

Annual Report 2003

This is a print-out of the contents of the Vaisala 2003 Annual Report. To view the online report please go to: www.vaisala.com/annualreport

→ **CEO's review**

→ **Year 2003**

→ **Vaisala Group**

→ **Information for shareholders**

→ **Contact us**

Business in 2003
Outlook for 2004
Highlights in 2003
Key figures
Key figures in graphs
Vaisala in brief
Mission and vision
Customers
Divisions
Vaisala worldwide
Elements of success
Management
Environmental issues
Personnel
Annual General Meeting
Payment of Dividend
Financial reporting

From the President and CEO



Pekka Ketonen
CEO

Vaisala's core business is environmental measurement, especially weather measurement, and similar industrial applications. Our product range includes instruments, measurement systems, complete solutions for specific applications, and weather observation data. Our customers are weather observation professionals and industrial companies. Our value proposition is based on three core strengths: innovation, reliability and the ability to solve customer's problems.

Business in 2003

The recession that started in 2001 continued in all our main market areas: North America, Europe and Asia. The strengthening of the euro against the dollar had a negative impact on sales and sales margins, as approximately half of our net sales were in dollars. Despite real growth of around four percentage points in 2003, our net sales decreased by 3.6% to EUR 189.2 million, due to exchange rate movements. We were able to raise profitability by initiating measures to improve efficiency. The profit before extraordinary items, provisions and taxes was EUR 23.4 million, representing 12.4% of net sales. The Group received new orders worth EUR 180.7 million during the year. At the end of 2003 the order book stood at EUR 62.9 million.

During 2003 we reorganized our divisions and product selections in order to create a more streamlined framework for development in line with our business models.

Vaisala Soundings maintained its leading position in the market, with the recession having little effect on business activities. Net sales amounted to EUR 64.5 (63.2) million and the result was good. After a major investment program, we launched a new generation of digital radiosondes. The previous comparable effort was made in the 1980s. The product platform for the system receiving the sounding information was also renewed. The proportion of software in the product structure has continued to increase. These new products create a good foundation for further development.

Vaisala Remote Sensing's net sales increased to EUR 21.5 (18) million. The result was better than in the previous year, but still showed a loss. The division's products include lightning detection systems and wind profilers. In the United States Vaisala owns a nationwide thunderstorm and lightning detection network and sells the collected measurement data to several organizations. Through acquisitions, Vaisala has acquired two lightning detection technologies that complement each other extremely well. A modular product family combining these technologies in a flexible way was created during the year. The most significant wind

profiler deliveries were made to the Meteorological Offices in Germany and the UK. Vaisala Instruments retained its position as global market leader in relative humidity and barometric pressure instruments. Net sales totaled EUR 46.5 (47.5) million and the result was good, despite continuing weak demand in all market areas. The division made further investments in new measurement technologies. Significant growth is expected in the next few years in dewpoint, carbon dioxide and ammonia products. Active sales of optical instruments to third-party system integrators commenced.

Vaisala Solutions focuses on producing observation-based comprehensive solutions for weather information and services for aviation, road traffic and hydrometeorological applications. The division's net sales decreased to EUR 56.8 (67.5) million. The result was unsatisfactory. The decrease in net sales occurred mainly in the hydrometeorology field in North America. Vaisala Solutions underwent a major transformation during the year, improving its customer orientation and knowledge of customer applications. The goal is to increase the relative importance of services in the product selection.

Based on the strategies of the divisions we have identified future competence requirements and initiated competence development programs. These programs focus on areas such as applications expertise, service business processes and organizational learning.

Outlook for 2004

At the beginning of 2004 the global economy is still in recession. However, there are signs of recovery in the U.S. economy, which could result in increased demand in the latter half of the year. The stronger euro obliges us to continue our efforts to increase efficiency. Even during the recession we have not decreased our investments on behalf of the future. For this reason, I believe that our market position will continue to strengthen.

Thanks

I would like to extend my heartfelt thanks to our customers, partners and owners for a successful cooperation in 2003. I would also like to thank Vaisala's personnel for their hard and conscientious work during the year. Restructuring has surely resulted in extra pressure for some of our personnel, but they have handled them valiantly.

Pekka Ketonen
President and CEO

Highlights of 2003

New facilities inaugurated in Boulder, Colorado

In February, Vaisala inaugurated new facilities in Boulder, Colorado, USA. Vaisala has concentrated its U.S. manufacturing operations to Boulder in order to enhance productivity and improve efficiency. The area is the location for several important meteorological research institutes and laboratories with whom Vaisala works in close cooperation with. The investment totaled EUR 5.5 million.

Rationalization negotiations in Vantaa, Finland

Poor economic growth in Vaisala's main market areas has necessitated measures to improve profitability. Proceedings with the representatives of all personnel groups according to the Act on Co-operation within Undertakings began in April. The changes in business unit structures agreed upon resulted in a reduction of 50 man years and 15 employees in the Vantaa office, enabling Vaisala to achieve an improvement of approximately EUR 4 million in its results.

First wind profiler delivered to German Weather Service

In September, the first wind profiler of an order made by the German Weather Service in 2002 was delivered. It is part of a network of three wind profilers. The others will be delivered in 2004 and 2005. Vaisala anticipates that wind profilers will also be taken into operational use elsewhere in Europe. The contract is valued at more than EUR 5 million.

Vaisala HUMICAP® relative humidity sensor celebrates 30 years

October marked the passage of 30 years since Vaisala first introduced its HUMICAP® relative humidity measurement technology. In 1973, Vaisala was the first company in the world to launch a thin-film capacitive humidity sensor. Today, Vaisala is the world market leader in the measurement of relative humidity.

A new contact point opened in Shanghai, China

In November, Vaisala opened a contact point in Shanghai, China. The new contact point will strengthen Vaisala Instruments ability to serve the growing markets of the region. Vaisala has had a representative office in Beijing since 1994.

New cleanroom facility goes into operation in 2004

The construction of the new cleanroom at Vaisala's Vantaa headquarters will be completed in early 2004. The first cleanroom was built in 1980 and has been in service for over 20 years. The sensor manufacturing processes that are part of Vaisala's core technology require increasingly accurate control over temperature and humidity conditions. The new cleanroom fulfils these requirements.

New products in 2003

New radiosonde product family for more accurate measurements

As a part of Vaisala's sounding systems, Vaisala's new radiosonde family provides more accurate measurements of barometric pressure, temperature, relative humidity and wind conditions. The new product family strengthens Vaisala's position as a global market leader in high-quality sounding applications for the upper atmosphere. For more information on the new radiosonde, visit Vaisala's website.

Product family for present weather and visibility measurements

Vaisala launched a new product family for present weather and visibility measurements. These products are used by road and aviation authorities and meteorological organizations to automate their weather observation activities. For more information on these products, visit our website.

Meteorological data management system

Vaisala's new meteorological data management system is used in hydrological and meteorological observation networks. The system can be connected to more automatic weather stations than before, and now also includes hydrology applications. For more information about the system, visit our website.

Low-level windshear alert system for improved aviation safety

The low-level windshear alert system issues warnings about rapid wind condition changes in runway corridors. Windshear is dangerous to aircraft during take-off and landing. The new windshear alert system thus improves airport safety and efficiency and strengthens Vaisala's position as market leader in the field. For more information about the system, visit our website.

A small, easy-to-use dewpoint transmitter

The new dewpoint transmitter broadens Vaisala's range of dewpoint transmitters. The transmitter is used to measure humidity in Original Equipment Manufacturer (OEM) applications, such as air dryers and plastic dryers. For more information about the transmitter, visit our website.

A new moisture and temperature transmitter

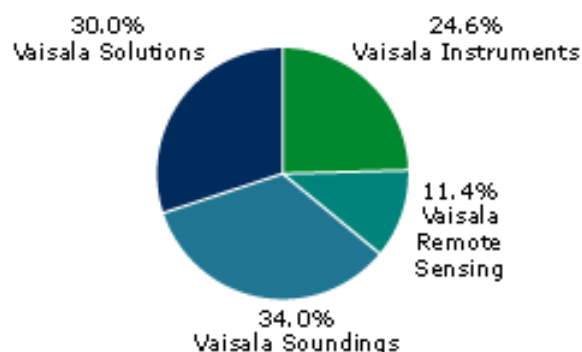
The new moisture and temperature transmitter is modular in structure and measures the moisture of lubrication, hydraulic and transformer oils with accuracy and reliability. For more information about the transmitter, visit our website.

Key figures in 2003

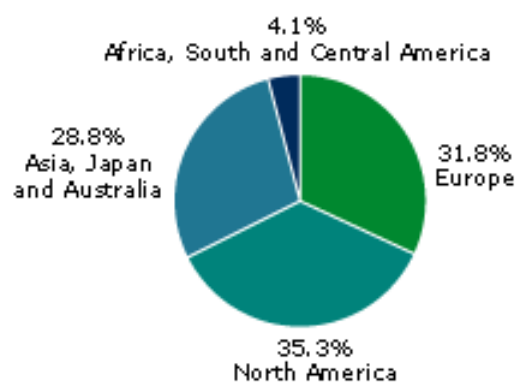
	2003	2002
Net sales, M€	189.2	196.2
Operating profit, M€	25.9	22.6
New orders, M€	180.7	213.3
Order book, M€	62.9	77.1
Profit before extraordinary items, M€	23.4	21.5
Solvency ratio, %	84.4	83.9
Goodwill depreciation, M€	4.1	7.5
Return on investment, %	16.6	15.4
Earnings per share, €	0.83	0.75
Personnel, Dec. 31	1113	1213

Key figures in graphs

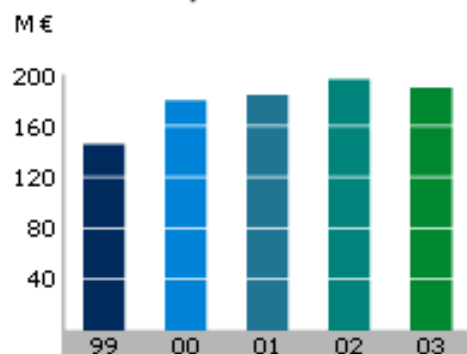
Net sales by division



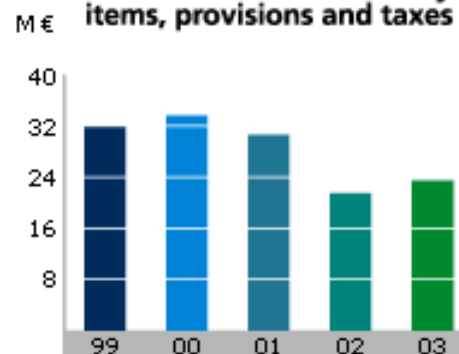
Net sales by market

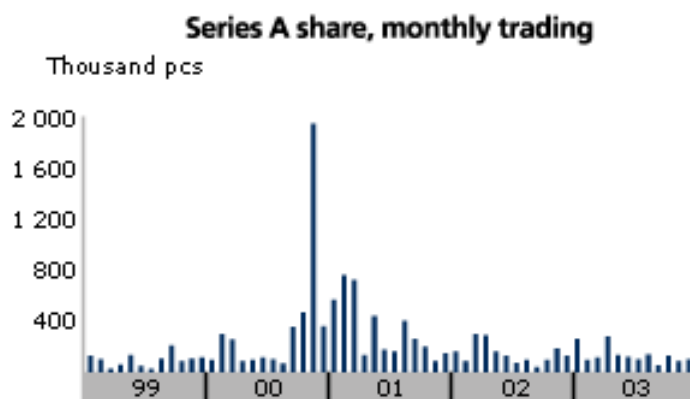
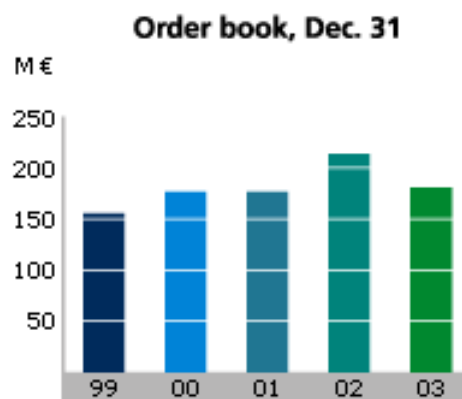
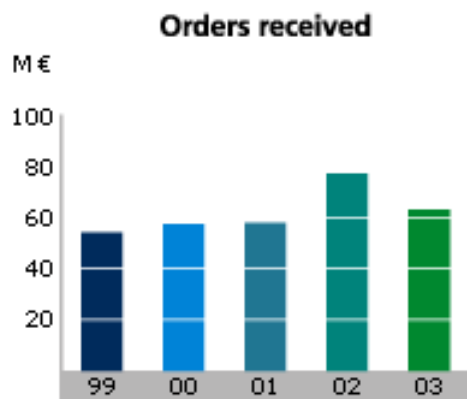


Development of net sales



Profit before extraordinary items, provisions and taxes





Vaisala in brief

Vaisala develops, manufactures and markets products and services for environmental and industrial measurements. Vaisala's core customer groups are national meteorological services, meteorological research institutes, road and aviation authorities, defense forces, land and water resource management agencies, insurance companies, public utilities and industrial companies.

