

Annual Report 2006

This is a print-out of the contents
of the Vaisala 2006 Annual Report.
To view the online report please go
to: www.vaisala.com/annualreport

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CEO's review

Year 2006 exceeded expectations

Year 2006 was an extremely good year for Vaisala. Our net sales grew 12% to EUR 220.8 million. Organic growth was complimented by the business acquisition of weather radar signal processor and application software manufacturer Sigmat. The year was positive for all our businesses, particularly industrial instruments and surface weather observation networks.

Operating profit grew 32%, and we are very pleased with this result. Positive development could also be witnessed in the increase of Vaisala's stock value and intensified exchange.

Growth in all businesses

Net sales grew significantly in all our three divisions. Active demand and growth in the number of orders received were reflected throughout the Group.

Sigmat's year was better than expected, and behind Vaisala Measurement Systems division's positive result. The outsourcing of the radiosonde assembly was a great structural change, which caused some one-off costs. Annual cost-savings of approximately 1.5 million euros are sought from the outsourcing deal, starting from 2007.

Vaisala Instruments division's sales grew particularly in the United States and China. The division's operating profit grew nearly 40%. This was achieved through improvements in the order-delivery process. The new oxygen measurement product is expected to be the next big hit in industrial measurement.

Vaisala Solutions concentrates on customer-specific application know-how and tailored solution offering. Year 2006 demonstrated that focus is producing the desired results; the demand for comprehensive solutions remained on a good level, and the number of orders received grew more than expected. Particularly the sales of surface weather observation networks were strong.

Geographically balanced markets

Most of our sales are rather evenly distributed between North America (36 %), Europe (34 %) and Asia-Pacific (24 %). The fourth region, comprising Africa and South and Central America, covers 6% of our sales.

Year 2006 did not bring significant changes to this situation, and growth remained strong in all regions. The greatest growth was witnessed in Asia-Pacific, where growth was 15%. We are also happy with the sales results in North America because, regardless of the weakened dollar, growth was 12%. An interesting observation is that the growth in sales per division took place in different regions: Vaisala Measurement Systems in Africa and South and Central America, while Vaisala Instruments in North America and China, and Vaisala Solutions in Europe.

Our office network covers the important market areas well. During the review period, we invested in China by opening an office in Shenzhen. We also decided to open a representative office in Dubai, United Arab Emirates. The office will start operations in 2007.

On customers' terms

Our customers represent very different groups. Vaisala products are used by many professionals ranging from professional meteorology to engineers working in industrial environments, to ski center entrepreneurs. In order to better serve them all, we re-organized our sales organization based on customer segments in the beginning of 2006. We divided our customers into six weather and one industrial segment, and each of these is catered for by a dedicated sales team.



Outlook for 2007

We expect market development to continue positive also in 2007. Our main efforts will be on maintaining our strong market position, as well as on our growth areas such as industrial measurements, new weather radar, and services. Our product development efforts will also remain on a high level, approximately around EUR 20 million, because leading technology and star products are an absolute prerequisite for our success.

Able and committed personnel

I started as Vaisala CEO on October 1, 2006. The first few months have already shown that I am at the helm of a world-class company and personnel whose innovativeness and commitment have enabled Vaisala to reach its significant position in the demanding field of environmental measurement. Last year is proof of the fact that everyone has once again given their very best. A warm thanks to all Vaisala personnel.

I also wish to express my thanks to my predecessor Pekka Ketonen. During the past 15 years in his leadership, Vaisala has grown and reached its leading position. This is a good starting point for me. I am convinced that our success will continue also in the future.

Kjell Forsén

CEO's webcast

See Vaisala CEO Kjell Forsén's interview, where he analyzes Vaisala's 2006 result and talks about the environmental measurements business.

[Watch the webcast.](#)



Year 2006

2006 was a milestone for Vaisala, as the company celebrated its 70th anniversary. The celebrations culminated in an extremely good financial result.

Vaisala's net sales grew to EUR 220.8 million. Active demand and growth in the number of orders received were witnessed throughout the Group. Sales grew in all our main markets - North-America, Europe, and Asia-Pacific. Organic growth was complemented by the business acquisition of weather radar signal processor and application software manufacturer Sigmat Inc.

The main organizational changes were the outsourcing of the radiosonde assembly to Malaysia, and the reorganization of the sales organization. The outsourcing proceeded as planned, and deliveries to customers started in the second half of 2006. In the beginning of 2006, Vaisala re-organized its sales organization based on customer segments. The goal is to serve our different customer groups more efficiently.

In the beginning of October, Vaisala appointed a new CEO. Kjell Forsén took up the role from his predecessor Pekka Ketonen, who had expressed his wish to retire.

Vaisala has been able to maintain its strong market share in the fierce competition. Our goal also in the future is to be the global market leader in our chosen business areas.

Highlights in 2006

Vaisala celebrated its 70th anniversary in 2006

Vaisala's story began in 1936, when Professor Vilho Väisälä established the company and delivered the first radiosondes to the Massachusetts Institute of Technology, MIT, in the United States. Through seven decades and many events, Vaisala has grown to global leadership in the field of weather observations and environmental measurement. Read the [press release](#).

Record sales for Vaisala

Vaisala won a major contract from the US National Weather Service

Vaisala has been awarded a major contract from the United States National Weather Service (NWS). The order includes a maximum of 1200 cloud height measurement instruments. The estimated value of the contract is EUR 12.4 million. The delivery will be carried out in phases, mainly taking place in 2008 - 2010. Vaisala ceilometers will be integrated into National Weather Service's Automated Surface Observing System network. Read the [stock exchange release](#).

Vaisala to supply ceilometers and visibility instruments to U.S. airports

The U.S. Federal Aviation Administration (FAA) awarded Vaisala a EUR 4.4 million contract to supply ceilometers and visibility instruments for the Federal Automated Weather Observation System (AWOS) program. Read the [stock exchange release](#).

Vaisala received a large aviation weather solutions order

Vaisala signed a significant contract with a long-standing customer to provide two airports with automated weather observation solutions. The total value of the contract is EUR 7.5 million. Read the [stock exchange release](#).

New Vaisala product for oxygen measurements

In May, Vaisala introduced a new product for oxygen concentration measurements in industrial processes. The measurement device is based on a new type of optical sensor technology. Read the [stock exchange release](#).

Vaisala's carbon dioxide product deliveries hampered by fire at the VTT Technical Research Centre

Due to fire in the clean room of the VTT microelectronics center in February, VTT was unable to manufacture components required for Vaisala's carbon dioxide sensors for approximately six months. Read the [stock exchange release](#).

Vaisala grew, developed and was renewed

Vaisala's acquisition of Sigmat Inc. completed

In December 2005, Vaisala signed a contract for the acquisition of 100% of the US based Sigmat Inc.'s stock. The

acquisition was completed and Sigmet was integrated as part of Vaisala on January 4, 2006. The purchase price was approximately EUR 16.5 million. Vaisala Sigmet product line is the leading weather radar signal processor and application software producer in the world. Read [more about Sigmet](#).

Vaisala outsourced some of its radiosonde production functions

Vaisala outsourced some of Vaisala Measurement Systems division's production functions. Part of the division's radiosonde final assembly functions were outsourced to Vaisala's long-term subcontractors in Malaysia. The tools workshop organization's functions were decentralized to various contractors in the field. As a result, Vaisala gave notice to 37 people. The financial impact is estimated to be some 1.5 MEUR annual improvement in the division's result, starting from fiscal year 2007. Read the [stock exchange release](#).

Sales organization renewed

In the beginning of 2006, the business unit sales teams were re-organized into a **new sales organization** based of customer segments. Customers were divided into seven segments, each of which is served by a dedicated sales team.

New Vaisala CEO

Licentiate of Technology Kjell Forsén (47 years) started as the new Vaisala CEO on October 1, 2006. Pekka Ketonen, who has acted as Vaisala's CEO since 1992, retired on January 1, 2007. Read the [stock exchange release](#).

Vaisala strengthened its office network

Vaisala enhanced its presence in China by opening a new office in Shenzhen. The company also decided to establish a representative office in Dubai, United Arab Emirates in the beginning of 2007. Read the [stock exchange release](#).

Share-based incentive program for Vaisala's key personnel

Vaisala launched a share-based incentive program for approximately 50 Vaisala key personnel. The incentive program duration is two years. At maximum, the expenses of the share-based incentive program correspond to the value of 130.000 shares. Read the [stock exchange release](#).

Improved risk management

In 2006, Vaisala management assessed the **risks relating to the Group's operations**. Based on this assessment, a comprehensive risk management policy was composed. The goal of the policy is to ensure the safety of Vaisala personnel, operations and products and continuity of operations. The policy also covers the company's intellectual property, image and brand, complying with laws and regulations, and includes appropriate and accurate risk profile in decision-making. The action-plan for risk management becomes effective in 2007.

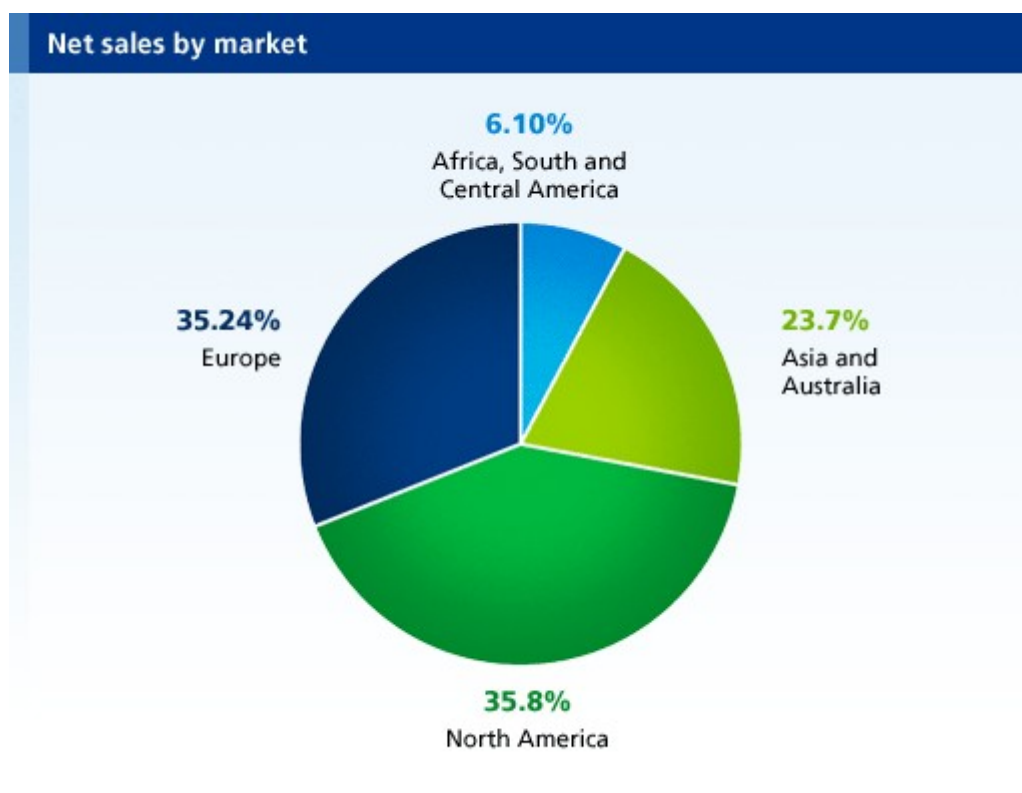
Implementation project for new enterprise resource planning system started

At the end of the year the decision was made to start the implementation project of a new enterprise resource planning system, which will include Vaisala's global organization and replace many systems currently in use. The new system is planned to be launched simultaneously in all Vaisala offices and in its full scale at the end of 2008.

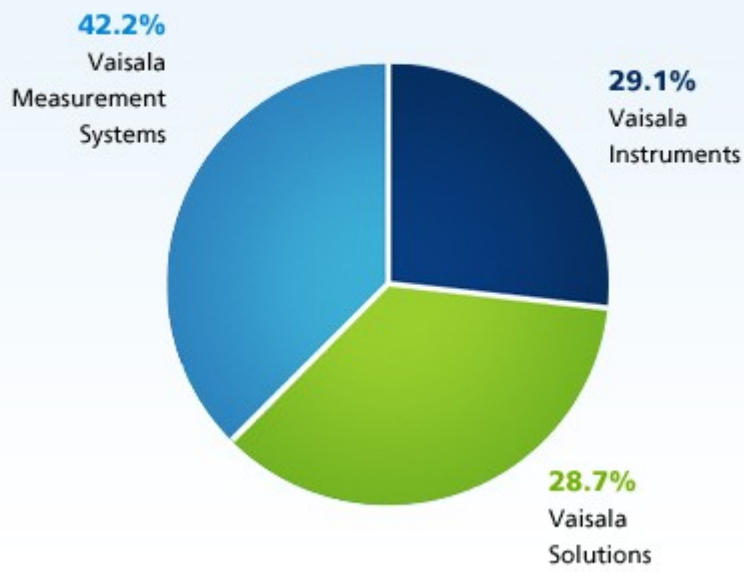
Key figures

| | 2006 | 2005 |
|---|-------|-------|
| Net sales | 220.8 | 197.9 |
| Operating profit | 39.6 | 30.1 |
| Profit before taxes | 38.2 | 34.1 |
| Return on equity (ROE) % | 16.4 | 17.5 |
| Return on investment (ROI) % | 23.5 | 23.8 |
| R&D expenditure M€ | 20.6 | 19.8 |
| Orders received M€ | 243.6 | 196.5 |
| Order book M€ | 77.6 | 55.3 |
| Average personnel | 1069 | 1062 |
| Earnings/share (EPS) € | 1.46 | 1.42 |
| Cash flow from business operations/share € | 1.96 | 2.21 |
| Dividend/share (* Proposal by the Board of Directors) € | *0.85 | 0.75 |

