



Vaisala Corporation  
Financial Statement Release 2016  
February 8, 2017

## Vaisala Corporation Financial Statement Release 2016

**Fourth-quarter 2016 orders received all time high, net sales EUR 93.0 million and decreased by 8%. Full year 2016 net sales on previous year's level.**

### October-December 2016 highlights

- Orders received EUR 93.0 (88.4) million, increase 5%
- Order book EUR 118.0 (129.2) million, decrease 9%
- Net sales EUR 93.0 (101.1) million, decrease 8%
- Gross margin 52.1% (54.1%)
- Operating result EUR 14.6 (19.1) million
- Earnings per share EUR 0.79 (0.98)
- Cash flow from operating activities EUR 24.7 (29.0) million, decrease 15%

### January-December 2016 highlights

- Orders received EUR 311.3 (320.0) million, decrease 3%
- Net sales EUR 319.1 (318.5) million, flat
- Gross margin 51.6% (51.1%)
- Operating result EUR 22.3 (29.6) million
- EUR 10.5 million write-down of intangible assets to Weather Business Area's operating result
- Earnings per share EUR 1.05 (1.52)
- Cash flow from operating activities EUR 41.8 (38.8) million, increase 8%
- Cash and cash equivalents EUR 72.4 (59.2) million, increase 22%
- Dividend paid EUR 17.1 (16.4) million
- The Board of Directors proposes to the AGM that dividend of EUR 1.00 per share be paid out of distributable earnings
- 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.

### Vaisala's President and CEO Kjell Forsén

“Vaisala's fourth quarter order intake was very strong reaching all time high EUR 93.0 million. Orders received increased by 5% from previous year and the increase was driven by 10% growth in Controlled Environment Business Area with strong APAC and Americas. Also Weather Business Area's orders received developed positively during the fourth quarter. In October, Vaisala signed a USD 18 million contract with Bahamas' Ministry for Transport and Aviation. This contract was a consequence of outstanding customer service and Vaisala's leadership in Automatic Weather Observation Systems and weather radars.

Vaisala's fourth quarter net sales decreased by 8% from previous year's record high net sales and amounted to EUR 93.0 million. Controlled Environment Business Area's strong performance continued with 8% net sales growth from previous year, while Weather Business Area's net sales decreased by 13% due to low orders received during the first three quarters of 2016. Fourth quarter operating result decreased to EUR 14.6 million following sales performance.

In 2016, Weather observation market weakened, especially in EMEA, compared to rather good previous two years. In APAC, Vaisala's performance improved in weather observation market thanks to a few large projects. Industrial measurement market was favorable overall and Vaisala's 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.

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.

In 2016, strategy implementation continued with investments in strategic growth areas in Weather and Controlled Environment Business Areas. In Weather Business Area, we made an entry to the growing air quality monitoring market by acquiring new technology, which measures pollution and particles in the air. On the other hand, we reshaped successfully our Transportation business to simplify structure and improve profitability. We also decided to reorganize Weather Business Area from January 2017 onwards. The new region-based organization is closer to customer and better aligned with the strategy. In Controlled Environment, we continued investing in growth markets, life science and power transmission. Regional expansion continued successfully by contracting new distributors in countries with high industrial potential.

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, and Vaisala is expecting increase in 2017 deliveries.

We estimate our full-year 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.”

## Key Figures

	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Orders received, EUR million	93.0	88.4	311.3	320.0
Order book, EUR million	118.0	129.2	118.0	129.2
Net sales, EUR million	93.0	101.1	319.1	318.5
Gross profit, EUR million	48.5	54.7	164.8	162.8
Gross margin, %	52.1	54.1	51.6	51.1
Operating expenses, EUR million	34.2	35.7	141.5	131.9
Operating result, EUR million	14.6	19.1	22.3	29.6
Operating result, %	15.7	18.9	7.0	9.3
Profit (loss) before taxes, EUR million	16.3	20.2	22.1	33.0
Profit (loss) for the period, EUR million	14.1	17.7	18.8	27.5
Earnings per share, EUR	0.79	0.98	1.05	1.52
Return on equity, %			10.5	15.7
Capital expenditure, EUR million	1.5	2.9	7.7	8.3
Depreciation, EUR million	2.8	3.8	24.1	15.1
Cash flow from operating activities, EUR million	24.7	29.0	41.8	38.8
Cash and cash equivalents, EUR million			72.4	59.2

