

# Annual Report 2009

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# Annual report 2009

## Year 2009

Year 2009 marked the beginning of the new market driven strategy execution for Vaisala. As a company, this meant a big change of culture and attitude for us. Going forward, strategy execution will require further significant investments. These will lay the foundation for our future growth objectives, and strengthen Vaisala's position as the leader in environmental measurement.

Businesswise the year was challenging for Vaisala, and as a result, we did not reach our net sales and profitability targets. Despite the declined net sales the company managed to maintain its market shares.

## Foundation for future growth

Year 2009 was challenging for Vaisala, and as a result, we did not reach our net sales and profitability targets. Despite the declined net sales we managed to maintain our market shares.

The sales of Meteorology business area developed nicely, demonstrating growth of nearly 25 percent. Unfortunately its profitability was burdened by disruptions in radiosonde production and decline in delivery project margins. The unstable situation of the global economy had an affect on Controlled Environment and Weather Critical Operations business areas. Industrial markets declined, and the customers of Weather Critical Operations postponed their investment decisions.

Geographically, our sales varied a lot. The sales improved as much as 27 percent in the Americas, and 14 percent in China. On the other hand, sales decreased in the other APAC countries and in the EMEA region.

Our profitability was affected by the large ongoing development initiatives, which aim at growth and improved quality and manufacturing capability, and by the acquisition made at the end of the year. The increased price competition and the costs of demanding delivery projects had an effect on our profitability as well.

## New strategy - new way of working and thinking

Year 2009 marked the beginning of the new strategy execution for us. As a company, this meant a big change of course. Customer and market driven way of thinking as well as the matrix organization require a change of culture and attitude throughout the whole organization. This will take time, but we have seen the benefits of the new way of working already during the first year, and will continue with the execution.

Going forward, strategy execution will require further significant investments. With these investments we will lay the foundation for our future growth objectives, and strengthen our position as the leader in environmental measurement.

Vaisala's personnel have worked diligently and with determination in executing the new strategy. For this, each and every one of them deserves my heartfelt thanks. I also want to express my gratitude to our customers and partners for their cooperation and the trust they have shown to Vaisala during the past year.



Kjell Forsén  
President and CEO

Watch CEO Kjell Forsén's webcast where he sums up Vaisala's year 2009 and talks about the company's outlook in 2010.

## **Main events in 2009**

### **New strategy - new way of working**

At the beginning of 2009, Vaisala started executing its new market driven strategy and operational model. This meant a big change of course to the whole company. The new strategy focuses on the current and new markets with the biggest growth potential in the environmental measurement business. Concurrently with the strategy change, the new matrix organization and market segment reporting were taken into use from the beginning of the year.

### **An acquisition to strengthen Vaisala's service offering**

In line with its strategy, Vaisala seeks to grow as a service provider. To support this goal, Vaisala acquired a U.S. based airport service company, Aviation Systems Maintenance, Inc (ASMI) at the beginning of the year. The value of the deal was 3.2 million USD. ASMI has a wide customer base and over 25 years' expertise in installation and maintenance of weather instrumentation at airports. The acquisition significantly strengthens Vaisala's position in the US airport weather market.

### **Reference radiosonde for climate research**

Early 2009, Vaisala announced the development of a reference radiosonde intended to support the precision measurement needs of the climate research and weather service communities. Several leading climate research institutes, including the US National Center for Atmospheric Research NCAR and Finnish Meteorological Institute, partner with Vaisala in the project.

### **Vaisala introduced a unique global lightning dataset**

Consisting of lightning sensors distributed throughout the globe, the coverage and performance of Vaisala's Global Lightning Dataset (GLD360) is global, and real-time. GLD360 outperforms satellite lightning detection by providing the timeliest information on rapidly evolving severe weather situations. The network detects over two thirds of all lightning strikes coming to the surface of the earth. Additionally, the service provides information over oceanic regions where there is a shortage of real time weather observations. The dataset serves the world's meteorological and hydrological institutions and other weather-dependent organizations.

### **'Science On a Sphere' - global phenomena on a giant sphere**

Heureka, the Finnish Science Centre, opened a Science On a Sphere (SOS) - exhibition in September. SOS is a global display system designed by the US National Oceanic and Atmospheric Administration (NOAA). The system projects animated images of the Earth's surface, oceans, atmosphere and astronomy onto the white surface of a large sphere.

The main sponsors of the SOS project in Finland are Vaisala and the Finnish Foundation for Technology Promotion. [Read more](#)

### **Vaisala Corporate Responsibility Report 2008 recognized by UN Global Compact**

Vaisala's first Corporate Responsibility Report received an honorary mention from the UN Global Compact Office. This is the first time Finnish companies receive this tribute and Vaisala is one of two Global Compact signatories in Finland that were acknowledged. [Read more](#)

### **Vaisala acquired road weather and information technology company**

Vaisala grows its presence in the global road weather and information technology business through a strategic acquisition. In December, Vaisala acquired Quixote Transportation Technologies, Inc. (QTT), a U.S. based company. The value of the deal was 20 million USD. [Read more](#)

### **New environmentally friendly office building in Finland**

The construction of Vaisala's new office building in Finland started as scheduled in the spring 2009. The excavation work and the construction of the new building were finalized by the end of the year. The new energy efficient office building is scheduled to be in place by the end 2010.

## Changes in the company management

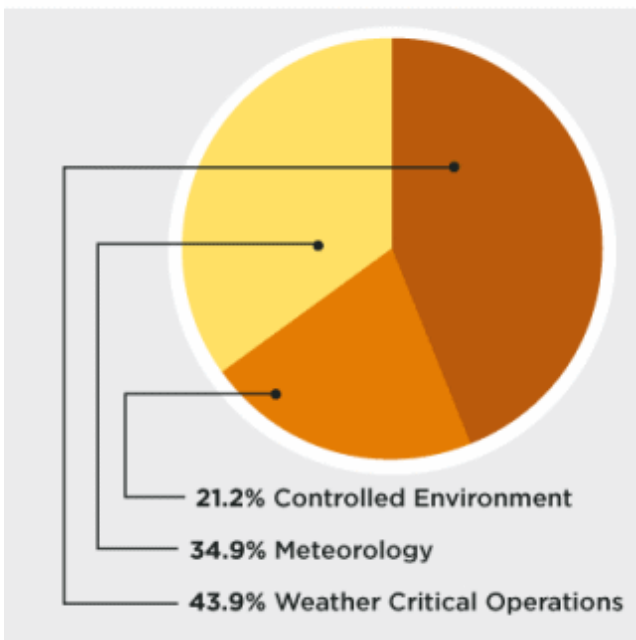
Timo Raikaslehto was appointed Senior Vice President, Marketing and Sales, and a member of the strategic management group starting March 1, 2009. Mr. Raikaslehto resigned in January 2010.

Ari Meskanen, Chief Technology Officer of Vaisala was appointed Senior Vice President, Group Marketing and Sales starting January 1st 2010. He also continues in his current CTO role until a successor has been appointed.

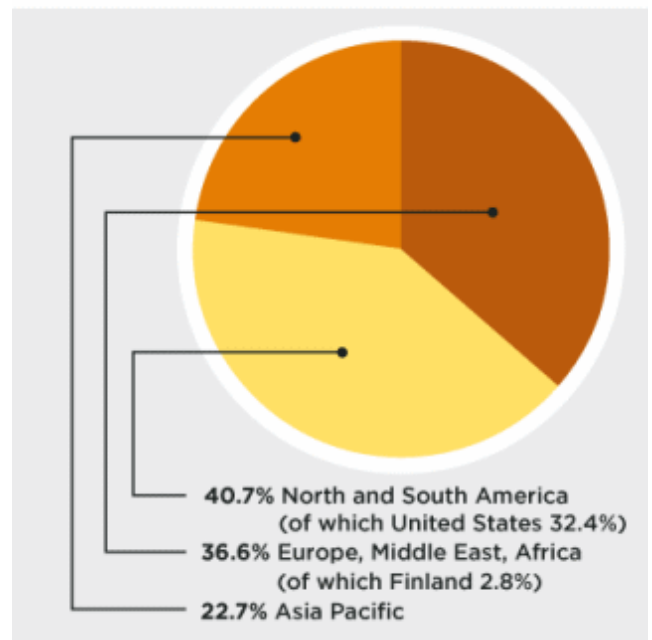
John Jiang, PhD, was appointed President of Vaisala China and a member of Vaisala's strategic management group starting January 1, 2010.

## Key figures

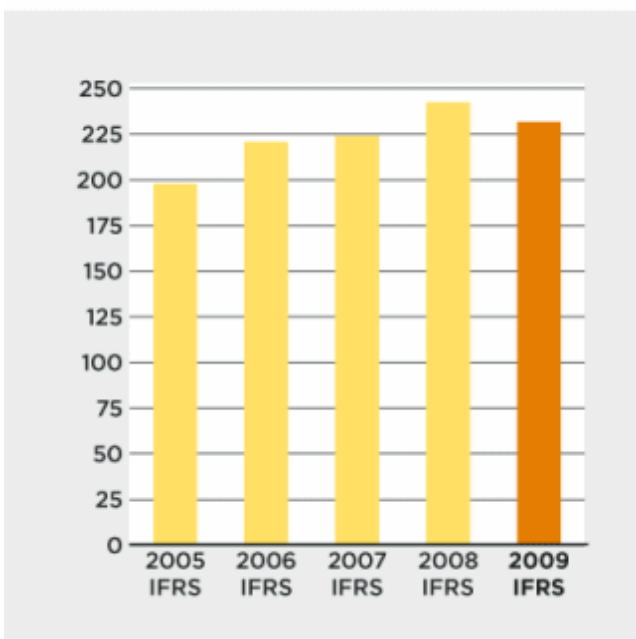
### Net sales by business area



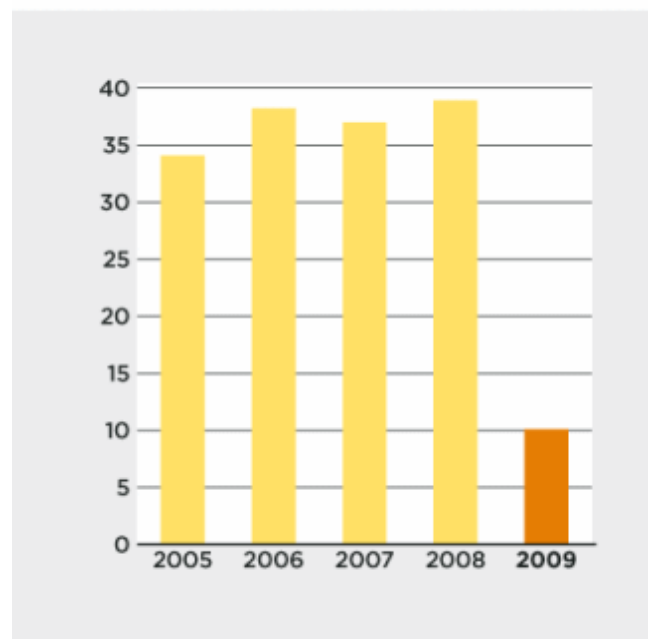
### Net sales by geographical area



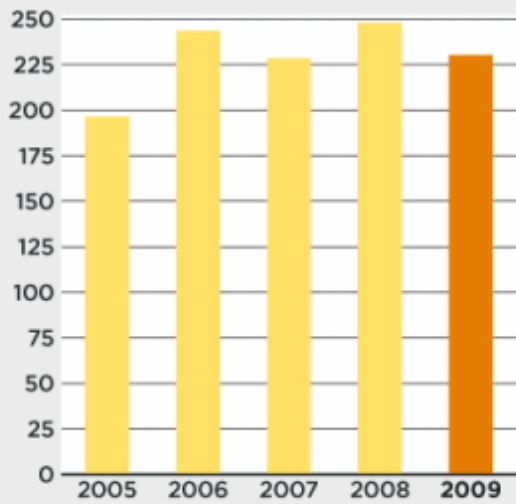
### Development of net sales (M€)



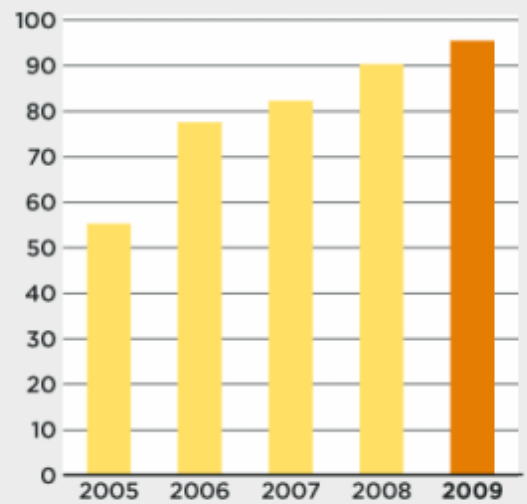
### Profit before tax (M€)



