

Interim Report 1.1.2005 - 30.6.2005 (6 months)

- Net sales: EUR 81.9 million (EUR 80.8 million in 1-6/2004).
- Operating profit: EUR 8.5 (8.6) million.
- Orders received: EUR 91.1 (84.3) million.
- Order book: EUR 63.2 (60.1) million.
- Profit before extraordinary items, provisions and taxes: EUR 11.4 (9.2) million.
- Net profit for the review period EUR 9.3 (6.7) million.
- Earnings per share: EUR 0.53 (0.38).

Market situation

Demand has increased slightly since the beginning of the year. The slight increase in orders received compared to 2004 is mainly due to the introduction of the new generation sounding system.

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 81.9 million (1-6/2004: EUR 80.8 million). Operations outside Finland accounted for 96% (97%) of net sales. The Group received new orders worth EUR 91.1 (84.3) million during the review period. The order book at the end of the review period was EUR 63.2 (60.1) million.

Vaisala Measurement Systems

The Vaisala Measurement Systems division generated net sales of EUR 35.5 (33.7) million.

Projects carried over from 2004 increased the net sales of the review period. Profitability of the review period is better than that of the same period in 2004, due to increased net sales, successful introduction of the new generation sounding systems, and positive developments in orders received in the wind profiling business. Cost-effectiveness has been improved in the thunderstorm business.

Vaisala Instruments

The Vaisala Instruments division generated net sales of EUR 26.1 (25.9) million.

Price competition continues to be intensive. Investments in marketing and new product development continue to be substantial.

Vaisala Solutions

The Vaisala Solutions division generated net sales of EUR 20.3 (21.1) million.

Sales recognition of project based contracts weakened profitability. Calls for tenders in the Aviation Weather business unit continued to be frequent.

Performance

Operating profit for the review period was EUR 8.5 (8.6) million. Profit before extraordinary items was 14.0% of net sales, or EUR 11.4 (9.2) million. Net profit for the review period was EUR 9.3 (6.7) million.

Financial income is mainly due to exchange rate changes.

Balance sheet

The Vaisala Group's solvency and liquidity remained strong. On June 30, 2005, the balance sheet total was EUR 158.9 (159.1) million. The Group's solvency ratio at the end of the review period was 85% (83%).

Research and development

Expenditure on research and development in the review period totaled EUR 9.9 (11.5) million, representing 12.1% of the Group's net sales.

Capital expenditure

Gross capital expenditure in non-current assets totaled EUR 2.1 million (EUR 2.2 million).

Vaisala's share

The price of Vaisala's A share on the Helsinki Exchanges was EUR 18.20, December 31, 2004, and EUR 20.35 at the end of the review period. The highest share price quoted during the review period was EUR 20.99 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 615,796 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 1 092 compared with 1 117 at the end of the corresponding period in 2004.

Some 18% (21%) of the personnel worked in research and development. Approximately 35% (36%) of the Group's personnel worked outside Finland.

Events outside the review period

July 7 - Vaisala acquired CLH Inc. of Minneapolis, Minnesota. The company provides automated weather observing systems and related services for the US airport operations.

July 14 - The U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Weather Service selected Vaisala's Enhanced Precipitation Identification sensor to be integrated as part of the primary surface weather observation network in the United States.

August 1 - The U.S. Federal Aviation Administration selected Vaisala's runway visual range systems for use at airports throughout the U.S.

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 not changed significantly. We expect slight growth in net sales in 2005. IFRS compliant profit for the accounting period is expected to remain on the same level as 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, August 8, 2005

Vaisala Oyj
Board of Directors

CONSOLIDATED INCOME STATEMENT (IFRS, EUR 1000)

	1-6/2005	1-6/2004	Change %	1-12/2004
Net sales	81 871	80 804	1.3	178 079
Costs	-68 545	-68 377	0.2	-141 709
Depreciation	-3 868	-3 843	0.7	-7 791
Other operating income (+) and expenses (-)	-1 001	58	-1825.9	817
Operating profit	8 457	8 642	-2.1	29 396
% of net sales	10.3%	10.7%		16.5%
Financial income(+) and expenses (-), net	2 972	553	437.4	-320
Profit before extraordinary items	11 429	9 195	24.3	29 076
% of net sales	14.0%	11.4%		16.3%
Profit before appropriations and taxes	11 429	9 195	24.3	29 076
Taxes	-2 152	-2 531	-15.0	-8 077
Net profit for the period	9 277	6 664	39.2	20 999

Taxes for the review period have been calculated under taxes.