## Market situation in October-December 2016

Weather observation market improved seasonally towards the end of the year, and as typically significant portion of Vaisala Weather Business Area's annual revenue was recognized in the fourth quarter. Industrial measurement solutions market remained favorable overall.

In EMEA, weather observation market customer activity for orders remained at previous year's level, but Vaisala's deliveries were affected by weak market conditions during the first three quarters. In North America, Vaisala's orders from weather observation customers decreased from last year due to fewer large contracts, whereas deliveries were on good level. In Latin America, Vaisala's order book was increased by USD 18 million contract with Ministry for Transport and Aviation of the Commonwealth of the Bahamas. In APAC, weather observation market customer activity for orders remained stable.

Vaisala's industrial measurement solution orders received continued to increase compared to previous year. This was a result of favorable market conditions, and Vaisala also grew faster than the addressable market. The growth was strong both in APAC and Americas.

## October-December 2016 performance

### Orders received

EUR million	10-12/2016	10-12/2015	Change, %	2016	2015
Weather	66.5	64.3	3	206.0	225.6
Controlled Environment	26.5	24.0	10	105.3	94.4
Total	93.0	88.4	5	311.3	320.0



In the fourth quarter 2016, Vaisala's orders received reached all time high level and were EUR 93.0 (88.4) million. Orders received increased by 5% compared to previous year. The increase came from Americas and APAC.

In the fourth quarter 2016, Weather Business Area's orders received were EUR 66.5 (64.3) million and increased by 3% compared to previous year. The increase came from Meteorology Infrastructure business unit. In October 2016, Vaisala signed a USD 18 million contract with the Ministry for Transport and Aviation of the Commonwealth of the Bahamas. The contract includes four weather radars on four islands, nine Automatic Weather Observation Systems (AWOS) for airports and 16 Automatic Weather Stations (AWS) as well as civil works and installation services. Meteorological software and training will be delivered together with the Finnish Meteorological Institute. In addition, the contract includes a five years' service agreement. The deliveries started in the fourth quarter 2016 and are planned to be completed by the end of 2018.

In the fourth quarter 2016, Controlled Environment Business Area's orders received were EUR 26.5 (24.0) million and increased by 10% compared to previous year. The increase came from 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	10-12/2016	10-12/2015	Change, %	2016	2015
Weather	66.7	76.6	-13	215.4	225.5
Products	34.3	41.3	-17	115.5	116.2
Projects	23.7	23.1	3	65.0	71.0
Services	8.7	12.2	-29	34.9	38.3
Controlled Environment	26.4	24.5	8	103.7	93.0
Products	23.7	22.2	7	93.0	83.5
Services	2.6	2.3	16	10.7	9.5
<b>Total</b>	<b>93.0</b>	<b>101.1</b>	<b>-8</b>	<b>319.1</b>	<b>318.5</b>

**Net sales by geographical area**

EUR million	10-12/2016	10-12/2015	Change, %	2016	2015
EMEA	24.3	33.8	-28	92.0	105.1
Americas	46.1	42.3	9	140.9	132.0
APAC	22.6	25.0	-10	86.2	81.3
<b>Total</b>	<b>93.0</b>	<b>101.1</b>	<b>-8</b>	<b>319.1</b>	<b>318.5</b>

In the fourth quarter 2016, Vaisala's net sales were EUR 93.0 (101.1) million and decreased by 8% compared to previous year. Vaisala's net sales in EMEA were EUR 24.3 (33.8) million and decreased by 28%, in the Americas EUR 46.1 (42.3) million and increased by 9% and in APAC EUR 22.6 (25.0) million and decreased by 10%. At comparable exchange rates, the net sales would have been EUR 93.3 (101.1) million and decrease would have been EUR 7.8 million or 8% from previous year. The negative exchange rate effect was EUR 0.2 million, which was mainly caused by GBP exchange rate depreciation against EUR.

