
VACON PLC
FINANCIAL STATEMENT BULLETIN
JANUARY – DECEMBER 2012

# Vacon Plc Financial Statement Bulletin 1 January – 31 December 2012

## October-December summary:

- Order intake totalled MEUR 94.4 (MEUR 76.9), an increase of 22.8 % from the corresponding period in the previous year.
- Revenues totalled MEUR 103.2 (MEUR 87.6), growth of 17.8 %.
- Operating profit was MEUR 10.9, or 10.6 % of revenues, (MEUR -3.9 and -4.4 %).
- Operating profit excluding one-time items was MEUR 12.1, or 11.7 % of revenues (MEUR 5.7 and 6.5 %).
- Net cash flow from operating activities was MEUR 15.1 (MEUR 6.2).
- Earnings per share were EUR 0.50 (EUR -0.18).

## January-December summary:

- Order intake totalled MEUR 401.9 (MEUR 365.3), an increase of 10.0 % from the corresponding period in the previous year.
- Revenues totalled MEUR 388.4 (MEUR 380.9), growth of 2.0 %.
- Operating profit was MEUR 37.7, or 9.7 % of revenues (EUR 24.7 and 6.5 %), an increase of 52.3 %.
- Operating profit excluding one-time items was MEUR 36.2, or 9.3 % of revenues (MEUR 34.8 and 9.1 %).
- Net cash flow from operating activities was MEUR 52.3 (MEUR 26.8).
- Earnings per share were EUR 1.70 (EUR 1.10), growth of 54.0 %.
- The Board of Directors proposes to the Annual General Meeting of Shareholders that a dividend of EUR 1.10 per share be paid from the profit for 2012.

# Key indicators

## October-December key indicators:

| MEUR | 10-12/2012 | 10-12/2011 | Change, % |
|---|---|---|---|
| Order intake | 94.4 | 76.9 | 22.8% |
| Revenues | 103.2 | 87.6 | 17.8% |
| Operating profit | 10.9 | -3.9 | |
| % of revenues | 10.6% | -4.4% | |
| Operating profit excluding one-time items | 12.1 | 5.7 | 112.8% |
| % of revenues | 11.7% | 6.5% | |
| Profit before taxes | 10.6 | -1.4 | |

## January-December key indicators:

| MEUR | 1-12/2012 | 1-12/2011 | Change, % |
|---|---|---|---|
| Order intake | 401.9 | 365.3 | 10.0% |
| Order book | 50.0 | 36.6 | 36.9% |
| Revenues | 388.4 | 380.9 | 2.0% |
| Operating profit | 37.7 | 24.7 | 52.3% |
| % of revenues | 9.7% | 6.5% | |
| Operating profit excluding one-time items | 36.2 | 34.8 | 4.0% |
| % of revenues | 9.3% | 9.1% | |
| Profit before taxes | 36.8 | 27.0 | 36.5% |
| Net cash flow from operating activities | 52.3 | 26.8 | 95.0% |
| Earnings per share, EUR | 1.70 | 1.10 | 54.0% |
| Return on equity, % | 25.8% | 18.7% | |
| Interest-bearing net liabilities | -10.3 | 12.4 | |
| Gearing, % | -9.5% | 12.7% | |
| Gross capital expenditure | 14.0 | 18.7 | -25.3% |

## Business environment and business development

According to initial market surveys and in Vacon's assessment, the AC drive market did not grow significantly during 2012. The situation was most difficult in Europe, where the market even declined from the previous year. The markets in Asia and North America grew slightly from the previous year.

Vacon's revenues and orders increased in both the October-December quarter and the January-December 2012 full year compared to the periods for comparison in the previous year. The company's sales increased in 2012 especially in building automation and the marine industry. In contrast sales for the generation of solar energy and wind power fell sharply, accounting for only 3 % of the company's revenues in 2012, compared to 13 % in 2011. During 2012 Vacon succeeded in compensating for the fall in the sales of products for renewable energy generation by increasing its sales to other industrial sectors, at the same time raising its market share.

Vacon's revenues increased sharply in October-December and January-December 2012 in the Asia Pacific region (APAC). Sales in North and South America also developed positively both in the October-December period and for the whole of 2012. Sales in the Europe, Middle East and Africa (EMEA) region rose in October-December, but declined slightly for the whole of 2012 as the result of weak demand for products for renewable energy generation and the general state of the economy in the region. Full year revenues in the EMEA region grew slightly from the previous year, if renewable energy is not included.

The company's profitability measured in terms of the operating profit percentage improved both in October-December and in January-December 2012. Profitability improved particularly in the second half of 2012. Vacon carried out several measures in 2012 to improve profitability. The most important of these was the transfer of material sourcing to low-cost countries. Last year 50 % of material sourcing came from low-cost countries (40 % in 2011).

