

Vaisala Corporation Financial Statement Release 2019

Excellent fourth quarter and full year net sales and operating result

Fourth quarter 2019 highlights

- Orders received EUR 103.3 (99.1) million, increase 4%
- Order book at the end of the period EUR 139.0 (120.6) million, increase 15%
- Net sales EUR 118.1 (108.3) million, increase 9%
- Operating result (EBIT) EUR 17.7 (13.9) million, 15.0 (12.9) % of net sales
- Earnings per share EUR 0.41 (0.32)
- Cash flow from operating activities EUR 23.1 (29.4) million

January–December 2019 highlights

- Orders received EUR 419.4 (334.2) million, increase 26%
- Net sales EUR 403.6 (348.8) million, increase 16%
- Operating result (EBIT) EUR 41.1 (38.9) million, 10.2 (11.1) % of net sales
- Earnings per share EUR 0.94 (0.82)
- Cash flow from operating activities EUR 40.8 (48.3) million
- Cash and cash equivalents at the end of the period EUR 56.4 (72.7) million, decrease 22%
- The Board of Directors proposes to the Annual General Meeting that dividend of EUR 0.61 per outstanding share be paid out of distributable earnings.

Business outlook for 2020

Vaisala estimates its full-year 2020 net sales to be in the range of EUR 400–425 million and its operating result (EBIT) to be in the range of EUR 38–48 million.

Key Figures						
MEUR	10-12/ 2019	10-12/ 2018	Change	1-12/ 2019	1-12/ 2018	Change
Orders received	103.3	99.1	4%	419.4	334.2	26%
Order book	139.0	120.6	15%	139.0	120.6	15%
Net sales	118.1	108.3	9%	403.6	348.8	16%
Gross profit	66.2	58.8	13%	221.2	185.0	20%
Gross margin, %	56.0	54.3		54.8	53.1	
Operating expenses	48.9	46.4	5%	177.3	148.3	20%
Operating result	17.7	13.9	27%	41.1	38.9	6%
Operating result, %	15.0	12.9		10.2	11.1	
Result before taxes	16.5	14.0	18%	40.2	37.5	7%
Result for the period	15.1	11.4	32%	33.6	29.5	14%
Earnings per share	0.41	0.32	29%	0.94	0.82	13%
Return on equity, %				17.7	16.0	
Capital expenditure	10.5	4.2	153%	26.8	14.5	85%
Depreciation, amortization and impairment	6.0	5.7	6%	23.5	12.1	94%
Cash flow from operating activities	23.1	29.4	-22%	40.8	48.3	-15%
Cash and cash equivalents				56.4	72.7	-22%
Interest-bearing liabilities				51.5	40.5	27%
Gearing, %				-2.4	-17.6	

The share issue without payment approved by Vaisala's Annual General Meeting on April 10, 2018 increased the total number of series K shares to 6,778,662 and series A shares to 29,658,066. The share related figures in the comparison periods have been adjusted to reflect the increased number of shares.

Vaisala's President and CEO Kjell Forsén

"Vaisala ended the year with a strong quarter as orders received, net sales and operating result increased compared to previous year. Orders received increased in Industrial Measurements Business Area following strong performance in all regions. In Weather and Environment Business Area orders received were on high level but fell short from the strong previous year due to lack of large project orders during the quarter. Gross margin improved in product business of both business areas following high delivery volumes.

Fourth quarter net sales grew by 9%. Strikes both in Finland and France caused risks for our delivery capability, but fortunately, they did not materialize. Hence, we ended the year with high delivery volumes. Also operating result increased from previous year and was excellent 15% of net sales.

Vaisala's full year 2019 results were excellent and especially sales performance was strong. Orders received growing by 26% nicely compensated weak order book at the beginning of the year. Orders received and net sales grew in both business areas and in all geographical areas. Consequently, Vaisala's net sales growth reached 16%. Operating result increased to EUR 41 million.

One of our key strategic targets for 2019 was integration of Leosphere and K-Patents acquisitions. We are very proud of the work done as we exceeded set targets. K-Patents in Finland was merged and is now fully operating as part of Vaisala. Leosphere adopted Vaisala's processes and systems and this integration will enable realization of synergies both in sales and production.

We have continued our investments in sales and marketing to strengthen competences for new offering and expand to new markets. In order to speed up portfolio renewal and expansion to new technologies, we have also increased our investment in research and development. This is a strategic choice, which we will continue also in 2020.

In 2019, we identified the most relevant UN Sustainable Development Goals for Vaisala. Solutions that are beneficial for society and the environment have always been at the core of our business. We will integrate the goals to our strategy work in order to better drive our impacts on sustainable development. The sustainable development goals will be essential part of the development of new products, services and sustainable practices.

Our excellent outcome of 2019 would not have been possible without Vaisala's committed and highly skilled personnel. I want to thank all our employees for their outstanding contribution.

Weather and Environment Business Area's market segments are expected to be stable or somewhat grow from previous year, and Industrial Measurements Business Area's market segments are expected to continue to grow in 2020. Based on market outlook, Vaisala estimates its full-year 2020 net sales to be in the range of EUR 400–425 million and its operating result (EBIT) to be in the range of EUR 38–48 million.”

Financial review Q4 2019

Orders received and order book

MEUR	10-12/ 2019	10-12/ 2018	Change	FX*	2018
Orders received	103.3	99.1	4%	2%	334.2
Order book, end of period	139.0	120.6	15%		120.6

* Change with comparable exchange rates

Fourth quarter 2019 orders received increased by 4% compared to previous year and totaled EUR 103.3 (99.1) million. Orders received increased in Industrial Measurements Business Area. In Weather and Environment Business Area, orders received fell short from previous year due to lack of large project orders during the quarter. Orders received grew in Americas and EMEA and were at previous year's level in APAC. Growth of orders received without currency impact and acquisitions was -3%.

At the end of December 2019, order book amounted to EUR 139.0 (120.6) million and increased by 15% compared to previous year. Majority of order book growth came from Weather and Environment Business Area in Europe. EUR 13 million weather infrastructure project order with the National Meteorology Agency in Ethiopia, announced in October 2019, is not included in order book, as the order will be booked after the ratification by the Ethiopian Parliament. EUR 101.4 (91.0) million of the order book is scheduled to be delivered in 2020.

Financial performance

MEUR	10-12/ 2019	10-12/ 2018	Change	FX**	2018
Net sales	118.1	108.3	9%	7%	348.8
Products	80.0	74.1	8%		230.5
Projects	23.2	19.1	21%		70.0
Services	14.9	15.0	-1%		48.3
Gross margin, %	56.0	54.3			53.1
Operating expenses	48.9	46.4	5%		148.3
R&D expenditure	13.6	13.3	2%		45.4
% of net sales	11.5	12.3			13.0
Amortization*	2.4	3.3			3.8
Operating result	17.7	13.9			38.9
% of net sales	15.0	12.9			11.1

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Fourth quarter 2019 net sales grew by 9% compared to previous year and were EUR 118.1 (108.3) million. Foreign currency translation impact on net sales growth was EUR 2 million, evenly distributed between business areas. Net sales grew in both business areas and in EMEA and Americas geographical areas. Decrease in net sales in APAC reflects slow quarter in China in Weather and Environment Business Area. Net sales growth was strong both in product and project businesses. Growth of net sales without currency impact and acquisitions was 2%. The acquired businesses' share of net sales was EUR 16 million.

