

Vaisala Group's Interim report January - September 2007 (9 months)

Vaisala Oyj Stock exchange release 31.10.2007 at 11.00 1(11)

- Net sales: EUR 152.2 (144.9) million, growth 5.1%.
- Operating profit: EUR 19.6 (19.1) million, growth 3.0%.
- Orders received: EUR 174.8 (178.5) million, decrease 2.1%.
- Order book: EUR 99.0 (87.7) million.
- Profit before extraordinary items, provisions and taxes: EUR 21.0 (18.8) million, growth 11.6%.
- Net profit for the review period: EUR 14.8 (13.3) million, growth 11.6%.
- Earnings per share: EUR 0.81 (0.73), growth 11.3%.

3rd quarter 2007

- Net sales: EUR 51.5 (52.4) million, decrease 1.8%
- Operating profit: EUR 4.5 (8.7) million, decrease 48.1%
- Orders received: EUR 66.9 (52.6) million, growth 27.2%
- Profit before extraordinary items, provisions and taxes: EUR 4.6 (9.2) million, decrease 50.2%
- Net profit for the 3rd quarter: EUR 3.0 (6.8) million, decrease 55.5%
- Earnings per share: EUR 0.17 (0.37) million, decrease 55.5%

Comments on the third quarter

The net sales of the third quarter remain on the same level as in the previous year. The result was burdened by the costs resulting from measures to push growth and improve efficiency. The development of the number of orders received was positive.

Outlook for the rest of the year

Market development is expected to remain stable in 2007. Adjusting our earlier estimations, we expect the net sales to be slightly higher than in 2006. Operating profit is expected to remain on the same level as in 2006, due to ongoing development projects. Due to seasonal variation typical to Vaisala's business, the result of the fourth quarter has a significant effect on the net sales and result for the whole year.

Vaisala aims to be the global market leader in its selected business areas also in the future. Therefore investments in product development and competitiveness will continue to be substantial.

CEO Kjell Forsén's comments on the January - September result:

"The number of orders received grew significantly in the 3rd quarter compared to the corresponding period last year, and the moving 12-month trend shows growth. Net sales grew particularly well in the Asia and Pacific, 16%, whereas the weakening dollar caused a decrease in sales in euros in North America.

Vaisala is pushing for growth, which burdens the result of the second half year. According to the new growth strategy, Vaisala is expanding its business from measurement instruments and systems to service and solutions business. We are developing our sales organization, improving our market coverage and developing new products for service and solutions businesses. Investments in support of the new strategy will continue in order to create growth."

Market situation, net sales and order book

Judging from the positive development in the order flow during the 3rd quarter, the market situation in all markets is promising. The sustained maintenance and development of competitiveness has enabled Vaisala to retain its strong market share. Net sales grew in Europe (10.6%) as well as in Asia and Pacific (16.0). Net sales decreased in Africa, South and Central America (-9.8%), as well as in North America (-5.2%). Exchange rates decreased the result of the North American segment, whose net sales grew by 2.8% at comparable exchange rates.

Orders received decreased by 2.1% compared to the corresponding period in 2006, being EUR 174.8 (178.5) million. The total of orders received in the past 12 months is EUR 240 million. At the end of the review period, the order book stood at EUR 99.0 (87.7) million. Some EUR 45 million of the order book will be delivered in 2008 or later.

Vaisala Group's net sales for the review period grew by 5.1%, being EUR 152.2 (144.9) million. Vaisala Instruments division's net sales grew by 6.9% and Vaisala Solutions division's by 8.8%. Vaisala Measurement Systems division's net sales decreased by 0.9%. Operations outside Finland accounted for 96% of net sales as before.

Performance and balance sheet

Operating profit for the review period was 12.9% of net sales, EUR 19.6 (19.1) million. The structure of financial reporting was changed starting from 2007. Instead of being reported under other operating income and expenses, the result of hedging activities is reported below operating profit in financial income and expenses, where foreign exchange gains and losses are also reported. The figures of the review period as well as those of the accounting period 2006 have been changed to correspond to the current reporting structure.

