

Vaisala Corporation Interim Report

October 24, 2019 at 2.00 p.m. (EEST)

Vaisala Corporation Interim Report January–September 2019

Excellent third quarter in orders, net sales and EBIT

Third quarter 2019 highlights

- Orders received EUR 105.1 (76.8) million, increase 37%
- Order book at the end of the period EUR 154.4 (119.2) million, increase 29%
- Net sales EUR 105.2 (84.1) million, increase 25%
- Operating result (EBIT) EUR 16.3 (14.5) million, 15.5 (17.3) % of net sales
- Earnings per share EUR 0.37 (0.30)
- Cash flow from operating activities EUR 16.1 (10.6) million

January–September 2019 highlights

- Orders received EUR 316.1 (235.0) million, increase 34%
- Net sales EUR 285.5 (240.5) million, increase 19%
- Operating result (EBIT) EUR 23.5 (24.9) million, 8.2 (10.4) % of net sales
- Earnings per share EUR 0.52 (0.51)
- Cash flow from operating activities EUR 17.8 (18.9) million
- Cash and cash equivalents at the end of the period EUR 52.6 (Dec 31, 2018: 72.7) million, decrease 28%

Business outlook for 2019

Vaisala estimates its full-year 2019 net sales to be in the range of EUR 380–400 million and its operating result (EBIT) to be in the range of EUR 25–35 million including EUR 10–12 million acquisition related amortization and one-off expenses related to a lease contract.

Key Figures							
MEUR	7-9/ 2019	7-9/ 2018	Change	1-9/ 2019	1-9/ 2018	Change	1-12/ 2018
Orders received	105.1	76.8	37%	316.1	235.0	34%	334.2
Order book	154.4	119.2	29%	154.4	119.2	29%	120.6
Net sales	105.2	84.1	25%	285.5	240.5	19%	348.8
Gross profit	58.1	47.0	24%	155.0	126.3	23%	185.0
Gross margin, %	55.3	55.9		54.3	52.5		53.1
Operating expenses	40.7	32.5	25%	128.4	101.9	26%	148.3
Operating result	16.3	14.5	12%	23.5	24.9	-6%	38.9
Operating result, %	15.5	17.3		8.2	10.4		11.1
Result before taxes	16.9	14.0	21%	23.7	23.5	1%	37.5
Result for the period	13.3	10.7	24%	18.6	18.1	3%	29.5
Earnings per share	0.37	0.30	24%	0.52	0.51	3%	0.82
Return on equity, %				13.6	13.6		16.0
Capital expenditure	6.1	4.5	36%	16.3	10.3	58%	14.5
Depreciation, amortization and Impairment	5.4	2.2	149%	17.5	6.5	172%	12.1
Cash flow from operating activities	16.1	10.6	51%	17.8	18.9	-6%	48.3
Cash and cash equivalents				52.6	62.6	-16%	72.7
Interest-bearing liabilities				50.4	0.0		40.5
Gearing, %				-1.2	-36.8		-17.6

The share issue without payment approved by Vaisala's Annual General Meeting on April 10, 2018 increased the total number of series K shares to 6,778,662 and series A shares to 29,658,066. The share related figures in the comparison periods have been adjusted to reflect the increased number of shares.

Vaisala's President and CEO Kjell Forsén comments on the third quarter 2019

"Vaisala's strong performance continued during the third quarter. Orders received and net sales grew in both business areas and all geographical areas, EMEA growing strongest. A good third of the order intake growth came from acquired businesses. Order intake growth reached 45% in Weather and Environment Business Area. Strong growth in transportation customer segment continued, orders from meteorology customers increased by more than half and wind lidars generated growth in renewable energy customer segment. Industrial Measurements Business Area's order intake grew by 23%.

Third quarter net sales grew by one fourth. Weather and Environment Business Area's net sales growth was excellent at 27% following strong performance in all regions. Project deliveries increased significantly during third quarter after a very slow first half of the year. Increase in product sales came from wind lidars. Industrial Measurements Business Area's quarterly net sales were highest ever, as a result of 22% growth generated by strong performance in all regions.

Operating result margin was excellent 15.5%. Improvement of operating result followed excellent net sales growth but also required increase in operating expenses. Two thirds of the increase in operating expenses came from acquired businesses. Weather and Environment Business Area's operating result margin was good as typical for second half and Industrial Measurement Business Area's margin was strong at 23.6%.

Strategy execution has been progressing well. Industrial Measurement's flagship markets, high-end humidity and high-end carbon dioxide, have still brought one third of business area's net sales growth this year and almost half of the growth has been generated by acquisition of liquid measurements business. During this year, continuous monitoring systems have reached nearly 30% growth compared to previous year. In industrial measurements, power industry applications have had the highest growth but delivery quantities are still quite low. Integration of K-Patents acquisition progressed well during the third quarter when all functions working in liquid measurements product area moved to Vaisala premises in Vantaa.

Weather and Environment has made excellent progress in large system project deliveries. On-going projects in Bahamas, Vietnam, Argentina and Sweden have brought one fifth of business area's project revenues this year. Delay in development of enhanced air quality measurement product has postponed planned expansion to environmental measurements in urban markets. Growth of wind lidar business has been lagging behind objectives due to ramp-up issues in new production site.

In August, Vaisala announced acquisition of professional business-to-business weather services from a Finnish weather forecast services company Foreca Oy. This acquisition fits well to Vaisala's digital transformation strategy by strengthening digital offering for weather critical operations and bringing valuable skills and assets in data analytics, forecasting, and impact analysis. I warmly welcome our new colleagues who joined Vaisala in the closing of the acquisition on October 1. In connection with this acquisition, Vaisala announced renewal of digital businesses' focus and reorganization of its operations. To drive business performance and innovation speed, we focus on transportation, renewable energy, lightning and data-driven operations by building up enhanced competences in machine learning and artificial intelligence and by consolidating our data centers into two locations.”