Net sales by geographical area

MEUR	10-12/ 2019	10-12/ 2018	Change	2018
Americas	43.5	40.2	8%	136.8
APAC	34.0	35.8	-5%	109.6
EMEA	40.6	32.4	25%	102.3
Total	118.1	108.3	9%	348.8

Fourth quarter 2019 gross margin was 56.0 (54.3) % and improved in product business of both business areas as a result of net sales growth and related economies of scale. Operating result increased from previous year to EUR 17.7 (13.9) million, 15.0 (12.9) % of net sales. Net sales growth increased operating result, but also required increase in operating expenses. Operating expenses included EUR 2.4 (3.3) million of non-cash amortization of intangible assets.

Fourth quarter 2019 financial income and expenses were EUR -1.3 (0.0) million. This was mainly a result of valuation of USD denominated receivables. Result before taxes was EUR 16.5 (14.0) million and result for the period EUR 15.1 (11.4) million. Earnings per share was EUR 0.41 (0.32).

Financial review January–December 2019

Orders received and order book

MEUR	1-12/ 2019	1-12/ 2018	Change	FX*
Orders received	419.4	334.2	26%	23%
Order book, end of period	139.0	120.6	15%	

* Change with comparable exchange rates

January–December 2019 orders received increased by 26% compared to previous year and totaled EUR 419.4 (334.2) million. Orders received increased in both business areas and in all geographical areas following evenly strong order flow throughout the year. Growth was strongest in EMEA. Orders received growth was mainly generated by acquired businesses as well as increase in medium-sized and large orders in Weather and Environment Business Area. Growth of orders received without currency impact and acquisitions was 12%.

Financial performance

MEUR	1-12/ 2019	1-12/ 2018	Change	FX**
Net sales	403.6	348.8	16%	13%
Products	278.5	230.5	21%	
Projects	73.2	70.0	5%	
Services	51.9	48.3	7%	
Gross margin, %	54.8	53.1		
Operating expenses	177.3	148.3	20%	
R&D expenditure	52.8	45.4	16%	
% of net sales	13.1	13.0		
Amortization*	9.6	3.8		
Operating result	41.1	38.9		
% of net sales	10.2	11.1		

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

January–December 2019 net sales grew by 16% compared to previous year and were EUR 403.6 (348.8) million. Operations outside Finland accounted for 98 (98) % of net sales. Foreign currency translation impact on net sales growth was EUR 8 million, evenly distributed between business areas. Net sales grew in both business areas and in all geographical areas, EMEA growing strongest by 31%. Growth of net sales was strong in product business due to the acquired businesses, but also organic growth was strong. Growth of net sales without currency impact and acquisitions was 4%.

Net sales by geographical area

MEUR	1-12/ 2019	1-12/ 2018	Change
Americas	149.7	136.8	9%
APAC	119.6	109.6	9%
EMEA	134.3	102.3	31%
Total	403.6	348.8	16%

January–December 2019 gross margin improved to 54.8 (53.1) % as a result of net sales growth and related economies of scale obtained in product business.

January–December 2019 operating result increased from previous year and was EUR 41.1 (38.9) million, 10.2 (11.1) % of net sales. Net sales growth and improved gross margin increased operating result. Growth required also increase in operating expenses. Operating expenses included EUR 9.6 (3.8) million of non-cash amortization of intangible assets. Operating result declined due to costs in other operating income and expenses of EUR -2.7 (2.1) million. These costs included costs related to Vaisala's digital business refocus and reorganization, one-off expense related to a lease contract termination, and expenses related to termination of a product line in the US.

January–December 2019 financial income and expenses were EUR -1.1 (-1.5) million. This was mainly a result of USD currency hedging. Income taxes were EUR 6.6 (8.0) million and effective tax rate 16.3 (21.4) %. The low effective tax rate is especially result of a reassessment of deferred tax assets arising from unused tax losses

carried forward in the companies acquired in 2018. Result before taxes was EUR 40.2 (37.5) million and result for the period EUR 33.6 (29.5) million. Earnings per share was EUR 0.94 (0.82).

Statement of financial position, cash flow and financing

Vaisala's financial position remained strong during January–December 2019. Cash and cash equivalents decreased to EUR 56.4 (72.7) million at the end of December. Dividend payment amounted to EUR 20.8 (37.6) million in the second quarter. At the end of December, statement of financial position totaled EUR 361.5 (334.4) million. As a result of IFRS 16 Leases implementation, total assets increased by EUR 12.3 million and total liabilities by EUR 11.3 million.

In January–December 2019, cash flow from operating activities totaled EUR 40.8 (48.3) million. Increase of EUR 7.5 million in inventories and EUR 8.0 million in receivables increased net working capital, which offset positive cash flow development of increased operating result.

On December 31, 2019, Vaisala had interest-bearing loans from financial institutions totaling EUR 40.2 (40.5) million, of which EUR 40.0 million related to utilized revolving credit facility. In addition, interest-bearing lease liabilities totaled EUR 11.3 (0.0) million.

Capital expenditure and acquisitions

In January–December 2019, capital expenditure in intangible assets and property, plant and equipment totaled EUR 26.8 (14.5) million. Capital expenditure was mainly related to investments in machinery and equipment to develop and maintain Vaisala's production and service operations as well as to building projects in Vantaa, Finland and Louisville, Colorado US. On December 31, 2019, commitments related to Vantaa and Louisville building projects totaled EUR 9 (1) million.

Depreciation, amortization and impairment were EUR 23.5 (12.1) million. This included EUR 9.5 (3.8) million of amortization of identified intangible assets related to the acquired businesses.

On October 1, 2019 Vaisala closed acquisition of professional business-to-business weather services from a Finnish weather forecast services company Foreca Oy. This acquisition strengthens Vaisala's digital offering for weather-dependent operations by bringing valuable skills and assets in data analytics, forecasting, and impact analysis. Nine employees joined Vaisala.

Vaisala Digital refocus and reorganization of operations

In August, Vaisala announced refocus and reorganization of its digital business' operations. At the same time, Digital Solutions business line was renamed to Vaisala Digital. To drive business performance and innovation speed, Vaisala Digital focuses on transportation, renewable energy, lightning and data-driven operations by building up enhanced competences in machine learning and artificial intelligence and by consolidating its data centers into two locations. While a new team for co-located transportation solutions development, including roads, airports and ports, will be ramped up in Finland, 21 employees in the US were made redundant. These measures are estimated to bring an annual saving of some EUR 3 million from 2020 onwards. Related to these measures, Vaisala booked EUR 1.1 million of reorganization costs during the second half of 2019.

Personnel

The average number of personnel employed during January–December 2019 was 1,829 (1,678). At the end of December 2019, the number of employees was 1,837 (1,816). 74 (73) % of employees were located in EMEA, 16 (19) % in Americas and 9 (8) % in APAC. 62 (61) % of employees were based in Finland.