Key figures in graphs

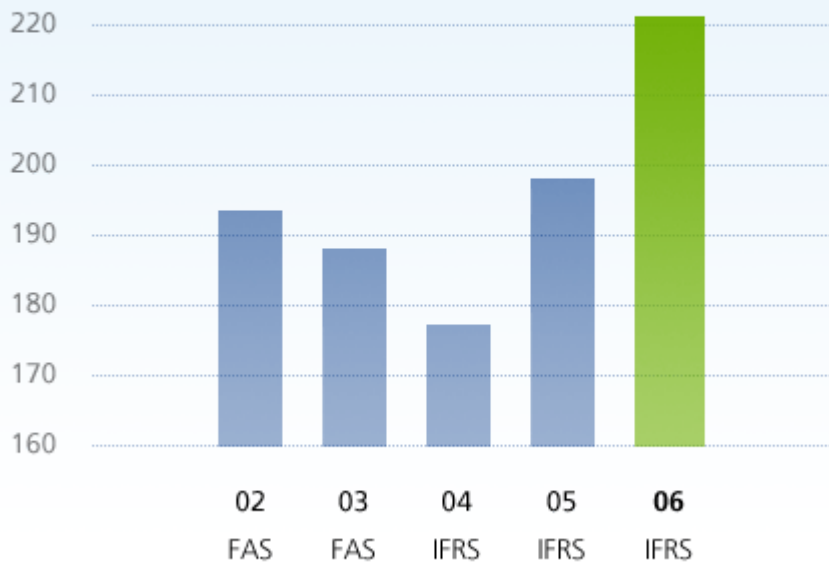


Net sales by division



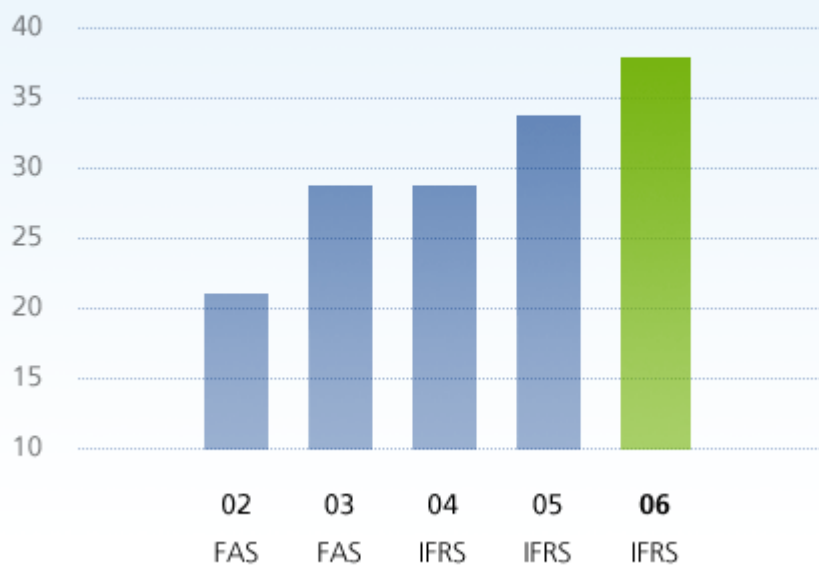
Development of net sales

EUR million



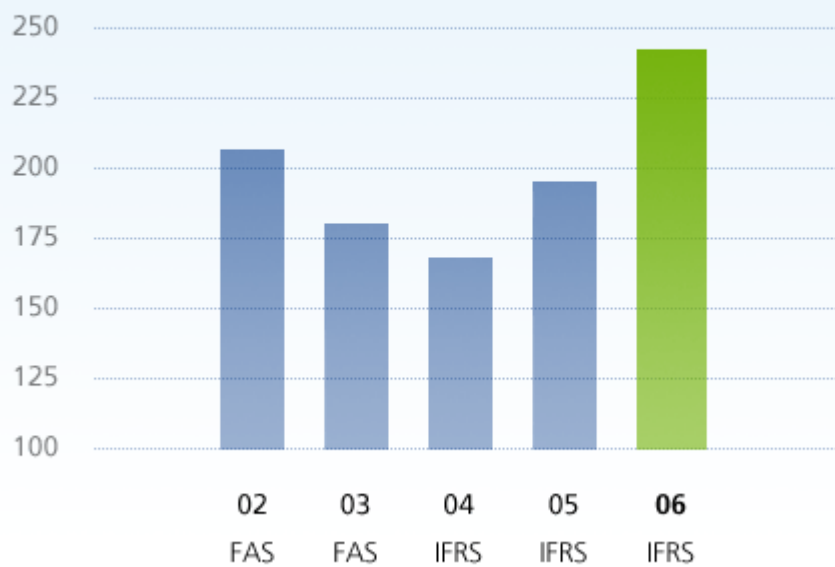
Profit before tax

EUR million

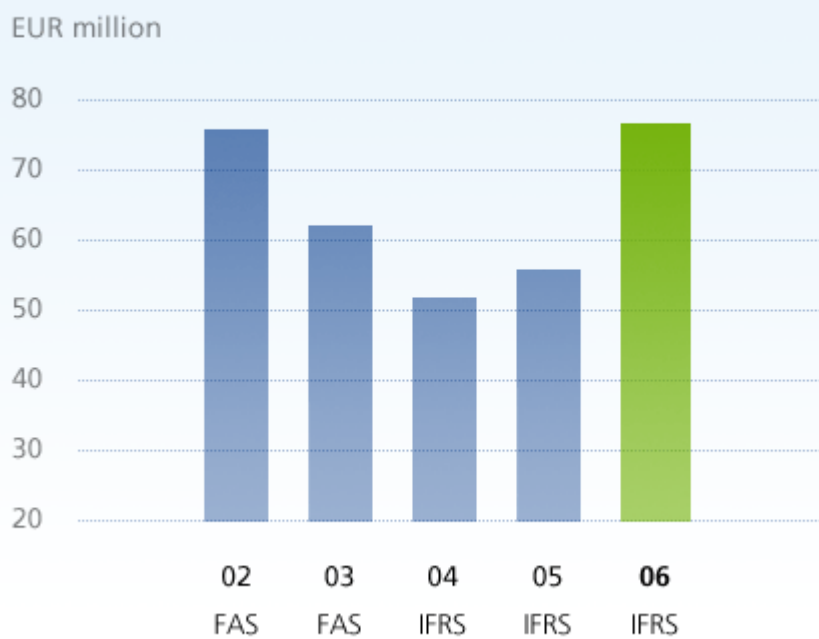


Orders received

EUR million



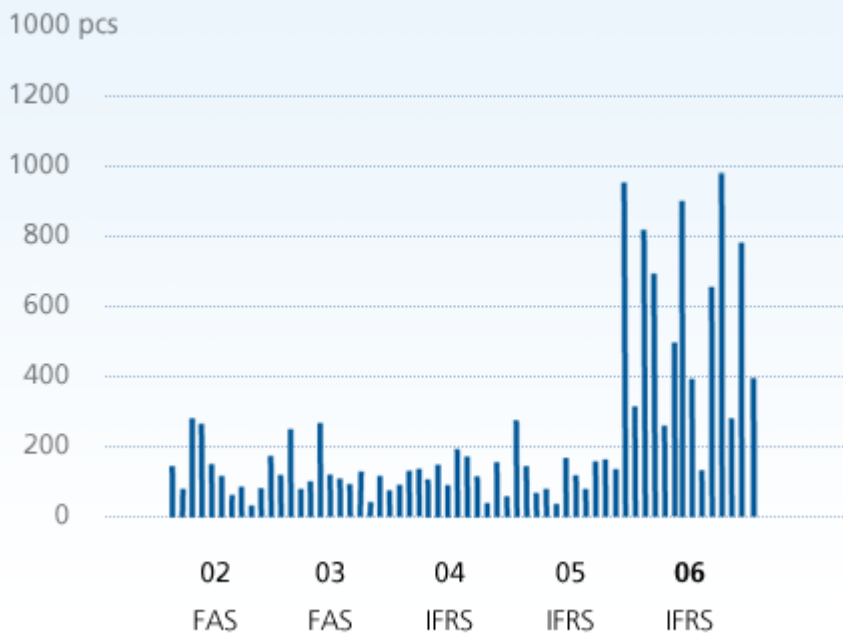
Order book, Dec. 31



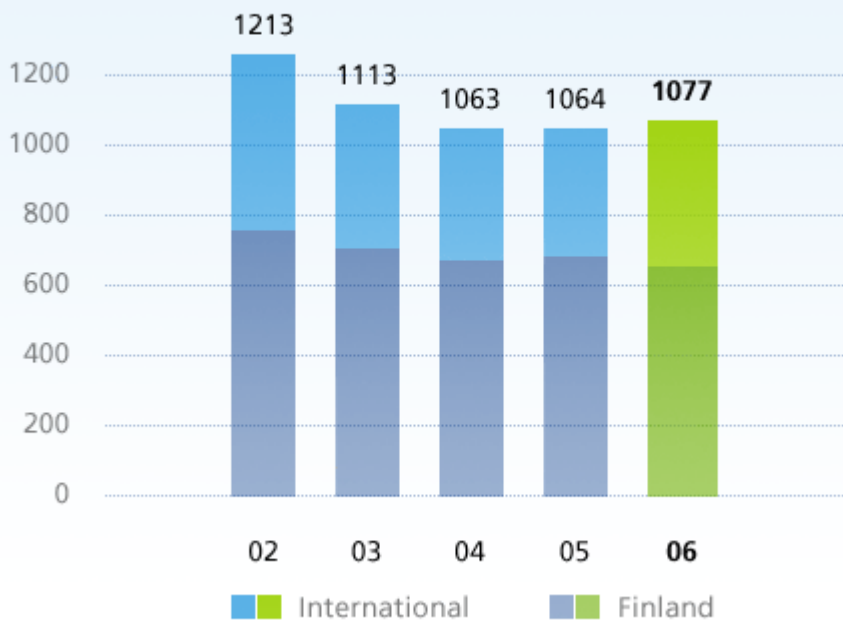
Series A share, performance



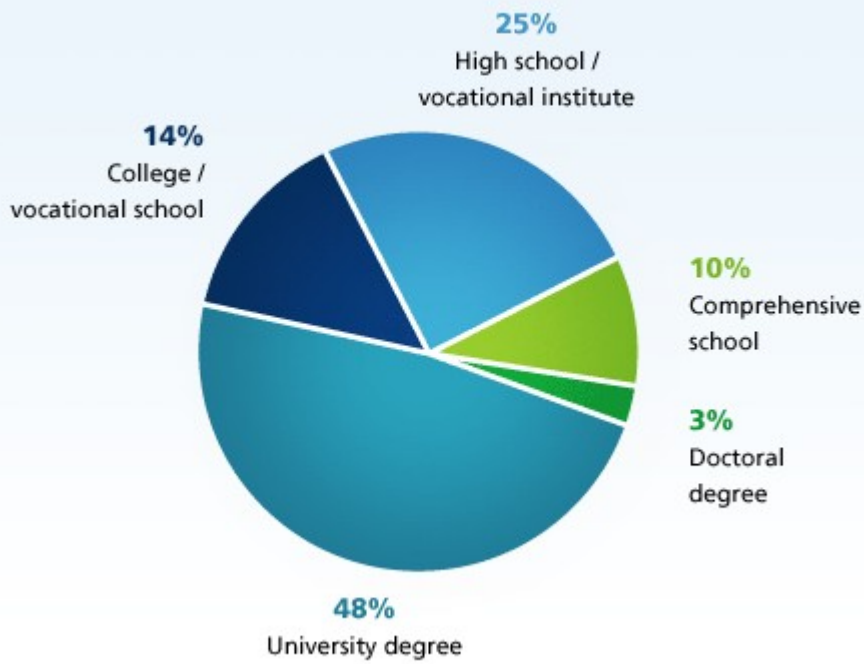
Series A share, monthly trading



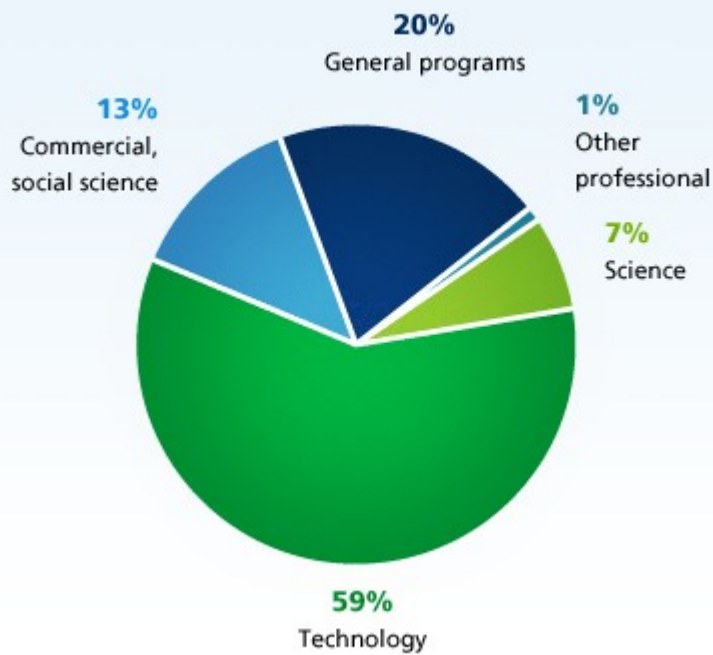
Personnel by the end of the year



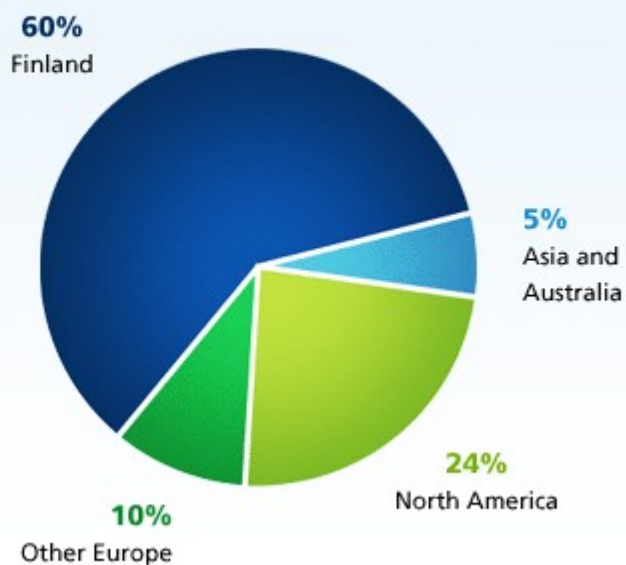
Personnel by level of education



Personnel by area of education



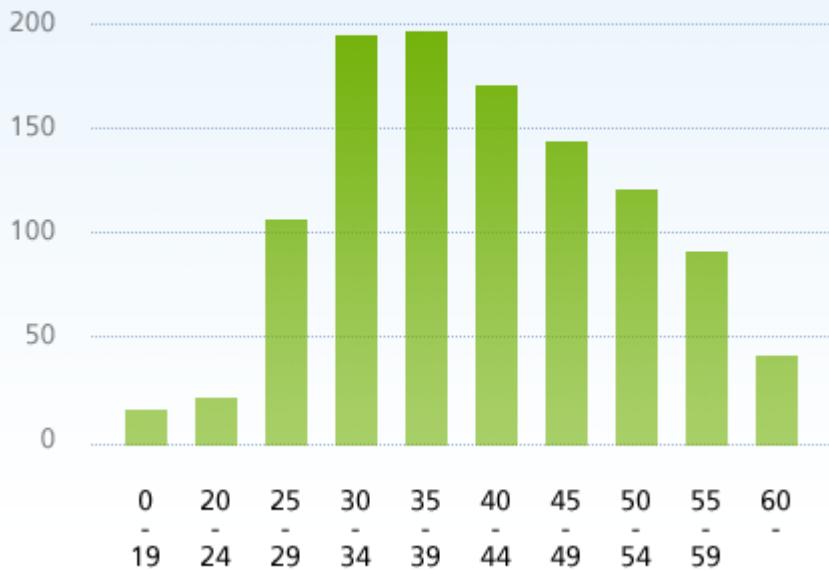
Personnel by geographical area



Personnel by gender



Personnel by age



FAQ 2006

How could the year 2006 be described for Vaisala?

2006 was a very good year for us, better than expected. Our net sales grew 12 % and operating profit 32 %. In addition to organic growth, the Sigmec business acquisition had a positive effect on net sales. Vaisala Instruments division's operating profit grew nearly 40%. Measures to improve the order-delivery process played a significant role in this.

We outsourced the Vaisala Measurement Systems division's radiosonde assembly to our longstanding partner in Malaysia. This caused approximately one million euros in one-off costs but from 2007 on we expect to see some 1.5 million euros' improvement in the division's result.

Climate change is a burning issue today. How does it affect Vaisala's business?

An important task of national weather services is to issue warnings on weather conditions that can be harmful to people and property. Vaisala provides equipment, systems and data for weather observations, and the forecasts are based on these. Along climate change, extreme weather phenomena are becoming more common around the world. Weather-awareness is growing and people worldwide are increasingly pondering the effects of these changes on life, the environment and society. Along with this development, the need for more accurate and reliable measurement data is growing. Weather observation equipment and systems must work flawlessly in all situations, and there must be enough of them. Weather-awareness and changing weather conditions are likely to bring some new business to Vaisala.

If we look at this in the long run, we believe that more accurate weather observations - and particularly the forecasting of short-term and local weather phenomena such as heavy rain and tornados - necessitate the use of data produced by dense precision weather networks.

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

The precision weather service I mentioned earlier is a growing trend, and we're testing it in the Helsinki Testbed project. Weather conditions, both by location and time, can be forecast more accurately with dense weather observation networks. The improvement of short-term forecasts is strongly on the agenda, and for many end-users this kind of information is in fact more valuable than traditional weather forecasts. Thanks to the internet, mobile phones and other mobile equipment, the information can also be accessed where and when required.

Vaisala is also specialized in measurement equipment for industrial use. Where are these instruments used, and what is Vaisala's market position in these markets?

We have numerous instruments for the measurement of, for example, humidity, barometric pressure, dewpoint, carbon dioxide and oxygen. Our measurement equipment is used in many applications in different industrial fields, such as pulp and paper, food and beverage, pharmaceutical and automotive industries. With these instruments, our customers are able to improve their operations and ensure a safe working-environment. As industrial processes are improved thanks to accurate environmental measurements, product quality can also be improved and energy-savings made.

Industrial instruments produce approximately one fifth of the Group's net sales. The market share of Vaisala humidity products is 30% and the barometric pressure instruments 40%. Both are market leaders in their categories.

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.

In industrial measurements, the constant development of production processes and technologies generate new business for us, as well as individual issues such as environmental-awareness, energy-savings, workplace safety and tight quality standards.

Vaisala products are used in over 100 countries. This number includes many developing countries. What is their significance now and in the future?

We have actively worked in developing countries for decades. We are primarily involved in joint ventures. The increase in available funds produces infrastructure projects, and weather observation networks are an important part of these. Tourism, for example, is one of the main sources of income for many countries. Tourism requires good connections and well-operating airports. The airports require reliable weather observation networks to ensure safe and efficient traffic flow.

Industrial activities also become more common as nations develop and globalization proceeds. For example, the Chinese market is a growth area for us.

Globalization forces companies to continuously improve efficiency. Vaisala has also outsourced its radiosonde assembly operations to Malaysia last year. 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 and it has been a strategic choice for us from the beginning. We seek the kinds of partners and operating locations which provide business benefits in either costs or know-how. Vaisala has been a global actor for 70 years already, so we don't have preferences in locations. The quest for optimal arrangements is part of normal business development for successful companies. Companies must act proactively to ensure their competitiveness. This is what we are doing.

Today we have over 20 offices around the world. They handle sales and marketing, production and product development. This fall we opened a new kind of office in Shenzhen, South China. This office handles both local instrument sales and global procurement.

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, Vaisala is first and foremost known for our premium class products - the best for demanding professionals - so our main competitive edge stems from reliable and efficient products. Costs are obviously fought in all businesses, and our processes and operations are under constant scrutiny.

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's goal has always been to grow faster than the growth in professional meteorology. This goal of over 10% growth has been reached in the past couple of years. Also the markets for our industrial instruments have growth potential as we keep discovering new application areas. For example, the carbon dioxide and dewpoint measurement products are only taking the first steps in their life span, so there is much space to increase their market share. This year we are launching the first Vaisala weather radar, which we expect to be a very successful product. The share of service business in our net sales is now some 10%, so efforts there also have a high priority.

Vaisala's strong markets are currently in North America, Europe and Asia-Pacific, where we expect to grow our market share. Also South America is of great interest, and we have plans to increase our efforts there.

In the long run we also seek growth in the precision weather business. Experiences gained from the Helsinki Testbed research project have already produced some practical efforts, which are well under way.

How does the weather radar differ from the radars already available, and what kinds of goals have been set for its sales?

Vaisala radar has been developed using the so-called dual polarization technology. This means that its measurement accuracy is better and its antenna technology is of very high performance. Naturally we will use Sigmet signal processors and software in our radar. Dual polarization radars are able to distinguish between different types of precipitation from liquid precipitation to snow and hail. Our goal is also to facilitate the end-user's tasks. For example, the Vaisala radar actively sends clear messages to the user about the precipitation situation. We have also connected lightning data to the radar display, so thunderstorm developments can be observed from the same display unit.

How could Vaisala's current strategy be summarized?

We focus on the market for environmental measurements; we are the leading company in weather measurements and in environmental measurements for the use of industry. Our goal is global market leadership in our chosen fields. The means to reach this goal vary depending on the line of business, for example, with industrial instruments our focus is on product leadership. In solution business, on the other hand, it is fundamental to establish a close relationship with your customers and understand their specific applications. We also utilize the synergy advantages provided by our global presence, and work together with world-class partners.

What is the outlook for 2007?

We expect the positive market developments to continue also in 2007.

Shareholder info

Annual General Meeting

Vaisala Oyj's Annual General Meeting will be held on Thursday March 22, 2007, at 5 p.m. at the company's head office, Vanha Nurmijärventie 21, 01670 Vantaa.

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

1. Items specified in Article 13 of the Articles of Association.

Right of attendance

Shareholders who are registered in the company's share register maintained by the Finnish Central Securities Depository Ltd by 12 March 2007 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 Wednesday 14 March 2007. 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

Board member Yrjö Neuvo is in turn 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 22 March 2007 that the number of Board members should be six. The Board proposes the re-election of Mr Yrjö Neuvo. The Board also proposes Ms Maija Torkko as a new member.

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

According to the financial statements of December 31, 2006, the company's distributable funds total EUR 123.786.516,87, of which the profit for the financial year is EUR 22.916.896,33 million.

The Board proposes to the Annual General Meeting the distributable funds to be used as follows:

- dividend payments EUR 0.85 /share, totaling 15.477.831,90 EUR
- held on the account for profit funds 108.308.684,97 EUR
- total 123.786.516,87 EUR

No significant changes have occurred in the company's financial situation after the end of the review period. The company's solvency remains good, and the proposed distribution of funds does not endanger it, according to the Board of Directors.

The record date for dividend payment is March, 27, 2007, and it is proposed that the dividend will be paid on April, 3, 2007.

Financial reporting

Vaisala Oyj will publish three Interim Reports in 2007 in Finnish and English according to the following schedule:

Interim Reports

May 7, 2007 Interim Report 1.1. - 31.3.2007 (Q1)

Aug 7, 2007 Interim Report 1.1. - 30.6.2007 (Q2)

Oct 31, 2007 Interim Report 1.1. - 30.9.2007 (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 2006 brochure will be published in Finnish and English. The brochure will be distributed to all Vaisala shareholders on week 10 (March 5-9, 2007).

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 Group

Environmental measurements for demanding customers

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.

Vaisala's main customer groups are meteorological and hydrological institutes, road and rail organizations, defense forces, aviation organizations, private sector with weather related needs, system integrators and industry worldwide.

Vaisala's competitiveness in environmental measurement is based on premium class products and a wide selection of products and services. The company caters for the needs of its diversified customers by applying four business models: instruments, measurement systems, solutions and data services. Vaisala is organized in three business divisions: Vaisala Instruments provides individual instruments for measuring weather phenomena which can also be used in various industrial applications. Vaisala Measurement Systems are, in turn, used when the phenomena are more complex and a single measurement instrument cannot be used. Vaisala Solutions' 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 2006 Vaisala had more than 1 000 employees and achieved net sales of EUR 220.8 million. Vaisala serves customers around the world and operations outside Finland accounted for 97% 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 and vision

Success built on innovation, reliability and solutions

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

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

Our value proposition is innovation, reliability and solutions.

Values reflected in operations

Our offering of meteorological products and services is wide, from single instruments to turnkey solutions and data services. For industrial applications, we offer a wide range of instruments and related maintenance services. We apply four business models: instruments, measurement systems, solutions and data services. These business models are also the basis for our divisional structure. Business processes are optimized worldwide for each model. We continuously seek ways to add to our global advantage by applying economies of scale to various activities.

We serve our customers with dedicated personnel in over 100 countries. In addition to our own personnel, we have a comprehensive distributor network that provides Vaisala products and services.

We keep the vital core activities in-house, but outsource other projects to reliable subcontractors and partners. 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.

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 keep the promises we make.

Customer applications from weather observations to the needs of industry

Vaisala caters for the wide range of environmental and industrial measurement needs. Vaisala's weather observation equipment, systems and solutions are used in applications in the professional meteorological field and in other businesses where weather information is important in day-to-day operations. 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 make timely decisions on winter maintenance based on accurate weather data. In aviation, the pilots need to have access to accurate weather data in order to guarantee safe take-offs and 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, as well as meteorology.

Weather observations and information

Vaisala weather observation products are used in many applications. Below are some examples.

Observation data for weather forecasting

Meteorological and hydrological institutes 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 change. Vaisala products and services play a key role in the weather services of meteorological institutes around the world.

Safe air travel with accurate weather data

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. Accurate weather information is vital during take-offs and landings, for example.

Traffic weather observations

The flow of traffic on roads and railways affects our everyday lives. This 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 observations

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 weather and in every climate.

Information for land and water resource management

We are dependent on natural resources in many ways. 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, water protection as well as in related research. Reliable and efficient measurement equipment is required for water management, for example when observing water level and rainfall. Vaisala supplies 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.

Reliable data on atmospheric conditions for research use

Many international meteorological and hydrological 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 observations also cater for 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 data for insurance and energy sectors

Lightning information is important not only to meteorological institutes offering weather services, but also to insurance companies and power utilities. Vaisala's lightning detection networks 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.

Industrial applications

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 reveals the absolute humidity

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.

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.

Aircraft altitude can be calculated from atmospheric air pressure, with aircraft altimeters adjusted according to air pressure readings reported by airports. The accuracy of the Global Positioning System (GPS) is affected by atmospheric air pressure. System accuracy may be enhanced by barometric pressure information at the GPS receiver antenna level.

Carbon dioxide measurements to increase 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.

Oxygen level affects many applications

Vaisala oxygen level measurement instruments have been developed for different industrial applications. For example, breweries and wineries, which use fermentation processes, need oxygen and carbon dioxide measurement instruments. Oxygen is important in fermentation processes for microbiological metabolisms, and carbon dioxide is the process' by-product. In some fermentation processes the measurement of oxygen and carbon dioxide levels is essential in order to define process efficiency. Vaisala oxygen and carbon dioxide instruments can also be used for controlling air conditioning systems and maintaining safe oxygen and carbon dioxide levels.

Another important oxygen measurement application is in petrochemistry. Large tankers that transport oil, gas or ch system that is used in connection with loading and unloading to ensure oxygen-free environment. In these conditions, oxygen measu used to ensure that the equipment functions correctly.

Three 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.

Vaisala Measurement Systems

Upper-air weather observations

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 main customers include meteorological and hydrological institutes, meteorological and climatological research institutes, defense forces, civil aviation organizations, insurance companies and power utilities.



| Vaisala Measurement Systems | | 2004 | 2005 | 2006 |
|-----------------------------|----|------|------|------|
| Net sales | M€ | 72,9 | 84,3 | 93,2 |
| Operating profit | M€ | 11,8 | 19,6 | 19,8 |
| % of net sales | % | 16 % | 23 % | 21 % |
| Capital expenditure | M€ | 1 | 1,9 | 15,1 |
| Orders received | M€ | 70,4 | 79,1 | 97,2 |
| Order book | M€ | 28,6 | 23,9 | 29,4 |
| Personnel 31.12. | | 397 | 347 | 332 |

Year 2006

The division's net sales were as expected. EUR 10.0 million of the growth is due to the Sigmet acquisition carried out in January. Decrease in comparable net sales is due to slower sales of wind profilers and lightning detection systems. The operating profit was burdened by the one-off costs caused by the reorganization of the radiosonde production.

Leading products and services

The Vaisala Measurement Systems division's strategy is based on product leadership and operational efficiency. The division's main products include sounding systems with radiosonde and dropsonde instruments and their ground equipment, wind profilers, lightning tracking systems, and weather radar signal processors. Installation, training, maintenance, consultation and operational services form a significant part of the offering. Vaisala is the global market leader in all the product ranges it offers for upper-air measurement.

Profitability through operative efficiency

To strengthen its position as a premium-class product provider and market leader in upper-air measurement applications, Vaisala Measurement Systems constantly develops its product offering. The goal is to improve efficiency by streamlining logistics, products and operations. The division continues to focus on improving operational efficiency.

Business Units

Vaisala Soundings

This unit produces systems for observing the weather in the upper atmosphere, such as radiosondes and dropsondes, and related ground equipment. The sounding systems collect and transmit data on pressure, temperature, relative humidity, and wind speed and direction. These are used for day-to-day weather forecasts. Sounding data time series collected throughout the decades is also used for the study of climate change. The division's core customer groups are meteorological and hydrological institutes, defense forces, and meteorological and climatological research organizations.

Vaisala Windprofilers

This unit produces wind profilers, i.e. wind radars. They 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, for example. Vaisala Windprofilers' core customer groups are meteorological and hydrological institutes, defense forces, civil aviation organizations and meteorological and climatological research institutes.

Vaisala Thunderstorm Systems

This unit produces systems and instruments for lightning tracking and detection. The systems collect and distribute information for real-time weather observations and nowcasts. The systems can be built into networks that forecast approaching thunderstorms and track lightning strikes. Vaisala Thunderstorm Systems' core customer groups are meteorological and hydrological institutes, civil aviation organizations, defense forces, power utilities, and meteorological and climatological research institutes.

Vaisala Thunderstorm Data

This unit produces services relating to lightning detection. The business unit's main market is in 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 meteorological and hydrological institutes, defense forces, civil aviation organizations, insurance companies and power utilities, as well as meteorological and climatological research institutes.

Vaisala Weather Radar

This unit was established in the beginning of 2006. The first [Vaisala Weather Radar](#) will be introduced to the market by the end of September in 2007, and first deliveries are estimated to take place in the beginning of 2008.

The Vaisala Weather Radar business unit includes the Vaisala Sigmet product line, which is specialized in weather radar signal processors and application software. Its core customers are meteorological and hydrological institutes, as well as integrators of meteorological systems. [Vaisala acquired Sigmet Inc.](#) in the beginning of 2006.

Personnel located in Finland and the U.S.

The Vaisala Measurement Systems division employs 277 people in Finland and in Boulder, Tucson and Westford in the United States. The sales personnel serve customers in Vaisala locations around the world.

Highlights in 2006

Vaisala outsourced some of its radiosonde production functions

Part of the division's radiosonde final assembly functions were outsourced to Vaisala's long-term subcontractors in Malaysia. The tools workshop organization's functions were decentralized to various contractors in the field. As a result, Vaisala gave notice to 37 people. The financial impact is estimated to be some 1.5 MEUR annual improvement in the division's result, starting from fiscal year 2007. Read the [stock exchange release](#).

Vaisala's acquisition of Sigmat Inc. was completed

In December 2005, Vaisala signed a contract to acquire 100% of the stock of Sigmat Inc. in the United States. The acquisition was confirmed and Sigmat was integrated as a part of Vaisala Inc. on January 4, 2006. The purchase value was approximately 18.4 MEUR. The Vaisala Sigmat product line is the world leader in signal processors and application software for weather radars. Read the [stock exchange release](#).

NEXRAD network update project completed

The NEXRAD, Next Generation Radars, doppler radar update commissioned by the US National Weather Service was completed. The project was launched in 2001. Sigmat delivered the latest digital signal processors, radar control processors and software for the project. The update included 167 weather radars in both the United States and abroad. The value of the deliveries was over 10 million USD.

Lightning detection conferences gathered researchers from all over the world

In April 2006, Vaisala organized the 19th International Lightning Detection Conference (ILDC) in Tucson, Arizona. An International Lightning Meteorology Conference (ILMC) was arranged for the first time as part and partner. Vaisala experts hosted the four-day scientific event, which gathered participants from all over the world. Read the [Vaisala News article](#).

Office opened in South China

In October 2006, Vaisala opened an office in Shenzhen, South China. The office focuses on Vaisala Measurement Systems and Vaisala Solutions divisions' procurement functions.

Case: Up in the air

Vietnam goes for Vaisala upper air sounding systems

In the first quarter of 2006, the Aero Meteorological Observatory (AMO) in Vietnam upgraded its upper air sounding systems to the Vaisala DigiCORA® Sounding System MW31. The AMO operates three sounding stations which are located in Hanoi, Ho Chi Minh and Danang.

The AMO staff of 55, headed by Mr. Nguyen Dinh Kiem, is responsible for the upper air observation network including radiosounding, PILOT, Total ozone and UV radiation and weather radar network. It is also responsible for organizing scientific and technological activities in aero-meteorology as well as participating in international collaboration activities in the field.

High quality data

For the past ten years or so, the AMO has been using an earlier model of the Vaisala DigiCORA®, and has made the

transition from OMEGA windfinding to GPS windfinding, when the OMEGA network was shut down. With the termination of the Vaisala Radiosonde RS80-15G and the launch of the new Vaisala Radiosonde RS92-SGP, the AMO initially considered upgrading its existing sounding equipment. However, due to the age of the system, they opted for a completely new sounding station.

According to Mr. Nguyen Dinh Kiem, many different manufacturers of sounding systems were considered during the evaluation stages. The AMO selected Vaisala because of the high quality of data, the stability of the Vaisala sounding systems, and the superior service provided by Vaisala.

Customer keen to learn

Hanoi was the first station to receive a new sounding system. Vaisala assisted the AMO engineers in the installation and commissioning of the station. The customer was keen to learn the process, and after getting the necessary experience at the Hanoi station, they were able to carry out the works at Ho Chi Minh and Danang independently.

The AMO personnel were also able to operate the new Vaisala Radiosonde RS92-SGP and the DigiCORA® software independently after a few hours of training. The software interface is easy and intuitive to use. The Vaisala software has more features than the software it replaced. The AMO personnel were especially intrigued by the possibility to monitor the position of the radiosondes in real-time, something that they were not able to do previously.

Some key features that were well-received by the AMO personnel include the transmission of the calibration data via radio or cable instead of using paper tapes, and the superior wind data availability.

High stability keeps costs in check

During the period in which the new sounding system has been operational in Vietnam, the AMO has reported that it has been functioning with high stability.

Like so many other meteorological organizations, the AMO hopes that the cost of maintaining the sounding operations will be reasonable so that they can continue their commitment to providing high quality upper air information. This is why they chose Vaisala - known worldwide for its reliable high performance products.

Source: Vaisala News 171

Vaisala Solutions

Tailored solutions

Vaisala Solutions offers customer-focused solutions and services for weather observations to meteorological and hydrological institutes, aviation authorities, road and rail traffic organizations and defense forces.

