Growth Through Product Leadership

Capital Markets Day 2019
Samps Lahtinen, EVP, Industrial Measurements Business Area
Serving a Variety of Industries

For example:
- Power
- Life Science
- Industrial Drying, e.g. paper
- Electronics and Semiconductor Industry
- Building Automation, e.g. demand controlled ventilation
- Automotive Industry
- Food Industry and Agriculture
- Biogas Industry
Helping Our Customers to Improve

- Product quality
- Productivity
- Energy efficiency
- Well-being and health
- Maintenance activities
- Regulatory compliance
# Megatrends in Industrial Measurements

## Megatrends

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Health consciousness</td>
<td>Energy efficiency</td>
<td>High-quality standards</td>
<td>Production efficiency</td>
<td>India, China, South East Asia and LATAM</td>
</tr>
<tr>
<td>Aging population</td>
<td>Sustainable energy sources</td>
<td>Product life cycles</td>
<td>Smart factories</td>
<td>New manufacturing hotspots</td>
</tr>
<tr>
<td></td>
<td>Smart grids</td>
<td>Reutilized byproducts &amp; waste</td>
<td>Industrial automation</td>
<td></td>
</tr>
</tbody>
</table>

- **Health consciousness**
- **Aging population**
- **Energy efficiency**
- **Sustainable energy sources**
- **Smart grids**
- **High-quality standards**
- **Product life cycles**
- **Reutilized byproducts & waste**
- **Production efficiency**
- **Smart factories**
- **Industrial automation**
- **Security requirements**
- **India, China, South East Asia and LATAM**
- **New manufacturing hotspots**
Our Winning Business Model

**CAPABILITIES**

- High value add
  - Customer problem solving
  - Superior technologies
  - Excellence in harsh conditions
  - Digital transformation

- Mastering high-mix low-volume
  - Vaisala production system
  - Own cleanroom

- Accumulated competence
  - Application knowledge
  - Technical expertise

**VALUE PROPOSITION**

- World’s most reliable measurement
- Best customer experience
- Fast delivery times
- Global best-in-class sales and services

**CHANNELS**

- Direct sales
- Online store
- Distributors
- OEMs
- Integrators
- Resellers
# Global Market Sizes and Growth

<table>
<thead>
<tr>
<th>Industrial Instruments</th>
<th>Continuous Monitoring Systems</th>
<th>Power / Dissolved Gas Analysis</th>
<th>Liquid Measurements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Size</strong>* (MEUR)</td>
<td>600–700</td>
<td>150–200</td>
<td>200–250</td>
</tr>
<tr>
<td><strong>Market Growth p.a.</strong></td>
<td>5%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Vaisala Market Share</strong></td>
<td>Mid</td>
<td>Mid</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Market Size Total</strong> (MEUR)</td>
<td>~1,200 / ~10% Market Share</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Market share indication:
- Low <10%
- Mid 10–25%
- High >25%

*) Vaisala estimate of the size of market that is addressable currently or with organic development in the roadmaps

**) Market growth rounded to nearest of 0%, 5%, or 10%
Growth Through Product Leadership
Growth Through Product Leadership

- Discovering customers’ needs
- Achieving #1 position in selected markets
- Continuously creating winning products
Five-Year Development: R&D Expenditure Has Doubled, Average Net Sales Growth 10% and EBIT% Exceeding 20%

* Excl. EUR 4.3 million impairment charge related to goodwill and intangible assets from the acquisition of Veriteq Instruments Inc. in 2010.
Growth Through Product Leadership

Discovering Customers’ Needs

**Growth Markets**
- Liquid Measurements
- Life Science
- Power
- RunWays

**Flagship Markets**
- High-end Humidity
- High-end CO₂

Achieving #1 Position in Selected Markets

- Application Expertise
- Superior Channel
- Measurement technologies for gas and liquid

Continuously Creating Winning Products

- Instruments
- Systems
- Services

Geographical Reach
R&D Generating New Solutions
Vaisala Launched Groundbreaking Solution for the Biogas Industry to Get More Value from Waste

- Vaisala introduced the world’s first 3-in-1 instrument for measuring biogas quality in January 2019
- Vaisala MGP261 measures methane, carbon dioxide and humidity directly in the gas pipe
- Customers include biogas plants using waste from agriculture, industries and municipalities, and landfill gas plants
- Vaisala MGP261 helps the customers improve methane and minimize water concentration to maximize the heat and electricity generation of the biogas plant
- Highest market potential is in Europe
Vaisala’s Wireless Continuous Monitoring System is Generating Great Interest in the Market

- The first shipments of the wireless viewLinc System took place in 2018
- The system has been installed for variety of customers. Among them are world leading pharmaceutical companies in Europe and in the USA
- Wireless viewLinc system received a Global Innovation Award in 2019 in Beijing
- viewLinc's ease-of-use, reliability, accuracy and possibilities for expansion to fit any customer need is a winning combination in the market
The Deliveries of HPP272 for Measuring Hydrogen Peroxide Vapor Continue Healthy

- The first HPP272 shipments commenced in 2017
- The product family optimized to the ecological biodecontamination processes broadened in 2018
- High interest in the market due to superior measurement repeatability, stability and accuracy
- Sales, especially to isolator manufacturers, has taken a swift start
Accelerating Power Business Ramp-Up

Vaisala focus:
- Aligning value proposition with decision makers
- Strengthening sales and marketing capabilities through partnerships, dedicated sales teams and account management
- Developing new value creating product features
- Increasing production capability in factory
Growth Through Acquisitions
Vaisala Entered Liquid Measurements Market by Acquiring Finnish K-Patents

- Vaisala acquired Finnish K-Patent Group, a pioneer in in-line liquid measurements in December 2018
- Acquisition strengthens Vaisala’s position as the global leader in environmental and industrial measurements
- Synergy benefits from strengthened regional presence, Vaisala Production System and systematic R&D management
- Highest market potential in Food & Beverage, Pulp & Paper and Chemical industry
- Differentiation through high quality, reliability and expertise in demanding environments
- Growth focus in strengthening position in existing and new markets
Growth Through Product Leadership

- Discovering customers’ needs
- Achieving #1 position in selected markets
- Continuously creating winning products
Observations for a Better World

VAISALA