

PONSSE PLC, STOCK EXCHANGE RELEASE, 23 OCTOBER 2018, 9:00 a.m.

PONSSE'S INTERIM REPORT FOR 1 JANUARY – 30 SEPTEMBER 2018

- Net sales amounted to EUR 415.9 (Q1-Q3/2017 398.3) million.
- Q3 net sales amounted to EUR 124.8 (Q3/2017 139.6) million.
- Operating result totalled EUR 39.3 (Q1-Q3/2017 46.8) million, equalling 9.5 (11.8) per cent of net sales.
- Q3 operating result totalled EUR 9.9 (Q3/2017 18.6) million, equalling 7.9 (13.3) per cent of net sales.
- Profit before taxes was EUR 34.3 (Q1-Q3/2017 40.4) million.
- Cash flow from business operations was EUR 21.0 (20.7) million.
- Earnings per share were EUR 0.90 (1.08).
- Equity ratio was 53.2 (50.2) per cent.
- Order books stood at EUR 281.6 (154.2) million.

PRESIDENT AND CEO JUHO NUMMELA:

During the third quarter, Ponsse's order intake reached a new record. Demand for PONSSE forest machines was up, increasing our order books to EUR 281.6 (154.2) million. Demand remained high in nearly all of our market areas.

Our renewed factory started operations during the quarter, which had an impact on the number of machines manufactured. The impact of the factory start-up on the number of delivered machines was about one fourth less than on comparison period. During the start-up of production lines, the factory's capacity was limited as planned and increased towards the end of September. Now machines are being manufactured as planned. There remains challenges in the availability of components but, at the moment the situation is relatively normal for Ponsse. The factory investment is a significant step forward in terms of the factory's logistics and production system, and puts us in an excellent position considering the future.

The factory investment and the deployment of the new production system deteriorated the net

sales during the third quarter. During the period under review, the company's net sales were EUR 415.9 (398.3) million, showing an increase of 4.4 per cent. During the third quarter, the company's net sales were EUR 124.8 (139.6) million, showing a decrease of 10.6 per cent from the reference period. Net sales of service businesses and trade-in machines continued their strong growth year-on-year. International businesses accounted for 76.6 (75.9) per cent of net sales.

Profit for the period under review stood at EUR 39.3 (46.8) million, giving an operating margin of 9.5 (11.8) per cent. Profit for the third quarter was EUR 9.9 (18.6) million, giving an operating margin of 7.9 (13.3) per cent. Invoicing for new machines remained lower than during the reference period, having an impact on our profitability, while operating expenses remained at a normal level. Cash flow for the period under review amounted to EUR 21.0 (20.7) million.

The factory investment is nearing the finish line. A significant part of equipment has been installed and the investment will be completed during the final quarter.

NET SALES

Consolidated net sales for the period under review amounted to EUR 415.9 (398.3) million, which is 4.4 per cent more than in the comparison period. International business operations accounted for 76.6 (75.9) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 39.3 (40.0) per cent, Central and Southern Europe 21.2 (19.1) per cent, Russia and Asia 19.5 (17.7) per cent, North and South America 19.4 (22.6) per cent and other countries 0.6 (0.6) per cent.

PROFIT PERFORMANCE

The operating result amounted to EUR 39.3 (46.8) million. The operating result equalled 9.5 (11.8) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 19.0 (24.8) per cent.

Staff costs for the period totalled EUR 60.7 (57.1) million. Other operating expenses stood at EUR 39.6 (35.0) million. The net total of financial income and expenses amounted to EUR -5.0 (-6.5) million. Exchange rate gains and losses with a net effect of EUR -4.1 (-5.8) million were recognised under financial items for the period. Result for the period under review totalled EUR 25.1 (30.1) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.90 (1.08).

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 356.9 (334.9) million. Inventories stood at EUR 143.8 (136.8) million. Trade receivables totalled EUR 43.1 (43.2) million, while liquid assets stood at EUR 17.5 (24.1) million.

