

PONSSE'S INTERIM REPORT FOR 1 JANUARY – 30 SEPTEMBER 2020

- Net sales amounted to EUR 431.4 (Q1-Q3/2019 464.1) million.
- Q3 net sales amounted to EUR 155.0 (Q3/2019 148.3) million.
- Operating result totalled EUR 43.4 (Q1-Q3/2019 46.6) million, equalling 10.1 (10.0) per cent of net sales.
- Q3 operating result totalled EUR 21.6 (Q3/2019 16.2) million, equalling 13.9 (10.9) per cent of net sales.
- Profit before taxes was EUR 22.7 (Q1-Q3/2019 45.1) million.
- Cash flow from business operations was EUR 15.5 (14.1) million.
- Earnings per share were EUR 0.52 (1.23).
- Equity ratio was 47.5 (52.6) per cent.
- Order books stood at EUR 178.5 (326.4) million.
- New profit guidance: Group's euro-denominated operating profit is expected to be slightly lower in 2020 than in 2019.

PRESIDENT AND CEO JUHO NUMMELA:

Despite the difficult situation, Ponsse performed well during the third quarter. The problems with the availability of components that characterised the second quarter were solved, and demand picked up in nearly all markets. The slight recovery of the markets and the excellent performance of Ponsse's network increased the value of orders to EUR 161.2 (116.9) million during the third quarter. Our order book remained at the second quarter's level, being EUR 178.5 (326.4) million. This is an excellent performance considering the situation. After all, our factory operated at full capacity throughout the quarter, apart from the summer holiday period.

We have adapted effectively to the pandemic. Ponsse has handled all the major changes in working life, including remote working, excellently, and we have been able to keep projects running effectively in all operations. The successful investments in our factory in recent years and our excellent employees are key in enabling productive operations at our factory. Our factory is fully on schedule, and our operations are developing strongly, driven by continuous improvement. Disruptions in the supplier network have decreased, apart from a few individual companies.

Our existing order book allowed us to run our factory at full capacity after holidays, which led our company to a record-high third quarter in our history. Our net sales for the third quarter were excellent at EUR 155.0 (148.3) million. Our customers were fully employed throughout the quarter, which was reflected in the positive development of the net sales of our service businesses. At the same time, used machine sales increased clearly from the low level of the second quarter.

As operations picked up, the company had no temporary layoffs, and effective cost cuts enabled an excellent profitability. Ponsse's operating profit for the quarter was EUR 21.6 (16.2) million, giving an operating margin of 13.9 (10.9) per cent. Although our net sales are slightly behind the previous year, our profitability reached the previous year's level after the first nine months of the year. This is largely

attributable to the successful third quarter. The cumulative cash flow was EUR 15.5 (14.1) million at the end of the third quarter. While our trade-in machine stocks continue to be a little high compared to a normal situation, the recovery of the market situation has also started to reduce their level.

Despite our successes during the third quarter, there are still significant uncertainties in the markets. According to our estimate total market has decreased approximately 20 per cent this year. The changed operating environment has a significant impact and the smaller order book no longer offers the same level of security to business cyclicality it has given us in the past. We will continue to invest normally in sales, after sales and the availability of spare parts and will serve our customers to the best of our abilities.

The factory will continue to run at full capacity in two shifts until the end of October. After this, our order book does not enable two shifts, and our factory will operate in one shift during November and December. Our network is working hard to keep our Vieremä factory busy.

We will continue to closely observe safety instructions in everything we do to prevent the coronavirus pandemic from spreading. The most important thing is to ensure 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 431.4 (464.1) million, which is 7.0 per cent less than in the comparison period. International business operations accounted for 77.7 (77.9) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 42.2 (38.6) per cent, Central and Southern Europe 24.1 (20.0) per cent, Russia and Asia 12.4 (16.3) per cent, North and South America 20.8 (24.7) per cent and other countries 0.5 (0.4) per cent.

PROFIT PERFORMANCE

The operating result amounted to EUR 43.4 (46.6) million. The operating result equalled 10.1 (10.0) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 9.3 (21.7) per cent.

Staff costs for the period totalled EUR 61.0 (67.1) million. Other operating expenses stood at EUR 33.5 (41.5) million. The net total of financial income and expenses amounted to EUR -20.7 (-1.5) million. Exchange rate gains and losses with a net effect of EUR -18.7 (-0.1) million were recognised under financial items for the period. The parent company's net receivables from other Group companies stood at EUR 109.2 (108.4) million. Receivables from subsidiaries mainly consisted of trade receivables, with unregistered tax receivables from unrealised exchange rate losses from unhedged items related to the valuation of trade receivables having an impact on the Group's effective tax rate. Result for the period under review totalled EUR 14.6 (34.5) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.52 (1.23).

