

Vaisala Corporation Half Year Financial Report January–June 2023

Uncertain market environment affected growth of orders received in Q2, business outlook for 2023 was changed on July 17

Second quarter 2023 highlights

- Orders received EUR 129.3 (123.4) million, increase 5%
- Order book at the end of the period EUR 167.4 (157.9) million, increase 6%
- Net sales EUR 130.8 (120.5) million, increase 9%
- Operating result (EBIT) EUR 11.9 (10.3) million, 9.1 (8.6) % of net sales
- Earnings per share EUR 0.22 (0.18)
- Cash flow from operating activities EUR 8.8 (-9.8) million

January–June 2023 highlights

- Orders received EUR 261.3 (242.2) million, increase 8%
- Net sales EUR 262.6 (239.3) million, increase 10%
- Operating result (EBIT) EUR 25.2 (27.9) million, 9.6 (11.7) % of net sales
- Earnings per share EUR 0.49 (0.55)
- Cash flow from operating activities EUR 35.7 (-0.2) million

Market development and business outlook for 2023

Markets for high-end industrial instruments and life science are expected to grow moderately. Markets for power and energy, and liquid measurements are expected to grow.

Markets for renewable energy as well as roads and automotive are expected to grow. Market for aviation is expected to be stable or to grow. Market for meteorology is expected to be stable.

Uncertainty in the business environment is high due to weak economic outlook, high inflation, and increasing interest rates. The war in Ukraine and sanctions against Russia are not expected to have direct material impact on Vaisala's operations, financial position or cash flow. The additional costs related to component spot purchases are expected to be insignificant by the end of 2023.

Vaisala reiterates the business outlook that was published on July 17, 2023:

Vaisala estimates that its full-year 2023 net sales will be in the range of EUR 530–560 million and its operating result (EBIT) will be in the range of EUR 65–75 million.

Vaisala's President and CEO Kai Öistämö

"Vaisala's second quarter 2023 was two-folded. Although our quarterly net sales grew by 9% and operating result increased compared to previous year, due to an uncertain market environment, we needed to adjust our full-year 2023 net sales estimate and decrease our operating result estimate earlier in July.

The uncertainty in the business environment originating from weak economic outlook, high inflation, and increasing interest rates has slowed down industrial activity around the world. Consequently, the demand for products and services as well as net sales for Industrial Measurements business area were lower than

expected during the second quarter due to customers postponing their investment decisions. Even though we believe we maintained our market position, market softness resulted in a 6% decrease Y/Y in orders received in Industrial Measurements business area. This quarter orders in power and energy as well as liquid measurements market segments grew Y/Y, while orders for industrial instruments and life science market segments decreased. Following the decrease in orders received, net sales of Industrial Measurements business area fell short from previous year by 3%. Business area's gross margin was impacted negatively by more intense than expected price competition especially in China and unfavorable product mix.

On the other hand, demand for products and solutions for Weather and Environment business area continued strong, especially in roads and automotive as well as in renewable energy market segments. Net sales growth was very strong in product and subscription sales, contributing to business area's gross margin improvement.

Our gross margin remained at previous year's level thanks to Weather and Environment business area's net sales growth and decrease of additional costs related to component spot purchases. In both business areas, we continued our investments in sales and marketing as well as in R&D and IT system renewal according to plan, yet more moderately than during previous quarters. Following net sales growth, our operating result increased and was 9.1% of net sales.

We continued executing our strategy as planned. In Weather and Environment business area, the growth businesses and subscription sales continued to improve sales mix, contributing to the business area's profitability improvement. In Industrial Measurements business area, we continued to invest in new technologies and products to drive future growth. Although the economic uncertainty impacted our profitability during the second quarter in Industrial Measurements business area, our view of long-term market outlook is supported by several megatrends.

The uncertainty in the business environment is expected to remain high without significant improvements in industrial activity during the second half of 2023. The additional costs related to component spot purchases are expected to be insignificant by the end of 2023. We now estimate that our full-year 2023 net sales will be in the range of EUR 530–560 million and operating result (EBIT) to be in the range of EUR 65–75 million.”

Key figures							
MEUR	4-6/ 2023	4-6/ 2022	Change	1-6/ 2023	1-6/ 2022	Change	1-12/ 2022
Orders received	129.3	123.4	5%	261.3	242.2	8%	500.8
Order book	167.4	157.9	6%	167.4	157.9	6%	154.6
Net sales	130.8	120.5	9%	262.6	239.3	10%	514.2
Gross profit	72.1	66.6	8%	146.0	133.4	9%	282.0
Gross margin, %	55.1	55.3		55.6	55.7		54.8
Operating expenses	60.4	56.3	7%	121.1	105.7	15%	219.7
Operating result	11.9	10.3		25.2	27.9		62.5
Operating result, %	9.1	8.6		9.6	11.7		12.2
Result before taxes	10.5	9.3		22.9	26.7		59.6
Result for the period	8.0	6.2		17.6	20.0		45.1
Earnings per share	0.22	0.18	24%	0.49	0.55	-12%	1.24
Return on equity, %				14.5	17.5		18.7
Research and development costs	18.1	16.7	8%	36.0	31.4	15%	62.4
Capital expenditure	3.6	2.8	29%	6.7	6.3	7%	13.7
Depreciation, amortization and impairment	6.1	5.8	6%	12.0	11.4	6%	23.6
Cash flow from operating activities	8.8	-9.8		35.7	-0.2		29.8
Cash and cash equivalents				51.2	48.4	6%	55.5
Interest-bearing liabilities				62.9	74.5	-16%	63.4
Gearing, %				4.9	11.5		3.2

As of the beginning of 2023, Weather and Environment business area's subscription business has been excluded from orders received and order book. Comparison period has been reported accordingly.

