



Q2

VACON PLC
INTERIM REPORT
JANUARY – JUNE 2014

April-June highlights:

- Order intake totalled MEUR 105.5 (MEUR 114.0 in April-June 2013), a decline of 7.5% from the corresponding period in the previous year.
- Revenues totalled MEUR 103.3 (MEUR 103.4).
- Operating profit was MEUR 11.6, or 11.2% of revenues (MEUR 10.4 and 10.0%), growth of 11.8% from the corresponding period in the previous year.
- Net cash flow from operating activities was MEUR 9.7 (MEUR 5.8).
- Earnings per share were EUR 0.27 (EUR 0.25).
- The increase in the number of Company shares through an issue of shares without payment (share split) approved by the Annual General Meeting of Vacon Plc on 27 March 2014 was registered in the Trade Register on 1 April 2014. The number of Company shares was increased by issuing new shares without payment to the shareholders in proportion to their holdings, so that one (1) share was given for each existing share.
- The AGM in March 2014 adopted the proposal of the Board of Directors to pay a dividend of EUR 1.30 a share, in total MEUR 19.8. The dividend was paid on 8 April 2014. The new shares registered in connection with the share split did not entitle holders to the dividend for the 2013 fiscal year decided on at the AGM.

January-June highlights:

- Order intake totalled MEUR 210.3 (MEUR 214.2 in January-June 2013), a decline of 1.8% from the corresponding period in the previous year.
- Revenues totalled MEUR 192.5 (MEUR 194.8), a decline of 1.1% from the corresponding period in the previous year.
- Operating profit was MEUR 18.3, or 9.5% of revenues (MEUR 16.1 and 8.3%), an increase of 13.3% from the corresponding period in the previous year.
- Net cash flow from operating activities was MEUR 9.1 (MEUR 22.4).
- Earnings per share were EUR 0.43 (EUR 0.38).

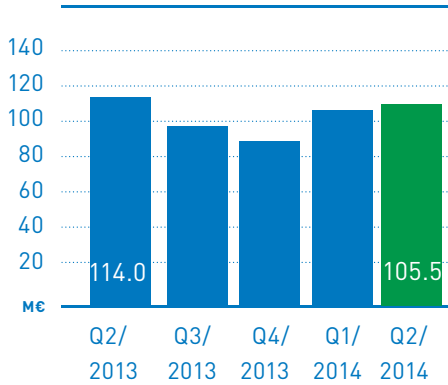
January-June key indicators:

MEUR	4-6/2014	4-6/2013	Change, %	1-6/2014	1-6/2013	Change, %	1-12/2013
Order intake	105.5	114.0	-7.5%	210.3	214.2	-1.8%	399.8
Revenues	103.3	103.4	-0.2%	192.5	194.8	-1.1%	403.0
Operating profit	11.6	10.4	11.8%	18.3	16.1	13.3%	40.6
% of revenues	11.2%	10.0%		9.5%	8.3%		10.1%
Profit before taxes	11.3	10.2	10.5%	18.0	16.3	10.6%	39.7
Net cash flow from operating activities	9.7	5.8	67.1%	9.1	22.4	-59.4%	46.7
Earnings per share, EUR	0.27	0.25	7.3%	0.43	0.38	14.0%	0.92

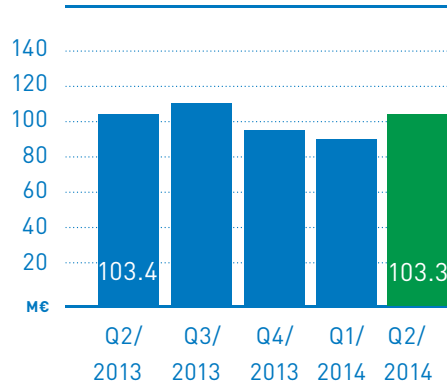
MEUR	30.6.2014	30.6.2013	Change, %	31.12.2013
Order book	64.6	69.5	-7.0%	46.8
Interest-bearing net liabilities	6.1	-3.9		-17.2
Gearing, %	5.8%	-3.8%		-14.7%
Gross capital expenditure	10.7	10.2	5.0%	19.7

