

PONSSE INTERIM REPORT 1 JANUARY - 30 JUNE 2006

- Turnover EUR 108.6 million (EUR 112.9 million H1/2005)
- Q2 turnover EUR 56.3 million (Q2/2005, EUR 56.4 million)
- International business operations accounted for 66.6% of turnover (H1/2005, 65.5%)
- Operating profit EUR 13.3 million (H1/2005, EUR 13.5 million)
- Operating profit 12.3% of turnover (H1/2005, 12.0%)
- Q2 operating profit EUR 6.6 million (Q2/2005, EUR 6.3 million)
- Earnings per share EUR 0.32 (EUR 0.34)

The comparison figures are Ponsse's figures presented in the adjusted financial statement for the corresponding period in 2005. The Group's interim report has been prepared in accordance with the valuation and accounting principles of International Financial Reporting Standards (IFRS). The reporting conforms to the standards valid at the time of the end of the period under review.

Arto Tiitinen, Ponsse's President and CEO, states the following at the time of the publication of the interim report:

- The objectives set for the second quarter of 2006 were achieved despite the fact that the timber trade in Finland was weak and the machinery markets in Sweden were slower than usual after the peak in machinery selling in 2005 owing to the repairing of the heavy storm damages. In Finland the slow timber market also affected machinery sales. Our order books and our relative profitability during the period remained at the previous year's level.
- During the second quarter the production capacity of our Vieremä plant was improved as set in the objectives. The Group's subsidiary Epec Oy introduced a new production line in Seinäjoki in May. The deliveries of control systems to the Vieremä plant were started at the beginning of June. These new computer systems improve the quality level of Ponsse's machinery and their reliability. These investments allow the technology company to significantly increase its production volumes. Ponsse Latin America's plant was completed in May. Our cooperation with Volvo in Latin America enables us to offer comprehensive sales and maintenance services to our customers.

TURNOVER

Ponsse's turnover for the period under review amounted to EUR 108.6 million (EUR 112.9 million). International business operations accounted for 66.6 per cent (65.5 per cent) of the total turnover. Domestic sales accounted for 33.4 per cent (34.5 per cent) of the total turnover.

PROFIT PERFORMANCE

Ponsse recorded an operating profit of EUR 13.3 million (EUR 13.5 million). Operating profit remained at the previous year's level and accounted for 12.3 per cent (12.0 per cent) of the turnover. Return on investment (ROI) stood at 30.5 per cent (37.6 per cent).

Personnel costs in the period amounted to EUR 19.5 million (EUR 17.4 million) and other operating expenses to EUR 10.8 million (EUR 10.1 million). Net financial expenses were EUR -0.8 million (EUR -0.3 million). Income and expenses resulting from currency risk hedging were included in financial items. Five thousand euro was recorded as income under extraordinary items. No extraordinary items were recorded for the comparison period.



Profit for the period totalled EUR 8,9 million (EUR 9,6 million). Earnings per share were EUR 0.32 (EUR 0.34).

BALANCE SHEET AND FINANCIAL POSITION

At the end of the period under review the consolidated balance sheet total amounted to EUR 119.8 million (EUR 105.0 million). Interest-bearing liabilities totalled EUR 37.7 million (EUR 26.6 million) and net liabilities EUR 32.9 million (EUR 13.9 million). Equity ratio stood at 41.0 per cent (40.0 per cent). Trade receivables totalled EUR 19.8 million (EUR 18.4 million). Cash in hand and at banks came to EUR 4.6 million (EUR 12.7 million).

Reported cash flow from business operations totalled EUR -5.5 million (EUR 9.0 million), while that from investing activities was EUR -4.1 million (EUR -3.6 million). During the period under review the company decided to start a group-level project in order to reduce working capital. Engineer, M.Sc. (Econ) Heikki Ojala was nominated the leader of the project as of 1st July. Ojala has previously operated as the Industrial Director of Ponsse Group.

ORDER INTAKE AND ORDER BOOKS

The order intake for the period totalled EUR 96.1 million (EUR 109.9 million), and the period-end order books were valued at EUR 42.4 million (EUR 41.1 million). Based on previous practice, the order books include dealers' minimum purchase commitments.

