

PONSSE OYJ STOCK EXCHANGE RELEASE 13 FEBRUARY 2007, 8:30 a.m.

PONSSE'S FINANCIAL STATEMENTS FOR 2006

JANUARY - DECEMBER 2006

- Consolidated turnover: EUR 238.6 million (2005, EUR 226.1 million)
- Operating profit: EUR 29.6 million (2005, EUR 29.1 million)
- Operating profit accounted for 12.4% of turnover (2005, 12.8%)
- Earnings per share: EUR 0.75 (EUR 0.70)
- Board of Directors' proposal for the distribution of dividend: EUR 0.40 per share (2005, EUR 0.40, split adjusted)

OCTOBER - DECEMBER 2006

- Consolidated turnover: EUR 82.7 million (Q4/2005, EUR 67.8 million)
- Operating profit: EUR 10.2 million (Q4/2005, EUR 9.6 million)

Arto Tiitinen, President and CEO, states the following:

- During the year, Ponsse's business operations developed. Development occurred despite the fact that the worldwide market did not grow. We succeeded in increasing our market share both domestically and globally. Our order books began to rise in the last quarter, increasing by 22 per cent on the previous year.
- Market development was modest, but we maintained good profitability.
- During the course of the year, we continued the investment programme of our industrial operations and enhanced our response ability by setting up six strategic sales areas. We decided to focus on developing forest energy and small wood harvesting technology, and invited Hannu Airavaara to lead the operation.
- During the year, our ability to respond to market challenges and needs strengthened considerably.

TURNOVER

Ponsse's turnover for the accounting period amounted to EUR 238.6 million (EUR 226.1 million). The turnover was distributed in the business areas as follows: Nordic countries 52.2 per cent (53.6 per cent), the rest of Europe 36.2 per cent (31.4 per cent), North and South America 10.8 per cent (14.7 per cent), and other countries 0.8 per cent (0.3 per cent).

PROFIT PERFORMANCE

Ponsse recorded an operating profit of EUR 29.6 million (EUR 29.1 million) for the period, accounting for 12.4 per cent of turnover (12.8 per cent). Return on capital employed (ROCE) stood at 35.5 per cent (40.5 per cent).

Staff costs for the period totalled EUR 37.6 million (EUR 34.3 million), and other operating expenses were EUR 24.5 million (EUR 21.4 million). Net financial expenses were EUR -1.5 million (EUR -1.2 million). Income and expenses resulting from currency risk hedging were included in the financial items. Profit for the accounting period totalled EUR 21.0 million (EUR 19.6 million). Earnings per share were EUR 0.75 (EUR 0.70).



## BALANCE SHEET AND FINANCIAL POSITION

At the end of the accounting period, the consolidated balance sheet total amounted to EUR 125.0 million (EUR 108.3 million). The amount of current assets was EUR 58.6 million (EUR 45.2 million). Interest-bearing liabilities totalled EUR 30.9 million (EUR 24.4 million), of which current creditors amounted to EUR 8.5 million (EUR 5.4 million) and non-current creditors EUR 22.4 million (EUR 19.0 million). Net liabilities were EUR 21.9 million (EUR 11.7 million). Equity ratio stood at 49.1 per cent (47.6 per cent). Trade receivables totalled EUR 20.7 million (EUR 14.8 million). Cash in hand and at banks came to EUR 8.6 million (EUR 12.3 million).

The reported cash flow from business operations totalled EUR 6.8 million (EUR 18.4 million), while that from investing activities was EUR -5.2 million (EUR -11.1 million).

## ORDER INTAKE AND ORDER BOOKS

The order intake for the period totalled EUR 242.9 million (EUR 236.9 million), while period-end order books were valued at EUR 59.2 million (EUR 54.9 million). The order intake for the last quarter totalled EUR 90.9 million (Q4/2005, EUR 74.6 million). The order books included dealers' minimum purchase commitments, based on previous practice.

