

**Financial
Statements
2015**

VAISALA



Observations for a Better World

Vaisala is a global leader in environmental and industrial measurement. Building on 80 years of experience, Vaisala contributes to a better quality of life by providing a comprehensive range of innovative observation and measurement products and services for chosen weather-related and industrial markets. Headquartered in Finland, Vaisala employs approximately 1,600 professionals worldwide and is listed on the Nasdaq Helsinki stock exchange.

www.vaisala.com



Contents

CEO's Review	4-5
Key Figures	6
Board of Directors' Report 2015	7-18
Financial Ratios and Share Figures	
Financial Ratios	19
Share Figures	20
Calculation of Financial Ratios	21
Five Years in Figures	22
Consolidated Financial Statements, IFRS	
Consolidated Statement of Income	23
Consolidated Statement of Financial Position	24-25
Consolidated Statement of Changes in Shareholders' Equity	26
Consolidated Cash Flow Statement	27
Notes to the Consolidated Financial Statements	28-59
Parent Company Financial Statements, FAS	
Parent Company Income Statement	60
Parent Company Balance Sheet	61-62
Parent Company Cash Flow Statement	63
Notes to the Parent Company Financial Statements	64-74
Shares and Shareholders	75-76
Board of Directors' Proposal for Distribution of Earnings	77
Signing of the Board of Directors' Report and Financial Statements	77
Auditor's report	78
Corporate Governance Statement	80
Information for Shareholders	94



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CEO's Review



Performance in 2015

Vaisala performed well in 2015 despite challenging market conditions. Vaisala's orders received were EUR 318.5 million resulting in 8% increase from previous year. Both business areas increased orders received materially in Americas, and Controlled Environment Business Area's order intake grew in all regions totally by 18%. Net sales growth was strong and the three hundred million barrier was crossed as the highest ever net sales were EUR 318.5 million. Controlled Environment Business Area was performing especially well as its net sales increased by 16% year-on-year to EUR 93.0 million. Weather Business Area net sales were EUR 225.5 million and increased by 3%. Operating result was EUR 29.6 million and increased by 12%. The EUR 3.2 million improvement was due to higher net sales but certainly the restructuring and related cost savings had a positive impact as well.

Progress in strategy implementation

In 2015, we continued the investments in strategic growth areas in Weather and Controlled Environment Business Areas.

Weather Business Area

In Weather Business Area we continued our efforts to create customer value by building new business around information services that are offered to renewable energy, aviation and roads customers. Several new advanced products and software were launched to enhance growth as well as to replace existing products. Key launches included Observation Network Manager NM10, which is scalable, automated system to remotely monitor and manage different weather observation sites; IRIS Focus, the next generation weather radar software; and Thunderstorm Manager for minimizing risks related to lightning strikes.

We also continued our efforts to drive growth in renewable energy business, however, the sales performance did not yet meet expectations. The renewable energy market continued to be vibrant and growing, but market entry took longer than anticipated due to long authorization and approval processes, evolving business models and customers' postponed decision making. Despite the obstacles, Energy business unit continued to invest in building new offering for renewable energy customers and gaining industry acceptance of the existing product portfolio. A good example of building new offering was the launch of Nomad 3, a flexible and portable data manage-

ment device, which enables wind energy developers and operators to operate more efficiently.

Controlled Environment Business Area

Controlled Environment Business Area's product leadership strategy provided a strong growth platform during 2015. In Controlled Environment Business Area we continued to grow through industrial measurement solutions in various industries across all regions.

In Controlled Environment Business Area we also continued investing in growth markets, Life Science and Power Transmission. Continuous monitoring systems offered to Life Science and other industrial customers had double digit growth with improving profitability which is already contributing to Controlled Environment Business Area's operating profit even though investment phase still continues. We enhanced Controlled Environment Business Area's offering for Power Transmission customers by launching Moisture, Hydrogen and Temperature transmitter MHT410 for high voltage transformers. Other key launches include new products to the Vaisala Carbon Dioxide, Humidity and Temperature Transmitter Series GMW80 integrating the new generation CARBOCAP® sensor.

Regional expansion continued by contracting new distributors in countries with high industrial potential. This had a positive impact on distributor sales, which achieved double digit growth.

Thank You

I want to thank all Vaisala employees for the excellent result which was achieved by a competent team driving continuous renewal and improvement.

Market Outlook

In 2016, Vaisala is expecting stable weather observation and industrial measurement market conditions. Especially weather radars have favorable market outlook, and also demand from renewable energy industry is expected to increase. In EMEA and Americas demand for weather observation solutions is expected to remain stable and slightly weaken in APAC. Demand for industrial measurement solutions is expected to remain good in EMEA and Japan, whereas demand in Americas is expected to remain stable.

Objective for 2016

Vaisala's objectives for 2016 are built around three key themes: profitable growth, operational

excellence and reliability. The foundation for all the themes is our highly skilled employees and the values we share.

We will continue to drive Vaisala's profitable growth in Weather and Controlled Environment Business Areas. We have a strong R&D pipeline for new innovative products as well as upgrades to drive growth and support our offering leadership. Additional customer value will be created by building new business around decision support services that are offered to renewable energy, aviation and roads customers. We will continue to drive growth in renewable energy business.

We will foster improvement of operational excellence and delivery capability for our hi-mix low-volume products. Delivery times are especially important for Vaisala's industrial customers. Our efforts in on-time delivery accuracy and reduction of lead times throughout a variety of products, projects and services have already generated results during 2015 and decisive actions will continue.

Improvement of reliability and quality continues to be in our focus. Both reliability and quality are key elements for our customers and for our leadership position. Special emphasis will be paid on reliability of new product design, manufacturability as well as handling customer feedback. High quality of products and services, well-functioning customer service and on-time actions will deliver reliable customer experience, improve customer satisfaction and strengthen loyalty.

Business Outlook

We estimate our full-year 2016 net sales to be in the range of EUR 305–335 million and the operating profit (EBIT) excluding non-recurring items in the range of EUR 28–38 million.

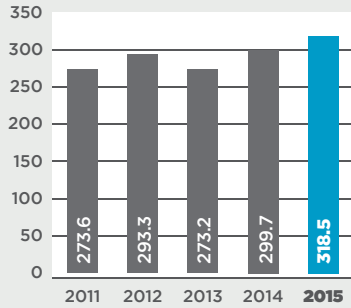
80th Anniversary

The year 2016 is a special one for Vaisala as we celebrate our 80 year anniversary. Throughout the past decades, alongside our commitment to quality and customer focus, Vaisala has also maintained its curiosity. We have always been passionate about uncovering novel solutions to problems and issues our customers face every day.

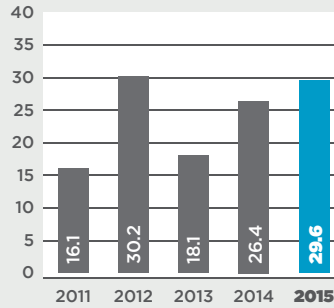
We are fully charged with positive energy to make 2016 a success!

Key Figures

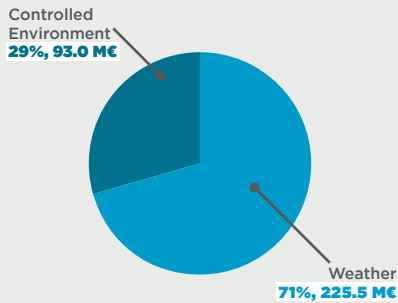
Net Sales, M€



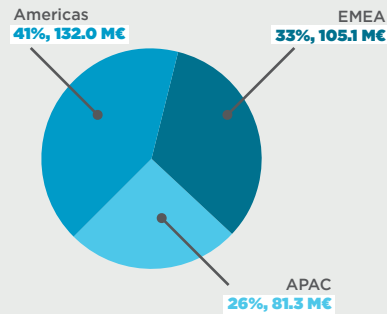
Operating Result, M€



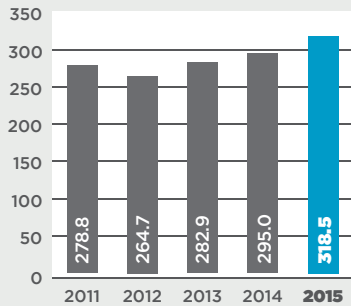
Net Sales by Business Area 2015



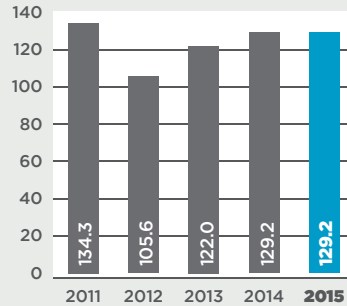
Net Sales by Region 2015



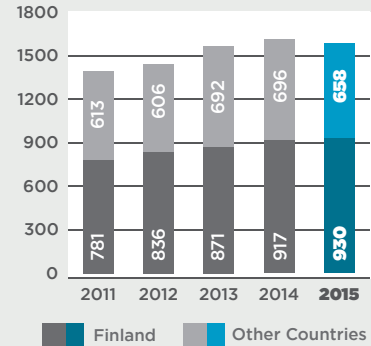
Orders Received, M€



Order Book, M€



Personnel



For financial ratios and five year development, see pages 19–22.

Board of Directors' Report 2015

Market situation in 2015

Macroeconomic conditions were moderate in 2015, and also weather observation and industrial measurement markets were stable. However, performance of different market segments and geographic areas varied significantly. Demand for weather radars and industrial measurement solutions developed well. Heavy decline in commodity prices, especially in crude oil and natural gas, affected market conditions in offshore business and commodity exporting economies. Depreciation of euro improved Vaisala's financial performance.

In EMEA weather observation markets in Russia and its neighboring countries were affected by difficult economic conditions and depreciated currencies. In rest of EMEA weather observation market was stable, but demand was slightly below very active 2014. Demand for industrial measurement solutions increased in EMEA in 2015.

In Americas weather observation market was quiet in the first half of 2015. However, good demand from North American customers improved market activity significantly during the second half of the year. Market environment for industrial measurement solutions was stable.

In APAC weather observation market was active in 2015, also supported by good demand from China. Demand for industrial measurement solutions was good in Japan, in the rest of APAC deceleration of Chinese manufacturing industry affected market conditions especially in the second half of the year.

January-December 2015 performance

Orders received

EUR million	2015	2014	Change, %
Weather	224.0	215.2	4
Controlled Environment	94.5	79.8	18
Total	318.5	295.0	8

Order book

EUR million	2015	2014	Change, %
Weather	122.2	123.7	-1
Controlled Environment	7.0	5.5	28
Total	129.2	129.2	0

Orders received

In January-December 2015, Vaisala's orders received were EUR 318.5 (295.0) million and

increased by 8% compared to previous year. The increase came from Americas.

In January-December 2015, Weather Business Area's orders received were EUR 224.0 (215.2) million and increased by 4% compared to previous year. The increase came from Energy and Transportation business units.

In January-December 2015, Controlled Environment Business Area's orders received were EUR 94.5 (79.8) million and increased by 18% compared to previous year. The growth came from all regions.

Order book

At the end of December 2015, Vaisala's order book was EUR 129.2 (129.2) million and were at last year's level. The order book increased in Americas. Of the order book EUR 95.5 (74.1) million will be delivered in 2016.

At the end of December 2015, Weather Business Area's order book was EUR 122.2 (123.7) million and decreased by 1% compared to previous year. Meteorology Infrastructure business unit's order book decreased. Of the order book EUR 88.8 (70.0) million will be delivered in 2016.

At the end of December 2015, Controlled Environment Business Area's order book was EUR 7.0 (5.5) million and increased by 28% compared to previous year. The increase came from all regions. Of the order book EUR 6.7 (4.1) million will be delivered in 2016.

Net sales by business area

EUR million	2015	2014	Change, %
Weather	225.5	219.6	3
Products	116.2	108.1	7
Projects	71.0	74.7	-5
Services	38.3	36.7	4
Controlled Environment	93.0	80.2	16
Products	83.5	71.9	16
Services	9.5	8.3	15
Total	318.5	299.7	6

Net sales by region

EUR million	2015	2014	Change, %
EMEA	105.1	111.8	-6
Americas	132.0	112.1	18
APAC	81.3	75.9	7
Total	318.5	299.7	6

In January-December 2015, Vaisala's net sales were EUR 318.5 (299.7) million and increased by 6% compared to previous year. Vaisala's net sales in EMEA was EUR 105.1 (111.8) million and decreased by 6%, in the Americas EUR 132.0 (112.1) million and increased by 18% and in APAC EUR 81.3 (75.9) million and increased by 7%. Operations outside Finland accounted for 98% (97%) of net sales. At comparable exchange rates the net sales would have been EUR 294.5 (299.7) million and decrease would have been EUR 5.3 million or 2% from previous year. The positive exchange rate effect was EUR 24.0 million, which was mainly caused by USD exchange rate appreciation against EUR.

In January-December 2015, Weather Business Area's net sales were EUR 225.5 (219.6) million and increased by 3% compared to previous year. The increase came from Meteorology Infrastructure and Transportation business units, and Energy's net sales were on previous year's level. Weather Business Area improved its net sales in product and services businesses. At comparable exchange rates the net sales would have been EUR 209.9 (219.6) million and decrease would have been EUR 9.6 million or 4% from previous year. The positive exchange rate effect was EUR 15.6 million, which was mainly caused by USD appreciation against EUR. At comparable exchange rates net sales of all Weather Business Area business units decreased.

In January-December 2015, Controlled Environment Business Area's net sales were EUR 93.0 (80.2) million and increased by 16% compared to previous year. Net sales increased in all regions. At comparable exchange rates the net sales would have been EUR 84.5 (80.2) million and increase would have been EUR 4.3 million or 5% from previous year. The positive exchange rate effect was EUR 8.6 million, which was mainly caused by USD appreciation against EUR. At comparable exchange rates net sales of EMEA and APAC grew, and Americas was on previous year's level.

Gross margin and operating result

	2015	2014	Change, %
Gross margin, %	51.1	51.1	
Weather	47.4	48.4	
Controlled Environment	60.4	58.4	
Operating result, EUR million	29.6	26.4	12
Weather	15.2	17.0	-11
Controlled Environment	18.3	12.1	51
Eliminations and other	-4.0	-2.8	43

In January-December 2015, Vaisala's operating result was EUR 29.6 (26.4) million and increased by 12% compared to previous year. Operating result increase was due to higher net sales in both business areas. Vaisala's gross margin was 51.1% (51.1%). Vaisala's operating expenses were EUR 131.9 (127.2) million and increased by 4% compared to previous year. The increase came mainly from USD based expenses growing due to USD appreciation against EUR. In addition, operating result was decreased by EUR 1.8 million one-time expenses related to the restructuring.

In January-December 2015, Weather Business Area's operating result was EUR 15.2 (17.0) million and decreased by 11% compared to previous year. Gross margin was 47.4% (48.4%) and declined by one percentage point. The decrease was mainly due to lower sales volumes especially during the first half of the year and related weakening in scale economies as well as unfavorable inventory valuations related to Vaisala's commitments as a result of products with long life-cycles. However, gross margin of customer projects improved. Operating expenses were EUR 91.9 (89.7) million and increased by 2%. The increase came mainly from USD based expenses growing due to USD appreciation against EUR.

In January-December 2015, Controlled Environment Business Area's operating result was EUR 18.3 (12.1) million and increased by 51% compared to previous year. Gross margin was 60.4% (58.4%) and the increase was mainly due to positive impact of USD appreciation against EUR as well as higher sales volumes and related improvement in scale economies. Operating expenses were EUR 37.9 (34.7) million and increased by 9%. The increase came mainly from USD based expenses growing due to USD appreciation against EUR as well as higher research and development expenses.

In January-December 2015, financial income and expenses were EUR 3.5 (2.6) million. The increase is mainly due to foreign exchange gains related to valuation of USD denominated receivables.

In January-December 2015, profit/loss before taxes was EUR 33.0 (29.1) million. Income taxes were EUR 5.5 (5.7) million. Effective tax rate for January-December 2015 was 16.6% (19.5%). The decrease of the effective tax rate was due to tax refund related to previous financial years. Net result was EUR 27.5 (23.4) million.

Statement of financial position and cash flow

Vaisala's financial position remained strong at the end of the December 2015. Cash and cash equivalents amounted to EUR 59.2 (47.6) million at the end of December 2015 and Vaisala did not have any material interest bearing liabilities.

The statement of financial position total was EUR 264.0 (244.6) million. The increase was due

to EUR depreciation against other currencies and also better net profit as well as increased level of inventories, cash balance and short term liabilities.

In January-December 2015, Vaisala's cash flow from operating activities was EUR 38.8 (23.8) million. The improvement compared to previous year was mainly due to development of working capital and better profitability.

Vaisala repurchased 160,000 own shares with EUR 3.9 million during the financial year 2015.

Capital expenditure and divestments

In January-December 2015, gross capital expenditure totaled EUR 8.3 (7.9) million. Capital expenditure was mainly related to investments in machinery and equipment to develop and maintain Vaisala's production and service operations. Depreciation and amortization was EUR 15.1 (15.2) million.

Research and development

In January-December 2015, research and development expenses totaled EUR 36.1 (34.0) million, representing 11.3% (11.3%) of net sales.

R&D expenses by business area

EUR million	2015	2014	Change, %
Weather	26.7	25.7	4
Controlled Environment	9.4	8.2	15
Total	36.1	34.0	6

In January-December 2015, Weather Business Area R&D expenses were 11.8% (11.7%) of net sales. Controlled Environment Business Area R&D expenses were 10.1% (10.3%) of net sales.

Weather Challenge, an open innovation competition, was introduced at Slush 2015 start-up event in Finland. The goal of the competition is to collect globally ideas for weather data related business opportunities.

Key product and software releases

In 2015, Vaisala launched several new advanced products and software to enhance growth as well as to replace existing products.

Weather Business Area launched a new version of Vaisala Observation Network Manager NM10, which is a scalable, automated system to remotely monitor and manage different weather observation sites. The new NM10 enables cost effective deployment of Automatic Weather Station networks and advanced remote monitoring and control of Autosonde stations supporting Vaisala 4th Generation radiosondes. With this system customers can keep their network up and running and secure continuous data availability.

Second key launch of Weather Business Area was IRIS Focus, the next generation weather radar software designed for meteorologists to support in more accurate precipitation estimation and classification as well as earlier warnings of severe weather conditions.

Third key launch of Weather Business Area was Thunderstorm Manager, a web based global application enabling customers to minimize the risk of lightning strikes impacting their operations.

Fourth key launch of Weather Business Area was Nomad 3 Data Logger for the wind energy market. Nomad 3 is a flexible and portable data management device, which enables wind energy developers and operators to operate more efficiently.

Controlled Environment Business Area launched a Moisture and Hydrogen Transmitter MHT410 for transformer oil, which enables power generation and transmission customers to easily monitor the condition of their transformer assets.

Controlled Environment Business Area launched also GMW80-series carbon dioxide (CO₂) and temperature transmitter series with second generation CARBOCAP® technology for standard demand-controlled ventilation application. Another important CO₂ product launch was GMP251, which is a probe intended for industrial and semi-industrial CO₂ measurement applications such as CO₂ incubator control and monitoring, cold storage monitoring, as well as measuring CO₂ in fruit and vegetable storages and during their transportation.

More details concerning the new products and software can be found at www.vaisala.com.

Active Involvement in the Scientific Community

Vaisala collaborates with leading research institutes, institutions and universities across various scientific and technological fields studying environmental measurement. The aim of this collaboration is to strengthen Vaisala's position as an industry pioneer and innovative product leader.

Vaisala collaborates in several projects with leading research institutes, such as the National Oceanic and Atmospheric Administration (NOAA), Colorado State University, and the US National Center for Atmospheric Research (NCAR) in the United States. In Finland, Vaisala collaborates with VTT Technical Research Centre of Finland, University of Helsinki, University of Eastern Finland and Aalto University. In Asia Vaisala is working in many projects together with the Chinese Meteorological Administration's Institute of Urban Meteorology and the Nanjing University for Information Science and Technology (NUIST).

Vaisala collaborates closely with a number of national meteorological offices around the world and is an active participant in UN's World Meteorological Organization (WMO). Vaisala also collaborates with the German Weather Service's Meteorological

logical Observatory at Lindenberg and the Finnish Meteorological Institute on several projects.

Vaisala funds two annually granted Professor Vilho Väisälä Awards. The award for the Outstanding Research Paper on Instruments and Methods of Observation was established in 1985 and it is administered and granted by the World Meteorological Organization (WMO). This award has been granted already 24 times. The award for the Development and Implementation of Instruments and Methods of Observation has been awarded four times. During 2015 the award rules were updated together with WMO in order to encourage submissions from developing countries, to clarify the linkage of the Award for the Development and Implementation of the Instruments and Methods of Observation to developments carried out in developing countries, and refine the criteria for granting the awards to avoid possible misinterpretation of the criteria.

Vaisala supports The Millennium Technology Prize, which is Finland's tribute to innovations for a better life. The prize is awarded for groundbreaking technological innovations that enhance the quality of people's lives in a sustainable manner and for innovations which stimulate further cutting edge research and development in science and technology. In 2015, Vaisala participated in a Millennium Technology Prize event in Shanghai, which focused on "Clean-tech and Urbanization" in order to promote nominations for high caliber candidates for the 2016 Prize.

Vaisala is a shareholder and active research partner of CLIC Innovation Oy (formerly CLEEN Oy). CLIC Innovation Oy is an open innovation cluster with the mission of creating breakthrough solutions in bioeconomy, energy and cleantech by facilitating joint research between industry and academia in Finland. Vaisala also partners with Technology Academy Finland.

Vaisala participated in the Distinguished Professor Program (Finland) by supporting scientists at the Finnish Meteorological Institute and University of Helsinki. Vaisala's representatives are also members of the Board of the Federation of Finnish Technology Industries and in its committees, such as the Environmental Committee.

In the United States, Vaisala is an active member of the Board of Trustees at the University Corporation for Atmospheric Research (UCAR), the Dean's Advisory Board to the College of Engineering at Colorado State University, and an advisory committee for the University of Arizona's Atmospheric Sciences Department. Vaisala also is a member of the Board of CO-LABS in the state of Colorado, USA and on the Environmental Information Services Working Group of the NOAA Science Advisory Board, as well as on the Executive Committee of the Weather Coalition in the US.

Vaisala continues to be a strong contributor to the American Meteorological Society (AMS), a leading scientific organization dedicated to atmospheric, oceanic, and hydrologic sciences.

Vaisala is a sustaining corporate sponsor of the AMS. In addition, Vaisala representatives contribute to the AMS through a number of activities including the governance of the Society, scientific committee memberships, reviewing and editing journals and articles, and actively sharing scientific advancements through peer-reviewed literature, as well as presentations and papers at conferences and meetings.

Vaisala is also a participant in the International Electrotechnical Commission's Committee on Lightning Protection, which includes Lightning Location Systems and Lightning Warning Systems.

Group structure

Vaisala's headquarters are located in Vantaa, Finland. On December 31, 2015, the company has subsidiaries in Australia, Brazil, Canada, China, Germany, France, India, Japan, Malaysia, United Kingdom and United States. Further, the company has permanent establishments in Sweden and Kuwait, and regional offices in India, South Korea and the United Arab Emirates.

Board of Directors

The Annual General Meeting held on March 31, 2015 confirmed that the number of Board members is seven. Ville Voipio was elected as a new member of the Board of Directors.

Members of the Board of Directors on December 31, 2015

- Raimo Voipio, Chairman
- Yrjö Neuvo, Vice Chairman
- Petra Lundström
- Mikko Niinivaara
- Maija Torkko
- Pertti Torstila
- Ville Voipio

Personnel

In 2015 both Vaisala's organization and competence development activities focused on improving the ability to execute growth strategies and to improve operational efficiency. The program for restructuring business organization in spring 2015 advanced smoothly and the new organizational structure was well received. In this program Controlled Environment Business Area established regional organization structure with profit and loss responsibility. In Weather Business Area its sales teams were integrated into three profit and loss responsible and customer-oriented business units. Also Service organization was integrated into Weather and Controlled Environment Business Areas. After completing the simplification of the organization structure Vaisala's competence development activities focused on sales support, customer and application knowledge as well as process development.

ERP upgrade implemented in January 2015 was supported by comprehensive training programs in order to support its many users in applying re-designed processes, new functionalities as well as using new systems and solutions integrated with ERP. The upgrade was followed by further process, working practice and related competence development throughout the year. Sales to Delivery process renewals were targeted for increased customer satisfaction and internal process efficiency. Product Delivery process development activities continued with the focus to improve on-time delivery. New cross-functional Product Creation process was released and piloted in new R&D projects. Interactive training sessions with supportive e-learning modules were developed to facilitate the implementation of process changes and usage of new applications and tools.

Weather Education program started in the USA and in Europe, and 180 people attended the training sessions. The program was designed to enhance participants' understanding of weather phenomena, its impact on weather related customers and how Weather Business Area's offering is aligned with customer requirements. Also the development of value selling capabilities continued.

Vaisala continued developing its management system and in Operations daily management practice was taken into use in all factories. This practice has improved employees' end-to-end process understanding whereby organization's capability for quick reactions and proactive planning has improved.

Vaisala Business Learning Program continued with strategy and leadership modules and strategic business assignments. Also Leadership development Program LEAD continued and Leading Quality modules were organized in all regions.