Vaisala's competitiveness is based on product leadership in environmental measurement. Vaisala is the global market leader in many of its core businesses – upper-air sounding systems, weather observation systems for airports and road maintenance, surface weather systems, optical instruments that measure present weather and visibility, as well as wind profilers and lightning detection in the remote sensing field. Vaisala is also the world's leading provider of instruments for measuring relative humidity and barometric pressure in industrial applications, designed for demanding professional use.

Vaisala had more than 1 100 employees and achieved net sales of EUR 189.2 million in 2003. Vaisala serves customers around the world. Operations outside Finland accounted for 96.6% of net sales in 2003.

The parent company, headquartered in Vantaa, Finland is listed on the Helsinki Exchanges (HEX). Vaisala also has offices and business operations in the USA, Canada, the United Kingdom, France, Germany, Sweden, Malaysia, China, Japan and Australia. Customers are also served by Vaisala's worldwide network of distributors.

Mission and vision

The Vaisala Group works to provide environmental measurements which create the basis for a better quality of life, protect life and property, optimize economic activities, promote environmental protection and improve our understanding of climate change.

Vaisala's goal is to be the most respected, most comprehensive and most successful geophysical environment measurement and service company in the world. Vaisala focuses on selected businesses where it can become the global market leader.

The Group values

Vaisala's values are the basis of all its activities, both within Vaisala and with its customers and partners. Vaisala's way of operating is innovative and driven by the following six values:

- Science-based innovation
- Customer focus
- Goal orientation
- Personal growth
- Fair play
- One for all – all for one

Customers

Vaisala products cater to the environmental and industrial measurement needs of a wide range of customer groups. Vaisala's key customer groups are meteorological institutes and research organizations, road and aviation authorities, defense forces, land and water resource management agencies, insurance companies, power utilities and industry.

The users of weather observation products form a large and diverse customer group. Weather observations are made not only by meteorological institutes and research organizations, but also by road and aviation authorities, land and water management agencies and defense forces. Insurance companies and public utilities make use of Vaisala's lightning detection networks, which have been delivered all over the world, to gain information on the movement of thunderstorms and the precise location of lightning strikes. Industrial companies use Vaisala's measurement instruments to monitor and control the manufacturing process, improve overall efficiency and safeguard workplace safety.

Weather observation and information

Meteorological institutes

Meteorological institutes and their meteorologists need a continuous stream of high-quality weather data in order to make daily weather forecasts. Meteorological institutes also issue weather warnings, as well as produce weather forecasts and other weather data for the general public and special user groups. Moreover, meteorological institutes need weather observation data to measure and explain the state of the atmosphere and climate changes. Vaisala products play a key role in the collection of data for the weather services of meteorological institutes around the world.

Aviation weather observation

Aviation authorities are governed by international regulations and recommendations, and the stringent safety standards of civil aviation also cover weather observation instrumentation. Vaisala provides aviation authorities with reliable weather observation systems that can be used to improve passenger safety and airport efficiency.

Road weather observation

The flow of traffic on roads and railways affects our everyday lives, which is especially noticeable when bad weather strikes. Transport authorities need to be prepared for changes in the weather, and this requires access to accurate weather data in order to keep roads and railways safe. Vaisala's weather observation systems and winter maintenance consulting services allow these authorities to provide appropriate and timely maintenance. Thus, safety can be improved, cost savings achieved and the environmental impacts of winter road maintenance reduced.

Tactical weather observation

Many weather related measurements are essential in defense applications. Land, air and naval forces around the world use Vaisala's weather observation systems for a wide range of tactical operations – in all weathers and in every climate.

Land and water resource management

Even though technology dominates our way of life in many ways, we are still dependent on natural resources. For example, the amount and variability of water resources greatly affects society. Hydrological data is broadly used in the care, utilization and protection of water resources (e.g. water source and flood control), as well as in water source and other environmental research. Water resource management agencies need efficient and reliable measurement tools in their work, for example to monitor water and precipitation levels. Vaisala supplies automatic hydrometeorology stations and networks that are used for flood and tsunami warnings and water management.

Vaisala weather stations are also used to monitor and protect forest and land resources. Anticipating and preventing the spread of forest and land fires demands accurate weather information.

Meteorological and climatological research

Climate change affects us all. Many international research programs that aim to promote environmental protection focus on the Earth's atmosphere. The principal parameters to be measured include the composition of the atmosphere and the physics and chemistry of clouds, as well as tropical and extreme meteorological processes. Daily weather forecasts meet the needs of these research domains. The performance of the equipment and the coverage of observations have an impact on the comprehensiveness, reliability and accuracy of data obtained on the state of the environment and atmosphere.

Insurance companies and power utilities

Lightning detection information is important not only to meteorological institutes offering weather services, but also to insurance companies and power utilities. Vaisala's lightning detection networks, which have been delivered worldwide, provide valuable information on the movements of local thunderstorms and the location of lightning strikes. This information is vital to insurance companies when handling insurance claims, for example. Power utilities use lightning detection information to anticipate the need for grid maintenance following lightning strikes, as well as using long-term lightning information to determine grid safety needs. Vaisala owns and operates the U.S. National Lightning Detection Network and also operates the Canadian Lightning Detection Network. Vaisala transmits the data produced by these networks to the continent's meteorological institutes, aviation authorities, defense forces, weather service companies, insurance companies and power utilities.

The needs of industry

Relative humidity, temperature and barometric pressure are essential parameters in meteorological measurements. Along with measurements of carbon dioxide concentration, they play a significant role in industry and built-up environments. By measuring and controlling these parameters, it is possible to influence product quality, the efficiency of manufacturing processes, energy consumption, and the safety and well-being of people.

Relative humidity – aiming for high quality and energy savings

Relative humidity is one of the most important factors affecting indoor air quality. By measuring and controlling relative humidity, it is possible to ensure a pleasing working and living environment for people. Mold and fungi thrive in highly humid environments, which can result in substantial risks to health. Mold growth is especially problematic when humidity is high and ventilation is insufficient.

As most materials are hygroscopic, their water content strives to reach equilibrium with the surrounding environment. Thus most materials have their own ideal storage humidity levels, and maintaining these help to ensure the quality of stored material for as long as possible. In many production processes, it is extremely important to measure and adjust humidity correctly in order to sustain the high quality of products and the correct level of energy consumption. The right humidity makes it possible to optimize energy consumption and improve end product quality as well as product yield.

Dewpoint – accurate measurements in demanding conditions

A cold drink in a glass provides a practical example of dewpoint temperature. If the temperature of the glass is below the dewpoint temperature of the surrounding air, the air around the glass will become saturated with water vapor and the excess water will condense as dew on the surface of the glass.

Dewpoint is especially measured in processes where the formation of dew can be a problem or where it is important to know the precise water content of air or gas. Dewpoint measurement has become popular in many industrial applications such as metal treatment, plastic drying and compressed air systems. For instance, dew formation should be avoided in compressed air pipelines because moisture can damage or clog the equipment. Another typical dew point measurement application, in which plastic is dried before molding, is used in the plastics industry. This is important because excess moisture can cause imperfections in the end-product.

Barometric pressure – better performance through barometric pressure measurement

Barometric pressure is one of the most important parameters in weather observation because the movement of pressure fronts indicates the direction in which weather fronts are heading. Weather stations almost always include a barometer, and barometers are also used in data buoys and ships at sea. In hydrological and ground water applications, data on barometric surface pressure is needed in order to take into account the effects that the hydrostatic pressure of air has on different areas.

Barometric absolute pressure influences other physical and industrial processes as well. For example, in laser interferometer systems, measurement results are affected by the refractive index of air, which is a function of air pressure. Engine performance is also affected by air intake pressure, and aircraft altitude can be calculated from atmospheric air pressure, with aircraft altimeters adjusted according to air pressure readings reported by airports. The accuracy of the Global Positioning System (GPS) is affected by atmospheric air pressure. System accuracy may be enhanced by barometric pressure information at the GPS receiver antenna level.

Carbon dioxide measurements to guarantee good indoor air quality

Carbon dioxide (CO₂) is one of the most common gases in our atmosphere. It is formed when humans and animals breathe, in fermentation and decomposition processes, and during the burning of fossil fuels. Carbon dioxide levels are also a good indicator of indoor air quality and ventilation efficiency, as it is people who release carbon dioxide to the indoor environment. By controlling ventilation according to carbon dioxide levels, indoor air can be kept fresh without wasting energy.

Carbon dioxide has favorable effects as well. Carbon dioxide enhances plant growth and raises crop productivity and quality. Carbon dioxide is therefore used as a fertilizer in greenhouses:

the precise control of carbon dioxide concentrations promotes the growth of flowers and vegetables as well as leading to improved productivity.

Reliable ammonia detection as a safety factor

Ammonia (NH₃) occurs in gaseous form under normal atmospheric conditions. It is produced both industrially and in biological processes. Ammonia is used for refrigeration in a variety of industrial applications, for example in cold storages, ice cream plants, breweries, ice rinks, etc. Ammonia is considered one of the environmentally friendly refrigerants because it does not deplete the ozone layer nor contribute to global warming. It is a hazardous chemical, however, and precautions must be taken against ammonia leaks with the help of ammonia detection and alarm relays. Typical symptoms of ammonia exposure include irritation of the eyes, throat and respiratory organs.

When equipped with a reliable ammonia sensor, ammonia-based refrigeration systems provide safe, efficient and environmentally friendly cooling. Vaisala's ammonia detectors are highly specific to ammonia, which means that other gases will not cause false alarms.

Organizational structure: reorganization of divisions

In 2003 Vaisala reorganized its divisions and the divisional product portfolios. The divisions were also renamed. Vaisala's four divisions are now Vaisala Soundings, Vaisala Solutions, Vaisala Remote Sensing and Vaisala Instruments.

The reorganized divisions are in line with the business models of the renewed corporate strategy. All business units dealing with single instruments were transferred from Vaisala Solutions to Vaisala Instruments. As a result, Vaisala Instruments is now responsible for all single instruments, while Vaisala Solutions focuses on the sale of comprehensive solutions, systems and services.

No changes were made to the Vaisala Sounding and Vaisala Remote Sensing business units. They continue to focus on sensor systems and solutions for upper air sounding and remote sensing.

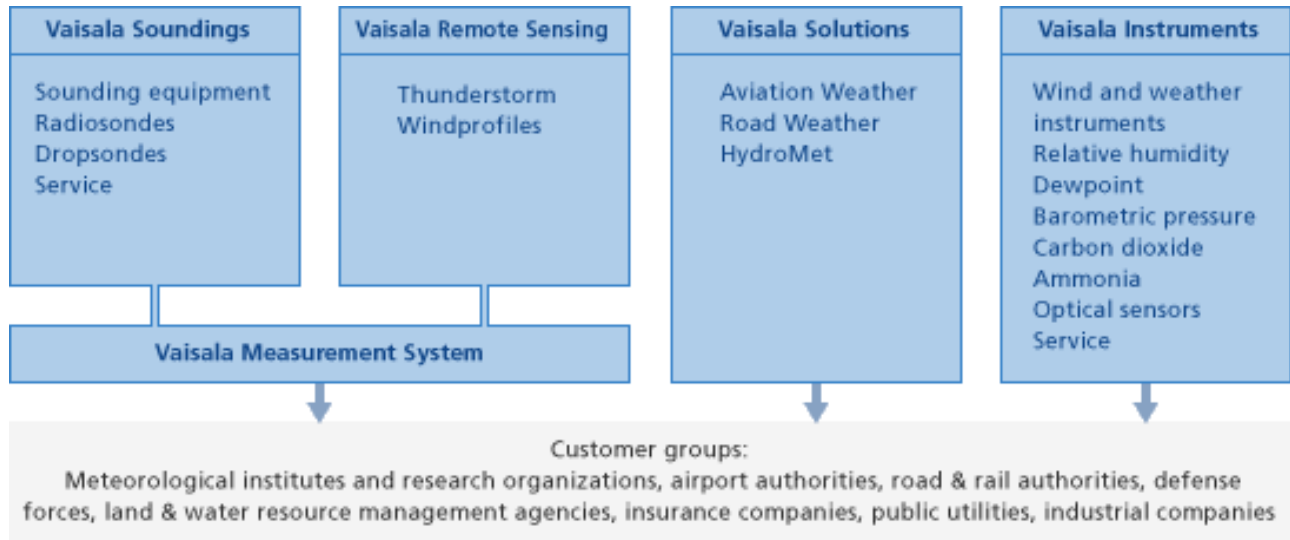
Vaisala Soundings develops, manufactures and markets instruments and systems for observing the weather in the upper atmosphere. The division's main products are radiosondes and dropsondes and related ground equipment for collecting and processing the information gathered by the radiosondes. The division's most important customers are meteorological institutes, meteorological research organizations and defense forces.

