PONSSE PLC STOCK EXCHANGE RELEASE 27 OCTOBER AT 9:00 A.M.

PONSSE'S INTERIM REPORT FOR 1 JANUARY – 30 SEPTEMBER 2009

- Net sales were EUR 98.9 million (Q1–Q3/2008 EUR 216.2 million).

- Q3 net sales were EUR 28.9 million (Q3/2008 EUR 54.8 million).

- Operating result was EUR -15.0 million (Q1-Q3/2008 EUR 17.8 million), equalling -15.2 (8.2) per cent of net sales.

- Q3 operating result was EUR -2.4 million (Q3/2008 EUR 0.1 million).

- Result before taxes was EUR -15.4 million (Q1-Q3/2008 EUR 15.8 million).

- Cash flow from business operations was positive, EUR 4.4 million (Q1-Q3/2008 EUR -21.1 million).

- Earnings per share were EUR -0.62 (Q1-Q3/2008 EUR 0.38).

- Equity ratio was 46.0 (39.4) per cent.

- Order books stood at EUR 22.5 (61.0) million.

PRESIDENT AND CEO JUHO NUMMELA:

The demand for forest machines continued to be weak during the third quarter, albeit there were positive signs in all market areas. The problems with the availability of customer financing hampered the sales of new and second-hand machines worldwide.

The company's net sales decreased by 47% during the last quarter from the comparison period, and by 54% during the first three quarters. The net sales of maintenance service business continued to develop favourably during the period under review.

The company’s profitability has continued to improve in spite of the weakening net sales. The company made an operating loss during the third quarter, but the result was better compared to the second quarter. During the third quarter, the operating costs were 38% lower than in the comparable period.

Cash flow from business operations developed favourably as a result of decreasing inventories. Inventories were 28% lower than in the comparable period. Cash flow from business operations during the period under review was positive by EUR 4.4 million.

Temporary lay-offs continued throughout the entire organisation. Order intake has developed moderately, and the capacity utilisation rate has been low during the period under review. The new eight-wheeled harvesters launched in the spring constitute a significant part of the order book.

NET SALES

Consolidated net sales amounted to EUR 98.9 (216.2) million, which is 54 per cent less than in the comparable period. International business operations accounted for 70.6 (66.2) per cent of total net sales.

Net sales were accumulated per region as follows: Nordic countries 49.2 (50.6) per cent, the rest of Europe 28.1 (35.5) per cent, North and South America 19.7 (11.2) per cent, and other countries 3.0 (2.7) per cent.

PROFIT PERFORMANCE

Operating result was EUR -15.0 (17.8) million. Operating result equalled -15.2 (8.2) per cent of net sales in the period under review. Return on capital employed (ROCE) stood at -13.6 (19.1) per cent.

Staff costs for the period under review totalled EUR 23.7 (35.9) million, and other operating expenses EUR 15.8 (23.8) million. The staff costs include EUR 1.5 million of non-recurring dismissal expenses. Nearly all the expenses connected with personnel cuts have been recognised during the period under review. The net total of financial income and expenses was EUR -0.3 (-2.1) million. The exchange rate gains and losses due to currency rate fluctuations were recognised under financial items. Result for the period totalled EUR -17.4 (10.7) million. Diluted and undiluted earnings per share (EPS) were EUR -0.62 (0.38). The company does not have any items that could have a dilutive effect on the earnings per share.

