

Interim Report January–September 2018

President and CEO Kjell Forsén

October 23, 2018

VAISALA



Third quarter 2018 highlights

- Orders received EUR 76.8 (100.1) million, -23%
- Order book EUR 119.2 (145.0) million, -18%
- Net sales EUR 84.1 (87.1) million, -3%
- Gross margin 55.9 (52.8) %
- Operating result EUR 14.5 (14.7) million, 17.3 (16.9) % of net sales
- Earnings per share EUR 0.30 (0.30)
- Cash flow from operating activities EUR 10.6 (14.9) million

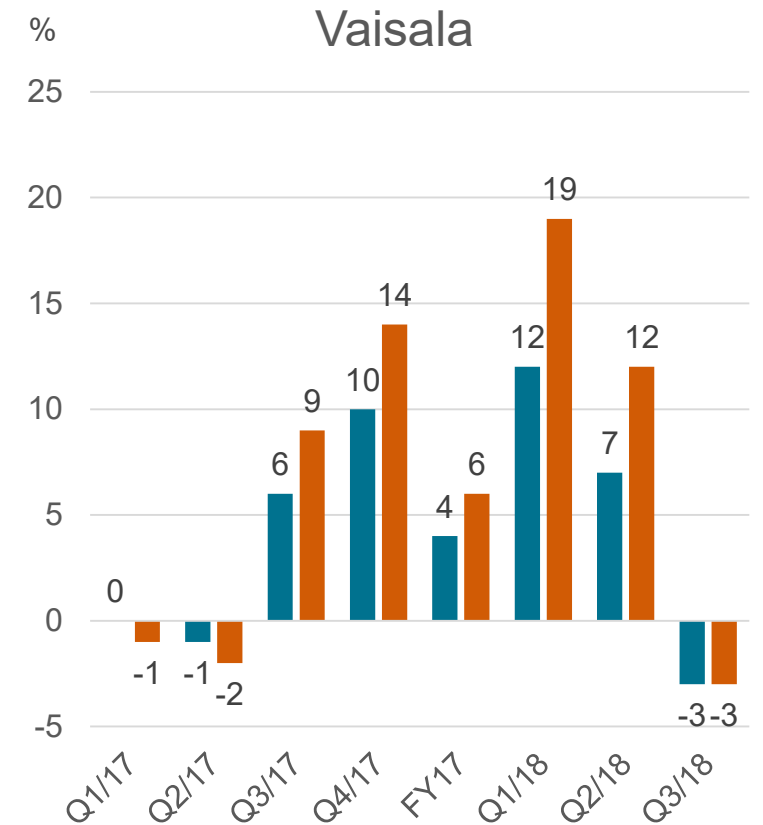
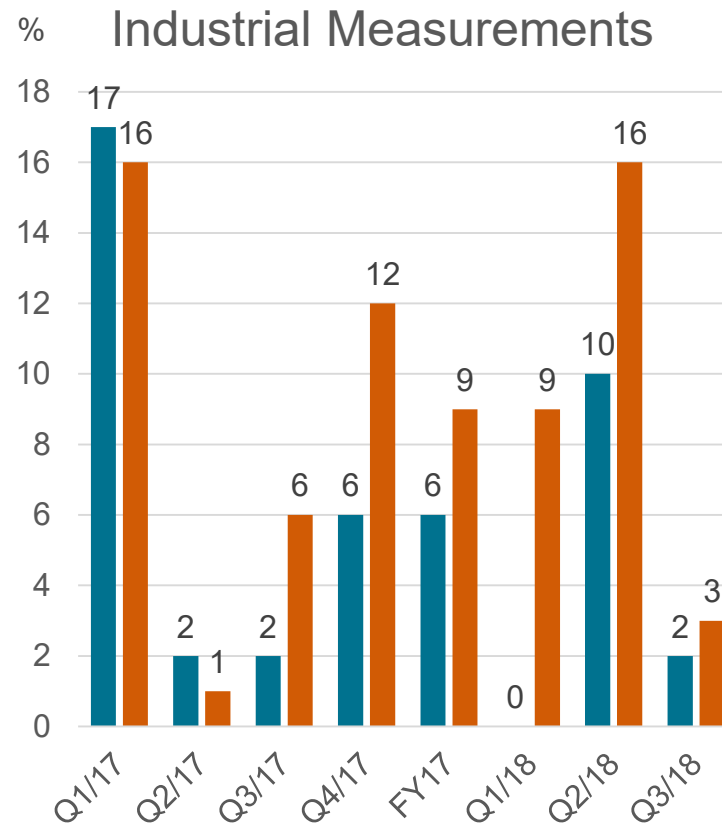
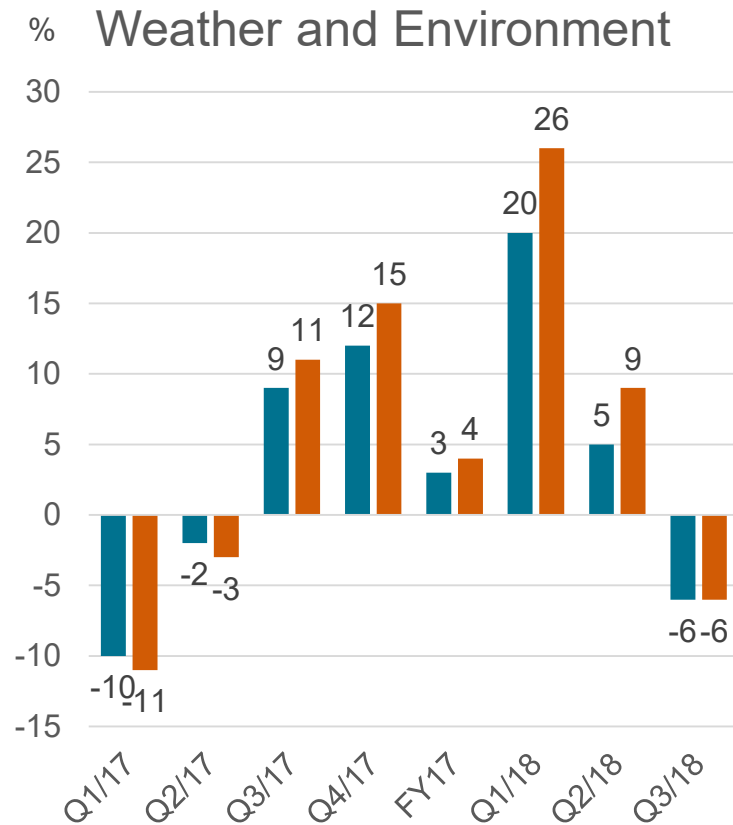


Leosphere acquisition biggest in Vaisala's history

- Leosphere's 2017 net sales EUR 27 million with over 15% operating income margin
- Purchase price (debt and cash free) EUR 38 million
- Around 125 employees
- Reported as part of Weather and Environment Business Area's results as of October 11, 2018
- Leosphere will contribute around EUR 10 million of net sales in Vaisala's Q4 2018 with around 10% operating result margin
- In Q4, Vaisala estimates to book about EUR 6 million costs consisting of transaction costs and depreciation of intangible assets related to this acquisition



