



Q4

VACON PLC
FINANCIAL STATEMENT BULLETIN
JANUARY – DECEMBER 2014

October-December highlights:

- Order intake totalled MEUR 108.6 (MEUR 87.7 in October-December 2013), an increase of 23.9% from the corresponding period in the previous year.
- Revenues totalled MEUR 109.4 (MEUR 97.8), an increase of 11.8% from the corresponding period in the previous year.
- Operating profit excluding one-time items was MEUR 13.2, or 12.1% of revenues (MEUR 9.7 and 9.9%).
- Operating profit was MEUR 6.7, or 6.1% of revenues (MEUR 9.7 and 9.9%).
- Net cash flow from operating activities was MEUR 7.3 (MEUR 14.7).
- Earnings per share were EUR 0.21 (EUR 0.22*).

January-December highlights:

- Order intake totalled MEUR 424.7 (MEUR 399.8 in January-December 2013), an increase of 6.2% from the corresponding period in the previous year.
- Revenues totalled MEUR 409.4 (MEUR 403.0), an increase of 1.6% from the corresponding period in the previous year.
- Operating profit excluding one-time items was MEUR 47.2, or 11.5 % of revenues (MEUR 40.6 and 10.1%).
- Operating profit was MEUR 39.7, or 9.7% of revenues (MEUR 40.6 and 10.1%).
- Net cash flow from operating activities was MEUR 35.4 (MEUR 46.7).
- Earnings per share were EUR 1.00 (EUR 0.92 *).

January-December key indicators:

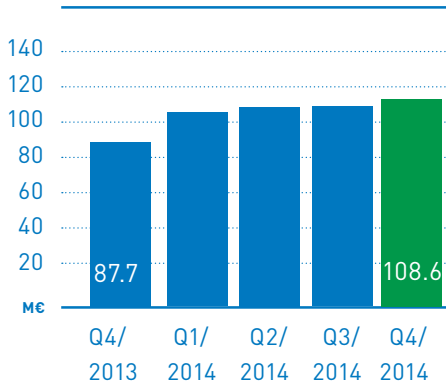
MEUR	10-12/2014	10-12/2013	Change, %	1-12/2014	1-12/2013	Change, %
Order intake	108.6	87.7	23.9%	424.7	399.8	6.2%
Revenues	109.4	97.8	11.8%	409.4	403.0	1.6%
Operating profit excluding one-time items	13.2	9.7	36.7%	47.2	40.6	16.2%
% of revenues	12.1%	9.9%		11.5%	10.1%	
Operating profit	6.7	9.7	-31.1%	39.7	40.6	-2.4%
% of revenues	6.1%	9.9%		9.7%	10.1%	
Profit before taxes	6.9	9.2	-25.0%	39.8	39.7	0.4%
Net cash flow from operating activities	7.3	14.7	-50.6%	35.4	46.7	-24.1%
Earnings per share, EUR	0.21	0.22*	-4.9%	1.00	0.92*	9.0%

MEUR	31.12.2014	31.12.2013	Change, %
Order book	62.2	46.8	32.7%
Return on equity, %	25.6%	25.4%	
Interest-bearing net liabilities	-10.4	-17.2	-39.7%
Gearing, %	-8.3%	-14.7%	
Gross capital expenditure	24.1	19.7	22.0%

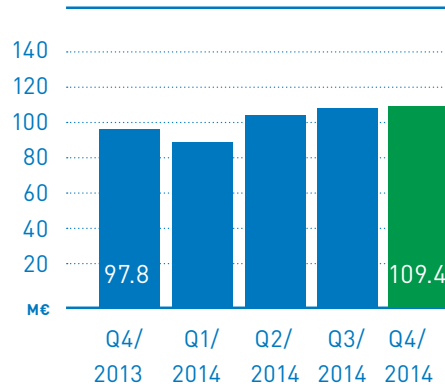
* The figures have been adjusted to take into account the increase in the number of shares after the share split.

Key indicators Q4/2013-Q4/2014

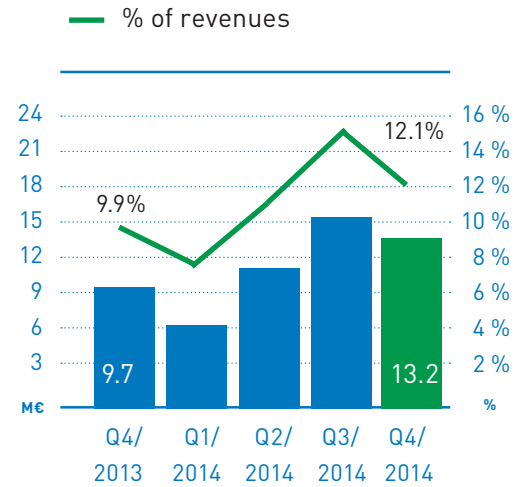
Order intake, MEUR



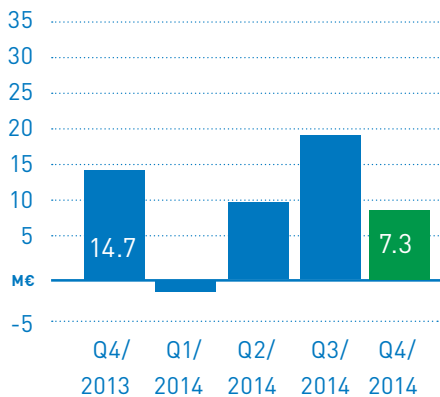
Revenues, MEUR



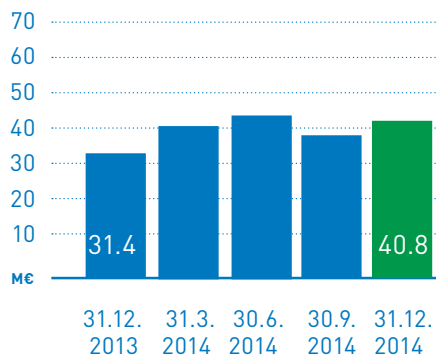
Operating profit excluding one-time items, MEUR



