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Vacon Plc Financial Statement Bulletin

1 January – 31 December 2013

October-December summary:

- Order intake totalled MEUR 87.7 (MEUR 94.4), a decline of 7.1% from the corresponding period in the previous year.
- Revenues totalled MEUR 97.8 (MEUR 103.2), a decline of 5.2% from the corresponding period in the previous year.
- Operating profit excluding one-time items was MEUR 9.7, or 9.9 % of revenues (MEUR 12.2 and 11.8 % of revenues).
- Operating profit was MEUR 9.7, or 9.9 % of revenues (MEUR 11.0 and 10.7% of revenues).
- Net cash flow from operating activities was MEUR 14.7 (MEUR 15.1).
- Earnings per share were EUR 0.44 (EUR 0.51).

January-December summary:

- Order intake totalled MEUR 399.8 (MEUR 401.9), a decline of 0.5% from the previous year.
- Revenues totalled MEUR 403.0 (MEUR 388.4), an increase of 3.8% from the previous year.
- Operating profit excluding one-time items was MEUR 40.6, or 10.1 % of revenues (MEUR 36.5 and 9.4 % of revenues in January-December 2012).
- Operating profit was MEUR 40.6, or 10.1 % of revenues (MEUR 38.0 and 9.8 % of revenues).
- Net cash flow from operating activities was MEUR 46.7 (MEUR 52.3).
- Earnings per share were EUR 1.84 (EUR 1.72).
- The Board of Directors proposes to the Annual General Meeting of Shareholders that a dividend of EUR 1.30 per share be paid from the profit for 2013.

October–December key indicators:

MEUR	10-12/2013	restated* 10-12/2012	Change, %
Order intake	87.7	94.4	-7.1%
Revenues	97.8	103.2	-5.2%
Operating profit excluding one-time items	9.7	12.2	-20.7%
% of revenues	9.9%	11.8%	
Operating profit	9.7	11.0	-12.1%
% of revenues	9.9%	10.7%	
Profit before taxes	9.2	10.7	-14.2%

January–December key indicators:

MEUR	1-12/2013	restated* 1-12/2012	Change, %
Order intake	399.8	401.9	-0.5%
Order book	46.8	50.0	-6.4%
Revenues	403.0	388.4	3.8%
Operating profit excluding one-time items	40.6	36.5	11.3%
% of revenues	10.1%	9.4%	
Operating profit	40.6	38.0	6.9%
% of revenues	10.1%	9.8 %	
Profit before taxes	39.7	37.1	6.8%
Net cash flow from operating activities	46.7	52.3	-10.7%
Earnings per share, EUR	1.84	1.72	7.2%
Return on equity, %	25.4%	26.1%	
Interest-bearing net liabilities	-17.2	-10.3	66.8%
Gearing, %	-14.7%	-9.5%	
Gross capital expenditure	19.7	14.0	41.2%

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

Business environment and business development

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. As a whole, orders in the EMEA region were on a lower level than during the period for comparison. The decline in orders in the Asia Pacific (APAC) region was due to seasonal fluctuation in orders from a few clients. The decline in orders in the North and South America region was spread among several industrial segments.

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.

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 in the EMEA region. Regionally, revenues increased in October-December in the APAC region, but fell in the EMEA and North and South America regions.

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. In 2013 revenues rose in the EMEA and APAC regions, but fell in North and South America. Vacon has taken additional measures to put orders and revenues in North and South America on a growth track in 2014.

In 2013, the company's profitability clearly improved from the period for comparison, but the profitability of the year's final quarter was weaker than during the period for comparison due to the decline in revenues. A particular factor in the improvement in the profitability in 2013 was the cost benefits obtained from transferring material sourcing to lower-cost countries.

Vacon has decided to expand its product offering into the market for medium voltage AC drives. In contrast to Vacon's current low voltage AC drives, medium voltage AC drives typically operate on voltages of several kilovolts and at power levels of several megawatts. The global market for medium voltage AC drives is growing, and is currently estimated at USD 2.8 billion (IHS). The first pilot deliveries of Vacon's medium voltage AC drives are scheduled to take place in 2014.

In October 2013 Vacon launched the new VACON[®] NXP Grid Converter AC drive, which represents the next step in energy optimization, ensuring that e.g. ship and port owners can improve energy efficiency and productivity.

Order intake and order book

Orders received in October-December totalled EUR 87.7 (94.4) million. Developments in orders received during the fourth quarter, compared to the corresponding period in the previous year, by market region were as follows: APAC, decline of 18.9 %, EMEA, decline of 1.2% and North and South America, decline of 9.5%.