Financial review Q3 2019

Orders received and order book

MEUR	7-9/ 2019	7-9/ 2018	Change	FX*	2018
Orders received	105.1	76.8	37%	35%	334.2
Order book, end of period	154.4	119.2	29%		120.6

* Change with comparable exchange rates

Third quarter 2019 orders received increased by 37% compared to previous year and totaled EUR 105.1 (76.8) million. Orders received increased in both business areas and in all geographical areas, EMEA growing strongest. Growth of orders received without currency impact and acquisitions was 20%.

At the end of September 2019, order book amounted to EUR 154.4 (119.2) million and increased by 29% compared to previous year. EUR 74.8 (59.5) million of the order book is scheduled to be delivered in 2019. Acquisitions increased order book by EUR 14 million.

Financial performance

MEUR	7-9/ 2019	7-9/ 2018	Change	FX**	2018
Net sales	105.2	84.1	25%	23%	348.8
Products	71.5	59.2	21%		230.5
Projects	21.7	13.5	60%		70.0
Services	12.0	11.3	7%		48.3
Gross margin, %	55.3	55.9			53.1
Operating expenses	40.7	32.5	25%		148.3
R&D expenditure	12.1	10.0	21%		45.4
% of net sales	11.5	11.9			13.0
Amortization*	2.0	0.2			3.8
Operating result	16.3	14.5			38.9
% of net sales	15.5	17.3			11.1

* Amortization of intangible assets related to acquired businesses

** Change with comparable exchange rates

Third quarter 2019 net sales grew by 25% compared to previous year and were EUR 105.2 (84.1) million. Foreign currency translation impact on net sales growth was EUR 2 million, evenly distributed between business areas. Net sales grew in both business areas and in all geographical areas, EMEA growing strongest. Net sales growth was strong in both product and project businesses. Growth of net sales without currency impact and acquisitions was 12%.

Net sales by geographical area

MEUR	7-9/ 2019	7-9/ 2018	Change	2018
Americas	39.2	33.6	17%	136.8
APAC	32.5	26.0	25%	109.6
EMEA	33.4	24.4	37%	102.3
Total	105.2	84.1	25%	348.8

Third quarter 2019 gross margin was on good level at 55.3 (55.9) %. Operating result increased from previous year to EUR 16.3 (14.5) million, 15.5 (17.3) % of net sales. Net sales growth increased operating result, but also required increase in operating expenses. Operating expenses included EUR 2.0 (0.2) million of non-cash amortization of intangible assets. In addition, other operating income and expenses included EUR 1.0 million costs related to Vaisala Digital refocus and reorganization published in August 2019.

Third quarter 2019 financial income and expenses were EUR 0.6 (-0.5) million. This was mainly a result of valuation of USD denominated receivables and USD currency hedging. Result before taxes was EUR 16.9 (14.0) million and result for the period EUR 13.3 (10.7) million. Earnings per share was EUR 0.37 (0.30).

Financial review January–September 2019**Orders received and order book**

MEUR	1-9/ 2019	1-9/ 2018	Change	FX*	2018
Orders received	316.1	235.0	34%	32%	334.2
Order book, end of period	154.4	119.2	29%		120.6

* Change with comparable exchange rates

January–September 2019 orders received increased by 34% compared to previous year and totaled EUR 316.1 (235.0) million. Orders received increased in both business areas and in all geographical areas. Growth was strongest in EMEA. Growth of orders received without currency impact and acquisitions was 18%.

Financial performance

MEUR	1-9/ 2019	1-9/ 2018	Change	FX**	2018
Net sales	285.5	240.5	19%	16%	348.8
Products	198.5	156.4	27%		230.5
Projects	50.0	50.9	-2%		70.0
Services	37.0	33.3	11%		48.3
Gross margin, %	54.3	52.5			53.1
Operating expenses	128.4	101.9	26%		148.3
R&D expenditure	39.2	32.1	22%		45.4
% of net sales	13.7	13.4			13.0
Amortization*	7.2	0.5			3.8
Operating result	23.5	24.9			38.9
% of net sales	8.2	10.4			11.1

* Amortization of intangible assets related to acquired businesses

** Change with comparable exchange rates

January–September 2019 net sales grew by 19% compared to previous year and were EUR 285.5 (240.5) million. Operations outside Finland accounted for 98 (98) % of net sales. Foreign currency translation impact on net sales growth was EUR 6 million, evenly distributed between business areas. Net sales grew in both business areas and all geographical areas, EMEA growing strongest. Net sales growth was strong in product business, whereas net sales for project business were almost flat following slow first half. Growth of net sales without currency impact and acquisitions was 5%.

Net sales by geographical area

MEUR	1-9/ 2019	1-9/ 2018	Change	2018
Americas	106.1	96.7	10%	136.8
APAC	85.6	73.9	16%	109.6
EMEA	93.8	70.0	34%	102.3
Total	285.5	240.5	19%	348.8

January–September 2019 gross margin improved to 54.3 (52.5) % as a result of improved profitability of product deliveries and high share of product sales in both business areas. Gross margin improved especially during the second quarter.

January–September 2019 operating result declined from previous year and was EUR 23.5 (24.9) million, 8.2 (10.4) % of net sales. Net sales growth and improved gross margin increased operating result. Growth required also increase in operating expenses. Operating expenses included EUR 7.2 million of non-cash amortization of intangible assets. Operating result declined due to costs in other operating income and expenses of EUR -3.1 (0.5) million. These costs included costs related to Vaisala's digital business refocus and reorganization, one-off expense related to a lease contract termination, and expenses related to a decision to terminate a product line in the US.