Vaisala Solutions develops, manufactures and markets systems and services for weather observation near and on the Earth's surface. The division's key products are automatic weather stations, automatic observation systems, and road and aviation weather systems. The division's core customers are meteorological institutes, aviation and road authorities, defense forces, and land and water resource management agencies.

Vaisala Remote Sensing develops, manufactures and markets wind profilers and lightning detection systems that make extensive use of remote sensing technology. The division is also responsible for maintaining the world's largest lightning detection network, the NALDN (North American Lightning Detection Network) in North America, which relays lightning detection information to several public and private sector customers. Remote sensing is an increasingly important area in meteorological, climatological, hydrological and air quality research. The division's most important customers are meteorological institutes and research organizations, aviation authorities, insurance companies, power utilities and defense forces.

Vaisala Instruments develops, manufactures and markets instruments for the measurement of relative humidity, dewpoint, barometric pressure, carbon dioxide, ammonia, wind, visibility, cloud height and present weather. These measurements are used to improve product quality, the efficiency of manufacturing processes and energy consumption, safety and the well-being of people. The division's products are used in numerous applications, such as cleanrooms, pharmaceutical, automotive, building automation, biotechnology and food industries, as well as meteorology. The division also offers maintenance partnerships for the instruments.

Vaisala organization structure

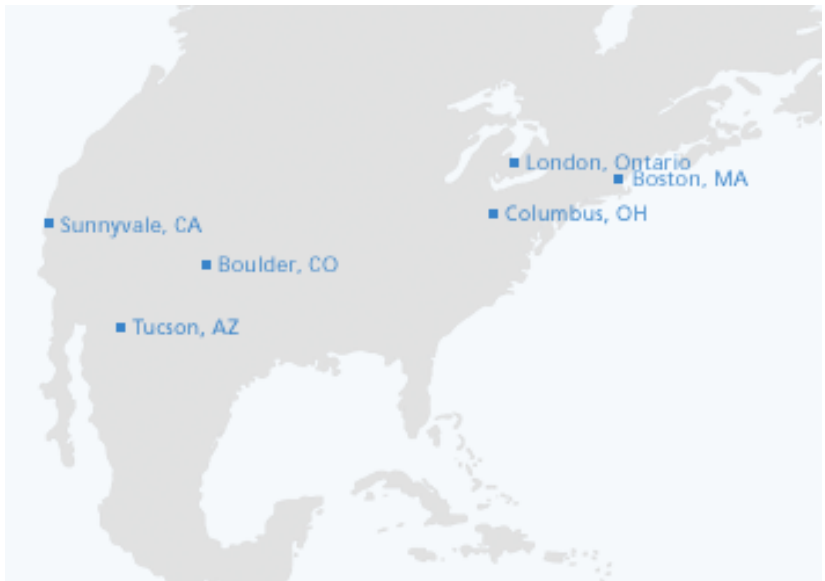


Vaisala worldwide

Europe



North America



Asia & Australia



Vaisala Group is an international company with customers all over the world. Vaisala's offices and distributor network serve customers in more than 100 countries. Efficient customer service requires knowledge of local circumstances and close contacts with customers.

At the end of 2003, Vaisala employed 717 people at its headquarters in Vantaa, Finland. They are engaged in research, product development, production and administrative functions.

Vaisala has 22 offices in 11 countries. At the beginning of 2003 the Group's operations in the USA were concentrated in new premises in Boulder, Colorado. Several important meteorological research institutes and laboratories with whom Vaisala works in close cooperation with are located in Boulder. In the fall of 2003, a new sales office was established in Shanghai, China. The office strengthens the ability of Vaisala Instruments to serve the growing markets of the region.

The size of the international offices varies by country and business area. In 2003, 415 (37%) of Vaisala's employees worked outside Finland.

The locations of Vaisala's offices are shown on the accompanying maps and the contact information on our homepage.

Elements of success

Vaisala's core business is environmental measurement. We specialize in weather measurement and industrial applications requiring environmental measurements. Our product portfolio includes instruments, measuring systems, complete solutions for specific applications and weather observation data. Our customers are weather professionals and industry. Our value proposition is based on three core strengths: innovation, reliability and the ability to solve customer's problems.

We strive for global market leadership in our selected businesses. Vaisala is already the global market leader in many of its core businesses: upper-air sounding systems, weather observation systems for airports and road maintenance, surface weather systems, optical instruments that measure present weather and visibility, as well as wind profilers and lightning detection in the remote sensing field. Vaisala is also the world's leading provider of instruments for measuring relative humidity and barometric pressure in industrial applications, designed for demanding professional use.

We select our business areas with an eye on maximizing the benefits of our investments in technology and distribution channels. We pay special attention to developing our core competencies. Cooperation with customers, universities and research organizations is an important way to achieve this. We network actively with highly qualified experts in the fields that complement our own core competencies. We invest substantially in research and development and introduce innovative products to the market.

Vaisala operates as one global company. The Group's processes, operating principles and tools are uniform at all locations.

Our objective is to grow faster than our field of business and maintain profitability at a good level. We will grow by widening our product range primarily for our current customers. Growth will mainly be achieved organically.

Vaisala Group's development projects

During 2003, Vaisala's divisions and their product distributions were streamlined. The corporate strategy was refined and the organizational structure was changed to correspond with the business models adopted.

Several development projects were underway at Vaisala Group in 2003. They focused on increasing the efficiency of business activities, developing personnel competencies and streamlining support functions.

Vaisala Solutions – focus on customer intimacy

The process map of Vaisala Solutions was adapted to support the new strategy. Simultaneously, a number of internal development programs were started to support the systematic development of the required competence areas. The objective is to transform Vaisala Solutions into a customer-oriented unit with a strong project and service culture, rather than the traditional product orientation.

Vaisala Instruments – speed and flexibility

One of the important factors in the success of Vaisala Instruments is its ability to react to individual customer needs in a fast and flexible way. Speed and flexibility were increased by introducing a working method based on the mass customization principle. The adapted method covers both products and business processes. Mass customization will also enable faster inventory turnover than was possible with traditional production methods.

Financial administration – from conventional budgeting to rolling forecasts

In October, Vaisala introduced 12-month rolling forecasts into its budgeting process. Rolling forecasts are a useful tool to facilitate management's decision making processes, enabling more dynamic and interactive management.

The efficiency of division business management was improved by creating the post of Division Controller for each of the four divisions.

An electronic processing system for purchase invoices was introduced at the end of 2003. The system makes the recycling, monitoring of acceptance limits, book entry and archiving of

receipts easier and faster. The project is an important step on the path to a totally electronic invoice processing system.

Information systems in support of business activities

The development of information systems has continued steadily. The Group-wide operational system, Platform One, was established in all Vaisala units during 2003. Further development of the system will focus on utilizing operational databases in customer service situations, information analysis and reporting.

The Group also introduced solutions which increase the efficiency of the logistics between units of the company and between Vaisala and its network of suppliers. A few solutions worth mentioning are the electronic purchase order and invoice processing systems as well as Internet-based solutions for supporting the cooperation and activities of virtual teams.

Vaisala's information and communications infrastructure was developed to correspond to the usability and reliability requirements of the new Group-wide systems.

Research and development – a prerequisite for success

Research and development activities are a key prerequisite for the success of the Vaisala Group and major investments are made to support it. For example, in 2003 R&D expenses totaled EUR 21.1 million, which is 11.2% of the Group's net sales. In addition to its own internal research activities Vaisala participates in several projects together with leading research organizations in the field, such as NOAA (National Oceanic and Atmospheric Administration, USA), NCAR (National Center for Atmospheric Research, USA) and VTT Technical Research Centre of Finland.

Vaisala is participating in the global THORPEX program (The Observing System Research and Predictability Experiment). THORPEX is a 10-year research program for observation systems and predictability, which is carried out in cooperation with the WMO (World Meteorological Organization).

Management

The highest decision making power of Vaisala Oyj, the parent company of the Vaisala Group, is exercised by the company's shareholders at the Annual General Meeting (AGM). The Board of Directors, who supervise the operations of the Vaisala Group are appointed at the AGM. The President and CEO heads the company's operating management together with the Corporate Management Group.

Meeting of Shareholders

The Board of Vaisala Oyj convenes the Group's Shareholder Meetings. The meetings comprise the Annual General Meeting and Extraordinary Meetings.

The Annual General Meeting is held each year, no later than the end of June, in the Vantaa-Helsinki metropolitan area. The AGM addresses issues as defined in the Group's Articles of Association as well as other pertinent matters and proposals. The Annual General Meeting has customarily been held in March.

An Extraordinary Meeting of Shareholders is convened as necessary to handle specific proposals addressed to such a meeting.

The Board of Directors

In accordance with the Group's Articles of Association, the Board of Vaisala Oyj comprises at least three (3) and at most six (6) Members. A Board Member's term of office is three (3) years, which begins after the meeting in which the Member is elected, and ends after three (3) subsequent Annual General Meetings. All Board Members are appointed by a Meeting of Shareholders. The Board chooses a Chairman and a Vice Chairman from its members.

Board of Directors (December 31, 2003)



Raimo Voipio, Chairman, b. 1955, M.Sc. (Eng.)



Yrjö Neuvo, Vice Chairman, b. 1943, Ph.D (EE)
Senior Vice President, Nokia Oyj



Pekka Hautojärvi, b. 1944, Professor
Helsinki University of Technology, Laboratory of Physics



Mikko Niinivaara, b. 1950, M.Sc. (Eng.)
President, ABB Oy



Mikko Voipio, b. 1960, M.Sc. (Eng.)



Gerhard Wendt, b. 1934, Ph.D

Pekka Ketonen, b. 1948, D. Tech. (h.c.)
President and CEO, Vaisala Group

Secretary, Jussi Mykkänen, b. 1955, Licentiate of Technology, MBA
Research Director, Vaisala Group

Management Group

Vaisala's Management Group is chaired by Vaisala's President and CEO. The Management Group's other members are Vaisala Division Directors and the Directors of Finance and Treasury, Research and Administration.

The Management Group does not exercise any decision making power as defined in legislation or the Group's Articles of Association. The Management Group is an advisory organ that addresses Group-wide development undertakings, as well as the Group's principles and operating practices in general.

Corporate Management Group (December 31, 2003)



Chairman, Pekka Ketonen, b. 1948, D. Tech.(h.c.)
President and CEO



Walt Dabberdt Director, b. 1942, Ph.D.(Meteorology)
Strategic Research



Tapio Engström Director, b. 1963, M.Sc.(Econ)
Finance



Kenneth Forss, b. 1954, B.Sc.(Eng)
Director, Vaisala Instruments



Marja Happonen, b. 1957, M.Sc.(Econ)
Director, Human Resources



Martti Husu, Director, b.1957, MBA, B.Sc.(Eng.)
Vaisala Remote Sensing



Jan Hörhammer, b. 1945, B.Sc.(Eng)
Director, Vaisala Measurement Systems



Erkki Järvinen, b. 1960, M.Sc.(Eng)
Director, Vaisala Soundings



Jussi Kallunki, Director, b. 1956, M.Sc.(Tech)
IT Development



Jussi Mykkänen, b. 1955, Licentiate of Technology, MBA
Director, Research



Hannu Tuominen, b. 1958, M.Sc.(Eng)
Director, Vaisala Solution

CEO

Vaisala's President and CEO is appointed by the Board. The CEO manages the company in accordance with the principles and directions issued by the Board, and informs the Board of the company's business and financial developments. The CEO is also responsible for organizing the Group's administration.

Environmental issues

Vaisala is committed to continually improving the environmental performance of its own operations, products and services, as well as to the prevention of pollution and the reduction of waste. On the basis of an environmental assessment, Vaisala has defined environmental goals and set up a program to reach these goals.

A certified environmental management system

Vaisala's environmental management system was ISO 14001 certified in 2003 and covers all of Vaisala's offices and operations. Vaisala employees are aware of the environmental aspects relating to their work. The environmental management system governs the company's operations and product development and it helps to manage and reduce the company's environmental impacts.

Environmentally-friendly product design

At Vaisala, "Design for the Environment" is a key aspect of product design. This work incorporates the EU's new environmental directives into the product design process. Vaisala's products will comply with the directives WEEE (Directive on Waste Electrical and Electronic Equipment) and ROHS (Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment) for electrical and electronic equipment by August 13, 2005 and July 1, 2006 respectively, the dates when the directives will come into force in Finland.

Vaisala strives to minimize its environmental impacts by focusing on the product life-cycle beginning from the product development phase. This starts with product design and ends with product disposal and recycling. The aim is to comply with environmental legislation, improve product energy efficiency, reduce raw materials consumption, lengthen product lifespans and increase the recyclability of the materials used in Vaisala products. Vaisala has worked in cooperation with Technology Industries of Finland, Helsinki University of Technology and Tampere University of Technology on projects promoting sustainable development.

Recycling of packaging materials

Vaisala takes care of the recycling of the packaging materials it delivers to the markets. In practice, this is done through membership in Finland's Environmental Register of Packaging PYR Ltd. Vaisala has been awarded a certificate indicating that it fulfills its packaging material reutilization obligations. Packaging material are weighed by type, i.e. for wood-based, plastic, metals, glass and other packaging materials. The wastes are reported annually to the PYR register. Vaisala covers the costs associated with the recycling process of the products it has delivered to the markets.

