Vaisala Corporation Interim Report January-September 2013

July-September 2013 net sales and operating profit decreased.

July-September 2013 highlights
- Orders received EUR 76.0 (74.3) million, increase 2%
- Order book EUR 115.1 (129.2) million, decrease 11%
- Net sales EUR 61.9 (69.5) million, decrease 11%
- Operating profit EUR 4.9 (5.3) million, decrease 8%
- Earnings per share EUR 0.14 (0.16)
- Cash flow from operating activities EUR 10.9 (9.1) million
- Capital return EUR 22.2 million
- Cash and cash equivalents EUR 47.0 (55.8) million

January-September 2013 highlights
- Orders received EUR 200.2 (198.6) million, increase 1%
- Net sales EUR 192.7 (203.6) million, decrease 5%
- Operating profit EUR 15.1 (17.7) million, decrease 15%
- One-time gain from product line divestment EUR 1.5 million
- Earnings per share EUR 0.50 (0.66)
- Cash flow from operating activities EUR 16.2 (26.7) million
- Dividends paid EUR 16.2 million

JULY-SEPTEMBER 2013 PERFORMANCE

In July-September 2013, net sales were EUR 61.9 (69.5) million and decreased by 11% year-on-year. Net sales decreased in both Weather and Controlled Environment Business Areas. At comparable exchange rates, the net sales would have decreased by 7%. The negative exchange rate effect was EUR 3.0 million which was mainly caused by USD and JPY exchange rate fluctuations.

Weather Business Area net sales were EUR 42.9 (48.9) million in July-September 2013 and it decreased by 12% year-on-year. Net sales decreased in all customer groups and in the Americas and Asia Pacific (APAC) whereas net sales increased in EMEA. The decline was caused by lower product sales whereas recognized revenue for delivery projects and service business increased. At comparable exchange rates, the net sales would have decreased by 9%. The negative exchange rate effect was EUR 1.7 million which was mainly caused by USD and JPY exchange rate fluctuations.

On August 14, 2013 Vaisala acquired Second Wind Systems Inc., a global leader in remote sensing technology and data services for the wind energy industry. The total financial consideration of the transaction was EUR 1.4 million. Second Wind business is part of New Weather Markets customer group. Second Wind’s net sales in 2012 were EUR 7.0 million.

Controlled Environment Business Area net sales were EUR 19.0 (20.8) million in July-September 2013 and decreased by 9% year-on-year. Sales decreased in North America and Japan. In China and Europe Controlled Environment Business Area net sales increased from previous year. At comparable exchange rates, the net sales would have decreased by 2%. The negative exchange rate effect was EUR 1.3 million which was mainly caused by USD and JPY exchange rate fluctuations.

In July-September 2013, Vaisala net sales in APAC were EUR 14.1 (18.2) million and decreased by 23% year-on-year, in Americas EUR 25.2 (31.0) million and decreased by 19% year-on-year, and in EMEA EUR 22.5 (20.4) million and it increased by 11% year-on-year.

Orders received were EUR 76.0 (74.3) million in July-September 2013 and they increased by 2% year-on-year. The order book was EUR 115.1 (129.2) million which is 11% lower than at the end of September 2012.
The decrease in order book was mostly due to the realized budget sequestration in the USA and strained governmental finances in Europe.

The operating profit for July-September 2013 was EUR 4.9 million and it decreased by EUR 0.4 million or by 8% from previous year’s EUR 5.3 million due to lower sales volumes both in Weather and Controlled Environment Business Areas. Operating expenses were EUR 25.3 (28.0) million and they decreased 10% from previous year due to lower sales and R&D costs.

Weather Business Area operating profit was EUR 1.6 million and it decreased by EUR 1.4 million or by 46% from previous year’s EUR 3.0 million. The lower sales volumes especially in product sales had the main declining impact on the operating profit whereas decrease in operating expenses had a positive impact.

Controlled Environment Business Area operating profit was EUR 3.6 million and it increased EUR 0.6 million or by 20% from previous year’s EUR 3.0 million despite lower sales volumes. Increased operating profit was mainly due to lower operating expenses.

