

Vaisala Group's Financial Statements for 2002

- Net sales: EUR 196.2 million (2001: 183.5).
- Operating profit: EUR 22.6 million (29.7).
- Orders received: EUR 213.3 million (176.3).
- Order book: EUR 77.1 million (57.8).
- Profit before extraordinary items, provisions and taxes: EUR 21.5 million (30.6). The result includes a non-recurring write-down of EUR 2.2 million on the goodwill of subsidiaries.
- Goodwill depreciation: EUR 7.5 million (3.8).
- Return on investment: EUR 15.4 (22.9)%
- Earnings per share: EUR 0.75 (1.21).
- The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.55 per share be paid; the Annual General Meeting will be held March 19, 2003.

Market situation

Growth in demand stopped at the beginning of 2002. Thereafter demand has been unstable. Among customers the uncertainty in the global market has been evident in postponements of known projects. Vaisala has retained its market share, and the company holds a very strong position in the market.

Demand in the meteorology sector is trending more and more towards large comprehensive solutions. This is also apparent in the Vaisala Group's current order book, with deliveries scheduled over a number of years. For Vaisala this means longer-term cooperation with its customers.

Furthermore, the instrument business is becoming increasingly distinct from the system business. As a global operator, Vaisala will benefit from the scale advantages generated by this trend.

Growth has been modest in the European and Japanese markets. Growth in the North American market has been based on corporate acquisitions. China is for Vaisala a strongly developing market area, and one on which the company will focus.

Net sales and order book

The Vaisala Group's net sales grew by 6.9% to EUR 196.2 million (EUR 183.5 million in 2001). Operations outside Finland accounted for 96.3% of net sales. The Group received new orders worth EUR 213.3 (176.3) million during the financial year. The order book at the end of the financial year stood at EUR 77.1 (57.8) million.

Performance

Operating profit for the financial year amounted to EUR 22.6 (29.7) million. Profit before extraordinary items represented 10.9% of net sales, amounting to EUR 21.5 (30.6) million.

In the prevailing global market situation we fell short of our sales targets in certain business areas, which has resulted in the lower profit figure.

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

Goodwill depreciation that had a negative impact on the Group's profit totaled EUR 7.5 million. This includes a non-recurring write-down on goodwill of EUR 2.2 million, since future returns expected from corporate acquisitions Dimensions SA and Impulsphysik GmbH do not correspond to their value at the time of acquisition. Costs incurred in reorganization of the operations were EUR 1.9 million. Customer credit losses and provisions for them were EUR 2.2 million.

Balance sheet

Vaisala Group's solvency and liquidity remained strong. The balance sheet total as at 31 December 2002 was EUR 175.0 (170.9) million. The Group's solvency ratio at the end of the review period was 84% (83%), while cash and bank balances totaled EUR 38.9 (45.5) million.

Capital expenditure

Gross investment in non-current assets during the financial year totaled EUR 28.4 (12.1) million.

During the review period Vaisala acquired the shares of minority shareholders in Vaisala Meteorological Systems Inc (15%), and merged the company with Vaisala Inc.

In March Vaisala acquired 100% of the stock of the American company Global Atmospheric Inc. from Sankosha Group. The final purchase price was USD 14.0 million.

A site was purchased in Boulder, Colorado, where new premises were built. They were completed in January 2003. The investment amounts to approximately EUR 5.5 million. EUR 1.7 million of this expenditure was entered in the accounts for 2002.

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. EUR 2 million of this expenditure was entered in the accounts for 2002.

Changes in the Group's organisational structure

In Germany, Vaisala GmbH was merged with Vaisala Impulsphysik GmbH and company's name is Vaisala GmbH. In the USA, Vaisala Meteorological Systems Inc was merged with Vaisala Inc. In the UK, Vaisala TMI Limited was dissolved. The corporate acquisition of Global Atmospheric Inc. brought a 35% share of ownership of the French company Météorage SA.