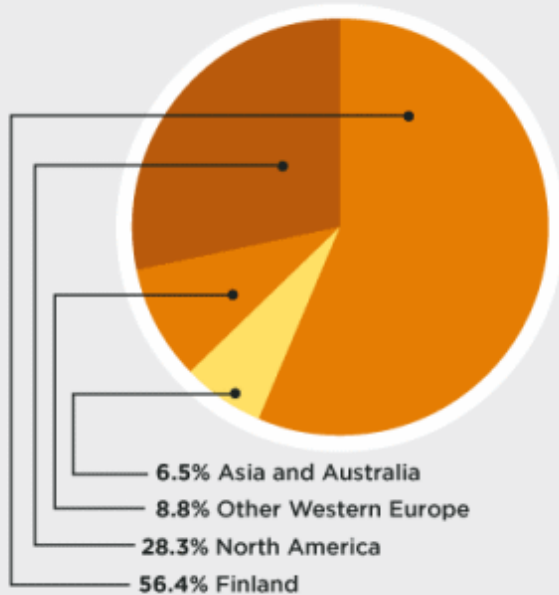
Orders received (M€)



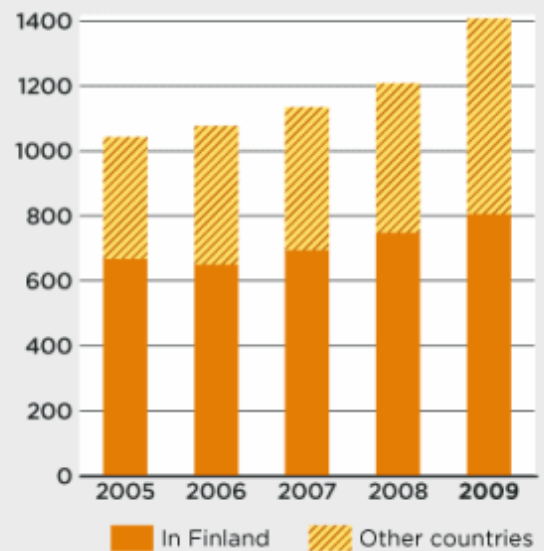
Order book (M€)



Personnel, geographical distribution



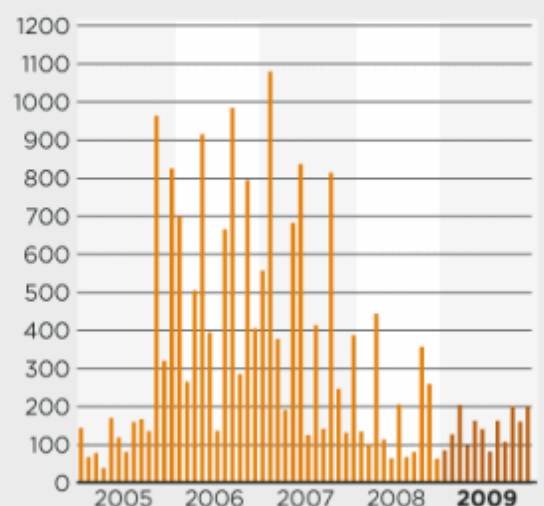
Personnel (group)



Series A share, performance (€)



Series A share, monthly trading (1000 pcs)



# Financial report

Download [Financial Report in PDF format](#).

## Board of Directors' report 2009

### Overview of 2009

Net sales and operating profit in 2009 declined year on year.

The result of the financial year was affected by lower gross profit, which was due to declined net sales and tightened competition, some significantly higher than anticipated project costs and some quality problems. The total one-off impact of these was EUR 7.5 million. Additionally, costs incurred by the ongoing development initiatives and the one-off costs of the QTT acquisition lowered the result.

Net sales grew in the Americas region (+27%), whereas sales in the EMEA region (-21.8%) and in APAC (-11.7%) declined. An exception was China, which grew by 14 percent.

### Outlook

Instability of the global economy and shifts in the exchange rates are still expected to affect Vaisala's business. Due to the structure of Vaisala's customer base and the orders received, the company's market situation is expected to remain mostly unchanged and the business stable in 2010.

Vaisala expects its net sales in 2010 to grow slightly from the preceding year. Also profitability is expected to improve slightly. Strategic, growth oriented efforts will continue and burden Group profitability also this year.

The QTT acquisition is not expected to have a significant impact on the operating profit in 2010.

Seasonal fluctuation is typical of Vaisala's business, so the first quarter appears to be moderate.

The long term business outlook has not changed and Vaisala is still committed to continuing the implementation of its growth strategy.

President and CEO Kjell Forsén on Vaisala's result:

"The challenging global economic situation affected also Vaisala's business last year. Even though net sales in the fourth quarter were record high, I cannot be satisfied with the development of our sales nor with the profitability of our business. At the end of the year, Vaisala's order book was thicker than the year before, but order intake decreased toward the end of the year. Our efforts to improve the delivery capability for higher volumes have been successful, strengthening our position as the markets start to pick up.

As anticipated, Vaisala's profitability was affected by the large ongoing development initiatives aiming at growth and improved quality and manufacturing capability, and by the acquisition made at the end of the year. Our profitability was also affected by increased price competition, costs of some demanding delivery projects and quality problems.

To address the situation, we have initiated a quality assurance program. In addition to that, we have launched a program to improve Vaisala's productivity. The program will e.g. review the profitability of our offering, sourcing and project activities.

I am especially pleased with the acquisition we made at the end of the year. We acquired QTT, a US based company specialized in road weather and information. The deal significantly strengthens our position in the global road weather markets and provides us with new offering especially in the area of new intelligent transportation systems.

We continue the execution of Vaisala's new strategy. This will require significant investments. I believe that the timing for these investments is right because they lay the foundation for future growth objectives and strengthen our position as the leader in environmental measurement."

### Market situation, net sales and order book

Instability of the global economy is now affecting Vaisala's business. In the challenging economic situation Vaisala has nevertheless been able to retain its market shares.

In the Controlled Environment business area, i.e. in the industrial segments, the markets declined during 2009. The uncertain economic situation affects purchasing decisions also in the Weather Critical Operations

and Meteorology business areas.

Vaisala Group's net sales declined by 4.4 percent year on year and totaled EUR 231.8 (242.5/2008; 224.1/2007) million. Net sales of the Meteorology business area grew by 24.6 percent, whereas the net sales of Weather Critical Operations declined by 17.4 percent and Controlled Environment by 9.4 percent. In comparable currencies, Vaisala Group's net sales would have been down by 6.9 percent.

Operations outside Finland accounted for 97 (94) percent of net sales.

Net sales in euros increased by 27.0 percent in Americas, totaling EUR 94.3 (74.3) million. Net sales declined by 21.8 percent in the EMEA region to EUR 84.9 (108.5) million and in the APAC region by 11.7 percent to EUR 52.6 (59.6) million. In comparable currencies, the changes in net sales would have been Americas +20.9%, EMEA -20.9% and APAC -15.5%.

The value of orders received declined by 4.4 percent year on year and totaled EUR 237.0 (247.9/2008; 228.5/2007) million. Orders received include the order book from the acquired QTT company, in total EUR 6.8 million of new orders. The comparable value of orders received declined by 7.1 percent to EUR 230.2 million. The order book stood at EUR 95.5 (90.3) million at the end of the financial year. Of the order book, approximately EUR 16 million will be delivered in 2011 or later.

## Performance and balance sheet

Operating profit for the financial year was EUR 12.0 (38.0) million or 5.2 percent of net sales. Profit before taxes was EUR 10.1 (38.9) million or 4.3 percent of net sales, down by 74.1 percent. Net profit for the financial year was EUR 6.9 (28.4) million or 3.0 percent of net sales, down by 75.8 percent.

Vaisala Group's solvency ratio and liquidity remained strong. On December 31, 2009, the balance sheet total was EUR 231.4 (241.7/2008; 225.6/2007) million. The Group's solvency ratio at the end of the financial year was 81% (82%/2008; 83%/2007).

Vaisala's consolidated liquid assets totaled EUR 50.1 (103.4/2008; 99.2/2007) million.

## Investments

Gross capital expenditure totaled EUR 27.7 (12.2/2008; 7.3/2007) million.

On January 1, 2009, Vaisala acquired all shares of Aviation System Maintenance Inc (ASMI), a US-based airport service company. The company has 10 employees and the net sales for 2009 were EUR 1.0 million and operating profit EUR 0.1 million. ASMI, which is located in Kansas, has a large customer base and over 25 years of experience in the installation and maintenance of airport weather equipment. The acquisition will considerably strengthen Vaisala's position as a supplier of maintenance services in the US airport weather business, complementing the existing service contracts and expertise. These synergy benefits have accrued to EUR 1.3 million goodwill. The deal price was EUR 2.2 million, which includes a conditional EUR 0.4 million deal price. This conditional price will be paid at the end of 2010, provided that the agreed performance expectations are met.

On 18 December 2009, Vaisala acquired Quixote Transportation Technologies, Inc (QTT), a subsidiary of Nasdaq-listed Quixote Corporation with sales of USD 16.2 million and approximately 100 employees in 2009. Net sales of the acquired business during 19 - 31 December 2009 were EUR 0.4 million and operating profit EUR 0.1 million.

Had the acquisition taken place on January 1, 2009, Vaisala group's net sales in the financial year would have been EUR 248 million and net profit EUR 7.9 million. QTT complements Vaisala's Roads segment offering and application knowledge, enabling the delivery of more complete solutions and customer service. QTT's offering of road and runway weather information, highway advisory radio, and traffic monitoring systems will significantly strengthen Vaisala's position in the Roads markets and open up new opportunities especially in the ITS (intelligent transportation systems) markets. The acquired new customer base together with the synergy benefits accrue to goodwill of EUR 2.8 million.

The gradual implementation of Vaisala's new ERP system continues according to the plan during this and next year.

The project to build new office space in Vantaa, Finland, is progressing according to plans. The old building was torn down during the second quarter of 2009, the excavation work started in the third quarter of the year and the construction of the new building frame in the fourth quarter.

## Changes in financial reporting

Vaisala published its new strategy in November 2008. Going forward, the Group will focus on markets with the biggest growth potential in the environmental measurement business. The Group will seek growth from the current and new market segments. Vaisala also announced that it adopts a market segment based reporting model. From the first interim report in 2009, Vaisala Group's business will be reported in three segments, which are Meteorology, Weather Critical Operations and Controlled Environment. From the

beginning of 2009, the Group adopted the amended IAS 1 Presentation of the Financial Statements standard and IFRS 8 Operating Segments standard. The amended standards have no significant impact on the presentation of the interim and financial reports.

## **Meteorology**

Meteorology consists of Emerging markets and Established markets. The Meteorology business area serves national meteorological and hydrological institutes, whose primary interest is to provide national weather information and forecasts.

Net sales of Meteorology grew by 24.6 percent year on year to EUR 80.8 (64.9) million. In comparable currencies, the net sales would have grown by 21.3 percent. Operating profit for the review period was EUR 3.4 (8.0) million.

Vaisala participated in a large windprofiler renewal project for the US National Weather Service and delivered one wind profiler to the customer for pilot use in the third phase of the project. Larger than expected project costs burdened the operating profit of this business area in the financial year by approximately EUR 3.0 million.

Disruptions in radiosonde production affected the operating profit by approximately EUR 2.2 million during the financial year. These disruptions had no impact on net sales. Implementation of corrective measures has already started. Weather radar deliveries and other delivery projects burdened the operating profit by approximately EUR 2.3 million.

The value of orders received for Meteorology was EUR 76.4 million and the order book stood at EUR 36.6 million at the end of the review period.

In the second quarter, the modernization project for the Russian weather observation network was completed.

Japan Meteorological Agency ordered 10 sounding stations for their national upper air network. The order marked an important step in the Japanese markets; after its delivery, the majority of Japanese sounding stations use Vaisala's equipment.

