ANNUAL REPORT 1999

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PONSSE

Dedicated to Excellence

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

Ponsse Oyj's Annual General Meeting will be held on 16 March 2000 at noon at the Iisalmi Cultural Centre, address Kirkkopuistonkatu 9, FIN-74100 Iisalmi, Finland.

All shareholders who are listed no later than 10 March 2000 as company shareholders in the shareholder register held by Finnish Central Securities Depository Ltd. are entitled to participate in the Annual General Meeting.

Shareholders wishing to participate in the Annual General Meeting must notify the company about their participation no later than 4.00 p.m. on 14 March 2000 either in writing to Ponsse Oyj, Share Register, FIN-74200 Vieremä, Finland, by telephone on +358 17 768 461, by fax on +358 17 768 4690 or at the Internet address www.ponsse.com/yhtiokokous. Written notifications must arrive before the above-mentioned deadline. Any letters of attorney should also be received before the deadline.

Dividend Distribution

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of EUR 0,90 per share be paid for 1999. Dividends will be paid to shareholders who are listed on the matching day, 21 March 2000, as company shareholders in the shareholder register held by Finnish Central Securities Depository Ltd. The Board of Directors will propose to the Annual General Meeting that the dividends be paid after the matching period on 28 March 2000.

Share Register

Ponsse Oyj's shares and shareholders are listed in the shareholder register held by Finnish Central Securities Depository Ltd. Shareholders are requested to report any change of address and other similar matters related to their shareholding to the book-entry securities register in which they have a book-entry securities account.

Financial Reports in 2000

Ponsse Oyj will issue two Interim Reports during the year 2000.

- The first, covering the period 1 January to 30 April 2000, will be published on 30 May 2000.
- The second, covering the period 1 January to 31 August 2000, will be published 29 September 2000.

The financial result for the year 2000 and Annual Report will be published during January-March 2001. The reports will be published in Finnish and in English.

Annual Reports and Interim Reports may be ordered from Ponsse Oyj, FIN-74200 Vieremä, Finland; telephone +358 17 768 461, fax +358 17 768 4690, E-mail corporate.communications@ponsse.com.

Information Through the Internet

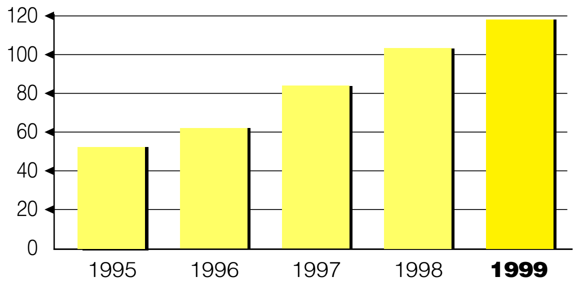
Ponsse's Annual Report, Interim Reports, Press Releases and other information are available at the Internet address www.ponsse.com.

PONSSE GROUP

The Ponsse Group develops, manufactures and markets forest machines for cut-to-length harvesting – harvesters and forwarders – as well as information technology applications and scales used in mechanised logging. Products emphasise efficiency and durability, aiming at the diverse exploitation of features, particularly computerised information technology, that produce added value.

Einari Vidgrén founded Ponsse in 1970. The present Group comprises, besides the Parent Company Ponsse Oyj, five marketing branches in Europe and the United States of America. Outside Finland, the Group also markets products through retail distributors affiliated with Ponsse's operations. Ponsse Oyj is quoted on the main list of the Helsinki Exchanges.

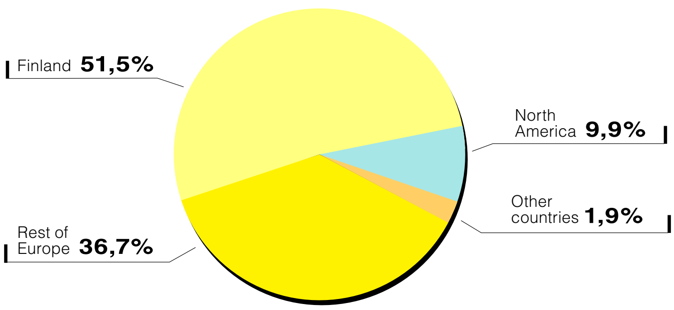
Turnover, MEUR



1999 IN BRIEF

Sales of Ponsse's products increased in almost all markets. The Group's turnover totalled EUR 118.4 million, up by 14.5 % on the previous year (EUR 103.4 million in 1998). Export and foreign business operations accounted for 48.5 % (45.3 % in 1998) of Group turnover. The Group's operating profit was EUR 7.6 million (EUR 11.0 million in 1998). The decline in profits resulted from increasingly stringent competition as well as rising production and marketing expenses. The consolidated balance sheet total on 31 December 1999 was EUR 66.2 million (EUR 52.4 million on 31 December 1998). The equity ratio was 44.0 % (55.5 % on 31 December 1998). Liquidity was good. Strong demand, competitive products as well as an efficient plant indicate favourable prospects for the coming year.

Turnover by Market Area

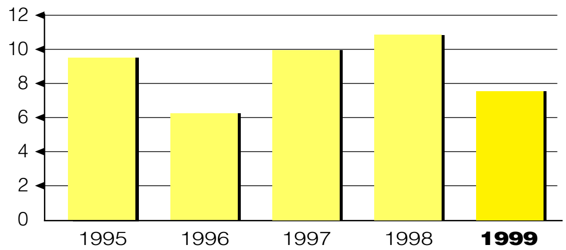


Key Indicators	1999	1998
Turnover, MEUR	118,4	103,4
Operating profit, MEUR	7,6	11,0
Profit before extraordinary items, MEUR	7,3	10,8
Earnings per share, EUR	1,69	2,13
Dividend per share, EUR	0,90 (1	0,84
Shareholders' equity per share, EUR	8,31	8,31
Equity ratio, %	44,0	55,5
Return on investment, % (ROI)	16,5	31,9
Average number of staff	482	394

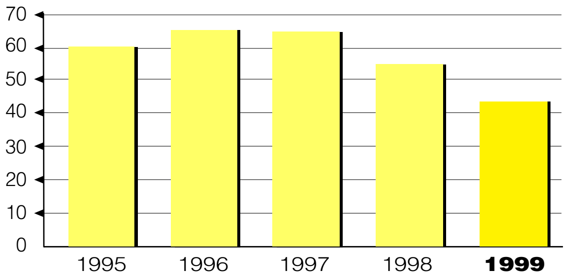
1) Proposal of the Board of Directors to the Annual General Meeting

Calculation of key figures is shown on page 9.

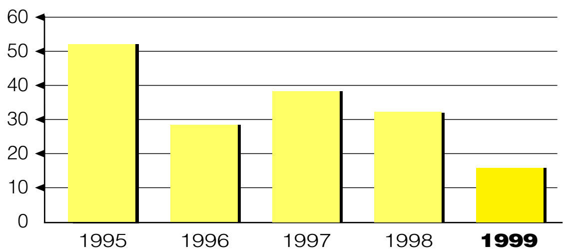
Profit Before Extraordinary Items, MEUR



Equity Ratio, %



Return on Investment, % (ROI)



REVIEW BY THE CHAIRMAN OF THE BOARD

From the perspective of forest machine manufacturers, the year under review was eventful. For Ponsse it was a period of growth. The construction of modernised production facilities at Vieremä was completed, and the new plant's festive opening ceremonies took place in May. The more than FIM 90 million invested in labour productivity and quality improvements has led to essential modifications in the factory´s equipment and working methods. Thanks to the 6,000 square metres of additional space built in connection with machinery investments, we now have excellent facilities and a plant in top condition.

Share prices in the metal industry have been fairly weak. On the other hand, a slight upturn is now discernible. For Ponsse's shareholders, this would indicate dividend growth for the last year. We intend to maintain our solid reputation as a generous payer of dividends.

The market situation at the start of the year appears to be extremely promising. Sales in North America and Central Europe have been brisk immediately following the change of century. Additionally, sales in domestic markets are currently favourable. Here we have the support of well-established and successful companies whose customer loyalty remains especially strong. In the forest machines sector, a significant transaction took place in late autumn when the American Deere & Company acquired Timberjack, the market leader in forest machinery cut-to-length harvesting. Consolidation in the industry is likely to continue. This trend is being accelerated by the breakthrough of a Scandinavian method of mechanised logging, the cut-to-length harvesting method, in the United States of America and Canada. At Ponsse, the arrival of Deere & Company in markets is viewed as a factor that will sharpen the competitive focus. From Ponsse's point of view, it must however be pointed out that we are not interested in the industry's ownership arrangements. On our own, we have grown significantly more rapidly than the field in general, and we believe that we will continue to succeed best as an independent company. In the forest machines industry, size has not guaranteed increased profitability. Rather the reverse has been the case.

Following last year's uncertainty, all indications point to a strong year for Ponsse. Production facilities have been built, distribution channels are becoming clear, products are sound and investments in after-sales marketing and information systems are already producing tangible results. The staff has demonstrated professionalism and flexibility throughout a difficult year, and for this they deserve special thanks.

Einari Vidgren

REVIEW BY THE PRESIDENT, CEO

Sales for the Ponsse Group developed favourably during the year under review. We continued to increase sales, even though the growth rates of previous years were not achieved. An approximately 15 % growth increase in fairly difficult market conditions can however be considered a respectable achievement.

Foreign operations and export grew to account for 48.5 % of turnover during the year. We have thus taken another step forward in our goal to expand operations outside Finland. The work performed by our own marketing companies and distributors has been praiseworthy. Our own companies are still fairly young and in their start-up phases. I am however firmly convinced that business in foreign countries will develop positively during the coming years as these operations become established.

Sales for Wahlers Forsttechnik GmbH, responsible for our distributors in German markets, has developed extremely well year by year. During the financial period, Germany was the entire Group's most significant export target when measured by quantity of new forest machines. For this, the Wahlers corporate family deserves our warmest thanks.

In key markets, Ponsse's export operations have been managed through our own companies. This has been necessary to achieve rapid growth and to create recognition for our product brands. In the future, retail distributors firmly committed to the sales of our products will more frequently handle the company's growing exports to new market areas. The decision already taken to establish a marketing branch in Canada had to be reconsidered. Because this area is so vast geographically, the best alternative will be to search for distributors already functioning in the area. Canadian operations will be initiated during the coming year.

From the standpoint of sales, the year under review was the most difficult since the early 1990s. The demand that had continued for several years slowed. Several forest machine manufacturers, Ponsse among them, anticipated increased sales volumes. Oversupply however dropped product prices, resulting in weaker profitability for the forest machinery industry in general as well as for our Group.

Besides strengthened marketing, the company's competitiveness also improved during the year in product sectors. Our products' technical properties and reliability have been Ponsse's main competitive advantages, but now the company's possibilities would also appear to be improving in price competition. Our extensive investments programme has just been completed, and the plant has been fully modernised. Effective working methods, both in the manufacture of structural components as well as in assembly, exploit what is undeniably the field's most up-to-date technology. Late last year, the company set a goal to reduce the prices of structures and purchased components. The initial results appear to be extremely encouraging.

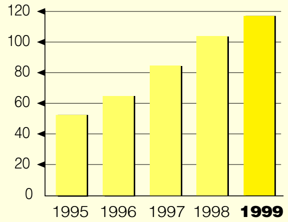
The year under review also witnessed furloughs. All machines budgeted for production were not completed, and approximately thirty of our Group's nearly five hundred employees were laid off. Now, at the end of January, furloughs have been rescinded for all but approximately ten persons.

