

# Vacon Interim Report Q2/2014

30 July 2014

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# Disclaimer

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# Outline

- Highlights in Q2/2014 and H1/2014
- Financial Report
- Outlook
- Contacts and calendar

# Highlights in Q2/2014

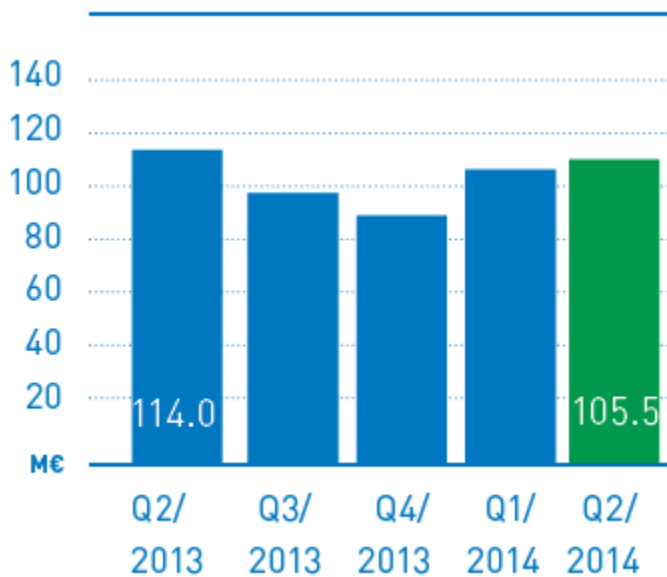
# Highlights in Q2/2014

- AC drives market has been flat since 2011 because of the overall economic uncertainty, which has caused industrial investment to slow down.
- Vacon's operating profit increased in Q2/2014 although revenues remained at the same level as in the corresponding period in the previous year.
- Vacon's order intake declined in the second quarter of 2014 from the corresponding period in the previous year. In Q2/2013 order intake was the highest so far in the company's history.
- Net cash flow from operating activities increased from the corresponding period in the previous year.



# Order intake declined in Q2/2014

Order intake, MEUR

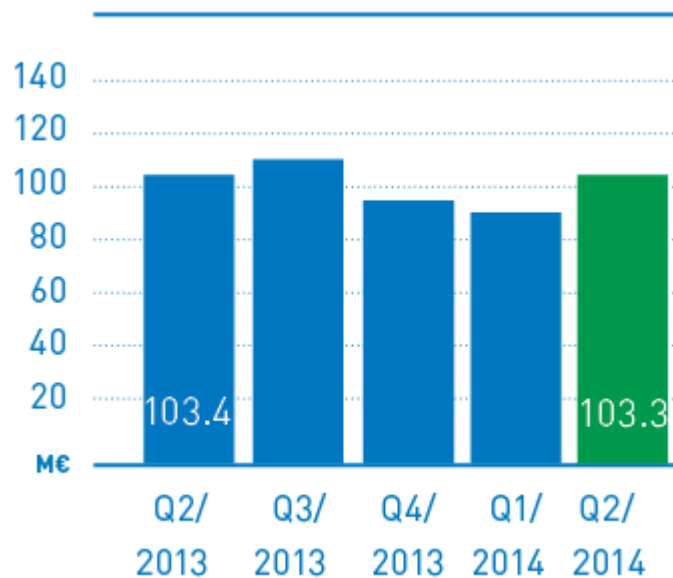


The decline in the order intake was due to weak demand for products for the building automation and for renewable energy generation.

The company's orders from other key customer sectors increased. The order intake increased most for products for the marine industry.

# Revenues at the same level in Q2/2014

Revenues, MEUR



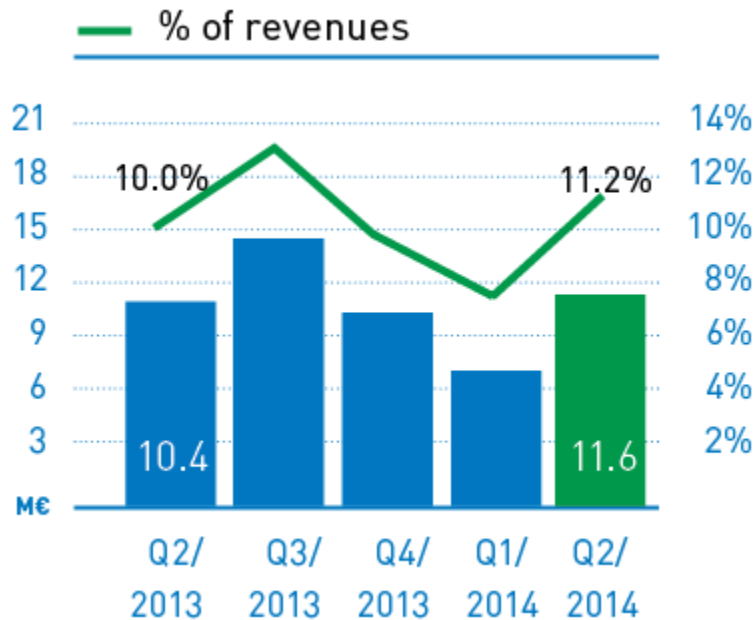
Vacon's revenues in Q2/2014 remained at the same level as in Q2/2013, but increased from the first quarter of 2014.

The North and South America region recorded the biggest improvement, with revenues increasing 22.2%. Sales in the APAC region increased as well.

In the EMEA region, revenues declined 7.5%. A particular factor in this decline was the fall in sales of products for the marine industry.

# Profitability improved in Q2/2014

Operating profit, MEUR



The Company's profitability improved in Q2/2014 vs. Q2/2013.

Low-power drives accounted for a larger proportion of revenues, but the company was able to compensate for the change in the sales product mix with lower material prices.