The average number of personnel employed in Vaisala during January-December 2015 was 1,611 (1,617). The number of employees at the end of December 2015 was 1,588 (1,613).

On December 31, 2015, 66% (64%) of employees were located EMEA, 26% (27%) in the Americas and 8% (9%) in APAC. 41% (43%) of employees were based outside Finland.

	December 31, 2015	December 31, 2014	Change, employees
Finland	930	917	13
EMEA (excluding Finland)	119	123	-4
Americas	407	438	-31
APAC	132	135	-3
Total	1,588	1,613	-25

As a part of the business restructuring, the Service function was integrated into Weather and Controlled Environment Business Areas and the number of services related people decreased during 2015.

	December 31, 2015	December 31, 2014	Change, employees
Sales and marketing	386	387	-1
R&D	304	296	8
Operations	379	370	9
Services	357	384	-27
Adminis- tration	162	176	-14
Total	1,588	1,613	-25

Share-based incentive plans

On May 3, 2012 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of Group's profitability in calendar year 2012 and it was paid partly in the Company's series A shares and partly in cash in March 2015. The cash proportion was paid to cover taxes and tax-related costs arising from the reward to employees. No reward was paid to employees whose employment or service had ended before the reward payment date. In total 63,800 A shares were transferred. In 2015, EUR 0.2 million and in 2012–2014 EUR 1.7 million was expensed for the plan.

On February 6, 2013 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of Group's profitability in calendar year 2013 and it will be paid partly in the Company's series A shares and partly in cash in spring 2016. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. No reward will be paid, if a key employee's employment or service ends before the reward payment date. Maximum amount corresponding to 150,000 shares will be paid depending on the number of entitled persons in the company at the end of vesting period. No reward will be paid based on this plan as the profitability targets for 2013 were not met.

On February 10, 2014 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of Group's profitability in calendar year 2014 and it will be paid partly in the Company's series A shares and partly in cash in spring 2017. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 160,000 shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. In 2015 EUR 0.3 million and in 2014

EUR 0.2 million was expensed for the plan. On December 31, 2015 the maximum amount corresponds to 115,200 shares and it is depending on the number of entitled persons in the company at the end of vesting period.

On December 18, 2014 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of Group's profitability in calendar year 2015 and it will be paid partly in the Company's series A shares and partly in cash in spring 2018. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 160,000 shares. No reward will be paid, if a key employee's employment or service ends before the reward payment date. In 2015 EUR 0.5 million was expensed for the plan. On December 31, 2015 the maximum amount corresponds to 143,000 shares and it is depending on the number of entitled persons in the company at the end of vesting period.

On December 16, 2015 Vaisala's Board of Directors resolved for the Group key employees a share-based incentive plan that is based on the development of Group's profitability in calendar year 2016 and it will be paid partly in the Company's series A shares and partly in cash in spring 2019. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. No reward will be paid if a key employee's employment or service ends before the reward payment date. Maximum amount corresponding to 200,000 shares will be paid depending on the number of entitled persons at the end of vesting period.

The total personnel expenses in 2015 were EUR 130.0 (116.3) million.

Vaisala's long-term financial targets for 2014–2018 and strategy

Vaisala's long-term financial targets

Growth: Vaisala targets an average annual growth of 5%. In selected growth businesses such as renewable energy, life science and power transmission the target is to exceed 10% annual growth.

Profitability: Vaisala's objective is profitable growth and the target is to achieve 15% operating profit (EBIT) margin towards the end of the year 2018.

Vaisala does not consider the long-term financial targets as market guidance for any given year.

Vaisala's strategy

Vaisala's goal of profitable growth will be achieved through the implementation of the strategic themes: creation of customer value, reliability, and simplification.

Additional customer value will be created in Weather Business Area by building new business

around decision support services that are offered to renewable energy, aviation and roads customers. Controlled Environment Business Area will focus on enhancing offering and developing the sales channel for life science and industrial customers in order to create value for customers' operations.

Reliability will create customer satisfaction and loyalty. High quality of products and services, well-functioning customer service and on-time actions will deliver reliable customer experience.

Simplification will create operational efficiency. Optimized global networks, streamlined supply chains, common capabilities and continual improvement in all functions will ensure increased efficiency of Vaisala's operations.

Implementation of the strategy in 2015

In 2015, Vaisala continued the investments in strategic growth areas in Weather and Controlled Environment Business Areas.

Weather Business Area

Weather Business Area continued its efforts to create customer value by building new business around information services that are offered to renewable energy, aviation and roads customers. Several new advanced products and software were launched to enhance growth as well as to replace existing products. Key launches included Observation Network Manager NM10, IRIS Focus and Thunderstorm Manager.

Vaisala continued its efforts to drive growth in renewable energy business, however, the sales performance did not yet meet expectations. The renewable energy market continued to be vibrant and growing, but market entry took longer than anticipated due to long authorization and approval processes, evolving business models and customers' postponed decision making. Nevertheless, Energy business unit continued to invest in building new offering for renewable energy customers and gaining industry acceptance of the existing product portfolio. A good example of building new offering was the launch of Nomad 3, a flexible and portable data management device, which enables wind energy developers and operators to operate more efficiently.

Controlled Environment Business Area

Controlled Environment Business Area's product leadership strategy provided a strong growth platform during 2015. Controlled Environment Business Area continued to grow through industrial measurement solutions in various industries across all regions.

Controlled Environment Business Area continued investing in its growth markets, Life Science and Power Transmission. Continuous monitoring systems offered to Life Science and other industrial customers had double digit growth with

improving profitability which is already contributing to Controlled Environment Business Area's operating profit even though investment phase still continues. Vaisala enhanced its offering for Power Transmission customers by launching MHT410 for high voltage transformers. The Vaisala Moisture, Hydrogen and Temperature transmitter MHT410 was launched to the market in July. Other key launches include new products to the Vaisala Carbon Dioxide, Humidity and Temperature Transmitter Series GMW80 integrating the new generation CARBOCAP® sensor.

Regional expansion continued by contracting new distributors in countries with high industrial potential. This had a positive impact on distributor sales, which achieved double digit growth.

More information of the product and software launches can be found on page 9.

Quality and operational excellence

In 2015, Vaisala continued to systematically improve quality of products and services with focus on customer satisfaction. This was achieved through enhanced quality of product design and quality control of material flow. Quality training was also continued to further improve competence of Vaisala's employees.

Vaisala continued its efforts in on-time delivery accuracy and reduction of lead times throughout a variety of products, projects and services. Delivery times are especially important for Vaisala's industrial customers. Good progress in on-time delivery was achieved by utilizing Lean method of daily management and as a result of improved material availability. Lead-time reductions were achieved by optimizing order-to-delivery flow for selected products. Vaisala also continued to consolidate its' supplier base and built stronger relationships with preferred suppliers.

ERP upgrade implemented in January 2015 enabled further development of globally harmonized processes, enhancements of management reporting and centralization of accounting services. Customer service portal was developed and implemented in order to create a platform for Customers Self Service Solutions with a single sign-on capability.

In order to strengthen the capability to implement its strategy and to increase agility, Vaisala restructured its business in 2015. More detailed information about the new business structure can be found below.

New business structure and completion of co-operation negotiations

Vaisala announced on January 27, 2015 its plans to restructure its business in order to strengthen the capability to implement its strategy and to increase agility. As of April 1, 2015, Weather Business Area was organized into three business units, Meteorology Infrastructure, Transportation

and Energy, and Controlled Environment Business Area was organized into three regions with full business responsibility, Americas, EMEA and APAC.

In order to foster the business areas to operate with different business models Service function was integrated into Weather and Controlled Environment Business Areas. In the new structure Information Services and Field Services are part of the Weather Business Area, whereas Calibration and Repair Services are part of the Controlled Environment Business Area. Vaisala's Operations and Support units continue to serve as group functions.

Vaisala continues to invest in its growth businesses and to develop products and services which combine its customers' business expertise and Vaisala's technological leadership. The new organizational structure strengthens customer focus across all functions and ensures operational efficiency through simplification.

The planning of restructuring was finalized and in Finland the related co-operation negotiations, which were initiated on February 2, 2015, were completed on March 5, 2015. As a result, Vaisala reduced its workforce by a total of 52 positions, out of which 18 positions were reduced in Finland. The original estimate for the reduction was 60 full-time equivalents, out of which about 25 were estimated to be in Finland. The reduction took place through redundancies, retirement options and terminations of temporary contracts. Vaisala provided a range of support measures for those affected by the restructuring.

This restructuring is estimated to result in annual cost savings of EUR 4 million by 2016. The cost savings for 2015 were EUR 2 million. The first quarter 2015 operating result includes EUR 1.8 million accrual for one-time costs.

Changes in Vaisala's Management Group

Hannu Katajamäki, Executive Vice President, Services and member of Vaisala's Management Group since 2011 left Vaisala on April 1, 2015. The change followed Vaisala's business restructuring where the Service function was integrated into Weather and Controlled Environment Business Areas.

Kai Konola, Executive Vice President, Weather Business Area and member of Vaisala's Management Group since 2010 left Vaisala on December 15, 2015.

Jarkko Sairanen was appointed Executive Vice President of Vaisala Weather Business Area on November 26, 2015. Jarkko Sairanen started at Vaisala on February 1, 2016. Head of Weather Offering, Ilkka Mannonen acted as interim EVP Weather Business Area December 15, 2015–January 31, 2016.

On December 31, 2015 Vaisala's Management Group members were:

- Kjell Forsén, President and CEO, Chairman of the Management Group
- Marja Happonen, Executive Vice President, Human Resources
- Sampsa Lahtinen, Executive Vice President, Controlled Environment Business Area
- Ilkka Mannonen, Head of Weather Offering, interim Executive Vice President, Weather Business Area
- Kaarina Muurinen, Chief Financial Officer
- Vesa Pylvänäinen, Executive Vice President, Operations

Sustainability

Vaisala is in a unique position to promote sustainable development through the technologies it offers to its customers. Through its weather solutions, Vaisala safeguards lives and property and reduces environmental impacts. Industrial instruments bring efficiencies and reduce energy and material consumption in customers' operations.

Vaisala pays special attention to the objectives of UN Global Compact in the areas of human and labor rights, the environment and anti-corruption. In 2015, Vaisala strengthened its support toward a stronger climate agenda by joining Caring for Climate, an initiative under UN Global Compact, and Climate Leadership Council, a Finnish initiative for leading sustainable companies. In September 8, 2015, Vaisala made a public commitment to become powered by 100% renewable energy by 2020.

Vaisala was awarded a position on CDP's (formerly the Carbon Disclosure Project) Nordic Climate Disclosure Leadership Index for the second year in a row. The performance score assesses the level of action on climate change mitigation, adaptation and transparency. Vaisala is assessed under Information technology sector, which is widely understood to be one of the fundamental driving forces of change in the business and consumer societies. Vaisala is addressing operational productivity targets and evolving regulations, like energy efficiency requirements through its product offering and development.

Further information about Vaisala's sustainability is available on the company website at www.vaisala.com/sustainability.

Risk Management

The objective of Vaisala's risk management is to identify and manage material risks related to strategy implementation and business operations. Vaisala has a risk management policy which has been approved by the Board of Directors, and which covers the Company's strategy, operational, hazard and financial risks. The policy aims at ensuring the safety of the Company's personnel, operations and products, as well as the continu-

ity and compliance of business operations. The Board of Directors defines and approves risk management principles and policies, and assesses the effectiveness of risk management. The Audit Committee reviews compliance with risk management policy and processes.

Vaisala's Risk Management Steering Group comprises key internal stakeholders. The Steering Group is responsible for the operational oversight of the risk management process and assuring that all significant risks are identified and reported, and risks are acted upon on all necessary organizational levels and geographical locations.

Risk management is integrated into key business processes and operations. This is accomplished by incorporating applicable risk identification, assessment, management and risk reporting actions into the core processes. The most significant risks are reported to the Vaisala Management Group and the Audit Committee annually.

Near-term risks and uncertainties

Uncertainties in world economic and political situation as well as changes in customer behavior may cause demand slowdown or delays in customer projects. Especially market situation in China and continuing conflicts in Middle East and Africa may cause interruptions in business. Also increasing competition, changes in price levels and exchange rates may impact Vaisala's net sales and profitability.

Vaisala's capability to successfully complete investments, acquisitions, divestments and restructurings on a timely basis and to achieve related financial and operational targets represent a risk which may impact net sales and profitability.

The ongoing business expansion in renewable energy market may be delayed due to long authorization and approval processes, evolving business models and customers' postponing decision making. Delays in new product ramp-ups and market acceptance of new offering may postpone the realization of Vaisala's growth plans.

Suppliers' and subcontractors' delivery capability or operating environment as well as product quality may impact Vaisala's net sales and profitability. Also uncertainty of Finnish labor market may cause interruptions in operations. Cyber risk and availability of IT systems may impact operations, delivery of information services or Internet-based services or cause financial loss.

Further information about risk management and risks are available on the company website at www.vaisala.com/investors, Corporate Governance and www.vaisala.com/investors, Vaisala as an Investment.

Interest rate risk

Interest rate risk arises from the effects of interest rate changes on interest-bearing receivables

and liabilities in different currencies. Vaisala does not have significant interest-bearing liabilities or receivables and in addition to cash at hand therefore interest rate risk is limited to cash investments. A change of one percent point in the interest rate would affect the company's result after taxes and equity by around EUR 0.2 (0.2) million.

Currency risk

Vaisala operates globally and is exposed to foreign exchange transaction and translation risks in many currencies. Transaction risk relates to currency flows from revenues and expenses and translation risk relates translation of statement of income and balance sheet or foreign subsidiaries into euros.

The sales takes place in various currencies. From the Group's sales 43% is in EUR, 40% in USD, 5% in JPY, 5% in GBP and 3% in CNY. The cost and purchases occurs mostly in Euro and US dollars. The group policy is to hedge maximum of position that consist of order book, purchase orders and net receivables with currency forwards. Vaisala does not apply hedge accounting in accordance with IFRS.

Group internal loans and deposits are primarily initiated in the local currencies of subsidiaries. Vaisala does not hedge internal loans, deposits or equities of foreign subsidiaries. Translation of subsidiaries' balance sheets into euros caused translation difference of EUR 3.1 (3.4) million. The most significant translation risk exposures are in US dollars.

The foreign exchange sensitivity analysis in line with IFRS 7 has been calculated to the most important foreign currency nominated receivables, loans, cash and liabilities of group companies. The calculation does not include internal loans, order book or forecasted cash flows but include foreign exchange forwards in their nominal value. 10% strengthening of currencies against EUR has an effect of EUR -0.5 (-0.8) million on Vaisala profit after taxes and equity. In the following table are the most significant foreign exchanges exposures against EUR.

EUR million	2015	2014
USD	-9.0	-11.9
CAD	-1.6	0.7
GBP	0.8	0.0
JPY	-0.2	-0.9

Refinancing and liquidity risks

Vaisala cash at hand amounts to EUR 59.2 (47.6) million. The parent company has also EUR 20 million uncommitted credit loan limit, which is currently unused. Additionally, the subsidiaries have EUR 1.3 million credit loan limit, which can

be drawn either guarantees or loans. Currently, EUR 0.0 (0.0) million has been drawn from this facility. Vaisala does not have any other material external interest bearing liabilities.

Financial credit risk

Vaisala cash at hand amounts to EUR 59.2 (47.6) million, which exposes Vaisala to financial counterparty risk. Vaisala invest cash only to counterparties with good credit worthiness. All the cash investment counterparties are approved by Board of Directors. Counterparty creditworthiness is evaluated constantly. The maturity of cash investments are less than one month as of December 31, 2015.

Credit risk

Credit risks are hedged by using letters of credit, advance payments and bank guarantees as terms of payment. According to Group management, the company has no material credit risk concentrations, because no individual customer or customer group represents an excessive risk, resulting from global diversification of the company's customer pool. Total credit losses arising from trade receivable and recognized for the financial year amounted to EUR 0.2 million (0.1). Bad debts are written off when official announcement of receivership, liquidation or bankruptcy is received confirming that the receivable will not be honored.

Decisions by Vaisala Corporation's Annual General Meeting

Vaisala Corporation's Annual General Meeting was held on March 31, 2015 in Vantaa, Finland. The meeting approved the financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the financial period January 1–December 31, 2014.

Dividend

The Annual General Meeting decided a dividend of EUR 0.90 per share, corresponding to the total of EUR 16,368,132.60. The record date for the dividend payment was April 2, 2015 and the payment date was April 14, 2015.

Board of Directors

The Annual General Meeting confirmed that the number of Board members is seven. Petra Lundström, Mikko Niinivaara, Yrjö Neuvo, Maija Torkko, Pertti Torstila and Raimo Voipio continued as members of the Board of Directors. Ville Voipio was elected as a new member of the Board of Directors.

The Annual General Meeting decided that the annual fee payable to the Chairman of the Board of Directors is EUR 45,000 and EUR 35,000 for each Board member. Approximately 40 percent of the annual remuneration was paid in Vaisala Corporation's A shares acquired directly in the name of the Board members from the market and the rest in cash. In addition, the Annual General Meeting decided that the compensation for the Chairman of the Audit

Committee is EUR 1,500 per attended meeting and EUR 1,000 for each member of the Audit Committee. The compensation for the Chairman and each member of the Remuneration and HR Committee and any other committee established by the Board of Directors is EUR 1,000 per attended meeting.

Auditor

The Annual General Meeting re-elected Deloitte & Touche Oy as the auditor of the Company and APA Merja Itäniemi will act as the auditor with the principal responsibility. The Auditors are reimbursed according to their reasonable invoice presented to the company.

Authorization for directed acquisition of own A shares

The Annual General Meeting authorized the Board of Directors to decide on the directed repurchase of a maximum of 160,000 of the Company's own A shares in one or more instalments with funds belonging to the Company's unrestricted equity. The authorization is valid until the closing of the next Annual General Meeting, however, no longer than September 30, 2016.

Authorization to transfer Company's own shares

The Annual General Meeting authorized the Board of Directors to decide on the issuance of the Company's treasury A shares. The authorization is limited to a maximum of 319,150 shares. The issuance of own shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization entitles the issuance of treasury A shares as a directed issue without payment as part of the Company's share based incentive plan. The Board of Directors can also use this authorization to grant special rights entitling subscription of the Company's own shares that are held by the Company. The subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind. The authorization is valid until March 31, 2020.

Donations

The Annual General Meeting authorized the Board of Directors to decide on donations of maximum EUR 250,000.

The organizing meeting of the Board of Directors

At its organizing meeting held after the Annual General Meeting the Board elected Raimo Voipio to continue as the Chairman of the Board of Directors and Yrjö Neuvo to continue as the Vice Chairman.

The composition of the Board committees was decided to be as follows:

Audit Committee

Maija Torkko was elected as the Chairman and Petra Lundström and Mikko Niinivaara as members of the Audit Committee. The Chairman and all members of the Audit Committee are independent both of the Company and of significant shareholders.

Remuneration and HR Committee

Raimo Voipio was elected as the Chairman and Yrjö Neuvo and Maija Torkko as members of the Remuneration and HR Committee. Raimo Voipio is independent of the Company. Yrjö Neuvo and Maija Torkko are independent both of the Company and of significant shareholders.

Vaisala's shares and shareholders

Vaisala's share capital totaled EUR 7,660,808 on December 31, 2015. On December 31, 2015, Vaisala had 18,218,364 shares, of which 3,389,351 are series K shares and 14,829,013 are series A shares. The K shares and A shares are differentiated by the fact that each K share entitles its owner to 20 votes at a General Meeting of Shareholders while each A share entitles its owner to 1 vote. The A shares represent 81.4% of the total number of shares and 17.9% of the total votes. The K shares represent 18.6% of the total number of shares and 82.1% of the total votes.

Trading in shares on the Nasdaq Helsinki Ltd

In 2015, a total of 2,507,672 (1,110,337) Vaisala shares with a value totaling EUR 60.9 (25.1) million were traded on the Nasdaq Helsinki Ltd.

The closing price of the Vaisala Corporation share on the Nasdaq Helsinki Ltd stock exchange in 2015 was EUR 23.94 (21.89). Vaisala's share price increased by 9% (declined 6%) during the year while OMX Helsinki Cap index increased by 11% (6%). Shares registered a high of EUR 27.02 (24.98) and a low of EUR 21.55 (19.40). The volume-weighted average share price was EUR 24.33 (22.60).

The market value of Vaisala's A shares on December 31, 2015 was EUR 350.4 (321.1) million, excluding the Company's treasury shares. Valuing the K shares – which are not traded on the stock market – at the rate of the A share's closing price on the last day of December, the total market value of all the A and K shares together was EUR 431.6 (395.3) million, excluding the Company's treasury shares.

At the end of December, 2015 Vaisala Corporation had 7,294 (7,302) registered shareholders. Ownership outside of Finland and nominee registrations represented 14.8% (16.3%) of the company's shares. Households owned 44.8% (45.7%), private companies 14.0% (13.5%), financial and insurance institutions 12.3% (11.7%), non-profit organizations 7.9% (8.2%) and public sector organizations owned 6.1% (4.6%).

Vaisala Corporation's Board of Directors held and controlled 522,427 A shares on December 31, 2015 and 293,656 K shares. The Board of Directors' A and K shares accounted for 7.8% (14.0%) of the total votes.

The company's President and CEO held and controlled 10,720 (2,720) A shares and no K shares on December 31, 2015. Other Management Group members held and controlled 13,463 (2,463) Vaisala A shares and no K shares.

The Board of Directors of Vaisala Corporation decided on March 10, 2015 issuance of directed shares without consideration. In the issuance of shares a total of 63,800 Company's series A treasury shares were transferred without consideration to Company's key employees according to the terms and conditions of the Performance Share Plan 2012.

Treasury shares and their authorizations

The Annual General Meeting held on March 26, 2014 authorized the Board of Directors to decide on the transfer of a maximum of 319,150 own A-shares. The transfer of own shares may be carried out in deviation from the shareholders' pre-emptive rights and may be transferred as a directed issue without payment as part of the Company's share based incentive plan. The authorization can also be used to grant special rights entitling subscription of own shares, and the subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind. The new authorization replaces the previous one and is valid until March 26, 2019.

The Board of Directors of Vaisala Corporation decided on March 10, 2015 to use the authorization granted for transferring the Company's series A treasury shares. Vaisala Corporation sold a total of 63,800 series A treasury shares held by the Company in order to cover the cash reward of the Performance Share Plan 2012. The cash reward was used to cover withholding tax and other similar costs. The sale of the Company's treasury shares commenced on March 11, 2015 and were concluded on the same day.

The Board of Directors of Vaisala Corporation decided on March 10, 2015 to use the authorization granted for issuance of treasury A shares as a directed issue without payment as part of the Company's share based incentive plan. In the issuance of shares a total of 63,800 Company's series A treasury shares were transferred without consideration to Company's key employees according to the terms and conditions of the Performance Share Plan 2012.

The Annual General Meeting held on March 31, 2015 authorized the Board of Directors to decide on the issuance of the Company's treasury A shares. The authorization is limited to a maximum of 319,150 shares. The issuance of own

shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization entitles the issuance of treasury A shares as a directed issue without payment as part of the Company's share based incentive plan. The Board of Directors can also use this authorization to grant special rights entitling subscription of the Company's own shares that are held by the Company. The subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind. The authorization is valid until March 31, 2020.

The Board of Directors of Vaisala Corporation did not use the authorization in 2015.

The Annual General Meeting on March 31, 2015 authorized the Board of Directors to decide on the directed repurchase of a maximum of 160,000 of the Company's own A-shares in one or more instalments with funds belonging to the Company's unrestricted equity. The authorization is valid until the closing of the next Annual General Meeting, however, no longer than September 30, 2016.

Vaisala Corporation's Board of Directors decided on April 28, 2015 to use the authorization granted for directed repurchase of shares. The Board of Directors resolved of directed repurchase of a maximum of 160,000 of the Company's own A shares in one or more instalments with funds belonging to the Company's unrestricted equity. Vaisala acquired through public trading in accordance with the rules of on the Nasdaq Helsinki Ltd. during the time period April 30–November 19, 2015 a total of 160,000 Company's own shares at an average price per share of EUR 24.1771. The total value of the acquired shares was EUR 3,868,334.28.

At the end of December, the Company held a total of 191,550 (159,150) Vaisala A shares, which represented 1.3% (1.1%) of all A-shares in the Company and 1.1% (0.9%) of all shares in the Company. The consideration paid for these shares was EUR 4,344,256 (2,527,160).

More information about Vaisala's share and shareholders are presented on the website, www.vaisala.com/investors.

Donations

The Annual General Meeting authorized the Board of Directors to decide on donations of maximum EUR 250,000.

Vaisala Corporation's Board of Directors did not use the authorization in 2015.

Events after the review period

As announced on February 2, 2016, Vaisala signed a EUR 20 million contract with National Hydro-Meteorological Service of Vietnam. The contract, that has been prepared over the past

four years together with National Hydro-Meteorological Service, will come in force when the customer has given final approval for the technical design. Vaisala will report the contract in the order book after this approval. The deliveries will start after the contract has entered into force, and are scheduled to be completed within two years. The funding of the contract is arranged through the Finnish Concessional Credit instrument provided to National Hydro-Meteorological Service of Vietnam. This instrument is part of Finland's development cooperation portfolio, governed by the Ministry for Foreign Affairs of Finland.