January–September 2019 financial income and expenses were EUR 0.2 (-1.4) million. This was mainly a result of valuation of USD denominated receivables and USD currency hedging. Result before taxes was EUR 23.7 (23.5) million and result for the period EUR 18.6 (18.1) million. Earnings per share was EUR 0.52 (0.51).

Statement of financial position, cash flow and financing

Vaisala's financial position remained strong during January–September 2019. Cash and cash equivalents decreased to EUR 52.6 (Dec 31, 2018: 72.7) million. Dividend payment amounted to EUR 20.8 (37.6) million in the second quarter. At the end of September, statement of financial position totaled EUR 338.6 (Dec 31, 2018: 334.4) million. As a result of IFRS 16 Leases implementation, total assets increased by EUR 11.1 million and total liabilities by EUR 10.1 million.

In January–September 2019, cash flow from operating activities totaled EUR 17.8 (18.9) million. Increase of EUR 7.9 million in inventories increased net working capital, which offset positive cash flow development of increased operating result.

On September 30, 2019, Vaisala had interest bearing loans from financial institutions totaling EUR 40.2 (Dec 31, 2018: 40.5) million, of which EUR 40.0 million related to utilized revolving credit facility. In addition, interest bearing lease liabilities totaled EUR 10.1 (Dec 31, 2018: 0.0) million.

Capital expenditure

In January–September 2019, capital expenditure in intangible and tangible assets totaled EUR 16.3 (10.3) million. Capital expenditure was mainly related to investments in machinery and equipment to develop and maintain Vaisala's production and service operations as well as to building projects in Vantaa, Finland and Louisville, Colorado US. On September 30, 2019, commitments related to Vantaa and Louisville building projects totaled EUR 11 (Dec 31, 2018: 1) million.

Depreciation, amortization and impairment were EUR 17.5 (6.5) million. This included EUR 7.2 million of amortization of identified intangible assets related to acquired businesses.

Vaisala Digital refocus and reorganization of operations

In August, Vaisala announced refocus and reorganization of its digital business' operations. At the same time, the name of the Digital Solutions business line was changed to Vaisala Digital. To drive business performance and innovation speed, Vaisala Digital focuses on transportation, renewable energy, lightning and data-driven operations by building up enhanced competences in machine learning and artificial intelligence and by consolidating its data centers into two locations. While a new team for co-located transportation solutions development, including road, airport and ports, will be ramped up in Finland, 21 employees in the US were made redundant. These measures are estimated to bring an annual saving of some EUR 3 million from 2020 onwards. Related to these measures, Vaisala booked EUR 1.0 million of redundancy costs in its third quarter 2019 results.

Personnel

The average number of personnel employed during January–September 2019 was 1,827 (1,644). At the end of September 2019, the number of employees was 1,810 (Dec 31, 2018: 1,816). 74 (70) % of employees were located in EMEA, 17 (21) % in Americas and 9 (9) % in APAC. 61 (64) % of employees were based in Finland.

Q3 and January–September 2019 review by business area

Weather and Environment Business Area

MEUR	7-9/ 2019	7-9/ 2018	Change	FX**	1-9/ 2019	1-9/ 2018	Change	FX**	2018
Orders received	70.7	48.7	45%	43%	210.0	147.3	43%	41%	215.2
Order book, end of period	138.3	106.3	30%		138.3	106.3	30%		104.9
Net sales	69.1	54.6	27%	25%	179.4	154.7	16%	14%	232.3
Products	38.6	32.5	19%		102.0	79.0	29%		125.4
Projects	21.7	13.5	60%		50.0	50.9	-2%		70.0
Services	8.9	8.5	4%		27.4	24.8	11%		36.9
Gross margin, %	51.0	52.2			48.6	47.3			48.6
Operating expenses	26.0	21.0	24%		81.9	66.1	24%		96.7
R&D expenditure	7.9	6.8	17%		25.6	21.1	22%		30.5
of net sales, %	11.4	12.4			14.3	13.6			13.1
Amortization*	1.6	0.2			4.8	0.5			3.8
Operating result	9.3	7.5			5.6	7.2			17.7
of net sales, %	13.5	13.7			3.1	4.6			7.6

* Amortization of intangible assets related to acquired businesses

** Change with comparable exchange rates

Q3 2019 review

Weather and Environment Business Area's third quarter 2019 orders received increased by 45% compared to previous year and totaled EUR 70.7 (48.7) million. Orders received increased in all regions, mainly in Asia Pacific, Middle East and Africa region as well as in Europe. Order growth was generated by medium-sized orders and growth was strongest in meteorology, transportation and renewable energy customer segments. Growth of orders received without currency impact and acquisitions was 27%.

At the end of September 2019, Weather and Environment Business Area's order book amounted to EUR 138.3 (106.3) million and increased by 30% compared to previous year. EUR 62.4 (50.3) million of the order book is scheduled to be delivered in 2019.

Weather and Environment Business Area's third quarter 2019 net sales grew by 27% compared to previous year and were EUR 69.1 (54.6) million. Net sales growth was strong in all regions and both in product and project businesses. Growth of net sales without currency impact and acquisitions was 14%. Gross margin decreased to 51.0 (52.2) % due to higher share of project deliveries and decline in gross margin of product and service businesses. Gross margin in project business improved.