Vaisala and the US National Oceanic and Atmospheric Administration (NOAA) signed a five-year contract in the second quarter, according to which Vaisala will deliver next generation GPS-dropsondes to the US National Hurricane Center to enable hurricane reconnaissance, research and storm track forecasting. The estimated value of the deal is USD 9.2 million

Deliveries of six new weather radars to the Turkish met office started in the fourth quarter. Of these, the first two radars will be taken into use in early 2010. Additionally, a comprehensive weather radar update was provided for the Malaysian met office in the fourth quarter.

Finnish Meteorological Institute took two new dual polarization weather radars into use, one in Kaivoksela and another one in Anjalankoski.

In Germany, in addition to the three previous ones, a fourth wind profiler was distributed to Deutscher Wetterdienst in the fourth quarter.

## **Controlled Environment**

Controlled Environment consists of Cleanrooms and Chambers, Building Automation and Targeted Industrial Applications segments. This business area includes customers who operate in tightly controlled and demanding areas where the measurement of precise environmental conditions is required to increase operational quality, productivity and energy savings.

Net sales of Controlled Environment declined by 9.4 percent year on year to EUR 49.2 (54.3) million. In spite of declined net sales, Vaisala has been able to maintain its market shares. In comparable currencies, the net sales would have been down by 13.3 percent. Operating profit for the review period was EUR 3.4 (8.4) million.

The value of orders received for Controlled Environment was EUR 49.0 million the order book stood at EUR 3.3 million at the end of the review period.

## **Weather Critical Operations**

Weather Critical Operations consists of Airports, Roads, Defense, Wind Energy and Targeted Business Development segments. This business area focuses on customers whose operations or businesses are affected by the weather, like aviation customers, road authorities, defense forces and wind parks.

Net sales of Weather Critical Operations declined by 17.4 percent year on year to EUR 101.8 (123.3) million. In comparable currencies, the net sales would have been down by 18.9 percent. Operating profit for the review period was EUR 5.5 (24.6) million.

The challenging economic situation affected the customers' purchasing decisions in this business area. Also, lack of larger individual projects lowered the sales.

The value of orders received for Weather Critical Operations was EUR 111.6 million and the order book stood at EUR 55.6 million at the end of the review period.

Disruptions in radiosonde production in the third quarter and the related scrapping costs burdened the operating profit of the Weather Critical Operations business area by approximately EUR 0.2 million. The situation did not affect the sales in 2009.

The deliveries of weather radar signal processors and weather observation systems for airports that were pending from the first quarter were completed during the second quarter.

In the first quarter, Vaisala signed a contract with a long standing customer for upper-air sounding equipment. The contract was valued at USD 8.6 million and the deliveries are expected to take place by the end of the first quarter in 2010.

Vaisala announced in the third quarter that it is, together with US National Center for Atmospheric Research (NCAR) and Xcel Energy, piloting a new observation and forecasting system for wind energy.

Vaisala's new runway visual range system was approved by FAA (Federal Aviation Authority) for air traffic control use in the USA in the fourth quarter. The availability of runway visual range information has a positive impact on flight safety and airport capacity. FAA approval also increases the potential for additional business and strengthens Vaisala's ability to respond to large scale turn-key programs.

## **Other functions**

### **Research and development**

Expenditure in research and development totaled EUR 28.4 (24.6/2008; 23.5/2007) million, representing 12.2% of the Group's net sales.

The share of research and development expenses of the Group's net sales will remain high in 2010. This is due to some extraordinary efforts aiming at aligned technology platforms and improved product modularity, usability and mass customization capability.

Vaisala launched 17 new products, solutions or services in 2009, covering all Vaisala product areas and market segments. The most significant were:

Vaisala Barometric Pressure Transfer Standard PTB330TS for reference measurement in field inspection and laboratory use.

Vaisala OMT364 for oxygen measurement in hazardous industrial processes.

Vaisala Global Lightning Dataset GLD360, a service provided by Vaisala that provides real-time lightning data anywhere in the world. The dataset provides information over oceanic and data-sparse regions where there is a shortage of real-time weather observations.

Vaisala Sigmet RVP900 signal processor. The RVP900 signal processing platform is used in Vaisala's weather radars, wind profilers and lightning detection equipment.

Vaisala Sounding equipment: RS92-D radiosonde for defense customers and the related upgrade kits for the RT20 systems. Vaisala BUFR Generator for older generation of Vaisala Ground Equipment.

Vaisala TLP, Total Lightning Processor, for lightning detection. TLP improves location accuracy of precision lightning detection networks through the use of Vaisala's patented location algorithm.

Vaisala FALLS (Fault Analysis and Lightning Location System), which provides electric utility engineers the ability to quickly and easily perform fault correlations with lightning events.

Reference radio sonde, which enables more accurate observations for climate change monitoring. The project will be carried out in co-operation with the international science community. The device will provide extremely accurate climatological information from the upper atmosphere.

### **Services**

Starting in 2009, Vaisala's service business has been reported as part of the business areas. Services sales in the review period totaled EUR 28.1 (27.5) million.

In January 2009, Vaisala acquired Aviation Systems Maintenance Inc. (ASMI) to strengthen its airport weather service offering. The integration of ASMI's operations to Vaisala was completed on July 1, 2009.

## **Personnel**

The average number of people employed in the Vaisala Group in the financial year was 1 302 (1 177/2008; 1 113/2007). 44 percent (39/2008; 39/2007) of the personnel was based outside Finland. 22 percent (20/2008; 21/2007) of the employees worked in research and development.

Salaries paid by the company are based on local collective and individual agreements, individual performance and the demand level of each job. The base salaries are supplemented by results-based bonus systems, which cover all Vaisala personnel. The total sum of salaries and bonuses paid in 2009 was EUR 63.3 million (59.7/2008; 57.2/2007).

Vaisala has two incentive plans; one based on the development of sales and profitability and covering all employees, and the other, three-year plan, based on the development of profitability and covering key personnel.

## Changes in the company's management

MSc Timo Raikaslehto was appointed Senior Vice President, Group Marketing and Sales and a member of the strategic management group starting March 1, 2009. He resigned from Vaisala in January 2010.

PhD John Jiang was appointed President of Vaisala China and a member of the strategic management group starting January 1, 2010.

Vaisala's Chief Technology Officer (CTO) Ari Meskanen was appointed Senior Vice President, Group Marketing and Sales starting January 1, 2010. He continues in the role of CTO until a successor has been found.

## Risk management

See [Risk management page](#).

## Internal Control

Vaisala aims to be a good corporate citizen, and an appropriate level of documented internal control policies supports this. According to the Finnish Corporate Governance Code, the purpose of internal control is to ensure the effective and profitable operations of the company, reliable information and compliance with the relevant regulations and operating principles. Internal control aims to improve the efficient fulfillment of the Board's supervision obligation.

Internal control is a process carried out by the Board of Directors, operative management and other employees within Vaisala. It is designed to provide reasonable assurance that the operations are effective, efficient and aligned with strategy, financial reporting and management information is reliable, complete and timely, and the Group is in compliance with applicable laws and regulations as well as Vaisala internal policies and ethical values, including sustainability.

The Vaisala internal control framework consists of:

- Internal control, risk management and corporate governance policies and principles set by the Board of Directors,
- Management overseeing the implementation and application of the policies and principles
- Finance department and business controllers monitoring the efficiency and effectiveness of the operations and reliability of the financial and management reporting
- Enterprise risk management process identifying, assessing and mitigating risks threatening the realization of Vaisala's objectives
- Compliance procedures making sure that all applicable laws, regulations, internal policies and ethical values, including sustainability, are adhered to
- Effective control environment at all organizational levels including control activities tailored for each process and creating group minimum requirements for business and geographical areas
- Shared ethical values and internal control culture among all employees
- Internal audit assignments reviewing the effectiveness of the internal controls as needed.

## Internal Control roles and responsibilities

Board of directors

- Is ultimately responsible for the administration and the proper organization of the operations of the company
- Ensures that the company has duly endorsed the corporate values applied to its operations
- Approves the internal control, risk management and corporate governance policies
- The Board of Directors or the President and CEO can assign Vaisala's external auditors or other external service provider to perform internal audit assignments as needed.

President and CEO

- Is in charge of the day-to-day management of the company in accordance with the instructions and orders given by the Board
- Sets the ground of the internal control environment by providing leadership and direction to senior managers and reviewing the way they are controlling the business
- Ensures that the accounting practices of the company comply with the law and that the financial matters are handled in a reliable manner.

Management Group

- Senior managers assign responsibility for establishment of more specific internal control policies and

procedures to personnel responsible for the unit's functions. Of particular significance are financial officers and their staffs, whose control activities cut across, as well as up and down, the operating and other units of the group.

#### Finance and control function

- Helps units and functions to set up adequate control activities
- Together with risk management director, facilitates the enterprise risk management process and reporting its results to the management
- Operatively follows-up the adequacy and effectiveness of control activities.

#### Internal audit assignments

- Examines and evaluates the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

#### General Counsel, business area and corporate function directors

- Are responsible for making sure that all functions and employees in their responsibility areas adhere to applicable laws, regulations and internal policies.

### **Vaisala's shares**

As at the end of the review period, the Group's Board of Directors had no valid authorizations for increasing the share capital, granting special rights, or issuing stock option rights.

On December 31, 2008, the price of Vaisala's A share in the NASDAQ OMX Helsinki Oy was EUR 22.11, and at the end of the review period, the share price was EUR 25.10. The highest quotation during the review period was EUR 28.46 and the lowest EUR 20.80. The number of shares traded in the stock exchange during the review period was 1,729,224.

On December 31, 2009, Vaisala had 18,218,364 shares, of which 3,397,684 are series K shares and 14,820,680 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 December 31, 2009 was EUR 371.8 million, excluding the Company's own 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 final day of the financial year, the total year-end market value of all the A and K shares together was EUR 457.1 million, excluding the Company's own shares.

Vaisala's main shareholders are listed on the Group website and in the Notes to the Financial Statements.

The shares give equal rights to dividends. According to the company's Articles of Association, the maximum number of shares is 68,490,017 and Vaisala's maximum share capital is EUR 28.8 million. All issued shares have been fully paid for. The shares have no consent or redemption clauses attached to them.

According to the Articles of Association, a K share can be converted into an A share in the manner specified in the Articles.

The number of shares held and controlled by Vaisala Corporation's Board of Directors on December 31, 2009 was 1,353,425; accounting for 15.6% of the total votes (2008: 1,353,425 shares and 15.6% of the total votes). The company's President and CEO owned 2720 shares.

### **Conversion of unlisted series K shares into series A**

Vaisala Corporation's 500 unlisted shares (series K) were converted into listed shares (series A). The conversion was registered in the Finnish Trade Register on March 5, 2009. Listing of the new series A shares was applied for as of March 6, 2009.

Vaisala Corporation's 6000 unlisted shares (series K) were converted into listed shares (series A). The conversion was registered in the Finnish Trade Register on May 14, 2009. Listing of the new series A shares was applied for as of May 15, 2009.

Vaisala Corporation's 1400 unlisted shares (series K) were converted into listed shares (series A). The conversion was registered in the Finnish Trade Register on November 19, 2009. Listing of the new series A shares was applied for as of November 20, 2009.

### **Treasury shares and parent company shares**

At the end of the financial year, the Company held a total of 9,150 Vaisala A shares, which represented 0.05% of the share capital and 0.01% of the votes. The consideration paid for these shares was EUR 251,898.31.

## **Board of Directors**

### **Members of the Board**

In accordance with Vaisala Corporation's Articles of Association, the company's Board of Directors comprises at least three (3) and at most six (6) members. According to current practice, the Board comprises six members. All Board members are appointed by a General Meeting of Shareholders. The Board elects a Chairman and a Vice Chairman from among its members.

### **Term of office of members of the Board**

In deviation from recommendation no. 10 of the Finnish Corporate Governance Code, the term of office of members of the Board is not one year. Instead, the term of office is 3 years, as stipulated in the Articles of Association. The term of office begins after the General Meeting of Shareholders at which the member is elected, and ends at the close of the third Annual General Meeting that follows the member's election.

### **Independence of the Board members**

Evaluated against the criteria given in Recommendation 15, all six members of the Board of Directors are independent of the company. Evaluated against the criteria given in Recommendation 15, Yrjö Neuvo, Stig Gustavson, Mikko Niinivaara and Maija Torkko are independent of both the company and the shareholders. Evaluated against the criteria given in Recommendation 15 Raimo Voipio and Mikko Voipio are dependent of significant shareholders. The current composition of the Board of Directors fulfills the independence requirements stated in the Recommendation 14.