Strong market position combined with an extensive installation base accrued through time enables the division to offer tailored solutions to meet all customer requirements.

| Vaisala Solutions | | 2004 | 2005 | 2006 |
|---------------------|----|------|------|------|
| Net sales | M€ | 52,6 | 56 | 63,7 |
| Operating profit | M€ | 4,3 | 3 | 5,4 |
| % of net sales | | 8 % | 5 % | 9 % |
| Capital expenditure | M€ | 0,2 | 3,1 | 1,6 |
| Orders received | M€ | 50,2 | 57,2 | 78,1 |
| Order book 31.12. | M€ | 20,2 | 25,6 | 39,3 |
| Personnel 31.12 | | 255 | 272 | 282 |



Year 2006

Demand for the comprehensive solutions offered by the Vaisala Solutions division was good throughout the year. The number of orders received grew more than estimated. As a result, net sales and order book grew significantly from the previous year, and the result and profitability goals were met.

Reliable and accurate weather observation solutions

Vaisala Solutions' operations have a strong customer focus. The division focuses on strategic partnerships by offering tailored solutions, systems and services, which are a growing part of its business. In addition to the accustomed customer support, service and maintenance, the division also offers turnkey 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.

Three customer-oriented business units

Vaisala Aviation Weather

This unit provides turnkey solutions for all aviation weather observing requirements both in the air as well as at the airport. Vaisala's automatic weather observation systems measure e.g. wind, cloud height and runway visual range. Solutions also include consultation, turnkey deliveries, as well as installation and maintenance services.

Vaisala Road Weather

This unit 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 local forecasts support the decision-making of those in charge of maintenance services.

Vaisala HydroMet

This unit works to serve the environmental monitoring needs of meteorological and hydrological institutes as well as defense forces. Vaisala HydroMet provides complete solutions ranging from individual monitoring platforms to fully automated national monitoring systems. The solutions are built from observation equipment and systems as well as data collection and processing systems, according to individual customer requirements. Vaisala HydroMet's solutions also cover consultation, installation, operation and maintenance services.

Global personnel network

The Vaisala Solutions division employs 250 people, of which some 50% work in Finland, and the rest in the United States, Great Britain, Germany, France and China.

In the United States, Vaisala Solutions personnel are located in Boulder, Colorado, and Minnesota, Minneapolis.

Vaisala Road Weather operations are located in Birmingham, Great Britain, where the business unit operates its global service center for observation data.

Highlights in 2006

Vaisala receives large aviation weather solutions order

Vaisala signed a significant contract with a long-standing customer to provide two airports with automated weather observation solutions. The total value of the contract is EUR 7.5 million. Read the [stock exchange release](#).

New representative office in Dubai

The decision was made to establish a representative office in Dubai, United Arab Emirates. The operations will start in the beginning of 2007. Read the [stock exchange release](#).

Major contracts for automatic weather stations in Spain and Brazil

Vaisala won two major contracts for automatic weather stations, in Spain and Brazil. Both countries are upgrading their synoptic weather observation networks by installing the latest Vaisala weather stations. The combined value of the contracts is 3.5 MEUR. Read the [press release](#).

Office in South China

In October 2006, Vaisala established an office in Shenzhen, South China. The office handles Vaisala Measurement Systems and Vaisala Solutions divisions' sales and procurement functions.

Leave it all to us

Vaisala operates Southern California Edison's wind observation system

Southern California Edison (SCE) awarded Vaisala a three-year contract to provide a turnkey observation system for wind observations, including sensors, collection platforms, maintenance services, as well as operational data acquisition and management services.

The system provides high spatial and temporal resolution wind data for two of their wind generation facilities in Southern California. The data is used to produce more accurate short- and medium-term power output forecasts. Vaisala provides the surface observation and data acquisition system, and the satellite communications systems, communications networking, and the computing infrastructure to allow data management and delivery to the customer.

Starting off with traditional cup and vane sensors

SCE started off by operating two weather stations at each of its four wind turbine parks. These anemometers were installed to test the theory of utilizing forecasted wind data to more accurately forecast generation capacities for the wind generation facility. The stations, consisting only of anemometers, were located an average of 30 feet above the ground and utilized the traditional cup and vane sensors. An experimental data collection system was implemented as a part of the pilot system and over the years, these four sites served a useful purpose by providing a reasonable approximation to the wind speed and direction in the vicinity of the wind turbines. However, the four sites were inadequate for the growing power output forecasting requirements of today's electricity generation market.

Addressing growing requirements

To address the growing requirement, SCE started utilizing the services of an external partner for wind energy forecast modeling. The models use wind speed and direction as inputs to state-of-the-art mesoscale primitive equation models. These models are more accurate when they have sufficient input data from more accurate sensors. They forecast hourly winds, which in turn are used to forecast hourly power output for a 48-hour period. The models have demonstrated a considerable improvement over the climatological models previously used by SCE. The generation scheduling group utilizes the forecast data to formulate the wind energy resources 24 hours in advance.

In 2004, additional requirements and systems for wind power forecasting developed. One of the systems implemented assists the real-time operations center in one-hour-ahead schedule adjustments in the generation management systems.

The new short-term models, which forecast winds one to eight hours in advance, are required to predict energy power output for the use in the one-hour-ahead market. These short-term forecasts use a combination of the sophisticated mesoscale models and empirically derived statistical information, which incorporate information about the most recent conditions in each wind resource area.

Vaisala weather stations capturing wind patterns

To reliably achieve the substantial model and generation forecast improvements, 12 weather stations were installed and are operated by Vaisala in order to complete a satisfactory grid to capture wind patterns. At one wind generation facility, seven stations are needed to represent the extremely complex terrain at this pass. Five sensing stations have been placed at a second wind turbine installation. Some of the weather sensors are located approximately 100 feet high, which represents the hub centers of many of the turbines.

The installations have been equipped with Vaisala Ultrasonic Wind Sensors WS425. At two of the seven locations there are two levels of instrumentation, at 33 and 100 feet. At both levels, there are wind and temperature sensors. Additionally, at some sites there is a barometric pressure sensor near the ground. The multi-levels provide invaluable information to evaluate the mesoscale model and how well it is predicting wind shear, temperature and atmospheric stability.

Benefits from the meteorological data

The meteorological data gathered at these sites is used in the forecast process in several ways:

- To define the statistical relationship between the wind speed and direction and the power output for individual and aggregate wind generation facilities.
- To formulate the statistical relationships between the mesoscale primitive equation model gridded output data and the observed weather conditions (wind speed, etc.) at the generation site in order to remove systematic errors in the mesoscale model forecast data due to small scale effects.
- To provide information about the current weather conditions in the wind parks to the short-term (i.e. hourly update) forecast algorithms.
- To assess and analyze the performance of the short-term and medium-term forecasts to provide a basis for further research to improve the forecasts.

The turnkey solution and comprehensive services

SCE acquired a complete, integrated automatic weather system including the weather sensing stations, installation, operations, communications, maintenance, and data management package from Vaisala. Vaisala is responsible for the entire work scope including hardware, software, VSAT communications, engineering, field engineering, site implementation, startup commissioning, data acquisition, data storage, data access, and training on a turnkey basis.

Controlled access to the data is provided via Vaisala's Tucson office's Internet connections. The customer is gaining the benefit of the latest meteorological sensing platforms coupled with state-of-the-art communications and systems monitoring. The Tucson facility provides 24/7 monitoring and support for a complete data solution. □

Source: Vaisala News 173

Vaisala Instruments

Instruments for accurate measurements

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.



| Instruments | | 2004 | 2005 | 2006 |
|---------------------|----|------|------|------|
| Net sales | M€ | 60,9 | 66,8 | 75,3 |
| Operating profit | M€ | 14,4 | 14 | 19,5 |
| % of net sales | % | 24 % | 21 % | 26 % |
| Capital expenditure | M€ | 2,1 | 1,8 | 1,5 |
| Orders received | M€ | 52,2 | 60,2 | 68,2 |
| Order book 31.12. | M€ | 3,9 | 5,8 | 8,8 |
| Personnel 31.12. | | 307 | 318 | 340 |

Year 2006

Vaisala Instruments division's year was better than expected by both net sales and orders received. All product lines of the Vaisala Instruments division grew, except the carbon dioxide product line. Operating profit was improved by constant actions to improve the order-delivery process.

Reliable product leader

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.

Goal: to maintain market leadership and grow to new applications

Competition in all of the Vaisala Instruments division's markets remains fierce. Competition typically consists of local actors, who rely on the strength of local knowledge. Vaisala Instruments' global operating model provides competitive advantage in growing to new markets. Constant improvements in the delivery processes ensure that the division is able to maintain its market leadership.

Catering for the needs of meteorology and industry

Vaisala Instruments manufactures instruments for the measurement of relative humidity, dewpoint, barometric pressure,

carbon dioxide, oxygen, wind, cloud height, visibility and present weather. The division's operations are organized according to these product lines.

The division's products are used in a variety of applications and industries, such as pharmaceutical, automotive and food industries, power generation, 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, and reduce energy consumption and maintenance costs. Monitoring moisture in oil helps to prevent corrosion and machinery failures.

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.

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 in indoor ventilation control.

Oxygen measurements are used in, for example, combustion and oxidation process control. Pharmaceutical and biotechnological applications in fermentation and bioprocesses are also common, as well as use in gasworks and shielding gas control.

Barometric pressure measurement equipment is used for weather observations in particular. In addition to this, barometric pressure is measured in industrial applications, such as engine performance testing equipment.

Meteorological instruments

Wind, visibility and cloud height measurement equipment can be used in different weather observation applications. The instruments are used in e.g. shipping and traffic as well as 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. The instruments indicate seven different precipitation types and four air types: from normal rain to mixed rain/snow, and from fog to clear.

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

The **weather transmitter** is a compact and easy-to-use station that measures temperature, humidity, pressure, wind speed and direction, and precipitation. It is used in sectors where daily weather data plays a significant role in operations, including agriculture, boat marinas, and ski resorts.

Sales personnel in over ten offices

The Vaisala Instruments division employs approximately 260 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 United States, China and Japan. Sales personnel serve customers in over ten sales offices around the world.

Investments in China were continued in 2006. The division's sales organization was strengthened in geographically important areas. The sales offices are located in Peking, Shanghai and now also in Shenzhen. The Peking service centre supports the division's strong market position by offering local maintenance and calibration services to customers. Development efforts are continued during 2007.

Highlights in 2006

Vaisala's carbon dioxide product deliveries hampered by fire at the VTT Technical Research Centre

In February, fire in the clean room of the VTT microelectronics center resulted in VTT being unable to manufacture components required for Vaisala's carbon dioxide sensors for several months. Thanks to alternative arrangements, Vaisala was able to continue deliveries to main customers. The clean room was repaired by the end of the year but full delivery capacity is not reached until early 2007. Read the [stock exchange release](#).

New measurement instruments introduced

In the beginning of the year, Vaisala introduced a new Ultrasonic Wind Sensor WMT50, which measures wind speed and direction horizontally. Typical applications include meteorology, wind energy, marine, transport, pollution control and agriculture. Visit the [Vaisala website](#) for more information.

In June, Vaisala introduced a new product for oxygen concentration measurements in industrial processes. The new technology will pave the way for Vaisala to enter the global oxygen measurement markets. Read the [stock exchange release](#).

In June, Vaisala also introduced new dewpoint and temperature transmitters DMT345 and DMT 346. They measure dewpoint and mixing ratio in hot drying processes. Visit the [Vaisala website](#) for more information.

Another ultrasonic wind sensor, WS425F/G, was launched in October. Thanks to its heating system it is ice-free, and is therefore intended for demanding weather conditions. Visit the [Vaisala website](#) for more information.

In November, a new carbon dioxide module GMM111 was introduced for industrial OEM applications, such as incubators. Visit the [Vaisala website](#) for more information.

Major contract from U.S. National Weather Service

In December, the US National Weather Service ordered a maximum of 1200 cloud height measurement instruments. The estimated value of the contract is EUR 12.4 million. The delivery will be carried out in phases, mainly taking place in 2008 - 2010. Vaisala ceilometers will be integrated into National Weather Service's Automated Surface Observing System network. Read the [stock exchange release](#).

Ceilometers and visibility instruments to U.S. airports

The U.S. Federal Aviation Administration (FAA) awarded Vaisala a contract to supply ceilometers and visibility instruments for the Federal Automated Weather Observation System (AWOS) program. The value of the contract is EUR 4.4 million. Deliveries have started in April 2006 and will be completed in 2007. Read the [stock exchange release](#).

Case: Urban housing with a touch of chic

The HSB Turning Torso is an unusual high-rise building in Malmö, Sweden. The original idea is based on a sculpture called the Twisting Torso.

The HSB Turning Torso was designed by Architect Santiago Calatrava, and inspired by the human body in a twisting motion. Mr. Calatrava was commissioned by HSB Malmö, a housing cooperative set up in 1925. The building was completed in November 2005, and now stands 190 meters tall with its ten floors of offices, 147 apartments and meeting facilities on the two top floors.

Intelligent interiors from Honeywell

Honeywell International is a \$30 billion diversified technology and manufacturing company, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; turbochargers; and specialty materials.

Honeywell Building Solutions is part of Honeywell's Automation and Control Solutions group and has more than 100 years of experience in making buildings safe, comfortable secure and efficient - be they commercial buildings, community schools, single office properties, or healthcare facilities.

In spring 2004, Per Wernersson of Honeywell Building Solutions was asked to find a solution for the fan coil units in the apartments. The building consists of nine cubes, which turn 90 degrees between floors 0 to 54. The basement and floors 13, 25, 37, 49 and 54 have technical areas. On each apartment floor, there is an industrial PC which communicates with the apartments' IO-boards (both digital and analogue). Every room has a fan coil unit.

Per's first task was to find a sensor for the fan coil unit that matched both the technical and the architect's requirements. The sensor contains a temperature element, a control point for adjustment, and a fan speed switch. Because the space in the installation shafts was limited, Honeywell built its own Transmission Control Protocol (TCP) network for the building. A lot of multicast messages are sent in the network between controllers - like fire alarms, fire dampers' positions, pressures, temperatures, etc.

Reliable weather transmitter communicates outdoor conditions

The radiator-controlled temperature in the building is compensated for by the outdoor temperature and wind speed. This is why it was important to find a reliable weather transmitter to indicate outdoor weather conditions. Again, because of the limited installation space, Honeywell decided to find a company that could deliver a multi-sensor with a communications capability, instead of electrical signals.

Before the Turning Torso project, Honeywell had used Vaisala's humidity sensors in some industrial facilities. In 2000, it installed some Vaisala sensors at Arla Foods' facility in Götene, Sweden, at Arla's central warehouse for cheese and butter.

The Vaisala Weather Transmitter WXT510 is a compact multi-sensor that measures wind speed and direction, precipitation, barometric pressure, temperature and relative humidity. It was chosen for the Turning Torso because of its small size, easy maintenance, and the RS-485 communications capability. During the first year, all radiators are compensated for according to the measurements of the weather transmitters.

During the second year, Honeywell will be using weather forecasts as a point of reference for energy consumption. The first priority is to collect some data about the construction of the building - like type of building, type of windows, window area, number of people living there, airflow, energy source, energy consumption, etc. Based on this data, Honeywell will then obtain a code for the building and an area code for the location from the Swedish Meteorological and Hydrological Institute. The outdoor temperature will then be estimated with these codes, combined with the five-day weather forecast.

Source: Vaisala News 172

Sales organized according to customer groups

The Vaisala sales organization was re-organized in the beginning of 2006. The new organization is based on customer segments. Vaisala customers are divided into seven segments and each segment is served by a dedicated sales team. At the end of the year, segment sales units employed altogether 167 persons.

Vaisala's long experience in its line of business provided a sound basis for customer segmentation. Seven sales units were formed based on systematic analysis. Six of these serve meteorological customers and one caters for the requirements of industry.

The meteorological sales units serve meteorological and hydrological institutes, defense forces, aviation, rail and road organizations, integrators of meteorological systems, as well as enterprises that require weather information in order to run efficient operations. The industry sales unit serves customers who use Vaisala instruments in their own core processes.

Each customer has a dedicated Vaisala sales contact, who provides access to the entire Vaisala offering. Well-defined account management procedures guarantee high quality personal service.

Better and more efficient service

The expertise and sales activities of the salesforce are more efficiently harnessed when the sales people are able to concentrate on the needs and applications of a specific customer segment. A team of experts is designated for each sales and delivery project, consisting of representatives from both the sales organization and business units. Vaisala's customers are a heterogenic group and represent professionals from many fields where meteorological and environmental data is vital for successful operations.

Seven customer segments

Meteorological and Hydrological Institutes

Customer segment consists mainly of international, national and regional meteorological and hydrological institutes and research institutes, as well as land management agencies.

Defense

Customer segment consists mainly of air forces, defense forces, navy and homeland security organizations.

Aviation

Customer segment consists mainly of international, national and regional civil aviation authorities, publicly owned and private airports and heliports for civilian use, aviation research organizations, airport operations support organizations, and air carrier companies.

Traffic Weather

Customer segment consists mainly of road and rail traffic organizations and administrations, road and rail maintenance organizations, related research organizations, and motorsport racing tracks.

Integrators

Customer segment consists mainly of organizations that include or build Vaisala's products into their own system or solution offering.

Enterprise

Customer segment covers e.g. the energy segment, insurance companies, broadcast media, sports, agriculture, and space agencies.

Industry

Customer segment consists mainly of industrial companies, such as pulp and paper, food and beverage, pharmaceutical and automotive industries.

Activities all over the world

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. Efficient customer service requires knowledge of local circumstances and close contacts with customers. Operations outside Finland accounted for 97% of Vaisala's net sales in 2006.

At the end of 2006, Vaisala employed 643 people (60%) at its headquarters in Vantaa, Finland. They are engaged in research, product development, sales and marketing, customer service, production and administrative functions.

Vaisala has 23 offices around the world: 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. At the end of 2006, 434 (40%) of Vaisala's employees worked outside Finland.

Vaisala personnel is divided worldwide by division as follows: Vaisala Measurement Systems employed 277 people (26%) at the end of the year, Vaisala Instruments 260 (24%), and Vaisala Solutions 253 (23%). Additionally, 167 people (16%) work in Segment Sales Units and 120 persons (11%) in different support functions.

Read more about personnel and activities by locations on the [Vaisala website](#).

Vaisala globally



Vaisala in Europe



Vaisala in North America



Vaisala in Asia & Australia



Research and development

Success built on active research and development

Active research and development are a key prerequisite for the success of the Vaisala Group. Vaisala's customers 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 2006, R&D expenses totaled EUR 20.6 million, which is 9.3 % of the Group's net sales.

Vaisala's R&D resources represent the best in the field. The activities are located in Finland; the United States in Tucson, Arizona, and Boulder, Colorado; England, Birmingham; and Germany Hamburg. Approximately 19% of Vaisala's personnel work in R&D.

In addition to its own R&D activities, Vaisala works closely with customers, research institutes and universities in the field. Cooperation includes partnership projects with leading research institutes, and support for meteorological training programs, scholarships, grants and internships.

Weather radar and precision weather the main research areas

One of the most important research and development efforts in 2006 was the weather radar, which has been developed together with leading international research institutes and partners. New technology has been used in the radar development. For example, the radar's dual-polarization technology enables more precise information on the quantity and quality of precipitation. A prototype was completed in 2005, and has been in research and test use in Kumpula, Helsinki. A production prototype has been in Vaisala research laboratory's use since spring 2006. [Read more](#)

Another significant development project is the Helsinki Testbed, which is a research platform for precision weather applications and services. The project has been carried out together with the Finnish Meteorological Institute and partners. Helsinki Testbed works as an open innovation platform where new weather and environmental information systems and services can be tested in an authentic environment. Helsinki Testbed has been in research use during 2006. Organizations interested in environmental services have been welcome to join the project. [Learn more about the Helsinki Testbed.](#)

Drive from active cooperation and partnerships

Vaisala participates in many projects together with leading research organizations in the field, such as the US National Oceanic and Atmospheric Administration, NOAA, and the National Center for Atmospheric Research, NCAR, as well as the VTT Technical Research Centre of Finland.

Vaisala also actively participates in the COST actions, which promote 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, and COST 723, which focuses on humidity measurement.

Supporting universities and students

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.

Vaisala supports meteorological studies and training programs, and grants scholarships and internships. For several years, Vaisala has partly sponsored meteorology students selected by the American Meteorological Society. 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. Two theses were completed in 2006.

In addition to the THORPEX program, Vaisala continued to cooperate with the universities of Massachusetts, Oklahoma, Colorado State and Puerto Rico-Mayaguez, and supported their CASA program. CASA is a ten-year research program, whose goal is to develop a remote sensing system based on low-power, low-cost dual-polarization Doppler weather radars. [Learn more about CASA.](#)

Case: Testbed phase one complete

The Finnish Meteorological Institute (FMI), Vaisala and partners completed the fifth and final campaign of the Helsinki Testbed project in August 2006. Helsinki Testbed is a research and experimentation platform for new weather observation equipment, systems, services and forecasting models.



The campaigns produced information for research on small-scale weather phenomena. The first campaign, concentrating on the gathering of data for short-term forecasts, started in August 2005. The last campaign in August 2006 concentrated on convection. Other campaigns included different precipitation types, stable boundary layer, and sea breeze.

The campaigns utilized 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. It covers the Greater Helsinki area.

Helsinki Testbed enhances the cooperation between researchers, companies and end-users, and facilitates the utilization of research results in practice, such as in precision weather services.

In fall 2006, Helsinki Testbed won the community category of the Productive idea contest in Finland. According to the contest jury, the Testbed research project is an unconventional and bold demonstration of how meteorology and technology can be harnessed to communicate local weather conditions in real-time.

The project expands

In 2007, the Finnish Meteorological Institute and Vaisala will launch phase II of the Helsinki Testbed project. Its goal is to move from the development of the platform and infrastructure to actual application development. The three-year phase II project seeks to develop new precision weather services relating to, for example, air quality, urban traffic, fire extinguishing and rescue, boating, as well as a number of outdoor activities.

Data from all of the Helsinki Testbed campaigns is available for researchers on the Internet.

Further information:
<http://testbed.fmi.fi>

Source:
Vaisala News 173

Advanced lightning applications

Vaisala and its research partners have expanded their study of long-range lightning track-ing data techniques, performance, and applications. Long-range lightning data over ocean areas shows promise for improved thunderstorm nowcasts for densely populated coastal areas and improved rainfall estimation that should lead to better forecasts by numerical weather prediction models. It also improves hazardous weather observations that greatly impact aviation and shipping transportation routes and safety.

Extensive research and development

Vaisala has been working for many years to expand the North American Lightning Detection Network (NALDN) cloud-to-ground (CG) lightning detection capability to encompass long-range Very Low Frequency (VLF) detection. This long-range lightning product is the result of experimental research and development since 1997.

Vaisala first explored the concept using east and west coast sensors to detect lightning 1200-1600 km away in the interior of the United States. Most recently, Demetriades and Holle (2006) analyzed Vaisala Long-range Lightning Detection Network (LLDN)-detected lightning associated with tropical cyclones over the Atlantic basin to assess the value of this data in tropical cyclone nowcasting.

Early in 2007, Vaisala will migrate the LLDN from experimental status to a full, production-quality dataset available in real-time. The geographic scope and performance of the LLDN network will continue to evolve as Vaisala expands its global footprint of sensors and establishes relationships with other networks.

Partnerships vital for success

Significant contributors to the LLDN include Meteorological Services of Canada (MSC), the National Weather Service's usage and applications development department, particularly the Aviation Weather Center, as well as Vaisala's new partnership with the Bahamian Met in the critical Caribbean region. The MSC's joint data processing partnership of the Canadian Lightning Detection Network (CLDN) and Vaisala's National Lightning Detection Network (NLDN) has created a seamless process of lightning detection spanning the two borders.

Multiple applications for lightning data

Identification of convection over oceanic areas is a challenge due to a lack of ground-based radar coverage. Geostationary satellite data is the tool most often used for identifying convection over ocean areas, but it has limitations due to convection often being obscured by benign cold top cirrus clouds. Long-range lightning complements geostationary satellite imagery by helping to identify and track convection over ocean areas. Advantages of long-range lightning detection include, but are not limited to, (1) true identification of convective areas associated with thunderstorms, (2) a continuous data stream that allows for more rapid updates on rapidly evolving weather situations than the typical satellite update intervals and (3) a valuable dataset to improve numerical weather prediction over data sparse ocean areas.

Current LLDN research efforts are focused upon lightning structure in tropical cyclones and lightning/convective rainfall relationships. Molinari et al. (1999) have shown that lightning exhibits preferential spatial patterns in hurricanes. The eyewall (or inner core) usually contains a weak maximum in lightning flash density. There is a well-defined minimum in flash density extending 80 to 100 km outside the eyewall maximum. This is due to the stratiform rain processes that generally dominate most of the region of the central dense overcast. The outer bands typically contain a strong maximum in flash density. These features have been observed using LLDN data in numerous recent hurricanes in the Atlantic and Eastern Pacific tropical cyclone basins, most notably in Hurricanes Katrina and Rita in 2005 and Charley and Ivan in 2004.

