

Annual Report 1996

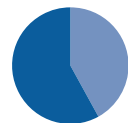


Vaisala

– measuring the environment

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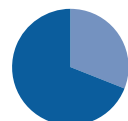
Vaisala develops and manufactures electronic measurement systems and equipment for meteorology, environmental sciences, traffic safety and industry. Vaisala's markets are global. Its core customer groups are meteorological organizations, research institutes, defence forces, air and road traffic authorities, and industry.



Share of Group net sales 42%

Upper air observations

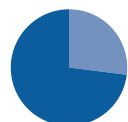
The Upper Air Division develops, manufactures and markets equipment for weather observation in the upper atmosphere. Its principal products are radiosondes for upper air observations, and equipment for collecting and processing the information they transmit.



Share of Group net sales 31%

Surface weather observations

The products of the Surface Weather Division are used for observing weather conditions near the Earth's surface and for collecting this data. The Division develops, manufactures and markets meteorological sensors and measurement systems to improve air and road traffic safety, and to meet the weather observation needs of meteorological institutes and industry.



Share of Group net sales 27%

Humidity, pressure and carbon dioxide measurements

The Sensor Systems Division develops, manufactures and markets transmitters and instruments for the measurement of relative humidity, barometric pressure and carbon dioxide. The Division's products are used in numerous applications within meteorology, industry, building automation and agriculture.

CEO'S REVIEW



Strategy

Vaisala's core business is environmental measurements and related industrial applications. We are aiming for global leadership in selected businesses by offering customers technically and economically superior measurement solutions. We are also developing new, leading-edge products through close cooperation with our customers, coupled with our own intensive research and development. We will continue to apply this principle even when we have achieved market leadership. No company can achieve or maintain a leading position simply by watching from the sidelines. We are already world leaders in upper air observations, airport and road weather observation systems and in professional equipment for measuring relative humidity.

We select businesses which offer 'economy of scope'; that is businesses where we can benefit, at least partly, from common high-cost investments in technology and distribution channels. These economies of scope have a very significant impact on Vaisala's profitability.

Operations in 1996

Vaisala had yet another good year in 1996, with net sales at FIM 493 million, up by 18% on 1995. The result before extraordinary items, provisions and taxes was FIM 112 million, equivalent to 23% of net sales. Our market position, new products, internal development and exchange rates all contributed to improving performance.

Demand for our products remained stable, with the best growth coming from the United States, Japan and Southeast Asia. We also successfully increased our market share in almost all sectors.

Main events in 1996

The Upper Air Division focused on preparations relating to the conversion of sounding stations owing to discontinuation of the Omega navigation network, which is scheduled to take place on 30.9.1997. Vaisala can provide four different wind measurement systems: GPS, radiotheodolite, Loran-C and Com-VLF. The first two systems can be used anywhere in the world. Deliveries have already begun and conversion work is expected to accelerate in the first six months of 1997.

Deliveries began of radiosondes dropped from aircraft. This technology opens up new opportunities to improve weather forecasts in sea areas and storm centres.

Upper air measurement equipment was delivered for artillery use in several countries. The products correspond to those supplied for civil use.

A major event in the Surface Weather Division was the merger of Artais Weather Check Inc. with Vaisala's airport systems operations. This has now created a unit with a clear leading position as a supplier of airport weather systems throughout the world. It also consolidates

our applications expertise, systems products and sensors, and our presence in the world markets.

Our carbon dioxide sensor, the main application of which is ventilation according to need, became ready for production. Vaisala has now entered the gas measurement market. Likewise we also finished work on developing a dewpoint sensor, a new field for Vaisala. This is a natural extension of relative humidity measurement. With respect to distribution, both new products fit in well with humidity and pressure products. Deliveries commenced in early 1997.

With internal development, information technology has been increasingly integrated to support all work processes. The next significant boost in productivity is expected to be achieved in international marketing, with the recent introduction of Intranet and Internet. A person working in an almost virtual office is able to improve customer service without incurring additional costs.

We are continuing to actively improve networking. EDI connections have linked our major suppliers to our information systems. We are concentrating on our core business sector.

We have made great progress in systematic human resource development. Internal job-related training programmes have proved to be very practical, with adaptability, self motivation and cooperation being the main themes.

Prospects for 1997

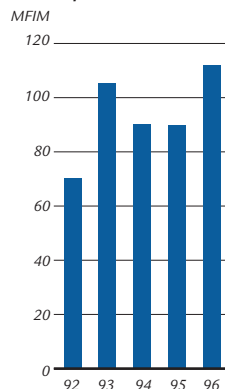
The outlook for 1997 is good. Our new products provide a solid base for strengthening our market position. Automation of weather observation networks will continue. We have stepped up R&D investments. This will be reflected in a strengthened, broader range of products.

Thanks

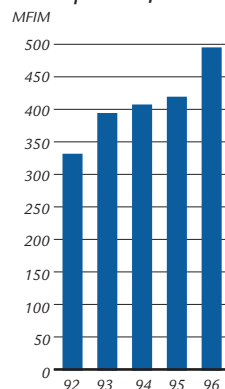
I would like to thank our customers, partners, owners and employees for a successful year together in 1996, and I am confident the same trend will continue throughout the current year.

Pekka Ketonen
President and CEO

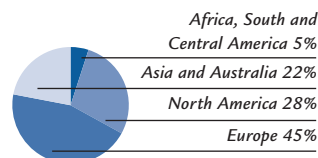
Profit before extraordinary items, provisions and taxes



Development of net sales



Net sales by market



Vaisala's first dropsonde, RD82-41G, was introduced in 1996. The RD82-41G utilizes advanced technology, such as GPS wind finding and narrow bandwidth data transmission. Launched from an aircraft, the dropsonde descends by a parachute and measures the atmospheric profile of wind and pressure, temperature and humidity.

Transition to a new wind measurement system

The Upper Air Division develops, manufactures and markets equipment for upper air weather measurement. Its principal products are radiosondes for upper air observations, and equipment for collecting and processing the data they transmit. The latest of these is the automatic AUTOSONDE system. The Division's markets cover the whole world, and its main customers are meteorological institutes, defence forces and research bodies. The Division's performance in 1996 was good.

The Division's core product is an observation system consisting of a radiosonde and ground equipment. Radiosondes are measurement instruments which are launched into the upper atmosphere on a weather balloon and measure air pressure, temperature, humidity, wind direction and speed. The ground equipment processes and outputs the data, which the customer can process and use as required.

Vaisala is the world's leading manufacturer of radiosondes. We aim to manufacture a top quality product which can perform in line with our customers' increasingly demanding measurement requirements. This calls for a commitment to ongoing R&D.

Upper air measurement markets developed encouragingly during 1996, and we delivered more radiosondes than in 1995. Deliveries included a considerable number of new GPS (Global Positioning System) radiosondes. Demand for radiosonde ground equipment and radiotheodolites remained brisk. Vaisala supplied the first dropsondes to research users towards the end of the year. Mongolia and Kazakhstan were among the new user countries of Vaisala radiosondes.

R&D in 1996 focused on further development of the new wind measurement systems, especially the GPS and Loran-C systems. A wealth of test material and field experience from



both new systems has been gathered to ensure that reliable and accurate observations are available throughout the world. Production readiness and capacity have been built.

The dynamic trend in automating upper air observations continued. The AUTOSONDE system has been merchandised and several systems have been delivered to various parts of the world, such as Australia and Greenland, over the year. Experience has clearly shown that the availability of upper air observations using AUTOSONDE is equally as good as, if not better than that produced by the traditional method. Strong pressure to cut costs will continue to fuel the major trend to automate observations.