### **President and CEO**

Vaisala's President and CEO is appointed by the Board. The President and CEO manages the company in accordance with the instructions and orders given by the Board, and informs the Board of the development of the company's business and financial situation. The President and CEO is also responsible for arranging the company's management.

## **Events relating to the permanent group of insiders**

No loans were granted to any of the persons belonging to the permanent group of insiders, and no contingent liabilities were made on their behalf.

## **Group structure**

The company has regional offices in India, Canada, China, Malaysia and the United Arab Emirates. The addresses and contact details of the regional offices are available on Vaisala's website.

## **Environment**

Vaisala has signed a voluntary energy efficiency agreement with the Federation of Finnish Technology Industries. The agreement aims at improving energy efficiency, generating cost savings, and countering climate change, and as a signatory Vaisala participates in a number of energy efficiency initiatives. Full list of all the initiatives is published in March 2010 in the company's corporate responsibility report 2009, which is available on Vaisala's internet at [www.vaisala.com/cr](http://www.vaisala.com/cr).

In line with the energy efficiency agreement, Vaisala's new office building will be more energy efficient and ecologically advanced. The building is estimated to be in place by the end of 2010. The investment is expected to improve energy efficiency by 15% compared to the old facilities.

Vaisala's Corporate Responsibility Report 2008 received an honorary mention from the United Nations Global Compact Office. This was the first time Finnish companies receive this tribute and Vaisala is one of two Global Compact signatories in Finland that were acknowledged. The acknowledgement applauded the way Vaisala has communicated its endorsement of the UN Global Compact, i.e. the ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

## **Active involvement in the scientific community**

Vaisala is involved in active discussion with different stakeholders, promoting advancement in science, particularly the development of environmental measurement. Vaisala collaborates in several projects with leading research institutes in the field, such as NOAA (the National Oceanic and Atmospheric Administration, USA), Finnish Meteorological Institute (FMI), Colorado State University, University of Massachusetts, the US National Center for Atmospheric Research (NCAR), Deutscher Wetterdienst, VTT (Technical Research Centre of Finland) and the Helsinki University of Technology, Finland.

In January 2009, Vaisala announced that it develops a reference radiosonde to support the precision measurement needs of the climate research communities. The first phase of the development focuses on enhanced high-altitude low-temperature humidity measurements. Finnish Meteorological Institute (FMI), National Center for Atmospheric Research (NCAR) and Deutscher Wetterdienst (DWD) are collaborating with Vaisala by undertaking independent field evaluations of humidity made with Vaisala's advanced polymer humidity sensor.

Vaisala's representatives participate in the Board of the Federation of Finnish Technology Industries and in its committees, such as the Environmental Committee. Vaisala participates in the Board on Atmospheric Sciences and Climate of the National Research Council/National Academy of Sciences (USA).

Vaisala also closely collaborates with a number of meteorological authorities around the world and takes part in the activity of the UN World Meteorological Organization (WMO). During the year, Vaisala granted research scholarships to universities, students and researchers in both the United States and Finland. Vaisala is also a partner of Cleen Oy, a strategic centre for science, technology and innovation for energy and environment businesses.

With a donation of EUR 200,000, Vaisala is one of two main sponsors of Science On a Sphere (SOS), a projection technique developed in the United States by the National Oceanic and Atmospheric Administration (NOAA). The sphere is on display at the Finnish Science Center Heureka in Vantaa. More than 150 broad illustrations depicting the oceans, climate, continents and astronomy can be projected onto the surface of a glowing sphere. The sphere provides a global look at, for example, weather conditions, atmospheric gases, earthquakes, ocean currents, glacial areas and ocean temperatures.

## Proposals to the Annual General Meeting

The Board of Directors' proposal for the distribution of profit

According to the financial statements for the year to December 31, 2009, the parent company's distributable funds amount to EUR 130,537,792.12, of which the profit for the financial year is EUR 6,617,173.40.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:

- A dividend of EUR 0.65 per share be paid, totaling	EUR 11,835,989.10
- To be retained in shareholders' equity	EUR 118,701,803.02
Total	EUR 130,537,792.12

No material changes have occurred in the company's financial situation since the end of the financial year. The company's liquidity remains good and, in the view of the Board, is not threatened by the proposed profit distribution.

The record date for dividend payment has been set at March 30, 2010, and it is proposed that the dividend be paid on April 8, 2010.

The terms of office of Board members Maija Torkko and Yrjö Neuvo will end at the Annual General Meeting. Shareholders representing more than 10 percent of all the votes in the company have announced their intention to propose to Vaisala's Annual General Meeting, to be held on March 25, 2010, that the number of Board members will be six. The Board proposes that Maija Torkko and Yrjö Neuvo be re-elected.

The Board proposes that PricewaterhouseCoopers Oy, Authorized Public Accountants, and Hannu Pellinen, APA, be re-elected as Vaisala's auditor.

The proposed persons and auditor have given their consent to their re-election.

The Board of Directors proposes that the General Meeting authorize donations of maximum EUR 250,000 to one or more universities. The donations would be granted in one or several payments. According to the proposal, the Board of Directors are authorized to decide on the recipients and the payments they receive. The authorization would be in force until the 2011 Annual General Meeting.

## Events after the financial year

Petteri Naulapää was appointed Chief Information Officer (CIO) and a member of the strategic management group starting February 16, 2010. Jussi Kallunki, Vaisala's previous CIO, was appointed Chief Risk Officer.

Vantaa, February 18, 2010

Vaisala Corporation  
Board of Directors

## Risk management

### Organization of risk management

Vaisala has a risk management policy that has been approved by the Board of Directors and that covers the company's strategic, operating and financing risks. Vaisala's strategic management group regularly assesses risk management policies, and the scope, adequacy and focus areas of related practices. The policy aims at

ensuring the safety of the company's personnel, operations and products as well as the continuity of operations. The policy also covers intellectual capital, corporate image and brand protection. An appropriate and up-to-date risk concept is integrated into decision-making and included in the business plan.

More detailed operational instructions are defined by the strategic management group. These include approval, bidding and procurement authorizations and terms of payments.

The main principles of the investment policy in the order of their priority are a) minimizing credit loss risks, b) ensuring liquidity, and c) maximizing return on investment. The maximum term of investment is 12 months.

Usual risks related to international business affect Vaisala's operating environment. The most significant of these are risks relating to changes in the global economy, currency exchange rates (with particular respect to the U.S. dollar), supply network management and production activities. Vaisala monitors these risks and prepares for them in accordance with the company's risk management policy.

Group-level insurance programs have been established to deal with manageable operating risks. These programs cover risks relating to property damage, business interruption, different liabilities, transport and business travel. Vaisala's ability to tolerate risks is good and the company has a strong capital structure, ensuring capital adequacy.

## **Near-term risks and uncertainties**

The near term risks and uncertainties are estimated to relate to changes in the global economy, shifts of currency exchange rates, interruptions in manufacturing, project delivery capabilities, customers' financing capability, changes in purchasing or investment behavior, and delays or cancellations of orders and deliveries. The biggest risks in realization of net sales relate to the industrial segments which are more sensitive to economic fluctuations and where the demand has clearly slowed down. The share of these segments is approximately 25 percent of Vaisala's net sales. Additionally, cancellations or delays of project deliveries that have been planned to take place this year may affect the net sales and operating profit.

Changes in subcontractor relations, their operations or operating environment may have a negative impact on Vaisala's business. Vaisala monitors these risks and prepares for them in accordance with the company's risk management policy.

Vaisala is currently implementing significant development projects and organizational changes, which lay the foundation for the execution of Vaisala's new strategy. A new Group-wide enterprise resource planning system is also under development. These efforts constitute a short-term risk regarding Vaisala's net sales and result.

Vaisala has made acquisitions and their impact on net sales and operating profit depends essentially on the success of integration activities. In case the assumptions about achievable synergies prove incorrect or the integration activities fail, they constitute a short-term risk regarding Vaisala's net sales and result.

## **Interest rate risk**

The company has no significant interest-bearing liabilities. Interest rate risk arises from the effects of interest rate changes on interest-bearing receivables and liabilities in different currencies. According to the company's management, the interest rate risk is small and it is included in the interest of the invested assets if the interest rate changes. Interest rate changes affect the fair value of both cash flows and investments. A change of one percentage point in the interest rate would affect the company's result after taxes by around EUR 358 (396) thousand, calculated on an approximate investment position of EUR 48.3 (53.5) million. Further information on interest-bearing receivables is given in Note 21.

## **Market risk on investment activity**

In 2008, the Group invested its cash reserves in short-term income funds and is therefore exposed in its operations to a price risk arising from fluctuations in the quoted market prices of income funds. The income fund investments were realized during 2009. Because issuers (states, municipalities and financial institutions) whose credit rating is very good are selected as the locations for fund investments, the credit risk connected with the funds was low. The funds invest in euro-denominated interest income products, so there was no currency risk. A rise in short-term market interest rates momentarily lowered the value of fund shares. A change in fair value of EUR 2,120 thousand loss (2,209) in 2009 was recognized in the income statement under 'financial income and expenses'. Further information on assets recognized at fair value through profit and loss is given in Note 20.

## **Currency risk**

The international nature of operations exposes the Group to risks that arise when investments in different currencies are converted into the parent company's functional currency. The most significant currencies for the Group are the US dollar, the Japanese yen and the British pound. The Group has many investments in its foreign subsidiaries, whose net assets are exposed to currency risks. The Group does not hedge the currency risks related to its subsidiaries' net assets. The separate table features a sensitivity analysis (SA) on how changes in the rates of the most important currencies for the Group and in the euro, both in terms of average

rate and balance sheet day rate, would affect the consolidated profit after taxes. The SA calculation does not incorporate the effects of parent company purchases in other currencies during the financial year.

<b>2009</b>			<b>Effect on result after taxes EUR thousand</b>
USD/EUR	Exchange rate rise	10 %	459
	Exchange rate fall	10 %	-448
JPY/EUR	Exchange rate rise	10 %	92
	Exchange rate fall	10 %	-75
GBP/EUR	Exchange rate rise	10 %	209
	Exchange rate fall	10 %	-191
<b>2008</b>			<b>Effect on result after taxes EUR thousand</b>
USD/EUR	Exchange rate rise	10 %	491
	Exchange rate fall	10 %	-468
JPY/EUR	Exchange rate rise	10 %	165
	Exchange rate fall	10 %	-135
GBP/EUR	Exchange rate rise	10 %	403
	Exchange rate fall	10 %	-371

The Group recognizes monetary items at net in accounting and hedges them with currency forwards to which the Group does not apply hedge accounting in accordance with IAS 39. Around 40% of the Group's net sales arise in US dollars, 5% in Japanese yens and 4% in British pounds. A significant proportion of Group purchases take place in euros. Currency forwards are used to hedge the net position arising from these. The degree of hedging is around 50 per cent of the order book and trade receivables. The degree of hedging at the end of the financial year was 42%. Hedging is arranged by the parent company (Note 10. Financial income and expenses).

### Liquidity risk

The Group aims to continuously assess and observe the level of funding required to finance the business to ensure that the Group has sufficient liquid assets for financing its operations. Group financing is arranged through the parent company, and the financing of the subsidiaries is arranged through internal loans. The parent company also provides the subsidiaries with the necessary credit limit guarantees. The parent company assumes responsibility for financial risk management and for investing surplus liquidity. To fulfill the liquidity need, the parent company has EUR 20 million credit loan limit, which is currently unused. Additionally, the subsidiaries have EUR 1.3 million credit loan limit, currently unused. The company has no other external financial liabilities other than those related to finance leasing (Note 23. Interest-bearing liabilities).

With the company's current balance sheet structure, liquidity risks are non-existent.

### Counterparty risk

Liquid assets are directed, within set limits, to investments whose creditworthiness is good. The investments and investment limits are redefined annually. Further information on the classification of investments is given in Note 21. Cash and cash equivalents.

### Credit risk

The Group applies a stringent credit issuance policy. Credit risks are hedged by using letters of credit, advance payments and bank guarantees as terms of payment. According to Group management, the company has no material credit risk concentrations, because no individual customer or customer group represents an excessive risk, thanks to global diversification of the company's customer pool. Total credit losses arising from accounts receivable and recognized for the financial year amounted to EUR 0.4 million (0.3), and the total net credit loss for the financial year was EUR 0.4 million (-0.1). The credit losses resulted from an unexpected change in the financial environment of a customer. The maximum amount of the Group's credit risk corresponds with the carrying amount of financial assets at the end of the financial year. The periodic distribution of accounts receivable items is presented in Note 19 in the Notes to the Financial Statements.

