Strong Financial Position Enables Long-Term Strategy Implementation

Capital Markets Day 2019
Kaarina Muurinen, CFO
Vaisala’s Strengths from Financial Perspective

- Vaisala is in growth businesses
- Well diversified sales mix
- Asset-light business model
- Strong cash conversion rate
- High solvency ratio
- Negative gearing
- Solid dividend payer
Vaisala Hedges Foreign Exchange Related Transaction Risk

- Vaisala is a global company with offices in about 30 countries and sales to over 150 countries and therefore, exposed to transaction and translation risk in many currencies.
- The group policy is to hedge all foreign exchange forward positions related to order book, purchase orders and trade receivables.
- Vaisala does not hedge forecasted cash flows other than order book.

![Sales by currencies 2018](chart.png)
Asset-Light Business Model Does not Require High Investments

- Annual maintenance capex
  ~EUR 10 million
- In 2018–2020, Vaisala is investing in R&D building in Vantaa, Finland, and office building in Louisville, Colorado US
- Total investment estimation EUR 42 million
Strong Cash Position Enables Investment in Growth

Profit distribution to shareholders according to dividend policy

Investments in organic growth through focused R&D, expanding sales & marketing

M&A to support growth strategy
Vaisala’s Net sales Has Grown Average 4.2% in the 2010s and 5% During the Past Five Years

MEUR
### Amortization of Intangible Assets Related to Acquisitions Will Burden EBIT

<table>
<thead>
<tr>
<th>Year</th>
<th>MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>11.8</td>
</tr>
<tr>
<td>2011</td>
<td>16.1</td>
</tr>
<tr>
<td>2012</td>
<td>30.2</td>
</tr>
<tr>
<td>2013*</td>
<td>22.5</td>
</tr>
<tr>
<td>2014</td>
<td>26.4</td>
</tr>
<tr>
<td>2015</td>
<td>29.6</td>
</tr>
<tr>
<td>2016**</td>
<td>32.8</td>
</tr>
<tr>
<td>2017</td>
<td>40.9</td>
</tr>
<tr>
<td>2018</td>
<td>38.9</td>
</tr>
<tr>
<td>2019</td>
<td>11.1</td>
</tr>
</tbody>
</table>

*Excl. EUR 4.3 million write-down of goodwill and intangible assets from the acquisition of Veriteq Instruments Inc. in 2010.

**Excl. EUR 10.5 million write-down of intangible assets from the acquisitions of Second Wind Systems Inc. and 3TIER Inc. in 2013.
Long-term Financial Targets: Profitable Growth

Growth

Average annual growth
>

Profitability

Operating profit margin (EBIT)
>

- Liquid measurements
- New industrial instruments
- Digital solutions
- Wind lidars
How Do We Reach Our Long-Term Financial Target

EBIT >12%?

EBIT % 2018: 11.1%
Net sales growth:
Gross margin improvement:
OPEX growth < net sales growth:
Amortization and depreciation:
EBIT %: > 12%

© Vaisala
06/14/2019
Observations for a Better World

VAISALA