PONSSE PLC, STOCK EXCHANGE RELEASE, 17 APRIL 2018, 9:00 a.m.

PONSSE'S INTERIM REPORT FOR 1 JANUARY – 31 MARCH 2018

– Net sales amounted to EUR 142.1 (129.9) million.

– Operating result totalled EUR 17.1 (14.3) million, equalling 12.0 (11.0) per cent of net sales.

– Profit before taxes was EUR 15.4 (14.5) million.

– Cash flow from business operations was EUR 19.3 (-5.4) million.

– Earnings per share were EUR 0.42 (0.40).

– Equity ratio was 53.2 (52.4) per cent.

– Order books stood at EUR 173.8 (118.6) million.

PRESIDENT AND CEO JUHO NUMMELA:

Performance for the first quarter was extremely good, and the demand for PONSSE forest machines was strong in all our market areas. Order intake for the first quarter was excellent, and the order books for the period under review showed a result of EUR 173.8 (118.6) million.

The company's net sales for the first quarter were EUR 142.1 (129.9) million. Growth in net sales compared to the reference period was 9.4 percent. Net sales for after sales services greatly increased, and the net sales for used machines was at the same level as in the reference period. International business operations accounted for 73.9 (72.1) percent of net sales.

The operating result for the past quarter amounted to EUR 17.1 (14.3) million, with growth of 19.2 percent. The operating margin for the period under review was 12.0 (11.0) percent. Cash flow for the first quarter was EUR 19.3 (-5.4) million, an excellent level. The company's working capital is well under control. Good operating result and the working capital situation reflected both to the company's strong cash flow.

The Vieremä factory investment is proceeding on schedule. Over the course of the first quarter, we successfully deployed the new warehouse system. The development of warehouse automation and material flow is continuing at the same time as construction of the plant's production lines begins in the new factory. The new assembly plant will be deployed after the summer holidays.

PONSSE

NET SALES

Consolidated net sales for the period under review amounted to EUR 142.1 (129.9) million, which is 9.4 per cent more than in the comparison period. International business operations accounted for 73.9 (72.1) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 41.3 (47.0) per cent, Central and Southern Europe 20.2 (19.0) per cent, Russia and Asia 19.5 (15.8) per cent, North and South America 18.0 (17.8) per cent and other countries 1.0 (0.4) per cent.

PROFIT PERFORMANCE

The operating result amounted to EUR 17.1 (14.3) million. The operating result equalled 12.0 (11.0) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 25.3 (27.6) per cent.

Staff costs for the period totalled EUR 20.3 (18.6) million. Other operating expenses stood at EUR 12.8 (11.1) million. The net total of financial income and expenses amounted to EUR -1.7 (0.1) million. Exchange rate gains and losses with a net effect of EUR -0.7 (0.3) million were recognised under financial items for the period. Result for the period under review totalled EUR 11.7 (11.2) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.42 (0.40).

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 362.3 (313.7) million. Inventories stood at EUR 132.1 (128.6) million. Trade receivables totalled EUR 35.8 (40.4) million, while liquid assets stood at EUR 54.7 (22.3) million. Group shareholders’ equity stood at EUR 186.7 (161.3) million and parent company shareholders’ equity (FAS) at EUR 177.2 (150.1) million. The amount of interest-bearing liabilities was EUR 67.8 (57.9) 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 84.0 (94.9) million. The parent company’s receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 13.0 (35.4) million, and the debt-equity ratio (net gearing) was 6.9 (22.0) per cent. The equity ratio stood at 53.2 (52.4) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR 19.3 (-5.4) million. Cash flow from investment activities came to EUR -6.5 (-8.2) million.

ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 192.7 (126.7) million, while period-end order books were valued at EUR 173.8 (118.6) 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 4.0 (3.3) million, of which EUR 0.9 (0.8) million was capitalised.

Capital expenditure totalled EUR 6.5 (8.3) 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 Härkönen, 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 1,573 (1,459) during the period and employed 1,589 (1,463) people at period-end.

