Financial Statements 2011

VAISALA

Observations for a Better World

Vaisala is a global leader in environmental and industrial measurement. Building on 75 years of experience, Vaisala contributes to a better quality of life by providing a comprehensive range of innovative observation and measurement products and services for chosen weather-related and industrial markets. Headquartered in Finland, Vaisala employs approximately 1400 professionals worldwide and is listed on the NASDAQ OMX Helsinki stock exchange.

www.vaisala.com

President's Review

Fairly Good Year for Vaisala

The start of the year 2011 was slow, especially for our Weather business where the governmental customers were still affected by tightened budgets. This was visible for instance in the way our meteorological customers used up their old radiosonde stocks instead of placing new orders. However, the demand situation in the Weather business changed during the second half of the year and resulted in significantly increased order intake and sales. All in all, the Weather business area grew by 6 percent.

Our industrial business, driven by the Life Science market, had a very good first quarter, particularly in the Japanese market. The rest of the year was quite flat due to the uncertain economic situation in the main markets, and the aftermath of the tsunami that hit Japan. Still the industrial business showed solid development, and the organic growth reached the desired two digit figure, 13 percent.

In August, Vaisala announced that it combines the Meteorology and Weather Critical Operations business areas into one Weather business area. The change supports our increasing focus on project and service businesses, and the aim to further strengthen our position as the leading provider of weather observation and measurement systems. The new organization became effective as of October 1, 2011.

Regionally, Asia-Pacific grew the most, by 20 percent. The result is good considering the unfortunate events in Japan early in the year. Americas also achieved a good 10 percent growth, despite the budget limitations in the US. Europe, however, declined by 2 percent due to the uncertainty revolving around the euro.

In 2011 our delivery capability was good throughout the year. Especially the capacity to deliver complex projects improved during the year, and as a result, our order backlog reduced compared to the previous year. Still, our opening backlog for 2012 is strong, thanks to the increased order intake during the second half of 2011.

For the past few years we have emphasized the importance of increasing the share of both service and project business revenue of the total Vaisala revenue. The steady Service business growth continued in 2011, amounting to 15 percent of the Group's total net sales. In project business the year was also positive, especially regarding airports projects.

Overall, 2011 was a fairly good year for Vaisala, despite the challenges we faced during the year. Our financial position as well as our position in our main businesses is strong. Due to the still ongoing global financial crisis we do not, however, expect the market to grow. The focus will be in profitability, where we expect to see moderate improvement. Our goal is to keep our market leader position.

Kjell Forsén
President & CEO

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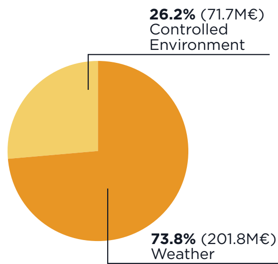
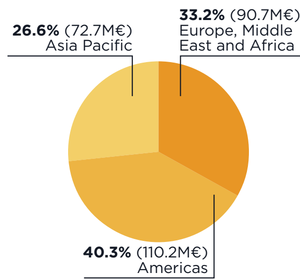
2011 Key Figures

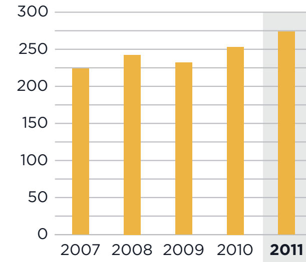
Net Sales by Business Area 2011



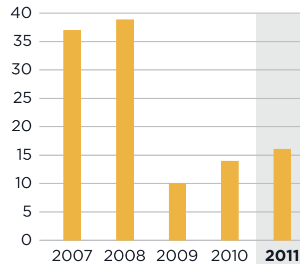
Net Sales by Region 2011



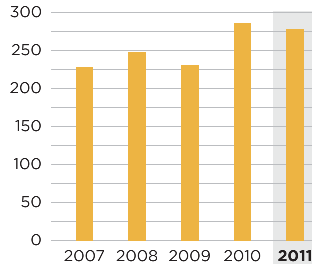
Development of Net Sales (MEUR)



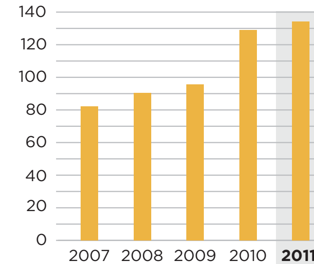
Net Profit Before Tax (MEUR)



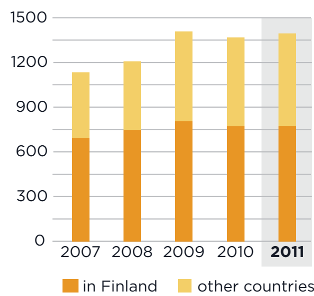
Orders Received (MEUR)



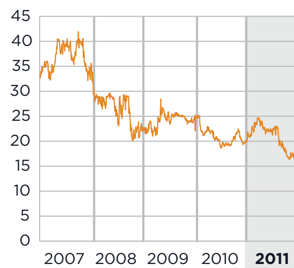
Order Book, Dec. 31, 2011 (MEUR)



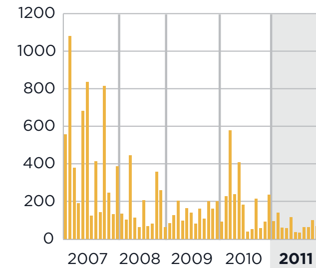
Personnel, Dec. 31, 2011



Series A Share Development (EUR)



Series A Shares Monthly Trading (1,000 pcs)



For financial ratios, shares in figures and five year development, see pages 21–24.

Vaisala – a Leader in Environmental Measurements

Vaisala is a leader in envrionmental measurement business and serves weather related and industrial customers in global markets. The customers of Weather business are meteorological institutes, airports, roads and railroad, defense, and energy industry. Controlled Environment business offers products and services to life science customers and multiple applications in various industries.

Weather

Vaisala combined its Meteorology and Weather Critical Operations business areas into one Weather business area starting October 1, 2011. The goal of the Weather business is to increase its focus on project business and with the help of wider service offering to create new operational benefit to customers.

The customers of Weather business include meteorological institutes, airports, roads and railroads, defense forces, and energy market. The meteorological institutes are weather professionals whose core operations center around observing and measuring weather phenomena and preparing related forecasts and warnings. As to the other customer groups, meteorology is not their core business, but weather conditions are very relevant to their daily operations.

The primary task of national meteorological institutes is to provide weather forecasts and warnings to safeguard people and property. The institutes use weather observation data is also used to measure and follow the climate change. Vaisala's offering to the national meteorological institutes includes versatile range of high end products and integrated measurement systems and services.

Aviation organizations, airport operators and maintanence crews are responsible for passenger safety, flight schedules and the overall efficiency of the airport. Vaisala's weather systems and solutions provide real-time and reliable observation information to support operational decision making.

The national and regional road authorities aim at ensuring safe and smooth traffic conditions and well-maintained road networks. Vaisala provides them with weather observation products, information and support systems for decision making to improve traffic safety and operational efficiency.

Defense forces and security organizations use Vaisala's weather observation systems and solutions to support operational decision making.

Operations in the energy market are significantly impacted by the weather all over the world. The energy sector needs to be aware of the impact in order to ensure efficient and continuous energy production. Energy customers rely, for instance, on the real-time and statistical lightning information provided by Vaisala's lightning detection systems. In addition, wind energy companies utilize Vaisala's wind measurement system to assess wind resources when choosing wind park sites.

Year 2011

Net sales of Weather grew 6% year-on-year to 201.8 (189.8) million euros. Operating profit in 2011 was 5.9 (3.8) million euros.

Controlled Environment

Controlled Environment serves customers in life science and high technology, building automation, and chosen applications in various industries. The main drivers for these customers are operational quality, productivity and energy savings. Even though they operate in very different types of environments; from tiny incubators to massive engine rooms and high rise buildings, measuring and monitoring the conditions reliably is prerequisite for successful operations.

Life science customers, such as pharmaceutical, biotechnology, and medical device companies operate in demanding research, production and storage areas where precise continuous monitoring of environmental conditions is essential. As a rule their operations are tightly regulated by the authorities. Vaisala's monitoring system provides continuous data, e.g. on temperature and humidity, as well as records, reports and alarms.

Building automation system manufacturers, integrators, and facility HVAC management use Vaisala's measurement instruments in optimizing energy consumption and indoor air quality. They reach their goals by controlling and optimizing the heating, ventilating, air conditioning and refrigeration systems in buildings.

The customers of industrial measurements represent multiple demanding industries from power and steel to marine, plastics and semiconducting. Reliable and stable real-time measurements improve processes, extend equipment lifetime and prevent downtime. Vaisala's instruments are also well-known and widely used by semiconductor and electronics manufacturers.

Year 2011

Net sales of Controlled Environment grew 13% year-on-year to 71.7 (63.4) million euros. Operating profit in 2011 was 10.5 (8.9) million euros.

Photo: Orion

Year 2011 Events

New Head Office in Use

The new LEED certified head office of the Vaisala Group was taken into use in January 2011. The energy efficient and intelligent solutions were in full use throughout the first year.

Despite the cold and long winter and exceptionally warm summer, the extensive geothermal power system produced all the energy needed to warm and cool the building.

The photovoltaic panels produced 88 MWh electricity during the first year which is a good figure. Due to higher electricity consumption than estimated in 2011, the share of solar energy stayed on 10 percent level of the building' s entire electricity consumption.

Vaisala's own humidity, temperature and carbon dioxide instruments are a part of the building automation system, which supports energy savings and provides very good indoor air quality.

LEED is an internationally-recognized green building certification system. It sets strict requirements for instance energy efficiency, water use, choice of construction materials, and indoor air quality. Vaisala's head office wa awarded the gold level LEED certificate.

Vaisala Weather Radar Team Wins Finnish Engineering Award

The 2011 Finnish Engineering Award was awarded to Vaisala's weather radar team for developing and productizing the dual polarization Doppler weather radar. It is the first commercial Doppler radar in the world specifically designed to provide dual polarization capability.

The Finnish Engineering Award is presented annually by the Finnish Association of Graduate Engineers and the Tekniska Föreningen i Finland to a person or team that has made significant contribution to Finnish technological expertise. This was the third time Vaisala received the award.

Online Tool for Road Customers to Calculate Cost Savings

Vaisala has developed an online value calculator for its road customers. The free online tool allows authorities responsible for road maintanence to evaluate their potential savings that road weather information systems or road decision support systems would bring.

Once the user has input the basic infrastructure and cost information, the value calculator produces calculated savings based on referenced study findings using embedded algorithms. The versatile report provides a breakdown of all direct and indirect cost savings, including safety aspects, such as potential accident reductions, and environmental aspects, such as carbon and other pollutant reductions.

New Wind Measurement System to Support Investments in Wind Energy

Wind energy is one of the most important renewable energy sources today, and billions of dollars are invested globally every year by the industry. Therefore it is important to evaluate the weather conditions of the wind park sites before the final construction decisions. Vaisala wind measurement system is specifically engineered for wind resource assessment, power curve measurement, and monitoring operational wind farms.

The measurement system includes five configurations, which offer customers a choice of specialized features. These include a cold climate option, which ensures performance in the harshest weather conditions. Customers can either purchase the equipment or use it as a complete service. The leasing option is also available to customers in the US, Canada, Germany, Finland, Sweden, UK, and France.

Unique Multiparameter Transmitters for Industrial Customers

Vaisala introduced new transmitters for monitoring dewpoint, pressure and temperature simultaneously in high voltage and compressed air applications. The Vaisala Multiparameter Transmitters DTP145 and DPT146 combine dewpoint and temperature monitoring with pressure measurement in a new and unique way, enabling our customers to assess the condition of their SF6 insulation and compressed air continuously and in real time.

Sulphur hexafluoride (SF6) is used as an insulating gas in high voltage transmission and distribution equipment. Thanks to its pressure measurement, the Vaisala DPT145 detects leakages immediately, while the dew point measurement provides early warning of moisture issues before they affect the insulating properties of the gas. Similarly, DPT146 provides a simple and convenient way to make sure compressed air remains of high quality in any application.

Board of Directors' report 2011

Overview

Net sales EUR 273.6 million was 8% higher than in 2010. Comparable proforma net sales in 2010, including Veriteq acquisition, were EUR 254.6 million. Operating profit improved by EUR 4.3 million or 36% compared to 2010.

Controlled Environment's net sales performance was stable throughout the year whereas Weather had a very strong fourth quarter compared to quite stable first three quarters.

Net sales increased in APAC region by 20% and in Americas by 10%, but EMEA region decreased by 2%.

Orders received improved significantly in the second half of the year, compared to the first half of 2011. High net sales during the fourth quarter increased the full year net sales to 8% above previous year.

Services sales in 2011 grew by 21% to EUR 40.8 million.

Implementation of the company-wide ERP program progressed in 2011 with go-lives in Germany and the USA. Roll-out will continue until the end of 2012.

In 2011, Vaisala launched 39 products. In 2011 R&D spend was EUR 3.4 million below the 2010 level. In 2011 R&D costs were 10.2% of net sales (12.4%) which is the longer term target level for R&D investment.

Market outlook

Uncertainty in the global economy and shifts in exchange rates are expected to affect Vaisala's business. Based on the structure of Vaisala's customer base and the orders rece¬ived, the company's market situation is expected to remain materially unchanged in 2012.

Financial guidance

Vaisala expects its net sales in 2012 to stay on the same level as in the preceding year. The operating profit is expected to improve moderately. Net sales in 2011 were EUR 273.6 million and operating profit was EUR 16.1 million.

As in previous years, seasonal fluctuation is typical of Vaisala's business, and the first quarter is expected to be modest.

Vaisala's long-term business outlook remains unchanged.

President and CEO Kjell Forsén on Vaisala's result:

The global financial crisis affected our governmental customers' investment capability. The beginning of the year was slow, but demand increased during the second half of the year especially in Weather business area and resulted in significantly increased order intake and sales.

During the year solid revenue growth continued in Asia-Pacific amounting to 20%. Also Americas did well growing by 10% whereas in Europe revenues declined by 2%.

Our delivery capability was good throughout the year, and especially our capacity to deliver complex projects advanced during 2011.

Strong performance in the industrial business continued in 2011. Controlled Environment increased their net sales by 13% and the operating profit by 18%. Roll-out of the Life Science offering in Europe and Asia progressed according to the plan.

Vaisala announced on August 31, 2011 that it combines its Meteorology and Weather Critical Operations business areas into one Weather business area from the fourth quarter 2011 onwards.

Our Service business grew by 21% year-on-year amounting to 15% of our total revenues and increasing the share of recurring revenue.

During the year our R&D spending returned to a level of 10% after two years of higher level spending needed to speed up renewal of our offering. Yet a total of 39 new product launches was achieved.

Our opening backlog for 2012 is strong resulting from the increased order intake during second half of 2011. Also our financial position as well as our position in main business areas is strong. Due to the still ongoing global financial crisis the market is, however, not expected to grow.

Market situation, net sales and order book

Uncertainty in the global economy is expected to affect Vaisala's business. In the challenging economic situation Vaisala has nevertheless been able to retain its market shares.

Order intake was strong throughout the second half of 2011 and the year was finished with a 4% higher order book than at the end of 2010. The total value of the order book was EUR 134.3 (129.0) million

at the end of December. Of the order book, approximately EUR 13 million will be delivered in 2013 or later.

Orders received decreased by 3% year-on-year and totaled EUR 278.8 (286.7) million.

Vaisala Group's net sales grew by 8% year-on-year and totaled EUR 273.6 (253.2/2010; 231.8/2009) million. Net sales growth came both from Controlled Environment which grew by EUR 8.3 million and from Weather, which grew by EUR 12.0 million. At comparable exchange rates, Vaisala Group's net sales would have grown by 10%.

The organic growth of net sales was 8%. The comparable 2010 proforma net sales including Veriteq acquisition were EUR 254.6 million.

Net sales of Weather grew by 6% and Controlled Environment by 13% (organic growth of combined Vaisala Controlled Environment and Veriteq was 11%).

Operations outside Finland accounted for 98% (97) of net sales.

Net sales in euros increased by 10% in Americas, totaling EUR 110.2 (100.0/2010; 94.3/2009) million. Organic growth in Americas of combined Vaisala, and Veriteq was 9%. Net sales decreased by 2% in the EMEA region to EUR 90.7 (92.4/2010; 84.9/2009) million and increased in the APAC region by 20% to EUR 72.7 (60.8/2010; 52.6/2009) million.

Performance and balance sheet

Operating profit for the financial year was EUR 16.1 (11.8/2010; 12.0/2009) million or 5.9% of net sales. Profit before taxes was EUR 16.1 (14.0/2010; 10.1/2009) million or 5.9% of net sales, up by 15%. Net profit for the financial year was EUR 10.4 (10.2/2010; 6.9/2009) million or 3.8% of net sales and increasing 2% from previous year. Earnings per share for the financial year was EUR 0.57 (0.56/2010; 0.38/2009) and increased 2% from 2010.

Vaisala Group's solvency ratio and liquidity remained strong. On December 31, 2011, the balance sheet total was EUR 250.8 (248.7/2010; 231.4/2009) million. The Group's solvency ratio at the end of the financial year was 74% (76%/2010; 81%/2009).

Vaisala Group's consolidated liquid assets totaled EUR 45.5 (35.3/2010; 50.1/2009) million.

Capital expenditure

Gross capital expenditure totaled EUR 16.7 (30.1/2010; 27.7/2009) million.

The majority of the 2011 capital expenditure is related to Helsinki factory renovation.

Weather

Vaisala announced on August 31, 2011 that it combines its Meteorology and Weather Critical Operations business areas into one Weather business area starting October 1, 2011. Results for the Weather business area have been calculated from previous reported numbers by combining the results of the previous Meteorology and Weather Critical Operations business areas.

Net sales of Weather increased by 6% year-on-year to EUR 201.8 (189.8/2010; 182.6/2009) million. At comparable exchange rates, the net sales would have increased by 8%. Business growth was coming mainly from sales to airports customers.

Operating profit for financial year 2011 was EUR 5.9 (3.8/2010; 8.9/2009) million. The positive development was a result of fixed cost reductions of EUR 5.6 million or 6% from previous year's level. R&D costs reduced by as much as 12% year-on year and R&D costs were 11.0% of net sales (13.3%).

The value of orders received for Weather was EUR 209.1 (220.4) million and the order book stood at EUR 130.3 million at the end of 2011.

Controlled Environment

Net sales of Controlled Environment grew by 13% year-on-year to EUR 71.7 (63.4/2010; 49.2/2009) million. In comparable exchange rates, the net sales would have grown by 14%. The organic growth of combined Vaisala Controlled Environment and Veriteq was 11%. The comparable 2010 pro forma net sales including Veriteq acquisition were EUR 64.8 million. The organic growth at comparable exchange rates would have been 12%. Strongest growth was seen in Europe 18%, China 16% and USA 12%.

