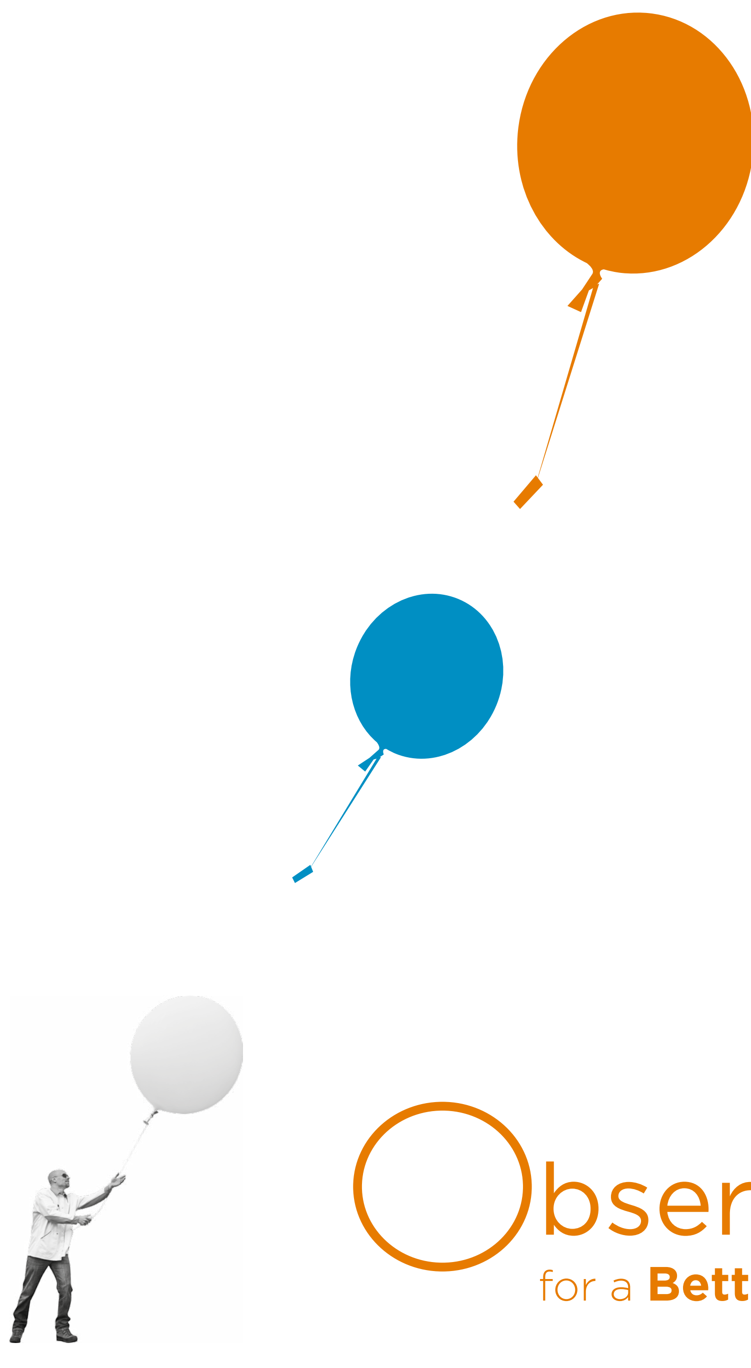
VAISALA

Annual Review 2016



Observations for a Better World

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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

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Solid performance continued in 2016

Performance in 2016

Vaisala continued solid performance during 2016 with excellent performance in our Controlled Environment Business Area whereas market conditions for Weather Business Area were challenging.

Weather observation market weakened, especially in EMEA, compared to rather good previous two years. In APAC, our performance improved in weather observation market thanks to a few large projects. Industrial measurement market was favorable overall and our net sales grew faster than the market. Vaisala's orders received were EUR 311.3 million and decreased by 3% from previous year. Controlled Environment Business Area's orders received increased in all regions and was strongest in APAC and Americas, while Weather Business Area's orders received decreased in Transportation and Meteorology Infrastructure business units.

Despite the decline in order intake during 2016, Vaisala's net sales reached the previous year's level and were EUR 319.1 million. Increased investment in sales and marketing continued to pay off and Controlled Environment Business Area's net sales crossed the hundred million milestone. The growth of net sales was excellent 11% reaching EUR 103.7 million and coming from all regions. Weather Business Area's net sales decreased by 4% to EUR 215.4 million. Vaisala's operating result excluding write-down of intangible assets improved compared to previous year and was strong at EUR 32.8 million or 10.3% of net sales.

Strategy implementation

In 2016, we continued the investments in strategic growth areas in Weather and Controller Environment Business Areas.

Weather Business Area

Weather Business Area continued its efforts to create customer value and growth by building business around information services that are offered to renewable energy, aviation and roads customers.

In 2016, we made entry to growing air quality monitoring market by acquiring products and technology, which measure pollution gases and particles in the air. These products can seamlessly be combined with Vaisala industry-leading weather sensors enabling a compact and cost effective solution for measurement networks. This provides us a great opportunity to expand to the air quality monitoring market, which is supplementing traditional high cost reference measurement stations. We expect opportunities in particular in markets like China, India and the Middle East in the near future.

While the renewable energy market outlook has remained solid, development and adaptation of our energy services has been slower than expected and commoditization of certain products has led to deterioration of market prices. Therefore, expected return on Energy business investment weakened, and we recorded a EUR 10.5 million write-down of intangible assets, such as technology and customer relationships, to Weather Business Area's operating results in 2016. We have decided to focus our Energy business unit to areas of more sustainable long-term competitive differentiation. Going forward Energy business unit's offering is based on industry leading renewable energy measurement systems, resource assessment and asset management solutions.

In February, we made the decision to reshape Transportation business unit within Weather Business Area to simplify structure and improve profitability and divested partly the related business in the U.S. Going forward, Transportation business unit will focus on product leadership, delivery capability and expansion of information services in order to improve profitability and strengthen customer focus.

Controlled Environment Business Area

Controlled Environment Business Area's product leadership strategy provided a strong platform for further growth during 2016. Controlled Environment Business Area continued to grow through industrial measurement solutions in various industries across all geographical areas. 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.

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 customer had, as in previous year, double-digit growth with further improving profitability and contributing to Controlled Environment Business Area's operating profit even though investment phase still continues.

Quality and operational excellence

In 2016, we continued improvement activities in product and services quality widely through the company. Quality planning capability was strengthened by introducing Design for Six Sigma methods in product development. Lean principles were widely applied, not only in manufacturing but in many other parts of the organization as well.

We continued developing material management and inventory processes. Main focus was on product life-cycle management in order to improve inventory rotation of end-of-life components.

Vaisala Production System (VPS) was launched in the Operations unit during 2016. VPS is a way to drive operational excellence in our high mix – low volume supply chain. Development of supply base, standardization of processes and practices as well as engaging entire organization to development laid foundation for efficient operations and resulted in high on-time delivery precision.

Thank you

I want to thank all Vaisala employees for the strong engagement to our business and strive for continuous improvement. The improved quality, operational performance and customer satisfaction that has taken place during the year would not have been possible without our employees' outstanding performance.

Donations

In 2016, Vaisala's Board of Directors decided to donate Aalto University, Helsinki University, Lappeenranta University of Technology, Oulu University and Tampere University of Technology a total of EUR 310,000 as well as US Colorado State University USD 25,000. In addition, a weather radar, donated to Colorado State University in 2015, was delivered at the end of 2016.

Market outlook

In 2017, Vaisala is expecting stable market for both weather observation and industrial measurement. Weather observation market is expected to improve in EMEA, APAC and Latin America and be stable in North America. In China, weather observation market is expected to remain stable, even though market conditions are currently difficult to project. Market outlook for renewable energy solution is overall positive, even though growth of renewable power capacity has decelerated.

Market outlook for industrial measurement solutions is stable globally. Life science market growth is expected to continue, as a result of tightening requirements for monitoring and reporting of environmental conditions. Utility companies are increasingly adopting transformer online condition monitoring, what is expected to accelerate demand for power transmission solutions.

Objectives for 2017

We will continue to drive profitable growth in Weather and Controlled Environment Business Areas. Focus on R&D will continue in order to launch new innovative products and to ensure timely product renewal. Weather Business Areas with its new structure will accelerate growth of information services and energy business and develop its offering in new businesses such as air quality.

Sales channel and value selling capability development are critical when entering new markets or introducing new products and technologies. Successful introduction of digitalization of customer supporting platforms will support reaching the targets.

Short and accurate delivery times are important especially for our industrial customers. Our efforts in improving on-time delivery accuracy and reducing lead times have paid off and we have reached very high on-time delivery precision. We are committed to keep up at least this level and even further improve productivity in our factories and logistics. One important element is to drive inventory rotation improvement through streamlined material management and focus on product life-cycle. Continuous improvement of quality and reliability will guarantee high customer satisfaction and loyalty also in the future.

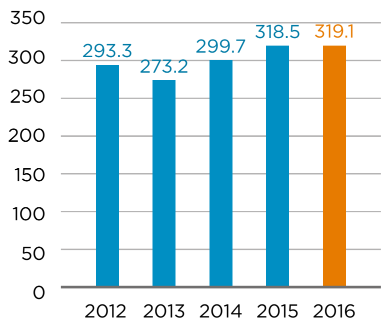
Business outlook

We estimate our full-year 2017 net sales to be in the range of EUR 310–340 million and the operating profit (EBIT) in the range of EUR 32–42 million.

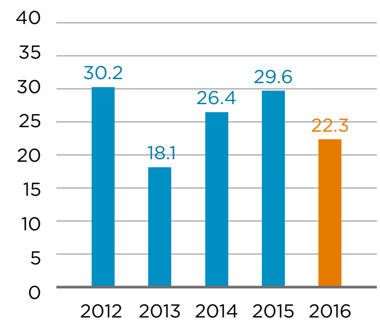
Kjell Forsén
President and CEO

Key Figures

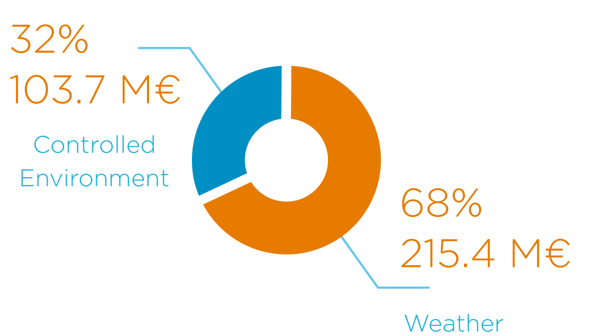
Net sales, M€



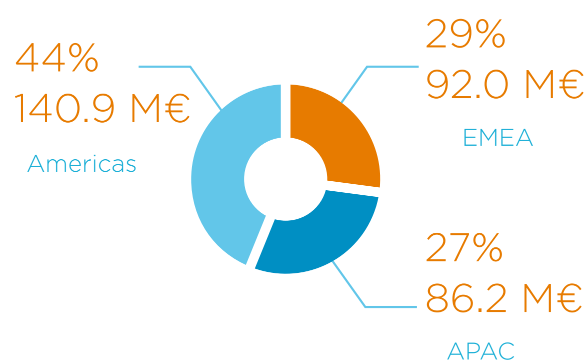
Operating Result, M€



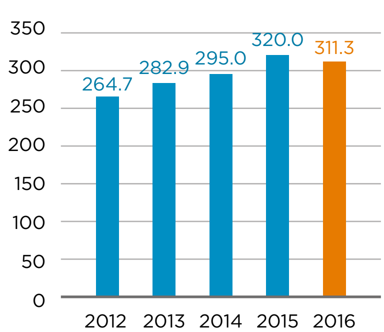
Net Sales by Business Area 2016



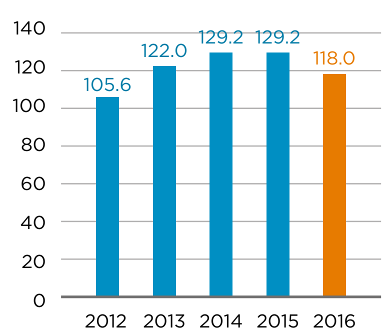
Net Sales by Region 2016



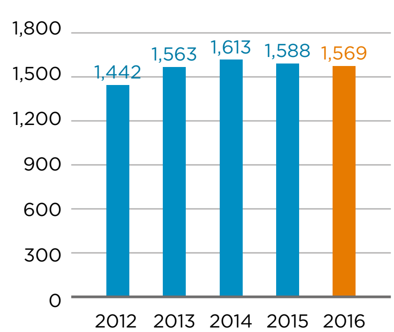
Orders Received, M€



Order Book, M€



Personnel, at year-end



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

Board of Directors’ Report 2016

Market situation in 2016

In 2016, market environment for Vaisala was characterized by differences between geographic areas and customer groups. Weather observation market conditions weakened in 2016 compared to rather good previous two years. Industrial measurement market was favorable overall.

In EMEA, weather observation market was weak. In North America, weather observation market was stable, and Vaisala’s deliveries increased as a result of good order intake in 2015. In Latin America, weather observation market was affected by weak macroeconomic conditions especially in Brazil. In APAC, weather observation market was stable, and as a result of a few large projects, Vaisala’s performance improved.

Vaisala’s industrial measurement solution orders received increased in all regions. This was a result of favorable market conditions, and Vaisala also grew faster than the addressable market. The growth was strong especially in APAC and in life science market.

January–December 2016 performance

Orders received

EUR million	2016	2015	Change, %
Weather	206.0	225.6	-9
Controlled Environment	105.3	94.4	11
Total	**311.3**	**320.0**	**-3**

In January–December 2016, Vaisala’s orders received were EUR 311.3 (320.0) million and decreased by 3% compared to previous year. The decrease came from EMEA and Americas.

In January–December 2016, Weather Business Area’s orders received were EUR 206.0 (225.6) million and decreased by 9% compared to previous year. The decrease came from Transportation and Meteorology Infrastructure business units.

In January–December 2016, Controlled Environment Business Area’s orders received were EUR 105.3 (94.4) million and increased by 11% compared to previous year. The increase came from all regions and was strongest in APAC and Americas.

Order book

EUR million	December 31, 2016	December 31, 2015	Change, %
Weather	109.4	122.2	-11
Controlled Environment	8.6	7.0	23
Total	**118.0**	**129.2**	**-9**

At the end of December 2016, Vaisala’s order book was EUR 118.0 (129.2) million and decreased by 9% compared to previous year. The order book decreased in all geographical areas. Of the order book EUR 79.3 (95.5) million is scheduled to be delivered in 2017.

At the end of December 2016, Weather Business Area’s order book was EUR 109.4 (122.2) million and decreased by 11% compared to previous year. Order book decreased in Meteorology Infrastructure and Transportation business units. Of the order book EUR 71.5 (88.8) million is scheduled to be delivered in 2017. The EUR 20 million contract with National Hydro-Meteorological Service of Vietnam, announced in February 2016, is not included in order book, as the order will be added in order book when the customer has given the final administrative approval.

At the end of December 2016, Controlled Environment Business Area’s order book was EUR 8.6 (7.0) million and increased by 23% compared to previous year. Order book increased in APAC and Americas. Of the order book EUR 7.7 (6.7) million is scheduled to be delivered in 2017.

Net sales by business area

EUR million	2016	2015	Change, %
Weather	215.4	225.5	-4
Products	115.5	116.2	-1
Projects	65.0	71.0	-8
Services	34.9	38.3	-9
Controlled Environment	103.7	93.0	11
Products	93.0	83.5	11
Services	10.7	9.5	12
Total	**319.1**	**318.5**	**0**

Net sales by geographical area

EUR million	2016	2015	Change, %
EMEA	92.0	105.1	-12
Americas	140.9	132.0	7
APAC	86.2	81.3	6
Total	**319.1**	**318.5**	**0**

In January–December 2016, Vaisala's net sales were flat compared to previous year, EUR 319.1 (318.5) million. Vaisala's net sales in EMEA were EUR 92.0 (105.1) million and decreased by 12%, in the Americas EUR 140.9 (132.0) million and increased by 7% and in APAC EUR 86.2 (81.3) million and increased by 6%. Operations outside Finland accounted for 98% (98%) of net sales. At comparable exchange rates, net sales would have been EUR 318.8 (318.5) million and increase would have been EUR 0.3 million or 0% from previous year. The positive exchange rate effect was EUR 0.3 million, which was mainly caused by JPY exchange rate appreciation against EUR.

In January–December 2016, Weather Business Area's net sales were EUR 215.4 (225.5) million and decreased by 4% compared to previous year. Net sales decreased in Meteorology Infrastructure and Transportation business units due to weak market situation and low weather radar deliveries. At comparable exchange rates, the net sales would have been EUR 215.8 (225.5) million and decrease would have been EUR 9.6 million or 4% from previous year. The negative exchange rate effect was EUR 0.5 million, which was mainly caused by GBP depreciation against EUR.

