

PONSSE PLC, STOCK EXCHANGE RELEASE, 23 APRIL 2014, 9:00 a.m.

PONSSE'S INTERIM REPORT FOR 1 JANUARY – 31 MARCH 2014

- Net sales amounted to EUR 86.9 (61.6) million.
- Operating result totalled EUR 7.4 (0.1) million, equalling 8.5 (0.2) per cent of net sales.
- Result before taxes was EUR 6.9 (0.7) million.
- Cash flow from operating activities was EUR 2.2 (12.7) million.
- Earnings per share were EUR 0.19 (0.00).
- Equity ratio was 37.9 (32.3) per cent.
- Order books stood at EUR 104.1 (49.1) million.

PRESIDENT AND CEO JUHO NUMMELA:

The good outlook in the forestry sector had a positive impact. The demand for forest machines was at a good level during the first quarter. The order volume of new machines increased, and our order book continued to increase, ending up at EUR 104.1 (49.1) million. The order book grew by 112 per cent compared with the comparable period.

Russia, an important market area for us, was still at a normal level, and the unstable situation in Ukraine has not had a substantial impact on the Russian market. The positive trend in North America continues, and the market is expected to develop favourably. With regard to European markets, Central Europe has shown signs of recovery, while Sweden is still at a low level in terms of overall market development.

Serial production of the PONSSE Scorpion range has began at the Vieremä factory. The demand for the PONSSE Scorpion has continued to be active, and the feedback from the demonstration tours has been extremely positive. The demand for other product models has been at a good level as well, and as a result of the active order intake, the factory operates in the normal two shifts.

The service business continued to grow significantly. At the same time, our used machine sales continued its moderate growth. Sales of new machines returned to the normal level from the weak comparable period, and the net sales for the quarter were good for a first quarter, at EUR 86.9 (61.6) million. Net sales increased by 41 per cent from the corresponding period.

The operating result amounted to EUR 7.4 (0.1) million during the first quarter, equalling 8.5 (0.0) per cent of net sales.

Cash flow from business operations amounted to EUR 2.2 (12.7) million in the period under review. The stock of new products was at a level slightly higher than normal, while the capital tied up in raw materials and consumables increased slightly, but the stock of trade-in machines was correspondingly at a good level. The equity ratio continued to develop favourably, amounting to 37.9 per cent.

NET SALES

Consolidated net sales for the period under review amounted to EUR 86.9 (61.6) million, which is 40.9 per cent more than in the comparison period. International business operations accounted for 69.7 (60.1) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 42.7 (52.2) per cent, Central and Southern Europe 19.1 (15.2) per cent, Russia and Asia 13.1 (13.9) per cent, North and South America 25.2 (18.7) per cent and other countries 0.0 (0.0) per cent.

PROFIT PERFORMANCE

The operating result amounted to EUR 7.4 (0.1) million. The operating result equalled 8.5 (0.2) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 22.4 (3.4) per cent.

Staff costs for the period totalled EUR 13.5 (12.6) million. Other operating expenses stood at EUR 8.4 (7.3) million. The net total of financial income and expenses amounted to EUR -0.5 (0.7) million. Exchange rate gains and losses with a net effect of EUR -0.2 (1.0) million were recognised under financial items for the period. Result for the period under review totalled EUR 5.3 (0.5) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.19 (0.00). The interest on the subordinated loan for the period, less tax, has been taken into account in the calculation of EPS.

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 191.1 (194.4) million. Inventories stood at EUR 89.9 (87.6) million. Trade receivables totalled EUR 23.6 (19.1) million, while liquid assets stood at EUR 10.2 (23.0) million. Group shareholders' equity stood at EUR 72.1 (62.1) million and parent company shareholders' equity (FAS) at EUR 91.9 (81.9) million. The amount of interest-bearing liabilities was EUR 61.2 (75.3) million. The company has used 21 per cent of its credit facility limit. The parent

company's net receivables from other Group companies stood at EUR 78.0 (77.2) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 50.9 (52.3) million, and the debt-equity ratio (net gearing) was 70.6 (84.2) per cent. The equity ratio stood at 37.9 (32.3) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR 2.2 (12.2) million. Cash flow from investment activities came to EUR -4.7 (-3.0) million.

ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 92.3 (69.0) million, while period-end order books were valued at EUR 104.1 (49.1) million.

DISTRIBUTION NETWORK

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

The subsidiaries included in the Ponsse Group are: Epec Oy, Finland; OOO Ponsse, Russia; Ponsse AB, Sweden; Ponsse AS, Norway; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China; Ponsse Latin America Ltda, Brazil; Ponsse North America, Inc., the United States; Ponsse S.A.S., France; Ponsse UK Ltd, the United Kingdom; and Ponsse Uruguay S.A., Uruguay. Sunit Oy, based in Kajaani, Finland, is an affiliated company 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 2.6 (2.4) million, of which EUR 0.4 (0.6) million was capitalised.

Capital expenditure totalled EUR 4.7 (3.0) million. It consisted in addition to capitalised R&D expenses of 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).

PERSONNEL

The Group had an average staff of 1,136 (975) during the period and employed 1,158 (981) 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 2014 totalled 683,426, accounting for 2.4 per cent of the total number of shares. Share turnover amounted to EUR 7.0 million, with the period's lowest and highest share prices amounting to EUR 9.02 and EUR 10.75, respectively.

At the end of the period, shares closed at EUR 10.50, and market capitalisation totalled EUR 294.0 million.

At the end of the period under review, the company held 212,900 treasury shares.

ANNUAL GENERAL MEETING

A separate release was issued on 15 April 2014 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 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

The Group's euro-denominated operating profit is expected to be significantly higher than in 2013.

Ponsse's strongly renewed and competitive product portfolio and maintenance service solutions are having a positive effect on the company's business operations.

Thanks to the strong order books, the factory is able to produce forest machines at normal capacity. We estimate that the work situation of our customers will also continue to be normal.

Our investments in the buildings of the Vieremä factory, product development and maintenance services, development and renewal of production technology and product development will continue.

PONSSE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)

	IFRS 1-3/14	IFRS 1-3/13	IFRS 1-12/13
NET SALES	86,859	61,645	312,825
Increase (+)/decrease (-) in inventories of finished goods and work in progress	4,884	12,016	5,832
Other operating income	243	140	1,053
Raw materials and services	-60,791	-52,152	-210,146
Expenditure on employment-related benefits	-13,484	-12,594	-49,022
Depreciation and amortisation	-1,849	-1,648	-6,568
Other operating expenses	-8,440	-7,315	-31,472
OPERATING RESULT	7,422	93	22,501
Share of results of associated companies	-38	-84	-45
Financial income and expenses	-532	704	-8,208
RESULT BEFORE TAXES	6,852	713	14,248
Income taxes	-1,503	-202	-5,150
NET RESULT FOR THE PERIOD	5,349	512	9,098
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	-759	-843	2,955
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	4,590	-331	12,053
Diluted and undiluted earnings per share [*]	0.19	0.00	0.31

^{*} The interest on the subordinated loan for the period, less tax, was taken into account in this figure.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

ASSETS	IFRS 31 Mar 14	IFRS 31 Mar 13	IFRS 31 Dec 13
NON-CURRENT ASSETS			
Intangible assets	14,254	12,137	14,278
Goodwill	3,440	3,440	3,440
Property, plant and equipment	38,014	36,675	37,766
Financial assets	104	111	104
Investments in associated companies	994	992	1,031
Non-current receivables	898	1,048	914
Deferred tax assets	1,468	2,022	1,374
TOTAL NON-CURRENT ASSETS	59,171	56,426	58,908

CURRENT ASSETS			
Inventories	89,913	87,623	85,767
Trade receivables	23,587	19,148	23,108
Income tax receivables	259	897	207
Other current receivables	7,975	7,268	6,100
Cash and cash equivalents	10,234	23,029	11,958
TOTAL CURRENT ASSETS	131,968	137,966	127,140
TOTAL ASSETS	191,139	194,391	186,048
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	7,000	7,000	7,000
Other reserves	30	30	30
Translation differences	658	-2,381	1,417
Treasury shares	-2,228	-2,228	-2,228
Retained earnings	66,680	59,692	61,331
EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS	72,140	62,113	67,550
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	39,098	41,471	38,810
Deferred tax liabilities	632	1,175	657
Other non-current liabilities	0	0	0
TOTAL NON-CURRENT LIABILITIES	39,730	42,646	39,466
CURRENT LIABILITIES			
Interest-bearing liabilities	22,068	33,828	21,492
Provisions	4,362	4,763	4,618
Tax liabilities for the period	958	65	920
Trade creditors and other current liabilities	51,881	50,976	52,002
TOTAL CURRENT LIABILITIES	79,270	89,632	79,032
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	191,139	194,391	186,048
CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)			
	IFRS	IFRS	IFRS
	1-3/14	1-3/13	1-12/13
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net result for the period	5,349	512	9,098
Adjustments:			
Financial income and expenses	532	-704	8,208
Share of the result of associated companies	38	84	45

