

Vaisala Corporation
Interim Report January-September 2016
October 26, 2016



Vaisala Corporation

Interim Report

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In the third quarter 2016, net sales were at last year's level, EUR 81.8 million and operating result was EUR 5.3 (14.1) million.

July-September 2016 highlights

- Orders received EUR 76.6 (84.3) million, decrease 9%
- Order book EUR 114.8 (139.7) million, decrease 18%
- Net sales EUR 81.8 (81.7) million, increase 0%
- Gross margin 53.9% (53.3%)
- Operating result EUR 5.3 (14.1) million
- EUR 10.5 million write-down of intangible assets to Weather Business Area's operating result
- Earnings per share EUR 0.21 (0.58)
- Cash flow from operating activities EUR 10.0 (4.6) million, increase 118%
- Business outlook for 2016: Vaisala estimates its full year 2016 net sales to be in the range of EUR 310–330 million and its operating result (EBIT) to be in the range of EUR 18-28 million.

January-September 2016 highlights

- Orders received EUR 218.3 (231.7) million, decrease 6%
- Net sales EUR 226.0 (217.4) million, increase 4%
- Gross margin 51.4% (49.8%)
- Operating result EUR 7.7 (10.5) million
- EUR 10.5 million write-down of intangible assets to Weather Business Area's operating result
- Earnings per share EUR 0.26 (0.54)
- Cash flow from operating activities EUR 17.1 (9.8) million, increase 74%
- Cash and cash equivalents EUR 49.9 (34.1) million, increase 46%

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

"Vaisala's third quarter 2016 net sales were at last year's level and totaled EUR 81.8 million. Weather Business Area's net sales decreased by 8% to EUR 53.4 million due to low volume of project deliveries and especially weather radar projects. Controlled Environment Business Area continued its strong performance in all regions with fastest sales growth in Japan. Controlled Environment Business Area's net sales increased by 21% year-on-year to EUR 28.4 million.

Vaisala's third quarter orders received decreased by 9% year-on-year to EUR 76.6 million. Weather Business Area's orders received decreased by 21% to EUR 48.5 million. Order intake was slow in Meteorology Infrastructure and Transportation and the received contracts were of smaller value when compared with previous year. Controlled Environment Business Area's orders received increased significantly by 21% to EUR 28.1 million.

As a result of weaker than expected performance in Energy market, Vaisala recorded a EUR 10.5 million write-down of intangible assets to Weather Business Area's operating results in the third quarter 2016. Renewable energy market is solid and growing steadily. Vaisala will focus its Energy business unit to areas of more sustainable long-term competitive differentiation and develop its offering based on industry leading

renewable energy measurement systems, resource assessment and asset management solutions utilizing extensive wind and solar resource databases and advanced modelling capabilities.

During the third quarter, Vaisala expanded its offering in the growing air quality monitoring market and acquired new technology from Envitem Oy. Vaisala has been supplying weather instruments for traditional air quality monitoring as well as research for decades. Combined with the new innovative air quality instruments, Vaisala is in a good position to enable a true representation of the spatial air quality situation even in complex terrains and urban areas.

In June, 2016 Vaisala signed an agreement to sell certain Transportation products and field services in the U.S. The transition has progressed well and the first phase of the business transfer was completed according to the plan in the beginning of August and majority of the second phase was executed during September. Vaisala recognized EUR 1.1 million profit from the divestiture in the third quarter.

In the third quarter 2016, Vaisala's operating result was EUR 5.3 million but excluding the write-down of intangible assets the operating result was EUR 15.8 million or 19 % of net sales increasing EUR 1.7 million from previous year. Weather Business Area's operating result decreased from EUR 8.2 million to EUR -3.3 million mainly due to lower net sales and the above mentioned write-down. Excluding the write-down, the operating result was EUR 7.3 million. Controlled Environment Business Area continues to deliver a good 60% gross margin and 26% operating profit.

On October 7, 2016, Vaisala as a consequence of the write-down lowered its operating result and narrowed its net sales outlook for 2016. Vaisala now estimates that full year 2016 operating result (EBIT) will be in the range of EUR 18-28 million and net sales in the range of EUR 310–330 million."

