

Vaisala Corporation Interim Report

April 24, 2019 at 2.00 p.m. (EEST)

## Vaisala Corporation Interim Report January–March 2019

Strong orders received and good net sales growth

### First quarter 2019 highlights

- Orders received EUR 113.0 (87.1) million, increase 30%
- Order book at the end of the period EUR 150.9 (133.4) million, increase 13%
- Net sales EUR 84.2 (76.4) million, increase 10%
- Operating result (EBIT) EUR -0.0 (5.7) million, -0.0 (7.5) % of net sales
- Earnings per share EUR 0.01 (0.10)
- Cash flow from operating activities EUR 7.8 (-5.4) million
- Cash and cash equivalents at the end of the period EUR 75.6 (Dec 31, 2018: 72.7) million, increase 4%

### Business outlook for 2019

Vaisala estimates its full-year 2019 net sales to be in the range of EUR 380–400 million and its operating result (EBIT) to be in the range of EUR 25–35 million including EUR 10–12 million acquisition related amortization and one-off expenses related to a lease contract.

### Key Figures

		1-3/2019	1-3/2018	Change	2018
Orders received	MEUR	113.0	87.1	30%	334.2
Order book	MEUR	150.9	133.4	13%	120.6
Net sales	MEUR	84.2	76.4	10%	348.8
Gross profit	MEUR	44.8	39.1	14%	185.0
Gross margin	%	53.2	51.3		53.1
Operating expenses	MEUR	43.0	33.5	28%	148.3
Operating result	MEUR	-0.0	5.7	-101%	38.9
Operating result	%	-0.0	7.5		11.1
Result before taxes	MEUR	0.2	4.5	-95%	37.5
Result for the period	MEUR	0.2	3.5	-95%	29.5
Earnings per share	EUR	0.01	0.10	-95%	0.82
Return on equity	%	0.4	7.4		16.0
Capital expenditure	MEUR	4.4	2.2	99%	14.5
Depreciation, amortization and impairment	MEUR	6.3	2.2	190%	12.1
Cash flow from operating activities	MEUR	7.8	-5.4	244%	48.3
Cash and cash equivalents	MEUR	75.6	83.5	-10%	72.7
Interest-bearing liabilities	MEUR	50.7	0.0		40.5
Gearing	%	-15.3	-43.8		-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 comments on the first quarter 2019**

“Vaisala’s year 2019 started with strong orders received and good growth in net sales. Orders received grew by 30% and growth of orders without currency impact as well as Leosphere and K-Patents acquisitions was 15%. In Weather and Environment Business Area, large project orders picked up clearly. We signed a EUR 15 million order for weather observation systems for 31 airports in Argentina, and a EUR 7 million order for a new road weather station network in Sweden. However, deliveries of these projects will start late 2019 and are mainly scheduled over the next 2–4 years. Leosphere acquisition took Weather and Environment Business Area’s net sales to growth, although weak order book at the beginning of the year and seasonally low quarter affected net sales. Industrial Measurements Business Area also had a strong quarter with 23% growth. Its net sales were again all-time high and the growth was strong in all regions.

Improved product profitability resulted in higher gross margin. However, increase in R&D expenditure in line with the plan, amortization of intangible assets as well as one-off expenses took operating result to break-even level.

We are committed to continue investments in R&D to introduce new and improved products and systems. In Industrial Measurements Business Area, one example of our determined work is disruptive biogas measurement instrument, which we launched early this year. This instrument simultaneously measures methane, carbon dioxide and humidity in demanding environments, and it is optimized for biogas production processes.

Integration of Leosphere is proceeding according to plan and integration of K-Patents has started well during the first quarter. We expect to complete these integration projects during the second half of this year.”

## Financial review Q1 2019

### Orders received and order book

		1-3/2019	1-3/2018	Change	Change comp. rates	2018
Orders received	MEUR	113.0	87.1	30%	27%	334.2
Order book, end of period	MEUR	150.9	133.4	13%		120.6

First quarter 2019 orders received increased by 30% compared to previous year and totaled EUR 113.0 (87.1) million. Orders received increased in both business areas as well as in EMEA and Americas, but decreased in APAC where comparison period included the third phase of the Vietnamese project in Weather and Environment Business Area. Growth of orders received without currency impact and acquisitions was 15%.

