

Vacon Plc, Stock Exchange Release, 24 April 2008 at 9.00 am

VACON PLC INTERIM REPORT 1 JANUARY - 31 MARCH 2008

Strong growth continues

January-March summary:

- Order intake totalled MEUR 78.2, growth of 39.4 % from the corresponding period in the previous year (MEUR 56.1).
- Revenues totalled MEUR 65.9, growth of 26.0 % (MEUR 52.3).
- Operating profit was MEUR 7.6, increase of 20.6 % (MEUR 6.3).
- Cash flow from operations was MEUR 4.6 (MEUR 2.5).
- Earnings per share were EUR 0.34 (EUR 0.28), growth of 21.4 % from the previous year.

The AC drive market has continued to grow during the first months of 2008. Demand for speed control solutions for electric motors that utilize energy efficiently and for applications for use in renewable power generation is strong at the moment.

The value of the orders received by Vacon exceeded EUR 78 million, and revenues were almost EUR 66 million. These figures are proof not only of the growth of the market but also of Vacon's effective product development and of the expansion of operations around the world; they also show the effect of the purchase of the TB Wood's AC drives business. Excluding the impact of the purchase of the TB Wood's business, Vacon's order intake increased 24.4 %, revenues 15 % and operating profit 23.8 % from the corresponding period in the previous year.

Revenues rose on all continents. The relative increase in revenues was highest in the Asia and Pacific region, but growth was also strong in North and South America. Growth in revenues in the Europe, Middle East and Africa region also clearly surpassed market growth.

The operating profit margin in the first quarter was 11.5 %, compared to 12 % in the corresponding period of 2007. The operating profit margin before amortization of intangible rights (EBITA margin) was 13 %, which is the same as one year earlier. Amortization of the intangible rights generated by the acquisition of the AC drives business of TB Wood's (EUR 0.4 million) reduced the operating profit margin by 0.6 percentage points. The profitability of business operations remained at the same level as in the first quarter of 2007.

Integrating the AC drives business of TB Wood's into Vacon Group has progressed according to plan. It is estimated that the final acquisition price will be USD 29.2 million. According to initial calculations, the acquisition of TB Wood's generates goodwill of EUR 6.4 million, which is based on the anticipated opportunities for expansion and synergy benefits. Initial calculations for the goodwill and for allocating the acquisition price of the business acquired are presented later in the tables to this report.

January – March result and equity structure

MEUR	1-3/ 2008	1-3/ 2007	Change %	1-12/ 2007
Revenues	65.9	52.3	26.0	232.2
EBITDA	9.3	7.4	25.7	34.0
Depreciation - tangibles	-0.8	-0.7	14.3	-2.8
EBITA	8.5	6.8	26.5	31.2
Amortization - intangibles	-0.9	-0.5	80.0	-1.9
Operating profit	7.6	6.3	20.6	29.2
Profit before tax	7.3	6.2	17.7	28.8
Profit for period	5.2	4.4	18.2	21.4

Orders received by the Group were 39.4 % higher than in the previous year. Orders in North America and Asia and for renewable energy production applications in Europe were the biggest factors in the strong growth. The order book for the acquired business at the start of the year together with the orders received during the first quarter totalled EUR 8.4 million. Excluding the impact of the purchase of the TB Wood´s business, the volume of orders increased 24.4 %.

Revenues increased 26% from the corresponding period in the previous year. Growth in revenues excluding the acquisition of the TB Wood´s business was 15 %.

The first quarter operating profit was 20.6 % higher than one year before. The operating profit for comparable figures was EUR 7.8 million, growth from the previous year of 23.8 %. The EBITA margin was 13 %, the same level as in the previous year. The operating profit as a percentage of revenues declined from the previous year's figure of 12 % to 11.5 %. Amortization of intangible rights generated by the acquisition of the TB Wood's AC drive business (EUR 0.4) reduced the operating profit margin by 0.6 percentage points. The earnings per share rose to EUR 0.34, an increase from the previous year of EUR 0.06.

