

PONSSE PLC, STOCK EXCHANGE RELEASE, 21 OCTOBER 2014, 9:00 a.m.

#### **PONSSE'S INTERIM REPORT FOR 1 JANUARY – 30 SEPTEMBER 2014**

- Net sales amounted to EUR 270.0 (Q1-Q3/2013 211.3) million.
- Q3 net sales amounted to EUR 86.4 (Q3/2013 66.0) million.
- Operating result totalled EUR 27.5 (Q1-Q3/2013 12.7) million, equalling 10.2 (6.0) per cent of net sales.
- Q3 operating result totalled EUR 9.5 (Q3/2013 4.2) million, equalling 11.0 (6.4) per cent of net sales.
- Profit before taxes was EUR 27.4 (Q1-Q3/2013 7.5) million.
- Cash flow from business operations was EUR 13.8 (21.7) million.
- Earnings per share were EUR 0.80 (0.15).
- Equity ratio was 38.9 (32.5) per cent.
- Order books stood at EUR 155.5 (97.2) million.

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

The demand for Ponsse's forest machines continued to be very strong during the quarter. The monthly order volumes of new machines rose to new record figures and our order books increased strongly to EUR 155.5 (97.2) million. The order books grew by 60 per cent compared with the comparable period. International business operations accounted for 73.5 (68.7) per cent of net sales.

Current year has been a strong one in terms of both net sales and operating profit. The company's cumulative net sales amounted to EUR 270.0 (211.3) million and operating profit was EUR 27.5 (12.7) million. Net sales have increased by 28 per cent, while operating profit has increased by 116 per cent compared with the comparable period. The operating profit equalled 10.2 (6.0) per cent of net sales for the period under review. The equity ratio continued to develop favourably, amounting to 38.9 per cent.

The situation in the Russian forest machine market has continued to be positive in spite of the uncertainties. The sanctions have not had a direct effect on the sales or financing of forest machines for the time being. Spare part deliveries to Russia are also working normally. The forest machine market situation in North America continues to be good, and the situation is

improving in Europe. In Latin America, the focus is on developing service operations and fulfilling the contractual obligations with major customers.

The serial production of the PONSSE Scorpion harvester range has become well established. During the past quarter, Ponsse launched the PONSSE Scorpion range and the PONSSE Bear harvester of the new product range in the United States. Ponsse launched the new PONSSE 2015 product range at the FinnMETKO fair, and these products will enter serial production gradually during 2015. The new product range is a continuum of the PONSSE Scorpion and Bear products. The ergonomics, serviceability and productivity of the machines have been developed and the design has been updated. At the same time, forest machines delivered in Europe will have new engines compliant with the EU Stage IV emission level meeting the new environment requirements.

Service operations grew at a strong rate during the period under review. The accelerated growth in service operations is associated with the growing machine fleet as well as the adoption of new service business concepts. The sales of new machines increased strongly from the comparison period and the net sales in the past quarter were EUR 86.4 (66.0) million. The net sales increased by 31 per cent from the corresponding period.

The operating result amounted to EUR 9.5 (4.2) million during the third quarter, equalling 11.0 (6.4) per cent of net sales.

Cash flow from business operations amounted to EUR 13.8 (21.7) million in the period under review. The capital temporarily tied up in inventories resulted from the strong growth impaired the cash flows. The stock of used machines continued to be at a normal level.

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 270.0 (211.3) million, which is 27.8 per cent more than in the comparison period. International business operations accounted for 73.5 (68.7) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 40.9 (45.8) per cent, Central and Southern Europe 20.6 (14.7) per cent, Russia and Asia 14.6 (17.0) per cent, North and South America 23.8 (22.5) per cent and other countries 0.1 (0.0) per cent.

## PROFIT PERFORMANCE

The operating result amounted to EUR 27.5 (12.7) million. The operating result equalled 10.2 (6.0) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 28.4 (8.8) per cent.

