

PONSSE PLC, STOCK EXCHANGE RELEASE, 22 OCTOBER 2019, 9:00 a.m.

PONSSE'S INTERIM REPORT FOR 1 JANUARY – 30 SEPTEMBER 2019

- Net sales amounted to EUR 464.1 (Q1-Q3/2018 415.9) million.
- Q3 net sales amounted to EUR 148.3 (Q3/2018 124.8) million.
- Operating result totalled EUR 46.6 (Q1-Q3/2018 39.3) million, equalling 10.0 (9.5) per cent of net sales.
- Q3 operating result totalled EUR 16.2 (Q3/2018 9.9) million, equalling 10.9 (7.9) per cent of net sales.
- Profit before taxes was EUR 45.1 (Q1-Q3/2018 34.3) million.
- Cash flow from business operations was EUR 14.1 (16.7) million.
- Earnings per share were EUR 1.23 (0.90).
- Equity ratio was 52.6 (53.2) per cent.
- Order books stood at EUR 326.4 (281.6) million.

PRESIDENT AND CEO JUHO NUMMELA:

Uncertainties in the global economy started to show during the quarter. Order intake returned to its normal level after some very busy quarters. Our order books were still strong at the end of the period under review, totalling EUR 326.4 million.

Forest damage caused by bark beetle has resulted in an oversupply of timber in Europe. The damage affects global flows of wood and sawn timber and the harvesting volumes of roundwood outside Europe. The number of machine deliveries to Central Europe is increasing at the moment. Despite these uncertainties, the forest machine market is still working well as a whole.

The company's net sales for the third quarter were EUR 148.3 (124.8) million and growth was significant compared to the reference period. The service businesses' net sales continued to grow, but the sales of trade-in machines decreased slightly from the year before. International business operations accounted for 77.9 (76.6) per cent of net sales.

The operating profit for the last quarter amounted to EUR 16.2 (9.9) million. The major difference in profitability and net sales compared to the reference period is mainly explained by the investment in the Vieremä factory in 2018 and its planned capacity restriction. The operating result for the third quarter equalled 10.9 (7.9) per cent of net sales. Cash flow for the period under review amounted to EUR 14.1 (16.7) million. The value of the trade-in machine stock slightly increased when the market calmed down. At the same time, the number of deliveries for new machines was increasing.

Manufacturing volumes at our new Vieremä factory were still growing in the past quarter, and the long order books enable normal factory operations for the time being. Because of the uncertainties in the market, the company has enhanced the control of expenses, and it considers investments extremely

carefully. The positive outlook in the forest industry remains unchanged in the long term.

NET SALES

Consolidated net sales for the period under review amounted to EUR 464.1 (415.9) million, which is 11.6 per cent more than in the comparison period. International business operations accounted for 77.9 (76.6) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 38.6 (39.3) per cent, Central and Southern Europe 20.0 (21.2) per cent, Russia and Asia 16.3 (19.5) per cent, North and South America 24.7 (19.4) per cent and other countries 0.4 (0.6) per cent.

PROFIT PERFORMANCE

The operating result amounted to EUR 46.6 (39.3) million. The operating result equalled 10.0 (9.5) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 21.7 (19.0) per cent.

Staff costs for the period totalled EUR 67.1 (60.7) million. Other operating expenses stood at EUR 41.5 (39.6) million. The net total of financial income and expenses amounted to EUR -1.5 (-5.0) million. Exchange rate gains and losses with a net effect of EUR -0.1 (-4.1) million were recognised under financial items for the period. Result for the period under review totalled EUR 34.5 (25.1) million. Diluted and undiluted earnings per share (EPS) came to EUR 1.23 (0.90).

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 416.3 (356.9) million. Inventories stood at EUR 162.4 (143.8) million. Trade receivables totalled EUR 46.2 (43.1) million, while liquid assets stood at EUR 35.6 (17.5) million. Group shareholders' equity stood at EUR 214.9 (181.7) million and parent company shareholders' equity (FAS) at EUR 202.0 (172.1) million. The amount of interest-bearing liabilities was EUR 89.0 (70.2) million. The company has used 45 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 108.4 (82.7) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 53.3 (52.6) million, and the debt-equity ratio (net gearing) was 24.8 (28.9) per cent. The equity ratio stood at 52.6 (53.2) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR 14.1 (16.7) million. Cash flow from investment activities came to EUR -21.2 (-23.7) million.

ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 508.5 (575.7) million, while period-end order books were valued at EUR 326.4 (281.6) million.

DISTRIBUTION NETWORK

The subsidiaries included in the Ponsse Group are Ponsse AB, Sweden; Ponsse AS, Norway; Ponsse 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 Ponsse Centre, 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 13.7 (12.4) million, of which EUR 4.6 (3.7) million was capitalised.

Capital expenditure totalled EUR 21.5 (24.2) 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 report to Marko Mattila, Ponsse retail network manager. Managing directors of subsidiaries and Marko Mattila 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, Norway starting from 1 October 2019),
Tarmo Saks (the Baltic countries) and
Sigurd Skotte (Norway until 30 September 2019).

Central and Southern Europe:

Tuomo Moilanen (Germany and Austria),
Clément Puybaret (France),
Janne Tarvainen (Spain and Portugal),
Dean Robson (the United Kingdom),
Patrick Murphy (Ireland),
Gary Glendinning (Hungary, Romania, Slovenia, Croatia and Serbia) and
Tarmo Saks (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),
Fernando Campos (Brazil) and
Martin Toledo (Uruguay, Chile and Argentina).

PERSONNEL

The Group had an average staff of 1,758 (1,621) during the period and employed 1,747 (1,645) 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 September 2019 totalled 1,011,290, accounting for 3.6 per cent of the total number of shares. Share turnover amounted to EUR 29.0 million, with the period's lowest and highest share prices amounting to EUR 24.80 and EUR 31.95, respectively.

At the end of the period, shares closed at EUR 28.10, and market capitalisation totalled EUR 786.8 million.

At the end of the period under review, the company held 227 treasury shares.

ANNUAL GENERAL MEETING

A separate release was issued on 3 April 2019 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 slightly higher in 2019 than in 2018.

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.

The trend of our investments will increasingly be in R&D and product technology and also developing the service network both in Finland and abroad. In Vieremä factory there will be focused in ramp-up of new products and increasing the capacity taking product quality and reliability into account.

PONSSE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)

	IFRS 1-9/19	IFRS 1-9/18	IFRS 1-12/18
NET SALES	464,067	415,884	612,435
Increase (+)/decrease (-) in inventories of finished goods and work in progress	29,226	8,523	-1,508
Other operating income	2,107	1,943	2,768
Raw materials and services	-324,605	-275,244	-395,660
Expenditure on employment-related benefits	-67,063	-60,687	-85,289
Depreciation and amortisation	-15,623	-11,451	-15,836
Other operating expenses	-41,537	-39,627	-55,193
OPERATING RESULT	46,573	39,341	61,717
Share of results of associated companies	28	-65	-77
Financial income and expenses	-1,500	-4,991	-5,317
RESULT BEFORE TAXES	45,100	34,285	56,324
Income taxes	-10,597	-9,150	-12,625
NET RESULT FOR THE PERIOD	34,503	25,135	43,699
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	2,469	651	-318
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	36,972	25,786	43,381
Diluted and undiluted earnings per share*	1.23	0.90	1.56
NET SALES	148,263	124,816	
Increase (+)/decrease (-) in inventories of finished goods and work in progress	483	-3,215	
Other operating income	867	951	
Raw materials and services	-96,661	-78,573	
Expenditure on employment-related benefits	-19,101	-17,311	
Depreciation and amortisation	-5,223	-3,915	
Other operating expenses	-12,448	-12,883	
OPERATING RESULT	16,180	9,871	
Share of results of associated companies	81	-67	
Financial income and expenses	-1,215	-1,061	
RESULT BEFORE TAXES	15,046	8,744	
Income taxes	-3,727	-2,746	
NET RESULT FOR THE PERIOD	11,318	5,998	
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	1,443	-51	
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	12,761	5,947	

