# Vacon's Financial statements 2013

6 February 2014

Vesa Laisi, President and CEO

Pia Aaltonen-Forsell, CFO

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# Outline

- Highlights in Q4/2013 and in 2013
- Financial Report
- Outlook
- Contacts

# Highlights in Q4/2013 and in 2013

# Business development in Q4/2013

- In 2013, Vacon increased its revenues and improved its profitability in the challenging state of the market. In the company's assessment, the growth in the AC drive market remained slow in 2013.
- Orders declined in October-December 2013 from the period for comparison. In the Europe, Middle East and Africa (EMEA) region, orders increased apart from the products for the generation of renewable energy, where the volume of orders fell.
- Also Vacon's revenues declined in October-December 2013. Factors in this decline were the postponement of certain customer deliveries to 2014 and the fall in sales of products for the generation of renewable energy.
- The profitability of the year's final quarter was weaker than during the period for comparison due to the decline in revenues. The balance sheet remained strong and the net cash flow from operating activities was EUR 14.7 million.

# Profitability improved clearly in 2013

- Vacon’s order intake was in 2013 nearly on the same level as in the previous year. Orders in the EMEA and APAC regions increased a little in 2013. Orders in North and South America declined in January-December 2013.
- In January-December 2013, Vacon’s revenues increased from the period for comparison. Revenues increased e.g. for products for building automation and renewable energy production.
- For the whole year profitability clearly improved. The cost benefits from transferring material sourcing to lower-cost countries were a particular factor in this improvement.
- The net cash flow from operating activities was strong. The company’s gearing was -14.7%.

# Regional development in Q4/2013 vs. Q4/2012

## Americas

- Revenues declined 4.9%.
- Revenues fell in many industrial sectors.

## EMEA

- Revenues declined 8.9%.
- Main factor in this decline was the fall in sales of products for the generation of renewable energy in the EMEA region.

## APAC

- Revenues increased in the APAC region 4.4%.

# Regional development in 2013 vs. 2012

## Americas

- Revenues declined 7.7%.
- Revenues fell in many industrial sectors. Vacon has taken additional measures to put orders and revenues in North and South America on a growth track in 2014.