No exchange rate impact on net sales in Q3

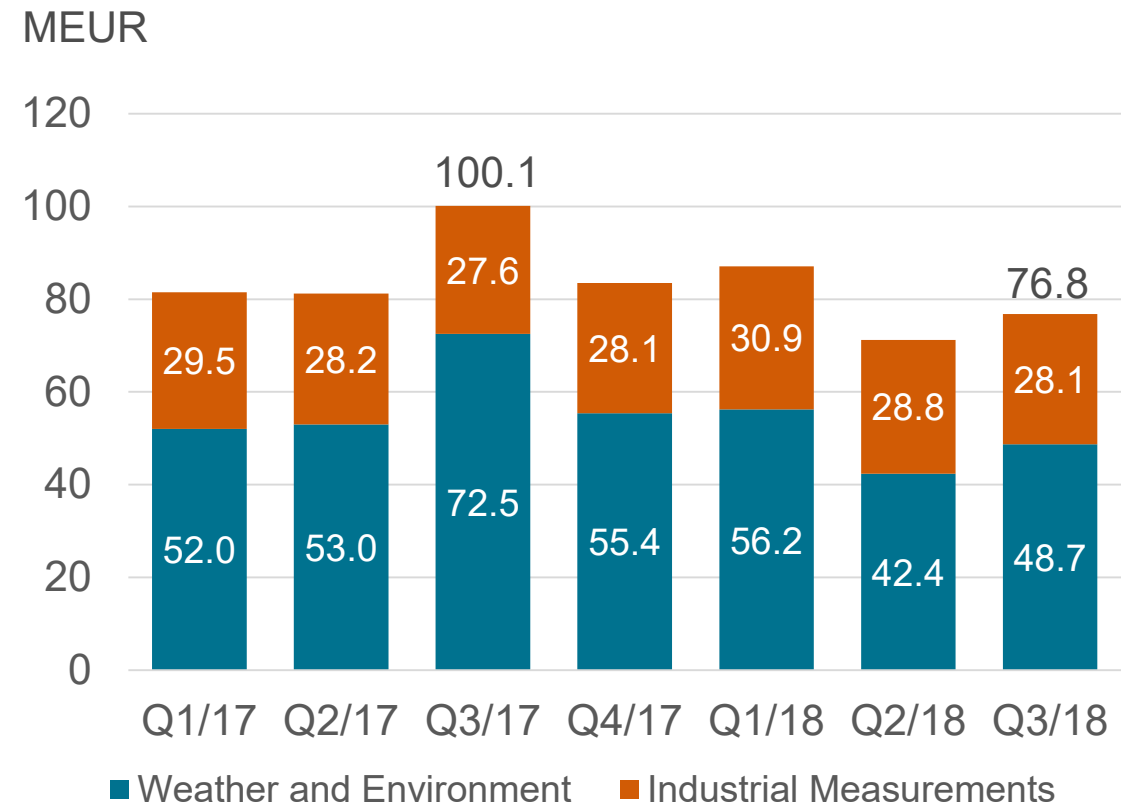


■ Reported growth %

■ Growth % with comparable rates

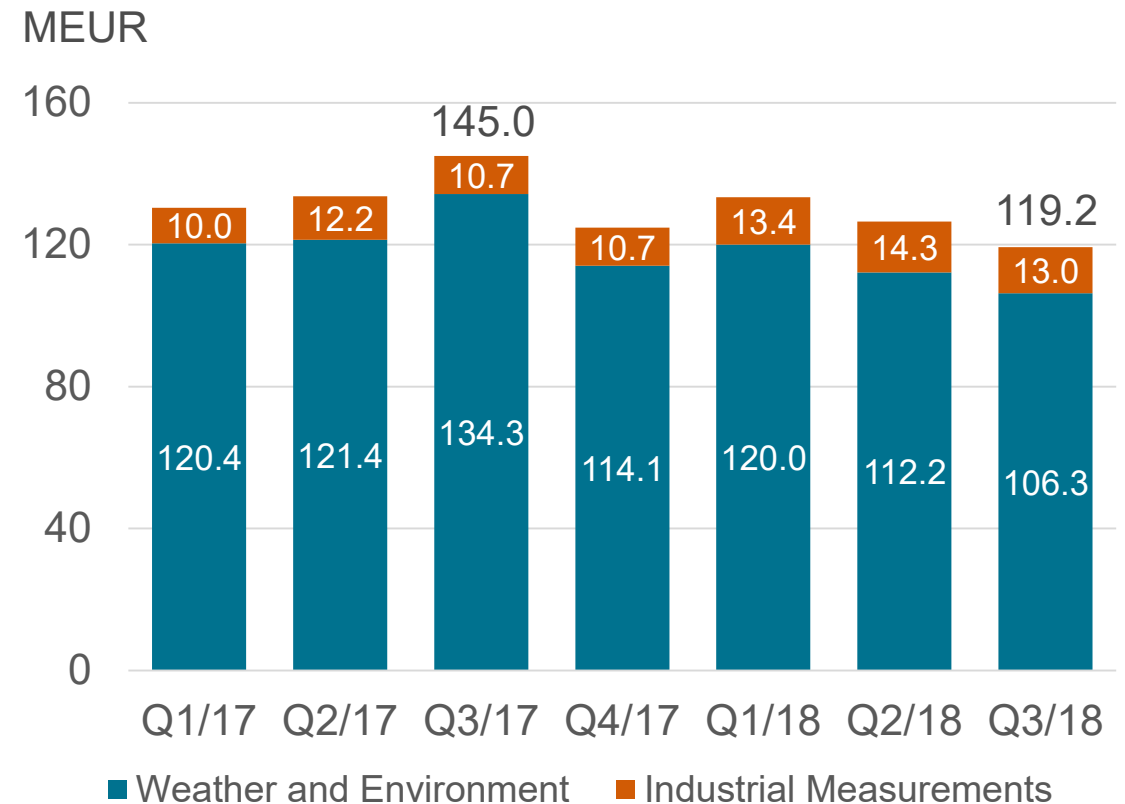
Vaisala Q3 orders received decreased 23% mainly due to low project orders

- Orders received EUR 76.8 (100.1) million, -23%
- Weather and Environment Business Area
 - EUR 48.7 (72.5) million, -33%
 - No large project orders in any region
- Industrial Measurements Business Area
 - EUR 28.1 (27.6) million, +2%
 - Growth of instrument orders in Americas

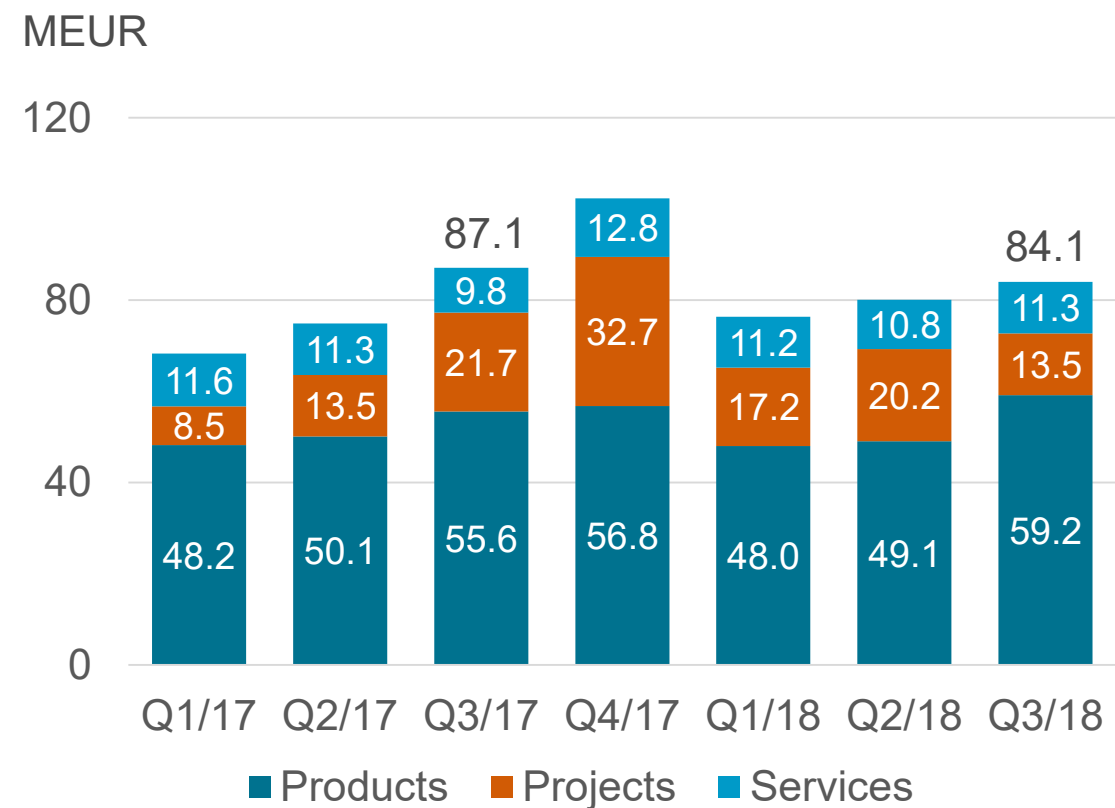
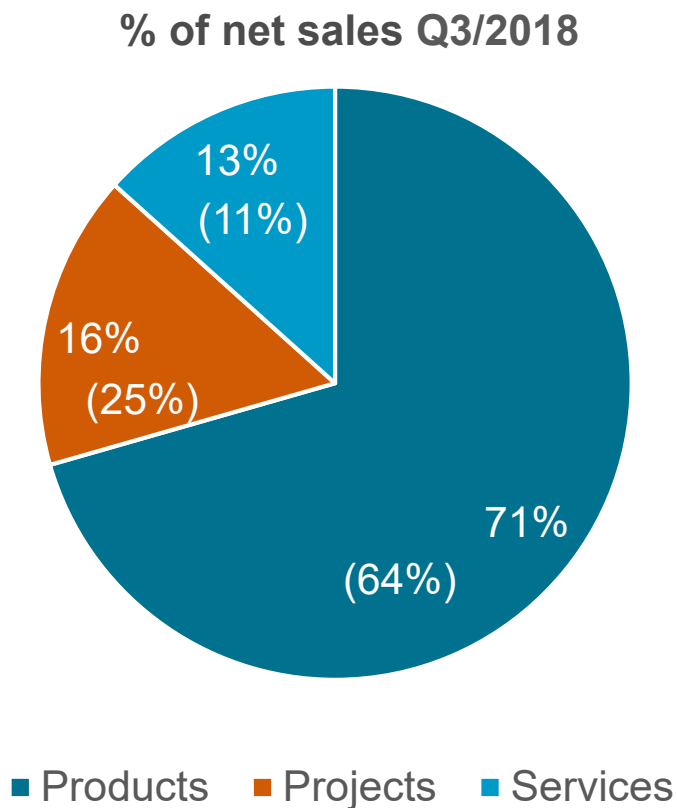


Vaisala order book decreased by 18%

- Order book EUR 119.2 (145.0) million, -18%
 - Decrease in all geographical areas
 - EUR 59.5 (66.1) million of the order book is scheduled to be delivered in 2018
- Weather and Environment Business Area
 - EUR 106.3 (134.3) million, -21%
 - EUR 50.3 (57.7) million of the order book is scheduled to be delivered in 2018
- Industrial Measurements Business Area
 - EUR 13.0 (10.7) million, +21%
 - EUR 9.2 (8.4) million of the order book is scheduled to be delivered in 2018