Number of employees by geographical area

	Dec 31, 2019	Dec 31, 2018	Change
Finland	1,142	1,102	40
EMEA (excluding Finland)	224	225	-1
Americas	297	339	-42
APAC	174	150	24
Total	1,837	1,816	21

Number of employees by function

	Dec 31, 2019	Dec 31, 2018	Change
Sales and marketing	449	459	-10
R&D	407	399	8
Operations	441	423	18
Services	347	347	0
Administration	193	188	5
Total	1,837	1,816	21

Number of employees in Finland increased mainly as a result of expansion of R&D activities and acquisition of professional business-to-business weather services from Foreca Oy. In Americas, number of employees declined due to termination of a product line and reorganization of Vaisala Digital. Number of employees in APAC increased and 19 of the new employees joined Vaisala's new factory in Shanghai, China.

In January–December 2019, personnel expenses totaled EUR 157.7 (133.6) million.

Share-based incentive plans

The share issue without payment approved by Vaisala's Annual General Meeting on April 10, 2018 doubled the total number of series K and A shares. All share-related figures have been adjusted to reflect the increased number of shares. Until the end of 2017, the cost of the share part of the share-based payments corresponded to the value of Vaisala's series A share closing price on the effective date of the incentive plan, and the cash-settled part of the share-based payments was valued at the closing price of the share. As of January 1, 2018, the cost of the share part of the share-based payments as well as the cash-settled (cash) part of the share-based payments correspond to the value of Vaisala's series A share closing price on the effective date of the incentive plan.

On December 18, 2014, the Board of Directors resolved for the group key employees a share-based incentive plan that was based on the development of group's profitability in calendar year 2015. The reward payment corresponded to 74% of the maximum target. On March 12, 2018, a total of 95,092 company's series A shares were conveyed without consideration to the 27 key employees participating in this incentive plan. The rest of the reward was paid in cash. Closing price of Vaisala's series A share was EUR 12.08 on the effective date of the incentive plan. A total expense of EUR 3.2 million was recognized of this plan in 2015–2018.

On December 16, 2015, the Board of Directors resolved for the group key employees a share-based incentive plan that was based on the development of group's profitability in calendar year 2016. The reward payment corresponded to 49% of the maximum target. On March 5, 2019, a total of 88,452 company's series A shares were conveyed without consideration to the 30 key employees participating in this incentive plan. The rest of the reward was paid in cash. Closing price of Vaisala's series A share was EUR 11.57 on the effective date of the incentive plan. A total expense of EUR 2.3 million was recognized of this plan in 2016–2019.

On February 10, 2016, the Board of Directors resolved for a share-based incentive plan, in which the earning criteria was uninterrupted employment of certain group employees for a defined number of years. This share-based incentive plan ended in March 2018, and the remaining reward, corresponding to 3,000 Vaisala's series A shares including the cash portion, was conveyed without consideration to the key employees participating in this incentive plan. The rest of the reward was paid in cash. A total expense of EUR 0.3 million was recognized of this plan in 2016–2018.

On December 15, 2016, the Board of Directors resolved for the group key employees a share-based incentive plan that was based on the development of group's profitability in calendar year 2017. The reward will be paid partly in Vaisala's series A shares and partly in cash in spring 2020. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 400,000 series A shares and the reward payment will correspond to 65% of the maximum target. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from April 2017 to March 2020. Closing price of Vaisala's series A share was EUR 17.90 on the effective date of the incentive plan. On December 31, 2019, this share-based incentive plan was directed to approximately 35 persons and the maximum reward payable totals to 237,900 Vaisala's series A shares, including the cash portion.

On February 7, 2018, the Board of Directors resolved for the group key employees a share-based incentive plan that was based on the development of group's profitability in calendar year 2018. The reward will be paid partly in Vaisala's series A shares and partly in cash in spring 2021. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 320,000 series A shares, and the reward payment will correspond to 55% of the maximum target. No reward will be paid if a key employee's employment or service ends before the reward payment date. The expenses of this share-based incentive plan are accrued over the term of the plan from April 2018 to March 2021. Closing price of Vaisala's series A share was EUR 22.10 on the effective date of the incentive plan. On December 31, 2019, this share-based incentive plan was directed to approximately 30 persons and the maximum reward payable totals to 168,970 Vaisala's series A shares, including the cash portion.

On February 12, 2019, the Board of Directors resolved for approximately 45 group key employees a share-based incentive plan that is based on the development of the total shareholder return (TSR) and profitability in 2019–2021. The reward will be paid partly in Vaisala's series A shares and partly in cash in spring 2022. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. The maximum amount of this plan originally corresponded to 330,000 series A shares. No reward will be paid if a key employee's employment or service ends before the reward payment date. In addition, Vaisala's Board of Directors requires that the President and CEO and each member of the Management Group retains his/her ownership of shares received under this plan until the value of his/her ownership in Vaisala corresponds to at least his/her annual gross base salary. The expenses of this share-based incentive plan are accrued over the term of the plan from April 2019 to March 2022. Closing price of Vaisala's series A share was EUR 19.06 on the effective date of the incentive plan. On December 31, 2019, this share-based incentive plan was directed to approximately 45 persons.

On June 28, 2019, Vaisala conveyed a total of 2,195 company's series A shares without consideration to a person participating in the share-based incentive plans 2017 and 2018.

Expenses for the share-based incentive plans

EUR million	2015	2016	2017	2018	2019
Share-based incentive plan 2015	0.5	1.1	1.6	-0.1	
Share-based incentive plans 2016		0.7	1.2	0.6	0.2
Share-based incentive plan 2017			1.1	1.3	1.5
Share-based incentive plan 2018				0.6	1.2
Share-based incentive plan 2019					0.6

Q4 and January–December 2019 review by business area

Weather and Environment Business Area

MEUR	10-12/ 2019	10-12/ 2018	Change	FX**	1-12/ 2019	1-12/ 2018	Change	FX**
Orders received	66.2	67.9	-3%	-4%	276.2	215.2	28%	27%
Order book, end of period	122.3	104.9	17%		122.3	104.9	17%	
Net sales	81.9	77.6	5%	4%	261.3	232.3	12%	11%
Products	47.0	46.4	1%		149.0	125.4	19%	
Projects	23.2	19.1	21%		73.2	70.0	5%	
Services	11.7	12.1	-4%		39.1	36.9	6%	
Gross margin, %	52.7	51.1			49.9	48.6		
Operating expenses	31.1	30.7	1%		113.0	96.7	17%	
R&D expenditure	8.4	9.4	-11%		34.0	30.5	12%	
of net sales, %	10.3	12.1			13.0	13.1		
Amortization*	1.9	3.3			6.8	3.8		
Operating result	12.1	10.5			17.7	17.7		
of net sales, %	14.7	13.5			6.8	7.6		

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Q4 2019 review

Weather and Environment Business Area's fourth quarter 2019 orders received decreased by 3% compared to previous year and totaled EUR 66.2 (67.9) million. Orders received increased in Europe by 15%, were at comparison period's level in Americas and China, and decreased in Asia Pacific, Middle East and Africa. Orders received of medium-sized orders increased whereas large orders decreased. Growth of orders received without currency impact and acquisitions was -8%.

