

Interim Report January-September 2016

Vaisala Corporation
October 26, 2016



VAISALA

Overview of July–September 2016

VAISALA

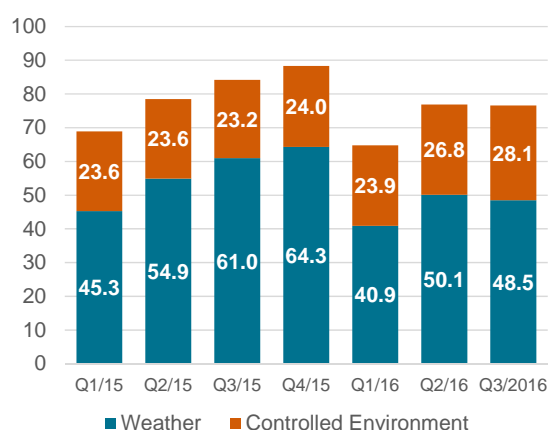
Vaisala net sales at last year's level

	Q3/2016	Q3/2015	Change %
Orders received, EUR million	76.6	84.3	-9
Order book, EUR million	114.8	139.7	-18
Net sales, EUR million	81.8	81.7	0
Gross margin, %	53.9	53.3	
Operating result, EUR million	5.3	14.1	
Operating result, %	6.5	17.2	
Operating result, excluding write-down, EUR million	15.8	14.1	
Operating result, excluding write-down, %	19.4	17.2	

- Vaisala recorded a EUR 10.5 million write-down of intangible assets to Weather Business Area's operating results

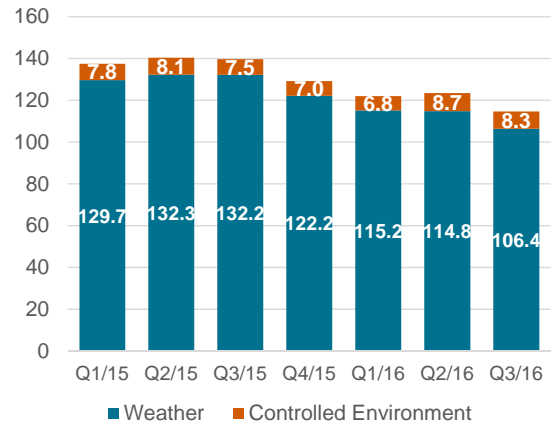
Vaisala order intake decreased in Americas

- Orders received EUR 76.6 (84.3) million, -9%
 - The decrease came from Americas
- Weather Business Area
 - EUR 48.5 (61.0) million, -21%
 - The decrease came from Meteorology Infrastructure and Transportation
 - Majority of orders received consisted of smaller contracts
- Controlled Environment Business Area
 - EUR 28.1 (23.2) million, +21%
 - The increase came from all regions



Vaisala order book decreased in all regions

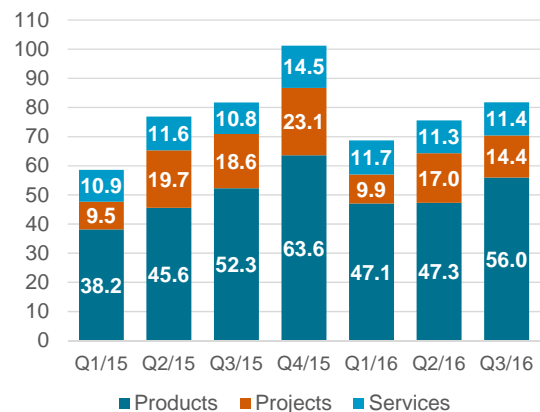
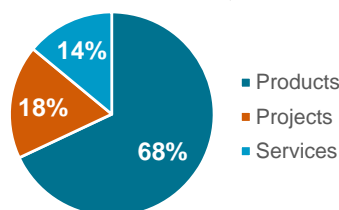
- Order book EUR 114.8 (139.7) million, -18%
 - The decrease came from all regions
- Weather Business Area
 - EUR 106.4 (132.2) million, -19%
 - The decrease came from Meteorology Infrastructure and Transportation
- Controlled Environment Business Area
 - EUR 8.3 (7.5) million, +11%
 - The increase came from EMEA and APAC



Vaisala product sales increased by 7%

EUR million	Q3/2016	Q3/2015	Change %
Net sales	81.8	81.7	0
Products	56.0	52.3	7
Projects	14.4	18.6	-23
Services	11.4	10.8	5
At comparable exchange rates	81.5	81.7	0