Weather and Environment Business Area's third quarter 2019 operating result increased compared to previous year and totaled EUR 9.3 (7.5) million, 13.5 (13.7) % of net sales. Net sales growth increased operating result. Operating expenses increased mainly due to acquired business and included EUR 1.6 million of amortization of intangible assets related to acquired businesses.

January–September 2019 review

Weather and Environment Business Area's January–September 2019 orders received increased by 43% compared to previous year and totaled EUR 210.0 (147.3) million. Growth of orders received was equally

strong in all regions. Order growth was generated by large and medium-sized orders and was strongest in transportation customer segment. Growth of orders received without currency impact and acquisitions was 24%.

Weather and Environment Business Area's January–September 2019 net sales grew by 16% compared to previous year and were EUR 179.4 (154.7) million. Net sales growth exceeded 20% in all other regions except in Americas where net sales grew by 2%. Net sales grew mainly in product business whereas net sales for project business were almost flat. Growth of net sales without currency impact and acquisitions was 3%. Higher share of product sales compared to previous year increased gross margin to 48.6 (47.3) %.

Weather and Environment Business Area's January–September 2019 operating result decreased compared to previous year and totaled EUR 5.6 (7.2) million, 3.1 (4.6) % of net sales. Operating expenses increased following net sales growth and included EUR 4.8 million of amortization of intangible assets related to acquired businesses.

Industrial Measurements Business Area

MEUR	7-9/ 2019	7-9/ 2018	Change	FX**	1-9/ 2019	1-9/ 2018	Change	FX**	2018
Orders received	34.5	28.1	23%	19%	106.1	87.7	21%	17%	119.0
Order book, end of period	16.2	13.0	25%		16.2	13.0	25%		15.7
Net sales	36.1	29.5	22%	19%	106.0	85.8	24%	20%	116.4
Products	32.9	26.7	23%		96.5	77.3	25%		105.1
Services	3.2	2.8	13%		9.6	8.5	13 %		11.4
Gross margin, %	63.6	63.0			64.0	62.0			62.1
Operating expenses	14.4	10.9	33%		45.8	34.9	31%		48.5
R&D expenditure	4.2	3.2	29%		13.6	11.1	23%		14.9
of net sales, %	11.6	11.0			12.9	12.9			12.8
Amortization*	0.4	0.0			2.4	0.0			0.0
Operating result	8.5	7.7			20.6	18.4			23.9
of net sales, %	23.6	26.1			19.5	21.4			20.5

* Amortization of intangible assets related to acquired businesses

** Change with comparable exchange rates

Q3 2019 review

Industrial Measurements Business Area's third quarter 2019 orders received increased by 23% compared to previous year and totaled EUR 34.5 (28.1) million. Order growth was strong in all regions. Growth of orders received without currency impact and acquisitions was 9%.

At the end of September 2019, Industrial Measurements Business Area's order book amounted to EUR 16.2 (13.0) million and increased by 25% compared to previous year. EUR 12.4 (9.2) million of the order book is scheduled to be delivered in 2019.

Industrial Measurements Business Area's third quarter 2019 net sales grew by 22% compared to previous year and were EUR 36.1 (29.5) million. Net sales grew strongly in all regions, APAC growing strongest. Liquid measurement products, instruments, and continuous monitoring systems generated major part of the net sales growth. Power industry sales developed positively although absolute net sales were still on moderate level. Growth of net sales without currency impact and acquisitions was 9%. Gross margin improved to 63.6 (63.0) % as a result of improved profitability of product and service businesses compared to previous year.

Industrial Measurements Business Area's third quarter 2019 operating result increased compared to previous year and was EUR 8.5 (7.7) million, 23.6 (26.1) % of net sales. Net sales growth and gross margin improvement increased operating result. However, increase in operating expenses, including EUR 0.4 million of amortization of intangible assets related to acquired business, burdened operating result margin.

January–September 2019 review

Industrial Measurements Business Area's January–September 2019 orders received increased by 21% compared to previous year and totaled EUR 106.1 (87.7) million. Order growth was strong in all regions. Growth of orders received without currency impact and acquisitions was 7%.

Industrial Measurements Business Area's January–September 2019 net sales grew by 24% compared to previous year and were EUR 106.0 (85.8) million. Net sales grew strongly in all regions. Liquid measurement

products, instruments, and continuous monitoring systems generated major part of the net sales growth. Power industry sales developed positively although absolute net sales were still on moderate level. Growth of net sales without currency impact and acquisitions was 9%. Gross margin improved to 64.0 (62.0) % as a result of improved profitability of product and service businesses compared to previous year.

Industrial Measurements Business Area's January–September 2019 operating result increased compared to previous year and was EUR 20.6 (18.4) million, 19.5 (21.4) % of net sales. Net sales growth and gross margin improvement increased operating result. However, increase in operating expenses, including EUR 2.4 million of amortization of intangible assets related to acquired business, burdened operating result margin. In addition, operating result included one-off expense related to a lease contract termination.

Strategy update and long-term financial targets

During the second quarter, Vaisala's Board of Directors approved strategy for 2019–2023 and updated long-term financial targets. Fundamentals of profitable growth are reliable products and solutions that are based on leading technologies, perform with superb quality, create value for our customers and optimize total cost of ownership.

Industrial Measurements Business Area drives profitable growth through product leadership strategy in gas and liquid measurement technologies. In addition to Business Area's flagship markets, high-end humidity and high-end carbon dioxide, growth is sought from liquid measurements, continuous monitoring systems and power industry applications. Target is to exceed Vaisala's average growth. Objective is to win by most reliable measurements, best customer experience, fast delivery as well as excellent sales and service capabilities.