Vaisala's Board of Directors decided on February 10, 2016 on Vaisala's dividend policy. According to the policy, Vaisala aims to pay a stable dividend which will increase in line with net profit development. Vaisala's goal is to maintain high solvency and to take future investment plans into account. Vaisala will apply this dividend policy for the first time to the dividend distributed in 2016.

Market outlook 2016

Even though global economy has recently slightly decelerated, the latest forecasts still predict moderate development for 2016 and Vaisala is expecting stable weather observation and industrial measurement market conditions. However, differences in business conditions between customer groups and regions are expected to remain.

In weather observation market especially weather radars have favorable market outlook, and also demand from renewable energy industry is expected to increase. Heavy decline in commodity prices, especially in crude oil and natural gas, is affecting market conditions in offshore business and commodity exporting economies. Competition in weather observation market is expected to continue intensifying. In weather observation market it continues to be challenging to forecast customers' timing for decision making and acceptance of larger customer projects, having potentially material impact on overall Vaisala weather business.

In industrial measurement market especially power transmission and life science are expected to grow faster than other targeted markets.

In EMEA demand for weather observation solutions is expected to remain stable. Demand from Russia and its neighboring countries is still expected to be constrained by economic weakness in the area. Demand for industrial measurement solutions is expected to remain solid.

In Americas demand for weather observation and industrial measurement solutions is expected to remain stable.

In APAC weather observation market is expected to cool off slightly compared to active year 2015, as a result of lower demand from China. Demand for industrial measurement solutions is

expected to remain good in Japan, but elsewhere in APAC uncertainty has increased due to deceleration of Chinese manufacturing industry.

Business outlook for 2016

Vaisala estimates its full year 2016 net sales to be in the range of EUR 305–335 million and the operating result (EBIT) excluding non-recurring items in the range of EUR 28–38 million.

Board of Directors' proposal for distribution of earnings

The parent company's distributable earnings amount to EUR 157,847,008.00, of which the net result for the period is EUR 30,930,974.30.

The Board of Directors proposes to the Annual General Meeting that dividend of EUR 0.95 per share be paid out of distributable earnings totaling approximately EUR 17.1 million and the rest to be carried forward in the shareholders' equity.

No dividend will be paid for treasury shares held by the company.

There have been no significant changes to the company's financial position since the close of the financial period. According to the Board of Directors, the proposed dividend distribution does not endanger the company's financial standing.

Annual General Meeting 2016

Vaisala's Annual General Meeting will be held on Tuesday, April 5, 2016 at 6 p.m. at Vaisala Corporation's head office, Vanha Nurmijärventie 21, 01670 Vantaa.

Vantaa, February 10, 2016

Vaisala Corporation
Board of Directors

The forward-looking statements in this report are based on the current expectations, known factors, decisions and plans of Vaisala's management. Although the management believes that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that these expectations would prove to be correct. Therefore, the results could differ materially from those implied in the forward-looking statements, due to for example changes in the economic, market and competitive environments, regulatory or other government-related changes, or shifts in exchange rates.

Financial Ratios and Share Figures

Financial Ratios

	IFRS 2015	IFRS 2014	IFRS 2013	IFRS 2012	IFRS 2011
Net sales, EUR million	318.5	299.7	273.2	293.3	273.6
Exports and international operations, %	98.0	97.0	97.1	98.3	98.2
Operating profit, EUR million	29.6	26.4	18.1	30.2	16.1
% of net sales	9.3	8.8	6.6	10.3	5.9
Profit before taxes, EUR million	33.0	29.1	17.2	29.1	16.1
% of net sales	10.4	9.7	6.3	9.9	5.9
Return on equity (ROE), %	15.7	14.3	6.3	11.7	5.7
Solvency ratio, %	69.7	70.6	71.6	74.9	73.7
Gross capital expenditure, EUR million	8.3	7.9	7.1	5.4	16.7
% of net sales	2.6	2.6	2.6	1.8	6.1
R&D expenditure, EUR million	36.1	34.0	28.9	28.0	28.0
% of net sales	11.3	11.3	10.6	9.5	10.2
Order book on Dec. 31, EUR million	129.2	129.2	122.0	105.6	134.3
Average personnel	1,611	1,617	1,485	1,422	1,386

Share Figures

	IFRS 2015	IFRS 2014	IFRS 2013	IFRS 2012	IFRS 2011
Earnings/share (EPS), EUR	1.52	1.30	0.60	1.20	0.57
Earnings/share (EPS), diluted, EUR	1.51	1.29	0.60	1.19	0.57
Cash flow from business operations/share, EUR	2.15	1.32	1.55	2.66	2.06
Shareholders' equity/share, EUR	10.06	9.41	8.80	10.48	10.02
Dividend/share, EUR	*0.95	0.90	0.90	0.90	0.65
Dividend/earnings, %	**62.5	69.0	150.0	75.0	114.2
Effective dividend yield, %	4.0	4.1	3.9	5.7	4.0
Price/earnings (P/E)	15.75	16.84	38.68	13.29	28.80
A-share trading, EUR					
highest	27.02	24.98	23.47	17.71	24.80
lowest	21.55	19.40	16.04	14.48	15.56
weighted average	24.33	22.60	19.88	15.97	20.56
at balance sheet date	23.94	21.89	23.21	15.90	16.40
Market capitalization at balance sheet date, EUR million ***	431.6	395.3	419.2	287.1	298.6
A-shares traded					
Traded, pcs	2,507,672	1,110,337	2,876,861	1,018,902	878,205
% of entire series	16.9	7.5	19.4	6.9	5.9
Adjusted number of shares, pcs	18,218,364	18,218,364	18,218,364	18,218,364	18,218,364
A-shares, pcs	14,829,013	14,829,013	14,829,013	14,829,013	14,829,013
K-shares, pcs	3,389,351	3,389,351	3,389,351	3,389,351	3,389,351
Number of shares outstanding at Dec. 31, pcs	18,026,814	18,059,214	18,059,214	18,059,214	18,209,214

* Proposal by the Board of Directors.

** Calculated according to the proposal by the Board of Directors.

*** Value of A and K shares is here calculated to be equal.

Calculation of Financial Ratios

Return on equity, ROE (%)	=	$\frac{\text{Profit before taxes less taxes}}{\text{Shareholders' equity plus non-controlling interest (average)}} \times 100$
Solvency ratio, (%)	=	$\frac{\text{Shareholders' equity plus non-controlling interest}}{\text{Balance sheet total less advance payments}} \times 100$
Earnings / share, EUR	=	$\frac{\text{Profit before taxes less taxes +/- non-controlling interest}}{\text{Average number of shares, adjusted}}$
Cash flow from business operations / share, EUR	=	$\frac{\text{Cash flow from business operations}}{\text{Number or shares at balance sheet date}}$
Equity / share, EUR	=	$\frac{\text{Shareholders' equity}}{\text{Number of shares at balance sheet date, adjusted}}$
Dividend / share, EUR	=	$\frac{\text{Dividend}}{\text{Number of shares at balance sheet date, adjusted}}$
Dividend / earnings, (%)	=	$\frac{\text{Dividend}}{\text{Profit before taxes less taxes +/- non-controlling interest}} \times 100$
Effective dividend yield, (%)	=	$\frac{\text{Dividend / share}}{\text{Share price at balance sheet date}} \times 100$
Price / earnings, EUR	=	$\frac{\text{Share price at balance sheet date}}{\text{Earnings / share}}$
Market capitalization, EUR million	=	Share price at balance sheet date times number of shares

Five Years in Figures

Consolidated statement of income EUR million	IFRS 2015	IFRS 2014	IFRS 2013	IFRS 2012	IFRS 2011
Net sales	318.5	299.7	273.2	293.3	273.6
Other operating income	0.5	0.5	1.8	0.5	2.1
Costs	274.3	258.6	237.8	247.9	245.0
Depreciation, amortization and impairment charges	15.1	15.2	19.1	15.8	14.7
Operating profit	29.6	26.4	18.1	30.2	16.1
Financial income and expenses	3.4	2.7	-1.0	-1.0	0.1
Profit before tax	33.0	29.1	17.2	29.1	16.1
Income taxes	-5.5	-5.7	-6.2	-7.4	-5.8
Net profit for the period	27.5	23.4	10.9	21.7	10.4

Consolidated statement of financial position EUR million	Dec. 31 2015	Dec. 31 2014	Dec. 31 2013	Dec. 31 2012	Dec. 31 2011
Assets					
Non-current assets	90.0	91.5	92.5	88.3	101.0
Inventories	39.0	33.9	28.6	29.8	33.4
Current assets	134.9	119.2	104.6	138.9	116.4
Statement of financial position, total	264.0	244.6	225.6	257.0	250.8
Shareholders' equity and liabilities					
Equity attributable to equity holders of the parent	181.3	170.0	158.9	189.1	182.5
Liabilities, total	82.7	74.6	66.8	67.9	68.3
Interest bearing	0.0	0.0	0.0	0.6	0.5
Non-interest bearing	82.7	74.6	66.8	67.3	67.8
Statement of financial position, total	264.0	244.6	225.6	257.0	250.8

Consolidated Statement of Income

EUR million	Note	Jan. 1–Dec. 31, 2015		Jan. 1–Dec. 31, 2014	
Net sales	2, 3	318.5		299.7	
Cost of sales	6	-155.6		-146.6	
Gross profit		162.8	51.1%	153.1	51.1%
Sales, marketing and administrative costs	6, 7	-95.8		-93.2	
Research and development costs	6, 7, 8	-36.1		-34.0	
Other operating income and expenses	5	-1.3		0.5	
Operating profit (loss)		29.6	9.3%	26.4	8.8%
Share of result in associated companies	15	-0.1		0.1	
Financial income and expenses, net	9	3.5		2.6	
Profit (loss) before taxes		33.0	10.4%	29.1	9.7%
Income taxes	10	-5.5		-5.7	
Profit (loss) for the period		27.5	8.6%	23.4	7.8%

Earnings per share for profit attributable to the equity holders of the parent

Earnings per share, EUR	11	1.52	1.30
Diluted earnings per share, EUR		1.51	1.29

Consolidated Statement of Comprehensive Income EUR million

Items that will not be reclassified to profit or loss

Actuarial loss on post-employment benefits *	21	0.4	-0.5
Total		0.4	-0.5

Items that may be reclassified subsequently to profit or loss

Currency translation differences		3.1	3.5
Total		3.1	3.5

Total other comprehensive income		3.5	3.0
Total comprehensive income		31.0	26.4

* The figures are presented net of taxes.

The notes constitute an essential part of the financial statements.

Consolidated Statement of Financial Position

EUR million	Note	Dec. 31, 2015	Dec. 31, 2014
Assets			
Non-current assets			
Intangible assets	13	34.0	37.1
Property, plant and equipment	14	44.1	44.2
Investments		0.1	0.1
Investments in associated companies	15	0.8	0.8
Long-term receivables	16	0.8	0.3
Deferred tax assets	10	10.2	8.9
		90.0	91.5
Current assets			
Inventories	17	39.0	33.9
Trade and other receivables	18	74.6	70.5
Income tax receivables		1.2	1.1
Cash and cash equivalents	19	59.2	47.6
		174.0	153.1
Total assets		264.0	244.6

The notes constitute an essential part of the financial statements.

Consolidated Statement of Financial Position

Shareholders' equity and liabilities EUR million	Note	Dec. 31, 2015	Dec. 31, 2014
Shareholders' equity	20		
Share capital		7.7	7.7
Other reserves		1.1	2.5
Cumulative translation adjustment		2.9	-0.2
Treasury shares		-4.3	-2.5
Retained earnings		173.9	162.6
		181.3	170.0
Total equity	20	181.3	170.0
Non-current liabilities			
Interest-bearing liabilities	24	0.0	0.0
Post-employment benefit obligations	21	2.1	1.3
Deferred tax liabilities	10	4.5	5.3
Provisions for other liabilities and charges	22	0.2	0.2
Other non-current liabilities	24	0.8	2.9
		7.6	9.7
Current liabilities			
Interest-bearing liabilities	24	0.0	0.0
Advances received		3.9	3.9
Income tax liabilities		1.7	1.5
Provisions for other liabilities and charges		0.4	1.4
Trade and other payables	23	69.2	58.1
		75.1	64.9
Total liabilities		82.7	74.6
Total shareholders' equity and liabilities		264.0	244.6

The notes constitute an essential part of the financial statements.

Consolidated Statement of Changes in Shareholders' Equity

EUR million	Note	Share capital	Other reserves	Treasury shares	Translation differences	Retained earnings	Total equity
Balance at Jan. 1, 2014		7.7	1.5	-2.5	-3.6	155.9	158.9
Profit for the year	20					23.4	23.4
Other comprehensive income	20		0.0		3.5	-0.5	3.0
Dividend paid	20					-16.3	-16.3
Reclassification	20		-0.0			0.0	-
Correction			0.0				0.0
Share-based payment	7, 20		1.0				1.0
Balance at Dec. 31, 2014		7.7	2.5	-2.5	-0.2	162.6	170.0
Profit for the year	20					27.5	27.5
Other comprehensive income	20		0.0		3.1	0.4	3.5
Dividend paid	20					-16.4	-16.4
Reclassification	20		0.0			-0.0	-
Purchase of treasury shares	20			-3.9			-3.9
Sale of treasury shares	20			2.1		-2.1	-
Share-based payment	7, 20		-1.4			1.9	0.5
Balance at Dec. 31, 2015		7.7	1.1	-4.3	2.9	173.9	181.3

Consolidated Cash Flow Statement

EUR million	Note	Jan. 1-Dec. 31, 2015	Jan. 1-Dec. 31, 2014
Cash flow from operating activities			
Cash receipts from customers	2, 3	325.4	287.0
Other income from business operations		-1.4	0.4
Cash paid to suppliers and employees		-277.1	-260.3
Financials paid, net	9	-1.0	1.3
Income taxes paid, net	10	-7.2	-4.5
Total cash flow from business operations (A)		38.8	23.8
Cash flow from investing activities			
Capital expenditure on fixed assets	13, 14	-8.3	-7.9
Divestments		0.2	1.3
Total cash flow from investing activities (B)		-8.1	-6.6
Cash flow from financing activities			
Dividend paid	20	-16.4	-16.2
Purchase of treasury shares	20	-3.9	-
Change in loan receivables		0.0	-0.1
Change in leasing liabilities	24	0.0	0.0
Total cash flow from financing activities (C)		-20.2	-16.3
Change in cash and cash equivalents (A+B+C)			
increase (+) / decrease (-)		10.5	0.9
Cash and cash equivalents at the beginning of period		47.6	45.8
Net increase (+) / decrease (-) in cash and cash equivalents		10.5	0.9
Effect from changes in exchange rates		1.0	0.9
Cash and cash equivalents at the end of period	19	59.2	47.6

Notes to the Consolidated Financial Statements

Basic information

Vaisala is a global leader in environmental and industrial measurement. Building almost 80 years of experience, Vaisala contributes to a better quality of life by providing a comprehensive range of innovative observation and measurement products and services for chosen weather-related and industrial markets.

The Group's parent company, Vaisala Corporation, is a Finnish public limited company established under Finnish law, its domicile is Vantaa and its registered address in Vanha Nurmijärventie 21, FI-01670 Vantaa (P.O. Box 26, FI-00421 Helsinki). The company's Business ID is 0124416-2. Vaisala has offices and business operations in Finland, United States of America, Brazil, Canada, France, the UK, Germany, China, South-Korea, Sweden, Malaysia, India, United Arab Emirates, Japan and Australia.

Copies of the consolidated financial statements can be obtained from the internet address www.vaisala.com or from the Group's head office at the address Vanha Nurmijärventie 21, FI-01670 Vantaa (P.O. Box 26, FI-00421 Helsinki).

At its meeting on February 10, 2016, the Board of Directors of Vaisala Corporation has approved these financial statements for publication. Under the Finnish Companies Act, shareholders have an opportunity to confirm or leave unconfirmed the financial statements in the Annual General Meeting to be held after their publication. The Annual General Meeting also has an opportunity to make a decision amending the financial statements.

1.1 Accounting Principles for the Consolidated Financial Statements

Vaisala's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) and in their preparation all the obligatory IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on December 31, 2015 have been followed. By international financial statement standards is meant standards approved for application in the EU, and interpretations issued about them, according to the procedure prescribed in Finnish law and provisions enacted thereon in EU Regulation (EC) No. 1606/2002. The notes to the consolidated financial statements are also in accordance with Finnish accounting and corporate law.

Financial statement data are presented in millions of euros and they are based on original

acquisition costs if not otherwise stated in the accounting principles outlined below.

The preparation of financial statements in accordance with IFRS standards requires Group management to make certain estimates and to exercise discretion in applying the accounting principles. Information about the discretion exercised by management in applying the accounting principles followed by the Group and that which has most impact on the figures presented in the financial statements has been presented in the item 'Accounting principles that require management discretion and main uncertainty factors relating to estimates'.

Segment reporting

The company has a market segment based reporting model. Operating segments are reported in a manner consistent with the internal reporting provided for the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, is the company's management group.

The business segments consist of business operations whose resources to be allocated and profits company's management group reviews based on a measure of adjusted operating result. Pricing between segments takes place at the fair market price.

Weather segment is a leading provider of reliable weather technology. Segment serves selected weather-dependent markets where weather data is essential to run efficient operations like meteorological institutes, roads and rail authorities, airport organizations, defense forces, energy and maritime.

Controlled Environment segment serves customers who operate in tightly controlled and demanding areas where the measurement of precise environmental conditions is required to increase operational quality, productivity and energy savings.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the parent company Vaisala Corporation and all subsidiaries in which it directly or indirectly owns more than 50% of the votes or in which the parent company otherwise exercises control. The existence of potential voting rights has been taken into account when assessing the terms of control when instruments conferring entitlement to

potential control are presently exercisable. Subsidiaries acquired or founded during the financial period are consolidated from the date on which the Group has acquired control and are no longer consolidated from the date that control ceases.

Acquisition of subsidiaries is handled by the acquisition cost method. The acquisition cost is the fair value of transferred assets, issued equity instruments and liabilities arising or assumed. All transaction costs are expensed. Identifiable acquired assets as well as assumed liabilities and contingent liabilities are valued initially at their fair values on the date of acquisition, irrespective of whether there are minority interests or not. The amount by which the acquisition cost exceeds the Group share of the fair value of the acquired identifiable net assets is recognized as goodwill. If the acquisition cost is lower than the acquired subsidiary's net assets, the difference is entered directly into the statement of income. Changes in contingent liabilities after initial recognition are recognized in profit and loss as other operating income or cost.

Intra-Group transactions, unrealized margins on internal deliveries, internal receivables and liabilities, and the Group's internal distribution of profit are eliminated. Unrealized losses on intra-Group transactions are also eliminated unless costs are not recoverable or the loss results from an impairment. The consolidated financial statements are prepared applying consistent accounting principles to the same transactions and other events which are implemented under the same conditions.

Associated companies

The share of profits or losses of associated companies, i.e. companies of which Vaisala owns between 20% and 50% and over which it has significant influence, are included in the consolidated financial statements using the equity method. If Vaisala's share of an associated company's losses exceeds the book value of the investment, the investment is entered in the statement of financial position at zero value and further losses are not recognized unless the Group has incurred obligations on behalf of the associated company. Unrealized gains on transactions between the Group and its associated companies have been eliminated to the extent of the Group's interest in the associated companies. The Group's investment in associated companies includes goodwill on acquisition.

The Group's share of associated companies' results is presented in the statement of income as a separate item before 'financial income and expenses'. Investments in associated companies are originally entered into the accounts at their acquisition cost and the book value increased or decreased by the share of post-acquisition profits or losses. Distribution of profit received from an investment reduces the book value of the investment.

Foreign currency items

Items relating to the consolidated result and financial position are measured using the currency which is the main currency of each entity's operating environment "functional currency". The consolidated financial statements have been presented in euros, which is the Group parent company's functional and presentation currency.

Transactions in foreign currencies are recognized at the rates of exchange on the date of transaction. Receivables and payables in foreign currency have been valued at the exchange rates quoted by the European Central Bank on the closing date. Exchange rate differences resulting from the settlement of monetary items or from the presentation of items in the financial statements at different exchange rates from which they were originally recognized during the financial period, or presented in the previous financial statements, are recognized as income or expenses in the statement of income group 'financial income and expenses' in the financial period in which they arise.

Balance sheets of Group companies outside the euro zone have been translated into euros using the official exchange rates of the European Central Bank on the closing date. In translating statement of incomes, mid-market exchange rates have been used. Exchange rate differences resulting from the translation of statement of income items at mid-market exchange rates and from the translation of balance sheet items at exchange rates on the closing date have been recognized as translation differences in shareholders' equity. Translation gains and losses which arose in the elimination of the shareholders' equity of subsidiaries have been recognized as a separate item under comprehensive income. When a foreign subsidiary or associated company is sold, the accumulated translation difference is recognized in the statement of income as part of the gain or loss on the sale.

Goodwill or fair value adjustments arising on the acquisition of an independent foreign entity are treated as that entity's foreign currency assets and liabilities and are translated at the period end rate.

Property, plant and equipment

Property, plant and equipment comprise mainly land and buildings as well as machinery and equipment. The asset values are based on original acquisition cost less accumulated depreciation and amortization as well as possible impairment losses. The cost of self-constructed assets includes materials and direct work as well as a proportion of overhead costs attributable to construction work. If a tangible asset consists of several parts which have useful lives of different lengths, the parts are treated as separate assets. Accordingly, expenses relating to the renewal of a part are capitalized and the part remaining

in connection with the renewal is recognized as an expense. In other cases, expenditures that arise later are included in the carrying amount of the tangible assets only if it is probable that the future financial benefit connected with the asset is for the benefit of the Group and that the asset's acquisition cost can be reliably determined. Other repair and maintenance expenses are recognized through profit and loss, when they are realized.

Depreciation is calculated using the straight-line method and is based on the estimated useful life of the asset. Land is not depreciated. Estimated useful lives for various assets are:

Buildings and structures	5–40 years
Machinery and equipment	3–10 years
Other tangible assets	3–10 years

The residual value, depreciation method and useful life of assets are checked in connection with each financial statement and if necessary adjusted to reflect changes in the expectation of economic benefit. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the operating profit.

Public grants received for tangible asset investments are recognized as a reduction in the carrying amounts of tangible assets. Grants are recognized in the form of smaller depreciations during the useful life of the asset.

Depreciation of a tangible asset is discontinued when the tangible asset is classified as being for sale in accordance with the IFRS 5 standard *Non-Current Assets Held for Sale and Discontinued Operations*.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/ associated company at the date of acquisition. Goodwill is calculated in the currency of the operating environment of the acquired entity. If the acquisition cost is lower than the value of the acquired subsidiary's net asset value the difference is entered directly into the statement of income.

Goodwill is not amortized, rather it is tested annually for any impairment. For this purpose goodwill has been attributed to cash generating units. Goodwill is valued at acquisition cost less impairment losses. Impairment costs are expensed.

Other intangible assets

Other intangible assets are e.g. patents and trademarks as well as software licenses. They are valued at their original acquisition cost and amortized using the straight-line method over their useful life. Intangible assets that have an indefi-

nite useful life are not amortized, rather they are tested for impairment annually. Intangible assets of the acquired subsidiaries are valued at their fair values at the date of acquisition.

Estimated useful lives for intangible assets are:

Intangible rights	3–5 years
Software	3–5 years
Other intangible assets	3–5 years

Research and development expenditure

Research and development expenditures have been recognized as expenses in the financial period in which they were incurred, except for machinery and equipment acquired for research and development use, which are depreciated using the straight-line method. Costs relating to the development of new products and processes are not capitalized because the future earnings obtained from them are only assured when the products come to market. According to IAS 38 an intangible asset is entered in the statement of financial position only when it is probable that the company will derive financial benefit from the asset. Moreover, it is typical of the industry that it is not possible to distinguish the research stage of an internal project that aims to create an asset from its development stage.

Borrowing costs

The group capitalizes borrowing costs that relate to qualifying assets directly attributable to acquisition, construction or production of the assets as part of the cost of the asset in question. Other borrowing costs are recognized as an expense. At the moment, the group does not have capitalized borrowing costs.

Inventories

In the financial year 2015 inventories are stated at the lower of standard cost of acquisition and manufacturing or net realizable value. Inventory cost includes the cost of materials, direct labor and a proportion of production overhead. An allowance is recorded for excess inventory and obsolescence based on the lower of cost or net realizable value. In the financial year 2014 inventories were stated at the lower of cost of acquisition and manufacturing using weighted average method and net realizable value.

Lease agreements

The Group as the lessee

Lease agreements of tangible assets where the Group has a substantial part of the risks and rewards of ownership are classified as finance leases. Finance leases are entered into tangible assets at the start of the lease term at the lower

of the fair value of the leased property and the present value of the minimum lease payments. The asset acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term. Lease payments are allocated between the liability and finance charges so as to achieve a constant interest rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities.

Lease agreements where the lessor retains a significant portion of the risks and rewards of ownership are treated as other leases. Payments made under other leases are charged to the statement of income on a straight-line basis over the period of the lease.