BALANCE SHEET AND FINANCIAL POSITION

At the end of the period under review, the consolidated balance sheet total amounted to EUR 148.0 (187.0) million. Inventories stood at EUR 73.8 (102.1) million. Trade receivables totalled EUR 18.9 (28.9) million and liquid assets stood at EUR 10.3 (4.4) million. Group equity stood at EUR 67.8 (73.3) million and parent company equity at EUR 51.2 (69.2) million. The equity includes a hybrid loan of EUR 19 million issued on 31 March 2009. The interest paid for the hybrid loan, EUR 1.1 million, was entered as a reduction of Group equity. The amount of interest-bearing liabilities was EUR 54.2 (67.2) million. Of the company's credit limits, 20% are being used. The parent company's net receivables from other Group companies stood at EUR 55.3 (65.7) million. The parent company's receivables from subsidiaries mainly consist of trade receivables that were measured at their respective book values. During the early part of the year, the parent company has recorded probable credit losses amounting to EUR 6.2 million due to receivables from Group companies (in 2008, a total of EUR 6 million). Consolidated net liabilities totalled EUR 43.2 (61.9) million, and the debt-equity ratio (gearing) was 79.9 (91.8) per cent. The equity ratio stood at 46.0 (39.4) per cent at the end of the period under review.

Cash flow from business operations amounted to EUR 4.4 (-21.1) million. Cash flow from investing activities amounted to EUR -1.0 (-6.4) million. The release of working capital and enhancement of cash flow are among the key elements of the business enhancement programme in progress at Ponsse Group.

ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 92.7 (167.2) million, while the period-end order books totalled EUR 22.5 (61.0) million. The order books included the dealers’ minimum purchase commitments, based on previous practice.

DISTRIBUTION NETWORK

No changes took place in the Group structure during the period under review.

The subsidiaries included in the Ponsse Group are Epec Oy, Finland; OOO Ponsse, Russia; Ponsse AB, Sweden; Ponsse AS, Norway; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China; Ponsse Latin America Ltda, Brazil; Ponsse North America, Inc., United States of America; Ponssé S.A.S., France; Ponsse UK Ltd, Great Britain; and Ponsse Uruguay S.A., Uruguay. Sunit Oy in Kajaani, Finland, is an affiliated company in which Ponsse Plc has a holding of 34 per cent.

R&D AND CAPITAL EXPENDITURE

The Group’s R&D expenses totalled EUR 3.5 million (EUR 5.2 million) during the period under review. The amount of capitalised R&D expenses during the period was EUR 726,000 (EUR 906,000).

Capital expenditure totalled EUR 1.0 million (EUR 6.5 million). It mainly consisted of normal maintenance and replacement investments in plant and machinery.

MANAGEMENT

Petri Härkönen, M.Sc (Tech.), was appointed CFO of the company during the period under review. Härkönen started work in his new position on 1.10.2009.

PERSONNEL

The Group had an average staff of 882 (1,048) during the period and employed 802 (1,065) people at period-end.

SHARE PERFORMANCE

The trading volume of Ponsse Plc shares for 1 January - 30 September 2009 totalled 4,184,631, accounting for 14.9 per cent of the total number of shares. Share turnover amounted to EUR 16.5 million, and the period’s lowest and highest share prices were EUR 2.99 and EUR 6.10, respectively.

At the end of the period, the share price stood at EUR 5.56 and market capitalisation was EUR 155.7 million.

At the end of the reporting period, the company had 47,900 treasury shares in its possession.

GOVERNANCE

The company’s Board of Directors has confirmed that the company will observe a new code of governance that entered into force on 1 January 2009. The code is based on the recommendation approved by the Securities Market Association in October 2008, entitled ”Suomen listayhtiöiden hallinnointikoodi (Corporate Governance)”.

The new code of governance can be viewed on Ponsse’s website in the Investors section.

SHORT-TERM RISKS AND THEIR MANAGEMENT

The economic uncertainty is strongly reflected in the company’s business. The predictability of business is fundamentally lower than in normal circumstances. Estimates regarding improvements in the economic situation are uncertain.

The possible dragging on of the recession will increase the risks associated with the functionality of the subcontractor and supplier network. Ponsse aims to manage these risks through partnership cooperation. The financial standing of suppliers is monitored more intensely than normal. The company has also started the process of screening alternative suppliers. As part of its risk management efforts related to the availability of certain key components, the company has chosen to manufacture these components in-house.

