

15.2.2008

PONSSE OYJ STOCK EXCHANGE RELEASE 15 JANUARY 2008, 1:30 P.M.

PONSSE'S FINANCIAL STATEMENTS FOR 1 JANUARY -31 DECEMBER 2007

- Order intake rose by 49 per cent, being EUR 361.2 (242.9) million.
- Consolidated turnover rose by 30 per cent to EUR 310.1 (238.6) million.
- Consolidated operating profit rose by 25 per cent to EUR 37.1 (29.6) million. Operating profit accounted for 12.0 (12.4) per cent of turnover.
- Profit before tax was EUR 36.4 (28.5) million.
- Earnings per share were EUR 0.95 (0.75).
- Ponsse Oyj's Board of Directors proposes that a dividend of EUR 0.50 per share (0.40) be paid.

ARTO TIITINEN, PRESIDENT AND CEO:

"We are especially pleased by the fact that the order intake rose by 49 per cent from the previous year. Our order books at the end of 2007 were valued the highest in our history. Our operating concept proved that it works."

"We grew faster than the industry in general. Our turnover exceeded EUR 300 million, showing an increase of 30 per cent. Our international operations made up over 70 per cent of the turnover. Our cash flow improved with the development actions carried out during the year."

"Our businesses developed as planned in 2007. We reached the targets set for our key market areas. In North America the market situation was challenging throughout the year; the market is estimated to recover during 2009. Last autumn we received the first major orders from South America. The development outlook in the area looks good."

"The outlook for growth in timber products is good in Asia. Our company in Beihai, China, was opened in November after we had signed the first machine delivery agreements for the area."

"Our maintenance service business grew by 34 per cent from the previous year. Such favourable development is attributable to our increased machine stock, new maintenance service products, growing number of maintenance service agreements and the expansion of our maintenance network."

"Ponsse's outlook for 2008 is positive. The demand for timber products is increasing, which is attributable to a rise in the standard of living and to urbanisation. The area of fast-growing planted forests will increase in the near future. The rise in timber customs duties in Russia will increase the demand for domestic roundwood and accelerate investments taking place in Russia. In addition, the share of the cut-to-length method of total harvesting volumes will increase".



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Business ID: 0934209-0, Registered Office: Vieremä, Finland

TURNOVER

Consolidated turnover amounted to EUR 310.1 (238.6) million, which is 29.9 per cent more than in the comparison period. International business operations made up 70.6 (62.8) per cent of turnover. Consolidated turnover for the fourth quarter totalled EUR 96.1 (82.7) million, which is 16.2 per cent more compared to the previous year.

Turnover was regionally distributed as follows: Nordic countries 47.2 per cent (52.2 per cent), the rest of Europe 41.0 per cent (36.2 per cent), North and South America 10.2 per cent (10.8 per cent), and other countries 1.6 per cent (0.8 per cent).

There was a keen demand for roundwood in the key Nordic market during the financial year. In Finland, the timber business was in part activated by the exports customs duties imposed by Russia on roundwood. Increased thinning enhanced the sales of forest machines in Finland and Sweden.

There was a strong demand in Central Europe for cut-to-length type forest machines on account of a change in harvesting method, increasing felling volumes and keen demand for roundwood.

Major forest industry investments and the adopted timber customs duties had a favourable impact on the demand for Ponsse's forestry tractors in Russia.

In North America the market situation was challenging throughout the period under review. Work on opening the South American market and developing products meeting the special local conditions continued during the financial year. During the period under review we concluded the first significant deals in Brazil and Uruguay.

Our sales and maintenance company in Beihai, China, was opened in November after we had signed agreements on the first machine deliveries to the area.

PROFIT PERFORMANCE

Consolidated operating profit increased by 25.3 per cent year on year to EUR 37.1 (29.6) million. Operating profit accounted for 12.0 (12.4) per cent of turnover in the period under review. Operating profit for the fourth quarter amounted to EUR 13.1 (10.2) million. Return on capital employed (ROCE) stood at 37.4 (35.5) per cent.