Our core area of expertise, the maximum exploitation of timber and harvesting logistics, gained strength and attained significant footholds during the year. Many notable sawmill facilities in several target countries implemented future-oriented information technology projects in which Ponsse was one of the most important partners. As a consequence of these projects, our products' position will be stronger than ever. In this area we have clearly outperformed our main competitors.

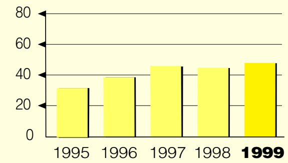
Based on the upturn in demand at the beginning of the year, as well as our improved competitiveness, I anticipate a slight growth in volume and significantly better profits. All the prerequisites for this are in place. I thank our customers and staff for the year under review.

Harri Suutari

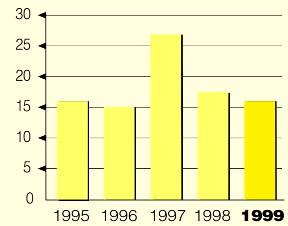
Turnover, MEUR



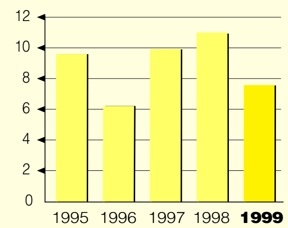
Foreign business operations and exports, %



Order stock, MEUR



Operating profit, MEUR



Operating Environment

Demand for forest machines fell at the end of 1998 and remained weaker than previously throughout most of the year under review. Markets however began to pick up slightly in the autumn. Sales of Ponsse's products increased allmost in all markets.

Contrary to expectations, the year 1999 was not a period of recession for the forest industry. Sales for industrial products remained favourable and felling continued at normal levels. Price development for the forest industry's end products was favourable towards the end of the year, and the initial uncertainty regarding machinery investments decreased.

Euro

The Euro became the official currency of the European Union's Economic and Monetary Union on 1 January 1999. Finland is a Member State of the Economic and Monetary Union. Consequently, Ponsse Oyj adopted the Euro as its accounting currency as of 1 January 1999.

Turnover

The year under review, 1999, was the Ponsse Group's 29th year of operation. The Group's turnover totalled EUR 118.4 million, up by 14.5 % on the previous year (EUR 103.4 million in 1998).

New products accounted for 65.2% (72.2% in 1998) of the financial year's turnover of EUR 118.4 million, and used forest machines accounted for 23.8 % (20.8 % in 1998) of turnover. After-sales activities accounted for 11.0 % (7,0 % in 1998) of turnover.

Export and foreign business operations grew strongly and accounted for 48.5 % (45.3 % in 1998) of Group turnover. The weak market situation in Sweden reduced the share of export and foreign business operations. New branches in Rovaniemi and Kouvola enhanced domestic sales growth.

During the year under review, new orders were obtained in the amount of EUR 117.4 million, up by 24.9 % on the previous year (EUR 94.0 million in 1998). The order book at the end of the financial year was EUR 16.0 million (EUR 17.5 million on 31.12.1998).

Profit

The Group's operating profit was EUR 7.6 million (EUR 11.0 million in 1998), accounting for 6.4 % (10.6% in 1998) of turnover. The decline in profits resulted from increasingly stringent competition as well as rising production and marketing expenses. Cost-cutting measures were initiated during the year under review. Profit before extraordinary items was EUR 7.3 million (EUR 10.8 million in 1998), accounting for 6.1 % (10.5 % in 1998) of turnover.

Profit after extraordinary items was EUR 4.4 million (EUR 10.8 million 1998). Customs charges and penalty duties in the amount of approximately USD 3.4 million i.e. EUR 3.3 million, demanded retroactively by U.S. Customs for forwarders exported to the United States of America during the period 1995 – 1998, have been entered into the Group's Profit and Loss Account as extraordinary expenses. In the financial statements for the year 1998, the expense in question had been estimated as an expenditure of FIM 2.3 million i.e. EUR 0.4 million.

The Group's profit for the financial year totalled EUR 3.1 million (EUR 7.5 million in 1998).

Balance Sheet

The consolidated balance sheet total on 31 December 1999 was EUR 66.2 million (EUR 52.4 million on 31 December 1998). Interest-bearing debt totalled EUR 25.0 million (EUR 11.0 million on 31 December). The equity ratio adjusted for deferred tax liability was 44.0 % (55.5 % on 31 December 1998), and liquidity was good. Cash assets totalled EUR 15.7 million (EUR 5.0 million on 31 December 1998). To maintain financing flexibility, Ponsse has the use of finance credit agreements in the amount of EUR 20.4 million.

Liabilities not shown on the balance sheet were halved during the financial year. The total of pledges, guarantees and repurchase agreements given as collateral for forest machine finances amounted to EUR 1.3 million on 31 December 1999 (EUR 2.4 million on 31 December 1998).

Capital Expenditure

The Group´s gross capital expenditure on fixed assets was EUR 4.4 million (EUR 8.5 million in 1998) of which EUR 4.1 million (EUR 8.5 million in 1998) was focused on intangible and tangible assets. Investments were financed with outside capital.

Key investments focused primarily on the Vieremä forest machine plant's production machinery and equipment. The most significant production investment was the expansion of the high warehouse system. The high warehouse's shelf lift serves component manufacturing's internal logistics, controlling goods traffic between machining, welding and surface treatment. Besides expediting logistics, the investment also improves inventories management and work safety.

During the year under review, an operational control system comprising all major marketing, manufacturing and financial administration functions for all group companies was taken into use. The purpose of investments was to improve the quality of operations and products while boosting efficiency.

Strengthening of Marketing

At the beginning of the financial year Ponsse Oyj opened a new service branch in Kouvola to handle servicing and spare parts services for the area's forest machines, as well as forest machine sales. Early in the year the company also opened a new branch in Jyväskylä. At the same time, the Tampere service branch moved to new modern facilities at Pirkkala. The measures implemented significantly enhance Ponsse's service capabilities in Finland.

Effective 1 May 1999, MSc. (Eng.) Tommi Lindbom (30) was named as the new President of Ponsse AB. Lindbom joined the Ponsse Group in 1995, subsequently functioning as a district manager in Ponsse Oyj's Southern Finland and Baltic areas. Lindbom assumed his new post after serving as the President of Ponsse UK Ltd. since 1 August 1998. At the end of the year Ponsse AB opened its first servicing location at Surahammar, located near Västerås, Sweden. Ponsse AB's head office and spare parts sales continue to be located at Västerås. The Surahammar service branch is an important factor in Ponsse AB's recent renewals. Ponsse AB's organisational effectiveness was boosted during the year by developing sales co-ordination and concentrating resources in machine maintenance and spare parts services. The organisational restructuring aims at improved customer services.

For its part, Ponssé S.A. opened its third branch, responsible for forest machine servicing and spare parts, as well as for sales of forest machinery, at Peyrat-Le-Chateau in Central France. Ponssé S.A.'s head office is located in Gondreville, in Northeastern France, with a second service branch at the Sabre plantation in Southern France.

Effective 1 May 1999, MSc. (For.) Hannu Tuukkala (34) was named as the new President of Ponsse UK Ltd. Tuukkala assumed his new position after serving as Ponsse Oyj's Export Manager in sales and marketing duties related to chemical and mechanical forest industries, both in Finland as well as abroad.

Ponsse's German distributor Wahlers Forsttechnik Gmbh took its services closer to its customers in Southern Germany by establishing a new branch at Uffenheim. Wahlers' head office is located in Northwestern Germany.

To boost the effectiveness of subsidiaries' operations Ponsse has decided to increase active Board participation.

Research and Development

A total of 51 staff (48 in 1998) were employed in the Group's product development work at the end of the financial year, accounting for 11.4% (10.7% in 1998) of the Group's personnel. The Group's product research and development expenses totalled EUR 2.3 million (EUR 1.9 million in 1998), accounting for 1.9 % (1,8 % in 1998) of Group turnover.

Product research and development costs for new product sales accounted for 2.9 % (2.5 % in 1998) of total sales.

During the year, product development for forest machines focused on improvements in machine models' reliability and efficiency of manufacture. Welded construction was replaced with casting and machining quality has been improved in production. The redesigned components are more durable and are produced more efficiently. Providing machines with such features as winch and bulldozer blade capabilities has expanded the product range of additional accessories.

The quality of harvesting operations has been improved with new controls for harvester cranes. Ponsse Cut, the crane's control system, significantly improves the quality of harvested logs by reducing crosscutting damage. According to a survey carried out by a Swedish research institute, Ponsse Cut eliminated significant harvester-related crosscutting damage entirely. The reduction of crosscutting damage has a direct economic effect on raw materials' added value.

In May, the company unveiled the Ponsse product family's newest addition, the Ponsse Barbo HS15 harvester. Economical from the standpoint of capital costs, Barbo is a modified harvester type intended for thinning use. Ponsse Barbo's cost-effectiveness now makes thinning profitable, and it also suits final felling. The machine's reception in markets was favourable.

Product development investments focused on forest machines' information systems and co-operation with contractors and forestry companies was stepped up. Upgraded Opti software, as well as the Optinet network solution for forest machinery, went into production during the year and were favourably received by customers.

The products' new equipment and software features form a sound basis for further development in the new millennium. Optinet makes possible the use of new-generation of hydraulic, power transmission and engine components. This means that Ponsse forest machines' features can be improved more economically.

Ponsse Opti's renewed optimization of log distribution makes it possible to automate customer-driven wood procurements, significantly boosting the working efficiency of machine contractors and forestry companies. Results obtained from Finnish research institutes and forestry companies have demonstrated the system's superiority.

The Opti system's interfaces with external systems have been developed and data transfer solutions suiting all customer groups are available. The fastest-growing data transfer mode is TCP/IP E-mail. Ponsse forest machinery has tested capabilities regarding the use of several Internet-based browsers. In the future these will accommodate, for example, company-specific quality assurance and environmental systems.

The three-dimensional virtual simulator developed by Ponsse for forest machinery is exploited in software development and driver training. The simulator accelerates software development and cuts costs by reducing the need to test upgrades in actual terrain.

Office software for contractors and forestry companies was upgraded during the year. The software offers increasingly diversified possibilities for the control and monitoring of machines' productivity from offices. Office software is being actively developed to meet growing demand.

Market demand is also expected to increase for a version of the Ponsse Load Optimizer scale specifically designed to weigh wood used in energy production.

Quality Assurance System

From 1994, Ponsse Oyj has had a quality system certified according to the ISO 9001/1994 quality assurance system. To further improve operational and product quality, the planning of a new quality assurance system began in autumn of 1998. The certification and classification society DNV Certification OY/AB certified Ponsse's renewed quality assurance system on 12 March 1999.

In the new process-based system, quality is measured and tracked for all operations using several indicators; information provided by these are used to control overall process operations. The attributes of the ISO 9001/2000 standard have been taken into account when the new quality assurance system was formulated.

An extensive training project related to quality development was the obtaining of EW (European Welder) vocational degrees for 52 welders. The effects of this training, as well as recent investments to improve product quality in machine and welding shops, were already apparent by the end of 1999.