Impairment

On every closing date the Group reviews asset items for any indication of impairment losses. The need for impairment is examined at the cash generating unit level, i.e. at the lowest unit level which is mainly independent of other units and whose cash flows are separate and highly independent from the cash flows of other, corresponding, units. If there are such indications, the amount recoverable from the said asset item is assessed. The recoverable amount is also assessed annually for the following asset items irrespective of whether there are indications of impairment: goodwill, intangible assets which have an indefinite useful life as well as incomplete intangible assets.

The recoverable amount is the higher of the asset item's fair value less the cost arising from disposal and its value in use. When determining value in use, the expected future cash flows are discounted based on their present values at discount interest rates which reflect the average capital cost before taxes of the country and business sector in question (WACC = weighted average cost of capital). The special risks of the assets in question are also taken into account in the discount interest rates. In terms of individual asset items which do not independently generate future cash flows, the recoverable amount is determined for the cash generating unit to which the said asset item belongs.

An impairment loss is recognized in the statement of income when the carrying amount is greater than the recoverable amount. The impairment loss is reversed if a change in conditions has occurred and the recoverable amount of the asset has changed since the date when the impairment loss was recognized. The impairment loss is not reversed, however, by more than that which the carrying amount of the asset (less depreciation) would be without the recognition of the impairment loss. Impairment losses recognized for goodwill are not reversed under any circumstances.

Financial assets and liabilities

IAS 39 classifies a group's financial assets into the following categories: financial assets measured at fair value through profit and loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Categorization is made on the basis of the purpose for which the financial assets were acquired and they are categorized in connection with the original acquisition. Transaction costs have been included in the original carrying amount of the financial assets when the item in question is not valued at fair value through profit and loss. All purchases and sales of financial assets are recognized on the clearance date.

Derecognition of financial assets takes place when the Group has lost a contractual right to receive the cash flows or when it has transferred substantially the risks and rewards outside the Group. On every closing date the Group assesses whether there is objective evidence that the value of a financial asset item or group of asset items has been impaired. If such evidence exists, the impairment is recognized in the statement of income item financial expenses.

The recoverable amount of financial assets is either the fair value or the present value of expected future cash flows discounted at the original effective interest rate. Short-term receivables are not discounted.

Financial assets recognized at fair value through profit and loss are financial assets that are held for trading purposes such as derivative instruments to which the Group does not apply hedge accounting under IAS 39 as well as income fund investments consisting of the short-term investment of liquid assets. The fair value of income fund investments has been determined based on price quotations published in an active market, namely the bid quotations on the closing date. Realized and unrealized gains and losses arising from changes in fair value are recognized in the statement of income in the period in which they arise. Financial assets held for trading as well as those maturing within 12 months are included in current assets.

Loans and other receivables are assets not belonging to derivative assets whose payments are fixed and quantifiable and which are not quoted on an active market and which the company does not hold for trading purposes. This category includes Group financial assets which have arisen through the transfer of money, goods or services to debtors. They are valued at amortized cost and they include short-term and long-term financial assets, the latter if they mature after more than 12 months. If there are indications of value impairment, the carrying amount is estimated and reduced immediately to correspond with the recoverable amount.

Trade receivables are valued initially at fair value and thereafter at their anticipated realizable value, which is the original invoicing value less

the estimated impairment of these receivables. An impairment for trade receivables is made when there are good grounds to expect that the Group will not receive all its receivables on original terms. A debtor's significant financial difficulties, probability of bankruptcy, default on payments, or a more than 180 day delay in the making of payments are evidence of an impairment of trade receivables. The magnitude of the impairment loss to be recognized in the statement of income is determined as the difference of the carrying amount of receivables and the present value of estimated future cash flows. If the amount of impairment loss falls in some later financial period and the reduction can be objectively considered to be related to an event after the recognition of the impairment, the recognized loss is reversed through profit and loss.

Cash and cash equivalents are carried in the statement of financial position at original cost. Cash and cash equivalents comprise cash on hand and deposits held at call with banks.

Financial liabilities are recognized at fair value on the basis of the original consideration received. Transactions costs have been included in the original carrying amount of the financial liabilities. Later, all financial liabilities are valued at amortized cost using the effective yield method. Financial liabilities include long-term and short-term liabilities.

Derivative contracts and hedging activities

All derivative contracts are initially recognized at cost and subsequently remeasured at their fair value. Forward foreign exchange contracts are valued at their fair value using the market prices of forward contracts at the closing date. Derivatives are included in the statement of financial position as other receivables and payables. Unrealized and realized gains and losses arising from changes in fair value are recognized in the statement of income in "financial income and expenses" in the period during which they arise. The Group has sales in a number of foreign currencies, of which the most significant are the US dollar, the Japanese yen and the British pound. The Group does not apply hedge accounting under IAS 39 to forward foreign exchange contracts that hedge sales in foreign currencies. The Group has a number of investments in foreign subsidiaries whose net assets are exposed to foreign currency risk. The Group does not hedge the foreign exchange risk of subsidiaries' net assets.

Non-current assets classified as held for sale

Non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Sale is considered highly probable when group management is committed to a plan

to sell the asset, asset can be sold immediately in its current condition with general and common terms and sale will be completed within one year from the date of classification.

Before classification as held for sale, assets are measured according to the IFRS standard applying for them. After classification they are stated at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated after classification. Non-current assets classified as held for sale are presented separately from other assets in the statement of financial position.

Employee benefits

Pension obligations

The Group has a number of pension schemes in different parts of the world which are based on local conditions and practices. These pension schemes are classified as either defined-contribution or defined-benefit schemes. Under defined-contribution plans, expenses are recognized in the statement of income in the financial period in which the contribution is payable.

In defined benefit pension plans, the liability recognized from the plan is the present value of the defined benefit obligation as of the period end date and it is adjusted by the fair value of the plan assets and by the unamortized portion of past service cost. Actuaries, who are independent from Vaisala, calculate the defined benefit obligation by applying the projected unit credit method under which the estimated future cash flows are discounted to their present value using the interest rates approximating high quality corporate bonds. The cost of retirement is charged in the statement of income concurrently with the service rendered by the personnel. Actuarial gains and losses are recognized in comprehensive statement of income.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as the result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are valued at the present value of expenses required to cover the obligation. The discount factor used in calculating present value is selected so that it reflects the market view of the time value of money and the risks related to the obligations at the time of examination. If it is possible that the Group will be reimbursed for part of the obligation by some third party, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The amount of provisions is estimated at each closing date and the amount is changed to correspond to the best estimate at the given time. A provision is cancelled when

the probability of financial settlement has been removed. A change in provisions is recognized in the same item of the statement of income in which the provision was originally recognized.

Provisions can be related to the restructuring of operations, loss-making agreements, legal disputes and other commitments. Restructuring provisions are recognized when a detailed and appropriate plan relating to them has been prepared and the company has begun to implement the plan or has announced it will do so. Restructuring provisions generally comprise lease termination penalties and employee termination payments.

A provision for a loss-making agreement is recognized when unavoidable expenditure required to fulfil obligations exceeds the benefits obtainable from the agreement.

Income tax

The tax item in the statement of income comprises tax based on taxable income for the financial year, adjustments to tax accruals related to previous years and the change in deferred taxes. Tax based on taxable income for the financial year is calculated for taxable income on the basis of each country's current tax rate.

Deferred taxes are calculated for all temporary differences between the carrying amount of an asset or liability and its tax base. The largest temporary differences arise from amortization of fixed assets, defined-benefit pension schemes and unused tax losses. In taxation deferred tax is not recognized for non-deductible goodwill impairment and deferred tax is not recognized for distributable earnings of subsidiaries where it is probable that the difference will not reverse in the foreseeable future. The Group's deferred tax assets and liabilities relating to the same tax recipient are stated net.

Deferred taxes have been calculated using tax rates prescribed by the closing date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit, against which the temporary differences can be utilized, will be available.

Shareholders' equity, dividends and treasury shares

The Board of Directors' proposal for dividend distribution has not been recognized in the financial statements: the dividends are recognized only on the basis of the Annual General Meeting's approval.

Shares issued by the company are presented as share capital. Expenses related to the issue or acquisition of shareholders' equity instruments are presented as a shareholders' equity reduction item. If the company buys back its shareholders' equity instruments, the consideration paid for

them including direct costs is deducted from shareholders' equity.

Principles of revenue recognition

Sales of goods and services rendered

Revenue from the sale of goods is recognized when significant risks and rewards of owning the goods are transferred to the buyer. Revenue recognition generally takes place when the transfer has taken place. Revenue for rendering of services is recognized when the service has been performed. When recognizing net sales, indirect taxes and discounts, for example, have been deducted from sales revenue. Possible exchange rate differences are recognized in the financial income and expenses.

Long-term projects

Revenues from long-term projects are recognized using the percentage of completion method, when the outcome of the project can be estimated reliably. The stage of completion is determined for each project by reference to the relationship between the costs incurred for work performed to date and the estimated total costs of the project or the relationship between the working hours performed to date and the estimated total working hours.

Expenses related to a project whose revenue is not yet recognized are entered as long-term projects in progress in inventories. If expenses arising and gains recognized are larger than the sum invoiced for the project, the difference is presented in the statement of financial position item "trade and other receivables". If expenses arising and gains recognized are smaller than the sum invoiced for the project, the difference is presented in the item "trade and other payables".

When the outcome of a long-term project cannot be estimated reliably, project costs are recognized as expenses in the same period when they arise and project revenues only to the extent of project costs incurred where it is probable that those costs will be recoverable. When it is probable that total costs necessary to complete the project will exceed total project revenue, the expected loss is recognized as an expense immediately.

Other revenue received by the Group

Revenue arising from rents is recognized on an accrual basis in accordance with the substance of the relevant agreements. Interest income is recognized on a time-proportion basis, taking account of the effective yield of the asset item, and dividend income is recognized when the Group's right to receive payment is established.

Other operating income and expenses

Gains on the disposal of assets as well as income that are not relating to actual performance-based sales are recognized as other operating income.

Losses on the disposal of assets as well as expenses that are not relating to actual performance-based sales are recognized as other operating expenses. In addition, assets impairments are recognized into other operating income and expense.

Grants

Grants received from the state or another party are recognized in the statement of income at the same time as expenses are recognized as a deduction of the related expense group. Grants relating to asset acquisition are presented as an adjustment to the acquisition cost of the asset and they are recognized in the form of smaller depreciations over the useful life of the asset.

Share based payment

Share based payments are recognized as costs during the vesting period in line with IFRS 2. The costs are based on the estimate of the amount of shares to be paid at the end of vesting period. Assumptions that estimates are based on shall be updated at every period end date and cost effect of assumptions are recognized through statement of income.

Accounting principles requiring management discretion and the main uncertainty factors relating to estimates

The preparation of financial statements requires the use of estimates and assumptions relating to the future and the actual outcomes may differ from the estimates and assumptions made. In addition, discretion has to be exercised in applying the accounting principles of the financial statements. Estimates made and discretion exercised are based on previous experience and other factors, such as assumptions about future events. Estimates made and discretion exercised are examined regularly. The key areas in which estimates have been made and discretion has been exercised are outlined below. The biggest impact of these on the figures presented is reflected through impairment testing. Other estimates are connected mainly with environmental, litigation and tax risks, the determination of pension obligations as well as the utilization of deferred tax assets against future taxable income.

Allocation of acquisition cost

IFRS 3 requires the acquirer to recognize an intangible asset separately from goodwill, if the recognition criteria are fulfilled. Recognition of an intangible asset at fair value requires management estimates of future cash flows. Where possible, management has used available market values as the basis of acquisition cost recogni-

tion in determining fair values. When this is not possible, which is typical particularly with intangible assets, valuation is based principally on the historic cost of the asset item and its intended use in business operations. Valuations are based on discounted cash flows as well as estimated disposal and repurchase prices and require management estimates and assumptions about the future use of asset items and the effect on the company's financial position. Changes in the emphasis and direction of company operations can in future result in changes to the original valuation.

Revenue recognition

The Group uses the percentage of completion method in recognizing revenue for long-term projects. Revenue recognition according to percentage of completion is based on estimates of expected revenue and costs as well as on a determination of the progress of the percentage of completion. Changes can arise to recognized revenue and profit if estimates of a project's total costs and total income are adjusted. The cumulative effect of adjusted estimates is recognized in the period in which the change becomes probable and it can be estimated reliably. Further information on long-term projects is given in Note 4. Long-term projects.

Impairment testing

The Group tests goodwill annually for possible impairment and reviews whether there are indications of impairment according to the accounting principle presented above. The recoverable amounts of cash generating units have been determined in calculations based on value in use. Although assumptions used according to the view of the company's management are appropriate, the estimated recoverable amounts might differ substantially from those realized in future. Further information on recoverable amount sensitivity to changes in the assumptions used is given in Note 13. Intangible assets.

New and amended IFRSs adopted in 2015

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years unless specifically noted below but may affect the accounting for future transactions and events.

IFRIC 21 *Levies* (effective in the EU for annual periods beginning on or after 17 June 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where timing and amount of the levy is certain.

Annual Improvements to IFRS 2011–2013 (effective in the EU for annual periods beginning on or

after 1 January 2015). In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The nature of the improvements depends on the standards, but they do not have material impact on the consolidated financial statements.

Application of new and revised IFRSs in issue but not yet effective

IASB has published the following new or revised standards and interpretations which the Group has not yet adopted and which may have an effect on the consolidated financial statements of the Group. The Group will adopt each standard and interpretation as from the effective date, or if the effective date is other than the first day of the reporting period, from the beginning of the next reporting period after the effective date. The effects of these new and amended standards and interpretations are under investigation.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (effective in the EU for annual periods beginning on or after 1 February 2015). The amendments to IAS 19 Employee Benefits clarify how an entity should account for contributions made by employees or third parties that are linked to services should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, be recognized as a reduction in the service cost in the period in which the related service is rendered. Retrospective application is required.

Annual Improvements to IFRS 2010–2012 (effective in the EU for annual periods beginning on or after 1 February 2015). In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The nature of the improvements depends on the standards, but they do not have material impact on the consolidated financial statements.

IFRS 9 Financial Instruments (effective date for annual periods beginning on or after 1 January 2018). IFRS 9 is a several phase project which aims to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard. According to the classification and measurement part of IFRS 9, financial assets are classified and measured based on entity's business model and the contractual cash flow characteristics of the financial asset. Classification and measurement of financial liabilities is mainly based on the current IAS 39 principles. The general hedge accounting model allows entities to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of "economic relationship". The impairment model reflects expected credit losses, as opposed to incurred credit losses under IAS 39. It is no longer necessary for a credit event to have occurred

before credit losses are recognized. Instead, entities always account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. The standard also introduces a number of new disclosure requirements about an entity's risk management activities. The standard has not yet been endorsed by the EU.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. The standard's core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Extensive disclosures are required by the standard. Entities can choose to apply the Standard retrospectively or to use a modified transition approach, which is to apply the Standard retrospectively only to contracts that are not completed contracts at the date of initial application. The standard has not yet been endorsed by the EU.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (effective in the EU for annual periods beginning on or after 1 January 2016). The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in *IFRS 3 Business Combinations*. The amendments are required to be applied prospectively.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization (effective in the EU for annual periods beginning on or after 1 January 2016). The amendments to IAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The amendments apply prospectively.

Amendments to IAS 1 Disclosure Initiative issued in December 2014 (effective for annual periods beginning on or after 1 January 2016). The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 *Presentation of Financial Statements* had in some cases been read to prevent the use of judgement. Specifically, an entity should not reduce the understandability of financial statements by obscuring material information with immaterial information or by

aggregating material items that have different natures or functions. A specific disclosure required by an IFRS is not needed to be provided if the information is immaterial.

Annual Improvements to IFRS 2012–2014 issued in September 2014 (effective in the EU for annual periods beginning on or after 1 January 2016). In the annual improvement process the non-urgent but necessary amendments to IFRS are collected and issued annually. The nature of the improvements depends on the standards, but they do not have material impact on the consolidated financial statements.

Amendments to IAS 27 Equity Method in Separate Financial Statements issued in August 2014 (effective for annual periods beginning on or after 1 January 2016). The amendments focus on separate financial statements and allow the use of equity method in such statements, in addition to already existing alternatives of valuing investments in subsidiaries, joint ventures and associates either at cost or in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. The amendments are to be applied retrospectively.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (effective for annual period beginning on or after 1 January 2016). The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10 *Consolidated Financial Statements*. Consequential amendments have also been made to IAS 28 *Investments in Associates and Joint Ventures* to clarify that the exemption from applying equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value. The amendments have not yet been endorsed by the EU.

IFRS 16 Leases issued in January 2016 (effective for annual periods beginning on or after 1 January 2019). IFRS 16 specifies the recognition, measurement, presentation and disclosure requirements on leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from the current standards. The adoption of the new standard will have an impact on the way leases are presented by the Group. The standard has not yet been endorsed by the EU.

1.2 Risk management

The objective of Vaisala's risk management is to identify and manage material risks related to strategy implementation and business operations. Vaisala has a risk management policy which has been approved by the Board of Directors, and which covers the Company's strategy, operational, hazard and financial risks. The policy aims at ensuring the safety of the Company's personnel, operations and products, as well as the continuity and compliance of business operations.

The Board of Directors defines and approves risk management principles and policies, and assesses the effectiveness of risk management. The Audit Committee reviews compliance with risk management policy and processes.

Vaisala's Risk Management Steering Group comprises key internal stakeholders. The Steering Group is responsible for the operational oversight of the risk management process and assuring that all significant risks are identified and reported, and risks are acted upon on all necessary organizational levels and geographical locations.

Risk management is integrated into key business processes and operations. This is accomplished by incorporating applicable risk identification, assessment, management and risk reporting actions into the core processes. The most significant risks are reported to the Vaisala Management Group and the Audit Committee annually.

Near-term risks and uncertainties

Uncertainties in world economic and political situation as well as changes in customer behavior may cause demand slowdown or delays in customer projects. Especially market situation in China and continuing conflicts in Middle East and Africa may cause interruptions in business. Also increasing competition, changes in price levels and exchange rates may impact Vaisala's net sales and profitability.

Vaisala's capability to successfully complete investments, acquisitions, divestments and restructurings on a timely basis and to achieve related financial and operational targets represent a risk which may impact net sales and profitability.

The ongoing business expansion in renewable energy market may be delayed due to long authorization and approval processes, evolving business models and customers' postponing decision making. Delays in new product ramp-ups and market acceptance of new offering may postpone the realization of Vaisala's growth plans.

Suppliers' and subcontractors' delivery capability or operating environment as well as product quality may impact Vaisala's net sales and profitability. Also uncertainty of Finnish labor market may cause interruptions in operations. Cyber risk and availability of IT systems may impact operations, delivery of information services or Internet-based services or cause financial loss.

Further information about risk management and risks are available on the company website at www.vaisala.com/investors, Corporate Governance and www.vaisala.com/investors, Vaisala as an Investment.

Interest rate risk

Interest rate risk arises from the effects of interest rate changes on interest-bearing receivables and liabilities in different currencies. Vaisala does not have significant interest-bearing liabilities or receivables and in addition to cash at hand therefore interest rate risk is limited to cash investments. A change of one percent point in the interest rate would affect the company's result after taxes and equity by around EUR 0.2 (EUR 0.2) million.

Currency risk

Vaisala operates globally and is exposed to foreign exchange transaction and translation risks in many currencies. Transaction risk relates to currency flows from revenues and expenses and translation risk relates translation of statement of income and balance sheet or foreign subsidiaries into euros.

The sales takes place in various currencies. From the Group's sales 43% is in EUR, 40% in USD, 5% in JPY, 5% in GBP and 3% in CNY. The cost and purchases occurs mostly in Euro and US dollars. The group policy is to hedge maximum of position that consist of order book, purchase orders and net receivables with currency forwards. Vaisala does not apply hedge accounting in accordance with IFRS.

Group internal loans and deposits are primarily initiated in the local currencies of subsidiaries. Vaisala does not hedge internal loans, deposits or equities of foreign subsidiaries. Translation of subsidiaries' balance sheets into euros caused translation difference of EUR 3.1 (3.4) million. The most significant translation risk exposures are in US dollars.

The foreign exchange sensitivity analysis in line with IFRS 7 has been calculated to the most important foreign currency nominated receivables, loans, cash and liabilities of group companies. The calculation does not include internal loans, order book or forecasted cash flows but include foreign exchange forwards in their nominal value. 10% strengthening of currencies against EUR has an effect of EUR -0.5 (-0.8) million on Vaisala profit after taxes and equity. In the following table are the most significant foreign exchanges exposures against EUR.

EUR million	2015	2014
USD	-9.0	-11.9
CAD	-1.6	0.7
GBP	0.8	0.0
JPY	-0.2	-0.9

Refinancing and liquidity risks

Vaisala cash at hand amounts to EUR 59.2 (47.6) million. The parent company has also EUR 20 million uncommitted credit loan limit, which is currently unused. Additionally, the subsidiaries have EUR 1.3 million credit loan limit, which can be drawn either guarantees or loans. Currently, EUR 0.0 (0.0) million has been drawn from this facility. Vaisala does not have any other material external interest bearing liabilities.

Financial credit risk

Vaisala cash at hand amounts to EUR 59.2 (47.6) million, which exposes Vaisala to financial counterparty risk. Vaisala invest cash only to counterparties with good credit worthiness. All the cash investment counterparties are approved by Board of Directors. Counterparty creditworthiness is evaluated constantly. The maturity of cash investments are less than one month as of December 31, 2015.

Credit risk

Credit risks are hedged by using letters of credit, advance payments and bank guarantees as terms of payment. According to Group management, the company has no material credit risk concentrations, because no individual customer or customer group represents an excessive risk, resulting from global diversification of the company's customer pool. Total credit losses arising from trade receivable and recognized for the financial year amounted to EUR 0.2 million (0.1). Bad debts are written off when official announcement of receivership, liquidation or bankruptcy is received confirming that the receivable will not be honored.

2 Business Segments

In order to align Vaisala's business type reporting with the new organization structure, the net sales of spare parts and systems are reported under Products business starting from January 1, 2015. Previously spare parts were reported under Services business and systems under Projects business. 2014 numbers have been adjusted retrospectively.

2015 EUR million	WEA *	CEN *	Other operations	Group
Products	116.2	83.5		199.7
Projects	71.0			71.0
Services	38.3	9.5		47.8
Net sales	225.5	93.0	0.0	318.5
Operating profit	15.2	18.3	-4.0	29.6
Share of result in associated companies				-0.1
Financial income and expenses				3.5
Profit before taxes				33.0
Income taxes				-5.5
Profit for the financial year				27.5

* WEA = Weather

* CEN = Controlled Environment

2014 EUR million	WEA *	CEN *	Other operations	Group
Products	108.1	71.9	0.0	180.0
Projects	74.7			74.7
Services	36.7	8.3		45.0
Net sales	219.6	80.2	0.0	299.7
Operating profit	17.0	12.1	-2.8	26.4
Share of result in associated companies				0.1
Financial income and expenses				2.6
Profit before taxes				29.1
Income taxes				-5.7
Profit for the financial year				23.4

* WEA = Weather

* CEN = Controlled Environment

3 Geographical Segments

The Group has three geographical segments, EMEA, Americas and APAC.

2015 EUR million	Net sales, by destination country ¹⁾	Net sales, by location country ²⁾	Non-current assets ²⁾
EMEA	105.1	248.2	39.0
of which Finland	7.3	218.0	38.7
Americas	132.0	127.1	39.7
of which United States	103.5	120.0	39.5
APAC	81.3	38.2	1.0
Group eliminations		-95.0	
Total	318.5	318.5	79.8

¹⁾ Sales to external customers have been presented as net sales by destination country.

²⁾ Net sales and non-current assets have been presented by the Group's and associated companies' countries of location.

2014 EUR million	Net sales, by destination country ¹⁾	Net sales, by location country ²⁾	Non-current assets ²⁾
EMEA	111.8	232.0	43.0
of which Finland	9.0	210.2	42.5
Americas	112.1	111.6	39.0
of which United States	86.5	106.2	38.2
APAC	75.9	35.8	0.6
Group eliminations		-79.7	
Total	299.7	299.7	82.5

¹⁾ Sales to external customers have been presented as net sales by destination country.

²⁾ Net sales and non-current assets have been presented by the Group's and associated companies' countries of location.

4 Long-term Projects

EUR million	2015	2014
Net sales recognized as revenue according to percentage of completion (in financial period)	2.5	3.0
Amount recognized as revenue during the financial year and previous years for long-term project in progress	9.1	12.8
Total costs of incomplete long-term projects	6.6	7.6
Net amount of recognized costs, profits and losses from long-term projects	2.0	5.1
Order book	1.3	4.0
Specification of balances in the statement of financial position		
Materials and supplies in inventory	0.5	0.1
Prepayments and accrued income recognized	0.6	1.1
Deferred income recognized	0.6	0.2
Advances received	0.2	0.9

Accounting principles for long-term projects are presented in the note Accounting Principles.

