

Interim Report 1.1.2002 - 30.9.2002 (9 months)

- Net sales: EUR 133.1 million (1-9/2001: 127.0)
- Operating profit: EUR 12.2 (18.2) million
- Orders received: EUR 173.9 (129.3) million, representing growth of 34.5% compared to the corresponding period of the previous year
- Order book: EUR 96.9 (67.3) million
- Profit before extraordinary items, provisions and taxes: EUR 11.7 (18.8) million
- Goodwill depreciation arising from corporate acquisitions: EUR 3.8 (2.9) million
- Earnings per share: EUR 0.35 (0.74)

Market situation

The sector started experiencing the effects of the global economic downturn in March 2001 but demand rose at the beginning of 2002. The demand later slackened towards the end of the spring, but it picked up again at the end of the summer, raising the company's order book to a satisfactory level. However, market conditions weakened again during the autumn. 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 133.1 million (EUR 127.0 million for the corresponding period last year). International deliveries generated 95.7 (96.0)% of net sales for the period. The Group received new orders worth EUR 173.9 (129.3) million during the first nine months of the year. The Group's order book at the end of the review period stood at EUR 96.9 (67.3) million.

The Upper Air Division

The Upper Air Division generated net sales of EUR 44.8 (49.8) million.

In July Vaisala 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.

In June the Vaisala Group signed a contract 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 centralized data collection and management system.

In May Vaisala signed a contract worth some EUR 2.8 million with a long-standing customer for the supply of sounding systems and radiosondes.

In March Vaisala received a major order, worth some EUR 10 million, from a long-standing customer for the supply of sounding systems and radiosondes.

The Surface Weather Division

The Surface Weather Division generated net sales of EUR 43.6 (41.0) million.

In May Vaisala signed a contract to supply Data Collection Platform systems to the Brazilian Space Research Institute. The contract is worth over EUR 1 million.

In April 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.

In February 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.

In January Vaisala signed a contract with the Finnish Civil Aviation Administration for supplying an automated aviation weather observation system to the Helsinki-Vantaa international airport. Most of the deliveries took place during the summer of 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 10.6 (1.5) million during the review period.

In July the Vaisala Group received a significant order from the German Weather Service, Deutscher Wetterdienst. Under the terms of the contract Vaisala will supply a network of radar wind profilers during 2003 - 2005. The contract is valued at over EUR 5 million.

In March the Vaisala Group acquired Global Atmospheric Inc, in the USA. The acquisition elevates 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 34.2 (34.8) million.

The sales of the ammonia detector that was launched in year 2001 has started as planned. First volume contracts were received during the review period.

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.

Performance

Operating profit for the review period amounted to EUR 12.2 (18.2) million. Profit before extraordinary items for the review period represented 8.8% of net sales, amounting to EUR 11.7 (18.8) million. Goodwill depreciation arising from corporate acquisitions totalled some EUR 3.8 (2.9) million.

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

In the current global market situation we have not reached our sales targets in some business areas, which is the main reason for the decline in profit.

Costs incurred by reorganization of the Group's North American operations (EUR 1.1 million) as well as customer credit losses and provisions for them (EUR 2.3 million) also had a negative impact on the Group's profit.

Balance sheet

Vaisala Group's solvency and liquidity remained strong. The balance sheet total as at 30 September 2002 was EUR 167.5 (155.0) million. The Group's solvency ratio at the end of the review period was 83% (85%).

Research and development

Expenditure on research and development in the review period totalled EUR 16.6 (13.9) million, representing 12.5% of the Group's net sales.

Vaisala launched a new, hand-held humidity and temperature meter during the review period. The instrument uses Vaisala HUMICAP technology.

During the review period Vaisala also launched a visibility sensor for runway visual range measurement that incorporates new technology, a high-precision dewpoint measurement instrument and a new product family of humidity transmitters for industrial applications.

Other events during the review period

The options approved by the Annual General Meeting on 9 March 2000 were not registered in the Trade Register within the specified time limit due to an unfortunate error and consequently the options have expired. Although the options granted in 2000 are not valid under Finnish company legislation, the company's Board of Directors plans to safeguard the interests of option holders. A total of 896,000 options have expired.

Vaisala Group was awarded ISO 9001:2000 quality management certification during the review period. Vaisala's quality management system is applied consistently in all the Group's offices.

Mr. Tapio Engström has been appointed Vaisala Oyj's Finance Director and Member of the Management Group with effect from 1 August 2002. Mr. Erkki Järvinen has been appointed Director of the Upper Air Division and Member of the Management Group with effect from 1 September 2002.

