

PONSSE OYJ STOCK EXCHANGE RELEASE 19 OCTOBER 2005, 9.00 a.m.

PONSSE'S IFRS-COMPLIANT INTERIM REPORT FOR 1 JANUARY-30 SEPTEMBER 2005

- Consolidated turnover: EUR 166.8 million (Q1-Q3/2004: EUR 130.7 million)
- Q3 consolidated turnover: EUR 47.9 million (Q3/2004: EUR 41.0 million)
- Exports and foreign business operations accounted for 64.1% of turnover (Q1-Q3/2004: 60.9%)
- Operating profit: EUR 19.5 million (Q1-Q3/2004: EUR 13.2 million)
- Operating profit accounted for 11.7% of turnover (Q1-Q3/2004: 10.1%)
- Q3 operating profit: EUR 6.0 million (Q3/2004: EUR 4.6 million)
- Pre-tax profit: EUR 19.1 million (Q1-Q3/2004: EUR 13.1 million)
- Earnings per share (EPS): EUR 0.97 (EUR 0.61)
- Equity ratio: 44.0% (41.6%)
- Order books: EUR 48.2 million (30 September 2004: EUR 40.7 million)

Arto Tiitinen, President and CEO, states the following:

- During the report period, our businesses made favourable progress, with growth exceeding the industry average; we recorded a clear improvement in our profit performance. Our profit for the report period (Q1-Q3/2005) was at the level reported for 2005 as a whole. Exports showed an improvement in line with our targets, now accounting for 64 per cent of consolidated turnover. In Finland, we became the market leader. Our used machine business was lively during the report period as a result of implemented development projects. We continued to develop our new subsidiaries' businesses as planned. Similarly, the integration of the Kajaani Information Systems Production with Epec Oy progressed in line with our targets.
- August and September saw two major partnership agreements, one with Maaseudun Kone Oy and the other with NAF Neunkirchener Achsenfabrik AG, aimed at long-term co-operation to ensure Ponsse's future competitiveness and product quality. These partnership agreements will enable an ever-closer product development co-operation and the utilisation of the latest technologies for Ponsse's products.
- Extending the Vieremä assembly plant and constructing a new customer service centre progressed according to plan, these new premises being brought into use towards the end of the year.

IAS/IFRS-COMPLIANT REPORTING

Since 1 January 2005, Ponsse Group has applied the International Financial Reporting Standards (IFRS) to its financial reporting. IFRS-compliant figures for 2004 are used as comparative data in this interim report. The accounting principles are the same as those applied earlier.

TURNOVER

Consolidated turnover rose by 27.6 per cent year on year, to EUR 166.8 million (EUR 130.7 million). This highly favourable development was due particularly to strong growth in sales of new machines and good progress made by the used machine business.

International business operations accounted for 64.1 per cent (60.9 per cent) of turnover, while domestic sales represented 35.9 per cent (39.1 per cent) of turnover.

PROFIT PERFORMANCE

Consolidated operating profit came to EUR 19.5 million (EUR 13.2 million), up 48.2 per cent from the previous year's figure, accounting for 11.7 per cent of consolidated turnover (10.1 per cent). Return on investment (ROI) stood at 35.2 per cent (28.1 per cent).

The Group's financial income and expenses totalled EUR -0.6 million (EUR -0.2 million). Income and expenses resulting from currency risk hedging were included in financial items. The period saw no entries of extraordinary items.



Profit for the period totalled EUR 13.5 million (EUR 8.6 million). Earnings per share were EUR 0.97 (EUR 0.61).

BALANCE SHEET AND FINANCIAL POSITION

On 30 September 2005, the consolidated balance sheet total amounted to EUR 105.0 million (EUR 88.4 million). Interest-bearing liabilities totalled EUR 26.9 million (EUR 25.2 million) and net liabilities EUR 19.0 million (EUR 10.9 million). Equity ratio stood at 44.0 per cent (41.6 per cent). Cash in hand and at banks came to EUR 8.1 million (EUR 14.5 million). During the report period, the Group's liquidity remained at a good level, despite a large-scale investment programme.

Reported cash flow from business operations totalled EUR 8.2 million (EUR 14.8 million), while that from investing activities was EUR -7.6 million (EUR -2.7 million).

ORDER INTAKE AND ORDER BOOKS

The order intake for the period totalled EUR 170.8 million (EUR 138.3 million) while period-end order books were valued at EUR 48.2 million (EUR 40.7 million). The order books included dealers' minimum purchase commitments, based on previous practice.

