VACON

DRIVEN BY DRIVES


# Q2

INTERIM REPORT

JANUARY - JUNE 2011

# Vacon Plc Interim Report 1 January – 30 June 2011

In this stock exchange release Vacon is publishing information included in the interim report that has a significant impact on the value of securities. The full interim report is in the appendix to this release and can be downloaded from the company's website in Finnish at www.vacon.fi and in English at www.vacon.com.

## April-June summary:

- Order intake totalled MEUR 103.8, an increase of 12.8 % from the corresponding period in the previous year (MEUR 92.1).
- Revenues totalled MEUR 107.2, growth of 33.6 % (MEUR 80.2).
- Operating profit was MEUR 11.5, or 10.7 % of revenues, an increase of 74.7 % (MEUR 6.6 and 8.2 %).
- Net cash flow from operating activities was MEUR 7.2 (MEUR 5.8).
- Earnings per share were EUR 0.58 (EUR 0.27), growth of 110.5 %.

## January-June summary:

- Order intake totalled MEUR 204.6, an increase of 24.1 % from the corresponding period in the previous year (MEUR 164.8).
- Revenues totalled MEUR 202.2, growth of 38.9 % (MEUR 145.5).
- Operating profit was MEUR 20.4, or 10.1 % of revenues, growth of 81.5 % (MEUR 11.2 and 7.7 %).
- Net cash flow from operating activities was MEUR 0.8 (MEUR 7.7).
- Earnings per share were EUR 0.93 (EUR 0.44), growth of 108.6 %.

## Key indicators

| MEUR | 4-6/2011 | 4-6/2010 | Change, % |
|---|---|---|---|
| Order intake | 103.8 | 92.1 | 12.8 % |
| Revenues | 107.2 | 80.2 | 33.6 % |
| Operating profit | 11.5 | 6.6 | 74.7 % |
| % of revenues | 10.7 % | 8.2 % | - |
| Profit before taxes | 12.0 | 6.4 | - |

| MEUR | 1-6/2011 | 1-6/2010 | Change, % | 1–12/2010 |
|---|---|---|---|---|
| Order intake | 204.6 | 164.8 | 24.1 % | 358.2 |
| Order book | 54.5 | 51.3 | 6.3 % | 52.1 |
| Revenues | 202.2 | 145.5 | 38.9 % | 338.0 |
| Operating profit | 20.4 | 11.2 | 81.5 % | 28.6 |
| % of revenues | 10.1 % | 7.7 % | - | 8.5 % |
| Profit before taxes | 20.5 | 10.8 | - | 27.5 |
| Net cash flow from operating activities | 0.8 | 7.7 | - | 15.9 |
| Earnings per share, EUR | 0.93 | 0.44 | - | 1.22 |
| Interest-bearing net liabilities | 31.5 | 11.4 | - | 9.8 |
| Gearing, % | 26.8 % | 14.3 % | - | 10.7 % |
| Gross capital expenditure | 10.1 | 6.3 | 59.8 % | 15.9 |

## General review

Developments in the global AC drive market remained positive also in the second quarter of 2011. Growth was strongest in the Asia and Pacific region, but the markets in Europe and North America also developed as expected. Germany remains the engine of growth in Europe.

Demand for AC drives was evenly divided among all the main industrial sectors. One factor worth noting is that the demand of AC drives in the marine industry showed clear signs of picking up in all main market areas. There are still strong seasonal fluctuations in demand for products for the generation of renewable energy.

The shortage of components that slowed down deliveries in 2010 and in the beginning of 2011 has eased and the availability of the components used by Vacon in its products is at the moment reasonably good.

Vacon's revenues grew 33.6 % in the April-June period to EUR 107.2 (80.2) million. Growth was strong in Europe and the Asia and Pacific region. In January-June revenues rose 38.9 % to EUR 202.2 (145.5) million. Operating profit rose to EUR 11.5 million in April-June, or 10.7 % of revenues (EUR 6.6 million and 8.2 %). The growth in revenues contributed to the positive developments in profitability. Operating profit rose in the January-June period to EUR 20.4 million, or 10.1 % of revenues (EUR 11.2 million and 7.7 %).

Vacon estimates that the AC drive market will grow 6-10 % in 2011. Investments in improving energy efficiency and in the production of renewable energy will support strong growth in all market areas. Demand for Vacon's products is expected to rise in all key industrial sectors. Growth is expected to be greatest in the Asia and Pacific region. The general outlook for economic growth in Europe and North America now includes more uncertainty factors.

