



# Vaisala Corporation Interim Report January-September 2015

October 27, 2015



Vaisala Corporation

Interim Report

October 27, 2015 at 2.00 p.m. (EET)

## Vaisala Corporation Interim Report January-September 2015

**In the third quarter 2015, net sales increased by 5% to EUR 81.7 million and operating result increased by 12% to EUR 14.1 million.**

### July-September 2015 highlights

- Orders received EUR 81.0 (68.8) million, increase 18%
- Order book EUR 139.7 (137.7) million, increase 1%
- Net sales EUR 81.7 (77.9) million, increase 5%
- Gross margin 53.3% (52.7%)
- Operating result EUR 14.1 (12.6) million, increase 12%
- Earnings per share EUR 0.58 (0.62)
- Cash flow from operating activities EUR 4.6 (10.3) million
- Business outlook for 2015: Vaisala estimates its full year 2015 net sales to be in the range of EUR 305-325 million and the operating result (EBIT) in the range of EUR 22-32 million.

### January-September 2015 highlights

- Orders received EUR 227.8 (207.9) million, increase 10%
- Net sales EUR 217.4 (204.0) million, increase 7%
- Gross margin 49.8% (50.4%)
- Operating result EUR 10.5 (11.5) million, decrease 9%
- One-time expenses related to the restructuring EUR 1.8 million
- Earnings per share EUR 0.54 (0.57)
- Cash flow from operating activities EUR 9.8 (8.8) million
- Cash and cash equivalents EUR 34.1 (34.4) million

### Vaisala's President and CEO Kjell Forsén comments on third quarter 2015

"Vaisala's third quarter 2015 was strong as net sales increased by 5% and operating result by 12%. Net sales developed especially well in Americas and also sales in APAC performed well. Orders received increased by 18% driven by Weather Business Area's order intake which grew 23% year-on-year. Following the good sales performance operating result increased by 12% to EUR 14.1 million. Operating result reached 17.2% of net sales during the third quarter.

Solid economic conditions of developed countries supported the market and Vaisala's net sales grew by 5% compared to previous year reaching EUR 81.7 million during the third quarter. Weather Business Area's net sales were EUR 58.4 million and increased 2% year-on-year. Both Energy and Transportation business units were growing but customer project deliveries were on a lower level than in previous year. Weakening of euro had a notable positive effect on Weather Business Area's net sales and at comparable exchange rates net sales would have decreased by 6% from previous year. Controlled Environment Business Area was performing well as its net sales increased by 14% year-on-year to EUR 23.4 million. Net sales grew in all regions even though market environment for industrial measurement solutions remained stable.

In the third quarter 2015, Vaisala's orders received were EUR 81.0 million representing an 18% increase from previous year. Order intake increased in both Americas and APAC. Weather Business Area's orders received increased by 23% and one highlight of the quarter is a EUR 5 million contract in APAC to deliver sounding systems. Controlled Environment Business Area's orders received increased by 6% as order intake grew in Americas and APAC. Vaisala's order book remained strong at EUR 139.7 million and the growth year-on-year is EUR 2 million.

Operating result of the third quarter improved significantly to EUR 14.1 million which is 12% increase from previous year. The positive development was mainly due to higher net sales. The increase in operating result was somewhat diluted by increase in operating expenses as USD based expenses grew due to continued weakness of euro. In Controlled Environment Business Area growing volumes and improved gross margin increased operating result from EUR 4.5 million to EUR 6.1 million. Weather Business Area's operating result decreased by 2% to EUR 8.2 million mainly due to lower sales volumes and related weakening in scale economies.

Vaisala is expecting weather observation market to continue stable except in some markets like Russia and Latin America where economic weakness is expected to affect customers' decision making. Industrial measurement solutions market is expected to remain stable in Americas and APAC and increase in EMEA. In the short term, industrial measurement solutions and weather radars have the most favorable market conditions.

Vaisala updated its business outlook for the full year 2015 on October 21, 2015 due to continued weakness of euro and simultaneous net sales growth in Americas. The revised estimate for net sales is in the range of EUR 305-325 million and the operating result (EBIT) in the range of EUR 22-32 million."

<b>Key Figures</b>					
	<b>7-9/ 2015</b>	<b>7-9/ 2014</b>	<b>1-9/ 2015</b>	<b>1-9/ 2014</b>	<b>1-12/ 2014</b>
Orders received, EUR million	81.0	68.8	227.8	207.9	295.0
Order book, EUR million	139.7	137.7	139.7	137.7	129.2
Net sales, EUR million	81.7	77.9	217.4	204.0	299.7
Gross profit, EUR million	43.6	41.1	108.1	102.9	153.1
Gross margin, %	53.3	52.7	49.8	50.4	51.1
Operating expenses, EUR million	29.6	28.5	96.2	91.7	127.2
Operating result, EUR million	14.1	12.6	10.5	11.5	26.4
Operating result, %	17.2	16.2	4.8	5.6	8.8
Profit (loss) before taxes, EUR million	13.6	14.6	12.8	13.5	29.1
Profit (loss) for the period, EUR million	10.4	11.1	9.8	10.3	23.4
Earnings per share, EUR	0.58	0.62	0.54	0.57	1.30
Return on equity, %			7.9	8.7	14.3
Capital expenditure, EUR million	2.1	2.1	5.4	5.8	7.9
Depreciation, EUR million	3.6	3.7	11.3	11.2	15.2
Cash flow from operating activities, EUR million	4.6	10.3	9.8	8.8	23.8
Cash and cash equivalents, EUR million			34.1	34.4	47.6

