

# Vaisala Corporation Half Year Financial Report 2016

July 21, 2016



Vaisala Corporation

Half Year Financial Report

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**In the second quarter 2016, net sales decreased by 2% to EUR 75.6 million and operating result was EUR 3.4 million.**

### April-June 2016 highlights

- Orders received EUR 77.0 (78.5) million, decrease 2%
- Order book EUR 123.5 (140.4) million, decrease 12%
- Net sales EUR 75.6 (77.0) million, decrease 2%
- Gross margin 49.2% (49.8%)
- Operating result EUR 3.4 (4.1) million
- Earnings per share EUR 0.17 (0.12)
- Cash flow from operating activities EUR 7.7 (-1.0) million
- The agreement to divest Transportation field service and AWOS business in the U.S. was signed
- Business outlook for 2016: Vaisala continues to estimate its full year 2016 net sales to be in the range of EUR 305–335 million and its operating result (EBIT) to be in the range of EUR 25–35 million.

### First half of 2016 highlights

- Orders received EUR 141.7 (147.4) million, decrease 4%
- Net sales EUR 144.3 (135.6) million, increase 6%
- Gross margin 50.1% (47.6%)
- Operating result EUR 2.4 (-3.6) million
- Earnings per share EUR 0.05 (-0.03)
- Cash flow from operating activities EUR 7.2 (5.3) million, increase 36%
- Cash and cash equivalents EUR 43.2 (33.7) million, increase 28%

### Vaisala's President and CEO Kjell Forsén comments on second quarter 2016

“Vaisala's second quarter net sales were EUR 75.6 million, increasing 10% from the strong first quarter of this year but 2% down from previous year's second quarter. Weather Business Area's net sales decreased by 5% to EUR 50.6 million following modest project deliveries of Meteorology Infrastructure business unit and weak market conditions in EMEA. Controlled Environment Business Area continued its good performance in all regions. Its net sales increased by 6% year-on-year to EUR 25.0 million and the growth was fastest in APAC. Also on Vaisala level APAC net sales growth was strong 29% and now both APAC and EMEA represent 30% of second quarter total net sales.

Vaisala's second quarter orders received decreased by 2% year-on-year to EUR 77.0 million. Weather Business Area's orders received decreased by 9% to EUR 50.1 million. Order intake was slow in Transportation and Meteorology Infrastructure business units. Controlled Environment Business Area's orders received increased significantly by 14% to EUR 26.8 million.

In the second quarter 2016, Vaisala's operating result was EUR 3.4 million and it decreased by EUR 0.6 million. Controlled Environment Business Area continues to deliver a good 60% gross margin and 17% operating profit.

The agreement to divest Transportation field service and AWOS business in the U.S. was successfully signed in June. The business transfer is expected to be completed in October and related annual cost savings are estimated to be EUR 6 million with a full impact from 2017 onwards.

Market outlook for Vaisala is generally stable but the result of UK European Union membership referendum and related financial market volatility have increased economic uncertainty and this is expected to delay customers' decision making especially in Europe. Renewable energy market outlook is solid but Vaisala's market penetration continues to be slower than expected. Market outlook for industrial measurement solutions continues to be solid and Vaisala is performing well in the market.

Our business outlook for the whole year remains unchanged. Vaisala continues to estimate its full year 2016 net sales to be in the range of EUR 305–335 million and its operating result (EBIT) to be in the range of EUR 25–35 million.”

<b>Key Figures</b>					
	<b>4-6/ 2016</b>	<b>4-6/ 2015</b>	<b>1-6/ 2016</b>	<b>1-6/ 2015</b>	<b>1-12/ 2015</b>
Orders received, EUR million	77.0	78.5	141.7	147.4	320.0
Order book, EUR million	123.5	140.4	123.5	140.4	129.2
Net sales, EUR million	75.6	77.0	144.3	135.6	318.5
Gross profit, EUR million	37.2	38.3	72.2	64.6	162.8
Gross margin, %	49.2	49.8	50.1	47.6	51.1
Operating expenses, EUR million	34.1	34.5	67.1	66.7	131.9
Operating result, EUR million	3.4	4.1	2.4	-3.6	29.6
Operating result, %	4.5	5.3	1.6	-2.7	9.3
Profit (loss) before taxes, EUR million	3.9	2.9	1.2	-0.8	33.0
Profit (loss) for the period, EUR million	3.0	2.2	0.9	-0.6	27.5
Earnings per share, EUR	0.17	0.12	0.05	-0.03	1.52
Return on equity, %			1.1	-0.7	15.7
Capital expenditure, EUR million	2.9	2.3	4.0	3.3	8.3
Depreciation, EUR million	3.5	3.8	7.2	7.7	15.1
Cash flow from operating activities, EUR million	7.7	-1.0	7.2	5.3	38.8
Cash and cash equivalents, EUR million			43.2	33.7	59.2

## Market situation in April-June 2016

In the second quarter 2016, global economic growth continued to decelerate. Business environment remained unfavorable especially in several commodity intensive emerging economies, where low export prices have affected governmental finances and weakened demand from public customers. In developed economies business environment was overall moderate, even though economic growth decelerated especially in Europe and Japan. Regional differences characterized especially weather observation market, demand for industrial measurement solutions was good overall.

