

Interim Report 1.1.-30.9.2006 (9 months)

- Net sales: EUR 144.9 (130.9) million.
- Operating profit: EUR 19.8 (15.6) million.
- Orders received: EUR 178.5 (148.9) million.
- Order book: EUR 87.7 (72.6) million.
- Profit before extraordinary items, provisions and taxes: EUR 18.8 (18.8) million.
- Net profit for the review period EUR 13.3 (13.7) million.
- Earnings per share: EUR 0.73 (0.79).

Overview

Vaisala's profit development for January-September 2006 has been as expected. The sustained maintenance and development of competitiveness has enabled Vaisala to retain its market share, and the company's market position is strong. Growth in demand and positive order book developments started during the second half of 2005 have continued. Demand remained on a good level, and the number of orders received was significantly higher during the review period than during the corresponding period in 2005.

Weather radar signal processing system provider Sigmet 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.

Due to the current business boom, some difficulties have started to emerge in the availability of some materials. This will cause some delays in product delivery times.

Exchange rates have weakened the result for January-September.

Net sales and order book

The Vaisala Group's net sales for the review period grew by 10.7% and were EUR 144.9 million (1-9/2005: EUR 130.9 million). Operations outside Finland accounted for 96% (96%) of net sales. The Group received new orders worth EUR 178.5 (148.9) million during the review period. The order book at the end of the review period was EUR 87.7 (72.6) million.

Performance and balance sheet

Operating profit for the review period grew by 26.7% and was EUR 19.8 (15.6) million. Profit before extraordinary items was 13.0% of net sales, or EUR 18.8 (18.8) million. Net profit for the review period was EUR 13.3 (13.7) million.

Change in hedging costs improved the operating profit by 1.9 MEUR compared to the comparison period. Thus the improvement in operating profit caused by operative measures was 2.3 MEUR. The profit of the review period was burdened by costs incurred from exchange rate changes and taxes, most of which have no impact on cash flow.

Financial costs are mainly due to exchange rate changes. The effective tax rate in the review period was 29% (27%).

The Vaisala Group's solvency and liquidity remained strong. On September 30, 2006, the balance sheet total was EUR 197.1 (167.1) million. The Group's solvency ratio at the end of the review period was 84% (82%).

The total of the Group's liquid assets was EUR 72.1 (58.2) million.

Research and development

Expenditure on research and development in the review period totaled EUR 14.7 (15.4) million, representing 10.1% of the Group's net sales.

Capital expenditure

Gross capital expenditure in non-current assets totaled EUR 18.6 million (EUR 7.7 million). The total for the review period includes the cost incurred from the acquisition of Sigmet, Inc, EUR 17.2 million.

Vaisala Measurement Systems

Vaisala Measurement Systems division generated net sales of EUR 59.5 (57.1) million. EUR 6.8 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 compared to the corresponding period in 2005.

Operating profits were EUR 8.5 million (EUR 12.1). The operating profits were 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.

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 January-September. The outsourcing will not affect the fiscal year result in 2006.

The outsourcing has proceeded as planned, and the first radiosonde deliveries have been dispatched to customers from Malaysia.

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

The Vaisala Instruments division generated net sales of EUR 47.2 (41.0) million. New products have been well received in the market. Operating profit for the review period was EUR 14.5 million (9.9). The operating profits have increased thanks to improvements in the production and procurement activities.

Fire at the VTT Technical Research Centre hampers the acquisition of components for Vaisala carbon dioxide products, but has not affected the result of the review period.

In May, Vaisala 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

The Vaisala Solutions division generated net sales of EUR 38.2 (32.8) million. Operating loss in the review period was EUR -0.5 (-1.6) million.

The review period was typical for the Vaisala Solutions division. Due to the characteristics of the division's business, operating profits normally turn positive on the fourth quarter.

The division's goal is to increase the share of service sales in the net sales. The main ongoing development projects concentrate on customer-focus, increased service offering, and improved project business.

Changes in Vaisala Oyj's management

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

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

Vaisala's share

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. The authorization was valid 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.

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 shares subscribed for in January 2006 did not qualify for dividend. 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.

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 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 Oyj.