### Management of capital assets

Management of the Group's capital assets aims at ensuring normal company operation and increasing shareholder value with an optimum capital structure. The goal is to attain the best possible returns over the

long term. An optimum capital structure also ensures lower capital costs. Capital structure can be affected through dividend distribution and share issues, for example. The Group can alter or adjust the amount of dividend payable to shareholders, the amount of capital returned to them or the number of new shares issued. The company has no significant financial liabilities. The shareholders' equity indicated in the consolidated balance sheet represents the capital assets managed. The Group does not apply external capital requirements.

## Auditor's report

*(Translation from the Finnish Original)*

### To the Annual General Meeting of Vaisala Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Vaisala Corporation for the year ended on 31 December, 2009. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

### Other Opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Vantaa, 18 February 2010

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

Mikko Nieminen, Authorised Public Accountant  
Hannu Pellinen, Authorised Public Accountant

## Shareholder information

**Vaisala Oyj's Annual General Meeting will be held on Thursday March 25, 2010, at 6 p.m. at Heureka Science Center Tiedepuisto 1, Tikkurila, 01300 Vantaa. The reception of shareholders who have pre-registered to the meeting, will start at 5.15 p.m.**

### Agenda of the Annual General Meeting

The following items will be presented at the meeting:

The issues defined in Section 13 of the Group's Articles of Association and the Limited Liability Companies Act to be dealt with at Annual General Meetings. The Agenda includes the items associated with calling the meeting to order according to normal Annual General Meeting practice.

At the meeting, the Agenda will include the CEO's review, given in conjunction with the presentation of the financial statements. The review is not a matter for decision.

### Distribution of profit and remuneration of the members of the Board

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.65 per share be paid for 2009. The dividend will be paid to shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd (formerly the Finnish Central Securities Depository Ltd) on the record date March 30, 2010. The Board proposes that the dividend be paid on April 8, 2010.

The Board proposes to the Annual General Meeting that the remuneration of the members of the Board of Directors to be elected at the Annual General Meeting for the term until the close of the Annual General Meeting in 2011, will be as follows: EUR 35,000 for the Chairman and EUR 25,000 for each member.

### Proposal for the election of the members of the Board of Directors

Board members Yrjö Neuvo and Maija Torkko are in turn to retire by rotation. Shareholders representing more than 10 percent of all the votes in the company have announced that they will propose to the Annual General Meeting held on March 25, 2010 the re-election of Yrjö Neuvo and Maija Torkko.

### Proposal for the election of auditors and their fee

The Board proposes that PricewaterhouseCoopers Oy and Mr Hannu Pellinen APA, the current Authorized Public Accountants of Vaisala Oyj, be re-elected for the next term defined by the Articles of Association. Hannu Pellinen has been Vaisala's Authorized Public Accountant with main responsibility since 2007. The Board of Directors further proposes that the auditors' compensation will be based on reasonable invoicing presented to the company.

### The authorization of the Board to grant donations

The Board of Directors proposes that the General Meeting authorize donations of maximum EUR 250,000 to one or more universities. The donations would be granted in one or several payments. According to the proposal, the Board of Directors is authorized to decide on the recipients and the payments they receive. The authorization would be in force until the 2011 Annual General Meeting.

### Documentation

Documents relating to the financial statements and the documentation for Annual General Meeting will be available on March 4, 2010 at the company's head office in Vantaa, Vanha Nurmijärventie 21. On request, copies will be sent to shareholders. The material will also be available on [www.vaisala.com/investors](http://www.vaisala.com/investors) by March

4, 2010 at the latest.

## Total number of shares and votes by series of shares

On February 19, 2010, the date of the invitation to the General Annual Meeting, Vaisala Oyj had 18,218,364 shares, out of which 3,397,684 are series K shares and 14,820,680 are series A shares. Each K share entitles its owner to 20 votes at a General Meeting while each A share entitles its owner to 1 vote. The total number of votes by all shares is 82,774,360 out of which the series K shares represent 67,953,680 votes and series A shares 14,820,680 votes.

## Notice to the attendees

### 1. Right of attendance and registration

Shareholders who are registered in the company's share register maintained by Euroclear Finland Ltd (formerly the Finnish Central Securities Depository Ltd) by March 15, 2010 have the right to attend the Annual General Meeting. Shareholders whose shares have not been transferred to the book-entry securities system also have the right to attend the Annual General Meeting, provided that such shareholders were registered in the company's share register before 21 October 1994. In such cases, shareholders must present evidence that their shareholding rights have not been transferred to the book-entry securities system.

Shareholders wishing to attend the Annual General Meeting must register by Tuesday, March 16, 2010, 4 p.m. Registration starts on March 1, 2010 at 9.00 a.m.

Registration can be made

- on Vaisala's web site at [www.vaisala.com/investors](http://www.vaisala.com/investors),
- by telephone on weekdays between 9 a.m. and 11 a.m., tel. +358 9 8949 2201,
- by letter addressed to Vaisala Oyj, Nina Andersin, P.O.Box 26, FIN-00421 Helsinki, Finland

In connection with the registration, a shareholder shall notify his/her name, personal identification number, address, telephone number and the name of a possible assistant or proxy representative and the personal identification number of a proxy representative. The personal data given to Vaisala Oyj is used only in connection with the Annual General Meeting and with the processing of related registrations.

Letters authorizing a proxy to vote on behalf of a shareholder should be sent to the company by mail to Vaisala Oyj, Nina Andersin, P.O. Box 26, 00421 Helsinki or by email to [nina.andersin@vaisala.com](mailto:nina.andersin@vaisala.com) before the expiry of the registration period.

### 2. Holders of nominee registered shares

Holders of nominee registered shares who wish to attend the Annual General Meeting must be registered in the company's shareholders' register by the record date March 15, 2010.

A holder of nominee registered shares is advised to request without delay necessary instructions regarding the registration in the shareholder's register of the company, the issuing of proxy documents and registration for the Annual General Meeting from his/her custodian bank. The account management organization of the custodian bank will register a holder of nominee registered shares, who wants to participate in the meeting, to be temporarily entered into the shareholders' register of the company at the latest on March 22, 2010 by 10.00 a.m.

Vantaa February 19, 2010

Vaisala Oyj  
Board of Directors

## Payment of dividend

### The Board of Directors' proposal for the distribution of profit

According to the financial statements for the year to December 31, 2009, the parent company's distributable funds amount to EUR 130,537,792.12, of which the profit for the financial year is EUR 6,617,173.40.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:

- A dividend of EUR 0.65 per share be paid, totaling	EUR 11,835,989.10
- To be retained in shareholders' equity	EUR 118,701,803.02
<b>Total</b>	<b>EUR 130,537,792.12</b>

No material changes have occurred in the company's financial situation since the end of the financial year.

The company's liquidity remains good and, in the view of the Board, is not threatened by the proposed profit distribution.

The record date for dividend payment has been set at March 30, 2010, and it is proposed that the dividend be paid on April 8, 2010.

## Financial reporting 2010

Vaisala Oyj will publish three interim reports, in Finnish and in English, in 2010 as follows:

May 11, 2010	Interim report 1.1. - 31.3.2010 (Q1)
Aug 11, 2010	Interim report 1.1. - 30.6.2010 (Q2)
Nov 5, 2010	Interim report 1.1. - 30.9.2010 (Q3)

### Silent time

Vaisala observes a silent period which starts at the end of the reporting quarter and ends to the publication of the respective quarterly or annual results. During this time, Vaisala does not comment on the company's financial situation, markets or future outlook.

### Annual General Meeting 2010

March 25, 2010, at Science center Heureka

### 2009 Financial Report

The Financial Report 2009 is published in Finnish and English. The brochure is distributed to all Vaisala shareholders on week 10/2010. The company's interim reports as well as other stock exchange releases and press releases are available on the Vaisala website at <http://www.vaisala.com/>.

Financial reports can be ordered from:

Vaisala Oyj  
Corporate Communications  
P.o.Box 26, 00421 Helsinki, Finland  
or by e-mail: [info@vaisala.com](mailto:info@vaisala.com)

## Vaisala Group

Vaisala is a global leader in environmental and industrial measurement. Building on more than 70 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 meteorology, weather critical operations and controlled environments.

Vaisala's competitiveness is based on understanding customer requirements, premium class quality and reliability, a wide selection of products and services, and strong application know-how. Vaisala's customer groups include meteorological and hydrological institutes, road organizations, defense forces, aviation organizations, private sector with weather-critical operations, system integrators and industry worldwide. Vaisala' customer base covers over 120 countries.

In 2009 the Vaisala Group employed over 1 400 professionals. Parent company Vaisala Oyj, domicile in Finland, is listed on NASDAQ OMX Helsinki. The Vaisala Group has offices and operations in Finland, USA, Canada, France, United Kingdom, Germany, China, Sweden, Malaysia, India, Japan, Australia and United Arab Emirates.

## Strategy

Environmental awareness is increasing worldwide, creating demand for energy efficiency and renewable energy sources. As a global leader in weather and industrial measurement, Vaisala is ideally positioned to respond to these requirements: to grow within our well-established market segments and enter new growth segments. Similarly, Vaisala's business environments are developing. Investments in airport and road infrastructure continue, resulting in a need for even more reliable weather information to maximize safety and increase operational efficiency.

Vaisala focuses on markets with the most growth potential serving customers in the chosen meteorology, weather critical operations and controlled environment markets. The global markets are divided into customer-specific segments, as seen in the following image. The segments consist of customers with similar needs, and represent an attractive market in terms of size, sustainable growth and profitability.

# Customers and markets

Vaisala serves customers in different environmental measurement markets. Our global market segments include meteorology and hydrology, airports, roads, defense, weather critical energy, cleanrooms and chambers, building automation and targeted industrial applications. We provide our customers with the means to influence and better understand their environment and reduce uncertainty by enabling well-informed decisions.

Vaisala's comprehensive offerings range from small industrial probes to comprehensive weather observation solutions such as surface weather networks and aviation weather solutions. Our customer base covers over 120 countries. Geographically the markets are divided into three regions: Europe, Middle East and Africa (EMEA), Americas, and Asia Pacific (APAC).



[Click to enlarge](#)

## Weather observations

Weather is one of the most popular conversation topics in the world. And subsequently, most of us follow forecasts and weather events with keen personal interest. We rely on the weather information and base quite a few daily decisions on it.

Climate change, growing urbanization and the fact that the world's largest cities are built on coastal areas make today's societies more vulnerable to extreme weather events and other environmental threats than ever before. The more information we are able to provide about the environmental conditions and the faster and more precise it is, the better we can safeguard societies, human lives and property.

Vaisala's customers, such as national weather services, airport operators, road authorities and energy companies, are in a key position to ensure safe and efficient operations and lower environmental impacts of the everyday life.

### Weather forecasting

National meteorological and hydrological institutes need a continuous stream of high-quality weather data in order to safeguard people and property. In addition, they need reliable weather observation data to measure and explain the state of the atmosphere and climate change.

To provide accurate and reliable forecasts, severe-weather predictions and early warnings, weather services need to have access to a wide variety of integrated measurement systems and services. The weather data collected from these different observation sources is fed to computers using highly sophisticated atmospheric models, which calculate the most likely forecasts on a global, national or local scale.

Over two thirds of the world's national meteorological institutes are Vaisala's customers. Vaisala's equipment plays a crucial role in global weather forecasting. In addition to enabling regular weather forecasting, Vaisala is also committed to supporting the study of climate change. A good example of this is the reference radiosonde

project which aims to develop an instrument to provide accurate environmental data from the upper atmosphere for the use of climate change researchers.

## Weather in traffic

The transport networks form the backbone of societies all over the world. Keeping these networks flowing is vital for the economy. Safe and on-time air travel and smooth traffic flows contribute to the efficiency and effectiveness of airport operations and road maintenance. Equal for both operations, weather is also the most common reason for accidents, incidents and delays, with potentially severe consequences.

In airports, reliable, timely and accurately communicated weather information is a prerequisite for making right and timely decisions. Weather conditions, such as thunderstorms, low visibility, wind shear, heavy rain and icing, can cause hazards for pilots and the entire operations alike.

Vaisala is a forerunner in the airport weather market and annually delivers systems and solutions to more than 100 airports around the world.

Similarly, we are a leading player in road weather systems. Local road authorities are responsible for traffic weather monitoring and winter maintenance of road networks. In order to know when to salt, plow and issue warnings, the road authorities need be able to integrate weather information into their operational decision making processes. Right decisions improve safety and produce significant savings, and help reduce the environmental impacts caused by maintenance operations.

