Vaisala Corporation Half Year Financial Report July 23, 2021 at 9.00 a.m. (EEST)

Vaisala Corporation Half Year Financial Report January–June 2021

Excellent growth continued in second quarter

Second quarter 2021 highlights

- Orders received EUR 120.1 (95.9) million, increase 25%
- Order book at the end of the period EUR 165.3 (145.3) million, increase 14%
- Net sales EUR 109.5 (91.4) million, increase 20%
- Operating result (EBIT) EUR 10.9 (7.9) million, 10.0 (8.7) % of net sales
- Earnings per share EUR 0.25 (0.16)
- Cash flow from operating activities EUR 11.1 (-1.1) million

January–June 2021 highlights

- Orders received EUR 226.3 (185.6) million, increase 22%
- Net sales EUR 201.5 (178.6) million, increase 13%
- Operating result (EBIT) EUR 19.0 (13.1) million, 9.5 (7.3) % of net sales
- Earnings per share EUR 0.43 (0.27)
- Cash flow from operating activities EUR 29.4 (4.2) million

Market development and business outlook for 2021

Market for high-end industrial instruments is expected to continue growth after strong recovery during the first half of 2021. Life science and power industry markets are expected to continue to grow. Liquid measurements market is expected to continue to recover.

Meteorology market in developed countries is expected to remain stable, while in developing countries demand is expected to continue to suffer and recovery is expected to take longer than in developed markets. Aviation market declined significantly in 2020, and market outlook remains weak, although market is expected to recover gradually. Ground transportation market is expected to be stable. Renewable energy market is expected to continue to grow.

Global economy is expected to continue to recover, and this may lead to worsening component availability in the second half of the year. COVID-19 and its variants may also negatively impact the global economy and its recovery.

Vaisala reiterates the business outlook that was published on July 13, 2021:
Vaisala estimates that its full-year 2021 net sales will be in the range of EUR 400–420 million and its operating result (EBIT) will be in the range of EUR 40–50 million.

Earlier Vaisala estimated that its full-year 2021 net sales would be in the range of EUR 380–400 million and its operating result (EBIT) would be in the range of EUR 35–45 million.

Key figures

MEUR	4-6/ 2021	4-6/ 2020	Change	1-6/ 2021	1-6/ 2020	Change	1-12/ 2020
Orders received	120.1	95.9	25%	226.3	185.6	22%	382.8
Order book	165.3	145.3	14%	165.3	145.3	14%	137.8
Net sales	109.5	91.4	20%	201.5	178.6	13%	379.5
Gross profit	60.6	49.8	22%	110.9	99.0	12%	212.9
Gross margin, %	55.3	54.5		55.1	55.4		56.1
Operating expenses	47.4	40.6	17%	89.8	84.6	6%	169.2
Operating result	10.9	7.9		19.0	13.1		44.8
Operating result, %	10.0	8.7		9.5	7.3		11.8
Result before taxes	10.1	7.0		18.0	11.9		41.3
Result for the period	9.4	5.7		15.7	9.8		32.8
Earnings per share	0.25	0.16	59%	0.43	0.27	56%	0.91
Return on equity, %				15.5	10.2		16.3
Capital expenditure	4.8	9.6	-50%	9.3	17.3	-46%	31.0
Depreciation, amortization and impairment	5.3	5.6	-7%	10.5	10.5	0%	21.1
Cash flow from operating activities	11.1	-1.1	1158%	29.4	4.2	599%	41.0
Cash and cash equivalents				52.3	62.2	-16%	45.4
Interest-bearing liabilities				66.1	91.1	-27%	57.0
Gearing, %				6.9	15.7		5.7

Vaisala's President and CEO Kai Öistämö

"Vaisala had an excellent second quarter. The global economic recovery from the COVID-19 pandemic has been stronger and faster than earlier anticipated. The recovery had a positive effect on our second quarter demand particularly in APAC and Europe. Our performance was strong in the second quarter: net sales grew by 20% and operating margin continued to improve and was 10%. Our order book is now at all-time high EUR 165 million.

Our second quarter order intake increased by 25% year-on-year. Picked up demand was reflected especially in Industrial Measurements business area bringing its order growth to excellent 41%. Orders received for life science as well as for industrial instruments market segments were very strong. Weather and Environment business area reached 17% growth in orders received including the earlier announced Ethiopian contract of EUR 13 million that was now included in the order book.

I am satisfied with the way we have been able to successfully solve global component availability challenges together with our suppliers. Net sales growth in Industrial Measurements business area was excellent 31% led by industrial instruments and life science market segments. Weather and Environment business area's net sales growth was good 14% and it came from renewable energy and meteorology market segments.

During the quarter, we proceeded well in our strategy execution. We continued to renew our product portfolio in both business areas and progressed in transformation of digital services business as planned. Industrial Measurements business area was successful in scaling up delivery capability to match with increased demand in its flagship markets, high-end humidity and high-end carbon dioxide. Within the growth businesses, continuous monitoring systems and power industry applications grew strongly, and liquid measurements turned back to growth path. Weather and Environment business area's recovery from the pandemic has been slower in general. Still, net sales in renewable energy market segment grew strongly and meteorology market segment progressed well.