## Market situation in July-September 2015

Global economy decelerated slightly towards the end of the third quarter 2015, as especially emerging economies and cyclical manufacturing industries were slowing down. However, solid economic conditions of developed countries helped to maintain overall market environment for weather observation and industrial measurement solutions stable. Weather observation market activity was seasonally improving in the third quarter 2015. Market environment for industrial measurement solutions remained stable overall.

In EMEA weather observation market continues to be affected by difficult economic conditions and depreciated currencies in Russia and its neighboring countries. Western European weather observation market remains stable, but demand has stabilized from strong previous year. Demand for industrial measurement solutions continued to increase in EMEA.

In Americas weather observation market conditions improved significantly compared to slow first half of the year, supported by demand from North American customers. Market environment for industrial measurement solutions remained good, but demand growth slowed down.

In APAC weather observation market was active. Demand for industrial measurement solutions in APAC continued to increase. Deceleration of Chinese manufacturing industry towards the end of the quarter started to affect demand in APAC but market environment in Japan remained good.

## July-September 2015 performance

### Orders received

EUR million	7-9/2015	7-9/2014	Change, %	2014
Weather	58.2	47.3	23	215.2
Controlled Environment	22.8	21.5	6	79.8
Total	81.0	68.8	18	295.0

### Order book

EUR million	7-9/2015	7-9/2014	Change, %	2014
Weather	132.2	131.7	0	123.7
Controlled Environment	7.5	6.1	23	5.5
Total	139.7	137.7	1	129.2

### Orders received

In the third quarter 2015, Vaisala's orders received were EUR 81.0 (68.8) million and increased by 18% compared to previous year. The increase came from Americas and APAC.

In the third quarter 2015, Weather Business Area's orders received were EUR 58.2 (47.3) million and increased by 23% compared to previous year. The increase came from all business units. In the third quarter 2015, Vaisala signed a contract with its customer in Asia Pacific to deliver sounding systems which will be integrated into customer's meteorological system. Deliveries will commence late 2015 and will be completed during 2016. The value of the deal is five million euros.

In the third quarter 2015, Controlled Environment Business Area's orders received were EUR 22.8 (21.5) million and increased by 6% compared to previous year. The increase came from Americas and APAC.

**Order book**

At the end of September 2015, Vaisala's order book was EUR 139.7 (137.7) million and increased by 1% compared to previous year. The order book increased in APAC and Americas and decreased in EMEA. Of the order book EUR 79.5 (86.3) million will be delivered in 2016 or later.

At the end of September 2015, Weather Business Area's order book was EUR 132.2 (131.7) million and was at last year's level. Energy business unit's order book decreased. Of the order book EUR 78.5 (85.2) million will be delivered in 2016 or later.

At the end of September 2015, Controlled Environment Business Area's order book was EUR 7.5 (6.1) million and increased by 23% compared to previous year. The increase came from Americas and APAC. Of the order book EUR 1.0 (1.2) million will be delivered in 2016 or later.

**Net sales by business area**

EUR million	7-9/2015	7-9/2014	Change, %	2014
Weather	58.4	57.3	2	219.6
Products	31.4	24.0	31	108.1
Projects	18.6	21.1	-12	74.7
Services	8.4	12.2	-31	36.7
Controlled Environment	23.4	20.6	14	80.2
Products	20.9	18.6	12	71.9
Services	2.4	1.9	26	8.3
<b>Total</b>	<b>81.7</b>	<b>77.9</b>	<b>5</b>	<b>299.7</b>

**Net sales by region**

EUR million	7-9/2015	7-9/2014	Change, %	2014
EMEA	23.9	29.5	-19	111.8
Americas	36.9	28.4	30	112.1
APAC	20.9	20.0	5	75.9
<b>Total</b>	<b>81.7</b>	<b>77.9</b>	<b>5</b>	<b>299.7</b>

In the third quarter 2015, Vaisala's net sales were EUR 81.7 (77.9) million and increased by 5% compared to previous year. Vaisala's net sales in EMEA was EUR 23.9 (29.5) million and decreased by 19%, in the Americas EUR 36.9 (28.4) million and increased by 30% and in APAC EUR 20.9 (20.0) million and increased by 5%. At comparable exchange rates net sales would have been EUR 75.4 (77.9) million and decrease would have been EUR 2.5 million or 3% from previous year. The positive exchange rate effect was EUR 6.3 million, which was mainly caused by USD exchange rate appreciation against EUR.

