

## Interim Report 1.1.-31.3.2006 (3 months)

- Net sales: EUR 42.7 (35.6) million.
- Operating profit: EUR 2.1 (1.2) million.
- Orders received: EUR 68.5 (44.1) million.
- Order book: EUR 78.6 (59.9) million.
- Profit before extraordinary items, provisions and taxes: EUR 1.4 (2.6) million.
- Net profit for the review period EUR 0.9 (1.6) million.
- Earnings per share: EUR 0.05 (0.09).

## Overview

Demand started to grow during the second half of 2005. Growth has continued during the first months of the 2006, and order book development has been positive.

Vaisala Instruments and Vaisala Solutions divisions' businesses have continued without major structural changes. Weather radar signal processing system provider Sigmet was acquired and merged as part of the Vaisala Measurement Systems division in January 2006. Parts of radiosonde production were outsourced to Malaysia while corresponding functions in Vantaa, Finland were downsized.

Due to the current business boom, some difficulties have started to emerge in the availability of some materials. This will cause some delays in product delivery times.

Exchange rates have weakened the result of the first quarter.

## Market situation

Demand remained on a good level, and the number of orders received was significantly higher during the review period than during the corresponding period in 2005.

The sustained maintenance and development of competitiveness has enabled Vaisala 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 42.7 million (1-3/2005: EUR 35.6 million). Operations outside Finland accounted for 96 % (97 %) of net sales. The Group received new orders worth EUR 68.5 (44.1) million during the review period. The order book at the end of the review period was EUR 78.6 (59.9) million. Some EUR 18 million of the order book deliveries will take place in 2007 or later.

## Vaisala Measurement Systems

Vaisala Measurement Systems division generated net sales of EUR 17.2 (14.4) million. The growth is mainly due to the Sigmet acquisition. Radiosonde deliveries had some delays due to material acquisition problems.

Although the net sales are higher than during the corresponding period in 2005, the operating profits are significantly lower. This is mainly due to two reasons. First, booking of the Sigmet Inc. acquisition, according to the IFRS standards, has been preliminarily carried out, and, based on these bookings, the gross margin of the acquired order book has been depreciated by approximately EUR 1.3 million. Sales achieved with the acquired order book will not be registered as gross profit in the balance sheet. The order book balance will be fully depreciated during financial year 2006. Second, the one-off costs caused by the partial outsourcing of the radiosonde production, incurred an accrual of approximately EUR 0.8 million. The cost-benefits of this arrangement will start to materialize by the end of the year. The outsourcing will not affect the fiscal year result in 2006.

The acquisition of the world's leading independent weather radar signal processor and application software manufacturer Sigmet Inc. was confirmed in January.

The codetermination negotiations, started on January 19, 2006, were concluded in March. The reason for the negotiations was the reorganization relating to the partial outsourcing of the Vaisala Measurement Systems division's production functions. As a result, Vaisala will give notice to 37 employees. For other parts, the target reduction of approximately 60 productive labor years will be realized through terminations of temporary employment, relocations and pension programs.

#### Vaisala Instruments

The Vaisala Instruments division generated net sales of EUR 14.3 (11.9) million.

The division's first quarter was good, measured by both net sales and operating profit. Fire at the VTT Technical Research Centre will hamper the acquisition of components for Vaisala carbon dioxide products, but has not affected the result of the first quarter.

Competition in all product categories remains fierce. Vaisala's global operating model, combined with significant investments in research and development, form the basis to retain market leadership and increase market share.

#### Vaisala Solutions

The Vaisala Solutions division generated net sales of EUR 11.2 (9.2) million.

The first quarter was typical for the Vaisala Solutions division. Due to the characteristics of the division's business, operating profits normally turn positive on the fourth quarter.

In 2006, the Vaisala Solutions division's net sales and operating profit will remain on the previous year's level. The division's goal is to increase the share of service sales in the net sales. The main ongoing development projects concentrate on customer-focus, increased service offering, and improved project business.

#### Performance and balance sheet

Operating profit for the review period was EUR 2.1 (1.2) million. Profit before extraordinary items was 3.4 % of net sales, or EUR 1.4 (2.6) million. Net profit for the review period was EUR 0.9 (1.6) million.

Financial costs are mainly due to exchange rate changes.

The Vaisala Group's solvency and liquidity remained strong. On March 31, 2006, the balance sheet total was EUR 196.3 (163.0) million. The Group's solvency ratio at the end of the review period was 78 % (76 %).

The total of the Group's liquid assets was EUR 74.7 million.

#### Research and development

Expenditure on research and development in the review period totaled EUR 5.0 (5.0) million, representing 11.8 % of the Group's net sales.

