

PONSSE OYJ STOCK EXCHANGE RELEASE 14 FEBRUARY 2006, 8:30 a.m.

PONSSE'S IFRS-COMPLIANT FINANCIAL STATEMENTS FOR 2005

ACCOUNTING PERIOD 2005

- Consolidated turnover: EUR 226.1 million (2004, EUR 177.9 million)
- International business operations accounted for 65.4% of turnover (2004, 62.0%)
- Operating profit: EUR 29.1 million (2004, EUR 19.7 million)
- Operating profit accounted for 12.8% of turnover (2004, 11.1%)
- Profit after extraordinary items: EUR 28.1 million (2004, EUR 19.2 million)
- Earnings per share: EUR 1.40 (2004, EUR 0.97)
- Board of Directors' proposal for the distribution of dividend: EUR 0.80 per share (2004, EUR 0.20). In addition, Board of Directors' proposal is to double the amount of shares (split 1:2).

OCTOBER - DECEMBER 2005

- Consolidated turnover: EUR 67.8 million (Q4/2004, EUR 55.9 million)
- Operating profit: EUR 9.6 million (Q4/2004, EUR 6.5 million)

Arto Tiitinen, President and CEO, states the following:

- Our key success factors in 2005 were the positive development of our international business operations, sales volumes, and maintenance service sales. The share of export in consolidated turnover increased to 65.4 per cent, which is the highest to date in the company's history. Our maintenance service sales grew by 28.2 per cent on the previous year.
- During the year, we made a number of significant decisions to ensure our competitiveness: We decided to establish a harvester head factory in Brazil, while developing and expanding the operations of our subsidiary Epec Oy into a state-of-the-art technology company. The enlargement of the Vieremä assembly plant was completed at the end of the accounting period and put into production use at the beginning of 2006.
- The new subsidiaries established in the strategically important markets of Russia and Brazil at the beginning of the year will ensure the future growth of our international business operations. Our distribution network was strengthened in December when we signed a contract concerning Estonia, Latvia and Lithuania with Konekesko Ltd.

TURNOVER

Consolidated turnover rose by 27.1 per cent year on year, to EUR 226.1 million (EUR 177.9 million). This highly favourable development was due, in particular, to strong growth in international operations.

International business operations accounted for 65.4 per cent (62.0 per cent) of turnover. The sales were regionally distributed as follows: Nordic countries 53.6 per cent (54.9 per cent), the rest of Europe 31.4 per cent (30.0 per cent), North and South America 14.7 per cent (15.1 per cent), and other countries 0.3 per cent (0.0 per cent).

PROFIT PERFORMANCE

Consolidated operating profit for the accounting period came to EUR 29.1 million (EUR 19.7 million), up 47.5 per cent on the previous year, accounting for 12.8 per cent of consolidated turnover (11.1 per cent). Return on investment (ROI) stood at 37.7 per cent (29.5 per cent).

The profit after extraordinary items was EUR 28.1 million (2004, EUR 19.2 million). Income and expenses resulting from currency risk hedging were included in financial items. Extraordinary items amounted to EUR -1 thousand (2004, no extraordinary items).



Profit for the accounting period totalled EUR 19.6 million (2004, EUR 13.5 million). Earnings per share were EUR 1.40 (EUR 0.97).

BALANCE SHEET AND FINANCIAL POSITION

At the end of the accounting period, the consolidated balance sheet total amounted to EUR 108.3 million (EUR 97.5 million). Interest-bearing liabilities totalled EUR 24.4 million (EUR 32.3 million) and net liabilities EUR 11.7 million (EUR 16.3 million). Equity ratio stood at 47.6 per cent (36.0 per cent). Cash in hand and at banks came to EUR 12.3 million (EUR 15.7 million). The Group's liquidity remained at a good level during the accounting period, despite a large-scale investment programme. To maintain financial flexibility and balance seasonal fluctuations, the company uses finance credit agreements of which EUR 37.3 remained unused at the end of the accounting period.

Reported cash flow from business operations totalled EUR 18.4 million (EUR 22.0 million), while that from investing activities was EUR -11.1 million (EUR -8.9 million).

ORDER INTAKE AND ORDER BOOKS

The order intake for the period totalled EUR 236.9 million (EUR 189.3 million), while period-end order books were valued at EUR 54.9 million (EUR 44.4 million). The order intake for the last quarter totalled EUR 74.6 million (Q4/2004, EUR 59.6 million). The order books included dealers' minimum purchase commitments, based on previous practice.

DISTRIBUTION NETWORK

In December 2005, Ponsse acquired an 8 per cent stake in Epec Oy of Seinäjoki. Following the acquisition, Ponsse has 100% ownership of the company.

