

Vaisala Corporation Financial Statement Release 2020

Challenging year ended with strong order intake

Fourth quarter 2020 highlights

- Orders received EUR 111.9 (103.3) million, increase 8%
- Order book at the end of the period EUR 137.8 (139.0) million, decrease 1%
- Net sales EUR 106.9 (118.1) million, decrease 10%
- Operating result (EBIT) EUR 12.2 (17.7) million, 11.4 (15.0) % of net sales
- Earnings per share EUR 0.24 (0.41)
- Cash flow from operating activities EUR 24.3 (23.1) million

January–December 2020 highlights

- Orders received EUR 382.8 (419.4) million, decrease 9%
- Net sales EUR 379.5 (403.6) million, decrease 6%
- Operating result (EBIT) EUR 44.8 (41.1) million, 11.8 (10.2) % of net sales
- Earnings per share EUR 0.91 (0.94)
- Cash flow from operating activities EUR 41.0 (40.8) million
- Cash and cash equivalents at the end of the period EUR 45.4 (56.4) million, decrease 19%
- The Board of Directors proposes to the Annual General Meeting that dividend of EUR 0.61 per outstanding share be paid out of distributable earnings.

Market development and business outlook for 2021

COVID-19 pandemic will continue to cause significant uncertainty in 2021. Still, the global economy is expected to continue to recover in 2021.

Market for high-end industrial instruments is expected to recover after weak 2020. Life science and power industry market is expected to continue to grow.

Meteorology market in developing countries is expected to continue to suffer due to lack of funding and delayed decision making while demand in developed countries is expected to remain stable. Aviation market declined significantly in 2020 as a result of the global pandemic, and market outlook remains weak, although some recovery is expected. Ground transportation market is expected to be stable. Renewable energy market is expected to continue to grow.

Vaisala estimates that its full-year 2021 net sales will be in the range of EUR 370–400 million and its operating result (EBIT) will be in the range of EUR 30–45 million.

Key figures						
MEUR	10-12/ 2020	10-12/ 2019	Change	1-12/ 2020	1-12/ 2019	Change
Orders received	111.9	103.3	8%	382.8	419.4	-9%
Order book	137.8	139.0	-1%	137.8	139.0	-1%
Net sales	106.9	118.1	-10%	379.5	403.6	-6%
Gross profit	59.7	66.2	-10%	212.9	221.2	-4%
Gross margin, %	55.8	56.0		56.1	54.8	
Operating expenses	48.0	48.9	-2%	169.2	177.3	-5%
Operating result	12.2	17.7		44.8	41.1	
Operating result, %	11.4	15.0		11.8	10.2	
Result before taxes	11.2	16.5		41.3	40.2	
Result for the period	8.6	15.1		32.8	33.6	
Earnings per share	0.24	0.41	-43%	0.91	0.94	-2%
Return on equity, %				16.3	17.7	
Capital expenditure	7.0	10.5	-34%	31.0	26.8	16%
Depreciation, amortization and impairment	5.4	6.0	-10%	21.1	23.5	-10%
Cash flow from operating activities	24.3	23.1	5%	41.0	40.8	0%
Cash and cash equivalents				45.4	56.4	-19%
Interest-bearing liabilities				57.0	51.5	11%
Gearing, %				5.7	-2.4	

Vaisala's President and CEO Kai Öistämö

“Vaisala’s 2020 ended with strong quarterly order intake. Demand for both industrial measurement solutions and weather observation solutions picked up considerably compared to the earlier three quarters. Industrial Measurements business area’s demand growth was led by pharmaceutical customer segment including COVID-19 vaccine suppliers, and orders received increased by 11% compared to previous year. In addition to growth in continuous monitoring systems, demand for power industry applications and industrial instruments grew. In Weather and Environment business area, orders received increased by 7% following good demand in meteorological customer segment.

Fourth quarter net sales decreased by 10% year on year following weak orders received in Weather and Environment business during the first nine months. Net sales in services business decreased as we discontinued our assessment business provided for renewable energy segment. On the other hand, Industrial Measurements business area returned to growth path with 10% net sales growth compared to previous year. Net sales grew in all regions, strongest in APAC region. Fourth quarter operating result fell short of previous year’s level following decrease in net sales.

In 2020, Industrial Measurements business area’s flagship markets, high-end humidity and high-end carbon dioxide, as well as liquid measurements were most hit by consequences of the COVID-19 pandemic and customers’ delayed decision making. However, demand increased during the second half and especially the fourth quarter of the year gave signs of recovery. Within the growth businesses, annual growth of continuous monitoring systems was good especially in pharmaceutical customer segment. Growth of power industry applications accelerated. Demand for liquid measurements solutions declined, and development of the business was disappointing. These growth businesses together accounted for one fourth of the business area’s net sales.

In 2020, Weather and Environment business area's project deliveries proceeded well despite delays in some project implementations caused by the COVID-19 pandemic. On-going large projects represented three quarters of business area's project net sales. Net sales of wind lidar business fell short of previous year's level, as did the entire Weather and Environment business area. Net sales of digital services grew, although we discontinued our assessment business provided for renewable energy segment. Refocus and reorganization helped digital business to improve its profitability and to reach target level.

In 2020, orders received and net sales decreased compared to previous year. Weather and Environment business area's order intake suffered significantly due to the COVID-19 pandemic and its impact in particular to developing markets and aviation market. Consequently, net sales of the business areas fell short of the previous year's level. At the same time, Industrial Measurements business area's orders received increased following improved demand during the second half. Pick-up in demand helped the business area to reach previous year's level in net sales.

Despite decrease in delivery volumes during 2020, gross margin and operating result improved. This is excellent result and allowed us to continue investments in future capabilities such as research and development, sales and marketing as well as process development. Operating result margin was 11.8%, which is close to our long-term target.

I would like to thank our personnel, partners and customers for commitment, flexibility and adaption to this exceptional situation. Special thanks to our employees in operations and logistics, who have kept the wheels spinning. All teams adopted remote work practices just in days and they have successfully continued to generate new ideas and initiatives for new ways of working.

COVID-19 pandemic will continue to cause significant uncertainty in 2021. Still, the global economy is expected to grow in 2021. Industrial instrument market is expected to recover during 2021. Weather dependent customers are more mixed. Especially in developing countries and in aviation market, customers are expected to continue to suffer. We showed good resilience in difficult market environment during 2020. This gives us good basis to pursue our long-term ambitions.”

Financial review Q4 2020

Orders received and order book

MEUR	10-12/ 2020	10-12/ 2019	Change	FX*	2019
Orders received	111.9	103.3	8%	11%	419.4
Order book, end of period	137.8	139.0	-1%		139.0

* Change with comparable exchange rates

Fourth quarter 2020 orders received were EUR 111.9 (103.3) million and increased by 8% compared to previous year. Orders received increased in both business areas. In Weather and Environment business area, orders received increased by 7%. Orders received increased mainly in Latin America and Europe and decreased in North America and MEA. Orders received in Industrial Measurements business area increased by 11% following order growth in all regions and especially in Americas region and China. Growth was wide-ranging and came from continuous monitoring systems, power industry applications, and industrial instruments.