RETAIL CHANNEL

During the period under review Ponsse signed a distribution agreement with Chadwick-BaRoss, Inc. headquartered in the United States. The new dealer operates in the north-eastern part of the United States in the area stretching from Maine to Connecticut. A representative office, located in St. Petersburg, was established in Russia. In addition to this, Ponsse and Volvo signed an agreement on cooperation in Latin America. In June the company also signed a cooperation agreement with Stora Enso's Russian wood procurement, according to which the maintenance operations of Stora Enso's Russian wood procurement's forestry machines in the Ladoga Carelia region are transferred to Ponsse.

CAPITAL EXPENDITURE AND R&D

Capital expenditure totalled EUR 4.1 million (EUR 3.6 million). The expenditure was concentrated to machinery and equipment of the assembly plant, renovation of office premises in Vieremä and other maintenance investments.

R&D expenses totalled EUR 1.8 million (EUR 2.3 million).



MANAGEMENT

On 1 July, Doctor of Engineering Juho Nummela was named Factory Director for the Vieremä plant.

PERSONNEL

The Group had an average staff of 793 (701) during the period and employed 828 (767) people at the period-end.

SHARE PERFORMANCE

The trading volume of Ponsse Oyj shares for 1 January - 30 June 2006 totalled 2,436,263, accounting for 8.7 per cent of the total number of shares. Share turnover came to EUR 30.2 million, with the period's lowest and highest per-share price amounting to EUR 10.89 and EUR 15.00 respectively.

At the end of the period the share closed at EUR 12.10, and the market capitalisation totalled EUR 338.8 million.

ADMINISTRATION

The company has adopted insider guidelines that comply with the insider regulations of the Helsinki Exchanges and operates in accordance with the administration and operation recommendations concerning listed companies (Corporate Governance). The principles regulating administration are included on Ponsse's Website on the Investors page.

RISK MANAGEMENT

The Group's risk management policy seeks to further develop and maintain an extensive monitoring system that supports the Group's operative functions. This includes systematic risk assessment for each function and unit, integration of risk management as part of business operations, continuous quality development and dissemination of information on best practices.

Internal supervision forms an integral part of the totality of risk management. The Group's Board of Directors is responsible for supervising the organisation and adequacy of the operations. The practical implementation of the actions is the responsibility of the company's CEO. The core internal supervision methods consist of internal guidelines, reporting and various technical systems relating to activities. The company will improve in the development of internal supervision by nominating an internal surveyor during the third quarter.

PROSPECTS

The company estimates that the development trends in its global operational environment do not show significant changes. Active forest industry investment actions in Russia and Latin America in particular are continuing. According to a survey conducted by Pöyry Oyj, the consumption of paper and board will grow steadily until 2020. Ponsse estimates that this will increase the demand for environmentally-friendly cut-to-length method-based forest machines. According to the estimates, the market prospects in primary areas will continue to be good throughout year. The company will continue to improve the distribution network by expanding it through independent dealers and maintenance companies.

The demand situation in the primary markets in the Nordic countries is expected to improve during the second half of the year. In Finland the machine sales are estimated to recover owing to the revival of the timber market.

The company is looking at good period-end order books. The company aims to shorten delivery times to ensure a quicker response to growing demand. The goal will be achieved by the implementation of the components factory expansion in Vieremä. The work started in July. The favourable development of the market prospects proposes that the full year's result will be better than in 2005.

PONSSE GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1,000)

	IFRS 1-6/06	IFRS 1-6/05	IFRS 1-12/05
TURNOVER	108 556	112 871	226 095
Increase (+) / decrease (-) in stocks of finished goods and work in progress	6 932	4 525	730
Other operating income	803	717	1 326
Raw materials and services	-70 514	-75 344	-139 304
Staff costs	-19 510	-17 431	-34 317
Depreciation	-2 203	-1 688	-4 041
Other operating expenses	-10 764	-10 130	-21 437
OPERATING PROFIT	13 300	13 520	29 051
Share of results of associated companies	197	56	285
Financial income and expenses	-787	-285	-1 225
RESULT BEFORE EXTRAORDINARY ITEMS	12 710	13 291	28 111
Extraordinary items	5	0	-1
RESULT AFTER EXTRAORDINARY ITEMS	12 715	13 291	28 110
Income taxes	-3 810	-3 623	-8 480
Minority interest	0	-103	0
RESULT FOR THE FINANCIAL PERIOD	8 905	9 565	19 629

CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1,000)

	IFRS 4-6/06	IFRS 4-6/05
TURNOVER	56 261	56 390
Increase (+) / decrease (-) in stocks of finished goods and work in progress	2 242	1 467
Other operating income	261	295
Raw materials and services	-35 025	-36 463