## Market guidelines for 2011

Vacon estimates that revenues in 2011 will increase 10 – 20 % and the operating profit margin will rise from 2010. Earnings per share are expected to improve considerably from 2010.

## Financial reports in 2011

Vacon is publishing its third interim report in 2011 as follows:
- January-September: 25 October 2011

## 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 2010 Vacon had revenues of EUR 338.0 million and globally employed 1300 people. The shares of Vacon Plc (VAC1V) are quoted on the main list of the Helsinki stock exchange.

Driven by Drives, www.vacon.com

Vantaa, 3 August 2011
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 3 August 2011 at the Scandic Simonkenttä Hotel, Simonkatu 9, 00100 Helsinki. The briefing will be in Finnish.

## Dial-in conference for investors and investment analysts

An international dial-in conference for investors and investment analysts will be held at 3.00 pm on 3 August 2011. 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 +358 (0)9 2319 4344 (Finland) or +44 (0)20 7136 2050 (UK). The conference ID code is 1153384.

To hear a recording of the conference, available for seven working days, call +358 (0)9 2310 1650 (Finland) or +44 (0)20 7111 1244 (UK), ID code 1153384#.

- Conference link: http://www.media-server.com/m/p/bnik5j84

The presentation material will be available before the media briefing on Vacon's website at:
www.vacon.com -> Investors

## DISTRIBUTION:

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Vacon Plc, Interim Report 1 January – 30 June 2011

## Business environment and business development

Developments in the global AC drive market remained positive also in the second quarter of 2011. Growth was strongest in the Asia and Pacific region, but the markets in Europe and North America also developed as expected. Germany remains the engine of growth in Europe.

Demand for AC drives was evenly divided among all the main industrial sectors. One factor worth noting is that the demand of AC drives in the marine industry showed clear signs of picking up in all main market areas. There are still strong seasonal fluctuations in demand for products for the generation of renewable energy.

The shortage of components that slowed down deliveries in 2010 and in the beginning of 2011 has eased and the availability of the components used by Vacon in its products is at the moment reasonably good.

Vacon's revenues grew 33.6 % in the April-June period to EUR 107.2 (80.2) million. Growth was strong in the Europe, Middle East and Africa (EMEA) and the Asia and Pacific (APAC) regions. In January-June revenues rose 38.9 % to EUR 202.2 (145.5) million. Operating profit rose to EUR 11.5 million in April-June, or 10.7 % of revenues (EUR 6.6 million and 8.2 %). The growth in revenues contributed to the positive developments in profitability. Operating profit rose to EUR 20.4 million in the January-June period, or 10.1 % of revenues (EUR 11.2 million and 7.7 %).

Vacon's new factory in China was officially inaugurated on 11 May 2011. The new factory building, which has been designed to meet Vacon's growing needs, has a total floor area of 24,000 m². The building also contains a research laboratory and a service centre serving the Asia and Pacific region.

On 29 June 2011 American Superconductor Corporation and the shareholders of The Switch Engineering Oy agreed to an amendment to the agreement made on 12 March 2011, under which the entire share stock of The Switch Engineering Oy will be transferred to American Superconductor Corporation. In accordance with this amendment, on 29 June 2011 American Superconductor Corporation paid the shareholders of The Switch Engineering Oy an advance payment of 7.5 %, or some EUR 14.2 million, of the total selling price of EUR 190 million as stated in the agreement. Vacon received its share of the advance payment at the beginning of July, so it is not included in the cash flow statement for the second quarter. At the same time the parties agreed to extend the deadline for completing the transaction, which gives American Superconductor Corporation the opportunity to ensure it obtains the financing for the purchase.

## Order intake and order book

Orders received increased 12.8 % in the second quarter of 2011 from the corresponding period in the previous year. The order intake totalled EUR 103.8 (92.1) million. During the second quarter the volume of orders increased 24.4 % in Asia and Pacific (APAC) and 14.3 % in Europe, Middle East and Africa (EMEA) from the corresponding period in the previous year, but declined 4.0 % in North and South America. The order book rose EUR 2.4 million from the beginning of the year, standing at EUR 54.5 (51.3) million at the end of the period. The volume of orders increased in all industrial sectors. The order intake in June for products for renewable energy generation was weak.

Orders received in the January-June period increased 24.1 % from the corresponding period in the previous year. The order intake totalled EUR 204.6 (164.8) million. During January-June orders received increased 51.9 % in the APAC region, 21.7 % in the EMEA region and 9.9 % in North and South America from the corresponding period in the previous year.