At the end of December 2020, order book amounted to EUR 137.8 (139.0) million and decreased by 1% compared to previous year. In Weather and Environment business area, order book decreased by 2% mainly as a result of weak orders received in MEA throughout the year as well as reduced scope and value of the Argentina contract. EUR 13 million weather infrastructure project order with the National Meteorology Agency in Ethiopia, announced in October 2019, is not included in order book. Order book for Industrial Measurements business area increased by 7% compared to previous year following strong orders received during the fourth quarter and increase was highest in Americas region. EUR 100.1 (101.4) million of the order book is scheduled to be delivered in 2021.

Financial performance

MEUR	10-12/ 2020	10-12/ 2019	Change	FX**	2019
Net sales	106.9	118.1	-10%	-7%	403.6
Products	77.2	80.0	-4%		278.5
Projects	15.7	23.2	-32%		73.2
Services	14.0	14.9	-6%		51.9
Gross margin, %	55.8	56.0			54.8
Operating expenses	48.0	48.9	-2%		177.3
R&D expenditure	14.6	13.6	7%		52.8
% of net sales	13.7	11.5			13.1
Amortization*	1.9	2.4			9.6
Operating result	12.2	17.7			41.1
% of net sales	11.4	15.0			10.2

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Net sales by region

MEUR	10-12/ 2020	10-12/ 2019	Change	2019
Americas	37.8	43.5	-13%	149.7
APAC	32.0	34.0	-6%	119.6
EMEA	37.1	40.6	-9%	134.3
Total	106.9	118.1	-10%	403.6

Fourth quarter 2020 net sales decreased by 10% compared to previous year and were EUR 106.9 (118.1) million. Foreign currency translation impact on net sales was negative EUR 3.2 million, evenly distributed between business areas. In Weather and Environment business area, net sales decreased by 18%, mainly in project and product businesses. Decrease of net sales followed weak orders received during the year and delays in some project implementations due to restrictions related to the COVID-19 pandemic. Main reason for the decrease in services business net sales was discontinuation of assessment services provided for renewable energy segment. In Industrial Measurements business area, net sales increased by 10%. Net sales increased in all regions, strongest in APAC region. Net sales growth was wide-ranging and came from industrial instruments, continuous monitoring systems, and power industry applications.

Fourth quarter 2020 gross margin was 55.8 (56.0) %. Operating result decreased from previous year to EUR 12.2 (17.7) million, 11.4 (15.0) % of net sales following decrease in net sales. Operating expenses decreased compared to previous year due to restrictions imposed by the COVID-19 pandemic. On the other hand, investments to research and development, sales and marketing as well as in process development continued.

Fourth quarter 2020 financial income and expenses were EUR -1.2 (-1.3) million. This was mainly a result of valuation of USD denominated receivables. Result before taxes was EUR 11.2 (16.5) million and result for the period EUR 8.6 (15.1) million. Earnings per share was EUR 0.24 (0.41).

Financial review January–December 2020

Orders received and order book

MEUR	1-12/ 2020	1-12/ 2019	Change	FX*
Orders received	382.8	419.4	-9%	-8%
Order book, end of period	137.8	139.0	-1%	

* Change with comparable exchange rates

January–December 2020 orders received, EUR 382.8 (419.4) million, were impacted by the global economic downturn caused by the COVID-19 pandemic and decreased by 9% compared to strong comparison period. In Weather and Environment business area, orders received decreased due to lack of large project orders. Orders received decreased mainly in aviation segment and somewhat in ground transportation. Majority of the decrease came from Latin America and MEA. Orders received in APAC region decreased as well. Orders received increased in North America and in Europe. Orders received in Industrial Measurements business area increased by 2% as a result of improved demand during the second half and especially the fourth quarter of the year. Orders received increased in Americas and APAC regions and were flat in EMEA. Increase in orders received came from continuous monitoring systems and power industry applications, whereas demand

for liquid measurements solutions decreased. Orders received for industrial instruments were at previous year's level.

Financial performance

MEUR	1-12/ 2020	1-12/ 2019	Change	FX**
Net sales	379.5	403.6	-6%	-5%
Products	267.3	278.5	-4%	
Projects	59.3	73.2	-19%	
Services	52.9	51.9	2%	
Gross margin, %	56.1	54.8		
Operating expenses	169.2	177.3	-5%	
R&D expenditure	53.2	52.8	1%	
% of net sales	14.0	13.1		
Amortization*	7.5	9.6		
Operating result	44.8	41.1		
% of net sales	11.8	10.2		

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Net sales by region

MEUR	1-12/ 2020	1-12/ 2019	Change
Americas	134.9	149.7	-10%
APAC	110.4	119.6	-8%
EMEA	134.2	134.3	-0%
Total	379.5	403.6	-6%

January–December 2020 net sales decreased by 6% compared to previous year and were EUR 379.5 (403.6) million. Operations outside Finland accounted for 97 (98) % of net sales. Foreign currency translation impact on net sales was negative EUR 3.3 million, evenly distributed between business areas. Net sales in Weather and Environment business area decreased by 10% compared to previous year as a result of decrease in both project and product deliveries. Net sales decreased in all other regions than in Europe. Industrial Measurements business area's net sales increased by 1% as a result of increase in APAC region, whereas net sales in EMEA and Americas regions were at previous year's level. Growth in net sales came mainly from continuous monitoring systems and power industry applications, whereas net sales of liquid measurements solutions decreased.

January–December 2020 gross margin improved to 56.1 (54.8) % as a result of profitability improvement in Weather and Environment business area's digital services and in Industrial Measurements business area's service business. Operating result increased from previous year to EUR 44.8 (41.1) million, 11.8 (10.2) % of net sales. Decrease in net sales decreased operating result, however, improved gross margin partially off-set the impact. Operating expenses decreased compared to previous year due to restrictions imposed by the COVID-19 and savings related to discontinuation of assessment services provided for renewable energy segment. On the other hand, investments to research and development, sales and marketing as well as in process development continued. Amortization of intangible assets, included in operating expenses, decreased by EUR 2.2 million compared to previous year. Other operating income and expenses improved operating result by

EUR 1.1 (-2.7) million. This included among others EUR 1.4 million cost related to discontinuation of assessment services provided for renewable energy segment and EUR 2.0 million positive impact mainly as valuation of contingent considerations related to acquired businesses decreased as a result of updated financial plans. Comparison period included among others cost related to Vaisala Digital refocus and reorganization, one-off expense related to a lease contract termination, as well as cost related to termination of a product line.

January–December 2020 financial income and expenses were EUR -3.6 (-1.1) million. This was mainly a result of valuation of USD denominated receivables and interest expenses. Income taxes were EUR 8.5 (6.6) million and effective tax rate 20.6 (16.3) %. Effective tax rate in 2019 was exceptionally low. Result before taxes was EUR 41.3 (40.2) million and result for the period EUR 32.8 (33.6) million. Earnings per share was EUR 0.91 (0.94).

Statement of financial position, cash flow and financing

Vaisala's financial position remained strong during January–December 2020. Cash and cash equivalents decreased to EUR 45.4 (56.4) million at the end of December. Dividend payment amounted to EUR 22.0 (20.8) million. At the end of December, statement of financial position totaled EUR 351.8 (361.5) million.

In January–December 2020, cash flow from operating activities remained at previous year's level totaling to EUR 41.0 (40.8) million.

On December 31, 2020, Vaisala had interest-bearing loans from financial institutions totaling EUR 45.2 (40.2) million, of which EUR 40.0 million related to term loan and EUR 5.0 million related to utilized revolving credit facility. In addition, interest-bearing lease liabilities totaled EUR 11.9 (11.3) million.

