Vacon Plc, Stock Exchange Release, 27 October 2009 at 9.30 am

Vacon Plc Interim Report 1 January – 30 September 2009

July-September summary:

- Order intake totalled MEUR 57.1, a decline of -26.6 % from the corresponding period in the previous year (MEUR 77.8).
- Revenues totalled MEUR 62.1, a decline of -16.3 % (MEUR 74.2).
- Operating profit was MEUR 3.4, down -62.6 % (MEUR 9.1).
- Cash flow from operations was MEUR 10.8 (MEUR 6.4).
- Earnings per share were EUR 0.19 (EUR 0.37), a decline from the previous year of -48.6 %.

January-September summary:

- Order intake totalled MEUR 192.5, a decline of -19.6 % from the corresponding period in the previous year (MEUR 239.3).
- Revenues totalled MEUR 207.8, a decline of -4.7 % (MEUR 218.1).
- Operating profit was MEUR 18.2, down -32.8 % (MEUR 27.1).
- Cash flow from operations was MEUR 25.0 (MEUR 16.8).
- Earnings per share were EUR 0.83 (EUR 1.19), a decline from the previous year of -30.3 %.

The global recession weakened demand for AC drives in most market segments during the first nine months of 2009. AC drive investments to improve energy efficiency and in renewable energy generation remained brisk especially in Asia, but they were not able to compensate for the decline in orders in other market segments and areas. Vacon does not expect the AC drive market to decline any further in the final quarter of 2009.

A major order that Vacon was expecting in July 2009 from one of Vacon's largest customers was not received in the third quarter and this, coupled with normal seasonal fluctuation, reduced the order intake to EUR 57.1 (77.8) million. The comparable order intake, excluding the impact of the delayed order and normal seasonal fluctuation, was at almost the same level in the third quarter as in the first half of the year.

Vacon's deliveries to the mentioned above have started up again and they are expected to slightly improve Vacon's order intake and revenues in the final quarter of 2009 compared to the third quarter.

Revenues totalled EUR 62.1 million, a decline of 18 % from the second quarter and some 16 % from the corresponding quarter in the previous year. The fall in revenues was due to the reduction in orders received and the delayed major order.

The operating profit margin in the third quarter was 5.5 % (12.3 %), compared with 10.1 % in the first quarter of this year and 10.3 % in the second quarter. The main factors in the weakening of profitability were fixed costs, which remained at almost the same level as in the first half of the year, and the decline in revenues.

Vacon has initiated measures to achieve annual cost savings of EUR 5 million. The company aims at savings especially in the procurement of external services and in personnel costs.

On 14 September 2009 Vacon began negotiations affecting office staff at its operations in Finland, examining the means available to adjust its operations to weaker market conditions. As the result of these negotiations Vacon decided to lay off 160 office staff for fixed periods. Each office worker affected by the negotiations will be laid off for 7 working days in 2009 and for a maximum of 30 working days in 2010. It was also agreed that the need for layoffs will be reviewed quarterly. The targeted savings are roughly equal to the need to reduce costs by some 30 man-years during 2009 - 2010.

The balance sheet remained strong. The company has paid particular attention to the management of working capital. The cash flow from operations was EUR 10.8 million (EUR 6.4 million in July-September 2008). Intensified control of trade receivables and stocks helped achieve this improvement.

January – September result and equity structure

MEUR	7-9/ 2009	7-9/ 2008	1-9/ 2009	1-9/ 2008	Change, %	1-12/ 2008
Revenues	62.1	74.2	207.8	218.1	-4.7	293.2
EBITDA	5.8	11.0	25.3	32.4	-21.9	41.9
Depreciation – tangibles	-1.1	-0.9	-3.2	-2.6	23.1	-3.5
EBITA	4.7	10.1	22.1	29.8	-25.8	38.4
Amortization – intangibles	-1.3	-1.0	-3.9	-2.7	44.4	-3.8
Operating profit	3.4	9.1	18.2	27.1	-32.8	34.6
Profit before tax	3.7	8.3	17.7	26.2	-32.4	32.6
Profit for period	3.1	5.9	13.2	18.8	-29.8	23.9

The Group's order intake in the January-September period was 19.6 % less than in the previous year, and revenues declined 4.7 %. According to Vacon's own estimate, the company has succeeded in raising its market share, despite the reduction in revenues. The operating profit in the first nine months of the year was 32.8 % lower than in the previous year. The operating profit as a percentage of revenues fell from 12.4 % last year to 8.8 %. The EBITA margin was 10.6 %, compared to 13.7 % one year ago. The decline in revenues and the investments in growth, such as establishing new sales companies and the increasing number of personnel, have weakened profitability. The earnings per share were EUR 0.83, a decline of EUR 0.36 from the previous year.