Vaisala serves road authorities in 25 countries and have installed over 3,000 weather stations worldwide.

## Weather critical energy

Weather is an important factor in power generation. In warm countries, the high temperatures affect the transmission capacity, and in cold countries, the icing conditions complicate maintenance actions. In addition, storms and lightning strikes can break power lines due to fallen trees. To ensure uninterrupted power supply and cost-efficient energy production, the implications of weather need to be carefully taken into account.

Vaisala's weather energy customers are investigating the suspected faults caused by lightning or studying the climate of their transmission territory. The North-American customers, for instance, can benefit from Vaisala's real-time and historical lightning data services.

## Tactical weather observations

Organizations such as defense forces and homeland security are in charge of ensuring the country's defense and security. They need weather information to understand it's effect to their mission and in order to improve safety and effectiveness of their operations. Additionally, these organizations are in many countries responsible for various weather critical activities such as civil aviation, rescue operations or meteorological services. Vaisala serves defense forces, and security organizations by providing large variety of different weather observation systems and solutions to support operational decision making.

# Controlled environments

## Enabling efficiency and high quality

Operational quality, productivity and energy savings are the main drivers for our industrial customers. Even though they operate in very different types of environments from tiny incubators to massive engine rooms and high rise buildings, they have one thing in common: they all need to measure and monitor the conditions very closely and precisely to ensure efficient, safe and high quality operations.

The customers in Vaisala's **cleanrooms and chambers** markets operate in demanding production, storage and research areas where it is crucial to monitor and control the precise environmental conditions. As a rule, their operations are tightly regulated by the authorities. For instance the life science industry, comprising of pharma, biotechnology and medical device companies, must follow the "Good Manufacturing Practice" regulations, which include tight requirements for validations and audits. This requires stable and accurate measurements, of e.g. the humidity and temperature levels, in processing, packaging, and storing of products. Other segments in these markets include the hi-tech industry and environmental test chambers.

In the **building automation** markets, the customers aim at optimizing energy consumption and indoor air quality. These can be achieved by controlling and optimizing the heating, ventilating, air conditioning and refrigeration systems (HVAC & R) in buildings.

HVAC accounts for 70 – 80% of the operating costs in buildings. In the EU, buildings are a major source of greenhouse-gas emissions and account for a large portion of the final energy demand. Energy savings in

buildings are an essential element in the Union's climate change activities. Furthermore, demands for better indoor air quality are gradually leading to renewed legislation. High energy costs and new legislation, such as EU's "Green Buildings", are driving building owners to improve energy efficiency with the help of advanced building automation solutions. Well-designed solutions support sustainable development: better indoor air quality contributes to improved human comfort and productivity and the on-demand systems help minimize the environmental load. When ventilation is controlled according to the carbon dioxide levels, indoor air can be kept fresh without wasting energy.

The main customer groups represent building automation system manufacturers, integrators, contractors and distribution channel, and facility HVAC management. Vaisala's solutions can be used across various man-made environments, for example in commercial buildings, event complexes, airports and metro stations as well as in cleanrooms and laboratories, factories and cold storage applications.

The customers of **targeted industrial applications** segment represent various demanding industries from power and pharmaceutical to marine and plastics. Reliable and stable real-time measurements improve processes, extend equipment lifetime and prevent downtime.

Vaisala provides measurement instruments for instance to help customers produce high-quality compressed air dependably and energy efficiently. Reliable measurements are also the back bone of condition based maintenance programs for critical equipment such as power transformers, high-voltage switch gear and ship engines. Dewpoint and moisture content of oil are typical specialized measurements used in these applications.

## Responsible business

As a leading environmental measurement company in the world and active member in the society, Vaisala is committed to conduct all its business in a responsible way. We want to be transparent and report openly on the economic, social and environmental impacts of our work and follow up on our progress. Corporate Responsibility in Vaisala is guided by our Code of conduct, Environmental policy, Anti-corruption policy and Community outreach policy.

Vaisala publishes [an annual Corporate Responsibility Report](#) (CR report) based on Global Reporting Initiative's (GRI G3) universal guidelines. Vaisala is also a UN Global Compact signatory and committed to its principles.

## Social responsibility

### Personnel

Vaisala strives to be the best in the field in all its endeavors. This applies also to Vaisala as an employer. We want to be acknowledged as a great and reliable company to work for. Our employees seem to think we are, as the average retention time is nearly 10 years.

At the end of 2009 Vaisala Group employed approximately 1400 persons working in nearly 30 locations in 12 countries. Most of the personnel worked in the headquarters in Finland (57%) and in USA (27%).

Read more about the Vaisala personnel on [the corporate responsibility pages](#).

### Active member of the society

Vaisala is an active member of the society collaborating with several stakeholder groups. The close cooperation with universities and research institutes originates from the 1930s when the company was just established.

In 2009 Vaisala announced the development of a reference radiosonde for the use climate change research. Read about the reference sonde and other ongoing projects.

Vaisala's community outreach supports organizations and projects that advance environmental awareness and science education. All our outreach activities should be in line with Vaisala's values and resonate well with environmental issues such as climate, weather, environmental measurement and environmental sciences.

Read more about the community outreach program from [the 2009 CR report](#).

## Environmental responsibility

Vaisala is a front runner in environmental measurements and a leading company in its field. This is why we consider the environment to be our key stakeholder. It is our duty to provide means for accurate measurements of both the natural and built environments. We consider environmental safeguarding in all its forms to be of great importance. That is why we do our best to gradually enhance our environmental

performance on all levels.

Read about the recent environmental developments from [the 2009 CR report](#).

## New strategy - new organization

Vaisala's new organization became effective in the beginning of 2009. The new matrix organization consists of three business areas divided into ten market segments and group wide functions.

Meteorology, Controlled Environment and Weather Critical Operations business areas together with their related market segments, drive, grow and develop their businesses according to the Vaisala strategy. Business areas also carry profit and loss responsibility.

The group-wide functions, Products and Technology, Operations, Services and support functions provide the business areas with resources and competencies to reach their business goals.

<b>VAISALA</b>	<b>Meteorology</b>	<b>Weather Critical Operations</b>	<b>Controlled Environment</b>
<b>Services</b>	Established Markets	Airports	Building Automation
<b>Products and Technology</b>		Roads	
<b>Operations</b>	Emerging Markets	Defense	Cleanrooms and Chambers
<b>Support</b>		Weather Critical Energy	Targeted Industrial Applications
<ul style="list-style-type: none"> <li>■ Group Marketing and Sales</li> <li>■ Finance</li> <li>■ Human Resources</li> <li>■ Communications</li> <li>■ IT Development</li> <li>■ Group Business Development</li> <li>■ Strategic Research</li> </ul>	Meteorology Sales	Targeted Business Development Weather Critical Operations Sales	Controlled Environment Sales

## Meteorology

Meteorology business area serves meteorological and hydrological institutes whose primary interest is the safety and wellbeing of people and safeguarding property. Globally the meteorology markets are divided into two: established markets and emerging markets.>

In **established markets** the focus is mostly on increasing the cost-efficiency of products, further automation and remote monitoring, as well as expanding the services offering. In **emerging markets** needs vary from standard weather observation equipment to turnkey projects and capability upgrades for severe weather prediction.

### Year 2009

In 2009 the sales of Meteorology business area developed nicely, growing nearly 25 percent. Profitability was burdened by disruptions in radiosonde production and smaller than expected delivery project margins. Read about year 2009 events

Meteorology		
	2009	2008
Net sales, MEUR	80.8	69.4
Operating profit, MEUR	3.4	8.0
Orders received, MEUR	76.4	- *
Order book, MEUR	36.6	- *

\* no comparable data on orders, due to the changed segment reporting

# Main events

## Large windprofiler renewal project in the US

Vaisala participated in a large windprofiler renewal project for the US National Weather Service and delivered one wind profiler to the customer for pilot use in the third phase of the project. [Read more](#)

## The biggest meteorological modernization project in the Russian history

One of the biggest surface weather observation network modernization projects in the world was initiated in the Russian Federation. The project includes over 1800 observation sites. Vaisala is the main weather observation technology provider in this large-scale project. All deliveries were completed by the end of June. [Read more](#)

## Important step in Japan

Japan Meteorological Agency ordered 10 sounding stations for their national upper air network. The order marked an important step in the Japanese markets; after its delivery, the majority of Japanese sounding stations use Vaisala's equipment.

## Dropsondes to National Oceanic and Atmospheric Administration in the US

Vaisala and the US National Oceanic and Atmospheric Administration (NOAA) signed a five-year contract. According to the contract, Vaisala delivers next generation GPS-dropsondes to the US National Hurricane Center to enable hurricane reconnaissance, research and storm track forecasting. The estimated value of the deal is USD 9.2 million. [Read more](#)

## Finnish Meteorological Institute renews its weather radar network

The Finnish Meteorological Institute renews part of its current weather radar network. In 2009 two new Vaisala dual polarization weather radars were taken into use, one in Helsinki Metropolitan area and another one in southeast Finland. The dual polarization technology enables more precise information on the quantity and type of precipitation. Vaisala has one dual polarized weather radar in its own use for test and development purposes. The test radar is located at the top of Kerava water tower in Southern Finland. Follow the Kerava weather radar data at [www.vaisala.com/keravaradar](http://www.vaisala.com/keravaradar).

# Weather Critical Operations

The Weather Critical Operations business area serves customers in airports, roads, defense and energy markets. It provides products and solutions to support customers in their operational decision making under any weather conditions. Accurate, real-time, uninterrupted and reliable weather data is the cornerstone of efficient operations for its customers.

At **airports** Vaisala provides weather observations offering to support decision making in improving the efficiency, safety and environmental compatibility of airport operations.

**Road** authorities benefit from Vaisala's a weather observation, traffic counting and highway advisory product offerings in ensuring safety, and optimizing the efficiency of traffic management and road maintenance operations.

Vaisala weather observation products and systems are used in **defense weather** observation applications.

**Weather Critical Energy** market segment focuses on electrical energy customers, such as wind farms, turbine manufacturers, electric utilities and transmission system operators. We provide our customers with the capability to measure their environment and integrate the information in operational decision making, which helps them to optimize the performance and improve the efficiency and safety of their operations.

The **Targeted Business Development** segment seeks for new market segments and serves the business area's customers which do not belong to any other segment. New segments are searched systematically through analysis, piloting, and entry phases, each with specific development activities.

## Year 2009

The unstable situation of the global economy affected the sales of Weather Critical Operations business area.

Customers postponed their investment decisions and in addition, large individual projects, typical for the business area, were not realized.

Weather Critical Operations		
	2009	2008
Net sales, MEUR	101.8	123.3
Operating profit, MEUR	5.5	24.6
Orders received, MEUR	111.6	-*
Order book, 31.12., MEUR	55.6	-*

\* no comparable data on orders, due to the changed segment reporting

## Main events

### Contract for upper-air sounding equipment

Vaisala signed a contract with a long standing customer for upper-air sounding equipment. The contract was valued at USD 8.6 million and the deliveries are expected to take place by the end of the first quarter in 2010. Vaisala's upper-air sounding equipment is used all over the world to measure weather in the Earth's atmosphere, from the boundary layer to the upper atmosphere.

### Observing and forecasting in wind energy

Vaisala is piloting a new observation and forecasting system for wind energy together with US National Center for Atmospheric Research (NCAR) and Xcel Energy. The goal of the pilot is to explore the use of a new wind observing and forecasting system in Xcel Energy's wind power generation. The system will provide critical decision-making support for balancing wind power with traditional fossil fuel generation while minimizing costs and improving reliability. [Read more](#)

### Improving flight safety and airport capacity

Vaisala delivers a new runway visual range system for air traffic control use in the USA. The runway information will improve flight safety and airport capacity.

A prototype of the Runway Visual Range (RVR) system was installed at an airport in Pennsylvania already in 2007. Since then, the system has undergone extensive operational testing in real-life conditions. At the end of 2009, the US Federal Aviation Administration (FAA) approved the system for air traffic control use in airports across the country.

Vaisala's RVR system provides fully automated runway visual range assessment and reporting. FAA approval increases business potential and strengthens Vaisala's ability to respond to large scale turn-key programs. [Read more](#)

## Controlled Environment

Controlled Environment consists of Cleanrooms and Chambers, Building Automation and Targeted Industrial Applications segments. This business area includes customers who operate in tightly controlled and demanding areas where the measurement of precise environmental conditions is required to increase operational quality, productivity and energy savings.