Key Figures					
	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Orders received, EUR million	76.6	84.3	218.3	231.7	320.0
Order book, EUR million	114.8	139.7	114.8	139.7	129.2
Net sales, EUR million	81.8	81.7	226.0	217.4	318.5
Gross profit, EUR million	44.1	43.6	116.3	108.1	162.8
Gross margin, %	53.9	53.3	51.4	49.8	51.1
Operating expenses, EUR million	40.1	29.6	107.3	96.2	131.9
Operating result, EUR million	5.3	14.1	7.7	10.5	29.6
Operating result, %	6.5	17.2	3.4	4.8	9.3
Profit (loss) before taxes, EUR million	4.6	13.6	5.8	12.8	33.0
Profit (loss) for the period, EUR million	3.8	10.4	4.7	9.8	27.5
Earnings per share, EUR	0.21	0.58	0.26	0.54	1.52
Return on equity, %			3.6	7.9	15.7
Capital expenditure, EUR million	2.3	2.1	6.2	5.4	8.3
Depreciation, EUR million	14.1	3.6	21.3	11.3	15.1
Cash flow from operating activities, EUR million	10.0	4.6	17.1	9.8	38.8
Cash and cash equivalents, EUR million			49.9	34.1	59.2

Market situation in July–September 2016

In the third quarter 2016 demand for Vaisala's offering continued to vary across geographic regions and customer segments. Overall, weather observation market conditions remained at the level of the first half of 2016. However, regional differences continued to characterize weather observation market, and in comparison to the last year majority of Vaisala's orders received consisted of smaller contracts. Industrial measurement solutions market was favorable overall.

In EMEA weather observation market conditions remained weak, also affected by low demand from crude oil exporting countries. In North America weather observation market and governmental funding were stable. In Latin America weather observation market conditions remained weak. In APAC weather observation market customer activity for orders remained stable, and Vaisala's deliveries were supported by a few larger orders.

Vaisala's industrial measurement solution deliveries increased in all regions. This was a result of favorable market conditions, and Vaisala also succeeded to grow its market share. Growth in life science market has been the strongest.

July–September 2016 performance

Orders received

EUR million	7-9/2016	7-9/2015	Change, %	2015
Weather	48.5	61.0	-21	225.6
Controlled Environment	28.1	23.2	21	94.4
Total	76.6	84.3	-9	320.0

In the third quarter 2016, Vaisala's orders received were EUR 76.6 (84.3) million and decreased by 9% compared to previous year. The decrease came from Americas.

In the third quarter 2016, Weather Business Area's orders received were EUR 48.5 (61.0) million and decreased by 21% compared to previous year. The decrease came from Meteorology Infrastructure and Transportation business units. In comparison to the last year majority of orders received consisted of smaller contracts.

In the third quarter 2016, Controlled Environment Business Area's orders received were EUR 28.1 (23.2) million and increased by 21% compared to previous year. The increase came from all regions.

Order book

EUR million	September 30, 2016	September 30, 2015	Change, %	December 31, 2015
Weather	106.4	132.2	-19	122.2
Controlled Environment	8.3	7.5	11	7.0
Total	114.8	139.7	-18	129.2

At the end of September 2016, Vaisala's order book was EUR 114.8 (139.7) million and decreased by 18% compared to previous year. The order book decreased in all regions. Of the order book EUR 53.7 (60.2) million will be delivered in 2016.

At the end of September 2016, Weather Business Area's order book was EUR 106.4 (132.2) million and decreased by 19% compared to previous year. Order book decreased in Meteorology Infrastructure and Transportation business units. Of the order book EUR 47.2 (53.7) 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 third 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 September 2016, Controlled Environment Business Area's order book was EUR 8.3 (7.5) million and increased by 11% compared to previous year. Order book increased in EMEA and APAC. Of the order book EUR 6.6 (6.5) million will be delivered in 2016.

