 18 January 2008. The adjustment was made because of poor financial performance in the previous years and the prevailing uncertainty in the industry, which makes the estimating of future events difficult. The financial statements for 2007 no longer include deferred tax assets related to confirmed losses.

The key factors of uncertainty in goodwill testing are related to sales and sales margins. The key factor of uncertainty in the valuation of inventories is a possible change in the product range that would make the components and modules in stock redundant. The parent company's confirmed losses of EUR 28 million may become utilisable as deferred tax assets once the parent company's operations become profitable and the predictability of the company's operating environment improves.

### Accounting Principles for the Consolidated Financial Statements

The consolidated financial statements include the parent company Cencorp Corporation and all of its subsidiaries. Subsidiaries are companies controlled by the Group: companies where the Group controls more than half of voting rights or otherwise exercises authority. The existence of potential voting rights has also been taken into consideration when determining the conditions for control in the case that the instruments entitling to potential votes are exercisable at the review date. Control means the power to govern the financial and business policies of a company in order to gain benefit from operations.

Intra-group shareholding has been eliminated using the acquisition method. Acquired subsidiaries are consolidated in the financial

statements from the date on which the Group has acquired control over the company, and disposed subsidiaries are deconsolidated from the date on which control ceases. All of the Group's internal operations, receivables, liabilities, unrealised gains and internal profit distribution are eliminated when preparing the consolidated financial statements. Unrealised losses are eliminated if the losses result from impairment.

### Foreign Currency Translation

The figures representing the performance and financial standing of the Group's units are measured in the functional currency of each unit's main operating environment. The consolidated financial statements are prepared in euro, which is the parent company's functional and presentation currency.

### Transactions Denominated in Foreign Currency

Foreign currency transactions have been recognised in euro using the exchange rate prevailing on the transaction date. In practice, the rate used is often one that approximately equals the rate on the transaction date. Monetary items denominated in foreign currency have been translated into euro at the closing rate. Non-monetary items in foreign currency, measured at fair value, have been translated into euro at the rates prevailing on the measurement date. Other non-monetary items have been measured at the rate prevailing on the transaction date. Gains and losses from foreign currency transactions and from the translation of monetary items have been recognised in the income statement. Exchange rate gains and losses from business activities are included in the corresponding items above operating profit.

### Translation of the Financial Statements of Foreign Group Companies

The revenues and expenses in the income statements of foreign group undertakings have been translated into euro using the weighted average rate for each month (financial year), while the balance sheets have been translated using the closing rates. Using different rates to translate the period's result in the income statement and balance sheet results in a translation difference that needs to be recognised in shareholders' equity. The translation differences resulting from the elimination of the acquisition cost of foreign subsidiaries are recognised in the income statement as part of sales profit or loss.

### Property, Plant and Equipment

Property, plant and equipment have been recognised at original cost less depreciation and impairment.

If an asset consists of several components, with useful lives of different lengths, each component is treated as a separate asset. In this case, the expenses related to the renewal of a component are capitalised. Otherwise, expenses incurred at a later time are included in the carrying amount of an asset only if it is probable that

any future economic benefit associated with the asset will flow to the Group and if the acquisition cost of the asset can be reliably determined. Other repair and maintenance fees are recognised in the income statement after their realisation.

Straight-line depreciations are made on assets over their estimated useful life. Land is not depreciated. The estimated useful lives are the following:

Buildings:	25 years
Modernization of leased facilities:	10 years
Machinery and equipment:	3–7 years

The residual value and useful life of assets are assessed for every financial statement and, if needed, adjusted to reflect any changes in the expected economic benefit.

The depreciation of property, plant and equipment is terminated when the asset is classified as Held for Sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Gains and losses on disposals and transfers of property, plant and equipment are included in other operating income or expenses.

### Public Subsidies

Public subsidies, such as government assistance for the acquisition of property, plant and equipment, are recognised as deductions from the carrying amount of property, plant and equipment or intangible assets when it is reasonably certain that the Group will receive the subsidies and that it complies with the conditions attached to them. Subsidies are recognised in the form of smaller depreciation over the useful life of the asset. Subsidies received as compensation for expenses already incurred are recognised in the income statement when the expenses related to the subsidised object are recognised as an expense. These types of subsidies are presented under other operating income. The Group has received product development subsidies that involve both of the recognition methods explained above.

### Investment Property

Investment property includes real estate that the Group holds to earn rental income or appreciation in property value. Investment property is measured at fair value. The fair value is determined regularly based on an estimate prepared by an impartial real estate assessor and corresponds to the market value of active markets. Changes in the fair value of investment property are included in other operating income or expenses in the income statement.

### Intangible Assets

#### Goodwill

Goodwill corresponds to that part of the acquisition cost that exceeds the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities on the acquisition date of a business acquired after 1 January 2004. In addition, expenses directly related to an acquisition, such as expert fees, are included in

the acquisition cost. The goodwill of business combinations carried out prior to 2004 corresponds to the carrying amount that complies with previous accounting standards, which has been used as the default acquisition cost.

Goodwill and other intangible assets with indefinite useful life are not subject to depreciation but are tested annually for any impairment. For this purpose, goodwill has been allocated to cash-generating units. Goodwill is measured at original cost less any impairment.

#### Research and Development Costs

Research expenditure is recognised as an expense in the income statement. Development expenditure arising from the design of new or more advanced products is capitalised in the balance sheet under intangible assets as of the date the product is technically realisable and commercially viable and can be expected to generate future economic benefit. Incomplete product development projects are also capitalised. Capitalised development costs include the material, work and testing expenses that result directly from completing an asset for the intended purpose. Development expenditure that has been recognised as an expense in previous periods cannot be capitalised later.

Depreciation of an intangible asset begins once the asset is ready for use. Capitalised development expenditure is reviewed annually for any indication of impairment. An intangible asset that is not ready for use is tested annually for impairment. After initial recognition, capitalised development expenditure is measured at cost less accumulated depreciation and impairment. The useful life of capitalised development expenditure is 3 years, during which time capitalised costs are recognised as an expense on a straight-line basis.

#### Other Intangible Assets

An intangible asset is recognised in the balance sheet at original cost if the cost can be reliably determined and it is likely that the expected economic benefit from the asset will flow to the company.

Intangible assets with a limited useful life are recognised on the balance sheet at acquisition cost and recorded as expenses on a straight-line basis in the income statement over their useful life.

Other intangible assets have the following depreciation periods:

Patents:	10 years
Software licences:	5 years

#### Inventories

Inventories are measured at the lower of acquisition cost or net realisable value. The acquisition cost of material inventories is determined using the weighted average cost method and that of work in progress using the FIFO (first in, first out) method. The acquisition cost of finished and unfinished products consists of raw materials, direct work expenses, other direct expenses and an appropriate share of fixed production overheads and property overheads in normal operations. The net realisable value is the estimated selling

price in normal business operations, less the estimated costs of completion and estimated costs resulting from sales.

## Leases

### Group as Lessee

In accordance with IAS 17, leases are classified as finance leases or operating leases. Other leases are recognised as rental expenses under other operating expenses.

Leases on tangible assets, which transfer substantially the risks and rewards of ownership to the Group, are classified as finance leases in accordance with IAS 17 Leases. Assets acquired on finance leases are recognised in the balance sheet at the beginning of the lease period at the fair value of the leased asset or, if lower, at the present value of minimum lease payments. An asset acquired on a finance lease is depreciated over the shorter of the asset's useful life or lease period. Lease payments are divided into a finance charge and a reduction of the outstanding liability over the lease period so that a constant periodic rate of interest is achieved on the outstanding liability. Lease obligations are included in interest-bearing liabilities.

Leases where the lessor retains the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized as expenses in the income statement on a straight-line basis over the lease period. Received incentives are deducted from the paid leases in accordance with the duration of the benefit.

### Impairment of Tangible and Intangible Assets

#### Tangible and Intangible Assets

On every closing date the Group tests assets for possible impairment. If any indication of impairment is found, the recoverable amount of the asset in question shall be assessed. The recoverable amount is also estimated annually for goodwill and incomplete product development projects, irrespective of whether indications of impairment are found. The need for impairment is assessed at the level of cash-generating units, that is, at the lowest unit level that is mainly independent of other units and has separately identifiable cash flows.

The recoverable amount of an asset is the higher of its fair value less expenses from disposal or its value in use. Value in use equals the net future cash flows expected to be recovered from the asset or cash-generating unit, discounted to present value.

An impairment loss is recognised if the carrying amount of an asset is higher than its recoverable amount. An impairment loss is recognised immediately in profit or loss. If the impairment loss concerns a cash-generating unit it is first allocated to reduce the goodwill of the cash-generating unit and then to proportionately reduce the unit's other assets. An impairment loss is reversed if there is a change in conditions and if the recoverable amount of the asset has changed since the recognition of the impairment loss. However, the reversal shall not exceed the carrying amount that would have

been determined had no impairment loss been recognised. Goodwill impairment is not reversed under any circumstances.

## Revenue Recognition Principles

### Sold Goods and Produced Services

Revenue from the sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. At this time, the Group no longer has control or regulatory power over the product. This usually coincides with the date on which the goods have been delivered to the customer according to the agreed delivery clause. Revenue from services is recognised at the time the service is carried out.

Net sales consist of the revenue from the sales of products, services, raw materials and equipment, adjusted by indirect taxes, discounts and exchange differences from sales in foreign currencies.

## Employee Benefits

### Pension Obligations

Pension plans are categorised into defined benefit and defined contribution schemes. In defined contribution schemes the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the entity does not hold sufficient assets to take care of all of the pension benefits. All other schemes that do not meet these conditions are defined benefit schemes. Contributions made into defined contribution payment schemes are recognised in the income statement in the period they are due. The Group has no pension arrangements considered to be defined benefit plans.

### Share-based Payments

The Group has several option schemes, which mainly involve equity instruments. Equity-settled schemes are measured at fair value at grant date and are recognised as an expense on a straight-line basis in the income statement over the vesting period. The impact of non-market vesting conditions (such as profitability and performance growth targets) are not included in the fair value of options. Instead, they are taken into account in the number of options that are expected to vest at the end of the vesting period. The Group revises the expected number of options at each balance sheet date. Any adjustments to estimates are recognised in the income statement.

### Other Employee Benefits

After multiples of full ten years of service, employees receive a gift/paid holiday. Since the entitlement to the benefit arises only after the required number of service years has been completed, any ensuing expense is recognised as an annual expense for the year in question.

### Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that the pay-

ment obligation must be settled and the amount of the obligation can be reliably estimated. If there is a chance to get compensation from a third-party for part of the obligation, the compensation is recognised as a separate asset, but not until it is practically certain that the compensation will be received. Provisions are measured at the present value of expenditures required to settle the obligations. The discount rate used to calculate the present value is selected to reflect current market assessments of the time value of money and the risks specific to the obligation.

A warranty provision is recognised when a product including a warranty clause is sold. The amount of the warranty provision is based on experience about the realisation of warranty expenses.

A restructuring provision is recognised when the Group has drawn up a detailed restructuring plan, initiated implementation of the plan and made the plan known. A restructuring plan includes at least the following information: the business targeted by restructuring; the main sites affected by the plan; the location, duties and estimated number of employees who will be compensated for termination of employment; the resulting expenses and the time of implementation of the plan. No provision is recognised for expenses related to the Group's ongoing operations.

A provision is recognised for an onerous contract if the expenses required to settle the obligations exceed the benefits from the contract.

A provision is recognised for obligations related to decommissioning and restoration if the Group has an obligation that is based on environmental legislation and the Group's environmental responsibility principles and that concerns the decommissioning of a production plant, repair of environmental damage or the transfer of equipment from one place to another.

### Income Taxes

The taxes in the income statement include current tax and deferred tax. Tax expenses are recognised in the income statement with the exception of items recognised directly in equity, in which case the tax impact is recognised correspondingly as part of equity. Current tax is calculated from taxable income using the tax rate enacted in each country. Taxes are adjusted with any taxes related to previous periods.