Group shareholders' equity stood at EUR 181.7 (162.0) million and parent company shareholders' equity (FAS) at EUR 172.1 (152.2) million. The amount of interest-bearing liabilities was EUR 70.2 (74.2) million. The company has used 5 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 82.7 (94.4) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 52.6 (49.9) million, and the debt-equity ratio (net gearing) was 28.9 (30.8) per cent. The equity ratio stood at 53.2 (50.2) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR 21.0 (20.7) million. Cash flow from investment activities came to EUR -23.4 (-25.8) million.

ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 575.7 (433.4) million, while period-end order books were valued at EUR 281.6 (154.2) 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 12.4 (10.3) million, of which EUR 3.7 (3.0) million was capitalised.

Capital expenditure totalled EUR 23.9 (25.9) million. It consisted in addition to capitalised R&D expenses of investments in buildings and ordinary maintenance and replacement investments for machinery and equipment.

MANAGEMENT

The following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; Petri Härkönen, CFO; Juha Inberg, Technology and R&D Director; Tapio Mertanen, Service Director; Paula Oksman, HR Director; Tommi Väänänen, Director of Delivery Chain Process and Jarmo Vidgrén, Deputy CEO, Sales and Marketing

Director. The company management has regular management liability insurance.

The area director organisation of sales is led by Jarmo Vidgrén, the Group's sales and marketing director, and Tapio Mertanen, service director. Area directors 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),
Jussi Hentunen (the Baltic countries) and
Sigurd Skotte (Norway),

Central and Southern Europe:

Tuomo Moilanen (Germany and Austria),
Clément Puybaret (France),
Janne Tarvainen (Spain and Portugal),
Dean Robson (the United Kingdom),
Gary Glendinning (Ireland, Hungary, Romania, Slovenia, Croatia and Serbia) and
Jussi Hentunen (Poland, Czech Republic and Slovakia).

Russia and Asia:

Jaakko Laurila (Russia and Belarus),
Janne Tarvainen (Australia and South Africa) and
Risto Kääriäinen (China and Japan),

North and South America:

Pekka Ruuskanen (the United States),
Eero Lukkarinen (Canada),
Fernando Campos (Brazil) starting from 1 August 2018 and
Martin Toledo (Uruguay, Chile and Argentina).

PERSONNEL

The Group had an average staff of 1,621 (1,498) during the period and employed 1,645 (1,525) 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 2018 totalled 1,750,970, accounting for 6.3 per cent of the total number of shares. Share turnover amounted to EUR 50.9 million, with the period's lowest and highest share prices amounting to EUR 24.15 and EUR 32.35, respectively.

At the end of the period, shares closed at EUR 29.85, and market capitalisation totalled EUR 835.8 million.

At the end of the period under review, the company held 33,092 treasury shares.

ANNUAL GENERAL MEETING

A separate release was issued on 9 April 2018 regarding the authorizations given to the Board of Directors and other resolutions at the AGM.

GOVERNANCE

In its decision-making and administration, the company observes the Finnish Limited Liability Companies Act, other regulations governing publicly listed companies and the company's Articles of Association. The company's Board of Directors has adopted the Code of Governance that complies with the Finnish Corporate Governance Code approved by the Board of the Securities Market Association in 2015. The purpose of the code is to ensure that the company is professionally managed and that its business principles and practices are of a high ethical and professional standard.

The Code of Governance is available on Ponsse's website in the Investors section.

RISK MANAGEMENT

Risk management is based on the company's values, as well as strategic and financial objectives. Risk management aims to support the achievement of the objectives specified in the company's strategy, as well as to ensure the financial development of the company and the continuity of its business.

Furthermore, risk management aims to identify, assess and monitor business-related risks which may influence the achievement of the company's strategic and financial goals or the continuity of its business. Decisions on the necessary measures to anticipate risks and react to observed risks are made on the basis of this information.

Risk management is a part of regular daily business, and it is also included in the management system. Risk management is controlled by the risk management policy approved by the Board.