Key indicators Q2/2013-Q2/2014

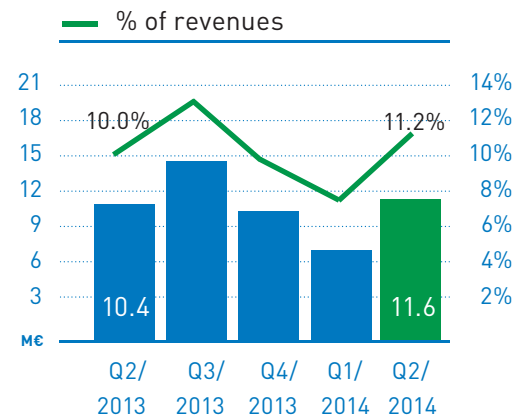
Order intake, MEUR



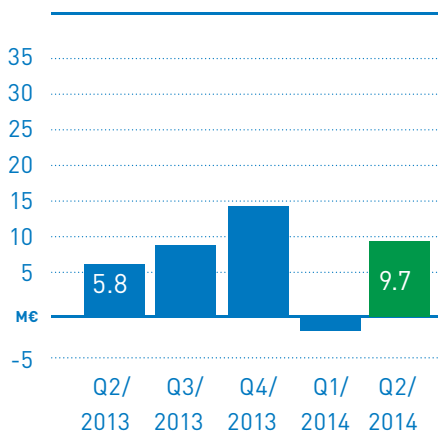
Revenues, MEUR



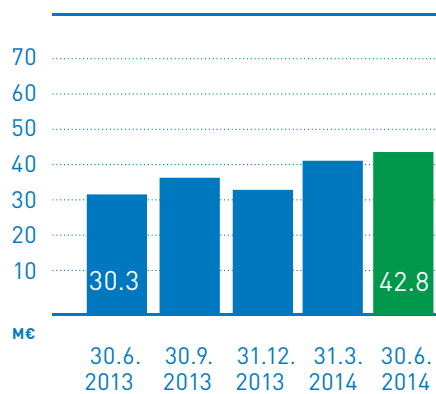
Operating profit excluding one-time items, MEUR



Net cash flow from operating activities, MEUR

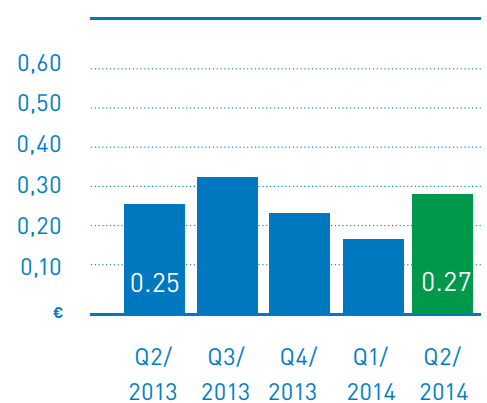


Working capital, MEUR

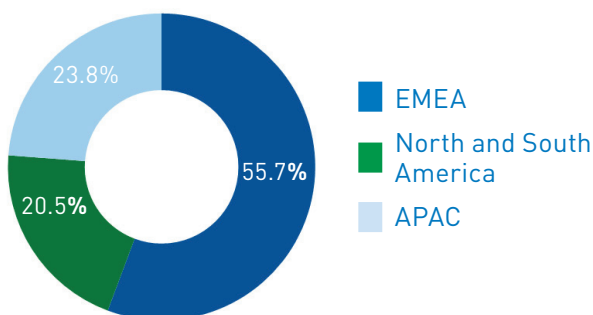


Earnings per share, EUR

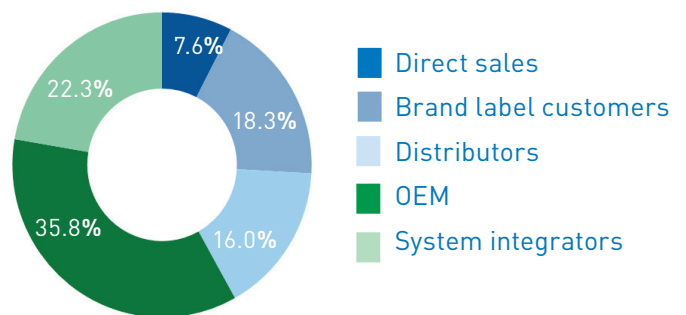
(The figures have been adjusted in line with the situation after the share split)



Revenues by region Q2/2014



Revenues by distribution channel Q2/2014



President and CEO Vesa Laisi: Profitability improved in the second quarter

“The Vacon team put in a good performance in the second quarter of 2014. The company’s profitability improved, even though our low-power products with a smaller profit margin continued to form a high proportion of sales. Our long-term efforts to reduce material costs helped us improve profitability despite the unfavourable sales product mix. According to market research institutions, the AC drive market growth remained slow in the first half of 2014.