Net sales by business area

EUR million	7-9/2016	7-9/2015	Change, %	2015
Weather	53.4	58.4	-8	225.5
Products	30.4	31.4	-3	116.2
Projects	14.4	18.6	-23	71.0
Services	8.7	8.4	4	38.3
Controlled Environment	28.4	23.4	21	93.0
Products	25.7	20.9	23	83.5
Services	2.7	2.4	10	9.5
Total	81.8	81.7	0	318.5

Net sales by geographical area

EUR million	7-9/2016	7-9/2015	Change, %	2015
EMEA	23.1	23.9	-3	105.1
Americas	35.4	36.9	-4	132.0
APAC	23.3	20.9	11	81.3
Total	81.8	81.7	0	318.5

In the third quarter 2016, Vaisala's net sales were EUR 81.8 (81.7) million and were at last year's level. Vaisala's net sales in EMEA were EUR 23.1 (23.9) million and decreased by 3%, in the Americas EUR 35.4 (36.9) million and decreased by 4% and in APAC EUR 23.3 (20.9) million and increased by 11%. At comparable exchange rates net sales would have been EUR 81.5 (81.7) million and decrease would have been EUR 0.2 million or 0% from previous year. The positive exchange rate effect was EUR 0.3 million, which was mainly caused by JPY exchange rate appreciation against EUR.

In the third quarter 2016, Weather Business Area's net sales were EUR 53.4 (58.4) million and decreased by 8% compared to previous year. The decrease came from all business units. Especially project business decreased due to low volume of weather radar projects. At comparable exchange rates the net sales would have been EUR 53.5 (58.4) million and decrease would have been EUR 4.9 million or 8% from previous year. The negative exchange rate effect was EUR 0.1 million, which was mainly caused by GBP depreciation against EUR.

In the third quarter 2016, Controlled Environment Business Area's net sales were EUR 28.4 (23.4) million and increased by 21% compared to previous year. The growth exceeded 20% in all regions. At comparable exchange rates the net sales would have been EUR 28.0 (23.4) million and increase would have been EUR

4.7 million or 20% from previous year. The positive exchange rate effect was EUR 0.3 million, which was mainly caused by JPY appreciation against EUR.

Gross margin and operating result

	7-9/2016	7-9/2015	2015
Gross margin, %	53.9	53.3	51.1
Weather	50.7	49.6	47.4
Controlled Environment	60.3	61.7	60.4
Operating result, EUR million	5.3	14.1	29.6
Weather	-3.3	8.2	15.2
Controlled Environment	7.4	6.1	18.3
Other	1.2	-0.2	-4.0

In the third quarter 2016, Vaisala's operating result was EUR 5.3 (14.1) million and weakened by EUR 8.8 million compared to previous year. Operating result decrease was mainly due to EUR 10.5 million write-down of intangible assets and lower net sales in Weather Business Area. The intangible assets are from the acquisitions of Second Wind Systems Inc. and 3TIER Inc. in 2013 and are related to technology and customer relationships. The write-down was due to Vaisala's slower than anticipated market penetration in the renewable energy market and related weakening of expected return on Vaisala's Energy business investment. After the write-down the carrying amount of intangible assets and goodwill for Energy business unit is EUR 0.00. Gross margin was 53.9% (53.3%). Operating expenses were EUR 40.1 (29.6) million and increased by 36%. The increase came mainly from the EUR 10.5 million write-down of intangible assets. In addition, operating result includes EUR 1.1 million profit related to the divestiture of certain businesses in Transportation business unit. Operating result excluding write-down of intangible assets was EUR 15.8 (14.1) million and 19.4% (17.2%) of net sales.

In the third quarter 2016, Weather Business Area's operating result was EUR -3.3 (8.2) million. Operating result decrease was mainly due to lower net sales and EUR 10.5 million write-down of intangible assets. The intangible assets are from the acquisitions of Second Wind Systems Inc. and 3TIER Inc. in 2013 and are related to technology and customer relationships. The write-down was due to Vaisala's slower than anticipated market penetration in the renewable energy market and related weakening of expected return on Vaisala's Energy business investment. Gross margin was 50.7% (49.6%). Gross margin increase was mainly due to higher share of product and service sales and cost savings as a result of the restructuring of Transportation business unit. Operating expenses were EUR 30.3 (20.8) million and increased by 46%. The increase came mainly from the EUR 10.5 million write-down of intangible assets. Operating result excluding write-down of intangible assets was EUR 7.3 (8.2) million and 13.6% (14.1%) of net sales.