SHARE PERFORMANCE

The company's registered share capital consists of 28,000,000 shares. The trading volume of Ponsse Plc shares for 1 January – 31 March 2018 totalled 468,357, accounting for 1.7 per cent of the total number of shares. Share turnover amounted to EUR 12.7 million, with the period's lowest and highest share prices amounting to EUR 24.15 and EUR 28.85, respectively.

At the end of the period, shares closed at EUR 28.65, and market capitalisation totalled EUR 802.2 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 start-up of the new factory will take place during the first six months of 2018. The added benefits of the expansion will begin to be realised as planned in the second half of 2018.

PONSSE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)

	IFRS 1-3/18	IFRS 1-3/17	IFRS 1-12/17
NET SALES	142,115	129,907	576,553
Increase (+)/decrease (-) in inventories of finished goods and work in progress	7,660	7,879	7,900
Other operating income	324	426	1,618
Raw materials and services	-96,183	-91,002	-375,529
Expenditure on employment-related benefits	-20,270	-18,649	-80,263
Depreciation and amortisation	-3,751	-3,161	-13,112
Other operating expenses	-12,823	-11,078	-49,734
OPERATING RESULT	17,071	14,323	67,432
Share of results of associated companies	25	11	19
Financial income and expenses	-1,694	144	-9,660
RESULT BEFORE TAXES	15,403	14,477	57,792
Income taxes	-3,707	-3,265	-13,021
NET RESULT FOR THE PERIOD	11,696	11,213	44,771
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	-1,750	323	-941
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	9,946	11,536	43,830
Diluted and undiluted earnings per share*	0.42	0.40	1.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

	IFRS 31 Mar 18	IFRS 31 Mar 17	IFRS 31 Dec 17
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	23,535	20,328	22,975
Goodwill	3,800	3,828	3,816
Property, plant and equipment	97,699	78,488	95,454
Financial assets	103	103	103
Investments in associated companies	647	732	714
Non-current receivables	928	1,715	916
Deferred tax assets	2,789	2,552	3,538
TOTAL NON-CURRENT ASSETS	129,500	107,745	127,516

CURRENT ASSETS			
Inventories	132,118	128,561	122,302
Trade receivables	35,769	40,418	41,481
Income tax receivables	989	620	413
Other current receivables	9,214	14,025	10,864
Cash and cash equivalents	54,709	22,299	42,596
TOTAL CURRENT ASSETS	232,798	205,924	217,656
TOTAL ASSETS	362,299	313,669	345,172
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	7,000	7,000	7,000
Other reserves	2,423	2,452	2,452
Translation differences	1,590	1,081	-183
Treasury shares	-346	-346	-346
Retained earnings	176,059	151,145	167,923
EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS	186,725	161,332	176,846
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	46,032	46,535	46,126
Deferred tax liabilities	573	646	823
Other non-current liabilities	129	67	57
TOTAL NON-CURRENT LIABILITIES	46,734	47,247	47,006
CURRENT LIABILITIES			
Interest-bearing liabilities	21,795	11,407	22,115
Provisions	5,064	6,276	5,769
Tax liabilities for the period	1,581	1,676	738
Trade creditors and other current liabilities	100,400	85,730	92,698
TOTAL CURRENT LIABILITIES	128,840	105,089	121,320
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	362,299	313,669	345,172

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)

	IFRS 1-3/18	IFRS 1-3/17	IFRS 1-12/17
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net result for the period	11,696	11,213	44,771
Adjustments:			
Financial income and expenses	1,643	-144	9,660
Share of the result of associated companies	-25	-11	-19
Depreciation and amortisation	3,751	3,161	13,112
Income taxes	3,707	3,265	13,021
Other adjustments	-61	-265	-923
Cash flow before changes in working capital	20,712	17,219	79,621
Change in working capital:			
Change in trade receivables and other receivables	7,034	-12,407	-10,165
Change in inventories	-9,816	-10,278	-4,018
Change in trade creditors and other liabilities	6,900	1,933	10,572
Change in provisions for liabilities and charges	-705	305	-201
Interest received	35	61	240
Interest paid	-90	-114	-954
Other financial items	-637	270	-3,518
Income taxes paid	-4,102	-2,350	-15,030
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	19,331	-5,360	56,549
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-6,541	-8,285	-37,836
Proceeds from sale of tangible and intangible assets	25	67	127
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)	-6,515	-8,218	-37,709
CASH FLOWS FROM FINANCING ACTIVITIES			
Withdrawal/Repayment of current loans	-380	-2,084	7,944
Withdrawal of non-current loans	0	0	0
Repayment of non-current loans	0	0	-900
Payment of finance lease liabilities	-34	21	1,082
Change in non-current receivables	564	583	520
Dividends paid	0	0	-16,780
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	151	-1,480	-8,135
Change in cash and cash equivalents (A+B+C)	12,966	-15,058	10,705
Cash and cash equivalents on 1 Jan	42,596	37,342	37,342
Impact of exchange rate changes	-853	16	-5,451
Cash and cash equivalents on 30 Sep/31 Dec	54,709	22,299	42,596