The price of Vaisala's A share on the Helsinki Exchanges was EUR 24.00 on December 31, 2005, and EUR 27.50 at the end of the review period. The highest share price quoted during the review period was EUR 29.60 (new A-share EUR 27.67) and the lowest EUR 23.10 (new A-share EUR 25.35).

A total of 5,388,626 Vaisala shares were traded during the review period (new A-share 85,411), and 249,300 option rights.

Own and parent company's shares

The company holds a total of 9150 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.

Dividend

The Annual General Meeting decided that a dividend of EUR 0.75 per share, corresponding to the total of EUR 13,437,037.50 will be distributed for the financial year 2005. Dividend is not paid to the A-shares that are held by Vaisala Oyj. Dividend was paid on April 4, 2006.

Events in the permanent group of insiders

CEO Pekka Ketonen, who belongs to the permanent group of insiders, received 3 207 A-shares based on the 2005 share-based incentive program.

Personnel

The total number of employees in the Vaisala Group at the end of the review period was 1 060 (1 047).

Some 19% (17%) of the personnel worked in research and development. Approximately 40% (36%) of the Group's personnel worked outside Finland.

Events outside the review period

On October 19, Vaisala announced that it 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.

Financial indicators	1-9 2006	1-9 2005	7-9 2006	7-9 2005	1-12 2005
Number of shares at March. 31 (pcs)	18209	17479	18209	17479	17665
Number of shares at March 31 (pcs), weighted average	18154	17479	18209	17479	17488
Adjusted number of shares (pcs)	18162	17479	18209	17479	17532
Earnings/share (EUR)	0.73	0.79	0.37	0.25	1.42

Earnings/share (EUR), fully diluted	0.73	0.79	0.37	0.25	1.42
Net cash flow from operating activities/share (EUR)	1.00	1.34			2.21
Equity/share (EUR)	8.67	7.63	8.67	7.63	8.74
Solvency ratio	84%	82%	84%	82%	81%
Gross capital expenditure (EUR Million)	18.6	7.7	1.2	5.6	8.0
Depreciation	8.6	5.9	2.3	2.0	8.4
Average personnel	1070	1064	1070	1064	1062
Order book (EUR Million)	87.7	72.6	87.7	72.6	55.3
Liabilities from derivative contracts	11.9	10.6	11.9	10.6	12.7

Outlook

The market situation is not expected to significantly change during the rest of the year. In 2006, the net sales are expected to grow somewhat organically, and thanks to the Sigmet Inc. business acquisition. Relative profitability is expected to remain on the previous year's level. Financial expenses and taxes will be higher than in the previous year, so net profit is expected to remain on the previous year's level. Organic growth is expected to continue in 2007.

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

Vantaa, October 31, 2006

Vaisala Oyj
Board of Directors

This interim report has been prepared according to the IFRS-Standards accounting and valuation principles.

This report does not qualify all IAS 34, Interim Financial Reporting, standards requirements.

CONSOLIDATED INCOME STATEMENT (IFRS, EUR Million)

	1-9 2006	1-9 2005	Change %	7-9 2006	7-9 2005	Change %	1-12 2005
Net sales	144.9	130.9	10.7	52.4	49.0	7.0	197.9
Cost of production and procurement	-68.4	-61.0	12.1	-23.7	-22.4	5.6	-92.3
Gross profit	76.5	69.9	9.5	28.8	26.6	8.2	105.6
Other operating income	1.0	0.3	297.2	0.0	0.0	-56.3	0.5
Cost of sales and marketing	-29.9	-26.8	11.5	-10.2	-10.0	2.5	-37.7
Development costs	-14.7	-15.4	-4.6	-5.2	-5.5	-5.8	-19.8
Other administrative costs	-12.9	-10.9	17.6	-4.7	-3.9	20.1	-16.9
Other operating cost	-0.2	-1.3	-85.1	-0.1	-0.1	38.3	-1.5
Operating profit	19.8	15.6	26.7	8.6	7.2	19.8	30.1
Financial income and expenses	-1.0	3.2	-132.4	0.7	0.2	220.0	3.9
Share of results of associated companies	0.0	0.0		0.0	0.0		0.0
Profit before tax	18.8	18.8	-0.2	9.2	7.4	25.3	34.1
Income taxes	-5.5	-5.1	8.4	-2.5	-2.9	-15.8	-9.2

Profit after tax	13.3	13.7	-3.4	6.8	4.4	52.4	24.9
Attributable to Equity holders of the parent	13.3	13.7	-3.4	6.8	4.4	52.4	24.9

Taxes for the review period have been calculated under taxes.

