

PONSSE PLC, STOCK EXCHANGE RELEASE, 13 AUGUST 2019, 9:00 a.m.

## **PONSSE'S INTERIM REPORT FOR 1 JANUARY – 30 JUNE 2019**

- Net sales amounted to EUR 315.8 (H1/2018 291.1) million.
- Q2 net sales amounted to EUR 172.7 (Q2/2018 149.0) million.
- Operating result totalled EUR 30.4 (H1/2018 29.5) million, equalling 9.6 (10.1) per cent of net sales.
- Q2 operating result totalled EUR 17.5 (Q2/2018 12.4) million, equalling 10.2 (8.3) per cent of net sales.
- Profit before taxes was EUR 30.1 (H1/2018 25.5) million.
- Cash flow from business operations was EUR 2.7 (20.1) million.
- Earnings per share were EUR 0.83 (0.68).
- Equity ratio was 51.3 (51.1) per cent.
- Order books stood at EUR 361.1 (187.0) million.

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

Despite the uncertainties in the world's economy, the demand for PONSSE forest machines continued to be brisk during the last quarter, and the company's order intake was very good. Our order books were very strong at the end of the period under review, totalling EUR 361.1 million. With the improving availability of components, manufacturing volumes at our Vieremä factory have been growing continuously. The challenges in starting the serial production of new products during the first quarter of the year have been quickly resolved.

The extensive damage caused by bark beetle in Europe is having an impact on the timber market. Felling related to preventing and mitigating forest damage is temporarily increasing the amount of harvested timber in Europe, which also has a short-term effect on international timber flows.

In the second quarter of the year, the company's net sales were EUR 172.7 (149.0) million. The deliveries of new PONSSE forest machines were achieved as planned by the end of the second quarter. The Service businesses' net sales continued to grow, and the market for trade-in machines also functioned well. There was good growth in the net sales of trade-in machines from the comparison period. International business operations accounted for 79.7 (78.4) per cent of net sales.

Profit for the second quarter amounted to EUR 17.5 (12.4) million. The operating result for the second quarter was 10.2 (8.3) percent. Strong invoicing combined with cost control had a positive impact on profitability. Cash flow during the period under review was EUR 2.7 (20.1) million, which was at a normal level considering the period.

The Vieremä factory and the manufacturing network surrounding Ponsse are working well. There are still some risks related to the availability of components, but the situation is constantly improving. Factory maintenance work during the summer was successful, and the operations of the factory

started normally at the beginning of August.

## NET SALES

Consolidated net sales for the period under review amounted to EUR 315.8 (291.1) million, which is 8.5 per cent more than in the comparison period. International business operations accounted for 79.7 (78.4) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 37.7 (38.1) per cent, Central and Southern Europe 21.1 (21.5) per cent, Russia and Asia 16.3 (21.0) per cent, North and South America 24.5 (18.5) per cent and other countries 0.4 (0.8) per cent.

## PROFIT PERFORMANCE

The operating result amounted to EUR 30.4 (29.5) million. The operating result equalled 9.6 (10.1) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 22.6 (21.6) per cent.

Staff costs for the period totalled EUR 48.0 (43.4) million. Other operating expenses stood at EUR 29.1 (26.7) million. The net total of financial income and expenses amounted to EUR -0.3 (-3.9) million. Exchange rate gains and losses with a net effect of EUR 0.6 (-3.3) million were recognised under financial items for the period. Result for the period under review totalled EUR 23.2 (19.1) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.83 (0.68).

## 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 403.0 (353.1) million. Inventories stood at EUR 157.1 (139.7) million. Trade receivables totalled EUR 53.0 (40.0) million, while liquid assets stood at EUR 24.2 (28.0) million. Group shareholders' equity stood at EUR 202.2 (174.6) million and parent company shareholders' equity (FAS) at EUR 187.8 (165.7) million. The amount of interest-bearing liabilities was EUR 77.6 (68.8) 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 106.4 (90.5) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 53.3 (40.7) million, and the debt-equity ratio (net gearing) was 26.3 (23.3) per cent. The equity ratio stood at 51.3 (51.1) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR 2.7 (20.1) million. Cash flow from investment activities came to EUR -11.5 (-15.1) million.

## ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 391.6 (355.7) million, while period-end order books were valued at EUR 361.1 (187.0) 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 9.6 (8.4) million, of which EUR 3.1 (2.5) million was capitalised.