The range of operations of our Northern American subsidiary was expanded to also include responsibility for providing support to Ponsse's dealers in Canada as well as the comprehensive development of the maintenance and distribution network in North America. Following the expansion of operations, the business name of Ponsse's subsidiary Ponsse USA Inc was changed to Ponsse North America Inc.

During the accounting period, Ponsse's distribution network was expanded in Russia and the Baltic States.

CAPITAL EXPENDITURE AND R&D

The most significant capital expenditure during the accounting period came from the construction of a customer service centre, the increase in the automation rate of the Vieremä plant and the purchase of equipment for the new assembly plant. In September, the company's financial administration moved to the new premises constructed at the Vieremä plant. The remainder comprised routine replacement and maintenance investments.

During the accounting period, capital expenditure totalled EUR 11.2 million (EUR 9.0 million).

R&D expenses totalled EUR 3.7 million (EUR 3.7 million). The amount of activated R&D expenses during the period was EUR 461 thousand (EUR 329 thousand).

PERSONNEL

The Group had an average staff of 729 (607) during the period and employed 770 (663) people at the period-end.

MANAGEMENT AND AUDITORS

Ponsse Oyj's Board of Directors comprised six members during the accounting period: Einari Vidgrén, Industrial Counsellor (Chairman); Juha Vidgrén, M.Sc. Educ. (Deputy Chairman); Nils Hagman, M.Sc. Econ.; Ilkka Kylävainio, Technician,

President; Seppo Remes, Lic.Sc. (Economics & Business Adm.), Director; and Mirja Ryyänänen, M.Sc.

The Board of Directors convened 12 times during the accounting period. Board members assiduously attended the meetings, whose attendance rate was 88.9 per cent.

President and CEO during the accounting period was Arto Tiitinen, MBA, with Mikko Paananen, LL.M., CFO, acting as deputy.

Paula Oksman, M.A., started as HR Director, Principal of the Ponsse Academy and a member of the Management Team in August 2005. Seppo Taatila, M.Sc. (Eng), will start as Director of Technology and Engineering and a member of the Management Team during 2006. He will replace Veikko Rintamäki, M.Sc. (Eng), who resigned from his position in January 2006. Prior to Mr. Taatila assuming the position, Arto Tiitinen, CEO, will oversee the technology and engineering activities in addition to his own responsibilities.

The Annual General Meeting of 15 March 2005 re-appointed Ernst & Young Oy as the company's auditors, with Heikki Laitinen, APA, as the principal auditor.

SHARE PERFORMANCE

The trading volume of Ponsse Oyj shares for 1 January - 31 December 2005 totalled 2,185,216, accounting for 15.6 per cent of the total number of shares. Share turnover came to EUR 39.7 million, with the period's lowest and highest per-share price amounting to EUR 14.50 and EUR 23.29, respectively. At the end of the period, the share closed at EUR 22.29 and the market capitalisation totalled EUR 312.1 million.

SHAREHOLDERS

At year-end 2005, Ponsse Oyj had 3,535 shareholders (2,511 on 31 December 2004). The number of shareholders was increased by 40.8 per cent during the year. 535,285 shares were nominee-registered (3.8 per cent of the total), and 29,274 shares (0.21 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.

ADOPTION OF IFRS

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 have been prepared according to Finnish Accounting Standards (FAS).

EVENTS AFTER THE PERIOD

In January 2006, Ponsse acquired an 8 per cent stake in Lako Oy of Turku. Following the acquisition, Ponsse has 100% ownership of the company's shares.

PROSPECTS

During the course of the year, logging volumes and industrial consumption of wood have been estimated to increase on the previous year. Logging volumes show strong growth in South America in particular. The company estimates that the proportional share of cut-to-length harvesting in the total volume of timber harvesting will increase in comparison with other harvesting methods. The development is estimated to be especially rapid in Russia.

During the course of 2006, Ponsse will invest heavily in expanding its distribution and maintenance network and, in the second quarter of 2006, start industrial manufacture of harvester heads in Brazil. The company may supplement its organic growth with corporate acquisitions and arrangements if they support the company's strategy and strengthen its market value, market position, competitiveness and profitability.

Considering the general prospects for the forest sector, the total value of the order book and the ongoing business development initiatives, the company forecasts that the result for the current accounting period will outperform that of the previous year.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the company's registered office at Ponsentie 22, 74200 Vieremä, on Wednesday, 15 March 2006, 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 15 March 2006 that a dividend of EUR 0.80 per share be paid for 2005.

