



Q3

VACON PLC
INTERIM REPORT
JANUARY – SEPTEMBER 2014

July-September highlights:

- Order intake totalled MEUR 105.8 (MEUR 97.9 in July-September 2013), growth of 8.1% from the corresponding period in the previous year.
- Revenues totalled MEUR 107.5 (MEUR 110.4), a decline of 2.6% from the corresponding period in the previous year.
- Operating profit excluding one-time items was MEUR 15.7, or 14.6% of revenues (MEUR 14.8 and 13.4%).
- Operating profit was MEUR 14.7, or 13.7% of revenues (MEUR 14.8 and 13.4%).
- Net cash flow from operating activities was MEUR 19.0 (MEUR 9.5).
- Earnings per share were EUR 0.36 (EUR 0.32*).

January-September highlights:

- Order intake totalled MEUR 316.1 (MEUR 312.1 in January-September 2013), growth of 1.3 % from the corresponding period in the previous year.
- Revenues totalled MEUR 300.0 (MEUR 305.1), a decline of 1.7% from the corresponding period in the previous year.
- Operating profit excluding one-time items was MEUR 34.0, or 11.3 % of revenues (MEUR 31.0 and 10.2%).
- Operating profit was MEUR 33.0 or 11.0% of revenues (MEUR 31.0 and 10.2%).
- Net cash flow from operating activities was MEUR 28.2 (MEUR 32.0).
- Earnings per share were EUR 0.80 (EUR 0.70*).

January-September key indicators:

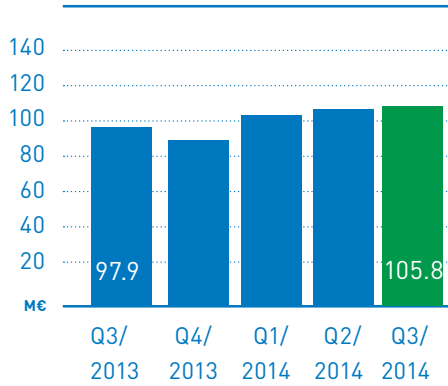
MEUR	7-9/2014	7-9/2013	Change, %	1-9/2014	1-9/2013	Change, %	1-12/2013
Order intake	105.8	97.9	8.1%	316.1	312.1	1.3%	399.8
Revenues	107.5	110.4	-2.6%	300.0	305.1	-1.7%	403.0
Operating profit excluding one-time items	15.7	14.8	6.0%	34.0	31.0	9.8%	40.6
% of revenues	14.6%	13.4%		11.3%	10.2%		10.1%
Operating profit	14.7	14.8	-0.8%	33.0	31.0	6.5%	40.6
% of revenues	13.7%	13.4%		11.0%	10.2%		10.1%
Profit before taxes	14.9	14.2	5.1%	32.9	30.5	8.0%	39.7
Net cash flow from operating activities	19.0	9.5	99.5%	28.2	32.0	-12.0%	46.7
Earnings per share. EUR	0.36	0.32*	12.6%	0.80	0.70*	13.3%	0.92*

MEUR	30.9.2014	30.9.2013	Change, %	31.12.2013
Order book	62.9	57.0	10.4%	46.8
Interest-bearing net liabilities	-9.7	-8.8	10.5%	-17.2
Gearing, %	-8.1%	-7.8%		-14.7%
Gross capital expenditure	16.5	14.1	17.4 %	19.7

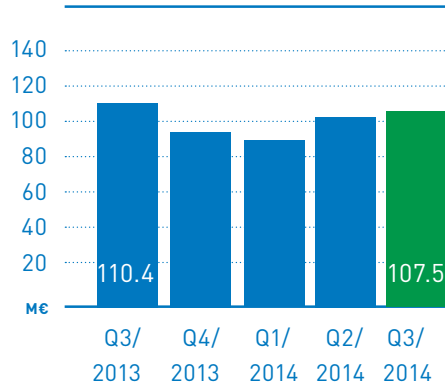
* The figures have been adjusted to take into account the increase in the number of shares after the share split.