Vaisala has coped well with the COVID-19 pandemic thanks to comprehensive and efficient mitigation measures of our team. Thanks to precautions taken by our operations employees, production has been running without disruptions throughout the pandemic. Despite the global shortage on components, we have been successful in securing delivery capability with increasing volumes. Simultaneously we have been able to continue the profitability improvement due to increased sales in product business and more efficient operations. Shortage of components has increased material costs and also global transportation costs have gone up. Due to continued lack of project orders, we rightsized our Project and Customer Services Unit during the second quarter to match the current needs. I am satisfied that due to personnel demands in other units we were able to offer positions to impacted employees.

Based on our strong first half of the year and despite risks for shortage of components, on July 13, 2021, we raised our business outlook for 2021. We now estimate that full-year 2021 net sales will be in the range of EUR 400–420 million and operating result (EBIT) to be in the range of EUR 40–50 million.

Financial review Q2 2021

Orders received and order book

MEUR	4-6/ 2021	4-6/ 2020	Change	FX*	1-12/ 2020
Orders received	120.1	95.9	25%	28%	382.8
Order book, end of period	165.3	145.3	14%		137.8

* Change with comparable exchange rates

Second quarter 2021 orders received were strong with 25% increase compared to previous year and totaled EUR 120.1 (95.9) million. Orders received increased mostly in industrial instruments, life science, and meteorology market segments, whereas orders received decreased in ground transportation market segment. Orders received increased in both business areas. Orders received in meteorology market segment included EUR 13 million weather infrastructure project order with the National Meteorology Agency in Ethiopia announced in October 2019.

At the end of June 2021, order book amounted to EUR 165.3 (145.3) million and increased by 14% compared to previous year. Order book increased in both business areas. EUR 96.2 (85.5) million of the order book is scheduled to be delivered in 2021.

Financial performance

MEUR	4-6/ 2021	4-6/ 2020	Change	FX**	1-12/ 2020
Net sales	109.5	91.4	20%	23%	379.5
Products	79.3	61.0	30%		267.3
Projects	17.4	17.7	-1%		59.3
Services	12.3	12.7	-3%		52.9
Lease income	0.4	-	-		-
Gross margin, %	55.3	54.5			56.1
Operating expenses	47.4	40.6	17%		169.2
R&D expenditure	14.0	13.2	6%		53.2
Amortization*	1.8	1.9			7.5
Operating result	10.9	7.9			44.8
% of net sales	10.0	8.7			11.8

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Second quarter 2021 operating result increased from previous year to EUR 10.9 (7.9) million, 10.0 (8.7) % of net sales following growth in net sales and improved gross margin.

Net sales increased by 20% compared to previous year and were EUR 109.5 (91.4) million. In constant currencies, net sales increased by 23%. Net sales increased mostly in industrial instruments, life science, meteorology, and renewable energy market segments. Net sales decreased in ground transportation and aviation market segments. Net sales grew in both business areas. In the comparison period, services net sales included discontinued assessment services provided for renewable energy customers and lease income.

Gross margin increased to 55.3 (54.5) % following net sales growth in product business. Other operating income and expenses included EUR 2.2 million expense after valuation of contingent considerations related to acquired businesses based on updated financial plans for 2021. Comparison period included EUR 1.6 million cost related to discontinuation of assessment services provided to renewable energy segment.

Second quarter 2021 financial income and expenses were EUR -0.8 (-0.9) million. This was mainly a result of valuation of USD denominated receivables, USD currency hedging and interest expenses. Result before taxes was EUR 10.1 (7.0) million and result for the period EUR 9.4 (5.7) million. Earnings per share was EUR 0.25 (0.16).

Financial review January–June 2021

Orders received and order book

MEUR	1-6/ 2021	1-6/ 2020	Change	FX*	1-12/ 2020
Orders received	226.3	185.6	22%	25%	382.8
Order book, end of period	165.3	145.3	14%		137.8

* Change with comparable exchange rates

January–June 2021 orders received were strong with 22% increase compared to previous year and totaled EUR 226.3 (185.6) million. Orders received increased mostly in industrial instruments, life science, meteorology, and renewable energy market segments. Orders received in ground transportation and aviation decreased. Orders received increased in both business areas.

Financial performance

MEUR	1-6/ 2021	1-6/ 2020	Change	FX**	1-12/ 2020
Net sales	201.5	178.6	13%	16%	379.5
Products	145.4	119.9	21%		267.3
Projects	30.6	32.3	-5%		59.3
Services	24.9	26.4	-5%		52.9
Lease income	0.6	-	-		-
Gross margin, %	55.1	55.4			56.1
Operating expenses	89.8	84.6	6%		169.2
R&D expenditure	27.2	27.1	0%		53.2
Amortization*	3.8	3.6			7.5
Operating result	19.0	13.1			44.8
% of net sales	9.5	7.3			11.8

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

January–June 2021 operating result increased from previous year to EUR 19.0 (13.1) million, 9.5 (7.3) % of net sales following growth in net sales.

Net sales increased by 13% compared to previous year and were EUR 201.5 (178.6) million. In constant currencies, net sales increased by 16%. Net sales increased mostly in life science, industrial instruments, renewable energy, and meteorology market segments. Net sales in aviation and ground transportation market segments decreased. In the comparison period, services net sales included discontinued assessment services provided for renewable energy customers and lease income.

Gross margin was at previous year's level 55.1 (55.4) %. Other operating income and expenses included EUR 2.2 million expense due to valuation of contingent considerations related to acquired businesses based on updated financial plans for 2021. Comparison period included EUR 1.6 million cost related to discontinuation of assessment services provided to renewable energy segment.

