Vaisala Q3 2013

October 23, 2013

Vaisala Corporation Interim Report January-September 2013

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Vaisala Corporation Interim Report January-September 2013

July-September 2013 net sales and operating profit decreased.

July-September 2013 highlights

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

January-September 2013 highlights

- Orders received EUR 200.2 (198.6) million, increase 1%
- Net sales EUR 192.7 (203.6) million, decrease 5%
- Operating profit EUR 15.1 (17.7) million, decrease 15%
- One-time gain from product line divestment EUR 1.5 million
- Earnings per share EUR 0.50 (0.66)
- Cash flow from operating activities EUR 16.2 (26.7) million
- Capital return EUR 22.2 million
- Dividends paid EUR 16.2 million

Kjell Forsén, President and CEO:

"In the third quarter the strained governmental finances and development of currency rates negatively influenced Vaisala’s performance. Our sales volumes declined as the global economic uncertainty kept Vaisala’s customers cautious. Net sales decreased by 11%. The negative exchange rate effect on net sales during the third quarter was EUR 3.0 million which was mainly caused by USD and JPY exchange rate fluctuations.

Third quarter orders received were slightly above last year’s level. Order book increased by 16% from second quarter of this year. The largest volume of order intake was received in Europe, Middle East and Africa (EMEA) and the Americas was almost on the same level.

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

Even though the governmental market is challenging we have successfully continued our systematic work to implement our customer based strategy focused on selected customer groups. This is exemplified by Vaisala's increased presence in the renewable energy markets. In August we acquired Second Wind Systems

Inc., a global leader in remote sensing technology and data services for the wind energy industry. Second Wind is now part of our New Weather Markets customer group.

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

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

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

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

Key Figures (unaudited)

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

Comparative figures for 2012 have been restated according to the revised IAS 19 Employee Benefits. For further information please see page 11.

JULY-SEPTEMBER 2013 PERFORMANCE

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

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

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

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

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

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

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

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

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

MARKET SITUATION

In EMEA region demand for Weather Business Area offering was affected by strained governmental finances in Europe. Weak economic conditions still continued to restrain demand for Controlled Environment Business Area offering in Europe. MEA continued to invest in weather infrastructure.

In North America the USA budget sequestration continued to slow down demand for Weather Business Area's offering. Market for Controlled Environment Business Area offering continued stable in North America, but the market also remained competitive. In Latin America weather infrastructure project demand is on healthy level, but slow decision making has continued.

Positive market demand for weather infrastructure has continued in China and APAC but also competition in the area has increased. Market for Controlled Environment Business Area continued offering to grow in China, but slowness of investments in Japan was affecting both order intake and net sales.

JANUARY-SEPTEMBER 2013 PERFORMANCE

Orders and net sales

In January-September 2013, orders received were EUR 200.2 (198.6) million. At the end of September 2013 the order book was EUR 115.1 (129.2) million which was 11% lower than at the end of September 2012. The decrease in order book is mostly due to the realized budget sequestration in the USA and strained governmental finances in Europe. Of the order book, approximately EUR 62 million will be delivered in 2014 or later.

In January-September 2013, net sales were EUR 192.7 (203.6) million and it decreased by 5% from previous year. Weather Business Area net sales were EUR 137.5 (146.7) million and it decreased by 6% year-on-year. Controlled Environment Business Area net sales were EUR 55.2 (56.9) million and it decreased by 3% year-on-year.

Net sales in EMEA were EUR 69.6 (70.7) million in January-September 2013 and it decreased by 2% year-on-year, in the Americas EUR 73.9 (78.7) million and it decreased by 6% year-on-year, and in APAC EUR 49.1 (54.3) million and it decreased by 10% year-on-year.

At comparable exchange rates the net sales would have been EUR 197.6 (203.6) million and the year-on-year net sales decrease would have been EUR 6.0 million or 3%. The negative exchange rate effect was EUR 4.8 million which was mainly caused by JPY and USD exchange rate fluctuations.

Operations outside Finland accounted for 97% (98%) of net sales.