Depreciation and amortisation	1,849	1,648	6,568
Income taxes	1,503	202	5,150
Other adjustments	-380	546	2,637
Cash flow before changes in working capital	8,891	2,286	31,706
Change in working capital:			
Change in trade receivables and other receivables	-226	2,238	-81
Change in inventories	-4,146	-5,987	-4,131
Change in trade creditors and other liabilities	-829	13,580	15,557
Change in provisions for liabilities and charges	-256	-214	-359
Interest received	42	57	227
Interest paid	-152	-76	-1,143
Other financial items	-196	105	-1,063
Income taxes paid	-884	704	-2,260
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	2,244	12,693	38,453
CASH FLOWS USED IN INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-4,690	-3,036	-11,188
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)	-4,690	-3,036	-11,188
CASH FLOWS FROM FINANCING ACTIVITIES			
Hybrid loan	0	-19,000	-19,000
Interest paid, hybrid loan	0	-1,136	-1,136
Withdrawal/Repayment of current loans	1,428	472	-14,500
Change in current interest-bearing liabilities	0	213	-136
Withdrawal of non-current loans	245	20,000	29,322
Repayment of non-current loans	-760	-342	-10,668
Payment of finance lease liabilities	-48	-1,650	-239
Change in non-current receivables	-32	-49	172
Dividends paid	0	0	-6,947
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	833	-1,493	-23,132
Change in cash and cash equivalents (A+B+C)	-1,613	8,164	4,133
Cash and cash equivalents on 1 Jan	11,958	14,083	14,083
Impact of exchange rate changes	-110	781	-6,259
Cash and cash equivalents on 31 Mar/31 Dec	10,234	23,029	11,958

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 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	
SHAREHOLDERS' EQUITY 1							
JAN 2013	7,000	19,030	-1,538	-2,228	59,180	81,444	
Translation differences			-843			-843	
Result for the period					512	512	
Total comprehensive income for the period			-843		512	-331	
Other changes		-19,000				-19,000	
SHAREHOLDERS' EQUITY 31 MAR 2013	7,000	30	-2,381	-2,228	59,692	62,113	
					31 Mar 14	31 Mar 13	31 Dec 13
1. LEASING COMMITMENTS (EUR 1,000)					1,490	2,441	1,691
					31 Mar 14	31 Mar 13	31 Dec 13
2. CONTINGENT LIABILITIES (EUR 1,000)					463	1,570	487
Guarantees given on behalf of others					1,030	1,389	1,138
Repurchase commitments					4,462	4,121	4,224
Other commitments					5,955	7,080	5,850
TOTAL							
3. PROVISIONS (EUR 1,000)							
1 January 2014					4,618		
Provisions added					126		
Provisions cancelled					-382		
31 March 2014					4,362		
KEY FIGURES AND RATIOS					31 Mar 14	31 Mar 13	31 Dec 13
R&D expenditure (EUR million)					2.6	2.4	9.7
Capital expenditure (EUR million)					4.7	3.0	11.2
as % of net sales					5.4	4.9	3.6
Average number of employees					1,136	975	1,027
Order books (EUR million)					104.1	49.1	99.8
Equity ratio, %					37.9	32.3	36.5

Diluted and undiluted earnings per share (EUR)	0.19	0.00	0.31
Equity per share (EUR)	2.58	2.22	2.41

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 - Interest on hybrid loan for the period less tax

 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)	1-3/14	1-3/13	1-12/13
Ponsse Group	92.3	69.0	371.0

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 2013.

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 April 2014

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.