In January–December 2016, Controlled Environment Business Area's net sales were EUR 103.7 (93.0) million and increased by 11% compared to previous year. The growth came from all regions and was strongest in APAC. At comparable exchange rates, the net sales would have been EUR 102.9 (93.0) million and increase would have been EUR 9.9 million or 11% from previous year. The positive exchange rate effect was EUR 0.8 million, which was mainly caused by JPY appreciation against EUR.

Gross margin and operating result

	2016	2015
Gross margin, %	51.6	51.1
Weather	47.3	47.4
Controlled Environment	60.8	60.4
Operating result, EUR million	22.3	29.6
Weather	3.4	15.2
Controlled Environment	21.6	18.3
Other	-2.7	-4.0

In January–December 2016, Vaisala's operating result was EUR 22.3 (29.6) million and decreased by EUR 7.3 million compared to previous year. Operating result decreased mainly due to EUR 10.5 million write-down of intangible assets in Weather business area, booked in the third quarter. The intangible assets are from the acquisitions of Second Wind Systems Inc. and 3TIER Inc. in 2013 and are related to technology and customer relationships. The write-down was due to Vaisala's slower than anticipated market penetration in the renewable energy market and related weakening of expected return on Vaisala's Energy business investment. After the write-down, the carrying amount of intangible assets and goodwill for Energy business unit is EUR 0.00. Gross margin was 51.6% (51.1%). Gross margin increased mainly due to Controlled Environment Business Area's higher sales volumes and related improvement in scale economies as well as cost savings resulting from the restructuring of Transportation business unit in Weather Business Area. Operating expenses were EUR 141.5 (131.9) million and increased by 7%. The increase came mainly from the EUR 10.5 million write-down of intangible assets. Operating result excluding write-down of intangible assets was EUR 32.8 (29.6) million and 10.3% (9.3%) of net sales.

In January–December 2016, Weather Business Area's operating result was EUR 3.4 (15.2) million and decreased by EUR 11.8 million compared to previous year. Operating result decreased mainly due to EUR 10.5 million write-down of intangible assets and lower net sales. The intangible assets are from the acquisitions of Second Wind Systems Inc. and 3TIER Inc. in 2013 and are related to technology and customer relationships. The write-down was due to Vaisala's slower than anticipated market penetration in the renewable energy market and related weakening of expected return on Vaisala's Energy business investment. After the write-down, the carrying amount of intangible assets and goodwill for Energy business unit is EUR 0.00. Gross margin was 47.3% (47.4%). Gross margin remained stable, as costs savings resulting from the restructuring of Transportation business unit compensated for decreased volumes and related weakening in scale economies. Operating expenses were EUR 98.4 (91.9) million and increased by 7%. The increase came mainly from the EUR 10.5 million write-down of intangible assets. Operating result excluding write-down of intangible assets was EUR 13.9 (15.2) million and 6.5% (6.8%) of net sales.

In January–December 2016, Controlled Environment Business Area's operating result was EUR 21.6 (18.3) million and improved by EUR 3.2 million compared to previous year. Operating result increased due to higher net sales. Gross margin was 60.8% (60.4%). Operating expenses were EUR 41.5 (37.9) million and increased by 10%. The increase came mainly from continued investments in R&D and higher sales expenses.

In January–December 2016, financial income and expenses were EUR -0.3 (3.5) million. The decrease is mainly due to foreign exchange losses related to valuation of USD denominated receivables.

In January–December 2016, profit/loss before taxes was EUR 22.1 (33.0) million. Income taxes were EUR 3.3 (5.5) million. Group's effective tax rate was 15% (17%). The effective tax rate decreased as the write-down of intangible assets resulted in deferred tax liability adjustment with the US tax rate of 39.5%. Excluding the write-down Group's effective tax rate would have been 21%. Net result was EUR 18.8 (27.5) million.

In January–December 2016, earnings per share were EUR 1.05 (1.52).

Statement of financial position and cash flow

Vaisala's financial position remained strong at the end of December 2016. Cash and cash equivalents amounted to EUR 72.4 (59.2) million. At the end of December 2016, Vaisala did not have any material interest bearing liabilities.

Despite increased cash balance, the statement of financial position total decreased to EUR 255.0 (264.0) million. The decrease was due to EUR 10.5 million write-down of intangible assets and related decrease in deferred tax liabilities as well as decreased inventories.

In January–December 2016, Vaisala's cash flow from operating activities increased to EUR 41.8 (38.8) million as a result of better working capital development and increased EBITDA (earnings before interest, taxes, depreciation and amortization).

During the financial year 2016, Vaisala repurchased 176,827 own shares with EUR 5.3 million and paid dividend EUR 17.1 million.

Capital expenditure and divestments

In January–December 2016, gross capital expenditure totaled EUR 7.7 (8.3) million. Capital expenditure was mainly related to acquired technology as well as investment in machinery and equipment to develop and maintain Vaisala's production and service operations.

In February, Vaisala made the decision to reshape its Transportation business unit within Weather Business Area to simplify structure and improve profitability. Vaisala exited field services business in all countries except the United Kingdom, and sold its United States Automated Weather Observing System business. In 2016, Vaisala recognized EUR 1.0 million profit from this divestiture in the United States. In total, these changes led to a reduction of 64 employees of which 11 employees were offered a new job in Vaisala. Most of the employees under the scope of the business transfer in the United States were employed by the acquiring company. Estimated annual cost savings are EUR 6 million and they are expected to contribute fully to 2017 profitability. The already realized cost saving in 2016 was EUR 2.4 million and restructuring expenses recognized EUR 2.1 million.

During the third quarter, Vaisala acquired new technology and products from Envitems Oy to expand its offering in the growing air quality monitoring market. The acquired technology and products measure pollution gases, like carbon monoxide, nitrous oxides, sulfur dioxide, hydrogen sulfide and ozone, as well as particles in the air. The products can be combined seamlessly with Vaisala industry-leading WXT multi-weather stations, and they present a novel, innovative way to build affordable but comprehensive air quality monitoring networks.

Depreciation, amortization and write-downs were EUR 24.1 (15.1) million. The increase was because of EUR 10.5 million write-down of intangible assets.

Research and development

In January–December 2016, research and development expenses totaled EUR 38.0 (36.1) million, representing 11.9% (11.3%) of net sales.

R&D by business area

EUR million	2016	2015	Change, %
Weather	26.5	26.7	-1
Controlled Environment	11.5	9.4	22
Total	**38.0**	**36.1**	**5**

In January–December 2016, Weather Business Area R&D expenses were 12.3% (11.8%) of net sales. Controlled Environment Business Area R&D expenses were 11.1% (10.1%) of net sales, which is in line with continued investments in new product development.

Key product and software releases

In 2016, Vaisala launched several new advanced products and software to enhance growth as well as to replace existing products.

Weather Business Area continued to enhance Observation Network Manager NM10, which is a scalable, automated system for remote monitoring and managing different weather observation sites. User interface and connectivity of the system were notably upgraded.

In addition, Vaisala introduced an enhanced AviMet Airport Weather Observation System (AWOS). The enhancements are integrated capability to display lightning data and IRIS weather radar information as part of the AviMet system. This improves situational awareness and safety at airports as lighting and weather radar data are easily available.

Third key launch of Weather Business Area was a new version of Sounding System software. The new version supports the use of RS41 Radiosonde in the automated sounding system, AUTOSONDE® AS15. This enables customers to take advantage of RS41 Radiosonde in automated sounding systems.

Controlled Environment Business Area launched a new measurement device for transformer online condition monitoring (Optimus™). This online analyzer gives repeatable and accurate data of possible fault gases in transformer oil. Its core sensors are based on versatile in-house infrared gas detection technology, CARBOCAP®. In addition to reliability, this device is easy and fast to install.

Controlled Environment Business Area also launched next-generation viewLinc Environmental Monitoring System (previously Continuous Monitoring System). Major advancement include long-range wireless connectivity, ease of use and fast deployment. The system is used in life science and industrial domains to monitor large spaces like warehouses, laboratories, processing areas, environmental chambers and other controlled environments.

In addition, Controlled Environment Business Area launched CARBOCAP® Carbon Dioxide Probe GMP252, which is intended for industrial CO_2 measurement applications, such as greenhouse control, cold storage monitoring and demanding HVAC (heating, ventilation and air conditioning) applications. The use of this probe was supported with the launch of a modern and user-friendly host device Indigo 201. With this host device, the measurement data can easily be displayed and connected to wired or wireless interfaces.

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 National Center for Atmospheric Research (NCAR) in the United States. In Finland, Vaisala collaborates with VTT Technical Research Centre of Finland, University of Helsinki, Tampere University of Technology 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 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.

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.

Vaisala is a shareholder and active research partner of CLIC Innovation 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's representatives are 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), and the Dean's Advisory Board to the College of Engineering at Colorado State University. 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 has a representative on both the AMS Council and Executive Committee.

In Germany, Vaisala has a research collaboration agreement with Karlsruhe Institute of Technology in the area of Lidar applications.

Group structure

Vaisala's headquarters are located in Vantaa, Finland. On December 31, 2016, the company has subsidiaries in Australia, Brazil, Canada, China, Germany, France, India, Japan, Kenya, Malaysia, United Kingdom and United States. Further, the company has permanent establishments in Colombia, Sweden, South Korea and the United Arab Emirates.

Board of Directors

The Annual General Meeting held on April 5, 2016 confirmed that the number of Board members is seven. Kaarina Ståhlberg was elected as a new member of the Board of Directors.

Members of the Board of Directors on December 31, 2016:

- Raimo Voipio, Chairman
- Yrjö Neuvo, Vice Chairman
- Petra Lundström
- Mikko Niinivaara
- Kaarina Ståhlberg
- Pertti Torstila
- Ville Voipio

Personnel

The average number of personnel employed in Vaisala during January–December 2016 was 1,590 (1,611). At the end of December 2016, the number of employees was 1,569 (1,588).

On December 31, 2016, 69% (66%) of employees were located EMEA, 23% (26%) in the Americas and 9% (8%) in APAC. 38% (41%) of employees were based outside Finland.

The total personnel expenses in 2016 were EUR 128.4 (130.0) million.

Number of employees by geographical area

	December 31, 2016	December 31, 2015	Change
Finland	971	930	41
EMEA (excluding Finland)	109	119	-10
Americas	354	407	-53
APAC	135	132	3
Total	**1,569**	**1,588**	**-19**

Number of employees by function

	December 31, 2016	December 31, 2015	Change
Sales and marketing	371	374	-3
R&D	309	304	5
Operations	403	379	24
Services	322	369	-47
Administration	164	162	2
Total	**1,569**	**1,588**	**-19**

During 2016, number of employees decreased in Americas and services functions, as a result of reshaping of Transportation business unit within Weather Business Area.

The decision to reshape Transportation business unit within Weather Business Area led to simplified organizational structure and profitability improvement. In total, these changes led to a reduction of 64 employees of which 11 employees were offered a new job in Vaisala. Most of the employees under the scope of the business transfer in the United States were employed by the acquiring company. In Weather Business Area, business development capability was strengthened by building a business development team and launching new agile business concept creation practices.

In Vaisala's annual Staff Survey response rate was 85%. All survey areas developed positively compared to previous year. Engagement is a strength across Vaisala, however, cooperation between teams still requires further improvement.

Leadership development programs for managers and another one for experts started in the US, China and Finland. Also Vaisala Business Learning Program continued. Fifth mentoring program was launched in order to support professional development, enhance leadership and coaching culture across business units and functions.

Vaisala's ninth Giant Leap Trainee Program took place in Finland, the U.S. and the UK. This program is an important channel to attract and recruit young top talent.

Share-based incentive plans

On February 6, 2013, Vaisala's 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. No reward was paid based on this plan as the profitability targets were not met.

On February 10, 2014, Vaisala's 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. The reward will be paid partly in Vaisala's

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. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2014 to March 2017. The cost of the proportion of share reward corresponds to the value of Vaisala's A share closing price of EUR 23.69 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. This share-based incentive plan was directed to approximately 20 persons on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 43,412 Vaisala's A shares, including the cash portion.

On December 18, 2014, Vaisala's 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. The reward will be paid partly in Vaisala'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. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2015 to March 2018. The cost of the proportion of share reward corresponds to the value of Vaisala's A share closing price of EUR 24.16 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. This share-based incentive plan was directed to approximately 30 persons on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 101,791 Vaisala's A shares, including the cash portion.

On December 16, 2015, Vaisala's 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 2016. The reward will be paid partly in Vaisala'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. The maximum amount of this plan originally corresponded to 200,000 shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2016 to March 2019. The cost of the proportion of share reward corresponds to the value of Vaisala's A share closing price of EUR 23.13 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. This share-based incentive plan was directed to approximately 30 persons on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 95,060 Vaisala's A shares, including the cash portion.

On February 10, 2016, Vaisala' Board of Directors resolved for a share-based incentive plan, in which the earning criteria is uninterrupted employment of certain Group employees for a defined number of years. The reward will be paid partly in Vaisala's A shares and partly in cash in three equal installments during the term of the plan. 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 9,000 shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2016 to March 2018. The cost of the proportion of share reward corresponds to the value of Vaisala A share closing price of EUR 23.13 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 6,000 Vaisala A shares, including the cash portion.

On December 15, 2016, 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 2017. The reward will be paid partly in Vaisala's series A shares and partly in cash in spring 2020. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan corresponds to 200,000 shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2017 to March 2020.

Expenses for the share-based incentive plans

EUR million	2013	2014	2015	2016
Share-based incentive plan 2013	-	-	-	-
Share-based incentive plan 2014		0.2	0.3	0.6
Share-based incentive plan 2015			0.5	1.1
Share-based incentive plans 2016				0.7

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 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 2016

In 2016, Vaisala continued the investments in strategic growth areas in Weather and Controller Environment Business Areas.

Weather Business Area

Weather Business Area continued its efforts to create customer value and growth by building business around information services that are offered to renewable energy, aviation and roads customers. Key product launches to enhance growth as well as to replace existing products included enhancements to Observation Network Manager NM10, new version of AviMet Airport Weather Observation System (AWOS) and new version of sounding system software.

In 2016, Vaisala made entry to growing air quality monitoring market by acquiring products and technology, which measure pollution gases and particles in the air. These products can be seamlessly combined with Vaisala industry-leading weather sensors enabling a compact and cost effective solution for measurement networks. This provides Vaisala a great opportunity to expand to the air quality monitoring market, which is supplementing traditional high cost reference measurement stations. Vaisala expects opportunities in particular in markets like China, India and the Middle East in the near future.

While the renewable energy market outlook has remained solid, development and adaptation of Vaisala's energy services has been slower than expected and commoditization of certain products has led to deterioration of market prices. Therefore, expected return on Vaisala's Energy business investment weakened, and Vaisala recorded a EUR 10.5 million write-down of intangible assets, such as technology and customer relationships, to Weather Business Area's operating results in 2016. Vaisala has decided to focus its Energy business unit to areas of more sustainable long-term competitive differentiation. Going forward Energy business unit's offering is based on industry leading renewable energy measurement systems, resource assessment and asset management solutions.

In February, Vaisala made the decision to reshape its Transportation business unit within Weather Business Area to simplify structure and improve profitability and divested partly the related business in the U.S. Going forward, Transportation business unit will focus on product leadership, delivery capability and expansion of information services in order to drive growth, profitability and customer focus. Vaisala aims to improve Transportation business profitability by focusing on Vaisala platform products providing high value customer support and expanding information services.

At the end of the year, Vaisala decided to reorganize its Weather Business Area in order to simplify structure and operations and to better align with the strategy. From January 1, 2017 onwards Weather Business Area has organized its business under four regions (Americas; Europe; Asia-Pacific, Middle East and Africa; China), which have profit and loss responsibility. Additionally, Weather Business Area separates its product and service offering into two business lines (Offering and Information Services), which are responsible for product management, application expertise and R&D.

Controlled Environment Business Area

Controlled Environment Business Area's product leadership strategy provided a strong platform for further growth during 2016. Controlled Environment Business Area continued to grow through industrial measurement solutions in various industries across all geographical areas. 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.

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 customer had, as in previous year, double-digit growth with further improving profitability and contributing to Controlled Environment Business Area's operating profit even though investment phase still continues.

Vaisala made a new product entry to power transmission customers by launching a measurement device for transformer online monitoring. For life science and industrial domain customers Vaisala launched the viewLinc Environmental Monitoring System. Other key launches included a new probe for industrial CO_2 measurement applications and related host device.

More information on the product and software launches can be found on R&D section.