Diluted and undiluted earnings per share* 0.40 0.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

	IFRS 30 Sep 19	IFRS 30 Sep 18	IFRS 31 Dec 18
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	29,695	24,835	26,298
Goodwill	3,786	3,799	3,800
Property, plant and equipment	118,187	106,108	108,818
Financial assets	98	103	103
Investments in associated companies	572	557	545
Non-current receivables	2,171	816	2,447
Deferred tax assets	4,766	3,842	3,242
TOTAL NON-CURRENT ASSETS	159,275	140,059	145,252
CURRENT ASSETS			
Inventories	162,443	143,807	126,628
Trade receivables	46,177	43,139	43,379
Income tax receivables	237	378	1,423
Other current receivables	12,543	11,987	11,275
Cash and cash equivalents	35,604	17,539	51,105
TOTAL CURRENT ASSETS	257,005	216,850	233,811
TOTAL ASSETS	416,279	356,909	379,063
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	7,000	7,000	7,000
Other reserves	3,460	2,421	3,462
Translation differences	5,496	3,996	3,027
Treasury shares	-2	-346	0
Retained earnings	198,979	168,624	186,667
EQUITY OWNED BY PARENT COMPANY			
SHAREHOLDERS	214,933	181,694	200,155
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	48,780	46,779	45,651
Deferred tax liabilities	1,174	402	1,295
Other non-current liabilities	25	85	43
TOTAL NON-CURRENT LIABILITIES	49,979	47,266	46,990
CURRENT LIABILITIES			
Interest-bearing liabilities	40,179	23,453	23,920
Provisions	3,922	5,423	5,418
Tax liabilities for the period	3,423	748	808
Trade creditors and other current liabilities	103,843	98,325	101,773
TOTAL CURRENT LIABILITIES	151,367	127,949	131,919
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	416,279	356,909	379,063

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)

	IFRS 1-9/19	IFRS 1-9/18	IFRS 1-12/18
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net result for the period	34,503	25,135	43,699
Adjustments:			
Financial income and expenses	1,500	4,991	5,317
Share of the result of associated companies	-28	65	77
Depreciation and amortisation	15,623	11,451	15,836
Income taxes	10,597	9,150	12,625
Other adjustments	-621	-484	-3,127
Cash flow before changes in working capital	61,574	50,308	74,427
Change in working capital:			
Change in trade receivables and other receivables	-3,220	-2,959	-1,545
Change in inventories	-33,300	-23,351	-6,089
Change in trade creditors and other liabilities	-69	4,722	8,642
Change in provisions for liabilities and charges	-1,496	-346	-351
Interest received	222	158	244
Interest paid	-428	-446	-770
Other financial items	-829	-1,621	-2,458
Income taxes paid	-8,340	-9,745	-12,866
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	14,116	16,719	59,232
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-21,488	-24,246	-32,916
Proceeds from sale of tangible and intangible assets	244	585	675
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)	-21,244	-23,661	-32,240
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares	-2	0	-93
Withdrawal/Repayment of current loans	15,556	2,356	1,845
Repayment of non-current loans	0	-450	-450
Withdrawal/Repayment of finance lease liabilities	-1,467	88	33
Change in non-current receivables	154	358	670
Dividends paid	-22,400	-20,975	-20,975
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	-8,159	-18,623	-18,970
Change in cash and cash equivalents (A+B+C)	-15,287	-25,565	8,022
Cash and cash equivalents on 1 Jan	51,105	42,596	42,596
Impact of exchange rate changes	-215	508	488
Cash and cash equivalents on 30 Sep/31 Dec	35,604	17,539	51,105

*) Enabled by the new consolidation programme, the company changed over to presenting the exchange rate effects included in the cash flow statement in a way that allows unrealised exchange rate effects to be eliminated in the cash flow statement more accurately. As a result, previously reported cash flows have been adjusted to allow comparability. The previously reported cash flow from business operations was EUR 21.0 million for the comparative period in 2018 and EUR 61.3 million in the 2018 financial statements. This change had no impact on the presentation of the total cash flow, as it only affected the presentation of the relationship between different cash flows as well as exchange rate effects in terms of the change in cash and cash equivalents.