In the third quarter 2015, Weather Business Area's net sales were EUR 58.4 (57.3) million and increased by 2% compared to previous year. The increase came from Energy and Transportation business units. Net sales improved in product business. At comparable exchange rates the net sales would have been EUR 54.1 (57.3) million and decrease would have been EUR 3.2 million or 6% from previous year. The positive exchange rate effect was EUR 4.2 million, which was mainly caused by USD appreciation against EUR.

In the third quarter 2015, Controlled Environment Business Area's net sales were EUR 23.4 (20.6) million and increased by 14% compared to previous year. The growth came from all regions. At comparable exchange rates the net sales would have been EUR 21.2 (20.6) million and increase would have been EUR 0.6 million or 3% from previous year. The positive exchange rate effect was EUR 2.2 million, which was mainly caused by USD appreciation against EUR.

**Gross margin and operating result**

EUR million	7-9/2015	7-9/2014	Change, %	2014
Gross margin, %	53.3	52.7		51.1
Weather	49.6	50.1		48.4
Controlled Environment	61.7	60.4		58.4
Operating result				
Weather	8.2	8.4	-2	17.0
Controlled Environment	6.1	4.5	35	12.1
Eliminations and other	-0.2	-0.3		-2.8
Operating result, total	14.1	12.6	12	26.4

In the third quarter 2015, Vaisala's operating result was EUR 14.1 (12.6) million and increased by 12% compared to previous year. The increase in operating result was mainly due to higher net sales but was partially weakened by increase in operating expenses. Gross margin was 53.3% (52.7%) and the increase was mainly due to EUR depreciation and more favorable sales mix. Operating expenses were EUR 29.6 (28.5) million and increased by 4%. The increase came mainly from USD based expenses growing due to USD appreciation against EUR.

In the third quarter 2015, Weather Business Area's operating result was EUR 8.2 (8.4) million and decreased by 2% compared to previous year. Operating result decrease was due to lower gross margin as well as increase in operating expenses. Gross margin was 49.6% (50.1%) and the decrease was mainly due to lower sales volumes and related weakening in scale economies. Operating expenses were EUR 20.8 (20.3) million and increased by 2%. The increase came mainly from USD based expenses growing due to USD appreciation against EUR.

In the third quarter 2015, Controlled Environment Business Area's operating result was EUR 6.1 (4.5) million and increased by 35% compared to previous year. Operating result increase was due to higher net sales and positive gross margin development. Gross margin was 61.7% (60.4%) and the increase was mainly due to higher sales volumes and related improvement in scale economies as well as positive impact of USD appreciation against EUR. Operating expenses were EUR 8.3 (7.9) million and increased by 5%. The increase came mainly from USD based expenses growing due to USD appreciation against EUR as well as higher research and development expenses.

In the third quarter 2015, financial income and expenses were EUR -0.5 (2.0) million. The decrease was mainly due to foreign exchange losses related to valuation of USD denominated receivables.

In the third quarter 2015, profit (loss) before taxes was EUR 13.6 (14.6) million. Income taxes were EUR -3.1 (-3.4) million. Net result was EUR 10.4 (11.1) million.

In the third quarter 2015, earnings per share were EUR 0.58 (0.62).

## January-September 2015 performance

### Orders received

EUR million	1-9/2015	1-9/2014	Change, %	2014
Weather	157.3	149.8	5	215.2
Controlled Environment	70.5	58.1	21	79.8
<b>Total</b>	<b>227.8</b>	<b>207.9</b>	<b>10</b>	<b>295.0</b>

### Order book

EUR million	1-9/2015	1-9/2014	Change, %	2014
Weather	132.2	131.7	0	123.7
Controlled Environment	7.5	6.1	23	5.5
<b>Total</b>	<b>139.7</b>	<b>137.7</b>	<b>1</b>	<b>129.2</b>

### Orders received

In January-September 2015, Vaisala's orders received were EUR 227.8 (207.9) million and increased by 10% compared to previous year. The increase came from Americas.

In January-September 2015, Weather Business Area's orders received were EUR 157.3 (149.8) million and increased by 5% compared to previous year. The increase came from all business units.

In January-September 2015, Controlled Environment Business Area's orders received were EUR 70.5 (58.1) million and increased by 21% compared to previous year. The growth came from all regions.

### Order book

At the end of September 2015, Vaisala's order book was EUR 139.7 (137.7) million and increased by 1% compared to previous year. The order book increased in APAC and Americas and decreased in EMEA. Of the order book EUR 79.5 (86.3) million will be delivered in 2016 or later.

At the end of September 2015, Weather Business Area's order book was EUR 132.2 (131.7) million and was at last year's level. Energy business unit's order book decreased. Of the order book EUR 78.5 (85.2) million will be delivered in 2016 or later.

At the end of September 2015, Controlled Environment Business Area's order book was EUR 7.5 (6.1) million and increased by 23% compared to previous year. The increase came from Americas and APAC. Of the order book EUR 1.0 (1.2) million will be delivered in 2016 or later.