Quality and operational excellence

In 2016, Vaisala continued improvement activities in product and services quality widely through the company. Quality planning capability was strengthened by introducing Design for Six Sigma methods in product development. Lean principles were widely applied, not only in manufacturing but in many other parts of the organization as well.

Vaisala continued developing material management and inventory processes. Main focus was on product life-cycle management in order to improve inventory rotation of end-of-life components.

Vaisala Production System (VPS) was launched in Operations unit during 2016. VPS is a way to drive operational excellence in Vaisala's high mix – low volume supply chain. Development of supply base, standardization of processes and practices as well as engaging entire organization to development laid foundation for efficient operations and resulted in high on-time delivery precision.

Management Group

On December 31, 2016 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
- Kaarina Muurinen, Chief Financial Officer
- Jarkko Sairanen, Executive Vice President, Weather Business Area
- 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. Renewable energy solutions and services optimize site selection and power output for the renewable energy sector. Air quality measurement networks warn citizens and authorities about dangerous levels of pollution in urban areas.

Vaisala pays special attention to the objectives of UN Global Compact in the areas of human and labor rights, the environment and anti-corruption. Vaisala actively monitors and works with its suppliers to extend the same ethical, safety and environmental standards through the supply chain. In 2016, Vaisala strengthened the traceability of raw materials used in sourced components, and continues to develop its capabilities further.

Vaisala is a supporter of a strong climate agenda. Therefore, Vaisala is a member of Caring for Climate, an initiative under UN Global Compact, and Climate Leadership Council, a Finnish initiative for leading sustainable companies, as well as benefactor of Helsinki Metropolitan Smart 'n' Clean, a foundation that cultivates Helsinki capital area into a world-class test platform for clean and smart solutions.

Vaisala is also at the forefront in both consuming and developing better ways to produce renewable energy. In 2015, Vaisala made a public commitment to become powered by 100% renewable energy by 2020. Vaisala is a member of RE100, an initiative targeting the world's most influential companies to commit to using 100% renewable power in their operations.

Further information about Vaisala's sustainability is available on the company website at *www.vaisala.fi/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 strategic, 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. In the US, political decisions may have both positive and negative effects on the demand for Vaisala's products and services for the public sector.

Weather Business Area offers its meteorological customers large infrastructure projects. The closing of such contracts is characterized by budgetary constraints, long-term negotiations concerning scope, project timing and financing. Thus, Vaisala's financial performance may vary significantly over time. Also increasing competition, changes in price levels and exchange rates may impact Vaisala's net sales and profitability.

The ongoing business expansion in renewable energy and information services 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, such as power transformer monitoring products and continuous monitoring systems, 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. Cyber risk and availability of IT systems may impact operations, delivery of information services or Internet-based services or cause financial loss.

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.

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 not affect the company's result or equity materially.

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 41% is in USD, 39% in EUR, 6% in JPY, 4% in GBP and 4% 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 0.0 (3.1) 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 -2.0 (-0.5) million on Vaisala profit after taxes and equity. In the following table are the most significant foreign exchanges exposures against EUR.

Most significant foreign exchanges exposures against EUR

EUR million	2016	2015
USD	-31.1	-9.0
CAD	2.1	-1.6

Refinancing and liquidity risks

Vaisala cash at hand amounts to EUR 72.4 (59.2) million. The parent company has also EUR 20 million uncommitted credit loan limit, which is currently unused. Additionally, the subsidiaries have EUR 1.4 million credit limits, which can be drawn in guarantees. 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 72.4 (59.2) 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, 2016.

Credit risk

Credit risks are hedged by using letters of credit, advance payments and bank guarantees as terms of payment as well as following creditworthiness of customers. 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 1.2 (0.5) million. 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 April 5, 2016. 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, 2015.

Dividend

The Annual General Meeting decided a dividend of EUR 0.95 per share, corresponding to the total of EUR 17.1 million. The record date for the dividend payment was April 7, 2016 and the payment date was April 14, 2016.

Board of Directors

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

The Annual General Meeting confirmed that that the annual fee payable to the Chairman of the Board of Directors is EUR 45,000 and each Board member EUR 35,000 per year. 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 confirmed that the compensation for the Chairman of the Audit Committee would be EUR 1,500 per attended meeting and EUR 1,000 for each member of the Audit Committee and Chairman and each member of the Remuneration and HR Committee and any other committee established by the Board of Directors for a term until the close of the Annual General Meeting in 2017. The meeting compensation fees are paid in cash.

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 invoice presented to the company.

Authorization for the directed repurchase of own A shares

The Annual General Meeting authorized the Board of Directors to decide on the directed repurchase of a maximum of 200,000 of the Company's own A shares in one or more instalments with funds belonging to the Company's unrestricted equity. This authorization is valid until the closing of the next Annual General Meeting, however, no longer than October 5, 2017.

Authorization on the issuance of the Company's own A shares

The Annual General Meeting authorized the Board of Directors to decide on the issuance of a maximum of 391,550 Company's own A shares. The issuance of own shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind. This authorization is valid until April 5, 2021.

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:

Kaarina Ståhlberg 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.

Raimo Voipio was elected as the Chairman and Yrjö Neuvo and Mikko Niinivaara as members of the Remuneration and HR Committee. Raimo Voipio is independent of the Company. Yrjö Neuvo and Mikko Niinivaara 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, 2016. On December 31, 2016, Vaisala had 18,218,364 shares, of which 3,389,351 were series K shares and 14,829,013 were 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. On December 31, 2016, the total number of votes attached to all shares was 82,616,033. 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 January–December 2016, a total of 2,031,136 (2,507,672) Vaisala shares with a value totaling EUR 57.7 (60.9) million were traded on the Nasdaq Helsinki Ltd. Vaisala's share price increased by 41% (9%) during the year while OMX Helsinki Cap index increased by 8% (12%). The closing price of the Vaisala Corporation share on the Nasdaq Helsinki Ltd stock exchange in December 2016 was EUR 33.70 (23.94). Shares registered a high of EUR 36.96 (27.02) and a low of EUR 21.81 (21.55). The volume-weighted average share price was EUR 28.27 (24.33).

The market value of Vaisala's A shares on December 31, 2016 was EUR 487.4 (350.4) 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 601.6 (431.6) million, excluding the Company's treasury shares.

At the end of December, 2016 Vaisala Corporation had 7,696 (7,294) registered shareholders. Ownership outside of Finland and nominee registrations represented 14.7% (14.8%) of the company's shares. Households owned 40.8% (44.8%), private companies 14.3% (14.0%), financial and insurance institutions 12.9% (12.3%), non-profit organizations 11.4% (7.9%) and public sector organizations owned 6.0% (6.1%).

On December 31, 2016 Vaisala Corporation's Board of Directors held and controlled 492,463 (522,427) A shares and 294,168 (293,656) K shares. The Board of Directors' A and K shares accounted for 7.7% (7.8%) of the total votes.

The company's President and CEO held and controlled 10,720 (10,720) A shares and no K shares on December 31, 2016. Other Management Group members held and controlled 17,963 (13,463) Vaisala A shares and no K shares.

Treasury shares and their authorizations

The Annual General Meeting held on April 5, 2016 authorized the Board of Directors to decide on the directed repurchase of a maximum of 200,000 of the Company's own A-shares in one or more instalments with funds belonging to the Company's unrestricted equity. This authorization is valid until the closing of the next Annual General Meeting, however, no longer than October 5, 2017.

Vaisala Corporation's Board of Directors resolved to commence repurchases of shares under the authorization given by the Vaisala Annual General Meeting held on April 5, 2016. The Board of Directors resolved to directed repurchase of a maximum of 200,000 of the Company's own A shares in one or more instalments with funds belonging to the Company's unrestricted equity. Vaisala acquired during the time period May 2–December 30, 2016 a total of 176,827 Company's own A shares at an average price per share of EUR 29.96 and the total value of the acquired shares was EUR 5,297,463.80.

The Annual General Meeting held on April 5, 2016 authorized the Board of Directors to decide on the issuance of a maximum of 391,550 Company's own A shares. The issuance of own shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind. This authorization is valid until April 5, 2021.

The Board of Directors of Vaisala Corporation did not use this authorization in 2016.

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. This 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. This authorization replaced the previous one and is valid until March 26, 2019.

The Board of Directors of Vaisala Corporation decided to transfer a total of 1,500 Company's series A treasury shares to a person participating in the share based incentive plan. The transfer was done in June 2016 according to the terms and conditions of the Performance Share Plan.

At the end of December 2016, the Company held a total of 366,277 (191,550) Vaisala A shares, which represented 2.5% (1.3%) of all A-shares in the Company and 2.0% (1.1%) of all shares in the Company.

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

Donations

In 2016, Vaisala's Board of Directors decided to donate Aalto University, Helsinki University, Lappeenranta University of Technology, Oulu University and Tampere University of Technology a total of EUR 310,000 as well as US Colorado State University USD 25,000. In addition, a weather radar, donated to Colorado State University in 2015, was delivered at the end of 2016.

Market outlook 2017

Global economy accelerated towards the end of 2016, and latest forecasts refer to moderate outlook. Increase in commodity prices, especially in crude oil, is expected to improve outlook of several emerging economies. Vaisala is expecting stable market in 2017 both for weather observation and industrial measurement.

Weather observation market outlook is overall stable. However, development of Vaisala's orders and deliveries are still expected to remain dependent on timing and progress of individual projects. In EMEA, weather observation market is expected to improve after weak 2016. In North America, weather observation market outlook is stable and Vaisala's orders are expected to increase from 2016, whereas deliveries are expected to decrease as a result of fewer large orders in 2016. In Latin America, stabilizing economic outlook is expected to support weather observation market conditions. In APAC, weather observation market customer activity for orders is expected to improve from 2016, whereas deliveries are expected to decrease slightly as a result of fewer large weather infrastructure projects. In China, weather observation market is expected to remain stable, although market conditions are currently difficult to project. Market outlook for renewable energy solutions is overall positive, even though growth of renewable power capacity has decelerated.

Market outlook for industrial measurement solutions is stable globally, and Vaisala is expecting increase in annual deliveries. Life science market growth is expected to continue, as a result of tightening requirements for monitoring and reporting of environmental conditions. Utility companies are increasingly adopting transformer online condition monitoring, what is expected to accelerate demand for power transmission solutions.

Business outlook for 2017

Vaisala estimates its full-year 2017 net sales to be in the range of EUR 310–340 million and its operating result (EBIT) to be in the range of EUR 32–42 million.

Board of Directors' proposal for distribution of earnings

The parent company's distributable earnings amount to EUR 159,362,162.56, of which the net result for the period is EUR 23,915,369.53.

The Board of Directors proposes to the Annual General Meeting that dividend of EUR 1.00 per share be paid out of distributable earnings totaling approximately EUR 17.9 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 2017

Vaisala's Annual General Meeting will be held on Tuesday, March 28, 2017 at 6 p.m. at Vaisala Corporation's head office, Vanha Nurmijärventie 21, 01670 Vantaa.

Vantaa, February 8, 2017

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 Ratios and Share Figures

Financial Ratios

	IFRS 2016	IFRS 2015	IFRS 2014	IFRS 2013	IFRS 2012
Net sales, EUR million	**319.1**	**318.5**	**299.7**	**273.2**	**293.3**
Exports and international operations, %	98.0	98.0	97.0	97.1	98.3
Operating profit, EUR million	**22.3**	**29.6**	**26.4**	**18.1**	**30.2**
% of net sales	7.0	9.3	8.8	6.6	10.3
Profit before taxes, EUR million	**22.1**	**33.0**	**29.1**	**17.2**	**29.1**
% of net sales	6.9	10.4	9.7	6.3	9.9
Return on equity (ROE), %	10.5	15.7	14.3	6.3	11.7
Solvency ratio, %	71.1	69.7	70.6	71.6	74.9
Gross capital expenditure, EUR million	**7.7**	**8.3**	**7.9**	**7.1**	**5.4**
% of net sales	2.4	2.6	2.6	2.6	1.8
R&D expenditure, EUR million	**38.0**	**36.1**	**34.0**	**28.9**	**28.0**
% of net sales	11.9	11.3	11.3	10.6	9.5
Order book on Dec. 31, EUR million	**118.0**	**129.2**	**129.2**	**122.0**	**105.6**
Average personnel	1,590	1,611	1,617	1,485	1,422

Share Figures

	IFRS 2016	IFRS 2015	IFRS 2014	IFRS 2013	IFRS 2012
Earnings/share (EPS), EUR	1.05	1.52	1.30	0.60	1.20
Earnings/share (EPS), diluted, EUR	1.03	1.51	1.29	0.60	1.19
Cash flow from business operations/share, EUR	2.34	2.15	1.32	1.55	2.66
Shareholders' equity/share, EUR	10.00	10.06	9.41	8.80	10.48
Dividend/share, EUR	*1.00	0.95	0.90	0.90	0.90
Dividend/earnings, %	**95.2	62.5	69.0	150.0	75.0
Effective dividend yield, %	3.0	4.0	4.1	3.9	5.7
Price/earnings (P/E)	32.10	15.75	16.84	38.68	13.29
A-share trading, EUR					
highest	36.96	27.02	24.98	23.47	17.71
lowest	21.81	21.55	19.40	16.04	14.48
weighted average	28.27	24.33	22.60	19.88	15.97
at balance sheet date	33.70	23.94	21.89	23.21	15.90
Market capitalization at balance sheet date, EUR million ***	601.6	431.6	395.3	419.2	287.1
A-shares traded					
Traded, pcs	2,031,136	2,507,672	1,110,337	2,876,861	1,018,902
% of entire series	13.7	16.9	7.5	19.4	6.9
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	17,851,487	18,026,814	18,059,214	18,059,214	18,059,214

* 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

$$\text{Return on equity, ROE (\%)} = \frac{\text{Profit before taxes less taxes}}{\text{Shareholders' equity plus non-controlling interest (average)}} \times 100$$

$$\text{Solvency ratio, (\%)} = \frac{\text{Shareholders' equity plus non-controlling interest}}{\text{Balance sheet total less advance payments}} \times 100$$

$$\text{Earnings / share, EUR} = \frac{\text{Profit before taxes less taxes}}{\begin{array}{l}\text{+/- non-controlling interest}\\ \text{Average number of shares, adjusted}\end{array}}$$

$$\text{Cash flow from business operations / share, EUR} = \frac{\text{Cash flow from business operations}}{\text{Number or shares at balance sheet date}}$$

$$\text{Equity / share, EUR} = \frac{\text{Shareholders' equity}}{\text{Number of shares at balance sheet date, adjusted}}$$

$$\text{Dividend / share, EUR} = \frac{\text{Dividend}}{\text{Number of shares at balance sheet date, adjusted}}$$

$$\text{Dividend / earnings, (\%)} = \frac{\text{Dividend}}{\begin{array}{l}\text{Profit before taxes less taxes}\\ \text{+/- non-controlling interest}\end{array}} \times 100$$

$$\text{Effective dividend yield, (\%)} = \frac{\text{Dividend / share}}{\text{Share price at balance sheet date}} \times 100$$

$$\text{Price / earnings, EUR} = \frac{\text{Share price at balance sheet date}}{\text{Earnings / share}}$$

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 2016	IFRS 2015	IFRS 2014	IFRS 2013	IFRS 2012
Net sales	**319.1**	**318.5**	**299.7**	**273.2**	**293.3**
Other operating income	1.1	0.5	0.5	1.8	0.5
Costs	273.9	274.3	258.6	237.8	247.9
Depreciation, amortization and impairment charges	24.1	15.1	15.2	19.1	15.8
Operating profit	**22.3**	**29.6**	**26.4**	**18.1**	**30.2**
Financial income and expenses	-0.2	3.4	2.7	-1.0	-1.0
Profit before tax	**22.1**	**33.0**	**29.1**	**17.2**	**29.1**
Income taxes	-3.3	-5.5	-5.7	-6.2	-7.4
Net profit for the period	**18.8**	**27.5**	**23.4**	**10.9**	**21.7**

Consolidated statement of financial position

EUR million	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012
Assets					
Non-current assets	73.8	90.0	91.5	92.5	88.3
Inventories	32.1	39.0	33.9	28.6	29.8
Current assets	149.2	134.9	119.2	104.6	138.9
Statement of financial position, total	**255.0**	**264.0**	**244.6**	**225.6**	**257.0**
Shareholders' equity and liabilities					
Equity attributable to equity holders of the parent	178.5	181.3	170.0	158.9	189.1
Liabilities, total	76.5	82.7	74.6	66.8	67.9
Interest bearing	0.0	0.0	0.0	0.0	0.6
Non-interest bearing	76.5	82.7	74.6	66.8	67.3
Statement of financial position, total	**255.0**	**264.0**	**244.6**	**225.6**	**257.0**

Consolidated Statement of Income

EUR million	Note	Jan. 1–Dec. 31, 2016	% of net sales	Jan. 1–Dec. 31, 2015	% of net sales
Net sales	3, 4, 5	319.1		318.5	
Cost of sales	7	-154.3		-155.6	
Gross profit		**164.8**	**51.6**	**162.8**	**51.1**
Sales, marketing and administrative costs	7, 8	-103.4		-95.8	
Research and development costs	7, 8, 9	-38.0		-36.1	
Other operating income and expenses	6	-1.0		-1.3	
Operating profit (loss)		**22.3**	**7.0**	**29.6**	**9.3**
Share of result in associated company	16	0.1		-0.1	
Financial income and expenses, net	10	-0.3		3.5	
Profit (loss) before taxes		**22.1**	**6.9**	**33.0**	**10.4**
Income taxes	11	-3.3		-5.5	
Profit (loss) for the period		**18.8**	**5.9**	**27.5**	**8.6**
Earnings per share for profit attributable to the equity holders of the parent					
Earnings per share, EUR	12	1.05		1.52	
Diluted earnings per share, EUR		1.03		1.51	

Consolidated Statement of Comprehensive Income EUR million					
Items that will not be reclassified to profit or loss					
Actuarial loss on post-employment benefits *	22	-0.0		0.4	
Total		**-0.0**		**0.4**	
Items that may be reclassified subsequently to profit or loss					
Currency translation differences		0.0		3.1	
Total		**0.0**		**3.1**	
Total other comprehensive income		**0.0**		**3.5**	
Total comprehensive income		**18.8**		**31.0**	

* 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, 2016	Dec. 31, 2015
Assets			
Non-current assets			
Intangible assets	14	20.0	34.0
Property, plant and equipment	15	41.4	44.1
Investments		0.1	0.1
Investment in associated company	16	0.8	0.8
Long-term receivables	17	0.7	0.8
Deferred tax assets	11	10.8	10.2
		73.8	**90.0**
Current assets			
Inventories	18	32.1	39.0
Trade and other receivables	19	75.4	74.6
Income tax receivables		1.4	1.2
Cash and cash equivalents	20	72.4	59.2
		181.2	**174.0**
Total assets		**255.0**	**264.0**

The notes constitute an essential part of the financial statements.