## DEALER CHANNELS

In October, Ponsse unveiled a new, worldwide sales and maintenance service network. Comprising six strategic areas, the organisation's tasks include reacting quickly to changes in markets and customer needs, development of the distribution network and the creation of the prerequisites for increasing sales. Each area is responsible for customer and organisation training in co-operation with the Ponsse Academy.

In November, the company signed a distributor agreement with Babcock Africa (PTY) Ltd. The agreement deals with the retail and support of Ponsse's forest machinery, harvester heads and information systems in the Republic of South Africa.

## CAPITAL EXPENDITURE AND R&D

Capital expenditure totalled EUR 5.3 million (EUR 11.2 million).

R&D expenses totalled EUR 4.0 million (EUR 3.7 million). The amount of activated R&D expenses during the period was EUR 808 thousand (EUR 461 thousand).

## PERSONNEL

The Group had an average staff of 795 (729) during the period and employed 795 people at the period-end (770).

## SHARE PERFORMANCE

The trading volume of Ponsse Oyj shares for 1 January - 31 December 2006 totalled 3,576,975, accounting for 12.8 per cent of the total number of shares. Share turnover came to EUR 44.7 million, with the period's lowest and highest share price amounting to EUR 10.89 and EUR 15.00, respectively.

At the end of the period, the share closed at EUR 13.00 and the market capitalisation totalled EUR 364.0 million.

#### SHAREHOLDERS

At year-end 2006, Ponsse Oyj had 4,305 shareholders (3,535 on 31 December 2005). The number of shareholders was increased by 21.8 per cent during the year. 1,012,074 shares were nominee-registered (3.6 per cent of the total), and 27,608 shares (0.10 per cent of the total) were under foreign ownership.

During the accounting period, there were no disclosures pursuant to Chapter 2, Section 9 of the Securities Market Act concerning the portion of any person's holdings reaching or exceeding or falling below the limit prescribed by law.

#### GOVERNANCE

The company adheres to the insider regulations approved by the OMX Nordic Exchange Board of Directors and the guidelines on listed companies' governance and control systems (Corporate Governance). The governance principles are available from Ponsse's web site, in the Investors section.

#### RISK MANAGEMENT

The Group's risk management policy seeks to maintain and further develop a practical and comprehensive system for the management and reporting of risks. This entails systematic risk assessment for each function and unit, integrating risk management into the business processes, constant quality development and disseminating information on best practices.

Internal supervision constitutes an essential part of risk management. The Board of Directors is responsible for the organisation of operations and their adequacy, whilst the President and CEO are responsible for the implementation of supervision in practice. Methods of internal supervision include internal guidelines, reporting and various technical systems related to activities. An internal auditor is responsible for the company's internal supervision in practice, and he reports to the Board of Directors.

#### BUSINESS UNCERTAINTIES

General economic fluctuations affect Ponsse's product demand and its economic position. The effect is balanced by the fact that the company's business operations are spread out in several geographical areas.

With regard to Ponsse's operations, risks dealing with raw materials and the subcontractor & supplier network are fundamental. In 2005, in order to control risks, the company started a supplier network development program implemented by a full-time project manager. One part of the program is to place strategically important suppliers in the immediate vicinity of Ponsse's Vieremä factory. Component-related risks are also controlled by manufacturing a large number of key components in Ponsse Group's own production facilities. Raw material and component suppliers' possible delivery problems may increase the prices of raw materials used in Ponsse products and lengthen their delivery times. Ponsse has strengthened the control of these risks by adjusting the conditions of its supplier agreements and by extending their periods of validity.

Ponsse Group's financing risk management controls liquidity, interest and currency risks and secures credit capital's conditional financing availability by competitive conditions.

## FUTURE PROSPECTS

According to the company's estimate, wood and paper demand will develop favourably. Approximately 50 million cubic metres of trees was toppled in the European storms in January, which has already had an effect on the order flow of new and used machinery.