In the fourth quarter 2016, Weather Business Area's net sales were EUR 66.7 (76.6) million and decreased by 13% compared to previous year. The decrease came from Meteorology Infrastructure and Transportation business units due low orders received during the first three quarters of 2016. At comparable exchange rates, the net sales would have been EUR 67.1 (76.6) million and decrease would have been EUR 9.5 million or 12% from previous year. The negative exchange rate effect was EUR 0.4 million, which was mainly caused by GBP depreciation against EUR.

In the fourth quarter 2016, Controlled Environment Business Area's net sales were EUR 26.4 (24.5) million and increased by 8% compared to previous year. The increase came from APAC and Americas. At comparable exchange rates, the net sales would have been EUR 26.2 (24.5) million and increase would have been EUR 1.7 million or 7% from previous year. The positive exchange rate effect was EUR 0.2 million, which was mainly caused by JPY appreciation against EUR.

**Gross margin and operating result**

	10-12/2016	10-12/2015	2016	2015
Gross margin, %	52.1	54.1	51.6	51.1
Weather	48.0	51.9	47.3	47.4
Controlled Environment	62.2	62.5	60.8	60.4
Operating result, EUR million	14.6	19.1	22.3	29.6
Weather	9.5	15.1	3.4	15.2
Controlled Environment	4.9	4.9	21.6	18.3
Other	0.2	-0.9	-2.7	-4.0

In the fourth quarter 2016, Vaisala's operating result was EUR 14.6 (19.1) million and decreased by EUR 4.5 million compared to previous year. Operating result decreased mainly due to Weather Business Area's lower net sales. Gross margin was 52.1% (54.1%). Gross margin decreased mainly due to lower sales volumes and related weakening in scale economies as well as lower project gross margin in Weather Business Area. Operating expenses were EUR 34.2 (35.7) million and decreased by 4%. The decrease came mainly from lower administration and sales expenses.

In the fourth quarter 2016, Weather Business Area's operating result was EUR 9.5 (15.1) million and decreased by EUR 5.6 million compared to previous year. Operating result decreased mainly due to lower net sales. Gross margin was 48.0% (51.9%). Gross margin decrease was mainly due to lower sales volumes and related weakening in scale economies as well as lower project gross margin. Operating expenses were EUR 22.5 (24.7) million and decreased by 9%. The decrease came mainly from lower sales expenses but also from decreased administration and R&D expenses.

In the fourth quarter 2016, Controlled Environment Business Area's operating result was flat at EUR 4.9 (4.9) million, even though operating expenses continued to increase as planned. Gross margin was 62.2% (62.5%). Operating expenses were EUR 11.5 (10.5) million and increased by 10%. The increase came mainly from higher sales expenses and continued investments in R&D.

In the fourth quarter 2016, financial income and expenses were EUR 1.6 (1.2) million. The increase was mainly due to foreign exchange gains related to valuation of USD denominated receivables.

In the fourth quarter 2016, profit/loss before taxes was EUR 16.3 (20.2) million. Income taxes were EUR 2.2 (2.5) million. Net result was EUR 14.1 (17.7) million.

In the fourth quarter 2016, earnings per share were EUR 0.79 (0.98).

## 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
<b>Total</b>	<b>319.1</b>	<b>318.5</b>	<b>0</b>

**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
<b>Total</b>	<b>319.1</b>	<b>318.5</b>	<b>0</b>

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 cost 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 Envitem 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	10-12/2016	10-12/2015	Change, %	2016	2015	Change, %
Weather	6.9	7.5	-8	26.5	26.7	-1
Controlled Environment	3.2	2.8	15	11.5	9.4	22
Total	10.1	10.3	-2	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 CO2 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](http://www.vaisala.com).