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 2019	7,000	3,462	3,027	0	186,667	200,155
Translation differences			2,469			2,469
Result for the period					34,503	34,503
Total comprehensive income for the period			2,469		34,503	36,972
Matching Share Plan		-2				-2
Dividend distribution					-22,400	-22,400
Acquisition of treasury shares				-2		-2
Direct entries to retained earnings					210	210
SHAREHOLDERS' EQUITY						
30 SEP 2019	7,000	3,460	5,496	-2	198,979	214,933
SHAREHOLDERS' EQUITY 1						
JAN 2018	7,000	2,452	-183	-346	167,923	176,846
Adjustment for previous periods *)		-29	3,528		-3,525	-26
SHAREHOLDERS' EQUITY 1						
JAN 2018	7,000	2,423	3,345	-346	164,398	176,819
Translation differences			651			651
Result for the period					25,135	25,135
Total comprehensive income for the period			651		25,135	25,786
Dividend distribution					-20,975	-20,975
Other changes		-2			66	64
SHAREHOLDERS' EQUITY						
30 SEP 2018	7,000	2,421	3,996	-346	168,624	181,694

*) 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.

	30 Sep 19	30 Sep 18	31 Dec 18
1. LEASING COMMITMENTS (EUR 1,000)	1,081	1,207	1,342
2. CONTINGENT LIABILITIES (EUR 1,000)	30 Sep 19	30 Sep 18	31 Dec 18
Guarantees given on behalf of others	186	320	1,459
Responsibility of checking the VAT deductions made on real property investments	8,329	4,840	7,839

Other commitments	81	57	87
TOTAL	8,596	5,217	9,385

3. PROVISIONS (EUR 1,000)	Guarantee provision
1 January 2019	5,418
Provisions added	500
Provisions cancelled	-1,996
30 September 2019	3,922

KEY FIGURES AND RATIOS	30 Sep 19	30 Sep 18	31 Dec 18
R&D expenditure, MEUR	13.7	12.4	17.5
Capital expenditure, MEUR	21.5	24.2	32.9
as % of net sales	4.6	5.8	5.4
Average number of employees	1,758	1,621	1,635
Order books, MEUR	326.4	281.6	294.9
Equity ratio, %	52.6	53.2	54.0
Diluted and undiluted earnings per share (EUR)	1.23	0.90	1.56
Equity per share (EUR)	7.68	6.49	7.15

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

 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)	1-9/19	1-9/18	1-12/18
Ponsse Group	508.5	575.7	785.7

The stock exchange release for the interim report has been prepared observing the recognition and valuation principles of IFRS, and the requirements of IAS 34 have not been complied with. The same accounting principles were observed for the closing of the books as for the annual financial statements dated 31 December 2018, with the exception of the new standard introduced on 1 January 2019. This standard is IFRS 16, Leases.

As a result of the new IFRS 16 "Leases" standard, the Group recognised non-cancellable leases on the balance sheet. The Group made use of an easement allowed in the standard according to which short-term leases of assets with minor value do not need to be recognised on the balance sheet. For non-fixed-term leases, the Group only recognises on the balance sheet leases with a term of notice longer than 12 months that do not include a significant cancellation clause. At the end of the period under review, the right-of-use assets amounted to EUR 4.3 million, and they are included in the Property, Plant and Equipment section under the consolidated statements of financial position. Correspondingly, the non-current and current interest-bearing liabilities in the consolidated statements of financial position include EUR 4.3 million of lease liabilities. EUR 1.5 million of depreciation and financing expenses related to right-of-use assets were recognised in the result for the period under review. For the cash flow statement, application of the IFRS 16 standard increased the cash flow from business operations and decreased the financing by EUR 1.5 million. A simplified method has been used for the transition, and the comparison figures from the year preceding the transition have not been adjusted.

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, 22 October 2019

PONSSE PLC

Juho Nummela
 President and CEO

FURTHER INFORMATION

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DISTRIBUTION

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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.