Improvements in operational quality focused on the Vieremä and Kajaani production plants as well as the Iisalmi central warehouse's core processes. Measures focused primarily on data transfer and the development of operational compatibility.

Year 2000

Y2K problems did not appear in Ponsse's products as well as in any of the Group's information technology systems. The situation will continue to be monitored, even though the change-of-century proceeded as planned. Significant problems are however not expected in the future. Y2K-related projects have had no substantial cost effects.

Group Relations

Ponsse Oyj is the parent company of the Ponsse Group. The group also includes Ponsse AB in Västerås, Sweden; Ponsse AS Kongsvinger in Norway, Ponssé S.A. in Gondreville, France; Ponsse UK Ltd. in Beattock UK; and Ponsse USA, Inc. in Rhinelander Wisconsin, USA.

In September, Ponsse Oyj and the Kajaani-based Sunit Mobile Oy agreed to combine their vehicle-mounted computer operations. With the combination, Ponsse Oyj assigned the business operations in question to Sunit Mobile Oy and subscribed shares in Sunit Mobile Oy, giving Ponsse Oyj a 34.0 % holding of the company's shares and votes. The increase of share capital was entered into the trade register on 3 December 1999.

The combination resulted in the transfer of Ponsse Oyj's vehicle mounted computer staff, 10 persons, to the employ of Sunit Mobile Oy, enabling Ponsse to establish a secure framework for the further development of vehicle mounted computer operations, at the same time focusing company resources more effectively on the development of information systems for forest machines, such as the Ponsse Opti, that are vital to the company's business.

Management and Auditors

During the financial year, the members of Ponsse Oyj's Board of Directors were Einari Vidgrén (Chairman), Martti Huttunen, Ilkka Kylävainio (from 22 March 1999), Veikko Lesonen, Matti Luukkonen (until 22 March 1999), Harri Suutari and Mika Vidgrén.

Harri Suutari is the President, CEO of the company. In September of the year under review, Vice President and Stand-in President, CEO Tapio Nikkanen become an independent entrepreneur.

The members of the new Management team, on 8 February 2000, are Chairman of the Board Einari Vidgrén, President, CEO Harri Suutari, Chief Financial Officer Marko Karppinen, Head of Factory Heikki Ojala, President of Ponsse AB and Group´s Sales Director Tommi Lindbom, After Sales Manager Tapio Mertanen, Quality Manager Eero Väänänen, Communication Manager Juha Vidgrén as well as employee representative and chief shop steward Jari Aittokoski.

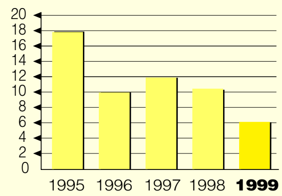
The company's auditors are the authorised public accountants SVH Pricewaterhouse Coopers Oy.

Outlook for the Current Year

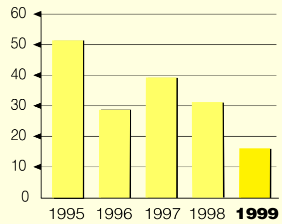
The year began very actively in forest machine markets. Storms in the southern parts of France and Germany felled approximately 140 million cubic metres of wood just before the end of the year. Demand for machines in this area has been extremely strong and sales of the Group's products in areas suffering storm damage has increased significantly. Demand in other markets has also remained brisk. Demand is expected to remain favourable at least during the start of the year.

Ponsse's turnover will grow slightly during the start of the new year. Noticeable improvement is expected regarding profits. Strong demand, competitive products as well as a modern and efficient production plant indicate favourable prospects.

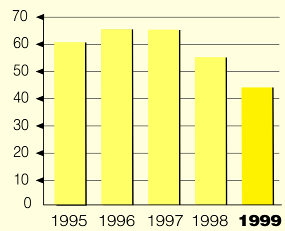
Operating profit, %



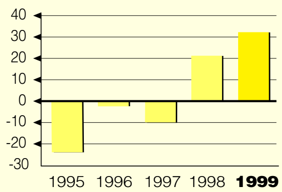
Return on investment -%



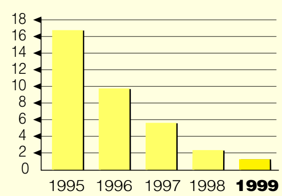
Equity ratio, %



Gearing, %



Customer financing liabilities, MEUR



FINANCIAL KEY INDICATORS

	1999	1998	1997	1996	1995
Extent of operations					
Turnover, TEUR	118,414	103,379	84,049	62,648	52,768
Change, %	14.5	23.0	34.2	18.7	33.0
Foreign business operations and exports, %	48.5	45.3	46.8	39.0	31.3
Research and development expenditure, TEUR	2,274	1,876	1,526	1,427	997
% of turnover	1.9	1.8	1.8	2.3	1.9
Gross capital expenditure on fixed assets, TEUR	4,385	8,536	3,282	1,730	2,656
% of turnover	3.7	8.3	3.9	2.8	5.0
Average number of staff	482	394	300	251	196
Turnover per employee, TEUR	246	262	280	250	269
Order stock, MEUR	16,0	17,5	26,9	15,0	16,0
Profitability					
Operating profit, TEUR	7,557	10,977	9,945	6,199	9,560
% of turnover	6.4	10.6	11.8	9.9	18.1
Profit before extraordinary items, TEUR	7,255	10,847	9,931	6,191	9,404
% of turnover	6.1	10.5	11.8	9.9	17.8
Profit after extraordinary items, TEUR	4,434	10,847	9,931	6,191	9,404
% of turnover	3.7	10.5	11.8	9.9	17.8
Profit for the financial year, TEUR	3,082	7,463	6,942	4,300	6,870
% of turnover	2.6	7.2	8.3	6.9	13.0
Return on equity (ROE), %	20.3	28.0	31.6	22.6	52.7
Return on investment (ROI), %	16.5	31.9	38.4	27.3	52.5
Financial position					
Current ratio	3.0	2.8	2.7	3.2	2.9
Equity ratio, %	44.0	55.5	65.2	65.4	60.8
Gearing, %	32.0	20.9	-10.2	-2.1	-24.5
Interest-bearing liabilities, TEUR	24,988	11,069	3,076	3,729	4,062
Interest-free liabilities, TEUR	12,091	12,245	10,451	6,008	7,149

KEY INDICATORS FOR SHARES

	1999	1998	1997	1996	1995
Earnings per share (EPS), EUR	1.69	2.13	1.98	1.21	2.03
Shareholders' equity per share, EUR	8.31	8.31	6.94	5.63	5.09
Nominal dividend per share, EUR	0.90 (1	0.84	0.76	0.67	0.67
Share-issue-adjusted dividend per share, EUR	0.90 (1	0.84	0.76	0.67	0.67
Dividend per earnings, %	53.3	39.4	38.2	55.5	33.2
Effective dividend yield, %	3.9	3.0	3.0	4.5	7.7
Price-earnings ratio (P/E)	13.6	13.3	12.7	12.4	4.3
Share prices					
Lowest of the year	18.02	25.23	14.55	8.58	8.41
Highest of the year	30.45	46.42	25.23	15.14	9.75
Closing price of the year	23.00	28.42	25.23	14.97	8.75
Average of the year	20.00	34.49	19.24	11.51	8.76
Market capitalisation, MEUR	80.5	99.5	88.3	52.4	30.6
Total dividends paid, MEUR	3.2 (1	2.9	2.6	2.4	2.4
Share turnover, number of shares	570,738	558,175	493,658	1,246,660	360,360
Share turnover, %	16.3	15.9	14.1	35.6	10.6
Weighted average share-issue-adjusted number of shares during the financial year	3,500,000	3,500,000	3,500,000	3,500,000	3,390,455
Share-issue-adjusted number of shares on the closing day	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000

1) The proposal of the Board of Directors to the Annual General Meeting.

CALCULATION OF KEY INDICATORS

1. Return on equity (ROE), %

$$\frac{\text{Result before extraordinary items - income taxes (incl. change in deferred tax liabilities and deferred tax assets)}}{\text{Shareholders' equity + minority interest (average)}} \times 100$$

2. Return on investment (ROI), %

$$\frac{\text{Result before extraordinary items + interest expenses and other financial expenses}}{\text{Balance sheet total - interest-free liabilities (average)}} \times 100$$

3. Equity ratio, %

$$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advance payments received}} \times 100$$

4. Gearing, %

$$\frac{\text{Interest-bearing liabilities – cash in hand and at banks and investments}}{\text{Shareholders' equity + minority interest}} \times 100$$

5. Average number of staff during financial year

The average of the month-end staff numbers. The calculation is adjusted for part-time employees.

6. Earnings per share (EPS)

$$\frac{\text{Result before extraordinary items - income taxes (incl. change in deferred tax liabilities and deferred tax assets) -/+ minority interest}}{\text{Average share-issue-adjusted number of shares during financial year}}$$

7. Shareholders' equity per share

$$\frac{\text{Shareholders' equity}}{\text{Share-issue-adjusted number of shares on closing day}}$$

8. Share-issue-adjusted dividend per share

$$\frac{\text{Dividend per share}}{\text{Adjustment coefficients for share issues after financial year}}$$

9. Dividend per earnings, %

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

10. Effective dividend yield, %

$$\frac{\text{Dividend per share}}{\text{Share-issue-adjusted closing price of financial year}} \times 100$$

11. Price per earnings (P/E)

$$\frac{\text{Share-issue-adjusted closing price of financial year}}{\text{Earnings per share}}$$

12. Market value of share capital

Number of shares on closing day x Share-issue-adjusted closing price of financial year

13. Share turnover, %

$$\frac{\text{Shares traded during financial year}}{\text{Average number of shares during financial year}} \times 100$$

The general instructions issued on 17 December 1999 by the Finnish Accounting Board for the preparation of financial statements, financial statements bulletins and interim reports referred to in resolution (390/1999) of the Finnish Ministry of Finance have been followed when calculating key indicators.

SHARE CAPITAL AND SHARES

According to the valid Articles of Association of Ponsse Oyj, the minimum share capital is FIM 14,000,000 and the maximum share capital is FIM 56,000,000, within which limits the share capital may be raised or decreased without amending the Articles of Association.

The company's share capital entered in the trade register totals FIM 17,500,000 and is divided into 3,500,000 shares, each having a par value of FIM 5.00. All shares are of the same series and each share entitles its holder to one vote in the shareholders' meeting and gives an equal right to dividends. All the company's shares are included in the book-entry securities system.

Ponsse Oyj has issued neither convertible bonds nor bonds with warrants nor option rights.

Own Shares

The company or its subsidiaries does not own the company's own shares. Ponsse Oyj's board is not currently authorised to acquire its own shares.

Increases in Share Capital 1994 - 1999

Subscription date	Method of increase	Par value (FIM)	Number of new shares	Increase in share capital (FIM)	New share capital (FIM)
31 Aug.1994	Bonus issue	5	1,300,000	6,500,000	14,800,000
9 - 22 March 1995	Bonus issue	5	148,000	740,000	15,540,000
9 - 22 March 1995	New issue targeted at general public	5	392,000	1,960,000	17,500,000

Authorisation to Raise Share Capital

The company's Board of Directors is not currently authorised to raise share capital or to issue convertible bonds or option rights.