Our order intake exceeded the level in the period for comparison in most of our key customer sectors, but developments were not as favourable in demand for products for the building automation and for renewable energy generation. This weakened the total volume of orders received compared to the period for comparison, when the order intake was exceptionally high. Revenues were similar to those in the previous year. Some orders were postponed at the request of customers to the second half of the year. Sales declined of products for the marine industry and for the mining and metal sector. Sales in other key customer sectors developed positively.

Our strongest region in the April-June period was North and South America, where orders and revenues increased strongly. I am extremely pleased with how we have succeeded in putting our business back on a growth track especially in the USA.

Growth prospects for the AC drive market are encouraging, even though the AC drive market has hardly grown in the past few years. According to market research institutions, there are signs that the market will pick up in the second half of 2014.”

Review of April-June 2014

Order intake and order book

Vacon's order intake declined in the second quarter of 2014 from the corresponding period in the previous year. The second quarter order intake in 2013 was the highest for any quarter in that year. Orders received in April-June totalled EUR 105.5 (114.0) million. 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.

Orders received developed particularly positively in the North and South America region, which saw growth of 14.5% from the corresponding period in the previous year. The order intake in North and South America increased most from distributors and brand label customers. The order intake declined 12.9% in the Asia Pacific (APAC) region and 11.9% in the Europe, Middle East and Africa (EMEA) region. One particular factor in the decline in orders in the EMEA region was falling demand for products for renewable energy generation and in the APAC region the fall in demand for building automation products.

Revenues

Vacon's revenues in April-June 2014 remained at the same level as in the corresponding period in the previous year, but increased from the first quarter of 2014. Some orders were postponed at the request of customers to the second half of the year. Vacon's revenues in April-June totalled EUR 103.3 (103.4) million. The decline in sales to the marine industry and the mining and metal sectors weakened second quarter revenues.

The North and South America region recorded the biggest improvement, with revenues increasing 22.2% in the April-June 2014 period from the corresponding period in 2013. Revenues in this region grew in particular through distributors and brand label customers. Sales in the APAC region increased 2.7% in April-June. In the EMEA region, revenues declined 7.5% in the second quarter from the corresponding period in the previous year, and a particular factor in this decline was the fall in sales of products for the marine industry.

In accordance with the company's strategy, Vacon utilises several sales channels. Vacon's sales to distributors, brand label customers and original equipment manufacturers (OEM) increased in April-June 2014. In contrast, sales to system integrators and end users declined in April-June from the period for comparison.

Operating profit and result

The company's profitability improved in April-June 2014 from the corresponding period in the previous year. Low-power drives with a smaller profit margin 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 larger amount of R&D capitalization than in the corresponding period in the previous year helped raise the operating profit. The company has several R&D projects for high-power drives in the capitalization stage in the low and medium voltage ranges.

The operating profit in April-June was EUR 11.6 million, or 11.2% of revenues (operating profit of EUR 10.4 million and 10.0% in April-June 2013). The earnings per share in April-June were EUR 0.27 (0.25), an increase of 7.3%.

Review of January-June 2014

Order intake and order book

Vacon's order intake declined slightly in January-June compared to the previous year. Orders received in January-June totalled EUR 210.3 (214.2) million. 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.

In the APAC region, the order intake increased 6.2% in the January-June period compared to the corresponding period in the previous year. In the North and South America region, the order intake increased 19.0%. In the APAC region, the biggest increase in orders was for marine industry products. In the North and South America region, the volume of orders increased especially for distributors and brand label customers. In the EMEA region, orders declined 10.5%. The fall in demand for products for renewable energy generation and marine industry was a particular factor in this decline.

The company's order book increased 37.9% from the beginning of the year, standing at EUR 64.6 (69.5) million at the end of June.

Revenues

Vacon's revenues declined slightly in January-June 2014 from the same period in the previous year. The fall in sales of products for the marine industry and for renewable energy generation was a particular factor in this decline.

Vacon's revenues in January-June totalled EUR 192.5 (194.8) million, a decline of 1.1% from the corresponding period in the previous year.