Improved waste management

Vaisala offices and operations undertook active measures to improve their waste management in 2003. A key goal was to improve waste handling for different types of waste. The next step is to minimize landfill waste by separating plastic and bio-energy waste from other mixed waste, as well as to reduce the amount of waste in general.

The environment and customer applications

Vaisala's environmental measurement products contribute favorably to the environment in many ways. For example, they enable the measurement and monitoring of diverse phenomena caused by changes in the global climate. Furthermore, the minimization of the detrimental environmental effects caused by exceptional weather conditions is increasingly a key priority. Therefore weather parameters are measured more extensively and at shorter intervals. Hydrological measurements are used to minimize flood damage. Road weather stations provide real-time weather information to support road maintenance, enabling the accurate identification and timing of road maintenance operations. The optimization of winter road maintenance reduces the environmental load.

Vaisala instruments for industry are used to improve product quality and production process efficiency, reduce energy consumption and promote safety and workplace well-being. In many manufacturing processes, it is of utmost importance to accurately measure and control humidity, so that product quality can be kept high and energy consumption low. In addition, carbon dioxide measurements give a good indication of indoor air quality and ventilation efficiency, since people spread carbon dioxide into the surrounding air. Indoor air can be kept fresh without wasting energy if ventilation is controlled with carbon dioxide measuring instruments.

Vaisala personnel in Finland and worldwide

At the end of 2003 the Vaisala Group had 1 113 employees, of which 698 worked in Finland and 415 outside Finland. The number of employees decreased by 100 from the previous year.

The economic downturn continued through 2003 and the situation required measures to improve Vaisala's profitability. The Group's operations were made more efficient and the organizational structure was changed to correspond with the business models of the renewed strategy.

As a result of the reorganization the number of personnel in Finland was reduced by 54. Of these, 15 employees were made redundant and 39 left due to retirement and fixed-term employment arrangements. The number of personnel in offices outside Finland was reduced by 46. These reductions were the result of a centralization of production and a rationalization of overlapping operations from acquisitions in recent years.

In the Vaisala Group, 43 % of personnel have an academic degree, an increase of 2% from the previous year. The proportion of personnel with technical education also increased by 1%, being 57% at the end of the year. The proportion of women remained unchanged at 31%. The average age of the Vaisala Group's personnel was 40.

Application skills strengthened

As a part of the strategy process the most important development areas for each business model were identified. The business units prepared long-term plans to develop skills and processes. Through these analyses, it was recognized that there is a need to develop the application knowledge of the personnel to meet the customer demands of the future. Vaisala developed a hydrological-meteorological education program in cooperation with the University of Helsinki, the Finnish Meteorological Institute and the Finnish Environmental Institute. During the fall of 2003 a total of 80 Vaisala employees in Finland were selected to study hydrology and meteorology in this program.

As part of the development program for the Vaisala Solutions division, its process map was adapted to correspond with its new strategy. A related scheme was started to develop the skills of project managers and a customer-oriented project culture. Other divisions continued to develop their project work abilities and culture.

The fifth international Vaisala Business Learning Program started in September 2003. A total of 18 Vaisala employees from Finland, the UK, the United States, Japan and Germany are participating in the program geared to develop business skills.

In-house product and application training continued in the Vaisala Group. Language and cultural training was organized in Finland, as in the past. Vaisala's training programs adopted working methods and tools that allow virtual teamwork as well as web-based study modules. Systematic team coaching continued in Finland.

Web-based tools help the Human Resources Department conduct personnel surveys and other development schemes

During 2003 web-based tools were used for personnel surveys to a greater extent than in previous years. In total, 78% of Vaisala's employees responded to the personnel survey. According to the survey report, employees are satisfied with the basic conditions of the workplace – they have sufficient information and authority to perform tasks, and they receive abundant feedback on the results of their work. Managers are supportive and give constructive feedback. The importance of development discussions in promoting work satisfaction was highlighted.

In addition, the survey showed that the personnel feels that their work is highly appreciated. There is plenty of information available on the company's strategies and future outlook and the organization is considered to be capable of reform and development-oriented. The personnel's expectations are focused on more extensive utilization and development of their skills. A higher level of support for personal development is expected from managers.

Development work was completed on the Learning Path orientation program begun in 2002. This program, designed to help in orientating new employees, was introduced in all Vaisala offices.

The Manager's Toolkit pages on the Vaisala Intranet were taken into use by the Group managers and supervisors to facilitate management work.

Use of bonus schemes as a tool in guiding operations

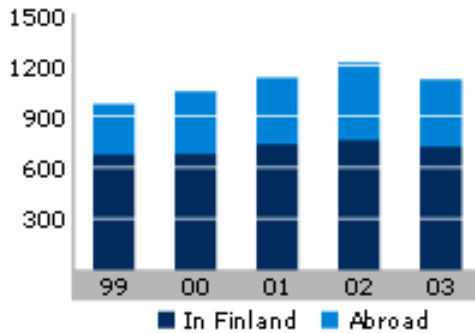
Work on standardizing bonus schemes throughout the Group was continued in order to make them compatible with the renewed strategic goals. Special attention was devoted to developing incentive schemes based on process indicators. Currently, 46% of Vaisala personnel are included in these schemes based on process indicators.

Work on standardizing the bonus schemes for the North American offices was completed.

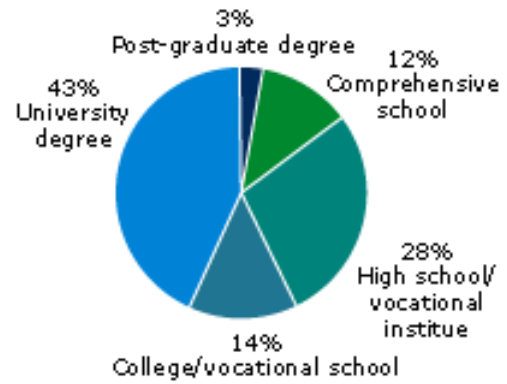
The Vaisala Group's stock option scheme included 84 people at the end of 2003.

Personnel in graphs

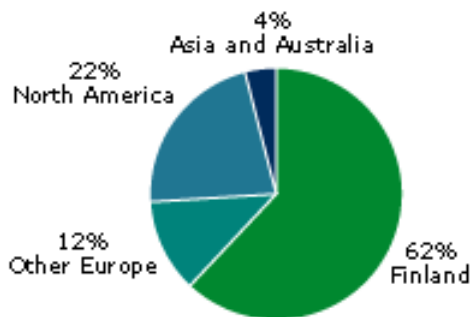
Personnel at the end of the year



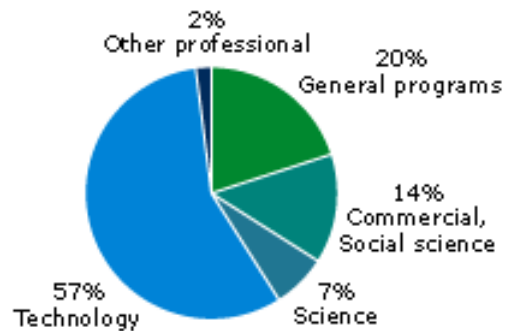
Personnel by level of education



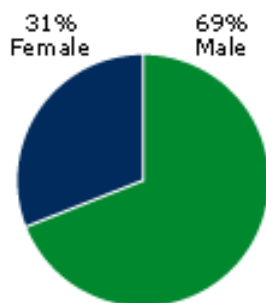
Personnel by geographical area



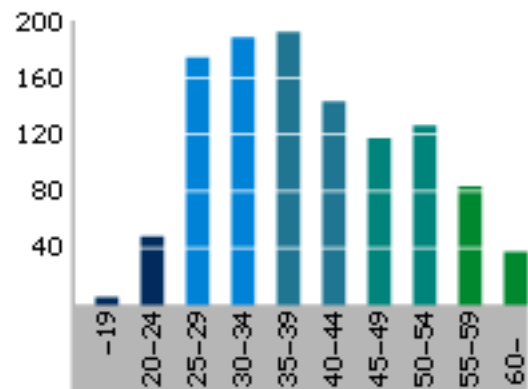
Personnel by area of education



Personnel by gender



Personnel by age



Annual General Meeting

The Annual General Meeting of Vaisala Oyj will be held on Thursday 18 March 2004, at 5 p.m. at the company's head office, Vanha Nurmijärventie 21, Vantaa, Finland.

The items specified in Article 13 of the Articles of Association will be on the agenda in the Annual General Meeting.

Right of attendance

Shareholders who are registered in the company's share register maintained by the Finnish Central Securities Depository Ltd by 8 March 2004 may attend the Annual General meeting. Shareholders whose shares have not been transferred to the book-entry securities system may also attend the Annual General Meeting provided that such shareholders were registered in the company's share register before 21 October 1994. In such cases, shareholders must present evidence that their shareholding rights have not been transferred to the book-entry securities system.

Documentation

Documents relating to financial statements and the Board's proposals to the Annual General Meeting are available as copies for the shareholders to see at the company's head office in Vantaa, Vanha Nurmijärventie 21, for a week before the Annual General Meeting. On request, copies will be sent to shareholders.

Notice of attendance

Shareholders wishing to attend the Annual General Meeting must notify the company no later than 4 p.m. on Tuesday 9 March 2004. Notification can be made either by letter addressed to Vaisala Oyj, Nina Andersin, P.O.Box 26, FIN-00421 Helsinki, Finland, by telefax to +358 9 8949 2206, by e-mail at nina.andersin@vaisala.com, or by telephone on weekdays between 9 to 12 a.m., tel. +358 9 8949 2201.

Letter authorizing a proxy to vote on behalf of a shareholder should be sent to the company before expiry of the notification.

Payment of dividend

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.75 per share be paid on the 2003 financial year. The record date for dividend payment is March 23, and subject to approval of the board, the dividend will be paid on March 30, 2003. Shareholders cannot be paid a dividend until they have transferred their shares to the book entry securities system.

Financial reporting in 2004

Vaisala Oyj will publish three interim reports in 2004 in Finnish and English according to the following schedule:

Interim report 1.1. – 31.3.2004	3.5.2004
Interim report 1.1. – 30.6.2004	9.8.2004
Interim report 1.1. – 31.9.2004	29.10.2004

Financial reports can be ordered from the address:

Vaisala Oyj
Corporate Communications
P.O.Box 26, FIN-00421 Helsinki, Finland
Tel. +358 9 8949 2744
Telefax +358 9 8949 2593
e-mail: info@vaisala.com

We will publish the Financial Statements 2003 brochure in Finnish and English.

The company's interim reports as well as other stock exchange releases and press releases are also available on the Vaisala website at www.vaisala.com.

Contact us



Vaisala Oyj

Corporate Communications

P.O. Box 26, FIN-00421 Helsinki, Finland

Street address:

Vanha Nurmijärventie 21, FIN-01670 Vantaa, Finland

Tel. +358 9 8949 2744

Fax +358 9 8949 2593

E-mail: info@vaisala.com

For more detailed contact information and for other Vaisala locations visit us at
www.vaisala.com



Financial Statements 2003

Contents

Board of directors' report	3
Income statements	7
Balance sheets	8
Cash flow statements	10
Notes to the financial statements	11
Distribution of profits and auditors' report	19
Shares and shareholders	20
Five years in figures	22
Financial ratios	23
Calculation of financial ratios	24
Information for shareholders	25
Contact information	26

Market situation

Growth in demand stopped in early 2002 and has been unstable ever since in most divisions.

The demand for Vaisala products follows business cycles with a time lag. Therefore, when an upswing in the global economy starts, its effects are visible only after a delay.

Sustained maintenance and development of competitiveness has enabled Vaisala to retain its market share, and its market position is still strong.

Net sales and order book

The Vaisala Group's net sales fell by 3.6% to EUR 189.2 million compared with EUR 196.2 the year before. The Group's operations outside Finland accounted for 96.6% of net sales. New orders for the financial year totaled EUR 180.7 (213.3). The order book at the end of the year stood at EUR 62.9 (77.1) million.

Without the effect of exchange rate changes, the Group's net sales would have risen by 4%.

Performance

Operating profit for the financial year was EUR 25.9 (22.6) million. Operating profit grew by 14.7% compared with 2002. Profit before extraordinary items was 12.4% of net sales, or EUR 23.4 (21.5) million.

The improved result, despite lower net sales, can be attributed to measures to improve profitability. These measures will have full effect in 2004.

Balance sheet

The Vaisala Group's solvency and liquidity remained strong. The balance sheet total as at December 31, 2003 was EUR 173 (175) million. The Group's solvency ratio at the end of the review period was 84% (84%), while cash and bank balances totaled EUR 46.8 (38.9) million.

Capital expenditure

Gross capital expenditure in non-current assets during the financial year totaled EUR 14.1 (28.4) million.