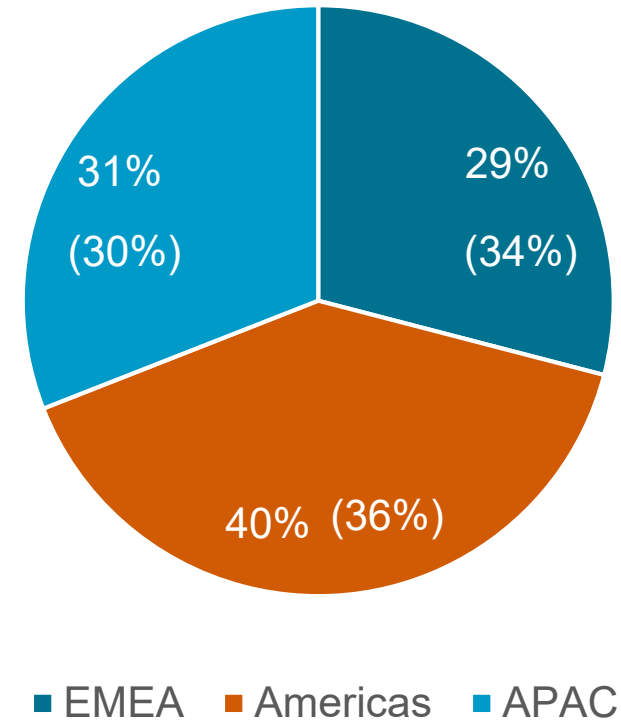
Vaisala Q3 net sales decreased due to timing of project deliveries



Americas share of net sales increased

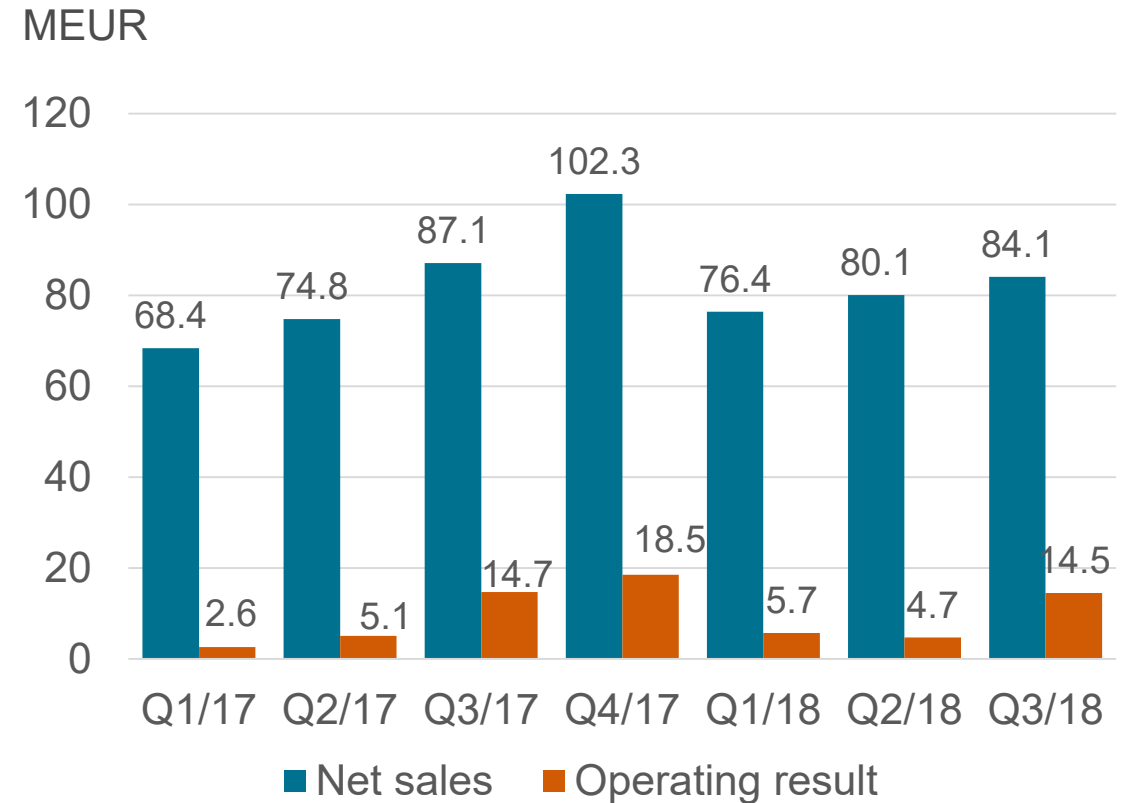
EUR million	Q3/2018	Q3/2017	Change %
EMEA	24.4	29.6	-18
Americas	33.6	31.7	6
APAC	26.0	25.8	1
Total	84.1	87.1	-3

% of net sales Q3/2018



Vaisala Q3 operating result margin strong 17.3% despite decrease in net sales

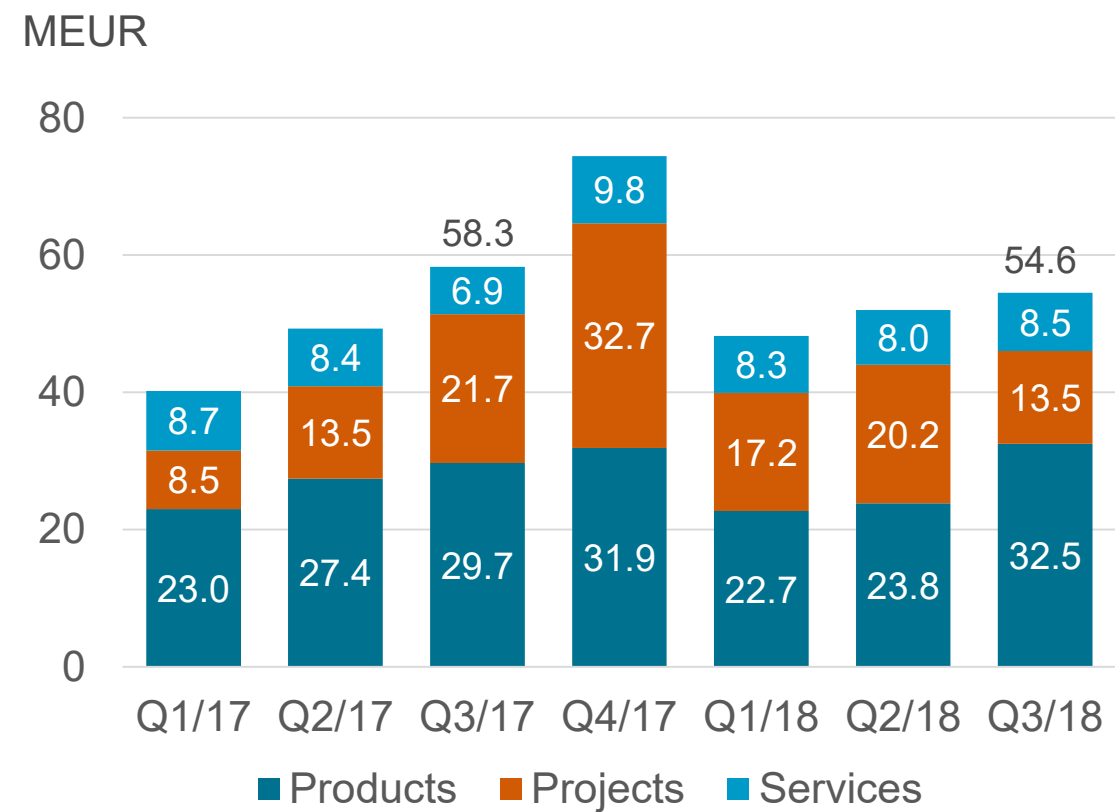
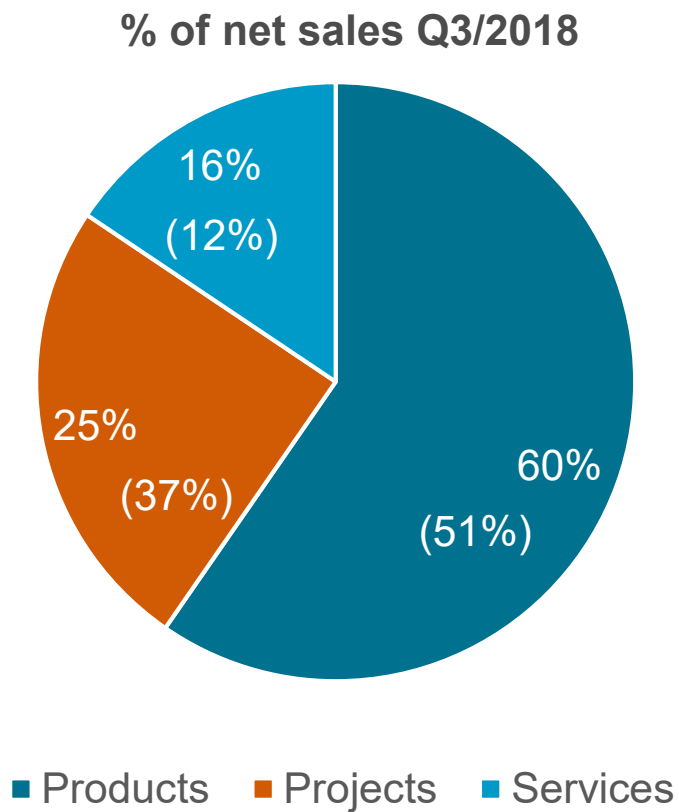
	Q3/2018	Q3/2017
Orders received, EUR million	76.8	100.1
Net sales, EUR million	84.1	87.1
Gross margin, %	55.9	52.8
Operating expenses, EUR million	32.5	30.5
Operating result, EUR million	14.5	14.7
Operating result, %	17.3	16.9