The North and South America region recorded the biggest improvement, with an 18.8% increase in revenues in January-June 2014 from the corresponding period in 2013. The biggest growth in revenues in North and South America was through distributors and brand label customers. Sales in the APAC region rose 3.1% in the January-June period, and the customer sector in this region with the biggest growth was the marine industry. Revenues in the EMEA region in contrast fell 8.1% in January-June from the previous year. The decline in sales of products for renewable energy generation and for the marine industry was a particular factor in this.

Vacon's sales to distributors, brand label customers and end users increased in January-June 2014. Sales to OEM customers were unchanged from the period for comparison. Sales to system integrators declined in January-June from the period for comparison. A significant proportion of the products for renewable energy generation and for the marine industry are sold through system integrators, which mainly explains the fall in sales through that sales channel.

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

Vacon Group revenues by region:

MEUR	4-6/ 2014	% of revenues	4-6/ 2013	% of revenues	1-6/ 2014	% of revenues	1-6/ 2013	% of revenues	1-12/ 2013	% of revenues
Europe. Middle East. Africa	57.6	55.7%	62.2	60.1%	110.0	57.1%	119.7	61.5%	242.1	60.1%
North and South America	21.2	20.5%	17.3	16.7%	38.9	20.2%	32.7	16.8%	70.7	17.6%
Asia and Pacific	24.6	23.8%	23.9	23.1%	43.7	22.7%	42.3	21.7%	90.2	22.4%
Total	103.3	100.0%	103.4	100.0%	192.5	100.0%	194.8	100.0%	403.0	100.0%

Vacon Group revenues by distribution channel:

MEUR	4-6/ 2014	% of revenues	4-6/ 2013	% of revenues	1-6/ 2014	% of revenues	1-6/ 2013	% of revenues	1-12/ 2013	% of revenues
Direct sales	7.8	7.6%	8.4	8.2%	16.2	8.4%	15.3	7.8%	31.1	7.7%
Brand label customers	18.9	18.3%	15.6	15.0%	35.1	18.2%	29.1	14.9%	63.2	15.7%
Distributors	16.5	16.0%	15.0	14.5%	32.0	16.6%	30.5	15.7%	63.6	15.8%
OEM	37.0	35.8%	36.3	35.1%	67.5	35.0%	67.8	34.8%	137.6	34.1%
System integrators	23.0	22.3%	28.2	27.2%	41.8	21.7%	52.1	26.7%	107.5	26.7%
Total	103.3	100.0%	103.4	100.0%	192.5	100.0%	194.8	100.0%	403.0	100.0%

Operating profit and result

The company's profitability improved in January-June 2014 from the corresponding period in the previous year. Low-power drives with a smaller profit margin 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 larger amount of R&D capitalization than in the corresponding period in the previous year helped raise the operating profit. The company has several R&D projects for high-power drives in the capitalization stage in the low and medium voltage ranges.

The operating profit in January-June was EUR 18.3 million, or 9.5% of revenues (operating profit of EUR 16.1 million and 8.3% in January-June 2013). The earnings per share in January-June were EUR 0.43 [0.38], an increase of 14.0%.

Balance sheet and cash flow

The balance sheet remained strong and the net cash flow from operating activities in the April-June period totalled EUR 9.7 (5.8) million. The net cash flow from operating activities in the January-June period totalled EUR 9.1 (22.4) million. The increase in working capital was a particular factor in developments in the net cash flow compared to the previous year. Revenues increased during the past few months and raised the amount of trade receivables. During the first half of the year Vacon paid the final instalment of EUR 3 million of the compensation imposed concerning the customs procedures applied by its Chinese subsidiary. This has been previously recognized in the income statement, and it increased the working capital.

A fair value change of EUR -2.4 million has been recorded in available for sale financial assets in the Group's statement of comprehensive income. The figure comes from the valuation at fair value of the holding in The Switch Engineering Oy.

Gearing was 5.8% (-3.8%). Net debt at the end of the quarter was EUR 6.1 (-3.9) million. The balance sheet total stood at EUR 219.0 (218.7) million. Equity ratio was 49.2% (47.9%). The Group's equity structure and liquidity remained strong. Interest-bearing debt at the end of the quarter totalled EUR 29.9 (27.9) million and cash funds totalled EUR 23.8 (31.7) million at the end of June.

Investments

Gross investments by the Group in the January - June period totalled EUR 10.7 (10.2) million. In line with the Company's strategic priorities, investments focused in particular on product development and production, and on developing information systems.

Research and development

R&D expenditure in the January-June period totalled EUR 14.2 (13.4) million, and EUR 5.0 (2.3) million of this was capitalized as development costs. R&D costs accounted for 7.4% of Group revenues (6.9%).