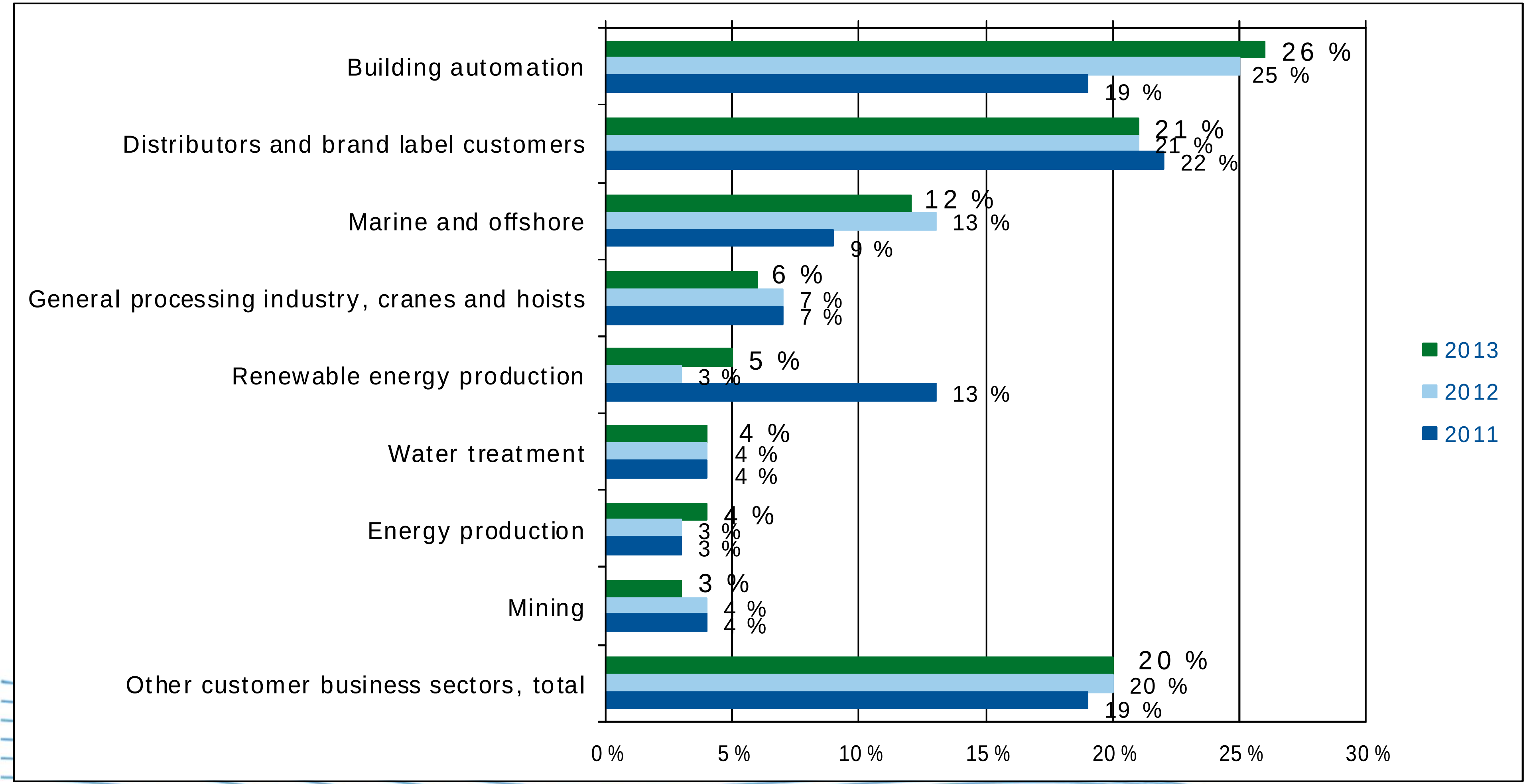
## EMEA

- Revenues increased 7.3%.
- Growth took place especially in marine and offshore and renewable energy production.
- Vacon's own sales network in Europe had outstanding success in the challenging state of the market.

## APAC

- Revenues increased 4.7%.
- Revenues grew particularly in building automation. Sales to domestic clients in China failed to develop in line with expectations.

# Vacon Group's largest customer business sectors in 2013



# Vacon broadens its product offering

- Vacon has decided to expand its product offering into the market for medium voltage AC drives. The first pilot deliveries of Vacon's medium voltage AC drives are scheduled to take place in 2014.
- In October 2013 Vacon launched a new VACON® NXP Grid Converter AC drive, which represents the next step in energy optimization, ensuring that i.e. ship and port owners can improve energy efficiency and productivity.
- In January 2014 Vacon launched a new VACON® NXP System Drive. The new product range of standardized AC drives offers customers cost-efficiency, reliability and uniform quality. The system integrators focusing on heavy industry customers can make complex solutions simple with a wide variety of standardized drive modules.

# Financial Report

# Results Q4 2013

| MEUR | Q4 / 2013 | restated * Q4/2012 | Change |
|---|---|---|---|
| Order intake | 87.7 | 94.4 | -7.1% |
| Revenues | 97.8 | 103.2 | -5.2% |
| Operating profit without one-time items | 9.7 | 12.2 | -20.7% |
| Operating profit, % of revenues | 9.9 | 11.8 | |
| Net cash flow from operating activities | 14.7 | 15.1 | -2.9% |
| EPS, eur | 0.44 | 0.51 | |

*) Figures adjusted in accordance with IAS 19. More details of changes in IFRS standards are given in the interim report.

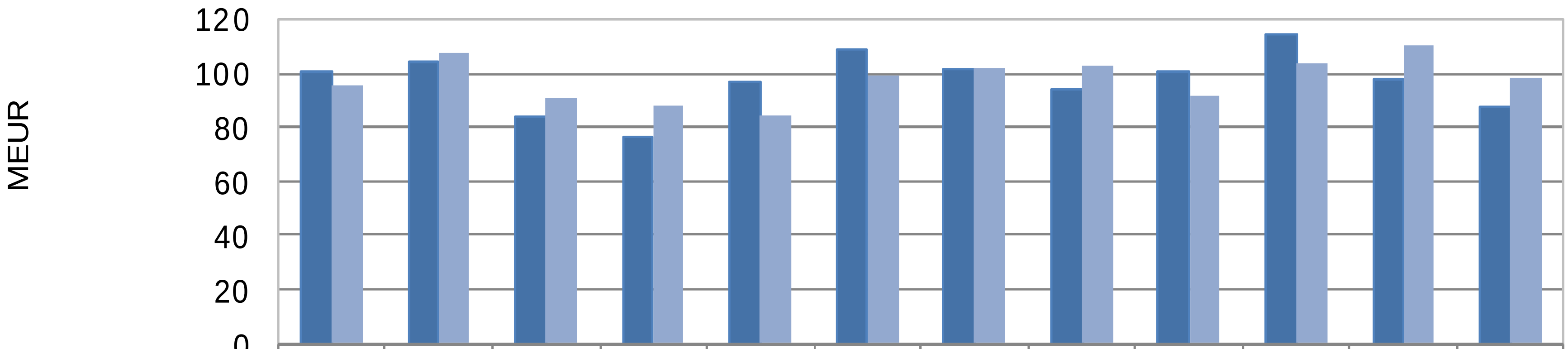
# Results in 2013

| MEUR | 2013 | restated * 2012 | Change |
|---|---|---|---|
| Order intake | 399.8 | 401.9 | -0.5% |
| Revenues | 403.0 | 388.4 | 3.8% |
| Operating profit without one-time items | 40.6 | 36.5 | 11.3% |
| Operating profit, % of revenues | 10.1 | 9.4 | |
| Net cash flow from operating activities | 46.7 | 52.3 | -10.7% |
| EPS, eur | 1.84 | 1.72 | 7.2% |
| Dividend per share, eur ** | 1.30 | 1.10 | 18.2% |

*) Figures adjusted in accordance with IAS 19. More details of changes in IFRS standards are given in the interim report.