## Revenues

During the second quarter of 2011 revenues rose to EUR 107.2 (80.2) million, an increase of 12.8 % from the previous quarter. Revenues rose 33.6 % from the second quarter in the previous year. In the January-June period revenues increased 38.9 % to EUR 202.2 (145.5) million. During the first half of the year growth in revenues was strong in the EMEA and APAC regions.

## Operating profit and result

The company's profitability continued to develop positively also in the second quarter. The April-June operating profit was EUR 11.5 million, or 10.7 % of revenues (EUR 6.6 million and 8.2 %). The operating profit margin in the previous quarter was 9.3 %.

The January-June operating profit was EUR 20.4 million, or 10.1 % of revenues, compared to EUR 11.2 million and 7.7 % of revenues in the corresponding period in the previous year.

The growth in operating profit was boosted by the clear improvement in revenues. The company has continued its investments in growth by recruiting new personnel. This has increased the company's fixed costs.

The earnings per share were EUR 0.93, an increase of EUR 0.48 from the previous year.

## Balance sheet and cash flow

The balance sheet remained strong and the net cash flow from operating activities in the second quarter was EUR 7.2 million, growth of EUR 1.4 million from the corresponding period in the previous year. The net cash flow from operating activities in the first quarter of 2011 EUR -6.4 million.

The net cash flow from operating activities in the January-June period was EUR 0.8 (7.7) million.

After the availability of components improved, the company initiated measures to enhance the net cash flow from operating activities. As a result, the turnover of stocks and trade receivables has developed positively and the company's net cash flow from operating activities improved from the first quarter.

The balance sheet total stood at EUR 253.8 (169.2) million. The equity ratio was 47.1 % (48.1 %).

The Group's equity structure and liquidity remained strong. Interest-bearing net debt at the end of the period totalled EUR 31.5 (11.4) million and gearing was 26.8 % (14.3 %). The higher net debt was due to the increase in working capital.

## Market position

Vacon Group revenues by market area were as follows:

| MEUR | 4-6/ 2011 | % | 4-6/ 2010 | % | 1-6/ 2011 | % | 1-6/ 2010 | % | 1-12/ 2010 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Europe, Middle East, Africa | 75.3 | 70.2 | 54.0 | 67.3 | 141.3 | 69.9 | 98.9 | 68.0 | 227.3 | 67.2 |
| North and South America | 14.6 | 13.6 | 14.0 | 17.5 | 32.3 | 16.0 | 25.8 | 17.7 | 60.3 | 17.8 |
| Asia and Pacific | 17.3 | 16.2 | 12.2 | 15.2 | 28.5 | 14.1 | 20.8 | 14.3 | 50.5 | 14.9 |
| Total | 107.2 | 100.0 | 80.2 | 100.0 | 202.2 | 100.0 | 145.5 | 100.0 | 338.0 | 100.0 |

Developments in Vacon's revenues during the January-June period, compared to the corresponding period in the previous year, by market region were as follows: Europe, Middle East and Africa in total, growth of 42.9 %, North and South America, growth of 25.0 % and Asia and Pacific, growth of 37.4 %.

Vacon reports its regional sales based on the invoicing addresses, not the final location of the products.

Breakdown of Vacon Group revenues by distribution channel:

| MEUR | 4-6/ 2011 | % | 4-6/ 2010 | % | 1-6/ 2011 | % | 1-6/ 2010 | % | 1-12/ 2010 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Direct sales | 8.6 | 8.0 | 6.8 | 8.5 | 16.9 | 8.4 | 13.8 | 9.5 | 27.1 | 8.0 |
| Distributors | 15.4 | 14.4 | 10.7 | 13.4 | 29.4 | 14.5 | 19.8 | 13.6 | 50.4 | 14.9 |
| OEM | 23.7 | 22.1 | 20.7 | 25.8 | 47.2 | 23.4 | 38.6 | 26.5 | 87.7 | 26.0 |
| Brand label customers | 18.1 | 16.9 | 16.8 | 21.0 | 36.9 | 18.3 | 30.0 | 20.6 | 68.1 | 20.2 |
| System integrators | 41.4 | 38.6 | 25.2 | 31.4 | 71.7 | 35.5 | 43.3 | 29.7 | 104.7 | 31.0 |
| Total | 107.2 | 100.0 | 80.2 | 100.0 | 202.2 | 100.0 | 145.5 | 100.0 | 338.0 | 100.0 |

Vacon's sales by distribution channel rose in the January-June period from corresponding period in the previous year as follows: direct sales +22.7 %, OEM +22.4 %, distributors +48.1 %, brand label customers +23.0 % and system integrators +65.7 %.