At the end of March 2019, order book amounted to EUR 150.9 (133.4) million and increased by 13% compared to previous year. Order book increased by EUR 30 million from the end of 2018 and it increased in both business areas. Order book in EMEA increased, was flat in Americas and decreased in APAC. EUR 101.1 (97.1) million of the order book is scheduled to be delivered in 2019. Acquisitions increased order book by EUR 9 million.

### Financial performance

		1-3/2019	1-3/2018	Change	Change comp. rates	2018
Net sales	MEUR	84.2	76.4	10%	8%	348.8
Products	MEUR	59.7	48.0	25%		230.5
Projects	MEUR	11.5	17.2	-33%		70.0
Services	MEUR	13.0	11.2	16%		48.3
Gross margin	%	53.2	51.3			53.1
Operating expenses	MEUR	43.0	33.5	28%		148.3
R&D expenditure	MEUR	13.0	10.6	22%		38.9
% of net sales	%	15.4	13.9			13.0
Amortization*	MEUR	3.0	0.2			3.8
Operating result	MEUR	-0.0	5.7			38.9
% of net sales	%	-0.0	7.5			11.1

\* Amortization of intangible assets related to acquired businesses

First quarter 2019 net sales grew by 10% compared to previous year and were EUR 84.2 (76.4) million. Foreign currency translation impact on net sales growth was approximately EUR 2 million, evenly distributed between business areas. Net sales grew in both business areas as well as in EMEA and Americas. Net sales in APAC were at previous year's level. Net sales decrease in project business reflects low project orders in 2018 in Weather and Environment Business Area. Growth of net sales without currency impact and acquisitions was -4%.

**Net sales by geographical area**

		1-3/2019	1-3/2018	Change	2018
Americas	MEUR	32.7	29.5	11%	136.8
APAC	MEUR	24.4	24.6	-1%	109.6
EMEA	MEUR	27.1	22.3	21%	102.3
Total	MEUR	84.2	76.4	10%	348.8

First quarter 2019 gross margin improved to 53.2 (51.3) % as a result of improved profitability of product deliveries and high share of product sales and in both business areas.

First quarter 2019 operating result declined from previous year and was EUR -0.0 (5.7) million, -0.0 (7.5) % of net sales. Increased operating expenses burdened operating result. Operating expenses included EUR 3.0 million of non-cash amortization of intangible assets related to acquired businesses. R&D expenditure increased according to plan. In addition, operating result included EUR 2.0 million provision of one-off expenses.

First quarter 2019 financial income and expenses were EUR 0.3 (-1.2) million. This was mainly a result of valuation of USD denominated receivables and USD currency hedging. Result before taxes was EUR 0.2 (4.7) million and result for the period EUR 0.2 (3.5) million. Earnings per share was EUR 0.01 (0.10).

**Statement of financial position, cash flow and financing**

Vaisala's financial position was strong during the first quarter 2019. Cash and cash equivalents increased to EUR 75.6 (Dec 31, 2018: 72.7) million. Statement of financial position totaled to EUR 342.4 (Dec 31, 2018: 334.4) million. As a result of IFRS 16 Leases implementation, total assets increased by EUR 11 million and total liabilities by EUR 10 million. Dividend liability decided by the Annual General Meeting on March 26, 2019, amounted to EUR 20.8 million.

In January–March 2019, cash flow from operating activities increased to EUR 7.8 (-5.4) million. The increase in cash flow resulted mainly from EUR 4.8 million decrease in net working capital, because receivables decreased.

On March 31, 2019, Vaisala had interest bearing loans from financial institutions totaling EUR 40.4 (Dec 31, 2018: 40.5) million, of which EUR 40.0 million related to utilized revolving credit facility. In addition, interest bearing lease liabilities totaled to EUR 10.3 (Dec 2018: 0.0) million.

