

PONSSE PLC, STOCK EXCHANGE RELEASE, 7 AUGUST 2018, 9:00 a.m.

## **PONSSE'S INTERIM REPORT FOR 1 JANUARY – 30 JUNE 2018**

- Net sales amounted to EUR 291.1 (H1/2017 258.7) million.
- Q2 net sales amounted to EUR 149.0 (Q2/2017 128.8) million.
- Operating result totalled EUR 29.5 (H1/2017 28.2) million, equalling 10.1 (10.9) per cent of net sales.
- Q2 operating result totalled EUR 12.4 (Q2/2017 13.9) million, equalling 8.3 (10.8) per cent of net sales.
- Profit before taxes was EUR 25.5 (H1/2017 22.6) million.
- Cash flow from business operations was EUR 23.5 (-0.7) million.
- Earnings per share were EUR 0.68 (0.60).
- Equity ratio was 51.1 (47.3) per cent.
- Order books stood at EUR 187.0 (141.4) million.

### **PRESIDENT AND CEO JUHO NUMMELA:**

The forest machine market continued to be extremely strong in the second quarter of the year. Of our market areas, North and Central Europe, as well as Russia, grew most strongly. Order intake for the quarter was excellent, and the order books for the period under review showed a result of EUR 187.0 (141.4) million. Good demand, long order books and investment in the factory have had an effect on the length of delivery times. In the current situation, demand exceeds capacity considerably, and the pressures to accelerate delivery times have continued to grow. With the heated economic situation, it has been difficult to get components, and the situation will remain challenging in the near future. However, Ponsse has been able to manufacture machines according to the plan.

The company's net sales for the second quarter were EUR 149.0 (128.8) million. Growth in net sales compared to the reference period was 15.7 percent. The net sales of maintenance services and the trade-in machine business increased greatly. The growth of net sales is at a good level, given that the ramp-up of the new Ponsse factory started at the end of the first quarter of 2018. The effects of the ramp-up of the factory will show in the number of machines in

the second and third quarters. International business accounted for 78.4 (74.5) per cent of turnover.

Operating result for the past quarter amounted to EUR 12.4 (13.9) million. The operating result percentage for the period under review was 8.3 (10.8) per cent. The ramp-up of the factory has had an impact on the profitability. Profitability in the first half of the year increased by approximately 4.5 per cent, compared to the reference period, and the operating profit amounted to EUR 29.5 (28.2) million. The operating profit equalled 10.1 (10.9) per cent of net sales for the first half of the year, thanks to the good first quarter.

Cash flow continued to develop very well, and cash flow from business operations amounted to EUR 23.5 (-0.7) million at the end of the second quarter. The company's working capital was well under control, and particularly the stock of trade-in machines was at a good level compared to the growth.

The Vieremä plant investment is proceeding on schedule. During the second quarter, we built new production lines and renovated facilities in the factory. At the same time, we continued to develop our practices systematically to improve the use of the new warehouse system. The factory expansion including the new warehouse system has been a big change and the input from our personnel and their hard work to enable our success has been considerable. The new factory and the new production lines will start operating at the beginning of August.

#### NET SALES

Consolidated net sales for the period under review amounted to EUR 291.1 (258.7) million, which is 12.5 per cent more than in the comparison period. International business operations accounted for 78.4 (74.5) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 38.1 (42.0) per cent, Central and Southern Europe 21.5 (19.8) per cent, Russia and Asia 21.0 (17.2) per cent, North and South America 18.5 (20.5) per cent and other countries 0.8 (0.6) per cent.

#### PROFIT PERFORMANCE

The operating result amounted to EUR 29.5 (28.2) million. The operating result equalled 10.1 (10.9) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 21.6 (21.5) per cent.

Staff costs for the period totalled EUR 43.4 (40.4) million. Other operating expenses stood at EUR 26.7 (23.9) million. The net total of financial income and expenses amounted to EUR -3.9 (-5.6) million. Exchange rate gains and losses with a net effect of EUR -3.3 (-5.1) million were recognised under financial items for the period. Result for the period under review totalled EUR 19.1 (16.6) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.68 (0.60).

