

Vaisala Corporation      Stock Exchange Release      8.5.2008 09:00 a.m.

## Vaisala Group's Interim Report, January-March 2008 (3 months)

- Orders received at a good level: 63.9 (53.5) million EUR, growth 19.4%. In comparable currencies, the growth would have been 26.1%.
- Net sales EUR 46.4 (50.3) million, down 7.6%. In comparable currencies, the change would have been -0.6%.
- Operating profit EUR 3.1 (6.5) million.
- Earnings per share EUR 0.11 (0.27).
- Revenue of the first weather radar orders recognized.

	Q1 2008 (EUR million)	Q1 2007 (EUR million)	Change (%)	2007 (EUR million)
Net sales, group	46.4	50.3	-7.6	224.1
Measurement Systems	16.6	22.0	-24.2	95.4
Instrumens	18.8	17.9	4.6	76.6
Solutions	6.9	5.9	16.2	34.6
Services	6.8	7.2	-5.4	33.0
Eliminations and other	-2.7	-2.8		-15.5
Operating profit, group	3.1	6.5	-52.2	35.3
Measurement Systems	-1.4	2.2	-162.0	12.3
Instrumens	4.9	5.0	-1.9	20.5
Solutions	-1.7	-1.0	68.3	-0.6
Services	0.5	1.0	-52.1	5.7
Eliminations and other	0.7	-0.8		-2.6
Profit before taxes	2.9	7.0	-58.0	37.0
Net profit for the review period	1.9	5.0	-61.6	25.8
Orders booked	63.9	53.5	+19.4	228.5
Order book	96.0	79.1	+21.4	82.3
Earnings per share	0.11	0.27	-61.6	1.42
Return on equity (%)	4.6	12.2		14.9

### Comments on the first quarter

Big seasonal variation is typical of Vaisala's business, which is also reflected in the results from the first quarter. The number of orders received developed favorably. However, net sales and operating profit were lower than a year ago due to weakened exchange rates and some postponed deliveries.

## **Outlook for the remainder of 2008**

Instability in the world economy and changes in the currency exchange rates are expected to continue to affect the result. Due to the structure of Vaisala's customer base, the Company's market situation is expected to remain unchanged in 2008. We continue to expect our net sales and operating profit to remain at the same level or be slightly higher than in the preceding year. The market situation is expected to remain favorable especially in Asia-Pacific.

The development projects aiming at long-term growth are continuing.

## **President and CEO Kjell Forsén on the first quarter:**

"Vaisala's net sales in the first quarter are moderate, which is typical of our business. Growth was achieved in the Vaisala Instruments business area, whereas Vaisala Measurement Systems fell below expectations due to postponed deliveries. However, the order book is strong also in this business area.

The US dollar has weakened by some 15 percent compared to the corresponding period last year, which shows in our net sales and result. Without the effect of exchange rates, the decrease in net sales would have been 0.6 percent, instead of the 7.6 percent in current rates.

The strategy and information technology development projects launched last year continued during the first quarter, which is also reflected in the result to some extent. The development is extremely determined, with the aim of creating a solid foundation for future growth."

## **Market situation, net sales and order book**

Vaisala's market situation remains unchanged. The number of orders received has developed positively during the first quarter. Vaisala's market-position also remains strong.

The value of orders received was EUR 63.9 (53.5) million, which is 19.4 percent more than in the previous year. In comparable currencies, the value of orders received would have grown by 26.1 percent. The number of orders received for the past 12 months is EUR 238.9 million. The order book stood at EUR 96.0 million (79.1) at the end of the review period.

Net sales decreased by 7.6 percent year on year, to EUR 46.4 (50.3) million. If the most significant currencies with respect to Vaisala had remained at the previous year's level, Vaisala's consolidated net sales would have decreased by 0.6 percent.