Termination of Omega network confirmed

The termination of the Omega navigation network was confirmed in an official announcement in early October. The network is due to be discontinued on 30 September 1997. R&D and work in the field has already been going on for several years in anticipation of this.

Presence in the dropsonde markets

Vaisala's first dropsonde, the RD82, was completed and deliveries began towards the end of the year. The new dropsonde system also uses the GPS wind measurement system. The National Center for Atmospheric Research (NCAR) awarded Vaisala a licence to manufacture its RD93 dropsonde. This dropsonde features Vaisala pressure, humidity and temperature sensors, and GPS modules. These two brand new products give Vaisala a sound position in the dropsonde markets. Although dropsondes have few users to date, the importance of this system of observation is expected to grow.

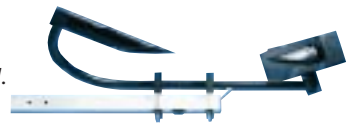
In 1997, of the Omega phase-out will result in the update of around 400-500 existing DigiCORA and MARWIN systems throughout the world. Vaisala is committed to supporting its customers and to ensuring a smooth transition to the new wind measurement system.

The easily transportable and assembled radiotheodolite gives accurate and reliable measurements on the upper-atmosphere wind in field conditions.



The AUTOSONDE Sounding System prepares and activates as many as 24 radiosondes, fills the balloons and launches them at preset times. It also receives the radiosonde signals, which it processes into a weather message.

The new visibility and present weather sensor, the PWD11, features a compact size and affordable cost. The sensor is ideal for road weather observations but can be used at any place where versatile weather measurement is needed.



Improved traffic weather observation systems

The Surface Weather Division develops, manufactures and markets equipment and measurement systems for observing, collecting and analysing data on weather conditions near the Earth's surface. The Division is a supplier of sensors and system integrator combining Vaisala's collective expertise to serve the surface weather observation sector. Applications are meteorology, and measurements to improve air and road traffic safety.

The Division's markets cover the world, although the bulk of its business is in industrialised and industrialising countries. Most customers are public sector institutions such as meteorological institutes, airport authorities and road maintenance authorities.

In 1996, the Division invested heavily in weather observation systems for use in road and air traffic, both in product development and sales. The Division increased its market share and broadened its customer base during the year. Sales and profitability trends were in line with expectations and the Division was able to successfully achieve its targets. Growth is expected to continue in 1997.

In order to streamline its business, the Surface Weather Division regrouped its activities into four sectors: aviation weather, road weather, optical sensors, and weather stations and surface sensors. There was particularly heavy investment in aviation weather observations with the acquisition of Artais Weather Check Inc., a successful player specialising in airport weather observation systems in the USA. The company is a major part of the business of the recently established aviation weather sector, especially in North America. Vaisala



The revolutionary concept introduced by the AW11 Aviation Weather Reporter, has been met with great interest in the international market. The AW11 is a forerunner of future weather observations at small airports.

has earlier supplied weather sensors to Artais Weather Check Inc.'s systems. This acquisition has further consolidated and increased our market leadership in this business sector.

A major new order was received towards the end of 1996, when Vaisala signed an agreement to supply a state-of-the-art airport automatic weather observation system (AWOS) for the new international airport at Gardermoen in Norway. Under the agreement, Vaisala will supply all the necessary weather sensors, and data collecting and ice warning systems for two parallel CATIII class runways.

In Northern Ireland, a major thermal mapping agreement relating to the road weather sector's business was signed. Several road and aviation weather observation systems were delivered to Eastern Europe and the Far East.

A Present Weather Detector, the PWD11, was launched in 1996. This has been especially designed for road use. Vaisala's weather sensors were previously used in road weather stations, although the new Present Weather Detector is considerably smaller and less expensive than its predecessor.

Deliveries got under way of the integrated AW11 Aviation Weather Reporter for small airports. The AW11 is expected to have major market potential, especially in North America, where there are numerous small airports.

Vaisala received a major addition to its aviation weather observation products with the merger of Vaisala's airport systems operations and Artais Weather Check Inc. Artais's Automated Weather Observation System (AWOS) has generated considerable interest among our customers. Other new products include a thunderstorm sensor developed by Artais and a Low Level Windshear Alert System, LLWAS.



The iTD-01 Thunderstorm Detector improves aviation safety by transmitting data about strokes of lightning and the thunderstorm centre to the airport weather observation system.

The PTB220 series digital barometers are designed for a wide environmental pressure and temperature range. They use the BAROCAP® pressure sensor developed by Vaisala.



New measurement applications

The Sensor Systems Division develops, manufactures and markets transmitters and instruments for the measurement of relative humidity, barometric pressure and carbon dioxide. These products are used in numerous different applications within industry, building automation, meteorology and agriculture. The Division primarily operates in developed industrialised countries, its main market areas being the USA, Japan and Western Europe. Sensor Systems had a good year in 1996. Sales and market shares continued to rise, and both sales and performance exceeded targets. Our commitment to long-term investment in R&D has led to Vaisala being considered the undisputed global leader in relative humidity technology. Over the years, this has helped us to successfully build the widest sales network featuring the best expertise and standard of service in the market. Manufacture of our products takes place entirely in Finland and is based on a broad range of skills. Vaisala is constantly investing in new equipment.

With respect to technological development, 1996 was a remarkable year, with the launch of two major new sensors, DRYCAP®, to measure dewpoint, and CARBOCAP® to measure carbon dioxide. Both these overcome the most serious drawback in existing sensors on the market, that of long-term measurement stability. Utilising its broad base of expertise acquired over the years, the Sensor Systems Division is now well placed to considerably expand into new areas of application.

The humidity measurement product range was expanded to cover dewpoint measurements in dry, high tempera-



tures. Our product range was also expanded for meteorological applications. The ensuing health risks and refurbishment problems caused by too much water in building materials have sparked off broad debate. This has led to the development of a measurement instrument which can reliably determine whether structures are sufficiently dry. Our range of products currently on sale was upgraded to respond to existing legislation.

Systematic development resulted in the Division successfully increasing its market share in pressure transmitters.

Our CARBOCAP® sensor represents a major breakthrough in carbon dioxide measurement technology. The market has been anticipating performance at this level, and we expect sales to grow considerably in the foreseeable future.

The year under review saw equipment manufacturing activities move to new premises. Production staff continued to receive multi-skill training. Cooperation with subcontractors was both expanded and intensified. In cleanroom technology investments were made in new equipment, and sensor production processes were made more systematic. To verify the accuracy of measurement equipment leaving our manufacturing and servicing facilities, we extended the dewpoint measurement range accredited in the parent company's measurement standards laboratory during the year.

We expect our investments of recent years, especially in technology and product development, to help increase sales and retain good profitability in 1997.

The HM141 hand-held indicator fitted with the HMP45 humidity and temperature probe can be used for demanding professional relative humidity measurement.



Vaisala's GMD20 and GMW20 transmitters use a completely new CO₂ sensor technology. The silicon based CARBOCAP® sensor provides for excellent stability and reliability.



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Report by the Board of the Directors

Vaisala had a successful year in 1996. Profitability improved, with solvency and liquidity remaining strong.

Net sales and orderbook

Group sales rose to FIM 493 million, compared to FIM 417 million the previous year. Sales grew in all divisions and exceeded the targets set. Foreign operations accounted for 96% of total sales. The year-end order book was FIM 153 (158) million. New orders totalling FIM 492 (460) million were received during the year.

Income statement and balance sheet

Profit for the year before extraordinary items, provisions and taxes stood at FIM 112 (90) million, corresponding to 23% (22%) of net sales. Return on investment was 31% (28%) and earnings per share reached FIM 16.91 (14.09). Direct taxes totalled FIM 40 (32) million. Vaisala Pension Fund's liabilities are fully covered.