Capital expenditure

In January–December 2020, capital expenditure in intangible assets and property, plant and equipment totaled EUR 31.0 (26.8) million. Capital expenditure was mainly related to building projects in Vantaa, Finland and Louisville, Colorado US, as well as to investments in machinery and equipment to develop and maintain Vaisala's production and service operations. Louisville office building was finalized during the third quarter and Vantaa R&D building during the fourth quarter. On December 31, 2020, commitments related to building projects totaled EUR 0.3 (8.8) million.

Depreciation, amortization and impairment were EUR 21.1 (23.5) million. This included EUR 7.5 (9.6) million of amortization of identified intangible assets related to the acquired businesses.

Personnel

The average number of personnel employed during January–December 2020 was 1,911 (1,829). At the end of December 2020, the number of employees was 1,919 (1,837). 77 (74) % of employees were located in EMEA, 15 (16) % in Americas and 9 (9) % in APAC. 65 (62) % of employees were based in Finland.

Number of employees by region

	Dec 31, 2020	Dec 31, 2019	Change
Americas	281	297	-16
APAC	166	174	-8
EMEA (excluding Finland)	230	224	6
Finland	1,242	1,142	100
Total	1,919	1,837	82

Number of employees by function

	Dec 31, 2020	Dec 31, 2019	Change
Sales and marketing	467	449	18
R&D	446	407	39
Operations	470	441	29
Services	336	347	-11
Administration	200	193	7
Total	1,919	1,837	82

In addition to sales and marketing, number of employees increased mainly in R&D and operations. About half of the increase in R&D was related to in-sourcing of software development. Major part of the increase in operations related to product launches as well as process and system development. In Americas and APAC regions, number of employees declined mainly due to discontinuation of assessment services provided for renewable energy segment.

In January–December 2020, personnel expenses totaled EUR 154.1 (157.7) million.

Share-based incentive plans

The share issue without payment approved by Vaisala's Annual General Meeting on April 10, 2018 doubled the total number of series K and A shares. All share-related figures have been adjusted to reflect the increased number of shares. Until the end of 2017, the cost of the share part of the share-based payments corresponded to the value of Vaisala's series A share closing price on the grant date of the incentive plan, and the cash-settled part of the share-based payments was valued at the closing price of the share. As of January 1, 2018, the cost of the share part as well as the cash-settled (cash) part of the share-based payments correspond to the value of Vaisala's series A share closing price on the grant date of the incentive plan less expected discounted dividends.

On December 16, 2015, the Board of Directors resolved for the group key employees a share-based incentive plan that was based on the development of group's profitability in calendar year 2016. The reward payment corresponded to 49% of the maximum target. On March 5, 2019, a total of 88,452 company's series A shares were conveyed without consideration to the 30 key employees participating in this incentive plan. The rest of the reward was paid in cash. Closing price of Vaisala's series A share was EUR 11.57 on the grant date of the incentive plan. A total expense of this plan of EUR 2.3 million was recorded for 2016–2019.

On February 10, 2016, the Board of Directors resolved for a share-based incentive plan, in which the earning criteria was uninterrupted employment of certain group employees for a defined number of years. This share-based incentive plan ended in March 2018, and the remaining reward, corresponding to 3,000 Vaisala's series A shares including the cash portion, was conveyed without consideration to the key employees participating in this incentive plan. A total expense of this plan of EUR 0.3 million was recorded for 2016–2018.

On December 15, 2016, the Board of Directors resolved for the group key employees a share-based incentive plan that was based on the development of group's profitability in calendar year 2017. The reward payment corresponded to 65% of the maximum target. On March 3, 2020, a total of 118,950 company's series A shares were conveyed without consideration to 33 key employees participating in this incentive plan. The rest of the reward was paid in cash. In addition, on June 28, 2019, a total reward of 1,734 Vaisala's series A shares was conveyed without consideration to a key employee who participated in this incentive plan and the other half of the reward was paid in cash. Closing price of Vaisala's series A share was EUR 17.90 on the grant date of the incentive plan. A total expense of this plan of EUR 4.2 million was recorded for 2017–2020.

On February 7, 2018, the Board of Directors resolved for the group key employees a share-based incentive plan that was based on the development of group's profitability in calendar year 2018. The reward will be paid partly in Vaisala's series A shares and partly in cash in spring 2021. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 320,000 series A shares, and the reward payment will correspond to 55% of the maximum target. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from April 2018 to March 2021. Closing price of Vaisala's series A share was EUR 22.10 on the grant date of the incentive plan. On December 31, 2020, this share-based incentive plan was directed to 27 persons and the maximum reward payable totals to 166,200 Vaisala's series A shares, including the cash portion. On the grant date October 1, 2020, a total of 8,000 series A shares were directed to Kai Öistämö, President and CEO, and the earning criteria for these shares is uninterrupted service until the payment date. On June 28, 2019, a total reward of 461 Vaisala's series A shares was conveyed without consideration to a key employee who participated in this incentive plan and the other half of the reward was paid in cash.

On February 12, 2019, the Board of Directors resolved for approximately 45 group key employees a share-based incentive plan that is based on the development of the total shareholder return (TSR) and profitability in 2019–2021. The reward will be paid partly in Vaisala's series A shares and partly in cash in spring 2022. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 330,000 series A shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. In addition, Vaisala's Board of Directors requires that the President and CEO and each member of the Management Group retains his/her ownership of shares received under this plan until the value of his/her ownership in Vaisala corresponds to at least his/her annual gross base salary. The expenses of this share-based incentive plan are accrued over the term of the plan from April 2019 to March 2022. Closing price of Vaisala's series A share was EUR 19.06 on the grant date of the incentive plan. On December 31, 2020, this share-based incentive plan was directed to 44 persons. On the grant date October 1, 2020, a total of 4,000 series A shares were directed to Kai Öistämö, President and CEO, and the earning criteria for these shares is uninterrupted service until the payment date.

On February 12, 2020, the Board of Directors resolved for approximately 45 group key employees a share-based incentive plan that is based on the development of the total shareholder return (TSR) and profitability

in 2020–2022. The reward will be paid partly in Vaisala’s series A shares and partly in cash in spring 2023. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 240,000 series A shares. No reward will be paid if a key employee’s employment or service ends before the reward payment date. In addition, Vaisala’s Board of Directors requires that the President and CEO and each member of the Management Group retains his/her ownership of shares received under this plan until the value of his/her ownership in Vaisala corresponds to at least his/her annual gross base salary. The expenses of this share-based incentive plan are accrued over the term of the plan from May 2020 to March 2023. Closing price of Vaisala’s series A share was EUR 28.65 on the grant date of the incentive plan. On December 31, 2020, this share-based incentive plan was directed to 48 persons, including a total of 21,375 series A shares directed to Kai Öistämö, President and CEO, on the grant date October 1, 2020.

On December 17, 2020, the Board of Directors resolved for approximately 40 group key employees a share-based incentive plan that is based on the development of the total shareholder return (TSR) and profitability in 2021–2023. The reward will be paid partly in Vaisala’s series A shares and partly in cash in spring 2024. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 180,000 series A shares. No reward will be paid if a key employee’s employment or service ends before the reward payment date. In addition, Vaisala’s Board of Directors requires that the President and CEO and each member of the Management Group retains his/her ownership of shares received under this plan until the value of his/her ownership in Vaisala corresponds to at least his/her annual gross base salary.