Staff costs totalled EUR 42.5 (37.6) million, and other operating expenses were EUR 30.4 (24.5) million. Net financial expenses were EUR -1.7 (-1.5) million. Income and expenses resulting from currency risk hedging were included in the financial items. Profit for the period totalled EUR 26.5 (21.0) million. Earnings per share (EPS) were EUR 0.95 (0.75).

BALANCE SHEET AND FINANCIAL POSITION

At the end of the year, the consolidated balance sheet total amounted to EUR 153.9 (125.0) million. The balance sheet total was particularly increased by the higher amount of inventories and trade receivables compared to the previous year. The amount of inventories was EUR 65.6 (58.6) million. Trade receivables totalled EUR 29.3 (20.7) million and liquid assets stood at EUR 12.6 (8.6) million. The consolidated shareholders' equity strengthened year on year, amounting to EUR 76.5 (61.2) million. The amount of interest-bearing liabilities increased to EUR 33.9 million from the EUR 30.9 million in the previous year. The parent company's net receivables from other Group companies stood at EUR 42.8 (30.0) million. Consolidated net liabilities reduced during the period under review, amounting to EUR 19.5 (21.9) million. Equity ratio stood at 50.3 per cent (49.1 per cent) at the end of the period.

Cash flow from business operations totalled EUR 19.0 (6.8) million. Cash flow from investing activities amounted to EUR -6.4 (-5.2) million.

ORDER INTAKE AND ORDER BOOKS

Order intake totalled EUR 361.2 (242.9) million, while period-end order books were valued at EUR 110.1 (59.2) million. The order books included dealers' minimum purchase commitments, based on previous practice.

DISTRIBUTION CHANNELS

During the year, new service centres were opened at Pitkäranta in Russia, Riga in Latvia, Stemmen in Germany and Hyvinkää in Finland.

CHANGES IN GROUP STRUCTURE

Three new subsidiaries were established in the Ponsse Group during the financial year: Ponsse Asia-Pacific Ltd (Hong Kong), Ponsse China Ltd (Beihai, China) and Poverly S.A. (Montevideo, Uruguay).

Lako Oy, a Turku-based subsidiary, was merged with its parent company Ponsse Oy on 1 September 2007. The manufacture of harvester heads in Turku terminated at the end of the financial year.

No other changes took place in the Group structure. The subsidiaries included in the Ponsse Group are Ponsse AB, Sweden; Ponsse AS, Norway; Ponssé S.A.S., France; Ponsse UK Ltd, Great Britain; Ponsse North America, Inc., United States of America; Ponsse Latin America Ltda, Brazil; OOO Ponsse, Russia and Epec Oy, Seinäjoki, Finland. Sunit Oy, operating in Kajaani, Finland, is an affiliated company in which Ponsse Oy has a holding of 34 per cent.

CAPITAL EXPENDITURE AND R&D

Ponsse invested considerably in R&D and in extending its product offering. The Group's R&D expenses totalled EUR 5.7 (4.1) million. The amount of activated R&D expenses during the period was EUR 851 thousand (808 thousand).

During the financial year Ponsse introduced a new forwarder solution for soils with poor load-bearing capacity. The concept is based on a ten-wheel, five-axle forest machine and a load-bearing crawler track solution. The new solution markedly reduces the surface pressure imposed on the ground as compared with traditional solutions and extends the harvesting period with a view to environmental considerations.

In May-June, Ponsse presented several new products and product improvements at the Skogselmia Fair in Sweden. The usability and productivity of the best-selling PONSSE Ergo harvester was improved with a development programme covering over 30 points. Other products displayed at the fair were the new C4 harvester crane and H7 harvester head, the LoadOptimizer loader scale for weighing timber and energy wood, and an energy wood harvesting head feature which allows the handling of several trunks simultaneously.