5 Other Operating Income and Expenses

Other operating income EUR million	2015	2014
Gains on the disposal of fixed assets	0.1	0.2
Other	0.4	0.4
Total	0.5	0.5

Other operating expenses EUR million	2015	2014
Loss on the disposal of fixed assets	0.0	0.1
Impairment of intangible assets	1.8	-
Other operating expenses	-	0.0
Total	1.8	0.1

6 Depreciation, Amortization and Impairments

EUR million	2015	2014
Depreciation, amortization and impairments by function		
Procurement and production	4.9	4.9
Sales, marketing and administration	9.6	9.8
Research and development	0.6	0.4
Total	15.1	15.2
Depreciation and amortization by asset group		
Intangible assets		
Intangible rights	4.5	4.4
Other intangible assets	1.5	1.4
Total	6.0	5.8
Property, plant and equipment		
Buildings and structures	2.2	2.1
Machinery and equipment	6.5	7.1
Total	8.7	9.2
Impairments by asset group		
Intangible rights	0.0	-
Other intangible assets	-	0.0
Buildings and structures	0.1	0.0
Machinery and equipment	0.0	0.1
Investments in progress	0.2	-
Total	0.4	0.2
Total	15.1	15.2

7 Expenses Arising from Employee Benefits

EUR million	2015	2014
Salaries	105.5	94.9
Share-based payment	1.0	1.0
Social costs	11.7	9.8
Pensions		
Defined-benefit pension schemes	0.0	0.1
Defined-contribution pension schemes	11.7	10.6
Total	130.0	116.3
Expenses arising from employee benefits by function	2015	2014
Procurement and production	44.0	40.7
Sales, marketing and administration	55.6	50.2
Research and development	30.4	25.4
Total	130.0	116.3
Group personnel, average during the financial year by business unit	2015	2014
Weather	672	515
Controlled Environment	269	191
Other operations	670	911
Total	1,611	1,617
In Finland	930	916
Outside Finland	681	701
Total	1,611	1,617

On May 3, 2012 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of Group's profitability in calendar year 2012 and it was paid partly in the Company's series A shares and partly in cash in March 2015. The cash proportion was paid to cover taxes and tax-related costs arising from the reward to employees. No reward was paid to employees whose employment or service had ended before the reward payment date. In total 63,800 A shares were transferred. In 2015, EUR 0.2 million and in 2012–2014 EUR 1.7 million was expensed for the plan.

On February 6, 2013 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of Group's profitability in calendar year 2013 and it will be paid partly in the Company's series A shares and partly in cash in spring 2016. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. No reward will be paid, if a key employee's employment or service ends before the reward payment date. Maximum amount corresponding to 150,000 shares will be paid depending on the number of entitled persons in the company at the end of vesting period. No reward will be paid based on this plan as the profitability targets for 2013 were not met.

On February 10, 2014 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of Group's profitability in calendar year 2014 and it will be paid partly in the Company's series A shares and partly in cash in spring 2017. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 160,000 shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. In 2015 EUR 0.3 million and in 2014 EUR 0.2 million was expensed for the plan. On December 31, 2015 the maximum amount corresponds to 115,200 shares and it is depending on the number of entitled persons in the company at the end of vesting period.

On December 18, 2014 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of Group's profitability in calendar year 2015 and it will be paid partly in the Company's series A shares and partly in cash in spring 2018. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 160,000 shares. No reward will be paid, if a key employee's employment or service ends before the reward payment date. In 2015 EUR 0.5 million was expensed for the plan. On December 31, 2015 the maximum amount corresponds to 143,000 shares and it is depending on the number of entitled persons in the company at the end of vesting period.

On December 16, 2015 Vaisala's Board of Directors resolved for the Group key employees a share-based incentive plan that is based on the development of Group's profitability in calendar year 2016 and it will be paid partly in the Company's series A shares and partly in cash in spring 2019. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. No reward will be paid if a key employee's employment or service ends before the reward payment date. Maximum amount corresponding to 200,000 shares will be paid depending on the number of entitled persons at the end of vesting period.

8 Research and Development Expenditure

The statement of income includes research and development expenditure of EUR 36.1 million recognized as an expense in 2015 (EUR 34.0 million in 2014).

9 Financial Income and Expenses

EUR million

Financial income	2015	2014
Dividend income	-	0.1
Other interest and financial income	0.4	0.4
Realized and unrealized gains arising from changes in fair value of derivative contracts and hedging activities	1.8	0.6
Other foreign exchange gains	12.0	7.3
Total	14.3	8.4
Financial expenses	2015	2014
Interest expenses		
Short- and long-term liabilities	-0.0	-0.0
Finance lease agreements	-0.0	-0.0
Other financial expenses	-0.2	-0.3
Realized and unrealized losses arising from changes in fair value of derivative contracts and hedging activities	-4.5	-3.0
Other foreign exchange losses	-6.0	-2.5
Total	-10.8	-5.8

Other foreign exchange gains and losses arise from the business transactions.

10 Income Taxes

EUR million	2015	2014
Tax based on taxable income for the financial year	8.3	6.2
Taxes from previous financial years	-1.0	-0.1
Change in deferred tax assets and liabilities	-1.8	-0.4
Total	5.5	5.7

Reconciliation statement between statement of income tax item and taxes calculated at the tax rate of the Group country of domicile

EUR million	2015	2014
Profit before taxes	33.0	29.1
Taxes calculated at Finnish tax rate	6.6	5.8
Effect of foreign subsidiaries' tax rates	0.2	0.7
Non-deductible expenses and tax-free revenue	-0.1	0.1
Taxes from previous years	-1.0	-0.1
Other direct taxes	0.0	0.1
Deferred tax adjustment	-0.2	-0.9
Other	0.0	-0.0
Tax in the statement of income	5.5	5.7
Effective tax rate	16.6%	19.5%

Deferred taxes in statement of financial position

EUR million	2015	2014
Deferred tax assets	10.2	8.9
Deferred tax liabilities	-4.5	-5.3
Deferred tax asset, net	5.7	3.7

Gross change in deferred taxes recognized in statement of financial position:

EUR million	2015	2014
Deferred taxes Jan. 1	3.7	2.8
Items recognized in statement of income	1.8	0.4
Translation differences	0.2	0.4
Items recognized in statement of comprehensive income	0.1	0.1
Deferred tax asset, net	5.7	3.7

Changes in deferred taxes during 2015

EUR million	Jan. 1, 2015	Recognized in statement of income	Translation differences	Recognized in statement of comprehensive income	Dec. 31, 2015
Deferred tax assets:					
Internal margin of inventories and fixed assets	0.6	0.8			1.4
Employee benefits	1.2	-0.1			1.1
Unused tax losses	3.1	-0.2			2.9
Timing difference of depreciation on intangible items	0.6	0.0	0.1		0.7
Other temporary timing differences *	3.4	-0.0	0.6	0.1	4.1
Total	8.9	0.5	0.7	0.1	10.2
Deferred tax liabilities:					
Timing difference between accounting and taxation	0.7	-0.5			0.2
Timing difference of depreciation on intangible items	4.6	-0.8	0.6		4.3
Other	0.0	0.0	-0.0		0.0
Total	5.3	-1.3	0.5		4.5
Deferred tax asset, net	3.7	1.8	0.2	0.1	5.7

Changes in deferred taxes during 2014

EUR million	Jan. 1, 2014	Recognized in statement of income	Translation differences	Recognized in statement of comprehensive income	Dec. 31, 2014
Deferred tax assets:					
Internal margin of inventories and fixed assets	0.6	-0.0			0.6
Employee benefits	1.0	0.2			1.2
Unused tax losses	3.5	-0.4			3.1
Timing difference of depreciation on intangible items	1.1	-1.0	0.5		0.6
Other temporary timing differences *	1.8	1.0	0.5	0.1	3.4
Total	8.0	-0.1	0.9	0.1	8.9
Deferred tax liabilities:					
Timing difference between accounting and taxation	0.6	0.1			0.7
Timing difference of depreciation on intangible items	4.6	-0.7	0.6		4.6
Other	0.0	0.0			0.0
Total	5.2	-0.5	0.6		5.3
Deferred tax asset, net	2.8	0.4	0.4	0.1	3.7

* Other temporary differences consist of intercompany sales, credit losses, inventory valuation and other temporary differences.

11 Earnings per Share

The undiluted earnings per share figure is calculated by dividing the profit for the financial year belonging to the parent company's shareholders by the weighted average number of shares outstanding during the financial year.

	2015	2014
Profit attributable to shareholders of the parent company, undiluted, EUR million	27.5	23.4
Weighted average number of shares outstanding, 1,000 pcs	18,103	18,059
Earnings per share, EUR	1.52	1.30
Profit attributable to shareholders of the parent company, diluted, EUR million	27.5	23.4
Weighted average number of shares outstanding, diluted, 1,000 pcs	18,259	18,234
Earnings per share, diluted, EUR	1.51	1.29

In year 2015 and 2014 dilution is due to share-based payment.

12 Dividend per Share

For 2014 a dividend of 0.90 euros per share was paid.

At the Annual General Meeting to be held on April 5, 2016 the payment of a dividend of 0.95 euros per share will be proposed, representing a total dividend of approximately EUR 17.1 million. The proposed dividend has not been recognized as a dividend liability in these financial statements.

13 Intangible Assets

EUR million	Intangible rights *	Goodwill	Other intangible assets	Total
Intangible assets				
Acquisition cost Jan. 1, 2015	49.0	14.4	15.1	78.4
Translation difference	2.5	1.7	1.8	6.0
Increases	0.5		0.0	0.5
Decreases	-0.6			-0.6
Transfers between items	1.3		-4.3	-3.0
Acquisition cost Dec. 31, 2015	52.6	16.1	12.6	81.4
Accumulated amortization and impairment Jan. 1, 2015	37.0		4.3	41.3
Translation difference	2.0		0.7	2.7
Accumulated amortization of decreases and transfers	0.7		-3.4	-2.7
Amortization in financial year	4.5		1.5	6.0
Impairments in financial year	0.1			0.1
Accumulated amortization and impairment Dec. 31, 2015	44.3		3.1	47.4
Carrying amount Dec. 31, 2015	8.4	16.1	9.6	34.0

Intangible assets	Intangible rights *	Goodwill	Other intangible assets	Total
Acquisition cost Jan. 1, 2014	48.2	12.7	13.2	74.1
Translation difference	2.6	1.7	1.8	6.1
Increases	2.6		0.6	3.3
Decreases	-4.8		-0.2	-5.0
Transfers between items	0.4		-0.3	0.0
Acquisition cost Dec. 31, 2014	49.0	14.4	15.1	78.4
Accumulated amortization and impairment Jan. 1, 2014	35.4		2.7	38.1
Translation difference	1.8		0.3	2.2
Accumulated amortization of decreases and transfers	-4.8		-0.2	-5.0
Amortization in financial year	4.5		1.4	5.9
Impairments in financial year	0.0			0.0
Accumulated amortization and impairment Dec. 31, 2014	37.0		4.3	41.3
Carrying amount Dec. 31, 2014	12.0	14.4	10.8	37.1

* Intangible rights contain patents, trademarks and software licenses.

Goodwill impairment testing

Vaisala assesses the value of goodwill for impairment annually or more frequently in case facts and circumstances indicate a risk of impairment. The assessment is done using discounted cash flow methodology which is applied to five year forecasts that are approved by Vaisala management. The recoverable amount of cash generating unit is based on value in use calculations.

In Weather cash generating unit recoverable amount exceeds book value by EUR 347 million. Weather business sales are expected to grow annually 2-7% next five years. Terminal growth rate is based on 2% growth assumption and Weighted Average Costs of Capital (WACC) is 9.21%. Calculations show that with other assumptions unchanged cash generating unit can withstand sales deteriorating 17%, profitability deteriorating 11% or discount rate increase 35%.

14 Property, Plant and Equipment

EUR million	Land and waters	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Property, plant and equipment						
Acquisition cost Jan. 1, 2015	2.9	50.1	74.8	0.0	3.2	131.1
Translation difference	0.2	0.5	1.9		0.1	2.6
Increases		0.6	1.8		4.7	7.1
Decreases		-0.1	-3.6		-0.2	-4.0
Transfers between items		3.4	1.4		-1.8	3.0
Acquisition cost Dec. 31, 2015	3.1	54.4	76.3	0.0	6.0	139.9
Accumulated depreciation and impairment Jan. 1, 2015		28.0	58.9			86.9
Translation difference		0.2	1.5			1.7
Accumulated depreciation of decreases and transfers		2.1	-3.8		-0.2	-1.8
Depreciation in financial year		2.2	6.5			8.7
Write-downs in financial year		0.1	0.0		0.2	0.4
Accumulated depreciation Dec. 31, 2015		32.7	63.1			95.8
Carrying amount Dec. 31, 2015	3.1	21.7	13.2	0.0	6.0	44.1

The carrying amount of machinery and equipment used in production was EUR 8.0 million on December 31, 2015 (EUR 11.5 million on December 31, 2014).

EUR million						
Property, plant and equipment	Land and waters	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan. 1, 2014	2.7	49.0	75.7	0.0	4.0	131.5
Translation difference	0.2	0.5	2.5		-0.0	3.1
Increases		0.2	2.4		3.3	5.9
Decreases		-0.0	-9.4		0.0	-9.4
Transfers between items		0.5	3.6		-4.1	-0.0
Acquisition cost Dec. 31, 2014	2.9	50.1	74.8	0.0	3.2	131.1
Accumulated depreciation and impairment Jan. 1, 2014		25.7	59.0			84.7
Translation difference		0.3	2.2			2.4
Accumulated depreciation of decreases and transfers		-0.0	-9.4			-9.4
Depreciation in financial year		2.1	7.0			9.1
Write-downs in financial year		0.0	0.1			0.1
Accumulated depreciation Dec. 31, 2014		28.0	58.9			86.9
Carrying amount Dec. 31, 2014	2.9	22.1	15.9	0.0	3.2	44.2

Property, plant and equipment include the following assets acquired on finance leases:

2015

EUR million

Machinery and equipment

Acquisition cost	0.1
Accumulated depreciation	-0.0
Carrying amount Dec. 31, 2015	0.0

2014

EUR million

Machinery and equipment

Acquisition cost	0.1
Accumulated depreciation	-0.0
Carrying amount Dec. 31, 2014	0.0

15 Holdings in Associated Companies

EUR million	2015	2014
Acquisition cost Jan. 1	0.8	0.7
Share of result	-0.1	0.1
Translation differences	0.0	0.0
Associated company investments, total Dec. 31	0.8	0.8

The carrying amount of associated companies does not include goodwill.

Information on Group associated companies as well as their combined assets, liabilities, net sales and profit/loss:

Associated companies 2015

EUR million	Domicile	Assets	Liabilities	Net sales	Profit/loss	Holding
Meteorage SA, France	Cedex	4.5	2.2	2.8	0.2	35%

The information presented in the table is based on the latest available financial statements.

Associated companies 2014

EUR million	Domicile	Assets	Liabilities	Net sales	Profit/loss	Holding
Meteorage SA, France	Cedex	4.1	1.9	2.7	0.2	35%

The information presented in the table is based on the latest available financial statements.

Associated company Meteorage SA maintains lightning detection networks and sales information related to lightning detection.

16 Long-term Receivables

EUR million	2015		2014	
	Values in statement of financial position	Fair values	Values in statement of financial position	Fair values
Loan receivables	-	-	0.0	0.0
Other receivables	0.8	0.8	0.3	0.3
Total	0.8	0.8	0.3	0.3

17 Inventories

EUR million	2015	2014
Materials, supplies and finished goods	33.8	29.4
Project inventories	5.2	4.5
Total	39.0	33.9

An expense of EUR 88.8 million (EUR 79.8 million in 2014) was recognized in the financial period.

Vaisala wrote down inventories and recognized excess and obsolescence allowances for slow moving and old inventory to their estimated net realizable value which resulted a loss of EUR 6.4 million in year 2015 (EUR 4.5 million in year 2014).

18 Trade Receivables and Other Receivables

EUR million	2015	2014
Trade receivables	58.5	56.2
Loan receivables	0.0	0.0
Advances paid	0.4	0.3
Value-added tax receivables	4.7	4.0
Other receivables	1.0	1.6
Receivables from long-term project customers	0.6	1.1
Derivative contracts	0.1	0.0
Other prepaid expenses and accrued income	9.2	7.3
Total	74.6	70.5

Fair values of trade and other receivables materially corresponds to book values.

Age analysis for the trade receivables

EUR million	2015	Provision	Net 2015	2014	Provision	Net 2014
Invoices not due	40.3		40.3	38.8		38.8
Due less than 30 days	8.3		8.3	9.6		9.6
Due 31–90 days	7.8		7.8	4.0		4.0
Due over 90 days	3.6	1.6	2.0	4.9	1.0	3.9
Total	60.1	1.6	58.5	57.2	1.0	56.2

In 2015 impairments of trade receivables were EUR 0.2 million negative (EUR 0.1 million negative in 2014).

The carrying amounts of group's trade receivables are denominated in the following currencies:

EUR million	2015	2014
EUR	21.3	21.3
USD	27.8	25.5
GBP	4.3	4.5
JPY	2.2	2.2
AUD	0.5	1.1
CNY	0.5	0.4
Others	2.0	1.2
Total	58.5	56.2

19 Cash and Cash Equivalents

EUR million	2015	2014
Cash and bank deposits	59.2	47.6

The values of cash and cash equivalents are equivalent to their carrying amounts.

20 Notes Relating to Shareholders' Equity

Vaisala applies the insider rules of the Helsinki Stock Exchange.

Vaisala has 18,218,364 shares, of which 3,389,351 are K shares and 14,829,013 are A shares. The shares do not have nominal value. Vaisala's maximum share capital is EUR 28,800,000. A maximum of 68,490,017 shares shall be K shares and a maximum of 68,490,017 shares shall be A shares, with the provision that the total number of shares shall be at least 17,122,505 and not more than 68,490,017. The K shares and A shares are differentiated by the fact that each K share entitles its owner to 20 votes at a General Meeting of Shareholders while each A share entitles its owner to 1 vote. The shares have the same rights to dividend. K shares can be converted to A shares according to specific rules stated in the Articles of Association.

The group equity consists of the share capital, reserve fund, fund of invested non-restricted equity, translation differences and retained earnings.

Share capital and reserves

EUR million	Share capital and reserves 1,000	Share capital	Other reserves	Treasury shares	Total
December 31, 2013	18,059	7.7	1.5	-2.5	6.6
Share-based compensation			1.0		1.0
Transfer			0.0		0.0
Translation differences			0.0		0.0
Correction			-0.0		-0.0
December 31, 2014	18,059	7.7	2.5	-2.5	7.6
Share-based compensation	64		-1.4		-1.4
Purchase of treasury shares	-160			-3.9	-3.9
Sale of treasury shares	64			2.1	2.1
Transfer			0.0		0.0
Translation differences			0.0		0.0
December 31, 2015	18,026	7.7	1.1	-4.3	4.4
Own shares held by company	192				
Total	18,218				

Other reserves consist of the reserve fund and the fund of invested non-restricted equity.

Reserve fund, EUR 0.5 million (December 31, 2014: EUR 0.4 million), contains items based on the local rules of other Group companies. Restrictions based on local rules apply to the distributability of the reserve fund.

The fund of invested non-restricted equity includes funds transferred from the share premium fund. On December 31, 2015 the balance was EUR 0.1 million (December 31, 2014: EUR 0.1 million).

Share-based compensation is also booked in other reserves.

The translation differences fund contains translation differences arising from the conversion of the financial statements of foreign units. The profit for the financial year is entered in retained earnings.

Own shares held by company

The own shares (treasury shares) fund includes the acquisition cost of own shares held by the Group, and it is presented as a reduction in shareholders' equity.

	Number of shares	Purchase price EUR million
Company's treasury shares on Dec. 31, 2014	159,150	2.5
Distribution of treasury shares to key employees	-63,800	-
Sale of treasury shares	-63,800	-2.1
Purchase of treasury shares	160,000	3.9
Company's treasury shares on Dec. 31, 2015	191,550	4.3

On December 31, 2015, the Group had 191,550 treasury A shares (159,150 A shares on December 31, 2014) in its possession that represent approximately 1.0% (December 31, 2014: 0.9%) of share capital and 0.2% of voting rights (December 31, 2014: 0.2%). The considerations paid for the A shares were EUR 4,344,255.55.

Treasury shares are to be used for share based incentive plan (note 7).

21 Pension Obligations

The Group has a number of pension schemes, which have been classified as either defined-contribution or defined-benefit schemes. Under defined-contribution plans, contributions made are recognized as an expense in the statement of income of the financial period in which the contributions are payable. TyEL pension cover managed in an insurance company are defined-contribution schemes.

The defined-benefit schemes are in Finland. The supplementary pension benefits managed in the Vaisala Pension Fund have been treated as defined-benefit pension schemes. The Pension Fund's obligations were transferred to a pension insurance company on December 31, 2005. The company retains, however, an obligation under IAS 19 for future index and salary increases in terms of individuals covered by the Pension Fund who are employed by the company.

On January 1, 2013 the Group adopted the revised IAS 19 standard. The impact of the adoption is described in the Accounting Principles.

In 2015 the defined benefit scheme computation has been recognized using gross method which means that assets and liabilities of beneficiaries and paid up policyholders are presented separately. This change does not affect net profit. Year 2014 figures have been adjusted retrospectively.

The defined-benefit pension liability is determined as follows:

EUR million	2015	2014
Fair value of funded obligations	5.7	6.9
Fair value of assets	-5.0	-5.7
Deficit/surplus	0.7	1.2
Net liability in the statement of financial position	0.7	1.2

Amounts recognized in the statement of income and the statement of other comprehensive income

EUR million	2015	2014
Current service cost	0.0	0.0
Interest	0.0	0.0
Expense recognized in the statement of income	0.0	0.1
Net actuarial loss (+) / gain (-) in other comprehensive income	-0.5	0.6
Total recognized in the statement of income and the statement of other comprehensive income	-0.4	0.6

Defined-benefit pension schemes has been allocated to administration function.

Changes in the present value of the obligation

EUR million	2015	2014
Present value of obligation Jan. 1	6.9	1.5
Current service cost	0.0	0.0
Interest cost	0.1	0.1
Settlement and curtailments	-	-0.4
Remeasurements		
Actuarial gain (-) loss (+) arising from changes in financial assumptions	-0.4	0.4
Experience adjustment	-0.3	5.4
Benefits paid	-0.6	-0.1
Present value of obligation on Dec. 31	5.7	6.9

Changes in the fair value of plan assets

EUR million	2015	2014
Fair value of plan assets Jan. 1	5.7	0.9
Interest income on assets	0.1	0.0
Settlements	-	-0.4
Net return on plan assets	-0.2	5.2
Benefits paid	-0.6	-0.1
Contributions	0.0	0.1
Fair value of plan assets Dec. 31	5.0	5.7

Changes of liabilities presented in statement of financial position

EUR million	2015	2014
At beginning of financial year	1.2	0.6
Expense (+) / income (-) recognized in statement of income	0.0	0.1
Total recognized in other comprehensive income	-0.5	0.6
Contributions paid	-0.0	-0.1
At end of financial year	0.7	1.2

Actuarial assumptions used:

	2015	2014
Discount rate	1.90%	1.80%
Expected yield from assets belonging to the scheme	2.20%	3.00%
Rate of inflation	1.20%	2.00%
Annual adjustments to pensions	1.44%	2.10%

Sensitivity of the net liability changes in the principal assumptions

Assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	2.52% decrease	2.65% increase
Salary increase rate	0.25%	0.09% decrease	0.09% increase
Pension increase rate	0.25%	3.60% decrease	3.24% increase
		Increase by one year	Decrease by one year
Life expectancy at birth		3.07% increase	2.98% decrease

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the net liability using the above assumptions the same method has been applied as when measuring the net liability in the statement of financial position.

22 Provisions

EUR million		
Long term	2015	2014
Provisions Jan. 1	0.2	-
Increase in provisions	-	0.2
Provisions Dec. 31	0.2	0.2

In 2014 Vaisala recognized a provision for a donation to the New Children's hospital in Helsinki, Finland.

Short term	2015	2014
Provisions Jan.1	1.4	-
Increase in provisions	0.6	1.4
Used provisions	-1.6	-
Provisions Dec. 31	0.4	1.4

In year 2015 Vaisala recognized a provision of EUR 0.4 million for a radar donation to Colorado State University's CHILL Radar Engineering Research Center. The provision recognized in 2014 was related to a legal dispute.

23 Trade Payables and Other Liabilities

EUR million	2015	2014
Trade payables	13.6	12.9
Salary and social cost allocations	23.6	18.2
Financial derivatives	0.8	1.4
Other accrued expenses and deferred income	22.9	21.0
Other short-term liabilities	8.3	4.7
Total	69.2	58.1

The fair value of the trade payables and other liabilities is equivalent to their carrying amounts.