Deferred taxes are calculated for all temporary differences between the carrying amount and taxable amount. Deferred tax liabilities are not recognised for an initially recognised asset or liability in a transaction other than a business combination if the recognition of the asset or liability does not affect accounting or the taxable income at the time of transaction. Deferred tax is not recognised for non-deductible goodwill nor for undistributed profits from subsidiaries when the difference is not expected to be reversed in the foreseeable future.

The main temporary differences arise from depreciation of property, plant and equipment, revaluation of derivative financial instruments, defined benefit pension schemes, unused tax losses and fair value measurements made in conjunction with acquisitions.

Deferred taxes are calculated using the tax rates enacted by the balance sheet date.

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

### Interest and Dividend

Interest income is recognised using the effective interest method and dividend yield at the time of vesting.

### Financial Assets and Liabilities

#### Financial Assets

The Group's financial assets are categorised into the following groups according to IAS 39 Financial Instruments, Recognition and Measurement: financial assets recognised at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The categorisation is carried out based on the purpose for which the financial assets were acquired and is done in conjunction with the original acquisition.

A financial asset is assigned to the group "recognised at fair value through profit or loss" if it was originally acquired to be held for trading or was designated as an asset recognised at fair value through profit or loss at the time of original recognition. The latter group includes investments administered on the basis of their fair value or investments involving one or more embedded derivative(s) that significantly change(s) the cash flows of the contract, in which case the whole compound instrument is measured at fair value. Financial assets held for trading have been acquired primarily to generate profit through changes in short-term market prices. Derivatives that do not fulfil the conditions for hedge accounting in IAS 39 have been categorised as held for trading. Held-for-trading derivatives and financial assets maturing in the following 12 months are included in current assets. The items in this group have been measured at fair value. Realised and unrealised gains and losses resulting from changes in fair value are recognised in the income statement in the period in which they are incurred.

Investments held to maturity are non-derivative financial assets that have fixed or determinable payments, that mature on a given date and that the Group positively intends to and is able to hold until maturity. They are measured at amortised cost and are included in non-current assets.

Loans and other receivables are non-derivative assets that have fixed or measurable payments, are not quoted on active markets and not held for trading by the Group. They are measured on the basis of amortised cost and are presented under trade and other receivables in the balance sheet depending on their nature: in non-current assets if they mature in more than 12 months and in current assets otherwise.

Financial assets available for sale are assets that are not included in derivatives and have been expressly allocated to this group or have not been classified into any other group. They are included in non-current assets except if they are to be held for less than

12 months from the closing date, in which case they are recorded under current assets. Available-for-sale financial assets consist of shares and interest-bearing investments. They are measured at fair value or, when the fair value cannot be reliably determined, at cost. Changes in the fair value of available-for-sale financial assets are recorded in equity in the fair value reserve taking into consideration the tax impact. Changes in fair value are transferred from equity to the income statement when the investment is sold or if it is subjected to impairment and an impairment loss must be recognised on the investment.

Cash and cash equivalents consist of cash, bank deposits that can be withdrawn if demanded and other current, highly liquid investments. Items in cash and cash equivalents have a maximum maturity of three months from the date of acquisition. Credit accounts related to Group accounts are included in current interest-bearing liabilities and reported as set off, as the Group has a contractual, legally recognised right to settle or otherwise eliminate all or a portion of an amount due to a creditor

Transaction expenses are included in the original carrying amount of financial assets in the case of an item that is not measured at fair value through profit or loss. All of the purchases and sales of financial assets are recognised on the transaction date.

Financial assets are derecognised if the Group loses the contractual right to cash flows or if it transfers substantial risks and income outside the Group.

### Financial Liabilities

Financial liabilities are initially recognised at fair value. Transaction expenses are included in the original carrying amount of financial liabilities. All financial liabilities are later measured at amortised cost using the effective interest method. Financial liabilities are included in current and non-current liabilities and they can be either interest-bearing or non-interest-bearing

The fair value of the liability component of a convertible capital loan is determined using the prevailing market interest rate for a similar debt at the time of issue. The liability component is recognised at amortised cost. In calculating the convertible bond, the equity share has been recognised, less related taxes, under equity.

The fair value measurement principles applied to all financial assets and liabilities are presented in Note 23.

### Impairment of Financial Assets

On each balance sheet date the Group assesses whether objective indication exists of impairment of an individual financial asset or a

group of financial assets. A significant and long-lasting impairment of share investments, resulting in the fair value falling under the cost of acquisition, is an indication of impairment of available-for-sale shares. If indication of impairment exists, the losses accumulated in the impairment reserve are transferred to the income statement. The impairment loss of equity investments categorised as available-for-sale financial assets is not reversed through the income statement, whereas the reversal of impairment losses targeting interest rate instruments is carried out through profit or loss.

The Group recognises an impairment loss for trade receivables if objective indication exists that the receivable cannot be collected in full. Considerable financial difficulties of a debtor, likelihood of bankruptcy, default of payments or a payment delay of more than 90 days are indications of possible impairment of trade receivables. The amount of the impairment loss recognised in the income statement is determined as the difference between the carrying amount of the receivable and the present value of estimated future cash flows discounted using the effective interest rate. If the amount of the impairment loss decreases in a later period, and the decrease can be objectively related to an event subsequent to impairment recognition, the recognised loss is reversed through profit or loss.

### Borrowing Costs

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

### Dividend Distribution

The dividend proposed by the Board of Directors to the Annual General Meeting is not deducted from distributable equity until the Annual General Meeting makes its decision.

### Share Capital

During the financial year, the parent company carried out a share issue totalling EUR 1.36 million. In addition, a total of EUR 3.05 million of the convertible capital loan was converted into shares. Both the share issue and the conversion were recorded in the invested non-restricted equity fund.

### Presentation of Figures

Unless otherwise indicated, the figures in the following notes are given in thousands of euro.

**1. Segment information**

Cencorp Corporation's net sales came from one business segment: the automation and testing business. The laser business, which has been moved to Cencorp Corporation's subsidiary Singulase Corporation did not generate any revenue in 2007, as the company continued to concentrate on product development.

There has been a delay of nearly one year in product development due to external factors. Cencorp's production units specialise in different product groups and engage in worldwide deliveries. Most of the Group's product development resources are located in Europe. The management monitors primarily the Group's overall profitability. While slight differences in profitability can be seen between individual product groups and plants, no significant differences in this respect can be detected within product groups. Pricing between business segments is carried out at fair market value. The Group's risks are independent of product group and geographical region.

**Business segments**

	Production automation	Laser business	Total
<b>2007</b>			
Income	20 316	7	20 323
Operating profit	-868	-182	-1 050
Profit for the period	-3 771	-192	-3 963
Assets	17 233	244	17 477
Liabilities	13 951	1 142	15 093
Investments	261	0	261
Depreciation and amortisation	884	9	893
<b>2006</b>			
Income	19 939	35	19 974
Operating profit	-3 049	-299	-3 348
Profit for the period	-4 588	-301	-4 899
Assets	21 031	110	21 141
Liabilities	17 681	827	18 508
Investments	436	0	436
Depreciation and amortisation	1 300	9	1 309

**Geographical segments**

The secondary geographical segment is divided into three sales areas:

- Europe
- Asia and Australia
- Americas

All product groups are sold in all sales areas. Key customers operate on a worldwide basis and call for local service. The segment's profits are based on the customers' geographic location, whereas its assets and investments are based on the location of assets.

	Europe	Asia and Australia	Americas	Group
<b>2007</b>				
Net sales	10 974	5 894	3 455	20 323
Segment's assets	16 076	0	1 401	17 477
Investments	261	0	0	261
<b>2006</b>				
Net sales	7 989	5 393	6 592	19 974
Segment's assets	18 580	0	2 561	21 141
Investoinnit	376	0	60	436
<b>Distribution of net sales</b>				
			<b>2007</b>	<b>2006</b>
Services			<b>103</b>	245
Goods			<b>20 220</b>	19 729

**2. Other operating income**

	2007	2006
Sales proceeds from tangible assets		165
Rental income from investment property	36	11
Public subsidies	27	70
Insurance indemnities	50	2
Other income items	308	209
Total	421	446

**3. Other operating expenses**

	2007	2006
Rental expenses	377	329
Research and development costs	896	512
Third-party services	1 206	1 786
Other expense items	3 107	2 742
Total	5 586	5 369

**4. Personnel expenses**

	2007	2006
Salaries	5 107	6 393
Retirement expenses - defined contribution plans	750	809
Share options granted		7
Other indirect employee expenses	426	564
Total	6 283	7 773

Information about the management's employment benefits is included in Note 27, Related party transactions. Information about the share options granted is included in Note 19. Share based payments.

**5. Depreciation and impairment**

	2007	2006
Depreciation by commodity group		
Intangible assets		
Patents and other intangible rights	155	158
Capitalised development costs	470	705
Total	625	863
Property, plant and equipment		
Buildings	67	202
Machinery and equipment	155	208
Total	222	410
Impairment		
Impairment of current assets	46	36
Total	46	36

**6. Financial income**

	2007	2006
Interest gains		2
Exchange rate gains	73	94
Other financial income	90	
Total	163	96

In 2007, items above operating profit/loss include a total of EUR -90 000 in exchange gains/losses (EUR 140 000 in 2006).

**7. Financial income**

	<b>2007</b>	2006
Interest gains	<b>1 130</b>	1 055
Exchange rate gains	<b>347</b>	365
Other financial income		202
Reorganisation expenses of convertible loan	<b>1 525</b>	
Total	<b>3 002</b>	1 622

The net financial items included 1 525 000 euros one time item related to amending the terms of the convertible loan (IFRS 2 and IAS 32).

**8. Income taxes**

	<b>2007</b>	2006
Tax based on the taxable income for the financial year	<b>-58</b>	-17
Taxes from previous years		
Deferred taxes	<b>-16</b>	-8
Total	<b>-74</b>	-25

Statement on the differences between the tax expense in the income statement and taxes calculated using the tax rate of the Group's home country (2007: 26%, 2006: 26%) :

	<b>2007</b>	2006
Profit before taxes	<b>-3 889</b>	-4 874
Taxes calculated using the tax rate in the home country	<b>-1 011</b>	-1 267
Different tax rates of foreign subsidiaries	<b>5</b>	20
Use of unrecognised tax losses		
Use of deferred tax assets		
Unrecognised deferred tax assets for tax losses	<b>1 030</b>	1246
Use of confirmed losses		
Other items	<b>50</b>	26
Taxes in the income statement	<b>74</b>	25

**9. Earnings per share**

	<b>2007</b>	2006
Undiluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average of the number of outstanding shares during the period.		
Profit attributable to equity holders of the parent (1 000 eur),	<b>-3 963</b>	-4 889
Weighted average number of shares during the period (1000)	<b>36 584</b>	33 196
Undiluted earnings per share (EUR/share)	<b>-0.11</b>	-0.15

The dilutive potential ordinary shares have not been taken into account as required by IAS 33, paragraph 41, because it would reduce the loss per share.