CONSOLIDATED BALANCE SHEET (EUR 1000)

	6/2005	6/2004	Change %	12/2004
ASSETS				
Non-current assets				
Intangible assets	2 230	3 285	-32.1	2 635
Goodwill	5 587	5 558	0.5	4 785
Tangible assets	36 368	39 422	-7.7	36 985
Investments in associates	477	269	77.3	289
Other investments	23	37	-37.8	22
Receivables	1 603	1 781	-10.0	1 581
Deferred tax assets	5 191	4 562	13.8	4 219
Current assets				
Inventories	16 238	17 667	-8.1	14 989
Trade and other receivables	36 171	35 603	6.4	43 376
Financial assets	55 045	50 940	5.0	54 805
LIABILITIES				
Share capital and other shareholders' equity				
Statutory reserves	128 795	126 663	1.7	129 705
	82	40	105.0	0.0
Liabilities				
Retirement benefit obligations	435	4 196	-83.0	551
Interest-bearing long-term borrowings	683	1 195	-100.0	826
Other long-term borrowings	280	615	11.1	280
Deferred tax liabilities	455	554	-17.9	581
Current liabilities				
Short-term interest-bearing borrowings	584	623	-6.3	584
Other current liabilities	27 620	25 238	9.4	31 159
Balance sheet total	158 934	159 124	-0.1	163 686

Consolidated cash flow statement (EUR 1000)				
	6/2005	6/2004	Change %	12/2004
Cash flow from operating activities				
Cash generated from operations	92 662	95 584		185 715
Expenses from operations	-77 016	-75 089		-149 624
Net cash flow from operating activities(A)	15 646	20 495	-23.7	36 091
Cash flow from investing activities				
Capital expenditure	-2 173	-2 942		-5 505
Proceeds from sale of tangible and intangible assets	17	26		5
Net cash flow used in investing activities(B)	-2 156	-2 916	-26.1	-5 498
Cash flow from financing activities				
Paid share issue				216
Withdrawal of long-term loans				-991
Repayment of long-term loans	-143	-368		
Dividends paid and other distribution of profit	-13 109	-13 109		-21 849
Net cash flow from financing activities (C)	-13 252	-13 477	-1.7	-22 624
Change in liquid funds (A + B + C)				
increase (+) / decrease (-)	238	4 102		7 969
Liquid funds at start of period	54 806	46 838		46 838
Liquid funds at end of period	55 044	50 940		54 806
Financial indicators				
Earnings/share (EUR)	6/2005	6/2004		12/2004
Earnings/share (EUR), fully diluted	0.53	0.38		1.20
Net cash flow from operating activities/share (EUR)	0.53	0.38		1.20
Equity/share (EUR)	0.90	1.17		2.06
Solvency ratio	7.37	7.25		7.42
Gross capital expenditure (EUR 1,000)	85%	83%		82%
Average personnel	2 055	2 204		4 820
Order book (MEUR)	1 061	1 106		1 092
Liabilities from derivative contracts*)	63	60		53
	10 090	9 173		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 30.06.2005

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	35.5	26.1	20.3	0.0	81.9

Internal sales	0.0	3.3	0.1	-3.4	0.0
Total Sales	35.5	29.4	20.5	-3.4	81.9
Operating profit	6.9	5.5	-1.4	-2.5	8.5
Finance costs / net					3.0
Share of profit(loss) of associates					0.0
Profit before income tax					11.4
Income tax expense					-2.2
Profit for the year					9.3

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	0.9	1.0	0.1	1.8	3.9

Segment Report - Business segments 30.06.2005

Profit and loss information (EUR million)

	Measure- ment Systems	Instru- ments	Solu- tions	Other operations and elimi- nations	Consoli- dated Group
Sales					
External sales	33.7	25.9	21.1	0.0	80.8
Internal sales	0.0	3.3	0.1	-3.4	0.0
Total Sales	33.7	29.2	21.3	-3.4	80.8
Operating profit	3.4	6.6	-0.4	-0.9	8.6
Finance costs / net					0.6
Share of profit(loss) of associates					0.0
Profit before income tax					9.2
Income tax expense					-2.5
Profit for the year					6.7

