

Half Year Financial Report 2016

Vaisala Corporation
July 21, 2016



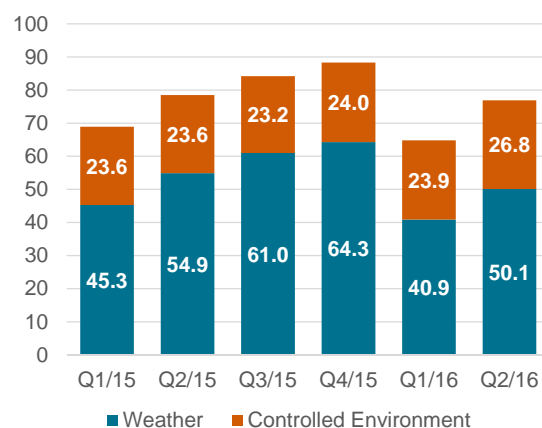
VAISALA

Vaisala Q2/16 slightly below previous year's performance

	Q2/2016	Q2/2015	Change %
Orders received, EUR million	77.0	78.5	-2
Order book, EUR million	123.5	140.4	-12
Net sales, EUR million	75.6	77.0	-2
Gross margin, %	49.2	49.8	
Operating result, EUR million	3.4	4.1	
Operating result, %	4.5	5.3	

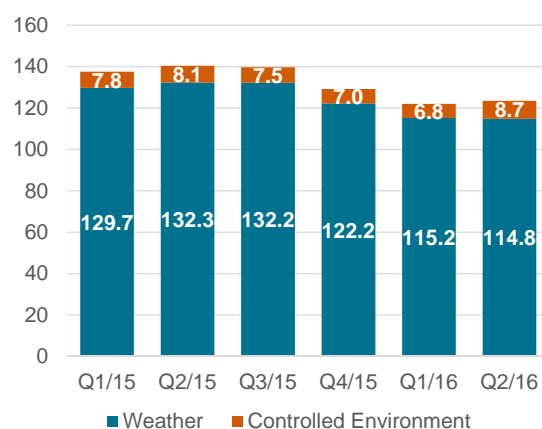
Vaisala order intake decreased even though Controlled Environment grew

- Orders received EUR 77.0 (78.5) million, -2%
 - The decrease came from EMEA
- Weather Business Area
 - EUR 50.1 (54.9) million, -9%
 - The decrease came from Transportation and Meteorology Infrastructure
- Controlled Environment Business Area
 - EUR 26.8 (23.6) million, +14%
 - The increase came from all regions



Vaisala order book declined

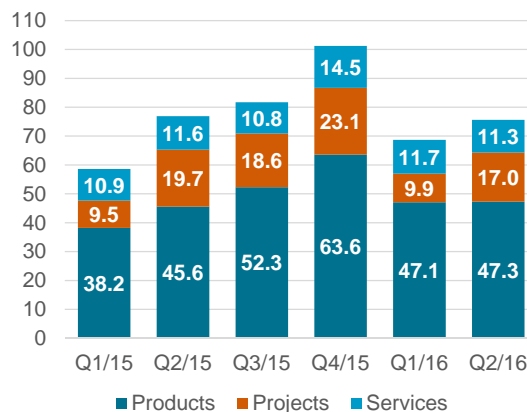
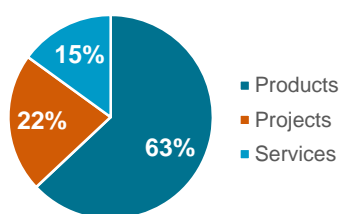
- Order book EUR 123.5 (140.4) million, -12%
 - The decrease came from EMEA and APAC
- Weather Business Area
 - EUR 114.8 (132.3) million, -13%
 - The decrease came from Meteorology Infrastructure and Transportation
- Controlled Environment Business Area
 - EUR 8.7 (8.1) million, +7%
 - The increase came from EMEA and APAC



Modest Vaisala y-o-y project deliveries

EUR million	Q2/2016	Q2/2015	Change %
Net sales	75.6	77.0	-2
At comparable exchange rates	76.8	77.0	0

