

Vaisala Capital Markets Day

May 26, 2014

VAISALA

Agenda

- 12:00 Welcome and introductions
- 12:15 Weather
- 12:45 Renewable Energy
- 13:15 Break
- 13:30 Controlled Environment
- 14:15 Vaisala's strategy and long-term financial targets
- 14:45 Questions and answers
- 15:00 Break
- 15:15 Factory tour
- 16:30 Light snack

Vaisala

Vaisala is a global leader in environmental and industrial measurement.

We serve customers in weather and controlled environment markets.

Market Segments We Serve

Weather



Meteorology



Airports



Roads and Rail



Defense



New Weather Markets

Controlled Environment



Life Science



Targeted Industrial Applications

Weather

Kai Konola
Executive Vice President

VAISALA

Contents

Weather Opportunity

Driving Growth through Business Model Evolution Based Strategy

Conclusion

VAISALA

Weather Business Area - Overview

Meteorology



Airports



Defense



200M€ net sales
14.5.M€ profit (2013)

1. Customers' primary interest is the **safety** and protection of lives and property, through **effective operations** and **decision-making support** under any weather conditions.
2. Our Brand is recognized for **quality, technology innovations** and **weather knowledge**
3. We bring **operational benefits** through a wide offering of products, projects, weather information and services.

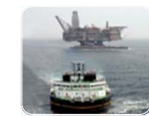
Roads & Rail



Energy








Maritime



Weather Markets in 2014

Global market sizes and growth

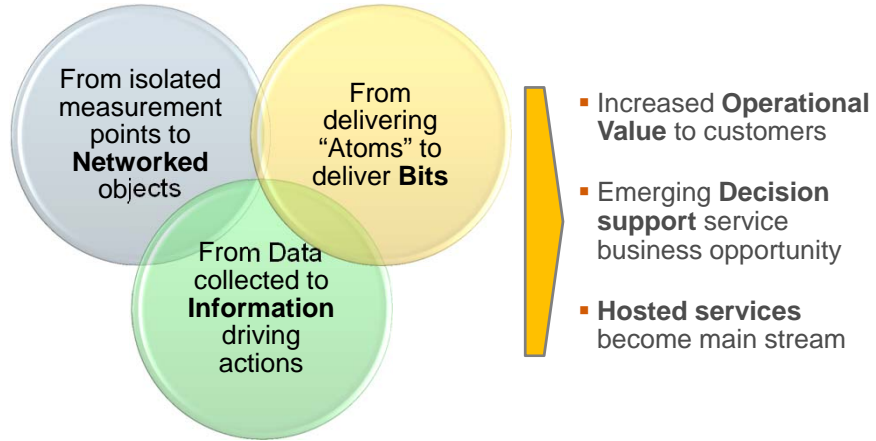
	Meteorology	Airports	Defense	Roads	Energy	Maritime
in MEUR						
Market size*	320	145	155	100	260	40
Market growth p.a.	0%	4%	-2%	6%	>10%	>10%
Vaisala market share 2014*	Mid	High	Mid	High	Low	Mid
Market size total	1,020 MEUR - ~20% market share					

Market share indication:

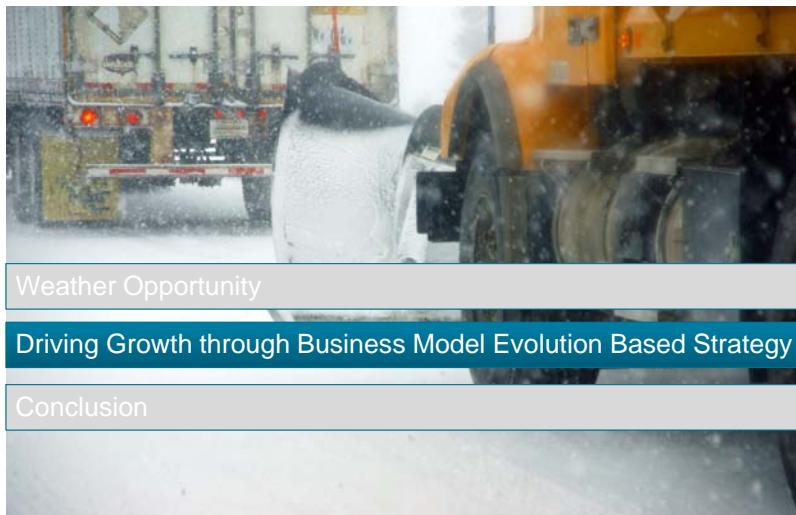
Low <10%
Mid 10-30%
High >30%

* Vaisala estimate of the size of market that is addressable currently or with organic development in the roadmaps

Opportunity Drivers for Vaisala in Weather



Contents



Focus on Creating Increased Operational Value for Our Customers

Reliable weather technology provider



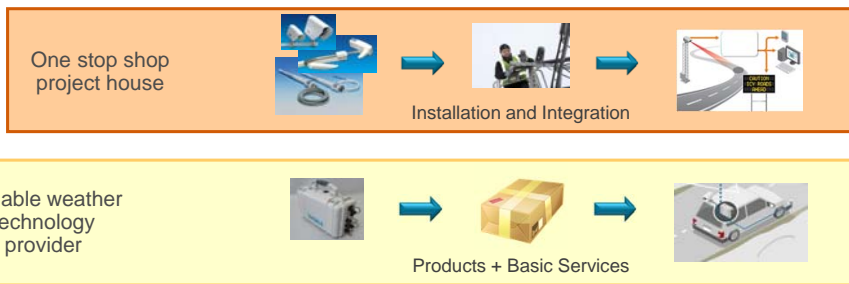
Products + Basic Services

Broad & Reliable Weather Offering

High mix, low volume business



Focus on Creating Increased Operational Value for Our Customers



Unique Capability to Deliver Projects Everywhere on the Globe

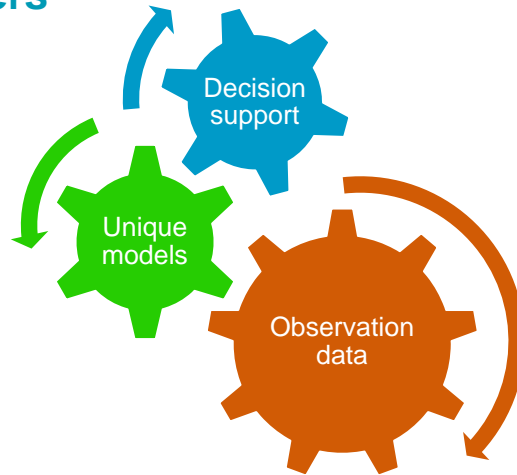


Bringing Network Manager for Efficient Operations & Maintenance

But – how much can you grow...?