During the final quarter of the year Vacon continued its release of new products with the launch of the VACON® 100 Flow product, which is the latest AC drive in the VACON® 100 product range. It offers a wide range of flow control functions for water and waste water treatment and for building automation applications.

Vacon continued to strengthen its global standing in the fourth quarter of 2012 by establishing a regional centre in Singapore and a representative office in Kazakstan.

## Order intake and order book

The value of orders received in October-December totalled EUR 94.4 (76.9) million. Developments in orders received by Vacon during the final quarter of the year, compared to the corresponding period in the previous year, by market region were as follows: Asia and Pacific (APAC) growth of 37.6 %, Europe, Middle East and Africa (EMEA) growth of 20.0 % and North and South America growth of 14.8 %. Orders received totalled EUR 401.9 (365.3) million in January-December. The volume of orders received declined slightly in the final quarter compared to the third quarter of 2012. The decline was mainly due to seasonal variation in project-type sales.

The order book increased EUR 13.5 million from the beginning of the year, standing at EUR 50.0 (36.6) million at the end of the year.

## Revenues

Vacon's revenues in October-December totalled EUR 103.2 (87.6) million, an increase of 17.8 % from the corresponding period in the previous year. In January-December revenues were EUR 388.4 (380.9) million, growth of 2.0 % from the previous year.

Breakdown of revenues by Vacon Group's largest customer business sectors:

| Customer business sector | Percentage of revenues in 2012 | Percentage of revenues in 2011 |
|---|---|---|
| Building automation | 25% | 19% |
| Distributors and brand label customers | 21% | 22% |
| Marine and offshore | 13% | 9% |
| General processing industry, cranes and hoists | 7% | 7% |
| Water treatment | 4% | 4% |
| Mining | 4% | 4% |
| Energy production | 3% | 3% |
| Renewable energy production | 3% | 13% |
| Other customer business sectors, total | 20% | 19% |

Vacon succeeded in raising its revenues in 2012 especially in building automation and the marine and offshore industry, which compensated for the sharp fall in sales for renewable energy production.

Vacon Group revenues by region:

| MEUR | 10-12/ 2012 | % | 10-12/ 2011 | % | 1-12/ 2012 | % | 1-12/ 2011 | % |
|---|---|---|---|---|---|---|---|---|
| Europe, Middle East, Africa | 60.5 | 58.6% | 51.9 | 59.2% | 225.5 | 58.1% | 242.5 | 63.7 % |
| North and South America | 19.9 | 19.3% | 16.7 | 19.0% | 76.6 | 19.7% | 67.6 | 17.8% |
| Asia and Pacific | 22.8 | 22.1% | 19.1 | 21.8% | 86.2 | 22.2% | 70.8 | 18.6% |
| Total | 103.2 | 100.0% | 87.6 | 100.0% | 388.4 | 100.0% | 380.9 | 100.0% |

The geographical breakdown of revenues has been revised in respect of the EMEA and APAC regions. This has no significant impact on the reported figures however.

The region with strongest growth was Asia and Pacific, where revenues increased 21.7 % in 2012. Revenues in this region rose particularly in building automation and the marine and offshore industry. Revenues in North and South America also developed well, with growth of 13.3 %. Revenues in this region saw their biggest growth among distributors and brand label customers.

Sales in the Europe, Middle East and Africa region declined 7.0 % in 2012, as the result of weak demand for products for renewable energy production. In Europe the customer business sector that grew most was the marine and offshore industry. Revenues in Europe picked up however towards the end of the year, increasing 16.7 % in the fourth quarter compared to the previous year.

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/ 2012 | % | 10-12/ 2011 | % | 1-12/ 2012 | % | 1-12/ 2011 | % |
|---|---|---|---|---|---|---|---|---|
| Direct sales | 10.6 | 10.2% | 8.9 | 10.1% | 32.1 | 8.3% | 36.9 | 9.7% |
| Distributors | 18.5 | 17.9% | 13.6 | 15.5% | 62.6 | 16.1% | 57.8 | 15.2% |
| OEM | 34.5 | 33.5% | 25.1 | 28.7% | 124.5 | 32.1% | 98.0 | 25.7% |
| Brand label customers | 16.2 | 15.7% | 16.8 | 19.1% | 69.9 | 18.0% | 72.1 | 18.9% |
| System integrators | 23.4 | 22.7% | 23.3 | 26.6% | 99.3 | 25.6% | 116.0 | 30.5% |
| Total | 103.2 | 100.0% | 87.6 | 100.0% | 388.4 | 100.0% | 380.9 | 100.0% |

Vacon's revenues for original equipment manufacturers (OEM) increased significantly from the previous year, whereas system integrators saw a fall in their percentage of revenues. Most of the products for renewable energy generation are sold through the system integrators channel, which explains most of the fall in sales in that channel.