## STATEMENT OF FINANCIAL POSITION AND FINANCING ACTIVITIES

At the end of the period under review, the total consolidated statements of financial position amounted to EUR 353.1 (320.6) million. Inventories stood at EUR 139.7 (141.9) million. Trade receivables totalled EUR 40.0 (39.2) million, while liquid assets stood at EUR 28.0 (14.1) million. Group shareholders' equity stood at EUR 174.6 (149.1) million and parent company shareholders' equity (FAS) at EUR 165.7 (140.1) million. The amount of interest-bearing liabilities was EUR 68.8 (76.0) million. The company has used 0 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 90.5 (99.9) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 40.7 (61.8) million, and the debt-equity ratio (net gearing) was 23.3 (41.4) per cent. The equity ratio stood at 51.1 (47.3) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR 23.5 (-0.7) million. Cash flow from investment activities came to EUR -14.9 (-16.7) million.

## ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 355.7 (280.9) million, while period-end order books were valued at EUR 187.0 (141.4) million.

## DISTRIBUTION NETWORK

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

## R&D AND CAPITAL EXPENDITURE

Group's R&D expenses during the period under review totalled EUR 8.4 (7.1) million, of which EUR 2.5 (2.0) million was capitalised.

Capital expenditure totalled EUR 15.1 (16.8) million. It consisted in addition to capitalised R&D expenses of investments in buildings and ordinary maintenance and replacement investments for machinery and equipment.

## MANAGEMENT

The following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; Petri Häkkinen, CFO; Juha Inberg, Technology and R&D Director; Tapio Mertanen, Service Director; Paula Oksman, HR Director; Tommi Väänänen, Director of Delivery Chain Process and Jarmo Vidgrén, Deputy CEO, Sales and Marketing Director. The company management has regular management liability insurance.

The area director organisation of sales is led by Jarmo Vidgrén, the Group's sales and marketing director, and Tapio Mertanen, service director. Area directors and managing directors of subsidiaries report to Jarmo Vidgrén, Ponsse Plc's sales and marketing director.

The geographical distribution and the responsible persons are presented below:

Northern Europe:

Jani Liukkonen (Finland),  
Carl-Henrik Hammar (Sweden and Denmark),  
Jussi Hentunen (the Baltic countries) and  
Sigurd Skotte (Norway),

Central and Southern Europe:

Tuomo Moilanen (Germany and Austria),  
Clément Puybaret (France),  
Janne Tarvainen (Spain and Portugal),  
Dean Robson (the United Kingdom),  
Gary Glendinning (Ireland, Hungary, Romania, Slovenia, Croatia and Serbia) and  
Jussi Hentunen (Poland, Czech Republic and Slovakia).

Russia and Asia:

Jaakko Laurila (Russia and Belarus),  
Janne Tarvainen (Australia and South Africa) and  
Risto Kääriäinen (China and Japan),

North and South America:

Pekka Ruuskanen (the United States),  
Eero Lukkarinen (Canada),  
Marko Mattila (Brazil) and  
Martin Toledo (Uruguay, Chile and Argentina).

## PERSONNEL

The Group had an average staff of 1,601 (1,483) during the period and employed 1,664 (1,534) people at period-end.

## SHARE PERFORMANCE

The company's registered share capital consists of 28,000,000 shares. The trading volume of Ponsse Plc shares for 1 January – 30 June 2018 totalled 1,171,197, accounting for 4.2 per cent of the total number of shares. Share turnover amounted to EUR 33.4 million, with the period's lowest and highest share prices amounting to EUR 24.15 and EUR 32.35, respectively.

At the end of the period, shares closed at EUR 30.05, and market capitalisation totalled EUR 841.4 million.

At the end of the period under review, the company held 33,092 treasury shares.

## ANNUAL GENERAL MEETING

A separate release was issued on 9 April 2018 regarding the authorizations given to the Board of Directors and other resolutions at the AGM.