Vacon's strategic priorities in product development this year are expanding the VACON[®] 100 product range and developing high power products in the low and medium voltage ranges.

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.

Organization and personnel

The priorities in Vacon's human resource strategy in 2014 are developing knowhow and management, remuneration, nurturing the global corporate culture, personnel commitment, and recruiting the best experts in the field. Personnel who possess world-class knowledge and expertise are in a key position in achieving Vacon's strategic goals. The unique corporate culture is one of the Company's success factors. The company's values and expert personnel distinguish Vacon from its competitors.

At the end of June 2014 the Group employed 1,603 (1,561) people, and 781 (733) of these were in Finland and 822 (828) in other countries. The biggest increase in personnel was in research and development activities.

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

	1-6/2014	1-6/2013	1-12/2013
Office personnel	1,075	987	1,016
Factory personnel	511	536	537
TOTAL	1,586	1,523	1,553

Key events after end of period

On 1 July 2014 Vacon Plc and the other shareholders in The Switch Engineering Oy (The Switch) signed an agreement with Yaskawa Electric Corporation (Yaskawa), transferring all the shares in The Switch in to Yaskawa. The transaction was completed on 10 July 2014.

Vacon owned directly approximately 14% of The Switch shares and an additional 5% through the investment fund Power Fund I. The Switch is a customer of Vacon in its renewable energy generation business. This customer relationship with The Switch will continue unchanged. The sale of The Switch shares will not have an impact on Vacon's 2014 operating profit. A fair value change of EUR -2.4 million has been recorded in available for sale financial assets in Vacon Group's statement of comprehensive income, coming from the valuation at fair value of the holding in The Switch Engineering Oy.

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. Vacon and Telko-Poland have worked in partnership since 1994. Poland is a strongly developing, stable market, and the purchase of this business operation will further strengthen Vacon's presence in the country. The acquisition will not have a significant impact on Vacon's revenues or operating profit in 2014.

Shares and shareholders

(The figures have been adjusted in line with the situation after the share split.)

Vacon had a market capitalization at the end of June of EUR 905.3 (776.7) million. The closing share price on 30 June 2014 was EUR 29.65. The lowest share price during the January-June period was EUR 25.00 and the highest EUR 31.41.

A total of 1,661,978 shares, 5.4% of the share stock, were traded on the stock exchange in the January-June period, in monetary terms EUR 71.6 million. According to the shareholder register updated on 30 June 2014, Vacon had 5,159 registered shareholders. Shares that were nominee registered and in foreign ownership amounted to 47.5% (50.8%) of the total share stock.

On 30 June 2014 Vacon Plc held a total of 55,498 of its own shares, which it had acquired at an average price of EUR 19.09. 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.

On 30 June 2014 members of Vacon's Board of Directors, the President and CEO, and the Deputy to the CEO held directly a total of 811,298 shares, or 2.7% of Vacon's share stock.

Dividend

The Annual General Meeting in March 2014 adopted the proposal of the Board of Directors to pay a dividend of EUR 1.30 per share, in total some EUR 19.8 million. The dividend was paid on 8 April 2014. The new shares registered in connection with the share split did not entitle holders to the dividend for the 2013 fiscal year decided on at the AGM.

Risks and uncertainties in the near future

Risk management at Vacon Group is part of management of the Company's business operations. The aim of risk management is to ensure that the risks to which business operations are exposed have been identified and are under effective control. The goal is to minimize any damage that may be caused by risks and identify the risks relating to the management of business operations. Through its risk management the Company aims to safeguard the Company's profitable growth.

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.

Vacon's 2013 annual report contains a detailed description of the general risks and uncertainties affecting the Company's business and of the principles for risk management.

Prospects for 2014

Global megatrends, such as urbanisation, increasing industrial automation, energy efficiency, developing markets and renewable energy, all support growth in the AC drive market in the long term. Growth in the AC drive market varies however 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.

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.

Market guidelines for 2014

Vacon is retaining the market guidelines it published earlier and estimates that its revenues will increase 5-15% and its operating profit percentage excluding one-time items will be 11-13% in 2014.

Revenues in 2013 totalled EUR 403.0 million and the operating profit percentage excluding one-time items was 10.1%.

Vacon's financial targets for the period 2014-2020

Growth: The target is to achieve an average annual revenue growth of over 10%. The growth target is based on growing the business organically in a market environment where the AC drives market grows clearly faster than the average Gross Domestic Product (GDP). Selective acquisitions can be used to further accelerate the growth.

