Annual report 2005

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The best year in Vaisala's history

Pekka Ketonen, CEO

Year 2005 was a good year for Vaisala. Net sales grew after two years' standstill. At EUR 197.9 million, the net sales are the highest ever, and 11% higher than last year. The IFRS compliant profit grew 18.5% compared to the previous year, and now stands at EUR 24.9 million, or 12.6% of the net sales. In reality, the improvement for 2005 is even better, because the result in 2004 included a one-off improvement of EUR 2.5 million.

Reviving demand, improved efficiency and strategy renewal contributed to the result

Demand improved in 2005, after two years of descent. The North American market recovered particularly well, generating half of the sales growth. Sales in Europe also grew, generating 35% of the growth. Markets improved in all customer segments as a result of general economic growth, which is normally witnessed with some delay in our niche.

Some internal measures have also improved the result. From the beginning of 2005, we merged the Vaisala Soundings and Vaisala Remote Sensing divisions together, forming the Vaisala Measurement Systems division. The potential for improved efficiency stemmed from similar business models and technologies. The restructuring of the organizational structures has improved efficiency. The improvement can be best witnessed in the Thunderstorm business.

The implications of the strategy renewal, carried out a couple of years ago, are also starting to show in the result. We streamlined the division functions based on business models. This has created a sound basis for the optimization of business processes and know-how, based on the specific characteristics of each business model. The strategy renewal also included the decision to offer all of our weather instruments to competing integrators, which has increased sales. At the same time, the turnkey solutions provider, Vaisala Solutions, has seen its operations crystallize thanks to a clearer focus. The results of this are also starting to show. The competitiveness of aviation weather systems has improved in particular.

Vaisala concentrates on environmental and industrial measurements. These business areas consist of small niche markets whose global sales are small, between EUR 10–150 million annually. We seek to be the global market leader in these niche markets. As the individual markets are small, continuous growth demands recurrent new business openings. This can be done either through organic growth or through acquisition. In 2005, we acquired CLH Inc. in the U.S. to expand our know-how in aviation weather services. Vaisala enters the weather radar business partly through organic growth and partly through an acquisition strategy. The integration of complete radars is launched through organic growth by developing a Vaisala radar. However, the heart of the radar systems, i.e. the signal processor and software, have been obtained through a business acquisition of Sigmet Inc. in the U.S. The Sigmet acquisition was completed on January 1, 2006.

Vaisala's competitiveness lies in a unique and diversified combination of know-how. We have further developed this know-how by focusing on understanding the customer applications. We want to solve our customers' problems, not merely sell products. Measurement technologies require a good understanding of physics, electronics and IT, and we are strong in all these fields. Additionally, over one hundred Vaisala personnel have improved their meteorology know-how by participating in a training program organized together with the University of Helsinki and the Finnish Meteorological Institute.

Innovation Management is another important internal development project that got underway nicely in 2005. The development of new, globally successful business is an absolute necessity and the key to success for us. We want to utilize the best and most recent scientific findings in our everyday operations. Innovation Management has become a target of continuous development, along with quality and processes.

Cautious optimism for the future

The market outlook at the beginning of 2006 is positive. However, the latest statistics on the slowdown of the national economies in the United States and Germany suggest we need to be cautious in our estimates. Therefore I will restrict my estimate to this: business in 2006 will remain on the level of 2005 with regards to both sales and profit. Better performance is possible, if positive market developments continue throughout the year.

The development of the radar business will burden the result. The outsourcing of the radiosonde assembly will progress well in 2006, but the actual cost-savings will not show until 2007.

It is possible that our innovation process, which is always open to new products, production methods, services, business models, and organization structures, can produce a new opening in 2006.

Year 2006 is a jubilee year for Vaisala, as the company celebrates its 70th anniversary. During the past years, Vaisala has evolved to become one of the most significant environmental measurement companies in the world. This is a position we wish to maintain in the future.

Thank you

Year 2005 was successful in many ways. I want to express my thanks to all our customers, partners and owners for successful cooperation. Special thanks to the Vaisala personnel, whose innovative, responsible and hard work has produced these good results.

Pekka Ketonen

CEO

Vaisala retained its strong market position – The biggest growth in net sales in North America

Year 2005 was the best in Vaisala's history, both by net sales and profit after tax. Reasons for the good result include strategic changes, the effects of which started showing in 2005, as well as events occurred during the review period. Strategic changes include the shift to business model based management as well as measures taken to improve cost-efficiency. Demand grew during the review period, and sales recognition took place in more projects than anticipated. The volatility of the currency exchange markets resulted to considerable gains. Additionally, the effective tax rate remained low because of an increase in deferred tax receivables.

Demand grew during the second half of the year. Net sales grew in almost all geographical areas. The strongest growth took place in North America., which counted for half of the growth in net sales in EUR. Despite of the large number of orders received in the third quarter, the amount of orders received remained on a satisfactory level also during the last quarter in all divisions.

The sustained maintenance and development of competitiveness has enabled Vaisala to retain its market share, and the company's market position is still strong.

Highlights in 2005

New markets - Vaisala enters the weather radar business

In November, the decision was taken to enter the weather radar business. A business unit responsible for the commercialization of the new product became operative in January 2006. The weather radar compliments Vaisala's remote sensing product offering, which currently includes lightning detection systems and networks as well as wind profilers. Vaisala's weather radar has been developed in cooperation with leading international research institutions and partners. The market for weather radars is estimated at 40-60 million euros annually. The commercial introduction of the Vaisala weather radar is estimated to take place in 2007.

Automated aviation weather observing systems provider CLH Inc. joins Vaisala

Vaisala's position as a turnkey solution provider in the U.S. aviation market was strengthened in July, when it acquired CLH Inc. The company provides automated weather observing systems (AWOS) and related services for U.S. airport operations. It focuses on the growing need for state weather networks and automated weather observing systems. CLH Inc.'s net sales in 2004 were 3.7M USD.

Acquisition of Sigmet Inc. supports new weather radar business

Sigmet is the world's leading independent weather radar signal processor and application software manufacturer. The acquisition supports Vaisala's intention to enter the weather radar business. Sigmet's products complement Vaisala's product and service offering. Sigmet will continue to serve all its current customers as before. Sigmet's net sales in 2005 were approximately 11M USD.

6M EUR worth of precipitation sensors to the U.S. National Weather Service

The U.S. National Weather Service selected Vaisala's precipitation sensors for its surface weather observation network. The contract is delivered in phases, and its estimated sales value is more than 6M EUR. The main part of the deliveries is expected to take place in 2006–2007.

Runway visual range systems for U.S. airports

Vaisala's runway visual range systems will be introduced in the U.S. The three-year base contract signed with the U.S. Federal Aviation Administration (FAA) includes the deliveries of 21 systems and is valued at 4.3M USD. This is the first system contract Vaisala has made with the FAA. The contract contains options for delivery of up to 77 similar systems within the next five years.

Changes in the office network

Vaisala has established a company in China to strengthen its position in China's developing markets. Vaisala China Ltd. started operations at the beginning of March. Vaisala has been present in the Chinese market since 1986, and it opened a representative office in Beijing in 1994. In addition to the Beijing office, Vaisala has contact points in Shanghai and Guangzhou.

The Vaisala Instruments division opened two new sales offices in 2005: Guangzhou in China and San Jose in the U.S. Both sales offices strengthen Vaisala Instruments' position in the local markets.

In December, Vaisala closed its office in Aix-en-Provence, France. The office was specialized in lightning detection technology. Vaisala's lightning detection business is concentrated in Tucson, AZ, U.S., which improves efficiency and introduces cost-savings.

FAQ 2005

How would you describe the year 2005 for Vaisala?

2005 was a good year for us. Net sales grew 11% and result nearly 20%. We had a couple of weaker years before this. Now demand increased. Internal measures to improve efficiency also had a positive impact on the result.

What is the outlook for 2006? Will the same trend continue?

Even if the 2005 result is good, I'm cautious in my estimates. I expect the result to remain on the previous year's level in 2006. There are some clouds in the sky. The slowdown of the national economies in the United States and Germany causes some concern.

There have been many extreme weather phenomena like tsunamis and hurricanes lately. How does this influence Vaisala's business?

The task of national weather services is to issue warnings on extreme weather, which poses a threat to people and property. Vaisala provides the equipment for weather observations, which form the basis for the forecasts. When these kinds of extreme weather phenomena occur, questions about the local measurement equipment and its capacity and condition are raised. With some delay, this generates new business for Vaisala.

Vaisala has become to be known for its position as the leading provider of environmental measurement equipment. Can any new trends be identified in the field?

Precision weather is a clear growing trend. Weather can be forecast more and more accurately regarding both time and place. For many end-users, nowcasts and under 24 hour forecasts are much more useful than traditional weather forecasts. The greatest potential for improved forecasting lies in nowcasting, rather than forecasting the weather days ahead. Thanks to modern media like internet and mobile phones, information can be sent to users very fast. We have invested great efforts in this field, and are ready for action when demand starts to grow.

What are the main business drivers in Vaisala's business?

The development of national economies is an important driver. Many of our customers are in the public sector, and investments depend on the amount of tax money collected. Another important driver is the customers' need to constantly improve their services, for example, when it comes to forecasting extreme weather.

Globalization forces companies to continuously improve efficiency. Vaisala has also outsourced some of its operations. Is this a permanent trend now?

As globalization proceeds, also the networking between organizations increases. Vaisala has participated in this networking for a long time already. We seek the kinds of partners and operating locations which provide business benefits in either costs or know-how. Vaisala is a global actor, so we don't have preferences in locations. The transfer of operations is part of normal continuous business development. Companies must act proactively to ensure their competitiveness. This is what we are doing.

Price competition is fierce in almost all fields of the economy. What is the situation like in Vaisala's markets?

Maybe not as fierce as in some businesses, but yes, we compete continuously, and also in prices. However, even more than with price, we compete with product performance. Costs are obviously fought in all businesses.

Growth is an important prerequisite for a global business. Vaisala is on a growing path. How about the future - what are the prospects for further growth?

Vaisala has always strived to grow faster than the growth in demand. Growth has been challenging in the past few years, but 2005 was a step to the right direction. I believe that precision weather and nowcasting will open doors for true growth for Vaisala in the future. We are well prepared for this.

How would you summarize Vaisala's current strategy?

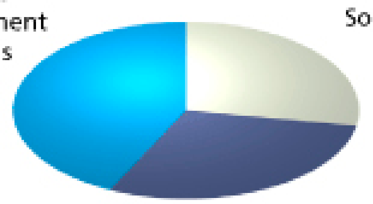
Our approach to our customer base is well focused. We strive for global market leadership in all our businesses through high technology and product leadership. Our value proposition covers innovations, reliability and solutions to customer problems. Our three divisions are organized according to business-specific models. Each business model is optimized along the requirements of that business, and operations are constantly improved. We partner with leading global actors. We have the leading expertise and a reliable team.

Key figures

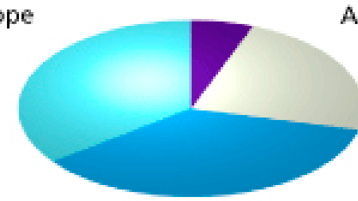
Key figures		2005	2004
Net sales	M€	197.9	178.1
Operating profit	M€	30.1	29.4
Result before taxes	M€	34.1	29.1
Return on equity (ROE)	%	17.5	16.0
Return on investment (ROI)	%	23.8	21.9
R&D expenditure	M€	19.8	21.3
Orders received	M€	197	173
Order book	M€	55	53
Average personnel		1062	1 092
Earnings/share (EPS)	€	1.42	1.20
Cash flow from business operations/share	€	2.21	2.06
Dividend/share (proposal by the Board)	€	0.75	0.75

Key figures in graphs

Net sales by division

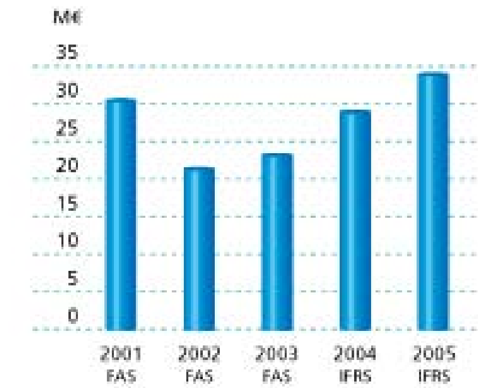


Net sales by market

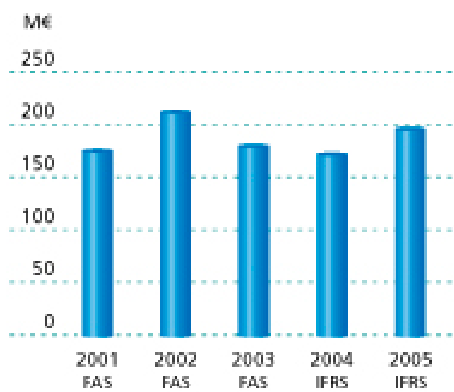


Development of net sales

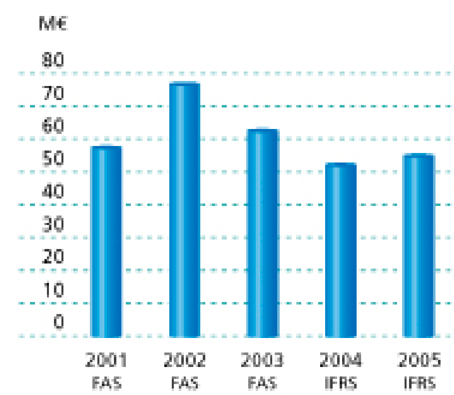
Profit before tax



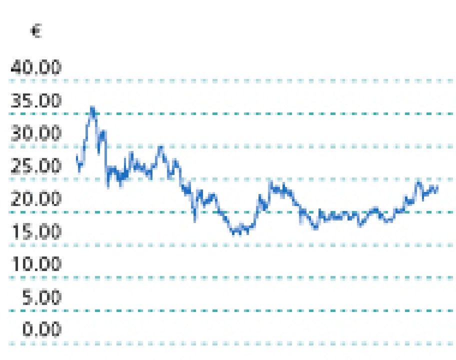
Orders received



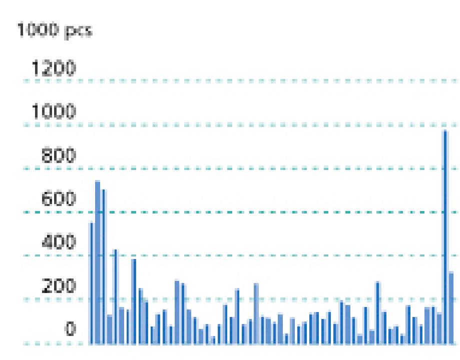
Order book, Dec. 31



Series A share, performance



Series A share, monthly trading



Products and services for environmental and industrial measurement

Vaisala develops, manufactures and markets products and services for environmental and industrial measurement. They provide basis for better quality of life, environmental protection, safety, efficiency and cost savings.

The major customer groups are meteorological and hydrological institutes, aviation organizations, defense forces, road and rail organizations, weather related private sector, system integrators and industry worldwide.

Vaisala's competitiveness in environmental measurement is based on premium value products. The company caters to the needs of its diversified customers by applying three operational business models. Instruments business provides individual instruments for measuring weather phenomena which can also be used in various industrial applications. Measurement systems are, in turn, used when the phenomena are more complex and a single measurement instrument cannot be used. In solutions business Vaisala offering consists of tailored systems which are always based on the customer's application.

Environmental measurement is a niche business in which Vaisala's goal is to be the global market leader.

In 2005 Vaisala had more than 1 000 employees and achieved net sales of EUR 197.9 million. Vaisala serves customers around the world and operations outside Finland accounted for 96% of net sales.

Parent company Vaisala Oyj, domicile in Vantaa, Finland, is listed on the Helsinki Exchanges in Finland. The Vaisala Group has offices and operations in Finland, Northern America, France, United Kingdom, Germany, China, Sweden, Malaysia, Japan and Australia.

Strategy

Mission

We provide environmental measurements that create the basis for

- a better quality of life,
- safety of life and property,
- optimization of economic activities,
- environmental protection and
- an understanding of climate change.

Vision

Vaisala's goal is to be the most respected, the most comprehensive and the most successful environmental measurement company in the world. The aim is to grow with good profitability.

Values

Vaisala's values form the foundation for our shared commitment to a progressive global organization. Vaisala's reputation for innovation, reliability and solutions is the outcome of our commitment to these values:

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

Value proposition

We provide premium value products and services for demanding customers who use our products in their own core activities. Our value proposition consists of innovation, reliability and solutions.

Our customers are

- Meteorological and hydrological institutes
- Defense forces
- Aviation organizations
- Road and rail organizations
- Weather related private sector
- System integrators
- Industrial companies

Business model

Our offering for meteorological customers includes a wide range of equipment, solutions and services. For industrial applications, we offer instruments and related maintenance services – but no systems. In order to meet our value proposition, we apply three business models which we call

Instruments, Measurement Systems and Solutions. These business models are also the basis for our divisional structure. Business processes are optimized for each model.

We serve our customers with dedicated personnel who know the customer applications. Customer problems are solved together with the customer. We are organized as one company, even though we serve customers in more than 100 counties. We continuously seek ways to add to our global advantage by applying economies of scale to various activities. We keep the vital core activities in-house, but outsource other projects to good service providers. By being a company with a well-defined focus, we can apply economies of scope to our actions. We often share valuable resources between businesses and therefore achieve advantages in quality and costs.

One of our values is Science-based innovation. As we operate in a very specific niche industry, we place great emphasis on innovation. Our approach to our customers' problems is systematic, and based on the latest scientific knowledge. In order to do so, we actively network with leading universities and research institutes. Our goal is to become the world market leader in all the businesses we participate in. We have balanced skills in business, technology and customer applications. Strategic thinking characterizes our organization.

Another one of our values, Fair play, urges us to maintain high ethical standards in all our actions. We know what we can promise and we keep to those promises that we make.

The future

Our goal for the future is continuous profitable growth. We envision a growth in demand for small scale precision weather solutions and services. We want to be among the pioneers to help people in weather-critical activities to do their jobs more efficiently, safely and conveniently. It is our firm belief that our customers' problems can often be best solved by providing services. We are ready to provide those services to help our customers thrive.

Customer applications

Vaisala caters to the wide range of environmental and industrial measurement needs of various customer groups.

Vaisala's weather observation equipment, systems and solutions are used in applications in professional meteorological field and in other weather-related businesses. Accurate, reliable and continuous observation data is the basis for daily forecasts and weather warnings meteorological and hydrological institutes provide. Road and rail organizations can, for their part, make timely decisions on winter maintanence based on the same kind of data and forecasts. In aviation, the pilots need to have access to accurate weather data in order to guarantee safe landings.

Industrial companies and system integrators use Vaisala's measurement instruments to monitor and control the manufacturing process, improve overall efficiency and safeguard workplace safety. The instruments are used in a variety of applications and industries, such as pharmaceutical, automotive and food industries, power production, as well as meteorology.

Weather observations

Vaisala instruments, systems and solutions are used in diverse weather related applications.

Weather forecasting

Meteorological and hydrological 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 and produce 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 organizations 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 solutions that are used to improve passenger safety and airport efficiency.

Road and rail weather observation

The flow of traffic on roads and railways affects our everyday lives, which is especially noticeable when bad weather strikes. Traffic organizations 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 organizations 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 e.g. water source and flood control, as well as in related research. 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.

Lightning detection

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. Insurance companies use the information when handling insurance claims. Power utilities use this information to anticipate the need for grid maintenance following lightning strikes.

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.

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.

Divisions

Vaisala Group consists of three divisions: Vaisala Measurement Systems, Vaisala Solutions and Vaisala Instruments.

Vaisala Solutions and Vaisala Measurement Systems divisions develop, produce and market systems and solutions for weather observations, and offer services in support of their customers' day-to-day operations. The Vaisala Instruments division specializes in industrial and environmental measurements. Its products are used in numerous industrial and meteorological applications.

Each division consists of business units that develop and produce products, systems and solutions for different customer needs.

In the 2005 organization structure, the sales units belonged to specific business units. In June 2005, the decision was taken to organize the sales units according to specific customer segments. The new organization became effective on January 1, 2006.

Vaisala Instruments

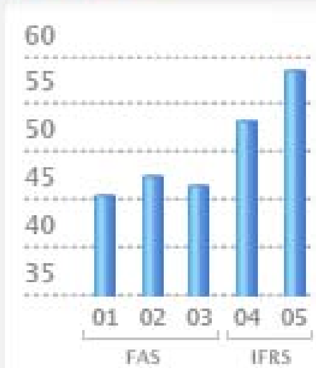
Vaisala Instruments in brief

Vaisala Instruments develops, manufactures and markets instruments for the measurement of relative humidity, dewpoint, barometric pressure, carbon dioxide, wind, rain, visibility, cloud height and present weather. Environmental factors play a significant role in industrial processes and other constructed environments. 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.

Key Figures

		2004	2005
Net sales	M€	60.9	66.8
Operating profit	M€	14.4	14.0
% of net sales	%		
Investmets	M€	2.1	1.8
Orders received	M€	52.2	60.2
Order book 31.12.	M€	3.9	5.8
Personnel 31.12		307	318

Net Sales



Accurate and reliable measurements

The Vaisala Instruments division's strategy is based on product leadership and customer satisfaction. The goal is to introduce products that represent the top-of-the-range in the field. Thanks to sensor technologies developed by Vaisala, the division ensures that it meets the most important preconditions for product leadership: accurate and reliable measurements. Vaisala Instruments is the market leader in relative humidity, barometric pressure, visibility and cloud height measurement equipment.

The main goal: continued market leadership

Competition in all of the Vaisala Instruments division's markets remains fierce. The main competition typically consists of local actors, who rely on the strength of local knowledge. Vaisala's global operating model and efficient distribution network, combined with strong investments in research and development, create a basis for maintaining market leadership as well as increasing its market share.

Product lines

A great variety of applications

Vaisala Instruments manufactures instruments for the measurement of relative humidity, dewpoint, barometric pressure, carbon dioxide, wind, rain, visibility, cloud height and present weather. The division's offering also includes a compact weather transmitter, which measures six different weather parameters. The division's products are used in a variety of applications and industries, such as pharmaceutical, automotive and food industries, power production, building automation, biotechnology, as well as meteorology.

Industrial instruments

The product offering is comprehensive, and includes both fixed as well as portable models. Most of the instruments are configurable. The customer chooses the desired functionalities and the probe suitable for their application. The equipment is delivered to the customer ready configured.

Relative humidity measurement equipment is required in many industrial drying processes, such as in paper and timber industries. Optimal humidity conditions improve productivity and product quality, reduce energy consumption and maintenance costs. Monitoring moisture in oil helps to prevent corrosion and machinery failures. Measuring humidity levels in buildings to ensure good indoor air quality is important, since mold is a serious health hazard.

Dewpoint measurement equipment is used in industries 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 is important in applications such as metal treatment, compressed air systems, plastic drying, and natural gas pipelines.

Carbon dioxide measurement equipment is used for controlling carbon dioxide levels. This is important in industry process control, commercial greenhouses, ecological applications as well as indoor ventilation control.

Barometric pressure measurement equipment is used in particular for weather observations where pressure is an important parameter. In addition to this, barometric pressure is measured in industrial applications, such as laser interferometer systems and engine performance testing equipment. Barometric pressure sensors are usually also included in different weather observation equipment.

Meteorological instruments

Wind, visibility and cloud height measurement equipment can be used in different weather observation applications.

The new **wind measurement instruments** are based on ultrasound, which means they do not include mechanical or moving parts. The instruments are used in meteorological, wind energy, shipping and traffic applications as well as in air quality control and agriculture.

Optical visibility sensors are used at airports and runways, for road and waterway weather visibility measurements, and as additional components in weather stations. More versatile than visibility sensors are the so-called present weather sensors, which are used by meteorological institutes and aviation authorities. The instruments indicate weakened visibility by recognizing seven different precipitation types: rain, freezing rain, drizzle, freezing drizzle, mixed rain/snow, snow, ice pellets as well as fog, mist, haze (smoke, sand) or clear.

Cloud height measurement equipment is used for cloud height vertical visibility measurement. Their most common applications include airports and different meteorological applications.

The **weather transmitter**, introduced during the last quarter of 2004, is a compact, easy-to-use and integrate weather station, which measures temperature, relative humidity, pressure, wind speed and direction, and liquid precipitation. It is used in sectors where daily weather data plays a significant role in day-to-day operations. These include agriculture, air quality measurements, boat marinas, ski resorts and dense weather observation networks. The weather transmitter can also be integrated with wireless machine-to-machine communication modules, PDAs and other mobile terminals.

Personnel

Sales personnel in over ten offices

The Vaisala Instruments division employs approximately 320 people in offices around the world. Production and development activities are concentrated in Finland. Vaisala Instruments' service centers offer maintenance and calibration services in Finland, the U.S., China and Japan.

The sales personnel serve customers in over ten sales offices around the world. A new office was established in Bonn in 2005, to enforce the service offered to customers in Germany, France, The Netherlands, and Switzerland. Investments in China were also continued, and a new contact point was opened in Guangzhou in June 2005.

Highlights

US National Weather Service selects Vaisala Precipitation Sensors

The U.S. National Weather Service, operating under the National Oceanic and Atmospheric Administration NOAA, selected Vaisala's precipitation sensors for its primary surface weather observation network. The contract's estimated sales value is more than EUR 6 million. Read the stock exchange release.

Vaisala wind sensors selected as part of the U.S. nationwide surface observation system

The Vaisala Group received a significant order for ultrasonic wind sensors from the National Weather Service of the United States. The order included several hundred ice-free Vaisala Ultrasonic Wind Sensors and other accessories. The sensors will be integrated into the Automated Surface Observing System, which serves as the primary surface weather observing network in the United States. The order value is over USD 4 million. Read the press release.

New products in 2005

The Vaisala HUMICAP® Humidity and Temperature Transmitter Series HMT100 measures humidity and temperature in demanding conditions, such as in greenhouses, stability rooms, storehouses and swimming pools.