**Net sales by business area**

EUR million	1-9/2015	1-9/2014	Change, %	2014
Weather	148.8	146.2	2	219.6
Products	74.9	72.2	4	108.1
Projects	47.9	48.2	-1	74.7
Services	26.1	25.8	1	36.7
Controlled Environment	68.5	57.8	19	80.2
Products	61.3	51.9	18	71.9
Services	7.2	5.9	23	8.3
<b>Total</b>	<b>217.4</b>	<b>204.0</b>	<b>7</b>	<b>299.7</b>

**Net sales by region**

EUR million	1-9/2015	1-9/2014	Change, %	2014
EMEA	71.3	76.0	-6	111.8
Americas	89.7	75.8	18	112.1
APAC	56.3	52.2	8	75.9
<b>Total</b>	<b>217.4</b>	<b>204.0</b>	<b>7</b>	<b>299.7</b>

In January-September 2015, Vaisala's net sales were EUR 217.4 (204.0) million and increased by 7% compared to previous year. Vaisala's net sales in EMEA was EUR 71.3 (76.0) million and decreased by 6%, in the Americas EUR 89.7 (75.8) million and increased by 18% and in APAC EUR 56.3 (52.2) million and increased by 8%. Operations outside Finland accounted for 98% (98%) of net sales. At comparable exchange rates the net sales would have been EUR 199.7 (204.0) million and decrease would have been EUR 4.3 million or 2% from previous year. The positive exchange rate effect was EUR 17.6 million, which was mainly caused by USD exchange rate appreciation against EUR.

In January-September 2015, Weather Business Area's net sales were EUR 148.8 (146.2) million and increased by 2% compared to previous year. The increase came from all business units. Weather Business Area improved its net sales in product business. At comparable exchange rates the net sales would have been EUR 138.0 (146.2) million and decrease would have been EUR 8.2 million or 6% from previous year. The positive exchange rate effect was EUR 10.9 million, which was mainly caused by USD appreciation against EUR.

In January-September 2015, Controlled Environment Business Area's net sales were EUR 68.5 (57.8) million and increased by 19% compared to previous year. Net sales increased in all regions and at comparable exchange rates EMEA grew fastest. At comparable exchange rates the net sales would have been EUR 61.7 (57.8) million and increase would have been EUR 3.9 million or 7% from previous year. The positive exchange rate effect was EUR 6.8 million, which was mainly caused by USD appreciation against EUR.

**Gross margin and operating result**

EUR million	1-9/2015	1-9/2014	Change, %	2014
Gross margin, %	49.8	50.4		51.1
Weather	45.1	47.5		48.4
Controlled Environment	59.7	57.8		58.4
Operating result				
Weather	0.1	4.3	-98	17.0
Controlled Environment	13.5	8.2	64	12.1
Eliminations and other	-3.1	-1.0		-2.8
<b>Operating result, total</b>	<b>10.5</b>	<b>11.5</b>	<b>-9</b>	<b>26.4</b>



In January-September 2015, Vaisala's operating result was EUR 10.5 (11.5) million and decreased by 9% compared to previous year. Vaisala's gross margin was 49.8% (50.4%) and the decrease was mainly due to lower sales volumes and related weakening in scale economies. Vaisala's operating expenses were EUR 96.2 (91.7) million and increased by 5% 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-September 2015, Weather Business Area's operating result was EUR 0.1 (4.3) million and decreased by 98% compared to previous year. Gross margin was 45.1% (47.5%) and the decrease was mainly due to lower sales volumes and related weakening in scale economies. Operating expenses were EUR 67.2 (65.5) million and increased by 2%. The increase came mainly from USD based expenses growing due to USD appreciation against EUR.

In January-September 2015, Controlled Environment Business Area's operating result was EUR 13.5 (8.2) million and increased by 64% compared to previous year. Gross margin was 59.7% (57.8%) and the increase was mainly due to higher sales volumes and related improvement in scale economies as well as positive impact of USD appreciation against EUR. Operating expenses were EUR 27.4 (25.3) 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-September 2015, financial income and expenses were EUR 2.3 (2.0) million. The increase is mainly due to foreign exchange gains related to valuation of USD denominated receivables.

In January-September 2015, profit (loss) before taxes was EUR 12.8 (13.5) million. Income taxes were EUR -2.9 (-3.2) million. Effective tax rate for January-September 2015 was 23.0% (23.5%). Net result was EUR 9.8 (10.3) million.

In January- September 2015, earnings per share were EUR 0.54 (0.57).

## **Statement of financial position and cash flow**

Vaisala's financial position remained strong at the end of the September 2015. Cash and cash equivalents amounted to EUR 34.1 (34.4) million at the end of September 2015 and Vaisala did not have any material interest bearing liabilities.

The statement of financial position total was EUR 240.4 (227.2) million. The increase was due to EUR depreciation against other currencies and also increases in inventories, receivables and short-term liabilities.

In January-September 2015, Vaisala's cash flow from operating activities was EUR 9.8 (8.8) million. The improvement compared to previous year was mainly related to development of working capital.

## **Capital expenditure and divestments**

In January-September 2015, gross capital expenditure totaled EUR 5.4 (5.8) million. Depreciation was EUR 11.3 (11.2) million.

## Research and development

In January-September 2015, research and development expenses totaled EUR 25.8 (24.6) million, representing 11.9% (12.1%) of net sales.