Net sales decreased in all geographic areas compared to the corresponding period in 2007. Net sales per region were as follows: Europe EUR 16.7 (18.1) million, North America EUR 14.7 (15.4) million, Asia-Pacific EUR 13.6 (14.0) million, and Africa and South and Central America EUR 1.5 (2.7) million. Exchange rates affected especially the North American net sales. In comparable currencies, the North American net sales would have grown by 9.4 percent.

Operations outside Finland accounted for 96 percent of net sales, as before.

## **Performance and balance sheet**

Operating profit for the review period was 6.6 percent of the net sales, EUR 3.1 (6.5) million. Profit before taxes was 6.3 percent of the net sales, EUR 2.9 (7.0) million. Net profit for the review period was EUR 1.9 (5.0) million.

Vaisala Group's solvency ratio and liquidity remained strong. On March 31, 2008, the balance sheet total was EUR 220.0 (216.9) million. The Group's solvency ratio at the end of the review period was 78 percent (77 %).

Vaisala's consolidated liquid assets totaled EUR 100.2 (93.9) million.

## **Research and development**

Investment in research and development in the review period totaled EUR 6.3 (5.6) million, representing 13.6 percent of the Group's net sales.

## **Capital expenditure**

Gross capital expenditure totaled EUR 2.1 (1.4) million. The construction of a new enterprise resource planning (ERP) system for the entire organization continues. Implementation will proceed in phases, and will commence this year.

## **Changes in financial reporting**

From the first Interim Report for 2008, Vaisala Group's business will be reported in four segments, which are Vaisala Instruments, Vaisala Measurement Systems, Vaisala Solutions and Vaisala Services.

All figures for 2007 have been changed to correspond to the new reporting model, and are therefore comparable. The comparative figures for 2007 have been published in a stock exchange release on 30.4.2008.

## **Vaisala Measurement Systems**

Vaisala Measurement Systems consists of sounding, surface weather system, thunderstorm system, wind profiler, and weather radar business segments. Vaisala Measurement Systems' offering was complemented by single products and systems from Vaisala Solutions. Correspondingly, the lightning detection services were moved to the Vaisala Services business area.

Vaisala Measurement Systems' net sales to customers outside the Group decreased by 24.1 percent year on year, to EUR 16.0 (21.0) million. In comparable currencies, the net sales would have been down by 18.1 percent. Operating profit was EUR -1.4 (2.2) million. The lower than expected net sales in the review period are due to a temporary disruption in production, which delayed deliveries. This is not expected to have an impact on the total net sales of the business area in 2008.

Vaisala signed a EUR 6 million contract for the delivery of weather station components and a EUR 8.3 million contract for the delivery of upper-air observation products. Deliveries are agreed to be made in 2008.

The value of orders received was EUR 33.5 million and the order book stood at EUR 47.3 million at the end of the review period.

## **Vaisala Instruments**

Vaisala Instruments consists of humidity, barometric pressure, carbon dioxide, dewpoint, oxygen, wind and optical measurement business segments. The instruments business has developed well despite of the weakened US dollar. The division's net sales to customers outside the Group increased by 4.8 percent year on year to EUR 16.9 (16.1) million. In comparable currencies, the increase in net sales would have been 11.4 percent. Operating profit of the review period was EUR 4.9 (5.0) million.

The sales of humidity and wind measurement instruments developed particularly well. Overall, sales to the biggest customers developed positively.

The value of orders received from external customers was EUR 17.3 million and the order book stood at EUR 8.3 million at the end of the review period.

## **Vaisala Solutions**

The focus of Vaisala's solutions offering is in applications within aviation, traffic, meteorology and hydrology. Therefore single products and systems were moved to the Vaisala Measurement Systems business area. Additionally, the road weather services were moved to the Vaisala Services business area.

Vaisala Solutions' net sales to customers outside the Group increased by 14.5 percent year on year to EUR 6.8 (5.9) million. In comparable currencies, the net sales would have been up by 22.0 percent. Operating profit for the review period was EUR -1.7 (-1.0) million. Markets for aviation weather solutions have developed particularly favorably.