Net cash flow from operating activities, MEUR

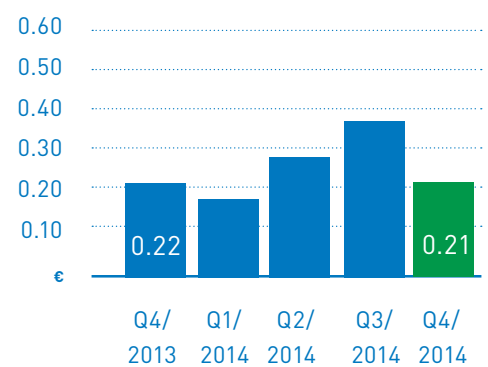


Working capital, MEUR

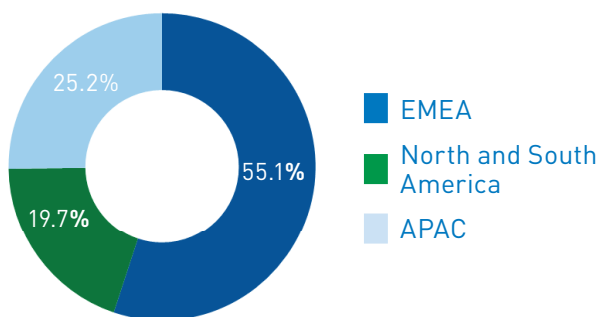


Earnings per share, EUR

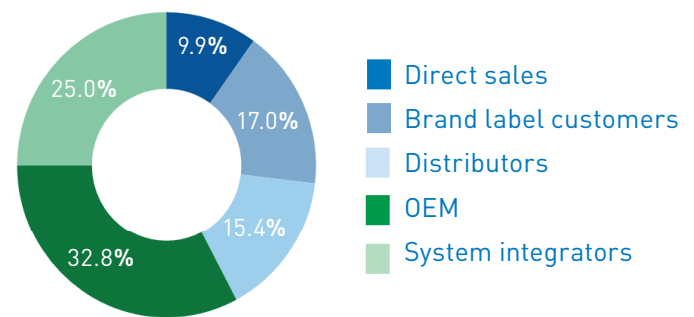
(The figures have been adjusted in line with the situation after the share split)



Revenues by region Q4/2014



Revenues by distribution channel Q4/2014



President and CEO Vesa Laisi: Vacon's order intake, revenues and operating profit increased in final quarter of 2014

"According to preliminary estimates from AC drive market surveys, the AC drive market did not grow significantly in 2014, but the market showed signs of picking up towards the end of the year.

I am pleased with the way our personnel have managed to focus on meeting customer needs despite the change in ownership taking place in our company. Our volume of orders recorded a solid increase in the final quarter of 2014. This places us in a strong position as we move into 2015. Revenues also increased in the fourth quarter compared to the previous year.

The company's operating profit excluding one-time items improved both in the final quarter and for the whole of 2014. Efficient material sourcing and the cost benefits from transferring material sourcing to lower cost countries have been key factors in improving the company's profitability.

Vacon has been part of the Danfoss Group since 1 December 2014. Danfoss announced in September 2014 that it was making a voluntary public tender offer to purchase all Vacon shares. By the end of November Danfoss had obtained all necessary approvals from the authorities and had acquired more than 90% of the shares and voting rights in Vacon. At present Danfoss holds some 98% of the total Vacon share stock.

Combining the AC drive operations of Vacon and Danfoss creates one of the leading players in the global drives market that can take advantage of the best features of both companies. Bringing together two strong and innovative AC drive manufacturers offers customers an even more competitive, innovative and attractive range of AC drives. Joining forces also means that the new business can invest more in R&D and in the sales force, which is an important factor in the success of our business. A dedicated focus on AC drives is a common feature for Vacon and Danfoss Power Electronics, and distinguishes these two companies from their competitors."

Review of October-December 2014

Order intake and order book

Orders received by Vacon increased significantly in October–December 2014, rising to EUR 108.6 (87.7) million. The order intake developed positively in all regions. The biggest increase was in the Asia Pacific (APAC) region, where the order intake rose 37.0%. In the North and South America region orders increased 29.3% and in the Europe, Middle East and Africa region (EMEA) 17.6%.

Revenues

Vacon's revenues in October-December 2014 rose 11.8% from the corresponding period in the previous year, to EUR 109.4 (97.8) million.

Revenues increased in all regions. The biggest improvement was in the APAC region, where revenues rose 16.0% in October–December from the same period in the previous year. Revenues increased particularly in the marine industry in the APAC region. In North and South America revenues increased 13.7% from the previous year, with growth spread over several industrial sectors. In the EMEA region revenues rose 9.3% in the final quarter compared to the previous year. Renewable energy boosted growth in this region.

In line with its strategy Vacon utilises several sales channels. In October–December 2014 Vacon's sales increased via all sales channels. Sales to OEM customers increased 9.5%, to end customers 35.2%, to brand label customers 14.3%, to systems integrators 7.6% and to distributors 8.8%.

