



Vaisala Corporation  
Interim Report  
January-June 2014

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## Vaisala Corporation Interim Report January-June 2014

**January-June 2014 net sales and operating result decreased, order book increased by 48%.  
Business outlook for 2014 net sales range narrowed.**

### April-June 2014 highlights

- Orders received EUR 70.6 (65.6) million, increase 8%
- Order book EUR 146.8 (99.0) million, increase 48%
- Net sales EUR 68.7 (65.2) million, increase 5%
- Gross margin 49.8% (50.8%)
- Operating result EUR 2.1 (5.1) million
- Earnings per share EUR 0.08 (0.20)
- Cash and cash equivalents EUR 25.6 (61.5) million
- Business outlook for 2014 net sales range is narrowed: Vaisala estimates its full year 2014 net sales to be in the range of EUR 290-305 million and the operating result (EBIT) in the range of EUR 20-30 million. Previous business outlook for 2014 was: Vaisala estimates its full year 2014 net sales to be in the range of EUR 290-320 million and the operating result (EBIT) in the range of EUR 20-30 million.

### January-June 2014 highlights

- Orders received EUR 139.1 (124.2) million, increase 12%
- Net sales EUR 126.2 (130.9) million, decrease 4%
- Gross margin 49.0% (49.8%)
- Operating result EUR -1.1 (10.2) million
- Earnings per share EUR -0.05 (0.36)
- Cash flow from operating activities EUR -1.5 (5.3) million

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

“During the second quarter 2014 orders received continued to develop favorably, 8% above last year, and boosting order book to EUR 146.8 million. No single exceptionally large orders were received but instead there was a stream of small to midsize orders with a global spread. Europe and China continued good development and also North American market showed signs of increased activity.

In the second quarter 2014, net sales grew with 5% and all regions showed growth despite the negative currency effects. Towards the end of the quarter the Controlled Environment business picked up with especially the North American market being strong. Delivery project revenue recognition was high as several projects were successfully finalized. Weather Business Area's net sales decrease during the first half of 2014 was a result of weak first quarter delivery volumes. However, the second quarter net sales increased and were 27% higher than the first quarter.

Vaisala's operating result weakened due to the consolidation of the companies acquired last year. Also R&D investment is increased to ensure new offering development and renewal of existing portfolio.

We continue the implementation of our long-term strategy based on the three strategic themes: creation of customer value, reliability, and simplification. We are pushing for growth through regional expansion in our Controlled Environment Business Area and first new distributor agreements have already been signed. In Weather Business Area we are implementing the renewable energy growth strategy. This is complemented by capabilities acquired from Second Wind and 3TIER which are integrated in to our operations in order to ensure long-term profitability of the weather dependent renewable energy business. Our investment in product development will bring new offering and renewed products to the market in the future as well.

We narrow our 2014 business outlook for net sales based on the delivery schedule of order book and soft product sales during the first half of this year. We now estimate that our full year 2014 net sales is in the range of EUR 290-305 million and the operating result (EBIT) in the range of EUR 20-30 million."

<b>Key Figures</b>					
	<b>4-6/ 2014</b>	<b>4-6/ 2013</b>	<b>1-6/ 2014</b>	<b>1-6/ 2013</b>	<b>1-12/ 2013</b>
Orders received, EUR million	70.6	65.6	139.1	124.2	282.9
Order book, EUR million	146.8	99.0	146.8	99.0	122.0
Net sales, EUR million	68.7	65.2	126.2	130.9	273.2
Gross profit, EUR million	34.2	33.1	61.8	65.1	134.3
Gross margin, %	49.8	50.8	49.0	49.8	49.2
Operating expenses, EUR million	32.5	28.0	63.2	56.6	113.6
Operating result, EUR million	2.1	5.1	-1.1	10.2	18.1
Operating result, %	3.0	7.8	-0.9	7.8	6.6
Profit (loss) before taxes, EUR million	2.2	4.7	-1.1	9.9	17.2
Profit (loss) for the period, EUR million	1.4	3.6	-0.8	6.5	10.9
Earnings per share, EUR	0.08	0.20	-0.05	0.36	0.60
Cash flow from operating activities, EUR million			-1.5	5.3	28.2
Capital expenditure, EUR million	2.0	2.4	3.7	4.1	7.1
Depreciation, EUR million	3.8	3.6	7.5	7.3	14.8
Return on equity, %			-1.1	7.1	6.3
Cash and cash equivalents, EUR million			25.6	61.5	45.8

## **Market situation in April–June 2014**

Macroeconomic environment has been improving since the first half of 2013, but demand for industrial measurement equipment has not significantly improved. Reasonably good weather observation market conditions continued. Strong euro continued to impact negatively on Vaisala's financial performance.

In EMEA weather observation market conditions remained solid, although depreciation of currencies of Russia and its neighboring countries weakened demand in the area. Demand for industrial measurement solutions remained slow in EMEA.

In Americas weather observation market conditions expressed signs of improvement towards the end of the quarter after several challenging quarters, driven by the U.S. governmental customers. Also demand for industrial measurement solutions improved.

In APAC weather observation market remained active. Market environment for industrial measurement solutions was static.