Staff costs for the period totalled EUR 41.2 (35.1) million. Other operating expenses stood at EUR 26.1 (22.3) million. The net total of financial income and expenses amounted to EUR -3 thousand (-5.1 million). Exchange rate gains and losses with a net effect of EUR 1.4 (-3.8) million were recognised under financial items for the period. Profit for the period under review totalled EUR 22.3 (4.5) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.80 (0.15). The interest on the subordinated loan for the comparison period, less tax, has been taken into account in the calculation of EPS in the comparison period.

#### 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 207.7 (191.6) million. Inventories stood at EUR 98.1 (89.2) million. Trade receivables totalled EUR 26.6 (22.5) million, while liquid assets stood at EUR 13.8 (15.7) million. Group shareholders' equity stood at EUR 79.4 (61.5) million and parent company shareholders' equity (FAS) at EUR 97.2 (81.1) million. The amount of interest-bearing liabilities was EUR 64.6 (75.5) million. The company has used 22 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 78.4 (77.0) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 50.8 (59.9) million, and the debt-equity ratio (net gearing) was 64.0 (97.4) per cent. The equity ratio stood at 38.9 (32.5) per cent at the end of the period under review.

Cash flow from business operations amounted to EUR 13.8 (21.7) million. Cash flow from investment activities came to EUR -9.9 (-8.0) million.

#### ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 327.6 (266.8) million, while period-end order books were valued at EUR 155.5 (97.2) 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; Ocean Safety Center, 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; Ponssé 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.

## CAPITAL EXPENDITURE AND R&D

During the period under review, the Group's R&D expenses totalled EUR 8.3 (7.2) million, of which EUR 1.9 (2.2) million was capitalised.

Capital expenditure totalled EUR 9.9 (8.0) 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 led 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 (the Baltic countries, Japan and Australia) and Risto Kääriäinen (China),

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

## PERSONNEL

The Group had an average staff of 1,186 (1,009) during the period and employed 1,226 (1,040) people at period-end.

## SHARE PERFORMANCE

The company's registered share capital consists of 28,000,000 shares. The trading volume of Ponsse Plc shares for 1 January – 30 September 2014 totalled 2,922,327, accounting for 10.4 per cent of the total number of shares. Share turnover amounted to EUR 32.4 million, with the period's lowest and highest share prices amounting to EUR 9.02 and EUR 13.32, respectively.

At the end of the period, shares closed at EUR 12.00, and market capitalisation totalled EUR 336.0 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 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

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

Ponsse's updated and competitive product range and new service solutions have boosted the company's net sales significantly. The PONSSE 2015 product range will enter serial production gradually during 2015.

Thanks to the strong order books, capacity will be increased at the factory.

We will continue to invest in the facilities of the Vieremä factory, R&D and maintenance services, as well as in the development of production technology and R&D. During 2014, the facility investments cover approximately 7,000 m<sup>2</sup>.

## PONSSE GROUP

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

	IFRS 1-9/14	IFRS 1-9/13	IFRS 1-12/13
NET SALES	270,003	211,292	312,825
Increase (+)/decrease (-) in inventories of finished goods and work in progress	5,849	8,098	5,832
Other operating income	972	675	1,053
Raw materials and services	-176,201	-144,992	-210,146
Expenditure on employment-related benefits	-41,163	-35,144	-49,022
Depreciation and amortisation	-5,885	-4,920	-6,568
Other operating expenses	-26,090	-22,264	-31,472
OPERATING RESULT	27,486	12,745	22,501
Share of results of associated companies	-58	-138	-45
Financial income and expenses	-3	-5,060	-8,208
RESULT BEFORE TAXES	27,426	7,547	14,248
Income taxes	-5,173	-3,001	-5,150
NET RESULT FOR THE PERIOD	22,253	4,547	9,098
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	-2,053	1,415	2,955
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	20,200	5,962	12,053
Diluted and undiluted earnings per share	0.80	0.15*	0.31*
	IFRS 7-9/14	IFRS 7-9/13	
NET SALES	86,384	66,007	
Increase (+)/decrease (-) in inventories of finished goods and work in progress	396	6,382	
Other operating income	330	146	
Raw materials and services	-54,691	-49,512	
Expenditure on employment-related benefits	-12,206	-10,207	
Depreciation and amortisation	-2,035	-1,635	
Other operating expenses	-8,690	-6,941	
OPERATING RESULT	9,487	4,240	
Share of results of associated companies	10	-33	
Financial income and expenses	-84	-1,853	
RESULT BEFORE TAXES	9,413	2,354	
Income taxes	-1,832	-1,042	
NET RESULT FOR THE PERIOD	7,581	1,312	

