

VACON PLC FINANCIAL BULLETIN 1 JANUARY – 30 SEPTEMBER 2007

Need to raise efficiency in use of energy maintains Vacon's growth

July-September summary:

- Order intake totalled MEUR 58.4, growth of 22.7 % from the corresponding period in the previous year (MEUR 47.6).
- Revenues totalled MEUR 58.7, growth of 23.3 % (MEUR 47.6).
- Operating profit was MEUR 7.8, an increase of 34.5 % (MEUR 5.8).
- Cash flow from operations was MEUR 7.9 (MEUR 6.6).
- Earnings per share was EUR 0.34 (EUR 0.28), growth from the previous year of 21.4 %.

January-September summary:

- Order intake totalled MEUR 174.5, growth of 23.5 % from the corresponding period in the previous year (MEUR 141.3).
- Revenues totalled MEUR 170.8, growth of 26.1 % (MEUR 135.4).
- Operating profit was MEUR 21.7, an increase of 26.9 % (MEUR 17.1).
- Cash flow from operations was MEUR 14.1 (MEUR 13.3).
- Earnings per share was EUR 0.97 (EUR 0.78), growth from the previous year of 24.4 %.

The growth in demand for AC drives which has continued for several years shows no sign of slowing down. Public discussion of climate change and efficient use of energy is increasing the AC drive market, which according to the latest market survey is growing at a rate of nine per cent.

Vacon's operations continued according to plan in the third quarter. Orders as well as revenues grew strongly, by more than 20 per cent. The company's profitability also improved from the corresponding period in the previous year. By market area, growth in revenues in Europe was 31 per cent and in Asia 19 per cent. Revenues in North America were at the same level as one year ago. Revenues in North America were hit by the weakening of the US dollar against the euro and by low market growth.

Operating profit in the third quarter was more than 34 per cent higher than a year ago and the operating profit as a percentage of revenues increased from 12.2 per cent last year to 13.3 per cent, despite the weakening of the US dollar. Earnings per share rose to EUR 0.34, an increase from the previous year of EUR 0.06.

Result in January-September and equity structure

MEUR	7-9/ 2007	7-9/ 2006	1-9/ 2007	1-9/ 2006	Change, %	1-12/ 2006
Revenues	58.7	47.6	170.8	135.4	26.1	186.4
EBITDA	8.9	6.9	25.2	20.2	24.8	27.3
Depreciation	-1.1	-1.1	-3.5	-3.1	12.9	-4.2
Operating profit	7.8	5.8	21.7	17.1	26.9	23.1
Profit before tax	7.5	5.8	21.2	16.8	26.2	22.7
Profit for period	5.4	4.3	15.2	12.1	25.6	16.1

Revenues in the first nine months of 2007 totalled EUR 170.8 million and operating profit was EUR 21.7 million. The operating profit as a percentage of revenues after nine months was 12.7 per cent, compared with 12.6 per cent in the corresponding period in the previous year. Profitability improved considerably from the previous year in both the second and the third quarter.

The balance sheet total was EUR 97.8 (88.1) million. The equity ratio was 60.5 per cent. The Group's cash flow from operations for the January-September period was EUR 14.1 (13.3) million. Total receivables increased EUR 8.3 million from the beginning of the year.

The Group's equity structure and liquidity remained strong. Interest-bearing net debt at the end of the period totalled EUR -8.0 (-8.8) million and gearing was -13.8 per cent (-18.0 per cent).

The Group's order book stood at EUR 33.4 (24.6) million. The order book has risen by EUR 3.7 million since the beginning of the year.

