

Interim Report 1.1.2005 - 30.9.2005 (9 months)

- Net sales: EUR 130.9 (120.7) million.
- Operating profit: EUR 15.6 (12.5) million.
- Orders received: EUR 148.9 (121.4) million.
- Order book: EUR 72.6 (63.4) million.
- Profit before extraordinary items, provisions and taxes: EUR 18.8 (12.7) million.
- Net profit for the review period EUR 13.7 (9.0) million.
- Earnings per share: EUR 0.79 (0.52).

Market situation

Demand was good during July-September, which shows in the amount of orders received. Vaisala Solutions division experienced the greatest relative growth in orders received.

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 130.9 million (1-9/2004: EUR 120.7 million). Operations outside Finland accounted for 96% (97%) of net sales. The Group received new orders worth EUR 148.9 (121.4) million during the review period. The order book at the end of the review period was EUR 72.6 (63.4) million.

Vaisala Measurement Systems

The Vaisala Measurement Systems division generated net sales of EUR 57.1 (50.0) million.

The positive developments of the second quarter continued during July-September, and the flow of orders received continued to be strong. Increased net sales and cost-effectiveness improved profitability, which is clearly better than that of the corresponding period in 2004. Compared to 2004, the greatest improvement in profitability has been achieved in the thunderstorm and soundings business units.

Vaisala Instruments

The Vaisala Instruments division generated net sales of EUR 41.0 (38.0) million.

Demand grew during July-September, producing net sales higher than those of the corresponding period in 2004. Price competition continues to be intensive. Profitability remains high thanks to cost-effective operations.

In July, the Vaisala Instruments division received a substantial order from the U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Weather Service (NWS), which selected Vaisala's Enhanced Precipitation Identification sensor for a system that serves as the primary surface weather observation network in the United States. The estimated value of the order is over 6 MEUR. Deliveries are expected to take place in 2006-2007.

Vaisala Solutions

The Vaisala Solutions division generated net sales of EUR 32.8 (32.7) million.

Market activity intensified during recent months both in form of calls for tenders and orders received. Order book development was positive. Although the operating profit for the review period remained negative, the division will achieve a positive result for 2005 as sales recognition concentrates on the October-December period.

Vaisala Solutions division invested in its aviation weather systems knowhow by acquiring CLH Inc., specialized in automated weather observing systems.

In August, the division received a substantial order from the US Federal Aviation Administration, which selected Vaisala's runway visual range systems for use at airports throughout the US. The three-year base contract includes the deliveries of 21 systems and is valued at 4.3 million US dollars. The contract contains options for delivery of up to 77 similar systems within the next five years.

Performance

Operating profit for the review period was EUR 15.6 (12.5) million. Profit before extraordinary items was 14.4% of net sales, or EUR 18.8 (12.7) million. Net profit for the review period was EUR 13.7 (9.0) million.

Financial income is mainly due to exchange rate changes.

Balance sheet

The Vaisala Group's solvency and liquidity remained strong. On September 30, 2005, the balance sheet total was EUR 167.1 (161.8) million. The Group's solvency ratio at the end of the review period was 82% (83%).

Research and development

Expenditure on research and development in the review period totaled EUR 15.4 (16.3) million, representing 11.8% of the Group's net sales.

Capital expenditure

Gross capital expenditure in non-current assets totaled EUR 7.7 million (EUR 3.1 million).

The total for the review period includes the cost incurred from the acquisition of CLH Inc.

Vaisala's share

The price of Vaisala's A share on the Helsinki Exchanges was EUR 18.20, December 31, 2004, and EUR 24.60 at the end of the review period. The highest share price quoted during the review period was EUR 24.74 and the lowest EUR 18.48.

Vaisala's share capital at the end of the review period was EUR 7,349,905.88 and the total number of shares was 17,479,000.

A total of 1 023,648 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 1 047 compared with 1 068 at the end of the corresponding period in 2004.

Some 17% (22%) of the personnel worked in research and development. Approximately 37% (36%) of the Group's personnel worked outside Finland.