In the third quarter 2016, Controlled Environment Business Area's operating result was EUR 7.4 (6.1) million and improved by EUR 1.3 million compared to previous year. Operating result increase was due to higher net sales. Gross margin was 60.3% (61.7%). Gross margin decrease was mainly due to unfavorable inventory valuations related to Vaisala's commitments as a result of products with long life-cycles. Operating expenses were EUR 9.7 (8.3) million and increased by 16%. The increase came mainly from continued investments in research and development and higher sales expenses.

In the third quarter 2016, financial income and expenses were EUR -0.7 (-0.5) million. Financial income and expenses are mainly related to the valuation of USD denominated receivables.

In the third quarter 2016, profit/loss before taxes was EUR 4.6 (13.6) million. Income taxes were EUR -0.8 (-3.1) million. Net result was EUR 3.8 (10.4) million.

In the third quarter 2016, earnings per share were EUR 0.21 (0.58).

January-September 2016 performance

Orders received

EUR million	1-9/2016	1-9/2015	Change, %	2015
Weather	139.5	161.2	-13	225.6
Controlled Environment	78.8	70.4	12	94.4
Total	218.3	231.7	-6	320.0

In January-September 2016, Vaisala's orders received were EUR 218.3 (231.7) million and decreased by 6% compared to previous year. The decrease came from Americas and EMEA.

In January-September 2016, Weather Business Area's orders received were EUR 139.5 (161.2) million and decreased by 13% compared to previous year. The decrease came from Meteorology Infrastructure and Transportation business units. In comparison to the last year majority of orders received consisted of smaller contracts.

In January-September 2016, Controlled Environment Business Area's orders received were EUR 78.8 (70.4) million and increased by 12% compared to previous year. The increase came from all regions, especially from APAC.

Order book

EUR million	September 30, 2016	September 30, 2015	Change, %	December 31, 2015
Weather	106.4	132.2	-19	122.2
Controlled Environment	8.3	7.5	11	7.0
Total	114.8	139.7	-18	129.2

At the end of September 2016, Vaisala's order book was EUR 114.8 (139.7) million and decreased by 18% compared to previous year. The order book decreased in all regions. Of the order book EUR 53.7 (60.2) million will be delivered in 2016.

At the end of September 2016, Weather Business Area's order book was EUR 106.4 (132.2) million and decreased by 19% compared to previous year. Order book decreased in Meteorology Infrastructure and Transportation business units. Of the order book EUR 47.2 (53.7) 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 third 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 September 2016, Controlled Environment Business Area's order book was EUR 8.3 (7.5) million and increased by 11% compared to previous year. Order book increased in EMEA and APAC. Of the order book EUR 6.6 (6.5) million will be delivered in 2016.

Net sales by business area

EUR million	1-9/2016	1-9/2015	Change, %	2015
Weather	148.7	148.8	-0	225.5
Products	81.2	74.9	8	116.2
Projects	41.3	47.9	-14	71.0
Services	26.2	26.1	1	38.3
Controlled Environment	77.3	68.5	13	93.0
Products	69.3	61.3	13	83.5
Services	8.1	7.2	11	9.5
Total	226.0	217.4	4	318.5

Net sales by geographical area

EUR million	1-9/2016	1-9/2015	Change, %	2015
EMEA	67.7	71.3	-5	105.1
Americas	94.8	89.7	6	132.0
APAC	63.5	56.3	13	81.3
Total	226.0	217.4	4	318.5

In January-September 2016, Vaisala's net sales were EUR 226.0 (217.4) million and increased by 4% compared to previous year. Vaisala's net sales in EMEA were EUR 67.7 (71.3) million and decreased by 5%, in the Americas EUR 94.8 (89.7) million and increased by 6% and in APAC EUR 63.5 (56.3) million and increased by 13%. Operations outside Finland accounted for 98% (98%) of net sales. At comparable exchange rates net sales would have been EUR 225.5 (217.4) million and increase would have been EUR 8.1 million or 4% from previous year. The positive exchange rate effect was EUR 0.6 million, which was mainly caused by JPY exchange rate appreciation against EUR.

In January-September 2016, Weather Business Area's net sales were EUR 148.7 (148.8) million and were at last year's level. Net sales increased in Transportation business unit. At comparable exchange rates the net sales would have been EUR 148.7 (148.8) million and decrease would have been EUR 0.1 million or 0% from previous year. The negative exchange rate effect was EUR 0.0 million, which was mainly caused by GBP depreciation against EUR.