Financial result

In January-September 2013, operating profit was EUR 15.1 (17.7) million or 7.8% (8.7%) of net sales including EUR 1.5 million one-time gain from the product line divestment. The operating profit decreased by 15% year-on-year. Without the gain from product line divestment the operating profit was EUR 13.6 million and the decrease would have been 23%. The operating profit decline was mainly due to JPY and USD exchange rate fluctuations as well as lower sales volumes. Operating expenses were EUR 81.9 (84.7) million and they decreased 3% from previous year.

Profit before taxes was EUR 14.3 (17.5) million for the period of January-September 2013. Income taxes were EUR 5.2 (5.6) million. Net profit was EUR 9.1 (11.9) million.

Earnings per share for January-September 2013 were EUR 0.50 (0.66).

Balance sheet and cash flow

In January-September 2013, Vaisala's cash flow from operating activities was EUR 16.2 (26.7) million. Lower operational cash flow was due decreased profitability, higher income taxes paid and unfavorable working capital changes.

The change in cash balance from the end of December 2012 was EUR -27.8 million as the dividends of EUR 16.2 million were paid in April 2013 and capital return of EUR 22.2 million was paid in August.

Vaisala's solvency ratio and liquidity remained strong. On September 30, 2013, the cash and cash equivalents totaled EUR 47.0 (55.8) million and the balance sheet total was EUR 217.3 (245.5) million. The solvency ratio at the end of the September 2013 was 74% (75%).

Capital expenditure and divestments

Gross capital expenditure totaled EUR 7.0 (3.5) million which includes Second Wind acquisition of EUR 1.4 million. Depreciation total EUR 11.1 (11.8) million.

Vaisala divested Non-weather Road Transportation Product Lines in March 2013 with sales price EUR 3.5 million and recognized EUR 1.5 million profit. EUR 2.5 million of the sales price was paid in March 2013 and the remaining EUR 1.0 million will be paid in three annual installments during 2014-2016.

Non-weather Road Transportation Product Lines net sales in 2012 were EUR 4.5 million.

Weather Business Area

In January-September 2013, Weather Business Area net sales were EUR 137.5 (146.7) million and it decreased by 6%. Both delivery projects and product sales decreased. Sales to Meteorology customer group grew whereas sales to other customer groups declined or stayed at previous year's level. At comparable exchange rates, the net sales would have decreased by 4%. The negative exchange rate effect was EUR 2.6 million which was mainly caused by JPY and USD exchange rate fluctuations.

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

Weather Business Area operating profit January-September 2013 was EUR 6.9 million and it decreased by EUR 3.9 million from EUR 10.8 million in previous year. The decline was mainly due to lower sales volumes. Profitability of product sales improved, whereas profitability of delivery projects weakened. Operating expenses decreased from previous year.

In January-September 2013, orders received were EUR 144.2 (141.2) million and they increased by 2% year-on-year. At the end of September 2013 the order book was EUR 109.9 (124.8) million or 12% lower than at the end of September 2012. Order intake has been impacted by the on-going budget sequestration in the USA and strained governmental finances in Europe. Of the order book, approximately EUR 60 million will be delivered in 2014 or later.

Weather Business Areas service sales totaled EUR 22.0 (20.3) million.

Controlled Environment Business Area

In January-September 2013, Controlled Environment Business Area net sales were EUR 55.2 (56.9) million and they decreased by 3% from previous year. Net sales decreased in Japan and North America whereas net sales to China was growing. At comparable exchange rates, the net sales would have increased by 1%. The negative exchange rate effect was EUR 2.2 million which was mainly caused by JPY and USD exchange rate fluctuations.

Controlled Environment Business Area operating profit for January-September 2013 was EUR 7.5 million and it decreased by EUR 0.8 million from EUR 8.3 million in previous year. This was mainly due to lower sales volumes and investments in service business capabilities. Profitability of product sales improved instead. Operating expenses decreased from last year even though investments in R&D continued.

In January-September 2013, orders received were EUR 56.0 (57.4) million and they decreased by 2% year-on-year. Order intake in Japan and in the USA declined. The order book was EUR 5.2 (4.4) million which is 18% higher than at the end of September 2012. Of the order book, approximately EUR 2 million will be delivered in 2014 or later.

Controlled Environment Business Areas service sales totaled EUR 6.5 (5.7) million.