The Vaisala DRYCAP® Dewpoint and Temperature Transmitter Series DMT340 measures the humidity of compressed air and other low dewpoint gases. It replaces Vaisala's first dewpoint transmitter, the DMP248, which has been available since 1997.

The Vaisala HUMICAP® Moisture and Temperature Transmitter Series for Oil MMT330 measures moisture in lubrication systems and transformers. It replaces Vaisala's first moisture and temperature transmitter for oil, the HMP228.

Case: Cassini-Huygens

Vaisala BAROCAP® barometric pressure sensors land on Saturn's moon Titan.

Saturn is the second largest planet in our solar system, after Jupiter. It is a gaseous planet with an atmosphere comprising mostly of hydrogen and helium. The bright rings for which Saturn is best known are comprised of ice and rock particles.

Saturn has more moons than any other planet known to us. The largest of them is the aptly named Titan, discovered by Dutch scientist Christiaan Huygens in 1655. Saturn itself was first spotted by Italian astronomer Galileo in 1609. Since then, its mysteries have fascinated scientists worldwide. To shed light on the conditions on and around the sixth planet from the Sun, a spacecraft was constructed in a joint effort by NASA, the Italian Space Agency (ASI), the European Space Agency (ESA), as well as numerous scientists worldwide. The Cassini-Huygens spacecraft was launched on October 15, 1997 from Cape Canaveral in Florida, USA.

After years of traveling through space, and borrowing gravitational energy from other planets to speed it on its way, the Cassini-Huygens spacecraft entered the Saturn system on July 1, 2004. This marked the start of its 4-year mission. The Cassini orbiter will carry out a total of 75 orbits around Saturn. It will also make repeated close flybys of Titan.

Exploring Titan

Titan is a captivating object of study, as it exhibits many similarities to conditions that may well have once prevailed on Earth. It has a nitrogen-rich atmosphere like Earth, and although most agree that its surface temperature (-181 °C) is too hostile for the development of life, there are also those who do not exclude the possibility of some life forms existing on Titan.

On December 25, 2004, the Huygens probe separated from the Cassini spacecraft for its 20 day journey to Titan. It successfully entered Titan's upper atmosphere on January 14, 2005, and descended with three sets of parachutes to its surface. The descent phase lasted around 2 hours 27 minutes with a further 1 hour 10 minutes on the surface. The mission was a complete success. Obtaining surface data was more than many had dared to hope for since there were no guarantees that the probe would survive the landing. Huygens made history by being the first spacecraft to land on a moon in the outer solar system.

HASI: Huygens Atmosphere Structure Instrument

The Huygens probe carried six science instruments to sample Titan's atmosphere and surface properties. Throughout the mission, data was collected from all instruments. One of these was the Huygens Atmosphere Structure Instrument (HASI) – a multi-sensor package designed to measure the physical properties of Titan's atmosphere. Its task was to measure the temperature, pressure, turbulence, and the atmospheric conductivity, as well as to search for lightning.

HASI's sensor package devoted to atmospheric pressure measurement – the Pressure Profile Instrument (PPI) developed by the Finnish Meteorological Institute – contained eight Vaisala BAROCAP® barometric pressure sensors. BAROCAP® is a capacitive absolute pressure device manufactured by silicon micro-machining. When pressure changes, the silicon diaphragm bends and changes the height of the vacuum gap in the sensor. This alters the sensor's capacitance, which is measured and converted into a pressure reading. The Vaisala BAROCAP® is known for its excellent hysteresis and repeatability characteristics as well as its outstanding temperature and long-term stability.

The mission continues

As data from the Huygens probe is being analyzed, the story of Titan gradually starts to unfold. For instance, we now know that Earth-like processes of tectonics, erosion, winds, and perhaps volcanism, shape Titan's surface. However, the work has only just begun – there's enough data to keep Huygens scientists busy for a long time yet.

Although the Huygens mission has been successfully completed, the Cassini spacecraft will continue its orbits until June 2008 – providing scientists with vital data and the best views ever of this fascinating, vast region of our solar system.

Sources: ESA/NASA/JPL

Author: Marikka Metso, Vaisala, Helsinki, Finland

Image: Artist's conception of Cassini approaching Saturn. (Courtesy NASA/JPL-Caltech)

Vaisala Measurement Systems

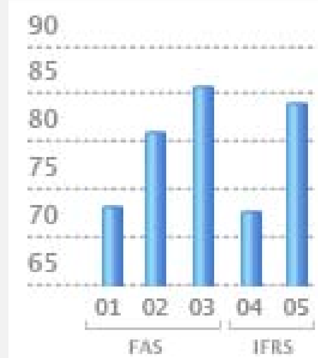
Vaisala Measurement Systems in brief

Vaisala Measurement Systems develops, produces and markets instruments and systems for observing the weather in the upper atmosphere. The division's products and services are used in many weather measurement and observation applications.The division's customers include meteorological and hydrological institutes, defense forces, civil aviation organizations and weather related private sector.

Key Figures

		2004	2005
Net sales	M€	72.9	84.3
Operating profit	M€	11.8	19.6
% of net sales	%		
Investments	M€	1.0	1.9
Orders received	M€	70.4	79.1
Order book	M€	28.6	23.9
Personnel 31.12		397	347

Net Sales



Products and services for upper-air measurements and research

The Vaisala Measurement Systems division became operative on January 1, 2005, when the Vaisala Soundings and Vaisala Remote Sensing were merged together as one division. The division's main products include radiosonde and dropsonde instruments and their ground equipment, wind profilers, and lightning warning, tracking, and analysis systems. Installation, training, consultation and operational services form a significant part of the offering. The division's strategy is based on product leadership and operational efficiency. Vaisala is the global market leader in all the product ranges it offers for upper-air measurement.

Profitability through operative efficiency

Vaisala Measurement Systems has invested in a new and improved product offering, in order to be able to maintain and strengthen its position as a premium-class product provider and market leader in the upper-air measurement applications. In 2005, major efforts were also made to improve efficiency by streamlining logistics, products and operations. Improving operational efficiency remains on the agenda for 2006.

Business units

Measurement Systems consists of four business units

Vaisala Soundings develops, produces and markets systems for observing the weather in the upper atmosphere. These include radiosondes and dropsondes, and related ground equipment. The sounding systems collect and transmit data on pressure, temperature, relative humidity, and wind speed and direction to weather observation networks. National meteorological services use Vaisala sounding systems for their day-to-day weather forecasts. Sounding data time series collected throughout the decades is also used for the study on climate change. The division's core customer groups are meteorological and hydrological institutes, defense forces, and meteorological and climatological research organizations.

Vaisala Windprofilers develops, produces and markets wind profilers, i.e. wind radars, that are used for weather observations in the upper atmosphere. Wind profilers are remote sensing devices that measure the vertical profile of wind speed and direction to up to 16 km. With the help of wind profiler data, air-traffic controllers can ensure safe landings and take-offs in demanding wind conditions. Vaisala Windprofilers' core customer groups are meteorological institutes, defense forces, civil aviation organizations, air quality agencies, and meteorological and climatological research institutes.

Vaisala Thunderstorm Systems develops, produces and markets systems and instruments for lightning tracking and detection. The systems are built into networks that cover a specific area, to be able to forecast approaching thunderstorms and track lightning strikes. Individual systems are also used at golf courses, stadiums and other locations where thunderstorms are a safety hazard. Vaisala Thunderstorm Systems' core customer groups are meteorological institutes, civil aviation organizations, defense forces, power utilities, and meteorological and climatological research institutes.

Vaisala Thunderstorm Data develops, produces and markets services relating to lightning detection. Lightning detection systems collect and distribute data in real-time for weather observations and precision weather forecasting. The business unit's main market is the United States, where Vaisala operates its own U.S.-wide lightning detection network. Vaisala Thunderstorm Data sells the data produced by its network to the National Weather Service, defense forces, civil aviation organizations, insurance companies and power utilities, as well as meteorological and climatological research institutes.

Versatile value-added services are a seamless part of all Vaisala Measurements Systems' business units, including installation, training, maintenance, consultation, and operational services.

Product development in cooperation with partners

Vaisala Measurement Systems has gained product- and market leadership through systematic product development. Cooperation with the leading research institutes and universities in the field is significant, in addition to the division's own R&D investments. For example, in the United States, the division works in close cooperation with NOAA (National Oceanic and Atmospheric Administration) and NCAR (National Center for Atmospheric Research), as well as with universities specialized in meteorology. Vaisala also actively participates in the EU's COST research programs relating to meteorological development projects. Important partners in Finland include the Finnish Meteorological Institute and the University of Helsinki, who are Vaisala's partners in the Helsinki Testbed project, which studies dense weather observation networks.

Personnel

Personnel located in Finland and the U.S.

The Vaisala Measurement Systems division employs 370 people in Finland and the United States.

Vaisala Soundings' personnel are located in Vaisala's head office in Finland, and in Boulder, CO, United States. In 2005, operations specialized in lightning detection were centralized to Tucson, AZ, United States, and the office in Aix-en-Provence, France, was closed at the end of the year. The aim is to improve efficiency and achieve cost-savings. Vaisala Windprofilers is operating from two locations in the United States: Boulder, CO, and Tucson, AZ. The sales personnel of all the business units serve customers in Vaisala locations around the world.

Highlights

South African Weather Service chooses Vaisala's lightning detection network

Vaisala has delivered a lightning detection network to the South African Weather Service (SAWS). The lightning data provided by the network will compliment SAWS' current weather forecasting, and improve their ability to issue warnings on severe weather and to forecast rainfall. The Vaisala lightning detection network will provide lightning coverage of South Africa, Lesotho, and Swaziland. Read the press release.

The U.S. National Weather Service trusts the Vaisala lightning detection network

The National Weather Service of the United States continued and extended its contract on lightning detection data with Vaisala. The new five-year contract covers data collection from an extended area. Read the press release.

Vaisala enters the weather radar business

A business unit responsible for the commercialization of the new product was established in the beginning of 2006. The weather radar compliments Vaisala's remote sensing product offering, which currently includes lightning detection systems and networks as well as wind profilers. The market for weather radars is estimated at 40–60 million euros annually. The commercial introduction of the Vaisala weather radar is estimated to take place in 2007. Read the stock exchange release.

Vaisala acquires weather radar signal processor and application software manufacturer Sigmet

In December, Vaisala signed an agreement to acquire 100% of the Sigmet Corporation stock of Westford, Massachusetts. The agreement was reached in cooperation with Sigmet's stockholders. Sigmet is the world's leading independent weather radar signal processor and application software manufacturer. The acquisition supports Vaisala's intention to enter the weather radar business. Read the stock exchange release.

Vaisala wind profilers establish foothold in China

The China Air Traffic Administration selected Vaisala lower atmosphere wind profilers to be used for wind shear detection at three airports in Shanghai, Songpan and Tibet provinces. The contracts included the deliveries and installations of six systems, totaling over 3 million U.S. dollars in value. All systems were delivered during 2004–2005. Read the press release.

US National Hurricane Center and Vaisala working together in hurricane research and forecasting

Hurricanes cause many deaths and severe property damage each year. In an effort to prevent this, scientists have been trying to find methods for better hurricane forecasting. Vaisala thunderstorm experts have been actively involved in this research. Vaisala's lightning data program has been developed to correlate with the National Hurricane Center's hurricane data. The combined hurricane and lightning data has been used in connection with hurricanes Katrina and Rita. Read the press release.

Case: Lightning detection in South Africa

South African Weather Service chooses Vaisala Thunderstorm Information System.

The South African Weather Service has chosen the Vaisala Thunderstorm Information System to provide national lightning data to aid in nowcasting and forecasting, advance severe storm warning, and precipitation prediction. The system will consist of nineteen Vaisala lightning sensors providing lightning coverage of South Africa, Lesotho, and Swaziland.

The South African Weather Service (SAWS hereafter) is working to modernize its offering of meteorological services in a number of ways. With its acquisition of the Vaisala Thunderstorm Information System (TIS), SAWS will have the means to greatly improve its understanding of severe weather. With the advance warning provided by the Vaisala TIS, SAWS will be able to issue warnings of potentially dangerous lightning episodes so that the devastating effects of lightning strikes to vulnerable communities can be averted. Lightning is a great safety concern for the South African public as well as in airport ground operations (fueling and baggage handling), mining and construction, explosives and flammable materials handling, and any outdoor field work.

Improving electrical power delivery

The lightning information supplied by the Vaisala TIS will also be used to analyze and improve electrical power delivery within South Africa. ESKOM, South Africa's largest generator and supplier of electrical power, is interested in using lightning data to analyze outages caused by lightning strikes, to improve power restoration operations, and to design better lightning protection schemes.

Early thunderstorm detection over wide areas

The Vaisala Thunderstorm lightning sensors will provide SAWS with detailed cloud-to-ground and survey-level cloud-to-cloud lightning information. The Vaisala TIS will also track thunderstorms hundreds of kilometers outside of South Africa to give advance warning of approaching severe weather. The Vaisala display unit will be used to give forecasters a powerful tool for looking at real-time thunderstorm information. In addition, Vaisala software will be used for forensic analysis of thunderstorm data in order to identify geographic trends or specific events caused by lightning such as power outages, damage to manmade structures, and so on.

Author: Ed Bardo, Vaisala, Tucson, AZ, USA

Vaisala Solutions

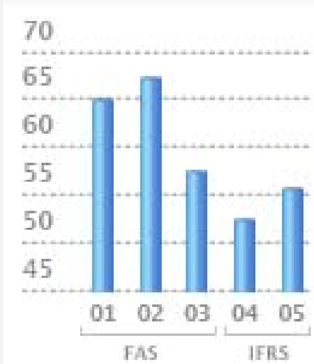
Vaisala Solutions in brief

Vaisala Solutions offers customer-focused solutions and services for weather observations to meteorological and hydrological institutes, aviation, road and rail traffic organizations and defense forces. A strong market position combined with an extensive installation base accrued through time enables the division to offer tailored solutions to meet all customer requirements.

Key Figures

		2004	2005
Net sales	M€	52.6	56.0
Operating profit	M€	4.3	3.0
% of net sales			
Investments	M€	0.2	3.1
Orders received	M€	50.2	57.2
Order book 31.12.	M€	20.2	25.6
Personnel 31.12		255	272

Net Sales



Reliable and accurate weather observation solutions

Accurate, real-time, uninterrupted and reliable weather data is the cornerstone of efficient operations for Vaisala Solutions' customers.

Vaisala Solutions' operations have a strong customer focus. The division focuses on strategic partnerships by offering tailored solutions, systems and services. Services are the fastest growing area in 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. Vaisala Solutions is the global market leader in aviation and road weather systems, and in synoptic weather observation networks.

Growth sought through increased sales of services

Net sales are expected to grow in 2006, and profitability is expected to remain on the current satisfactory level. Vaisala Solutions' goal is to increase the share of service sales in the net sales. The main ongoing development projects concentrate on customer-focus, increased service offering, and improved project business.

Business units

Vaisala Solutions consists of three business units

Vaisala Aviation Weather provides turnkey solutions for all aviation weather observing requirements. The offering is based on Vaisala's automatic and versatile weather observation systems that measure parameters important in aviation safety, such as wind, runway visual range, cloud height and present weather. For airport maintenance purposes, measurements are also carried out on e.g. runway icing and the probability of lightning. Customer-specific solutions also include consultation, turnkey deliveries, as well as installation and maintenance services.

The United States is an important market for the Vaisala Aviation Weather business unit, and major efforts have been made in the region in recent years. CLH Inc. of Minnesota, acquired in June, is the most recent example of this. CLH specializes in installing and maintaining automated weather observing systems, related communications, displays and pilot briefing systems. It serves airports across the United States.

Vaisala Road Weather provides solutions and services to road and railway organizations, national meteorological institutes, and highway maintenance organizations. Vaisala's road weather stations, thermal mapping and route optimization services as well as 1-24 h forecasts support the decision-making of those in charge of maintenance services. Reliable and timely information on changing weather conditions improves traffic safety.

Vaisala HydroMet works to serve the environmental monitoring needs of meteorological and hydrological institutes as well as the defense forces by producing solutions and services for environmental measurement. Vaisala HydroMet provides complete solutions ranging from individual monitoring platforms to fully automated national monitoring systems. The solutions are built from Vaisala's and its partners' observation equipment and systems as well as data collection and processing systems, according to individual customer requirements. The solutions delivered by Vaisala form the basis on which the customers can build their core processes, e.g. the production of weather forecasting services and other end-products. The solutions also play an important role in the observation and forecasting of natural disasters, such as floods and forest fires. Vaisala HydroMet's customer-specific solutions cover equipment and system deliveries as well as consultation, installation, operation and maintenance services.

Personnel

Global personnel network

The Vaisala Solutions division employs 270 people in Finland, the United States, Great Britain, Germany, France and China. Approximately half of the personnel are located in Finland. Vaisala Road Weather operations are located mainly in Birmingham, Great Britain, where the business unit operates its global service center for observation data. In the United States, Vaisala Solutions personnel are located in Boulder, Colorado, and Minnesota, Minneapolis, the home of automated weather observing systems provider CLH Inc., which was acquired by Vaisala in June 2005.

Highlights

Vaisala acquires automated aviation weather observing systems provider CLH Inc. in the U.S.

Vaisala has acquired CLH Inc. of Minneapolis, Minnesota. The company provides automated weather observing systems (AWOS) and related services for U.S. airport operations. The acquisition strengthens Vaisala's position as a turnkey solution provider in the U.S. aviation market. Read the stock exchange release.

Vaisala provides runway visual range systems for U.S. airports

The U.S. Federal Aviation Administration (FAA) has selected Vaisala's runway visual range systems for use at airports throughout the U.S. The runway visual range system is used by air traffic controllers to provide information to pilots on runway visibility in order to secure safer landings. This is the first system contract Vaisala has made with the FAA. Read the stock exchange release.

Aviation weather systems have been an important part of Vaisala's offering for 30 years

The increasing volume of passengers and air traffic during the past decades has created the demand for more and more accurate and reliable weather data to enable safe operations. The first automated airport weather observing system was delivered to Helsnki-Vantaa Airport in fall 1975. It was one of the first in the world, and thus a source of great pride for both Vaisala and the customer.

Vaisala updates Estonia's hydrological network

Vaisala is updating Estonia's national hydrological monitoring network. The turn-key project ordered by the Estonian Meteorological and Hydrological Institute includes the delivery and installation of hydrological measurement and information systems, as well as training and a one-year service contract to maintain the stations and main centers. The new hydrological network will operate along a countrywide surface weather observation network, recently delivered by Vaisala.

Vaisala's weather stations conquer Mount Everest

The China Meteorological Administration has chosen Vaisala's automatic weather stations for the modernization of the weather observation network in the Tibet Autonomous Region. The contract included over 40 automatic weather stations. Two unmanned stations are based at Mount Everest Base Camp, 5280m above sea level. The Vaisala weather stations will contribute to the understanding of atmospheric and environmental change. They will also provide a useful meteorological service for a variety of users including mountaineers, offering accurate weather data in extreme conditions. Read the press release.

Brazil automates its surface observation network – Vaisala wins a significant order for weather stations

Vaisala signed one of its biggest ever weather station deals with the Brazilian Meteorological Institute. During 2005, Vaisala delivered 145 automatic weather stations to be installed as part of Brazil's automatic synoptic weather observation network. This is a part of an overall modernization program, to which Vaisala has contributed together with the national meteorological institutes of Finland and Brazil.

New Vaisala sensor provides more accurate information on road surface conditions

Vaisala has introduced a new road surface state sensor that measures the road surface conditions in real-time and distinguishes between water, snow, ice, slush and hoarfrost. What makes it unique is that it helps its users to determine the friction coefficient of the road, and therefore identify the prevailing driving conditions. Road salting can also now be better timed, which reduces both costs and the strain on the environment. Read the press release.

Case: Federal Aviation Administration

Vaisala wins FAA contract to supply RVR systems for U.S. airports.

The Federal Aviation Administration (FAA) of the United States recently awarded Vaisala a contract to develop and deliver PC-based runway visual range (RVR) systems for U.S. airports. The contract includes options for delivery of up to 77 RVR systems and associated spares. In addition, Vaisala will provide full program management, training and logistics support to the FAA.

RVR is a calculated estimation of the distance that a pilot can see down a runway. Prevailing weather conditions (fog, rain, snow, etc.) have the most impact on the RVR, but ambient light level and the runway light settings are also an important part of the equation.

Monitoring several runways with one system

The PC-based RVR system utilizes measurements by several Vaisala sensors. Vaisala's visibility sensors determine the meteorological optical range or visibility, background luminance sensors measure the ambient light level, and the runway light intensity monitors – currently under development – determine the intensity settings of the runway lights.

The sensors are connected to an automated weather observing system that computes the RVR value and transmits the data through various interfaces to the users. The data processing unit (DPU) may be duplicated to provide redundancy in the case of hardware failure. Up to 30 visibility sensors may be connected to the DPU, allowing monitoring of several runways with one and the same system. The main users are Air Traffic Control personnel who access the RVR data through controller displays that are also being developed by Vaisala.

Vaisala's experience and reputation sealed the deal

Vaisala was awarded the contract after the FAA had comprehensively evaluated the available technology, corporate technical capability and past contractual performance. The system proposed by Vaisala represents a low technical risk to the FAA, since many similar systems are already in use around the world.

Vaisala's high quality optical sensor technology, coupled with its experience and reputation as a high quality aviation weather system provider, helped Vaisala to rise above the competition.

Meeting the customer's specifications

Vaisala's Aviation Weather design team in Helsinki will further develop the system to meet FAA specifications. A major portion of the development work will concentrate on the software and hardware interfaces, to allow the system to connect with other FAA equipment and data networks.

The ongoing development phase calls for frequent and comprehensive technical reviews with the FAA to ensure that every requirement is addressed. After the design is completed and approved, prototype systems will be built and installed at selected U.S. airports for operational qualification testing. One of the prototypes will undergo a strict laboratory test program to verify system compliance with all FAA specifications.

Comprehensive training included

In addition to designing the system hardware and software, Vaisala will develop and provide comprehensive operator training for the FAA's technical operations specialists, to allow them to effectively install, operate and maintain the system.

Deliveries of the RVR systems are scheduled to start in early 2008.

Author: Tapani Laine, Vaisala, Boulder, CO, USA

Vaisala worldwide

Vaisala Group is an international company with more than 1 000 personnel around the world. Vaisala's personnel and distributor network serve customers in more than 100 countries. Operations outside Finland accounted for 96% of net sales in 2005. Efficient customer service requires knowledge of local circumstances and close contacts with customers.

At the end of 2005, Vaisala employed 644 people at its headquarters in Vantaa, Finland. They are engaged in research, product development, sales and marketing, customer service, 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. The size of the international offices varies by country and business area. In 2005, 398 (39%) of Vaisala's employees worked outside Finland.

Read more about personnel and activities by locations on the website.

Research and development

Active research and development are a key prerequisite for the success of the Vaisala Group. Vaisala's customers must be able to rely on the company's ability to develop premium class technology also in the future. Vaisala explores new development areas by utilizing its unique ability to innovate new technologies. Vaisala has R&D activities in all its business areas, and investments in the continuous development of new technologies are significant. In 2005, R&D expenses totaled EUR 19.8 million, which is 10.0 % of the Group's net sales.

Vaisala's R&D resources represent the best in the field. The activities are located in Helsinki, Finland, as well as in the United States in Tucson, Arizona, and Boulder, Colorado. Approximately 30% of Vaisala's personnel work in R&D.

Numerous ongoing research projects

One of the most significant research and development projects in 2005 was the weather radar, which is being developed in cooperation with leading international research institutions and partners. New technologies have been investigated thoroughly in the R&D process. For example, the radar's dual-polarization technology enables more precise information on the quantity and quality of precipitation. A prototype has been in research and test use in Kumpula, Helsinki, from the beginning of 2005. Read the stock exchange release.

Another important research project focuses on small scale weather phenomena, and is carried out in cooperation with the Finnish Meteorological Institute and other partners. The dense weather observation network called Helsinki Testbed is expected to produce data for research on small scale weather phenomena. Helsinki Testbed will help in the development and testing of new observation equipment, systems and methods. Read the Helsinki Testbed case.

An example of Vaisala's own development activity is the new road sensor, launched in October. What is unique about the new sensor, based on infrared optics and laser technology, is that it helps its users to determine the friction coefficient of the road, and therefore identify the prevailing driving conditions. The sensor was developed in cooperation with the Technical Research Centre of Finland (VTT) and the Finnish Road Administration. Prior to its official sales launch, the sensor had been in trial use in Finland, UK, and the United States. Read the press release.

Active cooperation and partnerships with organizations in the field

In addition to its own research and development activities, Vaisala works in close cooperation with its customers, and the leading research institutes and universities in the field. The company actively networks with experts in areas that compliment its core know-how. Activities include partnerships with research institutes and universities, support of meteorological training programs, as well as sponsorships and internships for students.

Vaisala has actively participated in the COST actions since the 1970's. COST promotes European cooperation in the fields of science and technology, and supports multinational and cross-scientific research networks. Among others, Vaisala has participated in the COST 720 action, which focuses on remote sensing.

Universities are also part of Vaisala's partnership network. Vaisala has a long history of cooperation with the University of Oklahoma in the United States. One of the main focus areas is the development of an observation and forecasting system for small scale weather phenomena. In lightning detection, Vaisala works together with the University of Arizona in research and development.