Profitability: The long-term profitability target is to achieve a sustainable EBIT margin level of 14%. Vacon focuses on growth and on measures that improve the company's efficiency in the long term and thus deliver a higher absolute EBIT and shareholder value.

Vacon does not consider the long term financial targets as market guidance for any given year during the period 2014-2020. It will issue separate market guidance annually.

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 its 2013 consolidated financial statements. The interim report is unaudited.

Consolidated statement of income, IFRS, MEUR

	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Revenues	103.3	103.4	192.5	194.8	403.0
Other operating income	0.1	0.0	0.1	0.1	0.3
Change in inventories of finished goods and work in progress	-0.1	1.4	2.4	1.7	1.5
Materials and services	-50.4	-53.8	-95.9	-100.7	-204.2
Employee benefit related expenses	-20.1	-21.1	-41.7	-42.1	-82.1
Other operating expenses	-17.7	-16.3	-32.4	-30.9	-64.1
Depreciation	-1.6	-1.6	-3.1	-3.2	-6.4
Amortization	-1.8	-1.8	-3.7	-3.6	-7.2
Operating profit	11.6	10.4	18.3	16.1	40.6
Financial income and expenses	-0.3	-0.1	-0.3	0.1	-1.0
Profit before taxes	11.3	10.2	18.0	16.3	39.7
Income taxes	-2.8	-2.2	-4.5	-4.3	-11.0
Profit for the period	8.5	8.0	13.4	12.0	28.7
Attributable to:					
Equity holders of the parent	8.3	7.8	13.2	11.5	28.0
Non-controlling interests	0.1	0.3	0.3	0.4	0.7
Earnings per share, euro	0.27	0.25*	0.43	0.38*	0.92*
Diluted earnings per share, euro	0.27	0.25*	0.43	0.38*	0.92*

* The figures have been adjusted in line with the situation after the share split.

Consolidated statement of comprehensive income, MEUR

	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Profit for the period	8.5	8.0	13.4	12.0	28.7
Other comprehensive income					
Remeasurement	0.0	0.0	0.0	0.1	-0.9
Items not transferred to profit or loss	0.0	0.0	0.0	0.1	-0.9
Available for sale financial assets	-2.4	0.0	-2.4	0.0	0.0
Translation differences	0.1	-0.1	-0.6	0.4	-0.4
Items that may subsequently be transferred to profit or loss	-2.3	-0.1	-2.9	0.4	-0.4
Total comprehensive income	6.2	8.0	10.5	12.4	27.5
Attributable to:					
Equity holders of the parent	6.0	7.7	10.2	12.0	26.9
Non-controlling interests	0.1	0.3	0.3	0.4	0.6

Consolidated statement of financial position, IFRS, MEUR

	30.6.2014	30.6.2013	31.12.2013
ASSETS			
Goodwill	8.9	9.2	8.9
Development costs	23.0	19.0	20.3
Other intangible assets	7.5	7.1	8.2
Property, plant and equipment	28.3	27.1	26.6
Available-for-sale financial assets	2.4	3.7	3.7
Deferred tax assets	7.8	7.8	7.3
Other financial assets	2.1	3.2	3.2
Total non-current assets	80.0	77.1	78.3
Inventories	29.3	26.9	27.1
Trade and other receivables	85.9	83.0	75.1
Cash and cash equivalents	23.8	31.7	35.9
Total current assets	139.0	141.7	138.1
Total assets	219.0	218.7	216.4
EQUITY AND LIABILITIES			
Share capital	3.1	3.1	3.1
Share premium reserve	5.0	5.0	5.0
Other reserves	2.4	0.1	2.4
Own shares	-1.1	-2.0	-2.0
Revaluation reserve	0.1	2.3	2.5
Retained earnings	95.7	92.5	104.6
Non-controlling interests	1.2	1.7	1.9
Total equity	106.4	102.7	117.4
Deferred tax liabilities	6.5	6.4	6.0
Employee benefits	3.8	2.2	3.5
Interest-bearing liabilities	13.5	16.4	14.9
Total non-current liabilities	23.8	25.0	24.4
Trade and other payables	62.6	68.6	59.4
Provisions	9.8	11.0	11.4
Interest-bearing liabilities	16.4	11.5	3.8
Total current liabilities	88.9	91.1	74.5
Total equity and liabilities	219.0	218.7	216.4