**Capital expenditure**

In January–March 2019, capital expenditure in intangible and tangible assets totaled EUR 4.4 (2.2) 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.

Depreciation, amortization and impairment were EUR 6.3 (2.2) million. This included EUR 3.0 million of amortization of identified intangible assets related to acquired businesses.

**Personnel**

The average number of personnel employed during January–March 2019 was 1,794 (1,617). At the end of March 2019, the number of employees was 1,789 (Dec 31, 2018: 1,816). 73 (70) % of employees were located in EMEA, 19 (22) % in the Americas and 9 (9) % in APAC. 60 (63) % of employees were based in Finland.

## Q1 2019 review by business area

### Weather and Environment Business Area

		1-3/2019	1-3/2018	Change	Change comp. rates	2018
Orders received	MEUR	76.2	56.2	36%	34%	215.2
Order book, end of period	MEUR	132.8	120.0	11%		104.9
Net sales	MEUR	49.6	48.1	3%	1%	232.3
Products	MEUR	28.3	22.7	25%		125.5
Projects	MEUR	11.5	17.2	-33%		70.0
Services	MEUR	9.9	8.3	19%		36.9
Gross margin	%	46.1	45.3			48.6
Operating expenses	MEUR	27.2	21.8	25%		96.7
R&D expenditure	MEUR	8.5	7.0	22%		30.5
of net sales	%	17.1	14.5			13.1
Amortization*	MEUR	1.6	0.2			3.8
Operating result	MEUR	-4.3	0.0			17.7
of net sales	%	-8.7	0.0			7.6

\* Amortization of intangible assets related to acquired businesses

Weather and Environment Business Area's first quarter 2019 orders received increased by 36% compared to previous year and totaled EUR 76.2 (56.2) million. Orders received for large projects picked up from 2018. Orders received included EUR 15 million order for weather observation systems for 31 airports in Argentina and EUR 7 million order for a new road weather station network in Sweden. Growth of orders received without currency impact and acquisitions was 20%.

At the end of March 2019, Weather and Environment Business Area's order book amounted to EUR 132.8 (120.0) million and increased by 11% compared to previous year. Order book increased by EUR 28 million from the end of 2018 and it increased in all other regions except in China. EUR 84.6 (85.1) million of the order book is scheduled to be delivered in 2019.

Weather and Environment Business Area's first quarter 2019 net sales grew by 3% compared to previous year and were EUR 49.6 (48.1) million. Net sales grew in all other regions except in Asia Pacific, Middle East and Africa. Net sales decrease in project business reflects low project orders in 2018. Growth of net sales without currency impact and acquisitions was -9%. Improved profitability and higher share of product sales compared to previous year increased gross margin to 46.1 (45.3) %.

Weather and Environment Business Area's first quarter 2019 operating result decreased compared to previous year and totaled EUR -4.3 (0.0) million, -8.7 (0.0) % of net sales. Increased operating expenses burdened operating result. Operating expenses included EUR 1.6 million of amortization of intangible assets related to acquired businesses. R&D expenditure increased according to plan.

## Industrial Measurements Business Area

		1-3/2019	1-3/2018	Change	Change comp. rates	2018
Orders received	MEUR	36.8	30.9	19%	16%	119.0
Order book, end of period	MEUR	18.2	13.4	36%		15.7
Net sales	MEUR	34.6	28.2	23%	19%	116.4
Products	MEUR	31.5	25.3	24%		105.1
Services	MEUR	3.1	2.9	7%		11.4
Gross margin	%	63.3	61.8			62.1
Operating expenses	MEUR	15.4	11.5	34%		48.5
R&D expenditure	MEUR	4.5	3.6	23%		14.9
of net sales	%	13.0	12.9			12.8
Amortization*	MEUR	1.4	0.0			0.0
Operating result	MEUR	4.6	5.9			23.9
of net sales	%	13.3	21.1			20.5

\* Amortization of intangible assets related to acquired businesses

Industrial Measurements Business Area's first quarter 2019 orders received increased by 19% compared to previous year and totaled EUR 36.8 (30.9) million. Orders increased in all regions. Growth of orders received without currency impact and acquisitions was 6%.