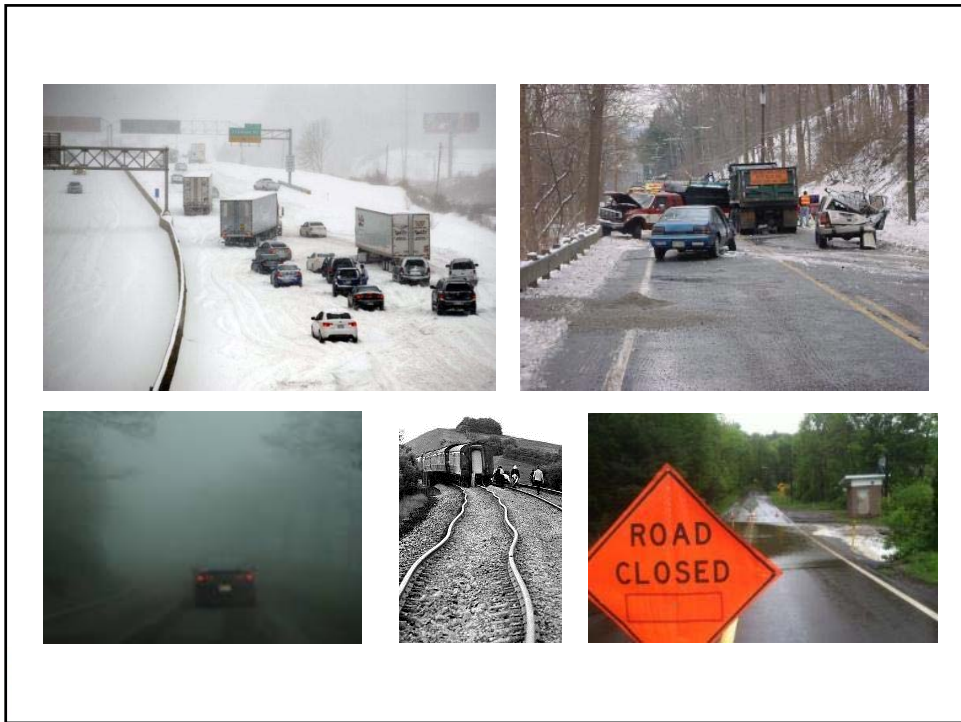


We have Unique Set of Capabilities that Drive Creation of Operational Value for Customers



What's on his mind?



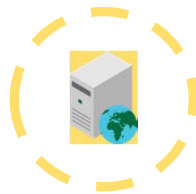


Need for Total Road Weather Information Management

Observations



Data management



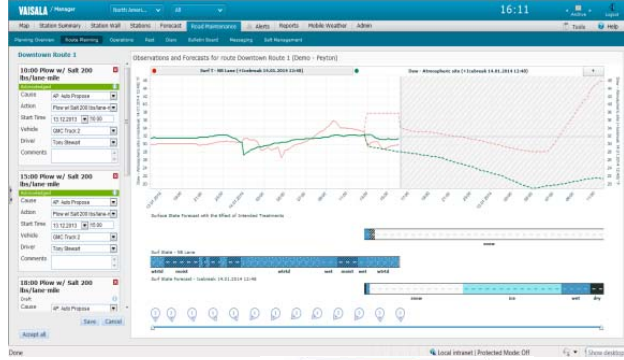
Applications



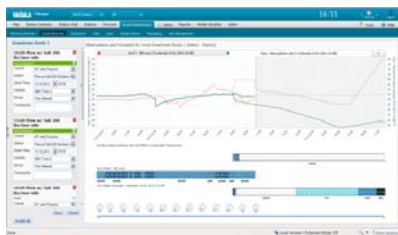
Services



Offer New Value to Road Customers



... Pulling through "The Old Value"



And Bringing Opportunity for New Innovation - Roads "Tweet"

- Customers can easily authorize RoadDSS Manager to send tweets to a single twitter account
- No need to separately log-in to Twitter
- Enables customers to be more transparent to the road users by sharing information such as treatment plans



Focus on Creating Increased Operational Value for Our Customers

Business partner providing operational value



Information Service contracts

One stop shop project house



Installation and integration

Reliable weather technology provider



Products + Basic Services

Build New Business around Information Services

Roads winter maintenance optimization



RoadDSS Manager
Traffic Weather Consulting

Airport winter maintenance and Aircraft de-icing optimization, Lightning warnings