January–June 2021 financial income and expenses were EUR -1.0 (-1.2) million. This was mainly a result of valuation of USD denominated receivables, USD currency hedging and interest expenses. Income taxes were EUR 2.3 (2.2) million based on estimated effective tax rate of 13.0 (18.3) %. Estimated effective tax rate declined from previous year as Vaisala expects to utilize tax losses carried forward from acquired companies. Result before taxes was EUR 18.0 (11.9) million and result for the period EUR 15.7 (9.8) million. Earnings per share was EUR 0.43 (0.27).

Statement of financial position, cash flow and financing

Vaisala's financial position remained strong during January–June 2021. Cash and cash equivalents increased to EUR 52.3 (Dec 31, 2020: 45.4) million at the end of June after EUR 22 million dividend payment. At the end of June, statement of financial position totaled EUR 372.5 (Dec 31, 2020: 351.8) million.

In January–June 2021, cash flow from operating activities increased to EUR 29.4 (4.2) million mainly as a result of improved net result as well as increase in liabilities.

On June 30, 2021, Vaisala had interest-bearing borrowings totaling EUR 55.1 (Dec 31, 2020: 45.2) million. EUR 40.0 million of the interest-bearing borrowings related to a term loan, which has a financial covenant (gearing) tested semi-annually. On June 30, 2021, Vaisala was in compliance with the covenant. For short term liquidity purposes, Vaisala had drawn financing from the domestic commercial paper markets totaling EUR 15 million on June 30, 2021 (Dec 31, 2021: EUR 0 million). Vaisala has also a committed revolving credit facility, which was undrawn on June 30, 2021 (Dec 31, 2020: EUR 5 million). In addition, interest-bearing lease liabilities totaled EUR 11.0 (Dec 31, 2020: 11.9) million.

Capital expenditure

In January–June 2021, capital expenditure in intangible assets and property, plant and equipment totaled EUR 9.3 (17.3) 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 equipment for the R&D laboratories.

Depreciation, amortization, and impairment were EUR 10.5 (10.5) million. This included EUR 3.8 (3.6) million of amortization of identified intangible assets related to the acquired businesses.

Personnel

The average number of personnel employed during January–June 2021 was 1,955 (1,913). At the end of June 2021, the number of employees was 2,016 (Dec 31, 2020: 1,939). 78 (77) % of employees were located in EMEA, 14 (14) % in Americas and 8 (9) % in APAC. 66 (65) % of employees were based in Finland.

In May 2021, Vaisala started co-operation negotiations in Finland in its Project and Customer Services unit within Weather and Environment business area following decrease in project orders. These negotiations covered 57 employees. As a result of the negotiations, nine positions were terminated. Redundancies were avoided as impacted employees were employed in open positions within the company.

Q2 and January–June 2021 review by business area

Industrial Measurements business area

MEUR	4-6/ 2021	4-6/ 2020	Change	FX**	1-6/ 2021	1-6/ 2020	Change	FX**	1-12/ 2020
Orders received	45.2	32.1	41%	46%	91.1	69.6	31%	37%	146.0
Order book, end of period	26.0	17.2	51%		26.0	17.2	51%		18.0
Net sales	44.1	33.8	31%	36%	83.9	69.2	21%	26%	143.9
Products	40.3	30.5	32%		76.4	62.3	23%		129.9
Services	3.8	3.3	15%		7.5	6.9	8%		14.1
Gross margin, %	63.7	64.6			63.6	65.2			64.4
Operating expenses	17.7	14.9	18%		33.5	30.7	9%		61.5
R&D expenditure	5.4	4.7	15%		10.2	9.7	4%		19.2
Amortization*	0.4	0.4			0.8	0.8			1.7
Operating result	10.5	7.1			19.9	14.7			31.6
of net sales, %	23.7	20.9			23.7	21.2			21.9

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Q2 2021 review

Industrial Measurements business area's second quarter 2021 orders received increased by 41% compared to previous year totaling to EUR 45.2 (32.1) million. Orders received increased very strongly in life science and industrial instruments market segments. Orders received increased also in power industry and liquid measurements market segments.

At the end of June 2021, Industrial Measurements business area's order book amounted to EUR 26.0 (17.2) million and increased by 51% compared to previous year. EUR 23.1 (14.6) million of the order book is scheduled to be delivered in 2021. Order book increased in all market segments.

Industrial Measurements business area's second quarter 2021 operating result increased compared to previous year and totaled EUR 10.5 (7.1) million, 23.7 (20.9) % of net sales. Net sales growth increased operating result.

Second quarter 2021 net sales were EUR 44.1 (33.8) million and increased by 31% compared to previous year. In constant currencies, net sales increased by 36%. Net sales growth was strong in industrial instruments and life science market segments, and good in power industry market segment.

Gross margin decreased to 63.7 (64.6) % mainly due to sales mix.

January–June 2021 review

Industrial Measurements business area's January–June 2021 orders received increased by 31% compared to previous year totaling to EUR 91.1 (69.6) million. Increase in orders received was very strong in life science and industrial instruments and good in power and liquid measurements market segments.

Industrial Measurements business area's January–June 2021 operating result increased compared to previous year and totaled EUR 19.9 (14.7) million, 23.7 (21.2) % of net sales. Net sales growth increased operating result.

January–June 2021 net sales were EUR 83.9 (69.2) million and increased by 21% compared to previous year. In constant currencies, net sales increased by 26%. Net sales growth was very strong in life science, strong in industrial instruments and power industry market segments. Net sales for liquid measurements declined following weak order intake in the second half of 2020.