**10. Property, plant and equipment**

<b>2007</b>	Buildings	Machinery and equipment	Land	Total
Acquisition cost 1.1.2007	3 480	5 885	115	9 480
Increase		77		77
<b>Acquisition cost 31.12.2007</b>	<b>3 480</b>	<b>5 962</b>	<b>115</b>	<b>9 557</b>
Accumulated depreciation and impairment 1.1.2007	-2 194	-5 508	0	-7 702
Depreciation and amortisation	-67	-155		-222
Decrease		-10		-10
Exchange rate differences	-1	-9		-10
<b>Accumulated depreciation and impairment 31.12.2007</b>	<b>-2 262</b>	<b>-5 672</b>	<b>0</b>	<b>-7 934</b>
Carrying amount 1.1.2007	1 286	377	115	1 778
<b>Carrying amount 31.12.2007</b>	<b>1 218</b>	<b>280</b>	<b>115</b>	<b>1 613</b>

<b>2006</b>	Buildings	Machinery and equipment	Land	Total
Acquisition cost 1.1.2006	3 480	5 817	115	9 412
Increase		68		68
Acquisition cost 31.12.2006	3 480	5 885	115	9 480
Accumulated depreciation and impairment 1.1.2006	-1 982	-5 179		-7 161
Depreciation and amortisation	-210	-197		-407
Decrease		-118		-118
Exchange rate differences	-2	-14		-16
Accumulated depreciation and impairment 31.12.2006	-2 194	-5 508	0	-7 702
Carrying amount 1.1.2006	1 498	638	115	2 251
Carrying amount 31.12.2006	1 286	377	115	1 778

**Finance lease agreements**

Tangible assets include the following property obtained on finance lease agreements:

<b>2007</b>	Buildings	Machinery and equipment	Total
Acquisition cost	2 008	34	2 042
Accumulated depreciation and impairment	857	32	889
Carrying amount	1 151	2	1 153
<b>2006</b>			
Acquisition cost	2 008	34	2 042
Accumulated depreciation and impairment	794	20	814
Carrying amount	1 214	14	1 228

Cencorp Corporation has an agreement on real estate arrangements with the town of Lohja, which is treated as a financial event. Real estate is included in the company's fixed assets, and depreciation is recognised as planned.

**11. Intangible assets**

	Goodwill	Patents and other intangible rights	Incomplete product devel- opment projects	Total
<b>2007</b>				
Acquisition cost 1.1.2007	3 488	7 042	1 198	11 728
Capitalised development costs Increase		43	142	185
<b>Acquisition cost 31.12.2007</b>	<b>3 488</b>	<b>7 085</b>	<b>1 340</b>	<b>11 913</b>
Accumulated depreciation 1.1.2007	-1 460	-6 031		-7 491
Depreciation and amortisation Impairment		-625		-625
Exchange rate differences		1		1
<b>Accumulated depreciation 31.12.2007</b>	<b>-1 460</b>	<b>-6 655</b>		<b>-8 115</b>
Carrying amount 1.1.2007	2 028	1 016	1 198	4 242
<b>Carrying amount 31.12.2007</b>	<b>2 028</b>	<b>430</b>	<b>1 340</b>	<b>3 798</b>
<b>2006</b>				
Acquisition cost 1.1.2006	3 362	6 938	1 133	10 061
Capitalised development costs Increase	126	104	65	295
Acquisition cost 31.12.2006	3 488	7 042	1 198	11 728
Accumulated depreciation 1.1.2006	-1 460	-5 168		-6 628
Depreciation and amortisation Exchange rate differences		-863		-863
		5		
Accumulated depreciation 31.12.2006	-1 460	-6 031	0	-7 491
Carrying amount 1.1.2006	1 902	1 770	1 133	4 805
Carrying amount 31.12.2006	2 028	1 016	1 198	4 242

No depreciation is carried out on goodwill in compliance with IFRS 3. Goodwill has been tested for impairment on the basis of the recoverable amount. Based on the tests carried out, there was no need to recognise an impairment loss on goodwill on consolidation in 2006 or 2007. No impairment was recognised in 2006 or 2007 by the Group, nor were there any indications of an impairment of any property item. The entire parent company was considered as the cash-generating unit when testing was carried out. The amount of the goodwill is 2 028 thousand euros. The cash generating forecasts of the previous years have not been realized as planned. The market situation was tougher than expected, new product launches of testing business were delayed and the product development in the laser business was longer than expected. The cost savings started in year 2006 reached full impact in the financial year 2007. The new lower cost versions of our products were introduced during the last quarter of year 2007 and we received new customers outside telecom-sector. Therefore company reached a positive operative result not earlier than during last half of the year 2007. The product development of laser products will be accomplished during second quarter on 2008. Cash flow projections are based on 4 year planning period and after that 5% yearly sales increase. The gross margin assumptions are based on the average of two last year's outcome and next year planned value. The increase of the expenses is estimated to be 7 % after the planning period. There will be no need to write down goodwill in the future if the management's cash-flow forecasts become a reality. In impairment testing, a segment's recoverable amount has been determined on the basis of the value in use. Cash-flow forecasts are based on forecasts approved by the management, which cover a period of four years. The discount interest rate is 13%, which has not changed from the previous year. The management has estimated that a potential change in any of the key variables used would not, according to reasonable estimates, lead to a situation in which a segment's recoverable amount would fall under its carrying amount.

The incomplete product development projects are amounting 1,3 million euros. The most important projects is related to fiber-laser technology. The value of this project is 1,2 million euros and is estimated to finalized by the end of second quarter during 2008 and the depreciations will start on July 2008. The depreciation period is 3 years. The management is expecting that this project will generate profits during year 2008. In addition Cencorp has started a PCB laser cutting projects with VTT Technical Research Centre of Finland. The other incomplete product development project is related to laser solder and this is a co-operation project with Philips Lighting Systems. This project is estimated to be finalized during year 2008. The results of the incomplete product development projects are monitored during the fiscal year and if it is determined the projects will not generate adequate profits the project will be revalued.

**12. Investment property**

	2007	2006
Maintenance fees for investment property	0	20
Rental income from investment property	36	55
Transfer from working capital		
At the beginning of the financial year	343	992
Decrease		649
Depreciation and amortisation		
Gains and losses from adjustments to fair value		
At the end of the financial year	343	343

**13. Available-for-sale investments**

Kiinteistö Oy Musko one-week share  
Helsinki Halli Oy B shares, 2 shares, Fortum Energiatalo Oy

	2007	2006
Unquoted share investments	17	17
Fair value	17	17

The cost of the shares has been considered to correspond to their fair values.

**14. Deferred tax assets and liabilities**

The company has restated its financial statements for 2005 by removing a deferred tax asset of EUR 1.7 million. This item is not included in the comparative figures for 2005 or 2006, or the balance sheet for 2007. The restated figures have been used as comparative figures.

	31.12.2006	Recognised in the income statement	Recognised under equity	Exchange rate differences	31.12.2007
Deferred tax assets					
Internal margin	9	-1			8
Convertible loan	10	-16	-6		-12
Provisions	9	18			27
Confirmed losses	5	-5			0
	33	-4	1		23
Deferred tax assets					
Other items	361	-12	-46		303
Total	361	-12	-46		303

## Changes in deferred taxes in 2007

	31.12.2005	Recognised in the income statement	Recognised under equity	Exchange rate differences	31.12.2006
Deferred tax assets					
Internal margin	10	-1			9
Convertible loan	133	10	-133		10
Provisions	48	-39			9
Confirmed losses	14	-9			5
Total	205	-39	-133		33

**15. Inventories**

	2007	2006
Materials and supplies	2 213	2 791
Work in progress	783	1 097
Finished products	1 302	1 300
Total	4 298	5 188

A total of EUR 209 000 was recognised as an expense in the financial year to reduce the carrying amount of inventories to correspond to their net realisable value (EUR 32 000 in 2006).

**16. Trade and other receivables**

	2007	2006
Trade receivables	6 388	5 589
Accrued income	441	966
Other receivables	303	357
Total	7 132	6 912

**17. Cash and cash equivalents**

	2007	2006
Cash on hand and deposits	253	937
Total	253	937

Cash and cash equivalents in the cash flow statement consist of cash on hand and bank deposits

**18. Notes to shareholders' equity**

	number of shares (1000)	share capital	translation differences	Fund of invested nonrestricted equity
<b>31.12.2005</b>	31 250	3 125	-3 362	
Share issue	3 000	300		
<b>31.12.2006</b>	34 250	3 425	-3 254	
Conversion of convertible loan	8 714			3 050
Share issue	4 000			1 360
<b>31.12.2007</b>	46 964	3 425	6	4 410

All shares issued have been paid in full.

**Share premium account**

The items indicated in the old Companies Act, Chapter 12, Section 3a, are recognised in the share premium account.

**Reserve fund**

The provisions concerning the reserve fund were laid down in Chapter 12, Section 3 of the old Companies Act. The reserve fund is treated as restricted capital.

**Translation differences**

The account for translation differences contains the translation differences that arise from the conversion of foreign subsidiaries' financial statements. Gains and losses from the hedging of net investments in foreign subsidiaries are also included in translation differences if the requirements for hedge accounting are met.

**Fund of invested non-restricted equity**

Fund of invested non-restricted equity includes other equity related investments and that part of share issue price which is not directed shareholder's equity.

**19. Share-based payments**

(1 000 pcs)

During the financial year, the Group had 2004 A, B and 2007 A share option schemes in place. The options in question were granted to the company's key personnel. Option-based incentives are conditional, and their recognition is based on key factors presented in the table below, such as the terms of the arrangement and vesting terms. The company's share price, on which the share options 2004 A and B were based, was EUR 0.78 and the share option 2007 A was EUR 0.56 at the time the options were granted. The share-based options will expire if they are not exercised by 31 January 2009. If an employee leaves the company before the options vest, he or she will lose the options.

	2007		2006	
	Exercise price as weighted average eur/ share	Number of options	Exercise price as weighted average eur/share	Number of options
At the beginning of the financial year	0,78	1,999	0,35	3 000
New share options granted	0,56	350	0,78	1 859
	0,40	1,801	0,78	140
	0,78	47		
Exercised share options	0,00		0,35	3 000
Share options expired	0,00			
At the end of the financial year	0,78	1,999	0,78	1 999
	0,56	350		
	0,40	1,801		
Exercisable share options	1	1,999		
At the end of the financial year	0,56	350	0,78	0
	0,40	1801		

The Group applies the Black-Scholes formula for share options schemes, which does not set special conditions on vesting. The expected volatility has been determined by calculating the historical volatility of the Group's share price, adjusted by a generally available factor that is expected to cause changes in the historical volatility. Historical volatility is calculated as a weighted figure for the average term of share options.

Exercise price (eur)	2004A, B	0.78
	2006A	0.56
	2007A	0.40

**Share option scheme**

## 1. Share-based options, granted to key management

## Nature of scheme

Grant date	Share options granted	Number of instruments granted	Exercise price eur	Share price at the time of granting
	6.2.2007	350	0,58	0,42
	17.4.2007	47	0,58	0,28
Term of options (years) according to the scheme		3		
Exercise expected volatility		As shares 0,3		
Expected term of option on grant date (years)		3		
Risk-free interest		0,04		
Expected dividend (dividend yield)		0		
Expected staff reduction (on grant date)		0		
Fair value of instrument determined on grant date		0,04		
Measurement model		Black-Scholes		

The total expenditure for share options recognised in the financial year is EUR 7 000.

**20. Provisions**

1.1.2007	98
Exchange rate differences	
Increase in provisions	406
Provisions exercised	-305
Reversals of unused provisions	-7
<b>31.12.2007</b>	<b>192</b>

	<b>2007</b>	2006
Non-current provisions	<b>0</b>	0
Current provisions	<b>192</b>	98
Total	<b>192</b>	98

Sales are recognised after the delivery of goods. A provision is made for estimated warranty expenses.

On average, the company gives a one-year warranty for its products. Defects detected in products during the warranty period are repaired at the company's cost, or the customer is given a corresponding product. Warranty provisions at the end of 2007 totalled EUR 85 000 (EUR 98 000 in 2006). The warranty provision is based on previous years' experiences of defective products or products that have required additional installations. The warranty provision is recognised in conjunction with final project approval at the beginning of the warranty period and cancelled by the end of the period.