Operating profit for 2011 was EUR 10.5 (8.9/2010; 3.4/2009) million. Operating profit increased by 18% despite the continued growth investments in Life Science related sales and marketing. Additionally Vaisala's and Veriteq's sales organizations were combined to achieve desired cross-selling synergies.

Strong demand for the whole offering continued throughout 2011. The value of orders received for Controlled Environment was EUR 69.7 (66.3) million and the order book stood at EUR 4.0 million at the end of 2011.

Product Launches

In total, Vaisala launched 39 products in 2011 of which 28 in Weather and 11 in Controlled Environment. The most significant product launches were:

First quarter: Vaisala Automatic Weather Station

AWS330, a WMO compliant off-the-shelf automatic weather station for professional meteorology; updates to for the Vaisala Road Weather Navigator; the IRIS Weather radar software release 8.12.8; the HMP110T, temperature probe; the Vaisala Dropsonde RD94 for deployment from a variety of aircraft and the related AVAPS II upgrade packages; the Vaisala Differential Pressure Transmitters PDT101 and PDT102 that are designed especially for demanding cleanroom applications to measure very low differential pressures; and the Vaisala HUMICAP® Dewpoint Transmitter for refrigerant dryers.

Second quarter: Vaisala Thunderstorm Total Lightning Sensor TLS200, with improved quality, easier maintenance and serviceability and overall improved operator interface; the Vaisala Wind Measurement System WTS specifically engineered for wind resource assessment, power curve measurement and monitoring operational wind farms; the Vaisala Veriteq Continuous Monitoring System viewLinc 3.6, the latest iteration of the viewLinc software gives customers the ability to directly integrate their monitoring devices with Vaisala's continuous monitoring system; the Vaisala Single Polarization Doppler Weather Radar WRK100 and the Vaisala Dual Polarization Doppler Weather Radar WRK200, both equipped with klystron radar technology; and MODBUS communication protocol features for the HMT330 series transmitters.

Third quarter: Vaisala INTERCAP® Humidity and Temperature Transmitters HMD42/53 for humidity and temperature measurement in heating and ventilation ducts; Vaisala Mobile Ceilometer CL31M which is based on the CL31 Ceilometer platform and utilizes single-lens technology; Software Release for DSC111 remote road surface state sensor; Vaisala Dewpoint and Pressure Transmitter DPT146 for compressed air, the first transmitter on the market that monitors two of the most important measurements in compressed air: dewpoint and process pressure.

Fourth quarter: Vaisala Multi-parameter Transmitter DPT145 for SF6 Gas for online monitoring of SF6 (sulfur hexafluoride) insulation condition in high voltage equipment; new software release for Road Weather Advisor, RoadDSS Observer and RoadDSS Navigator; Vaisala Veriteq 1200 Series Data Logger, a replacement and upgrade to the 1000-LT series of Logger; Vaisala MARWIN MW32 Software Version 1.1.6; Vaisala Thunderstorm Total Lightning Database TLD100 and TLD200 based on a Linux operating system and PostgreSQL relational database; Vaisala Fault Analysis and Lightning Location System FALLS® 5.1 and FALLS® Server 5.1, a client application that allows you to query previously recorded lightning information in a GIS (geographic information systems) environment. FALLS Server is the lightning data management processor module that receives and stores real-time lightning data from the Vaisala Thunderstorm central processor.

Other functions

Research and development

Expenditure in research and development totaled EUR 28.0 (31.4/2010; 28.4/2009) million. The share of research and development expenses of the Group's net sales reduced to 10% from previous year's 12%.

One off costs of EUR 1.5 million relating to the consolidation of R&D activities were booked in the fourth quarter.

Services

Vaisala's service business is reported as part of Weather and Controlled Environment. Services sales grew by 21% during 2011 and totaled EUR 40.8 (33.8/2010; 28.1/2009) million.

Growth in the Services business came mainly from the roads, airports and industrial customers.

Personnel

The average number of people employed in the Vaisala Group in the financial year was 1 386 (1 408/2010; 1 302/2009). The number of employees at the end of the financial year was 1 394 people. 44% (43/2010; 44/2009) of the personnel was based outside Finland. R&D headcount was 248 (286/ 2010; 266/2009) in average during 2011 and 18% (20/2010; 20/2009) of the employees worked in R&D.

Salaries paid by the company are based on local collective and individual agreements, individual performance and the demand level of each job. The base salaries are supplemented by results-based bonus systems, which cover all Vaisala personnel. The total sum of salaries and bonuses paid in 2011 was EUR 63.9 (68.8/2010; 63.3/2009) million.

Vaisala has two types of incentive plans; one based on the development of operative cash flow and profitability covering all employees, and the other, three-year plan, based on the development of profitability and covering key personnel.

Changes in the company's management

Hannu Katajamäki was appointed Executive Vice President, Vaisala Services and a member of Vaisala's Business and Strategic Management Groups starting April 1, 2011. Scott Sternberg, the former head of Vaisala Services, continues as President, Vaisala Inc and remains a member of Vaisala's Strategic Management Group.

Vesa Pylvänäinen was appointed Executive Vice President, Vaisala Operations and a member of Vaisala's Business and Strategic Management Groups. He started in his new position on May 9, 2011.

Kaarina Muurinen was appointed Vaisala's Chief Financial Officer and a member of Vaisala's Business and Strategic Management Groups. She started in her new position on September 19, 2011. Jouni Lintunen, the former CFO, has taken on new responsibilities within Vaisala.

Riina Kirmanen, Director of Marketing, was appointed a member of Vaisala's Strategic Management Group starting October 1, 2011.

Kai Konola, the head of former Weather Critical Operations Business Area, was appointed Executive Vice President, Weather Business Area and a member of Vaisala's Business and Strategic Management Groups starting October 1, 2011 after the Meteorology and Weather Critical Operations business areas were combined. Martti Husu, head of former Meteorology Business Area, took on a new position in Vaisala.

Risk management

Organization of risk management

Vaisala has a risk management policy that has been approved by the Board of Directors and that covers the company's business, operational, hazard and financing risks. Vaisala's strategic management group regularly assesses risk management policy, and the scope, adequacy and focus areas of related practices. The policy aims at ensuring the safety of the company's personnel, operations and products as well as the continuity of operations. The policy also covers intellectual capital, corporate image and brand protection.

Risk management is integrated into business processes and operations and each employee's daily work. This is accomplished by the risk management process that was approved by Vaisala's strategic management group in 2010. The deployment of the risk management process has continued in 2011 and now covers half of the businesses and functions.

The risk management process is a continuous tool for risk identification and management. The purpose of the process is to support the company's strategy and planning process and to provide more information, supporting better decision making.

Vaisala's risk management process consists of risk identification, risk assessment, risk management actions, follow-up and risk reporting. Risks are reported to the strategic management group quarterly. The most significant risks are reported to the board annually and whenever considered necessary.

Risk management in Vaisala is not a separate process, but it operates as part of the company's operating calendar.

More detailed operational instructions are defined by the strategic management group. These include approval, bidding and procurement authorizations and terms of payments.

Usual risks related to international business affect Vaisala's operating environment. The most significant of these are risks relating to changes in the global economy, currency exchange rates (with particular respect to the U.S. dollar), supply network management and production activities. Vaisala monitors these risks and prepares for them in accordance with the company's risk management policy. In addition Vaisala is exposed to changes in global trade, technology or in political and economic environments and natural disasters. These may affect Vaisala's business in terms of for example component availability, order cancellations, logistics and loss in market potential.

Group-level insurance programs have been established to deal with manageable operational risks. These programs cover risks relating to property damage, business interruption, different liabilities, transport and business travel. Vaisala's ability to tolerate risks is good and the company has a strong capital structure, ensuring capital adequacy.

Near-term risks and uncertainties

The most significant near term risks and uncertainties are estimated to relate to the company's ability to maintain its delivery capability, availability of critical components, changes in the global economy, shifts of currency exchange rates, interruptions in manufacturing, customers' financing capability, changes in purchasing or investment behavior, and delays or cancellations of orders and deliveries. The changes in the competitive landscape may affect the volume and profitability of the business by introducing new competitors and price erosion in areas that traditionally have been strong for the company, which may constitute risks for both the net sales and profit.

Market development and the realization of projects in the industrial business affect the net sales and operating result. The company has additionally expanded its project activities into emerging markets where the profitability of the projects is lower than normally, due to the market-making nature of the business. The share of project business out of the total business volume is also growing. Should the assumptions regarding the profitability and new business opportunities in the project business prove wrong, this may constitute risks for Vaisala's net sales and profit.

Changes in subcontractor relations, their operations or operating environment may have a negative impact on Vaisala's business. Vaisala monitors these risks and prepares for them in accordance with the company's risk management policy.

Vaisala is currently implementing significant development projects, which are building the

foundation for a successful execution of Vaisala's strategy. A new Group-wide ERP system is in the implementation phase.

Vaisala has made acquisitions and their impact on net sales and operating result depends essentially on the success of integration activities. In case the assumptions about achievable synergies prove incorrect or the integration fails, these constitute a short-term risk regarding Vaisala's net sales and result.

Interest rate risk

The company has no significant interest-bearing liabilities or receivables. Interest rate risk arises from the effects of interest rate changes on interest-bearing receivables and liabilities in different currencies. According to the company's management, the interest rate risk is currently immaterial if the interest rate changes. Interest rate changes affect the fair value of both cash flows and investments. A change of one percent point in the interest rate would affect the company's result after taxes by around EUR 73 (EUR 56) thousand, calculated on an approximate cash position of EUR 9.9 (EUR 7.5) million. Further information on interest-bearing receivables is given in Note 21.

Market risk on investment activity

At the end of 2011 there were no significant investments. Further information on assets recognized at fair value through profit and loss is given in Note 20.

Currency risk

The international nature of operations exposes the Group to risks that arise when investments in different currencies are converted into the parent company's functional currency. The most significant currencies for the Group are the US dollar, the Japanese yen and the British pound. The Group has many investments in its foreign subsidiaries, whose net assets are exposed to currency risks. The Group does not hedge the currency risks related to its subsidiaries' net assets. The separate table features a sensitivity analysis on how changes in the rates of the most important currencies for the Group and in the euro, both in terms of average rate and balance sheet day rate, would affect the consolidated profit after taxes. The sensitivity analysis calculation does not incorporate the effects of parent company purchases in other currencies during the financial year.

			Effect on result after taxes EUR thousand
2011			
USD/EUR	Exchange rate rise	10.00%	759.7
	Exchange rate fall	10.00%	-744.7
JPY/EUR	Exchange rate rise	10.00%	58.9
	Exchange rate fall	10.00%	-48.2
GBP/EUR	Exchange rate rise	10.00%	167.5
	Exchange rate fall	10.00%	-155.6
2010			
USD/EUR	Exchange rate rise	10.00%	699.0
	Exchange rate fall	10.00%	-779.0
JPY/EUR	Exchange rate rise	10.00%	97.7
	Exchange rate fall	10.00%	-79.9
GBP/EUR	Exchange rate rise	10.00%	333.1
	Exchange rate fall	10.00%	-309.4

The Group recognizes monetary items at net in accounting and hedges them with currency forwards to which the Group does not apply hedge accounting in accordance with IAS 39. Around 42% of the Group's net sales arises in US dollars, 6% in Japanese yens and 3% in British pounds. A significant proportion of Group purchases take place in euros. Currency forwards are used to hedge the net position arising from these. The degree of hedging is around 50 per cent of the order book and trade receivables. The degree of hedging at the end of the financial year was 55%. Hedging is arranged by the parent company (Note 11. Financial income and expenses).

Liquidity risk

The main principles of the liquid assets' investment policy in the order of their priority are a) minimizing credit loss risks, b) ensuring liquidity, and c) maximizing return on investment. The maximum term of investment is 12 months.

The Group aims to continuously assess and observe the level of funding required to finance the business to ensure that the Group has sufficient liquid assets for financing its operations. 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. To fulfill the liquidity need, the parent company has EUR 20 million credit loan limit, which is currently unused. Additionally, the subsidiaries have EUR 1.5 million credit loan limit, currently unused. The company has no other external financial liabilities other than those related to finance leasing (Note 24. Interest-bearing liabilities).

With the company's current balance sheet structure, liquidity risks are immaterial.

Counterparty risk

Liquid assets are directed, within set limits, to investments whose creditworthiness is good. The investments and investment limits are redefined annually. Further information on the classification of investments is given in Note 21. Cash and cash equivalents.

Credit risk

The Group applies a stringent credit issuance policy. Credit risks are hedged by using letters of credit, advance payments and bank guarantees as terms of payment. According to Group management, the company has no material credit risk concentrations, because no individual customer or customer group represents an excessive risk, resulting from global diversification of the company's customer pool. Total credit losses arising from accounts receivable and recognized for the financial year amounted to EUR 0.7 million (0.5), and the total net credit loss for the financial year was EUR 0.7 million (0.5). The maximum amount of the Group's credit risk corresponds with the carrying amount of financial assets at the end of the financial year. The periodic distribution of accounts receivable items is presented in Note 20 in the Notes to the Financial Statements.

Management of capital assets

Management of the Group's capital assets aims at ensuring normal company operation and increasing shareholder value with an optimum capital structure. The goal is to attain the best possible returns over the long term. An optimum capital structure also ensures lower capital costs. Capital structure can be affected through dividend distribution and share repurchases or emission, for example. The Group can alter or adjust the amount of dividend payable to shareholders, the amount of capital returned to them or the number of new shares issued. The company has no significant financial liabilities. The shareholders' equity indicated in the consolidated balance sheet represents the capital assets managed. The company has no interest-bearing debt nor issued covenants.

Internal Control

Vaisala aims to be a good corporate citizen, and an appropriate level of documented internal control policies supports this. According to the Finnish Corporate Governance Code, the purpose of internal control is to ensure the effective and profitable operations of the company, reliable information and compliance with the relevant regulations and operating principles. Internal control aims to improve the efficient fulfillment of the Board's supervision obligation.

Internal control is a process carried out by the Board of Directors, operative management and other employees within Vaisala. It is designed to provide reasonable assurance that the operations are effective, efficient and aligned with strategy, financial reporting and management information is reliable, complete and timely, and the Group is in compliance with applicable laws and regulations as well as Vaisala internal policies and ethical values, including sustainability.

The Vaisala internal control framework consists of:

- Internal control, risk management and corporate governance policies and principles set by the Board of Directors,
- Management overseeing the implementation and application of the policies and principles

- Finance department and business controllers monitoring the efficiency and effectiveness of the operations and reliability of the financial and management reporting

- Enterprise risk management process identifying, assessing and mitigating risks threatening the realization of Vaisala's objectives

- Compliance procedures making sure that all applicable laws, regulations, internal policies and ethical values, including sustainability, are adhered to

- Effective control environment at all organizational levels including control activities tailored for each process and creating group minimum requirements for business and geographical areas

- Shared ethical values and internal control culture among all employees

- Internal audit assignments reviewing the effectiveness of the internal controls as needed.

Internal Control roles and responsibilities

Board of directors

- Is ultimately responsible for the administration and the proper organization of the operations of the company

- Ensures that the company has duly endorsed the corporate values applied to its operations

- Approves the internal control, risk management and corporate governance policies

- The Board of Directors or the President and CEO can assign Vaisala's external auditors or other external service provider to perform internal audit assignments as needed.

President and CEO

- Is in charge of the day-to-day management of the company in accordance with the instructions and orders given by the Board

- Sets the ground of the internal control environment by providing leadership and direction to senior managers and reviewing the way they are controlling the business

- Ensures that the accounting practices of the company comply with the law and that the financial matters are handled in a reliable manner.

Management Group

- Senior managers assign responsibility for establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. Of particular significance are financial officers and their staffs, whose control activities cut across, as well as up and down, the operating and other units of the group.

Finance and control function

- Helps units and functions to set up adequate control activities

- Together with risk management director, facilitates the enterprise risk management process and reporting its results to the management

- Operatively follows-up the adequacy and effectiveness of control activities.

Internal audit assignments

- Examines and evaluates the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

General Counsel, business area and corporate function directors

- Are responsible for making sure that all functions and employees in their responsibility areas adhere to applicable laws, regulations and internal policies.

Vaisala's shares

At the end of 2011, the Group's Board of Directors had no authorizations for increasing the share capital, granting special rights, or issuing stock option rights.

On December 31, 2010, the price of Vaisala's A share in the NASDAQ OMX Helsinki Oy was EUR 20.50, and at the end of 2011, the share price was EUR 16.40. The highest quotation during 2011 was EUR 24.80 and the lowest EUR 15.56. The number of shares traded in the stock exchange during 2011 was 878,205.

On December 31, 2011, Vaisala had 18,218,364 shares, of which 3,389,351 are series K shares and 14,829,013 are series A shares of which 9,150 are held by the company. The shares have no counter book value. The K shares and A shares are differentiated by the fact that each K share entitles its owner to 20 votes at a General Meeting of Shareholders while each A share entitles its owner to 1 vote. The A shares represent 81.4% of the total number of shares and 17.9% of the total votes. The K shares represent 18.6% of the total number of shares and 82.1% of the total votes.

The market value of Vaisala's A shares on December 31, 2011 was EUR 243.0 million, excluding the company's own shares. Valuing the K shares - which are not traded on the stock market - at the rate of the A share's closing price on the final day of the financial year, the total year-end market value of all the A and K shares together was EUR 298.6 million, excluding the company's own shares.

Vaisala's main shareholders are listed on the Group website and in the Notes to the Financial Statements.

The shares give equal rights to dividends. According to the company's Articles of Association, the maximum number of shares is 68,490,017 and Vaisala Group's maximum share capital is EUR 28.8 million. All issued shares have been fully paid for. The shares have no consent or redemption clauses attached to them.

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

The number of shares held and controlled by Vaisala Corporation's Board of Directors on December 31, 2011 was 1,320,969; accounting for 14.7% of the total votes (2010: 1,312,249 shares and 14.6% of the total votes). The company's President and CEO owned 2,720 shares.

Conversion of unlisted series K shares into series A

Vaisala Corporation´s 333 unlisted shares (series K) have been converted into listed shares (series A). The conversion has been registered in the Finnish Trade Register on December 22, 2011. Listing of the new series A shares was applied for as of December 23, 2011.

Treasury shares and parent company shares

At the end of the financial year, the company held a total of 9,150 Vaisala A shares, which represented 0.05% of the share capital and 0.01% of the votes. The consideration paid for these shares was EUR 251,898.31.

Board of Directors

Members of the Board

In accordance with Vaisala Corporation's Articles of Association, the company's Board of Directors comprises at least four (4) and at most eight (8) members. According to current practice, the Board comprises seven members. All Board members are appointed by a General Meeting of Shareholders. The Board elects a Chairman and a Vice Chairman from among its members.

