

VACON PLC FINANCIAL BULLETIN 1 January - 30 June 2007

High energy prices boost AC drive sales

April-June summary:

- Order intake totalled MEUR 60.0, growth of 21.2 % from the corresponding period in the previous year (MEUR 49.5).
- Revenues totalled MEUR 59.8, growth of 32.9 % (MEUR 45.0).
- Operating profit was MEUR 7.7, an increase of 35.1 % (MEUR 5.7).
- Cash flow from operations was MEUR 3.7 (MEUR 4.2).
- Earnings per share was EUR 0.35 (EUR 0.26), growth from the previous year of 34.6 %.

January-June summary:

- Order intake totalled MEUR 116.1, growth of 24.0 % from the corresponding period in the previous year (MEUR 93.6).
- Revenues totalled MEUR 112.1, growth of 27.5 % (MEUR 87.9).
- Operating profit was MEUR 14.0, an increase of 23.9 % (MEUR 11.3).
- Cash flow from operations was MEUR 6.2 (MEUR 6.7).
- Earnings per share was EUR 0.63 (EUR 0.51), growth from the previous year of 23.5 %.

The AC drive market continued to grow in the second quarter of 2007. Demand for AC drives was strong in Europe and Asia. Demand in North America, which had been weaker at the end of last year and the start of this year, started to pick up during the second quarter. Market prospects for the second half of the year are encouraging in all market areas. High energy prices are boosting investments in energy-saving equipment, and AC drives are one of the most important of these.

Vacon's order intake, revenues and operating profit all increased strongly in the second quarter compared to the corresponding period in the previous year. Sales grew fastest in Europe and Asia. Sales in North America fell short of its targets but performed better than in the first quarter. Direct sales and OEM were the distribution channels showing strongest growth.

Earnings per share rose to EUR 0.35, an increase of EUR 0.09 on the previous year. The company improved its profitability through the strong growth in revenues, even though the US dollar, important for the company's markets, weakened against the euro.

In June Vacon launched the new Vacon 10 drive family. It is the first product family of Vacon third product generation. Vacon 10 is one of the smallest micro drives in size on the market. It can be flexibly adapted to customer needs. The Vacon 10 gives excellent opportunities to win new customers in the highly competitive and rapidly growing micro drive market. The Vacon 10 supports the core issues in our product leadership strategy: a wide product range, outstanding drives knowhow, customer relations management, the latest technology and mass customization.

Result in January-June and equity structure

MEUR	4-6/ 2007	4-6/ 2006	1-6/ 2007	1-6/ 2006	Change %	1-12/ 2006
Revenues	59.8	45.0	112.1	87.9	27.5	186.4
EBITDA	8.9	6.6	16.3	13.3	22.6	27.3
Deprecia- tion	-1.2	-0.9	-2.3	-2.0	15.0	-4.2
Operating profit	7.7	5.7	14.0	11.3	23.9	23.1
Profit before tax	7.5	5.5	13.7	11.1	23.4	22.7
Profit for period	5.4	4.0	9.8	7.8	25.6	16.1

Revenues in the first half of 2007 totalled EUR 112.1 million and operating profit was EUR 14.0 million. Profitability improved during the second quarter. The operating profit as a percentage of revenues was 12.9 per cent, compared with 12.0 per cent in the first quarter and 12.7 per cent in the second quarter in the previous year.

The balance sheet total was EUR 98.4 (81.3) million. The equity ratio was 54.2 per cent. The Group's cash flow from operations for the January-June period was EUR 6.2 (6.7) million. Total receivables increased EUR 8.5 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 -2.0 (-3.7) million and gearing was -3.9 per cent (-8.4 per cent).

The Group's order book stood at EUR 33.7 (24.6) million. The order book has risen by EUR 4.0 million since the start of the year.