The order intake in January-December totalled EUR 399.8 (401.9) million. The order book declined 6.4% from the beginning of the year, standing at EUR 46.8 (50.0) million at the end of the year.

Revenues

Vacon's revenues in October-December totalled EUR 97.8 (103.2) million, a decline of 5.2% from the corresponding period in the previous year. In January-December revenues were EUR 403.0 (388.4) million, an increase of 3.8% from the previous year.

Vacon Group revenues by region:

MEUR	10-12/ 2013	% of revenues	10-12/ 2012	% of revenues	1-12/ 2013	% of revenues	1-12/ 2012	% of revenues
Europe, Middle East, Africa	55.1	56.3%	60.5	58.6%	242.1	60.1%	225.5	58.1%
North and South America	18.9	19.4%	19.9	19.3%	70.7	17.6%	76.6	19.7%
Asia and Pacific	23.8	24.3%	22.8	22.1%	90.2	22.4%	86.2	22.2%
Total	97.8	100.0%	103.2	100.0%	403.0	100.0%	388.4	100.0%

In the APAC region, revenues rose in October-December 2013. In the EMEA region, Vacon's revenues declined in October-December 2013. Revenues fell in the EMEA region particularly for products for renewable energy production. Revenues declined in North and South America in the final quarter of the year.

The region with strongest growth in 2013 was the EMEA region, where revenues rose 7.3%. Vacon's own sales network in Europe had outstanding success in the challenging state of the market. The customer sectors that achieved the biggest growth in the EMEA region in 2013 were marine and offshore and renewable energy production.

In the APAC region revenues increased 4.7% in 2013. Revenues grew particularly in building automation. Sales to domestic clients in China failed to develop in line with expectations.

Revenues in North and South America fell 7.7% in 2013. 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.

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/ 2013	% of revenues	10-12/ 2012	% of revenues	1-12/ 2013	% of revenues	1-12/ 2012	% of revenues
Direct sales	8.0	8.2%	10.6	10.2%	31.1	7.7%	32.1	8.3%
Distributors	15.5	15.8%	18.5	17.9%	63.6	15.8%	62.6	16.1%
OEM	32.7	33.5%	34.5	33.5%	137.6	34.1%	124.5	32.1%
Brand label customers	16.2	16.6%	16.2	15.7%	63.2	15.7%	69.9	18.0%
System integrators	25.4	25.9%	23.4	22.7%	107.5	26.7%	99.3	25.6%
Total	97.8	100.0%	103.2	100.0%	403.0	100.0%	388.4	100.0%

Vacon's sales to system integrators rose in October-December 2013. Sales to brand label customers were unchanged from the period for comparison. Sales to original equipment manufacturers (OEM), and direct sales and sales to distributors declined, however.

Vacon's revenues in 2013 from OEM, system integrators and distributors increased from the previous year, whereas direct sales and brand label clients saw a fall in their percentage of revenues.

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

Customer business sector	Percentage of revenues in 2013	Percentage of revenues in 2012	Percentage of revenues in 2011
Building automation	26%	25%	19%
Distributors and brand label customers	21%	21%	22%
Marine and offshore	12%	13%	9%
General processing industry, cranes and hoists	6%	7%	7%
Renewable energy production	5%	3%	13%
Water treatment	4%	4%	4%
Energy production	4%	3%	3%
Mining and metals	3%	4%	4%
Other customer business sectors, total	20%	20%	19%

No great changes took place in the breakdown of Vacon's revenues among its largest customer sectors in 2013. Sales of products for building automation and for renewable energy generation grew most strongly. Mining and metals as well as the general processing industry, cranes and hoists saw their share of Vacon's revenues fall.

Operating profit and result

The operating profit excluding one-time items in October-December was EUR 9.7 million, or 9.9% of revenues (operating profit excluding one-time items EUR 12.2 million and 11.8%). The fall in revenues contributed to the decline in the company's profitability in October-December. In October-December 2013 there were no one-time items. During the period for comparison in 2012, one-time items had a net impact of EUR -1.2 million on the company's operating profit.

In 2013 Vacon's profitability clearly improved. The cost benefits from transferring material sourcing to lower-cost countries were a particular factor in this improvement. In January-December the operating profit excluding one-time items was EUR 40.6 million and 10.1% of revenues (operating profit excluding one-time items EUR 36.5 million and 9.4%). In 2013 there were no one-time items. In 2012 one-time items had a net impact of EUR 1.5 million on the company's operating profit.

Earnings per share were EUR 0.44 (0.51) in October-December and EUR 1.84 (1.72) in January-December.