Consolidated Statement of Financial Position

EUR million	Note	Dec. 31, 2016	Dec. 31, 2015
Shareholders' equity and liabilities			
Shareholders' equity	21		
Share capital		7.7	7.7
Other reserves		2.0	1.1
Cumulative translation adjustment		2.9	2.9
Treasury shares		-9.6	-4.3
Retained earnings		175.6	173.9
Total equity		**178.5**	**181.3**
Non-current liabilities			
Interest-bearing liabilities	25	-	0.0
Post-employment benefit obligations	22	2.4	2.1
Deferred tax liabilities	11	0.0	4.5
Provisions for other liabilities and charges	23	0.0	0.2
Other non-current liabilities	25	1.3	0.8
		3.7	**7.6**
Current liabilities			
Interest-bearing liabilities	25	0.0	0.0
Advances received		4.0	3.9
Income tax liabilities		0.4	1.7
Provisions for other liabilities and charges	23	1.8	0.4
Trade and other payables	24	66.6	69.2
		72.8	**75.1**
Total liabilities		**76.5**	**82.7**
Total shareholders' equity and liabilities		**255.0**	**264.0**

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, 2015		**7.7**	**2.5**	**-2.5**	**-0.2**	**162.6**	**170.0**
Profit for the year	21					27.5	27.5
Other comprehensive income	21		0.0		3.1	0.4	3.5
Dividend paid	21					-16.4	-16.4
Reclassification	21		0.0			-0.0	-
Purchase of treasury shares	21			-3.9			-3.9
Sale of treasury shares	21			2.1		-2.1	-
Share-based payment	8, 21		-1.4			1.9	0.5
Balance at Dec. 31, 2015		**7.7**	**1.1**	**-4.3**	**2.9**	**173.9**	**181.3**
Profit for the year	21					18.8	18.8
Other comprehensive income	21		-0.0		0.0	-0.0	-0.0
Dividend paid	21					-17.1	-17.1
Reclassification	21		0.0			-0.0	-
Purchase of treasury shares	21			-5.3			-5.3
Share-based payment	8, 21		0.8	0.0			0.9
Balance at Dec. 31, 2016		**7.7**	**2.0**	**-9.6**	**2.9**	**175.6**	**178.5**

Consolidated Cash Flow Statement

EUR million	Note	Jan. 1–Dec. 31, 2016	Jan. 1–Dec. 31, 2015
Cash flow from operating activities			
Cash receipts from customers	3, 4	320.1	325.4
Other income from business operations		-	-1.4
Cash paid to suppliers and employees		-268.3	-277.1
Financials paid, net	10	-0.7	-1.0
Income taxes paid, net	11	-9.4	-7.2
Total cash flow from business operations (A)		**41.8**	**38.8**
Cash flow from investing activities			
Capital expenditure on fixed assets	14, 15	-7.7	-8.3
Divestments		1.4	0.2
Total cash flow from investing activities (B)		**-6.4**	**-8.1**
Cash flow from financing activities			
Dividend paid	21	-17.1	-16.4
Purchase of treasury shares	21	-5.3	-3.9
Change in loan receivables		0.0	0.0
Change in leasing liabilities	25	-0.0	0.0
Total cash flow from financing activities (C)		**-22.4**	**-20.2**
Change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)		**13.0**	**10.5**
Cash and cash equivalents at the beginning of period		59.2	47.6
Net increase (+) / decrease (-) in cash and cash equivalents		13.0	10.5
Effect from changes in exchange rates		0.2	1.0
Cash and cash equivalents at the end of period	20	**72.4**	**59.2**

Notes to the Consolidated Financial Statements

Basic information

Vaisala is a global leader in environmental and industrial measurement. Building more than 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, Australia, Kenya and Colombia.

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 8, 2017, 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 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, 2016 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 Business Area 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 Business Area 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 as well as translation differences in elimination of shareholders' equity on the closing date 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	3–8 years
Other tangible assets	3–8 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 indefinite 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

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.

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, warranties, 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.

Warranty provision contains the estimated liability to repair or replace products that are under the provision coverage. The provision computation is based on historical experience and estimated cost to cover the liability.

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.

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. Product revenue recognition is typically based on delivery terms. 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.

Earnings per share

Earnings per share is calculated by dividing the profit (loss) for the period attributable to the parent company's shareholders by weighted average number of issued shares during the financial year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding during the financial year with the diluted effect of potential shares from the share based payments.

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, warranty 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 recognition 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 5. 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 14. Intangible assets.

Allowances for excess and obsolete inventory

Allowances for inventory are recognized for excesses, obsolescence and decreases in net realizable value below inventory cost. Estimation and judgment are required in determining the value of the allowance for excess and obsolete inventory. Management analyses demand estimates and determine allowances for excess and obsolete inventory. Changes in the estimates can result management to revise to the inventory valuation.

New and amended IFRSs adopted in 2016

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.

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*. The amendments provide guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

Amendments to IAS 1 *Disclosure Initiative*. The amendments clarify that an entity need not to provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating information for disclosure purposes.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable methods of Depreciation and Amortisation*. The amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment or intangible assets. This presumption can only be rebutted when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to IAS 27 *Equity method in Separate Financial Statements*. The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements at cost or in accordance with IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted IFRS 9) or using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures*.

Annual Improvements to IFRSs 2012–2014 Cycle. 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. Cycle include number of amendments to various IFRSs, which are summarized below.

- The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.
- The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.
- The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*. The amendments 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.

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

IFRS 9 *Financial Instruments*

IFRS 9 *Financial instruments* (effective in the EU for annual periods beginning on or after January 1, 2018) will supersede current IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduced new requirements for the classification and measurement of financial assets and introduces a new impairment model for financial assets, which is based on expected credit losses. Recognition and measurement of financial liabilities will mainly continue to be on the same bases as currently adopted under IAS 39. The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting.

Vaisala does not have financial instruments other than cash and foreign currency forwards and Vaisala does not apply hedge accounting. Neither does Vaisala have significant amount of credit losses. Therefore, IFRS 9 effects on Vaisala financial statement are minor.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* (effective in the EU for annual periods beginning on or after January 1, 2018). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue,* IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the good or service underlying the particular performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by IFRS 15.

Vaisala will adopt IFRS 15 *Revenue from customer contracts* as of January 1, 2018. In Vaisala, IFRS 15 affects mainly Weather Business Area's project business, which accounted revenue of EUR 65.0 million in 2016. Effects on product and services business of Weather and Controlled Environment Business Areas are estimated to be minor.

Following adoption of IFRS 15, Vaisala will recognize revenue of integrated projects using percentage of completion method. In an integrated project Vaisala shall deliver to a customer a weather observation solution that consist of products, services and software. This solution is/will typically be integrated/connected to customer systems according to customer specifications. Other projects are recognized per performance obligation that are in most cases 1) Hardware delivery/hardware deliveries and 2) Field services/field services.

Before year 2018, percentage of completion method has been rarely used and only in projects with very long delivery time. In other projects revenue has been recognized separately for hardware and field service in accordance with their pro rata selling prices.

IFRS 15 percentage of completion method shall advance recognition of revenue and profit. Performance obligation based revenue recognition shall advance profit recognition as hardware delivery is usually/typically more profitable compared to field services, and hardware is delivered before field services. The transition effect of projects depends on the size and scope of projects in the time of transition.

Revenue of Product deliveries are recognized, as today, based on delivery terms and services when benefits are transferred to customers.

Vaisala shall use cumulative method in transition, which means that open contracts shall be recognized according to IFRS 15 as of January 1, 2018, but (revenue or profit recognition of) completed projects will not be adjusted retrospectively. Vaisala will disclose further information concerning adoption of IFRS 15 in Half Year Financial Report for January–June 2017 and Interim Report for January–September 2017.

Clarifications to IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods on or after 1 January 2018). The clarifications issued on 12 April 2016 provides guidance on (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing application. The clarifications have not yet been endorsed by the EU.

Other standards

IFRS 16 *Leases* (effective for annual periods beginning on or after January 1, 2019). IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the current guidance including IAS 17 *Leases* and the related interpretations when it becomes effective. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosure are required by IFRS 16. The standard has not yet been endorsed by the EU. Vaisala is evaluating the effects of the standard.

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (effective for annual periods beginning on or after January 1, 2018). The amendments issued on 20 June 2016 clarifies the following: (a) in estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments; (b) where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (i.e., net settlement feature), such an arrangement should be classified as equity-settled in its entirety provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature; and (c) clarifications on how to account for a modification that changes the transaction from cash-settled to equity-settled. Application of the amendments will not have a significant impact on the Group's consolidated financial statements. The amendments have not yet been endorsed by the EU.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after January 1, 2017). The amendments issued on January 19, 2016 clarifies the recognition of deferred tax assets when decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value of which the tax base remains at cost give rise to a deductible temporary difference. Application of the amendments will not have a significant impact on the Group's consolidated financial statements. The amendments have not yet been endorsed by the EU.

Amendments to IAS 7 *Disclosure Initiative* (effective for annual periods beginning on or after January 1, 2017). The amendments issued on January 29, 2016 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows (e.g. borrowings and repayments) and non-cash changes (e.g. acquisitions, disposals, accumulated interests, unrealised foreign currency translation differences). The amendments have not yet been endorsed by the EU.

Annual Improvements to IFRSs 2014–2016 Cycle (effective for annual periods beginning on or after as indicated below). 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. Cycle include number of amendments to various IFRSs, which are summarised below. The amendments have not yet been endorsed by the EU.

- The amendments to IFRS 1 *First-time Adoption of IFRSs* deleted the short-term exemptions relating to (a) disclosures about financial instruments; (b) employee benefits; and (c) investment entities because they are redundant. Effective for annual periods beginning on or after January 1, 2018.
- The amendments to IFRS 12 *Disclosure of Interests in Other Entities* clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Effective for annual periods beginning on or after January 1, 2017.
- The amendments to IAS 28 *Investments in Associates and Joint Ventures* clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or a joint venture on an investment-by-investment basis, upon initial recognition. Effective for annual periods beginning on or after January 1, 2018.

Amendments to IAS 40 *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018). The amendments issued on December 8, 2016 addresses clarifications to the requirement of transfer to, or from, investment property when, and only when, there is a change in use of property supported by evidence. Accordingly, IAS 40 is amended to reflect the principle that a change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The amendments have not yet been endorsed by the EU.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after January 1, 2018). The interpretation issued on 8 December 2016 provides guidance on "the date of the transaction" when an entity pays or received consideration in advance in a foreign currency. IAS 21 *The Effects of Changes in Foreign Exchange Rates* requires an entity to record a transaction in a foreign currency transaction, initially, at the spot rate at "the date of the transaction". IAS 21 defines the date of the transaction as "the date on which the transaction first qualifies for recognition in accordance with IFRSs". The interpretation clarifies that "the date of the transaction" is the date of the advance consideration. The amendments have not yet been endorsed by the EU.

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 strategic, 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. In the US, political decisions may have both positive and negative effects on the demand for Vaisala's products and services for the public sector.

Weather Business Area offers its meteorological customers large infrastructure projects. The closing of such contracts is characterized by budgetary constraints, long-term negotiations concerning scope, project timing and financing. Thus, Vaisala's financial performance may vary significantly over time. Also increasing competition, changes in price levels and exchange rates may impact Vaisala's net sales and profitability.

The ongoing business expansion in renewable energy and information services 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, such as power transformer monitoring products and continuous monitoring systems, 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. Cyber risk and availability of IT systems may impact operations, delivery of information services or Internet-based services or cause financial loss.

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.

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 not affect the company's result or equity materially.

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 41% is in USD, 39% in EUR, 6% in JPY, 4% in GBP and 4% 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 0.0 (3.1) 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 -2.0 (-0.5) million on Vaisala profit after taxes and equity. In the following table are the most significant foreign exchanges exposures against EUR.

EUR million	2016	2015
USD	-31.1	-9.0
CAD	2.1	-1.6

Refinancing and liquidity risks

Vaisala cash at hand amounts to EUR 72.4 (59.2) million. The parent company has also EUR 20 million uncommitted credit loan limit, which is currently unused. Additionally, the subsidiaries have EUR 1.4 million credit limits, which can be drawn in guarantees. 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 72.4 (59.2) 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, 2016.

Credit risk

Credit risks are hedged by using letters of credit, advance payments and bank guarantees as terms of payment as well as following creditworthiness of customers. 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 1.2 (0.5) million. Bad debts are written off when official announcement of receivership, liquidation or bankruptcy is received confirming that the receivable will not be honored.

3 BUSINESS SEGMENTS

2016 EUR million	WEA *	CEN *	Other operations	Group
Products	115.5	93.0		208.5
Projects	65.0			65.0
Services	34.9	10.7		45.6
Net sales	**215.4**	**103.7**	**0.0**	**319.1**
Operating profit	**3.4**	**21.6**	**-2.7**	**22.3**
Share of result in associated company				0.1
Financial income and expenses				-0.3
Profit before taxes				**22.1**
Income taxes				-3.3
Profit for the financial year				**18.8**

* WEA = Weather

* CEN = Controlled Environment

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 company				-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

4 GEOGRAPHICAL SEGMENTS

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

2016 EUR million	Net sales, by destination country [1]	Net sales, by location country [2]	Non-current assets [2]
EMEA	92.0	244.3	35.3
of which Finland	7.5	214.5	35.0
Americas	140.9	135.5	26.1
of which United States	110.5	129.0	25.9
APAC	86.2	47.1	1.6
Group eliminations		-107.8	
Total	**319.1**	**319.1**	**63.0**

[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.

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.

