

Annual Report 2004

This is a print-out of the contents of the Vaisala 2004 Annual Report. To view the online report please go to: www.vaisala.com/annualreport

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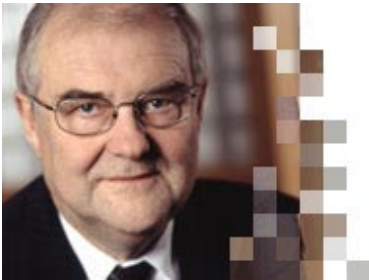
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Pekka Ketonen, CEO

Vaisala focuses on measuring the environment, particularly the weather, and on corresponding industrial measurements. Our offering includes instruments, measurement systems, application-specific solutions, and weather data. Our main customer groups are weather professionals and industry. Vaisala's value proposition is based on three key strengths: innovation, reliability, and the ability to solve customer problems.

Business in 2004

Demand remained the same as in the previous year. There was a slight increase in demand in Asia but correspondingly demand in Europe weakened somewhat. In North-America, the demand remained unchanged. Public sector investments have remained low as globalization has increased pressures for cost control. The strong euro compared to the U.S. dollar had a negative impact on the Group's sales and gross profits. Approximately half of Vaisala's net sales were in U.S. dollars. There was no real growth in 2004. Net sales fell 4.5% due to exchange rates, totaling EUR 180.6 million. Persistent maintenance and development of competitiveness enabled Vaisala to slightly improve profitability. The result before extraordinary items, provisions and taxes was EUR 24.1 million, which is 13.4% of net sales. Orders received totaled EUR 172.8 million. The order book at the end of the year stood at EUR 52.7 million.

Vaisala Soundings maintained its strong position as market leader. However, the division's net sales fell to EUR 55.8 (64.5) million. This was due to the timing of some large projects, and does not reflect a change in market size or market share. The result remained good. The extensive transition to the new generation radiosonde product series RS92 continued and an ozone measurement option was added. It is expected that towards the end of 2005 deliveries of the new sonde will constitute half of the division's total deliveries. The division's outlook for 2005 is positive.

Vaisala Remote Sensing saw its net sales fall slightly to EUR 19.5 (21.5) million. The result for the financial year remained negative. The division specializes in lightning detection systems and wind profilers. Vaisala owns the U.S. wide lightning detection network, and sells the measurement data to various organizations. The division continued to develop a new product platform for lightning detection, which kept the R&D expenses high. Examples of significant wind profiler deliveries included the German met service Deutscher Wetterdienst (DWD).

Vaisala Instruments maintained its position as the global market leader in relative humidity, barometric pressure, visibility, present weather and cloud height measurement. Net sales grew slightly to EUR 52.9 (50.3) million. The result was good. Demand for industrial measurement instruments saw a small increase in Japan and the United States. The division continued to

focus on new measurement technologies and introduced many new products. New sales are expected from the new integrated compact weather transmitter, which combines Vaisala's solid sensor technologies in a cost-effective way.

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 remained nearly unchanged at EUR 52.4 (53.0) million. The result was acceptable. Vaisala Solutions has advanced well in developing its operations. The efficiency of the capital employed improved and new service contracts were won. Application know-how and customer focus have been highlighted.

In the beginning of 2005, the Vaisala Sounding Systems and Vaisala Remote Sensing divisions were integrated into a single division under the name of Vaisala Measurement Systems. Since both divisions' customers, processes and technologies are almost the same, it is possible to further increase efficiency by distributing resources among these businesses.

Outlook for 2005

No significant change in demand is expected. Our order book was weaker than accustomed at the beginning of the year. However, more tenders were being processed than usual, which gives grounds for slight optimism. The strong euro compared to the U.S. dollar forces us to continue our efforts to improve efficiency. We believe that a slight improvement in net sales and profitability is possible in 2005.

Thanks

I would like to thank all our customers, partners and owners for the successful cooperation in 2004. I would also like to send a warm thank you to all Vaisala employees for their hard work over the past year.

Pekka Ketonen
President and CEO



Highlights for 2004

Ammonia measurement business discontinued

In March, the decision was taken to discontinue the ammonia measurement business. Its future outlook had turned out to be less attractive than expected. In 2003, the turnover for the ammonia business was 0,5 MEUR. The changes did not decrease the number of personnel. For more information please refer to the stock exchange release: Vaisala Oyj is discontinuing its ammonia measurement business.

New clean room in Vantaa taken into operation

The new facility in Vaisala's Vantaa office replaced the old Vaisala clean room which was in operation for 20 years. The construction work was completed in summer 2004 and sensor manufacturing started during the fall. The new clean room ensures that Vaisala's humidity, barometric pressure, and carbon dioxide sensors are manufactured under strictly regulated conditions. The total investment was EUR 6.5 million.

New office in Houston, Sunnyvale operations discontinued

In May, Vaisala established a new office in Houston, Texas. The office strengthens the Vaisala Instruments division's presence in the United States. The Vaisala Solutions division's Aviation Weather business unit decided to close the Columbus office and move the operations to Boulder, Colorado, where the division's other units operate. The move enables the Vaisala Solutions division to increase efficiency.

Merger of two divisions and one sales channel

In September, it was decided that the Vaisala Sounding Systems and Vaisala Remote Sensing divisions, as well as the Vaisala Measurement Systems sales channel, will be integrated into a single division from the beginning of 2005. Since both divisions' customers, processes and technologies are almost the same, it is possible to further increase efficiency by distributing resources among these businesses. The name of the new division is Vaisala Measurement Systems (VMS).

Additional dividend

In December, the Extraordinary General Meeting approved the Board of Directors' proposal for an additional dividend of EUR 0.50 per share, totalling EUR 8,739,500, to be paid, in addition to the dividend approved by the Annual General Meeting on 18 March 2004 (EUR 0,75), on the basis of the Balance Sheet for the financial year that ended on 31 December, 2003.

Sales of meteorological instruments centralized in Vaisala Instruments division

As Vaisala's operations are carried out by divisions applying different operating logics, the Vaisala Instruments division will serve the end-users and system integrators of meteorological

measurement equipment when their requirements only cover a particular piece/pieces of equipment. In 2004, the division established a sales and marketing team catering for these segments' requirements for meteorological measurement instruments.

Vaisala's lightning detection networks destined for space centers in France and the United States

During 2004, Vaisala's Remote Sensing business unit was awarded contracts for the delivery of total lightning detection networks to the European spacecraft Ariane's launch site in Guayana, France, and to the Kennedy Space Center's space shuttle base in the United States. Both systems will be delivered during the first half of 2005.

Vaisala's largest ever airport meteorological system delivered

The contract won in 2002 from a long-standing Vaisala customer for the supply, commission and maintenance of an automated airport weather observation solution was fulfilled successfully. The customer approved the system in December. The maintenance contract is valid for four years. For more information, please refer to the stock exchange release published in 2002: Vaisala has received its largest ever airport meteorological system order.

Vaisala Road Weather - focus on service business

Vaisala Road Weather business unit continued to develop its North American business, with the emphasis on expanding service opportunities. An important service contract was won with Virginia Department of Transport to improve and manage the State's existing network of road weather stations. Vaisala collects, manages and displays the data, as well as maintains the weather stations. The new service concept enables the state road authorities to benefit from the entire data network.

New products in 2004

Vaisala Instruments introduced a host of new products

The Vaisala Instruments division develops, manufactures and markets instruments for the measurement of relative humidity, dewpoint, barometric pressure, carbon dioxide, wind, rain, visibility, cloud height and present weather. Vaisala Instruments introduced many new products in 2004:

- Hand-held moisture meter for oil: The new portable moisture and temperature meter has been developed for lubrication, hydraulic, and transformer oil moisture measurements. It is ideally suited to the real-time prevention of moisture and free water formation in oil. For more information please refer to the Vaisala Website.
- Carbon dioxide probe for ecological measurements: The compact and practical carbon dioxide probe works well as a field instrument. The probe is designed for ecological measurements, such as soil respiration measurements. For more information please refer to the Vaisala Website.
- Transmitter for natural gas moisture measurement: Accurate moisture measurement is critical for ensuring the quality of gas and for preventing failures. For more information please refer to the Vaisala Website.

- Humidity and temperature transmitter series for demanding applications: The new humidity and temperature transmitter series for industrial and meteorological applications strengthens Vaisala's position as a humidity measurement equipment manufacturer for demanding applications. For more information please refer to the Vaisala Website.
- Miniature humidity and temperature probe for OEM applications: The probe is one of the smallest on the market and has very low power consumption. For more information please refer to the Vaisala Website.
- Multi-sensor weather transmitter: In October, Vaisala Instruments introduced a new type of compact weather transmitter. The weather transmitter measures temperature, relative humidity, barometric pressure, wind speed and direction, and liquid precipitation. The transmitter is suitable for weather sensitive businesses that require weather information for the success of their daily operations. The new weather transmitter is expected to open the door for Vaisala to a market worth approximately 20 million euros. For more information please refer to the Vaisala Website.
- New generation ceilometer: For meteorological measurements and airports, the ceilometer measures cloud base height and vertical visibility. For more information please refer to the Vaisala Website.
- Transmissometer for airports: The transmissometer introduced in December is based on the latest technology for Runway Visual Range, and is used at runways to increase the safety of aircraft take-offs and landings. The transmissometer strengthens Vaisala's position as an airport weather measurement systems provider. For more information please refer to the Vaisala Website.

Vaisala Soundings focused on developing the new radiosonde product series

The Vaisala Soundings division develops, manufactures and markets instruments and systems for observing the weather in the upper atmosphere. During 2004, the division focused its efforts on the development and marketing of a new radiosonde product series, which further strengthens Vaisala's position as the market leader in the upper atmosphere sounding applications.

- Ozone measurement - the first special measurement application in the new radiosonde product series: Ozone measurement is the first accessory application in the new radiosonde product series for upper-air weather observations. Ozone measurement in the upper atmosphere is important for various organizations such as national meteorological services. For more information please refer to the Vaisala website.

Vaisala Remote Sensing introduced a new modular thunderstorm information system

The Vaisala Remote Sensing division develops, manufactures and markets wind profilers and lightning detection systems that make extensive use of remote sensing technology.

- Thunderstorm information system combines best technologies: A new thunderstorm information system was introduced in January. It combines the technologies obtained through two business acquisitions into a single modular product series. The new product series reduces the number of different products to be maintained and improves profitability. For more information please refer to the Vaisala website.

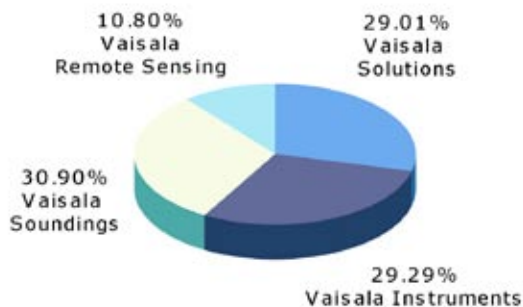
Key figures in 2004

	2004	2003
Net sales, M€	180.60	189.20
Operating profit, M€	23.80	25.93
Result bef. extraordinary items, provisions and taxes, M€	24.13	23.40
Return on equity (ROE), %	12.4	10.4
Return on investment (ROI), %	17.6	16.6
R&D expenditure, M€	22.33	21.12
Orders received, M€	172.8	180.7
Order book, M€	52.7	62.9
Average personnel	1 092	1 141
Earnings per share (EPS), €	0.97	0.83
Cash flow from business operations/share, €	2.06	1.99
Dividend/share, € *	*0.75	1.25

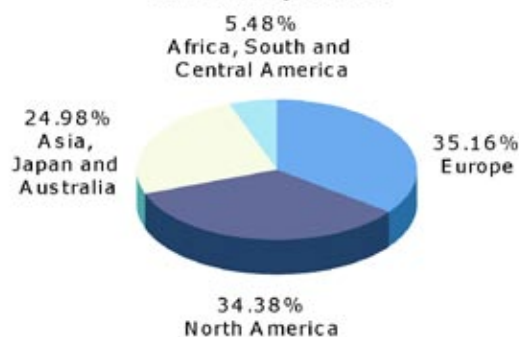
*proposal by the Board

Key figures in graphs

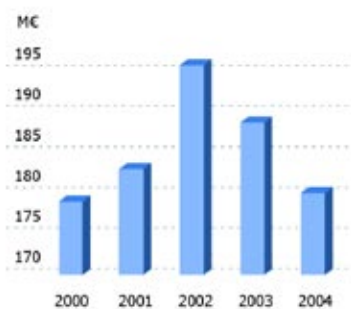
Net sales by division



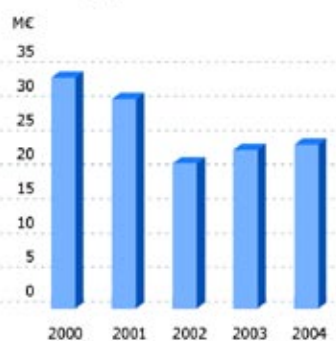
Net sales by market

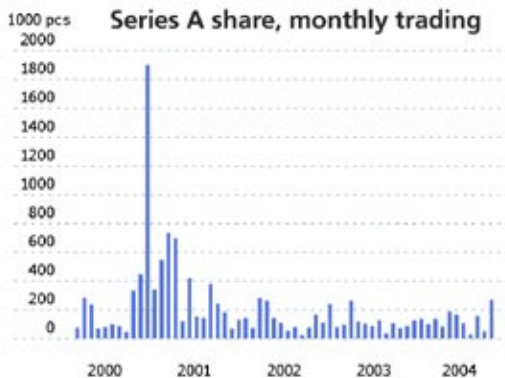
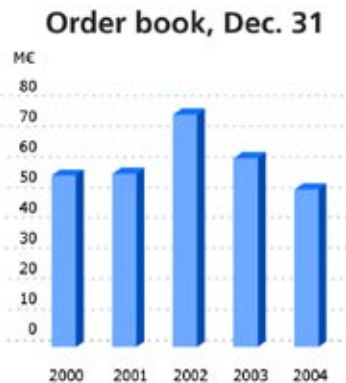


Development of net sales



Profit before extraordinary items, provision and taxes







Vaisala in brief

Vaisala develops, manufactures and markets products and services for environmental and industrial measurement. 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 organizations, 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 that have demanding performance requirements.

