

The logo for PONSSE, consisting of the letters P, O, N, S, S, E in a bold, black, sans-serif font, each letter contained within a separate yellow rectangular box.

PONSSE

A close-up photograph of a pine branch with green needles and water droplets. The branch is positioned in the upper half of the frame, and the droplets are in sharp focus. The background is a soft, out-of-focus green. The lower half of the image shows a reflection of the branch and droplets on a rippling water surface.

PONSSE PLC
ANNUAL REPORT 2008



PONSSE IN BRIEF

As an industrial company, Ponsse Plc is a sales, maintenance and technology venture 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 company was established by forest machine entrepreneur Einari Vidgrén in 1970, and it has been a pioneer of timber harvesting solutions based on the cut-to-length method ever since. Ponsse is headquartered in Vieremä, Finland. The Company's shares are quoted on the NASDAQ OMX Nordic List. The Group operates in approximately 40 countries.



PONSSE'S MISSION, VALUES AND VISION

MISSION

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

VALUES

CUSTOMER ORIENTATION

- A real interest of the customer, knowing the customers in person, and recognising their needs
- Knowing the business of the customer
- Lean organisation and low level of hierarchy with decision makers close to the customers
- Easy reachability
- Customer-driven production system

RELIABILITY

- The customer is never left alone
- We keep sincerely what we have promised and we do not give any false promises
- We work honestly and ethically considering our stakeholders

PONSSE SPIRIT

- Recognition and appreciation of our human resources
- Willingness to succeed and entrepreneurship
- Modesty and humble minds before work
- Refusing to compromise in achieving goals
- Common responsibility for the success of our business
- We maintain good humour and fair play

WILLINGNESS TO SERVE

- Serve the customer as you would like to be served
- Customer requirements and requests are dealt with immediately and not turned over to others
- The success of our customer is secured by helping our own colleagues

INNOVATION

- We pursue for continuous improvement of products and services as well as processes
- We are initiative and open-minded
- Change is always an opportunity
- Competitiveness is secured by our innovative attitude

VISION

- We are the preferred partner in our industry



PONSSE BUFFALO

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



The period of strong growth at Ponsse ended in 2008. The high demand experienced in the past few years, combined with the scarce availability of raw materials and components, and skyrocketing costs, led to major difficulties worldwide. The slowdown of the economy began to reflect on our operations in the second quarter. At this time, the factory capacity reservation system was revised in order to accurately identify the real market situation and to enhance our ability to react to changes.

The order book remained at a sufficient operational level until the autumn but then the order influx started to weaken rapidly. In our company operations, the global economic crisis translated into a marked decrease in the demand for machinery. With the economic slowdown, the consumption of sawn timber, paper and board has plummeted. Furthermore, our customers' opportunities of securing financing for their machinery purchases have weakened, especially in the export markets. Higher business costs were another significant problem in 2008 both for our clientele and for us at Ponsse.

Operational adjustment measures were launched immediately to adapt to the weakening order volumes. The first stage involves cost trimming and capacity reduction by slowing the production cycle. In addition, upcoming holidays were taken in advance in order to strengthen the order book. In the second stage, we initiated the first employer-employee negotiations which resulted in temporary lay-offs. We decided to concentrate our operations, and as a part of this plan the Brazilian harvester head assembly and R&D operations were transferred to the Vieremä facility. In December, we launched the second employer-employee negotiations, which were concluded in early 2009. According to the proposal submitted, the negotiations involved dismissals and temporary and indefinite layoffs.

The employee-employer negotiations are part of the Group's operational adjustment and efficiency enhancement programme that aims to restore Ponsse's operational efficiency during 2009. The planned measures will begin to take full effect starting at the beginning of 2010. The

adjustment measures will also help ensure that when the economic situation revives and forest machine contractors regain their investment strength, we will be able to cater to increased demand quickly.

Net sales in 2008 amounted to EUR 293.0 million and operating profit to EUR 13.6 million. 63.3% of sales were generated in international operations.

The outlook for 2009 is extremely challenging. The order book and order influx at the beginning of the year are weak, and the revival of export markets is of vital importance for us. Problems in the real economy affect our operations, particularly in the first half. In 2009, we will invest in cost efficiency and quality in all operations and products, and in developing new products for market launch.

The development of export markets and our customers' machinery capacity utilisation rate determine the forest machinery production volume for the coming year. Active co-operation with our customers and the ability to find new solutions quickly are increasingly important. Inputs in servicing and sales will continue as usual, and we will be closely involved in our customers' operations. We will continue to make our services even more easily and quickly available to our customers.

Despite the current economic situation, the cut-to-length method will gain popularity in harvesting in the long term. About half of the world's industrial harvesting is carried out manually, and half mechanically. The cut-to-length method is becoming more common as mechanical harvesting gains ground. Other contributing factors include fast mechanisation of harvesting in fast-growing cultivated forests in the southern hemisphere, and the fact that the tree-length method is losing ground to the cut-to-length method. Bioenergy is becoming an increasingly important energy source in Scandinavia and North America. Ponsse is also involved in developing integrated roundwood and energy wood harvesting methods and equipment. There is a universal consensus in support of the growing use of bioenergy, which provides new business opportunities for the harvesting sector. Our products

are highly competitive and, in terms of power and performance, the best in the market.

We would like to thank our customers and business partners for their cooperation, and our shareholders for their trust in us. Our warmest thanks also go to everyone at Ponsse.

Einari Vidgrén
Chairman of the Board

Juho Nummela
President and CEO



INFORMATION FOR SHAREHOLDERS

Ponsse Plc's Annual General Meeting will be held on Tuesday, 28 April 2009 starting at 10:00 a.m. at the Company's registered office at Ponssentie 22, 74200 Vieremä, Finland.

Eligibility to attend

To be eligible to attend the Annual General Meeting, shareholders must be registered by 17 April 2009 in the share register kept by the Euroclear Finland Ltd. (former Finnish Central Securities Depository Ltd). 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 on 17 April 2009 at the latest for the purpose of attending the General Meeting. For a temporary registration, shareholders should contact their account operator organisation.

Registration

Shareholders wishing to attend the Annual General Meeting should notify the Company of their intention to do so by 4:00 p.m. Finnish time on Wednesday, 22 April 2009 either by writing to Ponsse Plc, Share Register, FI-74200 Vieremä, Finland, by telephone on +358 (0)20 768 800, by fax on +358 (0)20 768 8690, or online at www.ponsse.com/agn. If the shareholder notifies through writing, the letter must reach the recipient before the end of the notification period. Please submit any proxies accompanying the advance registration.

Dividend

The Board of Directors will propose that the Annual General Meeting authorises the Board of Directors to decide on the distribution of dividends amounting to a maximum of EUR 0.10 per share (max EUR 2,800,000) during 2009.

Share register

Ponsse Plc's shares and shareholders are listed in the shareholder register held by the Euroclear Finland Ltd. 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 2009

In addition to financial statements and the annual report for 2008, Ponsse Plc will issue three interim reports. Interim reports for the financial period 2009 will be published as follows:

- January–March – 21 April 2009
- January–June – 11 August 2009
- January–September – 27 October 2009

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

Ordering financial publications

This Annual Report is available in Finnish and English. A printed Annual Report will be sent to everyone who orders it. 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 on the Internet at www.ponsse.com.

Investor relations

Ponsse maintains a two-week silent period prior to the publication of financial results, during which time company representatives will not comment on the result. At other times, questions and enquiries from analysts and investors will be answered via phone or e-mail, and at organised investor meetings.

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

Juho Nummela
President and CEO
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CFO
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E-mail: mikko.paananen@ponsse.com

Investment analyses

These companies, among others, are following Ponsse as an investment:

eQ Bank Ltd
Evli Bank Plc
Nordea Bank Finland Plc
Pohjola Bank Plc

THE YEAR 2008 IN BRIEF

Ponsse's business showed favourable development during the first half of 2008 but the economic downswing during the latter half of the year could clearly be seen in the demand for forest machines. The machine sales volumes were clearly lower in the latter half of the year when compared to the previous year. Machine sales were still satisfactory in the main Scandinavian markets and machine deliveries focused on the Finnish and Swedish markets. In 2008, Ponsse received 63.3 per cent of its turnover from international business.

Ponsse maintenance business turnover improved on 2007 despite the challenging market situation. Ponsse introduced its new maintenance service concept, Logger's Inn, at the FinnMetko 2008 trade fair in Finland. The concept includes all the services needed to secure high availability of forest machines.

Training cooperation continued with the Work Efficiency Institute in Finland, among others, and with several partners in the other market areas. For example, a training centre under the Ponsse brand was opened in Yekaterinburg, Russia.

Investments in product development were made during the year. Ponsse introduced the improved products at the FinnMetko 2008 trade fair in Finland. Product improvements took place in several product groups.

The investment programme for the Vieremä factory continued during the period. The factory's level of automation was increased by introducing welding robots. Installation work on the largest machining unit in the history of the factory used for machining chasses was commenced. Investments in the production machinery and equipment of Ponsse's technology company Epec Oy also took place during the year.

Cooperation was started with Canadian Woodland Equipment, Spanish Hnos, Toimil Garcia S.L., and Japanese Shingu Shoko Ltd. Cooperation covers the distribution of PONSSE forest machines, equipment and maintenance services.

At the end of the year, Ponsse started Group-wide measures to adapt the production volume and resources to the suddenly changed

market situation. Employer-employee negotiations were started in Finland, and the business was centralised by transferring the debarking harvester head assembly and product development of the Brazilian factory to Vieremä, Finland, as well as by adapting the business in North and South America.

KEY FIGURES	IFRS 2008	IFRS 2007
Order intake M€	224.4	361.2
Order stock M€	41.5	110.1
Turnover M€	293.0	310.1
Operating profit M€	13.6	37.1
Operating profit %	4.7	12.0
Cash flow from business operations M€	-20.8	19.0
Profit for the accounting period M€	4.4	26.5
Interest-bearing net liabilities M€	64.6	19.5
Equity ratio %	38.4	50.3



OPERATING POLICY, ISO 9001: 2000

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 utilisation. We constantly fulfil the expectations of our customers with our high-quality products, services and operations. We offer our customers solutions that are suitable for natural environments, and we are committed to developing our products and services so that environmental aspects are taken into consideration. According to our customer-oriented operating method, we listen to and understand our customers and respect their opinions.

The quality of our products and functions as well as environmentally friendly operations are our common goals. All Ponsse employees participate in the realisation and development of quality with their own work, and pay attention to the environmental effects of their actions. We follow the environmental 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 the following 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 realising 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.



EVENTS IN 2008

February

15 February

Ponsse published its financial statements for 1 January–31 December 2007. Order intake rose by 49 per cent to EUR 361.2 (242.9) million. Net sales rose by 30 per cent to EUR 310.1 (238.6) million. Operating profit grew by 25 per cent to EUR 37.1 (29.6) million. Operating profit accounted for 12.0 (12.4) per cent of net sales. Profit before taxes was EUR 36.4 (28.5) million. Earnings per share were EUR 0.95 (0.75). The Board of Directors proposes a dividend of EUR 0.50 per share (0.40).

March

Ponsse's factory in Vieremä, Finland, introduced a new tall warehouse and a hygienic hydraulic component manufacturing facility.

19 March

Juho Nummela, Dr. Tech. (31), was appointed Ponsse's President and CEO and Jamo Vidgrén, Commercial College Graduate in Marketing (32), was appointed Group Sales and Marketing Director and Deputy to the President and CEO. The appointments took effect on 1 June 2008.

April

6–10 April

Ponsse participated in the Silva Regina forest exhibition in the Czech Republic together with its dealers, Krenek Forest Service and Wahlers Forsttechnik.

21 April

Ponsse published its interim report for the period 1 January to 31 March 2008, showing net sales of EUR 75.8 million. Machinery delivery volume in the first quarter was the same as a year earlier.

21 April

Ponsse appointed a new Group Management Team and Sales Management Group. Mikko Laurila was appointed member of the Sales Management Group and Vice President responsible for the North European Business area and Sales Director for Finland, and Norbert Schalkx was appointed Vice President for Asia-Pacific and Africa business areas. Juhani Mäkynen, Service Director, and Tapio Mertanen, Distribution Development Director, were also appointed members of the Sales Management Group. Juha Haverinen was appointed member of the Group's Management Team and Factory Director, and Hannu Kivelä, Director for Strategy and Customer Co-operation, was also appointed a member of the Group's Management Team.

29 April

A decision was made at Ponsse Plc's Annual General Meeting to distribute a dividend of EUR 0.50 per share. Members of the Board of Directors Maarit Aarni-Sirviö, Nils Hagman, Ilkka Kylävainio, Seppo Remes, Einari Vidgrén and Juha Vidgrén were re-elected.

30 April

Ponsse Plc's Board of Directors decided to introduce a new share-based incentive plan for the Ponsse Group's key personnel. The plan will cover approximately 20 persons.

June

4–6 June

Ponsse participated in the KWF forest fair held in Nordrhein Westfalen, Schmalleberg, Germany, together with its retailer Wahlers Forsttechnik.

19 June

Jaakko Laurila, M.Sc (For), 37, was appointed CEO of OOO Ponsse and Vice President, Russia. The appointment took effect on 1 July 2008.

August

12 August

Ponsse published its interim report for the period 1 January to 30 June 2008, showing net sales of EUR 161.4 million. Net sales grew and profitability in euro remained at the previous year's level. The forest machinery markets showed signs of slowdown.

28–30 August

Ponsse launched its newest products and several product improvements at the FinnMETKO 2008 exhibition in Finland. The work demonstrations attracted a large crowd. A new servicing concept, Logger's Inn, was also launched at the exhibition. The concept covers all the services needed to deliver the high usability of forest machines. The traditional Ponsse Used Machine Days exhibited a large selection of trade-in machinery.





September

5-6 September

At the Great Lakes Logging Congress held in Green Bay, Wisconsin, Ponsse introduced the renewed PONSSE Ergo and the new Brush Transport System load space, which is compatible with the PONSSE Buffalo and designed for energy wood harvesting purposes. The congress also saw the launch of Ponsse's new servicing concept, Logger's Inn, in North America.



10 September

Ponsse issued a profit warning. Ponsse Plc estimates that the company's net sales and profit before taxes for 2008 will be lower than in the previous year.

18 September

Ponsse strengthened its support to international forest research. A new Ponsse Fund agreement for the period 2009-2013 was signed.

18-20 September

Ponsse attended the APF International Forest Machinery Exhibition 2008 in Cammock Chase, Staffordshire, UK.



18-20 September

Ponsse attended the Demo International 2008 exhibition in Halifax, Canada.

October

2 October

A training centre under the Ponsse brand was opened at the Ural forestry academy facilities in Yekaterinburg, Russia.

16 October

Due to the declining demand for forestry equipment and the weakening economic outlook, Ponsse Plc started negotiations with personnel regarding potential lay-offs.

28 October

Ponsse published its interim report for the period 1 January to 30 September 2008. Net sales in the period totalled EUR 216.2 million. The demand for forest machines declined in the third quarter in most main market areas except for Finland and Sweden. Net sales remained on par with the comparison period.

31 October

Ponsse's 1978-founded subsidiary Epec Oy celebrated its 30th anniversary. Festivities included an anniversary seminar and a banquet in Seinäjoki, Finland.

November

7 November

Ponsse's Service Centre in Rovaniemi, Finland, celebrated its 10th year of operations. Celebrations coincided with the inauguration of expanded service facilities.



December

8 December

Ponsse Plc adjusted its production and other operations to meet demand. To secure its competitiveness and profitability, the company initiated employer-employee negotiations on dismissals and temporary lay-offs.

10 December

Ponsse Plc continued as the main sponsor of Tero Pitkämäki, Mikko Hirvonen and the ice hockey team Kalpa, Kuopio Finland. Ponsse Plc signed two-year main sponsorship contracts with javelin thrower Tero Pitkämäki and rally driver Mikko Hirvonen. In addition, earlier in the autumn Ponsse signed a contract with the ice hockey team KalPa playing in the Finnish Championship League for the coming 2009-2010 season.

15 December

As part of its adjustment measures, Ponsse is to centralise its Brazilian production and R&D operations in Vieremä, Finland. The transferred operations involve assembly and product development of debarking harvester heads, which will be carried out at the Vieremä plant in co-operation with Ponsse Latin America Ltda. Ponsse will focus its investments in Latin America on the development of its sales and maintenance service network.

18 December

Juha Inberg, Dr. Tech. (35), was appointed Ponsse's Technology and R&D Director as of 1 January 2009. In his new position, Inberg is responsible for Ponsse's product development in forest machines and the associated information systems and new technologies. Seppo Taatila, Ponsse's Technology and R&D Director since 2006, has resigned from Ponsse's service.



MARKET AREA REVIEW



Jarmo Vidgrén
Sales and Marketing Director
Ponsse Plc

During the period, the construction industry in Central Europe started to weaken, also causing a downswing in the timber industry, while the United States market – an important market for the Central European timber industry – remained quiet. The weak timber demand, particularly in the German market, could also be clearly seen in the demand for forest machines. French non-harvested wood raw material stock remained to be harvested due to the high price of wood raw materials. The Great Britain market also experienced a downswing.

At the same time, the financing crisis in the United States caused a dramatic decrease in exports. The downswing in demand that started in Europe picked up speed due to the financing crisis and quickly spread to all our export countries. There were shutdowns in the South American pulp mills, and this directly influenced the demand for forest machines. The demand for forest machines in Russia was at a record level in early autumn but the financing crisis almost completely shut down the market. The implementation of the increase in Russian wood export taxes was delayed but the awareness of the future increase slowed down harvesting in, for example, the Republic of Karelia. The North American forest machine market had already slowed down earlier, and the year in this market area was as expected.

Ponsse's market area changed completely in 2008. Forest machine demand was at a good level and the order volume was increasing at the beginning of the year. The first signs of abatement in the market could be seen in the summer, at the end of the second quartile. Technology industry order books remained at a high level despite the bleaker economic outlook. The financing crisis and the fast abatement of the forest machine market were surprising in their speed and intensity.

Finland and Sweden persevered

Finland and Sweden were among the positive market areas: a record number of forest machines were delivered to these markets, despite the challenging end to the year. Logging volume in Finland hardly decreased from the level of 2007 despite the downswing in timber demand. The reduced timber import volumes will increase the need to harvest wood in Finland by means of thinning and on peatland with poor carrying capacity. The past year proved that we remain competitive in the traditionally highly demanding Scandinavian market.

Challenging future

2009 will no doubt be a highly challenging year, but Ponsse will be able to manage the situation. PONSSE forest machines and services are top-grade and we firmly believe in our customers. Together, we will be able to manage these difficult times. Further development of Ponsse products and services for our main market areas is progressing nicely. The speed at which the existing timber stocks are delivered to the industry and the non-harvested timber is harvested will define the forest machine demand level in the near future.

The cut-to-length method will gain popularity over the tree-length method in our main market areas, and we will also strive to increase our market share. More and more timber will be harvested under demanding conditions and on challenging soil, and this will require more versatility from the machines. When taking the future energy needs into account, one can see that the significance of combined bioenergy and roundwood harvesting will increase. Ponsse already has solutions available for such work.

Mechanised harvesting has progressed nicely in Russia and China, among other areas. Ponsse has several cooperation partners among forestry institutions around the world and we have developed good training programmes in cooperation with these partners to guarantee that there will be enough professionals to operate the forest machines. In China, Ponsse trains forest machine operators and harvesting managers in cooperation with Stora Enso. Forest machine operator training programmes implemented by Finns and Russians are offered under the Ponsse brand in many locations in Russia. In the years to come, the training offered to our own personnel will be more important and this will be seen as improved expertise in the field.

We will continue to care for our customers, create new customer contacts, and gather feedback on our products and services in the future. As proof of this, Ponsse has been involved in several trade fairs and forestry events all around the world. We have been active at the customer interface and have received valuable feedback. We will not compromise on these activities in the future.



AREA REVIEWS



North Europe
Vice President Mikko Laurila

North Europe

In Finland, Ponsse's sales saw favourable overall development in 2008. When the first signs of global economic recession appeared, delivery times for domestic orders began to accelerate quickly. By the summer the situation had turned upside down, and machinery had become available for quick delivery in the domestic markets from several other market areas. The market conditions remained positive in Finland until the turn of September and October, offering good sales opportunities. In 2008, Ponsse delivered a record number of new forest machines in Finland.