Research and Development

In January-September 2013, research and development (R&D) expenses amounted to EUR 20.9 (20.5) million, representing 10.8% of net sales. Weather Business Area R&D expenses were 11.9% (10.9%) of net sales. Controlled Environment Business Area 8.3% (7.8%) of net sales. The goal is to keep the share of research and development expenses approximately 10% of net sales during 2013.

New products

Altogether 14 new products or software releases were launched during January-September 2013. During July-September 2013, the following products and software were launched.

Weather Business Area
Vaisala Ultrasonic Wind Sensor WMT700 measures wind conditions accurately and reliably even in extremely cold climates with heavy snow and ice conditions. The new wind sensor is targeted for the wind energy industry, other applications include aviation industry and weather forecasting.

Vaisala RoadDSS Manager Software Suite combines critical weather information, offers guidance for road maintenance treatment and provides reports to support roads maintenance organizations' quick and effective decision making.

On August 14, 2013 Vaisala acquired Second Wind Systems Inc., a global leader in remote sensing technology and data services for the wind energy industry. As a result of the acquisition Vaisala has a more complete line of wind energy solutions.

Personnel

The average number of personnel employed in the Vaisala in January-September 2013 was 1,476 (1,416). The number of employees at the end of September 2013 was 1,510 (1,417). 42% (42%) of the personnel was based outside Finland.

In April-June 2013 Vaisala established a new share based incentive plan for the group key employees that is based on the development of group's profitability in calendar year 2013. It will be paid partly in the Company's series A shares and partly in cash in spring 2016. The cash proportion will cover taxes and tax-related costs arising from the reward to a key employee. No reward will be paid, if a key employee's employment or service ends before the reward payment date.

Changes in Company Management

Vaisala's management group practices changed as of January 1, 2013. There is one Vaisala Management Group in the company, led by the President and CEO.

The Management Group has seven members and it convenes once a month to execute Vaisala's strategy and take care of the company's operative management. It consists of the heads of business areas, finance and control, operations, services and human resources.

Risk Management

Near-term risks and uncertainties

Vaisala's business is exposed to changes in the global economy, politics, policies, regulations, Vaisala's supply chain, and accidents as well as natural disasters, which may affect business e.g. through order cancellations, disturbance in logistics, loss of market potential, and reduced availability of components. Vaisala's capability to successfully complete investments, acquisitions, divestments and restructurings on a timely basis and to achieve related financial and operational targets represent a risk that might impact on net sales and profitability.

The most significant near term risks and uncertainties that may affect both net sales and profitability relate to the company's ability to maintain its delivery capability, availability of critical components, interruptions in manufacturing and associated IT systems, changes in the global economy, currency exchange rates, customers' financing capability especially in the EU and in the USA, budget sequestration in the USA and Federal Government shutdown, changes in customers' purchasing or investment behavior, and delays or cancellations of orders. Changes in the competitive landscape may affect the volume and profitability of business through introduction of new competitors and price erosion in areas which traditionally have been strong for Vaisala.

Importance of Vaisala's project business continues to grow. Project business performance and project schedules have dependencies to third parties, which may impact profitability and the timing of revenue recognition. Assumptions regarding new project and service business opportunities constitute a risk for both net sales and profitability.

Further information about the risks and risk management in Vaisala is available on the company website at http://www.vaisala.com/investors, Corporate Governance, Risk management.

Decisions made by the Annual General Meeting 2013

The Annual General Meeting of Vaisala Corporation decided on March 26, 2013 to approve the Company's annual accounts for 2012.

Dividend

The Annual General Meeting decided that a dividend of EUR 0.90 per share, corresponding to the total of EUR 16,253,292.60 will be distributed for the financial year 2012. Dividend is not paid to the A-shares held by Vaisala Corporation. The record date for dividend payment was April 2, 2013 and dividend has been paid on April 9, 2013.

Discharge from liability

The Annual General Meeting granted the members of the Board of Directors and the Company's President and CEO discharge from liability for the accounts.

Composition and remuneration of the Board of Directors

The Annual General Meeting confirmed that the Board of Directors comprises of six (6) members. Maija Torkko and Yrjö Neuvo, who were to retire by rotation, were re-elected for three years. The other members are Raimo Voipio, Mikko Niinivaara, Mikko Voipio and Timo Lappalainen.