Gross margin decreased to 63.6 (65.2) % mainly due to sales mix.

Weather and Environment business area

MEUR	4-6/ 2021	4-6/ 2020	Change	FX**	1-6/ 2021	1-6/ 2020	Change	FX**	1-12/ 2020
Orders received	74.9	63.8	17%	19%	135.1	116.0	16%	19%	236.9
Order book, end of period	139.4	128.1	9%		139.4	128.1	9%		119.8
Net sales	65.4	57.6	14%	16%	117.6	109.3	8%	10%	235.5
Products	39.0	30.5	28%		69.0	57.5	20%		137.4
Projects	17.4	17.7	-1%		30.6	32.3	-5%		59.3
Services	8.5	9.4	-9%		17.5	19.4	-10%		38.8
Lease income	0.4	-	-		0.6	-	-		-
Gross margin, %	49.6	48.6			49.0	49.3			51.0
Operating expenses	29.2	25.7	14%		55.3	54.0	2%		106.3
R&D expenditure	8.6	8.6	1%		17.0	17.4	-2%		34.1
Amortization*	1.4	1.5			2.9	2.8			5.8
Operating result	1.0	0.7			0.1	-1.7			14.6
of net sales, %	1.5	1.2			0.1	-1.5			6.2

* Amortization of intangible assets related to the acquired businesses

** Change with comparable exchange rates

Q2 2021 review

Weather and Environment business area's second quarter 2021 orders received increased by 17% compared to previous year and totaled EUR 74.9 (63.8) million. Increase in orders received was very strong in meteorology market segment. Orders received increased also in renewable energy and aviation market segments. Orders received in ground transportation market segment decreased mainly due to strong comparison period. Orders received in meteorology market segment included EUR 13 million weather infrastructure project order with the National Meteorology Agency in Ethiopia announced in October 2019.

At the end of June 2021, Weather and Environment business area's order book amounted to EUR 139.4 (128.1) million and increased by 9% compared to previous year. EUR 73.1 (70.9) million of the order book is scheduled to be delivered in 2021. Order book grew in meteorology and renewable energy market segments, whereas order book in aviation and ground transportation market segments decreased.

Weather and Environment business area's second quarter 2021 operating result increased compared to previous year and totaled EUR 1.0 (0.7) million, 1.5 (1.2) % of net sales.

Second quarter 2021 net sales were EUR 65.4 (57.6) million and increased by 14% compared to previous year. In constant currencies, net sales increased by 16%. Net sales grew in meteorology and renewable energy market segments, whereas net sales in ground transportation and aviation market segments decreased. In the comparison period, services net sales included discontinued assessment services provided for renewable energy customers and lease income.

Gross margin increased to 49.6 (48.6) % mainly due to sales mix and increased volumes. Other operating income and expenses included EUR 2.2 million expense after valuation of contingent considerations related to acquired businesses based on updated financial plans for 2021. Comparison period included EUR 1.6 million cost related to discontinuation of assessment services provided to renewable energy segment.

January–June 2021 review

Weather and Environment business area's January–June 2021 orders received increased by 16% compared to previous year and totaled EUR 135.1 (116.0) million. Increase in orders received was strong in meteorology and renewable energy market segments, whereas orders received in ground transportation and aviation market segments decreased. Second quarter orders received included EUR 13 million weather infrastructure project order with the National Meteorology Agency in Ethiopia announced in October 2019.

Weather and Environment business area's January–June 2021 operating result increased compared to previous year following net sales growth and totaled EUR 0.1 (-1.7) million, 0.1 (-1.5) % of net sales.

January–June 2021 net sales were EUR 117.6 (109.3) million and increased by 8% compared to previous year. In constant currencies, net sales increased by 10%. Net sales grew in renewable energy and meteorology market segments and decreased in aviation and ground transportation market segments. In the comparison period, services net sales included discontinued assessment services provided for renewable energy customers and lease income.

Gross margin was at previous year's level 49.0 (49.3) %. Other operating income and expenses included EUR 2.2 million expense due to valuation of contingent considerations related to acquired businesses based on updated financial plans for 2021. Comparison period included EUR 1.6 million cost related to discontinuation of assessment services provided to renewable energy segment.

Impact of the COVID-19 pandemic

The COVID-19 pandemic continued to impact aviation market segment and emerging markets during the first half of 2021. In other market segments global economic recovery has been stronger and faster than earlier expected. The recovery had a positive effect on second quarter demand particularly in APAC and Europe. Picked up demand was reflected especially in Industrial Measurements business area. However, it is difficult to estimate impact of the pandemic on financial results.

Following decrease in project orders, Vaisala started co-operation negotiations in Finland in its Project and Customer Services unit within Weather and Environment business area. As a result of the negotiations, nine positions were terminated. Redundancies were avoided as other positions were found within the company.

Shortage of components, caused by the pandemic, did not affect Vaisala's delivery capability during the first half of 2021. Limited availability of components is expanding, and visibility to suppliers' capacity is volatile.

Vaisala's financial position and cash flow remained strong. Gearing was 6.9% at the end of June 2021. No material changes were identified in customers' payment behavior and credit loss allowance did not materially change during the first half.

Changes in Management Group

Mari Heusala, Executive Vice President, HR and member of the Vaisala Management Group, decided to take on new challenges outside the company. Heusala continued in her position until the end of June 2021. After the reporting period, Timo Leskinen was appointed as Executive Vice President, Human Resources. He will start in this position on October 1, 2021.