The balance sheet total was EUR 135.9 (91.2) million. The balance sheet total shows the impact of the acquired business. The equity ratio was 42.9 %. The Group's cash flow from operations for the January- March period was EUR 4.6 (2.5) million.

The Group's equity structure and liquidity remained strong. Interest-bearing net debt at the end of the period totalled EUR 5.7 (-9.5) million, and gearing was 9.9 % (-20.1 %).

The Annual General Meeting was held in March, and the dividend paid (EUR 0.75 per share) has been entered, based on the decision of the AGM, as a dividend payment liability in the interim financial statement for the first quarter. The dividend was paid on 7 April 2008 in accordance with the decision of the AGM.

The Group's order book stood at EUR 47.1 (33.5) million. The order book increased from the beginning of the year by EUR 12.3 million.

Market position

Vacon Group revenues by market area were as follows

MEUR	1-3/ 2008	%	1-3/ 2007	%	1-12/ 2007	%
Europe, Middle East, Africa North and South America Asia and Pacific Total	47.1 13.0 5.8 65.9	71.5 19.7 8.8 100.0	40.6 8.1 3.5 52.3	77.7 15.5 6.8 100.0	172.6 42.1 17.5 232.2	74.3 18.1 7.6 100.0

During the first quarter of 2008 Vacon strengthened its position in all its main market areas. Based on market surveys, the company estimates that it has about four per cent of the global market.

Vacon's revenues by region increased as follows: Europe, Middle East and Africa in total 16 %, North and South America 60 %, and Asia and Pacific 66 %.

Breakdown of Vacon Group revenues by distribution channel

MEUR	1-3/ 2008	%	1-3/ 2007	%	1-12/ 2007	%
Direct sales Distribu- tors OEM Brand label Total	29.0 8.7 17.0 11.2 65.9	44.0 13.2 25.8 17.0 100.0	22.6 7.4 13.0 9.3 52.3	43.2 14.1 24.9 17.8 100.0	99.0 31.3 56.4 45.5 232.2	42.6 13.5 24.3 19.6 100.0

Group revenues by distribution channel increased as follows: OEM 31 %, direct sales 28 %, distributors 18 % and brand label customers 20 %.

Vacon Group structure

On 1 January 2008 Vacon purchased the AC drives business of TB Wood's, part of US-based Altra Holdings Inc. The transaction included factories in the USA and Italy and sales companies in India and Germany.

During the first quarter Vacon established a sales company in the Czech Republic. Following these additions Vacon's own sales network comprises 19 subsidiaries as well as branch offices in Brazil, the Arab Emirates and Thailand.

Research and development

R%D expenditure during the first quarter totalled EUR 4.1 (3.2) million, and EUR 0.3 (0.3) million of this was capitalized as development costs. R&D costs accounted for 6.2 % (6.2 %) of Group revenues.

Work on developing new products continues in accordance with the company's plans.

Investments

Gross investments by the Group during the first three months, excluding the purchase of the TB Wood's AC drives business, totalled EUR 1.3 (1.5) million. Expenditure focused on increasing and maintaining production capacity and on information systems.

Organization and personnel

The number of Vacon Group personnel has increased by 199 since the start of the year of which the acquisition of the TB Wood's AC drive business brought 149 new employees. At the end of March the Group employed 1068 (720) people, of whom 591 (467) were in Finland and 477 (253) in other countries. The table below shows the average number of Vacon personnel during the review period:

	1-3/2008	1-3/2007	1-12/2007
Office personnel	628	481	512
Factory personnel	427	226	260
TOTAL	1 055	707	772

Shares and shareholders

Vacon had a market capitalization at the end of March of EUR 426.5 million. The closing share price on 31 March 2008 was EUR 28.00. The lowest share price during the January-March period was EUR 20.02 and the highest EUR 29.96. A total of 1,212,017 Vacon shares were traded during the January-March period, in monetary terms EUR 31.8 million.