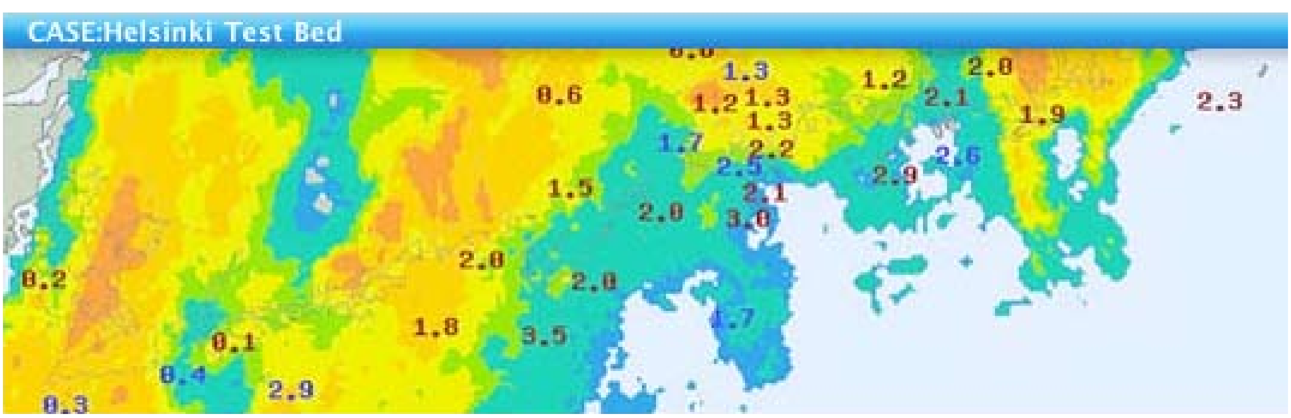
In Finland, significant partners include the University of Helsinki, and the Finnish Meteorological Institute. Approximately 80 people from the Vaisala Helsinki head office participated in a hydrological-meteorological education program, developed together with the University of Helsinki, the Finnish Meteorological Institute and the Finnish Environmental Institute. An Aviation Weather course, developed together with the University of Helsinki and the Finnish Meteorological Institute, was attended by 52 Vaisala Helsinki personnel.

Support and scholarships for students

Vaisala supports meteorological studies and training programs, and grants scholarships and internships. For several years now, Vaisala has partly sponsored meteorology students selected by the American Meteorological Society. For example, university students have been sponsored at Oklahoma and Colorado universities in the United States. In Finland, Vaisala sponsors the final thesis of ten university students annually.

Vaisala is also sponsoring the global THORPEX program (The Observing-System Research and Predictability Experiment), which is carried out together with the WMO (World Meteorological Organization). Launched in 2003, THORPEX is a 10-year observing system research and predictability experiment. It aims to research and improve the effectiveness of both earth-based and space-based atmospheric observing systems. As part of the program, Vaisala supports four post-doctoral partnerships.

Case: Helsinki Testbed



Helsinki Testbed concentrates on small-scale weather observation and forecast networks in high-latitude conditions.

The Finnish Meteorological Institute, Vaisala and partners have established a particularly dense weather observation network in the Greater Helsinki area in Finland. The Helsinki Testbed promotes the measurement and understanding of fine-scale weather phenomena, i.e. local weather. Of special interest are weather events that take place within a 50-kilometer (30-mile) region, and last up to a few hours.

The Helsinki Testbed helps in developing and testing new instruments and methods for weather observation. The activities concentrate on specific measurement campaigns, organized around chosen research themes. The campaigns utilize an already existing, approximately 150 x 150 kilometer (93 x 93 mile) wide observation network, which has been enhanced with a variety of new weather observation equipment from Vaisala.

Wet World Championships in Athletics

The first measurement campaign focused on gathering data for short-term forecasts. It was timed to coincide with the 10th World Championships in Athletics, held in Helsinki in August 2005. Several additional weather observation sites had been installed, for example along the marathon route and at the Olympic Stadium, in cooperation with the Finnish Athletics Federation and the City of Helsinki.

Unluckily for the athletes and spectators, the skies opened up for the big event. According to the Testbed measurement data, it rained a total of 38 mm, or 1.5 million liters, inside the Olympic Stadium during the day and evening events. Similar brief heavy rains occur in Finland only once every ten years on average.

Focus on precipitation types

The November measurement campaign focused on different precipitation types. Rain, snow and their mixture were measured in 350 measurement points with different methods and equipment.

When the temperature is close to 0 °C, precipitation can take different forms even within short distances: for instance, it can be snowing in one part of Helsinki while it is raining in another. Precipitation type depends on the temperature in the upper atmosphere, as well as on the temperature and humidity close to the ground. This is why it can snow in dry weather even in +4 °C. Supercooled liquid precipitation can occur in freezing temperatures if the upper atmospheric layers produce such conditions. Rain in freezing temperatures is particularly troublesome for road traffic and aviation, as the water quickly freezes as it hits a cold surface, such as a highway.

In November, the temperature in the Greater Helsinki area is often close to 0 °C, and precipitation falls as rain or snow, or mixture of both. The relatively great differences in temperature at sea and in inland areas cause significant differences in the type of precipitation that occurs in different areas within Greater Helsinki.

Under scrutiny: stable boundary layer

The January–February 2006 campaign investigated the atmospheric layer closest to the ground, particularly the lowest few hundred meters. In winter conditions, this layer is mostly stable, meaning that the air closest to the ground does not mix with air in the upper layers. Typically in these conditions, temperature rises vertically from the ground up. This phenomenon is called temperature inversion.

Moderate and cold temperature inversions close to the ground have a strong effect on the spreading of air impurities and radioactive particles. During inversions, the impurities concentrate close to the ground, thus deteriorating air quality at times.

The January–February campaign of the Testbed project enabled the versatile measurement and study of the strength, height and development of temperature inversions in the Greater Helsinki area.

Two more confirmed campaigns remain after this – one on sea breeze in May 2006, and the other on convection in August 2006.

Author: Marikka Metso, Vaisala, Helsinki, Finland

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.

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, the 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 a Shareholders' Meeting. The Board chooses 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 elected, and ends after three (3) subsequent Annual General Meetings.

Holdings of the permanent insiders

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 10 years, Private telephone companies: various product marketing positions 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: 2008
Fees in 2005: 26,910 EUR

Vice Chairman

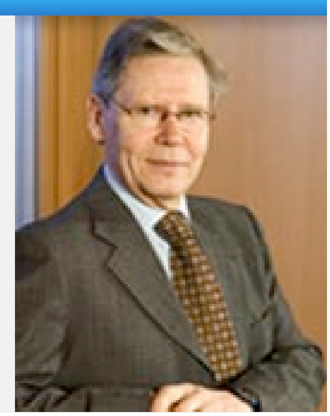
Yrjö Neuvo, b. 1943, Ph.D. (EE)

Domicile: Helsinki, Finland
Principal occupation: Professor
Employment history:
Nokia Corporation: Senior Vice President 1992–2006, 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 Counsil, 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 2005: 13,455 EUR

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 2005: 13,455 EUR

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 Comittee 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: 2008
Fees in 2005: 13,455 EUR

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, Novametor Oy: Board Member
Board member as of: 1994
Board member term ends: 2006
Fees in 2005: 13,455 EUR

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 2005: 13,455 EUR

Secretary, Jussi Mykkänen, Licentiate of Technology, MBA

New Business Development 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,
- proposes 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 9 meetings in 2005. An average of 98 % of the Board members were present at the meetings.

Independence of the members of the Board

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

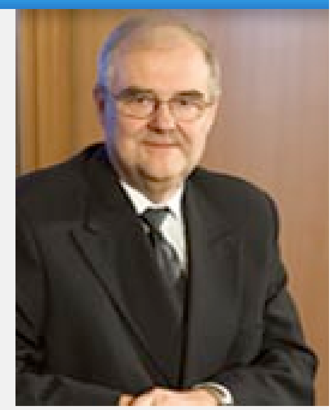
Evaluated against the criteria given in Recommendation 18, Yrjö Neuvo, Gerhard Wendt, Mikko Niinivaara and Pekka Hautojärvi are independent from both the company and the shareholders. The holdings of Raimo Voipio and Mikko Voipio do not exceed the 10 % of all the shares or aggregate votes stated by the 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 and 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.

Pekka Ketonen, s. 1948, Tekn.tri (h.c.)



Kotipaikka: Helsinki
Päätoimi: toimitusjohtaja
Keskeinen työkokemus:
Teleste Oy:n palveluksessa 1971–1991, viimeksi toimitusjohtajana
Muut samanaikaiset luottamustoimet: VTT:n hallituksen puheenjohtaja, Elisa Oyj:n, Teknologiateollisuus ry:n ja Teollisuus ja Työnantajat ry:n hallitusten jäsen
Vaisalan johtoryhmän puheenjohtaja: 1992
Palkat ja muut etuisuudet tilikaudelta 2005: Palkat ja palkkiot 615 000 euroa.

Tilikauden aikana palkkioksi saadut osakkeet ja osakejohdannaiset oikeudet: –
Eläkeikä ja eläkkeen määräytymisperusteet: 65 vuotta, lain mukaan.
Irtisanomisaikaa, irtisanomisajan palkkaa sekä muita mahdollisia irtisanomisen perusteella saatavia korvauksia koskevat ehdot: työntekijän irtisanoessa 6 kk, työnantajan irtisanoessa 12 kk, irtisanomisajan palkka

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

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

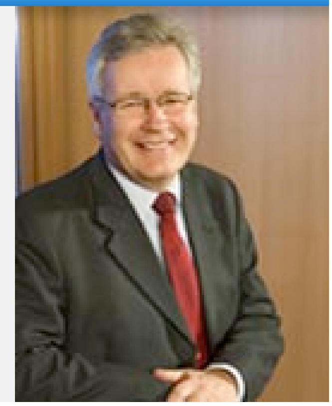
Domicile: Boulder, CO, USA
Principal occupation: Director, Strategic Research since 2000
Employment history:
National Center for Atmospheric Research, Boulder, CO 1985–2000, Stanford Research Institute, Menlo Park, CA 1970–1985
Other simultaneous positions of trust: Atmospheric Sciences and Climate of 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

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: Technology Industries of Finland: Member of Subcontracting Working Group
Management Group Member since: 2002

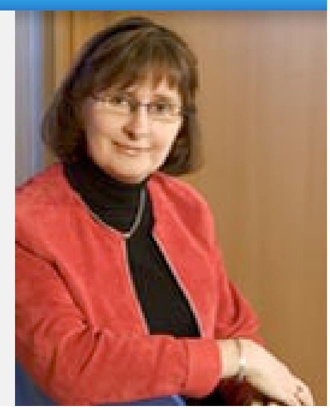
Kenneth Forss, b. 1954, B.Sc.(Eng)

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



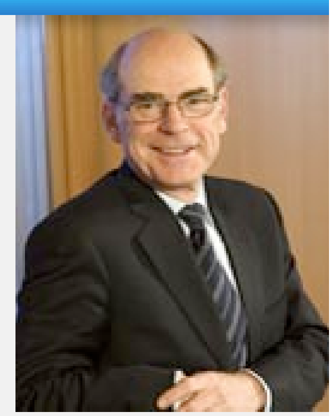
Marja Happonen, b. 1957, M.Sc.(Econ)

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: Finnish Meteorological Institute: Member of the Board of Directors
Management Group Member since: 1996

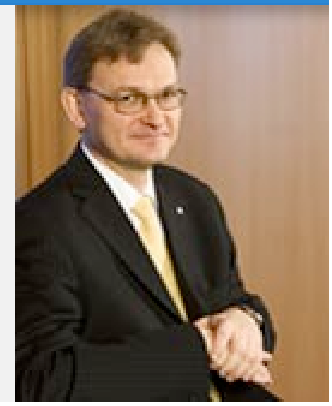


Jan Hörhammer, b. 1945, B.Sc.(Eng)

Domicile: Helsinki, Finland
Principal occupation: Director, Vaisala Measurement Systems Sales and Marketing since 2003
Employment history:
Vaisala Oyj: Sales and Marketing Director 2002–2003, 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



Erkki Järvinen, b. 1960, M.Sc.(Eng)

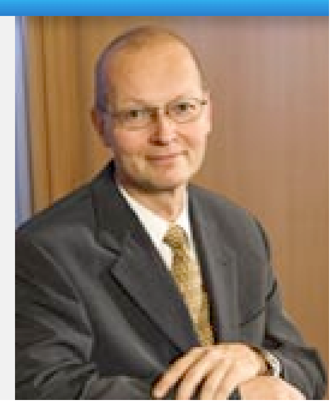


Domicile: Espoo, Finland
Principal occupation: Director,
Vaisala Measurement Systems since 2005
Employment history:
Vaisala Oyj: Director, Soundings 2002-2005, Business Unit Manager 1998-2002, Rados Oy: Rr&D Manager 1997-1998,
Instrumentarium Oy Imaging, R&D Manager, Marketing Manager, Project Manager 1990-1997,
Orion-Yhtymä Oy Soredex, Technical Support Manager, Project Manager 1987-1990
Other simultaneous positions of trust: -
Management Group Member since: 2002

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 Manager1990-1991,
Outokumpu Oy, Engineering Division: CAD-Croup Manager 1988-1990
Other simultaneous positions of trust: -
Management Group Member since: 2000

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



Domicile: Helsinki, Finland
Principal occupation: Director,
New Business Development since 2005
Employment history:
Vaisala Oyj: Research Director, 1996-2005, 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

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 Hannu Pellinen APA.

The total paid in auditing fees in 2005 was EUR 157.000 (155.000 in 2004), and other fees EUR 163.000 (110.000 in 2004).

In 2005, Vaisala Oyj paid auditing fees to its Authorized Public Accountants PriceWaterhouseCoopers Oy EUR 110.000 (118.000 in 2004), and other fees EUR 137.000 (94.000 in 2004).

Auditing fees paid to other parties in 2005 were EUR 47.000 (37.000 in 2004), and other fees 26.000 (16.000 in 2004).

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.

A monthly updated list is available on the Vaisala website.

Insider register December 31, 2005

Statutory permanent insiders	Cause	A-shares	Change of A-shares	K-shares	Change of K-shares	Options	Change of options
Ala-Mello Jukka Antero	Auditor with chief responsibility for audits	-	-	-	-	-	-
Engström Tapio Juhani	Other senior company executive	-	-	-	-	-	-
Eskelinen Katri-Helena	Other employee	-	-	-	-	-	-
Hautojärvi Pekka Juhani	Member of the board of directors	1,800	-	-	-	-	-
Hörhammer Jan	Other senior company executive	1,800	-	-	-	-	-11,000
Ketonen Pekka Albert Aukusti	Managing director	-	-	-	-	-	-32,000
Mykkänen Jussi	Other senior company executive	-	-	-	-	16,000	-
Neuvo Yrjö	Member of the board of directors	96,956	-	40,529	-	-	-
Nieminen Mikko Jorma	Auditor with chief responsibility for audits	-	-	-	-	-	-
Niinivaara Mikko	Member of the board of directors	-	-	-	-	-	-
Voipio Mikko Volmari	Member of the board of directors	323,680	-	301,156	-	-	-
Voipio Raimo	Chairman of the board of directors	283,880	-	309,500	-	-	-
Wendt Gerhard Martin Harry	Member of the board of directors	-	-	-	-	-	-

Defined permanent insiders	Cause	A-shares	Change of A-shares	K-shares	Change of K-shares	Options	Change of options
Ahtiluoto Liisa	Other criteria for disclosure requirement	–	–	–	–	–	–
Andersin Nina Maria	Other criteria for disclosure requirement	–	–	–	–	–	–
Dabberdt Walter Fred	Other criteria for disclosure requirement	–	–	–	–	–	-2,000
Forss Kenneth Gustaf	Other criteria for disclosure requirement	–	–	–	–	–	–
Happonen Marja Pirkko Annikki	Other criteria for disclosure requirement	–	–	–	–	8,000	–
Husu Martti	Other criteria for disclosure requirement	–	–	–	–	16,000	–
Jokela Tiia Annika	Other criteria for disclosure requirement	–	–	–	–	–	–
Jokiranta Kirsi Katriina	Other criteria for disclosure requirement	400	–	–	–	–	–
Järvinen Erkki Eero	Other criteria for disclosure requirement	–	–	–	–	8,100	-10,900
Kallunki Jussi Jalmari	Other criteria for disclosure requirement	–	–	–	–	8,000	–
Karvinen Mikko Johannes	Other criteria for disclosure requirement	–	–	–	–	–	–
Kiianlehto Tiina Johanna	Other criteria for disclosure requirement	–	–	–	–	–	–
Metso Outi Marikka	Other criteria for disclosure requirement	–	–	–	–	–	–
Michelsen Karl-Erik	Other criteria for disclosure requirement	–	–	–	–	–	–
Reid Alan W.	Other criteria for disclosure requirement	–	–	–	–	–	–
Tuominen Hannu	Other criteria for disclosure requirement	1,300	–	–	–	3,950	-9,950

Annual General Meeting

Vaisala Oyj's Annual General Meeting will be held on Thursday March 23, 2006, at 5 p.m. at the company's head office, Vanha Nurmijärventie 21, 01670 Vantaa.

Right of attendance

Shareholders who are registered in the company's share register maintained by the Finnish Central Securities Depository Ltd by 13 March 2006 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 2006. 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 11 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

Two members of the Board of Directors, Mr Pekka Hautojärvi and Mr Mikko Voipio are to retire by rotation. 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 23 March 2006 that the number of Board members should be five. The Board proposes the re-election of Mr Mikko Voipio, and Mr Stig Gustavson to replace Mr Pekka Hautojärvi. Mr Gerhard Wendt is retiring from the Board for personal reasons. The Board is not proposing any replacement for Mr Wendt.

The Board proposes PriceWaterhouseCoopers Oy and Mr Hannu Pellinen APA, to be selected as Vaisala Oyj's Authorized Public Accountants.

The proposed members of the Board of Directors and the Authorized Public Accountants have given their consent for the election.

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

1§

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

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.

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.

4§

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

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.

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.

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.

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

9§

The Chairman of the Board of Directors and the Managing Direc tor shall be entitled to sign for the company individually.

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

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.

11§

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

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.

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
- a profit and share-based incentive program (term and conditions of which have been published in a stock exchange release October 29, 2004)
- Vaisala Oyj 2000 warrant program ended on January 31, 2006.

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.

Personnel

At the end of 2005, Vaisala Group had 1 042 employees, of which 644 worked in Finland and 398 outside Finland. The number of employees decreased by 21 from the previous year.

In the Vaisala Group, 45% of personnel have an academic degree. The proportion is the same as the year before. The proportion of personnel with a technical education has also remained the same at 58%. The proportion of women increased by 1%, and now stands at 31%. The average age of the Vaisala Group's personnel was 41.

Development

Personnel invited to innovate

Innovation Management was an important development area in 2005, as in the previous year. Vaisala participated actively in the Industrial Innovation Management program organized by the Technical Research Centre of Finland. Vaisala participants focused particularly on developing innovation management practices. These were also highlighted in business units, which continued to participate in the Technical Research Centre of Finland's Voitto project and Helsinki University of Technology's Coinno research project.

A designated Innovation Management Forum was established in the beginning of 2005 to coordinate the development work. The Forum was very active throughout the year. As one of the new innovation initiatives, Vaisala personnel were invited to participate in an Innovation Competition. The goal was to activate the personnel to organize into small teams and to develop new business-, product-, and service concepts in pre-defined strategic areas.

Approximately 120 employees from nine different countries participated in the competition. The event culminated in September in an Innovation Fair, where the 13 finalists, selected from 65 proposals, were introduced.

Customer-focus highlighted

A development project was launched in January 2005 to highlight Vaisala's Customer focus value. The first phase focused on the development of customer segmentation. The decision was taken to continue the project, based on an analysis presented in May. The goal was to establish shared customer care models and procedures throughout the organization.

During the fall, the account management development project focused on establishing the basis for the new organization, which enables easy access for customers to Vaisala's offering, and helps sales to further develop their understanding of customer applications and needs. In November, efforts to develop customer care models were highlighted.

Personnel development and its main emphasis

Efforts to further develop employees' application skills continued in 2005. Approximately 80 people from the Vaisala Helsinki head office participated in a hydrological-meteorological education program, developed together with the University of Helsinki, the Finnish Meteorological Institute and the Finnish Environmental Institute. An Aviation Weather course, developed together with the University of Helsinki and the Finnish Meteorological Institute, was attended by 52 Vaisala Helsinki personnel. An Introduction to Weather course was given twice during the year as part of the new employees' orientation program in Finland. Basic weather training was also launched in offices in the United States. The goal is to provide all employees with a basic understanding of weather phenomena.

The sixth international Vaisala Business Learning Program begun in September 2005. The program includes modules on strategy, cultural abilities, finance, account management, and management skills, as well as innovation management. A total of 24 Vaisala employees from Finland, the UK, the United States, Germany and Canada are participating in the one-year program.

The development of project know-how was seen as an important development area in all business units. The Vaisala Instruments division launched a management and leadership skills program for Project Managers in the fall. Both new and experienced managers in the Helsinki head office received training on different aspects of managerial work. Systematic training on personnel management processes and practices for managerial staff was also launched in the U.S.

A group of employees participated in a supplementary course organized around the City of Vantaa's Noste-program. The course aims at a further qualification in electronics and electrics.

In-house product and application training as well as language and cultural training continued in the Vaisala Group. Training on communications in a multicultural environment was provided in the U.S.

Personnel survey

Team barometer compliments personnel survey

78% of Vaisala's employees responded to the personnel survey in 2005. The overall changes compared to the previous year's survey findings were small. Rewarding on specific issues was seen to be better handled than before. The support provided by managers toward employees' efforts to improve their skills was also rated higher than in previous years.

Compared to external benchmarks, the Vaisala Group's employees feel they are able to handle their workload well. Internal job rotation has a clear positive effect on job satisfaction. The personnel's expectations are focused on improving change management and how the strategy is communicated. Development areas were also identified regarding customer focus.

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

A 20-question team barometer was introduced along with the personnel survey, to support and measure team-specific development. The team barometer has been in use in all offices from May 2005.

Bonus schemes

Bonus schemes - a tool for guiding operations and management

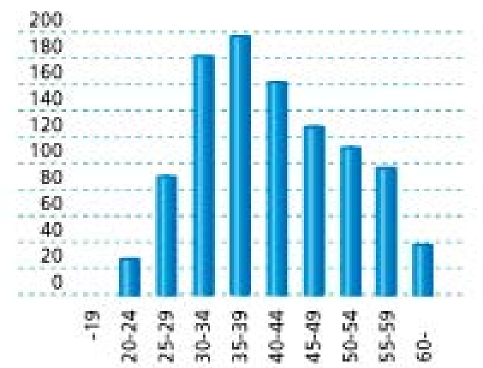
The Group bonus schemes were further developed along the Balanced Scorecard system. The International Position Evaluation system (IPE) was introduced throughout the Group. The system provides improved conditions for the development of systematic and rewarding incentive schemes. The introduction of IPE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

The Vaisala Group's stock option scheme included 76 people at the end of 2005. Additionally, a result and share-based incentive program for key personnel included 48 people.

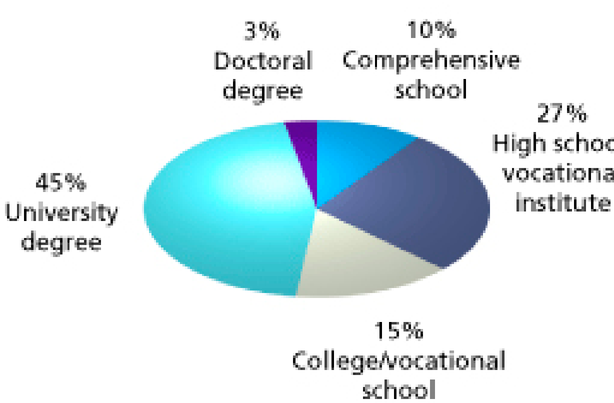
Personnel in graphs

Personnel at the end of the year

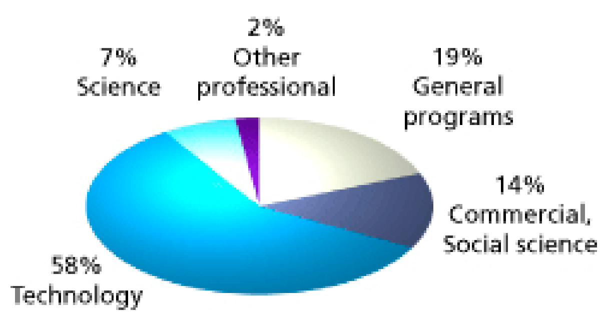
Personnel by age



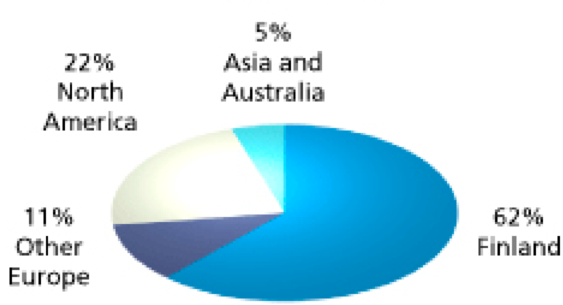
Personnel by level of education



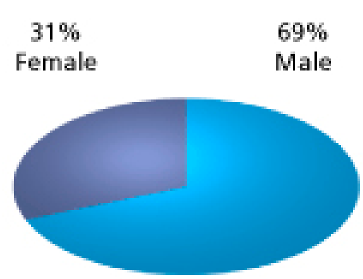
Personnel by area of education



Personnel by geographical area



Personnel by gender



Environmental issues

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.

Certified environmental management system

Vaisala's environmental management system is ISO 14001 certified and covers all of Vaisala's offices, operations and products. A major emphasis of Vaisala's environmental management program is to continuously improve the environmental qualities of new products. The waste management practices have been developed to the highest standards in all Vaisala locations. In customer use, Vaisala's weather observation and environmental measurement products contribute favorably to the environment in many ways.

Improving the environmental qualities of products

The WEEE directive (Directive on Waste Electrical and Electronic Equipment), became effective in Finland in August 2005. As required, Vaisala has labeled all its recyclable products, and acts as a responsible member of SELT ry, a producers' community committed to the issues of electrical and electronic waste collection and recycling.

The RoHS Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment will become effective in July 2006. Similar legislation is also under development outside the EU, for example in China. In 2005, Vaisala and some of its partners participated in the YPSE project: the Impact of Environmental Policy Instruments on Activities, Products and Environmental Capabilities in the Electrical and Electronics Industry, financed by the Environment Cluster (a network of companies and organizations in the Oulu region) and the Technology Industries of Finland organization. The goal is to investigate the introduction of product-oriented environmental policies from a business point of view.