A risk is any event that may prevent the company from reaching its objectives or that threatens the continuity of business. On the other hand, a risk may also be a positive event, in which case the risk is treated as an opportunity. Each risk is assessed on the basis of its impact and probability. Methods of risk management include avoiding, mitigating and transferring risks. Risks can also be managed by controlling and minimising their impact.

SHORT-TERM RISK MANAGEMENT

The insecurity in the world economy may result in a decline in the demand for forest machines. The uncertainty may be increased by the volatility of developing countries' foreign exchange markets. The geopolitical situation, in particular, will increase the uncertainty through financial market operations and sanctions. Changes taking place in the fiscal and customs legislation in countries to which Ponsse exports may hamper the company's export trade or its profitability. The risks in the supplier network may cause problems in material availability.

The parent company monitors the changes in the Group's internal and external trade receivables and the associated risk of impairment.

The key objective of the company's financial risk management policy is to manage liquidity, interest and currency risks. The company ensures its liquidity through credit limit facilities agreed with a number of financial institutions. The effect of adverse changes in interest rates is minimised by utilising credit linked to different reference rates and by concluding interest rate swaps. The effects of currency rate fluctuations are mitigated through derivative contracts.

OUTLOOK FOR THE FUTURE

The Group's euro-denominated operating profit is expected to be at the same level in 2018 as it was in 2017.

Ponsse's updated and competitive product range and service solutions have had a significant impact on the company's growth. The market situation has remained favourable, while the labour market situation in Finland may have an impact on the number of machines delivered and profitability of the company.

Our investments are focused on developing the level of service and capacity of the supply chain and spare part logistics and developing the service network in Finland and abroad. Expansion of the Vieremä factory is progressing in schedule. The investment in the factory is related to the development of safety, well-being of the employees, productivity, product quality and flexibility of the Vieremä factory. The added benefits of the expansion will begin to be realised in the second half of 2018.

PONSSE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)

	IFRS 1-9/18	IFRS 1-9/17	IFRS 1-12/17
NET SALES	415,884	398,289	576,553
Increase (+)/decrease (-) in inventories of finished goods and work in progress	8,523	17,850	7,900
Other operating income	1,943	1,206	1,618
Raw materials and services	-275,244	-268,781	-375,529
Expenditure on employment-related benefits	-60,687	-57,088	-80,263
Depreciation and amortisation	-11,451	-9,666	-13,112
Other operating expenses	-39,627	-34,960	-49,734
OPERATING RESULT	39,341	46,849	67,432
Share of results of associated companies	-65	47	19
Financial income and expenses	-4,991	-6,523	-9,660
RESULT BEFORE TAXES	34,285	40,373	57,792
Income taxes	-9,150	-10,304	-13,021
NET RESULT FOR THE PERIOD	25,135	30,069	44,771
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	651	-1,096	-941
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	25,786	28,973	43,830
Diluted and undiluted earnings per share*	0.90	1.08	1.60
	IFRS 7-9/18	IFRS 7-9/17	
NET SALES	124,816	139,628	
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-3,215	-4,972	
Other operating income	951	276	
Raw materials and services	-78,573	-85,320	
Expenditure on employment-related benefits	-17,311	-16,652	
Depreciation and amortisation	-3,915	-3,307	
Other operating expenses	-12,883	-11,016	
OPERATING RESULT	9,871	18,637	
Share of results of associated companies	-67	60	
Financial income and expenses	-1,061	-944	
RESULT BEFORE TAXES	8,744	17,753	

Income taxes	-2,746	-4,331
NET RESULT FOR THE PERIOD	5,998	13,422
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:		
Translation differences related to foreign units	-51	-578
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	5,947	12,844
Diluted and undiluted earnings per share*	0.21	0.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