Operating profit and result

Vacon's profitability excluding one-time items improved distinctly in the final quarter of the year. Efficient material sourcing and the cost benefits from transferring material sourcing to lower cost countries have been key factors in improving the company's profitability.

The operating profit excluding one-time items in the October–December period was EUR 13.2 million, or 12.1% of revenues (operating profit of EUR 9.7 million and 9.9% in October–December 2013). The one-time items are mainly related to the voluntary public offer tender to purchase Vacon's shares and they had a net cost impact of EUR 6.5 million in the October-December period.

The operating profit in October-December was EUR 6.7 million, or 6.1% of revenues (operating profit EUR 9.7 million and 9.9% in October-December 2013).

The earnings per share in October-December were EUR 0.21 (EUR 0.22*).

* Figure adjusted to correspond to the increase in the number of shares after the share split.

Review of January-December 2014

Order intake and order book

Orders received in January-December totalled EUR 424.7 (399.8) million. The order intake increased in all regions in 2014 compared to the previous year. Growth in North and South America was 15.2%, in the APAC region 10.9% and in the EMEA region 1.7%. The company's order book increased 32.7% from the beginning of the year, and at the end of the year stood at EUR 62.2 (46.8) million.

Revenues

Vacon's revenues increased 1.6% in January-December 2014 to EUR 409.4 (403.0) million. The North and South America region recorded the biggest improvement, with a 15.9% increase in revenues from 2013. The growth in revenues in this region was spread over several different industrial sectors. Sales in the APAC region increased 6.8% in January-December. The customer sectors that recorded the biggest growth in the APAC region were the marine and construction industries. In the EMEA region, revenues declined 4.5% in January-December from the previous year. Lower sales of products for renewable energy generation and for the marine industry were particular factors in this decline.

Vacon's sales increased 18.3% to end customers, 13.7% to brand label customers, 3.3% to distributors and 1.8% to OEM customers in January-December 2014 compared to the previous year. Sales to systems integrators fell 11.6% in 2014 from the previous year. A considerable proportion of the products for renewable energy generation and for the marine industry are sold via systems integrators, which mainly explains the fall in sales via this channel.

Vacon Group revenues by region:

MEUR	10-12/ 2014	% of revenues	10-12/ 2013	% of revenues	1-12/ 2014	% of revenues	1-12/ 2013	% of revenues
Europe, Middle East, Africa	60.2	55.1%	55.1	56.3%	231.1	56.4%	242.1	60.1%
North and South America	21.5	19.7%	18.9	19.4%	82.0	20.0%	70.7	17.6%
Asia and Pacific	27.6	25.2%	23.8	24.3%	96.3	23.5%	90.2	22.4%
Total	109.4	100.0%	97.8	100.0%	409.4	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	10-12/ 2014	% of revenues	10-12/ 2013	% of revenues	1-12/ 2014	% of revenues	1-12/ 2013	% of revenues
Direct sales	10.9	9.9%	8.0	8.2%	36.8	9.0%	31.1	7.7%
Brand label customers	18.6	17.0%	16.2	16.6%	71.8	17.5%	63.2	15.7%
Distributors	16.8	15.4%	15.5	15.8%	65.7	16.0%	63.6	15.8%
OEM	35.8	32.8%	32.7	33.5%	140.1	34.2%	137.6	34.1%
System integrators	27.3	25.0%	25.4	25.9%	95.0	23.2%	107.5	26.7%
Total	109.4	100.0%	97.8	100.0%	409.4	100.0%	403.0	100.0%

Operating profit and result

Vacon's profitability excluding one-time items improved significantly in January-December 2014 from the previous year. Efficient material sourcing and the cost benefits from transferring material sourcing to lower cost countries have been key factors in the improvement in the company's profitability.

The operating profit excluding one-time items in the January-December period was EUR 47.2 million, or 11.5% of revenues (operating profit EUR 40.6 million and 10.1% in January-December 2013). The one-time items are mainly related to the voluntary public offer tender to purchase Vacon's shares and they had a net cost impact of EUR 7.6 million in 2014.

The operating profit declined to EUR 39.7 million in January-December, or 9.7% of revenues (operating profit EUR 40.6 million and 10.1% in January-December 2013).

The earnings per share in January-December were EUR 1.00 (EUR 0.92*).

* Figure adjusted to correspond to the increase in the number of shares after the share split.

Balance sheet and cash flow

The balance sheet remained strong. The net cash flow from operating activities in the October-December period totalled EUR 7.3 (14.7) million and in January-December EUR 35.4 (46.7) 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. A few fairly large orders that were still in progress raised the volume of inventories. 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.

The company still has no net debt. Gearing was -8.3% (-14.7%). Net debt at the end of December was EUR -10.4 (-17.2) million. The balance sheet total stood at EUR 227.9 (216.4) million. Equity ratio was 55.5% (55.0%). The Group's equity structure and liquidity remained strong. Interest-bearing debt totalled EUR 12.0 (18.7) million and cash funds EUR 22.4 (35.9) million at the end of the year.

In December the company paid off a loan of EUR 14.3 million that was part of a EUR 50 million syndicated credit facility, which was terminated at the same time. The syndicated credit facility originally comprised a loan of EUR 20 million that matured in 2016, and a EUR 30 million committed credit facility. In addition, the Group obtained a EUR 10 million short-term loan from Danfoss A/S.

Investments

Gross investments by the Group in January-December 2014 totalled EUR 24.1 (19.7) 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-December period totalled EUR 30.8 (27.3) million, and EUR 11.5 (5.9) million of this was capitalized as development costs. R&D costs accounted for 7.5% (6.8%) of Group revenues.

