

Interim report 1.1.2003 - 30.6.2003 (H1, 6 months)

- Net sales: EUR 83.4 million (1-6/2002: 85.2)
- Operating profit: EUR 7.0 (8.1) million
- Orders received: EUR 84 (112) million
- Order book: EUR 76 (85) million
- Profit before extraordinary items, provisions and taxes: EUR 5.7 (7.3) million
- Goodwill depreciation arising from acquisitions: EUR 2.1 (2.6) million
- Net profit for the review period: EUR 3.5 (4.1) million
- Earnings per share: EUR 0.20 (0.23)

#### Market situation

Recession in all our main market areas still continues. Growth in demand stopped at the beginning of 2002 and remains unstable in most businesses. The volume of orders in the first half of the year was smaller than in the corresponding period last year. Customers have significant investment programs underway but converting them into orders takes longer than expected.

Vaisala has retained its market share, and the company holds a strong position in the market.

#### Net sales and order book

The Vaisala Group's net sales for the review period were EUR 83.4 million (1-6/2002: EUR 85.2 million). Operations outside Finland accounted for 96% (95%) of net sales. The group received new orders worth EUR 84 (112) million during the review period. The order book at the end of the review period stood at EUR 76 (85) million.

#### Vaisala Soundings (until March 31, 2003, the Upper Air Division)

The division Vaisala Soundings generated net sales of EUR 28.4 (26.3) million.

During the review period the division introduced a new product family of digital radiosondes which will be launched to the market during 2003. The radiosonde, offering more accurate measurements, will gradually replace older radiosonde models.

#### Vaisala Solutions (until March 31, 2003, the Surface Weather Division)

The division Vaisala Solutions generated net sales of EUR 22.5 (29.6) million. The volume of orders fell most in this division compared to last year's level.

During the review period the division introduced a new product family for the measurement of present weather and visibility. Road and aviation authorities as well as meteorological organizations use the products for automating weather observations.

Vaisala Remote Sensing (until March 31, 2003, the Remote Sensing Division)

The division Vaisala Remote Sensing generated net sales of EUR 11.0 (6.8) million.

During the review period a wind profiler was delivered to the UK Met Office. The contract is valued at EUR 0.7 million. Moreover, the division launched a digital interface receiver during the review period which considerably improves wind profiler performance and allows more efficient signal processing.

Vaisala Instruments (until March 31, 2003, the Sensor Systems Division)

The division Vaisala Instruments generated net sales of EUR 21.5 (22.5) million.

The division launched a new relative humidity and temperature transmitter module. The instrument offers fast and reliable detection of moisture in lubrication, hydraulic and transformer oils.

Moreover, the division introduced a miniature dewpoint transmitter, which extends the product range for dewpoint measurement. The transmitter is designed for industrial OEM applications, such as plastic and compressed air dryers.

#### Performance

Operating profit for the review period was EUR 7.0 (8.1) million. Profit before extraordinary items represented 6.9% of net sales, amounting to EUR 5.7 (7.3) million. Goodwill depreciation arising from acquisitions totaled EUR 2.1 (2.6) million.

The weakening of the US dollar did not have a significant effect on the profit, due to the dollar-based sales and expense structure in the review period.

The result includes a provision of EUR 0.3 million for reorganization expenses.

#### Balance sheet

The Vaisala Group's solvency and liquidity remained strong. The balance sheet total as at June 30, 2003 totaled EUR 161.4 (163.2) million. The Group's solvency ratio at the end of the review period was 86% (83%).

#### Research and development

Expenditure on research and development in the review period totaled EUR 10.3 (10.3) million, representing 12.0% of the Group's net sales.

#### Other events during the review period

The Annual General Meeting of Vaisala Oyj decided on March 19, 2003 to offer 896,000 warrants for subscription by the key employees of the

Vaisala Group and of the company's wholly owned subsidiary, Vaisala GmbH.

The issued warrants entitle to subscribe, in total, 896,000 Vaisala A-shares.

The terms and conditions of the warrants 2000 were published by a stock exchange release on February 24, 2003. The Board of Directors of Vaisala Oyj has decided that of the 896,000 warrants issued, 752,000 warrants are allocated to 79 key employees and 144,000 to Vaisala GmbH.

In the Annual General Meeting of March 19, 2003 two members of the Board of Directors professor Pekka Hautojärvi and Mikko Voipio, M. Sc. (Eng), who were to retire by rotation, were re-elected for three years.

Member of Vaisala's Management Group, Corporate Communications Director Tiina Hansson left Vaisala Oyj during the review period to join Aldata Solution Oyj. Mr Tapio Engström, Finance Director answers for investor relations.

Vaisala concluded proceedings with the representatives of all personnel groups according to the Act on Co-operation within Undertakings, which were started in April. The target to cut 50 man-years through changes in some business unit structures was achieved. As a result of the proceedings, 15 employees were given notice at Vaisala's office in Vantaa, Finland. Cuts in man-years and structural changes enable Vaisala to achieve an improvement of some EUR 4 million in the Group's result. The effect of the measures will be seen in 2004.