Key indicators Q3/2013-Q3/2014

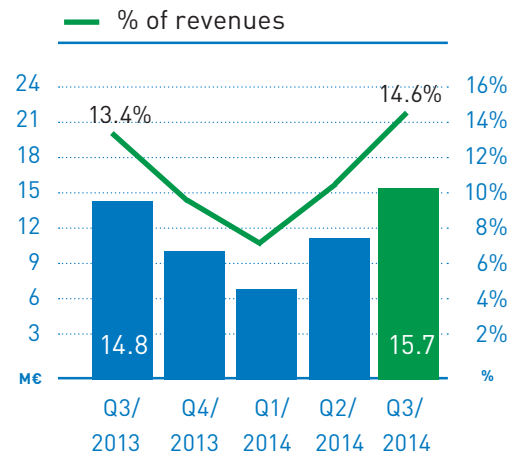
Order intake, MEUR



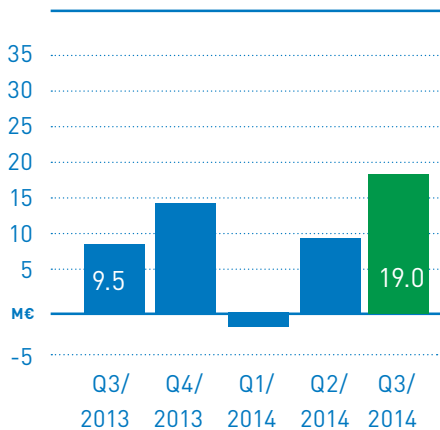
Revenues, MEUR



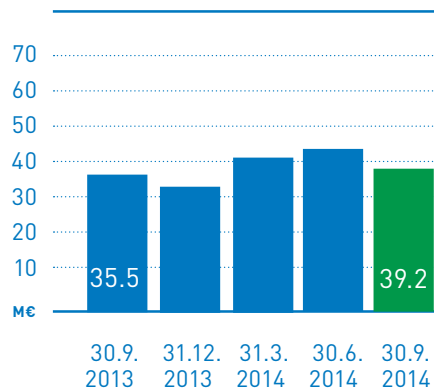
Operating profit excluding one-time items, MEUR



Net cash flow from operating activities, MEUR

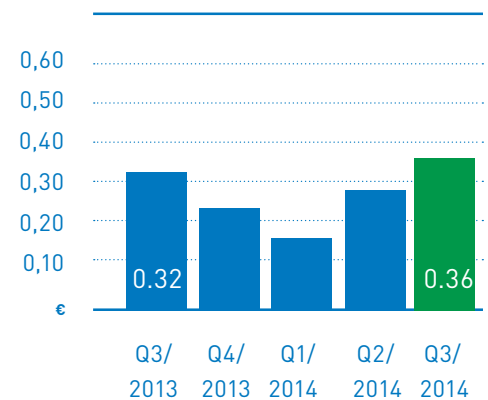


Working capital, MEUR

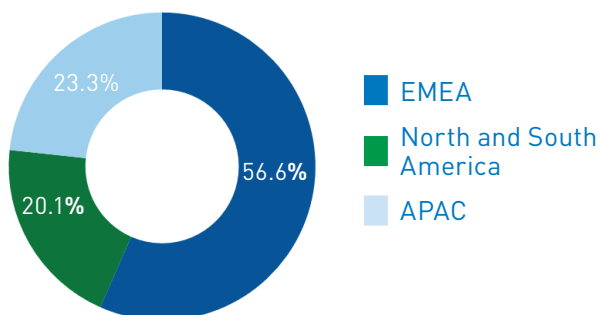


Earnings per share, EUR

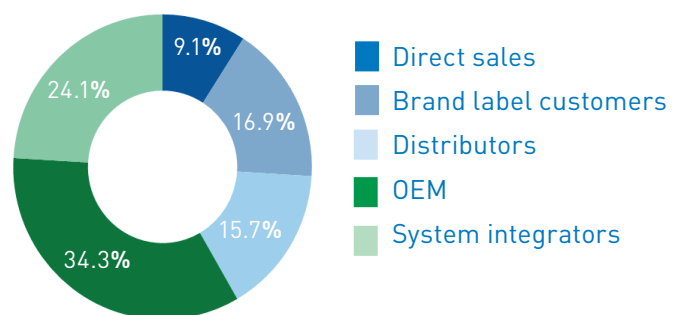
(The figures have been adjusted in line with the situation after the share split)



Revenues by region Q3/2014



Revenues by distribution channel Q3/2014



President and CEO Vesa Laisi: Order intake increased and profitability improved clearly in the third quarter

“The AC drive market has not shown signs of picking up this year. It looks as if the market growth that early in the year was forecast to take place towards the end of the year will not take place until later. This year, Vacon’s business operations have not achieved the targets for growth that the company set itself. In this difficult market situation we have however succeeded in improving our profitability and have invested in future growth both in our product development and in our sales.