The Annual General Meeting decided that the annual remuneration of the chairman of the Board of Directors is 45,000 euros and the annual remuneration of member 35,000 euros. The Annual General Meeting decided in addition that the compensation for the Chairman of the Audit Committee is 1,500 euros per attended meeting and 1,000 euros per attended meeting for each member of the Audit Committee for a term until the close of the Annual General Meeting in 2014. The chairman as well as the members of Remuneration Committee and other committees established by the Board of Directors will receive 1,000 euros per attended meeting for a term until the close of the Annual General Meeting in 2014.

Auditors and their fee

The Annual General Meeting elected PricewaterhouseCoopers Oy, Authorized Public Accountants, as the Company's auditor, with APA Hannu Pellinen acting as the auditor with the principal responsibility. The auditor’s compensation was decided to be paid based on reasonable invoicing.

The decrease of the share premium fund and distribution of funds to the shareholders as a return of capital

The Annual General Meeting decided to decrease the share premium fund presented in the Company’s balance sheet on December 31, 2012 by EUR 22,306,293.52 by transferring all the funds in the share premium fund into the invested non-restricted equity fund. The Meeting also decided that of the funds transferred into the invested non-restricted equity funds EUR 1.23 per share will be distributed to the shareholders as a return of capital, which equals to approximately EUR 22.2 million return of capital.

The Board of Directors was authorized to decide on the record date for the distribution of funds and the payment date as soon as possible after the due date for the public summons notified to the Finnish National Board of Patents and Registration. The distribution of funds is expected to take place approximately in August 2013. The return of capital is paid to a shareholder, who is registered on record date decided by the Board of Directors in the Register of Shareholders of the Company held by Euroclear Finland Ltd.

Authorizing the Board of Directors to decide on the directed acquisition of own A-shares

The Annual General Meeting authorized the Board of Directors to decide on the directed acquisition of a maximum of 150,000 of the Company's own A-shares in one or more instalments with funds belonging to the Company’s unrestricted equity. The new authorization replaces the previous one and is valid until the closing of the next Annual General Meeting, however, no longer than September 26, 2014.

Authorizing the Board of Directors to decide on the transfer of the Company's own shares

The Annual General Meeting authorized the Board of Directors to decide on the transfer of a maximum of 309,150 own A-shares. The transfer of own shares may be carried out in deviation from the shareholders' pre-emptive rights and may be transferred as a directed issue without payment as part of the Company's share based incentive plan. The authorization can also be used to grant special rights entitling subscription of own shares, and the subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind. The new authorization replaces the previous one and is valid until 26 March 2018.

Donations

The Annual General Meeting authorized the Board of Directors to donate at maximum 250,000 euros. The authorization is valid until the Annual General Meeting of 2014.

The organizing meeting of the Board of Directors

Raimo Voipio will continue as the Chairman of the Board of Directors and Yrjö Neuvo will continue as the Vice-Chairman. Maija Torkko, Mikko Niinivaara, Mikko Voipio and Timo Lappalainen are the other members of the Board of Directors.

Return of Capital to Shareholders

Vaisala Corporation's Annual General Meeting of Shareholders held on March 26, 2013 decided to decrease the share premium fund presented in the company's balance sheet on December 31, 2012 by EUR 22,306,293.52 by transferring all the funds in the share premium fund into the invested non-restricted equity fund. The Meeting also decided that of the funds transferred into the invested non-restricted equity funds EUR 1.23 per share will be distributed to the shareholders as a return of capital, which equals to approximately EUR 22.2 million return of capital. The record date for the distribution of funds was August 16, 2013 and the payment date for the return of capital was August 27, 2013.

Vaisala's shares

On September 30, 2013 the closing price of Vaisala's A-share in the NASDAQ OMX Helsinki Ltd. was EUR 19.30. The highest quotation during January-September 2013 was EUR 22.13 and the lowest EUR 16.04. The number of shares traded in the NASDAQ OMX Helsinki Ltd. in January-September 2013 was 2,082,898.

