

PONSSE PLC, STOCK EXCHANGE RELEASE, 21 APRIL 2015, 9:00 a.m.

## **PONSSE'S INTERIM REPORT FOR 1 JANUARY – 31 MARCH 2015**

- Net sales amounted to EUR 91.2 (86.9) million.
- Operating result totalled EUR 7.3 (7.4) million, equalling 8.0 (8.5) per cent of net sales.
- Result before taxes was EUR 7.4 (6.9) million.
- Cash flow from operating activities was EUR -8.8 (2.2) million.
- Earnings per share were EUR 0.20 (0.19).
- Equity ratio was 42.5 (37.9) per cent.
- Order books stood at EUR 175.1 (104.1) million.

### **PRESIDENT AND CEO JUHO NUMMELA:**

Demand for PONSSE forest machines continued to be good during the first quarter. Our order books increased further to EUR 175.1 (104.1) million. The order books grew by 68 per cent compared with the comparable period. International business operations accounted for 72.1 (69.7) per cent of net sales.

The forest machine market situation in North America continues to be good, and the market has continued its positive development in Europe. Russia's proportional amount of net sales has decreased slightly, but machine sales are still on almost normal level in Russia. In Latin America, the focus is on developing service operations and fulfilling the obligations of agreements made with major customers.

Ponsse's strong order book is a result from successful R&D solutions and investments. The order book has lengthened the delivery times of forest machines. We are increasing our factory capacity as planned and making sure that the quality and reliability of the final products are at a high level.

Service business continued to grow at a strong rate. The accelerated growth in services is on one hand related to the growing machine fleet and on the other hand to new business concepts in services. During the past quarter, the company's net sales amounted to EUR 91.2 (86.9) million and operating profit to EUR 7.3 (7.4) million. The operating profit equalled 8.0 (8.5) per cent of net sales for the period under review. The equity ratio continued to develop favourably,

amounting to 42.5 per cent.

The new PONSSE 2015 range has entered serial production with regard to high-volume models. The extremely rapid launching of new products and start of serial production temporarily decreased delivery volumes and was thereby also reflected in invoicing and cash flow from operations. The trade in used machines was at a normal level. Cash flow from business operations amounted to EUR -8.8 (2.2) million.

Construction investments at the Vieremä factory and in the maintenance service network proceeded according to plan.

## NET SALES

Consolidated net sales for the period under review amounted to EUR 91.2 (86.9) million, which is 5.0 per cent more than in the comparison period. International business operations accounted for 72.1 (69.7) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 42.3 (42.7) per cent, Central and Southern Europe 18.7 (19.1) per cent, Russia and Asia 9.9 (13.1) per cent, North and South America 28.9 (25.2) per cent and other countries 0.1 (0.0) per cent.

## PROFIT PERFORMANCE

The operating result amounted to EUR 7.3 (7.4) million. The operating result equalled 8.0 (8.5) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 21.2 (22.4) per cent.

Staff costs for the period totalled EUR 15.7 (13.5) million. Other operating expenses stood at EUR 9.4 (8.4) million. The net total of financial income and expenses amounted to EUR 0.2 (-0.5) million. Exchange rate gains and losses with a net effect of EUR 0.4 (-0.2) million were recognised under financial items for the period. Result for the period under review totalled EUR 5.5 (5.3) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.20 (0.19).

## 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 227.6 (191.1) million. Inventories stood at EUR 104.7 (89.9) million. Trade receivables totalled EUR 31.1 (23.6) million, while liquid assets stood at EUR 8.4 (10.2) million. Group shareholders' equity stood at EUR 95.8 (72.1) million and parent company shareholders' equity (FAS) at EUR 114.0 (91.9) million. The amount of interest-bearing liabilities was EUR 58.8 (61.2) million. The company has used 20 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 88.6 (78.0) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables.

Consolidated net liabilities totalled EUR 50.4 (50.9) million, and the debt-equity ratio (net gearing) was 52.6 (70.6) per cent. The equity ratio stood at 42.5 (37.9) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR -8.8 (2.2) million. Cash flow from investment activities came to EUR -4.8 (-4.7) million.

#### ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 112.4 (92.3) million, while period-end order books were valued at EUR 175.1 (104.1) million.

#### DISTRIBUTION NETWORK

No changes took place in the Group structure during the period under review.

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 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 companies OOO Ocean Safety Center, Russia and Kiinteistö Oy Kouvola Kaupinkuja 3, Finland. 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 2.9 (2.3) million, of which EUR 0.5 (0.4) million was capitalised.

Capital expenditure totalled EUR 4.8 (4.7) 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; Juha Haverinen, Factory Director; Petri Härkönen, CFO; Juha Inberg, Technology and R&D Director; Tapio Mertanen, Service Director; Paula Oksman, HR Director; Tommi Väänänen, Purchasing Director and Jarmo Vidgrén, Deputy CEO, Sales and Marketing Director. The company management has regular management liability insurance.

The area director organisation of sales is lead by Jarmo Vidgrén, Group's Sales and Marketing

Director and Tapio Mertanen, Service Director. The geographical distribution and the responsible persons are presented below:

Northern Europe: Jarmo Vidgrén (Finland), Eero Lukkarinen (Sweden, Denmark) and Sigurd Skotte (Norway),

Central and Southern Europe: Janne Vidgrén (Austria, Poland, Romania, Germany, the Czech Republic and Hungary), Clément Puybaret (France), Jussi Hentunen (Spain, Italy, Portugal and Norrbotten/Sweden) and Gary Glendinning (the United Kingdom)

Russia and Asia: Jaakko Laurila (Russia, Belarus), Norbert Schalkx (Japan and the Baltic countries) and Risto Kääriäinen (China),

North and South America: Pekka Ruuskanen (the United States), Marko Mattila (North American dealers), Teemu Raitis (Brazil) and Martin Toledo (Uruguay).

Carl-Henrik Hammar has been appointed Managing Director of Ponsse Plc's Swedish subsidiary, Ponsse AB, as of 1 July 2015. Hammar transferred to Ponsse on 16 March 2015. Eero Lukkarinen, current Managing Director of Ponsse AB, will transfer to exports and sales within Ponsse Group in Finland.

## PERSONNEL

The Group had an average staff of 1,277 (1,136) during the period and employed 1,293 (1,158) people at period-end.

## KEY EMPLOYEE INCENTIVE PLAN AND RELATED SHARE ISSUES

The Board of Directors of Ponsse Plc has decided to launch a new share-based incentive plan for the Group key employees on 16 February 2015. The aim of the long-term plan, which commits the key employees to shareholding in the Company, is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, and to offer them a competitive reward plan based on acquisition and ownership of the Company's shares.

The Matching Share Plan 2015 is directed to approximately 80 people. The rewards to be paid on the basis of the plan amount to an approximate maximum total of 212,900 Ponsse Plc shares and cash proportion corresponding to taxes and tax-related costs arising from the shares to the key employees.

The prerequisite for participating in the plan is that a key employee owns the Company's shares up to the number determined by the Board of Directors, or acquires them from the market or in the Company's directed share issue. Furthermore, receiving of reward is tied to the validity of the key employee's employment or service upon reward payment.

The company has communicated the Matching Share Plan and the related issues on 20 March 2015.

## 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 2015 totalled 1,208,728, accounting for 4.3 per cent of the total number of shares. Share turnover amounted to EUR 17.0 million, with the period's lowest and highest share prices amounting to EUR 11.66 and EUR 15.95, respectively.

At the end of the period, shares closed at EUR 14.64, and market capitalisation totalled EUR 409.9 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 14 April 2015 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 2010. 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 prolonged insecurity in the world economy and weak economic situation 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.

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.

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.

#### OUTLOOK FOR THE FUTURE

After the very strong performance in 2014, the Group's euro-denominated operating profit is expected to be slightly higher in 2015 than in 2014.

Ponsse's strongly reformed and competitive product range and new service solutions have significantly increased the company's net sales. The PONSSE 2015 product range will enter serial production in phases during 2015.