## GOVERNANCE

In its decision-making and administration, the company observes the Finnish Limited Liability Companies Act, other regulations governing publicly listed companies and the company's Articles of Association. The company's Board of Directors has adopted the Code of Governance that complies with the Finnish Corporate Governance Code approved by the Board of the Securities Market Association in 2015. The purpose of the code is to ensure that the company is professionally managed and that its business principles and practices are of a high ethical and professional standard.

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

## RISK MANAGEMENT

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

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

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

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

## SHORT-TERM RISK MANAGEMENT

The insecurity in the world economy may result in a decline in the demand for forest machines. The uncertainty may be increased by the volatility of developing countries' foreign exchange markets. The geopolitical situation, in particular, will increase the uncertainty through financial market operations and sanctions. Changes taking place in the fiscal and customs legislation in countries to which Ponsse exports may hamper the company's export trade or its profitability. The risks in the supplier network may cause problems in material availability.

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

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

## OUTLOOK FOR THE FUTURE

The Group's euro-denominated operating profit is expected to be at the same level in 2018 as it was in 2017.

Ponsse's updated and competitive product range and service solutions have had a significant impact on the company's growth. The market situation has continued to be favourable.

Our investments are focused on developing the level of service and capacity of the supply chain and spare part logistics and developing the service network in Finland and abroad. Expansion of the Vieremä factory is progressing in schedule. The investment in the factory is related to the development of safety, productivity, product quality and flexibility of the Vieremä factory. The added benefits of the expansion will begin to be realised in the second half of 2018.

## PONSSE GROUP

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)

	IFRS 1-6/18	IFRS 1-6/17	IFRS 1-12/17
<b>NET SALES</b>	<b>291,068</b>	<b>258,661</b>	<b>576,553</b>
Increase (+)/decrease (-) in inventories of finished goods and work in progress	11,738	22,822	7,900
Other operating income	992	929	1,618
Raw materials and services	-196,671	-183,461	-375,529
Expenditure on employment-related benefits	-43,377	-40,436	-80,263
Depreciation and amortisation	-7,536	-6,360	-13,112
Other operating expenses	-26,744	-23,943	-49,734
<b>OPERATING RESULT</b>	<b>29,470</b>	<b>28,211</b>	<b>67,432</b>
Share of results of associated companies	2	-12	19
Financial income and expenses	-3,930	-5,579	-9,660
<b>RESULT BEFORE TAXES</b>	<b>25,541</b>	<b>22,620</b>	<b>57,792</b>
Income taxes	-6,404	-5,973	-13,021
<b>NET RESULT FOR THE PERIOD</b>	<b>19,137</b>	<b>16,647</b>	<b>44,771</b>
<b>OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:</b>			
Translation differences related to foreign units	-466	-518	-941
<b>TOTAL COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>18,671</b>	<b>16,130</b>	<b>43,830</b>
Diluted and undiluted earnings per share*	0.68	0.60	1.60
	IFRS 4-6/18	IFRS 4-6/17	
<b>NET SALES</b>	<b>148,953</b>	<b>128,754</b>	
Increase (+)/decrease (-) in inventories of finished goods and work in progress	4,078	14,942	
Other operating income	668	504	
Raw materials and services	-100,488	-92,460	
Expenditure on employment-related benefits	-23,106	-21,787	
Depreciation and amortisation	-3,784	-3,198	
Other operating expenses	-13,921	-12,865	
<b>OPERATING RESULT</b>	<b>12,399</b>	<b>13,889</b>	
Share of results of associated companies	-23	-23	
Financial income and expenses	-2,237	-5,723	
<b>RESULT BEFORE TAXES</b>	<b>10,139</b>	<b>8,143</b>	

Income taxes	-2,697	-2,708
NET RESULT FOR THE PERIOD	7,442	5,435
<b>OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:</b>		
Translation differences related to foreign units		
	1,284	-841
<b>TOTAL COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>8,725</b>	<b>4,593</b>
Diluted and undiluted earnings per share*	0.27	0.19