Market position

Vacon Group revenues by market area were as follows:

MEUR	4-6/ 2007	%	4-6/ 2006	%	1-6/ 2007	%	1-6/ 2006	%	1-12/ 2006	%
Europe	43.5	72.7	31.3	69.6	81.7	72.9	61.9	70.4	129.7	69.6
North America	9.9	16.6	9.3	20.7	17.7	15.8	17.1	19.5	37.9	20.3
Asia and Australia	5.2	8.7	3.8	8.4	9.6	8.5	7.5	8.5	15.8	8.5
Other countries	1.2	2.0	0.6	1.3	3.1	2.8	1.4	1.6	3.0	1.6
Total	59.8	100.0	45.0	100.0	112.1	100.0	87.9	100.0	186.4	100.0

Vacon's revenues in the January-June period grew in Europe by 32 per cent. In Asia and Australia revenues grew 28 per cent, but in North America the growth in revenues was 3.5 per cent. USD based growth was about 7 per cent.

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

MEUR	4-6/ 2007	%	4-6/ 2006	%	1-6/ 2007	%	1-6/ 2006	%	1-12/ 2006	%
Direct sales	24.6	41.1	17.9	39.8	47.2	42.1	36.4	41.4	76.4	41.0
Distributors	7.7	12.9	6.4	14.2	15.1	13.5	12.0	13.7	24.8	13.3
OEM	16.1	26.9	10.9	24.2	29.1	25.9	21.2	24.1	43.9	23.6
Brand Label	11.4	19.1	9.8	21.8	20.7	18.5	18.3	20.8	41.4	22.2
Total	59.8	100.0	45.0	100.0	112.1	100.0	87.9	100.0	186.4	100.0

The Group's revenues by distribution channel increased in the first half of the year as follows: direct sales 30 per cent, distributors 26 per cent, OEM 37 per cent and brand label customers 13 per cent.

Vacon Group structure

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

Research and development

R&D expenditure during the first half of the year totalled EUR 6.6 (6.1) million, and EUR 0.7 (0.1) million of this was capitalized as development costs. R&D costs accounted for 5.9 per cent (7.0 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 six months of the year totalled EUR 3.0 (4.9) million. Expenditure focused on information systems and on increasing and maintaining production capacity.

Planning has started for enlarging Vacon's factory premises in Vaasa. The purpose of the expansion is to safeguard growth in production of high-power drives and to build production space for the new generation AC drives.

Organization and personnel

The number of Vacon personnel has increased by 87 persons since the beginning of the year. At the end of June the Group employed 762 (611) people, of whom 494 (406) were in Finland and 268 (205) in other countries. The table below shows the average number of Vacon personnel during the review period:

	1-6/2007	1-6/2006	1-12/2006
Office personnel	493	433	424
Factory personnel	232	164	194
TOTAL	725	597	618

Shares and shareholders

Vacon had a market capitalization at the end of June of EUR 483.6 million. The closing share price on 30 June 2007 was EUR 31.75. The lowest share price during the January-June period was EUR 24.6 and the highest was EUR 32.0. A total of 4,374,260 Vacon shares were traded in the January-June period, in monetary terms EUR 122.9 million.

Vacon's main shareholders on 30 June 2007:

	Number of shares	Holding, %
Ahlström Capital Oy	2,297,996	15.0
Tapiola Mutual Pension Insurance Company	584,500	3.8
Vaasa Engineering Oy	436,433	2.9
Koskinen Jari	358,590	2.3
Holma Mauri	347,171	2.3
Ehrnrooth Martti	325,423	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	4,665,745	30.5
Others	5,249,653	34.3
Total	15,295,000	100.0
Vacon Plc's own shares	-62,812	
Shares in circulation	15,232,188	

On 30 June 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 June 2007 Vacon Plc held a total of 62,812 of its own shares. In accordance with the terms of Vacon's share bonus scheme, a total of 18,760 shares were issued as a bonus to the key personnel in the scheme on 12 April 2007. The shares issued were own shares held by the Company. In consequence, as from 13 April 2007 the number of own shares held by the Company has been 62,812 (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.

Dividend payment

The Annual General Meeting of Shareholders decided on 28 March 2007 to pay a dividend of EUR 0.65 per share, a total of EUR 9.9 million. The dividend was paid in accordance with the AGM's decision on 11 April 2007.