Vaisala took up new US premises in Boulder, Colorado at the beginning of 2003. The investment amounted to approximately EUR 5.5 million. The new facility will improve productivity and profitability in the United States. The share of the investment booked for 2003 was EUR 3.1 million.

The new cleanroom was completed in Vantaa on schedule before the end of 2003. The cleanroom will be brought into production in April 2004. The share of the investment booked for 2003 was EUR 3.4 million.

Other capital expenditure concerned machinery and equipment and information technology.

Changes in the Group structure

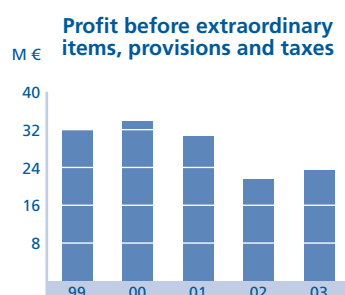
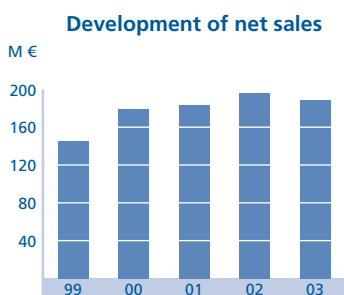
Vaisala's divisions and their product distributions were streamlined. The purpose of the changes was to create better conditions for the continuous improvement of business models. As a result, the division names were changed on April 1, 2003 as follows: The Upper Air Division is now Vaisala Soundings. The Surface Weather Division is now Vaisala Solutions. The Sensor Systems Division is now Vaisala Instruments, and the Vaisala Remote Sensing Division is now simply Vaisala Remote Sensing.

In the United States, Vaisala-GAI Inc., bought in March 2002 under the name Global Atmospheric Corporation, was merged with Vaisala Inc.

Business performance

Vaisala Soundings

Vaisala Soundings develops, manufactures and markets instruments and systems for observing the weather in the upper atmosphere. The division's main products are radiosonde and dropsonde instru-



ments and related ground equipment for collecting and processing the information gathered by the radiosondes.

The division's core customer groups are meteorological institutes, meteorological research organizations and defense forces. Vaisala is the world market leader in upper air sounding systems.

The net sales in 2003 for Vaisala Soundings totaled EUR 64.5 million, compared to EUR 63.2 million in the previous financial year. This was a good result.

In 2003 Vaisala introduced a new product family of digital radiosondes. Together with the Vaisala sounding equipment it will provide more accurate pressure, temperature, relative humidity, and wind measurement data than before. The new product family strengthens Vaisala's position as a global market leader in high-quality sounding applications for the upper atmosphere.

Vaisala Solutions

Vaisala Solutions develops, manufactures and markets meteorological sensors and systems, which are used to observe weather conditions near and on the earth's surface. The division's main products are automatic weather stations and observation systems as well as road and aviation weather systems. The main customers are meteorological institutes, aviation and road authorities, defense forces and land and water resource management agencies.

The division's net sales totaled EUR 56.8 million compared to EUR 67.5 million for the previous financial year. As a result of the drop in net sales, the result was weaker than

the year before and unsatisfactory.

In February, Vaisala launched a new low-level windshear alert system issues warnings about rapid wind condition changes in runway corridors. Windshear is dangerous to aircraft during take-off and landing. The new alert system thus improves airport safety and efficiency.

In May, Vaisala introduced a new product family for the measurement of present weather and visibility. Road and aviation authorities as well as meteorological organizations use the products for automating weather observations.

In August a new meteorological data management system used in hydrological and meteorological observation networks was introduced. The new systems can be connected with more automatic weather stations than before and now also include hydrology applications.

Vaisala Remote Sensing

Vaisala Remote Sensing develops, manufactures and markets wind profilers and lightning detection systems.

Remote sensing is a growing area in aviation, meteorology, climatology, hydrology and air quality research. The Division's customer groups include meteorological and climatological research institutes, authorities monitoring air quality, civil aviation authorities, insurance companies and power utilities. In the field of remote sensing technology, Vaisala is a world market leader in wind profilers and lightning detection systems.

Vaisala Remote Sensing generated net sales of EUR 21.5 million compared to EUR 18 million in the previous financial year. The division was not profitable during the financial year. Net sales for 2003 increased from the previous year mainly because the Global Atmospheric Corporation, bought in 2002, was included in the net sales only for 9 months in 2002.

The operational priorities in the Remote Sensing Division were the further consolidation of products and operations.

The wind profiler business continued to integrate new signal processing algorithms into the wind profiler product range.

Vaisala delivered the first wind profilers into operational use in Europe in 2003. The first three-dimensional lightning detection network was delivered in the summer to an important customer in Asia

Vaisala Instruments

The Vaisala Instruments division develops, manufactures and markets electronic measurement instruments for the measurement of relative humidity, dewpoint, material moisture, barometric pressure, carbon dioxide and ammonia. The division's products are used to control production processes, improve equipment performance, maintain safety and measure human and product environments in industry, meteorology and metrology. Vaisala is a leading manufacturer of relative humidity and barometric pressure measurement equipment intended for professional use.

The division's net sales in 2003 totaled EUR 46.5 million, compared

to EUR 47.5 million in the previous financial year. Profit remained at a good level, in spite of heavy investments in product development.

In June, Vaisala launched a new relative humidity and temperature transmitter module. The instrument offers fast and reliable detection of moisture in lubrication, hydraulic and transformer oils.

Moreover, the division introduced a miniature dewpoint transmitter. The device extends Vaisala's product range for dewpoint measurement, and it is designed for air moisture measurements in industrial OEM applications, such as plastic and compressed air dryers.

Research and development

Expenditure on research and development in the review period totaled EUR 21.1 (22.1) million, representing 11.2% of the Group's net sales.

The Vaisala Group is working closely in several projects with leading research institutes, such as NOAA (the National Oceanic and Atmospheric Administration, USA), NCAR (National Center for Atmospheric Research, USA) and VTT (Technical Research Centre of Finland).

The Vaisala Group participates in the THORPEX program (The Observing-System Research and Predictability Experiment). THORPEX is a 10-year program, implemented under the auspices of the WMO (World Meteorological Organization).

Other events during the review period

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 by the company's wholly owned subsidiary, Vaisala GmbH. The issued warrants give the right to subscribe, in total, for 896,000 Vaisala A shares. The terms and conditions of the year 2000 warrants were published in 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 to be allocated to 79 key employees and 140,000 to Vaisala GmbH.

The divisions and distribution channels were restructured during the spring. Related proceedings, taken in compliance with the Act on Co-operation within Undertakings, were completed on May 19, 2003.

In November, Vaisala opened a sales office in Shanghai, China. The new office strengthens the representation of the Vaisala Instruments division in the growing market in the area. Vaisala has had representation in Beijing since 1986.

Trading in the A warrants of Vaisala's year 2000 warrant program started on the Helsinki Exchanges on December 1, 2003.

Adoption of IAS reporting

Vaisala's Board of Directors decided that Vaisala Group will prepare its financial statements in accordance with the IAS/IFRS accounting standards from January 1, 2005.

Vaisala share

Share price performance (EUR)

During 2003

Highest	Lowest	31.12.2003	31.12.2002
25.00	16.70	24.50	22.98

Vaisala's share capital on December 31, 2003 was EUR 7,349,905.88 and the total number of shares was 17,479,000.

A total of 1,495,572 Vaisala shares were traded during the financial year.

Vaisala does not hold any of its own shares.

A total of 35,000 Vaisala A shares were subscribed for in February 2003 with the A warrants issued in 1997, and they were entered in the Trade Register on February 25, 2003. Due to the subscriptions, Vaisala's share capital increased by 35,000 A shares, or EUR 14,717.47.

A total of 7,000 Vaisala A shares were subscribed for in March 2003 with the B warrants issued in 1997, and they were entered in the Trade Register on March 31, 2003. Due to the subscriptions, Vaisala's share capital increased by 7,000 A shares, or EUR 2,943.49. Vaisala's registered share capital on March 31, 2003 was EUR 7,349,905.88 and the company's shares numbered 17,479,000.

Personnel

During the financial year, the Vaisala Group employed an average of 1,141 (1,208) people, 738 (764) of whom worked in the parent company and 403 (444) in the subsidiaries. Some 21% (22%) of the Group's personnel worked in research and development.

The total number of people employed by the Vaisala Group at the end of the financial year was 1,113 (1,213), of whom 717 (771) worked in the parent company and 396 (442) in the subsidiaries. Some 37% (38%) of the Group's personnel worked outside Finland.

Board of directors' report

Salaries

During the financial year, the parent company paid salaries totaling EUR 307 (297) thousand to the members of the Board of Directors and the President & CEO, and EUR 26,141 (26,077) thousand to the rest of the personnel. Salaries paid to the Group Management totaled EUR 1,165 (1,043) thousand and salaries to the rest of the Group personnel EUR 46,274 (49,040) thousand.

Board of Directors, President & CEO and auditors

The members of the Board of Directors are Raimo Voipio M.Sc.(Eng.) (Chairman); Professor Pekka Hautajärvi; Professor Yrjö Neuvo, Execu-

utive Vice President: Mikko Niinivaara M.Sc.(Eng.); Mikko Voipio M.Sc.(Eng) and Gerhard Wendt Ph.D. The Group's President & CEO is Pekka Ketonen, D.Tech.(h.c.).

The Group's auditors are PricewaterhouseCoopers Oy, Authorized Public Accountants, and Jukka Alamo APA.

Dividend

The Board of Directors will propose to the Annual General Meeting to be held on March 18, 2004 that a dividend of EUR 0.75 per share be paid for the 2003 financial year.

According to the proposal, the dividends will total EUR 13,109,250, representing on 90.4% of the operating profit for the financial year.

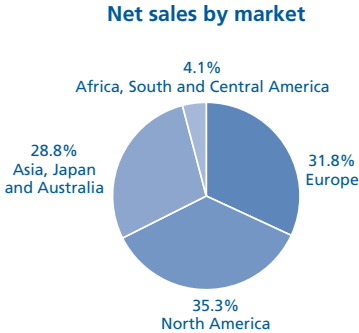
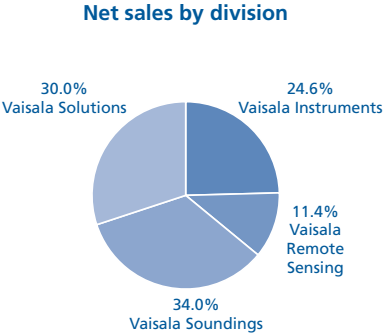
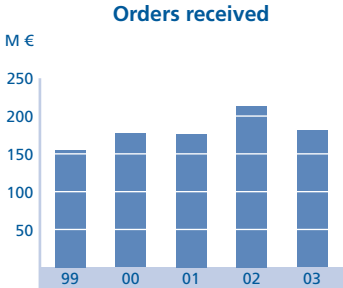
Outlook

The market outlook does not anticipate an essentially better operating environment for 2004. Net sales will increase only slightly. Currency exchange rates will also affect competition, growth and profitability.

Vaisala aims to be the global market leader in its selected areas of business in the future, too. This is why the investments in product development and competitiveness will be substantial.