5 LONG-TERM PROJECTS

EUR million	2016	2015
Net sales recognized as revenue according to percentage of completion (in financial period)	0.6	2.5
Amount recognized as revenue during the financial year and previous years for long-term project in progress	8.8	9.1
Total costs of incomplete long-term projects	6.7	6.6
Net amount of recognized costs, profits and losses from long-term projects	1.9	2.0
Order book	0.6	1.3

Specification of balances in the statement of financial position		
Materials and supplies in inventory	0.0	0.5
Prepayments and accrued income recognized	0.7	0.6
Deferred income recognized	0.1	0.6
Advances received	0.0	0.2

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

6 OTHER OPERATING INCOME AND EXPENSES

Other operating income EUR million	2016	2015
Gains on the disposal of fixed assets	0.0	0.1
Gain on the disposal of Transportation business unit	1.0	-
Other	0.2	0.4
Total	**1.1**	**0.5**

Other operating expenses EUR million	2016	2015
Loss on the disposal of fixed assets	0.0	0.0
Restructuring expenses	2.1	1.8
Total	**2.1**	**1.8**

Other operating income and expenses, net	**-1.0**	**-1.3**

7 DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

EUR million Depreciation, amortization and impairments by function	2016	2015
Procurement and production	4.5	4.9
Sales, marketing and administration	19.0	9.6
Research and development	0.6	0.6
Total	**24.1**	**15.1**

Depreciation and amortization by asset group	2016	2015
Intangible assets		
Intangible rights	4.3	4.5
Other intangible assets	1.1	1.5
Total	**5.4**	**6.0**

Property, plant and equipment	2016	2015
Buildings and structures	2.4	2.2
Machinery and equipment	5.7	6.5
Total	**8.1**	**8.7**

Impairments by asset group	2016	2015
Intangible rights	2.2	0.0
Other intangible assets	8.3	-
Buildings and structures	0.0	0.1
Machinery and equipment	0.1	0.0
Investments in progress	-	0.2
Total	**10.6**	**0.4**
Total	**24.1**	**15.1**

In 2016 Vaisala recognized a EUR 10.5 million write-down of intangible assets. The intangible assets are from the acquisitions of Second Wind Systems Inc. and 3TIER Inc. in 2013. The write-down was due to Vaisala's slower than anticipated market penetration in the renewable energy market and related weakening of expected return on Vaisala's Energy business investment.

8 EXPENSES ARISING FROM EMPLOYEE BENEFITS

EUR million	2016	2015
Salaries	102.8	105.5
Share-based payment	2.3	1.0
Social costs	11.3	11.7
Pensions		
Defined-benefit pension schemes	0.0	0.0
Defined-contribution pension schemes	11.9	11.7
Total	**128.4**	**130.0**

Expenses arising from employee benefits by function	2016	2015
Procurement and production	44.2	44.0
Sales, marketing and administration	54.4	55.6
Research and development	29.8	30.4
Total	**128.4**	**130.0**

Group personnel, average during the financial year by business unit	2016	2015
Weather	693	672
Controlled Environment	293	269
Other operations	604	670
Total	**1,590**	**1,611**

Group personnel, average during the financial year	2016	2015
In Finland	961	930
Outside Finland	629	681
Total	**1,590**	**1,611**

Share-based incentive plans

On February 6, 2013, Vaisala's 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. No reward was paid based on this plan as the profitability targets were not met.

On February 10, 2014, Vaisala's 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. The reward will be paid partly in Vaisala's 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. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2014 to March 2017. The cost of the proportion of share reward corresponds to the value of Vaisala's A share closing price of EUR 23.69 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. This share-based incentive plan was directed to approximately 20 persons on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 43,412 Vaisala's A shares, including the cash portion.

On December 18, 2014, Vaisala's 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. The reward will be paid partly in Vaisala'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. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2015 to March 2018. The cost of the proportion of share reward corresponds to the value of Vaisala's A share closing price of EUR 24.16 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. This share-based incentive plan was directed to approximately 30 persons on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 101,791 Vaisala's A shares, including the cash portion.

On December 16, 2015, Vaisala's 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 2016. The reward will be paid partly in Vaisala'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. The maximum amount of this plan originally corresponded to 200,000 shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2016 to March 2019. The cost of the proportion of share reward corresponds to the value of Vaisala's A share closing price of EUR 23.13 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. This share-based incentive plan was directed to approximately 30 persons on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 95,060 Vaisala's A shares, including the cash portion.

On February 10, 2016, Vaisala' Board of Directors resolved for a share-based incentive plan, in which the earning criteria is uninterrupted employment of certain Group employees for a defined number of years. The reward will be paid partly in Vaisala's A shares and partly in cash in three equal installments during the term of the plan. 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 9,000 shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2016 to March 2018. The cost of the proportion of share reward corresponds to the value of Vaisala A share closing price of EUR 23.13 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 6,000 Vaisala A shares, including the cash portion.

On December 15, 2016, 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 2017. The reward will be paid partly in Vaisala's series A shares and partly in cash in spring 2020. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan corresponds to 200,000 shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2017 to March 2020.

Expenses arising from share-based incentive plans EUR million	2012	2013	2014	2015	2016	Total
Share-based incentive plan 2012	0.4	0.6	0.7	0.2		**1.9**
Share-based incentive plan 2013	-	-	-	-	-	**-**
Share-based incentive plan 2014			0.2	0.3	0.6	**1.1**
Share-based incentive plan 2015				0.5	1.1	**1.6**
Share-based incentive plans 2016					0.7	**0.7**
Total	**0.4**	**0.6**	**0.9**	**1.0**	**2.4**	**5.3**

9 RESEARCH AND DEVELOPMENT EXPENDITURE

The statement of income includes research and development expenditure of EUR 38.0 million recognized as an expense in 2016 (EUR 36.1 million in 2015).

10 FINANCIAL INCOME AND EXPENSES

EUR million Financial income	2016	2015
Other interest and financial income	0.2	0.4
Realized and unrealized gains arising from changes in fair value of derivative contracts and hedging activities	0.6	1.8
Other foreign exchange gains	4.5	12.0
Total	**5.3**	**14.3**

Financial expenses	2016	2015
Interest expenses		
Short- and long-term liabilities	0.1	0.0
Finance lease agreements	0.0	0.0
Other financial expenses	0.2	0.2
Realized and unrealized losses arising from changes in fair value of derivative contracts and hedging activities	2.1	4.5
Other foreign exchange losses	3.2	6.0
Total	**5.6**	**10.8**
Financial income and expenses, net	**-0.3**	**3.5**

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

11 INCOME TAXES

EUR million	2016	2015
Tax based on taxable income for the financial year	7.7	8.3
Taxes from previous financial years	0.3	-1.0
Change in deferred tax assets and liabilities	-4.7	-1.8
Total	**3.3**	**5.5**

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

EUR million	2016	2015
Profit before taxes	22.1	33.0
Taxes calculated at Finnish tax rate	4.4	6.6
Effect of foreign subsidiaries' tax rates	-1.0	0.2
Non-deductible expenses and tax-free revenue	-0.1	-0.1
Taxes from previous years	0.3	-1.0
Other direct taxes	0.0	0.0
Deferred tax adjustment	-0.2	-0.2
Other	-0.1	0.0
Tax in the statement of income	**3.3**	**5.5**
Effective tax rate	**14.8%**	**16.6%**

Deferred taxes in statement of financial position

EUR million	2016	2015
Deferred tax assets	10.8	10.2
Deferred tax liabilities	-0.0	-4.5
Deferred tax asset, net	**10.8**	**5.7**

Gross change in deferred taxes recognized in statement of financial position

EUR million	2016	2015
Deferred taxes Jan. 1	5.7	3.7
Items recognized in statement of income	4.7	1.8
Translation differences	0.3	0.2
Items recognized in statement of comprehensive income	0.1	0.1
Deferred taxes Dec. 31	**10.8**	**5.7**

Changes in deferred taxes during 2016

EUR million	Jan. 1, 2016	Recognized in statement of income	Translation differences	Recognized in statement of comprehensive income	Dec. 31, 2016
Deferred tax assets					
Internal margin of inventories and fixed assets	1.4	-0.3			1.1
Employee benefits	1.1	0.7			1.8
Unused tax losses	2.9	-0.0			2.9
Timing difference of depreciation on intangible items	0.7	0.0	0.0		0.8
Other temporary timing differences	4.1	-0.1	0.2	0.1	4.2
Total	**10.2**	**0.2**	**0.3**	**0.1**	**10.8**
Deferred tax liabilities					
Timing difference between accounting and taxation	0.2	-0.2			0.0
Timing difference of depreciation on intangible items	4.3	-4.3	-0.0		0.0
Other	0.0	0.0			0.0
Total	**4.5**	**-4.5**	**-0.0**		**0.0**
Deferred tax asset, net	**5.7**	**4.7**	**0.3**	**0.1**	**10.8**

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**

12 EARNINGS PER SHARE

	2016	2015
Profit attributable to shareholders of the parent company, EUR million	18.8	27.5
Weighted average number of shares outstanding, 1,000 pcs	17,955	18,103
Weighted average number of share awards, 1,000 pcs	248	156
Weighted diluted number of shares, 1,000 pcs	**18,203**	**18,259**
Earnings per share, EUR	1.05	1.52
Diluted earnings per share, EUR	1.03	1.51

13 DIVIDEND PER SHARE

For 2015 a dividend of 0.95 euros per share was paid.

At the Annual General Meeting to be held on March 28, 2017 the payment of a dividend of 1.00 euros per share will be proposed, representing a total dividend of approximately EUR 17.9 million. The proposed dividend has not been recognized as a dividend liability in these financial statements.

14 INTANGIBLE ASSETS

EUR million Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost Jan. 1, 2016	16.1	65.3	81.4
Translation difference	0.5	1.2	1.7
Increases		1.5	1.5
Decreases	-0.1	-18.2	-18.3
Transfers between items		0.4	0.4
Acquisition cost Dec. 31, 2016	**16.5**	**50.1**	**66.6**
Accumulated amortization and impairment Jan. 1, 2016		47.4	47.4
Translation difference		1.4	1.4
Accumulated amortization of decreases and transfers		-18.1	-18.1
Amortization in financial year		5.4	5.4
Impairments in financial year		10.5	10.5
Accumulated amortization and impairment Dec. 31, 2016		**46.6**	**46.6**
Carrying amount Dec. 31, 2016	**16.5**	**3.5**	**20.0**

EUR million Intangible assets	Goodwill	Other intangible assets	Total
Acquisition cost Jan. 1, 2015	14.4	64.0	78.4
Translation difference	1.7	4.3	6.0
Increases		0.5	0.5
Decreases		-0.6	-0.6
Transfers between items		-3.0	-3.0
Acquisition cost Dec. 31, 2015	**16.1**	**65.3**	**81.4**
Accumulated amortization and impairment Jan. 1, 2015		41.3	41.3
Translation difference		2.7	2.7
Accumulated amortization of decreases and transfers		-2.7	-2.7
Amortization in financial year		6.0	6.0
Impairments in financial year		0.1	0.1
Accumulated amortization and impairment Dec. 31, 2015		**47.4**	**47.4**
Carrying amount Dec. 31, 2015	**16.1**	**17.9**	**34.0**

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 365 million. Weather business sales are expected to grow annually 2-6% next five years. Terminal growth rate is based on 2% growth assumption and Weighted Average Costs of Capital (WACC) is 8.7%. Calculations show that with other assumptions unchanged cash generating unit can withstand sales deteriorating 17%, profitability deteriorating 11% or discount rate increase 36%.

15 PROPERTY, PLANT AND EQUIPMENT

EUR million Property, plant and equipment	Land and waters	Buildings and structures	Machinery and equipment	Other tangible assets	Advance ja payments and construction in progress	Total
Acquisition cost Jan. 1, 2016	3.1	54.4	76.3	0.0	6.0	139.9
Translation difference	0.1	0.0	0.5		0.0	0.6
Increases		0.7	2.1		3.4	6.2
Decreases		-1.0	-5.9			-6.9
Transfers between items		0.7	4.6		-5.9	-0.7
Acquisition cost Dec. 31, 2016	**3.2**	**54.8**	**77.6**	**0.0**	**3.5**	**139.1**
Accumulated depreciation and impairment Jan. 1, 2016		32.7	63.1			95.8
Translation difference		-0.0	0.4			0.4
Accumulated depreciation of decreases and transfers		-1.0	-5.6			-6.6
Depreciation in financial year		2.4	5.7			8.1
Write-downs in financial year		0.0	0.1			0.1
Accumulated depreciation Dec. 31, 2016		**34.1**	**63.7**			**97.8**
Carrying amount Dec. 31, 2016	**3.2**	**20.8**	**13.9**	**0.0**	**3.5**	**41.4**

The carrying amount of machinery and equipment used in production was EUR 9.4 million on December 31, 2016 (EUR 8.6 million on December 31, 2015).

EUR million Property, plant and equipment	Land and waters	Buildings and structures	Machinery and equipment	Other tangible assets	Advance ja payments and construction in progress	Total
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**

16 HOLDING IN ASSOCIATED COMPANY

EUR million	2016	2015
Acquisition cost Jan. 1	0.8	0.8
Share of result	0.1	-0.1
Translation differences	-0.0	0.0
Associated company investments, total Dec. 31	**0.9**	**0.8**

The Group has one associated company, Meteorage SA, which maintains lightning detection networks and sales information related to lightning detection. The carrying amount of the associated company does not include goodwill.

Information on Group associated company as well as its combined assets, liabilities, net sales and profit/loss

2016 EUR million	Domicile	Assets	Liabilities	Net sales	Profit/loss	Holding
Meteorage SA, France	Cedex	4.6	2.2	3.1	0.2	35%

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 tables are based on the latest available financial statements.

17 LONG-TERM RECEIVABLES

EUR million	2016 Values in statement of financial position	Fair values	2015 Values in statement of financial position	Fair values
Long-term deposits	0.7	0.7	0.8	0.8
Total	**0.7**	**0.7**	**0.8**	**0.8**

18 INVENTORIES

EUR million	2016	2015
Materials, supplies and finished goods	27.6	33.8
Project inventories	4.5	5.2
Total	**32.1**	**39.0**

The cost of inventories against realized net sales recognized as an expense was EUR 89.6 million in year 2016 (EUR 88.8 million in year 2015).

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 6.3 million in year 2016 (EUR 6.4 million in year 2015).

19 TRADE RECEIVABLES AND OTHER RECEIVABLES

EUR million	2016	2015
Trade receivables	60.0	58.5
Loan receivables	0.0	0.0
Advances paid	0.2	0.4
Value-added tax receivables	2.8	4.7
Other receivables	1.3	1.0
Receivables from long-term project customers	0.7	0.6
Derivative contracts	0.3	0.1
Other prepaid expenses and accrued income	10.1	9.2
Total	**75.4**	**74.6**

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

Age analysis for the trade receivables

EUR million	2016	Provision	Net 2016	2015	Provision	Net 2015
Invoices not due	38.7		38.7	40.3		40.3
Due less than 30 days	12.6		12.6	8.3		8.3
Due 31-90 days	7.6		7.6	7.8		7.8
Due over 90 days	3.5	2.4	1.0	3.6	1.6	2.0
Total	**62.4**	**2.4**	**60.0**	**60.1**	**1.6**	**58.5**

In 2016 impairments of trade receivables were EUR 1.2 million negative (EUR 0.5 million negative in 2015).

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

EUR million	2016	2015
EUR	18.3	21.3
USD	30.6	27.8
GBP	2.4	4.3
JPY	2.9	2.2
AUD	1.4	0.5
CNY	1.0	0.5
Others	3.3	2.0
Total	**60.0**	**58.5**

20 CASH AND CASH EQUIVALENTS

EUR million	2016	2015
Cash and bank deposits	72.4	59.2

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

21 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	Number of shares 1,000	Share capital	Other reserves	Treasury shares	Total
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**
Share-based compensation	2		0.8	0.0	0.9
Purchase of treasury shares	-177			-5.3	-5.3
Transfer			0.0		0.0
Translation differences			-0.0		-0.0
December 31, 2016	**17,851**	**7.7**	**2.0**	**-9.6**	**0.0**
Own shares held by company	367				
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, 2015: EUR 0.5 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, 2016 the balance was EUR 0.1 million (December 31, 2015: 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, 2015	191,550	4.3
Distribution of treasury shares to key employees	-1,500	-0.0
Purchase of treasury shares	176,827	5.3
Company's treasury shares on Dec. 31, 2016	**366,877**	**9.6**

On December 31, 2016, the Group had 366,877 treasury A shares (191,550 A shares on December 31, 2015) in its possession that represent approximately 2.0% (December 31, 2015: 1.0%) of share capital and 0.4% of voting rights (December 31, 2015: 0.2%). The considerations paid for the A shares were EUR 9,618,997.22.

Treasury shares are to be used for share based incentive plan (note 8).

22 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 additional pension coverage of parent company personnel is arranged by the Vaisala Pension Fund that was closed on January 1,1983. The pension fund liability was transferred to a pension insurance company December 31, 2005 and the fund was dissolved in year 2006. 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.

In 2015 the defined benefit scheme computation was recognized using gross method which means that assets and liabilities of beneficiaries and paid up policyholders are presented separately. This change did not affect net profit.