In EMEA weather observation market was weak especially in CIS countries and Europe. Vaisala's weather observation solution deliveries were modest. In Middle East and Africa Vaisala's deliveries increased. Demand for industrial measurement solutions remained favorable in EMEA.

In Americas solid weather observation market conditions continued in North America. Governmental funding remained stable and demand for Vaisala's offering was good. In Latin America weather observation market was weak in particular due to difficult economic conditions in Brazil. Demand for industrial measurement solutions in Americas remained stable.

In APAC demand for Vaisala's weather observation and industrial measurement solutions was not affected by decelerated economic growth in China and Japan. In weather observation market Vaisala's deliveries were good and customer activity for orders remained solid. Favorable market conditions for industrial measurement solutions continued in Japan as well as in China, in rest of APAC demand was stable.

## April-June 2016 performance

### Orders received

EUR million	4-6/2016	4-6/2015	Change, %	2015
Weather	50.1	54.9	-9	225.6
Controlled Environment	26.8	23.6	14	94.4
Total	77.0	78.5	-2	320.0

In the second quarter 2016, Vaisala's orders received were EUR 77.0 (78.5) million and decreased by 2% compared to previous year. The decrease came from EMEA.

In the second quarter 2016, Weather Business Area's orders received were EUR 50.1 (54.9) million and decreased by 9% compared to previous year. The decrease came from Transportation and Meteorology Infrastructure business units.

In the second quarter 2016, Controlled Environment Business Area's orders received were EUR 26.8 (23.6) million and increased by 14% compared to previous year. The increase came from all regions.

### Order book

EUR million	June 30, 2016	June 30, 2015	Change, %	December 31, 2015
Weather	114.8	132.3	-13	122.2
Controlled Environment	8.7	8.1	7	7.0
Total	123.5	140.4	-12	129.2

At the end of June 2016, Vaisala's order book was EUR 123.5 (140.4) million and decreased by 12% compared to previous year. The order book decreased in EMEA and APAC. Of the order book EUR 77.3 (81.9) million will be delivered in 2016.

At the end of June 2016, Weather Business Area's order book was EUR 114.8 (132.3) million and decreased by 13% compared to previous year. Order book decreased in Meteorology Infrastructure and Transportation business units. Of the order book EUR 69.6 (74.1) million will be delivered in 2016. The EUR 20 million contract with National Hydro-Meteorological Service of Vietnam is not included in order book for the second quarter as the order will be added in order book when the customer has given the final approval for the technical design.

At the end of June 2016, Controlled Environment Business Area's order book was EUR 8.7 (8.1) million and increased by 7% compared to previous year. Order book increased in EMEA and APAC. Of the order book EUR 7.7 (7.8) million will be delivered in 2016.

#### Net sales by business area

EUR million	4-6/2016	4-6/2015	Change, %	2015
Weather	50.6	53.3	-5	225.5
Products	25.0	24.6	2	116.2
Projects	17.0	19.7	-14	71.0
Services	8.6	9.0	-4	38.3
Controlled Environment	25.0	23.7	6	93.0
Products	22.3	21.0	6	83.5
Services	2.7	2.6	1	9.5
<b>Total</b>	<b>75.6</b>	<b>77.0</b>	<b>-2</b>	<b>318.5</b>

#### Net sales by geographical area

EUR million	4-6/2016	4-6/2015	Change, %	2015
EMEA	23.0	28.0	-18	105.1
Americas	29.9	31.4	-5	132.0
APAC	22.7	17.5	29	81.3
<b>Total</b>	<b>75.6</b>	<b>77.0</b>	<b>-2</b>	<b>318.5</b>

In the second quarter 2016, Vaisala's net sales were EUR 75.6 (77.0) million and decreased by 2% compared to previous year. Vaisala's net sales in EMEA were EUR 23.0 (28.0) million and decreased by 18%, in the Americas EUR 29.9 (31.4) million and decreased by 5% and in APAC EUR 22.7 (17.5) million and increased by 29%. At comparable exchange rates net sales would have been EUR 76.8 (77.0) million and decrease would have been EUR 0.1 million or 0% from previous year. The negative exchange rate effect was EUR 1.3 million, which was mainly caused by USD exchange rate depreciation against EUR.

In the second quarter 2016, Weather Business Area's net sales were EUR 50.6 (53.3) million and decreased by 5% compared to previous year. The decrease came mainly from Meteorology Infrastructure. Especially project business decreased. At comparable exchange rates the net sales would have been EUR 51.4 (53.3) million and decrease would have been EUR 1.9 million or 4% from previous year. The negative exchange rate effect was EUR 0.9 million, which was mainly caused by USD and AUD depreciation against EUR.