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 14.7 (15.1) million. The net cash flow from operating activities in the January-December period totalled EUR 46.7 (52.3) million.

The company has no net debt. Thanks to the strong net cash flow from operating activities the company's gearing was -14.7% (-9.5%). Net debt at the end of the year was EUR -17.2 million and cash funds totalled EUR 35.9 million. The balance sheet total stood at EUR 216.4 (206.7) million. The equity ratio was 55.0% (53.0%). The Group's equity structure and liquidity remained strong. Interest-bearing debt at year end totalled EUR 18.7 (20.7) million.

Research and development

R&D expenditure in January-December totalled EUR 27.3 (25.1) million, and EUR 5.9 (4.5) million of this was capitalized as development costs. R&D costs accounted for 6.8% (6.5%) of Group revenues.

In its R&D activities in 2013, Vacon has invested particularly in developing medium voltage AC drives, expanding the power range for the VACON[®] 100 product family, and developing the VACON[®] NXP System Drive products.

Vacon has decided to expand its product offering into the market for medium voltage AC drives. In contrast to Vacon's current low voltage AC drives, medium voltage AC drives typically operate on voltages of several kilovolts and at power levels of several megawatts. The global market for medium voltage AC drives is growing, and is currently estimated at USD 2.8 billion (IHS). The first pilot deliveries of Vacon's medium voltage AC drives are scheduled to take place in 2014.

In October 2013 Vacon launched the new VACON[®] NXP Grid Converter AC drive, which represents the next step in energy optimization, ensuring that e.g. ship and port owners can improve energy efficiency and productivity.

Investments

Gross investments by the Group during the January-December totalled EUR 19.7 (14.0) million. Expenditure focused particularly on developing production and information systems.

The company has launched a programme to develop its information systems in support of its growth targets for the future. The costs for this resulted in an increase in investments compared to the period for comparison.

Organization and personnel

At the end of December the Group employed 1 596 (1 513) people, and 744 (708) of these were in Finland and 852 (805) in other countries. Geographically the number of personnel grew fastest in the EMEA region.

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

	1-12/2013	1-12/2012
Office personnel	1,016	955
Factory personnel	537	513
TOTAL	1,553	1,468

Changes in senior management

Vacon's CFO Pia Aaltonen-Forsell will start her maternity leave in February 2014. Ann-Louise Brännback, MSc. Econ., (born 1964) has been appointed chief financial officer and member of the company's Executive Management Team for the duration of Ms Aaltonen-Forsell's maternity leave. Ann-Louise Brännback has held several management positions in finance and control at Vacon Group, including that of Group Controller.

Other key events during the reporting period

On 28 November 2013, Vacon hosted a Capital Markets Day in Helsinki. In the event Vacon's management presented the company's vision, new long-term financial targets and redefined strategy.

Vacon's financial targets for the years 2014-2020 are as follows:

Growth: The target is to achieve an average annual revenue growth of over 10%. The growth target is based on growing the business organically in a market environment where the AC drives market grows clearly faster than the average Gross Domestic Product (GDP). Selective acquisitions can be used to further accelerate the growth.

Profitability: The long-term profitability target is to achieve a sustainable EBIT margin level of 14%. Vacon focuses on growth and on measures that improve the company's efficiency in the long term and thus deliver a higher absolute EBIT and shareholder value.

Vacon does not consider the long term financial targets as market guidance for any given year during the period 2014-2020. The company will disclose separate market guidance annually.

Strategic focus and competitive edge

Vacon's strategy is based on a 100% focus on AC drives. The AC drives market provides a good growth opportunity for the company also in the future.

Vacon will further build its broad product, application and service portfolio. It will introduce medium-voltage AC drives and system drives. The company will also expand its service business.

As a focused company, Vacon will further expand its portfolio of customer industries. This provides stability over the cycle. Vacon will also accelerate growth by expanding its operations to new geographical areas and by focusing on high market growth countries.

One of the cornerstones of Vacon's strategy is multi-channel sales. Multiple channels are needed to bring the wide product offering to all countries and selected customer industries. Channel selection is optimized based on individual country characteristics.

In addition to systematically improving operational efficiency, the main drivers for profitability are the best cost country sourcing, design to cost, regional production and service business growth, as well as differentiation with application software and cloud based services.

Vacon's differentiation and competitive advantage are based on four elements: Product leadership, Profound application know-how, Extensive services and Unique organizational culture.

Vacon's new vision - The Drives Family

Vacon has defined a new vision for its operations that was published in November 2013. The vision was created with personnel in a process that began in spring 2013.