On September 30, 2013, Vaisala had 18,218,364 shares, of which 3,389,351 are series K-shares and 14,829,013 are series A-shares. The shares have no counter book value. The K-shares and A-shares are differentiated by the fact that each K-share entitles its owner to 20 votes at a General Meeting of Shareholders while each A-share entitles its owner to 1 vote. The A-shares represent 81.4% of the total number of shares and 17.9% of the total votes. The K-shares represent 18.6% of the total number of shares and 82.1% of the total votes.

The market value of Vaisala's A-shares on September 30, 2013 was EUR 283.1 million, excluding the Company's treasury shares. Valuing the K-shares - which are not traded on the stock market - at the rate of the A-share's closing price on the last day of September, the total market value of all the A- and K-shares together was EUR 348.5 million, excluding the Company's treasury shares.

Vaisala's main shareholders are listed on the website.

Treasury shares and parent company shares

At the end of September, the Company held a total of 159,150 Vaisala A-shares, which represented 0.9% of the share capital and 0.2% of the votes. The consideration paid for these shares was EUR 2,527,160.

Events after the end of the period

A new Vaisala Radiosonde RS41, the heart of Vaisala's 4th Generation Soundings, was launched at Meteorological Technology World Expo (MTWE2013) in Brussels in October 15, 2013. The Vaisala Radiosonde RS41 streamlines launch preparations, reduces human errors, and lowers operational costs of upper-air weather observations, while delivering industry-leading data accuracy. The new RS41 features customer-driven design improvements, and enhancements to the humidity and temperature sensors that ensure the data reliability and accuracy customers expect from Vaisala.

Sampsa Lahtinen was appointed Executive Vice President of Vaisala's Controlled Environment Business Area and a member of Vaisala Management Group as of October 22, 2013. He is replacing Kenneth Forss. Sampsa Lahtinen reports to Kjell Forsén, President and CEO.

Market outlook

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

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

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

Business outlook for 2013

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

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

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

Vantaa, October 23, 2013

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 change 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 interim financial 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 2012, except for the IFRS amendments stated below. All figures in the interim report are Group figures. All presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented.

The preparation of the financial statements 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 the statement of income. Although the estimates are based on the management's best knowledge at the date of the interim report, actual results may differ from the estimates.

The interim financial report is unaudited.

Amendment to IAS 19, Employee benefits

Of the amended International Financial Reporting Standards (IFRS) and interpretations mandatory as of January 1, 2013 the amendment to IAS 19 is applicable on the Group reporting.

The revised IAS 19 eliminates the possibility to apply the corridor method in recognizing the actuarial gains and losses from defined benefit plans. In the corridor method the actuarial gains and losses had to be recognized only when they exceeded by more than 10% the greater of the present value of the defined benefit obligation and the fair value of the plan assets. The excess was recognized in the statement of income over the expected average remaining working lives of employees participating in the plan.

The amendments to IAS 19 standard require the actuarial gains and losses to be recognized immediately in the statement of other comprehensive income. The change in accounting principles leads to faster recognition of actuarial gains and losses than the corridor method. Consequently of the change Vaisala now determines the net interest expense on the net defined benefit plan by applying the discount rate used to measure the defined benefit obligation. In previous years Vaisala applied a long-term rate of expected return on the plan assets. Vaisala reports the service cost in sales, marketing and administrative costs and the net interest in net financial income and expenses.

The revised IAS 19 has been applied retrospectively. Retained earnings in the opening balance of equity decreased EUR 0.1 million and pension liabilities increased EUR 0.1 million in year 2012 September and December balance sheets. The operating profit increased EUR 0.1 million and financial income and expense decreased EUR 0.1 million in December 2012 income statement.

Allocation of goodwill to revised cash generating units

Following the changes in Vaisala's management group practices as of January 1, 2013 and suppressing the regional dimension, Vaisala has consequently allocated the goodwill to revised cash generating units "CGU"s. Goodwill in CGU *Weather North America* has been allocated to *Weather* CGU and goodwill in CGU *Life Science North America* has been allocated to *Life Science* CGU. There was no impact on profit for the reported period.