Capital expenditure totalled EUR 11.7 (15.3) 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),  
Tarmo Saks (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),  
Patrick Murphy (Ireland) starting from 24 April 2019,  
Gary Glendinning (Ireland until 23 April 2019, 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 1,755 (1,601) during the period and employed 1,808 (1,664) 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 June 2019 totalled 700,022, accounting for 2.5 per cent of the total number of shares. Share turnover amounted to EUR 20.1 million, with the period's lowest and highest share prices amounting to EUR 24.80 and EUR 31.80, respectively.

At the end of the period, shares closed at EUR 31.80, and market capitalisation totalled EUR 890.4 million.

At the end of the period under review, the company held no treasury shares.

## ANNUAL GENERAL MEETING

A separate release was issued on 3 April 2019 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 slightly higher in 2019 than in 2018.

Ponsse's updated and competitive product range and service solutions have had a significant impact on the company's growth. The market situation has continued to be favourable.

The trend of our investments will increasingly be in R&D and product technology and also developing the service network both in Finland and abroad. In Vieremä factory there will be focused in ramp-up of new products and increasing the capacity taking product quality and reliability into account.

PONSSE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)

	IFRS 1-6/19	IFRS 1-6/18	IFRS 1-12/18
NET SALES	315,804	291,068	612,435
Increase (+)/decrease (-) in inventories of finished goods and work in progress	28,743	11,738	-1,508
Other operating income	1,240	992	2,768
Raw materials and services	-227,944	-196,671	-395,660
Expenditure on employment-related benefits	-47,962	-43,377	-85,289
Depreciation and amortisation	-10,400	-7,536	-15,836
Other operating expenses	-29,088	-26,744	-55,193
OPERATING RESULT	30,393	29,470	61,717
Share of results of associated companies	-54	2	-77
Financial income and expenses	-284	-3,930	-5,317
RESULT BEFORE TAXES	30,055	25,541	56,324
Income taxes	-6,870	-6,404	-12,625
NET RESULT FOR THE PERIOD	23,185	19,137	43,699
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	1,026	702	-318
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	24,211	19,839	43,381
Diluted and undiluted earnings per share*	0.83	0.68	1.56

	IFRS 4-6/19	IFRS 4-6/18
NET SALES	172,719	148,953
Increase (+)/decrease (-) in inventories of finished goods and work in progress	9,434	4,078
Other operating income	698	668
Raw materials and services	-119,347	-100,488
Expenditure on employment-related benefits	-25,910	-23,106
Depreciation and amortisation	-5,215	-3,784
Other operating expenses	-14,843	-13,921
OPERATING RESULT	17,536	12,399
Share of results of associated companies	-15	-23
Financial income and expenses	-709	-2,237
RESULT BEFORE TAXES	16,812	10,139
Income taxes	-3,792	-2,697
NET RESULT FOR THE PERIOD	13,020	7,442
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:		
Translation differences related to foreign units	-152	1,066
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	12,868	8,508

Diluted and undiluted earnings per share\* 0.47 0.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

	IFRS 30 Jun 19	IFRS 30 Jun 18	IFRS 31 Dec 18
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	28,342	24,437	26,298
Goodwill	3,790	3,794	3,800
Property, plant and equipment	112,720	101,573	108,818
Financial assets	98	103	103
Investments in associated companies	491	623	545
Non-current receivables	2,246	814	2,447
Deferred tax assets	4,571	2,949	3,242
<b>TOTAL NON-CURRENT ASSETS</b>	<b>152,258</b>	<b>134,292</b>	<b>145,252</b>
<b>CURRENT ASSETS</b>			
Inventories	157,054	139,651	126,628
Trade receivables	53,040	39,987	43,379
Income tax receivables	459	374	1,423
Other current receivables	16,006	10,849	11,275
Cash and cash equivalents	24,229	27,956	51,105
<b>TOTAL CURRENT ASSETS</b>	<b>250,788</b>	<b>218,816</b>	<b>233,811</b>
<b>TOTAL ASSETS</b>	<b>403,046</b>	<b>353,108</b>	<b>379,063</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7,000	7,000	7,000
Other reserves	3,462	2,423	3,462
Translation differences	4,053	4,047	3,027
Treasury shares	0	-346	0
Retained earnings	187,674	161,433	186,667
<b>EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS</b>	<b>202,189</b>	<b>174,556</b>	<b>200,155</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	47,193	46,693	45,651
Deferred tax liabilities	1,182	504	1,295
Other non-current liabilities	31	117	43
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>48,405</b>	<b>47,315</b>	<b>46,990</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	30,396	22,102	23,920
Provisions	4,900	5,184	5,418
Tax liabilities for the period	2,557	1,464	808
Trade creditors and other current liabilities	114,599	102,488	101,773
<b>TOTAL CURRENT LIABILITIES</b>	<b>152,452</b>	<b>131,237</b>	<b>131,919</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>403,046</b>	<b>353,108</b>	<b>379,063</b>