## Research and development

R&D expenditure in the first six months of 2011 totalled EUR 12.4 (9.3) million, and EUR 3.6 (2.3) million of this was capitalized as development costs. R&D costs accounted for 6.1 % of Group revenues (6.4 %).

Vacon continued to invest heavily in developing AC drive technology used to control electric motors and in wind and solar power plants. During the review period the company expanded its offering of new generation products on the market.

## Investments

Gross investments by the Group in January-June totalled EUR 10.1 (6.3) million. Expenditure focused mainly on increasing and maintaining production capacity and on standardizing and developing information systems.

## Organization and personnel

The number of Vacon personnel increased by 238 from the figure at the beginning of the year. At the end of June the Group employed 1,577 (1,346) people, of whom 854 (742) were in Finland and 723 (604) in other countries.

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

| | 1–6/2011 | 1–6/2010 | 1–12/2010 |
|---|---|---|---|
| Office personnel | 909 | 786 | 808 |
| Factory personnel | 531 | 478 | 493 |
| TOTAL | 1,440 | 1,264 | 1,301 |

## Shares and shareholders

Vacon had a market capitalization at the end of June of EUR 661.5 (520.3) million. The closing share price on 30 June 2011 was EUR 43.35. The lowest share price during the January-June period was EUR 37.65 and the highest EUR 48.73.

A total of 1,358,955 company shares (8.9 % of the share stock) were traded on the stock exchange in the January-June period, in monetary terms EUR 57.9 million. According to the shareholder register updated on 30 June 2011, Vacon had 4,717 registered shareholders. Shares that were nominee registered and in foreign ownership amounted to 34.8 % (30.7 %) of the share stock.

Vacon's main shareholders on 30 June 2011:

| | Number of shares | Holding, % |
|---|---|---|
| Ahlström Capital Oy - Group | 3,061,215 | 20.0% |
| Ilmarinen Mutual Pension Insurance Company | 719,877 | 4.7% |
| Tapiola Mutual Pension Insurance Company | 584,500 | 3.8% |
| Vaasa Engineering Oy | 389,514 | 2.5% |
| Koskinen Jari | 365,411 | 2.4% |
| Ehrnrooth Martti | 325,070 | 2.1% |
| Holma Mauri | 290,288 | 1.9% |
| OP-Suomi Pienyhtiöt investment fund | 173,964 | 1.1% |
| Tapiola Group companies | 163,800 | 1.1% |
| Handelsbanken Nordic Selective Fund | 139,847 | 0.9% |
| Nominee registered and in foreign ownership | 5,316,271 | 34.8% |
| Vacon Plc own shares | 35,008 | 0.2% |
| Others | 3,730,235 | 24.4% |
| Total | 15,295,000 | 100.0% |
| Shares outstanding | 15 259 992 | |

On 30 June 2011 members of Vacon's Board of Directors, the President and CEO, and the Deputy to the CEO held directly a total of 29,476 shares, or 0.2 % of Vacon's share stock.

## Own shares

On 30 June 2011 Vacon Plc held a total of 35,008 of its own shares, which it had acquired at an average price of EUR 24.54. This is 0.2 % of the share capital and voting rights, so it has no significant impact on the distribution of ownership or voting rights in the company.

## Dividend

Vacon's Annual General Meeting adopted the proposal of the Board of Directors to pay a dividend of EUR 1.00 per share, in total EUR 15,214,435. The dividend was paid on 4 April 2011.

## Risks and uncertainties in the near future

Typical risks to which Vacon's business operations are exposed relate to uncertainty in demand and intensifying competition on price, and to losing customers, to goodwill, the availability of raw material and components, and fluctuations in the values of foreign currencies.

The shortage of components that slowed down deliveries in 2010 and in the beginning of 2011 has eased and the availability of the components used by Vacon in its products is at the moment reasonably good.

On 12 March 2011 Vacon Plc and the other shareholders in The Switch Engineering Oy signed an agreement with American Superconductor Corporation under which the entire share stock of The Switch Engineering Oy will be transferred to American Superconductor Corporation. On 29 June 2011 American Superconductor Corporation and the shareholders of The Switch Engineering Oy agreed to an amendment to the agreement made on 12 March 2011, under which the entire share stock of The Switch Engineering Oy will be transferred to American Superconductor Corporation. In accordance with this amendment, on 29 June 2011 American Superconductor Corporation paid the shareholders of The Switch Engineering Oy an advance payment of 7.5 %, or some EUR 14.2 million, of the total selling price of EUR 190 million as stated in the agreement. Vacon received its share of the advance payment at the beginning of July, so it is not included in the cash flow statement for the second quarter. At the same time the parties agreed to extend the deadline for completing the transaction, which gives American Superconductor Corporation the opportunity to ensure it obtains the financing for the purchase.