Q2/2014 Consolidated statement of changes in equity, IFRS, MEUR

	Attributable to equity holders of the parent						Total	Non-controlling interests	Total equity
	Share capital	Share premium reserve	Other reserves	Own shares	Re-valuation reserve	Retained earnings			
Equity 1 Jan 2014	3.1	5.0	2.4	-2.0	2.5	104.6	115.6	1.9	117.4
Profit for the period						13.2	13.2	0.3	13.4
Other total comprehensive income:									
Available for sale financial assets					-2.4		-2.4		-2.4
Translation differences			0.0			-0.5	-0.5	0.0	-0.6
Total comprehensive income for the period			0.0		-2.4	12.6	10.2	0.3	10.5
Share bonuses				0.9		-0.8	0.1		0.1
Dividends paid						-19.8	-19.8	-0.6	-20.5
Acquisition of non-controlling interests			0.0			-0.9	-0.9	-0.3	-1.2
Equity 30 Jun 2014	3.1	5.0	2.4	-1.1	0.1	95.7	105.2	1.2	106.4

Q2/2013 Consolidated statement of changes in equity, IFRS, MEUR

	Attributable to equity holders of the parent						Total	Non-controlling interests	Total equity
	Share capital	Share premium reserve	Other reserves	Own shares	Re-valuation reserve	Retained earnings			
Equity 1 Jan 2013	3.1	5.0	0.1	-2.9	2.3	98.7	106.3	2.0	108.3
Profit for the period						11.5	11.5	0.4	12.0
Other total comprehensive income:									
Remeasurement						0.1	0.1		0.1
Translation differences						0.4	0.4		0.4
Total comprehensive income for the period						12.0	12.0	0.4	12.4
Share bonuses				0.9		-0.2	0.7		0.7
Dividends paid						-16.8	-16.8	-0.5	-17.3
Acquisition of non-controlling interests						-1.2	-1.2	-0.3	-1.4
Equity 30 Jun 2013	3.1	5.0	0.1	-2.0	2.3	92.5	101.0	1.7	102.7

Consolidated statement of cash flow, IFRS, MEUR

	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Profit for the period	8.5	8.0	13.4	12.0	28.7
Depreciation	3.4	3.4	6.8	6.7	13.7
Financial income and expenses	0.3	0.1	0.3	-0.1	1.0
Taxes	2.8	2.2	4.5	4.3	11.0
Other adjustments	-0.4	1.1	-0.6	1.2	1.9
Change in working capital	-2.5	-4.9	-11.4	4.8	2.3
Net cash flow from financial items and tax	-2.3	-4.1	-4.0	-6.4	-11.8
Net cash flow from operating activities	9.7	5.8	9.1	22.4	46.7
Acquisition of subsidiary	0.0	0.0	-1.2	-1.5	-1.5
Investments in property, plant and equipment	-2.9	-4.0	-4.9	-6.0	-8.9
Investments in intangible assets	-2.9	-2.0	-5.7	-3.8	-11.2
Other investments	0.0	0.0	0.0	-0.1	0.3
Net cash flow from investing activities	-5.8	-6.0	-11.7	-11.4	-21.2
Repayment of long-term borrowings	-0.4	0.0	-1.8	0.0	-5.7
Proceeds from short-term borrowings	10.9	8.3	12.8	8.3	4.2
Repayment of short-term loans	0.0	0.8	0.0	-1.4	-0.7
Dividends paid	-20.2	-17.0	-20.5	-17.3	-17.3
Net cash flow from financing activities	-9.7	-7.9	-9.5	-10.5	-19.5
Change in cash and cash equivalents	-5.8	-8.1	-12.1	0.6	5.9
Cash and cash equivalents at start of period	29.3	40.4	35.9	31.1	31.1
Translation differences for cash and cash equivalents	0.3	-0.6	-0.1	0.1	-1.0
Cash and cash equivalents at end of period	23.8	31.7	23.8	31.7	35.9

Segment information

Vacon has focused on one product, AC drives, and this is also Vacon's only business segment.

The figures for the business segment are identical to the figures for the whole Group. Vacon's operations are organized in the following main functions: Market Operations, Product Operations and Support Functions. To ensure that the organization is customer-oriented, operations are controlled by sales channels: distributors, systems integrators, direct sales, OEM customers and brand label customers.

Vacon's chief operating decision maker is Vacon Plc's president and CEO, who assesses the Group's overall financial situation and developments in this.