### R&D by business area

EUR million	7-9/ 2015	7-9/ 2014	Change, %	1-9/ 2015	1-9/ 2014	Change, %	2014
Weather	6.1	5.9	2	19.2	18.5	4	25.7
Controlled Environment	2.0	1.7	12	6.6	6.1	8	8.2
Total	8.0	7.7	5	25.8	24.6	5	34.0

In January-September 2015, Weather Business Area R&D expenses were 12.9% (12.6%) of net sales. Controlled Environment Business Area R&D expenses were 9.7% (10.6%) of net sales.

## Personnel

The average number of personnel employed in Vaisala during January-September 2015 was 1,616 (1,618). The number of employees at the end of September 2015 was 1,591 (1,616). At the end of 2014, the number of employees was 1,613.

At the end of September 2015, 42% (44%) of the personnel was based outside Finland.

## 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 the current 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 are estimated to be EUR 2 million. The first quarter operating result includes EUR 1.8 million accrual for one-time costs.

### **Change 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 decided to leave Vaisala as of December 15, 2015.

As of September 30, 2015 Vaisala's Management Group members were:

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

### **Near-term risks and uncertainties**

Vaisala's business is exposed to changes in the global economy, politics, conflicts, policies, regulations, Vaisala's supply chain and distribution channels, and accidents as well as natural disasters and epidemics, which may affect business e.g. through order cancellations, disturbance in logistics, travel restrictions, and loss of market potential. 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 revenue and profitability.

The most significant near-term risks and uncertainties that may affect both revenue and profitability relate to the company's ability to maintain its delivery capability, availability of critical components, interruptions in manufacturing or IT systems, changes in the global economy, Russia sanctions, spreading of epidemics, continuing conflicts in the Middle East and Africa, currency exchange rates, patent trolls, customers' financing capability, changes in customers' purchasing or investment behavior, and delays or cancellations of orders. Changes in the competition may affect the volume and profitability of business through introduction of new competitors and price erosion in areas which traditionally have been strong for Vaisala. Changes in subcontractor relations, their operations or operating environment as well as the quality of the deliverables may have a negative impact on Vaisala's business.

A significant part of Vaisala's business is project business. Project business performance and schedules have dependencies to third parties, which may impact profitability and timing of revenue recognition. Assumptions regarding new project and service business opportunities constitute a risk for both revenue and profitability.

The importance of information services and decision support systems is increasing in Vaisala's weather business. These Internet-based online services are potential subjects to a variety of cyber risks.

Further information about risk management in Vaisala is available on the company website at <http://www.vaisala.com/investors>, Corporate Governance.

## **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 will continue 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 will be 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**

In January–September 2015, a total number of 1,805,426 (751,225) Vaisala A shares with a value totaling EUR 43.7 (17.4) million were traded on the NASDAQ OMX Helsinki Ltd. On September 30, 2015 the closing price was EUR 23.71 (20.90). The highest quotation during January-September 2015 was EUR 27.02 (24.98) and the lowest EUR 21.55 (20.45).

On September 30, 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.

The market value of Vaisala's A shares on September 30, 2015 was EUR 348.3 (306.6) 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 September, the total market value of all the A and K shares together was EUR 428.7 (377.4) million, excluding the Company's treasury shares.

More information about Vaisala's share and shareholders are presented on the website, [www.vaisala.com/investors](http://www.vaisala.com/investors).

**Treasury shares and parent company shares**

The Board of Directors of Vaisala Corporation decided on March 10, 2015 issuance of directed shares without consideration for the payment of share-based incentive 2012. 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 transfer of shares by means of a directed issuance of shares without consideration is based on the authorization granted to the Board of Directors by the Annual General Meeting of Shareholders held on 26 March, 2014.

The Board of Directors of Vaisala Corporation decided on March 10, 2015 to use the authorization granted by the Annual General Meeting of Shareholders held on March 26, 2014 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.

On April 28, 2015, Vaisala Corporation's Board of Directors resolved to commence repurchases of shares under the authorization given by the Vaisala Annual General Meeting held on March 31, 2015. The Board of Directors resolved to 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 repurchases commenced on April 30, 2015. During the period of April 30, 2015-September 30, 2015 Vaisala had repurchased 107,374 shares.

At the end of September 2015, the Company held a total of 138,924 (159,150) Vaisala series A treasury shares, which represented 0.8% of the share capital and 0.2% of the votes.

**Market outlook 2015**

Even though global economy has recently slightly decelerated, the latest forecasts still predict moderate development for the fourth quarter of 2015 and Vaisala is expecting stable weather observation and industrial measurement market conditions. As typical, weather observation market activity is expected to improve seasonally towards the end of the year. However, differences in business conditions between customer groups and regions are expected to remain. In the short term, industrial measurement solutions and weather radars have the most favorable market conditions. Heavy decline in commodity prices, especially in crude oil and gas, is affecting market conditions in offshore business and commodity exporting economies. Competition in weather observation market is expected to continue intensifying. In weather observations 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 EMEA demand for weather observation solutions is expected to be constrained by economic weakness in Russia and its neighboring countries. Weather observation market outlook in the rest of EMEA is stable. Demand for industrial measurement solutions is expected to increase.