Vaisala had more than 1 000 employees and achieved net sales of EUR 180.6 million in 2004. Vaisala serves customers around the world. Operations outside Finland accounted for 97% of net sales in 2004.

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 global 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, the most comprehensive and the most successful geophysical environmental measurement and service company in the world. Vaisala focuses on selected businesses where it can become the global market leader.

Vaisala values

Vaisala's values are the foundation for all its activities, both internally and externally. Vaisala's way of operating is innovative and governed by the following six values:

- Customer focus
- Science-based innovation
- Goal orientation
- Personal growth
- Focus on greater good
- Fair play

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.

CASE: UK MET OFFICE

Vaisala wind profilers support

Modernization of Upper-air Data Collection Network in the UK

The UK Met Office started using Vaisala wind profilers as part of a modernization effort in its upper-air data collection observation network, in which radar wind profilers are playing a significant role. A Vaisala Tropospheric Wind Profiler LAP®-12000 was installed in the Outer Hebrides, Scotland in fall 2003. The system, located on South Uist, is required to operate reliably and unattended in harsh weather conditions.

The modernization effort emphasizes integrated data sets through the deployment of new instrumentation that increases automation, reduces recurring labor costs and improves temporal and spatial data resolution. Wind profilers have played a significant role in this modernization effort. The UK Met Office operates three operational boundary layer Vaisala LAP®-3000 Lower Atmosphere Profilers in Camborne, Dunkeswell and Wattisham. These profilers have reliably provided lower tropospheric wind data for several years. A fourth LAP®-3000 "research" system has also provided data from several locations within Scotland and Wales in support of the expanding wind profiler program.

Reliable system for hostile environment

More recently, the Met Office decided to decommission its upper-air rawinsonde station in Stornoway, Scotland and to replace it with a wind profiler. The new wind profiler system, installed on South Uist Island in the Outer Hebrides, Scotland, is required to provide consistent wind data to a 12-km altitude. It must also support continuous and remote operation, and function reliably and unattended in an extremely hostile environment.

Vaisala was awarded a contract to deliver its LAP®-12000 wind profiling radar to the Met Office. The LAP®-12000, which became operational in 2004, is the main upper-air sounding system for the Western Isles of the UK. Observations from this site are also used by European Met Services through the EUMETNET WINPROF Program. Vaisala will continue to support the Met Office by providing technical expertise on the use and implementation of the advanced signal processing features available in the Digital IF architecture.

The needs of industry

Environmental parameters play a significant role in industry and built-up environments. By measuring and controlling these parameters, it is possible to influence e.g. 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 and quantity.

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, compressed air systems, and plastic drying. For instance, dew formation should be avoided in compressed air pipelines because moisture can damage or clog the equipment. Another typical dewpoint 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. Dewpoint measurement is also used for measuring moisture in natural gas to ensure high quality of the gas and to prevent failures.

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 - raising crop productivity

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 and leads to improved productivity.

CASE: NIHON DENGJI

Intrinsically Safe - the Workings of a Partnership with Nihon-Dengi

A long-term partnership between Japanese engineering company Nihon-Dengi Ltd and Vaisala has proved a fruitful relationship especially in the food process and pharmaceutical manufacturing sectors. Vaisala instruments are key components in the air conditioning and control systems supplied by Nihon-Dengi Ltd.

Nihon-Dengi Ltd specializes in the automatic control of air conditioning. The company carries out work from design to installation and maintenance. Vaisala instruments are frequently incorporated into Nihon-Dengi Ltd's systems, especially those for the food and pharmaceutical industries.

The Vaisala HUMICAP® Humidity and Temperature Transmitter HMT361 is one of the most popular intrinsically safe instruments used in areas such as clean rooms. The HMT364 and HMT368 are particularly suitable for pressurized environments.

The partnership with Nihon-Dengi Ltd is valued because of the company's outstanding engineering competence and knowledge of Vaisala's products. To ensure customer confidence, it is vital to set up the instruments correctly. Correct installation helps to avoid accuracy problems.

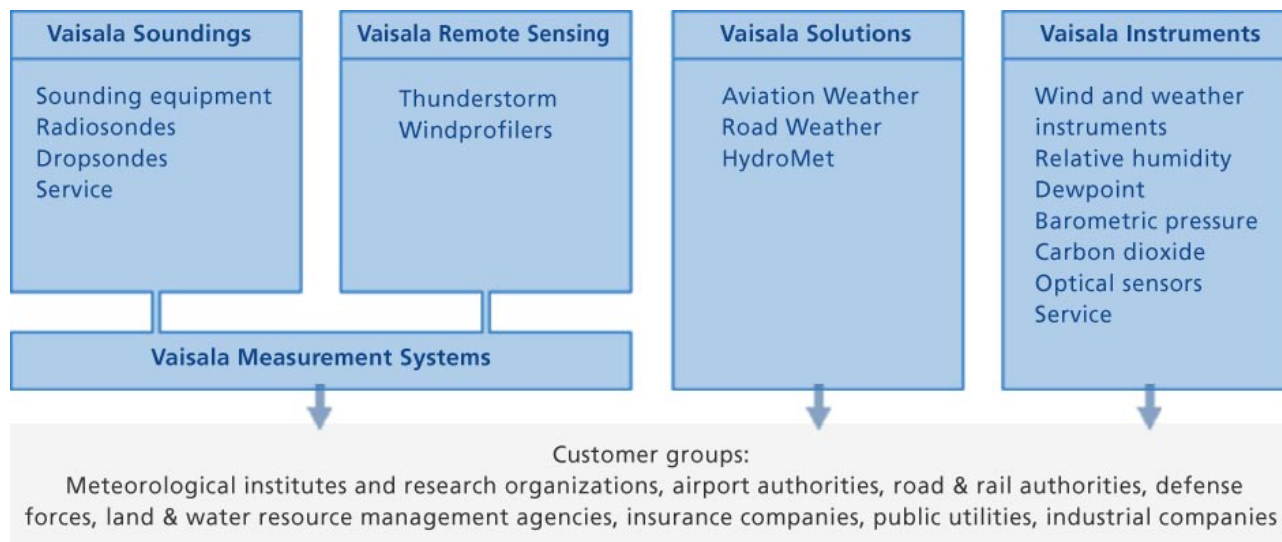
Most major pharmaceutical companies carry out annual validations of product process systems. They must verify that the systems are performing as designed. It is important that sensors used in the processes are calibrated to traceable references. The sensors need also to be reliable, stable and easy to maintain.

Divisions

In 2004, Vaisala's operations were conducted through four business divisions: Vaisala Soundings, Vaisala Solutions, Vaisala Remote Sensing, and Vaisala Instruments.

In the beginning of 2005, the Vaisala Soundings and Vaisala Remote Sensing divisions were integrated into a single division under the name of Vaisala Measurement Systems (VMS). Since both divisions' customers, processes and technologies are almost the same, it is possible to further increase efficiency by distributing resources among these businesses.

Organization structure



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 instruments and related ground equipment for collecting and processing the information gathered by the radiosondes and dropsondes. The division's core customer groups are meteorological institutes, meteorological and climatological research organizations and defense forces. Vaisala is the world market leader in upper air sounding systems.

National meteorological services around the world use Vaisala radiosondes and sounding systems for their day-to-day synoptic observations. Radiosondes collect data on upper air barometric pressure, temperature and humidity. The ground equipment receives the data and calculates wind speed and direction using global navigation networks. It also processes the data and generates meteorological messages, which are sent to the international weather observation network. The network data is used for weather forecasts by the meteorological institutes of The World Meteorological Organization's (WMO) member countries.

Vaisala plays an active role in global upper air weather and climate research projects. These projects map climate change and unusual weather phenomena with the goal of improving the accuracy of daily forecasts as well as their temporal and spatial coverage.

Defense forces use sounding data for weather forecasts and to analyze the qualities of the upper atmosphere, qualities such as wind conditions and the refractive index of atmospheric layers at sea.

Business divisions streamlined

The Vaisala business divisions were further streamlined in 2004. The aim is to support the continuous development of different business models, and to improve efficiency. As a consequence, Vaisala Remote Sensing and Vaisala Soundings were merged effective January 1, 2005. The name of the new division is Vaisala Measurement Systems.

The new Vaisala Measurement Systems division will continue to improve its offering in order to further strengthen its position as a premium-class product supplier and global market leader in upper-air measurement systems. The new division will concentrate on improving profitability, which will be achieved through better logistics and the sharing of products and operations.

Vaisala Solutions

Vaisala Solutions offers customer-focused solutions and services for weather observations to meteorological institutes, aviation, road and rail traffic authorities, defense forces, and land and water management authorities. Vaisala Solutions is the global market leader in aviation and road weather systems, and in synoptic weather observation networks. Our strong market position combined with an extensive installation base accrued through time enables the division to offer tailored solutions to meet all customer requirements.

Accurate, real-time, uninterrupted and reliable weather data is the cornerstone of efficient operations for Vaisala Solutions' customers. Aviation and traffic authorities use Vaisala's automatic weather observation systems to ensure aviation, railway and road safety, and to improve efficiency. Meteorological institutes around the world have chosen Vaisala's weather stations and systems for their observation networks. For defense forces it is important to have weather stations that are easy to transport and install, and are durable even in the harshest conditions.

Focus on tailored solutions

Customer focus is the cornerstone of Vaisala Solutions' operations. Over the past two years, the division has consistently adjusted its operations to meet the changing requirements of its customers.

The division focuses on strategic partnerships by offering tailored systems, services and solutions to its customers. Services are the fastest growing area in the Vaisala Solutions portfolio. In addition to the accustomed customer support, service and maintenance, the division also offers turn-key deliveries, thermal mapping, and route optimization, as well as short-term nowcasts and up to 24-hour web forecasts.

The Vaisala Solutions division consists of three business units: Vaisala Aviation Weather, Vaisala Road Weather and Vaisala HydroMet. The division employs 250 people in China, Finland, Germany, the UK, and the United States.

Vaisala Remote Sensing

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 the maintenance of the world's largest lightning detection network, the NALDN (North American Lightning Detection Network). The division's most important customers are meteorological institutes and research organizations, aviation authorities, insurance companies, power utilities and defense forces. Remote sensing is a growing area in meteorology, climatology, hydrology and air quality research, so research institutes are another important customer group.

Vaisala Remote Sensing offers measurement systems and services for real-time weather observations and nowcasting. The data enables local authorities to issue warnings on thunderstorms and lightning, and to take any necessary action. With the data obtained from wind profilers, aviation authorities are better able to ensure the safety of aircraft take-offs and landings in demanding wind conditions.

Vaisala Remote Sensing has strong experience in the service business, as it owns the U.S. National Lightning Detection Network and sells lightning information to, for example, the National Weather Service, aviation authorities, defense forces, power utilities, insurance companies and private weather service companies.

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The new Vaisala Measurement Systems division will continue to improve its offering in order to further strengthen its position as a premium-class product supplier and global market leader in upper-air measurement systems. The new division will concentrate on improving profitability, which will be achieved through better logistics and the sharing of products and operations.

Vaisala Instruments

Vaisala Instruments develops, manufactures and markets instruments for the measurement of relative humidity, dewpoint, carbon dioxide, barometric pressure, wind, rain, visibility, cloud height and present weather. The measurements are used to improve product quality, the efficiency of manufacturing processes and energy consumption, as well as the safety and wellbeing of people.