# Highlights in H1/2014

- Vacon's order intake declined slightly in H1/2014 compared to the previous year. This decline was due to weak demand for products for renewable energy generation. The volume of orders increased during the first half of the year in Vacon's other key customer sectors.
- Vacon's revenues declined slightly in H1/2014 from the same period in the previous year. The fall in sales of products for the marine industry and for renewable energy generation and marine industry was a particular factor in this decline.
- The company's profitability improved in H1/2014 vs. H1/2013. Low-power drives accounted for a larger proportion of revenues, but the company was able to compensate for the change in the sales product mix with lower material prices.

# The Drives Family grows

- In July 2014 Vacon agreed on the purchase of the AC drive business of Telko-Poland, a Polish subsidiary of Finnish company Kaukomarkkinat Oy. The transaction will be completed during the third quarter of 2014.
- In April Vacon became a gold member of BACnet, joining more than 90 of the world's leading design offices, component suppliers and system integrators for building automation in promoting the use of the BACnet (Building Automation Control Network) communication protocol. BACnet is one of the major communication protocols, which Vacon supports in its AC drives for building automation applications.

# Financial Report



# Results Q2/2014

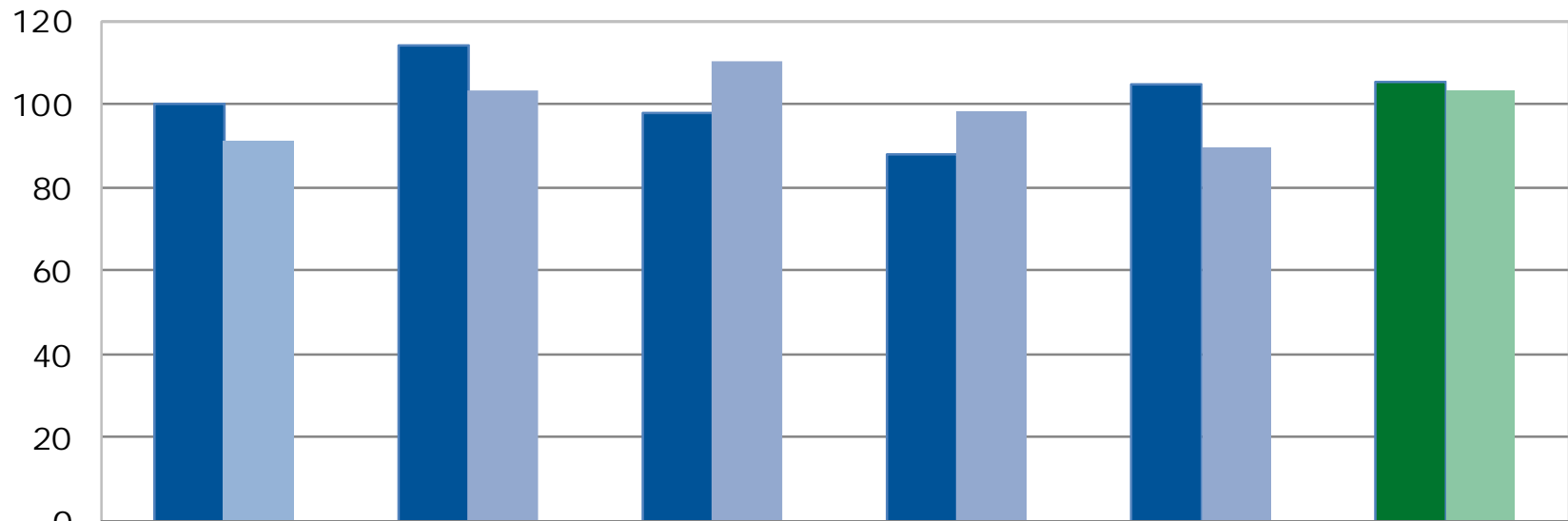
MEUR	Q2/2014	Q2/2013	Change	2013
Order intake	105.5	114.0	-7.5%	399.8
Order book	64.6	69.5	-7.0%	46.8
Revenues	103.3	103.4	-0.2%	403.0
Operating profit	11.6	10.4	11.8%	40.6
Operating profit, % of revenues	11.2%	10.0%		10.1%
Profit before taxes	11.3	10.2	10.5%	39.7
Net cash flow from operating activities	9.7	5.8	67.1%	46.7
EPS, eur	0.27	0.25	7.3%	0.92

# Results H1 / 2014

MEUR	H1/2014	H1/2013	Change	2013
Order intake	210.3	214.2	-1.8%	399.8
Order book	64.6	69.5	-7.0%	46.8
Revenues	192.5	194.8	-1.1%	403.0
Operating profit	18.3	16.1	13.3%	40.6
Operating profit, % of revenues	9.5%	8.3%		10.1%
Profit before taxes	18.0	16.3	10.6%	39.7
Net cash flow from operating activities	9.1	22.4	-59.4%	46.7
EPS, eur	0.43	0.38	14.0%	0.92

