

PONSSE PLC, STOCK EXCHANGE RELEASE, 21 APRIL 2020, 9:00 a.m.

PONSSE'S INTERIM REPORT FOR 1 JANUARY – 31 MARCH 2020

- Net sales amounted to EUR 144.5 (143.1) million.
- Operating result totalled EUR 13.4 (12.9) million, equalling 9.3 (9.0) per cent of net sales.
- Profit before taxes was EUR -1.6 (13.2) million.
- Cash flow from business operations was EUR -12.2 (2.4) million.
- Earnings per share were EUR -0.11 (0.36).
- Equity ratio was 46.5 (53.6) per cent.
- Order books stood at EUR 209.2 (367.9) million.

PRESIDENT AND CEO JUHO NUMMELA:

Ponsse's first quarter this year was reasonably good, considering the circumstances. Even so, the impact of the coronavirus pandemic began to be visible in both the demand for forest machines and the availability of components towards the end of the quarter. The weakening of the forest machine market occurred in 2019 and additional shock caused by the pandemic declined demand for forest machinery steeply in several market areas. The company's order intake contracted towards the end of the period under review and order books fell to EUR 209.2 (367.9) million.

The company reacted rapidly to the situation and the management team started preparing alternative strategies to changing environment. In terms of financing, Ponsse has carried out all measures necessary for ensuring the company's continuity.

We reacted rapidly to the situation that arose and held cooperation negotiations to adjust the factory's operations resulting in temporary layoffs for the entire personnel. In practice, our Vieremä factory is operating under single-shift conditions at the moment and the clerical workers are having layoffs during second quarter agreed by function. Our subsidiary network has made their own plans for adjusting their activities.

A number of companies in our supplier network in Europe have had to suspend their operations due to the pandemic. Our operations have been especially affected by the production suspensions in our German suppliers' subcontractor network in Northern Italy. We expect the factories in question to start up again by the end of April. Even so, the situation continues to be unstable and there are uncertainties concerning the re-start of our supplier network's factories.

Ponsse's net sales for the first quarter were EUR 144.5 (143.1) million. We were able to deliver machines to our customers almost normally and our invoicing was on the planned level. Our customers' work situation varies greatly from one market area to the next. Whereas the mechanical forest industry is facing major challenges in several market areas, the final products for chemical industry seems to enjoy better demand. The net sales of our after sales services declined slightly from the comparison period due to our customers' weak work situation. At the same time, however, our sales of trade-in machines was delightfully active.

Ponsse's profit for the quarter amounted to EUR 13.4 (12.9) million. The operating result for the period under review was 9.3 (9.0) per cent. Fluctuations in exchange rates had a strong impact on the result, which was EUR 1.6 million negative despite the good operating profit. The unrealised exchange rate losses resulted from re-valuing balance sheet items and shown in the financial income and expenses, amounting around EUR 9.3 million, weighed heavily on the result. Cash flow for the first quarter was EUR -12.2 (2.6) million. Regardless of the good sales in trade-in machines, our trade-in machine stock was growing.

In the challenging operating environment, we are continuing to invest in sales, service and the availability of spare parts as well as in providing our customers with services as efficiently as possible. Our Vieremä factory has operated excellently throughout the period under review and has the readiness to return to two shifts when the situation allows for it. The uncertainty caused by coronavirus pandemic has rapidly changed the operating environment and had an impact on the decline in demand for forest machines.

The most important thing, however, is ensuring the health of our personnel, customers and other stakeholders under all circumstances.

NET SALES

Consolidated net sales for the period under review amounted to EUR 144.5 (143.1) million, which is 1.0 per cent more than in the comparison period. International business operations accounted for 69.8 (76.3) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 49.4 (36.9) per cent, Central and Southern Europe 20.4 (22.4) per cent, Russia and Asia 7.9 (18.5) per cent, North and South America 21.5 (22.0) per cent and other countries 0.8 (0.2) per cent.

PROFIT PERFORMANCE

The operating result amounted to EUR 13.4 (12.9) million. The operating result equalled 9.3 (9.0) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at -0.8 (19.8) per cent.

Staff costs for the period totalled EUR 22.6 (22.1) million. Other operating expenses stood at EUR 13.3 (14.2) million. The net total of financial income and expenses amounted to EUR -15.0 (0.4) million. Exchange rate gains and losses with a net effect of EUR -14.2 (0.8) million were recognised under financial items for the period. Result for the period under review totalled EUR -3.2 (10.2) million. Diluted and undiluted earnings per share (EPS) came to EUR -0.11 (0.36).