Vacon's main shareholders on 31 March 2008:

	Number of shares	Holding, %
Ahlström Capital Oy	2 297 996	15.0
Tapiola Mutual Pension Insurance Company	584 500	3.8
Vaasa Engineering Oy	424 433	2.8
Koskinen Jari	358 590	2.3
Holma Mauri	347 171	2.3
Ehrnrooth Martti	330 000	2.2
Tapiola Group companies	325 300	2.1
Niemelä Harri	309 840	2.0
Karppinen Veijo	209 349	1.4
Mutual Insurance Company Pension Fennia	170 000	1.1
Nominee registered and in foreign ownership	4 945 256	32.3
Others	4 992 565	32.7
Total	15 295 000	100.0
Vacon Plc's own shares	-62 812	
Shares outstanding	15 232 188	

On 31 March 2008 members of Vacon's Board of Directors, the President and CEO, and the Deputy to the CEO held directly a total of 568,296 shares, or 3.7 % of Vacon's share stock.

Own shares

On 31 March 2008 Vacon Plc held a total of 62,812 of its own shares. In accordance with the terms of the company's share bonus scheme, on 8 April 2008 the persons in the scheme were given a bonus of altogether 19,500 shares. As of 9 April 2008 the company holds 43,312 of its own shares, which it acquired at an average price of EUR 12.46. This is 0.4 % 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 26 March 2008.

The AGM approved the 2007 financial statements and discharged the Board members and Managing Director from liability for the 2007 fiscal year.

The AGM adopted the Board's proposal of paying a dividend of EUR 0.75 per share, or EUR 11.4 million in total. The AGM decided on 31 March 2008 as the record date for the dividend payment and 7 April 2008 as the payment date.

The AGM discharged the Board members and Managing Director from liability for the 2007 fiscal year. The AGM confirmed that the number of Board members is seven (7). Pekka Ahlqvist, Jari Eklund, Kalle Heikkinen, Mauri Holma, Jan Inborr

and Veijo Karppinen were re-elected as Board members and Professor Riitta Viitala, D.Sc. (Econ. & Bus. Adm.) was elected as a new member to the Board.

The AGM also decided that KPMG Oy Ab would continue as the company's auditor.

The AGM adopted the Board's proposal to authorize the Board to decide on purchasing the Company's own shares. The Board's proposal is reported in the stock exchange release of 29 February 2008. All decisions of the Annual General Meeting of Shareholders were made unanimously.

Jan Inbarr was re-elected Chairman and Veijo Karppinen was re-elected Vice Chairman of the Board of Directors at the Board's organization meeting. Jan Inbarr was re-elected Chairman of the Board's Remuneration and Nomination Committee and Pekka Ahlqvist and Veijo Karppinen were re-elected members of the committee.

Dividend policy

The dividend policy of Vacon's Board of Directors is to propose for approval by the Annual General Meeting of Shareholders a dividend in line with the company's financial performance. The goal is to pay a dividend of about 50 % of the profit for the period. The level of dividend takes into account the financing required to expand operations.

Prospects for 2008

Developments in the AC drive market are expected to remain favourable in 2008. The need to improve the energy consumption of electric motors and the intensive investments in energy production based on renewable energy sources are increasing the market for AC drives.

Based on market surveys Vacon estimates that the AC drive market is growing at an annual rate of more than 8 %. North-American market growth is forecast to be somewhat less than the average growth rate and in Asia it is forecast to be over the average, with China and India the engines of growth. Vacon's investments in the growing markets in North America, Asia and Russia will reinforce Vacon's global market position. The purchase of TB Wood's AC drives business boosts Vacon's growth potential. Market surveys indicate that Vacon's market share is rising in all major market areas.

Vacon considers that potential risks to its financial performance in 2008 are problems that material suppliers may have with capacity, increasing problems with the availability of key components and increases in their prices, and the weakening of the US dollar.

Revenues in 2008 are forecast to rise by more than 25 % (by more than 15 % on comparable figures) and profitability to weaken slightly from 2007 in consequence of integrating the TB Wood's AC drive business during the year. This is not, however, expected to have any material impact on Vacon Group's earnings per share in 2008. Earnings per share are forecast to exceed EUR 1.50 in 2008.