The total value of orders received was EUR 8.9 million and the order book stood at EUR 27.6 million at the end of the review period.

## **Vaisala Services**

Vaisala's service offering has been centralized under the Vaisala Services business area, which became operative at the beginning of 2008. Vaisala Services consists of two business segments, Product Services and Observation Services.

Net sales to customers outside the Group decreased by 5.7 percent year on year to EUR 6.8 (7.2) million. In comparable currencies, the net sales would have been up by 5.1 percent. Operating profit for the review period was EUR 0.5 (1.0) million.

The total value of orders received was EUR 4.2 million and the order book stood at EUR 12.8 million at the end of the review period.

## **Personnel**

The average number of employees in the Vaisala Group during January-March was 1,121 (1,081). Some 39 (41) percent of the personnel were based outside Finland.

Vaisala has two incentive plans; one based on the development of sales and profitability and covering all employees, and another three year plan based on the development of profitability and covering key employees.

## **Near-term risks and uncertainties**

No significant changes occurred in the risks and uncertainties relating to Vaisala's business during the review period.

The most significant near-term risks and uncertainties relate to changes in the global economy. Changes in purchasing activities, currency exchange rates (with particular respect to the U.S. dollar), supply chain management and production activities are the most significant of these. Significant changes in subcontractor relations, activities or operating environment may have a negative impact on Vaisala's business. Vaisala monitors these risks and prepares for them in accordance with the Company's risk management policy.

The Company is currently carrying out some significant improvements in its research and development and sales organizations. These changes lay the foundation for the successful execution of Vaisala's new strategy. A new Group-wide enterprise resource planning system is also under development. These efforts may constitute a short-term risk regarding Vaisala's net sales and result.

## **Vaisala's share**

The Company's Board of Directors had no valid authorizations for increasing the share capital or issuing convertible bonds or bonds with warrants at the end of the review period.

The closing price of Vaisala's A share in the OMX Nordic Exchange Helsinki was EUR 28.55 at the end of the review period. The highest quotation during the review period was EUR 36.49 and the lowest EUR 26.06. A total of 624,253 Vaisala shares were traded in the stock exchange during the review period.

Vaisala has 18,218,364 shares, of which 3,407,385 are K shares and 14,810,979 are A shares. The shares have a counter book value of EUR 0.42. The K shares and A shares are differentiated by the fact that each K shares entitles its owner to 20 votes at a General Meeting of Shareholders while each A share entitles its owner to 1 vote. The A shares represent 81.3 percent of the total number of shares and 17.9 percent of the total votes. The K shares represent 18.7 percent of the total number of shares and 82.1 percent of the total votes.

The market value of Vaisala's A shares on 31.3.2008 was EUR 422.6 million, excluding the Company's own shares. The total market value of all shares, when the K series shares which are not traded on the stock market are valued at the rate of the A series shares' closing price on the final day of the review period, was EUR 519.9 million at the end of the review period, excluding the Company's own shares.

Vaisala's main shareholders are listed on the Company's website and in the Notes to the Financial Statements.

## **Treasury shares and parent company shares**

At the end of the review period, the Company held a total of 9,150 Vaisala A shares, which represented 0.05 percent of the share capital and 0.01 percent of the votes. The consideration paid for these shares was EUR 251,898.31.

## **Decisions made by the Annual General Meeting**

Vaisala Oyj's Annual General Meeting was held on 27.3.2008 at the Company's headquarters in Vantaa. The Annual General Meeting confirmed the annual accounts for 2007 and granted the Members of the Board of Directors and the Company's President and CEO discharge from liability for the accounts between 1.1.-31.12.2007.

The Annual General Meeting decided that a dividend of EUR 0.85 per share, corresponding to the total of EUR 15,477,831.90 was to be distributed for the financial year 2007. Dividend was not paid to the A-shares that are held by Vaisala Oyj. Dividend was paid on April 8, 2008.

