

ANNUAL REPORT 2011

2011 IN BRIEF

The company's business operations grew as planned in 2011. The year was two-sided, as the general economic situation deteriorated towards the end of the year. At the beginning of the year, the sale of forest machines was active and our order books were at a historically high level. At the end of the third quarter, the insecurity in the market started to affect order intake, but the strong order books provided us with an opportunity to manufacture forest machines at full capacity throughout the year. Simultaneously, the pressures concerning the lengths of delivery periods eased.

In 2011, Ponsse generated the highest net sales in its history. In the first half of the year, our performance was burdened

by a number of non-recurring items. Towards the end of the year, the efficiency of our operations grew as well, which was seen in turnover, operating result and cash flow from business operations.

International business operations accounted for 69.3 (68.0) per cent of turnover. Of our main markets, Finland, Russia, Germany and France were successful throughout the year. The growth in services was convincing.

Investments in R&D, production and services continued in 2011 according to plan. We launched new products to the market, such as the PONSSE C44 crane developed for the larger size category alongside the PONSSE C22 parallel crane, the PONSSE H5 harvester head for

thinning- and multi-stemming-oriented harvesting, the ElephantKing forwarder with 20-tonne carrying capacity, the PONSSE Bear 8w harvester with the new PONSSE C6 sliding boom crane, the new version 4.710 of the PONSSE Opti information system and the new, ergonomic user interface, PONSSE Comfort. Already about 70% of the total production of the factory consists of eight-wheel forest machines. Our R&D has also strongly invested in the Euromot 3B and Tier 4i engine changes related to the emissions requirements of the EU and the Environmental Protection Agency (EPA) area of the United States. Our product range now corresponds well to the needs of the market.

KEY FIGURES	IFRS 2011	IFRS 2010
Order intake M€	333.7	311.2
Order books M€	71.9	68.3
Net sales M€	328.2	262.4
Operating result M€	28.8	21.7
Operating result % of net sales	8.8	8.3
Cash flow from business operations M€	25.0	25.9
Result for the accounting period M€	14.8	23.3
Interest-bearing net liabilities M€	22.5	24.2
Equity ratio %	45.2	46.9

STOCK EXCHANGE RELEASES IN 2011

3 Jan	Executive Director, Corporate Development and Strategy Timo Karppinen invited to join the Ponsse Plc's Management Team	30 March	Pekka Ruuskanen appointed as Managing Director of Ponsse North America Inc; Marko Mattila assumes position as Area Director, North American Dealers	14 June	Clément Puybaret appointed Managing Director of Ponsse S.A.S.
15 Feb	Ponsse Financial Statements 1 January to 31 December 2010	6 April	Epec Oy's forest machine information system and software product development unit in Kajaani to transfer to Ponsse Plc	9 Aug	Ponsse Plc's Interim Report for 1 January – 30 June 2011
4 March	Ponsse Plc's Annual Summary 2010	12 April	Decisions of Ponsse Plc's Annual General Meeting	25 Oct	Ponsse Plc's Interim Report for 1 January – 30 September 2011
21 March	Notice of Annual General Meeting	26 April	Ponsse Plc's Interim Report for 1 January – 31 March 2011	4 Nov	Ponsse Plc's Financial Reporting and Annual General Meeting in 2012
22 March	Ponsse Plc Annual Report for 2010 Published	31 May	Sigurd Skotte appointed Managing Director of Ponsse AS		



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PONSSE Fox



MISSION

We will succeed together with our customers and partners through innovative harvesting solutions based on sustainable development.

VISION

We are the preferred partner in our industry.

VALUES

HONESTY	INNOVATION	PONSSE SPIRIT	CLOSENESS TO THE CUSTOMER
HONESTY <ul style="list-style-type: none"> • We are honest and work with high ethics • Reliability • We keep sincerely what we have promised and we do not give any false promises • Openness 	PONSSE SPIRIT <ul style="list-style-type: none"> • Modesty and humble minds before work • Willingness to succeed and entrepreneurship • Capability in decision-making • Refusing to compromise in achieving goals • Common responsibility for the success of our business • We maintain good humour and fair play • Recognition and appreciation of our human resources and good communication 	<ul style="list-style-type: none"> • Helping our own colleagues and taking others into consideration 	CLOSENESS TO THE CUSTOMER <ul style="list-style-type: none"> • A real interest of the customer • Knowing the business of the customer • Good reachability and fast reaction • Willingness to serve and good support for the customer • Flat organisation

OPERATING POLICY ISO 9001: 2008 AND ISO 14001:2004

We develop, manufacture and market reliable and high-quality cut-to-length forest machines and information technology related to harvesting, and we produce services required in their effective utilization based on sustainable development. We constantly fulfil the expectations of our customer with our high quality products, services and operations. We offer our customer solutions that are suitable for natural environments and we are committed to developing our products and services considering the environmental aspects. According to our customer-oriented opera-

ting method, we listen to and understand our customers and respect their opinions.

The quality and environmentally friendly products, services and operations are our common goals. All Ponsse employees participate in the realization and development of quality with their own work, and pay attention to the environmental effects of their actions. We follow the legislation related to our operations. We only deliver products and services that meet our quality criteria. The basis of development in our quality and environmental matters are a skilful and

motivated personnel and profitable business operations.

We set goals to our operations. We measure and audit our operations and react effectively to deviations. This way we can ensure our competitiveness also in the future.

Ponsse Plc.'s management is committed to realizing our operating policy and ensuring that our policy is communicated to the personnel. With sufficient training we will ensure that our operating policy is understood by the whole group.

REVIEW BY THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CEO

2011 was a year of strong growth for Ponsse. At the same time, the year was two-sided, as the general economic situation deteriorated towards the end of the year.

At the beginning of the year, the sales of forest machines were active and our order books were at a historically high level. The EU debt crisis started to have an effect on our order intake at the end of the third quarter when uncertainty increased in the market. The order intake weakened further during the fourth quarter. However, our strong order books made it possible to manufacture forest machines at full capacity until the end of the year. Simultaneously, the pressures concerning the lengths of delivery periods eased.

Our objectives concerning profitable growth and a strong cash flow were realised in a reasonable manner. In terms of net sales, Ponsse achieved the best results in its history in 2011. During the first half of the year, our performance was burdened by several non-recurring items, but towards the end of the year our profitabil-

ity started to be at a normal level as well. The deterioration of the sales of trade-in machines made it more difficult to release capital from stocks, but we achieved a good cash flow from business operations, considering the operating environment. The growth in services was convincing.

Of our main markets, Finland, Russia, Germany and France were successful throughout the year. In Sweden as well, the number of our machines is increasing, and our investments in the market are starting to show results. The North American market continued to be challenging as a result of the problems in the North American economy. The low amount of detached house construction and the general insecurity, in particular, affected the sales of forest machines in the United States. However, Ponsse's market share has increased steadily, and we are an

emerging actor in a number of markets.

Investments in R&D continued normally during 2011. We launched new products to the market, such as the C44 crane developed for the larger size category alongside the C22 parallel crane, the H5 harvester head, the 20-tonne ElephantKing forwarder, the Bear 8w harvester with the new C6 sliding boom crane, the new version 4.710 of the Opti information system and the new user interface, PONSSE Comfort, to be introduced into serial production at the beginning of 2012. Our eight-wheel harvesters have been popular, and the change to the benefit of the eight-wheelers has been quick in the market – Bear 8w, Ergo 8w and Fox are machine models in high demand in all our market areas. Eight-wheel forest machines already account for about 70% of the total production of the factory. Our R&D has also strong-



“ Our objectives concerning profitable growth and a strong cash flow were realised in a reasonable manner. In terms of net sales, Ponsse achieved the best results in its history in 2011. ”



ly invested in the Euromot 3B and Tier 4i engine changes related to the emissions requirements of the EU and the Environmental Protection Agency (EPA) area of the United States.

The organisational change carried out in the R&D of information systems in the spring of 2011 has also proven to have been a good development measure. A development unit for forest machine information systems in Kajaani, Finland, formerly operating under our subsidiary, Epec Oy, was transferred to operate directly under Ponsse. Through the change, both Epec and Ponsse have been able to concentrate on their own core expertise and to accelerate the R&D cycle of information systems. Thus we can support our forest machine customers even better and faster. The R&D team working in Ponsse's Kajaani unit employs 25 professionals in information sys-

tems development, whose full-time contribution centres on the development of the measurement devices, control systems and PC equipment of PONSSE forest machines. PONSSE information system products continue to be manufactured at Epec Oy in Seinäjoki, Finland.

During 2011, we also made the company's values more assertive. The Ponsse values have not changed over the years. We continue on the way paved by the founder of the company, Einari Vidgrén: customer-orientation, honesty and drive for getting things done provide the starting points for all our daily work.

We will continue to focus on the sales, service, manufacture and R&D of cut-to-length forest machines from Vieremä, Finland. Our customers and committed personnel will enable common success in the future as well.

Juha Vidgrén
Chairman of the Board

Juho Nummela
President and CEO

REVIEW OF THE MARKET ENVIRONMENT

2011 was a strong year for Ponsse. Our business operations grew and we enhanced the efficiency of our operations in all our market areas. The renewed product family has provided us with a strong starting point for responding to the needs of the market.

The good work situation of forest machine entrepreneurs and the pressures to renew the machinery were discharged during the first half of the year. The demand for forest machines was at a good level, and we achieved record strong order books particularly in the middle of 2011. Our production increased its capacity, but regardless of this, the delivery periods were lengthened due to the long order books. Towards the end of the year, the situation was rectified as the demand evened out, and delivery periods became normal again.

THE MARKET

The change in harvesting methods is relatively slow, and about half of the world's industrial harvesting is still carried out manually. About 60% of the mechanically harvested wood is harvested through tree-length logging and about 40% is harvested through cut-to-length logging. Cut-to-length logging grows globally each year, but the change is slow. We focus on the development and manufacture of harvesting products for the modern cut-to-length logging. The requirements of the actors in the sector for the enhanced efficiency and environmental friendliness of harvesting operations and saving wood material have a continuous effect on the direction of development to favour harvesting through cut-to-length logging.

We are committed to acting in a long-term manner in all our selected market areas. We will not move into new market areas if we cannot guarantee high-quality local services to our customers.

International business operations account for about 70% of our total turnover. Of our market areas in 2011, Finland, Russia, Germany and France maintained a strong order intake. Likewise, the sales in the Baltic countries, Norway and Spain exceeded our expectations. In Finland, our market position was extremely strong for the year. In Sweden, our sales suffered due to the long delivery periods in the first half of the year as our order books were at a record level.

In North America, the market showed cautious signs of recovery. The South American market area continued to be challenging for us, but we have been able to increase our market share through persistent work. Our Uruguayan operations, in particular, have shown results with significant machine transactions. Last year, we particularly invested in the development of training services and the professional skill of personnel in South America. We have good products for the harvesting of eucalyptus, but in both North and South America we have to be able to turn the harvesting method into the efficient cut-to-length harvesting.

The following changes were made in our subsidiary organisation in 2011. In the United States, on 1 June 2011, Pekka Ruuskanen transferred to the post of Managing Director of Ponsse North America Inc. from the post of Sales Manager. The former Managing Director, Marko Mattila, transferred to the post of Area Director responsible for the support and development of Ponsse's dealer network in North

America. Sigurd Skotte was appointed as the Managing Director of Ponsse AS as of 1 September 2011, when Lyder Ellevold resigned from his post on part-time pension. Clément Puybaret was appointed as the Managing Director of Ponsse S.A.S. in France on 15 August 2011, when Tapio Ingervo transferred to the service of another employer.

PRODUCTS

Our order books have clearly shown that our products respond well to the needs of the market. Harvesting is now carried out on even more challenging terrains and conditions. The profitability of entrepreneurs' operations is often decided by the extensive usability of harvesting equipment when the work sites vary according to, for example, terrain, the size of the stand and the wood to be harvested.

The number of the new eight-wheel harvesters already clearly exceeds that of the six-wheel machines in production. Ponsse's product selection includes eight-wheel harvesters in all harvester size categories from thinning to heavy duty regeneration felling: PONSSE Bear 8w, PONSSE Ergo 8w and PONSSE Fox. The change has been rapid – we launched the first eight-wheel harvesters to the market in the Skog-Elmia exhibition in Sweden in the summer of 2009. The new forwarder models, PONSSE Buffalo and the 20-tonne PONSSE ElephantKing, and the H-series harvester head model selection have been received well in the market. The user experience in the new crane models –



parallel cranes C22 and C44 and the sliding boom crane C6 – has been excellent. We want to be clearly in the vanguard of development in information system products, and in 2011 we again launched new products as well as product improvements.

SERVICES

Investment in the continuous development of services is a strategic choice for us. Wood is harvested in quite extreme conditions, and the work environment of forest machine entrepreneurs varies a lot. The machines have to be reliable and services must be operational in severe frosts and deep snow, extreme heat and challenging terrain on slopes and soft soils.

The services are always built in a market-specific manner to suit local conditions. The importance of skilled personnel and the service spirit is emphasised when the customer's business operations are dependent on the quality of our services. It must be possible to provide services from all-inclusive comprehensive service solutions to effective field service and quick spare parts deliveries. How we solve problem situations determines our customers' confidence in us.

Even though the conditions vary, the basic requirements of machine entrepreneurs are the same everywhere: productive and sustainable product solutions suited to diversified harvesting needs, whose support services with maintenance, spare parts and training function impeccably.

Since its founding, Ponsse has been a family enterprise, just like many other harvesting companies today. Knowing the daily life of a machine entrepreneur helps us respond to the machine entrepreneur's needs for products and services. It is essential to quickly address the correct issues. Operations and products are developed with a positive approach in continuous cooperation with our customers and other actors in the sector. We want to prove daily to our customers that we are worth their confidence. From generation to generation and from market to market.

Jarmo Vidgrén
Sales and Marketing Director

“ Operations and products are developed with a positive approach in continuous cooperation with our customers and other actors in the sector. We want to prove daily to our customers that we are worth their confidence. From generation to generation and from market to market.

MARKET AREAS



NORTHERN EUROPE

The 2011 SkogsElmia and Skogsnolia exhibitions in Sweden were the largest events in the area. We launched the heavy duty size PONSSE Bear 8w harvester with the C6 sliding boom crane, the 20-tonne PONSSE ElephantKing forwarder, the PONSSE H5 harvester head, the new PONSSE C44 parallel crane, the PONSSE Comfort user interface and the new 4.710 version of the PONSSE Opti information system.

In Sweden and Norway, the heavy duty size Bear 8w harvester and the ElephantKing forwarder have received very well, as both markets have in places quite large trees and steep slopes. The long transport distances of certain harvesting areas and the requirements for higher productivity have also increased the need for forest machines suitable for regeneration felling. On the other hand, the share of thinning and multi-stemming has also been increasing. The design

of the H5 harvester head started from our customers' need to receive a diversified and productive harvester head for thinning-oriented harvesting and multi-stemming. In Finland, Ponsse's market position was record-breakingly strong, and we were the clear market leader. In the Baltic countries, the market picked up clearly.

The share of eight-wheel harvesters has exceeded the sales of six-wheel harvesters. Thanks to its ease of use and efficiency, the new C44 parallel crane for PONSSE Ergo harvester models has, for its part, increased our harvester sales. The ergonomics and user comfort of forest machines play a significant role in Northern Europe.

CENTRAL EUROPE AND SOUTHERN EUROPE

In 2011, the French and German markets, in particular, maintained our strong order intake, while the Spanish market picked up. In the varying harvesting conditions of Central and Southern Europe, we have been able to offer harvesting equipment that is well suited to the local conditions. The new eight-wheel harvesters

played a significant role in the sales of the area in 2011. With the eight-wheel machines, our customers have been able to harvest wood at sites where mechanical harvesting was earlier impossible or unprofitable.

Steep slopes, difficult terrain and the wide spectrum of tree species demand a lot from the machines. For example, in France, 60% of the harvested wood is hardwood. The new C22 and C44 parallel cranes and the new C6 sliding boom crane have enabled more extensive use of PONSSE forest machines in, among other things, special sites where traditionally wood has had to be harvested by forest workers. The structure of the cranes has also made transfers of machinery easier, as in Central Europe the plots are typically small and scattered.

RUSSIA AND ASIA

During the past five years, Russia has become one of the largest markets for modern cut-to-length forest machines. The number of professional harvesting companies has increased, and the productivity and efficiency of work are now at a whole other level in comparison to previous years. The requirements for efficiency, precision, quality, ergonomics and economy have driven demand strongly in the direction of modern harvesting equipment. The lack of workforce is also increasingly a reason for acquiring machines.

2011 was a progressive year in the sales of machines and services in Russia, and the result became good. The focus in operations was on raising the service level and the development of the supply of training services. Eight-wheel harvester models seem as if they were designed for the

Russian conditions. In a number of important forest areas, the terrain conditions are difficult, and high requirements are set for the mobility and power of the machines. In Russia as well, Ponsse's trump card is the 100 per cent commitment to forest customers and to supporting their business operations.

In the Guangxi province of Southern China, we offer comprehensive sales, services and training. Ponsse's rubber-wheel forest machines have proven to be a functional solution enabling mechanical harvesting in challenging conditions. The local eucalyptus farms are located on slopes, as flat land is utilised in food production. The first PONSSE harvester was sold to Japan in 2011.

NORTH AND SOUTH AMERICA

In North America, Ponsse's business operations focus on the vicinity of the Great Lakes and Eastern Canada and the area of the State of Maine. Eight-wheel harvesters are also well suited to the difficult slope conditions in the Western United States. In 2011, the eight-wheel harvesters increased our market share, and we were the market leader in rubber-wheel harvesters.

Long-term customer relationships are typical of Ponsse's North American operations. The ten first customers of the area from the 1990s are still Ponsse's customers today. In Canada, Ponsse started its operations officially in February 2000 when the cooperation agreement with the first Canadian PONSSE dealer, A.L.P.A. Equipment, was signed.

In South America, we concentrated on enhancing the efficiency of our maintenance and spare parts services and training services in 2011. Ponsse's sales developed well in Uruguay, where we introduced a version of the PONSSE C44 parallel crane with a reach of 8.5 metres. The model is particularly suited to eucalyptus work sites where the debarking PONSSE H7euc harvester head is used for harvesting. In both North and South America, PONSSE products are well suited to the local harvesting, and the change of method to the environmentally friendly cut-to-length harvesting is progressing gradually.

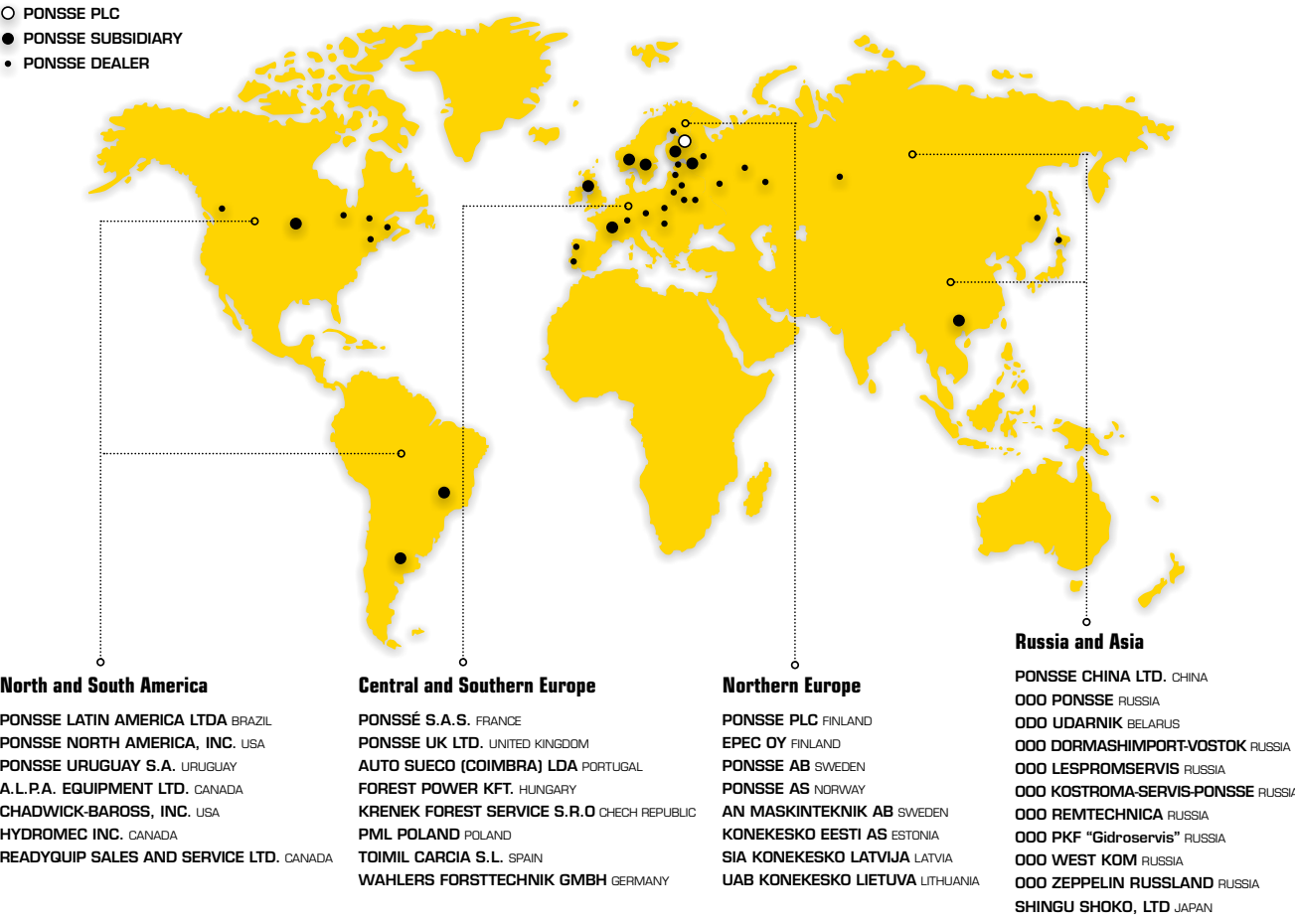


Photo: Anlegg&Transport, Norway

EVENTS DURING THE YEAR 2011



FACTORY AND BUSINESS PARK FOR PARTNER COMPANIES
The cooperation with partner companies has remained strong. The Vieremä factory, the partner companies and the Iisalmi Service Centre employ approximately 800 people in the Northern Savo region.



INVESTMENTS IN PRODUCTION
The expansion work of assembly was started in the autumn. Towards the end of the year, machining, welding and automation investments were deployed. As support for R&D operations, a testing hall was built for the fatigue testing of frame and boom structures.



PONSSE LADIES
Ponsse Ladies visited OOO Ponsse in St. Petersburg in September. The activities of Ponsse Ladies in Finland involve about 200 spouses of our customers.



LAUNCHES IN 2011
In 2011, Ponsse launched a number of new products: the PONSSE C44 parallel crane, the PONSSE H5 harvester head, the PONSSE ElephantKing forwarder, the PONSSE Bear 8w harvester, the PONSSE Opti 4.710 information system version, and an ergonomic user interface, PONSSE Comfort.



16-18 JUNE: SKOGSNOLIA IN UMEÅ & 26-28 MAY: SKOGSELMIÄ IN JÖNKÖPING
The new PONSSE products of 2011 were launched in Sweden.



22 SEPTEMBER: IISALMI
22 PONSSE machines by train to the harbour. About 70% of Ponsse's production is exported.



13-15 MAY: EXPOFOREST 2011, BRAZIL



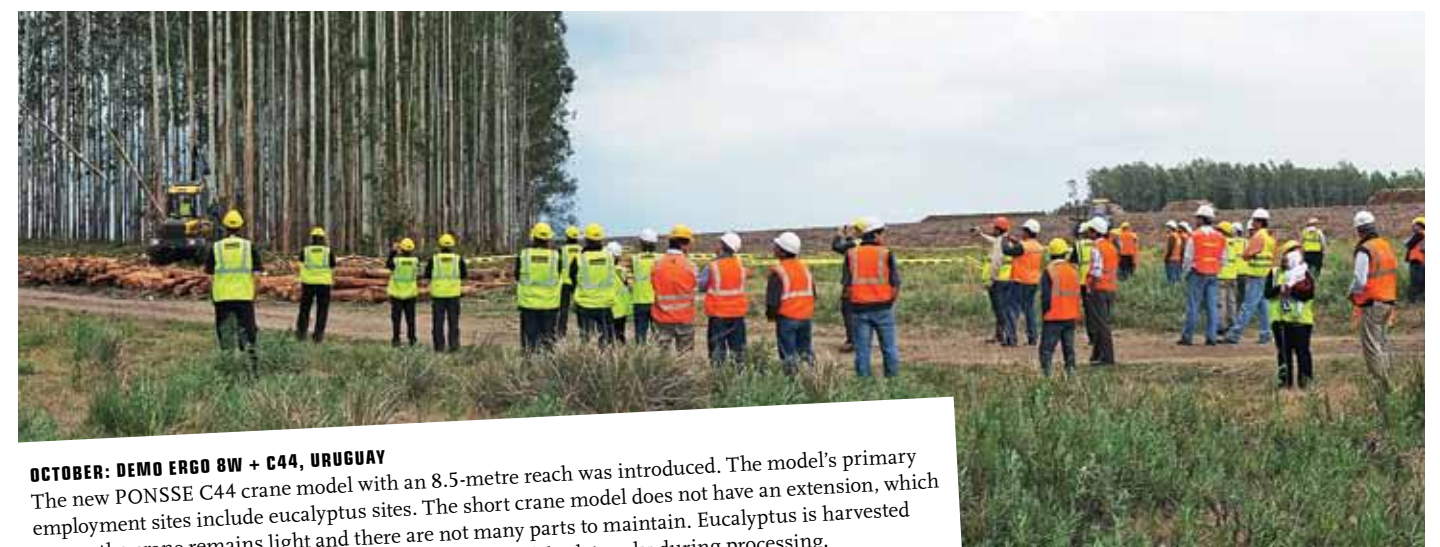
7 JUNE: ST. PETERSBURG
The opening of the new service centre of OOO Ponsse.



PONSSE CLUB
During 2011, more than 2,700 guests stayed at the Ponsse Club. The smoke sauna was heated in over 100 evenings.



10 MAY: AWARD EVENT OF THE EINARI VIDGRÉN FOUNDATION
The Einari Vidgrén Foundation rewarded forestry professionals with EUR 86,000.



OCTOBER: DEMO ERGO 8W + C44, URUGUAY
The new PONSSE C44 crane model with an 8.5-metre reach was introduced. The model's primary employment sites include eucalyptus sites. The short crane model does not have an extension, which means the crane remains light and there are not many parts to maintain. Eucalyptus is harvested with the PONSSE H7euca harvester head, designed to debark trunks during processing.

THE BEST PRODUCTS FOR THE BEST HARVESTING METHOD

Ponsse specialises in harvesting solutions for cut-to-length logging (CTL). The company is one of the key developers and pioneers of cut-to-length equipment and the logging method itself. Ponsse has also actively organised training in the use of cut-to-length machinery in Finland and abroad.

Cut-to-length logging emerged and developed in the Nordic countries, where it has already for a long time been the predominant harvesting method. The basic idea of the method is that the tree is felled, delimbed and cut in the forest into various log assortments for different uses. The key competing logging methods are tree-length and full-tree logging, where the tree is felled and transported delimbed or without delimbing to an operation area or terminal, and when necessary cut to transport length. Cutting for different uses takes place in a processing area or only at the production mill.

The advantages of modern cut-to-length logging compared with the competing methods are significant. The method introduces important productivity advantages for the production mills, the wood

supply companies, the forest owners and the forest machine contractor: the efficiency of harvesting, the desired dimensions and high quality of the produced timber and the maximal utilisation of the value of harvested trees.

Cut-to-length logging enables thinning for forest management purposes, and it is also applicable for soft soils, steep slopes and otherwise difficult terrain thanks to the light equipment that puts little stress on the soil. Compared with other methods, the environmental impact is considerably lower with regard to not only damage to the vegetation and soil but also emissions from the machinery and the consumption of fuel.

For the drivers of the machines, a cut-to-length forest machine is a more ergonomic and more pleasant working environment than the tree-length and full-tree

logging machines representing more old-fashioned technology. In the competing methods, machinery, personnel, spare parts and fuel are needed more per harvested solid cubic metre. In cut-to-length logging, trees are felled, cut and transported to the side of the road with significantly lower numbers of machines and personnel and at considerably lower cost.