In the third quarter of 2014 we were able to increase order intake and improve profitability. It was particularly encouraging that orders increased strongly in the Europe, Middle East and Africa (EMEA) region, where the volume of orders in the previous two quarters had declined from the corresponding periods in the previous year.

Revenues declined slightly in the third quarter from the corresponding period in the previous year. Revenues in the quarter in the previous year were the highest to date for any quarter in the history of Vacon. Revenues rose from the previous quarter. Our strongest growth region in the July-September period was North and South America, where revenues clearly increased.

The company’s comparable operating profit improved significantly, even though revenues were down from the period for comparison. Efficient material sourcing and especially the cost benefits from transferring material sourcing to lower cost countries have been key factors in improving the company’s profitability. The market has given the VACON[®] NXP System Drive product launched in January a good reception and orders have exceeded our expectations. Growth prospects for this product are good.

This is a time of change for us. Danfoss has made a voluntary public tender offer to purchase all issued and outstanding shares in Vacon, and Vacon’s Board of Directors have recommended acceptance of the offer. Combining Danfoss and Vacon will create a Nordic based, global player - a new AC drives business with the clear ambition of building a leading position in the AC drives market.

I believe that the customers of both companies will derive significant benefits from these two companies joining forces. Together they can bring to market ever more competitive, innovative and attractive AC drives. I am also proud of how Vacon personnel have reacted to this news. In an admirable way they have concentrated on doing their own work to the best of their ability – just as they always have.”

Review of July-September 2014

Order intake and order book

Orders received in July-September totalled EUR 105.8 (97.9) million. The order intake developed positively in the EMEA region, which saw growth of 16.0% from the corresponding period in the previous year. Growth in orders received in the EMEA region was highest in renewable and conventional energy generation and in the marine and process industries. The order intake increased 0.5% in the Asia Pacific (APAC) region. Orders received in the North and South America region declined 3.0%. The low volume of orders in South America contributed to the weaker than expected developments in the order intake in North and South America.

Revenues

Vacon's revenues in July-September 2014 declined from the period for comparison but increased from the second quarter of the year. Revenues in the period for comparison were the highest for any quarter to date for Vacon. Vacon's revenues in July-September totalled EUR 107.5 (110.4) million.

The North and South America region recorded the biggest improvement, with revenues increasing 13.0% in July-September 2014 from the period for comparison. Revenues in this region increased particularly in the marine industry and in building automation. Sales in the APAC region rose 4.3%. Revenues in the EMEA region fell 9.6% in the third quarter from the period for comparison. A particular factor in this was seasonal fluctuation in demand for products for the renewable energy generation.

In line with its strategy Vacon utilises several sales channels. Vacon's sales to brand label and to end users increased in July-September 2014, while sales to systems integrators, OEM customers and distributors declined from the period for comparison. A significant proportion of the products supplied for renewable energy generation and marine industry are sold via system integrators, which mainly explains the fall in sales via this sales channel.

Operating profit and result

Vacon's profitability improved distinctly in the third quarter. Efficient material sourcing and especially the cost benefits from transferring material sourcing to lower cost countries are key factors in improving the company's profitability.

The operating profit excluding one-time items rose considerably, standing at EUR 15.7 million in the July-September period, or 14.6% of revenues (operating profit EUR 14.8 million and 13.4 % in July-September 2013). The one-time items are mainly related to the voluntary public tender offer to purchase Vacon's shares and they had a net impact of EUR -1.0 million in the review period.

The operating profit in July-September was EUR 14.7 million, or 13.7% of revenues (operating profit EUR 14.8 million and 13.4% in July-September 2013).

The earnings per share in July-September were EUR 0.36 (EUR 0.32), an increase of 12.6%.

Review of January-September 2014

Order intake and order book

Orders received in January-September totalled EUR 316.1 (312.1) million. The order intake in the January-September 2014 period increased 11.1% in the North and South America region from the period for comparison and 4.2% in the APAC region. The growth in orders in North and South America was spread over several industrial sectors. In the APAC region orders for marine industry products saw the biggest increase. The order intake in the EMEA region declined 2.9%. A particular factor in this was the fall in demand for products for the marine industry and for renewable energy generation.

The company's order book increased 34.3% from the beginning of the year, standing at EUR 62.9 million at the end of September (EUR 57.0 million).