**21. Interest-bearing liabilities**

	<b>Balance sheet values 2007</b>	Balance sheet values 2006
Non-current		
Loans from financial institutions	<b>3 573</b>	4 435
Convertible loans	<b>2 520</b>	4 690
Finance lease liabilities	<b>985</b>	1 231
Other liabilities		
	<b>7 078</b>	10 356
Current		
Loans from financial institutions	<b>2 219</b>	1 394
Instalments of non-current loans	<b>1 329</b>	1 500
Finance lease liabilities	<b>235</b>	232
Other liabilities		92
	<b>3 783</b>	3 218

Non-current liabilities mature in the following way:

<b>2007</b>	2008	2009	2010	2011	2012	later
Fixed-rate loans from financial institutions						
Floating-rate loans from financial institutions	1 200	1 200	1 200	567		
Convertible loans				2 689		
Finance lease liabilities	235	232	232	232	232	57
Other liabilities						
Total non-current liabilities	1 446	1 432	1 432	3 488	289	57
<b>2006</b>	2007	2008	2009	2010	2011	later
Fixed-rate loans from financial institutions	146					
Floating-rate loans from financial institutions	2748	1 200	1 200	1 200	567	
Finance lease liabilities					5 739	
Finance lease liabilities	232	246	232	232	232	289
Other liabilities	92					
Total non-current liabilities	3218	1 446	1 432	1 432	6 538	289

Non-current liabilities include a EUR 2 689 million convertible subordinated loan. The term of the loan is 13 October 2006–13 October 2011. The term of the loan is 13 October 2006–13 October 2011. In the share issue worth EUR 3.050 million of the convertible loan were converted to shares. The conversion was booked to fund of invested non-restricted equity.

## Main loan terms:

1. In the event of company dissolution or bankruptcy, the principle, interest and other compensation shall be paid at a lower priority than that applied to other debt.

## 2. Repayment at maturity

The principal can only be repaid to the extent that the amount of the company's unrestricted equity and all subordinated loans exceeds the amount of loss confirmed for the most recently ended financial year or included in the balance sheet of more recent financial statements. If the conditions for repayment are not met on the maturity date, part of the principal shall be paid to the extent that this is possible considering the conditions. The remainder of the loan shall be paid on the basis of the first such financial statements that enable the payment

## 3. Other matters pertaining to repayment

The company shall notify note unit holders of repayment no later than 30 days prior to repayment in compliance with the section of the agreement concerning notifications. The loan principal shall be repaid to those who, at the commencement of the repayment date, are entitled to receive the payment according to the information in the relevant book entry account. If the book-entry unit issued for a note unit is subject to temporary registration at the commencement of the maturity date as defined in these terms, or if the book-entries issued for the note unit are recorded in a consignment account at the commencement of the maturity date, the repayment shall be made on the basis of the information in the book-entry account. If repayment is not possible on the basis of the information recorded in the holder register, the payment shall be made to a party who can demonstrate that the book-entry issued for the note unit belonged to him or her at the commencement of the maturity date in accordance with the terms of the loan.

## 4. Conditions for conversion into shares

The loan involves a special right to convert the note units into up to 10 000 000 new shares of the company. A note holder shall be entitled to subscribe to new shares on the basis of his or her note units so that the share subscription price is paid by setting off loan receivables of a note unit against the share subscription price. Each EUR 0.70 note unit entitles the holder to convert the note unit into one share. The conversion rate is EUR 0.70. In special cases, the conversion rate may fall, reference to section 16 of the agreement. However, the conversion rate is always a minimum of EUR 0.01. If a note unit holder, upon conversion of note units into shares, receives a fraction of a share, he or she shall receive a cash payment for said fraction. In such a case, the price of the share shall be the closing price of the share in continuous trading on the preceding trading day. If a note unit holder converts more than one note unit into shares at the same time, the number of full shares shall be calculated on the basis of the number of all note units. The conversion period for the notes shall begin on 1 November 2006 and end on 30 September 2011. The annual conversion period shall be from 2 January to 30 November.

5. The loan has a fixed annual interest rate of 6.75 %. The convertible bond is divided into equity and liabilities in the financial statements. The liabilities component has been adjusted with the difference between the interest expense and an interest expense calculated for amortised cost with the effective interest rate.

**The breakdown by currency of interest-bearing non-current liabilities is as follows:**

	2007	2006
HUF	682	1.510
EUR	3	6

**Maturity of finance lease liabilities**

	2007	2006
Finance lease liabilities – total of minimum lease payments		
Within twelve months	235	232
Over one year and not more than five years	928	942
Over five years	57	289
	<b>1 220</b>	<b>1 463</b>
Finance lease liabilities – present value of minimum lease payments		
Within twelve months	232	232
Over one year and not more than five years	710	720
Over five years	48	223
	<b>990</b>	<b>1 175</b>
Total finance lease liabilities	<b>1 220</b>	<b>1 463</b>

**22. Accounts and other payables**

	2007	2006
Current		
Accounts payables	1 646	2 298
Accrued expenses	1 499	1 309
Other liabilities	761	843
Total	<b>3 906</b>	<b>4 450</b>

Material items included in accrued expenses consist of personnel expenses and accrued interest on liabilities.

**23. Fair values of financial assets and liabilities**

	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Financial assets				
Available-for-sale investments	17	17	17	17
Accounts and other receivables	7 132	7 132	6 912	6 912
Cash and cash equivalents	253	253	937	937

The carrying amount of accounts and other receivables is considered to closely correspond to the fair value.

	Carrying amount 2007	Fair value 2007	Carrying amount 2006	Fair value 2006
Financial liabilities				
Bank loans	7 121	7 121	7 422	7 422
Convertible loans	2 520	2 520	4 690	4 690
Finance lease liabilities	1 220	1 220	1 463	1 463
Accounts and other payables	3 673	3 673	4 450	4 450

Range of fluctuation for the interest rate of interest-bearing liabilities	2007	2006
Loans from financial institutions	1,000-9,400	1,000 - 7,655
Finance lease liabilities	4,047-8,00	4,047 - 8,000

**24. Business operations with no related payments**

	2007	2006
Depreciation and amortisation	847	1,273
Impairment	46	36
Exchange rate differences	108	75
Employee benefits		7
Gains/losses from the measurement of investment property at fair value		
Total	1 001	1,391

**25. Operating leases**

	2007	2008
Group as lessee		
Present value of minimum lease payments on operating leases		
No later than 1 year	68	59
2 to 5 years	44	59
Over 5 years		
Group as lessor		
Present value of minimum lease payments on operating leases		
No later than 1 year	56	36
2 to 5 years		
Over 5 years		

**26. Ehdolliset velat**

	2007	2006
Collateral liabilities		
Bank loans	9 810	13 069
Pledges	12 687	12 687
Factoring- and exportcredit limit	1 630	
Accounts receivables	3 437	

**27. Related party transactions**

The relations and shares between the parent company and subsidiaries are as follows:

Company	Domicile	Holding (%)	Share of votes (%)
Parent company Cencorp Oyj	Lohja, Finland		
PMJ testline Oy	Lohja, Finland	100,0	
TMD Test Mechanic & Design Oy	Salo, Finland	100,0	
Singulase Oy	Espoo, Finland	100,0	
Cencorp Ab	Sollentuna, Sweden	100,0	
Cencorp AS	Tallinna, Estland	100,0	
Cencorp (UK) Ltd.	Hartford, UK	100,0	
Cencorp France S.A.R.L.	Marne la Vallee, France	99,0	100,0
Cencorp USA, Inc	Dallas, Tx, USA	100,0	
Cencorp Americas, LLC	McAllen, Tx, USA		100,0
Cencorp Kft	Budapest, Hungary	100,0	

The Group has purchased goods and services from companies in which the majority holding and/or power of decision granting control of the company is held by members of the Group's related parties. Sales of goods and services carried out with related parties are based on market prices.

<b>a. Sales of goods and services</b>	2007	2006
related party companies: Photonium oy	445	357
<b>b. Purchases of goods and services</b>	2007	2006
related party companies: Photonium oy	1 150	1.006
Fees based on consultancy agreement		
related party companies:		
Photonium Oy	15	
FT Capital Oy	13	35
Convertible subordinated loan from related parties:		650
Accounts payables to related parties	105	512
Other receivables from related parties	39	447
Accounts receivables from related parties	48	337
<b>c. Employment benefits of the management</b>	2007	2006
Wages and other short-term employment benefits	649	488
Share-based payments		
Benefits paid in conjunction with dismissal		6
Post-employment benefits		
Other long-term employment benefits		
Wages and remuneration	2007	2006
Managing directors	150	110

Board members and deputies	2007	2006
Kielenniva	16	18
Jokela	10	11
Kiuru	10	7
Stenman		3

There are no pension commitments with respect to the Managing Director.

Company management received 397 000 share options in 2007 (140 000 in 2006). On 31 December 2007, 1 177 000 share options had been granted to management, of which were exercisable 827 000 (2 019 000 in 2006, 929 500 of which were exercisable).

## 28. Financial risks

Cencorp's normal business activities expose it to financial risks: interest rate risk, credit risk, currency risk and funding risk. Risk management aims to minimise the adverse effects that changes in the financial markets may have on the Group's results and balance sheet position. The Group's general risk management principles are approved by the Board of Directors, and their implementation is the joint responsibility of the Group's centralised financial department and the business areas. The financial department identifies, assesses and acquires the instruments needed to hedge against risks in close cooperation with the operational units. Hedging transactions are carried out in compliance with the risk management policy approved by Group management.

### Liquidity risk

The Group continuously assesses and monitors the financing needed for business to ensure that it has enough liquid assets at its disposal to finance operations and repay loans falling due. The Group's financing policy determines the optimum size of the liquidity reserve. The maturity and amortisation of loans are planned so as to optimise liquidity. The availability and flexibility of financing are ensured through sufficient credit limits. The Group's financial position was improved considerably in autumn 2007 due to the directed share issue, partial conversion into shares of a convertible subordinated loan and improvement of profitability over the second year-half. Thanks to these, the company was able to pay up its overdue debtors and pay its loan instalments in accordance with the schedule. The Group's short-term financing facilities of EUR 3.5 million mature on 30 April 2008 and require reorganisation.

### Currency risks

The Group's international operations expose it to transaction risks caused by foreign exchange positions and to risks arising from the translation of investments denominated in foreign currencies to the parent company's functional currency. USD is the most significant foreign currency for the Group. Currency risks arise from purchases and sales carried out in a currency other than the Group's functional currency, from foreign currency denominated trade receivables and payables, as well as from net investments in foreign subsidiaries.

The primary sales and invoicing currency is EUR. If required, other commonly used currencies (USD, SEK, HUF and GBP) can also be used. Of these, USD accounts for 18% of overall sales while the other currencies together account for less than 1%. The Group has foreign net investments in subsidiaries and is thus exposed to

risks that arise from translating investments denominated in USD, SEK, HUF and GBP into the parent company's functional currency. The Group has decided not to hedge net investments in foreign subsidiaries due to the small size of the investments. The Group's subsidiary in the USA has more USD-denominated intra-Group loans to cover its USD trade receivables. The parent company's net USD receivable has not been hedged.

### Interest rate risk

The Group's revenue and operational cash flows are mostly independent of fluctuations in market rates. The Group is exposed to fair value interest rate risk (fixed rate debts) and cash flow interest rate risk (floating rate debts) mainly due to interest on debts. In compliance with the principles of risk management, at least 10% of the credit portfolio must be fixed rate and the loan portfolio shall have an average duration of 3–6 years. On the balance sheet date, 38% of the credit portfolio was fixed rate, the bulk consisting of a five-year convertible subordinated loan. The Group's investments in market-priced shares and other instruments are minor, leading to market risk from investment activities being very small.

### Credit risk

The Group does not have significant external credit risk pools thanks to its broad and geographically widely distributed customer base. It only grants credit to companies with an impeccable credit rating. The parent company of the Group wrote down an interest receivable of EUR 0.9 million from the US subsidiary and an EUR 0.2 million receivable from the Hungarian subsidiary. The parent company has intra-Group internal trade receivables, interest receivables and loan receivables from its US subsidiary worth a total of EUR 2.0 million, as well as a EUR 1.0 million subordinated loan from its subsidiary, Singulase Corporation. Their repayment is linked to the companies' future performance.

### Capital risk management

The group's objective is to secure the group's ability to continue as a going concern and provide returns for shareholders. In order to maintain the capital structure, the group may issue new shares, utilize equity based instruments and adjust the amount of dividends paid to shareholders.