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 511.7 (416.3) million. Inventories stood at EUR 172.5 (162.4) million. Trade receivables totalled EUR 47.3 (46.3) million, while liquid assets stood at EUR 123.3 (35.6) million. Group shareholders' equity stood at EUR 239.9 (214.9) million and parent company shareholders' equity (FAS) at EUR 228.1 (202.0) million. The amount of interest-bearing liabilities was EUR 161.8 (89.0)

million. The company has ensured its liquidity by withdrawal of current loan from credit facility limit and commercial paper programme. The company has used 39 per cent of its credit facility limit. Group's loans from financial institutions are non-collateral bank loans without financial covenants. Consolidated net liabilities totalled EUR 38.5 (53.3) million, and the debt-equity ratio (net gearing) was 16.0 (24.8) per cent. The equity ratio stood at 47.5 (52.6) per cent at the end of the period under review.

Cash flow from operating activities amounted to EUR 15.5 (14.1) million. Cash flow from investment activities came to EUR -12.2 (-21.2) million.

ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 378.6 (508.5) million, while period-end order books were valued at EUR 178.5 (326.4) million.

DISTRIBUTION NETWORK

The subsidiaries included in the Ponsse Group are Ponsse AB, Sweden; Ponsse AS, Norway; Ponssé S.A.S., France; Ponsse UK Ltd, the United Kingdom; Ponsse Machines Ireland Ltd, Ireland, Ponsse North America, Inc., the United States; Ponsse Latin America Ltda, Brazil; Ponsse Uruguay S.A., Uruguay; OOO Ponsse, Russia; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China and Epec Oy, Finland. The Group includes also the property company 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 15.2 (13.7) million, of which EUR 6.0 (4.6) million was capitalised.

Capital expenditure totalled EUR 12.3 (21.5) 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, Deputy CEO, CFO; Juha Inberg, Technology and R&D Director; Tapio Mertanen, Service Director; Paula Oksman, HR Director; Tommi Väänänen, Director of Delivery Chain Process and Marko Mattila, Sales and Marketing Director. The company management has regular management liability insurance.

The area director organisation of sales is led by Marko Mattila, the Group's sales and marketing director, and Tapio Mertanen, service director. Area directors report to Jussi Hentunen, Ponsse retail network manager. Managing directors of subsidiaries and Jussi Hentunen report to Marko Mattila, 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 1,768 (1,758) during the period and employed 1,759 (1,747) 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 2020 totalled 2,465,654, accounting for 8.8 per cent of the total number of shares. Share turnover amounted to EUR 61.3 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 23.70, and market capitalisation totalled EUR 663.6 million.

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

ANNUAL GENERAL MEETING

A separate release was issued on 27 May 2020 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. 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 partly mitigated through derivative contracts.

OUTLOOK FOR THE FUTURE

Due to the rapidly changed market environment, 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.

Ponsse Group's outlook for the rest of the year is clarified and this allows providing the result guidance for the current year.

Group's euro-denominated operating profit in 2020 is expected to be slightly lower than in 2019.

It is still unclear how long, and how strong the corona pandemic will last. Its impact on Ponsse's business operations, financial position, operating results and liquidity are continuously evaluated.

The Group will continue to keep costs under strict control and make investments after thorough consideration.

PONSSE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)

	IFRS 1-9/20	IFRS 1-9/19	IFRS 1-12/19
NET SALES	431,425	464,067	667,402
Increase (+)/decrease (-) in inventories of finished goods and work in progress	22,555	29,226	15,718
Other operating income	1,326	2,107	3,046
Raw materials and services	-298,650	-324,605	-447,390
Expenditure on employment-related benefits	-60,960	-67,063	-92,693
Depreciation and amortisation	-18,736	-15,623	-21,219
Other operating expenses	-33,521	-41,537	-57,563
OPERATING RESULT	43,438	46,573	67,302
Share of results of associated companies	-81	28	305
Financial income and expenses	-20,636	-1,500	-1,032
RESULT BEFORE TAXES	22,721	45,100	66,574
Income taxes	-8,073	-10,597	-14,564
NET RESULT FOR THE PERIOD	14,648	34,503	52,010
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	1,576	2,469	2,373
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	16,224	36,972	54,383
Diluted and undiluted earnings per share*	0.52	1.23	1.86
 NET SALES			
Increase (+)/decrease (-) in inventories of finished goods and work in progress	4,978	483	
Other operating income	398	867	
Raw materials and services	-104,462	-96,661	
Expenditure on employment-related benefits	-18,110	-19,101	
Depreciation and amortisation	-6,738	-5,223	
Other operating expenses	-9,481	-12,448	
OPERATING RESULT	21,602	16,180	
Share of results of associated companies	-21	81	
Financial income and expenses	-5,872	-1,215	
RESULT BEFORE TAXES	15,710	15,046	
Income taxes	-4,010	-3,727	
NET RESULT FOR THE PERIOD	11,700	11,318	
 OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	-1,217	1,443	
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	10,484	12,761	

Diluted and undiluted earnings per share*	0.42	0.40
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