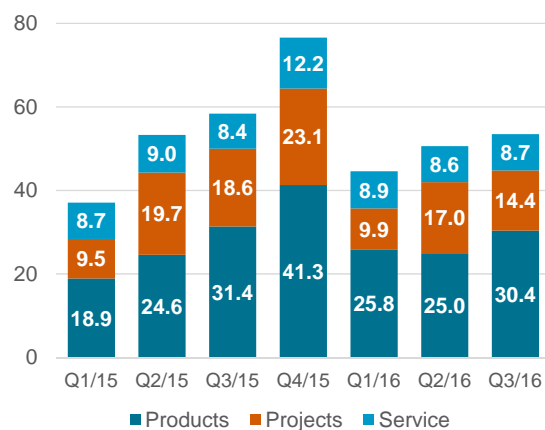
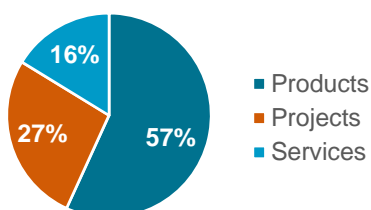
% of net sales in Q3/2016



Weather project deliveries decreased by 23%

EUR million	Q3/2016	Q3/2015	Change %
Net sales	53.4	58.4	-8
Products	30.4	31.4	-3
Projects	14.4	18.6	-23
Services	8.7	8.4	4
At comparable exchange rates	53.5	58.4	-8

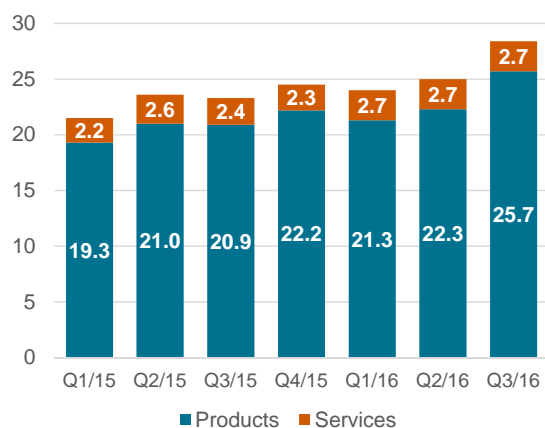
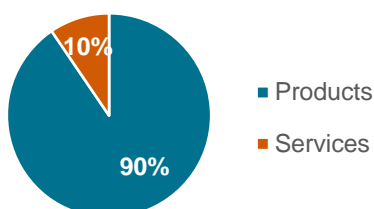
% of net sales in Q3/2016



Controlled Environment product sales increased by 23%

EUR million	Q3/2016	Q3/2015	Change %
Net sales	28.4	23.4	21
Products	25.7	20.9	23
Services	2.7	2.4	10
At comparable exchange rates	28.0	23.4	20

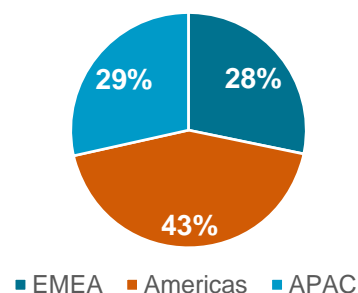
% of net sales in Q3/2016



Vaisala net sales increased in APAC by 11%

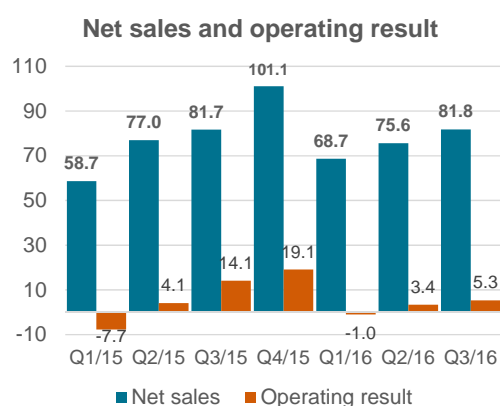
EUR million	Q3/2016	Q3/2015	Change, %
EMEA	23.1	23.9	-3
Americas	35.4	36.9	-4
APAC	23.3	20.9	11
Total	81.8	81.7	0