At the end of March 2019, Industrial Measurements Business Area's order book amounted to EUR 18.2 (13.4) million and increased by 36% compared to previous year. Order book increased by EUR 2.5 million from the end of 2018 and it increased in all regions. EUR 16.5 (12.0) million of the order book is scheduled to be delivered in 2019.

Industrial Measurements Business Area's first quarter 2019 net sales grew by 23% compared to previous year and were EUR 34.6 (28.2) million. Net sales grew in all regions following strong instrument deliveries. Sales growth of continuous monitoring systems was good, sales of power transmission products was flat. Growth of net sales without currency impact and acquisitions was 6%. Gross margin improved to 63.3 (61.8) % as a result of improved profitability of product deliveries compared to previous year.

Industrial Measurements Business Area's first quarter 2019 operating result decreased compared to previous year and was EUR 4.6 (5.9) million, 13.3 (21.1) % of net sales. Increased operating expenses burdened operating result. Operating expenses included EUR 1.4 million of amortization of intangible assets related to acquired business. R&D expenditure increased according to plan. In addition, operating result included EUR 2.0 million provision of one-off expenses.

## **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 March 31, 2019. Vaisala has 36,436,728 shares, of which 6,778,662 are series K shares and 29,658,066 series A shares. The series K shares and series A shares are differentiated by the fact that each series K share entitles its owner to 20 votes at a General Meeting of Shareholders while each series A share entitles its owner to 1 vote. The series A shares represented 81.4% of the total number of shares and 17.9% of the total votes. The series K shares represented 18.6% of the total number of shares and 82.1% of the total votes.

### Trading and share price development

In January–March 2019, a total of 957,947 series A shares with a value totaling EUR 17.1 million were traded on the Nasdaq Helsinki Ltd. The closing price of the series A share on the Nasdaq Helsinki stock exchange was EUR 17.90. Shares registered a high of EUR 19.15 and a low of EUR 15.95. Volume-weighted average share price was EUR 17.83.

The market value of series A shares on March 31, 2019 was EUR 520.9 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 March, the total market value of all the series A and series K shares together was EUR 642.2 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 and Restricted share-based incentive plan 2016 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 April 10, 2018. Following this directed share issue, the number of series A treasury shares is 558,184, which represents 1.9% of series A shares and 1.5% of total shares.

### Shareholders

At the end of March 2019, Vaisala had 9,365 (8,174) registered shareholders. Ownership outside of Finland and nominee registrations represented 15.3 (16.4) % of the company's shares. Households owned 41.3 (40.3) %, private companies 13.5 (13.9) %, financial and insurance institutions 14.3 (13.6) %, non-profit organizations 11.1 (11.1) % and public sector organizations 4.6 (4.7) % of the shares.

More information about Vaisala's shares and shareholders are presented on the company's website at [www.vaisala.com/investors](http://www.vaisala.com/investors).

## Near-term risks and uncertainties

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.

Delay in developing applications for digital solutions as well as acquiring and in building related competences for sales and business operations may slow down growth in Weather and Environment Business Area. Closing of infrastructure contracts in Weather and Environment Business Area may be postponed by budgetary constraints, complex customer decision making processes, changes in scope, and financing. Disturbance in project delivery performance may reduce or postpone associated profit. Thus, Vaisala's financial performance may vary significantly over time.

Prolonged new product ramp-ups, market acceptances and regulatory certifications of new offering, such as power transformer monitoring products, supplementary air quality sensors and networks, and digital solutions, may postpone realization of Vaisala's growth plans.

Long interruption in production or test equipment 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 [www.vaisala.com/investors](http://www.vaisala.com/investors).

## Market outlook for 2019

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

Market for industrial measurement solutions is expected to continue to grow in all regions. Demand for continuous monitoring systems is expected to develop positively. Liquid measurements, a new market entry for Vaisala, is expected to have a positive development. Vaisala continues channel development and market entry with power transmission products, which has turned out to be challenging even though market is expected to develop positively.