The volume of timber imported by the industry in January–October totalled 16.2 million cubic metres in 2008, showing an increase of 18% from the same period a year earlier. The Finnish Forest Industries estimated that the raises in the Russian timber export duties, which Russia announced would take place in early 2009 (and subsequently postponed on 12 November 2008), would increase the harvesting need in Finnish forests by as much as 10 million cubic metres. As a result, the forestry departments of forest companies announced their intentions to raise harvesting volumes in Finland.

However, in October the situation started changing and companies began to announce production curtailment plans due to the weakening demand outlook for forest industry products. In November, some forest companies' contractors were notified of potential production stoppages that would also affect harvesting. This quickly affected machine entrepre-

neurs' investment plans, and Ponsse's order volume took a downward turn in the final quarter.

In Sweden, Ponsse's market share continued to grow in 2008. Ponsse continued to strengthen its service network, which boosted market share growth. Another factor contributing to success in Sweden is the new energy and roundwood harvesting solutions. In Sweden, local load space solutions were developed for energy wood transport, such as convertible and compressing load spaces. Ponsse has made significant investments in the Swedish markets, and will continue to do so in 2009.

Demand is expected to decline in Finland from the previous year. The additional production curtailments announced by forest companies in early 2009 further strengthen these expectations. The global demand for sawn timber and board products is not expected to pick up until the construction industry revives. Varying scenarios predict this would happen in late 2009 at the earliest.

The objective of the national energy strategy is to considerably increase the use of energy wood in Finland from the current 10 million cubic metres. Although the growing demand for energy wood has offset the declining demand for pulpwood, this is probably not enough to occupy the entire harvesting machinery stock if paper industry production volumes in Finland decrease dramatically. At the same time, however, the proportion of imported timber of industrial raw material is predicted to decrease, which will increase the harvesting needs in Finnish forests. Integrated roundwood and energy wood harvesting is ideally suited for the current situation and will offer customers improved business success opportunities.

Considering the current global economic conditions and the rapidly changing forecasts regarding general economic development, machine entrepreneurs' acquisitions are expected to be smaller than in 2008. The machinery in use is getting older, which will increase the demand for Ponsse's maintenance and servicing operations.



North America
Vice President Marko Mattila

North America

The year 2008 was challenging for Ponsse in North America. The crash of the United States economy and the following economic downswing and the financing crisis at the end of the year had a negative impact on the situation. The total market for rubber-wheeled cut-to-length forest machines in North America decreased over 20 per cent. The greatest collapse took place in Canada, where the market "shrank" by 70 per cent.

Despite the negative figures, Ponsse supplied its North American customers with the same number of new machines as in 2007. This increased our market share compared to the previous year. The 2008 model of the PONSSE Ergo harvester with the H7 harvester head was a particularly major success. Ponsse held a market share of more than 40 per cent of the North American harvester sales market. This tells us that our products and product support are excellent. In 2008, Ponsse expanded its business to British Columbia.

Ponsse was present at several forestry events over the past year, such as the DEMO 2008 event in Halifax, Canada. Ponsse also participated in several bioenergy-related conferences and events over the year. Ponsse has been highly active in the development of the future biomass market and biomass research, and has focused on studying the entire delivery chain from stump to plant together with forest machine entrepreneurs and companies who have done business in the market for a long time. We want to be the leaders of this development.

It will probably take some time before the economic situation in North America returns to normal. In light of this, 2009 would seem to be highly challenging. The efficiency of all our operations and cost management will play a major role. Ponsse will focus on taking good care of its customers in the current operational areas. Good customer support is even more important when the times are rough. Our main focus will continue to be on our service business, and we will show our customers by our daily activities that Ponsse will support them during these challenging times.



Russia
Vice President Jaakko Laurila

Russia

Plenty of changes occurred in the economy in general and in the forest industry in particular in 2008. In Russia, a new forestry regulation was introduced, timber customs duties were revised, the demand for timber and timber-based products experienced a major change, and the devaluing of the rouble started. These changes and the general economic situation also slowed down the forest machine market, especially during the latter part of the year. Ponsse was able to retain its good market share and continues to strive to satisfy customer needs in all the most important forestry areas of the Republic of Russia and Belarus. In the longer term, the fact that old uneconomical forest machines and harvesting methods are replaced with more cost-efficient, profitable and reliable cut-to-length machines and methods will create more demand in the market.

In 2008, we signed cooperation agreements with four new servicing companies in order to be closer to our customers and offer a faster and better service. The servicing companies operate in the Krasnoyarsk area in Siberia, the Irkutsk area, the Ural area and Belarus. All Ponsse re-

tailers have systematically developed their facilities and business in their areas. We are committed to developing our customer service because the long distances and poor connections in the remote logging sites of Russia pose great challenges for maintenance services.

One of our main focus points in Russia and lately also in Belarus is supporting the training of forest machine operators and mechanics. By the end of 2008, Ponsse had established ten training centres in different parts of Russia and Belarus. The most recent training centres were opened in Yekaterinburg and Minsk. Cooperation with educational establishments – such as our first partner, the Moscow University – continues.

Regardless of the world-wide economic downswing and the decreased timber product demand, the market continues to need new forest machines. Russian and Belarusian forest companies are paying more and more attention to productivity, reliability, quality and harvesting costs – which is why Ponsse's products, expertise and maintenance services will surely be in demand in the future.



Central and Southern Europe
Vice President Tapio Ingervo

Central and Southern Europe

Ponsse has retained its strong position in the Central and South European market. We will continue to improve our distribution and maintenance network by developing our current cooperation relationships and acquiring new cooperation partners. Our sales development was favourable early on in 2008 but at the end of the year the markets started to slow down due to the decreased demand for wood processing products in Europe and decreased exports to North America, the more difficult machine fi-

nancing situation, and the exceptionally challenging general financial situation. Service operations sales development was favourable in 2008.

The most important market area in Central Europe is Germany. Our retailer Wahlers Forsttechnik GmbH's expert organisation and a new service centre opened in 2007 enabled even more efficient business. 2008 was still a difficult year as the felling volumes and felling proceeds decreased. Timber stock levels remained high and there were more machines in the country than before. The tightened price competition decreased the profitability of our customers and slowed down our machine sales.

France and Great Britain are our most important Central European markets after Germany, and there are Ponsse subsidiaries in both countries, Ponsse S.A.S. and Ponsse UK Ltd. Ponsse's product portfolio is highly applicable to the Central European needs, and the French market and our market share experienced strong development at the beginning of the year. The markets experienced a clear downswing towards the end of the year, and the order volume started to decrease. In 2009, our subsidiaries will focus on sales, securing the cash flow and cost efficiency.

Ponsse sells products in several Eastern European countries. Mechanisation of harvesting is still in its early stages and there is plenty of growth potential in these markets. The slowing down of the world economy clearly influenced Eastern Europe towards the end of the year however. In the future, the demand for cut-to-length harvesting machines will increase but many investment decisions were postponed in 2008 and our total sales volumes remained modest.

There is tight price competition in the markets of southern Europe and second-hand machine sales is a major part of the forest machine market. The new machines sold are mainly forwarders and harvester heads to be mounted on excavators. Ponsse improved its position in Spain by adding a new reseller, Hermanos Toimil Garcia SL, a company with extensive experience in the forest machine sector and a service organisation covering the whole of Spain.



Latin America
Vice President Claudio Costa

Latin America

In 2008, the Ponsse subsidiary established in 2005 improved its position in the key markets and key product groups. In 2008, Ponsse continued as a leading supplier of rubber-wheeled harvesters and forwarders in Latin America.

For the first six months, all pulp mills in Brazil and Uruguay worked at full speed with many ongoing investment plans to attend to the high demand in the global and Finnish markets. During this period, the global pulp price was approximately US\$ 800 per ton.

The situation dramatically changed during the second term because the international financing crisis and the related decrease in global pulp price dropped the global pulp price to approximately \$450 per ton. As a consequence, the main players in the market decided to interrupt their pulp production, which also decreased the felling volume. Furthermore, all investments to increase the pulp production volume – including the construction of new mills – were postponed until further notice.

Regardless of the challenging situation, Ponsse remained a clear market leader in Uruguay as a result of heavy investments in the first-class service centres in Paysandú and Tacuarembó. Currently, Ponsse cooperates with the most important forest companies in Uruguay and is also a company favoured by machine contractors. Harvester PONSSE Ergo and forwarder PONSSE BuffaloKing are currently the main products in the Uruguay market.

In the Brazilian market, Ponsse continued to sell products to the major Brazilian pulp mills. The traditional customers, such as Veracel and Bahia Pulp, continued to increase their Ponsse machine

fleets and Ponsse also obtained new major customers: Seflor, Zandoná and Guará Florestal.

In 2008, we invested in customer service in Brazil. A major development objective was maintenance services offered by Ponsse. Maintenance services are now available direct from Ponsse to the customers. As a result, new customers were added to the Ponsse portfolio and new products were sold, such as PONSSE Ergo harvesters equipped with new H7 harvester heads for pine applications.

We expect the demand for new machines to clearly decrease in 2009 due to the over-capacity in pulp production. The main players will cut back on their production in order to increase the price of commodities. The main challenge for the main players will be adjusting production to the low demand and improving efficiency in order to reduce costs and achieve an acceptable level of profitability. The situation for Ponsse will be similar: we will focus on high efficiency and low costs without sacrificing the quality of customer support.



Asia-Pacific and Africa
Vice President Norbert Schalkx

Asia-Pacific and Africa

Ponsse's machine sales, maintenance and training services are now operational in our new markets in the Asia and Pacific regions and Africa. Ponsse China celebrated its 1st anniversary in 2008. Personnel training has been actively implemented to prepare for offering the customers the best possible support services. Ponsse's offices, service centres and spare part activities are now fully equipped and in operation.

At the beginning of 2008, Ponsse signed a dealer agreement with Singu Shoko Ltd, a company with a long history in the timber trade

and forest machine business in Japan. China and Japan are both major importers of Russian roundwood, softwood saw logs in particular. Even if Russia were to delay the increase in log export tax, both countries will face drastically higher imported log prices. The domestic saw log market in China has tightened as a result of reduced log import from Russia in 2008.

China and Japan may also meet some of their roundwood needs by increasing their domestic harvesting. Under China's annual timber production plan for 2009 released by the State Forestry Administration, 158 Mm³ of timber will be logged and timber output will be 100 Mm³ in 2009. In China, the demand for paper has grown at an annual rate of approximately 13 per cent in recent years, and the country is now the world's second largest producer and consumer of paper. China has rapidly maturing plantations that will provide increased volumes of pulpwood in the next ten years. In 2009, many main customers will implement new wood raw material strategies to strive for effective business, regardless of the changes in wood export taxation in Russia. New export companies and product flows offer new opportunities for many countries exporting softwood logs and lumber, such as Australia and New Zealand.

In South Africa, Ponsse's retailer Babcock launched the PONSSE Elephant forwarder. The product is completely new in this market area and has been well received: it has gathered plenty of attention in several forestry sector events and work exhibitions. We have been able to increase the efficiency of the harvesting and profitability of many of our South African customers based on the experiences and information obtained in Latin America. Ageing, absenteeism and illness among the workforce has resulted in the declining productivity of the traditional manual harvesting systems and increased the need for mechanisation in South Africa.

Ponsse is well prepared for the upcoming changes in supply and demand in the Asia, Pacific and Africa regions by focusing on its business in south-eastern and eastern Asia, Oceania and southern Africa.

SERVICE BUSINESS IN 2008



Juhani Mäkynen
Service Director
Ponsse Plc

Our service network includes more than 40 countries, in which more than 500 maintenance and spare part service experts work. Long-term partnerships in the distribution network and with customers have created a special service spirit in the Ponsse maintenance service business; this is a spirit we plan to cherish in the future.

Ponsse's long-term objective is to increase the share of services in the total net sales in order to balance the fluctuating machine sales volumes. In 2008, the development of our service portfolio progressed as planned.

New theme for Ponsse maintenance services: Logger's Inn – get the best service

Ponsse introduced a new maintenance service concept at the FinnMetko 2008 trade fair. The Ponsse after-sales services are part of the Logger's Inn concept under which we have centralised all of Ponsse's services related to customers and partnerships.

The Logger's Inn concept includes five main sectors: parts, service agreements, technical support, training and documentation. We offer the most customer-friendly services in these sectors.

PONSSE Parts offer an extensive selection of high-quality parts for the needs of forest

Plenty of planned development and fast changes brought on by the global financing crisis occurred in Ponsse maintenance services in 2008. We were able to increase the turnover of our service business from the previous year despite the challenging situation.

machine entrepreneurs. The Parts sector includes PONSSE Genuine Parts, PONSSE Ecoparts, PONSSE Accessories and PONSSE Budget Parts, which are available at all our local servicing centres, all around the world. Spare part deliveries and logistics are always optimised to benefit the customer, and our competent staff assist the customers in finding the alternative best suited to their machine stock and situation.

The share of service agreements in our customer support activities is continuously increasing. More and more of our customers wish to set their own production goals, anticipate their service intervals, and ensure the long-term profitability of their machines. Regular preventive care will make harvesting more systematic. Forest machine entrepreneurs can select one of four service agreements with Ponsse: Preventive Care, Maintenance Care, Full Service solution and Partnership solution Agreement.

The technical support offered by Ponsse includes Workshop Service, Field Service, Telephone Support and Remote Service. The customer can select the maintenance support they need, or outsource the maintenance of all their machines to Ponsse. We always take the local conditions into account and offer our

services as close to the customer as possible. We utilise our global experience and apply the best practices of the sector to benefit our local customers.

With a new machine, Ponsse offers comprehensive user training. We use forest machine and servicing simulators as an aid to our training. Ponsse's servicing trainers regularly offer training to our local servicing employees in order to ensure that all of them have the latest information on maximising the availability of the forest machines at their disposal. Our training alternatives include Operator Training, Maintenance Training, and Process and Operator Training, and we also offer customised customer-specific training.

Documentation is an important part of the acquisition of a new forest machine. Ponsse's detailed Owner's Manuals, Maintenance Manuals and Spare Part Manuals assist customers in finding the information they need about the machine, its operation and maintenance. Ponsse delivers the manual for the purchased machine either as a hard copy or on a CD-ROM. The Owner's Manual and Maintenance Manual will also be installed on the forest machine's Opti computer so that they will always be conveniently available, wherever the machine is.



CUT-TO-LENGTH METHOD PRODUCT RANGES DEVELOPED

Throughout its history, Ponsse has been involved in the development of harvesting based on the Nordic cut-to-length method. From a global viewpoint, the method is the most advanced and the most effective wood harvesting method, and its environmental impact is clearly lower than that of the competing tree-length method.

Unlike the tree-length method, the cut-to-length (CTL) method is also applicable to thinning and enables harvesting on softer and moister soil. CTL method technologies and methods are being strongly developed, while the development of tree-length method machinery and methods has been limited.

Focus areas in 2008

In 2008, Ponsse product development strongly invested in product quality. Hydraulic and automatic design focused resources on the functionality and usability of our products. As a result of the determined work, the current product range is highly reliable and functional; the good market share in Finland and the success in our other main market areas in 2008 proves this. The position of Ponsse's

most widely sold harvester model, Ergo, has improved in its size range, and several reforms in other models have received positive feedback.

Bioenergy demand will increase and raw material harvesting techniques will be developed

Harvesting and utilisation of energy wood has become one of the most central forest machine development targets. New power plants utilising mixed fuel are continuously being constructed, and these plants enable large-scale utilisation of one form of bioenergy, wood chips.

Ponsse has conducted bioenergy development work based on its principles: the solutions Ponsse offers must be profitable for

wood harvesting entrepreneurs. This will offer a sustainable basis for the utilisation of wood energy, good opportunities for success for harvesting entrepreneurs, and product demand in the long term. In the Ponsse product portfolio, attention has been paid to energy wood harvesting by developing integrated roundwood and energy wood harvesting and applicable technologies. Harvester heads capable of group handling can be used in the improvement of young forests and simultaneous harvesting of roundwood and energy wood at thinning sites – either as single trees or by means of group handling. These harvester heads can also be mounted on PONSSE Dual combination machines, which enables profitable harvesting of smaller sites with fewer trees by utilising a single machine.

New developments in short-distance hauling

A solution applicable to short-distance hauling of energy wood is a hydraulically expandable load space that makes the transportation of energy logs and felling waste more efficient and profitable. Energy wood is lighter than roundwood, so more wood can be included in one load. This enables better utilisation of the machine capacity and more profitable operations. Ponsse's LoadOptimizer scales have been approved as an official timber measuring method, and have thus become part of the integrated roundwood and energy wood harvesting chain.

Stands on soil with a poor carrying capacity challenging for harvesting machines

More and more harvesting in several market areas takes place on soil which has poor carrying capacity. The wood harvesting challenges brought on by the warmer winters are especially pronounced in Finland. There is plenty of wood in Finland but most of the additional harvesting potential is located in sites that are difficult to utilise, mainly on soft peatland.

In order to improve the load-bearing capacity of the harvesting machines, Ponsse has developed the ten-wheel PONSSE 10w forwarder. The product has been used by Ponsse customers for approximately 18 months, and experiences have been positive. The machine's load-bearing capacity is excellent but the extra set of wheels does not clearly reduce the machine's other properties, such as the turning radius.

In the case of harvesters, the load-bearing capacity has been improved by increasing the width of the tyres and studying the impact of different types of tracks. These methods make the entire harvesting chain functional for sites with poor carrying capacity by implementing

minor changes and without compromising the general functionality of the harvesting company's machine stock: the same machines can be used for harvesting at other sites.

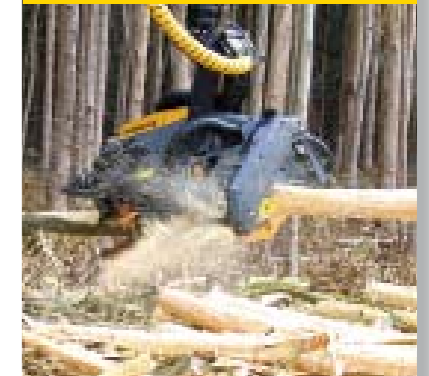
Eucalyptus harvesting

The pulp industry has strongly invested in the utilisation of eucalyptus. Plants have been constructed and forests planted in South America and Asia, among other areas, and new projects have been launched in different parts of the world. The benefit of eucalyptus is the fact that it grows quickly; thus it requires less surface area than other forests.

The special features of harvesting eucalyptus are the fact that the trees must be debarked immediately after they have been felled and the especially high reliability demands caused by the high degree of utilisation.

Ponsse offers a harvester head range designed especially for the harvesting of eucalyptus. The transport equipment usually consists of larger forwarder models with a high load-bearing capacity to make the harvesting as efficient as possible.

Ponsse's objective is to develop and manufacture the best harvesting solutions on the market for the customers' needs. We also invest in the manufacturability of the products and the efficiency of our own business. Furthermore, we will continue our strong investments in the development of operations methods for the entire timber harvesting chain by offering training as well as by participating in the research and development and discussion in the sector. This enables us to promote the development of the forestry sector and our operations environment, as well as face the challenges brought on by the local economies and the world economy.



The PONSSE H53e with group handling equipment make it possible to process several trees simultaneously.

A ten-wheel PONSSE 10w forwarder enables the utilisation of wood that grows on soil with poor carrying capacity.

The harvester heads designed for the harvesting of eucalyptus debark the trees after they have been felled.

2008 marked a period of slight growth in production. Due to the financing crisis, the production slowed down during the second half of the year. Thus the planned increase in machine manufacturing volume remained low.

PRODUCTION



Juha Haverinen
Factory Director
Ponsse Plc

In addition to growth, Ponsse invested in quality improvements and launched the manufacture of several new products. In accordance with a decision made at the end of 2008, the business of the Brazil plant will be transferred to Vieremä, Finland, during the first quartile of 2009. Thus the manufacture of all PONSSE harvester heads will be centralised in Vieremä.

Results by more intensive cooperation

In 2008, major resources were assigned to continuous improvement, i.e. to the continuous development of products and processes, and to eliminating any problems. The efficiency of constant improvement is ensured by cooperation between production, product development, management, quality, purchasing and other organisations, across organisation boundaries. One of Ponsse's competitive edges is collaboration between organisations and fast reaction to problems. If problems occur in production, the representatives of the different organisations can be immediately called to the site, and the problems can be quickly solved.

