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Vaisala Group financial report 2010

Fourth quarter net sales and order intake at high level. Order book remains strong. Guidance for full year 2011: Improving sales and profitability.

Fourth quarter highlights
- Orders received: EUR 89.3 (57.5) million, growth 55.3%.
- Net sales EUR 84.5 (80.4) million, growth 5.2%. Organic growth of net sales -0.3%.
- Operating profit EUR 16.6 (7.3) million, growth 127.4%.
- Earnings per share EUR 0.67 (0.28), growth 136.5%.

Full Year 2010 highlights
- Orders received: EUR 286.7 (237.0) million, growth 21.0%.
- Net sales EUR 253.2 (231.8) million, growth 9.2%. Organic growth of net sales 0.4% (comparable pro forma net sales in 2009, including QTT and Veriteq acquisitions EUR 252.2 million).
- Operating profit EUR 11.8 (12.0) million, decline 1.0%. Pro forma operating result 2009, including QTT and Veriteq figures, was EUR 11.6 million.
- Earnings per share EUR 0.56 (0.38), growth 48.4%.
- Cash flow from business operations EUR 25.3 (-3.2) million.
- Consolidated liquid assets EUR 35.3 (50.1) million.

The whole year numbers presented in the financial report have been audited.

	1-12 2010 (MEUR)	1-12 2009 (MEUR)	Change (%)	10-12 2010 (MEUR)	10-12 2009 (MEUR)	Change (%)
Group net sales	253.2	231.8	9.2	84.5	80.4	5.2
Meteorology	75.2	80.8	-7.0	25.5	27.5	-7.2
Controlled Environment	63.4	49.2	29.0	18.9	12.1	55.7
Weather Critical Operations	114.6	101.8	12.5	40.1	40.7	-1.5
Operating profit, Group	11.8	12.0	-1.0	16.6	7.3	127.4
Meteorology	2.8	3.4	-18.4	5.7	3.0	92.5
Controlled Environment	8.9	3.4	163.9	3.0	-1.5	299.2
Weather Critical Operations	1.0	5.5	-81.4	7.6	6.1	25.2
Eliminations and other	-0.9	-0.4		0.3	-0.3	
Profit before taxes	14.0	10.1	38.8	17.4	7.8	123.8
Net profit	10.2	6.9	48.4	12.1	5.1	136.6
Orders received	286.7	237.0	21.0	89.3	57.5	55.3
Order book	129.0	95.5		129.0	95.5	
Earnings per share	0.56	0.38	48.4	0.67	0.28	136.5
Return on equity (%)	5.6	3.7		5.6	3.7	

Comments on the fourth quarter

Net sales were at high level and the operating profit higher compared to 2009.

Growth was high in the Controlled Environment Business Area both in terms of net sales and operating profit.

In December, the Weather Critical Operations business area was awarded a EUR 9 million contract to supply weather observation systems to six airports in the Sultanate of Oman during the years 2011-2014.

The order book remained strong, and the number of orders received increased by 55.3 percent year on year.

Certain delivery improvement occured, but value of delayed shipments was still at EUR 8 million.

Overview of the year 2010

Vaisala released preliminary information on its 2010 financial statement on February 1, 2011.

Net sales EUR 253.2 million in 2010 were 9.2 percent higher than in 2009. Comparable pro forma net sales in 2009, including QTT and Veriteq acquisitions, were EUR 252.2 million. Operating profit in 2010 remained at the same euro level as in 2009.

Net sales, operating profit and orders received improved significantly in the second half of the year compared to the previous year and the first half of 2010.

The performance of the Controlled Environment Business Area was strong throughout the year, whereas the net sales of the Meteorology Business Area declined year on year. The performance of the Weather Critical Operations Business Area did not meet the expectations, mostly due to lack of big projects and funding delays in the Airports, Roads and Defense businesses.

Delivery delays caused by component shortages and capacity constraints in the supply network affected the revenue generation especially in mid-year. The delivery capability and production capacity are now improving.

Services sales in the review period grew by 20.2 percent to EUR 33.8 million.

One off costs of EUR 2.4 million relating to the cost efficiency program were booked in the second quarter. One off costs relating to the integration of the QTT were EUR 1.3 million in 2010.

On September 30, 2010, Vaisala signed a contract to sell its oxygen measurement technology and business to SICK Maihak GmbH. A profit of EUR 1.3 million was entered for the transaction. The profit was booked in Eliminations and other.

Implementation of the company-wide ERP program progressed in 2010 and continues until the end of 2012.

In 2010, Vaisala implemented extraordinary projects to align technology platforms and improve product modularity and mass customization capability. In total, Vaisala launched 34 products in 2010. R&D spend is expected to decrease in 2011.

Net sales grew in all regions: APAC +15.5%, EMEA +8.8% and Americas +6.0%. Organic growth in Americas of combined Vaisala, QTT, and Veriteq was -12.8 percent.

Market outlook

Uncertainty in the global economy and shifts in exchange rates are still expected to affect Vaisala's business. Based on the structure of Vaisala's customer base and the orders received, the company's market situation is expected to remain mostly unchanged in 2011.

Financial guidance

Vaisala expects its net sales in 2011 to grow moderately from the preceding year. Also operating profit is expected to improve moderately.

