

Interim Report 1.1.2005 - 31.3.2005 (3 months)

- Net sales: EUR 35.6 million (EUR 36.8 million in 1-3/2004).
- Operating profit: EUR 1.2 (2.6) million.
- Orders received: EUR 44.1 (41.2) million.
- Order book: EUR 59.9 (60.0) million.
- Profit before extraordinary items, provisions and taxes: EUR 2.6 (1.9) million.
- Net profit for the review period EUR 1.6 (1.5) million.
- Earnings per share: EUR 0.09 (0.09).

#### Market situation

Demand has remained the same from the beginning of the year. No significant changes are expected in the near future.

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 35.6 million (1-3/2004: EUR 36.8 million). Operations outside Finland accounted for 97 % (96 %) of net sales. The Group received new orders worth EUR 44.1 (41.2) million during the review period. The order book at the end of the review period was EUR 59.9 (60.0) million.

#### Vaisala Solutions

The Vaisala Solutions division generated net sales of EUR 9.2 (10.2) million.

Numerous tenders are made, particularly in the Aviation Weather business unit. However, the materialization of tenders in actual orders is still slow.

#### Vaisala Instruments

The Vaisala Instruments division generated net sales of EUR 11.9 (13.1) million.

Activity in the Japanese market has been reasonable. The European and North American markets have been slower. Price competition in the division's main market areas is intensifying.

#### Vaisala Measurement Systems

The Vaisala Measurement Systems division generated net sales of EUR 14.4 (13.6) million.

Projects postponed in 2004 increase the net sales of the review period for the former Vaisala Soundings division. The profitability of the former Vaisala Remote Sensing division has improved.

#### Performance

Operating profit for the review period was EUR 1.2 (2.6) million. Profit before extraordinary items was 7.2 % of net sales, or EUR 2.6 (1.9) million. Net profit for the review period was EUR 1.6 (1.5) million.

Financial income is mainly due to exchange rate changes.

#### Balance sheet

The Vaisala Group's solvency and liquidity remained strong. On March 31, 2005, the balance sheet total was EUR 163.0 (158.1) million. The Group's solvency ratio at the end of the review period was 76 % (80 %).

#### Research and development

Expenditure on research and development in the review period totaled EUR 5.0 (5.4) million, representing 14.0 % of the Group's net sales.

#### Capital expenditure

Gross capital expenditure in non-current assets totaled EUR 0.9 million (EUR 1.1 million).

#### Vaisala's share

The price of Vaisala's A share on the Helsinki Exchanges was EUR 18.20, December 31, 2004, and EUR 19.50 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 March was EUR 7,349,905.88 and the total number of shares was 17,479,000.

A total of 288,540 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 1 052 compared with 1 100 at the end of the corresponding period in 2004.

Some 19 % (21 %) of the personnel worked in research and development. Approximately 35 % (37 %) 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. 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, while the net profit is expected to be slightly lower than in the previous year.

The adoption of IFRS reporting should be taken into consideration when examining the profit of the review period. 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.

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, May 3, 2005

Vaisala Oyj  
Board of Directors

#### CONSOLIDATED INCOME STATEMENT (IFRS, EUR 1000)

	1-3/2005	1-3/2004	Change %	1-12/2004
Net sales	35 643	36 831	-3.2	178 079
Costs	-32 228	-32 287	-0,2	-143 375
Depreciation	-1 904	-2 319	-17.9	-6 125
Other operating income (+) and expenses (-)	-322	348	-192,5	817
Operating profit	1 189	2 573	-53.8	29 396

% of net sales	3.3%	7.0%		16.5%
Financial income(+) and expenses (-), net	1 370	-643	-313.1	-320
Profit before extraordinary items	2 559	1 930	32.6	29 076
% of net sales	7.2%	5.2%		16.3%
Profit before appropriations and taxes	2 559	1 930	32.6	29 076
Taxes	-976	-385	153.5	-8 077
Net profit for the period	1 583	1 545	2.5	20 999

Taxes for the review period have been calculated under taxes.