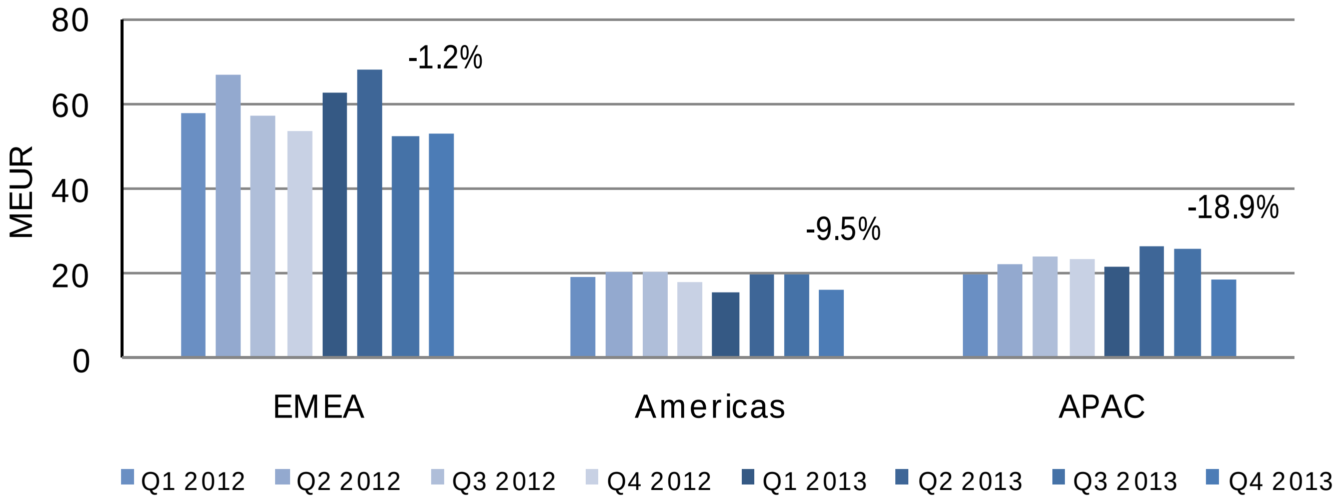
**) The 2013 dividend is the Board of Directors' proposal to the Annual General Meeting of Shareholders.

# Order intake and revenues 2011-2013



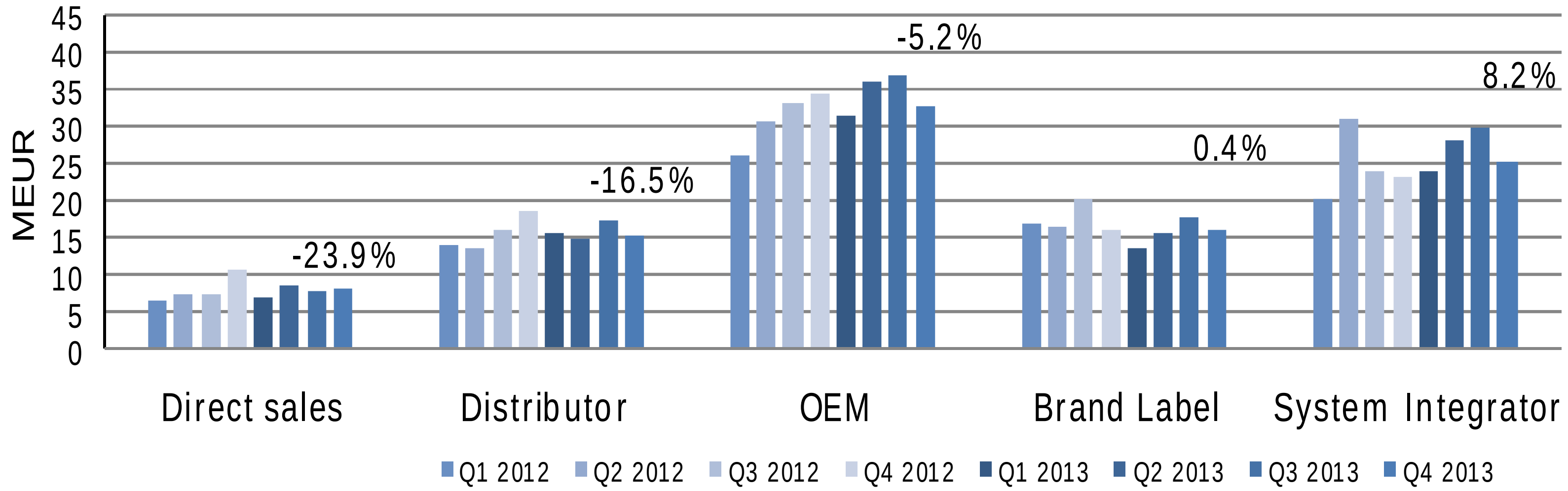

| | Q1/11 | Q2/11 | Q3/11 | Q4/11 | Q1/12 | Q2/12 | Q3/12 | Q4/12 | Q1/13 | Q2/13 | Q3/13 | Q4/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Order intake | 100,7 | 103,8 | 83,9 | 76,9 | 96,9 | 108,9 | 101,6 | 94,4 | 100,2 | 114,0 | 97,9 | 87,7 |
| Revenues | 95,0 | 107,2 | 91,1 | 87,6 | 84,2 | 99,5 | 101,5 | 103,2 | 91,3 | 103,4 | 110,4 | 97,8 |