The company's solvency and liquidity improved on the previous year. The solvency ratio was 73% (71%). Cash flow was positive and investments were covered by income financing.

Research and development

Research and development expenses totalled FIM 59 (53) million, corresponding to 12% (13%) of net sales. R&D mainly focused on a radiosonde capable of being dropped from aircraft, a radiosonde utilising GPS satellite navigation in wind measurement, and sensors to measure dewpoint and carbon dioxide measurements.

Capital expenditure

Capital expenditure amounted to FIM 50 (34) million. July saw the acquisition of Artais Weather Check Inc. and Artais Inc. This deal consolidates Vaisala's position as a supplier of airport weather systems, especially in North America. Other-wise investments were mainly focused on information systems, and machinery and equipment for production and research.

Personnel

Personnel averaged 697 (655), of whom 511 (489) were employed by the parent company and 186 (166) by subsidiaries. At the end of the year, the Group employed 727 (664) persons, 521 (493) in the parent company and 206 (191) in subsidiaries.

Wages and salaries

During the year under review, the parent company paid salaries totalling FIM 1,483,000 (1,253,000) to members of the Board of Directors and the CEO, and FIM 90,578,000 (85,362,000) to other personnel. In the Group, salaries paid to management were FIM 5,641,000 (5,174,000), and to other personnel FIM 126,875,000 (115,716,000).

Board of directors, president and auditors

Under a resolution passed by the Annual General Meeting, Mr Raimo Voipio MSc (Tech) and Matti Ilmari MSc (Tech) were re-appointed to the Board of Directors. Mr Raimo Voipio serves as Chairman of the Board. Prof. Pekka Hautojärvi, Dr Yrjö Neuvo, Senior Vice President R&D, Mikko Voipio MSc (Tech) and Gerhard Wendt PhD continued as members of the Board. President and CEO of the company was Pekka Ketonen MSc (Tech). SVH Coopers and Lybrand Oy, Authorised Public Accountants and Mr Tauno Haataja APA were re-appointed as the company's auditors.

Prospects

Prospects for 1997 are good, with the growth in sales expected to continue. Profitability will remain good. Increased efforts into research will be reflected in better products and a more extensive product range in the future.

Income statements

(MFIM)	Note	Group		Parent company	
		1996	1995	1996	1995
Net sales	1	493.2	417.4	352.6	306.1
Increase (+) or decrease (-) in finished goods		1.8	6.5	4.6	2.7
Manufacture for own use (+)		4.2	0.7	4.2	0.7
Other operating income	2	3.8	4.0	3.7	3.9
Costs					
Materials and consumables					
Purchases during the year		122.9	99.9	100.8	87.9
Increase (-) or decrease (+) in inventories		-6.5	-3.7	-3.9	-3.1
External services		2.0	2.9	1.3	1.8
Personnel costs	3	165.9	156.1	118.2	114.3
Rents and leases		9.6	7.4	3.7	2.8
Other costs		71.7	60.9	46.6	38.5
		365.6	323.5	266.7	242.2
Depreciation	4				
On fixed assets and other long-term expenses		25.3	21.6	21.8	18.8
On goodwill		0.3	0.3	0.0	0.0
		25.6	21.9	21.8	18.8
Operating profit		111.8	83.2	76.6	52.4
Financial income and expenses					
Dividends received from subsidiaries		0.0	0.0	0.5	13.1
Interest income		5.2	7.6	4.4	6.1
Exchange rate gains and losses, net		-2.7	2.5	-3.0	2.4
Interest expenses		1.5	2.8	1.4	2.6
Other financial expenses		0.7	0.7	0.6	0.6
		0.3	6.6	-0.1	18.4
Profit before extraordinary items, provisions and taxes		112.1	89.8	76.5	70.8
Extraordinary income	5	0.0	10.1	0.0	6.7
Profit before provisions and taxes		112.1	99.9	76.5	77.5
Increase (-) or decrease (+) in depreciation difference	4	-3.1	-4.7	-3.1	-4.7
Increase (-) or decrease (+) in voluntary provisions		10.6	6.6	10.6	6.6
Direct taxes					
For the financial year		39.9	30.3	24.4	18.0
For previous years		0.0	1.3	0.0	1.3
		39.9	31.6	24.4	19.3
Net profit for the financial year		79.7	70.2	59.6	60.1

Balance sheets

(MFIM)	Note	Group		Parent company	
		1996	1995	1996	1995
ASSETS					
Fixed assets and other long-term investments					
Intangible assets	7				
Intangible rights		31.8	8.8	24.6	8.8
Consolidated goodwill		0.7	0.9	0.0	0.0
Other long-term expenditure		0.7	0.4	0.4	0.3
		33.2	10.1	25.0	9.1
Tangible assets	7				
Land		5.9	5.0	5.9	5.0
Buildings		76.0	78.5	76.0	78.5
Machinery and equipment		42.9	37.9	34.4	31.2
Other tangible assets		0.2	0.2	0.2	0.2
Advance payments and construction in progress		6.2	8.9	6.2	8.5
		131.2	130.5	122.7	123.4
Long-term financial assets	6				
Shares in subsidiaries		0.0	0.0	21.0	21.0
Other shares and securities		0.7	0.7	0.5	0.5
Other securities		2.0	2.0	0.0	0.0
		2.7	2.7	21.5	21.5
Current assets					
Inventories					
Materials and consumables		36.4	29.6	30.6	26.7
Work in progress		4.4	3.8	2.4	1.6
Finished goods		23.0	20.8	16.6	12.8
		63.8	54.2	49.6	41.1
Receivables	9				
Trade receivables		118.7	98.2	73.7	68.2
Loan receivables		0.1	0.1	0.1	0.1
Prepaid expenses and accrued income		7.7	8.8	6.8	8.2
Other receivables		1.1	0.1	0.0	0.0
		127.6	107.2	80.6	76.5
Other current assets					
Other securities		0.0	10.0	0.0	10.0
Cash and bank balances		132.0	114.0	106.9	92.4
Assets, total		490.5	428.7	406.3	374.0

Balance sheets

(MFIM)	Note	Group		Parent company	
		1996	1995	1996	1995
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Restricted equity	11				
Share capital		42.9	42.9	42.9	42.9
Reserve fund		22.9	22.7	22.3	22.3
		65.8	65.6	65.2	65.2
Non-restricted equity	11				
Profit from previous years		175.4	121.2	139.2	100.5
Profit for the financial year		79.7	70.2	59.6	60.1
		255.1	191.4	198.8	160.6
Provisions	12				
Accumulated depreciation difference		40.7	37.6	40.7	37.6
Voluntary provisions					
Other provisions		9.1	19.8	9.0	19.7
Obligatory provisions	12	5.0	5.0	3.4	3.7
Liabilities					
Long-term	13				
Loans from financial institutions		0.6	0.6	0.0	0.0
Other long-term liabilities		28.2	27.6	28.2	27.5
		28.8	28.2	28.2	27.5
Current	9				
Loans from financial institutions		0.2	0.5	0.0	0.0
Advances received		4.3	6.7	4.1	6.3
Trade payables		27.2	26.2	22.2	20.7
Accrued expenses and deferred income		47.2	42.0	32.5	28.2
Other current liabilities		7.1	5.7	2.2	4.5
		86.0	81.1	61.0	59.7
Shareholders' equity and liabilities, total		490.5	428.7	406.3	374.0