As in previous years, seasonal fluctuation is typical of Vaisala's business, so the first quarter appears to be modest.

Vaisala’s long-term business outlook remains unchanged.

President and CEO Kjell Forsén on Vaisala’s result:

“A clear highlight in 2010 was the Life Science and High Technology (LSH) business, which has demonstrated high growth numbers, backed up by the acquisition of Veriteq. Overall, there was very positive development in the Controlled Environment Business Area which grew by 29 percent with a healthy profitability.

Net sales in the fourth quarter were record high and entering the new year, our order book is at an all-time high level.

In June, we announced an efficiency program to improve profitability and competitiveness. Savings were sought from personnel reductions, reductions in the use of professional services, more efficient sourcing and reduced travel costs. In terms of personnel reductions, the consultation processes were completed in June. As a result of the program, Vaisala’s profitability has clearly improved towards the year-end.

During 2010 we were hit by the global shortage of electronics components and that also caused severe delays in our subcontracting network. The situation has improved towards the end of the year and the corrective action taken has given good results. The delivery capability and production capacity are now improving.

Entering 2011 we have a solid foundation to build on. Not only is our order book strong and cost base reduced, but our operational performance has also improved. Our delivery machine proved its capability in the fourth quarter and our R&D efforts produced more product launches than ever before. Our customer-based strategy is starting to deliver."

Market situation, net sales and order book

Instability of the global economy is affecting Vaisala's business. In the challenging economic situation Vaisala has nevertheless been able to retain its market shares.

The review period was positive for the Controlled Environment business area. The uncertain economic situation affects purchasing decisions in the Weather Critical Operations and Meteorology business areas even though order intake in Weather Critical Operations was good towards the end of the review period.

Vaisala Group’s net sales grew by 9.2 percent year on year and totaled EUR 253.2 (231.8/2009; 242.5/2008) million. In comparable currencies, Vaisala Group's net sales would have grown by 5.2 percent.

The organic growth of net sales, including the net sales of QTT and Veriteq in 2009 figures was 0.4 percent. Comparable proforma net sales in 2009 were EUR 252.2 million. Organically in comparable currencies, Vaisala Group's net sales would have decreased by 3.3 percent.

Net sales of the Weather Critical Operations business area grew by 12.5 percent (organic growth of combined Vaisala and QTT -3.5 percent) and Controlled Environment by 29.0 percent (organic growth of combined Vaisala and Veriteq 20.5 percent). Net sales of the Meteorology business area declined by 7.0 percent.

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

Net sales in euros increased by 6.0 percent in Americas, totaling EUR 100.0 (94.3/2009; 74.3/2008) million. Organic growth in Americas of combined Vaisala, QTT, and Veriteq was -12.8 percent.

Net sales increased by 8.8 percent in the EMEA region to EUR 92.4 (84.9/2009; 108.5/2008) million and in the APAC region by 15.5 percent to EUR 60.8 (52.6/2009; 59.6/2008) million.

The value of orders received increased by 21.0 percent year on year and totaled EUR 286.7 (237.0) million.

The order book at the end of the review period stood at EUR 129.0 (95.5) million. Of the order book, approximately EUR 32 million will be delivered in 2012 or later.

Performance and balance sheet

Operating result for the financial year was EUR 11.8 (12.0/2009; 38.0/2008) million or 4.7 percent of net sales. Pro forma operating result 2009, including QTT and Veriteq figures, was EUR 11.6 million. Profit before taxes was EUR 14.0 (10.1/2009; 38.9/2008) million or 5.5 percent of net sales, up by 38.8 percent. Net profit for the financial year was EUR 10.2 (6.9/2009; 28.4/2008) million or 4.0 percent of net sales, up by 48.4 percent.

Net sales and operating result were affected by delivery delays in May-December. The negative impact of these on the net sales was approximately EUR 8 million and on the operating result approximately EUR 4 million. The result was additionally burdened by EUR 2.4 million one-off costs from personnel reductions, booked in the second quarter and by EUR 1.3 million from one off costs relating to the integration of the QTT.

On September 30, 2010, Vaisala signed a contract to sell its oxygen measurement technology and business to SICK Maihak GmbH. A profit of EUR 1.3 million was entered for the transaction in the third quarter.

Vaisala Group’s solvency ratio and liquidity remained strong. On December 31, 2010, the balance sheet total was EUR 248.7 (231.4/2009; 241.7/2008) million. The Group's solvency ratio at the end of the financial year was 76 percent (81%/2009; 82%/2008).

Vaisala's consolidated liquid assets totaled EUR 35.3 (50.1/2009; 103.4/2008) million.

Capital expenditure

Gross capital expenditure totaled EUR 30.1 (27.7/2009; 12.2/2008) million.

On April 1, 2010 Vaisala acquired Veriteq Instruments Inc, a Canadian company operating in the life science markets.

The value of the deal was EUR 8.1 million, including a conditional purchase price of EUR 1.3 million. The deal significantly strengthens Vaisala's position in the life science markets, complementing the current competences and product offering. According to calculations, these synergy benefits have accrued to EUR 3.6 million goodwill.

The gradual implementation of Vaisala's new ERP system continues until the end of 2012.

