

PONSSE PLC, STOCK EXCHANGE RELEASE, 18 FEBRUARY 2020, 9:00 a.m.

## PONSSE'S FINANCIAL STATEMENTS FOR 1 JANUARY – 31 DECEMBER 2019

- Net sales amounted to EUR 667.4 (Q1-Q4/2018 612.4) million.
- Q4 net sales amounted to EUR 203.3 (Q4/2018 196.6) million.
- Operating result totalled EUR 67.3 (Q1-Q4/2018 61.7) million, equalling 10.1 (10.1) per cent of net sales.
- Q4 operating result totalled EUR 20.7 (Q4/2018 22.4) million, equalling 10.2 (11.4) per cent of net sales.
- Profit before taxes was EUR 66.6 (Q1-Q4/2018 56.3) million.
- Cash flow from business operations was EUR 42.9 (59.2) million.
- Earnings per share were EUR 1.86 (1.56).
- Equity ratio was 54.8 (54.0) per cent.
- Order books stood at EUR 256.8 (294.9) million.
- The Board of Directors' proposal for the distribution of profit is EUR 0.85 (0.80) per share.
- Group's euro-denominated operating profit is expected to be on a par with 2019 in 2020.

### PRESIDENT AND CEO JUHO NUMMELA:

Ponsse's year 2019 started with demand and orders being very high, while the forest machine market calmed down significantly towards the end of the year. Despite the challenging market situation, we were able to increase our net sales and reach a profitability rate of more than 10 per cent and cash flow of EUR 43 million. We manufactured a record-breaking number of forest machines in our new factory. Within one year, we delivered the 14,000th and 15,000th PONSSE machines made in Vieremä to our customers.

Our order book was divided into two halves in 2019. During the first half, we broke our all-time record for orders, while economic uncertainties started to materialise in demand for forest machines during the latter half. At the same time, damage caused by bark beetles in Central Europe affected global timber markets and reduced customer investment activities in many market areas. We were unable to reach our record-high order figures for the comparison period and delivery times from our factory shortened as the order intake evened out. At the end of the year, our order book was positive, at EUR 256.8 (294.9) million.

The total forest machine market grew, especially in Sweden and Finland. Sweden regained its former position as the world's largest cut-to-length forest machine market, leaving Russia behind. The Russian market remained at a high level, while growing fairly modestly. According to our estimates, the total cut-to-length forest machine market was larger than ever before, consisting of roughly 4,500 forest machines.

All our business areas, apart from trade-in machine sales, grew steadily during the period under review. Sales of new machines developed positively, driven by our factory's increasing production volumes, and our service businesses grew moderately. The trade-in machine market was clearly more challenging than during the comparison period, and sales fell slightly short of the comparison period's level. We were unable to reach our targeted growth in trade-in machine sales, while the turnover of our trade-in machine stocks remained at a high level.

In 2019, Ponsse's cumulative net sales rose to a historical level of EUR 667.4 (612.4) million, and the operating profit amounted to EUR 67.3 (61.7) million. The company's net sales increased by 9.0 per cent, and operating profit by 9.1 per cent, year-on-year. During the period under review, the operating profit rate was 10.1 (10.1) per cent, and cash flow from business operations stood at EUR 42.9 (59.2) million. The challenging availability of components had a negative impact on our operations, raising the stock value of the Vieremä factory at the end of the year. All our company's warehouses have room for improvement in terms of working capital.

Our Vieremä factory performed well, despite the year being so difficult. The new factory operated efficiently, and our manufacturing network is developing continuously. During 2019, we made investments in our factory and our service business network. Factory investments mainly focused on logistics automation and measuring systems. In our service network, we invested in a new service centre in Mikkeli and in our training centre in St Petersburg, which represents an important step in the continuous improvement of our training services.

We are developing Ponsse with a long-term perspective to support our customers' operations and to ensure our operational continuity. The continuous renewal of our operations and products is important. Since 2010, we have incrementally invested around EUR 120 million in research and development and around EUR 215 million in fixed assets. During 2019, a large number of new products entered serial production, following a busy year of new launches. Our new machine models have been accepted positively in the market, with their sales getting off to a good start. We will continue our investments in harvesting solutions and related technologies in line with sustainable development. In this way, we can respond to demands for sustainable forestry.