Cash flow statements

(MFIM)	Group		Parent company	
	1996	1995	1996	1995
Source of funds				
Internal financing				
Operating profit	111.8	83.2	76.6	52.4
Depreciation	25.6	21.9	21.8	18.8
Financial income and expenses, net	0.3	6.6	-0.1	18.4
Extraordinary income	0.0	10.1	0.0	6.7
Taxes	-40.0	-31.6	-24.4	-19.3
Internal financing, total	+97.7	+90.2	+73.9	+77.0
Capital gains from sale of fixed assets	1.1	2.0	1.0	5.0
Increase in long-term liabilities	2.8	3.4	2.8	3.4
Translation differences	5.0	-7.2	0.0	0.0
	106.6	88.4	77.7	85.4
Application of funds				
Capital expenditure	49.8	34.4	37.9	31.8
Decrease in long-term liabilities	2.2	19.4	2.2	19.4
Dividend distribution	21.4	21.4	21.4	21.4
	73.4	75.2	61.5	72.6
Change in net working capital	+33.2	+13.2	+16.2	+12.8
	106.6	88.4	77.7	85.4
Change in net working capital				
Cash and bank balances	8.0	-1.5	4.5	3.6
Other financial assets	20.3	9.1	4.1	6.7
Inventories	9.6	5.4	8.5	5.8
Current liabilities	-4.7	0.2	-0.9	-3.3
	33.2	13.2	16.2	12.8

Accounting principles

Scope of consolidation

The consolidated financial statements include all Group companies. More detailed information on these companies is given below under the item "Shares held by the Group and the parent company".

Principles of consolidation

The consolidated accounts have been drawn up using the purchase method. Of the acquisition cost of subsidiaries' shares, the amount exceeding the value of equity is presented separately in the balance sheet as goodwill, which will be depreciated according to plan over a period of ten years. Intragroup transactions, unrealized margins on intragroup deliveries, intragroup receivables and debts, and the Group's internal distribution of profit have been eliminated. The balance sheets of foreign Group companies have been translated into Finnish markka at the official average exchange rates quoted by the Bank of Finland at the balance sheet date. The income statements have been translated using the average rates quoted by the Bank of Finland during the financial year. Translation gains and losses arising in the elimination of subsidiaries' equities have been entered as a separate item under non-restricted equity.

Valuation of fixed assets

With the exception of the office and factory premises at Vantaa, which have been revalued in previous years by a total of FIM 33.9 million, fixed assets have been capitalized at their direct acquisition cost. Planned depreciation has been calculated as straight-line depreciation based on estimated economic lifespan. The parent company's total booked depreciation has been made according to the maximum rates permitted by Finnish tax legislation.

Valuation of inventories

Inventories are valued at their acquisition cost or their replacement or probable sales price, whichever is the lowest.

The acquisition cost includes direct manufacturing costs and an appropriate proportion of production overheads and indirect acquisition costs.

Foreign currency items

Receivables and payables in foreign currency are valued at the exchange rates quoted by the Bank of Finland at the balance sheet date.

Pension obligations

Pension obligations are arranged according to local regulations and practice. The additional pension coverage of parent company personnel is insured by the Vaisala Pension Fund (closed on 1.1.1983). The pension liability of the fund is fully covered.

Research and development costs

Except for investments in machinery and equipment, which are amortized on a straight-line basis over a period of five years, research and development costs are expensed in the financial period in which they occurred.

Obligatory provisions

Obligatory provisions in the balance sheet include those items which the company is committed to covering either through agreements or otherwise, but which are not yet realized. Changes to obligatory provisions are included in the income statement.

Extraordinary income and expenses

Extraordinary income and expenses include items incurred outside the normal course of business operations.

Direct taxes

Direct taxes for the financial year under review are stated separately from taxes for previous periods in the income statement.

Notes to the Income statement and Balance sheet

(FIM 1000)	Group		Parent company	
	1996	1995	1996	1995
1. Net sales by market area				
Finland	21,257.0	20,100.0	21,257.0	20,100.0
Rest of Europe	202,724.9	173,321.4	155,582.3	131,737.0
North America	136,099.0	112,986.0	71,769.0	69,986.1
Asia and Australia	107,093.0	90,241.0	77,967.0	63,567.0
Africa, South and Central America	26,023.0	20,732.0	26,023.0	20,731.0
Total	493,196.9	417,380.4	352,598.3	306,121.1
2. Other operating income				
Rents and leases	3,674.9	3,837.9	3,674.9	3,837.9
Gains on disposal of fixed assets	29.5	105.8	29.5	105.8
Other operating income	54.2	88.0	-	-
Total	3,758.6	4,031.7	3,704.4	3,943.7
3. Personnel costs				
Wages and salaries	132,515.9	120,890.8	92,061.5	86,615.3
Benefits in kind	595.3	503.1	595.3	503.1
Pension costs	16,883.9	17,910.8	13,216.6	13,865.7
Other personnel costs	16,527.0	17,248.4	12,950.5	13,840.9
Total	166,522.1	156,553.1	118,823.9	114,825.0
4. Depreciation				
Depreciation according to plan				
Intangible rights	3,557.1	2,241.4	3,333.4	2,241.4
Goodwill	280.8	240.7	-	-
Other long-term expenditure	218.9	120.9	50.1	35.2
Buildings	3,975.7	3,615.2	3,975.7	3,615.2
Machinery and equipment	17,547.9	15,647.7	14,399.6	12,984.8
Other tangible assets	4.0	4.4	-	-
Total	25,584.4	21,869.9	21,758.8	18,876.6
Change in accumulated depreciation difference				
Intangible rights	1,086.0	-	1,086.0	-
Buildings	-1,354.6	6,665.6	-1,354.6	6,665.6
Machinery and equipment	3,349.5	-1,972.6	3,349.5	-1,972.6
Total	3,080.9	4,693.0	3,080.9	4,693.0

Planned depreciation is calculated in the Group on uniform principles as straight-line depreciation from the acquisition date, based on the estimated economic lifespan of the fixed assets. Depreciation is not calculated on revaluations of buildings.

The estimated economic lifespans used in calculating depreciation are

Intangible rights	5 to 15 years
Goodwill	10 years
Other long-term expenditure	5 years
Buildings	15 and 40 years
Machinery and equipment	5 and 10 years

5. Extraordinary items

Extraordinary income				
Disposal of share in associated company	-	10,121.2	-	6,665.2

6. Shares held by the Group and parent company

Group companies

	Group holding %		Nominal value (1000)	Book value in parent company (FIM 1000)	Profit for financial year (FIM 1000)
Vaisala (UK) Ltd., Great Britain	100	GBP	240.0	1,682.5	9.3
Vaisala TMI Ltd., Great Britain	100	GBP	70.0	0.0	5,067.2
Vaisala Holdings B.V., The Netherlands	100	NLG	130.0	264.7	207.0
Vaisala Pty Ltd., Australia*	100	AUD	15.0	0.0	1,842.1
Vaisala GmbH, Germany**	100	DEM	500.0	770.5	697.4
Vaisala KK, Japan	100	JPY	40,000.0	1,152.6	1,829.5
Vaisala Holding Inc., USA	100	USD	4,000.0	16,360.3	0.0
Vaisala Inc., USA*	100	USD	350.0	0.0	10,615.9
Tycho Technology Inc., USA*	100	USD	9,521.0	0.0	0.0
Vaisala S.A., Argentina	100	USD	0.0	0.0	0.0
Vaisala S A, France	100	FRF	1,000.0	744.4	1,025.9
				20,975.0	

* Companies owned through subsidiaries

** 40% of Vaisala GmbH owned through Vaisala Holdings B.V.

Other shares and holdings owned by the parent company

	Number	Book value (FIM 1000)	Nominal value (FIM 1000)
Oy Ekokem, Riihimäki	2	4.0	4.0
Helsinki Stock Exchange, Helsinki	20,000	300.0	200.0
Helsinki Telephone Company, Helsinki	51	164.6	164.6
OKR Liikkeeseenlaskijat Osk., Espoo	1	70.0	70.0
Total		538.6	438.6

