Vacon Plc, Stock Exchange Release, 27 April 2010 at 9.30 am

Vacon Plc Interim Report 1 January - 31 March 2010

January-March summary:

- Order intake totalled MEUR 72.8, an increase of 5.5 % from the corresponding period in the previous year (MEUR 69.0).
- Revenues totalled MEUR 65.3, a decline of 6.7 % (MEUR 70.0).
- Operating profit was MEUR 4.6, down 35.2 % (MEUR 7.1). Operating profit margin was 7.0 %. (10.1 %).
- Cash flow from operations was MEUR 1.9 (MEUR 6.3).
- Earnings per share were EUR 0.17 (EUR 0.29), a decline from the previous year of 41.4 %.

During the first quarter of 2010 the AC drive market showed signs of picking up. This could be seen in Vacon's order intake, especially compared to the final quarter of 2009. Orders received had a value of EUR 72.8 million, an increase of 14.6 % compared to the previous quarter. Compared to the corresponding quarter in the previous year, the volume of orders increased 5.5 %. In Asia orders increased 25.6 %. In Europe the growth in orders was 5.4 % whereas in North and South America the volume of orders declined 7.0 %.

Revenues totalled EUR 65.3 million, a rise of 1.7 % from the previous quarter. Revenues declined 6.7 % from the corresponding quarter in the previous year. The operating profit margin in the first quarter was 7.0 %, compared to 10.1 % in the corresponding quarter in the previous year. The operating profit margin increased from the previous quarter (6.7 %). Since the flow of orders has shown signs of picking up, Vacon estimates that the operating profit margin will continue to rise from the first quarter figure.

The balance sheet remained strong. Cash flow in the first quarter of the year was EUR 1.9 million, a decline of EUR 4.4 million from the previous year. The growth in revenues took place mainly in the second half of the quarter and brought an increase in working capital of some EUR 3 million.

January – March result and equity structure

MEUR	1-3/2010	1-3/2009	Change, %	1-12/2009
Revenues	65.3	70.0	-6.7	272.0
EBITDA	7.3	9.4	-22.3	32.1
Depreciation	-1.2	-1.0	20.0	-4.3
EBITA	6.1	8.3	-26.5	27.8
Amortization	-1.5	-1.2	25.0	-5.3
Operating profit	4.6	7.1	-35.2	22.5
Profit before tax	4.4	6.6	-33.3	22.0
Profit for period	2.8	4.5	-37.8	16.1

The difficult market conditions in 2009 still affected revenues in the first quarter. The Group's order book increased EUR 7.4 million from the beginning of the year to EUR 39.4 million (EUR 32.0 million at the end of 2009). The improvement in the order book will increase the Group's revenues in the second quarter.

The consolidated operating profit was EUR 4.6 (7.1) million and the operating profit as a percentage of revenues was 7.0 % (10.1 %). Although profitability remained weaker than in the 2009 period for comparison, it was still better than in the final quarter of 2009. Fixed costs were similar to those in the corresponding period in the previous year.

The consolidated profit for the period was EUR 2.8 (4.5) million. The earnings per share (EPS) fell to EUR 0.17 (0.29).

The Annual General Meeting in March decided on a dividend of EUR 0.70 per share, which was entered as a dividend payment liability in the interim financial statement for the first quarter. The dividend was paid on 6 April 2010. In 2009 the Annual General Meeting was held in April, so a dividend payment liability was not recognized in the first quarter. This means that the key figures are not fully comparable.

The Group's cash flow from operations for the January – March period totalled EUR 1.9 (6.3) million. Total receivables increased 12.5 % from the figure at the beginning of the year. The consolidated balance sheet total was EUR 155.1 (149.6) million. Vacon's equity ratio remained strong at 48.4 % (54.3 %). Interest-bearing net debt at the end of the period was EUR 3.0 (9.7) million and gearing was 4.0 % (12.1 %). The debt comprises long-term loans.

