

Interim Report 1.1.-30.6.2006 (6 months)

- Net sales: EUR 92.5 (81.9) million.
- Operating profit: EUR 11.2 (8.5) million.
- Orders received: EUR 125.9 (91.1) million.
- Order book: EUR 86.8 (63.2) million.
- Profit before extraordinary items, provisions and taxes: EUR 9.5 (11.4) million.
- Net profit for the review period EUR 6.5 (9.3) million.
- Earnings per share: EUR 0.36 (0.53).

Overview

Demand started to grow during the second half of 2005. Growth has continued during the first half 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 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 half year. Approximately half of the financial expenses are formed by unrealized exchange rate differences, which have no effect on the cash flow.

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 92.5 million (1-6/2005: EUR 81.9 million). Operations outside Finland accounted for 96% (96%) of net sales. The Group received new orders worth EUR 125.9 (91.1) million during the review period. The order book at the end of the review period was EUR 86.8 (63.2) million. Some EUR 22 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 38.2 (35.5) million. The growth is mainly due to the Sigmet acquisition. The sales of wind profilers and lightning detection systems were slower than during the comparison period.

Although the net sales were higher than those of the comparison period, the corresponding operating profits EUR 4.0 million (EUR 6.9 in 1-6/2005), were lower. The operating profits were burdened by the one-off costs caused by the reorganization of the radiosonde production, as well as the slower sales of wind profilers and lightning detection systems.

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 gave notice to 37 employees. For other parts, the target reduction of approximately 60 productive labor years was realized through terminations of temporary employment, relocations and pension programs.

The one-off costs caused by the partial outsourcing of the radiosonde production incurred an accrual of approximately EUR 0.8 million in January-June. 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 Sigmat Inc. was confirmed in January. The gross margin of the acquired order book has been depreciated by EUR 1.8 million in the review period. The balance of the acquired order book was fully depreciated during January-June.

Vaisala Instruments

The Vaisala Instruments division generated net sales of EUR 30.0 (26.1) million. New products have been well received in the market. Operating profit for the review period was EUR 9.1 million (5.5). The operating profits have increased thanks to improvements in the production and procurement activities.

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

Vaisala announced that it will introduce a new product for oxygen concentration measurements in industrial processes.

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 24.2 (20.3) million. Operating loss in the review period was EUR -1.2 (-1.4) million.

The review period 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.

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 11.2 (8.5) million. Profit before extraordinary items was 10.3% of net sales, or EUR 9.5 (11.4) million. Net profit for the review period was EUR 6.5 (9.3) million.

Financial costs are mainly due to exchange rate changes. The effective tax rate in the review period was 32% (19%).

The Vaisala Group's solvency and liquidity remained strong. On June 30, 2006, the balance sheet total was EUR 184.3 (158.9) million. The Group's solvency ratio at the end of the review period was 86% (85%).

The total of the Group's liquid assets was EUR 67.5 million.

Research and development

Expenditure on research and development in the review period totaled EUR 9.5 (9.9) million, representing 10.3% of the Group's net sales.

Capital expenditure

Gross capital expenditure in non-current assets totaled EUR 17.4 million (EUR 2.1 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 7,660,807.86 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 was payable for the year 2005 for A-shares subscribed for in 2005. The shares subscribed for in January 2006 did 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.

On June 14, 2006, Vaisala Oyj received the following notification of change in the share of ownership in accordance with the Security Markets Act, Chapter 2 § 9: Inkeri Voipio's holding in Vaisala Oyj has fallen below ten (10) 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 24.00 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 3,603,605 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 9150 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.

Dividend

The Annual General Meeting decided that a dividend of EUR 0.75 per share, corresponding to the total of EUR 13,437,037.50 will be distributed for the

financial year 2005. Dividend is not paid to the A-shares that are held by Vaisala Oyj. Dividend was paid on April 4, 2006.

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 1 103 compared with 1 092 at the end of the corresponding period in 2005.

Some 18% (18%) of the personnel worked in research and development. Approximately 38% (35%) of the Group's personnel worked outside Finland.

Financial indicators	1-6 2006	1-6 2005	4-6 2006	4-6 2005	1-12 2005
Number of shares at March. 31 (pcs)	18209	17479	18209	17479	17665
Number of shares at March 31 (pcs), weighted average	18125	17479	18209	17479	17488
Adjusted number of shares (pcs)	18139	17479	18209	17479	17532
Earnings/share (EUR)	0.36	0.53	0.31	0.44	1.42
Earnings/share (EUR), fully diluted	0.36	0.53	0.31	0.44	1.42
Net cash flow from operating activities/share (EUR)	0.68	0.89			2.21
Equity/share (EUR)	8.28	7.37	8.28	7.37	8.74
Solvency ratio	86%	85%	86%	85%	81%
Gross capital expenditure (EUR Million)	17.4	2.1	0.9	1.1	8.0
Depreciation	6.4	3.9	2.8	2.0	8.4
Average personnel	1065	1061	1079	1071	1062
Order book (EUR Million)	86.8	63.2	86.8	63.2	55.0
Liabilities from derivative contracts (EUR Million)	12.2	10.1	12.2	10.1	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 on the previous year's level. Financial expenses and taxes will be higher than in the previous year, so profit is expected to remain on the previous year's level.