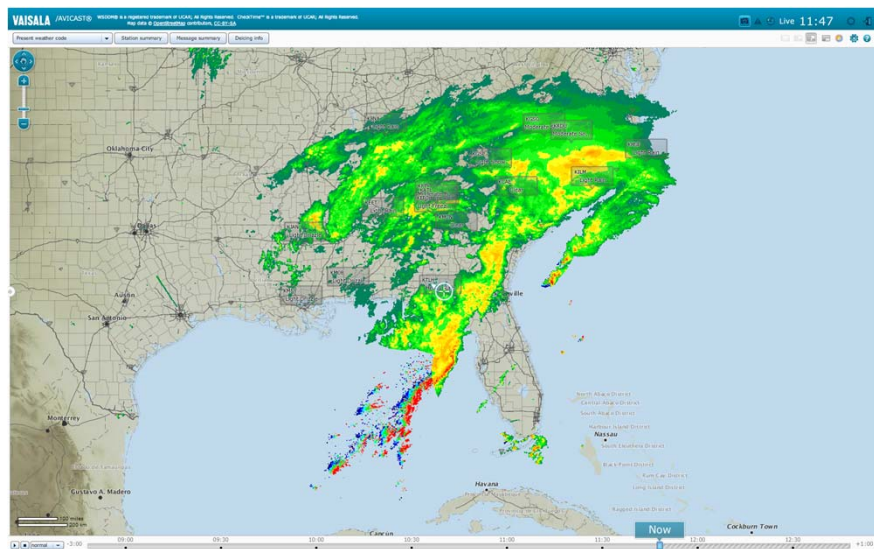
AviCast
CheckTime
ALIS

Renewable energy operations

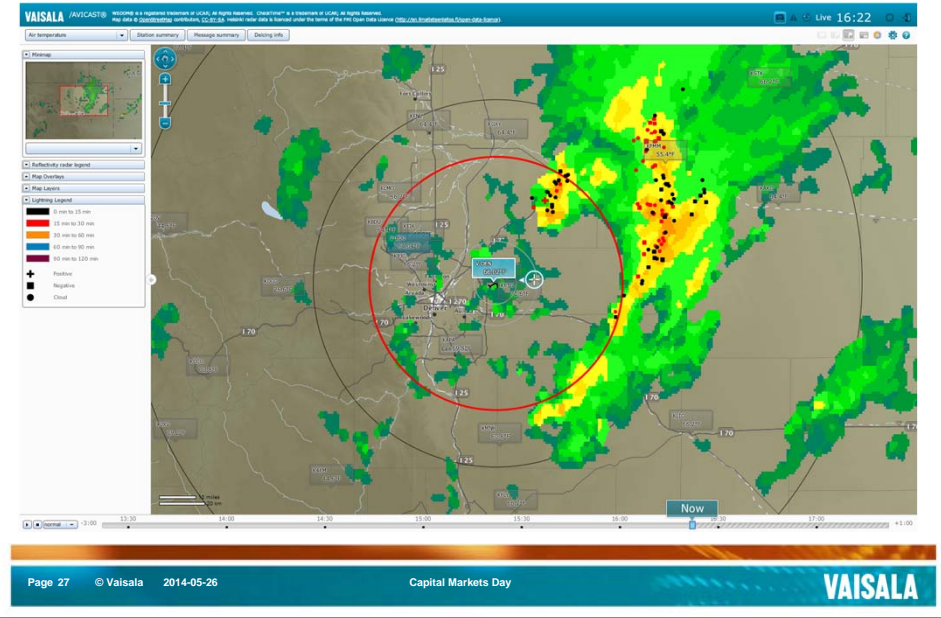


Long and short term forecasts
Assessment Consulting

AviCast Supports Efficient Airport Operations



AviCast Supports Efficient Airport Operations



Build New Business around Information Services

Roads winter maintenance optimization



RoadDSS Manager
Traffic Weather Consulting

Airport winter maintenance and Aircraft de-icing optimization, Lightning warnings



AviCast
CheckTime
ALIS

Renewable energy operations



Long and short term forecasts
Assessment Consulting

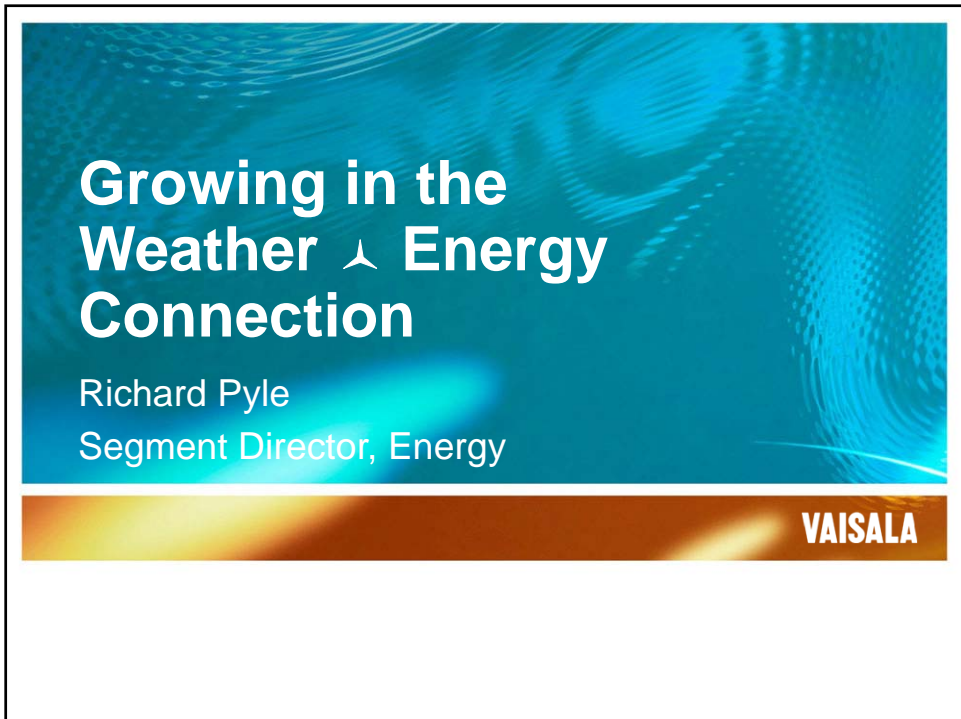
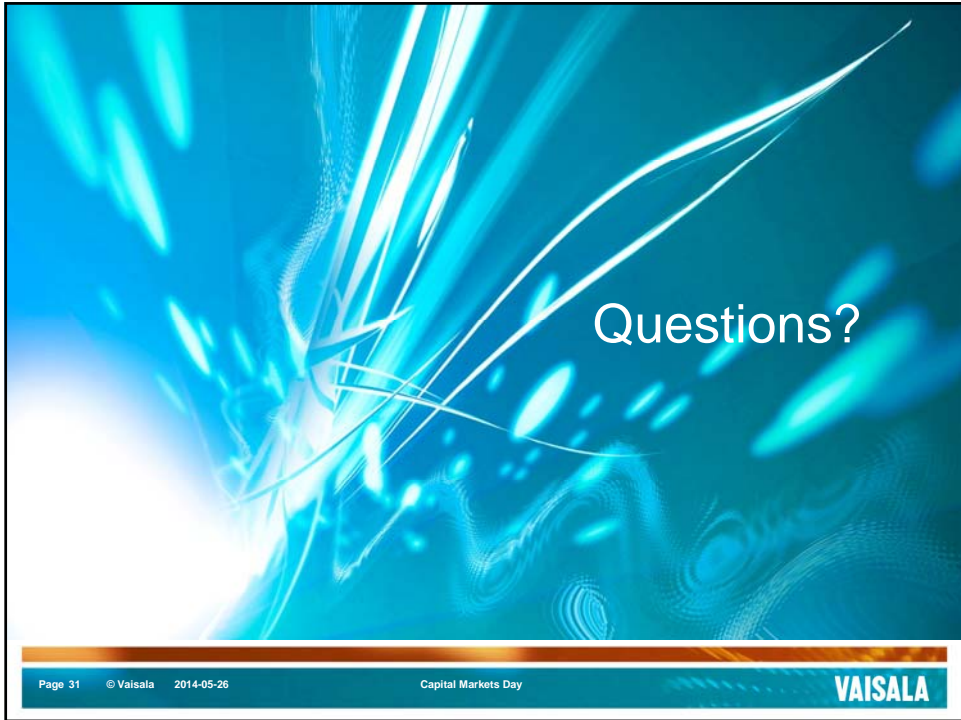
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Summary: Components of Weather Business Growth

- Deliver increased Operational value to customers with Information services
- Continue delivering products, projects & services with high reliability
- Increase investment in software and hosted service capabilities
- **Execute renewable energy strategy**