The cooperation between product development and the production organisation was improved by several shared projects, and new cooperation models between the two organisations were created. The development of the supplier network had a positive impact on

production despite the general material availability problems during the first part of the year. Tried and tested operating models were extended to cover the entire factory. Ponsse perceives the innovativeness of the staff as a major resource and is constantly developing functions, such as encouraging initiatives, in order to support innovativeness.

Development of factory production lines continued

Ponsse's investment programme continued in 2008. The programme aims at developing the quality of end products, increasing production volumes and improving the Group's cost efficiency. These development actions aim at a planned increase in productivity. Future investments and development measures relate to the development of parts manufacture and assembly processes, as well as work standardisation methods. After the investment programme has been concluded, the production lines will be at a level at which Ponsse will be able to take on the future challenges, requirements and increased demand without problems. At present, there is no need for other major investments. The Vieremä factory invested in further development of a line-type production system. A new focus point was the development of pre-equipping, which also included a major investment in hydraulic assembly facilities and automatic warehouses. The development of the pre-equipping and the line aims at securing the production quality and efficiency.

As for parts manufacture, major attention was paid to developing heavy welding, machining and processes. In 2008, three new welding robots were taken into use to improve the profitability of welding when manufacturing crane booms and machine chasses. Line production of chassis welding was started on one of the lines. The implementation and testing of the chas-

sis machining centre is almost complete. The chassis welding line and the machining centre will be fully implemented in early 2009.

Development of delivery equipment

A test track included in the delivery equipment centre has been taken into use. Having rolled out of the assembly line, each machine is tested either in the forest or on the test track. Electronic test drive feedback has proved to be a fast and secure way to ensure quality and develop the processes. Ponsse continued to develop electronic customer feedback regarding machine deliveries to ensure good quality and customer satisfaction. This will improve the uninterrupted flow of information between the end users and the factory.

Ponsse is able to quickly react to customer needs

Ponsse has continued to develop the quality and profitability of its business. The standardisation of the production process and the introduction of broad, modular product families serve the customers' machine procurements and the entire product lifespan. Customer wishes are taken into account at the design stage. In this way, the customers will receive forest machines with just the features they want. Production planning takes into account the structure selected by the customer, based on which production effectively manufactures the forest machines.



EPEC'S PRODUCT PORTFOLIO

During the 30 years that Epec Oy has been in business, it has become a key supplier of smart control systems solutions.



Jouni Matikainen
Managing Director
Epec Oy

The control systems markets represent a growing market, and new application areas are emerging in various market segments. There are a large number of small- and medium-sized work machine manufacturers worldwide that currently do not use smart control systems. Despite the slower market situation, the control system markets enjoy sustained long-term growth, and smart systems will be increasingly used in smaller machinery and utility vehicles. In fact, expanding its market coverage and operations to several market segments and areas is one of Epec's key near-term objectives, which is also hoped to make the company less vulnerable to economic fluctuations.

In the past few years, the company has focused on seeking growth outside Finland. Strong investment in exports and globalization has generated a stronger customer confidence in Epec and created new business opportunities. To achieve growth, Epec invested in production machinery, recruiting more personnel and in competence development. At the moment, Epec exports directly to more than 20 countries, and exports account for more than 20 per cent of net sales. Direct and indirect exports together represent 90 per cent of net sales.

Epec is actively engaged in close co-operation with its international partners to identify new customers and customer segments. Epec's retailer network currently covers several Euro-

pean countries, China, Russia, Brazil and the USA. In China, Epec has been able to gain market leadership as a control systems' manufacturer; a position the company intends to maintain in the future.

Machine control systems for the most demanding conditions

Epec's key customers include machine manufacturers that build mobile machines for extremely demanding conditions. The embedded system technology solutions are based on distributed intelligence, which means the various parts of the system communicate over a CAN bus. Epec supplies control systems for Ponsse's forest machinery, Sammutin Oy's fire and rescue vehicles, Tana's rollers used on landfills, and Metso's rock and mineral processing equipment, for instance.

Other global customers include Cargotec, a cargo handling solutions provider; Sandvik Mining & Construction, a supplier of mining and construction machinery; and Volvo Construction Equipment, a manufacturer of construction machinery.

Future growth areas include public utility vehicles and farming machinery. The introduction of the ISOBUS communications protocol will al-

low even smarter solutions in farming machinery, and Epec participates actively in this development work with its products and solutions.

A number of different projects are always in the pipeline. One of last year's specialties was the CAN bus-based smart control system that Kabus and VTT Technical Research Centre of Finland co-developed for the hybrid bus.

In addition to machine control systems, Epec's product range includes vehicle computers and various weighing and measuring systems for the forestry sector. The product portfolio also contains software and applications for embedded systems as well as for PC hardware and information systems.

Epec's EPC vehicle computer product range is designed for the mobile machinery and utility vehicle markets where computers are expected to be highly durable and to deliver features that make work easier, such as storage capacity, communications and map-based positioning data. The Epec Load Optimizer system provides a solution for mobile load weighing for various in-vehicle cranes – for example, those used in timber trucks – where accurate real-time weighing information is required.



BOARD OF DIRECTORS AND MANAGEMENT

The members of the Board of Directors were elected at the Annual General Meeting on 29 April 2008.

Election of the members of the Board of Directors

According to the Articles of Association, Ponsse Plc's Board of Directors is composed of no fewer than five and no more than eight members. The members of the Board of Directors are elected at the Annual General Meeting, which must be held by the end of June

pursuant to the Articles of Association. The term of office of a member of the Board expires at the following Annual General Meeting. The Board elects a Chairman from among its members for one term of office at a time.

Meetings of the Board of Directors

The Board of Directors met eleven times during the financial year. Members of the Board of Directors regularly attended the meetings, with an attendance percentage of 95.0 per cent.



BOARD OF DIRECTORS ON 31 DECEMBER 2008



CHAIRMAN

EINARI VIDGRÉN
b. 1943

- Industrial Counselor
- The founder of Ponsse Plc
- Chairman of the Board of Directors of Ponsse Plc since 1993
- Chairman of the Board of Directors of Epec Oy
- Shareholding in Ponsse Plc on 31 December 2008: 13,348,074 shares

MEMBERS



MAARIT AARNI-SIRVIÖ
b. 1953

- M.Sc. (Eng), MBA
- Member of the Board of Directors of Ponsse Plc since 2007, CEO of Rahapaja Oy since 1 April 2008, member of the Board of Directors of Rautaruukki Plc, member of the Board of Directors of Wärtsilä Plc, member of the Board of Directors of Epec Oy
- Shareholding in Ponsse Plc on 31 December 2008: 6,000 shares



NILS HAGMAN
b. 1947

- B.Sc. (Econ)
- Member of the Board of Directors of Ponsse Plc since 2004, Chairman of the Board of Directors of Mateko Oy, member of the Board of Directors of CE Rental Oy, member of the Board of Directors of Epec Oy
- Shareholding in Ponsse Plc on 31 December 2008: 2,000 shares



ILKKA KYLÄVAINIO
b. 1946

- Wood industry technician
- Member of the Board of Directors of Ponsse Plc since 1999, President and CEO and Chairman of the Board of Directors of Keitele Forest Oy, Keitele Engineered Wood Oy, Keitele Timber Oy and Keitele Energy Oy, member of the Board of Directors of Suomen Sahat ry, member of the Board of Directors of Epec Oy
- Shareholding in Ponsse Plc on 31 December 2008: 24,179 shares



SEPPO REMES
b. 1955

- M.A., LSc (Econ)
- Member of the Board of Directors of Ponsse Plc since 2004, member of the Board of Directors and Chairman of the Auditing Committee of the Board of Directors of OMZ, member of the Board of Directors and Chairman of the Auditing Committee of the Board of Directors of Sollers (SeverstalAvto), member of the Board of Directors, Chairman of the Auditing Committee of the Board of Directors, member of the Valuation Committee and Member of the Strategy and Reform Committee of RAO EES (2002-2007), member of the Board of Directors of OGG-6, member of the Board of Directors of HydroOGK, member of the Board of Directors of the Association for Protection of Investor (API), member of the Board of Directors of Russian Institute of Directors (RID), member of the Board of Directors and Chairman of the Auditing Committee of the Board of Directors of Kirovskie Zavody, member of the Board of Directors of MRSK Volga, Member of the Board of Directors of LSR, President and CEO of OOO Kiuru, member of the Board of Directors and Chairman of the Auditing committee of the Board of Directors of Sibur Holding, member of the Board of Directors of MRSK Holding, member of the Board of Directors of Russia's Unified National Power Grid (FSK), member of the Board of Directors of Epec Oy
- Shareholding in Ponsse Plc on 31 December 2008: 19,320 shares



JUHA VIDGRÉN
b. 1970

- Master of Pedagogy
- Vice Chairman of Ponsse Plc's Board of Directors, member of the Board of Directors of Ponsse Plc since 2000, member of the Board of Directors of Epec Oy, member of the Board of Directors of Vieremän Oriyhdistys ry (Vieremä Stallion Association), Chairman of Vieremän Kylänraitti ry (Vieremä Village Association)
- Shareholding in Ponsse Plc on 31 December 2008: 2,712,000 shares

MANAGEMENT TEAM 31 DECEMBER 2008



JUHO NUMMELA, b. 1977,
Chairman of the Management Team

- Dr.Tech.
- President and CEO since 1 June 2008
- Joined Ponsse in 2002
- Positions of Trust: Member of the Board, Educaworks Oy
- Shareholding in Ponsse Plc on 31 December 2008: 26,246 shares



PASI ARAJÄRVI, b. 1967

- Bachelor of Logistics
- Director of Purchasing and Logistics
- Joined Ponsse in 2002



JUHA HAVERINEN, b. 1974

- Bachelor of Machine Automation
- Factory Director
- Joined Ponsse in 2007



HANNU KIVELÄ, b. 1966

- M.Sc. (For)
- Director for Strategy and Customer Co-operation
- Joined Ponsse in 2007



JARMO VIDGRÉN, b. 1975,
Chairman of the Global Sales Management Team

- Commercial College Graduate in Marketing
- Group Sales and Marketing Director and Deputy to the CEO since 1 June 2008



CLAUDIO COSTA, b. 1962

- M.Sc. (Econ)
- Vice President responsible for the Latin-American business area, President and CEO of Ponsse Latin America Ltda
- Joined Ponsse in 2005



TAPIO INGERO, b. 1967

- M.Sc. (Econ)
- Vice President responsible for the Central- and South-European business area, President and CEO of Ponsse S.A.S.
- Joined Ponsse in 2002
- Positions of Trust: Member of the Board, Lorraine Internationale, France
- Shareholding in Ponsse Plc on 31 December 2008: 3,000 shares.



JARI MONONEN, b. 1974

- M.Sc. (For)
- Communications Director
- Joined Ponsse in 2001



JUHANI MÄKYNEN, b. 1971

- M.Sc. (Eng)
- Service Director
- Joined Ponsse in 2007



PAULA OKSMAN, b. 1959

- MA
- Director of Human Resources and Ponsse Academy
- Joined Ponsse in 2005



MIKKO PAANANEN, b. 1963

- LLM
- CFO
- Secretary of Ponsse Plc's Board of Directors
- Joined Ponsse in 2002
- Positions of Trust: Member of the Board, Sanomalehti Keskisuomalainen Oy, Member of the Board, Savon Sanomat Oy, Member of the Board, Keskisuomalainen Plc
- Shareholding in Ponsse Plc on 31 December 2008: 3,440 shares in his own and his ward's names



JAAKKO LAURILA, b. 1970

- M.Sc. (For)
- Vice President responsible for the Russian business area, President and CEO of OOO Ponsse
- Joined Ponsse in 2002
- Shareholding in Ponsse Plc on 31 December 2008: 1,440 shares



MIKKO LAURILA, b. 1970

- B.Sc. (For)
- Vice President responsible for the North-European business area, Sales Director, Finland
- Joined Ponsse in 1999



MARKO MATTILA, b. 1973

- B.Sc. (For)
- Vice President responsible for the North-American business area, President and CEO of Ponsse North America Inc.
- Joined Ponsse in 2007



JARMO VIDGRÉN, b. 1975

- Commercial College Graduate in Marketing
- Group Sales and Marketing Director and Deputy to the CEO since 1 June 2008
- Joined Ponsse in 1997
- Shareholding in Ponsse Plc on 31 December 2008: 267,640 shares in his own and his ward's names



JUHANI MÄKYNEN, b. 1971

- M.Sc. (Eng)
- Service Director
- Joined Ponsse in 2007



TAPIO MERTANEN, b. 1965

- Technician (technical college), MTD, JET
- Distribution Development Director
- Joined Ponsse in 1994
- Shareholding in Ponsse Plc on 31 December 2008: 400 shares



NORBERT SCHALKX, b. 1969

- M.Sc. (For)
- Vice President responsible for the Asia-Pacific and Africa business area, President and CEO of Ponsse Asia-Pacific Ltd and Ponsse China Ltd
- Joined Ponsse 1 May 2008

GLOBAL SALES MANAGEMENT TEAM
31 DECEMBER 2008

PRODUCT RANGE

Harvesters

Ponsse's product range comprises harvesters in all size categories. An efficient diesel engine and hydraulics system optimise the machine's productivity, operation and fuel consumption. The ergonomic cabins on PONSSE harvesters ensure that the operator is able to comfortably work under all conditions. In 2008, Ponsse launched several improved products for all the harvester models, the most significant being the Ergo 2008 model.



PONSSE Bear



PONSSE Ergo



PONSSE Beaver

Forwarders

PONSSE forwarders are equipped with the most efficient and economic diesel engines in their size class, and with high-performance hydraulics. The forwarders are equipped with either 6 or 8 wheels. Efficient loaders and the accurate OptiControl machine control system guarantee the tractive force and productivity of the machines. In 2008, Ponsse launched several improved products, such as new crane models and a variety of modifiable load spaces for bioenergy wood harvesting and other harvesting methods.



PONSSE Elephant



PONSSE Buffalo



PONSSE BuffaloKing



PONSSE Wisent



PONSSE Gazelle



PONSSE Elk



PONSSE 10w

Harvester heads

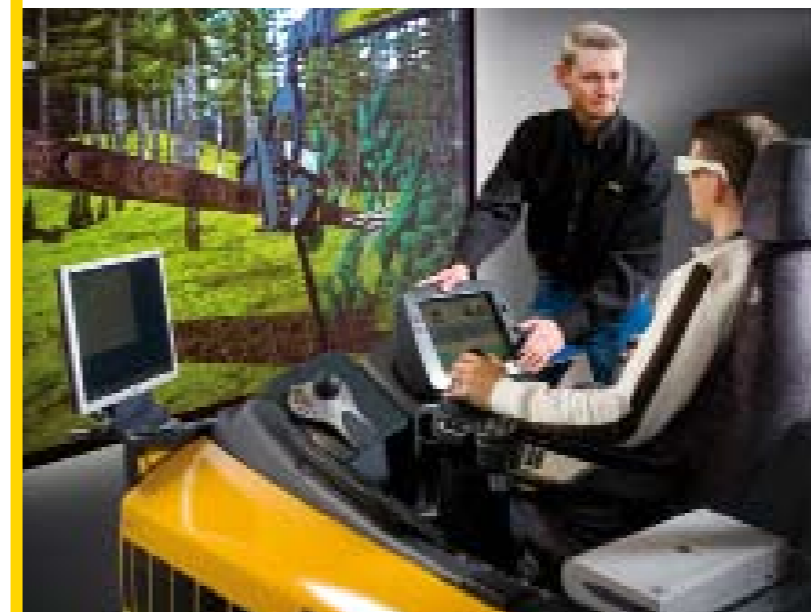
Ponsse has a broad and advanced harvester head range. PONSSE harvester heads function with millimetre precision and do not damage trunks unnecessarily, and, at the same time, can endure extreme stress. In addition to harvester heads for handling softwood, the product line also includes products developed for the handling and debarking of eucalyptus. A novelty product is a group handling assembly that enables integrated roundwood and energy wood harvesting.

PONSSE Dual

PONSSE Dual is a combination machine that can be converted from a harvester to a forwarder and vice versa in a few minutes. Dual allows forest machinery operators to flexibly supplement their standard equipment capacity or deal with both felling and near-transport cost-effectively in projects where a two-machine team would be an unnecessarily bulky and expensive solution. When equipped with a PONSSE H53e or EH25 harvester head, Dual also makes the harvesting of energy wood more effective.

Service

Ponsse has a comprehensive maintenance network providing service in all of its market areas. The company quickly delivers parts to its clients in a centralised manner from the Iisalmi central storage in Finland and the local storages in the subsidiary countries. Ponsse regularly trains its maintenance staff both at the Vieremä factory and in its international aftersales service centres. By making a maintenance contract, forest machine contractors can ensure that the value of their machines is maintained and calculate the maintenance costs. In 2008, Ponsse launched its new Logger's Inn service concept that includes all the services the customers need.



Control systems and mobile machines

The main products of Ponsse's technology company Epec Oy include embedded machine control systems for mobile forest machines. Epec's intelligent and programmable control units and displays are designed to endure extreme conditions. In demanding machine applications, the control system is supplemented by the Opti vehicle computer manufactured by Epec, which is suitable for machine and vehicle environments. Epec also manufactures measuring instruments for harvester heads and loader scale products, such as PONSSE LoadOptimizer load scales.

Information systems, OPTI

The intelligent information and measuring systems included in the OPTI product family increase the accuracy and productivity of wood harvesting at all stages. In 2008, Ponsse launched the new Opti4G information system that also includes a new user interface. Other new products include Opti5 and Opti2 computers for harvester head retrofitting.

Training technology

The PONSSE 3D harvester simulator is an inexpensive and efficient work induction solution for forest schools and businesses. Performing advance training in simulated conditions saves machines and forests in real conditions. The maintenance simulator developed by Ponsse graphically illustrates a forest machine's maintenance functions and simulates all of the forest machine's functions.

Trade-in machines

Ponsse offers a comprehensive selection of used forest machines for thinning and regeneration harvesting. Ponsse markets both its own and other manufacturers' trade-in machines, and they are sold trans-nationally. Versatile maintenance and upgrade services are available for trade-in machines.



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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 2008

General

Ponsse Group recorded net sales amounting to EUR 293.0 million (in 2007, EUR 310.1 million) and an operating profit of EUR 13.6 (EUR 37.1) million for the period. Profit before tax was EUR 6.3 (EUR 36.4) million. Earnings per share were EUR 0.16 (EUR 0.95).

Net sales

Consolidated net sales for the year amounted to EUR 293.0 (EUR 310.1) million, which is 5.5 per cent less than in the comparison period. International business operations accounted for 63.3 (70.6) per cent of total net sales. Net sales for the fourth quarter totalled EUR 76.8 (EUR 96.1) million, which is 20.1 per cent less than in the previous year.

Net sales were accumulated per region as follows: Nordic countries 54.7 (47.2) per cent, the rest of Europe 32.0 (41.0) per cent, North and South America 10.8 (10.2) per cent, and other countries 2.5 (1.6) per cent.

The economy quickly slowed down during the latter half of the year. This was also strongly reflected in the demand for forest machines. The machine sales volumes were clearly lower in the latter half of the year when compared to the previous year. The only exceptions were our Scandinavian main markets where business was satisfactory. Demand in Central Europe and Russia was clearly more modest during the period than in the previous year. There were no significant changes in the market situation in North America during the period when compared with the previous year. There was less demand than usual. The global developments in economy were also reflected on the new market areas, South America and Asia. New investments in chemical wood processing were post-

poned and the existing production capacity was adjusted for the weaker demand.

Profit performance

Operating profit was EUR 13.6 (EUR 37.1) million. Operating profit for the fourth quarter amounted to EUR -4.2 (10-12/2007, EUR 13.1) million. Operating profit accounted for 4.7 (12.0) per cent of net sales in the period under review. Return on capital employed (ROCE) stood at 7.5 (37.4) per cent.