Today, about half of industrial wood harvesting still takes place manually. Cut-to-length logging only accounts for about 20% of the amount of wood harvested in the world. The share of wood harvested using cut-to-length logging is rising moderately thanks to the cost pressures directed at harvesting and tightening environmental requirements. The change in the harvesting method also causes additional needs for increasing driver training,

CUT-TO-LENGTH LOGGING IN BRIEF

PRODUCTIVE EQUIPMENT

The harvesting equipment consists of a harvester and a forwarder team. The machines are technically more advanced and lighter than the machines in tree-length and full-tree logging. The harvester fells, delimbs, measures and cuts the trunks according to the wood user's wishes. The forwarder transports logs to the side of the forest road, keeping each type in a separate pile. Then a timber truck equipped with a loading crane transports the logs to the mill. Correspondingly, in the case of tree-length and full-tree logging, the harvesting equipment includes five or even six different machines, such as a feller buncher, a skidder, a loader and either a processor or a delimer and slasher. In addition, a separate loading machine is often used for the loading of timber trucks.

ENVIRONMENTAL FRIENDLINESS

Thanks to the cleaner after-harvest track, cost-efficient harvesting of small felling sites and selective thinning, cut-to-length logging wins general acceptance more easily. The after-harvest track refers to the state of the trees and soil of the forest after harvesting.

BETTER YIELD

With cut-to-length logging, considerably more log wood is recovered, because the harvester measures each trunk precisely before it is cut. It is possible to separate even a small amount of special wood, such as high-quality hardwood veneer logs and poles, and transport it cost-effectively to the mill.

EFFICIENT LOGISTICS

The long-distance transport of the logs to the mill can be managed at lower cost and

with greater efficiency. The sawlogs are transported directly to the sawmill, veneer bolts straight to the plywood or veneer mill and pulpwood directly to the pulp mill. In this way, the trip is shorter than with tree-length logging, where the whole trunk is usually first taken to a sawmill for cutting and handling. The part destined for pulpwood is chipped and transported onward to a pulp mill. This means more handling cycles for pulpwood, and the transport distance is longer.

QUICK FURTHER PROCESSING

The logs are cut right in the forest, and at the sawmill they are sorted into batches of similar sizes before sawing begins. As the logs are within the same diameter range, the batch can be sawn with assembly line speed and it is not necessary to continually readjust the saw's blade setting between logs.



1 The cut-to-length machines have a crane with a reach of about 10-11 metres, and the trunks can be cut on-site in the forest. This enables selective thinning where forest stands that are too dense are thinned and the stand's best trees are left to continue growing. It is essential that high-quality and productive trees remain growing after the thinning.

2 The tree is delimbed and cut into lengths in the forest. This means that all of the nutrition-rich leaves and needles, the branches and tops remain in the forest to provide nutrition for the trees that remain growing or the new seedlings.

3 The machines are manufactured to be relatively light, as the method does not involve handling whole trunks. In logging sites with fragile terrain, the harvester is used to leave branches cluttering the logging road over which the forwarder drives, which protects the soil and improves its carrying capacity.

4 There are fewer machines to be moved to the work site, and thus it is possible to harvest even small logging areas cost-effectively. Only small roadside landings are needed, since the wood is not processed there. In the case of tree-length and full-tree logging, large roadside landings are required for the delimbing and cutting of trees.



“ Eight-wheel harvesters already account for the majority of Ponsse’s harvester sales. The products have been well suited to customers’ needs when harvesting is transferred to increasingly challenging conditions – soft soils and steep slopes.



PONSSE PRODUCT RANGE

The PONSSE product range covers harvesters, forwarders, harvester heads, cranes, loaders and information system products for cut-to-length harvesting. Ponsse has concentrated not only design but also component manufacturing on itself to enhance quality, delivery reliability and the R&D process. Approximately 70% of the components of PONSSE machines are manufactured in-house. Ponsse’s subcontracting network is mainly located in Finland.

PONSSE forest machines are in use in almost all key areas of industrial harvesting in the world. The sales and service network covers close to 40 countries, and the requirements for the product features vary strongly in the different market areas. The product range is built so that the modular product structure enables us to manufacture a number of variations of the same product in a high-quality and efficient manner. Therefore, Ponsse can offer a comprehensive and efficient product range suited to each customer’s special needs and the local conditions in all its market areas. Each PONSSE forest machine is manufactured on order.

PONSSE HARVESTERS

In Ponsse’s harvester models, our customers can find a machine in a suitable size category for all efficient cut-to-length harvesting from first thinning and harvesting of forest energy to heavy duty regeneration felling. However, all machine models are designed for a general size category in terms of their size and performance, whereby the work is not narrowly restricted to certain types of work sites due to the equipment.

Ponsse introduced the new eight-wheel harvester models for the first time at the SkogsElmia exhibition in Sweden in the summer of 2009. Today, our product range

includes eight-wheel harvesters in all size categories: PONSSE Bear 8w, PONSSE Ergo 8w and PONSSE Fox. Eight-wheel harvesters already account for the majority of Ponsse’s harvester sales. The products have been well suited to customers’ needs when harvesting is transferred to increasingly challenging conditions – soft soils and steep slopes. Our strong investments in R&D in the past few years have been right on target. The harvester product family has been thoroughly renewed in the past few years with the new eight-wheel harvester models and the new harvester head model selection and the completely new crane model selection.



“ We test drive all PONSSE forest machines in genuine logging situations before the machines are delivered to the customer. New PONSSE products are developed in close cooperation with customers to find the correct solutions and tested in the operating environment for which the product is designed before being introduced into production.



Test driver Jarmo Udd

PONSSE Beaver and the eight-wheel PONSSE Fox represent the lower medium-size harvesters for thinning-oriented work. As the harvester head, the new PONSSE H6 or PONSSE H5 models can be selected for both. The new arrival in the product family, PONSSE H5, has responded particularly to the increased needs of thinning and multi-stemming sites. It has quickly gained wide popularity thanks to its compact size but simultaneously excellent efficiency. A new, very easy to use and extendable PONSSE C22 parallel crane is available for both the Beaver and the Fox harvesters. The introduced eight-wheel version of the higher medium-size PONSSE Er-

go harvester has proven a very successful concept. In 2011, a new PONSSE C44 parallel crane was introduced for Ergo. The operating principles of C44 are based on the smaller C22 model, but it is has been reinforced according to the requirements of the larger base machine and harvester head. As the multi-stemming method is becoming more common and when customers have started to wish for not only compact size but also more performance from a general-purpose harvester, Ergo has emerged as a frontrunner in the Finnish harvesting market as well. Equipped with the new C44 crane, many customers have found it to be the best solution both

in thinning and in regeneration-oriented felling. In 2011, an eight-wheel version of Ponsse's largest harvester model, PONSSE Bear, and the mighty and powerful PONSSE C6 sliding boom crane were launched to the market. In its eight-wheel version, the Bear and its superior performance take another large step forward, offering unbelievable stability and ability to move forward especially in slope sites and among particularly large trees. The speed, power and low centre of gravity of the sliding boom crane C6 do it justice particularly in a large size category machine and in the handling of heavy trunks in uneven terrain.

HARVESTER PRODUCT FAMILY



PONSSE FORWARDERS

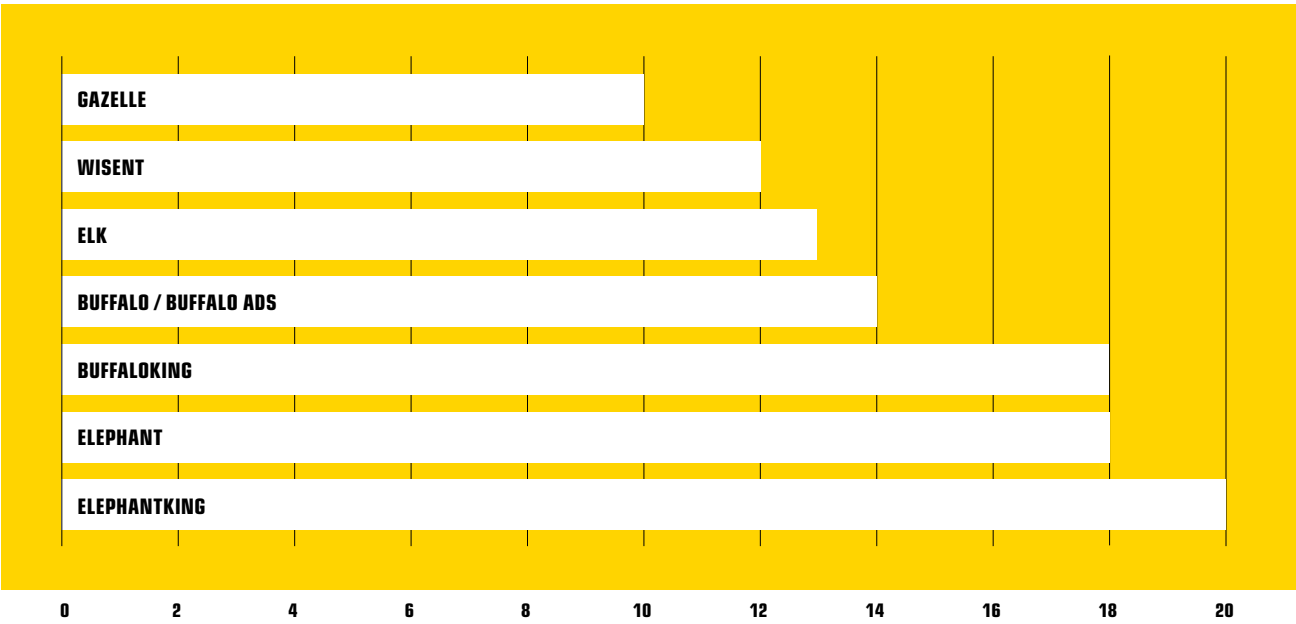
The forwarder product line has also been determinedly developed on the basis of customer feedback. In PONSSE forwarders, the key factors guiding R&D are power, user comfort, favourable ratio of net weight to load-carrying capacity and environmental friendliness thanks to, among other things, even weight distribution and small turning radiuses. Ponsse's forwarder family covers all carrying capacity categories, from the 10-tonne Gazelle to the 20-tonne ElephantKing. The new model of 2011, PONSSE ElephantKing, was introduced at the SkogsElmia and Skogsnolia exhibitions in the spring. ElephantKing with its 20-tonne carrying capacity and 24-tonne tractive force introduces a new era of forwarder productivity. On the basis of feedback, the reliability of the machine is also excellent. ElephantKing is a superior solution for challenging work sites and long transport distances. According to the feedback received, the completely renewed PONSSE Buffalo introduced in 2010 met all the most important wishes of customers and

drivers. Ponsse will now follow the same development lines in its other forwarder models and continue close cooperation with its customers to implement new ideas and carry out wishes. Besides working on the development of basic machines, the forwarder R&D has worked diligently for the development of forest energy harvesting. We have developed and tested various load space solutions in close cooperation with the different actors in the sector so that we could find the best solution in terms of both economy and operating model. Among other things, mechanically and hydraulically changing load spaces and loader scales bring flexibility to harvesting. The same equipment can be used for harvesting both industrial and energy wood.



“ Ponsse's forwarder family covers all carrying capacity categories, from the 10-tonne Gazelle to the 20-tonne ElephantKing.

FORWARDER PRODUCT FAMILY



PONSSE INFORMATION SYSTEMS

Ponsse designs and manufactures all of the control and measuring systems needed for the wood procurement chain – from stump to plant. PONSSE information system products cover wood procurement management systems and forest machine information systems. To promote productive wood harvesting, Ponsse is also investing in the development of effective training technology. Ponsse's application and R&D unit in Kajaani, Finland, employs 25 Ponsse people who concentrate on developing information system products for forest machines. Ponsse's information system products are manufactured at Ponsse's subsidiary, Epec Oy, in Seinäjoki, Finland. Epec designs and manufactures control systems for mobile machines, electronics and software for challenging conditions.

The basic principle for the continuously developing PONSSE information system products is ease of use. Drivers' wishes and the requirements of forest companies are also taken into account in the design. The PONSSE Opti products include machine control and work management systems for harvesters, forwarders and track-based applications.

In 2011, Ponsse introduced significant reforms for multi-stemming and enhancing the operations and precision of loader scale measurements. A few of the most recent information system renewals are also the new, more efficient Opti5+ PC computer and the new Opti 4G software version for it with its numerous reforms. The

basic equipment of forwarders, the Opti-Control control system, was also renewed, receiving a new user interface and a colour display. In the new PONSSE Comfort user interface, ergonomic control handles are combined with easy adjustment of arm rests and clear controls. The most comfortable control handles, arm rests and switch consoles on the market and driver-specific adjustment possibilities are an important step forward for driver ergonomics.

One new product that will surely become important in the future is also PONSSE Fleet Management, through which machine entrepreneurs can in real time monitor the location of their machine fleets on the map, their work situation and, among other things, the service schedule.



“ In the design of the new PONSSE Comfort user interface, drivers were monitored in genuine work situations and different solution possibilities were tested together with customers to achieve the best possible ergonomics.



“ PONSSE H5 has responded particularly to the increased needs of thinning and multi-stemming sites. It has quickly gained wide popularity thanks to its compact size but simultaneously excellent efficiency.

PONSSE SERVICES

– SERVING THE CUSTOMER 24/7

A forest machine must remain efficient, productive and reliable in the most challenging conditions, be it in the severe frosts of Siberia or in the heat of South America. Our customers are very different in terms of their operations, needs and organisations – from owners of individual machines to large forest companies. The varying and extreme conditions and the different customer needs pose their own requirements for the maintenance, service operations and design of forest machines.

Despite the different backgrounds, all forest machine buyers have acquired the forest machine to generate income by felling trees and transporting them to the storage site. The owner of the machine does not receive income if the machine does not work or if it operates at less than full power. The purpose of services is to keep customers' machines, harvesters and forwarders efficiently at work.

The annual operating hours of forest machines vary by market area. In Finland, the operating hours are typically 2,000–3,000 hours per year. In practice, this means that some of the machines operate in two shifts from early morning until late at night. In some market areas, such as Russia and South America, the annual operating hours may even be more than 6,000 hours. This means that the machine operates round the clock every day of the year.

In many market areas, the work sites of forest machines are extremely far from villages and cities. It is not unheard of that there is no road connection to the work si-

te, but machines are transported to the site and back over a frozen river during the winter, for example.

SOLUTIONS ACCORDING TO THE CONDITIONS

In order to support the different conditions, customers, markets and annual operating hours of the machines, various customer-specific service solutions must be provided.

The customer's service needs vary from the delivery of individual spare parts or supplies to a comprehensive service solution where Ponsse manages all services – starting from the beginning of training for drivers. The popularity of service agreements continues to grow. The extent of the different agreement models varies between the servicing of an individual machine and comprehensive responsibility for the service of dozens of machines.

We always tailor local services according to local needs. In Finland, we have built two service products to ensure the

usability of the machines at the highest possible level. Technical support responds to technical questions posed by drivers or the service network in the evenings and at weekends as well, and the spare parts on-call service enables the acquisition of spare parts in the evenings and in some of the service points also at weekends.

Regardless of the extent of the service needs, the starting point for all service solutions is the high professional skill of the service personnel and their wish to serve the customer, the easy availability of the services and customers' confidence in Ponsse's operations.

THE CENTRAL WAREHOUSE OF THE SPARE PARTS SERVICES IS LOCATED IN IISALMI, FINLAND

Ponsse's fast, reliable and global service is made possible by an insightfully planned service network. The 150 service and spare parts centres around the world are where the customers are. An important element of the service operations, our central wa-

rehouse, is located in Iisalmi, only 25 km from the factory. Closeness to the factory ensures problem-free cooperation between production and service operations. The factory in Vieremä is also responsible for manufacturing a major share of our spare parts. When our spare parts and service system functions at an international level, it makes no difference to the customer where the actual logistics centre is located. However, as a Finnish company from Northern Savo, it is meaningful for Ponsse to work from the place where the company was founded and where its production lies.

The Iisalmi Service Centre is a central warehouse that maintains local spare parts warehouses customised according to continent and country. More than one million parts and supplies depart to the world from Iisalmi annually. There are close to 100,000 separate consignments. The warehouse operates round the clock in three shifts, seven days a week. The warehouse houses about 22,000 stock items. Iisalmi also provides international technical support. The Iisalmi Service Centre employs approximately 100 people in the varied tasks of a spare parts warehouse, a workshop, spare parts overhauling, technical support and training, documentation and trade-in machine sales.

Due to the different customs practices, comprehensive local spare parts services are very significant for a great many markets. Accordingly, Ponsse has made substantial investments in local warehouses

and built local operations on the basis of local customer needs. This enables us to minimise risks related to time consumption and logistics. The local representatives know their regions and customers, including each customer's machinery and unique demands. Regular restocking with core deliveries ensures functional and seamless service near the customer and work sites.

In order to maintain and improve the professional skill of our service network, we continue the existing training routines and develop the training to correspond to the changing needs of the sector. We train the personnel of our own service centres, retailers and contract workshops and our customers continuously both at the factory and locally. Knowhow is actively exported to the field so that it is available to our customers both through Ponsse's experts and our contract workshops.

We also monitor customer satisfaction with regard to services throughout the network. The feedback from customer satisfaction surveys is excellent material for the development of operations.

R&D IN SERVICE PRODUCTS AS WELL

In the past few years, we have expanded the product range of spare parts to include PONSSE Performance Packages. The idea of Performance Packages is to provide an entity consisting of spare parts and work related to them, through which the performance of a forest machine can be updated to be more efficient or a wholly new feature

can be added to a machine already in use.

The extensive product range of the supply side provides customers with wearing parts and other products related to forest machine contracting, such as tanks intended for transporting fuel, at a sensible price.

The idea of Ponsse's Reman (remanufactured) Parts is to provide lower price alternatives, particularly for older machines. The product range has been developed with the growth of operations, and we are continuously improving the product selection.

Our key new development projects in our service selection are the renewal of the spare parts documentation system and the auditing system of our service centres. Through these, we aim to improve and enhance the efficiency of our customer service. The renewal of the spare parts documentation system offers personnel acting at the customer interface an even clearer and more efficient tool for prompt and high-quality customer service. In turn, the auditing model where service operations are evaluated at the service point level has been developed to support the comprehensive development of service centres and continuous improvement of operations. We believe that we will thus be able to improve the quality of local operations, enhance the efficiency of operations and, through this, improve our customer service.





From top left: Jukka Vidgrén, Ossi Saksman, Mammu Kaario, Heikki Hortling, Ilkka Kylävainio, Juha Vidgrén

The Board was selected by the Annual General Meeting on 12 April 2011

SELECTING BOARD MEMBERS

According to the Articles of Association, the Ponsse Plc Board consists of at least five and at most eight members. The Board members are selected by the Annual

General Meeting which – according to the Articles of Association – must be held by the end of June each year. The period of office of the Board members ends at the next Annual General Meeting. The Board selects a chairperson for the period of office from among its members.

BOARD MEETINGS

During the year under review, the Board convened eleven times. The Board members actively participated in the meetings – the attendance rate was 95,3 %.

CHAIRMAN OF THE BOARD

JUHA VIDGRÉN

b. 1970
Master of Pedagogy
Ponsse Plc Board member since 2000
Shareholding in Ponsse Plc on 31 December 2011: 6,205,018 shares

WORK EXPERIENCE

Deputy to the CEO 2003
Public relations officer 2000–2003
Press officer 1998–2000

OTHER KEY POSITIONS OF TRUST

Epec Oy Chairman of the Board
Klaffi Tuotannot Oy Board Member
Einari Vidgrén Oy Board Member
Suomen Filmiteollisuus (SF) Oy Board Member
Einari Vidgrén Foundation Chairman of the Board
Chairman of Vieremän Kylänraitti Association
Chairman of Vieremän Oriyhdistys Association

DEPUTY CHAIRMAN OF THE BOARD

HEIKKI HORTLING

b. 1951
Master of Economic Sciences
Ponsse Plc Board Member since 2010
Independent of the company and major shareholders

WORK EXPERIENCE

Olvi Oyj, Chairman of the Board of Olvi Plc since 1998, Material manager 1986–1998, Marketing manager 1981–1986

OTHER KEY POSITIONS OF TRUST

Puhelinosuuskunta IPY Board Member

MAMMU KAARIO

b. 1963
Korona Invest Oy, Investment Manager
Master of Law, MBA
Ponsse Plc Board Member since 2010
Shareholding in Ponsse Plc on 31 December 2011: 4,500 shares
Independent of the company and major shareholders

WORK EXPERIENCE

Unicus Oy, Partner 2006–2011, Conventum Corporate Finance Oy, Director 1998–2005, Prospectus Oy, Director 1994–1998, Kansallis-Osake-Pankki, Specialist 1988–1994

OTHER KEY POSITIONS OF TRUST

Makai Holding Oy Chairman of the Board, Enfo Corporation Board Member, Unicus Oy Board Member, FiBAN – Finnish Private Investments ry Board Member

ILKKA KYLÄVAINIO

b. 1946
Managing Director of Keitele Group
Wood industry technician
Ponsse Plc Board member since 1999
Shareholding in Ponsse Plc on 31 December 2011: 24,179 shares
Independent of the company and major shareholders

WORK EXPERIENCE

Keitele Forest Oy, Managing Director since 1988, Keitele Engineered Wood Oy, Managing Director since 2005, Keitele Timber Oy, Managing Director since 1981, Keitele Energy Oy, Managing Director since 1993

OTHER KEY POSITIONS OF TRUST

Keitele Forest Oy Chairman of the Board, Keitele Engineered Wood Oy Chairman of the Board, Keitele Timber Oy Chairman of the Board, Keitele Energy Oy Chairman of the Board, Finnish Sawmills Association Board Member

OSSI SAKSMAN

b. 1951
Chairman of the Board of Cooperative Osuuskunta KPY
Administrative Notary
Member of the Board of Directors of Ponsse Plc since 2009
Ownership in Ponsse Plc on 31 December 2011: 5,000 shares
Independent of the company and major shareholders

WORK EXPERIENCE

Carlsson Oy, Managing Director 1990–2008, Office Manager 1977–1983, Kuopion Osuuspankki, Bank Manager 1984–1989, Saastamoinen Yhtymä Oy, Accounting Manager 1975–1976, Finance Manager 1973–1974

OTHER KEY POSITIONS OF TRUST

KPY Sijoitus Oy Chairman of the Board, Sepa Oy Chairman of the Board, Savon Voima Corporation Chairman of the Board, Oy Carlson Deputy Chairman of the Board, Savon Energiaholding Oy Board Member, Enfo Corporation Board Member, Savon Voima Salkunhallinta Oy Board Member, JL-Rakentajat Oy Board Member, Veljekset Halonen Oy Deputy Board Member

JUKKA VIDGRÉN

b. 1984
Managing Director of Bro ’n son Productions Oy
Bachelor of Culture and Arts
Member of the Board of Directors of Ponsse Plc since 12 April 2011
Shareholding in Ponsse Plc on 31 December 2011: 3,764,778 shares

WORK EXPERIENCE

Entrepreneur, Bro ’n son Productions Oy

OTHER KEY POSITIONS OF TRUST

Einari Vidgrén Foundation Board Member, Suomen Filmiteollisuus (SF) Oy Board Member

MANAGEMENT TEAM 31 DECEMBER 2011



Juho Nummela



Jarmo Vidgrén



Pasi Arajärvi



Juha Haverinen



Petri Härkönen



Juha Inberg



Timo Karppinen



Tapio Mertanen



Paula Oksman

JUHO NUMMELA

b. 1977, Chairman of the Management Team Dr.Tech.
President and CEO
Member of the Management Team since 2 January 2005
Joined Ponsse in 2002
Previous main positions: Ponsse Plc, Factory Director 2006–2008, Ponsse Plc, Quality- and IT Director 2005–2006
Shareholding in Ponsse Plc on 31 December 2011: 26,246 shares

JARMO VIDGRÉN

b. 1975
Commercial College Graduate in Marketing
Group Sales and Marketing Director and Deputy to the CEO
Member of the Management Team since 22 October 2001
Joined Ponsse in 1997
Previous main positions: Ponsse Plc, Vice President responsible for the North-European business area 2007–2008, Ponsse Plc, Sales Director, Finland 2004–2008, Ponsse Plc, Area Sales Manager 2001–2004, Ponsse AB, Warranty Handler and Area Sales Manager, used machines 1999–2001
Shareholding in Ponsse Plc on 31 December 2011: 3,679,938 shares

PASI ARAJÄRVI

b. 1967
Bachelor of Logistics
Director of Purchasing and Logistics
Member of the Management Team since 2 December 2004
Joined Ponsse in 2002
Previous main positions: Ponsse Plc, Manager, Spare Parts and Logistics 2002–2004

JUHA HAVERINEN

b. 1974
Bachelor of Machine Automation
Factory Director
Member of the Management Team since 1 June 2008
Joined Ponsse in 2007
Previous main positions: Ponsse Plc, Production Manager 2007–2008, Kesla Plc, several assignments in production, among others production development, supervising and production managing during 1999–2007

PETRI HÄRKÖNEN

b. 1969
M.Sc. (Tech.)
CFO
Member of the Management Team since 1 October 2009
Joined Ponsse in 2009
Previous main positions: Suunto Oy, Director, Operations and Quality 2007–2009, Elcoteq SE, Director, Global Sourcing, 2004–2007

JUHA INBERG

b. 1973
Dr. Tech.
Director, Technology and R&D
Member of the Management Team since 1 January 2009
Joined Ponsse in 2003
Previous main positions: Ponsse Plc, R&D Engineer 2003–2006, Engineering Manager 2006–2008

TIMO KARPPINEN

b. 1964
M.Sc. Economics
Executive Director, Corporate Development and Strategy

Member of the Management Team since 1 January 2009
Joined Ponsse in 2011
Previous main positions: Nokia Corporation, CFO North America 2008–2010, Nokia Corporation, CFO Asia 2005–2008 and Nokia Corporation, CFO China 2000–2005
Shareholding in Ponsse Plc on 31 December 2011: 3,000 shares

TAPIO MERTANEN

b. 1965
Technician (technical college), MTD
Service Director
Member of the Management Team since 3 May 2010
Joined Ponsse in 1994
Previous main positions: Ponsse Plc, Distribution Development Director 2007–2010, Ponsse Plc, Service Director 2004–2007, Ponsse Plc, After Sales Manager 1997–2004, Ponsse Plc, Parts Manager 1995–1997
Shareholding in Ponsse Plc on 31 December 2011: 400 shares

PAULA OKSMAN

b. 1959
MA
Director of Human Resources and Ponsse Academy
Member of the Management Team since 1 August 2005
Joined Ponsse in 2005
Previous main positions: Genencor International Oy, Manager of Human Resources 1996–2005, University of Jyväskylä, Continuing Education Centre, Head of Training Division 1987–1996

AREA DIRECTORS AND SUBSIDIARY MANAGING DIRECTORS 31 DECEMBER 2011



JARMO VIDGRÉN

b.1975
Sales and Marketing Director, Deputy to the CEO
Joined Ponsse in 1997

CLAUDIO COSTA

b. 1962
Area Director, Latin America, Managing Director, Ponsse Latin America Ltd.
Joined Ponsse in 2005

GARY GLENDINNING

b. 1970
Managing Director, Ponsse UK Ltd.
Joined Ponsse in 2002

JUSSI HENTUNEN

b. 1983
Area Director (Spain, Portugal, Italy, Norrbotten/Sweden), Product Manager, Second Hand machines
Joined Ponsse in 2006

RISTO KÄÄRIÄINEN

b. 1971
Managing Director, Ponsse China Ltd.
Joined Ponsse in 2007

JAAKKO LAURILA

b. 1970
Area Director, Russia and Belarus, Managing Director, OOO Ponsse
Joined Ponsse in 2002

JOUNI MATIKAINEN

b. 1967
Managing Director, Epec Oy
Joined Epec in 2005

MARKO MATTILA

b. 1973
Area Director, North American Dealers
Joined Ponsse in 2007

CLÉMENT PUYBARET

b. 1980
Managing Director, Ponssé S.A.S
Joined Ponsse in 2006

PEKKA RUUSKANEN

b. 1968
Managing Director, Ponsse North America Inc.
Joined Ponsse in 1998

NORBERT SCHALKX

b. 1969
Area Director, Asia Pacific, Africa and Baltic countries
Joined Ponsse in 2008

SIGURD SKOTTE

b. 1962
Managing Director, Ponsse AS
Joined Ponsse in 2011

MARTIN TOLEDO

b. 1971
Country Manager, Ponsse Uruguay Ltd.
Joined Ponsse in 2005

JANNE VIDGRÉN

b. 1968
Area Director, Austria, Germany, Hungary, Poland, Romania and the Czech Republic
Joined Ponsse in 1994

JERRY WANNBERG

b. 1967
Managing Director, Ponsse AB
Joined Ponsse in 2009

PONSSE PLC'S CORPORATE GOVERNANCE CODE

GROUP STRUCTURE AND MAIN FIELD OF BUSINESS

Ponsse Plc (hereinafter “the Company”) is a public limited liability company listed on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Ltd). The Company has its registered office in Vieremä, Finland.