Vaisala Oyj's adoption of IFRS reporting

Vaisala Oyj has adopted the International Financial Reporting Standards (IFRS) in its Group reporting from the beginning of 2005. Interim figures for the year 2005 are reported according IAS/IFRS standards.

The effect, with tax adjustments, of the change in the treatment of defined-benefit disability pensions included in the balance sheet produced a one-off improvement in result of approximately EUR 2.5 million in the last quarter of

2004. The comparable profit for the accounting period in 2004 is EUR 18.5 million.

A stock exchange release dated 8.4.2005 contains further information on this.

Outlook

The market outlook has improved somewhat. We expect slight growth in net sales in 2005. IFRS compliant profit for the accounting period is expected to be slightly better than in 2004.

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.

Vantaa, Finland, October 31, 2005

Vaisala Oyj
Board of Directors

CONSOLIDATED INCOME STATEMENT (IFRS, EUR 1000)

	1-9/2005	1-9/2004	Change %	1-12/2004
Net sales	130 881	120 705	8.4	178 079
Costs	-108 291	-101 460	6.7	-141 709
Depreciation	-5 908	-7 056	-16.3	-7 791
Other operating income (+) and expenses (-)	-1 050	262	-500.8	817
Operating profit	15 632	12 451	25.5	29 396
% of net sales	11.9%	10.3%		16.5%
Financial income(+) and expenses (-), net	3 177	296	973.3	-320
Profit before extraordinary items	18 809	12 747	47.6	29 076
% of net sales	14.4%	10.6%		16.3%
Profit before appropriations and taxes	18 809	12 747	47.6	29 076
Taxes	-5 083	-3 698	37.5	-8 077
Net profit for the period	13 726	9 049	51.7	20 999

Taxes for the review period have been calculated under taxes.

CONSOLIDATED BALANCE SHEET (EUR 1000)

	9/2005	9/2004	Change %	12/2004
ASSETS				
Non-current assets				
Intangible assets	2 969	2 830	4.9	2 635
Goodwill	7 431	5 285	40.6	4 785
Tangible assets	36 040	38 203	-5.7	36 985
Investments in associates	314	265	18.5	289
Other investments	242	35	591.4	22
Receivables	1 601	1 728	-7.3	1 581
Deferred tax assets	5 025	4 609	9.0	4 219
Current assets				
Inventories	17 013	17 405	-2.3	14 989
Trade and other receivables	38 321	36 897	3.9	43 376
Financial assets	58 158	54 592	6.5	54 805

LIABILITIES

Share capital and other shareholders' equity	133 426	128 509	3.8	129 705
Statutory reserves	862	109	690.8	0

Liabilities

Retirement benefit obligations	377	4 201	-91.0	551
Interest-bearing long-term borrowings	683	1 195	-42.8	826
Other long-term borrowings	280	623	-55.1	280
Deferred tax liabilities	408	612	-33.3	581

Current liabilities

Short-term interest-bearing borrowings	351	389	-9.8	584
Other current liabilities	30 727	26 211	17.2	31 159

Balance sheet total	167 114	161 849	3.3	163 686
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Consolidated cash flow statement (EUR 1000)

	9/2005	9/2004	Change %	12/2004
Cash flow from operating activities				
Cash generated from operations	137 679	138 106		185 715
Expenses from operations	-114	-113		-149
Net cash flow from operating activities(A)	456	600		624
	23 223	24 507	-5.2	36 091
Cash flow from investing activities				
Capital expenditure	-6 279	-3 072		-5 505
Proceeds from sale of tangible and intangible assets	19	31		5
Net cash flow used in investing activities(B)	-6 261	-3 041	105.9	-5 498
Cash flow from financing activities				
Paid share issue				
Withdrawal of long-term loans		158		216
Repayment of long-term loans	-501	-759		-991
Dividends paid and other distribution of profit	-13 109	-13 109		-21 849
Net cash flow from financing activities (C)	-13 610	-13 711	-0.7	-22 624
Change in liquid funds (A + B + C)				
increase (+) / decrease (-)	3 353	7 755		7 969
Liquid funds at start of period	54 806	46 838		46 838
Liquid funds at end of period	58 158	54 592		54 806