Market position

Vacon Group revenues by market area were as follows:

MEUR	1-3/ 2010	%	1-3/ 2009	%	1-12/ 2009	%
Europe, Middle East & Africa	44.9	68.8	50.4	72.0	190.8	70.1
North and South America	11.8	18.1	12.1	17.3	46.3	17.0
Asia and Pacific	8.6	13.2	7.5	10.7	34.9	12.8
Total	65.3	100.0	70.0	100.0	272.0	100.0

Vacon's revenues by region in January – March were as follows: Europe, Middle East and Africa in total 68.8 % (72.0 % in 2009), North and South America 18.1 % (17.3 %), Asia and Pacific 13.2 % (10.7 %).

Based on market surveys, the company estimates that it has about five per cent of the global market.

Breakdown of Vacon Group revenues by distribution channel:

As from 1 January 2010 Vacon has amended its reporting of revenues by distribution channel. The 2009 figures for comparison have been recalculated in accordance with the new method. Vacon is now reporting a separate figure for sales through the system integrator channel, which were previously included in direct sales.

MEUR	1-3/ 2010	%	1-3/ 2009	%	1-12/ 2009	%
Direct sales	7,0	10,7	8,8	12,6	26,5	9,8
Distributors	9,1	13,9	8,4	12,0	35,3	13,0
OEM	17,9	27,5	15,9	22,7	68,0	25,0
Brand label customers	13,2	20,2	11,5	16,4	52,6	19,3
System integrators	18,1	27,7	25,4	36,3	89,6	32,9
Total	65,3	100,0	70,0	100,0	272,0	100,0

Vacon's revenues in January – March 2010 by distribution channel were as follows: direct sales 10.7 % (12.6 %), distributors 13.9 % (12.0 %), OEM 27.5 % (22.7 %), brand label customers 20.2 % (16.4 %) and system integrators 27.7 % (36.3 %).

Vacon Group structure

No significant changes took place in the Group structure during the first quarter. Vacon acquired a controlling interest in a small Spanish R & D company in March 2010.

Research and development

R&D expenditure during the first three months of the year totalled EUR 4.5 (4.4) million, and EUR 1.0 (0.9) million of this was capitalized as development costs. R&D costs accounted for 6.8 % of the Group's revenues (6.3 %). Amortization of capitalized development costs totalled EUR 0.3 (0.2) million.

Vacon's goal is to renew most of its product offering by the end of 2010.

Investments

Gross investments by the Group during the first three months totalled EUR 2.8 (3.4) million. Expenditure focused mainly on increasing and maintaining production capacity and on standardizing and developing information systems.

Organization and personnel

The number of Vacon Group personnel has increased by 12 since the beginning of the year. At the end of March the Group employed 1,240 (1,190) people, of whom 627 (639) were in Finland and 613 (551) in other countries. Thanks to the increase in orders, Vacon has postponed at least for the time being the layoffs of office personnel in Finland that had been negotiated.

The table below shows the average number of Vacon employees during the review period:

	1-3/2010	1-3/2009	1-12/2009
Office personnel	778	758	763
Factory personnel	454	442	468
TOTAL	1,232	1,200	1,231

Shares and shareholders

Vacon had a market capitalization at the end of March of EUR 457.8 million. The closing share price on 31 March 2010 was EUR 30.10. The lowest share price during the January-March period was EUR 24.90 and the highest EUR 30.20. A total of 673,476 Vacon shares were traded during the January-March period, in monetary terms EUR 18.6 million, 4.4 % of the share stock. According to the shareholder register updated on 31 March 2010, Vacon had 5,142 registered shareholders. Shares that were nominee registered and in foreign ownership amounted to 29.4 % of the share stock.