According to its vision Vacon considers that true value is created together. That is why Vacon is creating the Drives Family, a close community where the best people work together to develop the best products, applications and services for its customers. Vacon is a company that brings together personnel, customers, partners, suppliers, shareholders, scholars and students – all the people who are Driven by Drives.

Vacon aims to grow faster than the market and with solid profitability. This allows Vacon to invest in the future growth and to share the value within The Drives Family.

Key events after end of year

Vacon announced in January 2014 that its revenues developed more weakly than had been expected in the final quarter of 2013 and that Vacon was lowering its full year 2013 revenue guidelines. At the same time it published preliminary information on the operating profit.

Shares and shareholders

Vacon had a market capitalization at the end of December of EUR 891.7 (611.5) million. The closing share price on 31 December 2013 was EUR 58.50. The lowest share price during the January-December period was EUR 40.00 and the highest EUR 59.90.

A total of 2,355,619 Vacon shares (15.5% of the share stock) were traded on the stock exchange during 2013, in monetary terms EUR 122.5 million. According to the shareholder register updated on 31 December 2013, Vacon had 4,841 registered shareholders. Shares that were nominee registered and in foreign ownership amounted to 48.0% (51.2%) of the share stock.

Vacon's main shareholders on 31 December 2013:

	Number of shares	Holding, %
AC Invest Three B.V.	1,614,844	10.6%
Ilmarinen Mutual Pension Insurance Company	948,968	6.2%
LähiTapiola Mutual Pension Insurance Company	584,500	3.8%
Koskinen Jari	366,104	2.4%
Ehrnrooth Martti	325,070	2.1%
Vaasa Engineering Ltd	289,514	1.9%
Special Fund Handelsbanken Nordic Selective	225,000	1.5%
Holma Mauri	217,860	1.4%
OP-Focus Non-UCITS Fund	190,900	1.2%
OP-Delta Fund	177,732	1.1%
Vacon Plc own shares	51,837	0.3%
Others	10,302,671	67.4%
Total	15,295,000	100.0%
Shares outstanding	15,243,163	

On 31 December 2013 members of Vacon's Board of Directors, the President and CEO, and the Deputy to the CEO held directly a total of 35,870 shares, or 0.2% of Vacon's share stock.

Own shares

Under the authorization given by the 2012 AGM, in 2013 Vacon allocated 32,728 of its own shares as bonuses under the share bonus scheme. A total of 422 own shares were returned to the company in the October-December period in accordance with the rules of the share bonus scheme. In 2013 altogether 1,338 shares were returned to the company in accordance with the rules of the share bonus scheme.

On 31 December 2013 Vacon Plc held a total of 51,837 of its own shares, which it had acquired at an average price of EUR 38.44 a share. These shares account for 0.3% of the share capital and voting rights, so they have no significant impact on the distribution of ownership or voting rights in the company.

During the period under review the Board did not exercise the authorizations given by the Annual General Meeting on 26 March 2013 to purchase the company's own shares or issue shares.

Dividend proposal

The parent company's profit for the 2013 financial year was EUR 23.7 million and the distributable equity of the parent company at the end of the financial year was at EUR 76.6 million. The Board of Directors proposes to the Annual General Meeting of Shareholders, to be held on 27 March 2014, that a dividend of EUR 1.30 per share be paid from the parent company's profit for the 2013 financial year and the remainder of the profit for the financial year be transferred to retained earnings. Under this proposal, a total of EUR 19.8 million would be paid in dividend.

The dividend will be paid to shareholders who are registered on 1 April 2014, the record date for the dividend payment, in the list of shareholders maintained by Euroclear Finland Oy. The dividend payment date is 8 April 2014.

Common risks and uncertainties affecting the company's operations

Vacon is exposed to risks that may arise from its operations or changes in the business environment. 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, transfer pricing, 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. 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 2013. 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. Replicating production at the company's different factories and the program for transferring material sourcing to countries with the best cost levels further improve production and delivery certainty.

The company estimates that its cash funds and available credit facilities are sufficient to ensure its liquidity.

Management assesses non-current assets in the balance sheet annually for any risk of impairment. Goodwill is tested annually for impairment.

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 uses forward exchanges, currency options, foreign currency loans and interest rate swaps in managing financial risks. Derivative financial instruments are made for hedging purposes and hedge accounting is not applied to them.

Prospects for 2014

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 urbanisation, 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.

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

Vacon estimates that its revenues will increase 5 - 15% and its operating profit percentage excluding one-time items will be 11 - 13% in 2014.