Financial indicators	9/2005	9/2004	12/2004
Earnings/share (EUR)	0.79	0.52	1.20
Earnings/share (EUR), fully diluted	0.79	0.52	1.20
Net cash flow from operating activities/share (EUR)	1.33	1.40	2.06
Equity/share (EUR)	7.63	7.35	7.42

Solvency ratio	82%	83%	82%
Gross capital expenditure (EUR 1,000)	7 671	3 096	4 820
Average personnel	1 064	1 101	1 092
Order book (MEUR)	73	63	53
Liabilities from derivative contracts*)	10 628	11 609	8 844

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

Segment Report - Business segments 30.09.2005

Other operations in the Other operations and eliminations column include New Business Development unit's costs, Group wide bonus scheme provisions, and activities to hedge exchange rate risks. Service unit costs have been allocated to segments.

Depreciations in the Other operations and eliminations column include depreciations from buildings and service units.

Profit and loss information (EUR million)

	Measure- ment Systems	Instru- ments	Solu- tions	Other operations and elimi- nations	Consoli- dated Group
Sales					
External sales	57.1	41.0	32.8	0.0	130.9
Internal sales	0.0	5.7	0.3	-6.0	0.0
Total Sales	57.1	46.7	33.1	-6.0	130.9
Operating profit	12.1	9.9	-1.6	-4.8	15.6
Finance costs / net					3.2
Share of profit(loss) of associates					0.0
Profit before income tax					18.8
Income tax expense					-5.1
Profit for the year					13.7

Other segment items included in the income statement are as follows:

	Measure- ment Systems	Instru- ments	Solu- tions	Other operations and elimi- nations	Consoli- dated Group
Depreciations	1.3	1.6	0.3	2.7	5.9

Segment Report - Business segments 30.09.2005

Profit and loss information (EUR million)

	Measure- ment Systems	Instru- ments	Solu- tions	Other	Consoli- dated Group
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	ment Systems	ments	tions	operations and elimi- nations	dated Group
Sales					
External sales	50.0	38.0	32.7	0.0	120.7
Internal sales	0.0	5.0	0.2	-5.2	0.0
Total Sales	50.0	43.0	32.9	-5.2	120.7
Operating profit	5.0	9.3	-0.6	-1.2	12.5
Finance costs / net					0.3
Share of profit(loss) of associates					0.0
Profit before income tax					12.7
Income tax expense					-3.7
Profit for the year					9.0

Other segment items included in the income statement are as follows:

	Measure- ment Systems	Instru- ments	Solu- tions	Other operations and elimi- nations	Consoli- dated Group
Depreciations	1.5	1.9	0.9	2.6	7.0

Statement of changes in equity for the review period

	Share capital	Share issue	Reserve fund	Trans- lation	Earnings	Total
Shareholders' equity						
1.1.2005	7.4	1.6	0.1	-1.6	122.3	129.7
Exchange differences				3.1		3.1
Profit for the period					13.7	13.7
Dividends					-13.1	-13.1
Total equity 30.9.2005	7.4	1.6	0.1	1.5	122.9	133.4
Shareholders' equity						
1.1.2004	7.4	1.6	0.1	-4.4	127.5	132.2
Exchange differences				0.4		0.4
Profit for the period					9.0	9.0
Dividends					-13.1	-13.1
Total equity 30.9.2004	7.4	1.6	0.1	-4.0	123.5	128.5

IFRS INCOME STATEMENT RECONCILIATION FOR 2004

Unaudited income statement by function according to the IFRS and reconciliation to the income statement reported under FAS.