SUBSIDIARIES

In July, Ponsse bought a 92 per cent holding in Lako Oy, based in Turku. Operating as an independent Ponsse subsidiary, Lako designs, manufactures and markets heavy harvesting heads for excavator-based and rubber-tired machines, which are also suitable for debarking of eucalyptus trees.

CAPITAL EXPENDITURE AND R&D

The report period's most significant capital expenditure came from the extension of the Iisalmi service centre and the construction of the customer service centre adjacent to the Vieremä plant. The Company also invested heavily in the robotisation of its Vieremä plant's surface treatment line, the equipment of the plant's new assembly line and production machinery. Ponsse continued to relocate its functions to Vieremä, as evidenced by its financial management moving to the Vieremä premises in September.

During the period, capital expenditure totalled EUR 7.6 million (EUR 2.7 million).

R&D expenses totalled during the period EUR 2.9 million (EUR 2.6 million).

At the report period's end, the company launched a harvester head testing programme in Latin America.

PERSONNEL

The Group had an average staff of 723 (602) during the period and employed 763 (607) personnel at the period-end.

SHARE PERFORMANCE

The trading volume of Ponsse Oyj shares for 1 January-30 September 2005 totalled 1,710,994, accounting for 12.2 per cent of the total number of shares. Share turnover came to EUR 30.3 million, with the period's lowest and highest per-share price amounting to EUR 14.50 and EUR 20.28, respectively. On 31 September 2005, the share closed at EUR 19.00 and the market capitalisation totalled EUR 266.0 million.

PROSPECTS

Total demand in many of Ponsse's main markets remained favourable during the period under review. Pulp and paper mill investments, implemented and in hand, in Latin America will boost demand for cut-to-length forest machines.

Toward the end of the year, the company will continue to develop its international distribution network. The second phase involved in the Vieremä plant's extension will begin in early 2006. These investments are aimed at ensuring the component plant's

19.10.2005

competitiveness and the availability of components for production and service. Once completed, the investments will enable the plant to double its production. In light of the profit performance reported for Q1-Q3/2005 and the size of order books, Ponsse expects to post a markedly better turnover and operating profit than in 2004.



PONSSE GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1,000)

	IFRS 1-9/'05	FAS 1-9/'04	IFRS change	IFRS 1-9/'04
TURNOVER	166,762	130,424	258	130,682
Increase (+)/decrease (-) in stocks of finished goods and work in progress	5,138	2,437	0	2,437
Other operating income	1,017	1,010	0	1,010
Raw materials and services	-111,537	-87,084	26	-87,059
Staff costs	-24,581	-19,364	0	-19,364
Depreciation	-2,567	-1,995	-309	-2,303
Other operating expenses	-14,733	-12,249	0	-12,249
OPERATING PROFIT	19,499	13,178	-24	13,154
Share of results of associated companies	141	137	0	137
Financial income and expenses	-552	-153	-38	-191
PROFIT BEFORE APPROPRIATIONS AND TAXES	19,088	13,163	-62	13,101
Income taxes	-5,390	-4,516	18	-4,498
Minority interest	-164	0	0	0
PROFIT FOR THE PERIOD	13,533	8,647	-44	8,603

CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1,000)

	IFRS 7-9/'05	IFRS 7-9/'04	IFRS 1-12/'04
TURNOVER	47,852	41,006	190,347
Increase (+)/decrease (-) in stocks of finished goods and work in progress	613	350	968
Other operating income	300	326	1,453
Raw materials and services	-30,154	-26,529	-125,999
Staff costs	-7,151	-5,588	-26,917
Depreciation	-879	-774	-3,089
Other operating expenses	-4,603	-4,183	-17,063
OPERATING PROFIT	5,978	4,610	19,700
Share of results of associated companies	86	79	251
Financial income and expenses	-267	-275	-778
PROFIT BEFORE APPROPRIATIONS AND TAXES	5,796	4,414	19,172
Income taxes	-1,767	-1,395	-5,630
Minority interest	-61	0	-11
PROFIT FOR THE PERIOD	3,969	3,019	13,532

CONSOLIDATED BALANCE SHEET (EUR 1,000)