Revenues

Vacon's revenues in January-September totalled EUR 300.0 (305.1) million. The North and South America region recorded the biggest improvement, with a 16.7% increase in revenues in January-September 2014 from the corresponding period in 2013. This growth in North and South America was spread over several industrial sectors. Sales in the APAC region increased 3.5% in the January-September period, and the customer sector in this region with the biggest growth was the marine industry. Revenues in the EMEA region in contrast fell 8.6% in January-September 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 end users, distributors and brand label customers increased in January-September 2014. Sales to system integrators and OEM customers declined in this period from the previous year. 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 Group revenues by region:

MEUR	7-9/ 2014	% of revenues	7-9/ 2013	% of revenues	1-9/ 2014	% of revenues	1-9/ 2013	% of revenues	1-12/ 2013	% of revenues
Europe, Middle East, Africa	60.8	56.6%	67.2	60.9%	170.8	56.9%	187.0	61.3%	242.1	60.1%
North and South America	21.6	20.1%	19.1	17.3%	60.4	20.1%	51.8	17.0%	70.7	17.6%
Asia and Pacific	25.1	23.3%	24.0	21.8%	68.7	22.9%	66.4	21.8%	90.2	22.4%
Total	107.5	100.0%	110.4	100.0%	300.0	100.0%	305.1	100.0%	403.0	100.0%

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

Vacon Group revenues by distribution channel:

MEUR	7-9/ 2014	% of revenues	7-9/ 2013	% of revenues	1-9/ 2014	% of revenues	1-9/ 2013	% of revenues	1-12/ 2013	% of revenues
Direct sales	9.7	9.1%	7.8	7.1%	26.0	8.7%	23.1	7.6%	31.1	7.7%
Brand label customers	18.2	16.9%	17.9	16.2%	53.3	17.8%	47.0	15.4%	63.2	15.7%
Distributors	16.8	15.7%	17.6	15.9%	48.9	16.3%	48.1	15.8%	63.6	15.8%
OEM	36.8	34.3%	37.1	33.6%	104.3	34.8%	104.9	34.4%	137.6	34.1%
System integrators	25.9	24.1%	30.0	27.2%	67.7	22.6%	82.1	26.9%	107.5	26.7%
Total	107.5	100.0%	110.4	100.0%	300.0	100.0%	305.1	100.0%	403.0	100.0%

Operating profit and result

Vacon's profitability improved in January-September 2014. Efficient material sourcing and especially the cost benefits from transferring material sourcing to lower cost countries are key factors in the improvement in the company's profitability.

The operating profit excluding one-time items improved to EUR 34.0 million in January-September, or 11.3% of revenues (operating profit EUR 31.0 million and 10.2% in January-September 2013). The one-time items are mainly related to the voluntary public tender offer to purchase Vacon's shares and they had a net impact of EUR -1.0 million in the review period.

The operating profit improved to EUR 33.0 million in January-September, or 11.0% of revenues (operating profit EUR 31.0 million and 10.2% in January-September 2013).

The earnings per share in January-September were EUR 0.80 (EUR 0.70), an increase of 13.3%.

Balance sheet and cash flow

The balance sheet remained strong and the net cash flow from operating activities in the July-September period totalled EUR 19.0 (9.5) million. The net cash flow from operating activities in the January-September period totalled EUR 28.2 (32.0) million. The increase in net 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, which had been previously recognized in the income statement, and this increased working capital.

The Group has sold its holding in The Switch Engineering Oy. The sale of these shares has no impact on the Group's result, but it has EUR 2.3 million effect on the net cash flow from investing activities.

The company has no net debt. Gearing was -8.1% (-7.8%). Net debt at the end of September was EUR -9.7 (-8.8) million. The balance sheet total stood at EUR 229.9 (216.9) million. Equity ratio was 52.9% (52.6%). The Group's equity structure and liquidity remained strong. Interest-bearing debt at the end of the period totalled EUR 17.1 (23.8) million and cash funds totalled EUR 26.8 (32.6) million.

Investments

Gross investments by the Group in the January – September period totalled EUR 16.5 (14.1) 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-September period totalled EUR 21.2 (20.2) million, and EUR 7.6 (4.1) million of this was capitalized as development costs. R&D costs accounted for 7.1% of Group revenues (6.6%).

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. Product development for Vacon's medium voltage AC drives has progressed according to plan. The first product version has proved to be very effective in practice and the design work on new products is moving into the pilot phase.

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 September 2014 the Group employed 1 612 (1 579) people, and 773 (738) of these were in Finland and 839 (841) in other countries.