Taxation of Shares

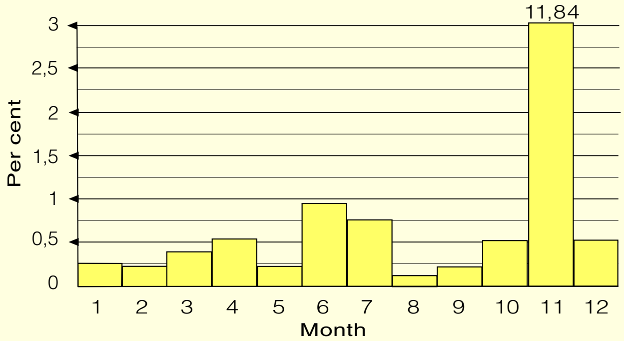
For the 1999 tax year in Finland, the confirmed taxation value of Ponsse Oyj's shares was EUR 16,80 per share.

Share Prices and Turnover

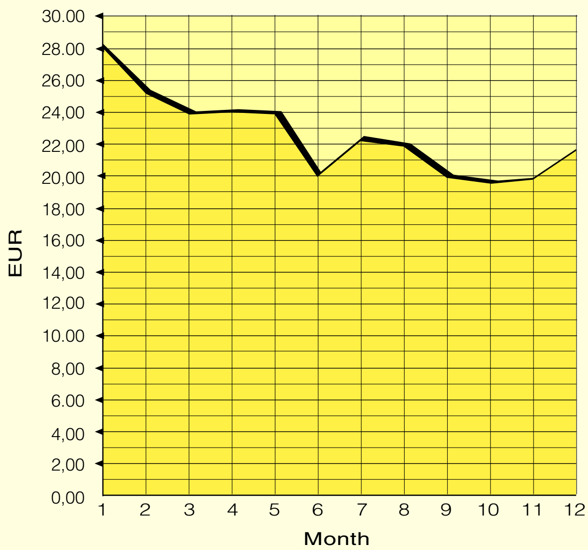
Ponsse Oyj is quoted on the main list of the Helsinki Exchanges. In the Helsinki Exchanges' transactions, the company's share code is PON1V.

Share turnover from 1 January to 31 December 1999 totalled 570,738 shares, accounting for 16.31 % of the total number of shares. The value of share turnover amounted to EUR 11.4 million. The lowest price of the year was EUR 18.02 and the highest was EUR 30.45. The closing share price on the last trading day of the financial year was EUR 23.00. The market value of the shares was EUR 80.5 million on 31 December 1999.

Monthly Relative Share Turnover in 1999



Average Monthly Share Price in 1999



SHAREHOLDERS

At the end of 1999, Ponsse Oyj had 1,029 shareholders. The number of nominee-registered and foreign-owned shares totalled 327,310, accounting for 9.35 % of the shares and votes.

Distribution of Share Ownership by Owner Category on 31 December 1999

Owner category	Number of shares	Percentage of shares and votes
Private enterprises	81,261	2.32
Financial institutions and insurance companies	59,010	1.69
Public enterprises	85,215	2.43
Non-profit organisations	14,795	0.42
Households	2,932,409	83.79
Abroad	327,310	9.35
Total	3,500,000	100.00

Distribution of Shareholders by Size of Shareholding on 31 December 1999

Shares per shareholder	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares and votes
1 - 100	487	47.32	33,161	0.95
101 - 1,000	469	45.58	169,959	4.86
1,001 - 10,000	54	5.25	139,298	3.98
10,001 - 100,000	15	1.46	502,722	14.36
over 100,001	4	0.39	2,654,860	75.85
Total	1,029	100.00	3,500,000	100.00

Shareholders on 31 December 1999

		Number of shares	Percentage of shares and votes
Einari Vidgrén	1,689,032		
Holdings comparable to ownership			
Jukka Vidgrén	19,240		
Total		1,708,272	48.81
Juha Vidgrén		338,784	9.68
Harri Suutari	315,000		
Holdings comparable to ownership			
Antti Suutari	100		
Elina Suutari	100		
Sari Suutari	100		
Total		315,300	9.01
Local Government Pensions Institution		78,000	2.23
Curt Lindbom		73,340	2.10
Mari Vidgrén		49,725	1.42
Mikko Vidgrén		49,427	1.41
Minna Vidgrén		44,725	1.28
Jonna Vidgrén		37,985	1.09
Soile Suutari		26,100	0.75
Nominee-registered shares		326,464	9.33
Other shareholders		451,878	12.89
Total		3,500,000	100.00

Management Shareholders

As of 31 December 1999, the members of the Board of Directors and the President owned a total of 2,036,922 shares of Ponsse Oyj, representing 58.20 % of the share capital and votes.

Insider Register

Ponsse Oyj's insider register pursuant to Section 5, Chapter 5 of the Securities Market Act is open to public inspection at Finnish Central Securities Depository Ltd., located at Eteläesplanadi 20, FIN-00130 Helsinki, Finland (P.O. Box 1260, FIN-00101 Helsinki, Finland).

Effective 1 March 2000, Ponsse Oyj will begin to comply with the new insider regulation approved by the Board of Directors of the Helsinki Exchanges by virtue of stock exchange regulation A6.24 on 28 October 1999.

Notifications to Disclose Pertaining to Section 9 of Chapter 2 of the Securities Market Act

During the year under review, the company filed three notifications to disclose pertaining to Section 9 of Chapter 2 of the Securities Market Act.

According to the first notifications to disclose, the percentage of votes and share capital owned by the estate of the decedent Esa Ilmari Vidgrén was, as of 1 April 1999 when the change in Section 9 of Chapter 2 of the Securities Marketing Act went into effect, 198,902 shares, representing 5.68 % of the votes and share capital for the company's single share type. The percentage of votes and the company's share capital owned by the estate of the decedent fell under 5 % on 13 April 1999, at which time the shares owned by the decedent's estate were distributed so that Mari, Minna and Jonna Vidgrén each received 49,725 shares, accounting for 1.42 % of the votes and share capital, and Mikko Vidgrén received 49,727 shares, accounting for 1.42 % of the votes and share capital.

According to the second notification to disclose, the total controlling holding of the company's votes and share capital held by Juha Vidgrén had, on 8 November 1999, exceeded one twentieth to stand at 338,784 shares, corresponding to 9.68 % of votes and share capital of the company's single share type.

According to the third notification to disclose, the total controlling holding of the company's votes and share capital held by Henderson Investors Limited had, on 8 November 1999, fallen to below one tenth to stand at 326,614 shares, corresponding to 9.33 % of votes and share capital of the company's single share type.

Redemption Obligation Clauses

According to Ponsse Oyj's by-laws, Section 14, a shareowner whose proportion of the company's entire share capital, or votes created by share capital, wither alone or together with other shareholders, achieves or exceeds an ownership share of 33 1/3 % or 50 %, shall be obligated, according to requirements set by shareholders, to redeem their shares as well as other securities entitled by the Companies Act, according to the more detailed instructions contained in company by-laws, Section 14.

Shareholder Agreements

Ponsse Oyj is not aware of any shareholder agreements related to the ownership of the company's shares or to the use of the right to vote that would essentially affect the share price.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Appendix[1]	1999 TEUR	1998 TEUR
Turnover	2, 3	**118,414**	**103,379**
Increase of decrease in stocks of finished goods and in work in progress		-532	843
Other operating income		406	427
Raw materials and services	4	-78,774	-67,212
Staff expenses	5, 6	-18,950	-15,853
Depreciation	8	-2,462	-1,619
Other operating charges		-10,545	-8,988
Operating profit		**7,557**	**10,977**
Share of results of associated undertakings	15.2	-47	0
Financial income and expenses	9	-255	-130
Profit before extraordinary items		**7,255**	**10,847**
Extraordinary items	10	-2,821	0
Profit after extraordinaty items		**4,434**	**10,847**
Direct taxes	12	-1,352	-3,384
Profit for the financial year		**3,082**	**7,463**

CONSOLIDATED BALANCE SHEET

ASSETS	Appendix[1]	1999 TEUR	1998 TEUR
Non-current assets			
Intangible assets	13.1	2,136	1,735
Tangible assets	13.2	16,024	14,954
Investments	13.3, 15	309	21
		18,469	**16,710**
Current Assets			
Stocks	16	21,209	22,474
Non-current receivables	17.1	34	103
Current receivables	17.2	10,776	8,111
Cash in hand and at banks		15,685	4,993
		47,704	**35,681**
Assets total		**66,173**	**52,391**

LIABILITIES	Appendix[1]	1999 TEUR	1998 TEUR
Capital and reserves	18		
Share capital		2,943	2,943
Share premium account		3,113	3,111
Translation difference		-99	17
Retained earnings		20,055	15,543
Profit for the financial year		3,082	7,463
		29,094	**29,077**
Creditors			
Non-current	20	21,015	10,361
Current	21	16,064	12,953
		37,079	**23,314**
Liabilities total		**66,173**	**52,391**

1) The Appendix refers to the Notes to the Accounts on pages 16-25.

CONSOLIDATED FUNDS STATEMENT

	1999 TEUR	1998 TEUR
Business operations:		
Operating profit	7,557	10,977
Depreciation and reduction in value	2,462	1,619
Unrealised exchange profits and losses	-5	0
Other adjustment items	-146	0
Cash flow before change in working capital	9,868	12,596
Change in working capital		
Increase (-)/ decrease (+) in current interest-free receivables	-2,022	-214
Increase (-)/ decrease (+) in stocks	1,265	-8,370
Increase (-)/ decrease (+) in current interest-free creditors	-207	2,489
Cash flow from operations before financial items and income taxes	8,904	6,501
Interest received	473	143
Interest paid	-577	-156
Other financial income and expenses	-15	-70
Income taxes paid	-2,105	-4,125
Cash flow before extraordinary items	6,680	2,293
Net cash inflow from operations' extraordinary items	-2,821	0
Net cash flow from operations (A)	**3,859**	**2,293**
Capital expenditure		
Investments in tangible and intangible assets	-4,050	-8,536
Income from sales of tangible and intangible assets	141	159
Investments in other financial assets	-335	0
Cash outflow for investments (B)	**-4,244**	**-8,377**
Financing		
Drawing of current creditors	5,220	1,907
Amortisation of current creditors	-1,846	-655
Increase (-)/ decrease (+) in interest-bearing receivables	31	177
Drawing of non-current creditors	17,116	8,722
Amortisation of non-current creditors	-6,570	-1,982
Increase (-)/ decrease (+) in non-current receivables	69	-5
Dividend distribution	-2,943	-2,649
Financing total (C)	**11,077**	**5,515**
Increase (+)/ decrease (-) in liquid assets (A+B+C)	**10,692**	**-569**
Liquid assets 1 January	4,993	5,562
Liquid assets 31 December	**15,685**	**4,993**

PONSSE OYJ PROFIT AND LOSS ACCOUNT

	Appendix[1]	1999 TEUR	1998 TEUR
Turnover	2, 3	**96,210**	**90,542**
Increase of decrease in stocks of finished goods and in work in progress		-467	184
Other operating income		464	331
Raw materials and services	4	-64,330	-59,480
Staff expenses	5, 6	-15,104	-13,131
Depreciation	8	-5,291	-1,199
Other operating charges		-7,836	-5,891
Operating profit		**3,646**	**11,356**
Financial income and expenses	9	626	299
Profit before appropriations and taxes		**4,272**	**11,655**
Appropriations	11	-194	-920
Direct taxes	12	-1,046	-3,128
Profit for the financial year		**3,032**	**7,607**

PONSSE OYJ BALANCE SHEET

ASSETS	Appendix[1]	1999 TEUR	1998 TEUR
Non-current assets			
Intangible assets	13.1	1,429	854
Tangible assets	13.2	15,326	14,286
Investments	13.3, 15	697	362
		17,452	**15,502**
Current assets			
Stocks	16	13,893	15,804
Non-current receivables	17.1	573	398
Current receivables	17.2	20,778	16,677
Cash in hand and at banks		11,986	3,120
		47,230	**35,999**
Assets total		**64,682**	**51,501**

LIABILITIES	Appendix[1]	1999 TEUR	1998 TEUR
Capital and reserves	18		
Share capital		2,943	2,943
Share premium account		3,102	3,102
Retained earnings		17,524	12,860
Profit for the financial year		3,032	7,607
		26,601	**26,512**
Appropriations	19	**4,655**	**4,461**
Creditors			
Non-current	20	19,601	9,060
Current	21	13,825	11,468
		33,426	**20,528**
Liabilities total		**64,682**	**51,501**

1) The Appendix refers to the Notes to the Accounts on pages 16-25.