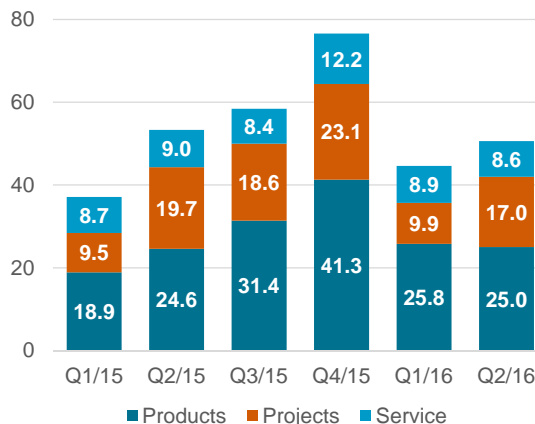
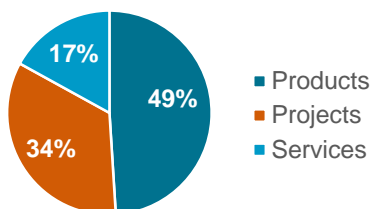
% of net sales in Q2/2016



Weather net sales decreased due to low volume of project deliveries

EUR million	Q2/2016	Q2/2015	Change %
Net sales	50.6	53.3	-5
At comparable exchange rates	51.4	53.3	-4

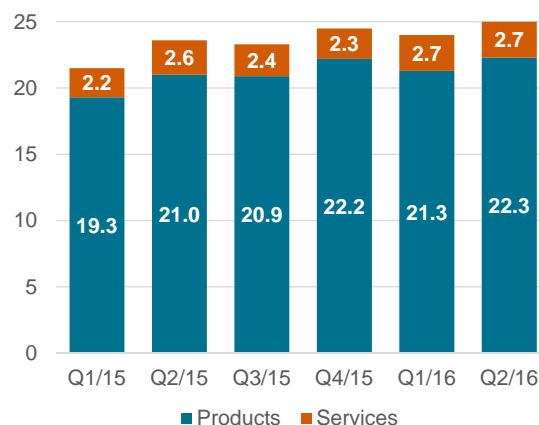
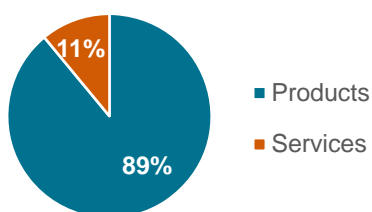
% of net sales in Q2/2016



Controlled Environment net sales growth came mainly from APAC

EUR million	Q2/2016	Q2/2015	Change %
Net sales	25.0	23.7	6
At comparable exchange rates	25.4	23.7	7

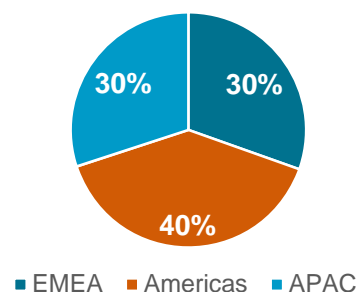
% of net sales in Q2/2016



Vaisala net sales growth was strong in APAC

EUR million	Q2/2016	Q2/2015	Change, %
EMEA	23.0	28.0	-18
Americas	29.9	31.4	-5
APAC	22.7	17.5	29
Total	75.6	77.0	-2

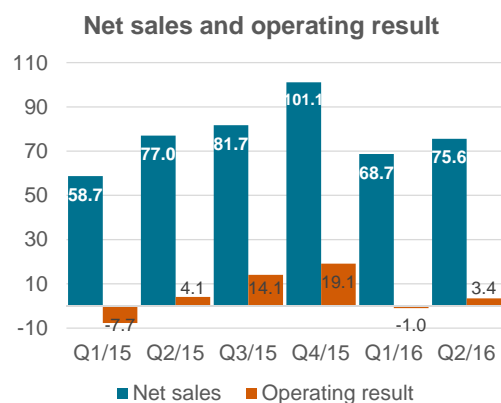
% of net sales in Q2/2016



Vaisala operating result decreased

	Q2/ 2016	Q2/ 2015	Change %
Net sales, EUR million	75.6	77.0	-2
Gross margin, %	49.2	49.8	
Operating expenses, EUR million	34.1	34.5	-1
Operating result, EUR million	3.4	4.1	
Operating result, %	4.5	5.3	