At the end of December 2019, Weather and Environment Business Area's order book amounted to EUR 122.3 (104.9) million and increased by 17% compared to previous year. Order book for transportation customer segment increased especially in Europe and in Americas. In meteorology customer segment, order book for capacity building projects declined following deliveries of ongoing projects. EUR 13 million weather infrastructure project order with the National Meteorology Agency in Ethiopia, announced in October 2019, is not included in order book, as the order will be booked after the ratification by the Ethiopian Parliament. EUR 86.6 (76.8) million of the order book is scheduled to be delivered in 2020.

Weather and Environment Business Area's fourth quarter 2019 net sales grew by 5% compared to previous year and were EUR 81.9 (77.6) million. Net sales grew in all regions except in China where sales decreased by 26%. Net sales growth was exceptionally strong 25% in Asia Pacific, Middle East and Africa region. Growth of net sales without currency impact and acquisitions was 1%. Gross margin improved to 52.7 (51.1) % as a result of net sales growth and related economies of scale obtained in product business.

Weather and Environment Business Area's fourth quarter 2019 operating result increased compared to previous year and totaled EUR 12.1 (10.5) million, 14.7 (13.5) % of net sales. Net sales growth improved gross margin in product business, and operating expenses growing slower than net sales increased operating result.

Operating expenses included EUR 1.9 (3.3) million of amortization of intangible assets related to the acquired businesses.

January–December 2019 review

Weather and Environment Business Area's January–December 2019 orders received increased by 28% compared to previous year and totaled EUR 276.2 (215.2) million. Growth of orders received was exceptionally strong in all regions, Europe growing strongest by 35%. Orders received of medium-sized and large orders increased. Orders included e.g. a EUR 15 million order for weather observation systems for 31 airports in Argentina, a EUR 7 million order for a new road weather station network in Sweden, and a large order for autosondes from Australia. Growth of orders received without currency impact and acquisitions was 15%.

Weather and Environment Business Area's January–December 2019 net sales grew by 12% compared to previous year and were EUR 261.3 (232.3) million. Net sales grew in all regions and growth was around 20% in Asia Pacific, Middle East and Africa region and in Europe. Net sales growth was strong in product business. Large multi-year projects in Vietnam, Bahamas, Argentina, Sweden, Australia and Alaska in the US, generated around 18 million net sales in 2019. Growth of net sales without currency impact and acquisitions was 2%. Net sales growth and related economies of scale obtained in product business increased gross margin to 49.9 (48.6) %. Gross margin in project business improved slightly and in services business gross margin was stable.

Weather and Environment Business Area's January–December 2019 operating result was at previous year's level and totaled EUR 17.7 (17.7) million, 6.8 (7.6) % of net sales. Operating expenses increased in all cost categories mainly due to the acquired businesses and included EUR 6.8 (3.8) million of amortization of intangible assets related to the acquired businesses.

Industrial Measurements Business Area

MEUR	10-12/ 2019	10-12/ 2018	Change	FX**	1-12/ 2019	1-12/ 2018	Change	FX**
Orders received	37.1	31.2	19%	16%	143.2	119.0	20%	17%
Order book, end of period	16.8	15.7	7%		16.8	15.7	7%	
Net sales	36.3	30.7	18%	15%	142.3	116.4	22%	18%
Products	33.0	27.8	19%		129.5	105.1	23%	
Services	3.2	2.9	12%		12.8	11.4	13%	
Gross margin, %	63.8	62.5			63.9	62.1		
Operating expenses	17.7	13.6	30%		63.4	48.5	31%	
R&D expenditure	5.1	3.9	33%		18.8	14.9	26%	
of net sales, %	14.2	12.7			13.2	12.8		
Amortization*	0.4	0.0			2.8	0.0		
Operating result	5.5	5.6			26.1	23.9		
of net sales, %	15.1	18.1			18.4	20.5		

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Q4 2019 review

Industrial Measurements Business Area's fourth quarter 2019 orders received increased by 19% compared to previous year and totaled EUR 37.1 (31.2) million. Growth of orders received was strong in all regions. Growth of orders received without currency impact and acquisitions was 8%.

At the end of December 2019, Industrial Measurements Business Area's order book amounted to EUR 16.8 (15.7) million and increased by 7% compared to previous year. Order book increased in continuous monitoring systems and in services business. EUR 14.8 (14.3) million of the order book is scheduled to be delivered in 2020.

Industrial Measurements Business Area's fourth quarter 2019 net sales grew by 18% compared to previous year and were EUR 36.3 (30.7) million. Net sales grew strongly in all regions. Half of the growth was generated by acquisition of liquid measurements business. Continuous monitoring systems grew strongly and generated one fourth of the net sales growth. Power industry sales developed positively although absolute net sales were still on moderate level. Growth of net sales without currency impact and acquisitions was 5%. Gross margin improved to 63.8 (62.5) % as a result of net sales growth and related economies of scale obtained in product business as well as positive currency impact.

Industrial Measurements Business Area's fourth quarter 2019 operating result was at previous year's level and totaled EUR 5.5 (5.6) million, 15.1 (18.1) % of net sales. Net sales growth and gross margin improvement increased operating result. However, operating expenses increased in all cost categories partly due to the acquired business and included EUR 0.4 (0.0) million of amortization of intangible assets related to the acquired business.

January–December 2019 review

Industrial Measurements Business Area's January–December 2019 orders received increased by 20% compared to previous year and totaled EUR 143.2 (119.0) million. Growth of orders received was strong in all regions. Growth of orders received without currency impact and acquisitions was 6%.

Industrial Measurements Business Area's January–December 2019 net sales grew by 22% compared to previous year and were EUR 142.3 (116.4) million. Net sales grew strongly in all regions. Instruments generated one fourth of net sales growth and half of the growth was generated by acquisition of liquid measurements business. Growth of net sales without currency impact and acquisitions was 8%. Gross margin improved to 63.9 (62.1) % as a result of net sales growth and related economies of scale obtained in product business as well as positive currency impact. In addition, gross margin in services business developed positively.

Industrial Measurements Business Area's January–December 2019 operating result increased compared to previous year and was EUR 26.1 (23.9) million, 18.4 (20.5) % of net sales. Net sales growth and gross margin improvement increased operating result. However, operating expenses increased in all cost categories and more than half of the increase came from the acquired business. Operating expenses included EUR 2.8 (0.0) million of amortization of intangible assets related to the acquired business. In addition, operating result included one-off expense related to a lease contract termination.

Strategy and its implementation in 2019

During the second quarter, Vaisala's Board of Directors approved strategy for 2019–2023 and updated long-term financial targets. Fundamentals of profitable growth are reliable products and solutions that are based on leading technologies, perform with superb quality, create value for our customers and optimize total cost of ownership.

Industrial Measurements Business Area drives profitable growth through product leadership strategy in gas and liquid measurement technologies. In addition to Business Area's flagship markets, high-end humidity and high-end carbon dioxide, growth is sought from liquid measurements, continuous monitoring systems and power industry applications. Target is to exceed Vaisala's average growth. Objective is to win by most reliable measurements, best customer experience, fast delivery as well as excellent sales and service capabilities.