# Order intake by region 2012-2013



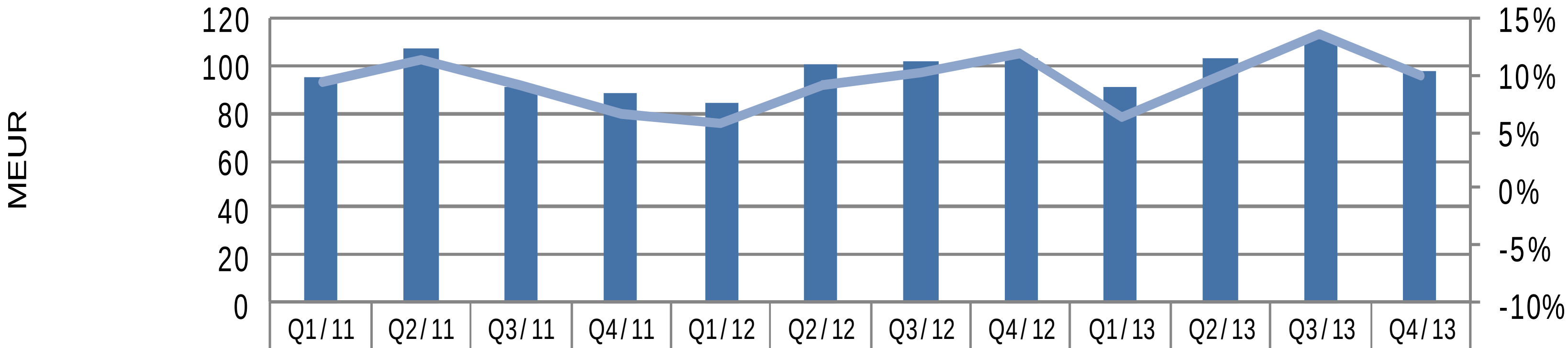

Given percentage is actual quarter Q4 2013 compared to the corresponding period in the previous year.

# Revenues by sales channel 2012-2013




Given percentage is actual quarter Q4 2013 compared to the corresponding period in the previous year.

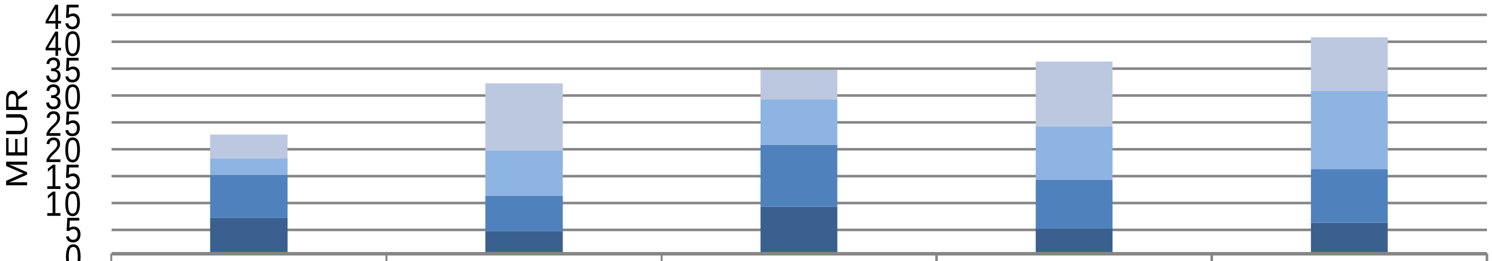
# Revenues and EBIT-% without one-time items




| | Q1/11 | Q2/11 | Q3/11 | Q4/11 | Q1/12 | Q2/12 | Q3/12 | Q4/12 | Q1/13 | Q2/13 | Q3/13 | Q4/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | 95,0 | 107,2 | 91,1 | 87,6 | 84,2 | 99,5 | 101,5 | 103,2 | 91,3 | 103,4 | 110,4 | 97,8 |
| Ebit margin, % | 9,3 % | 11,2 % | 9,1 % | 6,5 % | 5,8 % | 9,1 % | 10,1 % | 11,8 % | 6,3 % | 10,0 % | 13,4 % | 9,9 % |