Financial review Q2/2023

Orders received and order book

MEUR	4-6/ 2023	4-6/ 2022	Change	FX*	1-12/ 2022
Orders received	129.3	123.4	5%	7%	500.8
Order book, end of period	167.4	157.9	6%		154.6

* Change with comparable exchange rates

Second quarter 2023 orders received increased by 5% compared to previous year and totaled EUR 129.3 (123.4) million. Orders received grew in Weather and Environment business area but decreased in Industrial Measurements business area. Orders received grew very strongly in roads and automotive, renewable energy, as well as in power and energy market segments.

At the end of June 2023, order book amounted EUR 167.4 (157.9) million and increased by 6% compared to previous year. Order book increased in Weather and Environment business area and were at previous year's level in Industrial Measurements business area. EUR 116.7 (115.0) million of the order book is scheduled to be delivered in 2023.

Financial performance

MEUR	4-6/ 2023	4-6/ 2022	Change	FX**	1-12/ 2022
Net sales	130.8	120.5	9%	11%	514.2
Product sales	97.0	88.1	10%		375.5
Project sales	17.2	17.6	-2%		73.5
Service sales	8.9	8.2	8%		35.0
Subscription sales	7.4	6.2	19%		28.4
Lease income	0.3	0.4	-8%		1.7
Gross margin, %	55.1	55.3			54.8
Operating result	11.9	10.3			62.5
% of net sales	9.1	8.6			12.2
R&D costs	18.1	16.7	8%		62.4
Amortization*	2.1	2.1			8.2

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Second quarter 2023 net sales increased by 9% compared to previous year and were EUR 130.8 (120.5) million. In constant currencies, net sales increased by 11%. Net sales grew in Weather and Environment business area but decreased in Industrial Measurements business area. Net sales increased in renewable energy, roads and automotive, as well as in meteorology market segments. In renewable energy as well as in roads and automotive markets segments, net sales growth was very strong.

Gross margin was at previous year's level 55.1 (55.3) %. Additional costs related to component spot purchases had a 0.8 (2.8) percentage point negative impact on gross margin.

Second quarter 2023 operating result increased compared to previous year following growth in net sales and was EUR 11.9 (10.3) million, 9.1 (8.6) % of net sales. Operating expenses increased due to investments in sales and marketing as well as in R&D and IT system renewal.

Second quarter 2023 financial income and expenses were EUR -1.4 (-1.0) million. This was mainly a result of valuation of foreign currency denominated items, currency hedging and interest expenses. Income taxes were EUR 2.5 (3.1) million and estimated effective tax rate for the whole year was 23.3 (24.9) %. Result before taxes was EUR 10.5 (9.3) million and result for the period EUR 8.0 (6.2) million. Earnings per share was EUR 0.22 (0.18).

Financial review January–June 2023

Orders received and order book

MEUR	1-6/ 2023	1-6/ 2022	Change	FX*	1-12/ 2022
Orders received	261.3	242.2	8%	9%	500.8
Order book, end of period	167.4	157.9	6%		154.6

* Change with comparable exchange rates

January–June 2023 orders received increased by 8% compared to previous year and totaled EUR 261.3 (242.2) million. Orders received grew in Weather and Environment business area and were at previous years' level in Industrial Measurements business area. Orders received grew very strongly in roads and automotive as well as in power and energy market segments and strongly in meteorology and liquid measurements market segments.

Financial performance

MEUR	1-6/ 2023	1-6/ 2022	Change	FX**	1-12/ 2022
Net sales	262.6	239.3	10%	11%	514.2
Product sales	196.1	176.2	11%		375.5
Project sales	32.0	33.4	-4%		73.5
Service sales	18.2	16.2	12%		35.0
Subscription sales	15.6	12.6	23%		28.4
Lease income	0.7	0.8	-14%		1.7
Gross margin, %	55.6	55.7			54.8
Operating result	25.2	27.9			62.5
% of net sales	9.6	11.7			12.2
R&D costs	36.0	31.4	15%		62.4
Amortization*	4.1	4.1			8.2

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

January–June 2023 net sales increased by 10% compared to previous year and were EUR 262.6 (239.3) million. In constant currencies, net sales increased by 11%. Net sales grew in both business areas. Net sales increased strongly in industrial instruments, roads and automotive, as well as in renewable energy market segments.

Gross margin was at previous year's level 55.6 (55.7) %. Additional costs related to component spot purchases had a 1.0 (1.6) percentage point negative impact on gross margin.

January–June 2023 operating result decreased compared to previous year and was EUR 25.2 (27.9) million, 9.6 (11.7) % of net sales. Operating expenses increased due to investments in sales and marketing as well as in R&D and IT system renewal.

January–June 2023 financial income and expenses were EUR -2.2 (-1.2) million. This was mainly a result of valuation of foreign currency denominated items, currency hedging and interest expenses. Income taxes were EUR 5.3 (6.7) million and estimated effective tax rate for the whole year was 23.3 (24.9) %. Result before taxes was EUR 22.9 (26.7) million and result for the period EUR 17.6 (20.0) million. Earnings per share was EUR 0.49 (0.55).

Statement of financial position, cash flow and financing

Vaisala's financial position remained strong during January–June 2023. At the end of June, statement of financial position totaled EUR 415.9 (Dec 31, 2022: 439.2) million. Cash and cash equivalents totaled EUR 51.2 (Dec 31, 2022: 55.5) million. Dividend payment, decided by the Annual General Meeting on March 28, 2023, totaled EUR 26.1 million.

In January–June 2023, cash flow from operating activities increased to EUR 35.7 (-0.2) million. Change in net working capital was EUR 11.0 (-30.2) million and this was mainly a result of decrease in trade receivables.