Staff costs	-10 333	-8 997
Depreciation	-1 152	-857
Other operating expenses	-5 640	-5 541
OPERATING PROFIT	6 614	6 294
Share of results of associated companies	96	39
Financial income and expenses	-355	-315
RESULT BEFORE EXTRAORDINARY ITEMS	6 355	6 018
Extraordinary items	4	0
RESULT AFTER EXTRAORDINARY ITEMS	6 359	6 018
Income taxes	-2 060	-1 826
Minority interest	0	-71
RESULT FOR THE FINANCIAL PERIOD	4 299	4 121

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 Q3/2005, this type of change in value has been presented under the item 'Materials and services'. The comparison figures for 2005 have 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 30.6.06	IFRS 30.6.05	IFRS 31.12.05
ASSETS			
FIXED AND OTHER NON-CURRENT ASSETS			
Intangible assets	3 209	1 987	2 652
Goodwill	3 818	3 686	3 773
Property, plant and equipment	25 590	20 182	24 270
Financial assets	37	52	35
Holdings in associated companies	1 083	885	1 013
Non-current receivables	131	106	103
Deferred tax assets	1 097	1 182	537
TOTAL FIXED AND OTHER NON-CURRENT ASSETS	34 965	28 080	32 383
CURRENT ASSETS			
Stocks	57 761	43 803	45 161
Trade receivables	19 770	18 384	14 782
Other current receivables	2 740	2 037	3 594
Current investments	2	0	2
Cash in hand and at banks	4 582	12 650	12 339
TOTAL CURRENT ASSETS	84 855	76 874	75 879
TOTAL ASSETS	119 820	104 954	108 262

CAPITAL AND RESERVES, AND LIABILITIES



SHAREHOLDER'S EQUITY			
Share capital	7 000	7 000	7 000
Other reserves	20	19	19
Translation differences	-658	-518	-442
Retained earnings	42 690	34 979	44 811
CAPITAL AND RESERVES OWNED			
BY PARENT COMPANY SHAREHOLDERS	49 052	41 480	51 389
Minority interest	0	522	0
TOTAL CAPITAL AND RESERVES	49 052	42 002	51 389
NON-CURRENT CREDITORS			
Interest-bearing liabilities	19 298	23 759	18 953
Deferred tax liabilities	899	598	1 142
Other non-current creditors	198	359	359
TOTAL NON-CURRENT CREDITORS	20 395	24 716	20 453
CURRENT CREDITORS			
Interest-bearing liabilities	18 400	2 876	5 444
Provisions	5 290	6 041	6 324
Tax liabilities for the period	1 553	2 463	1 216
Trade creditors and other current creditors	25 130	26 856	23 436
TOTAL CURRENT CREDITORS	50 373	38 236	36 420
TOTAL CAPITAL AND RESERVES, AND LIABILITIES	119 820	104 954	108 262

CONSOLIDATED CASH FLOW STATEMENT (EUR 1,000)

	IFRS 1-6/06	IFRS 1-6/05	IFRS 1-12/05
BUSINESS OPERATIONS:			
Profit for the period	8 905	9 565	19 629
Adjustments:			
Financial income and expenses	787	285	1 225
Share of the result of associated companies	-197	-56	-285
Depreciation	2 203	1 688	4 041
Deferred taxes	-524	-771	22
Income taxes	4 334	4 394	8 458
Other adjustments	135	153	256
Cash flow before change in working capital	15 643	15 258	33 346
Change in working capital:			
Increase (-)/ decrease (+) of non-interest-bearing receivables	-4 027	-544	1 501
Increase (-) /decrease (+) of stocks	-12 600	-7 694	-9 052
Increase (-)/decrease (+) of non-interest-bearing creditors	1 359	4 645	1 279
Change in provisions for liabilities and charges	-1 034	1 888	2 171
Interest received	82	86	277
Interest paid	-446	-493	-932
Other financial items	-326	41	-656