The balance sheet total was EUR 143.0 (150.8) million. The equity ratio was 55.3 % (48.0 %). The Group's cash flow from operations for the January-September period was EUR 25.0 (16.8) million.

The Group's equity structure and liquidity remained strong. Interest-bearing net debt at the end of the period totalled EUR 8.6 (11.3) million, and gearing was 11.0 % (15.8 %).

The Group's order book stood at EUR 32.7 (56.0) million. The order book declined EUR 15.3 million from the beginning of the year.

Market position

Vacon Group revenues by market area were as follows:

MEUR	7-9/ 2009	%	7-9/ 2008	%	1-9/ 2009	%	1-9/ 2008	%	1-12/ 2008	%
Europe, Middle East, Africa	42.1	67.8	52.3	70.5	148.1	71.3	156.6	71.8	210.5	71.8
North And South America	11.4	18.4	14.9	20.1	35.2	16.9	41.9	19.2	55.9	19.1
Asia and Pacific	8.6	13.8	7.0	9.4	24.5	11.8	19.6	9.0	26.8	9.1
Total	62.1	100.0	74.2	100.0	207.8	100.0	218.1	100.0	293.2	100.0

Vacon has strengthened its global position during 2009. Based on market surveys, the company estimates that it has about four per cent of the global market.

Developments in Vacon's revenues by market region during the nine month period were as follows: Europe, Middle East and Africa in total -5.4 %, North and South America -16.0 %, and Asia and Pacific +25.0 % from the corresponding period in the previous year.

Breakdown of Vacon Group revenues by distribution channel

MEUR	7-9/ 2009	%	7-9/ 2008	%	1-9/ 2009	%	1-9/ 2008	%	1-12/ 2008	%
Direct sales	32.7	52.7	36.9	49.7	120.0	57.7	104.1	47.7	146.4	49.9
Distribu-tors	5.2	8.4	9.4	12.6	19.4	9.3	27.6	12.7	34.4	11.7
OEM	13.8	22.2	15.6	21.1	37.8	18.2	50.3	23.0	60.0	20.5
Brand label	10.4	16.7	12.3	16.6	30.6	14.7	36.1	16.6	52.4	17.9
Total	62.1	100.0	74.2	100.0	207.8	100.0	218.1	100.0	293.2	100.0

Sales through several of Vacon's distribution channels fell during the nine month period; OEM 25 %, distributors 30 % and brand label customers 15 %. Revenues from direct sales (including sales to system integrators) increased 15 % from the previous year. Sales to system integrators in particular have supported this trend.

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 13.0 (12.6) million, and EUR 3.9 (1.3) million of this was capitalized as development costs. R&D costs accounted for 6.3 % of the Group's revenues (5.8 %).

Work on developing new products continued in accordance with the company's plans. The company's goal in 2009 is to increase the product offering in the new AC drive family. R&D focuses on improving cost-efficiency, functionality, use of space, visual properties, user friendliness and energy efficiency.

Investments
Gross investments by the Group during the first nine months totalled EUR 11.5 (7.0) million. Expenditure focused on R&D, information systems, raising production testing capacity, and expanding production capacity for new products.

Organization and personnel
The number of Vacon Group personnel has increased by 29 since the beginning of the year. At the end of September the Group employed 1,226 (1,163) people, of whom 640 (633) were in Finland and 586 (530) in other countries. The table below shows the average number of Vacon employees during the review period:

	1-9/2009	1-9/2008	1-12/2008
Office personnel	759	672	687
Factory personnel	474	439	444
Total	1,233	1,111	1,131

On 14 September Vacon Plc began negotiations affecting office staff at its operations in Finland, examining the means available to adjust its operations to weaker market conditions. The negotiations were concluded on 29 September and as a result Vacon decided to lay off 160 office workers for fixed periods.

Shares and shareholders

Vacon had a market capitalization at the end of September of EUR 387.8 million. The closing share price on 30 September 2009 was EUR 25.50. The lowest share price during the January-September period was EUR 15.30 and the highest EUR 28.90. A total of 3,660,011 Vacon shares were traded during the January-September period, in monetary terms EUR 75.5 million.