On January 7, 2021, Olli Nastamo was appointed Executive Vice President, Operational Excellence. Olli Nastamo started in his position on March 1, 2021. He is a member of the Vaisala Management Group and reports to President and CEO Kai Öistämö.

Annual General Meeting 2021

Vaisala Corporation's Annual General Meeting was held on March 30, 2021. 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, 2020.

Dividend

The Annual General Meeting decided a dividend of EUR 0.61 per share. The record date for the dividend payment was April 1, 2021, and the payment date was April 12, 2021.

Board of Directors

The Annual General Meeting confirmed that the number of Board members is eight. Petri Castrén, Antti Jääskeläinen, Petra Lundström, Jukka Rinnevaara, Kaarina Ståhlberg, Tuomas Syrjänen, Raimo Voipio and Ville Voipio will continue as members of the Board of Directors.

The Annual General Meeting confirmed that that the annual remuneration payable to the Chairman of the Board of Directors is EUR 55,000 and each Board member EUR 40,000 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 2022. The meeting fees are paid in cash. Possible travel expenses are proposed to be reimbursed according to the travel policy of the company.

Auditor
The Annual General Meeting re-elected Deloitte Oy as the auditor of the company and APA Reeta Virolainen 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 series A shares
The Annual General Meeting authorized the Board of Directors to resolve on the directed repurchase of a maximum of 500,000 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 30, 2022.

Authorization on the issuance of the company's own series A shares
The Annual General Meeting authorized the Board of Directors to resolve on the issuance of a maximum of 835,794 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 30, 2022. The authorization for the company's incentive program shall however be valid until March 30, 2025.

The organizing meeting of the Board of Directors

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

Kaarina Ståhlberg was elected as the Chairman and Petri Castrén, Antti Jääskeläinen and Raimo Voipio as members of the Audit Committee. Ville Voipio was elected as the Chairman and Petra Lundström, Jukka Rinnevaara and Tuomas Syrjänen 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 June 30, 2021. Vaisala has 36,436,728 shares, of which 6,731,092 are series K shares and 29,705,636 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 81.5% of the total number of shares and 18.1% of the total votes. The series K shares represented 18.5% of the total number of shares and 81.9% of the total votes.

Trading and share price development

In January–June 2021, a total of 1,639,008 series A shares with a value totaling EUR 56.5 million were traded on the Nasdaq Helsinki Ltd. The closing price of the series A share on the Nasdaq Helsinki stock exchange was EUR 34.65. Shares registered a high of EUR 43.15 and a low of EUR 30.00. Volume-weighted average share price was EUR 34.43.

The market value of series A shares on June 30, 2021 was EUR 1,017.7 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 June, the total market value of all the series A and series K shares together was EUR 1,250.9 million, excluding company’s treasury shares.

Treasury shares

In March 2021, a total of 87,100 of treasury shares were conveyed without consideration to the 28 key employees who participated in the Share-based incentive plan 2018 under the terms and conditions of the plan. Of these shares, 4,000 were conveyed to the President and CEO Kai Öistämö and 13,850 to the previous President and CEO Kjell Forsén. In addition, 11,520 shares were conveyed to Kjell Forsén related to the Share-based incentive plan 2019–2021 and 2,764 shares related to the Share-based incentive plan 2020–2022 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 June 3, 2020.

Following this directed share issue, the number of series A treasury shares on June 30, 2021 was 335,655, which represents 1.1% of series A shares and 0.9% of total shares.

Shareholders

At the end of June 2021, Vaisala had 11,841 (10,359) registered shareholders. Ownership outside of Finland and nominee registrations represented 19.1 (17.7) % of the company's shares. Households owned 40.6 (40.6) %, private companies 13.1 (13.3) %, financial and insurance institutions 13.2 (13.9) %, non-profit organizations 10.6 (10.9) % and public sector organizations 3.4 (3.7) % of the shares.

More information about Vaisala’s shares and shareholders are presented on the company’s website at vaisala.com/investors.

Near-term risks and uncertainties

COVID-19 pandemic’s impact on Vaisala’s business is depending on the duration and severity of this exceptional situation. Component shortage may cause delays or interruptions in deliveries. Vaisala’s delivery capability may deteriorate due to disruptions in suppliers’ operations, absence of own production employees or disruptions in incoming and/or outgoing logistics. Demand may fluctuate materially by country or market segment and customers’ recovery from the exceptional situation varies a lot. Effects of the pandemic on customers’ cash flow can be significant and lead to credit losses. Exceptional situation may also cause delays or interruptions in Vaisala’s operations, e.g. in project deliveries and R&D.

Uncertainties in international trade policies or political situation may reduce or delay demand for Vaisala’s products and services. Customers’ preference for local manufacturing may reduce demand for Vaisala’s products and services.

Obstacles related to market acceptance, sales channel development, or regulatory certification of new products and services may postpone realization of Vaisala’s growth and profitability targets. Customers’ budgetary constraints, complex decision-making processes, changes in scope, and financing arrangements may postpone closing of infrastructure contracts in Weather and Environment business area. Cyber risk and downtime of IT systems may impact operations and delivery of digital solutions.

Measures taken to mitigate impacts of the COVID-19 pandemic

Employees

Ensuring employees' wellbeing and their health and safety has been the most important focus area during the COVID-19 pandemic. To enforce containment actions and safe work environment for production workers, access to factories has been limited. Post-COVID-19 pandemic working practices have been planned with implementations starting in the third quarter 2021.