Market position

Vacon Group revenues by market area were as follows:

MEUR	7-9/ 2007	%	7-9/ 2006	%	1-9/ 2007	%	1-9/ 2006	%	1-12/ 2006	%
Europe	42.5	72.5	32.4	68.1	124.3	72.8	94.3	69.6	129.7	69.6
North America	10.2	17.4	10.3	21.6	27.9	16.3	27.4	20.2	37.9	20.3
Asia and Australia	5.0	8.5	4.2	8.8	14.6	8.6	11.6	8.6	15.8	8.5
Other countries	0.9	1.6	0.7	1.5	4.0	2.3	2.1	1.6	3.0	1.6
Total	58.7	100.0	47.6	100.0	170.8	100.0	135.4	100.0	186.4	100.0

Vacon's revenues in the January-September period grew in Europe by 32 per cent. In Asia and Australia revenues grew 26 per cent, but in North America growth in revenues was just 2 per cent.

Vacon Group's revenues by distribution channel were as follows:

MEUR	7-9/ 2007	%	7-9/ 2006	%	1-9/ 2007	%	1-9/ 2006	%	1-12/ 2006	%
Direct sales	24.6	42.0	19.1	40.1	71.9	42.1	55.5	41.0	76.4	41.0
Distributors	7.9	13.5	6.0	12.6	23.0	13.5	18.0	13.3	24.8	13.3
OEM	14.5	24.7	10.9	22.9	43.6	25.5	32.0	23.6	43.9	23.6
Brand Label	11.6	19.8	11.6	24.4	32.3	18.9	29.9	22.1	41.4	22.2
Total	58.7	100.0	47.6	100.0	170.8	100.0	135.4	100.0	186.4	100.0

The Group's revenues by distribution channel increased in the first nine months of the year as follows: OEM 36 per cent, direct sales 30 per cent, distributors 28 per cent and brand label customers 8 per cent.

Vacon Group structure

No significant changes took place in the Group structure during the third quarter.

Research and development

R&D expenditure during the first nine months of the year totalled EUR 10.1 (9.1) million, and EUR 1.1 (0.2) million of this was capitalized as development costs. R&D costs accounted for 5.9 per cent (6.7 per cent) of the Group's revenues. Work on developing new products continues in line with the Company's plans.

Investments

Gross investments by the Group during the first nine months of the year totalled EUR 4.9 (6.5) million. Expenditure focused on increasing and maintaining production capacity and on information systems.

Work on enlarging Vacon's Vaasa factory is starting during 2007 with a 1000 m² expansion of production. Work on the 5000 m² expansion of office space and a further 6000 m² of production premises is planned to start during 2008.

Organization and personnel

The number of Vacon personnel has increased by 134 since the beginning of the year. At the end of September the Group employed 809 (626) people, of whom 515 (418) were in Finland and 294 (208) in other countries. The table below shows the average number of Vacon personnel during the review period:

	1-9/2007	1-9/2006	1-12/2006
Office personnel	504	434	424
Factory personnel	241	169	194
TOTAL	745	603	618

Vacon is currently recruiting several dozen people in Vaasa during 2007.

Shares and shareholders

Vacon had a market capitalization at the end of September of EUR 533.9 million. The closing share price on 30 September 2007 was EUR 35.05. The lowest share price during the January-September period was EUR 24.60 and the highest was EUR 36.01. A total of 6,050,187 Vacon shares were traded in the January-September period, in monetary terms EUR 177.8 million.

Vacon's main shareholders on 30 September 2007 were:

	Number of shares	Holding, %
Ahlström Capital Oy	2 297 996	15.0
Tapiola Mutual Pension Insurance Company	584 500	3.8
Vaasa Engineering Oy	426 433	2.8
Koskinen Jari	358 590	2.3
Holma Mauri	347 171	2.3
Ehrnrooth Martti	325 923	2.1
Tapiola Group companies	325 300	2.1
Niemelä Harri	309 840	2.0
Karppinen Veijo	209 349	1.4
Mutual Insurance Company Pension Fennia	185 000	1.2
Nominee registered	4 800 129	31.4
Others	5 124 769	33.5
Total	15 295 000	100.0
Vacon Plc's own shares	-62 812	
Shares in circulation	15 232 188	

On 30 September 2007 the members of Vacon's Board of Directors, the President and CEO, and the Deputy to the CEO held directly a total of 568,296 shares or 3.7 per cent of Vacon's share stock.