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 501.3 (404.9) million. Inventories stood at EUR 171.8 (150.5) million. Trade receivables totalled EUR 42.0 (40.9) million, while liquid assets stood at EUR 114.3 (45.9) million. Group shareholders' equity stood at EUR 230.9 (211.8) million and parent company shareholders' equity (FAS) at EUR 216.5 (192.1) million. The amount of interest-bearing liabilities was EUR 163.9 (70.4) million. The company has ensured its liquidity by withdrawal of current loan from credit facility limit. The company has used 79 per cent of its credit facility limit. Group's loans from financial institutions are non-collateral bank loans without financial covenants. The parent company's net receivables from other Group companies stood at EUR 114.3 (84.1) million. The parent company's receivables from

subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 49.6 (24.4) million, and the debt-equity ratio (net gearing) was 21.5 (11.5) per cent. The equity ratio stood at 46.5 (53.6) per cent at the end of the period under review.

Cash flow from operating activities amounted to EUR -12.2 (2.4) million. Cash flow from investment activities came to EUR -5.6 (-4.7) million.

ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 106.8 (222.8) million, while period-end order books were valued at EUR 209.2 (367.9) 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 5.5 (4.8) million, of which EUR 1.9 (1.3) million was capitalised.

Capital expenditure totalled EUR 5.6 (4.8) 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 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, Denmark and Norway) and
Tarmo Saks (the Baltic countries).

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 1,775 (1,729) during the period and employed 1,773 (1,750) 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 2020 totalled 1,110,610, accounting for 4.0 per cent of the total number of shares. Share turnover amounted to EUR 29.7 million, with the period's lowest and highest share prices amounting to EUR 19.36 and EUR 33.00, respectively.

At the end of the period, shares closed at EUR 20.50, and market capitalisation totalled EUR 574.0 million.

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

ANNUAL GENERAL MEETING

Due to the ongoing coronavirus situation, the Annual General Meeting 2020 has been postponed to a date to be announced later.

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 coronavirus pandemic has caused rapid changes in the company's operating environment. The company's management has actively monitored and forecasted the development of the pandemic and taken preventive and corrective action to minimise its impact. Prolonging of coronavirus pandemic may have a significant impact on demand for forestry machines, and also availability of components and financing.

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

Ponsse issued a profit warning on 17 March 2020 to cancel its previous guidance, according to which Ponsse Group's euro-denominated operating profit in 2020 was expected to be at the same level as in 2019.

Currently, the significance of the coronavirus pandemic and its impact on Ponsse's business operations, financial position, operating results or liquidity cannot be reasonably evaluated due to the

rapid development and uncertainty of the situation.

Given that it is still unclear how long the pandemic will last, we will not be providing result guidance for the current year at this point.

PONSSE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)

	IFRS 1-3/20	IFRS 1-3/19	IFRS 1-12/19
NET SALES	144,503	143,085	667,402
Increase (+)/decrease (-) in inventories of finished goods and work in progress	22,469	19,310	15,718
Other operating income	471	542	3,046
Raw materials and services	-112,031	-108,598	-447,390
Expenditure on employment-related benefits	-22,627	-22,052	-92,693
Depreciation and amortisation	-6,034	-5,185	-21,219
Other operating expenses	-13,319	-14,245	-57,563
OPERATING RESULT	13,431	12,857	67,302
Share of results of associated companies	-20	-38	305
Financial income and expenses	-14,978	423	-1,032
RESULT BEFORE TAXES	-1,566	13,242	66,574
Income taxes	-1,619	-3,078	-14,564
NET RESULT FOR THE PERIOD	-3,185	10,164	52,010
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	1,843	1,178	2,373
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	-1,342	11,342	54,383
Diluted and undiluted earnings per share*	-0.11	0.36	1.86

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

	IFRS 31 Mar 20	IFRS 31 Mar 19	IFRS 31 Dec 19
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	33,082	26,743	32,213
Goodwill	3,774	3,796	3,794
Property, plant and equipment	115,421	112,702	118,507
Financial assets	370	98	370
Investments in associated companies	726	506	849
Non-current receivables	1,075	2,307	1,196
Deferred tax assets	4,252	4,130	3,844
TOTAL NON-CURRENT ASSETS	158,700	150,281	160,773
CURRENT ASSETS			
Inventories	171,763	150,532	153,158
Trade receivables	41,967	40,829	47,171
Income tax receivables	553	434	351
Other current receivables	14,095	16,951	16,646
Cash and cash equivalents	114,260	45,907	48,704
TOTAL CURRENT ASSETS	342,637	254,653	266,030
TOTAL ASSETS	501,337	404,934	426,803
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	7,000	7,000	7,000
Other reserves	3,460	3,462	3,460
Translation differences	7,243	4,205	5,399
Treasury shares	-2	0	-2
Retained earnings	213,198	197,108	216,264
EQUITY OWNED BY PARENT COMPANY			
SHAREHOLDERS	230,899	211,775	232,121
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	47,794	47,015	48,030
Deferred tax liabilities	1,216	1,224	1,407
Other non-current liabilities	55	425	23
TOTAL NON-CURRENT LIABILITIES	49,065	48,663	49,460
CURRENT LIABILITIES			
Interest-bearing liabilities	116,089	23,357	33,652
Provisions	3,557	5,502	3,450
Tax liabilities for the period	1,042	1,536	3,021
Trade creditors and other current liabilities	100,685	114,101	105,099
TOTAL CURRENT LIABILITIES	221,373	144,496	145,221
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	501,337	404,934	426,803