## Operating profit and result

The operating profit improved in October-December and in January-December 2012. The company's profitability improved particularly in the second half of 2012. The operating profit for the October-December period was EUR 10.9 million, or 10.6 % of revenues (EUR -3.9 million and -4.4 %). The operating profit for January-December was EUR 37.7 million, or 9.7 % of revenues (EUR 24.7 million and 6.5 %).

The result for the final quarter of the 2011 financial period for comparison was exceptionally poor due to a one-time provision totalling EUR 10 million recognised in the income statement in December 2011, relating to a trade receivable from a solar energy customer and the court proceedings involving the company in progress in China.

During 2012 the company succeeded in collecting of the overdue receivable from the solar energy customer mentioned above. One-time items related to the successful collection of the receivable had a net impact of EUR 1.5 million on the company's operating profit in 2012.

The operating profit excluding one-time items in October-December was EUR 12.1 million, or 11.7 % of revenues (EUR 5.7 million and 6.5 %). The operating profit excluding one-time items in January-December was EUR 36.2 million, or 9.3 % of revenues (EUR 34.8 million and 9.1 %).

During 2012 Vacon carried out measures to improve its profitability, and the most significant of these was the transfer of material sourcing to low-cost countries. In addition, the company has further enhanced the cost-effectiveness of its operations.

Earnings per share in October-December were EUR 0.50 (-0.18). Earnings per share in January-December were EUR 1.70, an increase of EUR 0.60 or 54.0 % from the previous year.

## Balance sheet and cash flow

The balance sheet remained strong and the net cash flow from operating activities in the final quarter of the year was EUR 15.1 million, an increase of EUR 8.9 million from the corresponding period in the previous year. The net cash flow from operating activities in January-December was EUR 52.3 (26.8) million. The company has succeeded in improving the management of working capital in all areas.

Thanks to the strong net cash flow from operating activities the company's gearing was -9.5 % (12.7 %). The company was free of net debt, because its net debt stood at EUR -10.3 million at year end. The balance sheet total was EUR 206.9 (198.1) million. The equity ratio was 53.1 % (50.0 %). The Group's equity structure and liquidity remained strong. Interest-bearing debt at the end of 2012 totalled EUR 20.7 million.

## Research and development

R&D expenditure in January-December totalled EUR 25.1 (25.1) million, and EUR 4.5 (7.0) million of this was capitalized as development costs. R&D costs accounted for 6.5 % (6.6 %) of Group revenues.

During the fourth quarter Vacon continued its release of new products with the launch of the VACON® 100 Flow product, the latest AC drive in the VACON® 100 product range. It offers a wide range of flow control functions for water and waste water treatment and for building automation applications.

Vacon launched several new products during 2012. In March the company introduced upgraded versions of its Vacon® NXP AC drives. In June Vacon launched three new products at its sales conference: the VACON® 100, VACON® 100 X and VACON® 20 X.

In December 2012 Frost & Sullivan, one of the most highly respected growth company consultants in the world, granted the 2012 European Low Voltage (LV) Alternating Current (AC) Electric Drives Product Line Strategy Award to Vacon. The award was in recognition of Vacon's achievements in effectively optimising strategies, processes and performance.

## Investments

Gross investments by the Group during the year totalled EUR 14.0 (18.7) million. Expenditure focused particularly on projects for developing new products and on developing production especially in China and Finland. The company limited its investments in 2012 so as to adjust costs to a level corresponding to the growth in operations. Vacon is equipped to expand its business operations within the framework of the existing production capacity.

## Organization and personnel

Vacon published the company's revised values in 2012. The new values are the result of a year-long internal process conducted at all Vacon's companies, and they take into account the changing business environment.

Vacon's revised values are: Stronger Together, Trust and Respect, Taking Ownership and Passion for Excellence. During the fourth quarter Vacon has continued to spread the values throughout its global organization at 'Live the Values' events.

At the end of December the Group employed 1,513 (1,468) people, and 708 (730) of these were in Finland and 805 (738) in other countries. As part of the company's reorganisation and measures to raise efficiency, on 19 December 2011 Vacon began statutory personnel negotiations concerning white collar personnel working in Finland, and these were concluded on 15 February 2012. The negotiations resulted in annual savings corresponding to 45 man-years.

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

| | 1–12/2012 | 1-12/2011 |
|---|---|---|
| Office personnel | 955 | 938 |
| Factory personnel | 513 | 532 |
| TOTAL | 1,468 | 1,470 |

## Key events after end of year

Pia Aaltonen-Forsell, M. Soc.Sc. (born in 1974) was appointed Chief Financial Officer and member of the company's Executive Management Team on 22 January 2013. Pia Aaltonen-Forsell will join Vacon no later than 1 May 2013.