PONSSE OYJ FUNDS STATEMENT

	1999 TEUR	1998 TEUR
Business operations		
Operating profit	3,646	11,356
Depreciation and reductions in value	5,291	1,199
Unrealised exchange profits and losses	-1,030	596
Other adjustment items	-28	0
Cash flow before change in workings capital	7,879	13,151
Change in working capital		
Increase (-)/ decrease (+) in current interest-free receivables	-2,688	-4,540
Increase (-)/ decrease (+) in stocks	1,910	-5,898
Increase (-)/ decrease (+) in current interest-free creditors	-981	2,980
Cash flow from operations before financial items and income taxes	6,120	5,693
Interest received	1,312	438
Interest paid	-560	-142
Other financial income and expenses	-24	-90
Income taxes paid	-1,606	-4,121
Net cash flow from operations (A)	**5,242**	**1,778**
Capital expenditure		
Investments in tangible and intangible assets	-3,674	-8,108
Income from sales of tangible and intangible assets	86	95
Investments in other financial assets	-3,625	-61
Cash outflow for investments (B)	**-7,213**	**-8,074**
Financing		
Drawing of current creditors	5,220	1,906
Amortisation of current creditors	-1,825	-632
Increase (-)/ decrease (+) in interest-bearing receivables	19	179
Drawing of non-current creditors	17,113	8,723
Amortisation of non-current creditors	-6,573	-1,931
Increase (-)/ decrease (+) in non-current receivables	-175	-27
Dividend distribution	-2,943	-2,649
Financing total (C)	**10,836**	**5,569**
Increase (+) / decrease (-) in liquid assets (A+B+C)	**8,865**	**-727**
Liquid assets 1 January	3,120	3,847
Liquid assets 31 December	**11,985**	**3,120**

1. Accounting Principles Applied

The consolidated financial statements have been prepared in accordance with the new Accounting Act (30.12.1997/1336) and Accounting Ordinance (30.12.1997/1339). The consolidated financial statements follow the new expense-specific Profit and Loss Account and Balance Sheet formats. The preparation of financial statements has for the substantial part adhered to the Accounting Board's general instruction (9.11.1999) concerning financial statements. The presentation for the year 1998's comparative information has been adjusted accordingly. These changes have no impact on the change in the liquid assets in the funds statement.

1.1 Change in accounting principles applied

Fixed assets

Fixed assets are shown in the Balance Sheet as acquisition costs from which have been deducted depreciation according to plan. Depreciation according to plan has been calculated by the straight-line method based on the economic life of the fixed assets. Depreciation periods are:

Intangible assets

Intangible rights	5	years
Goodwill	10	years
Other capitalised long-term expenses	5	years

Tangible assets

Buildings	20	years
Machinery and equipment	3 - 10	years.

Determination of stocks

Stocks are shown, in accordance with the lowest value principle, as the direct manufacturing or acquisition cost or likely selling price, whichever is the lower.

Cash in hand and at bank

Cash in hand and at bank includes cash money, bank accounts and liquid money market investments.

Research and development expenses

Research and development expenses have been recorded according to the year of their formation.

Guarantee expenses

The probable guarantee expenses concerning delivered forest machines have been recorded in current creditors.

Pension expenses

The statutory pension security for the Group's personnel has been arranged through pension insurance companies and there are no uncovered pension liabilities.

Taxes

Within the Group, taxes determined on the basis of the parent company's and subsidiaries' results or dividend distribution have been recorded on an accrual basis.

1.2 Foreign currency items

Foreign currency items have been translated into euros at the rates quoted at the balance sheet date, except for EMU currencies, which have been translated into euros at the official exchange rates confirmed on 31 December 1998.

1.3 Accounting principles for consolidated accounts

Extent of consolidated accounts

Consolidated accounts include, besides the parent company, all those companies in which over 50% of the votes are directly or indirectly owned by the parent company at the end of the accounting period.

Associated undertakings' account information has been combined with consolidated accounts using the equity method. Associated undertakings are companies in which 20 - 50 % of the votes are directly or indirectly owned by the parent company.

More detailed information concerning Group companies and associated companies are provided in the following notes to the accounts, section "Shares and rights of ownership".

Calculation principles for consolidated accounts

Internal shareholding

The consolidated financial statements have been prepared in accordance with the purchase method. The acquisition cost in excess of the shareholders' equity of each subsidiary at the date of acquisition is presented in the balance sheet under goodwill, which will be depreciated over 10 years according to plan.

Internal business transactions and balances

The Group's internal business transactions, internal receivables and creditors, unrealised margins of internal deliveries and internal profit distribution have been eliminated.

Depreciation difference

The depreciation difference is recorded in the Consolidated Balance Sheet itemised by capital and reserves and deferred tax liability.

Minority interests

Minority interests are separated from the Group's equity and profits and are presented as a separate item.

Translation differences

The profit and loss accounts of Group companies abroad have been translated into euros at the middle rate quoted during the financial year and the balance sheets at the rates quoted at the balance sheet date. Like the translation differences in shareholders' equity, the translation differences arising appear as a separate item under shareholders' equity.

Associated undertakings

Consolidated accounts include the Group's share of associated undertakings' profits. Depreciation on the goodwill arising from the acquisition of associated undertakings is included in the share of the results of associated undertakings. The proportion of an associated undertakings shareholder's equity at the acquisition date corresponding to that owned by the group, adjusted by the changes in shareholders' equity taking place after the shares were acquired, is included in holdings in participating interests in the balance sheet.

Deferred tax liabilities and assets

An income tax adjustment equivalent to the elimination of uncapitalised margins on deliveries of new products within the Group has been treated for the first time as a deferred tax assets arising from consolidation measures in the consolidated financial statements. This complies with the general instructions concerning deferred tax liabilities and assets issued on 11 January 1999.

2. Turnover by Market Area

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Finland	60,928	56,574	60,923	56,890
Other countries	57,486	46,805	35,287	33,652
Total	118,414	103,379	96,210	90,542

3. Market Areas' Share of Turnover

	Group	
	1999 %	1998 %
Finland	51.5	54.7
Rest of Europe	36.7	38.0
United States of America	9.9	7.1
Other countries	1.9	0.2
Total	100.0	100.0

4. Raw Materials and Services

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Raw materials and consumables				
Purchases during the period	77,166	75,170	62,886	65,194
Increase in stocks	1,608	-7,958	1,444	-5,714
Materials and services total	78,774	67,212	64,330	59,480

5. Staff Expenses

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Wages and salaries	14,701	12,347	11,690	10,234
Pension expenses	1,827	1,549	1,673	1,452
Other staff expenses	2,422	1,957	1,741	1,445
Total	18,950	15,853	15,104	13,131

Staff expenses include both compulsory and voluntary staff costs on accrual basis.

6. Management Wages and Salaries

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Presidents	1,007	754	337	224
Board members	69	73	69	73
Pension expenses	98	98	84	61
Other staff expenses	153	133	51	42
Total	1,327	1,058	541	400

Management wages and salaries include both compulsory and voluntary staff costs on accrual basis. Presidents' wages and salaries include wages and salaries for the parent company´s Stand-in President. The minimum retirement age for the parent company´s President, CEO is 58 years according to voluntary retirement insurance.

7. Staff

7.1 Average number of staff	Group 1999 persons	Group 1998 persons	Parent Company 1999 persons	Parent Company 1998 persons
Employees	289	245	242	215
Clerical personnel	193	149	168	127
Total	482	394	410	342

7.2 At end of financial year	Group 1999 persons	Group 1998 persons	Parent Company 1999 persons	Parent Company 1998 persons
Employees	277	287	224	250
Clerical personnel	172	162	148	139
Total	449	449	372	389

8. Depreciation and Reduction in Value

	Group 1999 TEUR	Group 1998 TEUR	Parent Company 1999 TEUR	Parent Company 1998 TEUR
Depreciation according to plan	2,462	1,619	2,000	1,199
Reduction in value of fixed assets and non-current investments	0	0	3 291	0
Total	2,462	1,619	5,291	1 199

The Parent Company's reductions in value for fixed assets and other non-current investments for the year 1999 includes the write-down of EUR 3,291 thousand, made on Ponsse USA Inc.'s shares resulting from customs matters, entered as group´s extraordinary expenses. A specification of depreciation by balance sheet item is contained in article ''13. Fixed assets and other non-current investments''.

9. Financial Income and Expenses

	Group 1999 TEUR	Group 1998 TEUR	Parent Company 1999 TEUR	Parent Company 1998 TEUR
Other interest and financial income				
From group companies				
Interest income	-	-	921	449
From others				
Interest expenses	473	143	425	130
Other financial income	27	21	18	2
Total	500	164	1,364	581
Interest and other financial expenses				
For others				
Interest expenses	713	203	696	190
Other financial expenses	42	91	42	92
Total	755	294	738	282
Financial income and expenses total	-255	-130	626	299

10. Extraordinary Items

	Group 1999 TEUR	Group 1998 TEUR	Parent Company 1999 TEUR	Parent Company 1998 TEUR
Extraordinary expenses	3,254	0	0	0
Income taxes	433	0	0	0
Total	2,821	0	0	0

The Group's extraordinary expenses for the year 1999 include retroactive customs charges and penalty duties totalling EUR 3,254 thousand for forwarders exported to the United States of America during the period 1995 - 1998.