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)

	IFRS 1-3/20	IFRS 1-3/19	IFRS 1-12/19
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net result for the period	-3,185	10,164	52,010
Adjustments:			
Financial income and expenses	14,978	-423	1,032
Share of the result of associated companies	20	38	-305
Depreciation and amortisation	6,034	5,185	21,219
Income taxes	1,619	3,078	14,564
Other adjustments	-747	-16	-790
Cash flow before changes in working capital	18,719	18,026	87,730
Change in working capital:			
Change in trade receivables and other receivables	2,949	-3,493	-7,828
Change in inventories	-26,395	-21,991	-24,187
Change in trade creditors and other liabilities	-2,177	12,218	2,398
Change in provisions for liabilities and charges	107	84	-1,968
Interest received	18	76	301
Interest paid	-335	-82	-765
Other financial items	-404	-256	-882
Income taxes paid	-4,667	-2,210	-11,944
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	-12,184	2,372	42,854
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-5,632	-4,766	-28,567
Proceeds from sale of tangible and intangible assets	0	75	322
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)	-5,632	-4,691	-28,245
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares	0	0	0
Withdrawal/Repayment of current loans	82,688	-2,232	7,166
Repayment of non-current loans	0	-418	0
Withdrawal/Repayment of finance lease liabilities	-555	-495	-2,402
Change in non-current receivables	468	462	832
Dividends paid	0	0	-22,400
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	82,601	-2,683	-16,803
Change in cash and cash equivalents (A+B+C)	64,784	-5,001	-2,194
Cash and cash equivalents on 1 Jan	48,704	51,105	51,105
Impact of exchange rate changes	772	-197	-208
Cash and cash equivalents on 31 Mar/31 Dec	114,260	45,907	48,704

*) Enabled by the new consolidation programme, starting from 1 June 2019 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. All items in the cash flow statement have been converted to euros using average rates. As a result, previously reported cash flow from business operations of comparison period Q1 2019 being EUR 0.9 million, has been adjusted to allow comparability. 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 2020	7,000	3,460	5,400	-2	216,264	232,121
Translation differences			1,843			1,843
Result for the period					-3,185	-3,185
Total comprehensive income for the period			1,843		-3,185	-1,342
Direct entries to retained earnings					120	120
SHAREHOLDERS' EQUITY						
31 MAR 2020	7,000	3,460	7,243	-2	213,199	230,899
SHAREHOLDERS' EQUITY						
1 JAN 2019	7,000	3,462	3,027	0	186,667	200,155
Translation differences			1,178			1,178
Result for the period					10,164	10,164
Total comprehensive income for the period			1,178		10,164	11,342
Direct entries to retained earnings					278	278
SHAREHOLDERS' EQUITY						
31 MAR 2019	7,000	3,462	4,205	0	197,108	211,775
1. LEASING COMMITMENTS (EUR 1,000)				31 Mar 20	31 Mar 19	31 Dec 19
				713	961	858
2. CONTINGENT LIABILITIES (EUR 1,000)				31 Mar 20	31 Mar 19	31 Dec 19
Guarantees given on behalf of others				0	0	20
Responsibility of checking the VAT deductions made on real property investments				8,403	8,521	8,700
Other commitments				61	87	159
TOTAL				8,464	8,608	8,879
3. PROVISIONS (EUR 1,000)			Guarantee provision			
1 January 2020			3,450			
Provisions added			524			
Provisions cancelled			-417			
31 March 2020			3,557			
KEY FIGURES AND RATIOS				31 Mar 20	31 Mar 19	31 Dec 19
R&D expenditure, MEUR				5.5	4.8	19.3

Capital expenditure, MEUR	5.6	4.8	28.6
as % of net sales	3.9	3.3	4.3
Average number of employees	1,775	1,729	1,761
Order books, MEUR	209.2	367.9	256.8
Equity ratio, %	46.5	53.6	54.8
Diluted and undiluted earnings per share (EUR)	-0.11	0.36	1.86
Equity per share (EUR)	8.25	7.56	8.29

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)	1-3/20	1-3/19	1-12/19
Ponsse Group	106.8	222.8	642.2

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 2019.

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, 21 April 2020

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.