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

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.

Mr. Jan Hörhammer was appointed Director, Weather Observation Sales and Marketing, with effect from 1 April 2002.

At the Annual General Meeting held on 14 March 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.

Capital expenditure

Gross investment in non-current assets during the review period amounted to EUR 23.2 (8.9) 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 Global Atmospheric Inc. of United States from Sankosha Group. The final purchase price was USD 14.0 million.

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

Construction of a new cleanroom and extension of the company's premises in Vantaa, Finland, was started in September. The construction is scheduled for completion by the end of 2003. The investment will amount to some EUR 8 million.

Vaisala has purchased a building site in Boulder, Colorado, where new premises are being built. They are scheduled for completion in January 2003. The investment amounts to approximately EUR 5.5 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 20.90 at the end of the review period. The highest share price quoted during the review period was EUR 30.30 and the lowest EUR 20.90.

Vaisala's share capital at the end of September was EUR 7,314,583.95 and the Group's total number of shares was 17,395,000.

A total of 1,230,276 Vaisala shares were traded during the review period.

During the review period Capital Group Companies Inc.'s ownership of Vaisala Oyj's share capital exceeded 5% and 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 14 May 2002. Vaisala's share capital increased by a total 138,000 A shares, with a value of EUR 58,028.89, as a result of this share subscription.

Personnel

The total number of people employed by the Vaisala Group at the end of the review period was 1,206, compared to 1,129 for the corresponding period in 2001. Some 20% (19%) of the Group's personnel worked in research and product development. Some 38% (35%) of the Group's employees worked outside Finland.

Events after the review period

A total of 42,000 Vaisala Oyj's A shares were subscribed for in October 2002 with the A warrants attached to Vaisala Oyj's bond with warrants issued in 1997. It is expected that the shares will be entered in the Trade Register on 12 November 2002. Vaisala's share capital will increase by a total 42,000 shares, with a value of EUR 17,660.97, as a result of this share subscription.

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; Mr. 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 volume of orders received grew during the beginning of the year but started declining again in September. In such uncertain market conditions, it is difficult to forecast next year.

Net sales for the full year in 2002 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 will improve in the last quarter of the current year compared to the early year's level.

Vantaa, Finland, 30 October 2002

Vaisala Oyj

Board of Directors

Group income statement(EUR 1000)	1-9/2002	1-9/2001	1-12/2001
Net sales	133,145	126,953	183,529
Costs	118,262	105,905	150,180
Goodwill depreciation	3,810	2,944	3,759
Other operating income and expenses, net	1,119	97	158
Operating profit	12,192	18,201	29,747
Financial income and expenses, net	-482	614	895
Profit before extraordinary items	11,711	18,815	30,643
% of net sales	8.8%	14.8%	16.7%
Profit before provisions and taxes	11,711	18,815	30,643
Taxes	5,570	6,150	9,921
Minority interest in income	-	-145	-168
Net profit for the period	6,141	12,810	20,890

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

Group balance sheet(EUR 1000)	9/2002	9/2001	12/2001
Fixed assets	60,840	46,858	47,147
Current assets			
-Inventories	27,204	24,249	21,382
-Financial assets	79,494	83,926	102,353
Shareholders' equity	132,421	129,221	137,850
Minority interest	-	187	170
Obligatory reserves	1,624	2,646	1,779
Liabilities			
-Long-term liabilities	2,344	2,687	2,067
-Current liabilities	31,149	20,292	29,016
Balance sheet total	167,538	155,033	170,882

Financial indicators	9/2002	9/2001	12/2001
Earnings/share (EUR)	0.35	0.74	1.21
Earnings/share, fully diluted (EUR)	0.35	0.73	1.19
Equity/share (EUR)	7.61	7.49	7.99
Solvency ratio	83%	85%	83%
Gross capital expenditure (EUR 1000)	23,199	8,846	12,141
Average personnel	1,206	1,108	1,115
Order book (EUR 1000)	96,893	67,257	57,806
Orders received during the review period (EUR 1000)	173,898	129,323	176,300
Liabilities resulting from derivative contracts *)	19,731	19,366	14,745

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

The figures are unaudited.

Press conference

Vaisala Oyj is arranging a press conference concerning this Interim Report for financial analysts and media representatives on Wednesday 30 October 2002 at 12.30 pm in SAS Hotel Simonkenttä (Espa conference room), Simonkatu 9, Helsinki.

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