Term of office of members of the Board

In deviation from recommendation no. 10 of the Finnish Corporate Governance Code, the term of office of members of the Board is not one year. Instead, the term of office is 3 years, as stipulated in the Articles of Association. The term of office begins after the General Meeting of Shareholders at which the member is elected, and ends at the close of the third Annual General Meeting that follows the member's election.

Independence of the Board members

Evaluated against the criteria given in Recommendation 15, all seven members of the Board of Directors are independent of the company. Evaluated against the criteria given in Recommendation 15, Yrjö Neuvo, Stig Gustavson, Mikko Niinivaara, Timo Lappalainen and Maija Torkko are independent of both the company and the shareholders. Evaluated against the criteria given in Recommendation 15 Raimo Voipio and Mikko Voipio are dependent on significant shareholders. The current composition of the Board of Directors fulfills the independence requirements stated in the Recommendation 14.

President and CEO

Vaisala's President and CEO is appointed by the Board. The President and 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 President and CEO is also responsible for arranging the company's operative management.

Related party transactions

Vaisala Group's related parties include subsidiaries, associated companies, members of the Board of Directors, and the President and CEO. Transactions with related parties are based on market prices and conditions.

No loans were granted to the related parties, and no contingent liabilities were made on their behalf.

Group structure

The company has subsidiaries in Australia, Canada, China, Germany, France, Japan, Malaysia, United Kingdom and United States and regional offices in India, Canada, China, Korea and the United Arab Emirates.

The addresses and contact details of Vaisala offices are available on the company's website.

Environment

Vaisala has signed a voluntary energy efficiency agreement with the Federation of Finnish Technology Industries, aiming at energy efficiency and cost savings. As a signatory, Vaisala participates in a number of energy efficiency initiatives. Full list of all the initiatives is published on March 2012 in the company's corporate responsibility report 2011, which is available on Vaisala's website at www.vaisala.com/cr.

Vaisala's new office building in Vantaa, Finland is energy efficient and self-sufficient. Geothermal energy and solar panels are used in large scale. Electrical devices with low power consumption have been preferred. The modern building automation system has several innovative features which enable lower energy consumption and better adjustment of indoor conditions. The new head office achieved a LEED for New Construction certification at Gold level.

Vaisala Head Office is granted the right to use the Green Office mark issued by WWF Finland and associate itself with the Green Office Network.

Active involvement in the scientific community

Vaisala is involved in active discussion with different stakeholders, promoting advancement in science, particularly the development of environmental measurements. Vaisala collaborates in several projects with leading research institutes in the field, such as NOAA (the National Oceanic and Atmospheric Administration, USA), Finnish Meteorological Institute (FMI), Colorado State University, University of Massachusetts, the University of Oklahoma, the US National Center for Atmospheric Research (NCAR), Deutscher Wetterdienst, VTT (Technical Research Centre of Finland), the Aalto University, Finland and the University of Helsinki, Finland.

Vaisala's representatives participate in the Board of the Federation of Finnish Technology Industries and in its committees, such as the Environmental Committee. Vaisala participates in the Board on Atmospheric Sciences and Climate of the National Research Council/National Academy of Sciences (USA). Vaisala also participates on the Board of Trustees of the University Corporation for Atmospheric Research, the Director's Advisory Committee of the National Center for Atmospheric Research, and the Dean's Advisory Board to the College of Engineering at Colorado State University and advisory committees at Howard University and the University of Arizona.

Vaisala also closely collaborates with a number of meteorological authorities around the world and takes part in the activity of the UN World Meteorological Organization (WMO). During the year, Vaisala granted research scholarships to universities, students and researchers in both the United States and Finland. Vaisala is also a partner of Cleen Oy, a strategic center for science, technology and innovation for energy and environment businesses.

Vaisala is one of the main sponsors of Science On a Sphere (SOS), which is a projection technique developed in the United States by the National Oceanic and Atmospheric Administration (NOAA). The sphere is on display at the Finnish Science Center Heureka in Vantaa.

Following a decision made at the 2011 Annual General Meeting, a donation of EUR 250,000 was granted to the University of Helsinki, Finland..

Proposals to the Annual General Meeting which is planned to be held on 28.3.2012

The Board of Directors' proposal for the distribution of profit

According to the financial statements for the year to December 31, 2011, the parent company's distributable funds amount to EUR 129,908,387.45, of which the profit for the financial year is EUR 11,006,255.55.

The Board of Directors propose to the Annual General Meeting that the distributable funds be used as follows:

- A dividend of EUR 0.65 per share be paid, totaling EUR 11,835,989.10

- To be retained in shareholders' equity EUR 118,072,398.35

- Total EUR 129,908,387.45

No material changes have occurred in the company's financial situation since the end of the financial year.

The company’s liquidity remains good and, in the view of the Board, is not threatened by the proposed profit distribution.

The record date for dividend payment has been set at April 2, 2012, and it is proposed that the dividend is paid on April 11, 2012.

Shareholders representing more than 10% of all the votes in the company have announced their intention to propose to Vaisala’s Annual General Meeting, to be held on March 28, 2012, that that the number of Board members be six.

The terms of office of Board members Mikko Voipio and Stig Gustavson will end at the Annual General Meeting. Vaisala Board member Stig Gustavson has informed that he will no longer be available to serve on the Vaisala Board of Directors after the Annual General Meeting. Mr. Gustavson has been Vaisala Board member since 2006. Shareholders representing more than 10% of all the votes in the company have announced their intention to propose to Vaisala’s Annual General Meeting, to be held on March 28, 2012, that Mikko Voipio is re-elected.

The Board proposes that PricewaterhouseCoopers Oy, Authorized Public Accountants, continues as the Company's auditor. PricewaterhouseCoopers Oy has informed that APA Hannu Pellinen will act as the auditor with the principal responsibility.

The proposed person and the auditor have given their consent to the re-election.

The Board of Directors proposes that the General Meeting authorize the Board of Directors to decide on the directed acquisition of a maximum of 1,000,000 of the Company’s own A-shares in one or more installments.

The shares shall be acquired in a proportion other than that of the shareholders’ current shareholdings in the Company in public trading arranged by NASDAQ OMX Helsinki Ltd at the market price on the moment of acquisition.

It is proposed that the authorization is valid until the closing of the next Annual General Meeting, however, no longer than September 28, 2013.

The Board of Directors further proposes that the General Meeting authorize the Board of Directors to decide on the transfer of up to 1,000,000 A-shares held by the Company.

The transfer of own shares may be carried out in deviation from the shareholders’ pre-emptive rights and up to 330,000 A-shares may be transferred without payment as part of the Company’s share based incentive plan. The Board of Directors can also use this authorization to grant special rights entitling subscription of the Company’s own shares that are held by the Company. The subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind.

It is proposed that the authorization is valid until 28 March 2017.

The proposals for the authorizations to acquire and transfer the company´s own A-shares are partly intended for the execution of a share ownership plan that is under preparation by the Board of Directors for the Group key personnel. The full details of the Board of Directors proposals to the Annual General Meeting together with the agenda and other Annual General Meeting documents will be published later on Company’s web site when the invitation to the Annual General Meeting has been published.

The Board of Directors proposes that the Annual General Meeting authorize donations of maximum EUR 250,000 to one or more universities. The donations would be granted in one or several payments. According to the proposal, the Board of Directors are authorized to decide on the recipients and the payments they receive. The authorization would be in force until the 2013 Annual General Meeting.

Vantaa, February 8, 2012

Vaisala Corporation
Board of Directors

Financial Ratios and Share in Figures

Financial Ratios

		IFRS 2011	IFRS 2010	IFRS 2009
Net sales	**M€**	**273.6**	**253.2**	**231.8**
exports and international operations		98.2%	97.4%	97.2%
Operating profit	**M€**	**16.1**	**11.8**	**12.0**
% of net sales		5.9%	4.7%	5.2%
Profit before taxes	**M€**	**16.1**	**14.0**	**10.1**
% of net sales		5.9%	5.5%	4.3%
Return on equity (ROE)		5.7%	5.6%	3.7%
Return on investment (ROI)		5.9%	5.7%	3.8%
Solvency ratio		73.7%	76.0%	81.5%
Current ratio		2.4	2.4	3.1
Gross capital expenditure	**M€**	**16.7**	**30.1**	**27.7**
% of net sales		6.1%	11.9%	11.9%
R&D expenditure on machinery and equipment	**M€**	**0.3**	**1.7**	**0.4**
R&D expenditure	**M€**	**28.0**	**31.4**	**28.4**
% of net sales		10.2%	12.4%	12.3%
Orderbook on Dec. 31.	**M€**	**134.3**	**129.0**	**95.5**
Average personnel		1386	1408	1302

Shares in Figures

		IFRS 2011	IFRS 2010	IFRS 2009
Earnings/share (EPS)	€	0.57	0.56	0.38
Earnings/share (EPS), calculated taking into account the dilution impact of the bond with warrants	€	0.57	0.56	0.38
Cash flow from business operations/share	€	2.06	1.39	-0.17
Shareholders' equity/share	€	10.02	10.02	9.90
Dividend/share	€	*0.65	0.65	0.65
Dividend/earnings	%	**114.2%	116.1%	172.2%
Effective dividend yield ***		4.0%	3.2%	2.6%
Price/earnings (P/E)		28.80	36.61	66.51
A-share trading				
highest	€	24.80	25.77	28.46
lowest	€	15.56	18.52	21.42
weighted average	€	20.56	21.33	24.13
at balance sheet date	€	16.40	20.50	25.10
Market capitalisation at balance sheet date ***	M€	298.6	373.3	457.1
A-shares traded				
traded	pcs	878 205	2 415 565	1 729 224
% of entire series		5.9%	16.3%	11.7%
Adjusted number of shares	pcs	18 209 214	18 209 214	18 209 214
A-shares	pcs	14 829 013	14 828 680	14 820 680
K-shares	pcs	3 389 351	3 389 684	3 397 684
Number of shares at Dec. 31	pcs	18 209 214	18 209 214	18 209 214

* 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 (%) $= \dfrac{\text{Profit before taxes less taxes}}{\text{Shareholders' equity plus non-controlling interest (average)}} \times 100$

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

Solvency ratio, (%) $= \dfrac{\text{Shareholders' equity plus non-controlling interest}}{\text{Balance sheet total less advance payments}} \times 100$

Current ratio $= \dfrac{\text{Current assets}}{\text{Current liabilities}}$

Earnings / share, € $= \dfrac{\text{Profit before taxes less taxes +/- non-controlling interest}}{\text{Average number of shares, adjusted}}$

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

Equity / share, € $= \dfrac{\text{Shareholders' equity}}{\text{Number of shares at balance sheet date, adjusted}}$

Dividend / share, € $= \dfrac{\text{Dividend}}{\text{Number of shares at balance sheet date, adjusted}}$

Dividend / earnings, (%) $= \dfrac{\text{Dividend}}{\text{Profit before taxes less taxes +/- non-controlling interest}} \times 100$

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

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

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

Five Years in Figures

Consolidated income statement EUR million	IFRS 12/2011	IFRS 12/2010	IFRS 12/2009	IFRS 12/2008	IFRS 12/2007
Net sales	**273.6**	**253.2**	**231.8**	**242.5**	**224.1**
Other operating income	2.1	1.8	0.1	0.1	0.0
Costs	245.0	229.0	210.4	196.4	180.6
Depreciation, amortization and impairment charges	14.7	14.1	9.6	8.2	8.2
Operating profit	**16.1**	**11.8**	**12.0**	**38.0**	**35.3**
Financial income and expenses	0.1	2.2	-1.9	0.9	1.7
Profit before tax	**16.1**	**14.0**	**10.1**	**38.9**	**37.0**
Income taxes	-5.8	-3.8	-3.2	-10.5	-11.2
Net profit for the period	**10.4**	**10.2**	**6.9**	**28.4**	**25.8**

Consolidated balance sheet EUR million	31.12.11	31.12.10	31.12.09	31.12.08	31.12.07
Assets					
Non-current assets	101.0	100.2	80.0	63.0	56.3
Inventories	33.4	36.8	27.3	22.8	16.1
Current assest	116.4	111.7	124.1	156.0	153.1
	250.8	248.7	231.4	241.7	225.6
Shareholders' equity and liabilities					
Equity attributable to equity holders of the parent	182.5	182.4	180.3	190.6	176.3
Liabilites, total	68.3	66.4	51.2	51.1	49.2
Interest bearing	0.5	0.5	0.6	0.4	0.9
Non-interest bearing	67.8	65.8	50.6	50.7	48.3
Balance sheet total	**250.8**	**248.7**	**231.4**	**241.7**	**225.6**

Consolidated Income Statement

EUR million	Notes	1.1. -31.12.2011		1.1. -31.12.2010	
Net sales	**2, 3**	**273.6**		**253.2**	
Cost of production and procurement	8	-142.7		-124.2	
Gross profit		**130.8**	**47.8%**	**128.9**	**50.9%**
Other operating income	6	2.1		1.8	
Cost of sales and marketing	8, 9, 10	-57.8		-59.2	
Development costs	8, 9, 10	-28.0		-31.4	
Other administrative costs	8, 9, 10	-31.0		-28.4	
Other operating cost	7	-0.1		0.0	
Operating profit		**16.1**	**5.9%**	**11.8**	**4.7%**
Financial income	11	8.8		10.3	
Financial expenses	11	-8.8		-8.2	
Share of results of associated companies	17	0.0		0.0	
Profit before tax		**16.1**	**5.9%**	**14.0**	**5.5%**
Income taxes	12	-5.8		-3.8	
Profit for the year		**10.4**	**3.8%**	**10.2**	**4.0%**
Attributable to					
Equity holders of the parent		10.4		10.2	
Earnings per share for profit attributable to the equity holders of the parent					
Basic earnings per share, €	13	0.57		0.56	
Diluted earnigns per share, €		0.57		0.56	
Comprehensive income					
Profit for the year		10.4		10.2	
Other comprehensive income					
Currency translation differences		1.9		3.8	
Other changes		-0.3		0.0	
Total comprehensive income for the year		12.0		14.0	
Attributable to Equity holders of the parent		12.0		14.0	

The notes constitute an essential part of the financial statements.

Consolidated Balance Sheet

EUR million	Notes		31.12.2011		31.12.2010
Assets					
Non-current assets					
Intangible assets	15		38.5		39.9
Property, plant and equipment	16		55.8		51.8
Investments in associates	17	0.6		0.5	
Receivables	18	0.4		0.4	
Deferred tax assets	12	5.7	6.6	7.0	7.9
Current assets					
Inventories	19		33.4		36.8
Trade and other receivables	20		68.4		73.5
Accrued income tax receivables			2.4		2.9
Cash and cash equivalents	21		45.5		35.3
Available-for-sale financial assets	22		0.1		0.6
Total assets			**250.8**		**248.7**

The notes constitute an essential part of the financial statements.

Consolidated Balance Sheet

Shareholders' equity and liabilities EUR million	Notes	31.12.2011	31.12.2010
Shareholders' equity			
Equity attributable to equity holders of the parent	23		
Share capital		7.7	7.7
Share premium reserve		16.6	16.6
Reserve fund		0.3	0.3
Own shares		-0.3	-0.3
Translation differences		0.6	-1.2
Profit from previous years		147.2	149.1
Profit for the financial year		10.4	10.2
		182.5	182.4
Total equity	**23**	**182.5**	**182.4**
Liabilities			
Long-term liabilities			
Retirement benefit obligations	25	2.0	1.6
Other liabilities	24	1.9	2.6
Provisions	26	0.1	0.1
Deferred tax liabilities	12	0.9	0.8
		4.9	**5.1**
Current liabilities			
Current liabilities	24	0.3	0.3
Advances received		3.1	8.9
Accrued income tax payables		0.9	3.7
Provisions	26	1.5	0.0
Trade and other payables	27	57.6	48.3
		63.4	**61.2**
Total liabilities		**68.3**	**66.4**
Total Shareholders' equity and liabilities		**250.8**	**248.7**

The notes constitute an essential part of the financial statements.

Consolidated Statement of Changes in Shareholders' Equity

EUR million	Notes	Share capital	Share premium reserve	Share premium reserve	Own shares	Translation differences	Retained earnings	Total equity
Balance at December 31, 2009		**7.7**	**16.6**	**0.2**	**-0.3**	**-4.9**	**160.9**	**180.3**
Profit for the year	23						10.2	10.2
Other comprehensive income	23							0,0
Currency translation differences	23			0.1		3.7		3.8
Total comprehensive income for the year		**0.0**	**0.0**	**0.1**	**0.0**	**3.7**	**10.2**	**14.0**
Transactions with owners								
Dividend paid	23						-11.8	-11.8
Balance at December 31, 2010		**7.7**	**16.6**	**0.3**	**-0.3**	**-1.2**	**159.3**	**182.4**
Profit for the year	23						10.4	10.4
Other comprehensive income	23						-0.3	-0.3
Currency translation differences	23			0.1		1.8		1.9
Total comprehensive income for the year		**0.0**	**0.0**	**0.1**	**0.0**	**1.8**	**10.1**	**12.0**
Transactions with owners								
Dividend paid	23						-11.8	-11.8
Balance at December 31, 2011		**7.7**	**16.6**	**0.3**	**-0.3**	**0.6**	**157.6**	**182.5**

The notes constitute an essential part of the financial statements.

Consolidated Cash Flow Statement

EUR million	Notes	Group 1.1.–31.12.2011	Group 1.1.–31.12.2010
Cash flows from operating activities			
Cash receipts from customers	2, 3	276.6	253.0
Other income from business operations		2.0	0.7
Cash paid to suppliers and employees		-233.9	-231.5
Interest received	11	0.2	0.2
Interest paid	11	0.0	-0.1
Other financial items, net		-0.7	0.4
Dividends received from operations		0.0	0.0
Direct tax paid	12	-6.7	2.5
Totall cash flow from business operations (A)		**37.6**	**25.3**
Cash flow from investing activities			
Investments in intangible assets	15	-3.3	-12.6
Investments in tangible assets	16	-13.3	-8.8
Acquisition of subsidiary, net of cash acquired	4	0.0	-7.4
Proceeds from sale of fixed assets		0.0	1.0
Other investments	15	0.1	-0.6
Total cash flow from investing activities (B)		**-16.5**	**-28.4**
Cash flow from financing activities			
Proceeds from borrowings		0.0	5.1
Repayment of long-term loans		0.0	-5.0
Dividend paid		-11.8	-11.8
Other transactions from equity		-0.3	0.0
Total cash flow from financing activities (C)		**-12.1**	**-11.8**
Change in liquid funds (A+B+C) increase (+) / decrease (-)		**9.0**	**-14.9**
Liquid funds at beginning of period		**35.3**	**50.1**
Foreign exchange effect on cash		1.2	0.1
Net increase in cash and cash equivalents		9.0	-14.9
Liquid funds at end of period	**21**	**45.5**	**35.3**

Notes to the Consolidated Financial Statements

Basic information

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.