	IFRS 30 Sep 20	IFRS 30 Sep 19	IFRS 31 Dec 19
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	34,276	29,695	32,213
Goodwill	3,790	3,786	3,794
Property, plant and equipment	109,211	118,187	118,507
Financial assets	370	98	370
Investments in associated companies	665	572	849
Non-current receivables	1,245	2,171	1,196
Deferred tax assets	3,780	4,766	3,844
TOTAL NON-CURRENT ASSETS	153,335	159,275	160,773
CURRENT ASSETS			
Inventories	172,463	162,443	153,158
Trade receivables	47,101	46,177	47,171
Income tax receivables	184	237	351
Other current receivables	15,283	12,543	16,646
Cash and cash equivalents	123,286	35,604	48,704
TOTAL CURRENT ASSETS	358,318	257,005	266,030
TOTAL ASSETS	511,653	416,279	426,803
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	7,000	7,000	7,000
Other reserves	3,460	3,460	3,460
Translation differences	6,976	5,496	5,399
Treasury shares	-2	-2	-2
Retained earnings	222,512	198,979	216,264
EQUITY OWNED BY PARENT COMPANY			
SHAREHOLDERS	239,946	214,933	232,121
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	48,356	48,780	48,030
Deferred tax liabilities	1,138	1,174	1,407
Other non-current liabilities	39	25	23
TOTAL NON-CURRENT LIABILITIES	49,534	49,979	49,460
CURRENT LIABILITIES			
Interest-bearing liabilities	113,446	40,179	33,652
Provisions	4,623	3,922	3,450
Tax liabilities for the period	3,754	3,423	3,021
Trade creditors and other current liabilities	100,350	103,843	105,099
TOTAL CURRENT LIABILITIES	222,173	151,367	145,221
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	511,653	416,279	426,803

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)

	IFRS 1-9/20	IFRS 1-9/19	IFRS 1-12/19
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net result for the period	14,648	34,503	52,010
Adjustments:			
Financial income and expenses	20,636	1,500	1,032
Share of the result of associated companies	81	-28	-305
Depreciation and amortisation	18,736	15,623	21,219
Income taxes	8,073	10,597	14,564
Other adjustments	596	-621	-790
Cash flow before changes in working capital	62,770	61,574	87,730
Change in working capital:			
Change in trade receivables and other receivables	-6,096	-3,220	-7,828
Change in inventories	-29,648	-33,300	-24,187
Change in trade creditors and other liabilities	-2,572	-69	2,398
Change in provisions for liabilities and charges	1,173	-1,496	-1,968
Interest received	72	222	301
Interest paid	-719	-428	-765
Other financial items	-1,957	-829	-882
Income taxes paid	-7,527	-8,340	-11,944
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	15,496	14,116	42,854
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-12,349	-21,488	-28,567
Proceeds from sale of tangible and intangible assets	114	244	322
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)	-12,235	-21,244	-28,245
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares	0	-2	0
Withdrawal/Repayment of current loans	80,219	15,556	7,166
Repayment of non-current loans	0	0	0
Withdrawal/Repayment of finance lease liabilities	-1,943	-1,467	-2,402
Change in non-current receivables	100	154	832
Dividends paid	-8,400	-22,400	-22,400
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	69,977	-8,159	-16,803
Change in cash and cash equivalents (A+B+C)	73,238	-15,287	-2,194
Cash and cash equivalents on 1 Jan	48,704	51,105	51,105
Impact of exchange rate changes	1,344	-215	-208
Cash and cash equivalents on 30 Sep/31 Dec	123,286	35,604	48,704

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			1,576			1,576
Result for the period					14,648	14,648
Total comprehensive income for the period			1,576		14,648	16,224
Dividend distribution					-8,399	-8,399
SHAREHOLDERS' EQUITY						
30 SEP 2020	7,000	3,460	6,976	-2	222,513	239,946
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		
Direct entries to retained earnings					210	210
SHAREHOLDERS' EQUITY						
30 SEP 2019	7,000	3,460	5,496	-2	198,979	214,933
					30 Sep 20	30 Sep 19
					635	1,081
						858
1. LEASING COMMITMENTS (EUR 1,000)						
					31 Dec 19	
2. CONTINGENT LIABILITIES (EUR 1,000)					30 Sep 20	30 Sep 19
Guarantees given on behalf of others					0	186
Responsibility of checking the VAT deductions made on real property investments						20
Other commitments						
TOTAL					8,018	8,329
					16	81
						159
					8,034	8,596
						8,879
3. PROVISIONS (EUR 1,000)						
					Guarantee provision	
1 January 2020					3,450	
Provisions added					2,240	
Provisions cancelled					-1,067	
30 September 2020					4,623	

KEY FIGURES AND RATIOS

	30 Sep 20	30 Sep 19	31 Dec 19
R&D expenditure, MEUR	15.2	13.7	19.3
Capital expenditure, MEUR	12.3	21.5	28.6
as % of net sales	2.9	4.6	4.3
Average number of employees	1,768	1,758	1,761
Order books, MEUR	178.5	326.4	256.8
Equity ratio, %	47.5	52.6	54.8
Diluted and undiluted earnings per share (EUR)	0.52	1.23	1.86
Equity per share (EUR)	8.57	7.68	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)	1-9/20	1-9/19	1-12/19
Ponsse Group	378.6	508.5	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, 20 October 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.