Ponsse continued the strong development of eucalyptus and acacia harvesting technology during the period. The new harvester head control system Opti2 enables PONSSE harvester heads to be used more effectively in crawler-tracked machines, too. The effectiveness of debarking harvester heads was increased with several product technical improvements. Much of the debarking technology is being developed in Brazil.

Ponsse started cooperation with Moscow State University. The purpose of the cooperation is to arrange extensive training in the use of the cut-to-length method.

Epec Oy, a subsidiary, continued investments in production and testing equipment during the financial year.

The investment programme for the Vieremä factory continued during the period. Other major primary capital expenditure came from software and equipment. In addition, a number of operational development projects were implemented during the period.

Capital expenditure totalled EUR 6.6 million (5.3 million).

QUALITY AND ENVIRONMENT

Ponsse is committed to observing the ISO 9001:2000 quality standard, the ISO 14001 environmental system standard and the OHSAS 18001 occupational safety and health standard, the first-mentioned of which is certified. DNV conducted an audit related to the ISO 9001 quality system during the period.

The company continued to develop operating models and production processes with quality control circles, internal audits and investments in quality leadership.

For the occupational health and safety system, the most important projects in 2007 were the compiling of a safety folder and the fire safety training and evacuation drills arranged at the Vieremä factory. The emphasis in occupational health care has been actively shifted towards a preventive approach, of which concrete examples include team-specific recreational exercises and special theme days for break-time exercise. In addition, first-aid training was arranged for a broad personnel group.

A Group-level information security group was set up in order to develop information security. The group is responsible for the general development of information security, maintaining Group information security policy and coordinating the information security training arranged to the staff.

The company monitors and complies with the environmental legislation in all its functions. Legislative amendments are continuously monitored and the necessary actions are taken accordingly. In accordance with Ponsse's environmental policy, the company aims at developing and manufacturing products, the use of which loads the environment to the minimum possible extent. Environmental aspects are taken into account in the design and manufacturing of the products at all levels of the organisation.

PERSONNEL

The Group had an average staff of 876 (795) during the period and employed 945 (795) people at the period-end. The number of personnel increased most clearly in the Latin American subsidiaries and Epec Oy. In the parent company, increases in the number of personnel took place in production, maintenance services and product development.

GENERAL MEETING

The Annual General Meeting was held in Vieremä on 12 April 2007. The meeting dealt with matters stipulated by Section 10 of Ponsse Oyj's Articles of Association. The Annual General Meeting decided to distribute a dividend of EUR 0.40 per share for the period having terminated on 31 December 2006.

The Annual General Meeting authorised the Board of Directors to purchase a maximum of 250,000 of the company's own shares with the company's free shareholders' equity. The authorisation is valid until 30 June 2008. The Annual General Meeting also authorised the Board of Directors to decide on the assignment of a maximum of 250,000 of the company's own shares. This authorisation, too, is valid until 30 June 2008.

The Annual General Meeting decided to pay a bonus to the company's staff for 2006. The amount of the bonus was confirmed at EUR 85 for each month of employment.

MANAGEMENT AND AUDITORS

Ponsse Oyj's Board of Directors comprised six members during the financial period: Maarit Aarni-Sirviö (as of 12 April 2007), Nils Hagman, Ilkka Kylävainio, Seppo Remes, Mirja Ryyänen (until 12 April 2007), Einari Vidgrén and Juha Vidgrén. Einari Vidgrén acted as Chairman of the Board and Juha Vidgrén as Vice Chairman.

The Board of Directors did not establish any committees or commission from among its members.

The Board of Directors convened eight times during the financial period. Board members assiduously attended the meetings, whose attendance rate was 95.8 per cent.

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

During the financial year the Group's Board of Directors comprised Pasi Arajärvi, Purchasing and Logistics Director, Tapio Ingervo, Vice President responsible for the Central and South Europe business area, and President of Ponsse S.A.S., Jari Mononen, Communications Director, Juhani Mäkynen, Maintenance Service Director (as of 2 April 2007), Juho Nummela, Factory Director, Paula Oksman, HR Director, Seppo Taatila, Technology and R&D Director, Arto Tiitinen, President and CEO, Mikko Paananen, CFO, Deputy to the President and CEO of Ponsse Oyj, and Jarmo Vidgrén, Vice President responsible for the North Europe business area.