The division's products are targeted at market segments in a variety of applications and industries, such as pharmaceutical, automotive, power, building automation, biotechnology and food industries, as well as meteorology and research. For example, optimum humidity conditions in drying processes improve quality and productivity, and also reduce energy and maintenance costs. Monitoring moisture in oil helps to prevent corrosion and machine malfunction. Carbon dioxide measurement is used in industrial processes, in horticultural and ecological applications as well as in ventilation control. Barometric pressure is an

important parameter in weather observation but also in industrial equipment such as laser interferometers and engine test benches. Accurate visibility, wind and cloud height measurements are essential for aviation safety. The multi-sensor weather transmitter is an ideal component for weather stations. The division also offers calibration and maintenance services through its highly specialized service centers around the world.

Product leadership and customer satisfaction characterize Vaisala Instruments' operations. The division always strives to offer leading edge products to its customers. This is achieved through unique patented Vaisala sensor technologies that guarantee accurate and reliable measurements.

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 2004, Vaisala employed 673 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: Australia, Canada, China, Finland, France, Germany, Japan, Malaysia, Sweden, the UK, and the United States. During 2004, Vaisala established a new office in Houston, Texas. The office strengthens the Vaisala Instruments division's presence in the United States.

The size of the international offices varies by country and business area. In 2004, 390 (37%) of Vaisala's employees worked outside Finland.

The locations of Vaisala's offices are shown on the accompanying maps and the contact information is available on the Vaisala website.

Elements of success

Vaisala focuses on measuring the environment, particularly the weather, and on corresponding industrial measurements. Our offering includes instruments, measurement systems, application-specific solutions, and weather data. Our main customer groups are weather professionals and industry. Vaisala's value proposition is based on three key strengths: innovation, reliability, and the ability to solve customer problems. Vaisala's goal is to be the global market leader in our chosen areas.

Market leadership

Vaisala is the global market leader in many of its business areas: upper-air sounding systems, weather systems for aviation and road maintenance, surface weather systems, optical measurement instruments, wind profilers and lightning detection systems. Vaisala is also the leading manufacturer of instruments for the measurement of relative humidity and barometric pressure, designed for example for demanding industrial use.

Continuous development

Vaisala focuses its operations in a way that enables the sharing of valuable resources, such as technology and distribution channels. We place special importance on the continuous development of our know-how. One important means to achieve this is cooperation with customers, universities and research institutes. We network actively with organizations and individuals whose expertise complements our core competencies. Vaisala participates in several projects together with leading research organizations in the field, such as NOAA (the National Oceanic and Atmospheric Administration, USA), NCAR (the National Center for Atmospheric Research, USA) and the VTT Technical Research Centre of Finland.

Seamless processes

Operatively Vaisala is run as one global company. The business divisions have been defined based on business models. Each division has its own processes, operating logic and tools, which are uniform throughout all Vaisala offices everywhere in the world.

Vaisala's goal is to grow faster than the market, while achieving good profitability. To enable this we expand our product offering, starting from our existing customers. Vaisala's growth is primarily organic.

Research and development

Research and development activities are a key prerequisite for the success of Vaisala Group, and major investments are made to support them. In 2004 R&D expenses totaled EUR 22.3 million, which is 12.4% of the Group's net sales.

Corporate governance

Vaisala Group's corporate governance system is based on the Finnish Companies Act and Vaisala's Articles of Association. Vaisala's A shares are listed on the Helsinki Exchanges. The company complies with the recommendations and instructions for listed companies issued by HEX Plc and the Finnish Financial Supervision Authority.

Vaisala also complies with the Corporate Governance Recommendation for Listed Companies issued by HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industries. Listed below are links to information on the Vaisala Group that must be disclosed under the Corporate Governance recommendation that came into effect on July 1, 2004.

The Vaisala Group Board of Directors has not formed any Committees.

Board of Directors

Members of the Board

In accordance with the Vaisala Oyj's Articles of Association, Vaisala's Board of Directors comprises at least three (3) and at most six (6) members. According to current practice, the Board comprises six members. All Board members are appointed by the Annual General Meeting. The Board appoints a Chairman and a Vice Chairman from its members.

Term of office of members of the Board

In deviation from recommendation no. 12 of the Corporate Governance Recommendation for Listed Companies, the term of office of members of the Board is not one year. According to the Articles of Association, the term of office is 3 years. The term of office begins after the meeting in which the member is selected, and ends after three (3) subsequent Annual General Meetings.

Board of Directors



Chairman

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

Domicile: Helsinki, Finland. **Principal occupation:** Board member in various technology companies. **Employment history:** Nokia Corporation: various product marketing positions over 10 years, Private telephone companies: various product marketing positions over 5 years. **Other simultaneous positions of trust:** Space Systems Finland Oy: board member, IST International Security Technology Oy: board member. **Board member as of:** 1989. **Board chairman as of:** 1994. **Board chairman term ends:** 2005. **Fees in 2004:** EUR 26 910



Vice Chairman

Yrjö Neuvo, b. 1943, Ph.D. (EE)

Domicile: Helsinki, Finland. **Principal occupation:** Senior Vice President, Nokia Corporation **Employment history:** Academy of Finland: National Research Professor 1984-1992, Tampere University of Technology: Professor of Electrical Engineering 1976-1992, University of California, Santa Barbara, USA: Visiting Professor, Digital Filtering, Electronics, Signal Processing 1981-1982 Helsinki University of Technology: Acting Professor of Department of Technical Physics 1975-1976 **Other simultaneous positions of trust:** Confederation of Finnish Industry and Employers (TT): Chairman of the Research and Technology Committee 2004, National Technology Agency (TEKES): Vice Chairman of the Board, Helsinki University of Technology: Member of the Research Council, Tampere University of Technology: Member of the Advisory Committee, Ministry of the Interior: Chairman of the Working Group for Centre of Expertise Programme, Ministry of Education: Member of the Steering Group for Graduate Schools. **Board member as of:** 1989. **Board member term ends:** 2007. **Fees in 2004:** EUR 13 455.



Member

Pekka Hautojärvi, b. 1944, Doctor of Science in Technology

Domicile: Espoo, Finland. **Principal occupation:** Professor, Helsinki University of Technology **Employment history:** -. **Other simultaneous positions of trust:** Finnish Academy of Science and Letters: Board member and treasurer. **Board member as of:** 1995 **Board member term ends:** 2006. **Fees in 2004:** EUR 13 455



Member

Mikko Niinivaara, b. 1950, M.Sc. (Eng.)

Domicile: Kauniainen, Finland. **Principal occupation:** President, Country manager, ABB Oy **Employment history:** ABB Industry Oy: President 1999 -2001, ABB Ltd, Zurich: Division Director 1993-1998, ABB Power Oy: President 1989-1995, ABB Strömberg Transmission Oy: 1988-1989, ABB Strömberg Oy: Director 1987-1988, Kymi-Strömberg Oy: Marketing Director 1984-1987, B.S.W., Saudi-Arabia: President 1981-1984 **Other simultaneous positions of trust:** ABB Oy: Board Member, ABB Current Oy and ABB East Venture Oy: Chairman of the Board: Technology Industries of Finland: Member of Executive Committee and Chairman of the Working committee, Confederation of Finnish Industries: Board Member, Helsinki University of Technology: Board Member of Foundation, Energiaforum ry: Board Member. **Board member as of:** 2002. **Board member term ends:** 2005. **Fees in 2004:** EUR 13 455.

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

Domicile: Helsinki, Finland. **Principal occupation:** Scientist. **Employment history:** R&D in SW and Telecom business. **Other simultaneous positions of trust:** Fontus Oy: Board Member, Novamator Oy: Board Member. **Board member as of:** 1994. **Board member term ends:** 2006. **Fees in 2004:** EUR 13 455

**Member****Gerhard Wendt, b. 1934, Ph.D**

Domicile: Helsinki, Finland. **Principal occupation:** -. **Employment history:** Kone Oyj: Managing Director. **Other simultaneous positions of trust:** Kone Oyj: Board Member, Halton Oy: Board Member, Algol Oy: Chairman of the Board. **Board member as of:** 1992. **Board member term ends:** 2007. **Fees in 2004:** EUR 13 455.

Secretary**Jussi Mykkänen, Licentiate of Technology, MBA**

Research Director

Charter of the Board of Directors

In accordance with the charter of the Board of Directors, the Board shall:

- decide on Group strategy,
- review and approve the interim reports, consolidated financial statements and Annual Report,
- confirm the Group's business plan, budget and investment plan,
- decide on individual investments, acquisitions, divestments or corporate restructuring and contingent liabilities that are strategically or financially significant,
- confirm the Group's risk management and reporting procedures,
- confirm the Group's insurance policy,
- approve the Group's financing policy,
- decide on the compensation and incentive schemes for Group management,
- propose dividend payout amount to the Annual General Meeting,
- appoint the company's President and CEO and decide on his compensation,
- assume responsibility for all other duties stipulated for Boards of Directors in the Companies Act and elsewhere,
- annually evaluate its operations.

Meetings of the Board of Directors

The Board of Directors had 10 meetings in 2004 and an average of 87% of the Board members were present at the meetings.

Independence of the members of the Board of Directors

The Board of Directors of the Vaisala Group has evaluated the independence of its members.

1) Independence from the company

Evaluated against the criteria given in Recommendation 18, all six members of the Board of Directors are independent from the company.

2) Independence from the shareholders

Evaluated against the criteria given in Recommendation 18, Yrjö Neuvo, Gerhard Wendt, Mikko Niinivaara and Pekka Hautojärvi are independent from both the company and the shareholders. The holdings of Raimo Voipio and Mikko Voipio do not exceed the 10 % of all the shares or aggregate votes stated by the Recommendation, but according to the insider definition of Chapter 1, Section 4 of the Companies Act, are considered to be dependent on the shareholders.

The current composition of the Board of Directors fulfills the independence requirements stated in the Recommendation.

President & CEO

Vaisala's President and CEO is appointed by the Board. The CEO manages the company in accordance with the instructions and orders given by the Board, and informs the Board of the development of the company's business and financial situation. The CEO is also responsible for organizing the company's management.



President & CEO

Pekka Ketonen, b. 1948, D, Tech.(h.c.)

Domicile: Helsinki, Finland

Principal occupation: President & CEO, Vaisala Oyj

Employment history: Teleste Oy: 1971-1991, latest position CEO

Other simultaneous positions of trust: Technical Research Centre of Finland (VTT): Chairman of the Board, Elisa Oyj: Board Member, Technology Industries of Finland: Board Member, Confederation of Finnish Industries: Board Member

Corporate Management Group Chairman as of: 1992

Salaries and other compensation: Salaries and compensations EUR 220 752

Compensation in shares and share warrants during fiscal year 2004: -

Retirement age and benefits: 65 years, according to Finnish law

Notice period, severance pay and conditions of other severance compensations: 6 months for the employee, 12 months for the employer, compensation equal to the salary.

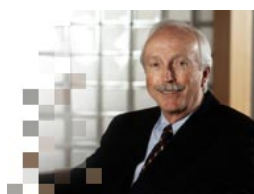
Corporate Management Group

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 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.

Management Group Members

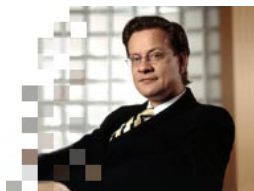
Chairman: President and CEO Pekka Ketonen



Member:

Walt Dabberdt, b. 1942, Ph.D. Meteorology

Domicile: Boulder, CO, USA. **Principal occupation:** Director, Strategic Research since 2000. **Employment history:** National Center for Atmospheric Research, Boulder, CO 1985-2000, Stanford Research Institute, Menlo Park, CA 1970-1985. **Other simultaneous positions of trust:** Atmospheric Sciences and Climate of the National Academy of Sciences: Board Member, Visitors College of Geosciences: Board Member, University of Oklahoman: Board Member, Urban Environment of the American Met Society: Board Member. **Management Group Member since:** 2000



Member:

Tapio Engström, b. 1963, M.Sc.(Econ)

Domicile: Nurmijärvi, Finland. **Principal occupation:** Director, Finance since 2002. **Employment history:** Vaisala Inc: Finance Director 2000-2002, Andritz Oy: Business Controller 1998-2000, Asko Kodinkone Oy: Finance Manager 1994-1998. **Other simultaneous positions of trust:** - . **Management Group Member since:** 2002.



Member:

Kenneth Forss, b. 1954, B.Sc.(Eng)

Domicile: Helsinki, Finland. **Principal occupation:** Director, Vaisala Instruments since 1991. **Employment history:** Vaisala Oyj: Marketing Manager 1990-1991 and Area Manager 1988-1989. **Other simultaneous positions of trust:** Technology Industries of Finland: Member of the Working group for business and technology, Teräskonttori Oy: Board Member. **Management Group Member since:** 1991



Member:

Marja Happonen, b. 1957, M.Sc.(Econ)

Domicile: Espoo, Finland. **Principal occupation:** Director, Human Resources since 1994. **Employment history:** Scribona Oy: HR Manager 1989-1994, Postipankki: HR Development 1982-1989. **Other simultaneous positions of trust:** - . **Management Group Member since:** 1996.



Member:

Martti Husu, b. 1957, MBA, B.Sc (Eng.)