Weather and Environment Business Area's strategic intent is to remain undisputable global leader for weather observations. Business Area's strategy has four pillars: offer industry-leading products for weather observations, strive for excellence in large system project deliveries, exploit digital transformation and develop digital solutions for selected weather critical operations, and expand into environmental measurements with urban air quality as spearhead. Objective is to win by focusing R&D in instrument and weather radar offering renewal, driving growth of wind lidar business, and developing innovative digital solutions targeted to intelligent transportation market.

Vaisala Operations manufactures products for both business areas and develops operational excellence in high mix low volume supply chain through Vaisala Production System. Strategic programs are productivity improvement, early involvement to product creation, as well as scouting and deploying latest smart factory technologies.

Based on these strategic objectives Vaisala expects net sales growth during the strategy period. Growth will require new capabilities and resources in R&D, sales and marketing. In addition, amortization and depreciation expenses will increase following acquisitions and investments.

Vaisala's updated long-term financial targets are an average annual growth exceeding 5% and operating profit margin (EBIT) exceeding 12%.

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

Decisions by Vaisala Corporation's Annual General Meeting

Vaisala Corporation's Annual General Meeting was held on March 26, 2019. 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, 2018.

Dividend

The Annual General Meeting decided a dividend of EUR 0.58 per share. The record date for the dividend payment was March 28, 2019 and the payment date April 4, 2019.

Board of Directors

The Annual General Meeting confirmed that the number of Board members is eight. Petri Castrén, Petra Lundström, Kaarina Ståhlberg, Pertti Torstila, Raimo Voipio and Ville Voipio will continue as members of the

Board of Directors. Jukka Rinnevaara and Tuomas Syrjänen were elected as new members of the Board of Directors.

The Annual General Meeting confirmed that the annual remuneration payable to the Chairman of the Board of Directors is EUR 45,000 and each Board member EUR 35,000 per year. Approximately 40% of the annual remuneration will be paid in Vaisala Corporation's series A shares acquired from the market and the rest in cash. In addition, the Annual General Meeting confirmed that the meeting fee 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 2020. The meeting fees are paid in cash.

Auditor

The Annual General Meeting re-elected Deloitte 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 resolve on the directed repurchase of a maximum of 300,000 of the company's own series A shares in one or more instalments by using company's unrestricted equity. The authorization is valid until the closing of the next Annual General Meeting, however, no longer than September 26, 2020.

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

The Annual General Meeting authorized the Board of Directors to resolve on the issuance of a maximum of 769,732 company's own series A shares. The issuance of own shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization entitles the issuance of treasury series A shares as a directed issue without payment as part of the company's share based incentive plan. The subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind. The authorization is valid until September 26, 2020. The authorization for the company's incentive program shall however be valid until March 26, 2023.

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 Ville Voipio as the Vice Chairman.

Kaarina Ståhlberg was elected as the Chairman and Petri Castrén, Jukka Rinnevaara and Ville Voipio as members of the Audit Committee. Ville Voipio was elected as the Chairman and Petri Castrén and Petra Lundström as members of the Remuneration and HR Committee. The Chairman and all members of the Audit Committee as well as the Remuneration and HR Committee are independent both of the company and of significant shareholders.

Shares and shareholders

Share capital and shares

Vaisala's share capital totaled EUR 7,660,808 on September 30, 2019. Vaisala has 36,436,728 shares, of which 6,751,398 are series K shares and 29,685,330 series A shares. During the second quarter, number of series K shares decreased by 27,264 and number of series A shares increased by 27,264 as the Board of

Directors decided that 27,264 series K shares were converted to series A shares. This conversion was registered into the Trade Register on May 27, 2019. The series K shares and series A shares are differentiated by the fact that each series K share entitles its owner to 20 votes at a General Meeting of Shareholders while each series A share entitles its owner to 1 vote. The series A shares represented 81.5% of the total number of shares and 18.0% of the total votes. The series K shares represented 18.5% of the total number of shares and 82.0% of the total votes.

Trading and share price development

In January–September 2019, a total of 1,882,456 series A shares with a value totaling EUR 36.3 million were traded on the Nasdaq Helsinki Ltd. The closing price of the series A share on the Nasdaq Helsinki stock exchange was EUR 25.35. Shares registered a high of EUR 26.10 and a low of EUR 15.95. Volume-weighted average share price was EUR 19.31.

The market value of series A shares on September 30, 2019 was EUR 738.4 million, excluding company's treasury shares. Valuing the series K shares – which are not traded on the stock market – at the rate of the series A share's closing price on the last trading day of September, the total market value of all the series A and series K shares together was EUR 909.6 million, excluding company's treasury shares.

Treasury shares

In March 2019, a total of 88,452 of treasury shares were conveyed without consideration to the 30 key employees participating in the Share-based incentive plan 2016 under the terms and conditions of the plan. This directed share issue was based on an authorization given by the Annual General Meeting held on April 10, 2018.

In June 2019, a total of 2,195 of treasury shares were conveyed without consideration to an employee participating in the Share-based incentive plans 2017 and 2018 under the terms and conditions of the plans. This directed share issue was based on an authorization given by the Annual General Meeting held on March 26, 2019.

Following these directed share issues, the number of series A treasury shares is 555,989, which represents 1.9% of series A shares and 1.5% of total shares.

Shareholders

At the end of September 2019, Vaisala had 9,198 (8,435) registered shareholders. Ownership outside of Finland and nominee registrations represented 15.7 (16.3) % of the company's shares. Households owned 40.7 (40.4) %, private companies 13.5 (13.9) %, financial and insurance institutions 14.5 (14.3) %, non-profit organizations 11.0 (11.1) % and public sector organizations 4.6 (4.0) % of the shares.