According to the most recent revisions in 2005, the RoHS requirements do not apply to Vaisala's products in the first phase, as they belong to category 9 (monitoring and control instruments).

In 2002, Vaisala's Management Group made a decision in principle to adjust operations to meet the Directive requirements according to its schedule. The Management Group further specified in 2005 that all new product designs, and from the existing products the Vaisala Instruments division's high volume products as well as the Vaisala Radiosonde RS92, will be modified to meet the RoHS requirements along with the original schedule.

New products' environmental qualities are continuously improved as part of the product design process. The next goal is to develop the Key Environmental Performance Indicators (KEPI) best suited to measure Vaisala products' environmental qualities.

Shareholder info

Vaisala Oyj's Annual General Meeting will be held on Thursday March 23, 2006, at 5 p.m. at the company's head office, Vanha Nurmijärventie 21, 01670 Vantaa.

Right of attendance

Shareholders who are registered in the company's share register maintained by the Finnish Central Securities Depository Ltd by 13 March 2006 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 2006. 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 11 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

Two members of the Board of Directors, Mr Pekka Hautojärvi and Mr Mikko Voipio are to retire by rotation. 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 23 March 2006 that the number of Board members should be five. The Board proposes the re-election of Mr Mikko Voipio, and Mr Stig Gustavson to replace Mr Pekka Hautojärvi. Mr Gerhard Wendt is retiring from the Board for personal reasons. The Board is not proposing any replacement for Mr Wendt.

The Board proposes PriceWaterhouseCoopers Oy and Mr Hannu Pellinen APA, to be selected as Vaisala Oyj's Authorized Public Accountants.

The proposed members of the Board of Directors and the Authorized Public Accountants have given their consent for the election.

Payment of dividend

Dividend proposal EUR 0.75 / share

The Board of Directors proposes to the Annual General Meeting held on March 23, 2006, that a dividend of EUR 0.75 per share be paid for the financial year 2005, and the remaining part of the review period's profit be held on the account for profit funds. According to the balance sheet of December 31, 2005, the Group's distributable funds are EUR 134.5 million, and the parent company's EUR 114 513 388.55. According to the proposal, a total of EUR 13 443 900.00 will be used to dividend payments, representing 54% of the profit after tax.

The record date for dividend payment is March, 28, 2006, and it is proposed that the dividend will be paid on April, 4, 2006.

Financial reporting

Financial reporting in 2006

Vaisala Oyj will publish three interim reports in 2006 in Finnish and English according to the following schedule:

May 4, 2006	Interim Report 1.1. – 31.3.2006 (Q1)
Aug 7, 2006	Interim Report 1.1. – 30.6.2006 (Q2)
Oct 31, 2006	Interim Report 1.1. – 30.9.2006 (Q3)

Financial reports can be ordered from:

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 6-10, 2006).

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

Contact us

Vaisala Oyj

Corporate Communications

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

Street address: Vanha Nurmijärventie 21, FIN-01670 Vantaa, Finland

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E-mail: info@vaisala.com

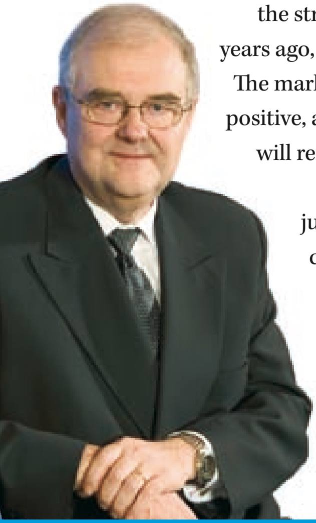
For more detailed contact information and for other Vaisala locations visit us at www.vaisala.com.

VAISALA

Financial Statements 2005

The best year in Vaisala's history

Year 2005 was a good year for Vaisala. Demand improved in 2005, after two years of descent. Some internal measures have also improved the result. The implications of the strategy renewal, carried out a couple of years ago, are also starting to show in the result. The market outlook at the beginning of 2006 is positive, and my estimation is: business in 2006 will remain on the level of 2005 with regards to both sales and profit. Year 2006 is a jubilee year for Vaisala, as the company celebrates its 70th anniversary. During the past years, Vaisala has evolved to become one of the most significant environmental measurement companies in the world. This is a position we wish to maintain in the future.



Pekka Ketonen
President and CEO

Vaisala develops, manufactures and markets products and services for environmental and industrial measurement. The mission is to provide basis for better quality of life, environmental protection, safety, efficiency and cost savings.

The major customer groups are national meteorological services, aviation authorities, defense forces, road and rail authorities, land and water resource management agencies, research institutes, insurance companies, public utilities and industry worldwide. The company is the global market leader in many of its core businesses.

Vaisala had more than 1 000 employees and achieved net sales of EUR 197.9 million in 2005. Vaisala serves customers around the world. Operations outside Finland accounted for 96% of net sales in 2005. Parent company Vaisala Oyj, domicile in Vantaa, Finland, is listed on the Helsinki Exchanges in Finland.

In addition to this Financial Statements 2005 brochure Vaisala has published an electronic annual report at www.vaisala.com/annualreport.

Visit the Vaisala Annual Report at www.vaisala.com/annualreport.

Contents

Online Annual Report

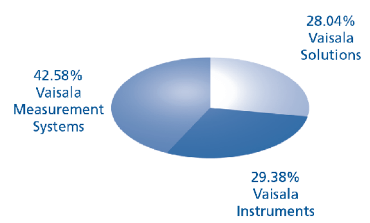
From 2002, Vaisala has published its Annual Reports online only. A new feature in the 2005 Annual Report is CEO Pekka Ketonen's webcast interview about events in 2005 and his views on Vaisala Group's future. The Annual Report includes three interesting customer cases from different business divisions. The division descriptions themselves have also been significantly broadened.

To subscribe to Vaisala press and stock exchange releases please go to http://www.vaisala.com/newsanddownloads/subscribetocorporatenews. Once subscribed, you will receive all Vaisala releases by email in either Finnish or English.

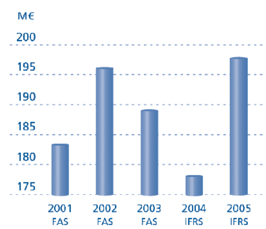
Visit the Vaisala Annual Report at www.vaisala.com/annualreport.

Key figures in graphs

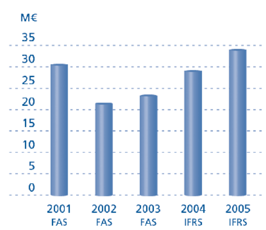
Net sales by division



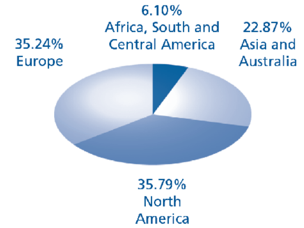
Development of net sales



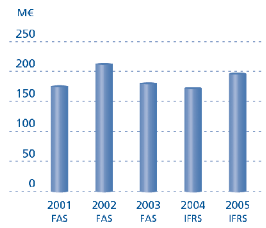
Profit before tax



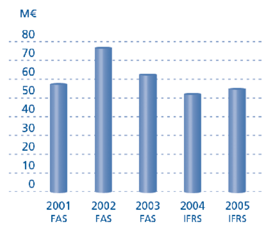
Net sales by market



Orders received

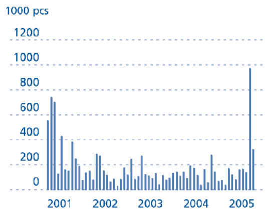


Order book, Dec. 31



Series A share, performance

Series A share, monthly trading



Board of directors' report 2005

Overview

Year 2005 was the best in Vaisala's history, both by net sales and profit after tax. Reasons for the good result include strategic changes, the effects of which started showing in 2005, as well as events occurred during the review period. Strategic changes include the shift to business model based management as well as measures taken to improve cost-efficiency. Demand grew during the review period, and sales recognition took place in more projects than anticipated. The volatility of the currency exchange markets resulted to considerable gains. Additionally, the effective tax rate remained low because of an increase in deferred tax receivables.

In November, Vaisala announced its intention to enter the weather radar business. The weather radar compliments Vaisala's remote sensing product offering, which currently includes lightning detection systems and networks as well as wind profilers.

Vaisala Oyj adopted the International Financial Reporting Standards (IFRS) in its Group reporting from the beginning of 2005. Before this, Vaisala's reporting was carried out according to the Finnish Accounting Standards (FAS). The notes to the balance sheet include reconciliations describing the effects of transition to IFRS for 2004 as well as for the Opening Balance Sheet (January 1, 2004).

The main effects of adopting IFRS

The adoption of IFRS reporting has changed the reported balance sheet calculations, the notes to the balance sheet as well as the accounting principles in comparison with previous balance sheets. Vaisala Oyj's figures are most affected by the IFRS standards relating to business combinations, employee benefits and leases as well as the cancellation of value increases made in connection with the adoption of IFRS and a tax asset recognized from the accumulated losses of the French subsidiary.

Market situation

Demand grew during the second half of the year. Net sales grew in almost all geographical areas. The strongest growth took place in the U.S., which counted for half of the growth in net sales in EUR. Despite of the large number of orders received in the third quarter, the amount of orders received remained on a satisfactory level also during the last quarter in all divisions.

The sustained maintenance and development of competitiveness has enabled Vaisala to retain its market share, and the company's market position is still strong.

Net sales and order book

The Vaisala Group's net sales for the review period were EUR 197.9 million (2004: EUR 178.1 million). Operations outside Finland accounted for 96% (97%) of net sales. The Group received new orders worth EUR 196.5 (172.8) million during the review period. The order book at the end of the review period was EUR 55.3 (52.7) million.

Vaisala Measurement Systems

The Vaisala Measurement Systems division generated net sales of EUR 84.3 (72.9) million.

The number of orders received during the last quarter remained on a satisfactory level, despite of the large number of orders received in the second and third quarters. The large number of deliveries in the last quarter increased the net sales and decreased the order book from the previous quarter. The increased net sales and cost-efficiency improved profitability, which is clearly better than that of 2004. Compared to 2004, the greatest improvement in profitability in EUR has been achieved in the thunderstorm and soundings business units.

Vaisala Measurement Systems invests in a new and improved product offering, in order to be able to strengthen its position as a premium-class product provider and market leader in the upper-air measurement applications. In 2005, major efforts were also made to improve efficiency by streamlining logistics, products and operations. Improving operational efficiency remains on the agenda in 2006.

Vaisala Instruments

The Vaisala Instruments division generated net sales of EUR 58.2 (52.9) million.

Demand remained strong also during the last quarter, which led to higher net sales than in 2004. Thanks to cost-effective operations, profitability has remained good.

Vaisala Instruments division received a significant order in July when the U.S. National Weather Service selected Vaisala's precipitation sensors for its surface weather observation network. The contract is delivered in phases, and its estimated sales value is more than EUR 6 million. The main part of the deliveries is expected to take place in 2006-2007.

Competition in all product areas remains intensive. Vaisala's global operating model, combined with significant investments in research and development, form the basis to retain market leadership and increase market share.

Vaisala Solutions

The Vaisala Solutions division generated net sales of EUR 55.5 (52.3) million.

The high net sales in the last quarter helped to turn the operating profit for the full year positive. Order intake was good also during the last quarter, but order book decreased due to large number of deliveries.

Vaisala Solutions division invested in its aviation weather systems know-how by acquiring the CLH Inc. in the U.S. in July.

Vaisala Solutions received a significant order in August, when the U.S. Federal Aviation Administration (FAA) selected Vaisala's runway visual range systems for U.S. airports. The three-year base contract includes the deliveries of 21 systems and is valued at USD 4.3 million. The contract contains options for delivery of up to 77 similar systems within the next five years.

In 2006 net sales and operating profit are expected to remain on previous years level. Vaisala Solutions' goal is to increase the share of service sales in the net sales. The main ongoing development projects concentrate on customer-focus, increased service offering, and improved project business.

Performance and balance sheet

Operating profit for the review period was EUR 30.1 (29.4) million. Profit before tax was 17.2% of net sales, or EUR 34.1 (29.1) million. Profit after tax for the review period was EUR 24.9 (21.0) million.

When assessing the profit after tax of the review period, it should also be remembered that: the positive exchange rate differences recorded in the financial income were EUR 3.9 million. Additionally, the effective tax rate was 26.9%, while the long-term estimate is approximately 30%.

The Vaisala Group's solvency and liquidity remained strong. On December 31, 2005, the balance sheet total was EUR 196.9 (163.7) million. The Group's solvency ratio at the end of the review period was 81% (82%).

The total of the Group's liquid assets was EUR 81.4 million.

Research and development

Expenditure on research and development in the review period totaled EUR 19.8 (21.3) million, representing 10.0% of the Group's net sales.

Capital expenditure

Gross capital expenditure totaled EUR 8.0 million (4.8 million). The total for the review period includes the cost incurred from the acquisition of CLH, Inc.

Events after the period under review

In January 2006, Vaisala acquired 100% of the Sigmet Corporation stock of Westford, Massachusetts. Sigmet is the world's leading independent weather radar signal processor and application software manufacturer. The purchase price was approximately USD 20 million. Sigmet will be consolidated into Vaisala's books from the beginning of 2006.

In January 2006, Vaisala announced its plans to partly outsource some of Vaisala Measurement Systems division's production functions. The goal is to improve the division's efficiency and flexibility, and to concentrate efforts on its core competencies, such as sensor technology. The financial impact is estimated to be some EUR 1.5 million annual improvement in the division's result, starting from fiscal year 2007.

Vaisala Oyj 2000 warrant program ended on January 31, 2006.

Risk management

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

The effect of interest rate changes to interest bearing borrowings and receivables in different currencies constitutes an interest rate risk. As the Group has few interest bearing borrowings and receivables, the interest rate risk is small. The earnings on capital invested contain a risk when interest rates change.

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. Approximately half of the Group's net sales are in USD. A significant part of costs are in EUR. The company uses currency forwards for hedging purposes. The hedging level is at approximately 50% of the order book and the trade receivables. The hedging is done by the parent company. The Group does not hedge conversion differences of investments relating to its subsidies.

Liquidity risk

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

Counterparty risk

Liquid assets are invested within the confirmed limits to targets whose credit standing is good. The investment targets and their assigned limits are revised annually.

Credit risk

The Group's policy on granting credit is stringent. The Group protects itself against credit risks by using letters of credit, advance payments and bank guarantees.

Vaisala's share

The acquisition and conveyance of own shares

The Board of Directors has been authorized by the Annual General Meeting of March 22, 2005, to acquire and convey the company's own shares to launch a share-based incentive program. The program applies to approximately 50 Vaisala key personnel. Some of them are in the group of permanent insiders, as defined by the Securities Market Act. The number of A-shares conveyed within the share-based incentive program is max. 35,000 shares. The authorization is valid until March 22, 2006. No shares have been acquired based on the authorization during the review period.

By December 31, 2005, a total of 446,200 new Vaisala A-shares were subscribed for with the warrants granted in 2000 to the key personnel of Vaisala. Of these 186,450 shares were registered in the Finnish Trade Register in two slots on November 8, 2005, and December 23, 2005. As a result of the subscriptions the share capital of Vaisala was increased by 186,450 new A-shares, i.e., by EUR 78,402.08. On December 31, 2005, the share capital of Vaisala therefore was EUR 7,428,307.96 and the total number of shares was 17,665,450. The new shares were admitted for trading on the Helsinki Exchanges on the day following the registration on the Finnish Trade Register. The remaining 259,750 shares will be registered in the Finnish Trade Register on February 8, 2006. The first dividend on shares subscribed in 2005 is payable for the year 2005.

The price of Vaisala's A share on the Helsinki Exchanges was EUR 18.20 on December 31, 2004, and EUR 24.00 at the end of the review period. The highest share price quoted during the review period was EUR 24.74 and the lowest EUR 18.48.

Vaisala's share capital at the end of the review period was EUR 7,428,307.96 and the total number of shares was 17,665,450.

A total of 2,442,168 Vaisala shares were traded during the review period, and 1,500,850 option rights.

Own and parent company's shares

The company or its subsidiaries do not own their own or the parent company's shares.

Board of directors' report 2005

Personnel

The total number of employees in the Vaisala Group at the end of the review period was 1,042 compared with 1,063 at the end of the corresponding period in 2004.

Some 19% (22%) of the personnel worked in research and development. Approximately 38% (37%) of the Group's personnel worked outside Finland.

Environmental issues

Vaisala's environmental management system is ISO 14001 certified and covers all of Vaisala's offices, operations and products. A major emphasis of Vaisala's environmental management program is to continuously improve the environmental qualities of new products. The waste management practices have been developed to the highest standards in all Vaisala locations. In customer use, Vaisala's weather observation and environmental measurement products contribute favorably to the environment in many ways.

Improving the environmental qualities of products

The WEEE directive (Directive on Waste Electrical and Electronic Equipment), became effective in Finland in August 2005. As required, Vaisala has labeled all its recyclable products, and acts as a responsible member of SELT ry, a producers' community committed to the issues of electrical and electronic waste collection and recycling.

The RoHS Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment will become effective in July 2006. Similar legislation is also under development outside the EU, for example in China. In 2005, Vaisala and some of its partners participated in the YPSE project: the Impact of Environmental Policy Instruments on Activities, Products and Environmental Capabilities in the Electrical and Electronics Industry, financed by the Environment Cluster (a network of companies and organizations in the Oulu region) and the Technology Industries of Finland organization. The goal is to investigate the introduction of product-oriented environmental policies from a business point of view.

According to the most recent revisions in 2005, the RoHS requirements do not apply to Vaisala's products in the first phase, as they belong to category 9 (monitoring and control instruments). In 2002, Vaisala's Management Group made a decision in principle to adjust operations to meet the Directive requirements according to its schedule. The Management Group further specified in 2005 that all new product designs, and from the existing products the Vaisala Instruments division's high volume products as well as the Vaisala Radiosonde RS92, will be modified to meet the RoHS requirements along with the original schedule.

New products' environmental qualities are continuously improved as part of the product design process. The next goal is to develop the Key Environmental Performance Indicators (KEPI) best suited to measure Vaisala products' environmental qualities.

Outlook

As in the previous years, the first quarter will be modest, due to seasonality of the business. The market situation is not expected to change significantly in 2006. In 2006 the net sales and profit after tax are expected to remain on the previous year's level.

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.

Proposals to the Annual General Meeting

The Board of Directors proposes to the Annual General Meeting held on March 23, 2006, that a dividend of EUR 0.75 per share be paid for the financial year 2005, and the remaining part of the review period's profit be held on the account for profit funds. According to the balance sheet of December 31, 2005, the Group's distributable funds are EUR 134.5 million, and the parent company's EUR 114,513,388.55. According to the proposal, a total of EUR 13,443,900.00 will be used to dividend payments, representing 54% of the profit after tax.

The record date for dividend payment is March, 28, 2006, and it is proposed that the dividend will be paid on April, 4, 2006.

Two members of the Board of Directors, Mr Pekka Hautojärvi and Mr Mikko Voipio are to retire by rotation. Shareholders representing more than 10 percent of all the votes in the

Board of directors' report 2005

company have informed that they will propose to the Annual General Meeting held on 23 March 2006 that the number of Board members should be five. The Board proposes the re-election of Mr Mikko Voipio, and Mr Stig Gustavson to replace Mr Pekka Hautojärvi. Mr Gerhard Wendt is retiring from the Board for personal reasons. The Board is not proposing any replacement for Mr Wendt.

The Board proposes PriceWaterhouseCoopers Oy and Mr Hannu Pellinen APA, to be selected as Vaisala Oyj's Authorized Public Accountants.

The proposed members of the Board of Directors and the Authorized Public Accountants have given their consent for the election.

Vantaa, Finland, February 14, 2006.

Vaisala Oyj

Board of Directors

Consolidated income statement

(EUR million)	Note	1.1.–31.12.2005		1.1.–31.12.2004	
Net sales	3, 5	**197.9**		178.1	
Cost of production and procurement	8	**-92.3**		-81.2	
Gross profit		**105.6**	**53.4%**	96.9	54.4%
Other operating income	6	**0.5**		1.4	
Cost of sales and marketing	8	**-37.7**		-32.6	
Development costs	8	**-19.8**		-21.3	
Other administrative costs	8	**-16.9**		-14.4	
Other operating cost	7	**-1.5**		-0.5	
Operating profit		**30.1**	**15.2%**	29.4	16.5%
Financial income and expenses	11	**3.9**		-0.3	
Share of results of associated companies	17	**0.0**		0.0	
Profit before tax		**34.1**	**17.2%**	29.1	16.3%
Income taxes	12	**-9.2**		-8.1	
Profit after tax		**24.9**	**12.6%**	21.0	11.8%
Attributable to					
Equity holders of the parent		**24.9**		21.0	
Earnings per share for profit attributable to the equity holders of the parent					
Basic earnings per share, €	13	**1.42**		1.20	
Diluted earnigns per share, €		**1.42**		1.20	

Consolidated balance sheet

(EUR million)	Note	31.12.2005		31.12.2004	
Assets					
Non-current assets					
Intangible assets	15		**10.3**		7.4
Tangible assets	16		**36.0**		37.0
Investments in associates	17	**0.3**		0.3	
Other financial assets	18	**0.2**		0.0	
Long-term receivables	19	**1.6**		1.6	
Deferred tax assets	12	**5.3**	**7.4**	4.2	6.1
Current assets					
Inventories	20		**14.1**		15.0
Trade and other receivables	21		**47.1**		42.8
Accrued income tax receivables			**0.6**		0.6
Financial assets recognised at fair value through profit and loss	22		**27.2**		
Cash and cash equivalents	23		**54.2**		54.8
Total assets			**196.9**		163.7

Consolidated balance sheet

(EUR million)	Note	31.12.2005	31.12.2004
Shareholders' equity and liabilities			
Shareholders' equity			
Equity attributable to equity holders of the parent			
Share capital		**7.4**	7.4
Share issue		**5.4**	
Share premium reserve		**5.3**	1.6
Reserve fund		**0.1**	0.1
Translation differences		**1.9**	-1.6
Profit from previous years		**109.2**	101.3
Profit for the financial year		**24.9**	21.0
		154.3	129.7
Minority interests		**0.0**	0.0
Total equity	24	**154.3**	129.7
Liabilities			
Long-term liabilities			
Retirement benefit obligations	26	**0.6**	0.6
Interest-bearing liabilities	25	**0.7**	1.1
Provisions	27	**0.2**	0.0
Deferred tax liabilities	12	**0.5**	0.6
		1.9	2.2
Current liabilities			
Current portion of long-term borrowings	25	**0.5**	0.6
Current interest-bearing liabilities	25	**0.3**	0.3
Advances received		**5.8**	5.9
Accrued income tax payables		**0.7**	1.4
Trade and other payables	28	**33.3**	23.6
		40.6	31.7
Total liabilities		**196.9**	163.7

Consolidated cash flow statement

(EUR million)	Note	2005	2004
Cash flows from operating activities			
Cash receipts from customers		**191.1**	185.5
Other income from business operations		**0.3**	0.2
Cash paid to suppliers and employees		**-145.3**	-140.1
Cash flow from business operations before financial items and taxes		**46.0**	45.6
Interest received		**1.4**	1.3
Interest paid		**-0.1**	-0.1
Other financial items, net		**1.9**	-2.0
Dividend received from business operations		**0.0**	0.0
Direct tax paid		**-10.3**	-7.9
Cash flow from business operations (A)		**39.0**	37.0
Cash flow from investing activities			
Investments in tangible and intangible assets		**-5.7**	-5.5
Acquisition of subsidiary, net of cash acquired	4	**-2.8**	0.0
Proceeds from sale of fixed assets		**0.0**	0.0
Loans granted		**0.0**	0.0
Other investments		**-0.1**	0.0
Cash flow from investing activities (B)		**-8.5**	-5.5
Cash flow from financing activities			
Equity issue		**9.3**	0.0
Repayment of short-term loans		**-0.3**	0.0
Withdrawal of long-term loans		**0.0**	0.2
Repayment of long-term loans		**-0.6**	-1.0
Dividend paid and other distribution of profit		**-13.1**	-21.8
Cash flow from financing activities (C)		**-4.7**	-22.6
Change in liquid funds (A+B+C) increase (+) / decrease (-)		**25.7**	8.8
Liquid funds at beginning of period		**54.8**	46.8
Foreign exchange effect on cash		**0.9**	-0.9
Net increase in cash and cash equivalents		**25.7**	8.8
Liquid funds at end of period	23	**81.4**	54.8

Consolidated statement of changes in shareholders' equity

(EUR million)	Share capital	Share issue	Share premium reserve	Reserve fund	Translation differences	Retained earnings	Total equity
Balance at December 31, 2003	7.4		1.6	0.1	0.0	123.2	132.2
Translation differences				0.0	-1.6	0.0	-1.6
Net profit for the period						21.0	21.0
Dividend paid						-21.8	-21.8
Balance at December 31, 2004	7.4		1.6	0.1	-1.6	122.3	129.7
Translation differences				0.0	3.5	0.0	3.5
Net profit for the period						24.9	24.9
Dividend paid						-13.1	-13.1
Stock options exercised	0.1	5.4	3.8			0.0	9.3
Balance at December 31, 2005	7.4	5.4	5.3	0.1	1.9	134.1	154.3

Notes to the consolidated financial statements

1.1. Accounting Principles for the Consolidated Financial Statements

The Group's parent company, Vaisala Oyj, is a Finnish public limited company established under Finnish law, its domicile is Vantaa and its registered address in Vanha Nurmijärventie 21, FI-01670 Vantaa (P.O. Box 26, FI-00421 Helsinki). The company's Business ID is 0124416-2. Vaisala has offices and business operations in Finland, North America, France, the UK, Germany, China, Sweden, Malaysia, Japan and Australia. Vaisala's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) and in their preparation all the obligatory IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on 31 December 2005 have been followed. In addition, the Group voluntarily introduced on 1 January 2005 the IAS 39 amendment granting the option of valuation at fair value through profit and loss. By international financial statement standards is meant standards approved for application in the EU, and interpretations issued about them, according to the procedure prescribed in Finnish law and provisions enacted thereon in EU Regulation (EC) No. 1606/2002. The notes to the consolidated financial statements are also in accordance with Finnish accounting and corporate law.