Vaisala inaugurated new facilities in Boulder, Colorado. The company decided in 2002 to centralize its U.S. manufacturing operations in one location to improve efficiency and enhance productivity. The investment amounted to EUR 5.5 million.

#### Capital expenditure

Gross investment during the review period was EUR 8.5 (20.2) million.

Construction of the new clean room at the Vantaa facility continues and will be completed as planned by the end of the year.

#### Vaisala share

The price of Vaisala A-share on the Helsinki Exchanges was EUR 22.98 at the beginning of the review period and EUR 17.60 at the end of the review period. The highest share price quoted during the review period was EUR 23.00 and the lowest EUR 16.70.

Vaisala's share capital at the end of June was EUR 7,349,905.88 and the total number of shares was 17,479,000.

A total of 938 066 Vaisala shares were traded during the review period.

A total of 42,000 Vaisala shares were subscribed for during the review period with the warrants issued in 1997. Due to the subscriptions Vaisala's share capital increased by a total of EUR 17,660.97.

The subscription period for the warrants issued in 1997 ended March 31, 2003.

#### Personnel

The total number of employees at the Vaisala Group was 1,157 at the end of the review period, compared to 1,265 for the corresponding period in 2002.

Some 25% (22%) of the personnel worked at research and development. Some 36% (38%) of the Group's personnel worked outside Finland.

#### Board of Directors and President & CEO

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

#### Outlook

Uncertainty in the international market prevails. The Vaisala Group's net sales and profit for the full year 2003 are expected to reach the previous year's level. The performance is expected to improve in the next quarters. We will focus on improving profitability.

Vantaa, Finland, August 7, 2003

Vaisala Oyj

Board of Directors

#### GROUP INCOME STATEMENT (EUR 1,000)

	1-6/2003	1-6/2002	Change %	1-12/2002
Net sales	83 384	85 214	-2.1	196 220
Costs	70 805	72 747	-2.7	159 156
Goodwill depreciation	2 112	2 566	-17.7	7 476
Depreciation	3 822	3 495	9.4	7 170
Other operation income (+) and expenses (-)	324	1 661	-80.5	181
Operating profit	6 970	8 068	-13.6	22 599
% of net sales	8.4%	9.5%		11.5%
Financial income (+) and expenses (-), net	-1 253	-742	68,9	-1 117
Profit before extraordinary items	5 717	7 326	-22,0	21 482
% of net sales	6.9%	8.6%		10.9%
Profit before provisions and taxes	5 717	7 326	-22,0	21 482
Taxes	2 210	3 262	-32,3	8 414
Minority interest				-171

Net profit for the period	3 507	4 064	-13.7	13 239
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Taxes for the review period have been calculated on the taxable income.

GROUP BALANCE SHEET (EUR 1,000)	6/2003	6/2002	Change %	12/2002
Fixed assets	59 470	59 306	0.3	57 755
Current assets				
Inventories	23 612	26 342	-10.4	23 027
Financial assets	78 278	77 578	0.9	94 181
Shareholders' equity	130 487	130 114	0.3	138 506
Obligatory reserves	1 297	2 041	-36.5	1 059
Liabilities				
Long-term liabilities	2 245	2 257	-0.5	2 186
Short-term liabilities	27 331	28 814	-5.1	33 212
Balance sheet total	161 360	163 226	-1.1	174 963

#### CONSOLIDATED CASH FLOW STATEMENT (EUR 1,000)

	6/2003	6/2002	Change %	12/2002
Cash flow from operating activities				
Cash generated from operations	100 649	96 727		204 321
Expenses from operations	-83 293	-85 715		-178 093
Net cash flow from operating activities (A)	17 355	11 011	57.6	26 229
Cash flow from investing activities				
Investments	-7 229	-19 663		-25 155
Proceeds from sale of tangible and intangible assets	57	44		27
Net cash flow used in investing activities (B)	-7 172	-19 619	-63.4	-25 127
Cash flow from financing activities				
Equity issue	420	1 486		1 939
Withdrawal of long-term loans	121	155		391
Repayment of long-term loans	-259	-309		-495
Dividend paid and other distribution of profit	-9 590	-9 491		-9 492
Net cash flow from financing activities (C)	-9 309	-8 159	14.1	-7 657
Change in liquid funds (A + B + C)				
increase (+) / decrease (-)	874	-16 767		-6 555
Liquid funds at the beginning of period	38 902	45 457		45 457
Liquid funds at the end of period	39 776	28 690		38 902

Financial indicators	6/2003	6/2002	12/2002
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Earnings/share (EUR)	0.20	0.23	0.75
Earnings/share (EUR), fully diluted	0.20	0.23	0.75
Net cash flow from operating activities/share (EUR)	0.99	0.64	1.50
Equity/share (EUR)	7.47	7.48	7.94
Solvency ratio	86%	83%	84%
Gross capital expenditure (EUR 1,000)	8 489	20 160	28 440
Average personnel	1 160	1 202	1 208
Order book (EUR 1,000)	76 393	84 568	77 072
Liabilities resulting from derivative contracts*)	17 573	17 787	12 116

\*) 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.

Further information:

Tapio Engström, Finance Director +358 9 8949 2215, +358 400 716 732

Vaisala Oyj

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