Consolidated statement of income

EUR million	7-9/2013	7-9/2012	1-9/2013	1-9/2012	1-12/2012
Net sales	61.9	69.5	192.7	203.6	293.3
Costs of sales	-31.9	-36.1	-97.6	-101.4	-148.0
Gross profit	**30.0**	**33.4**	**95.1**	**102.2**	**145.3**
Sales, marketing and administrative costs	-19.0	-21.1	-60.9	-64.4	-87.5
Research and development costs	-6.2	-6.9	-20.9	-20.5	-28.0
Other operating income and expense	0.1	0.0	1.7	0.5	0.3
Operating profit (loss)	**4.9**	**5.3**	**15.1**	**17.7**	**30.2**
Financial income and expenses, net	-0.5	-0.4	-0.8	-0.2	-1.0
Profit (loss) before taxes	**4.4**	**4.9**	**14.3**	**17.5**	**29.1**
Income taxes	-1.8	-2.1	-5.2	-5.6	-7.4
Profit (loss) for the period	**2.6**	**2.8**	**9.1**	**11.9**	**21.7**
Earnings per share, EUR	0.14	0.16	0.50	0.66	1.20
Diluted earnings per share, EUR	0.14	0.16	0.50	0.66	1.19

Consolidated statement of comprehensive income

EUR million	7-9/2013	7-9/2012	1-9/2013	1-9/2012	1-12/2012
Items that will not be reclassified to profit or loss					
Actuarial loss on post-employment benefits	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	-1.3	0.9	-2.3	0.4	-1.1
Other income or expense	0.0	0.0	0.0	-0.2	-0.2
Total	**-1.3**	**0.9**	**-2.3**	**0.2**	**-1.3**
Total other comprehensive income	**-1.3**	**0.9**	**-2.3**	**0.2**	**-1.3**
Total comprehensive income	**1.4**	**3.7**	**6.9**	**12.1**	**20.4**

Condensed consolidated statement of financial position

EUR million

Assets	**September 30, 2013**	**September 30, 2012**	**December 31, 2012**
Non-current assets:			
Intangible assets	31.8	36.0	33.1
Property, plant and equipment	47.6	50.3	49.1
Investment in associated companies	0.7	0.6	0.8
Long term receivables	1.0	0.4	0.2
Deferred income tax assets	5.3	5.4	5.1
Total non-current assets	86.4	92.7	88.2
Current assets:			
Inventories	34.2	37.4	29.8
Trade and other receivables	48.6	58.5	60.9
Income tax receivables	1.0	1.1	1.8
Cash and cash equivalents	47.0	55.8	74.8
Non-current asset held for sale	–	–	1.4
Total current assets	130.9	152.8	168.6
Total assets	217.3	245.5	257.0
Shareholder's equity and liabilities			
Shareholder's equity:			
Share capital	7.7	7.7	7.7
Share premium	–	22.3	22.3
Other reserves	1.4	0.3	0.7
Cumulative translation adjustment	-2.8	1.0	-0.5
Treasury shares	-2.5	-2.3	-2.5
Retained earnings	154.3	151.8	161.4
Total shareholder's equity	158.1	180.8	189.2
Non-current liabilities:			
Interest-bearing liabilities	0.1	0.3	1.6
Post-employment benefit obligations	0.4	0.5	0.3
Deferred tax liabilities	1.4	0.8	1.3
Provisions for other liabilities and charges	0.1	0.1	0.1
Other long-term liabilities	2.4	3.0	1.0
Total non-current liabilities	4.3	4.7	4.3
Current liabilities:			
Interest-bearing liabilities	0.4	0.2	0.3
Advances received	3.7	5.0	4.5
Income tax liabilities	0.7	0.8	1.5
Provisions for other liabilities and charges	0.0	0.9	0.9
Trade and other payables	50.2	53.2	56.5
Total current liabilities	54.9	60.1	63.7
Total shareholder's equity and liabilities	217.3	245.5	257.0

Consolidated statement of changes in shareholders' equity

EUR million	Share capital	Share premium	Other reserves	Treasury shares	Translation adjustment	Retained earnings	Total
Balance at Jan 1, 2012	7.7	22.3	0.3	-0.3	0.6	151.9	**182.5**
Profit for the period	–	–	–	–	0.4	11.7	**12.1**
Dividend paid	–	–	–	–	–	-11.9	**-11.9**
Purchase of treasury shares	–	–	–	-2.0	–	–	**-2.0**
Balance at September 30, 2012	7.7	22.3	0.3	-2.3	1.0	151.8	**180.8**