More information about Vaisala's shares and shareholders are presented on the company's website at www.vaisala.com/investors.

Near-term risks and uncertainties

Uncertainties in international trade policies, political situation and governmental customers' budgetary constraints or changes in their sourcing criteria may reduce or delay demand for Vaisala's products and services.

Delay in developing applications for digital solutions as well as acquiring and in building related competences for sales and business operations may slow down growth in Weather and Environment Business Area. Closing of infrastructure contracts in Weather and Environment Business Area may be postponed by budgetary constraints, complex customer decision making processes, changes in scope, and financing. Disturbance in project delivery performance may reduce or postpone associated profit. Thus, Vaisala's financial performance may vary significantly over time.

Prolonged new product ramp-ups, market acceptances and regulatory certifications of new offering, such as power transformer monitoring products, supplementary air quality sensors and networks, and digital solutions, may postpone realization of Vaisala's growth plans.

Long interruption in production or test equipment or disruption in suppliers' and subcontractors' delivery capability or product quality may impact significantly Vaisala's net sales and profitability. Cyber risk and downtime of IT systems may impact operations, and delivery of digital solutions.

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

Further information about risk management and risks are available on Annual Report and on the company website at www.vaisala.com/investors.

Events after reporting period

In August, Vaisala announced acquisition of professional business-to-business weather services from a Finnish weather forecast services company Foreca Oy. This acquisition strengthens Vaisala's digital offering for weather critical operations by bringing valuable skills and assets in data analytics, forecasting, and impact analysis. This acquisition was closed on October 1, 2019 and nine employees joined Vaisala.

Market outlook for 2019

Demand for weather observation solutions is expected to improve in all regions, moderately in Americas. Demand for digital solutions is expected to improve moderately.

Demand for industrial measurement solutions is expected to continue to grow in all regions. Demand for continuous monitoring systems, liquid measurements and power industry applications is expected to develop positively.

Business outlook for 2019

Vaisala estimates its full-year 2019 net sales to be in the range of EUR 380–400 million and its operating result (EBIT) to be in the range of EUR 25–35 million including EUR 10–12 million acquisition related amortization and one-off expenses related to a lease contract.

Financial calendar 2020

Financial Statement Release 2019, February 12, 2020

Annual Report 2019, week 9

Interim Report January–March 2020, April 28, 2020

Half Year Financial Report 2020, July 21, 2020

Interim Report January–September 2020, October 27, 2020

Vantaa, October 24, 2019

Vaisala Corporation
Board of Directors

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

Financial information and changes in accounting policies

This Interim Report has been prepared in accordance with IAS 34, *Interim Financial Reporting*, following the same accounting policies and principles as in the annual financial statements for 2018. All figures in this Interim Report are group figures. All presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented. This Interim Report is unaudited.

Preparation of interim report 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 statement of income. Although estimates are based on management's best knowledge at the date of interim report, actual results may differ from those estimates.

Weather and Environment Business Area's renewable energy digital solutions business is no longer meeting the criteria of non-current assets held for sale and classification of those assets as non-current assets held for sale is ceased accordingly as of September 30, 2019.

New and amended IFRS standards effective for the year 2019

The following new or revised IFRSs have been adopted from January 1, 2019:

- IFRS 16 *Leases*
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*
- Amendments to IAS 19 *Employee Benefits: Plan Amendment, Curtailment or Settlement*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

The adoption of the Standards listed above is not expected to have a material impact on the financial statements of the Group in future periods, except IFRS 16 *Leases*:

IFRS 16 Leases – transition and impact on financial reporting

Vaisala has applied IFRS 16 *Leases* as of January 1, 2019.

As at December 31, 2018, the Group had non-cancellable operating lease commitments of EUR 16.6 million. The assessment indicated that EUR 12 million of these arrangements related to leases, which management estimates to be material and thus was recognized in the balance sheet as a result of application IFRS 16. Additionally, lease term of a contract related to an operating lease commitment amounting to EUR 4 million was to start in the future. Rest of the arrangements were considered immaterial. The Group recognized a right-of-use asset of EUR 12 million and a corresponding lease liability of EUR 11 million as of January 1, 2019.

As of September 30, 2019 the amount of right-of-use assets totaled EUR 11.1 million and the amount of lease liability EUR 10.2 million. The amount of depreciation related to right-of-use assets totaled EUR 3.1 million and interest expense related to lease liability EUR 0.2 million for the period January–September 2019. Elimination of rent costs totaled EUR 3.3 million for the period January–September 2019. Rent costs included in the consolidated statement of income in January–September 2018 totaled EUR 3.2 million.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Under IFRS 16, lease payments are presented as part of cash flows from financing activities. In January–September 2019 principal payments of lease liabilities in cash flow from financing activities amounted to EUR 3.1 million and interest expenses in the cash flow from operating activities amounted EUR 0.2 million. Corresponding elimination of rent costs in the cash flow from operating activities amounted to EUR 3.3 million. The amount of rent costs included in the cash flow from operating activities in January–September 2018 totaled EUR 3.2 million.

Vaisala applied IFRS 16 retrospectively with the cumulative effect of initial application recognized as of January 1, 2019. Comparative information is not restated.