In Americas weather observation market outlook is stable in North America, but regional economic weakness is expected to delay progression of weather infrastructure projects in Latin America. Market environment for industrial measurement solutions is expected to remain stable in Americas.

In APAC demand for weather observation solutions is expected to remain active. Market environment for industrial measurement solutions is expected to remain stable in APAC, even though some parts of the market are affected by deceleration of Chinese manufacturing industry.

### **Business outlook for 2015**

Vaisala updated its business outlook on October 21, 2015 and estimates that for the full year 2015 its net sales will be EUR 305-325 million. The increase in net sales estimate is due to continued weakness of euro and simultaneous net sales growth in Americas. Vaisala estimates that for 2015 the operating result will be EUR 22-32 million.

### **Updated business outlook for 2015**

Vaisala estimates its full year 2015 net sales to be in the range of EUR 305-325 million and the operating result (EBIT) in the range of EUR 22-32 million.

### **Previous business outlook from February 12, 2015**

Vaisala estimates its full year 2015 net sales to be in the range of EUR 285-315 million and the operating result (EBIT) in the range of EUR 20-30 million.

Vantaa, October 27, 2015

Vaisala Corporation  
Board of Directors

The forward-looking statements in this release 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 information and changes in accounting policies

This interim financial report has been prepared in accordance with IAS 34, Interim Financial Reporting, following the same accounting policies and principles as in the annual financial statements for 2014. All figures in the interim report are Group figures. All presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented.

The preparation of the financial statements in accordance with IFRS requires Vaisala's management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and the recognition of income and expenses in the statement of income. Although the estimates are based on the management's best knowledge at the date of the interim report, actual results may differ from the estimates.

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.

The interim financial report is unaudited.

<b>Consolidated Statement of Income</b>					
<b>EUR million</b>	<b>7-9/ 2015</b>	<b>7-9/ 2014</b>	<b>1-9/ 2015</b>	<b>1-9/ 2014</b>	<b>1-12/ 2014</b>
Net sales	81.7	77.9	217.4	204.0	299.7
Costs of sales	-38.2	-36.8	-109.2	-101.1	-146.6
<b>Gross profit</b>	<b>43.6</b>	<b>41.1</b>	<b>108.1</b>	<b>102.9</b>	<b>153.1</b>
Sales, marketing and administrative costs	-21.6	-20.8	-70.4	-67.1	-93.2
Research and development costs	-8.0	-7.7	-25.8	-24.6	-34.0
Other operating income and expense	0.1	0.0	-1.4	0.3	0.5
<b>Operating profit (loss)</b>	<b>14.1</b>	<b>12.6</b>	<b>10.5</b>	<b>11.5</b>	<b>26.4</b>
Share of result in associated companies	-	-	-	-	0.1
Financial income and expenses, net	-0.5	2.0	2.3	2.0	2.6
<b>Profit (loss) before taxes</b>	<b>13.6</b>	<b>14.6</b>	<b>12.8</b>	<b>13.5</b>	<b>29.1</b>
Income taxes	-3.1	-3.4	-2.9	-3.2	-5.7
<b>Profit (loss) for the period</b>	<b>10.4</b>	<b>11.1</b>	<b>9.8</b>	<b>10.3</b>	<b>23.4</b>
Earnings per share, EUR	0.58	0.62	0.54	0.57	1.30
Diluted earnings per share, EUR	0.57	0.61	0.54	0.56	1.29



<b>Consolidated Statement of Comprehensive Income</b>					
<b>EUR million</b>	<b>7-9/ 2015</b>	<b>7-9/ 2014</b>	<b>1-9/ 2015</b>	<b>1-9/ 2014</b>	<b>1-12/ 2014</b>
<b>Items that will not be reclassified to profit or loss</b>					
Actuarial loss on post-employment benefits	0.0	0.0	0.0	0.0	-0.5
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.5</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Currency translation differences	-0.4	2.1	2.6	2.5	3.5
<b>Total</b>	<b>-0.4</b>	<b>2.1</b>	<b>2.6</b>	<b>2.5</b>	<b>3.5</b>
<b>Total other comprehensive income</b>	<b>-0.4</b>	<b>2.1</b>	<b>2.6</b>	<b>2.5</b>	<b>3.0</b>
<b>Total comprehensive income</b>	<b>10.0</b>	<b>13.2</b>	<b>12.5</b>	<b>12.8</b>	<b>26.4</b>