Weather and Environment Q3

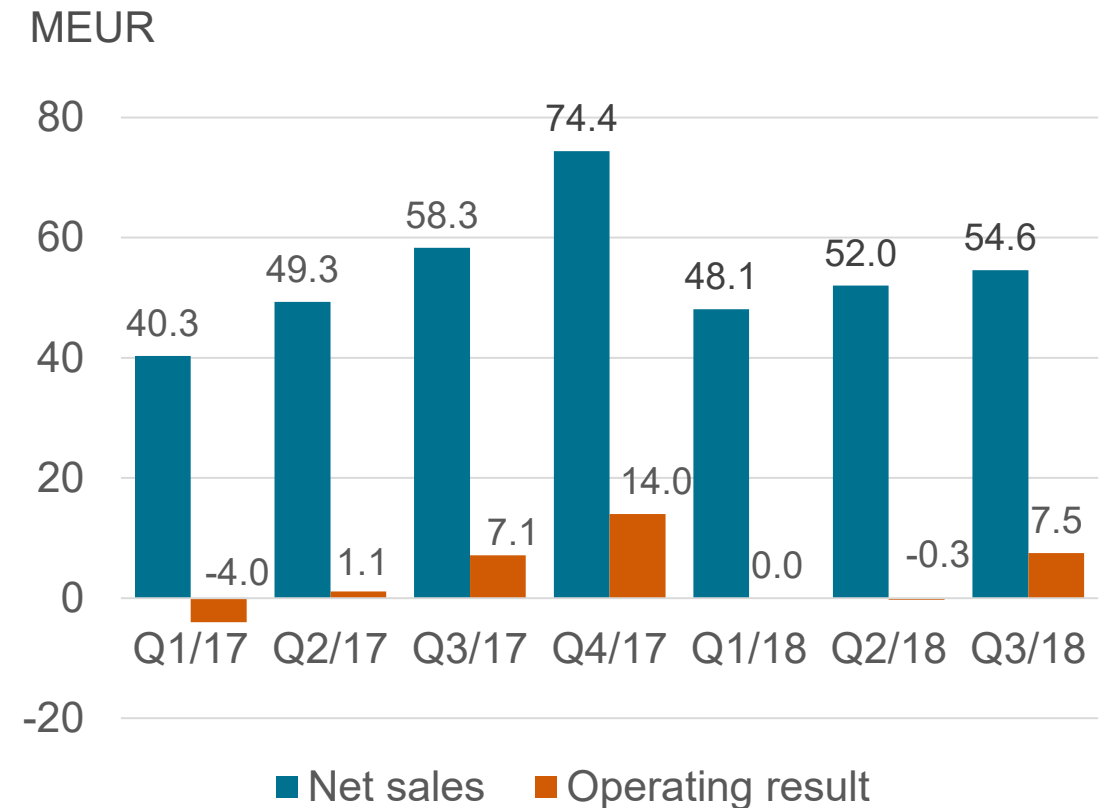
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Weather and Environment Q3 net sales decreased due to timing of project deliveries



Weather and Environment operating profit increased from previous year following improvement in gross margin

	Q3/2018	Q3/2017
Orders received, EUR million	48.7	72.5
Net sales, EUR million	54.6	58.3
Gross margin, %	52.2	47.1
Operating expenses, EUR million	21.0	20.4
Operating result, EUR million	7.5	7.1
Operating result, %	13.7	12.3

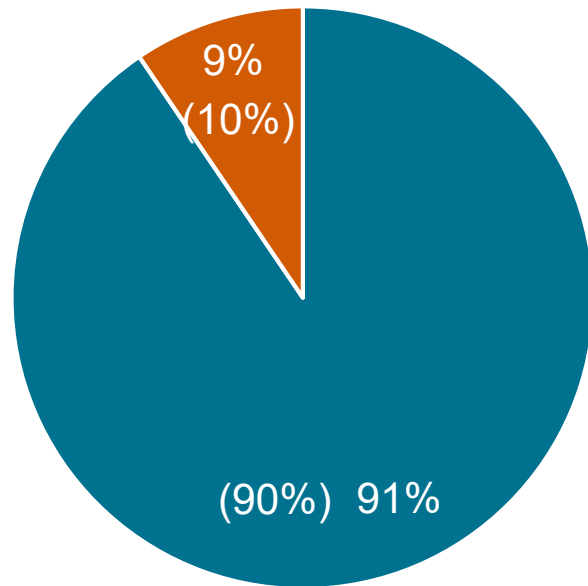


Industrial Measurements Q3

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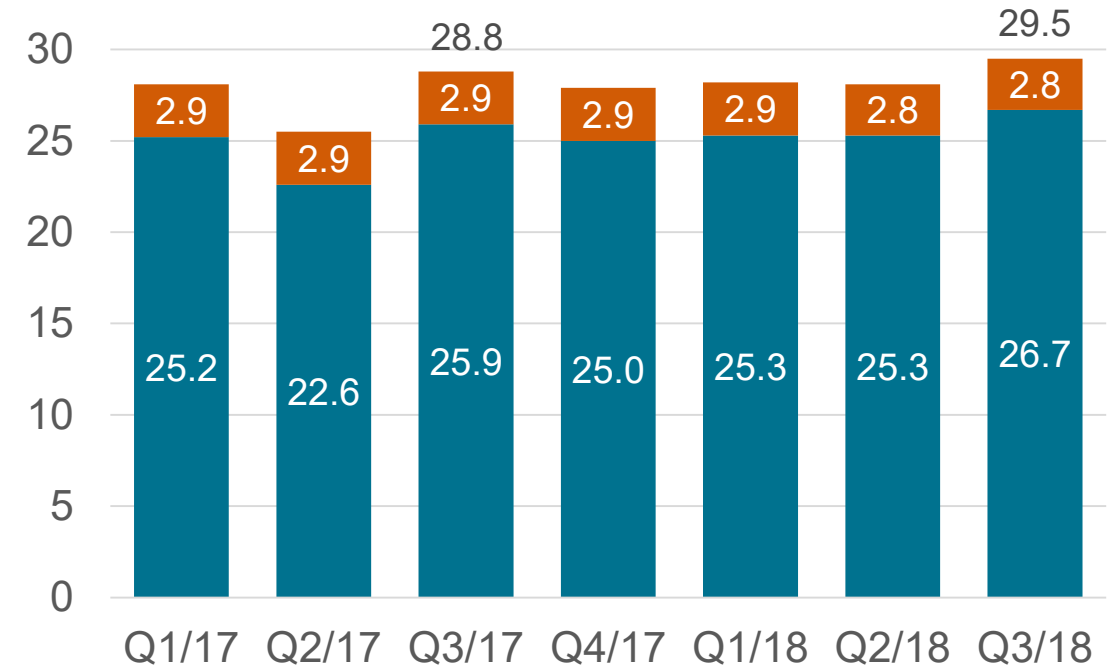
Industrial Measurements Q3 net sales grew by 2%

% of net sales Q3/2018



■ Products ■ Services

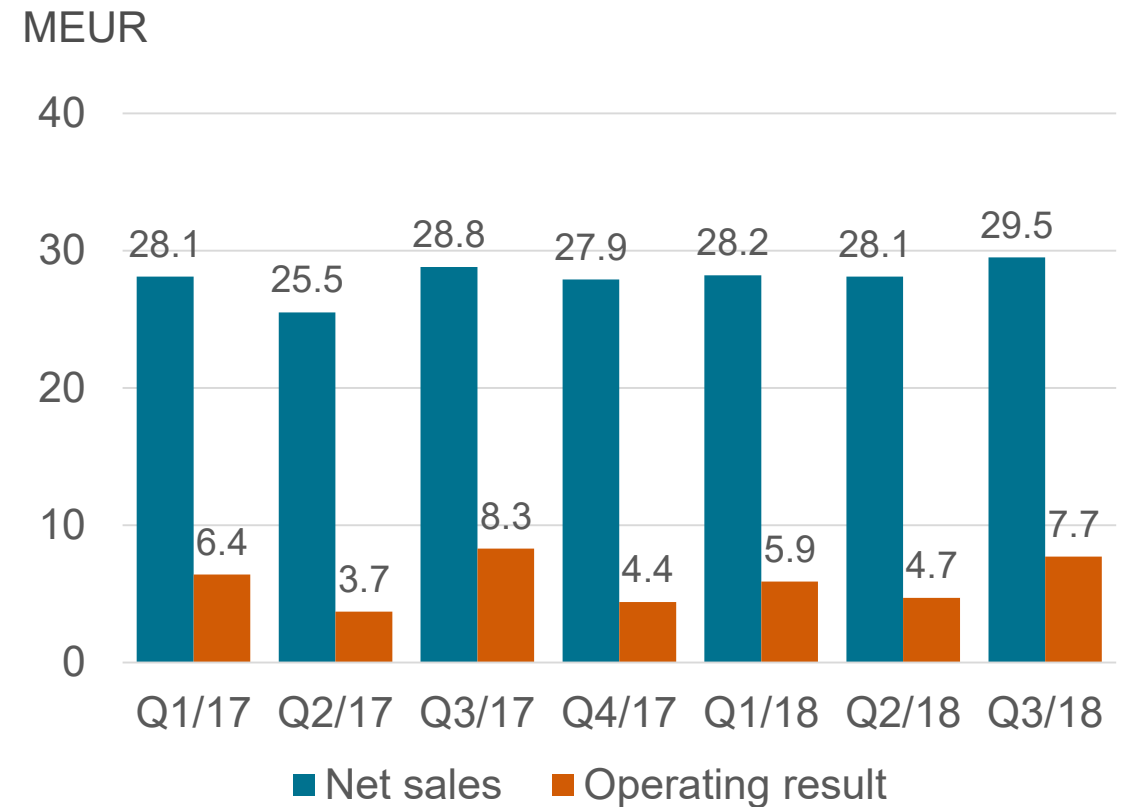
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■ Products ■ Services