Industrial Measurements Business Area met its objective to exceed Vaisala's average growth with 22% of net sales growth. Business area's flagship markets, high-end humidity and high-end carbon dioxide, generated one fourth of business area's net sales growth in 2019 and half of the growth was generated by acquisition of liquid measurements business. During the year, continuous monitoring systems reached 30% growth compared to previous year. In industrial measurements, power industry applications had the highest growth. K-Patents in Finland was merged, and its production was moved to Vaisala's premises in Vantaa. During the year, sales and marketing, research and development and support functions of K-Patents were integrated to Vaisala's operative units and are now fully operating as part of Vaisala. Expansion of production to liquid measurements products was a demanding project, however, delivery capability remained on target level.

Industrial Measurements Business Area launched a disruptive biogas measurement instrument, which simultaneously measures methane, carbon dioxide and humidity in demanding environments. This equipment is optimized for biogas production processes.

Industrial Measurements Business Area also launched new humidity, dew point and moisture in oil probes to Indigo product family. These new options for humidity, dew point and moisture in oil measurements bring more possibilities for industries to save energy, optimize processes, and improve product quality. They will improve customers' process efficiencies by providing accurate and reliable measurement data.

In addition, Industrial Measurements Business Area released version 5.1 of viewLinc continuous monitoring system with several new features. These include extended interoperability with other computerized systems, easy and cost-effective integration of third-party devices and more flexible alarming with mobile devices and local devices. The business area also released temperature measurement probes for wireless data logger, which is intended as a data collection point in a viewLinc monitoring system. The temperature measurement range covers wide range of various temperatures in life science applications including -200°C liquified nitrogen containers and higher range up to incubators and stability chambers. In early 2019, Vaisala's wireless viewLinc continuous monitoring system won the annual Global Quality Innovation Award 2018. viewLinc was awarded for its usability and reliable system design, which is utilizing the latest technologies in an innovative way.

Weather and Environment Business Area's strategic intent is to remain undisputable global leader for weather observations. Business Area's strategy has four pillars: offer industry-leading products for weather observations, strive for excellence in large system project deliveries, develop digital solutions for selected weather critical operations, and expand into environmental measurements with urban air quality as

spearhead. Objective is to win by focusing R&D in instrument and weather radar offering renewal, driving growth of wind lidar business, and developing innovative digital solutions targeted to intelligent transportation market.

Weather and Environment Business Area made excellent progress in large system project deliveries. Large multi-year projects in Vietnam, Bahamas, Argentina, Sweden, Australia and Alaska in the US generated one fourth of business area's project net sales in 2019. During the year, Vaisala refocused and reorganized its digital business' operations to bring annual savings of some EUR 3 million from 2020 onwards. Implementation of changes was completed, and impacts were already visible in the fourth quarter results. Leopshere's wind lidar business, which was acquired in late 2018, generated more than 10% of business area's net sales and about one third of the growth. Integration of Leopshere was focusing on sales and marketing, improvements in production and supply chain, and implementation of ERP and other IT applications. ERP implementation was completed during the second quarter.

Weather and Environment Business Area delivered the first forward scatter, a unique 3-in-1 device that includes a state-of-art visibility, present weather and precipitation quantification sensor. This forward scatter introduced Vaisala's latest security platform to prevent unauthorized access and running of unauthorized software. It has encrypted and secured communication, unique device activation code and secure remote software update capability.

Weather and Environment Business Area expanded its weather radar offering to include X-band radars. Smaller size and lower cost of X-band radar makes it an ideal gap filler. It is also suitable for airports. In difficult terrain, it improves capability to reliably detect snow, rain, and other weather activity.

In addition, Weather and Environment Business Area introduced a solution to transportation customer segment, which combines road surface data from a mobile sensor and computer vision both installed in vehicles. The solution provides customers with timely, accurate, easily accessible, and critical data in order to operate more efficiently and safely.

Weather and Environment Business Area also expanded its offering with a buoy ready Windcube system to enable enhanced offshore wind resource assessment, even in harsh environments. The ability to measure wind speeds and direction from a floating lidar solution has been essential to accelerating the pace of offshore development.

Vaisala Operations manufactures products for both business areas and develops operational excellence in high mix low volume supply chain through Vaisala Production System. Strategic programs are productivity improvement, early involvement to product creation, as well as scouting and deploying latest smart factory technologies.

Operations met objectives set for direct labor productivity improvement and was participating in multiple product development projects together with business areas in order to ensure good producibility and timely production ramp-up. Integration of production of liquid measurements products required implementation of new technologies. The project was completed according to plan and without interruptions in production.

In 2019, Vaisala identified the most relevant UN Sustainable Development Goals (SDG). Solutions that are beneficial for society and the environment have always been at the core of the company's business. By integrating the goals to strategy work, Vaisala can better drive its impacts on sustainable development and get inspiration for developing new business and sustainable business practices.

Regarding Vaisala's sustainable business practices, the most relevant goals for Vaisala are SDG 12 – Responsible consumption and production as well as SDG 8 – Decent work and economic growth. Target of Vaisala's product development is to reduce footprint and maximize handprint of the products during their entire lifecycles by including design for environment in development projects. Long product lifecycles and minimization of service needs have significant impact on handprint. Global business has a positive economic impact on communities through employment, partner network and supplier network. Vaisala also promotes fulfillment of labor standards and occupational health and safety in its own operations and partner network.

For Weather and Environment Business Area, the most relevant goal is SDG 13 – Climate action. Reliable weather measurements enable science behind climate change, and for example, weather infrastructure development projects help to improve weather forecasting and early warning capabilities when severe weather events become common. For Industrial Measurements Business Area, the most relevant goal is SDG 9 – Industry, innovation and infrastructure. Industrial measurement solutions help Vaisala's customers to improve their resource efficiency and promote deployment of clean and environmentally friendly technologies and production processes.

Long-term financial targets

Based on strategic objectives Vaisala expects net sales growth during the strategy period. Growth will require new capabilities and resources in R&D, sales and marketing. In addition, amortization and depreciation expenses will increase following acquisitions and investments.

Vaisala's long-term financial targets are an average annual growth exceeding 5% and operating profit margin (EBIT) exceeding 12%.

Vaisala does not consider the long-term financial targets as market guidance for any given year.

Decisions by Vaisala Corporation's Annual General Meeting

Vaisala Corporation's Annual General Meeting was held on March 26, 2019. 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, 2018.

Dividend

The Annual General Meeting decided a dividend of EUR 0.58 per share. The record date for the dividend payment was March 28, 2019 and the payment date April 4, 2019.

Board of Directors

The Annual General Meeting confirmed that the number of Board members is eight. Petri Castrén, Petra Lundström, Kaarina Ståhlberg, Pertti Torstila, Raimo Voipio and Ville Voipio will continue as members of the Board of Directors. Jukka Rinnevaara and Tuomas Syrjänen were elected as new 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 45,000 and each Board member EUR 35,000 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 Remuneration and HR Committee and any other committee established by the Board of Directors for a term until the close of the Annual General Meeting in 2020. The meeting fees are paid in cash.

