

Vaisala Oyj                      Stock Exchange Release 29.10.2004 at 11.10 a.m. 1(6)

Vaisala Oyj's interim report 1.1.2004 - 30.9.2004 (9 months)

- Net sales: EUR 121.9 million (EUR 124.6 million in 1-9/2003)
- Operating profit: EUR 11.2 million (11.8)
- Orders received: EUR 121 million (131)
- Order book: EUR 63 million (79)
- Profit before extraordinary items, provisions and taxes: EUR 11.6 million (10.5)
- Goodwill depreciation from acquisitions: EUR 2.6 million (3.2)
- Net profit for the review period: EUR 7.9 million (6.9)
- Earnings per share: EUR 0.45 (0.40)

#### Market situation

There have been no significant changes in demand compared with the previous year. Positive signs have been received from the Vaisala Instruments and the Vaisala Solutions divisions.

Vaisala's focus on maintaining and developing competitiveness has enabled it to retain its market share, and the company's market position is still strong.

#### Net sales and order book

The Vaisala Group's net sales for the review period were EUR 121.9 million (1-9/2003: EUR 124.6 million). Operations outside Finland accounted for 97 % (96%) of net sales. The Group received new orders worth EUR 121 million (131) during the review period. The order book at the end of the review period was EUR 63 million (79).

#### Vaisala Soundings

The Vaisala Soundings division generated net sales of EUR 37.2 million (40.0).

The market has remained unchanged, and customers are cautious in their investments. The market launch of the new generation radiosonde released in 2003 has progressed well, but more slowly than expected, due to the above-mentioned caution. The division's profitability level will be good in 2004. In 2005, some small growth and improvement in profitability can be expected.

#### Vaisala Solutions

The Vaisala Solutions division generated net sales of EUR 31.6 million (36.2).

The market has picked up somewhat and the order intake has started to rise slightly since the summer. The division will achieve a satisfactory level of profitability this year. We are expecting slight growth in net sales for next year.

#### Vaisala Instruments

The Vaisala Instruments division generated net sales of EUR 38.0 million (33.2).

Vaisala launched a new carbon dioxide probe for ecological measurements in April and a new dewpoint meter for natural gas humidity measurements in June.

In September the company launched a new range of humidity and temperature transmitters for demanding industrial and meteorological humidity measurements.

During the review period, Vaisala discontinued its ammonia measurement business.

The market situation is relatively stable. The division's profitability level will be good in 2004. Some relatively large meteorology projects have been postponed until next year for reasons relating to the customers. Also 2005 is expected to be a good year.

In particular, we are expecting growth from the new weather transmitter launched in October. The new HMT 330 series will strengthen our position in the field of demanding humidity measurements.

#### Vaisala Remote Sensing

The Vaisala Remote Sensing division generated net sales of EUR 15.1 million (15.2).

In January, Vaisala announced its new lightning detection system that combines the technologies acquired through two separate acquisitions into one modular product family. The new product line reduces the amount of equipment to be maintained and improves product profitability.

The result of the current year will be negative. No increase in net sales is expected next year, but the result is expected to be slightly positive.

#### Divisions from the beginning of 2005

In September it was decided that the Vaisala Sounding Systems and Vaisala Remote Sensing divisions, as well as the Vaisala Measurement Systems sales channel, will be integrated into a single division from the beginning of 2005. By distributing resources among the divisions, it is possible to further increase efficiency. The name of the new division will be Vaisala Measurement Systems (VMS).

#### Performance

Operating profit for the review period was EUR 11.2 million (11.8). Profit before extraordinary items was EUR 11.6 million (10.5), or 9.5% of net sales. Goodwill depreciation from acquisitions totaled EUR 2.6 million (3.2).

Profit before extraordinary items was higher than in 2003, due to the favorable development of financial income.

#### Balance sheet

The Vaisala Group's solvency ratio and liquidity remained strong. On 30 September, 2004, the balance sheet total was EUR 162.8 million (165.3). The Group's solvency ratio at the end of the review period was 86% (85%).

#### Research and development

R&D expenditure totaled EUR 16.3 million (15.5) in the review period, representing 13.4% of the Group's net sales.

#### Capital expenditure

Gross capital expenditure in fixed assets totaled EUR 3.1 million (11.1) during the review period.

#### Vaisala's shares

The price of Vaisala's A share on the Helsinki Exchanges was EUR 24.50 at the beginning and EUR 19.40 at the end of the review period. The highest quotation during the review period was EUR 24.50 and the lowest EUR 17.25.