## 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's 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<sub>2</sub> 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.com/sustainability](http://www.vaisala.com/sustainability).

## 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](http://www.vaisala.com/investors), Corporate Governance and [www.vaisala.com/investors](http://www.vaisala.com/investors), Vaisala as an Investment.

## **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 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](http://www.vaisala.com/investors).

## **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.

### **Financial Calendar 2017**

Annual Review 2016 on week 9 at [www.vaisala.com](http://www.vaisala.com)

Interim Report for January–March 2017, April 25, 2017

Half Year Financial Report for January–June 2017, July 20, 2017

Interim Report for January–September 2017, October 23, 2017

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 information and changes in accounting policies

The financial statements have been prepared in accordance with the IAS 34 following the same accounting principles as in the annual financial statements. The whole year numbers presented in the financial report have been audited. All figures in the report are Group figures. All presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented.

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

<b>Consolidated Statement of Income</b>				
<b>EUR million</b>	<b>10-12/2016</b>	<b>10-12/2015</b>	<b>1-12/2016</b>	<b>1-12/2015</b>
Net sales	93.0	101.1	319.1	318.5
Costs of sales	-44.6	-46.4	-154.3	-155.6
<b>Gross profit</b>	<b>48.5</b>	<b>54.7</b>	<b>164.8</b>	<b>162.8</b>
Sales, marketing and administrative costs	-24.1	-25.4	-103.4	-95.8
Research and development costs	-10.1	-10.3	-38.0	-36.1
Other operating income and expense	0.4	0.1	-1.0	-1.3
<b>Operating profit (loss)</b>	<b>14.6</b>	<b>19.1</b>	<b>22.3</b>	<b>29.6</b>
Share of result in associated companies	0.1	-0.1	0.1	-0.1
Financial income and expenses, net	1.6	1.2	-0.3	3.5
<b>Profit (loss) before taxes</b>	<b>16.3</b>	<b>20.2</b>	<b>22.1</b>	<b>33.0</b>
Income taxes	-2.2	-2.5	-3.3	-5.5
<b>Profit (loss) for the period</b>	<b>14.1</b>	<b>17.7</b>	<b>18.8</b>	<b>27.5</b>
Earnings per share, EUR	0.79	0.98	1.05	1.52
Diluted earnings per share, EUR	0.78	0.97	1.03	1.51

### Consolidated Statement of Comprehensive Income

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
<b>Items that will not be reclassified to profit or loss</b>				
Actuarial profit (loss) on post-employment benefits	-0.0	0.4	-0.0	0.4
<b>Total</b>	<b>-0.0</b>	<b>0.4</b>	<b>-0.0</b>	<b>0.4</b>
<b>Items that may be reclassified subsequently to profit or loss</b>				
Currency translation differences	1.0	0.5	0.0	3.1
<b>Total</b>	<b>1.0</b>	<b>0.5</b>	<b>0.0</b>	<b>3.1</b>
<b>Total other comprehensive income</b>	<b>1.0</b>	<b>0.9</b>	<b>0.0</b>	<b>3.5</b>
<b>Total comprehensive income</b>	<b>15.1</b>	<b>18.6</b>	<b>18.8</b>	<b>31.0</b>

### Consolidated Statement of Financial Position

EUR million	December 31, 2016	December 31, 2015
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	20.0	34.0
Property, plant and equipment	41.4	44.1
Investments	0.1	0.1
Investment in associated companies	0.8	0.8
Long-term receivables	0.7	0.8
Deferred tax assets	10.8	10.2
<b>Total non-current assets</b>	<b>73.8</b>	<b>90.0</b>
<b>Current assets</b>		
Inventories	32.1	39.0
Trade and other receivables	75.4	74.6
Income tax receivables	1.4	1.2
Cash and cash equivalents	72.4	59.2
<b>Total current assets</b>	<b>181.2</b>	<b>174.0</b>
<b>Total assets</b>	<b>255.0</b>	<b>264.0</b>