Expenses for share-based incentive plans

EUR million	2016	2017	2018	2019	2020
Share-based incentive plans 2016	0.7	1.2	0.6	0.2	
Share-based incentive plan 2017		1.1	1.3	1.5	0.3
Share-based incentive plan 2018			0.6	1.2	1.5
Share-based incentive plan 2019				0.6	1.6
Share-based incentive plan 2020					0.6

Q4 and January–December 2020 review by business area

Weather and Environment business area

MEUR	10-12/ 2020	10-12/ 2019	Change	FX**	1-12/ 2020	1-12/ 2019	Change	FX**
Orders received	70.8	66.2	7%	9%	236.9	276.2	-14%	-14%
Order book, end of period	119.8	122.3	-2%		119.8	122.3	-2%	
Net sales	67.0	81.9	-18%	-16%	235.5	261.3	-10%	-9%
Products	40.9	47.0	-13%		137.4	149.0	-8%	
Projects	15.7	23.2	-32%		59.3	73.2	-19%	
Services	10.4	11.7	-11%		38.8	39.1	-1%	
Gross margin, %	51.5	52.7			51.0	49.9		
Operating expenses	29.6	31.1	-5%		106.3	113.0	-6%	
R&D expenditure	9.4	8.4	12%		34.1	34.0	0%	
of net sales, %	14.1	10.3			14.5	13.0		
Amortization*	1.5	2.0			5.8	6.9		
Operating result	5.2	12.1			14.6	17.7		
of net sales, %	7.8	14.7			6.2	6.8		

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Q4 2020 review

Weather and Environment business area's fourth quarter 2020 orders received increased by 7% compared to previous year and totaled EUR 70.8 (66.2) million. Orders received increased mainly in Latin America and Europe and decreased in North America and MEA.

At the end of December 2020, Weather and Environment business area's order book amounted to EUR 119.8 (122.3) million and decreased by 2% compared to previous year. Order book decreased mainly as a result of weak orders received in MEA throughout the year as well as reduced scope and value of the Argentina contract. On the other hand, order book increased by 19% in Europe and was flat in North America. EUR 13 million weather infrastructure project order with the National Meteorology Agency in Ethiopia, announced in October 2019, is not included in order book. EUR 83.6 (86.6) million of the order book is scheduled to be delivered in 2021.

Weather and Environment business area's fourth quarter 2020 net sales were EUR 67.0 (81.9) million and decreased by 18% compared to previous year, mainly in project and product businesses. Decrease of net sales followed weak orders received during the year and delays in some project implementations due to restrictions related to the COVID-19 pandemic. Main reason for the decrease in services business net sales was discontinuation of assessment services provided for renewable energy segment. Gross margin decreased to 51.5 (52.7) % as a result of low production volume.

Weather and Environment business area's fourth quarter 2020 operating result decreased compared to previous year as a result of low delivery volume and totaled EUR 5.2 (12.1) million, 7.8 (14.7) % of net sales. Operating expenses decreased compared to previous year due to restrictions imposed by the COVID-19

pandemic and savings related to discontinuation of assessment services provided for renewable energy segment. On the other hand, investments to research and development continued.

January–December 2020 review

Weather and Environment business area's January–December 2020 orders received were EUR 236.9 (276.2) million and decreased by 14% compared to strong comparison period and due to lack of large project orders. Orders received decreased mainly in aviation segment and somewhat in ground transportation. Majority of the decrease came from Latin America and MEA. Orders received in APAC region decreased as well. Orders received increased in North America and in Europe.

Weather and Environment business area's January–December 2020 net sales decreased by 10% compared to previous year as a result of decrease in both project and product deliveries and were EUR 235.5 (261.3) million. Net sales decreased in all other regions than in Europe. On-going large projects represented three quarters of business area's project net sales. Gross margin was 51.0 (49.9) %. Profitability improved in digital services.

Weather and Environment business area's January–December 2020 operating result decreased compared to previous year and totaled EUR 14.6 (17.7) million, 6.2 (6.8) % of net sales. Decrease in net sales decreased operating result, however, improved gross margin partially off-set the impact. Operating expenses decreased compared to previous year due to restrictions imposed by the COVID-19 pandemic and savings related to discontinuation of assessment services provided for renewable energy segment. Amortization of intangible assets, included in operating expenses, decreased by EUR 1.0 million compared to previous year and improved operating result. Other operating income and expenses improved operating result. This included among others EUR 1.4 million cost related to discontinuation of assessment services provided for renewable energy segment and EUR 1.9 million positive impact mainly as valuation of contingent considerations related to acquired businesses decreased as a result of updated financial plans.

Industrial Measurements business area

MEUR	10-12/ 2020	10-12/ 2019	Change	FX**	1-12/ 2020	1-12/ 2019	Change	FX**
Orders received	41.1	37.1	11%	14%	146.0	143.2	2%	3%
Order book, end of period	18.0	16.8	7%		18.0	16.8	7%	
Net sales	39.9	36.3	10%	14%	143.9	142.3	1%	2%
Products	36.3	33.0	10%		129.9	129.5	0%	
Services	3.6	3.2	10%		14.1	12.8	10%	
Gross margin, %	63.3	63.8			64.4	63.9		
Operating expenses	17.0	17.7	-4%		61.5	63.4	-3%	
R&D expenditure	5.2	5.1	1%		19.2	18.8	2%	
of net sales, %	13.0	14.2			13.3	13.2		
Amortization*	0.4	0.4			1.7	2.8		
Operating result	8.3	5.5			31.6	26.1		
of net sales, %	20.8	15.1			21.9	18.4		

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Q4 2020 review

Industrial Measurements business area's fourth quarter 2020 orders received increased by 11% compared to previous year totaling to EUR 41.1 (37.1) million. Orders received increased in all regions and especially in Americas region and China. Growth was wide-ranging and came from continuous monitoring systems, power industry applications, and industrial instruments.

At the end of December 2020, Industrial Measurements business area's order book amounted to EUR 18.0 (16.8) million and increased by 7% compared to previous year following strong orders received during the fourth quarter and increase was highest in Americas region. EUR 16.6 (14.8) million of the order book is scheduled to be delivered in 2021.

Industrial Measurements business area's fourth quarter 2020 net sales were EUR 39.9 (36.3) million and increased by 10% compared to previous year. Net sales increased in all regions, strongest in APAC region. Net sales growth was wide-ranging and came from industrial instruments, continuous monitoring systems, and power industry applications. Gross margin was 63.3 (63.8) %.

Industrial Measurements business area's fourth quarter 2020 operating result increased compared to previous year and totaled EUR 8.3 (5.5) million, 20.8 (15.1) % of net sales. Net sales growth increased operating result. Operating expenses decreased compared to previous year due to restrictions imposed by the COVID-19 pandemic.

January–December 2020 review

Industrial Measurements business area's January–December 2020 orders received increased by 2% compared to previous year as a result of improved demand during the second half and especially the fourth quarter of the year and totaled EUR 146.0 (143.2) million. Orders received increased in Americas and APAC regions and were flat in EMEA region. Increase in orders received came from continuous monitoring systems and power industry applications, whereas demand for liquid measurements solutions decreased. Orders received for industrial instruments were at previous year's level.

Industrial Measurements business area's January–December 2020 net sales increased by 1% compared to previous year and were EUR 143.9 (142.3) million. Net sales increased in APAC region, whereas net sales in EMEA and Americas regions were at previous year's level. Growth in net sales came mainly from continuous monitoring systems and power industry applications, whereas net sales of liquid measurements solutions decreased. Gross margin was on good level at 64.4 (63.9) %.