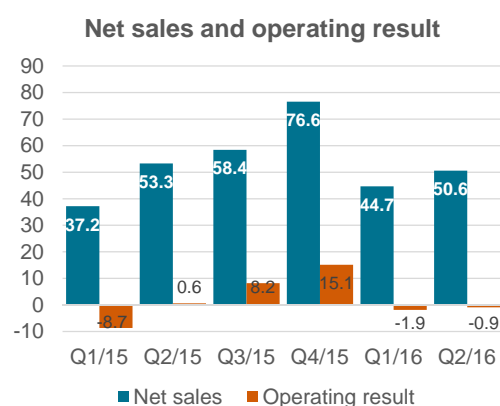
- Operating result decreased due to lower net sales and gross margin in Weather
- Gross margin decreased mainly due to low volume of project deliveries and related weakness in Weather's gross margin
- Operating expenses decreased



Weather operating result followed net sales decrease

	Q2/ 2016	Q2/ 2015	Change %
Net sales, EUR million	50.6	53.3	-5
Gross margin, %	44.0	45.4	
Operating expenses, EUR million	23.1	23.7	-3
Operating result, EUR million	-0.9	0.6	
Operating result, %	-1.8	1.2	

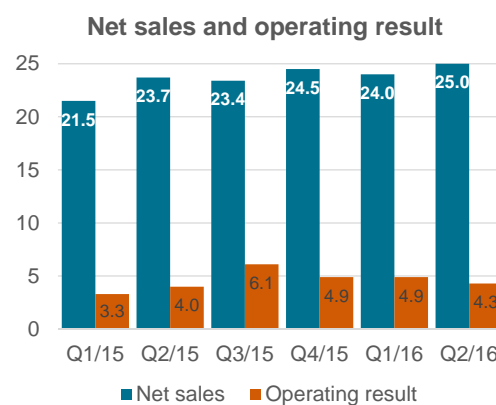
- Operating result decreased mainly due to lower net sales and gross margin
- Gross margin decreased mainly due low volume of project deliveries and related weakness of gross margin
- Operating expenses decreased, even though 0.4 MEUR credit losses related to bankruptcy were booked



Controlled Environment operating result increase followed net sales increase

	Q2/ 2016	Q2/ 2015	Change %
Net sales, EUR million	25.0	23.7	6
Gross margin, %	60.0	59.4	
Operating expenses, EUR million	10.7	10.0	7
Operating result, EUR million	4.3	4.0	
Operating result, %	17.3	17.1	

- Operating result increased due to higher net sales and gross margin
- Operating expenses increase came mainly from continued investments in R&D



Overview of H1/2016

Vaisala H1/16 operating result profitable and increased by 6 MEUR

	H1/2016	H1/2015	Change %
Orders received, EUR million	141.7	147.4	-4
Order book, EUR million	123.5	140.4	-12
Net sales, EUR million	144.3	135.6	6
Gross margin, %	50.1	47.6	
Operating result, EUR million	2.4	-3.6	
Operating result, %	1.6	-2.7	

Vaisala orders received decreased

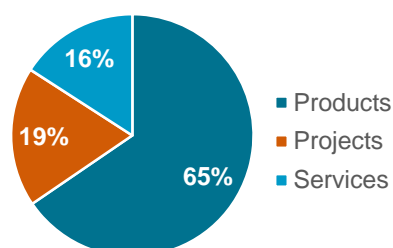
EUR million	H1/2016	H1/2015	Change, %
Weather	91.1	100.2	-9
Controlled Environment	50.7	47.2	7
Total	141.7	147.4	-4

- Vaisala orders received decreased in EMEA and Americas
- Weather orders received decreased in Meteorology Infrastructure and Transportation
- Controlled Environment orders received increased in all regions

Vaisala net sales increase followed growth in product business

EUR million	H1/2016	H1/2015	Change %
Products	94.4	83.9	13
Projects	26.9	29.3	-8
Services	22.9	22.5	2
Net sales, total	144.3	135.6	6
At comparable exchange rates	144.0	135.6	6

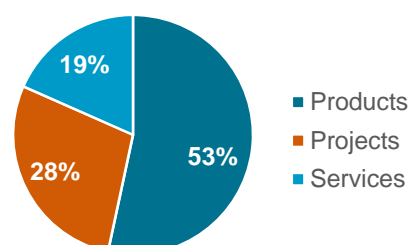
% of net sales in H1/2016



Weather net sales increased in all business units. Product business grew.