Key Figures (unaudited)

<table>
<thead>
<tr>
<th>EUR Million</th>
<th>7-9/2013</th>
<th>7-9/2012</th>
<th>1-9/2013</th>
<th>1-9/2012</th>
<th>1-12/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>61.9</td>
<td>69.5</td>
<td>192.7</td>
<td>203.6</td>
<td>293.3</td>
</tr>
<tr>
<td>Weather</td>
<td>42.9</td>
<td>48.9</td>
<td>137.5</td>
<td>146.7</td>
<td>218.0</td>
</tr>
<tr>
<td>Controlled Environment</td>
<td>19.0</td>
<td>20.8</td>
<td>55.2</td>
<td>56.9</td>
<td>75.3</td>
</tr>
<tr>
<td>Orders received</td>
<td>76.0</td>
<td>74.3</td>
<td>200.2</td>
<td>198.6</td>
<td>264.7</td>
</tr>
<tr>
<td>Order book</td>
<td>115.1</td>
<td>129.2</td>
<td>115.1</td>
<td>129.2</td>
<td>105.6</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>4.9</td>
<td>5.3</td>
<td>15.1</td>
<td>17.7</td>
<td>30.2</td>
</tr>
<tr>
<td>Weather</td>
<td>1.6</td>
<td>3.0</td>
<td>6.9</td>
<td>10.8</td>
<td>22.6</td>
</tr>
<tr>
<td>Controlled Environment</td>
<td>3.6</td>
<td>3.0</td>
<td>7.5</td>
<td>8.3</td>
<td>9.4</td>
</tr>
<tr>
<td>Eliminations and other</td>
<td>-0.4</td>
<td>-0.7</td>
<td>0.7</td>
<td>-1.4</td>
<td>-1.9</td>
</tr>
<tr>
<td>Profit (loss) before taxes</td>
<td>4.4</td>
<td>4.9</td>
<td>14.3</td>
<td>17.5</td>
<td>29.1</td>
</tr>
<tr>
<td>Profit (loss) for the period</td>
<td>2.6</td>
<td>2.8</td>
<td>9.1</td>
<td>11.9</td>
<td>21.7</td>
</tr>
<tr>
<td>% of Net sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Profit</td>
<td>7.9%</td>
<td>7.7%</td>
<td>7.8%</td>
<td>8.7%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Profit (loss) before taxes</td>
<td>7.1%</td>
<td>7.1%</td>
<td>7.4%</td>
<td>8.6%</td>
<td>9.9%</td>
</tr>
<tr>
<td>Profit (loss) for the period</td>
<td>4.2%</td>
<td>4.1%</td>
<td>4.7%</td>
<td>5.8%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>0.14</td>
<td>0.16</td>
<td>0.50</td>
<td>0.66</td>
<td>1.20</td>
</tr>
<tr>
<td>Return on equity</td>
<td>7.0%</td>
<td>8.7%</td>
<td>7.0%</td>
<td>8.7%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Cash flow from business operations</td>
<td>10.9</td>
<td>9.1</td>
<td>16.2</td>
<td>26.7</td>
<td>48.2</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>47.0</td>
<td>55.8</td>
<td>47.0</td>
<td>55.8</td>
<td>74.8</td>
</tr>
</tbody>
</table>

Kjell Forsén, President and CEO:

"In the third quarter the strained governmental finances and development of currency rates negatively influenced Vaisala’s performance. Our sales volumes declined as the global economic uncertainty kept Vaisala’s customers cautious. Net sales decreased by 11%. The negative exchange rate effect on net sales during the third quarter was EUR 3.0 million which was mainly caused by USD and JPY exchange rate fluctuations."
Third quarter orders received were slightly above last year’s level. Order book increased by 16% from second quarter of this year. The largest volume of order intake was received in Europe, Middle East and Africa (EMEA) and the Americas was almost on the same level.

The reduction in net sales had a negative impact on Vaisala’s profitability, but was partly mitigated by a reduction of operating expenses by 10% from last year. The operating profit decreased 8% from previous year.