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 for the final half of the year are good. Based on market surveys Vacon estimates that the AC drive market is currently growing at an annual rate of 7-9 %. 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, difficulties with the availability of key components, and the weakening of the dollar.

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

Following interim reports

Vacon will publish its 2007 January-September interim report on Thursday, 25 October 2007 at 10.00 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 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, 2 August 2007

VACON PLC

Board of Directors

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Conference for the media and analysts

Vacon will hold a briefing for analysts and the media on 2 August 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 2 August 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". Conference link:

<http://wcc.webeventservices.com/view/wl/r.htm?e=36279&s=1&k=0911B13C1544BBFA738DF86B924445F7&cb=genesys>

To hear a recording of the conference, available for two working days, call +44 207 031 4064, ID code 735873.

Distribution:

Helsinki Exchanges

Financial Supervision Authority

Main media

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

	4-6/ 2007	4-6/ 2006	1-6/ 2007	1-6/ 2006	1-12/ 2006
Revenues	59.8	45.0	112.1	87.9	186.4
EBITDA	8.9	6.6	16.3	13.3	27.3
Depreciation	-1.2	-0.9	-2.3	-2.0	-4.2
Operating profit	7.7	5.7	14.0	11.3	23.1
Financial income	0.1	0.1	0.2	0.1	0.3
Financial expenses	-0.3	-0.2	-0.4	-0.2	-0.7
Share of result of associated companies	0.0	-0.1	0.0	-0.1	0.0
Profit before taxes	7.5	5.5	13.7	11.1	22.7
Income taxes	-2.1	-1.5	-3.9	-3.3	-6.6
Profit for the period	5.4	4.0	9.8	7.8	16.1
Attributable to:					
Equity holders of the parent	5.3	3.9	9.6	7.7	15.8
Minority interest	0.1	0.1	0.2	0.1	0.3
Earnings per share, euro	0.35	0.26	0.63	0.51	1.04
Earnings per share diluted, euro	0.35	0.26	0.63	0.51	1.04

Consolidated balance sheet, MEUR

	30.6.2007	30.6.2006	31.12.2006
ASSETS			
Intangible assets	8.4	5.1	7.8
Tangible assets	12.9	14.7	13.3
Investments	1.8	1.2	1.4
Loans receivable and other receivables	0.5	0.8	0.8
Deferred tax assets	1.5	1.1	1.1
Total non-current assets	25.1	22.9	24.3
Inventories	13.7	9.9	11.7
Trade and other receivables	46.3	37.0	37.8
Cash and cash equivalents	13.2	11.5	13.0
Total current assets	73.2	58.4	62.6
Total assets	98.4	81.3	86.9
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	51.8	43.8	52.0
Minority interest	0.9	0.6	1.0
Total equity	52.7	44.4	53.0
Deferred tax liabilities	1.4	0.7	1.2
Employee pension benefits	0.8	0.7	0.7
Interest-bearing liabilities	1.7	2.0	1.8
Total non-current liabilities	3.9	3.4	3.7
Trade and other payables	29.5	25.2	25.6
Income tax liabilities	1.9	1.8	1.5
Provisions	0.9	0.8	0.7
Interest-bearing liabilities	9.5	5.7	2.4
Total current liabilities	41.8	33.5	30.2
Total equity and liabilities	98.4	81.3	86.9

Q2/2007 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 reserve	Own shares	Transla- tion diffe- rence	Revalu- ation fund	Re- tained earn- ings	Total		
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					0.0		0.0		0.0
Hedging result carried to income statement					-0.1		-0.1		-0.1
Translation difference				0.0			0.0		0.0
Profit/loss from hedging of net investment				0.0			0.0		0.0
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						9.6	9.6	0.2	9.8
Total income and expenses recorded for the period	0.0	0.0	0.0	0.1	-0.1	9.7	9.7	0.2	9.9
Dividends paid						-9.9	-9.9	-0.3	-10.2
Shareholders' equity 30.6.2007	3.1	5.0	-1.2	0.0	0.0	45.0	51.8	0.9	52.7

