

## PONSSE'S INTERIM REPORT FOR 1 JANUARY - 31 MARCH 2006

- Turnover EUR 52.3 million (EUR 56.5 million Q1/2005 million)
- International business operations accounted for 64.4% of turnover (61.5%)
- Operating profit EUR 6.7 million (EUR 7.2 million)
- Operating profit accounted for 12.8% of turnover (12.8%)
- Earnings per share: EUR 0.16 (EUR 0.19).

The comparison figures are Ponsse's figures presented in the adjusted financial statements for the corresponding period in 2005. Reporting complies with the International Financial Reporting Standards (IFRS).

Arto Tiitinen, President and CEO, states the following:

- During the period under review, our business operations developed in line with the set objectives outside the Nordic countries. In Sweden, the machinery markets stabilised from the previous year as the damage caused by storms had been repaired. In Finland, the change in forestry taxation enforced at the turn of the year affected timber and machinery sales. Our order books and our relative profitability during the period remained at the previous year's level.
- The extension of the Vieremä assembly plant was brought into production use in January. The production volumes of the new machinery compared to capacity were relatively low owing to the installation and testing of the new lines.
- During the period, we made significant investments in improving the production capacity of Epec Oy. The new production line acquired for the company's Seinäjoki facility will allow us to increase the production of control systems eightfold.

### TURNOVER

Ponsse's turnover for the period amounted to EUR 52.3 million (EUR 56.5 million). International business operations increased their share of turnover from the previous year and accounted for 64.4 per cent (61.5 per cent) of turnover. Domestic sales represented 35.6 per cent (38.5 per cent) of total turnover.

### PROFIT PERFORMANCE

Ponsse recorded an operating profit of EUR 6.7 million (EUR 7.2 million) for the period. Operating profit continued to account for 12.8 per cent of turnover, showing no change from the previous year. Return on investment (ROI) stood at 31.5 per cent (42.8 per cent).

Staff costs in the period amounted to EUR 9.2 million (EUR 8.4 million) and other operating expenses to EUR 5.1 million (EUR 4.6 million). Net financial expenses were EUR -0.4 million (EUR +30,000). Income and expenses resulting from currency risk hedging were included under financial items. One thousand euro was recorded as income under extraordinary items. No extraordinary items were recorded for the comparison period.



Profit for the period totalled EUR 4.6 million (EUR 5.4 million). Earnings per share were EUR 0.16 (EUR 0.19).

#### BALANCE SHEET AND FINANCIAL POSITION

At the end of the period under review, the consolidated balance sheet total amounted to EUR 114.1 million (EUR 98.7 million). Interest-bearing liabilities totalled EUR 34.5 million (EUR 26.5 million) and net liabilities EUR 26.8 million (EUR 14.9 million). The equity ratio stood at 39.4 per cent (38.6 per cent). Trade receivables totalled EUR 17.4 million (EUR 22.6 million). Cash in hand and at banks came to EUR 7.2 million (EUR 10.7 million).

Reported cash flow from business operations totalled EUR -1.7 million (EUR 4.6 million), while that from investing activities was EUR -2.2 million (EUR -1.1 million).

#### ORDER INTAKE AND ORDER BOOKS

The order intake for the period totalled EUR 52.9 million (EUR 68.5 million), while period-end order books were valued at EUR 55.4 million (EUR 56.1 million). The order books included dealers' minimum purchase commitments, based on previous practice.

#### SUBSIDIARIES

During the period, Ponsse Oyj's wholly-owned subsidiary Ponsse North America Inc. established a subsidiary in Canada, Ponsse North America Incorporated Canada.

#### CAPITAL EXPENDITURE AND R&D

Capital expenditure totalled EUR 2.2 million (EUR 1.1 million).

R&D expenses totalled EUR 0.8 million (EUR 1.1 million).

#### PERSONNEL

The Group had an average staff of 781 (675) during the period and employed 779 (683) people at the period-end. The increase in the number of personnel could be attributed to new subsidiaries being set up in Russia and Brazil, the acquisition of Lako Oy, preparation for an increase in production volumes, and the increased demand for maintenance services.