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, Canada, France, the UK, Germany, China, South-Korea, Sweden, Malaysia, India, United Arab Emirates, Japan and Australia.

Copies of the consolidated financial statements can be obtained from the internet address www.vaisala.com or from the Group's head office at the address Vanha Nurmijärventie 21, FI-01670 Vantaa (P.O. Box 26, FI-00421 Helsinki).

At its meeting on 8 February 2012, the Board of Directors of Vaisala Oyj has approved these financial statements for publication. Under the Finnish Companies Act, shareholders have an opportunity to confirm or leave unconfirmed the financial statements in the Annual General Meeting to be held after their publication. The Annual General Meeting also has an opportunity to make a decision amending the financial statements.

1.1. Accounting Principles for the Consolidated Financial Statements

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 2011 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.

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

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

Segment reporting

The company has a market segment based reporting model. Operating segments are reported in a manner consistent with the internal reporting provided for the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, is the company's strategic management group.

The business segments consist of asset categories and business operations whose resources to be allocated and profits company's strategic management group reviews based on a measure of adjusted result before taxes.

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 changed segment reporting on first of October 2011 by combining Meteorology and Weather Critical Operations segments into one Weather

operating segment. According to the group management view the nature of the products and services, the nature of production processes, the type or class of customer for their products and services and the methods used to distribute their products or provide their services are similar. Vaisala's two reporting segments are Weather and Controlled Environment.

Weather operating segment is a leading provider of reliable weather tehchonlogy. Segments serves selected weather-dependent markets where weather data is essential to run efficient operations like meteorological institutes, roads and rail authoritites, airport organizations, defense forces, energy and maritime.

Controlled Environment segment serves customers who operate in tightly controlled and demanding areas where the measurement of precise environmental conditions is required to increase operational quality, productivity and energy savings.

The company's strategic management group follows business operations also through geographical market areas. Reporting areas are EMEA (Europe, Middle East and Africa), AMERICA (Norht-, Middle- and Central America) and APAC (Asia and Pacific area).

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.

Acquisition of subsidiaries is handled by the acquisition cost method. The acquisition cost is the fair value of transferred assets, issued equity instruments and liabilities arising or assumed. All transaction costs are expensed. Identifiable acquired assets as well as assumed liabilities and contingent liabilities are valued initially at their fair values on the date of acquisition, irrespective of whether there are minority interests or not. The amount by which the acquisition cost exceeds the Group share of the fair value of the acquired identifiable net assets is recognised as goodwill. If the acquisition cost is lower than the acquired subsidiary's net assets, the difference is entered directly into the income statement. Changes in contingent liabilities after initial recognition are recognised in profit and loss as other operating income or cost.

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.

Acquisitions before 31 Dec 2009 has been handled according to the rules effective at that time.

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

Items relating to the consolidated result and financial position are measured using the currency which is the main currency of each entity's operating environment "functional currency". The consolidated financial statements have been presented in euros, which is the Group parent company's functional and presentation currency

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 translation differences 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 under comprehensive income. 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 assets

Fixed 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 tangible asset consists of several parts which have useful lives of different lengths, the parts are treated as separate assets. Accordingly, expenses relating to the renewal of a part are capitalised and the part remaining in connection with the renewal is recognised as an expense. In other cases, expenditures that arise later are included in the carrying amount of the tangible assets only if it is probable that the future financial benefit connected with the asset is for the benefit of the Group and that the asset's acquisition cost can be reliably determined. Other repair and maintenance expenses are recognised through profit and loss, when they are realised.

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

Depreciation of a tangible asset is discontinued when the tangible 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.

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 acquisition cost less impairment losses. Impairment costs are expensed.

Other intangible assets

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

Estimated useful lives for intangible assets are:

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

Research and development expenditure

Research and development expenditures have been recognised as expenses in the financial period in which they were incurred, except for machinery and equipment acquired for research and development use, which are amortised using the straight-line method 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

The group capitalizes borrowing costs that relate to qualifying assets directly attributable to acquisition, construction or production of the assets as part of the cost of the asset in question. Other borrowing costs are recognised as an expense. At the moment, the group does not have capitalised borrowing costs.

Inventories

Inventories are valued 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. Acquisition cost is determined using the weighted average method, whereby the cost is determined as the weighted average of similar inventory items which were held at the beginning of the financial period and those bought or produced during the financial period.

Lease agreements

The Group is the lessee

Lease agreements of tangible assets where the Group has a substantial part of the risks and rewards of ownership are classified as finance leases. Finance leases are entered into the balance sheet's tangible 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.

Impairment

On every closing date the Group reviews asset items for any indication of impairment losses. The need for impairment is examined at the cash generating unit level, i.e. at the lowest unit level which is mainly independent of other units and whose cash flows are separate and highly independent from the cash flows of other, corresponding, units. 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. 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

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 clearance 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.

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.

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.

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.

Trade receivables are valued initially at fair value and thereafter at their anticipated realisable value, which is the original invoicing value less the estimated impairment of these receivables. An impairment for trade receivables is made when there are good grounds to expect that the Group will not receive all its receivables on original terms. A debtor's significant financial difficulties, probability of bankruptcy, default on payments, or a more than 180 day delay in the making of payments are evidence of an impairment of trade receivables. The magnitude of the impairment loss to be recognised in the income statement is determined as the difference of the carrying amount of receivables and the present value of estimated future cash flows. If the amount of impairment loss falls in some later financial period and the reduction can be objectively considered to be related to an event after the recognition of the impairment, the recognised loss is reversed through profit and loss.

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.

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. Derivatives are included in the balance sheet as other receivables and payables. Unrealized and realized gains and losses arising from changes in fair value are recognized in the income statement in 'financial income and expenses" in the period during which they arise.

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.

Unrealized and realized gains and losses arising from changes in fair value are recognized in the income statement in 'financial income and expenses" in the period during which they arise.

Non-current assets classified as held for sale

Non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Sale is considered highly probable when group management is committed to a plan to sell the asset, asset can be sold immediately in its current condidition with general and common terms and sale will be completed within one year from the date of classification.

Before classification as held for sale, assets are measured according to the IFRS standard applying for them. After classification they are stated at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated after classification. Non-current asets classified as held for sale are presented separately from other assets in the statement of financial position.

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. From the present value of the pension obligation recognised in the balance sheet is deducted pension scheme assets valued at fair value on the closing date, the contribution of unrecognised gains and losses, as well as past service costs. When calculating the present value of the pension obligation, the discount rate used is the market yield on high quality bonds issued by companies or the interest rate on state treasury bills. 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.

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. . Provisions are valued at the present value of expenses required to cover the obligation. The discount factor used in calculating present value is selected so that it reflects the market view of the time value of money and the risks related to the obligations at the time of examination. 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.

Shares issued by the company are presented as share capital. Expenses related to the issue or acquisition of shareholders' equity instruments are presented as a shareholders' equity reduction item. If the company buys back its shareholders' equity instruments, the consideration paid for them including direct costs is deducted from shareholders' equity.

Principles of revenue recognition

Sales of goods and services rendered

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

Long-term projects

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

Expenses related to a project whose revenue is not yet recognised are entered as long-term projects in progress in inventories. If expenses arising and gains recognised are larger than the sum invoiced for the project, the difference is presented in the balance sheet item "trade and other receivables". If expenses arising and gains recognised are smaller than the sum invoiced for the project, the difference is presented in the item "trade and other payables".

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 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.

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.

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. The biggest impact of these on the figures presented is reflected through impairment testing. Other estimates are connected mainly with environmental, litigation and tax risks, the determination of pension obligations as well as the utilisation of deferred tax assets against future taxable income.

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

Revenue recognition
The Group uses the percentage of completion method in recognising revenue for long-term projects. Revenue recognition according to percentage of completion is based on estimates of expected revenue and costs as well as on a determination of the progress of the percentage of completion. Changes can arise to recognised revenue and profit if estimates of a project's total costs and total income are adjusted. The cumulative effect of adjusted estimates is recognised in the period in which the change becomes probable and it can be estimated reliably. Further information on long-term projects is given in Note 5. Long-term projects.

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. Further information on recoverable amount sensitivity to changes in the assumptions used is given in Note 15. Intangible assets.

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. Further information on inventories is given in Note 19. Inventories.

Application of new or amended IFRS standards and IFRIC interpretations

In preparing these interim financial statements, the group has followed the same accounting policies as in the annual financial statements for 2010 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2011:

IFRS 7 (amendment) Financial instruments: Disclosures – Derecognition: This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application subject to EU endorsement is permitted. Management is assessing the impact of these changes on the financial statements of the group

IAS 1 (amendment) Presentation of financial statement

– other comprehensive income: The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Management is assessing the impact of these changes on the financial statements of the group.

IAS 34 (amendment) Interim financial reporting. The change provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around:

- The circumstances likely to affect fair values of financial instruments and their classification;
- Transfers of financial instruments between different levels of the fair value hierarchy;
- Changes in classification of financial assets; and
- Changes in contingent liabilities and assets.

Management is assessing the impact of these changes on the financial statements of the group.

IFRS 10 Consolidated financial statements: The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements. Management is assessing the impact of the standard on the financial statements of the group.

IFRS 12 Disclosures of interests in other entities: IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Management is assessing the impact of the standard on the financial statements of the group.

IFRS 13 Fair value measurement IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group will probably adopt the standard in its 2013 financial statements. However, the standard is still subject to EU endorsement.

IAS 27 (revised 2011) Separate financial statements: Includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. Management is assessing the impact of the standard on the financial statements of the group.

IAS 1 (amendment) Presentation of financial statement

– other comprehensive income: The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Group will probably adopt the amendment in its 2013 financial statements. However, the amendment is still subject to EU endorsement.

IAS 19 (amendment) Employee benefits These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Management is assessing the impact of these changes on the financial statements of the group.

IFRS 9 Financial instruments: IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for) financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Management is assessing the impact of these changes on the financial statements of the group.

IAS 32 (amendment) Offsetting Financial Assets and Financial Liabilities: The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32..The amendments clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that certain gross settlement mechanisms are effectively equivalent to net settlement and would therefore satisfy the IAS 32 criterion in these instances. Management is assessing the impact of these changes on the financial statements of the group.

IFRS 7 (amendment) Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities: The amended disclosures require more extensive disclosures than are currency required on offset financial asset and liabilities. The disclosures

focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset in the balance sheet. Management is assessing the impact of these changes on the financial statements of the group.

1.2 Financial risk management

Organization of risk management

Vaisala has a risk management policy that has been approved by the Board of Directors and that covers the company's business, operational, hazard and financing risks. Vaisala's strategic management group regularly assesses risk management policy, and the scope, adequacy and focus areas of related practices. The policy aims at ensuring the safety of the company's personnel, operations and products as well as the continuity of operations. The policy also covers intellectual capital, corporate image and brand protection.

Risk management is integrated into business processes and operations and each employee's daily work. This is accomplished by the risk management process that was approved by Vaisala's strategic management group in 2010. The deployment of the risk management process has continued in 2011 and now covers half of the businesses and functions.

The risk management process is a continuous tool for risk identification and management. The purpose of the process is to support the company's strategy and planning process and to provide more information, supporting better decision making.

Vaisala's risk management process consists of risk identification, risk assessment, risk management actions, follow-up and risk reporting. Risks are reported to the strategic management group quarterly. The most significant risks are reported to the board annually and whenever considered necessary.

Risk management in Vaisala is not a separate process, but it operates as part of the company's operating calendar.

More detailed operational instructions are defined by the strategic management group. These include approval, bidding and procurement authorizations and terms of payments.

Usual risks related to international business affect Vaisala's operating environment. The most significant of these are risks relating to changes in the global economy, currency exchange rates (with particular respect to the U.S. dollar), supply network management and production activities. Vaisala monitors these risks and prepares for them in accordance with the company's risk management policy. In addition Vaisala is exposed to changes in global trade, technology or in political and economic environments and natural disasters. These may affect Vaisala's business in terms of for example component availability, order cancellations, logistics and loss in market potential.

Group-level insurance programs have been established to deal with manageable operational risks. These programs cover risks relating to property damage, business interruption, different liabilities, transport and business travel. Vaisala's ability to tolerate risks is good and the company has a strong capital structure, ensuring capital adequacy.

Near-term risks and uncertainties

The most significant near term risks and uncertainties are estimated to relate to the company's ability to maintain its delivery capability, availability of critical components, changes in the global economy, shifts of currency exchange rates, interruptions in manufacturing, customers' financing capability, changes in purchasing or investment behavior, and delays or cancellations of orders and deliveries. The changes in the competitive landscape may affect the volume and profitability of the business by introducing new competitors and price erosion in areas that traditionally have been strong for the company, which may constitute risks for both the net sales and profit.

Market development and the realization of projects in the industrial business affect the net sales and operating result. The company has additionally expanded its project activities into emerging markets where the profitability of the projects is lower than normally, due to the market-making nature of the business. The share of project business out of the total business volume is also growing. Should the assumptions regarding the profitability and new business opportunities in the project business prove wrong, this may constitute risks for Vaisala's net sales and profit.

Changes in subcontractor relations, their operations or operating environment may have a negative impact on Vaisala's business. Vaisala monitors these risks and prepares for them in accordance with the company's risk management policy.

Vaisala is currently implementing significant development projects, which are building the foundation for a successful execution of Vaisala's strategy. A new Group-wide ERP system is in the implementation phase.

Vaisala has made acquisitions and their impact on net sales and operating result depends essentially on the success of integration activities. In case the assumptions about achievable synergies prove incorrect or the integration fails, these constitute a short-term risk regarding Vaisala's net sales and result.

Interest rate risk

The company has no significant interest-bearing liabilities or receivables. Interest rate risk arises from the effects of interest rate changes on interest-bearing receivables and liabilities in different currencies. According to the company's management, the interest rate risk is currently immaterial if the interest rate changes. Interest rate changes affect the fair value of both cash flows and investments. A change of one percent point in the interest rate would affect the company's result after taxes by around EUR 73 (EUR 56) thousand, calculated on an approximate cash position of EUR 9.9 (EUR 7.5) million. Further information on interest-bearing receivables is given in Note 21.

Market risk on investment activity

At the end of 2011 there were no significant investments. Further information on assets recognized at fair value through profit and loss is given in Note 20.

Currency risk

The international nature of operations exposes the Group to risks that arise when investments in different currencies are converted into the parent company's functional currency. The most significant currencies for the Group are the US dollar, the Japanese yen and the British pound. The Group has many investments in its foreign subsidiaries, whose net assets are exposed to currency risks. The Group does not hedge the currency risks related to its subsidiaries' net assets. The separate table features a sensitivity analysis on how changes in the rates of the most important currencies for the Group and in the euro, both in terms of average rate and balance sheet day rate, would affect the consolidated profit after taxes. The sensitivity analysis calculation does not incorporate the effects of parent company purchases in other currencies during the financial year.

			Effect on result after taxes EUR 1000
2011			
USD/EUR	Exchange rate rise	10.00 %	759.7
	Exchange rate fall	10.00 %	-744.7
JPY/EUR	Exchange rate rise	10.00 %	58.9
	Exchange rate fall	10.00 %	-48.2
GBP/EUR	Exchange rate rise	10.00 %	167.5
	Exchange rate fall	10.00 %	-155.6
2010			
USD/EUR	Exchange rate rise	10.00 %	699.0
	Exchange rate fall	10.00 %	-779.0
JPY/EUR	Exchange rate rise	10.00 %	97.7
	Exchange rate fall	10.00 %	-79.9
GBP/EUR	Exchange rate rise	10.00 %	333.1
	Exchange rate fall	10.00 %	-309.4

The Group recognizes monetary items at net in accounting and hedges them with currency forwards to which the Group does not apply hedge accounting in accordance with IAS 39. Around 42% of the Group's net sales arises in US dollars, 6% in Japanese yens and 3% in British pounds. A significant proportion of Group purchases take place in euros. Currency forwards are used to hedge the net position arising from these. The degree of hedging is around 50 per cent of the order book and trade receivables. The degree of hedging at the end of the financial year was 55%. Hedging is arranged by the parent company (Note 11. Financial income and expenses).

Liquidity risk

The main principles of the liquid assets' investment policy in the order of their priority are a) minimizing credit loss risks, b) ensuring liquidity, and c) maximizing return on investment. The maximum term of investment is 12 months.

The Group aims to continuously assess and observe the level of funding required to finance the business to ensure that the Group has sufficient liquid assets for financing its operations. 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. To fulfill the liquidity need, the parent company has EUR 20 million credit loan limit, which is currently unused. Additionally, the subsidiaries have EUR 1.5 million credit loan limit, currently unused. The company has no other external financial liabilities other than those related to finance leasing (Note 24. Interest-bearing liabilities).

With the company's current balance sheet structure, liquidity risks are immaterial.

Counterparty risk

Liquid assets are directed, within set limits, to investments whose creditworthiness is good. The investments and investment limits are redefined annually. Further information on the classification of investments is given in Note 21. Cash and cash equivalents.

Credit risk

The Group applies a stringent credit issuance policy. Credit risks are hedged by using letters of credit, advance payments and bank guarantees as terms of payment. According to Group management, the company has no material credit risk concentrations, because no individual customer or customer group represents an excessive risk, resulting from global diversification of the company's customer pool. Total credit losses arising from accounts receivable and recognized for the financial year amounted to EUR 0.7 million (0.5), and the total net credit loss for the financial year was EUR 0.7 million (0.5). The maximum amount of the Group's credit risk corresponds with the carrying amount of financial assets at the end of the financial year. The periodic distribution of accounts receivable items is presented in Note 20 in the Notes to the Financial Statements.

Management of capital assets

Management of the Group's capital assets aims at ensuring normal company operation and increasing shareholder value with an optimum capital structure. The goal is to attain the best possible returns over the long term. An optimum capital structure also ensures lower capital costs. Capital structure can be affected through dividend distribution and share repurchases or emission, for example. The Group can alter or adjust the amount of dividend payable to shareholders, the amount of capital returned to them or the number of new shares issued. The company has no significant financial liabilities. The shareholders' equity indicated in the consolidated balance sheet represents the capital assets managed. The company has no interest-bearing debt nor issued covenants.