## April-June 2014 performance

### Orders received

EUR million	4-6/2014	4-6/2013	Change, %	2013
Weather	52.1	46.7	12	208.3
Controlled Environment	18.4	18.9	-3	74.6
Total	70.6	65.6	8	282.9

### Order book

EUR million	4-6/2014	4-6/2013	Change, %	2013
Weather	141.7	94.1	51	116.2
Controlled Environment	5.2	4.9	7	5.8
Total	146.8	99.0	48	122.0

In April-June 2014, orders received were EUR 70.6 (65.6) million and increased by 8% compared to the previous year and the growth came from North America, Europe and China. Weather Business Area's orders received were EUR 52.1 (46.7) million and increased by 12%. The growth came mainly from Meteorology and New Weather Markets customer groups. Controlled Environment Business Area's orders received were EUR 18.4 (18.9) million and decreased by 3%. The decline came from both customer groups.

At the end of June 2014 the order book was EUR 146.8 (99.0) million and increased by 48% compared to the previous year. The increase in order book was due to continued good orders received of Weather Business Area since the third quarter of 2013. Further, the order book includes EUR 17 million of orders, which were consolidated from 3TIER Inc. and Second Wind Systems Inc., acquired during the second half of 2013. Of the order book EUR 72.6 million will be delivered in 2015 or later.

### Net sales by business area

EUR million	4-6/2014	4-6/2013	Change, %	2013
Weather	49.8	47.1	6	200.0
Controlled Environment	18.9	18.1	4	73.2
Total	68.7	65.2	5	273.2

### Net sales by geographical area

EUR million	4-6/2014	4-6/2013	Change, %	2013
EMEA	24.4	21.8	12	98.6
Americas	25.6	24.7	4	107.8
APAC	18.7	18.7	0	66.9
Total	68.7	65.2	5	273.2

In April-June 2014, Vaisala's net sales were EUR 68.7 (65.2) million and increased by 5% compared to the previous year. Weather Business Area's net sales were EUR 49.8 (47.1) million and increased by 6%. The growth came mainly from Meteorology and New Weather Markets customer groups. Weather Business Area improved its net sales in project and services business. Controlled Environment Business Area's net sales

were EUR 18.9 (18.1) million and increased by 4%. The growth came from both customer groups. Controlled Environment Business Area improved its net sales in Americas and EMEA.

In April–June 2014, net sales in EMEA was EUR 24.4 (21.8) million and increased by 12% compared to the previous year, in the Americas EUR 25.6 (24.7) million and increased by 4% and in APAC EUR 18.7 (18.7) million and was at previous year's level.

At comparable exchange rates the net sales would have been EUR 71.0 (65.2) million and increase would have been EUR 5.8 million or 9% from previous year. The negative exchange rate effect was EUR 2.3 million, which was mainly due to changes in USD, AUD and JPY exchange rates.

Gross margin was 49.8% (50.8%). The decrease was mainly due to less favorable sales mix and foreign exchange rates.

### Operating result

EUR million	4-6/2014	4-6/2013	Change, %	2013
Weather	0.8	3.2	-76	14.5
Controlled Environment	1.5	2.2	-28	4.0
Eliminations and other	-0.3	-0.3	11	-0.4
<b>Total</b>	<b>2.1</b>	<b>5.1</b>	<b>-59</b>	<b>18.1</b>

In April–June 2014, operating result was EUR 2.1 (5.1) million. The decrease was mainly due to increase in operating expenses. Operating expenses were EUR 32.5 (28.0) million and increased by 16% compared to the previous year. The increase was mainly due to the consolidation of operating expenditures of 3TIER Inc. and Second Wind Systems Inc. which were acquired during the second half of 2013 as well as investments in R&D related to new offering development and renewing instrument portfolio.

Profit (loss) before taxes was EUR 2.2 (4.7) million for the period of April–June 2014. Income taxes were EUR -0.8 (-1.1) million. Net result was EUR 1.4 (3.6) million.

Earnings per share for April–June 2014 were EUR 0.08 (0.20).

## January–June 2014 performance

### Orders received

EUR million	1-6/2014	1-6/2013	Change, %	2013
Weather	102.5	87.6	17	208.3
Controlled Environment	36.6	36.7	0	74.6
<b>Total</b>	<b>139.1</b>	<b>124.2</b>	<b>12</b>	<b>282.9</b>

### Order book

EUR million	1-6/2014	1-6/2013	Change, %	2013
Weather	141.7	94.1	51	116.2
Controlled Environment	5.2	4.9	7	5.8
<b>Total</b>	<b>146.8</b>	<b>99.0</b>	<b>48</b>	<b>122.0</b>

In January–June 2014, orders received were EUR 139.1 (124.2) million and increased by 12% compared to the previous year. The growth came mainly from Europe. Weather Business Area's orders received were EUR 102.5 (87.6) million and increased by 17%. The growth came from all other customer groups except

Airports. Controlled Environment Business Area's orders received were EUR 36.6 (36.7) million and stayed at previous year's level.

At the end of June 2014 the order book was EUR 146.8 (99.0) million and increased by 48% compared to the previous year. The increase in order book was due to continued good orders received of Weather Business Area since the third quarter of 2013. Further, the order book includes EUR 17 million of orders, which were consolidated from 3TIER Inc. and Second Wind Systems Inc., acquired during the second half of 2013. Of the order book EUR 72.6 million will be delivered in 2015 or later.