The Annual General Meeting decided that the Board of Directors continues to comprise of six members. Raimo Voipio and Mikko Niinivaara, who were to retire by rotation were re-elected for three years. Other members in the Board of Directors are Yrjö Neuvo, Maija Torkko, Mikko Voipio and Stig Gustavson.

The Annual General Meeting decided on the annual remuneration of the Board of Directors to be as follows: chairman 35,000 euros, and a member 25,000 euros.

## **Auditors**

PricewaterhouseCoopers Oy and Mr. Hannu Pellinen APA were chosen as the Company's Authorized Public Accountants.

## **Board of Directors' Organizing Meeting**

Raimo Voipio will continue as the Chairman of the Board of Directors, and Yrjö Neuvo as Vice Chairman. Maija Torkko, Mikko Niinivaara, Mikko Voipio and Stig Gustavson are members of the Board.

Vantaa, Finland, May 8, 2008

Vaisala Corporation  
Board of Directors

## Key figures

Financial indicators	1-3 2008	1-3 2007	1-12 2007
Return on equity (ROE)	4.6%	12.2%	14.9%
Number of shares at March. 31 (1000 pcs)	18209	18209	18209
Number of shares at March 31 (1000 pcs), weighted average	18209	18209	18209
Adjusted number of shares (1000 pcs)	18209	18209	18209
Earnings/share (EUR)	0.11	0.27	1.42
Earnings/share (EUR), fully diluted	0.11	0.27	1.42
Net cash flow from operating activities/share (EUR)	0.24	0.46	1.98
Equity/share (EUR)	8.81	8.73	9.68
Solvency ratio	78%	77%	83%
Gross capital expenditure (EUR Million)	2.1	1.4	7.3
Depreciation (EUR Million)	2.0	2.0	8.2
Average personnel	1121	1081	1113
Order book (EUR Million)	96.0	79.1	82.3
Liabilities from derivative contracts (EUR Million)	13.6	12.0	14.3

## CONSOLIDATED INCOME STATEMENT (IFRS, EUR million)

	1-3 2008	1-3 2007	Change %	1-12 2007
Net sales	46.4	50.3	-7.6	224.1
Cost of production and procurement	-21.4	-21.9	-1.9	-99.6
Gross profit	25.0	28.4	-12.0	124.5
Other operating income	0.0	0.0		0.0
Cost of sales and marketing	-11.6	-11.4	1.3	-46.2
Development costs	-6.3	-5.6	12.8	-23.5
Other administrative costs	-4.0	-4.9	-18.2	-19.5
Operating profit	3.1	6.5	-52.2	35.3
Financial income and expenses	-0.2	0.5	-128.9	1.6
Share of results of associated companies	0.0	0.0		0.0
Profit before tax	2.9	7.0	-58.0	37.0
Income taxes	-1.0	-2.0	-49.0	-11.2
Profit after tax	1.9	5.0	-61.6	25.8
Attributable to Equity holders of the parent	1.9	5.0	-61.6	25.8

Taxes for the review period have been calculated under taxes.

Earnings per share for profit attributable to the equity holders of the parent:

	1-3 2008	1-3 2007	Change %	1-12 2007
Basic earnings per share (EUR)	0.11	0.27	-61.6	1.42
Diluted earnings per share (EUR)	0.11	0.27	-61.6	1.42