Vantaa,
February 12, 2004

Vaisala Group
Board of Directors



Income statements

(M€)	Note	GROUP		PARENT COMPANY	
		2003	2002	2003	2002
Net sales	(2)	189.2	196.2	136.5	131.7
Cost of production and procurement		88.2	85.0	72.3	63.9
Gross profit		101.0	111.2	64.2	67.7
Cost of sales and marketing		36.5	43.7	14.9	16.9
Cost of administration					
Development costs		21.1	22.1	15.3	16.0
Other administrative costs		14.4	15.6	9.7	9.7
Group goodwill		4.1	7.5	-	-
		76.0	88.8	39.8	42.6
Other operating income	(3)	0.9	2.0	0.5	2.0
Other operating costs		-	1.9	-	-
Operating profit		25.9	22.6	24.8	27.2
Financial income and expenses	(5)	-2.5	-1.1	-1.8	-5.9
Profit before provisions and taxes		23.4	21.5	23.1	21.3
Provisions		-	-	-0.1	1.7
Direct taxes	(6)	8.9	8.4	6.5	6.3
Minority interest		-	-0.2	-	-
Net profit for the financial year		14.5	13.2	16.5	16.7

Balance sheets

Assets (M€)	Note	GROUP		PARENT COMPANY	
		2003	2002	2003	2002
Non-current assets					
Intangible assets	(7)				
Intangible rights		2.9	3.1	3.5	3.9
Goodwill		1.2	3.6	–	–
Consolidated goodwill		5.6	8.7	–	–
Other long-term expenditure		0.4	0.5	0.4	0.3
		10.1	15.9	3.9	4.2
Tangible assets	(7)				
Land and waters		2.9	2.2	1.3	1.3
Buildings		25.1	18.5	22.3	18.5
Machinery and equipment		11.8	13.2	8.8	9.0
Other tangible assets		0.5	1.1	0.0	0.0
Advance payments and construction in progress		4.5	4.6	4.4	3.9
		44.8	39.5	36.8	32.7
Investments	(7, 10)				
Other shares and holdings		0.3	0.3	20.8	20.8
Other receivables		1.7	2.0	0.0	0.1
Receivables from subsidiaries		–	–	4.8	6.9
		2.0	2.4	25.6	27.7
Current assets					
Inventories					
Materials and consumables		9.5	10.8	7.4	7.0
Work in progress		4.2	4.3	1.7	3.6
Finished goods		4.8	7.9	2.6	2.7
		18.4	23.0	11.6	13.3
Receivables					
Trade receivables		41.9	40.8	36.1	32.7
Loan receivables		0.0	0.0	2.0	2.1
Other receivables		2.5	3.5	0.3	0.3
Prepaid expenses and accrued income	(8)	4.0	5.9	3.3	5.8
Deferred tax assets	(11)	2.3	5.0	0.3	0.3
		50.8	55.3	41.8	41.1
Cash and bank balances	(9)	46.8	38.9	35.3	30.1
Assets, total		172.9	175.0	155.1	149.2

Balance sheets

Shareholders' Equity and Liabilities (M€)	Note	GROUP		PARENT COMPANY	
		2003	2002	2003	2002
Shareholders' Equity	(12)				
Share capital		7.4	7.3	7.3	7.3
Share issue		7.3	6.9	7.3	6.9
Reserve fund		0.1	0.1	-	-
Profit from previous years		110.3	111.0	100.2	93.1
Profit for the financial year		14.5	13.2	16.5	16.7
		139.5	138.5	131.4	124.0
Minority interest		-	-	-	-
Provisions					
Accumulated depreciation difference	(12)	-	-	2.6	2.5
Obligatory provisions	(13)	1.1	1.1	0.9	0.8
Liabilities					
Non-current					
Other non-current liabilities	(14)	1.2	2.2	1.2	2.0
Current					
Advances received		7.7	9.6	2.9	5.0
Trade payables		9.1	8.0	9.6	8.1
Other current liabilities		3.2	2.0	1.8	1.3
Accrued expenses and deferred income	(15)	11.2	13.6	4.7	5.4
		31.1	33.2	19.0	19.8
Shareholders' equity and liabilities, total		172.9	175.0	155.1	149.2

Cash flow statements

(M€)	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
Cash flow from operating activities				
Cash flow from operations	188.3	202.3	132.1	134.1
Other income from business operations	0.2	2.0	0.0	2.0
Expenses from business operations	-145.0	-168.4	-103.5	-101.5
Cash flow from business operations before financial items and taxes	43.5	35.9	28.6	34.6
Financial income and expenses from business operations	-2.2	0.7	-2.1	0.8
Dividend received from business operations	0.0	0.0	1.0	1.6
Direct tax paid	-6.5	-10.4	-4.8	-8.8
Cash flow from business operations (A)	34.8	26.2	22.7	28.2
Cash flow from investing activities				
Investments in tangible and intangible assets	-18.1	-24.9	-9.7	-8.7
Proceeds from sale of fixed assets	0.1	0.0	0.0	0.0
Loans granted	0.0	0.0	0.0	-3.8
Other investments	0.0	-0.2	0.0	-15.6
Repayments on loan receivables	0.0	0.0	1.1	5.3
Proceeds from sale of other investments	0.5	0.0	0.5	0.0
Cash flow from investing activities (B)	-17.5	-25.1	-8.1	-22.8
Cash flow from financing activities				
Equity issue	0.4	1.9	0.4	1.9
Repayment of short-term loans	0.0	0.0	0.0	0.0
Withdrawal of long-term loans	0.2	0.4	0.2	0.4
Repayment of long-term loans	-0.4	-0.5	-0.4	-0.5
Dividend paid and other distribution of profit	-9.6	-9.5	-9.6	-9.5
Cash flow from financing activities (C)	-9.4	-7.7	-9.4	-7.7
Change in liquid funds (A + B + C) increase (+) / decrease (-)	7.9	-6.6	5.2	-2.2
Liquid funds at beginning of financial year	38.9	45.5	30.1	32.4
Liquid funds at end of financial year	46.8	38.9	35.3	30.1

Notes to the income statements and balance sheets

1. Accounting principles

Scope of consolidation

The consolidated financial statements include the accounts of Vaisala Oyj and those companies in which it holds, directly or indirectly through subsidiaries, over 50% of the voting rights. The companies acquired or established during the financial period have been consolidated from the date of acquisition or formation.

Principles of consolidation

The consolidated accounts have been drawn up using the purchase method. The difference between the cost of acquired shares and the value of the equity of the acquired subsidiaries is primarily allocated to the fair values of acquired assets and liabilities in the consolidated balance sheet. The remaining difference is carried as goodwill on consolidation and amortized over its estimated useful life, over a period of five years.

Intragroup transactions, unrealized margins of 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 euros using the official average exchange rates quoted by the European Central Bank at the balance sheet date. The income statements have been translated using the average rates during the financial year. All translation differences arising from the consolidation of foreign shareholdings are recorded as a separate item under non-restricted equity.

Earnings in companies in which Vaisala group holds 20 - 50 % of the shares are consolidated according to the equity method.

Non-current assets

The balance sheet values of fixed assets are stated at historical cost, less accumulated depreciation and amortization, with the exception of the office and factory premises at Vantaa, which were revalued in previous years by a total of EUR 5.7 million. Despite of the revaluations, the asset value is significantly less than the market value of the office and factory premises. The cost of self-constructed assets also includes overhead costs attributable to construction work. Interest is not capitalized on fixed assets. Depreciation and amortization is calculated on a straight-line basis over the expected useful lives of the assets, except for land, which is not depreciated. Estimated useful lives for various assets are:

<u>Intangible rights</u>	<u>3–5 years</u>
<u>Goodwill and group Goodwill</u>	<u>5 years</u>
<u>Buildings and structures</u>	<u>5–40 years</u>
<u>Machinery and equipment</u>	<u>3–10 years</u>
<u>Other tangible assets</u>	<u>5–15 years</u>

Inventories

The cost of inventories comprises all costs of purchase. Finished goods produced include also fixed and variable production overheads. Inventories are valued using the average cost method.

Foreign currency items

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of transaction. Receivables and payables in foreign currency are valued at the exchange rates quoted by the European Central Bank at the balance sheet date. All foreign exchange gains and losses, including foreign exchange gains and losses on trade accounts receivable and payable, are recorded as financial income and expenses.

Pension costs

Pension costs are recorded according to the local regulations. The additional pension coverage of parent company personnel is arranged 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 cover 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.

Income taxes

Income taxes consist of current and deferred tax. Current taxes in the income statement include estimated taxes payable or refundable on tax returns for the financial year and adjustments to tax accruals related to previous years. The deferred taxes in the income statement represent the net change in deferred tax liabilities and assets during the year.

Notes to the income statements and balance sheets

(t€)	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
2. Net sales by market area				
Finland	6 392	7 328	6 393	7 328
Other Europe	53 825	53 963	43 950	43 808
North America	66 690	80 554	29 964	33 396
Asia and Australia	54 451	44 721	48 302	37 475
Africa, South and Central America	7 846	9 654	7 846	9 654
Total	189 204	196 220	136 455	131 661
3. Other operating income				
Gains on disposal of fixed assets	544	41	492	0
Other income from operations	371	2 001	8	2 001
Total	915	2 042	499	2 001
4. Personnel				
Personnel costs				
Wages and salaries	47 439	50 083	26 448	26 374
Pension costs	5 792	5 533	4 520	3 938
Other personnel costs	5 285	5 390	1 632	2 089
Total	58 516	61 006	32 600	32 401
Personnel on average during the year (persons)				
In Finland	738	764	722	751
Outside Finland	403	444	17	13
Total	1 141	1 208	738	764
Henkilöstö 31.12.				
In Finland	698	757	698	757
Outside Finland	415	456	19	14
Total	1 113	1 213	717	771
Cash loans, securities or contingent liabilities were not granted to the President or to the members of the Board of Directors.				
5. Financial income and expenses				
Dividend income				
From Group companies	–	–	949	1 549
From others	46	25	46	25
Share of the associated companies' net profit				
Share of the associated companies' net profit	34	11	–	–
Interest income on long-term investments				
From Group companies	–	–	217	486
Other interest and financial income				
From Group companies	–	–	–	91
From others	911	1 482	645	1 140
Write-down on investments				
Write-down on long-term investments	–	–	–	–4 500
Interest and other financial expenses				
From others	–103	–170	–71	–106
Foreign exchange gains and losses				
From Group companies	–	–	–1 668	–3 207
From others	–3 415	–2 466	–1 871	–1 346
Total	–2 527	–1 117	–1 753	–5 869

Notes to the income statements and balance sheets

(t€)	GROUP		PARENT COMPANY			
	2003	2002	2003	2002		
6. Income taxes						
Taxes for the financial year	6 394	7 274	6 406	6 073		
Taxes from previous years	364	5	-7	5		
Taxes paid at source abroad	95	-13	95	-13		
Deferred tax liability	2 063	1 148	-11	229		
Total	8 916	8 414	6 483	6 294		
7. Fixed assets and other long-term investments						
Group	INTANGIBLE RIGHTS	GOODWILL	CONSOLIDATED GOODWILL	OTHER LONG-TERM EXPENDITURE	TOTAL	
Intangible assets						
Acquisition cost Jan. 1	9 485	11 317	14 840	1 209	36 851	
Translation difference	-120	-1 968	-1 681	-111	-3 880	
Increases	1 292	119	-	180	1 591	
Decreases	-196	0	0	-122	-318	
Transfers between items	-	-	-	0	0	
Acquisition cost Dec. 31	10 461	9 468	13 159	1 156	34 244	
Accumulated depreciation and write-downs Jan. 1	6 428	7 694	6 121	750	20 993	
Translation difference	-59	-1 523	-438	-84	-2 104	
Accumulated depreciation of decreases and transfers	-202	0	0	-1	-203	
Depreciation for the financial year	1 357	2 134	1 923	42	5 456	
Write-downs	-	-	-	-	-	
Accumulated depreciation Dec. 31	7 524	8 305	7 606	707	24 142	
Balance sheet value Dec. 31	2 937	1 163	5 553	449	10 102	
Write-off period for the goodwill and consolidated goodwill is 5 years						
Group	LAND AND WATERS	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Tangible assets						
Acquisition cost Jan. 1	2 140	21 219	42 135	3 586	4 563	73 643
Translation difference	-161	43	-2 425	-462	-110	-3 115
Increases	823	7 091	3 566	192	950	12 623
Decreases	-	-	-152	-352	-361	-865
Transfers between items	-	528	2	-	-524	6
Acquisition cost Dec. 31	2 802	28 882	43 127	2 964	4 518	82 292
Accumulated depreciation and write-downs Jan. 1	-	8 351	28 363	2 293	-	39 007
Translation difference	-	23	-1 862	-300	-	-2 139
Accumulated depreciation of decreases and transfers	-	-19	-157	93	-	-83
Depreciation for the financial year	-	1 088	4 969	344	-	6 400
Accumulated depreciation Dec. 31	0	9 443	31 313	2 430	0	43 185
Revaluation	84	5 618	-	-	-	5 702
Balance sheet value Dec. 31	2 886	25 057	11 814	535	4 518	44 809
Undepreciated acquisition cost of machinery and equipment on Dec. 31, 2003 was EUR 10.2 million.						

Notes to the income statements and balance sheets

Group	SHARES AND HOLDINGS	SHARES ASSOCIATED COMPANIES	OTHER LONG-TERM RECEIVABLES	TOTAL
Investments				
Acquisition cost Jan. 1	79	252	2 042	2 373
Translation difference	-2	-2	-330	-334
Increases	-	11	8	19
Decreases	-42	-	-21	-63
Transfers between items	-	-	-	-
Balance sheet value Dec. 31	35	261	1 699	1 994

Parent Company	INTANGIBLE RIGHTS	OTHER LONG-TERM EXPENDITURE	TOTAL
Intangible assets			
Acquisition cost Jan. 1	10 623	564	11 187
Increases	1 281	157	1 438
Decreases	-	-	0
Transfers between items	-	-	-
Acquisition cost Dec. 31	11 904	721	12 624
Accumulated depreciation and write-downs Jan. 1	6 679	271	6 951
Accumulated depreciation of decreases and transfers	-	-	0
Depreciation for the financial year	1 715	36	1 751
Accumulated depreciation Dec. 31	8 394	307	8 701
Balance sheet value Dec. 31	3 509	414	3 923

Parent Company	LAND AND WATERS	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Tangible assets						
Acquisition cost Jan. 1	1 193	21 180	24 051	27	3 895	50 346
Increases	-	4 769	2 920	-	874	8 563
Decreases	-	-	-4	-	-329	-333
Transfers between items	-	-	-	-	-	-
Acquisition cost Dec. 31	1 193	25 949	26 967	27	4 440	58 577
Accumulated depreciation and write-downs Jan. 1	-	8 323	15 005	-	-	23 328
Accumulated depreciation of decreases and transfers	-	-	-4	-	-	-4
Depreciation for the financial year	-	960	3 214	-	-	4 175
Accumulated depreciation Dec. 31	0	9 284	18 215	0	0	27 499
Revaluation	84	5 618	-	-	-	5 702
Balance sheet value Dec. 31	1 277	22 283	8 751	27	4 440	36 780

Undepreciated acquisition cost of machinery and equipment on Dec. 31, 2003 was EUR 7.9 million.