## Business outlook for 2019

Vaisala estimates its full-year 2019 net sales to be in the range of EUR 380–400 million and its operating result (EBIT) to be in the range of EUR 25–35 million including EUR 10–12 million acquisition related amortization and one-off expenses related to a lease contract.

## Financial calendar 2019

Half Year Financial Report 2019, July 19, 2019

Interim Report January–September 2019, October 24, 2019

Vantaa, April 24, 2019

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 interim 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 2018. All figures in the 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 preparation of the 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 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. This interim financial report is unaudited.

### 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

#### *General impact of application of IFRS 16 Leases*

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 superseded the lease guidance including IAS 17 *Leases* and the related Interpretations when it became effective for accounting periods beginning on or after January 1, 2019. The date of initial application of IFRS 16 for the Group was January 1, 2019. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

#### *Impact of the new definition of a lease*

The Group made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 continued to apply to those leases entered or modified before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

Vaisala applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in IFRS 16 did not change significantly the scope of contracts that meet the definition of a lease for the Group.

#### *Impact on lessee accounting*

##### *Operating leases*

IFRS 16 changed how Vaisala accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), Vaisala:

- a) Recognized right-of-use assets and lease liabilities in the consolidated statement of financial position,
  - Vaisala applied simplified approach when adopting IFRS16 in which right-of-use asset is initially measured at amount of the initial measurement of the lease liability less any lease payments made at or before the commencement date (at cost). Subsequently right-of-use asset is measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the future lease payments that are not paid at that date. The lease payments are discounted by incremental borrowing rate. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.
- b) Recognized depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortized as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaced the previous requirement to recognize a provision for onerous lease contracts.

Vaisala did not apply the practical expedient as permitted by IFRS 16 not to recognize right-of-use asset and corresponding lease liability for short-term leases (lease term of 12 months or less) and leases of low-value assets. Vaisala recognized in the balance sheet all material right-of-use assets and lease liabilities. Right-of-use assets are recognized in the balance sheet on the effective date consist of land, offices, other premises, apartments and cars. IFRS 16 is not applied for immaterial lease arrangements and the lease expense for those arrangements is recognized on a straight-line basis in the consolidated statement of income.

Majority of Vaisala's lease arrangements are fixed-term arrangements without one-sided extension or termination options and thus lease term is defined based on the duration of the arrangement. If arrangement include such conditions, management need to estimate the likely lease term for each

arrangement. Significant judgments need to be exercised when making these estimates. The number of such arrangements is limited.

*Transition and impact on financial reporting*

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 will 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 March 31, 2019 the amount of right-of-use assets totaled to EUR 11 million and the amount of lease liability EUR 10 million. The amount of depreciation related to right-of-use assets totaled to EUR 1.1 million and interest expense related to lease liability EUR 0.1 million for the period January–March 2019. Elimination of rent costs totaled to EUR 1.1 million for the period January–March 2019. Rent costs included in the consolidated statement of income in January–March 2018 totaled to EUR 1.3 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–March 2019 principal payments of lease liabilities in cash flow from financing activities amounted to EUR 1.2 million and interest expenses in the cash flow from operating activities amounted EUR 0.1 million. Corresponding elimination of rent costs in the cash flow from operating activities amounted to EUR 1.1 million. The amount of rent costs included in the cash flow from operating activities in January–March 2018 totaled to EUR 1.3 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	1-3/2019	1-3/2018	2018
Net sales	84.2	76.4	348.8
Cost of goods sold	-39.4	-37.2	-163.7
<b>Gross profit</b>	<b>44.8</b>	<b>39.1</b>	<b>185.0</b>
Sales, marketing and administrative costs	-30.0	-22.9	-102.8
Research and development costs	-13.0	-10.6	-45.4
Other operating income and expenses	-1.8	0.1	2.1
<b>Operating result</b>	<b>-0.0</b>	<b>5.7</b>	<b>38.9</b>
Share of result in associated company	-	-	0.1
Financial income and expenses	0.3	-1.2	-1.5
<b>Result before taxes</b>	<b>0.2</b>	<b>4.5</b>	<b>37.5</b>
Income taxes	-0.1	-1.0	-8.0
<b>Result for the period</b>	<b>0.2</b>	<b>3.5</b>	<b>29.5</b>
Earnings per share, EUR	0.01	0.10	0.82
Diluted earnings per share, EUR	0.01	0.10	0.81