Demetriades and Holle (2006) have shown that the LLDN has detected eyewall lightning outbreaks in many hurricanes from both the Atlantic and Eastern Pacific tropical cyclone basins. The larger eyewall lightning outbreaks tend to occur over relatively small time and space scales. Lightning bursts in the eyewalls of hurricanes sometimes rotate counter-clockwise around the center of circulation for some distance before they dissipate. However, Vaisala eyewall lightning outbreak studies since 2002 show that these outbreaks often preferentially occur on one side of the hurricane track.

Pessi et al. (2004) have started to quantify lightning/convective rainfall relationships over the north-central Pacific Ocean. Low orbiting satellites that carry microwave radiometers, such as NASA's Tropical Rainfall Measuring Mission (TRMM) Microwave Imager, only provide information on convective precipitation twice a day over any given area on earth. Unfortunately, they do not allow continuous monitoring of the evolution of convective weather systems from space. Pessi et al. (2004) have found that lightning frequency and convective rainfall rates are relatively well correlated over the north-central Pacific Ocean, suggesting that lightning data over the Pacific can be assimilated into numerical weather prediction models as a proxy for latent heat release in deep convective clouds. Using Vaisala LLDN data as a proxy for latent heat release has the advantage of providing numerical weather prediction modelers with a continuous dataset for monitoring the evolution of convective weather systems over the oceans.

The technology behind it all

The U.S. and Canadian sensors that constitute the NALDN are wideband sensors capable of detecting lightning in the frequency range between 0.5 and 400 kHz. Return strokes in CG flashes radiate most strongly in this frequency range, with their peak radiation coming near 10 kHz, in the middle of the VLF (3-30 kHz). Signals in the VLF band are trapped in the earth-ionosphere waveguide and suffer relatively less severe attenuation than higher frequency signals. Whereas Low Frequency (LF; 30-400 kHz) and VLF ground wave signals are attenuated strongly and are almost imperceptible after a propagation distance of about 500-1000 km. VLF signals may be detected at distances of several thousand kilometers after multiple reflections off the ground and ionosphere.

Detection is best when both the lightning source and sensor are on the night side of the earth because of the improved ionospheric propagation conditions at night. Because the standard NALDN sensors detect across a broad band that includes all of the VLF, the NALDN can easily detect and process signals from lightning up to 3000 km in range. Only minor modifications to the location algorithm configuration are needed in order to handle long-distance VLF lightning signals.

State-of-the-art sensors

Currently, many of the standard NALDN sensors contribute to the LLDN consisting of the combination of the U.S. and Canadian networks and the Pacific Lightning Detection Network (PacNet). PacNet currently consists of several sensors located in and around the North Pacific Ocean that are specifically designed to detect lightning over long ranges (several thousand km).

It is important to note that the same broadband (VLF and LF) sensors that provide the high-quality NALDN CG data are also capable of detecting signals propagated over long distances. Information from these NALDN sensors, plus the PacNet sensors, is employed in a separate location processor that is specifically configured to accept and process ionospherically-propagated signals. This combination of networks has been shown to detect CG strokes in sufficient numbers and with sufficient accuracy to identify even small thunderstorm areas. The network detects lightning to varying degrees over the northern Atlantic and Pacific oceans and Caribbean Sea.

Source: Vaisala News 173

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 EK.

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 the Annual General 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 telecom 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 2006: 34 000 Euros



Vice Chairman

Yrjö Neuvo

b.1943, Ph.D. Cornell University

Domicile: Espoo, Finland

Principal occupation: various research technology and business related expert positions

Employment history : Nokia Corporation, Technology Advisor 2006, Nokia Group Executive Board 1993 – 2005, responsible for product creation and technologies of mobile phones, Academy of Finland, National Research Professor, 1984 – 1992, Tampere University of Technology, Professor of Signal Processing, 1976 – 1992, University of California, Santa Barbara, Visiting Professor, 1981 - 1982

Current positions of trust: Nokia Corporation: Technology Advisor, Metso Corporation:

Member of the Board, RTT Oy: Chairman of the Board , Helsinki University of Technology: Member of the Board, Tampere University of Technology: Member of

Advisory Board, The Foundation of Technology: Chairman of the Board, Artemis European Technology Platform: Chairman of the Board, VTT Technical Research Centre

of Finland: Chairman of Scientific Advisory Board, Cornell University Council: Member, Finnish Centre of Expertise Program: Chairman of the Board, Millennium Prize Foundation: Member of the Board, Finnish Science Centre Foundation (Heureka): Member

Board member as of: 1989

Board member term ends: 2007

Fees in 2006: 17 000 Euros



Members

Stig Gustavson

b. 1945, M. Sc. (Eng), Dr. Tech. (h.c.)

Domicile: Helsinki, Finland

Principal occupation: Chairman, Konecranes Plc

Employment history: Konecranes Plc: President & CEO (1994-2005), KONE Oyj, Sponsor Oy, RAY, Wärtsilä Oyj

Other simultaneous positions of trust:

Chairman: Dynea Oy, Eitel Networks Oy, Svenska Handelsbanken (Finland), Mercantile Ab, Tammet Oy, Arcada foundation

Vice chairman: Cramo Oyj

Board member: Technology Industries of Finland Supervisory Board Member: Varma Mutual Pension Insurance Company

Board member as of: 2006

Board member term ends: 2009

Fees in 2006: 13 000 Euros



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,

various managerial positions at ABB Group 1984-1993, B.S.W., Saudi-Arabia: President 1981-1984

Other simultaneous positions of trust:

ABB Oy: Board Member, Technology Industries of Finland: Member of Executive Board and Chairman of the Competitiveness Working group, 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 2006: 17 000 Euros



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, Novameter Oy: Board Member

Board member as of: 1994

Board member term ends: 2009

Fees in 2006: 17 000 Euros



Meetings of the Board of Directors

The Board of Directors had 9 meetings in 2006. An average of 94 % of the Board members were present at the meetings.

Independence of the Board of Directors

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

1) Independence from the company

Evaluated against the criteria given in Recommendation 18, all five 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, Stig Gustavson and Mikko Niinivaara 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.

Charter of the Board of Directors

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

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

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.

As former Vaisala CEO Pekka Ketonen announced his wish to retire, the Board of Directors nominated Licentiate of Technology Kjell Forsén (47 years) as the new Vaisala CEO starting October 1, 2006. Pekka Ketonen's employment terminated at the end of 2006.

[Holdings of the permanent insiders](#)

Pekka Ketonen, 1992 - 2006

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

Domicile: Helsinki, Finland

Principal occupation: President & CEO, Vaisala Oyj

Employment history:

Teleste Oy: 1971-1991, latest position CEO

Other simultaneous positions of trust: Technical Research Centre of Finland (VTT):

Chairman of the Board, Elisa Oyj: Chairman of the Board, Technology Industries of

Finland: Board Member, Confederation of Finnish Industries: Board Member

Corporate Management Group Chairman as of: 1992

Salaries and other compensation in 2006: Basic salary and other compensation
EUR 693 000

Compensation in shares and share warrants during fiscal year 2006: 3207 A-shares

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

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



Kjell Forsén, 2006 -

b. 1958

Domicile: Espoo, Finland

Principal occupation: President & CEO, Vaisala Oyj

Employment history:

Ericsson, since 1986, several managerial positions within the company, both in Finland and abroad. Latest position President of Ericsson Finland.

Other simultaneous positions of trust: Helvar Oy Ab, Board Member; Technology Industries of Finland, Board Member.

Corporate Management Group Chairman as of: 2006

Salaries and other compensation: Basic salary and other compensation EUR 74 000

Compensation in shares and share warrants during fiscal year 2006: -

Retirement age and benefits: 63 years, according to Finnish law.

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



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.

Holdings of the company's permanent insiders

Members of the Management Group

Chairman: President and CEO, Kjell Forsén

Walter Dabberdt

b. 1942, Ph.D. Meteorology

Domicile: Boulder, CO, USA

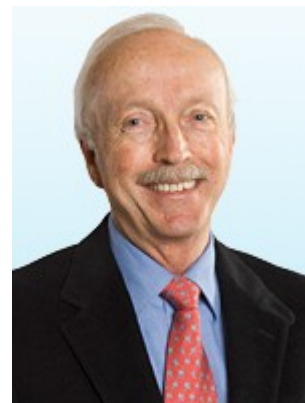
Principal occupation: Director, Strategic Research since 2000

Employment history:

National Center for Atmospheric Research (NCAR), 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; Environmental Prediction in Canadian Cities: Board Member; External Advisory Committee NCAR Earth Observing Laboratory: Chairman

Management Group Member since: 2000



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: R&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 Manager 1990-1991,

Outokumpu Oy, Engineering Division: CAD-Group Manager 1988-1990

Other simultaneous positions of trust: -

Management Group Member since: 2000



Jouni Lintunen

b. 1971, M.Sc.(Eng)

Domicile : Nurmijärvi, Finland

Principal occupation: Director, Finance since 2006 **Employment history:** Vaisala Oyj: Business Controller 2001-2006, Vaisala Inc: Financial Analyst 1999-2001, Vaisala Oyj: Financial Analyst 1998-1999

Other simultaneous positions of trust: -

Management Group Member since: 2006



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

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 2006 was EUR 164,207 (157,000 in 2005), and other fees EUR 42,421 (163,000 in 2005).

In 2006, Vaisala Oyj paid auditing fees to its Authorized Public Accountants PriceWaterhouseCoopers Oy EUR 117,048 (110,000 in 2005), and other fees EUR 34,081 (137,000 in 2005).

Auditing fees paid to other parties in 2006 were EUR 47,159 (47,000 in 2005), and other fees 8,339 (26,000 in 2005).

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 Groups' 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, 2006.

| Statutory permanent insiders | Cause | A-shares | Change of A-shares | K-shares | Change of K-shares | Options | Change of options |
|-------------------------------|--|----------|--------------------|----------|--------------------|---------|-------------------|
| Dabberdt Walter Fred | Other senior company executive | 997 | - | - | - | - | - |
| Forsen Kjell | Managing director | - | - | - | - | - | - |
| Forss Kenneth Gustaf | Other senior company executive | 1,228 | - | - | - | - | - |
| Gustavson Stig Gunnar | Member of the board of directors | - | - | - | - | - | - |
| Happonen Marja Pirkko Annikki | Other senior company executive | 831 | - | - | - | - | - |
| Hörhammer Jan | Other senior company executive | 2,701 | - | - | - | - | - |
| Järvinen Erkki Eero | Other senior company executive | 1,088 | - | - | - | - | - |
| Kallunki Jussi Jalmari | Other senior company executive | 632 | - | - | - | - | - |
| Lintunen Jouni Juhani | Other senior company executive | - | - | - | - | - | - |
| Mykkänen Jussi Jaakko Juhani | Other senior company executive | 665 | - | - | - | - | - |
| 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 | - | - | - | - | - | - |
| Pellinen Hannu Tuomas | Auditor with chief responsibility for audits | - | - | - | - | - | - |
| Tuominen Hannu | Other senior company executive | 2,465 | - | - | - | - | - |
| Voipio Mikko | Member of the board of directors | 323,680 | - | 301,156 | - | - | - |
| Voipio Raimo | Chairman of the board of directors | 283,880 | - | 309,500 | - | - | - |

| Defined permanent insiders | Cause | A-shares | Change of A-shares | K-shares | Change of K-shares | Options | Change of options |
|--------------------------------|---|----------|--------------------|----------|--------------------|---------|-------------------|
| Ahlgren Katri | Other criteria for disclosure requirement | - | - | - | - | - | - |
| Ahtiluoto Liisa Margareta | Other criteria for disclosure requirement | - | - | - | - | - | - |
| Andersin Nina Maria | Other criteria for disclosure requirement | - | - | - | - | - | - |
| Eskelinen Katri-Helena | Other criteria for disclosure requirement | - | - | - | - | - | - |
| Jokiranta Kirsi Katriina | Other criteria for disclosure requirement | 400 | - | - | - | - | - |
| Järvi Tom Matti | Other criteria for disclosure requirement | - | - | - | - | - | - |
| Karvinen Mikko Johannes | Other criteria for disclosure requirement | - | - | - | - | - | - |
| Ketonen Pekka Albert Aukusti | Other criteria for disclosure requirement | 3,207 | - | - | - | - | - |
| Kiianlehto Tiina Jonanna | Other criteria for disclosure requirement | - | - | - | - | - | - |
| Laakkonen Anna-Maija | Other criteria for disclosure requirement | - | - | - | - | - | - |
| Metso Outi Marikka | Other criteria for disclosure requirement | - | - | - | - | - | - |
| Rajakoski Jaakko Esko Kristian | Other criteria for disclosure requirement | - | - | - | - | - | - |
| Reid Alan W. | Other criteria for disclosure requirement | - | - | - | - | - | - |

Annual General Meeting

Vaisala Oyj's Annual General Meeting will be held on Thursday March 22, 2007, at 5 p.m. at the company's head office, Vanha Nurmijärventie 21, 01670 Vantaa.

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

1. Items specified in Article 13 of the Articles of Association.

Right of attendance

Shareholders who are registered in the company's share register maintained by the Finnish Central Securities Depository Ltd by 12 March 2007 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 Wednesday 14 March 2007. 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

Board member Yrjö Neuvo is in turn 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 22 March 2007 that the number of Board members should be six. The Board proposes the re-election of Mr Yrjö Neuvo. The Board also proposes Ms Maija Torkko as a new member.

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

Organization of risk management

Vaisala has a risk management policy, which covers strategic, operative and financial risks. The goal of the policy is to ensure the safety of Vaisala personnel, operations and products and continuity of operations. The policy also covers the company's intellectual property, image and brand. Appropriate and accurate risk profile is included in decision-making.

The policy, practices and emphasis are regularly assessed by the Management Group.

Vaisala's Management Group determines more specific guidelines for the Group's operations, e.g. authorizations, 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 borrowings are adjustable rate borrowings. The earnings on capital invested contain a small risk when interest rates change. Investment policy principles in the order of priority are: a) minimizing credit loss risks b) liquidity, c) profit on investment. The maximum term of investment is 12 months.

Currency risk

The international nature of its operations exposes Vaisala to transaction risks. The Group carries out sales in numerous foreign currencies, of which the most significant are the US dollar, Japanese yen, and the English pound. The Group has many investments in its subsidiaries abroad, whose net assets are exposed to currency risks. The Group does not hedge conversion differences of investments relating to its subsidiaries.

The Group's other currency risks are transaction risks resulting from commercial accounts receivable and accounts payable. 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 accounts receivable. The hedging is done by the parent company.

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.

Internal auditing

The Group has no official internal auditing function. Tasks relating to internal auditing are carried out in control measures included in the company's processes, as well as by commissioning Authorized Public Accountants (see recommendation 49).

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 Director shall be entitled to sign for the company individually.

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

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 system

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, terms and conditions of which have been published in a stock exchange release on October 29, 2004
- Vaisala Oyj 2000 warrant program ended on January 31, 2006
- two-year share based incentive program, terms and conditions of which have been published in a stock exchange release on February 14, 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

Good service ensured by professional personnel

At the end of 2006, Vaisala Group had 1077 employees, of which 643 worked in Finland and 434 outside Finland. The number of employees increased by 35 from the previous year.

In the Vaisala Group, 59 % of personnel have a technical education, and 48 % an academic degree. The proportion of those with an academic degree has grown 3 % compared to the previous year. The proportion of women is 29%. The average age of the Vaisala Group's personnel is 41.

Continuous development makes an industry leader

Vaisala's internal development project Innovation Management Forum continued. The project concentrated on e.g. the development of innovation processes, following trends, developing cross-functional teams, and understanding and developing different business models. Similar issues were covered at various Business Innovation Technology (BIT) programs organized by the Helsinki University of Technology.

The Industrial Innovation Management II program organized by the VTT Technical Research Centre of Finland was attended by two Vaisala employees. Their project tasks supported Vaisala's innovation management development projects.

The Vaisala internal Innovation Contest, also carried out in previous years, was carried out in a new format in cooperation with the Finnish Meteorological Institute.

New sales organization and account management model

In the beginning of 2006, Vaisala's sales organization was re-organized into seven teams, each serving different customer segments. A new account management model, sales roles and account management tools were developed together with segments and product lines. Nearly 250 Vaisala personnel participated in different account management training sessions in Finland, United States and the Great Britain. In addition to this, all Vaisala employees had a chance to familiarize themselves with the models by playing an online account management game.

Personnel development

Efforts to further develop employees' application skills continued in 2006. Those Vaisala employees who participate in the hydrological-meteorological education program developed together with the University of Helsinki, the Finnish Meteorological Institute and the Finnish Environmental Institute, continued their studies. As in previous years, an Introduction to Weather course was given as part of the new employees' orientation program in Finland, and weather training was also continued in the United States.

The sixth international Vaisala Business Learning Program continued until September 2006. A new module on account management was included in the program. A total of 25 Vaisala employees from Finland, the UK, the United States, Germany, Japan, Malaysia and Canada participated in the one-year program.

The Vaisala Instruments division continued the management and leadership skills program launched for Project Managers in 2005. Both new and experienced managers in Finland and the United States received training on different aspects of managerial work. A new 360 degree feedback process supporting management work was introduced in 2006, and 80 managers received feedback on their management skills.

In-house product and application training as well as language and cultural training continued in the Vaisala Group.

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. For example, the Vaisala Measurement Systems division, reorganized in the beginning of 2005, developed new process or function based bonus schemes in the end of 2006.

Team barometer compliments personnel survey

78% of Vaisala's employees responded to the personnel survey in 2006. The results show that personnel satisfaction has increased in many areas, although there are significant differences between divisions.

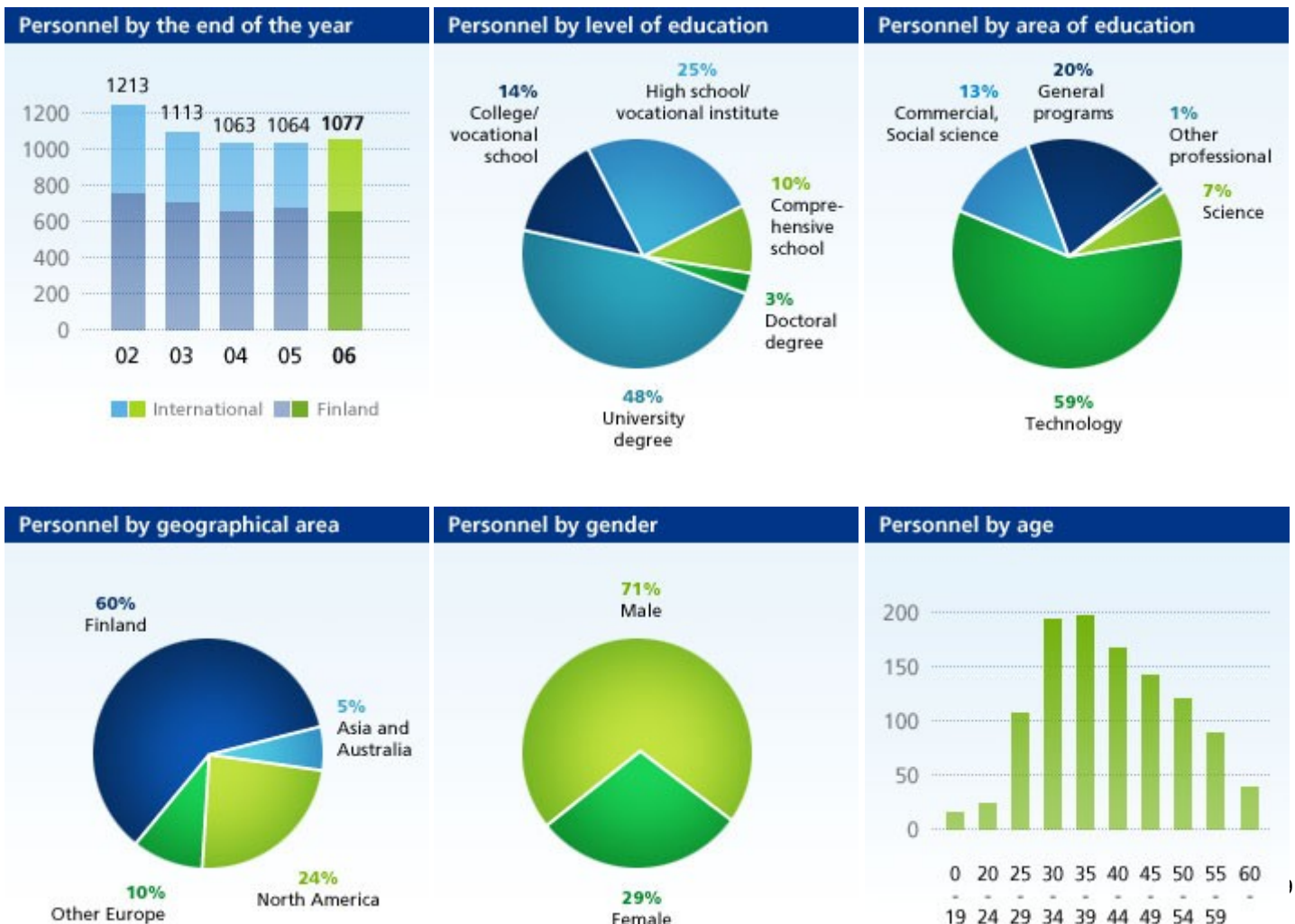
Rewarding and encouraging were considered to have significantly improved. Customer focus has also grown according to the respondents.

Compared to external benchmarks, the Vaisala Group's employees feel they are able to handle their workload well, and the management makes an effort to enable good working conditions. Although the results show significant development compared to the previous year, personnel's expectations focus on improving change management. Development areas in customer focus were also identified.

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

Along with the personnel survey, Vaisala uses a team barometer to analyze team-specific situations and plan actions for the future. In 2006, the use of the team barometer grew steadily. When used regularly, it creates the basis for continuous development and helps to react to changing situations and new needs.

Personnel in graphs



Environmental issues

Environmentally responsible product design

In customer use, Vaisala's weather observation and 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 such as hurricanes and tsunamis makes the measurement of weather parameters all the more important. By measuring the water level and its movement we can minimize flood damage.

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. **Energy consumption in buildings** can be forecast and cut down by measuring outdoor temperature and other weather data. In energy production, Vaisala equipment is used in e.g. **wind parks**, where they help to produce power output forecasts.

Environmental issues at Vaisala

Vaisala is a globally operating company that follows international standards and regulations in all its operations. Vaisala's environmental management system is SFS-EN ISO 14001 certified. It covers all of Vaisala's offices, operations and products. Vaisala's environmental management program includes the maintenance of the certified system, taking into account the EU WEEE (directive on Waste Electrical and Electronic Equipment) and RoHS (Restriction of the use of certain Hazardous Substances in electrical and electronic equipment) directives in product design and manufacturing, integrating environment-friendly product design into the production processes, as well as continuous improvement of the waste management. The waste management practices have been developed to the highest standards in all Vaisala locations. Of all waste, the ratio of recycled waste to mixed waste is 0.60.

Improving the environmental qualities of products

Environmental aspects form an important part of product requirements. In addition to laws and regulations, special attention is paid to materials, waste, product energy consumption throughout its lifecycle, reduction of substances hazardous to the environment and health, product service life, and recycling.

The goal is to minimize new products' effects on the environment throughout their lifecycle. This goal has also been integrated into product design process instructions and internal training. Special attention is paid to the reduction of hazardous substances as defined by the RoHS directive.

The RoHS Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment became effective in July. All new products are developed to meet the RoHS requirements, although the directive does not at present apply to Vaisala products, which belong to directive category nine (monitoring and control instruments). Similar legislation is also under development outside the EU, for example in China.

Society

Active member in scientific communities

Vaisala is involved in an active exchange with various interest groups, promoting science and the development of environmental measurements.

Vaisala representatives participate in the Board and different working groups of the Technology Industries of Finland, such as the environmental working group. The group follows policy-making and promotes cooperation between authorities, companies and environmental experts. For Vaisala, this activity also promotes the awareness of environmental aspects in improving competitiveness.

Vaisala is involved in active partnerships with numerous meteorological authorities around the world, such as the Finnish Meteorological Institute, Deutsche Wetter Dienst, and International Civil Aviation Organization. Vaisala is also an active member of the UN World Meteorological Organization, WMO. For example, Vaisala sponsors the annual [Professor Dr Vilho Väisälä award](#) granted by the WMO, with a 20 000 USD donation.

Vaisala granted numerous research scholarships to universities, students and researchers in both the United States and Finland. In 2006, Vaisala was involved in many **research and development projects with universities**.

The Finnish Academy of Science and Letters awarded a total of one million euros in grants for 2007 from the fund of Vilho Väisälä and his brothers Yrjö and Kalle Väisälä. The grants were received by 137 researchers in mathematics, physics, geophysics, meteorology, and astronomy. In Finland, Vaisala grants were received in 12 universities and research institutes.