Income taxes paid	-4 174	-4 216	-9 517
NET CASH FLOW FROM BUSINESS OPERATIONS (A)	-5 523	8 971	18 417
INVESTMENTS			
Investment in tangible and intangible asset	-4 142	-3 597	-11 209
Investment in other assets	0	0	-11
Dividends received	0	0	101
CASH OUTFLOW FROM INVESTING ACTIVITIES (B)	-4 142	-3 597	-11 119
FINANCING			
Withdrawal/repayment of current loans	12 964	-5 145	-2 677
Increase (-) / decrease (+) in current interest-bearing liabilities	-4	0	0
Withdrawal/repayment of non-current loans	184	-155	-4 961
Payment of finance lease liabilities	-9	-332	-231
Increase (-)/ decrease (+) in non-current receivables	-27	2	4
Paid dividends	-11 200	-2 800	-2 800
NET CASH OUTFLOW FROM FINANCING (C)	1 908	-8 430	-10 665
Increase (-)/ decrease (+) in liquid assets (A+B+C)	-7 757	-3 056	-3 367
Liquid assets 1 Jan	12 339	15 706	15 706
Liquid assets 30 Jun/31 Dec	4 582	12 650	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	320	-211	0	109
NET INCOME RECOGNISED DIRECTLY IN CAPITAL AND RESERVES	0	0	320	-211	0	109
Net profit for the period	0	0	0	9 565	0	9 565
TOTAL RECOGNISED INCOME AND EXPENSES	0	0	320	9 354	0	9 674
Dividend distribution	0	0	0	-2 800	0	-2 800
Change in minority interest	0	0	0	0	103	103
CAPITAL AND RESERVES 30 JUN 2005	7 000	20	-518	34 979	522	42 002
CAPITAL AND RESERVES 1 JAN 2006	7 000	20	-442	44 811	0	51 389
Translation differences	0	0	-216	174	0	-42
NET INCOME RECOGNISED DIRECTLY IN CAPITAL AND RESERVES	0	0	-216	174	0	-42
Net profit for the period	0	0	0	8 905	0	8 905
TOTAL RECOGNISED INCOME AND EXPENSES	0	0	-216	9 079	0	8 863
Dividend distribution	0	0	0	-11 200	0	-11 200
Change in minority interest	0	0	0	0	0	0
CAPITAL AND RESERVES 30 JUN 2006	7 000	20	-658	42 690	0	49 052

SEGMENT INFORMATION (EUR 1,000)

GEOGRAPHICAL SEGMENTS

	1-6/06	1-6/05	1-12/05
TURNOVER			
Nordic countries	72 445	86 787	154 017
Rest of Europe	42 717	31 388	71 758
North and South America	14 315	14 643	33 775
Elimination	-21 914	-20 214	-34 697



Unallocated	993	267	1 242
GROUP TOTAL	108 556	112 871	226 095

OPERATING PROFIT

Nordic countries	6 073	10 285	18 825
Rest of Europe	6 590	3 754	10 761
North and South America	497	1 200	2 027
Unallocated	140	-1 719	-2 562
GROUP TOTAL	13 300	13 520	29 051

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

30.6.06 30.6.05 31.12.05

1. FOR OWN DEBT

Debts for which mortgages have been pledged as collateral

Loans from financial institutions	0	0	0
Mortgages given on land and buildings	0	790	101
Chattel mortgages given	0	483	336
MORTGAGES GIVEN AS PLEDGES, TOTAL	0	1 273	437

2. LEASING COMMITMENTS (EUR 1,000)

2 206 412 1 996

3. CONTINGENT LIABILITIES ON BEHALF OF GROUP COMPANIES (EUR 1,000)

Guarantees given on behalf of Group companies

823 857 884

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

4.1 Nominal values

Currency derivatives

Forward contracts 21 979 19 644 14 690

4.2 Market values

Currency derivatives

Forward contracts 294 -477 -70

5. OTHER CONTINGENT LIABILITIES (EUR 1,000)

Guarantees given on others' behalf

1 324 334 1 289

Repurchase commitments

2 992 8 121 7 163

Other liabilities

0 0 0

Total

4 316 8 455 8 452

KEY FIGURES AND RATIOS

30.6.06 30.6.05 31.12.05

R&D expenditure, MEUR

1,8 2,3 3,7

Capital expenditure, MEUR

4,1 3,6 11,2

% of turnover

3,8 3,2 5,0

Average number of staff

793 701 729

Order books, MEUR

42,4 41,1 54,9

Equity ratio, %

41,0 40,0 47,6

Earning per share, EUR

0,32 0,34 0,70

Equity per share, EUR

1,75 1,50 1,84

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



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

ORDER INTAKE, MEUR	1-6/06	1-6/05	1-12/05
Ponsse Group	96,1	109,9	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 have been prepared according to Finnish Accounting Standards (FAS).

The above figures have not been audited.

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