In the second quarter 2016, Controlled Environment Business Area's net sales were EUR 25.0 (23.7) million and increased by 6% compared to previous year. The growth came from all regions, mainly from APAC. At comparable exchange rates the net sales would have been EUR 25.4 (23.7) million and increase would have been EUR 1.8 million or 7% from previous year. The negative exchange rate effect was EUR 0.4 million, which was mainly caused by USD and CNY depreciation against EUR, whereas JPY had a positive exchange rate effect.

**Gross margin and operating result**

	4-6/2016	4-6/2015	2015
Gross margin, %	49.2%	49.8%	51.1%
Weather	44.0%	45.4%	47.4%
Controlled Environment	60.0%	59.4%	60.4%
Operating result, EUR million	3.4	4.1	29.6
Weather	-0.9	0.6	15.2
Controlled Environment	4.3	4.0	18.3
Other	0.0	-0.6	-4.0

In the second quarter 2016, Vaisala's operating result was EUR 3.4 (4.1) million and weakened by EUR 0.6 million compared to previous year. Operating result decrease was due to lower net sales and gross margin in Weather Business Area. Gross margin was 49.2% (49.8%) and the decrease was mainly due to low volume of project deliveries and related weakness of gross margin in Weather Business Area. Operating expenses were EUR 34.1 (34.5) million and decreased by 1%. The decrease came from lower sales and administration costs.

In the second quarter 2016, Weather Business Area's operating result was EUR -0.9 (0.6) million and weakened by EUR 1.5 million compared to previous year. Operating result decrease was mainly due to lower net sales and gross margin. Gross margin was 44.0% (45.4%) and the decrease was mainly due to low volume of project deliveries and related weakness of gross margin. Operating expenses were EUR 23.1 (23.7) million and decreased by 3%. The decrease came from lower sales and administration costs. Operating expenses decreased, even though EUR 0.4 million credit losses were booked as SunEdison Inc., a major solar power company and Weather Business Area's customer, filed for Chapter 11 bankruptcy protection in April.

In the second quarter 2016, Controlled Environment Business Area's operating result was EUR 4.3 (4.0) million and improved by EUR 0.3 million compared to previous year. Operating result increase was due to higher net sales and gross margin. Gross margin was 60.0% (59.4%). Operating expenses were EUR 10.7 (10.0) million and increased by 7%. The increase came mainly from continued investments in research and development.

In the second quarter 2016, financial income and expenses were EUR 0.5 (-1.1) million. Financial income and expenses are mainly related to the to the valuation of USD denominated receivables.

In the second quarter 2016, profit/loss before taxes was EUR 3.9 (2.9) million. Income taxes were EUR -0.9 (-0.7) million. Net result was EUR 3.0 (2.2) million.

In the second quarter 2016, earnings per share were EUR 0.17 (0.12).

## First half of 2016 performance

### Orders received

EUR million	1-6/2016	1-6/2015	Change, %	2015
Weather	91.1	100.2	-9	225.6
Controlled Environment	50.7	47.2	7	94.4
<b>Total</b>	<b>141.7</b>	<b>147.4</b>	<b>-4</b>	<b>320.0</b>

In the first half of 2016, Vaisala's orders received were EUR 141.7 (147.4) million and decreased by 4% compared to previous year. The decrease came from EMEA and Americas.

In the first half of 2016, Weather Business Area's orders received were EUR 91.1 (100.2) million and decreased by 9% compared to previous year. The decrease came from Meteorology Infrastructure and Transportation business units.

In the first half of 2016, Controlled Environment Business Area's orders received were EUR 50.7 (47.2) million and increased by 7% compared to previous year. The increase came from all regions.

### Order book

EUR million	June 30, 2016	June 30, 2015	Change, %	December 31, 2015
Weather	114.8	132.3	-13	122.2
Controlled Environment	8.7	8.1	7	7.0
<b>Total</b>	<b>123.5</b>	<b>140.4</b>	<b>-12</b>	<b>129.2</b>

At the end of June 2016, Vaisala's order book was EUR 123.5 (140.4) million and decreased by 12%. The order book decreased in EMEA and APAC. Of the order book EUR 77.3 (81.9) million will be delivered in 2016.

At the end of June 2016, Weather Business Area's order book was EUR 114.8 (132.3) million and decreased by 13% compared to previous year. Order book decreased in Meteorology Infrastructure and Transportation business units. Of the order book EUR 69.6 (74.1) million will be delivered in 2016. The EUR 20 million contract with National Hydro-Meteorological Service of Vietnam is not included in order book for the second quarter as the order will be added in order book when the customer has given the final approval for the technical design.

At the end of June 2016, Controlled Environment Business Area's order book was EUR 8.7 (8.1) million and increased by 7% compared to previous year. Order book increased in EMEA and APAC. Of the order book EUR 7.7 (7.8) million will be delivered in 2016.