Industrial Measurements business area's January–December 2020 operating result improved from previous year and totaled EUR 31.6 (26.1) million, 21.9 (18.4) % of net sales. Net sales growth and gross margin improvement increased operating result. Operating expenses decreased compared to previous year due to restrictions imposed by the COVID-19 pandemic. On the other hand, investments in research and development as well as in sales and marketing continued. Amortization of intangible assets, included in operating expenses, decreased by EUR 1.1 million compared to previous year. Comparison period included EUR 1.5 million one-off expense related to a lease contract termination.

Impact of the COVID-19 pandemic

The global economic downturn caused by the COVID-19 pandemic impacted especially airports customer segment and emerging markets. Weather and Environment business area missed larger project orders. Orders received decreased mainly in aviation segment and somewhat in ground transportation. Orders received decreased the most in Latin America and MEA as well as in APAC. Industrial Measurements business area did not meet growth targets for industrial instruments and liquid measurements products due to volatile market situation. Even though orders received increased in Americas and APAC regions, they did not meet growth targets, and in EMEA orders received remained flat. Vaisala estimates that as a result of weakening demand as well as delays in some project deliveries due to restrictions related to the COVID-19 pandemic, lost orders received during January–December 2020 was in the range of EUR 30–40 million and lost net sales in the range of EUR 25–35 million. Related negative impact on operating result was offset by improved gross margin and low operating expenses.

Vaisala's production and logistics have been running smoothly as a result of successful mitigation activities. Vaisala has closely cooperated with its strategic suppliers to ensure availability of components. Inventory levels for most critical components were increasing during the first half of the year but were near to normal levels at the end of December 2020. Field service capabilities have been limited due to travel restrictions and lockdowns and thus limited access to customer sites.

Despite the COVID-19 pandemic, Vaisala has uninterruptedly carried on R&D projects as well as core process and system development to ensure progress of strategic projects according to plans.

Vaisala's financial position and cash flow remained strong despite EUR 31 million capital expenditure and EUR 22 million dividend payments in 2020. Gearing was 5.7% at the end of December 2020. No material changes were identified in customers' payment behavior and credit loss allowance remained on previous year's level.

Strategy and its implementation in 2020

In 2020, Vaisala continued to execute strategy for 2019–2023. Fundamentals of profitable growth are reliable products and solutions that are based on leading technologies, perform with superb quality, create value for our customers and optimize total cost of ownership.

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

In 2020, Industrial Measurements business area's flagship markets, high-end humidity and high-end carbon dioxide, as well as liquid measurements were most hit by consequences of the COVID-19 pandemic and customers' delayed decision making. However, demand increased during the second half and especially the fourth quarter of the year gave signs of recovery. Within the growth businesses, annual growth of continuous monitoring systems was good especially in pharmaceutical customer segment. Growth of power industry applications accelerated, which increased business' market share. Demand for liquid measurements solutions declined, and therefore, development of the business was a disappointment. These growth businesses together accounted for one fourth of the business area's net sales.

Industrial Measurements business area launched Indigo520 transmitter for harsh industrial environments. This transmitter allows dual probe installations and enables enhanced data visualization.

Industrial Measurements business area also launched a new high-performance probe HMP1 for humidity and temperature measurements in high-end facilities such as data centers. This probe is compatible with any Vaisala Indigo series transmitters. With the Indigo200 series transmitter it forms a single wall-mounted unit with no probe cable or probe holder. With the robust Indigo520 transmitter it offers flexibility to installations allowing optimal positioning of the probe.

In addition, Industrial Measurement business area introduced Vaisala Jade Smart Cloud, a remote measurement system allowing access to high-quality measurement data anywhere: The data can be viewed on the go; on a mobile device and on a pc or laptop. The Jade Smart Cloud is ideal for any structural moisture or ambient humidity trend measurement need.

Moreover, Industrial Measurement business area introduced a method for detecting power transformer air leaks. This accurate and reliable method, based on measuring total pressure of all dissolved gases in the power transformer insulation oil, will help customers detect and repair any air leaks early. This can extend the lifetime of a transformer and lead to significant cost savings. The new measurement solution will be made available to the current customers via a software release for Vaisala's Optimus™ DGA Monitor OPT100.

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

In 2020, Weather and Environment business area's project deliveries proceeded well despite delays in some project implementations caused by the COVID-19 pandemic. On-going large projects represented three quarters of business area's project net sales. Net sales of wind lidar business fell short of previous year's level, as did the entire Weather and Environment business area. During the second quarter, Vaisala decided to discontinue unprofitable assessment consulting services provided for renewable energy segment. This as well as earlier refocus and reorganization, enabled digital business to improve its profitability significantly, while net sales growth was marginal. Renewable energy segment remains a strategic growth area for Vaisala as it will continue to offer wind lidars and energy forecasting services to the segment to enable optimized operations and development activities.

Weather and Environment business area launched Vaisala Beacon, an easy-to-use compact weather station solution that provides reliable measurements, data collection, connectivity, end-to-end security and data visualization from the cloud in one package. For the first time, businesses have the opportunity to implement out of the box the premier weather intelligence Vaisala is known for, to ensure efficient and safe operations. For meteorologists, the offering amplifies through supplementary measurements their use of existing reference-grade observation networks.

Weather and Environment business area announced an improved version of its turbine nacelle mounted wind lidar, WindCube® Nacelle. It can measure the wind conditions at hub height and has the unprecedented capability to measure up to 700 meters ahead. The WindCube Nacelle's extraordinary measurement range and accuracy provides a complete picture of the wind profile for any turbine rotor size.

Weather and Environment business area launched a completely new product Wx Horizon targeted to support road authorities in their weather critical winter maintenance operations. Wx Horizon combines Vaisala's industry-leading road weather station and mobile sensors with world-class weather and road surface state forecasting capabilities to deliver timely, accurate winter road condition intelligence to arm road agencies with the road weather data required to keep roads safe.

Weather and Environment business area introduced an upgrade to Vaisala's Global Lightning Dataset GLD360. Vaisala has completely rebuilt the backend processing software to locate lightning strikes with an accuracy of one kilometer compared to 1.5–2.0 kilometers earlier. When considered that GLD360 sensors can detect lightning events over 10,000 kilometers away, it is even more impressive to pinpoint the location within such a small radius.

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

In 2020, target set for direct labor productivity improvement was not met due to decline in volumes. Delivery capability was solid through-out the year. Operations participated in multiple product development projects together with business areas in order to ensure good producibility and timely production ramp-up.

Vaisala's process development focused on customer facing processes. Solution creation and renewal of CPQ (Configure Price and Quote) as well as eCommerce progressed well. Renewal of ERP solution was initiated and focused on technology selection.

Long-term financial targets

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

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

Changes in Management Group

On June 3, 2020, Vaisala's Board of Directors appointed Kai Öistämö, b. 1964, as President and CEO. Öistämö started at Vaisala on October 1, 2020. Vaisala's previous President and CEO Kjell Forsén stepped down from his position and retired at the end of 2020.

On January 7, 2021, Olli Nastamo (b. 1956) was appointed Executive Vice President, Operational Excellence. He will be a member of the Vaisala Management Group and report to President and CEO Kai Öistämö. Olli Nastamo will start in his position on March 1, 2021.

Annual General Meeting 2020

Vaisala Corporation's Annual General Meeting was held on June 3, 2020. 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, 2019.