(FIM 1000)	Group		Parent company	
	1996	1995	1996	1995
7. Intangible and tangible assets				
Intangible rights				
Acquisition cost 1.1.	16,585.9	13,066.0	16,564.2	13,041.8
Exchange rate difference 1.1.	-1.2	-2.5	-	-
Increase 1.1. - 31.12.	26,665.0	3,554.6	19,220.4	3,554.6
Decrease 1.1. - 31.12.	-577.0	-32.2	574.0	-32.2
Acquisition cost 31.12.	42,672.7	16,585.9	35,210.6	16,564.2
Accumulated planned depreciation 1.1.	7,723.8	5,514.6	7,723.8	5,514.6
Accumulated planned depreciation from decrease 1.1. - 31.12.	-441.2	-32.2	-441.2	-32.2
Planned depreciation 1.1.- 31.12.	3,557.1	2,241.4	3,333.4	2,241.4
Exchange rate difference in depreciation	2.9	-	-	-
Book value 31.12.	31,830.0	8,862.1	24,594.6	8,840.4
Accumulated depreciation difference 1.1.	1,961.7	1,961.7	1,961.7	1,961.7
Change 1.1. - 31.12.	1,086.0	-	1,086.0	-
Accumulated depreciation difference 31.12.	3,047.7	1,961.7	3,047.7	1,961.7

Notes to the Income statement and Balance sheet

(FIM 1000)	Group		Parent company	
	1996	1995	1996	1995
Goodwill				
Acquisition cost 1.1.	2,407.9	2,646.5	-	-
Exchange rate change	402.9	-238.6	-	-
Acquisition cost 31.12.	2,810.8	2,407.9	-	-
Accumulated planned depreciation 1.1.	1,779.3	1,411.4	-	-
Exchange rate change	-0.8	127.2	-	-
Planned depreciation 1.1. - 31.12.	280.8	240.7	-	-
Book value 31.12.	749.9	883.0	-	-
Other long-term expenditure				
Acquisition cost 1.1.	3,934.6	3,676.8	2,959.0	2,665.9
Exchange rate difference 1.1.	93.4	-83.0	-	-
Increase 1.1. - 31.12.	504.2	340.8	174.5	293.1
Decrease 1.1. - 31.12.	-354.9	-	-	-
Acquisition cost 31.12.	4,177.3	3,934.6	3,133.5	2,959.0
Accumulated planned depreciation 1.1.	3,566.5	3,518.0	2,680.7	2,645.5
Exchange rate difference 1.1.	80.6	-70.6	-	-
Accumulated planned depreciation from decrease 1.1. - 31.12.	-354.9	-	-	-
Planned depreciation 1.1. - 31.12.	218.9	120.9	50.1	35.2
Exchange rate difference in depreciation	8.2	-1.8	-	-
Book value 31.12.	658.1	368.2	402.7	278.3
Land				
Acquisition cost 1.1.	5,043.5	4,672.5	5,043.5	4,672.5
Increase 1.1. - 31.12.	820.7	371.0	820.7	371.0
Acquisition cost 31.12.	5,864.2	5,043.5	5,864.2	5,043.5
Revaluations included in the acquisition cost of land	500.0	500.0	500.0	500.0
Buildings				
Acquisition cost 1.1.	102,632.6	93,658.7	102,632.6	93,658.7
Increase 1.1. - 31.12.	1,436.9	8,973.9	1,436.9	8,973.9
Decrease 1.1.-31.12.	-32.6	-	-32.6	-
Acquisition cost 31.12.	104,036.9	102,632.6	104,036.9	102,632.6
Accumulated planned depreciation 1.1.	24,083.3	20,468.1	24,083.3	20,468.1
Accumulated planned depreciation from decrease 1.1. - 31.12.	-4.9	-	-4.9	-
Planned depreciation 1.1. - 31.12.	3,975.6	3,615.2	3,975.6	3,615.2
Book value 31.12.	75,982.9	78,549.3	75,982.9	78,549.3
Accumulated depreciation difference 1.1.	25,244.9	18,579.3	25,244.9	18,579.3
Increase 1.1. - 31.12.	-	6,665.6	-	6,665.6
Decrease 1.1. - 31.12.	-1,354.6	-	-1,354.6	-
Accumulated depreciation difference 31.12.	24,890.3	25,244.9	24,890.3	25,244.9
Revaluations included in the acquisition cost of buildings	33,402.0	33,402.0	33,402.0	33,402.0
Machinery and equipment				
Acquisition cost 1.1.	124,826.6	115,273.2	99,572.5	90,916.6
Exchange rate difference 1.1.	2,050.6	-1,929.0	-	-
Increase 1.1. - 31.12.	23,052.7	16,860.0	18,482.4	13,564.6
Decrease 1.1. - 31.12.	-6,737.7	-5,377.6	-6,304.6	-4,908.7
Acquisition cost 31.12.	143,192.2	124,826.6	111,750.3	99,572.5
Accumulated planned depreciation 1.1.	86,938.0	76,613.5	68,406.4	59,031.8
Exchange rate difference 1.1.	1,529.4	-1,389.4	-	-
Accumulated planned depreciation from decrease 1.1. - 31.12.	-5,848.5	-3,882.1	-5,494.8	-3,610.2
Planned depreciation 1.1. - 31.12.	17,547.9	15,647.7	14,399.6	12,984.8
Exchange rate difference in depreciation	117.4	-51.7	-	-
Book value 31.12.	42,908.0	37,888.6	34,439.1	31,166.1
Accumulated depreciation difference 1.1.	10,425.8	12,398.4	10,425.8	12,398.4
Increase 1.1. - 31.12.	4,089.4	105.0	4,089.4	105.0
Decrease 1.1. - 31.12.	-739.9	-2,077.6	-739.9	-2,077.6
Accumulated depreciation difference 31.12.	13,775.3	10,425.8	13,775.3	10,425.8

(FIM 1000)	Group		Parent company	
	1996	1995	1996	1995
Other tangible assets				
Acquisition cost 1.1.	178.5	176.7	162.9	162.9
Exchange rate difference 1.1.	0.4	-	-	-
Increase 1.1. - 31.12.	-	1.8	-	-
Decrease 1.1. - 31.12.	-	-	-	-
Acquisition cost 31.12.	178.9	178.5	162.9	162.9
Accumulated planned depreciation 1.1.	8.8	4.4	-	-
Exchange rate difference 1.1.	0.4	0.4	-	-
Planned depreciation 1.1. - 31.12.	4.0	4.0	-	-
Book value 31.12.	166.5	170.5	162.9	162.9
8. Taxation values of fixed assets				
Land	4,089.9	3,455.6	4,089.9	3,455.6
Buildings	25,216.9	22,002.1	25,216.9	22,002.1
Shares and holdings	474.9	162.2	474.9	162.2
Shares for which no taxation value has been confirmed, book value	190.0	397.0	21,045.0	21,344.9
9. Receivables and liabilities/ Group companies				
Trade receivables	-	-	30,655.7	29,839.1
Loan receivables	-	-	10.4	9.7
Receivables, total	-	-	30,666.1	29,848.8
Trade payables	-	-	1,667.7	1,024.1
Accrued expenses and deferred income	-	-	360.9	-
Liabilities, total	-	-	2,028.6	1,024.1
10. Pension commitments and loans to management				
There are no loans or outstanding pension commitments to the company's management				
11. Shareholders' equity				
Restricted equity				
Share capital				
Series A	34,304.0	34,304.0	34,304.0	34,304.0
Series K	8,576.0	8,576.0	8,576.0	8,576.0
Redeemed by the company	3.0	3.0	3.0	3.0
	42,883.0	42,883.0	42,883.0	42,883.0
Reserve fund 1.1.	22,721.0	22,511.8	22,297.6	22,297.6
Transfer from non-restricted equity	+180.2	+232.9	-	-
Change in exchange rate differences	-23.5	-23.7	-	-
Reserve fund 31.12.	22,877.7	22,721.0	22,297.6	22,297.6