Consolidated Statement of Income

EUR million	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Net sales	105.2	84.1	285.5	240.5	348.8
Cost of goods sold	-47.0	-37.0	-130.5	-114.2	-163.7
Gross profit	58.1	47.0	155.0	126.3	185.0
Sales, marketing and administrative costs	-28.6	-22.5	-89.2	-69.7	-102.8
Research and development costs	-12.1	-10.0	-39.2	-32.1	-45.4
Other operating income and expenses	-1.1	0.0	-3.1	0.5	2.1
Operating result	16.3	14.5	23.5	24.9	38.9
Share of result in associated company	-	-	-	-	0.1
Financial income and expenses	0.6	-0.5	0.2	-1.4	-1.5
Result before taxes	16.9	14.0	23.7	23.5	37.5
Income taxes	-3.6	-3.3	-5.1	-5.4	-8.0
Result for the period	13.3	10.7	18.6	18.1	29.5

Earnings per share for result attributable to the equity holders of the parent company

Earnings per share, EUR	0.37	0.30	0.52	0.51	0.82
Diluted earnings per share, EUR	0.37	0.30	0.51	0.50	0.81

Consolidated Statement of Comprehensive Income

EUR million	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Items that will not be reclassified to profit or loss (net of taxes)					
Actuarial profit (loss) on post-employment benefits	0.0	0.0	0.0	0.0	0.2
Total	0.0	0.0	0.0	0.0	0.2
Items that may be reclassified subsequently to profit or loss					
Translation differences	1.3	0.0	1.4	0.7	1.0
Total	1.3	0.0	1.4	0.7	1.0
Total other comprehensive income	1.3	0.0	1.4	0.7	1.2
Comprehensive income for the period	14.6	10.8	20.0	18.8	30.7

Consolidated Statement of Financial Position

EUR million

Assets	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Non-current assets			
Intangible assets	67.9	20.7	74.1
Property, plant and equipment	56.4	44.8	46.3
Right-of-use assets	11.1	-	-
Investments in shares	0.1	0.1	0.1
Investment in associated company	1.0	0.8	1.0
Non-current receivables	1.0	0.7	2.1
Deferred tax assets	10.4	7.9	9.8
Total non-current assets	147.9	75.1	133.2
Current assets			
Inventories	40.2	27.7	32.0
Trade and other receivables	69.2	63.8	74.7
Contract assets	24.6	16.0	17.8
Income tax receivables	4.1	2.0	0.9
Cash and cash equivalents	52.6	62.6	72.7
Total current assets	190.7	172.2	198.0
Assets classified as held for sale	-	-	3.1
Total assets	338.6	247.2	334.4

Equity and liabilities	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Equity			
Share capital	7.7	7.7	7.7
Other reserves	5.8	5.2	6.1
Translation differences	2.1	0.5	0.8
Treasury shares	-7.9	-9.0	-9.0
Retained earnings	175.1	165.7	177.3
Total equity attributable to owners of parent company	182.8	170.1	182.9
Non-current liabilities			
Interest-bearing loans from financial institutions	0.0	0.0	0.2
Interest-bearing lease liabilities	7.0	0.0	0.0
Post-employment benefits	2.9	2.6	2.7
Deferred tax liabilities	7.7	0.4	9.4
Provisions	0.2	0.2	0.2
Other non-current liabilities	6.1	1.9	5.6
Total non-current liabilities	23.9	5.1	18.0
Current liabilities			
Interest-bearing loans from financial institutions	40.2	0.0	40.3
Interest-bearing lease liabilities	3.1	0.0	0.0
Trade and other payables	57.2	43.4	57.2
Contract liabilities	25.1	25.0	30.2
Income tax liabilities	2.7	2.0	1.4
Provisions	3.7	1.5	3.2
Total current liabilities	131.9	72.0	132.3
Liabilities directly associated with assets classified as held for sale	-	-	1.1
Total liabilities	155.8	77.1	151.5
Total equity and liabilities	338.6	247.2	334.4

Consolidated Cash Flow Statement

EUR million	1-9/ 2019	1-9/ 2018	1-12/ 2018
Cash flow from operating activities			
Cash receipts from customers	280.3	244.5	346.7
Cash paid to suppliers and employees	-253.4	-219.2	-289.3
Financial items paid	-1.2	-0.1	-0.4
Income taxes paid	-7.9	-6.3	-8.7
Cash flow from operating activities	17.8	18.9	48.3
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired	-	-	-51.7
Capital expenditure on intangible assets and property, plant and equipment	-16.3	-10.3	-14.5
Proceeds from sale of intangible assets and property, plant and equipment	0.3	0.1	0.1
Cash flow from investing activities	-15.9	-10.2	-66.1
Cash flow from financing activities			
Dividends paid	-20.8	-37.6	-37.6
Change in loan receivables	0.1	0.1	0.0
Proceeds from borrowings	40.0	-	40.0
Repayment of borrowings	-40.3	-	-2.6
Principal payments of lease liabilities	-3.1	-0.0	-0.0
Cash flow from financing activities	-24.0	-37.4	-0.1
Change in cash and cash equivalents increase (+) / decrease (-)	-22.2	-28.8	-17.9
Cash and cash equivalents at the beginning of period	72.7	91.3	91.3
Change in cash and cash equivalents	-22.2	-28.8	-17.9
Cash and cash equivalents classified as assets held for sale	-	-	-1.1
Transfer of cash and cash equivalents classified as assets held for sale to continuing operations	1.1	-	-
Effect from changes in exchange rates	1.0	0.2	0.4
Cash and cash equivalents at the end of period	52.6	62.6	72.7

Consolidated Statement of Changes in Equity

EUR million	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Total
Equity at Dec 31, 2017	7.7	3.0	-0.2	-10.1	185.1	185.4
Adjustments to opening balance						
Effect of IFRS 2 amendment		3.9				3.9
Effect of IFRS 9 transition, net of taxes					-0.2	-0.2
Effect of IFRS 15 transition, net of taxes					0.3	0.3
Equity at Jan 1, 2018	7.7	6.8	-0.2	-10.1	185.2	189.3
Result for the period					18.1	18.1
Other comprehensive income		-0.0	0.7			0.7
Dividend distribution					-37.6	-37.6
Share-based payments		-1.6		1.1		-0.5
Equity at Sep 30, 2018	7.7	5.2	0.5	-9.0	165.7	170.1