Profit before tax was 13.8% of net sales, EUR 21.0 (18.8) million, growth 11.6%. Net profit for the review period was EUR 14.8 (13.3) million, growth 11.6%.

The Vaisala Group's solvency and liquidity remained strong. On September 30, 2007 the balance sheet total was EUR 212.3 (197.1) million. The Group's solvency ratio at the end of the review period was 83% (84%).

The total of the Group's liquid assets was EUR 95.0 (72.1) million.

Research and development

Expenditure on research and development in the review period totaled EUR 16.8 (14.7) million, being 11.1% of the Group's net sales.

Capital expenditure

Gross capital expenditure totaled EUR 5.0 million (18.6).

Vaisala Measurement Systems

Vaisala Measurement Systems division generated net sales of EUR 59.0 (59.5) million, decrease 0.9%. Operating profit for the review period grew to EUR 9.5 (8.5) million.

Orders received by Vaisala Measurement Systems decreased by 12%, being EUR 69.3 (79.1/1-9/2006; 61.0/1-9/2005) million.

Vaisala received its first weather radar orders during the review period. The orders include a total of five dual-polarization radars, which carry Sigmet signal processors and application software. The orders came from the Estonian Meteorological and Hydrological Institute, and a long-standing Vaisala customer. When fully realized, the total value of the radar orders is approximately EUR 4 million. Deliveries will be carried out between November 2007 and June 2008.

Vaisala has won a contract with the Meteorological Service Canada (PWGSC) for the modernization of Canada's synoptic upper-air observation network. The contract term is ten years, and estimated value 27 million USD. The deliveries started in October 2007.

Vaisala Instruments

Net sales of the Vaisala Instruments division grew by 9.5%, being EUR 51.7 (47.2) million. Operating profit for the review period grew to EUR 14.9 (14.5) million.

The number of orders received by the Vaisala Instruments division grew compared to the previous year, being EUR 51.1 (50.8/1-9/2006; 45.2/1-9/2005) million.

Competition in all product categories for industrial measurements remains fierce. Vaisala's global operating model, combined with significant investments in research and development, form the basis to retain market leadership and increase market share.

Vaisala Solutions

Net sales of the Vaisala Solutions division grew by 8.9%, being EUR 41.6 (38.2) million. Operating profit for the review period was EUR -1.1 (-0.5) million. Due to the characteristics of the division's business, operating profits normally turn positive on the fourth quarter.

The number of orders received by the Vaisala Solutions division increased by 12%, being EUR 54.4 (48.6/1-9/2006; 41.7/1-9/2005) million.

Vaisala has signed a contract with a long-standing customer for fixed base automatic weather stations for aviation operations use. The contract covers the supply of automatic weather stations

and support services, and can be extended to the end of the year 2012. The estimated value of the contract is over 10 million USD.

Events during the review period

Vaisala responds to the growing demand for services and solutions by streamlining its operations and simplifying its organization. All current service operations will be centralized under a new Vaisala Services division. Vaisala Solutions division will focus more clearly on comprehensive solutions. Vaisala assembly, production, procurement and deliveries will be centralized under a new Operations unit. Reporting based on the new segments will become effective on 1.1.2008, including Vaisala measurement Systems, Vaisala Instruments, Vaisala Solutions and Vaisala Services.

Personnel

The average number of employees in the Vaisala Group during the review period was 1107 (1070). 40% (40%) of the Group's personnel worked outside Finland.

Changes in Vaisala Oyj's management

Matti Ervasti (51), M.A. (chemistry), was appointed as Vaisala Sales and Marketing Director and member of the Management Group starting May 15, 2007. Ari Meskanen (43), M.Sc.(Eng), eMBA, was appointed as Vaisala Chief Technology Officer and member of the Management Group starting May 1, 2007. Scott Sternberg (43), M.Sc.(Physics), was appointed as Director of Vaisala Services and member of the Management Group starting June 1, 2007. Antti Ritvos (53), M.Sc. B.Sc., was appointed as Director of Vaisala Solutions and member of the Management Group starting November 15, 2007.

Short-term risks and uncertainties

Vaisala's risk management policy covers strategic, operative, accident, and financial risks. The goal of the policy is to ensure the safety of Vaisala personnel, operations and products and continuity of operations.