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.

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 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.

Changes in Vaisala Oyj's management

Vaisala's CFO Tapio Engström started in his new role as the Chief Financial Officer of Aspocomp Group Plc on July 1, 2006. M.Sc.(Eng) Jouni Lintunen was appointed as the new Chief Financial Officer of Vaisala beginning July 1, 2006.

Vantaa, August 7, 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)

	1-6 2006	1-6 2005	Change %	4-6 2006	4-6 2005	Change %	1-12 2005
Net sales	92.5	81.9	12.9	49.7	46.2	7.5	197.9
Cost of production and procurement	-44.7	-38.6	15.9	-23.6	-20.9	12.7	-92.3
Gross profit	47.7	43.3	10.3	26.1	25.3	3.3	105.6
Other operating income	1.0	0.2	349.1	0.6	0.0	18733.3	0.5
Cost of sales and marketing	-19.7	-16.9	16.8	-9.0	-8.7	3.4	-37.7
Development costs	-9.5	-9.9	-3.9	-4.5	-4.9	-8.7	-19.8
Other administrative costs	-8.2	-7.1	16.3	-4.1	-3.8	9.2	-16.9
Other operating cost	-0.1	-1.2	-93.3	0.0	-0.7	-94.4	-1.5
Operating profit	11.2	8.5	32.5	9.1	7.3	25.1	30.1
Financial income and expenses	-1.7	3.0	-156.7	-1.0	1.6	-163.4	3.9
Share of results of associated companies	0.0	0.0		0.0	0.0	-100.0	0.0
Profit before tax	9.5	11.4	-16.6	8.1	8.9	-8.8	34.1
Income taxes	-3.0	-2.2	41.4	-2.5	-1.2	113.5	-9.2
Profit after tax	6.5	9.3	-30.1	5.6	7.7	-27.5	24.9
Attributable to Equity holders of the parent	6.5	9.3	-30.1	5.6	7.7	-27.5	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

	1-6 2006	1-6 2005	Change %	4-6 2006	4-6 2005	Change %	1-12 2005
Basic earnings per share, EUR	0.36	0.53	-32.5	0.31	0.44	-30.4	1.42
Diluted earnings per share, EUR	0.36	0.53	-32.5	0.31	0.44	-30.4	1.42

CONSOLIDATED BALANCE SHEET (EUR million)

	30.6.2006	30.6.2005	Change %	31.12.2005
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		21.9	7.8	179.7
Tangible assets		34.4	36.4	-5.3
Investments in associates		0.3	0.5	-32.9
Other financial assets		0.0	0.0	-8.7
Long-term receivables		0.2	1.6	-87.8

Deferred tax assets	5.9	5.2	14.1	5.3
CURRENT ASSETS				
Inventories	17.3	16.2	6.7	14.1
Trade and other receivables	35.2	34.8	1.1	47.1
Accrued income tax receivables	1.4	1.4	4.4	0.6
Financial assets recognized at fair value through profit and loss	32.7	33.9	-3.6	27.2
Cash and cash equivalents	34.9	21.2	64.9	54.2
TOTAL ASSETS	184.3	158.9	15.9	196.9
SHAREHOLDERS' EQUITY AND LIABILITIES				
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	-2.8	0.1
Translation differences	-0.5	1.3	-137.4	1.9
Profit from previous years	120.7	109.2	10.5	109.2
Own shares	-0.3	0.0		0.0
Profit for the financial year	6.5	9.3	-30.1	24.9
Total equity	150.8	128.8	17.1	154.3
Long-term liabilities				
Retirement benefit obligations	0.7	0.4	61.4	0.6
Interest-bearing liabilities	0.4	0.7	-47.4	0.7
Provisions	0.7	0.4	81.5	0.2
Deferred tax liabilities	0.4	0.5	-17.4	0.5
Current liabilities				
Current portion of long-term borrowings	0.4	0.6	-36.0	0.5
Current interest-bearing liabilities	0.2	0.2	-10.7	0.3
Advances received	8.3	7.0	17.4	5.8
Accrued income tax payables	0.9	0.4	111.5	0.7
Trade and other payables	21.6	19.9	8.4	33.3
TOTAL LIABILITIES	184.3	158.9	15.9	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		-2.4		-2.4
Net profit for the period							6.5	6.5
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 June 30. 2006	7.7	0.0	16.6	0.1	-0.3	-0.5	127.2	150.8
	Share capit al	Share issue	Sha- re prem ium res- erve	Reser ve fund	Own shares	Trans lat- ion diffe ren- ces	Retai ned earn- ings	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				0.0		2.9		2.9
Net profit for the period							9.3	9.3
Dividend paid							-13.1	-13.1
Balance at June 30. 2005	7.4	0.0	1.6	0.1	0.0	1.3	118.5	128.8

CONSOLIDATED CASH FLOW STATEMENT (EUR million)