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

	IFRS 1-6/19	IFRS 1-6/18	IFRS 1-12/18
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net result for the period	23,185	19,137	43,699
Adjustments:			
Financial income and expenses	285	3,929	5,317
Share of the result of associated companies	54	-2	77
Depreciation and amortisation	10,400	7,536	15,836
Income taxes	6,870	6,404	12,625
Other adjustments	-589	740	-3,127
Cash flow before changes in working capital	40,204	37,747	74,427
Change in working capital:			
Change in trade receivables and other receivables	-13,201	1,661	-1,545
Change in inventories	-28,838	-18,551	-6,089
Change in trade creditors and other liabilities	11,151	7,888	8,642
Change in provisions for liabilities and charges	-518	-585	-351
Interest received	152	94	244
Interest paid	-350	-365	-770
Other financial items	-475	-1,290	-2,458
Income taxes paid	-5,459	-6,493	-12,866
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES (A)</b>	<b>2,666</b>	<b>20,107</b>	<b>59,232</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Investments in tangible and intangible assets	-11,661	-15,271	-32,916
Proceeds from sale of tangible and intangible assets	128	221	675
<b>NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)</b>	<b>-11,533</b>	<b>-15,050</b>	<b>-32,240</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Acquisition of treasury shares	0	0	-93
Withdrawal/Repayment of current loans	5,298	907	1,845
Repayment of non-current loans	0	-450	-450
Withdrawal/Repayment of finance lease liabilities	-1,355	77	33
Change in non-current receivables	547	466	670
Dividends paid	-22,400	-20,975	-20,975
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES (C)</b>	<b>-17,910</b>	<b>-19,975</b>	<b>-18,970</b>
Change in cash and cash equivalents (A+B+C)	-26,777	-14,918	8,022
Cash and cash equivalents on 1 Jan	51,105	42,596	42,596
Impact of exchange rate changes	-100	278	488
Cash and cash equivalents on 30 Jun/31 Dec	24,229	27,956	51,105

\*) Enabled by the new consolidation programme, the company changed over to presenting the exchange rate effects included in the cash flow statement in a way that allows unrealised exchange rate effects to be eliminated in the cash flow statement more accurately. As a result, previously reported cash flows have been adjusted to allow comparability. The previously reported cash flow from business operations was EUR 23.5 million for the comparative period in 2018 and EUR 61.3 million in the 2018 financial statements. This change had no impact on the presentation of the total cash flow, as it only affected the presentation of the relationship between different cash flows as well as exchange rate effects in terms of the change in cash and cash equivalents.



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

A = Share capital

B = Share premium and other reserves

C = Translation differences

D = Treasury shares

E = Retained earnings

F = Total shareholders' equity

	EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS					
	A	B	C	D	E	F
SHAREHOLDERS' EQUITY 1						
JAN 2019	7,000	3,462	3,027	0	186,667	200,155
Translation differences			1,026			1,026
Result for the period					23,185	23,185
Total comprehensive income for the period			1,026		23,185	24,211
Dividend distribution					-22,400	-22,400
Direct entries to retained earnings					223	223
SHAREHOLDERS' EQUITY 30 JUN 2019	7,000	3,462	4,053	0	187,674	202,189
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			702			702
Result for the period					19,137	19,137
Total comprehensive income for the period			702		19,137	19,839
Dividend distribution					-20,975	-20,975
Direct entries to retained earnings					-1,127	-1,127
SHAREHOLDERS' EQUITY 30 JUN 2018	7,000	2,423	4,047	-346	161,433	174,556

\*) 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.