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)**

	IFRS 30 Jun 18	IFRS 30 Jun 17	IFRS 31 Dec 17
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	24,437	21,111	22,975
Goodwill	3,794	3,823	3,816
Property, plant and equipment	101,573	83,066	95,454
Financial assets	103	102	103
Investments in associated companies	623	709	714
Non-current receivables	814	1,584	916
Deferred tax assets	2,949	2,487	3,538
<b>TOTAL NON-CURRENT ASSETS</b>	<b>134,292</b>	<b>112,883</b>	<b>127,516</b>
<b>CURRENT ASSETS</b>			
Inventories	139,651	141,863	122,302
Trade receivables	39,987	39,248	41,481
Income tax receivables	374	553	413
Other current receivables	10,849	12,022	10,864
Cash and cash equivalents	27,956	14,071	42,596
<b>TOTAL CURRENT ASSETS</b>	<b>218,816</b>	<b>207,757</b>	<b>217,656</b>
<b>TOTAL ASSETS</b>	<b>353,108</b>	<b>320,639</b>	<b>345,172</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7,000	7,000	7,000
Other reserves	2,423	2,452	2,452
Translation differences	2,874	240	-183
Treasury shares	-346	-346	-346
Retained earnings	162,606	139,799	167,923
<b>EQUITY OWNED BY PARENT COMPANY</b>			
<b>SHAREHOLDERS</b>	<b>174,556</b>	<b>149,146</b>	<b>176,846</b>

	IFRS 1-6/18	IFRS 1-6/17	IFRS 1-12/17
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	46,693	47,770	46,126
Deferred tax liabilities	504	542	823
Other non-current liabilities	117	52	57
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>47,315</b>	<b>48,364</b>	<b>47,006</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	22,102	28,253	22,115
Provisions	5,184	6,284	5,769
Tax liabilities for the period	1,464	1,133	738
Trade creditors and other current liabilities	102,488	87,459	92,698
<b>TOTAL CURRENT LIABILITIES</b>	<b>131,237</b>	<b>123,129</b>	<b>121,320</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>353,108</b>	<b>320,639</b>	<b>345,172</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net result for the period	19,137	16,647	44,771
Adjustments:			
Financial income and expenses	3,929	5,579	9,660
Share of the result of associated companies	-2	12	-19
Depreciation and amortisation	7,536	6,360	13,112
Income taxes	6,404	5,973	13,021
Other adjustments	1,766	-2,297	-923
Cash flow before changes in working capital	38,770	32,274	79,621
Change in working capital:			
Change in trade receivables and other receivables	1,146	-8,512	-10,165
Change in inventories	-17,349	-23,580	-4,018
Change in trade creditors and other liabilities	8,953	5,559	10,572
Change in provisions for liabilities and charges	-585	314	-201
Interest received	94	127	240
Interest paid	-388	-432	-954
Other financial items	-601	420	-3,518
Income taxes paid	-6,504	-6,861	-15,030
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES (A)</b>	<b>23,536</b>	<b>-691</b>	<b>56,549</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Investments in tangible and intangible assets	-15,094	-16,839	-37,836
Proceeds from sale of tangible and intangible assets	221	111	127
<b>NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)</b>	<b>-14,873</b>	<b>-16,728</b>	<b>-37,709</b>

CASH FLOWS FROM FINANCING ACTIVITIES					
Withdrawal/Repayment of current loans	451	15,172	7,944		
Withdrawal of non-current loans	0	0	0		
Repayment of non-current loans	-450	-450	-900		
Payment of finance lease liabilities	53	1,193	1,082		
Change in non-current receivables	678	710	520		
Dividends paid	-20,975	-16,780	-16,780		
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	-20,242	-156	-8,135		
Change in cash and cash equivalents (A+B+C)	-11,579	-17,575	10,705		
Cash and cash equivalents on 1 Jan	42,596	37,342	37,342		
Impact of exchange rate changes	-3,061	-5,696	-5,451		
Cash and cash equivalents on 30 Jun/31 Dec	27,956	14,071	42,596		

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (EUR 1,000)