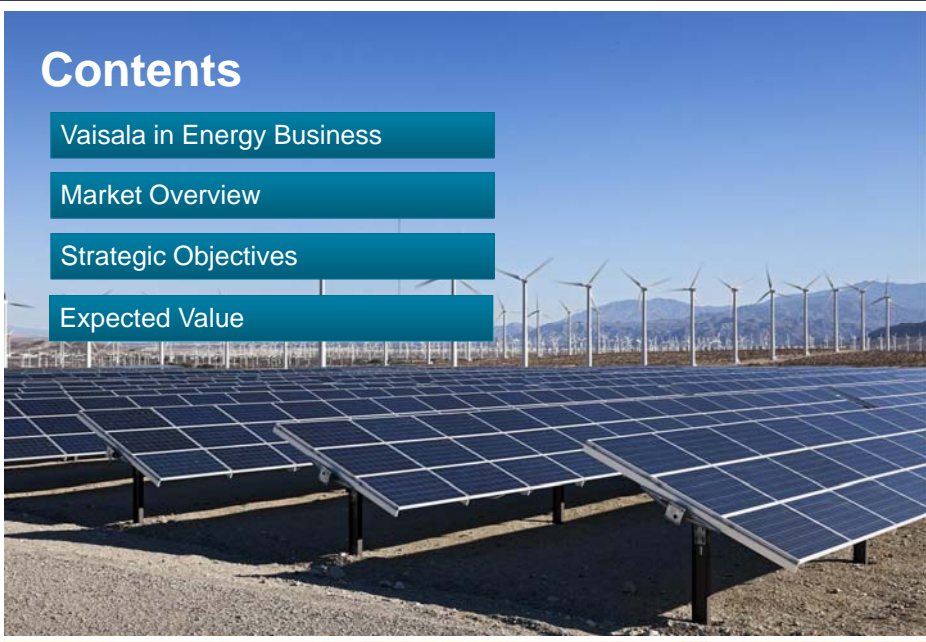
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Vaisala in Energy Business

Market Overview

Strategic Objectives

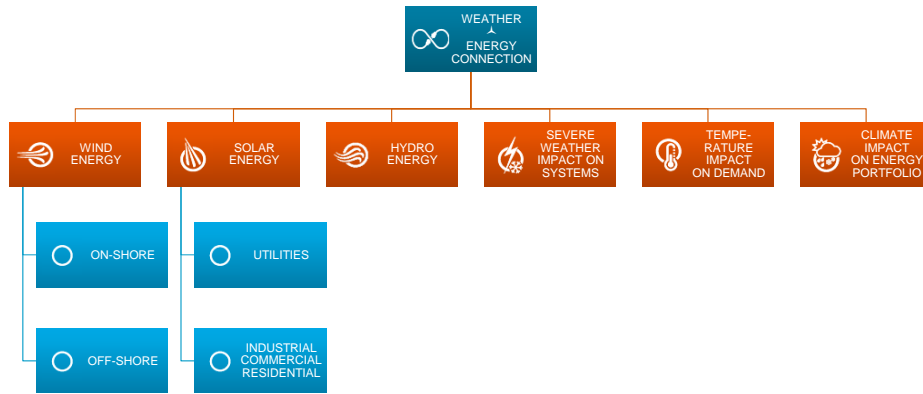
Expected Value



Weather and Energy are Tightly Connected to Each Other



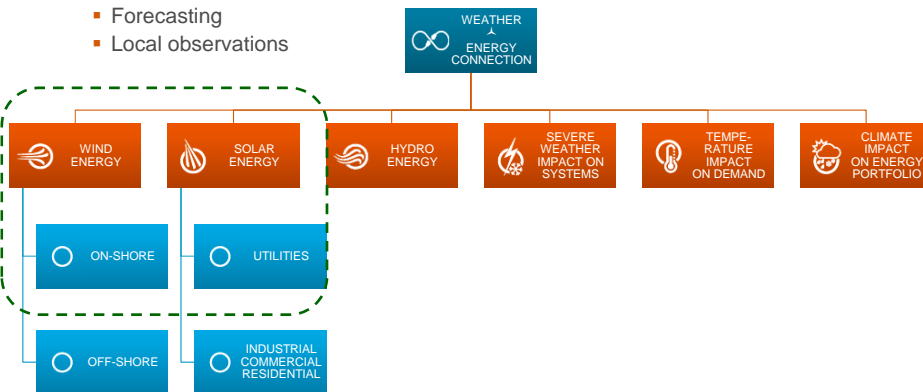
Weather and Energy are Tightly Connected to Each Other



Current Focus And Offering

– On-shore wind, utility solar and lightning/icing detection

- Services, systems and sensors for
 - Resource assessments
 - Forecasting
 - Local observations
- Other markets have untapped potential

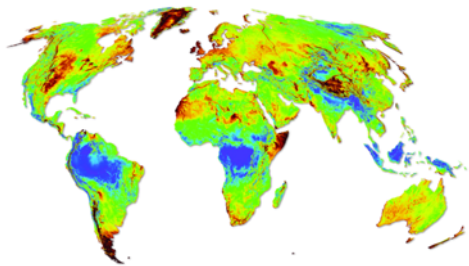


Wind and Solar Energy Production

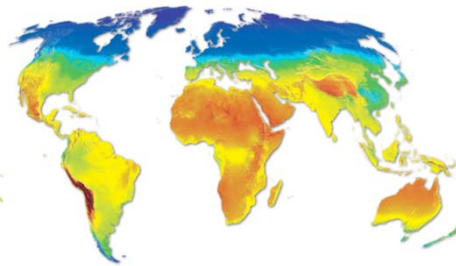
- Transition towards market driven dynamics ongoing

- Fastest growth where **cost is at/near parity** with traditional energy sources
- Renewable energy incentives/programs accelerate build activity
- Resource availability defines the long-term potential

Wind: global mean wind speed at 80m
(Source: 3TIER)



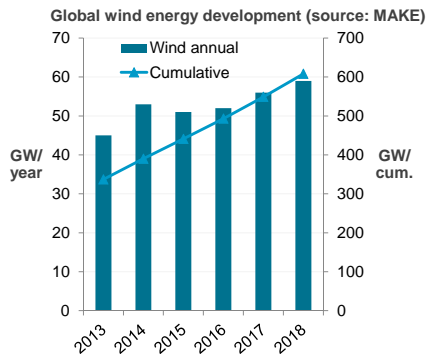
Solar: global horizontal irradiation
(Source: 3TIER)



Wind Evolving, Solar Emerging

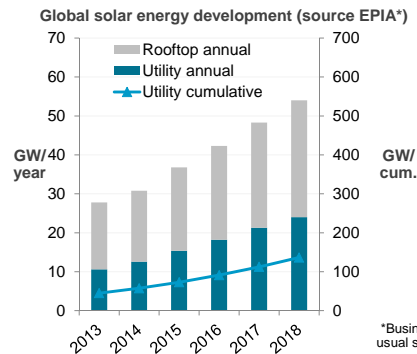
Wind

- Utility scale major plants
- Top ~20 countries form ~90% of market
- Established industry focusing on cost and process optimization



Solar

- kW...GW systems, easy deployments
- Emerging into a key long-term energy source
 - Major population lives in high-irradiation areas
- Distributed plants close to consumption will be most efficient for utilities