Due to the strong order books, the capacity of the factory will be increased.

Our investments will concern new service centers in France, the United States and Uruguay, and the development of production technology and R&D.

## PONSSE GROUP

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

	IFRS 1-3/15	IFRS 1-3/14	IFRS 1-12/14
NET SALES	91,206	86,859	390,831
Increase (+)/decrease (-) in inventories of finished goods and work in progress	9,009	4,884	3,173
Other operating income	392	243	1,185
Raw materials and services	-66,145	-60,791	-251,067
Expenditure on employment-related benefits	-15,693	-13,484	-58,583
Depreciation and amortisation	-2,128	-1,849	-7,962
Other operating expenses	-9,350	-8,440	-35,875
OPERATING RESULT	7,291	7,422	41,704
Share of results of associated companies	-59	-38	1
Financial income and expenses	162	-532	-3,745
RESULT BEFORE TAXES	7,395	6,852	37,959
Income taxes	-1,879	-1,503	-8,164
NET RESULT FOR THE PERIOD	5,516	5,349	29,795
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	1,806	-759	-3,093
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	7,322	4,590	26,702
Diluted and undiluted earnings per share <sup>*</sup>	0.20	0.19	1.07

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

	IFRS 31 Mar 15	IFRS 31 Mar 14	IFRS 31 Dec 14
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	16,009	14,254	15,954
Goodwill	3,440	3,440	3,440
Property, plant and equipment	49,912	38,014	47,282
Financial assets	105	104	104
Investments in associated companies	887	994	946
Non-current receivables	3,261	898	832
Deferred tax assets	1,745	1,468	1,267
TOTAL NON-CURRENT ASSETS	75,358	59,171	69,285

<b>CURRENT ASSETS</b>			
Inventories	104,705	89,913	92,734
Trade receivables	31,141	23,587	25,226
Income tax receivables	175	259	591
Other current receivables	7,727	7,975	4,701
Cash and cash equivalents	8,444	10,234	12,719
<b>TOTAL CURRENT ASSETS</b>	<b>159,192</b>	<b>131,968</b>	<b>135,971</b>
<b>TOTAL ASSETS</b>	<b>227,550</b>	<b>191,139</b>	<b>205,796</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7,000	7,000	7,000
Other reserves	2,552	30	130
Translation differences	130	658	-1,676
Treasury shares	-346	-2,228	-2,228
Retained earnings	86,424	66,680	82,790
<b>EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS</b>	<b>95,760</b>	<b>72,140</b>	<b>86,016</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	33,526	39,098	33,712
Deferred tax liabilities	721	632	867
Other non-current liabilities	0	0	0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>34,247</b>	<b>39,730</b>	<b>34,580</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	25,291	22,068	17,997
Provisions	5,201	4,362	4,747
Tax liabilities for the period	1,833	958	812
Trade creditors and other current liabilities	65,218	51,881	61,644
<b>TOTAL CURRENT LIABILITIES</b>	<b>97,543</b>	<b>79,270</b>	<b>85,200</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>227,550</b>	<b>191,139</b>	<b>205,796</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)</b>			
	<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>
	<b>1-3/15</b>	<b>1-3/14</b>	<b>1-12/14</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net result for the period	5,516	5,349	29,795
Adjustments:			
Financial income and expenses	-162	532	3,745
Share of the result of associated companies	59	38	-1
Depreciation and amortisation	2,128	1,849	7,962