*) 2012 Ebit margin, % restated

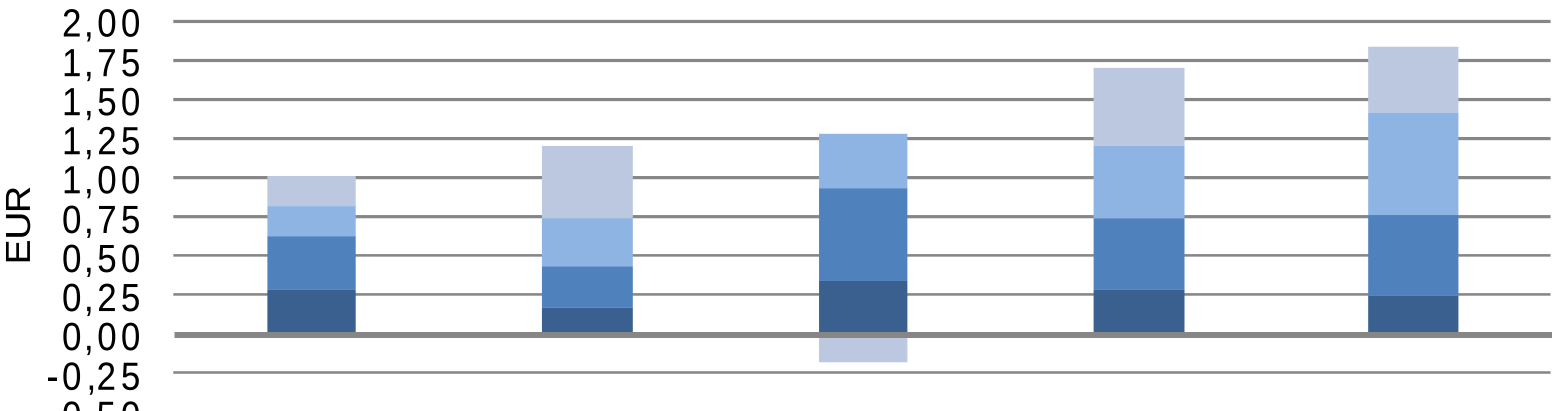
# EBIT without one-time items




| | 2009: 22,5 | 2010: 32,4 | 2011: 34,8 | * 2012: 36,5 | 2013: 40,6 |
|---|---|---|---|---|---|
| Q4 | 4,3 | 12,6 | 5,7 | 12,2 | 9,7 |
| Q3 | 3,4 | 8,6 | 8,2 | 10,3 | 14,8 |
| Q2 | 7,8 | 6,6 | 12,0 | 9,1 | 10,4 |
| Q1 | 7,1 | 4,6 | 8,9 | 5,0 | 5,8 |

*) 2012 restated

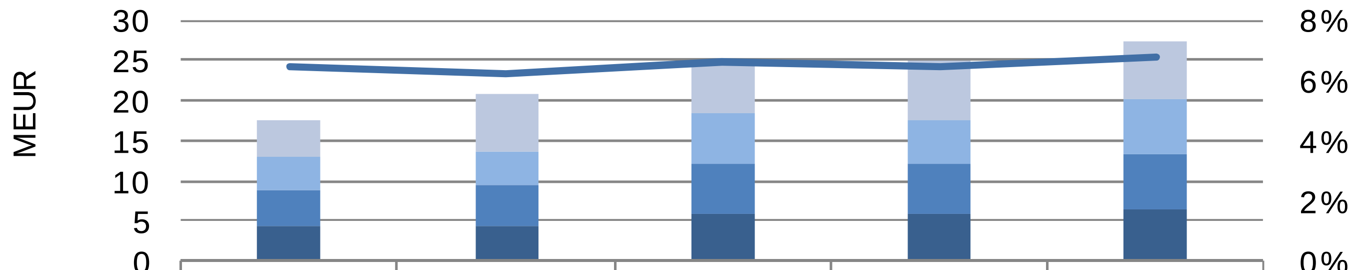
# Earnings per share




| | 2009: 1,01 | 2010: 1,22 | 2011: 1,10 | * 2012: 1,72 | 2013: 1,84 |
|---|---|---|---|---|---|
| Q4 | 0,19 | 0,46 | -0,18 | 0,51 | 0,44 |
| Q3 | 0,19 | 0,31 | 0,36 | 0,45 | 0,65 |
| Q2 | 0,35 | 0,27 | 0,58 | 0,46 | 0,51 |
| Q1 | 0,29 | 0,17 | 0,35 | 0,29 | 0,25 |