In January-September 2016, Controlled Environment Business Area's net sales were EUR 77.3 (68.5) million and increased by 13% compared to previous year. The growth came from all regions, especially from APAC. At comparable exchange rates the net sales would have been EUR 76.8 (68.5) million and increase would have been EUR 8.2 million or 12% from previous year. The positive exchange rate effect was EUR 0.6 million, which was mainly caused by JPY appreciation against EUR.

Gross margin and operating result

	1-9/2016	1-9/2015	2015
Gross margin, %	51.4	49.8	51.1
Weather	46.9	45.1	47.4
Controlled Environment	60.4	59.7	60.4
Operating result, EUR million	7.7	10.5	29.6
Weather	-6.1	0.1	15.2
Controlled Environment	16.7	13.5	18.3
Other	-2.9	-3.1	-4.0

In January-September 2016, Vaisala's operating result was EUR 7.7 (10.5) million and weakened by EUR 2.8 million compared to previous year. Operating result decrease was mainly due to EUR 10.5 million write-down of intangible assets recorded to Weather Business Area's operating result in the third quarter 2016. The intangible assets are from the acquisitions of Second Wind Systems Inc. and 3TIER Inc. in 2013 and are related to technology and customer relationships. The write-down was due to Vaisala's slower than anticipated market penetration in the renewable energy market and related weakening of expected return on Vaisala's Energy business investment. After the write-down the carrying amount of intangible assets and goodwill for Energy business unit is EUR 0.00. Gross margin was 51.4% (49.8%). Gross margin increase was mainly due to higher sales volumes and related improvement in scale economies. Operating expenses were EUR 107.3 (96.2) million and increased by 11%. The increase came mainly from the EUR 10.5 million write-down of intangible assets. In addition, operating result includes EUR 1.1 million profit related to the divestiture of certain businesses in Transportation business unit. Operating result excluding write-down of intangible assets was EUR 18.2 (10.5) million and 8.1% (4.8%) of net sales.

In January-September 2016, Weather Business Area's operating result was EUR -6.1 (0.1) million. Operating result decrease was mainly due to EUR 10.5 million write-down of intangible assets. The intangible assets are from the acquisitions of Second Wind Systems Inc. and 3TIER Inc. in 2013 and are related to technology and customer relationships. The write-down was due to Vaisala's slower than anticipated market penetration in the renewable energy market and related weakening of expected return on Vaisala's Energy business investment. Gross margin was 46.9% (45.1%). Gross margin increase was mainly due to higher share of product and service sales and cost savings as a result of the restructuring of Transportation business unit. Operating expenses were EUR 75.8 (67.2) million and increased by 13%. The increase came mainly from the EUR 10.5 million write-down of intangible assets. Operating result excluding write-down of intangible assets was EUR 4.5 (0.1) million and 3.0% (0.1%) of net sales.

In January-September 2016, Controlled Environment Business Area's operating result was EUR 16.7 (13.5) million and improved by EUR 3.2 million compared to previous year. Operating result increase was due to higher net sales and gross margin. Gross margin was 60.4% (59.7%). Gross margin increase was mainly due to higher sales volumes and related improvement in scale economies. Operating expenses were EUR 30.0 (27.4) million and increased by 9%. The increase came mainly from continued investments in research and development.

In January-September 2016, financial income and expenses were EUR -1.9 (2.3) million. Financial income and expenses are mainly related to the valuation of USD denominated receivables.

In January-September 2016, profit/loss before taxes was EUR 5.8 (12.8) million. Income taxes were EUR -1.1 (-2.9) million. Net result was EUR 4.7 (9.8) million. Group's effective tax rate was 19%. The effective tax

rate decreased as the write-down of intangible assets resulted in deferred tax liability adjustment with the US tax rate of 39.5%. Excluding the write-down Group's effective tax rate would have been 23%. Net result was EUR 4.7 (9.8) million.

In January-September 2016, earnings per share were EUR 0.26 (0.54).

Statement of financial position and cash flow

Vaisala's financial position remained strong at the end of September 2016. Cash and cash equivalents amounted to EUR 49.9 (34.1) million. At the end of September 2016 Vaisala did not have any material interest bearing liabilities.