The project to build new office space in Vantaa, Finland, progressed according to plan. The date of accomplishment was at the end of 2010.

Meteorology

Net sales of Meteorology declined by 7.0 percent year on year to EUR 75.2 (80.8/2009; 64.9/2008) million. In comparable currencies, the net sales would have been down by 10.4 percent.

Operating profit for the review period was EUR 2.8 (3.4/2009; 8.0/2008) million.

Net sales and result were affected by delivery delays in May-December. The negative impact of these on the net sales was approximately EUR 3 million and on the operating result approximately EUR 1.4 million. The result was additionally burdened by EUR 0.9 million one-off costs from personnel reductions, booked in the second quarter.

Lower net sales in Meteorology were also due to the fact that the number of large project deliveries was low in 2010. The subsequent decline in sales volumes lowered the profitability of this business.

The value of orders received for Meteorology was EUR 79.2 (76.4) million and the order book stood at EUR 40.6 million at the end of the review period.

Controlled Environment

Net sales of Controlled Environment grew by 29.0 percent year on year to EUR 63.4 (49.2/2009; 54.3/2008) million. In comparable currencies, the net sales would have grown by 22.7 percent. Organic growth of combined Vaisala and Veriteq was 20.5 percent. Organic growth in comparable currencies would have been 14.6 percent

Operating profit for the review period was EUR 8.9 (3.4/2009; 8.4/2008) million.

On April 1, 2010 Vaisala acquired Veriteq Instruments Inc, a Canadian company operating in the life science markets.

Veriteq is a leading provider of productized continuous monitoring systems and data logger solutions for the life science industry comprising of pharmaceutical, biotechnological and medical device companies. Veriteq Instruments Inc. reached EUR 5 million net sales in 2009. The company is located in Vancouver, Canada and employs approximately 40 people. The acquisition will significantly strengthen Vaisala's position in the Life Science markets, complementing the current competences and offering.

Net sales and result were affected by delivery delays in May-December. The negative impact of these on the net sales was approximately EUR 1 million and on the operating profit approximately EUR 0.6 million. The result was additionally burdened by EUR 0.4 million one-off costs from personnel reductions, booked in the second quarter.

Biggest growth was seen in the Life Science business.

The value of orders received for Controlled Environment was EUR 66.3 (49.0) million and the order book stood at EUR 6.1 million at the end of the review period.

Weather Critical Operations

Net sales of Weather Critical Operations increased by 12.5 percent year on year to EUR 114.6 (101.8/2009; 123.3/2008) million. In comparable currencies, the net sales would have grown by 9.2 percent. Organic growth of combined Vaisala Weather Critical Operations and QTT companies was -3.5 percent. Organically in comparable currencies, the net sales would have gone down by 6.3 percent

Operating profit for the review period was EUR 1.0 (5.5/2009; 24.6/2008) million.

The challenging economic situation affected the customers' purchasing decisions in this business area. The performance of the Weather Critical Operations business area did not meet the expectations, mostly due to lack of big projects and funding delays in the Airports, Roads and Defense businesses.

Net sales and result were affected by delivery delays in May-December. The negative impact of these on the net sales was approximately EUR 4 million and on the operating result approximately EUR 1.9 million. The result was additionally burdened by EUR 1.1 million one-off costs from personnel reductions, booked in the second quarter. The operating result includes EUR 1.3 million one-off reorganization costs relating to QTT integration. The arrangements aim at EUR 3-4 million synergy savings annually, starting in 2011.

The value of orders received for Weather Critical Operations was EUR 141.3 (111.6) million and the order book stood at EUR 82.3 million at the end of the review period.

The consolidation of operational activities in the US from Uniontown to the Boulder operations was completed according to schedule in the fourth quarter.

On August 5, 2010, Vaisala announced an agreement with the Port Authority of New York and New Jersey for Road Weather Information Systems (RWIS) equipment, lightning detection, weather forecasting, software and data services, and 10-year maintenance services. The value of the agreement is USD 5 million and it covers turnkey deliveries to all five airports operated by the Port Authority - John F. Kennedy, LaGuardia, Newark, Teterboro and Stewart International.

On December 2, 2010 Vaisala announced a contract to supply weather observation systems to six airports in the Sultanate of Oman. The value of the deal is over 9 million euros and the deliveries will take place between 2011 and 2014.

Other functions

Research and development

Expenditure in research and development totaled EUR 31.4 (28.4/2009; 24.6/2008) million, representing 12.4% of the Group's net sales.

The share of research and development expenses of the Group's net sales is expected to decrease in 2011.

In total, Vaisala launched 34 products in 2010. Of these, the most significant were:

In the first quarter: Vaisala Ceilometer CL51; Vaisala HUMICAP Humidity and Temperature Probes HMP60 and HMP110 for humidity and temperature measurement; and Vaisala MetMan Webview 2.0, a web based meteorological data visualization software.

In the second quarter: Vaisala WINDCAP Ultrasonic Wind Sensor WMT700 Series for demanding meteorological and aviation applications, Vaisala Road Weather Advisor and the Vaisala Road Weather Observer, web-based road weather data visualization applications enabling road weather network monitoring, Vaisala MARWIN sounding system MW32 for defense use and Vaisala Boundary Layer View (BL-VIEW) application software for Vaisala ceilometers.