Auditor

The Annual General Meeting re-elected Deloitte Oy as the auditor of the company and APA Merja Itäniemi will act as the auditor with the principal responsibility. The Auditors are reimbursed according to invoice presented to the company.

Authorization for the directed repurchase of own A shares

The Annual General Meeting authorized the Board of Directors to resolve on the directed repurchase of a maximum of 300,000 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 26, 2020.

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

The Annual General Meeting authorized the Board of Directors to resolve on the issuance of a maximum of 769,732 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 26, 2020. The authorization for the company's incentive program shall however be valid until March 26, 2023.

The organizing meeting of the Board of Directors

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

Kaarina Ståhlberg was elected as the Chairman and Petri Castrén, Jukka Rinnevaara and Ville Voipio as members of the Audit Committee. Ville Voipio was elected as the Chairman and Petri Castrén and Petra Lundström as members of the Remuneration and HR Committee. The Chairman and all members of the Audit Committee as well as the Remuneration and HR 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 December 31, 2019. Vaisala has 36,436,728 shares, of which 6,751,398 are series K shares and 29,685,330 series A shares. During the second quarter, number of series K shares decreased by 27,264 and number of series A shares increased by 27,264 as the Board of Directors decided that 27,264 series K shares were converted to series A shares. This conversion was registered into the Trade Register on May 27, 2019. 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 18.0% of the total votes. The series K shares represented 18.5% of the total number of shares and 82.0% of the total votes.

Trading and share price development

In January–December 2019, a total of 3,442,439 series A shares with a value totaling EUR 81.0 million were traded on the Nasdaq Helsinki Ltd. During the year, the share price increased by 192% while OMX Helsinki Cap index increased by 15%. The closing price of the series A share on the Nasdaq Helsinki stock exchange was EUR 31.75. Shares registered a high of EUR 32.80 and a low of EUR 15.95. Volume-weighted average share price was EUR 23.56.

The market value of series A shares on December 31, 2019 was EUR 924.9 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 December, the total market value of all the series A and series K shares together was EUR 1,139.2 million, excluding company's treasury shares.

Treasury shares

In March 2019, a total of 88,452 of treasury shares were conveyed without consideration to the 30 key employees participating in the Share-based incentive plan 2016 under the terms and conditions of the plan. This directed share issue was based on an authorization given by the Annual General Meeting held on April 10, 2018.

In June 2019, a total of 2,195 of treasury shares were conveyed without consideration to an employee participating in the Share-based incentive plans 2017 and 2018 under the terms and conditions of the plans. This directed share issue was based on an authorization given by the Annual General Meeting held on March 26, 2019.

Following these directed share issues, the number of series A treasury shares is 555,989, which represents 1.9% of series A shares and 1.5% of total shares.

Shareholders

At the end of December 2019, Vaisala had 9,481 (8,832) registered shareholders. Ownership outside of Finland and nominee registrations represented 17.5 (15.7) % of the company's shares. Households owned 40.6 (40.8) %, private companies 13.5 (13.7) %, financial and insurance institutions 13.7 (14.4) %, non-profit organizations 11.0 (11.1) % and public sector organizations 3.7 (4.4) % of the shares.

Shareholding by the Board of Directors and the Management Group

On December 31, 2019, the Board of Directors held and controlled 988,083 (980,767) series A shares. These shares accounted for 3.3 (3.3) % of series A shares and 2.7 (2.7) % of total shares. The number of series K shares held and controlled by the Board was 551,008 (551,010). Total votes attached to the series A and K shares held and controlled by the Board were 12,008,243 (12,007,048), which accounted for 7.3 (7.3) % of the total votes of all shares.

On December 31, 2019 the President and CEO held and controlled 49,132 (34,552) series A shares. The President and CEO did not hold nor control any series K shares. Other Management Group members held and controlled 82,178 (67,896) series A shares but none series K 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

Recent coronavirus outbreak in China has affected Vaisala's capability to deliver products to China and may impact customers' demand for Vaisala's products. It is impossible to estimate duration of the situation as well as impacts on business and financial performance.

Uncertainties in international trade policies, political situation and governmental customers' budgetary constraints or changes in their sourcing criteria may reduce or delay demand for Vaisala's products and services.

Increasing competition or customers' preference for local manufacturing may reduce demand for Vaisala's products and services. Prolonged ramp-up, market acceptance, sales channel development, or regulatory certification of new products and services may postpone realization of Vaisala's growth and profitability plans. Customers' budgetary constraints, complex decision-making processes, changes in scope, and financing arrangements may postpone closing of infrastructure contracts in Weather and Environment Business Area.

Long interruption in production or disruption in suppliers' and subcontractors' delivery capability or product quality may impact significantly Vaisala's net sales and profitability. Cyber risk and downtime of IT systems may impact operations and delivery of digital solutions.

Vaisala's capability to successfully complete investments, acquisitions, divestments and restructurings on a timely basis and to achieve related financial and operational targets includes uncertainties and risks, which may negatively impact net sales and profitability.

Further information about risk management and risks are available on Annual Report and on the company website at vaisala.com/investors.

Market outlook for 2020

Climate change and severe weather events drive need for continued replacement and enhancement of weather observation and forecasting capabilities. Related meteorology infrastructure market is expected to be stable or somewhat grow. Timing of projects may cause some annual volatility.

In transportation, market for weather observation systems is expected to be stable or somewhat grow. Airports market is expected to be stable driven by replacements as well as construction of new airport capacity, especially in China. Ground transportation and road surface state modelling market is expected to grow modestly, partly driven by new applications for automotive industry and smart cities.

Renewable energy market is expected to continue to grow and expectation for solar growth is higher than wind. Investments in new renewable energy capacity are expected to continue globally and highest investment volumes are expected in APAC.

In industrial measurements, increasing focus on energy and operations efficiency, longer product life cycles as well as increasing regulations and requirements for high-quality and security drive need for high-end industrial instruments and systems. Industrial instruments and liquid measurements markets are expected to continue to grow. Continuous monitoring systems and power industry markets' growth is expected to continue to exceed growth of industrial instruments.

Business outlook for 2020

Vaisala estimates its full-year 2020 net sales to be in the range of EUR 400–425 million and its operating result (EBIT) to be in the range of EUR 38–48 million.

Board of Directors' proposal for distribution of earnings

The parent company's distributable earnings amount to EUR 170,520,851.66, of which the result for the period is EUR 30,885,350.86.

The Board of Directors proposes to the Annual General Meeting that dividend of EUR 0.61 per share be paid out of distributable earnings totaling approximately EUR 21.9 million and the rest to be carried forward in the shareholders' equity. No dividend will be paid for treasury shares held by the company.

There have been no significant changes in the company's financial position since the close of the financial period. According to the Board of Directors, the proposed dividend distribution does not endanger the company's financial standing.

Annual General Meeting 2020

Vaisala's Annual General Meeting will be held on Tuesday, April 7, 2020 at 6:00 p.m. at Vaisala Corporation's head office, Vanha Nurmijärventie 21, 01670 Vantaa.