Business performance

Vaisala has four divisions specializing in environmental measurement: the Upper Air Division, the Surface Weather Division, the Remote Sensing Division and the Sensor Systems Division.

The Upper Air Division develops, manufactures and markets instruments and systems for observing the weather in the upper atmosphere.

The division's main products are radiosonde and dropsonde instruments and related ground equipment for collecting and processing the information gathered by the radiosondes. The division's core customer groups are meteorological institutes, meteorological research organizations and defense forces. Vaisala is the world market leader in upper air sounding systems.

The division's net sales in 2002 totaled EUR 63.2 million, compared to EUR 69.7 million in the previous financial year. Financial performance matched the development in net sales.

In 2002 the division continued its significant investment in research and development, the objective being to strengthen its product leadership with new, innovative product platforms.

During the review period, Vaisala launched a new tethered system intended for research use. The system is suitable for meteorological and air-pollution research and for the needs of agriculture, forestry and acoustic research.

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 and deliveries under the contract will be carried out during the period 2003-2005.

In June the Vaisala Group signed a contract with the Turkish State Meteorological Service to supply meteorological observation equipment. The contract, valued at EUR 2.1 million, covers 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, accessories 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, accessories and radiosondes.

The Surface Weather Division

The Surface Weather Division develops, manufactures and markets meteorological sensors and systems, which are used by its customers to observe weather conditions near and on the earth's surface. The division's main products are automatic weather stations and observation systems, as well as aviation and road weather systems and optical sensors. Its core customer groups are meteorological institutes, defense forces, road and aviation authorities, and land and water resource management agencies.

The division's net sales in 2002 totaled EUR 67.5 million, compared to EUR 65.0 million in the previous financial year. Profit and return on investment improved from the previous year.

During the review period the division increased its market share, particularly in road traffic weather systems. It is a market leader in, among other things, aviation and road traffic weather systems, automatic weather stations and optical sensors.

During the year, the division invested in product development in all product areas including, for example, the development of a data collection and management system designed for the use of meteorological institutes.

The division launched a visibility meter based on a new technology for measuring runway visual range at airports.

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 Airport. The deliveries took place during 2002.

The Remote Sensing Division

The Remote Sensing Division develops, manufactures and markets wind profilers and lightning detection systems, which represent technologies acquired by the Group through acquisitions (Dimensions in 2000, Radian in 2001 and Global Atmospheric in 2002).

Vaisala established the Remote Sensing Division in 2001 to strengthen and utilize the Group's expertise in the field of remote atmospheric measurement technology. Remote sensing is a growing area in aviation, meteorology, climatology, hydrology and air quality research. The Division's customer groups include meteorological and climatological research institutes, authorities monitoring air quality, civil aviation authorities, insurance companies and power utilities. In the field of remote sensing technology, Vaisala is a world market leader in wind profilers and lightning detection systems.

The Division generated net sales of EUR 18 million, compared to EUR 3.8 million in the previous financial year. The division did not return a profit during the financial year.

The operational priorities in the lightning detection business in 2002 were the further consolidation of products and operations and the regional expansion of the lightning data sales business outside the United States. Priorities of the wind profiler business are improving the cost structure of basic products and the integration of new signal processing algorithms into the wind profiler product range.

During the review period, the division received orders for lightning detection networks from, for example, Taiwan, Malaysia, Morocco and Italy. These orders had a total value of more than EUR 5 million.

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 wind profilers during 2003-2005. The contract is valued at over EUR 5 million.

In March the Vaisala Group acquired the US company Global Atmospheric Inc. The acquisition elevated Vaisala to global market leadership in the field of lightning detection and location.

The Sensor Systems Division

The Sensor Systems Division develops, manufactures and markets electronic measurement instruments for the measurement of relative humidity, dewpoint, material moisture, barometric pressure, carbon dioxide and ammonia. The Division's products are used to control production processes and equipment performance, to maintain safety and to measure human and product environments in industry, meteorology and metrology. Vaisala is a leading manufacturer of relative humidity and barometric pressure measurement equipment intended for professional use.