*Business as usual scenario

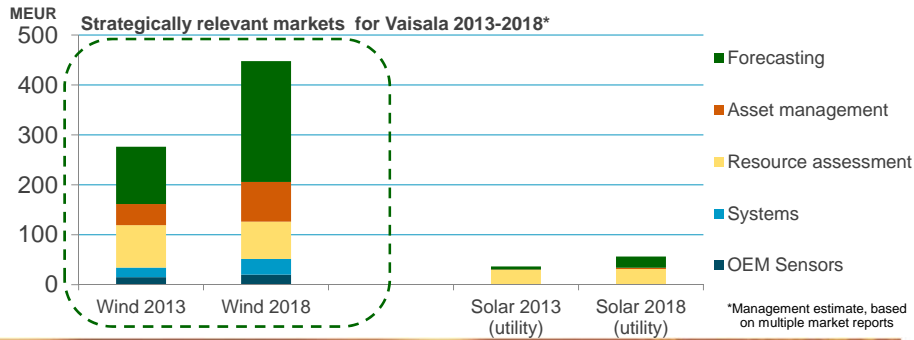
Growth in Wind, Positioning in Solar Market

Wind – Priority for growth in 2014-18

- Prudent risk assessments and forecasts bring major value across energy chain
- Local observation data is essential

Solar – Establishing strategic market position

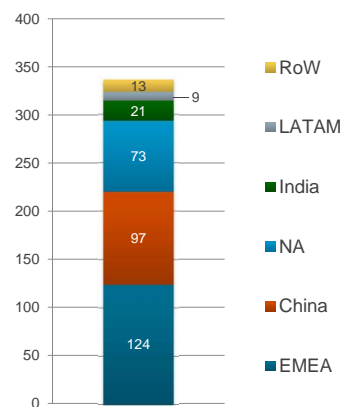
- Database-assessment often 'good enough'
 - Sophistication level is increasing
- Forecasting importance grows with penetration
- Non-utility market will be explored



75% of Installed Wind Capacity in China, USA and Top European Countries

- China has ~30% of installed capacity
- USA: ~20%
- Germany: ~10%
- Spain: ~7%
- India: ~6%

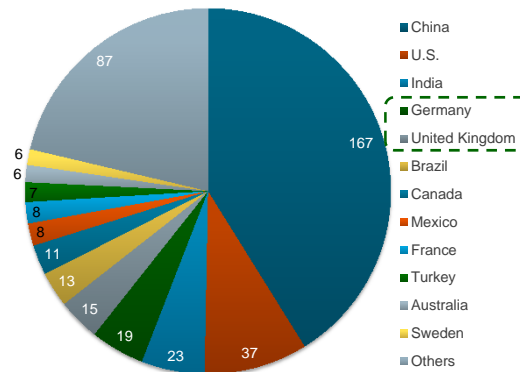
Installed wind capacity 2013 (GW)
Source: Bloomberg



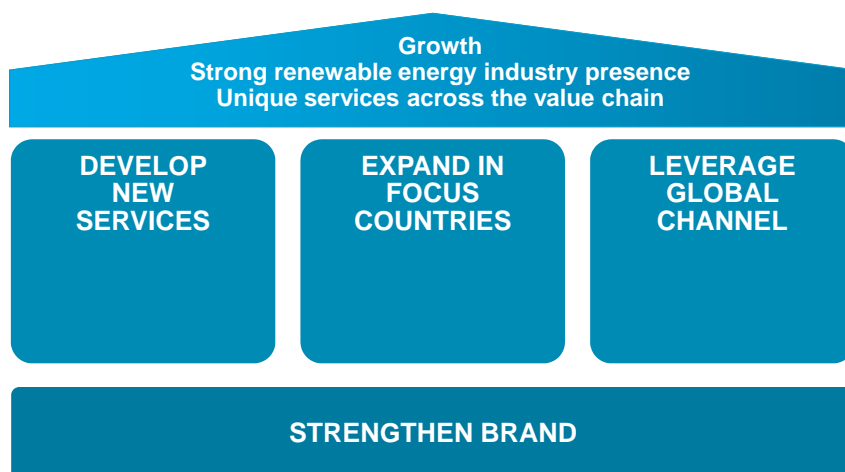
60% of New Build in China, USA and India

- 400 GW of new capacity expected until 2020
- China's build is equal to the following 11 countries

Top countries in the expected new wind capacity build 2014-2020 (GW) Source: MAKE consulting