Vacon's main shareholders on 31 March 2010:

	Number of shares	Holding, %
Ahlström Capital Group	3,061,215	20.0
Ilmarinen Mutual Pension Insurance Company	672,877	4.4
Tapiola Mutual Pension Insurance Company	584,500	3.8
Vaasa Engineering Oy	424,433	2.8
Koskinen Jari	362,088	2.4
Holma Mauri	347,171	2.3
Ehrnrooth Martti	333,000	2.2
Tapiola Group companies	325,300	2.1
Karppinen Veijo	209,349	1.4
Niemelä Harri	166,964	1.1
Nominee registered and in foreign ownership	4,500,213	29.4
Vacon Plc own shares	85,011	0.6
Others	4,222,879	27.6
Total	15,295,000	100.0
Shares outstanding	15,209,989	

On 31 March 2010 members of Vacon's Board of Directors, the President and CEO, and the Deputy to the CEO held directly a total of 22,009 shares, or 0.1 % of Vacon's share stock.

Own shares

On 31 March 2010 Vacon Plc held a total of 85,011 of its own shares, which it had acquired at an average price of EUR 21.01. This is 0.6 % of the share capital and voting rights, so it has no significant impact on the distribution of ownership or voting rights in the company.

Annual General Meeting of Shareholders

Vacon Plc's Annual General Meeting of Shareholders was held in Vaasa on 23 March 2010. The AGM approved the 2009 financial statements and discharged the Board members and Managing Director from liability for the 2009 fiscal year.

The AGM adopted the proposal of the Board of Directors to pay a dividend of EUR 0.70 per share, in total EUR 10,646,992. It decided that the record date for the dividend payment would be 26 March 2010 and the payment date 6 April 2010.

The AGM confirmed that the Board of Directors would have seven (7) members. Pekka Ahlqvist, Jari Eklund, Jan Inborr, Mika Vehviläinen and Riitta Viitala were re-elected as Board members and Juha Kytölä and Panu Routila were elected as new members.

The AGM also decided that KPMG Oy Ab will continue as the company's auditor and the company has announced that Petri Kettunen will be the new principal auditor.

The AGM resolved to amend chapter 8 of the company's Articles of Association such that the notice of a general meeting of shareholders shall be published no later than three (3) weeks before the general meeting, however no later than nine (9) days before the record date for the general meeting, and that, in addition to the current means of giving notice, as an alternative notice of a general meeting can be given to shareholders by publishing the notice on the company's Internet website.

The AGM adopted the proposal of the Board of Directors to authorize the Board to resolve to purchase the company's own shares. The proposal of the Board is reported in the stock exchange release published on 22 February 2010. The decisions taken at the AGM were supported by all shareholders who were present, unless otherwise stated in the minutes of the meeting.

Jan Inborr was re-elected chairman and Mika Vehviläinen was elected vice-chairman of the Board of Directors at the Board's constitutory meeting.

Risks and uncertainties in the near future

The most significant risks for Vacon in the near future relate to the availability of materials, uncertainty about general demand and intensifying competition on price. On 19 March 2010 Vacon announced that the Chinese customs were investigating the customs clearance process at Vacon's factory in China. The investigation is still in progress. As a result of their investigations the Chinese authorities have detained two local employees from Vacon's company in China. Vacon cannot comment on investigations by the authorities that are still in progress. Vacon is continuing its own internal investigation into any possible malpractice and will if necessary make a statement on progress in the matter.

Vacon’s order book has always been short term in nature, so there are no major risks connected with the timing of deliveries or their cancellation. Vacon has thousands of customers worldwide. The ten largest customers account for less than half of Vacon’s revenues. Vacon does not finance customer projects and is also continuously assessing the creditworthiness of its customers and their ability to pay their debts.

Vacon is able to adjust its production capacity to market demand. The company estimates that its cash funds and available credit facilities are sufficient to ensure its liquidity.

Vacon’s balance sheet includes goodwill of EUR 8.4 million, most of which is related to the company acquisition at the beginning of 2008. The company tests goodwill for impairment annually.