PONSSE

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			-1,750			-1,750
Result for the period					11,696	11,696
Total comprehensive income for the period			-1,750		11,696	9,946
SHAREHOLDERS' EQUITY 31 MAR 2018	7,000	2,423	1,590	-346	176,059	186,725
SHAREHOLDERS' EQUITY 1 JAN 2017	7,000	2,452	758	-346	139,932	149,796
Translation differences			323			323
Result for the period					11,213	11,213
Total comprehensive income for the period			323		11,213	11,536
SHAREHOLDERS' EQUITY 31 MAR 2017	7,000	2,452	1,081	-346	151,145	161,332

*) As a result of the new consolidation system, the company is now able to present, from the beginning of the financial year 2018, all exchange rate differences on equity in the translation difference. Exchange differences for previously accrued retained earnings are presented within the profits. The change has no effect on previously reported key figures.

	31 Mar 18	31 Mar 17	31 Dec 17
1. LEASING COMMITMENTS (EUR 1,000)	1,338	1,032	1,490

2. CONTINGENT LIABILITIES (EUR 1,000)	31 Mar 18	31 Mar 17	31 Dec 17
Guarantees given on behalf of others	1,566	605	1,541
Repurchase commitments	4,084	2,605	3,464

Other commitments	850	1,035	963
TOTAL	6,500	4,245	5,968

3. PROVISIONS (EUR 1,000)	Guarantee provision
1 January 2018	5,769
Provisions added	0
Provisions cancelled	-705
31 March 2018	5,064

KEY FIGURES AND RATIOS	31 Mar 18	31 Mar 17	31 Dec 17
R&D expenditure, MEUR	4.0	3.3	14.8
Capital expenditure, MEUR	6.5	8.3	37.8
as % of net sales	4.6	6.4	6.6
Average number of employees	1,573	1,459	1,508
Order books, MEUR	173.8	118.6	124.6
Equity ratio, %	53.2	52.4	51.9
Diluted and undiluted earnings per share (EUR)	0.42	0.40	1.60
Equity per share (EUR)	6.67	5.76	6.32

FORMULAE FOR FINANCIAL INDICATORS

Return on capital employed, %:
Result before tax + financial expenses

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

Balance sheet total - advance payments received * 100

Earnings per share:
Net result for the period - Non-controlling interests

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

Equity per share:
Shareholders' equity

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

ORDER INTAKE (EUR million)	1-3/18	1-3/17	1-12/17
Ponsse Group	192.7	126.7	582.1

The stock exchange release for the interim report has been prepared observing the recognition and valuation principles of IFRS standards, but the requirements of IAS 34 have not 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 has adopted the standard IFRS 9, Financial Instruments as Amended. With regard to possible decline in value of financial assets, an expected credit loss model will be applied. The standard amendment is not expected to have any significant impact on the consolidated financial statements. Expected credit losses will be recorded customer-specifically, based on predetermined criteria.

The IFRS 15 standard has not had 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 will have 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 will have an impact on financial statements as a result of new requirements regarding notes. A standard transition method has been 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, 17 April 2018

PONSSE PLC

Juho Nummela
President and CEO

FURTHER INFORMATION
Juho Nummela, President and CEO, tel. +358 400 495 690
Petri Härkönen, CFO, tel. +358 50 409 8362

DISTRIBUTION
NASDAQ OMX Helsinki Ltd
Principal media
www.ponsse.com

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.