Vaisala Oyj is an international technology group which develops and manufactures electronic measuring systems and instruments. The areas of application of these products are meteorology, the environmental sciences, transport and industry. Vaisala's products create the basis for better quality of life, cost savings, environmental protection, security and efficiency.

Segment reporting

Segment information is presented in accordance with the Group's business and geographical segment divisions. The Group's primary segment reporting format is according to business segments. Business segments are based on the Group's internal organisational structure and internal financial reporting.

The business segments consist of asset categories and business operations whose product- or service-related risks and profitability differ from other business segments. The products or services of geographical segments are produced in a financial environment whose risks and profitability differ from the risks and profitability of the financial environment of other geographical segments.

Pricing between segments takes place at the fair market price.

The assets and liabilities of segments are business items which the segments use in their business operations or which on sensible grounds are attributable to the segments. Other activity includes the development units of new business operations, unattributed tax and financial items as well as other items common to the whole company. Investments consist of additions to tangible fixed assets and intangible assets, which are used in more than one financial year.

Vaisala's three business divisions are Vaisala Measurement Systems, Vaisala Solutions and Vaisala Instruments.

Vaisala Measurement Systems develops, manufactures and markets systems and instruments for observing the weather in the upper atmosphere as well as wind profilers and lightning detection systems that make extensive use of remote sensing technology. The division also offers maintenance services for these systems and instruments.

Vaisala Solutions develops, manufactures and markets weather observation instruments, which are used to observe weather conditions on or near the Earth's surface. The division also offers maintenance service for these instruments.

Vaisala Instruments develops, manufactures and markets instruments for the measurement of relative humidity, dewpoint, barometric pressure, carbon dioxide, wind, visibility, cloud height and prevailing weather conditions. The division also offers its customers maintenance services for measuring instruments.

Accounting Principles for the Consolidated Financial Statements (IFRS)

During 2005 the Group has adopted the international IFRS financial reporting practice and has applied IFRS 1, *First-Time Adoption of IFRS Financial Reporting Standards*. The transition date was 1 January 2004. Differences resulting from the adoption of IFRS standards have been presented in reconciliation statements, which are included in the financial statements. Comparison data for 2004 have been converted to comply with the IFRS standards.

Notes to the consolidated financial statements

Financial statement data are presented in millions of euros and they are based on original acquisition costs if not otherwise stated in the accounting principles outlined below.

The preparation of financial statements in accordance with IFRS standards requires Group management to make certain estimates and to exercise discretion in applying the accounting principles. Information about the discretion exercised by management in applying the accounting principles followed by the Group and that which has most impact on the figures presented in the financial statements has been presented in the item 'Accounting principles that require management discretion and main uncertainty factors relating to estimates'.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the parent company Vaisala Oyj and all subsidiaries in which it directly or indirectly owns more than 50% of the votes or in which the parent company otherwise exercises control. The existence of potential voting rights has been taken into account when assessing the terms of control when instruments conferring entitlement to potential control are presently exercisable. Subsidiaries acquired or founded during the financial period are consolidated from the date on which the Group has acquired control and are no longer consolidated from the date that control ceases. Subsidiaries acquired before 1 January 2004 are consolidated at original acquisition cost, according to the exception mentioned in IFRS 1. Subsidiaries acquired on or after 1 January 2004 are consolidated according to the IFRS 3 standard *Business Combinations*.

The consolidated financial statements have been prepared using the acquisition cost method. Intra-Group transactions, unrealised margins on internal deliveries, internal receivables and liabilities, and the Group's internal distribution of profit are eliminated. Unrealised losses on intra-Group transactions are also eliminated unless costs are not recoverable or the loss results from an impairment. The consolidated financial statements are prepared applying consistent accounting principles to the same transactions and other events which are implemented under the same conditions. Minority interests have been separated from subsidiaries' results for the financial year and have been presented as a separate item in the Group's shareholders' equity.

Associated companies

The share of profits or losses of associated companies, i.e. companies of which Vaisala owns between 20% and 50% and over which it has significant influence, are included in the consolidated financial statements using the equity method. If Vaisala's share of an associated company's losses exceeds the book value of the investment, the investment is entered in the balance sheet at zero value and further losses are not recognised unless the Group has incurred obligations on behalf of the associated company. Unrealised gains on transactions between the Group and its associated companies have been eliminated to the extent of the Group's interest in the associated companies. The Group's investment in associated companies includes goodwill on acquisition.

The Group's share of associated companies' results is presented in the income statement as a separate item after 'financial income and expenses'. Investments in associated companies are originally entered into the accounts at their acquisition cost and the book value increased or decreased by the share of post-acquisition profits or losses. Distribution of profit received from an investment reduces the book value of the investment.

Foreign currency items

Transactions in foreign currencies are recognised at the rates of exchange on the date of transaction. Receivables and payables in foreign currency have been valued at the exchange rates quoted by the European Central Bank on the closing date. Exchange rate differences resulting from the settlement of monetary items or from the presentation of items in the financial statements at different exchange rates from which they were originally recognised during the financial period, or presented in the previous financial statements, are recognised as income or expenses in the income statement group 'financial income and expenses' in the financial period in which they arise.

Items relating to the result and financial position of each entity of the Group are measured using the currency which is the main currency of each entity's operating environment. Balance sheets of Group companies outside the euro zone have been translated into euros using the official mid-market exchange rates of the European Central Bank on the closing date. In translating income statements, mid-market exchange rates have been used. Exchange rate differences resulting from the translation of income statement items at mid-market exchange rates and from the translation of balance sheet items at exchange rates on the closing date have been recognised as a separate item in shareholders' equity. Translation gains and losses which arose in the elimination of the shareholders' equity of subsidiaries have been recognised as a separate item in shareholders' equity. When a foreign subsidiary or associated company is sold, the accumulated translation difference is recognised in the income statement as part of the gain or loss on the sale.

Goodwill or fair value adjustments arising on the acquisition of an independent foreign entity are treated as that entity's foreign currency assets and liabilities and are translated at the closing balance sheet rate.

Tangible fixed assets

The office and factory premises at Vantaa were revalued by a total of EUR 5.7 million in the years 1981-1988. These revaluations have been reversed in connection with the adoption of IFRS and in the valuation of tangible assets the values have been restored in all respects to original acquisition cost.

Fixed assets comprise mainly land and buildings as well as machinery and equipment. The balance sheet values are based on original acquisition cost less accumulated depreciation and amortisation as well as possible impairment losses. The cost of self-constructed assets includes materials and direct work as well as a proportion of overhead costs attributable to construction work. If a fixed asset consists of several parts which have useful lives of different lengths, the parts are treated as separate assets. Expenditures that arise later to an asset or part thereof are capitalised only when they increase the asset's economic benefit to the company. All other expenditures, such as normal repair and maintenance, are charged to the income statement during the financial period in which they have incurred. Interest expenses are not included in the acquisition cost of fixed assets.

Depreciation is calculated using the straight-line method and is based on the estimated useful life of the asset. Land is not depreciated. Estimated useful lives for various assets are:

Buildings and structures	5–40 years
Machinery and equipment	3–10 years
Other tangible assets	5–15 years

The residual value, depreciation method and useful life of assets are checked in connection with each financial statement and if necessary adjusted to reflect changes in the expectation of economic benefit. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the operating profit.

Public grants received for fixed asset investments are recognised as a reduction in the carrying amounts of tangible fixed assets. Grants are recognised in the form of smaller depreciations during the useful life of the asset.

Depreciation of a tangible fixed asset is discontinued when the tangible fixed asset is classified as being for sale in accordance with the IFRS 5 standard *Non-Current Assets Held for Sale and Discontinued Operations*.

Intangible assets
Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill is calculated in the currency of the operating environment of the acquired entity. If the acquisition cost is lower than the value of the acquired subsidiary's net asset value the difference is entered directly into the income statement. According to the relief permitted by the IFRS standard, company acquisitions before the IFRS transition date have not been adjusted according to IFRS principles; they have been left at the values according to Finnish accounting practice. In acquisitions that took place before the IFRS transition date, the acquisition cost has been attributed where applicable to the fixed assets of the acquired subsidiary and amortised according to plan over an estimated useful life of 5 years.

Goodwill is not amortised, rather it is tested annually for any impairment. For this purpose goodwill has been attributed to cash generating units. Goodwill is valued at the original acquisition cost and in terms of subsidiaries acquired before 1 January 2004 at assumed acquisition cost less impairments.

Other intangible assets

Other intangible assets are e.g. patents and trademarks as well as software licences. They are valued at their original acquisition cost and amortised using the straight-line method over their useful life. Intangible assets that have an indefinite useful life are not amortised, rather they are tested for impairment annually. Intangible assets of the acquired subsidiaries are valued at their fair values at the date of acquisition.

Estimated useful lives for intangible assets are:

Intangible rights	at most 5 years
Other tangible assets	at most 10 years
Software	3–5 years

Research and development expenditure

Research and development expenditures have been recognised as expenses in the financial period in which they were incurred, except for machinery and equipment acquired for research and development use, which are amortised according to plan over 5 years. Costs relating to the development of new products and processes are not capitalised because the future earnings obtained from them are only assured when the products come to market. According to IAS 38 an intangible asset is entered in the balance sheet only when it is probable that the company will derive financial benefit from the asset. Moreover, it is typical of the industry that it not possible to distinguish the research stage of an internal project that aims to create an asset from its development stage.

Borrowing costs

Borrowing costs are recognised as an expense for the period during which they arise.

Inventories

Inventories are presented at the lower of acquisition cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The cost of finished goods and work in progress comprises raw materials, direct labour costs, other direct costs and an appropriate proportion of variable and fixed production overheads based on normal operating capacity. In determining the acquisition cost, standard cost accounting is applied and standard costs are adjusted regularly and changed if necessary according to the situation at the time in question. Acquisition cost is determined using the weighted average method, whereby the cost is determined as the weighted average of similar inventory items which were held at the beginning of the financial period and those bought or produced during the financial period.

Lease agreements

The Group is the lessee

Lease agreements of tangible assets where the Group has a substantial part of the risks and rewards of ownership are classified as finance leases. Finance leases are entered into the balance sheet's tangible fixed assets at the start of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments. The asset acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term. Lease payments are allocated between the liability and finance charges so as to achieve a constant interest rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities.

Lease agreements where the lessor retains a significant portion of the risks and rewards of ownership are treated as other leases. Payments made under other leases are charged to the income statement on a straight-line basis over the period of the lease.

The Group is the lessor

Leases of Group assets where a significant portion of the risks and rewards of ownership are transferred to the lessee are classified as finance leases and the present value of the lease payments is recognised in the balance sheet as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Finance income from a finance lease is determined so that the remaining net investment produces a constant periodic rate of return over the term of the lease.

Assets leased out under leases other than finance leases are included in tangible fixed assets in the balance sheet. They are depreciated over their useful lives on a basis consistent with similar owned tangible fixed assets. Rental income is recognised in the balance sheet on a straight-line basis over the lease term.

Impairment

On every closing date the Group reviews asset items for any indication of impairment losses. If there are such indications, the amount recoverable from the said asset item is assessed. The recoverable amount is also assessed annually for the following asset items irrespective of whether there are indications of impairment: goodwill, intangible assets which have an indefinite useful life as well as incomplete intangible assets.

The recoverable amount is the higher of the asset item's fair value less the cost arising from disposal and its value in use. When determining value in use, the expected future cash flows are discounted based on their present values at discount interest rates which reflect the average capital cost before taxes of the country and business sector in question (WACC = weighted average cost of capital). The special risks of the assets in question are also taken into account in the discount interest rates. The recoverable amount of financial assets is either the fair value or the present value of expected future cash flows discounted at the original effective interest rate. Short-term receivables are not discounted. In terms of individual asset items which do not independently generate future cash flows, the recoverable amount is determined for the cash generating unit to which the said asset item belongs.

An impairment loss is recognised in the income statement when the carrying amount is greater than the recoverable amount. The impairment loss is reversed if a change in conditions has occurred and the recoverable amount of the asset has changed since the date when the impairment loss was recognised. The impairment loss is not reversed, however, by more than that which the carrying amount of the asset (less depreciation) would be without the recognition of the impairment loss. Impairment losses recognised for goodwill are not reversed under any circumstances

Trade and other receivables

Trade and other receivables are recognised at their anticipated realisable value, which is the original invoicing value less the estimated impairment provision of these receivables. An impairment provision for trade receivables is made when there are good grounds to expect that the Group will not receive all its receivables on original terms

Financial assets and financial liabilities

The IAS 32 and IAS 39 standards relating to financial instruments have been applied as of 1 January 2005. In terms of these standards, data for 2004 has been calculated according to FAS. Valuation differences according to IAS and FAS would not have had any substantial effect on the Group's result or shareholders' equity at 31 December 2004

IAS 39 classifies a group's financial assets into the following categories: financial assets measured at fair value through profit and loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Categorisation is made on the basis of the purpose for which the financial assets were acquired and they are categorised in connection with the original acquisition. Transaction costs have been included in the original carrying amount of the financial assets when the item in question is not valued at fair value through profit and loss. All purchases and sales of financial assets are recognised on the trade date.

Derecognition of financial assets takes place when the Group has lost a contractual right to receive the cash flows or when it has transferred substantially the risks and rewards outside the Group. On every closing date the Group assesses whether there is objective evidence that the value of a financial asset item or group of items asset items has been impaired. If such evidence exists, the impairment is recognised in the income statement item financial expenses.

Financial assets held for trading purposes such as derivative instruments to which the Group does not apply hedge accounting under IAS 39 as well as income fund investments consisting of the short-term investment of liquid assets have been categorised as **financial assets recognised at fair value through profit and loss.** The fair value of income fund investments has been determined based on price quotations published in an active market, namely the bid quotations on the closing date. Realised and unrealised gains and losses arising from changes in fair value are recognised in the income statement in the period in which they arise. Financial assets held for trading as well as those maturing within 12 months are included in current assets.

Held-to-maturity investments are financial assets not belonging to derivative assets whose payments are fixed and quantifiable and which mature on a specified date and which the Group has the firm intent and ability to hold to maturity. They are valued at amortised cost and they include either short-term or long-term assets.

Loans and other receivables are assets not belonging to derivative assets whose payments are fixed and quantifiable and which are not quoted on an active market and which the company does not hold for trading purposes. This category includes Group financial assets which have arisen through the transfer of money, goods or services to debtors. They are valued at amortised cost and they include short- and long-term financial assets, the latter if they mature after more than 12 months. If there are indications of value impairment, the carrying amount is estimated and reduced immediately to correspond with the recoverable amount.

Available-for-sale financial assets are assets not belonging to derivative assets which are expressly allocated to this category or which do not fall into one of the other categories. These include long-term assets except if the intent is to keep them for less than 12 months from the closing date, in which case they are included in current assets. The company does not, however, have any such items at present.

Cash and cash equivalents are carried in the balance sheet at original cost. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and which consist mainly of the short-term investment of cash assets. Bank overdrafts are included within current interest-bearing liabilities. Owing to their short-term nature, the fair values of cash funds and short-term investments have been estimated to be the same as their acquisition cost.

Financial liabilities are recognised at fair value on the basis of the original consideration received. Transactions costs have been included in the original carrying amount of the financial liabilities. Later, all financial liabilities are valued at amortised cost using the effective yield method. Financial liabilities include long- and short-term liabilities and they can be interest-bearing or non-interest-bearing.

Derivative contracts and hedging activities

All derivatives contracts are initially recognised at cost and subsequently remeasured at their fair value. Forward foreign exchange contracts are valued at their fair value using the market prices of forward contracts at the closing date.

The Group has sales in a number of foreign currencies, of which the most significant are the US Dollar, the Japanese Yen and the British Pound. The Group does not apply hedge accounting under IAS 39 to forward foreign exchange contracts that hedge sales in foreign currencies. The Group has a number of investments in foreign subsidiaries whose net assets are exposed to foreign currency risk. The Group does not hedge the foreign exchange risk of subsidiaries' net assets.

Realised and unrealised gains and losses arising from changes in fair value are recognised in the income statement in 'other operating income and expenses' in the period in which they arise.

Employee benefits

Pension obligations

The Group has a number of pension schemes in different parts of the world which are based on local conditions and practices. These pension schemes are classified as either defined-contribution or defined-benefit schemes. Under defined-contribution plans, expenses are recognised in the balance sheet in the financial period in which the contribution is payable.

In defined-benefit plans, the Group can be left with the arrangement of obligations or assets after the financial period in which the contribution is payable. A pension liability describes the present value of future cash flows resulting from payable benefits. The present value of the defined-benefit pension plans has been determined using the projected unit credit method and assets belonging to the plans have been valued at fair value on the closing date. The obligations of the Group's defined-benefit pension plans have been calculated for each plan separately. On the basis of calculations made by authorised actuaries, the calculated actuarial gains and losses are recognised in the income statement during the average remaining period of service of employees participating in the plan to the extent that they exceed the greater of 10% of the present value of the plan's defined-benefit pension obligations and the fair value of assets included in the plan.

On the transition date to IFRS standards on 1 January 2004, all actuarial gains and losses have been recognised in the balance sheet's opening shareholders' equity in the manner allowed by the IFRS 1 standard.

The TEL pension disability benefit handled in the insurance company has been treated as a defined-benefit pension plan in the comparison year 2004.

Share-based payments

The Group currently has no stock option schemes other than the stock option scheme granted in 2000, which gives each member of the management of Vaisala Oyj and its subsidiaries the opportunity to acquire Vaisala Oy shares. The subscription period for warrants began in stages on 1 December 2002 and 1 December 2004 and will end for all warrants on 31 January 2006. There is no need to value the stock option scheme according to IFRS 2, because the options of the scheme were not exercisable before 1 January 2005.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as the result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If it is possible that the Group will be reimbursed for part of the obligation by some third party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The amount of provisions is estimated at each closing date and the amount is changed to correspond to the best estimate at the given time. A provision is cancelled when the probability of financial settlement has been removed. A change in provisions is recognised in the same item of the income statement in which the provision was originally recognised.

Provisions relate to the restructuring of operations, loss-making agreements and repairs under guarantee. Restructuring provisions are recognised when a detailed and appropriate plan relating to them has been prepared and the company has begun to implement the plan or has announced it will do so. Restructuring provisions generally comprise lease termination penalties and employee termination payments.

A provision for a loss-making agreement is recognised when unavoidable expenditure required to fulfil obligations exceeds the benefits obtainable from the agreement.

Income tax

The tax item in the income statement comprises tax based on taxable income for the financial year, adjustments to tax accruals related to previous years and the change in deferred taxes. Tax based on taxable income for the financial year is calculated for taxable income on the basis of each country's current tax rate.

Deferred taxes are calculated for all temporary differences between the carrying amount of an asset or liability and its tax base. The largest temporary differences arise from amortisation of fixed assets, defined-benefit pension schemes and unused tax losses. In taxation deferred tax is not recognised for non-deductible goodwill impairment and deferred tax is not recognised for distributable earnings of subsidiaries where it is probable that the difference will not reverse in the foreseeable future. The Group's deferred tax assets and liabilities relating to the same tax recipient are stated net.

Deferred taxes have been calculated using tax rates prescribed by the closing date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit, against which the temporary differences can be utilised, will be available.

Shareholders' equity, dividends and treasury shares

The Board of Directors' proposal for dividend distribution has not been recognised in the financial statements; the dividends are recognised only on the basis of the Annual General Meeting's approval.

If a company buys its own shares (treasury shares), the consideration paid for them including direct costs is deducted from shareholders' equity.

Principles of revenue recognition
Sales of goods and services rendered

Revenue from the sale of goods is recognised when significant risks and rewards of owning the goods are transferred to the buyer. Revenue recognition generally takes places when the transfer has taken place. Revenue for rendering of services is recognised when the service has been performed. When recognising turnover, indirect taxes and discounts, for example, have been deducted from sales revenue. Possible exchange rate differences are recognised in the financial income and expenses.

Long-term projects

Revenues from long-term projects are recognised using the percentage of completion method, when the outcome of the project can be estimated reliably. The stage of completion is determined for each project by reference to the relationship between the costs incurred for work performed to date and the estimated total costs of the project.

When the outcome of a long-term project cannot be estimated reliably, project costs are recognised as expenses in the same period when they arise and project revenues only to the extent of project costs incurred where it is probable that those costs will be recoverable. When it is probable that total costs necessary to complete the project will exceed total project revenue, the expected loss is recognised as an expense immediately.

Other revenue received by the Group

Revenue arising from royalties and rents is recognised on an accrual basis in accordance with the substance of the relevant agreements. Interest income is recognised on a time-proportion basis, taking account of the effective yield of the asset item, and dividend income is recognised when the Group's right to receive payment is established.

Other operating income and expenses

Gains on the disposal of assets as well as income other than that relating to actual performance-based sales, such as rental income, are recognised as other operating income.

Losses on the disposal of assets and expenses other than those relating to actual performance-based sales are included in other operating expenses.

In addition, fair value changes in derivatives to which the Group does not apply hedge accounting under IAS 39 are recognised in other income and expenses.

Grants

Grants received from the state or another party are recognised in the income statement at the same time as expenses are recognised as a deduction of the related expense group. Grants relating to asset acquisition are presented as an adjustment to the acquisition cost of the asset and they are recognised in the form of smaller depreciations over the useful life of the asset.

Held-for-sale assets and discontinued operations

Held-for-sale assets and assets relating to discontinued operations, which have been classified as held for sale, are valued at the lower of the following: the carrying amount and the fair value less costs arising from the sale. Depreciation of these assets is discontinued at the moment of classification.

Accounting principles requiring management discretion and the main uncertainty factors relating to estimates

The preparation of financial statements requires the use of estimates and assumptions relating to the future and the actual outcomes may differ from the estimates and assumptions made. In addition, discretion has to be exercised in applying the accounting principles of the financial statements. Estimates made and discretion exercised are based on previous experience and other factors, such as assumptions about future events. Estimates made and discretion exercised are examined regularly. The key areas in which estimates have been made and discretion has been exercised are outlined below. Other estimates are connected mainly with environmental, litigation and tax risks, the determination of pension obligations as well as the utilisation of deferred tax assets against future taxable income

Allocation of acquisition cost

IFRS 3 requires the acquirer to recognise an intangible asset separately from goodwill, if the recognition criteria are fulfilled. Recognition of an intangible asset at fair value requires management estimates of future cash flows. Where possible, management has used available market values as the basis of acquisition cost recognition in determining fair values. When this is not possible, which is typical particularly with intangible assets, valuation is based principally on the historic cost of the asset item and its intended use in business operations. Valuations are based on discounted cash flows as well as estimated disposal and repurchase prices and require management estimates and assumptions about the future use of asset items and the effect on the company's financial position. Changes in the emphasis and direction of company operations can in future result in changes to the original valuation.

Revenue recognition

The Group uses the percentage of completion method in recognising revenue for long-term projects. Revenue recognition according to percentage of completion is based on estimates of expected revenue and costs as well as on a determination of the progress of the percentage of completion. Changes can arise to recognised revenue and profit if estimates of a project's total costs and total income are adjusted. The cumulative effect of adjusted estimates is recognised in the period in which the change becomes probable and it can be estimated reliably.

Impairment testing

The Group tests goodwill annually for possible impairment and reviews whether there are indications of impairment according to the accounting principle presented above. The recoverable amounts of cash generating units have been determined in calculations based on value in use. Although assumptions used according to the view of the company's management are appropriate, the estimated recoverable amounts might differ substantially from those realised in future.

Valuation of inventories

A management principle is to recognise an impairment for slowly moving and outdated inventories based on the management's best possible estimate of possibly unusable inventories in the Group's possession at the closing date. Management bases its estimates on systematic and continuous monitoring and evaluations.

Application of new or amended IFRS standards and IFRIC interpretations

The IASB has announced the standards and interpretations listed below, the application of which is obligatory in 2006 or later. The Group has decided not to apply these standards earlier. The Group will adopt the following standards and interpretations in 2006:

IAS 19 (Amendment), Employee Benefits. The amendment allows the option of recognising actuarial gains and losses directly in shareholders' equity and expands disclosure requirements.

*IAS 21 (Amendment) Net Investment in a Foreign Operation.*** The amendment clarifies and changes the standard's requirements relating to receivables from foreign units or liabilities to such units, which are treated as part of the net investment made by the company in the foreign unit. These items may be in any currency and either between the reporting company and a subsidiary or between subsidiaries.

Amendment to IAS 39 Cash Flow Hedge Accounting of Forecast Intra-Group Transactions. The amendment allows the foreign currency risk of a highly probable intra-group transaction to qualify as a hedged item in consolidated financial statements.

*IAS 39 and IFRS 4 (Amendment), Financial Guarantees.*** The amendment concerns the handling of guarantee contracts to an unrelated party. Such contracts will initially be recognised at fair value and later at the higher of the following: the amount initially recognised less cumulative amortisation or the sum necessary to settle the guarantee.

IFRIC 4, Determining Whether an Arrangement Contains a Lease. The interpretation requires that determining whether an arrangement or part thereof is a lease must be based on the content of the arrangement and more precisely on whether the fulfilment of the arrangement depends on a specific asset or whether the arrangement conveys a right to control the use of this underlying asset.

Group management estimates that these changes will have no essential effect on the consolidated financial statements

The following new standards and interpretations that come in force in 2006 will have no effect on the consolidated financial statements:

*IFRS 1 (Amendment), First-Time Adoption of IFRS Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and evaluation of mineral resources.***

IFRS 6, Exploration for and Evaluation of Mineral Resources.

IFRIC 5, Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds.