### Consolidated Statement of Comprehensive Income

EUR million	1-3/2019	1-3/2018	2018
<b>Items that will not be reclassified to profit or loss (net of taxes)</b>			
Actuarial profit (loss) on post-employment benefits	0.0	0.0	0.2
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Translation differences	0.7	-0.3	1.0
<b>Total</b>	<b>0.7</b>	<b>-0.3</b>	<b>1.0</b>
<b>Total other comprehensive income</b>	<b>0.7</b>	<b>-0.3</b>	<b>1.2</b>
<b>Comprehensive income for the period</b>	<b>0.9</b>	<b>3.2</b>	<b>30.7</b>

## Consolidated Statement of Financial Position

EUR million

<b>Assets</b>	<b>Mar 31, 2019</b>	<b>Mar 31, 2018</b>	<b>Dec 31, 2018</b>
<b>Non-current assets</b>			
Intangible assets	71.2	20.1	74.1
Property, plant and equipment	48.5	40.4	46.3
Right-of-use assets	11.2	-	-
Investments in shares	0.1	0.1	0.1
Investment in associated company	1.0	0.9	1.0
Non-current receivables	1.0	0.7	2.1
Deferred tax assets	10.1	7.3	9.8
<b>Total non-current assets</b>	<b>143.2</b>	<b>69.5</b>	<b>133.2</b>
<b>Current assets</b>			
Inventories	35.8	26.9	32.0
Trade and other receivables	62.9	69.7	74.7
Contract assets	19.1	16.6	17.8
Income tax receivables	2.7	1.8	0.9
Cash and cash equivalents	75.6	83.5	72.7
<b>Total current assets</b>	<b>196.1</b>	<b>198.6</b>	<b>198.0</b>
<b>Assets classified as held for sale</b>	<b>3.1</b>	<b>-</b>	<b>3.1</b>
<b>Total assets</b>	<b>342.4</b>	<b>268.1</b>	<b>334.4</b>



<b>Equity and liabilities</b>	<b>Mar 31, 2019</b>	<b>Mar 31, 2018</b>	<b>Dec 31, 2018</b>
<b>Equity</b>			
Share capital	7.7	7.7	7.7
Other reserves	4.4	4.1	6.1
Translation differences	1.4	-0.5	0.8
Treasury shares	-7.9	-9.0	-9.0
Retained earnings	156.7	188.7	177.3
<b>Total equity attributable to owners of parent company</b>	<b>162.3</b>	<b>190.9</b>	<b>182.9</b>
<b>Non-current liabilities</b>			
Interest-bearing loans from financial institutions	0.1	0.0	0.2
Interest-bearing lease liabilities	7.0	0.0	0.0
Post-employment benefits	2.8	2.6	2.7
Deferred tax liabilities	8.8	0.4	9.4
Provisions	1.9	0.2	0.2
Other non-current liabilities	5.9	2.7	5.6
<b>Total non-current liabilities</b>	<b>26.5</b>	<b>5.9</b>	<b>18.0</b>
<b>Current liabilities</b>			
Interest-bearing loans from financial institutions	40.3	0.0	40.3
Interest-bearing lease liabilities	3.3	0.0	0.0
Trade and other payables	75.3	40.6	57.2
Contract liabilities	29.0	28.7	30.2
Income tax liabilities	1.4	1.0	1.4
Provisions	3.5	1.0	3.2
<b>Total current liabilities</b>	<b>152.6</b>	<b>71.3</b>	<b>132.3</b>
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>1.0</b>	<b>-</b>	<b>1.1</b>
<b>Total liabilities</b>	<b>180.2</b>	<b>77.2</b>	<b>151.5</b>
<b>Total equity and liabilities</b>	<b>342.4</b>	<b>268.1</b>	<b>334.4</b>