The decreased production and invoicing volumes increase the risk regarding business profitability in the Group’s different business units. A Group-level adjustment programme has been initiated in order to stabilise the situation. It involves adjusting operating expenses for the weaker demand. Should the markets further deteriorate from the current exceptionally poor state, further intensification and extension of the adjustment and efficiency measures will have to be considered. The parent company will monitor the changes in asset values of Group receivables and the associated risk of impairment. A tax inspection is in progress at the parent company.

The developments in maintenance services and spare part sales have a causal link with the utilisation rates of machines. The general economic situation may lead to lower harvesting volumes and utilisation rates.

The sales of information systems and control systems are closely linked to economic developments and to the global demand for heavy forest machinery. The markets are being intensively monitored with a view to adjusting operating expenses to demand when required.

The economic turbulence has increased currency rate fluctuations and borrowing costs. The key objectives of the company’s financing risk management include controlling liquidity, interest and currency risks. Ponsse has ensured its liquidity by means of credit limit agreements with a number of financial institutions. The company has issued covenants as security for its financial liabilities. In order to minimise the impact of any adverse changes in interest rates the company uses interest rate swaps and credits tied to different reference rates. Derivative contracts are used to decrease the negative effect of changes in exchange rates. The financial unrest increases the uncertainties related to sales receivables. The terms and conditions of sales against invoice and receivables monitoring have been reviewed.

Any changes in the tax and customs legislation in countries where Ponsse exports may pose further challenges to its export trade.

OUTLOOK FOR THE FUTURE

In spite of the moderate upturn in the markets, predictability remains challenging as a result of the uncertain economic situation.

Temporary lay-offs will continue throughout the entire organisation as capacity is being adapted to the prevailing demand. In spite of the situation, investments in product development, sales and maintenance services will continue. Factory capacity will be underutilised.

The developments in net sales of maintenance services and the sales of new machines are expected to have a positive impact on the financial results of the last quarter. The preparedness of customers to make investments will depend on the demand for wood picking up, the workload situation becoming less ambiguous and the availability of financing improving in all market areas. The net sales of maintenance services will continue its positive trend.

Net sales for 2009 will be lower than the year before, resulting in an operating loss.

PONSSE GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1,000)

	IFRS 1-9/09	IFRS 1-9/08	IFRS 1-12/08
NET SALES	98,921	216,220	293,015
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-4,605	18,222	7,885
Other operating income	937	1,458	2,608
Raw materials and services	-66,869	-154,638	-203,082
Expenditure on employment-related benefits	-23,684	-35,943	-48,175
Depreciation and amortisation	-3,951	-3,700	-5,037
Other operating expenses	-15,777	-23,843	-33,586
OPERATING RESULT	-15,027	17,778	13,628
Share of results of associated companies	-65	51	,91
Financial income and expenses	-315	-2,078	-7,462
RESULT BEFORE TAXES	-15,407	15,750	6,258
Income taxes	-1,945	-5,071	-1,907
NET RESULT FOR THE PERIOD	-17,352	10,680	4,351
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE INCOME:			
Translation differences associated with a foreign unit	450	679	871
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-16,902	11,359	5,222
Diluted and undiluted earnings per share	-0.62	0.38	0.16

	IFRS 7-9/09	IFRS 7-9/08
NET SALES	28,903	54,773
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-961	8,679
Other operating income	31	502
Raw materials and services	-18,173	-44,099
Expenditure on employment-related benefits	-5,968	-10,341
Depreciation and amortisation	-1,319	-1,290
Other operating expenses	-4,879	-8,130
OPERATING RESULT	-2,365	96
Share of results of associated companies	19	-44
Financial income and expenses	-408	-1,130
RESULT BEFORE TAXES	-2,754	-1,078
Income taxes	-150	-619
NET RESULT FOR THE PERIOD	-2,904	-1,697
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE INCOME:		
Translation differences associated with a foreign unit	1,104	79
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-1,800	1,618

Diluted and undiluted earnings per share	-0.10	-0.06

CONSOLIDATED BALANCE SHEET (EUR 1,000)

