

Interim Report 1.1.2002 - 30.06.2002 (H1, 6 months)

- Net sales: EUR 85.2 million (1-6/2001: 85.8)
- Operating profit: EUR 8.1 (13.3) million
- Orders received: EUR 112.0 (85.4) million, representing growth of 31% compared to the corresponding period of the previous year
- Order book: EUR 84.6 (63.1) million
- Profit before extraordinary items, provisions and taxes: EUR 7.3 (14.3) million
- Goodwill depreciation arising from corporate acquisitions: EUR 2.6 (2.0) million
- Earnings per share: EUR 0.23 (0.56)

Market situation

The sector started experiencing the effects of the global economic downturn in March 2001 but demand rose at the beginning of 2002. However, the rate of growth slackened towards the end of the spring. Vaisala has managed to retain its market shares and the company continues to hold a very strong position in the market.

Net sales and order book

The Vaisala Group's net sales for the review period were EUR 85.2 million (EUR 85.8 million for the corresponding period last year). International deliveries generated 94.9 (95.9)% of net sales for the period. The Group received new orders worth EUR 112.0 (85.4) million during the first six months of the year. The Group's order book at the end of the review period stood at EUR 84.6 (63.1) million.

The Upper Air Division

The Upper Air Division generated net sales of EUR 26.3 (34.2) million.

During the review period Vaisala received a major order, worth some EUR 10 million, from a long-standing customer for the supply of sounding systems along with radiosondes. Deliveries under the contract will take place within a year.

Vaisala also signed a contract worth some EUR 2.8 million with another long-standing customer for the supply of sounding systems along with radiosondes. The deliveries under the contract will take place during the current year.

The Vaisala Group signed a contract during the review period with the Turkish State Meteorological Service to supply meteorological observation equipment. Valued at EUR 2.1 million, the contract covers upper-air sounding systems and equipment, and a data collection and management system. Deliveries under the contract will take place during the current year.

The Surface Weather Division

The Surface Weather Division generated net sales of EUR 29.6 (28.5) million.

During the review period Vaisala signed a contract with the Finnish Civil Aviation Administration for supplying an automated aviation weather observation system to Helsinki-Vantaa airport. The system was installed in summer 2002.

During the review period Vaisala received a major order from the United States Air Force for the delivery of tactical meteorological observation systems. The order is worth some USD 3.5 million. The systems were delivered in May 2002.

In addition, during the review period, Vaisala signed a contract with a long-standing customer for supplying, commissioning and maintaining an automated airport weather observation solution. The contract is worth some EUR 7 million and it is the largest order for an aviation weather system in Vaisala's history. Deliveries under the contract will start in 2003.

Vaisala also signed a contract to supply Data Collection Platform systems to the Brazilian Space Research Institute (Instituto Nacional de Pesquisas Espaciais, INPE). The contract, worth over EUR 1 million, covers 80 hydrometeorological systems and also data collection equipment. Deliveries under the contract will take place during the current year.

The Remote Sensing Division

The Remote Sensing Division was founded at the end of 2001.

The Division focuses on two expanding fields of atmospheric measurement: observations required in nowcasting and meso-scale forecasting. The Division generated net sales of EUR 6.8 million during the review period.

During the review period the Group acquired the world's largest lightning detection equipment manufacturer and lightning data services operator, Global Atmospheric Inc, in the USA. The acquisition will elevate Vaisala to global market leadership in the field of lightning detection and localization.

The Sensor System Division

The Sensor Systems Division generated net sales of EUR 22.5 (23.1) million.

Vaisala signed a contract with the China Meteorological Administration during the review period for delivering Vaisala pressure and humidity measuring equipment to China's weather observation network. The order is worth some EUR 1.5 million and deliveries are scheduled for 2002.

Performance

Operating profit for the review period amounted to EUR 8.1 (13.3) million. Profit before extraordinary items for the review period represented 8.6% of net sales, amounting to EUR 7.3 (14.3) million. Depreciation of goodwill arising from corporate acquisitions totalled some EUR 2.6 (2.0) million.