Revenues in 2013 totalled EUR 403.0 million and the operating profit percentage excluding one-time items was 10.1%.

Vacon's financial targets for the years 2014-2020

Growth: The target is to achieve an average annual revenue growth of over 10%. The growth target is based on growing the business organically in a market environment where the AC drives market grows clearly faster than the average Gross Domestic Product (GDP). Selective acquisitions can be used to further accelerate the growth.

Profitability: The long-term profitability target is to achieve a sustainable EBIT margin level of 14%. Vacon focuses on growth and on measures that improve the company's efficiency in the long term and thus deliver a higher absolute EBIT and shareholder value.

Accounting principles

This financial statement 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 described in its 2012 consolidated financial statements as well as the IFRS standards that came into force on 1 January 2013. These are IAS 19 Employee Benefits, IFRS 7 Financial Instruments and IFRS 13 Fair Value Measurement.

IAS 19 Employee Benefits

The revision to IAS 19 eliminates the possibility of applying deferred recognition through the corridor approach that has been used by the company. According to the standard, all actuarial gains and losses are recognized through a remeasurement item in the statement of comprehensive income. Past service costs are recognized immediately in employee costs as part of pension costs. The change removes the concept of expected return on plan assets and the discount rate is also used for defining the return on assets. The pension liability of Group companies is defined by calculating the current value of estimated cash flows using the high-quality corporate bond rate as the discount rate. If there is no deep market in these bonds, market yields on government bonds are used. The bonds used in defining the rate are in the same currency as the benefits to be paid. The discount rate chosen reflects the estimated average payment date for the benefits. To define the fair value of the plan assets, in the first instance the market price on the closing date is used. If the market price is not available, the fair value is estimated by discounting expected future cash flows using the same discount rate as when measuring the pension liability. The revisions have only a small impact on the company's shareholders' equity and the amount of the pension liability. As the result of the revision, the pension liability as of 31 December 2012 increases by EUR 0.2 million and equity is reduced by EUR 0.2 million. The company applied the revised standard as from the beginning of 2013.

IFRS 7 Financial instruments: Information presented in the financial statements

The amendment to IFRS 7 revises the requirements for disclosures relating to financial instruments presented in the balance sheet at net value and to netting arrangements in general or similar agreements. The revision has no significant impact. The company applied the revised standard as from the beginning of 2013.

IFRS 13 Fair value measurement

The standard contains standard requirements concerning the measurement of fair value and disclosures that relate to all IFRS standards. The revision has no significant impact. The company applied the revised standard as from the beginning of 2013.

The interim report is unaudited.

Consolidated statement of income, IFRS, MEUR

	10-12/2013	restated* 10-12/2012	1-12/2013	restated* 1-12/2012
Revenues	97.8	103.2	403.0	388.4
Other operating income	0.1	0.0	0.3	0.2
Change in inventories of finished goods and work in progress	0.7	-1.3	1.5	-1.9
Materials and services	-48.0	-50.7	-204.2	-201.5
Employee benefit related expenses	-19.6	-19.8	-82.1	-76.7
Other operating expenses	-17.9	-16.9	-64.1	-56.8
Depreciation	-1.6	-1.7	-6.4	-6.4
Amortization	-1.8	-1.9	-7.2	-7.3
Operating profit	9.7	11.0	40.6	38.0
Financial income and expenses	-0.5	-0.3	-1.0	-0.9
Profit before taxes	9.2	10.7	39.7	37.1
Income taxes	-2.5	-2.8	-11.0	-10.3
Profit for the period	6.7	7.9	28.7	26.9
Attributable to:				
Equity holders of the parent	6.6	7.8	28.0	26.2
Non-controlling interests	0.1	0.1	0.7	0.7
Earnings per share, euro	0.44	0.51	1.84	1.72
Diluted earnings per share, euro	0.44	0.51	1.84	1.72

Consolidated statement of comprehensive income, MEUR

	10-12/2013	restated 10-12/2012	1-12/2013	restated 1-12/2012
Profit for the period	6.7	7.9	28.7	26.9
Other comprehensive income				
Remeasurement	-1.0	0.0	-0.9	-0.5
Items not transferred to profit or loss	-1.0	0.0	-0.9	-0.5
Translation differences	-0.2	-0.2	-0.4	0.1
Items that may subsequently be transferred to profit or loss	-0.2	-0.2	-0.4	0.1
Total comprehensive income	5.5	7.7	27.5	26.5
Attributable to:				
Equity holders of the parent	5.5	7.6	26.9	25.8
Non-controlling interests	0.0	0.1	0.6	0.7

*Figures adjusted in accordance with IAS 19. The restated figures later shown in the table section are based on the aforementioned renewed IAS 19 standard.