	IFRS	IFRS	IFRS
ASSETS	30.9.09	30.9.08	31.12.08
NON-CURRENT ASSETS			
Intangible assets	6,241	5,097	6,123
Goodwill	3,447	3,696	3,683
Property, plant and equipment	24,748	27,887	27,558
Financial assets	110	110	109
Holdings in associated companies	1,654	1,849	1,889
Non-current receivables	2,083	409	1,820
Deferred tax assets	1,104	2,939	3,121
TOTAL NON-CURRENT ASSETS	39,388	41,988	44,303
CURRENT ASSETS			
Inventories	73,831	102,124	88,308
Trade receivables	18,907	28,913	22,155
Income tax receivables	992	1,160	5,023
Other current receivables	4,641	8,471	6,916
Liquid assets	10,270	4,384	8,095
TOTAL CURRENT ASSETS	108,641	145,052	130,497
TOTAL ASSETS	148,029	187,040	174,800
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7,000	7,000	7,000
Other reserves	18,555	-645	-646
Translation differences	-987	-974	-1,725
Retained earnings	43,243	67,869	62,484
EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS	67,812	73,250	67,113
Minority interest	0	0	0
TOTAL EQUITY	67,812	73,250	67,113
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	36,338	34,706	26,140
Deferred tax liabilities	492	722	556
Other non-current liabilities	761	30	861
TOTAL NON-CURRENT LIABILITIES	37,591	35,458	27,556
CURRENT LIABILITIES			
Interest-bearing liabilities	17,822	32,544	46,769
Provisions	5,531	5,296	6,058
Tax liabilities for the period	42	860	76
Trade creditors and other current liabilities	19,231	39,633	27,228
TOTAL CURRENT LIABILITIES	42,626	78,332	80,131
TOTAL EQUITY AND LIABILITIES	148,029	187,040	174,800

CONSOLIDATED CASH FLOW STATEMENT (EUR 1,000)

	IFRS 1-9/09	IFRS 1-9/08	IFRS 1-12/08
BUSINESS OPERATIONS:			
Net result for the period	-17,352	10,680	4,351
Adjustments:			
Financial income and expenses	315	2,078	7,462
Share of the results of associated companies	65	-51	-91
Depreciation and amortisation	3,951	3,700	5,037
Income taxes	245	6,271	2,378
Other adjustments	2,363	-1,686	-1,827
Cash flow before change in working capital	-10 412	20,991	17,308
Change in working capital:			
Change in current non-interest-bearing receivables	5,452	-904	7,086
Change in inventories	14,477	-36,489	-22,673
Change in current non-interest-bearing liabilities	-8,040	2,746	-9,718
Change in provisions for liabilities and charges	-527	955	1,717
Interest received	76	113	281
Interest paid	-1,558	-1,596	-2,450
Other financial items	1,183	-327	-4,966
Income taxes paid	3,752	-6,601	-7,355
NET CASH FLOW FROM BUSINESS OPERATIONS (A)	4,403	-21,114	-20,770
INVESTMENTS			
Investments in tangible and intangible assets	-1,044	-6,475	-8,509
Investments in other assets	0	27	27
Repayment of loan receivables	0	0	0
Dividends received	0	0	0
CASH OUTFLOW FROM INVESTMENT ACTIVITIES (B)	-1,044	-6,448	-8,481
FINANCING			
Hybrid loan	19,000	0	0
Interest paid, hybrid loan	-1,143	0	0
Withdrawal/repayment of current loans	-28,502	15,743	29,422
Change in current interest-bearing receivables	71	-13	309
Withdrawal/repayment of non-current loans	10,099	17,988	10,253
Payment of finance lease liabilities	-445	-424	122
Change in non-current receivables	-263	-6	-1,417
Dividends paid	0	-13,976	-13,976
NET CASH OUTFLOW FROM FINANCING (C)	-1,183	19,312	24,713
Change in liquid assets (A+B+C)	2,176	-8,249	-4,538
Liquid assets on 1 Jan	8,095	12,633	12,633
Liquid assets on 30 Sept / 31 Dec	10,270	4,384	8,095

RECONCILIATION OF CHANGES IN EQUITY (EUR 1,000)

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

	EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS					
	A	B	C	D	E	F
EQUITY 1 JAN 2009	7,000	20	-72	-665	60,830	67,113
Direct posting to retained earnings *)					-1,409	-1,409
Dividend distribution						
Purchase of the company's own shares						
Other changes		19,010				19,010
Total comprehensive income for the period			450		-17,352	-16,902
EQUITY 30 SEPT 2009	7,000	19,030	378	-665	42,069	67,812

*) Consists of interest and other charges paid for the hybrid loan classified as equity.