The order book for Vacon's AC drives used to control electric motors has always been short term in nature, so there are no major risks connected with the timing of deliveries or their cancellation. Products supplied for renewable power generation accounted for 18 % of Vacon's revenues in 2010. This business typically has longer delivery and payment schedules, which increases the risks relating to customer credit rating and of orders being cancelled. Sales of equipment for renewable energy generation is for Vacon based on projects, so it will cause greater seasonal fluctuations in business volumes than what the company is used to. Power generation using renewable energy sources depends largely on state funding, so this market segment contains a political risk.

Vacon has thousands of customers worldwide. The ten largest customers account for about half of Vacon's revenues. Vacon is 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 8.8 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. 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 renminbi. The Group applies hedge accounting, in accordance with IAS 39, to hedge the operations currency position in its cash flow.

The parent company has tax proceedings in progress relating to a tax inspection of its transfer pricing in 2006 – 2008.

Legal proceedings are in progress at the subsidiary in China. The Chinese prosecuting authority is demanding EUR 3.2 million from Vacon as compensation for unpaid customs duties, and a provision for this was recorded in the result for the final quarter of 2010. The court case began in March 2011 and it is not known exactly when it will be concluded.

## Prospects for 2011

Vacon estimates that the AC drive market will grow 6-10 % in 2011. Investments to improve energy efficiency and in renewable energy production will support strong growth in all market areas. Demand for Vacon's products is expected to rise in key industrial sectors. Growth is expected to be strongest in the Asia Pacific region. The general outlook for economic growth in Europe and North America now includes more uncertainty factors.

## Market guidelines for 2011

Vacon estimates that revenues in 2011 will increase 10 % – 20 % and the operating profit percentage will rise from the 2010 figures. Earnings per share are expected to improve considerably from 2010.

## 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 also prepared this interim report applying the same accounting principles as those decribed in detail in its 2010 consolidated financial statements. The interim report is unaudited.

## Consolidated statement of income, IFRS, MEUR

| | 4-6/ 2011 | 4-6/2010 | 1-6/2011 | 1-6/ 2010 | 1–12/ 2010 |
|---|---|---|---|---|---|
| Revenues | 107.2 | 80.2 | 202.2 | 145.5 | 338.0 |
| Other operating income | 0.1 | 0.0 | 0.2 | 0.1 | 0.4 |
| Change in inventories of finished goods and work in progress | -1.6 | 0.8 | 2.3 | 1.2 | 6.6 |
| Materials and services | -55.9 | -43.5 | -110.1 | -76.5 | -186.7 |
| Employee benefit related expenses | -17.8 | -15.6 | -35.7 | -29.5 | -64.9 |
| Other operating expenses | -17.5 | -12.7 | -32.7 | -24.2 | -53.9 |
| Depreciation | -1.3 | -1.2 | -2.5 | -2.4 | -5.0 |
| Amortization | -1.7 | -1.5 | -3.3 | -3.0 | -6.1 |
| Operating profit | 11.5 | 6.6 | 20.4 | 11.2 | 28.6 |
| Financial income and expenses | 0.5 | -0.2 | 0.2 | -0.5 | -1.1 |
| Profit before taxes | 12.0 | 6.4 | 20.5 | 10.8 | 27.5 |
| Income taxes | -3.0 | -2.1 | -5.9 | -3.7 | -8.5 |
| Profit for the period | 9.0 | 4.3 | 14.6 | 7.0 | 19.1 |
| Attributable to: | | | | | |
| Equity holders of the parent | 8.8 | 4.2 | 14.1 | 6.8 | 18.5 |
| Non-controlling interests | 0.2 | 0.1 | 0.4 | 0.3 | 0.5 |
| Earnings per share, euro | 0.58 | 0.27 | 0.93 | 0.44 | 1.22 |
| Diluted earnings per share, euro | 0.58 | 0.27 | 0.93 | 0.44 | 1.22 |