In the third quarter: Vaisala CARBOCAP Carbon Dioxide and Temperature Transmitter GMW116, a wall-mounted sensor designed for heating, ventilating and air conditioning (HVAC) applications; and Vaisala Road Weather Navigator 2.0 WID733, a web-based road weather data visualization application that enables the customers to observe their road weather network and effectively manage their operations.

In the fourth quarter: Vaisala INTERCAP Humidity and Temperature Transmitter Series HMW80, a cost-efficient, dependable solution for humidity and temperature measurement; Vaisala HUMICAP Humidity and Temperature Transmitters HMT120 and HMT130 that are especially designed for cleanroom continuous monitoring systems; Vaisala HUMICAP Hand-Held Humidity and Temperature Meter HM40 for various portable measurement applications; Vaisala Present Weather Sensor FS11P that delivers visibility measurement with a range of 5 m to 75 km, and identifies ground-based obscurations and 7 different precipitation types and Vaisala DigiCORA Sounding Software v. 3.64 that brings several improvements to various Vaisala Sounding systems

In terms of product launches, 2010 was a record-breaking year for Vaisala R&D: the number of product launches grew by 100 percent to 34 in 2010 (17/2009). The fourth quarter was especially productive; the number of product launches was 18 (7/2009).

Services

Vaisala's service business has been reported as part of the business areas. Services sales in the review period grew by 20.2 percent and totaled EUR 33.8 (28.1/2009; 27.5/2008) million.

In the Americas region, the integration of QTT has broadened the number of service contracts from surface transportation customers. Instrument repairs and calibrations have continued to grow as the installed base has steadily increased. As a result, a new calibration partnership in Brazil was formed to accommodate the growth in business. Further, the provisioning of spare parts to a variety of US customers added to the growth of the service business. The Vaisala owned US National Lightning Detection Network (NLDN) was updated in 2010, which further increased the overall competitiveness of the lightning data business.

In the UK and Germany, Vaisala signed new service contracts for road weather and upper air operations. Vaisala made the first Wind Energy site assessment contract in Europe, which includes wind data provisioning. A long-standing service contract for lightning network services was renewed in South Africa.

In the Asia-Pacific (APAC) region, Vaisala was awarded first-time service contracts for weather radar maintenance in India, airport system maintenance in China and upgrades to upper air systems in Australia. Instrument repairs and calibrations continue to grow as overall sales into APAC improve.

Personnel

The average number of people employed in the Vaisala Group in the financial year was 1 408 (1 302/2009; 1 177/2008). The number of employees at the end of the financial year was 1 367 people. 43 percent (44/2009; 39/2008) of the personnel was based outside Finland. 20 percent (22/2009; 20/2008) of the employees worked in research and development.

Salaries paid by the company are based on local collective and individual agreements, individual performance and the demand level of each job. The base salaries are supplemented by results-based bonus systems, which cover all Vaisala personnel. The total sum of salaries and bonuses paid in 2010 was EUR 68.8 (63.3/2009; 59.7/2008) million.

The consultation processes initiated in May 2010 ended in June 2010. In total, the company reduced its personnel by 79 people, of which 49 in Finland.

Vaisala has two types of incentive plans; one based on the development of sales and profitability and covering all employees, and the other, three-year plan, based on the development of profitability and covering key personnel.

Changes in the company's management

Ari Meskanen, the Chief Technology Officer (CTO) of Vaisala was appointed Senior Vice President, Group Marketing and Sales starting January 1, 2010.

Petteri Naulapää was appointed Chief Information Officer (CIO) and a member of the group's strategic management group starting February 16, 2010. Jussi Kallunki, the former CIO was appointed Vaisala's Chief Risk Officer.

Kai Konola was appointed Executive Vice President of the Weather Critical Operations Business Area and a member of the group's management group starting July 1, 2010.

Lauri Rintanen, Executive Vice President, Vaisala Operations resigned from the company starting January 1st, 2011.

Risk management

Organization of risk management

Vaisala has a risk management policy that has been approved by the Board of Directors and that covers the company's strategic, operating and financing risks. Vaisala’s strategic management group regularly assesses risk management policies, and the scope, adequacy and focus areas of related practices. The policy aims at ensuring the safety of the company's personnel, operations and products as well as the continuity of operations. The policy also covers intellectual capital, corporate image and brand protection.

Risk management is integrated into business processes and operations and each employee’s daily work. This is accomplished by the risk management process that was approved by Vaisala's strategic management group in May 2010. The deployment of the risk management process was started during the latter half of 2010 and is intended to cover most of the businesses and functions by the end of 2011.
The risk management process is a continuous tool for risk identification and management. The purpose of the process is to support the company’s strategy and planning process and to provide more information, supporting better decision making.

Vaisala’s risk management process consists of risk identification, risk assessment, risk management actions, follow-up and risk reporting. Risks are reported to the strategic management group quarterly. The most significant risks are reported to the board annually and whenever considered necessary.
Risk management in Vaisala is not a separate process, but it operates as part of the company’s operating calendar.

More detailed operational instructions are defined by the strategic management group. These include approval, bidding and procurement authorizations and terms of payments.