**Net sales by business area**

EUR million	1-6/2016	1-6/2015	Change, %	2015
Weather	95.3	90.5	5	225.5
Products	50.8	43.5	17	116.2
Projects	26.9	29.3	-8	71.0
Services	17.5	17.7	-1	38.3
Controlled Environment	49.0	45.1	9	93.0
Products	43.6	40.3	8	83.5
Services	5.4	4.8	12	9.5
<b>Total</b>	<b>144.3</b>	<b>135.6</b>	<b>6</b>	<b>318.5</b>

**Net sales by geographical area**

EUR million	1-6/2016	1-6/2015	Change, %	2015
EMEA	44.6	47.4	-6	105.1
Americas	59.4	52.8	12	132.0
APAC	40.2	35.4	14	81.3
<b>Total</b>	<b>144.3</b>	<b>135.6</b>	<b>6</b>	<b>318.5</b>

In the first half of 2016, Vaisala's net sales were EUR 144.3 (135.6) million and increased by 6% compared to previous year. Vaisala's net sales in EMEA were EUR 44.6 (47.4) million and decreased by 6%, in the Americas EUR 59.4 (52.8) million and increased by 12% and in APAC EUR 40.2 (35.4) million and increased by 14%. Operations outside Finland accounted for 98% (98%) of net sales. At comparable exchange rates net sales would have been EUR 144.0 (135.6) million and increase would have been EUR 8.3 million or 6% from previous year. The positive exchange rate effect was EUR 0.3 million, which was mainly caused by USD and JPY exchange rate appreciation against EUR.

In the first half of 2016, Weather Business Area's net sales were EUR 95.3 (90.5) million and increased by 5% compared to previous year following growth in product business. The increase came from all business units, mainly from Transportation and Meteorology Infrastructure. At comparable exchange rates the net sales would have been EUR 95.2 (90.5) million and increase would have been EUR 4.8 million or 5% from previous year. The positive exchange rate effect was EUR 0.0 million, which was mainly caused by USD appreciation against EUR.

In the first half of 2016, Controlled Environment Business Area's net sales were EUR 49.0 (45.1) million and increased by 9% compared to previous year. The growth came from all regions. At comparable exchange rates the net sales would have been EUR 48.7 (45.1) million and increase would have been EUR 3.6 million or 8% from previous year. The positive exchange rate effect was EUR 0.3 million, which was mainly caused by JPY and USD appreciation against EUR.



**Gross margin and operating result**

	1-6/2016	1-6/2015	2015
Gross margin, %	50.1%	47.6%	51.1%
Weather	44.8%	42.1%	47.4%
Controlled Environment	60.4%	58.7%	60.4%
Operating result, EUR million	2.4	-3.6	29.6
Weather	-2.8	-8.1	15.2
Controlled Environment	9.3	7.4	18.3
Other	-4.1	-2.9	-4.0

In the first half of 2016, Vaisala's operating result was EUR 2.4 (-3.6) million and improved by EUR 6.0 million compared to previous year. Operating result increase was due to higher net sales and gross margin in both Weather and Controlled Environment Business Areas. Gross margin was 50.1% (47.6%) and the increase was mainly due to higher sales volumes and related improvement in scale economies and higher profitability in calibration and repair services. Operating expenses were EUR 67.1 (66.7) million and increased by 1%. The increase came mainly from continued investments in research and development. In addition, operating result was decreased by EUR 2.8 million expenses related to the restructuring of Transportation business unit.

In the first half of 2016, Weather Business Area's operating result was EUR -2.8 (-8.1) million and improved by EUR 5.3 million compared to previous year. Operating result increase was mainly due to higher net sales and gross margin. Gross margin was 44.8% (42.1%) and the increase was mainly due to higher sales volumes and related improvement in scale economies as well as improved profitability in product businesses and calibration and repair service. Operating expenses were EUR 45.5 (46.4) million and decreased by 2%. The decrease came mainly from lower administration expenses. Operating expenses decreased, even though EUR 0.4 million credit losses were booked as SunEdison Inc., a major solar power company and Weather Business Area's customer, filed for Chapter 11 bankruptcy protection in April.

In the first half of 2016, Controlled Environment Business Area's operating result was EUR 9.3 (7.4) million and improved by EUR 1.9 million compared to previous year. Operating result increase was due to higher net sales and gross margin. Gross margin was 60.4% (58.7%) and the increase was mainly due to improved profitability in calibration and repair service as well as higher sales volumes and related improvement in scale economies. Operating expenses were EUR 20.3 (19.1) million and increased by 6%. The increase came mainly from continued investments in research and development.

In the first half of 2016, financial income and expenses were EUR -1.2 (2.8) million. Financial income and expenses are mainly related to the to the valuation of USD denominated receivables.

In the first half of 2016, profit/loss before taxes was EUR 1.2 (-0.8) million. Income taxes were EUR -0.3 (+0.2) million. Net result was EUR 0.9 (-0.6) million.

In the first half of 2016, earnings per share were EUR 0.05 (-0.03).

## Statement of financial position and cash flow

Vaisala's financial position remained strong at the end of June 2016. Cash and cash equivalents amounted to EUR 43.2 (33.7) million. At the end of June 2016 Vaisala did not have any material interest bearing liabilities.