## Consolidated statement of comprehensive income, MEUR

| | 4-6/ 2011 | 4-6/ 2010 | 1-6/2011 | 1-6/2010 | 1-12/2010 |
|---|---|---|---|---|---|
| Profit for the period | 9.0 | 4.3 | 14.6 | 7.0 | 19.1 |
| Other comprehensive income | | | | | |
| Cash flow hedging | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 |
| Available for sale financial assets | 0.1 | 0.0 | 27.1*) | 0.0 | 0.0 |
| Translation differences | 0.0 | 1.2 | -0.6 | 2.0 | 1.5 |
| Total comprehensive income | 9.0 | 5.5 | 41.3 | 9.1 | 20.5 |
| Attributable to: | | | | | |
| Shareholders of parent company | 8.8 | 5.4 | 40.9 | 8.8 | 19.9 |
| Non-controlling interest | 0.2 | 0.1 | 0.4 | 0.3 | 0.5 |

*) Assessment at fair value relating to holding in The Switch .

## Consolidated statement of financial position, IFRS, MEUR

| | 30.6.2011 | 30.6.2010 | 31.12.2010 |
|---|---|---|---|
| ASSETS | | | |
| Goodwill | 8.8 | 9.5 | 9.1 |
| Development costs | 15.2 | 10.9 | 12.6 |
| Other intangible assets | 10.2 | 12.0 | 11.1 |
| Tangible assets | 22.7 | 19.8 | 20.7 |
| Financial receivables | 0.0 | 0.1 | 0.0 |
| Deferred tax assets | 5.4 | 3.9 | 4.8 |
| Other financial assets | 1.7 | 3.9 | 3.8 |
| Total non-current assets | 63.9 | 60.0 | 62.2 |
| | | | |
| Inventories | 33.3 | 24.5 | 31.9 |
| Trade and other receivables | 105.3 | 69.7 | 90.8 |
| Available for sale financial assets | 30.0 | 0.0 | 0.0 |
| Cash and cash equivalents | 21.3 | 14.9 | 18.4 |
| Total current assets | 189.9 | 109.2 | 141.1 |
| | | | |
| Total assets | 253.8 | 169.2 | 203.3 |
| | | | |
| EQUITY AND LIABILITIES | | | |
| Share capital | 3.1 | 3.1 | 3.1 |
| Share premium reserve | 5.0 | 5.0 | 5.0 |
| Other reserves | 0.1 | 0.1 | 0.1 |
| Own shares | -2.6 | -2.6 | -2.6 |
| Revaluation reserve | 27.2*) | 0.0 | -0.1 |
| Retained earnings | 83.3 | 72.8 | 84.4 |
| Non-controlling interests | 1.6 | 1.3 | 1.6 |
| Total equity | 117.6 | 79.5 | 91.3 |
| | | | |
| Deferred tax liabilities | 7.0 | 4.9 | 5.3 |
| Employee benefits | 1.8 | 1.6 | 1.6 |
| Interest-bearing liabilities | 8.6 | 11.6 | 9.9 |
| Other liabilities | 0.2 | 0.0 | 0.2 |
| Total non-current liabilities | 17.6 | 18.1 | 17.0 |
| | | | |
| Trade and other payables | 60.3 | 53.0 | 62.4 |
| Income tax liabilities | 5.6 | 1.9 | 6.5 |
| Provisions | 8.5 | 1.9 | 7.9 |
| Interest-bearing liabilities | 44.2 | 14.7 | 18.3 |
| Total current liabilities | 118.7 | 71.6 | 95.1 |
| | | | |
| Total equity and liabilities | 253.8 | 169.2 | 203.3 |

*) Assessment at fair value of EUR 27.1 million relating to holding in The Switch.

## Q2 2010 Consolidated statement of changes in equity, IFRS (MEUR)

| | Attributable to equity holders of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium reserve | Other reserves | Own shares | Re-valuation reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| **Equity Jan 1, 2010** | **3.1** | **5.0** | **0.1** | **-2.6** | **0.0** | **74.4** | **79.8** | **1.5** | **81.3** |
| Other changes | | | | | | 0.0 | 0.0 | 0.0 | 0.1 |
| | | | | | | | | | |
| Profit for the period | | | | | | 6.8 | 6.8 | 0.3 | 7.0 |
| Other total comprehensive income: | | | | | | | | | |
| Cash flow hedging | | | | | 0.0 | | 0.0 | | 0.0 |
| Translation differences | | | | | | 2.0 | 2.0 | | 2.0 |
| Total comprehensive income for the period | | | | | 0.0 | 8.8 | 8.8 | 0.3 | 9.1 |
| Share bonuses | | | | | | 0.2 | 0.2 | | 0.2 |
| Dividends paid | | | | | | -10.7 | -10.7 | -0.5 | -11.2 |
| **Equity June 30, 2010** | **3.1** | **5.0** | **0.1** | **-2.6** | **0.0** | **72.8** | **78.2** | **1.3** | **79.5** |