## NET SALES

Consolidated net sales for the period under review amounted to EUR 667.4 (612.4) million, which is 9.0 per cent more than in the comparison period. International business operations accounted for 78.2 (77.6) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 38.0 (37.6) per cent, Central and Southern Europe 19.7 (20.0) per cent, Russia and Asia 17.6 (22.5) per cent, North and South America 24.0 (19.2) per cent and other countries 0.7 (0.7) per cent.

## PROFIT PERFORMANCE

The operating result amounted to EUR 67.3 (61.7) million. The operating result equalled 10.1 (10.1) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 23.5 (22.6) per cent.

Staff costs for the period totalled EUR 92.7 (85.3) million. Other operating expenses stood at EUR 57.6 (55.2) million. The net total of financial income and expenses amounted to EUR -1.0 (-5.3) million. Exchange rate gains and losses with a net effect of EUR 0.4 (-4.0) million were recognised under financial items for the period. Result for the period under review totalled EUR 52.0 (43.7) million. Diluted and undiluted earnings per share (EPS) came to EUR 1.86 (1.56).

## 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 426.8 (379.1) million. Inventories stood at EUR 153.2 (126.6) million. Trade receivables totalled EUR 47.2 (43.4) million, while liquid assets stood at EUR 48.7 (51.1) million. Group shareholders' equity stood at EUR 232.1 (200.2) million and parent company shareholders' equity (FAS) at EUR 208.0 (180.1) million. The amount of interest-bearing liabilities was EUR 81.7 (69.6) million. The company has used 13 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 98.0 (76.7) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 32.9 (18.4) million, and the debt-equity ratio (net gearing) was 14.2 (9.2) per cent. The equity ratio stood at 54.8 (54.0) per cent at the end of the period under review.

Cash flow from operating activities amounted to EUR 42.9 (59.2) million. Cash flow from investment activities came to EUR -28.2 (-32.2) million.

## ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 642.2 (785.7) million, while period-end order books were valued at EUR 256.8 (294.9) 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 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 19.3 (17.5) million, of which EUR 7.7 (6.1) million was capitalised.

Capital expenditure totalled EUR 28.6 (32.9) million. It consisted in addition to capitalised R&D expenses of investments in buildings and ordinary maintenance and replacement investments for machinery and equipment.

## ANNUAL GENERAL MEETING

Annual General Meeting was held in Vieremä, Finland 3 April 2019. The AGM approved the parent company financial statements and the consolidated financial statements, and members of the Board of Directors and the President and CEO were discharged from liability for the 2018 financial period.

The AGM decided to pay a dividend of EUR 0.80 per share for 2018 (dividends totaling EUR 22,400,000). The dividend payment record date was 5 April 2019, and the dividends were paid on 12 April 2019.

Annual General Meeting authorised the Board of Directors to decide on the acquisition of treasury shares so that shares can be acquired in one or several instalments to a maximum of 250,000 shares. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes.

The shares will be acquired in public trading organised by Nasdaq Helsinki ("the Stock Exchange"). Furthermore, they will be acquired and paid according to the rules of the Stock Exchange and Euroclear Finland Ltd.

The Board may, pursuant to the authorisation, only decide upon the acquisition of the treasury shares using the company's unrestricted shareholders' equity.

The authorisation is required for supporting the company's growth strategy in the company's potential mergers and acquisitions or other arrangements. In addition, shares can be distributed to the company's current shareholders, used for increasing shareholders' ownership value by invalidating shares after their acquisition or used in personnel incentive systems. The authorisation includes the right of the Board to decide upon all other terms and conditions in the acquisition of treasury shares.

The authorisation is valid until the next Annual General Meeting; however, no later than 30 June 2020. The previous authorisations are cancelled.

The AGM authorised the Board of Directors to decide on the assignment of treasury shares held by the company in one or more tranches for payment or without payment so that a maximum of 250,000 shares will be issued on the basis of the authorisation. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes.

The authorisation includes the right of the Board to decide upon all other terms and conditions of the share issue. Thus, the authorisation includes the right to organise a directed issue in deviation of the shareholders' subscription rights under the provisions prescribed by law.

The authorisation is used in supporting the Company's growth strategy in the Company's potential corporate acquisitions or other arrangements. In addition, the shares can be issued to the Company's current shareholders, sold through public trading or used in personnel incentive systems. A directed share issue may only be free of charge if there is a particularly weighty economic reason for this considering the company, taking into account the interests of the company and all of its shareholders.

The authorisation is valid until the next Annual General Meeting; however, no later than 30 June 2020. The previous authorisations are cancelled.