Staff costs for the period under review totalled EUR 48.2 (EUR 42.5) million, and other operating expenses EUR 33.6 (EUR 30.4) million. Net financial income and expenses totalled EUR -7.5 (EUR -1.7) million, of which EUR -2.7 (EUR -1.5) million consisted of direct financing costs. Exchange rate gains and losses due to exchange rate fluctuations are recognised in financial items. Their net effect on profit amounts to EUR -4.8 (EUR -0.6) million. The negative change is primarily due to the rapid weakening of the Russian rouble and the Brazilian real in November-December 2008. Profit for the financial period totalled EUR 4.4 (EUR 26.5) million. Diluted and undiluted earnings per share (EPS) were EUR 0.16 (EUR 0.95). The company does not have any items that could have a dilutive effect on the earnings per share.

Balance sheet and financial position

At the end of the period under review, the consolidated balance sheet total amounted to EUR 174.8 (EUR 153.9) million. Inventories stood at EUR 88.3 (EUR 65.6) million. Trade receivables totalled EUR 22.2 (EUR 29.3) million and liquid assets stood at EUR 8.1 (EUR 12.6) million. Group equity stood at EUR 67.1 (EUR 76.5) million and Parent Company equity at EUR 63.4 (EUR 70.8) million. The amount of interest-

bearing liabilities was EUR 72.9 (33.9) million. The parent company's net receivables from other Group companies stood at EUR 57.6 (41.3) million. The parent company's receivables from subsidiaries mainly consist of current sales receivables that have been recognised at carrying value. As a result of losses due to restructuring of subsidiaries, the parent company recognised a credit loss of EUR 6.0 million in 2008. Consolidated net liabilities totalled EUR 64.6 (19.5) million, and the debt-equity ratio (gearing) was 108.6 (44.4) per cent. The equity ratio stood at 38.4 per cent (50.3 per cent) at the end of the period under review.

Cash flow from business operations amounted to EUR -20.8 (19.0) million. Cash flow from investing activities amounted to EUR -8.5 (-6.4) million.

Order intake and order books

Order intake for the period totalled EUR 224.4 (361.2) million, while period-end order books were valued at EUR 41.5 (110.1) million. The order books included dealers' minimum purchase commitments, based on previous practice.

Distribution network

As part of its adjustment and efficiency measures, the company decided to transfer the R&D and assembly operations of debarking harvester heads from Brazil to the Vieremä factory in Finland. Ponsse Latin America Ltda continues its operations as a subsidiary providing sales and maintenance services.

The business name of the Uruguayan subsidiary, Povero S.A., was changed to Ponsse Uruguay S.A. during the review period.

No other changes took place in the Group structure.

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., United States of America; Ponsse S.A.S., France; Ponsse UK Ltd, Great Britain; and Ponsse Uruguay S.A., Uruguay. Sunit Oy in Kajaani, Finland, is an affiliated company in which Ponsse Plc has a holding of 34 per cent.

Capital expenditure and R&D

The Group's R&D expenses totalled EUR 7.6 million (EUR 5.7 million) during the period under review. The amount of R&D expenses capitalised during the period was EUR 1,230 thousand (EUR 851 thousand).

Capital expenditure totalled EUR 8.5 million (EUR 6.6 million).

Investments were in particular made in the production machinery and equipment as well as maintenance in the Vieremä factory and in the factory of the subsidiary Epec Oy. Normal maintenance investments were made during the period in IT systems.

General meeting of shareholders

The Annual General Meeting was held in Vieremä on 29 April 2008. The meeting dealt with matters stipulated in Section 10 of Ponsse Plc's Articles of Association. The Annual General Meeting decided to distribute a dividend of EUR 0.50 per share for the period ending on 31 December 2007.

The Annual General Meeting authorised the Board of Directors to purchase a maximum of 250,000 of the Company's own shares with the Company's unrestricted equity. The purchase authorisation is valid until the next Annual General Meeting; however, no later than 30 June 2009. The Annual General Meeting also authorised the

Board of Directors to decide on the assignment of a maximum of 300,000 of the Company's own shares. The authorisation is also valid until the next Annual General Meeting; however, no later than 30 June 2009.

The Annual General Meeting decided to pay a bonus to the Company's staff for 2007. The amount of the bonus was confirmed at EUR 90 for each month of employment.

Board of Directors and the company's auditors

Ponsse Plc's Board of Directors comprised six members during the financial period: Maarit Aarni-Sirviö, Nils Hagman, Ilkka Kylävaio, Seppo Remes, Einari Vidgrén and Juha Vidgrén. Einari Vidgrén acted as Chairman of the Board and Juha Vidgrén as Vice Chairman.

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

The Board of Directors convened eleven times during the financial period. The attendance rate was 95.0 per cent.

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

Management

The following changes took place in the company's operative management during the period under review: Doctor of Technology Juho Nummela was appointed President and CEO, Jarmo Vidgrén was appointed Sales and Marketing Director and Deputy CEO, and Juha Haverinen was appointed Factory Director. The appointments took effect on 1 June 2008.

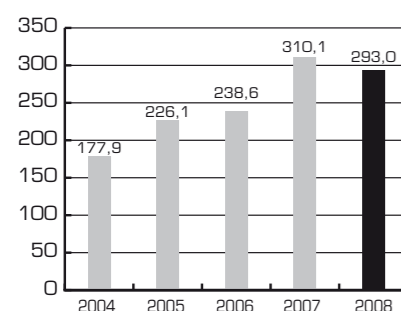
Doctor of Technology Juha Inberg was appointed the company's R&D and Technology Director and member of the Management Team from 1 January 2009.

As of 1 July 2008, Jaakko Laurila was appointed Vice President responsible for the Russian region and President and CEO of OOO Ponsse.

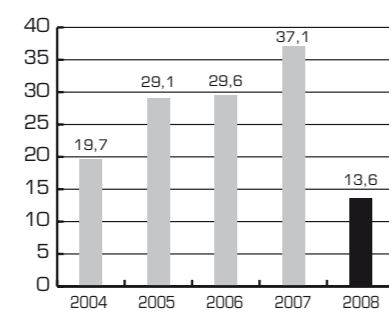
During the period under review, the following persons were members of the Group Management Team: Purchasing and Logistics Director Pasi Arajärvi, Factory Director Juha Haverinen (from 1 June 2008), Regional Director for South and Central Europe and President and CEO of Ponsse S.A.S. Tapio Ingero (until 1 June 2008), Director for Strategy and Customer Cooperation Hannu Kivelä (from 1 June 2008 to 13 January 2009), Communications Director Jari Mononen, Service Director Juhani Mäkynen, Factory Director (until 1 June 2008), President & CEO (from 1 June 2008) Juho Nummela, HR Director Paula Oksman, CFO Mikko Paananen, Technology and R&D Director Seppo Taatila (until 18 December 2008), President & CEO Arto Tiitinen (until 1 June 2008), and Sales and Marketing Director Jarmo Vidgrén.

During the year under review, the following persons were members of the Group Sales Management Team: Cláudio Costa (Latin America), Tapio Ingero (Central and Southern Europe), Marko Mattila (North America), Jaakko Laurila (Russia from 1 July 2008), Mikko Laurila (Northern Europe from 1 June 2008; until then, Asia, Oceania and Africa), Distribution Development Director Tapio Mertanen (from 1 June 2008), Service Director Juhani Mäkynen (from 1 June 2008), President and CEO Arto Tiitinen (until 1 June 2008), Norbert Schalkx (Asia, Oceania and Africa from 1 June 2008), Ville Siekkinen (Russia until 1 July 2008) and Sales and Marketing Director Jarmo Vidgrén (Northern Europe until 1 June 2008, after that Head of the Sales Management Team).

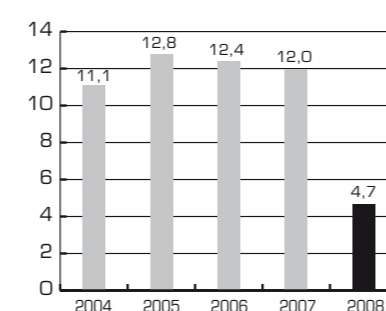
NET SALES, MEUR



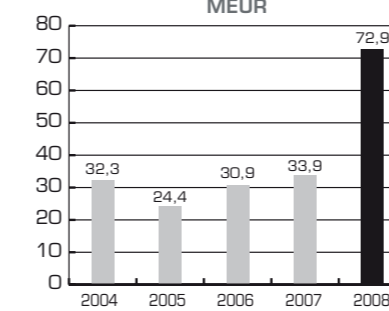
OPERATING PROFIT, MEUR



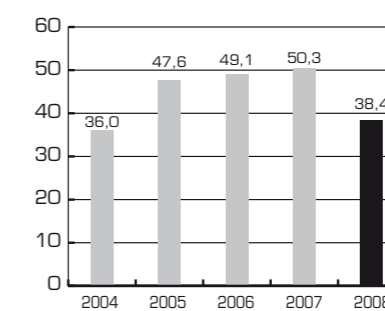
OPERATING PROFIT, %



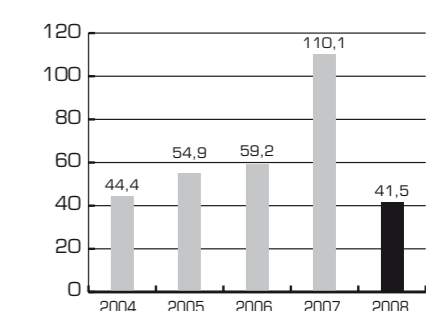
INTEREST-BEARING LIABILITIES, MEUR



EQUITY RATIO, %



ORDER BOOKS, MEUR



Personnel

The Group had an average staff of 1,044 (876) during the period and employed 981 (945) people at period-end.

The negotiations pursuant to the Act on Co-operation within Undertakings, started on 16 October 2008 at the Company's initiative, were completed on 30 October 2008. As a result of the negotiations, a decision was taken to implement temporary lay-offs during the period 10 December 2008 – 15 May 2009. In Finland, these lay-offs affect 320 workers and 125 clerical employees.

Due to weakening demand on the market, the Company announced on 8 December 2008 that further employer-employee negotiations are to be started. The aim of the negotiations is to secure the Company's competitiveness and improve its profitability.

Share performance

The trading volume of Ponsse Plc shares for 1 January - 30 December 2008 totalled 2,715,572, accounting for 9.7 per cent of the total number of shares. Share turnover came to EUR 27.1 million, and the period's lowest and highest share prices were EUR 4.25 and EUR 16.29, respectively.

At the end of the period, the share price stood at EUR 4.50 and market capitalisation totalled EUR 126.0 million.

At the end of the reporting period, the Company had 47,900 treasury shares in its possession.

In April 2008, the Board of Directors decided to implement a share-based incentive scheme for key personnel of the Ponsse Group. The earning period of the scheme began on 1 January 2008 and ends on 31 December 2010. Some 20 persons are included in the scheme. Any incentive bonuses payable for the earning period 2008–2010 will be paid out in 2011, partly in company shares and partly in cash. The part paid out in cash covers the taxes and tax-like levies payable for the

incentive. The benchmarks of the scheme are the company's share price (adjusted for dividends), the Group cash flow and net sales of maintenance services. The incentive bonuses will correspond to a maximum of approximately 120,000 Ponsse shares (also including the part paid in cash).

Disclosure notifications

No such notifications of changes in share holdings were brought to the Company's attention during the review period that would require issuing a disclosure notification referred to in Chapter 2, section 9 of the Securities Markets Act.

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, the first of which is certified. DNV conducted an audit related to the ISO 9001 quality system during the period.

During the year under review, an external expert assessed the functionality of the Company's environmental system. Development work for the system continued. 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 at developing and manufacturing products which in use exert as little load on the environment as possible.

Practices and production processes are developed through internal audits and supplier audits. The resources invested in auditing have been considerable, and they have helped the Company create 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. Good results have been achieved during the period. The Quality Assurance system introduced early in

the year stresses the importance of proactive measures. The Lean Six Sigma quality improvement scheme was initiated during the year. The results from the first projects have been good.

The Company continued its close cooperation with Occupational Healthcare. The focus was on developing preventive OHC with active patient participation, using training among other measures. The sick absences of personnel working in Finland reduced considerably during 2008.

The Group-level Data Security Team is responsible for the general development of information security, maintenance of the Group information security policy and coordination of the information security training.

Governance

The Company's Board of Directors has confirmed the introduction of a new code of governance that entered into force on 1 January 2009. The code is based on the recommendation approved by the Securities Market Association in October 2008, entitled "Suomen listayhtiöiden hallinnointikoodi (Corporate Governance)".

The new code of governance can be viewed on Ponsse's website in the Investors section.

Risk management

The Ponsse Group's risk management policy seeks to maintain and further develop a practical and comprehensive system for the management and reporting of risks. This entails a systematic risk assessment for each function and unit, integrating risk management into the business processes, constant quality development and disseminating information on best practices.

Internal supervision constitutes an essential part of risk management. The Board of Directors is responsible for the organisation of the operations and their adequacy, whilst the President and CEO is responsible for the implementation of

supervision in practice. Methods of internal supervision include internal guidelines, reporting and various technical supervision systems related to activities. An internal auditor is responsible for the Company's internal supervision in practice, and he reports to the Board of Directors.

Business risks and their management

The global uncertainty regarding economy and finances has significantly increased during the last few months and weeks. This uncertainty strongly reflects on the Company's business; the predictability of business is fundamentally lower than in normal circumstances. Estimates regarding the pace at which the economy will pick up are uncertain.

The declining economic trend has increased the risks associated with the functionality of the subcontractor and supplier network. Ponsse aims to manage and minimise these risks through partnership cooperation. The financial standing of suppliers is monitored more intensely than normal. The Company has also started the process of screening alternative suppliers. As part of its risk management efforts related to the availability of certain key components, the Company has chosen to manufacture these components in-house.

The decreasing production and invoicing volumes increase the parent company's and subsidiaries' risk regarding business profitability. A Group-level adjustment programme has been initiated in order to stabilise the situation. It involves adjusting the operating expenses for the changed demand. Should the markets further deteriorate from the current exceptionally poor state, further intensification and extension of the adjustment and efficiency measures will have to be considered. The parent company monitors the changes in asset value of Group receivables and their associated risk of impairment.

The developments in maintenance services and spare part sales have a causal link with the utilisation rates of machines. The general economic situation may lead to lower harvesting volumes and utilisation rates.

The economic uncertainty has increased currency rate fluctuations and borrowing costs. The key objectives of the Company's financing risk management include controlling the liquidity, interest and currency risks. Ponsse has ensured its liquidity by means of credit limit agreements with a number of financial institutions. The Company's financial liabilities are exclusively guaranteed by covenants. In order to minimise the impact of any adverse changes in interest rates the company uses interest rate swaps and credits tied to different reference rates. Derivative contracts and currency-denominated credits are used to minimise the adverse effects of changes in exchange rates. The financial unrest increases the uncertainties related to sales receivables. The terms and conditions of sales against invoice and receivables monitoring have been reviewed.

Events after the period under review

The Company announced on 3 February 2009 that the employer-employee negotiations initiated on 8 December 2008 have been completed.

The negotiations resulted in the termination of 158 contracts of employment in Finland. In addition to the terminations, the temporary lay-offs will continue in 2009. The cost effects of operational adjustments will be recognised during the financial period of 2009.

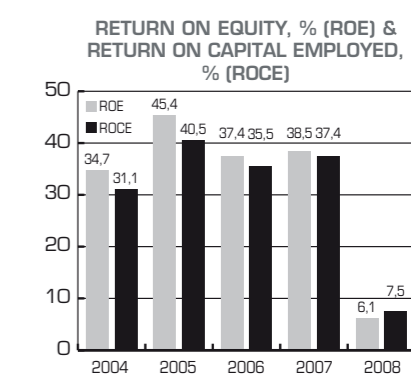
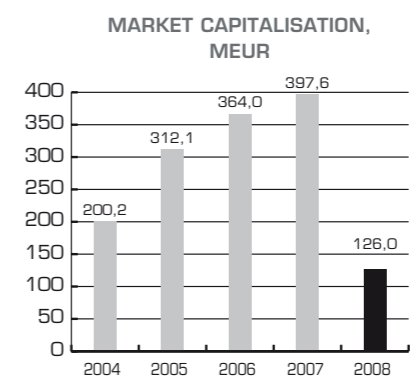
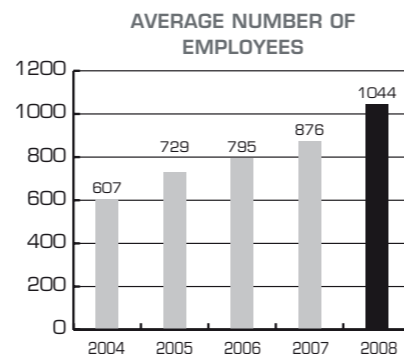
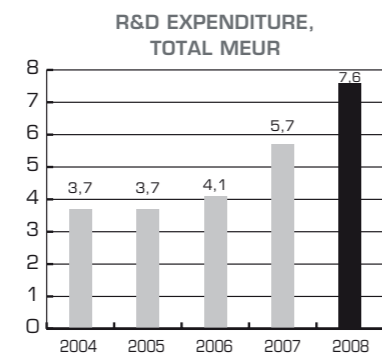
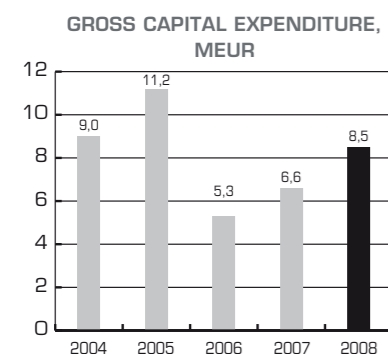
Subsidiary company Epec Oy announced on 5 February 2009 that it will initiate employer-employee negotiations. The goal is to adjust the company's costs to the lower demand.

Outlook for the future

The international economic situation makes it more difficult to predict the Company's business operations. The revival of the forest machine markets will decidedly depend on the stabilisation of financial markets and normalisation of real economy.

The company's own cost-cutting measures will take full effect during the latter half of 2009. The order book is significantly smaller at the beginning of 2009 than the year before.

The Company expects that the net sales for the first six months will be poor, probably resulting in an operating loss. The outlook for the latter half of the year is uncertain.



The most important exchange rates

	31.12.2008	Average exchange rate 2008	31.12.2007	Average exchange rate 2007
SEK	10,87000	9,66466	9,44150	9,24748
NOK	9,75000	8,26054	7,95800	8,02527
GBP	0,95250	0,79723	0,73335	0,68607
USD	1,39170	1,47255	1,47210	1,37489
BRL	3,24360	2,67245	2,61300	2,67775
RUB	41,28300	36,69050	35,98600	35,07592
CNY	9,49560	10,24508	10,75240	10,75240

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Eur 1,000	Note ¹⁾	2008	2007
Net sales	1	293,015	310,053
Increase (+)/decrease (-) in inventories of finished goods and work in progress		7,885	2,159
Other operating income	5	2,608	1,326
Raw materials and services		-203,082	-199,253
Expenditure on employment-related benefits	8, 35	-48,175	-42,538
Depreciation and amortisation	7	-5,037	-4,270
Other operating expenses	6	-33,586	-30,398
Operating profit		13,628	37,080
Share of results of associated companies		91	1,002
Financial income	10	15,279	6,203
Financial expenses	11	-22,740	-7,901
Earnings before tax		6,258	36,384
Income taxes	12	-1,907	-9,907
Profit for the period		4,351	26,477
Earnings per share calculated from the profit belonging to parent company shareholders:			
undiluted earnings per share (EUR)	13	0,16	0,95
earnings per share adjusted for dilution (EUR)	13	0,16	0,95

1) The note refers to the Notes to the Accounts on pages 42-64.