Customers

Remote customer meetings, electronic signatures, re-routing of shipments, remote acceptance testing and cooperation with local field service companies and their remote support are examples of measures, which have been taken to fulfill customer expectations.

Supplier relationships and cooperation

Strategic suppliers, which are critical to ongoing business operations, have been assessed for their business continuity and information reliability. Impacts of component shortages have been mitigated by close co-operation and delivery planning together with suppliers, purchases from spot market, and using variant components.

Communications

Vaisala has communicated regularly with multiple stakeholders: employees, customers, suppliers, and authorities to ensure continuity of core operations, including support and services for customers. Digital marketing efforts have been intensified to compensate for absence of conventional marketing events.

Liquidity

Vaisala's financial position and liquidity have been assessed on regular basis.

Scenario planning

Vaisala has done scenario planning and contingency planning in order to make sound decisions in a highly volatile operating environment. Vaisala has identified risks related to delivery capability and demand outlook as well as diverse challenges emerging in the operating environment. Scenario plans and related assumptions have been continuously updated and followed up.

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

Events after reporting period

On July 1, 2021, Timo Leskinen was appointed as Executive Vice President, Human Resources. He will be a member of the Vaisala Management Group and report to President and CEO Kai Öistämö. Leskinen will start in his position on October 1, 2021.

Financial calendar 2021

Capital Markets Day 2021, September 21, 2021
Interim Report January–September 2021, October 28, 2021

Vantaa, July 22, 2021

Vaisala Corporation
Board of Directors

The forward-looking statements in this report 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 Half Year 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 2020. All figures in this Half Year Financial Report are group figures. All presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented. This Half Year Financial Report is unaudited.

Preparation of Half Year Financial Report in accordance with IFRS requires Vaisala's management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and the recognition of income and expenses in statement of income. Although estimates are based on management's best knowledge at the date of Half Year Financial Report, actual results may differ from those estimates.

Lessor accounting

In 2021, Vaisala amends the accounting principles on leases presented in its annual financial statements to include accounting by a lessor due to the increase of lease arrangements, where Vaisala is acting as a lessor.

In Vaisala, all lease agreements are classified as operating leases as those do not transfer substantially all the risks and rewards incidental to ownership of the underlying assets. Lease payments are recognized on straight-line basis as lease income. Lease income is presented as part of net sales and disclosed in the notes. Leased assets are included in property, plant and equipment and depreciated according to the depreciation policy for similar assets. Vaisala recognizes costs incurred in earning the lease income as an expense in the cost of goods sold. Leased assets are tested for impairment in accordance with IAS 36 Impairment of assets.

New and amended IFRS standards effective for the year 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 have been adopted from January 1, 2021. The adoption of the amendments is not expected to have a material impact on the financial statements of the group in future periods.

Consolidated statement of income

EUR million	4-6/ 2021	4-6/ 2020	1-6/ 2021	1-6/ 2020	1-12/ 2020
Net sales	109.5	91.4	201.5	178.6	379.5
Cost of goods sold	-48.9	-41.5	-90.5	-79.6	-166.6
Gross profit	**60.6**	**49.8**	**110.9**	**99.0**	**212.9**
Sales, marketing and administrative costs	-33.5	-27.4	-62.7	-57.5	-116.0
Research and development costs	-14.0	-13.2	-27.2	-27.1	-53.2
Other operating income and expenses	-2.2	-1.3	-2.1	-1.3	1.1
Operating result	**10.9**	**7.9**	**19.0**	**13.1**	**44.8**
Share of result in associated company	-	-	-	-	0.2
Financial income and expenses	-0.8	-0.9	-1.0	-1.2	-3.6
Result before taxes	**10.1**	**7.0**	**18.0**	**11.9**	**41.3**
Income taxes	-0.7	-1.2	-2.3	-2.2	-8.5
Result for the period	**9.4**	**5.7**	**15.7**	**9.8**	**32.8**
Attributable to					
Owners of the parent company	9.2	5.8	15.4	9.9	32.8
Non-controlling interests	0.2	-0.0	0.3	-0.1	0.0
Result for the period	**9.4**	**5.7**	**15.7**	**9.8**	**32.8**
Earnings per share for result attributable to the equity holders of the parent company					
Earnings per share, EUR	0.25	0.16	0.43	0.27	0.91
Diluted earnings per share, EUR	0.25	0.16	0.42	0.27	0.91

Consolidated statement of comprehensive income

EUR million	4-6/ 2021	4-6/ 2020	1-6/ 2021	1-6/ 2020	1-12/ 2020
Items that will not be reclassified to profit or loss (net of taxes)					
Actuarial profit (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					
Translation differences	-0.9	-0.9	1.6	-0.5	-4.0
Total	**-0.9**	**-0.9**	**1.6**	**-0.5**	**-4.0**
Total other comprehensive income	**-0.9**	**-0.9**	**1.6**	**-0.5**	**-4.0**
Comprehensive income for the period	**8.5**	**4.9**	**17.3**	**9.2**	**28.9**
Attributable to					
Owners of the parent company	8.3	4.9	17.0	9.3	28.8
Non-controlling interests	0.2	-0.0	0.3	-0.1	0.0
Comprehensive income for the period	**8.5**	**4.9**	**17.3**	**9.2**	**28.9**