Contact

Vaisala Oyj

Corporate Communications

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

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

Tel. +358 9 8949 2744

Fax +358 9 8949 2593

E-mail: info@vaisala.com

For more detailed contact information and for other Vaisala locations visit us at the [Vaisala website](#).



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Year 2006 exceeded expectations

Year 2006 was an extremely good year for Vaisala. Our net sales grew 12 per cent to 220.8 million euros. Organic growth was complemented by the Sigmet acquisition in the weather radar business unit. Positive market development is likely to continue in 2007. We concentrate our efforts on maintaining our strong market position and on our growth areas; industrial measurements, new weather radar, and services.

I started as the Vaisala CEO on October 1, 2006. The first months have already shown that I'm at the helm of a world-class company with a personnel whose ability to innovate has helped this company to reach its leading position in the demanding field of environmental measurement. I'm convinced that our success will continue also in the future.

Kjell Forsén
President and CEO



Online Annual Report

From 2002, Vaisala has published its Annual Reports online only. The 2006 Annual Report includes CEO Kjell Forsén's webcast interview about events in 2006 and his views on Vaisala Group's future. The Annual Report includes interesting customer cases from different business divisions. The financial information is also downloadable in pdf and Excel format on the site.

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.

Vaisala in Brief

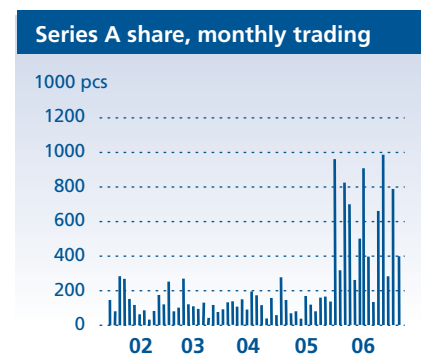
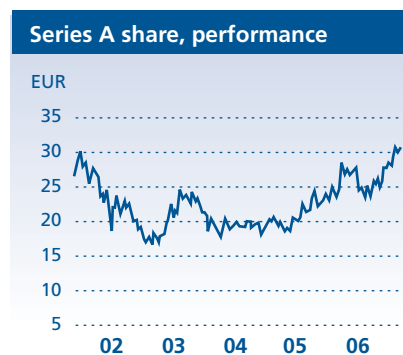
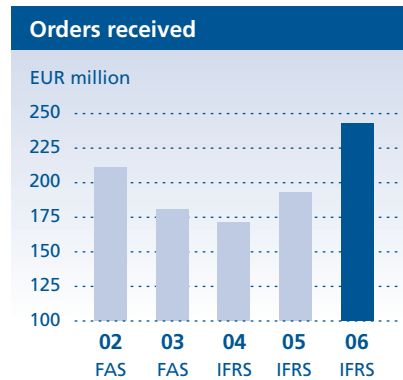
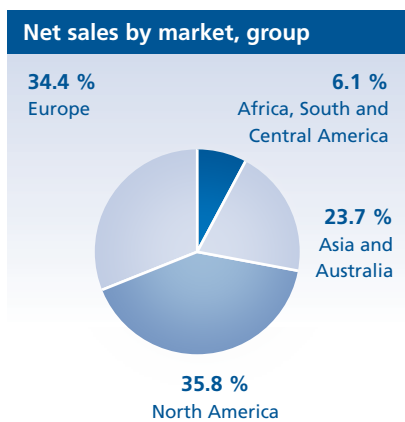
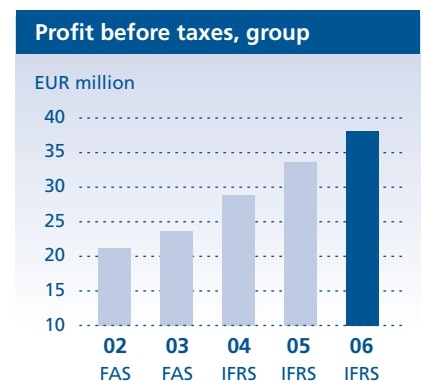
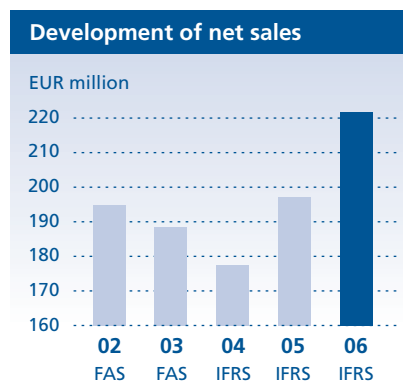
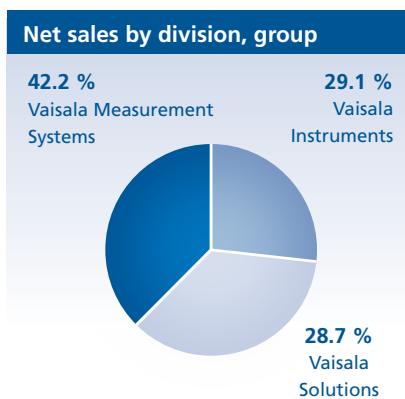
Vaisala develops, manufactures and markets products and services for environmental and industrial measurement. The mission is to provide the basis for better quality of life, environmental protection, safety, efficiency and cost-savings.

Vaisala's major customer groups include national meteorological and hydrological institutes, defense forces, aviation organizations, road and rail authorities, integrators of meteorological systems, enterprises that require weather information in order to run efficient operations, and industry. 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 220.8 million in 2006. Vaisala serves customers around the world. Operations outside Finland accounted for 97 per cent of net sales in 2006. Parent company Vaisala Oyj, domicile in Vantaa, Finland, is listed on the Helsinki Exchanges in Finland.



Key Figures in Graphs



Board of Directors' Report 2006

Overview

Year 2006 was better than expected. Demand remained on good level and net sales grew to EUR 220.8 million. Growth was 12% compared to the previous year, while organic growth was 7%. Additional growth was achieved from the business activities of Sigmat Inc. acquired in January 2006. Net sales grew particularly in surface observation networks and in Vaisala Instruments division's product sales. Growth in net sales, together with actions to improve operations, increased the operating profit to EUR 39.6 million, growth 32%. Net profit grew 7%, being EUR 26.6 million. The profit of the review period was burdened by costs incurred from exchange rate changes and increased effective tax rate.

Weather radar signal processing system provider Sigmat was acquired and merged as part of the Vaisala Measurement Systems division in January 2006. Parts of radiosonde production were outsourced to Malaysia while corresponding functions in Finland were downsized. Vaisala Instruments and Vaisala Solutions divisions' businesses have continued without major structural changes.

A new office was opened in Shenzhen, South China, in September. The Shenzhen office has both sales and procurement functions. Vaisala also announced that it will be opening an office in Dubai, United Arab Emirates.

Market situation

The sustained maintenance and development of competitiveness has enabled Vaisala to retain its strong market share. The growth in net sales was relatively evenly distributed geographically. The greatest growth in net sales in euros took place in the region of Asia-Pacific, 15%, when in Europe the growth was 9%.

Growth in demand and positive order book developments started during the second half of 2005 have continued in 2006. Demand remained on a good level, and the number of orders received during the review period was considerably higher than in the previous year, growth 24%.

Net sales and order book

The Vaisala Group's net sales for the review period grew by 12% during the review period and were EUR 220.8 (197.9/2005;

178.1/2004) million. Operations outside Finland accounted for 97% (96%/2005; 97%/2004) of net sales. The Group received new orders worth EUR 243.6 (196.5/2005; 172.8/2004) million, growth 24% compared to the previous year.

The order book at the end of the review period was EUR 77.6 (55.3) million, of which some EUR 18 million can be recognized as sales in 2008 or later.

Performance and balance sheet

Operating profit for the review period grew by EUR 39.6 (30.1/2005; 29.4/2004) million. Change in hedging costs improved the operating profit by EUR 2.1 million compared to the previous year. Thus the improvement in operating profit caused by operative measures was EUR 7.4 million.

Profit before tax was 17.3% of net sales, EUR 38.2 (34.1/2005; 29.1/2004) million. When assessing the profit before tax of the review period, it should also be remembered that: the exchange rate differences and financing income were EUR -1.5 million (+3.9 million).

Net profit for the review period was EUR 26.6 (24.9/2005; 21.0/2004) million. Effective tax rate was 30.3% (26.9%/2005).

The Vaisala Group's solvency and liquidity remained strong. On December 31, 2006, the balance sheet total was EUR 219.2 (196.9/2005; 163.7/2004) million. The Group's solvency ratio at the end of the review period was 81% (81%/2005; 82%/2004).

The total of the Group's liquid assets was EUR 87.3 (81.4) million.

Research and development

Expenditure on research and development in the review period totaled EUR 20.6 (19.8/2005; 21.3/2004) million, being 9.3% of the Group's net sales.

One of the most important research and development efforts in 2006 was the weather radar, which has been developed together with leading international research institutes and partners. New technology has been used in the radar development. For example, the radar's dual-polarization technology enables more precise information on the quantity and quality of precipitation. A prototype was completed in 2005, and has

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been in research and test use in Kumpula, Helsinki. The Vaisala Weather Radar will be launched to the market by the end of the third quarter in 2007, and first deliveries are likely to take place in the beginning of 2008.

Another significant development project is the Helsinki Testbed, which is a research platform for precision weather applications and services. The project has been carried out together with the Finnish Meteorological Institute and partners. Helsinki Testbed works as an open innovation platform where new weather and environmental information systems and services can be tested in an authentic environment. Vaisala has commercialized the weather station network maintenance software used in the Helsinki Testbed, and will continue to commercialize other observation network components relating to the project. Together with partners, Vaisala also develops precision weather and air quality applications based on local observation networks.

Capital expenditure

Gross capital expenditure totaled EUR 20.4 million (8.0/2005; 4.8/2004). The total for the review period includes the cost incurred from the acquisition of Sigmet, Inc., EUR 16.5 million.

At the end of the year the decision was made to start the implementation project of a new enterprise resource planning system, which will include Vaisala's global organization and replace many systems currently in use.

Vaisala Measurement Systems

Vaisala Measurement Systems division generated net sales of EUR 93.2 (84.3) million. EUR 10.0 million of the growth is due to the Sigmet acquisition carried out in January. The division's net sales were as expected. Decrease in comparable net sales is due to slower sales of wind profilers and lightning detection systems compared to the corresponding period in 2005.

Operating profit was EUR 19.8 (19.6) million. The operating profit was burdened by the one-off costs caused by the reorganization of the radiosonde production, as well as the slower sales of wind profilers and lightning detection systems. The number of orders received by the Vaisala Measurement Systems grew 23% compared to the previous year, being EUR 97.2 (79.1) million.

In March, the reorganization relating to the partial outsourcing of the Vaisala Measurement Systems division's production functions was started, as the codetermination negotiations started on January 19, 2006, were concluded. As a result, Vaisala gave notice to 37 employees. For other parts, the target reduction of approximately 60 productive labor years was realized through terminations of temporary employment, relocations and pension programs. The one-off costs caused by the partial outsourcing of the radiosonde production incurred an accrual of approximately EUR 0.8 million in 2006.

The acquisition of the world's leading independent weather radar signal processor and application software manufacturer Sigmet Inc. was confirmed in January. The balance of the margin of the acquired order book, EUR 1.8 million, was fully depreciated according to IFRS 3 during the review period.

Vaisala Instruments

Vaisala Instruments division's year was better than expected by both net sales and orders received. The division's net sales grew by 10%, being EUR 64.3 (58.2) million. All product lines of the Vaisala Instruments division grew, except the carbon dioxide product line. Vaisala's carbon dioxide product deliveries were hampered by fire at a subcontractor's premises in February. The fire did not affect the result of the review period as Vaisala's insurance covered the loss in gross profit.

Operating profit was EUR 19.5 (14.0) million. Operating profit was improved by constant actions to improve the order-delivery process.

The number of orders received by the Vaisala Instruments grew 13% being EUR 68.2 (60.2) million.

Vaisala Instruments received a significant order from the US National Weather Service. The value of the order is EUR 12.4 million, and it includes a maximum of 1200 cloud height measurement instruments. The deliveries are estimated to take place in 2008 - 2010.

The U.S. Federal Aviation Administration (FAA) awarded Vaisala a contract to supply ceilometers and visibility instruments for the Federal Automated Weather Observation System (AWOS) program. The value of the contract is EUR 4.4

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million. Deliveries have started in April 2006 and will be completed in 2007.

In May, Vaisala Instruments introduced a new product for oxygen concentration measurements in industrial processes.

Competition in all product categories remains fierce. 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

Vaisala Solutions division's year was better than expected. The division's net sales grew by 14%, being EUR 63.3 (55.5) million. Operating profit for the review period was EUR 5.4 (3.0) million.

Demand for the comprehensive solutions offered by the Vaisala Solutions division was good throughout the year. The number of orders received grew more than estimated. As a result, net sales and order book grew significantly from the previous year, and the result and profitability goals were met. Compared to the previous year, the number of orders received grew by 36%, being EUR 78.1 (57.2) million.

The Vaisala Solutions has signed a significant contract with a long-standing customer to provide two airports with automated weather observation solutions. In addition to the equipment and software, the turnkey contract includes site surveys, project management and training, as well as a maintenance contract for two years. The total value of the contract is EUR 7.5 million. Deliveries are scheduled to be completed by June 2008.

Changes in Vaisala Oyj's management

As former Vaisala CEO Pekka Ketonen announced his desire to retire, the Board of Directors nominated Licentiate of Technology Kjell Forsén (47 years) as the new Vaisala CEO starting October 1, 2006. Pekka Ketonen's employment terminated at the end of 2006.

M.Sc.(Eng) Jouni Lintunen (35 years) was appointed as the new Chief Financial Officer of Vaisala beginning July 1, 2006.

Risk management

Organization of risk management

Vaisala has a risk management policy, which covers strategic, operative and financial risks. The goal of the policy is to ensure the safety of Vaisala personnel, operations and products and continuity of operations. The policy also covers the company's intellectual property, image and brand. Appropriate and accurate risk profile is included in decision-making.

The policy, practices and emphasis are regularly assessed by the Management Group.

Vaisala's Management Group determines more specific guidelines for the Group's operations, e.g. authorizations, 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 borrowings are adjustable rate borrowings. The earnings on capital invested contain a small risk when interest rates change. Investment policy principles in the order of priority are: a) minimizing credit loss risks b) liquidity, c) profit on investment. The maximum term of investment is 12 months.

Currency risk

The international nature of its operations exposes Vaisala to transaction risks. The Group carries out sales in numerous foreign currencies, of which the most significant are the US dollar, Japanese yen, and the English pound. The Group has

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many investments in its subsidiaries abroad, whose net assets are exposed to currency risks. The Group does not hedge conversion differences of investments relating to its subsidiaries.

The Group's other currency risks are transaction risks resulting from commercial accounts receivable and accounts payable. 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 accounts receivable. The hedging is done by the parent company.

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.

Internal auditing

The Group has no official internal auditing function. Tasks relating to internal auditing are carried out in control measures included in the company's processes, as well as by commissioning Authorized Public Accountants.

Vaisala's share

At the end of 2006, Vaisala's Board of Directors had no authorization to increase the company's share capital or to issue convertible or warrant bonds.

The acquisition and conveyance of own shares

The Board of Directors had 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 until March 22, 2006. The program applied to approximately 50 Vaisala key personnel. Some of them were

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 was max. 35,000 shares.

A total of 35,000 Vaisala A-shares were subscribed for with the warrants granted, corresponding the value of EUR 14,717.47. Of these, 25,850 A-shares, corresponding the value of EUR 10,869.90 were conveyed on March 6 and March 16 to the key personnel, according to the share-based incentive program. The average value of the acquisitions and conveyances was EUR 27.53.

Vaisala's share capital at the end of the review period was EUR 7,660,807.86 and the total number of shares was 18,218,364.

The shares granted on the basis of the share-based incentive program include a conveyance restriction, whereby the shares cannot be conveyed or withheld for two years starting from the date on which they have been recorded on the recipient's shares account.

By January 31, 2006, a total of 739,364 Vaisala A-shares were subscribed for with the warrants granted in 2000 to the key personnel of Vaisala. All the shares have been registered in the Finnish Trade Register. Dividend was payable for the 186,450 A-shares subscribed for in 2005. The average value of the acquisitions and conveyances was EUR 20.78. The shares subscribed for in January 2006, a total of 552,914 Vaisala A-shares, did not qualify for dividend. The share capital grew by EUR 232,499.90 because of the shares subscribed for in 2006. Therefore Vaisala had two series of A-shares during the period February 22, 2006 - March 28, 2006: the A-share and the new A-share. Vaisala's year 2000 option program ended on January 31, 2006. All shares have been registered in the Finnish Trade Register.

On February 27, 2006, Vaisala Oyj received the following notification of change in the share of ownership in accordance with the Security Markets Act, Chapter 2 § 9: Harris Associates L.P.'s holding in Vaisala Oyj falls below five (5) per cent of the outstanding share capital of Vaisala Oyj.

On June 14, 2006, Vaisala Oyj received the following notification of change in the share of ownership in accordance with

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the Security Markets Act, Chapter 2 § 9: Inkeri Voipio's holding in Vaisala Oyj has fallen below ten (10) per cent of the outstanding share capital of Vaisala Oy on February 22, 2006.

The price of Vaisala's A share on the Helsinki Exchanges was EUR 24.00 on December 31, 2005, and EUR 33.07 at the end of the review period. The highest share price quoted during the review period was EUR 33.33 (new A-share EUR 27.67) and the lowest EUR 23.10 (new A-share EUR 25.35).

A total of 6,873,504 Vaisala shares were traded during the review period (new A-share 85,411), and 249,300 option rights.

Vaisala has 18,218,364 shares, of which 3,409,285 belong to series K and 14,809,079 to series A. The book equivalent value of a share is approximately EUR 0.42. Series K shares carry twenty (20) votes each at shareholders' meetings and Series A shares one (1) vote each. Series A shares amount to 81.3% of all shares and 17.8% of the votes. Series K shares amount to 18.7% of all shares and 82.2% of the votes.

Vaisala's main shareowners are listed on the company's website and in the notes to the financial statements.

Both series entitle their holders to the same amount of dividend. The maximum number of shares according to the Articles of Association is 68,571 thousand and the maximum share capital EUR 28.8 million. All the issued shares have been paid in full. The shares, excluding the above-mentioned shares of the management share bonus scheme, are not encumbered by consent or redemption clauses.

According to the Articles of Association, series K shares can be converted into series A shares in a manner specified in the Articles of Association.

Own and parent company's shares

The company holds a total of 9,150 of its own shares at the end of the review period, representing 0.05% of the share capital and 0.01% of votes. The compensation for the shares owned by the company is EUR 251,899.69.

Board of Directors

Members of the Board

In accordance with 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 five members. All Board members are appointed by the Annual General 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.

President & CEO

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

Events in the permanent group of insiders

CEO Pekka Ketonen, who belonged to the permanent group of insiders, received 3,207 A-shares based on the 2005 share-based incentive program. The permanent group of insiders has not been granted loans or contingent liability.

Personnel

The average number of employees in the Vaisala Group during the review period was 1,069 (1,062/2005, 1,092/2004).

Salary is based on local collective and individual agreements, personal performance and demands set by the role. Basic salary is complimented by result-based bonus systems, which apply to the entire personnel. In 2006, the total paid in salaries was EUR 57.3 million (51.9/2005, 48.5/2004).

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Some 19% (19%/2005, 22%/2004) of the personnel worked in research and development. Approximately 40% (38%/2005, 37%/2004) of the Group's personnel worked outside Finland.

Group structure

Vaisala has branch offices in Canada, China and Malaysia. The addresses and contact details are available on the company's website.

Environment and society

Vaisala's environmental management system is SFS-EN ISO 14001 certified. It covers all of Vaisala's offices, operations and products. Vaisala's environmental management program includes the maintenance of the certified system, taking into account the EU WEEE (directive on Waste Electrical and Electronic Equipment) and RoHS (Restriction of the use of certain Hazardous Substances in electrical and electronic equipment) directives in product design and manufacturing, integrating environmental product design into the production processes, as well as continuous improvement of the waste management.

The waste management practices have been developed to the highest standards in all Vaisala locations. Of all waste, the ratio of recycled waste to mixed waste is 0.60.

Environmental qualities of products continuously improved

Environmental aspects form an important part of product requirements. In addition to laws and regulations, special attention is paid to materials, waste, product energy consumption throughout its lifecycle, reduction of substances hazardous to the environment and health, product service life, and recycling.

The goal is to minimize new products' effects on the environment throughout their lifecycle. This goal has also been integrated into product design process instructions and internal training. Special attention is paid to the reduction of hazardous substances as defined by the RoHS directive.

The EU RoHS Directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment

became effective in July 2006. All new products are developed to meet the RoHS requirements, although the directive does not at present apply to Vaisala products, which belong to directive category nine (monitoring and control instruments). Similar legislation is also under development outside the EU, for example in China.

Active member in scientific communities

Vaisala is involved in an active dialogue with various interest groups, promoting science and the development of environmental measurements.

Vaisala representatives participate in the Board and different working groups of the Technology Industries of Finland, such as the environmental working group. Vaisala works closely together with numerous meteorological authorities around the world, and is an active member of the UN World Meteorological Organization, WMO. Vaisala granted numerous research scholarships to universities, students and researchers in both the United States and Finland.

Outlook

Positive market development is expected to continue in 2007. As in the previous years, the first quarter will be modest, due to seasonality of the business. The organic growth of net sales is expected to continue in 2007, and operating profit is expected to be higher than in 2006.

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' proposal for the distribution of profits

According to the financial statements of December 31, 2006, the company's distributable funds total EUR 123,786,516.87, of which the profit for the financial year is EUR 22,916,896.33 million.

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The Board proposes to the Annual General Meeting the distributable funds to be used as follows:

| | |
|--|--------------------|
| - dividend payments EUR 0.85 /share, totaling | 15,477,831.90 EUR |
| - held on the account for profit funds | 108,308,684.97 EUR |
| total | 123,786,516.87 EUR |

No significant changes have occurred in the company's financial situation after the end of the review period. The company's solvency remains good, and the proposed distribution of funds does not endanger it, according to the Board of Directors.

The record date for dividend payment is March, 27, 2007, and it is proposed that the dividend will be paid on April, 3, 2007.

Board member Yrjö Neuvo is in turn 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 22 March 2007 that the number of Board members should be six. The Board proposes the re-election of Mr Yrjö Neuvo. The Board also proposes Ms Maija Torkko as a new member. Ms Torkko has worked in several positions at Nokia, most recently as the Chief Financial Officer until June 30, 2006. Ms Torkko is also a member of the Board of Directors of Nordea, and nominee to the Board of Directors of Kemira GrowHow Oyj.

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 13, 2007.