**CONSOLIDATED BALANCE SHEET**  
 (EUR million)

	31.3.2008	31.3.2007	Change %	31.12.2007
<b>ASSETS</b>				
Non-current assets				
Intangible assets	16.2	20.4	-20.7	17.8
Tangible assets	33.4	33.1	0.9	33.1
Investments in associates	0.3	0.5	-35.4	0.5
Other financial assets	0.0	0.0	35.0	0.0
Long-term receivables	0.2	0.1	239.3	0.1
Deferred tax assets	4.5	5.7	-21.4	4.7
Current assets				
Inventories	18.3	18.3	0.0	16.1
Trade and other receivables	44.6	44.4	0.6	53.4
Accrued income tax receivables	2.3	0.6	316.5	0.5
Financial assets recognised at fair value through profit and loss	42.7	41.6	2.7	42.6
Cash and cash equivalents	57.5	52.3	9.9	56.6
<b>TOTAL ASSETS</b>	<b>220.0</b>	<b>216.9</b>	<b>1.4</b>	<b>225.6</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Equity attributable to equity holders of the parent				
Share capital	7.7	7.7	0.0	7.7
Share premium reserve	16.6	16.6	0.0	16.6
Reserve fund	0.1	0.1	31.6	0.1
Translation differences	-7.7	-1.9	314.4	-5.4
Profit from previous years	142.1	131.8	7.8	131.8
Own shares	-0.3	-0.3	0.0	-0.3
Profit for the financial year	1.9	5.0	-61.6	25.8
Total equity	160.4	159.0	0.9	176.3
Liabilities				
Long-term liabilities				
Retirement benefit obligations	0.3	0.3	-7.2	0.3
Interest-bearing liabilities	0.1	0.2	-43.6	0.2
Provisions	0.2	0.0	386.8	0.2
Deferred tax liabilities	0.3	0.3	3.0	0.4
Current liabilities				
Current portion of long-term borrowings	0.1	0.3	-80.4	0.1
Current interest-bearing liabilities	0.7	0.3	145.1	0.7
Advances received	13.7	10.9	25.4	12.0
Accrued income tax payables	1.8	3.0	-40.6	2.5
Trade and other payables	42.3	42.3	0.0	32.9
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>220.0</b>	<b>216.9</b>	<b>1.5</b>	<b>225.6</b>

CONSOLIDATED STATEMENT OF CHANGES IN  
 SHAREHOLDERS' EQUITY  
 March 31.2008 (EUR million)

	Share capital	Share issue	Share premium reserve	Reserve Fund	Own Shares	Translation differences	Retained earnings	Total equity
Balance at December 31, 2007	7.7	0.0	16.6	0.1	-0.3	-5.4	157.6	176.3
Translation differences				0.0		-2.3		-2.3
Net profit for the year							1.9	1.9
Dividend paid							-15.5	-15.5
Shareholders' equity on March 31, 2008	7.7	0.0	16.6	0.1	-0.3	-7.7	144.0	160.4
	Share capital	Share issue	Share premium reserve	Reserve Fund	Own Shares	Translation differences	Retained earnings	Total equity
Balance at December 31, 2006	7.7	0.0	16.6	0.1	-0.3	-1.6	147.3	169.8
Translation differences						-0.3		-0.3
Net profit for the year							5.0	5.0
Dividend paid							-15.5	-15.5
Shareholders' equity on March 31, 2007	7.7	0.0	16.6	0.1	-0.3	-1.9	136.8	159.0

**CONSOLIDATED CASH FLOW STATEMENT (EUR million)**

	1-3 2008	1-3 2007	Change %	1-12 2007
<b>Cash flows from operating activities</b>				
Cash receipts from customers	56.4	61.9	-9.0	228.2
Other income from business operations	0.0	0.0	740.0	0.0
Cash paid to suppliers and employees	-48.7	-51.6	-5.7	-184.0
Interest received	0.6	0.7	-11.4	3.4
Interest paid	-0.2	-0.1	166.7	-0.4
Other financial items, net	-0.1	0.5	-125.8	-0.4
Dividend received from business operations	0.0	0.0		0.0
Direct tax paid	-3.6	-3.1	17.4	-10.8
Cash flow from business operations (A)	4.4	8.4	-47.2	36.0
<b>Cash flow from investing activities</b>				
Investments in tangible and intangible assets	-2.5	-1.5	60.8	-7.4
Proceeds from sale of fixed assets	0.2	0.0		0.0
Repayments on loan receivables	0.0	0.0	-139.1	0.0
Other investments	0.0	0.1	-158.2	0.0
Cash flow from investing activities (B)	-2.3	-1.5	56.8	-7.4
<b>Cash flow from financing activities</b>				
Repayment of long-term loans	0.0	0.0		-0.2
Dividend paid and other distribution of profit	0.0	0.0		-15.5
Cash flow from financing activities (C)	0.0	0.0		-15.7
Change in liquid funds (A+B+C) increase (+) / decrease (-)	2.1	6.9	-69.2	12.9
Liquid funds at beginning of period	99.2	87.3	13.6	87.3
Foreign exchange effect on cash	-1.2	-0.4	213.3	-1.0
Net increase in cash and cash equivalents	2.1	6.9	-69.2	12.9
Liquid funds at end of period	100.2	93.9	6.7	99.2