CONSOLIDATED BALANCE SHEET

Eur 1,000	Note ¹⁾	2008	2007
ASSETS			
Non-current assets			
Intangible assets	15	6,123	4,262
Goodwill	15	3,683	3,737
Property, plant and equipment	14	27,558	25,946
Financial assets	18, 31	109	128
Holdings in associated companies	17	1,889	2,156
Non-current receivables	19	1,820	403
Deferred tax assets	20	3,121	1,686
Total non-current assets		44,303	38,318
Current assets			
Inventories	21	88,308	65,635
Trade receivables	22, 31	22,155	29,276
Income tax receivables		5,023	861
Other current receivables	22, 31	6,916	7,191
Liquid assets	23, 31	8,095	12,633
Total current assets		130,497	115,595
TOTAL ASSETS		174,800	153,914
EQUITY AND LIABILITIES			
Capital and reserves	24		
Share capital		7,000	7,000
Other reserves		-646	19
Translation differences		-1,725	-943
Retained earnings		62,484	70,456
Shareholders' equity belonging to parent company shareholders		67,113	76,532
Minority interest		0	0
Total shareholders' equity		67,113	76,532
Non-current liabilities			
Interest-bearing liabilities	28, 31	26,140	16,717
Deferred tax liabilities	20	556	768
Other non-current liabilities	29, 31	861	30
Total non-current liabilities		27,556	17,515
Current liabilities			
Interest-bearing liabilities	28, 31	46,769	17,225
Provisions	27	6,058	4,341
Tax liabilities for the period		76	1,752
Trade creditors and other current liabilities	29, 31	27,228	36,548
Total current liabilities		80,131	59,867
TOTAL EQUITY AND LIABILITIES		174,800	153,914

1) The note refers to the Notes to the Accounts on pages 42-64.

CONSOLIDATED CASH FLOW STATEMENT

Eur 1,000	Note ¹⁾	2008	2007
Business operations:			
Profit for the period		4,351	26,477
Adjustments:			
Financial income and expenses		7,462	1,698
Share of the result of associated companies		-91	-1,002
Depreciation and amortisation		5,037	4,270
Income taxes		2,378	9,897
Other adjustments		-1,827	-717
Cash flow before change in working capital		17,308	40,623
Change in working capital:			
Increase(-)/decrease(+) in current non-interest-bearing receivables		7,086	-13,091
Increase(-)/decrease(+) in stocks		-22,673	-7,020
Increase(+)/decrease(-) in current non-interest-bearing liabilities		-9,718	8,220
Change in provisions for liabilities and charges		1,717	824
Interest received		281	298
Interest paid		-2,450	-1,463
Other financial items		-4,966	-505
Income taxes paid		-7,355	-8,886
Net cash flow from business operations (A)		-20,770	19,001
Investments:			
Investments in tangible and intangible assets		-8,509	-6,565
Investments in other assets		27	-14
Dividends received		0	178
Cash outflow from investing activities (B)		-8,481	-6,401
Financing:			
Withdrawal/repayment of current loans		29,422	8,855
Increase(-)/decrease(+) in current interest-bearing receivables		309	-93
Withdrawal/repayment of non-current loans		10,253	-5,735
Payment of finance lease liabilities, IAS 17, IAS 18		122	-116
Increase (-)/decrease (+) in non-current receivables		-1,417	-239
Dividends paid and other distribution of profit		-13,976	-11,200
Net cash flow from financing (C)		24,713	-8,529
Increase (+)/decrease (-) in liquid assets (A+B+C)		-4,538	4,071
Liquid assets 1 Jan		12,633	8,562
Liquid assets 31 Dec	23	8,095	12,633

1) The note refers to the Notes to the Accounts on pages 42-64.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Eur 1,000	Attributable to equity holders of the parent company						Minority interest	Capital and reserves total
	Share capital	Share premium account and other reserves	Translation differences	Own shares	Retained earnings	Total		
Shareholders' equity, 1 Jan 2008	7,000	20	-943	0	70,455	76,532	0	76,532
Translation differences	0	0	-783	0	1,654	871	0	871
Net income recognised directly in equity	0	0	-783	0	1,654	871	0	871
Net profit for the period	0	0	0	0	4,351	4,351	0	4,351
Total income and expenses recognised during the period	0	0	-783	0	6,005	5,222	0	5,222
Dividend distribution	0	0	0	0	-13,976	-13,976	0	-13,976
Purchase of the company's own shares	0	0	0	-665	0	-665	0	-665
Shareholders' equity, 31 Dec 2008	7,000	20	-1,726	-665	62,484	67,113	0	67,113
Shareholders' equity, 1 Jan 2007	7,000	20	-750	0	54,887	61,157	0	61,157
Translation differences	0	0	-193	0	291	98	0	98
Net income recognised directly in equity	0	0	-193	0	291	98	0	98
Net profit for the period	0	0	0	0	26,477	26,477	0	26,477
Total income and expenses recognised during the period	0	0	-193	0	26,768	26,575	0	26,575
Dividend distribution	0	0	0	0	-11,200	-11,200	0	-11,200
Purchase of the company's own shares	0	0	0	0	0	0	0	0
Shareholders' equity, 31 Dec 2007	7 000	20	-943	0	70 455	76 532	0	76 532

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information on the Company

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, Ponsse 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 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 10 January 2009. 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 2008. 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.

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.

From 1 January 2008, the group has applied the following new interpretation:

– IFRIC 11 IFRS 2 – *Group and treasury share transactions* (applicable to financial periods starting on or after 1 March 2007). The interpretation clarifies the scope of application of regulations concerning transactions payable in equity (IFRS 2) and requires that such transactions be re-assessed in subsidiary companies. The interpretation has not had any impact on the Group's 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 application of the accounting policies. 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 purchase method. 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.

Associates

Associates are entities in which the Group exercises significant power. Significant power arises when the Group holds more than 20% 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 balance sheet date. 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 on the profit and loss account. 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 profit and loss accounts of non-Finnish consolidated companies have been converted into euro at the average exchange rate of the period, and their balance sheets have been converted at the exchange rate quoted on the balance sheet date. 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. 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 in shareholders' equity. When a subsidiary is divested in full or in part, accumulated translation differences are recognised on the profit and loss account 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 on the profit and loss account 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 original cost less accumulated depreciation and impairment losses.

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 is reviewed 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 the 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 included in other operating income or other operating expenses.

Borrowing costs

Borrowing costs are recognised as expenses in the period during which they have arisen.

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 through reduced depreciation over the useful life of the item. Subsidies received as compensation for realised costs are recognised on the profit and loss account at the same time as the associated costs are recognised as expenses. Such subsidies are presented in other operating income.

Intangible assets

Goodwill

Goodwill corresponds to the share of acquisition cost of an entity acquired after 1 January 2004 that exceeds the Group's share of the net fair value of the entity's identifiable assets, liabilities and conditional liabilities on the date of acquisition. The Group has not had any goodwill arising from business combinations carried out before 2004.

No regular 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 on the profit and loss account. 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 to ten 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 company's advantage.

Intangible assets with a limited useful life are recognised as expenses on the profit and loss account 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 to 10 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 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 products and work in progress 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 tangible assets 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 on 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 on 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 interest-bearing debt.

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 on the profit and loss account in equal instalments over the lease period.

Group as lessor

The Group has not leased out any assets.

Impairment

Tangible and intangible assets

On each balance sheet date 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 on the profit and loss account. 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 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 on the profit and loss account 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. 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.

Income taxes

The tax expenses on the profit and loss account comprise tax based on the taxable income for the financial period and deferred tax. Income tax costs are recognised on the profit and loss account with the exception of items recognised directly in equity, for which the tax effect is correspondingly recognised in equity. The tax based on the taxable income for the financial period is calculated on the basis of taxable income in accordance with the tax rate valid in each country. The tax is adjusted by any taxes associated with previous financial periods.

Deferred taxes are calculated on all temporary differences between book value and tax base. However, no deferred tax liability will be recognised if the asset or liability is to be originally recognised in accounting, the transaction is not 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. No deferred tax is recognised on goodwill that is not tax deductible, and no deferred tax is recognised on undistributed accrued profits of subsidiaries to the extent that 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 measurement at fair value upon acquisitions.

Deferred taxes are calculated at tax rates enacted by the balance sheet date.

Deferred tax receivables are recognised up to the probable amount of taxable income in the future against which the temporary difference can be utilised.

Revenue recognition

Goods sold and services produced

Income from the sale of goods is recognised once the significant risks and benefits 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. Generally, this refers to the time at which the goods have been delivered to the customer in accordance with the agreed delivery terms. Income from services is recognised in the financial period during which the service is rendered to the customer.

Turnover includes sales income adjusted by indirect taxes and discounts. Sales income arises from the sales of new products and second-hand machines, as well as maintenance services.

Interest and dividends

Interest income is recognised once the interest becomes vested, and dividend income is recognised once the dividend becomes vested.

Financial assets and liabilities

Financial assets

In accordance with the standard IAS 39 *Financial Instruments: Recognition and Measurement*, 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 on the profit and loss account for the financial period during which they arise.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Group has the positive intention and ability to hold to maturity. They are measured at original amortised cost and included in non-current assets. The Group has no such investments in the period being reported.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and not held for trading purposes. The basis for their measurement is amortised cost. On the balance sheet, they are included in trade receivables and other receivables, either under current or non-current assets: 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 balance sheet date, in which case they are included in current assets. Financial assets available for sale consist of shares. They are measured at fair value or, if the fair value cannot be determined reliably, at acquisition cost. Changes in the fair value of financial assets available for sale are booked in the fair value reserve within shareholders' equity, taking the tax effect into account. Changes in fair value are transferred from shareholders' equity to the profit and loss account when the investment is sold or its value has reduced so that an impairment loss must be recognised.

Liquid assets

Liquid assets comprise cash, bank deposits withdrawable on demand, and other short-term, very liquid investments. Items classified as liquid assets have a maturity of no more than three months calculated from the date of acquisition.

Financial assets are derecognised once the Group has lost its contractual right to the cash flow or it has transferred a significant portion of the risks and revenue out of the Group.

Financial liabilities

Financial liabilities are initially recognised at fair value. Financial liabilities are included in non-current and current liabilities and may be either interest-bearing or interest-free.

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

Impairment of financial assets

On each balance sheet date, 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 financial 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.

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.

Dividend distribution

The dividend proposed by the Board of Directors to the General Meeting of Shareholders is recognised as a liability once the General Meeting of Shareholders has decided on the amount of 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 turnover, 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 utilise 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 balance sheet date. 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 balance sheet date 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.

Determining the fair value of assets acquired through business combinations

In connection with significant business combinations, the Group has used an external advisor in estimating the fair values of tangible and intangible assets. With regard to tangible assets, comparisons have been made to the market prices of similar assets, and the reduction in value due to age, wear and tear and other similar factors has been assessed. The determination of the fair value of intangible assets is based on estimated cash flows associated with the assets. More information on the measurement of intangible assets acquired through business combinations is presented in Note 3.

The management believes that the estimates and assumptions applied are precise enough to serve as the basis of fair value measurement. Furthermore, the Group reviews any indications of the impairment of tangible as well as intangible assets on each closing of the accounts as a minimum.

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

IASB has published the following new or amended standards and interpretations that are not yet valid and that the Group has not yet applied. The Group will adopt these standards and interpretations starting on the effective date of the standard or interpretation or, if the effective date is not the first day of a financial period, starting at the beginning of the next financial period.

–IFRS 8, *Operating Segments* (applicable to financial periods beginning on or after 1 January 2009). According to IFRS 8, segment reporting must be based on internal reporting of the management and the calculation principles used there. The Group's assessment is that the introduction of IFRS 8 will not materially change the information shown on segments because the Group's earlier segment-based reporting has been based on the Group's internal reporting structures.

–IAS 23, *Borrowing Costs* (applicable to financial periods beginning on or after 1 January 2009). The revised standard requires the inclusion of immediate borrowing costs arising from purchasing, construction or manufacturing of an item meeting the requirements, such as a production plant, in the acquisition costs of the item. The Group has previously entered, as allowed, the borrowing costs as expenses for the financial period during which they were generated. The Group's assessment is that the change in reporting principles will not have a material effect on the future financial statements.

– An amendment to standard IAS 1, *Presentation of Financial Statements* (applicable to financial periods beginning on or after 1 January 2009). The changes will mainly have an impact on the presentation method of the profit and loss account and the changes in equity. Further, the revised standard also involves extensive changes to the terminology used in other standards, and the names of certain items in the financial statements will also change. The calculation principles for earnings per share will remain the same.

The Group's assessment is that the other amendments to various standards published during the course of the year (and applicable to financial periods starting on or after 1 January 2009) have no material effect on the financial statements.

–IFRS 3, *Business Combinations* (revised in 2008) (applicable to financial periods beginning on or after 1 July 2009). The revised standard

has a more extensive scope of application. The standard amendments affect the amount of goodwill recognised for acquisitions and on the capital gains for business divestments. The standard amendments also affect the items recognised in the profit and loss statement, both for the period of acquiring them and for those periods during which an additional contract price is paid or further acquisitions are made. According to the transitional provisions of the standard, business combinations with an acquisition date prior to the statutory introduc-

tion of the standard will not be adjusted. The amended standard has not yet been approved for application in the EU.

–IAS 27, *Consolidated and Separate Financial Statements* (revised in 2008) (applicable to financial periods beginning on or after 1 July 2009). The amended standard requires that the effects of changes in ownership of subsidiary companies are recognised directly under Group equity when the parent company retains control. If controlling inter-

est in the subsidiary is lost, the remaining investment is recognised at fair value through profit and loss. As a result of the standard amendment, the losses of a subsidiary company may be allocated to minority even when they exceed the amount of minority investment. The amended standard has not yet been approved for application in the EU.

Other published standards, interpretations and amendments that will enter into force later are not significant for the Group.

1. Segment information

Segment information is presented in accordance with the Group's division into geographical and business segments. The Group's primary segment-reporting format is based on geographical segments. The geographical segments are based on the Group's internal organisational structure and internal financial reporting.

The products and services of geographical segments are produced in a specific economic environment with risks and profitability deviating from other geographical segments. Business segments comprise groups of assets and business operations that have risks and profitability associated with their products and services deviating from other business segments.

Pricing between segments is based on fair market price.

A segment's assets and liabilities refer to business items that the segment uses in its business operations or that can be allocated to segments on reasonable grounds. Unallocated sales refer to income from countries other than those included in segment reporting. Other unallocated items include tax and financial items, as well as items common to the entire company. Investments include increases in property, plant and equipment items, and intangible assets that are used during more than one period.

Geographical segment

Nordic countries
Rest of Europe
North and South America

Income from each segment is allocated in accordance with the location of the customer. Assets and liabilities are allocated in accordance with the location of the assets.

Business segment

Machine sales
Service

Geographical segments 2008					
	Nordic countries	Rest of Europe	North and South America	Elimination	Total
EUR 1,000					
External sales					
Services	2,983	1,042	1,598		5,624
Sales of goods	157,172	92,753	30,037		279,963
External sales, total	160,155	93,796	31,636		285,587
Unallocated sales					7,429
Net sales	160,155	93,796	31,636		293,015
Operating profit of the segment	7,149	15,214	-5,562		16,801
Unallocated items					-3,172
Operating profit	7,149	15,214	-5,562		13,628
Shares of the result of associated companies		91			91
Minority interest					0
Unallocated items					-9,369
Net profit for the period					4,351

Geographical segments 2008					
EUR 1,000	Nordic countries	Rest of Europe	North and South America	Elimination	Total
Segment assets	171,625	24,008	35,767	-61,364	170,035
Shares of the result of associated companies	335			1,555	1,889
Unallocated assets				1,245	2,876
Total assets	171,959	24,008	35,767	-58,565	174,800
Segment liabilities	32,933	8,557	38,900	-55,884	24,507
Unallocated liabilities					77,123
Total liabilities	32,933	8,557	38,900	-55,884	101,629
Investments	7,414	388	706		8,509
Depreciation and amortisation	4,431	355	251		5,037

Geographical segments 2007					
EUR 1,000	Nordic countries	Rest of Europe	North and South America	Elimination	Total
External sales					
Services	2,176	1,656	736		4,568
Sales of goods	144,033	125,535	31,007		300,575
External sales, total	146,209	127,191	31,743		305,143
Unallocated sales					4,910
Net sales	146,209	127,191	31,743		310,053
Operating profit of the segment	13,387	26,094	-626		38,855
Unallocated items					-1,774
Operating profit	13,387	26,094	-626		37,080

Shares of the result of associated companies	441				1,002
Minority interest					0
Unallocated items					-11,605
Net profit for the period					26,477

Segment assets	136,706	26,907	27,586	-41,852	149,348
Shares of the result of associated companies	335			1,822	2,156
Unallocated assets				873	2,410
Total assets	137,041	26,907	27,586	-39,157	153,914
Segment liabilities	46,405	6,493	21,059	-37,983	35,974
Unallocated liabilities					37,066
Total liabilities	46,405	6,493	21,059	-37,983	73,040
Investments	4,740	1,026	799		6,565
Depreciation and amortisation	3,847	280	143		4,270

Business segments 2008			
EUR 1,000	Machine sales	Service	Total
Net sales	251,235	41,780	293,015
Assets	147,189	27,611	174,800
Investments	7,686	823	8,509

Business segments 2007			
EUR 1,000	Machine sales	Service	Total
Net sales	272,259	37,794	310,053
Assets	130,406	23,508	153,914
Investments	6,289	276	6,565

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 2008 or 2007.

4. Net sales

EUR 1,000	2008	2007
Revenues from sales of goods	285,758	305,485
Revenues from services	7,257	4,568
Total	293,015	310,053

5. Other operating income

EUR 1,000	2008	2007
Rental income from machines	1,107	337
Capital gains on property, plant and equipment	236	48
Public subsidies	526	468
Other	739	472
Total	2,608	1,326

6. Other operating expenses

EUR 1,000	2008	2007
Voluntary employee expenses	1,656	1,391
Operating and maintenance expenses	5,117	4,541
Shipping and handling expenses	4,584	4,835
Rents	2,957	2,361
Marketing and representation expenses	4,869	4,981
Administrative expenses	6,281	5,833
R&D expenditure	1,398	769
Other	6,724	5,687
Total	33,586	30,398

6.1. Auditor's remunerations		
EUR 1,000	2008	2007
Ernst & Young		
Auditor's remunerations	126	96
Certificates and statements	2	0
Tax advice	2	47
Other remunerations	16	31
	147	175
Other organisations		
Auditor's remunerations	52	50
Certificates and statements	0	0
Tax advice	17	17
Other remunerations	10	17
	79	84
Total	226	259
7. Depreciation, amortisation and impairment		
EUR 1,000	2008	2007
Intangible assets		
Capitalised development expenditure	252	105
Patents	56	53
Intangible rights	106	47
Other intangible assets	350	338
Total	764	543
Property, plant and equipment		
Buildings	1,091	1,090
Machinery and equipment	3,181	2,637
Total	4,272	3,727
8. Expenditure on employment-related benefits		
EUR 1,000	2008	2007
Wages and salaries	38,923	34,209
Pension expenditure - defined contribution plans	5,440	4,881
Other social security costs	3,812	3,448
Total	48,175	42,538
Average number of staff during the financial period		
Persons	2008	2007
Employees	611	504
Clerical workers	433	372
Total	1,044	876

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

9. R&D expenditure		
EUR 1,000	2008	2007
R&D expenditure was recorded as a cost item in the profit and loss account.	6,341	4,856
10. Financial income		
EUR 1,000	2008	2007
Dividend income from financial assets available for sale	4	5
Interest income from loans and receivables	281	298
Exchange rate gains	14,855	5,797
Other financial income	139	103
Total	15,279	6,203
11. Financial expenses		
EUR 1,000	2008	2007
Interest expenses for financial loans	2,658	1,492
Exchange rate losses	19,608	6,362
Other financial expenses	473	47
Total	22,740	7,902
12. Income taxes		
EUR 1,000	2008	2007
Tax based on the taxable income for the period	3,825	10,462
Taxes from previous financial periods	-271	260
Deferred taxes	-1,647	-815
Total	1,907	9,907
Reconciliation of tax expenses in the profit and loss account and taxes calculated at the Group's domestic tax rate (2008: 26%, 2007: 26%):		
EUR 1,000		
Profit before tax	6,258	36,384
Tax calculated using the domestic tax rate	1,627	9,460
Effect of the different tax rates used in foreign subsidiaries	14	58
Tax-exempt income	-22	-2
Non-deductible expenses	189	153
Impairment of goodwill	0	0
Consolidated entries	371	-22
Taxes for previous financial periods	-271	260
Taxes in the profit and loss account	1,907	9,907

13. Earnings per share

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

	2008	2007
Profit for the financial period belonging to parent company shareholders (EUR 1,000)	4,351	26,477
Weighted average number of shares during the financial period (1,000 pcs)	27,968	28,000
Undiluted earnings per share (EUR/share)	0,16	0,95

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

	Land and water	Buildings	Machinery and equipment	Prepayments and unfinished acquisitions	Total
EUR 1,000					
Acquisition cost 1 Jan 2008	417	23,372	27,207	1,126	52,121
Increase	105	594	6,884	4,159	11,741
Decrease	0	-46	-1,401	-4,250	-5,697
Exchange rate difference	4	-61	-567	-23	-647
Acquisition cost 31 Dec 2008	526	23,859	32,123	1,011	57,520
Accumulated depreciation and impairment 1 Jan 2008	0	-8,800	-17,376	0	-26,176
Depreciation and amortisation	0	-1,091	-3,181	0	-4,272
Accumulated depreciation on decrease and transfers	0	13	269	0	282
Exchange rate difference	0	41	163	0	204
Accumulated depreciation and impairment 31 Dec 2008	0	-9,837	-20,125	0	-29,963
Book value 1 Jan 2008	417	14,572	9,831	1,126	25,946
Book value 31 Dec 2008	526	14,022	11,998	1,011	27,557

	Land and water	Buildings	Machinery and equipment	Prepayments and unfinished acquisitions	Total
EUR 1,000					
Acquisition cost 1 Jan 2007	425	23,032	23,934	361	47,752
Increase	0	515	4,936	4,531	9,981
Decrease	0	-5	-1,587	-3,766	-5,357
Exchange rate difference	-9	-170	-76	0	-255
Acquisition cost 31 Dec 2007	417	23,372	27,207	1,126	52,121
Accumulated depreciation and impairment 1 Jan 2007	0	-7,748	-15,697	0	-23,445
Depreciation and amortisation	0	-1,090	-2,637	0	-3,727
Accumulated depreciation on decrease and transfers	0	3	832	0	835
Exchange rate difference	0	36	126	0	161
Accumulated depreciation and impairment 31 Dec 2007	0	-8,800	-17,376	0	-26,176
Book value 1 Jan 2007	425	15,284	8,237	361	24,307
Book value 31 Dec 2007	417	14,572	9,831	1,126	25,946

Financial lease contracts

Property, plant and equipment includes the following items rented on a finance lease contract:

EUR 1,000			
31 Dec 2008	Buildings	Machinery and equipment	Total
Acquisition cost	762	2,682	3,444
Accumulated depreciation	-266	-1,108	-1,374
Book value	496	1,574	2,070

EUR 1,000			
31 Dec 2007	Buildings	Machinery and equipment	Total
Acquisition cost	762	2,682	3,444
Accumulated depreciation	-228	-1,113	-1,341
Book value	534	1,569	2,103

The increases in the acquisition cost of property, plant and equipment include EUR 2.1 million of assets rented on finance lease in 2008 (EUR 2.1 million in 2007).