Industrial Measurements Q3 operating result 26.1% of net sales

	Q3/2018	Q3/2017
Orders received, EUR million	28.1	27.6
Net sales, EUR million	29.5	28.8
Gross margin, %	63.0	64.2
Operating expenses, EUR million	10.9	10.1
Operating result, EUR million	7.7	8.3
Operating result, %	26.1	29.0



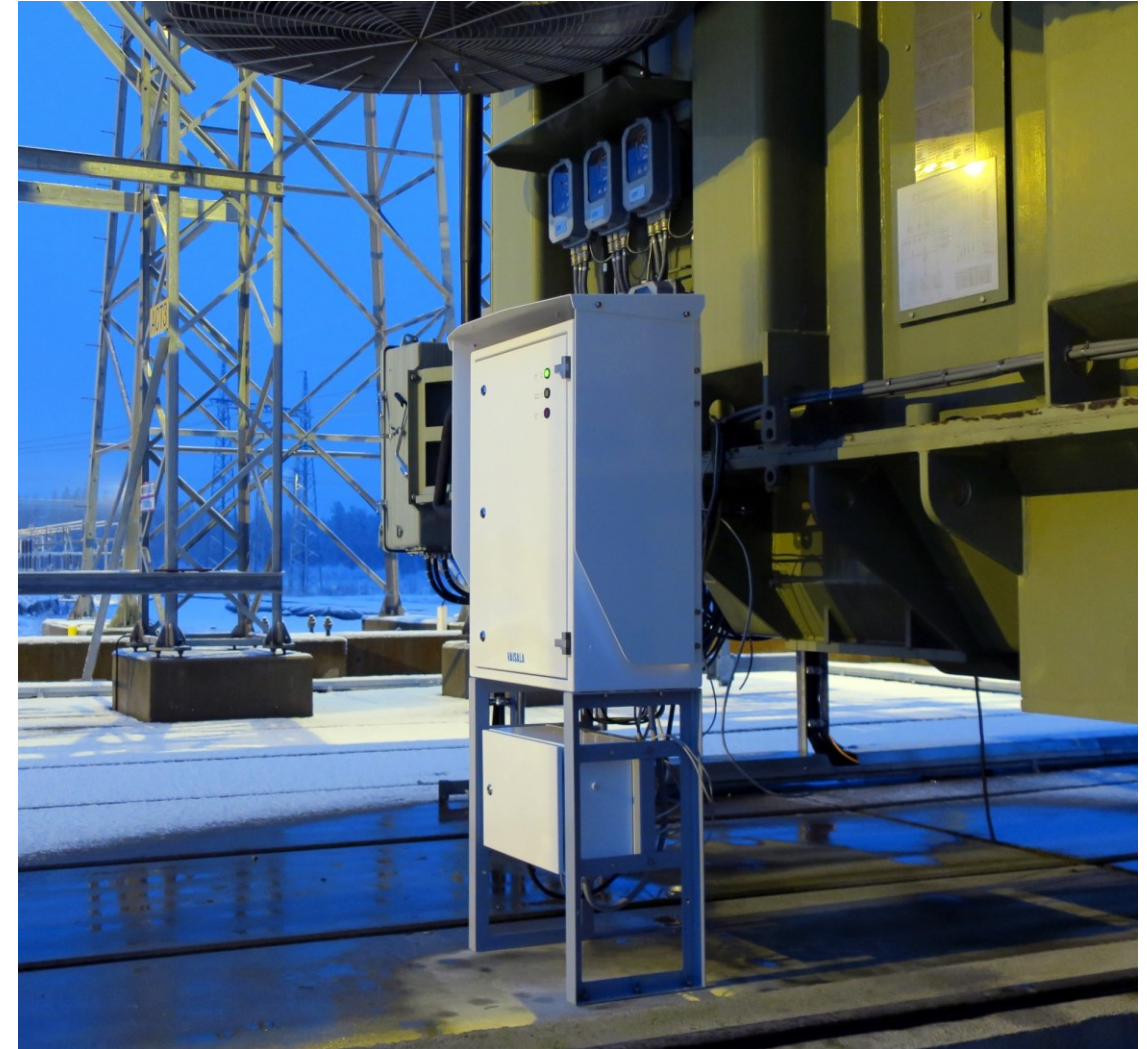
January–September 2018

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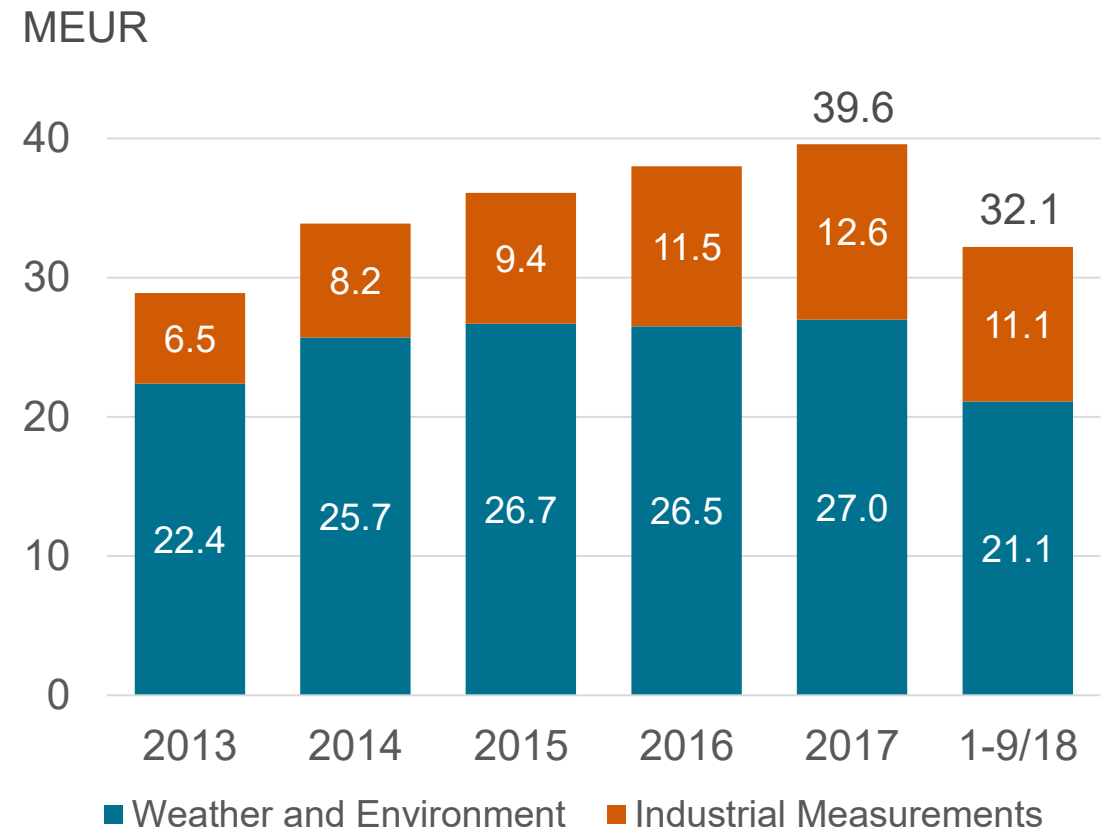
January–September 2018 highlights

- Orders received EUR 235.0 (262.9) million, -11%
 - With comparable rates -7%
- Order book EUR 119.2 (145.0) million, -18%
- Net sales EUR 240.5 (230.3) million, +4%
 - With comparable rates +8%
- Gross margin 52.5 (52.2) %
- Operating result EUR 24.9 (22.4) million, 10.4 (9.7) % of net sales
- Earnings per share EUR 0.62 (0.43)
- Cash flow from operating activities EUR 18.9 (26.2) million