World economy prospects are favourable. It is estimated that demand for environmentally friendly cut-to-length machinery will continue to grow globally. Also maintenance service operations are estimated to grow along with machine base growth.

Investments and successful new customer acquisitions implemented by the technology company Epec Oy will enable the company's profitable growth.

In the autumn 2006, the company introduced a new harvester and a forwarder, which belong to the heavy duty category of the product line. The machines have been very well received in the market. Their serial production will start in spring 2007. The new products expand the product range and improve competitiveness.

The near future prospects of the company are supported by order books, which are valued higher than in 2005. This was achieved despite the fact that production capacity grew during the year. During the accounting period, the company implemented productional development measures, and measures targeting the distribution network and the organisation. The measures are believed to strengthen business operations during the present accounting period.

The company believes that its business operations' profitable growth will continue in the near future.

## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the company's registered office at Ponsentie 22, 74200 Vieremä, on 12 April 2007, commencing at 10:00 a.m.

## BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFIT

Ponsse Oyj's Board of Directors will recommend to the Annual General Meeting on 12 April 2007 that a dividend of EUR 0.40 per share be paid for 2006.

PONSSE GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1,000)

	IFRS	IFRS	IFRS	IFRS
	10-12/06	10-12/05	1-12/06	1-12/05
TURNOVER	82,671	67,824	238,642	226,095
Increase (+)/decrease (-) in stocks of finished goods and work in progress	-4,360	-4,408	5,774	730
Other operating income	1,029	309	2,132	1,326
Raw materials and services	-50,051	-36,260	-150,621	-139,304
Expenditure on employment related benefits	-10,329	-9,736	-37,612	-34,317
Depreciation	-1,043	-1,474	-4,256	-4,041
Other operating expenses	-7,679	-6,704	-24,469	-21,437
OPERATING PROFIT	10,239	9,552	29,590	29,051
Share of the results of associated companies	170	144	441	285
Financial income and expenses	-258	-674	-1,525	-1,225
PROFIT BEFORE TAXES	10,149	9,023	28,505	28,111
Income tax	-1,771	-3,090	-7,463	-8,480
Minority interest	0	164	0	0
PROFIT FOR THE PERIOD	8,378	6,096	21,042	19,629

In the financial statements for 2005, Ponsse Group changed the accounting policy concerning the purchase of used machines in connection with the sale of new machines. In accordance with the general IFRS principles (Chapter 35), the value adjustment made at the time of purchase of used machinery has been interpreted as actually being a discount on the sales price of new machinery and, therefore, the change in value has been accounted for as an adjustment item in the consolidated turnover. Until the end of Q3/2005, this type of change in value was presented under the item 'Materials and services'. Comparison data for 2005 has been adjusted accordingly. Actual changes in the value of used machinery that has been made after the time of sale will be handled as a write-down of inventory value in the same manner as previously.

CONSOLIDATED BALANCE SHEET (EUR 1,000)

	IFRS 31.12.06	IFRS 31.12.05
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	3,605	2,652
Goodwill	3,791	3,773
Property, plant and equipment	24,308	24,270
Financial assets	39	35
Holdings in associated companies	1,328	1,013
Non-current receivables	165	103
Deferred tax assets	972	537
TOTAL NON-CURRENT ASSETS	34,206	32,383
CURRENT ASSETS		
Stocks	58,615	45,161
Trade receivables	20,715	14,782
Income tax receivable	349	0
Other current receivables	2,568	3,594
Liquid assets	8,564	12,341
TOTAL CURRENT ASSETS	90,811	75,879
TOTAL ASSETS	125,017	108,262
CAPITAL AND RESERVES, AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	7,000	7,000
Other reserves	20	19
Translation differences	-750	-442
Retained earnings	54,888	44,811
CAPITAL AND RESERVES OWNED BY PARENT COMPANY SHAREHOLDERS	61,157	51,389
Minority interest	0	0
TOTAL CAPITAL AND RESERVES	61,157	51,389
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	22,408	18,953
Deferred tax liabilities	869	1,142
Other non-current liabilities	74	359
TOTAL NON-CURRENT LIABILITIES	23,351	20,453
CURRENT LIABILITIES		
Interest-bearing liabilities	8,487	5,444
Provisions	3,517	6,324
Tax liabilities for the period	230	1,216
Trade creditors and other current liabilities	28,275	23,436
TOTAL CURRENT LIABILITIES	40,509	36,420
TOTAL CAPITAL AND RESERVES, AND LIABILITIES	125,017	108,262