Pia Aaltonen-Forsell joins Vacon from Stora Enso where she has held several management positions in finance and control, including that of SVP, Group Controller. Most recently she has been SVP Finance, IT and M&A at the Building and Living Business Area and has been a member of its management team.

Vacon's previous CFO Eriikka Söderström is resigning from the company to join KONE Corporation. Söderström will continue to work at Vacon until 5 February 2013.

## Shares and shareholders

Vacon had a market capitalization at the end of December of EUR 611.5 (471.5) million. The closing share price on 31 December 2012 was EUR 40.20. The lowest share price during the January-December period was EUR 31.11 and the highest EUR 42.54.

A total of 3,150,916 Vacon shares (20.7 % of the share stock) were traded on the stock exchange during 2012, in monetary terms EUR 119.4 million. According to the shareholder register updated on 31 December 2012, Vacon had 4,665 registered shareholders. Shares that were nominee registered and in foreign ownership amounted to 51.2 % (53.0 %) of the share stock.

On 1 November 2012 Vacon Plc received a disclosure under Section 9 of Chapter 2 of the Securities Markets Act, stating that the holding of AC Invest Three B.V. (business ID 51490994), a subsidiary of Ahlström Capital Oy (business ID 1670034-3), in Vacon Plc shares had fallen below the 3/20 (15 %) threshold. According to the disclosure, AC Invest Three B.V. owns 2,064,844 Vacon Plc shares, which corresponds to 13.5 % of the shares and voting rights in Vacon Plc. The number of shares fell below the aforementioned threshold in share trading on 1 November 2012.

On 19 November 2012 Vacon Plc received a disclosure under Section 9 of Chapter 2 of the Securities Markets Act, stating that the holding of Ameriprise Financial, Inc. and companies belonging to it in Vacon Plc share capital and voting rights had exceeded 5 %. According to the disclosure, the combined direct and indirect shareholding of Ameriprise Financial, Inc. and its companies is now 772,623 Vacon Plc shares, which corresponds to 5.1 % of the shares and voting rights in Vacon Plc. The number of shares exceeded the aforementioned threshold in share trading on 16 November 2012.

Vacon's main shareholders on 31 December 2012:

| | Number of shares | Holding, % |
|---|---|---|
| AC Invest Three B.V. | 2,064,844 | 13.5% |
| Ilmarinen Mutual Pension Insurance Company | 858,968 | 5.6% |
| Tapiola Mutual Pension Insurance Company | 584,500 | 3.8% |
| Koskinen Jari | 366,104 | 2.4% |
| Ehrnrooth Martti | 325,070 | 2.1% |
| Vaasa Engineering Ltd | 299,514 | 2.0% |
| Holma Mauri | 238,988 | 1.6% |
| Special Fund Handelsbanken Nordic Selective | 187,000 | 1.2% |
| Fondica Nordic Micro Cap | 167,100 | 1.1% |
| OP-Finland Small Firms Fund | 165,422 | 1.1% |
| Vacon Plc own shares | 83,227 | 0.5% |
| Others | 9,954,263 | 65.1% |
| Total | 15,295,000 | 100.0% |
| Shares outstanding | 15,211,773 | |

On 31 December 2012 members of Vacon's Board of Directors, the President and CEO, and the Deputy to the CEO held directly a total of 30,558 shares, or 0.2 % of Vacon's share stock.

## Own shares

On 31 December 2012 Vacon Plc held a total of 83,227 of its own shares, which it had acquired at an average price of EUR 34.74 a share. This is 0.5 % 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 July 2012 the Board of Directors of Vacon Plc took the decision to exercise the authorization to purchase the company's own shares given by the Annual General Meeting of Shareholders on 27 March 2012. A maximum of 60,000 shares is being purchased, which corresponds to 0.4 % of all of Vacon's shares and voting rights. The purchase of shares reduces the company's unrestricted equity. By the end of the year the company had acquired altogether 60,000 of its own shares at a cost of some EUR 2.3 million. Purchasing of the company's own shares ended on 15 November 2012.

## Dividend proposal

At the end of the financial year the distributable equity of the parent company stands at EUR 69.7 million. The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on 26 March 2013 that a dividend of EUR 1.10 per share be paid from the parent company's profit for the 2012 financial year of EUR 20.5 million and the remainder of the profit for the year be transferred to retained earnings. According to this proposal, a total of EUR 16.7 million would be paid in dividend.