2. Business segments

EUR million 2011	WEA *	CEN *	Other operations	Group
Sale of Goods	167.3	65.5	0.0	232.8
Sae of Services	34.5	6.3	0.0	40.8
Net Sales	**201.8**	**71.7**	**0.0**	**273.6**
Operating profit	**5.9**	**10.5**	**-0.3**	**16.1**
Financial income and expenses				0.1
Share of associated companies' net profit				0.0
Net profit before taxes				**16.1**
Income taxes				-5.8
Net profit for the financial year				**10.4**
Assets	68.0	13.4	169.4	250.8
Holdings in associated companies	0.6	0.0	0.0	0.6
Liabilities	4.3	0.7	63.3	68.3
Investments	0.6	0.0	16.1	16.7
Depreciation	2.0	0.1	12.6	14.7
Impairment	0.0	0.0	0.0	0.0
Personnel at the end of the year	152	135	1 107	1 394
Orders received 1.1.-31.12.2011	209.1	69.7	0.0	278.8
Orderbook on Dec. 31.	130.3	4.0	0.0	134.3

* WEA = Weather
* CEN = Controlled Environment

EUR million 2010	WEA *	CEN *	Other operations	Group
Sale of Goods	160.9	58.5	0.0	219.4
Sae of Services	28.8	4.9	0.0	33.7
Net Sales	**189.8**	**63.4**	**0.0**	**253.2**
Operating profit	**3.8**	**8.9**	**-0.9**	**11.8**
Financial income and expenses				2.2
Share of associated companies' net profit				0.0
Net profit before taxes				**14.0**
Income taxes				-3.8
Net profit for the financial year				**10.2**
Assets	66.9	13.6	167.7	248.2
Holdings in associated companies	0.5	0.0	0.0	0.5
Liabilities	16.6	4.7	45.1	66.4
Investments	0.5	0.0	29.6	30.1
Depreciation	3.9	0.1	9.7	13.7
Impairment	0.4	0.0	0.0	0.4
Personnel at the end of the year	147.0	126	1 094	1 367
Orders received 1.1.-31.12.2010	220.4	66.3	0.0	286.7
Orderbook on Dec. 31.	122.9	6.1	0.0	129.0

* WEA = Weather
* CEN = Controlled Environment

3. Geographical segments

The Group has three geographical segments, EMEA, Americas and APAC

EUR million 2011	Net sales, by destination country [1]	Net sales, by location country [2]	Assets [2]	Investments
EMEA	90.7	210.3	193.4	14.0
of which Finland	4.8	189.9	177.8	13.8
Americas	110.2	107.6	76.9	2.1
of which United States	87.1	102.6	67.3	2.1
APAC	72.7	36.5	18.7	0.5
Group eliminations		-80.9	-38.2	
Total	**273.6**	**273.6**	**250.8**	**16.7**

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.

EUR million 2010	Net sales, by destination country [1]	Net sales, by location country [2]	Assets [2]	Investments
EMEA	92.4	195.1	191.1	19.2
of which Finland	6.5	175.5	175.7	17.6
Americas	100.0	100.8	81.5	10.7
of which United States	72.6	97.0	71.1	2.3
APAC	60.8	38.2	15.1	0.2
Group eliminations		-81.0	-38.9	
Total	**253.2**	**253.2**	**248.7**	**30.1**

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

4. Company acquisitions 2010

Veriteq Instruments Inc.
On April 1, 2010 Vaisala acquired Veriteq Instruments Inc, a company located in Vancouver, Canada. Veriteq is a leading provider of productized continuous monitoring systems and data logger solutions for the life science industry, comprising of pharmaceutical, biotechnological and medical device companies. Veriteq Instruments Inc. reached EUR 5.0 million net sales in 2009. The company employs approximately 40 persons. Vaisala's ownership of Veriteq after the acquisition is 100%.

Net sales of the acquired company between April 1, 2010 and December 31, 2010 were EUR 3.8 million and operating result EUR -0.9 million. Had the acquisition taken place on January 1, 2010, the group net sales would have been EUR 254.4 million and net profit EUR 8.7 million.

The acquisition will strengthen Vaisala's position in the life science market. The global life science industry is strictly regulated by international and national authorities. In order to protect their high value goods and to comply with the regulations, the companies need to monitor and control the conditions of their critical environments such as cleanrooms, laboratories and warehouses.

Life science is a focus area for Vaisala's Controlled Environments business, and the acquisition of Veriteq, with its life science emphasis, aligns perfectly with Vaisala's strategy. The life science industry represents an extensive market with a steady growth rate and demanding customers who are used to working with companies that provide the most reliable products and services. Vaisala is currently known as an instrument provider in the global pharmaceutical market, but the objective is to expand the offering both to pharmaceutical and other life science customers. Through the acquisition of Veriteq, Vaisala gets access to additional knowhow, customer base, products and services.

The acquired new knowledge, customer base, product base and services together with the synergy benefits accrue to goodwill of EUR 3.6 million. Expenses relating to the acquisition, EUR 734 thousand, have been booked to other administration costs.

The purchase price, EUR 8.1 million, includes contingent purchase price, the range of which is EUR 0 to EUR 1.7 million. The contingent purchase price is divided into two categories, one that is dependent on the development of net sales (0- EUR 0.8 million) and the other that is dependent on the retention of key employees (0 - EUR 0.9 million). The management estimates that the portion depending on the retention of the key employees will realize in full and none of the net sales targets will realize. At the time of the acquisition, the contingent purchase price of EUR 1.3 million was booked and 0.9 million EUR was realized.

Purchase consideration:

EUR million	
Purchase price paid	7.2
Contingent purchase price	1.3
Total purchase cost	8.5
Fair value of the acquired net identifiable assets	-4.9
Goodwill	**3.6**

Assets and liabilities arising from	
the acquisition are as follows	0.3
Tangible assets	
Intangible assets	0.2
Producton process (Calibration algorithm)	0.2
Quality system	0.0
Products and production tehcnology	3.0
Trademark	0.8
Customer value	0.1
Inventories	0.6
Receivables	1.4
Cash and cash equivalents	0.4
Non-interest-bearing liabilities	-0.4
Interest-bearing liabilities	-1.5
Net identifiable assets	4.9
Acquisition cost	8.5
Goodwill	**3.6**
Purchase consideration settled in cash	7.8
Cash and cash equivalents in subsidiary acquired	-0.4
Cash outflow on acquisition	**7.4**
Goodwill at the beginning of the reporting period 30 June, 2010	3.1
Foreign exchange effect	-0.1
Reconciliation of the net working capital	-0.2
Increase in contingent purchase price	0.8
Goodwill at the end of the period 31 December, 2010	**3.6**

5. Long-term project

Net sales include EUR 11.3 million (2010; EUR 10.3 million) in revenue recognized for long-term projects.

EUR million Consolidated income statment extracts	2011	2010
Contract revenue	9.6	8.6
Contract costs	-9.4	-8.0
Gross profit	0.2	0.6

EUR million Consolidated balance sheet extracts	2011	2010
Trade and other receivables	4.1	6.2
Trade and other payables	2.4	4.7

Accounting pricipl es for construction contracts are presented in the notes Accounting Pricipl es.

6. Other operating income

EUR million	2011	2010
Gains on the disposal of fixed assets	0.0	0.0
Other	2.1	1.8
	2.1	**1.8**

Other operating income year 2011 includes income from technolgy know-how sale and compensation relating to the acquisition of Quixote Transportation Technologies, Inc.(QTT), which was made in December 2009. Year 2010 other operating income included selling Oxygen business know-how and correction related to the contingent purchase price of Veriteq.

7. Other operating costs

EUR million	2011	2010
Loss on the disposal of fixed assets	0.1	0.0
	0.1	**0.0**

8. Depreciation and impairment

EUR million Depreciation by function	2011	2010
Procurement and production	6.3	7.9
Sales and marketing	0.2	0.1
Research and development	0.7	0.7
Other administration	7.4	5.4
	14.7	**14.1**
Impairments		
Other administration	0.0	0.4
	0.0	**0.4**

2010 impairment is related to the USA based real estate classified as held for sale (Note 22).

9. Expenses arising from employee benefits

EUR million	2011	2010
Salaries	64.0	68.8
Social costs	8.1	8.0
Pensions		
Defined-benefit pension schemes	0.2	0.2
Defined-contribution pension schemes	8.0	7.9
Personnel expenses, total	**80.2**	**84.9**

Expenses arising from employee benefits by function	2011	2010
Procurement and production	41.0	46.1
Sales and marketing	4.4	4.8
Research and development	20.7	21.7
Other administration	14.2	12.3
	80.2	**84.9**

Group personnel, average during the financial year By business unit	2011	2010
Weather	146	194
Controlled Environment	129	113
Other operations	1 111	1 100
	1 386	**1 408**
In Finland	792	810
Outside Finland	594	598
	1 386	**1 408**

10. Research and development expenditure

The income statement includes research and development expenditure of EUR 28.0 million recognized as an expense in 2011 (EUR 31.4 million in 2010).

11. Financial income and expenses

EUR million	2011	2010
Dividend income	0.0	0.0
Other interest and financial income	0.3	0.2
Realized and unrealized gains arising from changes in fair value of derivative contracts and hedging activities	1.6	1.2
Other foreign exchange gains	6.9	8.9
Total financial income	**8.8**	**10.3**
Interest expenses		
Short- and long-term liabilities	0.0	-0.1
Finance lease agreements	0.0	0.0
Other financial expenses	-0.4	-0.2
Realized and unrealized losses arising from changes in fair value of derivative contracts and hedging activities	-2.3	-2.8
Other foreign exchange losses	-6.0	-5.2
Total financial expenses	**-8.8**	**-8.2**

Other foreign exchange gains and losses arise from the business transactions.

12. Income taxes

EUR million	2011	2010
Tax based on taxable income for the financial year	4.0	4.1
Taxes from previous financial years	0.2	0.1
Change in deferred tax assets and liabilities	1.6	-0.4
	5.8	**3.8**

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

EUR million	2011	2010
Profit before taxes	16.1	14.0
Taxes calculated at Finnish tax rate	4.5	4.1
Effect of foreign subsidiaries' tax rates	0.3	-0.4
Non-deductible expenses and tax-free revenue	-0.2	-0.1
Tax losses for which no deferred income tax asset was recognised	0.7	-0.3
Income tax and withholding taxes of permanent operating locations	0.2	0.5
Other	0.1	-0.1
Tax in income statement	**5.8**	**3.8**
Effective tax rate	**35.8%**	**27.1%**

Deferred taxes in balance sheet EUR million	2011	2010
Deferred tax assets	5.7	7.0
Deferred tax liabilities	-0.9	-0.8
Deferred tax asset, net	**4.8**	**6.2**

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

Gross change in deferred taxes recognized in balance sheet:	2011	2010
Deferred taxes 1 Jan	6.2	5.4
Items recognized in income statement	-1.6	0.4
Translation differences	0.2	0.4
Deferred tax asset, net	**4.8**	**6.2**

In the consolidated financial statements has been recognized EUR 0.3 Million deferred tax asset for losses of subsidiaries in earlier years (EUR 1.1 million in 2010). Deferred tax asset EUR 0.5 Million from losses of subsidiary in France has been written down through profit and loss statement. Carryforward time for unused tax losses is unlimited, but the group doesn't see it probable that future taxable profit will be available against which the temporary difference can be utilised.

Changes in deferred taxes during 2011 EUR million	31.12.2010	Recognized in income statement	Translation differences	Purchased subsidiaries	31.12.2011
Deferred tax assets:					
Internal margin of inventories and fixed assets	0.8	-0.2	0.0		0.6
Employee benefits	0.6	0.1	0.0		0.7
Unused tax losses	1.1	-0.8	0.0		0.3
Timing difference of depreciation on intangible items	2.8	-0.5	0.0		2.3
Other temporary timing differences*	1.7	-0.1	0.1	0.0	1.7
Total	7.0	-1.5	0.2	0.0	5.7
Deferred tax liabilities					
Timing difference between accounting and taxation	0.8	0.1	0.0		0.9
Deferred tax asset, net	**6.2**	**-1.6**	**0.2**	**0.0**	**4.8**

Changes in deferred taxes during 2010 EUR million	31.12.2009	Recognized in income statement	Translation differences	Purchased subsidiaries	31.12.2010
Deferred tax assets:					
Internal margin of inventories and fixed assets	0.5	0.3	0.0		0.8
Employee benefits	0.4	0.1	0.1		0.6
Unused tax losses	1.3	-0.2	0.0		1.1
Timing difference of depreciation on intangible items	2.5	0.1	0.2		2.8
Other temporary timing differences*	1.0	0.6	0.1	0.0	1.7
Total	**5.7**	**0.9**	**0.4**	**0.0**	**7.0**
Deferred tax liabilities					
Timing difference between accounting and taxation	0.3	0.5	0.0		0.8
Deferred tax asset, net	**5.4**	**0.4**	**0.4**	**0.0**	**6.2**

* Other temporary differences consist of the different handling in taxation and accounting of subsidiaries' sales, credit losses, inventories and other items. For the EUR 31.5 million undistributed retained earnings of foreign subsidiaries in 2011 (31.6 million in 2010), no deferred tax liability has been recognized, because the assets have been invested permanently in the countries in question.

13. Earnings per share

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

	2011	2010
Profit for financial year belonging to parent company shareholders, EUR million	10.4	10.2
Weighted average number of shares outstanding, 1000 pcs	18 209	18 209
Earnings per share, EUR	0.57	0.56

The Group had no share options during the years 2011 and 2010 that increase the number of diluting shares.

14. Dividend per share

For 2010 a dividend of 0.65 euros per share was paid. At the Annual General Meeting to held on 28 March 2012 the payment of a dividend of 0.65 euros per share will be proposed, representing a total dividend of EUR 11.8 million. The proposed dividend has not been recognized as a dividend liability in these financial statements.

15. Intangible assets

Intangible assets EUR million	Intangible rights*	Goodwill	Other intangible assets**	Total
Acquisition cost 1 Jan	41.4	17.8	7.2	66.3
Translation difference	0.5	0.3	0.2	1.0
Increases	2.7	0.0	0.2	2.9
Decreases	-0.8	0.0	-0.2	-1.0
Transfers between items**	0.7	0.0	0.0	0.7
Acquisition cost 31 Dec	**44.5**	**18.1**	**7.3**	**70.0**
Accumulated depreciation and impairment 1 Jan	23.5	0.0	2.9	26.4
Translation difference	0.6	-	0.1	0.7
Accumulated depreciation of decreases and transfers	-0.8	0.0	-0.2	-1.0
Depreciation in financial year	5.1	-	0.3	5.4
Accumulated depreciation 31 Dec	**28.4**	**0.0**	**3.1**	**31.5**
Carrying amount 31 Dec 2011	**16.1**	**18.1**	**4.3**	**38.5**

Intangible assets EUR million	Intangible rights*	Goodwill	Other intangible assets**	Total
Acquisition cost 1 Jan	23.8	13.2	6.2	43.2
Translation difference	0.8	1.1	0.9	2.8
Increases	4.2	3.5	0.1	7.7
Decreases	-0.1	-	-	-0.1
Transfers between items**	12.7	-	-	12.7
Acquisition cost 31 Dec	**41.4**	**17.8**	**7.2**	**66.3**
Accumulated depreciation and impairment 1 Jan	17.0	-	2.5	19.5
Translation difference	0.5	-	0.2	0.7
Accumulated depreciation of decreases and transfers	0.6	-	0.0	0.6
Depreciation in financial year	5.4	-	0.3	5.6
Accumulated depreciation 31 Dec	**23.5**	**0.0**	**2.9**	**26.4**
Carrying amount 31 Dec 2010	**17.9**	**17.8**	**4.2**	**39.9**

*Intangible rights include patents and trademarks as well as software licenses. Trademark consists of the Sigmet trademark which had indefinite useful life until the year 2008. On the beginning of the year 2009 it was decided, that Sigmet trademark will be merged with Vaisala trademark during the next five years. Estimated useful life for the trademark is five year from the beginning of the year 2009.
**Transfers between items mainly includes transmissions of the new ERP program from fixed assets under contstruction to fixed assets in use.

Goodwill impairment testing

The balance sheet value of goodwill is assessed at least once per year to ascertain any possible impairment. For impairment testing the goodwill is attributed to two different cash generating units, i.e. EUR 14.5 Million (2010 EUR 14.2 Million) to a North American Weather and EUR 3.6 Million (2010 3.6) to a North American Life Science business area belonging to Controlled Environment segment.

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.

Both cash generating units operate in the same North American area and for both 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 2011 was 11.75% (2010 13.9%). Cash flows after the management-approved forecast period have been calculated using the residual value method, in which the operating profit of the last planning period have been divided by discount rate reduced by growthrate and discounted by using the discount rate described above.

The relative profitability of the North American Weather area is expected to improve from 3 per cent in year 2012 to 10 per cent by 2016 because of the rationalization actions. 3 per cent annual growth has been estimated for sales after zero-growth during the year 2012. On the basis of impairment testing there is no need for impairment recognitions. Recoverable amount of the cash generating unit exceeds book value by EUR 26.2 million. Would the relative profitability of North American Weather area deteriorate over 2.6 per cent other assumptions unchanged, there would have been an impairment loss. Would the sales deteriorate over 7.5 per cent other assumptons unchanged, there would have been an impairment loss. If discount rate used would have been over 3.3 per cent higher there would have been an impairment loss. The management does not see the change of these assumptions probable.

The relative profitability of the North American Life Science business is expected to improve moderately from the year 2012 level and stabilized on 18 per cent level. 25 per cent annual growth has been estimated for sales for year 2012 and 10 per cent annual growth after that. On the basis of impairment testing there is no need for impairment recognitions. Recoverable amount of the cash generating unit exceeds book value by EUR 10.2 million. Would the relative profitability of North American Life Science business deteriorate over 8.2 per cent other assumptions unchanged, there would have been an impairment loss. Would the sales deteriorate over 12.5 per cent other other assumptions unchanged, there would have been an impairment loss. If discount rate used would have been over 7.5 per cent higher there would have been an impairment loss. The management does not see the change of these assumptions probable.

16. Tangible assets

EUR million Tangible assets 2011	Land and waters	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan	2.8	33.7	71.3	0.0	16.6	124.5
Translation difference	0.0	0.1	0.7	-	0.1	0.9
Increases	0.0	0.3	5.6	0.0	8.0	13.9
Decreases	-0.1	-0.9	-6.8	-	-0.1	-7.9
Transfers between items	-	14.6	2.0	0	-17.3	-0.7
Acquisition cost 31 Dec	**2.8**	**47.8**	**72.9**	**0**	**7.2**	**130.7**
Accumulated depreciation and impairment 1 Jan	-	18.9	53.2	-	-	72.1
Translation difference	-	0.1	0.8	-	-	0.8
Accumulated depreciation of decreases and transfers	-	-0.5	-6.9	-	-	-7.4
Depreciation in financial year	-	2.5	6.8	-	-	9.2
Impairment	-	-	-	-	-	0.0
Accumulated depreciation 31 Dec	**0**	**21.0**	**53.9**	**0**	**0**	**74.8**
Carrying amount 31 Dec 2011	**2.8**	**26.9**	**19.0**	**0.0**	**7.2**	**55.9**

The acquisition cost of machinery and equipment belonging the tangible fixed assets was EUR 35.2 million on 31.12.2011 (EUR 32.4 million 31.12.2010).