Vacon's strategic priorities in product development in 2014 were expanding the VACON[®] 100 product range and developing high power products in the low and medium voltage ranges.

Organization and personnel

The priorities in Vacon's human resources strategy in 2014 are developing knowhow and management, remuneration, nurturing the global corporate culture, personnel commitment, and recruiting the best experts in the field. A work force that possesses world-class knowledge and expertise plays a key role in achieving Vacon's strategic goals.

At the end of December 2014 the Group employed 1 609 (1 596) people, and 768 (744) of these were in Finland and 841 (852) in other countries.

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

	1-12/2014	1-12/2013
Office personnel	1,091	1,016
Factory personnel	505	537
TOTAL	1,597	1,553

Other key events in the review period

Vacon Plc resolved on new incentive plan

On 30 October 2014, authorized by the Board of Directors of Vacon Plc, the Board's human resources committee approved a new Vacon Group incentive plan. The target group for the new plan is the same as for the Group's 2014-2016 performance share plan scheme and is an alternative to the 2014-2016 share plan.

The bonuses to be paid under the new incentive plan correspond to the value of a maximum total of 123 280 Vacon Plc shares. The value of Vacon's shares and the corresponding reward to be paid on 31 August 2015 shall be determined on the basis of the share price offered in the Tender Offer.

Vacon opened a sales office in Turkey

Vacon strengthened its market position in Turkey and ability to offer customer-driven services there by opening a sales office in Istanbul in November 2014. Turkey is the 31st country where Vacon has established an office of its own. Vacon's own office in Turkey is a clear sign of the company's determination to further strengthen its foothold in the country. The Turkish AC drives market has a good growth potential. The major business areas in Turkey for Vacon are the construction industry, infrastructure, shipbuilding, and energy efficiency applications.

Vacon acquired New Zealand based Ecotech New Zealand Ltd

In December 2014 Vacon agreed on the purchase of the AC drive business of Ecotech New Zealand Ltd, a company based in New Zealand. The transaction will be completed during the first quarter of 2015. The acquisition will not have a significant impact on Vacon's 2015 revenues or operating profit.

Vacon is now part of the Danfoss Group

Vacon has been part of the Danfoss Group since 1 December 2014. In September 2014 Danfoss announced that it was making a voluntary public offer tender to purchase all Vacon shares. By the end of November Danfoss had obtained all necessary approvals from the authorities and had acquired more than 90% of the shares and voting rights in Vacon.

Combining Vacon and Danfoss creates one of the leading players in the global drives market that can take advantage of the best features of both companies. Vesa Laisi has been appointed president of the new Danfoss Drives business segment. He continues as President and CEO of Vacon Plc.

Danfoss announced that it was starting the compulsory redemption procedure concerning the remaining Vacon shares

On 2 December 2014 Oy Danfoss Ab ("Danfoss") notified Vacon Plc ("Vacon") in accordance with chapter 18, section 2, subsection 1 of the Finnish Limited Companies Act that it held approximately 97.85 percent of all shares and votes in Vacon. Since Danfoss holds more than 9/10 of all the shares and votes in Vacon, it has the right and obligation under chapter 18, section 1 of the Finnish Limited Companies Act to redeem the shares held by Vacon's other remaining shareholders at a fair price. Danfoss has further announced that it will exercise its right to redeem the shares and will, in accordance with the Finnish Limited Companies Act, file an application with the Redemption Committee of the Finland Chamber of Commerce regarding the appointment of an arbitration tribunal to settle the redemption issue.

Special representative appointed for arbitration proceedings concerning redemption of Vacon's minority shares

On 30 December 2014 Danfoss informed Vacon that a special representative had been appointed for arbitration proceedings concerning redemption of Vacon's minority shares. Based on an application filed by Danfoss for the redemption of minority shares, the Redemption Committee of the Finland Chamber of Commerce has petitioned the Pohjanmaa District Court for the appointment of a special representative to look after the rights of Vacon's minority shareholders in the arbitration proceedings pertaining to the squeeze-out procedure. In its decision the Pohjanmaa District Court has appointed Attorney Vesa Niinikangas to act as the special representative pursuant to Chapter 18 Section 5 of the Finnish Limited Companies Act.

Key events after end of year

Decisions taken by Vacon Plc's Extraordinary General Meeting and the Board of Directors' organizational meeting

Vacon Plc held an extraordinary general meeting (EGM) in Vaasa on 12 January 2015. The meeting confirmed that the Board of Directors would have five (5) members. Those elected to the Board were: Niels Bjørn Christiansen, President & Chief Executive Officer of Danfoss Group; Kim Fausing, Executive Vice President and Chief Operations Officer of Danfoss Group; Jesper V. Christensen, Executive Vice President and Chief Financial Officer of Danfoss Group; Kim Christensen, President of Global Services of Danfoss Group, and Anders Stahlschmidt, Senior Vice President and General Counsel of Danfoss Group.

At its organizational meeting after the EGM, the Board of Directors elected Niels Bjørn Christiansen as Chairman and Kim Fausing as Vice Chairman of the Board. At its organizational meeting, the Board of Directors also resolved not to establish any Board committees. So the Board of Directors will handle the matters that were previously handled by the Board committees. The decision of the Board of Directors not to establish Board committees relates to the fact that Oy Danfoss Ab, which holds approximately 98 percent of all shares in the Company, has initiated the compulsory redemption process for

the remaining shares in Vacon Plc, in accordance with Chapter 18 of the Finnish Limited Companies Act. In connection with this process, application will be made to delist the shares of Vacon Plc from NASDAQ OMX Helsinki.