The Ponsse Group includes the parent company Ponsse Plc, as well as the following wholly-owned subsidiaries: Ponsse Ab, Sweden; Ponsse AS, Norway; Ponssé S.A.S., France; Ponsse UK Ltd., the United Kingdom; Ponsse North America Inc., the United States; Ponsse Latin America Ltda, Brazil; OOO Ponsse, Russia; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China; Ponsse Uruguay S.A., Uruguay; and Epec Oy in Seinäjoki, Finland. Sunit Oy, which operates in Kajaani, Finland, is an affiliated company in which the Company has a holding of 34 per cent.

The main field of business of the Company and the Group is the design, manufacture, sale and servicing of forest machines, other metal products, machine control systems, vehicle PC equipment, different types of separate systems and software.

GOVERNANCE AND APPLICABLE LEGISLATION AND OTHER REGULATIONS

In its decision-making and administration, the company observes the Finnish Limited Liability Companies Act, other regulations governing publicly listed companies and the company's Articles of Association. The company's Board of Directors has adopted this Code of Governance that complies with the Finnish Corporate Governance Code for Finnish listed companies approved by the Board of the Securities Market Association in 2010. The purpose of the code is to ensure that the company is professionally managed and that its business principles and practices are of a high ethical and professional standard.

GENERAL MEETING

The highest decision-making body of the Company is the Annual General Meeting, whose duties and procedures are defined in the Finnish Limited Liability Companies Act and the Company's Articles of Association. The AGM is responsible for, for example, making decisions on amending the Articles of Association, on increasing

and decreasing share capital, on granting stock options and electing the Board of Directors and auditors.

The AGM shall be held each year before the end of June on a date to be specified by the Company's Board of Directors. At the Annual General Meeting, the Company's financial statements and the consolidated financial statements shall be presented; the adoption of the profit and loss account, the balance sheet, the consolidated profit and loss account and the consolidated balance sheet, and dividends or actions warranted by the profit or loss shown in the adopted profit and loss account shall be decided on; and the discharge of liability of the Board of Directors and the President and CEO shall be decided on. In addition, the AGM decides on the number of and the remuneration for Board members, the auditor's fee and the compensation for travel expenses. The AGM also elects the members of the Board of Directors and the auditor.

Shareholders are entitled to submit matters for consideration to the AGM by notifying the Board of Directors thereof in writing well enough in advance so that the matter can be included in the notice of the meeting. Proposals on matters involving the election of Board members and auditors, and other proposals submitted by the Board to the AGM may be countered at the meeting as each point on the agenda is being dealt with. Voting takes place in accordance with the voting procedure adopted by the AGM and all shareholders present at the AGM are entitled to vote.

The notice of an AGM and the following information is made available on the Company website at the latest 21 days before the AGM:

- total number of shares and votes on the day of the notice of the AGM;
- documents to be presented to the AGM (including financial statements, Annual Report and auditor's report;
- Board of Directors' decision proposals; and
- any business included in the agenda of the AGM without a decision proposal.

In order to attend an AGM, shareholders must inform the Company of their intention to do so by the date given in the notice. The given date may be no earlier than five (5) days prior to the AGM.

All shareholders who are entered as such in the Company's shareholder register maintained by Euroclear Finland Ltd eight (8) days prior to the meeting are entitled to attend the AGM.

Holders of nominee-registered shares may be temporarily entered in the shareholder register for the purpose of attending an AGM. Shareholders may exercise their rights at the AGM either in person or through a representative, in addition to which they are entitled to avail themselves of counsel at the AGM.

Extraordinary meetings of shareholders shall be convened whenever the Board deems it necessary. Likewise, an extraordinary meeting of shareholders shall be convened for the purpose of dealing with a matter specified by them if the auditor or shareholders holding at least one-tenth of all shares issued so request in writing.

The minutes of the AGM, including voting results and any appendices that constitute the decision of the AGM, will be made available on the Company website two weeks after the AGM.

The Company aims for all Board members, as well as the President and CEO to be present at all AGMs. A person who is nominated as a Board member for the first time must attend the AGM deciding upon his or her election, unless there is a weighty reason for his or her absence.

The Company auditor must attend each AGM.

BOARD OF DIRECTORS

A Board of Directors consisting of no fewer than five and no more than eight members is responsible for the proper organisation of the Company's administration and operations. The AGM elects Board members for a term of office expiring at the end of the AGM following their election. The Board elects a Chairman and a Deputy Chairman from among its members. In 2011, there were five members in the Company's Board of Directors until 12 April 2011 and six members as of 12 April 2011.

Persons elected to the Board of Directors shall have the necessary competence required for their duties. Members shall be elected to represent a diverse range of expertise, as well as the viewpoint of the Company's owners. Under the Articles of

Association, no upper age limit applies to Board members.

The majority of Board members shall be independent of the Company, in addition to which no fewer than two of the Board members belonging to the above-mentioned majority shall be independent of any of the Company's major shareholders. Board members shall submit sufficient information to assess their competence and independence, and report any changes in such information. Notice of independence is given in the Annual Report and on the Company's website.

The Board of Directors considers Board members Heikki Hortling, Mammu Kaario, Ilkka Kylävaio and Ossi Saksman to be independent of the Company and its major shareholders.

The Board members and their shareholdings in the Company are presented in the Company's Annual Report and on the Company website at www.ponsse.com.

On 12 April 2011, the AGM confirmed the annual remuneration payable to the Chairman of the Board as EUR 43,000, the remuneration payable to the Deputy Chairman as EUR 38,000 and the remuneration payable to other members as EUR 32,000. No remuneration is paid to members in the employment of the Company, with the exception of the Chairman of the Board. In 2011, the Board held eleven meetings, of which one was a telephone conference. The average attendance rate of Board members was 95.3 per cent.

If shareholders controlling more than 10 per cent of the Company's voting rights should notify the Company's Board of Directors of their proposal on the number and identity of Board members and the identity of the auditor, which are matters to be decided on by the AGM, this information shall be noted in the notice of the AGM. Any proposals on candidates made after the notice of the AGM has been published shall be made public separately.

In addition to the tasks separately specified in the Finnish Limited Liability Companies Act and the Company's Articles of Association, the Board is responsible for the business of the Company, its earnings and its development, ratifying the long-term strategy and the Group risk management policy, approving the budget and also deciding on corporate and real estate trans-

actions and key strategic business expansions, equity-based investments, investment development and individual major investments. The Board appoints the Company's President and CEO and ratifies the nomination of other Management Team members, decides upon the principles for compensating top management and annually assesses management activities.

The Board ratifies its own agenda. In Board meetings, the business at hand is presented by the President and CEO or an executive named by the President and CEO. The Board's activities and working methods are annually assessed by means of self-assessment or by an external auditor.

COMMITTEES OF THE BOARD OF DIRECTORS

Duties and responsibilities have not been specifically divided among members and the Chairman of the Board of Directors, nor has the Board appointed any specific committees.

PRESIDENT AND CEO AND THE MANAGEMENT TEAM

The President and CEO is appointed by the Board of Directors. The President and CEO manages the Company's day-to-day business affairs in accordance with the guidelines and instructions issued by the Board of Directors. His duties include operational management, keeping the Board informed, presenting matters over which the Board has the power of decision, implementing the decisions of the Board and ensuring the legality of the Company's business operations. The President and CEO is assisted by a Management Team consisting of the President and CEO as Chairman and the executives appointed to the team by the Board of Directors. The Management Team meets approximately once a month, and also convenes whenever necessary to address, for example, business plans for the following year and strategy over the longer term.

Each member of the Management Team is responsible for a distinct sphere of operations based on key Company functions. Management Team members report to the President and CEO.

Juho Nummela (born 1977) has acted as President and CEO since 1 June 2008.

In 2011, the President and CEO was paid salary and other benefits totalling EUR 261,466.08. He was paid a performance and profit bonus of EUR 69,600. The retirement age of the President and CEO is 65 years, and the pension benefit is determined in compliance with valid legislation.

Under the contract of service concluded between the Company and its President and CEO, both parties may terminate the agreement by giving six (6) months' notice. Should the Company terminate the agreement, it shall pay the President and CEO a sum equal to 12 months' salary in addition to salary and other benefits accruing during the period of notice.

The following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; Pasi Arajärvi, Purchasing and Logistics Director; Juha Haverinen, Factory Director; Petri Härkönen, CFO; Juha Inberg, Technology and R&D Director; Timo Karppinen, Executive Director, Corporate Development and Strategy (as of 3 January 2011); Tapio Mertanen, Service Director; Paula Oksman, HR Director; and Jarmo Vidgrén, Deputy CEO, Sales and Marketing Director.

The company management has regular management liability insurance. In 2011, the salaries and other benefits of the other Management Team members totalled EUR 985,609.24. In 2011, a total of EUR 234,761.00 were paid as performance and profit bonuses. No share-based incentives were paid to the President and CEO or the Management Team in 2011. The retirement age of members of the Management Team is 65 years, and the pension benefit is determined in compliance with valid legislation. The Management Team members' period of notice is 6 months. If the Company terminates the agreement, the Company shall pay the salary determined for the notice period.

The Management Team members and their shareholdings in the Company are presented in the Company's Annual Report and on the Company website at www.ponsse.com.

The compensation of the President and CEO and the Management Team consists of a fixed monthly salary, a performance bonus and a share-based incentive. The performance bonus is based on the operational

and performance objectives set by the Board of Directors annually; the share-based incentive is based on longer-term objectives. Ponsse Plc's Board of Directors decides on the salaries of the President and CEO and members of the Management Team, the contents and objectives of the bonus and share-based incentive schemes, the persons included within the scope of the schemes and ultimately the payment of the bonuses and incentives. The annual performance bonus of the President and CEO and members of the Management Team may be at most 50 per cent of the previous year's salary.

Ponsse's share-based incentive scheme directed to key personnel has three earning periods, which are the calendar years 2010–2012, 2011–2013 and 2012–2014. The Board of Directors decides on the earning criteria for each earning period and the objectives set for them. The earning criteria for the earning period 2010–2012 are the Ponsse Group's cumulative cash flow, average operating profit percentage and the total yield on the share.

Any incentives payable for the earning period 2010–2012 will be paid partly in Company shares and partly in cash. The aim of the part paid out in cash is to cover the taxes and tax-like levies payable for the

incentive by the key employees. No shares may be assigned during a two-year commitment period. If the employment relationship of a key employee with the Company is terminated during the commitment period, the key employee shall return any shares received as an incentive to the Company free of charge.

After the commitment period, the Group's President and CEO must own half of the shares paid on the basis of the system until the total value of the Company's shares owned by him or her corresponds to his or her gross annual salary, and other members of the Management Team must own all of the shares until the total value of the Company shares owned by them corresponds to one half of their gross annual salary.

During the earning period 2010–2012, about 20 people are included in the target group of the scheme. The incentives to be paid for the earning period 2010–2012 will correspond to a maximum of approximately 211,000 Ponsse shares (also including the share paid in cash).

As necessary, the Management Team monitors and revises the Company's internal principles and procedures, which refer to, for example, reporting, financial administration, investments, risk man-

agement, insurance policies, IT systems, general procurement, industrial property rights, management of contractual risks, human resources administration, quality management issues, environmental issues, occupational health and safety, insider guidelines and communications.

INSIDERS AND INSIDER MANAGEMENT

The Ponsse Group complies with the insider regulations of Nasdaq OMX Helsinki Ltd.

The Company's permanent insiders are not allowed to trade in any of the Company's shares during a period of fourteen days prior to the publication of a Company stock exchange release or interim report (closed window). The closed window ends with the publication of the interim report or stock exchange release.

Pursuant to the Securities Markets Act, Board members, the President and CEO, and his or her deputy, as well as the auditors, are considered permanent insiders due to their position in the Company. In addition to these, pursuant to a decision taken by the Company, the members of the Management Team and specifically named persons, who, by virtue of their duties, regularly deal with non-public information having an impact on the value of

the Company's share are also considered permanent insiders.

The prohibition on misuse of insider information refers to anybody with insider information, regardless of how he or she has obtained the information. Thus, the prohibition on misuse of insider information covers persons other than the Company's permanent insiders.

An insider is not allowed to provide any sales, purchase, etc. assignments on the Company shares or, directly or indirectly, advise any third parties on any trading of which he or she has insider information. No such information may be disclosed to a third party, unless such disclosure is done as part of the regular job, profession or tasks of the person disclosing the information.

In addition to a public insider register, the Company maintains a company-specific insider register on people who, due to their position or tasks, regularly obtain insider information and whom the Company has specified as company-specific insiders. The information in the company-specific register is not public.

The shareholdings of insiders are available for inspection at the insider register of the Company maintained by Euroclear Finland Ltd. Information on the shareholdings of permanent insiders may be viewed on the Company's website and in the office of Euroclear Finland Ltd at Urho Kekkosen katu 5 C, Helsinki, Finland. Insiders are obligated to inform the person in charge of managing insider matters within the Company of any changes in the information entered in the insider register without delay.

AUDITING

The primary purpose of statutory audits is to verify that the financial statements give a true and fair view of the Group's result and financial position for the financial period. The Company's financial year is the calendar year.

The auditor is responsible for auditing the Company's accounts and financial statements to verify that they are free of material misstatement. The auditor shall also submit a report on the audit performed to the AGM. In addition, under Finnish law, the auditor also audits the Company's corporate governance for compliance with the relevant legislation. Nor-

mally, the auditor reports to the Board of Directors once per year.

The Company has one auditor, which shall be a public accounting firm authorised by the Central Chamber of Commerce. The auditor is elected by the AGM, and the auditor's term of office expires at the end of the first AGM following its election.

The auditing procedures of the foreign subsidiaries within the Ponsse Group have been organised in the manner required by each country's legislation and other regulations. In 2011, PricewaterhouseCoopers Oy, Authorised Public Accountants, acted as the parent company's auditor, with Sami Posti, Authorised Public Accountant, as the principal auditor.

In 2011, the Group's auditing costs amounted to EUR 185,000.

RISK MANAGEMENT

RISK MANAGEMENT

Risk management is based on the Company's values, as well as strategic and financial objectives. Risk management aims to support the achievement of the objectives specified in the Company's strategy, as well as to ensure the financial development of the Company and the continuity of its business.

Furthermore, risk management aims to identify, assess and monitor business-related risks which may influence the achievement of the Company's strategic and financial goals or the continuity of its business. Decisions on the necessary measures to anticipate risks and react to observed risks are made on the basis of this information.

Risk management is a part of the regular daily business in the Company, and it is also included in the management system. Risk management is controlled by the risk management policy approved by the Board.

A risk is any event that may prevent the Company from reaching its objectives or that threatens the continuity of business. On the other hand, a risk may also be a positive event, in which case the risk is treated as an opportunity. Each risk is assessed on the basis of its impact and probability. Methods of risk management include avoiding, mitigating and transferring risks. Risks can also be managed by

controlling and minimising their impact.

RISK MANAGEMENT PROCESS

The Company's risk management policy seeks to maintain and further develop a practical and comprehensive system for the management and reporting of risks. The risk management process includes systematic surveying of function- and unit-specific risks, their assessment and comparing the risks with the Company risk management plan. Risk management is systematically implemented and monitored as part of the daily business. The Company aims at promoting its risk management by increasing awareness of the significance of risk management and supporting shared risk management projects of the functions.

RISK CLASSIFICATION

The key risks to the Company's business are divided into four categories: strategic and operative risks, as well as financing risks and risks of injury or damage.

STRATEGIC RISKS

The term "strategic risk" refers to a risk related to the nature of the Company's business, its selected strategy and implementation of the strategy. Such risks may refer to the competitive situation, markets or market environment, legislation and other legal norms, for example. A strategic risk may also be a major investment or a strategic choice related to the business. If realised, a strategic risk may clearly deteriorate the preconditions for the Company's business.

Market and operating environment

Any global economic crisis and general economic fluctuations affect the demand for the Company's products and thus its financial position. The fact that the Company does business in more than forty countries balances out the fluctuation risks. Furthermore, the Company aims to maintain its business so that it is flexible and adaptable to changes in order to be ready to quickly adapt its business to the prevailing market situation. The competitive situation and changing requirements of the markets may influence the demand for and profitability of the Company's products. The Company invests in understanding the needs of

Risk management organisation and responsibilities

Board of Directors	Decides on risk management objectives and principles, as well as ratifies the Company Risk Management Policy. The Board supervises the implementation of risk management.
President and CEO	Responsible for arranging risk management measures and presenting risk management issues to the Board.
CFO	Coordinates the risk management process, carries the responsibility for reporting and presents risk management issues to the Management Team.
Management Team	Risk management is included in the strategy process. The Management Team participates in controlling the risk management process and naming the persons in charge. Each member of the Management Team is in charge of identifying risks in his or her business area and implementing risk management.
Regional directors	The subsidiaries independently implement their risk management in compliance with the Group's risk management policy and guidelines.
All employees	Obligated to act in a manner required to prevent risks, follow the Company policies and report any observed risks to their supervisors.

its customers, and it carefully studies the requirements posed by different markets on products in order to ensure that the products comply with the specific requirements of each region and are competitive. The Company has an extensive network of stakeholders. Stakeholder risks are mitigated by continuously monitoring the network and engaging in good cooperation. The price development of strategically important raw materials and their availability in the global market influence the profitability of the Company's products. Risks related to the price development and availability of raw materials are mitigated by surveying alternative materials and developing acquisition channels.

Legislation and the environment

Changes to the political environment, legislation influencing the Company's business and phenomena connected to climate change may clearly influence the Company's business in different market areas. In cooperation with its subsidiaries and regional partners, the Company actively monitors the requirements posed by the markets on products, services and the business as a whole – such as general business and import legislation, as well as product compliance and environmental requirements. Furthermore, the Company actively communicates with its stakeholders, influences future solutions and sees such solutions as new opportunities.

Product and technology

The Company's product and technology risks refer to technological choices and R&D. These risks are mitigated by staying close to customers and other stakeholders in order to ensure that product technology is developed in the correct manner. Furthermore, the Company aims to actively cooperate with universities, institutions of higher education and research establishments, as well as participate in global R&D projects. Developed technologies and products are protected by means of intellectual property rights. The Company is also aware of the industrial property rights of

its competitors and respects them in the conduct of its own business.

OPERATIVE RISKS

The term "operative risk" refers to a risk related to the Company's internal processes, personnel, business network and systems. If realised, operative risks may deteriorate the Company's earnings, effectiveness and profitability

Organisation and management

Risks related to the Company's organisation and management include risks connected to, for example, the availability of workforce, labour market disturbances and the management of key competence. The Company's personnel strategy has a key role in managing risks related to the organisation and management. The commitment of key employees in the Company is improved by means of an incentive scheme. Investments in recruiting are made in order to ensure access to the correct type of workforce. The Company's image as an employer is developed by means of appropriate communications and cooperation with various educational establishments and other stakeholders.

Information and IT

The Company's information and IT risks include, for example, the risk of trade secrets leaking out of the Company, as well as risks related to the functionality, security and safety of IT systems. The Company complies with an information security policy to manage these risks, with the aim of ensuring that all preconditions for the functionality and safety of the systems exist. Information leaks are proactively prevented by all possible means

Supplier network

The Company persistently develops its supplier network. Material price and availability risks are also related to the supplier network. The Company aims to ensure a competitive material price level by studying alternative procurement channels and concluding long-term agreements. In or-

der to achieve cost-efficient solutions, the Company invests in close R&D cooperation with its supplier network.

Whenever possible, the Company utilises a policy of two suppliers, in order to manage material availability risks. The business environment is stabilised by means of long-term supplier agreements, and suppliers are regularly audited in compliance with the auditing programme. The Company aims to create a supply chain by which the Company does business directly with manufacturers in order to retain a real-time communications channel. A supply chain management tool is utilised in monitoring the supplier network and optimising batch sizes.

Production and processes

The Company's business requires comprehensive process management. What is important for a cost-efficient business is maintaining and improving processes. The Company's quality management system is continuously developed in order to maintain its processes as functional. Functionality of the system is assessed by utilising results obtained from process management, as well as ISO 9001 certification by a third party.

Production process disturbances or disruptions may hamper business operations. Preparations for major disturbances are made by maintaining substitute manufacturing methods and equipment. Furthermore, the opportunity to manufacturing cooperation with key partners is maintained.

FINANCING RISKS

The Company is exposed to several financing risks in the normal course of its business. The Company's financing risk management system aims to protect the Group's performance, cash flows, shareholders' equity and liquidity from unfavourable financing market fluctuations. Financing risk management is handled in a centralised manner by the Company Financing Unit. The Board ratifies the Company financing risk management policy,

and the Company CFO is in charge of its practical implementation in cooperation with the Financing Unit.

The Company's financing risks include currency, interest, credit and liquidity risks, as well as capital management risks. For more information on financing risk management, please see Note 30 to the consolidated financial statements.

RISK OF INJURY OR DAMAGE

The main focus in risk of injury or damage mitigation lies in identifying and preventing risks. Identified risks of injury or damage include, for example, occupational health and safety risks, environmental risks and risks of property damage. Risks of injury or damage are managed by means of an extensive insurance scheme. Damage is proactively prevented by applying a safety policy and safety guidelines, as well as ensuring that working methods and tools are safe. The Company quickly reacts to any dangers observed. All accidents and close-call situations are recorded in a monitoring system, and the necessary measures to prevent dangers are implemented. The Company's objective is an accident-free working environment. Risks of injury or damage are regularly assessed by means of internal audits. The entire personnel participate in identifying the risks of injury or damage.

RISK MANAGEMENT ORGANISATION AND RESPONSIBILITIES

INTERNAL AUDITING

In compliance with the Finnish code of corporate governance, internal auditing and risk management seek to ensure that the Company's activities are effective and profitable, the information used by the management when making decisions is reliable, the Company policies are followed, implementation of risk management measures complies with the risk management policy, and the Company complies with all laws and regulations. Internal auditing supports the Board's management task.

Internal auditing is integrated into the Company's management and reporting system. Internal auditing is implemented by the Board of the Company, operational management and employees. Implementation of internal auditing is ensured by paying special attention to organising activities, the competence of personnel, operational guidelines, reporting and the scope of auditing.

The Board ensures that the auditing of the Company's accounting, asset management and risk management has been properly organised and complies with the relevant legislation. Furthermore, the Board ensures – together with the President and CEO – that the Company conducts its business in compliance with its values. The Board approves the risk management policy and all guidelines pertaining to internal auditing and the code of governance. If necessary, the Board may request external auditors or other service providers to conduct an internal audit.

The President and CEO is in charge of the daily management of the Company in compliance with the Board's instructions. The President and CEO provides a basis for internal auditing by managing and guiding top management and monitoring how executives audit their own activities.

The Company's Management Team ensures that different activities of the Company comply with the internal auditing guidelines and practices. Risk management, financial administration guidelines and financial administration practices are of particular importance.

Under the management of the Company CFO, financial administration assists in creating proper risk management and financial management auditing practices, and monitors the sufficiency and practical functionality of the auditing measures.

The President and CEO, the members of the Management Team and managers of the subsidiaries have the responsibility for legislative compliance of the accounting and administration of their areas of responsibility, as well as compliance with the Company's operational guidelines. Audi-

tors annually check the accounting and administration of the subsidiaries. Audits of all the Group companies are performed by authorised accounting firms. The auditor of the parent company has the responsibility for coordinating audit focus areas, analysing audit observations from the perspective of the consolidated financial statements and communicating with the Group's financial administration. The internal auditing structure of the Group companies is taken into account when deciding upon the scope of the audit. Annual detailed reports on auditing results are provided to Group management and the Board.

SHAREHOLDER AGREEMENTS

The Company is not aware of its shareholders having entered into shareholder agreements.

DIVIDEND POLICY

The Company has adopted a dividend policy whereby dividends are paid in accordance with the Company's long-term performance and capital requirements.

COMMUNICATION

The Company's President and CEO carries the responsibility for communication outside the Company. The Company's Communications Unit and financial administration participate in handling investor and media relations, stock exchange communication and creation of investor information published on the Company website, managed by the President and CEO.

In connection with its financial statements and Annual Report, the Company publishes its Corporate Governance Statement as a separate document.

The Company's corporate governance statement is available under Investor Information on the Company website at www.ponsse.com.

INFORMATION FOR SHAREHOLDERS

INFORMATION FOR SHAREHOLDERS

Ponsse Plc's Annual General Meeting for 2012 will be held on 17 April 2012 at the company's registered office at Ponssentie 22, FI-74200 Vieremä, Finland, commencing at 11:00 a.m.

ELIGIBILITY TO ATTEND

To be eligible to attend the AGM, shareholders must be registered by 3 April 2012 in the company's share register maintained by Euroclear Finland Oy. Shareholders who hold shares under their own names are automatically registered in the company's share register. A shareholder with nominee registration can be temporarily added to the company's share register. This must be done by 10 a.m. on 12 April 2012 for the purpose of attending the AGM. Holders of nominee-registered shares are advised to acquire instructions from their administrator regarding registration in the share register, the issuance of powers of attorney and registration for the AGM in good time.

REGISTRATION

Shareholders wishing to attend the AGM should notify the company of their intention to do so by 4 p.m. Finnish time on Thursday 12 April 2012, either by writing to Ponsse Plc, Share Register, FI-74200 Vieremä, Finland, by calling +358 20 768 800), by sending a fax +358 20 768 8690, or by contacting the company online at www.ponsse.com/agm. Written notifications must arrive before the above-mentioned deadline. Please submit any powers of attorney accompanying the advance registration.

DIVIDEND

Ponsse Plc's Board of Directors will propose to the AGM that a dividend of EUR 0.35 per share be paid for 2011. The dividend shall be paid to all shareholders who

are listed in the share register maintained by Euroclear Finland Oy as a company shareholder on the record date, 20 April 2012. The dividend shall be paid on 27 April 2012.

SHARE REGISTER

Ponsse Plc's shares and shareholders are listed in the shareholder register maintained by Euroclear Finland Oy. Shareholders are requested to report any change of address and other matters related to their shareholding to the book-entry securities register in which they have a book-entry securities account.

FINANCIAL REPORTS IN 2012

In addition to the financial statements and the Annual Report for 2011, Ponsse Plc will issue three interim reports. Interim reports for the financial period 2012 will be published as follows:

- January–March 24 April 2012
- January–June 7 August 2012
- January–September 23 October 2012

The interim reports will be published in Finnish and English on the Ponsse website at www.ponsse.com.

ORDERING FINANCIAL PUBLICATIONS

This Annual Report is available in Finnish and English. You may order Annual Reports from the following address:

Ponsse Plc
Ponssentie 22
FI-74200 Vieremä, Finland
Tel. +358 20 768 800
Fax +358 20 768 8690
E-mail: corporate.communications@ponsse.com

The Annual Report will also be available online at www.ponsse.com.

INVESTOR RELATIONS

Ponsse maintains a silent period, which begins at the end of each reporting quarter and ends at the publication of the result for the quarter or financial period in question. During the silent period, Ponsse does not comment on the company's financial situation, the market or the outlook. During the period, Ponsse's top management does not meet representatives of capital markets or financial media or comment on matters concerning the company's financial situation or the general outlook.

Should you have any questions regarding Ponsse's business operations, please consult the following people:

Juho Nummela
President and CEO
Tel. +358 20 768 8914
Fax +358 20 768 8690
E-mail: juho.nummela@ponsse.com

Petri Härkönen
CFO
Tel. +358 20 768 8608
Fax +358 20 768 8690
E-mail: petri.harkonen@ponsse.com

INVESTMENT ANALYSES

The following companies, among others, follow Ponsse as an investment object:

Danske Bank
Evli Bank Plc
Inderes Oy
Nordea Bank Finland Plc
Pohjola Bank Plc

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Ponsse's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, IFRS. The financial statements of the parent company have been prepared in accordance with the Finnish Accounting Standards, FAS, which the company conformed with prior to the 2005 financial period. The notes constitute an essential part of the financial statements. A sum of single figures may differ from the totals presented in the financial statements, as all figures have been rounded.

BOARD OF DIRECTORS' REPORT FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2011

General

Ponsse Group recorded net sales amounting to EUR 328.2 million (in 2010, EUR 262.4 million) and an operating result of EUR 28.8 (21.7) million for the period. Result before taxes was EUR 26.0 (24.4) million. Earnings per share were EUR 0.47 (EUR 0.78).