<b>Shareholders' equity and liabilities</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Shareholders' equity</b>		
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
<b>Total shareholders' equity</b>	<b>178.5</b>	<b>181.3</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	0.0	0.0
Post-employment benefit obligations	2.4	2.1
Deferred tax liabilities	0.0	4.5
Provisions for other liabilities and charges	0.0	0.2
Other long-term liabilities	1.3	0.8
<b>Total non-current liabilities</b>	<b>3.7</b>	<b>7.6</b>
<b>Current liabilities</b>		
Interest-bearing liabilities	0.0	0.0
Advances received	4.0	3.9
Income tax liabilities	0.4	1.7
Provisions for other liabilities and charges	1.8	0.4
Trade and other payables	66.6	69.2
<b>Total current liabilities</b>	<b>72.8</b>	<b>75.1</b>
<b>Total shareholders' equity and liabilities</b>	<b>255.0</b>	<b>264.0</b>

## Consolidated Statement of Changes in Shareholders' Equity

EUR million	Share capital	Other reserves	Treasury shares	Translation adjustment	Retained earnings	Total
<b>Balance at Jan 1, 2015</b>	7.7	2.5	-2.5	-0.2	162.6	170.0
Profit (loss) for the period					27.5	27.5
Other comprehensive income		0.0		3.1	0.4	3.5
Dividend paid					-16.4	-16.4
Reclassification		-0.0			0.0	0.0
Purchase of treasury shares			-3.9			-3.9
Sale of treasury shares			2.1		-2.1	0.0
Share-based payment		-1.4			1.9	0.5
<b>Balance at Dec 31, 2015</b>	<b>7.7</b>	<b>1.1</b>	<b>-4.3</b>	<b>2.9</b>	<b>173.9</b>	<b>181.3</b>

EUR million	Share capital	Other reserves	Treasury shares	Translation adjustment	Retained earnings	Total
<b>Balance at Jan 1, 2016</b>	7.7	1.1	-4.3	2.9	173.9	181.3
Profit (loss) for the period					18.8	18.8
Other comprehensive income		-0.0		0.0	-0.0	-0.0
Dividend paid					-17.1	-17.1
Reclassification		0.0			-0.0	-
Purchase of treasury shares			-5.3			-5.3
Share-based payment		0.8	0.0			0.9
<b>Balance at Dec 31, 2016</b>	<b>7.7</b>	<b>2.0</b>	<b>-9.6</b>	<b>2.9</b>	<b>175.6</b>	<b>178.5</b>

## Consolidated Cash Flow Statement

EUR million	1-12/2016	1-12/2015
<b>Cash flows from operating activities</b>		
Cash receipts from customers	320.1	325.4
Other income from business operations	0.0	-1.4
Cash paid to suppliers and employees	-268.3	-277.1
Financials paid, net	-0.7	-1.0
Income taxes paid, net	-9.4	-7.2
<b>Cash flow from operating activities</b>	<b>41.8</b>	<b>38.8</b>
<b>Cash flows from investing activities</b>		
Capital expenditure on fixed assets	-7.7	-8.3
Divestments	1.4	0.2
<b>Cash flow from investing activities</b>	<b>-6.4</b>	<b>-8.1</b>
<b>Cash flows from financing activities</b>		
Dividends paid	-17.1	-16.4
Purchase of treasury shares	-5.3	-3.9
Change in loan receivables	0.0	0.0
Change in leasing liabilities	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-22.4</b>	<b>-20.2</b>
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
<b>Cash and cash equivalents at the end of period</b>	<b>72.4</b>	<b>59.2</b>



## Notes for Report

### Orders Received by Business Area

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Weather	66.5	64.3	206.0	225.6
Controlled Environment	26.5	24.0	105.3	94.4
<b>Total</b>	<b>93.0</b>	<b>88.4</b>	<b>311.3</b>	<b>320.0</b>