Consolidated statement of financial position

EUR million

Assets	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
Non-current assets			
Intangible assets	60.1	69.0	63.6
Property, plant and equipment	89.7	76.0	83.9
Right-of-use assets	11.8	11.9	12.5
Investments in shares	0.1	0.1	0.1
Investment in associated company	1.2	1.1	1.1
Non-current receivables	0.9	0.9	0.9
Deferred tax assets	9.1	9.2	7.3
Total non-current assets	**172.8**	**168.1**	**169.5**
Current assets			
Inventories	46.1	47.7	44.5
Trade and other receivables	71.6	62.6	64.0
Contract assets and other accrued revenue	25.8	29.4	24.2
Income tax receivables	3.9	5.7	4.3
Cash and cash equivalents	52.3	62.2	45.4
Total current assets	**199.7**	**207.5**	**182.4**
Total assets	**372.5**	**375.7**	**351.8**

Equity and liabilities	**Jun 30, 2021**	**Jun 30, 2020**	**Dec 31, 2020**
Equity			
Share capital	7.7	7.7	7.7
Other reserves	2.9	3.8	5.6
Translation differences	-1.2	0.7	-2.8
Treasury shares	-4.6	-6.3	-6.3
Retained earnings	194.4	177.5	200.8
Total equity attributable to owners of parent company	**199.1**	**183.4**	**205.1**
Non-controlling interests	**0.5**	**0.2**	**0.4**
Total equity	**199.6**	**183.7**	**205.5**
Non-current liabilities			
Interest-bearing borrowings	40.0	40.0	40.0
Interest-bearing lease liabilities	8.4	8.6	9.2
Post-employment benefits	2.3	2.4	2.3
Deferred tax liabilities	7.0	7.4	7.7
Provisions	0.3	0.2	0.1
Other non-current liabilities	1.0	4.7	2.6
Total non-current liabilities	**59.0**	**63.2**	**62.0**
Current liabilities			
Interest-bearing borrowings	15.1	40.2	5.2
Interest-bearing lease liabilities	2.6	2.3	2.7
Trade and other payables	64.2	56.2	52.3
Contract liabilities and other deferred revenue	29.3	25.8	20.9
Income tax liabilities	0.9	1.5	1.5
Provisions	1.7	2.6	1.7
Total current liabilities	**113.9**	**128.7**	**84.3**
Total liabilities	**172.9**	**191.8**	**146.2**
Total equity and liabilities	**372.5**	**375.7**	**351.8**

Consolidated cash flow statement

EUR million	1-6/ 2021	1-6/ 2020	1-12/ 2020
Result for the period	15.7	9.8	32.8
Depreciation, amortization and impairment	10.5	10.5	21.1
Financial income and expenses	1.0	1.2	3.6
Gains and losses on sale of intangible assets and property, plant and equipment	0.0	0.0	-0.1
Share of result in associated company	-	-	-0.2
Income taxes	2.3	2.2	8.5
Other adjustments	-0.9	-2.3	-5.6
Inventories, increase (-) / decrease (+)	-2.6	-7.5	-1.8
Non-interest bearing receivables, increase (-) / decrease (+)	-9.2	8.9	12.6
Non-interest bearing liabilities, increase (+) / decrease (-)	17.4	-12.1	-18.4
Changes in working capital	5.6	-10.8	-7.5
Financial items paid/received	0.3	-1.4	-3.5
Income taxes paid	-5.3	-4.9	-8.2
Cash flow from operating activities	**29.4**	**4.2**	**41.0**
Acquisition of subsidiaries, net of cash acquired	-	-	-0.2
Capital expenditure on intangible assets and property, plant and equipment	-9.3	-17.3	-31.0
Proceeds from sale of intangible assets and property, plant and equipment	0.0	0.0	0.1
Proceeds from sale of shares	-	0.1	0.1
Cash flow from investing activities	**-9.3**	**-17.2**	**-31.0**
Dividends paid	-22.0	-19.0	-22.0
Change in loan receivables	0.0	0.1	0.1
Proceeds from borrowings	30.0	80.0	100.1
Repayment of borrowings	-20.2	-40.1	-95.0
Principal payments of lease liabilities	-1.5	-1.8	-3.3
Cash flow from financing activities	**-13.8**	**19.2**	**-20.0**
Change in cash and cash equivalents increase (+) / decrease (-)	**6.3**	**6.2**	**-10.0**
Cash and cash equivalents at the beginning of period	45.4	56.4	56.4
Change in cash and cash equivalents	6.3	6.2	-10.0
Effect from changes in exchange rates	0.6	-0.4	-1.0
Cash and cash equivalents at the end of period	**52.3**	**62.2**	**45.4**

Consolidated statement of changes in equity

EUR million	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total
Equity at Dec 31, 2019	**7.7**	**7.0**	**1.3**	**-7.9**	**190.0**	**198.0**	**0.3**	**198.3**
Result for the period					9.9	9.9	-0.1	9.8
Other comprehensive income		-0.0	-0.5			-0.5		-0.5
Dividend distribution					-22.0	-22.0		-22.0
Share-based payments		-3.5		1.6		-1.9		-1.9
Transfer between items		0.4			-0.4	0.0		0.0
Equity at Jun 30, 2020	**7.7**	**3.8**	**0.7**	**-6.3**	**177.5**	**183.4**	**0.2**	**183.7**