	A	B	C	D	E	F
EQUITY 1 JAN 2008	7,000	20	-943	0	70,455	76,532
Direct posting to retained earnings *)						
Dividend distribution					-13,976	-13,976
Purchase of the company's own shares				-665		-665
Other changes						
Total comprehensive income for the period			600		10,680	11,359
EQUITY 30 SEPT 2008	7,000	20	-264	-665	67,159	73,250

	30.9.09	30.9.08	31.12.08
1. LEASING COMMITMENTS (EUR 1,000)	8,468	5,453	5,903

2. CONTINGENT LIABILITIES (EUR 1,000)	30.9.09	30.9.08	31.12.08
Guarantees given on behalf of others	1,009	1,349	1,090
Repurchase commitments	4,602	4,604	4,049
Other commitments	1,969	574	1,443
TOTAL	7,580	6,527	6,582

3. PROVISIONS (EUR 1,000)	Guarantee provision
1.1.2009	6,058
Increase	723
Used provisions	-1,250
30.9.2009	5,531

KEY FIGURES AND RATIOS	30.9.09	30.9.08	31.12.08
R&D expenditure, MEUR	3.5	5.2	7.6
Capital expenditure, MEUR	1.0	6.4	8.5
as % of turnover	1.0	3.0	2.9
Average number of employees	882	1 048	1 044

Order books, MEUR	22.5	61.0	41.5
Equity ratio, %	46.0	39.4	38.4
Diluted and undiluted earnings per share, EUR	-0.62	0.38	0.16
Equity per share, EUR	2.42	2.62	2.40

FORMULAE FOR FINANCIAL INDICATORS

Average number of employees:

Average of the number of personnel at the end of each month. The calculation has been adjusted for part-time employees.

Equity ratio, %:

$$\frac{\text{Equity + minority interest}}{\text{Balance sheet total - advance payments received}} * 100$$

Earnings per share:

$$\frac{\text{Earnings before taxes – taxes (incl. change in deferred taxes) -/+ minority interest}}{\text{Average number of shares during the accounting period, adjusted for share issues}}$$

Equity per share:

$$\frac{\text{Capital and reserves}}{\text{Number of shares on the balance sheet date, adjusted for share issues}}$$

ORDER INTAKE, MEUR	1-9/09	1-9/08	1-12/08
Ponsse Group	92.7	167.2	224.4

The interim report has been prepared in accordance with the IFRS recognition and measurement principles; however, it does not comply with all of the requirements of IAS 34. From 1.1.2009, the group has applied the following new and revised standards: IFRS 8, Operating Segments, and IAS 1, Presentation of Financial Statements. The amendment of IFRS 8 will not materially change the information shown in these segments because the Group’s earlier segment-based reporting was based on the Group’s internal reporting structures. The amendment of IAS 1 will have an impact on the presentation method of the profit and loss account and the changes in equity.

The accounting policies for the interim report are compatible with those for the financial statements prepared on 31 December 2008.

The above figures have not been audited.

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

This communication includes future-oriented statements that are based on the assumptions currently known by the company management and its current decisions and plans. Although the management believes that the future expectations are well founded, there is no certainty that said expectations will prove to be correct. This is why the results may significantly deviate from the assumptions included in the future-oriented statements as a result of, among other things, changes in the economy, markets, competitive conditions, legislation or currency exchange rates.

Vieremä, 27 October 2009

PONSSE PLC

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FURTHER INFORMATION
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