Vaisala serves **building automation markets** in a variety of indoor heating, ventilating, air conditioning and re Fridgerating (HVAC&R) measurement needs, providing the best solutions for diverse and demanding environments. Energy optimization and indoor air quality are the driving forces in this market segment. The main customers are OEMs, integrators, contractors, and facility HVAC management.

Vaisala's **Cleanrooms and Chambers** segment help optimize the efficiency and productivity of operations in tightly controlled environments. The customers operate in demanding research and production environments where it is crucial to monitor and control air contamination levels and precise environmental conditions in order to minimize downtime and maximize yield. Customers represent versatile industries, such as life science, food, microelectronics, and automotive.

The **targeted industrial applications** market includes customers in selected demanding applications in industrial processes and equipment manufacturing. These applications include compressed air and drying, industrial ovens and heat treatment processes, process inlet air monitoring, insulation of high voltage

equipment, lubrication and hydraulic systems.

Targeted Industrial Applications segment serves industries from power and pharmaceutical to marine and plastics. The common denominator is accurate, stable and reliable measurements of humidity, dewpoint and pressure to ensure process quality, maintain critical assets and optimize energy consumption.

## Year 2009

Due to the unstable situation of the global economy, industrial markets declined which affected the net sales of the business area. Despite of the declined net sales, Controlled Environment was able to maintain its market shares in 2009.

Controlled Environment		
	2009	2008
Net sales, MEUR	49,2	54,3
Operating profit, MEUR	3,4	8,4
Orders received, MEUR	49,0	-*
Order book, Dec 31, MEUR	3,3	-*

**\* no comparable data on orders, due to the changed segment reporting**

## Services

Services are an important growth area for Vaisala which requires a global organization with flexible operations. This will allow the company to offer comprehensive and diverse services to all its customers.

The Services unit has the global responsibility of installing, servicing, repairing and maintaining the installed base of Vaisala products and systems, and producing the road weather and lightning detection information. Geographically, services are divided into three regions: Europe, Middle East & Africa (EMEA), North and South America, and Asia-Pacific (APAC). Vaisala's service centers are located in the United States, Finland, United Kingdom, Germany, Japan and China.

From the beginning of 2009, Vaisala's service business has been reported as part of the business areas. In 2009 Services achieved 28.1 (27.5) million euros in revenue and at the end of the year Services employed over 250 professionals, serving customers in 12 locations. The service personnel and net sales of Quixote Transportation Technologies, acquired in December 2009 are not included in the figures.

### Increased service offering for airports

In January, Vaisala acquired the US-based Aviation Systems Maintenance Inc. (ASMI) to strengthen the service offering for airports. In July, ASMI was formally merged into Vaisala Inc. [Read more](#)

### Global lightning data

In August Vaisala launched the global lightning dataset GLD360. GLD360 is based on Vaisala owned and operated lightning detection network. [Read more](#)

### SiteConnect - new remote monitoring service

SiteConnect enables online remote monitoring of Vaisala systems globally. When a problem occurs, the corrective actions can be initiated immediately, decreasing and shortening downtime of customer's operations. Online monitoring improves service proactivity and enables remote services over the internet.

## Operations

Vaisala Operations cover the entire delivery chain, from procurement to the delivery of finished products and services. Operations unit produces economies of scale and synergies which result in a cost-efficient and flexible delivery chain. Approximately 360 people work in Operations in Finland, Germany, the USA and China.

### Procurement

Vaisala's procurement activities cover the purchase of materials and services required in the delivery chain. The unit also takes care of the company's network of subcontractors. Regional purchasing activities are conducted by procurement teams in Finland, the USA and China.

## Manufacturing and assembly

Vaisala's manufacturing and assembly covers the production and delivery of products and systems for customers. Manufacturing is categorized according to different production techniques: clean room, sensor factory, mass produced products, and mass customized products, systems and solutions, i.e. project deliveries.

The **humidity and pressure sensors** produced at the clean room and the sensor factory are used in almost all of the products in Vaisala's offering. In 2009, nearly 2 million sensors were manufactured in Finland.

The **Vaisala radiosonde** is the most important mass manufactured product. Its measurement unit and other core components are manufactured at our own factory in Finland. A European partner in Malaysia is responsible for the final assembly of the product.

We had disruptions in the radiosonde production during the third quarter which affected the net sales of the review period. The problems were solved, and during the last quarter, all radiosonde shipments were delivered on time.

**Mass customized products** include all instruments for measuring humidity, dewpoint, pressure, carbon dioxide and oxygen.

Sounding equipment, radars, lightning detection systems, wind profilers and various road weather stations are categorized as **systems**. These systems are assembled both in Finland and the USA.

## Project deliveries

The solutions business is one of Vaisala's strategic growth areas. In order to produce solutions tailored to customers, i.e. 'project deliveries', expertise is also required in production and assembly. Vaisala's project delivery teams are based in Finland and the USA.

Year 2009 was a good year in Vaisala project deliveries. All deliveries were shipped as planned, by the end of the year, even though the share of the more demanding projects clearly increased.

## Products and technology

At the beginning of 2009, all Vaisala's product creation and management activities were combined into a group level Products and Technology unit. One common unit will help ensure synergies and utilize and develop common technology platforms.

The key to Vaisala's success is its diverse research and development activity, and the combined input in technology development is substantial. Customers can trust that Vaisala's products represent leading edge technology.

The share of research and development expenses of the Group's net sales grew in 2009 by some 3 million euros. The increase was due to additional one-off investments aiming to align technology platforms and improve product modularity, usability and mass customization capability. In 2009 the research and development expenses were 28.4 (26.4/2008) million euros, 12.2 percent of the Group's net sales.

Altogether 22 percent of Vaisala's personnel work in Products and Technology unit with activities in Finland, the USA, the UK, and Germany.

## Scientific collaboration across two continents

In addition to its own extensive R&D activities, Vaisala works closely with research institutes, universities and customers. The forms of cooperation include partnership projects, support for meteorological training programs, grants, and the funding of scholarships and internships.

Vaisala participates in a large number of projects together with leading research organizations in the field. Key partners include the National Oceanic and Atmospheric Administration (NOAA) and the National Center for Atmospheric Research (NCAR), both in the USA, the Finnish Meteorological Institute and VTT Technical Research Centre of Finland.

## Cooperation in the development of a reference radiosonde

In January 2009, Vaisala announced its development of a reference radiosonde intended to support the precision measurement needs of the climate research and weather service communities. The first phase of the development focuses on enhanced high-altitude low-temperature humidity measurements. Several leading climate research institutes, including National Center for Atmospheric Research NCAR and Finnish Meteorological Institute are collaborating with Vaisala by undertaking independent field evaluations of the Vaisala's Reference Radiosonde RR01 and DRYCAP® humidity sensor. [Read more](#)

## Research program development in CLEEN Oy

Vaisala is a shareholder in CLEEN Oy, a specialist body for energy and environmental expertise established in 2008. In 2009, Vaisala was in a leading role in establishing a five-year research program titled "Measurement, monitoring and assessment of environmental efficiency". The program will start in 2010, and will comprise almost 60 participating organizations in Finland. [www.cleen.fi](http://www.cleen.fi)

## SNOW-V10 program focuses on nowcasting

Vaisala is a corporate partner in a new nowcasting research program, Science and Nowcasting Olympic Weather for Vancouver 2010 (SNOW-V10), initiated by the World Meteorological Organization (WMO) in 2009. Nowcasting is short term weather forecasting which concentrates on 0-6 hr predictions.

In the Vancouver winter olympics, SNOW-V10 provides the forecasters better techniques to nowcast cloud, fog, visibility, precipitation type and amount, and wind conditions in challenging mountainous environment. WMO has conducted similar nowcasting studies already in the Sydney and Beijing Summer Olympic Games. SNOW-V10 will be the first comparable study focused on winter weather.

## Helsinki Testbed continues

Vaisala participates in the Helsinki Testbed precision weather project in Finland. This weather observation network covering the Greater Helsinki area works as an innovation platform for testing and developing new weather and environmental information services and systems in an authentic environment. Vaisala and the Finnish Meteorological Institute have participated in the project since the outset in 2005, with the main provider of funds being Tekes, the Finnish Funding Agency for Technology and Innovation. [www.fmi.testbed.fi](http://www.fmi.testbed.fi).

## Support for universities and research

Universities are an important part of Vaisala's partnership network. Vaisala funds selected meteorological research projects, supports meteorological studies and training programs, and provides grants, scholarships, and internships. Over many years, Vaisala has partially sponsored meteorology students selected by the American Meteorological Society. In Finland, Vaisala annually sponsors the theses of ten university students.

## THORPEX - observe and predict

Vaisala is involved in sponsoring the global THORPEX program (The Observing System Research and Predictability Experiment), which is being implemented together with the World Meteorological Organization (WMO). Its purpose is to study and improve the effectiveness of both earth-based and space-based atmospheric observing systems and test the ability to make extended weather forecasts for up to two weeks ahead. The ten-year program was launched in 2003.

## Meteorological research at the University of Helsinki

Acting jointly with the Finnish Meteorological Institute and the University of Helsinki, Vaisala is funding a five-year professorship in meteorology research, which started in 2006. The incumbent, Professor David Schultz of the U.S. National Oceanic and Atmospheric Administration (NOAA), is studying extreme weather phenomena and developing mid-term weather forecasts. He is also teaching in the University of Helsinki's Physics Faculty.

Vaisala also provides funds for radar meteorology research and teaching at the University of Helsinki's Physics Faculty. Dr. Dmitri Moisseev from Colorado State University in the USA took up his post as a researcher in the field of Radar Meteorology at the end of 2007. The research contract is for five years.

## University cooperation in the USA

Vaisala continues its cooperation with the Universities of Massachusetts, Oklahoma, Colorado, and Puerto Rico-Mayaguez by supporting their joint CASA program. CASA is a 10-year research program whose goal is to develop an adaptive remote sensing system based on low-power, low-cost, dual-polarization Doppler weather radars.

In lightning detection, and soil moisture measurement Vaisala has R&D cooperation with the University of Arizona.

# Activities around the world

Vaisala Group is a global company with 1 400 personnel around the world. Vaisala's personnel and distributor network serve customers in more than 120 countries. Efficient customer service requires presence, knowledge of local circumstances and close contacts with customers.

Vaisala has nearly 30 offices around the world: Australia, Canada, China, Finland, France, Germany, India, Japan, Malaysia, Sweden, the UK, the United States, and the United Arab Emirates. In 2009, 65 percent of Vaisala's employees worked in Europe, 28 percent in North America, and 7 percent in Asia and Australia.



[Click to enlarge](#)

## Corporate governance

Vaisala Group's corporate governance system is based on the Finnish Companies Act and Vaisala's Articles of Association. Vaisala's A shares are listed on NASDAQ OMX Helsinki Ltd. The company complies with the recommendations and instructions for listed companies issued by NASDAQ OMX Helsinki and the Financial Supervisory Authority.

Vaisala also complies with the Finnish Corporate Governance Code published by the Securities Market Association on October 22, 2008, with the exception of recommendations 10 (Term of the directors) and 28 (Establishment of a committee)

## Board of Directors

In accordance with the Vaisala Oyj's Articles of Association, the Vaisala's Board of Directors comprises at least three (3) and at most six (6) members. According to current practice, the Board comprises six members. All Board members are appointed by a Shareholders' Meeting. The Board chooses a Chairman and a Vice Chairman from its members.

### Term of office of members of the Board

The term of office members of the Board is 3 years. This practice deviates from the one year recommendation of Finnish Corporate Governance code. The term of office begins after the meeting in which the member is elected, and ends after three (3) subsequent Annual General Meetings.

### Meetings of the Board

The Board of Directors had 9 meetings in 2009. An average of 98 per cent of the Board members was present at the meetings.

Vaisala's Board of directors has no committees. The Board discharges the duties of the audit committee. The Board of Directors conducts a self-evaluation process every year.

### Vaisala Board of Directors in 2009



*Board of Directors from the left: Mikko Voipio, Raimo Voipio, Stig Gustavson, Mikko Niinivaara, Yrjö Neuvo, and Maija Torkko*

**Raimo Voipio (b. 1955), Chairman**

Vaisala's Board member since 1989 and Chairman since 1994.