Strategic Initiatives

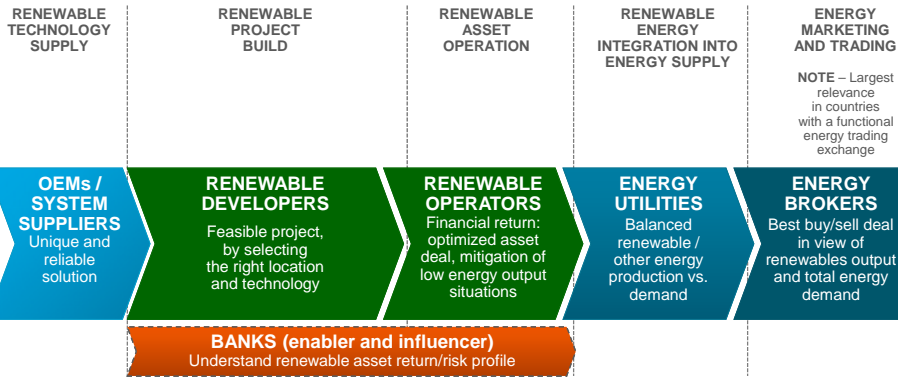


Management of Risk

– The top need for all energy players involved with the renewables

DEVELOP NEW SERVICES EXPAND IN FOCUSED COUNTRIES LEVERAGE GLOBAL CHANNEL

STRENGTHEN BRAND

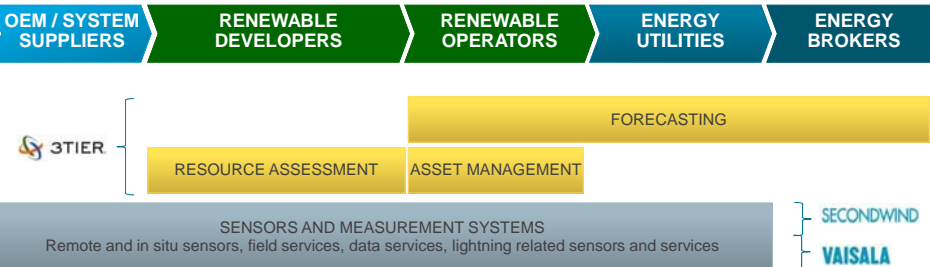


Positioned to Reduce the Risk of Renewable Energy

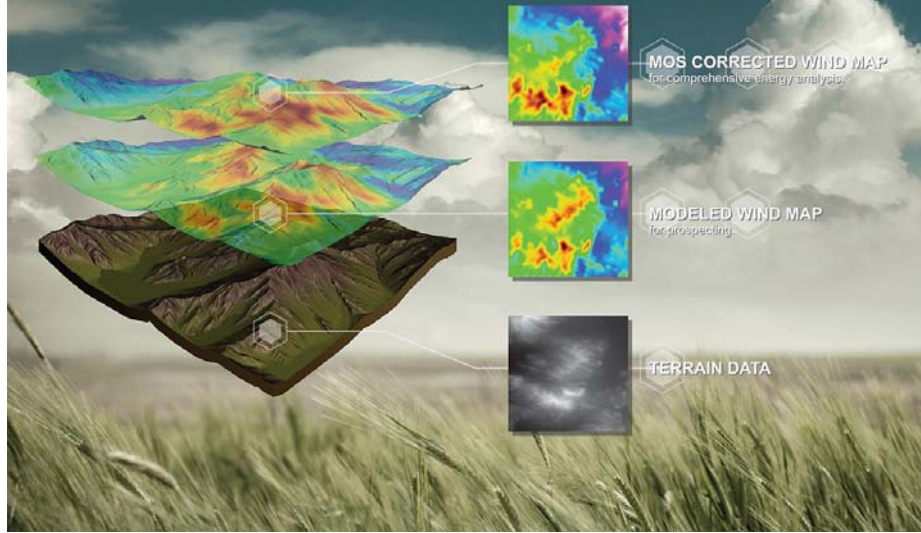
- Addressing value chain with
 - Sensors
 - Systems
 - Decision support services

DEVELOP NEW SERVICES EXPAND IN FOCUSED COUNTRIES LEVERAGE GLOBAL CHANNEL

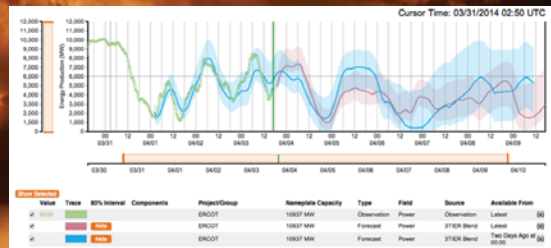
STRENGTHEN BRAND



Resource Assessment



Forecasting



Observations



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Lightning Sensors and Data



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Competitive Advantages Support Growth Ambitions

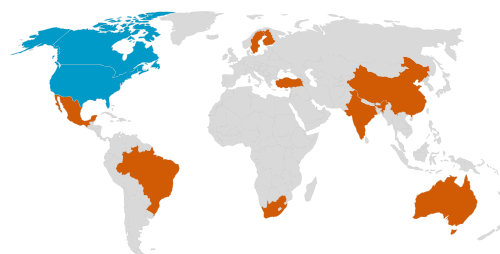
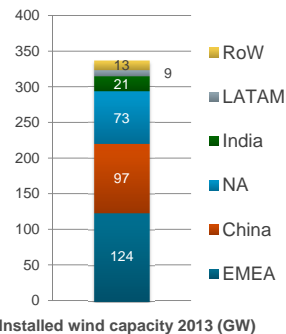


- Comprehensive service offering, including technology
- Accurate and tailored location specific forecasts
- Risk evaluation capability, leveraging observations and advanced modeling
- Cold climate expertise
- Remote sensing: reduced time, location number and cost
- Data services, field services
- Comprehensive data sets for lightning, wind and solar

Growth Model Selected per Opportunity



- Mature wind markets, strong capability → New services to expand in operational phase
- Growing wind markets, limited capability → Build/expand presence, leverage broad offering
- Other wind markets, strong presence → Leverage channel, capture focused opportunities



Expected new wind focus through 2018

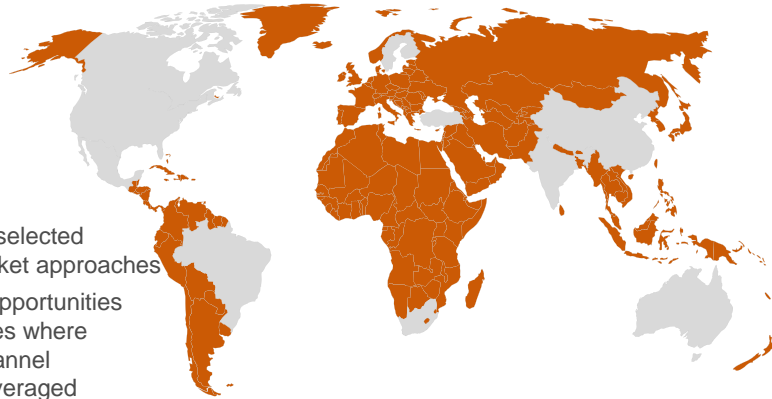
Leverage Existing Channels to Grow

DEVELOP
NEW
SERVICES

EXPAND IN
FOCUSED
COUNTRIES

LEVERAGE
GLOBAL
CHANNEL

STRENGTHEN BRAND



- Carefully selected go-to-market approaches
- Capture opportunities in countries where strong channel can be leveraged

Aiming to Increase Brand Awareness and Bankability

DEVELOP
NEW
SERVICES

EXPAND IN
FOCUSED
COUNTRIES

LEVERAGE
GLOBAL
CHANNEL

STRENGTHEN BRAND

- Position Vaisala in the renewable energy
 - relevant events
 - committees and
 - publications
- Leverage 3TIER and Second Wind brands
 - 3TIER® services
 - Triton® Sonic Wind Profiler
 - Nomad® Desktop Software and Nomad® Wind Data Loggers
 - SkyServe®