#### Capital expenditure

Gross capital expenditure in non-current assets totaled EUR 17.8 million (EUR 0.9 million). The total for the review period includes the cost incurred from the acquisition of Sigmet, Inc.

#### Vaisala's share

## The acquisition and conveyance of own shares

The Board of Directors had been authorized by the Annual General Meeting of March 22, 2005, to acquire and convey the company's own shares to launch a share-based incentive program. The program applied to approximately 50 Vaisala key personnel. Some of them were in the group of permanent insiders, as defined by the Securities Market Act. The number of A-shares conveyed within the share-based incentive program was max. 35 000 shares. The authorization was valid until March 22, 2006.

A total of 35 000 Vaisala A-shares were subscribed for with the warrants granted, corresponding the value of EUR 14.717,47. Of these, 25 850 A-shares, corresponding the value of EUR 10.869,90 were conveyed on March 6 and March 16 to the key personnel, according to the share-based incentive program. The average value of the acquisitions and conveyances was EUR 27.53. The company thus holds a total of 9 150 of its own shares at the end of the review period.

By January 31, 2006, a total of 739 364 Vaisala A-shares were subscribed for with the warrants granted in 2000 to the key personnel of Vaisala. All the shares have been registered in the Finnish Trade Register according to the following slots: November 8, 2005; December 23, 2005; February 8, 2006; and February 22, 2006. As a result of the subscriptions, the share capital of Vaisala was increased by 739 364 A-shares, i.e. by EUR 310 901,99. On March 31, 2006, the share capital of Vaisala therefore was EUR 7 660 807,87 and the total number of shares was 18 218 364. The new shares were admitted for trading on the Helsinki Exchanges on the day following the registration on the Finnish Trade Register. Dividend is payable for the year 2005 for A-shares subscribed for in 2005. The shares subscribed for in January 2006 do not qualify for dividend. Therefore Vaisala had two series of A-shares during the period February 22, 2006 - March 28, 2006: the A-share and the new A-share.

On February 27, 2006, Vaisala Oyj received the following notification of change in the share of ownership in accordance with the Security Markets Act, Chapter 2 § 9: Harris Associates L.P.'s holding in Vaisala Oyj falls below five (5) per cent of the outstanding share capital of Vaisala Oyj.

The price of Vaisala's A share on the Helsinki Exchanges was EUR 24.00 on December 31, 2005, and EUR 27.00 at the end of the review period. The highest share price quoted during the review period was EUR 29.60 (new A-share EUR 27.67) and the lowest EUR 23.10 (new A-share EUR 25.35).

Vaisala's share capital at the end of the review period was EUR 7 660 807,87 and the total number of shares was 18 218 364.

A total of 1 788 870 Vaisala shares were traded during the review period (new A-share 85 411), and 249 300 option rights.

## Own and parent company's shares

The company holds a total of 9 150 of its own shares at the end of the review period, representing 0.05 % of the share capital and 0.01% of votes. The compensation for the shares owned by the company is EUR 251 899,69.

## Events in the permanent group of insiders

CEO Pekka Ketonen, who belongs to the permanent group of insiders, received 3 207 A-shares based on the 2005 share-based incentive program.

## Personnel

The total number of employees in the Vaisala Group at the end of the review period was 1 061 compared with 1 052 at the end of the corresponding period in 2004.

Some 19 % (19 %) of the personnel worked in research and development. Approximately 38 % (35 %) of the Group's personnel worked outside Finland.

Number of shares at March. 31 (pcs)	18209	17479	17665
Number of shares at March 31 (pcs), weighted average	18041	17479	17488
Adjusted number of shares (pcs)	18067	17479	17532
Earnings/share (EUR)	0.05	0.09	1.42
Earnings/share (EUR), fully diluted	0.05	0.09	1.42
Net cash flow from operating activities/share (EUR)	0.28	0.47	2.21
Equity/share (EUR)	8.05	6.82	8.74
Solvency ratio	78%	76%	81%
Gross capital expenditure (EUR Million)	17.78	0.92	8.00
Depreciation	3.57	1.90	8.40
Average personnel	1051	1050	1062
Order book (EUR Million)	78.6	60.0	55.0
Liabilities from derivative contracts	13.1	9.6	12.7

#### Outlook

The market situation is not expected to significantly change during the rest of the year. In 2006, the net sales are expected to grow somewhat organically, and thanks to the Sigmet Inc. business acquisition. Relative profitability is expected to remain. Due to one-off costs, Profit after tax is expected to remain on the same level as in 2005.