Net Sales

Consolidated net sales for the period under review amounted to EUR 328.2 (262.4) million, which was 25.1 per cent more than in the comparison period. International business operations accounted for 69.3 (68.0) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 51.6 (49.7) per cent, Central and Southern Europe 18.6 (17.0) per cent, Russia and Asia 16.1 (14.9) per cent, North and South America 13.8 (18.4) per cent and other countries 0.0 (0.0) per cent.

Profit performance

The operating result amounted to EUR 28.8 (21.7) million. The operating result equalled 8.8 (8.3) per cent of net sales for the period under review. An impairment loss worth about EUR 3.6 million related to external trade receivables in South America was recognised as an expense during the period. Consolidated return on capital employed (ROCE) stood at 24.3 (23.6) per cent.

Staff costs for the period totalled EUR 49.2 (38.2) million, including an expense item of EUR 1.9 million, which included, among other things, a profit bonus paid to Group personnel. Other operating expenses stood at EUR 34.8 (28.0) million. The net total of financial income and expenses amounted to EUR -2.6 (2.8) million. Exchange rate gains and losses with a net effect of EUR -1.2 (3.9) million were recognised under financial items for the period. The impact of the Adjustment Board deci-

ons concerning the taxation of the parent company for the period amounts to EUR -1.5 (1.5) million. Profit for the period under review totalled EUR 14.8 (23.3) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.47 (0.78). The interest on the subordinated loan for the period, less tax, has been taken into account in the calculation of EPS.

Statement of financial position and financing activities

At the end of the period under review, the total consolidated statements of financial position amounted to EUR 173.9 (161.7) million. Inventories stood at EUR 80.5 (72.4) million. Trade receivables totalled EUR 28.4 (33.7) million, while liquid assets stood at EUR 16.3 (11.0) million. Group shareholders' equity stood at EUR 78.6 (75.2) million and parent company shareholders' equity at EUR 75.4 (64.2) million. Group shareholders' equity includes a hybrid loan of EUR 19 million issued on 31 March 2009. The interest paid on the hybrid loan (EUR 5.7 million) and the allocated interest for the following year according to the dividend distribution decision (EUR 1.1 million), totalling EUR 6.8 million, less tax, are recognised as a deduction from Group equity. The amount of interest-bearing liabilities was EUR 39.1 (36.8) million. The company has used 17 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 74.8 (65.1) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 22.5 (24.2) million, and the debt-equity ratio (gearing) was 49.7 (48.9) per cent. The equity ratio stood at 45.2 (46.9) percent at the end of the period under review.

Cash flow from business operations amounted to EUR 25.0 (25.9) million. Cash flow from investment activities came to EUR -9.4 (-4.8) million.

Order intake and order books

Order intake for the period totalled EUR 333.7 (311.2) million, while period-end order books were valued at EUR 71.9 (68.3) million. The minimum order commitments for retailers are not included in the order book total.

Distribution network

No changes took place in the Group structure during the period under review.

The subsidiaries included in the Ponsse Group are: Epec Oy, Finland; OOO Ponsse, Russia; Ponsse AB, Sweden; Ponsse AS, Norway; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China; Ponsse Latin America Ltda, Brazil; Ponsse North America, Inc., the United States; Ponssé S.A.S., France; Ponsse UK Ltd, the United Kingdom; and Ponsse Uruguay S.A., Uruguay. Sunit Oy, based in Kajaani, Finland, is an affiliated company in which Ponsse Plc has a holding of 34 per cent.

Capital expenditure and R&D

During the period under review, the Group's R&D expenses totalled EUR 8.8 (5.9) million, of which EUR 2.7 (1.7) million was capitalised.

Capital expenditure totalled EUR 9.4 (4.8) million. It mainly consisted of ordinary maintenance and replacement investments for machinery and equipment.

Annual general meeting

Annual General Meeting was held in Vieremä, Finland 12 April 2011. The AGM approved the parent company financial statements and the consolidated financial statements, and members of the Board of Directors and the President and CEO were discharged from liability for the 2010 financial period.

The AGM decided to authorise a dividend per share of EUR

0.35 per share for 2010 (dividends totalling EUR 9,725,485). No dividend will be paid to shares owned by the company itself (212,900 shares). The dividend payment record date was 15 April 2011, and the dividends were paid on 26 April 2011. In addition, the Annual General Meeting authorised the Board of Directors to decide on the payment of a potential additional dividend by the end of 2011.

The AGM authorised the Board of Directors to decide on the acquisition of the treasury shares so that a maximum of 250,000 shares can be acquired in one or more batches. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes.

The shares will be acquired in public trading organised by NASDAQ OMX Helsinki Ltd ("the Stock Exchange"). Furthermore, they will be acquired and paid according to the rules of the Stock Exchange and Euroclear Finland Ltd.

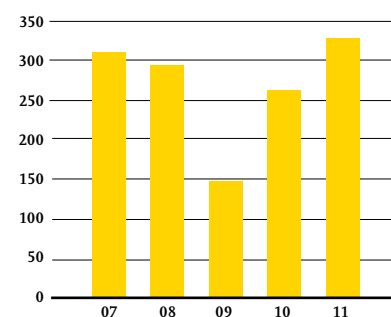
The Board may, pursuant to the authorisation, only decide upon the acquisition of the treasury shares using the Company's unrestricted shareholders' equity.

The authorisation is required for supporting the Company's growth strategy in the Company's potential business arrangements or other arrangements. In addition, the shares can be issued to the Company's current shareholders or used for increasing the ownership value of the Company's shareholders by invalidating shares after their acquisition, or used in personnel incentive systems. The authorisation includes the right of the Board to decide upon all other terms and conditions in the acquisition of own shares.

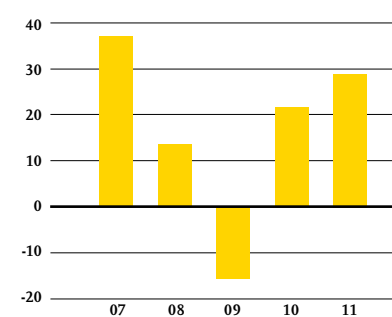
The authorisation is valid until the next AGM; however, no later than 30 June 2012.

The AGM authorised the Board of Directors to decide on the issue of new shares and the assignment of treasury shares held by the company against payment or free of charge so that

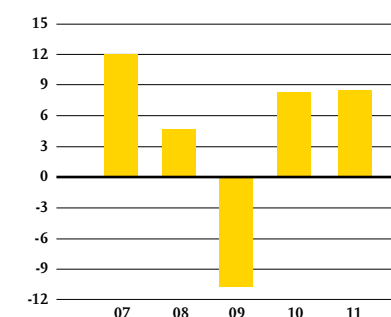
Net sales, meur



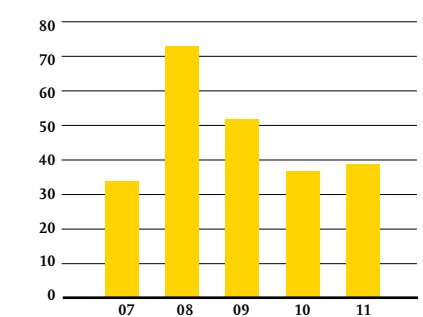
Operating result, meur



Operating result, % of net sales



Interest-bearing liabilities, meur



a maximum of 250,000 shares will be issued on the basis of the authorisation. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes.

The authorisation includes the right of the Board to decide upon all other terms and conditions of the share issue. Thus, the authorisation includes a right to organise a directed issue in deviation of the shareholders' subscription rights under the provisions prescribed by law. The authorisation is proposed for use in supporting the Company's growth strategy in the Company's potential corporate acquisitions or other arrangements. In addition, the shares can be issued to the Company's current shareholders, sold through public trading or used in personnel incentive systems.

The authorisation is valid until the next AGM; however, no later than 30 June 2012.

Board of directors and the company's auditors

The Board of Directors comprised six members during the period under review. Heikki Hortling, Mammu Kaario, Ilkka Kylävaio, Ossi Saksman and Juha Vidgrén were re-elected to the Board. Jukka Vidgrén was elected as a new Board member. Juha Vidgrén acted as the Chairman of the Board and Heikki Hortling as the Vice Chairman.

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

The Board of Directors convened eleven times during the period under review. The attendance rate was 95.3 percent.

During the period under review, auditing firm PricewaterhouseCoopers Oy acted as the company auditor with Sami Posti, Authorised Public Accountant, as the principal auditor.

Management

The following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; Pasi Arajärvi, Purchasing and Logistics Director; Juha

Haverinen, Factory Director; Petri Härkönen, CFO; Juha Inberg, Technology and R&D Director; Executive Director, Corporate Development and Strategy, Timo Karppinen (as of 3 January 2011); Tapio Mertanen, Service Director; Paula Oksman, HR Director and Jarmo Vidgrén, Deputy CEO, Sales and Marketing Director. The company management has regular management liability insurance.

The area director organisation of sales is lead by Jarmo Vidgrén, Group's Sales and Marketing Director and Tapio Mertanen, Service Director. The geographical distribution and the responsible persons are presented below:

Northern Europe: Jarmo Vidgrén (Finland), Jerry Wannberg (Sweden, Denmark), Lyder Ellevold (until 1 September 2011) and Sigurd Skotte (as of 1 September 2011) (Norway),

Central and Southern Europe: Janne Vidgrén (Austria, Poland, Romania, Germany, the Czech Republic and Hungary), Tapio Ingervo (Spain, Italy, Portugal and France until 15 August 2011), Clément Puybaret (France as of 15 August 2011), Jussi Hentunen (Spain, Italy, Portugal and Norrbotten/Sweden as of 15 August 2011) and Gary Glendinning (the United Kingdom)

Russia and Asia: Jaakko Laurila (Russia, Belarus), Norbert Schalkx (Japan and the Baltic countries) and Risto Kääriäinen (China),

North and South America: Pekka Ruuskanen (the United States as of 1 June 2011) Marko Mattila (the United States until 1 June 2011 and North American dealers as of 1 June 2011), Cláudio Costa (Brazil) and Martin Toledo (Uruguay).

Sigurd Skotte took up his post as the President and CEO of Ponsse AS on 1 September 2011.

Clément Puybaret took up his post as the President and CEO of Ponsse S.A.S. on 15 August 2011.

Personnel

The Group had an average staff of 948 (825) during the period and employed 978 (860) people at period-end.

Share performance

The company's registered share capital consists of 28,000,000 shares. The trading volume of Ponsse Plc shares for 1 January – 31 December 2011 totalled 2,638,091, accounting for 9.4 per cent of the total number of shares. Share turnover amounted to EUR 24.4 million, with the period's lowest and highest share prices amounting to EUR 5.85 and EUR 11.85, respectively.

At the end of the period, shares closed at EUR 7.00, and market capitalisation totalled EUR 196.0 million.

At the end of the period under review, the company held 212,900 treasury shares.

Disclosure notifications

According to the notification received by the company, of the 13,348,074 Ponsse Plc shares and 47.67 per cent of the votes held by the estate of Einari Vidgrén, 13,348,072 shares and 47.67 per cent of the votes were in the distribution of estate transferred to the ownership and control of the direct heirs of Einari Vidgrén. As a result of the distribution of estate on 23 March 2011, the share held by the estate of Einari Vidgrén of the Ponsse Plc shares and voting rights has been reduced to below 1/20, and the share held by the direct heirs of Einari Vidgrén of the Ponsse Plc shares and voting rights has exceeded 1/10.

The Ponsse Plc shares owned and controlled by Einari Vidgrén's estate were in the distribution of estate divided equally between his four direct heirs, so that after the distribution the direct heirs of Einari Vidgrén hold the following portions of the shares and voting rights of Ponsse Plc: Janne Vidgrén's ownership 3,691,742 shares (earlier ownership 354,724 shares) and 13.18 per cent of voting rights (earlier ownership 1.27 per cent of voting rights), Juha Vidgrén's ownership 6,205,018 shares (2,868,000) and 22.16 per cent of voting rights (10.24), Jarmo Vidgrén's ownership 3,679,938 shares (342,920) and 13.14 per cent of voting rights (1.22) and Jukka Vidgrén's ownership 3,764,778 shares (427,760) and 13.45 per cent of voting rights (1.53).

Janne Vidgrén is employed by Ponsse Plc as an Area Director, Juha Vidgrén as the Chairman of the Board of Ponsse Plc and Jarmo Vidgrén as the Sales and Marketing Director of Ponsse Plc and as the Deputy to the CEO. Jukka Vidgrén acts as an entrepreneur in the media industry and as a member of the Board of Ponsse Plc as of 12 April 2011.

Quality and environment

Ponsse observes in its operations the ISO 9001:2000 quality standard, the ISO 14001 environmental system standard and the OHSAS 18001 occupational safety and health standard, of which the first two are certified. During the period under review, Lloyd's Register Quality Assurance performed an audit of the ISO 9001:2008 quality system and the ISO 14001 environmental system.

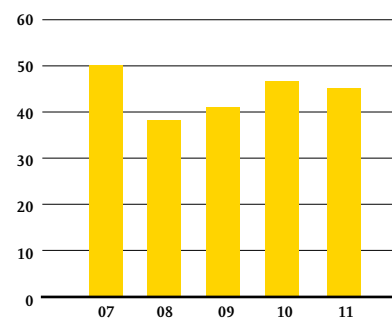
The company complies with environmental legislation in its operations. Regulatory amendments are continuously monitored and the necessary actions are taken accordingly. In accordance with the company's environmental policy, Ponsse aims to develop and manufacture products with the lowest possible load on the environment.

Practices and production processes are developed through internal audits and supplier audits. Investments in auditing have continued, and they have assisted the company in creating new and better practices, both for its own operations and those of its suppliers. Production processes are being developed utilising the method of continual improvement. The quality assurance system stresses the significance of proactive measures. The Lean Six Sigma quality improvement scheme was continued during the year.

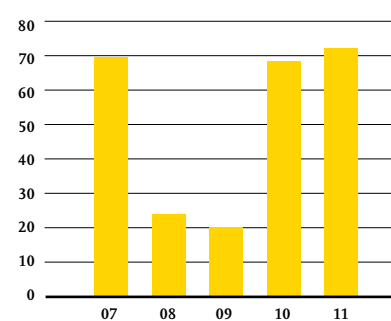
The company continued its close cooperation with occupational healthcare. The focus was on developing preventive occupational healthcare with active patient participation.

The Group-level Data Security Team is responsible for the general development of information security, maintenance of the

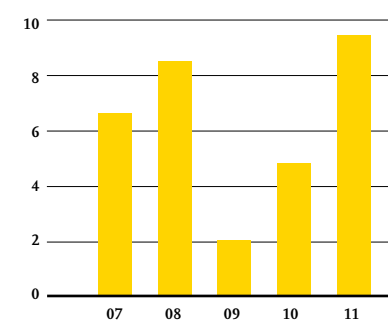
Equity ratio, %



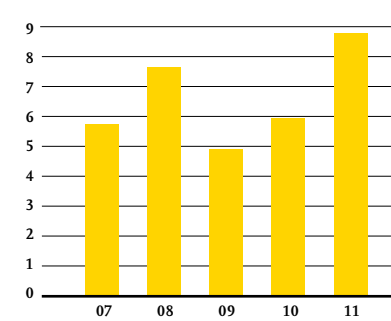
Order books, meur



Gross capital expenditure, meur



R&D expenditure, meur



Group information security policy and coordination of information security training.

Governance

In its decision-making and administration, the company observes the Finnish Limited Liability Companies Act, other regulations governing publicly listed companies and the company's Articles of Association. The company's Board of Directors has adopted the Code of Governance that complies with the Finnish Corporate Governance Code approved by the Board of the Securities Market Association in 2010. The purpose of the code is to ensure that the company is professionally managed and that its business principles and practices are of a high ethical and professional standard.

The Code of Governance is available on Ponsse's website in the Investors section.

Risk management

Risk management is based on the company's values as well as strategic and financial objectives. Risk management aims to support the achievement of the objectives specified in the company's strategy as well as to ensure the financial development of the company and the continuity of its business.

Furthermore, risk management aims to identify, assess and monitor business-related risks which may influence the achievement of the company's strategic and financial goals or the continuity of its business. Decisions on the necessary measures to anticipate risks and react to observed risks are made on the basis of this information.

Risk management is a part of regular daily business, and it is also included in the management system. Risk management is controlled by the risk management policy approved by the Board.

A risk is any event that may prevent the company from reaching its objectives or that threatens the continuity of business. On the other hand, a risk may also be a positive event, in which case the risk is treated as an opportunity. Each risk is assessed on the basis of its impact and probability. Methods of risk management include avoiding, mitigating and transferring risks. Risks can also be managed by controlling and minimising their impact.

Short-term risks and their management

The rapid escalation of the problems in the economies of Europe and the United States in the financial market may have an impact on the availability of customer financing.

The parent company monitors the changes in the Group's internal and external trade receivables and the associated risk of impairment.

The key objective of the company's financial risk management policy is to manage liquidity, interest and currency risks. The company ensures its liquidity through credit limit facilities agreed with a number of financial institutions. The effect of adverse changes in interest rates is minimised by utilising credit linked to different reference rates and by concluding interest rate swaps. The effects of currency rate fluctuations are mitigated through derivative contracts.

Changes taking place in the fiscal and customs legislation in countries to which Ponsse exports may hamper the company's export trade or its profitability.

Events after the period

Claudio Costa, Managing Director of Ponsse's Latin American subsidiary Ponsse Latin America Ltda, works no longer for the company as of 7 February 2012.

Fabio Nogueira is a Financial Director and for the time being manages the operations in Ponsse Latin America Ltda in addition to his own duties. Nogueira reports to Jarmo Vidgrén, Sales and Marketing Director at Ponsse Plc. Nogueira is located in Mogi das Cruzes, Brazil. Fabio Nogueira has been working as a Controller for Ponsse Latin America Ltda since 2007.

Jerry Wannberg, Managing Director of Ponsse's Swedish subsidiary Ponsse AB left the company due to personal reasons 7 February 2012.

For the time being, Glenn Nyman acts as the Managing Director of Ponsse AB in addition to his own duties. Nyman has been working as a Financial Manager and Controller for Ponsse AB since 1996. Nyman reports to Jarmo Vidgrén, Sales and Marketing Director of Ponsse Plc, and his office is located in Surahammar, Sweden.

The appointments for managing directors of Ponsse Latin America Ltda and Ponsse AB will be announced in the near future.

Outlook for the future

The Group's operating result in euros is expected to remain at the same level as in 2011.

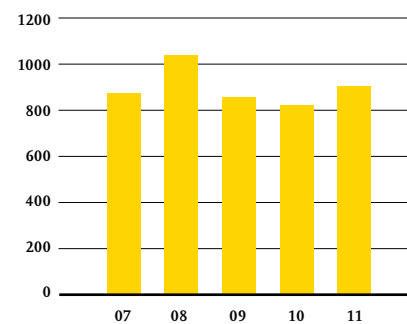
Exacerbation of the problems in the economy or an extension of the current economic situation may affect the making of investment decisions on forest machines and lead to weakening demand. The company's order books at the end of the period under review enable normal operations for the present.

The factory and service operate normally at full capacity. The development of operating costs is monitored in an enhanced manner, and any decisions to initiate investments will be made with discretion.

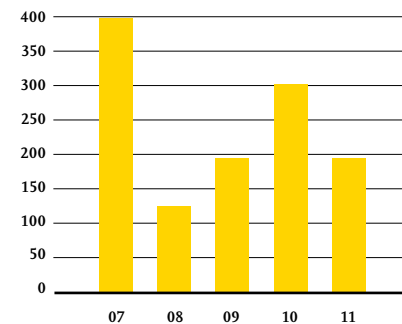
THE MOST IMPORTANT EXCHANGE RATES

	Closing exchange rate 31 Dec 2011	Average exchange rate 2011	Closing exchange rate 31 Dec 2010	Average exchange rate 2010
SEK	8.9120	9.00376	8.96550	9.55102
NOK	7.75400	7.78235	7.80000	8.02623
GBP	0.83530	0.87044	0.86075	0.85848
USD	1.29390	1.39511	1.33620	1.32990
BRL	2.41590	2.32871	2.21770	2.33788
RUB	41.76500	41.02187	40.82000	40.44728
CNY	8.15880	9.01405	8.82200	8.99747

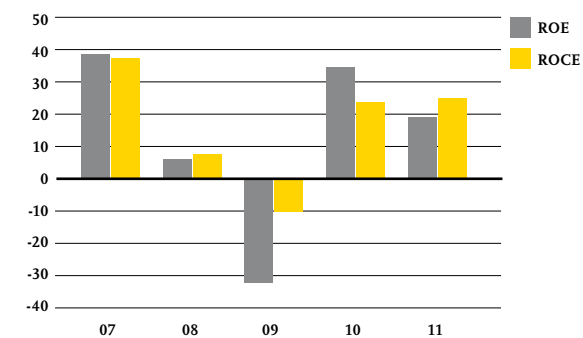
Average number of employees



Market capitalisation, meur



Return on equity, % (roe) &
return on capital employed, % (roce)



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	Note ¹	2011	2010
Net sales	1, 4	328,191	262,416
Other operating income	5	1,297	898
Change in inventories of finished goods and work in progress		2,672	476
Raw materials and services		-214,137	-170,810
Expenditure on employment-related benefits	8, 35	-49,176	-38,243
Depreciation and amortisation	7	-5,221	-5,079
Other operating expenses	6	-34,781	-27,984
Operating result		28,844	21,674
Financial income	10	12,857	17,971
Financial expenses	11	-15,474	-15,202
Share of results of associated companies		-181	5
Result before taxes		26,046	24,448
Income taxes	12	-11,233	-1,111
Net result for the period		14,812	23,338
Other items included in total comprehensive result:			
Translation differences related to foreign units		-943	-904
Total comprehensive income for the financial period		13,869	22,434
Earnings per share calculated from the result belonging to parent company shareholders:			
undiluted earnings per share (EUR), result for the period	13	0.47	0.78
earnings per share (EUR) adjusted for dilution, result for the period	13	0.47	0.78

¹ The note refers to the Notes to the Accounts on pages 44-74.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note ¹	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	14	26,165	24,443
Goodwill	15	3,440	3,440
Intangible assets	15	9,057	6,571
Financial assets	18, 31	111	111
Investments in associated companies	17	1,294	1,624
Receivables	19	1,535	3,144
Deferred tax assets	20	2,826	1,712
Total non-current assets		44,428	41,045
Current assets			
Inventories	21	80,475	72,391
Trade receivables and other receivables	22, 31	32,758	36,608
Income tax receivables		4	623
Cash and cash equivalents	23, 31	16,267	11,036
Total current assets		129,504	120,659
TOTAL ASSETS		173,932	161,704
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		7,000	7,000
Treasury shares		-2,228	-2,228
Translation differences		-1,975	-1,032
Other reserves		19,030	19,030
Retained earnings		56,736	52,396
Equity owned by parent company shareholders		78,563	75,166
Non-current liabilities			
Deferred tax liabilities	20	1,110	469
Financial liabilities	28, 31	18,630	16,255
Other liabilities	29, 31	20	28
Total non-current liabilities		19,760	16,752
Current liabilities			
Trade creditors and other liabilities	29	47,022	44,262
Deferred tax liabilities based on the taxable income for the period		3,527	215
Provisions	27	4,627	4,706
Current financial liabilities	28, 31	20,434	20,603
Total current liabilities		75,609	69,787
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		173,932	161,704

¹ The note refers to the Notes to the Accounts on pages 44-74.

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR 1,000)	Note ¹	2011	2010
Business operations:			
Net result for the period		14,812	23,338
Adjustments:			
Financial income and expenses	10, 11	2,617	-2,769
Share of the result of associated companies		181	-5
Depreciation and amortisation	7	5,221	5,079
Income taxes		10,878	1,108
Other adjustments		1,284	-1,454
Cash flow before changes in working capital		34,994	25,297
Change in working capital:			
Increase (-)/decrease (+) in trade receivables and other receivables		5,034	-12,015
Increase (-)/decrease (+) in inventories		-8,084	-4,471
Increase (+)/decrease (-) in trade creditors and other liabilities		1,953	18,437
Change in provisions for liabilities and charges		-79	-229
Interest received		216	486
Interest paid		-1,346	-1,365
Other financial items		-715	1,096
Income taxes paid		-6,947	-1,310
Net cash flow from business operations (A)		25,024	25,927
Investments:			
Investments in tangible and intangible assets		-9,430	-4,825
Cash outflow from investing activities (B)		-9,430	-4,825
Financing:			
Acquisition of treasury shares	24	0	-1,564
Hybrid loan	24	0	0
Interest paid, hybrid loan		-2,280	-2,280
Withdrawal/repayment of current loans		-150	-8,621
Increase (-)/decrease (+) in current interest-bearing receivables		25	-8
Withdrawal of non-current loans		0	0
Repayment of non-current loans		2,886	-6,573
Payment of finance lease liabilities		-519	-421
Increase (-)/decrease (+) in non-current receivables		208	435
Dividends paid	24	-9,725	-4,193
Net cash outflow from financing (C)		-9,556	-23,227
Change in cash and cash equivalents (A+B+C)			
		6,039	-2,125
Cash and cash equivalents 1 Jan			
		11,036	10,626
Impact of changes in exchange rates		-808	2,536
Cash and cash equivalents 31 Dec	23	16,267	11,036

Consolidated statement of cash flows has been adjusted with regard to unrealised exchange rate changes, which have been moved from the “Other financial items” line to “Impact of exchange rate changes” line.

¹ The note refers to the Notes to the Accounts on pages 44-74.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Equity owned by parent company shareholders						Shareholders' equity total
	Note	Share capital	Share premium account and other reserves	Translation differences	Treasury shares	Retained earnings	
Shareholders' equity, 1 Jan 2011		7,000	19,030	-1,032	-2,228	52,396	75,166
Adjustment for previous periods regarding the hybrid loan						960	960
Adjusted shareholders' equity 1 Jan 2011		7,000	19,030	-1,032	-2,228	53,356	76,126
Translation differences				-943			-943
Result for the period						14,812	14,812
Total comprehensive income for the period		0	0	-943	0	14,812	13,869
Direct posting to retained earnings*						-1,707	-1,707
Dividend distribution	24					-9,725	-9,725
Purchase of treasury shares	24						0
Other changes							0
Shareholders' equity, 31 Dec 2011		7,000	19,030	-1,975	-2,228	56,736	78,563
Shareholders' equity 1 Jan 2010		7,000	19,030	-128	-665	34,329	59,566
Translation differences				-904			-904
Result for the period						23,338	23,338
Total comprehensive income for the period		0	0	-904	0	23,338	22,434
Direct posting to retained earnings*						-1,078	-1,078
Dividend distribution	24					-4,193	-4,193
Purchase of treasury shares	24				-1,563		-1,563
Other changes							0
Shareholders' equity, 31 Dec 2010		7,000	19,030	-1,032	-2,228	52,396	75,166

* Consists of interest, less tax, paid for the hybrid loan classified as equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information on the group

Ponsse Group is a sales, maintenance and technology company committed to creating success for its customers, and determined to secure its position as a global leader in the field of environmentally friendly cut-to-length forest machines. The Ponsse Group includes the parent company Ponsse Plc as well as the wholly-owned subsidiaries Ponsse AB in Sweden, Ponsse AS in Norway, Ponssé S.A.S. in France, Ponsse UK Ltd. in Great Britain, Ponsse North America Inc. in the United States, Ponsse Latin America Ltda in Brazil, OOO Ponsse in Russia, Ponsse Asia-Pacific Ltd in Hong Kong, Ponsse China Ltd in China, Ponsse Uruguay S.A. in Uruguay and Epec Oy in Seinäjoki, Finland. Furthermore, the Group includes Sunit Oy in Kajaani, which is Ponsse Plc's associate with a holding of 34 per cent.

The Group's parent company is Ponsse Plc, a Finnish public limited company established in accordance with Finnish legislation. Ponsse Plc's shares are listed on the NASDAQ OMX Nordic List. The parent company is headquartered in Vieremä and its registered address is Ponssentie 22, 74200 Vieremä.

Copies of the consolidated financial statements are available on the Internet at www.ponsse.com and can be requested from the Group's head office at Ponssentie 22, 74200 Vieremä.

Ponsse Plc's Board of Directors approved the disclosure of these financial statements at its meeting on 13 February 2012. According to the Finnish Companies Act, shareholders have the option to approve or reject the financial statements at a General Meeting of Shareholders to be held after the disclosure. The General Meeting of Shareholders may also amend the financial statements.

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2011. In the Finnish Accounting Act and regulations enacted by virtue of the Act, International Financial Reporting Standards refer to the standards approved for use in the European Union in accordance with the procedure specified in the EU regulation (EC) No 1606/2002. The notes to the financial statements are also in compliance with Finnish legislation concerning accounting and corporate law. This legislation complements the IFRS regulations.