#### ANNUAL GENERAL MEETING AND ADMINISTRATION

The Annual General Meeting was held at the company premises in Vieremä on 15 March 2006. A decision was made to pay a dividend of EUR 0.80 per share, totalling EUR 11.2 million. The dividends were paid on 27 March 2006.

A decision was made at the Annual General Meeting to improve the liquidity of shares by doubling the number of company shares from 14,000,000 to 28,000,000 without increasing the share capital (split 1:2). Trading in the new shares began on 29 March 2006.

Nils Hagman, Ilkka Kylävainio, Seppo Remes, Mirja Ryyänen, Einari Vidgrén and Juha Vidgrén were re-elected as Board members.



Ernst & Young Oy were re-appointed as the company auditors with Eero Huusko, Authorised Public Accountant, as the principal auditor.

In the constituent meeting, Einari Vidgrén was elected Chairman of the Board of Directors and Juha Vidgrén was elected Vice Chairman.

#### SHARE PERFORMANCE

The trading volume of Ponsse Oyj shares between 1 January and 31 March 2006 was 1,334,084 accounting for 4.8 per cent of the total number of shares. Share turnover came to EUR 16.3 million, with the period's lowest and highest share price amounting to EUR 13.60 and EUR 15.00, respectively.

At the end of the period, the share price closed at EUR 13.60 and the market capitalisation totalled EUR 380.8 million.

#### PROSPECTS

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, and that the market prospects for forest machines will continue to be good throughout the year in most market areas.

During the year, the company will continue to expand its international distribution network and plans to launch the industrial manufacture of harvester heads suited for the debarking of eucalyptus in Brazil in the second quarter.

At the end of the period, the company was looking at good order books. Favourable development in sales is expected to continue in most main markets, thanks to a positive market outlook and the company's own actions. The demand for forest machines also in Nordic countries is expected to pick up in the second half of the year. The full year's financial performance is expected to be better than in 2005. Earnings are likely to be generated mostly in the second half.

#### EVENTS AFTER THE PERIOD

On 13 April 2006, Ponsse announced that it was entering into co-operation with Volvo in Latin America.

#### PONSSE GROUP

##### CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1,000)

	IFRS	IFRS	IFRS
	1-3/06	1-3/05	1-12/05
TURNOVER	52 294	56 481	226 095
Increase (+)/decrease (-) in stocks of finished goods and work in progress	4 690	3 058	730
Other operating income	542	422	1 326
Raw materials and services	-35 489	-38 881	-139 304
Staff costs	-9 177	-8 434	-34 317



Depreciation	-1 051	-831	-4 041
Other operating expenses	-5 123	-4 588	-21 437
OPERATING PROFIT	6 686	7 227	29 051
Share of results of associated companies	101	17	285
Financial income and expenses	-432	30	-1 225
RESULT BEFORE EXTRAORDINARY ITEMS	6 355	7 274	28 111
Extraordinary items	1	0	-1
RESULT AFTER EXTRAORDINARY ITEMS	6 356	7 274	28 110
Income tax	-1 750	-1 797	-8 480
Minority interest	0	-33	0
NET PROFIT FOR THE PERIOD	4 606	5 444	19 629

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 Q3/2005, this type of change in value has been presented under the item 'Materials and services'. Comparison data for 2005 has been adjusted accordingly.