On June 30, 2023, Vaisala had interest-bearing borrowings totaling EUR 50.0 (Dec 31, 2022: 52.5) million. EUR 50 million of the interest-bearing borrowings related to a term loan. In the first quarter, Vaisala signed a EUR 50 million unsecured term loan agreement with one of its core banks for general corporate and working capital purposes and refinancing the term loan, EUR 40 million. The loan was fully utilized on April 5, 2023, and EUR 40 million loan was repaid. The loan has a financial covenant (gearing) tested semi-annually and on June 30, 2023, Vaisala was in compliance with the covenant. The term loan matures in three years from the signing. Vaisala had not issued any domestic commercial papers on June 30, 2023 (Dec 31, 2022: EUR 12.5 million). Vaisala has also a EUR 50 million committed revolving credit facility, which was undrawn on June 30, 2023, as at the end of 2022. In addition, interest-bearing lease liabilities totaled EUR 12.9 (Dec 31, 2022: 10.9) million.

Capital expenditure

In January–June 2023, capital expenditure in intangible assets and property, plant, and equipment totaled EUR 6.7 (6.3) million. Capital expenditure was mainly related to investments in machinery and equipment to develop and maintain Vaisala's production, R&D, and service operations as well as facilities.

Depreciation, amortization, and impairment were EUR 12.0 (11.4) million. This included EUR 4.1 (4.1) million of amortization of identified intangible assets related to the acquired businesses.

Personnel

The average number of personnel employed during January–June 2023 was 2,314 (2,077). At the end of June 2023, the number of employees was 2,401 (Dec 31, 2022: 2,235). 77 (77) % of employees were located in EMEA, 15 (16) % in Americas and 7 (8) % in APAC. 67 (66) % of employees were based in Finland.

Q2 and January–June 2023 review by business area

Industrial Measurements business area

MEUR	4-6/ 2023	4-6/ 2022	Change	FX**	1-6/ 2023	1-6/ 2022	Change	FX**	1-12/ 2022
Orders received	52.6	56.2	-6%	-3%	112.6	111.0	1%	3%	234.2
Order book, end of period	37.2	37.2	0%		37.2	37.2	0%		41.8
Net sales	52.8	54.7	-3%	-0%	115.8	107.8	7%	9%	225.6
Product sales	47.9	50.4	-5%		106.1	99.4	7%		208.1
Service sales	4.9	4.3	15%		9.7	8.4	16%		17.5
Gross margin, %	59.7	63.2			61.3	63.7			61.9
Operating result	6.8	11.5			21.8	26.1			51.5
of net sales, %	12.9	21.0			18.8	24.2			22.8
R&D costs	6.9	6.9	0%		14.0	12.8	10%		25.3
Amortization*	0.4	0.4			0.8	0.8			1.7

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Q2/2023 review

Industrial Measurements business area's second quarter 2023 orders received decreased by 6% compared to previous year totaling EUR 52.6 (56.2) million. Orders received decreased in industrial instruments and life science market segments, whereas orders received grew in power and energy as well as in liquid measurements market segments.

At the end of June 2023, Industrial Measurements business area's order book was at previous year's level and amounted to EUR 37.2 (37.2) million. EUR 31.6 (32.8) million of the order book is scheduled to be delivered in 2023.

Second quarter 2023 net sales were EUR 52.8 (54.7) million and decreased by 3% compared to previous year. In constant currencies, net sales were flat compared to previous year. Net sales decreased in life science market segment and were at previous year's level in industrial instruments, liquid measurements, as well as in power and energy market segments.

Gross margin decreased compared to previous year and was 59.7 (63.2) %. Additional costs related to component spot purchases had a 1.2 (2.9) percentage point negative impact on gross margin. Price pressure especially in China and unfavorable product mix burdened gross margin.

Industrial Measurements business area's second quarter 2023 operating result decreased compared to previous year following decrease in net sales and gross margin and totaled EUR 6.8 (11.5) million, 12.9 (21.0) % of net sales. Operating expenses increased due to investments in sales and marketing as well as in R&D and IT system renewal.

January–June 2023 review

Industrial Measurements business area's January–June 2023 orders received were at previous year's level and totaled EUR 112.6 (111.0) million. Orders received grew in industrial instruments, power and energy as well as in liquid measurements market segments, whereas orders received in life science market segment decreased from previous year. Growth of orders received was very strong in power and energy market segment.

January–June 2023 net sales were EUR 115.8 (107.8) million and increased by 7% compared to previous year. In constant currencies, net sales increased by 9%. Net sales grew strongly in industrial instruments as well as in power and energy market segments. Net sales in liquid measurements and life science market segments were flat compared to previous year.

Gross margin decreased compared to previous year and was 61.3 (63.7) %. Additional costs related to component spot purchases had a 1.5 (1.8) percentage point negative impact on gross margin. Price pressure especially in China burdened gross margin.

Industrial Measurements business area's January–June 2023 operating result decreased compared to previous year following decrease in gross margin as well as increase in operating expenses and totaled EUR 21.8 (26.1) million, 18.8 (24.2) % of net sales. Operating expenses increased due to investments in sales and marketing as well as in R&D and IT system renewal.