#### Net sales by business area

EUR million	1-6/2014	1-6/2013	Change, %	2013
Weather	89.0	94.7	-6	200.0
Controlled Environment	37.2	36.2	3	73.2
<b>Total</b>	<b>126.2</b>	<b>130.9</b>	<b>-4</b>	<b>273.2</b>

#### Net sales by geographical area

EUR million	1-6/2014	1-6/2013	Change, %	2013
EMEA	46.5	47.1	-1	98.6
Americas	47.5	48.7	-2	107.8
APAC	32.2	35.0	-8	66.9
<b>Total</b>	<b>126.2</b>	<b>130.9</b>	<b>-4</b>	<b>273.2</b>

In January-June 2014, Vaisala's net sales was EUR 126.2 (130.9) million and decreased by 4% compared to the previous year. Weather Business Area's net sales were EUR 89.0 (94.7) million and decreased by 6%. The decline came from all customer groups except New Weather Markets. Weather Business Area's net sales decrease during the first half of 2014 was result of weak first quarter delivery volumes. However, the second quarter net sales increased and were 27% higher than the first quarter. Controlled Environment Business Area's net sales were EUR 37.2 (36.2) million and increased by 3%. The growth came from both customer groups.

In January-June 2014, net sales in EMEA was EUR 46.5 (47.1) million and decreased by 1% compared to the previous year, in the Americas EUR 47.5 (48.7) million and decreased by 2% and in APAC EUR 32.2 (35.0) million and decreased by 8%.

At comparable exchange rates the net sales would have been EUR 129.9 (130.9) million and decrease would have been EUR 1.0 million or 1% from previous year. The negative exchange rate effect was EUR 3.7 million, which was mainly due to changes in USD, JPY and AUD exchange rates.

Operations outside Finland accounted for 98% (97%) of net sales.

Gross margin was 49.0% (49.8%). The decline in gross margin was mainly caused by decreased net sales of Weather Business Area and related increase in unit costs due to weaker scale economies.

**Operating result**

EUR million	1-6/2014	1-6/2013	Change, %	2013
Weather	-4.0	5.2	-	14.5
Controlled Environment	3.7	3.9	-6	4.0
Eliminations and other	-0.8	1.0	-	-0.4
<b>Total</b>	<b>-1.1</b>	<b>10.2</b>	<b>-</b>	<b>18.1</b>

In January-June 2014, operating result was EUR -1.1 (10.2) million. The decrease was mainly due to increase in operating expenses and decreased net sales of Weather Business Area. Operating expenses were EUR 63.2 (56.6) million and increased by 12% compared to the previous year. The increase was mainly due to the consolidation of operating expenditures of 3TIER Inc. and Second Wind Systems Inc. which were acquired during the second half of 2013 as well as investments in R&D related to new offering development and renewing instrument portfolio.

Profit (loss) before taxes was EUR -1.1 (9.9) million for the period of January-June 2014. Income taxes were EUR +0.3 (-3.4) million. Net result was EUR -0.8 (6.5) million.

Earnings per share for January-June 2014 were EUR -0.05 (0.36).

**Statement of financial position and cash flow**

Vaisala's financial position remained strong at the end of the June 2014. Cash and cash equivalents amounted to EUR 25.6 (61.5) million at the end of June 2014 and Vaisala did not have any material interest bearing liabilities.

The statement of financial position total was EUR 213.6 (234.1) million. The solvency ratio at the end of the June 2014 was 68% (78%), the decrease was mainly caused by capital return of EUR 22.2 million in August 2013.

In January-June 2014, Vaisala's cash flow from operating activities was EUR -1.5 (5.3) million. The decrease was mainly due to lower business profitability.

**Capital expenditure and divestments**

Gross capital expenditure totaled EUR 3.7 (4.1) million for January-June 2014. Depreciation was EUR 7.5 (7.3) million.

**Weather Business Area**

EUR million	4-6/2014	4-6/2013	Change, %	1-6/2014	1-6/2013	Change, %	2013
Orders received	52.1	46.7	12	102.5	87.6	17	208.3
Order book	141.7	94.1	51	141.7	94.1	51	116.2
Net sales, total	49.8	47.1	6	89.0	94.7	-6	200.0
Products	22.7	25.5	-11	41.7	49.6	-16	97.3
Projects	19.0	14.6	30	30.0	30.1	0	70.0
Services	8.2	7.0	17	17.3	14.9	16	32.7
<b>Operating result</b>	<b>0.8</b>	<b>3.2</b>	<b>-76</b>	<b>-4.0</b>	<b>5.2</b>	<b>-</b>	<b>14.5</b>

In January-June 2014, orders received were EUR 102.5 (87.6) million and increased by 17% compared to the previous year. Orders increased in all other customer groups except in Airports. At the end of June 2014 the order book was EUR 141.7 (94.1) million and increased by 51% compared to the previous year. The

increase in order book was due to continued good orders received since the third quarter of 2013. Further, the order book includes EUR 17 million of orders, which were consolidated from 3TIER Inc. and Second Wind Systems Inc., acquired during the second half of 2013. Of the order book EUR 72.1 million will be delivered in 2015 or later.