The group monitors capital on the basis of the equity ratio and the gearing ratio.

Group's objective is to improve equity ratio and net gearing ratio from the level of year 2007.

## Financial risk management

	2007	2006
Fluctuation of short term interest rate with +- 2%	+141	+140
Group has financial limits amounting EUR 3.5 million		
Short-term financial limit	1	
Exportcredit limit	1	
Factoring limit	1,5	

The limits are short term and required reorganisation no later than 30 April, 2008.

**Currency risk management**

Group's most important operative currency was EURO representing 80 % of the purchases in year 2007 (2006: 86%) and 82 % of sales in year 2007 (2006: 61 %). The group is exposed to USD currency risk related to purchases, sales, accounts payables and accounts receivables.

10 5 fluctuation of USD rate will impact	2007	2006
Purchases	+175	+93
Sales	+376	+810

**Material Risk management**

The biggest risk of material price fluctuations are related to copper and metal price changes in addition to the components. Company's objective is to improve profitability through product development and having possibilities to transfer most part of the potential increases of material prices to the sales prices.

**29. Material events after the financial period**

Cencorp wrote down a deferred tax asset

The consolidated financial statements of Cencorp Corporation of 31 December 2005 included deferred tax assets of EUR 1,690 million. These deferred tax assets were also recognised in the interim reports of 27 April 2006, 17 August 2006, 19 October 2006 and in the consolidated financial statements of 31 December 2006 and in the interim reports of 10 May 2007, 21 August 2007 and 6 November 2007.

The company has reappraised recognition principles based on IAS 12.34 - 36 and IAS 12.56 of deferred tax assets. Furthermore, as part of an internal evaluation process related to the preparation of financial statements for 1 January - 31 December 2007, the company has discussed the interpretation of IFRS standards with the Financial Supervision Authority.

Based on the abovementioned, the Board of Directors of Cencorp Corporation have decided to adjust the comparative information concerning the recognition of deferred tax assets for years 2005 and 2006 according to IAS 8 in its financial statements for 2007. The corresponding adjustments of comparative information will also be included in the interim reports of 27 April 2006, 17 August 2006, 19 October 2006, 10 May 2007, 21 August 2007 and 6 November 2007. The figures are unaudited. Based on the adjustment, the deferred tax assets will not be included in the financial statements for 1 January - 31 December 2007. The adjustment affects to the equity of the consolidated Cencorp Corporation but not to the equity of the parent company, so it is irrelevant to the calculation of the sufficiency of equity of Cencorp Corporation.

**Public warning by FIN-FSA**

Cencorp Corporation received the following decision by the Financial Supervision Authority on 3 March 2008: "Public warning by Fin-Fsa to Cencorp for neglect of disclosure obligation.

The Financial Supervision Authority (FIN-FSA) has issued a public warning to Cencorp Corporation for neglect of the disclosure obligation.

The FIN-FSA is of the view that Cencorp's conduct has repeatedly during the year 2006 been in violation of financial markets provisions, since it has provided unjustified estimates of the company's prospects and has delayed the correction of these estimates and because, due to the recognition of a deferred tax asset, has failed to give a true and fair view of the result of the company's operations and financial position in its financial statements for 2005 and 2006. Due to the continuous and repetitive nature of the company's misconduct, FIN-FSA is of the opinion that the company's behaviour qualifies for a public warning.

The prospects of the company's net sales and results published by Cencorp in 2006 were unjustified, since in publishing its prospects, the company failed to pay due attention to its actual performance and uncertainties related to its business operations, such as changes in customers' purchasing behaviour and tightening of the competitive situation. The further the period proceeded, the clearer the excessive optimism of the prospects became. The company revised its prospects during the period, but these changes were inadequate and were not made without undue delay. The company has failed to provide sufficient justifications for the guidance it issued.

The financial statements for 2005 and 2006 failed to give a true and fair view of the result of the company's operations and financial position, as the consolidated financial statements contained a material error. The company should not have recognised deferred tax assets for the carry forward of unused tax losses in its consolidated financial statements for years 2005 and 2006. The criteria for recognising a deferred tax asset for carry forward of unused tax losses were not met, since the company had a history of recent losses and it could not present in its consolidated financial statements for 2005 and 2006 other convincing evidence, as required by IAS 12 Income Taxes, that sufficient taxable profit would be available against which the unused tax losses could be utilised. The amount of the error was material, since the deferred tax asset, the recognition criteria of which was not met, amounted to 24% of equity in the consolidated balance sheet on 31 December 2005, and 51% of equity on 31 December 2006. The company announced its decision to restate in its financial statements for 2007 the comparative figures for 2005 and 2006 concerning the deferred tax asset.

This is the first public warning issued by the FIN-FSA. A public warning is an administrative sanction, which the FIN-FSA has been authorised to issue since 2003.

The decision is not legally final as Cencorp Corporation has the right to appeal the decision, issued on 3 March 2008, with the Market Court within 30 days of receiving the decision.

Cencorp Corporation has conducted an internal review of the matter and restated in its consolidated financial statements for 2007 the comparative figures for 2005 and 2006 in terms of the deferred tax asset and reported on the matter on 1 January 2008.

The company is of the view that it has acted diligently in the matter and provided requisite explanations to the Financial Supervision Authority.

According to the decision of the Financial Supervision Authority, the matter on the whole does not give grounds to more severe measures.

## Key Figures

EUR 1000	IFRS 2007 12 months	IFRS 2006 12 months	IFRS 2005 12 months	IFRS 2004 12 months	FAS 2003 12 months
Net sales	<b>20 323</b>	19 974	35 308	32 473	31 962
Operating profit	<b>-1 060</b>	-3 348	760	-541	607
% of net sales	<b>-16.8</b>	-16.8	2.2	-1.7	1.9
Profit/loss before extraordinary items	<b>-3 889</b>	-4 874	289	-1 294	-230
% of net sales	<b>-19.1</b>	-24.4	0.8	-4.0	-0.7
Profit/loss before taxes	<b>-3 889</b>	-4 874	289	-1 294	-230
% of net sales	<b>-19.1</b>	-24.4	0.8	-4.0	-0.7
Return on equity, %	<b>-238.2</b>	-160.2	5.4	-31.2	-8.6
Return on capital employed, %	<b>-7.2</b>	-20.1	7.4	-1.5	6.9
Equity ratio, %	<b>13.7</b>	4.9	22.2	17.6	17.3
Net gearing, %	<b>452.1</b>	1 306.8	226.9	293.7	310.4
Non-interest-bearing liabilities	<b>3 737</b>	4 835	5 613	6 498	5 099
Interest-bearing liabilities	<b>11 030</b>	14 610	12 055	14 383	13 189
Gross investments	<b>261</b>	436	1 767	860	3 096
% of net sales	<b>1.3</b>	2.2	5.0	2.6	9.7
Research and development costs	<b>896</b>	512	2 201	2 148	1 613
% of net sales	<b>4.4</b>	2.6	6.2	6.6	5.0
Order book, million		2.3	1.6	6.5	5.2
Personnel on average	<b>134</b>	185	214	263	292
Personnel at the end of the period	<b>133</b>	156	205	207	282
Share key indicators					
Earnings per share (diluted), EUR	<b>-0.12</b>	-0.14	0.01	-0.04	-0.02
Earnings per share (undiluted), EUR	<b>-0.11</b>	-0.15	0.01	-0.05	-0.01
Shareholders' equity per share, EUR	<b>0.07</b>	0.02	0.17	0.13	0.16
Dividend per share, EUR					
Dividend on profit, %					
Effective dividend yield, %					
P/E ratio (diluted)	<b>-2.6</b>	-3.1	123	-15.16	
P/E ratio (undiluted)	<b>-2.2</b>	-2.9	123	-14.50	-48.1
Share price 31 Dec.	<b>0.24</b>	0.44	1.23	0.66	0.71
Market capitalisation, EUR million	<b>11</b>	15	38	21.0	20.0
Share trading adjusted for share issue	<b>15 224 169</b>	25 765 595	29 948 868	15 431 020	17 747 793
Share trading adjusted for share issue,%	<b>41.60</b>	77.8	91.5	51.9	63.1
Portion of the weighted average of shares, %	<b>36 584 446</b>	33 196 044	32 725 627	29 707 882	28 133 470
Weighted average of the number of shares adjusted for share issue over the financial year	<b>46 964 875</b>	34 250 591	31 250 591	31 250 591	28 133 470
Number of shares adjusted for share issue at the end of the financial year	<b>42 237 619</b>	34 513 135	33 455 136	31 063 991	25 346 954

## Calculation of Key Figures

Return on equity (ROE), %:	$\frac{\text{Profit/loss before extraordinary items} - \text{taxes} \times 100}{\text{Shareholder's equity} + \text{minority interest (average)}}$
Return on investment (ROI), %:	$\frac{\text{Profit/loss before extraordinary items} + \text{interest and other financial expenses} \times 100}{\text{Balance sheet total} - \text{non-interest-bearing liabilities (average)}}$
Equity ratio, %:	$\frac{\text{Shareholders' equity} + \text{minority interest} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Net gearing, %:	$\frac{\text{Interest-bearing liabilities} - \text{cash and cash equivalents and marketable securities} \times 100}{\text{Shareholder's equity} + \text{minority interest}}$
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:	$\frac{\text{Shareholder's equity}}{\text{Number of shares adjusted for share issue at the end of the financial year}}$
Dividend per share:	$\frac{\text{Dividend paid in the financial year}}{\text{Number of shares adjusted for share issue at the end of the financial year}}$
Dividend on profit, %:	$\frac{\text{Dividend per share} \times 100}{\text{Earnings per share}}$
Effective dividend yield, %:	$\frac{\text{Dividend per share} \times 100}{\text{Closing price on the financial statements date}}$
P/E ratio:	$\frac{\text{Closing price on the financial statements date}}{\text{Earnings per share}}$

## Income statement

EUR	Notes	01.01.2007- 31.12.2007		1.1.2006- 31.12.2006	
Net sales	1, 2	<b>18 676 144,01</b>	100 %	15 014 900,72	100,0 %
Increase (+) / decrease (-) in inventories of finished goods and work in progress		<b>61 287,51</b>		273 864,76	
Production for own use					
Other operating income	3	<b>419 959,29</b>		297 354,56	
Materials and services	4				
Materials and supplies					
Purchases during the financial year		<b>8 851 182,04</b>		6 899 901,14	
Change in inventories		<b>413 468,78</b>		-405 144,67	
Third-party services		<b>1 062 607,94</b>		1 090 825,42	
Personnel expenses	6	<b>5 059 595,42</b>		5 556 783,24	
Depreciation and impairment					
Planned depreciation	8	<b>1 184 185,68</b>		1 469 417,69	
Impairment		<b>196 630,21</b>		36 309,65	
Other operating expenses	9	<b>3 185 881,20</b>		4 088 362,63	
Operating profit		<b>-918 735,48</b>	-4,9 %	-3 150 335,06	-21,0 %
Financial income and expenses	10				
Income from participations in group undertakings					
Other interest and financial income					
Group undertakings		<b>-760 539,37</b>		155 865,24	
Others		<b>-41 320,93</b>		52 654,40	
Interest expenses and other financial expenses					
Group undertakings		<b>0,00</b>		0,00	
Others		<b>-1 081 608,31</b>		-1 649 033,50	
Exchange rate differences		<b>-273 948,44</b>		-7 710,69	
Profit/loss before extraordinary items		<b>-3 076 152,53</b>	-16,5 %	-4 598 559,61	-30,6 %
Extraordinary items	11				
Extraordinary income		<b>7 000,00</b>		300 000,00	
Extraordinary expenses		<b>-138 535,78</b>		-2 216 997,15	
Profit/loss before taxes and provisions		<b>-3 207 688,31</b>		-6 515 556,76	
Appropriations					
Increase(-) / decrease (+) in depreciation difference		<b>-14 269,56</b>		21 275,02	
Income taxes		<b>-45 004,27</b>		-1 438,91	
Profit for the period		<b>-3 266 962,14</b>	-17,5 %	-6 495 720,65	-43,3 %