## Consolidated Cash Flow Statement

EUR million	1-3/2019	1-3/2018	2018
<b>Cash flow from operating activities</b>			
Cash receipts from customers	92.9	82.3	346.7
Cash paid to suppliers and employees	-82.0	-85.0	-289.3
Financial items paid	-0.2	-0.4	-0.4
Income taxes paid	-2.9	-2.3	-8.7
<b>Cash flow from operating activities</b>	<b>7.8</b>	<b>-5.4</b>	<b>48.3</b>
<b>Cash flow from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	-	-	-51.7
Capital expenditure on intangible assets and property, plant and equipment	-4.4	-2.2	-14.5
Proceeds from sale of intangible assets and property, plant and equipment	0.1	0.0	0.1
<b>Cash flow from investing activities</b>	<b>-4.4</b>	<b>-2.2</b>	<b>-66.1</b>
<b>Cash flow from financing activities</b>			
Dividends paid	-	-	-37.6
Change in loan receivables	0.0	0.0	0.0
Proceeds from borrowings	-	-	40.0
Repayment of borrowings	-0.0	-0.0	-2.6
Principal payments of lease liabilities	-1.2	-0.0	-0.0
<b>Cash flow from financing activities</b>	<b>-1.2</b>	<b>0.0</b>	<b>-0.1</b>
<b>Change in cash and cash equivalents increase (+) / decrease (-)</b>	<b>2.3</b>	<b>-7.5</b>	<b>-17.9</b>
Cash and cash equivalents at the beginning of period	72.7	91.3	91.3
Change in cash and cash equivalents	2.3	-7.5	-17.9
Cash and cash equivalents classified as assets held for sale	-0.1	-	-1.1
Effect from changes in exchange rates	0.7	-0.2	0.4
<b>Cash and cash equivalents at the end of period</b>	<b>75.6</b>	<b>83.5</b>	<b>72.7</b>

### Consolidated Statement of Changes in Equity

EUR million	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Total
<b>Equity at Dec 31, 2017</b>	<b>7.7</b>	<b>3.0</b>	<b>-0.2</b>	<b>-10.1</b>	<b>185.1</b>	<b>185.4</b>
<b>Adjustments to opening balance</b>						
Effect of IFRS 2 amendment		3.9				3.9
Effect of IFRS 9 transition, net of taxes					-0.2	-0.2
Effect of IFRS 15 transition, net of taxes					0.3	0.3
<b>Equity at Jan 1, 2018</b>	<b>7.7</b>	<b>6.8</b>	<b>-0.2</b>	<b>-10.1</b>	<b>185.2</b>	<b>189.3</b>
Result for the period					3.5	3.5
Other comprehensive income		0.0	-0.3			-0.3
Share-based payments		-2.8		1.1		-1.7
<b>Equity at Mar 31, 2018</b>	<b>7.7</b>	<b>4.1</b>	<b>-0.5</b>	<b>-9.0</b>	<b>188.7</b>	<b>190.9</b>

EUR million	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Total
<b>Equity at Dec 31, 2018</b>	<b>7.7</b>	<b>6.1</b>	<b>0.8</b>	<b>-9.0</b>	<b>177.3</b>	<b>182.9</b>
Result for the period					0.2	0.2
Other comprehensive income		0.0	0.7			0.7
Dividend distribution					-20.8	-20.8
Share-based payments		-1.7		1.1		-0.7
<b>Balance at Mar 31, 2019</b>	<b>7.7</b>	<b>4.4</b>	<b>1.4</b>	<b>-7.9</b>	<b>156.7</b>	<b>162.3</b>

## Notes to the Report

### Orders Received by Business Area

EUR million	1-3/2019	1-3/2018	2018
Weather and Environment	76.2	56.2	215.2
Industrial Measurements	36.8	30.9	119.0
<b>Total</b>	<b>113.0</b>	<b>87.1</b>	<b>334.2</b>