Q2/2006 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 reserve	Own shares	Transla- tion diffe- rence	Revalu- ation fund	Re- tained earn- ings	Total		
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					0.1		0.1		0.1
Hedging result carried to income statement					0.1		0.1		0.1
Translation difference				0.0			0.0		0.0
Recognized tax						0.0	0.0		0.0
Other changes						0.0	0.0		0.0
Net income recorded directly in equity	0.0	0.0	0.0	0.0	0.2	0.0	0.2	0.0	0.2
Profit for the period						7.7	7.7	0.1	7.8
Total income and expenses recorded for the period	0.0	0.0	0.0	0.0	0.2	7.7	7.9	0.1	8.0
Dividends paid						-6.3	-6.3		-6.3
Share repurchase			0.0				0.0		0.0
Shareholders' equity 31.6.2006	3.1	5.0	-1.2	-0.1	0.1	37.0	43.8	0.6	44.4

Consolidated cash flow statement, MEUR

	30.6.2007	30.6.2006	31.12.2006
Profit for the period	9.8	7.8	16.1
Depreciation	2.3	2.0	4.2
Other adjustments	4.3	3.2	6.9
Change in working capital	-6.4	-3.4	-5.7
Cash flow from financial items and tax	-3.8	-2.9	-6.4
Cash flow from operating activities	6.2	6.7	15.1
Investments in tangible and intangible assets	-2.6	-3.4	-7.0
Proceeds from disposal of tangible and intangible assets	0.0	0.3	0.5
Loans granted	0.0	0.0	-1.4
Other investments	-0.2	-1.6	-0.5
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	-2.8	-4.6	-8.1
Share issue	0.0	0.0	0.1
Proceeds from long-term borrowings	0.0	0.5	0.4
Repayments of long-term loans	-0.1	-0.1	-0.2
Proceeds from short-term borrowings	9.3	5.0	5.0
Repayments of short-term loans	-2.0	-1.0	-4.3
Financial leasing payments	-0.3	-0.2	-0.3
Dividends paid	-10.2	-6.3	-6.3
Cash flow from financing activities	-3.3	-2.1	-5.5
Change in liquid funds	0.2	0.0	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

	30.6.2007	30.6.2006	31.12.2006
Equity per share, EUR	3.40	2.88	3.42
Equity ratio, %	54.2	55.3	61.7
Gross capital expenditure, MEUR	3.0	4.9	8.5
Gross capital expenditure as % of revenues	2.7	5.6	4.6
Interest-bearing net liabilities, MEUR	-2.0	-3.7	-8.8
Gearing, %	-3.9	-8.4	-16.6
Order book, MEUR	33.7	24.6	29.7
Adjusted average number of shares during the period	15,221,720	15,205,109	15,209,303
Number of shares at end of period	15,232,188	15,213,428	15,213,428
Average number of personnel	725	597	618

Commitments and contingencies. MEUR

	30.6.2007	30.6.2006	31.12.2006
Commitments and contingencies	1.2	2.2	1.8
Financing commitments	1.1	1.6	1.5

Currency derivatives. MEUR

	30.6.2007	30.6.2006	31.12.2006
Forward exchange contracts			
Fair value	0.1	0.3	0.1
Nominal value	14.3	13.5	14.9

Events after end of review period

No events have taken place after the end of the review period that will have an impact on the Company's result or financial position.

Calculation of financial ratios

Earnings per share =	$\frac{\text{Profit for period attributable to equity holders of parent company}}{\text{Adjusted average number of shares}}$
Equity per share =	$\frac{\text{Equity attributable to equity holders of parent company}}{\text{Adjusted number of shares at end of period}}$
Equity ratio =	$\frac{\text{Shareholders' equity (incl. min. interest)} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Gearing =	$\frac{(\text{Interest-bearing liabilities} - \text{cash, bank balances and financial assets}) \times 100}{\text{Shareholders' equity (incl. minority interest)}}$