A = Share capital

B = Share premium and other reserves

C = Translation differences

D = Treasury shares

E = Retained earnings

F = Total shareholders' equity

	EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS					
	A	B	C	D	E	F
SHAREHOLDERS' EQUITY 1						
JAN 2018	7,000	2,452	-183	-346	167,923	176,846
Adjustment for previous periods		-29	3,523		-3,560	-66
SHAREHOLDERS' EQUITY 1						
JAN 2018	7,000	2,423	3,340	-346	164,363	176,779
Translation differences			-466			-466
Result for the period					19,137	19,137
Total comprehensive income for the period			-466		19,137	18,671
Dividend distribution					-20,975	-20,975
Other changes					81	81
SHAREHOLDERS' EQUITY 30 JUN 2018	7,000	2,423	2,874	-346	162,606	174,556
SHAREHOLDERS' EQUITY 1						
JAN 2017	7,000	2,452	758	-346	139,932	149,796
Translation differences			-518			-518
Result for the period					16,647	16,647

Total comprehensive income for the period			-518	16,647	16,129
Dividend distribution				-16,780	-16,780
<b>SHAREHOLDERS' EQUITY</b>					
30 JUN 2017	7,000	2,452	240	-346	139,799 149,146

#### SEGMENT INFORMATION (EUR 1,000)

##### OPERATING SEGMENTS

	Central and Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Total
1-6/2018					
Net sales of the segment	205,487	63,914	61,578	54,583	385,562
Sales between segments	-94,486	-1,215	-454	-714	-96,870
Unallocated sales					2,376
<b>NET SALES FROM EXTERNAL CUSTOMERS</b>	<b>111,000</b>	<b>62,699</b>	<b>61,124</b>	<b>53,869</b>	<b>291,068</b>
Operating result of the segment	5,458	8,648	11,498	3,776	29,381
Unallocated items					89
<b>OPERATING RESULT</b>	<b>5,458</b>	<b>8,648</b>	<b>11,498</b>	<b>3,776</b>	<b>29,470</b>

##### OPERATING SEGMENTS

	Central and Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Total
1-6/2017					
Net sales of the segment	200,125	52,258	44,975	54,570	351,928
Sales between segments	-91,445	-1,163	-502	-1,610	-94,721
Unallocated sales					1,453
<b>NET SALES FROM EXTERNAL CUSTOMERS</b>	<b>108,680</b>	<b>51,094</b>	<b>44,473</b>	<b>52,961</b>	<b>258,661</b>
Operating result of the segment	4,916	7,119	8,390	6,331	26,756
Unallocated items					1,456
<b>OPERATING RESULT</b>	<b>4,916</b>	<b>7,119</b>	<b>8,390</b>	<b>6,331</b>	<b>28,211</b>

	30 Jun 18	30 Jun 17	31 Dec 17
<b>1. LEASING COMMITMENTS (EUR 1,000)</b>	<b>1,265</b>	<b>2,100</b>	<b>1,490</b>

	30 Jun 18	30 Jun 17	31 Dec 17
<b>2. CONTINGENT LIABILITIES (EUR 1,000)</b>			
Guarantees given on behalf of others	0	543	1,541
Repurchase commitments	0	3,371	3,464
Other commitments	847	967	963
<b>TOTAL</b>	<b>847</b>	<b>4,881</b>	<b>5,968</b>
<b>3. PROVISIONS (EUR 1,000)</b>	<b>Guarantee provision</b>		
1 January 2018	5,769		
Provisions added	118		
Provisions cancelled	-703		
30 June 2018	5,184		
<b>4. DIVIDENDS PAID (EUR 1,000)</b>	<b>30 Jun 18</b>	<b>30 Jun 17</b>	
Dividends per share EUR 0.75 (EUR 0.60)	20,975	16,780	
<b>5. PROPERTY, PLANT AND EQUIPMENT (EUR 1,000)</b>	<b>1-6/18</b>	<b>1-6/17</b>	
Increase	11,833	14,721	
Decrease	-439	-350	
<b>TOTAL</b>	<b>11,394</b>	<b>14,371</b>	
<b>6. RELATED PARTY TRANSACTIONS</b>	<b>1-6/18</b>	<b>1-6/17</b>	
Management's employment-related benefits (EUR 1,000)			
Salaries and other short-term employment-related benefits	2,293	2,019	
Benefits paid upon termination of employment	0	0	
Pension liabilities, statutory pension security	345	286	
Compensation of the members of the Board of Directors	118	114	
<b>KEY FIGURES AND RATIOS</b>	<b>30 Jun 18</b>	<b>30 Jun 17</b>	<b>31 Dec 17</b>
R&D expenditure, MEUR	8.4	7.1	14.8
Capital expenditure, MEUR	15.1	16.8	37.8
as % of net sales	5.2	6.5	6.6
Average number of employees	1,601	1,483	1,508
Order books, MEUR	187.0	141.4	124.6
Equity ratio, %	51.1	47.3	51.9
Diluted and undiluted earnings per share (EUR)	0.68	0.60	1.60
Equity per share (EUR)	6.23	5.33	6.32