15. Intangible assets

	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
EUR 1,000						
Acquisition cost 1 Jan 2008	1,814	549	332	3,053	1,528	7,276
Increase	1,054	28	412	1,120	1,641	4,256
Transfers between items	0	0	0	44	0	44
Decrease	0	0	0	-19	-1,645	-1,664
Acquisition cost 31 Dec 2008	2,868	577	745	4,198	1,524	9,911
Accumulated depreciation and impairment 1 Jan 2008	-304	-224	-97	-2,390	0	-3,015
Depreciation and amortisation	-252	-56	-106	-350	0	-764
Accumulated depreciation on decrease and transfers	0	0	0	-9	0	-9
Accumulated depreciation and impairment 31 Dec 2008	-556	-280	-203	-2,749	0	-3,788
Book value 1 Jan 2008	1,510	325	235	663	1,528	4,262
Book value 31 Dec 2008	2,312	297	542	1,449	1,524	6,123

	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
EUR 1,000						
Acquisition cost 1 Jan 2007	856	530	80	3,138	1,570	6,174
Increase	958	19	177	85	1,248	2,487
Transfers between items	0	0	159	-159	0	0
Decrease	0	0	-84	-11	-1,290	-1,385
Acquisition cost 31 Dec 2007	1,814	549	332	3,053	1,528	7,276
Accumulated depreciation and impairment 1 Jan 2007	-199	-171	-80	-2,119	0	-2,569
Depreciation and amortisation	-105	-53	-47	-338	0	-543
Accumulated depreciation on decrease and transfers	0	0	30	67	0	97
Accumulated depreciation and impairment 31 Dec 2007	-304	-224	-97	-2,390	0	-3,015
Book value 1 Jan 2007	657	359	0	1 019	1,570	3,605
Book value 31 Dec 2007	1,510	325	235	663	1,528	4,262

Goodwill and allocation of goodwill

Goodwill is allocated to the following cash-generating units:

EUR 1,000	2008	2007
Epec Oy	3,467	3,521
Lako Oy	216	216
Total	3,683	3,737

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%. 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 2011 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

If the profit forecasts for 2009–2011 were adjusted downwards by 50% when testing the goodwill of Epec Oy, it would not result in impairment.

16. Investment properties

The Group has no investment properties.

17. Holdings in associated companies

EUR 1,000	2008	2007
At beginning of financial period	2,156	1,328
Share of the result of the financial period	-267	828
At end of financial period	1,889	2,156

Information concerning the Group's associated company, its assets, liabilities, net sales and profit/loss:

EUR 1,000	2008	2007
Associated company		
Sunit Oy, Kajaani, Finland		
Assets	6,774	8,391
Liabilities	855	1,638
Net sales	7,452	17,802
Profit/loss	268	3,055
Share of ownership	34%	34%

Sunit Oy specialises in telematics and manufactures vehicle computers.

18. Other financial assets

Investments available for sale

EUR 1,000	Other shares and holdings
Acquisition cost 1 Jan 2008	101
Increase	8
Decrease	0
Acquisition cost 31 Dec 2008	109

EUR 1,000	Other shares and holdings
Acquisition cost 1 Jan 2007	26
Increase	75
Decrease	0
Acquisition cost 31 Dec 2007	101

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	2008	2007
Loans receivable	569	349
Other receivables	1,203	27
Accrued income	48	54
Total	1,820	430

Receivables do not have any significant credit risk concentrations.

20. Deferred tax receivables and liabilities		
EUR 1,000	2008	2007
Deferred tax receivables:		
Inventories	1,245	873
Fixed assets	22	19
Provisions	0	0
Tax losses	1,854	793
Other temporary items	0	0
Total	3,121	1,685
Deferred tax liabilities:		
Goodwill	28	81
Inventories	124	92
Fixed assets	390	545
Other temporary items	14	50
Total	556	768

No deferred tax has been recognised through shareholders' equity.

21. Inventories		
EUR 1,000	2008	2007
Raw materials and consumables	43,014	40,589
Work in progress	1,639	2,266
Finished products/goods	16,616	9,292
Other stocks	27,038	13,487
Total	88,308	65,635

EUR 1,155 thousand was recognised as an expense item, which was used to reduce the book value of stocks to correspond to the net realisable value (EUR 610 thousand in 2007).

22. Trade receivables and other receivables (current)		
EUR 1,000	2008	2007
Trade receivables	22,155	29,276
Receivables from associated companies	0	0
Other receivables	3,561	5,456
Accrued income	1,830	630
	27,547	35,361
Derivative contracts held for trading	1,525	1,106
Total	29,072	36,467

The Group's credit losses for trade receivables amounted to EUR 598 thousand (EUR 283 thousand in 2007) during the financial period. Receivables do not have any significant credit risk concentrations. Balance sheet values best describe the amount of money that is the maximum amount of credit risk.

The essential items of accrued income are associated with public subsidies.

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	2008	2007
Non-matured	9,360	14,190
Matured		
Less than 30 days	7,594	10,222
30-60 days	1,754	1,835
61-90 days	1,161	1,358
More than 90 days	2,885	1,954
Credit losses	-598	-283
Total	22,155	29,276

23. Liquid assets		
EUR 1,000	2008	2007
Cash in hand and at banks	8,095	12,633
Total	8,095	12,633

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 pcs)	Share capital (EUR 1,000)	Other reserves (EUR 1,000)	Treasury shares (EUR 1,000)	Total (EUR 1,000)
31 Dec 2005	14,000	7,000	20	0	7,020
Split 1:2 (29 Mar 2006)	14,000	0	0	0	0
31 Dec 2007	28,000	7,000	20	0	7,020
Purchase of the company's own shares	-48	0	0	-664	-664
31 Dec 2008	27,952	7,000	20	-664	6,356

The maximum number of shares is 48 million (48 million in 2007). 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 2007). The number of shares outstanding is 28 million (28 million in 2007). 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 Board of Directors of Ponsse Plc is authorised, until 30 June 2009, to purchase a maximum of 250,000 of the company's own shares. Ponsse Plc's Board of Directors is not currently authorised to increase the share capital or issue convertible notes or bonds with warrants.

Treasury shares

The treasury shares fund includes the parent company's acquisition cost of own shares acquired during the financial period of 2008, amounting to EUR 664 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

Other reserves consist of the contingency funds of Ponsse AB and Ponsse S.A.S.

Dividends

The Board of Directors proposes that the Annual General Meeting authorise the Board of Directors to decide on the distribution of dividends amounting to a maximum of EUR 0.10 per share (max EUR 2,800,000) during 2009.

25. Share-based payment plans**Terms and conditions of the share-based incentive scheme**

During the financial period, the Group has introduced a share-based incentive scheme aimed at the Group's key personnel.

The share-based incentive scheme is conditional as follows:

- date of granting 29 April 2008,
 - the number of instruments granted was 78,000 shares, of which 69,000 were outstanding on 31 December 2008,
 - the condition for entitlement is approximately 3 years' employment and a transfer ban period of 2 years so that the commitment period ends on 31 December 2012.
- Further conditions are increase of market value, cash flow and net sales of maintenance services.
- implemented as shares and cash.

On the balance sheet date 31 December 2008, the management estimated that the non-market-based conditions will not be met. For the market-based condition, the evaluation is based on the share price of EUR 14.90 quoted on the date of granting 29 April 2008 which value will not be altered during the term of the scheme other than for lost entitlements. The amount to be paid in cash is measured at the price of the measurement date, 31 December 2008, EUR 4.50 so the amount recognised as liability is EUR 8 thousand. The amount recognised as expense during the financial period is EUR 33 thousand, and it is shown under employment benefit expenses.

26. Defined benefit pension obligations

The Group did not have any pension obligations.

27. Provisions

EUR 1,000	Guarantee provision
31 Dec 2007	4,341
Increase	2,087
Used provisions	-370
31 Dec 2008	6,058

Guarantee provision

Products are given a 12 month / 2000 hour guarantee. Any faults or errors noted 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 2008 amounted to EUR 6,058 thousand (EUR 4,341 thousand in 2007). 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	2008	2007
Non-current financial liabilities measured at original amortised cost		
Loans from financial institutions	15,496	14,499
Pension loans	8,585	0
Subordinated loan	0	65
Finance lease liabilities	2,059	2,153
Arrangement for sales recognition	815	0
Total	26,955	16,717
Current financial liabilities measured at original amortised cost		
Loans from financial institutions	44,593	16,603
Pension loans	1,431	0
Finance lease liabilities	745	623
Arrangement for sales recognition	0	0
Total	46,769	17,225

The company's financial liabilities are exclusively guaranteed by covenants, the major criteria of which is the equity ratio.

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 41,714 thousand of all liabilities have a fixed interest rate (EUR 10,263 thousand in 2007). Other loans are linked to EURIBOR and amount to EUR 31,195 thousand (EUR 22,900 thousand in 2007).

The Group's floating rate liabilities and their contractual re-pricing periods are:

EUR 1,000	2008	2007
Within less than twelve months	24,414	12,221
1 to 5 years	6,781	11,459
Total	31,195	23,680

Due dates of finance lease liabilities

EUR 1,000	2008	2007
Finance lease liabilities - total amount of minimum rents		
Within less than twelve months	873	726
1 to 5 years	2,078	2,086
After more than five years	156	234
Total	3,107	3,046

Finance lease liabilities - present value of minimum rents

Within less than twelve months	745	623
1 to 5 years	1,913	1,940
After more than five years	146	213
Total	2,804	2,776

Financial expenses to be accrued in the future

	303	270
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Total finance lease liabilities

	3,107	3,046
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29. Trade creditors and other liabilities

EUR 1,000	2008	2007
Current financial liabilities measured at original amortised cost		
Trade creditors (other financial liabilities)	14,012	23,158
Advances received	228	1 813
Advance invoicing	435	240
Other liabilities	1,575	1,225
Accruals and deferred income		
Accrued staff expenses	6,865	6,564
Interest accruals	495	168
Accruals and deferred income in respect of inventories	484	580
Other accruals and deferred income	2,937	4,422
Derivative contracts held for trading	273	132
Total	27,304	38,300

Non-current financial liabilities measured at original amortised cost

Accruals and deferred income	46	0
R&D loan (other financial liabilities), France	0	30
Total	46	30

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) and the pound sterling (GBP). Foreign exchange risks arise from commercial transactions, monetary balance sheet items and net investments in foreign subsidiaries.

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:

	2008			2007		
	USD	SEK	GBP	USD	SEK	GBP
Nominal values						
EUR 1,000						
Foreign currency receivables	25,958	12,226	3,711	19,081	7,104	3,511
Foreign currency liabilities	2,117	2,993	224	2,429	2,271	435
Foreign currency derivatives	11,994	3,825	1,548	18,422	3,847	2,754
Net position	11,847	5,409	1,940	-1,770	986	322

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 set-off 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	2008		2007	
	Strengthening	Weakening	Strengthening	Weakening
Change in EUR exchange rate	+10%	-10%	+10%	-10%
Effect on profit after tax				
USD	-877	877	131	-131
SEK	-400	400	-73	73
GBP	-144	144	-24	24
Total	-1,420	1,420	34	-34

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.

Sensitivity analysis for floating interest loans:

EUR 1,000	2008		2007	
	+1%	-1%	+1%	-1%
Change percentage				
Effect on profit after tax	-231	231	-175	175

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 and because the Group only grants credit to enterprises with a flawless credit rating. The amount of credit losses recognised through profit or loss during the financial period was not significant. 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.

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 2008 was EUR 28.6 million (2007: EUR 20 million).

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 value	Cash flow *	Within less than one year	1 to 5 years	After more than five years
31 Dec 2008					
Bank loans	60,089	64,191	47,597	16,594	0
Pension loans	10,016	12,092	1,932	7,155	3,005
Subordinated loan	0	0	0	0	0
Finance lease liabilities	2,804	3,107	873	2,078	156
Trade creditors and other liabilities	27,031	27,031	27,031		
Foreign currency derivatives					
Liabilities	273	273	273		
*) contractual cash flow from contracts cleared in gross values					

EUR 1,000	Balance sheet value	Cash flow *	Within less than one year	1 to 5 years	After more than five years
31 Dec 2007					
Bank loans	31,102	34,172	18,364	15,455	353
Pension loans	0	0	0	0	0
Subordinated loan	65	78	2	8	67
Finance lease liabilities	2,776	3,046	726	2,086	234
Trade creditors and other liabilities	38,168	38,168	38,168		
Foreign currency derivatives					
Liabilities	132	132	132		
*) contractual cash flow from contracts cleared in gross values					

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 2008 were EUR 64.8 million (31 Dec 2007: EUR 21.3 million) and gearing was 96.6 per cent (31 Dec 2007: 27.8 per cent). For the purpose of calculating the gearing, interest-bearing net liabilities were divided by the amount of equity. Net liabilities include interest-bearing liabilities deducted by interest-bearing receivables and liquid assets.

EUR 1,000	2008	2007
Interest-bearing liabilities	72,909	33,943
Interest-bearing receivables	0	0
Liquid assets	-8,095	-12,633
Net liabilities	64,814	21,310
Total shareholders' equity	67,113	76,532
Gearing	96.6%	27.8%

31. Fair values of financial assets and liabilities

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 2008	Fair value 2008	Book value 2007	Fair value 2007
Financial assets					
Other financial assets	18.	109	109	101	101
Trade receivables and other receivables	22.	29,072	29,072	36,467	36,467
Liquid assets	23.	8,095	8,095	12,633	12,633
Forward exchange agreements	22.	1,525	1,525	1,068	1,068
Interest rate swaps	22.	0	0	38	38
Financial liabilities					
Loans from financial institutions	28.	60,089	54,552	31,102	27,174
Pension loans	28.	10,016	8,374	0	0
Subordinated loan	28.	0	0	65	65
Finance lease liabilities	28.	2,804	2,617	2,776	2,590
Arrangement for sales recognition	28.	815	815	0	0
Trade creditors and other liabilities	29.	27,350	27,350	38,330	38,330
Forward exchange agreements	29.	225	225	132	132
Interest rate swaps	29.	48	48	0	0

The nominal values of forward agreements were EUR 18.9 million in 2008 and EUR 28.7 million in 2007.

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**Group as lessee**

Minimum rents due based on other non-cancellable leases:

EUR 1,000	2008	2007
Within one year	1,148	334
Within one to five years	3,328	724
After more than five years	3,710	0

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 profit and loss account for 2008 includes EUR 1,809 thousand of rent expenses paid on the basis of other lease contracts (EUR 2,027 thousand in 2007).

Group as lessor

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

34. Pledges given and contingent liabilities

EUR 1,000	2008	2007
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	1,090	1,285
Repurchase commitments	4,049	3,202
Other commitments	1,443	1,059

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 teams, including the CEO(s).

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

Name and domicile	Group and parent company share of shares and votes, %
Parent company Ponsse Plc, Vieremä, Finland	
Ponsse AB, Västerås, Sweden	100,00
Ponsse AS, Kongsvinger, Norway	100,00
Ponsse 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
OOD Ponsse, St. Petersburg, Russia	100,00
Epec Oy, Seinäjoki, Finland	100,00
Ponsse Asia Pacific Ltd, Hong Kong	100,00
Ponsse China Ltd, China (owned by Ponsse Asia-Pacific Ltd)	100,00
Ponsse Uruguay S.A. (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	2008	2007
EUR 1,000		
Salaries and other short-term employment-related benefits	2,489	1,891
Benefits paid upon termination of employment	165	0
Total	2,653	1,891

Salaries and bonuses

EUR 1,000	2008	2007
Managing directors	376	227

Members of the Board of Directors:

Aarni-Sirviö Maarit	32	24
Hagman Nils	54	74
Kylävainio Ilkka	32	30
Remes Seppo	32	30
Ryynänen Mirja, former member of the Board of Directors	0	6
Vidgrén Juha	25	24
Vidgrén Einari	109	99
Total	284	285

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 6 months if service is terminated by the company, or 6 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 end of the financial period

The company announced on 3 February 2009 that the employer-employee procedures initiated on 8 December 2008 have been completed. The negotiations resulted in the termination of 158 contracts of employment in Finland. In addition to the terminations, the temporary lay-offs will continue in 2009. The cost effects of operational adjustments will be recognised during the financial period of 2009.

Subsidiary company Epec Oy announced on 5 February 2009 that it will initiate employer-employee negotiations. The goal is to adjust the company's costs to the lower demand.