## Balance Sheet

EUR	notes	31.12.2007	31.12.2006	
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
Intangible assets	13			
Product development expenses		<b>58 734.84</b>	528 778.01	
Intangible rights		<b>362 467.90</b>	458 628.69	
Other long-term expenses		<b>1 237 411.90</b>	1 637 981.53	
Incomplete product development projects		<b>1 340 422.71</b>	2 999 037.35	1 198 900.31
				3 824 288.54
Tangible assets				
Land and water areas	13	<b>115 428.31</b>	115 428.31	
Buildings and structures		<b>1 147 003.80</b>	1 213 876.40	
Machinery and equipment		<b>202 488.56</b>	1 464 920.67	223 716.57
				1 553 021.28
Investments				
Shares and participations in group undertakings	14	<b>398 852.67</b>	569 731.60	
Other shares and participations		<b>16 600.15</b>	415 452.82	16 600.15
				586 331.75
<b>CURRENT ASSETS</b>				
Inventories				
Materials and supplies		<b>2 031 973.17</b>	2 445 917.46	
Stock of semi-finished goods		<b>5 163.94</b>	4 688.43	
Work in progress		<b>804 488.06</b>	946 034.89	
Finished products		<b>1 172 242.10</b>	4 013 867.27	1 165 520.37
				4 562 161.15
Receivables				
Non-current				
From group undertakings	15	<b>2 382 647.83</b>	2 292 647.36	
Other non-current receivables		<b>37 000.00</b>	2 419 647.83	8 750.00
				2 301 397.36
Current				
Accounts receivables		<b>5 543 060.64</b>	3 989 646.16	
From group undertakings	15	<b>1 021 330.79</b>	3 002 091.01	
Other receivables		<b>264 058.93</b>	7 190 243.44	334 184.98
Accrued income	16	<b>361 793.08</b>	797 059.30	8 122 981.45
Cash and cash equivalents		<b>85 722.25</b>	85 722.25	14 808.94
				14 808.94
<b>TOTAL ASSETS</b>			<b>18 588 891,63</b>	<b>20 964 990,47</b>

## Balance sheet

EUR	notes	31.12.2007	31.12.2006	
<b>LIABILITIES</b>				
<b>EQUITY</b>				
	17			
Share capital		<b>3 425 059.10</b>		3 425 059.10
Share premium account		<b>4 695 570.81</b>		4 695 570.81
Reserve fund		<b>211 384.16</b>		211 384.16
Profit or loss brought forward		<b>4 409 999.40</b>		0.00
Profit or loss for the period		<b>-6 096 591.51</b>		399 129.14
Subordinated loan		<b>-3 266 962.14</b>	3 378 459.82	-6 495 720.65
				2 235 422.56
<b>ACCUMULATED APPROPRIATIONS</b>				
Depreciation difference		<b>39 491.38</b>	39 491.38	25 221.82
				25 221.82
<b>OBLIGATORY PROVISIONS</b>				
Other obligatory provisions	18	<b>191 647.98</b>	191 647.98	97 698.90
				97 698.90
<b>LIABILITIES</b>				
<b>Non-current</b>				
	19			
Convertible loans		<b>2 689 008.00</b>		5 739 007.40
Loans from financial institutions		<b>3 567 523.28</b>		4 422 877.75
Other		<b>985 468.77</b>	7 242 000.05	1 217 343.77
				11 379 228.92
<b>Current</b>				
Loans from financial institutions		<b>3 548 206.07</b>		2 894 648.24
Advances received		<b>63 149.70</b>		344 000.00
Accounts payables		<b>1 445 011.29</b>		1 973 374.03
Debts to group undertakings	20	<b>584 179.11</b>		424 990.37
Other		<b>748 802.29</b>		548 643.12
Accrued liabilities	21	<b>1 347 943.94</b>	7 737 292.40	1 041 762.51
				7 227 418.27
<b>TOTAL LIABILITIES</b>			18 588 891.63	20 964 990.47

## Cash flow statement

1 000 EUR	2007	2006
<b>Cash flow from business operations:</b>		
Operating profit	-919	-3 150
Planned depreciation	1 380	1 505
Reversal of accrual-based items	94	-196
Cash flow before changes in working capital	555	-1 841
Change in working capital:		
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-613	-167
Increase (-) / decrease (+) in inventories	548	-942
Increase (+) / decrease (-) in advances received	-281	230
Increase (+) / decrease (-) in current non-interest-bearing liabilities	132	-202
Cash flow from business operations before financial items and taxes	341	-2 922
Increase (-) / decrease (+) in financing to subsidiaries	808	2 108
Financial income and expenses	-1 883	-1 106
Direct taxes paid	-45	-1
<b>Cash flow from business operations</b>	<b>-779</b>	<b>-1 922</b>
Cash flow from investments:		
Investments in tangible and intangible assets	-236	-155
Proceeds from the disposal of other investments		62
Cash flow from investments	-236	-93
<b>Cash flow from financing activities:</b>		
Rights issues	1 360	1 050
Change in current loans	805	-4 319
Change in non-current loans	-1 079	5 293
<b>Cash flow from financing activities</b>	<b>1 086</b>	<b>2 024</b>
<b>Increase (+)/ decrease (-) in cash and cash equivalents</b>	<b>71</b>	<b>9</b>
Cash and cash equivalents at the beginning of the period	15	6
Cash and cash equivalents at the end of the period	86	15
	71	9

### Notes to the parent company's financial statements

Cencorp Corporation's financial statements have been prepared in compliance with the Finnish Accounting Standards (FAS). The consolidated financial statements have been prepared in compliance with the IFRS accounting policies, as have the parent company's financial statements whenever possible. The accounting policies used for the parent company's financial statements differ from those used for the consolidated financial statements in the following cases:

#### Other long-term expenses

The parent company has recognised the merger assets arising from the merger of the subsidiary as long-term expenses to be depreciated over a period of five years. In the consolidated financial statements, the item is included in goodwill and will not be depreciated. Other long-term expenses under intangible fixed assets include modernisation expenses for rental facilities, which, in compliance with the IFRS, are recognised under property, plant and equipment in the consolidated financial statements.

#### Finance leases

The parent company recognises finance lease payments as rental expenses, while the Group treats them as finance leases in compliance with IAS 17.

#### 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. Extraordinary general meeting accepted liquidator's final account on December 27, 2007 and company was liquidated.

### Notes to the income statement

#### 1. Distribution of net sales by market area

	2007	%	2 006	%
Europe	10 655	57	7 676	51
The Americas	2 205	12	2 586	17
Asia and Australia	5 816	31	4 753	32
Total	18 676		15 015	

#### 2. Distribution of net sales by customer segments

	2007	%	2 006	%
Manufacturers of vehicles	1 935	11	1 187	8
Contract manufacturers	440	2	681	5
Industrial electronics	7 136	38	6 316	42
Telecom	9 024	48	6 831	45
Others	141	1	0	0
	18 676		15 015	

#### 3. Other operating income

	2007	2 006
Rental income	39	48
Subsidies	27	70
Other income	354	179
	420	297

**4. Materials and services**

	2 007	2 006
Materials and supplies		
Purchases during the financial year	8 851	6 900
Change in inventories	413	-405
Total materials and services	9 264	6 495
Third party services	1 063	1 091
Materials and services total	10 327	7 586

**Notes concerning the staff and members of different organs****5. Personnel**

During the financial year,

	Group 2007	2006	Parent Company 2007	2006
the company employed an average of				
clerical workers	96	135	71	97
workers	38	50	35	38
	134	185	106	135
At the end of the year				
clerical workers	96	110	77	68
workers	37	46	34	36
	133	156	111	104

**6. Personnel expenses**

	2 007	2 006
Wages and remuneration	4 147	4 613
Retirement expenses	685	697
Other indirect employee expenses	243	257
Total personnel expenses	5 075	5 567
Personnel expenses capitalised to R&D expenses before the deduction of grants	15	10

**7. Organs**

	2 007	2 006
Salaries of the Managing Director and his deputies	150	110
Fees of Board members	36	39

Retirement contributions of the Board of Directors and the Managing Director  
There are no pension commitments with respect to the Managing Director.

Loans to related parties

No loans have been granted to the company's Managing Director, Board members or shareholders.

**8. Depreciations and impairment**

	2007	2006
Planned depreciation	1 184	1 469
Exceptional impairment on current assets	197	36
Total	1 381	1 505

**9. Other operating expenses**

	<b>2 007</b>	2006
Other personnel expenses	<b>122</b>	95
Transport and vehicle expenses	<b>162</b>	272
Travel, marketing and representation expenses	<b>692</b>	763
Real estate expenses	<b>398</b>	573
Telecommunications expenses	<b>591</b>	659
Third-party services	<b>1 075</b>	1 374
Other operating expenses	<b>146</b>	352
<b>Total</b>	<b>3 186</b>	4 088

Specification of the auditors' fees (is included in note 9. Other operating expenses, third-party services)

	<b>2007</b>	2006
<b>Auditors' fees</b>		
<b>Tuokko Auditing Ltd</b>		
Auditors' fees	<b>29</b>	29
Reports and statements	<b>0</b>	0
Tax services	<b>1</b>	1
Other services	<b>6</b>	1
	<b>36</b>	31
<b>KPMG Oy Ab</b>		
Auditors' fees	<b>0</b>	37
Reports and statements	<b>0</b>	0
Tax services	<b>0</b>	0
Other services	<b>0</b>	1
	<b>0</b>	38
	<b>36</b>	69

**10. Financial income and expenses**

	<b>2007</b>	2006
<b>Dividend yield</b>		
Group undertakings	<b>0</b>	0
Others	<b>0</b>	0
<b>Total dividend yield</b>	<b>0</b>	0
<b>Total interest income from long-term investments</b>		
Group undertakings	<b>0</b>	156
Others	<b>0</b>	0
<b>Total interest income from long-term investments</b>	<b>0</b>	156
<b>Other interest and financial income</b>		
Group undertakings		
Others	<b>0</b>	53
<b>Total other interest income</b>	<b>0</b>	53
<b>Total other interest and financial income</b>	<b>0</b>	53
<b>Total interest income from long-term investments and other interest income</b>	<b>0</b>	209
<b>Interest expenses and other financial expenses</b>		
Group undertakings	<b>-761</b>	0
Others	<b>-1 064</b>	-1 271
<b>Total interest expenses</b>	<b>-1 815</b>	-1 271
<b>Total interest expenses and other financial expenses</b>	<b>-68</b>	-378
<b>Total financial expenses</b>	<b>-1 883</b>	-1 649
<b>Exchange losses/gains (net)</b>	<b>-274</b>	-8
<b>Total financial income and expenses</b>	<b>-2 157</b>	-1 448

**11. Extraordinary items**

	2007	2006
Extraordinary income/Group contribution	7	300
Extraordinary expenses: merger loss	139	2 217
	<b>132</b>	1 917

**Notes concerning balance sheet assets****12. Undepreciated capitalised product development expenses**

	2007	2006
Increase in product development capitalisation	142	65
Development expenses	59	529
Incomplete product development projects	1 341	1 199
	<b>1 400</b>	1 728

No depreciation is made on product development projects in progress.

During 2007, Cencorp started deliveries of the Cencorp MLT4 test products, Cencorp VIC 500 vision inspection systems as well Cencorp 500-SL-RF targeted for radio frequency testing applications. A new laser marker for the VIC 500 product platform was also introduced. The company also launched a new Cencorp 1000 VR for PCB-depanelling and Cencorp 1000 OF Flex for odd-form component placement.

During 2007 we also developed a new PCB-laser cutting process in co-operation with a Finnish research institute. The first prototype was introduced in November 2007. We also continued the co-development project on an unleaded laser-soldering process machine with Philips Lighting Systems.