#### FORMULAE FOR FINANCIAL INDICATORS

Return on capital employed, %:

Result before tax + financial expenses

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Shareholder's equity + interest-bearing financial liabilities (average during the year) \* 100

Average number of employees:

Average of the number of personnel at the end of each month. The calculation has been adjusted for part-time employees.

Net gearing, %:

Interest-bearing financial liabilities – cash and cash equivalents

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Shareholders' equity \* 100

Equity ratio, %:

Shareholders' equity + Non-controlling interests

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Balance sheet total - advance payments received \* 100

Earnings per share:

Net result for the period - Non-controlling interests

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

Equity per share:

Shareholders' equity

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

	1-6/18	1-6/17	1-12/17
ORDER INTAKE (EUR million) Ponsse Group	355.7	280.9	582.1

The stock exchange release for the interim report has been prepared observing the recognition and valuation principles of IFRS standards and all of the requirements of IAS 34 have been complied with. The same accounting principles were observed for the interim report as for the annual financial statements dated 31 December 2016, with the exception of the new standards introduced on 1 January 2018. These standards are IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments as Amended.

The Group's assessment of the impact of the new standards IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" are described in the annual financial statements dated 31 December 2017 and the assessment has not changed during the financial period.

The group is adopting the standard IFRS 9, Financial Instruments as Amended. With regard to possible decline in value of financial assets, an expected credit loss model is applied. The standard amendment is not expected to have any significant impact on the consolidated financial statements. Expected credit losses are recorded customer-specifically, based on predetermined criteria.

The IFRS 15 standard had not any significant effect on the time when net sales are recognised, or the amount of net sales recognized, and therefore on the consolidated income statement or balance sheet. However, IFRS 15 had a minor impact on the time when net sales are recognised and liabilities based on agreements, for example regarding the service-based component of warranties provided for new machines and any options provided for customers to acquire additional services with a discount. In addition, the new standard had an impact on financial statements as a result of new requirements regarding notes. A standard transition method was applied in implementing the standard. The effects on the comparability of financial periods and the profit and loss account and balance sheet of the reporting period are minor.

The impact of the IFRS 16 "Leases" are described in the annual financial statements dated 31 December 2017 and the assessment has not changed during the financial period.

The above figures have not been audited.

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

This communication includes future-oriented statements that are based on the assumptions currently made by the company's management and its current decisions and plans. Although the management believes that the future expectations are well founded, there is no certainty that these expectations will prove to be correct. This is why the results may significantly deviate from the assumptions included in the future-oriented statements as a result of, among other things, changes in the economy, markets, competitive conditions, legislation or currency exchange rates.

Vieremä, 7 August 2018

PONSSE PLC

Juho Nummela  
President and CEO

#### FURTHER INFORMATION

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*Ponsse Plc is a company specialising in the sales, manufacture, servicing and technology of cut-to-length method forest machines and is driven by genuine interest in its customers and their business. Ponsse develops and manufactures sustainable and innovative harvesting solutions based on customers' needs.*

*The company was established by forest machine entrepreneur Einari Vidgrén in 1970, and it has been a leader in timber harvesting solutions based on the cut-to-length method ever since. Ponsse is headquartered in Vieremä, Finland. The company's shares are quoted on the NASDAQ OMX Nordic List.*