Notes to the income statements and balance sheets

	SUBSIDIARY SHARES	OTHER SHARES AND HOLDINGS	OTHER LONG-TERM RECEIVABLES FROM GROUP COMPANIES	TOTAL
Parent Company				
Investments				
Acquisition cost Jan. 1	20 792	55	6 866	27 712
Increases	-	-	-	0
Decreases	-	-42	-2 115	-2 157
Transfers between items	-	-	-	-
Balance sheet value Dec. 31	20 792	13	4 751	25 555

(t€)	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
8. Deferred assets				
Tax related deferred assets	1 701	4 403	1 701	4 390
Other deferred assets	3 914	1 510	1 572	1 407
	5 615	5 913	3 273	5 796
9. Cash and bank balances				
Cash and balance in the bank accounts	21 463	18 520	9 974	9 766
Commercial papers	25 375	20 382	25 375	20 382
	46 838	38 902	35 349	30 147

10. Group companies

	GROUP HOLDING %	PARENT COMPANY HOLDING %
Subsidiaries		
Vaisala Limited, Birmingham, Great Britain	100%	100%
Vaisala Pty Ltd., Hawthorn, Australia	100%	100%
Vaisala GmbH, Hamburg, Germany	100%	100%
Vaisala KK, Tokyo, Japan	100%	100%
Vaisala Holding Inc., Woburn, USA	100%	100%
Vaisala Inc., Woburn, USA	100%	0%
Tycho Technology Inc., Woburn, USA	100%	0%
Vaisala S.A., Argentina	100%	100%
Vaisala S.A., Saint-Quentin-En-Yvelines, France	100%	100%
All subsidiaries have been included in the consolidated financial statements.		
Associated companies		
Meteorage SA, France	35%	0%

Notes to the income statements and balance sheets

(t€)	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
11. Deferred tax assets and liabilities				
Deferred tax assets				
Consolidation	690	885	-	-
Timing differences	2 894	5 078	262	251
	3 584	5 963	262	251
Deferred tax liabilities				
Provisions	748	733	-	-
Timing differences	534	218	-	-
	1 282	951	0	0
Deferred tax assets/liabilities, net	2 302	5 012	262	251
The deferred tax liability arising from revaluation has not been taken into account. If realized, the tax effect of revaluation would be EUR 1 653.6 thousand at the current tax rate.				
12. Shareholders' equity				
The parent company's shares are divided into series, with 3,415,785 series K shares (20 votes/share) and 14,063,215 series A shares (1 vote/share). In accordance with the Company Articles, series K shares can be converted into series A shares through a procedure defined in detail in the Company Articles.				
Share capital				
Series A Jan.1	5 897	5 822	5 897	5 821
Converted from series K to A	-	-	-	-
Share issues	18	76	18	76
Series A Dec.31	5 915	5 897	5 915	5 897
Series K Jan.1	1 435	1 435	1 435	1 435
Converted from series K to A	-	-	-	-
Share capital Dec. 31	7 350	7 332	7 350	7 332
Share premium fund Jan.1	6 851	4 988	6 851	4 988
Share issues	402	1 863	402	1 863
Share premium fund Dec. 31	7 253	6 851	7 253	6 851
Reserve fund Jan.1	112	118	-	-
Translation difference	-10	-6	-	-
Reserve fund Dec. 31	102	112	0	0
Profit from previous years Jan. 1	124 212	125 487	109 808	102 614
Dividends paid	-9 590	-9 491	-9 590	-9 491
Translation difference	-4 356	-5 023	-	-
Profit from previous years Dec. 31	110 266	110 973	100 217	93 123
Profit for the financial year	14 485	13 239	16 548	16 685
Total equity	139 456	138 506	131 368	123 990

Notes to the income statements and balance sheets

(t€)	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
Distributable equity				
Accumulated profit funds Dec. 31.	110 266	110 973	100 217	93 123
Profit for the financial year	14 485	13 239	16 548	16 685
Accumulated provisions included in accumulated profit	-1 832	-1 794	-	-
Distributable profit funds Dec. 31.	122 919	122 417	116 765	109 808
Accumulated provisions				
Accumulated depreciation difference				
Intangible rights	-18	123	-18	123
Buildings	3 258	3 116	3 258	3 116
Machinery and equipment	-660	-711	-660	-711
Total accumulated depreciation difference	2 581	2 527	2 581	2 527
Deferred tax liability on accumulated provisions	-749	-733		
Accumulated provisions included in profit funds	1 832	1 794		
13. Obligatory provisions				
Quality expense reserve	288	391	288	337
Pension reserve	557	394	557	421
Other reserve	292	274	63	74
Total obligatory provisions	1 137	1 059	909	832
14. Non-current liabilities				
Liabilities maturing within five years or more				
Other non-current liabilities	0	67	0	67
15. Accrued expenses and deferred income				
Wages, salaries and wage-related liabilities	7 740	9 012	4 245	4 600
Tax liabilities	574	1 025	-	-
Other accrued expenses and deferred income	2 847	3 594	504	777
	11 161	13 631	4 750	5 376
16. Receivables and liabilities from other companies in the Vaisala Group				
Non-current loan receivables			4 751	6 866
Current loan receivables			1 954	2 135
Trade receivables			16 712	16 446
Prepaid expenses and accrued income			44	231
Total receivables			23 461	25 678
Trade payables			1 645	728
Accrued expenses and deferred income			81	60
Total liabilities			1 727	788

Notes to the income statements and balance sheets

(t€)	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
17. Contingent liabilities and pledges given				
For own loans/commitments				
Guarantees	7 950	10 877	7 950	8 878
For Group companies				
Guarantees	–	–	4 460	4 729
Other own liabilities				
Pledges given	–	34	–	34
Leasing liabilities				
Payable during the financial year	1 974	2 487	550	673
Payable later	2 598	4 352	657	877
	4 572	6 839	1 207	1 549
Total contingent liabilities and pledges given	12 523	17 750	13 618	15 190
Derivative contracts				
Capital of off-balance sheet contracts made to hedge against exchange rate and interest risks				
Currency forwards	10 530	12 116	10 530	12 116
Total capital	10 530	12 116	10 530	12 116

Distribution of profits and auditors' report

Proposals of the Board of Directors to the Annual General Meeting

The Board of Directors proposes that the accounts for the financial year January 1, 2003 to December 31, 2003 be adopted by the Annual General Meeting in the form presented by the Board. The Group's distributable funds total EUR 122,919 thousand and the parent company's distributable funds EUR 116,765,191.87. The Board of Directors proposes that a dividend of EUR 0.75 per share, corresponding to a total of EUR 13,109,250 be paid for the financial year January 1, 2003 to December 31, 2003.

Vantaa February 12, 2004

Raimo Voipio
Chairman

Pekka Hautojärvi

Mikko Niinivaara

Yrjö Neuvo

Mikko Voipio

Gerhard Wendt

Pekka Ketonen
President and CEO

To the shareholders of Vaisala Oyj

We have audited the accounting, financial statements and corporate governance of Vaisala Oyj for the financial year January 1 to December 31, 2003. The financial statements prepared by the Board of Directors and the Chief Executive Officer include a report on operations and an income statement, a balance sheet and notes to the accounts for both the Group and the parent company. Based on our audit, we express the following 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 on whether the financial statements are free on 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 ensure that the members of the Board of Directors and the Chief Executive Officer have legally complied with the provisions 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 Oyj'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 Chief Executive Officer 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 distributable funds is in compliance with the Companies Act.

Vantaa February 12, 2004

PricewaterhouseCoopers Oy
Authorized Public Accountants

Mikko Nieminen
Authorized Public Accountant

Jukka Ala-Mello
Authorized Public Accountant

Shares and shareholders, December 31, 2003

Share capital and shares

Vaisala has 17,479,000 shares. Of the total number of shares there are 3,415,785 Series K shares and 14,063,215 Series A shares. The book equivalent value of shares is 0.42 euro (not exact). Series K shares carry twenty (20) votes each at shareholders' meetings and Series A shares one (1) vote each. Both series entitle their holders to the same amount of dividend. During the financial year 42,000 Series A shares were registered by 10,500 warrants. Vaisala has applied the insider rules of the Helsinki Stock Exchange from 1st of April 2000.

Warrants

Vaisala has one stock option scheme. The 2000 option scheme entitles to subscribe a total of 896,000 Series A shares. Each warrant entitles its holder to subscribe for one A-share at the share subscription price of EUR 24.55 per share deducted by the amount of the cash dividend distributed after 1st of May, 2000. The subscription price on 31.12.2003 was EUR 22.78 per share. The subscription period will begin 1.12.2002 and 1.12.2004. The share subscription period will end for all warrants on 31 January 2006. The exercise of all warrants may result in a holding of 4.9% of all shares and 1.1% of all votes. The total book equivalent value of shares subscribed with warrants is EUR 376,320. 140,000 warrants are in the possession of the group companies

Management holdings

Vaisala Oyj's Board of Directors held and controlled 1,224,349 shares on December 31, 2003, accounting for 14.6% of total votes. The exercise of warrants may result in an increase of the holding of 0.4% of all shares and 0.1% of all votes. The Board of Directors does not hold any warranties.

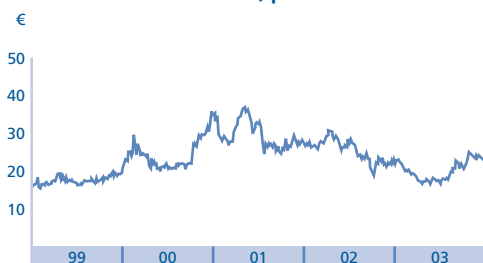
Authorizations

At the end of 2003, the Board had no authorization to raise the share capital or issue convertible or warrant bonds. No authorization was granted to redeem the company's own shares.

Largest shareholders, Dec. 31, 2003

	% OF VOTES	% OF SERIES K SHARES	% OF SERIES A SHARES	% OF TOTAL SHARES
Finnish Academy of Science and Letters	22.0	25.7	3.6	7.9
Novamator Oy	12.3	13.3	7.3	8.5
Mikko Voipio	7.7	8.8	2.3	3.6
Anja Caspers	7.1	8.2	1.4	2.7
Raimo Voipio	5.8	6.6	1.8	2.7
Tauno Voipio	4.2	4.6	2.1	2.6
Henki-Sampo Insurance Company	4.1	4.0	4.5	4.4
Inkeri Voipio	2.7	0.0	15.5	12.5
Jaakko Väisälä estate	1.6	1.8	1.1	1.2
Ilmarinen Mutual Pension Insurance Company	1.4	0.0	8.0	6.5
Minna Luokkanen	1.3	1.5	0.1	0.4
Tuulikki Laasonen	1.2	1.5	0.0	0.3
Nominee registered	3.2	0.0	18.5	14.9

Series A share, performance



Series A share, monthly trading



Shares and shareholders, December 31, 2003

Ownership structure by owner type, December 31, 2003

	NUMBER OF OWNERS	% OF VOTES	% OF SERIES K SHARES	% OF SERIES A SHARES	% OF TOTAL SHARES
Companies	218	12.7	13.3	9.7	10.4
Financial and insurance institutions*	24	7.9	4.0	27.0	22.5
Municipalities	9	2.5	0.0	14.6	11.8
Non-profit organizations	66	22.2	25.7	4.9	9.0
Private individuals	3 676	47.6	48.7	42.2	43.5
Outside Finland	17	7.1	8.2	1.5	2.8
Not transferred to the book-entry system		0.0	0.0	0.1	0.1
Total	4 010	100.0	100.0	100.0	100.0

*including nominee registered

Ownership structure by shareholding, December 31, 2003

Number of shares	OWNERS	% OF OWNERS	% OF VOTES	% OF TOTAL SHARES	OWNERS OF K SHARES	% OF K SHARES	OWNERS OF A SHARES	% OF A SHARES
1-100	1 264	31.5	0.1	0.5	2	0.0	1 262	0.6
101-1 000	2 278	56.8	1.2	4.5	19	0.4	2 259	5.5
1 001-10 000	360	9.0	4.0	5.8	24	3.5	336	6.4
10 001-100 000	85	2.1	22.9	16.0	26	24.8	59	13.9
100 001-	23	0.6	71.8	73.2	7	71.4	16	73.7
Not transferred to the book-entry system -	-	-	0.0	0.1	-	0.0	0.0	0.1
Total	4 010	100.0	100.0	100.0	78	100.0	3 932	100.0