The statement of financial position total was EUR 239.3 (235.9) million. Compared to the end of June 2015 balance sheet total increased mainly due to higher equity and cash and cash equivalents related to good profitability during past twelve months. Fixed assets on the other hand have decreased as the depreciation continues to be higher than new capital expenditures.

In the first half of 2016, Vaisala's cash flow from operating activities increased to EUR 7.2 (5.3) million because of the profitability improvement year-on-year. The working capital is close to the previous year level.

## Capital expenditure

In the first half of 2016, gross capital expenditure totaled EUR 4.0 (3.3) million. Capital expenditure was mainly related to investments in machinery and equipment to develop and maintain Vaisala's production and service operations. Depreciation and amortization was EUR 7.2 (7.7) million.

## Research and development

In the first half of 2016, research and development expenses totaled EUR 19.4 (17.8) million, representing 13.5% (13.1%) of net sales.

### R&D by business area

EUR million	4-6/ 2016	4-6/ 2015	Change, %	1-6/ 2016	1-6/ 2015	Change, %	2015
Weather	7.0	6.8	2	13.7	13.1	4	26.7
Controlled Environment	2.9	2.5	17	5.7	4.7	22	9.4
<b>Total</b>	<b>9.9</b>	<b>9.3</b>	<b>6</b>	<b>19.4</b>	<b>17.8</b>	<b>9</b>	<b>36.1</b>

In the first half of 2016, Weather Business Area R&D expenses were 14.4% (14.5%) of net sales. Controlled Environment Business Area R&D expenses were 11.6% (10.3%) of net sales, which is in line with continued investments in new product development.

## Personnel

The average number of personnel employed in Vaisala during the first half of 2016 was 1,597 (1,617). The number of employees at the end of June 2016 was 1,634 (1,650) and it includes 64 (67) summer trainees. At the end of 2015, the number of employees was 1,588.

At the end of June 2016, 39% (43%) of employees were based outside Finland.

## **Vaisala to exit certain Transportation products and field services**

Vaisala made the decision on February 10, 2016 to reshape its Transportation business unit within Weather Business Area to simplify structure and improve profitability. 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.

Transportation business unit will exit the field service business in all countries except the United Kingdom as Vaisala's field service offering is no longer competitive in those countries due to increasing price pressure.

Transportation business unit will also exit the United States Automated Weather Observing System (U.S. AWOS) business. The U.S. AWOS is based on unique technology designed solely for the U.S. Federal Aviation Administration (FAA) regulated small airport markets and it differs from Vaisala's common technology platform.

Vaisala signed the agreement to sell related businesses in the U.S. in June, 2016. The business transfer is expected to take place in two phases in the beginning of August and beginning of October. During the second quarter 2016 Vaisala has classified related assets and liabilities as held for sale.

When completed the changes lead to a reduction of approximately 60 employees. 23 persons have already left Vaisala and majority of the remaining employees in the U.S. are expected to be employed by the buyer. 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 0.5 million and restructuring expenses of EUR 2.8 million are reported in this Half Year Financial Report 2016.

## **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. Especially market situation in China, Brazil and continuing conflicts in Middle East and Africa may cause interruptions in business. Also increasing competition, changes in price levels and exchange rates may impact Vaisala's net sales and profitability.

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.

The ongoing business expansion in renewable energy 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 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.

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 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. The 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. The 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 June 30, 2016. On June 30, 2016, Vaisala had 18,218,364 shares, of which 3,389,351 are series K shares and 14,829,013 are series A shares. The K shares and A shares are differentiated by the fact that each K share entitles its owner to 20 votes at a General Meeting of Shareholders while each A share entitles its owner to 1 vote. The A shares represent 81.4% of the total number of shares and 17.9% of the total votes. The K shares represent 18.6% of the total number of shares and 82.1% of the total votes.

### **Trading in shares on the Nasdaq Helsinki Ltd**

In the first half of 2016, a total of 1,172,127 (1,564,467) Vaisala shares with a value totaling EUR 30.1 (37.9) million were traded on the Nasdaq Helsinki Ltd. The closing price of the Vaisala Corporation share on the Nasdaq Helsinki Ltd stock exchange in June 2016 was EUR 28.35 (23.50). Shares registered a high of EUR 29.83 (27.02) and a low of EUR 21.81 (21.55).

The market value of Vaisala's A shares on June 30, 2016 was EUR 412.7 (346.8) 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 June, the total market value of all the A and K shares together was EUR 508.8 (426.5) million, excluding the Company's treasury shares.

At the end of June, 2016 Vaisala Corporation had 7,454 (7,242) registered shareholders. Ownership outside of Finland and nominee registrations represented 14.32% (15.72%) of the company's shares. Households owned 40.85% (45.31%), private companies 14.23% (13.43%), financial and insurance institutions 12.80% (11.29%), non-profit organizations 11.80% (8.07%) and public sector organizations owned 5.97% (6.16%).

### **Repurchases of company's treasury shares**

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. The repurchases commenced on May 2, 2016.