Financial calendar 2020

Annual Report 2019, week 9

Interim Report January–March 2020, April 28, 2020

Half Year Financial Report 2020, July 21, 2020

Interim Report January–September 2020, October 27, 2020

Vantaa, February 12, 2020

Vaisala Corporation

Board of Directors

The forward-looking statements in this release 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 Financial Statement Release has been prepared in accordance with IAS 34 Interim Financial Reporting, following the same accounting policies and principles as in the annual financial statements. All figures in this Financial Statement Release are group figures. All presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented. The figures in this Financial Statement Release are based on Vaisala's audited 2019 financial statements.

Preparation of interim 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 Financial Statement Release, actual results may differ from those estimates.

Weather and Environment Business Area's renewable energy digital solutions business is no longer meeting the criteria of non-current assets held for sale and classification of those assets as non-current assets held for sale was ceased accordingly as of September 30, 2019.

New and amended IFRS standards effective for the year 2019

The following new or revised IFRSs have been adopted from January 1, 2019:

- IFRS 16 Leases
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments

The adoption of the standards listed above is not expected to have a material impact on the financial statements of the group in future periods, except IFRS 16 Leases:

IFRS 16 Leases – transition and impact on financial reporting

Vaisala has applied IFRS 16 Leases as of January 1, 2019.

As at December 31, 2018, the group had non-cancellable operating lease commitments of EUR 16.6 million. The assessment indicated that EUR 12 million of these arrangements related to leases, which management estimates to be material and thus was recognized in the balance sheet as a result of application IFRS 16. Additionally, lease term of a contract related to an operating lease commitment amounting to EUR 4 million was to start in the future. Rest of the arrangements were considered immaterial. The group recognized a right-of-use asset of EUR 12 million and a corresponding lease liability of EUR 11 million as of January 1, 2019.

As of December 31, 2019, the amount of right-of-use assets totaled EUR 12.3 million and the amount of lease liability EUR 11.3 million. The amount of depreciation related to right-of-use assets totaled EUR 4.1 million and interest expense related to lease liability EUR 0.3 million for the period January–December 2019. If the financial statements 2019 had been prepared according to IAS 17, rent costs would have been EUR 4.5 million

for the period January–December 2019. Rent costs included in the consolidated statement of income in January–December 2018 totaled EUR 4.4 million.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Under IFRS 16, lease payments are presented as part of cash flows from financing activities. In January–December 2019 principal payments of lease liabilities in cash flow from financing activities amounted to EUR 4.1 million and interest expenses in the cash flow from operating activities amounted EUR 0.3 million. The amount of rent costs included in the cash flow from operating activities in January–December 2018 totaled EUR 4.4 million.

Vaisala applied IFRS 16 retrospectively with the cumulative effect of initial application recognized as of January 1, 2019. Comparative information is not restated.

Consolidated Statement of Income				
EUR million	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Net sales	118.1	108.3	403.6	348.8
Cost of goods sold	-51.9	-49.5	-182.4	-163.7
Gross profit	66.2	58.8	221.2	185.0
Sales, marketing and administrative costs	-35.3	-33.1	-124.5	-102.8
Research and development costs	-13.6	-13.3	-52.8	-45.4
Other operating income and expenses	0.4	1.6	-2.7	2.1
Operating result	17.7	13.9	41.1	38.9
Share of result in associated company	0.1	0.1	0.1	0.1
Financial income and expenses	-1.3	0.0	-1.1	-1.5
Result before taxes	16.5	14.0	40.2	37.5
Income taxes	-1.5	-2.6	-6.6	-8.0
Result for the period	15.1	11.4	33.6	29.5
Attributable to				
Owners of the parent company	14.8	11.4	33.5	29.5
Non-controlling interests	0.3	-	0.1	-
Result for the period	15.1	11.4	33.6	29.5
Earnings per share for result attributable to the equity holders of the parent company				
Earnings per share, EUR	0.41	0.32	0.94	0.82
Diluted earnings per share, EUR	0.41	0.31	0.93	0.81

Consolidated Statement of Comprehensive Income				
EUR million	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Items that will not be reclassified to profit or loss (net of taxes)				
Actuarial profit (loss) on post-employment benefits	0.2	0.2	0.2	0.2
Total	0.2	0.2	0.2	0.2
Items that may be reclassified subsequently to profit or loss				
Translation differences	-0.9	0.2	0.5	1.0
Total	-0.9	0.2	0.5	1.0
Total other comprehensive income	-0.7	0.5	0.7	1.2
Comprehensive income for the period	14.4	11.9	34.3	30.7
Attributable to				
Owners of the parent company	14.1	11.9	34.2	30.7
Non-controlling interests	0.3	-	0.1	-
Comprehensive income for the period	14.4	11.9	34.3	30.7

Consolidated Statement of Financial Position

EUR million

Assets	Dec 31, 2019	Dec 31, 2018
Non-current assets		
Intangible assets	72.7	74.1
Property, plant and equipment	63.4	46.3
Right-of-use assets	12.3	-
Investments in shares	0.1	0.1
Investment in associated company	1.1	1.0
Non-current receivables	0.9	2.1
Deferred tax assets	9.8	9.8
Total non-current assets	160.3	133.2
Current assets		
Inventories	39.6	32.0
Trade and other receivables	77.3	74.7
Contract assets	25.0	17.8
Income tax receivables	2.8	0.9
Cash and cash equivalents	56.4	72.7
Total current assets	201.1	198.0
Assets classified as held for sale	-	3.1
Total assets	361.5	334.4

Equity and liabilities	Dec 31, 2019	Dec 31, 2018
Equity		
Share capital	7.7	7.7
Other reserves	7.0	6.1
Translation differences	1.3	0.8
Treasury shares	-7.9	-9.0
Retained earnings	190.0	177.3
Total equity attributable to owners of parent company	198.0	182.9
Non-controlling interests	0.3	-
Total equity	198.3	182.9
Non-current liabilities		
Interest-bearing loans from financial institutions	-	0.2
Interest-bearing lease liabilities	8.3	0.0
Post-employment benefits	2.4	2.7
Deferred tax liabilities	8.1	9.4
Provisions	0.1	0.2
Other non-current liabilities	4.3	5.6
Total non-current liabilities	23.3	18.0
Current liabilities		
Interest-bearing loans from financial institutions	40.2	40.3
Interest-bearing lease liabilities	3.0	0.0
Trade and other payables	64.5	57.2
Contract liabilities	27.3	30.2
Income tax liabilities	1.7	1.4
Provisions	3.2	3.2
Total current liabilities	139.8	132.3
Liabilities directly associated with assets classified as held for sale	-	1.1
Total liabilities	163.1	151.5
Total equity and liabilities	361.5	334.4