Financial reports in 2008

Vacon will publish two more interim reports in 2008 as follows:

- January-June Thursday, 7 August 2008 at 9.00 am
- January-September Thursday, 23 October 2008 at 9.00 am

Vacon is holding a Capital Markets Day on 13 May 2008 in Vacon's Vantaa office, Finland starting at 9.00 a.m..

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 was established in 1993 from a passion to develop and produce AC drives globally. It is a matter of honour for Vacon to offer customers efficient, reliable and easy to use means for improving process control and saving energy and costs. Vacon's solutions represent clean technology. They can be used to control the speed of electric motors used by industry and municipal engineering, and in power generation using renewable energy. Vacon provides AC drives in the power range 0.25 kW – 5 MW. Revenues in 2007 totalled EUR 232.2 million.

Vaasa, 24 April 2008

VACON PLC

Board of Directors

For more information please contact:

Mr Vesa Laisi, President and CEO, phone: +358 (0)40 8371 510

Mr Mika Leppänen, CFO and Vice President, Finance & Control, phone: +358 (0)40 8371 235

Conference for media and analysts

Vacon will hold a briefing for analysts and the media at 11.30 am on 24 April 2008 in the Vaakuna meeting room at the Sokos Hotel Vaakuna, Kaivokatu 3, 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 24 April 2008. President and CEO Vesa Laisi and Mika Leppänen, 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 "Vacon Oyj". To hear a recording of the conference, available for three working days, call +44 207 031 4064, ID code 782084.

Conference link:


<http://wcc.webeventservices.com/view/wl/r.htm?e=103014&s=1&k=1160FA7DA444BC6482628EE794A1E4FC&cb=genesys>

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Accounting principles

This interim report has been prepared in accordance with IFRS (International Financial Reporting Standards) standard IAS 34 on Interim Financial Reporting. The interim report does not contain all the information required for annual financial statements.

Vacon has prepared this interim report applying the same accounting principles as those described in detail in its 2007 consolidated financial statements

The interim report is unaudited.

Consolidated income statement, IFRS, MEUR

	1-3/ 2008	1-3/ 2007	1-12/ 2007
Revenues	65.9	52.3	232.2
EBITDA	9.3	7.4	34.0
Depreciation	-0.8	-0.7	-2.8
EBITA	8.5	6.8	31.2
Amortization	-0.9	-0.5	-1.9
Operating profit	7.6	6.3	29.2
Financial income	0.6	0.1	0.6
Financial expenses	-0.8	-0.2	-1.0
Profit before taxes	7.3	6.2	28.8
Income taxes	-2.1	-1.8	-7.4
Profit for the period	5.2	4.4	21.4
Attributable to:			
Equity holders of the parent	5.1	4.3	20.9
Minority interest	0.1	0.1	0.5
Earnings per share, euro	0.34	0.28	1.37
Earnings per share diluted, euro	0.34	0.28	1.37

Consolidated balance sheet , IFRS, MEUR

	31.3.2008	31.3.2007	31.12.2007
ASSETS			
Intangible assets	23.7	7.8	9.6
Tangible assets	16.4	13.4	14.7
Investments	2.0	1.6	1.9
Loans receivable and other receivables	0.4	0.8	0.4
Deferred tax assets	2.0	1.3	1.5
Total non-current assets	44.5	24.8	28.2
Inventories	23.1	14.2	14.7
Trade and other receivables	52.5	40.6	45.8
Cash and cash equivalents	15.8	11.6	34.4
Total current assets	91.4	66.4	94.9
Total assets	135.9	91.2	123.2
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	56.1	46.5	62.9
Minority interest	1.0	0.8	1.1
Total equity	57.2	47.3	64.0
Deferred tax liabilities	3.1	1.3	1.6
Employee benefits	1.4	0.7	0.8
Interest-bearing liabilities	18.2	1.8	19.1
Total non-current liabilities	22.7	3.9	21.6
Trade and other payables	48.5	37.2	30.9
Income tax liabilities	3.0	1.9	1.6
Provisions	1.3	0.8	0.8
Interest-bearing liabilities	3.2	0.3	4.3
Total current liabilities	56.0	40.1	37.6
Total equity and liabilities	135.9	91.2	123.2