Annual General Meeting authorised the Board of Directors to decide on a directed share issue and to issue special rights entitling to shares as referred to in Section 10(1) of the Finnish Limited Liability Companies Act, in one or more tranches, for payment or without a payment.

Based on the authorisation, a maximum of 200,000 shares can be issued, which is approximately 0.7 per cent of the current total number of shares in the company. Shares can be issued as part of the company's share-based incentive plans. The Board of Directors will decide on all the terms and conditions for the granting of special rights entitling to shares in the share issue. Based on the authorisation, a derogation from the pre-emptive subscription right of shareholders (targeted share issue) may be granted for the special rights entitling to shares. A directed issue may only be free of charge if there is a particularly weighty economic reason for this considering the company, taking into account the interests of the company and all of its shareholders.

The authorisation is valid until the next Annual General Meeting, however no later than 30 June 2020.

## BOARD OF DIRECTORS AND THE COMPANY'S AUDITORS

Juha Vidgrén acted as Chairman of the Board and Mammu Kaario as Vice Chairman of the Board. Members of the Board were Matti Kylävainio, Juha Vanhainen, Janne Vidgrén and Jukka Vidgrén.

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

The Board of Directors convened nine times during the period under review. The attendance rate was 88.9 percent.

During the period under review, auditing firm PricewaterhouseCoopers Oy acted as the company auditor with Juha Toppinen, Authorised Public Accountant, as the principal auditor.

## 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 1,761 (1,635) during the period and employed 1,764 (1,692) 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 December 2019 totalled 1,774,066, accounting for 6.3 per cent of the total number of shares. Share turnover amounted to EUR 50.2 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 31.00, and market capitalisation totalled EUR 868.0 million.

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

## QUALITY, ENVIRONMENT AND OCCUPATIONAL HEALTH AND SAFETY

Ponsse is committed to observing the ISO 9001 quality standard, the ISO 14001 environmental system standard and the ISO45001 safety and health standard, the first two of which are certified. The aim of the management systems based on international standards is to standardise operations at the Group level and to ensure a continuous development. Lloyd's Register Quality Assurance conducted an audit of the ISO 9001:2015 quality system and the ISO 14001:2015 environmental system and as a new the ISO45001 safety and health standard during the period under review.

Implementation of the principles of sustainable development and responsible leadership are guided by the management systems based on the company's quality, environmental and occupational safety and health standards. At Ponsse, sustainable development means taking the economic, social and ecological points of view and the principles related to them equally into account in the company's operations. According to the point of view of ecological sustainability we want to avoid and minimise the negative impacts of our products, services, operations and decisions on biodiversity, the ecosystem and sufficiency of natural resources. At Ponsse, defining the environmental impact of production, services and products life cycle is based on ISO14040 life cycle assessment standard. Our investments in minimising the fuel consumption and emissions of our products and surface damage of trees and in our maintenance services processes also influence the sustainability of the operations of our customers. According to the point of view of social sustainability, we ensure occupational well-being and safety and equal treatment and support employment and the development of professional human resources. The point of view of economical sustainability is related to profitability, cash flow from business operations and growth and ensures the company's economic performance in the long term. This brings stability and continuity to the local community and the society in the whole of our global field of operations.

At Ponsse, operating methods and production processes are developed with both internal and external audits. The company's audit system has been a key tool in promoting the development during 2019. During the period under review, internal audits assessing the procedures and working environment of services were deepened in the company's service business network. The aim of the quality audits of services is to ensure efficient and safe procedures in the entire PONSSE service network. During the period under review, there has been invested in the management of the subsidiaries' strategy and leading principles, taking advantage of the earlier developed assessment model.

Production processes are continuously developed in accordance with the operating model of

continuous improvement. The company's quality assurance system emphasises the importance of prevention. During the period under review, great focus was put on a procedure development model internal to the company, which is based on principles of Ponsse Production System.

## 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. 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 strong onward of a coronavirus in China can result in closing down of production plants and the risk is that it can, among other things, have impact on availability for certain electronic components. 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.

#### EVENTS AFTER THE PERIOD

The company has no important events after the conclusion of the period under review.

#### OUTLOOK FOR THE FUTURE

The Group's euro-denominated operating profit is expected to be on a par with 2019 in 2020.