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	IFRS	IFRS
	March06	March05	Dec.05
ASSETS	31	31	31
FIXED AND OTHER NON-CURRENT ASSETS			
Intangible assets	2 906	1 932	2 652
Goodwill	3 831	3 327	3 773
Property, plant and equipment	25 080	18 987	24 270
Financial assets	36	25	35
Holdings in associated companies	1 114	845	1 013
Non-current receivables	135	105	103
Deferred tax assets	828	891	537
TOTAL FIXED AND OTHER NON-CURRENT ASSETS	33 930	26 112	32 383
CURRENT ASSETS			
Stocks	52 624	37 600	45 161
Trade receivables	17 409	22 583	14 782
Other current receivables	2 946	1 766	3 594
Current investments	2	0	2
Cash in hand and at banks	7 195	10 652	12 339
TOTAL CURRENT ASSETS	80 176	72 601	75 879
TOTAL ASSETS	114 106	98 713	108 262

CAPITAL AND RESERVES, AND LIABILITIES

SHAREHOLDERS' EQUITY

Share capital	7 000	7 000	7 000
Other reserves	19	20	19
Translation differences	-504	-711	-442
Retained earnings	38 256	31 034	44 811
CAPITAL AND RESERVES OWNED			
BY PARENT COMPANY SHAREHOLDERS	44 771	37 343	51 389
Minority interest	0	451	0
TOTAL CAPITAL AND RESERVES	44 771	37 794	51 389

NON-CURRENT CREDITORS

Interest-bearing liabilities	18 821	23 348	18 953
Deferred tax liabilities	886	1 030	1 142
Other non-current creditors	256	335	359
TOTAL NON-CURRENT CREDITORS	19 962	24 713	20 453

CURRENT CREDITORS

Interest-bearing liabilities	15 707	3 170	5 444
Provisions	5 344	4 410	6 324
Tax liabilities for the period	1 157	1 108	1 216
Trade creditors and other current creditors	27 166	27 517	23 436
TOTAL CURRENT CREDITORS	49 373	36 206	36 420

TOTAL CAPITAL AND RESERVES, AND LIABILITIES	114 106	98 713	108 262
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CONSOLIDATED CASH FLOW STATEMENT (EUR 1,000)

	IFRS 1-3/06	IFRS 1-3/05	IFRS 1-12/05
BUSINESS OPERATIONS:			
Profit for the period	4 606	5 444	19 629
Adjustments:			
Financial income and expenses	433	-30	1 225
Share of the result of associated companies	-101	-17	-285
Depreciation	1 051	831	4 041
Deferred taxes	-294	-301	22
Income tax	2 044	2 098	8 458
Other adjustments	-24	59	256
Cash flow before change in working capital	7 715	8 084	33 346
Change in working capital:			
Increase (-)/decrease (+) in current non-interest-bearing receivables	-1 975	-4 472	1 501
Increase (-) / decrease (+) in current stocks	-7 463	-1 219	-9 052
Increase (-)/decrease (+) in current non-interest-bearing creditors	3 208	5 414	1 279
Change in provisions for liabilities and charges	-980	257	2 171
Interest received	37	62	277

Interest paid	-293	-402	-932
Other financial items	-265	182	-656
Income taxes paid	-1 733	-3 299	-9 517
NET CASH FLOW FROM BUSINESS OPERATIONS (A)	-1 749	4 607	18 417
INVESTMENTS			
Investment in tangible and intangible assets	-2 186	-1 090	-11 209
Investment in other assets	0	0	-11
Dividends received	0	0	101
CASH OUTFLOW FROM INVESTING ACTIVITIES (B)	-2 186	-1 090	-11 119
FINANCING			
Withdrawal/Repayment of non-current loans	10 338	-5 004	-2 677
Increase (-) / decrease (+) in current interest-bearing liabilities	-4	0	0
Withdrawal/Repayment of non-current loans	-235	-590	-4 961
Payment of finance lease liabilities	-76	-179	-231
Increase (-) / decrease (+) in non-current receivables	-32	2	4
Paid dividends	-11 200	- 2 800	-2 800
NET CASH OUTFLOW FROM FINANCING (C)	-1 209	-8 571	-10 665
Increase (-) / decrease (+) in liquid assets (A+B+C)	-5 144	-5 054	-3 367
Liquid assets, 1 Jan..	12 339	15 706	15 706
Liquid assets, 31 March/31 Dec.	7 195	10 652	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	128	-35	0	93
NET INCOME RECOGNISED DIRECTLY IN CAPITAL AND RESERVES	0	0	128	-35	0	93