	IFRS 30.9.05	FAS 30.09.04	IFRS change	IFRS 30.9.04	IFRS 31.12.04
ASSETS					
FIXED AND OTHER NON-CURRENT ASSETS					
Intangible assets	5,729	1,731	0	1,731	6,250
Tangible assets	22,038	16,039	677	16,716	17,696
Financial assets	1,212	22	0	22	25
Holdings in associated companies	970	716	0	716	829
Non-current receivables	103	114	0	114	107
Deferred tax assets	1,322	430	174	604	608
TOTAL FIXED AND OTHER NON-CURRENT ASSETS	31,374	19,051	851	19,902	25,515
CURRENT ASSETS					
Stocks	47,544	36,664	376	37,040	36,109
Trade receivables	15,509	15,964	0	15,964	19,228
Other current receivables	2,473	987	0	987	649
Cash in hand and at banks	8,135	14,499	0	14,499	15,706
TOTAL CURRENT ASSETS	73,661	68,114	376	68,490	71,692
TOTAL ASSETS	105,035	87,165	1,227	88,392	97,207
CAPITAL AND RESERVES, AND LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital	7,000	3,500	0	3,500	7,000
Share premium account	0	2,545	0	2,545	19
Other reserves	20	17	0	17	0
Retained earnings	25,423	23,642	-958	22,684	14,893
Profit for the period	13,533	8,647	-44	8,603	13,532
Other capital and reserves	-506	-592	0	-592	-838
Capital and reserves owned by parent company shareholders	45,470	37,759	-1,002	36,757	34,606
Minority interest	582	0	0	0	419
TOTAL CAPITAL AND RESERVES	46,052	37,759	-1,002	36,757	35,025
NON-CURRENT CREDITORS					
Non-current interest-bearing liabilities	23,687	23,345	1,416	24,761	23,937
Deferred tax liabilities	612	703	109	812	818
Other non-current creditors	359	121	492	613	336
TOTAL NON-CURRENT CREDITORS	24,658	24,169	2,017	26,186	25,091
CURRENT CREDITORS					
Current interest-bearing liabilities	3,164	393	88	481	8,353
Trade creditors	13,658	12,583	0	12,583	13,356
Tax liabilities for the period	2,586	2,462	0	2,462	2,343
Other current creditors	9,640	6,594	123	6,717	8,886
Provisions	5,276	3,205	0	3,205	4,153
TOTAL CURRENT CREDITORS	34,325	25,237	212	25,449	37,091
TOTAL LIABILITIES	58,983	49,406	2,229	51,635	62,182
TOTAL CAPITAL AND RESERVES, AND LIABILITIES	105,035	87,165	1,227	88,392	97,207

CONSOLIDATED CASH FLOW STATEMENT (EUR 1,000)

	IFRS 1-9/'05	IFRS 1-9/'04	IFRS 1-12/'04
BUSINESS OPERATIONS:			
Profit for the period	13,533	8,603	13,532
Adjustments:			
Financial income and ex- penses	552	191	778
Share of results of associated compa- nies	-141	-137	-251
Depreciation	2,567	2,303	3,089
Deferred taxes	-853	-304	-227
Income taxes	6,244	4,802	5,857
Other adjustments	221	39	282
Cash flow before change in working capital	22,123	15,497	23,060
Change in working capital:			
Increase (-)/decrease (+) in current non- interest-bearing receivables	1,894	802	-2,145
Increase (-) / decrease (+) in stocks	-11,435	-4,709	-3,778
Increase (+) / decrease (-) in current non- interest-bearing creditors	1,202	5,882	8,658
Change in provisions for li- abilities and charges	1,123	921	1,869
Interest received	131	71	227
Interest paid	-809	-601	-661
Other financial items	-63	235	-312
Income taxes paid	-5,950	-3,295	-4,784
NET CASH FLOW FROM BUSINESS OPERATIONS (A)	8,216	14,803	22,134
INVESTMENTS			
Investment in tangible and intangible assets	-6,388	-2,744	-9,029
Investment in other assets	-1,187	0	0
CASH OUTFLOW FROM INVESTING ACTIVITIES (B)	-7,575	-2,744	-9,029
FINANCING			
Withdrawal of current loans			
Repayment of current loans	-4,698	-4,103	3,673
Increase (-) / decrease (+) in current interest- bearing receivables	0	56	77
Withdrawal / repayment of non-current loans	-227	10,183	9,444
Payment of finance lease liabilities	-491	-365	-269
Increase (-) / decrease (+) in non- current receivables	4	104	111
Paid dividends	- 2,800	-14,000	-21,000
NET CASH OUTFLOW FROM FI- NANCING (C)	-8,212	-8,125	-7,964
Increase (-) / decrease (+) in liquid assets (A+B+C)	-7,571	3,934	5,141
Liquid assets 1 Jan.	15,706	10,565	10,565
Liquid assets 30 Sept. / 31 Dec.	8,135	14,499	15,706