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

	1-9/2014	1-9/2013	1-12/2013
Office personnel	1,085	1,003	1,016
Factory personnel	508	537	537
TOTAL	1,593	1,540	1,553

Changes in senior management

Pia Aaltonen-Forsell, Vacon CFO and member of Vacon Group's Executive Management Team, has returned to work from maternity leave. Ann-Louise Brännback, acting CFO during Pia Aaltonen-Forsell's absence, returns to her previous position as Director, Business Control, Product Operations.

Other key events in the review period

On 11 September 2014 Danfoss A/S together with its group companies ("Danfoss") and Vacon Plc ("Vacon") entered into a combination agreement under which they agree to combine the drives businesses of Danfoss and Vacon (the "Combination Agreement"). In order to effect the combination Danfoss has, through its wholly owned subsidiary Oy Danfoss Ab (the "Bidder"), made a voluntary public tender offer, recommended by the Board of Directors of Vacon, to purchase all the issued and outstanding shares in Vacon (the "Tender Offer"). In the Tender Offer Vacon shareholders are being offered a cash consideration of EUR 34.00 for each share in Vacon, which represents an aggregate equity purchase price of approximately EUR 1,038 million. Combining the two companies will create a Nordic based, global player - a new drives business with the clear ambition of building a leading position in the drives market.

Danfoss announced on 25 September 2014 that it would commence the voluntary public tender offer recommended by the Board of Directors of Vacon for all shares in Vacon. According to the release published by Danfoss on 25 September 2014, the offer period under the Tender Offer commenced at 9:30 am (Finnish time) on 29 September 2014 and expires at 4:00 pm (Finnish time) on 28 October 2014 (the "Offer Period"). Deviating from the announcement of 12 September 2014, the Offer Period has been extended by one week due to the laws and regulations of the United States of America. The Offeror reserves the right to extend the Offer Period in accordance with the terms and conditions of the Tender Offer.

In September 2014 Vacon announced that it was reducing its market guidance for 2014 and estimated that its revenues would increase and the operating profit percentage excluding one-time items would improve from 2013. Revenues in 2013 totalled EUR 403.0 million and the operating profit percentage excluding one-time items was 10.1%. The main reason for revising the guidance is the increasing risks related to revenue growth. The company's expectations regarding order intake for the rest of the year have weakened.

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 to Yaskawa. Vacon owned directly approximately 14 % of The Switch shares and an additional 5 % through the investment fund Power Fund I. The transaction was completed on 10 July 2014. The Switch is a customer of Vacon in its renewable energy generation business and this customer relationship continues unchanged. The sale of The Switch shares will not have an impact on Vacon's 2014 result.

On 10 July 2014 Vacon signed an agreement to purchase the AC drive business of Telko-Poland, a Polish subsidiary of Finnish company Kaukomarkkinat Oy, for its subsidiary in Poland. The transaction was completed as agreed on 1 September 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 September of EUR 1029.0 (887.2) million. The closing share price on 30 September 2014 was EUR 33.70. The lowest share price during the January-September period was EUR 25.00 and the highest EUR 37.50.

A total of 8 275 420 shares, or 27.1% of the share stock, were traded on the stock exchange in the January-September period, in monetary terms EUR 280.8 million. According to the shareholder register updated on 30 September 2014, Vacon had 4 867 registered shareholders. Shares that were nominee registered and in foreign ownership amounted to 41.6% (51.0%) of the total share stock.

On 30 September 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 September 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.

Flagging notices in the review period

On 12 September 2014 Vacon received notification of major shareholdings pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. According to this notification, Ilmarinen Mutual Pension Insurance Company is party to an agreement which, if realized, would result in the disposal of shares and to the holding in Vacon of Ilmarinen Mutual Pension Insurance Company falling below 5 % of all the shares and voting rights in Vacon.

On 12 September 2014 Vacon received notification of major shareholdings pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. According to this notification, AC Invest Three B.V. has under a share purchase agreement dated 11 September 2014 undertaken to sell a total of 3,229,688 shares in Vacon corresponding to approximately 10.56 per cent of all the shares in Vacon. The share purchase agreement includes two share tranches. The sale of the first share tranche took place on 12 September 2014 and comprised 3,053,400 shares. The sale of the second share tranche comprises 176,288 shares which corresponds to approximately 0.58 per cent of all the shares in Vacon and is conditional upon the receipt of approval from the Finnish Ministry of Employment and Economy as required under the Finnish Act on Monitoring Acquisitions (172/2012). Said sale will be settled within five (5) business days from the date of receipt of said approval. As the result of the above, the holding of AC Invest Three B.V. has fallen below the threshold of 5 per cent of Vacon's shares.