Consolidated statement of financial position, IFRS, MEUR

	31.12.2013	restated 31.12.2012	restated 1.1.2012*
ASSETS			
Goodwill	8.9	9.2	9.2
Development costs	20.3	18.7	17.4
Other intangible assets	8.2	6.8	9.3
Property, plant and equipment	26.6	24.4	25.1
Available-for-sale financial assets	3.7	3.7	3.7
Deferred tax assets	7.3	7.2	5.7
Other financial assets	3.2	3.1	2.3
Total non-current assets	78.3	73.0	72.7
Inventories	27.1	25.7	28.2
Trade and other receivables	75.1	76.9	80.9
Cash and cash equivalents	35.9	31.1	16.3
Total current assets	138.1	133.7	125.4
Total assets	216.4	206.7	198.1
EQUITY AND LIABILITIES			
Share capital	3.1	3.1	3.1
Share premium reserve	5.0	5.0	5.0
Other reserves	2.4	0.1	0.1
Own shares	-2.0	-2.9	-0.9
Revaluation reserve	2.5	2.3	2.3
Retained earnings	104.6	98.7	86.2
Non-controlling interests	1.9	2.0	1.9
Total equity	117.4	108.3	97.7
Deferred tax liabilities	6.0	5.9	6.0
Employee benefits	3.5	2.1	1.7
Interest-bearing liabilities	14.9	17.9	20.2
Total non-current liabilities	24.4	25.9	27.9
Trade and other payables	57.7	54.7	53.1
Income tax liabilities	1.7	3.8	1.7
Provisions	11.4	11.1	9.3
Interest-bearing liabilities	3.8	2.9	8.5
Total current liabilities	74.5	72.5	72.5
Total equity and liabilities	216.4	206.7	198.1

*) According to IAS 1.10, the balance sheet for the beginning of the period for comparison must be shown since the Group has introduced the revised IAS 19 standard from the beginning of the financial year on 1 January 2013, and in accordance with its transition rules this has been applied retroactively in accordance with IAS 8.

2013 Consolidated statement of changes in equity, IFRS, MEUR

	Attributable to equity holders of the parent						Total	Non-controlling interests	Total equity
	Share capital	Share premium reserve	Other reserves	Own shares	Re-valuation reserve	Retained earnings			
Equity Jan 1, 2013, restated	3.1	5.0	0.1	-2.9	2.3	98.7	106.3	2.0	108.3
Other adjustments *)			2.4		0.1	-3.0	-0.5	0.0	-0.5
Profit for the period						28.0	28.0	0.7	28.7
Other total comprehensive income:									
Remeasurement						-0.9	-0.9		-0.9
Translation differences						-0.3	-0.3	-0.1	-0.4
Total comprehensive income for the period						26.9	26.9	0.6	27.5
Share bonuses				0.9		0.0	0.9		0.9
Dividends paid						-16.8	-16.8	-0.5	-17.3
Acquisition of non-controlling interests						-1.3	-1.3	-0.2	-1.5
Equity Dec 31, 2013	3.1	5.0	2.4	-2.0	2.5	104.6	115.6	1.9	117.4

*) Reserve fund transfer MEUR 2.4 within equity.

2012 Consolidated statement of changes in equity, IFRS, MEUR

	Attributable to equity holders of the parent						Total	Non-controlling interests	Total equity
	Share capital	Share premium reserve	Other reserves	Own shares	Re-valuation reserve	Retained earnings			
Equity Dec 31, 2011	3.1	5.0	0.1	-0.9	2.3	86.2	95.8	1.9	97.7
Remeasurement (IAS 19)						0.0	0.0		0.0
Equity Jan 1, 2012, restated	3.1	5.0	0.1	-0.9	2.3	86.2	95.8	1.9	97.7
Other adjustments			0.0			-0.2	-0.2	0.0	-0.1
Profit for the period						26.2	26.2	0.7	26.9
Other total comprehensive income:									
Remeasurement						-0.5	-0.5		-0.5
Translation differences						0.1	0.1		0.1
Total comprehensive income for the period						25.8	25.8	0.7	26.5
Share bonuses				0.3		0.9	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	-2.9	2.3	98.7	106.3	2.0	108.3