In January-June 2014, Weather Business Area's net sales was EUR 89.0 (94.7) million and decreased by 6% compared to the previous year. Net sales decreased in all customer groups except in New Weather Markets. Weather Business Area's net sales decrease during the first half of 2014 was result of weak first quarter delivery volumes. However, the second quarter net sales increased and were 27% higher than the first quarter. At comparable exchange rates the net sales would have been EUR 91.0 (94.7) million and decrease would have been EUR 3.7 million or 4% from previous year. The negative exchange rate effect was EUR 2.0 million, which was mainly due to changes in USD and AUD exchange rates.

In January-June 2014, Weather Business Area's operating result was EUR -4.0 (5.2) million. The decline was mainly due to increased operating expenses and decreased net sales. The increase in operating expenses was mainly due to the consolidation of operating expenditures of 3TIER Inc. and Second Wind Systems Inc. which were acquired during the second half of 2013 as well as investments in R&D related to new offering development and renewing instrument portfolio.

### Controlled Environment Business Area

EUR million	4-6/2014	4-6/2013	Change, %	1-6/2014	1-6/2013	Change, %	2013
Orders received	18.4	18.9	-3	36.6	36.7	0	74.6
Order book	5.2	4.9	7	5.2	4.9	7	5.8
Net sales, total	18.9	18.1	4	37.2	36.2	3	73.2
Products	16.5	15.8	4	32.7	31.8	3	64.2
Services	2.4	2.2	6	4.5	4.4	2	9.0
Operating result	1.5	2.2	-28	3.7	3.9	-6	4.0

In January-June 2014, orders received were EUR 36.6 (36.7) million and were at previous year's level. Orders received increased in Targeted Industrial Applications customer group. At the end of June 2014 the order book was EUR 5.2 (4.9) million and increased by 7% compared to the previous year. Of the order book EUR 0.6 million will be delivered in 2015 or later.

In January-June 2014, Controlled Environment Business Area's net sales was EUR 37.2 (36.2) million and increased by 3% compared to the previous year. Net sales increased in both customer groups. In EMEA and Americas net sales increased from previous year. In APAC net sales decreased. At comparable exchange rates the net sales would have been EUR 38.9 (36.2) million and increase would have been EUR 2.7 million or 8% from previous year. The negative exchange rate effect was EUR 1.7 million, which was mainly caused by USD and JPY exchange rate fluctuations.

In January-June 2014, Controlled Environment Business Area's operating result was EUR 3.7 (3.9) million and decreased by 6% compared to the previous year. This was mainly due to increased operating expenses. The increase in operating expenses was mainly due to investments in R&D related to new offering development.



## Research and Development

In January-June 2014, research and development expenses totaled EUR 17.0 (14.7) million, representing 13.5% (11.2%) of net sales. The increase was mainly due to R&D expenses of the acquired companies.

EUR million	4-6/ 2014	4-6/ 2013	Change, %	1-6/ 2014	1-6/ 2013	Change, %	2013
Weather	6.4	5.4	19	12.6	11.4	10	22.4
Controlled Environment	2.3	1.6	42	4.4	3.2	36	6.5
<b>Total</b>	<b>8.7</b>	<b>7.0</b>	<b>24</b>	<b>17.0</b>	<b>14.7</b>	<b>16</b>	<b>28.9</b>

Weather Business Area R&D expenses were 14.1% (12.1%) of net sales. Controlled Environment Business Area R&D expenses were 11.9% (9.0%) of net sales.

In the second quarter 2014, Vaisala launched an entirely new Road Weather Station, RWS200. Combined with software, this new station is able to offer an enhanced Road Weather Information System called iRWIS. The system consists of intelligent roadside hardware, sophisticated decision support software and improved measurement reliability.

Information about new product and software releases can be found at [www.vaisala.com/press](http://www.vaisala.com/press).

## Personnel

The average number of personnel employed in Vaisala during January-June 2014 was 1,607 (1,457). The number of employees at the end of June 2014 was 1,659 (1,502) and it includes 53 summer trainees. At the end of 2013, the number of employees was 1,563.

At the end of June 2014, 42% (40%) of the personnel was based outside Finland.

## Vaisala 2014-2018 strategy and long-term financial targets

Vaisala's Board of Directors confirmed the 2014-2018 strategy in May 12 2014. Vaisala's goal of profitable growth will be achieved through the implementation of the strategic themes: creation of customer value, reliability, and simplification.

In Weather Business Area additional customer value will be created by building new business around decision support services that are offered to renewable energy, aviation and roads customers. Controlled Environment Business Area will focus on enhancing offering and developing the sales channel for life science and industrial customers in order to create value for customers' operations.

Reliability will create customer satisfaction and loyalty. High quality of products and services, well-functioning customer service and on-time actions will deliver reliable customer experience.

Simplification will create operational efficiency. Optimized global networks, streamlined supply chains, common capabilities and continual improvement in all functions will ensure increased efficiency of Vaisala's operations.

**Vaisala's long-term financial targets**

**Growth:** Vaisala targets an average annual growth of 5%. In selected growth businesses such as renewable energy and life science the target is to exceed 10% annual growth.