# Order intake and revenues 2013-Q2/2014

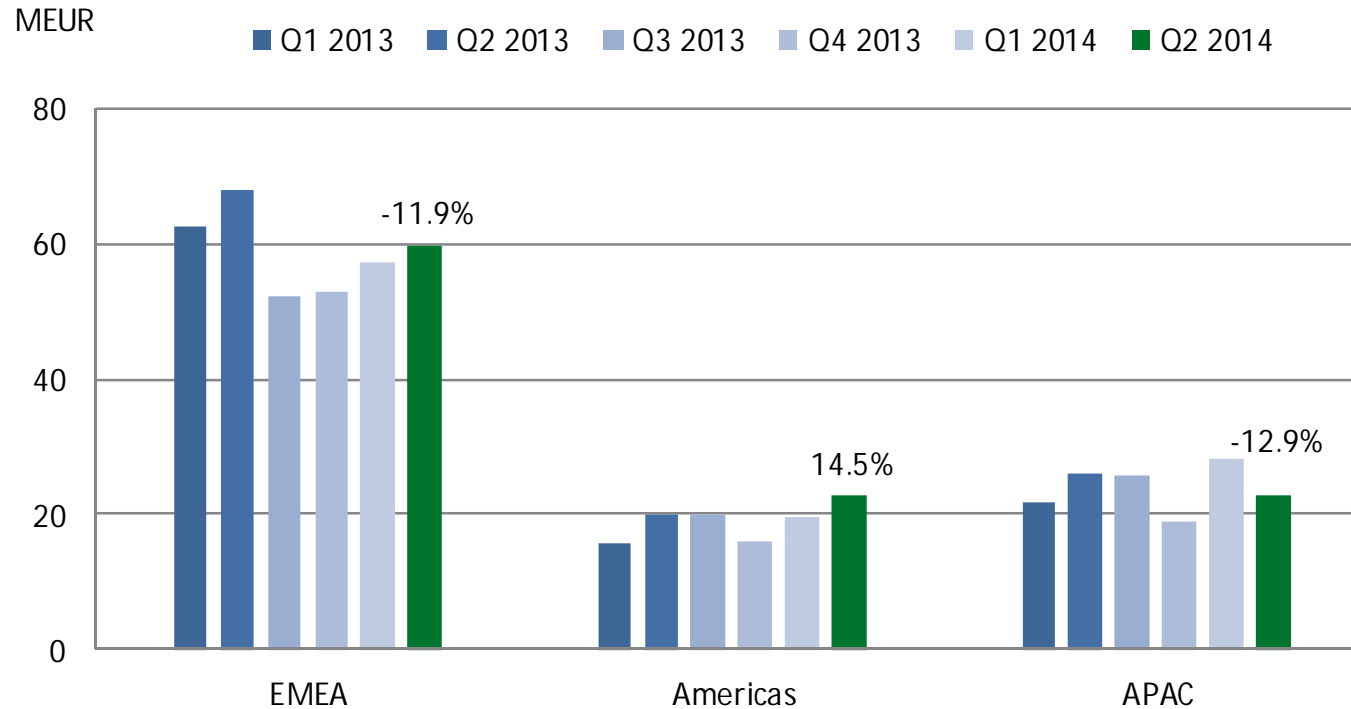
MEUR



	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14	Q2/14
Order intake	100,2	114,0	97,9	87,7	104,8	105,5
Revenues	91,3	103,4	110,4	97,8	89,3	103,3