Domicile: Tucson, Arizona, USA. **Principal occupation:** Director, Vaisala Remote Sensing since 2001. **Employment history:** Metso Automation 1984 - 2001. **Other simultaneous positions of trust:** - . **Management Group Member since:** 2001

**Member:****Jan Hörhammer, b. 1945, B.Sc.(Eng)**

Domicile: Helsinki, Finland. **Principal occupation:** Director, Vaisala Measurement Systems since 2003. **Employment history:** Vaisala Oyj: Sales and Marketing Director since 2002, Upper Air Division Director, 1991-2002, Sales and Marketing Manager 1987-1991, Vaisala KK, Tokyo, Japan: CEO 1983-1987. **Other simultaneous positions of trust:** Technology Industries of Finland: Member of the International working group, Confederation of Finnish Industries: Member of the Trade Policy and International Relations working group, Association of Finnish Defence Industries: Board Member. **Management Group Member since:** 1992.

**Member:****Erkki Järvinen, b. 1960, M.Sc.(Eng)**

Domicile: Espoo, Finland. **Principal occupation:** Director, Vaisala Soundings since 2002. **Employment history:** Vaisala Oyj: Business Unit Manager 1998-2002, Rados Oy: Rr&D Manager 1997-1998, Instrumentarium Oy Imaging, R&D Manager, Marketing Manager, Project Manager 1990-1997, Orion-Yhtymä Oy Soredex, Technical Support Manager, Project Manager 1987-1990. **Other simultaneous positions of trust:** - . **Management Group Member since:** 2002.

**Member:****Jussi Kallunki, b. 1956, M.Sc.(Eng)**

Domicile: Helsinki, Finland. **Principal occupation:** Director, IT Development since 2000. **Employment history:** Outokumpu Technology Oy: IT Manager 1998-2000, Outokumpu Engineering Services Oy: Project Manager 1993-1998, Outokumpu Engineering Services Oy: Technical Service Manager 1992-1993, Outokumpu Engineering Services Oy: CAD-Group Manager 1990-1991, Outokumpu Oy, Engineering Division: CAD-Croup Manager 1988-1990. **Other simultaneous positions of trust:** - . **Management Group Member since:** 2000.

**Member:****Jussi Mykkänen, b. 1955, Licentiate of Technology, MBA**

Domicile: Helsinki, Finland. **Principal occupation:** Director, Research since 1996. **Employment history:** Vaisala Oyj: Business Controller, 1990-1996, Tekinnova Oy (Venture Capital): Managing Director 1987-1989. **Other simultaneous positions of trust:** Technology Industries of Finland: Member of the ELIT Group, Technical Research Centre of Finland (VTT): Vice Chairman of the IT Committee. **Management Group Member since:** 1990.

**Member:****Hannu Tuominen, b. 1958, M.Sc.(Eng)**

Domicile: Kauniainen, Finland. **Principal occupation:** Director, Vaisala Solutions since 1994. **Employment history:** Vaisala Oyj: Production Director 1992-1994, Fiskars Power Systems Oy: Production Director 1990-1992, Marketing Manager 1988-1990, Business Controller 1986-1988, Fiskars Oy: Project Manager, Project Engineer 1982-1986. **Other simultaneous positions of trust:** Finnish Industrial Services Business Forum (BestServ): Chairman. **Management Group Member since:** 1992.

Auditors

The Vaisala Group's auditors are PricewaterhouseCoopers Oy, Authorized Public Accountants, and Jukka Ala-Mello, APA.

In 2004, Vaisala Oyj paid auditing fees to its Authorized Public Accountants PriceWaterhouseCoopers Oy EUR 118.000 (116.000 in 2003), and other fees EUR 94.000 (42.000 in 2003).

Insiders

Vaisala Corporation complies with the insider guidelines issued by the Helsinki Exchanges. In accordance with the Securities Market Act, Vaisala Corporation's permanent insiders include the members of the company's Board of Directors, the company's President and CEO, the members of the Corporate Management Group and the auditors, including the principally responsible auditor assigned to the company by a firm of authorized public accountants. In addition, the company's extended list of permanent insiders includes persons who have regular access to insider information.

Vaisala Group's financial administration supervises compliance with the insider guidelines, and regularly sends insiders an extract from the register of insider holdings to allow them to check and update the information. The Group's financial administration also monitors insider trading to ensure trading restrictions are not violated.

Holdings of the Group's permanent insiders

Below is a list of Vaisala Group's permanent insiders and their holdings. Insiders' shares and stock options also include holdings by controlled corporations and by persons under their guardianship. The information will be updated four times a year, in relation with the quarterly results.

Insider register December 31, 2004

Name	Position	A-share	K-share	A/B warrants
Ahtiluoto Liisa	Subject to declaration, on other basis	-	-	-
Ala-Mello Jukka	Auditor	-	-	-
Andersin Nina	Subject to declaration, on other basis	-	-	-
Chansky Steven	Subject to declaration, on other basis	-	-	16 000
Dabberdt Walter	Management Group member	-	-	16 000
Engström Tapio	Management Group member	-	-	-
Eskelinen Katri-Helena	Subject to declaration, on other basis	-	-	-
Forss Kenneth	Management Group member	-	-	32 000
Happonen Marja	Management Group member	-	-	16 000
Hautojärvi Pekka	Board member	1 600	-	-
Husu Martti	Management Group member	-	-	16 000
Hämäläinen Tomi	Subject to declaration, on other basis	-	-	-
Hörhammer Jan	Management Group member	1 000	-	32 000
Jokela Tiia	Subject to declaration, on other basis	-	-	-
Jokiranta Kirsi	Subject to declaration, on other basis	400	-	4 000
Järvinen Erkki	Management Group member	-	-	24 000
Kallunki Jussi	Management Group member	-	-	16 000
Ketonen Pekka	President and CEO	-	-	64 000
Kiianlehto Tiina	Subject to declaration, on other basis	-	-	-
Laakkonen Anna-Maija	Subject to declaration, on other basis	-	-	-
Metso Marikka	Subject to declaration, on other basis	-	-	-
Michelsen Karl-Erik	Subject to declaration, on other basis	-	-	-
Mykkänen Jussi	Management Group member	-	-	16 000
Neuvo Yrjö	Board member	96 956	40 529	-
Nieminen Mikko	Auditor	-	-	-
Niinivaara Mikko	Board member	-	-	-
Tuominen Hannu	Management Group member	-	-	32 000
Voipio Mikko	Board member	323 680	301 156	-
Voipio Raimo	Chairman of the board	281 280	309 500	-
Wendt Gerhard	Board member	-	-	-

Risk management

Internal control principles

Internal control is embedded in Vaisala's operating processes, i.e. the control procedures are part of the processes. The company does not have a separate Internal Audit function, but tests the functionality of the process continuously through spot-checking. In addition to standard financial auditing, the company carries out audits in specific areas (see Internal Audit) by assigning a the task to the company of public accountants used.

Organization of risk management

Vaisala's risk management policies are determined by the Board of Directors. The policies are aimed at managing identified risks. The policy principles determine the company's approach to potential risks and their management.

Vaisala's Management Group determines more specific guidelines for the Group's operations, e.g. approval, offering, procurement rights and terms of payment.

The usual risks related to international business affect Vaisala's operations.

Financial risk management

Group financing is arranged through the parent company, and the financing of the subsidiaries is arranged through internal loans. The parent company also provides the subsidiaries with the necessary credit limit guarantees. The parent company assumes responsibility for financial risk management and for investing surplus liquidity.

Interest rate risk

As the Group has no interest bearing liabilities, the interest rate risk is non-existent.

Currency risk

The Group's currency risks are conversion and transaction risks related to its foreign subsidiaries, resulting from commercial accounts receivables and accounts payables. The transaction risks are mostly related to USD, GBP and JPY. The company uses currency forwards for hedging purposes. The hedging is done by the parent company.

Liquidity risk

With the company's current balance sheet structure, liquidity risks are non-existent.

Credit risk

Liquid assets are directed, within set limits, to investments whose creditworthiness is good. The investments and investment limits are revised annually.

Internal audit

The company does not have a separate Internal Audit function. Internal auditing tasks, when carried out, are assigned to the company of public accountants (see Internal control principles).

Articles of Association

Article 1 The name of the company is Vaisala Oyj, in English Vaisala Corporation, and its domicile is Vantaa.

Article 2 The company's object is the development, manufacturing and marketing of technical instruments and the sale of related services. The company may also lease technical instruments and facilities. The company provides financial support for scientific research. In order to carry out its activities the company may own and control fixed assets and shares without engaging in the trading thereof.

Article 3 The company's minimum capital shall be seven million two hundred thousand (7,200,000) euros and its maximum capital twenty-eight million eight hundred thousand (28,800,000) euros, within which limits share capital may be increased or decreased without amending the Articles of Association.

Shares shall be divided into K shares and A shares. A maximum of 68,490,107 shares shall be K shares and a maximum of 68,490,107 shares shall be A shares, with the provision that the total number of shares shall be at least 17,122,505 and not more than 68,490,107.

K and A shares shall differ in that each K share shall convey the right to twenty (20) votes at a General Meeting of Shareholders and each A share shall convey the right to one (1) vote. Shares shall convey equal rights to dividends.

A K share may be converted into an A share at the demand of the shareholder or in the case of shares registered under a nominee the custodian indicated in the book-entry account.

A conversion demand must be made in writing to the Board of Directors. The demand must indicate the number of shares to be converted and the book-entry account in which the shares are registered. The company may ask for a transfer limitation to be entered in the shareholder's book-entry account during the conversion process.

A conversion demand may be presented at any time, but not after the Board of Directors has decided to call a General Meeting of Shareholders. A conversion demand made between such a decision and the subsequent General Meeting of Shareholders shall be regarded as having arrived and shall be handled after the General Meeting of Shareholders and any subsequent record date.

The Board of Directors shall without delay reach a decision on a presented conversion demand. The Board of Directors shall without delay notify the Trade Register of its decision for registration. The Board of Directors shall if necessary issue more detailed instructions concerning conversion.

Article 4 The company's shares shall belong to the book entry system of securities.

Article 5 The right to receive distributions from the company and the right to subscribe for new shares upon an increase of share capital shall belong only:

- 1) to a person who on the record date is registered as a shareholder in the register of shareholders;

- 2) to a person whose right to obtain performance has on the record date been registered in the securities account of the registered shareholder and which also has been entered in the register of shareholders; or
- 3) in the case of shares registered under a nominee, to a person on whose securities account the share has been registered on the record date and whose custodian has on the record date been entered in the register of shareholders as the custodian.

Article 6 The administration and proper running of the company shall be in the hands of the Board of Directors, which shall include three to six (3-6) regular members.

The term of a member of the Board of Directors shall expire at the end of the third Annual General Meeting of Shareholders following his election. One-third of the members of the Board, or the number closest to this, shall resign annually.

In the event that the entire Board of Directors is elected at the same time, the above-mentioned number of members, determined by lot, shall resign in the first two years.

Article 7 A Board meeting shall constitute a quorum when over half of the members are present. Board decisions shall be made by majority vote. In case of a drawn vote, the Chairman shall have the deciding vote.

Article 8 The company shall have a Managing Director, appointed by the Board of Directors, who shall attend to the day-to-day administration of the company according to the instructions and orders issued by the Board of Directors.

Article 9 The Chairman of the Board of Directors and the Managing Director shall be entitled to sign for the company individually.

The Board of Directors may also authorize other persons to sign for the company per procuracionem or otherwise.

Article 10 The company shall have two (2) regular auditors and one (1) deputy auditor. One of the auditors and the deputy auditor must be authorized public accountants or auditing corporations.

If an authorized auditing corporation is chosen to perform the auditing, a deputy auditor shall not be elected.

Each auditor's term of office shall comprise the on-going financial period and shall expire at the end of the first Annual General Meeting of Shareholders following his election.

Article 11 The company's financial period shall be the calendar year.

Article 12 Notice of a General Meeting of Shareholders must be given to shareholders no earlier than two (2) months and no later than three (3) weeks before the meeting through an announcement in a nationwide daily newspaper published in Helsinki or alternatively within the same period of time by other means certifiably in writing.

In order to participate in the General Meeting of Shareholders, a shareholder must register with the company by the date determined by the Board of Directors and specified in the meeting notice, which may be no earlier than ten days prior to the meeting.

Article 13 The Annual General Meeting of Shareholders shall be held by the end of June on a date determined by the Board of Directors and at a place in Vantaa or Helsinki determined by the Board of Directors.

The Annual General Meeting of Shareholders

shall review

1. the annual accounts,
2. the Auditors' Report;

shall decide on

3. approval of the Statement of Income and Balance Sheet and the Consolidated Statement of Income and Consolidated Balance Sheet,
4. any measures warranted by the profit or loss shown in the approved Consolidated Balance Sheet,
5. discharging the members of the Board of Directors and the Managing Director from liability,
6. the number of members to serve on the Board of Directors and
7. the remuneration to be paid to the members of the Board of Directors;

shall elect

8. the members of the Board of Directors and
9. the auditors and deputy auditor.