#### CONSOLIDATED BALANCE SHEET (EUR 1000)

	3/2005	3/2004	Change %	12/2004
<b>ASSETS</b>				
Non-current assets				
Intangible assets	2 340	3 995	-41.4	2 635
Goodwill	5 212	5 527	-5.7	4 785
Tangible assets	36 457	39 846	-8.5	36 985
Investments in associates	464	285	62.8	289
Other investments	22	21	4.8	22
Receivables	1 495	1 779	-16.0	1 581
Deferred tax assets	4 006	5 182	-22.7	4 219
Current assets				
Inventories	15 680	18 468	-15.1	14 989
Trade and other receivables	35 259	36 269	-2.8	43 376
Financial assets	62 091	46 737	32.9	54 805
<b>LIABILITIES</b>				
Share capital and other shareholders' equity				
Statutory reserves	119 280	121 603	-1.9	129 705
	61	40	52.5	0
Liabilities				
Non-current liabilities				
Interest-bearing long-term borrowings	826	1 810	-100.0	1 106
Other long-term borrowings	773	4 154	-81.4	
Deferred tax liabilities	517	648	-20.2	581
Current liabilities				
Short-term interest-bearing borrowings	584	1 035	-43.6	584
Other current liabilities*	40 985	28 819	42.2	31 159
Balance sheet total	163 026	158 109	3.1	163 686

\*The dividend approved by the Annual General Meeting on March 22, 2005, totaling EUR 13.1 million, has been deducted from the profit and recorded in accrued expenses. The effect on cash flow will be presented in the second quarter.

#### Consolidated cash flow statement (EUR 1000)

	3/2005	3/2004	Change %	12/2004
Cash flow from operating activities				
Cash generated from operations	45 292	51 037		185 715
Expenses from operations	-37 072	-37 056		-149 624
Net cash flow from operating activities(A)	8 220	13 980	-41.2	36 091
Cash flow from investing activities				
Capital expenditure	-940	-822		-5 505
Proceeds from sale of tangible and intangible assets	5	7		5
Net cash flow used				

in investing activities(B)	-934	-814	14.7	-5 498
Cash flow from financing activities				
Paid share issue				216
Withdrawal of long-term loans				-991
Repayment of long-term loans		-158		
Dividends paid and other distribution of profit		-13 109		-21 849
Net cash flow from financing activities (C)		-13 267	-100.0	-22 624
Change in liquid funds (A + B + C) increase (+) / decrease (-)	7 285	-101		7 969
Liquid funds at start of period	54 806	46 838		46 838
Liquid funds at end of period	62 091	46 737		54 806
Financial indicators		3/2005	3/2004	12/2004
Earnings/share (EUR)		0.09	0.09	1.20
Earnings/share (EUR), fully diluted		0.09	0.09	1.20
Net cash flow from operating activities/share (EUR)		0.47	0.80	2.06
Equity/share (EUR)		6.82	6.96	7.42
Solvency ratio		76%	80%	82%
Gross capital expenditure (EUR 1,000)		920	1 053	4 820
Average personnel		1 050	1 100	1 092
Order book (EUR 1,000)		60	60	53
Liabilities from derivative contracts*)		9 567	10 425	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 31.03.2005

##### Profit and loss information (EUR million)

	Instru- ments	Measu- rement Systems	Solu- tions	Other operations and elimi- nations	Consoli- dated Group
Sales					
External sales	11.9	14.4	9.2	0.0	35.6
Internal sales	1.2	0.0	0.1	-1.3	0.0
Total Sales	13.1	14.4	9.3	-1.3	35.6
Operating profit	1.6	1.3	-0.8	-0.8	1.2
Finance costs / net					1.4
Share of profit(loss) of associates					0.0
Profit before income tax					2.6
Income tax expense					-1.0
Profit for the year					1.6

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

	Instru- ments	Measu- rement Systems	Solu- tions	Other operations and elimi- nations	Consoli- dated Group
Depreciations	0.5	0.4	0.1	0.9	1.9

#### Segment Report - Business segments 31.03.2004

##### Profit and loss information (EUR million)

	Instru- ments	Measu- rement Systems	Solu- tions	Other operations and elimi- nations	Consoli- dated Group
Sales					
External sales	13.1	13.6	10.2	0.0	36.8
Internal sales	1.5	0.0	0.0	-1.5	0.0
Total Sales	14.6	13.6	10.2	-1.5	36.8
Operating profit	3.3	0.0	0.5	-1.3	2.6
Finance costs / net					-0.6
Share of profit(loss) of associates					0.0
Profit before income tax					2.0
Profit for the year					-0.4
Profit for the year					1.5