EUR million	H1/2016	H1/2015	Change %
Products	50.8	43.5	17
Projects	26.9	29.3	-8
Services	17.5	17.7	-1
Net sales, total	95.3	90.5	5
At comparable exchange rates	95.2	90.5	5

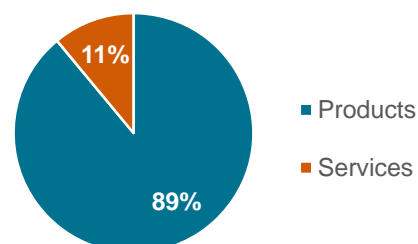
% of net sales in H1/2016



Controlled Environment net sales increased in all regions

EUR million	H1/2016	H1/2015	Change %
Products	43.6	40.3	8
Services	5.4	4.8	12
Net sales, total	49.0	45.1	9
At comparable exchange rates	48.7	45.1	8

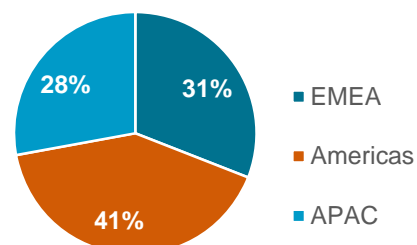
% of net sales in H1/2016



Vaisala net sales grew in Americas and APAC

EUR million	H1/2016	H1/2015	Change, %
EMEA	44.6	47.4	-6
Americas	59.4	52.8	12
APAC	40.2	35.4	14
Total	144.3	135.6	6

% of net sales in H1/2016



Vaisala operating result profitable and increased by 6 MEUR

	H1/2016	H1/2015	Change %
Net sales, EUR million	144.3	135.6	6
Gross margin, %	50.1	47.6	
Operating expenses, EUR million	67.1	66.7	1
Operating result, EUR million	2.4	-3.6	
Operating result, %	1.6	-2.7	

- Operating result increased due to higher net sales and gross margin in both Weather and Controlled Environment
- Gross margin increased mainly due to higher sales volumes and related improvement in scale economies and higher profitability in calibration and repair services
- Operating expenses increase came mainly from continued investments in R&D
- Operating result decreased by 2.8 MEUR expenses related to the restructuring of Transportation

Weather operating result improved by 5.3 MEUR

	H1/2016	H1/2015	Change %
Net sales, EUR million	95.3	90.5	5
Gross margin, %	44.8	42.1	
Operating expenses, EUR million	45.5	46.4	-2
Operating result, EUR million	-2.8	-8.1	
Operating result, %	-2.9	-9.0	

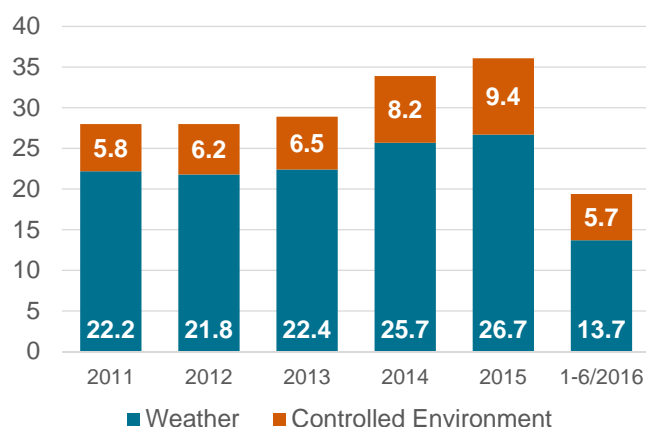
- Operating result increased mainly due to higher net sales and gross margin
- Gross margin increased mainly due to higher sales volumes and related improvement in scale economies as well as improved profitability in product business and calibration and repair service
- Operating expenses decrease came mainly from lower administration expenses, even though 0.4 MEUR credit losses related to bankruptcy were booked

Controlled Environment operating result 18.9% of net sales

	H1/2016	H1/2015	Change %
Net sales, EUR million	49.0	45.1	9
Gross margin, %	60.4	58.7	
Operating expenses, EUR million	20.3	19.1	6
Operating result, EUR million	9.3	7.4	
Operating result, %	18.9	16.3	

- Operating result increased due to higher net sales and gross margin
- Gross margin increased mainly due to improved profitability in calibration and repair service as well as higher sales volumes and related improvement in scale economies
- Operating expenses increase came mainly from continued investments in R&D