EUR million Tangible assets 2010	Land and waters	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan	2.7	30.4	60.9	0.0	19.2	113.2
Translation difference	0.1	0.3	1.5	-	0.2	2.1
Increases	-	1.2	7.0	-	14.2	22.3
Decreases	-	0.0	-0.4	-	-	-0.4
Transfers between items	-	1.9	2.4	-	-17.0	-12.7
Acquisition cost 31 Dec	**2.8**	**33.7**	**71.3**	**0.0**	**16.6**	**124.5**
Accumulated depreciation and impairment 1 Jan	-	16.7	46.6	-	-	63.4
Translation difference	-	0.1	0.2	-	-	0.3
Accumulated depreciation of decreases and transfers	-	0.1	-0.1	-	-	-0.1
Depreciation in financial year	-	1.7	6.4	-	-	8.1
Impairment	-	0.4	-	-	-	0.4
Accumulated depreciation 31 Dec	**0**	**18.9**	**53.2**	**0**	**0**	**72.1**
Carrying amount 31 Dec 2010	**2.8**	**14.8**	**18.1**	**0.0**	**16.6**	**52.4**

Tangible assets include the following assets acquired on finance leases:

EUR million 2011	Machinery and equipment
Acquisition cost	1.1
Accumulated depreciation	-0.5
Carrying amount 31 Dec 2011	**0.5**

EUR million 2010	Machinery and equipment
Acquisition cost	1.0
Accumulated depreciation	-0.6
Carrying amount 31 Dec 2010	**0.4**

Assets leased on finance lease agreements are computers and their accessories as well as copiers.

17. Holdings in associated companies

EUR million	2011	2010
Acquisition cost 1 Jan	0.5	0.5
Share of result	0.1	0.1
Increase		
Translation differences	0.0	0.0
Associated company investments, total 31 Dec		
Valuuttakurssierot	0.0	0.0
Osakkuusyhtiösijoitukset yhteensä 31.12.	**0.6**	**0.5**

The carrying amount of associated companies does not include goodwill.

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

EUR million Associated companies 2011	Domicile	Assets	Liabilities	Net sales	Profit/loss	Holding
Meteorage SA, Ranska	Cedex	3.1	1.5	2.2	0.2	35%

The information presented in the table are based on the latest available financial statements.

EUR million Associated companies 2010	Domicile	Assets	Liabilities	Net sales	Profit/loss	Holding
Meteorage SA, Ranska	Cedex	2.8	1.5	2.0	0.1	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.

18. Receivables (long-term)

	2011		2010	
EUR million	Balance sheet values	Fair values	Balance sheet values	Fair values
Loan receivables	0.1	0.1	0.1	0.1
Other receivables *	0.3	0.3	0.3	0.3
	0.4	**0.4**	**0.4**	**0.4**

Fair values have been calculated by discounting the future cash flows of every significant receivable at the market interest rate on the closing date.

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

19. Inventories

EUR million	2011	2010
Materials and supplies	23.9	27.0
Work in progress	5.1	5.3
Finished goods	4.4	4.6
	33.4	**36.8**

An expense of EUR 146.1 million (EUR 114.8 million in 2010) was recognized in the financial period.
In the financial year expense of EUR 5.0 million was recorded, equivalent to the amount by which the carrying amount of inventories was reduced to correspond with their net realizable value (EUR 2.0 million in 2010).
The balance sheet value of these goods is zero.

20. Trade receivables and other receivables

EUR million	2011	2010
Trade receivables	56.4	56.4
Loan receivables	0.0	0.0
Advanced paid	0.7	1.3
Other receivables	6.3	3.8
Receivables from long-term project customers	4.1	6.2
Value-added tax receivables	0.9	3.9
Derivative contracts	0.0	0.1
Other prepaid expenses and accrued income	0.0	1.8
	68.4	**73.5**

The fair values of trade and other receivables essentially correspond to their carrying amounts.
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.

Age analysis for the trade receivables

EUR million	2011	provision for impairment	Net 2011	2010	provision for impairment	Net 2010
invoices not due	27.9		27.9	35.8		35.8
due less than 30 days	6.8		6.8	11.9		11.9
due 31–90 days	20.5		20.5	5.4		5.4
due over 90 days	2.1	0.7	1.3	3.9	0.5	3.3
Total	**57.2**	**0.7**	**56.4**	**56.9**	**0.5**	**56.4**

The carrying amounts of group's trade and other receivables are denominated in the following currencies:

EUR million	2011	2010
EUR	23.0	19.9
USD	23.6	22.0
GBP	1.1	2.2
JPY	3.1	3.0
AUD	1.9	1.2
CNY	0.8	1.1
Other	2.9	6.9
	56.4	**56.4**

21. Cash and cash equivalents

EUR million	2011	2010
Cash and bank deposits	45.5	35.3

The cash and cash equivalents have mainly been placed in cheque deposit accounts with interest on debosits.
The average interest rate on the investments in 2011 was 0.7% (2010 0.7%). In the end of the year 2011 and 2010 the group did not have commercial papers.
The values of cash and cash equivalents is equivalent to their carrying amounts.

22. Non-current assets held for sale

Year 2011 non-current assets held for sale consist of tangible and intangible assets related to the divestment of wind profiler business. The value of assets in the balance sheet is EUR 0.1 Million. Business does not represent a separate major line of business and thus it has not been handled as a discontinued operation according to IFRS 5. There were no liabilities, accounts receivables nor orderbacklog included in the divestment. Contract was signed Jan 18 2012 and there will be a profit of EUR 0.4 Million recorded to the Weather segment.

Year 2010 non-current assets held for sale consisted of land and building in USA, Lemont Furnance, PA. Value in the balance sheet was EUR 0.6 million. Group management had written a letter of intent to sell the assets and a sale during the first quarter 2011 was considered highly probable. Assets were stated at the fair value less costs to sell and impairment cost of EUR 0.4 million was recorded as impairment cost to Weather Critical Operations segment. The sale was done in the end of March 2011.

23. Notes relating to shareholders' equity

Vaisala applies the insider rules of the Helsinki Stock Exchange.

Vaisala has 18,218,364 shares, of which 3,389,351 are K shares and 14,829,013 are A shares. The shares do not have nominal value. Vaisala's maximum share capital is EUR 28.8 million. A maximum of 68,490,017 shares shall be K shares and a maximum of 68,490,017 shares shall be A shares, with the provision that the total number of shares shall be at least 17,122,515 and not more than 68,490,017. The K shares and A shares are differentiated by the fact that each K share entitles its owner to 20 votes at a General Meeting of Shareholders while each A share entitles its owner to 1 vote.

Share capital and share premium fund EUR million	Number of shares 1000	Share capital	Share premium fund	Reserve fund	Own shares	Total
01.01.2010	18 209	7.7	16.6	0.2	-0.3	24.2
31.12.2010	18 209	7.7	16.6	0.3	-0.3	24.3
31.12.2011	18 209	7.7	16.6	0.3	-0.3	24.3
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 nominal value of share capital during the old Companies Act is recognized in the share premium fund. In addition, in those cases in which option rights have been decided under the old Companies Act (29.9.1978/734), the cash payments received from share subscriptions based on options have been recognized in accordance with the arrangement of the share capital and the share premium fund, less transaction expenses.

The reserve fund of EUR 0.3 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.

Own shares held by company

The own shares (treasury shares) fund includes the acquisition cost of own shares held by the Group, and it is presented as a reduction in shareholders' equity.

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 2010	**9 150**	**0.3**
Company's own shares on 31 December 2011	**9 150**	**0.3**

Option scheme

The company has no effective option schemes.

Authorization of the Board of Directors

At the end of 2011, the Board of Directors had no authorizations to increase the share capital nor to issue convertible or warrant bonds.

24. Other liabilities

EUR million	Balance sheet value 2011	Balance sheet value 2010
Long-term		
Finance lease liabilities	0.3	0.2
Other non-interest bearing long term liabilities	0.4	2.4
Derivative contracts	1.2	0.0
	1.9	2.6
Short-term		
Finance lease liability repayments in next year	0.3	0.3
	0.3	0.3
Interest-bearing liabilities, total	**0.5**	**0.5**

The fair values of the interest bearing liabilities is equivalent to their carrying amounts. In the end of year 2011 and 2010 the Group did not have interest bearing loans. The company has no loans that would mature after five years or a longer period. Other non-interest bearing long term liabilities comprice of long-term part of accounts payable of ASIC-circuits EUR 1.2 million. Circuits are Vaisala's property and they will be paid according to the use of current circuits during the years 2012 to 2014. Liability is interest-free.

Maturity dates of finance lease liabilities:

EUR million	2011	2010
Finance lease liabilities - total amount of minimum lease payments		
Up to 1 year	0.3	0.3
1 - 5 years	0.3	0.2
More than 5 years	0.0	0.0
	0.6	0.5
Future financial expenses	-0.1	0.0
Present value of finance lease liabilities	0.5	0.5
Present value of minimum payments of finance lease liabilities		
Up to 1 year	0.3	0.3
1 - 5 years	0.3	0.2
More than 5 years	-	-
Total	**0.5**	**0.5**

Derivative contracts

EUR million	2011	2010
Capital value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks		
Currency forwards	19.7	21.1
Capital value, total	**19.7**	**21.1**

Derivative contracts are denominated in the following currencies:	Currency million 2011	EUR million 2011	Currency million 2010	EUR million 2010
USD	22.5	16.3	23.5	17.8
AUD	2.0	1.5	2.0	1.4
JPY	165.0	1.6	165.0	1.5
GBP	0.3	0.3	0.3	0.3
		19.7		**21.1**

Maturity	2011	2010
Less than 90 days	9.2	10.6
over 90 days and less than 120 days	2.1	3.0
Over 120 days and less than 330 days	8.5	7.5
	19.7	**21.1**

Fair value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks	2011	2010
Currency forwards	-1.2	0.1
Fair value, total	**-1.2**	**0.1**

Fair value of the derivative contracts are based on information that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). In addition to the quoted prices the group will prepare own assessment using commonly acceptable valuation techniques. Hence group's derivative contracts belongs to the level 2.

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 recognized as an expense in the income statement of the financial period in which the contributions are payable. TyEL 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	2011	2010
Defined-benefit pension schemes	0.2	0.2
Defined-contribution pension schemes	8.0	7.9
	8.2	**8.1**

Items entered in the balance sheet

EUR million	2011	2010
Defined-contribution pennsion liability in subsidiaries	1.5	1.2
Defined-benefit pension liability in Finland	0.5	0.4
	2.0	**1.6**

Defined-benefit pension schemes has been allocated to administration function.

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

EUR million	2011	2010
Present value of unfunded obligations		
Fair value of funded obligations	1.6	1.9
Fair value of assets	-1.0	-1.1
Deficit/surplus	0.6	0.8
Unrecognized net actuarial gains (+)/ losses (-)	-0.1	-0.4
Net liability present in balance sheet	**0.5**	**0.4**

Pension expenses in personnel expenses

EUR million	2011	2010
Service costs for the financial year	0.1	0.1
Interest costs	0.1	0.1
Expected yield from assets belonging to the scheme	-0.1	-0.1
Actuarial gains and losses	0.0	0.0
Gains/losses from reduction of scheme	0.0	0.0
	0.2	**0.2**
Actual yield from assets belonging to the scheme	4.9%	5.6%

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 2011 is EUR 0.1 million (EUR 0.2 million in 2010).

Changes in the present Value of the Obligation

EUR million	2011	2010
Present value of obligation 1 Jan	1.9	2.1
Current service cost	0.1	0.1
Interest cost	0.1	0.1
Settlement and curtailments	-0.2	-0.2
Actuarial gain (-) loss(+) on obligation	-0.3	-0.3
Present value of obligation on 31 Dec	**1.6**	**1.9**

Changes in the Fair Value of Plan Assets

EUR million	2011	2010
Fair value of plan assets 1 Jan	1.1	1.6
Expected return on plan assets	0.1	0.1
Actuarial gain (+) loss(-) on plan assets	0.0	-0.4
Contributions	0.1	0.0
Settlements	-0.2	-0.1
Fair value of plan assets 31 Dec	**1.0**	**1.1**

Changes of liabilities presented in balance sheet

EUR million	2011	2010
At beginning of financial year	0.4	0.3
Paid contributions	-0.1	0.0
Pension expenses in income statement	0.2	0.2
At end of financial year	**0.5**	**0.4**

Actuarial assumptions used:

	2011	2010
Discount rate	4.25%	4.00%
Expected yield from assets belonging to the scheme	4.50%	4.50%
Future pension increases	3.25%	3.25%
Rate of inflation	2.00%	2.00%
Annual adjustments to pensions	2.10%	2.10%

26. Provisions

EUR million Long term	Restructuring provision 2011	Restructuring provision 2010
Provisions 1 Jan	0.1	0.1
Additional provisions	0.0	0.0
Used provisions	0.0	0.0
Provisions 31 Dec	0.1	0.1

Short term	2011	2010
Provisions 1 Jan	0.0	0.0
Additional provisions	1.5	0.0
Used provisions	0.0	0.0
Provisions 31 Dec	1.5	0.0

The increase in provision in 2011 relates to R&D consolidaton and 2010 provision relates to the restructuring of the company's organization.

27. Trade payables and other liabilities

EUR million Non-interest bearing	2011	2010
Trade payables	12.4	16.0
Salary and social cost allocations	14.5	13.6
Other accrued expenses and deferred income	11.8	6.5
Other short-term liabilities	19.0	12.3
Non-interest bearing liabilities, total	57.6	48.3

The fair value of the trade payables and other liabilities is equivalent to their carrying amounts.

28. Financial Assets and liabilities by category

EUR million 31 December 2011 Assets and Liabilities as per balance sheet	Assets/liabilities recognized at fair value through profit and loss and derivatives used for hedging	Loans and receivables	Financial liabilities at amortized cost	Carrying amount of balance sheet items	Fair value	Note
Financial assets						
Long-term receivables		0.4		0.4	0.4	18
Trade receivables and other receivables		71.5		71.5	71.5	20
Cash and cash equivalents		45.5		45.5	45.5	21
Total		**117.4**		**117.4**	**117.4**	
Liabilities						
Interest-bearing long-term liabilities			0.3	0.3	0.3	24
Other interest bearing liabilities			0.3	0.3	0.3	24
Trade payables and other liabilities	1.2		57.6	58.9	60.4	27
	1.2		**58.2**	**59.5**	**60.9**	

EUR million 31 December 2010 Assets and Liabilities as per balance sheet	Assets/liabilities recognized at fair value through profit and loss and derivatives used for hedging	Loans and receivables	Financial liabilities at amortized cost	Carrying amount of balance sheet items	Fair value	Note
Financial assets						
Long-term receivables		0.4		0.4	0.4	18
Trade receivables and other receivables	0.1	73.4		73.5	73.5	20
Cash and cash equivalents		35.3		35.3	35.3	21
Total	**0.1**	**109.1**		**109.3**	**109.3**	
Liabilities						
Interest-bearing long-term liabilities			0.2	0.2	0.2	24
Other interest bearing liabilities			0.3	0.3	0.3	24
Trade payables and other liabilities			48.3	48.3	49.2	27
			48.8	**48.8**	**49.7**	

29. Contingent liabilities and pledges given

EUR million	2011	2010
For own loans/commitments		
Guarantees		
Other own liabilities	10.8	9.5
Pledges given	0.3	0.7
Other leases	6.9	7.0
Contingent liabilities and pledges given, total	**18.0**	**17.1**

The pledges given are lease guarantee deposits.

30. Related party transactions

The Vaisala Group's related parties include subsidiaries, associated companies, members of the Board of Directors, the President and CEO, and the Vaisala Pension Fund. the President and CEO, and the Vaisala Pension Fund.
The company has no significant transactions with the associated company.

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%
Vaisala Canada Inc., Richmond, Canada	100%	100%
Tycho Technology Inc, Woburn, USA	100%	100%
Vaisala S.A., Argentina	100%	100%
Vaisala SAS , Saint-Quentin-En-Yvelines, France	100%	100%
Vaisala Sdn Bhd, Malaysia	100%	100%
Associated companies		
Meteorage SA, France	35%	35%

Related party transactios are based on market price of goods and services and common market terms.

EUR million Employee benefits of management		2011	2010
Salary and bonuses paid to President and CEO			
Kjell Forsen, President and CEO			
Salary		0.44	0.42
Bonuses		0.05	0.00
Remuneration paid to Members of the Board of Directors			
Gustavsson Stig	Member of the Board	0.03	0.03
Lappalainen Timo	Member of the Board	0.03	
Neuvo Yrjö	Member of the Board	0.03	0.03
Niinivaara Mikko	Member of the Board	0.03	0.03
Torkko Maija	Member of the Board	0.03	0.03
Voipio Mikko	Member of the Board	0.03	0.03
Voipio Raimo	Chairman of the Board	0.04	0.04
Total		0.68	0.58

Salaries and bonuses paid to managing directors of Group subsidiaries totaled EUR 0.9 million (2010 EUR 0.8million).
Age of retirement for the President and CEO is 62 years. The President and CEO has a compensation based retirement plan.
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 share ownership

Vaisala Oyj's Board of Directors held and controlled 1,320,969 shares on 31 December 2011, accounting for 14.7% of the total votes (2010: 1,312,249 shares and 14.6% of the total votes). The company's President and CEO held and controlled 2,720 A- shares on 31 December 2011 and had no options.

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

31. Auditor’s fees

EUR million	2011	2010
Auditors of PricewaterhouseCoopers-chain		
Auditor’s fees	0.30	0.32
Statements	0.01	0.00
Tax advice	0.05	0.05
Others fees	0.08	0.24
Total	**0.43**	**0.61**
Other independent public accountants		
Auditor’s fees	0.01	0.01
Tax advice	0.00	0.00
Others fees	0.00	0.02
Total	**0.02**	**0.02**

32. Events after the balance sheet date

On Jan 18 2012 Vaisala signed a contract do divest its wind profiler business to Scintec AG.
There will be a EUR 0.4 Million profit related to the divestment (note 22).
Company incorporated a subsidiary in Vaisala Servicos De Marketing Ltd in Brazil.