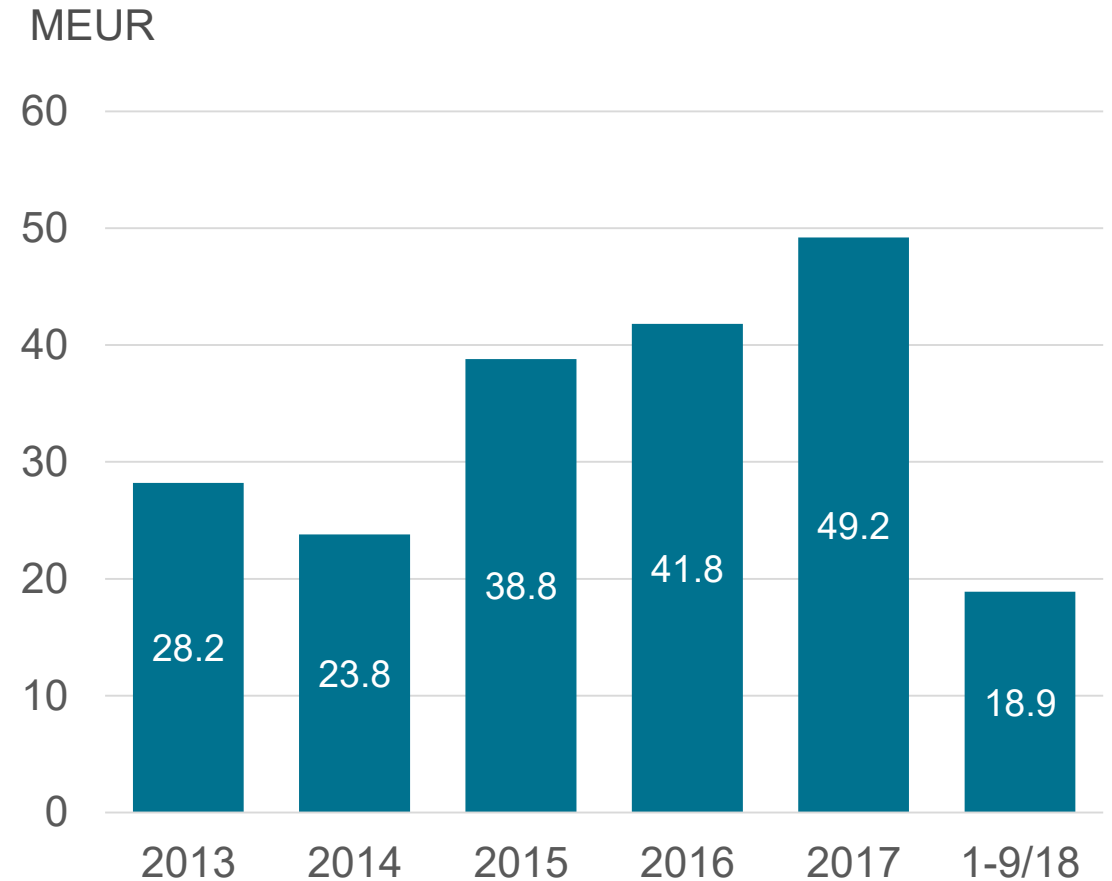
R&D expenditure continued to increase according to plan in both business areas

- R&D expenses EUR 32.1 (29.2) million or 13.4 (12.7) % of net sales
- Weather and Environment 13.6 (13.6) % of net sales
- Industrial Measurements 12.9 (11.0) % of net sales



Cash flow from operating activities declined due to working capital development

- Cash flow from operations decreased to EUR 18.9 (26.2) million due to working capital development
 - Low advance payments due to low project order intake
- Cash and cash equivalents EUR 62.6 (72.3) million, -13%
- Dividend payment EUR 37.6 (17.8) million
- Capital expenditure EUR 10.3 (6.6) million
- Depreciation, amortization and write-downs EUR 6.5 (7.5) million



Market and Business Outlook

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Market Outlook 2018

Weather and Environment

- Market for traditional weather observation solutions is expected to be flat.
- Demand is expected to improve in Americas. In Asia-Pacific, Middle East and Africa region demand is expected to be stable whereas in Europe and especially in China demand is expected to decline moderately compared to strong 2017.
- Demand for digital solutions is expected to improve moderately or be flat compared to previous year.

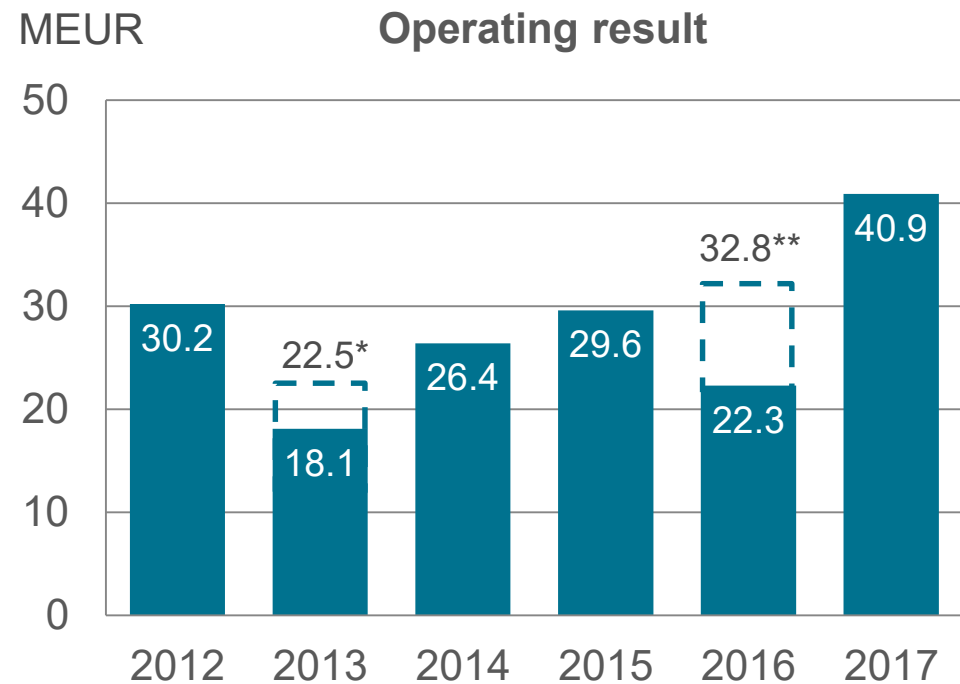
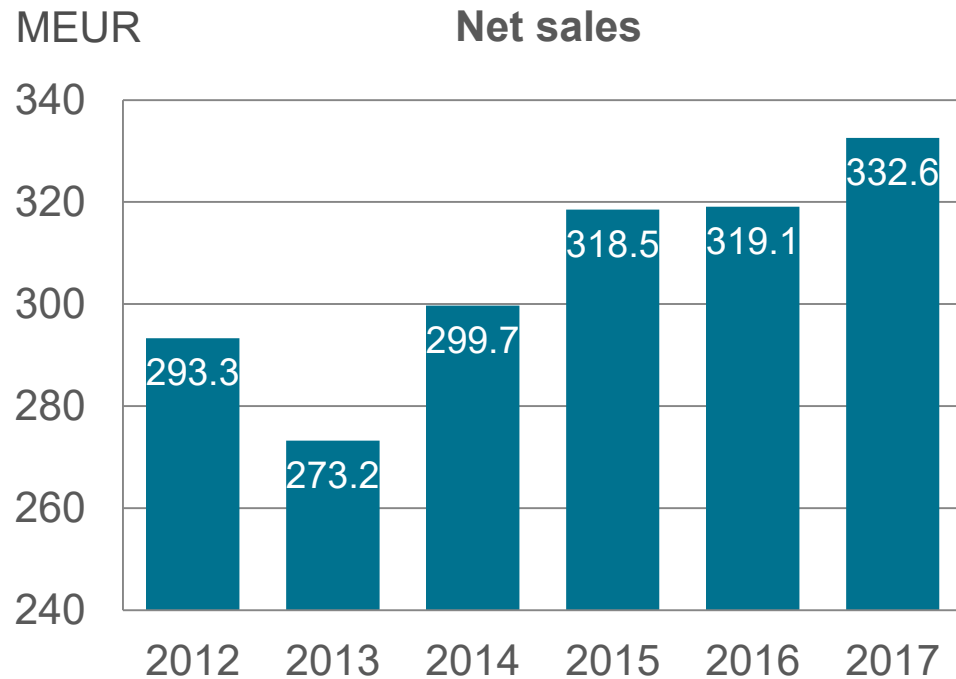
Industrial Measurements

- Market for industrial measurement solutions is expected to be healthy.
- Underlying demand is expected to grow in all regions.
- Demand for power transmission products is expected to develop positively and continuous monitoring systems to gain speed from the release of next generation system.

Foreign exchange rates are expected to have a negative impact on reported full-year net sales, assuming they remain at the end of September level.

Business Outlook 2018

- As published in October 4, 2018, Vaisala estimates its full year 2018 net sales to be in the range of EUR 340–360 million and its operating result (EBIT) to be in the range of EUR 30–36 million.



* Excl. EUR 4.3 million impairment charge related to 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.

Questions Welcome!

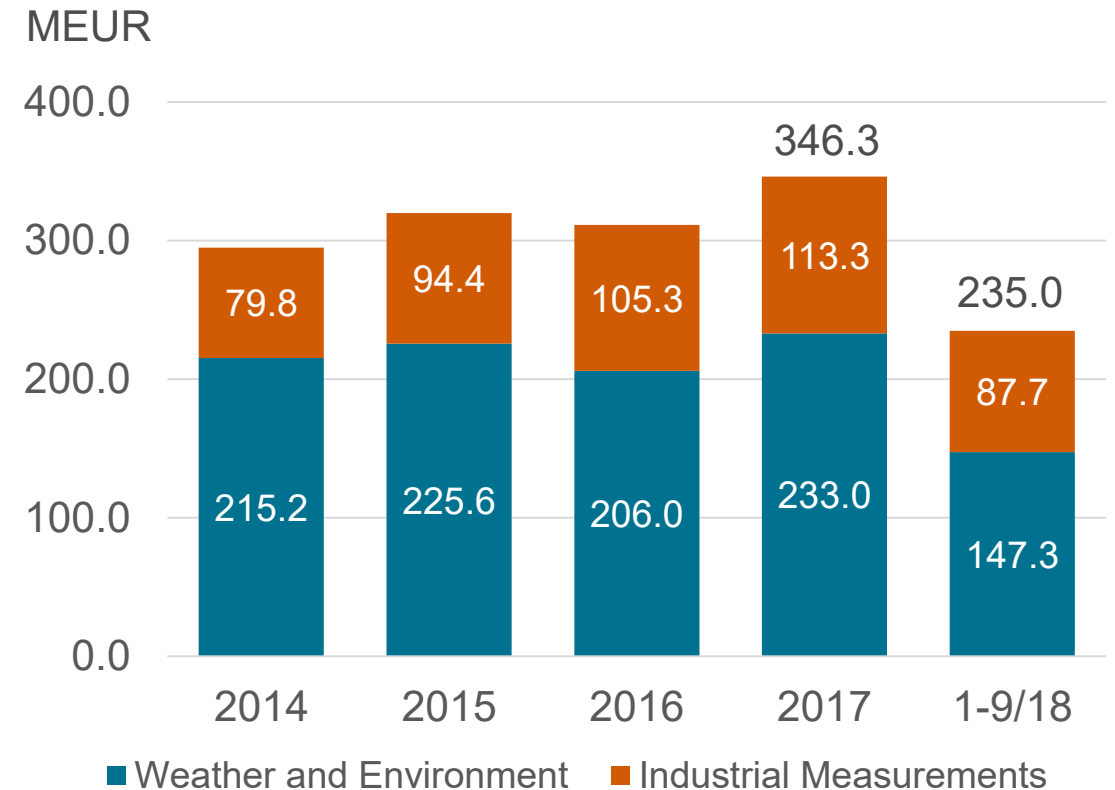
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Appendix January–September 2018 financials