Earnings per share for profit attributable to the equity holders of the parent

Basic earnings per share, EUR	0.73	0.79	-7.0	0.37	0.25	46.5	1.42
Diluted earnings per share, EUR	0.73	0.79	-7.0	0.37	0.25	46.5	1.42

CONSOLIDATED BALANCE SHEET (EUR million)

	30.9.2006	30.9.2005	Change %	31.12.2005
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	22.2	10.4	113.3	10.3
Tangible assets	33.0	36.0	-8.3	36.0
Investments in associates	0.3	0.3	2.5	0.3
Other financial assets	0.0	0.2	-91.3	0.2
Long-term receivables	0.2	1.6	-87.1	1.6
Deferred tax assets	6.0	5.0	19.8	5.3
CURRENT ASSETS				
Inventories	20.1	17.0	18.3	14.1
Trade and other receivables	42.3	36.7	15.1	47.1
Accrued income tax receivables	0.8	1.6	-53.8	0.6
Financial assets recognized at fair value through profit and loss	32.9	36.0	-8.7	27.2
Cash and cash equivalents	39.2	22.1	77.1	54.2
TOTAL ASSETS	197.1	167.1	17.9	196.9
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	7.7	7.4	4.2	7.4
Share issue	0.0	0.0		5.4
Share premium reserve	16.6	1.6	970.5	5.3
Reserve fund	0.1	0.1	-5.8	0.1
Translation differences	-0.3	1.5	-123.4	1.9
Profit from previous years	120.7	109.2	10.5	109.2
Own shares	-0.3	0.0		0.0
Profit for the financial year	13.3	13.7	-3.4	24.9
Total equity	157.7	133.4	18.2	154.3
Long-term liabilities				
Retirement benefit obligations	0.8	0.4	104.5	0.6
Interest-bearing liabilities	0.4	0.7	-47.4	0.7
Provisions	0.3	1.1	-72.3	0.2
Deferred tax liabilities	0.3	0.4	-20.3	0.5

Current liabilities				
Current portion of long-term borrowings	0.1	0.4	-59.8	0.5
Current interest-bearing liabilities	0.1	0.1	61.4	0.3
Advances received	9.3	5.0	85.9	5.8
Accrued income tax payables	0.9	0.6	56.1	0.7
Trade and other payables	27.1	25.1	8.1	33.3
TOTAL LIABILITIES	197.1	167.1	17.9	196.9

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY September 30.2006
(EUR million)

	Share capital	Share issue	Share premium reserve	Reserve fund	Own shares	Translation differences	Retained earnings	Total equity
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		-2.3		-2.3
Net profit for the period							13.3	13.3
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 September 30. 2006	7.7	0.0	16.6	0.1	-0.3	-0.3	133.9	157.7

	Share capital	Share issue	Share premium reserve	Reserve fund	Own shares	Translation differences	Retained earnings	Total equity
Balance at December 31, 2004	7.4	0.0	1.6	0.1	0.0	-1.6	122.3	129.7
Translation differences				0.0		3.1		3.1
Net profit for the period							13.7	13.7
Dividend paid							-13.1	-13.1
Balance at September 30. 2005	7.4	0.0	1.6	0.1	0.0	1.5	122.9	133.4

CONSOLIDATED CASH FLOW STATEMENT (EUR million)