Own shares

On 30 September 2007 Vacon Plc held a total of 62,812 of its own shares that were purchased at an average price of EUR 12.46. These own shares account for 0.4 % of the share capital and voting rights, so they have no significant impact on the distribution of ownership and voting rights.

Prospects

AC drives are one of the most significant means of enhancing the efficient use of energy. Improving energy efficiency is an important factor in restricting greenhouse gas emissions, and AC drives play a key role in this. The long-term demand factors for AC drives are positive.

Vacon's market prospects are good. Based on market surveys Vacon estimates that the AC drive market is currently growing at an annual rate of about 9 %. Vacon is growing at a much faster rate than the market. Vacon considers that potential risks to its financial performance in 2007 are problems that material suppliers may have with capacity, any disruptions in Finland's labour market, difficulties with the availability of key components, and the weakening of the dollar.

Vacon forecasts that revenues in 2007 will grow by more than 20 per cent and profitability will improve slightly from 2006.

Events after the end of the review period

Vacon announced on 11 October that it had signed a major contract with Finnish company The Switch, which has operations in Vaasa and Lappeenranta. The contract reinforces Vacon's position in the rapidly growing wind power market and has a value of several million euros. The wind power market has a value of EUR 15 billion today, but this is expected to nearly double over the next two years. Global investment in renewable forms of energy totalled USD 45 billion last year.

Following financial review

Vacon will publish its financial statements for 2007 on Thursday, 7 February 2008 at 9.00 am.

Formal statement

This release contains certain forward-looking statements that reflect the current views of the company's management. Due to the nature of these statements, they contain risks and uncertainties and are subject to changes in the general economic situation and in the company's business sector.

The interim report is unaudited.

Vacon in Brief

Vacon was established in 1993 from a passion to create, develop and produce unique AC drives for demanding needs, globally. We are driven by a burning desire to serve our customers as they look for ever more efficient, reliable and easy to use options to save energy and costs. Vacon provides AC drives in the power range 0.25 kW – 5 MW.

Vaasa, 25 October 2007

VACON PLC

Board of Directors

For more information please contact:

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- Mr Mika Leppänen, CFO, phone: +358 (0)40 8371 235

Conference for the media and analysts

Vacon will hold a briefing for analysts and the media on 25 October 2007 at 11.30 am in the Neptun meeting room at the Scandic Marski Hotel, Mannerheimintie 10, Helsinki.

Dial-in conference for investors and investment analysts

A dial-in conference in English for investors and investment analysts will be held on 25 October 2007 at 3.00 pm. President Vesa Laisi and Mika Leppänen, Vice President, Finance and Control, will participate in the conference. Lines can be booked ten minutes before the conference by calling the service number +44 207 162 0025. The conference ID code is "Vacon Oyj". To hear a recording of the conference, available for two working days, call +44 207 031 4064, ID code 735874. Conference link:

<http://wcc.webevents-services.com/view/wl/r.htm?e=36280&s=1&k=AEB9E13729168463DA5B20BE26019108&cb=genesys>

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Accounting principles

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

Vacon has prepared this interim report applying the same IFRS accounting principles as in its 2006 consolidated financial statements.

The interim report is unaudited.

Consolidated income statement, MEUR

	7-9/ 2007	7-9/ 2006	1-9/ 2007	1-9/ 2006	1-12/ 2006
Revenues	58.7	47.6	170.8	135.4	186.4
EBITDA	8.9	6.9	25.2	20.2	27.3
Depreciation	-1.1	-1.1	-3.5	-3.1	-4.2
Operating profit	7.8	5.8	21.7	17.1	23.1
Financial income	0.1	0.2	0.3	0.4	0.3
Financial expenses	-0.4	-0.2	-0.8	-0.5	-0.7
Share of result of associated companies	0.0	0.0	0.0	-0.1	0.0
Profit before taxes	7.5	5.8	21.2	16.8	22.7
Income taxes	-2.1	-1.5	-6.0	-4.7	-6.6
Profit for the period	5.4	4.3	15.2	12.1	16.1
Attributable to:					
Equity holders of the parent	5.3	4.2	14.8	11.9	15.8
Minority interest	0.1	0.1	0.4	0.2	0.3
Earnings per share, euro	0.34	0.28	0.97	0.78	1.04
Earnings per share diluted, euro	0.34	0.28	0.97	0.78	1.04