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	0.9	1.0	0.1	1.7	3.8

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				2.9		2.9
Profit for the period					9.3	9.3
Dividends					-13.1	-13.1
Total equity 30.6.2005	7.4	1.6	0.1	1.3	118.5	128.8
Shareholders' equity						
1.1.2004	7.4	1.6	0.1	-4.4	127.5	132.2
Exchange differences				1.0		1.0
Profit for the period					6.7	6.7
Dividends					-13.1	-13.1

Total equity 30.6.2004	7.4	1.6	0.1	-3.4	121.1	126.7
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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.-30.6.2004, EUR million

	FAS 1-6/2004	Effect of transition to IFRS	IFRS 1-6/2004
Net sales	81.5	-0.7	80.8
Cost of production and procurement	38.3	0.2	38.5
Gross profit	43.2	-0.9	42.3
Cost of sales and marketing	15.2	0.0	15.2
Cost of administration			
Development costs	11.5	0.0	11.5
Other administrative costs	7.0	-0.1	6.9
Group goodwill	1.7	-1.7	0.0
Cost of sales and marketing and administration	35.5	-1.8	33.7
Other operating income	0.0	0.5	0.5
Other operating costs	0.0	0.5	0.5
Operating profit	7.7	0.9	8.6
Financial income and expenses	0.6	0.0	0.6
Profit before provisions and taxes	8.3	0.9	9.2
Direct taxes	2.5	0.0	2.5
Net profit for the financial year	5.8	0.9	6.7

IFRS BALANCE SHEETS RECONCILIATION FOR 2004

Consolidated balance sheets 30.6.2004

Assets, EUR million

	FAS 6/2004	Effect of transition to IFRS	IFRS 6/2004
Non-current assets			
Intangible assets			
Intangible rights	2.5		2.5
Goodwill	0.2	-0.2	0.0
Consolidated goodwill	4.9	0.7	5.6
Other long-term expenditure	0.4	0.4	0.8
Intangible assets total	8.0	0.9	8.8
Tangible assets			
Land and water	2.9	-0.1	2.9
Buildings	24.6	-5.6	18.9
Machinery and equipment	11.2	0.7	11.9
Other tangible assets	0.8		0.8
Advance payments and construction in progress	4.8		4.8
Tangible assets total	44.4	-5.0	39.4
Investments			
Other shares and holdings	0.3		0.3
Other receivables	1.8		1.8
Investments total	2.1	0.0	2.1

Current assets

Inventories			
Materials and consumables	9.1		9.1
Work in progress	4.5	-2.0	2.5
Finished goods	6.2	-0.1	6.1
Inventories total	19.8	-2.1	17.7
Receivables			
Trade receivables	26.2		26.2
Loan receivables	0.0		0.0
Other receivables	0.6		0.6
Prepaid expenses and accrued income	5.4	3.3	8.8
Deferred tax assets	3.1	1.4	4.6
Receivables total	35.4	4.8	40.2
Cash and bank balances	50.9		50.9
Assets, total	160.6	-1.5	159.1

Shareholders' Equity and Liabilities, EUR million

	FAS 6/2004	Effect of transition to IFRS	IFRS 6/2004
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	112.6	-1.6	111.0
Profit for the review period	5.8	0.9	6.7
Shareholders' Equity total	133.1	-6.4	126.7
Obligatory provisions	1.1	-1.1	0.0
Liabilities			
Non-current			
Deferred tax liabilities		0.5	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	5.3	6.6
Current			
Advances received	6.3		6.3
Trade payables	8.1		8.1
Other current liabilities	2.5	0.2	2.7
Accrued expenses and deferred income	8.3	0.5	8.8
Current total	25.2	0.6	25.9
Shareholders' equity and liabilities, total	160.6	-1.5	159.1

Reconciliation of equity, 30.6.2004, EUR million

	30.6.2004	1.1.2004
Equity FAS	133.1	139.5
IAS 11 Construction Contracts	0.0	0.1
IAS 12 Income Taxes	0.8	0.7
IAS19 Employee Benefits	-2.4	-2.3
IFRS 3 Business Combinations	0.9	0.0
IFRS 1 First-time Adoption Standard /revaluations	-5.7	-5.7
Total IFRS restatement	-6.4	-7.2
Equity according to IFRS	126.7	132.3

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