The usual risks related to international business affect Vaisala's operations. The most significant of these relate to currency risks, particularly the weakening US dollar, supply-chain management and production activities, and these risks are closely monitored and prepared for according to the company's risk management policy.

The prerequisite for the growth in net sales is the maintaining of the order flow at current levels and the realization of deliveries as planned.

Vaisala's share

Vaisala's Board of Directors had no authorization to increase the company's share capital or to issue convertible or warrant bonds at the end of the review period.

The price of Vaisala's A share on the Helsinki Exchanges was EUR 33.07 on December 31, 2006, and EUR 40.35 at the end of the review period. The highest share price quoted during the review period was EUR 41.99 and the lowest EUR 29.43. A total of 4,403,604 Vaisala shares were traded during the review period.

Conversion of unlisted shares series K into series A

Vaisala Oyj's 400 unlisted shares (series K) have been converted into listed shares (series A). The conversion has been registered in the Finnish Trade Register September 20, 2007. Listing of the new series A shares has been applied for as of September 21, 2007.

Vaisala's share capital at the end of the review period was EUR 7,660,807.86 and the total number of shares was 18,218,364. Of these, 3,408,885 belong to series K and 14,809,479 to series A.

Own and parent company's shares

The company holds a total of 9,150 of its own shares at the end of the review period, representing 0.05% of the share capital and 0.01% of votes. The book value of the shares owned by the company is EUR 251,898.31.

Board of Directors

The Annual General Meeting appointed six members to the Board of Directors. Yrjö Neuvo, who was in turn to retire by rotation, was selected for another three-year term of office. Maija Torkko was appointed as a new member.

Raimo Voipio will continue as Chairman of the Board of Directors and Yrjö Neuvo will continue as Vice-Chairman.

Dividend

The Annual General Meeting decided that a dividend of EUR 0.85 per share, corresponding to the total of EUR 15,477,831.90 was to be distributed for the financial year 2006. Dividend is not paid to the A-shares that are held by Vaisala Oyj. Dividend was paid on April 3, 2007.

PricewaterhouseCoopers Oy and Mr. Hannu Pellinen APA were chosen as the Company's auditors by the Annual General Meeting.

Vantaa October 31, 2007

Vaisala Oyj
Board of Directors

Financial indicators	1-9 2007	1-9 2006	7-9 2007	7-9 2006	1-12 2006
Number of shares at Sept. 30 (1000 pcs)	18 209	18 209	18 209	18 209	18 209
Number of shares at Sept. 30 (1000 pcs), weighted average	18 209	18 154	18 209	18 209	18 168
Adjusted number of shares (1000 pcs)	18 209	18 162	18 209	18 209	18 174
Earnings/share (EUR)	0.81	0.73	0.17	0.37	1.46
Earnings/share (EUR), fully diluted	0.81	0.73	0.17	0.37	1.46
Net cash flow from operating activities/share (EUR)	1.59	1.00			1.96
Equity/share (EUR)	9.16	8.67	9.16	8.67	9.32
Solvency ratio	83%	84%	83%	84%	81%
Gross capital expenditure (EUR Million)	5.0	18.6	1.6	1.2	20.4
Depreciation (EUR million)	6.1	8.6	2.0	2.3	10.8
Average personnel	1 107	1 070	1 131	1 070	1 069
Order book (EUR Million)	99.0	87.7	99.0	87.7	77.6
Liabilities from derivative contracts	13.1	11.9	13.1	11.9	11.9

This interim report has been prepared in accordance with IAS 34 'Interim Financial Reporting.' The same accounting principles have been applied as in the annual financial statements. The interim financial statements have not been audited.

