

Vaisala Oyj Stock Exchange Release 5.5.2003 at 12.00

Interim report 1.1.2003 - 31.03.2003 (Q1, 3 months)

- Net sales: EUR 40.2 million (1-3/2002: 34.4)
- Operating profit: EUR -0.1 (-0.3) million
- Orders received: EUR 39 (61) million, representing a decrease of 36% compared to corresponding review period last year
- Order book: EUR 71 (84) million
- Profit before extraordinary items, provisions and taxes: EUR -0.5 (0.3) million
- Goodwill depreciation: 1.1 (1.2) million
- Net profit for the period: EUR -0,948 (0,123) million and earnings per share: EUR -0.05 (0.01)

#### Market situation

Recession in all our main market areas still continues. Growth in demand stopped at the beginning of 2002 and thereafter demand has remained unstable in most businesses. The volume of orders remained modest in the first quarter of 2003. The customers have significant investment programs underway but converting them into orders takes longer than expected.

Vaisala has retained its market share, and the company holds a strong position in the market.

#### Net sales and order book

The Vaisala Group's net sales for the review period was EUR 40.2 million (EUR 34.4 million for the corresponding period last year). Operations outside Finland accounted for 96% (95%) of net sales. The group received new orders worth EUR 39 (61) million. The order book at the end of the review period stood at EUR 71 (84) million.

#### Vaisala Soundings

The division Vaisala Soundings, formerly the Upper Air Division, generated net sales of EUR 12.4 (10.5) million.

During the review period the division introduced a new product family of digital radiosondes which will be launched to the market during 2003. The radiosonde, offering more accurate measurements, will gradually replace older radiosonde models.

#### Vaisala Solutions

The division Vaisala Solutions, formerly the Surface Weather Division, generated net sales of EUR 12.4 (11.0) million.

#### Vaisala Remote Sensing

The division Vaisala Remote Sensing, formerly Vaisala Remote Sensing Division, generated net sales of EUR 4.4 (1.8) million.

During the review period a wind profiler was delivered to the UK Met Office. The contract is valued at EUR 0.7 million. Moreover, a digital

interface receiver was launched during the review period which considerably improves wind profiler performance and allows more efficient signal processing.

#### Vaisala Instruments

The division Vaisala Instruments, formerly the Sensor Systems Division, generated net sales of EUR 11.0 (11.2) million.

#### Performance

Operating profit for the review period was EUR -0.1 (-0.3) million. Profit before extraordinary items represented -1.3% of the net sales, amounting to EUR -0.5 (0.3) million. Goodwill depreciation arising from acquisitions totalled EUR 1.1 (1.2) million.

The weakening of the US dollar did not have a significant effect on the profit, due to the dollar-based sales and expense structure in the review period.

The result includes a provision of EUR 0.3 million for reorganization expenses.

#### Balance sheet

The Vaisala Group's solvency and liquidity remained strong. The balance sheet total as at March 31, 2003 totalled EUR 161.1 (168.3) million. The Group's solvency ratio at the end of the review period was 83% (81%).

#### Research and development

Expenditure on research and development in the review period totalled EUR 5.6 (4.5) million, representing 14.0% of the Group's net sales.

#### Other events during the review period

Vaisala Oyj announced in July 2002 that it had received a USD 6.5 million claim for compensation related to claimed breach of a license agreement. The arbitration court in the United States rejected the claim in February 2003 and announced that the claimant does not have a right to claim for compensation from Vaisala Oyj.

The Annual General Meeting of Vaisala Oyj decided on March 19, 2003 to offer 896,000 warrants for subscription by the key employees of the Vaisala Group and of company's wholly owned subsidiary, Vaisala GmbH. The issued warrants entitle to subscribe, in total, 896,000 Vaisala A-shares. The terms and conditions of the warrants 2000 were published by a stock exchange release on February 24, 2003. The Board of Directors of Vaisala Oyj has decided that of the 896,000 warrants issued, 752,000 warrants are allocated to 79 key employees and 144,000 to Vaisala GmbH.

In the Annual General Meeting of March 19, 2003 two members of the Board of Directors professor Pekka Hautojärvi and Mikko Voipio, M.Sc.(Eng.) were re-elected for three years.

## Capital expenditure

Gross investment in non-current assets during the review period was EUR 6.4 (18) million.

## Vaisala share

The price of Vaisala A-share on the Helsinki Exchanges was EUR 22.98 at the beginning of the review period and EUR 19.00 at the the end of the review period. The highest share price quoted during the review period was EUR 23.00 and the lowest EUR 18.30.

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 434,108 Vaisala shares were traded during the review period.

A total of 42,000 Vaisala shares were subscribed for during the review period with the warrants issued in 1997. Due to the subscriptions Vaisala's share capital increased by a total of EUR 17,660.97 The subscription period for the warrants issued in 1997 ended March 31, 2003.