Weather and Environment business area

MEUR	4-6/ 2023	4-6/ 2022	Change	FX**	1-6/ 2023	1-6/ 2022	Change	FX**	1-12/ 2022
Orders received	76.6	67.2	14%	16%	148.7	131.2	13%	14%	266.6
Order book, end of period	130.2	120.6	8%		130.2	120.6	8%		112.8
Net sales	78.0	65.9	18%	20%	146.8	131.6	12%	12%	288.6
Product sales	49.1	37.7	30%		90.0	76.8	17%		167.4
Project sales	17.2	17.6	-2%		32.0	33.4	-4%		73.5
Service sales	4.0	4.0	1%		8.5	7.8	8%		17.5
Subscription sales	7.4	6.2	19%		15.6	12.6	23%		28.4
Lease income	0.3	0.4	-8%		0.7	0.8	-14%		1.7
Gross margin, %	51.9	48.8			51.1	49.2			49.3
Operating result	4.9	-1.1			3.2	1.8			11.1
of net sales, %	6.3	-1.6			2.2	1.4			3.8
R&D costs	11.2	9.8	14%		22.0	18.6	18%		37.2
Amortization*	1.7	1.7			3.3	3.2			6.6

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Q2/2023 review

Weather and Environment business area's second quarter 2023 orders received increased by 14% compared to previous year and totaled EUR 76.6 (67.2) million. Orders received grew very strongly in roads and automotive as well as in renewable energy market segments and decreased in aviation and meteorology market segments.

At the end of June 2023, Weather and Environment business area's order book amounted to EUR 130.2 (120.6) million and increased by 8% compared to previous year. EUR 85.1 (82.1) million of the order book is scheduled to be delivered in 2023. Order book increased in roads and automotive, meteorology, and renewable energy market segments, whereas order book in aviation market segment somewhat decreased.

Second quarter 2023 net sales were EUR 78.0 (65.9) million and increased by 18% compared to previous year. In constant currencies, net sales increased by 20%. Net sales grew in renewable energy, roads and automotive as well as in meteorology market segments, whereas net sales decreased somewhat in aviation market segment. Net sales growth in renewable energy as well as in roads and automotive market segments was very strong.

Gross margin improved compared to previous year and was 51.9 (48.8) %. Additional costs related to component spot purchases had a 0.5 (2.6) percentage point negative impact on gross margin. Very strong net sales growth in product sales and subscription sales improved gross margin.

Weather and Environment business area's second quarter 2023 operating result increased compared to previous year following strong growth of net sales and improved gross margin and totaled EUR 4.9 (-1.1)

million, 6.3 (-1.6) % of net sales. Operating expenses increased due to investments in sales and marketing as well as in R&D and IT system renewal.

January–June 2023 review

Weather and Environment business area's January–June 2023 orders received increased by 13% compared to previous year and totaled EUR 148.7 (131.2) million. Orders received grew in roads and automotive as well as in meteorology market segments, whereas orders received in aviation and renewable energy market segments decreased. Growth of orders received was very strong in roads and automotive market segment and strong in meteorology market segment.

January–June 2023 net sales were EUR 146.8 (131.6) million and increased by 12% compared to previous year. In constant currencies, net sales increased by 12%. Net sales grew very strongly in roads and automotive as well as in renewable energy market segments and decreased in aviation market segment. Net sales in meteorology market segment were at previous year's level.

Gross margin improved compared to previous year and was 51.1 (49.2) %. Additional costs related to component spot purchases had a 0.7 (1.4) percentage point negative impact on gross margin. Very strong net sales growth in product business as well as in subscription sales improved gross margin.

Weather and Environment business area's January–June 2023 operating result increased compared to previous year following growth in net sales and improved gross margin and totaled EUR 3.2 (1.8) million, 2.2 (1.4) % of net sales. Operating expenses increased due to investments in sales and marketing as well as in R&D and IT system renewal.

Changes in Leadership Team

On May 6, 2023, Heli Lindfors started as Chief Financial Officer and member of the Vaisala Leadership Team. Vaisala's Chief Sustainability and Strategy Officer Anne Jalkala was appointed member of the Vaisala Leadership Team as of May 5, 2023. They report to President and CEO Kai Öistämö.

Members of the Vaisala Leadership Team on June 30, 2023

- Kai Öistämö, President and CEO, Chair of the Leadership Team
- Anne Jalkala, Chief Sustainability and Strategy Officer
- Sampsa Lahtinen, EVP, Industrial Measurements business area
- Timo Leskinen, EVP, Human Resources
- Heli Lindfors, Chief Financial Officer
- Olli Nastamo, EVP, Operational Excellence
- Vesa Pylvänäinen, EVP, Operations
- Jarkko Sairanen, EVP, Weather and Environment business area
- Katriina Vainio, EVP, Group General Counsel

Annual General Meeting 2023

Vaisala Corporation's Annual General Meeting was held on March 28, 2023. The meeting approved the financial statements and discharged the members of the Board of Directors and the President and CEO from liability for the financial period January 1–December 31, 2022.

Dividend

The Annual General Meeting decided a dividend of EUR 0.72 per share. The record date for the dividend payment was March 30, 2023, and the payment date was April 12, 2023.

Board of Directors

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

The Annual General Meeting confirmed that the annual remuneration payable to the Chairman of the Board of Directors is EUR 55,000 and each Board member EUR 40,000 per year. Approximately 40% of the annual remuneration will be paid in Vaisala Corporation's series A shares acquired from the market and the rest in cash. In addition, the Annual General Meeting confirmed that the meeting fee for the Chairman of the Audit Committee would be EUR 1,500 per attended meeting and EUR 1,000 for each member of the Audit Committee and Chairman and each member of the People and Sustainability Committee, the Nomination Committee and any other committee established by the Board of Directors for a term until the close of the Annual General Meeting in 2024. The meeting fees are paid in cash. Possible travel expenses are reimbursed according to the travel policy of the company.

Auditor

The Annual General Meeting elected PricewaterhouseCoopers Oy as the auditor of the company and APA Niina Vilske will act as the auditor with the principal responsibility. The Auditors are reimbursed according to invoice presented to the company.