## 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 parent company has tax proceedings in progress relating to a tax inspection of its transfer pricing in 2007 – 2008. Depending on the outcome of the tax proceedings, the decision may also affect taxation after 2008. The tax authority has given up its demands in relation to 2006.

The court proceedings relating to the customs procedures followed by Vacon's subsidiary in China continue in the higher court, since two of the parties appealed against the ruling given by the lower court in December 2011. It is possible that the sentence imposed on Vacon may also change in the higher court, so some uncertainty still remains in this matter. Vacon made provisions in 2010 and 2011 relating to the court proceedings.

Vacon has previously announced that its solar energy customer is arranging finance to pay its outstanding debt. The company considers that there is no longer a risk of credit loss in connection with this receivable.

## Common risks and uncertainties affecting the company's business

In 2012 Aon and Vacon conducted business impact analyses (BIA) of Vacon's factories in Vaasa and China and a thorough risk analysis of the Group.

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, 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. Product modifications can also cause an inventory risk with components. 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 2012. 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. The company estimates that its cash funds and available credit facilities are sufficient to ensure its liquidity.

Vacon's balance sheet includes goodwill of EUR 9.2 million, most of which is related to the company acquisition at the beginning of 2008. The company tests goodwill for impairment annually.

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 and the Chinese renminbi. The Group applies hedge accounting, in accordance with IAS 39, to hedge the operations currency position in its USD cash flow.

## Prospects for 2013

Vacon estimates that the global AC drive market will grow considerably faster than average growth in industrial production, by an estimated 5-10 % in 2013. Investments to improve energy efficiency and economic growth in developing countries will support growth in demand for AC drives.

Vacon is well placed to improve its profitability in 2013. Key factors in improving profitability are the cost benefit from transferring material sourcing to low-cost countries and the development of overall efficiency in operations.

## Market guidelines for 2013

Vacon estimates that its revenues will increase 5 - 15 % and that its operating profit percentage excluding one-time items will be 10 - 12 % in 2013.

Revenues in 2012 totalled EUR 388.4 million and the operating profit percentage excluding one-time items was 9.3 %.

Vacon's goal is to achieve revenues of EUR 500 million in 2014. Its profitability target for 2014 is an operating profit of 14 %, and for return on equity the target is more than 30 %.

## Accounting principles

The 2012 financial statement bulletin has been prepared in accordance with IFRS recognition and measurement principles. Vacon has prepared this release applying the same IFRS accounting principles as in its 2011 consolidated financial statements, for the new standards have had no significant impact on them. The figures presented in the financial statement bulletin are unaudited.

## Consolidated statement of income, IFRS, MEUR

| | 10-12/2012 | 10-12/2011 | 1-12/2012 | 1-12/2011 |
|---|---|---|---|---|
| Revenues | 103.2 | 87.6 | 388.4 | 380.9 |
| Other operating income | 0.0 | 0.0 | 0.2 | 0.3 |
| Change in inventories of finished goods and work in progress | -1.3 | -2.0 | -1.9 | -2.2 |
| Materials and services | -50.7 | -47.3 | -201.5 | -202.8 |
| Employee benefit related expenses | -19.8 | -16.0 | -77.0 | -68.8 |
| Other operating expenses | -16.9 | -23.0 | -56.8 | -70.4 |
| Depreciation | -1.7 | -1.5 | -6.4 | -5.4 |
| Amortization | -1.9 | -1.8 | -7.3 | -6.8 |
| Operating profit | 10.9 | -3.9 | 37.7 | 24.7 |
| Financial income and expenses | -0.3 | 2.5 | -0.9 | 2.2 |
| Profit before taxes | 10.6 | -1.4 | 36.8 | 27.0 |
| Income taxes | -2.8 | -1.2 | -10.2 | -9.3 |
| Profit for the period | 7.8 | -2.6 | 26.6 | 17.7 |
| Attributable to: | | | | |
| Equity holders of the parent | 7.7 | -2.8 | 25.9 | 16.8 |
| Non-controlling interests | 0.1 | 0.1 | 0.7 | 0.8 |
| | | | | |
| Earnings per share, euro | 0.50 | -0.18 | 1.70 | 1.10 |
| Diluted earnings per share, euro | 0.50 | -0.18 | 1.70 | 1.10 |

## Consolidated statement of comprehensive income, MEUR

| | 10-12/2012 | 10-12/2011 | 1-12/2012 | 1-12/2011 |
|---|---|---|---|---|
| Profit for the period | 7.8 | -2.6 | 26.6 | 17.7 |
| Other comprehensive income | | | | |
| Cash flow hedging | 0.0 | -0.2 | 0.0 | -0.1 |
| Available for sale financial assets | 0.0 | -24.7*) | 0.0 | 2.5*) |
| Translation differences | -0.2 | 0.7 | 0.1 | 1.0 |
| Total comprehensive income | 7.7 | -26.8 | 26.7 | 21.1 |
| Attributable to: | | | | |
| Equity holders of the parent | 7.5 | -26.9 | 26.1 | 20.3 |
| Non-controlling interests | 0.1 | 0.1 | 0.7 | 0.8 |

*) Assessment at fair value relating to holding in The Switch.