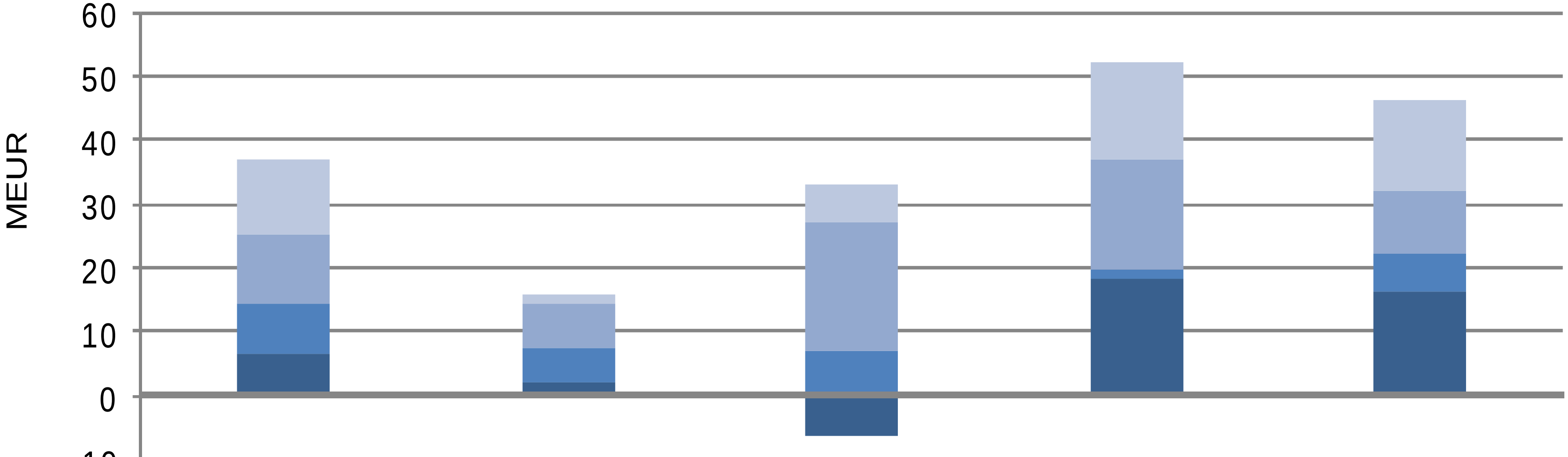
*) 2012 restated

# Research and development costs




| | 2009: 17,6 | 2010: 20,8 | 2011: 25,1 | 2012: 25,1 | 2013: 27,3 |
|---|---|---|---|---|---|
| Q4 | 4,6 | 7,2 | 6,8 | 7,7 | 7,1 |
| Q3 | 4,0 | 4,3 | 6,0 | 5,4 | 6,8 |
| Q2 | 4,6 | 4,9 | 6,4 | 6,1 | 6,8 |
| Q1 | 4,4 | 4,5 | 5,9 | 5,9 | 6,6 |
| % of revenues | 6,5 % | 6,2 % | 6,6 % | 6,5 % | 6,8 % |

# Net cash flow from operating activities



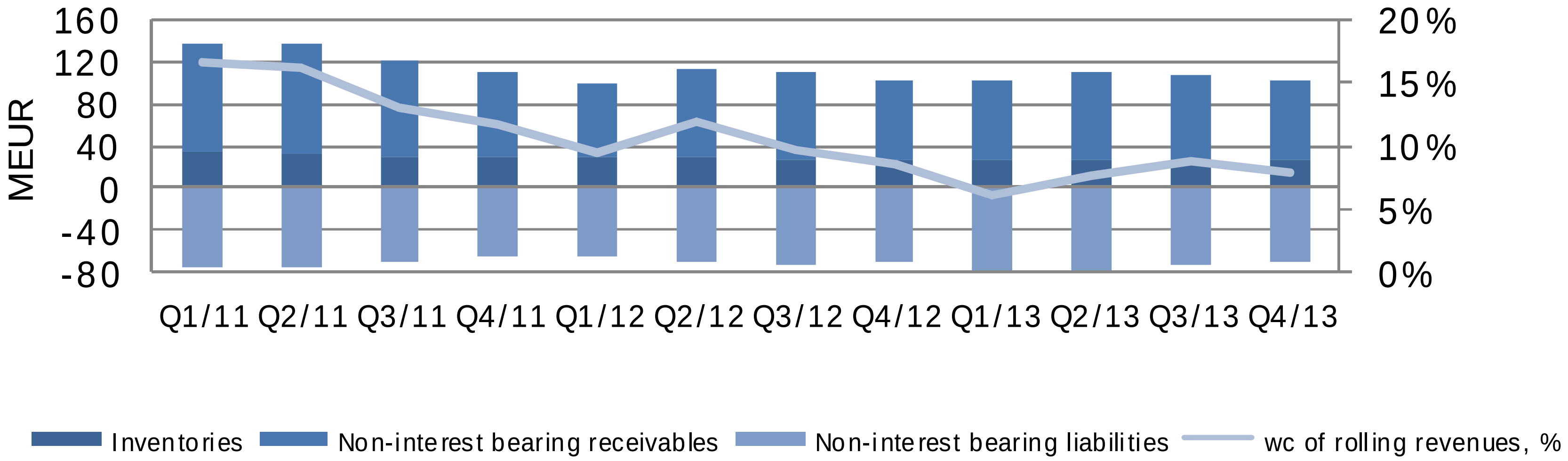

| | 2009: 37,1 | 2010: 15,9 | 2011: 26,8 | 2012: 52,3 | 2013: 46,7 |
|---|---|---|---|---|---|
| Q4 | 12,1 | 1,6 | 6,2 | 15,1 | 14,7 |
| Q3 | 10,8 | 6,6 | 19,8 | 17,4 | 9,5 |
| Q2 | 7,9 | 5,8 | 7,2 | 1,5 | 5,8 |
| Q1 | 6,3 | 1,9 | -6,4 | 18,3 | 16,6 |

# Working capital

| MEUR | 31 Dec 2013 | * 31 Dec 2012 |
|---|---|---|
| Inventories | 27.1 | 25.7 |
| Non-interest bearing receivables | 75.1 | 76.9 |
| Non-interest bearing liabilities | 70.8 | 69.6 |
| Working capital | 31.4 | 33.0 |
| Working capital of rolling revenues, % | 7.8 | 8.5 |