OTHER ITEMS INCLUDED IN TOTAL  
COMPREHENSIVE RESULT:

Translation differences related to foreign units	-1,031	757
<b>TOTAL COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>6,550</b>	<b>2,069</b>
Diluted and undiluted earnings per share	0.27	0.05*

\* 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)

	IFRS 30 Sep 14	IFRS 30 Sep 13	IFRS 31 Dec 13
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	15,047	13,106	14,278
Goodwill	3,440	3,440	3,440
Property, plant and equipment	41,052	37,428	37,766
Financial assets	104	111	104
Investments in associated companies	888	938	1,031
Non-current receivables	868	887	914
Deferred tax assets	1,802	1,641	1,374
<b>TOTAL NON-CURRENT ASSETS</b>	<b>63,201</b>	<b>57,550</b>	<b>58,908</b>
<b>CURRENT ASSETS</b>			
Inventories	98,050	89,166	85,767
Trade receivables	26,601	22,492	23,108
Income tax receivables	706	177	207
Other current receivables	5,327	6,571	6,100
Cash and cash equivalents	13,780	15,675	11,958
<b>TOTAL CURRENT ASSETS</b>	<b>144,465</b>	<b>134,080</b>	<b>127,140</b>
<b>TOTAL ASSETS</b>	<b>207,667</b>	<b>191,630</b>	<b>186,048</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7,000	7,000	7,000
Other reserves	30	30	30
Translation differences	-636	-123	1,417
Treasury shares	-2,228	-2,228	-2,228



Retained earnings	75,248	56,780	61,331
<b>EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS</b>	<b>79,414</b>	<b>61,459</b>	<b>67,550</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	43,510	49,719	38,810
Deferred tax liabilities	859	1,103	657
Other non-current liabilities	0	0	0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>44,369</b>	<b>50,822</b>	<b>39,466</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	21,104	25,804	21,492
Provisions	3,802	4,854	4,618
Tax liabilities for the period	2,453	64	920
Trade creditors and other current liabilities	56,525	48,626	52,002
<b>TOTAL CURRENT LIABILITIES</b>	<b>83,884</b>	<b>79,348</b>	<b>79,032</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>207,667</b>	<b>191,630</b>	<b>186,048</b>

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

	IFRS 1-9/14	IFRS 1-9/13	IFRS 1-12/13
<b>CASH FLOW FROM BUSINESS OPERATIONS:</b>			
Net result for the period	22,253	4,547	9,098
Adjustments:			
Financial income and expenses	3	5,060	8,208
Share of the result of associated companies	58	138	45
Depreciation and amortisation	5,885	4,920	6,568
Income taxes	5,173	3,001	5,150
Other adjustments	-379	2,042	2,637
Cash flow before changes in working capital	32,992	19,707	31,706
Change in working capital:			
Change in trade receivables and other receivables	-3,059	81	-81
Change in inventories	-12,283	-7,529	-4,131
Change in trade creditors and other liabilities	3,419	12,032	15,557
Change in provisions for liabilities and charges	-816	-123	-359
Interest received	111	169	227
Interest paid	-712	-678	-1,143
Other financial items	-1,317	-526	-1,063
Income taxes paid	-4,544	-1,455	-2,260
<b>NET CASH FLOW FROM BUSINESS OPERATIONS (A)</b>	<b>13,791</b>	<b>21,677</b>	<b>38,453</b>