The defined-benefit pension liability is determined as follows:

EUR million	2016	2015
Fair value of funded obligations	5.7	5.7
Fair value of assets	-4.9	-5.0
Deficit/surplus	**0.8**	**0.7**
Net liability in the statement of financial position	**0.8**	**0.7**

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

EUR million	2016	2015
Current service cost	0.0	0.0
Interest	0.0	0.0
Expense recognized in the statement of income	**0.0**	**0.0**
Net actuarial loss (+) / gain (-) in other comprehensive income	0.1	-0.5
Total recognized in the statement of income and the statement of other comprehensive income	**0.1**	**-0.4**

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

Changes in the present value of the obligation EUR million	2016	2015
Present value of obligation Jan. 1	5.7	6.9
Current service cost	0.0	0.0
Interest cost	0.1	0.1
Remeasurements		
Actuarial gain (-) loss (+) arising from changes in financial assumptions	0.3	-0.4
Experience adjustment	-0.1	-0.3
Benefits paid	-0.4	-0.6
Present value of obligation on Dec. 31	**5.7**	**5.7**

Changes in the fair value of plan assets EUR million	2016	2015
Fair value of plan assets Jan. 1	5.0	5.7
Interest income on assets	0.1	0.1
Net return on plan assets	0.1	-0.2
Benefits paid	-0.4	-0.6
Contributions	0.0	0.0
Fair value of plan assets Dec. 31	**4.9**	**5.0**

Changes of liabilities presented in statement of financial position EUR million	2016	2015
At beginning of financial year	0.7	1.2
Expense (+) / income (-) recognized in statement of income	0.0	0.0
Total recognized in other comprehensive income	0.1	-0.5
Contributions paid	-0.0	-0.0
At end of financial year	**0.7**	**0.7**

Actuarial assumptions used	2016	2015
Discount rate	1.45%	1.90%
Expected yield from assets belonging to the scheme	2.30%	2.20%
Rate of inflation	1.34%	1.20%
Annual adjustments to pensions	1.58%	1.44%

Sensitivity of the net liability changes in the principal assumptions

		Change in net liability	
Assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	2.39% decrease	2.50% increase
Salary increase rate	0.25%	0.35% increase	0.35% decrease
Pension increase rate	0.25%	18.22% increase	17.79% decrease

	Increase by one year	Decrease by one year
Life expectancy at birth	4.22% increase	4.05% 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.

23 PROVISIONS

EUR million Long term	2016	2015
Provisions Jan. 1	0.2	0.2
Increase in provisions	0.0	-
Transfer to short term provisions	-0.2	-
Provisions Dec. 31	**0.0**	**0.2**

Short term	2016	2015
Provisions Jan.1	0.4	1.4
Transfer from long term provisions	0.2	-
Increase in provisions	2.5	0.6
Used provisions	-1.3	-1.6
Provisions Dec. 31	**1.8**	**0.4**

The provisions in 2016 include a provision for a donation to the New Children's hospital in Helsinki, Finland as well as restructuring and warranty provisions. 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. This provision was released in 2016.

24 TRADE PAYABLES AND OTHER LIABILITIES

EUR million	2016	2015
Trade payables	10.7	13.6
Salary and social cost allocations	22.9	23.6
Financial derivatives	1.5	0.8
Other accrued expenses and deferred income	25.7	22.9
Other short-term liabilities	5.7	8.3
Total	**66.6**	**69.2**

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

25 FINANCIAL ASSETS AND LIABILITIES

Assets and liabilities as per statement of financial position 2016

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		0.7		0.7	0.7	17
Trade receivables and other receivables	0.3	75.1		75.4	75.4	19
Cash and cash equivalents		72.4		72.4	72.4	20
Total	**0.3**	**148.2**		**148.5**	**148.5**	
Financial liabilities						
Non-interest-bearing long-term liabilities			1.3	1.3	1.3	25
Interest-bearing short-term liabilities			0.0	0.0	0.0	25
Trade payables and other liabilities	1.5		65.1	66.6	66.6	24
Total	**1.5**		**66.4**	**67.9**	**67.9**	

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	17
Trade receivables and other receivables	0.1	74.4		74.6	74.6	19
Cash and cash equivalents		59.2		59.2	59.2	20
Total	**0.1**	**134.4**		**134.5**	**134.5**	
Financial liabilities						
Interest-bearing long-term liabilities			0.0	0.0	0.0	25
Interest-bearing short-term liabilities			0.0	0.0	0.0	25
Trade payables and other liabilities	0.8		68.4	69.2	69.2	24
Total	**0.8**		**68.4**	**69.2**	**69.2**	

At the end of year 2016 and 2015 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	2016	2015
Finance lease liabilities - total amount of minimum lease payments		
Up to 1 year	0.0	0.0
1 - 5 years	-	0.0
	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
Total	**0.0**	**0.0**

Derivative contracts

EUR million	2016	2015
Capital value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks		
Currency forwards	50.2	36.5
Capital value, total	**50.2**	**36.5**

Derivative contracts are denominated in the following currencies:	2016 Currency million	EUR million	2015 Currency million	EUR million
USD	51.0	46.3	34.5	30.9
AUD	1.4	1.0	2.2	1.4
JPY	350.0	3.0	215.0	1.6
CAD	-	-	3.8	2.6
Total		**50.2**		**36.5**

Maturity EUR million	2016	2015
Less than 90 days	12.2	14.7
Over 90 days and less than 120 days	6.0	5.1
Over 120 days and less than 180 days	11.2	9.6
Over 180 days and less than 360 days	20.8	7.0
Total	**50.2**	**36.5**

Fair value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks EUR million	2016	2015
Currency forwards	-1.2	-0.7
Fair value, total	**-1.2**	**-0.7**

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 according to IFRS 7. There were no transfers between the hierarchy levels during the financial period.

26 CONTINGENT LIABILITIES AND PLEDGES GIVEN

EUR million	2016	2015
For own loans/commitments		
Bank guarantees issued for obligations	11.9	10.7
Other own liabilities		
Pledges given	-	0.1
Other leases	9.3	7.8
Contingent liabilities and pledges given, total	**21.3**	**18.6**

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

27 RELATED PARTY TRANSACTIONS

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

The parent company and subsidiaries were as follows on December 31, 2016

Company		Group ownership %	Share of votes %
Parent company Vaisala Corporation	Finland		
Vaisala Holding Oy	Finland	100	100
Vaisala Limited	United Kingdom	100	100
Vaisala Pty Ltd.	Australia	100	100
Vaisala GmbH	Germany	100	100
Vaisala KK	Japan	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 Servicos De Marketing Ltda	Brazil	100	100
3TIER R&D India Pvt Ltd	India	100	100
Vaisala East Africa Limited	Kenya	100	100

Associated company			
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

2016 EUR million	Sales	Receivables
Associated company	0.3	-

2015 EUR million	Sales	Receivables
Associated company	0.6	-

Employee benefits of management EUR million	2016	2015
Salary and bonuses of the President and CEO		
Forsén Kjell		
Salary	0.5	0.5
Bonuses	0.2	0.3
Share-based payment	0.3	0.1
Obligatory pension	0.1	0.1
Voluntary pension	0.1	0.1
Total	**1.2**	**1.1**
Other group management		
Salary	1.1	1.2
Bonuses	0.4	0.4
Share-based payment	0.8	0.3
Obligatory pension	0.3	0.2
Voluntary pension	0.2	0.2
Total	**2.8**	**2.3**

Remuneration to members of the Board of Directors 2016 EUR 1,000		Annual remuneration	Compensation, Audit Committee	Compensation, Remuneration and Human Resources Committee	Total
Lundström Petra	Member of the Board	35	6		41
Neuvo Yrjö	Vice Chairman of the Board	35		5	40
Niinivaara Mikko	Member of the Board	35	6	3	44
Ståhlberg Kaarina (from Apr. 5, 2016)	Member of the Board	26	8		34
Torkko Maija (until Apr. 5, 2016)	Member of the Board	9	2	1	11
Torstila Pertti	Member of the Board	35			35
Voipio Raimo	Chairman of the Board	45		5	50
Voipio Ville	Member of the Board	35			35
Total		**255**	**21**	**14**	**290**

Remuneration to members of the Board of Directors 2015 EUR 1,000		Annual remuneration	Compensation, Audit Committee	Compensation, Remuneration and Human Resources Committee	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 (until Mar. 31, 2015)	Member of the Board	9			9
Voipio Raimo	Chairman of the Board	45		5	50
Voipio Ville (from Mar. 31, 2015)	Member of the Board	26			26
Total		**255**	**18**	**15**	**288**

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 786,631 shares on December 31, 2016 (2015: 816,083 shares), accounting for 7.8% of the total votes (2015: 7.8%).

The company's President and CEO held and controlled 10,720 A shares on December 31, 2016 (2015: 10,720 A Shares).

Other members of Vaisala Management Group held and controlled 17,963 Vaisala shares on December 31, 2016 accounting for 0.0% of total votes. (In 2015 other members of the Management Group held 13,463 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.

28 AUDITOR'S FEES

EUR million	2016	2015
Auditor's fees	0.3	0.3
Tax advice	0.0	0.0
Statements	0.0	0.0
Other fees	0.1	0.1
Total	**0.4**	**0.3**

Parent Company Income Statement

EUR million	Note		Jan. 1–Dec. 31, 2016		Jan. 1–Dec. 31, 2015
Net sales	2		214.5		218.1
Cost of production and procurement	5, 6		-110.9		-113.0
Gross profit			**103.6**		**105.1**
Cost of sales and marketing	5, 6		-25.4		-26.4
Cost of administration					
Development costs	5, 6	-28.0		-25.7	
Other administrative costs	5, 6	-25.1	-53.1	-26.1	-51.8
Other operating income	4		0.0		0.2
Other operating costs	4		-		-1.4
Operating profit			**25.1**		**25.7**
Financial income and expenses	7		4.6		9.5
Profit before appropriations and taxes			**29.7**		**35.2**
Appropriations	8		1.0		2.4
Profit before taxes			**30.7**		**37.5**
Direct taxes	9		-6.8		-6.6
Net profit for the financial year			**23.9**		**30.9**

Parent Company Balance Sheet

EUR million Assets	Note	Dec. 31, 2016	Dec. 31, 2015
Non-current assets			
Intangible assets	10		
Intangible rights		3.0	4.8
Other long-term expenditure		0.1	0.1
		3.1	**4.9**
Property, plant and equipment	10		
Land and waters		1.3	1.3
Buildings		23.3	24.5
Machinery and equipment		9.8	7.9
Other tangible assets		0.0	0.0
Advance payments and construction in progress		3.2	5.7
		37.5	**39.4**
Investments	10		
Shares in subsidiaries		19.0	19.0
Other shares		0.1	0.1
		19.1	**19.1**
Total non-current assets		**59.7**	**63.4**
Current assets			
Long-term receivables			
Other receivables		0.0	0.0
		0.0	**0.0**
Inventories			
Materials, consumables and finished goods		22.6	28.2
Project inventories		3.1	3.0
		25.7	**31.2**
Receivables			
Trade receivables	19	32.4	41.6
Loan receivables	19	37.0	35.8
Other receivables	11	1.5	1.7
Prepaid expenses and accrued income	12, 19	13.8	8.7
		84.9	**87.8**
Cash and bank balances	13	61.1	49.1
Total current assets		**171.6**	**168.1**
Total assets		**231.3**	**231.5**

Parent Company Balance Sheet

EUR million Shareholders' equity and liabilities	Note	Dec. 31, 2016	Dec. 31, 2015
Shareholders' equity	16		
Share capital		7.7	7.7
Fund of invested non-restricted equity		0.1	0.1
Retained earnings		135.4	126.8
Profit for the financial year		23.9	30.9
		167.0	**165.5**
Total shareholders' equity		**167.0**	**165.5**
Appropriations			
Accumulated depreciation difference	8, 14	0.0	1.0
Provisions	15	0.0	0.2
Liabilities			
Non-current			
Other non-current liabilities	17	0.5	0.0
Current			
Advances received		2.3	3.4
Trade payables	19	10.2	12.6
Current loans	19	13.5	9.8
Other current liabilities		2.2	3.3
Short-term provisions	15	1.0	0.0
Accrued expenses and deferred income	18, 19	34.6	35.8
		63.8	**64.8**
Total liabilities		**64.3**	**64.8**
Total shareholders' equity and liabilities		**231.3**	**231.5**

Parent Company Cash Flow Statement

EUR million	Note	Jan. 1–Dec. 31, 2016	Jan. 1–Dec. 31, 2015
Cash flow from operating activities			
Cash receipts from customers		224.8	208.0
Other income from business operations		0.0	0.2
Cash paid to suppliers and employees		-183.2	-182.2
Cash flow from business operations before financial items and taxes		**41.6**	**26.0**
Paid financial items, net	7	1.1	-0.6
Dividend received from business operations	7	1.4	4.8
Income tax paid	9	-7.9	-6.5
Cash flow from business operations (A)		**36.3**	**23.6**
Cash flow from investing activities			
Investments in intangible assets	10	-1.5	-1.1
Investments in property, plant and equipment	10	-4.2	-4.7
Divestments	10	0.1	0.1
Repayments on loan receivables	19	0.0	2.7
Cash flow from investing activities (B)		**-5.6**	**-3.1**
Cash flow from financing activities			
Loans received	19	3.7	10.3
Purchase of treasury shares	16	-5.3	-3.9
Dividend paid	16	-17.1	-16.4
Cash flow from financing activities (C)		**-18.7**	**-9.9**
Change in liquid funds (A+B+C) increase (+) / decrease (-)		**12.0**	**10.6**
Liquid funds at the beginning of period	13	49.1	38.5
Liquid funds at the end of period	13	**61.1**	**49.1**

Notes to the Parent Company Financial Statements

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 years 1981-1988 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	3–8 years
Other tangible assets	3–8 years

Inventories

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.

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.

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. Vaisala has sales in a number of foreign currencies, of which the most significant are the US dollar, the Japanese yen and the British pound. Vaisala does not apply hedge accounting to forward foreign exchange contracts that hedge sales in foreign currencies.

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 that was closed on January 1, 1983. The pension fund liability was transferred to a pension insurance company December 31, 2005 and the fund was dissolved in year 2006. The pension liability of the fund is fully covered.

Research and development costs

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 2016	Parent Company 2015
EMEA	77.9	91.2
of which Finland	7.5	7.4
Americas	67.8	62.1
of which United States	45.7	41.2
APAC	68.9	64.7
Total	**214.5**	**218.1**

Net sales by function EUR million	Parent Company 2016	Parent Company 2015
Weather	91.5	110.3
Controlled Environment	23.7	24.4
Net sales from subsidiaries	99.3	83.4
Total	**214.5**	**218.1**

3 LONG-TERM PROJECTS

EUR million	Parent Company 2016	Parent Company 2015
Net sales recognized as revenue according to percentage of completion (in financial period)	0.6	2.7
Amount recognized as revenue during the financial year and previous years for long-term project in progress	8.8	9.1
Total costs of incomplete long-term projects	6.7	6.6
Net amount of recognized costs, profits and losses from long-term projects	1.9	2.0
Order book	0.6	1.3
Specification of balances in the statement of financial position		
Materials and supplies in inventory	0.0	0.5
Prepayments and accrued income recognized	0.7	0.6
Deferred income recognized	0.1	0.6
Advances received	0.0	0.2

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

4 OTHER OPERATING INCOME AND EXPENSES

EUR million Other operating income	Parent Company 2016	Parent Company 2015
Gains on the disposal of fixed assets	0.0	0.0
Other operating income		
Insurance compensation	0.0	0.2
Other	-	0.0
Total	**0.0**	**0.2**

Other operating expenses		
Restructuring expenses	-	1.4
Total	**-**	**1.4**

5 PERSONNEL

Personnel costs EUR million	Parent Company 2016	Parent Company 2015
Wages and salaries	56.2	55.3
Pension costs	9.7	9.8
Other personnel costs	3.3	3.0
Total	**69.2**	**68.1**

Personnel on average during the year (persons)		
In Finland	961	930
Outside Finland	6	10
Total	**967**	**940**

Personnel Dec. 31		
In Finland	971	930
Outside Finland	5	9
Total	**976**	**939**

Management salaries EUR million	Parent Company 2016	Parent Company 2015
Salary and bonuses of the President and CEO		
Forsén Kjell		
Salary	0.5	0.5
Bonuses	0.2	0.3
Share based payment	0.3	0.1
Obligatory pension	0.1	0.1
Voluntary pension	0.1	0.1
Total	**1.2**	**1.1**

Remuneration to members of the Board of Directors 2016 EUR 1,000		Annual re-muneration	Compensation, Audit Committee	Compensation, Remuneration and Human Resources Committee	Total
Lundström Petra	Member of the Board	35	6		41
Neuvo Yrjö	Vice Chairman of the Board	35		5	40
Niinivaara Mikko	Member of the Board	35	6	3	44
Ståhlberg Kaarina (from Apr. 5, 2016)	Member of the Board	26	8		34
Torkko Maija (until Apr. 5, 2016)	Member of the Board	9	2	1	11
Torstila Pertti	Member of the Board	35			35
Voipio Raimo	Chairman of the Board	45		5	50
Voipio Ville	Member of the Board	35			35
Total		**255**	**21**	**14**	**290**

Remuneration to members of the Board of Directors 2015 EUR 1,000		Annual re-muneration	Compensation, Audit Committee	Compensation, Remuneration and Human Resources Committee	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 (until Mar. 31, 2015)	Member of the Board	9			9
Voipio Raimo	Chairman of the Board	45		5	50
Voipio Ville (from Mar. 31, 2015)	Member of the Board	26			26
Total		**255**	**18**	**15**	**288**

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 2016	Parent Company 2015
Amortization on intangible assets	3.5	3.6
Depreciation on property, plant and equipment	5.3	5.3
Impairment on intangible assets	0.0	0.0
Total	**8.8**	**8.9**

7 FINANCIAL INCOME AND EXPENSES

EUR million	Parent Company 2016	Parent Company 2015
Dividend income		
From Group companies	1.4	4.8
Interest income on long-term investments		
From Group companies	-	1.0
Other interest and financial income		
From Group companies	2.6	-
From others	0.8	2.1
Interest and other financial expenses		
To Group companies	-0.0	-0.0
To others	-2.2	-4.6
Foreign exchange gains and losses	2.0	6.2
Total	**4.6**	**9.5**

8 APPROPRIATIONS

Appropriations consist of accumulated depreciation differences.