FINANCIAL INDICATORS

	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Extent of operations					
Net sales (EUR 1,000)	293,015	310,053	238,642	226,095	177,934
Change, %	-5.5	29.9	5.5	27.1	7.2
R&D expenditure					
capitalised, (EUR 1,000)	1,230	851	808	461	329
expensed, (EUR 1,000)	6,341	4,856	3,334	3,218	3,382
R&D expenditure, total (EUR 1,000)	7,571	5,708	4,142	3,679	3,711
as % of turnover	2.6	1.8	1.7	1.6	2.1
Gross investments in fixed assets (EUR 1,000)	8,509	6,565	5,318	11,220	9,029
as % of turnover	2.9	2.1	2.2	5.0	5.1
Average number of employees	1,044	876	795	729	607
Turnover per employee (EUR 1,000)	281	354	300	310	293
Order stock, EUR million	41.5	110.1	59.2	54.9	44.4
Profitability					
Operating profit (EUR 1,000)	13,628	37,080	29,590	29,051	19,700
as % of turnover	4.7	12.0	12.4	12.8	11.1
Profit before tax (EUR 1,000)	6,258	36,384	28,505	28,111	19,172
as % of turnover	2.1	11.7	11.9	12.4	10.8
Profit for the period (EUR 1,000)	4,351	26,477	21,042	19,629	13,532
as % of turnover	1.5	8.5	8.8	8.7	7.6
Return on equity, % (ROE)	6.1	38.5	37.4	45.4	34.7
Return on capital employed, % (ROCE)	7.5	37.4	35.5	40.5	31.1
Financing and financial position					
Current ratio	1.7	2.0	2.3	2.1	2.0
Equity ratio, %	38.4	50.3	49.1	47.6	36.0
Gearing, %	108.6	44.4	50.5	47.5	93.3
Interest-bearing liabilities (EUR 1,000)	72,909	33,943	30,895	24,398	32,291
Non-interest-bearing liabilities (EUR 1,000)	34,733	43,439	32,964	32,476	30,205

PER-SHARE DATA ¹⁾

	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Earnings per share (EPS), EUR	0.16	0.95	0.75	0.70	0.47
Equity per share, EUR	2.40	2.73	2.18	1.84	1.24
Nominal dividend per share, EUR	0.00 ²⁾	0.50	0.40	0.40	0.10
Dividend per share adjusted for share issues, EUR	0.00 ²⁾	0.50	0.40	0.40	0.10
Dividend per earnings, %	0.0 ²⁾	42.3	53.2	57.0	21.1
Effective dividend yield, %	0.0 ²⁾	2.8	3.1	3.6	1.4
Price/earnings ratio (P/E)	29.0	15.0	17.3	15.9	15.1
Share performance					
Lowest trading price	4.25	11.27	10.89	7.25	4.12
Highest trading price	16.29	19.40	15.00	11.65	8.00
Closing price	4.50	14.20	13.00	11.15	7.15
Average price	10.17	15.31	12.43	9.05	5.23
Market capitalisation, EUR million	126.0	397.6	364.0	312.1	200.2
Dividends paid, EUR million	0.0 ²⁾	14.0	11.2	11.2	2.8
Shares traded	2,715,572	3,812,860	3,576,975	4,370,432	7,490,584
Shares traded, %	9.7	13.6	12.8	15.6	26.8
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) Per-share data has been adjusted to reflect the number of shares after the increase in 2006 (split 1:2).

2) The Board of Directors of Ponsse Plc proposes that the Annual General Meeting authorise the Board of Directors to decide on the distribution of dividends amounting to a maximum of EUR 0.10 per share (max EUR 2,800,000) during 2009.

FORMULAE FOR FINANCIAL INDICATORS

$$\text{RETURN ON EQUITY, \% (ROE)} = \frac{\text{Profit for the period}}{\text{Shareholders' equity} + \text{minority interest (average during the year)}} \times 100$$

$$\text{RETURN ON CAPITAL EMPLOYED, \% (ROCE)} = \frac{\text{Profit before tax} + \text{financial expenses}}{\text{Balance sheet total} - \text{interest-free liabilities (average during the year)}} \times 100$$

$$\text{EQUITY RATIO, \%} = \frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advances received}} \times 100$$

$$\text{GEARING, \%} = \frac{\text{Interest-bearing liabilities}}{\text{Shareholders' equity}} \times 100$$

$$\text{AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR} = \text{Average of the number of personnel at the end of each month. The calculation has been adjusted for part-time employees.}$$

$$\text{EARNINGS PER SHARE (EPS)} = \frac{\text{Profit before tax} - \text{taxes (incl. change in deferred taxes)} -/+ \text{minority interest}}{\text{Weighted average number of shares during the period, adjusted for share issues}}$$

$$\text{EQUITY PER SHARE} = \frac{\text{Shareholders' equity}}{\text{Number of shares on balance sheet date, adjusted for share issues}}$$

$$\text{DIVIDEND PER SHARE, ADJUSTED FOR SHARE ISSUES} = \frac{\text{Dividend per share}}{\text{Adjustment factors for share issues after the financial period}}$$

$$\text{DIVIDEND PER EARNINGS, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

$$\text{EFFECTIVE DIVIDEND YIELD, \%} = \frac{\text{Dividend per share, adjusted for share issues}}{\text{Last trading price for the period, adjusted for share issues}} \times 100$$

$$\text{PRICE/EARNINGS RATIO (P/E)} = \frac{\text{Last trading price for the period, adjusted for share issues}}{\text{Earnings per share}}$$

$$\text{MARKET CAPITALISATION} = \text{Number of shares at end of the financial year multiplied by the closing price on the last trading day of the financial year adjusted for share issues.}$$

$$\text{SHARES TRADED, \%} = \frac{\text{Shares traded during the period}}{\text{Average number of shares during the period}} \times 100$$

PARENT COMPANY'S PROFIT AND LOSS ACCOUNT

EUR 1,000	Note ¹⁾	2008	2007
Net sales	2	249,117	256,029
Increase (+)/decrease (-) in inventories of finished goods and work in progress		2,320	1,299
Other operating income	3	920	878
Raw materials and services	4	-179,917	-173,282
Staff costs	5, 6, 7	-33,190	-29,215
Depreciation, amortisation and impairment	8	-3,336	-2,875
Other operating expenses		-27,544	-23,039
Operating profit		8,369	29,796
Financial income and expenses	10	-3,456	-1,727
Result before extraordinary items		4,914	28,069
Extraordinary items		5,000	5,000
Result after extraordinary items		9,914	33,069
Appropriations	11	170	306
Direct taxes	12	-2,865	-9,147
Profit for the period		7,219	24,227

1) The note refers to the Notes to the Accounts on pages 71 - 79.

PARENT COMPANY'S BALANCE SHEET

EUR 1,000	Note ¹⁾	2008	2007
ASSETS			
Non-current assets			
Intangible assets	13	5,068	3,251
Tangible assets	13	20,202	19,992
Financial assets	14	11,412	12,432
Total non-current assets		36,682	35,675
Current assets			
Inventories	15	47,654	39,866
Non-current receivables	16	783	809
Current receivables	16	81,544	64,822
Cash in hand and at banks		2,420	2,926
Total current assets		132,401	108,423
TOTAL ASSETS		169,082	144,097

EUR 1,000	Note ¹⁾	2008	2007
LIABILITIES			
Capital and reserves	17, 18		
Share capital		7,000	7,000
Retained earnings		49,148	39,561
Profit for the period		7,219	24,227
Total shareholders' equity		63,366	70,788
Appropriations	19	1,404	1,574
Provisions for liabilities and charges	20	6,058	4,341
Creditors			
Non-current creditors	21	24,003	14,517
Current creditors	22	74,250	52,877
Total creditors		98,253	67,394
TOTAL LIABILITIES		169,082	144,097

1) The note refers to the Notes to the Accounts on pages 71 - 79.

PARENT COMPANY'S CASH FLOW STATEMENT

EUR 1,000	2008	2007
Business operations:		
Operating profit	8,369	29,796
Depreciation, amortisation and impairment	3,336	2,875
Unrealised exchange gains and losses	25	1,010
Change in provisions	1,717	824
Cash flow before change in working capital	13,447	34,505
Change in working capital:		
Increase(-)/decrease(+) in current non-interest-bearing receivables	-13,049	-19,646
Increase(-)/decrease(+) in stocks	-7,788	-9,098
Increase(+)/decrease(-) in current non-interest-bearing liabilities	-6,760	7,522
Cash flow from operations before financial items and income taxes	-14,151	13,283
Interest received	1,523	1,305
Interest paid	-2,435	-1,472
Dividends received	658	274
Other financial items	-1,875	-616
Income taxes paid	-7,794	-7,678
Cash flow before extraordinary items	-24,074	5,095
Net cash flow from extraordinary items in business operations	5,000	5,000
Net cash flow from business operations (A)	-19,074	10,095
Investments:		
Investments in tangible and intangible assets	-5,344	-3,883
Proceeds from tangible and intangible assets	0	0
Investments in other assets	0	0
Cash outflow from investing activities (B)	-5,344	-3,883
Financing:		
Acquisition of treasury shares	-664	0
Increase (+)/decrease (-) in current loans	29,039	9,564
Increase(-)/decrease(+) in current interest-bearing receivables	0	0
Increase (+)/decrease (-) in non-current loans	9,486	-5,212
Increase (-)/decrease (+) in non-current receivables	27	-599
Dividends paid and other distribution of profit	-13,976	-11,200
Net cash outflow from financing (C)	23,911	-7,447
Increase (+)/decrease (-) in liquid assets (A+B+C)	-506	-1,235
Liquid assets 1 Jan	2,926	4,161
Liquid assets 31 Dec	2,420	2,926

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

Stocks 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 products and work in progress 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 turnover. 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 contribu-

tions 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 2008 are comparable with the previous year.

2. Net sales by market area		
EUR 1,000	2008	2007
Nordic countries	137,501	118,952
Rest of Europe	82,645	112,110
North and South America	25,878	23,219
Other countries	3,093	1,749
Total	249,117	256,029
3. Other operating income		
EUR 1,000	2008	2007
Capital gains on property, plant and equipment	21	27
Public subsidies	264	447
Other	635	404
Total	920	878
4. Raw materials and services		
EUR 1,000	2008	2007
Raw materials and consumables		
Purchases during the accounting period	181,931	177,464
Increase (-)/decrease (+) in stocks	-5,468	-7,061
External services	3,454	2,879
Raw materials and services, total	179,917	173,282
5. Average number of staff		
Persons	2008	2007
Employees	400	356
Clerical workers	258	219
Total	658	575
6. Staff costs		
EUR 1,000	2008	2007
Salaries and bonuses	27,108	23,741
Pension costs	4,241	3,773
Other social security costs	1,841	1,701
Total	33,190	29,215
7. Management salaries and bonuses		
EUR 1,000	2008	2007
Managing directors	376	227
Members of the Board of Directors	284	285
Total	660	512
8. Depreciation and value adjustments		
EUR 1,000	2008	2007
Depreciation according to plan	3,336	2,875
Total	3,336	2,875

9. Auditor's remunerations		
EUR 1,000	2008	2007
Authorised Public Accountants Ernst & Young Oy		
Auditor's remunerations	64	60
Certificates and statements	2	0
Tax advice	2	47
Other remunerations	10	8
Total	78	115
10. Financial income and expenses		
EUR 1,000	2008	2007
Dividend income		
From Group companies	300	100
From associated companies	358	174
From others	0	0
Total	658	274
Other interest and financial income		
From Group companies	1,386	1,132
From others	15,039	5,984
Total	1,523	1,305
Other interest and financial income, total	16,425	7,116
Total	17,083	7,390
Value adjustments of financial securities	1,000	1,187
Interest and other financial expenses		
To Group companies	161	215
To others	19,378	7,715
Total	2,762	1,503
Interest and other financial expenses, total	19,539	7,930
Total	20,539	9,117
Financial income and expenses, total	-3,456	-1,727
The item Interest and financial income includes exchange rate losses (net)	1,730	640
11. Appropriations		
EUR 1,000	2008	2007
Difference between depreciations according to plan and depreciations in taxation	170	306
12. Income taxes		
EUR 1,000	2008	2007
Income taxes from actual operation	2,865	9,147
Change in deferred tax receivable	-	-
Total	2,865	9,147

13. Intangible and tangible assets

EUR 1,000	Development costs	Patent costs	Intangible rights	Other capitalised long-term expenses	Prepayments and unfinished acquisitions	Total
Intangible assets 2008						
Acquisition cost 1 Jan 2008	998	525	80	2,890	1,299	4,959
Increase	839	28	347	1,120	1,499	3,833
Decrease	0	0	0	-18	-1,429	0
Transfers between items	0	0	0	44	0	44
Acquisition cost 31 Dec 2008	1,837	553	427	4,035	1,369	8,222
Tangible assets 2008						
Acquisition cost 1 Jan 2008	-83	-203	-1,762	-2,254	0	-2,102
Accumulated depreciation on decrease and transfers	0	0	0	-10	0	-10
Depreciation for the accounting period	-146	-55	-57	-344	0	-602
Accumulated depreciation 31 Dec 2008	-229	-259	-59	-2,608	0	-3,154
Book value 31 Dec 2008	1,608	295	368	1,428	1,369	5,068
Book value 31 Dec 2007	916	322	79	636	1,299	3,251

EUR 1,000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Tangible assets 2008						
Acquisition cost 1 Jan 2008	350	20,251	16,784	6,923	1,010	35,237
Increase	0	474	2,821	22	3,882	7,199
Decrease	0	0	-14	0	-4,208	-4,266
Transfers between items	0	-44	0	0	0	0
Acquisition cost 31 Dec 2008	350	20,681	19,590	29	684	41,336
Accumulated depreciation 1 Jan 2008	0	-7,945	-11,307	0	0	-16,983
Accumulated depreciation on decrease and transfers	0	11	0	0	0	11
Depreciation for the accounting period	0	-969	-1,765	0	0	-2,734
Accumulated depreciation 31 Dec 2008	0	-8,903	-13,072	0	0	-21,975
Revaluations	0	841	0	0	0	841
Book value 31 Dec 2008	350	12,619	6,518	29	684	20,202
Book value 31 Dec 2007		13,147	5,477	7	1,010	19,992
Book value of operating machinery and equipment						
31 Dec 2008			4,976			
31 Dec 2007			3,902			

A revaluation of EUR 841 thousand 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 includes a deferred tax liability of EUR 244 thousand. 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.

14. Financial assets

EUR 1,000	Shares in Group companies	Shares in associated companies	Shares Other	Receivables from Group companies	Receivables Other	Total
Financial assets 2008						
Acquisition cost 1 Jan 2008	16,098	335	92	69	27	16,685
Increase	67	0	10	-69	-27	-20
Decrease	0	0	-125	0	0	0
Acquisition cost 31 Dec 2008	16,165	335	101	0	0	16,601
Accumulated write-downs 1 Jan 2008	-4,190	0	0	0	0	-2,785
Decrease	0	0	0	0	0	0
Write-downs	-1,000	0	0	0	0	-1,000
Revaluations	0	0	0	0	0	0
Book value 31 Dec 2008	10,976	335	101	0	0	11,412

Write-down includes the write-down of acquisition cost of Ponsse LA.

Group companies

Name and domicile	Share of ownership %
Ponsse AB, Västerås, Sweden	100,0
Ponsse AS, Kongsvinger, Norway	100,0
Ponssé S.A.S, Gondreville, France	100,0
Ponsse UK Ltd, Lockerbie, United Kingdom	100,0
Ponsse North America, Inc., Rhinelander, United States	100,0
Ponsse Latin America Indústria de Máquinas Florestais Ltda, Mogi das Cruzes, Brazil	100,0
OOO Ponsse, St. Petersburg, Russia	100,0
Epec Oy, Seinäjoki, Finland	100,0
Ponsse Asia Pacific Ltd, Hong Kong	100,0
Ponsse China Ltd, China (owned by Ponsse Asia-Pacific Ltd)	100,0
Ponsse Uruguay S.A. (owned by Ponsse Latin America)	100,0

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

Associates

Name and domicile	Share of ownership %
Sunit Oy, Kajaani, Finland	34,0

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

15. Inventories		
EUR 1,000	2008	2007
Raw materials and consumables	28,976	30,011
Work in progress	746	1 627
Finished products/goods	6,061	2,759
Other stocks	11,872	5,468
Total	47,654	39,866
16. Receivables		
Non-current receivables		
EUR 1,000	2008	2007
Receivables from Group companies		
Loans receivable	783	809
Loans receivable	0	0
Other receivables	0	0
Non-current receivables, total	783	809
Current receivables		
EUR 1,000	2008	2007
Trade receivables	9,097	13,976
Receivables from Group companies		
Trade receivables	65,154	46,299
Other receivables	620	3,078
Accrued income		
Grants receivable	163	328
Income tax receivables	3,697	0
Other accrued income	2,814	1,141
Accrued income, total	6,673	1,469
Current receivables, total	81,544	64,822
Receivables, total	82,326	65,631

17. Shareholders' equity		
EUR 1,000	2008	2007
Equity employed		
Share capital 1 Jan	7,000	7,000
Scrip issue	0	0
Share capital 31 Dec	7,000	7,000
Share premium account 1 Jan	0	0
Scrip issue	0	0
Share premium account 31 Dec	0	0
Equity employed, total	7,000	7,000
Shareholders' surplus		
Retained earnings 1 Jan	63,788	50,761
Treasury shares	-664	0
Dividend distribution	-13,976	-11,200
Retained earnings 31 Dec	49,147	39,561
Profit for the period	7,219	24,227
Shareholders' surplus, total	56,366	63,788
Total shareholders' equity	63,366	70,788
18. Distributable funds		
EUR 1,000	2008	2007
Profit for previous accounting periods	49,147	39,561
Profit for the period	7,219	24,227
Total	56,366	63,788

Ponsse Plc's registered share capital on 31 December 2008 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 47,900 treasury shares. The company operates a share-based incentive scheme for key personnel. Ponsse Plc's Board of Directors has an authorisation to purchase a maximum of 250,000 of the Company's own shares with the Company's unrestricted equity. The authorisation is valid until 30 June 2009. Ponsse Plc's Board of Directors is not currently authorised to increase the share capital or issue convertible notes or bonds with warrants.

19. Accumulated appropriations		
EUR 1,000	2008	2007
Depreciation difference	1,404	1,574
20. Provisions for liabilities and charges		
EUR 1,000	2008	2007
Guarantee provision	6,058	4,341
Other compulsory provisions	0	0
Total	6,058	4,341
21. Non-current creditors		
EUR 1,000	2008	2007
Loans from financial institutions	15,418	14,517
Pension loans	8,585	0
Non-current creditors, total	24,003	14,517
Debts falling due in more than five years		
	2008	2007
Loans from financial institutions	0	65
Pension loans	2,862	0
Total	2,862	65
22. Current creditors		
EUR 1,000	2008	2007
Loans from financial institutions	44,143	16,535
Pension loans	1,431	0
Advances received	38	729
Accounts payable	12,137	20,548
Liabilities to Group companies		
Intra-Group accounts payable	6,299	2,313
Other intra-Group liabilities	2,000	3,529
Accruals and deferred income	0	0
Liabilities to Group companies, total	8,299	5,842
Advance invoicing		
	0	240
Other liabilities		
	1,017	755
Accruals and deferred income		
Accrued staff expenses	4,236	4,209
Interest accruals	495	168
Income tax liability	0	1,232
Accruals and deferred income in respect of inventories	28	921
Other accruals and deferred income	2,426	1,698
Accruals and deferred income, total	7,185	8,228
Current creditors, total	74,250	52,877

23. Pledges given, contingent and other liabilities		
EUR 1,000	2008	2007
23.1 For own debt		
Debts for which mortgages have been pledged as collateral		
	2008	2007
Loans from financial institutions	0	0
Mortgages given on land and buildings	0	0
Chattel mortgages granted	0	0
Total	0	0
23.2 Leasing commitments		
Leasing payments payable under leasing agreements		
	2008	2007
Leasing payments payable during the next accounting period	1,207	690
Leasing payments payable thereafter	3,573	1,323
Total	4,780	2,013
23.3 Contingent liabilities on behalf of Group companies		
	2008	2007
Guarantees given on behalf of companies within the group	996	715
The parent company has issued a written security for the external liabilities of its three subsidiaries.		
23.4 Other contingent liabilities		
	2008	2007
Guarantees given on behalf of others	13	4
Repurchase commitments	3,147	1,802
Other commitments	1,443	1,059
Total	4,603	2,865
23.5 Derivative liabilities		
Forward exchange agreements		
	2008	2007
Fair value	1,300	936
Value of underlying asset	18,892	28,717
Interest rate derivatives		
	2008	2007
Fair value	-48	38
Value of underlying asset	2,550	4,500

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. Under the Articles of Association, the minimum and maximum share capital is EUR 3,000,000 and EUR 12,000,000 respectively, within which limits the share capital may be increased or decreased without amending the Articles of Association. 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 47,900 treasury shares. Ponsse Plc's Board of Directors is authorised, until 30 June 2009, to purchase a maximum of 250,000 of the company's own shares.