% of net sales in Q3/2016



Vaisala operating result impacted by write-down of intangible assets

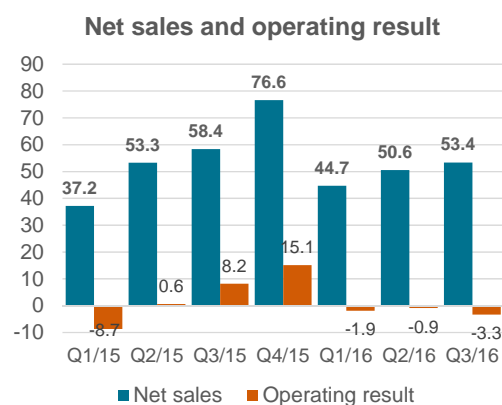
	Q3/2016	Q3/2015
Net sales, EUR million	81.8	81.7
Gross margin, %	53.9	53.3
Operating expenses, EUR million	40.1	29.6
Operating result, EUR million	5.3	14.1
Operating result, %	6.5	17.2
Operating result, excluding write-down, EUR million	15.8	14.1
Operating result, excluding write-down, %	19.4	17.2



- Vaisala recorded a EUR 10.5 million write-down of intangible assets to Weather Business Area's operating results

Weather operating result impacted by write-down of intangible assets

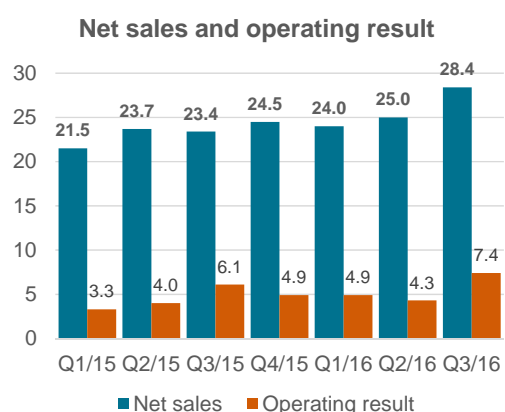
	Q3/ 2016	Q3/ 2015
Net sales, EUR million	53.4	58.4
Gross margin, %	50.7	49.6
Operating expenses, EUR million	30.3	20.8
Operating result, EUR million	-3.3	8.2
Operating result, %	-6.1	14.1
Operating result excluding write-down, EUR million	7.3	8.2
Operating result excluding write-down, %	13.6	14.1



- Vaisala recorded a EUR 10.5 million write-down of intangible assets to Weather Business Area's operating results

Controlled Environment operating result improved by 22%

	Q3/ 2016	Q3/ 2015
Net sales, EUR million	28.4	23.4
Gross margin, %	60.3	61.7
Operating expenses, EUR million	9.7	8.3
Operating result, EUR million	7.4	6.1
Operating result, %	26.2	26.0



Overview of January-September 2016

VAISALA

Vaisala net sales increased by 4%

	1-9/2016	1-9/2015	Change %
Orders received, EUR million	218.3	231.7	-6
Order book, EUR million	114.8	139.7	-18
Net sales, EUR million	226.0	217.4	4
Gross margin, %	51.4	49.8	
Operating result, EUR million	7.7	10.5	
Operating result, %	3.4	4.8	
Operating result, excluding write-down, EUR million	18.2	10.5	
Operating result, excluding write-down, %	8.1	4.8	

- Vaisala recorded a EUR 10.5 million write-down of intangible assets to Weather Business Area's operating results in Q3/16

Vaisala orders received decreased by 6%

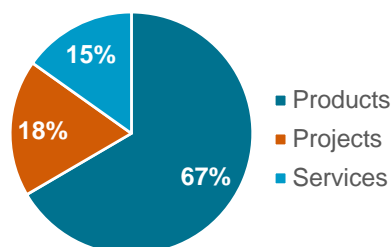
EUR million	1-9/2016	1-9/2015	Change, %
Weather	139.5	161.2	-13
Controlled Environment	78.8	70.4	12
Total	218.3	231.7	-6

- Vaisala orders received decreased in Americas and EMEA
- Weather orders received decreased in Meteorology Infrastructure and Transportation
 - Majority of orders received consisted of smaller contracts
- Controlled Environment orders received increased in all regions

Vaisala product sales increased by 11%

EUR million	1-9/2016	1-9/2015	Change %
Products	150.5	136.2	11
Projects	41.3	47.9	-14
Services	34.3	33.3	3
Net sales, total	226.0	217.4	4
At comparable exchange rates	225.5	217.4	4