Proposal by the Board of Directors to amend the articles of association

The Annual General Meeting resolved to amend the articles of association so that the § 6 of Articles of Association stipulates that the term of Board members from now on terminates on the closing of the first Annual General Meeting, and the number of board members is 6–9, and § 13 of Articles of Association stipulates that a general meeting can be organized without a meeting venue as a so-called remote meeting.

Authorization for the directed repurchase of own series A shares

The Annual General Meeting authorized the Board of Directors to resolve on the directed repurchase of a maximum of 800,000 of the company's own series A shares in one or more instalments by using company's unrestricted equity. The authorization is valid until the closing of the next Annual General Meeting, however, no longer than September 28, 2024.

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

The Annual General Meeting authorized the Board of Directors to resolve on the issuance of a maximum of 935,976 company's own series A shares. The issuance of own shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization entitles the issuance of treasury series A shares as a directed issue without payment as part of the company's share-based incentive plan. The subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind. The authorization is valid until September 28, 2024. The authorization for the company's incentive program shall however be valid until March 28, 2027.

The organizing meeting of the Board of Directors

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

Kaarina Ståhlberg was elected as the Chair and Petri Castrén, Antti Jääskeläinen and Raimo Voipio as members of the Audit Committee. Ville Voipio was elected as the Chair and Petra Lundström, Jukka Rinnevaara and Tuomas Syrjänen as members of the People and Sustainability Committee. Ville Voipio was elected as the Chair and Petra Lundström, Kaarina Ståhlberg and Raimo Voipio as members of the Nomination Committee. The Chair and all members of the Audit Committee, People and Sustainability Committee as well as Nomination Committee are independent both of the company and of significant shareholders.

Shares and shareholders

Share capital and shares

Vaisala's share capital totaled EUR 7,660,808 on June 30, 2023. Vaisala has 36,436,728 shares, of which 6,731,092 are series K shares and 29,705,636 series A shares. The series K shares and series A shares are differentiated by the fact that each series K share entitles its owner to 20 votes at a General Meeting of Shareholders while each series A share entitles its owner to 1 vote. The series A shares represented 81.5% of the total number of shares and 18.1% of the total votes. The series K shares represented 18.5% of the total number of shares and 81.9% of the total votes.

Trading and share price development

In January–June 2023, a total of 1,588,767 series A shares with a value totaling EUR 64.4 million were traded on the Nasdaq Helsinki Ltd. The closing price of the series A share on the Nasdaq Helsinki stock exchange was EUR 42.15. Shares registered a high of EUR 44.55 and a low of EUR 37.70. Volume-weighted average share price was EUR 40.55.

The market value of series A shares on June 30, 2023, was EUR 1,244.3 million, excluding company's treasury shares. Valuing the series K shares – which are not traded on the stock market – at the rate of the series A share's closing price on the last trading day of June, the total market value of all the series A and series K shares together was EUR 1,528.0 million, excluding company's treasury shares.

Treasury shares

In May 2023, the Board of Directors decided to exercise the authorization of the 2023 Annual General Meeting to repurchase own series A shares. The repurchases started on May 10, 2023, and ended on June 15, 2023. During this period, Vaisala repurchased a total of 50,000 own series A shares for an average price of EUR 42.4587 per share. The shares were repurchased in public trading on Nasdaq Helsinki Ltd. at the market price prevailing at the time of purchase. The shares are planned to be used as a reward payment for Vaisala's share-based incentive plans.

In March 2023, a total of 72,511 of Vaisala Corporation's treasury shares were conveyed without consideration to the 43 key employees participating in the Performance Share Plan 2020–2022 under the terms and conditions of the plan. The directed share issue was based on an authorization given by the Annual General Meeting held on March 29, 2022.

The total number of series A treasury shares on June 30, 2023, was 185,976, which represents 0.6% of series A shares and 0.5% of total shares.

Shareholders

At the end of June 2023, Vaisala had 14,101 (13,450) registered shareholders. Ownership outside of Finland and nominee registrations represented 22.6 (21.0) % of the company's shares. Households owned 40.4 (40.4) %, private companies 13.0 (12.9) %, financial and insurance institutions 10.0 (11.7) %, non-profit organizations 10.0 (10.4) % and public sector organizations 4.0 (3.5) % of the shares.

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

Near-term risks and uncertainties

Inflationary environment and geopolitical situation including the war in Ukraine will affect economic situation and increase risk of achieving Vaisala's financial targets.

Vaisala's delivery capability may deteriorate due to disruptions in suppliers' operations, Vaisala's production or project delivery operation, or disruptions in incoming and/or outgoing logistics. Industrial actions in Finland may cause disruptions in Vaisala's operations and deteriorate Vaisala's delivery capability. Component shortage may cause delays or interruptions in deliveries or generate additional material costs. Cyber risk and downtime of IT systems may impact operations and delivery capability.

New and changing regulations impacting product acceptance, operation's capability to meet changing compliance requirements, and changes in international trade policies may cause delays or interruptions in supply chain. Customers' preference for local manufacturing may reduce demand for Vaisala's products and services. Customers' budgetary constraints, complex decision-making processes, and missing financing solutions may postpone closing of infrastructure contracts in Weather and Environment business area.

Further information about risk management and risks are available on Annual Report's Corporate Governance/Risk management section and on the company's website at vaisala.com.

Financial calendar 2023

Interim Report January–September 2023: October 27, 2023

Vantaa, July 27, 2023

Vaisala Corporation
Board of Directors

The forward-looking statements in this report are based on the current expectations, known factors, decisions, and plans of Vaisala's management. Although the management believes that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that these expectations would prove to be correct. Therefore, the results could differ materially from those implied in the forward-looking statements, due to for example changes in the economic, market and competitive environments, regulatory or other government-related changes, or shifts in exchange rates.