EUR million	Share capital	Share premium	Other reserves	Treasury shares	Translation adjustment	Retained earnings	Total
Balance at Jan 1, 2013	7.7	22.3	0.7	-2.5	-0.5	161.4	**189.2**
Profit for the period	–	–	–	–	–	9.1	**9.1**
Other comprehensive income	–	–	–	–	-2.3	–	**-2.3**
Dividend paid	–	–	–	–	–	-16.2	**-16.2**
Reclassification	–	-22.3	22.3	–	–	–	**0.0**
Return of capital	–	–	-22.2	–	–	–	**-22.2**
Share based payment	–	–	0.5	–	–	–	**0.5**
Balance at September 30, 2013	7.7	–	1.4	-2.5	-2.8	154.3	**158.1**

Condensed consolidated cash flow statement

EUR million	1-9/2013	1-9/2012	1-12/2012
Cash flows from operating activities:			
Cash receipts from customers	205.1	219.7	301.2
Other income from business operations	0.2	0.1	0.0
Cash paid to suppliers and employees	-181.8	-187.6	-245.4
Financials paid, net	-0.9	-1.4	-2.7
Income taxes paid, net	-6.3	-4.1	-5.0
Cash flow from operating activities	**16.2**	**26.7**	**48.2**
Cash flows from investing activities:			
Acquisition of subsidiary, net of cash acquired	-1.2	–	–
Capital expenditure on fixed assets	-5.8	-3.5	-5.4
Divestments	2.5	0.4	0.4
Cash flow from investing activities	**-4.5**	**-3.1**	**-5.0**
Cash flows from financing activities:			
Return of capital	-22.2	–	–
Dividends paid	-16.2	-11.8	-11.8
Other profit distribution	–	-0.2	-0.2
Purchase of treasury shares	–	-2.3	-2.3
Cash flow from financing activities	**-38.5**	**-14.3**	**-14.3**
Cash and cash equivalents at the beginning of period	74.8	45.5	45.5
Net increase (+) / decrease (-) in cash and cash equivalents	-26.8	9.2	28.9
Effect from changes in exchange rates	-1.0	1.1	0.4
Cash and cash equivalents at the end of period	**47.0**	**55.8**	**74.8**

Segment information

EUR million	7-9/2013	7-9/2012	1-9/2013	1-9/2012	1-12/2012
Orders received					
Weather	56.6	54.7	144.2	141.2	189.0
Controlled environment	19.3	19.6	56.0	57.4	75.7
Total	76.0	74.3	200.2	198.6	264.7
Net sales					
Weather					
Products	20.2	28.3	69.9	74.9	99.7
Projects	15.6	14.5	45.7	51.5	84.2
Services	7.1	6.1	22.0	20.3	34.1
Total	42.9	48.9	137.5	146.7	218.0
Controlled environment					
Products	16.9	18.7	48.7	51.2	67.0
Services	2.1	2.0	6.5	5.7	8.2
Total	19.0	20.8	55.2	56.9	75.3
Sales, eliminations and others	0.0	-0.2	0.0	0.0	0.0
Total Sales	61.9	69.5	192.7	203.6	293.3
Operating profit					
Weather	1.6	3.0	6.9	10.8	22.6
Controlled environment	3.6	3.0	7.5	8.3	9.4
Eliminations and other	-0.4	-0.7	0.7	-1.4	-1.9
Total	4.9	5.3	15.1	17.7	30.2

Geographical sales

EUR million	7-9/2013	7-9/2012	1-9/2013	1-9/2012	1-12/2012
EMEA	22.5	20.4	69.6	70.7	107.6
Americas	25.2	31.0	73.9	78.7	108.6
APAC	14.1	18.2	49.1	54.3	77.2
Total	61.9	69.5	192.7	203.6	293.3

Business combinations

On August 14, 2013 Vaisala acquired Second Wind Systems Inc., a company located in Newton Massachusetts, USA. Second Wind is a global leader in remote sensing technology and data services for the wind energy industry. Second Wind Systems Inc. reached EUR 7.0 million net sales in 2012. The company employs 34 persons. Vaisala's ownership of Second Wind after the acquisition is 100%.