The division's net sales in 2002 totaled EUR 47.5 million, compared to EUR 45.1 million in the previous financial year. Profit fell compared to the previous year, owing to heavy product development investment, but remained good.

The division launched a precision dewpoint measurement instrument for reference laboratories. The product's new technology, which is surface acoustic wave based, has significant advantages over the mirror dewpoint measurement instruments generally in use. In addition, the humidity product range was expanded by bringing to the market a range of humidity transmitters for industrial applications as well as a portable humidity meter.

Sales of the ammonia detector launched in 2001 have begun as planned. The first volume contracts were received during 2002.

Vaisala signed a contract with the China Meteorological Administration during the review period for the delivery of Vaisala pressure and humidity measuring equipment to China's weather observation network. The contract is worth EUR 1.5 million.

Research and development

Expenditure on research and development in the review period totaled EUR 22.1 (18.9) million, representing 11.2% of the Group's net sales.

The Vaisala Group is working closely in new projects with leading research institutes, such as NOAA (the National Oceanic and Atmospheric Administration, USA), NCAR (the National Center for Atmospheric Research, USA) and VTT (Technical Research Centre of Finland).

In addition, it was agreed in January 2003 that the Vaisala Group will participate in the THORPEX programme (The Observing-System Research and Predictability Experiment). THORPEX is a 10-year programme, implemented under the auspices of the WMO (the World Meteorological Organization).

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 human 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. The Board of Directors will propose the matter to the Annual General Meeting for reconsideration at the spring 2003 meeting.

Vaisala's environmental system fulfils the requirements of the SFS-EN ISO 14001 standard, and it was granted an environmental system certificate during 2002. In addition, the Vaisala Group was awarded an international ISO 9001:2000 quality management certificate during the review period. Vaisala's quality management system is applied consistently at all the Group's locations.

Mr. Tapio Engström was appointed Vaisala Oyj's Finance Director and Member of the Management Group with effect from 1 August 2002. Mr. Erkki Järvinen was appointed Director of the Upper Air Division and Member of the Management Group with effect from 1 September 2002. Mr. Jan Hörhammer was appointed Director, Weather Observation Sales and Marketing, with effect from 1 April 2002.

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.

Events after the review period

Vaisala Oyj announced in July 2002 that it had received a USD 6.5 million claim for compensation related to claimed breach of a licence agreement.

The American Arbitration Association has now rejected the claim and announced that the Claimant does not have a right to claim for compensation from Vaisala Oyj.

The Vaisala Group announced that it will launch a new generation radiosonde for upper air measurements onto the global market this year. Together with the Vaisala sounding equipment it will provide more accurate pressure, temperature, relative humidity, and wind measurement data than ever. The new Vaisala radiosonde will gradually replace the older versions.

Vaisala share

Share performance (EUR)

During 2002

Highest	Lowest	31.12.2002	31.12.2001
30.30	18.81	22.98	27.30

Vaisala's share capital at the end of December was EUR 7,332,244.92 and the Group's total number of shares was 17,437,000.

A total of 1,607,165 Vaisala shares were traded during the financial period.

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.

A total of 42,000 shares were subscribed for in October 2002 with the A warrants attached to Vaisala Oyj's bond with warrants issued in 1997. Vaisala's share capital increased by a total 42,000 A shares, with a value of EUR 17,660.97, as a result of this share subscription. Vaisala's share capital was EUR 7,332,244.92 euros following the increase.

During 2002, the US 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%.

Personnel

During the financial year, the Vaisala Group employed an average of 1,208 (1,115) people, 764 (740) of whom worked in the parent company and 444 (375) in the subsidiaries. Some 20% (19%) of the Group's personnel worked at research and development. The total number of people employed by the Vaisala Group at the end of the financial year was 1,213 (1,125), of whom 771 (734) worked in the parent company and 442 (391) in the subsidiaries. Some 38% (36%) of the Group's employees worked outside Finland.