EUR million	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Total
Equity at Dec 31, 2018	7.7	6.1	0.8	-9.0	177.3	182.9
Result for the period					18.6	18.6
Other comprehensive income		0.0	1.4			1.4
Dividend distribution					-20.8	-20.8
Share-based payments		-0.3		1.1		0.7
Balance at Sep 30, 2019	7.7	5.8	2.1	-7.9	175.1	182.8

Notes to the Report

Orders Received by Business Area

EUR million	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Weather and Environment	70.7	48.7	210.0	147.3	215.2
Industrial Measurements	34.5	28.1	106.1	87.7	119.0
Total	105.1	76.8	316.1	235.0	334.2

Net Sales by Business Area

EUR million	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Weather and Environment					
Products	38.6	32.5	102.0	79.0	125.4
Projects	21.7	13.5	50.0	50.9	70.0
Services	8.9	8.5	27.4	24.8	36.9
Total	69.1	54.6	179.4	154.7	232.3
Industrial Measurements					
Products	32.9	26.7	96.5	77.3	105.1
Services	3.2	2.8	9.6	8.5	11.4
Total	36.1	29.5	106.0	85.8	116.4
Total net sales	105.2	84.1	285.5	240.5	348.8

Operating Result by Business Area

EUR million	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Weather and Environment	9.3	7.5	5.6	7.2	17.7
Industrial Measurements	8.5	7.7	20.6	18.4	23.9
Other	-1.5	-0.7	-2.8	-0.6	-2.7
Total	16.3	14.5	23.5	24.9	38.9

Net Sales by Geographical Area

EUR million	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Americas	39.2	33.6	106.1	96.7	136.8
APAC	32.5	26.0	85.6	73.9	109.6
EMEA	33.4	24.4	93.8	70.0	102.3
Total	105.2	84.1	285.5	240.5	348.8

Timing of revenue recognition

EUR million	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Performance obligations satisfied at a point in time	78.4	63.6	220.1	174.8	251.7
Performance obligations satisfied over time	26.8	20.4	65.3	65.7	97.1
Total	105.2	84.1	285.5	240.5	348.8

Personnel					
	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Average personnel	1,840	1,656	1,827	1,644	1,678
Personnel at the end of period	1,810	1,643	1,810	1,643	1,816

Derivative Financial Instruments			
EUR million	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
Nominal value of derivative contracts	28.4	35.0	26.9
Fair values of derivative contracts, assets	-	0.2	0.0
Fair values of derivative contracts, liabilities	0.8	1.3	1.0

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

Share Information					
Thousand/EUR	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Number of shares outstanding	35,881	35,790	35,881	35,790	35,790
Number of treasury shares	556	647	556	647	647
Number of shares, weighted average, diluted	36,152	36,353	36,106	36,329	36,376
Number of shares, weighted average	35,881	35,790	35,859	35,766	35,772
Number of shares traded	308	673	1,882	2,220	3,136
Share price, highest	26.10	23.90	26.10	23.90	23.90
Share price, lowest	19.12	18.00	15.95	18.00	15.85

Key Ratios					
EUR	7-9/ 2019	7-9/ 2018	1-9/ 2019	1-9/ 2018	1-12/ 2018
Earnings per share	0.37	0.30	0.52	0.51	0.82
Diluted earnings per share	0.37	0.30	0.51	0.50	0.81
Equity per share			5.10	4.75	5.11
Return on equity, %			13.6	13.6	16.0
Cash flow from operating activities per share	0.45	0.30	0.49	0.53	1.35
Solvency ratio, %			54.8	70.0	55.6
Gearing, %			-1.2	-36.8	-17.6

The share issue without payment approved by Vaisala's Annual General Meeting on April 10, 2018 increased the total number of series K shares to 6,778,662 and series A shares to 29,658,066. The share related figures in the comparison periods have been adjusted to reflect the increased number of shares.

Key Exchange Rates					
	Average rates		Period end rates		
	1-9/2019	1-9/2018	Sep 30,2019	Sep 30, 2018	Dec 31,2018
USD	1.1281	1.1979	1.0889	1.1576	1.1450
CNY	7.7099	7.7742	7.7784	7.9662	7.8751
JPY	123.19	131.21	117.59	131.23	125.85
GBP	0.8839	0.8842	0.8857	0.8873	0.8945

Further information

Kaarina Muurinen, CFO

Tel. +358 40 577 5066

Vaisala Corporation

Briefing and conference call

Briefing for analysts, investors and media, combined with an English-language conference call will be arranged in Hotel Klaus K, Studio K, Bulevardi 2–4, Helsinki, starting at 4:00 p.m. (Finnish time).

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

Finland: +358 9 8171 0310

UK: +44 33 3300 0804

Sweden: +46 8 5664 2651

US: +1 63 1913 1422

PIN: 20800933#

Audiocast

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

Distribution

Nasdaq Helsinki

Key media

www.vaisala.com

Vaisala is a global leader in environmental and industrial measurement. Building on over 80 years of experience, Vaisala provides observations for a better world. We are a reliable partner for customers around the world, offering a comprehensive range of innovative observation and measurement products and services. Headquartered in Finland, Vaisala employs approximately 1,850 professionals worldwide and is listed on the Nasdaq Helsinki stock exchange. www.vaisala.com [www.twitter.com/VaisalaGroup](https://twitter.com/VaisalaGroup)