CONSOLIDATED CASH FLOW STATEMENT (EUR 1,000)

	IFRS 1-12/'06	IFRS 1-12/'05
<b>BUSINESS OPERATIONS:</b>		
Profit for the period	21,042	19,629
Adjustments:		
Financial income and expenses	1,525	1,225
Share of the result of associated companies	-441	-285
Depreciation	4,256	4,041
Income tax	7,866	8,458
Other adjustments	-424	278
Cash flow before change in working capital	33,824	33,346
Change in working capital:		
Change in current non-interest-bearing receivables	-4,551	1,501
Change in stocks	-13,454	-9,052
Change in current non-interest-bearing creditors	4,542	1,279
Change in provisions for liabilities and charges	-2,807	2,171
Interest received	269	277
Interest paid	-1,273	-932
Other financial items	-527	-656
Income taxes paid	-9,201	-9,517
NET CASH FLOW FROM BUSINESS OPERATIONS (A)	6,822	18,417
<b>INVESTMENTS</b>		
Investment in tangible and intangible assets	-5,318	-11,209
Investment in other assets	-2	-11
Dividends received	126	101
CASH OUTFLOW FROM INVESTING ACTIVITIES (B)	-5,194	-11,119
<b>FINANCING</b>		
Withdrawal/Repayment of current loans	2,729	-2,677
Change in current interest-bearing liabilities	-356	0
Withdrawal/Repayment of non-current loans	3,170	-4,961
Payment of finance lease liabilities	313	-231
Change in non-current receivables	-61	4
Paid dividends	-11,200	-2,800
NET CASH OUTFLOW FROM FINANCING (C)	-5,405	-10,665
Change in liquid assets (A+B+C)	-3,777	-3,367
Liquid assets 1 Jan.	12,339	15,706
Liquid assets 31 Dec.	8,562	12,339

RECONCILIATION OF CAPITAL AND RESERVES (EUR 1,000)

A = Share Capital  
 B = Share premium and other reserves  
 C = Translation differences  
 D = Retained earnings  
 E = Minority interest  
 F = Total capital and reserves

	CAPITAL AND RESERVES OWNED BY PARENT COMPANY SHAREHOLDERS					
	A	B	C	D	E	F
CAPITAL AND RESERVES 1 JAN 2005	7,000	20	-838	28,425	419	35,025
Translation differences	0	0	396	-443	0	-47
NET INCOME RECOGNISED DIRECTLY IN CAPITAL AND RESERVES	0	0	396	-443	0	-47
Net profit for the period	0	0	0	19,629	-419	19,210
TOTAL RECOGNISED INCOME AND EXPENSES	0	0	396	19,186	-419	19,163
Dividend distribution	0	0	0	-2,800	0	-2,800
CAPITAL AND RESERVES 31 DEC 2005	7,000	20	-442	44,811	0	51,389
CAPITAL AND RESERVES 1 JAN 2006	7,000	20	-442	44,811	0	51,389
Translation differences	0	0	-308	234	0	-74
NET INCOME RECOGNISED DIRECTLY IN CAPITAL AND RESERVES	0	0	-308	234	0	-74
Net profit for the period	0	0	0	21,042	0	21,042
TOTAL RECOGNISED INCOME AND EXPENSES	0	0	-308	21,276	0	20,968
Dividend distribution	0	0	0	-11,200	0	-11,200
CAPITAL AND RESERVES 31 DEC 2006	7,000	20	-750	54,887	0	61,157