1-9 2006	1-9 2005	Change %	1-12 2005
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Cash flows from operating activities				
Cash receipts from customers	154.7	135.0	14.5	191.1
Other income from business operations	0.0	0.0		0.3
Cash paid to suppliers and employees	-129.0	-107.1	20.4	-145.3
Interest received	1.5	1.0	54.0	1.4
Interest paid	-0.1	-0.1	3.0	-0.1
Other financial items, net	-2.5	1.8	-243.3	1.9
Dividend received from business operations	0.0	0.0	-92.9	0.0
Direct tax paid	-6.3	-7.1	-11.6	-10.3
Cash flow from business operations (A)	18.3	23.4	-22.0	39.0
Cash flow from investing activities				
Investments in tangible and intangible assets	-5.4	-3.6	49.8	-5.7
Acquisition of subsidiary, net of cash acquired	-15.6	-2.6	496.9	-2.8
Proceeds from sale of fixed assets	0.1	0.0	306.4	0.0
Loans granted	0.0	0.0		0.0
Other investments	0.0	-0.1	-123.5	-0.1
Cash flow from investing activities (B)	-20.9	-6.3	233.2	-8.5
Cash flow from financing activities				
Equity issue	6.1	0.0		9.3
Repayment of short-term loans	0.0	-0.2	-100.0	-0.3
Withdrawal of long-term loans	0.0	0.0		0.0
Repayment of long-term loans	-0.4	-0.3	56.0	-0.6
Dividend paid and other distribution of profit	-13.4	-13.1	2.5	-13.1
Cash flow from financing activities (C)	-7.7	-13.6	-43.1	-4.7
Change in liquid funds (A+B+C)				
increase (+) / decrease (-)	-10.3	3.5	-391.5	25.7
Liquidity at beginning of period				
Liquid funds at beginning of period	81.4	54.8	48.6	54.8
Foreign exchange effect on cash	1.0	-0.2	-624.2	0.9
Net increase in cash and cash equivalents	-10.3	3.5	-391.5	25.7
Liquid funds at end of period	72.1	58.2	24.0	81.4

Segment Report

Business segments

	Vaisala Measure ment Systems	Vaisa- la Instru- ments	Vaisa- la Solut- ions	Other operat- ions	Elimi- nations	Group
1-9/2006						
MEUR						
Net sales to external customers	59.5	47.2	38.2	0.0	0.0	144.9
Intragroup sales	0.0	7.1	0.3	0.0	-7.4	0.0

Net sales	59.5	54.3	38.5	0.0	-7.4	144.9
Operating profit	8.5	14.5	-0.5	-2.6	0.0	19.8
Depreciation	4.1	1.5	0.5	2.5	0.0	8.6
Restructuring expenses	0.0	0.0	0.0	0.0	0.0	0.0

Segment Report
Business segments

1-9/2005 MEUR	Vaisala Measure ment Systems	Vaisala Instru- ments	Vaisa- la Solut- ions	Other operat- ions	Elimin ations	Group
Net sales to external customers	57.1	41.0	32.8	0.0	0.0	130.9
Intragroup sales	0.0	5.7	0.3	0.0	-6.0	0.0
Net sales	57.1	46.7	33.1	0.0	-6.0	130.9
Operating profit	12.1	9.9	-1.6	-4.3	-0.4	15.6
Depreciation	1.3	1.6	0.3	2.7	0.0	5.9

Segment Report
Business segments

7-9/2006 MEUR	Vaisala Measure ment Systems	Vaisa- la Instru ments	Vaisa- la Solut- ions	Other operat ions	Elimina tions	Group
Net sales to external customers	21.2	17.2	14.1	0.0	0.0	52.4
Intragroup sales	0.0	2.6	0.1	0.0	-2.7	0.0
Net sales	21.2	19.7	14.2	0.0	-2.7	52.4
Operating profit	4.5	5.4	0.7	-1.9	0.0	8.6
Depreciation	0.8	0.5	0.1	0.8	0.0	2.3
Restructuring expenses	-0.3	0.0	0.0	0.0	0.0	-0.3

Segment Report
Business segments

7-9/2005 MEUR	Vaisa- la Measu- rement Syst- ems	Vaisa- la Instru ments	Vaisa- la Solut- ions	Other operat ions	Eliminat ions	Group
Net sales to external customers	21.6	14.9	12.5	0.1	0.0	49.0

Intragroup sales	0.0	2.4	0.2	0.0	-2.6	0.0
Net sales	21.6	17.3	12.6	0.1	-2.6	49.0
Operating profit	5.2	4.4	-0.2	-2.0	-0.2	7.2
Depreciation	0.4	0.6	0.2	0.9	0.0	2.0

Segment Report
Business segments

1-12/2005 MEUR	Vaisala Measure ment Systems	Vaisa- la Instru ments	Vaisa- la Solut- ions	Other operat- ions	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
Depreciation	1.7	2.1	0.7	3.6	0.0	8.2
Restructuring expenses	0.2	0.0	0.0	0.0		0.2

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Vaisala Oyj

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