The availability and quality of raw materials and components and changes in their prices can affect the profitability and scale of the company’s business. The second quarter may bring challenges in the availability of certain components and materials. Purchase agreements for raw materials and components are mainly annual agreements, which contain price and exchange rate clauses for changes in the global market prices of raw and other materials. Changes in the global economic situation may harm the business opportunities for some component suppliers.

Some of the most significant financial risks affecting the result are foreign exchange risks. Exchange rate fluctuations may have an impact on business, although the international expansion of business operations reduces the relative importance of individual currencies. The biggest exchange rate risks against the euro relate to the US dollar and the Chinese renmimbi. The Group applies hedge accounting to cash flow hedging for its operational foreign currency position, as defined in IAS 39.

Prospects for 2010

During the first quarter of 2010 the AC drive market was showing signs of recovery. However, in current market conditions it is difficult to forecast market developments for the whole year. Vacon has about five per cent of the market. Even during the recession Vacon has strongly invested in competence and product development and has established new subsidiaries. This creates a solid basis for future growth.

Vacon estimates that revenues in 2010 will increase from 2009. It expects relative profitability to be similar to that in 2009 and earnings per share to improve from 2009.

2010 financial reporting
Vacon will publish two more interim reports in 2010 as follows:
Interim report January – June: 4 August 2010
Interim report January – September: 27 October 2010

Vacon is holding a Capital Markets Day in London on Tuesday, 25 May 2010 between 12 am and 3 pm local time, at the Vineyard, Vinopolis Wineworld, No 1 Bank End, London, SE1 9BU. Registration to Johanna Koskinen by email johanna.koskinen@vacon.com, as soon as possible, no later than 6 May 2010.

Formal statement
This release contains certain forward-looking statements that reflect the current views of the company's management. Due to the nature of these statements, they contain risks and uncertainties and are subject to changes in the general economic situation and in the company's business sector.

Vacon in brief
Vacon's operations are driven by a passion to develop, manufacture and sell the best AC drives in the world — and nothing else. AC drives are used to control electric motors and in renewable energy generation. Vacon has R&D and production units in Finland, the USA, China and Italy, and sales offices in 27 countries. In 2009 Vacon had revenues of EUR 272 million and globally employed 1200 people. The shares of Vacon Plc (VAC1V) are quoted on the main list of the Helsinki stock exchange.

Driven by Drives, www.vacon.com

Vaasa, 27 April 2010

VACON PLC

Board of Directors

For more information please contact:
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Ms Eriikka Söderström, CFO and Vice President, Finance & Control, phone: +358 (0)40 8371 445

Conference for media and analysts
Vacon will hold a briefing for analysts and the media at 11.30 am on 27 April 2010 at the Scandic Simonkenttä Hotel, Simonkatu 9, 00100 Helsinki.

Dial-in conference for investors and investment analysts
A dial-in conference in English for investors and investment analysts will be held at 3.00 pm on 27 April 2010. President and CEO Vesa Laisi and Eriikka Söderström, CFO and Vice President, Finance and Control, will participate in the conference. Lines can be booked ten minutes before the conference by calling the service number +44 207 162 0025. The conference ID code is 855961. To hear a recording of the conference, available for four working days, call +44 207 031 4064, ID code 855961.

Conference link:
http://wcc.webeventservices.com/view/wl/r.htm?e=189219&s=1&k=91DA0606AA8B3F714337ABE84582D1B2&cb=blank

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Main media

Accounting principles
This interim report has been prepared in accordance with IFRS (International Financial Reporting Standards) standard IAS 34 on Interim Financial Reporting.

Vacon has prepared this interim report applying the same accounting principles as those described in detail in its 2009 consolidated financial statements.

The interim report is unaudited.