Net profit for the period	0	0	0	5 444	0	5 444
TOTAL RECOGNISED INCOME AND EXPENSES	0	0	128	5 409	0	5 537
Dividend distribution	0	0	0	-2 800	0	-2 800
Change in minority interest	0	0	0	0	32	32
CAPITAL AND RESERVES, 31 MARCH 2005	7 000	20	-710	31 034	451	37 794

CAPITAL AND RESERVES, 1 JAN. 2006	7 000	20	-442	44 811	0	51 389
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Translation differences	0	0	-63	39	0	-24
NET INCOME RECOGNISED DIRECTLY IN CAPITAL AND RESERVES	0	0	-63	39	0	-24
Net profit for the period	0	0	0	4 606	0	4 606
TOTAL RECOGNISED INCOME AND EXPENSES	0	0	-63	4 645	0	4 582
Dividend distribution	0	0	0	-11 200	0	-11 200
Change in minority interest	0	0	0	0	0	0
CAPITAL AND RESERVES, 31 MARCH 2006	7 000	20	-505	38 256	0	44 771

#### SEGMENT INFORMATION (EUR 1,000)

##### GEOGRAPHIC SEGMENTS

	1-3/06	1-3/05	1-12/05
TURNOVER			
Nordic countries	35 437	43 944	154 017
Rest of Europe	18 563	14 828	71 758
North and South America	6 490	5 478	33 775
Elimination	-8 685	-7 876	-34 697
Unallocated	489	107	1 242
TOTAL	52 294	56 481	226 095

##### OPERATING PROFIT

Nordic countries	3 901	5 819	18 825
Rest of Europe	2 640	1 912	10 761
North and South America	45	402	2 027
Unallocated	100	-906	-2 562
TOTAL	6 686	7 227	29 051

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

	31 March06	31 March05	31 Dec05
1. FOR OWN DEBT			
Debts for which mortgages have been pledged as collateral			
Loans from financial	0	0	0



institutions			
Mortgages given on land and buildings	0	1 126	101
Chattel mortgages given	0	820	336
MORTGAGES GIVEN AS PLEDGES, TOTAL	0	1 946	437
2. LEASING COMMITMENTS (EUR 1,000)	3 028	397	1 996
3. CONTINGENT LIABILITIES ON BEHALF OF GROUP COMPANIES (EUR 1,000)			
Guarantees given on behalf of Group companies		862	800
884			
4. LIABILITIES BASED ON DERIVATIVE CONTRACTS (EUR 1,000)			
4.1 Nominal values			
Currency derivatives			
Forward contracts	18 993	14 181	14
690			
4.2 Market values			
Currency derivatives			
Forward contracts	87	-82	-
70			
5. OTHER CONTINGENT LIABILITIES (EUR 1,000)			
Guarantees given on others' behalf	1 400	817	1
289			
Repurchase commitments	6 836	8 325	7
163			
Other liabilities		0	0
0			
Total	8 237	9 142	8
452			
KEY FIGURES AND RATIOS	31.3.06	31.3.05	
31.12.05			
R&D expenditure, MEUR	0,8	1,1	
3,7			
Capital expenditure, MEUR	2,2	1,1	
11,2			
% of turnover	4,2	1,9	
5,0			
Average number of staff	781	675	
729			
Order books, MEUR	55,4	56,1	
54,9			
Equity ratio, %	39,4	38,6	
47,6			
Earnings per share, EUR	0,16	0,19	
0,70			
Equity per share, EUR	1,60	1,33	
1,84			

Per-share figures have been adjusted with the share split.

Income taxes based on profit for the period are included in the Profit and Loss

Account and earnings per share.

ORDER INTAKE, MEUR	1-3/06	1-3/05	1-
12/05			
Ponsse Group		52,9	68,5
236,9			

Ponsse Group has applied the 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 above figures have not been audited.

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