The information in the consolidated financial statements is presented in thousands of euro and is based on original acquisition costs, with the exception of derivative contracts and share-based payments that are measured at fair value. The financial statements have been presented in accordance with the profit and loss account by type of expense.

The consolidated financial statements have been prepared in compliance with the same accounting principles as in 2010 apart

from the following new standards, interpretations and amendments to existing standards valid as of 1 January 2011.

– Revised IAS 24 *Related Party Disclosures* The definition of related parties has been specified further and certain requirements concerning notes on entities associated with a public authority have been changed. The revised standard has not had any impact on the Group's financial statements.

– IAS 32 (amendment) *Financial Instruments: Presentation – Classification of Rights Issues* The amendment concerns the accounting treatment (classification) of issues of options, subscription rights or other rights concerning shares that are denominated in currencies other than the operating currency of the issuer. The amendment has not had any impact on the consolidated financial statements.

– IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* The interpretation clarifies the accounting procedure in a case where the terms of a financial liability are renegotiated and the company issues equity instruments to its debtor as a result in order to extinguish the financial liability in full or in part. The interpretation has not had any impact on the Group's financial statements.

– IFRIC 14 (amendment) *Prepayments of a Minimum Funding Requirement* The amendment rectifies the undesired effect of interpretation IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". After the amendment, companies may recognise certain voluntary prepayments of a minimum funding requirement as assets on the balance sheet. The amendment has not had any impact on the consolidated financial statements.

In July 2010, IASB published improvements to seven standards or interpretations as part of its annual improvements to IFRSs, which the Group has adopted in 2011. The amendments that the Group management considers to have an impact on the consolidated financial statements are presented below.

– IFRS 3 (amendments)

a) *Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS*

The amendment clarifies that those amendments to IFRS 7 "Financial Instruments: Disclosures, IAS 32 "Financial Instruments: Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" that omit the easement concerning contingent consideration do not apply to contingent consideration arising from business combinations where the acquisition date precedes the adoption of revised IFRS 3.

b) *Measurement of non-controlling interests*

The possibility to choose the measurement of non-controlling interest at either fair value or amount corresponding to a relative share of the net assets of the acquiree only concerns instruments that represent the current interest and entitle their holders to a relative share of the net assets upon the dissolution of the entity. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs.

c) *Un-replaced and voluntarily replaced share-based payment awards*

The IFRS 3 application instruction concerns all share-based arrangements that are part of business combinations, including share-based payment awards that are not replaced by arrangements by the acquiring party or are voluntarily replaced.

The amendments have not had any impact on the consolidated financial statements.

– IFRS 7 (amendment) *Financial Instruments: Disclosures* The amendment emphasises the connection between the qualitative and quantitative information concerning the nature and extent of risks associated with financial instruments disclosed in the financial statements. The amendment has not had any material impact on the consolidated financial statements.

– IAS 1 (amendment) *Presentation of Financial Statements – Statement of Changes in Equity* The amendment clarifies that a company must present an itemisation of other comprehensive income items for each equity item either in the statement of changes in equity or in the notes to the financial statements. The amendment has not had any material impact on the consolidated financial statements.

– IAS 27 (amendment) *Consolidated and Separate Financial Statements* The amendment clarifies that the amendments due to IAS 27 made to IAS 21 "The Effects of Changes in Foreign Exchange Rates", IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures" are applied non-retrospectively on the financial periods starting on or after 1 July 2009 or previously if IAS 27 is adopted earlier. The amendment has not had any material impact on the consolidated financial statements.

– IAS 34 (amendment) *Interim Financial Reporting* The amendment contains illustrative guidance on the application of principles of presentation according to IAS 34 and additional requirements concerning the information to be presented, associated with:

- Conditions that are likely to influence the fair values and classification of financial instruments;
- Transfers of financial instruments between different levels of the fair value hierarchy;
- Changes in the classification of financial assets; and
- Changes in contingent assets and liabilities.

The amendment has not had any material impact on the consolidated financial statements.

– IFRIC 13 *Customer Loyalty Programmes* The amendment clarifies the significance of "fair value" in the measurement of bonus points associated with customer loyalty programmes. The amendment has not had any material impact on the consolidated financial statements.

Preparation of financial statements in accordance with IFRS standards requires the Group's management to make certain estimates and considerations with regard to the application of

the accounting policies, and the management has made these estimates and considerations. Information on considerations made by management with regard to application of the Group's accounting policies that have the most significant effect on the figures presented in the financial statements is presented in the Section "Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates".

Subsidiaries

The consolidated financial statements include the parent company Ponsse Plc and all of its subsidiaries. Subsidiaries are entities in which the Group exercises control. A position of control arises when the Group holds more than one half of the voting rights or otherwise controls the entity. Control refers to the right to define the principles of the finances and business operations of an entity in order to gain benefit from its operations.

Intra-Group shareholdings have been eliminated using the acquisition method. The consideration paid and the identifiable assets and obtained liabilities of the acquiree are measured at fair value at the time of acquisition. Acquisition-related expenses, excluding expenses arising from the issuance of debt or equity securities, are recorded as an expense. The consideration paid does not include business operations processed separately from the acquisition. Their effect has been recognised in connection with the acquisition through profit or loss. Any conditional additional purchase price is measured at fair value at the time of acquisition and classified as liability or equity. Additional purchase price classified as a liability is measured at fair value on each closing date of a reporting period, and the arising profit or loss is recorded through profit or loss or under other comprehensive profit/loss items. Additional purchase price classified as equity is not re-measured.

Acquired subsidiaries are included in the consolidated financial statements as of the date the Group acquired a position of control, and divested subsidiaries are included until the date the Group's control is discontinued. All intra-Group business transactions, receivables, liabilities, unrealised gains and internal profit distributions are eliminated during the preparation of the consolidated financial statements. Unrealised losses are not eliminated if they are caused by impairment.

In connection with an acquisition that takes place in phases, the previous interest is measured at fair value and the arising profit or loss is recognised through profit or loss. When the Group loses control of a subsidiary, the remaining investment is measured at fair value on the date when control was lost, and the resulting difference is recognised through profit or loss.

Acquisitions that have taken place before 1 January 2011 have been processed in accordance with the regulations in force at the time.

Associates

Associates are entities in which the Group exercises significant power. Significant power mainly arises when the Group holds more than 20 per cent of the voting rights in an entity or the

Group otherwise has significant power but no position of control. Associates are consolidated using the equity method. If the Group's share of an associate's loss exceeds the book value of the investment, the investment is recognised in the balance sheet at zero value and loss exceeding the book value is not consolidated unless the Group is committed to the fulfilment of the associate's obligations. An investment in an associate includes the goodwill arising from its acquisition. A share of associate profits corresponding to the Group's share of holding is presented as a separate item after operating profit.

Foreign currency translation

The figures indicating the earnings and financial position of Group entities are measured in the currency of each unit's primary operating environment ("functional currency"). The consolidated financial statements are presented in euro, which is the operating and presentation currency of the Group's parent company.

Transactions denominated in a foreign currency

Transactions denominated in a foreign currency have been converted into the functional currency at the exchange rate valid on the transaction date. In practice, the applicable exchange rate is often a near estimate of the rate valid on the transaction date. Monetary items in a foreign currency have been converted into the functional currency at the exchange rates valid on the closing date of the reporting period. Non-monetary items in a foreign currency are measured at the exchange rates valid on the transaction date. Gains and losses originating from business transactions in a foreign currency and the conversion of monetary items are recognised through profit or loss. Exchange rate gains and losses from operations, as well as exchange rate gains and losses on foreign currency loans, are included in financial income and expenses.

Conversion of the financial statements of foreign Group companies

The income and expense items in the comprehensive profit and loss accounts of non-Finnish consolidated companies have been converted into euro at the average exchange rate of the implementation dates, and their balance sheets have been converted at the exchange rate quoted on the closing date of the reporting period. The different exchange rates applicable to the conversion of profit on the profit and loss account and balance sheet result in a translation difference recognised in shareholders' equity. This change is recognised under other comprehensive profit/loss items. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries, as well as translation differences in equity items accumulated after the acquisition, are recognised under other comprehensive profit/loss items. When a subsidiary is divested in full or in part, accumulated translation differences are recognised through profit or loss as part of the sales gain or loss. In accordance with the exemption allowed by the IFRS 1 standard, translation differences incurred before 1 January 2004, which was the Group's

IFRS transition date, have been recognised as accrued earnings in connection with the IFRS transition and will not be recognised through profit or loss in connection with any subsequent divestment of a subsidiary. Starting from the date of transition, any translation differences arising in connection with the preparation of the consolidated financial statements are presented as a separate item within shareholders' equity.

Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and impairment losses.

Expenses incurred from the direct acquisition of property, plant and equipment are included in the acquisition. The acquisition cost of a self-manufactured asset item includes material expenses, direct expenses incurred for employee benefits and other direct expenses incurred for the completion of the property, plant and equipment item for the intended use. Liability expenses directly incurred for the acquisition, construction or manufacture of a property, plant and equipment item fulfilling the conditions are capitalised as part of the acquisition cost of the asset item.

If a property, plant or equipment item consists of several parts whose estimated useful lives differ, each part is treated as a separate item. In such a case, all replacement costs are activated and any remaining book value in connection with replacement is derecognised. In any other cases, costs arising at a later date are included in the book value of a property, plant or equipment item only if it is likely that the future economic benefits related to the item will benefit the Group and the item's acquisition cost can be reliably defined. Other repair and maintenance costs are recognised through profit or loss as they are realised.

Asset items are depreciated by the straight-line method over their estimated useful life. Depreciation is not booked on land areas. Estimated useful lives are the following:

Buildings	20 years
Machinery and equipment	3 to 10 years

The residual value and useful life of asset items are reviewed at least upon each closing of the accounts and adjusted, if necessary, to reflect any changes in the expected economic benefit.

Depreciation on a property, plant or equipment item will be discontinued when the item is classified as available for sale in accordance with standard IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Sales gains and losses arising from the decommissioning and transfer of property, plant and equipment items are recognised through profit or loss and presented under other operating income and expenses. The sales gain is defined as the difference between the selling price and residual acquisition cost.

The Group has not acquired or manufactured items for which activating borrowing costs is mandatory, and thus the standard IAS 23, Borrowing Costs, is not applicable.

Public subsidies

Public subsidies, such as government grants associated with the acquisition of property, plant and equipment items, are recognised as deductions in the book values of property, plant and equipment items when it is reasonably certain that the subsidies will be received and the Group fulfils the preconditions for receiving such subsidies. The subsidies will be recognised as income during the useful life of the asset items. Any subsidies covering already realised expenses are recognised through profit or loss for the accounting period during which the right to obtain the subsidy arises. Such subsidies are presented in other operating income.

Intangible assets

Goodwill

Goodwill arising from business combinations is recognised at the amount by which the consideration paid, share of non-controlling interest holders of the acquiree and previous holding combined exceed the Group's share of the fair value of the acquired net assets.

Acquisitions that have taken place between 1 January 2004 and 31 December 2009 have been recorded in accordance with the previous IFRS standards (IFRS 3 (2004)). Goodwill arising from business combinations that have taken place before 2004 corresponds to the book value of the previous financial statements standards, used as the default acquisition cost compliant with the IFRS standards. The Group has not had any goodwill arising from business combinations carried out before 2004.

No amortisation is booked on goodwill but it is tested annually for impairment. For this purpose, goodwill is allocated to cash-generating units. Goodwill is recognised at original cost deducted by impairment.

R&D expenditure

Research costs are recognised as expenses through profit or loss. Development costs arising from the design of new or more advanced products are capitalised as intangible assets in the balance sheet starting from the time the product is technically feasible, it can be utilised commercially, and future economic benefit is expected from the product. Capitalised development expenditure consists of the costs of materials, labour and testing arising directly from the preparation of an asset for its intended use. Development costs previously recognised as expenses will not be subsequently capitalised.

Amortisation is booked on an item starting from the time it is ready for use. An item that is not yet ready for use is tested annually for impairment. After initial recognition, capitalised development expenditure is measured at original cost less accumulated amortisation and impairment. The useful life of capitalised development expenditure is five years, during which the capitalised expenditure will be recognised as expenses by straight-line amortisation.

Other intangible assets

An intangible asset item is only recognised in the balance sheet at original cost if its acquisition cost can be reliably determined and it is probable that the expected economic benefit from the item will be to the Group's advantage.

Intangible assets with a limited useful life are recognised as expenses through profit or loss by straight-line amortisation over their known or estimated useful life. The Group does not have any intangible assets with an unlimited useful life.

The amortisation periods for intangible assets are the following:

Capitalised development expenditure	5 years
Patents	5 years
Computer software	5 years
Other intangible assets	5 to 10 years

Inventories

Stocks are valued at acquisition cost or a lower net realisable value. The Standard Cost method is used as a basis for calculating the value of materials and supplies in stock. The acquisition cost of finished and unfinished products comprises raw materials, direct expenses due to work performed, other direct expenses, and the appropriate proportion of the variable and fixed overheads of manufacturing at the normal utilised capacity. The inventory of second-hand machines is valued at acquisition cost or a lower probable net realisable value. Net realisable value refers to an estimated sales price available through normal business operations less the estimated costs of finishing the product and the costs of sale.

Lease contracts

Group as lessee

Leases on property, plant or equipment items in which the Group has a significant part of the risks and benefits characteristic of ownership are categorised as finance lease contracts. Asset items acquired under finance lease contracts are recognised in the balance sheet at the fair value of the leased item at the start of the lease period or at a lower present value of minimum rents. Asset items acquired under finance lease contracts are depreciated over the useful life of the item or the lease period, whichever is shorter. Leasing rents payable are divided into financing cost and reduction of debt over the lease period so that the interest rate on the debt remaining in each financial period is equal. Lease obligations are included in financial liabilities.

Lease contracts in which the risks and benefits characteristic of ownership remain with the lessor are treated as other lease contracts. Leases payable on the basis of other lease contracts are recognised as expenses through profit or loss in equal instalments over the lease period.

Group as lessor

Leases where the Group has not substantially transferred the risks and benefits of ownership of the asset to the lessee are included in property, plant and equipment or inventories on the balance sheet. Lease income is recognised through profit or loss in equal instalments over the lease period.

Impairment

Tangible and intangible assets

On each closing date of a reporting period, the Group estimates whether there is evidence that the value of an asset may have been impaired. If there is such evidence, the amount recoverable from the asset will be estimated. Furthermore, the recoverable amount will be estimated annually for the following assets regardless of whether there is evidence of impairment: goodwill and unfinished intangible assets. The need for impairment is reviewed at the level of cash-generating units, which refers to the lowest level of unit that is mainly independent of other units and whose cash flows can be separated from other cash flows.

The recoverable amount equals the fair value of an asset deducted by costs arising from its sale, or value in use if this is higher. Value in use refers to estimated future net cash flows available from the asset or the cash-generating unit discounted to present value. The applicable discount rate is a rate determined before tax that reflects the market opinion on the time value of money and the specific risks associated with the asset.

An impairment loss is recognised when the book value of an asset exceeds its recoverable amount. Impairment losses are immediately recognised through profit or loss. If an impairment loss is attributable to a cash-generating unit, it is first allocated to reduce the goodwill attributable to the cash-generating unit and then to reduce other asset items within the unit on a pro rata basis. In connection with the recognition of an impairment loss, the useful life of the asset subject to depreciation or amortisation is reassessed. Impairment losses on assets other than goodwill will be reversed if there is a change in the estimates used for determining the recoverable amount from the asset. However, any impairment loss reversal may not exceed the amount that would be the book value of the asset item if the impairment loss were not recognised. Impairment losses recognised on goodwill are not to be reversed under any circumstances.

Employee benefits

Pension liabilities

The Group's pension schemes are defined contribution plans. Under defined contribution plans, the Group makes fixed payments to a separate entity. Contributions paid to defined contribution pension plans are recognised through profit or loss during the financial period to which the charge applies.

Pension cover for the personnel of the Group's Finnish companies is arranged through statutory pension insurance policies with external pension insurance companies. Foreign Group companies have arranged pensions for their personnel in accordance with local legislation.

Share-based payment plans

The Group operates a share-based incentive scheme for key personnel where payments are made both in company shares and in cash. The benefits granted in the scheme are measured at fair value at the time of granting and recognised as expenses during the period that the entitlement was created. To the extent that the rewards are paid in cash, the recognised liability and changes in its fair value are correspondingly accrued as expenses. The effects of the reward on profit and loss are shown in the profit and loss statement under employment-related benefits.

Provisions

A provision is recognised when the Group has a legal or factual obligation based on a previous event, the realisation of a payment obligation is probable and the amount of the obligation can be reliably estimated. The amount of the provisions is measured on each closing date and modified according to the best estimate at the time of assessment. Changes in provisions are recognised in the income statement at the same amount as the initial recognition of the provision.

A guarantee provision is recognised upon the sale of a product subject to a guarantee condition. The amount of guarantee provision is based on empirical data on actual guarantee costs.

Tax based on the taxable income for the period and deferred tax

Tax expenses comprise tax based on the taxable income for the financial period and deferred tax. Taxes are recognised through profit and loss, except if they are directly related to items recognised in equity or comprehensive profit and loss account. In such a case, the tax is also recognised under these items. The tax based on the taxable income for the period is calculated on the basis of taxable income in accordance with the tax rate valid in each country.

Deferred taxes are calculated on temporary differences between book value and the tax base. However, no deferred tax liability will be recognised if the tax arises from the original recognition of an asset or liability in accounting, when it is not a question of a business combination and the recognition of such an asset or liability does not affect the profit in accounting or taxable income at the time the transaction is realised.

Deferred tax is recognised in the case of investments in subsidiaries or associated companies, except if the Group is able to determine the time the temporary difference was eliminated and

the extent to which the difference will probably not be eliminated during the foreseeable future.

The most substantial temporary differences arise from the depreciation of property, plant and equipment, as well as adjustments at fair value upon acquisitions.

Deferred tax is calculated at tax rates enacted by the closing date of the reporting period which have in practice been approved by the closing date of the reporting period.

Deferred tax receivables are recognised up to the probable amount of taxable income in the future against which the temporary difference can be utilised. The conditions for recognising a deferred tax liability are estimated in this respect on each closing date of a reporting period.

Revenue recognition

Net sales consist of the income from the sales of products and services measured at fair value and adjusted by indirect taxes and discounts.

Goods and services sold

Income from the sale of goods is recognised once the significant risks, benefits and control associated with the ownership of the goods have been transferred to the purchaser. At this time, the Group no longer has any power of control associated with the product. As a general rule, this occurs when the products are handed over in compliance with the terms and conditions of the agreement. Income from services is recognised in the financial period during which the service is rendered.

Rental income

Rental income is recognised in equal instalments over the rental period.

Interest and dividends

Interest income is recognised using the effective interest method and dividend income is recognised once the dividend becomes vested.

Financial assets and liabilities

Financial assets

The Group's financial assets are classified into the following groups: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and financial assets available for sale. The classification is based on the purpose of acquiring the financial assets and carried out upon original acquisition.

Financial asset items are classified as *Financial assets at fair value through profit or loss* if they are acquired for trading purposes or if they are categorised as assets to be recognised at fair value through profit or loss upon initial recognition. Derivatives

that do not meet the IAS 39 criteria for hedge accounting are classified as assets held for trading. Derivatives held for trading are included in current assets and liabilities. The items within the group are measured at fair value. Both realised and unrealised gains and losses arising from changes in fair value are recognised through profit and loss for the reporting period during which they arise.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not held by the Group for trading purposes nor classified as held for sale when originally recognised. The basis for their measurement is amortised cost. On the balance sheet, they are included in trade receivables and other receivables based on their nature: in the latter group if the time to maturity is more than 12 months.

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified in any other group. They are included in non-current assets unless the intention is to hold them for less than 12 months from the closing date of the reporting period, in which case they are included in current assets.

Financial assets available for sale consist of unlisted shares. They are measured at cost as their fair value cannot be reliably determined.

Cash and cash equivalents

Liquid assets comprise cash, bank deposits withdrawable on demand, and other short-term, very liquid investments which can be easily exchanged into a known amount of cash and which have a low risk of value changes. Items classified as liquid assets have a maturity of no more than three months calculated from the date of acquisition.

Impairment of financial assets

On each closing date of a reporting period, the Group estimates whether there is objective evidence that the value of a financial asset item or financial asset group may have been impaired.

The Group recognises an impairment loss on trade receivables when there is objective evidence that the receivable cannot be recovered in full. The debtor's substantial financial problems, the probability of bankruptcy, and default or substantial delay on payments are evidence of impairment of trade receivables. If the amount of impairment loss is reduced during a subsequent period and the reduction can be objectively considered to relate to an event subsequent to the recognition of the impairment loss, the recognised impairment loss shall be reversed through profit or loss.

Financial liabilities

Financial liabilities are initially recognised at fair value. Financial liabilities are included in non-current and current liabilities, and they are interest-bearing. Financial liabilities are categorised as current liabilities, unless the Group has an absolute right to postpone the payment of the debt so that the due date is at least twelve months after the end of the reporting period.

The principles for determining the fair values of all financial assets and liabilities are presented in Note 31.

Derivative contracts and hedge accounting

The Group handles derivative contracts in accordance with the standard IAS 39 *Financial Instruments: Recognition and Measurement*. Ponsse Group has categorised all derivatives as derivatives held for trading as it does not apply hedge accounting in accordance with the IAS 39 standard. The derivatives held for trading include forward exchange agreements and interest rate swaps measured at fair value. The fair value of the derivatives is recognised in other current assets and liabilities. Both realised and unrealised gains and losses arising from changes in fair value are recognised under financial items on the profit and loss account for the financial period during which they arise.

Shareholders' equity

Ordinary shares are presented as share capital. Expenses associated with the issuance or purchase of equity instruments are presented as an equity reduction item.

The Group has a EUR 19 million equity-based bond (so-called hybrid loan) issued during the financial period 2009. The loan is recognised in the company's shareholders' equity. The equity-based loan has no maturity date, but the Group is entitled, not obliged, to redeem the loan four years after it was issued, or in 2013. The contractual annual interest rate is 12 per cent. The interest is paid if the Annual General Meeting resolves to distribute dividends. If no dividend is paid, the Group makes a separate decision on the payment of interest.

The dividend distribution to shareholders proposed by the Board of Directors is recognised as a deduction of shareholders' equity in the period during which the general meeting of shareholders has approved the dividend.

Operating profit

The standard IAS 1 *Presentation of Financial Statements* does not define the concept of operating profit. The Group has defined it as follows: operating profit is the net amount created by adding other operating income to net sales, subtracting purchase costs adjusted by change in stocks of finished and unfinished products and costs of manufacture for own use, and subtracting costs of employee benefits, depreciation and amortisation, any impairment losses and other operating expenses. All profit and loss items other than the above are presented below operating profit. Exchange rate differences are recognised in financial items.

Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates

Estimates and assumptions regarding the future have to be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration.

Management consideration connected with accounting policies and their adoption

Group management utilises their best judgement when making decisions regarding accounting policies and their adoption. This refers to those cases in particular where the valid IFRS standards offer several alternative booking, recognition or presentation methods.

Uncertainties connected with estimates

Estimates made when compiling the financial statements are based on the management's best views on the closing date of the reporting period. The estimates are based on previous experience and assumptions about the future that are deemed the most likely on the balance sheet date. These are connected to, for example, the expected development of the Group's financial operating environment regarding the sales and the level of expenditure. The Group regularly monitors the realisation of estimates and assumptions, as well as changes in the underlying factors, together with the business unit by utilising several internal and external sources of information. Any changes in the estimates and assumptions are recognised in the financial period during which the estimates and assumptions are adjusted, and in all subsequent financial periods.

The essential assumptions concerning the future and crucial factors of uncertainty associated with the estimates on the closing date of the reporting period that will impose a significant risk of substantial changes in the book values of assets and liabilities during the next financial period are given below. Group management has deemed these the most important sectors in the financial statements because the compilation principles connected with these issues are the most complex from the Group's viewpoint, and their adoption requires using the most major estimates and assumptions when, for example, evaluating asset items. Furthermore, the potential impacts of the assumptions and estimates used in these sectors of the financial statements are deemed the greatest.

Trade receivables

On the date of the financial statements, the Group recognises a credit loss on receivables for which no payment will probably be received according to its best judgement. The estimates are based on systematic and continuous review of receivables as part of credit risk control. The assessment of credit risks is based on previously realised credit losses, amount and structure of the receivables and short-term financial events and conditions.

Inventories

On the date of the financial statements, the Group recognises impairment losses according to its best judgement, particularly with regard to trade-in machines. The assessment takes into account the age structure of the trade-in machine stock and the likely selling prices.

Guarantee provision

The guarantee provision is based on realised guarantee expenses. The guarantee period granted for the products is 12 months or 2,000 hours, and defects in the products observed during the guarantee period are repaired at the company's cost. The guarantee provision is based on failure history recorded in the previous years.

Capitalisation of R&D expenditure

On the date of the financial statements, the Group assesses whether the new product is technically feasible, whether it can be commercially utilised and whether future economic benefits will be received from the product, which makes it possible to capitalise development expenditure arising from the design of new or advanced products on the balance sheet as intangible assets.

Income taxes

Preparing the consolidated financial statements requires the Group to estimate its income taxes separately for each subsidiary. The estimates take into account the tax position and the effect of temporary differences due to different tax and accounting practices, such as allocation of income and provisions for expenses. Deferred tax assets and liabilities are recognised as the result of the differences. The possibilities of utilising a deferred tax asset are estimated and adjusted to the extent that the possibility of utilisation is unlikely.

Impairment testing

The Group carries out annual impairment testing of goodwill and unfinished intangible assets, and evidence of impairment is evaluated as presented above in the accounting policies. Recoverable amounts from cash-generating units are determined as calculations based on value in use. The preparation of these calculations requires the use of estimates.

Application of new and amended IFRS standards

The published standards, interpretations and amendments to existing standards and interpretations that the Group will adopt as of 1 January 2012 are listed below. Group management is reviewing the effect of these revised standards on the consolidated financial statements:

– IFRS 7 (amendment) *Financial Instruments: Disclosures – Derecognition* The amendment increases transparency in the presentation of business transactions concerning assignments of financial instruments and improves the view obtained by us-

ers of the risks related to assignments of financial instruments and the impact of these risks on the financial position of the entity, especially when the securitisation of financial assets is concerned. Earlier application is permitted if the EU adopts the amendment.

– IAS 12 (amendment) *Income Taxes – Deferred Taxes* IAS 12 currently contains the requirement that the determination of deferred tax related to an asset item depends on whether the monetary amount corresponding to the book value of the asset item is to be accrued by using the asset item or by selling it. When the fair value model according to IAS 40 "Investment Property" is applied, it may be difficult to decide whether the accrual of the amount corresponding to the book value is based on use or sale. This amendment introduces an exception that concerns the determination of deferred tax receivables or liabilities related to an investment property measured at fair value. As a result of the amendment, SIC-21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" no longer applies to investment properties measured at fair value. Other requirements included in SIC-21 are transferred to IAS 12 and the interpretation is repealed.

The Group will adopt the following standards, interpretations and amendments to existing standards in or after 2013. Group management is reviewing the effect of these revised standards on the consolidated financial statements:

– IFRS 10 *Consolidated Financial Statements* IFRS 10 contains the principles concerning the preparation and presentation of consolidated financial statements when an entity has control over one or several other entities. The standard defines the principles related to control. Control is the basis for inclusion in consolidated financial statements. The standard provides guidance for the application of the concept of control when it is established whether an investor has control and whether it must include the object of investment in the consolidated financial statements. The standard also contains requirements concerning the preparation of consolidated financial statements. The Group will adopt the standard in its financial statements for 2013. The EU has not yet approved the new standard for application.

– IFRS 11 *Joint Arrangements* IFRS 11 contains guidance for treating joint arrangements. The treatment is based on the rights and obligations arising from the arrangement and not on its legal form. There are two kinds of joint arrangements: joint operations and joint ventures. The parties to a joint operation have rights related to the assets of the arrangement and obligations concerning the arrangement, and thus they treat their interests in the assets, liabilities, income and expenses in their accounting. In a joint venture, the parties have rights to the net assets of the arrangement, and they treat their interest using the equity method. Relative consolidation of joint ventures is no longer permitted. The Group will adopt the standard in its financial statements for 2013. The EU has not yet approved the new standard for application.

– IFRS 12 *Disclosure of Interests in Other Entities* The standard contains requirements for notes concerning all types of interests. It concerns joint arrangements, associated companies,

investment instruments created for a specific purpose and other off-balance sheet instruments. The Group will adopt the standard in its financial statements for 2013. The EU has not yet approved the new standard for application.