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 1,136,680 Vaisala shares were traded during the review period.

#### Personnel

The total number of employees in the Vaisala Group at the end of the review period was 1,068, compared with 1,113 at the end of the corresponding period in 2003.

Some 22% (22%) of the personnel worked in research and development. Approximately 36% (37%) of the Group's personnel worked outside Finland.

#### Events taking place after the review period

In October, Vaisala introduced a new kind of weather transmitter to the global markets. The weather transmitter, based on sensor technologies developed and patented by Vaisala, measures temperature, humidity, air pressure, wind speed and direction, and rainfall.

The transmitter is intended for sectors in which daily weather information is crucial for the successful performance of operations. The weather transmitter is estimated to give Vaisala access to a global market of approx. EUR 20 million.

## Board of Directors and President &amp; CEO

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

## Outlook

The market outlook has not significantly changed. It is expected that net sales for 2004 will be at a slightly lower level than in the previous year and that net profit will be at last year's level.

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

Vantaa, Finland, 29 October, 2004

Vaisala Oyj  
Board of Directors

## GROUP INCOME STATEMENT (EUR 1000)

	1-9/2004	1-9/2003	Change %	1-12/2003
Net sales	121 932	124 616	-2.2	189 204
Costs	102 598	104 672	-2.0	152 335
Goodwill depreciation	2 584	3 164	-18.3	4 057
Depreciation	5 744	5 806	-1.1	7 799
Other operating income (-) and expenses (+)	150	822	-81.8	915
Operating profit	11 156	11 796	-5.4	25 928
% of net sales	9.1%	9.5%		13.7%
Financial income (+) and expenses (-), net	401	-1 318	130.4	-2 527
Profit before extraordinary items	11 557	10 478	10.3	23 401
% of net sales	9.5%	8.4%		12.4%
Profit before provisions and taxes	11 557	10 478	10.3	23 401
Taxes	3 634	3 548	2.4	8 916
Net profit for the period	7 922	6 930	14.3	14 485

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

## GROUP BALANCE SHEET (EUR 1000)

	9/2004	9/2003	Change %	12/2003
Fixed assets	52 158	58 830	-11.3	56 905
Current assets				
Inventories	19 364	24 292	-20.3	18 448
Financial assets	91 314	82 158	11.1	97 595

Share capital and shareholders' equity	134 665	133 623	0.8	139 456
Obligatory reserves	1 183	1 146	3.2	1 137
Liabilities				
Long-term liabilities	1 205	2 257	-46.6	1 233
Current liabilities	25 783	28 254	-8.7	31 122
Balance sheet total	162 836	165 280	-1.5	172 948

## CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)

	9/2004	9/2003	Change %	12/2003
Cash flow from operating activities				
Cash generated				
from operations	138 106	139 723		188 581
Expenses from operations	-113 600	-113 019		-153 757
Net cash flow from operating activities(A)	24 507	26 704	-8.2	34 824
Cash flow from investing activities				
Investments	-3 072	-14 121		-18 059
Proceeds from sale of tangible and intangible assets	31	589		544
Net cash flow used in investing activities(B)	-3 041	-13 532	-77.5	-17 515
Cash flow from financing activities				
Paid share issue	0	420		420
Withdrawal of long-term loans	0	159		159
Repayment of long-term loans	-760	-259		-362
Dividends paid and other distribution of profit	-13 109	-9 590		-9 590
Net cash flow from financing activities (C)	-13 710	-9 270	47.9	-9 373
Change in liquid funds (A + B + C) increase (+) / decrease (-)	7 755	3 902		7 936
Liquid funds at start of period	46 838	38 902		38 902
Liquid funds at end of period	54 593	42 804		46 838

FINANCIAL INDICATORS	9/2004	9/2003	12/2003
Earnings/share (EUR)	0.45	0.40	0.83
Earnings/share (EUR), fully diluted	0.45	0.40	0.83
Net cash flow from operating activities/share (EUR)	1.40	1.53	1.99
Equity/share (EUR)	7.70	7.64	7.98
Solvency ratio	86%	85%	84%
Gross capital expenditure (EUR 1,000)	3 096	11 112	14 094
Average personnel	1 101	1 147	1 141

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Order book (EUR 1,000)	63 416	78 789	62 885
Liabilities from derivative contracts*)	11 609	15 365	10 530

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

The figures in this interim report are unaudited.

Further information:

Tapio Engström, CFO  
www.vaisala.com

+358 9 8949 2215, +358 400 716 732

Vaisala Oyj

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