Q1/2007 Calculation of changes in shareholders' equity, IFRS, MEUR

Attributable to equity holders of the parent								Minor- ity inter- est	Total equity
	Share capital	Share Pre- mium reserve	Own shares	Transla- tion differ- ence	Revalu- ation fund	Re- earn- tained ings	Total		
Shareholders' equity 31.12.2006	3.1	5.0	-1.2	-0.1	0.1	45.2	52.0	1.0	53.0
Cash flow hedging:									
Hedging result allocated to equity					0.0		0.0		0.0
Transferred as adjustment to sales income					-0.1		-0.1		-0.1
Translation difference				0.0			0.0		0.0
Other changes						0.1	0.1	0.0	0.1
Net income recorded directly in equity				0.0	0.0	0.1	0.0		0.0
Profit for period						4.3	4.3	0.1	4.3
Income and expenses recorded during period, total				0.0	0.0	4.4	4.4	0.1	4.5
Dividend paid						-9.9	-9.9	-0.3	-10.2
Shareholders' equity 31.3.2007	3.1	5.0	-1.2	-0.1	0.0	39.7	46.5	0.8	47.3

Q1/2008 Calculation of changes in shareholders' equity, IFRS, MEUR

Attributable to equity holders of the parent								Minor- ity inter- est	Total equity
	Share capital	Share Pre- mium	Own shares	Transla- tion diffe- rence	Revalu- ation fund	Re- tained earn- ings	Total		
Shareholders' equity 31.12.2007	3.0	5.0	-1.2	-0.5	0.0	56.5	62.9	1.0	64.0
Cash flow									
hedging:									
Hedging result allocated to equity					0.0		0.0		0.0
Transferred as adjustment to sales income					0.0		0.0		0.0
Translation difference				-0.6			-0.6		-0.6
Other changes						0.1	0.1	0.0	0.1
Net income recorded directly in equity	0.0	0.0	0.0	-0.6	0.0	0.1	-0.5	0.0	-0.5
Profit for period						5.1	5.1	0.1	5.2
Income and expenses recorded during period, total	0.0	0.0	0.0	-0.6	0.0	5.2	4.7	0.1	4.8
Dividend paid						-11.4	-11.4	-0.2	-11.6
Shareholders' equity 31.3.2008	3.0	5.0	-1.2	-1.0	0.0	50.3	56.1	1.0	57.2

Consolidated cash flow statement, IFRS, MEUR

	31.3.2008	31.3.2007	31.12.2007
Profit for the period	5.2	4.4	21.4
Depreciation	1.7	1.2	4.8
Financial income and expenses	0.3	0.1	0.5
Taxes	2.1	1.8	7.4
Other adjustments	0.3	0.0	0.1
Change in working capital	-3.9	-3.4	-5.5
Cash flow from financial items and tax	-1.0	-1.5	-7.5
Cash flow from operating activities	4.6	2.5	21.1
Investments in tangible and intangible assets	-21.2	-1.4	-8.6
Proceeds from disposal of tangible and intangible assets	0.0	0.0	0.4
Loans granted	0.0	0.0	0.0
Other investments	-0.1	-0.2	-0.6
Repayment of loan receivables	0.0	0.0	0.2
Proceeds from disposal of other investments	0.0	0.0	0.0
Cash flow from investing activities	-21.3	-1.5	-8.6
Share issue	0.0	0.0	0.0
Proceeds from long-term borrowings	0.0	0.0	21.9
Repayment of long-term loans	-0.3	0.0	-0.2
Proceeds from short-term borrowings	0.0	0.0	1.0
Repayment of short-term loans	-1.0	-2.0	-2.2
Financial leasing payments	0.0	-0.2	-0.3
Dividends paid	-0.2	-0.3	-10.2
Cash flow from financial activities	-1.5	-2.4	10.0
Change in liquid funds	-18.2	-1.4	22.5
Liquid funds at start of period	34.4	13.0	13.0
Translation differences for liquid funds	-0.5	0.0	-1.2
Liquid funds at end of period	15.8	11.6	34.4

Segment information

Reporting on Vacon Group's operations is firstly by business segment and secondly by geographical segment.