Notes to the Income statement and Balance sheet

(FIM 1000)	Group		Parent company	
	1996	1995	1996	1995
Non-restricted equity 1.1.	192,054.7	147,491.0	160,634.3	121,940.8
Dividends paid	-21,440.0	-21,440.0	-21,440.0	-21,440.0
Transfer to reserve fund	-180.2	-232.9	-	-
Exchange rate differences	+3,758.1	-3,953.0	-	-
Profit for the financial year	+79,672.7	+70,189.6	+59,669.7	+60,133.5
Non-restricted equity 31.12.	253,865.3	192,054.7	198,864.0	160,634.3
Translation differences 1.1.	-701.5	+1,211.3	-	-
Change	+1,942.6	-1,912.8	-	-
Translation differences 31.12.	+1,241.1	-701.5	-	-
Non-restricted equity + translation differences, total 31.12.	255,106.4	191,353.2	198,864.0	160,634.3

The shares of the parent company have a nominal value of FIM 10 each and are distributed as follows: 857,600 Series K shares (20 votes/share), 3,430,700 Series A shares (1 vote/share). The company has redeemed 300 Series A shares.

12. Provisions

Accumulated depreciation difference	40,713.2	37,632.3	40,713.2	37,632.3
Voluntary provisions				
Transition provision	7,824.8	17,280.5	7,824.8	17,280.5
Provision for change in acquisition cost	1,184.5	2,369.0	1,184.5	2,369.0
Other provisions	123.6	123.2	-	-
Total	9,132.9	19,772.7	9,009.3	19,649.5
Tax liabilities corresponding to accumulated depreciation difference and voluntary provisions.	13,956.9	16,073.4	13,922.3	16,038.9
Obligatory provisions	4,969.9	5,019.2	3,466.6	3,711.0

13. Liabilities

Liabilities maturing after five or more years.				
Other long-term liabilities	19,214.3	18,791.0	19,214.3	18,791.0

14. Pledges and contingent liabilities

For own loans / commitments				
Mortgages	11,000.0	30,495.0	11,000.0	30,495.0
Guarantees	13,252.1	9,874.7	12,097.5	9,420.5
For Group companies				
Guarantees	-	-	39.3	471.9
Other own liabilities				
Bill liabilities	604.0	1,112.3	-	-
Pledges given	1,534.7	1,622.6	-	-
Leasing commitments	14,111.8	5,244.2	4,460.0	2,080.0
Total				
Mortgages	11,000.0	30,495.0	11,000.0	30,495.0
Guarantees	13,252.1	9,874.7	12,136.8	9,892.4
Other own liabilities	16,250.5	7,979.1	4,460.0	2,080.0

15. Derivative contracts

Capital of derivative contracts made outside the balance sheet to hedge against exchange rate and interest risks				
Currency forwards	42,575.1	56,627.4	42,575.1	56,627.4
Currency options	3,000.0	5,940.0	3,000.0	5,940.0
Forward rate agreements	18,000.0	5,000.0	18,000.0	5,000.0
Total	63,575.1	67,567.4	63,575.1	67,567.4

Distribution of profits and Auditors' report

Proposals by the Board of Directors to the Annual General Meeting

The Board of Directors proposes that the company's accounts for the financial year 1 January 1996 to 31 December 1996 be adopted by the Annual General Meeting in the form presented by the Board.

According to the consolidated balance sheet, the Group's non-restricted shareholders' equity is FIM 255,106,400. The parent company's net profit for the financial year amounted to FIM 59,669,710.57 and its non-restricted shareholders' equity to FIM 198,864,055.89. The Board of Directors proposes that a dividend of FIM 5.50 per share, corresponding to a total of FIM 23,584,000.00, be paid for the financial year 1 January 1996 to 31 December 1996.

Vantaa, 24 February 1997

Raimo Voipio
Chairman

Pekka Hautojärvi

Matti Ilmari

Yrjö Neuvo

Mikko Voipio

Gerhard Wendt

Pekka Ketonen
President and CEO

To the shareholders of Vaisala Oy

We have audited the accounting, the financial statements and the corporate governance of Vaisala Oy for the financial year 1 January to 31 December 1996. The financial statements prepared by the Board of Directors and the Managing Director include a report on operations and an income statement, a balance sheet and notes to the accounts both for the group and the parent company. Based on our audit, we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, as well as evaluating the overall financial statement presentation. The purpose of the audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations relevant to the preparation of financial statements, and give a true and fair view of Vaisala Oy's and the group's results and financial position. The financial statements can be approved and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial year audited by us. The proposal by the Board of Directors concerning the disposal of the profit for the year is in compliance with the Companies Act.

We have reviewed the interim reports published during the financial year. It is our opinion that the interim reports have been prepared in accordance with the relevant regulations.

Vantaa, 25 February 1997

SVH Coopers & Lybrand Oy
Authorised Public Accountants

Jukka Ala-Mello
Authorised Public Accountant

Tauno Haataja
Authorised Public Accountant

Shares and shareholders

Share capital and shares

Vaisala Oy's share capital is FIM 42,883,000 and each share has a nominal value of FIM 10. Of the total number of shares, 857,600 (20%) are Series K shares. The remaining 3,430,700 (80%) are Series A shares. Each Series K share carries twenty (20) votes and each Series A share carries one (1) vote at shareholders' meetings. Both series entitle their holders to the same dividend.

Authorisations

At the end of 1996, the Board held no unexercised authorisations to increase the share capital or float convertible bonds or bonds with warrants.

Largest shareholders 31.12.1996

	% of votes	% of K shares	% of A shares	% of total shares
Finnish Academy of Science and Letters	23.5	25.5	13.5	15.9
Inkeri Voipio	13.5	13.0	15.9	15.3
Tekele Oy	12.2	13.2	7.5	8.6
Mikko Voipio	5.0	5.5	2.3	2.9
Raimo Voipio	4.9	5.5	1.8	2.5
Anja Caspers	4.4	5.0	1.4	2.1
Tauno Voipio	4.2	4.6	2.1	2.6
Nova Life Assurance Company	3.1	3.2	2.5	2.6
Jaakko Väisälä, estate	1.7	1.7	1.2	1.3
Minna Väisälä	1.3	1.5	0.1	0.4
Riitta Parikka-Laitinen	0.3	0.0	1.9	1.5
Nominee registered:	2.1	0.0	12.7	10.2

Ownership structure by type of owner 31.12.1996

	Number of owners	% of votes	% of K shares	% of A shares	% of total shares
Municipalities	16	0.7	0.0	4.1	3.3
Private individuals	1,998	51.7	52.8	46.5	47.8
Financial institutions	23	3.9	3.2	7.1	6.3
Outside Finland*	10	6.5	5.0	14.1	12.3
Non-profit organizations	47	23.8	25.5	15.1	17.1
Companies	138	13.1	13.2	12.8	12.9
Not transferred to the book-entry system		0.3	0.3	0.3	0.3
	2,232	100.0	100.0	100.0	100.0