**Profitability:** Vaisala's objective is profitable growth and the target is to achieve 15% operating profit (EBIT) margin towards the end of the period.

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

**Near-term risks and uncertainties**

Vaisala's business is exposed to changes in the global economy, politics, policies, regulations, Vaisala's supply chain, and accidents as well as natural disasters, which may affect business e.g. through order cancellations, disturbance in logistics, and loss of market potential. 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 revenue and profitability.

The most significant near term risks and uncertainties that may affect both revenue and profitability relate to the company's ability to maintain its delivery capability, availability of critical components, interruptions in manufacturing and associated IT systems, changes in the global economy, expanded western sanctions against Russia, currency exchange rates, customers' financing capability, changes in customers' purchasing or investment behavior, and delays or cancellations of orders. Changes in the competition may affect the volume and profitability of business through introduction of new competitors and price erosion in areas which traditionally have been strong for Vaisala. Changes in subcontractor relations, their operations or operating environment as well as the quality of the deliverables may have a negative impact on Vaisala's business.

A significant part of Vaisala's business is project business. Project business performance and schedules have dependencies to third parties, which may impact profitability and the timing of revenue recognition. Assumptions regarding new project and service business opportunities constitute a risk for both revenue and profitability.

Further information about risk management in Vaisala is available on the company website at <http://www.vaisala.com/investors>, Corporate Governance.

**Decisions by Vaisala Corporation's Annual General Meeting**

Annual General Meeting was held on Wednesday, March 26, 2014 at Vaisala's head office in Finland. 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, 2013.

**Dividend**

The Annual General Meeting decided a dividend of EUR 0.90 per share, corresponding to the total of EUR 16,253,292.60. The record date for the dividend payment was March 31, 2014 and the payment date was April 7, 2014.

**Remuneration of the members of the Board of Directors**

The Annual General Meeting decided that the annual fee payable to the Board members for the term until the close of the Annual General Meeting in 2015 is: the Chairman of the Board of Directors EUR 45,000 and each Board member EUR 35,000. 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 decided that the compensation per attended meeting for the Chairman of the Audit Committee is EUR 1,500 and EUR 1,000 for each member of the Audit Committee for the term until the close of the Annual General Meeting in 2015. The compensation per attended meeting for the Chairman and each member of the Remuneration and HR Committee and any other committee established by the Board of Directors is EUR 1,000 for the term until the close of the Annual General Meeting in 2015.

**Composition of the Board of Directors**

The Annual General Meeting confirmed that the number of Board members is seven. Mikko Niinivaara and Raimo Voipio were re-elected for the term until the close of the Annual General Meeting in 2017. Petra Lundström and Pertti Torstila were elected as new members of the Board of Directors. Due to stipulations of the Articles of Association concerning the term of the members of the Board of Directors Petra Lundström was elected for the term until the close of the Annual General Meeting in 2015. Pertti Torstila was elected for the term until the close of the Annual General Meeting in 2017.

**Auditor and their remuneration**

The Annual General Meeting elected Deloitte & Touche Oy, Authorized Public Accountants, as auditor of the Company until the close of the Annual General Meeting in 2015. Deloitte & Touche Oy has informed that APA Merja Itäniemi will act as the auditor with the principal responsibility. The Auditor's fee is paid according to their reasonable invoice presented to the company.

**Authorization for directed acquisition of own A shares**

The Annual General Meeting authorized the Board of Directors to decide on the directed acquisition of a maximum of 160,000 of the Company's own A shares in one or more instalments with funds belonging to the Company's unrestricted equity. The new authorization replaces the previous one and is valid until the closing of the Annual General Meeting in 2015, however, no longer than September 26, 2015.

**Authorization to transfer Company's own shares**

The Annual General Meeting authorized the Board of Directors to decide on the transfer of a maximum of 319,150 own A-shares. The transfer of own shares may be carried out in deviation from the shareholders' pre-emptive rights and may be transferred as a directed issue without payment as part of the Company's share based incentive plan. The authorization can also be used to grant special rights entitling subscription of own shares, and the subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind. The new authorization replaces the previous one and is valid until March 26, 2019.

**Donations**

The Annual General Meeting authorized the Board of Directors to decide on donations of maximum EUR 250,000. The authorization is valid until the close of the Annual General Meeting in 2015.

## 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:

### Audit Committee

Maija Torkko 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.

### Remuneration and Human Resources Committee

Raimo Voipio was elected as the Chairman and Yrjö Neuvo and Maija Torkko as members of the Remuneration and Human Resources Committee. Raimo Voipio is independent of the Company. Yrjö Neuvo and Maija Torkko are independent both of the Company and of significant shareholders.

## Vaisala's shares

In January–June 2014, a total number of 621,649 (1,741,812) Vaisala A shares with a value totaling EUR 14.5 (34.2) million were traded on the NASDAQ OMX Helsinki Ltd. On June 30, 2014 the closing price was EUR 23.95 (19.77). The highest quotation during January-June 2014 was EUR 24.98 (22.13) and the lowest EUR 21.06 (16.04).

On June 30, 2014, Vaisala had 18,218,364 shares, of which 3,389,351 are series K-shares and 14,829,013 are series A-shares. The shares have no counter book value. 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.