24 Financial Assets and Liabilities

Assets and liabilities as per statement of financial position 2015

EUR million	Assets/liabilities recognized at fair value through profit and loss and derivatives used for hedging	Loans and receivables	Financial liabilities at amortized cost	Carrying amount of statement of financial position items	Fair value	Note
Financial assets						
Long-term receivables		0.8		0.8	0.8	16
Trade receivables and other receivables	0.1	74.4		74.6	74.6	18
Cash and cash equivalents		59.2		59.2	59.2	19
Total	0.1	134.4		134.5	134.5	
Financial liabilities						
Interest-bearing long-term liabilities			0.0	0.0	0.0	24
Interest-bearing short-term liabilities			0.0	0.0	0.0	24
Trade payables and other liabilities	0.8		68.4	69.2	69.2	23
Total	0.8		68.4	69.2	69.2	

Assets and liabilities as per statement of financial position 2014

EUR million	Assets/liabilities recognized at fair value through profit and loss and derivatives used for hedging	Loans and receivables	Financial liabilities at amortized cost	Carrying amount of statement of financial position items	Fair value	Note
Financial assets						
Long-term receivables		0.3		0.3	0.3	16
Trade receivables and other receivables	0.0	70.5		70.5	70.5	18
Cash and cash equivalents		47.6		47.6	47.6	19
Total	0.0	118.3		118.4	118.4	
Financial liabilities						
Interest-bearing long-term liabilities			0.0	0.0	0.0	24
Interest-bearing short-term liabilities			0.0	0.0	0.0	24
Trade payables and other liabilities	1.4		56.7	58.1	58.1	23
Total	1.4		56.8	58.1	58.1	

At the end of year 2015 and 2014 the Group did not have any interest bearing loans. The company has no loans that would mature after five years or a longer period.

Maturity dates of finance lease liabilities

EUR million	2015	2014
Finance lease liabilities - total amount of minimum lease payments		
Up to 1 year	0.0	0.0
1–5 years	0.0	0.0
Future financial expenses	0.0	0.0
Present value of finance lease liabilities	0.0	0.0
Present value of minimum payments of finance lease liabilities		
Up to 1 year	0.0	0.0
1–5 years	0.0	0.0
Total	0.0	0.0

Derivative contracts

EUR million	2015	2014
Capital value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks		
Currency forwards	36.5	20.0
Capital value, total	36.5	20.0

Derivative contracts are denominated in the following currencies:

	2015		2014	
	Currency million	EUR million	Currency million	EUR million
USD	34.5	30.9	22.5	17.2
AUD	2.2	1.4	2.0	1.4
JPY	215.0	1.6	165.0	1.2
CAD	3.8	2.6	-	-
GBP	-	-	0.3	0.3
Total		36.5		20.0

Maturity

EUR million	2015	2014
Less than 90 days	14.7	9.2
Over 90 days and less than 120 days	5.1	2.6
Over 120 days and less than 330 days	16.6	8.2
Total	36.5	20.0

Fair value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks

EUR million	2015	2014
Currency forwards	-0.7	-1.3
Fair value, total	-0.7	-1.3

Fair value of the derivative contracts is based on information that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). In addition to the quoted prices the group will prepare own assessment using commonly acceptable valuation techniques. Hence group's derivative contracts belongs to the level 2. There were no transfers between the hierarchy levels during the financial period.

25 Contingent Liabilities and Pledges Given

EUR million	2015	2014
For own loans/commitments		
Bank guarantees issued for obligations	10.7	11.6
Other own liabilities		
Pledges given	0.1	0.1
Other leases	7.8	9.0
Contingent liabilities and pledges given, total	18.6	20.7

The lease agreements are based on common market terms in each country.

26 Related Party Transactions

Related parties of Vaisala group are group companies, associated companies, members of Board and Management Group.

The parent company and subsidiaries are as follows:

Company		Group ownership %	Share of votes %
Parent company Vaisala Corporation	Finland		
Vaisala Limited	United Kingdom	100%	100%
Vaisala Pty Ltd.	Australia	100%	100%
Vaisala GmbH	Germany	100%	100%
Vaisala KK	Japan	100%	100%
Vaisala Holding Inc.	United States	100%	100%
Vaisala Inc.	United States	100%	100%
Vaisala China Ltd	China	100%	100%
Vaisala Canada Inc.	Canada	100%	100%
Tycho Technology Inc.	United States	100%	100%
Vaisala S.A.	Argentina	100%	100%
Vaisala SAS	France	100%	100%
Vaisala Sdn Bhd	Malaysia	100%	100%
Vaisala Servicios De Marketing Ltda	Brazil	100%	100%
3TIER R&D India Pvt Ltd	India	100%	100%
Associated companies			
Meteorage SA	France	35%	35%

Related party transactions are based on market price of goods and services and common market terms. Related party information is presented only to extent it is not eliminated in group consolidation.

Transactions with related parties and related party receivables and liabilities:

2015			
EUR million		Sales	Receivables
Associated companies		0.6	-
2014			
EUR million		Sales	Receivables
Associated companies		0.5	0.2

Employee benefits of management		
EUR million	2015	2014
Salary and bonuses of the President and CEO		
Forsén Kjell		
Salary	0.5	0.5
Bonuses	0.3	0.1
Share-based payment	0.1	0.1
Obligatory pension	0.1	0.1
Voluntary pension	0.1	0.1
Total	1.1	0.9
Other group management		
Salary	1.2	1.3
Bonuses	0.4	0.2
Share-based payment	0.3	0.3
Obligatory pension	0.2	0.3
Voluntary pension	0.2	0.2
Total	2.3	2.3

Remuneration to members of the Board of Directors 2015		Annual remuneration	Compensation, Audit Committee	Compensation, Remuneration and Human Resources Committee	Total
EUR 1,000					
Lundström Petra	Member of the Board	35	5		40
Neuvo Yrjö	Vice Chairman of the Board	35		5	40
Niinivaara Mikko	Member of the Board	35	5		40
Torkko Maija	Member of the Board	35	8	5	48
Torstila Pertti	Member of the Board	35			35
Voipio Mikko	Member of the Board	9			9
Voipio Raimo	Chairman of the Board	45		5	50
Voipio Ville	Member of the Board	26			26
Total		255	18	15	288

Remuneration to members of the Board of Directors 2014		Annual remuneration	Compensation, Audit Committee	Compensation, Remuneration and Human Resources Committee	Total
EUR 1,000					
Lappalainen Timo	Member of the Board	9	1		10
Lundström Petra	Member of the Board	26	4		30
Neuvo Yrjö	Vice Chairman of the Board	35		5	40
Niinivaara Mikko	Member of the Board	35	5		40
Torkko Maija	Member of the Board	35	8	5	48
Torstila Pertti	Member of the Board	26			26
Voipio Mikko	Member of the Board	35			35
Voipio Raimo	Chairman of the Board	45		5	50
Total		246	18	15	279

Age of retirement for the President and CEO is 62 years. The President and CEO has a compensation based retirement plan. Notice period, severance pay and conditions of other severance compensations: 6 months for the employee, 12 months for the employer, compensation equal to the salary.

Management share ownership

Vaisala Corporation's Board of Directors held and controlled 816,083 shares on December 31, 2015 (2014: 1,201,438 shares), accounting for 7.8% of the total votes (2014: 14.1%). A regularly updated table reporting the holdings of public insiders is available on www.vaisala.com.

The company's President and CEO held and controlled 10,720 A shares on December 31, 2015 (2014: 2,720 A Shares).

Other members of Vaisala Management Group held and controlled 13,463 Vaisala shares on December 31, 2015 accounting for 0.0% of total votes. (In 2014 other members of the Management Group held 2,463 shares and 0.0% voting rights.)

The President and CEO and the members of the Board have not been granted loans nor have guarantees or commitments been given on their behalf.

27 Auditor's Fees

EUR million	2015	2014
Auditor's fees	0.3	0.2
Tax advice	0.0	0.1
Statements	0.0	0.0
Other fees	0.1	0.0
Total	0.3	0.4

28 Events after the review period

As announced on February 2, 2016, Vaisala signed a EUR 20 million contract with National Hydro-Meteorological Service of Vietnam. The contract, that has been prepared over the past four years together with National Hydro-Meteorological Service, will come in force when the customer has given final approval for the technical design. Vaisala will report the contract in the order book after this approval. The deliveries will start after the contract has entered into force, and are scheduled to be completed within two years. The funding of the contract is arranged through the Finnish Concessional Credit instrument provided to National Hydro-Meteorological Service of Vietnam. This instrument is part of Finland's development cooperation portfolio, governed by the Ministry for Foreign Affairs of Finland.

Vaisala's Board of Directors decided on February 10, 2016 on Vaisala's dividend policy. According to the policy, Vaisala aims to pay a stable dividend which will increase in line with net profit development. Vaisala's goal is to maintain high solvency and to take future investment plans into account. Vaisala will apply this dividend policy for the first time to the dividend distributed in 2016.

Parent Company Income Statement

EUR million	Note	Jan. 1-Dec. 31, 2015		Jan. 1-Dec. 31, 2014	
Net sales	2	218.1		210.2	
Cost of production and procurement	5, 6	-113.0		-111.8	
Gross profit		105.1		98.4	
Cost of sales and marketing	5, 6	-26.4		-21.1	
Cost of administration					
Development costs	5, 6	-25.7		-23.9	
Other administrative costs	5, 6	-26.1	-51.8	-31.6	-55.5
Other operating income	4	0.2		0.0	
Other operating costs	4	-1.4		-	
Operating profit		25.7		21.8	
Financial income and expenses	7	9.5		0.7	
Profit before appropriations and taxes		35.2		22.5	
Appropriations	8	2.4		-0.5	
Profit before taxes		37.5		22.1	
Direct taxes	9	-6.6		-5.4	
Net profit for the financial year		30.9		16.7	

Parent Company Balance Sheet

EUR million Assets	Note	Dec. 31, 2015	Dec. 31, 2014
Non-current assets			
Intangible assets	10		
Intangible rights		4.8	7.9
Other long-term expenditure		0.1	0.2
		4.9	8.1
Property, plant and equipment	10		
Land and waters		1.3	1.3
Buildings		24.5	25.9
Machinery and equipment		7.9	10.2
Other tangible assets		0.0	0.0
Advance payments and construction in progress		5.7	2.6
		39.4	40.0
Investments	10		
Shares in subsidiaries		19.0	19.0
Other shares		0.1	0.1
Receivables from subsidiaries	19	-	24.5
		19.1	43.6
Total non-current assets		63.4	91.7
Current assets			
Long-term receivables			
Other receivables		0.0	-
		0.0	-
Inventories			
Materials, consumables and finished goods		28.2	22.9
Project inventories		3.0	2.8
		31.2	25.8
Receivables			
Trade receivables	19	41.6	26.5
Loan receivables	19	35.8	11.9
Other receivables	11	1.7	2.8
Prepaid expenses and accrued income	12, 19	8.7	8.3
		87.8	49.6
Cash and bank balances	13	49.1	38.5
Total current assets		168.1	113.8
Total assets		231.5	205.5

Parent Company Balance Sheet

EUR million			
Shareholders' equity and liabilities			
	Note	Dec. 31, 2015	Dec. 31, 2014
Shareholders' equity			
	16		
Share capital		7.7	7.7
Fund of invested non-restricted equity		0.1	0.1
Retained earnings		126.8	128.5
Profit for the financial year		30.9	16.7
		165.5	152.9
Total shareholders' equity		165.5	152.9
Appropriations			
Accumulated depreciation difference	8, 14	1.0	3.3
Provisions	15	0.2	1.5
Liabilities			
Non-current			
Other non-current liabilities	17	0.0	1.3
Current			
Advances received		3.4	3.3
Trade payables	19	12.6	11.5
Current loans	19	9.8	1.1
Other current liabilities		3.3	2.3
Short-term provisions	15	0.0	-
Accrued expenses and deferred income	18, 19	35.8	28.2
		64.8	46.4
Total liabilities		64.8	47.7
Total shareholders' equity and liabilities		231.5	205.5

Parent Company Cash Flow Statement

EUR million	Note	Jan. 1-Dec. 31, 2015	Jan. 1-Dec. 31, 2014
Cash flow from operating activities			
Cash receipts from customers		208.0	207.8
Other income from business operations		0.2	0.0
Cash paid to suppliers and employees		-182.2	-180.4
Cash flow from business operations before financial items and taxes		26.0	27.4
Interest received	7	0.4	1.0
Interest paid	7	-0.1	-0.0
Other financial items, net	7	-1.0	1.1
Dividend received from business operations	7	4.8	7.3
Income tax paid	9	-6.5	-3.7
Cash flow from business operations (A)		23.6	33.0
Cash flow from investing activities			
Investments in intangible assets	10	-1.1	-1.6
Investments in property, plant and equipment	10	-4.7	-3.4
Loans granted	19	0.0	-3.8
Divestments	10	0.1	0.0
Repayments on loan receivables	19	2.7	2.7
Cash flow from investing activities (B)		-3.1	-6.1
Cash flow from financing activities			
Loans received	19	10.3	-
Purchase of treasury shares	16	-3.9	-
Dividend paid	16	-16.4	-16.2
Cash flow from financing activities (C)		-9.9	-16.2
Change in liquid funds (A+B+C) increase (+) / decrease (-)		10.6	10.7
Liquid funds at the beginning of period	13	38.5	26.8
Liquid funds at the end of period	13	49.1	38.5

Notes to the Parent Company Income Statement and Balance Sheet

1 Parent Company Accounting Principles (FAS)

The financial statements of the parent company have been prepared according to the Finnish accounting standards (FAS). Financial statement data are based on original acquisition costs if not otherwise stated in the accounting principles outlined below.

Non-current assets

The balance sheet values of fixed assets are stated at historical cost, less accumulated depreciation and amortization, with the exception of the office and factory premises in Vantaa, which were revalued in previous years by a total of EUR 5.7 million. Despite of the revaluations, the asset value is significantly less than the market value of the office and factory premises. The cost of self-constructed assets also includes overhead costs attributable to construction work. Interest is not capitalized on fixed assets. Depreciation and amortization is calculated on a straight-line basis over the expected useful lives of the assets, except for land, which is not depreciated. Estimated useful lives for various assets are:

Intangible rights	3–5 years
Buildings and structures	5–40 years
Machinery and equipment	3–10 years
Other tangible assets	3–10 years

Inventories

In the financial year 2015 inventories are stated at the lower of standard cost of acquisition and manufacturing or net realizable value. Inventory cost includes the cost of materials, direct labor and a proportion of production overhead. An allowance is recorded for excess inventory and obsolescence based on the lower of cost or net realizable value. In the financial year 2014 inventories were stated at the lower of cost of acquisition and manufacturing using weighted average method and net realizable value.

Foreign currency items

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of transaction. Receivables and payables in foreign currency are valued at the exchange rates quoted by the European Central Bank at the balance sheet date. All foreign exchange gains and losses, including foreign exchange gains and losses on trade receivables and payables, are recorded as financial income and expenses.

Pension costs

Pension costs are recorded according to the Finnish regulations. The additional pension coverage of parent company personnel is arranged by the Vaisala Pension Fund (closed on January 1, 1983). The pension liability of the fund is fully covered.

Research and development costs

Except for investments in machinery and equipment, which are amortized on a straight line basis over a period of five years, research and development costs are expensed in the financial period in which they occurred.

Income taxes

Income taxes consist of current tax. Current taxes in the income statement include estimated taxes payable or refundable on tax returns for the financial year and adjustments to tax accruals related to previous years.

Principles of revenue recognition

Sales of goods and services rendered

Revenue from the sale of goods is recognized when significant risks and rewards of owning the goods are transferred to the buyer. Revenue recognition generally takes place when the transfer has taken place. Revenue for rendering of services is recognized when the service has been performed. When recognizing net sales, indirect taxes and discounts, for example, have been deducted from sales revenue. Possible exchange rate differences are recognized in the financial income and expenses.

Long-term projects

Revenues from long-term projects are recognized using the percentage of completion method, when the outcome of the project can be estimated reliably. The stage of completion is determined for each project by reference to the relationship between the costs incurred for work performed to date and the estimated total costs of the project or the relationship between the working hours performed to date and the estimated total working hours.

When the outcome of a long-term project cannot be estimated reliably, project costs are recognized as expenses in the same period when they arise and project revenues only to the extent of project costs incurred where it is probable that those costs will be recoverable. When it is

probable that total costs necessary to complete the project will exceed total project revenue, the expected loss is recognized as an expense immediately.

Other operating income and expenses

Gains on the disposal of assets as well as income

other than that relating to actual performance-based sales, such as rental income, are recognized as other operating income.

Losses on the disposal of assets and expenses other than those relating to actual performance-based sales are included in other operating expenses.

2 Net Sales

Net sales by market area EUR million	Parent Company 2015	Parent Company 2014
EMEA	91.2	99.3
from which Finland	7.4	8.9
Americas	62.1	50.9
from which United States	41.2	36.5
APAC	64.7	60.0
Total	218.1	210.2

Net sales by function EUR million	Parent Company 2015	Parent Company 2014
Weather	110.3	117.1
Controlled Environment	24.4	26.5
Net sales from subsidiaries	83.4	66.6
Total	218.1	210.2

3 Long-term Projects

EUR million	Parent Company 2015	Parent Company 2014
Net sales recognized as revenue according to percentage of completion (in financial period)	2.7	2.2
Amount recognized as revenue during the financial year and previous years for long-term project in progress	9.1	11.6
Total costs of incomplete long-term projects	6.6	7.0
Net amount of recognized costs, profits and losses from long-term projects	2.0	4.5
Order book	1.3	3.9
Specification of balances in the statement of financial position		
Materials and supplies in inventory	0.5	0.1
Prepayments and accrued income recognized	0.6	1.1
Deferred income recognized	0.6	0.2
Advances received	0.2	0.9

Accounting principles for long-term projects are presented in the note Accounting Principles.

4 Other Operating Income and Expenses

Other operating income EUR million	Parent Company 2015	Parent Company 2014
Gains on the disposal of fixed assets	0.0	0.0
Other operating income		
Insurance compensation	0.2	-
Other	0.0	0.0
Total	0.2	0.0

Other operating expenses EUR million	Parent Company 2015	Parent Company 2014
Losses from disposal of fixed assets	-	0.0
Impairment of intangible assets	1.4	-
Total	1.4	0.0

5 Personnel

Personnel costs EUR million	Parent Company 2015	Parent Company 2014
Wages and salaries	55.3	52.6
Pension costs	9.8	8.8
Other personnel costs	3.0	2.5
Total	68.1	63.9

Personnel on average during the year (persons)

In Finland	930	916
Outside Finland	10	10
Total	940	926

Personnel Dec. 31

In Finland	930	917
Outside Finland	9	10
Total	939	927

Management salaries EUR million	Parent Company 2015	Parent Company 2014
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Salary and bonuses of the President and CEO

Forsén Kjell		
Salary	0.5	0.5
Bonuses	0.3	0.1
Share based payment	0.1	0.1
Obligatory pension	0.1	0.1
Voluntary pension	0.1	0.1
Total	1.1	0.9

Remuneration to members of the Board of Directors 2015			Compensation, Audit Committee	Compensation, Remuneration and Human Resources Committee	
EUR 1,000		Annual remuneration			Total
Lundström Petra	Member of the Board	35	5		40
Neuvo Yrjö	Vice Chairman of the Board	35		5	40
Niinivaara Mikko	Member of the Board	35	5		40
Torkko Maija	Member of the Board	35	8	5	48
Torstila Pertti	Member of the Board	35			35
Voipio Mikko	Member of the Board	9			9
Voipio Raimo	Chairman of the Board	45		5	50
Voipio Ville	Member of the Board	26			26
Total		255	18	15	288

Remuneration to members of the Board of Directors 2014			Compensation, Audit Committee	Compensation, Remuneration and Human Resources Committee	
EUR 1,000		Annual remuneration			Total
Lappalainen Timo	Member of the Board	9	1		10
Lundström Petra	Member of the Board	26	4		30
Neuvo Yrjö	Vice Chairman of the Board	35		5	40
Niinivaara Mikko	Member of the Board	35	5		40
Torkko Maija	Member of the Board	35	8	5	48
Torstila Pertti	Member of the Board	26			26
Voipio Mikko	Member of the Board	35			35
Voipio Raimo	Chairman of the Board	45		5	50
Total		246	18	15	279

Cash loans, securities or contingent liabilities were not granted to the President and CEO or to the members of the Board of Directors.

Age of retirement for the President and CEO is 62 years.

The President and CEO has a compensation based retirement plan. Notice period, severance pay and conditions of other severance compensations: 6 months for the employee, 12 months for the employer, compensation equal to the salary.

6 Depreciation, Amortization and Impairment

EUR million	Parent Company 2015	Parent Company 2014
Amortization on intangible assets	3.6	3.6
Depreciation on property, plant and equipment	5.3	5.7
Impairment on intangible assets	0.0	0.0
Total	8.9	9.4

7 Financial Income and Expenses

EUR million	Parent Company 2015	Parent Company 2014
Dividend income		
From Group companies	4.8	7.3
From others	-	0.0
Write-down of subsidiary shares	-	-10.4
Interest income on long-term investments		
From Group companies	1.0	0.7
Other interest and financial income		
From others	2.1	0.9
Interest and other financial expenses		
To Group companies	-0.0	-
To others	-4.6	-3.1
Foreign exchange gains and losses	6.2	5.4
Total	9.5	0.7

8 Appropriations

Appropriations consist of accumulated depreciation differences.

9 Income Taxes

EUR million	Parent Company 2015	Parent Company 2014
Taxes for the financial year	6.6	5.4
Taxes from previous years	0.0	-0.0
Total	6.6	5.4

10 Fixed Assets and Other Long-term Investments

Parent Company 2015

EUR million Intangible assets	Intangible rights	Other long-term expenditure	Total
Acquisition cost Jan. 1	32.2	1.0	33.2
Increases	0.5		0.5
Decreases	-0.5		-0.5
Transfers between items	0.2	-0.9	-0.7
Acquisition cost Dec. 31	32.3	0.1	32.4
Accumulated amortization and write-downs Jan. 1	24.3	0.8	25.1
Accumulated amortization of decreases and transfers	-0.5		-0.5
Amortization for the financial year	3.6		3.6
Impairment	0.0		0.0
Transfers between items	0.1	-0.8	-0.7
Accumulated amortization Dec. 31	27.5	0.0	27.5
Balance sheet value Dec. 31, 2015	4.8	0.1	4.9

Parent Company 2014

EUR million Intangible assets	Intangible rights	Other long-term expenditure	Total
Acquisition cost Jan. 1	30.8	1.0	31.8
Increases	2.8		2.8
Decreases	-1.6	-0.0	-1.6
Transfers between items	0.2		0.2
Acquisition cost Dec. 31	32.2	1.0	33.2
Accumulated amortization and write-downs Jan. 1	22.3	0.8	23.1
Accumulated amortization of decreases and transfers	-1.6	-0.0	-1.6
Amortization for the financial year	3.6	0.0	3.6
Accumulated amortization Dec. 31	24.3	0.8	25.1
Balance sheet value Dec. 31, 2014	7.9	0.2	8.1

Parent Company 2015

EUR million Property, plant and equipment	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan. 1	1.2	45.7	53.5	0.0	2.6	102.9
Increases		0.0	1.0		3.7	4.7
Decreases			-3.0			-3.0
Transfers between items		1.1	0.2		-0.6	0.7
Acquisition cost Dec. 31	1.2	46.8	51.8	0.0	5.7	105.5
Accumulated depreciation and write-downs Jan. 1		25.4	43.3			68.8
Accumulated depreciation of decreases and transfers			-3.0			-3.0
Depreciation for the financial year		1.8	3.6			5.3
Transfers between items		0.8	-0.1			0.7
Accumulated depreciation Dec. 31		28.0	43.8			71.8
Revaluation	0.1	5.6				5.7
Balance sheet value Dec. 31, 2015	1.3	24.5	7.9	0.0	5.7	39.4

Parent Company 2014

EUR million Property, plant and equipment	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan. 1	1.2	45.0	51.6	0.0	3.8	101.5
Increases		0.2	0.4		2.8	3.4
Decreases			-2.2			-2.2
Transfers between items		0.5	3.7		-4.0	0.2
Acquisition cost Dec. 31	1.2	45.7	53.5	0.0	2.6	102.9
Accumulated depreciation and write-downs Jan. 1		23.6	41.3			65.0
Accumulated depreciation of decreases and transfers			-1.9			-1.9
Depreciation for the financial year		1.8	3.9			5.7
Write-downs			0.0			0.0
Accumulated depreciation Dec. 31		25.4	43.3			68.8
Revaluation	0.1	5.6				5.7
Balance sheet value Dec. 31, 2014	1.3	25.9	10.2	0.0	2.6	40.0

The carrying amount of machinery and equipment used in production was EUR 6.2 million on December 31, 2015 (EUR 7.8 million on December 31, 2014).

Parent Company 2015

EUR million Investments	Subsidiary shares	Other shares and holdings	Other long-term receivables from Group companies	Total
Acquisition cost Jan. 1	19.0	0.1	24.5	43.6
Decreases			-24.5	-24.5
Balance sheet value Dec. 31, 2015	19.0	0.1	-	19.1

Parent Company 2014

EUR million Investments	Subsidiary shares	Other shares and holdings	Other long-term receivables from Group companies	Total
Acquisition cost Jan. 1	30.4	0.1	25.6	56.0
Decreases		-0.0	-1.0	-1.0
Capital return	-1.0			-1.0
Write-downs	-10.4			-10.4
Balance sheet value Dec. 31, 2014	19.0	0.1	24.5	43.6

In 2014 Vaisala GmbH made a capital return of EUR 1.0 million and Vaisala Corporation wrote-down share values of the Canadian and French subsidiaries for a total value of EUR 10.4 million.