**Segment Report**
**Business segments**

1-3/2008 EUR million	VMS *	VIN *	VSO *	VSE *	Other operations	Eliminat- ions	Group
Net sales to external customers	16.0	16.9	6.8	6.8	0.0	0.0	46.4
Intragroup sales	0.7	1.9	0.1	0.0	0.0	-2.7	0.0
Net sales	16.6	18.8	6.9	6.8	0.0	-2.7	46.4
Operating profit	-1.4	4.9	-1.7	0.5	0.7	0.0	3.1
Depreciation	0.3	0.1	0.0	0.3	1.3	0.0	2.0

\* VMS = Vaisala Measurement Systems

\* VIN = Vaisala Instruments

\* VSO = Vaisala Solutions

\* VSE = Vaisala Services

Segment Report  
Business segments

1-3/2007 EUR million	VMS *	VIN *	VSO *	VSE *	Other operat- ions	Eliminat- ions	Group
Net sales to external customers	21.0	16.1	5.9	7.2	0.0	0.0	50.3
Intragroup sales	0.9	1.8	0.0	0.0	0.0	-2.8	0.0
Net sales	22.0	17.9	5.9	7.2	0.0	-2.8	50.3
Operating profit	2.2	5.0	-1.0	1.0	-0.8	0.0	6.5
Depreciation	0.5	0.4	0.1	0.2	0.8	0.0	2.0

\* VMS = Vaisala Measurement Systems

\* VIN = Vaisala Instruments

\* VSO = Vaisala Solutions

\* VSE = Vaisala Services

Segment Report  
Business segments

1-12/2007 EUR million	VMS *	VIN *	VSO *	VSE *	Other operat- ions	Eliminat- ions	Group
Net sales to external customers	90.2	66.2	34.6	33.0	0.0	0.0	224.1
Intragroup sales	5.2	10.4	0.0	0.0	0.0	-15.5	0.0
Net sales	95.4	76.6	34.6	33.0	0.0	-15.5	224.1
Operating profit	12.3	20.5	-0.6	5.7	-2.6	0.0	35.3
Depreciation	2.1	1.6	0.2	1.0	3.2	0.0	8.2

\* VMS = Vaisala Measurement Systems

\* VIN = Vaisala Instruments

\* VSO = Vaisala Solutions

\* VSE = Vaisala Services

## Calculation of financial indicators

Solvency ratio, (%)	$= \frac{\text{Shareholders' equity plus minority interest}}{\text{Balance sheet total less advance payments}} \times 100$
Earnings / share	$= \frac{\text{Profit before taxes less taxes} \pm \text{minority interest}}{\text{Average number of shares, adjusted}}$
Cash flow from business operations / share	$= \frac{\text{Cash flow from business operations}}{\text{Number of shares at balance sheet date}}$
Equity / share	$= \frac{\text{Shareholders' equity}}{\text{Number of shares at balance sheet date, adjusted}}$
Dividend / share	$= \frac{\text{Dividend}}{\text{Number of shares at balance sheet date, adjusted}}$
Return on equity, ROE (%)	$= \frac{\text{Profit before taxes less taxes}}{\text{Shareholders' equity plus minority interest (average)}} \times 100$

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Vaisala

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