

PONSSE PLC, STOCK EXCHANGE RELEASE, 18 OCTOBER 2016, 9:00 a.m.

### **PONSSE'S INTERIM REPORT FOR 1 JANUARY – 30 SEPTEMBER 2016**

- Net sales amounted to EUR 349.9 (Q1-Q3/2015 310.2) million.
- Q3 net sales amounted to EUR 112.7 (Q3/2015 103.6) million.
- Operating result totalled EUR 37.0 (Q1-Q3/2015 34.2) million, equalling 10.6 (11.0) per cent of net sales.
- Q3 operating result totalled EUR 10.8 (Q3/2015 12.2) million, equalling 9.6 (11.7) per cent of net sales.
- Profit before taxes was EUR 38.5 (Q1-Q3/2015 28.5) million.
- Cash flow from business operations was EUR 14.9 (13.3) million.
- Earnings per share were EUR 1.08 (0.85).
- Equity ratio was 47.4 (41.4) per cent.
- Order books stood at EUR 163.2 (173.7) million.

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

Demand for PONSSE forest machines continued to be good. Order intake was good during the third quarter and the order books were strong, totalling EUR 163.2 (173.7) million at the end of the period under review. International business operations accounted for 77.4 (75.0) percent of net sales.

The company's net sales for the third quarter were EUR 112.7 (103.6) million and the growth in net sales was 8.8 percent compared with the comparable period. Compared with the comparable period, the growth in net sales for the first three quarters was 12.8 percent. Net sales of service operations continued to grow, but the net sales of the trade-in machine business took a downward turn in the third quarter.

The operating profit for the quarter amounted to EUR 10.8 (12.2) million and for the first three quarters of the year EUR 37.0 (34.2) million, representing an increase of 8.2 percent. The operating result equalled 9.6 (11.7) percent of net sales for the period under review and 10.6 (11.0) percent for the first three quarters of the year. In terms of invoicing, the quarter fell short

of the expectations with regard to both new and trade-in machines, which contributed to the increase in capital tied up in business operations. However, cumulative cash flow amounted to EUR 14.9 (13.3) million.

Our investments in the service network and the Vieremä factory are progressing nicely. Investments have been made in new service centres in France, Uruguay and the United States, and the expansion of the Iisalmi logistics centre is complete. Earthwork and piling are in progress at the expansion of the Vieremä factory. The expansion is due for completion in late 2017.

## NET SALES

Consolidated net sales for the period under review amounted to EUR 349.9 (310.2) million, which is 12.8 per cent more than in the comparison period. International business operations accounted for 77.4 (75.0) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 37.7 (38.8) per cent, Central and Southern Europe 21.3 (18.9) per cent, Russia and Asia 14.4 (10.6) per cent, North and South America 25.1 (31.5) per cent and other countries 1.5 (0.3) per cent.

## PROFIT PERFORMANCE

The operating result amounted to EUR 37.0 (34.2) million. The operating result equalled 10.6 (11.0) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 27.6 (25.5) per cent.

Staff costs for the period totalled EUR 52.7 (47.3) million. Other operating expenses stood at EUR 32.2 (29.3) million. The net total of financial income and expenses amounted to EUR 1.4 (-5.7) million. Exchange rate gains and losses with a net effect of EUR 1.9 (-4.6) million were recognised under financial items for the period. Result for the period under review totalled EUR 30.3 (23.7) million. Diluted and undiluted earnings per share (EPS) came to EUR 1.08 (0.85).

## 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 287.7 (247.1) million. Inventories stood at EUR 127.9 (110.0) million. Trade receivables totalled EUR 34.9 (31.2) million, while liquid assets stood at EUR 18.4 (10.6) million. Group shareholders' equity stood at EUR 133.4 (101.1) million and parent company shareholders' equity (FAS) at EUR 127.0 (115.9) million. The amount of interest-bearing liabilities was EUR 69.8 (72.3) million. The company has used 33 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 87.7 (79.4) million. The parent company's receivables from subsidiaries mainly consisted of trade

receivables. Consolidated net liabilities totalled EUR 51.3 (61.7) million, and the debt-equity ratio (net gearing) was 38.5 (61.0) per cent. The equity ratio stood at 47.4 (41.4) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR 14.9 (13.3) million. Cash flow from investment activities came to EUR -17.8 (-20.8) million.

#### ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 364.8 (333.0) million, while period-end order books were valued at EUR 163.2 (173.7) million.

#### DISTRIBUTION NETWORK

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

The subsidiaries included in the Ponsse Group are Ponsse AB, Sweden; Ponsse AS, Norway; Ponsse S.A.S., France; Ponsse UK Ltd, the United Kingdom; Ponsse North America, Inc., the United States; Ponsse Latin America Ltda, Brazil; Ponsse Uruguay S.A., Uruguay; OOO Ponsse, Russia; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China and Epec Oy, Finland. The Group includes also the property company OOO Ocean Safety Center, 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 8.9 (8.8) million, of which EUR 2.5 (2.4) million was capitalised.