Usual risks related to international business affect Vaisala’s operating environment. The most significant of these are risks relating to changes in the global economy, currency exchange rates (with particular respect to the U.S. dollar), supply network management and production activities. Vaisala monitors these risks and prepares for them in accordance with the company's risk management policy.

Group-level insurance programs have been established to deal with manageable operating risks. These programs cover risks relating to property damage, business interruption, different liabilities, transport and business travel. Vaisala's ability to tolerate risks is good and the company has a strong capital structure, ensuring capital adequacy.

Vaisala's risks are described in more detail in the Board of Directors' report 2010 which will be published on week 10 in March 2011.

Near-term risks and uncertainties

The most significant near term risks and uncertainties are estimated to relate to the company's ability to improve its delivery capability, availability of critical components, changes in the global economy, shifts of currency exchange rates, interruptions in manufacturing, customers' financing capability, changes in purchasing or investment behavior, and delays or cancellations of orders and deliveries. The changes in the competitive landscape may affect the volume and profitability of the business by introducing new competitors and price erosion in areas that traditionally have been strong for the company, which may constitute risks for both the net sales and profit.

Market development and the realization of projects in the industrial segments affect the net sales and operating result. The company has additionally expanded its project activities into emerging markets where the profitability of the projects is lower than normally, due to the market-making nature of the business. The share of project business out of the total business volume is also growing. Should the assumptions regarding the profitability and new business opportunities in the project business prove wrong, this may constitute risks for Vaisala's net sales and profit.

Changes in subcontractor relations, their operations or operating environment may have a negative impact on Vaisala's business. Vaisala monitors these risks and prepares for them in accordance with the company's risk management policy.

Vaisala is currently implementing significant development projects, which are building the foundation for a successful execution of Vaisala's strategy. A new Group-wide ERP system is in the implementation phase.

Vaisala has made acquisitions and their impact on net sales and operating result depends essentially on the success of integration activities. In case the assumptions about achievable synergies prove incorrect or the integration fails, these constitute a short-term risk regarding Vaisala's net sales and result.

Vaisala's shares

As at the end of the review period, the Group's Board of Directors had no valid authorizations for increasing the share capital, granting special rights, or issuing stock option rights.

On December 31, 2009, the price of Vaisala's A share in the NASDAQ OMX Helsinki Oy was EUR 25.10, and at the end of the review period, the share price was EUR 20.50. The highest quotation during the review period was EUR 25.77 and the lowest EUR 18.52. The number of shares traded in the stock exchange during the review period was 2,415,565.

On December 31, 2010, Vaisala had 18,218,364 shares, of which 3,389,684 are series K shares and 14,828,680 are series A shares. The shares have no counter book value. The K shares and A shares are differentiated by the fact that each K share entitles its owner to 20 votes at a General Meeting of Shareholders while each A share entitles its owner to 1 vote. The A shares represent 81.4% of the total number of shares and 17.9% of the total votes. The K shares represent 18.6% of the total number of shares and 82.1% of the total votes.

The market value of Vaisala's A shares on December 31, 2010 was EUR 303.8 million, excluding the Company's own shares. Valuing the K shares - which are not traded on the stock market - at the rate of the A share's closing price on the final day of the financial year, the total year-end market value of all the A and K shares together was EUR 373.3 million, excluding the Company's own shares.

Vaisala's main shareholders are listed on the Group website and in the Notes to the Financial Statements.

The shares give equal rights to dividends. According to the company's Articles of Association, the maximum number of shares is 68,490,017 and Vaisala's maximum share capital is EUR 28.8 million. All issued shares have been fully paid for. The shares have no consent or redemption clauses attached to them.

According to the Articles of Association, a K share can be converted into an A share in the manner specified in the Articles.

The number of shares held and controlled by Vaisala Corporation's Board of Directors on December 31, 2010 was 1,312,249; accounting for 14.6% of the total votes (2009: 1,353,425 shares and 15.6% of the total votes). The company's President and CEO owned 2720 shares.

Conversion of unlisted series K shares into series A

Vaisala Corporation's 400 unlisted shares (series K) were converted into listed shares (series A). The conversion was registered in the Finnish Trade Register on April 14, 2010. Listing of the new series A shares was applied for as of April 15, 2010.

Vaisala Corporation's 3000 unlisted shares (series K) were converted into listed shares (series A). The conversion was registered in the Finnish Trade Register on June 29, 2010. Listing of the new series A shares was applied for as of June 30, 2010.

Vaisala Oyj's 600 unlisted shares (series K) were converted into listed shares (series A). The conversion was registered in the Finnish Trade Register November 15, 2010. Listing of the new series A shares were applied for as of November 16, 2010.

Vaisala Oyj's 4000 unlisted shares (series K) were converted into listed shares (series A). The conversion was registered in the Finnish Trade Register December 22, 2010. Listing of the new series A shares was applied for as of December 23, 2010.

Treasury shares and parent company shares

At the end of the financial year, the Company held a total of 9,150 Vaisala A shares, which represented 0.05% of the share capital and 0.01% of the votes. The consideration paid for these shares was EUR 251,898.31.

Board of Directors

Members of the Board
In accordance with Vaisala Corporation's Articles of Association, the company's Board of Directors comprises at least three (3) and at most six (6) members. According to current practice, the Board comprises six members. All Board members are appointed by a General Meeting of Shareholders. The Board elects a Chairman and a Vice Chairman from among its members.