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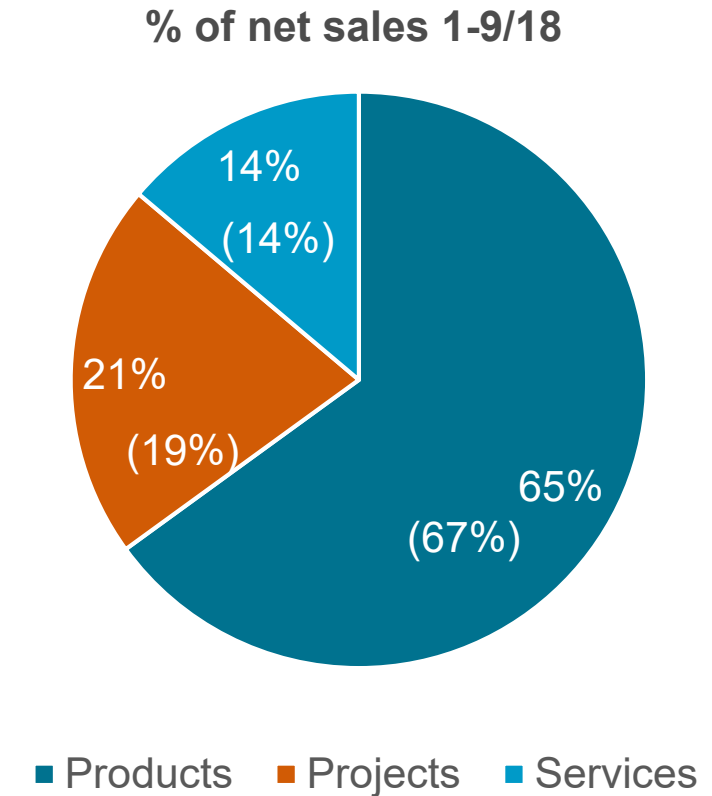
Vaisala January–September orders received decreased by 11%

- Orders received EUR 235.0 (262.9) million, -11%
 - Orders increased in APAC in Industrial Measurements and decreased in all regions in Weather and Environment
- Weather and Environment Business Area
 - EUR 147.3 (177.6) million, -17%
 - Orders decreased in all regions and mainly in project business
- Industrial Measurements Business Area
 - EUR 87.7 (85.3) million, +3%
 - Increase came mainly from instrument orders in APAC



Share of project sales has increased partly due to change in revenue recognition

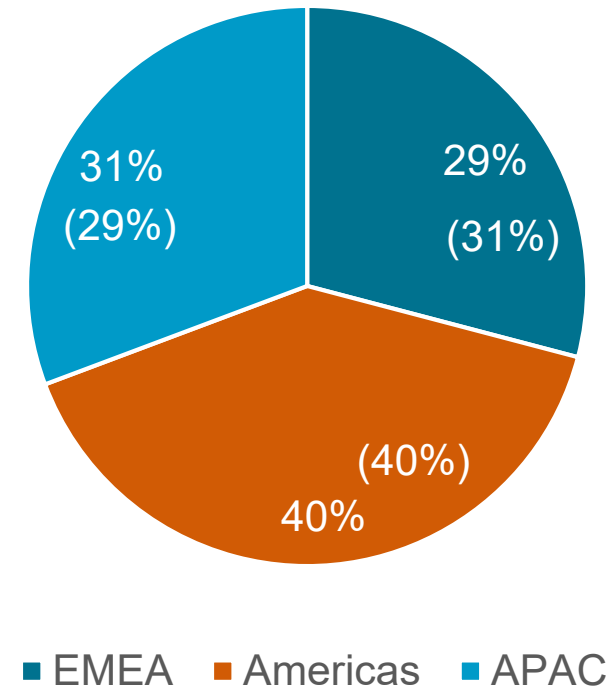
EUR million	1-9/18	1-9/17	Change %
Products	156.4	153.9	2
Projects	50.9	43.7	16
Services	33.3	32.6	2
Net sales, total	240.5	230.3	4
At comparable exchange rates	249.3	230.3	8



January–September net sales increased in APAC and Americas

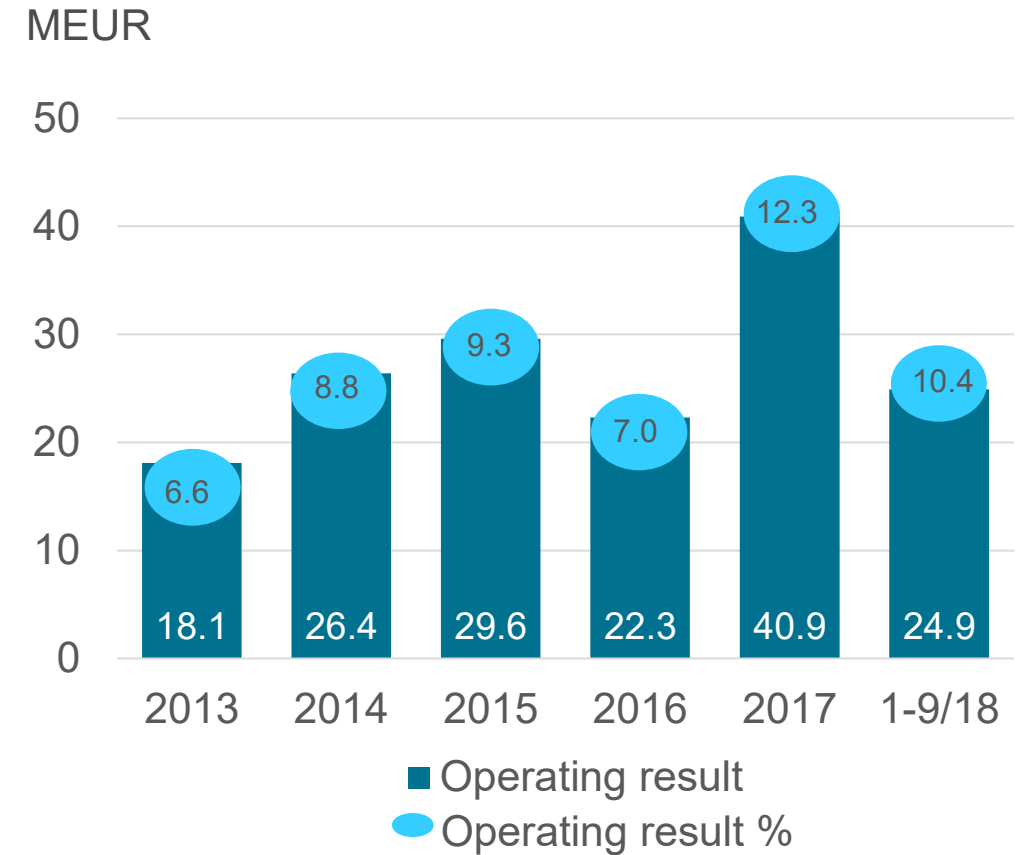
EUR million	1-9/18	1-9/17	Change %
EMEA	70.0	71.5	-2
Americas	96.7	91.1	6
APAC	73.9	67.7	9
Total	240.5	230.3	4

% of net sales 1-9/18



January–September operating result 10.4% of net sales

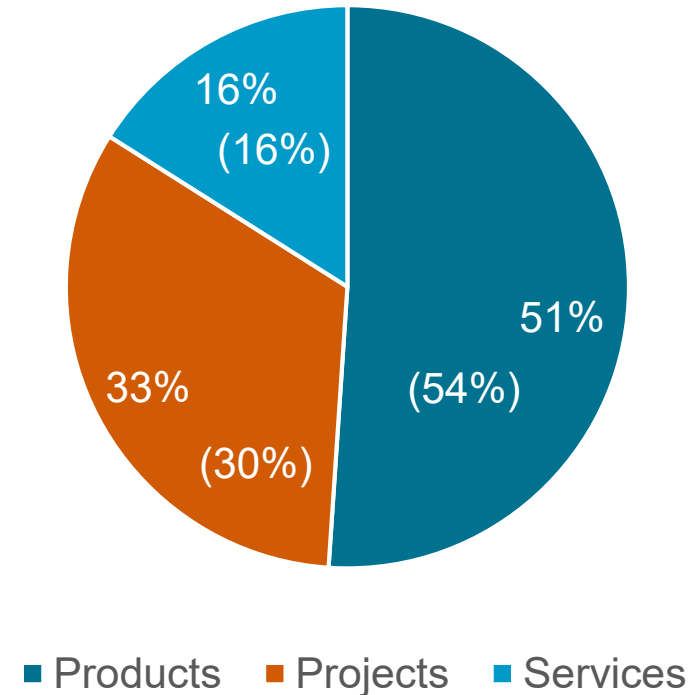
- Operating result EUR 24.9 (22.4) million or 10.4 (9.7) of net sales
 - Net sales growth in both business areas increased operating profit
- Operating expenses EUR 101.9 (97.8) million
 - Increase came mainly from R&D expenses according to plan