Vaisala Oyj

Board of Directors

Consolidated Income Statement

| EUR million | Note | 1.1. –31.12.2006 | | 1.1.–31.12.2005 | |
|---|------|------------------|--------------|-----------------|-------|
| Net sales | 2.4 | 220.8 | | 197.9 | |
| Cost of production and procurement | 7 | -100.1 | | -92.3 | |
| Gross profit | | 120.8 | 54.7% | 105.6 | 53.4% |
| Other operating income | 5 | 1.4 | | 0.5 | |
| Cost of sales and marketing | 7 | -42.1 | | -37.7 | |
| Development costs | 7 | -20.6 | | -19.8 | |
| Other administrative costs | 7 | -19.6 | | -16.9 | |
| Other operating cost | 6 | -0.2 | | -1.5 | |
| Operating profit | | 39.6 | 18.0% | 30.1 | 15.2% |
| Financial income and expenses | 10 | -1.5 | | 3.9 | |
| Share of results of associated companies | 16 | 0.0 | | 0.0 | |
| Profit before tax | | 38.2 | 17.3% | 34.1 | 17.2% |
| Income taxes | 11 | -11.6 | | -9.2 | |
| Profit after tax | | 26.6 | 12.0% | 24.9 | 12.6% |
| Attributable to | | | | | |
| Equity holders of the parent | | 26.6 | | 24.9 | |
| Earnings per share for profit attributable to the equity holders of the parent | | | | | |
| Basic earnings per share (EUR) | 12 | 1.46 | | 1.42 | |
| Diluted earnings per share (EUR) | | 1.46 | | 1.42 | |

Consolidated Balance Sheet

| EUR million | Note | 31.12.2006 | 31.12.2005 |
|---|------|--------------|------------|
| Assets | | | |
| Non-current Assets | | | |
| Intangible assets | 14 | 21.0 | 10.3 |
| Tangible assets | 15 | 33.5 | 36.0 |
| Investments in associates | 16 | 0.4 | 0.3 |
| Other financial assets | 17 | 0.2 | 0.2 |
| Long-term receivables | 18 | 0.1 | 1.6 |
| Deferred tax assets | 11 | 5.2 | 5.9 |
| | | | 5.3 |
| | | | 7.4 |
| Current Assets | | | |
| Inventories | 19 | 17.6 | 14.1 |
| Trade and other receivables | 20 | 53.9 | 47.1 |
| Accrued income tax receivables | | 0.0 | 0.6 |
| Financial assets recognised at fair value through profit and loss | 21 | 41.2 | 27.2 |
| Cash and cash equivalents | 22 | 46.1 | 54.2 |
| Total assets | | 219.2 | 196.9 |

Consolidated Balance Sheet

| EUR million | Note | 31.12.2006 | 31.12.2005 |
|---|------|--------------|------------|
| Shareholders' equity and liabilities | | | |
| Shareholders' equity | | | |
| Equity attributable to equity holders of the parent | | | |
| Share capital | | 7.7 | 7.4 |
| Share issue | | 0.0 | 5.4 |
| Share premium reserve | | 16.6 | 5.3 |
| Reserve fund | | 0.1 | 0.1 |
| Own shares | | -0.3 | |
| Translation differences | | -1.6 | 1.9 |
| Profit from previous years | | 120.7 | 109.2 |
| Profit for the financial year | | 26.6 | 24.9 |
| Total equity | 23 | 169.8 | 154.3 |
| Liabilities | | | |
| Long-term liabilities | | | |
| Retirement benefit obligations | 25 | 0.3 | 0.6 |
| Interest-bearing liabilities | 24 | 0.3 | 0.7 |
| Provisions | 26 | 0.0 | 0.2 |
| Deferred tax liabilities | 11 | 0.4 | 0.5 |
| | | 1.1 | 1.9 |
| Current liabilities | | | |
| Current portion of long-term borrowings | 24 | 0.3 | 0.5 |
| Current interest-bearing liabilities | | 0.3 | 0.3 |
| Advances received | | 9.6 | 5.8 |
| Accrued income tax payables | | 2.6 | 0.7 |
| Trade and other payables | 27 | 35.6 | 33.3 |
| | | 48.4 | 40.6 |
| Total liabilities | | 219.2 | 196.9 |

Consolidated Cash Flow Statement

| EUR million | Note | The Group 2006 | The Group 2005 |
|---|------|----------------|----------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 220.3 | 191.1 |
| Other income from business operations | | 0.0 | 0.3 |
| Cash paid to suppliers and employees | | -173.7 | -145.3 |
| Cash flow from business operations before financial items and taxes | | 46.6 | 46.0 |
| Interest received | | 2.2 | 1.4 |
| Interest paid | | -0.1 | -0.1 |
| Other financial items, net | | -3.3 | 1.9 |
| Dividend received from business operations | | 0.0 | 0.0 |
| Direct tax paid | | -9.7 | -10.3 |
| Cash flow from business operations (A) | | 35.7 | 39.0 |
| Cash flow from investing activities | | | |
| Investments in tangible and intangible assets | | -7.2 | -5.7 |
| Acquisition of subsidiary, net of cash acquired | 3 | -15.7 | -2.8 |
| Proceeds from sale of fixed assets | | 0.1 | 0.0 |
| Loans granted | | 0.0 | 0.0 |
| Other investments | | -0.1 | -0.1 |
| Repayments on loan receivables | | 0.0 | 0.0 |
| Cash flow from investing activities (B) | | -22.9 | -8.5 |
| Cash flow from financing activities | | | |
| Equity issue | | 6.1 | 9.3 |
| Repayment of short-term loans | | 0.0 | -0.3 |
| Withdrawal of long-term loans | | 0.0 | 0.0 |
| Repayment of long-term loans | | -0.5 | -0.6 |
| Dividend paid and other distribution of profit | | -13.4 | -13.1 |
| Cash flow from financing activities (C) | | -7.8 | -4.7 |
| Change in liquid funds (A+B+C) increase (+) / decrease (-) | | 5.0 | 25.7 |
| Liquid funds at beginning of period | | 81.4 | 54.8 |
| Foreign exchange effect on cash | | 0.9 | 0.9 |
| Net increase in cash and cash equivalents | | 5.0 | 25.7 |
| Liquid funds at end of period | 22 | 87.3 | 81.4 |

Statement of changes in shareholders' equity

| EUR million | Share capital | Share issue | Share premium reserve | Reserve fund | Own shares | Translation differences | Retained earnings | Total equity |
|-------------------------------------|---------------|-------------|-----------------------|--------------|------------|-------------------------|-------------------|--------------|
| Balance at December 31, 2004 | 7.4 | | 1.6 | 0.1 | 0.0 | -1.6 | 122.3 | 129.7 |
| Translation differences | | | | 0.0 | | 3.5 | | 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 | | | | | 9.3 |
| Balance at December 31, 2005 | 7.4 | 5.4 | 5.3 | 0.1 | 0.0 | 1.9 | 134.1 | 154.3 |
| Translation differences | | | | 0.0 | | -3.5 | | -3.5 |
| Net profit for the period | | | | | | | 26.6 | 26.6 |
| Dividend paid | | | | | | | -13.4 | -13.4 |
| Stock options exercised | 0.2 | -5.4 | 11.3 | | | | | 6.1 |
| Own shares acquired | | | | | -1.0 | | | -1.0 |
| Own shares transferred | | | | | 0.7 | | | 0.7 |
| Balance at December 31, 2006 | 7.7 | 0.0 | 16.6 | 0.1 | -0.3 | -1.6 | 147.3 | 169.8 |

Notes to the Consolidated Financial Statements

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 2006 have been followed. 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, weather radars, weather radar signal, data processing and display systems 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 adopted the international IFRS financial reporting practice. The transition date was 1 January 2004..

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

Notes to the Consolidated Financial Statements

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.

Notes to the Consolidated Financial Statements

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 are 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

Notes to the Consolidated Financial Statements

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 deter-

mined 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.

Notes to the Consolidated Financial Statements

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.

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.

Notes to the Consolidated Financial Statements

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.

Notes to the Consolidated Financial Statements

Share-based payments

The Group currently has no stock option schemes. The company's option scheme 2000 ended for all options on 31 January 2006.

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 place 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 or the relationship

Notes to the Consolidated Financial Statements

between the working hours performed to date and the estimated total working hours.

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 esti-

Notes to the Consolidated Financial Statements

mates 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 2007 or later. The Group has decided not to apply these standards earlier.

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.

The Group will adopt in 2008 or later the following standards and interpretations published by the IASB:

IFRS 8 Operating segments (replaces IAS 14, published 30.11.2006) **

*IFRIC 10 Interim Financial Reporting and impairment***

*IFRIC 11, IFRS2 - Group and Treasury Share Transactions***

IFRIC 12, Service concessions Arrangements **

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

* The names of standards and interpretations for which no official translation exists are presented in English.

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

Notes to the Consolidated Financial Statements

2.1 Business segments

| EUR million 2006 | Vaisala Measurement Systems | Vaisala Instruments | Vaisala Solutions | Other operations | Elimin- ations | Group |
|---|-----------------------------------|------------------------|----------------------|---------------------|-------------------|--------------|
| Net sales to external customers | 93.2 | 64.3 | 63.3 | 0.0 | 0.0 | 220.8 |
| Intragroup sales | 0.0 | 11.1 | 0.4 | 0.0 | -11.5 | 0.0 |
| Net sales | 93.2 | 75.3 | 63.7 | 0.0 | -11.5 | 220.8 |
| Operating profit | 19.8 | 19.5 | 5.4 | -5.1 | 0.0 | 39.6 |
| Financial income and expenses | | | | | | -1.5 |
| Share of associated companies' net profit | | | | | | 0.0 |
| Net profit before taxes | | | | | | 38.2 |
| Income taxes | | | | | | -11.6 |
| Net profit for the financial year | | | | | | 26.6 |
| Assets | 51.8 | 19.5 | 22.1 | 125.5 | 0.0 | 218.8 |
| Holdings in associated companies | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| Liabilities | 7.6 | 3.7 | 8.8 | 29.4 | 0.0 | 49.4 |
| Investments | 15.1 | 1.5 | 1.6 | 2.3 | 0.0 | 20.4 |
| Depreciation | 4.8 | 1.9 | 0.7 | 3.4 | 0.0 | 10.8 |

Notes to the Consolidated Financial Statements

| EUR million 2005 | Vaisala Measurement Systems | Vaisala Instruments | Vaisala Solutions | Other operations | Elimin- ations | Group |
|---|-----------------------------------|------------------------|----------------------|---------------------|-------------------|--------------|
| 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 | 0.0 | 0.2 |
| Restructuring expenses | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 |

Restructuring expenses relate to the centralisation of French operations of the lightning detection business.

2.2 Geographical segments

| EUR million 2006 | Net sales, by destination country ⁽¹⁾ | Net sales, by location country ⁽¹⁾ | Assets ⁽²⁾ | Investments |
|-----------------------------------|--|---|-----------------------|-------------|
| Europe | 76.0 | 175.0 | 178.4 | 4.0 |
| of which Finland | 7.5 | 152.4 | 163.1 | 3.8 |
| North America | 79.0 | 89.0 | 53.5 | 16.2 |
| Asia and Australia | 52.3 | 19.3 | 8.2 | 0.2 |
| Africa, South and Central America | 13.6 | | | 0.0 |
| Group eliminations | | -62.4 | -26.2 | |
| Unallocated items | | | 5.2 | |
| Total | 220.8 | 220.8 | 219.2 | 20.4 |

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

| EUR million 2005 | Net sales, by destination country ¹⁾ | Net sales, by location country ²⁾ | Assets ²⁾ | Investments |
|-----------------------------------|--|---|----------------------|-------------|
| 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.

3. Company acquisitions

Company acquisitions in 2006

In January 2006 Vaisala acquired all the shares of the US company Sigmet Corp. The company's net sales in 2005 were EUR 8.8 million. Sigmet is the world's leading manufacturer of weather radar systems, signal processors and application software. The company has 10 employees and it is located in Westford, Massachusetts. Vaisala announced in November 2005 its decision to enter the weather radar business. The Sigmet acquisition supports this decision by supplementing Vaisala's range of products and services. Sigmet processors and application software products will continue to be sold to all weather radar manufacturers and end customers. The products will also be part of Vaisala's own weather radar system, which is expected to come onto the market in 2007. These synergy benefits as well as acquiring control of the Sigmet brand contributed to the generation of goodwill amounting to EUR 3.7 million. The acquisition price was EUR 16.5 million. Auditing and legal fees of EUR 0.2 million relating to the acquisition, as well as taxes of EUR 0.6 million, have also been included in the purchase price.

Sigmet's net sales in January-December 2006 of EUR 10.0 million and operating profit of EUR 2.9 million have been included in the Vaisala Group.

Purchase consideration

EUR million

| | |
|--|-------|
| Purchase price paid | 15.7 |
| Expenses related to the purchase | 0.8 |
| <hr/> | |
| Total purchase cost | 16.5 |
| Fair value of the acquired net identifiable assets | -12.8 |
| <hr/> | |
| | 3.7 |

Notes to the Consolidated Financial Statements

| | Fair value recognised in combination | Acquiree's carrying amount before combination |
|---|--|---|
| Assets and liabilities arising from the acquisition are as follows | | |
| Tangible fixed assets | 0.4 | 0.1 |
| Intangible assetst | | |
| Software | 4.1 | 0.0 |
| Order book | 1.7 | 0.0 |
| Trademark | 3.2 | 0.0 |
| Customer value | 1.4 | 0.0 |
| Inventories | 0.5 | 0.5 |
| Receivables | 1.1 | 1.1 |
| Cash and cash equivalents | 0.8 | 0.8 |
| Non-interest-bearing liabilities | -0.5 | -0.5 |
| Net identifiable assets | 12.8 | 2.0 |
| Acquisition cost | 16.5 | |
| Goodwill | 3.7 | |
| Purchase consideration settled in cash | 15.7 | |
| Expenses related to the purchase | 0.8 | |
| Cash and cash equivalents in subsidiary acquired | -0.8 | |
| Cash outflow on acquisition | 15.7 | |

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 |

Notes to the Consolidated Financial Statements

| | 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 | |

4. Long-term project

Net sales include EUR 2.9 million (2005; EUR 2.2 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 (2005; EUR 0.1 million). Advance payments of EUR 2.4 million recognised for long-term projects in progress were included in the balance sheet at 31.12.2006 (EUR 0.2 million 31.12.2005).

5. Other operating income

| EUR million | 2006 | 2005 |
|---------------------------------------|------|------|
| Gains on the disposal of fixed assets | 0.1 | 0.1 |
| Translation differences * | 1.2 | 0.2 |
| Others | 0.0 | 0.2 |
| | 1.4 | 0.5 |

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

Notes to the Consolidated Financial Statements

6. Other operating expenses

| EUR million | 2006 | 2005 |
|---------------------------|------|------|
| Translation differences * | -0.2 | -1.5 |
| | -0.2 | -1.5 |

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

7. Depreciation and impairment

| EUR million | 2006 | 2005 |
|---------------------------------|------|------|
| Depreciation by function | | |
| Procurement and production | 4.7 | 2.7 |
| Sales and marketing | 2.3 | 1.4 |
| Research and development | 0.4 | 0.5 |
| Other administration | 3.3 | 3.6 |
| | 10.8 | 8.2 |

Goodwill not depreciated as of 1 January 2004. Procurement and production depreciation in 2006 includes depreciation of EUR 1.8 million on the order book of company acquisition Sigmet.

Impairment

| | | |
|---------------------|-----|-----|
| Sales and marketing | 0.0 | 0.2 |
| | 0.0 | 0.2 |

No impairments were booked in 2006.

8. Expenses arising from employee benefits

| EUR million | 2006 | 2005 |
|---|-------------|-------------|
| Salaries | 57.3 | 51.9 |
| Social costs | 6.5 | 11.1 |
| Pensions | | |
| Defined-benefit pension schemes | -0.2 | 0.0 |
| Defined-contribution pension schemes | 6.0 | 6.5 |
| Personnel expenses, total | 69.6 | 69.4 |
| Group personnel, average during the financial year | 2006 | 2005 |
| By business unit | | |
| Vaisala Measurement Systems | 345 | 377 |
| Vaisala Instruments | 335 | 318 |
| Vaisala Solutions | 277 | 258 |
| Other operations | 112 | 109 |
| | 1,069 | 1,062 |
| In Finland | 655 | 698 |
| Outside Finland | 414 | 364 |
| | 1,069 | 1,062 |

Notes to the Consolidated Financial Statements

9. Research and development expenditure

The income statement includes research and development expenditure of EUR 20.6 million recognised as an expense in 2006 (EUR 19.8 million in 2005).

10. Financial income and expenses

| EUR million | 2006 | 2005 |
|---|------|------|
| Dividend income | 0.0 | 0.0 |
| Other interest and financial income | 1.2 | 1.1 |
| Change in fair value of assets recognised at fair value through profit an loss* | 1.1 | 0.2 |
| Interest expenses | | |
| Short- and long-term liabilities | -0.1 | 0.0 |
| Finance lease agreements | 0.0 | 0.0 |
| Other financial expenses | -0.1 | -0.1 |
| Foreign exchange gains | 1.3 | 2.8 |
| Foreign exchange losses | -4.9 | -0.2 |
| | -1.5 | 3.9 |

*Change in fair value of income fund investments.

11. Income taxes

| EUR million | 2006 | 2005 |
|--|------|------|
| Tax based on taxable income for the financial year | 12.1 | 9.7 |
| Taxes from previous financial years | 0.0 | 0.1 |
| Change in deferred tax assets and liabilities | -0.5 | -0.6 |
| | 11.6 | 9.2 |

Reconciliation statement between income statement tax item and taxes calculated at the tax rate of the Group country of domicile

| EUR million | 2006 | 2005 |
|--|-------|-------|
| Profit before taxes | 38.2 | 34.1 |
| Taxes calculated at Finnish tax rate | 9.9 | 8.9 |
| Effect of foreign subsidiaries' tax rates | 1.3 | 1.5 |
| Non-deductible expenses and tax-free revenue | 0.0 | -1.6 |
| Use of previously unrecognised tax losses | -0.1 | -0.1 |
| Others | 0.5 | 0.5 |
| Tax in income statement | 11.6 | 9.2 |
| Effective tax rate | 30.3% | 26.9% |

Notes to the Consolidated Financial Statements

Deferred taxes in balance sheet

| EUR million | 2006 | 2005 |
|--------------------------|------|------|
| Deferred tax assets | 5.2 | 5.3 |
| Deferred tax liabilities | -0.4 | -0.5 |
| Deferred tax asset, net | 4.8 | 4.7 |

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 | 2006 | 2005 |
|--|------|------|
| Deferred taxes 1 Jan | 4.7 | 3.6 |
| Items recognised in income statement | 0.5 | 0.6 |
| Translation differences | -0.4 | 0.4 |
| Purchases of subsidiaries | 0.0 | 0.0 |
| Deferred tax asset, net | 4.9 | 4.7 |

Deferred tax assets of EUR 2.1 million (2005: 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 0.8 million (2005 EUR 0.9 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 2006

| EUR million | 31.12. 2005 | Recognised in income statement | Translation differences | Purchased subsidiaries | 31.12. 2006 |
|---|-------------|--------------------------------------|----------------------------|---------------------------|-------------|
| Deferred tax assets: | | | | | |
| Internal margin of inventories and fixed assets | 0.2 | 0.0 | 0.0 | 0.0 | 0.2 |
| Employee benefits | 0.1 | -0.1 | 0.0 | 0.0 | 0.1 |
| Unused tax losses | 1.0 | -0.2 | 0.0 | 0.0 | 0.8 |
| Timing difference of depreciation on intangible items | 3.1 | 0.3 | -0.3 | 0.0 | 3.1 |
| Other temporary differences | 0.8 | 0.4 | -0.1 | 0.0 | 1.1 |
| Total | 5.3 | 0.4 | -0.4 | 0.0 | 5.2 |
| Deferred tax liabilities | | | | | |
| Timing difference between accounting and taxation | 0.5 | -0.1 | 0.0 | 0.0 | 0.4 |
| Deferred tax asset, net | 4.7 | 0.5 | -0.4 | 0.0 | 4.8 |

Notes to the Consolidated Financial Statements

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 | 0.0 | 0.0 | 0.2 |
| Employee benefits | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| Unused tax losses | 0.8 | 0.2 | 0.0 | 0.0 | 1.0 |
| Timing difference of depreciation on intangible items | 3.2 | -0.5 | 0.5 | 0.0 | 3.2 |
| Other temporary differences | -0.3 | 1.2 | 0.0 | 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 |

For the EUR 27.1 million undistributed retained earnings of foreign subsidiaries in 2006 (21.4 million in 2005), no deferred tax liability has been recognised, because the assets have been invested permanently in the countries in question.

12. 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.

| | 2006 | 2005 |
|---|--------|--------|
| Profit for financial year belonging to parent company shareholders, EUR million | 26.6 | 24.9 |
| Weighted average number of shares outstanding, 1000 pcs | 18,168 | 17,488 |
| Earnings per share, EUR | 1.46 | 1.42 |

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 | 26.6 | 24.9 |
| Weighted average number of shares outstanding, 1000 pcs | 18,168 | 17,488 |
| Effect of share options 2000, 1000 pcs | 7 | 44 |
| Diluted weighted average number of shares, 1000 pcs | 18,174 | 17,532 |
| Diluted earnings per share, EUR | 1.46 | 1.42 |

Notes to the Consolidated Financial Statements

13. Dividend per share

For 2005 a dividend of 0.75 euros per share was paid. At the Annual General Meeting to held on 22 March 2007 the payment of a dividend of 0.85 euros per share will be proposed, representing a total dividend of EUR 15.5 million. The proposed dividend has not been recognised as a dividend liability in these financial statements.

14. Intangible assets

| EUR million | Intangible rights | Goodwill | Trademark | Other intangible assets | Total |
|---|-------------------|-------------|------------|-------------------------|-------------|
| Intangible assets | | | | | |
| Acquisition cost 1 Jan | 13.1 | 7.1 | | 1.5 | 21.7 |
| Translation difference | -0.2 | -0.7 | | 0.0 | -1.0 |
| Increases | 7.8 | | | | 7.8 |
| Acquisition of subsidiary | | 3.7 | 3.2 | | 6.9 |
| Decreases | -0.3 | -0.1 | - | 0.0 | -0.4 |
| Transfers between items | 0.3 | - | - | 0.9 | 1.2 |
| Acquisition cost 31 Dec | 20.6 | 10.0 | 3.2 | 2.3 | 36.1 |
| Accumulated depreciation and impairment 1 Jan | 10.1 | - | - | 1.2 | 11.4 |
| Translation difference | -0.3 | - | - | 0.0 | -0.3 |
| Accumulated depreciation of decreases and transfers | -0.3 | - | - | | -0.3 |
| Depreciation in financial year | 4.2 | - | - | 0.2 | 4.4 |
| Write-downs | - | - | - | - | - |
| Accumulated depreciation 31 Dec | 13.7 | 0.0 | 0.0 | 1.4 | 15.1 |
| Carrying amount 31 Dec 2006 | 6.9 | 10.0 | 3.2 | 0.9 | 21.0 |
| Carrying amount 31 Dec 2005 | 3.0 | 7.1 | 0.0 | 0.2 | 10.3 |

Goodwill has not been depreciation as of 1 January 2004.

Goodwill and trademark impairment testing

Goodwill is attributed to the segments Vaisala Measurement Systems and Vaisala Solutions. Trademarks are attributed to the segment Vaisala Measurement Systems. The balance sheet value of goodwill and trademarks is assessed at least once per year to ascertain any possible impairment. Trademark value is assessed by the relief-from-royalty method by comparing the present value of the royalty payments saved with the value of the trademark. For impairment testing the goodwill is attributed to three different cash generating units, i.e. EUR 5.1 million (2005 EUR 5.7 million) to a North American lightning detection systems business unit, EUR 1.2 million (2005 EUR 1.4 million) to a North American airport weather support systems business unit, and EUR 3.7 million to a North American radar 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 2006 was 15.9% (2005 17%). Cash flows after the management-approved forecast period have been calculated using the residual value method, in which the average of operating

Notes to the Consolidated Financial Statements

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. On the basis of sensitivity analyses made, reasonable changes to the assumptions used do not result in impairment of the goodwill of any cash generating unit.

15. Tangible assets

| EUR million Tangible assets | Land and waters | Buildings and structures | Machinery & equipment | Other tangible assets | Advance payments & construction in progress | Total |
|--|--------------------|-----------------------------|--------------------------|-----------------------------|--|-------------|
| Acquisition cost 1 Jan | 2.9 | 31.5 | 49.4 | 2.9 | 2.4 | 89.0 |
| Translation difference | -0.2 | -0.3 | -1.2 | -0.3 | -0.1 | -2.0 |
| Increases | 0.0 | 0.3 | 2.8 | 0.3 | 2.7 | 6.1 |
| Acquisition of subsidiary | | | | | | |
| Decreases | - | 0.0 | -4.4 | -0.3 | - | -4.7 |
| Transfers between items | - | 0.0 | 0.7 | -0.1 | -1.8 | -1.2 |
| Acquisition cost 31 Dec | 2.7 | 31.5 | 47.3 | 2.5 | 3.2 | 87.2 |
| Accumulated depreciation and impairment 1 Jan | - | 12.1 | 38.9 | 2.0 | - | 53.1 |
| Translation difference | - | 0.0 | -0.9 | -0.2 | - | -1.2 |
| Accumulated depreciation of decreases and transfers | - | 0.0 | -4.0 | -0.6 | - | -4.6 |
| Depreciation in financial year | - | 1.7 | 4.5 | 0.3 | - | 6.5 |
| Write-downs | - | - | - | - | - | 0.0 |
| Accumulated depreciation 31 Dec | 0.0 | 13.7 | 38.5 | 1.6 | 0.0 | 53.8 |
| Carrying amount 31 Dec 2006 | 2.7 | 17.8 | 8.9 | 0.9 | 3.2 | 33.5 |
| Carrying amount 31 Dec 2005 | 2.9 | 19.4 | 10.5 | 0.8 | 2.4 | 36.0 |

The undepreciated acquisition cost of machinery and equipment belonging the tangible fixed assets was EUR 25.0 million on 31.12.2006 (EUR 22.3 million 31.12.2005). 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:

| EUR million 2006 | Machinery and equipment |
|------------------------------------|----------------------------|
| Acquisition cost | 1.3 |
| Accumulated depreciation | -0.8 |
| Carrying amount 31 Dec 2006 | 0.5 |
| EUR million 2005 | Machinery and equipment |
| Acquisition cost | 1.6 |
| Accumulated depreciation | -1.0 |
| Carrying amount 31 Dec 2005 | 0.6 |

Notes to the Consolidated Financial Statements

16. Holdings in associated companies

| EUR million | 2006 | 2005 |
|---|------------|------------|
| Acquisition cost 1 Jan | 0.3 | 0.3 |
| Share of result | 0.0 | 0.0 |
| Dividends received | 0.0 | 0.0 |
| Increases | 0.1 | 0.0 |
| Disposals and other decreases | 0.0 | 0.0 |
| Translation differences | 0.0 | 0.0 |
| Associated company investments, total 31 Dec | 0.4 | 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

Associated companies 2006

| EUR million | Domicile | Assets | Liabilities | Net sales | Profit/loss | Holding |
|-----------------------|----------|--------|-------------|-----------|-------------|---------|
| Meteorage SA, France* | Cedex | 1.4 | 0.5 | 1.6 | 0.1 | 35% |

* Balance sheet information based on 2005 financial statements

Associated companies 2005

| | |
|----------------------|-----|
| Meteorage SA, France | 35% |
|----------------------|-----|

The information presented in the table are based on the latest available financial statements. Associated company Meteorage SA maintains lightning detection networks and sales information related to lightning detection.