The statement of financial position total was EUR 234.7 (240.4) million. Compared to the end of September 2015 balance sheet total decreased mainly due to intangible asset impairment of EUR 10.5 million. Cash balance has on the other hand increased because of good operational cash flow.

In January-September 2016, Vaisala's cash flow from operating activities increased to EUR 17.1 (9.8) million because of increased EBITDA and better working capital development compared to the previous year.

Capital expenditure and divestments

In January-September 2016, gross capital expenditure totaled EUR 6.2 (5.4) million. Capital expenditure was mainly related to acquired technology as well as investment in machinery and equipment to develop and maintain Vaisala's production and service operations.

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

Depreciation and amortization was EUR 21.3 (11.3) million. The increase was because of intangible assets write-down.

Research and development

In January-September 2016, research and development expenses totaled EUR 27.9 (25.8) million, representing 12.3% (11.9%) of net sales.

R&D by business area

EUR million	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	2015
Weather	5.9	6.1	-2	19.7	19.2	2	26.7
Controlled Environment	2.5	2.0	29	8.2	6.6	24	9.4
Total	8.5	8.0	6	27.9	25.8	8	36.1

In January-September 2016, Weather Business Area R&D expenses were 13.2% (12.9%) of net sales. Controlled Environment Business Area R&D expenses were 10.6% (9.7%) of net sales, which is in line with continued investments in new product development.

Personnel

The average number of personnel employed in Vaisala January-September 2016 was 1,598 (1,616). The number of employees at the end of September 2016 was 1,574 (1,591). At the end of 2015, the number of employees was 1,588.

At the end of September 2016, 39% (42%) 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 first phase of the business transfer was completed according to the plan in the beginning of August and majority of the second phase was executed during September. Vaisala has recognized EUR 1.1 million profit from the divestiture.

The changes lead to a reduction of 64 employees of which 11 employees were offered a new job in Vaisala. Most of the employees under the scope of the business transfer in the United States were employed by the acquiring company. Estimated annual cost savings are EUR 6 million and they are expected to contribute fully to 2017 profitability. The already realized cost saving of EUR 1.3 million and restructuring expenses of EUR 2.7 million are reported in this January-September 2016 Interim Report.

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

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, Corporate Governance and 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 September 30, 2016. On September 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 January-September 2016, a total of 1,561,606 (1,805,426) Vaisala shares with a value totaling EUR 42.4 (43.7) million were traded on the Nasdaq Helsinki Ltd. The closing price of the Vaisala Corporation share on the Nasdaq Helsinki Ltd stock exchange in September 2016 was EUR 31.50 (23.71). Shares registered a high of EUR 34.81 (27.02) and a low of EUR 21.81 (21.55).

The market value of Vaisala's A shares on September 30, 2016 was EUR 456.7 (348.3) 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 September, the total market value of all the A and K shares together was EUR 563.4 (428.7) million, excluding the Company's treasury shares.

At the end of September, 2016 Vaisala Corporation had 7,494 (7,222) registered shareholders. Ownership outside of Finland and nominee registrations represented 14.48% (15.53%) of the company's shares.

Households owned 40.74% (45.05%), private companies 14.34% (13.86%), financial and insurance institutions 12.80% (11.44%), non-profit organizations 11.65% (7.92%) and public sector organizations owned 5.97% (6.18%).

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 September 2016, the Company held a total of 331,380 Vaisala A shares, which represented 2.2% of all A-shares in the Company and 1.8% of all shares in the Company.

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

Market outlook 2016

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

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

Business outlook for 2016

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

Vantaa, October 26, 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.

Consolidated Statement of Income					
EUR million	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Net sales	81.8	81.7	226.0	217.4	318.5
Costs of sales	-37.7	-38.2	-109.8	-109.2	-155.6
Gross profit	44.1	43.6	116.3	108.1	162.8
Sales, marketing and administrative costs	-31.7	-21.6	-79.4	-70.4	-95.8
Research and development costs	-8.5	-8.0	-27.9	-25.8	-36.1
Other operating income and expense	1.4	0.1	-1.4	-1.4	-1.3
Operating profit (loss)	5.3	14.1	7.7	10.5	29.6
Share of result in associated companies	-	-	-	-	-0.1
Financial income and expenses, net	-0.7	-0.5	-1.9	2.3	3.5
Profit (loss) before taxes	4.6	13.6	5.8	12.8	33.0
Income taxes	-0.8	-3.1	-1.1	-2.9	-5.5
Profit (loss) for the period	3.8	10.4	4.7	9.8	27.5
Earnings per share, EUR	0.21	0.58	0.26	0.54	1.52
Diluted earnings per share, EUR	0.21	0.57	0.26	0.54	1.51