11. Appropriations

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Increase in depreciation reserve	-	-	-194	-920

12. Direct Taxes

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Income taxes	1,547	3,132	1,046	3,128
Increase in deferred tax liability	108	252	-	-
Increase in tax assets	-303	0	-	-
Total	1,352	3,384	1,046	3,128

13. Fixed assets and other non-current investments

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
13.1 Intangible Assets:				
Formation expenses				
Acquisition cost 1 Jan.	51	38	51	38
Increases	34	13	34	13
Acquisition cost 31 Dec.	85	51	85	51
Accumulated depreciation 1 Jan.	-15	-7	-15	-7
Depreciation for the financial year	-15	-8	-15	-8
Accumulated depreciation 31 Dec.	-30	-15	-30	-15
Book value 31 Dec.	55	36	55	36
Goodwill				
Acquisition cost 1 Jan. and 31 Dec.	2,219	2,219		
Accumulated depreciation 1 Jan.	-1,366	-1,136		
Depreciation for the financial year	-231	-230		
Accumulated depreciation 31 Dec.	-1,597	-1,366		
Book value 31 Dec.	622	853		
Other capitalised long-term expenses				
Acquisition cost 1 Jan.	1,307	719	1,589	1,014
Foreign Exchange Profits and Losses	4	-2	0	0
Increases	785	590	756	575
Transfers between items	58	0	0	0
Acquisition cost 31 Dec.	2,154	1,307	2,345	1,589
Accumulated depreciation 1 Jan.	-461	-332	-771	-663
Foreign Exchange Profits and Losses	-1	-13	0	0
Accumulated depreciation on transfers	-14	0	0	0
Depreciation for the financial year	-219	-116	-200	-108
Accumulated depreciation 31 Dec.	-695	-461	-971	-771
Book value 31 Dec.	1,459	846	1,374	818

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
13.2 Tangible Assets:				
Land and waters				
Acquisition cost 1 Jan.	332	200	332	200
Increases	0	132	0	132
Acquisition cost and book value 31 Dec.	332	332	332	332
Buildings				
Acquisition cost 1 Jan.	8,899	5,589	8,899	5,589
Increases	1,080	3,310	1,080	3,310
Acquisition cost 31 Dec.	9,979	8,899	9,979	8,899
Accumulated depreciation 1 Jan.	-1,782	-1,452	-1,782	-1,451
Depreciation for the financial year	-523	-330	-523	-331
Accumulated depreciation 31 Dec.	-2,305	-1,782	-2,305	-1,782
Revaluation	841	841	841	841
Book value 31 Dec.	8,515	7,958	8,515	7,958

A revaluation in the amount of EUR 841 thousand was made 31 August 1998 to the Parent Company's business premises located at Vieremä. Depreciation has not been made for the revaluation. The revaluation includes an deferred tax liability of EUR 244 thousand. The revaluation has been made on the legislation then in effect because the premises' likely sales price is permanently and substantially larger than the acquisition cost.

According to the Finnish Act concerning increased depreciation on investments in development areas (17 December 1993/1262), increased depreciation has been made on production facility investments in 1997. The amount of this depreciation is the maximum amount of the depreciation prescribed in the Finnish Act concerning business income taxation plus a further 50 per cent. The Group's and Parent Company's additional depreciation is EUR 22 thousand (EUR 26 thousand in 1998).

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Machinery and equipment				
Acquisition cost 1 Jan.	9,763	5,796	8,837	5,154
Foreign Exchange Profits and Losses	102	-38	0	0
Increases	2,333	4,164	2,082	3,779
Decreases	-116	-159	-58	-96
Transfers between items	-58	0	0	0
Acquisition cost 31 Dec.	12,024	9,763	10,861	8,837
Accumulated depreciation 1 Jan.	-3,572	-2,757	-3,316	-2,620
Foreign Exchange Profits and Losses	-39	36	0	0
Accumulated depreciation on decreases and transfers	83	84	41	57
Depreciation for the financial year	-1,474	-935	-1,262	-753
Accumulated depreciation 31 Dec.	-5,002	-3,572	-4,537	-3,316
Book value 31 Dec.	7,022	6,191	6,324	5,521

The book value of production machinery and equipment included in the Group's and Parent Company's machinery and equipment on 31 December 1999 was EUR 4,948 thousand (EUR 4,062 thousand on 31 December 1998).

According to the Finnish Act concerning increasing depreciation on investments in development areas (17 December 1993/1262), increased depreciation has been made on productional machine and equipment investments in 1997. The amount of this depreciation is the maximum amount of the depreciation prescribed in the Finnish Act concerning business income taxation plus a further 50 per cent. The Group's and Parent Company's additional depreciation is EUR 14 thousand (EUR 44 thousand in 1998).

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Advance payments and construction in progress				
Acquisition cost 1 Jan.	473	231	473	231
Increases	980	473	980	473
Decreases	-1,298	-231	-1,298	-231
Acquisition cost and book value 31 Dec.	155	473	155	473

13.3 Investments

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Holdings in group companies				
Acquisition cost 1 Jan.	-	-	341	280
Increases	-	-	3,291	61
Acquisition cost 31 Dec.	-	-	3,632	341
Accumulated depreciation 1 Jan.	-	-	0	0
Reduction in value	-	-	-3,291	0
Accumulated depreciation 31 Dec.	-	-	-3,291	0
Book value 31 Dec.	-	-	341	341
Participating interests				
Acquisition cost 1 Jan.	0	0	0	0
Increases	335	0	335	0
Acquistion cost 31 Dec.	335	0	335	0
Accumulated depreciation 1 Jan.	0	0	0	0
Depreciation for the financial year	-47	0	0	0
Accumulated depreciation 31 Dec.	-47	0	0	0
Book value 31 Dec.	288	0	335	0

See Article 15.2.

	Group		Parent Company	
Other shares and similar rights of ownership				
Acquisition cost 1 Jan.	21	21	21	21
Decreases	0	0	0	0
Acquisition cost and book value 31 Dec.	21	21	21	21

14. Taxation values of fixed assets

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Land and waters	209	209	209	209
Buildings	5,892	4,883	5,892	4,883
Shares and similar rights of ownership	414	76	420	417

Where the taxation value has not been available, the book value is presented.

15. Shares and similar rights of ownership

15.1 Group companies

Name and location	Group's and parent company´s percentage of shares and votes %	Number of shares	Shares owned by Parent Company Par value	Book value (EUR)
Ponsse AB, Västerås, Sweden	100.00	5,000	500,000.00 SEK	72,744.98
Ponsse AS, Kongsvinger, Norway	100.00	500	500,000.00 NOK	61,237.22
Ponssé S.A., Gondreville, France	99.20	992	496,000.00 FRF	71,717.22
Ponsse UK Ltd., Glasgow, United Kingdom	100.00	50,000	50,000.00 GBP	61,254.04
Ponsse USA, Inc., Georgia, U.S.A.	100.00	50,000	100,000.00 USD	73,642.77
Group companies total				340,596.23

15.2 Associated undertakings

Name and location	Group's and parent company´s percentage of shares and votes %	Number of shares	Shares owned by Parent Company Par value	Book value (EUR)
Sunit Mobile Oy, Kajaani, Finland	34.00	3,400	10,200.00 EUR	334,671.28
Associated undertakings total				334,671.28

According to the financial statementes prepared for Sunit Mobile Oy for the period 1 February - 31 December 1999, the company´s capital and reserves are EUR 833 thousand and the profit for the financial year was EUR 432 thousand. The goodwill value of TEUR 47 thousand arising in connection with the acquisition of the associated company has been entered into the Consolidated Profit and Loss Account as ''Share of results of associated undertakings".

15.3 Other shares and similar rights of ownership

	Shares owned by Parent Company Book value (EUR)
Other shares and similar rights of ownership	21,470.20
Shares and similar rights of ownership owned by parent company, total (15.1 + 15.2 + 15.3)	696,737.71
Shares and similar rights of ownership owned by group	309,279.72

16. Stocks

	Group 1999 TEUR	Group 1998 TEUR	Parent Company 1999 TEUR	Parent Company 1998 TEUR
Raw materials and consumables	12,079	12,864	9,702	11,069
Work in progress	168	509	168	509
Finished products/Goods	1,063	1,041	113	239
Other stocks	7,899	8,060	3,910	3,987
Total	21,209	22,474	13,893	15,804

17. Receivables

17.1 Non-current	Group 1999 TEUR	Group 1998 TEUR	Parent Company 1999 TEUR	Parent Company 1998 TEUR
Receivables from group companies				
Loan receivables	-	-	565	324
Delivery credit receivables	26	95	0	66
Loan receivables	8	8	8	8
Non-current total	34	103	573	398

17.2 Current	Group 1999 TEUR	Group 1998 TEUR	Parent Company 1999 TEUR	Parent Company 1998 TEUR
Trade receivables	9,689	7,497	4,105	3,635
Receivables from group companies				
Trade receivables	-	-	16,101	12,802
Delivery credit receivables	145	178	103	122
Loan receivables	15	13	0	0
Other receivables	149	238	75	92
Prepayments and accrued income				
Tax receivables	380	50	366	0
Contributions receivable	25	6	25	6
Other prepayments and accrued income	70	129	3	20
Total	475	185	394	26
Deferred tax assets				
Tax assets resulting from consolidation	303	0	0	0
Current total	10,776	8,111	20,778	16,677

18. Capital and Reserves

	Group 1999 TEUR	Group 1998 TEUR	Parent Company 1999 TEUR	Parent Company 1998 TEUR
Restricted equity				
Share capital 1 Jan and 31 Dec.	2,943	2,943	2,943	2,943
Share premium account 1 Jan.	3,111	3,109	3,102	3,102
Transfer from nonrestricted equity	0	3	0	0
Foreign exchange profits and losses	2	-1	0	0
Share premium account 31 Dec.	3,113	3,111	3,102	3,102
Total restricted equity	6,056	6,054	6,045	6,045
Translation difference	-99	17	0	0
Nonrestricted equity 1 Jan.				
Retained earnings 1 Jan.	23,006	18,194	20,467	15,509
Dividend distribution	-2,943	-2,649	-2,943	-2,649
Transfer to share premium account	0	-3	0	0
Foreign exchange profits and losses	-8	1	0	0
Retained earnings 31 Dec.	20,055	15,543	17,524	12,860
Profit for the period	3,082	7,463	3,032	7,607
Nonrestricted equity total	23,137	23,006	20,556	20,467
Capital and reserves total	29,094	29,077	26,601	26,512
Portion of deprecration reserve and untaxed reserves booked under shareholders' equity	3,326	3,216	-	-
Distributable funds from nonrestricted equity	19,811	19,790	20,556	20,467

Ponsse Oyj's share capital 31 December 1999 was FIM 17,500,000 and was divided into 3,500,000 shares, each having a par value of FIM 5.00. All shares are of the same series and each share entitles its holder to one vote in the shareholders' meeting and gives an equal right to dividends.

Ponsse Oyj has no outstanding convertible bonds, bonds with warrants or options. The company and its subsidiaries do not hold the company's own shares. The company's Board of Directors is not currently authorised to raise share capital or to issue convertible bonds or bonds with warrants.

19. Appropriations

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Depreciation reserve	-	-	4,655	4,461

20. Non-current Creditors

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Loans from credit institutions	19,269	8,694	19,214	8,644
Pension loans	387	416	387	416
Deferred tax liability	1,359	1,251	-	-
Non-current total	21,015	10,361	19,601	9,060

Debts payable after five years or longer.