CONSOLIDATED INCOME STATEMENT (IFRS, EUR Million)

	1-9 2007	1-9 2006	Change %	7-9 2007	7-9 2006	Change %	1-12 2006
Net sales	152.2	144.9	5.1	51.5	52.4	-1.8	220.8
Cost of production and procurement	-66.9	-68.4	-2.2	-23.1	-23.7	-2.3	-100.1
Gross profit	85.3	76.5	11.6	28.3	28.8	-1.4	120.8
Other operating income	0.0	0.1	-98.7	0.0	0.0	-87.5	0.1
Cost of sales and marketing	-33.5	-29.9	12.1	-11.7	-10.2	14.5	-42.1
Development costs	-16.8	-14.7	14.4	-6.4	-5.2	23.1	-20.6
Other administrative costs	-15.4	-12.9	19.3	-5.8	-4.7	23.5	-19.6
Other operating cost	0.0	0.0		0.0	0.0		0.0
Operating profit	19.6	19.1	3.0	4.5	8.7	-48.1	38.6

Financial income and expenses	1.3	-0.3	-528.1	0.1	0.5	-84.6	-0.5
Share of results of associated companies	0.0	0.0		0.0	0.0		0.0
Profit before tax	21.0	18.8	11.6	4.6	9.2	-50.2	38.2
Income taxes	-6.1	-5.5	11.5	-1.6	-2.5	-35.8	-11.6
Profit after tax	14.8	13.3	11.6	3.0	6.8	-55.5	26.6
Attributable to equity holders of the parent	14.8	13.3	11.6	3.0	6.8	-55.5	26.6

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	0.81	0.73	11.3	0.17	0.37	-55.6	1.46
Diluted earnings per share	0.81	0.73	11.4	0.17	0.37	-55.6	1.46

CONSOLIDATED BALANCE SHEET

(EUR million) 30.9.2007 30.9.2006 Change 31.12.2006

%

ASSETS

NON-CURRENT ASSETS

Intangible assets	18.6	22.2	-16.4	21.0
Tangible assets	32.9	33.0	-0.4	33.5
Investments in associates	0.4	0.3	30.7	0.4
Other financial assets	0.0	0.0	-9.5	0.2
Long-term receivables	0.1	0.2	-62.8	0.1
Deferred tax assets	5.2	6.0	-14.4	5.2

CURRENT ASSETS

Inventories	20.2	20.1	0.4	17.6
Trade and other receivables	39.2	42.3	-7.2	53.9
Accrued income tax receivables	0.8	0.8	3.3	0.0
Financial assets recognized at fair value through profit and loss	42.3	32.9	28.6	41.2
Cash and cash equivalents	52.7	39.2	34.3	46.1
TOTAL ASSETS	212.3	197.1	7.7	219.2

SHAREHOLDERS' EQUITY AND

Other financial items, net	-0.1	-2.5	-96.8	-3.3
Dividend received from business operations	0.0	0.0	-100.0	0.0
Direct tax paid	-7.4	-6.3	17.6	-9.7
Cash flow from business operations (A)	29.0	18.3	58.7	35.7
Cash flow from investing activities				
Investments in tangible and intangible assets	-5.1	-5.4	-6.0	-7.2
Acquisition of subsidiary, net of cash acquired	0.0	-15.6	-100.0	-15.7
Proceeds from sale of fixed assets	0.0	0.1	-99.0	0.1
Loans granted	0.0	0.0	-100.0	0.0
Repayments on loan receivables	0.0	0.0	93.7	0.0
Other investments	0.1	0.0	864.1	-0.1
Cash flow from investing activities (B)	-4.9	-20.9	-76.4	-22.9
Cash flow from financing activities				
Equity issue	0.0	6.1	-100.0	6.1
Repayment of short-term loans	0.0	0.0		0.0
Withdrawal of long-term loans	0.0	0.0		0.0
Repayment of long-term loans	-0.2	-0.4	-59.4	-0.5
Dividend paid and other distribution of profit	-15.5	-13.4	15.2	-13.4
Cash flow from financing activities (C)	-15.6	-7.7	102.0	-7.8
Change in liquid funds (A+B+C)				
increase (+) / decrease (-)	8.4	-10.3	-181.4	5.0
Liquid funds at beginning of period	87.3	81.4	7.3	81.4
Foreign exchange effect on cash	-0.8	1.0	-175.6	0.9
Net increase in cash and cash equivalents	8.4	-10.3	-181.4	5.0
Liquid funds at end of period	95.0	72.1	31.7	87.3

Segment Report

Business segments

	Vaisala			
	Measure-	Vaisala	Other	
	ment Instru-	Vaisala Opera-	Elimina-	
1-9/2007	Systems	Solutions	tions	tions Group