Even though the governmental market is challenging we have successfully continued our systematic work to implement our customer based strategy focused on selected customer groups. This is exemplified by Vaisala’s increased presence in the renewable energy markets. In August we acquired Second Wind Systems Inc., a global leader in remote sensing technology and data services for the wind energy industry. Second Wind is now part of our New Weather Markets customer group.

Even though we distributed EUR 22.2 million to the shareholders as a return of capital, our cash position is strong. At the end of September 2013, we held EUR 47.0 (55.8) million in cash and cash equivalents.

A very significant event occurred after the third quarter when Vaisala launched the fourth generation radiosonde RS41 at the Meteorological Technology World Expo in Brussels on October 15, 2013. This new generation of Vaisala radiosondes is developed in close cooperation with customers and lowers operating cost of upper air observation, features improved sensors and enhanced usability. The Vaisala RS41 was received well by customers.

After the third quarter USA suffered governmental shutdown. The situation was resolved but the governmental market will remain strained and unpredictable during the remainder of the year affecting especially Weather Business Area.

The continuing uncertainty concerning the global economic development is likely to affect the investments of our customers in the last quarter of the year as well. We lowered our guidance on October 10, we now estimate that the net sales for 2013 will be EUR 270–286 million, and the operating result is estimated to be EUR 20–30 million.”

**Market outlook**

Vaisala’s markets do not reflect the early signs of the global economic recovery.

In North America the USA budget sequestration will continue to limit demand for Weather Business Area’s offering. The federal government shutdown in the USA will have additional implications to order intake and delivery schedules resulting from the lack of necessary funding, government resources and infrastructure, and thus delaying the net sales generation. Market environment for Controlled Environment Business Area is expected to remain competitive.

In Europe strained governmental finances are expected to continue to restrain demand for Weather Business Area’s offering. Stable market demand is expected to continue in China and APAC for Weather Business Area’s products and for Controlled Environment Business Area’s products the demand is expected to grow.

**Business outlook for 2013**

Vaisala lowered its outlook for both net sales and operating profit on October 10, 2013. The company now estimates its net sales to be in the range of EUR 270–286 million in 2013. The operating profit (EBIT) is expected to be in the range of EUR 20–30 million.

Previous business outlook from February 6, 2013 was: Vaisala’s net sales are estimated to be in the range of EUR 280–310 million at comparable exchange rates as compared to 2012. The operating profit (EBIT) is expected to be in the range of EUR 25–35 million at comparable exchange rates as compared to 2012.

Net sales in 2012 were EUR 293.3 million and operating profit was EUR 30.2 million.

**Disclosure Procedure**
This is a summary of Vaisala's January-September 2013 Interim Report. The complete report is available at Vaisala's website at www.vaisala.com/investors. (Re. Standard 5.2b published by the Finnish Financial Supervision Authority.)

**Briefing and Audiocast**
Briefing for analysts and media will be arranged in Hotel Kämp, Paavo Nurmi meeting room, Pohjoisesplanadi 29, Helsinki starting at 4 p.m. (EEST) today. Please register to the briefing by e-mail to maarit.mikkonen@vaisala.com.

The presentation of Kjell Forsén, President and CEO, at the briefing will be audiocast live at www.vaisala.com/investors starting at 4 p.m. A recording of the audiocast will be published at the same address at 6 p.m.

**Further information:**
Kaarina Muurinen, CFO
Tel +358 40 577 5066

-----------------------------------
Vaisala is a global leader in environmental and industrial measurement. Building on 75 years of experience, Vaisala contributes to a better quality of life by providing a comprehensive range of innovative observation and measurement products and services for chosen weather-related and industrial markets. Headquartered in Finland, Vaisala employs approximately 1400 professionals worldwide and is listed on the NASDAQ OMX Helsinki stock exchange. www.vaisala.com  www.twitter.com/VaisalaGroup

Distribution:
NASDAQ OMX Helsinki
Key media
www.vaisala.com