Shares in figures

		2003	2002	2001	2000	1999
Earnings/share (EPS)	€	0.83	0.75	1.21	1.34	1.26
Earnings/share (EPS), calculated taking into account the dilution impact of the bond with warrants	€	0.83	0.75	1.19	1.32	1.24
Cash flow from business operations/share	€	1.99	1.50	0.86	1.50	1.71
Shareholders' equity/share	€	7.98	7.94	7.99	7.40	6.40
Dividend/share	€	*0.75	0.55	0.55	0.67	0.42
Dividend/earnings	%	**90.4	72.4	45.4	50.4	33.4
Effective dividend yield ***	%	3.1	2.4	2.0	2.3	2.2
Price/earnings (P/E)		29.6	30.5	22.6	22.1	15.4
A-share trading						
highest	€	25.00	30.30	36.25	31.50	20.00
lowest	€	16.70	18.81	23.80	18.50	15.50
weighted average	€	19.95	25.78	29.85	26.82	17.42
at balance sheet date	€	24.50	22.98	27.30	29.50	19.37
Market capitalisation at balance sheet date ***	M€	428.24	400.70	471.12	508.05	332.32
A-shares traded						
traded	pcs	1 495 572	1 607 165	3 860 888	4 048 077	1 035 372
% of entire series	%	10.6	11.5	27.9	29.3	7.5
Adjusted number of shares	pcs	17 469 407	17 351 471	17 242 655	17 194 211	17 152 000
A-shares	pcs	14 063 215	13 935 686	13 818 354	13 768 651	13 726 440
K-shares	pcs	3 415 785	3 415 785	3 424 301	3 425 560	3 425 560
Number of shares at Dec. 31	pcs	17 479 000	17 437 000	17 257 000	17 222 000	17 152 000

* Proposal by the Board of Directors

** Calculated according to the proposal by the Board of Directors

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

Five years in figures

(t€)	12/2003	12/2002	12/2001	12/2000	12/1999
Consolidated income statement					
Net sales	189 204	196 220	183 529	179 533	145 354
Other operating income	915	2 042	170	304	197
Costs	152 335	161 018	144 655	140 011	109 113
Depreciation	11 856	14 645	9 297	8 782	5 940
Operating profit	25 928	22 599	29 747	31 044	30 497
Net financing income/expenses	-2 527	-1 117	896	2 608	1 313
Profit before extraordinary items, provisions and taxes	23 401	21 482	30 643	33 653	31 810
Extraordinary income and expenses	-	-	-	-	1 034
Profit before provisions and taxes	23 401	21 482	30 643	33 653	32 844
Change in provisions	-	-	-	-	-
Direct taxes	-8 916	-8 414	-9 921	-10 686	-10 228
Minority interest	-	171	168	-	-
Net profit for the year	14 485	13 239	20 890	22 967	22 616
(t€)					
	DEC. 31, 2003	DEC. 31, 2002	DEC. 31, 2001	DEC. 31, 2000	DEC. 31, 1999
Consolidated balance sheet					
Assets					
Fixed assets and other long-term investments	56 905	57 755	48 596	46 082	39 046
Inventories	18 448	23 027	21 382	18 848	14 983
Financial assets	97 595	94 181	100 904	100 407	88 061
	172 948	174 963	170 882	165 336	142 089
Shareholders' equity and liabilities					
Shareholders' equity	139 456	138 506	137 850	127 357	109 848
Minority interest	-	-	170	-	-
Provisions	-	-	-	-	-
Liabilities, total	33 491	36 457	32 862	37 980	32 241
Interest bearing	2 185	2 387	2 556	3 516	2 333
Non-interest bearing	31 306	34 071	30 307	34 463	29 908
Balance sheet total	172 948	174 963	170 882	165 336	142 089

Financial ratios

		2003	2002	2001	2000	1999
Net sales	M€	189.20	196.22	183.53	179.54	145.35
exports and international operations	%	96.6	96.3	96.2	96.2	96.0
Operating profit	M€	25.93	22.60	29.75	31.04	30.49
% of net sales	%	13.7	11.5	16.2	17.3	21.0
Profit before extraordinary items, provisions and taxes	M€	23.40	21.48	30.64	33.65	31.81
% of net sales	%	12.4	10.9	16.7	18.7	21.9
Profit before provisions and taxes	M€	23.40	21.48	30.64	33.65	32.84
% of net sales	%	12.4	10.9	16.7	18.7	22.6
Return on equity (ROE)	%	10.4	9.5	15.6	19.4	21.7
Return on investment (ROI)	%	16.6	15.4	22.9	28.2	31.4
Solvency ratio	%	84.4	83.9	82.9	78.2	78.6
Current ratio		3.7	3.6	4.3	3.7	3.7
Gross capital expenditure	M€	14.09	28.44	12.14	14.74	18.87
% of net sales	%	7.4	14.5	6.6	8.2	13.0
R&D expenditure on machinery and equipment	M€	0.44	0.48	1.13	0.76	0.50
R&D expenditure	M€	21.12	22.07	18.94	17.24	14.46
% of net sales	%	11.2	11.2	10.3	9.6	10.0
Orderbook on Dec. 31.	M€	62.90	77.10	57.80	57.25	53.99
Average personnel		1 141	1 208	1 115	1 016	895

Calculation of financial ratios

Return on equity, ROE (%)	=	$\frac{\text{Profit before extraordinary items, provisions and taxes less taxes}}{\text{Shareholders' equity plus minority interest (average)}} \times 100$
Return on investment, ROI (%)	=	$\frac{\text{Profit before extraordinary items, provisions and taxes plus interest and financial expenses}}{\text{Balance sheet total less non-interest bearing liabilities (average)}} \times 100$
Solvency ratio, (%)	=	$\frac{\text{Shareholders' equity plus minority interest}}{\text{Balance sheet total less advance payments}} \times 100$
Current ratio	=	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Earnings / share, €	=	$\frac{\text{Profit before extraordinary items, provisions and taxes less taxes +/- minority interest}}{\text{Average number of shares, adjusted}}$
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, €	=	$\frac{\text{Dividend}}{\text{Number of shares at balance sheet date, adjusted}}$
Dividend / earnings, (%)	=	$\frac{\text{Dividend}}{\text{Profit before extraordinary items, provisions and taxes less taxes +/- minority interest}} \times 100$
Effective dividend yield, (%)	=	$\frac{\text{Dividend / share}}{\text{Share price at balance sheet date}} \times 100$
Price / earnings (P/E)	=	$\frac{\text{Share price at balance sheet date}}{\text{Earnings / share}}$
Market capitalisation, M€	=	Share price at balance sheet date times number of shares

Information for shareholders

Annual General Meeting

The Annual General Meeting of Vaisala Oyj will be held on Thursday 18 March 2004, at 5 p.m. at the company's head office, Vanha Nurmijärventie 21, Vantaa, Finland.

The items specified in Article 13 of the Articles of Association will be on the agenda in the Annual General Meeting.

Right of attendance

Shareholders who are registered in the company's share register maintained by the Finnish Central Securities Depository Ltd by 8 March 2004 may attend the Annual General meeting. Shareholders whose shares have not been transferred to the book-entry securities system may also attend the Annual General Meeting provided that such shareholders were registered in the company's share register before

21 October 1994. In such cases, shareholders must present evidence that their shareholding rights have not been transferred to the book-entry securities system.

Documentation

Documents relating to financial statements and the Board's proposals to the Annual General Meeting are available as copies for the shareholders to see at the company's head office in Vantaa, Vanha Nurmijärventie 21, for a week before the Annual General Meeting. On request, copies will be sent to shareholders.

Notice of attendance

Shareholders wishing to attend the Annual General Meeting must notify the company no later than 4 p.m. on Tuesday 9 March 2004. Notification can be made either by letter addressed

to Vaisala Oyj, Nina Andersin, P.O.Box 26, FIN-00421 Helsinki, Finland, by telefax to +358 9 8949 2206, by e-mail at nina.andersin@vaisala.com, or by telephone on weekdays between 9 to 12 a.m., tel. +358 9 8949 2201.

Letter authorizing a proxy to vote on behalf of a shareholder should be sent to the company before expiry of the notification.

Payment of dividend

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.75 per share be paid on the 2003 financial year. The record date for dividend payment is March 23, 2004 and subject to approval of the board, the dividend will be paid on March 30, 2004. Shareholders cannot be paid a dividend until they have transferred their shares to the book entry securities system.

Financial reporting in 2004

Vaisala Oyj will publish three interim reports in 2004 in Finnish and English according to the following schedule:

Interim report 1.1. – 31.3.2004	3.5.2004
Interim report 1.1. – 30.6.2004	9.8.2004
Interim report 1.1. – 31.9.2004	29.10.2004

Financial reports can be ordered from the address:

Vaisala Oyj, Corporate Communications, P.O.Box 26, FIN-00421 Helsinki, Finland
Tel. +358 9 8949 2744, Telefax +358 9 8949 2593, e-mail: info@vaisala.com

We will publish the Financial Statements 2003 brochure in Finnish and English. The company's interim reports as well as other stock exchange releases and press releases are also available on the Vaisala website at www.vaisala.com.

Contact information

Finland

Vaisala Oyj

P.O. Box 26, 00421 Helsinki, Finland
Phone +358 9 894 91
Fax +358 9 8949 2227
Domicile: Vantaa
Business ID: FI0124416-2

Sweden

Vaisala Oyj

Malmö Office

Drottninggatan 1 D
S-212 11 Malmö, Sweden
Phone +46 40 298 991
Fax +46 40 298 992
Phone in Sweden 0200 848 848
Fax in Sweden 0200 849 849

Germany

Vaisala GmbH

Hamburg Office

Schnackenburgallee 41 d
D-22525 Hamburg, Germany
Phone +49 40 839 030
Fax +49 40 839 03 110

Bonn Office

Adenauerallee 46 a
D-53110 Bonn, Germany
Phone +49 228 912 5110
Fax +49 228 912 5111

Bremerhaven Office

Buchtstrasse 45
D-27570 Bremerhaven, Germany
Phone +49 471 170 1655
Fax +49 471 170 1755

Stuttgart Office

Pestalozzi Str. 8
D-70563 Stuttgart, Germany
Phone +49 711 734 057
Fax +49 711 735 6340

France

Vaisala SA

Paris Office

2, rue Stéphenson (escalier 2bis)
F-78181 Saint-Quentin-en-Yvelines
Cedex, France
Phone +33 1 3057 2728
Fax +33 1 3096 0858

Aix-en-Provence Office

7, Europarc Ste-Victoire
F-13590 Meyreuil, France
Phone +33 4 4212 6464
Fax +33 4 4212 6474

United Kingdom

Vaisala Ltd

Birmingham Operations

Vaisala House
349 Bristol Road
Birmingham B5 7SW, United Kingdom
Phone +44 121 683 1200
Fax +44 121 683 1299

Newmarket Office

Unit 9, Swan Lane, Exning, Newmarket
Suffolk CB8 7FN, United Kingdom
Phone +44 1638 576 200
Fax +44 1638 576 240

North America

Vaisala Inc.

Boston Office

100 Commerce Way
Woburn, MA 01801-1068, USA
Phone +1 781 933 4500
Fax +1 781 933 8029

Columbus Office

7450 Industrial Parkway
Plain City, OH 43064-9005, USA
Phone +1 614 873 6880
Fax +1 614 873 6890

Boulder Operations

194 South Taylor Avenue
Louisville, CO 80027, USA
Phone +1 303 499 1701
Fax +1 303 499 1767

Sunnyvale Office

260 Santa Ana Court
Sunnyvale, CA 94085-4512, USA
Phone +1 408 734 9640
Fax +1 408 734 0655

Tucson Operations

2705 East Medina Road
Tucson, AZ 85706, USA
Phone +1 520 806 7300
Fax +1 520 741 2848

Regional Office Canada

P.O.Box 2241, Station "B"
London, Ontario N6A 4E3, Canada
Phone +1 519 679-9563
Fax +1 519 679-9992

Japan

Vaisala KK

Tokyo Office

42 Kagurazaka 6-Chome
Shinjuku-ku
Tokyo 162-0825, Japan
Phone +81 3 3266 9611
Fax +81 3 3266 9610

Osaka Office

Thick Land Building 1203
2-3-5 Nanba Chuo-ku
Osaka 542-0076, Japan
Phone +81 6 62123954
Fax +81 6 62123955

People's Republic of China

Vaisala Beijing Representative Office

CITIC Building
19 Jianguomenwai Dajie
Chaoyang District, Beijing 100004
People's Republic of China
Phone +86 10 8526 1199
Fax +86 10 8526 1155

Shanghai Office

c/o Kaukomarkkinat
Room 402A West tower, Sun Plaza
88 Xian Xia Road
Shanghai 200336
People's Republic of China
Phone +86 21 6270 0642/41
Fax +86 21 6270 0640

Malaysia

Vaisala Regional Office Malaysia

Level 36, Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur, Malaysia
Phone +60 3 2169 7776
Fax +60 3 2169 7775

Australia

Vaisala Pty Ltd

Melbourne Office

3 Guest Street
Hawthorn VIC 3122, Australia
Phone +61 3 9818 4200
Fax +61 3 9818 4522
ABN 58 006 500 616