## Consolidated statement of financial position, IFRS, MEUR

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| ASSETS | | |
| Goodwill | 9.2 | 9.2 |
| Development costs | 18.7 | 17.4 |
| Other intangible assets | 6.8 | 9.3 |
| Property, plant and equipment | 24.4 | 25.1 |
| Available-for-sale financial assets | 3.7 | 3.7 |
| Deferred tax assets | 7.2 | 5.7 |
| Other financial assets | 3.2 | 2.3 |
| Total non-current assets | 73.1 | 72.7 |
| | | |
| Inventories | 25.7 | 28.2 |
| Trade and other receivables | 76.9 | 80.9 |
| Cash and cash equivalents | 31.1 | 16.3 |
| Total current assets | 133.7 | 125.4 |
| | | |
| Total assets | 206.9 | 198.1 |
| | | |
| EQUITY AND LIABILITIES | | |
| Share capital | 3.1 | 3.1 |
| Share premium reserve | 5.0 | 5.0 |
| Other reserves | 0.1 | 0.1 |
| Own shares | -5.0 | -2.6 |
| Revaluation reserve | 2.3 | 2.3 |
| Retained earnings | 101.1 | 88.0 |
| Non-controlling interests | 2.0 | 1.9 |
| Total equity | 108.5 | 97.7 |
| | | |
| Deferred tax liabilities | 6.0 | 6.0 |
| Employee benefits | 1.9 | 1.7 |
| Interest-bearing liabilities | 17.9 | 20.2 |
| Total non-current liabilities | 25.8 | 27.9 |
| | | |
| Trade and other payables | 54.7 | 53.1 |
| Income tax liabilities | 3.8 | 1.7 |
| Provisions | 11.1 | 9.3 |
| Interest-bearing liabilities | 2.9 | 8.5 |
| Total current liabilities | 72.5 | 72.5 |
| | | |
| Total equity and liabilities | 206.9 | 198.1 |

## 2012 Consolidated statement of changes in equity, IFRS (MEUR)

| | Share capital | Share premium reserve | Other reserves | Own shares | Re-valuation reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the parent | | | | | | | | |
| **Equity Jan 1, 2012** | **3.1** | **5.0** | **0.1** | **-2.6** | **2.3** | **88.0** | **95.8** | **1.9** | **97.7** |
| Other adjustments | | | 0.0 | | | -0.2 | -0.2 | 0.0 | -0.1 |
| Profit for the period | | | | | | 25.9 | 25.9 | 0.7 | 26.6 |
| Other total comprehensive income: | | | | | | | | | |
| Translation differences | | | | | | 0.1 | 0.1 | | 0.1 |
| Total comprehensive income for the period | | | | | | 26.1 | 26.1 | 0.7 | 26.7 |
| Share bonuses | | | | | | 1.2 | 1.2 | | 1.2 |
| Dividends paid | | | | | | -13.7 | -13.7 | -0.6 | -14.3 |
| Purchase of own shares | | | | -2.3 | | | -2.3 | | -2.3 |
| Acquisition of non-controlling interests | | | | | | -0.3 | -0.3 | 0.0 | -0.3 |
| **Equity Dec 31, 2012** | **3.1** | **5.0** | **0.1** | **-5.0** | **2.3** | **101.1** | **106.5** | **2.0** | **108.5** |

## 2011 Consolidated statement of changes in equity, IFRS (MEUR)

| | Share capital | Share premium reserve | Other reserves | Own shares | Re-valuation reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the parent | | | | | | | | |
| **Equity Jan 1, 2011** | **3.1** | **5.0** | **0.1** | **-2.6** | **-0.1** | **84.4** | **89.7** | **1.6** | **91.3** |
| Other adjustments | | | | | | 0.1 | 0.1 | 0.0 | 0.1 |
| Profit for the period | | | | | | 16.8 | 16.8 | 0.8 | 17.7 |
| Other total comprehensive income: | | | | | | | | | |
| Cash flow hedging | | | | | -0.1 | | -0.1 | | -0.1 |
| Available for sale financial assets | | | | | 2.5 | | 2.5 | | 2.5 |
| Translation differences | | | | | | 1.0 | 1.0 | | 1.0 |
| Total comprehensive income for the period | | | | | 2.4 | 17.8 | 20.3 | 0.8 | 21.1 |
| Share bonuses | | | | | | 0.9 | 0.9 | | 0.9 |
| Dividends paid | | | | | | -15,2 | -15,2 | -0,5 | -15,7 |
| **Equity Dec 31, 2011** | **3.1** | **5.0** | **0.1** | **-2.6** | **2.3** | **88.0** | **95.8** | **1.9** | **97.7** |