Increases in share capital 1994 - 2008

Subscription period	Method of increase	Nominal value EUR	Number of new shares	Increase in share capital EUR	New share capital EUR
31 Aug 1994	Scrip issue	0.84	1,300,000	1,093,221,52	2,489,181,31
9. - 22 Mar 1995	Scrip issue	0.84	148,000	124,459,07	2,613,640,38
9. - 22 Mar 1995	Rights issue targeted at the general public	0.84	392,000	329,648,34	2,943,288,71
16 Mar 2000	Split 1: 2	0.42	-	0,00	2,943,288,71
16 Mar 2000	Scrip issue	0.50	-	556,711,29	3,500,000,00
29 Nov 2004	Scrip issue	0.50	7,000,000	3,500,000,00	7,000,000,00
29 Mar 2006	Split 1: 2	0.25	-	0,00	7,000,000,00

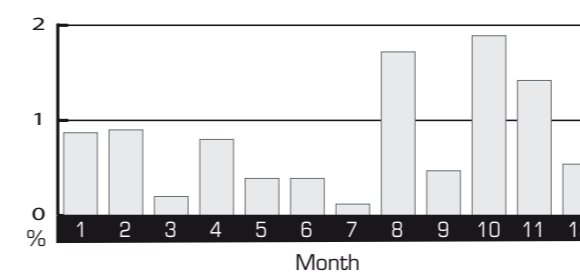
AUTHORISATION TO INCREASE SHARE CAPITAL

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 option rights.

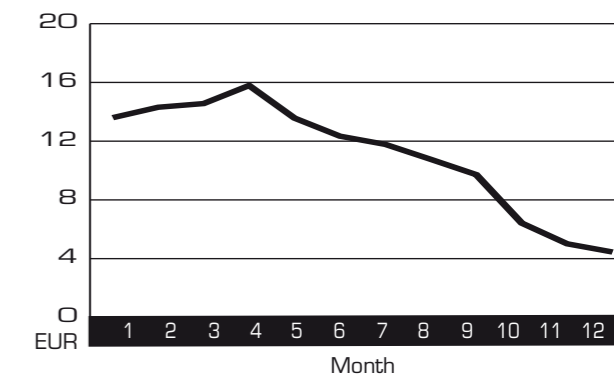
Share trading volume 1 January - 31 December 2008

Month	Share trading value, EUR	Number of shares traded	Low, EUR	High, EUR	Weighted average, EUR	Closing price, EUR	Market capitalisation, EUR	Number of shares	Relative share trading volume, %
1	3,309,486	243,488	11.71	15.10	13.60	13.40	375,200,000	28,000,000	0.87
2	3,616,457	252,776	13.01	15.20	14.31	14.50	406,000,000	28,000,000	0.90
3	808,657	55,537	14.19	15.00	14.56	15.00	420,000,000	28,000,000	0.20
4	3,537,581	224,184	14.10	16.29	15.79	14.49	405,720,000	28,000,000	0.80
5	1,490,538	109,303	13.10	14.90	13.57	13.14	367,920,000	28,000,000	0.39
6	1,330,809	107,950	11.36	13.15	12.34	11.39	318,920,000	28,000,000	0.39
7	411,755	34,962	11.20	12.35	11.78	11.50	332,000,000	28,000,000	0.12
8	5,216,455	480,329	10.52	11.85	10.76	10.60	296,800,000	28,000,000	1.72
9	1,268,315	130,425	8.23	11.20	9.72	8.50	238,000,000	28,000,000	0.47
10	3,413,033	528,936	4.86	8.60	6.42	5.30	148,400,000	28,000,000	1.89
11	1,993,631	397,469	4.50	6.10	5.01	4.98	139,440,000	28,000,000	1.42
12	668,177	150,213	4.25	5.00	4.45	4.50	126,000,000	28,000,000	0.54
Total	27,064,894	2,715,572	4.25	16.29	11.03			28,000,000	9.70

MONTHLY RELATIVE SHARE TURNOVER IN 2008



WEIGHTED AVERAGE MONTHLY SHARE PRICE IN 2008



Shareholder profile on 31 December 2008

	Shares, pcs	Percentage of shares and votes %	Shares of nominee-registered, pcs	Nominee-registered %	Votes, pcs	Percentage of votes %
Enterprises	859,100	3.068	150	0.001	859,250	3.069
Financial institutions and insurance companies	1,552,189	5.544	762,901	2.725	2,315,090	8.268
Public sector entities	2,204,220	7.872	0	0	2,204,220	7.872
Households	21,991,097	78.540	0	0	21,991,097	78.540
Non-profit organisations	619,805	2.214	0	0	619,805	2.214
Foreign holding	10,148	0.036	390	0.001	10,538	0.038
Total	27,236,559	97.273	763,441	2.727	28,000,000	100.000

Analysis of shareholders on 31 December 2008

Shares/shareholder	Number of shareholders pcs	Percentage of shareholders %	Shares total pcs	Percentage of shares and votes %
1-100	1,220	25.560	74,105	0.265
101-500	1,896	39.723	530,640	1.895
501-1,000	745	15.609	588,269	2.101
1,001-5,000	717	15.022	1,596,515	5.702
5,001-10,000	98	2.053	716,963	2.561
10,001-50,000	68	1.425	1,405,421	5.019
50,001-100,000	9	0.189	696,748	2.488
100,001-500,000	15	0.314	3,706,079	13.236
over 500,000	5	0.105	18,685,260	66.733
Total	4,773	100.000	28,000,000	100.000

Shareholders on 31 December 2008

No.	Name	Number of shares	Percentage of shares	Percentage of votes
1	Vidgrén Einari	13,348,074	47.67	47.67
2	Vidgrén Juha	2,712,000	9.69	9.69
3	Varma Mutual Pension Insurance Company	989,000	3.53	3.53
4	Tapiola Mutual Pension Insurance Company	939,500	3.36	3.36
5	Nordea Bank Finland plc	696,686	2.49	2.49
6	Vidgrén Mikko	395,416	1.41	1.41
7	The Einari Vidgrén Foundation	388,000	1.39	1.39
8	Randelin Mari	362,007	1.29	1.29
9	Aktia Capital mutual fund	345,746	1.23	1.23
10	OP-Suomi Pienyhtiöt mutual fund	295,605	1.06	1.06
11	Vidgrén Jukka	271,760	0.97	0.97
12	Fondita Nordic Small Cap investment fund	260,000	0.93	0.93
13	Thominvest Oy	237,979	0.85	0.85
14	Nordea Foresta mutual fund	225,000	0.80	0.80
15	Vidgrén Jarmo	186,920	0.67	0.67
16	Vidgrén Janne	185,320	0.66	0.66
17	Vidgrén Minna	171,572	0.61	0.61
18	Ilmarinen Mutual Pension Insurance Company	152,000	0.54	0.54
19	Life Insurance Company Veritas	122,000	0.44	0.44
20	Tiitinen Arto	106,754	0.38	0.38
21	Mäkinen Tommi	100,000	0.36	0.36
22	Nordea Bank Finland plc	100,000	0.36	0.36
23	Danske Suomi growth share mutual fund	98,196	0.35	0.35
24	Heikkinen Jonna	80,000	0.29	0.29
25	Lindbom Curt	73,389	0.26	0.26
26	Nordea Nordic Small Cap investment fund	72,370	0.26	0.26
27	Laakkonen Mikko	60,000	0.21	0.21
28	Tapio Suomi mutual fund	58,000	0.21	0.21
29	Skandinaviska Enskilda Banken	54,793	0.20	0.20
30	Teknoheat Oy	47,970	0.17	0.17
	Other shareholders	4,863,943	17.37	17.37
	Total	28,000,000	100.00	100.00

At year-end 2008, Ponsse Plc had 4,773 shareholders (4,049 on 31 December 2007).

Management holdings

Members of the Board of Directors, President and CEO, companies under their control and their underage children held a total of 16,411,959 Ponsse Plc shares on 31 December 2008, corresponding to 58.6 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 13:2, sections of the Companies Act.

The parent company's distributable funds total EUR 56,366,264.25.

The Board of Directors of Ponsse Plc proposes that the Annual General Meeting authorise the Board of Directors to decide on the distribution of dividends amounting to a maximum of EUR 0.10 per share (max EUR 2,800,000) during 2009.

Vieremä 9 February 2009

Einari Vidgrén Juha Vidgrén

Maarit Aarni-Sirviö Nils Hagman

Ilkka Kylävainio Seppo Remes

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 2008. The financial statements include the consolidated balance sheet, 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 rules and 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

The auditor must conduct the audit in accordance with good accounting practices observed in Finland and issue, on the basis of the audit, a statement regarding the financial account, consolidated financial accounts and the report of the Board of Directors. Good accounting practices require adherence to principles of professional ethics as well as planning and conducting the audit for obtaining reasonable assurance that the financial statements and the report of the Board of Directors are free of material misstatement and that the members of the Board and the CEO of the parent company have acted in compliance with the Finnish Companies Act.

Auditing measures should allow ensuring that the figures and other information in the financial statements and report of the Board of Directors are correct. The selection of measures depends on the auditor's discretion and his/her assessment of the risks that the financial statements contain a material misstatement as a result of malpractice or error. When planning the required auditing measures, the company's internal control associated with preparing and presenting the financial statements is also assessed. In addition, the following are also assessed: the general fashion of presenting the financial statements and the report of the Board of Directors, the principles of preparing the financial statements and the estimates applied by the company's management when preparing the financial statements.

The audit was conducted in accordance with good accounting practices observed in Finland. Our view is that we have carried out a sufficient number of appropriate inspections for 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 rules and 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 16 February 2009

Ernst & Young Oy
Authorised Public Accountants

Eero Huusko
Authorised Public Accountant

CORPORATE GOVERNANCE AT PONSSE PLC

1. Group structure and main branch of business
2. Applicable legislation and other provisions
3. General meeting
4. Board of Directors
5. Committees of the Board of Directors
6. President and CEO and the Management Team
7. Insiders and insider management
8. Audits and internal supervision
9. Shareholder agreements
10. Dividend policy
11. Redemption obligation clause
12. Risk management
13. Communications

1. Group structure and main branch of business

Ponsse Plc ("the Company") is a public limited company listed on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Oy). The Company's registered office is in Vieremä, Finland.

The Ponsse Group includes the parent company Ponsse Plc and its wholly-owned 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, Hong Kong; Ponsse China Ltd, China; Ponsse Uruguay S.A., Uruguay and Epec Oy, Seinäjoki, Finland. In addition, the Group includes Sunit Oy, located in Kajaani, Finland, which is Ponsse Plc's associated company with a holding of 34 per cent.

The Company and the Group design, manufacture, market and service forest machines, other metal products, machine control systems, vehicle PCs, as well as a variety of special systems and software.

2. Applicable legislation and other provisions

The Company's decision-making and administration are governed by the Finnish Companies

Act, other provisions governing listed companies and the Company's Articles of Association. The Company's Board of Directors ratified this code of governance on 15 December 2008 and it entered into force on 1 January 2009. The purpose of the scheme is ensuring that the Company is managed in a professional manner and that ethically and professionally sound business principles and practices are utilised. The code of governance is based on the recommendation "Suomen listayhtiöiden hallinnointikoodi" (Code of Governance for Finnish Listed Companies) published by the Finnish Securities Markets Association in October 2008, and it replaces the previous code of governance applied by the Company.

3. General meeting

The highest decision-making body of the Company is the general meeting, whose duties and procedures are defined in the Finnish Companies Act and the Company's Articles of Association. The general meeting is responsible for, e.g., 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 Annual General Meeting shall be held each year before the end of June on a date to be specified by the 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 Annual General Meeting decides on the number of and the remuneration for Board members, the auditor's fee and the compensation for travel expenses. The Annual General Meeting also elects the members of the Board of Directors and the auditor.

Shareholders are entitled to submit matters for consideration by the general meeting 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 general meeting 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 meeting and all shareholders present at the meeting are entitled to vote.

A notice of a general meeting and the following information shall be posted on the Company's website at the latest 21 days prior to the meeting:

- the total number of shares and votes on the day the notice is issued;
- documents to be presented to the meeting;
- decision proposals of the Board of Directors; and
- any issues included in the agenda of the meeting for which a decision is not proposed.

In order to attend a general meeting, 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 meeting.

All shareholders who are entered as such in the Company's shareholder register kept by the Euroclear Finland Ltd. (former Finnish Central Securities Depository) ten (10) days prior to the meeting are entitled to attend the general meeting.

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

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 general meeting, including results of votes taken and all appendices that are included in the meeting's conclusion shall be made available on the Company's website within two weeks of the meeting.

The Company aims at all the Board members and the President and CEO attending each general meeting. A person who is a Board member nominee for the first time shall attend the general meeting in which his or her nomination is considered, unless there is a weighty reason not to do so.

The Company auditor shall attend all general meetings.

4. 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 Annual General Meeting elects Board members for a term of office expiring at the end of the Annual General Meeting following their election. The Board elects a Chairman and a Deputy Chairman from among themselves. In 2008 the Company's Board of Directors consisted of six members.

Persons elected to the Board of Directors shall have the necessary competence 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 to the Board of Directors. Notice of independence is given in the Annual Report and on the Company's website.

The Board of Directors considers Board members Maarit Aarni-Sirviö, Nils Hagman, Ilkka Kylävaio and Seppo Remes to be independent of the Company and its major shareholders.

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

The Annual General Meeting held on 29 April 2008 decided that the annual remuneration payable to the

Chairman of the Board of Directors should be EUR 43,000 and to other members of the Board of Directors 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 2008 the Board held eleven meetings, three of which were telephone meetings. The average attendance rate of Board members was 95,0 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 matters shall be decided on at the Annual General Meeting, this information shall be noted in the notice of the meeting. Any proposals on candidates made after the notice of the meeting has been published shall be made public separately.

In addition to the duties specified in the Companies Act and the Articles of Association, the Board is responsible for the Company's operations, result and development, confirms the long-term strategy and the Group's financial risk management policy, approves the budget and decides on corporate acquisitions and property deals, strategically important business expansions, equity-based investments, the development of investments and significant investments. The Board appoints the Company's President and CEO and confirms the appointments of other Management Team members, decides on the grounds for remuneration payable to highest management and evaluates the activities of management on an annual basis.

The Board ratifies its own agenda.

The President and CEO or his/her nominee, who shall be a Company executive, shall present matters at meetings of the Board of Directors.

The Board's activities and method of operating are assessed once a year. The assessment may take place as an internal self-assessment or by an external assessor.

5. 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 working groups or committees.

6. 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, e.g., operational management, informing the Board, presenting matters over which the Board has the power of decision, implementing the decisions of the Board and ensuring the legality of the 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, e.g., business plans for the following year and strategy in the longer term.

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

From 1 January 2008 to 31 May 2008, the Company's President and CEO was Arto Tiitinen. The salary and other benefits paid to him totalled EUR 137,000 and bonuses totalled EUR 117,742, i.e. he was paid a total of EUR 254,742. The Company's President and CEO as of 1 June 2008 is Juho Nummela. The salary and other benefits paid to him from 1 June 2008 to 31 December 2008 totalled EUR 120,955. The President and CEO's retirement age is 65 and pension is set in accordance with the legislation in force.

Under the agreement concluded between the Company and its President and CEO, both parties may terminate the agreement with 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 Group Management Team: Purchasing and Lo-

gistics Director Pasi Arajärvi, Factory Director Juha Haverinen (from 1 June 2008), Regional Director for South and Central Europe and President and CEO of Ponsse S.A.S. Tapio Ingervo (until 1 June 2008), Director for Strategy and Customer Cooperation Hannu Kivelä (from 1 June 2008 to 13 January 2009), Communications Director Jari Mononen (until 17 February 2009), Service Director Juhani Mäkinen, Factory Director (until 1 June 2008), President & CEO (from 1 June 2008) Juho Nummela, HR Director Paula Oksman, CFO Mikko Paananen, Technology and R&D Director Seppo Taatila (until 18 December 2008), Technology and R&D Director Juha Inberg (from 1 January 2009), President & CEO Arto Tiitinen (until 1 June 2008), and Sales and Marketing Director Jarmo Vidgrén. The President and CEO acts as the Chairman of the Management Team. The company management has regular directors' and officers' liability insurance.

The salaries and other benefits paid to the other Company Board members excluding the President and CEO in 2008 totalled EUR 855,170 and bonuses were EUR 275,963, i.e. a total of EUR 1,131,133.

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

The Board of Directors of Ponsse Plc has approved a new share-based incentive plan for Ponsse Group key personnel. The earning period of the plan commenced on 1 January 2008 and will end on 31 December 2010. The Board of Directors will decide on the commencement of a new earning period. The potential reward from the plan for the earning period 2008–2010 will be based on the dividend adjusted price of the Company's share, on the Group's cash flow and on the turnover of after-sale services.

The potential reward from the earning period 2008–2010 will be paid partly in the Company's shares and partly in cash in 2011. The proportion to be paid in cash will cover taxes and tax-related costs arising from the reward. It is prohibited to transfer the shares within a two year restriction period. If a key person's employment or service ends during the restriction period, he/she must gratuitously return the shares paid as reward to the Company.

The plan is directed at approximately 20 people. The rewards to be paid on the basis of the plan in 2008–2010 will correspond to the value of a maximum total of 120,000 Ponsse Plc shares (also including the proportion to be paid in cash).

As necessary, the Management Team monitors and revises the Company's internal principles and procedures, which involve, e.g., reporting, financial administration, investments, risk management, insurance policies, information systems, general procurement, industrial property rights, management of contractual risks, human resources administration, quality management issues, environmental issues, occupational safety and health, insider guidelines and communications.

7. Insiders and insider management

Ponsse Group has adopted insider guidelines that comply with the insider regulations ratified by the OMX Nordic Exchange Helsinki.

Permanent insiders may not trade in the Company's shares during a period of fourteen (14) days prior to the publication of the Company's Annual Report or interim report. The prohibition ends when an interim report or a stock exchange release is published.

Pursuant to the Securities Markets Act, Board members, the President and CEO, and his/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.

Even though a person is not an insider, he/she may be temporarily entered in a project-specific insider register that the Company may employ in extensive or otherwise significant projects. As a result, the insider rule also applies to persons other than the permanent insiders of the Company.

An insider may not issue any purchase, sales or other assignments regarding the Company's shares or directly or indirectly offer advice pertaining to insider information to third parties in

such transactions. The information may not be disclosed to third parties, except as part of the regular course of the insider's work.

In addition to a public insider register, the Company upholds a Company-specific insider register including persons who, as a result of their position or tasks, regularly have access to insider information or who the Company has defined as Company-specific insiders. The information included in the Company-specific register is not public.

The shareholding of insiders is available for inspection at the insider register maintained by the Euroclear Finland Ltd. Information on the shareholding of permanent insiders may be viewed on the Company's website and the office of the Euroclear Finland Ltd. at Urho Kekkosen katu 5 C, Helsinki, Finland. Insiders are obliged 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.

8. Audits and internal supervision

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. Ponsse Plc's financial period is the calendar year.

The auditor is responsible for auditing the Company's accounts and financial statement to verify that they are free of material misstatement. The auditor shall also submit a report on the audit performed to the general meeting. In addition, under Finnish law, the auditor also audits the Company's corporate governance for compliance with relevant legislation. Normally, the auditor reports to the Board of Directors once a 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 Annual General Meeting for a term of office that expires at the end of the Annual General Meeting following 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 2008, Ernst &

Young Oy acted as the Company's auditor, with Eero Huusko, Authorised Public Accountant, as the principal auditor.

In 2008, the Group's auditing costs amounted to EUR 178,000.

Internal supervision

The methods of internal supervision include internal guidelines, reporting and various technical systems related to activities. An internal auditor is responsible for the company's internal supervision in practice, and he/she reports to the Board of Directors.

9. Shareholder agreements

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

10. 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.

11. Redemption obligation clause

Under Article 14 of the Company's Articles of Association, a shareholder who, either alone or jointly with other shareholders, acquires a holding that is equal to or exceeds either 33 1/3 per cent or 50 per cent of all the Company's shares or the votes conferred by the shares, is, on request, obliged to redeem the shares of other shareholders and other securities entitling thereto under the Companies Act, subject to the more detailed terms and conditions provided in Article 11 of the Articles of Association.

12. Risk management

The Group's risk management policy seeks to maintain and further develop a practical and comprehensive system for the management and reporting of risks. This entails systematic risk assessment for each function and unit, heightening risk management awareness and quality, disseminating information on best practices and supporting risk management projects involving more than one Company function.

13. Communications

The President and CEO is responsible for the Company's external communications. Managed by the President and CEO, the Company's Communications Department and Financial Administration participate in taking care of investor and media relations, stock exchange communications and providing investor information to be published on the Company's website.

In connection with its financial statements, the Company publishes a separate report on its administrative system and corporate governance.

A report on the Company's code of governance is available on the Company's website at www.ponsse.com under Investor Information.



OUR GLOBAL NETWORK

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