Compensation systems

The Board of Directors of Vaisala Corporation decides on the compensation of the President and CEO. The Board of Directors also decides on management compensation, based on a proposal from the President and CEO.

The current performance-based compensation system comprises:

- a bonus scheme, with a maximum bonus corresponding to 4-6 months' pay
- an options scheme, terms and conditions of which have been published in a stock exchange release February 24, 2003.
- a profit and share-based incentive program term and conditions of which have been published in a stock exchange release October 29, 2004

The salaries and other benefits paid to the President and CEO are listed in the President & CEO section. Vaisala does not have a full-time Chairman of the Board.

Environmental issues

Vaisala's environmental management system is ISO 14001 certified and covers all of Vaisala's offices, operations and products. Vaisala's environmental management program includes improving the environmental qualities of new products, recycling more packaging materials, and developing better waste management practices in all Vaisala locations. Vaisala's weather observation and environmental measurement products contribute favorably to the environment in many ways.

Improving the environmental qualities of products

In September 2004, in order to comply with the EU WEEE directive (Directive on Waste Electrical and Electronic Equipment), Vaisala became one of the founding members of SELT ry, a producers' community committed to the issues of electrical and electronic waste collection and recycling.

To comply with the EU RoHS directive (Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment), Vaisala has been investigating and successfully testing the transition to lead free electronics in 2004. Vaisala is working together with its suppliers in 2005 to ensure that all products sold by Vaisala comply with the RoHS directive.

Vaisala's products will comply with the WEEE directive by 13 August 2005, and with the RoHS directive by 1 July 2006, when corresponding national regulations come into force in Finland. New products' environmental qualities are continuously improved as part of the product design process.

Recycling of packaging materials

Vaisala takes care of the recycling of the packaging materials that it delivers to its markets. In practice, this is achieved through membership of Finland's Environmental Register of Packaging, PYR Ltd. Vaisala covers the costs associated with the recycling process of the products that it has delivered to its markets.

Improved waste management

Vaisala offices and operations are performing well in waste handling for different types of waste. The next step is to minimize landfill waste by separating plastic and energy waste from other mixed waste, in addition to reducing the amount of waste in general.

The environment and customer applications

Vaisala's environmental measurement products contribute favorably to the environment in many ways. Diverse phenomena caused by changes in the global climate are being closely studied and measured. Vaisala's worldwide weather observation systems support this work. The minimization of the detrimental environmental effects caused by exceptional weather conditions is key, and this is why weather parameters are measured more extensively and at shorter intervals. For example, by measuring the water level and its movement we can

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, such as salting. 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 wellbeing. In many manufacturing processes, it is of the 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 exhale 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 2004 Vaisala Group had 1063 employees, of which 673 worked in Finland and 390 outside Finland. The number of employees decreased by 50 from the previous year.

In the Vaisala Group, 45% 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 58% at the end of the year. The proportion of women decreased, being 30%. The average age of the Vaisala Group's personnel was 41.

Focus on application skills development

Efforts to further develop employees' application skills were continued in 2004. A hydrological-meteorological education program, developed in conjunction with the University of Helsinki, the Finnish Meteorological Institute and the Finnish Environmental Institute, was launched in January. During the year, 70 Vaisala employees based in Finland studied hydrology and meteorology in the program. An Introduction to Weather course was also included in the new employees' orientation program in Finland. Process map development continued in the Vaisala Solutions division. A role-based initiative to support business and skills management was launched in the Vaisala Aviation Weather division. An Application Know-How Audit was carried out for the first time, and its findings are applied in targeted development measures.

The fifth international Vaisala Business Learning Program ended in September 2004. The program included a new module on innovation management. A total of 18 Vaisala employees from Finland, the UK, the United States, Japan and Germany participated in the program with the objective of developing key business skills.

Project work abilities were subject to further development in all divisions. A training program for project work and project management was launched in the United States.

All business managers based in Finland participated in a training program concerning successful leadership. New managers received training in the different areas of management activity.

In-house product and application training was maintained in the Vaisala Group. Language and cultural training continued to be organized in Finland.

Towards innovation management

The Vaisala Group is one of the founders of the Industrial Innovation Management program, launched together with the Technical Research Centre of Finland (VTT) and other companies in spring 2004. The aim of the program is to develop the innovation management procedures adopted by companies. The program is based on systematic networking and mentoring, and a series of workshops supporting the participants' project assignments. Two Vaisala employees participate in the program, and the company plays an active role in its further development.

The Vaisala Instruments division participated in the Technical Research Centre of Finland's Voitto project, which is intended to develop a process for innovation and the necessary tools to support it.

The Vaisala Group also participated in the Helsinki University of Technology (TKK) Innovation Management Institute's (IMI) research project on the initial stages of the innovation process, focusing on the customer point of view.

Personnel survey - a tool for HR and business development

78% of Vaisala's employees responded to the personnel survey in 2004. The proportion remained unchanged from the previous year. The proportion of respondents in Finland rose from 75% to 82%.

The overall changes compared to the previous year's survey findings were small. The greatest improvement was achieved in the clarity of common goals for different business divisions, and in understanding the strategy guiding the actions. Compared to external benchmarks, the Vaisala Group's main strengths lay in general working conditions and in management skills. The personnel feel they receive abundant feedback on the results of their work. Managers are supportive and give constructive feedback.

The personnel's expectations are focused on more extensive utilization and development of their skills, and further development of their customer focus.

The survey findings were analyzed by division, and development measures were included in each division's action plan.

Bonus schemes- a tool for guiding operations and management

Work on standardizing bonus schemes throughout the Group continued and the schemes were developed to meet with the renewed strategic goals. A Balanced Scorecard approach was systematically applied in the development process. The indicators for incentive schemes were directly derived from the strategic goals. Development efforts will continue in 2005.

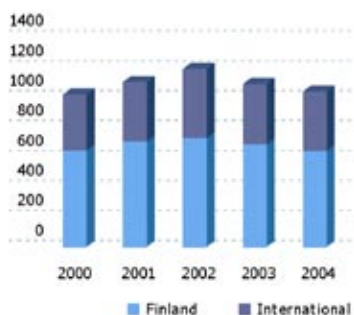
International Position Evaluation system (IPE) was introduced throughout the entire Group. The system provides improved conditions for the development of systematic and rewarding incentive schemes. The introduction of IPE also facilitates the modeling and application of systematic career and development paths.

In Finland, the demand classification per task was abandoned in favor of team based classifications. Hourly salary was also abandoned in favor of monthly salary.

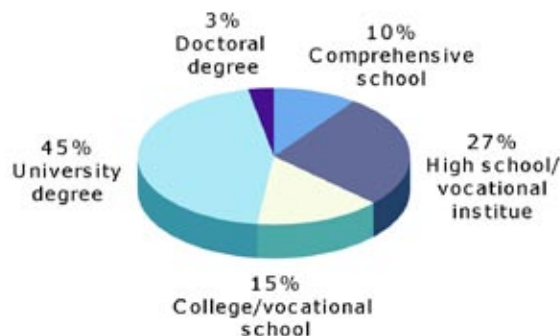
The Vaisala Group's stock option scheme included 76 people at the end of 2004. At the end of 2004, the decision was taken to start a result and share-based incentive program for key personnel. Currently there are approximately 50 Vaisala employees within this program. For more information please refer to the stock exchange release: Share-based incentive program for Vaisala's key personnel

Personnel in graphs

Personnel at the end of the year



Personnel by level of education



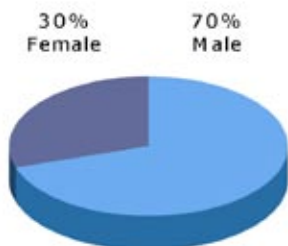
Personnel by geographical area



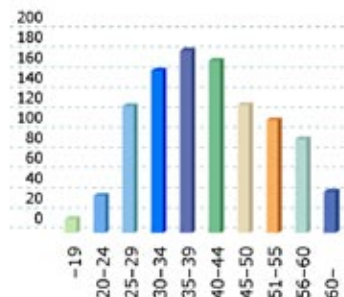
Personnel by area of education



Personnel by gender



Personnel by age



Corporate citizenship

Active cooperation with universities and research institutes

Research and development activities are a key prerequisite for the success of the Vaisala Group. 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).

THORPEX - global atmospheric research program

Vaisala is participating in the global THORPEX program (The Observing System Research and Predictability Experiment). THORPEX, which was launched in 2003, is a 10-year research program for observation systems and predictability. The program aims to study and improve the effectiveness of both earth-based and space-based atmospheric observation systems. The accurate long-range prediction of high-impact weather is a significant scientific and societal challenge for the 21st century.

THORPEX is carried out in cooperation with the WMO (World Meteorological Organization). During 2004, Vaisala doubled the number of two-year postdoctoral fellowships it supports in conjunction with the THORPEX global atmospheric research program. Two new fellowships were awarded.

For more information on THORPEX please refer to the Vaisala website.

Professor Vilho Vaisala Award

The Professor Vilho Vaisala Award that was established in 1985 is administrated by the World Meteorological Organization (WMO). It is awarded to encourage research in the field of meteorological and climatic observation. The annual competition can be entered by all WMO member states.

In 2004, Vaisala granted additional funds for a second parallel Vilho Vaisala Award. The purpose of this Award is to recognize achievements in practical applications in the field of meteorological observations and instruments.

Cooperation with universities in the USA and Finland

Vaisala continues to have a close relationship with the meteorology programs at the University of Oklahoma. During the past year, Vaisala made a commitment to support two years of graduate study. Vaisala is also supporting the recently established Sasaki Applied Meteorology Research Institute (SAMRI). SAMRI's mission is to foster and support the development of new applications for weather and climate information for decision-making processes.

For many years Vaisala has also partially funded undergraduate scholarships in meteorology for qualified students selected by the American Meteorological Society (AMS).

Vaisala is a Principal Member of the Industrial Advisory Board for the multi-university Center for Collaborative Adaptive Sensing of the Atmosphere (CASA). Member universities include

the University of Massachusetts, University of Oklahoma, Colorado State University and the University of Puerto Rico. Industrial members support CASA research and graduate student education, and in return they share in the intellectual property developed by CASA.

In Finland, Vaisala funds the diploma and thesis work of ten university and/or university of technology students every year.

Partnerships with the Technical Research Centre of Finland (VTT) and the Helsinki University of Technology

VTT, the Helsinki University of Technology and Vaisala have a long history together. The development projects in 2004 focused on innovation processes and innovation management. For more information on the Industrial Innovation Management program and Voitto and Coinno projects please refer to the Personnel section.

Vaisala CEO Pekka Ketonen is the Chairman of VTT's Board of Directors.



Annual General Meeting

The Annual General Meeting of Vaisala Oyj will be held on Tuesday 22 March 2005, at 5 p.m. at the company's head office, Vanha Nurmi­järventie 21, Vantaa, Finland.

Following items will be on the agenda of the Annual General Meeting:

1. The items specified in Article 13 of the Articles of Association.
2. Vaisala Oyj Board of Directors' proposal that authorization be granted to the Board to acquire and dispose the company's A-shares.

The Board of Directors propose to the Annual General Meeting held on Tuesday 22 March 2005 that authorization be granted to the Board to acquire and dispose the company's A-shares according to the Finnish Companies Act as follows:

Acquisition

- Shares shall be acquired not in proportion to current shareholdings through public trading arranged by the Helsinki Stock Exchange
- The shares will be acquired at the market price formed during public trading
- The number of the shares which may be acquired shall not exceed 35,000
- The shares will be used to settle the share-based incentive program designed for Vaisala Oyj's key personnel
- The authorization is valid for one year from the date of the Annual General Meeting, expiring on 22 March 2006
- The acquisition will reduce Vaisala Oyj's distributable equity

Disposal

- The Board of Directors are authorized to decide on the disposal of maximum of 35,000 shares
- The shares can be disposed according to the regulations of the share-based incentive program designed for Vaisala Oyj's key personnel, in manner decided by the Board of Directors
- The shares will be disposed at the market value formed during public trading
- The authorization is valid for one year from the date of the Annual General Meeting, expiring on 22 March 2006

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 Monday 14 March 2005. 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.

Election of the members of the Board of Directors and auditors

Shareholders representing more than 10 percent of all the votes in the company have informed that they will propose to the Annual General Meeting held on Tuesday 22 March 2005 that:

Two members of the Board of Directors, Mr Raimo Voipio and Mr Mikko Niinivaara, who were to retire by rotation, and Vaisala Oyj's current Authorized Public Accountants PriceWaterhouseCoopers Oy and Mr Jukka Ala-Mello APA, to be re-elected for the next term of office, in accordance with the Articles of Association. The two members of the Board of Directors and Vaisala Oyj's current Authorized Public Accountants have given their consent for the re-election.

The invitation to the Annual General Meeting will be published in Helsingin Sanomat and Kauppalehti newspapers on Thursday, 10 February 2005. An English language version will be available on the Vaisala Group homepage www.vaisala.com on the same day.