9 INCOME TAXES

EUR million	Parent Company 2016	Parent Company 2015
Taxes for the financial year	6.7	6.6
Taxes from previous years	0.0	0.0
Total	**6.8**	**6.6**

10 FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Parent Company 2016

EUR million Intangible assets	Intangible rights	Other long-term expenditure	Total
Acquisition cost Jan. 1	32.3	0.1	32.4
Increases	1.4		1.4
Decreases	-0.9		-0.9
Transfers between items	0.3		0.3
Acquisition cost Dec. 31	**33.1**	**0.1**	**33.2**
Accumulated amortization and write-downs Jan. 1	27.5	0.0	27.5
Accumulated amortization of decreases and transfers	-0.9		-0.9
Amortization for the financial year	3.5		3.5
Accumulated amortization Dec. 31	**30.1**	**0.0**	**30.1**
Balance sheet value Dec. 31, 2016	**3.0**	**0.1**	**3.1**

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 2016 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	46.8	51.8	0.0	5.7	105.5
Increases		0.0	0.9		3.3	4.2
Decreases		-0.1	-2.8		-0.4	-3.3
Transfers between items		0.7	4.4		-5.3	-0.3
Acquisition cost Dec. 31	**1.2**	**47.4**	**54.2**	**0.0**	**3.2**	**106.0**
Accumulated amortization and write-downs Jan. 1		28.0	43.8			71.8
Accumulated depreciation of decreases and transfers		-0.1	-2.8			-2.9
Depreciation for the financial year		1.9	3.4			5.3
Transfers between items			0.0			0.0
Accumulated depreciation Dec. 31		**29.7**	**44.4**			**74.2**
Revaluation	0.1	5.6				5.7
Balance sheet value Dec. 31, 2016	**1.3**	**23.3**	**9.8**	**0.0**	**3.2**	**37.5**

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
Write-downs		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**

The carrying amount of machinery and equipment used in production was EUR 7.6 million on December 31, 2016 (EUR 6.2 million on December 31, 2015).

Parent Company 2016

EUR million Investments	Subsidiary shares	Other shares and holdings	Total
Acquisition cost Jan. 1	19.0	0.1	19.1
Increases	0.0		0.0
Balance sheet value Dec. 31, 2016	**19.0**	**0.1**	**19.1**

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**

11 OTHER RECEIVABLES

EUR million	Parent Company 2016	Parent Company 2015
Advances paid	0.1	0.0
Value added tax receivables	1.1	1.2
Other	0.4	0.5
Total	**1.5**	**1.7**

12 DEFERRED ASSETS

EUR million	Parent Company 2016	Parent Company 2015
Tax related deferred assets	0.2	0.4
Deferred revenue	9.3	6.0
Financial derivatives	0.3	0.1
Other deferred assets	4.0	2.2
Total	**13.8**	**8.7**

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

13 CASH AND BANK BALANCES

EUR million Cash and bank balances	Parent Company	Parent Company 2015
Cash and balance in the bank accounts	61.1	49.1
Total	**61.1**	**49.1**

14 DEFERRED TAX ASSETS AND LIABILITIES

EUR million Deferred tax assets	Parent Company 2016	Parent Company 2015
Deferred depreciation	0.3	0.1
Share-based payments	0.7	0.2
Provision	0.2	-
Total	**1.1**	**0.3**

Deferred tax liabilities	Parent Company 2016	Parent Company 2015
Accumulated depreciation differences	-	0.2

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 2016	Parent Company 2015
Provisions Jan. 1.	0.2	-
Increases	0.9	0.2
Decreases	-0.0	-
Provisions Dec. 31.	**1.0**	**0.2**

The provision 2015 includes a provision for a donation to the New Children's hospital in Helsinki, Finland. The provisions in 2016 include mainly the donation provision and warranty provision.

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 2016	Parent Company 2015
Share capital		
Series A	6.4	6.4
Series K	1.3	1.3
Share capital Dec. 31	**7.7**	**7.7**
Fund of invested non-restricted equity Jan. 1	0.1	0.1
Fund of invested non-restricted equity Dec. 31	**0.1**	**0.1**
Retained earnings Jan. 1	157.8	145.2
Dividends paid	-17.1	-16.4
Purchase of treasury shares	-5.3	-3.9
Sale of treasury shares	0.0	1.9
Retained earnings Dec. 31	**135.4**	**126.8**
Profit for the financial year	23.9	30.9
Total equity	**167.0**	**165.5**

Distributable funds EUR million	Parent Company 2016	Parent Company 2015
Retained earnings	135.4	126.8
Profit for the financial year	23.9	30.9
Fund of invested non-restricted equity	0.1	0.1
Total	**159.4**	**157.8**

17 NON-CURRENT LIABILITIES

The long-term non-interest bearing liabilities, EUR 0.5 million, will mature in 2018 and 2019. 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 2016	Parent Company 2015
Wages, salaries and wage-related liabilities	15.5	14.1
Deferred revenue	14.3	15.6
Financial derivatives	1.5	0.8
Other accrued expenses and deferred income	3.3	5.2
Total	**34.6**	**35.8**

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

19 RECEIVABLES AND LIABILITIES FROM OTHER COMPANIES IN VAISALA GROUP

EUR million	Parent Company 2016	Parent Company 2015
Current loan receivables	37.0	35.8
Trade receivables	10.5	18.0
Prepaid expenses and accrued income	8.5	4.2
Total receivables	**56.1**	**58.0**
Current loans	13.5	9.8
Trade payables	1.1	2.2
Accrued expenses and deferred income	1.4	4.9
Total liabilities	**15.9**	**16.9**

20 CONTINGENT LIABILITIES AND PLEDGES GIVEN

EUR million	Parent Company 2016	Parent Company 2015
For own debt or liability		
Bank guarantees issued for obligations	11.9	10.7
For Group companies		
Guarantees	0.9	1.8
Other own liabilities		
Pledges given	-	0.1
Leasing liabilities		
Payable during the financial year	0.1	0.2
Payable later	0.1	0.2
Total leasing liabilities	**0.2**	**0.4**
Total contingent liabilities and pledges given	**13.1**	**12.9**

Derivative contracts EUR million	Parent Company 2016	Parent Company 2015
Capital of off-balance sheet contracts made to hedge against exchange rate and interest risks		
Currency forwards	50.2	36.5
Total capital	**50.2**	**36.5**

21 AUDITOR'S FEES

EUR million	Parent Company 2016	Parent Company 2015
Auditor's fees	0.2	0.2
Statements	0.0	0.0
Tax advice	0.0	0.0
Other fees	0.1	0.1
Total	**0.3**	**0.3**

Shares 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, 2016, Vaisala had 18,218,364 shares, of which 3,389,351 were series K shares and 14,829,013 were 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, 2016	Share A	Share K	Total shares	% of total shares	% of total votes
Novametor Oy	1,389,000	476,592	1,865,592	10.24	13.22
Finnish Academy of Science and Letters	237,586	878,880	1,116,466	6.13	21.56
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
Weisell-säätiö	720,000	0	720,000	3.95	0.87
Voipio Mikko	333,000	301,156	634,156	3.48	7.69
Nordea Nordic Small Cap Fund	505,982	0	505,982	2.78	0.61
Caspers Anja	203,280	281,468	484,748	2.66	7.06
Voipio Raimo Hannes	255,580	227,148	482,728	2.65	5.81
Voipio Tauno	295,760	157,652	453,412	2.49	4.17
Vaisala Oyj	366,277	0	366,277	2.01	0.44
Voipio Lauri	280,846	41,688	322,534	1.77	1.35
Voipio Riitta Johanna	280,846	41,688	322,534	1.77	1.35
Voipio Ville Sakari	196,943	48,356	245,299	1.35	1.41
Voipio Mari Leena Johanna	195,743	48,356	244,099	1.34	1.41
Nominee registered	2,654,542				

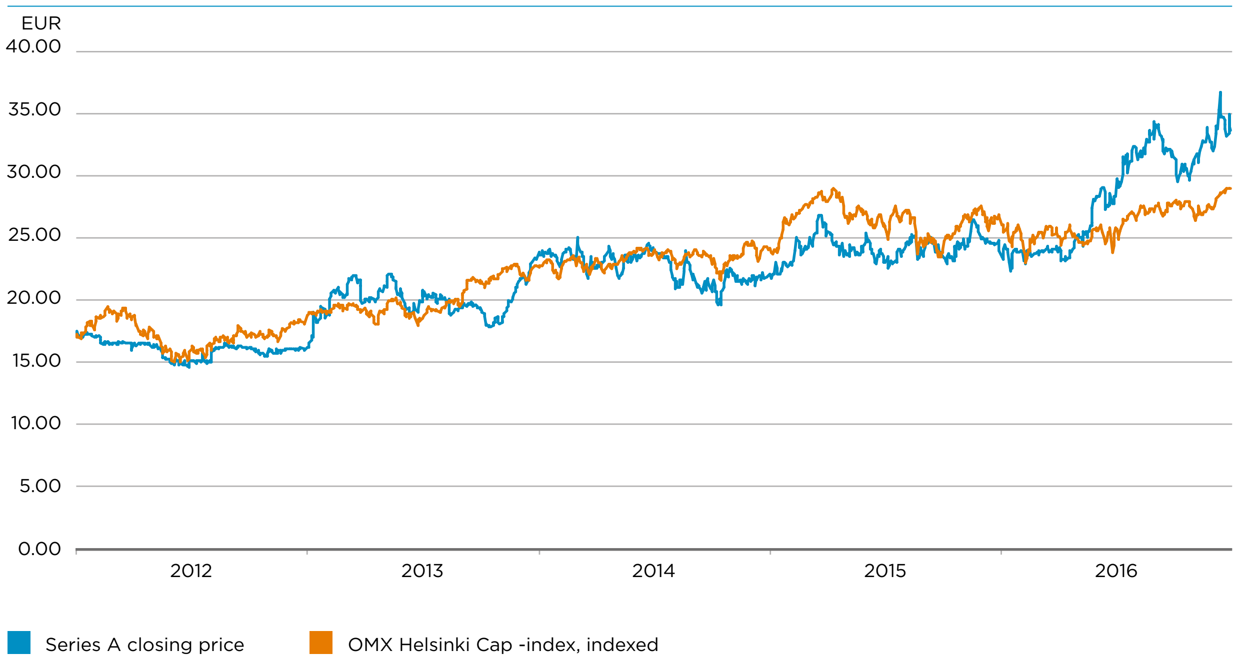
Ownership structure by listed A shares and unlisted K shares, December 31, 2016

	Number of shares	% of shares
Households	7,425,622	40.76
Nominee registered and direct foreign ownership	2,673,828	14.68
Private companies	2,603,041	14.29
Financial and insurance institutions	2,350,146	12.90
Non-profit organizations	2,072,484	11.38
Public sector organizations	1,088,423	5.97
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, 2016

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	3,747	48.69	198,528	1.09
101–500	2,828	36.75	714,613	3.92
501–1,000	558	7.25	430,791	2.37
1,001–5,000	429	5.57	898,632	4.93
5,001–10,000	45	0.59	310,903	1.71
10,001–50,000	52	0.68	1,295,467	7.11
50,001–100,000	9	0.12	719,786	3.95
100,001–500,000	19	0.25	4,805,417	26.38
500,001–	9	0.12	8,839,407	48.52
Ownership groups total	7,696	100.00	18,213,544	99.98
In the joint book-entry account			4,820	0.03
Total			**18,218,364**	**100.00**
Nominee registered	9		2,654,542	14.57

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 159,362,162.56 of which the net result for the period is EUR 23,915,369.53.

The Board of Directors proposes to the Annual General Meeting that dividend of EUR 1.00 per share be paid out of distributable earnings totaling approximately EUR 17.9 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 8, 2017

Petra Lundström	Yrjö Neuvo *Vice Chairman of the Board*	Mikko Niinivaara
Kaarina Ståhlberg	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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Vaisala Oyj (business identity code 0124416-2) for the year ended 31 December, 2016. The financial statements comprise the income statement, statement of comprehensive income, consolidated statement of financial position, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key audit matter	How our audit addressed the key audit matter
Revenue regocnition of product and project sales Refer to Notes 3, 4 and 5 • Vaisala group net sales EUR 319 million consists of product, service and project sales. Product and project sales account for EUR 273,5 million of the net sales. • Revenue for products is recognized when the significant risks and rewards of ownership of the product has been transfered to the customer. Large number of sales contracts and different nature of terms of contracts increase the risk of misstatement in timing of revenue recognition. • Project sales include long term projects for which revenue is recognised using the percentage of completion method. These projects, which apply percentage of completion method require continuing estimation of the project progress, project costs and project profitability as well as of the risks associated with the fulfillment of the contract.	• Our audit procedures included an assessment of revenue regocnition process and assessment of controls relating to timing of revenue recognition. • We have reviewed Vaisala´s accounting manual and principles regarding different types of revenue contracts to evaluate, whether they are in line with IFRS accounting principles. • We have audited the accurate timing and the amount of revenue arising form the sales of products and from the long term projects recognised using percentage of completion method. • As a part of our audit procedures covering the revenue recognisition principles of product sales, we have compared the sales transactions recorded in accounting to the related sales agreements and delivery documentation. • Regarding to the percentage of completion projects we have compared the project calculations to the existing agreements and to the possible amendments to the agreements. • We have audited the project estimates prepared and reviewed by the management as well as the the realization of these estimates and assessed the level of completion based on the documentation received. • We have evaluated the appropriateness of the presentation in the financial statements.
Inventory valuation Refer to Note 18 • Vaisala group inventory EUR 32 million consists mostly of high technology products, which are subject to research and development and which are associated with the excess and obsolescence risk. • Risk is increased because some products have long life cycle. • As disclosed in the note 18 Vaisala has written down inventories and recognized excess and obsolescence allowances for slow moving and old inventory. • The valuation of excess and obsolescence inventory requires management judgement and estimation of the future demand.	• Our audit procedures included an assessment of Vaisala inventory process and assessment of controls relating inventory valuation. • We have assessed the valuation principles used by the group and analysed the slow moving inventory to be able to assure the accuracy of obsolence provision accounting. • We have audited inventory valuation by comparing the accounting values to the acquisition and manufacturing costs as well as to the net realizable values to evaluate that value of inventory do not exceed the lower of the acquisition and manufacturing costs or net realizable value. • We have assessed management judgements and estimates regarding the future life-cycle and demand of products. • We have evaluated the appropriateness of the presentation in the financial statements.

Responsibilities of the Board of Directors and the Chief Executive Officer for the financial statements

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Chief Executive Officer are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities in the audit of financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer 's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Other information

The Board of Directors and the Chief Executive Officer are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Review, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Review is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in of the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

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, February 8, 2017

Deloitte & Touche Oy
Audit Firm

Merja Itäniemi
Authorised Public Accountant (KHT)

Corporate Governance Statement 2016

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 2015 published by the Securities Market Association.

The Vaisala Board of Directors has approved this Corporate Governance statement in its meeting on February 8, 2017. 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 same in 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 also available on the Company's website at *www.vaisala.com/investors*. The Finnish Corporate Governance Code is available on website *www.cgfinland.fi/*.