<b>Consolidated Statement of Financial Position</b>			
<b>EUR million</b>			
<b>Assets</b>	<b>September 30, 2015</b>	<b>September 30, 2014</b>	<b>December 31, 2014</b>
<b>Non-current assets</b>			
Intangible assets	34.7	37.4	37.1
Property, plant and equipment	43.8	45.3	44.2
Investments	0.1	0.1	0.1
Investment in associated companies	0.8	0.8	0.8
Long-term receivables	0.3	0.3	0.3
Deferred tax assets	10.6	9.1	8.9
<b>Total non-current assets</b>	<b>90.3</b>	<b>93.0</b>	<b>91.5</b>
<b>Current assets</b>			
Inventories	42.1	36.7	33.9
Trade and other receivables	72.8	61.7	70.5
Income tax receivables	1.2	1.3	1.1
Cash and cash equivalents	34.1	34.4	47.6
<b>Total current assets</b>	<b>150.2</b>	<b>134.1</b>	<b>153.1</b>
<b>Total assets</b>	<b>240.4</b>	<b>227.2</b>	<b>244.6</b>
<b>Shareholders' equity</b>			
Share capital	7.7	7.7	7.7
Other reserves	0.9	2.2	2.5
Cumulative translation adjustment	2.4	-1.1	-0.2
Treasury shares	-3.1	-2.5	-2.5

Retained earnings	155.9	149.9	162.6
<b>Total shareholders' equity</b>	<b>163.8</b>	<b>156.1</b>	<b>170.0</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	0.0	0.0	0.0
Post-employment benefit obligations	2.4	0.7	1.3
Deferred tax liabilities	4.7	5.2	5.3
Provisions for other liabilities and charges	0.2	-	0.2
Other long-term liabilities	1.1	3.4	2.9
<b>Total non-current liabilities</b>	<b>8.5</b>	<b>9.3</b>	<b>9.7</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	0.0	0.0	0.0
Advances received	3.6	5.3	3.9
Income tax liabilities	1.4	0.9	1.5
Provisions for other liabilities and charges	0.1	-	1.4
Trade and other payables	63.1	55.5	58.1
<b>Total current liabilities</b>	<b>68.2</b>	<b>61.7</b>	<b>64.9</b>
<b>Total shareholders' equity and liabilities</b>	<b>240.4</b>	<b>227.2</b>	<b>244.6</b>

### Consolidated Statement of Changes in Shareholders' Equity

EUR million	Share capital	Other reserves	Treasury shares	Translation adjustment	Retained earnings	Total
<b>Balance at Jan 1, 2014</b>	7.7	1.5	-2.5	-3.6	155.9	158.9
Profit (loss) for the period					10.3	10.3
Other comprehensive income		0.0		2.5		2.5
Dividend paid					-16.3	-16.3
Share-based payment		0.7				0.7
<b>Balance at Sep 30, 2014</b>	<b>7.7</b>	<b>2.2</b>	<b>-2.5</b>	<b>-1.1</b>	<b>149.9</b>	<b>156.1</b>

EUR million	Share capital	Other reserves	Treasury shares	Translation adjustment	Retained earnings	Total
<b>Balance at Jan 1, 2015</b>	7.7	2.5	-2.5	-0.2	162.6	170.0
Profit (loss) for the period					9.8	9.8
Other comprehensive income		0.0		2.6		2.6
Dividend paid					-16.4	-16.4
Purchase of treasury shares			-2.6			-2.6
Sale of treasury shares			2.1		-2.1	0.0
Share-based payment		-1.6			1.9	0.3
<b>Balance at Sep 30, 2015</b>	<b>7.7</b>	<b>0.9</b>	<b>-3.1</b>	<b>2.4</b>	<b>155.9</b>	<b>163.8</b>

<b>Consolidated Cash Flow Statement</b>			
<b>EUR million</b>	<b>1-9/2015</b>	<b>1-9/2014</b>	<b>1-12/2014</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers	231.6	205.2	287.0
Other income from business operations	-1.4	0.3	0.4
Cash paid to suppliers and employees	-213.4	-194.9	-260.3
Financials paid, net	-1.7	1.4	1.3
Income taxes paid, net	-5.2	-3.2	-4.5
<b>Cash flow from operating activities</b>	<b>9.8</b>	<b>8.8</b>	<b>23.8</b>
<b>Cash flows from investing activities</b>			
Capital expenditure on fixed assets	-5.4	-5.8	-7.9
Divestments	0.1	1.1	1.3
<b>Cash flow from investing activities</b>	<b>-5.3</b>	<b>-4.7</b>	<b>-6.6</b>
<b>Cash flows from financing activities</b>			
Dividends paid	-16.4	-16.2	-16.2
Purchase of treasury shares	-2.6	-	-
Change in loan receivables	0.0	0.0	-0.1
Change in leasing liabilities	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-19.0</b>	<b>-16.2</b>	<b>-16.3</b>
Cash and cash equivalents at the beginning of period	47.6	45.8	45.8
Net increase (+) / decrease (-) in cash and cash equivalents	-14.5	-12.2	0.9
Effect from changes in exchange rates	0.9	0.8	0.9
<b>Cash and cash equivalents at the end of period</b>	<b>34.1</b>	<b>34.4</b>	<b>47.6</b>

## Notes for Interim Report

### Orders Received by Business Area

EUR million	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014
Weather	58.2	47.3	157.3	149.8	215.2
Controlled environment	22.8	21.5	70.5	58.1	79.8
<b>Total</b>	<b>81.0</b>	<b>68.8</b>	<b>227.8</b>	<b>207.9</b>	<b>295.0</b>