Term of office of members of the Board
In deviation from recommendation no. 10 of the Finnish Corporate Governance Code, the term of office of members of the Board is not one year. Instead, the term of office is 3 years, as stipulated in the Articles of Association. The term of office begins after the General Meeting of Shareholders at which the member is elected, and ends at the close of the third Annual General Meeting that follows the member's election.

Independence of the Board members
Evaluated against the criteria given in Recommendation 15, all six members of the Board of Directors are independent of the company. Evaluated against the criteria given in Recommendation 15, Yrjö Neuvo, Stig Gustavson, Mikko Niinivaara and Maija Torkko are independent of both the company and the shareholders. Evaluated against the criteria given in Recommendation 15 Raimo Voipio and Mikko Voipio are dependent of significant shareholders. The current composition of the Board of Directors fulfills the independence requirements stated in the Recommendation 14.

President and CEO
Vaisala's President and CEO is appointed by the Board. The President and CEO manages the company in accordance with the instructions and orders given by the Board, and informs the Board of the development of the company's business and financial situation. The President and CEO is also responsible for arranging the company's management.

Related party transactions

Vaisala Group's related parties include subsidiaries, associated companies, members of the Board of Directors, and the President and CEO. Transactions with related parties are based on market prices and conditions.

No loans were granted to the related parties, and no contingent liabilities were made on their behalf.

Proposals to the Annual General Meeting

The Board of Directors' proposal for the distribution of profit

According to the financial statements for the year to December 31, 2010, the parent company's distributable funds amount to EUR 130,988,120.20, of which the profit for the financial year is EUR 12,286,316.95.

The Board of Directors propose to the Annual General Meeting that the distributable funds be used as follows:

- A dividend of EUR 0.65 per share be paid, totaling	EUR 11,835,989.10
- To be retained in shareholders' equity	EUR 119,152,131.10
Total	EUR 130,988,120.20

No material changes have occurred in the company's financial situation since the end of the financial year. The company's liquidity remains good and, in the view of the Board, is not threatened by the proposed profit distribution.

The record date for dividend payment has been set at March 29, 2011, and it is proposed that the dividend is paid on April 5, 2011.

Amendment of the Articles of Association

The Board of Directors propose that the Articles of Association 3§, 5§, 6§, 9§, 10§ and 12§ are amended. The main content of the amendment to the Articles of Association is to increase the maximum number of Board members to eight (8) and to make technical updates to meet the present wording of the Companies Act and established practices of the company.

The terms of office of Board members Mikko Niinivaara and Raimo Voipio will end at the Annual General Meeting. Shareholders representing more than 10 percent of all the votes in the company have announced their intention to propose to Vaisala's Annual General Meeting, to be held on March 24, 2011, that Mikko Niinivaara and Raimo Voipio are re-elected.

The same shareholders have also proposed that the number of Board members in Vaisala Corporation's Board is seven (7) and that Timo Lappalainen is elected as a new member of the Board.

The Board proposes that PricewaterhouseCoopers Oy, Authorized Public Accountants, continues as the Company's auditor. PricewaterhouseCoopers Oy has informed that APA Hannu Pellinen will act as the auditor with the principal responsibility.

The proposed persons and the auditor have given their consent to the re-election.

The Board of Directors proposes that the Annual General Meeting authorize donations of maximum EUR 250,000 to one or more universities. The donations would be granted in one or several payments. According to the proposal, the Board of Directors are authorized to decide on the recipients and the payments they receive. The authorization would be in force until the 2012 Annual General Meeting.

Vantaa, February 17, 2011

Vaisala Corporation
Board of Directors

Publishing of Financial Statements

Printed Financial Statements for 2010, the online annual report and the corporate governance statement will be published on week 10 in March 2011.

Annual General Meeting documentation

Documents relating to financial statements as well as the Annual General Meeting documentation will be available on March 3, 2011 at the company's head office in Vantaa, Vanha Nurmijärventie 21. On request, copies will be sent to shareholders. The material will also be available on www.vaisala.com/investors on March 3, 2011 the latest.

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 indicators	1-12 2010	1-12 2009	10-12 2010	10-12 2009
Return on equity (ROE)	5.6%	3.7%	5.6%	3.7%
Number of shares (1000 pcs)	18,209	18,209	18,209	18,209
Number of chares (1000 pcs), weighted average	18,209	18,209	18,209	18,209
Adjusted number of shares (1000 pcs)	18,209	18,209	18,209	18,209
Earnings/share (EUR)	0.56	0.38	0.67	0.28
Earnings/share (EUR),fully diluted	0.56	0.38	0.67	0.28
Net cash flow from operating activities/share (EUR)	1.39	-0.17		
Equity/share (EUR)	10.02	9.90	10.02	9.90
Solvency ratio	76 %	81 %	76 %	81 %
Gross capital expenditure (EUR Million)	30.1	27.7	6.2	14.9
Depreciation	14.1	9.6	4.1	2.5
Average personnel	1 408	1 302	1 362	1 341
Order book (EUR Million)	129.0	95.5	129.0	95.5

Liabilities from derivative contracts	21.1	15.8	21.1	15.8

The financial statements have been prepared in accordance with the IAS 34 following the same accounting principles as in the annual financial statements. The whole year numbers presented in the financial report have been audited.