Salaries

During the financial year, the parent company paid salaries totaling EUR 297 (316) thousand to the members of the Board of Directors and the President & CEO, and EUR 26,077 (24,444) thousand to the rest of the personnel.

Salaries paid to the Group Management totaled EUR 1,043 (1,325) thousand and salaries to the rest of the Group personnel EUR 49,040 (45,174) thousand.

Board of Directors, President & CEO and auditors

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

The Group's auditors are PricewaterhouseCoopers Oy, Authorized Public Accountants, and Jukka Ala-Mello APA.

Dividend

The Board of Directors will propose to the Annual General Meeting to be held on 19 March 2003 that a dividend of EUR 0.55 per share be paid for the financial year 2002. According to the proposal, a total of EUR 9,590,350 will be spent on dividends, representing 73% of the operating profit for the financial year.

Outlook

The current outlook for 2003 is uncertain owing to world political and economic conditions.

Climate variability and the need for up-to-date weather information are creating demand for the ongoing development of weather observation systems. Close cooperation with experts in the field as well as heavy investment in product development will ensure Vaisala's leading position as a supplier of these systems.

In the instrument business, Vaisala's strong technological expertise and global recognition form a good basis for profitable growth.

The Vaisala Group's growth in 2003 may fall short of its long-term target. Profitability will be improved by enhancing the cost-efficiency of products and operational processes.

Vantaa, 14 February 2003

Board of Directors

Consolidated Income Statement	MEUR 2002	2001	Change %
Net sales	196.2	183.5	6.9
Costs	159.2	144.7	10.0
Goodwill-depreciation	7.5	3.8	98.9
Depreciation	7.2	5.5	29.5
Other operating costs and income	0.2	0.2	5.9
Operating profit	22.6	29.7	-23.9
Financial income and expenses, net	-1.1	+0.9	-224.7
Profit before extraordinary items	21.5	30.6	-29.9
Profit before provisions and taxes	21.5	30.6	-29.9
% of net sales	10.9	16.7	
Direct taxes	8.4	9.9	-15.2
Minority interest	0.2	0.2	1.8
Net profit	13.2	20.9	-36.6

Consolidated Balance Sheet MEUR	12/2002	12/2001	Change %
Non-current assets	57.8	48.6	18.8
Current assets			
Inventories	23.0	21.4	7.7
Financial assets	94.2	100.9	-6.7
Share capital and shareholders' equity	138.5	137.9	0.5
Minority interest	0	0.2	-100
Obligatory reserves	1.1	1.8	-40.5
Liabilities			
Non-current liabilities	2.2	2.1	5.8
Current assets	33.2	29.0	14.5
Balance sheet total	175.0	170.9	2.4
Financial indicators	12/2002	12/2001	
Earnings/share (EPS), EUR	0.75	1.21	
Earnings/share (EPS), EUR fully diluted	0.75	1.19	
Equity/share, EUR	7.94	7.99	
Solvency ratio	84%	83%	
Gross capital expenditure, MEUR	28.4	12.1	
Personnel (average)	1,208	1,115	
Order book, MEUR	77.1	57.8	
Commitments, MEUR	12/2002	12/2001	
Pledges given	0	0	
Guarantees and contingent liabilities			
On company's behalf	10.9	6.4	
Leasing commitments	6.8	7.1	
Liabilities resulting from derivative contracts *)	12.1	14.7	

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

The financial statements have been audited.

Annual General Meeting

The Annual General Meeting will be held on 19 March 2003 at 5 p.m. in Vaisala Oyj's head office.

Press conference

Vaisala Oyj is arranging a press conference concerning the financial statements for financial analysts and media representatives on Friday 14 February 2003 at 12.30 pm in restaurant Palace Gourmet, 10th floor, Eteläranta 10, Helsinki.

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Vaisala Oyj

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