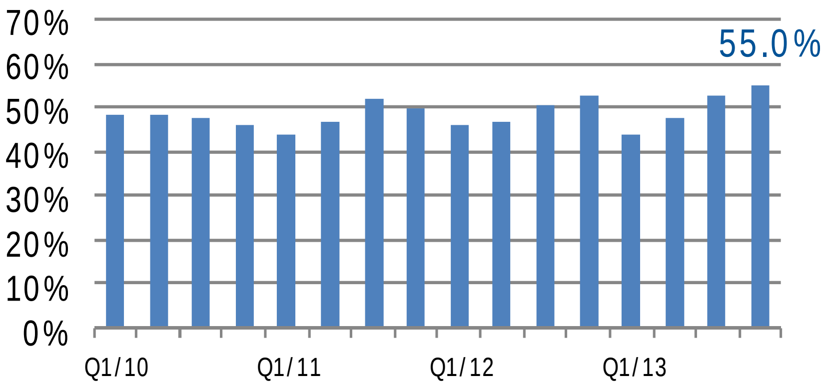
*) 2012 restated

# Working capital development

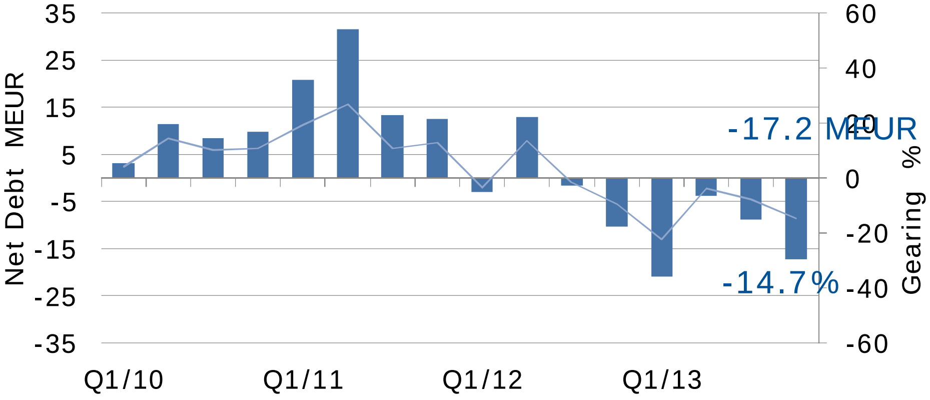


# Key balance sheet ratios

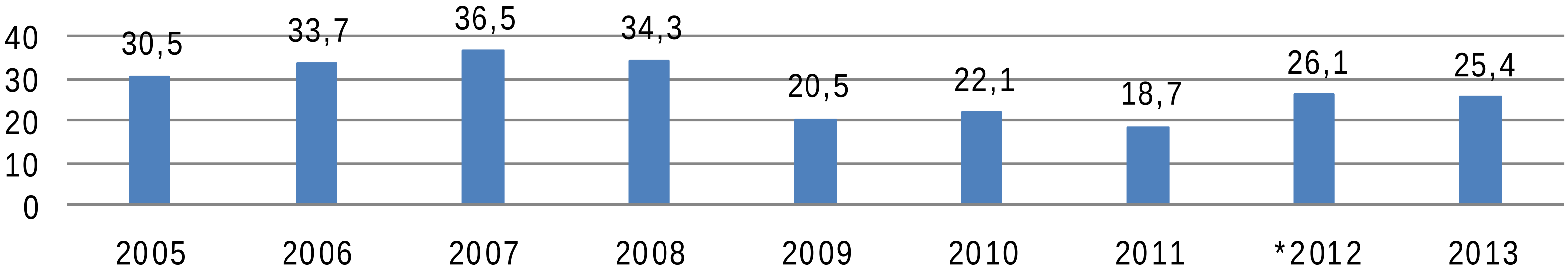
- Equity ratio




- Net Debt and Gearing,%



# Return on equity ratio-%




Return on equity -% = $\frac{\text{Profit for the financial year x 100}}{\text{Shareholders' equity, average of the beginning and end of the year}}$