CONSOLIDATED INCOME STATEMENT (IFRS, EUR Million)

	1-12 2010	1-12 2009	Change %	10-12 2010	10-12 2009	Change %
Net sales	253.2	231.8	9.2	84.5	80.4	5.2
Cost of production and procurement	-124.2	-121.1	2.6	-37.8	-42.5	-11.1
Gross profit	128.9	110.7	16.5	46.7	37.8	23.6
Other operating income	1.8	0.1	1536.9	0.4	0.0	1002.8
Cost of sales and marketing	-59.2	-48.6	21.8	-15.3	-14.6	4.3
Development costs	-31.4	-28.4	10.3	-7.3	-9.3	-21.5
Other administrative costs	-28.4	-21.8	29.9	-8.0	-6.6	20.7
Operating profit	11.8	12.0	-1.0	16.6	7.3	127.4
Financial income and expenses	2.2	-1.9	-214.9	0.8	0.5	69.2
Share of results of associated companies	0.0	0.0		0.0	0.0	-100.0
Profit before tax	14.0	10.1	38.8	17.4	7.8	123.8
Income taxes	-3.8	-3.2	18.2	-5.3	-2.6	98.9
Profit after tax	10.2	6.9	48.4	12.1	5.1	136.6
Attributable to Equity holders of the parent	10.2	6.9	48.4	12.1	5.1	136.6

Taxes for the review period have been calculated under taxes.

Earnings per share for profit attributable to the equity holders of the parent						
Basic earnings per share, €	0.56	0.38	48.4	0.67	0.28	136.5
Diluted earnigns per share,€	0.56	0.38	48.4	0.67	0.28	136.5

STATEMENT OF COMPREHENSIVE INCOME						
Profit for the year	10.2	6.9	48.4	12.1	5.1	136.6
Other comprehensive income						
Exchange differences on translating foreign operations	3.8	-0.8	-563.5	1.2	0.5	117.9
Total comprehensive income	14.0	6.1	130.2	13.3	5.7	134.8
Total comprehensive income attributable to:						
Equity holders of the parent	14.0	6.1	130.2	13.3	5.7	134.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR million)	31.12.2010	31.12.2009	Change %
ASSETS			

NON-CURRENT ASSETS			
Intangible assets	39.9	23.7	68.4
Tangible assets	51.8	49.8	4.0
Investments in associates	0.5	0.5	10.8
Other financial assets	0.3	0.1	225.0
Long-term receivables	0.1	0.3	-59.4
Deferred tax assets	7.0	5.7	22.9
CURRENT ASSETS			
Inventories	36.8	27.3	34.7
Trade and other receivables	73.5	67.9	8.4
Accrued income tax receivables	2.9	6.2	-53.4
Cash and cash equivalents	35.3	50.1	-29.5
Non current assets held for sale	0.6		
TOTAL ASSETS	248.7	231.4	7.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	7.7	7.7	0.0
Share premium reserve	16.6	16.6	0.0
Reserve fund	0.3	0.2	38.4
Translation differences	-1.2	-4.8	-74.9
Profit from previous years	149.1	154.0	-3.2
Own shares	-0.3	-0.3	0.0
Profit for the financial year	10.2	6.9	48.4
Total equity	182.4	180.3	1.2
Liabilities			
Long-term liabilities			
Retirement benefit obligations	1.6	1.2	34.3
Interest-bearing liabilities	0.6	0.4	42.1
Other long-term liabilities	2.0	0.2	733.9
Provisions	0.1	0.1	-8.8
Deferred tax liabilities	0.8	0.3	181.8
Current liabilities			
Current liabilities	0.3	0.3	-9.9
Advances received	8.9	10.2	-13.4
Accrued income tax payables	3.7	0.3	1,077.0
Trade and other payables	48.3	38.0	27.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	248.7	231.4	7.4

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY December 31, 2010 (EUR million)

	Share capital	Share issue	Share premiu m Resesr	Reserve fund	Own shares	Translat ion differen	Retain ed earnin	Total equity

			ve			ces	gs	
Balance at December 31, 2009	7.7	0.0	16.6	0.2	-0.3	-4.9	160.9	180.3
Total comprehensive income for the year				0.1		3.7	10.2	14.0
Transactions with owners								
Dividend paid							-11.8	-11.8
Balance at December 31, 2010	7.7	0.0	16.6	0.3	-0.3	-1.2	159.3	182.4

	Share capital	Share issue	Share premium Resesr ve	Reserve fund	Own shares	Translation differences	Retained earnings	Total equity
Balance at December 31, 2008	7.7	0.0	16.6	0.2	-0.3	-4.1	170.4	190.6
Total comprehensive income for the year				0.0		-0.8	6.9	6.1
Transactions with owners								
Dividend paid							-16.4	-16.4
Balance at December 31, 2009	7.7	0.0	16.6	0.2	-0.3	-4.9	160.9	180.3

CONSOLIDATED CASH FLOW STATEMENT (EUR million)