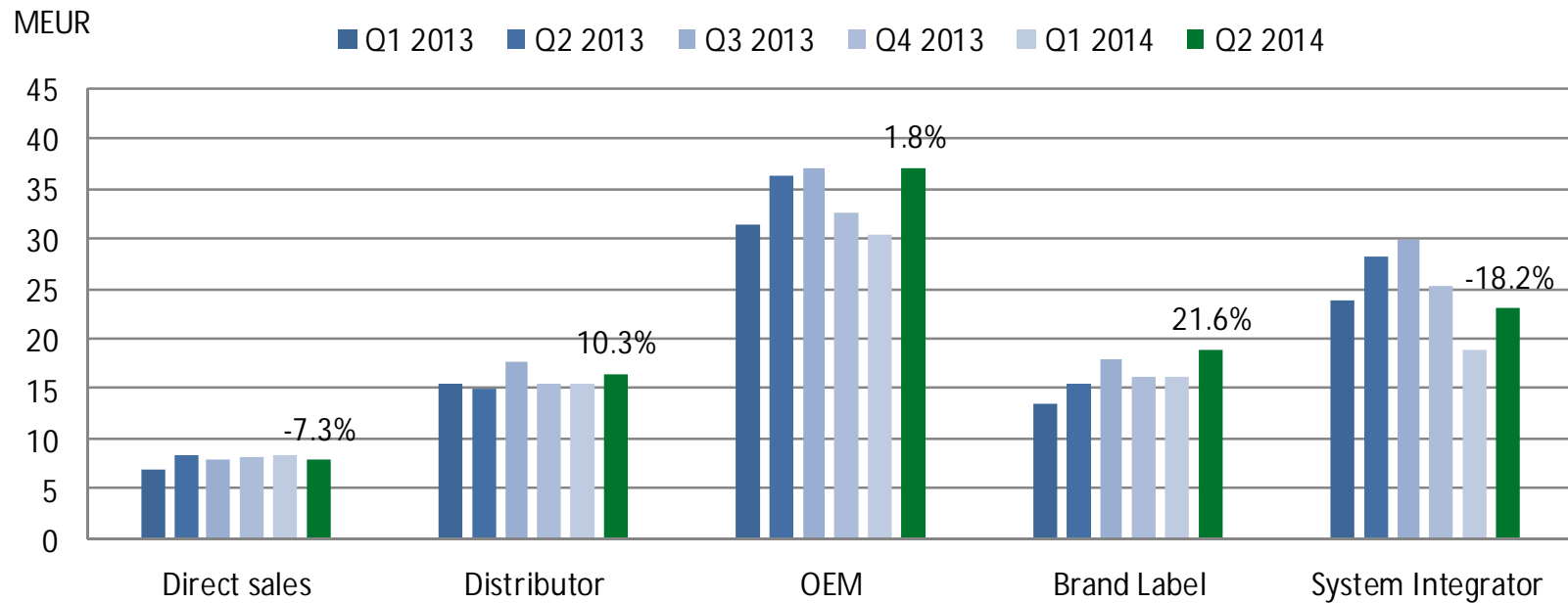


# Order intake by region 2013-Q2/2014



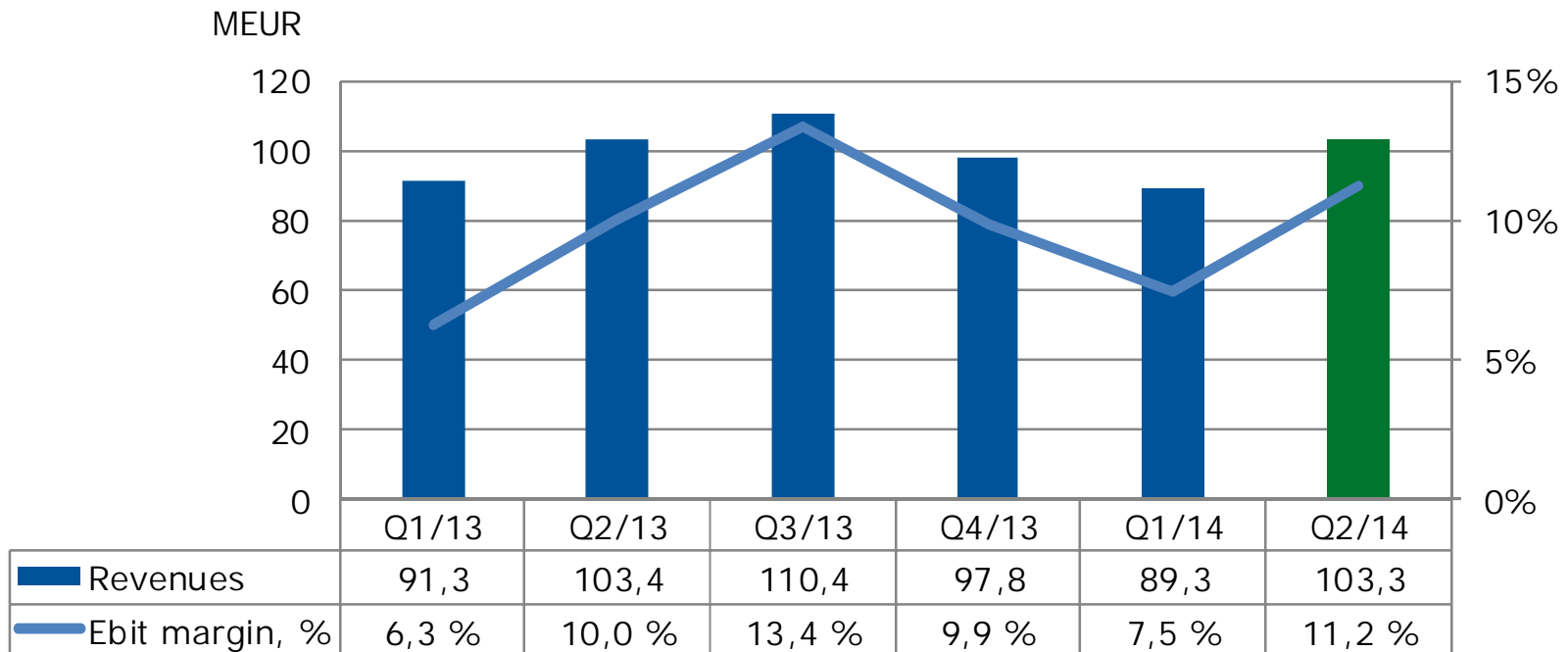
Given percentage is actual quarter Q2 2014 compared to the corresponding period in the previous year.

# Revenues by sales channel 2013-Q2/2014



Given percentage is actual quarter Q2 2014 compared to the corresponding period in the previous year.