Consolidated statement of cash flow, IFRS, MEUR

	10-12/2013	restated 10-12/2012	1-12/2013	restated 1-12/2012
Profit for the period	6.7	7.9	28.7	26.9
Depreciation	3.5	3.6	13.7	13.7
Financial income and expenses	0.5	0.3	1.0	0.9
Taxes	2.5	2.8	11.0	10.3
Other adjustments	-0.3	0.5	1.9	-1.4
Change in working capital	4.6	1.0	2.3	12.9
Net cash flow from financial items and tax	-2.7	-1.0	-11.8	-10.9
Net cash flow from operating activities	14.7	15.1	46.7	52.3
Acquisition of subsidiary	0.0	-0.1	-1.5	-0.5
Investments in property, plant and equipment	-1.3	-1.3	-8.9	-5.8
Investments in intangible assets	-5.1	-2.0	-11.2	-6.0
Other investments	0.5	-0.8	0.3	-0.5
Net cash flow from investing activities	-5.9	-4.2	-21.2	-12.9
Proceeds from long-term borrowings	0.0	-0.9	0.0	0.5
Repayment of long-term borrowings	-5.7	0.0	-5.7	0.0
Proceeds from short-term borrowings	-1.5	0.0	4.2	13.0
Repayment of short-term loans	2.1	-1.6	-0.7	-21.0
Purchase of own shares	0.0	-1.3	0.0	-2.3
Dividends paid	0.0	-0.2	-17.3	-14.6
Net cash flow from financing activities	-5.1	-4.0	-19.5	-24.4
Change in cash and cash equivalents	3.8	6.9	5.9	15.0
Cash and cash equivalents at start of period	32.6	24.6	31.1	16.3
Translation differences for cash and cash equivalents	-0.4	-0.4	-1.0	-0.3
Cash and cash equivalents at end of period	35.9	31.1	35.9	31.1

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.

Vacon's chief operating decision maker is Vacon Plc's president and CEO, who assesses the Group's overall financial situation and developments in this.

Key financial indicators

Per share data	2013	2012	2011	2010	2009
Earnings per share, EUR	1.84	1.72	1.10	1.22	1.01
Equity per share, EUR	7.58	6.99	6.28	5.90	5.25
Dividend per share, EUR*)	1.30	1.10	0.90	1.00	0.70
Dividend payout ratio, %*)	70.68	64.09	81.47	82.13	69.02
Effective dividend yield, %*)	2.2	2.7	2.9	2.6	2.6
Price/earnings ratio	31.8	23.4	28.0	32.0	26.3
Lowest trading price, EUR	40.00	31.11	27.21	24.90	15.30
Highest trading price, EUR	59.90	42.54	48.73	39.75	28.90
Share price at end of period, EUR	58.50	40.20	30.90	39.00	26.70
Average trading price, EUR	51.71	38.36	38.50	32.49	21.51
Market capitalization, MEUR	891.7	611.5	471.5	593.4	406.1
Trading volume, no. of shares	2,355,619	3,150,916	2,975,467	2,670,146	4,493,871
Trading volume, %	15.5	20.7	19.5	17.6	29.6
Adjusted average number of shares during financial period	15,235,941	15,254,256	15,246,387	15,213,083	15,204,263
Number of shares at end of period	15,243,163	15,211,773	15,259,992	15,214,435	15,209,989
Own shares	51,837	83,227	35,008	80,565	85,011

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

Key indicators showing the Group's financial performance

	2013	2012	2011	2010	2009
Revenues, MEUR	403.0	388.4	380.9	338.0	272.0
Change in revenues, %	3.8	2.0	12.7	24.3	-7.2
Operating profit excluding one-time items, MEUR	40.6	36.5	34.8	32.4	22.5
Change in operating profit excluding one-time items, %	11.3	4.9	7.5	43.6	-35.0
Operating profit excluding one-time items, % of revenues	10.1	9.4	9.1	9.6	8.3
Operating profit, MEUR	40.6	38.0	24.7	28.6	22.5
Change in operating profit, %	6.9	53.6	-13.4	26.8	-35.0
Operating profit, % of revenues	10.1	9.8	6.5	8.5	8.3
Profit before taxes, MEUR	39.7	37.1	27.0	27.5	22.0
Profit before taxes, % of revenues	9.8	9.6	7.1	8.1	8.1
Return on equity, %	25.4	26.1	18.7	22.1	20.5
Return on investment, %	33.0	33.5	26.9	27.0	23.1
Interest-bearing net liabilities, MEUR	-17.2	-10.3	12.4	9.8	1.6
Gearing, %	-14.7	-9.5	12.7	10.7	2.0
Working capital, MEUR	31.4	33.0	45.1	45.9	31.2
Equity ratio, %	55.0	53.0	50.0	46.0	56.5
Gross capital expenditure, MEUR	19.7	14.0	18.7	15.9	18.2
Gross capital expenditure, % of revenues	4.9	3.6	4.9	4.7	6.7
R & D costs, MEUR	27.3	25.1	25.1	20.8	17.6
R & D costs, % of revenues	6.8	6.5	6.6	6.2	6.5
Number of personnel at end of period	1 596	1 513	1 468	1 339	1 228
Order book, MEUR	46.8	50.0	36.6	52.1	32.0