Vacon has one business segment, AC drives. The figures for the primary 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. To ensure that the organisation is customer-oriented, operations are controlled by customer segments that are called business areas. These business areas are: Component Customers, Solutions Customers, OEM and Brand Label Customers, and Service and After-Market Services.

The secondary, geographical segment is divided into three sales areas: EMEA (Europe, Middle East and Africa), Americas (North and South America) and APAC (Asia and Pacific).

Acquired business operations

On 1 January 2008 the Group acquired the AC drives business of TB Wood's, part of US-based Altra Holdings Inc. According to initial calculations, the acquisition of TB Wood's generates goodwill of EUR 6.4 million, which is based on the anticipated opportunities for expansion and synergy benefits.

MEUR

Acquisition cost	
Cash price	19.8
Direct costs relating to acquisition	1.3
Total acquisition cost	21.1

Fair value of net assets acquired	14.7
Goodwill	6.4

Allocation:

Europe, Middle East and Africa	2.6
North and South America	3.7
Asia and Pacific	0.1

Impact on cash flow was as follows:

Total acquisition cost	21.1
Loans raised	-19.4
Cash funds received	-0.7
Net payment for acquisition from cash funds	0.9

	Carrying amount	Fair value	Useful commercial life in years
Identified intangible assets			
Customer relations		4.4	5
Technology developed		4.2	5
Tangible assets	1.8	2.2	
Inventories	5.6	5.6	
Receivables, total	2.9	2.8	
Cash and bank balances	0.7	0.7	
Assets, total	11.0	19.9	
Non-current liabilities	0.3	0.3	
Current liabilities	3.5	3.5	
Deferred tax liabilities		1.5	
Liabilities, total	3.8	5.2	
Net assets		14.7	
Acquisition cost		19.8	
Direct costs relating to acquisition		1.3	
Goodwill		6.4	

Key indicators

	31.3. 2008	31.3. 2007	31.12.2007
Equity per share, EUR	3.69	3.11	4.13
Equity ratio, %	42.9	52.3	52.9
Gross capital expenditure (excl. purchase of TB Woods), MEUR	1.3	1.5	9.1
Gross capital expenditure as % of revenues	2.0	3.0	3.9
Interest-bearing net liabilities, MEUR	5.7	-9.5	-11.0
Net gearing, %	9.9	-20.1	-17.1
Order book, MEUR	47.1	33.5	34.8
Adjusted average number of shares during the period	15 232 188	15 213 428	15 226 997
Number of shares at end of period	15 232 188	15 213 428	15 232 188
Average number of personnel	1 055	707	772

Commitments and contingencies, MEUR

	31.3.2008	31.3.2007	31.12.2007
Commitments and contingencies	1.1	1.8	1.1
Financing commitments	0.9	1.3	1.0

Currency derivatives, MEUR

	31.3.2008	31.3.2007	31.12.2007
Forward exchange contracts			
Fair value	0.4	0.2	0.4
Nominal value	10.4	14.2	12.7

Calculation of financial ratios

Earnings per share =	$\frac{\text{Profit for the financial year attributable to equity holders of the parent company}}{\text{Adjusted average number of shares}}$
Equity per share =	$\frac{\text{Equity attributable to the equity holders of the parent company}}{\text{Adjusted average number of shares at year end}}$
Equity ratio =	$\frac{\text{Shareholders' equity (incl. minority interest)} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Gearing =	$\frac{(\text{Interest-bearing liabilities} - \text{cash, bank balances and financial assets}) \times 100}{\text{Shareholders' equity (incl. minority interest)}}$