Change in Vacon Plc's Executive Management Team

Vacon Plc's CFO, Pia Aaltonen-Forsell has resigned to join another employer. She will continue at Vacon until 31 March 2015. Ann-Louise Brännback, M.Sc. Econ. (born 1964), has been appointed as the new Chief Financial Officer of Vacon Plc and member of the company's Executive Management Team. She will start in the new position on 1 April 2015.

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 December of EUR 1,038.2 (891.7) million. The closing share price on 31 December 2014 was EUR 34.00. The lowest share price during the January-December period was EUR 25.00 and the highest EUR 37.50.

A total of 38,339,383 Vacon shares (125.6% of the share stock) were traded on the stock exchange during 2014, in monetary terms EUR 1 300.9 million. According to the shareholder register updated on 31 December 2014, Vacon had 554 registered shareholders. Shares that were nominee registered and in foreign ownership amounted to 0.8% (48.0%) of the share stock.

A total of 666 own shares were returned to the company in October-December 2014 in accordance with the rules of the share bonus scheme. On 31 December 2014 Vacon Plc held a total of 56,164 of its own shares, which it had acquired at an average price of EUR 19.02 a share. 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 31 December 2014 members of Vacon's Board of Directors, the President and CEO, and the Deputy to the CEO held directly no Vacon Plc shares.

Danfoss has initiated the procedure for the compulsory redemption of the remaining shares and intends to apply for the delisting of Vacon's shares from NASDAQ OMX Helsinki.

The Board of Directors will propose to the General Meeting of Shareholders to be held on 26 June 2015 that no dividend be paid for the 2014 fiscal year.

Flagging notices in the review period

On 2 December 2014 Vacon received a flagging notification pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act stating that Columbia Wanger Asset Management, LLC and Threadneedle Asset Management Ltd each manage client accounts that hold, or held prior to 1 December 2014, Vacon shares. On 1 December 2014, the combined direct and indirect shareholding of Ameriprise Financial, Inc. and entities controlled by it has fallen below the threshold of 5 per cent of Vacon's shares and voting rights.

On 27 November 2014 Vacon received a flagging notification pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act stating that upon settlement of the completion trades of the Tender Offer the holding of Montanaro Asset Management Limited will fall below the threshold of 5 per cent of Vacon's shares and voting rights.

On 27 November 2014 Vacon received a flagging notification pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act stating that upon settlement of the completion trades of the Tender Offer, the indirect shareholdings of Danfoss A/S and Danfoss International A/S and the direct shareholding of Oy Danfoss Ab exceed 90 per cent of all the shares and voting rights in Vacon, being 29,957,357 shares and voting rights in Vacon, which corresponds to 97.93 per cent of all the shares and voting rights in Vacon. This holding includes the shares that the Offeror has purchased from AC Invest Three B.V., as well as a total of 26,227,031 shares purchased through carrying out the Tender Offer, which represents 85.74 per cent of the shares and voting rights in Vacon, and a total of 500,638 shares purchased outside of the Tender Offer after the expiry of the offer period under the Tender Offer, representing 1.64 per cent of the shares and voting rights in Vacon. The price for the shares purchased outside of the Tender Offer has not exceeded the offer price under the Tender Offer.

On 25 November 2014 Vacon received a flagging notification pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act stating that, as announced in the flagging notification given by Ilmarinen Mutual Pension Insurance Company on 16 September 2014, Ilmarinen Mutual Pension Insurance Company had given an undertaking to accept the Tender Offer. As a result, the shareholding of Ilmarinen Mutual Pension Insurance Company will upon settlement of the completion trades of the Tender Offer fall below the threshold of 5 per cent of Vacon's shares.

On 24 November 2014 Vacon received a flagging notification pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act stating that, based on the current shareholding of Danfoss A/S and Oy Danfoss Ab and the number of acceptances by shareholders of the tender offer received by 21 November 2014, the indirect holding of Danfoss A/S and the direct holding of Oy Danfoss Ab would exceed 90 per cent of all the shares and voting rights in Vacon provided that 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 holdings they refer to will be transferred to Danfoss upon 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 29,456,625 shares, which corresponds to 96.29 per cent of all the shares and voting rights in Vacon.

On 31 October 2014 Vacon received a flagging notification pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act stating that the indirect holding of Danfoss A/S and the direct holding of Oy Danfoss Ab have exceeded 10 per cent of all the shares and voting rights in Vacon, standing at 3,229,688 shares, which corresponds to 10.56 per cent of all the shares and voting rights in Vacon.

On 29 October 2014 Vacon received a flagging notification pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act stating that, based on the current shareholdings of Danfoss A/S and Oy Danfoss Ab and on shareholder acceptances of the tender offer received by 28 October 2014 (including the shares represented by the above undertakings to accept the tender offer), the indirect holding of Danfoss A/S and the direct holding of Oy Danfoss Ab would exceed two-thirds (2/3) of all the shares and voting rights in Vacon, provided 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 holdings

they refer to will be transferred to Danfoss upon completion of the tender offer. The combined indirect holding of Danfoss A/S and direct ownership of Oy Danfoss Ab may on the basis of the above amount to a maximum of 22,253,997 shares, which corresponds to 72.75 per cent of all the shares and voting rights in Vacon.

On 27 October 2014 Vacon received a flagging notification pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act stating that, based on the current shareholdings of Danfoss A/S and Oy Danfoss Ab and shareholder acceptances of the tender offer received by 24 October 2014 (including the shares represented by the above undertakings to accept the tender offer), the indirect holding of Danfoss A/S and the direct holding of Oy Danfoss Ab would exceed 50 per cent of all the shares and voting rights in Vacon, provided 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 holdings they refer to will be transferred to Danfoss upon completion of the tender offer. The combined 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 18,937,685 shares, which corresponds to 61.91 per cent of all the shares and voting rights in Vacon.