Consolidated Cash Flow Statement

EUR million	1-12/ 2019	1-12/ 2018
Cash flow from operating activities		
Cash receipts from customers	391.5	346.7
Cash paid to suppliers and employees	-339.4	-289.3
Financial items paid	-2.3	-0.4
Income taxes paid	-9.0	-8.7
Cash flow from operating activities	40.8	48.3
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	-7.3	-51.7
Capital expenditure on intangible assets and property, plant and equipment	-26.8	-14.5
Proceeds from sale of intangible assets and property, plant and equipment	0.5	0.1
Cash flow from investing activities	-33.6	-66.1
Cash flow from financing activities		
Dividends paid	-20.8	-37.6
Change in loan receivables	0.1	0.0
Proceeds from borrowings	80.0	40.0
Repayment of borrowings	-80.5	-2.6
Principal payments of lease liabilities	-4.1	-0.0
Cash flow from financing activities	-25.4	-0.1
Change in cash and cash equivalents increase (+) / decrease (-)	-18.1	-17.9
Cash and cash equivalents at the beginning of period	72.7	91.3
Change in cash and cash equivalents	-18.1	-17.9
Cash and cash equivalents classified as assets held for sale	-	-1.1
Transfer of cash and cash equivalents classified as assets held for sale to continuing operations	1.1	-
Effect from changes in exchange rates	0.7	0.4
Cash and cash equivalents at the end of period	56.4	72.7

Consolidated Statement of Changes in Equity

EUR million	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total
Equity at Dec 31, 2017	7.7	3.0	-0.2	-10.1	185.1	185.4		185.4
Adjustments to opening balance								
Effect of IFRS 2 amendment		3.9				3.9		3.9
Effect of IFRS 9 transition, net of taxes					-0.2	-0.2		-0.2
Effect of IFRS 15 transition, net of taxes					0.3	0.3		0.3
Equity at Jan 1, 2018	7.7	6.8	-0.2	-10.1	185.2	189.3		189.3
Result for the period					29.5	29.5		29.5
Other comprehensive income		0.0	1.0		0.2	1.2		1.2
Dividend distribution					-37.6	-37.6		-37.6
Share-based payments		-0.7		1.1		0.4		0.4
Equity at Dec 31, 2018	7.7	6.1	0.8	-9.0	177.3	182.9		182.9

EUR million	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total
Equity at Dec 31, 2018	7.7	6.1	0.8	-9.0	177.3	182.9		182.9
Result for the period		0.0			33.5	33.5	0.1	33.6
Other comprehensive income			0.5		0.2	0.7		0.7
Dividend distribution					-20.8	-20.8		-20.8
Share-based payments		0.8		1.1		1.9		1.9
Transfer between items		0.0			-0.0	0.0		0.0
Changes in non-controlling interests that did not result in changes in control					-0.2	-0.2	0.2	0.0
Balance at Dec 31, 2019	7.7	7.0	1.3	-7.9	190.0	198.0	0.3	198.3

Notes to the Report

Orders Received by Business Area

EUR million	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Weather and Environment	66.2	67.9	276.2	215.2
Industrial Measurements	37.1	31.2	143.2	119.0
Total	103.3	99.1	419.4	334.2

Net Sales by Business Area

EUR million	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Weather and Environment				
Products	47.0	46.4	149.0	125.4
Projects	23.2	19.1	73.2	70.0
Services	11.7	12.1	39.1	36.9
Total	81.9	77.6	261.3	232.3
Industrial Measurements				
Products	33.0	27.8	129.5	105.1
Services	3.2	2.9	12.8	11.4
Total	36.3	30.7	142.3	116.4
Total net sales	118.1	108.3	403.6	348.8

Operating Result by Business Area

EUR million	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Weather and Environment	12.1	10.5	17.7	17.7
Industrial Measurements	5.5	5.6	26.1	23.9
Other	0.1	-2.1	-2.7	-2.7
Total	17.7	13.9	41.1	38.9

Net Sales by Geographical Area

EUR million	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Americas	43.5	40.2	149.7	136.8
APAC	34.0	35.8	119.6	109.6
EMEA	40.6	32.4	134.3	102.3
Total	118.1	108.3	403.6	348.8

Timing of revenue recognition

EUR million	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Performance obligations satisfied at a point in time	88.4	81.3	308.6	251.7
Performance obligations satisfied over time	29.7	27.0	95.0	97.1
Total	118.1	108.3	403.6	348.8

Personnel				
	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Average personnel	1,834	1,780	1,829	1,678
Personnel at the end of period	1,837	1,816	1,837	1,816

Derivative Financial Instruments		
EUR million	Dec 31, 2019	Dec 31, 2018
Nominal value of derivative contracts	33.8	26.9
Fair values of derivative contracts, assets	0.3	0.0
Fair values of derivative contracts, liabilities	0.4	1.0

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 contracts are executed only with counterparties that have high credit ratings.

Share Information				
EUR/thousand	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Number of shares outstanding	35,881	35,790	35,881	35,790
Number of treasury shares	556	647	556	647
Number of shares, weighted average, diluted	36,164	36,394	36,133	36,376
Number of shares, weighted average	35,881	35,790	35,864	35,772
Number of shares traded	1,560	916	3,442	3,711
Share price, highest	32.80	19.90	32.80	23.90
Share price, lowest	24.20	15.85	15.95	15.85

Key Ratios				
EUR	10-12/ 2019	10-12/ 2018	1-12/ 2019	1-12/ 2018
Earnings per share	0.41	0.32	0.94	0.82
Diluted earnings per share	0.41	0.31	0.93	0.81
Equity per share			5.52	5.11
Return on equity, %			17.7	16.0
Cash flow from operating activities per share	0.64	0.82	1.14	1.35
Solvency ratio, %			55.7	55.6
Gearing, %			-2.4	-17.6

The share issue without payment approved by Vaisala's Annual General Meeting on April 10, 2018 increased the total number of series K shares to 6,778,662 and series A shares to 29,658,066. The share related figures in the comparison periods have been adjusted to reflect the increased number of shares.

Key Exchange Rates				
	Average rates		Period end rates	
	1-12/2019	1-12/2018	Dec 31,2019	Dec 31, 2018
USD	1.1213	1.1838	1.1234	1.1450
CNY	7.7282	7.8097	7.8205	7.8751
JPY	122.29	130.77	121.94	125.85
GBP	0.8795	0.8853	0.8508	0.8945

Further information

Kaarina Muurinen, CFO

Tel. +358 40 577 5066

Vaisala Corporation

Briefing and conference call

Briefing for analysts, investors and media, combined with an English-language conference call will be arranged today at Hotel Klaus K, Studio K, Bulevardi 2–4, Helsinki, starting at 4:00 p.m. (Finnish time).

Numbers for conference call, during which questions may be presented, are:

Finland: +358 9 8171 0310

UK: +44 33 3300 0804

Sweden: +46 8 5664 2651

US: +1 63 1913 1422

PIN: 39301588#

Audiocast

The presentation by Kjell Forsén, President and CEO, can also be followed through a live audiocast at www.vaisala.com/investors starting at 4:00 p.m. A recording will be published at the same address by 6:00 p.m.

Distribution

Nasdaq Helsinki

Key media

vaisala.com

Vaisala is a global leader in environmental and industrial measurement. Building on over 80 years of experience, Vaisala provides observations for a better world. 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 approximately 1,850 professionals worldwide and is listed on the Nasdaq Helsinki stock exchange. vaisala.com twitter.com/VaisalaGroup