VAISALA

3TIER SECONDWIND
by Vaisala by Vaisala

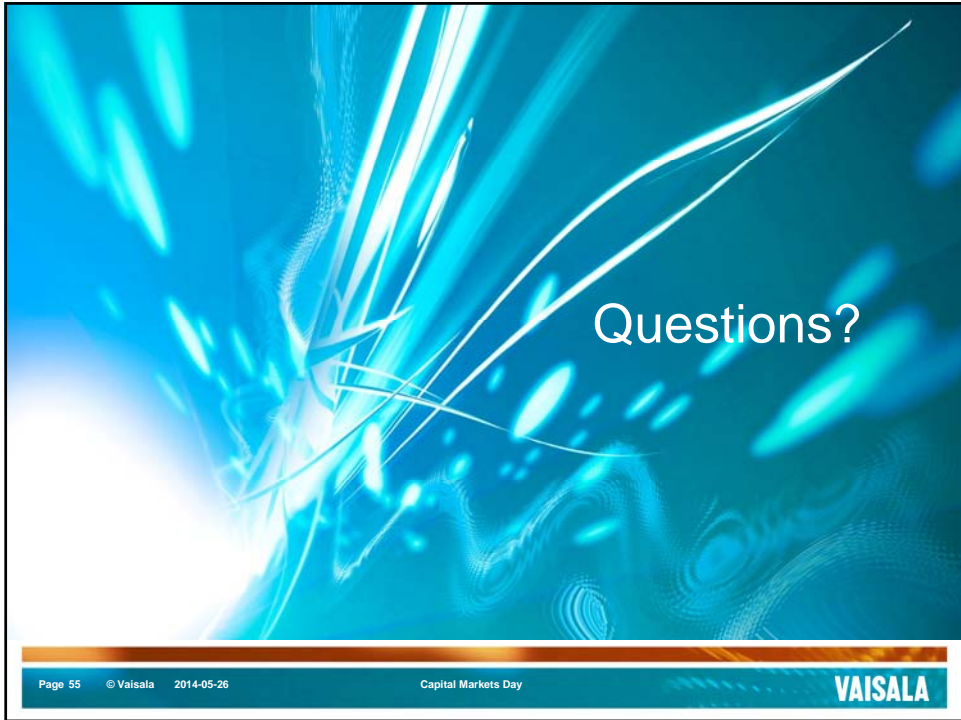


Realizing Value – Through growth and rigorous execution

- Broad Market addressed with deep value capture
- Market offers opportunities, **growth requires expansion of presence**
 - New countries – New services – Leveraging our global channel
- Our role as a **key shaper of renewable energy**
- Competitive advantages enable market share growth
- Planning completed, execution building to full speed later in 2014



Maximize the potential of renewable energy



Questions?

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Controlled Environment

Sampsa Lahtinen
Executive Vice President

VAISALA

Controlled Environment (CEN)



Controlled Environment Business Area serves industrial customers whose primary interest is in operational quality, productivity and energy savings.

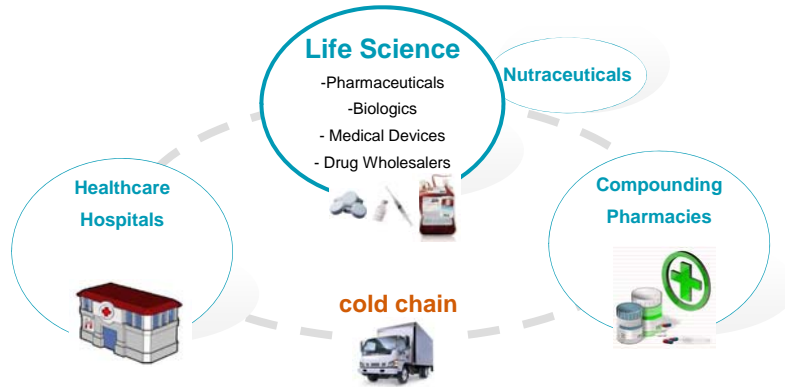
The main markets are life science (LSC) and targeted industrial applications (TIA).

Examples of Industrial Customer Applications



High voltage assets – Heating, ventilation and air conditioning –
Engine testing – Agriculture and food industry – Industrial drying –
Turbine inlet air – Compressed air – Semiconductor...

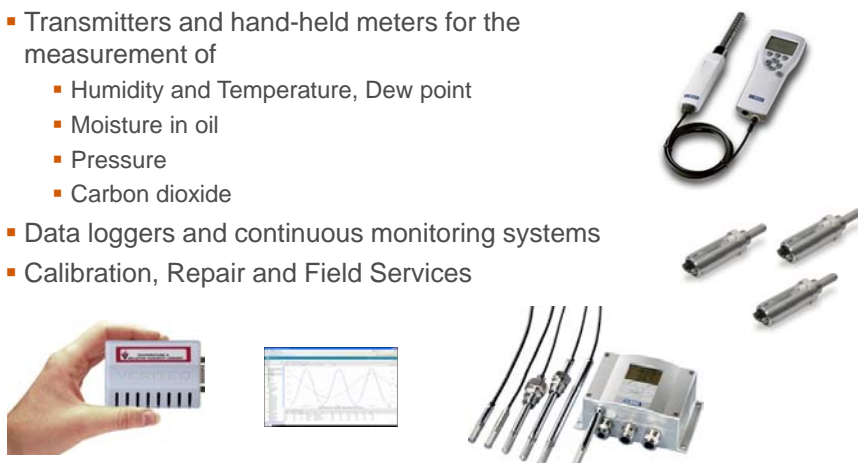
Life Science Customers



- Life Science End Customers affected by strict regulations
- Manufacturers and system integrators who supply equipment for this industry

Typical Products Used by CEN Customers

- Transmitters and hand-held meters for the measurement of
 - Humidity and Temperature, Dew point
 - Moisture in oil
 - Pressure
 - Carbon dioxide
- Data loggers and continuous monitoring systems
- Calibration, Repair and Field Services



Value for the Customers

We help our customers to improve

- product quality
- productivity
- energy efficiency
- maintenance activities
- regulatory compliance



Measure → **Monitor** → **Validate**
in Controlled Environments

Controlled Environment Markets

Global market sizes and growth in 2014

in MEUR	Targeted Industrial Applications	Life Science
Market size *	300	230
Market growth p.a.	5%	7%
Vaisala market share 2014	Mid	
Market size total	530 MEUR	

Market share indication:
 Low <10%
 Mid 10-30%
 High >30%

* Vaisala estimate of the market size

Market Environment and Drivers

Targeted industrial applications



- Process control methods / automation continue to develop
- Energy efficiency requirements, e.g. in drying processes & HVAC, increase
- Condition based maintenance practices increase
- Urbanisation

Life Science



- The regulations keep becoming more stringent and harmonized
- Outsourcing of non-core activities will continue in the industry
- Demand exists for high end and mid range offering (HW, SW, service)

Growing markets

Growth for Life Science and Industrial Measurement Markets



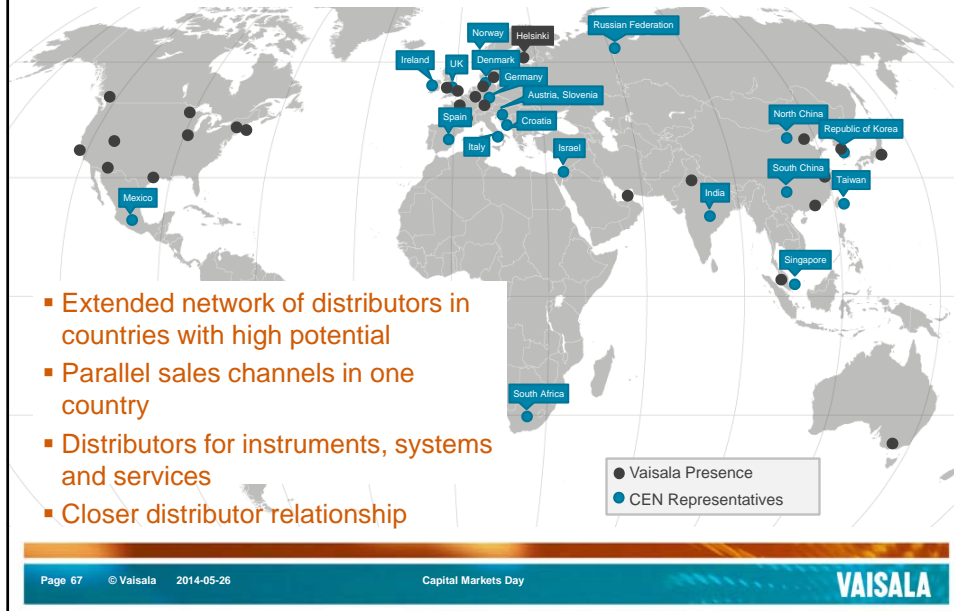
Strategic Choices for Instrument Business (LSC+TIA)