*IFRIC 6, Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment. ***

*IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.***

*IFRIC 8, Scope of IFRS 2.***

The Group will adopt in 2007 the following standard published by the IASB:

*IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1.*** The standard introduces new disclosure requirements relating to financial instruments. It requires the disclosure of qualitative and quantitative information about a company's exposure to risks arising from financial instruments, including credit risk, liquidity and market risk relating to specified minimum disclosure requirements as well as a requirement for the presentation of a sensitivity analysis in terms of market risk. The changes to the IAS 1 standard introduce additional disclosure requirements relating to the level of a company's capital and its management. The Group's management is studying the effects of the standard and the changes it brings. Current estimates indicate that the new standard will principally affect the notes to the consolidated financial statements.

** EU has not yet approved the use of the said standard/interpretation.

Notes to the consolidated financial statements

1.2. Risk management

The organisation of risk management

Risk management policies, i.e. operating principles, are determined by the Board of Directors. The policies are aimed at managing identified risks and they determine the company's approach to potential risks and their management.

Vaisala's Management Group determines more detailed guidelines for the Group's operations, for example approval, offering and 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

The effects of interest rate changes on the value of interest-bearing receivables and liabilities in different foreign currencies give rise to interest rate risk. Management estimate the interest rate risk to be small, because the Group interest-bearing liabilities and receivables are insignificant. Any debt is at a variable interest rate. There is a small risk to the return on assets invested when the interest rate changes. The main principles of investment policy, in order of importance, are: a) minimising credit loss risk, b) liquidity, c) the return on investments. The maximum duration of investments is 12 months.

Currency risk

International operations expose the Group to transaction risks, because the Group has sales in a number of foreign currencies, primarily the US Dollar, the Japanese Yen and the British Pound. The Group has a number of investments in foreign subsidiaries whose net assets are exposed to currency risk. The Group does not hedge the currency risk of subsidiaries' net assets.

Other Group currency risks are transaction risks that arise mainly from commercial trade receivables and trade payables. Around half of the Group's net sales arises in US Dollars. A significant proportion of Group purchases takes place in euros. The company uses forward currency contracts to hedge the net position arising from these. The degree of hedging is around 50% of the order book and trade receivables. Hedging is performed by the parent company.

Liquidity risk

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

Counterparty risk

Liquid assets are directed within confirmed limits to investments whose creditworthiness is good. Investments and the limits specified for them are adjusted annually.

Credit risk

The Group has a strict policy on the granting of credit. The Group protects against credit risks by using as terms of payment letters of credit, advance payments and bank guarantees.

2. Vaisala Oyj's adoption of IFRS reporting

Vaisala Oyj has adopted the International Financial Reporting Standards (IFRS) in its Group reporting from the beginning of 2005. Prior to the adoption of IFRS standards, the Vaisala Group's financial statements were prepared according to Finnish Accounting Standards (FAS). The reconciliation calculations and clarifications outlined below describe the differences between IFRS and FAS reporting for 2004 and for the opening balance sheet of 1 January 2004. The comparison figures according to Finnish accounting practice presented here are consistent with data presented in financial statements published earlier. The financial statements have been prepared applying published IAS/IFRS standards which were valid at the end of 2005. In the adoption process IFRS 1, First-Time Adoption of IFRS Financial Reporting Standards has been followed.

The main effects of adopting IFRS

The adoption of IFRS reporting has changed the reported financial statement calculations, the notes to the financial statements as well as accounting principles in comparison with previous financial statements. Vaisala Oyj's figures are most effected by the IFRS standards relating to business combinations, employee benefits and leases as well as the cancellation of value increases made in connection with the adoption of IFRS and a tax asset recognized from the accumulated losses of the French subsidiary.

Notes to the consolidated financial statements

The IFRS effect on earnings per share reported for the whole of 2004 is + EUR 0.23. The effect of the discontinuation of goodwill amortization is + EUR 0.10 and the effect, with tax adjustments, of the change in the treatment of defined-benefit disability pensions included in the balance sheet is + EUR 0.14. Other adjustments had only minor effects.

The overall effect on the Group's shareholders' equity at the end of 2004 was a decrease of EUR 3.4 million. The cancellation of value increases reduced shareholders' equity by EUR 5.7 million. The discontinuation of goodwill amortization increased shareholders' equity by EUR 1.6 million. Deferred taxes from the accumulated losses of the French subsidiary increased shareholders' equity by EUR 0.8 million.

Defined-benefit pension schemes increased non-interest-bearing obligations by EUR 0.6 million at the end of 2004 and the treatment of leases as finance leases increased the Group's tangible assets by EUR 0.5 million and correspondingly increased interest-bearing non-current and current liabilities by a similar sum.

Unaudited income statement by function according to the IFRS and reconciliation to the income statement reported under FAS.

Income Statement (EUR million)	Note	FAS 1-12/2004	Effect of transition to IFRS	IFRS 1-12/2004
Net sales	10	**180.6**	**-2.5**	**178.1**
Cost of production and procurement	3, 7, 9,10	83.3	-2.1	81.2
Gross profit		**97.3**	**-0.4**	**96.9**
Cost of sales and marketing	7	33.7	-1.1	32.6
Cost of administration				
Development costs	7	22.3	-1.0	21.3
Other administrative costs	7	14.6	-0.3	14.4
Group goodwill	1, 9	3.0	-3.0	0.0
		73.6	-5.4	68.3
Other operating income	9	0.2	1.2	1.3
Other operating costs	9	0.0	0.5	0.5
Operating profit		**23.9**	**5.6**	**29.4**
Financial income and expenses	3, 9	0.3	-0.6	-0.3
Profit before provisions and taxes		**24.1**	**4.9**	**29.0**
Direct taxes	3, 5, 7, 10	7.2	0.9	8.1
Net profit for the financial year		**17.0**	**4.0**	**20.9**

Notes to the consolidated financial statements

Unaudited opening balances according to the IAS/IFRS standards at the date of transition 1.1.2004 and consolidated balance sheet at 31.12.2004 and reconciliation to the figures reported under Finnish Accounting Standards (FAS) at the equivalent time.

IFRS balance sheet reconciliation
Consolidated balance sheets 1.1.2004

Assets (EUR million)	Note	FAS 12/2003	Effect of transition to IFRS	IFRS 1/2004
Non-current assets				
Intangible assets				
Intangible rights		2.9		2.9
Goodwill	9	1.2	-1.2	0.0
Consolidated goodwill	1, 9	5.6	-0.2	5.4
Other long-term expenditure	9	0.4	1.4	1.8
		10.1	0.0	10.1
Tangible assets				
Land and waters	2	2.9	-0.1	2.8
Buildings	2	25.1	-5.6	19.5
Machinery and equipment	3	11.8	0.7	12.5
Other tangible assets		0.5		0.5
Advance payments and construction in progress		4.5		4.5
		44.8	-5.0	39.8
Investments				
Other shares and holdings		0.3		0.3
Other receivables		1.7		1.7
Receivables from subsidiaries		-		0.0
		2.0	0.0	2.0
Current assets				
Inventories				
Materials and consumables		9.5		9.5
Work in progress	4	4.2	-3.0	1.2
Finished goods		4.8		4.8
		18.4	-3.0	15.5
Receivables				
Trade receivables		41.9	0.0	41.9
Loan receivables		0.0		0.0
Other receivables		2.5		2.5
Prepaid expenses and accrued income	4, 9	4.0	3.6	7.6
Deferred tax assets	5	2.3	2.6	4.9
		50.8	6.1	56.8
Cash and bank balances		46.8		46.8
Assets, total		**172.9**	**-1.8**	**171.1**

Consolidated balance sheet

Shareholders' Equity and Liabilities (EUR million)	Note	FAS 12/2003	Effect of transition to IFRS	IFRS 1/2004
Shareholders' Equity				
Share capital		7.4		7.4
Share issue		7.3	-5.7	1.6
Reserve fund		0.1		0.1
Profit from previous years		110.3	-2.8	107.5
Profit for the financial year		14.5	1.2	15.7
	6	139.5	-7.3	132.3
Obligatory provisions	9	1.1	-0.9	0.2
Liabilities				
Non-current				
Deferred tax liabilities	5		0.7	0.7
Retirement benefit obligations	7		4.1	4.1
Interest-bearing longterm liabilities	8	1.2	0.3	1.5
		1.2	5.1	6.3
Current				
Advances received		7.7		7.7
Trade payables		9.1		9.1
Other current liabilities	8	3.2	0.4	3.6
Accrued expenses and deferred income	9	11.2	0.9	12.0
		31.1	1.3	32.3
Shareholders' equity and liabilities, total		**172.9**	**-1.8**	**171.1**

Notes to the consolidated financial statements

Consolidated balance sheets 31.12.2004

Assets (EUR million)	Note	FAS 12/2004	Effect of transition to IFRS	IFRS 12/2004
Non-current assets				
Intangible assets				
Intangible rights		2.1		2.1
Goodwill	9	0.0		0.0
Consolidated goodwill	1, 9	3.4	1.4	4.8
Other long-term expenditure	9	0.5	0.1	0.6
		5.9	1.5	7.5
Tangible assets				
Land and waters	2	2.8	-0.1	2.7
Buildings	2	26.1	-5.6	20.5
Machinery and equipment	3	10.5	0.5	11.0
Other tangible assets		0.7		0.7
Advance payments and construction in progress		2.1		2.1
		42.1	-5.2	37.0
Investments				
Other shares and holdings		0.3		0.3
Other receivables		1.6		1.6
Receivables from subsidiaries		-		0.0
		1.9	0.0	1.9
Current assets				
Inventories				
Materials and consumables		8.4		8.4
Work in progress	4	2.3	-0.7	1.6
Finished goods		5.0		5.0
		15.7	-0.7	15.0
Receivables				
Trade receivables		36.6		36.6
Loan receivables		0.0		0.0
Other receivables		3.0		3.0
Prepaid expenses and accrued income	4, 9	2.6	1.1	3.7
Deferred tax assets	5	2.6	1.6	4.2
		44.9	2.7	47.5
Cash and bank balances		54.8		54.8
Assets, total		**165.3**	**-1.6**	**163.8**

Consolidated balance sheet

Shareholders' Equity and Liabilities (EUR million)	Note	FAS 12/2004	Effect of transition to IFRS	IFRS 12/2004
Shareholders' Equity				
Share capital		7.4		7.4
Share issue		7.3	-5.7	1.6
Reserve fund		0.1		0.1
Profit from previous years		101.4	-1.6	99.8
Profit for the financial year		17.0	3.9	20.9
	6	133.1	-3.4	129.8
Obligatory provisions	9	1.3	-1.3	0.0
Liabilities				
Non-current				
Deferred tax liabilities	5		0.6	0.6
Retirement benefit obligations	7		0.6	0.6
Interest-bearing longterm liabilities	8	0.8	0.3	1.1
		0.8	1.4	2.2
Current				
Advances received		5.9		5.9
Trade payables		8.3		8.3
Other current liabilities	8	2.1	0.3	2.4
Accrued expenses and deferred income	9	13.9	1.3	15.2
		30.2	1.6	31.8
Shareholders' equity and liabilities, total		**165.3**	**-1.6**	**163.8**

Notes to the balance sheet reconciliation calculations

1. Intangible assets – Goodwill

Under the IFRS 3 standard, goodwill is not amortized; goodwill is tested for impairment. The amortization of goodwill for 2004 under FAS, amounting to EUR 1.5 million, has been cancelled. In accordance with the requirements of the IFRS 1 standard, goodwill has been assessed for impairment at the transition date. These calculations have not led to impairment recognition in the opening IFRS balance sheet.

2. Tangible fixed assets

The office and factory premises at Vantaa were revalued by a total of EUR 5.7 million in the years 1981-1988. These revaluations have now been cancelled and the value restored to original acquisition cost.

3. Tangible fixed assets

According to the principles of the IAS 17 Lease agreement standard, the Group's leases have been reviewed and fixed asset leases relating mainly to IT equipment have been classified as finance leases in the IFRS financial statements. The rental obligations relating to them are recognized in the balance sheet in non-current and current interest-bearing liabilities. The effect of these leases on the opening balance sheet is EUR 0.7 million and on the balance sheet at the closing date EUR 0.5 million.

4. Inventories

The effect of recognized projects in progress on the opening balance sheet is EUR 3.0 million and on the balance sheet at the closing date EUR 0.7 million. The receivable corresponding to the uninvoiced sales revenue of long-term projects (in the opening balance sheet EUR 3.0 million and in the balance sheet at the closing date EUR 0.7 million) has been recognized in the item 'prepaid expenses and accrued income' as uninvoiced receivables.

5. Deferred taxes

Deferred tax assets and liabilities have been presented in IFRS reporting as separate items in the balance sheet's assets and liabilities. The effect of netting on the opening balance sheet's deferred tax assets and liabilities is EUR 0.7 million and on the balance sheet at the closing date EUR 0.6 million.

In addition, the IFRS balance sheet deferred tax asset is increased by deferred tax assets recognized for IFRS adjustments, whose effect on the opening balance sheet is EUR 1.3 million and on the balance sheet at the closing date EUR 0.2 million, as well as by a deferred tax asset recognized for the accumulated losses of the French subsidiary, whose effect on the opening balance sheet is EUR 0.6 million and on the balance sheet at the closing date EUR 0.8 million.

6. Shareholders' equity

Adjustment items resulting from the recognition or non-recognition of assets and liabilities or the revaluation of balance sheet items under the IFRS accounting practice have been recognized in the shareholders' equity of the opening balance sheet. The most significant changes affecting shareholders' equity in the opening balance sheet and the balance sheet at the closing date have been listed in the table below.

Reconciliation of equity

(EUR million)		31.12.2004	1.1.2004
Equity FAS		**133.1**	**139.5**
IAS 11	Construction Contracts	-0.1	0.1
IAS 12	Income Taxes	0.9	0.7
IAS19	Employee Benefits	0.0	-2.3
IFRS 3	Business Combinations	1.5	0.0
IFRS 1	First-time Adoption Standard /revaluations	-5.7	-5.7
Total IFRS restatement		**-3.4**	**-7.2**
Equity according to IFRS		**129.8**	**132.3**

7. Pension schemes

The Group's pension schemes have been classified according to the IAS 19 standard as either defined-contribution or defined-benefit schemes. The opening balance sheet at 1 January 2004 includes defined-benefit pension obligations of EUR 4.1 million relating to TEL disability pensions and other defined-benefit pension obligations of less than EUR 0.1 million. The deferred tax asset relating to these is EUR 1.2 million. Owing to a change approved by the Finnish authorities in December 2004, the treatment of TEL disability pension has been changed to a defined-contribution basis in the final quarter of 2004. This causes a non-recurring improvement in the result of EUR 2.5 million in the final quarter of the financial year. The balance sheet liability at the closing date is EUR 0.6 million.

8. Interest-bearing non-current liabilities

IFRS reporting, finance leases are recognized in the balance sheet as assets and they are amortized during the period of the lease. The rental obligations relating to them are recognized in the balance sheet in non-current and current interest-bearing liabilities. The effect of these leases on non-current interest-bearing liabilities is EUR 0.3 million.

9. Classification changes

In terms of the goodwill of company acquisitions that took place before 1 January 2003, a reclassification has been made, as a result of which the EUR 1.4 million figure for goodwill at 31 December 2003 has been recognized in other capitalized expenditure and will be amortized fully according to the original amortization plan.

The receivable relating to the US subsidiary's taxes for the financial year (in the opening balance sheet EUR 0.6 million and in the balance sheet at the closing date EUR 0.4 million) has been transferred from deferred tax assets to the item 'prepaid expenses and accrued income'.

Obligatory provisions have been reclassified according to the IAS 37 standard and it has been stated that the items, amounting in the opening balance sheet to EUR 0.4 million and in the balance sheet at the closing date to EUR 0.8 million, are accrued expenses and deferred income in nature. In addition, the supplementary pension cover arranged in the Vaisala Pension Fund (closed on 1 January 1983) has been treated according to the IAS 19 standard as a defined-benefit scheme, in which case the Pension Fund's contribution liability, in the opening balance sheet EUR 0.6 million and in the balance sheet at the closing date EUR 0.5 million and recognized in obligatory provisions under FAS, has been cancelled. The liability includes a pension obligation recognized in accordance with actuarial calculation.

Periodization relating to the Group's taxes for the financial year has been transferred from deferred taxes to accrued expenses and deferred income. The effect of the transfer on the opening balance sheet for the financial year is EUR 0.5 million and on the balance sheet at the closing date EUR 0.4 million.

In connection with the adoption of IFRS, the presentation location in the income statement of translation differences relating to derivatives has been changed from financial income (- EUR 0.7 million) to other operating income (EUR 1.2 million) and expenses (EUR 0.5 million).

10. Net sales

Recognition of long-term projects in accordance with IAS 11 increases the net sales of the 2004 consolidated income statement by EUR 2.5 million and production costs by EUR 2.4 million.

3.1 Business segments

2005	Vaisala Measurement Systems	Vaisala Instruments	Vaisala Solutions	Other operations	Elimin-ations	Group
EUR million						
Net sales to external customers	84.3	58.2	55.5	0.0	0.0	197.9
Intragroup sales	0.0	8.7	0.5	0.0	-9.1	0.0
Net sales	**84.3**	**66.8**	**56.0**	**0.0**	**-9.1**	**197.9**
Operating profit	**19.6**	**14.0**	**3.0**	**-6.5**	**0.0**	**30.1**
Financial income and expenses						3.9
Share of associated companies' net profit						0.0
Net profit before taxes						34.1
Income taxes						-9.2
Net profit for the financial year						**24.9**
Assets	33.8	21.5	20.4	121.2	0.0	196.9
Holdings in associated companies	0.3	0.0	0.0	0.0	0.0	0.3
Liabilities	5.1	2.7	6.9	27.8	0.0	42.6
Investments	1.9	1.8	3.1	1.2	0.0	8.0
Depreciation	1.7	2.1	0.7	3.6	0.0	8.2
Impairment	0.2	0.0	0.0	0.0		0.2
Restructuring expenses	0.2	0.0	0.0	0.0		0.2

Restructuring expenses relate to the centralisation of French operations of the lightning detection business at one location in Paris and to the closure of the Aix-en-Provence office.

2004	Vaisala Measurement Systems	Vaisala Instruments	Vaisala Solutions	Other operations	Elimin-ations	Group
EUR million						
Net sales to external customers	72.9	52.9	52.3	0.0	0.0	178.1
Intragroup sales	0.0	8.0	0.3	0.0	-8.3	0.0
Net sales	72.9	60.9	52.6	0.0	-8.3	178.1
Operating profit	11.8	14.4	4.3	-1.1	0.0	29.4
Financial income and expenses						-0.3
Share of associated companies' net profit						0.0
Net profit before taxes						29.1
Income taxes						-8.1
Net profit for the financial year						**21.0**
Assets	31.3	20.4	17.1	94.6	0.3	163.7
Holdings in associated companies	0.3	0.0	0.0	0.0	0.0	0.3
Liabilities	5.9	2.0	5.6	20.5	0.0	34.0
Investments	1.0	2.1	0.2	1.5	0.0	4.8
Depreciation	2.0	2.5	1.0	3.8	0.0	9.4

3.2 Geographical segments

2005	Net sales, by destination country [1]	Net sales, by location country [2]	Assets [2]	Investments
EUR million				
Europe	69.8	156.4	156.8	3.8
of which Finland	7.3	134.5	141.9	3.6
North America	70.8	83.6	66.3	3.9
Asia and Australia	45.3	17.7	8.2	0.3
Africa. South and Central America	12.1			
Group eliminations		-59.7	-39.6	
Unallocated items			5.3	
Total	197.9	197.9	196.9	8.0

[1] Sales to external customers have been presented as net sales by destination country
[2] Net sales, assets and investments have been presented by the Group's and associated companies' countries of location.

Notes to the consolidated financial statements

2004	Net sales, by destination country (1	Net sales by location country (2	Assets (2	Investments
EUR million				
Investments				
Europe	61.0	146.1	139.6	3.5
of which Finland	5.7	126.1	125.1	3.3
North America	62.1	67.0	32.3	1.2
Asia and Australia	45.1	17.0	8.1	0.1
Africa. South and Central America	9.9			
Group eliminations		-52.0	-20.5	
Unallocated items			4.2	
Total	178.1	178.1	163.7	4.8

1) Sales to external customers have been presented as net sales by destination country
2) Net sales, assets and investments have been presented by the Group's and associated companies' countries of location.

4. Company acquisitions

Company acquisitions in 2005

In July 2005 Vaisala acquired 100% of the stock of the US company CLH Inc. CLH's net sales for 2004 were EUR 3.1 million. The company specialises in the installation and maintenance of automatic weather observation systems as well as related telecommunications, user interfaces and airport weather support systems. With the CLH stock purchases, Vaisala also acquired a 2/3 share of WSDM Technologies LLC. The company specialises in airport weather support systems that provide nowcasts of snowfall events and conditions supporting aircraft de-icing decisions. CLH's products and services support Vaisala's existing range well.
These synergy benefits have contributed to the creation of goodwill amounting to EUR 1.4 million.
The purchase price was EUR 2.8 million. The price includes a contribution linked to the company's future net sales and profit, the realisation of which is deemed probable. Auditing and legal fees of EUR 0.036 million relating to the acquisition have also been included in the purchase price.

The Vaisala Group result includes CLH Inc.'s net sales of EUR 1.4 million and operating loss of EUR 0.5 million for July-December. The Group's net sales would have been EUR 200.6 million and profit 30.1 million, if CLH Inc. would have been combined into the consolidated financial statements from the beginning of 2005.

Purchase consideration

EUR million

Purchase price paid	2.8
Expenses related to the purchase	0.0
Total purchase cost	2.8
Fair value of the acquired net identifiable assets	-1.4
	1.4

	Fair value recognised in combination	Acquiree's carrying amount before combination
Assets and liabilities arising from the acquisition are as follows		
Tangible fixed assets	0.3	0.2
Intangible assets	0.7	0.2
Investments	0.0	0.1
Inventories	0.4	0.4
Receivables	1.2	0.4
Cash and cash equivalents	0.0	0.0
Deferred tax liabilities	0.0	0.0
Non-interest-bearing liabilities	-1.1	-1.1
Interest-bearing liabilities	-0.1	-0.1
Net identifiable assets	1.4	0.0
Acquisition cost	2.8	
Goodwill	1.4	
Purchase consideration settled in cash	2.8	
Expenses related to the purchase	0.0	
Cash and cash equivalents in subsidiary acquired	0.0	
Cash outflow on acquisition	2.8	

No companies were acquired in 2004.

5. Long-term project

Net sales include EUR 2.2 million (2004; EUR 0.7 million) in revenue recognised for long-term projects.
Revenue of EUR 0.1 million recognised for long-term projects in progress was included in the consolidated income statement (2004; EUR 0.0 million). Advance payments of EUR 0.2 million recognised for long-term projects in progress were included in the balance sheet at 31.12.2005 (EUR 0.3 million 31.12.2004).

6. Other operating income

EUR million	2005	2004
Gains on the disposal of fixed assets	0.1	0.0
Translation differences *	0.2	1.2
Others	0.2	0.2
	0.5	1.4

*Foreign exchange gains from derivatives to which hedge accounting under IAS 39 is not applied.

7. Other operating expenses

EUR million	2005	2004
Translation differences *	-1.5	-0.5
	-1.5	-0.5

*Foreign exchange losses from derivatives to which hedge accounting under IAS 39 is not applied.

Notes to the consolidated financial statements

8. Depreciation and impairment

EUR million	2005	2004
Depreciation by function		
Procurement and production	2.7	4.0
Sales and marketing	1.4	0.9
Research and development	0.5	0.7
Other administration	3.6	3.9
	8.2	9.4

Goodwill not depreciated as of 1 January 2004.

Impairment		
Procurement and production	0.0	0.0
Sales and marketing	0.2	0.0
Research and development	0.0	0.0
Other administration	0.0	0.0
	0.2	0.0

9. Expenses arising from employee benefits

EUR million	2005	2004
Salaries	51.9	48.5
Social costs	11.1	5.2
Pensions		0.0
Defined-benefit pension schemes	0.0	-3.4
Defined-contribution pension schemes	6.5	4.6
Personnel expenses, total	69.4	54.9

Due to changes approved in December 2004 by the Finnish authorities, the treatment of TEL disability pension was changed to defined-contribution. This resulted in a non-recurring reduction in pension expenses of EUR 3.7 million in the comparison year. Information about the employee benefits and loans of management are presented in Note 30.

Group personnel, average during the financial year	2005	2004
By business unit		
Vaisala Instruments	318	309
Vaisala Measurement Systems	377	421
Vaisala Solutions	258	251
Other operations	109	111
	1062	1092
In Finland	698	713
Outside Finland	364	379
	1062	1092

10. Research and development expenditure

The income statement includes research and development expenditure of EUR 19.8 million recognised as an expense in 2005. (EUR 21.3 million in 2004).

11. Financial income and expenses

EUR million	2005	2004
Dividend income	0.0	0.1
Other interest and financial income	1.1	1.0
Change in fair value of assets recognised at fair value through profit an loss*	0.2	0.0

Interest expenses	2005	2004
Short- and long-term liabilities	-0.1	-0.1
Finance lease agreements	0.0	0.0
Other financial expenses	-0.1	-0.1
Foreign exchange gains	2.8	2.1
Foreign exchange losses	-0.2	-3.3
	3.9	-0.3

*Change in fair value of income fund investments.

12. Income taxes

EUR million	2005	2004
Tax based on taxable income for the financial year	9.7	7.5
Taxes from previous financial years	0.1	0.2
Change in deferred tax assets and liabilities	-0.6	0.5
	9.2	8.1

Reconciliation statement between income statement tax item and taxes calculated at the tax rate of the Group country of domicile (2005: 26%, 2004: 29%)

EUR million	2005	2004
Profit before taxes	34.1	29.1
Taxes calculated at Finnish tax rate	8.9	8.4
Effect of foreign subsidiaries' tax rates	1.5	0.4
Non-deductible expenses and tax-free revenue	-1.6	-0.8
Use of previously unrecognised tax losses	-0.1	-0.6
Others	0.5	0.6
Tax in income statement	9.2	8.1
Effective tax rate	26.9%	27.8%

Deferred taxes in balance sheet

EUR million	2005	2004
Deferred tax assets	5.3	4.2
Deferred tax liabilities	-0.5	-0.6
Deferred tax asset, net	4.7	3.6

Deferred tax is presented net in the balance sheet in respect of those companies between which the option exists in taxation for tax equalisation or which are taxed as one taxpayer.