The market value of Vaisala's A-shares on June 30, 2014 was EUR 351.3 (290.0) 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 432.5 (357.0) million, excluding the Company's treasury shares.

More information about Vaisala's share and shareholders are presented on the website, [www.vaisala.com/investors](http://www.vaisala.com/investors).

### Treasury shares and parent company shares

At the end of June 2014, the Company held a total of 159,150 (159,150) Vaisala A-shares, which represented 0.9% (0.9%) of the share capital and 0.2% (0.2%) of the votes. The consideration paid for these shares was EUR 2,527,160 (2,527,160).

## Market outlook

Vaisala expects that decent macroeconomic conditions, customers' activity and good order book indicate increasing weather observation and industrial measurement solutions market. However, outlook still varies significantly between customer groups and geographical areas and overall expectations do not refer to

significant upturn. Within reviving weather observations markets it remains challenging to forecast customers' timing for decision making and acceptance of larger customer projects, having potentially material impact to overall Vaisala weather business.

In EMEA demand for weather observation solutions is expected to remain solid. Enquiries from industrial measurement customers have showed a slightly positive trend, but European economic conditions do not indicate significant improvement in market conditions.

In Americas market outlook for weather observation and industrial measurement solutions has been improving, supported by the U.S. governmental and industrial customers.

Weather observation market in APAC is expected to remain active. Market outlook for industrial measurement solutions in APAC is expected to be stable.

### **Business outlook for 2014**

Business outlook for 2014 net sales range is narrowed: Vaisala estimates its full year 2014 net sales to be in the range of EUR 290-305 million and the operating result (EBIT) in the range of EUR 20-30 million.

#### **Previous business outlook from February 10, 2014**

Vaisala estimates its full year 2014 net sales to be in the range of EUR 290–320 million and the operating result (EBIT) in the range of EUR 20–30 million.

Vantaa, July 23, 2014

Vaisala Corporation  
Board of Directors

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

## Financial information and changes in accounting policies

This interim financial report has been prepared in accordance with IAS 34, Interim Financial Reporting, following the same accounting policies and principles as in the annual financial statements for 2013. All figures in the interim report 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 financial report is unaudited.

<b>Consolidated Statement of Income</b>					
<b>EUR million</b>	<b>4-6/ 2014</b>	<b>4-6/ 2013</b>	<b>1-6/ 2014</b>	<b>1-6/ 2013</b>	<b>1-12/ 2013</b>
Net sales	68.7	65.2	126.2	130.9	273.2
Costs of sales	-34.5	-32.1	-64.3	-65.7	-138.9
<b>Gross profit</b>	<b>34.2</b>	<b>33.1</b>	<b>61.8</b>	<b>65.1</b>	<b>134.3</b>
Sales, marketing and administrative costs	-23.7	-21.0	-46.3	-41.9	-84.7
Research and development costs	-8.7	-7.0	-17.0	-14.7	-28.9
Other operating income and expense	0.3	0.0	0.3	1.6	-2.6
<b>Operating profit (loss)</b>	<b>2.1</b>	<b>5.1</b>	<b>-1.1</b>	<b>10.2</b>	<b>18.1</b>
Share of result in associated companies	-	-	-	-	0.1
Financial income and expenses, net	0.2	-0.4	0.0	-0.2	-1.0
<b>Profit (loss) before taxes</b>	<b>2.2</b>	<b>4.7</b>	<b>-1.1</b>	<b>9.9</b>	<b>17.2</b>
Income taxes	-0.8	-1.1	0.3	-3.4	-6.2
<b>Profit (loss) for the period</b>	<b>1.4</b>	<b>3.6</b>	<b>-0.8</b>	<b>6.5</b>	<b>10.9</b>
Earnings per share, EUR	0.08	0.20	-0.05	0.36	0.60
Diluted earnings per share, EUR	0.08	0.20	-0.05	0.36	0.60

**Consolidated Statement of Comprehensive Income**

<b>EUR million</b>	<b>4-6/ 2014</b>	<b>4-6/ 2013</b>	<b>1-6/ 2014</b>	<b>1-6/ 2013</b>	<b>1-12/ 2013</b>
<b>Items that will not be reclassified to profit or loss</b>					
Actuarial loss on post-employment benefits	0.0	0.0	0.0	0.0	-0.1
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Currency translation differences	0.5	-1.7	0.5	-1.0	-3.2
<b>Total</b>	<b>0.5</b>	<b>-1.7</b>	<b>0.5</b>	<b>-1.0</b>	<b>-3.2</b>
<b>Total other comprehensive income</b>	<b>0.5</b>	<b>-1.7</b>	<b>0.5</b>	<b>-1.0</b>	<b>-3.3</b>
<b>Total comprehensive income</b>	<b>1.9</b>	<b>1.8</b>	<b>-0.4</b>	<b>5.5</b>	<b>7.6</b>