On 12 September 2014 Vacon received notification of major shareholdings pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act. According to this notification, Danfoss A/S' indirect and Oy Danfoss Ab's direct holding has exceeded 5 per cent of all the shares and voting rights in Vacon, the holding being 3,053,400 shares which corresponds to 9.98 per cent of all the shares and voting rights in

Vacon. Pursuant to a contract dated 11 September 2014 Oy Danfoss Ab will, conditional upon the receipt of the approval of the Finnish Ministry of Employment and Economy required under the Finnish Act on Monitoring Acquisitions (172/2012), receive 176,288 shares in Vacon, which corresponds to 0.58 per cent of Vacon's all shares and voting rights. The undertakings are valid until the closing or withdrawal of the tender offer, and the holding thereunder will be transferred at completion of the tender offer. The direct holding of Oy Danfoss Ab and the indirect holding of Danfoss A/S may on the basis of the above together amount to a maximum of 7,609,820 shares, which corresponds to approximately 24.88 per cent of all the shares and voting rights in Vacon.

Flagging notices after end of period

On 2 October 2014 Vacon received notification of major shareholdings pursuant to Chapter 9, Section 5 of the Finnish Securities Market Act. According to this notification, based on Danfoss A/S' and Oy Danfoss Ab's current holdings and shareholders' acceptances of the tender offer received by 30 September 2014 (including the shares represented by the above undertakings to accept the tender offer), Danfoss A/S' indirect and Oy Danfoss Ab's direct holding would exceed 25 per cent of all the shares and voting rights in Vacon should the tender offer be completed. The acceptances of the offer are valid until the expiry of the acceptance period under the tender offer, unless withdrawn, and the holdings thereunder will be transferred to Danfoss in connection with the completion of the tender offer. The total indirect holding of Danfoss A/S and direct holding of Oy Danfoss Ab may on the basis of the above amount to a maximum of 7,783,077 shares which corresponds to 25.44 per cent of all the shares and voting rights in Vacon.

On 14 October 2014 Vacon received notification of major shareholdings pursuant to Chapter 9, Section 5 of the Finnish Securities Market Act. According to this notification, based on Danfoss A/S' and Oy Danfoss Ab's current ownership and shareholders' acceptances of the tender offer received by 13 October 2014 (including the shares represented by the above undertakings to accept the tender offer), Danfoss A/S' indirect and Oy Danfoss Ab's direct ownership would exceed 30 per cent of all the shares and voting rights in Vacon in case the tender offer is completed. The acceptances of the offer are valid until the expiry of the acceptance period under the tender offer, unless withdrawn, and the ownership thereunder will be transferred to Danfoss in connection with the completion of the tender offer. The total indirect ownership of Danfoss A/S and direct ownership of Oy Danfoss Ab may on the basis of the above amount to a maximum of 9,349,277 shares which corresponds to 30.56 per cent of all the shares and voting rights in Vacon.

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 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, or in the first half of 2014 either. A major factor in this has been the overall economic uncertainty, which has caused industrial investment to slow down. In Vacon's assessment the market has also not grown significantly or growth has been slow in the July-September period.

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

In September 2014 Vacon announced that it was reducing its market guidance for 2014 and estimated that its revenues would increase and the operating profit percentage excluding one-time items would improve from 2013. The main reason for revising the guidance is the increasing risks related to revenue growth. The company's expectations regarding order intake for the rest of the year have weakened. 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

	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
Revenues	107.5	110.4	300.0	305.1	403.0
Other operating income	0.1	0.1	0.2	0.2	0.3
Change in inventories of finished goods and work in progress	1.3	-0.9	3.8	0.8	1.5
Materials and services	-52.9	-55.6	-148.8	-156.2	-204.2
Employee benefit related expenses	-21.7	-20.4	-63.3	-62.5	-82.1
Other operating expenses	-16.0	-15.3	-48.4	-46.2	-64.1
Depreciation	-1.7	-1.7	-4.8	-4.8	-6.4
Amortization	-1.9	-1.8	-5.6	-5.4	-7.2
Operating profit	14.7	14.8	33.0	31.0	40.6
Financial income and expenses	0.2	-0.6	-0.1	-0.5	-1.0
Profit before taxes	14.9	14.2	32.9	30.5	39.7
Income taxes	-3.7	-4.2	-8.3	-8.5	-11.0
Profit for the period	11.2	10.0	24.7	22.0	28.7
Attributable to:					
Equity holders of the parent	11.1	9.9	24.3	21.4	28.0
Non-controlling interests	0.1	0.2	0.4	0.6	0.7
Earnings per share, euro	0.36	0.32**	0.80	0.70**	0.92**
Diluted earnings per share, euro	0.36	0.32**	0.80	0.70**	0.92**

* One-time items are not listed separately in the consolidated statement of income.