## Personnel

The total number of employees at the Vaisala Group was 1,152 at the end of the review period, compared to 1,242 for the corresponding period in 2002. Some 24% (23%) of the personnel worked at research and development. Some 36% (41%) of the Group's personnel worked outside Finland.

## Events after the review period

On April 17, 2003 Vaisala started proceedings with the representatives of all personnel groups according to the Act on Co-operation within Undertakings at the office in Vantaa, Finland which aim at improving operational efficiency. The proceedings are related to some 50 man-years, mainly at Vaisala's office in Vantaa. The overall objective of the measures to increase the efficiency is to achieve an improvement of EUR 4 million in the Group's result.

Member of Management Group of Vaisala Oyj, Corporate Communications Director Tiina Hansson leaves Vaisala Oyj to join Aldata Solution Oyj. Mr Tapio Engström, Finance Director, has taken over the investor relations and for the time being, also for the media relations.

## Board of Directors and President & CEO

The members of the Board of Directors are Raimo Voipio, M.Sc.(Eng.) Chairman; Professor Pekka Hautojärvi, Executive Vice President, Professor Yrjö Neuvo; Mikko Niinivaara M.Sc.(Eng.); Mikko Voipio, M.Sc.(Eng.) and Gerhard Wendt. The Group's President and CEO is Pekka Ketonen, M.Sc.(Eng.).

## Outlook

Uncertainty in the international market prevails. The Vaisala Group's turnover and profit for the financial year is expected to remain on previous year's level. However, the performance during the next quarters will be better than in the review period. Our focus is to improve profitability which also includes reorganisation.

Vantaa, Finland, May 5, 2003

Vaisala Oyj

Board of Directors

GROUP INCOME STATEMENT (EUR 1,000)

	1-3/2003	1-3/2002	Change %	1-12/2002
Net sales	40 244	34 447	17	196 220
Costs	37 394	32 075	17	159 156
Goodwill-depreciation	1 077	1 167	-8	7 476
Depreciation	1 989	1 576	26	7 170
Other operating income and expenses, net	-87	-103	-15	-181
Operating profit	-131	-270	51.5	22 599
% of Net sales	-0.3 %	-0.8 %		11.5 %
Financial income and expenses, net	-389	544	-172	-1 117
Profit before extraordinary items	-520	274	-290	21 482
% of Net sales	-1.3 %	0.8 %		10.9 %
Profit before provisions and taxes	-520	274	-290	21 482
Taxes	428	151	183	8 414
Minority interest				-171
Net profit for the period	-948	123	-869	13 239

Taxes for the review period have been calculated on the taxable income

GROUP BALANCE SHEET (EUR 1000)	3/2003	3/2002	Change %	12/2002
Fixed assets	61 236	63 230	-3.2	57 755
Current assets				
Inventories	23 178	28 303	-18.1	23 027
Financial assets	76 666	76 714	-0.1	94 181
Shareholders' equity	127 223	128 873	-1.3	138 506
Obligatory reserves	1 276	2 067	-38.3	1 059
Liabilities				
Long-term liabilities	2 287	2 219	3.1	2 186
Current liabilities	30 294	35 088	-13.7	33 212
Balance sheet total	161 080	168 247	-4.3	174 963

CONSOLIDATED CASH FLOW STATEMENT (1,000 EUR)

	3/2003	3/2002	Change %	12/2002
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Cash flow from operating activities				
Cash generated from operations	50 421	51 973		204 321
Expenses from operations	-44 495	-37 456		-178 093
Net cash flow from operating activities (A)	5 926	14 516	-59.2	26 229
Cash flow from investing activities				
Investments	-5 254	-17 081		-25 155
Proceeds from sale of tangible and intangible assets	3	27		27
Net cash used in investing activities (B)	-5 250	-17 054	-69.2	-25 127
Cash flow from financing activities				
Equity issue	453	0		1 939
Withdrawal of long-term loans	101	1 546		391
Repayment of long-term loans	-259	-259		-495
Dividend paid and other distribution of profit	-9 590	-9 491		-9 492
Cash flow from financing activities (C)	-9 295	-8 204	13.3	-7 657
Change in liquid funds (A+B+C) increase(+)/decrease(-)	-8 620	-10 742		-6 555
Liquid funds at beginning of period	38 902	45 457		45 457
Liquid funds at end of period	30 282	34 715		38 902
Financial indicators				
Earnings/share (EUR)		3/2003	3/2002	12/2002
Earnings/share, fully diluted (EUR)		-0.05	0.01	0.75
Net cash from operating activities/share (EUR)		0.34	0.83	1.50
Equity/share (EUR)		7.28	7.47	7.94
Solvency ratio		83%	81%	84%
Gross capital expenditure (EUR 1000)		6 369	18 004	28 440
Average personnel		1 170	1 150	1 208
Order book (EUR 1000)		71 404	84 424	77 072
Liabilities resulting from derivative contracts*)		11 138	14 431	12 116

Further information:

Vaisala Oyj

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