Vacon's main shareholders on 30 September 2009:

	Number of shares	Holding, %
Ahlström Capital Group	2,804,719	18.3
Tapiola Mutual Pension Insurance Company	584,500	3.8
Ilmarinen Mutual Pension Insurance Company	563,230	3.7
Vaasa Engineering Oy	424,433	2.8
Koskinen Jari	362,088	2.4
Holma Mauri	347,171	2.3
Ehrnrooth Martti	333,000	2.2
Tapiola Group companies	325,300	2.1
Niemelä Harri	271,939	1.8
Karppinen Veijo	209,349	1.4
Nominee registered and in foreign ownership	4,490,357	29.4
Vacon Plc's own shares	86,011	0.6
Others	4,492,903	29.4
Total	15,295,000	100.0
Shares outstanding	15,208,989	

On 30 September 2009 members of Vacon's Board of Directors, the President and CEO, and the Deputy to the CEO held directly a total of 579,494 shares, or 3.8 % of Vacon's share stock.

Own shares

On 30 September 2009 Vacon Plc held a total of 86,011 of its own shares.

Risks and uncertainties in the near future
The most significant risks for Vacon in the near future relate to the weakening of general demand and intensifying competition on price. 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 account for just under half of Vacon's revenues. Vacon does not finance customer projects and is also 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 8.1 million, most of which is related to the company acquisition at the beginning of 2008. The company tests goodwill for impairment annually.

The availability 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. Changes in the global economic situation may harm the business opportunities for some component suppliers.

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 renmimbi.

Prospects for 2009
Vacon does not expect the AC drive market to weaken further during the final quarter of 2009. According to Vacon's estimates, the AC drive market in 2009 will show a significant decline from 2008. AC drive investments to improve the energy efficiency of electric motor drives and in renewable energy generation are increasing, but investments to improve industrial processes and in new building are falling. Vacon has about a 4 % market share. The global sales network, the renewal of the product selection, and the relatively low market share, coupled with a flexible organization support the development of Vacon's business even in difficult market conditions. Vacon will continue to adapt its investments in growth to the prevailing market situation so as to secure its profitability.

Vacon estimates that its 2009 revenues will decline more than five per cent from the 2008 figure. Profitability and earnings per share are expected to be lower than in 2008. Return on equity (ROE) to fall below 30 %.

2009 financial reporting
Vacon will publish its financial statements for 2009 at 9.30 am on 3 February 2010.

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.

Vacon in brief
Vacon's operations are driven by a passion to develop, manufacture and sell the best AC drives in the world — and nothing else. AC drives are used to control electric motors and in renewable energy generation. Vacon has R&D and production units in Finland, the USA, China and Italy, and sales offices in more than 25 countries. In 2008 Vacon had revenues of EUR 293.2 million and globally employed 1200 people. The shares of Vacon Plc (VAC1V) are quoted on the main list of the Helsinki stock exchange.

Vacon's long-term goals are to achieve revenues of EUR 500 million and an operating profit percentage (EBIT %) of more than 14 % by the end of 2012. An annual target of more than 30 % has been set for return on equity (ROE).

Driven by Drives, www.vacon.com

Vaasa, 27 October 2009

VACON PLC

Board of Directors

For more information please contact:
Mr Vesa Laisi, President and CEO, phone: +358 (0)40 8371 510
Ms Eriikka Söderström, CFO and Vice President, Finance & Control, phone: +358 (0)40 8371 443

Conference for media and analysts
Vacon will hold a briefing for analysts and the media at 11.30 am on 27 October 2009 in the Vaakuna meeting room at the Sokos Hotel Vaakuna, entrance at Asema-aukio 2, Helsinki.

Dial-in conference for investors and investment analysts
A dial-in conference in English for investors and investment analysts will be held at 3.00 pm on 27 October 2009. President and CEO Vesa Laisi, Executive Vice President Heikki Hiltunen and Eriikka Söderström, CFO and 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 three working days, call +44 207 031 4064, ID code 824277.

Conference link:
http://wcc.webeventservices.com/view/wl/r.htm?e=172560&s=1&k=14896C8603DB67F53B0D50994D84EC9E&cb=blank

Distribution
NASDAQ OMX Helsinki Exchange
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.

Vacon has prepared this interim report applying the same accounting principles as those decribed in detail in its 2008 consolidated financial statements

The interim report is unaudited.