**Transfer of company's treasury shares**

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 June 2016, the Company held a total of 270,333 Vaisala A shares, which represented 1.8% of all A-shares in the Company and 1.5% 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 2016**

Even though global economic outlook has recently slightly weakened, market outlook for Vaisala is generally stable. However, the result of United Kingdom European Union membership referendum and related financial market volatility have increased economic uncertainty and this is expected to delay customers' decision making especially in Europe.

Weather observation market outlook is solid overall, but regional differences are expected to remain. Business opportunities in oil and gas related markets are expected to remain weak throughout the year due to low crude oil prices. Renewable energy market outlook is solid, although delays in customers' decision making as well as in Vaisala's market penetration are expected in some regions. Market outlook for industrial measurement solutions is solid.

In EMEA weather observation market is expected to stay modest due to ongoing uncertainty in economic conditions. Economic challenges due to strong dependency on crude oil continue to slow down customers' decision making in CIS countries. Demand for industrial measurement solutions is expected to remain solid.

In North America demand for weather observation solutions is expected to decrease slightly from 2015. Vaisala's deliveries are estimated to be on similar level as in 2015, supported by strong inflow of new orders from renewable energy and transportation markets in late 2015. Weather observation market is expected to remain weak in Latin America. Demand for industrial measurement solutions is expected to remain stable in Americas.

In APAC demand for weather observation solutions is expected to increase from 2015. In China demand is expected to be stable, whereas in rest of APAC demand is expected to grow from 2015 especially in transportation and renewable energy businesses. Demand for industrial measurement solutions is expected to remain solid.

**Business outlook for 2016**

Vaisala continues to estimate its full year 2016 net sales to be in the range of EUR 305–335 million and its operating result (EBIT) to be in the range of EUR 25–35 million.

Vantaa, July 21, 2016

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 Interim Report and Half Year Financial Report have been prepared in accordance with IAS 34, Interim Financial Reporting, following the same accounting policies and principles as in the annual financial statements for 2015. All reported figures are Group figures. All presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented.

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

<b>Consolidated Statement of Income</b>					
<b>EUR million</b>	<b>4-6/ 2016</b>	<b>4-6/ 2015</b>	<b>1-6/ 2016</b>	<b>1-6/ 2015</b>	<b>1-12/ 2015</b>
Net sales	75.6	77.0	144.3	135.6	318.5
Costs of sales	-38.3	-38.6	-72.0	-71.0	-155.6
<b>Gross profit</b>	<b>37.2</b>	<b>38.3</b>	<b>72.2</b>	<b>64.6</b>	<b>162.8</b>
Sales, marketing and administrative costs	-24.2	-25.2	-47.7	-48.9	-95.8
Research and development costs	-9.9	-9.3	-19.4	-17.8	-36.1
Other operating income and expense	0.3	0.2	-2.7	-1.6	-1.3
<b>Operating profit (loss)</b>	<b>3.4</b>	<b>4.1</b>	<b>2.4</b>	<b>-3.6</b>	<b>29.6</b>
Share of result in associated companies	-	-	-	-	-0.1
Financial income and expenses, net	0.5	-1.1	-1.2	2.8	3.5
<b>Profit (loss) before taxes</b>	<b>3.9</b>	<b>2.9</b>	<b>1.2</b>	<b>-0.8</b>	<b>33.0</b>
Income taxes	-0.9	-0.7	-0.3	0.2	-5.5
<b>Profit (loss) for the period</b>	<b>3.0</b>	<b>2.2</b>	<b>0.9</b>	<b>-0.6</b>	<b>27.5</b>
Earnings per share, EUR	0.17	0.12	0.05	-0.03	1.52
Diluted earnings per share, EUR	0.17	0.12	0.05	-0.03	1.51
<b>Consolidated Statement of Comprehensive Income</b>					
<b>EUR million</b>	<b>4-6/ 2016</b>	<b>4-6/ 2015</b>	<b>1-6/ 2016</b>	<b>1-6/ 2015</b>	<b>1-12/ 2015</b>
<b>Items that will not be reclassified to profit or loss</b>					
Actuarial profit (loss) on post-employment benefits	0.0	0.0	0.0	0.0	0.4
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Currency translation differences	0.6	-0.8	-0.8	3.1	3.1
<b>Total</b>	<b>0.6</b>	<b>-0.8</b>	<b>-0.8</b>	<b>3.1</b>	<b>3.1</b>
<b>Total other comprehensive income</b>	<b>0.6</b>	<b>-0.8</b>	<b>-0.8</b>	<b>3.1</b>	<b>3.5</b>
<b>Total comprehensive income</b>	<b>3.6</b>	<b>1.4</b>	<b>0.2</b>	<b>2.5</b>	<b>31.0</b>