Consolidated Statement of Comprehensive Income					
EUR million	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Items that will not be reclassified to profit or loss					
Actuarial profit (loss) on post-employment benefits	0.0	0.0	0.0	0.0	0.4
Total	0.0	0.0	0.0	0.0	0.4
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	-0.2	-0.4	-0.9	2.6	3.1
Total	-0.2	-0.4	-0.9	2.6	3.1
Total other comprehensive income	-0.2	-0.4	-0.9	2.6	3.5
Total comprehensive income	3.6	10.0	3.8	12.5	31.0

Consolidated Statement of Financial Position			
EUR million	September 30, 2016	September 30, 2015	December 31, 2015
Assets			
Non-current assets			
Intangible assets	20.0	34.7	34.0
Property, plant and equipment	41.6	43.8	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	10.4	10.6	10.2
Total non-current assets	73.6	90.3	90.0
Current assets			
Inventories	39.1	42.1	39.0
Trade and other receivables	69.7	72.8	74.6
Income tax receivables	2.5	1.2	1.2
Cash and cash equivalents	49.9	34.1	59.2
Total current assets	161.2	150.2	174.0
Total assets	234.7	240.4	264.0
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	7.7	7.7	7.7
Other reserves	1.7	0.9	1.1
Cumulative translation adjustment	2.0	2.4	2.9

Treasury shares	-8.5	-3.1	-4.3
Retained earnings	161.5	155.9	173.9
Total shareholders' equity	164.3	163.8	181.3
Non-current liabilities			
Interest-bearing liabilities	0.0	0.0	0.0
Post-employment benefit obligations	2.4	2.4	2.1
Deferred tax liabilities	0.9	4.7	4.5
Provisions for other liabilities and charges	-	0.2	0.2
Other long-term liabilities	1.0	1.1	0.8
Total non-current liabilities	4.4	8.5	7.6
Current liabilities			
Interest-bearing liabilities	0.0	0.0	0.0
Advances received	3.7	3.6	3.9
Income tax liabilities	0.2	1.4	1.7
Provisions for other liabilities and charges	3.0	0.1	0.4
Trade and other payables	59.0	63.1	69.2
Total current liabilities	65.9	68.2	75.1
Total shareholders' equity and liabilities	234.7	240.4	264.0

Consolidated Statement of Changes in Shareholders' Equity

EUR million	Share capital	Other reserves	Treasury shares	Translation adjustment	Retained earnings	Total
Balance at Jan 1, 2015	7.7	2.5	-2.5	-0.2	162.6	170.0
Profit (loss) for the period					9.8	9.8
Other comprehensive income		0.0		2.6		2.6
Dividend paid					-16.4	-16.4
Purchase of treasury shares			-2.6			-2.6
Sale of treasury shares			2.1		-2.1	0.0
Share-based payment		-1.6			1.9	0.3
Balance at Sep 30, 2015	7.7	0.9	-3.1	2.4	155.9	163.8

EUR million	Share capital	Other reserves	Treasury shares	Translation adjustment	Retained earnings	Total
Balance at Jan 1, 2016	7.7	1.1	-4.3	2.9	173.9	181.3
Profit (loss) for the period					4.7	4.7
Other comprehensive income		-0.0		-0.9		-0.9
Dividend paid					-17.1	-17.1
Purchase of treasury shares			-4.1			-4.1
Share-based payment		0.6	0.0			0.6
Balance at Sep 30, 2016	7.7	1.7	-8.5	2.0	161.5	164.3