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 2004 financial year. The record date for dividend payment is March 29, 2005 and subject to approval of the board, the dividend will be paid on April 5, 2005. Shareholders cannot be paid a dividend until they have transferred their shares to the book entry securities system.

Financial reporting in 2005

Vaisala Oyj will publish three interim reports in 2005 in Finnish and English according to the following schedule:

Interim report 1.1. - 31.3.2005	May 3, 2005
Interim report 1.1. - 30.6.2005	August 8, 2005
Interim report 1.1. - 30.9.2005	October 31, 2005

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

The Financial Statements 2004 brochure will be published in Finnish and English. The brochure will be distributed to all Vaisala shareholders on week 10 (March 7-11, 2005).

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 2004

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In addition to this Financial Statements 2004 brochure Vaisala has published an electronic annual report at www.vaisala.com/annualreport.

Market situation

Demand has remained the same throughout the financial year. No significant changes are expected in the near future.

Persistent maintenance and development of competitiveness has enabled Vaisala to retain its market share, and its market position remains strong.

Net sales and order book

The Vaisala Group's net sales were EUR 180.6 million (EUR 189.2 million in 2003). The Group's operations outside Finland accounted for 97% of net sales (97%). New orders for the financial year totaled EUR 172.8 million (180.7). The order book at the end of the year stood at EUR 52.7 million (62.9).

Without the effect of exchange rate changes, the Group's net sales would have remained the same as in previous year.

Vaisala Solutions

The Vaisala Solutions division generated net sales of EUR 52.4 (53.0) million.

The profitability level for the financial year was satisfactory. The figure for the previous financial year has been adjusted to correspond with the structure in 2004. The efficiency of the capital employed was

improved. Measures for the further development of the solutions business model were continued. Several contracts based on the new service concepts were won.

The market has picked up somewhat and the order intake has started to rise slightly. We are expecting slight growth in net sales in 2005.

Vaisala Instruments

The Vaisala Instruments division generated net sales of EUR 52.9 (50.3) million.

The division's profitability level was good in 2004. The figure for the previous financial year has been adjusted to correspond with the structure in 2004.



Vaisala Instruments continued to grow and the market situation is relatively stable. Profitability in 2005 is expected to be a good. In particular, we are expecting growth from the new weather transmitter launched in October. The new humidity and temperature transmitter series will strengthen our position in the field of demanding industrial and meteorological humidity measurements.

During the financial year, the Vaisala Instruments division also introduced a new portable meter for oil moisture measurements, a carbon dioxide probe for ecological measurements, a dewpoint meter for natural gas humidity measurements, and a ceilometer and transmissometer for airports. During the review period, the division discontinued its ammonia measurement business.

In October, Vaisala Instruments introduced a new type of compact weather transmitter. Based on technologies developed and patented by Vaisala, the weather transmitter measures temperature, relative humidity, barometric pressure, wind speed and direction, and liquid precipitation. The transmitter is suitable for weather sensitive businesses that require weather information for the success of their daily operations.

The new weather transmitter is expected to open the door for Vaisala to a market worth approximately 20 million euros.

Vaisala Soundings

The Vaisala Soundings division generated net sales of EUR 55.8 (64.5) million.

The division's profitability level was good in 2004.

The market has remained unchanged, and customers are cautious in their investments. The market launch of the new generation radiosonde released in 2003 has progressed well. Some projects were postponed for reasons relating to customers, which was reflected in low net sales.

During the financial year, the Vaisala Soundings division introduced Ozone measurement in the radiosonde product series.

Some small growth and improvement in profitability can be expected in 2005.

Vaisala Remote Sensing

The Vaisala Remote Sensing division generated net sales of EUR 19.5 (21.5) million.

The result for the financial year was negative. No increase in net

sales is expected in 2005, but the result should turn slightly positive.

In January, the Vaisala Remote Sensing division announced its new lightning detection system that combines the technologies acquired through two separate acquisitions into one modular product family. The new product line reduces the amount of equipment to be maintained and improves product profitability.

Divisions from the beginning of 2005

In the beginning of 2005, the Vaisala Sounding Systems and Vaisala Remote Sensing divisions, as well as the Vaisala Measurement Systems sales channel, were integrated into a single division. By distributing resources among the divisions, it is possible to further increase efficiency. The name of the new division is Vaisala Measurement Systems (VMS).

Other events

Decision has been made to establish a company in China to strengthen Vaisala's position in China's growing market. Vaisala has been present in China since 1986. A representative office was opened in Beijing in 1994 and a sales office in Shanghai in November 2003.

In October, Vaisala Oyj's Board of Directors decided to introduce a new profit and share-based incentive program for key personnel and senior management, including the President & CEO, as part of the Group's incentive and commitment systems.

Vaisala Oyj's 2000 B option rights have been traded on the Helsinki Stock Exchange as of 1 December 2004, merged together with the listed 2000 A option rights.

On 14 December 2004, the Extraordinary General Meeting approved The Board of Directors' proposal for additional dividend of EUR 0.50 per share, totaling EUR 8,739,500, to be paid, in addition to the dividend approved by the Annual General Meeting on 18 March 2004 (EUR 0.75), on the basis of the Balance Sheet for the financial year that ended on 31 December, 2003.

Performance

Operating profit for the review period was EUR 23.8 million (25.9). Profit before extraordinary items was EUR 24.1 million (23.4), or 13.4% of net sales. Goodwill depreciation from acquisitions totaled EUR 3.0 (4.1) million. Profit for the

accounting period was EUR 17.0 (14.5) million.

Balance sheet

The Vaisala Group's solvency ratio and liquidity remained strong. On 31 December, 2004, the balance sheet total was EUR 165.3 million (172.9). The Group's solvency ratio at the end of the review period was 83% (84%).

Research and development

R&D expenditure totaled EUR 22.3 million (21.1) in the review period, representing 12.4% of the Group's net sales.

Capital expenditure

Gross capital expenditure in fixed assets totaled EUR 4.8 million (14.1) during the review period.

Vaisala's shares

The price of Vaisala's A share on the Helsinki Exchanges was EUR 24.50 at the beginning and EUR 18.20 at the end of the review period. The highest quotation during the review period was EUR 24.50 and the lowest EUR 17.25.

Vaisala's share capital at the end of the review period was EUR 7,349,905.88 and the total number of shares was 17,479,000.

A total of 1,635,934 Vaisala shares were traded on the Helsinki Exchanges during the review period.

Novameter Oy acquired 365,000 Vaisala Oyj series A shares by sale outside the Helsinki Exchanges during the review period.

Novameter Oy's ownership of Vaisala Oyj series A shares after the acquisition is 9.9% and series K shares 13.3%. Novameter Oy's ownership of Vaisala Oyj share capital is 10.6% and of voting rights held 12.7%. The internal arrangement was agreed upon within the current ownership.

Personnel

The total number of employees in the Vaisala Group at the end of the review period was 1,063, compared with 1,113 at the end of the corresponding period in 2003.

Some 22% (21%) of the personnel worked in research and development. Approximately 37% (37%) of the Group's personnel worked outside Finland.

Application of the International Financial Reporting Standards (IFRS)

The transition to the IFRS has proceeded according to schedule. Vaisala Oyj will report the most

Board of directors' report

significant changes in its financial reporting brought about by the application of the IFRS in the beginning of April. IFRS compliant interim figures for 2004 will be published together with the interim reports for 2005, to enable comparisons.

Board of Directors and President & CEO

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

Vaisala Oyj's Authorized Public Accountants are PriceWaterhouseCoopers Oy and Mr. Jukka Ala-Mello APA.

Dividend

The Board of Directors proposes to the Annual General Meeting held

on 22 March 2005 that a dividend of EUR 0.75 per share be paid for the financial year 2004, corresponding to total of EUR 13,109,250, which is 77% of the review period's profit. The record date for dividend payment is 29 March, 2005, and it is proposed that the dividend will be paid on 5 April, 2005.

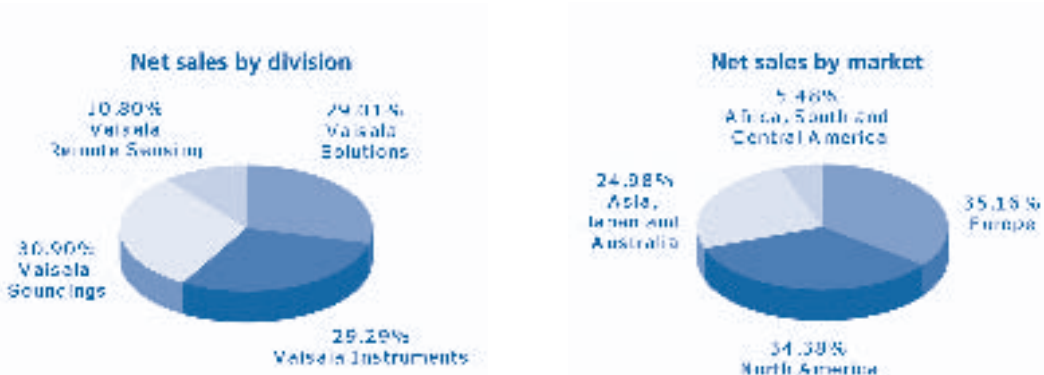
Outlook

The market outlook has not significantly changed. Slight improvement in net sales and profitability are expected in 2005.

Vaisala aims to be the global market leader in its selected business areas also in the future. Therefore investments in product development and competitiveness will continue to be substantial.

Vantaa, Finland, 14 February, 2005

Vaisala Oyj
Board of Directors



Income statements

(M€)	Note	GROUP		PARENT COMPANY	
		2004	2003	2004	2003
Net sales	(2)	180.6	189.2	126.5	136.5
Cost of production and procurement		83.3	88.2	66.7	72.3
Gross profit		97.3	101.0	59.8	64.2
Cost of sales and marketing		33.7	36.5	14.0	14.9
Cost of administration					
Development costs		22.3	21.1	17.5	15.3
Other administrative costs		14.6	14.4	10.4	9.7
Group goodwill		3.0	4.1	-	-
		73.7	76.0	41.9	39.8
Other operating income	(3)	0.2	0.9	0.1	0.5
Operating profit		23.8	25.9	18.0	24.8
Financial income and expenses	(5)	0.3	-2.5	1.2	-1.8
Profit before provisions and taxes		24.1	23.4	19.2	23.1
Provisions		-	-	0.3	-0.1
Direct taxes	(6)	7.2	8.9	5.6	6.5
Net profit for the financial year		17.0	14.5	14.0	16.5

Balance sheets

Assets (M€)	Note	GROUP		PARENT COMPANY	
		2004	2003	2004	2003
Non-current assets					
Intangible assets	(7)				
Intangible rights		2.1	2.9	2.3	3.5
Goodwill		0.0	1.2	-	-
Consolidated goodwill		3.4	5.6	-	-
Other long-term expenditure		0.5	0.4	0.4	0.4
		5.9	10.1	2.7	3.9
Tangible assets	(7)				
Land and waters		2.8	2.9	1.3	1.3
Buildings		26.1	25.1	23.6	22.3
Machinery and equipment		10.5	11.8	7.9	8.8
Other tangible assets		0.7	0.5	0.0	0.0
Advance payments and construction in progress		2.1	4.5	2.0	4.4
		42.1	44.8	34.8	36.8
Investments	(7, 10)				
Other shares and holdings		0.3	0.3	20.8	20.8
Other receivables		1.6	1.7	0.0	0.0
Receivables from subsidiaries		-	-	3.5	4.8
		1.9	2.0	24.3	25.6
Current assets					
Inventories					
Materials and consumables		8.4	9.5	6.2	7.4
Work in progress		2.3	4.2	1.3	1.7
Finished goods		5.0	4.8	3.0	2.6
		15.7	18.4	10.6	11.6
Receivables					
Trade receivables		36.6	41.9	26.1	36.1
Loan receivables		0.0	0.0	0.9	2.0
Other receivables		3.0	2.5	0.2	0.3
Prepaid expenses and accrued income	(8)	2.6	4.0	2.5	3.3
Deferred tax assets	(11)	2.6	2.3	0.3	0.3
		44.9	50.8	30.0	41.8
Cash and bank balances	(9)	54.8	46.8	43.8	35.3
Assets, total		165.3	172.9	146.2	155.1

Balance sheets

Shareholders' Equity and Liabilities (M€)	Note	GROUP		PARENT COMPANY	
		2004	2003	2004	2003
Shareholders' Equity	(12)				
Share capital		7.4	7.4	7.4	7.4
Share issue		7.3	7.3	7.3	7.3
Reserve fund		0.1	0.1	-	-
Profit from previous years		101.4	110.3	94.9	100.2
Profit for the financial year		17.0	14.5	14.0	16.5
		133.1	139.5	123.5	131.4
Minority interest		-	-	-	-
Provisions					
Accumulated depreciation difference	(12)	-	-	2.2	2.6
Obligatory provisions	(13)	1.3	1.1	1.2	0.9
Liabilities					
Non-current					
Other non-current liabilities	(14)	0.8	1.2	0.8	1.2
Current					
Advances received		5.9	7.7	2.3	2.9
Trade payables		8.3	9.1	7.9	9.6
Other current liabilities		2.1	3.2	1.5	1.8
Accrued expenses and deferred income	(15)	13.9	11.2	6.7	4.7
		30.2	31.1	18.4	19.0
Shareholders' equity and liabilities, total		165.3	172.9	146.2	155.1