On 14 October 2014 Vacon received a flagging notification pursuant to Chapter 9, Section 10 of the Finnish Securities Markets Act stating that, based on the current shareholdings of Danfoss A/S and Oy Danfoss Ab and shareholder acceptances of the tender offer received by 13 October 2014 (including the shares represented by the above undertakings to accept the tender offer), the indirect holding of Danfoss A/S and the direct holding of Oy Danfoss Ab would exceed 30 per cent of all the shares and voting rights in Vacon, provided 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 holdings they refer to will be transferred to Danfoss upon completion of the tender offer. The combined 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 9,349,277 shares, which corresponds to 30.56 per cent of all the shares and voting rights in Vacon.

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.

Common risks and uncertainties affecting the company's operations

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.

Vacon is exposed to risks that may result from the company's business operations or from changes taking place in the business environment. Typical and common risks to which Vacon's business operations are exposed relate to uncertainty in demand and intensifying competition on price, to losing customers, credit losses, goodwill, transfer pricing, the availability of raw materials and components, and to fluctuations in the values of foreign currencies.

The availability and quality of raw materials and components and changes in their prices can affect the profitability and scale of the company's business. Purchase agreements for raw materials and components are mainly annual agreements, which contain price and exchange rate clauses for changes in the global market prices of raw and other materials.

Vacon's order book has always been short term in nature, so there are no major risks connected with the timing of deliveries or their cancellation.

Vacon has thousands of customers worldwide. The ten largest customers accounted for some 40 % of Vacon's revenues in 2014. Vacon is continuously assessing the creditworthiness of its customers and their ability to pay their debts.

Vacon is able to adjust its production capacity to market demand. Replicating production at the company's different factories and the programme for transferring material sourcing to countries with the best cost levels further improve production and delivery certainty.

The company estimates that its cash funds and available credit facilities are sufficient to ensure its liquidity.

Management tests for impairment annually the long-term assets in the balance sheet. Goodwill is tested annually for impairment.

Some of the most significant financial risks affecting the result are foreign exchange risks. Exchange rate fluctuations may have an impact on business, although the international expansion of business operations reduces the relative importance of individual currencies. The biggest exchange rate risks against the euro relate to the US dollar, the Russian rouble and the Chinese renminbi. The Group uses forward exchanges, currency options, foreign currency loans and interest rate swaps in managing financial risks. Derivative financial instruments are made for hedging purposes and hedge accounting is not applied to them.

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 have increased the risks relating to economic prospects not only in Russia but also more widely in Europe. Vacon's sales to Russia account for a few per cent of all the Group's sales.

The low global market price of crude oil may result in a decline in investments in energy efficiency.

Prospects for 2015

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.

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.

During 2015 Vacon and Danfoss will merge their AC drive business operations. Combining Vacon and Danfoss creates one of the leading players in the global AC drive sector, which can take advantage of the best features of both companies.

Market guidelines for 2015

Vacon estimates that its revenues will increase and its operating profit percentage excluding one-time items will improve from 2014.

Vacon's revenues in 2014 totalled EUR 409.4 million and the operating profit percentage excluding one-time items was 11.5%.

Vacon's financial targets until 2020

Vacon published new long-term financial targets and a revised strategy for the period 2014-2020 in November 2013.

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 financial statement bulletin has been prepared in accordance with IFRS (International Financial Reporting Standards) standard IAS 34 on Interim Financial Reporting. Vacon has prepared this financial statement bulletin applying the same accounting principles as those described in its 2014 consolidated financial statements. The financial statement bulletin is unaudited.

Consolidated statement of income, IFRS, MEUR

	10-12/2014	10-12/2013	1-12/2014	1-12/2013
Revenues	109.4	97.8	409.4	403.0
Other operating income	0.0	0.1	0.2	0.3
Change in inventories of finished goods and work in progress	-1.1	0.7	2.7	1.5
Materials and services	-50.4	-48.0	-199.2	-204.2
Employee benefit related expenses	-26.1	-19.6	-89.4	-82.1
Other operating expenses	-21.4	-17.9	-69.9	-64.1
Depreciation	-1.8	-1.6	-6.6	-6.4
Amortization	-2.0	-1.8	-7.5	-7.2
Operating profit**	6.7	9.7	39.7	40.6
Financial income and expenses	0.2	-0.5	0.1	-1.0
Profit before taxes	6.9	9.2	39.8	39.7
Income taxes	-0.5	-2.5	-8.7	-11.0
Profit for the period	6.4	6.7	31.1	28.7
Attributable to:				
Equity holders of the parent	6.3	6.6	30.6	28.0
Non-controlling interests	0.1	0.1	0.5	0.7
Earnings per share, euro	0.21	0.22*	1.00	0.92*
Diluted earnings per share, euro	0.21	0.22*	1.00	0.92*

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

**One-time items are not listed separately in the consolidated income statement. Net costs in the final quarter of 2014 were EUR 6.5 million and for the whole of 2014 EUR 7.6 million.