### Net Sales by Business Area

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Weather				
Products	34.3	41.3	115.5	116.2
Projects	23.7	23.1	65.0	71.0
Services	8.7	12.2	34.9	38.3
<b>Total</b>	<b>66.7</b>	<b>76.6</b>	<b>215.4</b>	<b>225.5</b>
Controlled Environment				
Products	23.7	22.2	93.0	83.5
Services	2.6	2.3	10.7	9.5
<b>Total</b>	<b>26.4</b>	<b>24.5</b>	<b>103.7</b>	<b>93.0</b>
Sales, Other	0.0	0.0	0.0	0.0
<b>Total Sales</b>	<b>93.0</b>	<b>101.1</b>	<b>319.1</b>	<b>318.5</b>

### Operating Result by Business Area

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Weather	9.5	15.1	3.4	15.2
Controlled Environment	4.9	4.9	21.6	18.3
Other	0.2	-0.9	-2.7	-4.0
<b>Total</b>	<b>14.6</b>	<b>19.1</b>	<b>22.3</b>	<b>29.6</b>

### Net Sales by Geographical Area

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
EMEA	24.3	33.8	92.0	105.1
Americas	46.1	42.3	140.9	132.0
APAC	22.6	25.0	86.2	81.3
<b>Total</b>	<b>93.0</b>	<b>101.1</b>	<b>319.1</b>	<b>318.5</b>

<b>Personnel</b>				
	<b>10-12/2016</b>	<b>10-12/2015</b>	<b>1-12/2016</b>	<b>1-12/2015</b>
Average personnel	1,568	1,594	1,590	1,611
Personnel at the end of period	1,569	1,588	1,569	1,588

<b>Financial Instruments</b>				
	<b>10-12/2016</b>	<b>10-12/2015</b>	<b>1-12/2016</b>	<b>1-12/2015</b>
Nominal value of financial derivatives, EUR million	50.2	36.5	50.2	36.5
Fair values of financial derivatives, assets, EUR million	0.3	0.1	0.3	0.1
Fair values of financial derivatives, liabilities, EUR million	1.5	0.8	1.5	0.8

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

<b>Share Information</b>				
	<b>10-12/2016</b>	<b>10-12/2015</b>	<b>1-12/2016</b>	<b>1-12/2015</b>
Number of shares outstanding, '000	17,851	18,027	17,851	18,027
Number of treasury shares, '000	367	192	367	192
Number of shares, weighted average, diluted, '000	18,119	18,199	18,203	18,259
Number of shares, weighted average, '000	17,870	18,043	17,955	18,103
Number of shares traded, '000	469	703	2,031	2,508
Share price, highest, EUR	36.96	26.95	36.96	27.02
Share price, lowest, EUR	29.00	22.81	21.81	21.55

<b>Key Ratios</b>				
	<b>10-12/2016</b>	<b>10-12/2015</b>	<b>1-12/2016</b>	<b>1-12/2015</b>
Earnings per share, EUR	0.79	0.98	1.05	1.52
Earnings per share, diluted, EUR	0.78	0.97	1.03	1.51
Equity per share, EUR			10.00	10.06
Return on equity, %			10.5	15.7
Cash flow from operating activities per share, EUR	1.38	1.61	2.34	2.15
Solvency ratio, %			71.1	69.7

**Further information**

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**Briefing and Telephone Conference**

Briefing for analysts and media, combined with an international conference call, will be arranged in Tapahtumatalo Bank, Unioninkatu 20, Helsinki, starting at 4:00 p.m. (Finnish time).

Numbers for conference call, during which questions may be presented, are:

Finland: +358 9 8171 0495  
UK: +44 20 3194 0552  
Sweden: +46 8 5664 2702  
US: +1 85 5716 1597

**Audiocast**

The presentation by Kjell Forsén, President and CEO, can also be followed through a live audiocast at [www.vaisala.com/investors](http://www.vaisala.com/investors) starting at 4 p.m. A recording will be published at the same address at about 6:00 p.m.

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