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

#### Other events

##### Board of Directors

The Annual General Meeting elected five members to the Board of Directors. M.Sc. (Eng.) Mikko Voipio who was to retire by rotation, was elected for another three-year office. Professor Pekka Hautojärvi was replaced by Dr. Stig Gustavson. PhD Gerhard Wendt retired from the Board for personal reasons, and was not replaced by a new member.

Raimo Voipio, M.Sc.(Eng.) will continue as Chairman of the Board of Directors and Yrjö Neuvo, PhD (EE) will continue as Vice-Chairman.

##### Accountants

PriceWaterhouseCoopers Oy and Mr Hannu Pellinen APA, were selected as Vaisala Oyj's Authorized Public Accountants by the Annual General Meeting.

##### Events after the period under review

On May 3, Vaisala announced that it will introduce a new product for oxygen concentration measurements in industrial processes this spring.

Vantaa, May 4, 2006

Vaisala Oyj  
Board of Directors

This interim report has been prepared according to the IFRS-Standards accounting and valuation principles. This report does not qualify all IAS 34, Interim Financial Reporting, standards requirements.

#### CONSOLIDATED INCOME STATEMENT (IFRS, EUR Million)

	1-	1-	Change	
	3/2006	3/2005	%	1-12.2005

Net sales	42.7	35.6	19.9	197.9
Cost of production and procurement	-21.1	-17.7	19.7	-92.3
Gross profit	21.6	18.0	20.1	105.6
Other operating income	0.4	0.2	92.6	0.5
Cost of sales and marketing	-10.7	-8.2	31.0	-37.7
Development costs	-5.0	-5.0	0.8	-19.8
Other administrative costs	-4.1	-3.3	24.3	-16.9
Other operating cost	0.0	-0.5	-91.8	-1.5
Operating profit	2.1	1.2	77.9	30.1
Financial income and expenses	-0.7	1.4	-148.8	3.9
Share of results of associated companies	0.0	0.0	-100.0	0.0
Profit before tax	1.4	2.6	-43.7	34.1
Income taxes	-0.5	-1.0	-45.6	-9.2
Profit after tax	0.9	1.6	-42.5	24.9
Attributable to Equity holders of the parent	0.9	1.6	-42.1	24.9

Taxes for the review period have been calculated under taxes.

Earnings per share for profit attributable to the equity holders of the parent

Basic earnings per share, EUR	0.05	0.09	-44,4	1.42
Diluted earnings per share, EUR	0.05	0.09	-44,4	1.42

CONSOLIDATED BALANCE SHEET  
(EUR million)

	3/2006	3/2005	Change %	12/2005
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets	23.9	7.6	215.9	10.3
Tangible assets	35.3	36.5	-3.1	36.0
Investments in associates	0.3	0.5	-27.6	0.3
Other financial assets	0.0	0.0	0.0	0.2
Long-term receivables	1.8	1.5	17.1	1.6
Deferred tax assets	5.4	4.0	35.3	5.3
<b>CURRENT ASSETS</b>				
Inventories	17.9	15.7	13.9	14.1
Trade and other receivables	36.2	33.1	9.3	47.1
Accrued income tax receivables	0.8	2.1	-60.5	0.6
Financial assets recognized at fair value through profit and loss	35.4			27.2
Cash and cash equivalents	39.2	62.1	-36.8	54.2
<b>TOTAL ASSETS</b>	<b>196.3</b>	<b>163.0</b>	<b>20.4</b>	<b>196.9</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Equity attributable to equity holders of the parent				
Share capital	7.7	7.4	4.2	7.4
Share issue	0.0	0.0		5.4
Share premium reserve	16.6	1.6	970.5	5.3
Reserve fund	0.1	0.1	2.0	0.1
Translation differences	0.9	-0.5	-280.0	1.9
Profit from previous years	120.7	109.2	10.5	109.2

Own shares	-0.3			
Profit for the financial year	0.9	1.6	-42.2	24.9
Total equity	146.7	119.3	23.0	154.3
Long-term liabilities				
Retirement benefit obligations	0.6	0.5	28.4	0.6
Interest-bearing liabilities	0.4	1.1	-67.5	0.7
Provisions	1.2	0.0		0.2
Deferred tax liabilities	0.4	0.5	-14.9	0.5
Current liabilities				
Current portion of long-term borrowings	0.5	0.6	-8.6	0.5
Current interest-bearing liabilities	0.2	0.2	2.4	0.3
Advances received	7.9	7.0	13.7	5.8
Accrued income tax payables	1.5	0.5	178.9	0.7
Trade and other payables	36.8	33.2	10.7	33.3
TOTAL LIABILITIES	196.3	163.0	20.4	196.9