## Consolidated statement of cash flow, IFRS, MEUR

| | 10-12/2012 | 10-12/2011 | 1-12/2012 | 1-12/2011 |
|---|---|---|---|---|
| Profit for the period | 7.8 | -2.6 | 26.6 | 17.7 |
| Depreciation | 3.6 | 3.2 | 13.7 | 12.2 |
| Financial income and expenses | 0.3 | -1.8 | 0.9 | -2.2 |
| Taxes | 2.8 | 1.2 | 10.2 | 9.3 |
| Other adjustments | 0.5 | 10.6 | -1.4 | 12.3 |
| Change in working capital | 1.1 | 1.3 | 13.2 | -6.5 |
| Net cash flow from financial items and tax | -1.0 | -5.8 | -10.9 | -15.9 |
| **Net cash flow from operating activities** | **15.1** | **6.2** | **52.3** | **26.8** |
| Acquisition of subsidiary | -0.1 | 0.0 | -0.5 | 0.0 |
| Investments in tangible and intangible assets | -3.3 | -5.0 | -11.8 | -18.7 |
| Other investments | -0.8 | 0.1 | -0.5 | 0.3 |
| Repayment of loans receivables | 0.0 | -0.1 | 0.0 | 2.0 |
| Proceeds from disposal of other investments | 0.0 | 0.0 | 0.0 | 2.6 |
| Dividends received | 0.0 | 0.0 | 0.0 | 0.7 |
| **Net cash flow from investing activities** | **-4.2** | **-5.0** | **-12.9** | **-13.1** |
| Proceeds from long-term borrowings | -0.9 | 20.0 | 0.5 | 20.2 |
| Repayment of long-term loans | 0.0 | -9.0 | 0.0 | -10.7 |
| Proceeds from short-term borrowings | 0.0 | 0.0 | 13.0 | 27.7 |
| Repayment of short-term loans | -1.6 | -23.1 | -21.0 | -37.8 |
| Purchase of own shares | -1.3 | 0.0 | -2.3 | 0.0 |
| Dividends paid | -0.2 | 0.0 | -14.6 | -15.7 |
| **Net cash flow from financing activities** | **-4.0** | **-12.0** | **-24.4** | **-16.2** |
| **Change in cash and cash equivalents** | **6.9** | **-10.8** | **15.0** | **-2.5** |
| Cash and cash equivalents at start of period | 24.6 | 26.6 | 16.3 | 18.4 |
| Translation differences for cash and cash equivalents | -0.4 | 0.5 | -0.3 | 0.4 |
| Cash and cash equivalents at end of period | 31.1 | 16.3 | 31.1 | 16.3 |

## 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.

## Key financial indicators

| Per share data | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Earnings per share, EUR | 1.70 | 1.10 | 1.22 | 1.01 | 1.51 |
| Equity per share, EUR | 7.00 | 6.28 | 5.90 | 5.25 | 4.88 |
| Dividend per share, EUR*) | 1.10 | 0.90 | 1.00 | 0.70 | 0.65 |
| Dividend payout ratio, %*) | 64.68 | 81.47 | 82.13 | 69.02 | 42.94 |
| Effective dividend yield, %*) | 2.7 | 2.9 | 2.6 | 2.6 | 3.5 |
| Price/earnings ratio | 23.6 | 28.0 | 32.0 | 26.3 | 12.1 |
| Lowest trading price, EUR | 31.11 | 27.21 | 24.90 | 15.30 | 17.00 |
| Highest trading price, EUR | 42.54 | 48.73 | 39.75 | 28.90 | 32.44 |
| Share price at year end, EUR | 40.20 | 30.90 | 39.00 | 26.70 | 18.30 |
| Average trading price, EUR | 38.36 | 38.50 | 32.49 | 21.51 | 26.65 |
| Market capitalization, MEUR | 611.5 | 471.5 | 593.4 | 406.1 | 278.0 |
| Trading volume, no. of shares | 3,150,916 | 2,975,467 | 2,670,146 | 4,493,871 | 4,915,722 |
| Trading volume, % | 20.7 | 19.5 | 17.6 | 29.6 | 32.3 |
| Adjusted average number of shares during financial year **) | 15,254,256 | 15,246,387 | 15,213,083 | 15,204,263 | 15,238,236 |
| Number of shares at year end **) | 15,211,773 | 15,259,992 | 15,214,435 | 15,209,989 | 15,193,188 |
| Own shares | 83,227 | 35,008 | 80,565 | 85,011 | 101,812 |

*) The 2012 dividend is the Board of Directors' proposal to the Annual General Meeting.
**) 31.12.2012 average number of shares is 15,254,256. The number of shares outstanding is 15,211,773.