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

Consolidated statement of comprehensive income, MEUR

	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
Profit for the period	11.2	10.0	24.7	22.0	28.7
Other comprehensive income					
Remeasurement	0.0	0.1	0.0	0.1	-0.9
Items not transferred to profit or loss	0.0	0.1	0.0	0.1	-0.9
Available for sale financial assets	-0.1	0.0	-2.5	0.0	0.0
Translation differences	1.9	-0.5	1.4	-0.2	-0.4
Items that may subsequently be transferred to profit or loss	1.8	-0.5	-1.1	-0.2	-0.4
Total comprehensive income	13.0	9.6	23.6	22.0	27.5
Attributable to:					
Equity holders of the parent	12.9	9.4	23.2	21.4	26.9
Non-controlling interests	0.1	0.2	0.4	0.6	0.6

Consolidated statement of financial position, IFRS, MEUR

	30.9.2014	30.9.2013	31.12.2013
ASSETS			
Goodwill	9.3	9.1	8.9
Development costs	24.4	19.6	20.3
Other intangible assets	14.4	6.8	8.2
Property, plant and equipment	23.4	26.8	26.6
Available-for-sale financial assets	0.0	3.7	3.7
Deferred tax assets	7.9	7.5	7.3
Other financial assets	2.2	3.2	3.2
Total non-current assets	81.5	76.6	78.3
Inventories	32.6	26.1	27.1
Trade and other receivables	88.9	81.6	75.1
Cash and cash equivalents	26.8	32.6	35.9
Total current assets	148.4	140.3	138.1
Total assets	229.9	216.9	216.4
EQUITY AND LIABILITIES			
Share capital	3.1	3.1	3.1
Share premium reserve	5.0	5.0	5.0
Other reserves	2.6	2.0	2.4
Own shares	-1.1	-2.0	-2.0
Revaluation reserve	0.0	2.3	2.5
Retained earnings	108.8	99.9	104.6
Non-controlling interests	1.3	1.8	1.9
Total equity	119.7	112.2	117.4
Deferred tax liabilities	6.8	6.5	6.0
Employee benefits	3.9	2.2	3.5
Interest-bearing liabilities	12.1	15.0	14.9
Total non-current liabilities	22.8	23.6	24.4
Trade and other payables	72.1	60.9	59.4
Provisions	10.2	11.3	11.4
Interest-bearing liabilities	5.0	8.8	3.8
Total current liabilities	87.4	81.1	74.5
Total equity and liabilities	229.9	216.9	216.4

Q3/2014 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						24.3	24.3	0.4	24.7
Other total comprehensive income:									
Available for sale financial assets					-2.5		-2.5		-2.5
Translation differences			0.2			1.2	1.4	0.0	1.4
Total comprehensive income for the period			0.2		-2.5	25.5	23.2	0.4	23.6
Share bonuses				0.9		-0.5	0.4		0.4
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 Sep 2014	3.1	5.0	2.6	-1.1	0.0	108.8	118.4	1.3	119.7

Q3/2013 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
Other adjustments *			1.9			-2.3	-0.3	0.0	-0.3
Profit for the period						21.4	21.4	0.6	22.0
Other total comprehensive income:									
Remeasurement						0.1	0.1		0.1
Translation differences						-0.2	-0.2		-0.2
Total comprehensive income for the period						21.4	21.4	0.6	22.0
Share bonuses				0.9		0.0	1.0		1.0
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 Sep 2013	3.1	5.0	2.0	-2.0	2.3	99.9	110.3	1.8	112.2

* Reserve fund transfer MEUR 1.9 within equity.