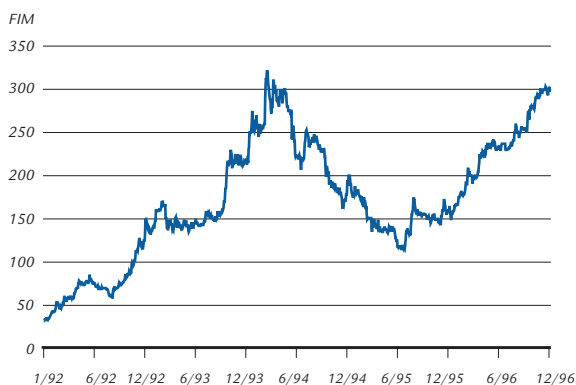
* includes nominee registered

Ownership structure by shareholding 31.12.1996

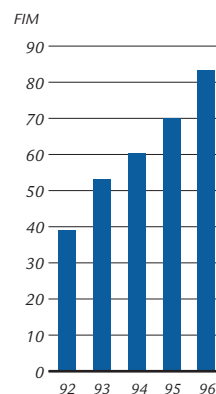
Number of shares	Owners	% of owners	% of votes	% of K shares	% of A shares	% of total shares
1 - 100	1,419	63.6	0.4	0.0	2.3	1.9
101 - 1000	632	28.3	1.5	0.8	6.6	5.3
1001 - 10000	137	6.1	7.2	18.7	12.3	10.5
10001 - 100000	36	1.6	22.2	28.5	29.0	21.4
100001 -	8	0.4	68.5	51.7	49.5	60.6
Not transferred to book-entry system			0.3	0.3	0.3	0.3
	2,232	100.0	100.0	100.0	100.0	100.0

On 31 December 1996, Vaisala Oy's Board of Directors held and controlled 276,703 shares, representing 11.2% of total voting rights.

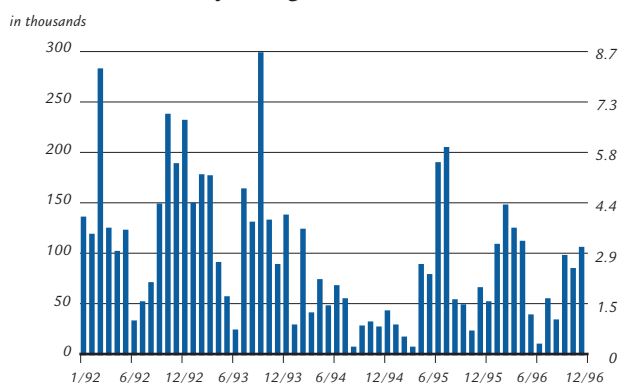
Series A share, performance



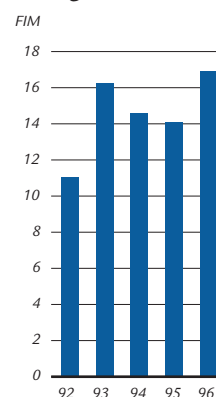
Shareholders' equity/share



Series A share, monthly trading



Earnings/share



Shares in figures

		1996	1995	1994	1993	1992
Earnings/share	FIM	16.91	14.09	14.56	16.27	11.05
Shareholders' equity/share	FIM	83.20	69.97	60.39	53.28	39.08
Dividend/share	FIM	*5.50	5.00	5.00	5.00	2.50
Dividend/earnings	%	**32.5	35.5	34.3	28.5	22.6
Price/earnings		17.7	11.3	12.9	12.4	11.6
Effective dividend yield	%	1.8	3.1	2.7	2.3	2.0
A-share trading						
highest	FIM	305.00	200.00	325.00	235.00	132.00
lowest	FIM	150.00	114.00	162.00	131.00	32.00
yearly average	FIM	233.81	143.83	252.29	164.97	74.63
at balance sheet date	FIM	300.00	159.00	187.50	217.50	128.00
Market capitalisation						
at balance sheet date***	MFIM	11,282.9	681.8	804.0	932.6	548.8
A-shares traded						
traded		960,958	839,126	670,374	1,712,678	1,606,890
% of entire series	%	28.0	24.5	19.5	49.9	46.8
Adjusted number of shares						
A-shares		4,288,000	4,288,000	4,288,000	4,288,000	4,288,000
K-shares		857,600	857,600	857,600	857,600	857,600
Number of shares at 31.12.1996 4,288,000						

* Proposal by the Board of Directors

** Calculated according to the Proposal of the Board of Directors

*** Value of A and K shares is here calculated to be equal

The financial ratios have been calculated in accordance with the decision of the Ministry of Finance and the general recommendations of the Accounting Board. The figures for previous years have been adjusted accordingly.

Five years in figures

Consolidated income statement (FIM 1000)	12/1996	12/1995	12/1994	12/1993	12/1992
Net sales	493,197	417,380	405,420	392,342	329,708
Other operating income	3,758	4,032	6,698	4,021	2,815
Costs	359,605	316,389	311,460	278,584	245,163
Planned depreciation	25,584	21,870	19,757	16,531	12,795
Operating profit	111,766	83,153	80,901	101,248	74,565
Net financing income/expenses	337	6,616	9,154	4,233	-4,351
Profit before extraordinary items, provisions and taxes	112,103	89,769	90,055	105,481	70,214
Share of associated company's result	0	0	0	-3,456	0
Extraordinary income and expenses	0	10,121	0	0	-7,194
Profit before provisions and taxes	112,103	99,890	90,055	102,025	63,020
Change in provisions	7,552	1,924	1,684	-1,867	-3,352
Direct taxes	-39,982	-31,625	-28,058	-37,598	-20,276
Net profit for the year	79,673	70,189	63,681	62,560	39,392

Consolidated balance sheet (FIM 1000)	31.12.1996	31.12.1995	31.12.1994	31.12.1993	31.12.1992
ASSETS					
Fixed assets and other long-term investments	167,084	143,325	132,805	130,713	109,320
Inventories	63,847	54,204	48,838	41,379	35,897
Financial assets	259,532	231,238	223,684	222,556	225,155
	490,463	428,767	405,327	394,648	370,372
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	320,867	256,957	214,097	182,252	129,863
Provisions	49,846	57,405	59,797	61,595	60,343
Liabilities, total	119,750	114,405	131,433	150,801	180,166
Interest bearing	31,196	34,440	51,314	62,901	106,131
Non-interest bearing	88,555	79,965	80,119	87,900	74,035
Balance sheet total	490,463	428,767	405,327	394,648	370,372

The financial statements were prepared in compliance with new accounting legislation for the first time in 1993. The comparative figures for 1992 have been regrouped to correspond accordingly.

Group financial history

		1996	1995	1994	1993	1992
Net sales	MFIM	493.2	417.4	405.4	392.3	329.7
exports and international operations	%	96.0	95.0	95.0	95.0	94.0
Operating profit	MFIM	111.8	83.2	80.9	101.3	74.6
% of net sales	%	22.7	19.9	20.0	25.8	22.6
Profit before extraordinary items, provisions and taxes	MFIM	112.1	89.8	90.1	105.5	70.2
% of net sales	%	22.7	21.5	22.2	26.9	21.3
Profit before provisions and taxes	MFIM	112.1	99.9	90.1	102.0	63.0
% of net sales	%	22.7	23.9	22.2	26.0	19.1
Return on equity (ROE)	%	22.1	21.6	25.6	37.9	32.8
Return on investment (ROI)	%	30.5	27.7	29.8	37.3	33.5
Solvency ratio	%	73.4	71.1	65.2	60.3	46.2
Current ratio		3.7	3.3	3.2	2.8	2.2
Gross capital expenditure	MFIM	49.8	34.4	24.3	42.4	15.6
% of net sales	%	10.1	8.2	6.0	10.8	4.7
R&D expenditure						
on machinery and equipment	MFIM	2.0	3.3	3.8	4.3	2.4
R&D expenditure	MFIM	59.0	53.0	52.2	41.0	33.6
% of net sales	%	12.0	12.7	12.9	10.5	10.2
Orderbook on 31 Dec.	MFIM	153.0	158.0	135.0	155.0	149.7
Average personnel		697	655	624	591	583
of which outside Finland	%	26.7	25.5	26.0	27.0	26.0