#### ANNUAL GENERAL MEETING

Ponsse Plc's Annual General Meeting will be held on 1 April 2020, starting at 11:00 a.m. at the company's registered office at Ponsentie 22, FI-74200 Vieremä, Finland.

#### BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFIT

The parent company Ponsse Plc had 173,902,350.53 euros of distributable funds on 31 December 2019.

The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.85 per share shall be paid for the year 2019. The Board proposes to the Annual General Meeting that a profit bonus will be paid to the staff for the year 2019.

## PONSSE GROUP

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

	IFRS 1-12/19	IFRS 1-12/18
<b>NET SALES</b>	<b>667,402</b>	<b>612,435</b>
Increase (+)/decrease (-) in inventories of finished goods and work in progress	15,718	-1,508
Other operating income	3,046	2,768
Raw materials and services	-447,390	-395,660
Expenditure on employment-related benefits	-92,693	-85,289
Depreciation and amortisation	-21,219	-15,836
Other operating expenses	-57,563	-55,193
<b>OPERATING RESULT</b>	<b>67,302</b>	<b>61,717</b>
Share of results of associated companies	305	-77
Financial income and expenses	-1,032	-5,317
<b>RESULT BEFORE TAXES</b>	<b>66,574</b>	<b>56,324</b>
Income taxes	-14,564	-12,625
<b>NET RESULT FOR THE PERIOD</b>	<b>52,010</b>	<b>43,699</b>

## OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:

Translation differences related to foreign units	2,373	-318
<b>TOTAL COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>54,383</b>	<b>43,381</b>
Diluted and undiluted earnings per share*	1.86	1.56

	IFRS 10-12/19	IFRS 10-12/18
<b>NET SALES</b>	<b>203,335</b>	<b>196,552</b>
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-13,508	-10,031
Other operating income	940	825
Raw materials and services	-122,785	-120,416
Expenditure on employment-related benefits	-25,630	-24,602
Depreciation and amortisation	-5,596	-4,385
Other operating expenses	-16,027	-15,567
<b>OPERATING RESULT</b>	<b>20,729</b>	<b>22,377</b>
Share of results of associated companies	277	-12
Financial income and expenses	468	-326
<b>RESULT BEFORE TAXES</b>	<b>21,474</b>	<b>22,039</b>
Income taxes	-3,967	-3,475
<b>NET RESULT FOR THE PERIOD</b>	<b>17,507</b>	<b>18,563</b>

## OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:

Translation differences related to foreign units	-96	-969
<b>TOTAL COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>17,411</b>	<b>17,595</b>

Diluted and undiluted earnings per share*	0.63	0.66
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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

	IFRS 31 Dec 19	IFRS 31 Dec 18
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	32,213	26,298
Goodwill	3,794	3,800
Property, plant and equipment	118,507	108,818
Financial assets	370	103
Investments in associated companies	849	545
Non-current receivables	1,196	2,447
Deferred tax assets	3,844	3,242
<b>TOTAL NON-CURRENT ASSETS</b>	<b>160,773</b>	<b>145,252</b>
<b>CURRENT ASSETS</b>		
Inventories	153,158	126,628
Trade receivables	47,171	43,379
Income tax receivables	351	1,423
Other current receivables	16,646	11,275
Cash and cash equivalents	48,704	51,105
<b>TOTAL CURRENT ASSETS</b>	<b>266,030</b>	<b>233,811</b>
<b>TOTAL ASSETS</b>	<b>426,803</b>	<b>379,063</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	7,000	7,000
Other reserves	3,460	3,462
Translation differences	5,399	3,027
Treasury shares	-2	0
Retained earnings	216,264	186,667
<b>EQUITY OWNED BY PARENT COMPANY</b>		
<b>SHAREHOLDERS</b>	<b>232,121</b>	<b>200,155</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing liabilities	48,030	45,651
Deferred tax liabilities	1,407	1,295
Other non-current liabilities	23	43
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>49,460</b>	<b>46,990</b>
<b>CURRENT LIABILITIES</b>		
Interest-bearing liabilities	33,652	23,920
Provisions	3,450	5,418
Tax liabilities for the period	3,021	808
Trade creditors and other current liabilities	105,099	101,773
<b>TOTAL CURRENT LIABILITIES</b>	<b>145,221</b>	<b>131,919</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>426,803</b>	<b>379,063</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)