33. Collected information

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

Parent Company Income Statement

Parent company accounts (Finnish accounting principles, FAS)

EUR million	Notes		1.1.–31.12.2011		1.1.–31.12.2010
Net sales	**2**		**190.14**		**175.55**
Cost of production and procurement			-108.83		-91.37
Gross profit			**81.30**		**84.18**
Cost of sales and marketing	4		-24.84		-26.16
Cost of administration					
Development costs	4	-21.64		-24.23	
Other administrative costs	4	-22.82	-44.46	-20.69	-44.92
Other operating income	3		0.70		1.40
Other operating costs	3		-0.03		0.00
Operating profit			**12.67**		**14.50**
Financial income and expenses	5		2.11		4.26
Profit before provisions and taxes			**14.78**		**18.76**
Provisions			-0.42		-2.03
Direct taxes	6		3.35		4.44
Net profit for the financial year			**11.01**		**12.29**

Parent Company Balance Sheet

Parent company accounts (Finnish accounting principles, FAS)

EUR million Assets	Notes		31.12.2011		31.12.2010
Non-current assets					
Intangible assets	7				
Intangible rights		12.96		12.39	
Other long-term expenditure		0.33	13.29	0.34	12.73
Tangible assets	7				
Land and waters		1.28		1.28	
Buildings		29.78		17.11	
Machinery and equipment		10.99		9.97	
Other tangible assets		0.04		0.03	
Advance payments and construction in progress		6.02	48.10	15.91	44.29
Investments	7				
Other shares and holdings		29.93		29.81	
Other receivables		0.10		0.10	
Receivables from subsidiaries		15.46	45.48	17.96	47.87
Current assets					
Inventories					
Materials and consumables		21.18		23.40	
Work in progress		1.70		2.98	
Finished goods		0.25	23.12	0.17	26.55
Receivables					
Trade receivables		43.14		44.61	
Loan receivables	15	10.18		3.89	
Other receivables	8	0.46		1.17	
Prepaid expenses and accrued income	9	1.09	54.87	5.10	54.78
Cash and bank balances	10		28.06		24.41
Assets, total			**212.93**		**210.63**

Parent Company Balance Sheet

Parent company accounts (Finnish accounting principles, FAS)

EUR million Shareholders' Equity and Liabilities	Notes		31.12.2011		31.12.2010
Shareholders' Equity	**13**				
Share capital		7.66		7.66	
Reserve fund		22.31		22.31	
Profit from previous years		118.90		118.70	
Profit for the financial year		11.01	159.88	12.29	160.96
Provisions					
Accumulated depreciation difference	11		3.57		3.15
Provisions	**12**		**0.95**		**0.00**
Liabilities					
Non currrent					
Other non current liabilities	14		1.24		1.74
Current					
Advances received		2.52		6.84	
Trade payables	16	13.30		14.63	
Other current liabilities		1.82		2.24	
Accrued expenses and deferred income	15	29.65	47.29	21.08	44.79
Shareholders' equity and liabilities, total			**212.93**		**210.63**

Parent Company Cash Flow

(Finnish accounting principles, FAS)

EUR million	Notes	Parent company 1.1.–31.12.2011	Parent company 1.1.–31.12.2010
Cash flows from operating activities			
Cash receipts from customers		197.1	174.0
Other income from business operations	3	0.6	0.3
Cash paid to suppliers and employees		-159.2	-157.0
Cash flow from business operations before financial items and taxes		38.5	17.3
Interest received	5	0.1	0.6
Interest paid	5	0.0	-0.1
Other financial items, net	5	-0.6	0.7
Dividend received from business operations	5	1.7	1.5
Direct tax paid	6	-5.8	3.9
Cash flow from business operations (A)		**33.9**	**24.0**
Cash flow from investing activities			
Investments in intangible assets	7	-3.5	-12.8
Investments in tangible assets	7	-11.1	-4.6
Acquisition of subsidiary, net of cash acquired	7	0.0	-7.4
Proceeds from sale of fixed assets	7	0.0	1.0
Loans granted		-3.4	-0.9
Other investments	7	-0.1	-0.7
Repayments on loan receivables		0.0	3.0
Cash flow from investing activities (B)		**-18.1**	**-22.3**
Cash flow from financing activities			
Proceeds from borrowings		0.0	5.0
Repayment of long-term loans		0.0	-5.0
Dividend paid	12	-11.8	-11.8
Other transactions from Equity		-0.3	0.0
Cash flow from financing activities (C)		-12.1	-11.8
Change in liquid funds (A+B+C) increase (+) / decrease (-)		**3.6**	**-10.2**
Liquid funds at beginning of period	**10**	**24.4**	**34.6**
Liquid funds at end of period	**10**	**28.1**	**24.4**

Notes to the Parent Company Income Statements and Balance Sheets

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

Foreign currency items

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

Pension costs

Pension costs are recorded according to the Finnish regulations. The additional pension coverage of parent company personnel is arranged by the Vaisala Pension Fund (closed on 1.1.1983). The pension liability of the fund is fully covered.

Research and development costs

Except for investments in machinery and equipment, which are amortized on a straight line basis over a period of five years, research and development costs are expensed in the financial period in which they occurred.

Income taxes

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

Principles of revenue recognition

Sales of goods and services rendered

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

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.

2. Net sales by market area

EUR million	Parent Company 2011	Parent Company 2010
EMEA	80.4	81.7
from which Finland	5.1	6.5
Americas	49.0	51.6
from which United States	31.3	38.1
APAC	60.7	42.3
Total	**190.1**	**175.5**

3. Other operating income

EUR million	Parent Company 2011	Parent Company 2010
Gains on the disposal of fixed assets	0.0	0.0
Other operating income	0.7	1.4
Total	**0.7**	**1.4**

Other operating expences		
Losses from disposal of fixed assets	**0.0**	**0.0**

4. Personnel

EUR million Personnel costs	Parent Company 2011	Parent Company 2010
Wages and salaries	42.0	43.0
Pension costs	6.8	7.2
Other personnel costs	2.6	2.3
Total	**51.5**	**52.5**

Personnel on average during the year (persons)		
In Finland	783	799
Outside Finland	9	11
Total	**792**	**810**

Personnel Dec. 31		
In Finland	777	776
Outside Finland	7	10
Total	**784**	**786**

Salaries EUR million		Parent Company 2011	Parent Company 2010
Salary and bonuses paid to President and CEO			
Kjell Forsen	President and CEO		
Salary		0.44	0.42
Bonuses		0.05	0.00
Remuneration paid to Members of the Board of Directors			
Gustavsson Stig	Member of the Board	0.03	0.03
Lappalainen Timo	Member of the Board	0.03	
Neuvo Yrjö	Member of the Board	0.03	0.03
Niinivaara Mikko	Member of the Board	0.03	0.03
Torkko Maija	Member of the Board	0.03	0.03
Voipio Mikko	Member of the Board	0.03	0.03
Voipio Raimo	Chairman of the Board	0.04	0.04
Total		**0.68**	**0.58**
Salaries paid to the other employees		39.51	39.32
Total		**40.19**	**39.90**

Cash loans, securities or contingent liabilities were not granted to the President or to the members of the Board of Directors. Age of retirement for the President and CEO is 62 years. The President and CEO has a compensation based retirement plan. 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.

5. Financial income and expenses

EUR million	Parent Company 2011	Parent Company 2010
Dividend income		
From Group companies	1.7	1.5
From Others	0.0	0.0
Interest income on long-term investments		
From Group companies	0.4	0.5
Other interest and financial income		
From others	1.6	1.3
Interest and other financial expenses		
From others	-2.6	-2.9
Foreign exchange gains and losses		
From Group companies	0.7	1.3
From others	0.3	2.6
Total	**2.1**	**4.3**

6. Income taxes

EUR million	Parent Company 2011	Parent Company 2010
Taxes for the financial year	3.3	4.1
Taxes from previous years	0.0	-0.1
Taxes paid at source abroad	0.0	0.4
Total	**3.3**	**4.4**

7. Fixed assets and other long-term investments

Parent Company 2011

EUR million Intangible assets	Intangible rights	Other long-term expenditure	Total
Acquisition cost Jan. 1	27.5	0.9	28.4
Increases	2.7	0.1	2.7
Decreases	-0.8	-	-0.8
Transfers between items	0.7	-	0.7
Acquisition cost Dec. 31	**30.1**	**1.0**	**31.1**
Accumulated depreciation and write-downs Jan. 1	15.1	0.6	15.7
Accumulated depreciation of decreases and transfers	-0.8	-	-0.8
Depreciation for the financial year	2.9	0.1	2.9
Accumulated depreciation Dec. 31	**17.1**	**0.6**	**17.8**
Balance sheet value Dec. 31, 2011	**13.0**	**0.3**	**13.3**

Parent Company 2010

EUR million Intangible assets	Intangible rights	Other long-term expenditure	Total
Acquisition cost Jan. 1	14.7	0.9	15.7
Increases	0.1	-	0.1
Decreases	-0.1	-	-0.1
Transfers between items	12.7	-	12.7
Acquisition cost Dec. 31	**27.5**	**0.9**	**28.4**
Accumulated depreciation and write-downs Jan. 1	13.2	0.5	13.7
Accumulated depreciation of decreases and transfers	-0.1	-	-0.1
Depreciation for the financial year	1.9	0.1	2.0
Accumulated depreciation Dec. 31	**15.1**	**0.6**	**15.7**
Balance sheet value Dec. 31, 2010	**12.4**	**0.3**	**12.7**

Parent Company 2011

EUR million Tangible assets	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan. 1	1.2	28.8	44.8	0.0	15.9	90.7
Increases	-	0.2	2.9	0.0	7.4	10.6
Decreases	-	0.0	-3.1	-	-0.1	-3.1
Transfers between items	-	14.6	1.9	0.0	-17.2	-0.7
Acquisition cost Dec. 31	**1.2**	**43.6**	**46.6**	**0.0**	**6.0**	**97.4**
Accumulated depreciation	-	17.3	34.8	-	-	52.1
Accumulated depreciation of decreases and transfers	-	0.0	-3.0	-	-	-3.0
Depreciation for the financial year	-	2.2	3.8	-	-	5.9
Accumulated depreciation Dec. 31	**0.0**	**19.4**	**35.6**	**0.0**	**0.0**	**55.0**
Revaluation	0.1	5.6	-	-	-	5.7
Balance sheet value Dec. 31, 2011	**1.3**	**29.8**	**11.0**	**0.0**	**6.0**	**48.1**

Parent Company 2010

EUR million Tangible assets	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan. 1	1.2	26.9	41.5	0.0	16.5	86.0
Increases	-	-	1.3	-	24.5	25.9
Decreases	-	-	-0.4	-	-	-0.4
Transfers between items	-	1.9	2.4	-	-25.1	-20.8
Acquisition cost Dec. 31	**1.2**	**28.8**	**44.8**	**0.0**	**15.9**	**90.7**
Accumulated depreciation	-	15.9	32.1	-	-	48.0
Accumulated depreciation of decreases and transfers	-	-	-0.6	-	-	-0.6
Depreciation for the financial year	-	1.3	3.4	-	-	4.7
Accumulated depreciation Dec. 31	**0.0**	**17.3**	**34.8**	**0.0**	**0.0**	**52.1**
Revaluation	0.1	5.6	-	-	-	5.7
Balance sheet value Dec. 31, 2010	**1.3**	**17.1**	**10.0**	**0.0**	**15.9**	**44.3**

The acquisition cost of machinery and equipment belonging the tangible fixed assets was EUR 35.0 million on 31.12.2011 (EUR 32.2 million 31.12.2010).

Parent Company 2011

EUR million Investments	Subsidiary shares	Other shares and holdings	Other long-term receivables from Group companies	Total
Acquisition cost Jan. 1	29.8	0.1	18.0	47.9
Increases	0.1	-	3.4	3.5
Decreases	-	0.0	-5.9	-5.9
Balance sheet value Dec. 31	**29.9**	**0.1**	**15.5**	**45.5**

Parent Company 2010

EUR million Investments	Subsidiary shares	Other shares and holdings	Other long-term receivables from Group companies	Total
Acquisition cost Jan. 1	21.7	0.1	19.4	41.3
Increases	8.1	-	0.9	9.0
Decreases	-	0.0	-2.3	-2.3
Balance sheet value Dec. 31	**29.8**	**0.1**	**18.0**	**47.9**

8. Deferred assets

EUR million	2011	2010
Tax related deferred assets	0.1	0.5
Other deferred assets	0.3	0.7
	0.5	**1.2**

9. Other receivables

EUR million	2011	2010
Advances paid	0.6	2.7
Other	0.5	2.4
	1.1	**5.1**

10. Cash and bank balances

EUR million Cash and bank balances	2011	2010
Cash and balance in the bank accounts	28.1	24.4
	28.1	**24.4**

EUR million Fair value of off-balance sheet contracts made to hedge against exchange rate and interest rate risks	2011	2010
Currency forwards	-1.2	0.1
Fair value, total	**-1.2**	**0.1**

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

11. Deferred tax assets and liabilities

EUR million	2011	2010
Deferred tax assets/liabilities, net*	0.9	0.8

* The deferred tax liability arising from accumulated depreciation difference has not been taken into account. The deferred tax liability arising from revaluation has not been taken into account. If realized, the tax effect of revaluation would be EUR 1.4 million at the current 24.5% tax rate.

12. Provisions

EUR million	2011	2010
The increase in provision in 2011 relates to R&D consolidaton.	1.0	

13. Shareholders' equity

The parent company's shares are divided into series, with 3,389,351 series K shares (20 votes/share) and 14,829,013 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 Share capital	2011	2010
Series A Jan.1	6.2	6.2
Converted from series K to A	0.1	0.0
Series A Dec.31	6.4	6.2
Series K Jan.1	1.4	1.4
Converted from series K to A	-0.1	0.0
Share capital Dec. 31	7.7	7.7
Reserve fund Jan.1	22.3	22.3
Reserve fund Dec. 31	22.3	22.3
Profit from previous years Jan. 1	131.0	130.5
Dividends paid	-11.8	-11.8
Own shares	-0.3	0.0
Profit from previous years Dec. 31	118.9	118.7
Net profit for the financial year	11.0	12.3
Total equity	**159.9**	**161.0**

14. Non-current liabilities

The company has no loans that would mature after five years or a longer period. Other non-interest bearing long term liabities EUR 1.2 Million comprice of long-term part of accounts payable of ASIC-circuits. Circuits are Vaisala's property and they will be paid according to the use of current circuits during the years 2012 to 2014. Liability is interest-free.

15. Accrued expenses and deferred income

EUR million	2011	2010
Wages, salaries and wage-related liabilities	9.1	8.2
Tax liabilities	0.8	3.1
Other accrued expenses and deferred income	19.8	9.7
	29.6	**21.1**

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

EUR million	2011	2010
Non-current loan receivables	15.5	18.0
Current loan receivables	10.2	3.9
Trade receivables	8.6	12.1
Prepaid expenses and accrued income	0.7	0.4
Total receivables	**35.0**	**34.3**
Trade payables	2.6	1.8
Total liabilities	**2.6**	**1.8**

17. Contingent liabilities and pledges given

EUR million	2011	2010
For own debt or liability		
Guarantees	10.8	9.5
For Group companies		
Guarantees	2.0	2.9
Other own liabilities		
Pledges given	0.3	0.7
Leasing liabilities		
Payable during the financial year	0.5	0.4
Payable later	0.7	0.4
	1.2	0.8
Total contingent liabilities and pledges given	**14.4**	**13.9**

Derivative contracts

EUR million	2011	2010
Capital of off-balance sheet contracts made to hedge against exchange rate and interest risks		
Currency forwards	19.7	21.1
Total capital	**19.7**	**21.1**

18. Auditor's fees

EUR million	2011	2010
PricewaterhouseCoopers Oy, Authorized Public Accountants		
Auditor's fees	0.14	0.15
Tax advice	0.00	0.01
Others fees	0.06	0.22
Total	**0.20**	**0.38**

Shares and Shareholders

Largest shareholders, Dec. 31, 2011

	% of votes	% of Series K Shares	% of Series A Shares	% of total shares
Finnish Academy of Science and Letters	21.8	25.9	3.1	7.3
Novametor Oy	13.0	13.7	9.4	10.2
Mikko Voipio	7.7	8.9	2.2	3.5
Anja Caspers	7.1	8.3	1.4	2.7
Raimo Voipio	5.8	6.7	1.7	2.6
Tauno Voipio	4.2	4.7	2.0	2.5
Mandatum Life Insurance Company Limited	4.1	4.1	4.2	4.2
Minna Luokkanen	2.0	2.4	0.1	0.5
Jaakko Väisälä estate	1.6	1.8	1.1	1.2
Voipio Mari	1.4	1.4	1.3	1.3
Voipio Timo	1.4	1.4	1.3	1.3
Voipio Ville	1.4	1.4	1.3	1.3
Nominee registered	3.2	0.0	18.1	14.6

Ownership structure by owner type, December 31, 2011

	Number of owners	% of votes	% of Series K Shares	% of Series A Shares	% of total shares
Companies	253	13.4	13.7	11.9	12.3
Financial and insurance institutions	18	5.7	4.1	13.3	11.6
Municipalities	12	1.7	0.0	9.5	7.8
Non-profit organizations	73	22.2	25.9	4.9	8.8
Private individuals	6 079	53.8	56.3	42.2	44.9
Outside Finland and nominee registered	39	3.3	0.0	18.1	14.7
Not transferred to the book-entry system		0.0	0.0	0.0	0.0
Total	6 474	100.0	100.0	100.0	100.0

Ownership structure by shareholding, December 31, 2011

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	2 851	44.0	0.2	0.9	2	0.0	2 851	1.1
101–1000	3 097	47.8	1.4	5.9	19	0.3	3 095	7.3
1001–10000	438	6.8	3.1	6.5	23	3.5	427	7.6
10001–100000	60	0.9	13.2	11.6	23	23.9	58	12.2
100001–	28	0.4	82.1	75.1	7	72.3	26	71.8
Not transferred to the book-entry system	-	-	0.0	0.0	-	0.0	-	0.0
Total	6 474	100.0	100.0	100.0	74	100.0	6 457	100.0

Vaisala Oyj's Board of Directors held and controlled 1,320,969 shares on 31 December 2011, accounting for 14.7% of the total votes (2010: 1,312,249 shares and 14.6% of the total votes). The company's President and CEOheld and controlled 2,720 A- shares on 31 December 2011 and had no options.

Signing of the Board of Directors’ Report and Financial Statements

Vantaa, February 8, 2012

Stig Gustavson

Timo Lappalainen

Yrjö Neuvo

Mikko Niinivaara

Mikko Voipio

Raimo Voipio
Chairman of the Board

Maija Torkko

Kjell Forsén
President and CEO

Auditor's Report

To the Annual General Meeting of Vaisala Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Vaisala Oyj for the year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet and the distribution of other unrestricted equity is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Vantaa, 8 February 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Hannu Pellinen
Authorised Public Accountant

Information for Shareholders

Notice of the Annual General Meeting

Notice is given to the shareholders of Vaisala Corporation of the Annual General Meeting to be held on Wednesday, March 28, 2012 at 6 p.m. at Vaisala Corporation's head office, Vanha Nurmijärventie 21, 01670 Vantaa. The reception of persons who have registered for the meeting will commence at 5:15 p.m.