SEGMENT INFORMATION (EUR 1,000)

OPERATING SEGMENTS

	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Total
1-6/2019					
Net sales of the segment	219,206	67,520	52,007	78,913	417,647
Sales between segments	-99,993	-912	-604	-1,648	-103,157
Unallocated sales					1,315

NET SALES FROM EXTERNAL CUSTOMERS	119,213	66,608	51,403	77,265	315,804
Operating result of the segment	6,475	9,821	7,135	9,052	32,484
Unallocated items					-2,091
OPERATING RESULT	6,475	9,821	7,135	9,052	30,393

#### OPERATING SEGMENTS

	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Total
1-6/2018					
Net sales of the segment	205,487	63,914	61,578	54,583	385,562
Sales between segments	-94,486	-1,215	-454	-714	-96,870
Unallocated sales					2,376
NET SALES FROM EXTERNAL CUSTOMERS	111,000	62,699	61,124	53,869	291,068
Operating result of the segment	5,458	8,648	11,498	3,776	29,381
Unallocated items					89
OPERATING RESULT	5,458	8,648	11,498	3,776	29,470

1. LEASING COMMITMENTS (EUR 1,000)	30 Jun 19	30 Jun 18	31 Dec 18
	1,242	1,265	1,342
2. CONTINGENT LIABILITIES (EUR 1,000)	30 Jun 19	30 Jun 18	31 Dec 18
Guarantees given on behalf of others	223	1,930	1,459
Repurchase commitments	0	0	552
Responsibility of checking the VAT deductions made on real property investments	8,398	4,840	7,839
Other commitments	78	57	87
TOTAL	8,699	6,827	9,937
3. PROVISIONS (EUR 1,000)	Guarantee provision		
1 January 2019	5,418		
Provisions added	428		
Provisions cancelled	-946		
30 June 2019	4,900		
4. DIVIDENDS PAID (EUR 1,000)	30 Jun 19	30 Jun 18	
Dividends per share EUR 0.80 (EUR 0.75)	22,400	20,975	
5. PROPERTY, PLANT AND EQUIPMENT (EUR 1,000)	1-6/19	1-6/18	
Increase	10,905	11,833	
Decrease	-64	-439	
TOTAL	10,841	11,394	
6. RELATED PARTY TRANSACTIONS	1-6/19	1-6/18	
Management's employment-related benefits (EUR 1,000)			
Salaries and other short-term employment-related benefits	2,520	2,293	
Benefits paid upon termination of employment	0	0	

Pension liabilities, statutory pension security	346	345
Compensation of the members of the Board of Directors	123	118

KEY FIGURES AND RATIOS	30 Jun 19	30 Jun 18	31 Dec 18
R&D expenditure, MEUR	9.6	8.4	17.5
Capital expenditure, MEUR	11.7	15.3	32.9
as % of net sales	3.7	5.3	5.4
Average number of employees	1,755	1,601	1,635
Order books, MEUR	361.1	187.0	294.9
Equity ratio, %	51.3	51.1	54.0
Diluted and undiluted earnings per share (EUR)	0.83	0.68	1.56
Equity per share (EUR)	7.22	6.23	7.15

#### 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)	1-6/19	1-6/18	1-12/18
Ponsse Group	391.6	355.7	785.7

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 been complied with. The same accounting principles were observed for the closing of the books as for the annual financial statements dated 31 December 2018, with the exception of the new standard introduced on 1 January

2019. This standard is IFRS 16, Leases.

As a result of the new IFRS 16 “Leases” standard, the Group recognised non-cancellable leases on the balance sheet. The Group made use of an easement allowed in the standard according to which short-term leases of assets with minor value do not need to be recognised on the balance sheet. For non-fixed-term leases, the Group only recognises on the balance sheet leases with a term of notice longer than 12 months that do not include a significant cancellation clause. At the end of the period under review, the right-of-use assets amounted to EUR 3.1 million, and they are included in the Property, Plant and Equipment section under the consolidated statements of financial position. Correspondingly, the non-current and current interest-bearing liabilities in the consolidated statements of financial position include EUR 3.1 million of lease liabilities. EUR 1.0 million of depreciation and financing expenses related to right-of-use assets were recognised in the result for the period under review. For the cash flow statement, application of the IFRS 16 standard increased the cash flow from business operations and decreased the financing by EUR 1.0 million. A simplified method has been used for the transition, and the comparison figures from the year preceding the transition have not been adjusted.

The above figures have not been audited.

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

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

Vieremä, 13 August 2019

PONSSE PLC

Juho Nummela  
President and CEO

#### FURTHER INFORMATION

Juho Nummela, President and CEO, tel. +358 400 495 690  
Petri Härkönen, CFO, tel. +358 50 409 8362

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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.*