PONSSE GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1,000)

	IFRS 10-12/'05	IFRS 10-12/'04	IFRS 1-12/'05	IFRS 1-12/'04
TURNOVER	67,824	55,859	226,095	177,934
Increase (+)/decrease (-) in stocks of finished goods and work in progress	-4,408	-1,469	730	968
Other operating income	309	443	1,326	1,453
Raw materials and services	-36,257	-35,135	-139,304	-113,587
Staff costs	-9,736	-7,553	-34,317	-26,917
Depreciation	-1,474	-786	-4,041	-3,089
Other operating expenses	-6,704	-4,814	-21,437	-17,063
OPERATING PROFIT	9,552	6,546	29,051	19,700
Share of results of associated companies	144	114	285	251
Financial income and expenses	-673	-587	-1 225	-778
RESULT BEFORE EXTRAORDINARY ITEMS	9,023	6,071	28,111	19,172
Extraordinary items	-1	0	-1	0
RESULT AFTER EXTRAORDINARY ITEMS	9,023	6,071	28,110	19,172
Income taxes	-3,090	-1,132	-8,480	-5,630
Minority interest	164	-11	0	-11
PROFIT FOR THE PERIOD	6,096	4,929	19,629	13,532

In the financial statements for 2005, Ponsse Group has 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. Previously, until the end of Q3, this type of change in value has been presented under the item 'Materials and services'. In order to ensure comparability between financial statements, a corresponding adjustment has been made in the financial statement for 2004.

Actual changes in the value of used machinery that are 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 31.12.05	IFRS 31.12.04
ASSETS		
FIXED AND OTHER NON-CURRENT ASSETS		
Intangible assets	2,652	2,426
Goodwill	3,773	3,466
Property, plant and equipment	24,270	18,095
Financial assets	35	25
Holdings in associated companies	1,013	829
Non-current receivables	103	107
Deferred tax assets	537	540
TOTAL FIXED AND OTHER NON-CURRENT ASSETS	32,383	25,488
CURRENT ASSETS		
Stocks	45,161	36,381
Trade receivables	14,782	19,228
Other current receivables	3,594	717
Current investments	2	0
Cash in hand and at banks	12,339	15,706
TOTAL CURRENT ASSETS	75,879	72,032
TOTAL ASSETS	108,262	97,520
CAPITAL AND RESERVES, AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	7,000	7,000
Other reserves	19	20
Translation differences	-442	-838
Retained earnings	44,811	28,424
CAPITAL AND RESERVES OWNED BY PARENT COMPANY SHAREHOLDERS	51,389	34,606
Minority interest	0	419
TOTAL CAPITAL AND RESERVES	51,389	35,025
NON-CURRENT CREDITORS		
Interest-bearing liabilities	18,953	23,937
Deferred tax liabilities	1,142	1,131
Other non-current creditors	359	336
TOTAL NON-CURRENT CREDITORS	20,453	25,404
CURRENT CREDITORS		
Interest-bearing liabilities	5,444	8,353
Provisions	6,324	4,153
Tax liabilities for the period	1,216	2,343
Trade creditors and other current creditors	23,436	22,243
TOTAL CURRENT CREDITORS	36,420	37,091
TOTAL CAPITAL AND RESERVES, AND LIABILITIES	108,262	97,520

CONSOLIDATED CASH FLOW STATEMENT (EUR 1,000)

	IFRS 1-12/'05	IFRS 1-12/'04
BUSINESS OPERATIONS:		
Profit for the period	19,629	13,532
Adjustments:		
Financial income and expenses	1,225	778
Share of the result of associated companies	-285	-251
Depreciation	4,041	3,089
Deferred taxes	22	-227
Income taxes	8,458	5,857
Other adjustments	256	197
Cash flow before change in working capital	33,346	22,975
Change in working capital:		
Increase (-)/decrease (+) in current non-interest-bearing receivables	1,501	-2,145
Increase (-) / decrease (+) in stocks	-9,052	-3,778
Increase (-)/decrease (+) in current non-interest-bearing creditors	1,279	8,658
Change in provisions for liabilities and charges	2,171	1,869
Interest received	277	227
Interest paid	-932	-661
Other financial items	-656	-312
Income taxes paid	-9,517	-4,784
NET CASH FLOW FROM BUSINESS OPERATIONS (A)	18,417	22,049
INVESTMENTS		
Investment in tangible and intangible assets	-11,209	-9,029
Investment in other assets	-11	0
Dividends received	101	85
CASH OUTFLOW FROM INVESTING ACTIVITIES (B)	-11,119	-8,944
FINANCING		
Withdrawal of current loans	0	3,673
Repayment of current loans	-2,677	0
Increase (-) / decrease (+) in current interest-bearing liabilities	0	77
Withdrawal/repayment of non-current loans	-4,961	9,444
Payment of finance lease liabilities	-231	-269
Increase (-) / decrease (+) in non-current receivables	4	111
Paid dividends	- 2,800	-21,000
NET CASH OUTFLOW FROM FINANCING (C)	-10,665	-7,964
Increase (-) / decrease (+) in liquid assets (A+B+C)	-3,367	5,141
Liquid assets 1 Jan.	15,706	10,565
Liquid assets 31 Dec.	12,339	15,706