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

	Instru- ments	Measu- rement Systems	Solu- tions	Other operations and elimi- nations	Consoli- dated Group
Depreciations	0.6	0.5	0.3	0.8	2.3

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				1.1		1.1
Profit for the period					1.6	1.6
Dividends					-13.1	-13.1
Total equity 31.3.2005	7.4	1.6	0.1	-0.5	110.8	119.3
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					1.5	1.5
Dividends					-13.1	-13.1
Total equity 31.3.2004	7.4	1.6	0.1	-3.4	116.0	121.6

#### 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.-31.3.2004, EUR million

	FAS 1-3/2004	Effect of transition to IFRS	IFRS 1-3/2004
Net sales	38.3	-1.5	36.8
Cost of production and procurement	19.4	-0.9	18.5
Gross profit	18.9	-0.6	18.3
Cost of sales and marketing	7.1	0.0	7.1
Cost of administration			
Development costs	5.4	0.0	5.4
Other administrative costs	3.5	0.0	3.5
Group goodwill	0.9	-0.9	0.0
Cost of sales and marketing and administration	9.8	-0.9	8.9

Other operating income	0.0	0.4	0.4
Other operating costs	0.0	0.1	0.1
Operating profit	1.9	0.7	2.6
Financial income and expenses	-0.3	-0.3	-0.6
Profit before provisions and taxes	1.6	0.3	1.9
Direct taxes	0.5	-0.1	0.4
Net profit for the financial year	1.1	0.4	1.5

#### IFRS BALANCE SHEETS RECONCILIATION FOR 2004

Consolidated balance sheets 31.3.2004

Assets, EUR million

	FAS 3/2004	Effect of transition to IFRS	IFRS 3/2004
Non-current assets			
Intangible assets			
Intangible rights	2.7		2.7
Goodwill	0.6	-0.6	0.0
Consolidated goodwill	5.3	0.2	5.5
Other long-term expenditure	0.4	0.8	1.3
Intangible assets total	9.1	0.4	9.5
Tangible assets			
Land and water	2.9	-0.1	2.9
Buildings	24.8	-5.6	19.2
Machinery and equipment	11.5	0.8	12.3
Other tangible assets	0.5		0.5
Advance payments and construction in progress	5.0		5.0
Tangible assets total	44.7	-4.9	39.8
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	-1.7	2.8
Finished goods	6.5		6.5
Inventories total	20.2	-1.7	18.5
Receivables			
Trade receivables	28.2		28.2
Loan receivables	0.0		0.0
Other receivables	0.5		0.5
Prepaid expenses and accrued income	5.4	2.2	7.6
Deferred tax assets	2.7	2.5	5.2
Receivables total	36.8	4.7	41.5
Cash and bank balances	46.7		46.7
Assets, total	159.6	-1.5	158.1

Shareholders' Equity and Liabilities, EUR million

	FAS 3/2004	Effect of transition to IFRS	IFRS 3/2004
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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	1.1	0.4	1.5
Shareholders' Equity total	128.4	-6.8	121.6
Obligatory provisions	1.1	-1.0	0.0
Liabilities			
Non-current			
Deferred tax liabilities		0.6	0.6
Retirement benefit obligations		4.1	4.1
Interest-bearing long-term liabilities	1.2	0.6	1.8
Non-current total	1.2	5.4	6.6
Current			
Advances received	6.3		6.3
Trade payables	9.5		9.5
Other current liabilities	2.6	0.2	2.8
Accrued expenses and deferred income	10.4	0.8	11.2
Current total	28.8	1.0	29.9
Shareholders' equity and liabilities, total	159.6	-1.5	158.1

Reconciliation of equity, 31.3.2004, EUR million

	31.3.2004	1.1.2004
Equity FAS	128.4	139.5
IAS 11 Construction Contracts	0.0	0.1
IAS 12 Income Taxes	1.0	0.7
IAS19 Employee Benefits	-2.5	-2.3
IFRS 3 Business Combinations	0.4	0.0
IFRS 1 First-time Adoption Standard /revaluations	-5.7	-5.7
Total IFRS restatement	-6.8	-7.2
Equity according to IFRS	121.6	132.3

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