Consolidated balance sheet, MEUR

	30.9.2007	30.9.2006	31.12.2006
ASSETS			
Intangible assets	8.7	6.5	7.8
Tangible assets	13.2	13.7	13.3
Investments	1.8	1.3	1.4
Loans receivable and other receivables	0.4	0.8	0.8
Deferred tax assets	1.5	1.3	1.1
Total non-current assets	25.6	23.6	24.3
Inventories	14.3	11.8	11.7
Trade and other receivables	46.1	37.2	37.8
Cash and cash equivalents	11.8	15.4	13.0
Total current assets	72.2	64.4	62.6
Total assets	97.8	88.1	86.9
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	57.2	48.0	52.0
Minority interest	1.0	0.7	1.0
Total equity	58.2	48.7	53.0
Deferred tax liabilities	1.4	0.8	1.2
Employee benefits	0.8	0.7	0.7
Interest-bearing liabilities	1.6	2.0	1.8
Total non-current liabilities	3.8	3.5	3.7
Trade and other payables	30.2	28.7	25.6
Income tax liabilities	2.5	1.9	1.5
Provisions	0.9	0.6	0.7
Interest-bearing liabilities	2.1	4.7	2.4
Total current liabilities	35.7	35.9	30.2
Total equity and liabilities	97.8	88.1	86.9

Q3/2007 calculation of changes in shareholders' equity, MEUR

Attributable to equity holders of the parent

	Share capi- tal	Share pre- mium	Own shares	Trans- la- tion diffe- rence	Revalu- -ation fund	Re- tained earn- ings	Total	Minor -ity inter- est	Total equi- ty
Shareholders' equity 31.12.2006	3.1	5.0	-1.2	-0.1	0.1	45.2	52.0	1.0	53.0
Cash flow hedging:									
Hedging result allocated to equity					0.1		0.1		0.1
Hedging result carried to income statement					-0.1		-0.1		-0.1
Translation difference				0.0			0.0		0.0
Profit/loss of from hedging net investment				0.1			0.1		0.1
Recognized tax						0.0	0.0		0.0
Other changes						0.2	0.2	0.0	0.2
Net income recorded directly in equity	0.0	0.0	0.0	0.1	0.0	0.2	0.2	0.0	0.3
Profit for the period						14.8	14.8	0.4	15.2
Total income and expenses recorded for the period	0.0	0.0	0.0	0.1	0.0	15.0	15.1	0.4	15.5
Dividends paid						-9.9	-9.9	-0.3	-10.2
Shareholders' equity 30.9.2007	3.1	5.0	-1.2	-0.1	0.1	50.3	57.2	1.0	58.2

Q3/2006 Calculation of changes in shareholders' equity, MEUR

	Attributable to equity holders of the parent							Minor -ity inter- est	Total equity
	Share capital	Share Pre- mium	Own shares	Transla- tion diffe- rence	Revalu- -ation fund	Re- tained earn- ings	To- tal		
Shareholders' equity 31.12.2005	3.1	5.0	-1.2	-0.1	-0.1	35.6	42.3	0.5	42.8
Cash flow									
hedging:									
Hedging result allocated to equity					0.0		0.0		0.0
Hedging result carried to income statement					0.1		0.1		0.1
Translation difference				-0.1			-0.1		-0.1
Recognized tax						0.0	0.0		0.0
Other changes						0.1	0.1		0.1
Net income recorded directly in equity	0.0	0.0	0.0	-0.1	0.1	0.1	0.1	0.0	0.1
Profit for the period						11.9	11.9	0.2	12.1
Total income and expenses recorded for the period	0.0	0.0	0.0	-0.1	0.1	12.0	12.0	0.2	12.2
Dividends paid						-6.3	-6.3		-6.3
Share repurchase			0.0				0.0		0.0
Shareholders' equity 30.9.2006	3.1	5.0	-1.2	-0.2	0.0	41.3	48.0	0.7	48.7