	IFRS 30 Sep 18	IFRS 30 Sep 17	IFRS 31 Dec 17
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	24,835	21,428	22,975
Goodwill	3,799	3,823	3,816
Property, plant and equipment	106,108	88,520	95,454
Financial assets	103	102	103
Investments in associated companies	557	769	714
Non-current receivables	816	1,559	916
Deferred tax assets	3,842	2,536	3,538
TOTAL NON-CURRENT ASSETS	140,059	118,737	127,516
CURRENT ASSETS			
Inventories	143,807	136,841	122,302
Trade receivables	43,139	43,233	41,481
Income tax receivables	378	414	413
Other current receivables	11,987	11,563	10,864
Cash and cash equivalents	17,539	24,079	42,596
TOTAL CURRENT ASSETS	216,850	216,131	217,656
TOTAL ASSETS	356,909	334,868	345,172
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	7,000	7,000	7,000
Other reserves	2,421	2,452	2,452
Translation differences	3,996	-338	-183
Treasury shares	-346	-346	-346
Retained earnings	168,624	153,221	167,923
EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS	181,694	161,990	176,846

NON-CURRENT LIABILITIES			
Interest-bearing liabilities	46,779	47,853	46,126
Deferred tax liabilities	402	454	823
Other non-current liabilities	85	58	57
TOTAL NON-CURRENT LIABILITIES	47,266	48,365	47,006
CURRENT LIABILITIES			
Interest-bearing liabilities	23,453	26,341	22,115
Provisions	5,423	5,826	5,769
Tax liabilities for the period	748	1,889	738
Trade creditors and other current liabilities	98,325	90,457	92,698
TOTAL CURRENT LIABILITIES	127,949	124,513	121,320
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	356,909	334,868	345,172

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)

	IFRS 1-9/18	IFRS 1-9/17	IFRS 1-12/17
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net result for the period	25,135	30,069	44,771
Adjustments:			
Financial income and expenses	4,991	6,523	9,660
Share of the result of associated companies	65	-47	-19
Depreciation and amortisation	11,451	9,666	13,112
Income taxes	9,150	10,304	13,021
Other adjustments	651	-2,131	-923
Cash flow before changes in working capital	51,443	54,384	79,621
Change in working capital:			
Change in trade receivables and other receivables	-3,200	-12,791	-10,165
Change in inventories	-21,505	-18,558	-4,018
Change in trade creditors and other liabilities	5,364	8,501	10,572
Change in provisions for liabilities and charges	-346	-88	-201
Interest received	158	193	240
Interest paid	-446	-534	-954
Other financial items	-727	102	-3,518
Income taxes paid	-9,760	-10,538	-15,030
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	20,980	20,672	56,549

CASH FLOWS USED IN INVESTING ACTIVITIES

Investments in tangible and intangible assets	-23,948	-25,917	-37,836
Proceeds from sale of tangible and intangible assets	585	119	127
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)	-23,363	-25,798	-37,709
CASH FLOWS FROM FINANCING ACTIVITIES			
Withdrawal/Repayment of current loans	1,867	13,365	7,944
Repayment of non-current loans	-450	-450	-900
Payment of finance lease liabilities	72	1,163	1,082
Change in non-current receivables	676	734	520
Dividends paid	-20,975	-16,780	-16,780
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	-18,810	-1,968	-8,135
Change in cash and cash equivalents (A+B+C)	-21,194	-7,095	10,705
Cash and cash equivalents on 1 Jan	42,596	37,342	37,342
Impact of exchange rate changes	-3,863	-6,169	-5,451
Cash and cash equivalents on 30 Sep/31 Dec	17,539	24,079	42,596

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (EUR 1,000)

A = Share capital

B = Share premium and other reserves

C = Translation differences

D = Treasury shares

E = Retained earnings

F = Total shareholders' equity

	EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS					
	A	B	C	D	E	F
SHAREHOLDERS' EQUITY 1						
JAN 2018	7,000	2,452	-183	-346	167,923	176,846
Adjustment for previous periods		-29	3,528		-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
Other changes		-2			66	64
Dividend distribution					-20,975	-20,975
SHAREHOLDERS' EQUITY						
30 SEP 2018	7,000	2,421	3,996	-346	168,624	181,694