Consolidated statement of comprehensive income, MEUR

	10-12/2014	10-12/2013	1-12/2014	1-12/2013
Profit for the period	6.4	6.7	31.1	28.7
Other comprehensive income				
Remeasurement of defined benefit liability	-1.1	-1.0	-1.1	-0.9
Items not transferred to profit or loss	-1.1	-1.0	-1.1	-0.9
Available for sale financial assets	0.0	0.0	-2.5	0.0
Translation differences	-0.2	-0.2	1.2	-0.4
Items that may subsequently be transferred to profit or loss	-0.2	-0.2	-1.3	-0.4
Total comprehensive income	5.1	5.5	28.7	27.5
Attributable to:				
Equity holders of the parent	5.1	5.5	28.3	26.9
Non-controlling interests	-0.0	-0.0	0.4	0.6

Consolidated statement of financial position, IFRS, MEUR

	31.12.2014	31.12.2013
ASSETS		
Goodwill	9.4	8.9
Development costs	27.2	20.3
Other intangible assets	15.4	8.2
Property, plant and equipment	24.0	26.6
Available-for-sale financial assets	0.0	3.7
Deferred tax assets	8.5	7.3
Other financial assets	1.9	3.2
Total non-current assets	86.4	78.3
Inventories	30.6	27.1
Trade and other receivables	88.5	75.1
Cash and cash equivalents	22.4	35.9
Total current assets	141.5	138.1
Total assets	227.9	216.4
EQUITY AND LIABILITIES		
Share capital	3.1	3.1
Share premium reserve	5.0	5.0
Other reserves	2.7	2.4
Own shares	-1.1	-2.0
Revaluation reserve	0.0	2.5
Retained earnings	114.1	104.6
Non-controlling interests	1.4	1.9
Total equity	125.1	117.4
Deferred tax liabilities	7.4	6.0
Employee benefits	5.0	3.5
Interest-bearing liabilities	0.6	14.9
Total non-current liabilities	13.0	24.4
Trade and other payables	68.2	59.4
Provisions	10.2	11.4
Interest-bearing liabilities	11.4	3.8
Total current liabilities	89.8	74.5
Total equity and liabilities	227.9	216.4

2014 Consolidated statement of changes in equity, IFRS, MEUR

	Attributable to equity holders of the parent						Non-controlling interests		Total equity
	Share capital	Share premium reserve	Other reserves	Own shares	Re-valuation reserve	Retained earnings	Total	interests	
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						30.6	30.6	0.5	31.1
Other total comprehensive income:									
Remeasurement of defined benefit liability						-1.1	-1.1		-1.1
Available for sale financial assets					-2.5		-2.5		-2.5
Translation differences			0.3			1.0	1.2	-0.1	1.2
Total comprehensive income for the period			0.3		-2.5	30.5	28.3	0.4	28.7
Share bonuses				0.9		-0.2	0.7		0.7
Dividends paid						-19.8	-19.8	-0.6	-20.4
Acquisition of non-controlling interests			0.0			-0.9	-0.9	-0.3	-1.2
Equity 31 Dec 2014	3.1	5.0	2.7	-1.1	0.0	114.1	123.7	1.4	125.1

2013 Consolidated statement of changes in equity, IFRS, MEUR

	Attributable to equity holders of the parent						Non-controlling interests		Total equity
	Share capital	Share premium reserve	Other reserves	Own shares	Re-valuation reserve	Retained earnings	Total	interests	
Equity 1 Jan 2013	3.1	5.0	0.1	-2.9	2.3	98.7	106.3	2.0	108.3
Other adjustments *			2.4		0.1	-3.0	-0.5	0.0	-0.5
Profit for the period						28.0	28.0	0.7	28.7
Other total comprehensive income:									
Remeasurement of defined benefit liability						-0.9	-0.9		-0.9
Translation differences						-0.3	-0.3	-0.1	-0.4
Total comprehensive income for the period						26.9	26.9	0.6	27.5
Share bonuses				0.9		0.0	0.9		0.9
Dividends paid						-16.8	-16.8	-0.5	-17.3
Acquisition of non-controlling interests						-1.3	-1.3	-0.2	-1.5
Equity 31 Dec 2013	3.1	5.0	2.4	-2.0	2.5	104.6	115.6	1.9	117.4

*) Reserve fund transfer MEUR 2.4 within equity.

Consolidated statement of cash flow, IFRS, MEUR

	10-12/2014	10-12/2013	1-12/2014	1-12/2013
Profit for the period	6.4	6.7	31.1	28.7
Depreciation	3.8	3.5	14.1	13.7
Financial income and expenses	-0.7	0.5	-0.1	1.0
Taxes	0.5	2.5	8.7	11.0
Other adjustments	-1.1	-0.3	-2.3	1.9
Change in working capital	5.2	4.6	-4.6	2.3
Net cash flow from financial items and tax	-6.9	-2.7	-11.5	-11.8
Net cash flow from operating activities	7.3	14.7	35.4	46.7
Acquisition of subsidiary	-0.0	0.0	-2.5	-1.5
Investments in property, plant and equipment	-2.1	-1.3	-5.3	-8.9
Investments in intangible assets	-5.6	-5.1	-17.8	-11.2
Other investments	-0.1	0.5	0.3	0.3
Sale of available for sale financial assets	0.2	0.0	2.5	0.0
Net cash flow from investing activities	-7.5	-5.9	-22.9	-21.2
Repayment of long-term borrowings	-11.8	-5.7	-14.4	-5.7
Proceeds from short-term borrowings	10.0	-1.5	22.8	4.2
Repayment of short-term loans	-2.5	2.1	-15.7	-0.7
Dividends paid	0.0	0.0	-20.4	-17.3
Net cash flow from financing activities	-4.3	-5.1	-27.6	-19.5
Change in cash and cash equivalents	-4.5	3.8	-15.1	5.9
Cash and cash equivalents at start of period	26.8	32.6	35.9	31.1
Translation differences for cash and cash equivalents	0.1	-0.4	1.5	-1.0
Cash and cash equivalents at end of period	22.4	35.9	22.4	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	2014	2013	2012	2011	2010
Earnings per share, EUR	1.00	0.92	0.86	0.55	0.61
Equity per share, EUR	4.05	3.79	3.49	3.14	2.95
Dividend per share, EUR*)	0.00	0.65	0.55	0.45	0.50
Dividend payout ratio, %*)	0.0%	70.7%	64.1%	81.5%	82.1%
Effective dividend yield, %*)	0.0%	2.2%	2.7%	2.9%	2.6%
Price/earnings ratio	33.9	31.8	23.4	28.0	32.0
Lowest trading price, EUR	25.00	20.00	15.56	13.61	12.45
Highest trading price, EUR	37.50	29.95	21.27	24.37	19.88
Share price at end of period, EUR	34.00	29.25	20.10	15.45	19.50
Average trading price, EUR	32.20	25.86	19.18	19.25	16.25
Market capitalization, MEUR	1038.2	891.7	611.5	471.5	593.4
Trading volume, no. of shares	38,339,383	4,711,238	6,301,832	5,950,934	5,340,292
Trading volume, %	125.6%	15.5%	20.7%	19.5%	17.6%
Adjusted average number of shares during financial period	30,523,020	30,471,881	30,508,512	30,492,775	30,426,166
Number of shares at end of period	30,533,836	30,486,326	30,423,546	30,519,984	30,428,870
Own shares	56,164	103,674	166,454	70,016	161,130