**Consolidated Statement of Financial Position**

<b>EUR million</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>December 31, 2013</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	36.5	29.8	35.9
Property, plant and equipment	45.0	48.6	46.8
Investments	0.1	0.1	0.1
Investment in associated companies	0.7	0.7	0.7
Long-term receivables	0.3	1.0	0.9
Deferred tax assets	9.2	5.5	8.0
<b>Total non-current assets</b>	<b>91.7</b>	<b>85.6</b>	<b>92.5</b>
<b>Current assets</b>			
Inventories	34.9	30.8	28.6
Trade and other receivables	59.2	55.0	57.4
Income tax receivables	2.2	1.3	1.4
Cash and cash equivalents	25.6	61.5	45.8
<b>Total current assets</b>	<b>121.9</b>	<b>148.5</b>	<b>133.2</b>
<b>Total assets</b>	<b>213.6</b>	<b>234.1</b>	<b>225.6</b>

<b>Shareholders' equity and liabilities</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>December 31, 2013</b>
<b>Shareholders' equity</b>			
Share capital	7.7	7.7	7.7
Share premium	-	22.3	-
Other reserves	1.9	1.3	1.5
Cumulative translation adjustment	-3.2	-1.4	-3.6
Treasury shares	-2.5	-2.5	-2.5
Retained earnings	138.8	151.8	155.9
<b>Total shareholders' equity</b>	<b>142.6</b>	<b>179.0</b>	<b>158.9</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	0.0	0.2	0.0
Post-employment benefit obligations	0.7	0.4	0.7
Deferred tax liabilities	5.0	0.4	5.2
Provisions for other liabilities and charges	-	0.1	-
Other long-term liabilities	3.0	2.1	2.1
<b>Total non-current liabilities</b>	<b>8.7</b>	<b>3.3</b>	<b>8.0</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	0.0	0.2	0.0
Advances received	4.1	3.2	3.7
Income tax liabilities	0.1	1.4	0.3
Provisions for other liabilities and charges	-	0.1	-
Trade and other payables	58.0	46.9	54.8
<b>Total current liabilities</b>	<b>62.2</b>	<b>51.8</b>	<b>58.7</b>
<b>Total shareholders' equity and liabilities</b>	<b>213.6</b>	<b>234.1</b>	<b>225.6</b>

### Consolidated Statement of Changes in Shareholders' Equity

<b>EUR million</b>	Share capital	Share premium	Other reserves	Treasury shares	Translation adjustment	Retained earnings	Total
<b>Balance at Jan 1, 2013</b>	7.7	22.3	0.7	-2.5	-0.5	161.4	189.2
Profit (loss) for the period						6.5	6.5
Other comprehensive income					-1.0		-1.0
Dividend paid						-16.2	-16.2
Share-based payment			0.5				0.5
<b>Balance at June 30, 2013</b>	<b>7.7</b>	<b>22.3</b>	<b>1.3</b>	<b>-2.5</b>	<b>-1.4</b>	<b>151.8</b>	<b>179.0</b>



EUR million	Share capital	Other reserves	Treasury shares	Translation adjustment	Retained earnings	Total
<b>Balance at Jan 1, 2014</b>	7.7	1.5	-2.5	-3.6	155.9	158.9
Profit (loss) for the period					-0.8	-0.8
Other comprehensive income		0.0		0.5		0.5
Dividend paid					-16.3	-16.3
Share-based payment		0.4				0.4
<b>Balance at June 30, 2014</b>	<b>7.7</b>	<b>1.9</b>	<b>-2.5</b>	<b>-3.2</b>	<b>138.8</b>	<b>142.6</b>

### Consolidated Cash Flow Statement

EUR million	1-6/ 2014	1-6/ 2013	1-12/ 2013
<b>Cash flows from operating activities</b>			
Cash receipts from customers	134.7	138.6	282.8
Other income from business operations	0.3	0.1	0.2
Cash paid to suppliers and employees	-134.7	-129.3	-246.3
Financials paid, net	0.2	-0.1	-0.8
Income taxes paid, net	-2.1	-4.1	-7.7
<b>Cash flow from operating activities</b>	<b>-1.5</b>	<b>5.3</b>	<b>28.2</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired	-	-	-12.3
Capital expenditure on fixed assets	-3.7	-4.1	-7.1
Divestments	1.0	2.5	2.6
<b>Cash flow from investing activities</b>	<b>-2.6</b>	<b>-1.6</b>	<b>-16.8</b>
<b>Cash flows from financing activities</b>			
Return of capital	-	-	-22.2
Dividends paid	-16.2	-16.2	-16.2
Change in loan receivables	0.1	0.0	-0.1
Change in leasing liabilities	0.0	0.0	-0.6
<b>Cash flow from financing activities</b>	<b>-16.2</b>	<b>-16.2</b>	<b>-39.1</b>
Cash and cash equivalents at the beginning of period	45.8	74.8	74.8
Net increase (+) / decrease (-) in cash and cash equivalents	-20.3	-12.5	-27.7
Effect from changes in exchange rates	0.1	-0.8	-1.3
<b>Cash and cash equivalents at the end of period</b>	<b>25.6</b>	<b>61.5</b>	<b>45.8</b>

## Notes for Interim Report

### Orders Received by Business Area

EUR million	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Weather	52.1	46.7	102.5	87.6	208.3
Controlled Environment	18.4	18.9	36.6	36.7	74.6
<b>Total</b>	<b>70.6</b>	<b>65.6</b>	<b>139.1</b>	<b>124.2</b>	<b>282.9</b>