– IFRS 13 *Fair Value Measurement* The purpose of the standard is to increase uniformity and reduce complexity. The standard contains a precise definition of fair value and the requirements for the measurement of fair value and notes to the financial statements that concern all IFRS standards. The use of fair value is not expanded; rather, guidance is provided for its measurement when its use is permitted or required in other IFRS standards. The Group will adopt the standard in its financial statements for 2013. The EU has not yet approved the new standard for application.

– IAS 27 (revised in 2011) *Separate Financial Statements* The revised standard contains the requirements concerning separate financial statements that have remained when the sections concerning control have been included in the new IFRS 10. The Group will adopt the standard in its financial statements for 2013. The EU has not yet approved the new standard for application.

– IAS 28 (revised in 2011) *Investments in Associates and Joint Ventures* The revised standard contains the requirements for treating both associates and joint ventures using the equity method as a result of the publication of IFRS 11. The Group will adopt the standard in its financial statements for 2013. The EU has not yet approved the new standard for application.

– IAS 1 (amendment) *Presentation of Financial Statements* The key amendment is the requirement that other comprehensive income items are grouped according to whether they will potentially in the future be transferred to be recognised through profit or loss (adjustments due to changes in classification). The amendment does not concern what items are presented in other comprehensive income items. The Group will adopt the standard in its financial statements for 2013. The EU has not yet approved the new standard for application.

– IAS 19 (amendment) *Employee Benefits* Main amendments: The amendment eliminates the possibility of applying “the corridor approach”. The definition of the estimated income from funded defined benefit plans is changed. The financial expense is determined for the net item (of the obligation and the assets included in the plan). The Group will adopt the standard in its

financial statements for 2013. The EU has not yet approved the new standard for application.

– IFRS 9 *Financial Instruments* This is the first part of a more extensive project the purpose of which is to replace IAS 39 by a new standard. The different measurement principles have been retained, but they have been simplified by prescribing two measurement groups for financial assets: amortised cost and fair value. The classification depends on the operating model of the entity and the characteristics of the cash flows from the item included in financial assets. The guidance included in IAS 39 for the impairment of the value of financial assets and hedge accounting still remains valid. The Group will adopt the standard in its financial statements for 2013. The EU has not yet approved the new standard for application.

– IAS 32 (amendment) *Offsetting Financial Assets and Financial Liabilities* The amendment concerns the inconsistency in the current practice when the guidance concerning when financial assets and liabilities can be presented at net amount on the balance sheet according to IAS 32 is applied. The amendment provides additional guidance for the fact that the right for setting off financial assets and liabilities must be possible ‘every day’, meaning that it cannot depend on some future event. In addition, it must be possible for both parties to implement the netting of the items in normal business operations, when a default of payment has occurred and in a bankruptcy situation. In addition, the amendment further specifies the guidance for when certain payment arrangements to be implemented at gross amount correspond to the conditions for implementation at net amount according to IAS 32. The Group will adopt the standard in its financial statements for 2014. The EU has not yet approved the amendment for application.

– IFRS 7 (amendment) *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* The amendment expands the current requirements concerning notes so that entities must provide numerical information on the financial instruments presented at net amount on the balance sheet and those financial instruments that are subject to ‘master netting’ or a corresponding contractual arrangements despite the fact that they are presented on the balance sheet at gross amount. The Group will adopt the standard in its financial statements for 2013. The EU has not yet approved the new standard for application.

1. OPERATING SEGMENTS

The Group has four reporting segments based on a geographical division of regions. The operating segments are based on reporting used by the Group Management Team in operational decision-making.

The net sales of the reported operating segments are mainly generated by sales of forest machines and maintenance services.

The Group Management Team assesses the performance of the operating segments on the basis of operating result (EBIT).

Income from each segment is allocated in accordance with the location of the customer. The income items include items that can be allocated to the segment on reasonable grounds. Income items allocated to a segment are based on the normal production degree.

Segment reporting is based on asset and liability valuation principles complying with IFRS. The liabilities allocated to the segments are also recognised for the separate company. Unallocated items include all Group-level adjustments, interest-bearing financial liabilities and working capital items from outside of the segments. Investments consist of additions of property, plant and equipment as well as intangible assets which are used in connection with more than one period.

The Group's reported segments are:

Northern Europe
Central and Southern Europe
Russia and Asia
North and South America

Pricing between segments is based on fair market price.

OPERATING SEGMENTS 2011

(EUR 1,000)	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Elimination	Total
Net sales of the segment	242,421	61,087	53,310	46,012		402,830
Revenues between segments	-73,225	-195	-421	-821		-74,662
Unallocated sales						23
Net sales from external customers	169,197	60,892	52,889	45,191		328,191
Operating result of the segment	11,610	10,120	8,442	-738		29,434
Unallocated items						-590
Operating result	11,610	10,120	8,442	-738		28,844
Segment liabilities	48,999	7,230	13,085	37,356	-55,073	51,598
Unallocated liabilities						43,772
Total liabilities	48,999	7,230	13,085	37,356	-55,073	95,369
Investments	8,841	227	200	162		9,430
Depreciation and amortisation	4,489	176	186	369		5,221

OPERATING SEGMENTS 2010						
(EUR 1,000)	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Elimination	Total
Net sales of the segment	189,370	45,190	39,380	48,713		322,653
Revenues between segments	-58,927	-601	-333	-446		-60,306
Unallocated revenue						69
Net sales from external customers	130,443	44,589	39,047	48,267		262,416
Operating result of the segment	10,878	7,600	6,768	2,358		27,603
Unallocated items						-5,929
Operating result	10,878	7,600	6,768	2,358		21,674
Segment liabilities	43,492	7,104	9,375	35,436	-48,719	46,688
Unallocated liabilities						39,851
Total liabilities	43,492	7,104	9,375	35,436	-48 719	86,539
Investments	4,074	169	244	338		4,825
Depreciation and amortisation	4,441	166	121	352		5,079

RECONCILIATIONS		
(EUR 1,000)	2011	2010
Net sales		
Net sales of the reporting segments	402,830	322,653
Income from all other segments	23	69
Elimination of income between segments	-74,662	-60,306
Group's net sales, total	328,191	262,416
Operating result		
Result of the reporting segments	29,434	27,603
Result of all other segments	-197	-173
Items not allocated to any segment	-393	-5,756
Group's operating result, total	28,844	21,674
Liabilities		
Liabilities of the reporting segments	51,598	46,688
Liabilities of all other segments	0	0
Other liabilities not allocated to any segment	43,772	39,851
Group liabilities, total	95,369	86,539

2. LONG-TERM ASSETS HELD FOR SALE, AND DISCONTINUED OPERATIONS

The Group does not have any of these items.

3. ACQUIRED BUSINESS OPERATIONS

There were no acquisitions of business operations in 2011 or 2010.

4. NET SALES

(EUR 1,000)	2011	2010
Machine sales	265,957	207,142
Service	62,234	55,275
Total	328,191	262,416

There were no long-term projects during the accounting period.

5. OTHER OPERATING INCOME

(EUR 1,000)	2011	2010
Sales profits on property, plant and equipment	146	186
Public subsidies	162	274
Other	988	437
Total	1,297	898

6. OTHER OPERATING EXPENSES

(EUR 1,000)	2011	2010
Voluntary employee expenses	1,713	1,407
Operating and maintenance expenses	5,152	4,361
Shipping and handling expenses	4,645	3,935
Rent expenses	3,492	3,439
Marketing and representation expenses	3,606	3,226
Administrative expenses	5,466	4,455
R&D expenditure	493	528
Other	10,214	6,633
Total	34,781	27,984

6.1. AUDITOR'S REMUNERATIONS		
(EUR 1,000)	2011	2010
PricewaterhouseCoopers Oy		
Auditor's remunerations	133	113
Certificates and statements	0	1
Tax advice	12	15
Other remunerations	30	15
	175	144
Ernst & Young Oy		
Auditor's remunerations	0	0
Certificates and statements	0	1
Tax advice	0	2
Other remunerations	0	1
	0	4
Other organisations		
Auditor's remunerations	52	66
Certificates and statements	0	0
Tax advice	33	2
Other remunerations	5	0
	90	68
Total	264	216
7. DEPRECIATION, AMORTISATION AND IMPAIRMENT		
(EUR 1,000)	2011	2010
Intangible assets		
Capitalised development expenditure	718	541
Patents	62	58
Intangible rights	190	170
Other intangible assets	164	162
Total	1,133	931
Property, plant and equipment		
Buildings	1,083	1,061
Machinery and equipment	3,005	3,086
Total	4,087	4,148

8. EXPENDITURE ON EMPLOYMENT-RELATED BENEFITS		
(EUR 1,000)	2011	2010
Wages and salaries	39,431	30,509
Pension expenditure - defined contribution plans	5,739	4,412
Other social security costs	4,006	3,321
Total	49,176	38,243
Average number of staff during the financial period		
Employees	507	440
Clerical workers	441	385
Total	948	825

Information on management's employment-related benefits is presented in Note 35, Related party transactions.

9. R&D EXPENDITURE		
(EUR 1,000)	2011	2010
R&D expenditure recorded as a cost item in the consolidated statement of comprehensive income	6,110	4,200
10. FINANCIAL INCOME		
(EUR 1,000)	2011	2010
Dividend income from financial assets available for sale	3	4
Interest income from loans and receivables	216	486
Exchange rate gains	10,640	14,616
Change in the fair value of derivative instruments	1,810	2,538
Other financial income	189	327
Total	12,857	17,971

11. FINANCIAL EXPENSES		
(EUR 1,000)	2011	2010
Interest expenses for financial loans	1,227	1,237
Exchange rate losses	10,559	10,396
Change in the fair value of derivative instruments	3,093	2,859
Other financial expenses	595	710
Total	15,474	15,202

12. INCOME TAXES		
(EUR 1,000)	2011	2010
Tax based on the taxable income for the period	9,659	2,148
Taxes from previous financial periods	2,062	-1,489
Deferred taxes	-487	452
Total	11,233	1,111

Reconciliation of tax expenses in the consolidated statement of comprehensive income and taxes calculated at the Group's domestic tax rate (2011: 26 %, 2010: 26%)

(EUR 1,000)		
Result before taxes	26,046	24,448
Tax calculated using the domestic tax rate	6,772	6,357
Effect of the different tax rates used in foreign subsidiaries	226	110
Tax-exempt income	-188	-1
Non-deductible expenses	1,074	883
Use of tax losses not recorded previously	0	-5,485
Unbooked deferred tax assets	1,776	1,031
Effects of consolidation and elimination	-487	-294
Taxes for previous financial periods	2,062	1,489
Taxes in the consolidated statement of comprehensive income	11,233	1,111

13. EARNINGS PER SHARE

Undiluted earnings per share are calculated by dividing the result for the financial period belonging to the parent company's shareholders by the weighted average of shares outstanding during the financial period.

(EUR 1,000)	2011	2010
Result for the financial period belonging to parent company shareholders	14,812	23,338
Interest on the hybrid loan (adjusted for tax effect)	-1,688	-1,688
Result for the financial period adjusted for dilution effect in order to calculate the earnings per share	13,125	21,650
Weighted average number of shares during the financial period (1,000 pcs)	27,787	27,881
Undiluted earnings per share (EUR/share)	0.47	0.78

In the calculation of earnings per share adjusted for dilution, the weighted average number of shares includes the diluting effect of the conversion of all potential ordinary shares. The Group's current share-based incentive scheme does not produce a diluting effect, which means that the earnings per share adjusted for dilution equal the undiluted earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	Land and water	Buildings	Machinery and equipment	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2011	653	24,800	32,383	1,057	58,893
Increase	132	795	3,675	3,946	8,549
Decrease	0	-4	-1,828	-1,583	-3,415
Transfers between items	0	0	0	0	0
Exchange rate difference	5	56	-5	-2	54
Acquisition cost 31 Dec 2011	791	25,647	34,224	3,419	64,080
Accumulated depreciation and impairment 1 Jan 2011	0	-11,949	-22,502	0	-34,451
Depreciation and amortisation	0	-1,082	-3,005	0	-4,087
Accumulated depreciation on decrease and transfers	0	0	642	0	642
Exchange rate difference	0	-20	0	0	-20
Accumulated depreciation and impairment 31 Dec 2011	0	-13,050	-24,865	0	-37,916
Book value 1 Jan 2011	653	12,851	9,880	1,057	24,442
Book value 31 Dec 2011	791	12,596	9,359	3,419	26,165

	Land and water	Buildings	Machinery and equipment	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2010	645	23,993	31,093	327	56,059
Increase	0	616	2,819	1,259	4,693
Decrease	0	0	-1,977	-551	-2,528
Transfers between items	-5	0	0	0	0
Exchange rate difference	13	191	447	22	674
Acquisition cost 31 Dec 2010	653	24,800	32,383	1,057	58,893
Accumulated depreciation and impairment 1 Jan 2010	0	-10,845	-20,231	0	-31,076
Depreciation and amortisation	0	-1,061	-3,086	0	-4,147
Accumulated depreciation on decrease and transfers	0	0	973	0	973
Exchange rate difference	0	-43	-158	0	-201
Accumulated depreciation and impairment 31 Dec 2010	0	-11,949	-22,502	0	-34,451
Book value 1 Jan 2010	645	13,148	10,862	327	24,982
Book value 31 Dec 2010	653	12,851	9,880	1,057	24,442

Non-depreciated share of the acquisition costs of production machinery and equipment not included in the Group's property, plant and equipment totalled EUR 4.4 million on 31 Dec 2011 (EUR 4.2 million on 31 Dec 2010).

Financial lease contracts			
(EUR 1,000)			
Property, plant and equipment includes the following items rented under a finance lease contract:			
31 Dec 2011	Buildings	Machinery and equipment	Total
Acquisition cost	762	3,061	3,823
Accumulated depreciation	-381	-2,270	-2,651
Book value	381	791	1,172

31 Dec 2010	Buildings	Machinery and equipment	Total
Acquisition cost	762	2,952	3,714
Accumulated depreciation	-343	-1,854	-2,197
Book value	419	1,098	1,517

15. INTANGIBLE ASSETS

(EUR 1,000)	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2011	4,336	613	946	3,103	2,751	11,748
Increase	1,143	23	287	270	3,633	5,355
Transfers between items	26	0	0	0	-26	0
Decrease	0	0	-17	-12	-1,728	-1,757
Acquisition cost 31 Dec 2011	5,504	636	1,216	3,362	4,629	15,347

Accumulated depreciation and impairment 1 Jan 2011	-1,397	-386	-508	-2,886	0	-5,178
Depreciation and amortisation	-718	-62	-189	-164	0	-1,133
Accumulated depreciation on decrease and transfers	0	0	7	14	0	21
Accumulated depreciation and impairment 31 Dec 2011	-2,116	-448	-690	-3,036	0	-6,290
Book value 1 Jan 2011	2,938	227	438	217	2,751	6,571
Book value 31 Dec 2011	3,398	188	526	325	4,629	9,057

(EUR 1,000)	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2010	3,356	590	831	3,117	2,034	9,927
Increase	980	24	115	16	1,800	2,934
Transfers between items	0	0	0	0	-1,083	-1,083
Decrease	0	0	0	-30	0	-30
Acquisition cost 31 Dec 2010	4,336	613	946	3,103	2,751	11,748
Accumulated depreciation and impairment 1 Jan 2010	-856	-328	-338	-2,727	0	-4,249
Depreciation and amortisation	-541	-58	-170	-162	0	-931
Accumulated depreciation on decrease and transfers	0	0	0	3	0	3
Accumulated depreciation and impairment 31 Dec 2010	-1,397	-386	-508	-2,886	0	-5,178

Book value 1 Jan 2010	2,500	262	493	389	2,034	5,678
Book value 31 Dec 2010	2,938	227	438	217	2,751	6,571

Intangible rights include computer software licence fees, among others. Other intangible assets include fees for computer software tailored for the Group, among others. Prepayments and unfinished acquisitions include R&D expenditure, patent application expenses and computer software acquisition costs.

Allocation of goodwill		
(EUR 1,000)	2011	2010
Goodwill is allocated to the following cash-generating unit:		
Northern Europe segment: Epec Oy	3,440	3,440

Impairment testing

For impairment testing, the recoverable amounts from Epec Oy have been determined on the basis of value in use. The cash flow forecast is based on three-year forecasts approved by management. The applicable discount rate before tax is 13%. The discount rate before tax is determined on the basis of weighted average cost of capital (WACC). Cash flows following the forecast period approved by management have been estimated by extrapolating with a steady growth factor of 1% in the units. The growth factor applied does not exceed long-term realised growth of the sectors in question.

The essential variables used for the calculation of value in use are the following:

1. Budgeted operating margin – Determined on the basis of forecast operating margin for the next three years. The value of the variable is based on realised development.
2. Forecast residual value – Determined on the basis of the last budgeted year 2014 and a steady growth factor of 1%. The residual value is not expected to change essentially as continuous product development and anticipated intensification of competition are considered.
3. Discount rate – Determined on the basis of the weighted average cost of capital (WACC) method representing the total cost of equity and liabilities taking into account any specific risks associated with the assets and the sector of business.

Sensitivity analysis for impairment testing

It is the management's opinion that no reasonably estimated change in any essential variable would result in the recoverable amounts from Epec Oy falling below their book value.

No impairment would occur even if Epec Oy's operating margin for all the years to come were to remain at 50 per cent of the actual operating margin in 2011 and none of the planned increases in the operating margin were experienced. Neither would any impairment be observed even if the discount rate after taxes were to increase three-fold.

16. INVESTMENT PROPERTIES

The Group has no investment properties.

17. INVESTMENTS IN ASSOCIATED COMPANIES		
(EUR 1,000)	2011	2010
At beginning of financial period	1,624	1,790
Share of the result of the financial period	-330	-166
At end of financial period	1,294	1,624

Information concerning the Group's associated company, its assets, liabilities, net sales and result:		
(EUR 1,000)	2011	2010
Associated company		
Sunit Oy, Kajaani, Finland		
Assets	4,537	5,781
Liabilities	517	789
Net sales	1,045	4,825
Result	-533	14
Share of ownership	34%	34%

Sunit Oy specialises in telematics and manufactures vehicle computers.

18. OTHER FINANCIAL ASSETS

(EUR 1,000)	
Investments available for sale	Other shares and holdings
Acquisition cost 1 Jan 2011	111
Increase	0
Decrease	0
Acquisition cost 31 Dec 2011	111
Acquisition cost 1 Jan 2010	110
Increase	1
Decrease	0
Acquisition cost 31 Dec 2010	111

Other financial assets mainly contain unquoted shares in enterprises serving the company's operations. They are measured at acquisition cost because their fair values are not reliably available.

19. RECEIVABLES (NON-CURRENT)

(EUR 1,000)	2011	2010
Trade receivables	155	1,557
Loan receivables	211	311
Other receivables	1,136	1,238
Accrued income	32	38
Total	1,535	3,144

Receivables do not have any significant credit risk concentrations and the changes of the accounting period do not include any write-downs.

20. DEFERRED TAX RECEIVABLES AND LIABILITIES

(EUR 1,000)			
Changes in deferred taxes during 2011:			
Deferred tax assets:	31 Dec 2010	Recognised through profit or loss	31 Dec 2011
Inventories	1,461	212	1,673
Fixed assets	13	272	285
Provisions	0	0	0
Confirmed losses	0	0	0
Interest on the bond loan (so-called hybrid loan)	148	-17	131
Other items	90	647	737
Total	1,712	1,114	2,826

Deferred tax liabilities:	31 Dec 2010	Recognised through profit or loss	31 Dec 2011
Goodwill	0	0	0
Inventories	116	68	184
Fixed assets	293	-90	203
Accumulated depreciation differences	0	0	0
Other items	60	663	723
Total	469	641	1,110

Changes in deferred taxes during 2010:

Deferred tax assets:	31 Dec 2009	Recognised through profit or loss	31 Dec 2010
Inventories	1,239	222	1,461
Fixed assets	16	-3	13
Provisions	0	0	0
Confirmed losses	0	0	0
Interest on the bond loan (so-called hybrid loan)	518	-370	148
Other items	0	90	90
Total	1,773	-61	1,712

Deferred tax liabilities:	31 Dec 2009	Recognised through profit or loss	31 Dec 2010
Goodwill	0	0	0
Inventories	92	24	116
Fixed assets	366	-73	293
Accumulated depreciation differences	0	0	0
Other items	6	54	60
Total	464	5	469

No deferred tax has been recognised through shareholders' equity.

No deferred tax has been recognised for confirmed losses associated with the Group's foreign subsidiaries, EUR 26,600 thousand (EUR 26,892 thousand in 2010). 38 per cent of the confirmed losses will become obsolete in years 2014–2027. The rest of confirmed losses has no expiry date.

21. INVENTORIES		
(EUR 1,000)	2011	2010
Raw materials and consumables	48,911	48,014
Work in progress	3,808	3,015
Finished products/goods	9,984	8,189
Other stocks	17,772	13,173
Total	80,475	72,391

EUR 2.1 million was recognised as an expense item, which was used to reduce the book value of stocks to correspond to the net realisable value (EUR 2.3 million in 2010).

22. TRADE RECEIVABLES AND OTHER RECEIVABLES (CURRENT)		
(EUR 1,000)	2011	2010
Trade receivables	28,258	32,125
Receivables from associated companies	0	0
Accrued income	701	653
Other receivables	3,762	3,601
	32,722	36,379

Derivative contracts held for trading	36	230
Total	32,758	36,608

The Group's credit losses for trade receivables amounted to EUR 4,017 thousand (EUR 1,419 thousand in 2010) during the financial period and cancellation of credit losses to EUR 138 thousand (EUR 147 thousand in 2010). Balance sheet values best describe the amount of money that is the maximum amount of the credit risk, not taking into account the fair value of the guarantee in the case that the other contracting parties are unable to fulfil their obligations associated with the financial instruments. As a rule, the sold machine is guarantee for trade receivables until the purchase price has been paid.

The currency distribution for receivables is presented in Note 30 and fair values in Note 31.

Trade receivables by age and items recognised as credit losses		
(EUR 1,000)	2011	2010
Non-matured	16,240	18,948
Matured		
Less than 30 days	7,725 ¹	8,456 ¹
30–90 days	2,298 ¹	2,541 ¹
91–180 days	946 ¹	1,389 ¹
181–360 days	190 ²	3,744 ²
More than 360 days	5,031 ²	24 ²
Impairment losses	-4,017	-1,419
Total	28,414 ³	33,682 ³

¹ Trade receivables that have matured but whose value has not impaired at the end of the financial period.

² Trade receivables that have matured and whose value has impaired at the end of the financial period. The amount of impairment is presented in Impairment losses.

³ Non-current and current trade receivables

23. CASH AND CASH EQUIVALENTS		
(EUR 1,000)	2011	2010
Cash in hand and at banks	16,267	11,036
Total	16,267	11,036

24. NOTES ON SHAREHOLDERS' EQUITY				
The following table is a presentation of the effects of changes in the numbers of shares:				
	Number of shares (1,000)	Share capital (EUR 1,000)	Other reserves (EUR 1,000)	Treasury shares (EUR 1,000)
1 Jan 2010	27,952	7,000	19,030	-664
Purchase of treasury shares	-165	0	0	-1,564
31 Dec 2010	27,787	7,000	19,030	-2,228
Purchase of treasury shares	0	0	0	0
31 Dec 2011	27,787	7,000	19,030	-2,228

The maximum number of shares is 48 million (48 million in 2010). The nominal value of each share is EUR 0.25, and the Group's maximum share capital is EUR 12 million (EUR 12 million in 2010). The number of shares outstanding is 28 million (28 million in 2010). All issued shares have been paid in full.

All shares are of the same series and each share entitles its holder to one vote at shareholders' meetings and gives an equal right to dividends.

Ponsse Plc has no outstanding convertible notes or bonds with warrants. The company operates a share-based incentive scheme for key personnel. The Ponsse Plc Board of Directors is not currently authorised to increase the share capital or issue convertible notes or bonds with warrants.

Below are descriptions of the equity reserves:

Treasury shares

The treasury shares fund includes the parent company's acquisition cost of own shares, amounting to EUR 2,228 thousand, and it is shown as a decrease of equity.

Translation differences

The translation differences reserve comprises translation differences arising from the translation of financial statements of non-Finnish units.

Other reserves

On 31 March 2009, Ponsse Plc issued an equity-based loan of EUR 19 million (a so-called hybrid loan), aimed at Finnish investors. The loan has a coupon rate of interest of 12 per cent per annum. The loan has no maturity date, but the company is entitled to redeem it after four years. The loan is treated as equity in the consolidated financial statements prepared in accordance with IFRS. The arrangement will not dilute the holdings of the company's shareholders.

A hybrid loan is an equity-based bond that takes a lower precedence than the company's other liabilities. However, it has a higher priority than other items included in the company's equity. The holders of hybrid loan bonds do not have the rights of shareholders. The dates of a hybrid loan's interest payments are decided by the party issuing the loan.

Dividends

In 2011, a dividend of EUR 0.35 was paid per share, for a total of EUR 9.7 million (in 2010, EUR 0.15 per share, for a total of EUR 4.2 million). The Board of Directors has proposed after the closing date of the reporting period that a dividend of EUR 0.35 per share be paid, i.e. a total of EUR 9.7 million.

25. SHARE-BASED PAYMENT PLANS**Terms and conditions of the share-based incentive scheme**

The Group has two share-based incentive schemes aimed at the Group's key personnel. In compliance with the terms and conditions of the scheme, the parent company issues shares to key personnel. Part of the incentives are paid in cash.

The share-based incentive scheme is conditional as follows:

- date of granting 29 April 2008, renewed on 26 April 2010
- the earning periods are 2010–2012, 2011–2013 and 2012–2014
- a transfer ban for two years after the end of the earning period during which the shares may not be transferred, pledged or otherwise used
- implemented as shares and cash
- the conditions are the earning period's average operating result percentage, cumulative cash flow and total yield of the share

The amount to be paid in cash is measured at the price of the measurement date, 31 December 2011, EUR 7.00 so the amount recognised as liability is EUR 223 thousand. The amount recognised as expense during the financial period is EUR 233 thousand, and it is shown under employment benefit expenses.

26. PENSION LIABILITIES

The Group did not have any pension obligations.

27. PROVISIONS

(EUR 1,000)	Guarantee provision
31 Dec 2010	4,706
Change in provisions	-79
31 Dec 2011	4,627

Guarantee provision

Products are given a 12 month/2,000 hour guarantee. Any faults or errors found in machines during the guarantee period will be repaired at the company's own expense according to the conditions of guarantee. Guarantee provisions at the end of 2011 amounted to EUR 4,627 thousand (EUR 4,706 thousand in 2010). The guarantee provision is based on failure history recorded in the previous years. The guarantee provisions are expected to be used during the next year.

28. FINANCIAL LIABILITIES

(EUR 1,000)	2011	2010
Non-current financial liabilities		
Loans from financial institutions	13,003	8,435
Pension loans	4,864	6,438
Subordinated loan	0	0
Finance lease liabilities	763	1,282
Arrangement for sales recognition	0	100
Total	18,630	16,255

Current financial liabilities

Loans from financial institutions	18,175	18,362
Pension loans	1,574	1,574
Finance lease liabilities	685	667
Arrangement for sales recognition	0	0
Total	20,434	20,603

The guarantees for company's financial liabilities are described in Note 30. The currency distribution for receivables is presented in Note 30 and fair values in Note 31. The Group has both floating rate and fixed rate bank loans. EUR 8,139 thousand of all liabilities have a fixed interest rate (EUR 18,997 thousand in 2010). Other loans are linked to Euribor EUR 30,925 thousand (EUR 17,760 thousand in 2010).

The Group's floating rate liabilities and their contractual repricing periods are:		
(EUR 1,000)	2011	2010
Within less than twelve months	30,925	15,766
Within one to five years	0	1,994
Total	30,925	17,760

Due dates of finance lease liabilities		
(EUR 1,000)	2011	2010
Finance lease liabilities – total amount of minimum rents		
Within less than twelve months	835	828
Within one to five years	867	1 487
After more than five years	10	121
Total	1,712	2,436

Finance lease liabilities - present value of minimum rents		
Within less than twelve months	685	667
Within one to five years	764	1,154
After more than five years	0	100
Total	1,449	1,920

Financial expenses to be accrued in the future	263	516
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Total finance lease liabilities	1,712	2,436
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29. TRADE CREDITORS AND OTHER LIABILITIES

(EUR 1,000)	2011	2010
Trade creditors (other financial liabilities)	29,608	29,250
Advances received	282	1,511
Advance invoicing	0	23
Other liabilities	2,112	1,399
Accruals and deferred income		
Accrued staff expenses	8,084	6,717
Interest accruals	156	192
Accruals and deferred income in respect of inventories	433	261
Other accruals and deferred income	5,310	4,749
Derivative contracts held for trading	1,036	161
Total	47,022	44,262

Non-current financial liabilities measured at original amortised cost		
Accruals and deferred income	20	28
Total	20	28

30. MANAGEMENT OF FINANCING RISKS

The Group is exposed to several financing risks in its normal course of business. The objective of the Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings. The primary types of financing risks are foreign exchange risk and interest rate risk. The Group uses forward exchange agreements, foreign currency loans and interest rate swaps for risk management. The general principles of the Group's risk management are approved by the Board of Directors of the parent company, and Group management together with the management of subsidiaries is responsible for their practical implementation. Group management will identify and assess the risks and acquire the instruments required for hedging against risks in close cooperation with operating units.