Calculation of financial ratios

Return on equity, ROE %	=	100 x	$\frac{\text{Profit before extraordinary items, provisions and taxes less taxes}}{\text{Shareholders' equity plus voluntary provisions and depreciation difference minus the imputed (deferred) tax liability (average)}}$
Return on investment, ROI %	=	100 x	$\frac{\text{Profit before extraordinary items, provisions and taxes plus interest and financial expenses}}{\text{Balance sheet total less non-interest bearing liabilities (average)}}$
Solvency ratio, %	=	100 x	$\frac{\text{Shareholders' equity plus voluntary provisions and depreciation difference minus the imputed (deferred) tax liability}}{\text{Balance sheet total less advance payments}}$
Current ratio	=		$\frac{\text{Current assets}}{\text{Current liabilities}}$
Earnings/share, FIM	=		$\frac{\text{Profit before extraordinary items, provisions and taxes less taxes less the share of associated company's result}}{\text{Average number of shares, adjusted}}$
Dividend/share, FIM	=		$\frac{\text{Dividend}}{\text{Number of shares at balance sheet date, adjusted}}$
Dividend/earnings, %	=	100 x	$\frac{\text{Dividend}}{\text{Profit before extraordinary items, provisions and taxes less taxes less the share of associated company's result}}$
Equity/share, FIM	=		$\frac{\text{Shareholders' equity plus voluntary provisions and depreciation difference minus the imputed (deferred) tax liability}}{\text{Average number of shares, adjusted}}$
Price/earnings, FIM	=		$\frac{\text{Share price at balance sheet date}}{\text{Earnings per share}}$
Effective dividend yield, %	=	100 x	$\frac{\text{Dividend per share}}{\text{Share price at balance sheet date}}$
Market capitalisation, MFIM	=		Share price at balance sheet date times number of shares

Board of Directors and management

Vaisala's Management Board



Hannu Tuominen,
Surface Weather Division

Kenneth Forss, Sensor Systems Division

Pekka Ketonen, President and CEO
Hannu Patrikainen, Quality



Pirjo Syväoja, Information Systems
Pekka Kostamo, New Applications



Marja Happonen, Human Resources
Olli Karikorpi, Finance



Jan Hörhammer, Upper Air Division
Jussi Mykkänen, Research

Board of Directors

Raimo Voipio, Chairman	1996 - 1999
Yrjö Neuvo, Deputy Chairman	1995 - 1998

Members

Pekka Hautojärvi	1995 - 1998
Matti Ilmari	1996 - 1999
Mikko Voipio	1994 - 1997
Gerhard Wendt	1995 - 1998

President and CEO

Pekka Ketonen

Presidents of subsidiaries

Jens Mogensen, Vaisala GmbH

R.E.W. Pettifer, Vaisala (UK) Ltd

P. J. Lister, Vaisala TMI Ltd

Peter Eriksson, Vaisala SA

Steven Chansky, Vaisala Inc.

Rauno Sirola, Vaisala KK

Robert Caplikas, Vaisala Pty Ltd

Auditors

Tauno Haataja, APA

SVH Coopers & Lybrand Oy,
Authorised Public Accountants

Addresses

EUROPE

Head office

VAISALA Oy

PO Box 26, FIN-00421 Helsinki

Finland

Tel. int +358 9 894 91

Fax +358 9 894 9227

Telex 122832 vsala fi

Vaisala's Web site:

<http://www.vaisala.com>

VAISALA GmbH

Postfach 540267

D-22502 Hamburg

Germany

Tel. int. +49 40 858 027

Fax +49 40 850 8444

VAISALA GmbH

Stuttgart Branch

Zweigniederlassung

Pestalozzi Str. 8

D-70563 Stuttgart

Germany

Tel. int. +49 711 734 057

Fax +49 711 735 6340

VAISALA (UK) Ltd

Suffolk House

Fordham Road

Newmarket

Suffolk CB8 7AA

United Kingdom

Tel. int. +44 1638 674 400

Fax +44 1638 674 411

VAISALA TMI Ltd

Vaisala House

349 Bristol Road

Birmingham B5 7SW

United Kingdom

Tel. int. +44 121 683 1200

Fax +44 121 683 1299

VAISALA SA

3, Parc Ariane

Saint-Quentin-En-Yvelines

F-78284 Guyancourt Cedex

France

Tel. int. +33 1 3057 2728

Fax +33 1 3096 0858

NORTH AMERICA

VAISALA Inc.

100 Commerce Way

Woburn, MA 01801-1068

USA

Tel. int. +1 617 933 4500

Fax +1 617 933 8029

VAISALA Inc.

Artais Division

7450 Industrial Parkway

Plain City, Ohio 43064-9005

USA

Tel. int. +1 614 873 6880

Fax +1 614 873 6890

ASIA AND PACIFIC

VAISALA KK

42 Kagurazaka 6-Chome

Shinjuku-Ku

Tokyo 162

Japan

Tel. int. +81 3 3266 9611

Fax +81 3 3266 9610

VAISALA KK/Osaka Branch

1-12-15, Higashimikuni

Yodogawa-Ku

Osaka 532

Japan

Tel. int. +81 6 391 2441

Fax +81 6 391 2442

VAISALA Pty Ltd

3 Guest Street

Hawthorn, Vic. 3122

Australia

Tel. int. +61 3 9818 4200

Fax +61 3 9818 4522

A.C.N. 006 500 616

VAISALA Beijing

Representative Office

Wangfujing Grand Hotel

Room 518-520

57, Wangfujing Street

Beijing 100006

People's Republic of China

Tel. int. +86 10 6522 4050

Fax +86 10 6522 4051

Information for shareholders

Annual General Meeting

The Annual General Meeting of Vaisala Oy's shareholders will be held at the company's head office, Vanha Nurmijärventie 21, Vantaa, on Monday 17 March, beginning at 5pm. Shareholders who are registered in the share register maintained by the Finnish Central Securities Depository Ltd. by no later than 7 March 1997 may attend the AGM. Shareholders whose shares have not been transferred to the book-entry securities system may also attend the AGM provided that such shareholders were registered in the company's share register before 21 October 1994. In such cases, shareholders must, at the AGM, present their share certificates or some other evidence that their shareholding rights have not been transferred to the book-entry securities system. Shareholders wishing to attend the AGM must notify the company by no later than 4pm on Wednesday 12 March 1997. Notification may be made either by letter addressed to Vaisala Oy, Päivi Heimonen, PO Box 26, FIN-00421 Helsinki, Finland, or by tele-

phone on weekdays between 8am and 4pm Finnish time, tel. +358 9 894 9201, or by telefax +358 9 894 9206. Letters authorising a proxy to vote on behalf of a shareholder should be sent to the company before expiry of the notification deadline.

Payment of dividend

The Board of Directors will propose to the Annual General Meeting that a dividend of FIM 5.50 per share be paid on the 1996 financial year. The record date for dividend payment is 20 March 1997 and, subject to approval of the Board's proposal, the dividend will be paid on 25 March 1997.

Shareholders cannot be paid a dividend until they have transferred their shares to the book-entry securities system.

Financial reviews in 1997

Vaisala will publish a four-month Interim Report on 9 June, and an eight-month Interim Report on 13 October 1997.



*Head Office: Vaisala Oy, P.O.Box 26, Fin-00421 Helsinki, Finland,
tel. +358 9 894 91, telefax +358 9 894 9227*