### Net Sales by Business Area

EUR million	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014
Weather					
Products	31.4	24.0	74.9	72.2	108.1
Projects	18.6	21.1	47.9	48.2	74.7
Services	8.4	12.2	26.1	25.8	36.7
<b>Total</b>	<b>58.4</b>	<b>57.3</b>	<b>148.8</b>	<b>146.2</b>	<b>219.6</b>
Controlled environment					
Products	20.9	18.6	61.3	51.9	71.9
Services	2.4	1.9	7.2	5.9	8.3
<b>Total</b>	<b>23.4</b>	<b>20.6</b>	<b>68.5</b>	<b>57.8</b>	<b>80.2</b>
Sales, Other	0.0	0.0	0.0	0.0	0.0
<b>Total Sales</b>	<b>81.7</b>	<b>77.9</b>	<b>217.4</b>	<b>204.0</b>	<b>299.7</b>

### Operating Result by Business Area

EUR million	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014
Weather	8.2	8.4	0.1	4.3	17.0
Controlled environment	6.1	4.5	13.5	8.2	12.1
Other	-0.2	-0.3	-3.1	-1.0	-2.8
<b>Total</b>	<b>14.1</b>	<b>12.6</b>	<b>10.5</b>	<b>11.5</b>	<b>26.4</b>

### Net Sales by Geographical Area

EUR million	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014
EMEA	23.9	29.5	71.3	76.0	111.8
Americas	36.9	28.4	89.7	75.8	112.1
APAC	20.9	20.0	56.3	52.2	75.9
<b>Total</b>	<b>81.7</b>	<b>77.9</b>	<b>217.4</b>	<b>204.0</b>	<b>299.7</b>

<b>Personnel</b>					
	<b>7-9/2015</b>	<b>7-9/2014</b>	<b>1-9/2015</b>	<b>1-9/2014</b>	<b>1-12/2014</b>
Average personnel	1,614	1,640	1,616	1,618	1,617
Personnel at the end of period	1,591	1,616	1,591	1,616	1,613

<b>Financial Instruments</b>					
	<b>7-9/2015</b>	<b>7-9/2014</b>	<b>1-9/2015</b>	<b>1-9/2014</b>	<b>1-12/2014</b>
Nominal value of financial derivatives, EUR million	29.8	19.5	29.8	19.5	20.0
Fair values of financial derivatives, assets, EUR million	0.3	0.0	0.3	0.0	0.0
Fair values of financial derivatives, liabilities, EUR million	0.6	1.3	0.6	1.3	1.4

Financial derivatives consist solely of foreign currency forwards and they are measured based on price information derived from active markets and commonly used valuation methods (Fair value hierarchy 2). Financial contracts are executed only with counterparties that have high credit ratings.

<b>Share Information</b>					
	<b>7-9/2015</b>	<b>7-9/2014</b>	<b>1-9/2015</b>	<b>1-9/2014</b>	<b>1-12/2014</b>
Number of shares outstanding, thousand	18,079	18,059	18,079	18,059	18,059
Number of treasury shares, thousand	139	159	139	159	159
Number of shares, diluted, thousand	18,212	18,249	18,212	18,249	18,234
Number of shares, weighted average, thousand	18,114	18,059	18,124	18,059	18,059
Number of shares traded, thousand	241	129	1,805	751	1,110
Share price, highest, EUR	25.20	24.20	27.02	24.98	24.98
Share price, lowest, EUR	22.50	20.45	21.55	20.45	19.40

<b>Key Ratios</b>					
	<b>7-9/2015</b>	<b>7-9/2014</b>	<b>1-9/2015</b>	<b>1-9/2014</b>	<b>1-12/2014</b>
Earnings per share, EUR	0.58	0.62	0.54	0.57	1.30
Earnings per share, diluted, EUR	0.57	0.61	0.54	0.56	1.29
Equity per share, EUR	9.06	8.65	9.06	8.65	9.41
Return on equity, %			7.9	8.7	14.3
Cash flow from operating activities per share, EUR	0.25	0.57	0.54	0.49	1.32
Solvency ratio, %	69.2	70.4	69.2	70.4	70.6

#### **Further information**

Kaarina Muurinen, CFO  
 Mobile +358 40 577 5066  
 Vaisala Corporation

**Telephone conference and Audiocast**

An English-language conference call for investors and analysts will be held today on October 27, 2015 at 4:00 p.m. (Finnish time).

FI: +358 9 8171 0495

UK: +44 203 194 0552

SE: +46 856 642 702

US: +1 855 716 1597

Live audiocast of the presentation by Kjell Forsén, President and CEO will start at 4:00 p.m. and will be available at [www.vaisala.com/investors](http://www.vaisala.com/investors). A recording will be published at the same address at about 6:00 p.m.

**Distribution:**

NASDAQ OMX Helsinki

Key media

[www.vaisala.com](http://www.vaisala.com)

Vaisala is a global leader in environmental and industrial measurement. Building on 79 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 OMX Helsinki stock exchange. [www.vaisala.com](http://www.vaisala.com)    [www.twitter.com/VaisalaGroup](https://www.twitter.com/VaisalaGroup)