Financial information and changes in accounting policies

This Half Year Report has been prepared in accordance with IAS 34 Interim Financial Reporting, following the same accounting policies and principles as in the annual financial statements for 2022. All figures in this Half Year Report are group figures. All presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented. The Half Year Report is unaudited.

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

New and amended IFRS standards effective for the year 2023

Amendments to IAS 1, IAS 1 and IFRS Practice Statement 2 as well as IAS 8 have been adopted from January 1, 2023. The adoption of these amendments is not expected to have an impact on the group's consolidated financial statements in future periods.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Vaisala has applied the amendments in accordance with transition rule with the effect of initial application recognized as of January 1, 2022.

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - o Right-of-use assets and lease liabilities
 - o Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

Table below presents year 2022 quarterly comparative figures after amendments described above:

	1-3/ 2022		4-6/ 2022		7-9/ 2022		10-12/ 2022		1-12/ 2022	
	Earlier reported	Restated	Earlier reported	Restated	Earlier reported	Restated	Earlier reported	Restated	Earlier reported	Restated
EUR million										
Income taxes	-3.6	-3.6	-3.1	-3.1	-4.7	-4.7	-3.2	-3.2	-14.5	-14.5
Result for the period	13.8	13.8	6.2	6.2	16.1	16.1	9.0	9.0	45.0	45.1
Attributable to										
Owners of the parent										
company	13.6	13.6	6.4	6.4	16.1	16.1	9.0	9.0	45.0	45.0
Non-controlling interests	0.2	0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Comprehensive income for the period	15.2	15.2	10.4	10.4	20.7	20.7	1.0	1.0	47.3	47.3
Attributable to										
Owners of the parent										
company	15.0	15.0	10.6	10.6	20.7	20.7	1.0	1.0	47.3	47.3
Non-controlling interests	0.2	0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	206.8	206.6	213.9	213.7	230.0	229.7	238.7	238.5	238.7	238.5
Total equity	215.6	215.4	226.8	226.6	248.6	248.4	250.7	250.5	250.7	250.5
Deferred tax liabilities	7.0	7.2	6.8	7.1	6.6	6.8	4.3	4.5	4.3	4.5
Total non-current liabilities	58.0	58.2	17.3	17.6	18.4	18.7	17.6	17.9	17.6	17.9
Total liabilities	214.3	214.5	191.2	191.4	189.1	189.3	188.5	188.7	188.5	188.7
Total equity and liabilities	429.9	429.9	418.0	418.0	437.7	437.7	439.2	439.2	439.2	439.2
Earnings per share, EUR	0.38	0.38	0.18	0.18	0.44	0.44	0.25	0.25	1.24	1.24
Diluted earnings per share, EUR	0.37	0.37	0.18	0.18	0.44	0.44	0.25	0.25	1.24	1.24
Equity per share, EUR									6.92	6.91
Return on equity, %									18.7	18.7
Solvency ratio, %									58.2	58.1
Gearing, %									3.2	3.2

Consolidated statement of income					
EUR million	4-6/ 2023	4-6/ 2022	1-6/ 2023	1-6/ 2022	1-12/ 2022
Net sales	130.8	120.5	262.6	239.3	514.2
Cost of goods sold	-58.7	-53.9	-116.6	-106.0	-232.2
Gross profit	72.1	66.6	146.0	133.4	282.0
Sales, marketing and administrative costs	-42.3	-39.6	-85.1	-74.3	-157.3
Research and development costs	-18.1	-16.7	-36.0	-31.4	-62.4
Other operating income and expenses	0.2	0.1	0.3	0.2	0.3
Operating result	11.9	10.3	25.2	27.9	62.5
Share of result in associated company	-	-	-	-	0.2
Financial income and expenses	-1.4	-1.0	-2.2	-1.2	-3.1
Result before taxes	10.5	9.3	22.9	26.7	59.6
Income taxes	-2.5	-3.1	-5.3	-6.7	-14.5
Result for the period	8.0	6.2	17.6	20.0	45.1
Attributable to					
Owners of the parent company	8.0	6.4	17.6	20.0	45.0
Non-controlling interests	-	-0.2	-	0.0	0.0
Result for the period	8.0	6.2	17.6	20.0	45.1
Earnings per share for result attributable to the equity holders of the parent company					
Earnings per share, EUR	0.22	0.18	0.49	0.55	1.24
Diluted earnings per share, EUR	0.22	0.18	0.48	0.55	1.24

Consolidated statement of comprehensive income					
EUR million	4-6/ 2023	4-6/ 2022	1-6/ 2023	1-6/ 2022	1-12/ 2022
Items that will not be reclassified to profit or loss (net of taxes)					
Actuarial profit (loss) on post-employment benefits	0.0	0.0	0.0	0.0	-0.2
Total	0.0	0.0	0.0	0.0	-0.2
Items that may be reclassified subsequently to profit or loss					
Translation differences	-0.6	4.2	-2.3	5.6	2.4
Total	-0.6	4.2	-2.3	5.6	2.4
Total other comprehensive income	-0.6	4.2	-2.3	5.6	2.2
Comprehensive income for the period	7.4	10.4	15.3	25.6	47.3
Attributable to					
Owners of the parent company	7.4	10.6	15.3	25.6	47.3
Non-controlling interests	-	-0.2	-	0.0	0.0
Comprehensive income for the period	7.4	10.4	15.3	25.6	47.3