Net sales of the acquired company between August 15, 2013 and September 30, 2013 were EUR 1.0 million and operating profit EUR 0.0 million. Had the acquisition taken place on January 1, 2013, the group net sales would have been EUR 196.3 million and operating profit EUR 13.7 million.

The acquisition of Second Wind fits well Vaisala's strategic goal to expand Vaisala's presence in the renewable energy markets. The acquisition makes Vaisala a trusted wind energy application provider.

Vaisala incurred acquisition-related costs of EUR 0.1 million mainly related to external legal fees. The costs have been included in the other operating expenses in the consolidated statement of income.

The total financial consideration of the transaction is EUR 1.4 million. No goodwill was recognized.

The values of the assets and liabilities arising from the acquisition were as follows:

EUR million	Fair value recognized on acquisition
Technology (incl. in intangible assets)	3.3
Other intangible assets	0.4
Property, plant and equipment	0.4
Non-current receivables	0.0
Inventories	0.6
Trade and other receivables	1.1
Cash and cash equivalents	0.2
Total assets	**6.0**
Deferred tax liabilities	0.9
Interest-bearing liabilities	0.1
Advances received	2.2
Trade payables	0.5
Other liabilities	0.9
Total liabilities	**4.6**
Net assets	**1.4**
Cash flow on acquisition	
Purchase price paid in cash	-1.4
Cash and cash equivalents in acquired subsidiary	0.2
Total net cash outflow on acquisition	**-1.2**

Key ratios

	7-9/2013	7-9/2012	1-9/2013	1-9/2012	1-12/2012
Number of shares outstanding (kpcs)	18,059	18,059	18,059	18,059	18,059
Number of treasury shares (kpcs)	159	159	159	159	159
Number of shares, diluted	18,197	18,139	18,197	18,139	18,209
Number of shares (kpcs), weighted average	18,059	18,059	18,059	18,139	18,120
Number of shares traded (kpcs)	341	196	2,083	642	1,019
Earnings per share (EUR)	0.14	0.16	0.50	0.66	1.20
Earnings per share, diluted (EUR)	0.14	0.16	0.50	0.66	1.19
Equity per share (EUR)	8.75	10.01	8.75	10.01	10.48
Cash flow from operations per share (EUR)	0.60	0.50	0.89	1.47	2.66
Solvency ratio	74.0%	75.0%	74.0%	75.0%	75.0%
Return on equity	7.0%	8.7%	7.0%	8.7%	11.7%
Gross capital expenditure (MEUR)	1.7	1.6	5.8	3.8	5.4
Depreciation (MEUR)	3.8	4.0	11.1	11.8	15.8
Average personnel	1,515	1,435	1,476	1,416	1,422

Financial Instruments

	9/2013	9/2012	1-9/2013	1-9/2012	1-12/2012
Nominal value of financial derivatives	20.1	20.9	20.1	20.9	20.9
Fair values of financial derivatives, assets	0.5	0.2	0.5	0.2	0.5
Fair values of financial derivatives, liabilities	0.0	0.3	0.0	0.3	0.0

Financial derivatives consist solely of foreign currency forwards and they are measured based on price information derived from active markets and commonly used valuation methods (Fair value hierarchy 2). Financial contracts are executed only with counterparties that have high credit ratings.

Definition of key ratios

Earnings per share	=	Profit (loss) before taxes less taxes +/- non-controlling interest --- Average number of shares	
Earnings per share, diluted	=	Profit (loss) before taxes less taxes +/- non-controlling interest --- Average number of shares, diluted	
Equity / share	=	Shareholders' equity -- Number of shares at balance sheet date, diluted	
Cash flow from operations / share	=	Cash flow from business operations -- Number of shares at balance sheet date, diluted	
Solvency ratio, (%)	=	Shareholders' equity plus non-controlling Interest --- Balance sheet total less advance payments	x 100
Return on equity (ROE), (%)	=	Profit/loss before taxes less taxes --- Shareholders' equity + non-controlling interest (average)	x 100

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