11 Other Receivables

EUR million	Parent Company 2015	Parent Company 2014
Advances paid	0.0	0.0
Value added tax receivables	1.2	2.7
Other	0.5	0.1
Total	1.7	2.8

12 Deferred Assets

EUR million	Parent Company 2015	Parent Company 2014
Tax related deferred assets	0.4	0.4
Deferred revenue	6.0	6.2
Financial derivatives	0.1	0.0
Other deferred assets	2.2	1.7
Total	8.7	8.3

13 Cash and Bank Balances

EUR million Cash and bank balances	Parent Company 2015	Parent Company 2014
Cash and balance in the bank accounts	49.1	38.5
Total	49,1	38.5

EUR million Fair value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks	Parent Company 2015	Parent Company 2014
Financial derivatives	0.1	0.0
Fair value, total	0.1	0.0

The change in fair value has been recognized in the income statement group financial income and expenses.

14 Deferred Tax Assets and Liabilities

EUR million Deferred tax assets	Parent Company 2015	Parent Company 2014
Deferred depreciation	0.1	0.1
Share-based payments	0.2	0.4
Credit loss provision	-	0.1
Provision	-	0.0
Total	0.3	0.6

Deferred tax liabilities	Parent Company 2015	Parent Company 2014
Accumulated depreciation differences	0.2	0.7

Deferred taxes have not been recognized in the parent company balance sheet. Deferred taxes arising from revaluation have not been recognized. If realized the tax effect of revaluation would be EUR 1.1 million at the current 20% tax rate.

15 Provisions

EUR million	Parent Company 2015	Parent Company 2014
Legal dispute	-	1.3
Donation provision	0.2	0.2
Other	0.0	-
Total	0.2	1.5

In 2014 Vaisala recognized a provision for a legal dispute and for a donation to the New Children's hospital in Helsinki, Finland.

16 Shareholders' Equity

The parent company's shares are divided into series, with 3,389,351 series K shares (20 votes/share) and 14,829,013 series A shares (1 vote/share). In accordance with the Company Articles, series K shares can be converted into series A shares through a procedure defined in detail in the Company Articles.

EUR million	Parent Company 2015	Parent Company 2014
Share capital		
Series A Jan. 1	6.4	6.4
Converted from series K to A	-	-
Series A Dec. 31	6.4	6.4
Series K Jan. 1	1.3	1.3
Converted from series K to A	-	-
Share capital Dec. 31	7.7	7.7
Fund of invested non-restricted equity Jan. 1	0.1	0.1
Correction	-	-0.0
Fund of invested non-restricted equity Dec. 31	0.1	0.1
Retained earnings Jan. 1	145.2	144.8
Dividends paid	-16.4	-16.3
Purchase of treasury shares	-3.9	-
Sale of treasury shares	1.9	-
Retained earnings Dec. 31	126.8	128.5
Profit for the financial year	30.9	16.7
Total equity	165.5	152.9
Distributable funds		
EUR million	Parent Company 2015	Parent Company 2014
Retained earnings	126.8	128.5
Profit for the financial year	30.9	16.7
Fund of invested non-restricted equity	0.1	0.1
Total	157.8	145.3

17 Non-Current Liabilities

The company has no loans that would mature after five years or a longer period.

18 Accrued Expenses and Deferred Income

EUR million	Parent Company 2015	Parent Company 2014
Wages, salaries and wage-related liabilities	14.1	10.0
Deferred revenue	15.6	11.2
Financial derivatives	0.8	1.4
Other accrued expenses and deferred income	5.2	5.6
Total	35.8	28.2

19 Receivables and Liabilities from Other Companies in Vaisala Group

EUR million	Parent Company 2015	Parent Company 2014
Non-current loan receivables	-	24.5
Current loan receivables	35.8	11.9
Trade receivables	18.0	1.5
Prepaid expenses and accrued income	4.2	3.1
Total receivables	58.0	41.0
Current loans	9.8	1.1
Trade payables	2.2	1.5
Accrued expenses and deferred income	4.9	2.3
Total liabilities	16.9	4.9

20 Contingent Liabilities and Pledges Given

EUR million	Parent Company 2015	Parent Company 2014
For own debt or liability		
Bank guarantees issued for obligations	10.7	11.6
For Group companies		
Guarantees	1.8	1.1
Other own liabilities		
Pledges given	0.1	0.0
Leasing liabilities		
Payable during the financial year	0.2	0.2
Payable later	0.2	0.1
	0.4	0.3
Total contingent liabilities and pledges given	12.9	13.1

Derivative contracts EUR million	Parent Company 2015	Parent Company 2014
Capital of off-balance sheet contracts made to hedge against exchange rate and interest risks		
Currency forwards	36.5	20.0
Total capital	36.5	20.0

21 Auditor's Fees

EUR million	Parent Company 2015	Parent Company 2014
Auditor's fees	0.2	0.1
Statements	0.0	0.0
Tax advice	0.0	0.1
Other fees	0.1	0.0
Total	0.3	0.3

22 Events after the review period

As announced on February 2, 2016, Vaisala signed a EUR 20 million contract with National Hydro-Meteorological Service of Vietnam. The contract, that has been prepared over the past four years together with National Hydro-Meteorological Service, will come in force when the customer has given final approval for the technical design. Vaisala will report the contract in the order book after this approval. The deliveries will start after the contract has entered into force, and are scheduled to be completed within two years. The funding of the contract is arranged through the Finnish Concessional Credit instrument provided to National Hydro-Meteorological Service of Vietnam. This instrument is part of Finland's development cooperation portfolio, governed by the Ministry for Foreign Affairs of Finland.

Vaisala's Board of Directors decided on February 10, 2016 on Vaisala's dividend policy. According to the policy, Vaisala aims to pay a stable dividend which will increase in line with net profit development. Vaisala's goal is to maintain high solvency and to take future investment plans into account. Vaisala will apply this dividend policy for the first time to the dividend distributed in 2016.

Share and Shareholders

Vaisala Corporation's A shares are listed on Nasdaq Helsinki since 1994. Vaisala has also K shares which are not listed.

On December 31, 2015, Vaisala had 18,218,364 shares, of which 3,389,351 are series K shares and 14,829,013 are series A shares. The K shares and A shares are differentiated by the fact that each K share entitles its owner to 20 votes at a General

Meeting of Shareholders while each A share entitles its owner to 1 vote.

The A shares represent 81.4% of the total number of shares and 17.9% of the total votes. The K shares represent 18.6% of the total number of shares and 82.1% of the total votes. Share Figures can be found on page 20.

Largest shareholders, December 31, 2015	Share A	Share K	Total Shares	Total Shares %	Total Votes %
Novameter Oy	1,389,000	476,312	1,865,312	10.24	13.21
Finnish Academy of Science and Letters	267,120	878,880	1,146,000	6.29	21.60
Mandatum Life Insurance Company Ltd.	629,250	137,400	766,650	4.21	4.09
Ilmarinen Mutual Pension Insurance Company	735,000	0	735,000	4.03	0.89
Voipio Hannu Volmari Kuolinpesä	727,680	2,560	730,240	4.01	0.94
Voipio Mikko	333,000	301,156	634,156	3.48	7.69
Caspers Anja	203,280	281,468	484,748	2.66	7.06
Voipio Raimo Hannes	254,830	227,148	481,978	2.65	5.81
Voipio Tauno	295,760	157,652	453,412	2.49	4.17
Nordea Nordic Small Cap Fund	429,036	0	429,036	2.36	0.52
Voipio Lauri	279,310	41,176	320,486	1.76	1.33
Voipio Riitta Johanna	279,310	41,176	320,486	1.76	1.33
Voipio Ville Sakari	194,807	47,844	242,651	1.33	1.39
Voipio Mari Leena Johanna	194,207	47,844	242,051	1.33	1.39
Voipio Timo Olli Johannes	194,206	47,844	242,050	1.33	1.39
Nominee registered	2,672,876				

Each A Share conveys 1 vote, each K Share conveys 20 votes.

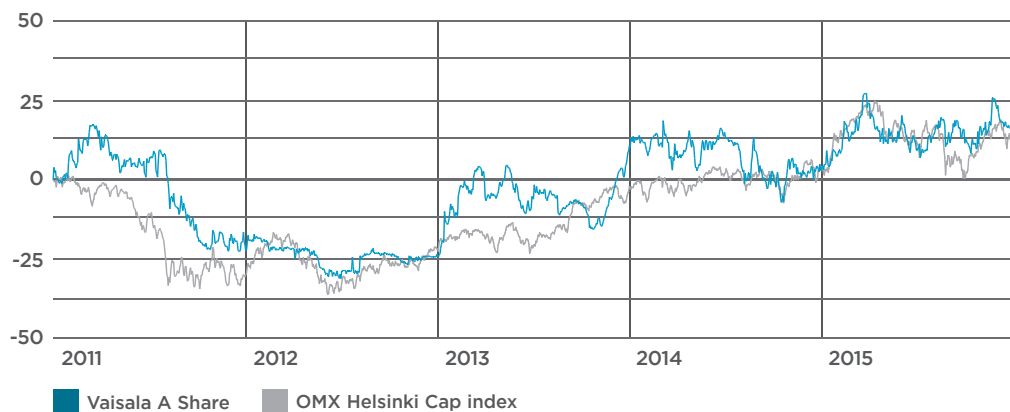
Ownership structure by listed A shares and unlisted K shares, December 31, 2015

	Number of shares	% of share capital
Households	8,169,549	44.84
Nominee registered and direct foreign ownership	2,697,001	14.80
Private companies	2,545,685	13.97
Financial and insurance corporations	2,243,174	12.31
Non-profit organizations	1,439,807	7.90
Public sector organization	1,118,328	6.14
In the joint book-entry account	4,820	0.03
Total	18,218,364	100.00

Ownership structure by number of listed A shares and unlisted K shares, December 31, 2015

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of share capital
1-100	3,373	46.24	186,527	1.02
101-500	2,786	38.20	709,104	3.89
501-1 000	557	7.64	430,508	2.36
1,001-5,000	441	6.05	930,357	5.11
5,001-10,000	44	0.60	305,076	1.68
10,001-50,000	53	0.73	1,330,600	7.30
50,001-100,000	10	0.14	757,487	4.16
100,001-500,000	22	0.30	5,305,625	29.12
500,001-	8	0.11	8,258,260	45.33
Ownership groups total	7,294	100.00	18,213,544	99.97
In the joint book-entry account			4,820	0.03
Total			18,218,364	100.00
Nominee registered	9		2,672,876	14.67

Series A Share Development



More information about Vaisala's share and shareholders are presented on the website, www.vaisala.com/investors

Board of Directors' Proposal for Distribution of Earnings

The parent company's distributable earnings amount to EUR 157,847,008.00 of which the net result for the period is EUR 30,930,974.30.

The Board of Directors proposes to the Annual General Meeting that dividend of EUR 0.95 per share be paid out of distributable earnings totaling approximately EUR 17.1 million and the rest to be carried forward in the shareholders' equity.

No dividend will be paid for own shares held by the company.

There have been no significant changes to the company's financial position since the close of the financial period. According to the Board of Directors, the proposed dividend distribution does not endanger the company's financial standing.

Signing of the Board of Directors' Report and Financial Statements

Vantaa, February 10, 2016

Petra Lundström

Yrjö Neuvo
Vice Chairman of the Board

Mikko Niinivaara

Maija Torkko

Pertti Torstila

Raimo Voipio
Chairman of the Board

Ville Voipio

Kjell Forsén
President and CEO

Auditor's Report

To the Annual General Meeting of Vaisala Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Vaisala Oyj for the year ended 31 December, 2015. The financial statements comprise the consolidated income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Chief Executive Officer shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Chief Executive Officer are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.



Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the Chief Executive Officer should be discharged from liability for the financial period audited by us.

Vantaa, 10 February 2016

Deloitte & Touche Oy
Authorized Public Audit Firm

Merja Itäniemi
APA

Corporate Governance Statement 2015

Vaisala's General Governance Principles

Vaisala's corporate governance system is based on, and complies with, the laws of Finland and Vaisala's Articles of Association. The company complies with the rules, regulations and guidelines for listed companies issued by Nasdaq

Helsinki Ltd and Finnish Supervisory Authority as well as Finnish Corporate Governance Code 2010 published by the Securities Market Association.

The Vaisala Board of Directors has approved this Corporate Governance statement in its meeting on February 10, 2016. The auditing firm Deloitte & Touche Oy, the Company's auditor, has verified that the statement has been issued and that the general description of internal audit and risk management systems associated with the financial reporting process conforms to the financial statements.

More Information

This Corporate Governance Statement has been drawn up as a document independent of the Board of Director's report and it is available also on the Company's website at www.vaisala.com/investors. The Finnish Corporate Governance Code is available on website www.cgfinland.fi/.

Deviations from the Recommendations of the Corporate Governance Code and the Explanations for These Deviations

The term of the members of Vaisala's Board of Directors deviates from the Recommendation 10 of Corporate Governance Code, which recommends a term of one year. The term of the Vaisala's member of the Board of Directors is determined in accordance with its Articles of Association. Under the Articles of Association, a member's term is three years, beginning at the close of the General

Meeting in which the member is elected and ending at the close of the third subsequent Annual General Meeting.

A longer term of office of the Board members is justified by the long-term development of Vaisala's business as well as by the nature of the business. The practice has worked well and Vaisala's shareholders are committed to it.

Governing Bodies of Vaisala

The General Meeting, the Board of Directors and President and CEO, assisted by the Management Group, are responsible for the operations of the Vaisala Corporation.



General Meeting

The General Meeting is the supreme decision-making body of Vaisala in which all the shareholders of the Company can participate in the supervision and control of the Company and exercise their right to speak and vote. The Annual General Meeting is held once a year before the end of June on a date determined by the Board of Directors. It decides on the matters stipulated in the Finnish Companies Act and the Articles of Association.

The Chairman of the Board of Directors, members of the Board of Directors, and President and CEO are present at the Annual General Meeting. The auditor is present at the Annual General Meeting. Board member candidates are present at the Annual General Meeting where they are elected. If the above mentioned person or persons fail to attend the Annual General Meeting, Vaisala notifies the Annual General Meeting of such non-attendance.

Participation in the General Meeting requires that the shareholder is registered in Vaisala's shareholder register on the record date of the meeting, and that he/she registers for the meeting by the date mentioned in the meeting notice.

Shareholders are entitled to have an issue placed on the agenda of the Annual General Meeting, provided that the issue can be decided upon by the Annual General Meeting according to the Finnish Companies Act. The request must be submitted in writing to the Board of Directors early enough so that the issue can be included in the meeting notice. The date by which the shareholder must notify the Board of Directors of an issue to be added to the agenda of the Annual General Meeting will be announced on Vaisala's website. The request is always deemed submitted early enough if the Board of Directors has been notified about it by the end of the financial year.

Vaisala publishes a notice of the Annual General Meeting no more than two months before the record date and no less than three weeks before the meeting on the Company's website, or in any other way that may be decided by the Board of Directors, or Vaisala may deliver it directly to

shareholders when required by law. Additionally, Vaisala publishes the meeting notice as a stock exchange release after the Board of Directors has decided on the convening of the Annual General Meeting. The agenda of the Annual General Meeting, proposals on decisions and meeting documents are available on Vaisala's website at least three weeks prior to the meeting. The documents of the Annual General Meeting will be held on Company's website for at least five years from the time of the meeting. Minutes of the meeting will be published on the Company's website within two weeks of the meeting.

More information

Minutes of the meeting and other documents related to the General Meeting can be found on website www.vaisala.com/investors.

Board of Directors

Composition and election of the Board of Directors

Vaisala's Board of Directors is responsible for the administration and the proper organization of the operations of the Company. The Board acts in accordance with Vaisala's Articles of Association and the applicable legislation as well as the instructions and recommendations of the Financial Supervisory Authority and Nasdaq Helsinki Ltd. In accordance with Vaisala's Articles of Association, the Company's Board of Directors comprises at least four and maximum eight members. All Board members are appointed by the Annual General Meeting. The Board of Directors elects a Chairman and a Vice Chairman from among its members. Under the Articles of Association, the term of the Board members is three years.

The term begins at the close of the Annual General Meeting at which the member is elected, and ends at the close of the third subsequent Annual General Meeting following the member's election.

Selection criteria and the independence of the members of the Board of Directors

The primary goal in Board member election is to gather to the Board of Directors capability, know-how and experience from various technologies, international relations, global business and strategically significant industries. The Board should be considered as a whole that is capable of managing its tasks and duties in the best possible way. In addition, the Board should consist of members of both sexes and the members should have the chance to allocate a sufficient amount of time to managing their tasks.

The majority of the Board members must be independent of the Company and at least two members in this majority must be independent of the Company's major shareholders. The Board of Directors evaluates the independence of the members annually.

After election, all new Board members will be familiarized with Vaisala's operations. This includes presentations by the top management, in which the newly elected Board members are given information on the Company's business, strategy and long-term goals as well as on significant economic, accounting and risk management.

The members of the Board of Directors are bound by laws related to commercial and trade secrets as well as by the restrictions related to insiders. The Board and its members must in their decision-making and other activities act in accordance with the interest of the Company and all its shareholders, and in accordance with the principle of due care.

The Board of Directors self-evaluates its operations and way of working annually.

The Board of Directors' meetings and duties

Vaisala's Board of Directors convenes at least seven times each year and if otherwise needed. The Group President and CEO and the Chief Financial Officer also attend Board meetings. The other members of the Management Group attend Board meetings as required on the invitation of the Board of Directors. The Board of Directors may, on the basis of the Chairman's decision, establish working groups from among its members in individual cases in order to prepare the matters allocated for it in order to ensure the effective organization of the Board of Directors' work. Vaisala's Board of Directors operates in accordance with an approved charter. The meetings may, if necessary, be held as conference calls or e-mail meetings. Minutes of the meeting are compiled for each meeting, with yearly running numbering. Vaisala's General Counsel acts as the Secretary of the Board of Directors.

The Board will have a quorum when more than half of members are present. Decisions are made on a simple majority basis, and when the votes are even, the Chairman has the casting vote. When the votes for election of the Chairman are even, the Chairman is elected by drawing lots.

The President and CEO is responsible for the execution of the Board of Directors' decisions and reports to the Board on deficiencies or problems observed during the execution.

Regular meetings include

- financial statement meeting,
- Board's organizing meeting,
- Interim Report meetings (3 times),
- business review and strategy meeting, and
- action plan, budget and incentive matters meetings.

Main responsibilities of the Board of Directors are

- To decide on the election and dismissal of the President and CEO.
- To decide on the employment terms of the President and CEO.
- To ensure that the company has organized internal control of accounting and financial management as well as to monitor the effectiveness of supervision.
- To determine the company's strategy and oversee its implementation, and to approve the strategic plans of the business areas.
- To determine the company's long-term objectives and to monitor their implementation, and to accept long-term goals of the business areas.
- To assess the company's and its business areas' annual action plans.
- To approve the company's and its business areas' annual financial targets.
- To make the most important business decisions such as acquisitions, divestitures, major contracts and liabilities, investments and financing arrangements.
- To set approval limits for investments and commitments, which cannot be exceeded without Board of Directors approval.
- To handle and approve the financial statement release, financial statement and the Board of Directors' Report and Corporate Governance Statement.
- To make a dividend proposal to the Annual General Meeting.
- To handle and approve Interim Reports.
- To monitor the evaluation and management of risks related to company's strategy and business operations.
- To decide on management remuneration and incentive systems.

The responsibilities of the members of the Board of Directors when performing their duties is to always act with due care and in good faith while using their judgment, based on sufficient

information, in a manner they reasonable believe to promote the interests of the Company.

The President and CEO and members of the Management Group, as instructed by the President and CEO, represent the Company in relation to shareholders, investors, the media and other stakeholders. The Board members usually direct third-party enquiries to the President and CEO. The Board of Directors is represented by the Chairman of the Board of Directors.

Duties of the Chairman of the Board of Directors

Duties of the Chairman of the Board of Directors include chairing the Board's meeting and managing the Board's work so that it can fulfill its duties.

Chairman of the Board of Directors shall

- ensure that the meetings are held according to schedule,
- ensure that the Board of Directors is convened for the extraordinary meetings, if necessary,
- ensure that the presentations and supporting materials are delivered to the Board members within the agreed time and early enough prior to the meeting,
- approve the agenda prepared by the President and CEO,
- take care of the documentation of the meetings and of the decisions made,
- keep in contact with President and CEO and monitor the company's business performance, and
- be in charge of evaluating the work done by the Board of Directors.

Chairman of the Board of Directors

b. 1955, Finnish citizen, M.Sc. (Eng.)

- Chairman of the Remuneration and HR Committee
- Independent of the Company, dependent of significant shareholders of the Company, Board member since 1989 and Chairman since 1994

Employment History

- Nokia Corporation, various product marketing positions 1988-1998
- Marketing and development positions in private telecommunication companies 1983-1988

Positions of Trust

- Helkama Bica Oy, Member of the Board
- Novamator Oy, Member of the Board
- Munkkiniemen yhteiskoulun kannatusyhdistys ry, Vice Chairman

Members of the Board of Directors in 2015

In January–December 2015, the Vaisala Board of Directors comprised seven members. The Chairman of the Board of Directors was Raimo Voipio, the Vice Chairman was Yrjö Neuvo and the members were Petra Lundström, Mikko Niinivaara, Maija Torkko, Pertti Torstila and Mikko Voipio. The Board of Directors' secretary was attorney-at-law Matti Kari.

The Annual General Meeting held on March 31, 2015 confirmed that the number of Board members is seven. Petra Lundström, Mikko Niinivaara, Yrjö Neuvo, Maija Torkko, Pertti Torstila and Raimo Voipio continued as members of the Board of Directors. Ville Voipio was elected as a new member of the Board of Directors. The Chairman of the Board of Directors is Raimo Voipio, and the Vice Chairman is Yrjö Neuvo. The Board of Directors' secretary is General Counsel Katriina Vainio.

Board of Directors on December 31, 2015

		End of term
1. Petra Lundström	Member	2018
2. Mikko Niinivaara	Member	2017
3. Yrjö Neuvo	Vice Chairman	2016
4. Maija Torkko	Member	2016
5. Pertti Torstila	Member	2017
6. Raimo Voipio	Chairman	2017
7. Ville Voipio	Member	2018



**Raimo
Voipio**



**Yrjö
Neuvo**

Vice Chairman of the Board of Directors

b. 1943, Finnish citizen, Ph.D. Cornell University

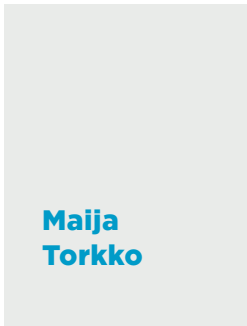
- Member of the Remuneration and HR Committee
- Independent member of the Vaisala Board of Directors since 1989 and Vice Chairman since 1994

Employment History

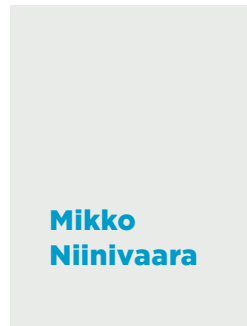
- Professor, Research Director, Aalto University
- Nokia Corporation, Technology Advisor 2006
- Nokia Corporation, member of the Executive Board, product development of mobile phones 1993–2005
- Academy of Finland, National Research Professor 1984–1992
- Tampere University of Technology, Professor of Signal Processing 1976–1992
- University of California, Santa Barbara, Visiting Professor, 1981–1982

Positions of Trust

- Fimecc Oy, Member of the Board
- Canatu Oy, Entertrainer Oy, Member of the Board
- Technology Academy of Finland Foundation, Member of the Board
- Cap-XX Ltd, Member of Scientific Advisory Board
- The Foundation of Technology (TES), Member of the Board
- Finnish Science Centre Foundation (Heureka), Member of the delegation
- Tampere University of Technology, Member of Advisory Board



**Maija
Torkko**



**Mikko
Niinivaara**

Member of the Board of Directors

b. 1946, Finnish citizen, B.Sc (Econ.), LL.M.

- Chairman of the Audit Committee and Member of the Remuneration and HR Committee
- Independent member of the Vaisala Board of Directors since 2007

Employment History

- Nokia Corporation, Senior Vice President, Corporate Controller 1997–2006
- Nokia Corporation, various positions 1968–1996

Member of the Board of Directors

b. 1950, Finnish citizen, M.Sc. (Eng.), Dr. Tech. (h.c.)