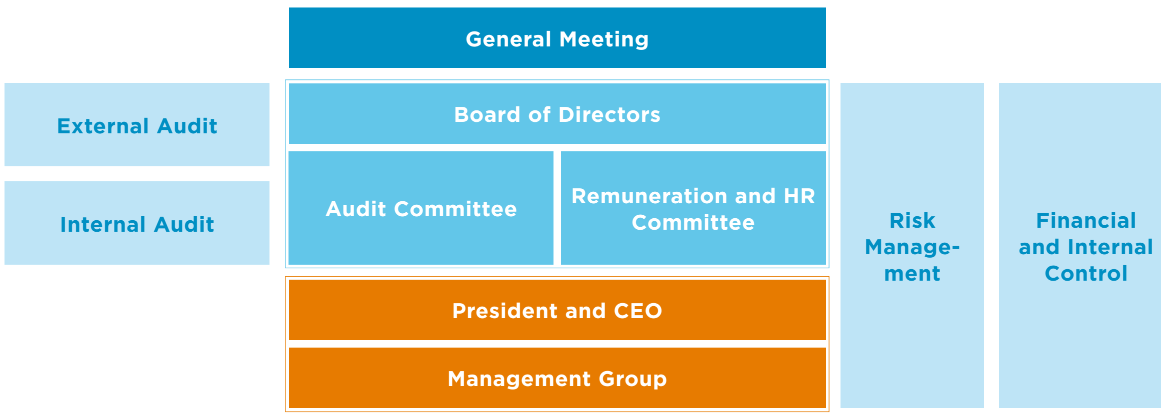
Deviations from the Recommendations of the Corporate Governance Code and the Explanations for These Deviations

The term of the members of Vaisala's Board of Directors deviates from the Recommendation 6 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 governance 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 vote, speak and ask questions. 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 Limited Liability 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. The members of the Vaisala Management Group participate in the Annual General Meeting, if possible.

Participation in the General Meeting requires that the shareholder is registered in Vaisala's shareholder register maintained by Euroclear Finland Ltd 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 Limited Liability 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, Diversity Principles and Rules of Procedure of the Board

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 elected 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, diversity 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. The goal of the election of the members of the Board of Directors is to ensure that the Board supports the development of the Company's current and future business. In addition, the Board should consist of members of both genders and the members should have the chance to allocate a sufficient amount of time to managing their tasks. The goal is that at least 25% of Board members are always men and women.

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 based on individual evaluation. This evaluation of independence of the member takes into account information and analysis provided by the member himself/herself.

The Board of Directors self-evaluates its operations, way of working as well as fulfillment of the diversity goals annually.

The members of the Board of Directors are bound by obligations related to commercial and trade secrets as well as by the restrictions and requirements of the Market Abuse Regulation (EU) N:o 596/2014 (MAR). 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.

After election, new Board members will be familiarized with Vaisala's operations. This includes presentations by the top management and induction with the Company's operations, 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 Board of Directors' Rules of Procedure

Vaisala's Board of Directors convenes at least eight 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 statements meeting,
- meeting prior to the Annual General Meeting,
- Board's organizing meeting,
- Interim Report meetings (2 times),
- Half Year Financial Report meeting,
- 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 approve 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 and Half Year Financial Report.
- 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.

Members of the Board of Directors in 2016

In January 1–April 5, 2016 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 Ville Voipio. The Board of Directors' secretary was General Counsel Katriina Vainio.

The Annual General Meeting held on April 5, 2016 confirmed that the number of Board members is seven. Yrjö Neuvo, Petra Lundström, Mikko Niinivaara, Pertti Torstila, Raimo Voipio and Ville Voipio continued as members of the Board of Directors. Kaarina Ståhlberg 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.

Members of the Board of Directors December 31, 2016		End of term
Petra Lundström	Member	2018
Yrjö Neuvo	Vice Chairman	2019
Mikko Niinivaara	Member	2017
Kaarina Ståhlberg	Member	2019
Pertti Torstila	Member	2017
Raimo Voipio	Chairman	2017
Ville Voipio	Member	2018

In accordance with the recommendation 10, all Board members are independent of the Company and of significant shareholders of the Company.

Raimo Voipio

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, member of the Vaisala Board of Directors 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
- Munkkiniemen koulutussäätiö, Vice Chairman of the Board
- Munkkiniemen yhteiskoulun kannatusosakeyhtiö, Vice Chairman of the Board

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

- Technology Academy of Finland Foundation, Member of the 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 the Advisory Board

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 Services, Fortum Power and Heat Oy, 2016–
- Vice President, Nuclear Development, Fortum Power and Heat Oy, 2014–2016
- Vice President, Solar Business Development, Fortum Oyj, 2012–2014
- Vice President, Chief Technology Officer, Fortum Oyj, 2008–2012
- 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 the Board
- Posiva Solutions Oy, Member of the Board
- Strategic Research Council, Member

Mikko Niinivaara
Member of the Board of Directors

b. 1950, Finnish citizen, M.Sc. (Eng.), Dr. Tech. (h.c.)
- Member of the Audit Committee
- Member of the Remuneration and HR 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

Kaarina Ståhlberg
Member of the Board of Directors

b. 1966, Finnish citizen, LL.M. (Helsinki University), LL.M. (Columbia University, NY)
- Chairman of the Audit Committee
- Independent member of the Vaisala Board of Directors since 2016

Employment History
- General Counsel, Posti Group Oyj, 2016–
- Independent Legal Advisor, Kaarina Ståhlberg Law Consulting Oy, 2014–2016
- Legal advisor in nuclear business related legal matters, Fortum Oyj, 2014
- General Counsel and member of the Fortum Management Team, Fortum Oyj, 2013–2014
- Counsel, White & Case, 2012–2013
- Vice President, Assistant General Counsel, Nokia Corporation, 2005–2012
- Vice President, Mobile Phones legal, Nokia Corporation, 2004–2005
- Nokia Corporation, various positions 1999–2012

Positions of Trust
- Member in the Market Practice Board of the Finnish Securities Market Association
- Member in the Policy Committee of the Directors' Institute of Finland

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

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
- Weisell-säätiö sr, Member of the Board

Vaisala's Board of Directors convened 11 times during 2016, and the attendance rate of the members was 97%. The attendance of the meetings is listed in the table on page 92.

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.

Members of the Remuneration and HR 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 among its members. 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. Member of the Audit Committee may not participate in the Company's or its group company's daily management. 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 monitor and evaluate 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 Half Year Financial Report, 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, Half Year Financial Reports and Interim Reports,
- To monitor and evaluate the efficiency of the company's internal control and audit, 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 monitor and evaluate the independence of the statutory auditor or audit firm, and particularly in relation to the provision of non-auditing 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 2016

In January 1–April 5, 2016 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.

In April 5–December 31, 2016 the Audit Committee comprised Kaarina Ståhlberg (Chairman), Petra Lundström and Mikko Niinivaara. All the members of the Audit Committee are independent both of the Company and of significant shareholders.

Vaisala's Audit Committee convened six times during 2016, and the attendance rate of the members was 100%. The attendance of the meetings is listed in the table on page 92.

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 comprises three members, appointed annually by the Board of Directors among its members. 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.

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.

Members of the Remuneration and HR Committee

In January 1–April 5, 2016 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 and of significant shareholders. In April 5–December 31, 2016 the Remunerations and HR Committee comprised Raimo Voipio (Chairman), Yrjö Neuvo and Mikko Niinivaara. All the members of the Committee are independent of the Company and of significant shareholders.

Vaisala's Remuneration and HR Committee convened five times during 2016, and the attendance rate of the members was 93%. The attendance of the meetings is listed in the table below.

Meeting attendance of the Board of Directors and its Committees in 2016

	Position	Board of Directors meetings	Audit Committee	Remuneration and HR Committee
Raimo Voipio	Chairman	11/11		5/5
Yrjö Neuvo	Vice Chairman	11/11		5/5
Petra Lundström	Member	11/11	6/6	
Mikko Niinivaara	Member	10/11	6/6	3/5
Kaarina Ståhlberg (from April 5, 2016)	Member	9/11	5/6	
Maija Torkko (until April 5, 2016)	Member	2/11	1/6	1/5
Pertti Torstila	Member	10/11		
Ville Voipio	Member	11/11		

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.

Kjell Forsén

President and CEO

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

- President and CEO as well as 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

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

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. General Counsel acts a secretary to the Management Group.

Members of the Management Group on December 31, 2016

- 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
- Kaarina Muurinen, Chief Financial Officer since 2011
- Vesa Pylvänäinen, Executive Vice President, Operations since 2011
- Jarkko Sairanen, Executive Vice President, Weather Business Area since 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 April 5, 2016 decided that the annual fee payable to the Board members for the term until the close of the Annual General Meeting in 2017 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 Annual General Meeting in 2017. 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 2017.

Remuneration of the Board of Directors EUR 1,000	2016	2015
Petra Lundström	41	40
Yrjö Neuvo	40	40
Mikko Niinivaara	44	40
Kaarina Ståhlberg (since April 5, 2016)	34	
Maija Torkko (until April 5, 2016)	11	48
Pertti Torstila	35	35
Mikko Voipio (until March 31, 2015)		9
Raimo Voipio	50	50
Ville Voipio (since March 31, 2015)	35	26
Total	**290**	**288**

Shareholdings, December 31,2016 Number of shares	A-shares *	K-shares	Total
Petra Lundström	600		600
Yrjö Neuvo	34,240	18,664	52,904
Mikko Niinivaara	1,800		1,800
Kaarina Ståhlberg	1,500		1,500
Pertti Torstila	1,800		1,800
Raimo Voipio	255,580	227,148	482,728
Ville Voipio	196,943	48,356	245,299
Total	**492,463**	**294,168**	**786,631**

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

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, 2015 and 2016. 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, 2015 and 2016. 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, accrual basis EUR 1,000	2016	2015
Salary	494	491
Bonuses	178	298
Share-based payment	315	126
Obligatory pension	135	99
Voluntary pension	116	116
Total	**1,238**	**1,131**

Remuneration of the Management Group, excluding President and CEO, accrual basis EUR 1,000	2016	2015
Salary	1,129	1,231
Bonuses	355	375
Share-based payment	846	272
Obligatory pension	275	244
Voluntary pension	195	178
Total	**2,800**	**2,300**

Remuneration of the President and CEO and the Management Group members in 2016, accrual basis

EUR 1,000	Salary	Bonuses	Share-based	Obligatory pension	Voluntary pension	Total
President and CEO	494	178	315	135	116	1,238
Other Management Group members	1,129	355	846	275	195	2,800
Total	**1,623**	**533**	**1,161**	**410**	**311**	**4,038**

Shareholdings, December 31, 2016 Number of shares	A-shares
Kjell Forsén, President and CEO	10,720
Marja Happonen	3,963
Sampsa Lahtinen	1,000
Kaarina Muurinen	5,000
Vesa Pylvänäinen	3,500
Jarkko Sairanen	4,500
Total	**28,683**

Share-based incentive plans

On February 6, 2013, Vaisala's 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. No reward was paid based on this plan as the profitability targets were not met.

On February 10, 2014, Vaisala's 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. The reward will be paid partly in Vaisala'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. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2014 to March 2017.

The cost of the proportion of share reward corresponds to the value of Vaisala's A share closing price of EUR 23.69 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. This share-based incentive plan was directed to approximately 20 persons on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 43,412 Vaisala's A shares, including the cash portion.

On December 18, 2014, Vaisala's 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. The reward will be paid partly in Vaisala'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. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2015 to March 2018. The cost of the proportion of share reward corresponds to the value of Vaisala's A share closing price of EUR 24.16 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. This share-based incentive plan was directed to approximately 30 persons on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 101,791 Vaisala's A shares, including the cash portion.

On December 16, 2015, Vaisala's 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 2016. The reward will be paid partly in Vaisala'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. The maximum amount of this plan originally corresponded to 200,000 shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2016 to March 2019. The cost of the proportion of share reward corresponds to the value of Vaisala's A share closing price of EUR 23.13 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. This share-based incentive plan was directed to approximately 30 persons on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 95,060 Vaisala's A shares, including the cash portion.

On February 10, 2016, Vaisala' Board of Directors resolved for a share-based incentive plan, in which the earning criteria is uninterrupted employment of certain Group employees for a defined number of years. The reward will be paid partly in Vaisala's A shares and partly in cash in three equal installments during the term of the plan. 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 9,000 shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2016 to March 2018. The cost of the proportion of share reward corresponds to the value of Vaisala A share closing price of EUR 23.13 on the effective date of the incentive plan, and the cash proportion is valued at the closing price of the share on December 31, 2016. The maximum reward payable on the basis of this share-based plan totals to 6,000 Vaisala A shares, including the cash portion.

On December 15, 2016, 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 2017. The reward will be paid partly in Vaisala's series A shares and partly in cash in spring 2020. 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. The maximum amount of this plan corresponding to 200,000 shares will be paid depending on the number of entitled persons at the end of the vesting period. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2017 to March 2020.

Expenses for the share-based incentive plans EUR million	2013	2014	2015	2016
Share-based incentive plan 2013	-	-	-	-
Share-based incentive plan 2014		0.2	0.3	0.6
Share-based incentive plan 2015			0.5	1.1
Share-based incentive plans 2016				0.7

Controls

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 charter 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, approval policy, treasury policy, credit policy, accounting policies, and reporting instructions as well as disclosure policy and insider 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 2016

Vaisala outsourced internal audit function during the second half of 2015. In 2016, the sales process, agent agreements, procure-to-pay process as well as inventory management process were audited. Internal audit has generated development measures to harmonize processes and improve internal controls.

Vaisala continued harmonizing of its accounting and reporting processes in the Group companies. During 2016, accounting was centralized into a global finance services organization located in Finland, and simultaneously statutory reporting (including financial statement and tax reports) was outsourced in Australia, India, Canada, France, Germany and UK. As a consequence of these centralizing and outsourcing projects, continuity and timeliness of accounting and reporting of the Group companies, as well as related internal controls, have improved and harmonized.

Related Party Transactions

Vaisala reports related party transactions in note to the financial statements. In addition, the Company evaluates and monitors transactions between the Company and its related parties in order to ensure that possible conflicts of interest are taken into account in decision making. Vaisala has currently no related party transactions which would be material and in addition, in conflict with ordinary business or ordinary market terms.

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.

The Annual General Meeting held on April 5, 2016 re-elected Deloitte & Touche Oy, Authorized Public Accountants, as the Auditor for a term of one year. APA Merja Itäniemi has acted as the auditor with the principal responsibility of the Company since March 26, 2014. Compensation paid to the Auditor are presented in the table below.

Auditor's Fees EUR 1,000	2016	2015
Auditor's fees	256	250
Tax advice	7	39
Statements	8	1
Other fees	110	54
Total	**381**	**344**

Insiders

The Market Abuse Regulation ("MAR") entered into force July 3, 2016. Following MAR regulation, Vaisala has no longer public insiders and the Company maintains no company specific insider register but only project-specific insider lists. 30-day closed window before publishing interim reports and financial statement release applies to the managers defined by Vaisala. Closed window ends following the publication day. Closed window also applies to the persons engaged in preparation of interim reports and financial statement report.

Managers subject to transaction notification obligations comprise of Vaisala's Board of Directors, President and CEO as well as members of the Vaisala Management Group.

Vaisala Legal Department is responsible for Vaisala insider management, training, and creation and maintenance of project and event specific insider lists.

The decision on the delay of public disclosure of inside information is made by the President and CEO, CFO and/or General Counsel, two together, based on an evaluation of the conditions set out in MAR being met. When the Company makes the decision on delay of disclosure, a project or event based insider list regarding the inside information will be established. Persons, to whom project or event specific inside information is disclosed, are entered into the project or event specific insider list.

Information for Shareholders

Annual General Meeting

Vaisala Corporation's Annual General Meeting will be held on Tuesday, March 28, 2017 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 23, 2017 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 9:00 a.m. and 11:00 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 1.00 per share for the fiscal year 2016 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, March 30, 2017. The Board of Directors proposes that the dividend will be paid on April 6, 2017.

Change 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 Annual Review in Finnish will only be 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 and Half Year Report

- April 25, 2017: Interim Report for January–March 2017
- July 20, 2017: Half Year Financial Report for January–June 2017
- October 23, 2017: Interim Report for January–September 2017

Silent period

The silent period begins 30 calendar days before the publishing of the Interim Reports, Half Year Financial Report and Financial Statement Release, and lasts until the publishing of the Interim Reports, Half Year Financial Report and Financial Statement Release.

Exceptions to this rule are the Annual General Meeting (if held during the silent period) and the publishing of a stock exchange release regarding a significant business event and the related communication.

During the silent period, Vaisala's spokespersons refrain from discussing and commenting on issues related to the Company's financial performance or meeting with capital market representatives.

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

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www.vaisala.com