### Net Sales by Business Area

EUR million	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Weather					
Products	22.7	25.5	41.7	49.6	97.3
Projects	19.0	14.6	30.0	30.1	70.0
Services	8.2	7.0	17.3	14.9	32.7
<b>Total</b>	<b>49.8</b>	<b>47.1</b>	<b>89.0</b>	<b>94.7</b>	<b>200.0</b>
Controlled Environment					
Products	16.5	15.8	32.7	31.8	64.2
Services	2.4	2.2	4.5	4.4	9.0
<b>Total</b>	<b>18.9</b>	<b>18.1</b>	<b>37.2</b>	<b>36.2</b>	<b>73.2</b>
Sales, eliminations and others	0.0	0.0	0.0	0.0	0.1
<b>Total Sales</b>	<b>68.7</b>	<b>65.2</b>	<b>126.2</b>	<b>130.9</b>	<b>273.2</b>

### Operating Result by Business Area

EUR million	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Weather	0.8	3.2	-4.0	5.2	14.5
Controlled Environment	1.5	2.2	3.7	3.9	4.0
Eliminations and other	-0.3	-0.3	-0.8	1.0	-0.4
<b>Total</b>	<b>2.1</b>	<b>5.1</b>	<b>-1.1</b>	<b>10.2</b>	<b>18.1</b>

### Net Sales by Geographical Area

EUR million	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
EMEA	24.4	21.8	46.5	47.1	98.6
Americas	25.6	24.7	47.5	48.7	107.8
APAC	18.7	18.7	32.2	35.0	66.9
<b>Total</b>	<b>68.7</b>	<b>65.2</b>	<b>126.2</b>	<b>130.9</b>	<b>273.2</b>

<b>Personnel</b>					
	<b>4-6/ 2014</b>	<b>4-6/ 2013</b>	<b>1-6/ 2014</b>	<b>1-6/ 2013</b>	<b>1-12/ 2013</b>
Average personnel	1,631	1,470	1,607	1,457	1,485
Personnel at the end of period	1,659	1,502	1,659	1,502	1,563

<b>Financial Instruments</b>					
	<b>4-6/ 2014</b>	<b>4-6/ 2013</b>	<b>1-6/ 2014</b>	<b>1-6/ 2013</b>	<b>1-12/ 2013</b>
Nominal value of financial derivatives, EUR million	19.2	20.3	19.2	20.3	19.7
Fair values of financial derivatives, assets, EUR million	0.0	0.2	0.0	0.2	0.6
Fair values of financial derivatives, liabilities, EUR million	0.2	0.1	0.2	0.1	0.0

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/ 2014</b>	<b>4-6/ 2013</b>	<b>1-6/ 2014</b>	<b>1-6/ 2013</b>	<b>1-12/ 2013</b>
Number of shares outstanding, thousand	18,059	18,059	18,059	18,059	18,059
Number of treasury shares, thousand	159	159	159	159	159
Number of shares, diluted, thousand	18,253	18,209	18,253	18,209	18,187
Number of shares, weighted average, thousand	18,059	18,059	18,059	18,059	18,059
Number of shares traded, thousand	197	503	622	1,742	2,877
Share price, highest, EUR	24.98	22.13	24.98	22.13	23.47
Share price, lowest, EUR	21.26	18.22	21.06	16.04	16.04

<b>Key Ratios</b>					
	<b>4-6/ 2014</b>	<b>4-6/ 2013</b>	<b>1-6/ 2014</b>	<b>1-6/ 2013</b>	<b>1-12/ 2013</b>
Earnings per share, EUR	0.08	0.20	-0.05	0.36	0.60
Earnings per share, diluted, EUR	0.08	0.20	-0.05	0.36	0.60
Equity per share, EUR	7.90	9.91	7.90	9.91	8.80
Cash flow from operating activities per share, EUR			-0.08	0.29	1.55
Solvency ratio, %	68.1	77.5	68.1	77.5	71.6
Return on equity, %			-1.1	7.1	6.3

#### **Further information**

Kaarina Muurinen, CFO  
 Mobile +358 40 577 5066  
 Vaisala Corporation

#### **Briefing and Audiocast**

Briefing for analysts and media will be arranged in Hotel Kämp, Paavo Nurmi meeting room, Pohjoisesplanadi 29, Helsinki starting at 4 p.m. (EEST) today. The presentation of Kjell Forsén, President

and CEO, at the briefing will be audiocast live at [www.vaisala.com/investors](http://www.vaisala.com/investors) starting at 4 p.m. A recording of the audiocast will be published at the same address at 6 p.m.

**January-September 2014 Interim Report**

Vaisala will publish its January-September 2014 Interim Report on October 22, 2014 at approximately 2:00 p.m. Finnish time.

**Distribution:**

NASDAQ OMX Helsinki

Key media

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

Vaisala is a global leader in environmental and industrial measurement. Building on 78 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 1,500 professionals worldwide and is listed on the NASDAQ OMX Helsinki stock exchange. [www.vaisala.com](http://www.vaisala.com)    [www.twitter.com/VaisalaGroup](https://www.twitter.com/VaisalaGroup)