	1-12 2010	1-12 2009	Change %
Cash flows from operating activities			
Cash receipts from customers	253.0	225.7	12.1
Other income from business operations	0.7	0.0	
Cash paid to suppliers and employees	-231.5	-218.0	6.2
Interest received	0.2	1.0	-79.0
Interest paid	-0.1	-0.1	17.0
Other financial items, net	0.4	-1.4	-126.9
Direct tax paid	2.5	-10.3	-124.5

Cash flow from business operations (A)	25.3	-3.2	896.7

Cash flow from investing activities			
Investments in intangible assets	-12.6	-1.3	863.6
Investments in tangible assets	-8.8	-13.7	-35.9
Acquisition of subsidiary, net of cash acquired	-7.4	-16.7	-55.9
Proceeds from sale of fixed assets	1.0	0.1	990.2
Other investments	-0.6	-0.1	595.1
Financial assets recognised at fair value through profit and loss	0.0	23.2	-100.0
Cash flow from investing activities (B)	-28.4	-8.5	231.9
Cash flow from financing activities			
Repayment of short-term loans	0.0	-0.1	-100.0
Withdrawal of long-term loans	5.1	0.0	
Repayment of long-term loans	-5.0	0.0	
Dividend paid and other distribution of profit	-11.8	-16.4	-27.8
Cash flow from financing activities (C)	-11.8	-16.5	-28.7
Change in liquid funds (A+B+C) increase (+) / decrease (-)	-14.9	-28.2	-47.3
Liquid funds at beginning of period	50.1	78.1	-35.9
Foreign exchange effect on cash	0.1	0.2	-63.0
Net increase in cash and cash equivalents	-14.9	-28.2	-47.3
Liquid funds at end of period	35.3	50.1	-29.5

Segment Report
Business segments

1-12/2010 EUR Million	WCO *	CEN *	MET *	Other operations	Group
Net sales to external customers	114.6	63.4	75.2	0.0	253.2
Net sales	114.6	63.4	75.2	0.0	253.2
Operating profit	1.0	8.9	2.8	-0.9	11.8
Financial income and expenses					2.2
Share of associated companies' net profit					0.0
Net profit before taxes					14.0
Income taxes					-3.8
Net profit					10.2
Depreciation	2.5	0.1	1.4	9.7	13.7
Write off	0.4				0.4

* WCO= Weather critical operations
* CEN = Controlled environment

* MET= Meteorology

1-12/2009 EUR Million	WCO *	CEN *	MET *	Other operations	Group
Net sales to external customers	101.8	49.2	80.8	0.0	231.8
Net sales	101.8	49.2	80.8	0.0	231.8
Operating profit	5.5	3.4	3.4	-0.4	12.0
Financial income and expenses					-1.9
Share of associated companies' net profit					0.0
Net profit before taxes					10.1
Income taxes					-3.2
Net profit					6.9
Depreciation	0.8	0.1	1.4	7.3	9.6

* WCO= Weather critical operations
* CEN = Controlled environment
* MET= Meteorology

10-12/2010 EUR Million	WCO *	CEN *	MET *	Other operations	Group
Net sales to external customers	40.1	18.9	25.5	0.0	84.5
Net sales	40.1	18.9	25.5	0.0	84.5
Operating profit	7.6	3.0	5.7	0.3	16.6
Financial income and expenses					0.8
Share of associated companies' net profit					0.0
Net profit before taxes					17.4
Income taxes					-5.3
Net profit					12.1
Depreciation	0.6	0.0	0.4	2.8	3.7
Write off	0.4				0.4

* WCO= Weather critical operations
* CEN = Controlled environment
* MET= Meteorology

10-12/2009 EUR Million	WCO *	CEN *	MET *	Other operations	Group

Net sales to external customers	40.7	12.1	27.5	0.0	80.4
Net sales	40.7	12.1	27.5	0.0	80.4
Operating profit	6.1	-1.5	3.0	-0.3	7.3
Financial income and expenses					0.5
Share of associated companies' net profit					0.0
Net profit before taxes					7.8
Income taxes					-2.6
Net profit					5.1
Depreciation	0.2	0.0	0.3	1.9	2.5

* WCO= Weather critical operations
* CEN = Controlled environment
* MET= Meteorology

Contingent liabilities and pledges given EUR million	2010	2009
For own loans/commitments		
Guarantees	9,5	13,5
Other own liabilities		
Pledges given	0,7	0,4
Other leases	7,0	6,9
Contingent liabilities and pledges given, total	17,1	20,8

Other leases include long-term real estate rental agreements and operating lease agreements. Lease- and rental agreements comply with the normal terms in each country.

Calculation of financial indicators

Solvency ratio, (%) = Shareholders' equity plus non-controlling interest
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Balance sheet total less advance payments x 100

Earnings / share = Profit before taxes less taxes +/- non-controlling interest
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Average number of shares, adjusted

Cash flow from business operations / share = Cash flow from business operations
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Number of shares at balance sheet date

Equity / share = Shareholders' equity

Number of shares at balance sheet date,

		adjusted	
Dividend / share	=	Dividend -- Number of shares at balance sheet date, adjusted	
Return on equity, (ROE) (%)	=	Profit before taxes less taxes --- Shareholders' equity + non-controlling interest (average)	x 100

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