

PONSSE'S INTERIM REPORT FOR 1 JANUARY – 31 MARCH 2019

- Net sales amounted to EUR 143.1 (142.1) million.
- Operating result totalled EUR 12.9 (17.1) million, equalling 9.0 (12.0) per cent of net sales.
- Profit before taxes was EUR 13.2 (15.4) million.
- Cash flow from business operations was EUR 0.9 (19.3) million.
- Earnings per share were EUR 0.36 (0.42).
- Equity ratio was 53.5 (53.2) per cent.
- Order books stood at EUR 367.9 (173.8) million.

PRESIDENT AND CEO JUHO NUMMELA:

The demand for forest machines continued to be brisk during the past quarter, and the company's order intake was excellent. Our order book continued to grow, and the value of the order book at the end of the period under review was as high as EUR 367.9 million.

The company's net sales for the first quarter were EUR 143.1 (142.1) million. Some of the invoicing for new machines is postponed to the second quarter, which is result from production start for new product models and availability of components related to that. Net sales for the service businesses continued to grow impressively, and the busy work pace of our customers was clearly reflected in the growth of our service operations. Demand for trade-in machines was also excellent, and net sales for trade-in machines were at the same level as in the comparison period. International business operations accounted for 76.3 (73.9) per cent of net sales.

Profit for the past quarter amounted to EUR 12.9 (17.1) million. The operating result for the period under review was 9.0 (12.0) percent. Delays in invoicing together with increased costs had a negative impact on profitability during the quarter. Cash flow for the first quarter was EUR 0.9 (19.3) million.

The Vieremä factory and the manufacturing network surrounding Ponsse are working well. There are still risks related to the availability of components, but the availability should improve during the next few months. At the same time, challenges related to production start have been taken care of, and the machines will be available for delivery during the next quarter. Early this year, serial production has been started for the PONSSE K121 crane, the PONSSE Active Crane loader control and new engines conforming to the Stage V emission requirements within the EU area. In addition, production will be started later this year for PONSSE Cobra, our new harvester model and PONSSE Bison, our new forwarder model.

NET SALES

Consolidated net sales for the period under review amounted to EUR 143.1 (142.1) million, which is 0.7 per cent more than in the comparison period. International business operations accounted for 76.3 (73.9) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 36.9 (41.3) per cent, Central and Southern Europe 22.4 (20.2) per cent, Russia and Asia 18.5 (19.5) per cent, North and South

America 22.0 (18.0) per cent and other countries 0.2 (1.0) per cent.

PROFIT PERFORMANCE

The operating result amounted to EUR 12.9 (17.1) million. The operating result equalled 9.0 (12.0) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 19.8 (25.3) per cent.

Staff costs for the period totalled EUR 22.1 (20.3) million. Other operating expenses stood at EUR 14.2 (12.8) million. The net total of financial income and expenses amounted to EUR 0.4 (-1.7) million. Exchange rate gains and losses with a net effect of EUR 0.8 (-1.4) million were recognised under financial items for the period. Result for the period under review totalled EUR 10.2 (11.7) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.36 (0.42).

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 404.9 (362.3) million. Inventories stood at EUR 150.5 (132.1) million. Trade receivables totalled EUR 40.9 (35.8) million, while liquid assets stood at EUR 45.9 (54.7) million. Group shareholders' equity stood at EUR 211.8 (186.7) million and parent company shareholders' equity (FAS) at EUR 192.1 (177.2) million. The amount of interest-bearing liabilities was EUR 70.4 (67.8) million. The company has used zero per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 84.1 (84.0) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 24.4 (13.0) million, and the debt-equity ratio (net gearing) was 11.5 (6.9) per cent. The equity ratio stood at 53.5 (53.2) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR 0.9 (19.3) million. Cash flow from investment activities came to EUR -5.5 (-6.5) million.

ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 222.8 (192.7) million, while period-end order books were valued at EUR 367.9 (173.8) 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 4.8 (4.0) million, of which EUR 1.3 (0.9) million was capitalised.

Capital expenditure totalled EUR 5.6 (6.5) million. It consisted in addition to capitalised R&D

expenses of investments in buildings and ordinary maintenance and replacement investments for machinery and equipment. Investments do not include EUR 3.5 million of right-of-use assets recognised on the balance sheet as a result of the new IFRS 16 "Leases" standard.

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) starting from 1 January 2019 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
Tarmo Saks (Poland, Czech Republic and Slovakia) starting from 1 January 2019

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 1,729 (1,573) during the period and employed 1,750 (1,589) people at period-end.

SHARE PERFORMANCE

The company's registered share capital consists of 28,000,000 shares. The trading volume of Ponsse Plc shares for 1 January – 31 March 2019 totalled 334,913, accounting for 1.2 per cent of the total

number of shares. Share turnover amounted to EUR 9.3 million, with the period's lowest and highest share prices amounting to EUR 24.80 and EUR 29.50, respectively.

At the end of the period, shares closed at EUR 29.10, and market capitalisation totalled EUR 814.8 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 remained favourable. Availability of components will remain challenging during the first half of year 2019.

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 1-3/19	IFRS 1-3/18	IFRS 1-12/18
NET SALES	143,085	142,115	612,435
Increase (+)/decrease (-) in inventories of finished goods and work in progress	19,310	7,660	-1,508
Other operating income	542	324	2,768
Raw materials and services	-108,598	-96,183	-395,660
Expenditure on employment-related benefits	-22,052	-20,270	-85,289
Depreciation and amortisation	-5,185	-3,751	-15,836
Other operating expenses	-14,245	-12,823	-55,193
OPERATING RESULT	12,857	17,071	61,717
Share of results of associated companies	-38	25	-77
Financial income and expenses	423	-1,694	-5,317
RESULT BEFORE TAXES	13,242	15,403	56,324
Income taxes	-3,078	-3,707	-12,625
NET RESULT FOR THE PERIOD	10,164	11,696	43,699
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	1,178	-364	-318
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	11,342	11,332	43,381
Diluted and undiluted earnings per share*	0.36	0.42	1.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

	IFRS 31 Mar 19	IFRS 31 Mar 18	IFRS 31 Dec 18
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	26,743	23,535	26,298
Goodwill	3,796	3,800	3,800
Property, plant and equipment	112,702	97,699	108,818
Financial assets	98	103	103
Investments in associated companies	506	647	545
Non-current receivables	2,307	928	2,447
Deferred tax assets	4,130	2,789	3,242
TOTAL NON-CURRENT ASSETS	150,281	129,500	145,252
CURRENT ASSETS			
Inventories	150,532	132,118	126,628
Trade receivables	40,829	35,769	43,379
Income tax receivables	434	989	1,423
Other current receivables	16,951	9,214	11,275
Cash and cash equivalents	45,907	54,709	51,105
TOTAL CURRENT ASSETS	254,653	232,798	233,811
TOTAL ASSETS	404,934	362,299	379,063
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	7,000	7,000	7,000
Other reserves	3,462	2,423	3,462
Translation differences	4,205	1,590	3,027
Treasury shares	0	-346	0
Retained earnings	197,108	176,059	186,667
EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS	211,775	186,725	200,155
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	47,015	46,032	45,651
Deferred tax liabilities	1,224	573	1,295
Other non-current liabilities	425	129	43
TOTAL NON-CURRENT LIABILITIES	48,663	46,734	46,990
CURRENT LIABILITIES			
Interest-bearing liabilities	23,357	21,795	23,920
Provisions	5,502	5,064	5,418
Tax liabilities for the period	1,536	1,581	808
Trade creditors and other current liabilities	114,101	100,400	101,773
TOTAL CURRENT LIABILITIES	144,496	128,840	131,919
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	404,934	362,299	379,063