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Loans from credit institutions	4,403	2,117	4,403	2,117
Pension loans	290	311	290	311
Total	4,693	2,428	4,693	2,428

21. Current Creditors

	Group		Parent Company	
	1999 TEUR	1998 TEUR	1999 TEUR	1998 TEUR
Loans from credit institutions	5,303	1,927	5,274	1,876
Pension loans	29	31	29	31
Trade creditors	4,645	5,059	3,773	4,270
Creditors for group companies				
Accruals and deferred income	-	-	75	209
Other creditors	1,692	1,466	801	902
Accruals and deferred income				
Staff cost creditors	2,253	2,587	2,041	2,424
Interest creditors	217	81	217	81
Income tax liability	50	194	0	192
Accruals and deferred income in respect of stocks	439	387	439	387
Other accruals and deferred income	1,436	1,221	1,176	1,096
Total	4,395	4,470	3,873	4,180
Current Total	16,064	12,953	13,825	11,468

22. Given Pledges, Contingent Liabilities and other Liabilities

22.1 For own debt

Debts for which mortgages have been pledged as collateral	Group 1999 TEUR	Group 1998 TEUR	Parent Company 1999 TEUR	Parent Company 1998 TEUR
Loans from credit institutions	12,667	3,006	12,667	3,006
Given mortgages on land and buildings	3,409	2,232	3,409	2,232
Given chattel mortgages	2,388	1,211	2,388	1,211
Mortgages given as pledges total	5,797	3,443	5,797	3,443

22.2 Leasing commitments

	Group 1999 TEUR	Group 1998 TEUR	Parent Company 1999 TEUR	Parent Company 1998 TEUR
Nominal amount of leasing payments falling due next year	286	161	50	36
Nominal amount of leasing payments falling due in subsequent years.	298	221	62	69
Total	584	382	112	105

22.3 Contingent liabilities on Behalf of Group Companies

	Group 1999 TEUR	Group 1998 TEUR	Parent Company 1999 TEUR	Parent Company 1998 TEUR
Guarantees given on behalf of group companies	-	-	94	86

22.4 Other Contingent Liabilities

	Group 1999 TEUR	Group 1998 TEUR	Parent Company 1999 TEUR	Parent Company 1998 TEUR
Guarantees given on behalf of others	645	610	585	610
Repurchase commitments	638	1,779	514	1,166
Total	1,283	2,389	1,099	1,776

The guarantees and repurchase commitments given on behalf of others are related to machines sold to contractors. The security for the above-mentioned liabilities consisted of 32 forest machines on 31 December 1999 (39 forest machines on 31 December 1998).

22.5 Other liabilities

There is no liability caused by derivative contracts.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISPOSAL OF PROFIT

The parent company's distributable funds totals EUR 20,555,477.01. The consolidated Balance Sheet shows distributable funds of EUR 19,811,000.00.

The Board of Directors proposes that the distributable funds be disposed as follows:

- dividend of EUR 0.90 per share to be paid to shareholders, totalling	EUR 3,150,000.00
- shareholders' equity to be left	EUR 17,405,477.01
	EUR 20,555,477.01

The matching date for dividend payments is 21 March 2000. The dividend will be paid 28 March 2000.

Vieremä, 8 February 2000

Einari Vidgrén

Harri Suutari
President, CEO

Martti Huttunen

Ilkka Kylävainio

Veikko Lesonen

Mika Vidgrén

AUDITOR'S REPORT

To the Shareholders of Ponsse Corporation

We have audited the accounting, the financial statements and the corporate governance of Ponsse Corporation for the financial year 1999. The financial statements prepared by the Board of Directors and the Managing Director include, both for the group and the parent company, a report on operations, an income statement, a balance sheet and notes to the accounts. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with the Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent the company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial year audited by us. The proposal by the Board of Directors regarding the distributable profits is in compliance with the Companies' Act.

Helsinki, February 9, 2000

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Liisa Mononen
Authorised Public Accountant

BOARD OF DIRECTORS 8 FEB. 2000

Chairman

Einari Vidgrén (57)
Founder and Director of Ponsse Oyj
Chairman of the Board since 1993

Members

Martti Huttunen (65)
MSc. (Econ.)
Authorised Public Accountant, President of Iisalmen Teollisuuskylä Oy
Rector of Iisalmi Commercial College 1971 - 1977
President of IS-Yhtymä 1977 - 1992
Member of Ponsse Oyj Board since 1995

Ilkka Kylävainio (53)
Technician
President and Chairman of the Board of Keitele Forest Oy
Board Member of Suomen Sahat r.y.
Board Member of Puuinfo Oy
Chairman of the Supervisory Board of Savon Energia Holding Oy
Member of Ponsse Oyj Board since 1999

Veikko Lesonen (42)
Mechanical Technician
JOT Automation Group Oyj, Chairman of the Board
Founder of JOT Automation Oy
Member of Ponsse Oyj Board since 1998

Harri Suutari (40)
BSc. (Eng.)
President, CEO, Ponsse Oyj
Founder and President, CEO of Kajaani Automatiikka Oy 1984 - 1994
Member of Ponsse Oyj Board since 1995

Mika Vidgrén (39)
Doctor of Pharmacology, Docent
Professor at University of Kuopio
Activities at Orion medicine plant 1983 - 1995 and Astra Draco AB from 1996 in tasks relating to research, product development and commercial product applications.
Member of Ponsse Oyj Board since 1996

The Board of Directors was elected in the General Meeting held 22 March 1999.

Selection of Board Members

According to its Articles of Association, Ponsse Oyj's Board of Directors consists of no less than five, and no more than eight, members. Board members are elected primarily at the Annual General Meeting on a date before the last day of June determined by the Board of Directors. The Board member's term expires at the next Annual General Meeting. The Board elects a Chairman from among its members for one term at a time.

Board Meetings

In 1999 the Board convened 17 times. Of these meetings, nine were telephone conferences.

Wages and Salaries

During 1999 wages and salaries totalling EUR 66,701.99 were paid to the Chairman of the Board. Wages paid to the Board's outside members totalled EUR 13,455.03. Wages and salaries paid to the President, CEO totalled EUR 123,651.76.

MANAGEMENT 8 FEB. 2000

President, CEO

Harri Suutari (40)
BSc. (Eng.)
President, CEO since 1994

The President, CEO was elected in the General Meeting held 5 December 1994.

Management team

Einari Vidgrén (57)
Founder of Ponsse Oyj and Chairman of the Board
Employed by Ponsse since 1970

Harri Suutari (40)
BSc. (Eng.)
President, CEO
Employed by Ponsse since 1984

Marko Karppinen (28)
MSc. (Econ.)
Chief Financial Officer
Employed by Ponsse since 1994

Heikki Ojala (42)
Head of Factory
Employed by Ponsse since 1992

Tommi Ruha (30)
MSc. (For.)
Director of Information Systems
Employed by Ponsse since 1995

Tommi Lindbom (30)
MSc. (Eng.)
Group´s Sales Director,
President of Ponsse AB
Employed by Ponsse since 1995

Eero Väänänen (44)
MSc. (Eng.)
Quality Manager
Employed by Ponsse since 1981

Tapio Mertanen (34)
Technician
After Sales Manager
Employed by Ponsse since 1994

Juha Vidgrén (29)
MSc. (Educ.)
Communication Manager
Employed by Ponsse since 1998

Jari Aittokoski (39)
Shop Steward, Representative of Staff
Employed by Ponsse since 1995

Presidents of subsidiaries

Ponsse AB
MSc. (Eng.)
Tommi Lindbom (30)
President since 1999

Ponsse AS
Agriculture and Forestry Technician
Lyder Hove Ellevold (55)
President since 19988

Ponssé S.A.
MSc. (Eng.)
Heikki Tallgren (34)
President since 1995

Ponsse UK Ltd.
MSc. (For.)
Hannu Tuukkala (34)
President since 1999

Ponsse USA, Inc.
MSc. (For.)
Juhapekka Mutanen (43)
President since 1997

Auditors

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountant Liisa Mononen

COMPANY, PRODUCTS AND MARKETS

Business Mission and Strategy

Ponsse Oyj's business mission is to develop and market more effective and more durable forest machinery for the cut-to-length method of mechanised logging. Besides efficiency and durability, the company's goal with respect to premium products is to offer its customers more added value-producing features than are found in other machines on the market. The company aims to keep its production's quality level high by for the most part designing and manufacturing the most essential components itself.

Family-based entrepreneurship is highly valued at Ponsse Oyj. The company strives to maintain close contact with its customers and markets its products independently through its own organisation or through representatives committed to Ponsse's operations and products.

Operational emphasis is in current market areas. The company does not seek alliances, aiming at growth within the framework of its resources and positive cash flow. Through its business practices, the Group seeks to provide its employees with challenging and full-time work. The goal is to enhance the financial standing of shareholders, customers and employees while maximising the return on investment.

Branch of Business

The Ponsse Group manufactures forest machines for cut-to-length harvesting: harvesters and forwarders, information technology related to wood harvesting and scales. The product range of forest machines includes two harvesters and three forwarders. In the cut-to-length method, the harvester fells, delimbs and cuts the tree trunks into logs. The forwarder performs the short distance transport of the logs to forest lorries for further transport.

Nearly 30% of the world's mechanical logging is carried out as cut-to-length harvesting. Machines designed for cut-to-length harvesting were first developed in Scandinavia, where they currently account for over 90 % of annual felling. The machines developed during the 1960s and 1970s, evolving from forest transport machines based on farm tractors to skidders, and then to the modern forest tractor. Forest transport accelerated mechanised felling work, and harvesters, capable of felling, delimbing and cutting logs according to customer-specific size and quality requirements while still in the forest, were built in the wake of the forwarders.

Forest machines designed for the cut-to-length method have also increased their share of mechanical logging in other market areas. Compared to other methods, the advantages of cut-to-length harvesting include high work productivity and low environmental impact. Mechanised wood harvesting using the cut-to-length method also allows wood from small stands to be thinned and rationally marked for cutting. Wood can be utilised more precisely, and small-diameter timber can be harvested economically.

The measurement devices developed for use in machines enable wood measurement and the optimal felling of trunks to be carried out to customer orders already in the forest. Wood handling is reduced and different assortments can be transported directly to the appropriate production plants.

The productivity per machine unit is high. The method's economy is increased significantly by the less manpower needed compared to the competing full-tree method, which normally requires twice the amount of manpower and machinery to carry out the same tasks.

Besides forest machines and information technology for wood harvesting, Ponsse also has scale products for forwarders and trucks.

Products

Ponsse has concentrated its production specifically on more demanding harvester technology, as well as the design and production of its related information technology. Product features include high productivity and reliability, as well as a high utilisation of information technology providing added value.

In designing the 16-tonne Ergo HS16, the flagship of the Ponsse forest machine family, the starting point has been the matching of efficiency and ergonomics. The model's strengths are shown to best advantage in the clear felling of large-sized and thickly-branched stems. The environmentally friendly Ponsse Cobra HS10

is a 13-tonne and 8-wheeled general-purpose machine for felling. The machine has been developed for a diversity of tasks, from thinning to the handling of large trees.

Thanks to Ponsse harvesters' double-circuit hydraulics, the simultaneous use of crane and harvester head is highly efficient: the harvester head saws at the same time that the crane carries the trunk; no working time is wasted positioning the crane for sawing. The crane's effective working range reaches 10 metres; when equipped with Ponsse's larger harvester head, the Ergo HS16 machine can handle trunks with diameters up to 70 cm.

The Ponsse Caribou S10, Ponsse Bison S15 and Ponsse Buffalo S16, with load classes of 10-, 12-, and 14-tonnes respectively, are forwarders. The Caribou and Buffalo were introduced to the market in 1997 and the Bison in 1998. The largest forwarder model, the Buffalo S16, was renewed in early 1999. A lowered bonnet design resulted in a more streamlined appearance and improved visibility. The greatest changes however related to its strengthened power transmission.