	1-6 2006	1-6 2005	Change %	1-12 2005
Cash flows from operating activities				
Cash receipts from customers	108.0	90.2	19.7	191.1
Other income from business operations	0.1	0.1	-28.1	0.3
Cash paid to suppliers and employees	-90.2	-72.2	24.9	-145.3
Interest received	1.2	0.6	86.7	1.4
Interest paid	0.0	0.0	-47.4	-0.1
Other financial items, net	-2.0	1.7	-217.2	1.9
Dividend received from business operations	0.0	0.0	0.0	0.0
Direct tax paid	-4.7	-4.8	-2.9	-10.3
Cash flow from business operations (A)	12.4	15.6	-20.3	39.0
Cash flow from investing activities				
Investments in tangible and intangible assets	-4.2	-2.2	93.9	-5.7
Acquisition of subsidiary, net of cash acquired	-15.5	0.0		-2.8
Proceeds from sale of fixed assets	0.0	0.0	-77.6	0.0
Loans granted	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	-86.7	-0.1
Cash flow from investing activities (B)	-19.7	-2.1	831.1	-8.5
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	-0.2	-0.1	11.7	-0.6
Dividend paid and other distribution of profit	-13.4	-13.1	2.5	-13.1
Cash flow from financing activities (C)	-7.5	-13.3	-43.4	-4.7
Change in liquid funds (A+B+C) increase (+) / decrease (-)	-14.7	0.2	-6137.9	25.7
Liquid funds at beginning of period	81.4	54.8	48.6	54.8
Foreign exchange effect on cash	0.8	0.0	-3827.3	0.9
Net increase in cash and cash equivalents	-14.7	0.2	-6137.9	25.7

Liquid funds at end of period			67.5	55.0	22.7	81.4
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Segment Report
Business segments

	Vaisa- la Meas- ure- ment Syst- ems	Vaisa- la Instru- ments	Vaisa la Solut- ions	Other operat- ions	Elimin- ations	Group
1-6/2006 MEUR						
Net sales to external customers	38.2	30.0	24.2	0.0	0.0	92.5
Intragroup sales	0.0	4.5	0.2	0.0	-4.7	0.0
Net sales	38.2	34.6	24.4	0.0	-4.7	92.5
Operating profit	4.0	9.1	-1.2	-0.7	0.0	11.2
Depreciation	3.3	1.0	0.4	1.7	0.0	6.4
Restructuring expenses	0.4	0.0	0.0	0.0	0.0	0.4

Segment Report
Business segments

	Vaisa- la Meas- ure- ment Syst- ems	Vaisa- la Instru- ments	Vaisa- la Solut- ions	Other operat- ions	Elimina- tions	Group
1-6/2005 MEUR						
Net sales to external customers	35.5	26.1	20.3	-0.1	0.0	81.9
Intragroup sales	0.0	3.3	0.1	0.0	-3.4	0.0
Net sales	35.5	29.4	20.5	-0.1	-3.4	81.9
Operating profit	6.9	5.5	-1.4	-2.3	-0.2	8.5
Depreciation	0.9	1.0	0.1	1.8	0.0	3.9

Segment Report
Business segments

	Vaisa- la Meas- ure- ment Syst- ems	Vaisa- la Instru- ments	Vaisa- la Solut- ions	Other opera- tions	Elimina- tions	Group
4-6/2006 MEUR						
Net sales to external customers	20.9	15.7	13.0	0.0	0.0	49.7
Intragroup sales	0.0	2.6	0.1	0.0	-2.7	0.0
Net sales	20.9	18.4	13.1	0.0	-2.7	49.7
Operating profit	3.5	5.8	0.2	-0.4	0.0	9.1
Depreciation	1.4	0.4	0.2	0.8	0.0	2.8
Restructuring expenses	-0.5	0.0	0.0	0.0	0.0	-0.5

Segment Report
Business segments

4-6/2005 MEUR	Vaisala Measure- ment Systems	Vaisa- la Instru- ments	Vaisa- la Solut- ions	Other operat ions	Elimina- tions	Group
Net sales to external customers	21.1	14.2	11.1	-0.1	0.0	46.3
Intragroup sales	0.0	2.1	0.1	0.0	-2.1	0.0
Net sales	21.1	16.2	11.2	-0.1	-2.1	46.3
Operating profit	5.6	3.9	-0.6	-1.5	-0.2	7.3
Depreciation	0.5	0.5	0.1	0.9	0.0	2.0

Segment Report
Business segments

1-12/2005 MEUR	Vaisa- la Meas- ure- ment Syst- ems	Vaisa- la Instru- ments	Vaisa- la Solut- ions	Other operat ions	Elimina- tions	Group
Net sales to external customers	84.3	58.2	55.5	0.0	0.0	197.9
Intragroup sales	0.0	8.7	0.5	0.0	-9.1	0.0
Net sales	84.3	66.8	56.0	0.0	-9.1	197.9
Operating profit	19.6	14.0	3.0	-6.5	0.0	30.1
Depreciation	1.7	2.1	0.7	3.6	0.0	8.2
Restructuring expenses	0.2	0.0	0.0	0.0		0.2

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Vaisala Oyj

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