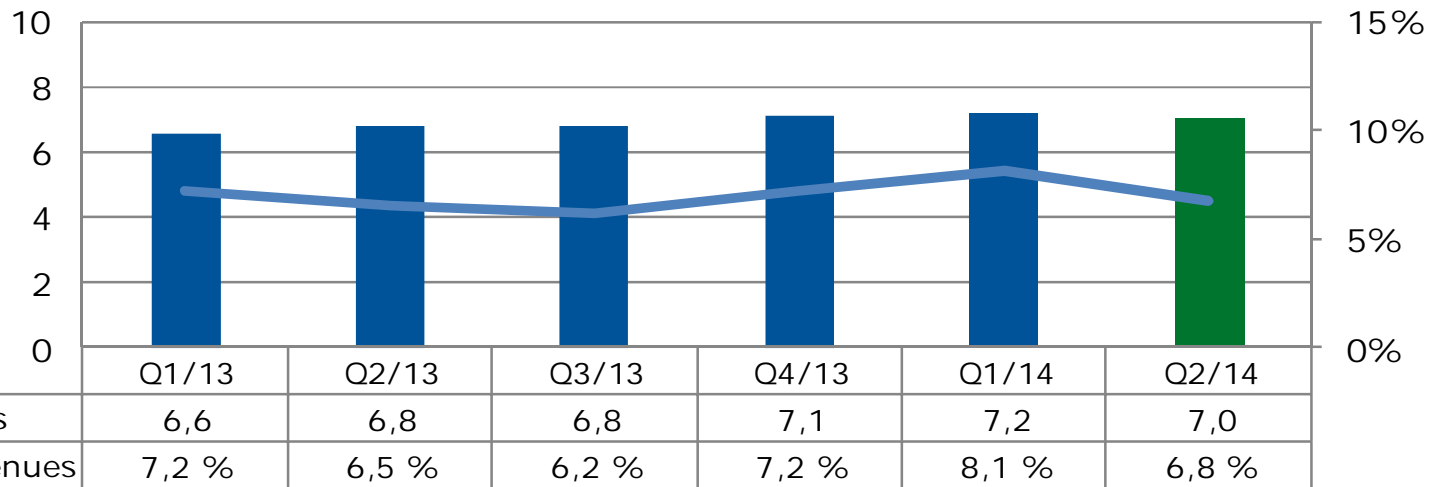
# Revenues and EBIT-%



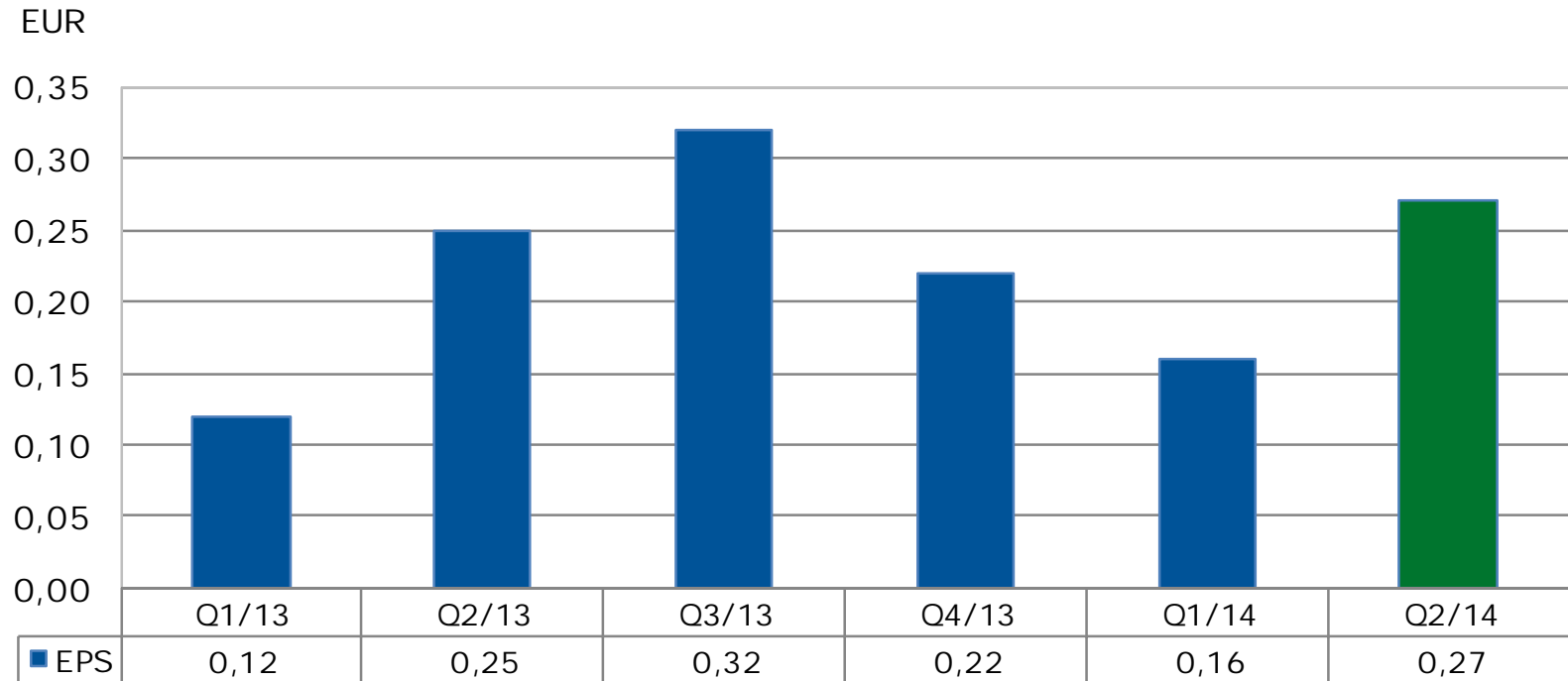


# Research and development costs

MEUR

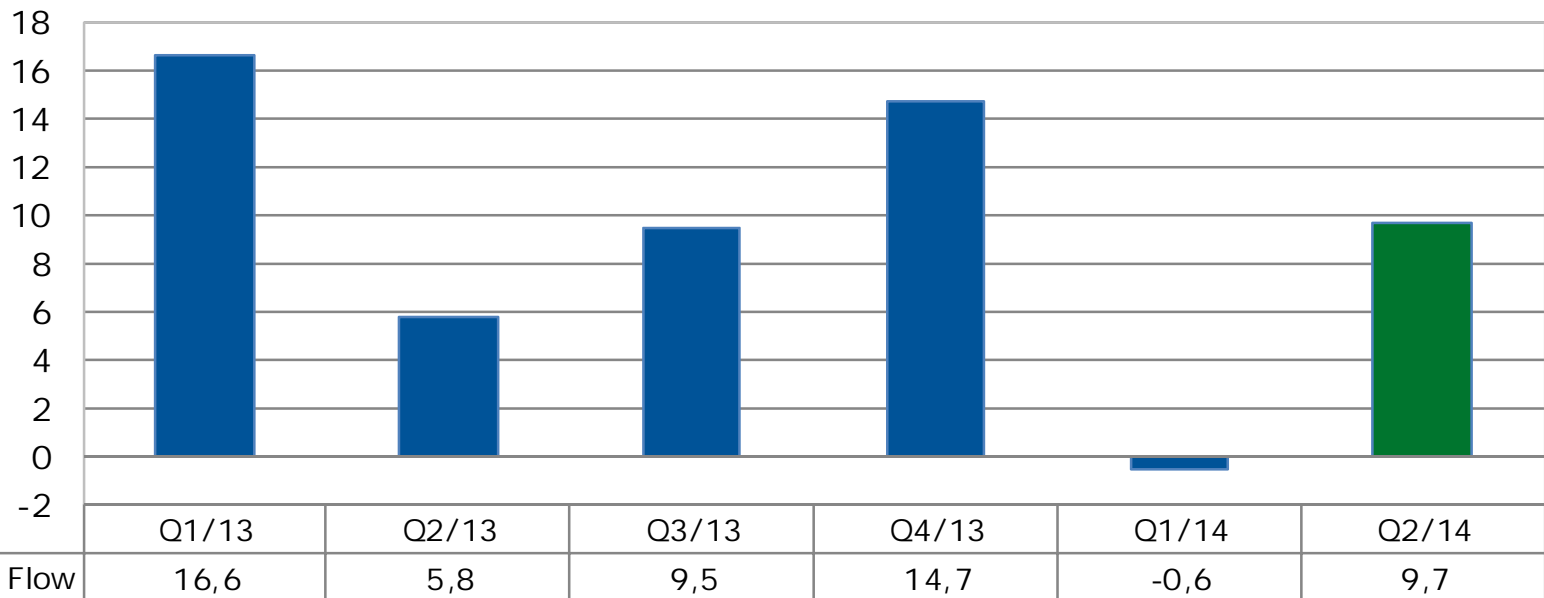


# Earnings per share

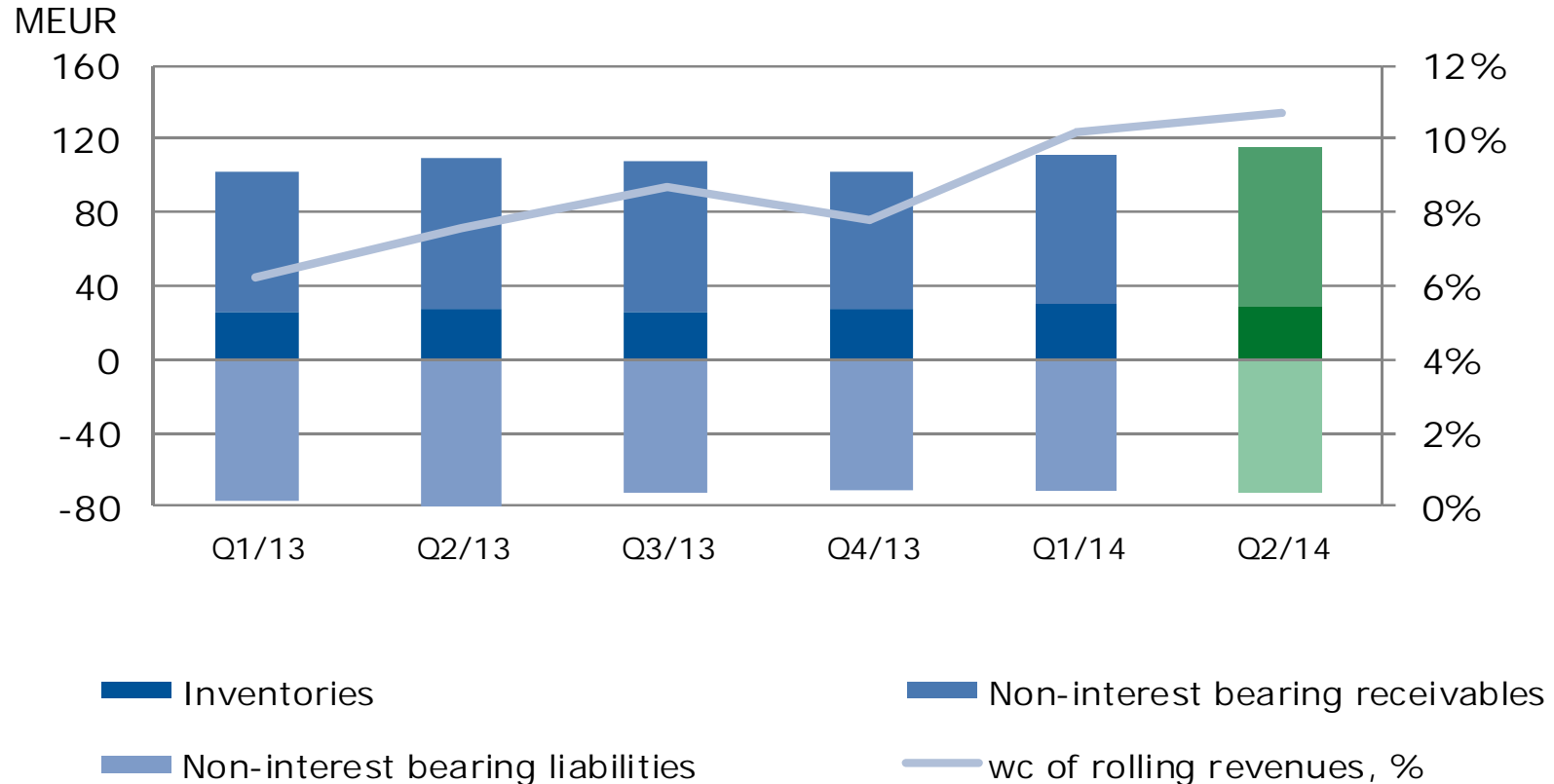


# Net cash flow from operating activities

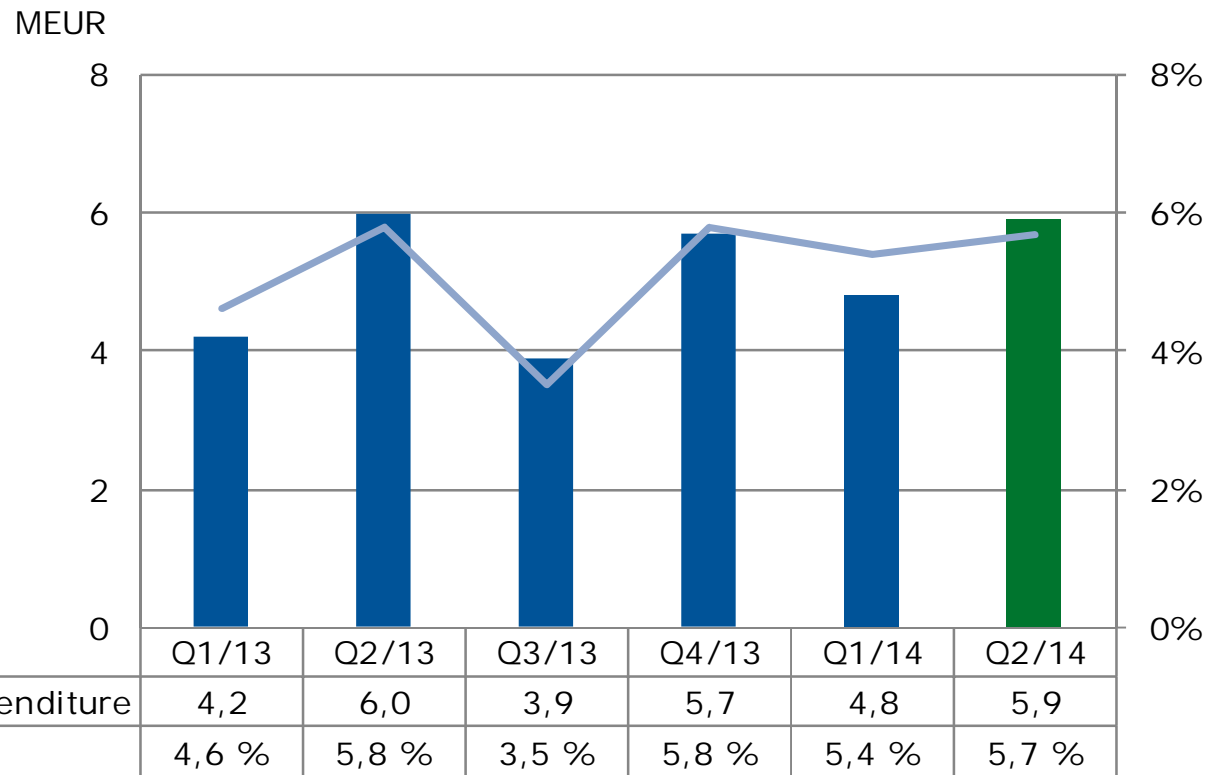
MEUR



# Working capital development

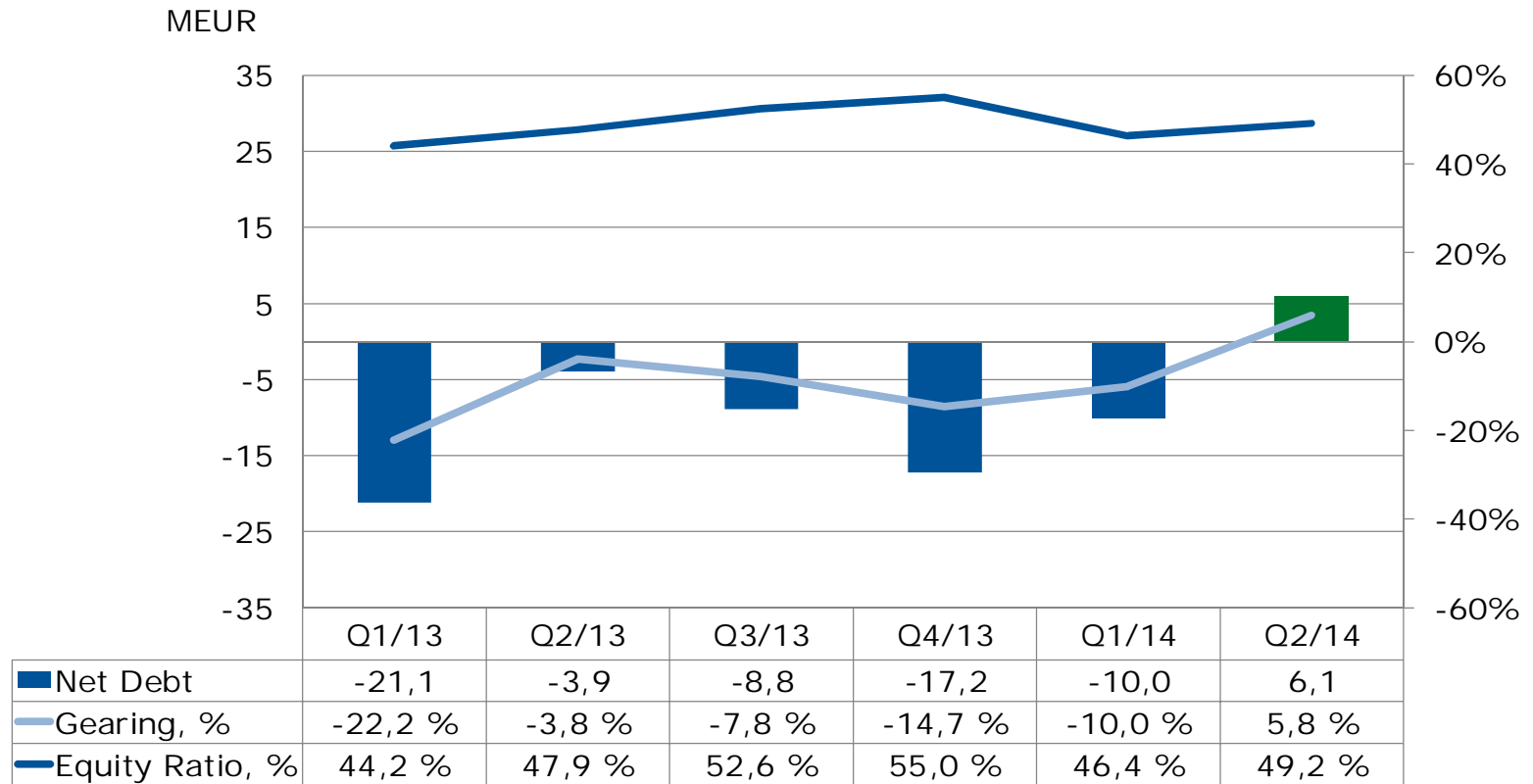


# Gross capital expenditure





# Key balance sheet ratios

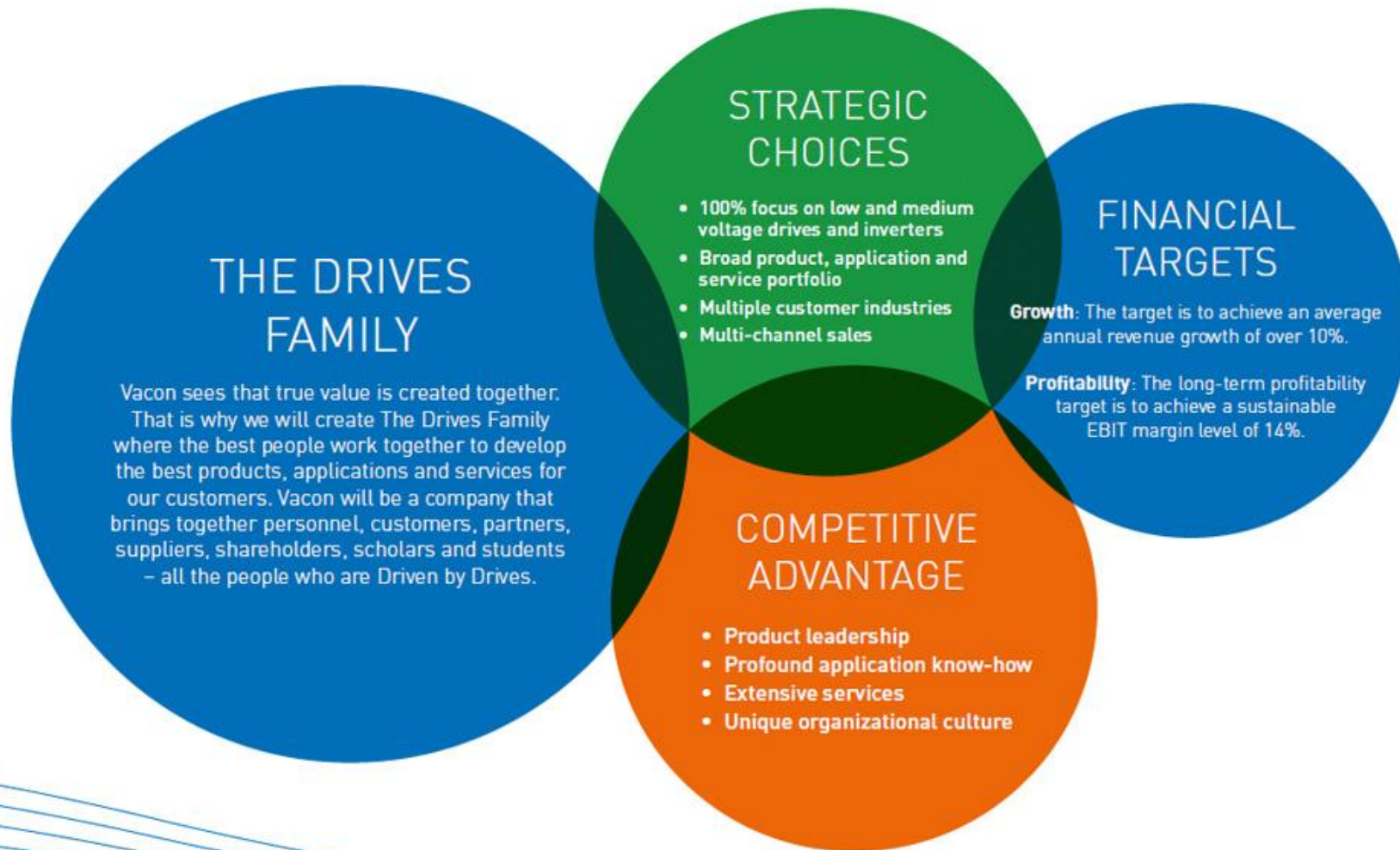


# Outlook

# Business environment

- Global megatrends, such as urbanization, increase in industrial automation, energy efficiency, developing markets and renewable energy, all support growth in the AC drive market in the long run.