Weather and Environment January–September net sales increased by 5%

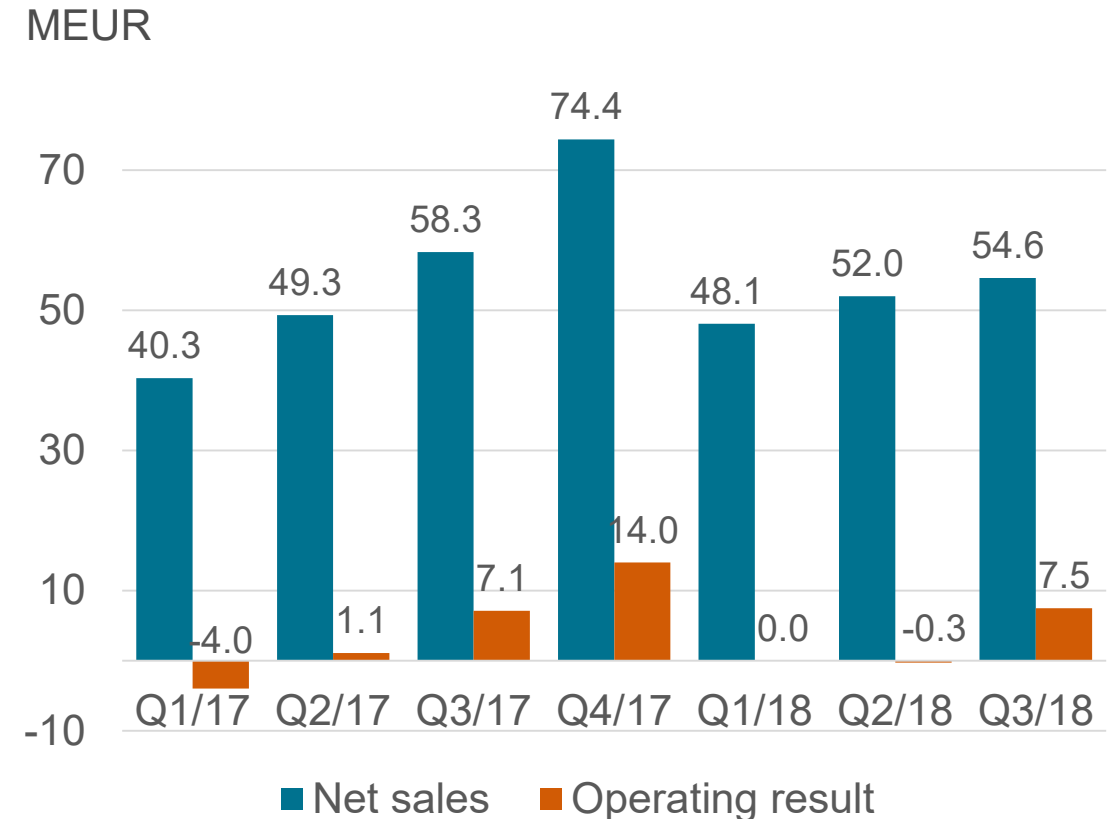
EUR million	1-9/18	1-9/17	Change %
Products	79.0	80.2	-1
Projects	50.9	43.7	16
Services	24.8	24.0	3
Net sales, total	154.7	147.9	5
At comparable exchange rates	159.3	147.9	8

% of net sales 1-9/18



Weather and Environment January–September operating result margin improved to 4.6%

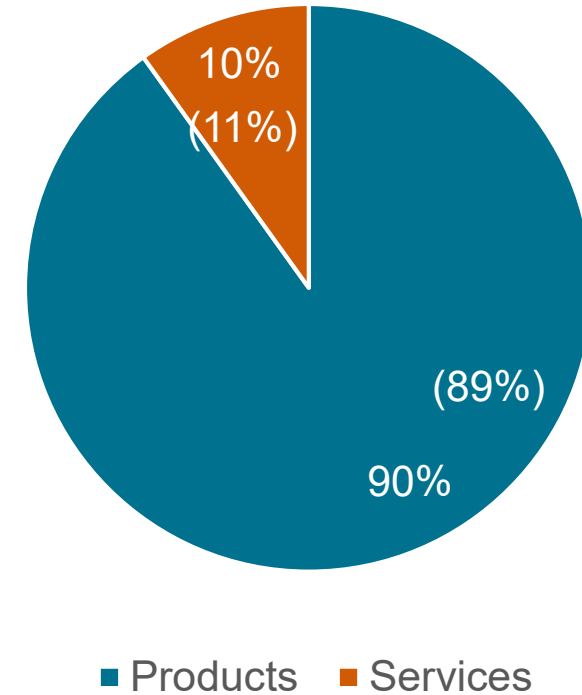
	1-9/18	1-9/17
Orders received, EUR million	147.3	177.6
Net sales, EUR million	154.7	147.9
Gross margin, %	47.3	46.4
Operating expenses, EUR million	66.1	64.7
Operating result, EUR million	7.2	4.2
Operating result, %	4.6	2.8



Industrial Measurements January–September net sales increased by 4%

EUR million	1-9/18	1-9/17	Change %
Products	77.3	73.7	5
Services	8.5	8.7	-2
Net sales, total	85.8	82.4	4
At comparable exchange rates	89.9	82.4	9

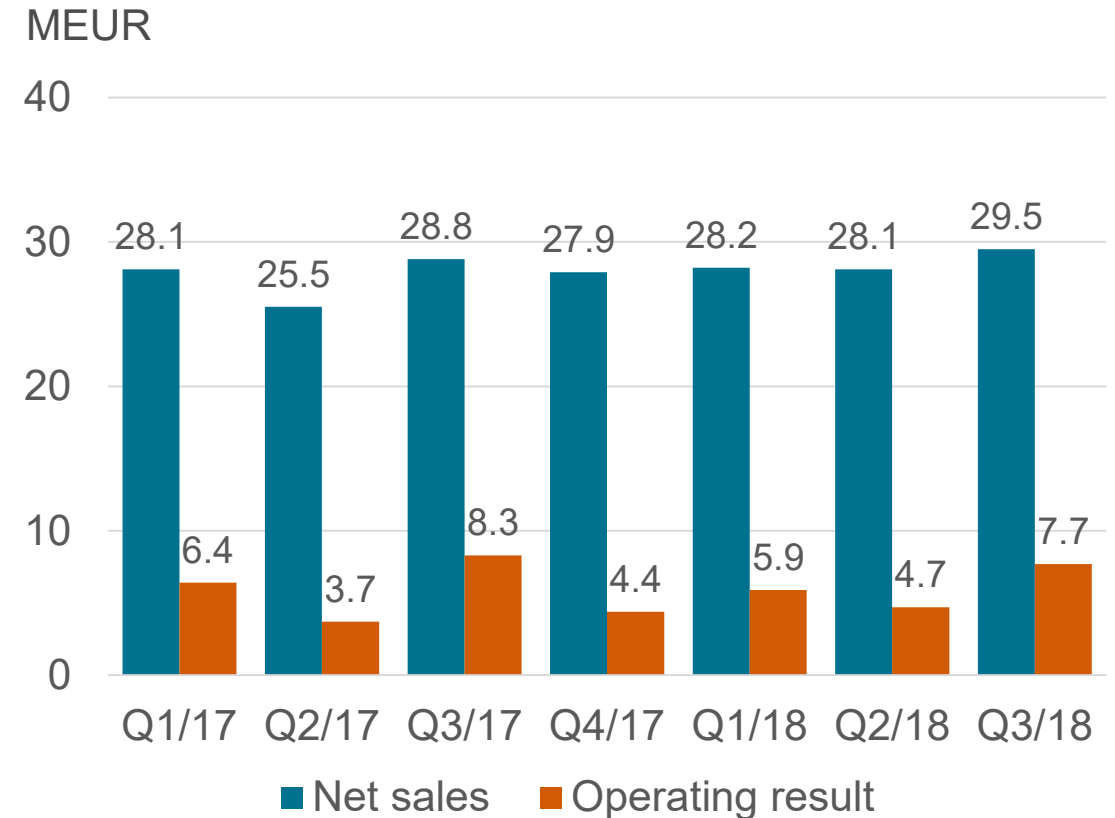
% of net sales 1-9/18



Industrial Measurements January–September

operating result margin 21.4%

	1-9/18	1-9/17
Orders received, EUR million	87.7	85.3
Net sales, EUR million	85.8	82.4
Gross margin, %	62.0	62.8
Operating expenses, EUR million	34.9	33.3
Operating result, EUR million	18.4	18.5
Operating result, %	21.4	22.4



Observations for a Better World

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