RECONCILIATION OF CAPITAL AND RESERVES (EUR 1,000)

	31.12.04	31.12.03
Capital and reserves under FAS	35,550	43,094
IAS 17 Leases and IAS 18 Revenue	-530	-807
IAS 16 Property, Plant and Equipment	-841	-841
IAS 2 Inventories	387	643
IAS 12 Income taxes	40	48
IFRS 3 Business combinations: goodwill	0	0
Capital and reserves under IFRS	34,606	42,137

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 31 DEC 2003	3, 500	2,562	-646	37,678	0	43,094
Effects of adopting IFRS	0	0	0	-957	0	-957
ADJUSTED CAPITAL AND RESERVES 1.1.2004	3,500	2,562	-646	36,721	0	42,137
Effects of tax rate change	0	0	0	80	0	80
Translation differences	0	0	-192	61	0	-131
NET INCOME RECOGNISED DIRECTLY IN CAPITAL AND RESERVES	0	0	-192	141	0	-51
Net profit for the period	0	0	0	13,521	11	13,532
TOTAL RECOGNISED INCOME AND EXPENSES	0	0	-192	13,662	11	13,480
Subsidiary acquisition	0	0	0	0	408	408
Dividend distribution	0	0	0	-21,000	0	-21,000
Share issue	3,500	-2,542	0	-958	0	0
CAPITAL AND RESERVES 31 DEC 2004	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	0	19,629
TOTAL RECOGNISED INCOME AND EXPENSES	0	0	396	19,186	0	19,583
Dividend distribution	0	0	0	-2,800	0	-2,800
Change in minority interest	0	0	0	0	-419	-419
CAPITAL AND RESERVES 31 DEC 2005	7,000	20	-442	44,811	0	51,389

RECONCILIATION OF PROFIT FOR THE PERIOD (EUR 1,000)

	1-12/'04
Profit for the period under FAS	13,518
IAS 17 Leases and IAS 18 Revenue	276
IAS 2 Inventories	-256
IAS 12 Income taxes	-6
IFRS 3 Business combinations: goodwill	0
Profit for the period under IFRS	13,532

SEGMENT INFORMATION (EUR 1,000)

GEOGRAPHICAL SEGMENTS

	2005	2004
TURNOVER		
Nordic countries	154,017	122,509
Rest of Europe	71,758	53,442
North and South America	33,775	27,009
Elimination	-34,697	-25,289
Unallocated	1,242	263
GROUP TOTAL	226,095	177,934
OPERATING PROFIT		
Nordic countries	18,825	14,643
Rest of Europe	10,761	7,049
North and South America	2,027	1,864
Unallocated	-2,562	-3,856
GROUP TOTAL	29,051	19,700

PLEDGES GIVEN, CONTINGENT AND OTHER LIABILITIES (EUR 1,000)

	31.12.05	31.12.04
1. FOR OWN DEBT		
Debts for which mortgages have been pledged as collateral		
Loans from financial institutions	0	1,261
Mortgages given on land and buildings	101	1,126
Chattel mortgages given	336	820
MORTGAGES GIVEN AS PLEDGES, TOTAL	437	1,946
2. LEASING COMMITMENTS (EUR 1,000)	1,996	445
3. CONTINGENT LIABILITIES ON BEHALF OF GROUP COMPANIES (EUR 1,000)		
Guarantees given on behalf of Group companies	884	763
4. LIABILITIES BASED ON DERIVATIVE CONTRACTS (EUR 1,000)		
4.1 Nominal values		
Currency derivatives		
Options	0	0
Forward contracts	14,690	10,616
4.2 Market values		
Currency derivatives		
Options	0	0
Forward contracts	-70	136
5. OTHER CONTINGENT LIABILITIES (EUR 1,000)		
Guarantees given on others' behalf	1,289	831
Repurchase commitments	7,163	7,851
Other liabilities	0	0
Total	8,452	8,681
KEY FIGURES AND RATIOS		
	31.12.05	31.12.04
R&D expenditure, MEUR	3.7	3.7
Capital expenditure, MEUR	11.2	9.0
% of turnover	5.0	5.1
Average number of staff	729	607
Order books, MEUR	54.9	44.4
Equity ratio, %	47.6	36.0
Earnings per share, EUR	1.40	0.97
Equity per share, EUR	3.67	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	1-12/'05	1-12/'04
Ponsse Group	236.9	189.3

The above figures have been audited.

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

Vieremä, 14 February 2006

Arto Tiitinen
President and CEO

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