Cencorp introduced a new lower cost but highly capable Cencorp 1001 platform at the Productronica exhibition in November 2007. In its design, particular attention has been paid to the number and cost of items needed in the production. The goal is to halve the number of items needed in the production as well as to significantly shorten the production time. Deliveries of products based on this new platform are scheduled to start in Q2 2008.

**13. Tangible and intangible assets**

	Intangible assets			Total	Tangible assets			
	Develop- ment expenses*	Intangible assets	Other long-term expenses		Land	Buildings	Machinery	Total
Acquisition cost								
1.1.2007	6 688	1 430	2 666	10 784	115	2 008	3 472	5 595
Increase	142	58	0	200	0	0	80	80
Decrease	0	2	0	2	0	0	6	6
Acquisition cost								
31.12.2007	6 830	1 486	2 666	10 982	115	2 008	3 544	5 667
Accumulated depreciation and impairment								
1.1.2007	4 960	972	1 028	6 960	0	794	3 248	4 042
Accumulated depreciation of decreases and transfers	470	152	401	1 023	0	67	95	162
Depreciation for the period								0
Impairment								
31.12.2007	5 430	1 124	1 429	7 983	0	861	3 342	4 203
Carrying amount								
31.12.2007	1 400	362	1 237	2 999	115	1 147	202	1 464
Carrying amount								
31.12.2006	1 728	458	1 638	3 824	115	1 214	224	1 553

\*) also includes development expenses for product development projects in progress. The real estate arrangements with the town of Lohja are treated as a financial event. Real estate is included in the parent company's fixed assets, and depreciation is recognised as planned.

**14. Holdings in group undertakings**

	Domicile	Parent company holdings	Group holdings
PMJ testline Oy	Lohja, Finland	100,0	
TMD Test Mechanic & Design Oy	Salo, Finland	100,0	
Singulase Oy	Espoo, Finland	100,0	
Cencorp AB	Sollentuna, Sweden	100,0	
Cencorp AS	Tallinn, Estonia	100,0	
Cencorp UK Ltd.	Hartford, UK	100,0	
Cencorp S.A.R.L.	Marne la Vallee, France	99,0	100,0
Cencorp USA Inc.	Dallas, Tx, USA	100,0	
Cencorp Americas, LLC	Mcallen, Tx, USA		100,0
Cencorp Kft.	Budapest, Hungary	100,0	

**15. Receivables from group undertakings**

	<b>2 007</b>	2006
<b>Non-current</b>		
Non-current	<b>2 383</b>	2 293
<b>Current</b>		
Accounts receivables	<b>813</b>	1 298
Loan receivables	<b>208</b>	1 704
Other current receivables	<b>0</b>	919
Total	<b>1 021</b>	3 921

**16. Accrued income**

	<b>2 007</b>	2006
Subsidies	<b>102</b>	83
Advances on insurance invoices	<b>34</b>	82
Advances on purchase invoices	<b>124</b>	476
Other accrued income	<b>102</b>	156
Total	<b>362</b>	797

**Notes concerning balance sheet liabilities****17. Shareholders' equity**

	2007	2006
Changes in shareholders' equity		
Share capital at the beginning of the financial year	3 425	3 125
Directed issue, use of share options	0	300
Share capital at the end of the financial year	3 425	3 425
Share premium reserve at the beginning of the financial year	4 696	3 946
Directed issue, use of share options	0	750
Transferred from share premium reserve to retained earnings		
Share premium reserve at the end of the financial year	4 696	4 696
Reserve fund at the beginning of the financial year	211	211
Reserve fund at the end of the financial year	211	211
Total restricted equity	8 332	8 332
Reserve fund at the beginning of the financial year	0	0
Emission 27.9.2007	1 360	0
Conversion of convertible loan	3 050	0
Reserve fund at the end of the financial year	4 410	0
Assets at the beginning of the financial year	-6 097	469
Transferred from share premium reserve to retained earnings		
Adjustment to the profit/loss of the previous financial year	0	-70
Profit for the period	-3 267	-6 496
Assets at the end of the financial year	-9 364	-6 097
Total equity	-4 954	-6 097
Subordinated loan at the beginning of the financial year	0	3 000
Repayment of subordinated loan	0	-3 000
Subordinated loan at the end of the financial year	0	0
Total equity	3 378	2 235

**18. Obligatory provisions**

	2 007	2 006
Recognition provisions	105	29
Warranty provision	85	66
Other obligatory provisions	2	3
Total	192	98

**19. Non-current liabilities**

	2007	2006
Loans from financial institutions	68	280
Total	68	280

**Current liabilities****20. Liabilities to group undertakings**

	2 007	2 006
Accounts payables	565	424
Other current liabilities	19	1
Total	584	425

**21. Accrued expenses**

	2007	2006
Accrued interest	108	162
Accrued personnel expenses	676	594
Provisions for commissions	502	201
Other accrued expenses	62	85
Total accrued expenses	1 348	1 042

**22. Collateral and contingent liabilities**

	2007	2006
<b>Loans from financial institutions</b>		
Business mortgages	9 810	13 068
Mortgages on real estate	0	0
<b>Other liabilities</b>	1 220	1 541
Mortgages on real estate	0	0
<b>Bank guarantee limit</b>	0	151
Mortgages on real estate	0	0
<b>Used financial limits</b>	1 630	0
Trade receivables granted	3 437	0
<b>Pledged as security</b>		
Total business mortgages	12 687	12 687
Total mortgages on real estate	0	0
<b>Leasing liabilities</b>		
Maturing the following year	69	112
Maturing later	41	103

## Shares and shareholders

The company had a total of 5 425 shareholders at the end of the period. The ten biggest shareholders held a total of 58.68 per cent of the company's shares and votes on 31 December 2007. The company's largest shareholder is Markku Jokela, the founder of PM J, former CEO and current Deputy Chairman of the Board, who holds 17.9 per cent of the company's shares and voting rights. The members of the company's Board of Directors held, either directly or through companies controlled by them, a total of 14 344 255 shares on 31 December 2007 representing 30.54 per cent of the company's shares and voting rights. CEO Jouni Suutarinen owned 44 418 shares at the year end. Shares owned by foreign shareholders on 31 December 2007 totalled 375 843, representing 0.8 per cent of all shares and voting rights.

Cencorp Corporation did not own any of its own shares at the end of the year.

### Ten largest shareholders 31 Dec 2007

		shares/votes	%
1.	Jokela Markku	8 407 757	17.90
2.	Varma Mutual Pension Insurance Company	4 914 263	10.46
3.	Etra-Invest Oy	3 942 858	8.40
4.	Tilitoimisto Capital Oy	3 851 275	8.20
5.	Sampo Bank plc	3 000 000	6.39
6.	FT Capital	1 707 140	3.63
7.	Glitnir Bank	566 244	1.21
8.	Uimonen Juha Eerik	400 000	0.85
9.	FIM Nordic equity fund	396 950	0.85
10.	Trobe Oy	370 000	0.79
	Nominee registered shares	225 463	0.48
	Other shareholders	19 182 925	40.85
Total		46 964 875	100.0

### Distribution of shares 31 Dec 2007

	owners	%	shares/votes	%
1-500	2591	47.76	579 012	1.23
501-1 000	857	15.797	739 643	1.58
1 001-10 000	1635	30.138	6 011 254	12.80
10 001-999 999 999 999	342	6.304	39 276 730	83.63
In joint account			270 000	0.58
Waiting list total			88 236	0.19
Total	5425	100	46 964 875	100.0

### Owners by sectors 31 Dec 2006

	owners	%	shares/votes	%
Corporations	259	4.774	12 873 495	27.41
Financial and insurance corporations	9	0.166	3 300 363	7.03
Households	5112	94.23	24 879 587	52.98
Foreign owners	35	0.645	191 880	0.41
General government	2	0.037	4 946 663	10.53
Non-profit institutions	8	0.143	414 651	0.88
Waiting list total			88 236	0.19
In joint account			270 000	0.58
Total	5425	100	46 964 875	100.0

## Board's proposal on handling the result

Cencorp Corporation's Board of Directors proposes to the Annual General Meeting to be held on 17 April 2007 that the net result for the period ended on 31 December 2007 be entered in retained earnings and that no dividend be paid.

Lohja, 31 March 2008

Jorma Kieleniva  
Chairman

Markku Jokela

Sauli Kiuru

## Auditors' report

### To the shareholders of Cencorp Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Cencorp Oyj for the period 1.1.–31.12.2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

The balance sheet of the parent company includes EUR 3,2 million receivables from unprofitable subsidiaries. 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. The balance sheet of the parent company includes goodwill of EUR 1,2 million and the consolidated balance sheet includes corresponding goodwill of EUR 2,0 million. The balance sheet of the parent company and the consolidated balance sheet include incomplete product development projects of EUR 1,3 million. As it is stated in the notes to the financial statements the valuation of these assets depends on how the profitability of the company develops in the future.

### Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Directors of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki, March 31, 2008

Tuokko Tilintarkastus Oy  
Authorised Public Accountants

Timo Tuokko  
Authorised Public Accountant

# Corporate Governance

## 1. Cencorp Group

Cencorp Corporation ("Cencorp") is a publicly quoted Finnish limited liability company whose corporate governance is subject to the company's Articles of Association, the Finnish Companies Act and other applicable legislation. Furthermore, the company observes the Corporate Governance Recommendation for Listed Companies issued by the OMX Nordic Exchanges and the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers, as well as OMX insider regulations.

Cencorp Group comprises the parent company Cencorp Corporation, a public limited company registered in Finland with its registered office at Lohja, as well as six foreign and four Finnish subsidiaries.

The bodies exercising the ultimate decision-making power within Cencorp include the General Meeting of Shareholders, Board of Directors and Chief Executive Officer.

## 2. General Meeting of Shareholders

The Annual General Meeting shall be held by the end of June each year on a date determined by the Board of Directors. An Extraordinary General Meeting shall be held whenever deemed necessary by the Board of Directors or required by law. General Meetings of Shareholders shall be held at the company's place of domicile, Lohja, at Virkkala or, upon the decision of the Board of Directors, in Helsinki.

Notice to convene a General Meeting must be published no earlier than three calendar months and no later than seventeen days before the meeting in one national Finnish-language daily newspaper determined by the Board of Directors. Furthermore, said notice must be published as a stock exchange release and placed on the company's Web pages.

At the Annual General Meeting, the following shall be presented:

- the financial statements
- the auditor's report

At the Annual General Meeting, the following shall be decided upon:

- adoption of the financial statements
- measures called for by the profit reported on the adopted balance sheet
- release from their liabilities for the members of the Board of

- Directors and the Chief Executive Officer
- number of members of the Board of Directors
- remuneration and travel expenses of the members of the Board of Directors

At the Annual General Meeting, the following shall be elected:

- members of the Board of Directors and if needed their substitutes
- auditor and if needed his/her substitute

## 3. Board of Directors

### 3.1. Tasks and Responsibilities

The Board of Directors attends to the company's management and is responsible for duly arranging the company's operations. The Board of Directors supervises the company's operations and management and makes decisions on any significant matters regarding the company's strategy, organization, financing and investments. The tasks and responsibilities of the Board of Directors are primarily determined on the basis of the Articles of Association and the Finnish Companies Act. The Board of Directors confirms its rules of procedure each year, including provisions on meeting practices and the tasks of the Board of Directors. Cencorp Group's Vice President of Legal Affairs acts as the secretary of Board meetings. Furthermore, the company's Chief Executive Officer and Chief Financial Officer are present at Board meetings.

