

Interim report 1.1.2003 - 30.9.2003 (9 months)

- Net sales: EUR 124.6 million (1-9/2002: 133.1)
- Operating profit: EUR 11.8 (12.2) million
- Orders received: EUR 130.7 (173,9) million
- Order book: EUR 78.8 (96.9) million
- Profit before extraordinary items, provisions and taxes: EUR 10.5 (11.7) million
- Goodwill depreciation arising from corporate acquisitions: EUR 3.2 (3.8) million
- Net profit for the review period: EUR 6.9 (6.1) million
- Earnings per share: EUR 0.40 (0.35)

#### Market situation

Growth in demand stopped at the beginning of 2002 and remains unstable in most businesses. 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 124.6 million (1-9/2002: EUR 133.1 million). Operations outside Finland accounted for 96% (96%) of net sales. The group received new orders worth EUR 130.7 (173.9) million during the review period. The order book at the end of the review period stood at EUR 78.8 (96.9) million.

#### Vaisala Soundings

The division Vaisala Soundings generated net sales of EUR 40.0 (44.8) million.

In June, the division introduced a new product family of digital radiosondes, the deliveries of which will commence during 2003. Offering more accurate measurements, the radiosonde will gradually replace older radiosonde models.

Due to temporary material shortages some deliveries were delayed.

#### Vaisala Solutions

The division Vaisala Solutions generated net sales of EUR 36.2 (43.6) million. The volume of orders fell most in this division.

In June, 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

The division Vaisala Remote Sensing generated net sales of EUR 15.2 (10.6) million.

In September, the first wind profiler of a network of three wind profilers to the German Weather Service was installed in Ziegendorf. The remaining two wind profilers will be delivered in 2004 and 2005.

The first three dimensional lightning detection network was delivered in the summer to an important customer in Asia.

In June, 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 which considerably improves wind profiler performance and allows more efficient signal processing.

#### Vaisala Instruments

The division Vaisala Instruments generated net sales of EUR 33.2 (34.2) million.

In June, 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 in April, 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 11.8 (12.2) million, representing 9.5% (9.2%) of net sales. Profit before extraordinary items represented 8,4% of net sales, amounting to EUR 10.5 (11.7) million. Goodwill depreciation arising from corporate acquisitions totaled EUR 3.2 (3.8) million.

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 September 30, 2003 totaled EUR 165.3 (167.5) million. The Group's solvency ratio at the end of the review period was 85% (83%).

#### Research and development

Expenditure on research and development in the review period totaled EUR 15.5 (16.6) million, representing 12.4% 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.

In June, member of Vaisala's Management Group, Corporate Communications Director Tiina Hansson left Vaisala Oyj. Mr Tapio Engström, Finance Director took over the responsibility for investor relations.

The structure of Vaisala's divisions and distribution channels was reorganized. The proceedings with the representatives of all personnel groups according to the Act on Co-operation within Undertakings were concluded May 19, 2003.

In April, 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 11.1 (23.2) million.

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

#### 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 20.96 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 September was EUR 7,349,905.88 and the total number of shares was 17,479,000.

A total of 1 206 590 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 1,113 at the end of the review period, compared to 1,206 for the corresponding period in 2002. Some 21.5% (21.9%) of the personnel worked at research and development. Some 37.2% (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 profit for the full year 2003 is expected to reach the previous year's level. Net sales are expected to remain lower than the previous year. The performance is expected to improve in the last quarter.

Vantaa, Finland, October 31, 2003

Vaisala Oyj

Board of Directors

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

	1-9/2003	1-9/2002	Change %	1-12/2002
Net sales	124 616	133 145	-6.4	196 220
Costs	104 672	112 917	-7.3	159 156
Goodwill depreciation	3 164	3 810	-17.0	7 476
Depreciation	5 806	5 345	8.6	7 170
Other operation income (+) and expenses (-)	822	1 119	-26.5	181
Operating profit	11 796	12 192	-3.2	22 599
% of net sales	9.5%	9.2%		11.5%
Financial income (+) and expenses (-), net	-1 318	-481	173.8	-1 117
Profit before extraordinary items	10 478	11 711	-10.5	21 482
% of net sales	8.4%	8.8%		10.9%
Profit before provisions and taxes	10 478	11 711	-10.5	21 482
Taxes	3 548	5 570	-36.3	8 414
Minority interest				-171
Net profit for the period	6 930	6 141	12.8	13 239

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

GROUP BALANCE SHEET (EUR 1,000) 9/2003 9/2002 Change % 12/2002

Fixed assets	58 830	60 840	-3.3	57 755
Current assets				
Inventories	24 292	27 204	-10.7	23 027
Financial assets	82 158	79 494	3.4	94 181
Shareholders' equity	133 623	132 421	0.9	138 506
Obligatory reserves	1 146	1 624	-29.4	1 059
Liabilities				
Long-term liabilities	2 257	2 344	-3.7	2 186
Short-term liabilities	28 254	31 149	-9.3	33 212
Balance sheet total	165 280	167 538	-1.3	174 963

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

	9/2003	9/2002	Change %	12/2002
Cash flow from operating activities				
Cash generated from operations	139 723	149 101		204 321
Expenses from operations	-113 019	-128 833		-178 093
Net cash flow from operating activities(A)	26 704	20 268	31.8	26 229
Cash flow from investing activities				
Investments	-14 121	-22 173		-25 155
Proceeds from sale of tangible and intangible assets	589	46		27
Net cash flow used in investing activities(B)	-13 532	-22 126	-38.8	-25 127
Cash flow from financing activities				
Equity issue	420	1 486		1 939
Withdrawal of long-term loans	159	240		391
Repayment of long-term loans	-259	-392		-495
Dividend paid and other distribution of profit	-9 590	-9 491		-9 492
Net cash flow from financing activities (C)	-9 270	-8 156	13.7	-7 657
Change in liquid funds (A + B + C) increase (+) / decrease (-)	3 902	-10 014		-6 555
Liquid funds at the beginning of period	38 902	45 457		45 457
Liquid funds at the end of period	42 804	35 443		38 902

Financial indicators	9/2003	9/2002	12/2002
Earnings/share (EUR)	0.40	0.35	0.75
Earnings/share (EUR), fully diluted	0.40	0.35	0.75
Net cash flow from operating activities/share (EUR)	1.53	1.17	1.50
Equity/share (EUR)	7.64	7.61	7.94

Solvency ratio	85%	83%	84%
Gross capital expenditure (EUR 1,000)	11 112	23 199	28 440
Average personnel	1 147	1 206	1 208
Order book (EUR 1000)	78 789	96 893	77 072
Liabilities resulting from derivative contracts*)	15 365	19 731	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.

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Vaisala Oyj

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