Dividend

The Annual General Meeting decided a dividend of EUR 0.61 per share. The record date for the dividend payment was June 5, 2020, and the payment date was June 12, 2020.

Board of Directors

The Annual General Meeting confirmed that the number of Board members is eight. Petri Castrén, Petra Lundström, Jukka Rinnevaara, Kaarina Ståhlberg, Tuomas Syrjänen, Raimo Voipio and Ville Voipio will continue as members of the Board of Directors. Antti Jääskeläinen was elected as a new member of the Board of Directors.

The Annual General Meeting confirmed that the annual remuneration payable to the Chairman of the Board of Directors is EUR 45,000 and each Board member EUR 35,000 per year. Approximately 40% of the annual remuneration will be paid in Vaisala Corporation's series A shares acquired from the market and the rest in cash. In addition, the Annual General Meeting confirmed that the meeting fee for the Chairman of the Audit Committee would be EUR 1,500 per attended meeting and EUR 1,000 for each member of the Audit Committee and Chairman and each member of the Remuneration and HR Committee and any other committee established by the Board of Directors for a term until the close of the Annual General Meeting in 2021. The meeting fees are paid in cash. Possible travel expenses are proposed to be reimbursed according to the travel policy of the company.

Auditor

The Annual General Meeting re-elected Deloitte Oy as the auditor of the company and APA Reeta Virolainen 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 series A shares

The Annual General Meeting authorized the Board of Directors to resolve on the directed repurchase of a maximum of 500,000 of the company's own series A shares in one or more instalments by using company's unrestricted equity. The authorization is valid until the closing of the next Annual General Meeting, however, no longer than December 3, 2021.

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

The Annual General Meeting authorized the Board of Directors to resolve on the issuance of a maximum of 937,039 company's own series A shares. The issuance of own shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization entitles the issuance of treasury series A shares as a directed issue without payment as part of the company's share-based incentive plan. The subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind. The authorization is valid until December 3, 2021. The authorization for the company's incentive program shall however be valid until June 3, 2024.

The organizing meeting of the Board of Directors

At its organizing meeting held after the Annual General Meeting the Board elected Raimo Voipio to continue as the Chairman of the Board of Directors and Ville Voipio as the Vice Chairman.

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

Shares and shareholders

Share capital and shares

Vaisala's share capital totaled EUR 7,660,808 on December 31, 2020. Vaisala has 36,436,728 shares, of which 6,731,092 are series K shares and 29,705,636 series A shares. During the third quarter, number of series K shares decreased by 20,306 and number of series A shares increased by 20,306 as the Board of Directors decided that 20,306 series K shares were converted to series A shares. This conversion was registered into the Trade Register on July 31, 2020. The series K shares and series A shares are differentiated by the fact that each series K share entitles its owner to 20 votes at a General Meeting of Shareholders while each series A share entitles its owner to 1 vote. The series A shares represented 81.5% of the total number of shares and 18.1% of the total votes. The series K shares represented 18.5% of the total number of shares and 81.9% of the total votes.

Trading and share price development

In January–December 2020, a total of 3,852,297 series A shares with a value totaling EUR 125.6 million were traded on the Nasdaq Helsinki Ltd. During the year, the share price increased by 27% while OMXHCAPPI index increased by 10%. The closing price of the series A share on the Nasdaq Helsinki stock exchange was EUR 40.35. Shares registered a high of EUR 42.50 and a low of EUR 21.65. Volume-weighted average share price was EUR 32.58.

The market value of series A shares on December 31, 2020 was EUR 1,181.0 million, excluding company's treasury shares. Valuing the series K shares – which are not traded on the stock market – at the rate of the series A share's closing price on the last trading day of December, the total market value of all the series A and series K shares together was EUR 1,452.6 million, excluding company's treasury shares.

Treasury shares

In March 2020, a total of 118,950 of treasury shares were conveyed without consideration to the 33 key employees participating in the Share-based incentive plan 2017 under the terms and conditions of the plan. This directed share issue was based on an authorization given by the Annual General Meeting held on March 26, 2019.

Following this directed share issue, the number of series A treasury shares on December 31, 2020 was 437,039, which represents 1.5% of series A shares and 1.2% of total shares.

Shareholders

At the end of December 2020, Vaisala had 10,717 (9,481) registered shareholders. Ownership outside of Finland and nominee registrations represented 19.3 (17.5) % of the company's shares. Households owned 40.3 (40.6) %, private companies 13.3 (13.5) %, financial and insurance institutions 13.2 (13.7) %, non-profit organizations 10.8 (11.0) % and public sector organizations 3.2 (3.7) % of the shares.

Shareholding by the Board of Directors and the Management Group

On December 31, 2020, the Board of Directors held and controlled 985,646 (988,083) series A shares. These shares accounted for 3.3 (3.3) % of series A shares and 2.7 (2.7) % of total shares. The number of series K shares held and controlled by the Board was 551,008 (551,008). Total votes attached to the series A and K shares held and controlled by the Board were 12,005,806 (12,008,243), which accounted for 7.3 (7.3) % of the total votes of all shares.

On December 31, 2020, Kai Öistämö, the President and CEO, did not hold nor control any series A or series K shares. Other Management Group members held and controlled 101,778 (82,178) series A shares but none series K shares.

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

Near-term risks and uncertainties

COVID-19 pandemic's impact on Vaisala's business is depending on the duration and severity of this exceptional situation. Vaisala's delivery capability may deteriorate due to disruptions in suppliers' operations, absence of own production employees or disruptions in incoming and/or outgoing logistics. Demand may fluctuate materially by country or customer segment and customers' recovery from the exceptional situation varies a lot. Effects of the pandemic on customers' cash flow can be significant and lead to credit losses. Exceptional situation may also cause delays or interruptions in Vaisala's operations, e.g. in project deliveries and R&D.

Uncertainties in international trade policies or political situation may reduce or delay demand for Vaisala's products and services. Customers' preference for local manufacturing may reduce demand for Vaisala's products and services.

Obstacles related to market acceptance, sales channel development, or regulatory certification of new products and services may postpone realization of Vaisala's growth and profitability targets. Customers' budgetary constraints, complex decision-making processes, changes in scope, and financing arrangements may postpone closing of infrastructure contracts in Weather and Environment business area. Cyber risk and downtime of IT systems may impact operations and delivery of digital solutions.

Measures taken to mitigate impacts of the COVID-19 pandemic

Employees

Ensuring employees' wellbeing and their health and safety has been the most important focus area during the COVID-19 pandemic. To enforce containment actions and safe work environment for production workers, access to factories has been limited. Remote working practices were introduced in all offices and office environments have been adapted to meet local recommendations and regulations.

Customers

Effective delivery of products and services has been crucial while customer organizations have dealt with staff shortages, closures of offices and factories and health protection measures. Remote customer meetings, electronic signatures, re-routing of shipments, remote acceptance testing and cooperation with local field service companies and their remote support are examples of measures, which have been taken to fulfill customer expectations.

Supplier relationships and cooperation

Vaisala has numerous suppliers, technology providers and outsourcing partners. Strategic suppliers, which are critical to ongoing business operations, have been assessed for their business continuity and information reliability. Purchase orders, delivery schedules and changes in lead times have been assessed to ensure timely receipt of components. Inventory levels for most critical components were increased by two-three months availability.