**Consolidated Statement of Financial Position**

EUR million

<b>Assets</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>December 31, 2015</b>
<b>Non-current assets</b>			
Intangible assets	30.6	36.1	34.0
Property, plant and equipment	42.2	44.0	44.1
Investments	0.1	0.1	0.1
Investment in associated companies	0.8	0.8	0.8
Long-term receivables	0.8	0.3	0.8
Deferred tax assets	12.3	11.8	10.2
<b>Total non-current assets</b>	<b>86.9</b>	<b>93.2</b>	<b>90.0</b>
<b>Current assets</b>			
Inventories	39.1	41.2	39.0
Trade and other receivables	65.9	66.7	74.6
Income tax receivables	2.5	1.2	1.2
Cash and cash equivalents	43.2	33.7	59.2
<b>Total current assets</b>	<b>150.8</b>	<b>142.7</b>	<b>174.0</b>
<b>Assets classified as held for sale</b>	<b>1.7</b>	<b>0.0</b>	<b>0.0</b>
<b>Total assets</b>	<b>239.3</b>	<b>235.9</b>	<b>264.0</b>
<b>Shareholders' equity and liabilities</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>December 31, 2015</b>
<b>Shareholders' equity</b>			
Share capital	7.7	7.7	7.7
Other reserves	1.5	0.8	1.1
Cumulative translation adjustment	2.1	2.8	2.9
Treasury shares	-6.5	-1.4	-4.3
Retained earnings	157.7	145.5	173.9
<b>Total shareholders' equity</b>	<b>162.5</b>	<b>155.3</b>	<b>181.3</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	0.0	0.0	0.0
Post-employment benefit obligations	2.4	2.4	2.1
Deferred tax liabilities	4.4	5.0	4.5
Provisions for other liabilities and charges	0.2	0.2	0.2
Other long-term liabilities	0.6	1.3	0.8
<b>Total non-current liabilities</b>	<b>7.6</b>	<b>9.0</b>	<b>7.6</b>

**Current liabilities**

Interest-bearing liabilities	0.0	0.0	0.0
Advances received	3.6	5.5	3.9
Income tax liabilities	0.1	0.8	1.7
Provisions for other liabilities and charges	3.3	0.1	0.4
Trade and other payables	61.4	65.1	69.2
<b>Total current liabilities</b>	<b>68.4</b>	<b>71.6</b>	<b>75.1</b>

**Liabilities directly associated with assets classified as held for sale**

	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>
<b>Total shareholders' equity and liabilities</b>	<b>239.3</b>	<b>235.9</b>	<b>264.0</b>

**Consolidated Statement of Changes in Shareholders' Equity**

<b>EUR million</b>	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					-0.6	-0.6
Other comprehensive income		0.0		3.0		3.1
Dividend paid					-16.4	-16.4
Purchase of treasury shares			-1.0			-1.0
Sale of treasury shares			2.1		-2.1	0.0
Share-based payment		-1.7			1.9	0.2
<b>Balance at Jun 30, 2015</b>	<b>7.7</b>	<b>0.8</b>	<b>-1.4</b>	<b>2.8</b>	<b>145.5</b>	<b>155.3</b>

<b>EUR million</b>	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					0.9	0.9
Other comprehensive income		-0.0		-0.8		-0.8
Dividend paid					-17.1	-17.1
Purchase of treasury shares			-2.2			-2.2
Share-based payment		0.3	0.0			0.4
<b>Balance at Jun 30, 2016</b>	<b>7.7</b>	<b>1.5</b>	<b>-6.5</b>	<b>2.1</b>	<b>157.7</b>	<b>162.5</b>

<b>Consolidated Cash Flow Statement</b>			
<b>EUR million</b>	<b>1-6/ 2016</b>	<b>1-6/ 2015</b>	<b>1-12/ 2015</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers	159.8	159.2	325.4
Other income from business operations	0.0	-1.4	-1.4
Cash paid to suppliers and employees	-146.2	-148.0	-277.1
Financials paid, net	-1.1	-1.2	-1.0
Income taxes paid, net	-5.3	-3.4	-7.2
<b>Cash flow from operating activities</b>	<b>7.2</b>	<b>5.3</b>	<b>38.8</b>
<b>Cash flows from investing activities</b>			
Capital expenditure on fixed assets	-4.0	-3.3	-8.3
Divestments	0.0	0.0	0.2
<b>Cash flow from investing activities</b>	<b>-3.9</b>	<b>-3.3</b>	<b>-8.1</b>
<b>Cash flows from financing activities</b>			
Dividends paid	-17.1	-16.4	-16.4
Purchase of treasury shares	-1.9	-1.0	-3.9
Change in loan receivables	0.0	0.0	0.0
Change in leasing liabilities	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-19.1</b>	<b>-17.3</b>	<b>-20.2</b>
Cash and cash equivalents at the beginning of period	59.2	47.6	47.6
Net increase (+) / decrease (-) in cash and cash equivalents	-15.9	-15.3	10.5
Effect from changes in exchange rates	-0.1	1.4	1.0
<b>Cash and cash equivalents at the end of period</b>	<b>43.2</b>	<b>33.7</b>	<b>59.2</b>

### Notes for Report

#### Orders Received by Business Area

EUR million	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Weather	50.1	54.9	91.1	100.2	225.6
Controlled Environment	26.8	23.6	50.7	47.2	94.4
<b>Total</b>	<b>77.0</b>	<b>78.5</b>	<b>141.7</b>	<b>147.4</b>	<b>320.0</b>