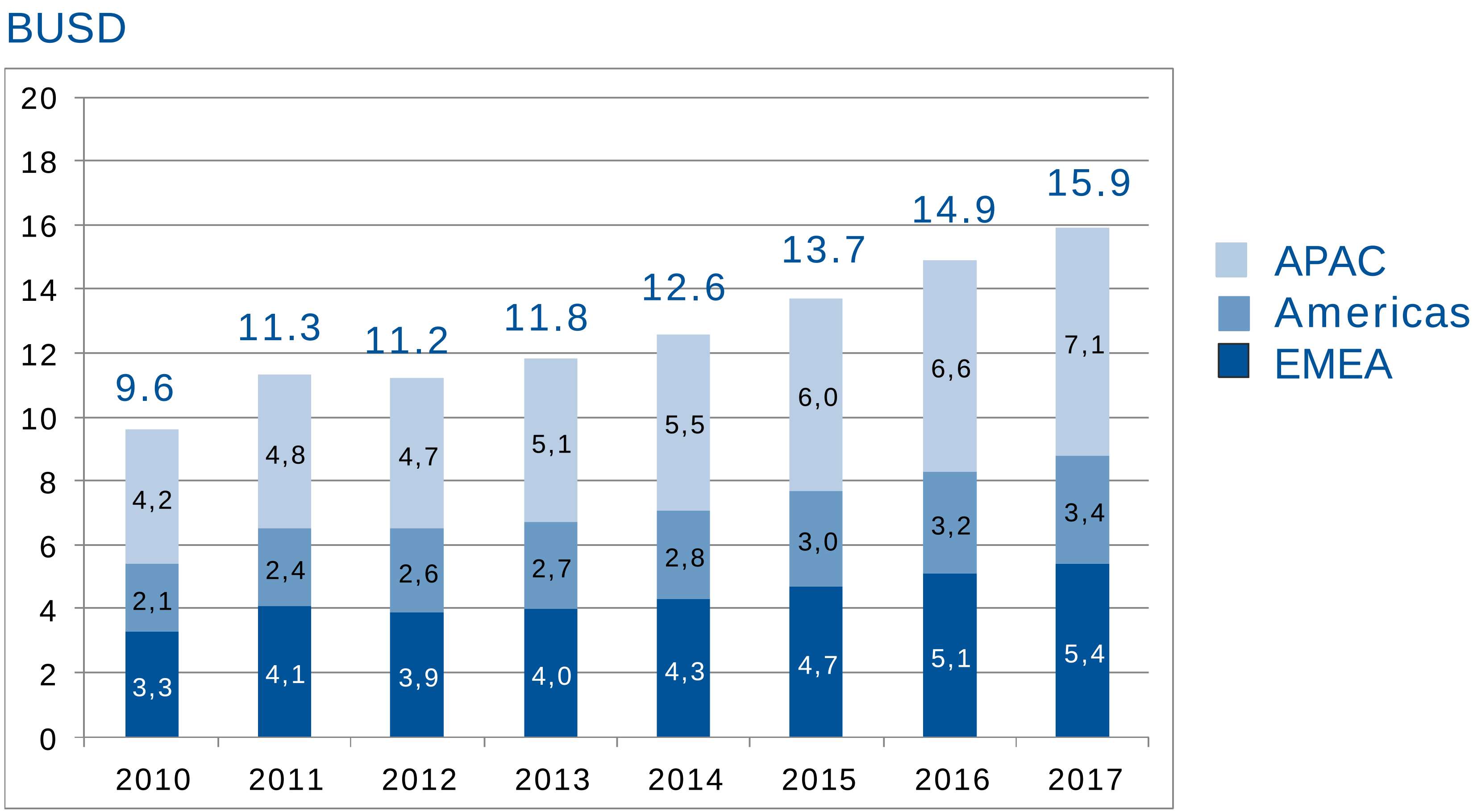
*) 2012 restated

# Outlook

# Business environment

- Market research institute IHS estimates that the AC drive market will grow at an average rate of 7% in the period 2012-2017.
- Global megatrends, such as urbanization, growth in industrial automation, energy efficiency, developing markets and renewable energy boost growth in the AC drive market.
- Growth in the AC drive market varies from year to year, even from one quarter to another, but as a general estimate, the AC drive market is growing faster than global average growth in gross national product.

# The global AC drives market




Source: IMS Research 2013
(APAC includes Japan, Renewables not included)

# We have four fundamental strategic choices

| 100% focus on low and medium voltage drives and inverters | Broad product, application and service portfolio | Multiple customer industries | Multi-channel sales |
|---|---|---|---|
| Growing market provides a big growth opportunity for us. | Broad portfolio enables us to grow profitably and meet the requirements of our customers globally. | We want to build a portfolio of customer industries, which provides stability over the cycle. | Multiple channels are needed to bring our wide product offering to all countries and to selected customer industries. |
| We will strengthen our position as a market leader among pure AC drive players by introducing our first medium voltage drive and expanding our product offering to system drives. | Broad product portfolio is managed by using common platforms and mass-customization principles. | We will enter new customer industries in which we see growth potential and technological synergies. | Channel selection is optimized based on individual country characteristics. |

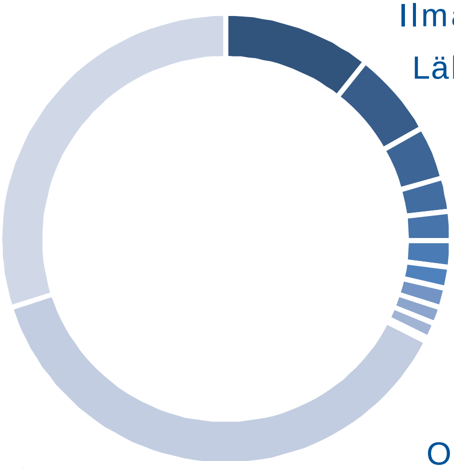
# Prospects for 2014

- Overall market developments are exposed to various uncertainties in 2014.
- Vacon estimates that the AC drive market will increase some 5-10% in 2014, depending on overall market developments. The company has expanded and renewed its product offering in the past few years, which places the company in a strong position to grow faster than the AC drive market in 2014.
- Vacon’s goal is to improve its profitability in 2014. Key factors in this will be the cost benefits from transferring material sourcing to lower cost countries, and raising overall efficiency in its operations.

# Market guidelines for 2014

| | ACT 2013 | FC 2014 |
|---|---|---|
| Revenues, MEUR | 403.0 | +5-15% |
| EBIT margin, % (excluding one-time items) | 10.1 | 11-13% |

# Major shareholders



# Vacon IR

- Contacts:
  - Vesa Laisi, President and CEO
    +358 40 8371 510,
    vesa.laisi@vacon.com
  - Pia Aaltonen-Forsell, CFO
    (on maternity leave as of February 2014)
    +358 40 8371 910
    pia.aaltonen-forsell@vacon.com
  - Ann-Louise Brännback, CFO
    +358 40 8371 376
    (Acting CFO during Pia Aaltonen-Forsell's maternity leave as of February 2014)
  - Sebastian Linko, Director, Corporate Communications and IR,
    +358 40 8371 634,
    sebastian.linko@vacon.com

# Financial calendar

- Annual General Meeting will be held in Vaasa, Finland on 27 March 2014 at 3.00 pm
- Interim Report January-March 2014, on 23 April at 9.30
- Interim Report January-June 2014, on 30 July at 9.30
- Interim Report January-September 2014, on 22 October at 9.30

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