Key financial indicators

The figures have been adjusted to take into account the increase in the number of shares after the share split.

Per share data	30.6.2014	30.6.2013	31.12.2013
Earnings per share, EUR	0.43	0.38	0.92
Equity per share, EUR	3.44	3.31	3.79
Lowest trading price, EUR	25.00	20.00	20.00
Highest trading price, EUR	31.41	28.50	29.95
Share price at end of period, EUR	29.65	25.48	29.25
Average trading price, EUR	28.78	24.76	25.86
Market capitalization, MEUR	905.3	776.7	891.7
Trading volume, no. of shares	1,661,978	2,457,382	4,711,238
Trading volume, %	5.4%	8.1%	15.5%
Adjusted average number of shares during financial period	30,511,612	30,456,752	30,471,882
Number of shares at end of period	30,534,502	30,487,170	30,486,326
Own shares	55,498	102,830	103,674

Key indicators showing the Group's financial performance

	30.6.2014	30.6.2013	31.12.2013
Revenues, MEUR	192.5	194.8	403.0
Change in revenues, %	-1.1%	6.0%	3.8%
Operating profit, MEUR	18.3	16.1	40.6
Change in operating profit, %	13.3%	-3.5%	6.9%
Operating profit, % of revenues	9.5%	8.3%	10.1%
Profit before taxes, MEUR	18.0	16.3	39.7
Profit before taxes, % of revenues	9.3%	8.3%	9.8%
Interest-bearing net liabilities, MEUR	6.1	-3.9	-17.2
Gearing, %	5.8%	-3.8%	-14.7%
Working capital, MEUR	42.8	30.3	31.4
Equity ratio, %	49.2%	47.9%	55.0%
Gross capital expenditure, MEUR	10.7	10.2	19.7
Gross capital expenditure, % of revenues	5.6%	5.2%	4.9%
R&D costs, MEUR	14.2	13.4	27.3
R&D costs, % of revenues	7.4%	6.9%	6.8%
Number of personnel at end of period	1,603	1,561	1,596
Order book, MEUR	64.6	69.5	46.8

Commitments and contingencies, MEUR

	30.6.2014	30.6.2013	31.12.2013
Commitments and contingencies	14.3	14.0	15.0
Financing commitments	0.0	0.0	0.0

Fair value hierarchy of financial assets and liabilities valued at fair value, MEUR

Fair values at end of reporting period

	30.6.2014	Level 1	Level 2	Level 3
Financial assets to be recognized at fair value through profit and loss				
Currency forward contracts and currency options	0.1		0.1	
Available for sale financial assets				
Investments in shares	3.0			3.0
Loans and other receivables				
Convertible bond	1.0			1.0
Total	4.1	0.0	0.1	4.0
Liabilities valued at fair value				
Currency forward contracts and currency options	0.3		0.3	
Total	0.3	0.0	0.3	0.0

The fair values at hierarchy **level 1** are based on the quoted prices of completely identical asset items or liabilities in an active market.

The fair values of **level 2** instruments are to a significant extent based on inputs other than quoted prices included in level 1; however, they are based on information that is observable for the asset item either directly or indirectly. The Group uses the market value reports produced by the treasury system and made by the banks in defining the fair value of these instruments.

The fair values of **level 3** instruments are based on acquisition cost or inputs concerning the asset item which are not based on observable market information but to a significant extent on the management's estimates.

Group quarterly performance, MEUR

	4-6/2014	1-3/2014	10-12/2013	7-9/2013	4-6/2013	1-3/2013
Revenues	103.3	89.3	97.8	110.4	103.4	91.3
Operating profit	11.6	6.7	9.7	14.8	10.4	5.8
Profit before taxes	11.3	6.7	9.2	14.2	10.2	6.0

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 =	$\frac{\text{Total equity – non-controlling interests}}{\text{Adjusted average number of shares at year end}}$
Dividend per share =	$\frac{\text{Dividend for financial year}}{\text{Adjusted number of shares at year end}}$
Equity ratio, % =	$\frac{\text{Total equity} \times 100}{\text{Balance sheet total – advances received}}$
Gearing, % =	$\frac{(\text{Interest-bearing liabilities – cash, bank balances and financial assets}) \times 100}{\text{Total equity}}$
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 year end x closing share price
Share turnover, % =	$\frac{\text{Number of shares traded during the year} \times 100}{\text{Adjusted average number of shares}}$