EUR million	Share capital	Other reserves	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total
Equity at Dec 31, 2020	**7.7**	**5.6**	**-2.8**	**-6.3**	**200.8**	**205.1**	**0.4**	**205.5**
Result for the period					15.4	15.4	0.3	15.7
Other comprehensive income		0.0	1.6			1.6		1.6
Dividend distribution					-22.0	-22.0		-22.0
Share-based payments		-2.8		1.7		-1.1		-1.1
Transfer between items		0.0			-0.0	0.0		0.0
Changes in non-controlling interests that did not result in changes in control					0.2	0.2	-0.2	0.0
Equity at Jun 30, 2021	**7.7**	**2.9**	**-1.2**	**-4.6**	**194.4**	**199.1**	**0.5**	**199.6**

Notes to the report

Orders received by business area

EUR million	4-6/ 2021	4-6/ 2020	1-6/ 2021	1-6/ 2020	1-12/ 2020
Industrial Measurements	45.2	32.1	91.1	69.6	146.0
Weather and Environment	74.9	63.8	135.1	116.0	236.9
Total	**120.1**	**95.9**	**226.3**	**185.6**	**382.8**

Net sales by business area

EUR million	4-6/ 2021	4-6/ 2020	1-6/ 2021	1-6/ 2020	1-12/ 2020
Industrial Measurements					
Products	40.3	30.5	76.4	62.3	129.9
Services	3.8	3.3	7.5	6.9	14.1
Total	**44.1**	**33.8**	**83.9**	**69.2**	**143.9**
Weather and Environment					
Products	39.0	30.5	69.0	57.5	137.4
Projects	17.4	17.7	30.6	32.3	59.3
Services	8.5	9.4	17.5	19.4	38.8
Lease income	0.4	-	0.6	-	-
Total	**65.4**	**57.6**	**117.6**	**109.3**	**235.5**
Total net sales	**109.5**	**91.4**	**201.5**	**178.6**	**379.5**

Operating result by business area

EUR million	4-6/ 2021	4-6/ 2020	1-6/ 2021	1-6/ 2020	1-12/ 2020
Industrial Measurements	10.5	7.1	19.9	14.7	31.6
Weather and Environment	1.0	0.7	0.1	-1.7	14.6
Other	-0.5	0.1	-0.9	0.1	-1.4
Total	**10.9**	**7.9**	**19.0**	**13.1**	**44.8**

Net sales by region

EUR million	4-6/ 2021	4-6/ 2020	1-6/ 2021	1-6/ 2020	1-12/ 2020
Americas	36.5	32.3	68.6	64.2	134.9
APAC	36.7	27.6	67.0	48.8	110.4
EMEA	36.3	31.5	65.9	65.5	134.2
Total	**109.5**	**91.4**	**201.5**	**178.6**	**379.5**

Timing of revenue recognition

EUR million	4-6/ 2021	4-6/ 2020	1-6/ 2021	1-6/ 2020	1-12/ 2020
Performance obligations satisfied at a point in time	86.0	67.8	158.1	134.2	295.5
Performance obligations satisfied over time	23.1	23.6	42.7	44.3	84.0
Lease income recognized on a straight-line basis	0.4	-	0.6	-	-
Total	**109.5**	**91.4**	**201.5**	**178.6**	**379.5**

Personnel

	4-6/ 2021	4-6/ 2020	1-6/ 2021	1-6/ 2020	1-12/ 2020
Average personnel	1,980	1,947	1,955	1,913	1,929
Personnel at the end of period	2,016	1,971	2,016	1,971	1,939

Derivative financial instruments

EUR million	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
Nominal value of derivative contracts	36.3	30.8	31.4
Fair values of derivative contracts, assets	0.1	0.2	1.2
Fair values of derivative contracts, liabilities	0.7	0.1	0.2

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

Share information

EUR/thousand	4-6/ 2021	4-6/ 2020	1-6/ 2021	1-6/ 2020	1-12/ 2020
Number of shares outstanding	36,101	36,000	36,101	36,000	36,000
Number of treasury shares	336	437	336	437	437
Number of shares, weighted average, diluted	36,294	36,223	36,254	36,171	36,223
Number of shares, weighted average	36,101	36,000	36,062	35,959	35,979
Number of shares traded	787	572	1,639	2,273	3,852
Share price, highest	37.25	36.65	43.15	37.50	42.50
Share price, lowest	31.20	26.00	30.00	21.65	21.65

Key ratios

EUR	4-6/ 2021	4-6/ 2020	1-6/ 2021	1-6/ 2020	1-12/ 2020
Earnings per share	0.25	0.16	0.43	0.27	0.91
Diluted earnings per share	0.25	0.16	0.42	0.27	0.91
Equity per share			5.51	5.10	5.70
Return on equity, %			15.5	10.2	16.3
Cash flow from operating activities per share	0.31	-0.03	0.81	0.12	1.14
Solvency ratio, %			54.3	49.5	59.0
Gearing, %			6.9	15.7	5.7

Key exchange rates

	Average rates		Period end rates		
	1-6/ 2021	1-6/ 2020	Jun 30, 2021	Jun 30, 2020	Dec 31, 2020
USD	1.2089	1.1039	1.1884	1.1198	1.2271
CNY	7.8221	7.7573	7.6742	7.9219	8.0225
JPY	129.62	119.29	131.43	120.66	126.49
GBP	0.8724	0.8670	0.8581	0.9124	0.8990

Further information

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Tel. +358 40 577 5066
Vaisala Corporation

Conference call

An English-language conference call for analysts, investors and media will be held today on July 23, 2021, starting at 11:00 a.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: 26026783#

Audiocast

The presentation by Kai Öistämö, President and CEO, can also be followed through a live audiocast at vaisala.com/investors starting at 11:00 a.m. A recording will be published at the same address by 1:00 p.m.

Distribution

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