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)

	IFRS 1-3/19	IFRS 1-3/18	IFRS 1-12/18
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net result for the period	10,164	11,696	43,699
Adjustments:			
Financial income and expenses	-423	1,643	5,317
Share of the result of associated companies	38	-25	77
Depreciation and amortisation	5,185	3,751	15,836
Income taxes	3,078	3,707	12,625
Other adjustments	636	-61	-3,368
Cash flow before changes in working capital	18,679	20,712	74,186
Change in working capital:			
Change in trade receivables and other receivables	-7,120	7,034	-111
Change in inventories	-23,904	-9,816	-4,326
Change in trade creditors and other liabilities	15,583	6,900	7,794
Change in provisions for liabilities and charges	84	-705	-351
Interest received	76	35	244
Interest paid	-82	-90	-770
Other financial items	-256	-637	-2,458
Income taxes paid	-2,189	-4,102	-12,866
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	870	19,331	61,341
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-5,587	-6,541	-32,508
Proceeds from sale of tangible and intangible assets	75	25	675
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)	-5,512	-6,515	-31,833
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of treasury shares	0	0	-93
Withdrawal/Repayment of current loans	-896	-380	1,851
Repayment of non-current loans	0	0	-450
Withdrawal/Repayment of finance lease liabilities	-483	-34	22
Change in non-current receivables	53	564	970
Dividends paid	0	0	-20,975
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	-1,326	151	-18,675
Change in cash and cash equivalents (A+B+C)	-5,967	12,966	10,834
Cash and cash equivalents on 1 Jan	51,105	42,596	42,596
Impact of exchange rate changes	770	-853	-2,324
Cash and cash equivalents on 31Mar/31 Dec	45,907	54,709	51,105

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			1,178			1,178
Result for the period					10,164	10,164
Total comprehensive income for the period			1,178		10,164	11,342
Direct entries to retained earnings					278	278
SHAREHOLDERS' EQUITY 31 MAR 2019	7,000	3,462	4,205	0	197,108	211,775
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			-364			-364
Result for the period					11,696	11,696
Total comprehensive income for the period			-364		11,696	11,332
Direct entries to retained earnings					-1,426	-1,426
SHAREHOLDERS' EQUITY 31 MAR 2018	7,000	2,423	2,981	-346	174,668	186,725

*) 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.

	31 Mar 19	31 Mar 18	31 Dec 18
1. LEASING COMMITMENTS (EUR 1,000)	961	1,338	1,342
2. CONTINGENT LIABILITIES (EUR 1,000)	31 Mar 19	31 Mar 18	31 Dec 18
Responsibility of checking the VAT deductions made on real property investments	8,521	4,772	7,839
Other commitments	87	49	87
TOTAL	8,608	4,821	7,926

3. PROVISIONS (EUR 1,000)	Guarantee provision
1 Jan 2019	5,418
Provisions added	413
Provisions cancelled	-329
31 Mar 2019	5,502

KEY FIGURES AND RATIOS	31 Mar 19	31 Mar 18	31 Dec 18
R&D expenditure, MEUR	4.8	4.0	17.5
Capital expenditure, MEUR	5.6	6.5	32.5
as % of net sales	3.9	4.6	5.3
Average number of employees	1,729	1,573	1,635
Order books, MEUR	367.9	173.8	294.9
Equity ratio, %	53.5	53.2	54.0
Diluted and undiluted earnings per share (EUR)	0.36	0.42	1.56
Equity per share (EUR)	7.56	6.67	7.15

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)	1-3/19	1-3/18	1-12/18
Ponsse Group	222.8	192.7	785.7

The stock exchange release for the interim report has been prepared observing the recognition and valuation principles of IFRS, but 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 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 3.5 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 3.5 million of lease liabilities. EUR 0.5 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 0.5 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, 16 April 2019

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.