The Ponsse Bison S15 has been designed as a general-purpose machine for thinning and clear felling. The Bison's predecessor was the Ponsse S15 forwarder. Introduced for the first time in 1983, the machine's lightness and performance made it an immediate commercial success. When designing the Bison S15, the positive experience gained with successful predecessors was exploited before it was introduced to the market. With its long history of development, the Bison S15 has evolved as a balanced and dependable product.

Ponsse's Caribou S10 forwarder is at its best in thinning, where its balanced weight distribution, low surface pressures and under 12-tonne total weight are most advantageous. Among customers, the Caribou has received positive feedback, particularly regarding the efficiency of Ponsse's own K70 loader and its wide operating range.

During the year 1999 the company introduced a new alternative for the thinning of small-diameter stands, the Ponsse Barbo HS15 machine. The difficulty in thinning profitability has been to reconcile the new machine's acquisition costs with the decrease in the machine's profitability, compared to clear felling, caused by the slowness of the work and smaller tree diameters. The basic concept behind the Barbo HS15 model is the reduction of capital costs.

In the new models, utilising used machines in good condition has reduced capital expenses. Barbo HS15 models are reconditioned, using used Ponsse HS15 bodies, by renovating the engine, installing hydrostatic power transmission, and by equipping the machine with the latest harvester head and measurement technology. The guarantee is however the same as for a new machine.

The new solution model for a thinning machine has attracted attention among contractors as well as wood procurement organisations. The production of Barbos began in May and a few have been exported.

Although the Barbo HS15 machine is marketed as a thinning machine, it is also well suited to clear felling. The new factory-installed Ponsse H53 harvester head is meant as a general-purpose harvester head for stems with diameters up to 50 cm.

The company itself manufactures the machines' harvester heads. Ponsse harvester heads may also be acquired separately and can be installed, for example, on track-based harvesters; connecting the harvester head to machines other than Ponsse's own is easy. Ponsse has three different harvester heads in production. Each device is suited to clear felling as well as thinning. From the standpoint of performance, they are light and narrow, and do not unnecessarily scrape against trees left standing. In development work, special attention has been paid to the dimensional accuracy of processed trunks.

The year 1999 was a breakthrough year for Ponsse Cut, a solution developed by the company to prevent crosscutting damage. In the Ponsse Cut method, the harvester's crane bobs with a slight rapid downward motion in connection with the sawing of logs. The downward movement continues until the log has been sawn off the trunk. Consequently, the trunk is not subject to stresses caused by the wood's weight, and the frequency of crosscutting damage is significantly reduced. The annual losses to the wood processing industry caused by crosscutting damage can be measured in hundreds of millions of Finnish marks; for that reason the invention has been favourably received. The innovation has proved particularly popular in Sweden, where Ponsse Cut is an accessory on almost all Ponsse harvesters sold in that country.

During the year under review the Ponsse Load Optimizer scale strengthened its domestic market position. Export of the scale, redesigned in 1998, began at the same time, and it has also achieved a stronger position in Swedish markets. Future prospects for the export of scales to Central European markets are extremely promising.

During the 1990s, the development of vehicle mounted computers for transport has been rapid. In Finland, vehicle mounted computers have become common, primarily in timber transport. Currently, around 95 % of timber transport vehicles in Finland are equipped with vehicle mounted computers that increase transport efficiency. As a result of the combination between Ponsse Oyj and Sunit Mobil Oy's vehicle mounted computer operations, Ponsse's Mobile Opti vehicle mounted computers were taken off the market. Ponsse Oyj is continuing in the sector with a 34.0 % holding of Sunit Mobile Oy's shares. The combination significantly improved the company's possibilities in product development, customer services and marketing. Future prospects are excellent, domestically as well as in export markets, because the use of vehicle mounted computers is also becoming increasingly prevalent in other transport sectors.

Markets

In line with its strategy, Ponsse has concentrated on marketing areas in which developed wood harvesting requires an effective and smoothly functioning after-sales organisation. Ponsse has developed marketing channels based primarily on its own organisational resources, an exception being certain successfully functioning retail distributors with whom the company has long-standing business relationships. The role of retailers in machine sales will continue to grow. Distributors with a thorough knowledge of local markets, as well as service networks, are particularly significant in North and South America.

Sales for 1999 were unprecedented in the company's history. Overall markets did not however grow as in previous years, and the company's rate of growth fell under previous rates. The company was particularly strong in the sales of harvesters; these accounted for over 60 % of production.

Overall domestic markets contracted slightly, but the number of machines sold in Finland remained at the level of previous year. The company's harvester sales developed extremely well, and Ponsse's domestic market share increased. During the year the company opened a new branch at Kouvola. Kouvola's sales, servicing and spare parts centre enhances the company's position in southeastern Finland. Marketing expansions carried out over the past several years have helped the company strengthen its position in domestic markets. At the beginning of the current year, the company will open a new branch in Jyväskylä. Additionally, the Tampere branch moved to modern facilities designed especially for the servicing of forest machines and spare parts sales. Ponsse's machine stock in Häme has developed extremely well and there is enough work for the new branch. After these renewals, the company has a network consisting of nine of its own spare parts and service branches filled by contract suppliers.

Ponsse's information systems are used widely in Finnish wood procurements. Highly developed automatic optimization of log distribution and logistics achieve significant quality improvements and cost savings. Recently, Finnish sawmills in particular have required the use of Ponsse's machinery and information systems for their wood procurements.

Marketing for the Ponsse Opti vehicle mounted computer, designed for transport control, was discontinued when the company combined its vehicle mounted computer operations with its foremost competitor, Sunit Mobile Oy. Ponsse's product development work in the software sector now concentrates solely on the development of applications for forest machines.

The Ponsse Group's exports and foreign business operations grew strongly, accounting for 48.5 % of the entire Group's turnover. The Group's customer-oriented marketing strategy is also producing good results in export markets. The subsidiaries operating for a few years in France, Sweden, the USA, Norway and the United Kingdom have started well. Company and product recognition has increased, and they are perceived as industry leaders.

Sales growth in Germany was exceptionally high. In June, Wahlers Forsttechnik GmbH, Ponsse's distributor in German-language Europe, opened a new branch in southern Germany. German forest machine markets are concentrated in the southern part of the country, and sales at the new branch were extremely favourable right from the start.

In Sweden, machine sales did not follow the pattern of previous years. Total sales in Sweden fell clearly under levels for previous years, and Ponsse's sales also decreased. Among the more significant reasons for the drop were changes in wood procurement organisations that inhibited machine investments. Just the opposite is however expected from the coming year. Ponsse strengthened its position in Sweden by opening a modern forest machine repair shop at Surahammar, near Västerås.

Total markets collapsed in the USA compared to previous years, but a slight upturn was discernible at the end of the year. Ponsse's sales developed favourably. The 25 per cent duty on forwarders required by U.S. Customs led to an almost total cessation of export regarding these products. The USD 3.4 million in customs charges and penalty duties paid retroactively to U.S. Customs significantly hinders the company's results. Forecasts for this year are however brighter.

There were no significant changes in Norwegian sales. Our market share in Norway is still too small, about 15 %, and improving this figure will require a great deal of effort.

Ponssé S.A., Ponsse's French subsidiary, registered weak sales during the spring, but there was clear improvement in the autumn. Total export quantities remained at the previous year's level. In the future, new branches in central and southern France will increase Ponsse's sales and market share.

During the year under review, Ponsse UK Ltd. registered extremely favourable sales growth. The company has solidified its position, particularly in Scotland and northern England where the United Kingdom's most significant commercial forests are located. Sales in Ireland matched previous levels, and forecasts for this year are good.

Sales of new and used machines to Baltic countries were managed directly from Finland. Marketing in the Baltic countries will be activated during the coming year with possible new retailing and servicing arrangements. New financing arrangements facilitate possible machine investments by potential customers, and the industry's prospects in the Baltic countries are attractive.

Quality

During the year 1999 significant steps were taken within the company to integrate quality control with the company's overall operations. Quality inspection was concretely developed as a corporate management tool in conjunction with the new quality certification approved at the beginning of the year.

The certification and classification society DNV Certification OY/AB confirmed Ponsse Oyj's new quality certification in March and the first periodic audit covering the entire company was performed for the new system in November. The next external audit of Ponsse Oyj's entire operations will be implemented in 2002. DNV will perform partial inspections at 6- to 9-month intervals. Besides external audits, Ponsse Oyj will also ensure the company's compliance with certification by performing its own internal auditing. An internal auditing time schedule governing all company sub-areas will be reviewed twice a year.

The company's new quality assurance system deviates appreciably from the system employed during the period 1994 – 1998. Although both are based on the ISO-9001 standard, there are noticeable differences at the practical level. The renewed quality system's content has been completely restructured, with the primary focus on the company's operational inspection processes as well as improved connections between different divisions and functions.

The quality standard ISO 9001 itself is also being renewed. As in Ponsse's new quality assurance system, the standard will place clearer emphasis than previously on the measurement and control of operational processes. Because the characteristics of the new ISO/CDI 9001 standard proposal have been taken into account in Ponsse's confirmed quality system, this coming into force requires no changes in Ponsse's quality assurance system.

The new quality system and investments in production technology also require staff training and a commitment to the system. The effects of staff training and investments in equipment on the development of the company's product quality were already apparent by the end of the year.

Significant improvements in operational quality were carried out at the Vieremä and Kajaani plants, as well as in the Iisalmi central warehouse's core processes, particularly regarding the streamlining of data transmission and functional compatibility. In the early autumn, employees from Vieremä, Iisalmi, and Kajaani participated in "from order to delivery" training that reviewed every stage of the company's delivery process – from order reception to the machine's delivery. A second extensive training project related to quality development was the obtaining of EW (European Welder) vocational degrees for 52 welders. Additionally, staff training played a significant role in the yearlong renewal process affecting the entire Group's operational control system. Over one hundred employees from the company's production departments alone took part in training that covered basic PC computer skills. Training in IFS, the actual operational control system, took place as a two-day course in late spring.

ADDRESSES

Head Office and Forest Machine Production Plant

Ponsse Oyj
FIN-74200 VIEREMÄ, FINLAND
Tel. +358 17 768 461
Fax +358 17 768 4690
E-mail corporate.communications@ponsse.com
www.ponsse.com

Information Systems Production

Ponsse Oyj
Pakkastie 2
FIN-87500 KAJAANI, FINLAND
Tel. +358 17 768 461
Fax +358 17 768 4697

Ponsse Oyj's Subsidiaries

Ponsse AB
Tunbytorpsgatan 2 C
S-721 37 VÄSTERÅS
SWEDEN
Tel. +46 21 103 380
Fax +46 21 103 381

Ponsse AS
Eidskogveien 54
Postboks 1242
2200 KONGSVINGER
NORWAY
Tel. +47 62 888 870
Fax +47 62 888 878

Ponssé S.A.
Le Bois du Tambour
R.N. 4
F-54840 GONDREVILLE
FRANCE
Tel. +33 3 83 651 200
Fax +33 3 83 651 201

Ponsse UK Ltd.
Beattock
Moffat
Scotland DG10 9QU
UNITED KINGDOM
Tel. +44 1683 300 414
Fax +44 1683 300 500

Ponsse USA, Inc.
987 Airpark Road
P.O. Box 578
RHINELANDER WI 54501
U.S.A.
Tel. +1 715 369 4833
Fax +1 715 369 4838

www.ponsse.com