## Q2 2011 Consolidated statement of changes in equity, IFRS (MEUR)

| | Attributable to equity holders of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium reserve | Other reserves | Own shares | Re-valuation reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| **Equity Jan 1, 2011** | **3.1** | **5.0** | **0.1** | **-2.6** | **-0.1** | **84.4** | **89.7** | **1.6** | **91.3** |
| | | | | | | | | | |
| Profit for the period | | | | | | 14.1 | 14.1 | 0.4 | 14.6 |
| Other total comprehensive income: | | | | | | | | | |
| Cash flow hedging | | | | | 0.2 | | 0.2 | | 0.2 |
| Available for sale financial assets | | | | | 27.1 | | 27.1 | | 27.1 |
| Translation differences | | | | | | -0.6 | -0.6 | | -0.6 |
| Total comprehensive income for the period | | | | | 27.3 | 13.6 | 40.9 | 0.4 | 41.3 |
| Share bonuses | | | | | | 0.6 | 0.6 | | 0.6 |
| Dividends paid | | | | | | -15,2 | -15,2 | -0,4 | -15,6 |
| **Equity June 30, 2011** | **3.1** | **5.0** | **0.1** | **-2.6** | **27.2** | **83.3** | **116.0** | **1.6** | **117.6** |

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## Consolidated statement of cash flow, IFRS, MEUR

| | 4-6/2011 | 4-6/2010 | 1-6/2011 | 1-6/2010 | 31.12.2010 |
|---|---|---|---|---|---|
| Profit for the period | 9.0 | 4.3 | 14.6 | 7.0 | 19.1 |
| Depreciation | 3.0 | 2.7 | 5.8 | 5.4 | 11.1 |
| Financial income and expenses | -1.2 | 0.2 | -0.9 | 0.5 | 1.1 |
| Taxes | 3.0 | 2.1 | 5.9 | 3.7 | 8.5 |
| Other adjustments | 0.3 | 0.0 | 0.8 | 0.0 | -0.2 |
| Change in working capital | -2.1 | -1.1 | -19.0 | -4.2 | -17.2 |
| Net cash flow from financial items and tax | -4.7 | -2.5 | -6.4 | -4.6 | -6.3 |
| | | | | | |
| **Net cash flow from operating activities** | **7.2** | **5.8** | **0.8** | **7.7** | **15.9** |
| | | | | | |
| Acquisition of subsidiary | 0.0 | 0.0 | 0.0 | 0.0 | -0.7 |
| Investments in tangible and intangible assets | -5.0 | -3.5 | -10.1 | -6.3 | -13.7 |
| Proceeds from disposal of tangible and intangible assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other investments | 2.2 | 0.4 | 2.3 | 0.6 | 0.0 |
| Repayment of loans receivables | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 |
| Proceeds from disposal of other investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 |
| Dividends received | 0.7 | 0.0 | 0.7 | 0.0 | 0.0 |
| | | | | | |
| **Net cash flow from investing activities** | **-2.1** | **-3.1** | **-7.1** | **-5.7** | **-13.4** |
| | | | | | |
| Proceeds from long-term borrowings | +0.1 | 0.0 | 0.2 | 0.0 | 0.2 |
| Repayment of long-term loans | -1.1 | -1.1 | -1.1 | -2.0 | -3.0 |
| Proceeds from short-term borrowings | 12.2 | 7.4 | 27.7 | 7.9 | 12.1 |
| Repayment of short-term loans | -1.6 | 0.0 | -1.6 | 0.0 | -0.2 |
| Dividends paid | -15.5 | -10.9 | -15.6 | -11.2 | -11.2 |
| | | | | | |
| **Net cash flow from financing activities** | **-5.8** | **-4.7** | **9.6** | **-5.3** | **-2.2** |
| | | | | | |
| **Change in liquid funds** | **-0.8** | **-2.0** | **3.3** | **-3.3** | **0.4** |
| | | | | | |
| Liquid funds at start of period | 22.1 | 16.3 | 18.4 | 17.2 | 17.2 |
| Translation differences for liquid funds | 0.0 | 0.6 | -0.4 | 1.0 | 0.9 |
| Liquid funds at end of period | 21.3 | 14.9 | 21.3 | 14.9 | 18.4 |

## Segment information

Vacon has one business segment, AC drives. The figures for the business segment are identical to 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 channels: distributors, systems integrators, direct sales, OEM customers and brand label customers.