Consolidated income statement 1.1.-30.9.2004, EUR million

	FAS 1-9/2004	Effect of transition to IFRS	IFRS 1-9/2004
Net sales	121.9	-1.2	120.7
Cost of production and procurement	57.0	0.2	57.2

Gross profit	65.0	-1.4	63.5
Cost of sales and marketing	24.5	0.0	24.5
Cost of administration			
Development costs	16.3	0.0	16.3
Other administrative costs	10.6	-0.1	10.5
Group goodwill	2.6	-2.6	0.0
Cost of sales and marketing and administration	54.0	-2.6	51.3
Other operating income	0.2	0.6	0.8
Other operating costs	0.0	0.5	0.5
Operating profit	11.2	1.3	12.4
Financial income and expenses	0.4	-0.1	0.3
Profit before provisions and taxes	11.6	1.2	12.7
Direct taxes	3.6	0.1	3.7
Net profit for the financial year	7.9	1.1	9.0

IFRS BALANCE SHEETS RECONCILIATION FOR 2004

Consolidated balance sheets
30.9.2004

Assets, EUR million

	FAS 9/2004	Effect of transition to IFRS	IFRS 9/2004
Non-current assets			
Intangible assets			
Intangible rights	2.3		2.3
Goodwill	0.0	0.0	0.0
Consolidated goodwill	4.2	1.1	5.3
Other long-term expenditure	0.4	0.2	0.6
Intangible assets total	6.9	1.3	8.2
Tangible assets			
Land and water	2.9	-0.1	2.8
Buildings	26.7	-5.6	21.1
Machinery and equipment	11.4	0.6	12.1
Other tangible assets	0.8		0.8
Advance payments and construction in progress	1.4		1.4
Tangible assets total	43.3	-5.1	38.2
Investments			
Other shares and holdings	0.3		0.3
Other receivables	1.7		1.7
Investments total	2.0	0.0	2.0

Current assets

Inventories			
Materials and consumables	9.1		9.1
Work in progress	3.5	-1.8	1.7
Finished goods	6.8	-0.1	6.7
Inventories total	19.4	-1.9	17.5
Receivables			
Trade receivables	26.6		26.6
Loan receivables	0.0		0.0
Other receivables	0.3		0.3
Prepaid expenses and accrued income	6.9	3.0	9.8
Deferred tax assets	2.9	1.8	4.6
Receivables total	36.7	4.7	41.4
Cash and bank balances	54.6		54.6
Assets, total	162.8	-1.0	161.8

Shareholders' Equity and
Liabilities, EUR million

	FAS	Effect of	IFRS
	9/2004	transition	9/2004
		to IFRS	
Shareholders' Equity			
Share capital	7.3		7.3
Share issue	7.3	-5.7	1.6
Reserve fund	0.1		0.1
Profit from previous years	112.0	-1.6	110.4
Profit for the review period	7.9	1.1	9.0
Shareholders' Equity total	134.6	-6.2	128.5
Obligatory provisions	1.2	-1.1	0.1
Liabilities			
Non-current			
Deferred tax liabilities		0.6	0.6
Retirement benefit obligations		4.2	4.2
Interest-bearing long-term liabilities	1.2	0.6	1.8
Non-current total	1.2	5.4	6.6
Current			
Advances received	7.1		7.1
Trade payables	6.9		6.9
Other current liabilities	1.7	0.0	1.7
Accrued expenses and deferred income	10.0	0.8	10.8
Current total	25.8	0.8	26.6
Shareholders' equity and liabilities, total	162.8	-1.0	161.8
Reconciliation of equity, 30.9.2004, EUR million			
	30.9.2004	1.1.2004	
Equity FAS	134.7	139.5	
IAS 11 Construction Contracts	-0.1	0.1	

IAS 12 Income Taxes	0.8	0.7
IAS19 Employee Benefits	-2.4	-2.3
IFRS 3 Business Combinations	1.3	0.0
IFRS 1 First-time Adoption Standard /revaluations	-5.7	-5.7
Total IFRS restatement	-6.2	-7.2
Equity according to IFRS	128.5	132.3

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