The profit includes non-recurring income of EUR 2 million arising from changes in the licence agreement between Vaisala Oyj and Breed Technologies Inc.

Costs incurred by reorganization of the Group's North American operations reduced the Group's profit by EUR 0.6 million, and provisions for customer credit losses by EUR 1.1 million.

Balance sheet

Vaisala Group's solvency and liquidity remained strong. The balance sheet total as at June 30th, 2002 was EUR 163.2 (159.3) million. The Group's solvency ratio at the end of the review period was 83% (82%).

Research and development

Expenditure on research and development in the review period totalled EUR 10.3 (9.1) million, representing 12% of the Group's net sales.

Vaisala launched a visibility sensor during the review period. The sensor measures the visual range on airport runways and incorporates new forward scatter technology that enhances the precision and reliability of measurements.

During the review period Vaisala launched a new high-precision hygrometer and a new product family of DEWCAP Sensors for industrial applications. The new product family is one step in upgrading Vaisala's product range of industrial humidity sensors. The Vaisala Group is the market leader in this field.

Events during the review period

During the review period Vaisala announced plans to centralize its USA manufacturing operations in Boulder, Colorado. Most of the Group's radiosonde production in the USA was transferred to Finland and production in Boston was closed down.

During the review period Vaisala announced a new appointment to the company's management. Mr Jan Hörhammer was appointed Director, Weather Observation Sales and Marketing, with effect from April 1st, 2002.

At the Annual General Meeting held on March 14, 2002, Chairman of the Board of Directors, Raimo Voipio, M.Sc. (Eng), who was due to retire by rotation, was re-elected for three years. Mikko Niinivaara, M.Sc. (Eng) was elected to succeed Matti Ilmari, D.Sc. (h.c.), member of the Board of Directors, who was due to retire by rotation. Mr Niinivaara is the President of ABB Oy, Senior Vice President of ABB's Process Industries Division and the ABB Group's representative in Finland.

Capital expenditure

Gross investment in non-current assets during the review period was EUR 20.2 (6.9) million.

During the review period Vaisala acquired the shares of minority shareholders in Vaisala Meteorological Systems Company Inc (15%), and merged the company with Vaisala Inc.

In March Vaisala acquired 100% of the stock of the American Global Atmospheric Corporation from Sankosha Group for USD 13.2 million. The net sales of the acquired company in 2001 (for fiscal year ending March 31st, 2001) totalled USD 15.3 million (USD 14.3 million for the previous year). The company's total assets were USD 9.7 million and shareholders' equity was USD 3.0 million. The company employs 120 people, although the number of personnel will decline to some 100 by the end of the current year.

Other capital expenditure was spent on IT systems and operating premises.

Construction of a new cleanroom and extension of the company's premises in Vantaa, Finland, will start in the second half of the current year. The investment will amount to some EUR 8 million.

Vaisala share

The price of Vaisala's A-share on the Helsinki Exchanges was EUR 27.30 at the beginning of the review period and EUR 27.75 at the end of the review period. The highest share price quoted during the review period was EUR 30.30 and the lowest EUR 25.00.

Vaisala's share capital at the end of June was EUR 7,314,584 and the Group's total number of shares was 17,395,000.

A total of 1,052,561 Vaisala shares were traded during the review period.

During the review period Sampo Plc's ownership of Vaisala Oyj's share capital fell below 5%.

A total of 138,000 Vaisala Oyj's A shares were subscribed for in April 2002 with the A warrants attached to Vaisala Oyj's bond with warrants issued in 1997. The shares were entered in the Trade Register on May 14th, 2002. Vaisala's share capital increased by a total 138,000 shares to EUR 58,028.89 as a result of this share subscription.

Events after the review period

The Vaisala Group received a significant order from the German Weather Service, Deutscher Wetterdienst. Vaisala will deliver them a network of radar wind profilers during the years 2003 - 2005. The contract is valued at more than EUR 5 million.