RECONCILIATION OF CAPITAL AND RESERVES (EUR 1,000)			
	30.9.05	30.9.04	31.12.04
Capital and reserves under FAS	46,889	37,759	35,550
IAS 17 Leases and IAS 18 Revenue	-316	-600	-530
IAS 16 Property, Plant and Equipment	-841	-841	-841
IAS 2 Inventories	0	376	387
IAS 12 Income Taxes	85	63	40
IFRS 3 Business Combinations: Goodwill	-347	0	0
Capital and reserves under IFRS	45,470	36,757	34,606

RECONCILIATION OF PROFIT FOR THE PERIOD (EUR 1,000)			
	Q1-3/'05	Q1-3/'04	2004
Profit for the period under FAS	14,009	8,647	13,518
IAS 17 Leases and IAS 18 Revenue	214	205	276
IAS 2 Inventories	-387	-267	-256
IAS 12 Income Taxes	45	18	-6
IFRS 3 Business Combinations: Goodwill	-347	0	0
Profit for the period under IFRS	13,533	8,603	13,532

SEGMENT INFORMATION (EUR 1,000)			
	1-9/'05	1-9/'04	1-12/'04
TURNOVER			
Nordic countries	124,464	94,344	132,039
Rest of Europe	45,128	38,189	54,838
North and South America	25,213	17,976	28,263
Inter-segment turnover	-28,729	-20,035	-25,289
Unallocated	686	208	496
GROUP TOTAL	166,762	130,682	190,347
OPERATING PROFIT			
Nordic countries	13,744	11,140	14,642
Rest of Europe	5,454	3,595	7,049
North and South America	1,697	827	1,864
Unallocated	-1,396	-2,408	-3,855
GROUP TOTAL	19,499	13,154	19,700

PLEDGES GIVEN, CONTINGENT AND OTHER LIABILITIES (EUR 1,000)			
	30.9.05	30.9.04	31.12.04
1. FOR OWN DEBT			
Debts for which mortgages have been pledged as collateral			
Loans from financial institutions	0	1,261	1,261
Mortgages given on land and buildings	790	1,655	1,126
Chattel mortgages given	483	1,009	820
MORTGAGES GIVEN AS PLEDGES, TOTAL	1,273	2,664	1,946
2. LEASING COMMITMENTS (EUR 1,000)	443	451	445
3. CONTINGENT LIABILITIES ON BEHALF OF GROUP COMPANIES (EUR 1,000)			
Guarantees given on behalf of Group			
Group companies	860	1,041	763

4. LIABILITIES BASED ON DERIVATIVE CONTRACTS (EUR 1,000)

4.1 Nominal values			
Currency derivatives			
Options	0	5,257	0
Forward contracts	16,162	7,392	10,616
4.2 Market values			
Currency derivatives			
Options	0	37	0
Forward contracts	-281	82	136

5. OTHER CONTINGENT LIABILITIES (EUR 1,000)

Guarantees given on others' behalf	1,105	566	830
Repurchase commitments	8,735	8,293	7,851
Other liabilities	0	0	0
Total	9,840	8,859	8,681

KEY FIGURES AND RATIOS	30.9.05	30.9.04	31.12.04
R&D expenditure, MEUR	2.9	2.6	3.7
Capital expenditure, MEUR	7.6	2.7	9.0
% of turnover	4.5	2.1	4.7
Average number of staff	723	602	607
Order books, MEUR	48.2	40.7	44.4
Equity ratio, %	44.0	41.6	36.1
Earnings per share, EUR	0.97	0.61	0.97
Equity per share, EUR	3.25	2.63	2.47

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

ORDER INTAKE (MEUR)	1-9/'05	1-9/'04	1-12/'04
Ponsse Group	170.8	138.3	201.7

Data in this interim report are based on unaudited figures.

Since the above tables are based on rounded figures, they may differ from those given in the official financial statements.

Vieremä, 19 October 2005

PONSSE OYJ

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