The Sales Management Group comprised Cláudio Costa (Latin America), Tapio Ingervo (Central and South Europe), Marko Mattila (North America), Mikko Laurila (Asia, Oceania and Africa), Arto Tiitinen, President and CEO, Ville Siekkinen (Russia) and Jarmo Vidgrén (North Europe).

Ernst & Young Oy acted as the company auditors with Eero Huusko, Authorised Public Accountant, as the principal auditor.

SHARE PERFORMANCE

The trading volume of Ponsse Oyj shares for 1 January - 31 December 2007 totalled 3,812,860, accounting for 13.6 per cent of the total number of shares. Share turnover came to EUR 58.6 million, with the period's lowest and highest share price amounting to EUR 11.27 and EUR 19.40 respectively.

At the end of the period the shares closed at EUR 14.20 and the market capitalisation totalled EUR 397.6 million.

The company's Board of Directors is authorised to decide on the acquisition and assignment of at most 250,000 treasury shares. The authorisations are valid until 30 June 2008.

Neither the company nor its subsidiaries own treasury shares.

GOVERNANCE

The company adheres to the insider regulations approved by the Helsinki Stock Exchange Board of Directors and the guidelines on listed companies' governance and control systems (Corporate Governance). The governance principles are available on Ponsse's web site, in the Investors section.

BUSINESS RISKS AND THEIR MANAGEMENT

The effect of general economic fluctuations is cushioned by the fact that the company's business operations are spread over several geographical areas.

Risks related to raw materials, components and the subcontractor and supplier network are essential to Ponsse's operations. To control these risks and minimise the adverse effects of changes, the company is investing strongly in developing supplier network cooperation. The operation of the network is developed and secured through in-depth partner cooperation and by supporting the positioning of strategic suppliers in the business park for partner companies in the immediate vicinity of Ponsse's Vieremä factory. Component-related risks are also controlled by manufacturing a large number of key components in the company's own production facilities. Raw material and component suppliers' possible delivery problems may increase the prices of raw materials used in PONSSE products and lengthen their delivery times. Ponsse has strengthened the control of these risks by adjusting the conditions of its supplier agreements and by extending their periods of validity.

Ponsse Group's financing risk management controls liquidity, interest and currency risks, and secures the availability of debt-based financing on competitive conditions. Use of the euro as the invoicing currency has increased in several market areas, which reduces the company's currency risk.

OUTLOOK FOR THE FUTURE

Demand in the forest machine market is keen at the outset of the year 2008. The value of the order books was higher compared with the beginning of last year, and the order stock extends further. The record-high value of the order books suggests that the company's business will grow this year. The demand in North America is expected to recover in 2009 at the earliest. Major investments of the forest industry in South America, Asia and Russia will increase in the next few years.

The company's growth expectations are supported by its good position in all the main market areas and its deliberate efforts to strengthen its market position. Growth in new markets is based on forest industry investments and producing harvesting solutions for them. The market for cut-to-length forest machines is estimated to continue to grow faster than fellings.

Implemented and ongoing production investments will increase manufacturing capacity and automation rate in 2008. This will enable the company to respond to growing demand.

In 2008, the company will strengthen its market position and its turnover and business result will continue to grow.

GENERAL MEETING

The Annual General Meeting will be held at the company's registered office at Ponsentie 22, 74200 Vieremä, on 29 April 2008, 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 29 April 2008 that a dividend of EUR 0,50 per share be paid for 2007.