## Key indicators showing the Group's financial performance

| | 31.12.2012 | 31.12.2011 | 31.12.2010 | 31.12.2009 | 31.12.2008 |
|---|---|---|---|---|---|
| Revenues, MEUR | 388.4 | 380.9 | 338.0 | 272.0 | 293.2 |
| Change in revenues, % | 2.0 | 12.7 | 24.3 | -7.2 | 26.3 |
| Operating profit, MEUR | 37.7 | 24.7 | 28.6 | 22.5 | 34.6 |
| Change in operating profit, % | 52.3 | -13.4 | 26.8 | -35.0 | 18.5 |
| Operating profit, % of revenues | 9.7 | 6.5 | 8.5 | 8.3 | 11.8 |
| Profit before tax, MEUR | 36.8 | 27.0 | 27.5 | 22.0 | 32.6 |
| Profit before tax, % of revenues | 9.5 | 7.1 | 8.1 | 8.1 | 11.1 |
| Return on equity, % | 25.8 | 18.7 | 22.1 | 20.5 | 34.3 |
| Return on investment, % | 33.2 | 26.9 | 27.0 | 23.1 | 37.0 |
| Interest-bearing net liabilities, MEUR | -10.3 | 12.4 | 9.8 | 1.6 | 12.3 |
| Gearing, % | -9.5 | 12.7 | 10.7 | 2.0 | 16.3 |
| Working capital, MEUR | 33.0 | 45.1 | 45.9 | 31.2 | 42.5 |
| Equity ratio, % | 53.1 | 50.0 | 46.0 | 56.5 | 51.1 |
| Gross capital expenditure, MEUR | 14.0 | 18.7 | 15.9 | 18.2 | 11.2 |
| Gross capital expenditure, % of revenues | 3.6 | 4.9 | 4.7 | 6.7 | 3.8 |
| R & D expenditure, MEUR | 25.1 | 25.1 | 20.8 | 17.6 | 17.0 |
| R & D expenditure, % of revenues | 6.5 | 6.6 | 6.2 | 6.5 | 5.8 |
| Number of personnel at end of period | 1,513 | 1,468 | 1,339 | 1,228 | 1,197 |
| Order book, MEUR | 50.0 | 36.6 | 52.1 | 32.0 | 48.0 |

## Commitments and contingencies, MEUR

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Commitments and contingencies | 16.1 | 17.2 |
| Financing commitments | 0.0 | 0.1 |

## Group quarterly performance, MEUR

| | 10-12/ 2012 | 7-9/ 2012 | 4-6/ 2012 | 1-3/ 2012 | 10-12/ 2011 | 7-9/ 2011 | 4-6/ 2011 | 1-3/ 2011 |
|---|---|---|---|---|---|---|---|---|
| Revenues | 103.2 | 101.5 | 99.5 | 84.2 | 87.6 | 91.1 | 107.2 | 95.0 |
| Operating profit | 10.9 | 10.2 | 10.2 | 6.4 | -3.9 | 8.2 | 11.5 | 8.9 |
| Profit before tax | 10.6 | 9.9 | 10.2 | 6.1 | -1.4 | 7.8 | 12.0 | 8.5 |

## Calculation of financial ratios

| | |
|---|---|
| Earnings per share = | Profit for the financial year attributable to equity holders of the parent company / Adjusted average number of shares |
| Equity per share = | Total equity – non-controlling interests / Adjusted average number of shares at year end |
| Dividend per share = | Dividend for financial year / Adjusted number of shares at year end |
| Dividend payout ratio, % = | Dividend for the financial year x 100 / Profit for period attributable to equity holders of the parent company |
| Effective dividend yield, % = | Dividend per share x 100 / Adjusted closing share price at year end |
| Price/earnings ratio = | Adjusted closing share price at year end / Earnings per share |
| Return on equity, % = | Profit for the financial year x 100 / Total equity, average of the beginning and end of the year |
| Return on investment, % = | (Profit before taxes + interest and other financial expenses) x 100 / Balance sheet total – non-interest-bearing liabilities, average of the beginning and end of the year |
| Equity ratio, % = | Total equity x 100 / Balance sheet total – advances received |
| Gearing, % = | (Interest-bearing liabilities – cash, bank balances and financial assets) x 100 / 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 % = | Number of shares traded during the year x 100 / Adjusted average number of shares |