Consolidated income statement, MEUR

	1-3/ 2010	1-3/ 2009	1-12/ 2009
Revenues	65.3	70.0	272.0
Other operating income	0.1	0.1	0.3
Change in inventories of finished goods and work in progress	0.3	-1.2	-1.0
Materials and services	-33.1	-34.0	-138.1
Employee benefit costs	-13.9	-14.3	-53.6
Other operating costs	-11.5	-11.2	-47.5
Depreciation	-1.2	-1.0	-4.3
EBITA	6.1	8.3	27.8
Amortization	-1.5	-1.2	-5.3
Operating profit	4.6	7.1	22.5
Financial income and expenses	-0.3	-0.5	-0.6
Profit before taxes	4.4	6.6	22.0
Income taxes	-1.6	-2.1	-5.9
Profit for period	2.8	4.5	16.1
Attributable to:			
Equity holders of the parent	2.6	4.4	15.4
Minority interest	0.2	0.1	0.6
Earnings per share, euro	0.17	0.29	1.01
Earnings per share diluted, euro	0.17	0.29	1.01

Consolidated statement of comprehensive income, MEUR

	1-3/2010	1-3/2009	1-12/2009
Net profit for period	2.8	4.5	16.1
Other comprehensive income			
Cash flow hedging	0.0	0.0	-0.1
Exchange differences on translating foreign operations	0.8	0.7	-0.1
Total comprehensive income	3.6	5.2	15.9
Attributable to:			
Shareholders of parent company	3.4	5.0	15.3
Minority interest	0.2	0.2	0.6

Consolidated balance sheet, MEUR

	31.3.2010	31.3.2009	31.12.2009
ASSETS			
Goodwill	8.4	8.5	8.1
Development costs	9.9	5.5	9.1
Intangible assets	13.5	14.7	13.3
Tangible assets	18.5	17.1	18.5
Loans receivable and other receivables	0.2	0.2	0.2
Deferred tax assets	3.5	2.8	3.3
Other financial assets	5.4	3.5	5.3
Total non-current assets	59.4	52.2	57.8
Inventories	21.8	23.1	19.3
Trade and other receivables	57.7	60.4	51.3
Cash and cash equivalents	16.3	13.9	17.2
Total current assets	95.8	97.4	87.8
Total assets	155.1	149.6	145.6
EQUITY AND LIABILITIES			
Share capital	3.1	3.1	3.1
Share premium reserve	5.0	5.0	5.0
Own shares	-2.6	-2.6	-2.6
Retained earnings	67.3	73.8	74.4
Minority interest	1.4	1.3	1.5
Total equity	74.1	80.6	81.3
Deferred tax liabilities	5.0	3.6	4.6
Employee benefits	1.5	1.4	1.5
Interest-bearing liabilities	12.2	15.7	12.4
Total non-current liabilities	18.7	20.8	18.5
Trade and other payables	52.1	36.9	36.1
Income tax liabilities	1.2	1.8	1.3
Provisions	1.9	1.6	1.9
Interest-bearing liabilities	7.1	7.9	6.4
Total current liabilities	62.3	48.2	45.7
Total equity and liabilities	155.1	149.6	145.6

Q1 2009 Calculation of changes in shareholders' equity, MEUR

Attributable to equity holders of the parent						Minority interest	Total equity
	Share capital	Share premium reserve	Own shares	Retained earnings	Total		
Shareholders' equity 31.12.2008	3.1	5.0	-2.6	68.7	74.1	1.4	75.5
Dividend paid						-0.2	-0.2
Total comprehensive income for period				5.0	5.0	0.2	5.2
Other changes				0.1	0.1		0.1
Shareholders' equity 31.3.2009	3.1	5.0	-2.6	73.8	79.3	1.3	80.6

Q1 2010 Calculation of changes in shareholders' equity, MEUR

Attributable to equity holders of the parent						Minority interest	Total equity
	Share capital	Share premium reserve	Own shares	Retained earnings	Total		
Shareholders' equity 31.12.2009	3.1	5.0	-2.6	74.4	79.8	1.5	81.3
Dividend paid				-10.7	-10.7	-0.3	-10.9
Total comprehensive income for period				3.4	3.4	0.2	3.6
Other changes				0.1	0.1	0.0	0.1
Shareholders' equity 31.3.2010	3.1	5.0	-2.6	67.3	72.7	1.4	74.1