Consolidated statement of cash flow, IFRS, MEUR

	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
Profit for the period	11.2	10.0	24.7	22.0	28.7
Depreciation	3.5	3.5	10.4	10.2	13.7
Financial income and expenses	0.2	0.6	0.5	0.5	1.0
Taxes	3.7	4.2	8.3	8.5	11.0
Other adjustments	-0.6	1.0	-1.2	2.2	1.9
Change in working capital	1.6	-7.1	-9.8	-2.3	2.3
Net cash flow from financial items and tax	-0.6	-2.6	-4.7	-9.1	-11.8
Net cash flow from operating activities	19.0	9.5	28.2	32.0	46.7
Acquisition of subsidiary	-1.3	0.0	-2.5	-1.5	-1.5
Investments in property, plant and equipment	1.7	-1.7	-3.3	-7.6	-8.9
Investments in intangible assets	-6.6	-2.3	-12.2	-6.1	-11.2
Other investments	0.3	-0.1	0.4	-0.2	0.3
Sale of available for sale financial assets	2.3	0.0	2.3	0.0	0.0
Net cash flow from investing activities	-3.6	-4.0	-15.3	-15.4	-21.2
Repayment of long-term borrowings	-0.8	0.0	-2.6	0.0	-5.7
Proceeds from short-term borrowings	0.0	-2.6	12.8	5.7	4.2
Repayment of short-term loans	-13.1	-1.4	-13.1	-2.9	-0.7
Dividends paid	0.0	0.0	-20.5	-17.3	-17.3
Net cash flow from financing activities	-13.9	-4.0	-23.4	-14.5	-19.5
Change in cash and cash equivalents	1.5	1.6	-10.5	2.2	5.9
Cash and cash equivalents at start of period	23.8	31.7	35.9	31.1	31.1
Translation differences for cash and cash equivalents	1.5	-0.7	1.4	-0.7	-1.0
Cash and cash equivalents at end of period	26.8	32.6	26.8	32.6	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	30.9.2014	30.9.2013	31.12.2013
Earnings per share, EUR	0.80	0.70	0.92
Equity per share, EUR	3.88	3.62	3.79
Lowest trading price, EUR	25.00	20.00	20.00
Highest trading price, EUR	37.50	29.95	29.95
Share price at end of period, EUR	33.70	29.10	29.25
Average trading price, EUR	31.59	25.22	25.86
Market capitalization, MEUR	1 029.0	887.2	891.7
Trading volume, no. of shares	8,275,420	3,108,848	4,711,238
Trading volume, %	27.1%	10.2%	15.5%
Adjusted average number of shares during financial period	30,519,326	30,467,002	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

	30.9.2014	30.9.2013	31.12.2013
Revenues, MEUR	300.0	305.1	403.0
Change in revenues, %	-1.7%	7.0%	3.8%
Operating profit excluding one-time items, MEUR	34.0	31.0	40.6
Change in operating profit excluding one-time items, %	9.8%	27.4%	6.9%
Operating profit, MEUR	33.0	31.0	40.6
Change in operating profit, %	6.5%	14.7%	6.9%
Operating profit, % of revenues	11.0%	10.2%	10.1%
Profit before taxes, MEUR	32.9	30.5	39.7
Profit before taxes, % of revenues	11.0%	10.0%	9.8%
Interest-bearing net liabilities, MEUR	-9.7	-8.8	-17.2
Gearing, %	-8.1%	-7.8%	-14.7%
Working capital, MEUR	39.2	35.5	31.4
Equity ratio, %	52.9%	52.6%	55.0%
Gross capital expenditure, MEUR	16.5	14.1	19.7
Gross capital expenditure, % of revenues	5.5%	4.6%	4.9%
R&D costs, MEUR	21.2	20.2	27.3
R&D costs, % of revenues	7.1%	6.6%	6.8%
Number of personnel at end of period	1,612	1,579	1,596
Order book, MEUR	62.9	57.0	46.8

Commitments and contingencies, MEUR

	30.9.2014	30.9.2013	31.12.2013
Commitments and contingencies	15.0	15.0	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

	30.9.2014	Level 1	Level 2	Level 3
Financial assets to be recognized at fair value through profit and loss				
Currency forward contracts and currency options	0.4		0.4	
Other financial assets				
Investments in shares	0.6			0.6
Total	1.1	0.0	0.4	0.6
Liabilities valued at fair value				
Currency forward contracts and currency options	-0.5		-0.5	
Total	-0.5	0.0	-0.5	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

	7-9/2014	4-6/2014	1-3/2014	10-12/2013	7-9/2013	4-6/2013	1-3/2013
Revenues	107.5	103.3	89.3	97.8	110.4	103.4	91.3
Operating profit	14.7	11.6	6.7	9.7	14.8	10.4	5.8
Profit before taxes	14.9	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, % =	$\frac{\text{Number of shares traded during the year} \times 100}{\text{Adjusted average number of shares}}$