#### Net Sales by Business Area

EUR million	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Weather					
Products	25.0	24.6	50.8	43.5	116.2
Projects	17.0	19.7	26.9	29.3	71.0
Services	8.6	9.0	17.5	17.7	38.3
<b>Total</b>	<b>50.6</b>	<b>53.3</b>	<b>95.3</b>	<b>90.5</b>	<b>225.5</b>
Controlled Environment					
Products	22.3	21.0	43.6	40.3	83.5
Services	2.7	2.6	5.4	4.8	9.5
<b>Total</b>	<b>25.0</b>	<b>23.7</b>	<b>49.0</b>	<b>45.1</b>	<b>93.0</b>
Sales, other	0.0	0.0	0.0	0.0	0.0
<b>Total Sales</b>	<b>75.6</b>	<b>77.0</b>	<b>144.3</b>	<b>135.6</b>	<b>318.5</b>

#### Operating Result by Business Area

EUR million	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
Weather	-0.9	0.6	-2.8	-8.1	15.2
Controlled Environment	4.3	4.0	9.3	7.4	18.3
Other	0.0	-0.6	-4.1	-2.9	-4.0
<b>Total</b>	<b>3.4</b>	<b>4.1</b>	<b>2.4</b>	<b>-3.6</b>	<b>29.6</b>

#### Net Sales by Geographical Area

EUR million	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	1-12/ 2015
EMEA	23.0	28.0	44.6	47.4	105.1
Americas	29.9	31.4	59.4	52.8	132.0
APAC	22.7	17.5	40.2	35.4	81.3
<b>Total</b>	<b>75.6</b>	<b>77.0</b>	<b>144.3</b>	<b>135.6</b>	<b>318.5</b>

<b>Personnel</b>					
	<b>4-6/ 2016</b>	<b>4-6/ 2015</b>	<b>1-6/ 2016</b>	<b>1-6/ 2015</b>	<b>1-12/ 2015</b>
Average personnel	1,613	1,626	1,597	1,617	1,611
Personnel at the end of period	1,634	1,650	1,634	1,650	1,588

<b>Financial Instruments</b>					
	<b>4-6/ 2016</b>	<b>4-6/ 2015</b>	<b>1-6/ 2016</b>	<b>1-6/ 2015</b>	<b>1-12/ 2015</b>
Nominal value of financial derivatives, EUR million	25.4	22.6	25.4	22.6	36.5
Fair values of financial derivatives, assets, EUR million	0.1	0.3	0.1	0.3	0.1
Fair values of financial derivatives, liabilities, EUR million	0.5	0.8	0.5	0.8	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>4-6/ 2016</b>	<b>4-6/ 2015</b>	<b>1-6/ 2016</b>	<b>1-6/ 2015</b>	<b>1-12/ 2015</b>
Number of shares outstanding, thousand	17,948	18,147	17,948	18,147	18,027
Number of treasury shares, thousand	270	72	270	72	192
Number of shares, diluted, thousand	18,257	18,287	18,016	18,287	18,259
Number of shares, weighted average, thousand	18,005	18,172	18,016	18,129	18,103
Number of shares traded, thousand	626	889	1,172	1,564	2,508
Share price, highest, EUR	29.83	25.85	29.83	27.02	27.02
Share price, lowest, EUR	23.00	22.85	21.81	21.55	21.55

<b>Key Ratios</b>					
	<b>4-6/ 2016</b>	<b>4-6/ 2015</b>	<b>1-6/ 2016</b>	<b>1-6/ 2015</b>	<b>1-12/ 2015</b>
Earnings per share, EUR	0.17	0.12	0.05	-0.03	1.52
Earnings per share, diluted, EUR	0.17	0.12	0.05	-0.03	1.51
Equity per share, EUR	9.05	8.56	9.05	8.56	10.06
Return on equity, %			1.1	-0.7	15.7
Cash flow from operating activities per share, EUR	0.43	-0.06	0.40	0.29	2.15
Solvency ratio, %			68.9	67.4	69.7

#### **Further information**

Kaarina Muurinen, CFO  
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 Vaisala Corporation

**Telephone conference and Audiocast**

An English-language conference call for investors and analysts will be held today, July 21, 2016 at 4:00 p.m. (Finnish time).

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

**Interim Report January-September 2016**

Vaisala will publish its Interim Report January-September 2016 on Wednesday, October 26, 2016 at approximately 2:00 p.m. Finnish time.

**Distribution**

Nasdaq Helsinki

Key media

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

Vaisala is a global leader in environmental and industrial measurement. Building on 80 years of experience, Vaisala contributes to a better quality of life by providing a comprehensive range of innovative observation and measurement products and services for chosen weather-related and industrial markets. Headquartered in Finland, Vaisala employs approximately 1,600 professionals worldwide and is listed on the Nasdaq Helsinki stock exchange. [www.vaisala.com](http://www.vaisala.com) [www.twitter.com/VaisalaGroup](https://www.twitter.com/VaisalaGroup)