Consolidated income statement, IFRS, MEUR

	7-9/2009	7-9/2008	1-9/2009	1-9/2008	1-12/2008
Revenues	62.1	74.2	207.8	218.1	293.2
Other operating income	0.1	0.0	0.2	0.1	0.2
Change in inventories of finished goods and work in progress	0.0	1.7	0.0	4.0	0.2
Materials and services	-32.2	-39.6	-106.1	-115.9	-150.8
Employee benefit costs	-12.9	-13.6	-40.6	-39.0	-52.7
Other operating costs	-11.2	-11.7	-36.0	-34.8	-48.2
Depreciation	-1.1	-0.9	-3.2	-2.6	-3.5
EBITA	4.7	10.1	22.1	29.8	38.4
Amortization	-1.3	-1.0	-3.9	-2.7	-3.8
Operating profit	3.4	9.1	18.2	27.1	34.6
Financial income and expenses	0.3	-0.9	-0.5	-1.0	-2.0
Profit before taxes	3.7	8.2	17.7	26.2	32.6
Income taxes	-0.6	-2.3	-4.6	-7.4	-8.7
Profit for period	3.1	5.9	13.2	18.8	23.9
Attributable to:					
Equity holders of the parent	2.9	5.7	12.6	18.2	23.1
Minority interest	0.2	0.2	0.6	0.6	0.8
Earnings per share, euro	0.19	0.37	0.83	1.19	1.51
Earnings per share diluted, euro	0.19	0.37	0.83	1.19	1.51

Consolidated statement of comprehensive income, IFRS, MEUR

	7-9/2009	7-9/2008	1-9/2009	1-9/2008	1-12/2008
Net profit for period	3.1	5.9	13.2	18.8	23.9
Other comprehensive income					
Cash flow hedging	0.0	0.0	0.0	0.0	0.0
Exchange differences on translating foreign operations	-0.2	0.9	-0.3	0.4	0.4
Total comprehensive income	2.9	6.8	12.8	19.2	24.3
Attributable to:					
Shareholders of parent company	2.7	6.6	12.2	18.6	23.5
Minority interest	0.2	0.2	0.6	0.6	0.8

Consolidated balance sheet , IFRS, MEUR

	30.9.2009	30.9.2008	31.12.2008
ASSETS			
Goodwill	8.1	8.0	8.3
Development costs	8.0	3.9	4.8
Intangible assets	13.0	12.6	14.9
Tangible assets	18.7	18.3	16.3
Loans receivable			
and other receivables	0.2	0.2	0.2
Deferred tax assets	3.8	2.1	2.6
Other financial assets	3.7	2.4	3.3
Total non-current assets	55.4	47.5	50.3
Inventories	20.5	24.5	21.3
Trade and other receivables	54.4	60.5	61.7
Cash and cash equivalents	12.8	18.2	15.7
Total current assets	87.7	103.3	98.8
Total assets	143.0	150.8	149.1
EQUITY AND LIABILITIES			
Share capital	3.1	3.1	3.1
Share premium reserve	5.0	5.0	5.0
Own shares	-2.6	-1.2	-2.6
Retained earnings	71.3	63.5	68.7
Minority interest	1.4	1.2	1.3
Total equity	78.1	71.6	75.5
Deferred tax liabilities	4.3	3.1	3.5
Employee benefits	1.5	1.4	1.4
Interest-bearing liabilities	13.2	17.4	15.8
Total non-current liabilities	19.0	22.0	20.7
Trade and other payables	35.7	40.0	37.6
Income tax liabilities	0.4	3.1	1.5
Provisions	1.6	2.0	1.6
Interest-bearing liabilities	8.1	12.1	12.2
Total current liabilities	45.8	57.1	52.9
Total equity and liabilities	143.0	150.8	149.1

Q3/2008 Calculation of changes in shareholders' equity, IFRS, MEUR

Attributable to equity holders of the parent						Minority interest	Total equity
	Share capital	Share premium reserve	Own shares	Retained earnings	Total		
Shareholders' equity 31.12.2007	3.1	5.0	-1.2	56.0	62.9	1.1	64.0
Dividend paid				-11.4	-11.4	-0.5	-11.9
Total comprehensive income for period				18.6	18.6	0.6	19.2
Other changes				0.3	0.3	0.0	0.3
Shareholders' equity 30.9.2008	3.1	5.0	-1.2	63.5	70.4	1.2	71.6