SEGMENT INFORMATION (EUR 1,000)

GEOGRAPHIC SEGMENTS

	1-12/'06	1-12/'05
TURNOVER		
Nordic countries	156,180	154,017
Rest of Europe	87,503	71,758
North and South America	25,562	33,775
Elimination	-33,294	-34,697
Unallocated	2,691	1,242
TOTAL	238,642	226,095
OPERATING PROFIT		
Nordic countries	14,406	18,825
Rest of Europe	13,822	10,761
North and South America	902	2,027
Unallocated	460	-2,562
TOTAL	29,590	29,051

PLEDGES GIVEN, CONTINGENT AND OTHER LIABILITIES (EUR 1,000)	31.12.06	31.12.05
1. FOR OWN DEBT		
Debts for which mortgages have been pledged as collateral		
Loans from financial institutions	0	0
Mortgages given on land and buildings	0	101
Chattel mortgages given	0	336
MORTGAGES GIVEN AS PLEDGES, TOTAL	0	437
2. LEASING COMMITMENTS (EUR 1,000)	2,442	1,996
3. CONTINGENT LIABILITIES ON BEHALF OF GROUP COMPANIES (EUR 1,000)		
Guarantees given on behalf of Group companies	797	884
4. LIABILITIES BASED ON DERIVATIVE CONTRACTS (EUR 1,000)		
4.1 Nominal values		
Interest rate derivatives		
Interest rate swap agreements	4,500	0
Currency derivatives		
Forward contracts	21,189	14,690
4.2 Market values		
Interest rate derivatives		
Interest rate swap agreements	15	0
Currency derivatives		
Forward contracts	219	-70
5. OTHER CONTINGENT LIABILITIES (EUR 1,000)		
Guarantees given on others' behalf	1,648	1,289
Repurchase commitments	2,164	7,163
Other liabilities	0	0
Total	3,812	8,452
KEY FIGURES AND RATIOS	31.12.06	31.12.05
R&D expenditure, MEUR	4.0	3.7
Capital expenditure, MEUR	5.3	11.2
% of turnover	2.2	5.0
Average number of staff	795	729
Order books, MEUR	59.2	54.9
Equity ratio, %	49.1	47.6
Earnings per share, EUR	0.75	0.70
Equity per share, EUR	2.18	1.84

The per share indicators have taken into account the split (1:2) of the number of shares listed in the Trade Register on 28 March 2006.

Income taxes based on profit for the period are included in the Profit and Loss Account and earnings per share.

ORDER INTAKE, MEUR	1-12/'06	1-12/'05
Ponsse Group	242.9	236.9

Ponsse Group has applied International Financial Reporting Standards (IFRS) to its financial reporting as of 1 January 2005. The first IFRS-compliant annual financial statement was drawn up for the accounting period 2005. Prior to the adoption of IFRS, Ponsse Oyj's consolidated financial statements were prepared according to Finnish Accounting Standards (FAS). The comparison figures are Ponsse's figures presented in the adjusted financial statements for the

corresponding period in 2005. The preparation of the financial statement has adhered to standards valid at the end of the period under review.

The above figures have not been audited.

The above figures have been rounded and may therefore differ from those given in the official financial statements.

Vieremä, 13 February 2007

Arto Tiitinen  
President and CEO

FOR FURTHER INFORMATION, PLEASE CONTACT:

Arto Tiitinen, President and CEO, tel. +358 (0)20 768 4621 or +358 (0)400 566  
875  
Mikko Paananen, CFO, tel. +358 (0)20 768 8648 or +358 (0)400 817 036

DISTRIBUTION

Helsinki Stock Exchange  
Principal media  
[www.ponsse.com](http://www.ponsse.com)