Net sales to external customers	59.0	51.7	41.6	0.0	0.0	152.2
Intragroup sales	0.0	6.4	0.3	0.0	-6.7	0.0
Net sales	59.0	58.1	41.9	0.0	-6.7	152.2

Operating profit	9.5	14.9	-1.1	-3.7	0.0	19.6
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Depreciation	2.0	1.4	0.3	2.4	0.0	6.1
Restructuring expenses	0.0	0.0	0.0	0.0	0.0	0.0

Segment Report
Business segments

1-9/2006 MEUR	Vaisala		Other			Group
	Measure- Systems	Vaisala Instru- ments	Vaisala Solutions	Opera- tions	Elimina- tions	

Net sales to external customers	59.5	47.2	38.2	0.0	0.0	144.9
Intragroup sales	0.0	7.1	0.3	0.0	-7.4	0.0
Net sales	59.5	54.3	38.5	0.0	-7.4	144.9

Operating profit	8.5	14.5	-0.5	-3.3	0.0	19.1
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Depreciation	4.1	1.5	0.5	2.5	0.0	8.6
Restructuring expenses	0.0	0.0	0.0	0.0	0.0	0.0

Segment Report
Business segments

7-9/2007	Vaisala		Other			Group
	Measure- Systems	Vaisala Instru- ments	Vaisala Solutions	Opera- tions	Elimina- tions	

Net sales to external customers	18.9	17.2	15.4	0.0	0.0	51.5
Intragroup sales	0.0	2.7	0.2	0.0	-2.9	0.0
Net sales	18.9	19.9	15.5	0.0	-2.9	51.5

Operating profit	2.3	4.4	-0.4	-1.9	0.0	4.5
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Depreciation	0.6	0.4	0.1	0.8	0.0	2.0
Restructuring expenses	0.0	0.0	0.0	0.0	0.0	0.0

Segment Report
Business segments

	Vaisala		Other			
	Measure-	Vaisala	Vaisala	Opera-	Elimina-	
7-9/2006	ment	Instru-	Solutions	tions	tions	Group
MEUR	Systems	ments				

Net sales to external customers	21.3	17.2	14.0	0.0	0.0	52.4
Intragroup sales	0.0	2.6	0.1	0.0	-2.7	0.0
Net sales	21.3	19.8	14.1	0.0	-2.7	52.4

Operating profit	4.5	5.4	0.7	-1.8	0.0	8.7
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Depreciation	0.8	0.5	0.1	0.8	0.0	2.2
Restructuring expenses	-0.4	0.0	0.0	0.0	0.0	-0.4

	Vaisala		Other			
	Measure-	Vaisala	Vaisala	Opera-	Elimina-	
1-12/2006	ment	Instru-	Solutions	tions	tions	Group
MEUR	Systems	ments				

Net sales to external customers	93.2	64.3	63.3	0.0	0.0	220.8
Intragroup sales	0.0	11.1	0.4	0.0	-11.5	0.0
Net sales	93.2	75.3	63.7	0.0	-11.5	220.8

Operating profit	19.8	19.5	5.4	-6.1	0.0	38.6
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Depreciation	4.8	1.9	0.7	3.4	0.0	10.8
Restructuring expenses	0.0	0.0	0.0	0.0	0.0	0.0

Calculation of financial indicators

$$\text{Solvency ratio, (\%)} = \frac{\text{Shareholders' equity plus minority interest}}{\text{Balance sheet total less advance payments}} \times 100$$

$$\text{Earnings / share} = \frac{\text{Profit before taxes less taxes} \pm \text{minority interest}}{\text{Average number of shares, adjusted}}$$

$$\text{Cash flow from business operations / share} = \frac{\text{Cash flow from business operations}}{\text{Number of shares at balance sheet date}}$$

$$\text{Equity / share} = \frac{\text{Shareholders' equity}}{\text{Number of shares at balance sheet date, adjusted}}$$

$$\text{Dividend / share} = \frac{\text{Dividend}}{\text{Number of shares at balance sheet date, adjusted}}$$

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Vaisala Oyj

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