Q3/2009 Calculation of changes in shareholders' equity, IFRS, MEUR

Attributable to equity holders of the parent						Minority interest	Total equity
	Share capital	Share premium reserve	Own shares	Retained earnings	Total		
Shareholders' equity 31.12.2008	3.1	5.0	-2.6	68.7	74.1	1.4	75.5
Dividend paid				-10.1	-10.1	-0.5	-10.6
Total comprehensive income for period				12.2	12.2	0.6	12.8
Other changes				0.4	0.4		0.4
Shareholders' equity 30.9.2009	3.1	5.0	-2.6	71.3	76.7	1.4	78.1

Consolidated cash flow statement, IFRS, MEUR

	30.9.2009	30.9.2008	31.12.2008
Profit for the period	13.2	18.8	23.9
Depreciation	7.0	5.3	7.3
Financial income and expenses	0.5	1.0	2.0
Taxes	4.6	7.4	8.7
Other adjustments	0.3	0.5	0.5
Change in working capital	6.1	-9.3	-10.1
Cash flow from financial items and tax	-6.7	-6.8	-10.4
Cash flow from operating activities	25.0	16.8	21.9
Purchase of subsidiary	0.0	-20.4	-20.4
Investments in tangible and intangible assets	-11.1	5.6	-9.2
Proceeds from disposal of tangible and intangible assets	0.0	0.0	-0.1
Other investments	-0.2	-0.4	-1.7
Proceeds from disposal of other investments	0.0	0.0	0.6
Cash flow from investing activities	-11.3	-26.4	-30.8
Repayment of long-term loans	-2.4	-2.3	-3.9
Proceeds from short-term borrowings	0.0	7.8	7.9
Repayment of short-term loans	-4.1	0.0	0.0
Purchase of own shares	0.0	0.0	-1.5
Financial leasing payments	0.0	0.0	0.0
Dividends paid	-10.4	-11.9	-11.9
Cash flow from financial activities	-17.0	-6.4	-9.4
Change in liquid funds	-3.3	-16.1	-18.3
Liquid funds at start of period	15.7	34.4	34.4
Translation differences for liquid funds	0.3	-0.1	-0.4
Liquid funds at end of period	12.8	18.2	15.7

Segment information

Vacon has one business segment, AC drives. The figures for the business 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 Business Development. To ensure that the organisation is customer-oriented, operations are controlled by sales channel: Distributors, Systems Integrators, Direct Sales, OEM Customers and Brand Label Customers.

Key indicators

	30.9.2009	30.9.2008	31.12.2008
Orders received, MEUR	192.5	239.3	306.5
Change in orders received, %	-19.6	37.1	29.2
Revenues, MEUR	207.8	218.1	293.2
Change in revenues, %	-4.7	27.7	26.3
Operating profit, MEUR	18.2	27.1	34.6
Change in operating profit, %	-32.8	24.9	18.5
Operating profit, % of revenues	8.8	12.4	11.8
Earnings per share, EUR	0.83	1.19	1.51
Equity per share, EUR	5.04	4.62	4.88
Equity ratio, %	55.3	48.0	51.1
Gross capital expenditure, (2008 exclud. TB Woods' acquisition), MEUR	11.5	7.0	11.2
Gross capital expenditure, % of revenues	5.5	3.2	3.8
Interest-bearing net liabilities, MEUR	8.6	11.3	12.3
Gearing, %	11.0	15.8	16.3
Net working capital, MEUR	37.2	40.0	42.5
Order book, MEUR	32.7	56.0	48.0
Adjusted average number of shares during the period	15,202,564	15,244,714	15,238,236
Number of shares at end of period	15,208,989	15,251,688	15,193,188
Number of personnel at end of the period	1,226	1,163	1,197

Commitments and contingencies, MEUR

	30.9.2009	30.9.2008	31.12.2008
Commitments and contingencies	5.3	2.9	2.2
Financing commitments	0.3	0.8	0.6

Calculation of financial ratios

Earnings per share =

Profit for the financial period attributable
to equity holders of the parent company

Adjusted average number of shares

Equity per share =

Shareholders' equity – minority holding

Adjusted number of shares at year end

Equity ratio =

Shareholders' equity x 100

Balance sheet total – advances received

Gearing =

(Interest-bearing liabilities – cash,
bank balances and financial assets) x 100

Shareholders' equity

Net working capital =

Inventories + non-interest-bearing current receivables
– non-interest-bearing current liabilities