- Growth in the AC drive market varies from year to year, and even from one quarter to another, but as a general rule it is estimated that the AC drive market grows much faster than global average growth in gross national product.
- In the assessment of market research institutions, the AC drive market has hardly grown at all during the past three years. A major factor in this has been the overall economic uncertainty, which has caused industrial investment to slow down.

# Vacon Strategy



# Prospects for 2014

- In Vacon's assessment, growth in the AC drive market has also continued to be slow in the first half of 2014. The company considers that market growth prospects are better in the second half of 2014 than in the first half of the year.
- During the past few years the Company has expanded and renewed its product offering, which places the Company in a strong position to grow faster than the AC drive market in 2014. Vacon's goal is to improve profitability in 2014. Key factors contributing to an improvement in profitability are the cost benefits from transferring material sourcing to lower cost countries and raising overall efficiency in operations.



# Risks and uncertainties in the near future

- There are still uncertainties relating to developments in the global economy, and these may weaken demand for AC drives globally or in certain regions.
- The geopolitical developments in Ukraine during the first months of 2014 have increased the risks relating to development prospects not only for the Russian economy but also more widely in Europe. Vacon's sales to Russia account for a few per cent of all the Group's sales.

# Market guidelines for 2014

	ACT 2013	FC 2014
Revenues, MEUR	403.0	+5-15%
EBIT margin, % (excluding one-time items)	10.1	11-13%

# Vacon IR contacts and calendar

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(on maternity leave as of February 2014)  
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- Calendar:

- Interim Report  
January-September 2014,  
on 22 October at 9.30

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