Gross change in deferred taxes recognised in balance sheet:	2005	2004
Deferred taxes 1 Jan	3.6	4.2
Items recognised in income statement	0.6	-0.5
Translation differences	0.4	-0.1
Purchases of subsidiaries	0.0	0.0
Deferred tax asset, net	4.7	3.6

Notes to the consolidated financial statements

Deferred tax assets of EUR 2.1 million (2004: EUR 2.1 million) related to losses of a German subsidiary have not been recognised in the consolidated financial statements because it is not deemed probable that the tax benefit connected with them will be realised in the near future. The losses are connected with company operations discontinued as unprofitable in previous years.

The balance sheet includes EUR 1.0 million (2004 EUR 0.8 million) in deferred tax assets for subsidiaries whose result for the current or previous financial years has been loss-making. The recognition of these tax receivables is based on profit forecasts which indicate that the realisation of the tax assets in question is deemed probable.

Changes in deferred taxes during 2005

EUR million	31.12. 2004	Recognised in income statement	Translation differences	Purchased subsidiaries	31.12. 2005
Deferred tax assets:					
Internal margin of inventories and fixed assets	0.4	-0.2			0.2
Employee benefits	0.1	0.0			0.1
Unused tax losses	0.8	0.2		0.0	1.0
Timing difference of depreciation on intangible items	3.2	-0.5	0.5		3.1
Other temporary differences	-0.3	1.2	0.0		0.8
Total	4.2	0.6	0.4	0.0	5.3
Deferred tax liabilities					
Timing difference between accounting and taxation	0.6	-0.1	0.0	0.0	0.5
Deferred tax asset, net	3.6	0.6	0.4	0.0	4.7

Changes in deferred taxes during 2004

EUR million	31.12. 2003	Recognised in income statement	Translation differences	Purchased subsidiaries	31.12. 2004
Deferred tax assets:					
Internal margin of inventories and fixed assets	0.7	-0.3			0.4
Employee benefits	1.2	-1.0			0.1
Unused tax losses	0.7	0.1			0.8
Timing difference of depreciation on intangible items	2.8	0.6	-0.2		3.2
Other temporary differences	-0.5	0.0	0.1		-0.3
Total	4.9	-0.6	-0.1	0.0	4.2
Deferred tax liabilities					
Timing difference between accounting and taxation	0.7	-0.2			0.6
Deferred tax asset, net	4.2	-0.5	-0.1	0.0	3.6

For the EUR 21.4 million undistributed retained earnings of foreign subsidiaries in 2005 (11.7 million in 2004), no deferred tax liability has been recognised, because the assets have been invested permanently in the countries in question.

13. Earnings per share

The undiluted earnings per share figure is calculated by dividing the profit for the financial year belonging to the parent company's shareholders by the weighted average number of shares outstanding during the financial year.

	2005	2004
Profit for financial year belonging to parent company shareholders, EUR million	24.9	21.0
Weighted average number of shares outstanding, 1000 pcs	17 488	17 479
Earnings per share, EUR	1.42	1.20

When calculating the earnings per share adjusted by dilution, the weighted average of the number of shares takes into account the dilution of all potentially diluting shares. The Group has share options (option scheme 2000) that increase the number of diluting shares. The share options have a dilution effect when the subscription price of the options is lower than the fair value of the share. A dilution effect arises from the number of shares that have to be issued without consideration because with the funds obtained from the exercising of the options the Group could not issue the same number of shares at fair value. The fair value of the share is based on the average price of the shares during the financial year.

Profit for financial year belonging to parent company shareholders, EUR million	24.9	21.0
Weighted average number of shares outstanding, 1000 pcs	17 488	17 479
Effect of share options 2000, 1000 pcs	44	-
Diluted weighted average number of shares, 1000 pcs	17 532	17 479
Diluted earnings per share, EUR	1.42	1.20

14. Dividend per share

For 2004 a dividend of 0.75 euros per share was paid.
At the Annual General Meeting to held on 23 March 2006 the payment of a dividend of 0.75 euros per share will be proposed, representing a total dividend of EUR 13.4 million. The proposed dividend has not been recognised as a dividend liability in these financial statements.

15. Intangible assets

EUR million

Intangible assets	Intangible rights	Goodwill	Other intangible assets	Total
Acquisition cost 1 Jan	10.7	22.8	1.6	35.1
Translation difference	0.1	2.6	0.1	2.7
Increases	2.3	-	-	2.3
Acquisition of subsidiary		1.4		1.4
Decreases	-0.1	0.0	-0.2	-0.3
Transfers between items	-	-	-	0.0
Acquisition cost 31 Dec	13.1	26.7	1.5	41.3

Intangible assets	Intangible rights	Goodwill	Other intangible assets	Total
Accumulated depreciation and impairment 1 Jan	8.6	18.0	1.0	27.7
Translation difference	0.1	1.6	0.1	1.7
Accumulated depreciation of decreases and transfers	0.0	0.0	0.1	0.1
Depreciation in financial year	1.4	0.0	0.1	1.4
Write-downs	-	-	-	-
Accumulated depreciation 31 Dec	10.1	19.6	1.2	31.0
Carrying amount 31 Dec 2005	**3.0**	**7.1**	**0.2**	**10.3**
Carrying amount 31 Dec 2004	2.1	4.8	0.6	7.4

Goodwill has not been depreciated as of 1 January 2004.

Goodwill impairment testing

Goodwill is attributed to the segments Vaisala Measurement Systems and Vaisala Solutions and the balance sheet value of this goodwill is assessed at least once per year to ascertain any possible impairment. For impairment testing the goodwill is attributed to two different cash generating units, i.e. EUR 5.7 million (2004 EUR 4.8 million) to a North American lightning detection systems business unit and EUR 1.4 million to a North American airport weather support systems business unit. The value of the recoverable amount of the cash generating unit is based on value-in-use calculations. The cash flow forecasts used in these calculations are based on actual operating profit and management-approved five-year forecasts. Estimated amounts of sales are based on existing fixed assets and the most important assumptions of the forecasts are the sales distribution for each country and the margin received from the products. Vaisala's sector-specific capital yield requirement before taxes (WACC) has been used as the discount rate. The components of the yield requirement are the risk-free yield percentage, the market risk premium, the sector-specific beta coefficient as well as the cost and target capital structure of borrowing. The discount rate in 2005 was 17% (2004 16.8%). Cash flows after the management-approved forecast period have been calculated using the residual value method, in which the average of operating profits of the last four planning periods have been multiplied by four and discounted using the discount rate described above and the zero-growth percentage. On the basis of impairment testing there is no need for impairment recognitions. The view of management is that reasonable changes to the assumptions used do not result in impairment of the goodwill of any cash generating unit.

16. Tangible assets

EUR million

Tangible assets	Land and waters	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan	2.7	31.5	45.1	2.9	2.1	84.3
Translation difference	0.2	0.4	1.6	0.3	0.0	2.6
Increases	0.0	0.0	2.3	0.5	2.3	5.1
Acquisition of subsidiary						0.0
Decreases	-	-0.6	-1.4	-0.9	0.0	-2.9
Transfers between items	-	0.2	1.8	-	-2.0	0.0
Acquisition cost 31 Dec	2.9	31.5	49.4	2.9	2.4	89.0

Tangible assets EUR million	Land and waters	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Accumulated depreciation and impairment 1 Jan	-	11.0	34.1	2.2	-	47.3
Translation difference	-	0.0	1.4	0.3	-	1.7
Accumulated depreciation of decreases and transfers	-	-0.6	-1.4	-0.6	-	-2.6
Depreciation in financial year	-	1.7	4.8	0.0	-	6.5
Write-downs	-	0.0	0.0	0.2	-	0.2
Accumulated depreciation 31 Dec	0.0	12.1	38.9	2.0	0.0	53.1
Carrying amount 31 Dec 2005	**2.9**	**19.4**	**10.5**	**0.8**	**2.4**	**36.0**
Carrying amount 31 Dec 2004	2.7	20.5	11.0	0.7	2.1	37.0

The undepreciated acquisition cost of machinery and equipment belonging the tangible fixed assets was EUR 22.3 million on 31.12.2005 (EUR 21.6 million 31.12.2004).

During 2005 the Aix-en-Provence operating point in France was closed. In connection with this closure, write-downs on tangible assets totalling EUR 0.2 million were made for machinery and equipment, buildings as well as other intangible assets.

Tangible fixed assets include the following assets acquired on finance leases:

2005 EUR million	Machinery and equipment
Acquisition cost	1.6
Accumulated depreciation	-1.0
Carrying amount 31 Dec 2005	**0.6**

2004 EUR million	Machinery and equipment
Acquisition cost	1.4
Accumulated depreciation	-0.8
Carrying amount 31 Dec 2004	**0.6**

17. Holdings in associated companies

EUR million	2005	2004
Acquisition cost 1 Jan	0.3	0.3
Share of result	0.0	0.0
Dividends received		
Increases	0.0	
Disposals and other decreases	0.0	
Translation differences	0.0	0.0
Associated company investments, total 31 Dec	**0.3**	**0.3**

The carrying amount of associated companies does not include goodwill.

Information on Group associated companies as well as their combined assets, liabilities, net sales and profit/loss.

EUR million	Domicile	Assets	Liabilities	Net sales	Profit/loss	Holding
Meteorage SA, France*	Cedex	1.3	0.5	1.3	0.0	35%
WSDM, LLC **	Minneapolis	0.2	0.2	0.2	0.0	67%

* Information based on 2004 financial statements

** Share of votes 50%

Associated companies 2004

Meteorage SA, France	35%

The information presented in the table is based on the latest available financial statements.
Associated company Meteorage SA maintains lightning detection networks and sales information related to lightning detection. Associated company WSDM LLC specialises in airport weather support systems that produce real-time nowcasts of snowfalls and services supporting aircraft de-icing decisions.

18. Other financial assets

Other financial assets include an insubstantial quantity of unquoted shares, which have been valued at acquisition cost as well as lease guarantee deposits.

19. Receivables (long-term)

	2005		2004	
EUR million	Balance sheet values	Fair values	Balance sheet values	Fair values
Loan receivables	0.0	0.0	0.0	0.0
Other receivables *	1.6	1.7	1.5	1.7
	1.6	1.7	1.6	1.8

* Other receivables include a long-term customer receivable included in the balance sheet of a subsidiary. Interest of 9% is calculated on the receivable and interest is paid half-yearly. The receivable falls due for payment in full on 15 April 2007. Fair values have been calculated by discounting the future cash flows of every significant receivable at the market interest rate on the closing date.

20. Inventories

EUR million	2005	2004
Materials and supplies	7.9	8.4
Work in progress	2.0	1.6
Finished goods	4.2	5.0
Advance payments	0.0	0.0
	14.1	15.0

In the financial year any expense of EUR 0.7 million was recorded, equivalent to the amount by which the carrying amount of inventories was reduced to correspond with their net realisable value (EUR 0.6 million in 2004).

21. Trade receivables and other receivables

EUR million	2005	2004
Trade receivables	41.4	36.6
Loan receivables	0.1	0.0
Advanced paid	0.4	0.4
Other receivables	2.2	2.7
Receivables from long-term project customers	1.0	0.7
Value-added tax receivables	1.3	1.0
Other prepaid expenses and accrued income	0.7	1.4
	47.1	42.8

Other receivables principally include allocations of maintenance and data sales contracts. Other prepaid expenses and accrued income include interest and exchange rate allocations as well as miscellaneous allocations.

22. Financial assets recognised at fair value through profit and loss

EUR million	2005	2004
Income fund investments	27.2	0.0
Derivative contracts	-0.1	0.3

Financial assets recognised at fair value through profit and loss include income fund investments which involve the short-term investment of liquid assets. The maturity of these income fund interest-bearing papers is at most one year. The income fund investments are publicly quoted securities, whose fair value is determined in the market. The change in fair value has been recognised in the income statement group financial income and expenses. In 2004 there were no income fund investments.

23. Cash and cash equivalents

EUR million	2005	2004
Cash and bank deposits	43.0	19.5
Certificates of deposit	11.2	35.3
Total	54.2	54.8

Certificates of deposit consist of short-term, highly liquid investments whose maturity is less than 3 months and which are mainly involved in the short-term investment of liquid assets. The average interest rate on the investments in 2005 was 2.08% (2.02% in 2004). In the cash flow statements, income fund investments of EUR 27.2 million are also treated as cash and cash equivalents.

24. Notes relating to shareholders' equity

Vaisala has 17,665,450 shares, of which 3,409,285 are Series K shares and 14,256,165 are Series A shares.
The book equivalent value of a share is around EUR 0.42. The Series K and Series A shares different from each other so that each K share carries twenty (20) votes at meetings of shareholders and each Series A share one (1) vote.
Both series confer an equal right to a dividend. According to the Articles of Association the maximum number of shares is 68,571,000 and the Group's maximum share capital is EUR 28.8 million. All the issued shares have been paid in full.

Vaisala applies the insider rules of the Helsinki Stock Exchange.

Share capital and share premium fund

EUR million	Number of shares 1000 pcs	Share capital	Share premium fund	Reserve fund	Paid but un-registered options	Total
1 Jan 2004	17.5	7.4	1.6	0.1		9.0
31 Dec 2004	17.5	7.4	1.6	0.1		9.0
Share options exercised	0.2	0.1	3.8		5.4	9.3
31 Dec 2005	17.7	7.4	5.3	0.1	5.4	18.3
Own shares held by company	0.0					
	17.7					

Shareholders' equity consists of the share capital, share premium fund, reserve fund, translation differences and retained earnings. A change in the value of the share capital that exceeds the nominal value is entered in the share premium fund. The reserve fund of EUR 0.1 million contains items based on the local rules of other Group companies. The translation differences fund contains translation differences arising from the conversion of the financial statements of foreign units. The profit for the financial year is entered in retained earnings. The share premium fund is not a distributable equity fund. Restrictions based on local rules apply to the distributability of the reserve fund.

Distributable equity

EUR million	2005	2004
Retained earnings 31 Dec	111.1	99.7
Profit for the financial year	24.9	21.0
Share of accumulated depreciation difference recognised in shareholders' equity	-1.5	-1.7
Distributable equitable	134.5	119.0

Calculation of distributable equity is based in the IFRS balance sheet and Finnish legislation.

Option scheme

The company has one option scheme (Option scheme 2000). The option scheme 2000 consists of 896,000 options. By 31 December 2005 the options had been used to subscribe for 186,450 Vaisala Series A shares. Each options confers the right to one new A share at the subscription price of EUR 24.55 per share less the amount of dividend per share distributed after 1 May 2000. The subscription price on 31 December 2005 was EUR 20.78 per share. The subscription period began in stages on 1 December 2002 and 1 December 2004 and ends for all options on 31 January 2006. By virtue of all the option certificates, 4.9% of the company's shares and 1.1% of the votes can be obtained and the total book equivalent value of shares subscribable with options is EUR 376,320. A total of 140,000 options are held by the Group.

Change in number of options outstanding	pcs
Number of options outstanding on 1 Jan 2005	896 000
Options granted	0
Options exercised which have been registered	-186 450
Options exercised which have not been registered	-259 750
Options held by the company	-140 000
Expired options	
Number of options outstanding on 31 Dec 2005	309 800

Share-based incentive scheme

The company has a share-based incentive scheme targeted at 50 key personnel of the Group.Some of these individuals belong to the Group's related parties. The earning period of the incentive scheme is the financial year that began on 1 Jan 2005. Possible bonuses will be paid after the publication of the financial statements that follow the earning period before the authorisation expires. The amount of bonus is based on the achievement of set financial targets, which are measured by earnings per share (EPS). Any bonuses are paid as a combination of Vaisala's listed A shares and a cash payment. The incentive scheme is not an arrangement according to IFRS 2, because the amount of bonus is not linked to the Vaisala share price.

Shares receivable on the basis of the share-based incentive scheme are covered by a prohibition on transfer such that shares receivable under the scheme cannot be conveyed or pledged for a period of two years after they have been entered in their entirety in the book-entry account of the person entitled to the bonus. The maximum number of Vaisala Oyj A shares that can be conveyed on the basis of the incentive scheme is 35,000, calculated at current market rates. The share that can be conveyed in the scheme will be Vaisala Oyj A shares that are either owned by the company or purchased from the stock market, which means that the incentive scheme will not result in an increase in the total number of shares.

Authorisations of the Board of Directors

At the end of 2005, the Board of Directors had no authorisations to raise the share capital or issue convertible or warrant bonds. or warrant bonds. The Board has a valid authorisation granted by the Annual General Meeting of 22 March 2005 to acquire the company's own shares. A maximum of 35,000 shares can be purchased. The shares can be used as part of the incentive and bonus schemes for the company's personnel. The authorisation is valid until 22 March 2006. The Board has not used the authorisation by 31 December 2005.

25. Interest-bearing liabilities

EUR million	Balance sheet value	
Long-term	**2005**	**2004**
Loans	0.4	0.8
Finance lease liabilities	0.3	0.3
	0.7	1.1
Short-term		
Loan repayments in next year	0.5	0.6
Finance lease liability repayments in next year	0.3	0.3
	0.8	0.9
Interest-bearing liabilities, total	1.5	2.0

Interest-bearing liabilities are loans granted by Tekes, the interest rate on which is base rate confirmed by the Finnish Ministry of Finance less three percentage points, but at least one per cent. The interest rate on 31 December 2005 was 1%. The company has no loans that would mature after five years or a longer period.

Maturity dates of finance lease liabilities:

EUR million	2005	2004
Finance lease liabilities - total amount of minimum lease payments		
Up to 1 year	0.3	0.3

EUR million	2005	2004
1 - 5 years	0.3	0.3
More than 5 years	0.0	0.0
	0.7	0.7
Future financial expenses	-0.1	-0.1
Present value of finance lease liabilities	0.6	0.6
Present value of minimum payments of finance lease liabilities		
Up to 1 year	0.3	0.3
1 - 5 years	0.3	0.3
More than 5 years		
Total	0.6	0.6

26. Pension obligations

Group has a number of pension schemes, which have been classified as either defined-contribution or defined-benefit schemes. Under defined-contribution plans, contributions made are recognised as an expense in the income statement of the financial period in which the contributions are payable. TEL pension cover managed in an insurance company are mainly defined-contribution schemes, except that disability benefits of TEL pensions have been treated as a defined-benefit scheme during 2004. As a consequence of a change in the basis of contributions for TEL insurance disability pensions which comes into force at the beginning of 2006, the disability benefits of TEL insurance will change to a defined-contribution basis. The defined-benefit schemes are in Finland. The Group has no other post-employment benefits. The supplementary pension benefits managed in the Vaisala Pension Fund have been treated as defined-benefit pension schemes. All actuarial gains and losses have been recognised in the opening balance sheet on the transition date in a manner allowed by the IFRS 1 standard. The Pension Fund's obligations were transferred to a pension insurance company on 31 December 2005. The company retains, however, an obligation under IFRS 19 for future index and salary increases in terms of individuals covered by the Pension Fund who are employed by the company.

Items entered in the income statement

EUR million	2005	2004
Defined-benefit pension schemes	0.0	-3.4
Defined-contribution pension schemes	6.5	4.6
	6.5	1.2
Defined-benefit pension schemes by function		
Procurement and production	0.0	-1.0
Sales and marketing	0.0	-1.1
Research and development	0.0	-1.0
Other administration	0.0	-0.3
	0.0	-3.4

The balance-sheet defined-benefit pension liability is determined as follows:

EUR million	2005	2004
Present value of unfunded obligations		
Fair value of funded obligations	6.6	6.8
Fair value of assets	-6.1	-6.2
Deficit/surplus	0.5	0.6
Unrecognised net actuarial gains (+)/ losses (-)	0.1	-0.1
Unrecognised costs based on past service		0.0
Net liability present in balance sheet	0.6	0.6

Notes to the consolidated financial statements

The pension schemes assets and liabilities were transferred to the Pohjola Group on 31 December 2005.
The pension scheme assets included in 2004 parent company Vaisala Oyj shares with a fair value of EUR 0.5 million.

Pension expenses in personnel expenses

EUR million	2005	2004
Service costs for the financial year	0.1	0.7
Interest costs	0.3	0.6
Expected yield from assets belonging to the scheme	-0.2	-0.2
Actuarial gains and losses	0.1	0.0
Costs based on past service		0.0
Gains/losses from reduction of scheme	-0.4	-4.5
	0.0	-3.4
Actual yield from assets belonging to the scheme	24.5%	2.6%

Changes of liabilities presented in balance sheet

EUR million	2005	2004
At beginning of financial year	0.6	4.1
Paid contributions		-0.1
Pension expenses in income statement	0.0	-3.4
At end of financial year	0.6	0.6

Actuarial assumptions used:		
Discount rate	4.5%	5.0%
Expected yield from assets belonging to the scheme	4.5%	2.8%
Future pension increases	3.3%	3.3%

27. Provisions

EUR million	Restructuring provision
Provisions 1 Jan 2005	0.0
Additional provisions	0.2
Used provisions	
Unused provisions reversed	
	0.2

The restructuring provision relates to centralisation of the company's lightning detection business into one location and to the closure of the Aix-en-Provence office situation in France.

28. Trade payables and other liabilities

Non-interest bearing

EUR million	2005	2004
Trade payables	9.6	8.3
Liabilities to associated companies		
Salary and social cost allocations	16.0	8.5
Other accrued expenses and deferred income	5.3	5.3
Other short-term liabilities	2.5	1.6
Non-interest bearing liabilities, total	33.3	23.6

29. Contingent liabilities and pledges given

EUR million	2005	2004
For own loans/commitments		
Guarantees	8.2	10.5
Other own liabilities		
Pledges given	0.1	0.0
Other leases	0.2	
Contingent liabilities and pledges given, total	8.5	10.5

The pledges given are lease guarantee deposits.

Derivative contracts	2005	2004
Capital value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks		
Currency forwards	12.7	8.8
Capital value, total	12.7	8.8
Fair value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks		
Currency forwards	-0.1	0.2
Fair value, total	-0.1	0.2

30. Related party transactions

The Vaisala Group's related parties include subsidiaries. associated companies. members of the Board of Directors. the President and CEO. and the Vaisala Pension Fund.

The parent companies and subsidiaries are as follows:

Company	Group ownership %	Share of votes %
Parent company Vaisala Oyj. Vantaa. Finland		
Vaisala Limited. Birmingham. UK	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%	100%
CLH. Incorporated. Minneapolis. USA	100%	100%
Vaisala China Ltd. Beijing. China	100%	100%
Tycho Technology Inc. Woburn. USA	100%	100%
Vaisala S.A.. Argentina	100%	100%
Vaisala SAS . Saint-Quentin-En-Yvelines. France	100%	100%

Sales of goods and services concluded with related parties are based on market prices and general market terms and conditions.

Employee benefits of management

EUR million	2005	2004
Salary and bonuses paid to President and CEO		
Pekka Ketonen, President and CEO		
Salary	0.21	0.22
Bonuses	0.04	
Remuneration paid to Members of the Board of Directors		
Raimo Voipio, Chairman of the Board	0.03	0.03
Pekka Hautojärvi, Member of the Board	0.01	0.01
Mikko Niinivaara, Member of the Board	0.01	0.01
Yrjö Neuvo, Member of the Board	0.01	0.01
Mikko Voipio, Member of the Board	0.01	0.01
Gerhard Wendt, Member of the Board	0.01	0.01
Total	0.35	0.31

Salaries and bonuses paid to managing directors of Group subsidiaries totalled EUR 0.4 million.

The President and CEO has the right to retire on reaching the age of 65 years.

Management share ownership

Vaisala Oyj's Board of Directors held and controlled 1,242,749 shares on 31 December 2005, accounting for 14.6% of the total votes (2004: 1,244,349 shares and 14.6% of the total votes). The company's President and CEO did not own shares or options on 31 December 2005.

The President and CEO and the Members of the Board have not been granted loans nor have guarantees or commitments been given on their behalf.

31. Events occurring after the closing date

On 4 January 2006 Vaisala signed an agreement to purchase 100% of the stock of Sigmet Corporation of Westford, Massachusetts. The agreement was concluded in cooperation with Sigmet's shareholders. The purchases was made in the name of the Vaisala subsidiary Vaisala Inc. Sigmet is the world's leading manufacturer of weather radar signal processors and applications. The purchase price is approximately USD 20 million. Sigmet currently employs 10 people. The company's net sales in 2005 were approximately USD 11 million. Vaisala announced its intention to enter the weather radar business. The purchase of Sigmet supports this decision by supplementing Vaisala's range of products and services. Sigmet processors and software applications will also be sold in future to all weather radar manufacturers and end-users. The products will also be incorporated into Vaisala's own radar, which is expected to be launched in 2007.