PONSSE GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT (EUR 1,000)

	IFRS	IFRS	IFRS	IFRS
	10-12/07	10-12/06	1-12/07	1-12/06
TURNOVER	96,087	82,671	310,053	238,642
Increase (+)/decrease (-) in stocks of finished goods and work in progress	-3,661	-4,360	2,159	5,774
Other operating income	580	1,029	1,326	2,132
Raw materials and services	-57,948	-50,051	-199,253	-150,621
Expenditure on employment-related benefits	-12,244	-10,329	-42,538	-37,612
Depreciation and amortisation	-1,106	-1,043	-4,270	-4,256
Other operating expenses	-8,582	-7,679	-30,398	-24,469
OPERATING PROFIT	13,127	10,239	37,080	29,590
Share of results of associated companies	21	170	1,002	441
Financial income and expenses	-838	-258	-1,698	-1,525
PROFIT BEFORE TAXES	12,310	10,150	36,384	28,505
Income taxes	-3,102	-1,771	-9,907	-7,463
Minority interest	0	0	0	0
PROFIT FOR THE PERIOD	9,208	8,378	26,477	21,042
Earnings per share	0.33	0.30	0.95	0.75

CONSOLIDATED BALANCE SHEET (EUR 1,000)

	IFRS 31 DEC 07	IFRS 31 DEC 06
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	4,262	3,605
Goodwill	3,737	3,791
Property, plant and equipment	25,946	24,308
Financial assets	128	39
Holdings in associated companies	2,156	1,328
Non-current receivables	403	165
Deferred tax assets	1,686	972
TOTAL NON-CURRENT ASSETS	38,318	34,206
CURRENT ASSETS		
Inventories	65,635	58,615
Trade receivables	29,276	20,715
Income tax receivable	861	349
Other current receivables	7,191	2,568
Liquid assets	12,633	8,564
TOTAL CURRENT ASSETS	115,595	90,811
TOTAL ASSETS	153,914	125,017
CAPITAL AND RESERVES, AND LIABILITIES		
CAPITAL AND RESERVES		
Share capital	7,000	7,000
Other reserves	19	20
Translation differences	-943	-750
Retained earnings	70,456	54,888
CAPITAL AND RESERVES OWNED	76,532	61,157
BY PARENT COMPANY SHAREHOLDERS	76,532	61,157
Minority interest	0	0
TOTAL CAPITAL AND RESERVES	76,532	61,157
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	16,717	22,408
Deferred tax liabilities	768	869
Other non-current liabilities	30	74
TOTAL NON-CURRENT LIABILITIES	17,515	23,351
CURRENT LIABILITIES		
Interest-bearing liabilities	17,225	8,487
Provisions	4,341	3,517
Tax liabilities for the period	1,752	230
Trade creditors and other current liabilities	36,548	28,275
TOTAL CURRENT LIABILITIES	59,867	40,509
TOTAL CAPITAL AND RESERVES, AND LIABILITIES	153,914	125,017

CONSOLIDATED CASH FLOW STATEMENT (EUR 1,000)

	IFRS 1-12/07	IFRS 1-12/06
BUSINESS OPERATIONS:		
Profit for the period	26,477	21,042
Adjustments:		
Financial income and expenses	1,698	1,525
Share of the result of associated companies	-1,002	-441
Depreciation and amortisation	4,270	4,256
Income taxes	9,897	7,866
Other adjustments	-717	-424
Cash flow before change in working capital	40,623	33,824
Change in working capital:		
Change in current non-interest-bearing receivables		
	-13,091	-4,551
Change in inventories		
	-7,020	-13,454
Change in current non-interest-bearing creditors		
	8,220	4,542
Change in provisions for liabilities and charges		
	824	-2,807
Interest received	298	269
Interest paid	-1,463	-1,273
Other financial items	-505	-527
Income taxes paid	-8,886	-9,201
NET CASH FLOW FROM BUSINESS OPERATIONS (A)	19,001	6,822
INVESTMENTS		
Investments in tangible and intangible assets		
	-6,565	-5,318
Investments in other assets	-14	-2
Repayment of loan receivables	0	0
Dividends received	178	126
CASH OUTFLOW FROM INVESTING ACTIVITIES (B)	-6,401	-5,194
FINANCING		
Withdrawal/Repayment of non-current loans		
	8,855	2,729
Change in current interest-bearing liabilities		
	-93	-356
Withdrawal/Repayment of non-current loans		
	-5,735	3,170
Payment of finance lease liabilities	-116	313
Change in non-current receivables	-239	-61
Dividends paid	-11,200	-11,200
NET CASH OUTFLOW FROM FINANCING (C)	-8,529	-5,405
Change in liquid assets (A+B+C)		
	4,071	-3,777
Liquid assets on 1 January	8,562	12,339
Liquid assets on 31 December	12,633	8,562