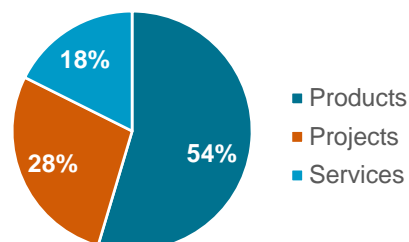
% of net sales in 1-9/2016



Weather net sales at last year's level

EUR million	1-9/2016	1-9/2015	Change %
Products	81.2	74.9	8
Projects	41.3	47.9	-14
Services	26.2	26.1	1
Net sales, total	148.7	148.8	0
At comparable exchange rates	148.7	148.8	0

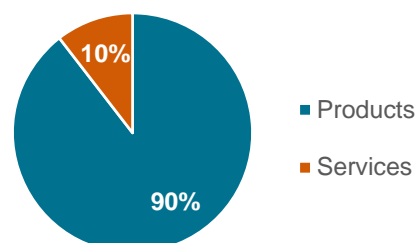
% of net sales in 1-9/2016



Controlled Environment net sales increased by 13%

EUR million	1-9/2016	1-9/2015	Change %
Products	69.3	61.3	13
Services	8.1	7.2	11
Net sales, total	77.3	68.5	13
At comparable exchange rates	76.8	68.5	12

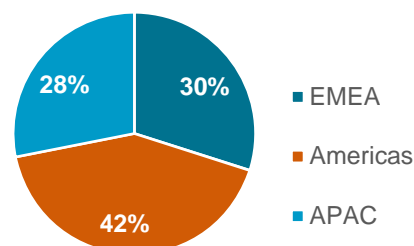
% of net sales in 1-9/2016



Vaisala net sales grew in APAC and Americas

EUR million	1-9/2016	1-9/2015	Change, %
EMEA	67.7	71.3	-5
Americas	94.8	89.7	6
APAC	63.5	56.3	13
Total	226.0	217.4	4

% of net sales in 1-9/2016



Vaisala operating result excluding write-down increased EUR 7.7 million

	1-9/2016	1-9/2015	Change %
Net sales, EUR million	226.0	217.4	4
Gross margin, %	51.4	49.8	
Operating expenses, EUR million	107.3	96.2	11
Operating result, EUR million	7.7	10.5	
Operating result, %	3.4	4.8	
Operating result, excluding write-down, EUR million	18.2	10.5	
Operating result, excluding write-down, %	8.1	4.8	

- Vaisala recorded a EUR 10.5 million write-down of intangible assets to Weather Business Area's operating results

Weather operating result excluding write-down increased EUR 4.3 million

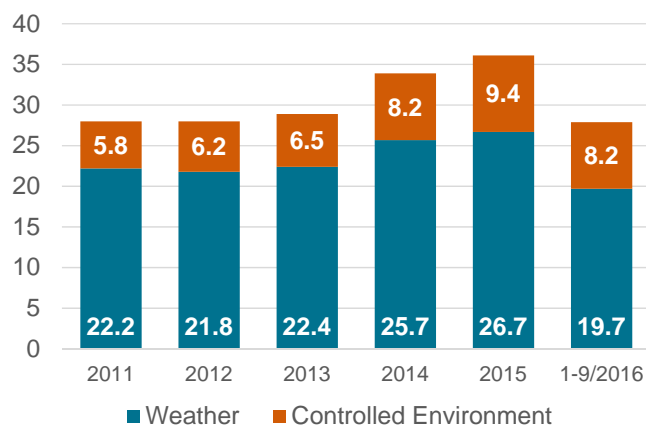
	1-9/2016	1-9/2015	Change %
Net sales, EUR million	148.7	148.8	-0
Gross margin, %	46.9	45.1	
Operating expenses, EUR million	75.8	67.2	13
Operating result, EUR million	-6.1	0.1	
Operating result, %	-4.1	0.1	
Operating result, excluding write-down, EUR million	4.5	0.1	
Operating result, excluding write-down, %	3.0	0.1	

- Vaisala recorded a EUR 10.5 million write-down of intangible assets to Weather Business Area's operating results