<b>CASH FLOW FROM INVESTMENTS</b>			
Investments in tangible and intangible assets	-9,941	-8,030	-11,188
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES (B)</b>	<b>-9,941</b>	<b>-8,030</b>	<b>-11,188</b>
<b>CASH FLOW FROM FINANCING</b>			
Hybrid loan	0	-19,000	-19,000
Interest paid, hybrid loan	0	-1,136	-1,136
Withdrawal/Repayment of current loans	3,000	-6,043	-14,500
Change in current interest-bearing liabilities	0	213	-136
Withdrawal of non-current loans	5,000	29,194	29,322
Repayment of non-current loans	-3,591	-3,065	-10,668
Payment of finance lease liabilities	-97	-1,521	-239
Change in non-current receivables	-41	113	172
Dividends paid	-8,336	-6,947	-6,947
<b>NET CASH FLOW FROM FINANCING (C)</b>	<b>-4,065</b>	<b>-8,192</b>	<b>-23,132</b>
Change in cash and cash equivalents (A+B+C)	-214	5,454	4,133
Cash and cash equivalents on 1 Jan	11,958	14,083	14,083
Impact of exchange rate changes	2,037	-3,863	-6,259
Cash and cash equivalents on 30 Sep/31 Dec	13,780	15,675	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
<b>SHAREHOLDERS' EQUITY 1</b>						
JAN 2014	7,000	30	1,417	-2,228	61,331	67,550
Translation differences			-2,053			-2,053
Result for the period					22,253	22,253
Total comprehensive income for the period			-2,053		22,253	20,200
Dividend distribution					-8,336	-8,336
Other changes						0
<b>SHAREHOLDERS' EQUITY 30</b>						
SEP 2014	7,000	30	-636	-2,228	75,248	79,414

SHAREHOLDERS' EQUITY 1						
JAN 2013	7,000	19,030	-1,538	-2,228	59,180	81,444
Translation differences			1,415			1,415
Result for the period					4,547	4,547
Total comprehensive income for the period			1,415		4,547	5,962
Dividend distribution					-6,947	-6,947
Other changes		-19,000				-19,000
SHAREHOLDERS' EQUITY 30						
SEP 2013	7,000	30	-123	-2,228	56,780	61,459

	30 Sep 14	30 Sep 13	31 Dec 13
1. LEASING COMMITMENTS (EUR 1,000)	1,293	1,766	1,691

	30 Sep 14	30 Sep 13	31 Dec 13
2. CONTINGENT LIABILITIES (EUR 1,000)			
Guarantees given on behalf of others	503	503	487
Repurchase commitments	3,056	1,610	1,138
Other commitments	136	1,617	1,512
TOTAL	3,695	3,730	3,137

	Guarantee provision
3. PROVISIONS (EUR 1,000)	
1 January 2014	4,618
Provisions added	363
Provisions cancelled	-1,180
30 September 2014	3,802

	30 Sep 14	30 Sep 13	31 Dec 13
KEY FIGURES AND RATIOS			
R&D expenditure, MEUR	8.3	7.2	9.7
Capital expenditure, MEUR	9.9	8.0	11.2
as % of net sales	3.7	3.8	3.6
Average number of employees	1,186	1,009	1,027
Order books, MEUR	155.5	97.2	99.8
Equity ratio, %	38.9	32.5	36.5
Diluted and undiluted earnings per share (EUR)	0.80	0.15	0.31
Equity per share (EUR)	2.84	2.19	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, MEUR

1-9/14 1-9/13 1-12/13

Ponsse Group

327.6

266.8

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, 21 October 2014

PONSSE PLC

Juho Nummela  
President and CEO

#### FURTHER INFORMATION

Juho Nummela, President and CEO, tel. +358 20 768 8914 or +358 400 495 690  
Petri Härkönen, CFO, tel. +358 20 768 8608 or +358 50 409 8362

#### DISTRIBUTION

NASDAQ OMX Helsinki Ltd  
Principal media  
[www.ponsse.com](http://www.ponsse.com)

*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.*