- Member of the Audit Committee
- Independent member of the Vaisala Board of Directors since 2002

Employment History

- ABB Oy, President 2001–2011
- ABB Industry Oy, President 1999–2001
- ABB Ltd, Zurich, Division Director 1993–1998
- Various managerial positions in ABB Group 1984–1993

Positions of Trust

- Helen Oy, Member of the Board



**Ville
Voipio**

Member of the Board of Directors

b. 1974, Finnish citizen, Doctor of Science in Measurement Technology

- Independent member of the Vaisala Board of Directors since 2015

Employment History

- Business Development Manager, Si-Tecno Oy, business strategy and R&D management 2014-
- Adjunct Professor, Tampere University, Department of Signal Processing 2013-
- Managing Director, CEO, K-Patents Oy, strategic and general management 2012-2013
- Managing Director, CEO, Janesko Oy, R&D management 2008-2013
- Project Manager, K-Patents Oy, R&D project management, technology management 1996-2008

Positions of Trust

- Si-Tecno Oy, Member of the Board of Directors



**Petra
Lundström**

Member of the Board of Directors

b. 1966, Finnish Citizen, M.Sc (Technical Physics)

- Member of the Audit Committee
- Independent member of the Vaisala Board of Directors since 2014

Employment History

- Vice President, Nuclear Development, Fortum Power and Heat Oy, 2014-
- Vice President, Solar Business Development, Fortum Oyj, 2012-2014
- Vice President, Chief Technology Officer, Fortum Oyj, 2008-2011
- Technology Manager, Fortum Oyj, 2005-2007
- Manager of the Thermalhydraulics team, Fortum Nuclear Services, 2002-2005
- Design Engineer and Chief Design Engineer, IVO / Fortum, 1990-2001

Positions of Trust

- VTT Technical Research Centre of Finland, Member of Board



**Pertti
Torstila**

Member of the Board of Directors

b. 1946, Finnish citizen, Master of Political Sciences

- Independent member of the Vaisala Board of Directors since 2014

Employment History

- Foreign Ministry, Helsinki, Secretary of State, 2006-2014
- Ambassador to Sweden, 2002-2006
- Foreign Ministry, Helsinki, Under-Secretary of State, 2000-2002
- Foreign Ministry, Helsinki, Director General for Political Affairs, 1996-2000
- Ambassador to Austria/ETYK, Hungary and Croatia, 1989-1996

Positions of Trust

- Red Cross Finland, Chairman of the Board
- John Nurminen Foundation, Member of the Board

In accordance with the recommendation 10, all Board members are independent of the Company. Yrjö Neuvo, Mikko Niinivaara, Maija Torkko, Petra Lundström, Ville Voipio and Pertti Torstila are independent of the Company and independent of significant shareholders of the Company. Raimo Voipio, the Chairman, is dependent of significant shareholders of the Company. The Board of Directors complies with recommendations concerning the number of independent directors.

Vaisala's Board of Directors convened 13 times during 2015, and the attendance rate of the members was 98%. The attendance of the meetings is listed in the table on page 87.

Board Committees

The Board of Directors has two permanent committees: an Audit Committee and a Remunerations and HR Committee. The members of the Committees are appointed annually from among the members of the Board of Directors in accordance with the charter of the respective Committee. The Board of Directors may establish Committees for duties assigned by the Board. The Board of Directors confirm the charter for the Committees. The Committees assist the Board of Directors by preparing matters that are within the scope of responsibilities of the Board. The Committees are not decision-making or executive organs; instead, the Board of Directors is responsible for the tasks it has assigned to the Committees, unless it has been stated otherwise in the Committees' rules. The Committees keep minutes of their meetings; the minutes are available to the members of the Board of Directors. The Secretary of the Board of Directors acts as the secretary of the Committees.

The Audit Committee

The Audit Committee assists the Board of Directors in supervising the company's accounting and asset management, risk management as well as in organizing external and internal audit. The Audit Committee manages its tasks in accordance with the rules approved by the Board of Directors, the Securities Market Association's Finnish Corporate Governance Code and the applicable laws and regulations.

The Audit Committee comprises three members, appointed annually by the Board of Directors. The members of the Committee must be independent of the Company and at least one member must also be independent of significant shareholders of the Company. The Committee convenes at least five times a year. The President and CEO and the Chief Financial Officer also attend the Committee meetings. The other responsible Vaisala employees attend the Committee meetings as required on the invitation of the Committee.

The Audit Committee deals with the following key issues

- To supervise the financial reporting and the forecast processes,
- To accept Vaisala accounting and calculation principles, as well as their changes,
- To handle the interim reports, the financial statement release and financial statements,
- To assess compliance with laws and regulations,
- To review the Corporate Governance Statement,
- To approve the goodwill testing,
- To approve the essential management's estimates included in the financial statements and interim reports,
- To monitor the efficiency of the company's internal control, risk management and quality auditing,
- To approve the audit plan and its cost estimate,
- To approve the internal auditing plan and cost estimate,
- To approve the company's treasury policy and to monitor its financing position,
- To monitor the company's tax situation,
- To monitor the audit,
- To monitor the internal audit,
- To evaluate the independence of the statutory auditor or audit firm, particularly in relation to the provision of additional services to the Company,
- To prepare a decision proposal on the election of the auditor, and
- To monitor the Company's Code of Conduct.

Members of the Audit Committee in 2015

In January–December 2015, the Audit Committee comprised Maija Torkko (Chairman), Petra Lundström and Mikko Niinivaara. All the members of the Audit Committee were independent both of the Company and of significant shareholders.

Vaisala's Audit Committee convened 5 times during 2015, and the attendance rate of the members was 100%. The attendance of the meetings is listed in the table on page 87.

The Remuneration and HR Committee

The Remuneration and HR Committee is responsible for preparing human resources matters pertaining to the compensation of the President and CEO, and the members of the Management Group, evaluation of the performance of the President and CEO and the members of the Management Group, Group compensation policies and practices.

The Remuneration and HR Committee deals with the following key issues

- To prepare remuneration and other financial benefits of the President and CEO,
- To prepare remuneration and other financial benefits of the management,

- To prepare the matters relating to the company's bonus plans,
- To evaluate the remuneration of the President and CEO and other management and to ensure the appropriateness of the bonus plans,
- To monitor the development of the employees, and
- To monitor employee well-being, health and development of security.

The Remuneration and HR Committee comprises three members, appointed annually by the Board of Directors. The majority of the members of the Committee must be independent of the Company. The Committee convenes at least two times a year. President and CEO, Senior Vice President, Human resources and the Chief Financial Officer

also attend the Committee meetings, except when the agenda includes items relating to them. The other responsible Vaisala employees attend the Committee meetings as required on the invitation of the Committee.

Members of the Remuneration and HR Committee in 2015

In January–December 2015, the Remunerations and HR Committee comprised Raimo Voipio (Chairman), Yrjö Neuvo and Maija Torkko. All the members of the Committee were independent of the Company.

Vaisala's Remuneration and HR Committee convened 5 times during 2015, and the attendance rate of the members was 100%. The attendance of the meetings is listed in the table below.

Meeting attendance of the Board of Directors and its Committees in 2015

	Position	Board of Directors meetings	Audit Committee	Remuneration and HR Committee
Raimo Voipio	Chairman	13/13		5/5
Yrjö Neuvo	Vice Chairman	12/13		5/5
Petra Lundström	Member	13/13	5/5	
Mikko Niinivaara	Member	13/13	5/5	
Maija Torkko	Member	12/13	5/5	5/5
Pertti Torstila	Member	13/13		
Mikko Voipio (until March 31, 2015)	Member	5/5		
Ville Voipio (from March 31, 2015)	Member	8/8		

**Kjell
Forsén**



President and CEO

b. 1958, Finnish citizen, Lic.Sc. (Technology)

- President and CEO and Chairman of Vaisala Management Group 2006–

Employment History

- President of Ericsson Finland 2003–2006
- Ericsson, several managerial positions within the company, both in Finland and abroad 1986–2006

Positions of Trust

- JMC Council Center, Member of the Council
- Valamo Foundation, Member of the Council

President and CEO

Vaisala's President and CEO is appointed by the Board of Directors. The President and CEO is responsible for the everyday management of the company in accordance with the guidelines and instructions given by the Board of Directors, and informs the Board of Directors of the development of the Company's business and financial situation. The President and CEO is responsible for ensuring that the company's accounting is legally compliant and that its financial affairs have been arranged in a reliable manner. The President and CEO is the Chairman of Vaisala's Management Group.

Management Group

The President and CEO is the Chairman of the Management Group. The Management Group comprises six members. The Management Group

meets once a month to assist the President and CEO in developing the strategy, implementing the strategy, managing operational business, as well as preparing matters handled by the Board. The Management Group draws up annual operational and financial plans as well as goals related to these plans, monitors the implementation of the plans and prepares major investments and acquisitions. The President and CEO is responsible for the decisions taken by the Management Group. Members of the Management Group are responsible for implementing the decisions in their own areas of responsibility.

Members of Vaisala's Management Group are heads of business areas, the Chief Financial Officer, the Executive Vice President of Operations and Human Resources.

Members of the Management Group on December 31, 2015

- Kjell Forsén, President and CEO, Chairman of the Management Group since 2006
- Marja Happonen, Executive Vice President since 1994
- Sampsa Lahtinen, Executive Vice President, Controlled Environment Business Area since 2013
- Ilkka Mannonen, Head of Weather Offering *
- Kaarina Muurinen, Chief Financial Officer since 2011
- Vesa Pylvänäinen, Executive Vice President, Operations since 2011

Hannu Katajamäki, Executive Vice President, Services and member of Vaisala's Management Group since 2011 left Vaisala on April 1, 2015.

Kai Konola, Executive Vice President, Weather Business Area and member of Vaisala's Management Group since 2010 left Vaisala on December 15, 2015.

* Jarkko Sairanen was appointed Executive Vice President of Vaisala Weather Business Area on November 26, 2015. Jarkko Sairanen started at Vaisala on February 1, 2016. Ilkka Mannonen, Head of Weather Offering acted as an interim Executive Vice President, Weather Business Area on December 15, 2015–January 31, 2016.

More Information

More information about Vaisala's Management Group is available on the Company website at www.vaisala.com/investors.

Remuneration

The Annual General Meeting decides on the remuneration of the Chairman, Vice Chairman and Board members as well as on the remuneration of the Auditor.

The objective of remuneration at Vaisala is to encourage employees as individuals and as team members to achieve the financial and operational targets set. In determining the remuneration, Vaisala takes into account its financial performance, remuneration levels for similar positions among peer companies and external references. All Vaisala employees are included in a bonus plan that promotes the development of net sales, operating result and cash flow.

Vaisala's remuneration package for key executives includes a competitive salary and employee benefits according to local market practices as well as bonuses based on predefined annual performance indicators. The bonus plans promote development of net sales, operating result and cash flow. The key executives also belong to long-term share-based incentive plans, which are based on the development of the Company's profitability.

Vaisala's Board of Directors approves the company's bonus plans and their target groups annually. The Board of Directors also decides on the compensation of the President and CEO and approves the compensation of the direct reports of the President and CEO.

Remuneration of the Board of Directors

The Annual General Meeting held on March 31, 2015 decided that the annual fee payable to the Board members for the term until the close of the Annual General Meeting in 2016 is: the Chairman of the Board of Directors EUR 45,000 and each Board member EUR 35,000. Approximately 40 percent of the annual remuneration will be paid in Vaisala Corporation's A shares acquired from the market and the rest in cash.

In addition, the Annual General Meeting decided that the compensation per attended meeting for the Chairman of the Audit Committee is EUR 1,500 and EUR 1,000 for each member of the Audit Committee for the term until the close of the

EUR 1,000	2015	2014
Petra Lundström (since March 26, 2014)	40	30
Yrjö Neuvo	40	40
Mikko Niinivaara	40	40
Maija Torkko	48	48
Pertti Torstila (since March 26, 2014)	35	26
Raimo Voipio	50	50
Ville Voipio (since March 31, 2015)	26	-
Mikko Voipio (until March 31, 2015)	9	35
Timo Lappalainen (until March 26, 2014)	-	10
Total	288	279

Number of shares owned, December 31, 2015	A shares *	K shares
Petra Lundström	600	-
Yrjö Neuvo	35,490	18,664
Mikko Niinivaara	1,200	-
Maija Torkko	3,700	-
Pertti Torstila	1,200	-
Raimo Voipio	285,430	227,148
Ville Voipio	194,807	47,844
Total	522,427	293,656

* The shareholdings include also shares held by the Board of Directors' interest parties and controlled organizations.

Annual General Meeting in 2016. The compensation per attended meeting for the Chairman and each member of the Remuneration and HR Committee and any other committee established by the Board of Directors is EUR 1,000 for the term until the close of the Annual General Meeting in 2016.

Remuneration of Vaisala's Management

President and CEO

The Board of Directors of Vaisala Corporation decides on the remuneration of Vaisala's President and CEO. The overall compensation consists of a monthly salary, fringe benefits, a pension plan and a performance bonus as well as the Share-Based Incentive Plans 2014 and 2015. The maximum annual bonus is limited to 72 percent of the President and CEO's annual salary. The President

and CEO belongs to a voluntary pension plan which defines the retirement age as 62 years.

The notice period is 6 months for the employee and 12 months for the employer. Severance pay and conditions of other severance compensations are equal to the respective salary.

Management Group

Vaisala's Board of Directors approves the compensation of the direct reports of the President and CEO.

The overall compensation of the Management Group members consists of a monthly salary, fringe benefits, pension plan and a performance bonus as well as the Share-Based Incentive Plans 2014 and 2015. The maximum annual bonus is limited to 60 percent of the annual salary. The Management Group members belong to a voluntary pension plan which defines the optional retirement age as 62 years.

Remuneration of the President and CEO

EUR 1,000	2015	2014
Salary	491	479
Bonuses	298	83
Share-based payment	126	119
Obligatory pension	99	96
Voluntary pension	116	114
Total	1,131	891

Remuneration of the Management Group, excluding President and CEO

EUR 1,000	2015 *	2014
Salary	1,231	1,313
Bonuses	375	185
Share-based payment	272	349
Obligatory pension	244	256
Voluntary pension	178	187
Total	2,300	2,289

* Hannu Katajamäki, Executive Vice President, Services until April 1, 2015

* Kai Konola, Executive Vice President, Weather Business Area until December 15, 2015

Remunerations of the President and CEO and the Management Group members in 2015

EUR 1,000	Salary	Bonuses	Share-based	Obligatory pension	Voluntary pension	Total
President and CEO	491	298	126	99	116	1,131
Other Management Group members	1,231	375	272	244	178	2,300
Total	1,722	673	398	343	294	3,431

Share-based incentive plans

On May 3, 2012 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of the Group's profitability in calendar year 2012 and it was paid partly in the Company's series A shares and partly in cash in March 2015. The cash proportion was paid to cover taxes and tax-related costs arising from the reward to employees. No reward was paid to employees whose employment or service had ended before the reward payment date. In total 63,800 A shares were transferred. In 2015, EUR 0.2 million and in 2012–2014 EUR 1.7 million was expensed for the plan.

On February 6, 2013 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of Group's profitability in calendar year 2013 and it will be paid partly in the Company's series A shares and partly in cash in spring 2016. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. No reward will be paid, if a key employee's employment or service ends before the reward payment date. Maximum amount corresponding to 150,000 shares will be paid depending on the number of entitled persons in the company at the end of vesting period. No reward will be paid based on this plan as the profitability targets for 2013 were not met.

On February 10, 2014 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of Group's profitability in calendar year 2014 and it will be paid partly in the Company's series A shares and partly in cash in spring 2017. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 160,000 shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. In 2015 EUR 0.3 million and in 2014 EUR 0.2 million was expensed for the plan. On Decem-

ber 31, 2015 the maximum amount corresponds to 115,200 shares and it is depending on the number of entitled persons in the company at the end of vesting period.

On December 18, 2014 the Board of Directors resolved for the Group key employees a share-based incentive plan that was based on the development of Group's profitability in calendar year 2015 and it will be paid partly in the Company's series A shares and partly in cash in spring 2018. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 160,000 shares. No reward will be paid, if a key employee's employment or service ends before the reward payment date. In 2015 EUR 0.5 million was expensed for the plan. On December 31, 2015 the maximum amount corresponds to 143,000 shares and it is depending on the number of entitled persons in the company at the end of vesting period.

On December 16, 2015 Vaisala's Board of Directors resolved for the Group key employees a share-based incentive plan that is based on the development of Group's profitability in calendar year 2016 and it will be paid partly in the Company's series A shares and partly in cash in spring 2019. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. No reward will be paid if a key employee's employment or service ends before the reward payment date. Maximum amount corresponding to 200,000 shares will be paid depending on the number of entitled persons at the end of vesting period.

More Information

A regularly updated table reporting the holdings of public insiders is available on Company's website at www.vaisala.com/investors, Corporate Governance.

Supervision

Main features of the internal control and risk management systems pertaining to the financial reporting process

The internal control seeks to ensure the Company's compliance with applicable laws, regulations and with Vaisala's code of conduct as well as the reliability of financial and operational reporting. Furthermore, the internal control seeks to safeguard the Company's assets and to ensure overall effectiveness and efficiency of operations to meet Vaisala's strategic, operational and financial

targets. Internal control practices are aligned with Vaisala's risk management process. The goal of the risk management is to support Vaisala's strategy and the achievement of targets by anticipating and managing potential business threats and opportunities.

Vaisala's operating model of internal control and risk management related to financial reporting aims to provide sufficient assurance regarding the reliability of financial reporting and that the financial statements have been prepared in

accordance with the applicable laws and regulations, generally accepted accounting principles (IFRS) and other requirements for listed companies. The principal components of internal control are control environment, risk assessment, control activities, communications and monitoring.

Control environment

The Board of Directors has the overall responsibility for the internal control of financial reporting. The Board of Directors has established a written formal working order that clarifies its responsibilities and regulates the internal distribution of work of the Board of Directors and its committees. The Board of Directors has appointed the Audit Committee whose primary task is to ensure that established principles for financial reporting, risk management and internal control are followed to and that appropriate relations are maintained with the Company's auditors. The President and CEO has the responsibility for maintaining an effective control environment and the ongoing work on internal control as regards the financial reporting. The Internal Audit reports all relevant issues to the Audit Committee and the President and CEO.

The Internal Audit focuses on developing and enhancing control over the financial reporting by proactively concentrating on the internal control environment and by monitoring the effectiveness of the control. The most important internal steering instruments for Vaisala's financial reporting comprise the Code of Conduct, treasury policy, credit policy, accounting policies and reporting instructions.

Risk assessment

Vaisala's risk assessment as regards financial reporting aims to identify and evaluate the most significant threats at the levels of Group and reporting segments as well as at the level of functions and processes. The risk assessment results in control targets through which Vaisala seeks to ensure that the fundamental requirements placed on financial reporting are fulfilled. Information on the development of essential risk areas as well as the plans and measures to mitigate the risks are communicated regularly to the Audit Committee.

Control activities

Vaisala's management has operational responsibility for internal controls. Internal control related to the financial activities as well as to control of the business and the management has been integrated into Vaisala's business processes. Vaisala has defined and documented significant internal control activities related to its financial statement reporting process as part of business processes. Internal control activities include approvals, authorizations, verifications, reconciliations, reviews of operating performance and segregation of duties.

All business units have their own defined controller functions whose representatives

participate in planning and evaluating unit performance. They ensure that monthly and quarterly financial reporting follows the company's policies and instructions and that all financial reporting is delivered on time. Management follow-up is carried out through monthly management reporting routines.

Communications

Vaisala seeks to ensure that the Company's internal and external communication is open, transparent, accurate and timely. Code of Conduct, treasury policy, credit policy, accounting policies, and reporting instructions as well as disclosure policy are available on Vaisala's intranet. The disclosure policy defines how and when information should be given and by whom it is given. It also defines the accuracy and comprehensiveness of the information in order to fulfill the communication obligations. Vaisala's CFO reports the results of the internal control work and efficiency of the control activities as a standing item on the agenda of the Audit Committee.

Monitoring

The effectiveness of internal control related to financial reporting is monitored by the Board of Directors, the Audit Committee, the President and CEO, Management Group and internal audit. The monitoring includes the follow up of monthly financial reports, review of the rolling estimates and plans, as well as reports from Internal Audit and auditors. The Internal Audit assesses the effectiveness of Vaisala's operations and the adequacy of risk management and reports the risks and weaknesses related to the internal control processes. Internal Audit compiles an annual audit plan, the status and findings of which it regularly reports to Audit Committee and Vaisala's management. Furthermore, the CFO, General Counsel, Internal Audit and Auditor coordinate the audit planning and monitoring at least twice a year.

General development measures in internal control and risk management in 2015

Vaisala decided to establish an internal audit function, whose task is to audit the financial and operational processes, to evaluate the effectiveness of internal controls and risk management as well as to evaluate management practices. EY was selected to manage Vaisala's internal audit, and the auditing was started in the second half of 2015. The audit covered the purchase-to-pay process in Finland.

Vaisala renewed its accounting and reporting process in early 2015 at a time when the new version of the ERP system was introduced. Financial processes were harmonized in all Group companies and internal controls were modified into the business processes. Deepening the hierarchy of the management reporting structure

and increasing the dimensions enabled more detailed analysis. Development of payments transactions and centralization of accounting

into a global services organization strengthened internal controls and uniform practices.

Auditing and Auditor's Fees

The company has one auditor, who must be a public accountant or auditing corporation authorized by the Finland Chamber of Commerce. If an authorized auditing corporation is not chosen to perform the auditing, a deputy auditor must be elected as well. The Auditor's term of office covers the current fiscal year and expires at the end of the following Annual General Meeting. Annual General meeting elects the auditor and decides on the compensation paid to them.

In January 1–March 26, 2014, PricewaterhouseCoopers Oy was Vaisala's auditor and audited the fiscal year 2013. APA Hannu Pellinen

acted as the auditor with the principal responsibility.

The Annual General Meeting held on March 26, 2014 elected Deloitte & Touche Oy, Authorized Public Accountants, as the Auditor, and it audited the fiscal year 2014. APA Merja Itäniemi acted as the auditor with the principal responsibility.

The Annual General Meeting held on March 31, 2015 re-elected Deloitte & Touche Oy, Authorized Public Accountants, as the Auditor, and it audited the fiscal year 2015. APA Merja Itäniemi acted as the auditor with the principal responsibility.

Auditor's Fees	2015	2014
EUR 1,000		
Auditor's fees	250	230
Tax advice	39	113
Statements	1	9
Other fees	54	11
Total	344	363

Insiders

Vaisala Corporation observes the Insiders Guidelines issued by Nasdaq Helsinki Ltd. The Company maintains its public and company specific insider registers in the Euroclear Finland Ltd's Sire system. Public insiders and information on their up-to-date ownership, together with transaction history covering 12 months, of Vaisala's shares are disclosed on Vaisala's website www.vaisala.com/investors.

In accordance with the Securities Market Act, Vaisala Corporation's public insiders comprise the members of the Board of Directors, the President and CEO, the members of the Management Group and the auditors. Those persons, who on the basis of their employment or other contractual relationship with the Company and on account of their position or duties have regular access to insider information, are included in Vaisala's company-specific insider register. Persons to whom the Company discloses insider information related to a specific project

are included in Vaisala's project-specific insider registers.

Vaisala observes a silent period which starts at the end of the reporting quarter and ends on the publication of the respective quarterly or annual results. During this time, the permanent insiders are prohibited from trading in Vaisala's shares. Project-specific insiders are prohibited from trading in Vaisala's shares until the project in question has been cancelled or disclosed. Vaisala's insider registers are maintained by the Legal department.

More Information

A regularly updated table reporting the holdings of public insiders is available on Company's website at www.vaisala.com/investors.

Information for Shareholders

Annual General Meeting

Vaisala Corporation's Annual General Meeting will be held on Tuesday, April 5, 2016 at 6:00 p.m. Finnish time at Vaisala Corporation's head office, Vanha Nurmijärventie 21, 01670 Vantaa, Finland. The reception of persons who have registered for the meeting will commence at 5:00 p.m.

A shareholder, who wishes to participate in the Annual General Meeting, may register for the Meeting by giving a prior notice of participation no later than on March 31, 2016 at 4:00 p.m.

A prior notice of participation can be given:

- through Vaisala's website at www.vaisala.com/investors
- by email to paivi.aaltonen@vaisala.com
- by telephone to +358 9 8949 2201 during working days between 9 a.m. and 11 a.m. (Finnish time).

Possible proxy documents should be delivered in originals to Vaisala Oyj, Päivi Aaltonen, PL 26, 00421 Helsinki, Finland or by email to paivi.aaltonen@vaisala.com before the end of the registration time.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 0.95 per share for the fiscal year 2015 to be paid. The dividend would be paid to shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd on the record date of the dividend distribution, April 7, 2016. The Board of Directors proposes that the dividend will be paid on April 14, 2016.

Changes of address

Vaisala's shareholders are kindly requested to report written changes of address to the bank where they have their book entry account.

Listing of Vaisala shares

Vaisala Corporation has two classes of shares: the listed class A shares and the non-listed class K shares. The Vaisala class A shares are listed on the Nasdaq Helsinki and are registered at Euroclear Finland Ltd.

Publication of financial information

Vaisala Corporation publishes financial information in Finnish and English. All materials are available on Vaisala's website at www.vaisala.com. The printed Financial Statements will be only mailed to those on the company's mailing list. Requests for printed financial reports can be submitted on Vaisala's website at www.vaisala.com.

Interim Reports

- April 26, 2016: Interim Report for January-March 2016
- July 21, 2016: Interim Report for January-June 2016
- October 26, 2016: Interim Report for January-September 2016

Silent period

Vaisala observes a silent period which starts at the end of the reporting quarter and ends to the publication of the respective quarterly or annual results. During this time, Vaisala does not comment on the company's financial situation, markets or future outlook.

The comprehensive investor relations pages and investor relations contact information can be found at www.vaisala.com.



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Corporation**

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