32. Collected information

Information published during the previous financial year can be found on the Vaisala website: www.vaisala.com/investors

Five years in figures

Consolidated income statement (EUR million)	IFRS 12/2005	IFRS 12/2004	FAS 12/2003	FAS 12/2002	FAS 12/2001
Net sales	**197.9**	**178.1**	**189.2**	**196.2**	**183.5**
Other operating income	0.5	1.4	0.9	2.0	0.2
Costs	159.9	140.6	152.3	161.0	144.7
Depreciation, amortization and impairment charges	8.4	9.4	11.9	14.6	9.3
Operating profit	**30.1**	**29.4**	**25.9**	**22.6**	**29.7**
Financial income and expenses	3.9	-0.3	-2.5	-1.1	0.9
Profit before tax	**34.1**	**29.1**	**23.4**	**21.5**	**30.6**
Income taxes	-9.2	-8.1	-8.9	-8.4	-9.9
Minority interest	-	-	-	0.2	0.2
Net profit for the period	**24.9**	**21.0**	**14.5**	**13.2**	**20.9**

Consolidated balance sheet (EUR million)	31.12.05	31.12.04	31.12.03	31.12.02	31.12.01
Assets					
Non-current assets	53.7	50.5	56.9	57.8	48.6
Inventories	14.1	15.0	18.4	23.0	21.4
Current assest	129.1	98.2	97.6	94.2	100.9
	196.9	**163.7**	**172.9**	**175.0**	**170.9**
Shareholders' equity and liabilities					
Equity attributable to equity holders of the parent	154.3	129.7	139.5	138.5	137.9
Minority interest	-	-	-	-	0.2
Liabilites, total	42.6	34.0	33.5	36.5	32.9
Interest bearing	1.5	2.0	2.2	2.4	2.6
Non-interest bearing	41.1	32.0	31.3	34.1	30.3
Balance sheet total	**196.9**	**163.7**	**172.9**	**175.0**	**170.9**

Financial ratios

Financial ratios		IFRS 2005	IFRS 2004	FAS 2003	FAS 2002	FAS 2001
Net sales	M€	197.9	178.1	189.2	196.2	183.5
exports and international operations		96.2%	96.6%	96.6%	96.3%	96.2%
Operating profit	M€	30.1	29.4	25.9	22.6	29.8
% of net sales		15.2%	16.5%	13.7%	11.5%	16.2%
Profit before taxes	M€	34.1	29.1	23.4	21.5	30.6
% of net sales		17.2%	16.3%	12.4%	10.9%	16.7%
Return on equity (ROE)		17.5%	16.0%	10.4%	9.5%	15.6%
Return on investment (ROI)		23.8%	21.9%	16.6%	15.4%	22.9%
Solvency ratio		80.8%	82.2%	84.4%	83.9%	82.9%
Current ratio		3.3	3.7	3.7	3.6	4.3
Gross capital expenditure	M€	8.0	4.8	14.09	28.44	12.14
% of net sales		4.0%	2.7%	7.4%	14.5%	6.6%
R&D expenditure on machinery and equipment	M€	0.3	0.1	0.4	0.5	1.1
R&D expenditure	M€	19.8	21.3	21.1	22.1	18.9
% of net sales		10.0%	12.0%	11.2%	11.2%	10.3%
Orderbook on Dec. 31.	M€	55.3	52.7	62.9	77.1	57.8
Average personnel		1062	1092	1141	1208	1115
Shares in figures						
Earnings/share (EPS)	€	1.42	1.20	0.83	0.75	1.21
Earnings/share (EPS), calculated taking into account the dilution impact of the bond with warrants €		1.42	1.20	0.83	0.75	1.19
Cash flow from business operations/share	€	2.21	2.06	1.99	1.50	0.86
Shareholders' equity/share	€	8.74	7.42	7.98	7.94	7.99
Dividend/share	€	*0.75	0.75	1.25	0.55	0.55
Dividend/earnings	%	**52.8%	62.5%	150.8%	72.4%	45.4%
Effective dividend yield ***	%	3.1%	4.1%	5.1%	2.4%	2.0%
Price/earnings (P/E)		16.90	15.17	29.55	30.51	22.6
A-share trading						
highest	€	24.74	24.50	25.00	30.30	36.25
lowest	€	18.48	17.25	16.70	18.81	23.80
weighted average	€	22.15	20.03	19.95	25.78	29.85
at balance sheet date	€	24.00	18.20	24.50	22.98	27.30
Market capitalisation at balance sheet date ***	M€	424.0	318.1	428.2	400.7	471.1
A-shares traded						
traded	pcs	2 442 168	1 635 934	1 495 572	1 607 165	3 860 888
% of entire series	%	17.1%	11.6%	10.6%	11.5%	27.9%
Adjusted number of shares	pcs	17 532 161	17 479 000	17 471 904	17 351 471	17 242 655
A-shares	pcs	14 256 165	14 065 715	14 063 215	13 935 686	13 818 354
K-shares	pcs	3 409 285	3 413 285	3 415 785	3 415 785	3 424 301
Number of shares at Dec. 31	pcs	17 665 450	17 479 000	17 479 000	17 437 000	17 257 000

* 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

Calculation of financial ratios

Return on equity, ROE (%) $$= \frac{\text{Profit before taxes less taxes}}{\text{Shareholders' equity plus minority interest (average)}} \times 100$$

Return on investment, ROI (%) $$= \frac{\text{Profit before taxes plus interest and financial expenses}}{\text{Balance sheet total less non-interest bearing liabilities (average)}} \times 100$$

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, € $$= \frac{\text{Profit before taxes less taxes +/- minority interest}}{\text{Average number of shares, adjusted}}$$

Cash flow from business operations / share, € $$= \frac{\text{Cash flow from business operations}}{\text{Number or shares at balance sheet date}}$$

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, (%) $$= \frac{\text{Dividend}}{\text{Profit before taxes less taxes +/- minority interest}} \times 100$$

Effective dividend yield, (%) $$= \frac{\text{Dividend / share}}{\text{Share price at balance sheet date}} \times 100$$

Price / earnings, € $$= \frac{\text{Share price at balance sheet date}}{\text{Earnings / share}}$$

Market capitalisation, M€ = Share price at balance sheet date times number of shares

Parent company income statement

(EUR million)	Note	1.1–31.12.2005		1.1–31.12.2004	
(Finnish accounting principles, FAS)					
Net sales	2		**134.5**		126.5
Cost of production and procurement			**-71.8**		-66.7
Gross profit			**62.7**		59.8
Cost of sales and marketing			**-15.3**		-14.0
Cost of administration					
Development costs		**-15.9**		-17.5	
Other administrative costs		**-13.1**	**-29.0**	-10.4	-27.9
Other operating income	3		**0.2**		1.3
Other operating costs	3		**-1.5**		-0.5
Operating profit			**17.0**		18.6
Financial income and expenses	5		**7.2**		0.6
Profit before provisions and taxes			**24.2**		19.2
Provisions			**0.2**		0.3
Direct taxes	6		**5.7**		5.6
Net profit for the financial year			**18.7**		14.0

Parent company balance sheet

(Finnish accounting principles, FAS)

(EUR million)	Note	31.12.2005		31.12.2004	
Assets					
Non-current assets					
Intangible assets	7				
Intangible rights		**1.7**		2.3	
Other long-term expenditure		**0.4**	**2.1**	0.4	2.7
Tangible assets	7				
Land and waters		**1.3**		1.3	
Buildings		**22.3**		23.6	
Machinery and equipment		**7.5**		7.9	
Other tangible assets		**0.0**		0.0	
Advance payments and construction in progress		**1.7**	**32.9**	2.0	34.9
Investments	7				
Other shares and holdings		**21.4**		20.8	
Other receivables		**0.0**		0.0	
Receivables from subsidiaries		**18.3**	**39.7**	3.5	24.3
Current assets					
Inventories					
Materials and consumables		**5.3**		6.2	
Work in progress		**1.1**		1.3	
Finished goods		**2.6**	**9.0**	3.0	10.6
Receivables					
Trade receivables		**30.1**		26.1	
Loan receivables		**2.7**		0.9	
Other receivables		**0.2**		0.2	
Prepaid expenses and accrued income	8	**3.7**		2.5	
Deferred tax assets	10	**0.0**	**36.7**	0.3	30.0
Fianancial assets					
Other fianancial assets	9		**27.2**		35.3
Cash and bank balances	9		**20.9**		8.4
Assets, total			**168.5**		146.2

Parent company balance sheet

(EUR million)	Note	31.12.2005		31.12.2004	
Shareholder` s Equity and Liabilities					
Shareholders' Equity					
Share capital	11	**7.4**		7.3	
Share issue		**5.4**		0.0	
Reserve fund		**11.0**		7.3	
Profit from previous years		**95.8**		94.9	
Profit for the financial year		**18.7**	**138.4**	14.0	123.5
Provisions					
Accumulated depreciation difference	12		**2.0**		2.2
Obligatory provisions	13		**0.5**		0.6
Liabilities					
Non-current					
Other non-current liabilities	13		**0.4**		0.8
Deferred tax liabilities	10		**0.0**		0.0
Current					
Advances received		**3.5**		2.3	
Trade payables		**8.9**		7.9	
Other current liabilities		**1.5**		1.5	
Accrued expenses and deferred income	14	**13.3**	**27.2**	7.3	19.1
Shareholders' Equity and Liabilities			**168.5**		146.2

Parent company cash flow statement

(EUR million)	PARENT COMPANY 2005	PARENT COMPANY 2004
Cash flows from operating activities		
Cash receipts from customers	130.9	137.5
Other income from business operations	0.0	0.1
Cash paid to suppliers and employees	-101.1	-100.5
Cash flow from business operations before financial items and taxes	29.8	37.2
Interest received	1.2	-0.9
Interest paid	0.0	1.2
Other financial items, net	0.6	-5.2
Dividend received from business operations	3.3	32.2
Direct tax paid	-5.7	0.0
Cash flow from business operations (A)	29.1	32.2
Cash flow from investing activities		
Investments in tangible and intangible assets	-3.9	-3.2
Proceeds from sale of fixed assets	0.0	0.0
Loans granted	-16.8	0.0
Other investments	-0.6	0.0
Repayments on loan receivables	0.9	2.0
Proceeds from sale of other investments	0.0	0.0
Cash flow from investing activities (B)	-20.5	-1.2
Cash flow from financing activities		
Equity issue	9.3	0.0
Repayment of short-term loans	0.0	0.0
Withdrawal of long-term loans	0.0	0.2
Repayment of long-term loans	-0.5	-1.0
Dividend paid and other distribution of profit	-13.1	-21.8
Cash flow from financing activities (C)	-4.4	-22.6
Change in liquid funds (A+B+C) increase (+) / decrease (-)	4.3	8.4
Liquid funds at beginning of period	43.8	35.3
Liquid funds at end of period	48.1	43.8

Notes to the parent company financial statements

1. Parent Company accounting principles (FAS)

The financial statements of the parent company have been prepared according to the Finnish accounting standards (FAS). Financial statement data are based on original acquisition costs if not otherwise stated in the accounting principles outlined below. Revaluations are not taken into account if not separately mentioned.

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.

Financial assets

Fianacial assets includes income fund investments consisting of the short-term investment of liquid assets. These financial assets are recognised at fair value through profit and loss statement. The fair value of income fund investments has been determined based on price quotations published in an active market, namely the bid quotations on the closing date. Realised and unrealised gains and losses arising from changes in fair value are recognised in the income statement in the period in which they arise.

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 finnish 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.

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.

Principles of revenue recognition
Sales of goods and services rendered

Revenue from the sale of goods is recognised when significant risks and rewards of owning the goods are transferred to the buyer. Revenue recognition generally takes places when the transfer has taken place. Revenue for rendering of services is recognised when the service has been performed. When recognising turnover, indirect taxes and discounts, for example, have been deducted from sales revenue. Possible exchange rate differences are recognised in the financial income and expenses.

Notes to the parent company financial statements

Long-term projects

Revenues from long-term projects are recognised using the percentage of completion method, when the outcome of the project can be estimated reliably. The stage of completion is determined for each project by reference to the relationship between the costs incurred for work performed to date and the estimated total costs of the project.

When the outcome of a long-term project cannot be estimated reliably, project costs are recognised as expenses in the same period when they arise and project revenues only to the extent of project costs incurred where it is probable that those costs will be recoverable. When it is probable that total costs necessary to complete the project will exceed total project revenue, the expected loss is recognised as an expense immediately.

Other operating income and expenses

Gains on the disposal of assets as well as income other than that relating to actual performance-based sales, such as rental income, are recognised as other operating income.

Losses on the disposal of assets and expenses other than those relating to actual performance-based sales are included in other operating expenses.

In addition, fair value changes in derivatives to which the Group does not apply hedge accounting under IAS 39 are recognised in other income and expenses.

2. Net sales by market area

EUR million	Parent Company 2005	Parent Company 2004
Europe	56.3	51.2
of which Finland	7.5	6.0
North America	36.1	29.3
Asia and Australia	33.3	36.3
Africa, South and Central America	8.9	9.7
Total	134.5	126.5

3. Other operating income

EUR million		
Gains on the disposal of fixed assets	0.0	0.0
Foreign exchange gains from derivatives	0.2	1.2
Others	0.0	0.1
Total	0.2	1.3

Other operating costs

Foreign exchange losses from derivatives	-1.5	-0.5

4. Personnel

Personnel costs

EUR million		
Wages and salaries	32.4	28.2
Pension costs	5.0	4.0
Other personnel costs	2.8	1.6
Total	40.2	33.7

Personnel on average during the year (persons)

In Finland	679	694
Outside Finland	20	19
Total	698	713

Notes to the parent company financial statements

Personnel Dec. 31

	2005	2004
In Finland	644	673
Outside Finland	23	18
Total	667	691

Salaries

EUR million		
Pekka Ketonen, Presidents and CEO		
Salary	0.21	0.22
Bonuses	0.04	
Remuneration paid to Members of the Board of Directors		
Raimo Voipio, Chairman of the Board	0.03	0.03
Pekka Hautojärvi, Member of the Board	0.01	0.01
Mikko Niinivaara, Member of the Board	0.01	0.01
Yrjö Neuvo, Member of the Board	0.01	0.01
Mikko Voipio, Member of the Board	0.01	0.01
Gerhard Wendt, Member of the Board	0.01	0.01
	0.35	0.31
Salaries paid to the other employees	28.10	26.06
Total	**28.45**	**26.37**

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

EUR million	2005	2004
Dividend income		
From Group companies	3.3	1.1
From others	0.0	0.0
Interest income on long-term investments		
From Group companies	0.2	0.1
Other interest and financial income		
From Group companies		
From others	0.7	0.7
Change in fair value of assets recognised at fair value through profit an loss	0.2	0.0
Interest and other financial expenses		
From others	-0.1	-0.1
Foreign exchange gains and losses		
From Group companies	1.2	0.6
From others	1.6	-1.4
Total	7.2	1.2

6. Income taxes

EUR million	2005	2004
Taxes for the financial year	5.3	5.6
Taxes from previous years	0.0	0.0
Taxes paid at source abroad	0.0	0.0
Deferred tax liability	0.4	-0.1
Total	5.7	5.6

7. Fixed assets and other long-term investments

Parent Company

EUR million	Intangible rights	Other long-term expenditure	Total
Intangible assets			
Acquisition cost Jan. 1	12.2	0.8	13.0
Increases	0.8	0.0	0.8
Decreases	0.0	-	0.0
Transfers between items	-	-	-
Acquisition cost Dec. 31	13.0	0.8	13.7
Accumulated depreciation and write-downs Jan. 1	9.9	0.4	10.3
Accumulated depreciation of decreases and transfers	0.0	-	0.0
Depreciation for the financial year	1.3	0.0	1.4
Write-downs	-	-	-
Accumulated depreciation Dec. 31	11.2	0.4	11.7
Balance sheet value Dec. 31. 2005	**1.7**	**0.4**	**2.1**
Balance sheet value Dec. 31. 2004	2.3	0.4	2.7

EUR million	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Tangible assets						
Acquisition cost Jan. 1	1.2	28.7	29.1	0.0	2.0	61.0
Increases	-	0.0	1.0	-	1.8	2.8
Decreases	-	-0.6	-0.7	-	0.0	-1.3
Transfers between items	-	0.2	1.8	-	-2.0	-
Acquisition cost Dec. 31	1.2	28.3	31.2	0.0	1.7	62.5
Accumulated depreciation and write-downs Jan. 1	-	10.7	21.2	-	-	31.9
Accumulated depreciation of decreases and transfers	-	-0.6	-0.7	-	-	-1.3
Depreciation for the financial year	-	1.5	3.2	-	-	4.8
Write-downs	-	-	-	-	-	-
Accumulated depreciation Dec. 31	0.0	11.7	23.7	0.0	0.0	35.4

EUR million	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Revaluation	0.1	5.6	-	-	-	5.7
Balance sheet value Dec. 31, 2005	**1.3**	**22.3**	**7.5**	**0.0**	**1.7**	**32.9**
Balance sheet value Dec. 31, 2004	1.3	23.6	7.9	0.0	2.0	34.8

The undepreciated acquisition cost of machinery and equipment belonging the tangible fixed assets was EUR 21.5 million on 31.12.2005 (EUR 20.9 million 31.12.2004).

Parent Company

EUR million	Subsidiary shares	Other shares and holdings	Other long-term receivables from Group companies	Total
Investments				
Acquisition cost Jan. 1	20.8	0.0	3.5	24.3
Increases	0.6	-	15.7	16.3
Decreases	-	-	-0.9	-0.9
Transfers between items	-	-	-	-
Balance sheet value Dec. 31	**21.4**	**0.0**	**18.3**	**39.7**
Balance sheet value Dec. 31, 2004	20.8	0.0	3.5	24.3

8. Deferred assets

EUR million	2005	2004
Tax related deferred assets	1.8	1.2
Other deferred assets	1.8	1.3
	3.7	2.5

9. Fianancial assets

Other investments

Income fund interest-bearing papers	27.2	

Cash and bank balances

Cash and balance in the bank accounts	9.7	8.4
Certificates of deposit	11.2	35.3
	20.9	43.8

Financial assets recognised at fair value through profit and loss include income fund investments which involve the short-term investment of liquid assets. The maturity of these income fund interest-bearing papers is at most one year. The income fund investments are publicly quoted securities, whose fair value is determined in the market. The change in fair value has been recognised in the income statement group financial income and expenses. In 2004 there were no income fund investments.

Certificates of deposit consist of short-term, highly liquid investments whose maturity is less than 3 months and which are mainly involved in the short-term investment of liquid assets.

10. Deferred tax assets and liabilities

EUR million	2005	2004
Deferred tax assets		
Timing differences	0.0	0.3
	0.0	0.3
Deferred tax liabilities		
Timing differences	0.0	0.0
	0.0	0.0
Deferred tax assets/liabilities, net	0.0	0.3

The deferred tax liability arising from revaluation has not been taken into account.
If realized, the tax effect of revaluation would be EUR 1.5 million at the current 26% tax rate.

11. Shareholders' equity

The parent company's shares are divieded into series, with 3,409,285 series K shares (20 votes/share) and 14,256,165 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.

EUR million	2005	2004
Share capital		
Series A Jan. 1	5.9	5.9
Converted from series K to A	0.0	0.0
Share issues	0.1	-
Series A Dec. 31	6.0	5.9
Series K Jan. 1	1.4	1.4
Converted from series K to A	0.0	0.0
Share capital Dec. 31	7.4	7.4
Shares issued 2005	5.4	
Reserve fund Jan. 1	7.3	7.3
Translation difference	3.8	-
Reserve fund Dec. 31	11.0	7.3
Profit from previous years Jan. 1	108.9	116.8
Dividends paid	-13.1	-21.8
Translation difference	-	-
Profit from previous years Dec. 31	95.4	94.5
Profit for the financial year	18.7	14.0
Total equity	**138.0**	**123.1**

Notes to the parent company financial statements

12. Obligatory provisions

EUR million	2005	2004
Reserve for social costs		0.0
Pension reserve	0.5	0.5
Other reserve		0.1
	0.5	0.6

13. Non-current liabilities

The company has no loans that would mature after five years or a longer period.

14. Accrued expenses and deferred income

EUR million	2005	2004
Wages, salaries and wage-related liabilities	10.6	4.5
Tax liabilities	-	-
Other accrued expenses and deferred income	2.7	2.9
	13.3	7.3

15. Receivables and liabilities from other companies in the Vaisala Group

EUR million	2005	2004
Non-current loan receivables	18.3	3.5
Current loan receivables	2.7	0.9
Trade receivables	14.2	10.6
Prepaid expenses and accrued income	0.1	0.0
Total receivables	35.3	15.0
Trade payables	0.7	0.6
Accrued expenses and deferred income	0.0	0.1
Total liabilities	0.7	0.8

16. Contingent liabilities and pledges given

EUR million	2005	2004
For own loans/commitments		
Guarantees	6.0	6.3
For Group companies		
Guarantees	2.2	4.2
Other own liabilities		
Pledges given	0.1	0.0
Leasing liabilities		
Payable during the financial year	0.1	0.5
Payable later	0.1	0.5
	0.2	0.9
Total contingent liabilities and pledges given	8.5	11.5

Derivative contracts (M€)

Capital of off-balance sheet contracts made to hedge against exchange rate and interest risks		
Currency forwards	12.7	8.8
Total capital	12.7	8.8

Fair value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks (M€)

Currency forwards	-0.1	0.2
Fair value, total	-0.1	0.2

Shares and shareholders, December 31, 2005

Largest shareholders, Dec. 31, 2005

	% of votes	%of Series K Shares	%of Series A Shares	%of total shares
Finnish Academy of Science and Letters	21.9	25.8	3.2	7.5
Novametor Oy	12.7	13.3	9.7	10.4
Mikko Voipio	7.7	8.8	2.3	3.5
Anja Caspers	7.1	8.3	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	4.4	4.3
Inkeri Voipio	2.2	0.0	12.8	10.3
Jaakko Väisälä estate	1.6	1.8	1.1	1.2
Tuulikki Laasonen	1.3	1.6	0.0	0.3
Ilmarinen Mutual Pension Insurance Company	1.3	0.0	7.4	5.9
Minna Luokkanen	1.3	1.5	0.1	0.3
Nominee registered	2.6	0.0	15.1	12.2

Ownership structure by owner type. December 31. 2005

	Number of owners	% of votes	% of Series K Shares	% of Series A Shares	% of total shares
Companies	238	13.2	13.4	12.3	12.5
Financial and insurance institutions	18	5.3	4.0	11.6	10.2
Municipalities	10	2.3	0.0	13.4	10.8
Non-profit organizations	70	22.2	25.8	5.3	9.2
Private individuals	4 245	54.3	56.8	42.1	44.9
Outside Finland and nominee registered	24	2.7	0.0	15.3	12.4
Not transferred to the book-entry system	0	0.0	0.0	0.1	0.1
Total	4 605	100.0	100.0	100.0	100.0

Shares and shareholders

Ownership structure by shareholding, December 31, 2005

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	1 482	32.2	0.1	0.6	2	0.0	1 481	0.7
101–1000	2 647	57.5	1.4	5.4	19	0.3	2 643	6.6
1001–10000	379	8.2	4.3	6.5	25	3.7	379	7.2
10001–100000	77	1.7	22.8	16.7	26	24.5	64	14.9
100001–	20	0.4	71.4	70.8	7	71.5	18	70.6
Not transferred to the book-entry system	0	0.0	0.0	0.1	0	0.0	0	0.1
Total	4 605	100.0	100.0	100.0	79	100.0	4 585	100.0

Proposals of the Board of Directors to the annual General Meeting

Proposals of the Board of Directors to the Annual General Meeting

The Board of Directors proposes that the accounts fo the financial year January 1, 2005 to December 31, 2005 be adopted by the Annual General Meeting in the from presented by the Board.

The Group's distributable funds total EUR 134.5 million and the parent company's distributable funds EUR 114,513,388.55.

The Board of Directors proposes that a divident of EUR 0.75 per share corresponding to a total of EUR 13,443,900.00 be paid for the financial year January 1, 2005 to December 31, 2005 .

Vantaa, February 14, 2006

Raimo Voipio puheenjohtaja	Pekka Hautojärvi	Mikko Niinivaara
Yrjö Neuvo	Mikko Voipio	Gerhard Wendt
	Pekka Ketonen toimitusjohtaja	

Auditor's report

Auditor's report

To the shareholders of Vaisala Corporation

We have audited the accounting records, the financial statements and the administration of Vaisala Corporation for the period 1.1. - 31.12. 2005. The Board of Directors and the Managing Director have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration 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 a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and theManaging Director of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The 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 period audited by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Companies' Act.

Helsinki, 14 February 2006

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen	Jukka Ala-Mello
Authorised Public Accountant	Authorised Public Accountant

Information for shareholders

Annual General Meeting

Vaisala Oyj's Annual General Meeting will be held on Thursday March 23, 2006, at 5 p.m. at the company's head office, Vanha Nurmijärventie 21, 01670 Vantaa.

Right of attendance

Shareholders who are registered in the company's share register maintained by the Finnish Central Securities Depository Ltd by 13 March 2006 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 2006. 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 11 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

Two members of the Board of Directors, Mr Pekka Hautojärvi and Mr Mikko Voipio are to retire by rotation. 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 23 March 2006 that the number of Board members should be five. The Board proposes the re-election of Mr Mikko Voipio, and Mr Stig Gustavson to replace Mr Pekka Hautojärvi. Mr Gerhard Wendt is retiring from the Board for personal reasons. The Board is not proposing any replacement for Mr Wendt.

The Board proposes PriceWaterhouseCoopers Oy and Mr Hannu Pellinen APA, to be selected as Vaisala Oyj's Authorized Public Accountants.

The proposed members of the Board of Directors and the Authorized Public Accountants have given their consent for the election.

Payment of dividend

The Board of Directors proposes to the Annual General Meeting held on March 23, 2006, that a dividend of EUR 0.75 per share be paid for the financial year 2005, and the remaining part of the review period's profit be held on the account for profit funds. According to the balance sheet of December 31, 2005, the Group's distributable funds are EUR 134.5 million, and the parent company's EUR 114,513,388.55. According to the proposal, a total of EUR 13,443,900.00 will be used to dividend payments, representing 54% of the profit after tax.

The record date for dividend payment is March, 28, 2006, and it is proposed that the dividend will be paid on April, 4, 2006.

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22 offices in
11 countries.

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VAISALA
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Investor calendar 2006

Vaisala Oyj will publish three interim reports in 2006 in Finnish and English according to the following schedule:

May 4, 2006	Interim Report 1.1. - 31.3.2006 (Q1)
Aug 7, 2006	Interim Report 1.1. - 30.6.2006 (Q2)
Oct 31, 2006	Interim Report 1.1. - 30.9.2006 (Q3)

Financial reports can be ordered from:

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 2005 brochure will be published in Finnish and English. The brochure will be distributed to all Vaisala shareholders on week 10 (March 6-10, 2006).

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.

VAISALA
www.vaisala.com

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