Foreign exchange risk

The Group operates internationally and is therefore exposed to transaction risks arising from different foreign exchange positions, as well as risks arising from the conversion of investments in different currencies to the parent company's operating currency. The most important currencies for the Group are the United States dollar (USD), the Swedish krona (SEK), the pound sterling (GBP) and the Brazilian real (BRL).

Foreign exchange risks arise from commercial transactions, monetary balance sheet items and net investments in foreign subsidiaries. The equity of the Group subsidiaries is EUR -6.9 million (EUR -2.7 million in 2010), including the group contribution of EUR 3.5 million (EUR 3.7 million in 2010) to the parent company.

The Group processes monetary items at net amounts and hedges them with forward exchange agreements. Hedging transactions are carried out in accordance with written risk management principles approved by Group management but hedge accounting in accordance with IAS 39 is not applied to these items (Notes 10 and 11).

The parent company's operating currency is the euro. Receivables and liabilities in a foreign currency at the exchange rates valid on the balance sheet date are as follows:								
(EUR 1,000)	2011				2010			
Nominal values	USD	SEK	GBP	BRL	USD	SEK	GBP	BRL
Foreign currency receivables	27,172	11,597	6,033	6,247	27,285	10,398	5,293	11,271
Foreign currency liabilities	1,033	2,221	310	1,142	992	2,703	173	1,125
Foreign currency derivatives	16,949	3,600	4,184	0	6,070	978	2,488	0
Net position	9,190	5,775	1,540	5,106	20,223	6,717	2,632	10,145

The following table is a presentation of the strengthening or weakening of the euro against the United States dollar, the pound sterling and the Swedish krona, with all other factors remaining unchanged. The change percentages reflect average volatility during the previous 12 months. The sensitivity analysis is based on foreign currency assets and liabilities on the balance sheet date. The sensitivity analysis also takes into consideration the effects of currency derivatives, which off-set the effects of exchange rate changes.

The changes would mainly have been caused by exchange rate changes in foreign currency trade receivables and liabilities.

(EUR 1,000)	2011		2010	
	Strengthening	Weakening	Strengthening	Weakening
Change in EUR exchange rate				
Effect on result after taxes	+10%	-10%	+10%	-10%
USD	-694	694	-1,496	1,496
SEK	-436	436	-497	497
GBP	-116	116	-195	195
BRL	-385	385	-751	751
Total	-1,632	1,632	-2,939	2,939

Interest rate risk

The Group's short-term money market investments expose its cash flow to interest rate risk but the overall effect is not significant. The Group's income and operational cash flows are mainly independent of market interest rate fluctuations. The Group is mainly exposed to interest rate risk associated with the noncurrent loan portfolio. To some extent, the Group hedges the interest rate risk associated with future cash flows by interest rate swaps.

(EUR 1,000)				
Sensitivity analysis for floating interest loans:	2011		2010	
Change percentage	+1 %	-1 %	+1 %	-1 %
Effect on result after taxes	-233	233	-131	131

Credit risk

The Group's policy defines creditworthiness requirements for customers, investment transactions and counterparties to derivatives, as well as investment principles. The Group does not have any significant concentrations of credit risk on receivables because its customer base is wide and geographically diversified. The Group aims at cautious and secured credit granting. As a rule, the sold machine is guarantee for trade receivables until the purchase price has been paid. The Group's maximum credit risk corresponds to the book value of financial assets at period-end. Trade receivables are presented by age in Note 22.

Liquidity risk

The Group aims to continuously estimate and monitor the amount of financing required for business operations in order to maintain sufficient liquid assets for financing the operations and repaying any loans falling due. Group management has not identified significant liquidity risk concentrations in financial assets or sources of financing.

The availability and flexibility of financing is ensured through credit facilities and other financial instruments, as well as through co-operation with several banks. The amount of unused credit facilities on 31 December 2011 was EUR 50.0 million, which equals 83 per cent of the total credit facilities (2010: EUR 60.3 million, 84 per cent). The credit limit facilities mainly mature for renewal every two years. In addition, the group took into use bank account limits worth 2 million euros during the financial period.

The following is a presentation of a contractual maturity analysis regarding financial liabilities. The figures are non-discounted and include both interest payments and repayment of capital.

(EUR 1,000)	Balance sheet	Cash flow *	Within less than	Within one to	After more than
31 Dec 2011	value		one year	five years	five years
Bank loans	31,178	34,270	18,798	15,472	0
Pension loans	6,438	8,876	1,815	6,912	148
Subordinated loan	0	0	0	0	0
Finance lease liabilities	1,449	1,712	835	867	10
Arrangement for sales recognition	0	0			
Trade creditors and other liabilities	45,985	45,985	45,985		
Derivative contract liabilities	1,036	1,036	1,036		
Guarantee agreements **	0	6,014	6,014		

(EUR 1,000)	Balance sheet	Cash flow *	Within less than	Within one to	After more than
31 Dec 2010	value		one year	five years	five years
Bank loans	26,797	33,382	18,898	14,484	0
Pension loans	8,012	9,230	1,874	7,207	148
Subordinated loan	0	0	0	0	0
Finance lease liabilities	1,920	2,436	828	1,487	121
Arrangement for sales recognition	100	100			
Trade creditors and other liabilities	44,101	44,101	44,101		
Derivative contract liabilities	161	161	161		
Guarantee agreements **	0	5,585	5,585		

* contractual cash flow from contracts cleared in gross values

** maximum cash flow based on off-balance sheet agreements, not taking into account the probability of the payment being realised.

Capital management

The purpose of the Group's capital management is to support business through an optimum capital structure by ensuring normal operating conditions and to increase shareholder value with the aim of providing the best possible return. An optimum capital structure also ensures smaller capital costs.

The capital structure can be affected through e.g. dividend distribution. The Group can change and adjust the dividends paid to shareholders or the amount of capital returned to them or the number of new issued shares or decide on selling assets held for sale in order to reduce liabilities.

The Group's interest-bearing net liabilities at the end of 2011 were EUR 22.5 million (31 Dec 2010: EUR 25.3 million) and gearing was 28.1 per cent (31 Dec 2010: 33.6 per cent). For calculating gearing, interest-bearing net financial liabilities were divided by the amount of equity. Net liabilities include interest-bearing liabilities deducted by interest-bearing receivables and liquid assets.

The Group's most important bank loan covenant is its equity ratio. The covenant terms and conditions are met on the date of the financial statements. Covenants are not applied in credit limit facilities.

(EUR 1,000)	2011	2010
Interest-bearing liabilities	39,064	36,757
Interest-bearing receivables	-324	-449
Cash and cash equivalents	-16,267	-11,036
Net liabilities	22,473	25,272
Total shareholders' equity	78,563	75,166
Net gearing	28.6%	33.6%

31. FINANCIAL INSTRUMENTS BY GROUPS AND FAIR VALUES

(EUR 1,000)

31 Dec 2011

	Loans and other receivables	Assets at fair value through profit or loss	Available-for-sale	Total
Balance sheet assets				
Available-for-sale financial assets			111	111
Derivative instruments		36		36
Trade receivables and other receivables (excluding prepayments)	28,414			28,414
Cash and cash equivalents	16,267			16,267
Total	44,681	36	111	44,828

	Liabilities at fair value through profit or loss	Liabilities at original amortised cost	Total
Balance sheet liabilities			
Loans (excluding finance lease liabilities)		37,615	37,615
Finance lease liabilities		1,449	1,449
Derivative instruments	1,036		1,036
Trade creditors and other liabilities (excluding statutory obligations)		29,608	29,608
Total	1,036	68,673	69,709

31 Dec 2010

	Loans and other receivables	Assets at fair value through profit or loss	Available-for-sale	Total
Balance sheet assets				
Available-for-sale financial assets			111	111
Derivative instruments		230		230
Trade receivables and other receivables (excluding prepayments)	33,682			33,682
Cash and cash equivalents	11,036			11,036
Total	44,719	230	111	45,059

	Liabilities at fair value through profit or loss	Liabilities at original amortised cost	Total
Balance sheet liabilities			
Loans (excluding finance lease liabilities)		34,809	34,809
Finance lease liabilities		1,920	1,920
Derivative instruments	161		161
Trade creditors and other liabilities (excluding statutory obligations)		29,250	29,250
Total	161	65,979	66,140

The Group's items measured at fair value only include derivative instruments. These instruments belong to level 2 in the fair value hierarchy.

The following is a presentation of the fair value determination principles used by the Group for all financial instruments. Furthermore, the table includes a detailed presentation of the fair values and book values of each item that correspond to the values in the consolidated balance sheet.

(EUR 1,000)	Note	Book value 2011	Fair value 2011	Book value 2010	Fair value 2010
Financial assets					
Other financial assets	18.	111	111	111	111
Trade receivables and other receivables	22.	32,758	32,758	36,608	36,608
Cash and cash equivalents	23.	16,267	16,267	11,036	11,036
Forward exchange agreements	22.	36	36	230	230
Interest rate swaps	22.	0	0	0	0
Total		49,172	49,172	47,985	47,985
Financial liabilities					
Loans from financial institutions	28.	31,178	29,564	26,797	25,261
Pension loans	28.	6,438	5,327	8,012	6,855
Subordinated loan	28.	0	0	0	0
Finance lease liabilities	28.	1,449	1,362	1,948	1,810
Arrangement for sales recognition	28.	0	0	100	100
Trade creditors and other liabilities	29.	47,041	47,041	44,290	44,290
Forward exchange agreements	29.	1,027	1,027	142	142
Interest rate swaps	29.	9	9	19	19
Total		87,142	84,331	81,309	78,477

The nominal values of forward agreements were EUR 29.5 million in 2011 and EUR 11.8 million in 2010.

The following price quotations, assumptions and valuation models have been used for the determination of fair values for financial assets and liabilities presented in the table:

The book values of current financial assets and liabilities can be considered to correspond to their fair values.

Unquoted equity investments are measured at acquisition cost as they cannot be measured at fair value using the valuation methods. The fair value of the investments could not be determined reliably and estimates vary significantly, or the probabilities of different estimates within the range of variation cannot be reasonably determined and used for the assessment of fair value. The original book value of receivables corresponds to their fair value.

The fair values of forward exchange agreements are determined using the market prices for agreements of similar duration on the balance sheet date. The fair values of interest rate swaps have been determined using the method of present value of future cash flows, supported by market interest rates and other market information on the balance sheet date.

The fair values of interest-bearing liabilities have been calculated by discounting the cash flows associated with each liability at the market interest rate on the balance sheet date.

32. JOINT VENTURES

The Group has no investments in joint ventures.

33. OTHER LEASE CONTRACTS

(EUR 1,000)

Group as lessee

Minimum rents due based on other non-cancellable leases:	2011	2010
Within one year	1,025	1,077
Within one to five years	3,085	2,992
After more than five years	2,763	3,273

The Group has leased some of the service facilities it has used. The average contract length is five years, usually with an option to continue the contract after its original expiration date.

The consolidated statement of comprehensive income for 2011 includes EUR 2.7 million of rent expenses paid on the basis of other lease contracts (EUR 2.7 million in 2010).

Group as lessor

The Group does not have any substantial non-cancellable leases.

34. CONDITIONAL ASSETS AND LIABILITIES AS WELL AS PURCHASING COMMITMENTS

(EUR 1,000)

Pledges given and contingent liabilities	2011	2010
Pledges given for own debt		
Mortgages given on land and buildings	0	0
Chattel mortgages granted	0	0
Other contingent liabilities		
Guarantees given on behalf of others	859	425
Repurchase commitments	1,765	2,501
Other commitments	3,391	2,659
Total	6,014	5,585

35. RELATED PARTY TRANSACTIONS

The Group's related parties include the parent company, subsidiaries and associates. Related parties also include the members of the Board of Directors and management groups, including the President and CEO.

The Group's parent and subsidiary relationships are the following:

	Group and parent company share of shares and votes, %
Name and domicile	
Parent company Ponsse Plc, Vieremä, Finland	
Ponsse AB, Västerås, Sweden	100,00
Ponsse AS, Kongsvinger, Norway	100,00
Ponssé S.A.S, Gondreville, France	100,00
Ponsse UK Ltd., Lockerbie, United Kingdom	100,00
Ponsse North America, Inc., Rhinelander, United States	100,00
Ponsse Latin America Indústria de Máquinas Florestais Ltda, Mogi das Cruzes, Brazil	100,00
OOO Ponsse, St. Petersburg, Russia	100,00
Epec Oy, Seinäjoki, Finland	100,00
Ponsse Asia Pacific Ltd., Hong Kong	100,00
Ponsse China Ltd, Beihai, China (owned by Ponsse Asia-Pacific Ltd.)	100,00
Ponsse Uruguay S.A., Paysandú, Uruguay (owned by Ponsse Latin America)	100,00

A list of associated companies is presented in Note 17. The Group has no joint ventures.

Management's employment-related benefits (EUR 1,000)	2011	2010
Salaries and other short-term employment-related benefits	2,960	1,872
Benefits paid upon termination of employment	328	0
Total	3,287	1,872

Salaries and bonuses (EUR 1,000)	2011	2010
Managing director	331	208

Members of the Board of Directors:		
Aarni-Sirviö Maarit	0	8
Hortling Heikki	37	24
Kaario Mammu	32	24
Kylävainio Ilkka	32	32
Remes Seppo	0	8
Saksman Ossi	32	32
Vidgrén Juha	69	32
Vidgrén Jukka	23	0
Vidgrén Einari	0	93
Total	224	253

The President and CEO is included in the performance-based bonus scheme. The bonus is based on a performance target approved by the Board of Directors. The President and CEO's period of notice is six months if service is terminated by the company, and six months if service is terminated by the President and CEO. The terms and conditions of the President and CEO's employment are defined in writing in a service contract approved by the Board of Directors. No loans have been granted to management.

36. EVENTS AFTER THE CLOSING DATE OF THE REPORTING PERIOD

There are no essential events concerning the Group after the end of the financial period.

FINANCIAL INDICATORS

	IFRS	IFRS	IFRS	IFRS	IFRS
	2011	2010	2009	2008	2007
Extent of operations					
Net sales (EUR 1,000)	328,191	262,416	146,705	293,015	310,053
Change, %	25.1	78.9	-49.9	-5.5	29.9
R&D expenditure					
capitalised (EUR 1,000)	2,692	1,694	1,185	1,230	851
expensed (EUR 1,000)	6,110	4,200	3,668	6,341	4,856
R&D expenditure, total (EUR 1,000)	8,803	5,894	4,853	7,571	5,708
as % of net sales	2.7	2.2	3.3	2.6	1.8
Gross capital expenditure (EUR 1,000)	9,430	4,825	2,008	8,509	6,565
as % of net sales	2.9	1.8	1.4	2.9	2.1
Average number of employees	948	825	858	1,044	876
Net sales/employee (EUR 1,000)	346	318	171	281	354
Order stock, EUR million	71.9	68.3	20.3	23.9	69.4
Profitability					
Operating result (EUR 1,000)	28,844	21,674	-15,744	13,628	37,080
as % of net sales	8.8	8.3	-10.7	4.7	12.0
Result before taxes (EUR 1,000)	26,046	24,448	-15,550	6,258	36,384
as % of net sales	7.9	9.3	-10.6	2.1	11.7
Result for the period (EUR 1,000)	14,812	23,338	-20,251	4,351	26,477
as % of net sales	4.5	8.9	-13.8	1.5	8.5
Return on equity, % (ROE)	19.3	34.6	-32.0	6.1	38.5
Return on capital employed, % (ROCE)	24.3	23.6	-10.2	7.5	37.4
Financing and financial position					
Current ratio	1.8	1.8	1.8	1.7	2.0
Equity ratio, %	45.2	46.9	41.3	38.4	50.3
Gearing, %	49.7	48.9	87.1	108.6	44.4
Interest-bearing liabilities (EUR 1,000)	39,064	36,757	51,911	72,909	33,943
Non-interest-bearing liabilities (EUR 1,000)	56,286	49,754	33,251	34,733	43,439

PER-SHARE DATA ¹

	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007
Earnings per share (EPS), EUR	0.47	0.78	-0.77	0.16	0.95
Equity per share, EUR	2.81	2.68	2.13	2.40	2.73
Nominal dividend per share, EUR	0.35 ¹	0.35	0.15	0.10	0.50
Dividend per share adjusted for share issues, EUR	0.35 ¹	0.35	0.15	0.10	0.50
Dividend per earnings, %	74.1 ¹	45.1	-19.5	64.4	52.9
Effective dividend yield, %	5.0 ¹	3.2	2.2	2.2	3.5
Price/earnings ratio (P/E)	14.8	13.9	-9.1	29.0	15.0
Share performance					
Lowest trading price	5.85	6.63	2.99	4.25	11.27
Highest trading price	11.85	12.15	6.99	16.29	19.40
Closing price	7.00	10.80	6.97	4.50	14.20
Average price	9.49	9.13	4.52	10.17	15.31
Market capitalisation, EUR million	196.0	302.4	195.2	126.0	397.6
Dividends paid, EUR million	9.7 ¹	9.7	4.2	2.8	14.0
Shares traded	2,638,091	3,867,488	5,705,768	2,715,572	3,812,860
Shares traded, %	9.4	13.8	20.4	9.7	13.6
Weighted average number of shares during the period, adjusted for share issues	28,000,000	28,000,000	28,000,000	28,000,000	28,000,000
Number of shares on the closing date, adjusted for share issues	28,000,000	28,000,000	28,000,000	28,000,000	28,000,000

¹ The company’s Board of Directors proposes that the Annual General Meeting authorises a dividend per share of EUR 0.35 for 2011.

FORMULAE FOR FINANCIAL INDICATORS

Return on equity, % (ROE)	= $\frac{\text{Net result for the period}}{\text{Shareholders' equity + minority interest (average during the year)}} \times 100$
Return on capital employed, % (ROCE)	= $\frac{\text{Result before taxes + financial expenses}}{\text{Shareholders' equity + interest-bearing financial liabilities (average during the year)}} \times 100$
Equity ratio, %	= $\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total – advance payments received}} \times 100$
Gearing, %	= $\frac{\text{Interest-bearing financial liabilities}}{\text{Shareholders' equity}} \times 100$
Average number of personnel during the financial year	= Average of the number of personnel at the end of each month. The calculation has been adjusted for part-time employees.
Earnings per share (EPS)	= $\frac{\text{Net result for the period – minority interest – interest on hybrid loan for the period less tax}}{\text{Average number of shares during the accounting period, adjusted for share issues}}$
Equity per share	= $\frac{\text{Shareholders' equity}}{\text{Number of shares at closing of the accounts, adjusted for share issues}}$
Dividend per share, adjusted for share issues	= $\frac{\text{Dividend per share}}{\text{Adjustment factors for share issues after the financial period}}$
Dividend per earnings, %	= $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective dividend yield, %	= $\frac{\text{Dividend per share, adjusted for share issues}}{\text{Last trading price for the period, adjusted for share}} \times 100$
Price/earnings ratio (P/E)	= $\frac{\text{Last trading price for the period, adjusted for share issues}}{\text{Earnings per share}}$
Market capitalisation	= Number of shares at end of the financial year multiplied by the closing price on the last trading day of the financial year adjusted for share issues.
Shares traded, %	= $\frac{\text{Shares traded during the financial}}{\text{Average number of shares during the period}} \times 100$

PARENT COMPANY’S PROFIT AND LOSS ACCOUNT

(EUR 1,000)	Note ¹	2011	2010
Net sales	2	257,414	198,241
Increase (+)/decrease (-) in inventories of finished goods and work in progress		461	921
Other operating income	3	336	395
Raw materials and services	4	-176,403	-136,547
Staff costs	5, 6, 7	-33,071	-24,350
Depreciation, amortisation and impairment	8	-3,665	-3,303
Other operating expenses		-17,937	-15,912
Operating result		27,134	19,444
Financial income and expenses	10	-569	875
Result before extraordinary items		26,565	20,319
Extraordinary items	11	3,500	3,700
Result after extraordinary items		30,065	24,019
Appropriations	12	299	244
Direct taxes	13	-9,494	736
Net result for the period		20,871	24,999

¹ The note refers to the Notes to the Accounts on pages 81-89.

PARENT COMPANY’S BALANCE SHEET

(EUR 1,000)	Note ¹	2011	2010
ASSETS			
Non-current assets			
Intangible assets	14	9,637	6,277
Tangible assets	14	20,296	17,597
Financial assets	15	11,418	11,418
Total non-current assets		41,351	35,292
Current assets			
Inventories	16	43,369	40,970
Non-current receivables	17	5,576	4,521
Current receivables	17	80,314	73,171
Cash in hand and at banks		9,170	4,342
Total current assets		138,430	123,004
TOTAL ASSETS		179 781	158,295
LIABILITIES			
Shareholders' equity			
Shareholders' equity	18, 19		
Share capital		7,000	7,000
Revaluation reserve		841	841
Retained earnings		46,676	31,402
Net result for the period		20,871	24,999
Total shareholders' equity		75,388	64,242
Appropriations			
Appropriations	20	828	1,127
Provisions for liabilities and charges	21	4,627	4,706
Creditors			
Non-current creditors	22	36,750	33,638
Current creditors	23	62,188	54,582
Total creditors		98,938	88,219
TOTAL LIABILITIES		179,781	158,295

¹ The note refers to the Notes to the Accounts on pages 81-89.

PARENT COMPANY’S CASH FLOW STATEMENT

(EUR 1,000)	2011	2010
Business operations:		
Operating result	27,134	19,444
Depreciation, amortisation and impairment	3,665	3,303
Change in provisions	-80	-229
Cash flow before changes in working capital	30,720	22,518
Change in working capital:		
Increase (-)/decrease (+) in current non-interest-bearing receivables	-6,291	-9,094
Increase (-)/decrease (+) in inventories	-2,400	-7,303
Increase (+)/decrease (-) in current non-interest-bearing liabilities	4,563	14,033
Cash flow from operations before financial items and income taxes	26,592	20,154
Interest received		
Interest paid	-3,484	-3,431
Dividends received	250	270
Other financial items	-1,339	576
Income taxes paid	-6,274	619
Cash flow before extraordinary items	18,744	20,472
Net cash flow from extraordinary items in business operations	3,500	3,700
Net cash flow from business operations (A)	22,244	24,172
Investments:		
Investments in tangible and intangible assets	-9,725	-3,747
Proceeds from tangible and intangible assets	0	0
Investments in other assets	0	0
Cash outflow from investing activities (B)	-9,725	-3,747
Financing:		
Acquisition of treasury shares	0	-1,564
Increase (+)/decrease (-) in current loans	-23	-7,537
Increase (-)/decrease (+) in current interest-bearing receivables	0	0
Increase (+)/decrease (-) in non-current loans	3,112	-7,594
Increase (-)/decrease (+) in non-current receivables	-1,055	-509
Dividends paid and other distribution of profit	-9,725	-4,193
Net cash outflow from financing (C)	-7,691	-21,396
Increase (+)/decrease (-) in liquid assets (A+B+C)		
Cash and cash equivalents on 1 Jan	4,342	5,313
Cash and cash equivalents on 31 Dec	9,170	4,342

Parent company’s cash flow statement has been adjusted with regard to unrealised exchange rate changes, which have been moved to “Other financial items” line.

NOTES TO THE PARENT COMPANY’S ACCOUNTS

1. Accounting policies

Ponsse Plc’s financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS). The information in the financial statements is given in thousands of euro and is based on original acquisition costs unless otherwise stated in the accounting policies. The financial statements have been presented in accordance with the profit and loss account by type of expense

Non-current assets

Non-current assets are recognised in the balance sheet at immediate cost less planned depreciation and amortisation. Planned depreciation and amortisation has been calculated on a straight-line basis over the useful life of the assets. Depreciation and amortisation has been calculated starting from the month during which the asset was taken into use.

The depreciation and amortisation periods are:	
Intangible rights	5 years
Other capitalised long-term expenses	3 to 5 years
Buildings and structures	20 years
Machinery and equipment	3 to 10 years

Inventories

Inventories are valued at acquisition cost or a lower probable net realisable value. The Standard Cost method is used as a basis for calculating the value of materials and supplies in stock. The acquisition cost of finished and unfinished products comprises raw materials, direct expenses due to work performed, other direct expenses, and the appropriate proportion of the variable and fixed overheads of manufacturing at the normal utilised capacity. The inventory of second-hand machines is valued at acquisition cost or a lower probable net realisable value. Net realisable value refers to an estimated sales price available through normal business operations less the estimated costs of finishing the product and the costs of sale.

Guarantee provision

Probable guarantee expenses in respect of products delivered are booked under provisions for liabilities and charges.

Recognition of sales

Sales are recognised upon the delivery of performance. Items such as indirect taxes and discounts granted have been deducted from the sales revenue before calculating net sales. Exchange rate differences in sales are recognised in financial items.

Leasing expenses

Leasing payments have been recognised as expenses.

R&D expenditure

Development costs that fulfil the capitalisation requirements of Chapter 5, Section 8 of the Accounting Act have been booked under intangible assets in the balance sheet and are subject to amortisation. Research costs are recognised directly as annual expenses. The method for booking R&D expenses was changed in 2003.

Pensions

Statutory pension cover for Group employees has been arranged through pension insurance companies and there are no outstanding pension liabilities. Pension insurance contributions have been allocated to match the wages and salaries booked on an accrual basis in the annual accounts.

Derivatives

The parent company’s derivatives include forward exchange agreements and interest rate swaps measured at fair value on the balance sheet date. Changes in fair value are booked in financial items in the profit and loss account.

Income taxes

Income taxes have been recognised according to Finnish tax legislation.

Foreign currency items

Business transactions in a foreign currency are recognised at the exchange rate on the transaction date, while receivables and liabilities in the balance sheet are converted at the exchange rate on the balance sheet date. Exchange rate differences arising from the measurement of balance sheet items are booked under financial items in the profit and loss account.

Comparability with the previous year

The data for the financial year 1 January to 31 December 2011 is comparable with the previous year.