According to the rules of procedure, the Board of Directors' tasks include:

- Attending to any obligatory tasks imposed on the Board of Directors by the Companies Act, Articles of Association or elsewhere
- Approving the company's strategy and goals
- Approving the company's values and ethical principles
- Approving the company's management system and organizational structure
- Approving the operating plan and any substantial amendments to it
- Approving corporate procedures for internal control and risk management and supervising compliance with these
- Approving interim reports, financial statements and the operating report
- Attending to communication associated with control information on the financial market

- Approving the company's financing policy
- Attending to the development of the company's market value and defining the dividend policy
- Approving any acquisitions and divestitures of companies and business operations, as well as any substantial individual investments and commitments
- Approving the company's incentive scheme and policy
- Appointing and dismissing the Chief Executive Officer and deciding on the applicable contract terms and remuneration
- Appointing a deputy to the Chief Executive Officer
- Deciding on any changes to the Group structure
- Attending to the development of the company's Corporate Governance procedures
- Conducting annual assessments of its own operations
- Conducting assessments of the CEO's operations and providing feedback

According to the Articles of Association, Cencorp's Board of Directors comprises a minimum of three and a maximum of six regular members. The Board of Directors is appointed by the General Meeting of Shareholders for one term at a time. Each member's term of office starts upon the closing of the General Meeting at which the member was elected and ends upon the closing of the Annual General Meeting following the election. The Articles of Association do not impose any restrictions on the power of the General Meeting to appoint members to the Board. The Board of Directors appoints a Chair and Vice-Chair from among its members and constitutes a quorum when more than one-half of the members are present.

### 3.2. Members of the Board of Directors

Cencorp's Board of Directors currently comprises three members: Jorma Kielenniva (Chairman), Markku Jokela (Vice-Chairman) and Sauli Kiuru (Member). Board of Cencorp has evaluated its independence. Of the Board members, Mr Jorma Kielenniva is independent of the Company and its significant shareholders

According to Nomination and Compensation Committee three board members is enough taking into consideration the extent of the company's business. General meeting has decided the amount of board members according to proposal of Nomination and Compensation Committee. Amount of board members will be reviewed annually in General meeting

### 3.3. Remuneration of the Board of Directors

The General Meeting of Shareholders decides on remuneration paid to the members of the Board. In 2007 the Members of the Board receive 1000 euros per month and the Chairman receives 1500 euros per month. Furthermore, traveling expenses are covered according to traveling guidelines of the company.

During 2006 the board of Cencorp had 28 meetings. Average participate percentage of the board members was approx. 95%.

## 3.4. Board Committees

### 3.4.1. Nomination and Compensation Committee

The Board of Directors has appointed a nomination and compensation committee from among its members for the purpose of dealing with the compensation and benefits of corporate management, finding potential successors to Members of the Board and preparing the appropriate proposals to the General Meeting of Shareholders regarding the composition and remuneration of the Board of Directors for the next term. Furthermore, the committee's tasks include assessment of the company's compensation and incentive scheme and its development.

The nomination and compensation committee's term of office is equal to that of the Board of Directors. The member of the committee in 2007 includes Markku Jokela and Jorma Kielenniva, the latter serving as the Chairman of the committee. Nomination and Compensation Committee had two meetings in 2007.

### 3.4.1 Audit Committee

The company's Board of Directors has not established a separate audit committee, as the extent of the company's business does not require preparation of matters relating to financial reporting and control to be dealt with by a group with a more compact composition than the entire Board.

## 4. Chief Executive Officer and Other Management

### 4.1. Chief Executive Officer

Cencorp's Chief Executive Officer is appointed by the Board of Directors. The task of the Chief Executive Officer is to attend to the company's day-to-day administration in accordance with guidelines and orders issued by the Board of Directors and in compliance with the Companies Act. Mr Jouni Suutarinen is the CEO of the company. The Board of Directors decides on the terms and conditions of the CEO's written service contract. The following terms and conditions apply to the CEO:

If the contract is terminated by the company, the period of notice and period of severance pay is 6 months. If Cencorp terminates the contract because CEO has not achieved targets set by the Board of Directors, the CEO shall be paid a lump-sum benefit corresponding to six (6) months' gross salary upon the expiry of the period of notice. If Cencorp terminates the contract even if CEO has achieved targets set by the Board of Directors, the CEO shall be paid a lump-sum benefit corresponding to twelve (12) months' gross salary upon the expiry of the period of notice. The lump-sum benefit is considered earned income and is subject to the withholding of taxes and other fees associated with earned income.

Upon termination by the CEO, the period of notice is 6 months.

Pension is determined on the basis of the Employees' Pension Act.

The salary is 12 000 euro per month.

#### 4.2. Management Team

The Group Management Team assists the CEO in the operational management of the company, prepares matters for discussion by the Board of Directors and the CEO, as well as supervising the operations of the business units. The Group Management Team meets as necessary, at least two times a month. The Management Team is chaired by the CEO.

The principles of remuneration of Management Team members are decided by the company's Board of Directors. The compensation scheme comprises monthly salary, share holdings, option rights and a results-based annual bonus.

In addition to the CEO, Cencorp's Management Team includes:

- Ville Parpola (Vice President, Legal Affairs Corporate communication)
- Kimmo Akiander (Vice President, Sales, Marketing and After Sales)
- Sami Lahokoski (Vice President, Operations)
- Jarmo Kanervo (Chief Financial Officer)
- Pekka Kettunen (Vice President, Research and Development)
- Hannu Seppälä (Vice President, Test Equipment Business)

#### 5. Internal Control, Risk Management and Internal Audit

The Board of Directors of Cencorp bears ultimate responsibility for accounting and the supervision of finances. The Board of Directors is responsible for internal control, and the CEO is responsible for practical control arrangements and the supervision of their functionality. Business control and supervision is based on a reporting and forecasting system encompassing the entire Group. Actual figures are monitored monthly by business area and subsidiary. The information covers net sales, earnings, the order book, accounts receivable and a cash flow forecast, among other things. The forecasting period always extends at least three months forward. The CEO shall provide the Board and Management Team meetings with reviews of the Group's situation and development based on monthly reports.

Cencorp has confirmed risk management principles for the Group as part of its control system. The purpose of risk management is to ensure that substantial risks related to the business operations of the company are identified and appropriately monitored. The company's business and financing risks are administered centrally by the Group's financial and legal units, reporting to the Board of Directors as necessary. Appropriate insurance policies are in place to cover risks to property, occupational safety and third-party liability caused by business operations.

#### 6. Insider Administration

Cencorp observes insider regulations corresponding to the insider guidelines approved by the OMX, the Central Chamber

of Commerce and the Confederation of Finnish Industry and Employers. The insider regulations prohibit insiders, persons under their guardianship and corporations under their control from trading in the company's shares and options during a period of 14 days before any release of profit-related information ("closed window").

By law, the company's insiders include the Members of the Board of Directors, the Chief Executive Officer, the auditors and the auditor in charge representing an auditing firm. Furthermore, permanent insiders include Management Team members and designated people working in the Group's financial and other administration. People involved in corporate acquisitions or other projects affecting the company's share value belong to the company's project-specific insiders and are subject to a temporary ban on trading.

#### 7. External Audit

The primary task of statutory audit is to verify that the financial statements provide correct and adequate information with regard to the Group's earnings and financial position for the accounting period. In addition to this, the auditors report to the Board of Directors on the day-to-day supervision of administration and operations.

The Board of Directors' proposal for the election of an auditor is indicated on the notice to convene a General Meeting.

The company's auditor at present is Tuokko Tilintarkastus Oy, Authorized Public Accounting Firm, with Timo Toukko, APA, as the auditor in charge. The Company paid auditor EUR 65 448.04 as fees for audit. Fees for non-audit services paid to auditor totaled EUR 8 694.16.

#### 8. Communication and Disclosure

The task of Cencorp's investor communications is to provide the market with reliable, transparent and up-to-date information on the company's operations in order to allow the shareholders to evaluate the company and make decisions concerning their holdings.

The company publishes all of its stock exchange releases and other matters falling within the scope of a listed company's obligation to disclosure in Finnish and English. The company publishes its electronic annual report on the corporate Web site, where it is equally available to all shareholders. The company's Corporate Governance Statement is also available on the corporate Web site.

#### 9. Articles of Association

Article 15 of the company's Articles of Association includes a redemption clause.



#### **Jorma Kielenniva**

Master of Laws, b. 1945, Chairman, Board member since 2004

Mr Kielenniva previously acted as CEO of the Novo Group, and as an Assistant Director of Postipankki (currently Sampo Bank) and was responsible for trustee, stock and short-term money market operations.

Shares: 170 093

Option A: 53 500

Option B: 53 500

#### **Markku Jokela**

B.Sc. (Eng.), b. 1957, Board member since 1989

Mr Jokela previously worked as a CEO of PMJ automec Corporation, a factory manager at Metalex Oy's facility in Espoo, a production manager at Nokia's PCB factory, as a project manager at Oy Aga Ab, and as a production manager and project manager at Kalmeri Ab.

Shares: 10 114 897

Option A: 53 500

Option B: 53 500

#### **Sauli Kiuru**

M.Sc. (Economics), b. 1972, Board member since 2006

Mr Kiuru works as a CFO and as a Board Member of the Barona Corporation which is a company focused on personnel services. Previously, Mr. Kiuru worked in KPMG as an auditor and in the audit department of the Central Chamber of Commerce as a Secretary of the audit committee.

Shares: 4 059 175

Option A: 47 000

Option B: 60 000

Holdings of shares and options on 31.12.2007. The figures include the holdings of their own and related parties.



**Jouni Suutarinen**

M. Sc. (Eng.), (b. 1968) CEO , management team member since 1999 –

Mr Suutarinen is also in charge of Cencorp’s subsidiary Singulase, a company that develops and sells laser cutting solutions. He has previously been employed by Cencorp, among other things, as product development manager; VP, Research and Development; and as CEO. Shares: 44 418, Option A: 78 500, Option B: 78 500, Option 2006A: 100 000.

**Jarmo Kanervo**

MS c (Econ.), (b. 1954), CFO , management team member 2006 –

Mr Kanervo is in charge of the Group’s financial administration and financing. He is also deputy for CEO Mr Suutarinen. Mr Kanervo worked as CFO of Cencorp Corporation in 1997–2002. He has extensive and versatile experience in different areas of financial administration, having held responsible financial administration positions in both trade and industrial companies, such as: Amer, Cultor, Finvest, Lundia and Paulig. Shares: 127 560, Option A: 50 000, Option B: 60 000.

**Ville Parpola**

LL. M., (b. 1972), Vice President, Legal Affairs, Secretary of the Board of Directors, management team member since 2004

Mr Parpola is in charge of the Group’s legal affairs. He worked as Legal Counsel for Cencorp Corporation in 1999–2002. Mr Parpola has previously worked as lawyer for Attorneys at Law Borenus & Kemppinen, specialising in mergers, acquisitions and international contracts. Shares: 48 857, Option A: 53 500, Option B: 53 500.

**Kimmo Akiander**

M. Sc. (Eng.), (b. 1969), Vice President, Sales and Marketing, management team member since 2007

M.Sc. (Eng.), Mr. Akiander is in charge of group sales and marketing. Mr. 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. Shares: 25 000.

**Pekka Kettunen**

MS c (En g.), (b. 1966), Vice President, Research and Development, management team member since 2006

Mr Kettunen was previously employed by Singulase as product development manager. He worked as development manager and technology director at Cencorp in 1995–2004. Option A: 25 000, Option B: 25 000.

**Sami Lahokoski**

(b. 1973), Vice President, Operations, management team member since 2007 -

Mr Lahokoski is in charge of Cencorp Corporation’s Lohja plant operations. He has worked in Cencorp Corporation since year 2000 in various positions for example as manager responsible of customer projects and as manager responsible for purchasing operation. Shares: 500, Option A: 12 500, Option B: 12 500.

**Hannu Seppälä**

(b. 1959), Vice President, Test Solutions, management team member since 2001

Mr Seppälä previously worked as entrepreneur in test solutions. Cencorp acquired his company, Salon Hannu Seppälä Oy, in 1999. Shares: 176 471, Option A: 53 500, Option B: 53 500.

Holdings of shares and options on 31.12.2007. The figures include the holdings of their own and related parties.

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