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 2007	7,000	20	-750	54,887	0	61,157
Translation differences	0	0	-193	291	0	98
NET INCOME RECOGNISED DIRECTLY IN EQUITY	0	0	-193	291	0	98
Net profit for the period	0	0	0	26,477	0	26,477
TOTAL RECOGNISED INCOME AND EXPENSES	0	0	-193	26,768	0	26,575
Dividend distribution	0	0	0	-11,200	0	-11,200
Change in minority interest	0	0	0	0	0	0
CAPITAL AND RESERVES 31 DEC 2007	7,000	20	-943	70,455	0	76,532
CAPITAL AND RESERVES 1 JAN 2006	7,000	20	-442	44,811	0	51,389
Translation differences	0	0	-308	234	0	-74
NET INCOME RECOGNISED DIRECTLY IN EQUITY	0	0	-308	234	0	-74
Net profit for the period	0	0	0	21,042	0	21,042
TOTAL RECOGNISED INCOME AND EXPENSES	0	0	-308	21,276	0	20,968
Dividend distribution	0	0	0	-11,200	0	-11,200
Change in minority interest	0	0	0	0	0	0
CAPITAL AND RESERVES 31 DEC 2006	7,000	20	-750	54,887	0	61,157

	31 DEC 07	31 DEC 06
1. LEASING COMMITMENTS (EUR 1,000)	2,519	2,442
2. CONTINGENT LIABILITIES (EUR 1,000)	31 DEC 07	31 DEC 06
Guarantees given on behalf of others	1,285	1,634
Repurchase commitments	1,802	2,164
Other commitments	1,059	0
TOTAL	4,146	3,798

3. PROVISIONS (EUR 1,000)	Guarantee provision
1.1.2007	3,517
Increase	1,336
Used provisions	-512
31.12.2007	4,341

KEY FIGURES AND RATIOS	31 DEC 07	31 DEC 06
R&D expenditure, MEUR	5.7	4.1
Capital expenditure, MEUR	6,6	5.3
as % of turnover	2.1	2.2
Average number of employees	876	795
Order books, MEUR	110.1	59.2
Equity ratio, %	50.3	49.1
Earnings per share, EUR	0.95	0.75
Equity per share, EUR	2.73	2.18

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, %:

Capital and reserves + minority interest

Balance sheet total - advance payments received * 100

Earnings per share:

Profit before taxes - taxes (incl. change in deferred taxes) -/+ minority interest

Average number of shares during the accounting period, adjusted for share issues

Equity per share:

Capital and reserves

Number of shares on the balance sheet date, adjusted for share issues

ORDER INTAKE, MEUR	1-12/07	1-12/06
Ponsse Group	361.2	242.9

The interim report has been prepared observing the recognition and valuation principles of IFRS standards, but not all of the requirements of IAS 34, Interim Financial Reporting, have been complied with.

15.2.2008

The accounting policies for the financial statements are compatible with those for the financial statements prepared on 31 December 2006, except for the following new changes in IFRS standards and IFRIC interpretations adopted on 1 January 2007, which have no effect on the consolidated financial statements:

- IFRS 7
- IAS 1
- IFRIC 8
- IFRIC 9
- IFRIC 10

The above figures have been audited.

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

Vieremä 15 February 2008

Arto Tiitinen
President and CEO

FURTHER INFORMATION

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