Communications

Vaisala has communicated regularly with multiple stakeholders: employees, customers, suppliers and authorities. Objective has been to ensure clear and transparent communication how Vaisala manages possible impacts of the COVID-19 pandemic, and to ensure continuity of core operations, including support and services for customers without endangering employees, customers and other stakeholders. Digital marketing efforts have been intensified to compensate for absence of conventional marketing events.

Liquidity

Vaisala's financial position and liquidity have been assessed. New term loan agreement was negotiated in order to provide more flexibility.

Scenario planning

Vaisala has done scenario planning and contingency planning in order to make sound decisions in a highly volatile operating environment. Vaisala has identified risks related to delivery capability and demand outlook as well as diverse challenges emerging in the operating environment. Scenario plans and related assumptions have been continuously updated and followed up.

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

Board of Directors' proposal for dividend

The parent company's distributable earnings amount to EUR 172,498,369.07, of which the result for the period is EUR 23,477,939.71.

The Board of Directors proposes to the Annual General Meeting that dividend of EUR 0.61 per share be paid out of distributable earnings totaling approximately EUR 22.0 million and the rest to be carried forward in the shareholders' equity. No dividend will be paid for treasury shares held by the company.

There have been no significant changes in the company's financial position since the close of the financial period. According to the Board of Directors, the proposed dividend distribution does not endanger the company's financial standing.

Annual General Meeting 2021

Vaisala Corporation's Annual General Meeting will be held on Tuesday March 30, 2021. Board of Directors of Vaisala has resolved on exceptional procedure for the meeting based on the temporary legislative act approved by the Finnish Parliament on October 2, 2020. The company has resolved to take actions enabled by the act in order to hold the meeting in a predictable manner, taking into account the health and safety of the company's shareholders, personnel and other stakeholders. Shareholders can follow the meeting via live webcast at Vaisala website vaisala.com/agm.

Financial calendar 2021

Annual Report 2020, week 9

Interim Report January–March 2021, April 29, 2021

Half Year Financial Report 2021, July 23, 2021

Interim Report January–September 2021, October 28, 2021

Vantaa, February 18, 2021

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 Financial Statement Release has been prepared in accordance with IAS 34 Interim Financial Reporting, following the same accounting policies and principles as in the annual financial statements. All figures in this Financial Statements Release are group figures. All presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented. The figures in this Financial Statement Release are based on Vaisala's audited 2020 financial statements.

Preparation of Financial Statement Release in accordance with IFRS requires Vaisala's management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and the recognition of income and expenses in statement of income. Although estimates are based on management's best knowledge at the date of Financial Statement Release, actual results may differ from those estimates.

The reporting of cash flows from operating activities in the consolidated cash flow statement has been changed from the direct method to the indirect method as of January 1, 2020. The comparative information has been reported accordingly.

New and amended IFRS standards effective for the year 2020

The following new or revised IFRSs have been adopted from January 1, 2020:

- Amendments to IFRS 3 Definition of a business
- Amendments to IAS 1 and IAS 8 Definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The adoption of the amendment to IFRS 3 may have an impact on the group's consolidated financial statements in future periods should such transactions arise. The adoption of the amendments to IAS 1 and IAS 8 as well as to IFRS 9, IAS 39 and IFRS 7 is not expected to have a material impact on the financial statements of the group in future periods.

Consolidated statement of income				
EUR million	10-12/ 2020	10-12/ 2019	1-12/ 2020	1-12/ 2019
Net sales	106.9	118.1	379.5	403.6
Cost of goods sold	-47.2	-51.9	-166.6	-182.4
Gross profit	59.7	66.2	212.9	221.2
Sales, marketing and administrative costs	-33.4	-35.3	-116.0	-124.5
Research and development costs	-14.6	-13.6	-53.2	-52.8
Other operating income and expenses	0.5	0.4	1.1	-2.7
Operating result	12.2	17.7	44.8	41.1
Share of result in associated company	0.2	0.1	0.2	0.1
Financial income and expenses	-1.2	-1.3	-3.6	-1.1
Result before taxes	11.2	16.5	41.3	40.2
Income taxes	-2.7	-1.5	-8.5	-6.6
Result for the period	8.6	15.1	32.8	33.6
Attributable to				
Owners of the parent company	8.5	14.8	32.8	33.5
Non-controlling interests	0.1	0.3	0.0	0.1
Result for the period	8.6	15.1	32.8	33.6
Earnings per share for result attributable to owners of the parent company				
Earnings per share, EUR	0.24	0.41	0.91	0.94
Diluted earnings per share, EUR	0.23	0.41	0.91	0.93

Consolidated statement of comprehensive income				
EUR million	10-12/ 2020	10-12/ 2019	1-12/ 2020	1-12/ 2019
Items that will not be reclassified to profit or loss (net of taxes)				
Actuarial profit (loss) on post-employment benefits	0.0	0.2	0.0	0.2
Total	0.0	0.2	0.0	0.2
Items that may be reclassified subsequently to profit or loss				
Translation differences	-0.5	-0.9	-4.0	0.5
Total	-0.5	-0.9	-4.0	0.5
Total other comprehensive income	-0.5	-0.7	-4.0	0.7
Comprehensive income for the period	8.1	14.4	28.9	34.3
Attributable to				
Owners of the parent company	8.0	14.4	28.8	34.2
Non-controlling interests	0.1	0.3	0.0	0.1
Comprehensive income for the period	8.1	14.4	28.9	34.3

Consolidated statement of financial position

EUR million

Assets	Dec 31, 2020	Dec 31, 2019
Non-current assets		
Intangible assets	63.6	72.7
Property, plant and equipment	83.9	63.4
Right-of-use assets	12.5	12.3
Investments in shares	0.1	0.1
Investment in associated company	1.1	1.1
Non-current receivables	0.9	0.9
Deferred tax assets	7.3	9.8
Total non-current assets	169.5	160.3
Current assets		
Inventories	44.5	39.6
Trade and other receivables	64.0	77.3
Contract assets	24.2	25.0
Income tax receivables	4.3	2.8
Cash and cash equivalents	45.4	56.4
Total current assets	182.4	201.1
Total assets	351.8	361.5

Equity and liabilities	Dec 31, 2020	Dec 31, 2019
Equity		
Share capital	7.7	7.7
Other reserves	5.6	7.0
Translation differences	-2.8	1.3
Treasury shares	-6.3	-7.9
Retained earnings	200.8	190.0
Total equity attributable to the owners of parent company	205.1	198.0
Non-controlling interests	0.4	0.3
Total equity	205.5	198.3
Non-current liabilities		
Interest-bearing loans from financial institutions	40.0	-
Interest-bearing lease liabilities	9.2	8.3
Post-employment benefits	2.3	2.4
Deferred tax liabilities	7.7	8.1
Provisions	0.1	0.1
Other non-current liabilities	2.6	4.3
Total non-current liabilities	62.0	23.3
Current liabilities		
Interest-bearing loans from financial institutions	5.2	40.2
Interest-bearing lease liabilities	2.7	3.0
Trade and other payables	52.3	64.5
Contract liabilities	20.9	27.3
Income tax liabilities	1.5	1.7
Provisions	1.7	3.2
Total current liabilities	84.3	139.8
Total liabilities	146.2	163.1
Total equity and liabilities	351.8	361.5