Controlled Environment operating result increased by EUR 3.2 million

	1-9/2016	1-9/2015	Change %
Net sales, EUR million	77.3	68.5	13
Gross margin, %	60.4	59.7	
Operating expenses, EUR million	30.0	27.4	9
Operating result, EUR million	16.7	13.5	
Operating result, %	21.6	19.7	

Consistent investment in R&D enable world class products



- In Q3/2016, R&D expenses were 8.5 (8.0) MEUR, 10.4% (9.8%) of net sales
 - Weather 11.1% (10.4%) of net sales
 - Controlled Environment 8.9% (8.4%) of net sales
- In 1-9/2016, R&D expenses were 27.9 (25.8) MEUR, 12.3% (11.9%) of net sales
 - Weather 13.2% (12.9%) of net sales
 - Controlled Environment 10.6% (9.7%) of net sales in line with continued investment in new product development

Vaisala's cash flow from operations increased by EUR 7.3 million

EUR million	1-9/2016	1-9/2015	2015
Cash flow from operating activities	17.1	9.8	38.8
Cash flow from investing activities	-5.1	-5.3	-8.1
Cash flow from financing activities	-21.1	-19.0	-20.2
Cash and cash equivalents at the end of period	49.9	34.1	59.2

- Cash flow from operating activities increased because of increased EBITDA and better working capital development compared to the prior period
- Dividend payment 17.1 MEUR
- Purchases of treasury shares 4 MEUR

Weather reshapes Transportation

- Transportation business unit will focus on product leadership, delivery capability and expansion of information services in order to drive growth, profitability and customer focus.
- Transportation business unit will exit the field service business, in all countries except UK, and it will also exit the United States Automated Weather Observing System (U.S. AWOS) business.
- Vaisala signed the agreement to sell related businesses in the U.S. in June, 2016. The first phase of the business transfer was completed according to the plan in the beginning of August and majority of the second phase was executed during September. Vaisala recognized EUR 1.1 million profit from the divestiture.
 - Total reduction 64 employees of which 11 got a new job in Vaisala. Most of the employees under the scope of the business transfer in the US 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 of EUR 1.3 million and restructuring expenses of EUR 2.7 million are reported in 1-9/2016

Market and Business Outlook

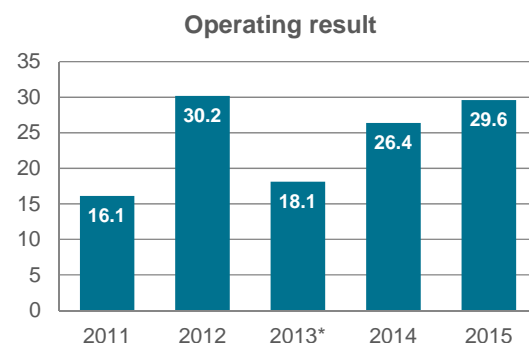
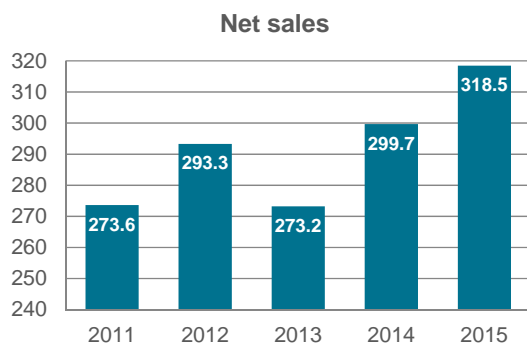
Market Outlook 2016

- As typical, in weather observation market customer activity is expected to improve seasonally towards the end of the year. However, political instability, budgetary constraints and slow activity in weather radar market are expected to affect Vaisala's deliveries in the fourth quarter.
 - In EMEA outlook is still constrained by limited demand from CIS countries.
 - In North America annual orders are expected to decrease slightly from 2015, due to absence of larger weather infrastructure programs. Signs of economic stabilization have been registered in Latin America, but delays in customers' decision making are still expected.
 - In APAC weather observation market annual orders are expected to increase compared to 2015.
 - Renewable energy market outlook has remained solid, but 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.

- Demand for industrial measurement solutions is expected to remain stable globally.

Business Outlook 2016

- Vaisala estimates its full year 2016 net sales to be in the range of EUR 310–330 million and its operating result (EBIT) to be in the range of EUR 18-28 million.



* Impairment charge of EUR 4.3 million



Questions Welcome!

VAISALA



**Observations
for a Better World**