## Key financial indicators

Share-based indicators

| | 30.6.2011 | 30.6.2010 | 31.12.2010 |
|---|---|---|---|
| Earnings per share, EUR | 0.93 | 0.44 | 1.22 |
| Equity per share, EUR | 7.60 | 5.14 | 5.90 |
| Lowest share price, EUR | 37.65 | 24.90 | 24.90 |
| Highest share price, EUR | 48.73 | 35.31 | 39.75 |
| Share price at end of period, EUR | 43.35 | 34.20 | 39.00 |
| Average trading price, EUR | 42.62 | 29.70 | 32.49 |
| Market capitalization, MEUR | 661.5 | 520.3 | 593.36 |
| Trading volume, no. of shares | 1,358,955 | 1,505,242 | 2,670,146 |
| Trading volume, % | 8.9 | 9.9 | 17.6 |
| Adjusted average number of shares during the period*) | 15,232,557 | 15,211,708 | 15,213,083 |
| Number of shares at end of period*) | 15,259,992 | 15,214,435 | 15,214,435 |
| Own shares | 35,008 | 80,565 | 80,565 |

*) Q2 2011 average number of shares is 15,232,557. The number of shares outstanding is 15,259,992.

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## Key indicators showing the Group's financial performance

| | 30.6.2011 | 30.6.2010 | 31.12.2010 |
|---|---|---|---|
| Revenues, MEUR | 202.2 | 145.5 | 338.0 |
| Change in revenues, % | 38.9 | -0.1 | 24.3 |
| Operating profit, MEUR | 20.4 | 11.2 | 28.6 |
| Change in operating profit, % | 81.5 | -24.6 | 26.8 |
| Operating profit, % of revenues | 10.1 | 7.7 | 8.5 |
| Profit before tax, MEUR | 20.5 | 10.8 | 27.5 |
| Profit before tax, % of revenues | 10.1 | 7.4 | 8.1 |
| Interest-bearing net liabilities, MEUR | 31.5 | 11.4 | 9.8 |
| Gearing, % | 26.8 | 14.3 | 10.7 |
| Working capital, MEUR | 64.1 | 37.4 | 45.9 |
| Equity ratio, % | 47.1 | 48.1 | 46.0 |
| Gross capital expenditure, MEUR | 10.1 | 6.3 | 15.9 |
| Gross capital expenditure, % of revenues | 5.0 | 4.4 | 4.7 |
| R & D expenditure, MEUR | 12.4 | 9.3 | 20.8 |
| R & D expenditure, % of revenues | 6.1 | 6.4 | 6.2 |
| Number of personnel at end of period | 1,577 | 1,346 | 1,339 |
| Order book, MEUR | 54.5 | 51.3 | 52.1 |

## Commitments and contingencies, MEUR

| | 30.6.2011 | 30.6.2010 | 31.12.2010 |
|---|---|---|---|
| Commitments and contingencies | 6.8 | 7.8 | 11.8 |
| Financing commitments | 0.1 | 0.2 | 0.1 |

## Group quarterly performance, MEUR

| | 4-6/ 2011 | 1-3/ 2011 | 10-12/ 2010 | 7-9/ 2010 | 4-6/ 2010 | 1–3/ 2010 |
|---|---|---|---|---|---|---|
| Revenues | 107.2 | 95.0 | 103.2 | 89.3 | 80.2 | 65.3 |
| Operating profit | 11.5 | 8.9 | 9.1 | 8.3 | 6.6 | 4.6 |
| Profit before tax | 12.0 | 8.5 | 9.5 | 7.3 | 6.4 | 4.4 |

# Calculation of financial ratios

| | |
|---|---|
| Earnings per share = | Profit for the financial year attributable to equity holders of the parent company / Adjusted average number of shares |
| Equity per share = | Total equity – non-controlling interests / Adjusted number of shares at end of period |
| Equity ratio, % = | Total equity x 100 / Balance sheet total – advances received |
| Gearing, % = | (Interest-bearing liabilities – cash, bank balances and financial assets) x 100 / Total equity |
| Working capital = | Inventories + non-interest-bearing short-term receivables - non-interest-bearing short-term liabilities |
| R & D costs = | Research and development costs recognized in income statement (incl. costs covered with subsidies) and capitalized development expenses |
| Market capitalization of share stock = | Number of shares outstanding at period end x closing share price |
| Share turnover % = | Number of shares traded during the period x 100 / Adjusted average number of shares |