Consolidated Cash Flow Statement			
EUR million	1-9/2016	1-9/2015	1-12/2015
Cash flows from operating activities			
Cash receipts from customers	232.8	231.6	325.4
Other income from business operations	0.0	-1.4	-1.4
Cash paid to suppliers and employees	-207.2	-213.4	-277.1
Financials paid, net	-1.1	-1.7	-1.0
Income taxes paid, net	-7.4	-5.2	-7.2
Cash flow from operating activities	17.1	9.8	38.8
Cash flows from investing activities			
Capital expenditure on fixed assets	-6.2	-5.4	-8.3
Divestments	1.2	0.1	0.2
Cash flow from investing activities	-5.1	-5.3	-8.1
Cash flows from financing activities			
Dividends paid	-17.1	-16.4	-16.4
Purchase of treasury shares	-4.0	-2.6	-3.9
Change in loan receivables	0.0	0.0	0.0
Change in leasing liabilities	0.0	0.0	0.0
Cash flow from financing activities	-21.1	-19.0	-20.2
Cash and cash equivalents at the beginning of period	59.2	47.6	47.6
Net increase (+) / decrease (-) in cash and cash equivalents	-9.1	-14.5	10.5
Effect from changes in exchange rates	-0.2	0.9	1.0
Cash and cash equivalents at the end of period	49.9	34.1	59.2

Notes for Report

Orders Received by Business Area

EUR million	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Weather	48.5	61.0	139.5	161.2	225.6
Controlled Environment	28.1	23.2	78.8	70.4	94.4
Total	76.6	84.3	218.3	231.7	320.0

Net Sales by Business Area

EUR million	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Weather					
Products	30.4	31.4	81.2	74.9	116.2
Projects	14.4	18.6	41.3	47.9	71.0
Services	8.7	8.4	26.2	26.1	38.3
Total	53.4	58.4	148.7	148.8	225.5
Controlled Environment					
Products	25.7	20.9	69.3	61.3	83.5
Services	2.7	2.4	8.1	7.2	9.5
Total	28.4	23.4	77.3	68.5	93.0
Sales, Other	0.0	0.0	0.0	0.0	0.0
Total Sales	81.8	81.7	226.0	217.4	318.5

Operating Result by Business Area

EUR million	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Weather	-3.3	8.2	-6.1	0.1	15.2
Controlled Environment	7.4	6.1	16.7	13.5	18.3
Other	1.2	-0.2	-2.9	-3.1	-4.0
Total	5.3	14.1	7.7	10.5	29.6

Net Sales by Geographical Area

EUR million	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
EMEA	23.1	23.9	67.7	71.3	105.1
Americas	35.4	36.9	94.8	89.7	132.0
APAC	23.3	20.9	63.5	56.3	81.3
Total	81.8	81.7	226.0	217.4	318.5

Personnel					
	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Average personnel	1,599	1,614	1,598	1,616	1,611
Personnel at the end of period	1,574	1,591	1,574	1,591	1,588

Financial Instruments					
	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Nominal value of financial derivatives, EUR million	33.2	29.8	33.2	29.8	36.5
Fair values of financial derivatives, assets, EUR million	0.0	0.3	0.0	0.3	0.1
Fair values of financial derivatives, liabilities, EUR million	0.5	0.6	0.5	0.6	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.

Share Information					
	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Number of shares outstanding, thousand	17,887	18,079	17,887	18,079	18,027
Number of treasury shares, thousand	331	139	331	139	192
Number of shares, weighted average, diluted, thousand	18,176	18,212	18,241	18,212	18,259
Number of shares, weighted average, thousand	17,918	18,114	17,983	18,124	18,103
Number of shares traded, thousand	389	241	1,562	1,805	2,508
Share price, highest, EUR	34.81	25.20	34.81	27.02	27.02
Share price, lowest, EUR	27.89	22.50	21.81	21.55	21.55

Key Ratios					
	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	1-12/ 2015
Earnings per share, EUR	0.21	0.58	0.26	0.54	1.52
Earnings per share, diluted, EUR	0.21	0.57	0.26	0.54	1.51
Equity per share, EUR	9.19	9.06	9.19	9.06	10.06
Return on equity, %			3.6	7.9	15.7
Cash flow from operating activities per share, EUR	0.56	0.25	0.96	0.54	2.15
Solvency ratio, %			71.1	69.2	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, October 26, 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. A recording will be published at about 6:00 p.m.

Distribution

Nasdaq Helsinki

Key media

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 www.twitter.com/VaisalaGroup