Commitments and contingencies, MEUR

	31.12.2013	31.12.2012
Commitments and contingencies	15.0	16.1
Financing commitments	0.0	0.0

Impact of IAS 19 revision, MEUR

	reported 31.12.2012	adjustment	restated 31.12.2012
Consolidated statement of income			
Employee benefit related expenses	-77.0	0.3	-76.7
Operating profit	37.7	0.3	38.0
Financial income and expenses	-0.9	0.0	-0.9
Profit before taxes	36.8	0.3	37.1
Income taxes	-10.2	-0.1	-10.3
Profit for the period	26.6	0.2	26.9
Impact on income statement		0.2	
Attributable to:			
Equity holders of the parent	25.9	0.2	26.2
Non-controlling interests	0.7		0.7
Consolidated statement of comprehensive income			
Profit for the period	26.6	0.2	26.9
Other comprehensive income			
Cash flow hedging	0.0		0.0
Translation differences	0.1		0.1
Remeasurement		-0.5	-0.5
Total comprehensive income	26.7	-0.2	26.5
Impact on statement of comprehensive income		-0.2	
Attributable to:			
Equity holders of the parent	26.1	-0.2	25.8
Non-controlling interests	0.7		0.7
Consolidated statement of financial position			
ASSETS			
Assets from defined benefit pension schemes	0.1	-0.1	0.0
Impact on assets		-0.1	
EQUITY AND LIABILITIES			
Equity	108.5	-0.2	108.3
Deferred tax liabilities	6.0	-0.1	5.9
Employee benefits	1.9	0.2	2.1
Impact on equity and liabilities		-0.1	

Impact of IAS 19 revision, MEUR

Profit for the period	31.12.2013	31.12.2012
Profit for the period before IAS 19 revision	29.1	26.6
IAS 19 revision	-0.4	0.2
Profit for the period after IAS 19 revision	28.7	26.9
Comprehensive income for the period before IAS revision	28.3	26.7
IAS 19 revision	-0.9	-0.2
Comprehensive income for period after IAS 19 revision	27.5	26.5

Equity	31.12.2013	31.12.2012	1.1.2012
Equity before IAS 19 revision	118.3	108.5	97.7
IAS 19 revision	-0.9	-0.2	0.0
Equity after IAS 19 revision	117.4	108.3	97.7

Impact of 1 January 2012 opening balance on equity is around EUR -16,000.

Fair value hierarchy of financial assets and liabilities valued at fair value, MEUR

Fair values at end of reporting period

	31.12.2013	Level 1	Level 2	Level 3
Financial assets to be recognized at fair value through profit and loss				
Currency forward contracts and currency options	0.2		0.2	
Available for sale financial assets				
Investments in shares	5.5			5.5
Loans and other receivables				
Convertible bond	1.0			1.0
Total	6.7	0.0	0.2	6.5
Liabilities valued at fair value				
Currency forward contracts and currency options	0.1		0.1	
Total	0.1	0.0	0.1	0.0

The fair values at hierarchy **level 1** are based on the quoted prices of completely identical asset items or liabilities in an active market.

The fair values of **level 2** instruments are to a significant extent based on inputs other than quoted prices included in level 1; however, they are based on information that is observable for the asset item either directly or indirectly. The Group uses market value reports compiled by Nordea Bank, Danske Bank, and Svenska Enskilda Bank in determining the fair value of these instruments.

The fair values of **level 3** instruments are based on acquisition cost or inputs concerning the asset item which are not based on observable market information but to a significant extent on the management's estimates.

Group quarterly performance, MEUR

	10-12/ 2013	7-9/ 2013	4-6/ 2013	1-3/ 2013	restated 10-12/ 2012	restated 7-9/ 2012	restated 4-6/ 2012	restated 1-3/ 2012
Revenues	97.8	110.4	103.4	91.3	103.2	101.5	99.5	84.2
Operating profit	9.7	14.8	10.4	5.8	11.0	10.3	10.3	6.4
Profit before taxes	9.2	14.2	10.2	6.0	10.7	10.0	10.3	6.2

Calculation of financial ratios

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