A. Matters on the agenda of the Annual General Meeting

At the Annual General Meeting, the following matters will be considered:

1. Opening of the Meeting

2. Matters of order for the Meeting

3. Election of the persons to confirm the minutes and to verify the counting of votes

4. Recording the legal convening of the Meeting

5. Recording the attendance at the Meeting and adoption of the list of votes

6. Presentation of the annual accounts, the review by the Board of Directors and the auditor's report for the year 2011

Review by the CEO & President

7. Adoption of the annual accounts

8. Resolution on the use of the profit shown on the balance sheet and the payment of dividend

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 0.65 per share for the fiscal year 2011. The dividend would be paid to shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd on the record date of the dividend distribution, April 2, 2012. The Board of Directors proposes that the dividend will be paid on April 11, 2012.

9. Resolution on the discharge of the members of the Board of Directors and the CEO & President from liability

10. Resolution on the remuneration of the members of the Board of Directors

The Board of Directors proposes to the Annual General Meeting that the annual fee payable to the Board members elected at the same meeting for a term until the close of the Annual General Meeting in 2013 remain at the same level as it has been for previous year: the Chairman of the Board of Directors EUR 35.000 and board members EUR 25.000 per year.

The Board of Directors has established in its meeting on February 8, 2012 Board's Audit Committee, which comprises of Chairman of the Audit Committee and two members. The Board of Directors proposes to the Annual General Meeting that that the compensation for the Chairman of the Audit Committee would be EUR 1.500 per attended meeting and EUR 1.000 for each member of the Audit Committee for a term until the close of the Annual General Meeting in 2013.

In case the Board of Directors decides to establish other committees, the Board of Directors proposes that the chairman of the committee as well as the committee members would receive same compensation as the members of the Audit Committee for a term until the close of the Annual General Meeting in 2013.

11. Resolution on the number of members of the Board of Directors

Shareholders representing more than 10% of all the votes in the company have announced their intention to propose to the Annual General Meeting, that the number of Board members be six. The proposal for the number of the Board members is integrally related to the proposal by the same shareholders for the election of the members of the Board of Directors as presented in section 12 below.

12. Election of members of the Board of Directors

The terms of office of Board members Stig Gustavson and Mikko Voipio will end at the Annual General Meeting. Board member Stig Gustavson has informed that he cannot be re-elected at the Annual General Meeting. Mr. Gustavson has been a Board member since 2006. As Mr. Gustavson is not available for re-election the shareholders representing more than 10% of all the votes in the company have announced their intention to propose to the Annual General Meeting, that Mikko Voipio be re-elected.

13. Resolution on the remuneration of the Auditor

The Board of Directors proposes to the Annual General Meeting that the Auditors be reimbursed according to their reasonable invoice.

14. Election of Auditor

The Board of Directors proposes to the Annual General Meeting that PricewaterhouseCoopers Oy be re-elected as the auditor of the Company for the fiscal year 2012. PricewaterhouseCoopers Oy has informed that APA Hannu Pellinen will act as the auditor with the principal responsibility.

The proposed person and the auditor have given their consent to the re-election.

15. Proposal by the Board of Directors for authorizing the Board of Directors to decide on the directed acquisition of own A-shares

The Board of Directors proposes that the General Meeting authorize the Board of Directors to decide on the directed acquisition of a maximum of 1,000,000 of the Company's own A-shares in one or more installments with funds belonging to the Company's unrestricted equity.

The shares shall be acquired in a proportion other than that of the shareholders' current shareholdings in the Company in public trading arranged by NASDAQ OMX Helsinki Ltd at the market price on the moment of acquisition. The shares shall be acquired and paid according to the rules of NASDAQ OMX Helsinki Ltd and Euroclear Finland Ltd. The Board of Directors is authorized to decide on the acquisition of own shares in all other respects.

It is proposed that the authorization is valid until the closing of the next Annual General Meeting, however, no longer than 28 September 2013.

16. Proposal by the Board of Directors for authorizing the Board of Directors to decide on the transfer of the Company's own shares

The Board of Directors proposes that the General Meeting authorize the Board of Directors to decide on the transfer of the Company's own shares as follows.

The authorization concerns only A-shares held by the Company. The authorization is limited to a maximum of 1,000,000 shares, which corresponds to approximately 6.7 per cent of all A-shares in the Company and to approximately 5.5 per cent of all shares in the Company.

The transfer of own shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization entitles the transfer of not more than 330,000 A-shares that are held by the Company as a directed issue without payment as part of the Company's share based incentive plan. The Board of Directors can also use this authorization to grant special rights entitling subscription of the Company's own shares that are held by the Company. The subscription price of the shares can instead of cash also be paid in full or in part as contribution in kind.

The Board of Directors decides on all other conditions of the transfer of own shares.

It is proposed that the authorization is valid until 28 March 2017.

17. Proposal by the Board of Directors for authorizing the Board of Directors to decide on donations

The Board of Directors proposes that the Annual General Meeting authorize the Board of Directors to decide on donations of maximum EUR 250.000 to one or more universities. The donations may be granted in one or several payments. The Board of Directors decides on the related payments.

It is proposed that the authorization is valid until the close of the Annual General Meeting in 2013.

18. Closing of the Meeting

B. Documents of the Annual General Meeting

The proposals of the Board of Directors relating to the agenda of the Annual General Meeting, this notice and Company's annual accounts, the review by the Board of Directors and the Auditor's report are on view on Vaisala Corporation's website at www.vaisala.com/investors. The proposals of the Board of Directors and the annual accounts will also be available on view at the Annual General Meeting at Corporation's head office in Vantaa, Vanha Nurmijärventie 21. Copies of these documents and of this notice will be sent to shareholders upon request.

C. Instructions for the participants in the Annual General Meeting

1. Right to attend and registration

Each shareholder, who is registered on March 16, 2012 in the Register of Shareholders held by Euroclear Finland Ltd, has the right to participate in the Annual General Meeting. A shareholder, whose shares are registered on his/her Finnish book-entry account, is registered in the Register of Shareholders of the Company.

A shareholder, who wishes to participate in the Annual General Meeting, may register for the Meeting by giving a prior notice of participation no later than on March 22, 2012 at 4:00 p.m. (Finnish time).

A prior notice of participation can be given:

a) through Vaisala's website at www.vaisala.com/investors

b) by email to paivi.aaltonen@vaisala.com

c) by telephone to +358 9 8949 2201 during working days between 9 a.m. and 11 a.m. (Finnish time).

In connection with the registration, a shareholder is expected to notify his/her name, personal identification number, address, telephone number, the name of a possible assistant and the name and the personal identification number of a possible proxy representative. The personal data given to Vaisala Corporation will be used only in connection with the Annual General Meeting and with the processing of related registrations.

2. Proxy representative and powers of attorney

A shareholder may participate in the Annual General Meeting and exercise his/her rights at the Meeting by proxy. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder at the Annual General Meeting. Should a shareholder participate in the meeting by means of several proxy representatives representing the shareholder with shares in different book-entry accounts, the shares by which each proxy representative represents the shareholder shall be identified in connection with the registration for the Annual General Meeting. Possible proxy documents should be delivered in originals to Vaisala Oyj, Päivi Aaltonen, PL 26, 00421 Helsinki or by email to paivi.aaltonen@vaisala.com before the last date for registration.

3. Holders of nominee registered shares

A holder of nominee registered shares is advised without delay to request from his/her custodian bank necessary instructions regarding the registration in the Register of Shareholders of the Company, issuing of proxy documents and registration for the Annual General Meeting. The account management organization of the custodian bank will register a holder of nominee registered shares, who wants to participate in the Annual General Meeting, to be entered in the temporary Register of Shareholder of the Company at the latest on March 23, 2012 at 10:00 a.m. (Finnish time).

4. Other instructions and information

On the date of this notice of the Annual General Meeting, February 14, 2012, the total number of shares in Vaisala Corporation is 18 218 364 shares constituted of 3 389 351 class K-shares and 14 829 013 class A-shares. Each class K-share entitles its holder to 20 votes and each class A-share entitles its holder to one vote. The total number of votes is 82 616 033 of which K-shares represent 67 787 020 votes and A-shares represent 14 829 013 votes.

Vantaalla 8.2.2012
Vaisala Corporation
Board of Directors

Investor Calendar 2012

Interim reports

January - March (Q1)	May 4, 2012
January - June (Q2)	August 2, 2012
January - September (Q3)	November 2, 2012

The result stock exchange releases, presentations and briefing webcasts will be published at **www.vaisala.com/investors.**

Vaisala observes a silent period which starts at the end of the reporting quarter and ends to the publication of the respective quarterly or annual results. During this time, the company does not comment on the company's financial situation, markets or future outlook.

Annual General Meeting

The Annual General Meeting is held 28 March, 2012 at Vaisala's headquarters in Vantaa, Finland. See previus pages for the notice.

Corporate Publications and Releases

Financial Statements

Vaisala Financial Statements are published in Finnish and English. A pdf version of the report is available at **www.vaisala.com/investors.**

Online Annual Report

Vaisala's annual report is available at **www.vaisala.com/annualreport.** A pdf version is avaible at the same address.

Corporate Responsibility Report

In addition to the financial statements and the online annual report, Vaisala publishes a printed corporate responsibility report. The CR report is also available in pdf at **www.vaisala.com/sustainability.**

Vaisala News

Vaisala News is the corporate customer magazine published three times a year. Pdf versions of the magazines are available at **www.vaisala.com/vaisalanews.**

All the publications above can be ordered from **www.vaisala.com/publications** or **info@vaisala.com.**

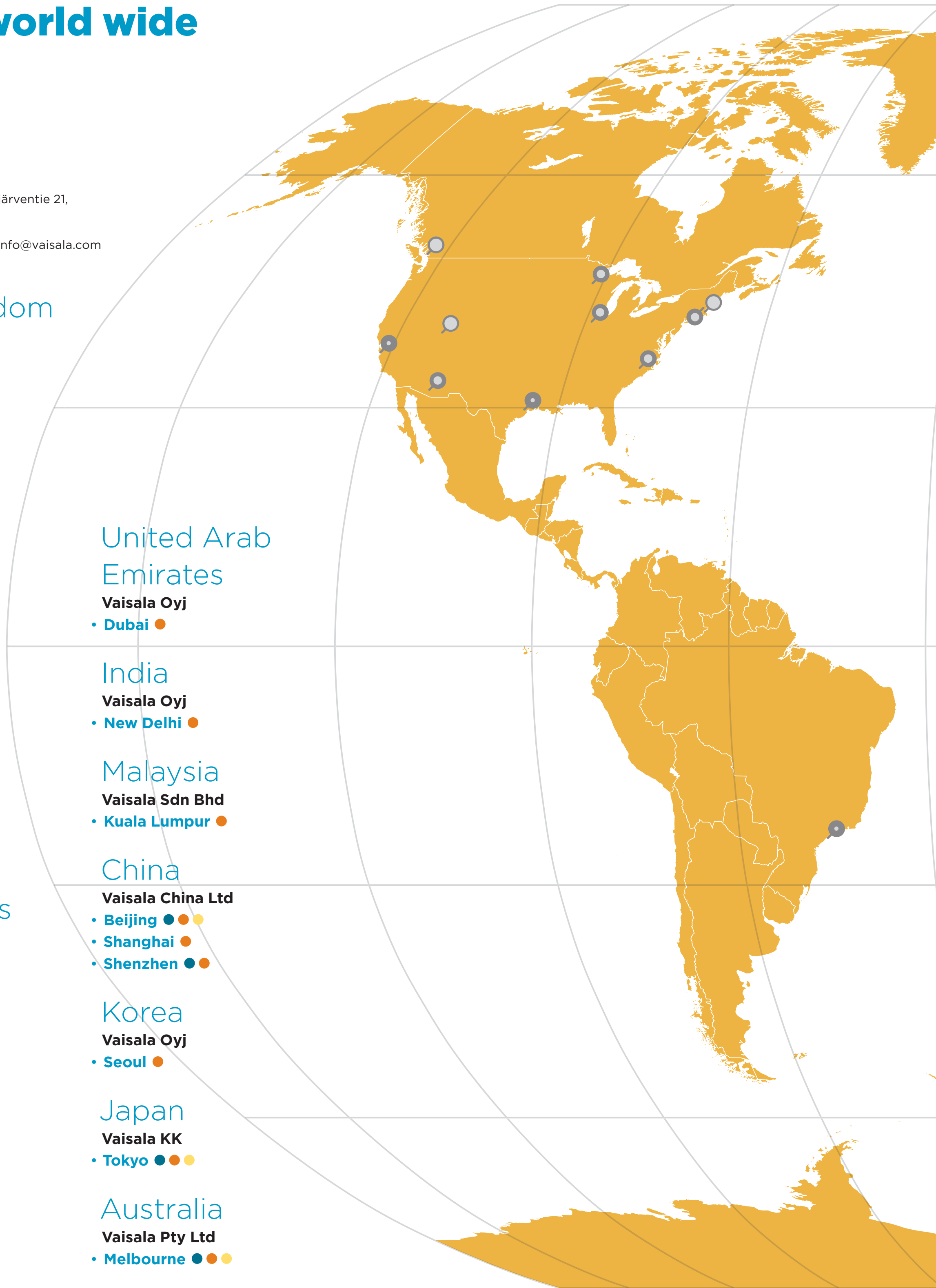
Releases and news

The stock exchange and press releases are available on the Vaisala website at **www.vaisala.com/news.** You can also subscribe to releases at **www.vaisala.com/subscribetoreleases.**

Vaisala Knowledge eNewsletter

Vaisala Knowledge eNewsletter introduces updates on environmental and industrial measurement topics. The different themes cover meteorology and hydrology, energy and water, life science, building automation, road solutions and industrial measurements. The enewsletter is published six times a year and can be subscribed at **www.vaisala.com/knowledge.**

Vaisala world wide



Finland
- **Head office**

Vaisala Oyj
P.O. Box 26, 00421 Helsinki
Street address: Vanha Nurmijärventie 21,
01670 Vantaa
Switchboard: +358 9 894 91
Corporate communications: info@vaisala.com
Business ID 0124416-2

United Kingdom
Vaisala Ltd
- **Birmingham**
- **Bury St Edmunds**

France
Vaisala SAS
- **Paris**
- **Lyon**

Sweden
Vaisala Oyj
- **Malmö**
- **Stockholm**

Germany
Vaisala GmbH
- **Hamburg**
- **Uhingen**
- **Bonn**

Canada
Vaisala Canada Inc.
- **Vancouver**

United States
Vaisala Inc.
- **Boston, MA**
- **Boulder, CO**

  Head Office, North America
- **Durham, NC**
- **Houston, TX**
- **Minneapolis, MN**
- **San Jose, CA**
- **St. Louis, MO**
- **Tucson, AZ**
- **Westford, MA**

Brazil
Vaisala Ltda
- **Rio de Janeiro**

United Arab Emirates
Vaisala Oyj
- **Dubai**

India
Vaisala Oyj
- **New Delhi**

Malaysia
Vaisala Sdn Bhd
- **Kuala Lumpur**

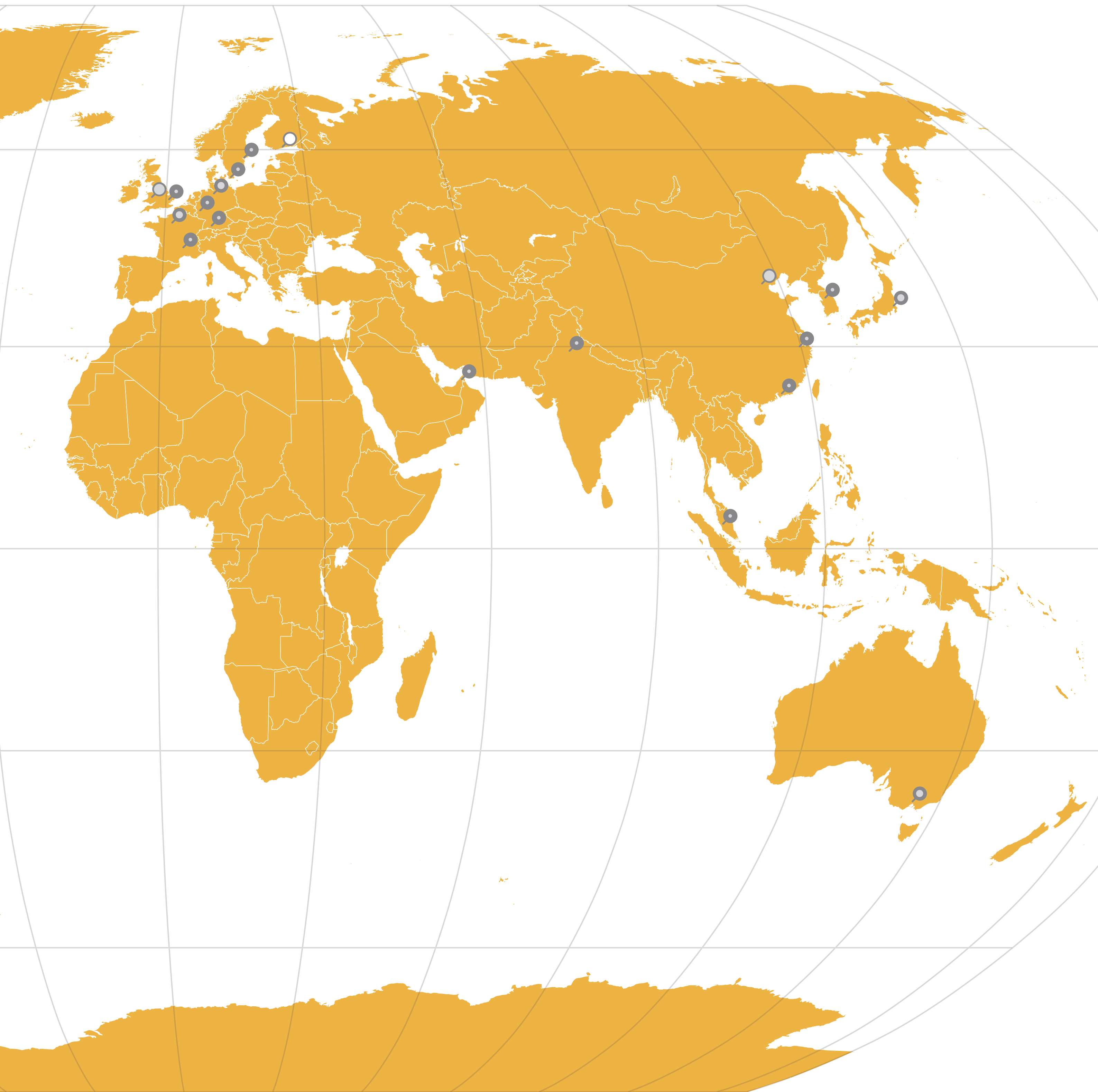
China
Vaisala China Ltd
- **Beijing**
- **Shanghai**
- **Shenzhen**

Korea
Vaisala Oyj
- **Seoul**

Japan
Vaisala KK
- **Tokyo**

Australia
Vaisala Pty Ltd
- **Melbourne**

Research and development | Production | Service | Sales | Administration



Offices contact details: **www.vaisala.com/en/contact/offices**

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