Consolidated cash flow statement		
EUR million	1-12/ 2020	1-12/ 2019
Result for the period	32.8	33.6
Depreciation, amortization and impairment	21.1	23.5
Financial income and expenses	3.6	1.1
Gains and losses on sale of intangible assets and property, plant and equipment	-0.1	-0.3
Share of result in associated company	-0.2	-0.1
Income taxes	8.5	6.6
Other adjustments	-5.6	1.6
Inventories, increase (-) / decrease (+)	-1.8	-7.5
Non-interest-bearing receivables, increase (-) / decrease (+)	12.6	-7.8
Non-interest-bearing liabilities, increase (+) / decrease (-)	-18.4	1.5
Changes in working capital	-7.5	-13.9
Financial items paid	-3.5	-2.3
Income taxes paid	-8.2	-9.0
Cash flow from operating activities	41.0	40.8
Acquisition of subsidiaries, net of cash acquired	-0.2	-7.3
Capital expenditure on intangible assets and property, plant and equipment	-31.0	-26.8
Proceeds from sale of intangible assets and property, plant and equipment	0.1	0.5
Proceeds from sale of shares	0.1	-
Cash flow from investing activities	-31.0	-33.6
Dividends paid	-22.0	-20.8
Change in loan receivables	0.1	0.1
Proceeds from borrowings	100.1	80.0
Repayment of borrowings	-95.0	-80.5
Principal payments of lease liabilities	-3.3	-4.1
Cash flow from financing activities	-20.0	-25.4
Change in cash and cash equivalents increase (+) / decrease (-)	-10.0	-18.1
Cash and cash equivalents at the beginning of period	56.4	72.7
Change in cash and cash equivalents	-10.0	-18.1
Transfer of cash and cash equivalents classified as assets held for sale to continuing operations	-	1.1
Effect from changes in exchange rates	-1.0	0.7
Cash and cash equivalents at the end of period	45.4	56.4

Consolidated statement of changes in equity

	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total
EUR million								
Equity at Dec 31, 2018	7.7	6.1	0.8	-9.0	177.3	182.9		182.9
Result for the period					33.5	33.5	0.1	33.6
Other comprehensive income		0.0	0.5		0.2	0.7		0.7
Dividend distribution					-20.8	-20.8		-20.8
Share-based payments		0.8		1.1		1.9		1.9
Transfer between items		0.0			-0.0	0.0		0.0
Changes in non-controlling interest that did not result in changes in control					-0.2	-0.2	0.2	0.0
Equity at Dec 31, 2019	7.7	7.0	1.3	-7.9	190.0	198.0	0.3	198.3

	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total
EUR million								
Equity at Dec 31, 2019	7.7	7.0	1.3	-7.9	190.0	198.0	0.3	198.3
Result for the period					32.8	32.8	0.0	32.8
Other comprehensive income		-0.0	-4.0		0.0	-4.0		-4.0
Dividend distribution					-22.0	-22.0		-22.0
Share-based payments		-1.4		1.6		0.2		0.2
Transfer between items		0.0			-0.0	0.0		0.0
Changes in non-controlling interests that did not result in changes in control					-0.0	-0.0	0.0	0.0
Equity at Dec 31, 2020	7.7	5.6	-2.8	-6.3	200.8	205.1	0.4	205.5

Notes to the release

Orders received by business area

EUR million	10-12/ 2020	10-12/ 2019	1-12/ 2020	1-12/ 2019
Weather and Environment	70.8	66.2	236.9	276.2
Industrial Measurements	41.1	37.1	146.0	143.2
Total	111.9	103.3	382.8	419.4

Net sales by business area

EUR million	10-12/ 2020	10-12/ 2019	1-12/ 2020	1-12/ 2019
Weather and Environment				
Products	40.9	47.0	137.4	149.0
Projects	15.7	23.2	59.3	73.2
Services	10.4	11.7	38.8	39.1
Total	67.0	81.9	235.5	261.3
Industrial Measurements				
Products	36.3	33.0	129.9	129.5
Services	3.6	3.2	14.1	12.8
Total	39.9	36.3	143.9	142.3
Total net sales	106.9	118.1	379.5	403.6

Operating result by business area

EUR million	10-12/ 2020	10-12/ 2019	1-12/ 2020	1-12/ 2019
Weather and Environment	5.2	12.1	14.6	17.7
Industrial Measurements	8.3	5.5	31.6	26.1
Other	-1.3	0.1	-1.4	-2.7
Total	12.2	17.7	44.8	41.1

Net sales by region

EUR million	10-12/ 2020	10-12/ 2019	1-12/ 2020	1-12/ 2019
Americas	37.8	43.5	134.9	149.7
APAC	32.0	34.0	110.4	119.6
EMEA	37.1	40.6	134.2	134.3
Total	106.9	118.1	379.5	403.6

Timing of revenue recognition

EUR million	10-12/ 2020	10-12/ 2019	1-12/ 2020	1-12/ 2019
Performance obligations satisfied at a point in time	84.3	88.4	295.5	308.6
Performance obligations satisfied over time	22.6	29.7	84.0	95.0
Total	106.9	118.1	379.5	403.6

Personnel				
	10-12/ 2020	10-12/ 2019	1-12/ 2020	1-12/ 2019
Average personnel	1,919	1,834	1,911	1,829
Personnel at the end of period	1,919	1,837	1,919	1,837

Derivative financial instruments			
EUR million		Dec 31, 2020	Dec 31, 2019
Nominal value of derivative financial contracts		31.4	33.8
Fair values of derivative financial contracts, assets		1.2	0.3
Fair values of derivative financial contracts, liabilities		0.2	0.4

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

Share information				
EUR/thousand	10-12/ 2020	10-12/ 2019	1-12/ 2020	1-12/ 2019
Number of shares outstanding	36,000	35,881	36,000	35,881
Number of treasury shares	437	556	437	556
Number of shares, weighted average, diluted	36,210	36,164	36,223	36,133
Number of shares, weighted average	36,000	35,881	35,979	35,864
Number of shares traded	919	1,560	3,852	3,442
Share price, highest	42.50	32.80	42.50	32.80
Share price, lowest	34.25	24.20	21.65	15.95

Key ratios				
EUR	10-12/ 2020	10-12/ 2019	1-12/ 2020	1-12/ 2019
Earnings per share	0.24	0.41	0.91	0.94
Diluted earnings per share	0.23	0.41	0.91	0.93
Equity per share			5.70	5.52
Return on equity, %			16.3	17.7
Cash flow from operating activities per share	0.67	0.64	1.14	1.14
Solvency ratio, %			59.0	55.7
Gearing, %			5.7	-2.4

Key exchange rates				
	Average rates		Period end rates	
	1-12/ 2020	1-12/ 2019	Dec 31, 2020	Dec 31, 2019
USD	1.1384	1.1213	1.2271	1.1234
CNY	7.8807	7.7282	8.0225	7.8205
JPY	121.51	122.29	126.49	121.94
GBP	0.8853	0.8795	0.8990	0.8508

Further information

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Vaisala Corporation

Conference call

An English-language conference call for analysts, investors and media will be held today on February 19, 2021, starting at 11:00 a.m. (Finnish time). Numbers for conference call, during which questions may be presented, are:

Finland: +358 9 8171 0310

UK: +44 33 3300 0804

Sweden: +46 8 5664 2651

US: +1 63 1913 1422

PIN: 19622715#

Audiocast

The presentation by Kai Öistämö, President and CEO, can also be followed through a live audiocast at vaisala.com/investors starting at 11:00 a.m. A recording will be published at the same address by 1:00 p.m.

Distribution

Nasdaq Helsinki

Key media

vaisala.com

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