Cash flow statements

(M€)	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Cash flow from operating activities				
Cash flow from operations	185.5	188.3	137.5	132.1
Other income from business operations	0.2	0.2	0.1	0.0
Expenses from business operations	-141.0	-145.0	-100.5	-103.5
Cash flow from business operations before financial items and taxes	44.7	43.5	37.2	28.6
Financial income and expenses from business operations	-0.8	-2.2	-0.9	-2.1
Dividend received from business operations	0.0	0.0	1.2	1.0
Direct tax paid	-7.9	-6.5	-5.2	-4.8
Cash flow from business operations (A)	36.1	34.8	32.2	22.7
Cash flow from investing activities				
Investments in tangible and intangible assets	-5.5	-18.1	-3.2	-9.7
Proceeds from sale of fixed assets	0.0	0.1	0.0	0.0
Loans granted	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0
Repayments on loan receivables	0.0	0.0	2.0	1.1
Proceeds from sale of other investments	0.0	0.5	0.0	0.5
Cash flow from investing activities (B)	-5.5	-17.5	-1.2	-8.1
Cash flow from financing activities				
Equity issue	0.0	0.4	0.0	0.4
Repayment of short-term loans	0.0	0.0	0.0	0.0
Withdrawal of long-term loans	0.2	0.2	0.2	0.2
Repayment of long-term loans	-1.0	-0.4	-1.0	-0.4
Dividend paid and other distribution of profit	-21.8	-9.6	-21.8	-9.6
Cash flow from financing activities (C)	-22.6	-9.4	-22.6	-9.4
Change in liquid funds (A+B+C) increase (+) / decrease (-)	8.0	7.9	8.4	5.2
Liquid funds at beginning of financial year	46.8	38.9	35.3	30.1
Liquid funds at end of financial year	54.8	46.8	43.8	35.3

Notes to the income statement and balance sheet

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:

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

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 statement and balance sheet

EUR 1000	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
2. Net sales by market area				
Europe	63 494	60 217	51 221	50 343
from which Finland	6 104	6 392	5 997	6 393
North America	62 089	66 690	29 292	29 964
Asia and Australia	45 109	54 451	36 271	48 302
Africa, South and Central America	9 904	7 846	9 721	7 846
Total	180 596	189 204	126 504	136 455
3. Other operating income				
Gains on disposal of fixed assets	7	544	7	492
Other income from operations	160	371	108	8
Total	166	915	114	499
4. Personnel				
Personnel costs				
Wages and salaries	48 476	47 439	28 161	26 448
Pension costs	4 730	5 792	3 957	4 520
Other personnel costs	5 188	5 285	1 626	1 632
Total	58 394	58 516	33 743	32 600
Personnel on average during the year (persons)				
In Finland	694	738	694	722
Outside Finland	398	403	19	17
Total	1 092	1 141	713	738
Personnel Dec. 31				
In Finland	673	698	673	698
Outside Finland	390	415	18	19
Total	1 063	1 113	691	717
Salaries				
Salaries paid to the members of the Board of Directors and Presidents and CEO	804	1 176	326	318
Salaries paid to the other employees	46 109	46 274	26 371	26 141
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	-	-	1 147	949
From others	39	46	39	46
Share of the associated companies' net profit				
Share of the associated companies' net profit	51	34	-	-
Interest income on long-term investments				
From Group companies	-	-	148	217
Other interest and financial income				
From Group companies	-	-	-	-
From others	1 073	911	743	645
Interest and other financial expenses				
From others	-113	-103	-87	-71
Foreign exchange gains and losses				
From Group companies	-	-	622	-1 668
From others	-727	-3 415	-1 370	-1 871
Total	323	-2 527	1 242	-1 753

Notes to the income statement and balance sheet

EUR 1000	GROUP		PARENT COMPANY			
	2004	2003	2004	2003		
6. Income taxes						
Taxes for the financial year	7 480	6 394	5 564	6 406		
Taxes from previous years	107	364	45	-7		
Taxes paid at source abroad	44	95	44	95		
Deferred tax liability	-461	2 063	-59	-11		
Total	7 170	8 916	5 594	6 483		
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	10 461	9 468	13 159	1 156	34 244	
Translation difference	-42	-697	-599	-31	-1 369	
Increases	343	55	-	66	464	
Decreases	-51	0	0	0	-51	
Transfers between items	-2	-	-	2	0	
Acquisition cost Dec. 31	10 709	8 826	12 560	1 193	33 287	
Accumulated depreciation and write-downs Jan. 1	7 524	8 305	7 606	707	24 142	
Translation difference	-26	-708	-175	-30	-940	
Accumulated depreciation of decreases and transfers	-46	0	0	0	-46	
Depreciation for the financial year	1 195	1 229	1 757	56	4 238	
Accumulated depreciation Dec. 31	8 647	8 826	9 188	733	27 394	
Balance sheet value Dec. 31	2 062	0	3 372	460	5 894	
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	2 802	28 882	43 127	2 964	4 518	82 293
Translation difference	-117	-206	-813	-152	-6	-1 294
Increases	0	40	2 348	175	1 695	4 258
Decreases	-	-	-2 070	-78	-74	-2 222
Transfers between items	-	2 734	1 305	-	-4 039	0
Acquisition cost Dec. 31	2 685	31 450	43 897	2 908	2 093	83 034
Accumulated depreciation and write-downs Jan. 1	-	9 443	31 313	2 430	-	43 185
Translation difference	-	1	-790	-214	-	-1 003
Accumulated depreciation of decreases and transfers	-	-19	-1 949	-159	-	-2 127
Depreciation for the financial year	-	1 546	4 852	142	-	6 540
Accumulated depreciation Dec. 31	0	10 971	33 426	2 199	0	46 596
Revaluation	84	5 618	-	-	-	5 702
Balance sheet value Dec. 31	2 769	26 097	10 471	709	2 093	42 140
Undepreciated acquisition cost of machinery and equipment on Dec. 31, 2004 was EUR 12.7 million.						

Notes to the income statement and balance sheet

Group	SHARES AND HOLDINGS	SHARES ASSOCIATED COMPANIES	OTHER LONG-TERM RECEIVABLES	TOTAL
Investments				
Acquisition cost Jan. 1	35	261	1 699	1 995
Translation difference	-1	-19	-117	-137
Increases	-	46	0	46
Decreases	-12	-	0	-12
Transfers between items	-	-	-	-
Balance sheet value Dec. 31	22	288	1 582	1 892

Parent Company	INTANGIBLE RIGHTS	OTHER LONG-TERM EXPENDITURE	TOTAL
Intangible assets			
Acquisition cost Jan. 1	11 904	721	12 625
Increases	329	61	390
Decreases	-51	-	-51
Transfers between items	-	-	-
Acquisition cost Dec. 31	12 182	781	12 964
Accumulated depreciation and write-downs Jan. 1	8 394	307	8 701
Accumulated depreciation of decreases and transfers	-46	-	-46
Depreciation for the financial year	1 571	48	1 619
Accumulated depreciation Dec. 31	9 919	355	10 274
Balance sheet value Dec. 31	2 263	427	2 690

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	25 949	26 967	27	4 440	58 577
Increases	-	0	1 293	-	1 592	2 885
Decreases	-	-	-440	-	0	-440
Transfers between items	-	2 737	1 305	-	-4 039	0
Acquisition cost Dec. 31	1 193	28 683	29 125	27	1 993	61 022
Accumulated depreciation and write-downs Jan. 1	-	9 284	18 214	-	-	27 497
Accumulated depreciation of decreases and transfers	-	-	-376	-	-	-376
Depreciation for the financial year	-	1 411	3 344	-	-	4 755
Accumulated depreciation Dec. 31	0	10 694	21 182	0	0	31 877
Revaluation	84	5 618	-	-	-	5 702
Balance sheet value Dec. 31	1 277	23 607	7 942	27	1 993	34 847

Undepreciated acquisition cost of machinery and equipment on Dec. 31, 2004 was EUR 12.0 million.

Notes to the income statement and balance sheet

Parent Company	SUBSIDIARY SHARES	OTHER SHARES AND HOLDINGS	OTHER LONG-TERM RECEIVABLES FROM GROUP COMPANIES	TOTAL
Investments				
Acquisition cost Jan. 1	20 792	13	4 751	25 556
Increases	-	-	-	0
Decreases	-	-12	-1 227	-1 239
Transfers between items	-	-	-	-
Balance sheet value Dec. 31	20 792	1	3 524	24 317

EUR 1000	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
8. Deferred assets				
Tax related deferred assets	1 216	1 701	1 216	1 701
Other deferred assets	1 411	2 330	1 294	1 572
	2 627	4 031	2 510	3 273
9. Cash and bank balances				
Cash and balance in the bank accounts	19 468	21 463	8 424	9 974
Commercial papers	35 338	25 375	35 338	25 375
	54 806	46 838	43 762	35 349

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 SAS, 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 statement and balance sheet

EUR 1000	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
11. Deferred tax assets and liabilities				
Deferred tax assets				
Consolidation	393	690	-	-
Timing differences	3 308	2 894	321	262
	3 701	3 584	321	262
Deferred tax liabilities				
Provisions	581	748	-	-
Timing differences	534	534	-	-
	1 115	1 282	0	0
Deferred tax assets/liabilities, net	2 586	2 302	321	262
The deferred tax liability arising from revaluation has not been taken into account. If realized, the tax effect of revaluation would be EUR 1,482.5 thousand at the current tax rate.				
12. Shareholders' equity				
The parent company's shares are divided into series, with 3,413,285 series K shares (20 votes/share) and 14,065,715 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	5 915	5 897	5 915	5 897
Converted from series K to A	-1	-	-1	-
Share issues	-	18	-	18
Series A Dec. 31	5 914	5 915	5 914	5 915
Series K Jan.1	1 435	1 435	1 435	1 435
Converted from series K to A	1	-	1	-
Share capital Dec. 31	7 350	7 350	7 350	7 350
Share premium fund Jan. 1	7 253	6 851	7 253	6 851
Share issues	-	402	-	402
Share premium fund Dec. 31	7 253	7 253	7 253	7 253
Reserve fund Jan. 1	102	112	-	-
Translation difference	-1	-10	-	-
Reserve fund Dec. 31	101	102	0	0
Profit from previous years Jan. 1	124 751	124 212	116 765	109 808
Dividends paid	-21 849	-9 590	-21 849	-9 590
Translation difference	-1 491	-4 356	-	-
Profit from previous years Dec. 31	101 411	110 266	94 916	100 217
Profit for the financial year	16 956	14 485	13 981	16 548
Total equity	133 071	139 456	123 500	131 368

Notes to the income statement and balance sheet

EUR 1000	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
Distributable equity				
Accumulated profit funds Dec. 31	101 411	110 266	94 916	100 217
Profit for the financial year	16 956	14 485	13 981	16 548
Accumulated provisions included in accumulated profit	-1 654	-1 832	-	-
Distributable profit funds Dec. 31	116 713	122 919	108 897	116 765
Accumulated provisions				
Accumulated depreciation difference				
Intangible rights	-247	-18	-247	-18
Buildings	3 486	3 258	3 486	3 258
Machinery and equipment	-1 004	-660	-1 004	-660
Total accumulated depreciation difference	2 235	2 581	2 235	2 581
Deferred tax liability on accumulated provisions	-581	-749		
Accumulated provisions included in profit funds	1 654	1 832		
13. Obligatory provisions				
Quality expense reserve	671	288	671	288
Pension reserve	457	557	457	557
Other reserve	130	292	107	63
Total obligatory provisions	1 258	1 137	1 235	909
14. Non-current liabilities				
Liabilities maturing within five years or more				
Other non-current liabilities	0	0	0	0
15. Accrued expenses and deferred income				
Wages, salaries and wage-related liabilities	8 531	7 740	4 466	4 245
Tax liabilities	985	574	-	-
Other accrued expenses and deferred income	4 374	2 847	2 212	504
	13 890	11 161	6 678	4 750
16. Receivables and liabilities from other companies in the Vaisala Group				
Non-current loan receivables			3 524	4 751
Current loan receivables			881	1 954
Trade receivables			10 576	16 712
Prepaid expenses and accrued income			41	44
Total receivables			15 021	23 461
Trade payables			637	1 645
Accrued expenses and deferred income			117	81
Total liabilities			754	1 727

Notes to the income statement and balance sheet

EUR 1000	GROUP		PARENT COMPANY	
	2004	2003	2004	2003
17. Contingent liabilities and pledges given				
For own loans/commitments				
Guarantees	10 487	7 950	6 271	7 950
For Group companies				
Guarantees	-	-	4 216	4 460
Other own liabilities				
Pledges given	35	-	35	-
Leasing liabilities				
Payable during the financial year	1 711	1 974	454	550
Payable later	2 190	2 598	479	657
	3 901	4 572	933	1 207
Total contingent liabilities and pledges given	14 424	12 523	11 455	13 618
Derivative contracts				
Capital of off-balance sheet contracts made to hedge against exchange rate and interest risks				
Currency forwards	8 844	10 530	8 844	10 530
Total capital	8 844	10 530	8 844	10 530

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, 2004 to December 31, 2004 be adopted by the Annual General Meeting in the form presented by the Board. The Group's distributable funds total EUR 116,713 thousand and the parent company's distributable funds EUR 108,897,131.61. 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, 2004 to December 31, 2004.