2. NET SALES BY MARKET AREA		
(EUR 1,000)	2011	2010
Northern Europe	139,985	106,541
Southern and Central Europe	49,955	34,450
Russia and Asia	43,008	27,801
North and South America	24,463	29,433
Other countries	3	16
Total	257,414	198,241
3. OTHER OPERATING INCOME		
(EUR 1,000)	2011	2010
Sales profits on property, plant and equipment	9	5
Public subsidies	135	139
Other	192	250
Total	336	395
4. RAW MATERIALS AND SERVICES		
(EUR 1,000)	2011	2010
Raw materials and consumables		
Purchases during the financial period	175,953	140,541
Increase (+)/decrease (-) in inventories	-1,955	-6,382
External services	2,405	2,388
Raw materials and services, total	176,403	136,547
5. AVERAGE NUMBER OF STAFF		
persons	2011	2010
Employees	331	283
Clerical workers	255	217
Total	586	500
6. STAFF COSTS		
(EUR 1,000)	2011	2010
Salaries and bonuses	26,863	19,534
Pension costs	4,539	3,300
Other social security costs	1,670	1,516
Total	33,071	24,350
7. MANAGEMENT SALARIES AND REMUNERATIONS		
(EUR 1,000)	2011	2010
Managing directors	331	208
Members of the Board of Directors	224	253
Total	555	461
8. DEPRECIATION AND VALUE ADJUSTMENTS		
(EUR 1,000)	2011	2010
Depreciation according to plan	3,665	3,303
Total	3,665	3,303

9. AUDITOR'S REMUNERATIONS		
(EUR 1,000)	2011	2010
Authorised Public Accountants PricewaterhouseCoopers Oy		
Auditor's remunerations	50	41
Certificates and statements	0	0
Tax advice	10	12
Other remunerations	21	0
Authorised Public Accountants PricewaterhouseCoopers Oy, total	81	54
Authorised Public Accountants Ernst & Young Oy		
Auditor's remunerations	0	0
Certificates and statements	0	1
Tax advice	0	2
Other remunerations	0	1
Authorised Public Accountants Ernst & Young Oy, total	0	4
Total	81	58
10. FINANCIAL INCOME AND EXPENSES		
(EUR 1,000)	2011	2010
Income from investments in non-current assets		
From Group companies	100	100
From associated companies	150	170
From others	0	0
Income from investments in non-current assets total	250	270
Other interest and financial income		
From Group companies	2,890	2,165
From others	10,701	14,330
Other interest and financial income, total	13,590	16,495
Financial income, total	13,840	16,765
Interest expenses and finance costs		
To Group companies	0	0
To others	14,409	15,890
Financial expenses, total	14,409	15,890
Financial income and expenses, total	-569	875
The item "Financial income and expenses" includes exchange rate profit/loss (net)	-18	2 017
11. EXTRAORDINARY ITEMS		
(EUR 1,000)	2011	2010
Extraordinary income/group contribution	3,500	3,700
12. APPROPRIATIONS		
(EUR 1,000)	2011	2010
Difference between depreciations according to plan and depreciations in taxation	299	244

13. INCOME TAX		
(EUR 1,000)	2011	2010
Income tax on extraordinary items	910	962
Income taxes from actual operation	8,584	-1,698
Change in deferred tax receivable	0	0
Total	9,494	-736

14. INTANGIBLE AND TANGIBLE ASSETS							
(EUR 1,000)							
Intangible assets 2011	Development costs	Patent costs	Goodwill	Intangible rights	Other capitalised long-term expenses	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2011	3,436	592	0	512	4,057	2,269	10,866
Increase	1,143	20	905	255	259	3,462	6,045
Decrease	0	0	0	0	0	-1,555	-1,555
Transfers between items	0	0	0	0	0	0	0
Acquisition cost 31 Dec 2011	4,579	612	905	767	4,317	4,176	15,356
Accumulated depreciation on 1 Jan 2011	-805	-374	0	-247	-3,164	0	-4,589
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0	0
Depreciation for the accounting period	-574	-59	-121	-121	-254	0	-1,129
Accumulated depreciation on 31 Dec 2011	-1,379	-433	-121	-368	-3,418	0	-5,719
Book value 31 Dec 2011	3,200	179	784	400	898	4,176	9,637
Book value 31 Dec 2010	2,631	218	0	265	893	2,269	6,277

(EUR 1,000)						
Tangible assets 2011	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2011	354	21,441	21,248	29	724	43,796
Increase	137	690	1,796	0	3,912	6,533
Decrease	0	0	0	0	-1,298	-1,298
Transfers between items	0	0	0	0	0	0
Acquisition cost 31 Dec 2011	490	22,131	23,043	29	3,338	49,032
Accumulated depreciation on 1 Jan 2011	0	-10,766	-16,275	0	0	-27,040
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0
Depreciation for the accounting period	0	-946	-1,590	0	0	-2,536
Accumulated depreciation on 31 Dec 2011	0	-11,711	-17,865	0	0	-29,577
Revaluations	0	841	0	0	0	841
Book value 31 Dec 2011	490	11,261	5,178	29	3,338	20,296
Book value 31 Dec 2010	354	11,517	4,973	29	724	17,597

Book value of operating machinery and equipment	
31 Dec 2011	4,385
31 Dec 2010	4,230

A revaluation of EUR 841,000 was made on 31 August 1994 of the parent company's business premises at Vieremä. Depreciation has not been applied to the revaluation. The revaluation was made on the basis of legislation then in effect because the likely sales price of the premises is permanently and substantially higher than the acquisition cost.

15. FINANCIAL ASSETS						
(EUR 1,000)	Shares in Group companies	Shares in associated companies	Shares, other	Receivables from Group companies	Receivables, other	Total
Financial assets 2011						
Acquisition cost 1 Jan 2011	16,171	335	102	0	0	16,608
Increase	0	0	0	0	0	0
Decrease	0	0	0	0	0	0
Acquisition cost 31 Dec 2011	16,171	335	102	0	0	16,608
Accumulated write-downs 1 Jan 2011	-5,190	0	0	0	0	-5,190
Decrease	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0
Book value 31 Dec 2011	10,982	335	102	0	0	11,418

Group companies	
Name and domicile	Company Share of ownership %
Ponsse AB, Västerås, Sweden	100,00
Ponsse AS, Kongsvinger, Norway	100,00
Ponssé S.A.S, Gondreville, France	100,00
Ponsse UK Ltd., Lockerbie, United Kingdom	100,00
Ponsse North America, Inc., Rhinelander, United States	100,00
Ponsse Latin America Indústria de Máquinas Florestais Ltda, Mogi das Cruzes, Brazil	100,00
OOO Ponsse, St. Petersburg, Russia	100,00
Epec Oy, Seinäjoki, Finland	100,00
Ponsse Asia Pacific Ltd., Hong Kong	100,00
Ponsse China Ltd, Beihai, China (owned by Ponsse Asia-Pacific Ltd.)	100,00
Ponsse Uruguay S.A., Paysandú, Uruguay (owned by Ponsse Latin America)	100,00

All Group companies were consolidated in the parent company's financial statements.

Associates	
Name and domicile	Company Share of ownership %
Sunit Oy, Kajaani, Finland	34,00

The associate was consolidated in the parent company's financial statements.

16. INVENTORIES		
(EUR 1,000)	2011	2010
Raw materials and consumables	33,075	33,940
Work in progress	2,922	2,225
Finished products/goods	1,105	1,343
Other stocks	6,268	3,462
Prepayments	0	0
Total	43,369	40,970

17. RECEIVABLES		
(EUR 1,000)	2011	2010
Non-current receivables		
Receivables from Group companies		
Loan receivables	5,576	4,521
Loan receivables	0	0
Other receivables	0	0
Non-current receivables, total	5,576	4,521
Current receivables		
Trade receivables	9,274	10,949
Receivables from Group companies		
Trade receivables	70,279	61,284
Other receivables	593	460
Accrued income		
Grants receivable	52	63
Income tax receivables	0	117
Derivative contracts	36	230
Other accrued income	79	68
Current receivables, total	80,314	73,171
Receivables, total	85,890	77,692

18. SHAREHOLDERS' EQUITY		
(EUR 1,000)	2011	2010
Equity employed		
Share capital on 1 Jan	7,000	7,000
Scrip issue	0	0
Share capital on 31 Dec	7,000	7,000
Share premium account		
Share premium account on 1 Jan	0	0
Scrip issue	0	0
Share premium account on 31 Dec	0	0
Revaluation reserve		
Revaluation reserve 1 Jan	841	841
Revaluation of non-current assets, change	0	0
Revaluation reserve 31 Dec	841	841
Equity employed, total	7,841	7,841
Shareholders' surplus		
Retained earnings on 1 Jan	56,402	37,159
Purchase of treasury shares	0	-1,564
Dividend distribution	-9,725	-4,193
Retained earnings on 31 Dec	46,676	31,402
Result for the period	20,781	24,999
Shareholders' surplus, total	67,547	56,402

Total shareholders' equity	75,388	64,242
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19. DISTRIBUTABLE FUNDS		
(EUR 1,000)	2011	2010
Retained earnings	46,676	31,402
Result for the period	20,871	24,999
Total	67,547	56,402

A revaluation of EUR 841,000 made on 31 August 1994 of the parent company's business premises at Vieremä has been retrospectively transferred from retained earnings to the revaluation reserve.

Ponsse Plc's registered share capital on 31 December 2011 was EUR 7,000,000 divided into 28,000,000 shares each having a nominal value of EUR 0.25. All shares are of the same series and each share entitles its holder to one vote at shareholder meetings and gives an equal right to a dividend.

Ponsse Plc has no outstanding convertible notes or bonds with warrants. The parent company holds 212,900 treasury shares. The company operates a share-based incentive scheme for key personnel. The Ponsse Plc Board of Directors is not currently authorised to purchase the company's own shares, or issue convertible notes or bonds with warrants.

20. ACCUMULATED APPROPRIATIONS		
(EUR 1,000)	2011	2010
Depreciation difference	828	1,127

21. PROVISIONS FOR LIABILITIES AND CHARGES		
(EUR 1,000)	2011	2010
Guarantee provision	4,627	4,706
Other compulsory provisions	0	0
Total	4,627	4,706

22. NON-CURRENT CREDITORS		
(EUR 1,000)	2011	2010
Hybrid loan	19,000	19,000
Loans from financial institutions	12,886	8,200
Pension loans	4,864	6,438
Non-current creditors, total	36,750	33,638
Debts falling due in more than five years		
Loans from financial institutions	0	0
Pension loans	0	143
Total	0	143

23. CURRENT CREDITORS		
(EUR 1,000)	2011	2010
Loans from financial institutions	18,038	18,061
Pension loans	1,574	1,574
Advances received	0	67
Trade creditors	26,949	26,374
Liabilities to Group companies		
Intra-Group trade creditors	772	708
Other intra-Group liabilities	0	0
Accruals and deferred income	242	0
Liabilities to Group companies, total	1,015	708
Advance invoicing	401	23
Other liabilities	1,875	741
Accruals and deferred income		
Accrued staff expenses	5,179	4,178
Interest accruals	726	762
Income tax liability	3,103	0
Accruals and deferred income in respect of inventories	620	1,181
Other accruals and deferred income	2,708	912
Total	12,336	7,034
Current creditors, total	62,188	54,582

24. PLEDGES GIVEN, CONTINGENT AND OTHER LIABILITIES		
(EUR 1,000)	2011	2010
24.1 For own debt		
Debts for which mortgages have been pledged as collateral		
Loans from financial institutions	0	0
Mortgages given on land and buildings	0	0
Chattel mortgages granted	0	0
Mortgages pledged as collateral, total	0	0

24.2 Leasing commitments		
Leasing payments payable under leasing agreements		
Leasing payments payable during the next financial period	933	890
Leasing payments payable thereafter	1,656	1,755
Leasing payments payable under leasing agreements, total	2,589	2,644

24.3 Contingent liabilities on behalf of Group companies		
Guarantees given on behalf of companies within the Group	346	1,092

The parent company has issued a written security for the external liabilities of its three subsidiaries.

24.4 Other contingent liabilities		
Guarantees given on behalf of others	0	90
Repurchase commitments	789	1,380
Other commitments	3,391	2,659
Other contingent liabilities, total	4,179	4,129

24.5 Derivative liabilities		
Forward exchange agreements		
Fair value	-991	87
Value of underlying asset	29,473	11,780

Interest rate derivatives		
Fair value	-9	-19
Value of underlying asset	22,991	1,500

Derivatives contracts are used solely to hedge against foreign exchange and interest rate risks.

SHARE CAPITAL AND SHARES

Ponsse Plc’s share capital is EUR 7,000,000 divided into 28,000,000 shares. The nominal value of each share is EUR 0.25. All shares are of the same series and each share entitles its holder to one vote at shareholders’ meetings and gives an equal right to dividends.

Ponsse Plc has no outstanding convertible notes or bonds with warrants. The company operates a share-based incentive scheme for key personnel.

Treasury shares

The parent company holds 212,900 treasury shares.

The Annual General Meeting authorised the Board of Directors to decide on the acquisition of treasury shares so that a maximum of 250,000 shares can be acquired in one or more batches. The maximum amount corresponds to approximately 0.89 per cent of the company’s total shares and votes. The shares will be acquired in public trading organised by NASDAQ OMX Helsinki Ltd (“the Stock Exchange”). Furthermore, they will be acquired and paid according to the rules of the Stock Exchange and Euroclear Finland Ltd. The Board may, pursuant to the authorisation, only decide upon the acquisition of treasury shares using the company’s unrestricted shareholders’ equity. The authorisation is required for supporting the company’s growth strategy in the company’s potential business arrangements or other arrangements. In addition, the shares can be issued to

the company’s current shareholders or used for increasing the ownership value of the company’s shareholders by invalidating shares after their acquisition, or used in personnel incentive systems. The authorisation includes the right of the Board to decide upon all other terms and conditions in the acquisition of treasury shares. The authorisation is valid until the next AGM; however, no later than 30 June 2012.

The Annual General Meeting authorised the Board of Directors to decide on the issue of new shares and the assignment of treasury shares held by the company for payment or free of charge so that a maximum of 250,000 shares will be issued on the basis of the authorisation. The maximum amount corresponds to approximately 0.89 per cent of the company’s total shares and votes. The authorisation includes the right of the Board to decide upon all other terms and conditions of the share issue. Thus, the authorisation includes a right to organise a directed issue in deviation of the shareholders’ subscription rights under the provisions prescribed by law. The authorisation is proposed for use in supporting the company’s growth strategy in the company’s potential corporate acquisitions or other arrangements. In addition, the shares can be issued to the company’s current shareholders, sold through public trading or used in personnel incentive systems. The authorisation is valid until the next AGM; however, no later than 30 June 2012.

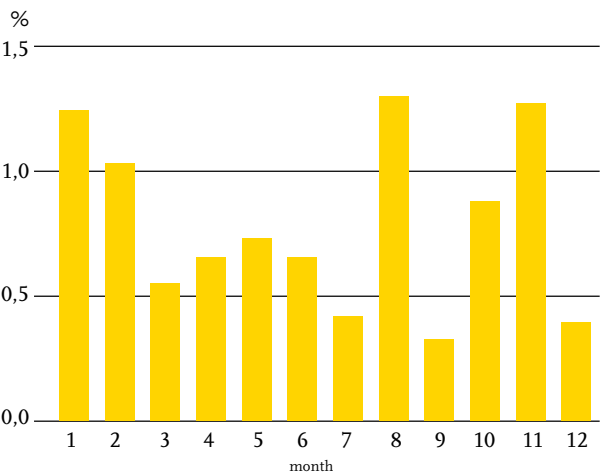
INCREASES IN SHARE CAPITAL 1994–2011					
Subscription period	Method of increase	Nominal value EUR	Number of new shares	Increase in share capital EUR	New share capital EUR
31 August 1994	Scrip issue	0.84	1,300,000	1,093,221.52	2,489,181.31
9–22 March 1995	Scrip issue	0.84	148,000	124,459.07	2,613,640.38
9–22 March 1995	Rights issue targeted at the general public	0.84	392,000	329,648.34	2,943,288.71
16 March 2000	Split 1:2	0.42	-	0.00	2,943,288.71
16 March 2000	Scrip issue	0.50	-	556,711.29	3,500,000.00
29 November 2004	Scrip issue	0.50	7,000,000	3,500,000.00	7,000,000.00
29 March 2006	Split 1:2	0.25	-	0.00	7,000,000.00

Authorisation to increase share capital

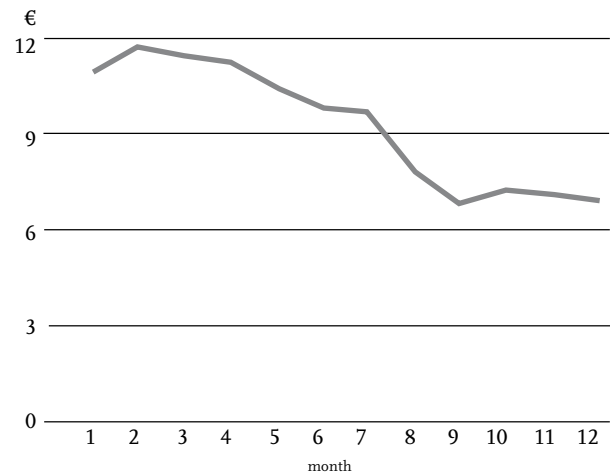
At the end of the financial year, the company’s Board of Directors did not have any valid authorisation to increase the share capital or to issue convertible bonds or bonds with warrants.

SHARE TURNOVER 1 JANUARY–31 DECEMBER 2011									
Month	Turnover value, EUR	Turnover, number of shares	Lowest, EUR	Highest, EUR	Weighted average share price, EUR	Closing price, EUR	Market capitalisation, EUR	Number of shares	Relative turnover, %
1	3,708,103	339,904	10.71	11.38	10.91	11.20	313,600,000	28,000,000	1.21
2	3,375,068	294,616	11.02	11.85	11.46	11.45	320,600,000	28,000,000	1.05
3	1,653,638	146,513	10.20	11.75	11.29	11.46	320,880,000	28,000,000	0.52
4	2,086,921	185,507	10.80	11.60	11.24	11.06	309,680,000	28,000,000	0.66
5	2,193,654	205,843	10.22	11.07	10.65	10.70	299,600,000	28,000,000	0.74
6	1,796,712	181,738	9.14	10.79	9.89	9.95	278,600,000	28,000,000	0.65
7	1,268,788	129,201	9.26	10.45	9.82	9.50	266,000,000	28,000,000	0.46
8	2,717,921	358,411	5.85	9.50	7.55	7.70	215,600,000	28,000,000	1.28
9	581,247	82,628	6.60	7.80	7.03	7.15	200,200,000	28,000,000	0.30
10	1,761,704	243,859	6.45	7.85	7.22	7.36	206,080,000	28,000,000	0.87
11	2,458,825	351,452	6.61	7.57	7.13	7.41	207,480,000	28,000,000	1.26
12	840,250	118,419	6.86	7.38	7.10	7.00	196,000,000	28,000,000	0.42
Total	24,442,829	2,638,091	5.85	11.85	9.49			28,000,000	9.42

Relative share turnover by month in 2011



Weighted average share price by month in 2011



SHAREHOLDER PROFILE ON 31 DECEMBER 2011

	Shares, pcs	Percentage of shares and votes, %	Shares of nominee- registered, pcs	Shares of nominee- registered, %	Votes, pcs	Percentage of votes, %
Enterprises	955,493	3.412	6,001	0.021	961,494	3.434
Financial institutions and insurance companies	1,421,419	5.076	477,301	1.705	1,898,720	6.781
Public sector entities	2,080,706	7.431	0	0	2,080,706	7.431
Households	22,370,179	79.893	0	0	22,370,179	79.893
Non-profit organisations	654,279	2.337	0	0	654,279	2.337
Foreign holding	21,304	0.076	13,318	0.048	34,622	0.124
Total	27,503,380	98.225	496,620	1.774	28,000,000	100.000

ANALYSIS OF SHAREHOLDERS ON 31 DECEMBER 2011

Shares per shareholder	Number of shareholders	Percentage of shareholders, %	Shares, total, pcs	Percentage of shares and votes, %
1–100	1,847	28.117	114,213	0.408
101–500	2,642	40.219	756,447	2.702
501–1,000	970	14.766	777,403	2.776
1,001–5,000	911	13.868	2,009,294	7.176
5,001–10,000	98	1.492	711,230	2.540
10,001–50,000	80	1.218	1,602,538	5.723
50,001–100,000	4	0.061	319,141	1.140
100,001–500,000	12	0.183	3,428,758	12.246
over 500,000	5	0.076	18,280,976	65.289
Total	6,569	100.000	28,000,000	100.000

SHAREHOLDERS ON 31 DEC 2011

No.	Name	Number of shares	Percentage of shares	Percentage of votes
1	Vidgrén Juha	6,205,018	22.16	22.16
2	Vidgrén Jukka Tuomas	3,764,778	13.45	13.45
3	Vidgrén Janne	3,691,742	13.18	13.18
4	Vidgrén Jarmo	3,679,938	13.14	13.14
5	Tapiola Mutual Pension Insurance Company	939,500	3.36	3.36
6	Aktia Capital mutual fund	425,746	1.52	1.52
7	Ilmarinen Mutual Pension Insurance Company	392,666	1.40	1.40
8	Varma Mutual Pension Insurance Company	389,000	1.39	1.39
9	Einari Vidgrén Foundation	388,000	1.39	1.39
10	Pension Insurance Company Veritas	343,000	1.23	1.23
11	Nordea Bank Finland Plc (nom. reg.)	271,880	0.97	0.97
12	OP-Suomi Pienyhtiöt mutual fund	250,000	0.89	0.89
13	Ponsse Plc	212,900	0.76	0.76
14	Nasdaq OMXBS/Skandinaviska Enskilda Banken Ab, (nom. reg.)	198,066	0.71	0.71
15	Nordea Pro Suomi mutual fund	190,000	0.68	0.68
16	Nordea Life Assurance Finland Ltd	187,500	0.67	0.67
17	Nordea Foresta mutual fund	180,000	0.64	0.64
18	Tiitinen Arto	95,000	0.34	0.34
19	Thominvest Oy	93,000	0.33	0.33
20	Laakkonen Mikko	80,000	0.29	0.29
21	Randelin Mari	51,141	0.18	0.18
22	Nordea Nordic Small Cap investment fund	46,638	0.17	0.17
23	Relander Harald Bertel	45,450	0.16	0.16
24	KPY Sijoitus Oy	41,727	0.15	0.15
25	Apotrade Consulting Oy	41,543	0.15	0.15
26	Fortum Foundation	40,368	0.14	0.14
27	Placeringsfonden Aktia Secura	40,000	0.14	0.14
28	Vidgrén Kalle Samuel	38,800	0.14	0.14
29	Vidgrén Henri Eemil	38,084	0.14	0.14
30	Outokummun Metalli Oy	36,000	0.13	0.13
	Other shareholders	5,602,515	20.01	20.01
Total		28,000,000	100.00	100.00

At year-end 2011, Ponsse Plc had 6,569 shareholders (on 31 December 2010: 6,688).

Management holdings

Members of the Board of Directors, President and CEO, companies under their control and their underage children held a total of 10,030,320 Ponsse Plc shares on 31 December 2011, corresponding to 35.8 per cent of shares and votes in the company.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFIT

No material changes have taken place in the company's financial standing after the end of the financial year. When making its proposal regarding dividends, the Board of Directors has taken into account the impact of distribution of dividends on the Group's solvency as prescribed in Chapter 13, section s of the Companies Act.

The parent company's distributable funds total EUR 67,546,772.14.

The company's Board of Directors proposes that the Annual General Meeting authorise a dividend of EUR 0.35 per share for 2011.

Vieremä, 13 February 2012

Juha Vidgrén	Heikki Hortling
Mammu Kaario	Ilkka Kylävaio
Ossi Saksman	Jukka Vidgrén
Juho Nummela President and CEO	

AUDITOR'S REPORT

To the AGM of Ponsse Plc

We have audited the accounting, the financial statements and the corporate governance of Ponsse Plc for the accounting period of 1 January to 31 December 2011. The financial statements include the consolidated balance sheet, comprehensive profit and loss account, cash flow statement, statement of changes in equity with notes to the financial statements, as well as the parent company's balance sheet, profit and loss account, cash flow statement and notes to the financial statements.

Responsibilities of the Board and the CEO

The Board of Directors and the CEO are responsible for preparing the financial statements and for ensuring that the consolidated financial statements provide correct and sufficient information in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and that the report of the Board of Directors and the financial statements provide correct and sufficient information in accordance with the regulations governing financial statements and reports of the Board of Directors in force in Finland. The Board of Directors is responsible for ensuring that accounting and asset management is appropriately organised, and the CEO is responsible for ensuring that accounting complies with law and asset management has been organised in a reliable manner.

The Auditor's duties

It is our duty to issue a statement on the financial statements, consolidated financial statements and Board of Directors' report on the basis of our audit. The Accounting Act requires us to comply with the professional code of conduct. We have conducted the audit in accordance with good accounting practices observed in Finland. Good accounting practices require that we plan and conduct the audit in order to obtain reasonable assurance that the financial statements and the report of the Board of Directors are free of material misstatement and whether the members of the Board and the CEO of the parent company have engaged in an act or act of neglect that might result in a liability for damages towards the company, or violated the Finnish Companies Act or the Articles of Association.

The audit includes measures to obtain audit evidence on the figures included in the financial statements and report of the Board of Directors and the information disclosed therein. The selection of the measures is based on the auditor's judgment, which includes an evaluation of the risks of material misstatement due to misdemeanour or error. In assessing these risks, the auditor observes internal control, which is significant in the company from the point of view of preparing financial statements and report of the Board of Directors that provide correct and sufficient information. The auditor evaluates internal control in order to be able to plan appropriate audit measures considering the circumstances, but not to the purpose of issuing a statement on the effectiveness of the company's internal control. The audit also includes an evaluation of the appropriateness of the accounting principles applied in the preparation of the financial statements, reasonability of the accounting estimates made by the operational management and the general presentation of the financial statements and Board of Directors' report.

Our view is that we have obtained a sufficient amount of appropriate audit evidence as the basis of our statement.

Statement regarding the consolidated financial statements

As our statement, we submit that the consolidated financial statements give a true and fair view of the Group's financial position and its results of operation and cash flows in the manner referred to in the International Financial Reporting Standards (IFRS) as adopted by the EU.

Statement regarding the financial statements and report of the Board of Directors

As our statement, we submit that the financial statements and the report of the Board of Directors give a true and fair view of the Group's and the parent company's results of operation and financial position in the manner referred to in the regulations governing the preparation of financial statements and reports of Board of Directors in force in Finland. There is no conflict between the information shown in the report of the Board of Directors and the financial statements.

Vieremä, 13 February 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Sami Posti
Authorised Public Accountant

CONTACTS

Production

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Sales and service network

NORTHERN EUROPE

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STRONG ROOTS IN LOGGING



1970

Today, Ponsse Plc is one of the world's largest manufacturers of rubber wheel cut-to-length forest machines. Ponsse has grown from a machine entrepreneur's dream to an international export company whose operations are guided by the same values as when it was established. Ponsse is still a family-owned company with deep roots in the Finnish countryside. The company's production, R&D and administration are located in Vieremä, Finland – in the same place as 40 years earlier.

Einari Vidgrén, the founder of Ponsse, was born to a small farmer's family in North Savo. He started working at logging sites in 1957, when he was just 14. At the age of 27, Vidgrén – who had started harvesting with a hand-held saw – already employed 25 loggers, which made him one of Finland's major machine entrepreneurs. However, the machines used suffered from durability problems, and in 1969 Vidgrén developed in a local village workshop a load-carrying forest tractor for his own use. He named the forwarder Ponsse, after a crossbreed courser dog that roamed the village.

Ponsse was first used at the logging site of Tehdaspuu, and after a year of use Tehdaspuu asked for more of the same kind of forwarders. This feedback encouraged Vidgrén to establish a forest machine plant in Vieremä. With a one-vote majority, the municipal council decided to build an industrial plant to be leased to the machine entrepreneur Einari Vidgrén. The plant was completed at the end of 1970 and Ponsse Oy was established. The first forest machine intended for serial production was a PAZ forwarder. Difficulties and setbacks char-

acterised the plant's early years: money was not easy to come by.

A breakthrough in the evolution of forest machines took place in the 1980s. Ponsse became well-known to both competitors and customers in 1983 when it introduced the legendary Ponsse S15 forwarder. Built partly from aluminium, the machine's chassis made it significantly lighter than its competitors' chassis, putting it in a class of its own for cross-terrain performance. The first harvester head, H520, was introduced in 1986. It was an important step for the expansion of the product family from forwarders to harvesting machines as well.

In 1994, Ponsse was the first forest machine manufacturer in the world to be awarded the ISO 9001 quality certificate. This led to intensified machine development work and an expansion of the plant. In the 1990s the product range expanded and Ponsse Opti, an advanced measurement and information system for forest machines, was launched on the market. Ponsse was listed on the Helsinki Stock Exchange in 1995, and its first subsidiaries were established in Sweden, the United States, France and the United Kingdom.

Today the Ponsse Group consists of the parent company Ponsse Plc and the subsidiaries Ponsse AB, Sweden; Ponsse AS, Norway; Ponsse S.A.S. France; Ponsse UK Ltd., Great Britain, Ponsse North America, Inc., the United States of America; Ponsse Latin America Ltda, Brazil; OOO Ponsse Russia; Ponsse Asia Pacific Ltd, Hongkong; Ponsse China Ltd, China; Ponsse Uruguay S.A., Uruguay and Epec Oy, Seinäjoki, Finland. The company employs about 970 forest machine specialists and its shares are quoted on the NASDAQ OMX Nordic List.

Our product range covers all cut-to-length harvesting solutions from harvesters to forwarders, from cranes to harvester heads and control and measurement systems, from wood procurement systems to training technology. We design and manufacture all PONSSE products and their key components ourselves. This allows us to ensure that our products meet the exact requirements of forest professionals.

With experience from 8,000 cut-to-length forest machines, Ponsse is one of the world's leading manufacturers of forest machines, and its customer-oriented operations are guided by the wishes and needs of forest machine entrepreneurs. Our mission is to contribute to our customers' success with productive and reliable PONSSE forest machines and services. It is our promise to be the "Logger's Best Friend".

A good product range and confidential customer relationships are Ponsse's cornerstones together with its strong values, committed personnel, and history and traditions.



1990



1993



2001



2008



2010



1971



1973



1983



2012

8000th PONSSE 7 February 2012



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