### Net Sales by Business Area

EUR million	1-3/2019	1-3/2018	2018
Weather and Environment			
Products	28.3	22.7	125.4
Projects	11.5	17.2	70.0
Services	9.9	8.3	36.9
<b>Total</b>	<b>49.6</b>	<b>48.1</b>	<b>232.3</b>
Industrial Measurements			
Products	31.5	25.3	105.1
Services	3.1	2.9	11.4
<b>Total</b>	<b>34.6</b>	<b>28.2</b>	<b>116.4</b>
<b>Total net sales</b>	<b>84.2</b>	<b>76.4</b>	<b>348.8</b>

### Operating Result by Business Area

EUR million	1-3/2019	1-3/2018	2018
Weather and Environment	-4.3	0.0	17.7
Industrial Measurements	4.6	5.9	23.9
Other	-0.3	-0.2	-2.7
<b>Total</b>	<b>-0.0</b>	<b>5.7</b>	<b>38.9</b>

### Net Sales by Geographical Area

EUR million	1-3/2019	1-3/2018	2018
Americas	32.7	29.5	136.8
APAC	24.4	24.6	109.6
EMEA	27.1	22.3	102.3
<b>Total</b>	<b>84.2</b>	<b>76.4</b>	<b>348.8</b>

### Timing of revenue recognition

EUR million	1-3/2019	1-3/2018	2018
Performance obligations satisfied at a point in time	67.5	53.1	251.7
Performance obligations satisfied over time	16.7	23.3	97.1
<b>Total</b>	<b>84.2</b>	<b>76.4</b>	<b>348.8</b>

<b>Personnel</b>			
	<b>1-3/2019</b>	<b>1-3/2018</b>	<b>2018</b>
Average personnel	1,794	1,617	1,678
Personnel at the end of period	1,789	1,621	1,816

<b>Derivative Financial Instruments</b>			
EUR million	<b>Mar 31, 2019</b>	<b>Mar 31, 2018</b>	<b>Dec 31, 2018</b>
Nominal value of derivative contracts	21.8	35.3	26.9
Fair values of derivative contracts, assets	-	1.3	0.0
Fair values of derivative contracts, liabilities	0.8	0.3	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.

<b>Share Information</b>			
	<b>1-3/2019</b>	<b>1-3/2018</b>	<b>2018</b>
Number of shares outstanding, thousand	35,879	35,790	35,790
Number of treasury shares, thousand	558	646	647
Number of shares, weighted average, diluted, thousand	36,116	36,154	36,376
Number of shares, weighted average, thousand	35,816	35,718	35,772
Number of shares traded, thousand	958	1,052	3,136
Share price, highest, EUR	19.15	23.45	23.90
Share price, lowest, EUR	15.95	20.00	15.85

<b>Key Ratios</b>			
	<b>1-3/2019</b>	<b>1-3/2018</b>	<b>2018</b>
Earnings per share, EUR	0.01	0.10	0.82
Diluted earnings per share, EUR	0.01	0.10	0.81
Equity per share, EUR	4.52	5.33	5.11
Return on equity, %	0.4	7.4	16.0
Cash flow from operating activities per share, EUR	0.22	-0.15	1.35
Solvency ratio, %	48.1	72.0	55.6
Gearing, %	-15.3	-43.8	-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.

<b>Key Exchange Rates</b>					
	<b>Average rates</b>		<b>Period end rates</b>		
	<b>1-3/2019</b>	<b>1-3/2018</b>	<b>Mar 31,2019</b>	<b>Mar 31, 2018</b>	<b>Dec 31,2018</b>
USD	1.1451	1.2221	1.1235	1.2321	1.1450
CNY	7.7357	7.789	7.5397	7.7468	7.8751
JPY	125.70	133.78	124.45	131.15	125.85
GBP	0.8762	0.8835	0.8583	0.8749	0.8945

**Further information**

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Vaisala Corporation

**Briefing and conference call**

Briefing for analysts, investors and media, combined with an English-language conference call will be arranged on April 24, 2019, in Hotel Kämp, Paavo Nurmi meeting room, Pohjoisesplanadi 29, 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: 59140657#

**Audiocast**

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

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