Consolidated cash flow statement, MEUR

	30.9.2007	30.9.2006	31.12.2006
Profit for the period	15.2	12.1	16.1
Depreciation	3.5	3.1	4.2
Other adjustments	6.7	4.8	6.9
Change in working capital	-5.8	-2.3	-5.7
Cash flow from financial items and tax	-5.5	-4.4	-6.4
Cash flow from operating activities	14.1	13.3	15.1
Investments in tangible and intangible assets	-4.4	-4.9	-7.0
Proceeds from disposal of tangible and intangible assets	0.1	0.4	0.5
Loans granted	0.0	0.0	-1.4
Other investments	-0.5	-1.7	-0.5
Repayment of loan receivables	0.2	0.0	0.0
Proceeds from disposal of other investments	0.0	0.0	0.3
Change in long-term loan receivables	0.0	0.1	0.0
Cash flow from investing activities	-4.7	-6.1	-8.1
Share issue	0.0	0.0	0.1
Proceeds from long-term borrowings	0.0	0.5	0.4
Repayment of long-term loans	-0.1	-0.1	-0.2
Proceeds from short-term borrowings	2.0	5.0	5.0
Repayment of short-term loans	-2.0	-2.1	-4.3
Financial leasing payments	-0.3	-0.2	-0.3
Dividends paid	-10.2	-6.3	-6.3
Cash flow from financing activities	-10.6	-3.3	-5.5
Change in liquid funds	-1.1	3.9	1.6

Segment information

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

Vacon has one business segment, AC drives. The figures for the primary segment are identical with the figures for the whole Group. Vacon's operations are organized in the following functions: Products and Markets, Production, Research & Development, Finance and Administration, Human Resources, IT and Process Development, and Corporate Development. To ensure that the organisation is customer-oriented, operations are controlled by customer segments that are called business areas. These business areas are: Component Customers, Solutions Customers, OEM and Brand Label Customers, and Service and After-Market Services.

The secondary, geographical segment is divided into four sales areas: Europe, North America, Asia and Australia, and Other Countries.

Key indicators

	30.9.2007	30.9.2006	31.12.2006
Equity per share, EUR	3.75	3.15	3.42
Equity ratio, %	60.5	55.6	61.7
Gross capital expenditure, MEUR	4.9	6.5	8.5
Gross capital expenditure as % of revenues	2.9	4.8	4.6
Interest-bearing net liabilities, MEUR	-8.0	-8.8	-8.8
Net gearing, %	-13.8	-18.0	-16.6
Order book, MEUR	33.4	24.6	29.7
Adjusted average number of shares during the period	15 225 247	15 207 913	15 209 303
Number of shares at end of period	15 232 188	15 213 428	15 213 428
Average number of personnel	745	603	618

Commitments and contingencies, MEUR

	30.9.2007	30.9.2006	31.12.2006
Commitments and contingencies	1.2	2.4	1.8
Financing commitments	1.0	1.5	1.5

Currency derivatives, MEUR

	30.9.2007	30.9.2006	31.12.2006
Forward exchange contracts			
Fair value	0.4	0.0	0.1
Nominal value	13.4	15.8	14.9

Calculation of financial ratios

$$\text{Earnings per share} = \frac{\text{Profit for period attributable to equity holders of parent company}}{\text{Adjusted average number of shares}}$$

$$\text{Equity per share} = \frac{\text{Equity attributable to equity holders of parent company}}{\text{Adjusted number of shares at end of period}}$$

$$\text{Equity ratio} = \frac{\text{Shareholders' equity (incl. minority interest)} \times 100}{\text{Balance sheet total} - \text{advances received}}$$

$$\text{Net gearing} = \frac{(\text{Interest-bearing liabilities} - \text{cash, bank balances and financial assets}) \times 100}{\text{Shareholders' equity (incl. minority interest)}}$$