*) The Board of Directors will propose to the General Meeting of Shareholders to be held on 26 June 2015 that no dividend be paid for the 2014 fiscal year.

Key indicators showing the Group's financial performance

	2014	2013	2012	2011	2010
Revenues, MEUR	409.4	403.0	388.4	380.9	338.0
Change in revenues, %	1.6%	3.8%	2.0%	12.7%	24.3%
Operating profit excluding one-time items, MEUR	47.2	40.6	36.5	34.8	32.4
Change in operating profit excluding one-time items, %	16.2%	11.3%	4.9%	7.5%	43.6%
Operating profit excluding one-time items, % of revenues	11.5%	10.1%	9.4%	9.1%	9.6%
Operating profit, MEUR	39.7	40.6	38.0	24.7	28.6
Change in operating profit, %	-2.4%	6.9%	53.6%	-13.4%	26.8%
Operating profit, % of revenues	9.7%	10.1%	9.8%	6.5%	8.5%
Profit before taxes, MEUR	39.8	39.7	37.1	27.0	27.5
Profit before taxes, % of revenues	9.7%	9.8%	9.6%	7.1%	8.1%
Return on equity, %	25.6%	25.4%	26.1%	18.7%	22.1%
Return on investment, %	32.2%	33.0%	33.5%	26.9%	27.0%
Interest-bearing net liabilities, MEUR	-10.4	-17.2	-10.3	12.4	9.8
Gearing, %	-8.3%	-14.7%	-9.5%	12.7%	10.7%
Working capital, MEUR	40.8	31.4	33.0	45.1	45.9
Equity ratio, %	55.5%	55.0%	53.0%	50.0%	46.0%
Gross capital expenditure, MEUR	24.1	19.7	14.0	18.7	15.9
Gross capital expenditure, % of revenues	5.9%	4.9%	3.6%	4.9%	4.7%
R&D costs, MEUR	30.8	27.3	25.1	25.1	20.8
R&D costs, % of revenues	7.5%	6.8%	6.5%	6.6%	6.2%
Number of personnel at end of period	1,609	1,596	1,513	1,468	1,339
Order book, MEUR	62.2	46.8	50.0	36.6	52.1

Commitments and contingencies, MEUR

	31.12.2014	31.12.2013
Commitments and contingencies	15.1	15.0
Financing commitments	0.0	0.0

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

Fair values at end of reporting period

	31.12.2014	Level 1	Level 2	Level 3
Financial assets to be recognized at fair value through profit and loss				
Currency forward contracts and currency options	1.0		1.0	
Other financial assets				
Investments in shares	0.4			0.4
Total	1.4	0.0	1.0	0.4
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

	10-12/2014	7-9/2014	4-6/2014	1-3/2014	10-12/2013	7-9/2013	4-6/2013	1-3/2013
Revenues	109.4	107.5	103.3	89.3	97.8	110.4	103.4	91.3
Operating profit	6.7	14.7	11.6	6.7	9.7	14.8	10.4	5.8
Profit before taxes	6.9	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 =	$\frac{\text{Total equity – non-controlling interests}}{\text{Adjusted number of shares at year end}}$
Dividend per share =	$\frac{\text{Dividend for financial year}}{\text{Adjusted number of shares at year end}}$
Dividend payout ratio, % =	$\frac{\text{Dividend for the financial year} \times 100}{\text{Profit for period attributable to equity holders of the parent company}}$
Effective dividend yield, % =	$\frac{\text{Dividend per share} \times 100}{\text{Adjusted closing share price at year end}}$
Price/earnings ratio =	$\frac{\text{Adjusted closing share price at year end}}{\text{Earnings per share}}$
Return on equity, % =	$\frac{\text{Profit for the financial year} \times 100}{\text{Total equity, average of the beginning and end of the year}}$
Return on investment, % =	$\frac{(\text{Profit before taxes} + \text{interest and other financial expenses}) \times 100}{\text{Balance sheet total – non-interest-bearing liabilities, average of the beginning and end of the year}}$
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 % =	$\frac{\text{Number of shares traded during the year} \times 100}{\text{Adjusted average number of shares}}$