SHAREHOLDERS' EQUITY 1							
JAN 2017	7,000	2,452	758	-346	139,932	149,796	
Translation differences			-1,096				-1,096
Result for the period					30,069	30,069	
Total comprehensive income for the period			-1,096		30,069	28,973	
Dividend distribution					-16,780	-16,780	
SHAREHOLDERS' EQUITY							
30 SEP 2017	7,000	2,452	-338	-346	153,221	161,990	

*) 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 18	30 Sep 17	31 Dec 17
1. LEASING COMMITMENTS (EUR 1,000)	1,207	977	1,490
2. CONTINGENT LIABILITIES (EUR 1,000)			
	30 Sep 18	30 Sep 17	31 Dec 17
Guarantees given on behalf of others	0	522	1,541
Repurchase commitments	0	2,306	3,464
Other commitments	801	918	963
TOTAL	801	3,746	5,968
3. PROVISIONS (EUR 1,000)			
	Guarantee provision		
1 January 2018	5,769		
Provisions added	436		
Provisions cancelled	-781		
30 Sep 2018	5,423		

KEY FIGURES AND RATIOS			
	30 Sep 18	30 Sep 17	31 Dec 17
R&D expenditure, MEUR	12.4	10.3	14.8
Capital expenditure, MEUR	23.9	25.9	37.8
as % of net sales	5.8	6.5	6.6
Average number of employees	1,621	1,498	1,508
Order books, MEUR	281.6	154.2	124.6
Equity ratio, %	53.2	50.2	51.9
Diluted and undiluted earnings per share (EUR)	0.90	1.08	1.60
Equity per share (EUR)	6.49	5.79	6.32

FORMULAE FOR FINANCIAL INDICATORS

Return on capital employed, %:

Result before tax + financial expenses

Shareholder´s equity + interest-bearing financial liabilities (average during the year) * 100

Average number of employees:

Average of the number of personnel at the end of each month. The calculation has been adjusted for part-time employees.

Net gearing, %:

Interest-bearing financial liabilities – cash and cash equivalents

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)

Ponsse Group

1-9/18

575.7

1-9/17

433.4

1-12/17

582.1

The stock exchange release for the interim report has been prepared observing the recognition and valuation principles of IFRS standards but the requirements of IAS 34 have not been complied with. The same accounting principles were observed for the interim report as for the annual financial statements dated 31 December 2017, with the exception of the new standards introduced on 1 January 2018. These standards are IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments as Amended.

The Group's assessment of the impact of the new standards IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" are described in the annual financial statements dated 31 December 2017 and the assessment has not changed during the financial period.

The group is adopting the standard IFRS 9, Financial Instruments as Amended. With regard to possible decline in value of financial assets, an expected credit loss model is applied. The standard amendment is not expected to have any significant impact on the consolidated financial statements. Expected credit losses are recorded customer-specifically, based on predetermined criteria.

The IFRS 15 standard had not any significant effect on the time when net sales are recognised, or the amount of net sales recognized, and therefore on the consolidated income statement or balance sheet. However, IFRS 15 had a minor impact on the time when net sales are recognised and liabilities based on agreements, for example regarding the service-based component of warranties provided for new machines and any options provided for customers to acquire additional services with a discount. In addition, the new standard had an impact on financial statements as a result of new requirements regarding notes. A standard transition method was applied in implementing the standard. The effects on the comparability of financial periods and the profit and loss account and balance sheet of the reporting period are minor.

The impact of the IFRS 16 "Leases" are described in the annual financial statements dated 31 December 2017 and the assessment has not changed during the financial period.

The above figures have not been audited.

The above figures have been rounded and may therefore differ from those given in the official financial statements.

This communication includes future-oriented statements that are based on the assumptions currently made by the company's management and its current decisions and plans. Although the management believes that the future expectations are well founded, there is no certainty that these expectations will prove to be correct. This is why the results may significantly deviate from the assumptions included in the future-oriented statements as a result of, among other things, changes in the economy, markets, competitive conditions, legislation or currency exchange rates.

Vieremä, 23 October 2018

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.