**Principal occupation:** Board memberships at various technology companies

**Previous employment:** Various product marketing positions at Nokia Corporation and private telephone companies

**Other positions of trust:** Board member of Novamator Oy, Space Systems Finland Oy and Vivago Oy

**Board chairman term ends:** 2011

**Fees in 2009:** 35 000 EUR

**Yrjö Neuvo (b. 1943), Vice Chairman**

Vaisala's Board member since 1989 and Vice Chairman since 1992.

**Principal occupation:** Various research technology and business related expert positions

**Previous employment:** Nokia Corporation, Technology Advisor (2006); Nokia Group Executive Board 1993 – 2005, responsible for product development of mobile phones

**Other positions of trust:** Member of the Board of Metso Corporation and Millennium Prize Foundation; Chairman of the Board of The Foundation of Technology, Artemis European Technology Platform, and Finnish Centre of Expertise Program; Member of Advisory Board of Tampere University of Technology; Vice Chairman of the Board of

Metropolia Polytechnic; Chairman of Scientific Advisory Board VTT Technical Research Centre of Finland and member of Cornell University Council, and Finnish Science Centre Foundation (Heureka).

**Board member term ends:** 2010

**Fees in 2009:** 25 000 EUR

**Stig Gustavson (b. 1945), Member**

Vaisala's Board member since 2006

**Principal occupation:** Chairman of the Board of Konecranes Plc

**Previous employment:** Konecranes President and CEO (1994 - 2005)

**Other positions of trust:** Chairman of the Board of Dynea Oy, Svenska Handelsbanken (Finland), Tammet Oy, Arcada foundation, and Cramo Oyj; Board member of Fastems Oy, and Oy Mercantila Ab; Supervisory Board Chairman of Tampere Technical University and

Supervisory Board Member of Varma Mutual Pension Insurance Company

**Board member term ends:** 2012

**Fees in 2009:** 25 000 EUR

**Mikko Niinivaara (b. 1950), Member**

Vaisala's Board member since 2002

**Principal occupation:** President, Country manager of ABB Oy

**Previous employment:** President of ABB Industry Oy (1999-2001)

**Other positions of trust:** Board Member of ABB Oy, Confederation of Finnish Industries, Technology Industries of Finland and Energiaforum ry; Chairman of the Competitiveness Working group of Technology Industries, and Member of Advisory Board of Helsinki University of Technology

**Board member term ends:** 2011

**Fees in 2009:** 25.000 EUR

**Maija Torkko (b. 1946)**

Vaisala's board member since 2007

No principal occupation

**Previous employment:** Senior Vice President, Corporate Controller at Nokia Corporation (1997 - 2006)

No other positions of trust

**Board member term ends:** 2010

**Fees in 2009:** 25 000 EUR

**Mikko Voipio (b. 1960)**

Vaisala's board member since 1994

**Principal occupation:** Scientist

**Previous employment:** Managerial and R&D positions in SW and Telecom business

**Other positions of trust:** Board Member of Fontus Oy and Novamator Oy

**Board member term ends:** 2012

**Fees in 2009:** 25 000 EUR

**Secretary of the Board:** Matti Kari, L.LM, Attorney at Law

## Independence of Board of Directors

The Board of Directors of the Vaisala Group has evaluated the independence of its members.

### 1) Independence of the company

Evaluated against the criteria given in Recommendation 15, all six members of the Board of Directors are independent of the company.

### 2) Independence of the shareholders

Evaluated against the criteria given in Recommendation 15, Yrjö Neuvo, Stig Gustavson, Mikko Niinivaara and Maija Torkko are independent of both the company and the shareholders. Evaluated against the criteria given in Recommendation 15 Raimo Voipio and Mikko Voipio are dependent of significant shareholders. The current composition of the Board of Directors fulfills the independence requirements stated in the Recommendation 14.

## Charter of Board of Directors

The Vaisala Board operates in accordance with an approved charter. The principal matters dealt with by the Board are:

- to assume responsibility for the duties stipulated for the Board of Directors in the Limited Liability Companies Act, the Articles of Association and elsewhere;
- to decide on Group strategy;
- to review and approve the interim reports, consolidated financial statements and the Board of Director's report;
- to deal with the Group's business plan, budget and investment plan;
- to decide on individual investments, acquisitions, divestments or corporate restructuring and contingent liabilities that are strategically or financially significant;
- to confirm the Group's risk management and reporting procedures;
- to confirm the Group's insurance policy;
- to approve the Group's financing policy;
- to decide on the compensation and incentive schemes for Group management;
- to make proposals concerning the distribution of dividends to the Annual General Meeting;
- to appoint the company's President and CEO and decide on his compensation;
- to approve the recruitment and salaries of the CEO's immediate subordinates; and
- to evaluate its own operations on an annual basis under the leadership of the Chairman.

## President and CEO

Vaisala's President and CEO is appointed by the Board. The CEO manages the company in accordance with the instructions and orders given by the Board, and informs the Board of the development of the company's business and financial situation. The CEO is also responsible for organizing the company's management.

The President's retirement age is 62 years, according to the Finnish law. The President and CEO has a compensation based retirement plan. Notice period, severance pay and conditions of other severance compensations are 6 months for the employee, 12 months for the employer, compensation equal to the salary.

## **Kjell Forsén (b. 1958), President and CEO**

Kjell Forsén has been Vaisala's President and CEO, as well as Chair of the Management Groups since October 1, 2006. Before joining Vaisala, he was President of Ericsson Finland, and prior to that worked in Ericsson in managerial positions, both in Finland and abroad (1986-2006).

**Positions of trust:** Board member of Helvar Oy Ab, and Technology Industries of Finland.

**Salaries and other compensations in 2009:** Basic salary 422.000 euros and other compensation 194.000 euros. There was no compensation in shares or share warrants during 2009.



## **Management Groups**

Vaisala's Management Groups are chaired by the President and CEO. Members of the Business Management Group are the Heads of the Business Areas, Products and Technology, Services, and Operations and the Chief Financial Officer. In addition to the Business Management Group, the Vaisala Strategic Management Group includes the Heads of Human Resources, Communications, Group Marketing and Sales, and Group Business Development, the Chief Information Officer, the Chief Technology Officer and the Chief Science Officer.

The Management Groups do not exercise any decision making power as defined in legislation or the Articles of Association. The Management Groups are advisory organs that address Group-wide development undertakings, as well as the Group's principles and operating practices in general.

### **Business Management Group**

Chairman: [President and CEO Kjell Forsén](#)

#### **Kenneth Forss (b. 1954), Executive Vice President, Controlled Environment**

Worked in his current position since 2009, Management Group Member since 1991.  
Previous employment: Director of Vaisala Instruments (1991-2008)



#### **Martti Husu (b. 1957), Executive Vice President, Meteorology**

Worked in his current position since 2009, Management Group Member 2001-2004, 2009-  
Previous employment: Business Unit Manager of Vaisala Weather Radar (2006 - 2008) and Vaisala Thunderstorm Systems (2004-2005); Director of Remote Sensing Division (2002 - 2004) and Group Business Development Director (2001-2002)



**Jouni Lintunen (b.1971), Chief Finance Officer**

Worked in his current position since 2006, Management Group Member since 2006  
Previous employment: Vaisala Oyj Business Controller 2001-2006, Vaisala Inc. Financial Analyst (1999-2001)



**Jouni Rantanen (b. 1965), Executive Vice President, Products and Technology**

Worked in his current position since 2009, Management Group Member since 2009  
Previous employment: Product Process Manager of Vaisala Instruments (2001-2008), various managerial positions at Metso Paper Oy, Reels (1989-2001)



**Lauri Rintanen (b. 1955), Executive Vice President, Operations**

Worked in his current position since 2007, Management Group Member since 2007  
Previous employment: President, JOT Automation (2006-2007), Executive Vice President, Uponor Oyj (2004-2006), Director, supply chain, quality and customer relationships, Nokia Multimedia (2001 - 2004); Vice President, operations and sourcing, Asia and Pacific, Nokia Oyj (1997-2001)



**Antti Ritvos (b. 1953), Executive Vice President, Weather Critical Operations**

Worked in his current position since 2009, Management Group Member since 2007  
Previous employment: Director, Vaisala Solutions (2007-2008), Vice President, Mercuri Urval (2005-2007), Vice President and General Manager of Global Technology, GE Healthcare Information Technologies (2003-2004), managerial positions at GE/Instrumentarium (1986-2003)  
Positions of trust: Oy Sten Ab, Board Member, Wristop Oy, Board Member



**Scott J. Sternberg, (b. 1964), Executive Vice President, Services and President, Vaisala Inc.**

Worked in his current position since 2009, Management Group Member since 2007  
Previous employment history: Director, Vaisala Services (2007-2008), Business Unit Manager of Vaisala Thunderstorm Data (2004-2007), various managerial position at Roper Industries-Photometrics (1992-2004)



**Vaisala Strategic Management Group**

In addition to the Business Management Group members, the Vaisala Strategic Management Group includes the following members:

**Walter Dabberdt (b. 1942), Chief Science Officer**

Worked in his current position since 2000, Management Group Member since 2000  
Previous employment: National Center for Atmospheric Research (NCAR), Boulder, CO (1985-2000)

Positions of trust: Board memberships in Atmospheric Sciences and Climate of the National Academy of Sciences as well as in CO-LABS Inc., Past President of the American Meteorological Society, Board Member of the Environmental Prediction in Canadian Cities and the External Advisory Committee of NCAR Earth Observing Laboratory, Member of External Steering Committee for Air Quality Forecasting, Shanghai Meteorological Bureau.



**Marja Happonen (b. 1957), Senior Vice President, Human Resources**

Worked in her current position since 1994, Management Group Member since 1996

Previous employment: HR Manager of Scribona Oy (1989-1994)

Positions of trust: Member of the Board of Deaconess Institute's Hoiva



**Jussi Kallunki (b. 1956), Chief Information Officer**

Worked in his current position since 2000, Management Group Member since 2000

Previous employment: IT Manager of Outokumpu Technology Oy (1998-2000)



**Kimmo Korpela, (1967), Senior Vice President, Group Business Development**

Worked in his current position since 2009, Management Group Member since 2009

Previous employment: 3i Group plc.: Nordic Director (2004-2008), Finland Investment Manager (2000-2004)



**Helena Marjaranta (b. 1963), Senior Vice President, Communications**

Worked in her current position since 2007, Management Group Member since 2007

Previous employment: Head of Radio Access Communications, Nokia Siemens Networks (2006-2007), various managerial positions in Nokia Corporate and Nokia Networks communications (1999-2006)



**Ari Meskanen (b.1963), Chief Technology Officer**

Worked in his current position since 2007, Management Group Member since 2007

Previous employment: Business Unit Manager of Vaisala Soundings (2003-2007), Managing Director of Vaisala GmbH (2001-2002), Product Manager Vaisala Oyj (1998-2000)



## **Timo Raikaslehto (b. 1958), Senior Vice President, Group Marketing and Sales**

Worked in his current position since 2009, Management Group Member since 2009  
Previous employment: Various leadership positions in Nokia Corporation (1998-2009), most recently Vice President, Operational Excellence and Quality.  
Timo Raikaslehto resigned from Vaisala at the end of 2009.



The annual report shows the Management Group on December 31, 2009. [See Vaisala website for the latest information.](#)

## **Compensation system**

The Board of Directors of Vaisala Corporation decides on the compensation of the President and CEO. The Board of Directors also decides on management compensation, based on a proposal from the President and CEO.

The compensation system of the President and CEO and management includes base salary and an annual incentive plan with a maximum bonus corresponding to 5-7 months' pay. The bonus plan is based on the revenue and profitability targets set by the board of directors. In addition, there is a three year plan based on the development of profitability and covering key employees.

Members of Business Management Group have a collective pension plan in which the retirement age is defined as 62 years. The annual payments equal two (2) months salary.

The salaries and other benefits paid to the President and CEO are listed in [the President & CEO section](#). Vaisala does not have a full-time Chairman of the Board.

## **Auditors**

The Vaisala Group's auditors are PriceWaterhouseCoopers Oy, Authorized Public Accountants, and Hannu Pellinen APA.

The total paid in auditing fees in 2009 was EUR 251 000 (175 000 in 2008), and other fees EUR 310, 000 (110,000 in 2008).

In 2009, Vaisala Oyj paid auditing fees to its Authorized Public Accountants PriceWaterhouseCoopers Oy EUR 241,000 (135 000 in 2008), and other fees EUR 250,000 (90,000 in 2008). Auditing fees paid to other parties in 2009 were EUR 10,000 (40,000 in 2008), and other fees 60,000 (20,000 in 2008).

## **Contacts**

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