Consolidated statement of financial position

EUR million

Assets	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Non-current assets			
Intangible assets	66.7	77.2	71.3
Property, plant and equipment	95.7	95.8	96.0
Right-of-use assets	13.9	10.5	11.9
Investments in shares	0.1	0.1	0.1
Investment in associated company	1.4	1.3	1.4
Non-current receivables	0.9	0.9	1.0
Deferred tax assets	8.1	9.2	9.5
Total non-current assets	186.8	195.0	191.1
Current assets			
Inventories	66.1	64.0	61.6
Trade and other receivables	81.4	86.1	101.7
Contract assets and other accrued revenue	26.0	21.0	26.2
Income tax receivables	4.3	3.6	3.1
Cash and cash equivalents	51.2	48.4	55.5
Total current assets	229.1	223.0	248.1
Total assets	415.9	418.0	439.2

Equity and liabilities	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Equity			
Share capital	7.7	7.7	7.7
Other reserves	0.8	1.3	3.5
Translation differences	1.9	7.2	4.1
Treasury shares	-4.2	-3.3	-3.3
Retained earnings	230.0	213.7	238.5
Total equity attributable to owners of parent company	236.0	226.6	250.5
Non-controlling interests	-	0.0	0.0
Total equity	236.0	226.6	250.5
Non-current liabilities			
Interest-bearing borrowings	50.0	0.0	0.0
Interest-bearing lease liabilities	10.1	7.0	8.3
Post-employment benefits	2.6	2.5	2.7
Deferred tax liabilities	3.8	7.1	4.5
Provisions	0.4	0.3	0.3
Other non-current liabilities	4.3	0.7	2.1
Total non-current liabilities	71.2	17.6	17.9
Current liabilities			
Interest-bearing borrowings	0.0	65.0	52.5
Interest-bearing lease liabilities	2.8	2.4	2.7
Trade and other payables	69.0	70.3	74.0
Contract liabilities and other deferred revenue	33.8	32.6	37.1
Income tax liabilities	0.4	1.0	1.8
Provisions	2.5	2.6	2.8
Total current liabilities	108.6	173.9	170.8
Total liabilities	179.9	191.4	188.7
Total equity and liabilities	415.9	418.0	439.2

Consolidated cash flow statement			
EUR million	1-6/ 2023	1-6/ 2022	1-12/ 2022
Result for the period	17.6	20.0	45.1
Depreciation, amortization and impairment	12.0	11.4	23.6
Financial income and expenses	2.2	1.2	3.1
Gains and losses on sale of intangible assets and property, plant and equipment	-0.1	0.0	0.0
Share of result in associated company	-	-	-0.2
Income taxes	5.3	6.6	14.5
Other adjustments	-1.8	-2.4	0.3
Inventories, increase (-) / decrease (+)	-5.0	-13.9	-11.2
Non-interest-bearing receivables, increase (-) / decrease (+)	19.7	-2.9	-26.0
Non-interest-bearing liabilities, increase (+) / decrease (-)	-3.7	-13.4	-0.8
Changes in working capital	11.0	-30.2	-38.0
Financial items paid/received	-2.5	-1.4	-4.9
Income taxes paid	-8.1	-5.5	-13.6
Cash flow from operating activities	35.7	-0.2	29.8
Acquisition of subsidiaries, net of cash acquired	-	-23.1	-23.1
Capital expenditure on intangible assets and property, plant and equipment	-6.7	-6.3	-13.7
Proceeds from sale of intangible assets and property, plant and equipment	0.1	0.3	0.0
Cash flow from investing activities	-6.6	-29.1	-36.8
Dividends paid	-26.1	-24.6	-24.6
Purchase of treasury shares	-2.1	-	-
Change in loan receivables	0.0	0.0	-0.1
Proceeds from borrowings	77.4	42.5	114.9
Repayment of borrowings	-79.9	-17.5	-102.4
Principal payments of lease liabilities	-1.6	-1.4	-2.9
Cash flow from financing activities	-32.3	-1.1	-15.1
Change in cash and cash equivalents increase (+) / decrease (-)	-3.2	-30.4	-22.1
Cash and cash equivalents at the beginning of period	55.5	77.9	77.9
Change in cash and cash equivalents	-3.2	-30.4	-22.1
Effect from changes in exchange rates	-1.0	0.9	-0.3
Cash and cash equivalents at the end of period	51.2	48.4	55.5

Consolidated statement of changes in equity

	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total
EUR million								
Equity at Dec 31, 2021	7.7	7.0	1.7	-4.6	218.0	229.6	0.7	230.3
IAS 12 amendment					-0.2	-0.2		-0.2
Equity at Jan 1, 2022	7.7	7.0	1.7	-4.6	217.8	229.4	0.7	230.1
Result for the period					20.0	20.0	0.0	20.0
Other comprehensive income		0.0	5.6			5.6		5.6
Dividend distribution					-24.6	-24.6		-24.6
Share-based payments		-5.7		1.4		-4.3		-4.3
Changes in non-controlling interests that did not result in changes in control					0.7	0.7	-0.7	
Equity at Jun 30, 2022	7.7	1.3	7.2	-3.3	213.7	226.6	0.0	226.6

	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total
EUR million								
Equity at Dec 31, 2022	7.7	3.5	4.1	-3.3	238.5	250.5	0.0	250.5
Result for the period					17.6	17.6		17.6
Other comprehensive income		-0.0	-2.3			-2.3		-2.3
Dividend distribution					-26.1	-26.1		-26.1
Purchase of treasury shares				-2.1		-2.1		-2.1
Share-based payments		-2.7		1.2		-1.5		-1.5
Changes in non-controlling interests that did not result in changes in control					0.0	0.0	-0.0	
Equity at Jun 30, 2023	7.7	0.8	1.9	-4.2	230.0	236.0	-	236.0

Notes to the report

Orders received by business area

EUR million	4-6/ 2023	4-6/ 2022	1-6/ 2023	1-6/ 2022	1-12/ 2022
Industrial Measurements	52.6	56.2	112.6	111.0	234.2
Weather and Environment	76.6	67.2	148.7	131.2	266.6
Total	129.3	123.4	261.3	242.2	500.8