Income taxes	1,879	1,503	8,164
Other adjustments	-595	-380	-2,049
Cash flow before changes in working capital	8,824	8,891	47,616
Change in working capital:			
Change in trade receivables and other receivables	-8,032	-226	-920
Change in inventories	-11,971	-4,146	-6,967
Change in trade creditors and other liabilities	2,322	-829	9,251
Change in provisions for liabilities and charges	453	-256	129
Interest received	36	42	187
Interest paid	-137	-152	-1,071
Other financial items	258	196	-2,080
Income taxes paid	-582	-884	-8,675
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	-8,829	2,244	37,472
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-4,813	-4,690	-19,154
Proceeds from sale of tangible and intangible assets	0	0	147
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)	-4,813	-4,690	-19,007
CASH FLOWS FROM FINANCING ACTIVITIES			
Sales of treasury shares	1,882	0	0
Withdrawal/Repayment of current loans	7,362	1,428	-3,540
Change in current interest-bearing liabilities	0	0	0
Withdrawal of non-current loans	0	245	5,000
Repayment of non-current loans	0	-760	-9,773
Payment of finance lease liabilities	25	-48	-280
Change in non-current receivables	66	-32	-4
Dividends paid	0	0	-8,336
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	9,335	833	-16,933
Change in cash and cash equivalents (A+B+C)	-4,306	-1,613	1,532
Cash and cash equivalents on 1 Jan	12,719	11,958	11,958
Impact of exchange rate changes	31	-110	-770
Cash and cash equivalents on 31 Mar/31 Dec	8,444	10,234	12,719

#### 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 2015	7,000	130	-1,676	-2,228	82,790	86,016	
Translation differences			1,806			1,806	
Result for the period					5,516	5,516	
Total comprehensive income							
for the period			1,806		5,516	7,322	
Matching Share Plan		2,422		1,882	-1,882	2,422	
Other changes						0	
SHAREHOLDERS' EQUITY							
31 MAR 2015	7,000	2,552	130	-346	86,424	95,761	
SHAREHOLDERS' EQUITY 1							
JAN 2014	7,000	30	1,417	-2,228	61,331	67,550	
Translation differences			-759			-759	
Result for the period					5,349	5,349	
Total comprehensive income							
for the period			-759		5,349	4,590	
Other changes						0	
SHAREHOLDERS' EQUITY							
31 MAR 2014	7,000	30	658	-2,228	66,680	72,140	
					31 Mar 15	31 Mar 14	31 Dec 14
1. LEASING COMMITMENTS (EUR 1,000)					1,144	1,490	1,326
					31 Mar 15	31 Mar 14	31 Dec 14
2. CONTINGENT LIABILITIES (EUR 1,000)							
Guarantees given on behalf of others					536	463	479
Repurchase commitments					2,815	1,030	1,966
Other commitments					41	1,516	137
TOTAL					3,392	3,009	2,579
3. PROVISIONS (EUR 1,000)							
1 January 2015						Guarantee provision	
Provisions added					4,747		
Provisions cancelled					503		
31 March 2015					-50		
					5,201		
KEY FIGURES AND RATIOS					31 Mar 15	31 Mar 14	31 Dec 14
R&D expenditure (EUR million)					2.9	2.3	10.3
Capital expenditure (EUR million)					4.8	4.7	19.2
as % of net sales					5.3	5.4	4.9
Average number of employees					1,277	1,136	1,200

Order books (EUR million)	175.1	104.1	158.4
Equity ratio, %	42.5	37.9	42.0
Diluted and undiluted earnings per share (EUR)	0.20	0.19	1.07
Equity per share (EUR)	3.42	2.58	3.07

#### FORMULAE FOR FINANCIAL INDICATORS

Return on capital employed, %:

Result before tax + financial expenses

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 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

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 Shareholders' equity \* 100

Equity ratio, %:

Shareholders' equity + Non-controlling interests

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 Balance sheet total - advance payments received \* 100

Earnings per share:

Net result for the period - Non-controlling interests

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 Average number of shares during the accounting period, adjusted for share issues

Equity per share:

Shareholders' equity

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 Number of shares on the balance sheet date, adjusted for share issues

ORDER INTAKE (EUR million)	1-3/15	1-3/14	1-12/14
Ponsse Group	112.4	92.3	451.7

The stock exchange release for the interim report has been prepared observing the recognition and valuation principles of IFRS standards, but not all of the requirements of IAS 34 have been complied with. The same accounting principles were observed for the interim report as for the annual financial statements dated 31 December 2014.

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 2015

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.*