Consolidated cash flow statement, MEUR

	31.3.2010	31.3.2009	31.12.2009
Profit for the period	2.8	4.5	16.1
Depreciation	2.6	2.3	9.6
Financial income and expenses	0.3	0.5	0.6
Taxes	1.6	2.1	5.9
Other adjustments	-0.1	0.3	0.5
Change in working capital	-3.2	-1.0	11.0
Cash flow from financial items and tax	-2.2	-2.4	-6.5
Cash flow from operating activities	1.9	6.3	37.1
Investments in tangible and intangible assets	-2.8	-3.2	-16.1
Proceeds from disposal of tangible and intangible assets	0.0	0.0	1.4
Other investments	0.2	-0.1	-2.3
Proceeds from disposal of other investments	0.0	0.0	0.6
Cash flow from investing activities	-2.6	-3.3	-16.5
Repayment of long-term loans	-0.8	-0.7	-3.3
Proceeds from short-term borrowings	0.5	0.0	0.0
Repayment of short-term loans	0.0	-4.4	-5.8
Dividends paid	-0.3	-0.2	-10.4
Cash flow from financial activities	-0.6	-5.2	-19.5
Change in liquid funds	-1.3	-2.2	1.2
Liquid funds at start of period	17.2	15.7	15.7
Translation differences for liquid funds	0.4	0.4	0.3
Liquid funds at end of period	16.3	13.9	17.2

Segment information

Vacon has one business segment, AC drives. The figures for the business segment are identical with the figures for the whole Group. Vacon's operations are organized in the following functions: Products and Markets, Production, Research & Development, Finance and Administration, Human Resources, IT and Process Development, and Business Development. To ensure that the organisation is customer-oriented, operations are controlled by sales channel: Distributors, Systems Integrators, Direct Sales, OEM Customers and Brand Label Customers.

Key indicators

	31.3.2010	31.3.2009	31.12.2009
Orders received, MEUR	72.8	69.0	256.1
Change in orders received, %	5.5	-11.8	-16.4
Revenues, MEUR	65.3	70.0	272.0
Change in revenues, %	-6.7	6.2	-7.2
Operating profit, MEUR	4.6	7.1	22.5
Change in operating profit, %	-35.2	-6.6	-35.0
Operating profit, % of revenues	7.0	10.1	8.3
Earnings per share, EUR	0.17	0.29	1.01
Equity per share, EUR	4.78	5.22	5.25
Equity ratio, %	48.4	54.3	56.5
Gross capital expenditure, MEUR	2.8	3.4	18.2
Gross capital expenditure, % of revenues	4.3	4.9	6.7
Interest-bearing net liabilities, MEUR	3.0	9.7	1.6
Gearing, %	4.0	12.1	2.0
Net working capital, MEUR	34.9	43.2	31.2
Order book, MEUR	39.4	47.0	32.0
Adjusted average number of shares during the period	15,209,989	15,193,188	15,204,263
Number of shares at end of period	15,209,989	15,193,188	15,209,989
Number of personnel at end of the period	1,240	1,190	1,228

Commitments and contingencies, MEUR

	31.3.2010	31.3.2009	31.12.2009
Commitments and contingencies	2.4	2.2	2.4
Financing commitments	0.2	0.4	0.3

Calculation of financial ratios

Earnings per share =	Profit for the financial period attributable to equity holders of the parent company --- Adjusted average number of shares
Equity per share =	Shareholders' equity – minority holding --- Adjusted number of shares at end of the period
Equity ratio % =	Shareholders' equity x 100 --- Balance sheet total – advances received
Gearing, % =	(Interest-bearing liabilities – cash, bank balances and financial assets) x 100 --- Shareholders' equity
Net working capital =	Inventories + non-interest-bearing current receivables – non-interest-bearing current liabilities