Consistent investment in R&D enable world class products



- In Q2/2016, R&D expenses were 9.9 (9.3) MEUR, 13.1% (12.1%) of net sales
 - Weather 13.8% (12.8%) of net sales
 - Controlled Environment 11.7% (10.6%) of net sales
- In H1/2016, R&D expenses were 19.4 (17.8) MEUR, 13.5% (13.1%) of net sales
 - Weather 14.4% (14.5%) of net sales
 - Controlled Environment 11.6% (10.3%) of net sales in line with continued investment in new product development

Vaisala's cash increased y-o-y

EUR million	H1/2016	H1/2015	2015
Cash flow from operating activities	7.2	5.3	38.8
Cash flow from investing activities	-3.9	-3.3	-8.1
Cash flow from financing activities	-19.1	-17.3	-20.2
Cash and cash equivalents at the end of period	43.2	33.7	59.2

- Cash flow from operating activities increased because of the profitability improvement y-o-y
- The working capital is close to the previous year level
- Dividend payment 17.1 MEUR
- Purchases of treasury shares 1.9 MEUR

Earnings per share improved

	H1/2016	H1/2015		2015
Earnings per share, EUR	0.05	-0.03	↑	1.52
Earnings per share, diluted, EUR	0.05	-0.03	↑	1.51
Equity per share, EUR	9.05	8.56	↑	10.06
Return on equity, %	1.1	-0.7	↑	15.7
Cash flow from operating activities per share, EUR	0.40	0.29	↑	2.15
Solvency ratio, %	68.9	67.4	↑	69.7

Weather reshapes Transportation

- Transportation business unit will focus on product leadership, delivery capability and expansion of information services in order to drive growth, profitability and customer focus.
- Transportation business unit will exit the field service business, in all countries except UK, and it will also exit the United States Automated Weather Observing System (U.S. AWOS) business.
- **Vaisala signed the agreement to sell related businesses in 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 as held for sale.**
- **Impact**
 - 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 6 MEUR, will contribute fully to 2017 profitability.
 - H1/16 operating result includes cost saving of 0.5 MEUR and restructuring expenses of 2.8 MEUR

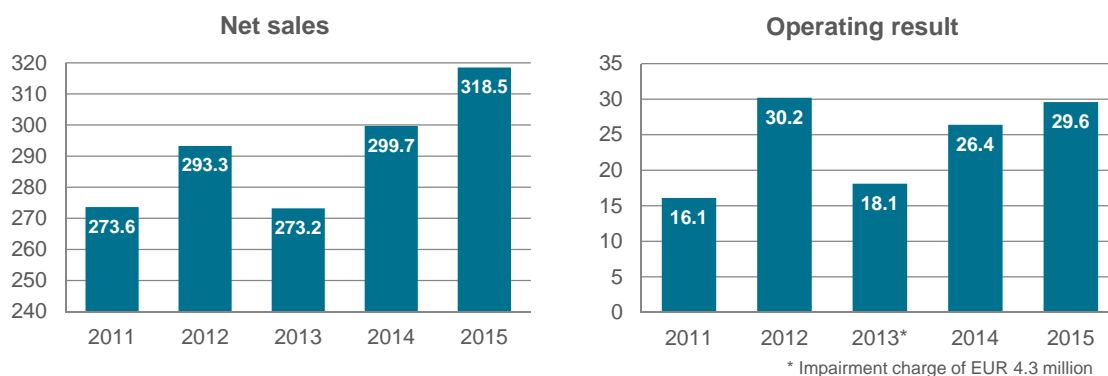
Market and Business Outlook

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.

Business Outlook 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.



Questions Welcome!

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Appendixes

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Comparative orders received figures for 2015

- Vaisala's ERP version change which was taken into use in the beginning of 2015 enhanced orders received reporting. These enhanced orders received figures are not fully comparable with the figures published earlier, mostly due to different translation of orders denominated in foreign currency.

EUR million	Q1/2015	Q2/2015	Q3/2015	Q4/2015	2015
Weather	45.3	54.9	61.0	64.3	225.6
Controlled Environment	23.6	23.6	23.2	24.0	94.4
Total	68.9	78.5	84.3	88.4	320.0

Observations for a Better World