	IFRS 1-12/19	IFRS 1-12/18
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net result for the period	52,010	43,699
Adjustments:		
Financial income and expenses	1,032	5,317
Share of the result of associated companies	-305	77
Depreciation and amortisation	21,219	15,836
Income taxes	14,564	12,625
Other adjustments	-790	-3,127
Cash flow before changes in working capital	87,730	74,427
Change in working capital:		
Change in trade receivables and other receivables	-7,828	-1,545
Change in inventories	-24,187	-6,089
Change in trade creditors and other liabilities	2,398	8,642
Change in provisions for liabilities and charges	-1,968	-351
Interest received	301	244
Interest paid	-765	-770
Other financial items	-882	-2,458
Income taxes paid	-11,944	-12,866
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES (A)</b>	<b>42,854</b>	<b>59,232</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Investments in tangible and intangible assets	-28,567	-32,916
Proceeds from sale of tangible and intangible assets	322	675
<b>NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)</b>	<b>-28,245</b>	<b>-32,240</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisition of treasury shares	0	-93
Withdrawal/Repayment of current loans	7,166	1,845
Repayment of non-current loans	0	-450
Withdrawal/Repayment of finance lease liabilities	-2,402	33
Change in non-current receivables	832	670
Dividends paid	-22,400	-20,975
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES (C)</b>	<b>-16,803</b>	<b>-18,970</b>
Change in cash and cash equivalents (A+B+C)	-2,194	8,022
Cash and cash equivalents on 1 Jan	51,105	42,596
Impact of exchange rate changes	-208	488
Cash and cash equivalents on 31 Dec	48,704	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 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
<b>SHAREHOLDERS' EQUITY 1</b>						
JAN 2019	7,000	3,462	3,027	0	186,667	200,155
Translation differences			2,373			2,373
Result for the period					52,010	52,010
Total comprehensive income for the period			2,373		52,010	54,383
Matching Share Plan		-2			-13	-15
Dividend distribution					-22,400	-22,400
Acquisition of treasury shares				-2		-2
Direct entries to retained earnings						
<b>SHAREHOLDERS' EQUITY</b>						
31 DEC 2019	7,000	3,460	5,400	-2	216,264	232,121
<b>SHAREHOLDERS' EQUITY 1</b>						
JAN 2018	7,000	2,452	-183	-346	167,923	176,846
Adjustment for previous periods *)		-29	3,528		-3,525	-26
<b>SHAREHOLDERS' EQUITY 1</b>						
JAN 2018	7,000	2,423	3,345	-346	164,398	176,819
Translation differences			-318			-318
Result for the period					43,699	43,699
Total comprehensive income for the period			-318		43,699	43,381
Matching Share Plan		1,039		439	-439	1,039
Dividend distribution					-20,975	-20,975
Acquisition of treasury shares				-93		-93
Direct entries to retained earnings					-16	-16
<b>SHAREHOLDERS' EQUITY</b>						
31 DEC 2018	7,000	3,462	3,027	0	186,667	200,155

\*) 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 Dec 19	31 Dec 18
1. LEASING COMMITMENTS (EUR 1,000)	858	1,342
2. CONTINGENT LIABILITIES (EUR 1,000)	31 Dec 19	31 Dec 18

Guarantees given on behalf of others

Responsibility of checking the VAT deductions made on real property investments	8,700	7,839
Other commitments	159	87
<b>TOTAL</b>	<b>8,879</b>	<b>7,946</b>

3. PROVISIONS (EUR 1,000)	Guarantee provision
1 January 2019	5,418
Provisions added	500
Provisions cancelled	-2,469
31 December 2019	3,450

KEY FIGURES AND RATIOS	31 Dec 19	31 Dec 18
R&D expenditure, MEUR	19.3	17.5
Capital expenditure, MEUR	28.6	32.9
as % of net sales	4.3	5.4
Average number of employees	1,761	1,635
Order books, MEUR	256.8	294.9
Equity ratio, %	54.8	54.0
Diluted and undiluted earnings per share (EUR)	1.86	1.56
Equity per share (EUR)	8.29	7.15

#### FORMULAE FOR FINANCIAL INDICATORS

Return on capital employed, %:

Result before taxes + 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)	1-12/19	1-12/18
Ponsse Group	642.2	785.7

The stock exchange release for annual financial statements has been prepared observing the recognition and valuation principles of IFRS, and the requirements of IAS 34 have 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 5.4 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 5.3 million of lease liabilities. EUR 2.0 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 2.0 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, 18 February 2020

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.*