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY march 31, 2006 (EUR million)

	Share capital	Share issue	Share premium reserve	Reserve fund	Own shares	Translation differences	Retained earnings	Total equity
Balance at December 31, 2005	7.4	5.4	5.3	0.1	0.0	1.9	134.1	154.3
Translation differences				0.0		-1.0		-1.0
Net profit for the period							0.9	0.9
Dividend paid							-13.4	-13.4
Stock options exercised	0.2	-5.4	11.3					6.1
Own shares acquired					-1.0			-1.0
Own shares transferred					0.7			0.7
Balance at March 31, 2006	7.7	0.0	16.6	0.1	-0.3	0.9	121.6	146.7
	Share capital	Share issue	Share premium reserve	Reserve fund	Own shares	Translation differences	Retained earnings	Total equity
Balance at December 31, 2004	7.4	0.0	1.6	0.1	0.0	-1.6	122.3	129.7
Translation differences						1.1		1.1
Net profit for the period							1.6	1.6
Dividend paid							-13.1	-13.1
Balance at March	7.4	0.0	1.6	0.1	0.0	-0.5	110.8	119.3

31, 2005

CONSOLIDATED CASH FLOW STATEMENT (EUR million)

	1- 3/2006	1-3/2005	Change %	1-12/2005
Cash flows from operating activities				
Cash receipts from customers	56.9	45.2	25.8	191.1
Other income from business operations	0.0	0.1	-96.4	0.3
Cash paid to suppliers and employees	-49.3	-36.2	36.3	-145.3
Interest received	0.5	0.4	12.5	1.4
Interest paid	0.0	0.0	-28.2	-0.1
Other financial items, net	-0.9	1.2	-173.1	1.9
Dividend received from business operations	0.0	0.0		0.0
Direct tax paid	-2.1	-2.4	-13.6	-10.3
Cash flow from business operations (A)	5.1	8.2	-38.5	39.0
Cash flow from investing activities				
Investments in tangible and intangible assets	-2.2	-0.9	134.4	-5.7
Acquisition of subsidiary, net of cash acquired	-16.7	0.0		-2.8
Proceeds from sale of fixed assets	0.0	0.0	-28.3	0.0
Loans granted	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	311.5	-0.1
Cash flow from investing activities (B)	-18.9	-0.9	2 021.5	-8.4
Cash flow from financing activities				
Equity issue	6.1	0.0		9.3
Repayment of short-term loans	0.0	0.0		-0.3
Withdrawal of long-term loans	0.0	0.0		0.0
Repayment of long-term loans	0.0	0.0		-0.6
Dividend paid and other distribution of profit	0.0	0.0		-13.1
Cash flow from financing activities (C)	6.1	0.0		-4.7
Change in liquid funds (A+B+C) increase (+) / decrease (-)	-7.7	7.3	-205.3	25.7
Liquid funds at beginning of period	81.4	54.8	48.6	54.8
Foreign exchange effect on cash	1.0	0.0	314.3	0.9
Net increase in cash and cash equivalents	-7.7	7.3	-205.3	25.7
Liquid funds at end of period	74.7	62.1	20.3	81.4

Segment Report

Business segments

	Vaisala Measu- rement Systems	Vaisala Inst- ruments	Vaisa -la Solu- tions	Other opera- tions	Elimi na- tions	Group
1-3/2006 (EUR million)						
Net sales to external	17.2	14.3	11.2	0.0	0.0	42.7

customers						
Intragroup sales	0.0	1.9	0.1	0.0	-2.0	0.0
Net sales	17.2	16.2	11.3	0.0	-2.0	42.7
Operating profit	0.5	3.2	-1.4	-0.2	0.0	2.1
Depreciation	2.0	0.5	0.2	0.9		3.6
Restructuring expenses	0.8					0.8

Segment Report

Business segments

	Vaisala Measure ment Systems	Vaisala Instru- ments	Vai- sala Solu- tions	Other opera- tions	Elimi- na- tions	Group
1-3/2005 (EUR million)						
Net sales to external customers	14.4	12.0	9.2	0.0	0.0	35.6
Intragroup sales	0.0	1.2	0.1	0.0	-1.3	0.0
Net sales	14.4	13.2	9.3	0.0	-1.3	35.6
Operating profit	1.3	1.6	-0.8	-0.8	0.0	1.2
Depreciation	0.4	0.5	0.1	0.9		1.9

Further information:

Tapio Engström, CFO +358 (9) 8949 2215, GSM +358 400 716 732  
www.vaisala.com

Vaisala Oyj

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