Order book by business area

EUR million	4-6/ 2023	4-6/ 2022	1-6/ 2023	1-6/ 2022	1-12/ 2022
Industrial Measurements	37.2	37.2	37.2	37.2	41.8
Weather and Environment	130.2	120.6	130.2	120.6	112.8
Total	167.4	157.9	167.4	157.9	154.6

Net sales by business area

EUR million	4-6/ 2023	4-6/ 2022	1-6/ 2023	1-6/ 2022	1-12/ 2022
Industrial Measurements					
Product sales	47.9	50.4	106.1	99.4	208.1
Service sales	4.9	4.3	9.7	8.4	17.5
Total	52.8	54.7	115.8	107.8	225.6
Weather and Environment					
Product sales	49.1	37.7	90.0	76.8	167.4
Project sales	17.2	17.6	32.0	33.4	73.5
Service sales	4.0	4.0	8.5	7.8	17.5
Subscription sales	7.4	6.2	15.6	12.6	28.4
Lease income	0.3	0.4	0.7	0.8	1.7
Total	78.0	65.9	146.8	131.6	288.6
Total net sales	130.8	120.5	262.6	239.3	514.2

Operating result by business area

EUR million	4-6/ 2023	4-6/ 2022	1-6/ 2023	1-6/ 2022	1-12/ 2022
Industrial Measurements	6.8	11.5	21.8	26.1	51.5
Weather and Environment	4.9	-1.1	3.2	1.8	11.1
Other	0.2	-0.1	0.2	0.0	-0.1
Total	11.9	10.3	25.2	27.9	62.5

Net sales by region

EUR million	4-6/ 2023	4-6/ 2022	1-6/ 2023	1-6/ 2022	1-12/ 2022
Americas	47.1	44.4	92.9	81.7	191.2
APAC	37.9	38.1	82.0	79.8	160.3
EMEA	45.8	38.0	87.7	77.8	162.7
Total	130.8	120.5	262.6	239.3	514.2

Timing of revenue recognition					
EUR million	4-6/ 2023	4-6/ 2022	1-6/ 2023	1-6/ 2022	1-12/ 2022
Performance obligations satisfied at a point in time	105.4	95.8	213.3	191.1	408.1
Performance obligations satisfied over time	25.1	24.4	48.6	47.4	104.4
Lease income recognized on a straight-line basis	0.3	0.4	0.7	0.8	1.7
Total	130.8	120.5	262.6	239.3	514.2

Personnel					
	4-6/ 2023	4-6/ 2022	1-6/ 2023	1-6/ 2022	1-12/ 2022
Average personnel	2,361	2,132	2,314	2,077	2,141
Personnel at the end of period	2,401	2,187	2,401	2,187	2,235

Derivative financial instruments					
EUR million			Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
Nominal value of derivative financial contracts			44.7	36.7	38.3
Fair values of derivative financial contracts, assets			1.2	0.2	1.0
Fair values of derivative financial contracts, liabilities			0.1	1.7	0.5

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

Share information					
EUR/thousand	4-6/ 2023	4-6/ 2022	1-6/ 2023	1-6/ 2022	1-12/ 2022
Number of shares outstanding	36,251	36,228	36,251	36,228	36,228
Number of treasury shares	186	208	186	208	208
Number of shares, weighted average, diluted	36,399	36,391	36,387	36,337	36,367
Number of shares, weighted average	36,250	36,228	36,267	36,185	36,207
Number of shares traded	989	432	1,589	1,449	2,385
Share price, highest	44.55	45.50	44.55	54.40	54.40
Share price, lowest	37.75	38.00	37.70	38.00	36.15

Key ratios					
EUR	4-6/ 2023	4-6/ 2022	1-6/ 2023	1-6/ 2022	1-12/ 2022
Earnings per share	0.22	0.18	0.49	0.55	1.24
Diluted earnings per share	0.22	0.18	0.48	0.55	1.24
Equity per share			6.51	6.25	6.91
Return on equity, %			14.5	17.5	18.7
Cash flow from operating activities per share	0.24	-0.27	0.99	-0.00	0.82
Solvency ratio, %			57.6	55.2	58.1
Gearing, %			4.9	11.5	3.2

Key exchange rates

	Average rates		Period end rates		
	1-6/ 2023	1-6/ 2022	Jun 30, 2023	Jun 30, 2022	Dec 31, 2022
USD	1.0776	1.1006	1.0866	1.0387	1.0666
CNY	7.4519	7.0804	7.8983	6.9624	7.3582
JPY	145.08	133.00	157.16	141.54	140.66
GBP	0.8781	0.8406	0.8583	0.8582	0.8869

Further information

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Vaisala Corporation

Audiocast and conference call

An audiocast and a conference call for analysts, investors and media will be held in English on July 28, 2023, starting at 12:00 p.m. (Finnish time). Numbers for conference call, during which questions may be presented, are:

Finland: +358 9 2319 5437

UK: +44 33 0551 0200

Sweden: +46 8 5052 0424

US: +1 786 697 3501

Passcode: Vaisala Q2

A link to the live audiocast will be available at vaisala.com/investors. A recording will be available on the website later the same day.

Distribution

Nasdaq Helsinki

Key media

vaisala.com

Vaisala is a global leader in weather, environmental, and industrial measurements. Building on over 85 years of experience, Vaisala provides observations for a better world, with space-proof technology even exploring Mars and beyond. We are a reliable partner for customers around the world, offering a comprehensive range of innovative observation and measurement products and services. Headquartered in Finland, Vaisala employs over 2,000 professionals worldwide and is listed on the Nasdaq Helsinki stock exchange. vaisala.com twitter.com/VaisalaGroup linkedin.com/vaisala