In addition, the Vaisala Group received an order to supply upper air observation systems to the Bureau of Meteorology of Australia. The total value of the contract is approximately EUR 3.7 million. Deliveries under the contract will be carried out over the next three years.

Mr Tapio Engström has been appointed Finance Director and Member of the Management Group as of August 1, 2002. Mr Erkki Järvinen has been appointed Director of the Upper Air Division and Member of the Management Group as of September 1, 2002.

Vaisala Oyj received a claim for compensation related to the alleged use of patented GPS technology in radiosondes. The demand for compensation is USD 6.5 million. Vaisala considers the presented claim to be without justification. The issue will be settled in due course through arbitration in the United States.

Personnel

The total number of people employed by the Vaisala Group at the end of the review period was 1,265, compared to 1,184 for the corresponding period in 2001. Some 38% (32%) of the Group's employees worked outside Finland.

Board of Directors and President

The members of the Board of Directors are: Mr Raimo Voipio, M.Sc. (Eng), Chairman; Prof. Pekka Hautojärvi; Prof. Yrjö Neuvo, Executive Vice President; Mikko Niinivaara, M.Sc. (Eng); Mr Mikko Voipio, M.Sc. (Eng) and Mr Gerhard Wendt, Ph.D. The Group's President and CEO is Mr Pekka Ketonen, M.Sc. (Eng).

Prospects

Uncertainty still prevails in global markets. The increase at the beginning of the year in orders received is nevertheless expected to continue, although at an appreciably slower pace than orders received during the review period. Weakening of the dollar will slow down the growth in net sales.

Net sales for the full year will exceed last year's level. The Remote Sensing Division is expected to see most growth, due to the acquisition of Global Atmospheric Inc. Profitability should improve in the latter half of the current year and full-year profitability for 2002 is expected to be good.

Vantaa, Finland, July 31, 2002

Vaisala Oyj

Board of Directors

Group income statement (EUR 1000)	1-6/2002	1-6/2001	1-12/2001
Net sales	85 214	85 808	183 529
Costs	76 241	70 612	150 180
Goodwill depreciation	2 566	2 001	3 759
Other operating income and expenses, net	1 661	113	158
Operating profit	8 068	13 308	29 747
Financial income and expenses, net	-742	1 011	895
Profit before extraordinary items	7 326	14 319	30 643
% of net sales	8.6%	16.7%	16.7%
Profit before provisions and taxes	7 326	14 319	30 643
Direct taxes	3 262	4 757	9 921
Minority interest in income	-	-86	-168
Net profit for the period	4 064	9 648	20 890

Taxes for the review period have been calculated on the taxable income of the period.

Group balance sheet (EUR 1000)	6/2002	6/2001	12/2001
Fixed assets	59 306	48 118	47 147
Current assets			
-Inventories	26 342	23 592	21 382
-Financial assets	77 578	87 627	102 353
Shareholders' equity	130 114	127 621	137 850
Minority interest	-	263	170
Obligatory reserves	2 041	3 399	1 779
Liabilities			
-Long-term liabilities	2 257	2 770	2 067
-Current liabilities	28 814	25 284	29 016
Balance sheet total	163 226	159 337	170 882
Financial indicators	6/2002	6/2001	12/2001
Earnings/share (EUR)	0.23	0.56	1.21
Earnings/share (EUR), fully diluted	0.23	0.55	1.19
Equity/share (EUR)	7.48	7.41	7.99
Solvency ratio	83%	82%	83%
Gross capital expenditure (EUR 1000)	20 160	6 864	12 141
Personnel, average during period	1 202	1 094	1 115
Order backlog (EUR 1000)	84 568	63 098	57 806
Orders received during the review period (EUR 1000)	111 976	85 424	176 300
Liabilities resulting from derivative contracts *)	17 787	19 208	14 745

*) Capital of currency forward and option contracts and forward rate agreements made to hedge against exchange rate and interest risk.

Figures in this interim report are unaudited.

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Vaisala Oyj

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