17. 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.

18. Receivables (long-term)

| EUR million | 2006 | | 2005 | |
|---------------------|----------------------|-------------|----------------------|-------------|
| | Balance sheet values | Fair values | Balance sheet values | Fair values |
| Loan receivables | 0.0 | 0.0 | 0.0 | 0.0 |
| Other receivables * | 0.2 | 0.2 | 1.6 | 1.7 |
| | 0.2 | 0.2 | 1.6 | 1.7 |

* Other receivables in 2005 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 and is included in short-term receivables in 2006. Fair values have been calculated by discounting the future cash flows of every significant receivable at the market interest rate on the closing date.

Notes to the Consolidated Financial Statements

19. Inventories

| EUR million | 2006 | 2005 |
|------------------------|------|------|
| Materials and supplies | 9.4 | 7.9 |
| Work in progress | 2.8 | 2.0 |
| Finished goods | 5.3 | 4.2 |
| Advance payments | 0.0 | 0.0 |
| | 17.6 | 14.1 |

In the financial year expense of EUR 1.3 million was recorded, equivalent to the amount by which the carrying amount of inventories was reduced to correspond with their net realisable value (EUR 0.7 million in 2005).

20. Trade receivables and other receivables

| EUR million | 2006 | 2005 |
|--|------|------|
| Trade receivables | 43.1 | 41.4 |
| Loan receivables | 0.0 | 0.1 |
| Advanced paid | 0.8 | 0.4 |
| Other receivables | 3.3 | 2.2 |
| Receivables from long-term project customers | 3.3 | 1.0 |
| Value-added tax receivables | 1.7 | 1.3 |
| Other prepaid expenses and accrued income | 1.7 | 0.7 |
| | 53.9 | 47.1 |

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.

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

| EUR million | 2006 | 2005 |
|-------------------------|------|------|
| Income fund investments | 41.2 | 27.2 |
| Derivative contracts | 0.2 | -0.1 |

Financial assets recognised at fair value through profit and loss include income fund investments which involve the short-term investment of liquid assets. 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.

22. Cash and cash equivalents

| EUR million | 2006 | 2005 |
|-------------------------|------|------|
| Cash and bank deposits | 21.2 | 43.0 |
| Certificates of deposit | 25.0 | 11.2 |
| Total | 46.1 | 54.2 |

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 2006 was 2.9% (2.08% in 2005). In the cash flow statements, income fund investments of EUR 41.2 (27.2 in 2005) million are also treated as cash and cash equivalents.

Notes to the Consolidated Financial Statements

23. Notes relating to shareholders' equity

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 | Own shares | Paid but unregistered options | Total |
|----------------------------|---------------------------|---------------|--------------------|--------------|------------|-------------------------------|-------|
| 1.1.2005 | 17,479 | 7.4 | 1.6 | 0.1 | | | 9.0 |
| Share issue | | | | | | | |
| Share options exercised | 186 | 0.1 | 3.8 | | | 5.4 | 9.3 |
| Own shares acquired | | | | | | | |
| 31.12.2005 | 17,665 | 7.4 | 5.3 | 0.1 | 0.0 | 5.4 | 18.3 |
| Share issue | | | | | | | |
| Share options exercised | 553 | 0.2 | 11.3 | 0.0 | 0.0 | -5.4 | 6.1 |
| Own shares acquired | -9 | | | | -0.3 | | -0.3 |
| 31.12.2006 | 18,209 | 7.7 | 16.6 | 0.1 | -0.3 | 0.0 | 24.1 |
| Own shares held by company | 9 | | | | | | |
| | 18,218 | | | | | | |

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.

Optio scheme

The company's option scheme 2000 ended for all options on 31 January 2006. During the reporting period options had been used to subscribe for 293,164 Vaisala Series A shares. The subscription price was EUR 20.78 per share.

Change in number of options outstanding

| | pcs |
|--|----------|
| Number of options outstanding on 1 Jan 2006 | 309,800 |
| Options granted | |
| Options exercised which have been registered | -293,164 |
| Options exercised which have not been registered | |
| Options held by the company | |
| Expired options | -16,636 |
| Number of options outstanding on 31 Dec 2006 | 0 |

Share-based incentive schemes

2006 scheme

In 2006 Vaisala's Board of Directors instituted a new share-based incentive scheme for around 50 key individuals of the company. Some of these individuals belong to related parties of the Group. The incentive scheme is of two years' duration and it ends in February 2008. The performance period of incentive scheme is the financial year that began on 1 January 2006 and ended on 31 December 2006. The imputed number of shares to which individuals are entitled is based on the achievement of set financial targets, which are measured by earnings per share (EPS). A bonus corresponding to the imputed number of shares

Notes to the Consolidated Financial Statements

will be paid in cash and the share price used is the average price on the trading day that follows the publication of the 2007 final statements. Individuals must invest the proportion of the cash sum they receive that remains after taxes in Vaisala shares. Key individuals undertake to acquire the shares themselves at the market price. In addition, the shares have a restriction on sale of one year. The maximum cost of the incentive scheme corresponds to the value of 130,000 shares. A EUR 2.9 million liability has been recognised for the scheme in the consolidated balance sheet on 31 December 2006. The incentive scheme is an arrangement that complies with IFRS 2. The fair value of the shares given as bonuses has been determined using the share price on the closing date. As the scheme involves the giving of shares for no consideration, no option pricing model has been used.

2005 scheme

The company's 2005 share-based incentive scheme ended in 2006. The scheme targeted around 50 key individuals of the Group. Some of these individuals belong to related parties of the Group. The performance period of the incentive scheme was the financial year that began on 1 January 2005 and ended on 31 December 2005. Bonuses were paid after the publication of the financial statements that followed the performance period before the authorisation expired. The amount of bonus was based on the achievement set financial targets, which were measured by earnings per share (EPS). Bonuses were paid as a combination of Vaisala's listed A shares and a cash payment. The incentive scheme was not an arrangement that complies with IFRS 2, because the amount of bonus was 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 transferred or pledged for a period of two years after they have been entered in their entirety in the book-entry account of the individual entitled to the bonus. The maximum number of Vaisala Oyj A shares that could be transferred on the basis of the incentive scheme was a total of 25,850. The shares transferred in the scheme were Vaisala Oy A shares acquired by the company on the stock market, so the incentive scheme did not result in an increase in the total number of shares.

Authorisations of the Board of Directors

At the end of 2006, the Board of Directors had no authorisations to increase the share capital nor to issue convertible or warrant bonds. The Board of Directors had an authorisation granted by the Annual General Meeting of 22 March 2005 to acquire and transfer the company's own shares. The authorisation was valid until 22 March 2006. A maximum of 35,000 shares could be purchased. The Board of Directors used the authorisation in full. Under the authorisation, the shares were used as part of the incentive and bonus schemes for the company's personnel.

| Acquired own shares | Number of shares | Purchase price EUR million |
|--|------------------|----------------------------|
| February 2006 | 13,000 | 0.4 |
| March 2006 | 22,000 | 0.6 |
| Total | 35,000 | 1.0 |
| Shares transferred | -25,850 | -0.7 |
| Company's own shares on 31 December 2006 | 9,150 | 0.3 |

24. Interest-bearing liabilities

| EUR million | Balance sheet value | |
|---|---------------------|------------|
| | 2006 | 2005 |
| Long-term | | |
| Loans | 0.1 | 0.4 |
| Finance lease liabilities | 0.2 | 0.3 |
| | 0.3 | 0.7 |
| Short-term | | |
| Loan repayments in next year | 0.3 | 0.5 |
| Finance lease liability repayments in next year | 0.3 | 0.3 |
| | 0.6 | 0.8 |
| Interest-bearing liabilities, total | 0.9 | 1.5 |

Notes to the Consolidated Financial Statements

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 2006 was 1% (2005; 1%). The company has no loans that would mature after five years or a longer period.

Maturity dates of finance lease liabilities

| EUR million | 2006 | 2005 |
|--|------|------|
| Finance lease liabilities - total amount of minimum lease payments | | |
| Up to 1 year | 0.3 | 0.3 |
| 1 - 5 years | 0.3 | 0.3 |
| More than 5 years | 0.0 | 0.0 |
| | 0.6 | 0.7 |
| Future financial expenses | -0.1 | -0.1 |
| Present value of finance lease liabilities | 0.5 | 0.6 |
| Present value of minimum payments of finance lease liabilities | | |
| Up to 1 year | 0.3 | 0.3 |
| 1 - 5 years | 0.2 | 0.3 |
| More than 5 years | | |
| Total | 0.5 | 0.6 |

25. 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 defined-contribution schemes. The defined-benefit schemes are in Finland. The Group has no other benefits post-employment benefits. The supplementary pension benefits managed in the Vaisala Pension Fund have been treated as defined-benefit pension schemes. 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 | 2006 | 2005 |
|---|------|------|
| Defined-benefit pension schemes | -0.2 | 0.0 |
| Defined-contribution pension schemes | 6.0 | 6.5 |
| | 5.8 | 6.5 |
| Defined-benefit pension schemes by function | | |
| Procurement and production | -0.1 | 0.0 |
| Sales and marketing | -0.1 | 0.0 |
| Research and development | 0.0 | 0.0 |
| Other administration | 0.0 | 0.0 |
| | -0.2 | 0.0 |

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

| EUR million | 2006 | 2005 |
|--|------|------|
| Present value of unfunded obligations | | |
| Fair value of funded obligations | 1.9 | 6.6 |
| Fair value of assets | -1.7 | -6.1 |
| Deficit/surplus | 0.2 | 0.5 |
| Unrecognised net actuarial gains (+)/ losses (-) | 0.2 | 0.1 |
| Unrecognised costs based on past service | | |
| Net liability present in balance sheet | 0.3 | 0.6 |

Notes to the Consolidated Financial Statements

Pension expenses in personnel expenses

| EUR million | 2006 | 2005 |
|--|------|-------|
| Service costs for the financial year | 0.1 | 0.1 |
| Interest costs | 0.3 | 0.3 |
| Expected yield from assets belonging to the scheme | -0.3 | -0.2 |
| Actuarial gains and losses | | 0.1 |
| Costs based on past service | | |
| Gains/losses from reduction of scheme | -0.3 | -0.4 |
| | -0.2 | 0.0 |
| Actual yield from assets belonging to the scheme | 6.7% | 24.5% |

Overall expected return as calculated by the insurance company. Information on asset categories is not available. Expected contributions payable for the group during the year 2007 is EUR 0.1 million.

Changes in the present Value of the Obligation

| | | |
|---|------|------|
| Present value of obligation 1 Jan | 6.6 | 6.5 |
| Current service cost | 0.1 | 0.1 |
| Interest cost | 0.3 | 0.3 |
| Settlement and curtailments | -4.6 | 0.0 |
| Benefits paid | | -0.3 |
| Actuarial gain (+) loss (-) on obligation | -0.5 | -0.1 |
| Present value of obligation on 31 Dec | 1.9 | 6.6 |

Changes in the Fair Value of Plan Assets

| | | |
|---|------|------|
| Fair value of plan assets 1 Jan | 6.1 | 6.2 |
| Expected return on plan assets | 0.3 | 0.2 |
| Actuarial gain (+) loss(-) on plan assets | -0.2 | 0.4 |
| Contributions | 0.1 | -0.4 |
| Benefits paid | | -0.3 |
| Settlements | -4.6 | 0.0 |
| Fair value of plan assets 31 Dec | 1.7 | 6.1 |

Changes of liabilities presented in balance sheet

| EUR million | 2006 | 2005 |
|--------------------------------------|------|------|
| At beginning of financial year | 0.6 | 0.6 |
| Paid contributions | | |
| Pension expenses in income statement | -0.2 | 0.0 |
| At end of financial year | 0.3 | 0.6 |

Actuarial assumptions used:

| | | |
|--|-------|-------|
| Discount rate | 4.50% | 4.50% |
| Expected yield from assets belonging to the scheme | 5.00% | 4.50% |
| Future pension increases | 3.25% | 3.25% |

Notes to the Consolidated Financial Statements

26. Provisions

| EUR million | Restructuring provision | |
|----------------------------|-------------------------|------|
| | 2006 | 2005 |
| Provisions 1 Jan 2005 | 0.2 | 0 |
| Additional provisions | 0.0 | 0.2 |
| Used provisions | -0.2 | |
| Unused provisions reversed | | |
| Provisions 31 Dec | 0.0 | 0.2 |

A 2005 restructuring provision relates to the centralisation of the company's lightning detection business into one location and to the closure of the Aix-en-Provence office, situated in France. At the end of 2006, four thousand euros of the provision remained. An increase in provisions, 24 thousand euros, results from a restructuring of production at the sonde plant in Vantaa.

27. Trade payables and other liabilities

| Non-interest bearing | | |
|--|------|------|
| EUR million | 2006 | 2005 |
| Trade payables | 12.2 | 9.6 |
| Liabilities to associated companies | | |
| Salary and social cost allocations | 15.8 | 16.0 |
| Other accrued expenses and deferred income | 6.1 | 5.3 |
| Other short-term liabilities | 1.6 | 2.5 |
| Non-interest bearing liabilities, total | 35.6 | 33.3 |

28. Contingent liabilities and pledges given

| EUR million | 2006 | 2005 |
|--|------------|------------|
| For own loans/commitments | | |
| Guarantees | 9.7 | 8.2 |
| Other own liabilities | | |
| Pledges given | 0.1 | 0.1 |
| Other leases | 0.2 | 0.2 |
| Contingent liabilities and pledges given, total | 9.9 | 8.5 |

The pledges given are lease guarantee deposits.

Derivate contracts

| EUR million | 2006 | 2005 |
|--|------|------|
| Capital value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks | | |
| Currency forwards | 11.9 | 12.7 |
| Capital value, total | 11.9 | 12.7 |

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

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

Notes to the Consolidated Financial Statements

29. 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% |
| Vaisala China Ltd, Beijing, China | 100% | 100% |
| Tycho Technology Inc, Woburn., USA | 100% | 100% |
| WSDM LCC, Minneapolis, 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 | 2006 | 2005 |
|---|------|------|
| Salary and bonuses paid to President and CEO | | |
| Pekka Ketonen, President and CEO 1 Jan to 30 Sept 2006 | | |
| Salary | 0.3 | 0.2 |
| Bonuses | 0.4 | 0.0 |
| Kjell Forsen, President and CEO 1 Oct to 31 Dec 2006 | | |
| Salary | 0.1 | |
| Remuneration paid to Members of the Board of Directors | | |
| Raimo Voipio, Chairman of the Board | 0.0 | 0.0 |
| Stig Gustavsson, Member of the Board 23 Marc to 31 Dec 2006 | 0.0 | |
| Pekka Hautojärvi, Member of the Board 1 Jan to 23 March .2006 | 0.0 | 0.0 |
| Mikko Niinivaara, Member of the Board | 0.0 | 0.0 |
| Yrjö Neuvo, Member of the Board | 0.0 | 0.0 |
| Mikko Voipio, Member of the Board | 0.0 | 0.0 |
| Gerhard Wendt, Member of the Board 1 Jan to 23 March 2006 | 0.0 | 0.0 |
| Total | 0.9 | 0.3 |

Salaries and bonuses paid to managing directors of Group subsidiaries totalled EUR 0.3 million (2005 EUR 0.4 million).

Management share ownership

Vaisala Oyj's Board of Directors held and controlled 1,353,101 shares on 31 December 2006, accounting for 16.5% of the total votes (2005: 1,242,749 shares and 14.6% of the total votes). The company's President and CEO did not own shares or options on 31 December 2006. 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.

Notes to the Consolidated Financial Statements

30. Events occurring after the closing date

Vaisala will open a representative office in Dubai on February 2007.

31. Collected information

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

Five Years In Figures

| Consolidated income statement EUR million | IFRS 12/2006 | IFRS 12/2005 | IFRS 12/2004 | FAS 12/2003 | FAS 12/2002 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net sales | 220.8 | 197.9 | 178.1 | 189.2 | 196.2 |
| Other operating income | 1.4 | 0.5 | 1.4 | 0.9 | 2.0 |
| Costs | 171.7 | 159.9 | 140.6 | 152.3 | 161.0 |
| Depreciation, amortization and impairment charges | 10.8 | 8.4 | 9.4 | 11.9 | 14.6 |
| Operating profit | 39.6 | 30.1 | 29.4 | 25.9 | 22.6 |
| Financial income and expenses | -1.5 | 3.9 | -0.3 | -2.5 | -1.1 |
| Profit before tax | 38.2 | 34.1 | 29.1 | 23.4 | 21.5 |
| Income taxes | -11.6 | -9.2 | -8.1 | -8.9 | -8.4 |
| Minority interest | - | - | - | - | 0.2 |
| Net profit for the period | 26.6 | 24.9 | 21.0 | 14.5 | 13.2 |
| Consolidated balance sheet EUR million | 31.12.06 | 31.12.05 | 31.12.04 | 31.12.03 | 31.12.02 |
| Assets | | | | | |
| Non-current assets | 60.4 | 53.7 | 50.5 | 56.9 | 57.8 |
| Inventories | 17.6 | 14.1 | 15.0 | 18.4 | 23.0 |
| Current asset | 141.3 | 129.1 | 98.2 | 97.6 | 94.2 |
| | 219.2 | 196.9 | 163.7 | 172.9 | 175.0 |
| Shareholders' equity and liabilities | | | | | |
| Equity attributable to equity holders of the parent | 169.8 | 154.3 | 129.7 | 139.5 | 138.5 |
| Minority interest | - | - | - | - | - |
| Liabilities, total | 49.4 | 42.6 | 34.0 | 33.5 | 36.5 |
| Interest bearing | 0.9 | 1.5 | 2.0 | 2.2 | 2.4 |
| Non-interest bearing | 48.6 | 41.1 | 32.0 | 31.3 | 34.1 |
| Balance sheet total | 219.2 | 196.9 | 163.7 | 172.9 | 175.0 |

Financial Ratios and Shares in Figures

| Financial ratios | | IFRS 2006 | IFRS 2005 | IFRS 2004 | FAS 2003 | FAS 2002 |
|--|-----|--------------|--------------|--------------|-------------|-------------|
| Net sales | M€ | 220.8 | 197.9 | 178.1 | 189.2 | 196.2 |
| exports and international operations% | | 96.6% | 96.2% | 96.6% | 96.6% | 96.3% |
| Operating profit | M€ | 39.6 | 30.1 | 29.4 | 25.9 | 22.6 |
| % of net sales | | 18.0% | 15.2% | 16.5% | 13.7% | 11.5% |
| Profit before taxes | M€ | 38.2 | 34.1 | 29.1 | 23.4 | 21.5 |
| % of net sales | | 17.3% | 17.2% | 16.3% | 12.4% | 10.9% |
| Return on equity (ROE) % | | 16.4% | 17.5% | 16.0% | 10.4% | 9.5% |
| Return on investment (ROI) % | | 23.5% | 23.8% | 21.9% | 16.6% | 15.4% |
| Solvency ratio % | | 81.0% | 80.8% | 82.2% | 84.4% | 83.9% |
| Current ratio | | 3.3 | 3.7 | 3.7 | 3.7 | 3.6 |
| Gross capital expenditure | M€ | 20.4 | 8.0 | 4.8 | 14.1 | 28.4 |
| % of net sales | | 9.2% | 4.0% | 2.7% | 7.4% | 14.5% |
| R&D expenditure | M€ | 0.3 | 0.3 | 0.1 | 0.4 | 0.5 |
| on machinery and equipment | M€ | 20.6 | 19.8 | 21.3 | 21.1 | 22.1 |
| % of net sales | | 9.3% | 10.0% | 12.0% | 11.2% | 11.2% |
| Orderbook on Dec. 31. | M€ | 77.6 | 55.3 | 52.7 | 62.9 | 77.1 |
| Average personnel | | 1 069 | 1 062 | 1 092 | 1 141 | 1 208 |
| Shares in figures | | | | | | |
| Earnings/share (EPS) | € | 1.46 | 1.42 | 1.20 | 0.83 | 0.75 |
| Earnings/share (EPS), calculated taking into account the dilution impact of the bond with warrants | € | 1.46 | 1.42 | 1.20 | 0.83 | 0.75 |
| Cash flow from business operations/share | € | 1.96 | 2.21 | 2.06 | 1.99 | 1.50 |
| Shareholders' equity/share | € | 9.32 | 8.74 | 7.42 | 7.98 | 7.94 |
| Dividend/share | € | *0.85 | 0.75 | 0.75 | 1.25 | 0.55 |
| Dividend/earnings | % | **58.2% | 52.8% | 62.5% | 150.8% | 72.4% |
| Effective dividend yield *** | | 2.6% | 3.1% | 4.1% | 5.1% | 2.4% |
| Price/earnings (P/E) | | 22.65 | 16.90 | 15.17 | 29.55 | 30.51 |
| A-share trading | | | | | | |
| highest | € | 33.33 | 24.74 | 24.50 | 25.00 | 30.30 |
| lowest | € | 23.10 | 18.48 | 17.25 | 16.70 | 18.81 |
| weighted average | € | 26.64 | 22.15 | 20.03 | 19.95 | 25.78 |
| at balance sheet date | € | 33.07 | 24.00 | 18.20 | 24.50 | 22.98 |
| Market capitalisation at balance sheet date *** | M€ | 602.2 | 424.0 | 318.1 | 428.2 | 400.7 |
| A-shares traded | | | | | | |
| traded | pcs | 6 873 504 | 2 442 168 | 1 635 934 | 1 495 572 | 1 607 165 |
| % of entire series | | 46.4% | 17.1% | 11.6% | 10.6% | 11.5% |
| Adjusted number of shares. | pcs | 18 174 250 | 17 532 161 | 17 479 000 | 17 471 904 | 17 351 471 |
| A-shares | pcs | 14 809 079 | 14 256 165 | 14 065 715 | 14 063 215 | 13 935 686 |
| K-shares | pcs | 3 409 285 | 3 409 285 | 3 413 285 | 3 415 785 | 3 415 785 |
| Number of shares at Dec. 31 | pcs | 18 209 214 | 17 665 450 | 17 479 000 | 17 479 000 | 17 437 000 |

* 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, € | = | $\frac{\text{Cash flow from business operations}}{\text{Number of shares at balance sheet date}}$ |
| Equity / share, € | = | $\frac{\text{Shareholders' equity}}{\text{Number of shares at balance sheet date, adjusted}}$ |
| Dividend / share, € | = | $\frac{\text{Dividend}}{\text{Number of shares at balance sheet date, adjusted}}$ |
| Dividend / earnings, (%) | = | $\frac{\text{Dividend}}{\text{Profit before taxes less taxes, +/- minority interest}} \times 100$ |
| 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, EUR million | = | Share price at balance sheet date times number of shares |

Parent Company Income Statement

Finnish accounting principles, FAS

| EUR million | Note | 1.1–31.12.2006 | 1.1–31.12.2005 |
|---|------|----------------|----------------|
| Net sales | 2 | 152.4 | 134.5 |
| Cost of production and procurement | | -77.7 | -71.8 |
| Gross profit | | 74.7 | 62.7 |
| Cost of sales and marketing | | -17.1 | -15.3 |
| Cost of administration | | | |
| Development costs | | -15.9 | -15.9 |
| Other administrative costs | | -15.0 | -13.1 |
| | | -30.9 | -29.0 |
| Other operating income | 3 | 1.3 | 0.2 |
| Other operating costs | 3 | -0.2 | -1.5 |
| Operating profit | | 27.9 | 17.0 |
| Financial income and expenses | 5 | 1.8 | 7.2 |
| Profit before provisions and taxes | | 29.7 | 24.2 |
| Provisions | | 0.5 | 0.2 |
| Direct taxes | 6 | 7.3 | 5.7 |
| Net profit for the financial year | | 22.9 | 18.7 |