Vantaa, February 14, 2005

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, the financial statements and corporate governance of Vaisala Oyj for the financial period from 1 January to 31 December 2004.

The financial statements prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements. Based on our audit we express an opinion on these financial statements and on corporate governance of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on 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 our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director of the parent company 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. The financial statements give a true and fair view of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors concerning the distributable funds is in compliance with the Companies Act.

Vantaa, 14 February 2005

PricewaterhouseCoopers Oy
Authorized Public Accountants

Mikko Nieminen
Authorized Public Accountant

Jukka Ala-Mello
Authorized Public Accountant

Shares and shareholders, December 31, 2004

Share capital and shares

Vaisala has 17,479,000 shares. Of the total number of shares there are 3,413,285 Series K shares and 14,065,715 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. Vaisala has applied the insider rules of the Helsinki Stock Exchange from 1st of April 2000.

Warrants

Vaisala has one stock option scheme (year 2000 option scheme). The 2000 option scheme entitles to subscribe a total of 896,000 series A-shares. By the end of 2004 no A-shares were subscribed with warrants. 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 31.12.2004 was EUR 21.53 per share. The subscription period began 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

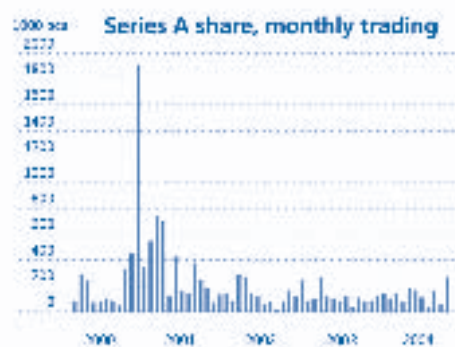
Vaisala Oyj's Board of Directors held and controlled 1,244,349 shares on December 31, 2004, accounting for 14.6% of total votes. The exercise of warrants may result in an increase of the holding of 0.4% of all shares and 0.1% of all votes. The Board of Directors does not hold any warranties.

Authorizations

At the end of 2004, 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, 2004

	% 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	12.7	13.3	9.9	10.5
Mikko Voipio	7.7	8.8	2.3	3.6
Anja Caspers	7.1	8.2	1.4	2.7
Raimo Voipio	5.8	6.7	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	2.2	0.0	12.9	10.4
Jaakko Väisälä estate	1.6	1.8	1.1	1.2
Ilmarinen Mutual Pension Insurance Company	1.4	0.0	8.4	6.8
Minna Luokkanen	1.3	1.5	0.1	0.4
Tuulikki Laasonen	1.2	1.5	0.0	0.3
Nominee registered	2.9	0.0	16.9	13.6



Shares and shareholders, December 31, 2004

Ownership structure by owner type, December 31, 2004

	NUMBER OF OWNERS	% OF VOTES	% OF SERIES K SHARES	% OF SERIES A SHARES	% OF TOTAL SHARES
Companies	230	13.1	13.3	12.1	12.4
Financial and insurance institutions*	12	7.7	4.0	25.3	21.1
Municipalities	11	2.6	0.0	15.0	12.1
Non-profit organizations	68	22.3	25.7	5.3	9.3
Private individuals	4 033	47.3	48.7	40.7	42.3
Outside Finland	12	7.1	8.2	1.5	2.8
Not transferred to the book-entry system		0.0	0.0	0.1	0.1
Total	4 366	100.0	100.0	100.0	100.0

*including nominee registered

Ownership structure by shareholding, December 31, 2004

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	1 356	31.1	0.1	0.5	2	0.0	1 354	0.7
101-1 000	2 513	57.6	1.3	5.1	18	0.3	2 495	6.2
1 001-10 000	395	9.0	4.4	6.5	26	3.8	369	7.1
10 001-100 000	79	1.8	22.4	15.0	26	24.4	53	12.7
100 001-	23	0.5	71.8	72.9	7	71.4	16	73.3
Not transferred to the book-entry system -	-	-	0.0	0.1	-	0.0	0	0.1
Total	4 366	100.0	100.0	100.0	79	100.0	4 287	100.0

Shares in figures

		2004	2003	2002	2001	2000
Earnings/share (EPS)	€	0.97	0.83	0.75	1.21	1.34
Earnings/share (EPS), calculated taking into account the dilution impact of the bond with warrants	€	0.97	0.83	0.75	1.19	1.32
Cash flow from business operations/share	€	2.06	1.99	1.50	0.86	1.50
Shareholders' equity/share	€	7.61	7.98	7.94	7.99	7.40
Dividend/share	€	*0.75	1.25	0.55	0.55	0.67
Dividend/earnings	%	**77.3	150.8	72.4	45.4	50.4
Effective dividend yield ***	%	4.1	5.1	2.4	2.0	2.3
Price/earnings (P/E)		18.8	29.6	30.5	22.6	22.1
A-share trading						
highest	€	24.50	25.00	30.30	36.25	31.50
lowest	€	17.25	16.70	18.81	23.80	18.50
weighted average	€	20.03	19.95	25.78	29.85	26.82
at balance sheet date	€	18.20	24.50	22.98	27.30	29.50
Market capitalisation at balance sheet date ***	M€	318.12	428.24	400.70	471.12	508.05
A-shares traded						
traded	pcs	1 635 934	1 495 572	1 607 165	3 860 888	4 048 077
% of entire series	%	11.6	10.6	11.5	27.9	29.3
Adjusted number of shares	pcs	17 479 000	17 469 407	17 351 471	17 242 655	17 194 211
A-shares	pcs	14 065 715	14 063 215	13 935 686	13 818 354	13 768 651
K-shares	pcs	3 413 285	3 415 785	3 415 785	3 424 301	3 425 560
Number of shares at Dec. 31	pcs	17 479 000	17 479 000	17 437 000	17 257 000	17 222 000

* 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

EUR 1000	12/2004	12/2003	12/2002	12/2001	12/2000
Consolidated income statement					
Net sales	180 596	189 204	196 220	183 529	179 533
Other operating income	166	915	2 042	170	304
Costs	149 168	152 335	161 018	144 655	140 011
Depreciation	7 791	11 856	14 645	9 297	8 782
Operating profit	23 803	25 928	22 599	29 747	31 044
Net financing income/expenses	323	-2 527	-1 117	896	2 608
Profit before extraordinary items, provisions and taxes	24 126	23 401	21 482	30 643	33 653
Extraordinary income and expenses	-	-	-	-	-
Profit before provisions and taxes	24 126	23 401	21 482	30 643	33 653
Change in provisions	-	-	-	-	-
Direct taxes	-7 170	-8 916	-8 414	-9 921	-10 686
Minority interest	-	-	171	168	-
Net profit for the year	16 956	14 485	13 239	20 890	22 967
EUR 1000					
	DEC. 31, 2004	DEC. 31, 2003	DEC. 31, 2002	DEC. 31, 2001	DEC. 31, 2000
Consolidated balance sheet					
Assets					
Fixed assets and other long-term investments	49 926	56 905	57 755	48 596	46 082
Inventories	15 699	18 448	23 027	21 382	18 848
Financial assets	99 687	97 595	94 181	100 904	100 407
	165 311	172 948	174 963	170 882	165 336
Shareholders' equity and liabilities					
Shareholders' equity	133 071	139 456	138 506	137 850	127 357
Minority interest	-	-	-	170	-
Provisions	-	-	-	-	-
Liabilities, total	32 240	33 491	36 457	32 862	37 980
Interest bearing	1 410	2 185	2 387	2 556	3 516
Non-interest bearing	30 830	31 306	34 071	30 307	34 463
Balance sheet total	165 311	172 948	174 963	170 882	165 336

Financial ratios

		2004	2003	2002	2001	2000
Net sales	M€	180.60	189.20	196.22	183.53	179.54
exports and international operations	%	96.7	96.6	96.3	96.2	96.2
Operating profit	M€	23.80	25.93	22.60	29.75	31.04
% of net sales	%	13.2	13.7	11.5	16.2	17.3
Profit before extraordinary items.						
provisions and taxes	M€	24.13	23.40	21.48	30.64	33.65
% of net sales	%	13.4	12.4	10.9	16.7	18.7
Profit before provisions and taxes	M€	24.13	23.40	21.48	30.64	33.65
% of net sales	%	13.4	12.4	10.9	16.7	18.7
Return on equity (ROE)	%	12.4	10.4	9.5	15.6	19.4
Return on investment (ROI)	%	17.6	16.6	15.4	22.9	28.2
Solvency ratio (%)	%	83.5	84.4	83.9	82.9	78.2
Current ratio		3.8	3.7	3.6	4.3	3.7
Gross capital expenditure	M€	4.82	14.09	28.44	12.14	14.74
% of net sales	%	2.7	7.4	14.5	6.6	8.2
R&D expenditure on machinery and equipment	M€	0.14	0.44	0.48	1.13	0.76
R&D expenditure	M€	22.33	21.12	22.07	18.94	17.24
% of net sales	%	12.4	11.2	11.2	10.3	9.6
Orderbook on Dec. 31.	M€	52.68	62.90	77.10	57.80	57.25
Average personnel		1 092	1 141	1 208	1 115	1 016

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

Vaisala Oyj's Annual General Meeting will be held on Tuesday 22 March, 2005, at 5 p.m. at the company's head office, Vanha Nurmi­järventie 21, 01670 Vantaa.

Following items will be on the agenda of the Annual General Meeting:

1. The items specified in Article 13 of the Articles of Association.
2. Vaisala Oyj Board of Directors' proposal that authorization be granted to the Board to acquire and dispose the company's A-shares.

The Board of Directors propose to the Annual General Meeting held on Tuesday 22 March 2005 that authorization be granted to the Board to acquire and dispose the company's A-shares according to the Finnish Companies Act as follows:

Acquisition

- Shares shall be acquired not in proportion to current shareholdings through public trading arranged by the Helsinki Stock Exchange
- The shares will be acquired at the market price formed during public trading
- The number of the shares which may be acquired shall not exceed 35,000
- The shares will be used to settle the share-based incentive program designed for Vaisala Oyj's key personnel
- The authorization is valid for one year from the date of the Annual General Meeting, expiring on 22 March 2006
- The acquisition will reduce Vaisala Oyj's distributable equity

Disposal

- The Board of Directors are authorized to decide on the disposal of maximum of 35,000 shares

- The shares can be disposed according to the regulations of the share-based incentive program designed for Vaisala Oyj's key personnel, in manner decided by the Board of Directors
- The shares will be disposed at the market value formed during public trading
- The authorization is valid for one year from the date of the Annual General Meeting, expiring on 22 March 2006

Right of attendance

Shareholders who are registered in the company's share register maintained by the Finnish Central Securities Depository Ltd by 11 March 2005 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 Monday 14 March 2005. 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 p.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.

Election of the members of the Board of Directors and auditors

Shareholders representing more than 10 percent of all the votes in the company have informed that they will propose to the Annual General Meeting held on Tuesday 22 March 2005 that:

Two members of the Board of Directors, Mr Raimo Voipio and Mr Mikko Niinivaara, who were to retire by rotation, and Vaisala Oyj's current Authorized Public Accountants PriceWaterhouseCoopers Oy and Mr Jukka Ala-Mello APA, to be re-elected for the next term of office, in accordance with the Articles of Association. The two members of the Board of Directors and Vaisala Oyj's current Authorized Public Accountants have given their consent for the re-election.

The invitation to the Annual General Meeting will be published in Helsingin Sanomat and Kauppalehti newspapers on Thursday, 10 February 2005. An English language version will be available on the Vaisala Group homepage www.vaisala.com on the same day.

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 2004 financial year. The record date for dividend payment is March 29, 2005, and subject to approval of the board, the dividend will be paid on April 5, 2005. Shareholders cannot be paid a dividend until they have transferred their shares to the book entry securities system.

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: 0124416-2

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

Stuttgart Office

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

France

Vaisala SAS

Paris Office

2, rue Stéphane (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

10-D Gill Street
Woburn, MA 01801, 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

Houston Office

1120 Nasa Rd 1 Suite 220-E
Houston, TX 77058, USA
Phone +1 281 335 9955
Fax +1 281 335 9956

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 6212 3954
Fax +81 6 6212 3955

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