Strategic Choices for System Business (LSC+TIA)

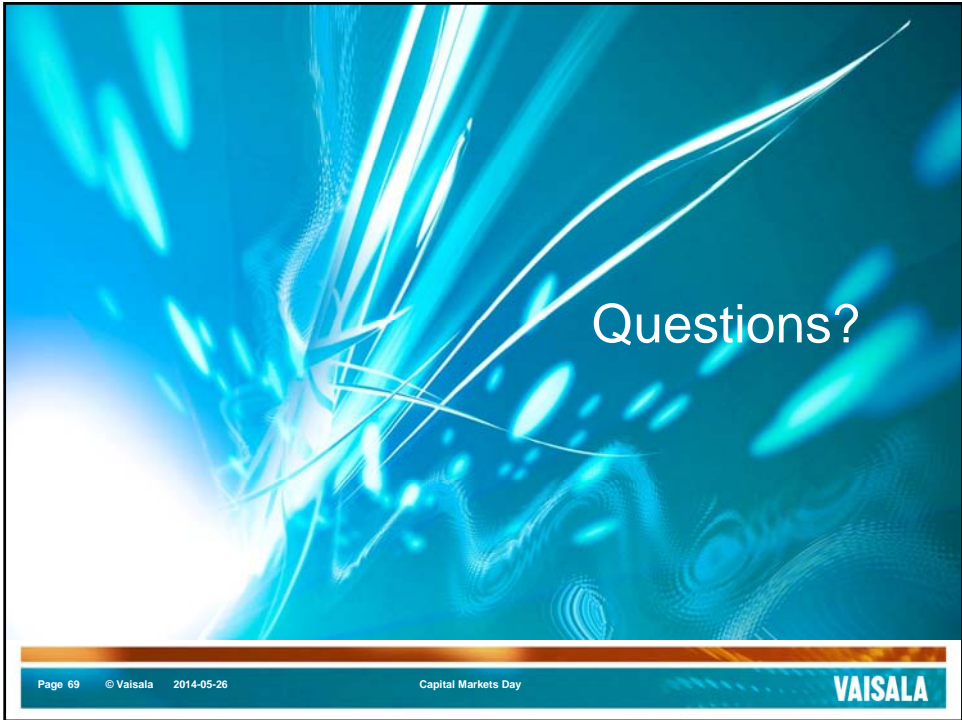


Growth through Regional Expansion



Conclusions

- Both industrial measurement and life science markets are growing.
 - Controlled Environment continue to invest in new products for both markets for long-term growth.
 - Controlled Environment also seek growth through regional expansion.
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Contents



External Trends

- Climate change
- Renewable energy
- Smart grids
- Energy Efficiency
- Data integration
- Digitalization
- Emerging economies
- Health, aging population
- Urbanization



Vaisala Markets

Global market sizes and growth in 2014

In MEUR	Meteorology	Airports	Defense	Roads	Energy	Maritime	Targeted Industrial Applications	Life Science
Market size*	320	145	155	100	260	40	300	230
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Vaisala market share 2014*	Mid	High	Mid	High	Low	Mid	Mid	Mid
Vaisala addressable market size total	1,550 MEUR							

Market share indication:
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 Mid 10-30%
 High >30%

* Vaisala's own estimate of the size of market that is addressable currently or with organic development in the roadmaps, no external market information available

Vaisala 2014–2018 Strategy

Vision and Mission



Vision

We focus on being the leading provider of operational value for our customers in targeted segments of weather and controlled environment markets.

Mission

We offer high reliability and added value with our products and services by bringing together customer business expertise and our technical expertise.



Vaisala Strategic Objectives

We drive our strategy execution through the following strategic themes

Creation of customer value

- Driving growth

Build information services

Build industrial business

Reliability

- Driving customer experience

Reliable customer experience

Quality of products and services

Simplification

- Driving efficiency

Optimize global network

Use core processes and tools

RS41, Fourth Generation Radiosonde



- Creation of customer value
- Reliability
- Simplification

Sustainability

- Sustainability in Vaisala is integrated into strategy and ensures the company's long-term success through minimizing risks, safeguarding reputation and generating value through sustainable technologies
- Many of our solutions generate value to our customers beyond their primary purpose
 - Savings in energy, chemicals, fuel and human lives
- Vaisala has a culture of responsibility, good governance and strong sense of purpose

Outlook 2014 and Long-Term Financial Targets

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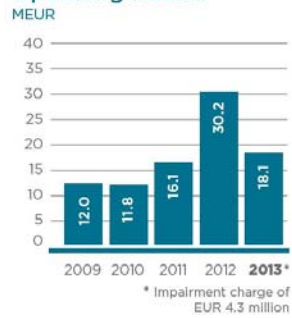
Market Outlook 2014

- Vaisala expects that continued signs of economic recovery will gradually revive weather observation and industrial measurement solutions market, typically expressing post-cyclical behavior.
- In EMEA demand for weather observation solutions is expected to remain solid, and also industrial measurement market has showed early signs of gradual revival.
- In North America market outlook for weather observation and industrial measurement solutions is unfavorable. In spite of passed increase in US debt ceiling and favorable economic outlook, signs of market upturn have not yet been registered in the market.
- Weather observation market in APAC is expected to remain active. Demand for industrial measurement solutions in APAC is expected to continue increasing in local currencies.

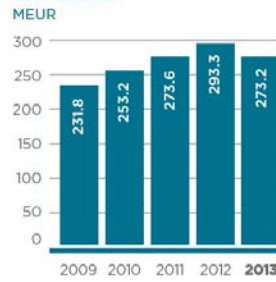
Business Outlook 2014

- Vaisala estimates its full year 2014 net sales to be in the range of EUR 290–320 million and the operating profit (EBIT) in the range of EUR 20–30 million.

Operating Result



Net Sales



Long-Term Financial Targets

- Growth
 - Vaisala targets an average annual growth of 5%.
 - In selected growth businesses such as renewable energy and life science the target is to exceed 10% annual growth.
- Profitability
 - Vaisala's objective is profitable growth and the target is to achieve 15% operating profit (EBIT) margin towards the end of the period.

Customer Promise

- We engage with our customers to better understand their needs, to create operational value with an innovative offering, leading performance and usability.
- We are a reliable partner for our customers through long-term commitment and our high quality products and services.
- We continuously improve our customer service and operational efficiency.

➤ Increasingly loyal customers drive long-term profitable growth



Questions?