Parent company Balance Sheet

Finnish accounting principles, FAS

| EUR million | Note | 31.12.2006 | | 31.12.2005 | |
|---|------|-------------|--------------|------------|-------|
| Assets | | | | | |
| Non-current assets | | | | | |
| Intangible assets | 7 | | | | |
| Intangible rights | | 1.6 | | 1.7 | |
| Other long-term expenditure | | 0.3 | 1.9 | 0.4 | 2.1 |
| Tangible assets | 7 | | | | |
| Land and waters | | 1.3 | | 1.3 | |
| Buildings | | 20.8 | | 22.3 | |
| Machinery and equipment | | 6.6 | | 7.5 | |
| Other tangible assets | | 0.0 | | 0.0 | |
| Advance payments and construction in progress | | 3.0 | 31.7 | 1.7 | 32.9 |
| Investments | 7 | | | | |
| Other shares and holdings | | 21.4 | | 21.4 | |
| Other receivables | | 0.0 | | 0.0 | |
| Receivables from subsidiaries | | 12.4 | 33.8 | 18.3 | 39.7 |
| Current assets | | | | | |
| Inventories | | | | | |
| Materials and consumables | | 7.1 | | 5.3 | |
| Work in progress | | 1.6 | | 1.1 | |
| Finished goods | | 3.6 | 12.3 | 2.6 | 9.0 |
| Receivables | | | | | |
| Trade receivables | | 31.0 | | 30.1 | |
| Loan receivables | | 1.5 | | 2.7 | |
| Other receivables | | 0.6 | | 0.2 | |
| Prepaid expenses and accrued income | 8 | 3.9 | | 3.7 | |
| Deferred tax assets | 10 | 0.0 | 37.1 | 0.0 | 36.7 |
| Financial assets | | | | | |
| Other financial assets | 9 | | 41.2 | | 27.2 |
| Cash and bank balances | 9 | | 31.8 | | 20.9 |
| Assets, total | | | 189.8 | | 168.5 |

Parent company Balance Sheet

| EUR million | Note | 31.12.2006 | | 31.12.2005 | |
|--|------|------------|--------------|------------|--------------|
| Shareholders' Equity and Liabilities | | | | | |
| Shareholders' Equity | | | | | |
| | 11 | | | | |
| Share capital | | 7.7 | | 7.4 | |
| Share issue | | 0.0 | | 5.4 | |
| Reserve fund | | 22.3 | | 11.0 | |
| Profit from previous years | | 100.9 | | 95.8 | |
| Profit for the financial year | | 22.9 | 153.8 | 18.7 | 138.4 |
| Provisions | | | | | |
| Accumulated depreciation difference | | | 1.5 | | 2.0 |
| Obligatory provisions | 12 | | 0.0 | | 0.5 |
| Liabilities | | | | | |
| Non-current | | | | | |
| Other non-current liabilities | 13 | | 0.1 | | 0.4 |
| Deferred tax liabilities | 10 | | 0.0 | | 0.0 |
| Current | | | | | |
| Advances received | | 7.3 | | 3.5 | |
| Trade payables | | 11.4 | | 8.9 | |
| Other current liabilities | | 1.2 | | 1.5 | |
| Accrued expenses and deferred income | 14 | 14.5 | 34.4 | 13.3 | 27.2 |
| Shareholders' equity and liabilities, total | | | 189.8 | | 168.5 |

Parent company Cash Flow Statement

| EUR million | Parent company 2006 | Parent company 2005 |
|---|------------------------|------------------------|
| Cash flows from operating activities | | |
| Cash receipts from customers | 155.2 | 130.9 |
| Other income from business operations | 0.0 | 0.0 |
| Cash paid to suppliers and employees | -122.8 | -101.1 |
| Cash flow from business operations before financial items and taxes | 32.3 | 29.8 |
| Interest received | 2.7 | 1.2 |
| Interest paid | 0.0 | 0.0 |
| Other financial items, net | -2.0 | 0.6 |
| Dividend received from business operations | 2.8 | 3.3 |
| Direct tax paid | -5.6 | -5.7 |
| Cash flow from business operations (A) | 30.2 | 29.1 |
| Cash flow from investing activities | | |
| Investments in tangible and intangible assets | -3.9 | -3.9 |
| Proceeds from sale of fixed assets | 0.1 | 0.0 |
| Loans granted | -0.2 | -16.8 |
| Other investments | 0.0 | -0.6 |
| Repayments on loan receivables | 6.5 | 0.9 |
| Proceeds from sale of other investments | 0.0 | 0.0 |
| Cash flow from investing activities (B) | 2.5 | -20.5 |
| Cash flow from financing activities | | |
| Equity issue | 6.1 | 9.3 |
| Repayment of short-term loans | 0.0 | 0.0 |
| Withdrawal of long-term loans | 0.0 | 0.0 |
| Repayment of long-term loans | -0.4 | -0.5 |
| Dividend paid and other distribution of profit | -13.4 | -13.1 |
| Cash flow from financing activities (C) | -7.7 | -4.4 |
| Change in liquid funds (A+B+C) increase (+) / decrease (-) | 24.9 | 4.3 |
| Liquid funds at beginning of period | 48.1 | 43.8 |
| Liquid funds at end of period | 73.0 | 48.1 |

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

Financial 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

Notes to the Parent Company Financial Statements

buyer. Revenue recognition generally takes place 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 or the relationship between the working hours performed to date and the estimated total working hours.

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 2006 | Parent company 2005 |
|-----------------------------------|---------------------|---------------------|
| Europe | 77.8 | 56.3 |
| of which Finland | 7.6 | 7.5 |
| North America | 16.3 | 36.1 |
| Asia and Australia | 41.0 | 33.3 |
| Africa, South and Central America | 17.2 | 8.9 |
| Total | 152.4 | 134.5 |

3. Other operating income

| EUR million | Parent company 2006 | Parent company 2005 |
|--|---------------------|---------------------|
| Gains on the disposal of fixed assets | 0.1 | 0.0 |
| Foreign exchange gains from derivatives | 1.2 | 0.2 |
| Others | 0.0 | 0.0 |
| Total | 1.3 | 0.2 |
| Other operating costs | | |
| Foreign exchange losses from derivatives | 0.2 | -1.5 |

Notes to the Parent Company Financial Statements

4. Personnel

| Personnel costs EUR million | Parent company 2006 | Parent company 2005 |
|--|----------------------------|----------------------------|
| Wages and salaries | 34.4 | 32.4 |
| Pension costs | 4.6 | 5.0 |
| Other personnel costs | 2.6 | 2.8 |
| Total | 41.6 | 40.2 |
| Personnel on average during the year (persons) | | |
| In Finland | 651 | 679 |
| Outside Finland | 5 | 20 |
| Total | 656 | 698 |
| Personnel Dec. 31 | | |
| In Finland | 643 | 644 |
| Outside Finland | 7 | 23 |
| Total | 650 | 667 |
| Salaries EUR million | | |
| Salary and bonuses paid to President and CEO | | |
| Pekka Ketonen, President and CEO 1 Jan to 30 Sept 2006 | | |
| Salary | 0.3 | 0.2 |
| Bonuses | 0.4 | 0.0 |
| Kjell Forsen, President and CEO 1 Oct to 31 Dec 2006 | | |
| Salary | 0.1 | |
| Remuneration paid to Members of the Board of Directors | | |
| Raimo Voipio, Chairman of the Board | 0.0 | 0.0 |
| Stig Gustavsson, Member of the Board 23 Marc to 31 Dec 2006 | 0.0 | 0.0 |
| Pekka Hautojärvi, Member of the Board 1 Jan to 23 March 2006 | 0.0 | 0.0 |
| Mikko Niinivaara, Member of the Board | 0.0 | 0.0 |
| Yrjö Neuvo, Member of the Board | 0.0 | 0.0 |
| Mikko Voipio, Member of the Board | 0.0 | 0.0 |
| Gerhard Wendt, Member of the Board 1 Jan to 23 March 2006 | 0.0 | 0.0 |
| Total | 0.9 | 0.3 |
| Salaries paid to the other employees | 31.5 | 28.1 |
| Total | 32.4 | 28.5 |

Cash loans, securities or contingent liabilities were not granted to the President or to the members of the Board of Directors.

Notes to the Parent Company Financial Statements

5. Financial income and expenses

| EUR million | Parent company 2006 | Parent company 2005 |
|---|------------------------|------------------------|
| Dividend income | | |
| From Group companies | 2.8 | 3.3 |
| From others | 0.0 | 0.0 |
| Interest income on long-term investments | | |
| From Group companies | 1.1 | 0.2 |
| Other interest and financial income | | |
| From others | 0.5 | 0.7 |
| Change in fair value of assets recognised at fair value through profit an loss* | 1.1 | 0.2 |
| Interest and other financial expenses | | |
| From others | -0.1 | -0.1 |
| Foreign exchange gains and losses | | |
| From Group companies | -2.2 | 1.2 |
| From others | -1.2 | 1.6 |
| Total | 1.8 | 7.2 |

6. Income taxes

| EUR million | Parent company 2006 | Parent company 2005 |
|------------------------------|------------------------|------------------------|
| Taxes for the financial year | 7.3 | 5.3 |
| Taxes from previous years | 0.0 | 0.0 |
| Taxes paid at source abroad | 0.0 | 0.0 |
| Deferred tax liability | 0.0 | 0.4 |
| Total | 7.3 | 5.7 |

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 | 13.0 | 0.8 | 13.7 |
| Increases | 0.3 | 0.0 | 0.3 |
| Decreases | -0.3 | - | -0.3 |
| Transfers between items | 0.3 | - | 0.3 |
| Acquisition cost Dec. 31 | 13.2 | 0.8 | 14.0 |

Notes to the Parent Company Financial Statements

| Parent Company EUR million | Intangible rights | Other long-term expenditure | Total |
|---|-------------------|-----------------------------|-------------|
| Accumulated depreciation and write-downs Jan. 1 | 11.2 | 0.4 | 11.7 |
| Accumulated depreciation of decreases and transfers | -0.3 | - | -0.3 |
| Depreciation for the financial year | 0.7 | 0.0 | 0.7 |
| Write-downs | - | - | - |
| Accumulated depreciation Dec. 31 | 11.6 | 0.4 | 12.1 |
| Balance sheet value Dec. 31, 2006 | 1.6 | 0.3 | 1.9 |
| Balance sheet value Dec. 31, 2005 | 1.7 | 0.4 | 2.1 |

| Parent Company EUR million | Land and waters | Buildings | Machinery & equipment | Other tangible assets | Advance payments and construction in progress | Total |
|---|-----------------|-------------|-----------------------|-----------------------|---|-------------|
| Tangible assets | | | | | | |
| Acquisition cost Jan. 1 | 1.2 | 28.3 | 31.2 | 0.0 | 1.7 | 62.5 |
| Increases | - | 0.0 | 1.6 | - | 2.1 | 3.7 |
| Decreases | - | - | -0.7 | - | 0.0 | -0.7 |
| Transfers between items | - | 0.0 | 0.6 | - | -0.9 | -0.3 |
| Acquisition cost Dec. 31 | 1.2 | 28.4 | 32.7 | 0.0 | 3.0 | 65.3 |
| Accumulated depreciation and write-downs Jan. 1 | - | 11.7 | 23.7 | - | - | 35.4 |
| Accumulated depreciation of decreases and transfers | - | - | -0.6 | - | - | -0.6 |
| Depreciation for the financial year | - | 1.5 | 3.0 | - | - | 4.5 |
| Write-downs | - | - | - | - | - | 0.0 |
| Accumulated depreciation Dec. 31 | 0.0 | 13.2 | 26.1 | 0.0 | 0.0 | 39.3 |
| Revaluation | 0.1 | 5.6 | - | - | - | 5.7 |
| Balance sheet value Dec. 31, 2006 | 1.3 | 20.8 | 6.6 | 0.0 | 3.0 | 31.7 |
| Balance sheet value Dec. 31, 2005 | 1.3 | 22.3 | 7.5 | 0.0 | 1.7 | 32.9 |

The undepreciated acquisition cost of machinery and equipment belonging the tangible fixed assets was EUR 24.3 million on 31.12.2006 (EUR 21.5 million 31.12.2005).

| Parent Company EUR million | Subsidiary shares | Other shares and holdings | Other long-term receivables from Group companies | Total |
|--|-------------------|---------------------------|--|-------------|
| Investments | | | | |
| Acquisition cost Jan. 1 | 21.4 | 0.0 | 18.3 | 39.7 |
| Increases | - | - | - | - |
| Decreases | - | 0.0 | -5.9 | -6.0 |
| Transfers between items | - | - | - | - |
| Balance sheet value Dec. 31, 2006 | 21.4 | 0.0 | 12.4 | 33.8 |
| Balance sheet value Dec. 31, 2005 | 21.4 | 0.0 | 18.3 | 39.7 |

Notes to the Parent Company Financial Statements

8. Deferred assets

| EUR million | 2006 | 2005 |
|-----------------------------|------|------|
| Tax related deferred assets | 1.7 | 1.8 |
| Other deferred assets | 2.3 | 1.8 |
| | 3.9 | 3.7 |

9. Financial assets

| EUR million | 2006 | 2005 |
|--|------|------|
| Other investments | | |
| Income fund interest-bearing papers | 41.2 | 27.2 |
| Cash and bank balances | | |
| Cash and balance in the bank accountst | 6.9 | 9.7 |
| Certificates of deposit | 25.0 | 11.2 |
| | 31.8 | 20.9 |

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.

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.

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

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

The change in fair value has been recognised in the income statement group financial income and expenses.

10. Deferred tax assets and liabilities

| EUR million | 2006 | 2005 |
|--------------------------------------|------|------|
| Deferred tax assets | | |
| Timing differences | 0.0 | 0.0 |
| | 0.0 | 0.0 |
| Deferred tax liabilities | | |
| Timing differences | 0.0 | 0.0 |
| | 0.0 | 0.0 |
| Deferred tax assets/liabilities, net | 0.0 | 0.0 |

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.

Notes to the Parent Company Financial Statements

11. Shareholders' equity

The parent company's shares are divided into series, with 3,409,285 series K shares (20 votes/share) and 14,809,079 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 | 2006 | 2005 |
|------------------------------------|--------------|--------------|
| Share capital | | |
| Series A Jan. 1 | 6.0 | 5.9 |
| Converted from series K to A | - | 0.0 |
| Share issues | 0.2 | 0.1 |
| Series A Dec.31 | 6.2 | 6.0 |
| Series K Jan. 1 | 1.4 | 1.4 |
| Converted from series K to A | - | 0.0 |
| Share capital Dec. 31 | 7.7 | 7.4 |
| Shares issued 2005 | 0.0 | 5.4 |
| Reserve fund Jan. 1 | 11.0 | 7.3 |
| Share issues | 11.3 | 3.8 |
| Reserve fund Dec. 31 | 22.3 | 11.0 |
| Profit from previous years Jan. 1 | 114.6 | 108.9 |
| Dividends paid | -13.4 | -13.1 |
| Own shares | -0.3 | |
| Profit from previous years Dec. 31 | 100.9 | 95.8 |
| Profit for the financial year | 22.9 | 18.7 |
| Total equity | 153.8 | 138.4 |

12. Obligatory provisions

| EUR million | 2006 | 2005 |
|-----------------|------|------|
| Pension reserve | 0.0 | 0.5 |
| | 0.0 | 0.5 |

13. Non-current liabilities

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

Notes to the Parent Company Financial Statements

14. Accrued expenses and deferred income

| EUR million | 2006 | 2005 |
|--|------|------|
| Wages, salaries and wage-related liabilities | 11.7 | 10.6 |
| Tax liabilities | 1.2 | - |
| Other accrued expenses and deferred income | 1.6 | 2.7 |
| | 14.5 | 13.3 |

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

| EUR million | 2006 | 2005 |
|--------------------------------------|------|------|
| Non-current loan receivables | 12.4 | 18.3 |
| Current loan receivables | 1.5 | 2.7 |
| Trade receivables | 10.1 | 14.2 |
| Prepaid expenses and accrued income | 0.0 | 0.1 |
| Total receivables | 24.0 | 35.3 |
| Trade payables | 0.9 | 0.7 |
| Accrued expenses and deferred income | 0.0 | 0.0 |
| Total liabilities | 0.9 | 0.7 |

16. Contingent liabilities and pledges given

| EUR million | 2006 | 2005 |
|--|-------------|-------------|
| For own loans/commitments | | |
| Guarantees | 9.7 | 6.0 |
| For Group companies | | |
| Guarantees | 5.5 | 2.2 |
| Other own liabilities | | |
| Pledges given | 0.1 | 0.1 |
| Leasing liabilities | | |
| Payable during the financial year | 0.1 | 0.1 |
| Payable later | 0.1 | 0.1 |
| Total contingent liabilities and pledges given | 15.4 | 8.5 |
| Derivative contracts | | |
| Capital of off-balance sheet contracts made to hedge against exchange rate and interest risks | | |
| Currency forwards | 11.9 | 12.7 |
| Total capital | 11.9 | 12.7 |

Shares and shareholders

Largest shareholders, Dec. 31, 2006

| | % of votes | % of series K shares | % of series A shares | % of total shares |
|--|---------------|-------------------------|-------------------------|----------------------|
| Finnish Academy of Science and Letters | 21.7 | 25.8 | 3.1 | 7.3 |
| Novameter Oy | 12.7 | 13.4 | 9.4 | 10.1 |
| Mikko Voipio | 7.7 | 8.8 | 2.2 | 3.4 |
| Anja Caspers | 7.0 | 8.3 | 1.3 | 2.6 |
| Raimo Voipio | 5.8 | 6.7 | 1.7 | 2.6 |
| Tauno Voipio | 4.2 | 4.6 | 2.0 | 2.5 |
| Henki-Sampo Insurance Company | 4.1 | 4.0 | 4.3 | 4.2 |
| Inkeri Voipio | 2.2 | 0.0 | 12.3 | 10.0 |
| Minna Luokkanen | 2.0 | 2.4 | 0.1 | 0.5 |
| Jaakko Väisälä estate | 1.6 | 1.8 | 1.1 | 1.2 |
| Ilmarinen Mutual Pension Insurance Company | 1.6 | 0.0 | 8.7 | 7.1 |
| Tuulikki Laasonen | 1.3 | 1.6 | 0.0 | 0.3 |
| Nominee registered | 2.0 | 0.0 | 9.3 | 9.3 |

Ownership structure by owner type, December 31, 2006

| | Number of owners | % of votes | % of series K shares | % of series A shares | % of total shares |
|--|---------------------|---------------|-------------------------|-------------------------|----------------------|
| Companies | 232 | 13.3 | 13.4 | 12.8 | 12.9 |
| Financial and insurance institutions | 32 | 7.6 | 4.0 | 12.5 | 10.9 |
| Municipalities | 18 | 2.7 | 0.0 | 15.0 | 12.2 |
| Non-profit organizations | 93 | 22.4 | 25.8 | 6.7 | 10.3 |
| Private individuals | 4,202 | 53.9 | 56.8 | 40.3 | 43.4 |
| Outside Finland and nominee registered | 36 | 0.2 | 0.0 | 12.6 | 10.2 |
| Not transferred to the book-entry system | | 0.0 | 0.0 | 0.1 | 0.1 |
| Total | 4,613 | 100.1 | 100.0 | 100.0 | 100.0 |

Ownership structure by shareholding, December 31, 2006

| 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 | 1,518 | 32.9 | 0.1 | 0.6 | 2 | 0.0 | 1,518 | 0.7 |
| 101-1000 | 2,579 | 55.9 | 1.2 | 5.1 | 18 | 0.3 | 2,575 | 6.2 |
| 1001-10000 | 410 | 8.9 | 3.3 | 6.5 | 26 | 4.0 | 404 | 7.8 |
| 10001-100000 | 83 | 1.8 | 18.9 | 16.1 | 23 | 24.1 | 75 | 16.5 |
| 100001- | 23 | 0.5 | 76.5 | 71.7 | 7 | 71.6 | 20 | 68.7 |
| Not transferred to the book-entry system | - | - | 0.0 | 0.0 | - | 0.0 | - | 0.1 |
| Total | 4,613 | 100.0 | 100.0 | 100.0 | 76 | 100.0 | 4,592 | 100.0 |

Vaisala Oyj's Board of Directors held and controlled 1,353,101 shares on 31 December 2006, accounting for 16.5% of the total votes (2005: 1,242,749 shares and 14.6% of the total votes).

Signing of the Financial statements

Signing of the Board of directors' report and financial statements

Vantaa, February 13, 2007

Raimo Voipio
Chairman of the Board

Stig Gustavson

Mikko Niinivaara

Yrjö Neuvo

Mikko Voipio

Kjell Forsén
President and CEO

Auditor's report

To the shareholders of Vaisala Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Vaisala Corporation for the period 1.1. – 31.12.2006. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors and the parent company's financial statements and administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and 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 the administration is to examine whether the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

Vantaa, February 13, 2007

PricewaterhouseCoopers Oy

Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

Hannu Pellinen
Authorised Public Accountant

Information for shareholders

Annual General Meeting

Vaisala Oyj's Annual General Meeting will be held on Thursday March 22, 2007, at 5 p.m. at the company's head office, Vanha Nurmijärventie 21, 01670 Vantaa.

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

1. Items specified in Article 13 of the Articles of Association.

Right of attendance

Shareholders who are registered in the company's share register maintained by the Finnish Central Securities Depository Ltd by 11 March 2007 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 Wednesday 14 March 2007. 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

Board member Yrjö Neuvo is in turn 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 22 March 2007 that the number of Board members should be six. The Board proposes the re-election of Mr Yrjö Neuvo. The Board also proposes Ms Maija Torkko as a new member.

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 February 13, 2007

Vaisala Oyj
Board of Directors

Further information:

Jouni Lintunen, CFO +358 (9) 8949 2215, GSM +358 40 579 0181

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Investor calendar 2007

Vaisala Oyj will publish three Interim Reports in 2007 in Finnish and English according to the following schedule:

May 7, 2007 Interim Report 1.1. - 31.3.2007 (Q1)
Aug 7, 2007 Interim Report 1.1. - 30.6.2007 (Q2)
Oct 31, 2007 Interim Report 1.1. - 30.9.2007 (Q3)

Annual General Meeting 2007
22.3.2007 Annual General Meeting.
Vanha Nurmijärventie 21, Vantaa, Finland.

Silent Time

No analyst- or investor meetings are arranged during a period of three weeks before the publication of Annual Financial Results.

Financial reports can be ordered from:

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

The Financial Statements 2006 brochure is published in Finnish and English. The brochure is distributed to all Vaisala shareholders on week 10 (March 5-9, 2007). 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 Worldwide

Finland **Vaisala Oyj**

Po. Box 26, 00421 Helsinki
Address:
Vanha Nurmijärventie 21,
01670 Vantaa
Finland
Phone +358 9 894 91
Fax +358 9 8949 2227
e-mail: info@vaisala.com
Business ID: 0124416-2

Sweden **Vaisala Oyj**

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

Germany **Vaisala GmbH**

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

Vaisala GmbH

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

Bonn Office
Adenauerallee 15
D-53111 Bonn, Germany
Phone +49 228 249 710
Fax +49 228 2497 111

France **Vaisala SAS**

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

United Kingdom **Vaisala Ltd**

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

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

USA **Vaisala Inc.**

Boston Office
10-D Gill Street
Woburn, MA 01801, USA
Phone +1 781 933 4500
Fax +1 781 933 8029

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

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

**Minneapolis operations**

6300 34th Avenue South
Minneapolis, Minnesota 55450,
USA

Phone +1 612 727 1084
Fax +1 612 727 3895

Westford Operations

2 Park Drive, Unit 1
Westford, MA 01886, USA
Phone +1 978 692 9234
Fax +1 978 692 9575

Houston Office

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

San Jose Office

6980 Santa Teresa Blvd, Suite 203
San Jose, CA 95119-1393, USA
Phone +1 408 578 3671
Fax +1 408 578 3672

Canada**Vaisala Inc.****Canada Office**

37 De Tarascon
Blainville, Quebec J7B 6B7,
Canada

Phone +1 450 430 0880
Fax +1 450 430 6410

Japan**Vaisala KK****Tokyo Office**

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

China**Vaisala China Ltd****Beijing Office**

Floor 2, EAS Building
No. 21, Xiao Yun Road,
Dongsanhuan Beilu
Chaoyang District, Beijing,
P.R. China 100027
Phone +86 10 85261199
Fax +86 10 85261155

Shenzhen Office

Regus Business Centre,
Anilian Centre
26th Floor
222 Jintian Road
Futian
Shenzhen 518026
People's Republic of China
Phone +86 755 3395 5998
Fax +86 755 3395 5516

Vaisala Shanghai**contact address**

6F 780 Cailun Lu
Pudong New Area
201203 Shanghai
P.R. China
Phone + 86 21 5132 0656
Fax + 86 21 5132 0657

Malaysia**Vaisala Oyj****Regional Office Malaysia**

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

Australia**Vaisala Pty Ltd****Melbourne Office**

3 Guest Street
Hawthorn, VIC 3122
Australia
Phone +61 3 9818 4200
Fax +61 3 9818 4522