Capital expenditure totalled EUR 17.9 (20.8) 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 and managing directors of subsidiaries 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, Denmark),  
Jussi Hentunen (the Baltic countries) and  
Sigurd Skotte (Norway),

Central and Southern Europe:

Janne Vidgrén (Austria, Poland, Romania, Germany, Slovakia, the Czech Republic and Hungary),  
Clément Puybaret (France),  
Norbert Schalkx (Spain and Portugal) and  
Gary Glendinning (the United Kingdom and Ireland)

Russia and Asia:

Jaakko Laurila (Russia, Belarus),  
Norbert Schalkx (Japan, Australia and South Africa) and  
Risto Kääriäinen (China),

North and South America:

Pekka Ruuskanen (the United States),  
Eero Lukkarinen (Canada),  
Jussi Hentunen (Chile),  
Marko Mattila (Brazil) and  
Martin Toledo (Uruguay).

## PERSONNEL

The Group had an average staff of 1,428 (1,318) during the period and employed 1,456 (1,351) 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 2016 totalled 2,077,160, accounting for 7.4 per cent of the total number of shares. Share turnover amounted to EUR 45.4 million, with the period's lowest and highest share prices amounting to EUR 15.57 and EUR 28.40, respectively.

At the end of the period, shares closed at EUR 25.00, and market capitalisation totalled EUR 700.0 million.

At the end of the period under review, the company held 33,092 treasury shares.

#### ANNUAL GENERAL MEETING

A separate release was issued on 12 April 2016 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 prolonged insecurity in the world economy and weak economic situation may result in a decline in the demand for forest machines. The uncertainty may be increased by the volatility of developing countries' foreign exchange markets. The geopolitical situation, in particular, will increase the uncertainty through financial market operations and sanctions.

The parent company monitors the changes in the Group's internal and external trade receivables and the associated risk of impairment.

The key objective of the company's financial risk management policy is to manage liquidity, interest and currency risks. The company ensures its liquidity through credit limit facilities agreed with a number of financial institutions. The effect of adverse changes in interest rates is minimised by utilising credit linked to different reference rates and by concluding interest rate swaps. The effects of currency rate fluctuations are mitigated through derivative contracts.

Changes taking place in the fiscal and customs legislation in countries to which Ponsse exports may hamper the company's export trade or its profitability.

## OUTLOOK FOR THE FUTURE

After the very strong performance in 2015, the Group's euro-denominated operating profit is expected to be on a par with 2015 in 2016.

Ponsse's strongly reformed and competitive product range and new service solutions have significantly grown the company. Our investments are focused on developing the level of service and capacity of the supply chain and spare part logistics and developing the service network in Finland and abroad.

The expansion of the Vieremä factory has begun, and the investment in the Iisalmi logistics centre has been completed. The factory investment is associated with the development of the Vieremä factory's safety, productivity, product quality and capacity during the next two years. The total investment in the factory is approximately EUR 32 million.

## PONSSE GROUP

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

	IFRS 1-9/16	IFRS 1-9/15	IFRS 1-12/15
NET SALES	349,856	310,199	461,928
Increase (+)/decrease (-) in inventories of finished goods and work in progress	14,080	9,471	-1,021
Other operating income	1,348	1,310	2,152
Raw materials and services	-234,546	-202,998	-289,294
Expenditure on employment-related benefits	-52,689	-47,265	-67,554
Depreciation and amortisation	-8,824	-7,186	-9,890
Other operating expenses	-32,223	-29,332	-40,335
OPERATING RESULT	37,001	34,199	55,987
Share of results of associated companies	87	-10	-50
Financial income and expenses	1,394	-5,733	-5,552
RESULT BEFORE TAXES	38,482	28,456	50,385
Income taxes	-8,157	-4,714	-9,105
NET RESULT FOR THE PERIOD	30,324	23,742	41,280
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	561	1,584	880
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	30,885	25,326	42,160
Diluted and undiluted earnings per share	1.08	0.85	1.48
	IFRS 7-9/16	IFRS 7-9/15	
NET SALES	112,721	103,561	
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-3,159	-3,249	
Other operating income	475	539	
Raw materials and services	-70,065	-62,835	
Expenditure on employment-related benefits	-15,844	-13,839	
Depreciation and amortisation	-3,007	-2,582	
Other operating expenses	-10,331	-9,445	
OPERATING RESULT	10,789	12,150	
Share of results of associated companies	-9	36	
Financial income and expenses	-531	-4,920	
RESULT BEFORE TAXES	10,249	7,266	

Income taxes	-2,852	-510
NET RESULT FOR THE PERIOD	7,396	6,757
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:		
Translation differences related to foreign units	-144	-210
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	7,252	6,547
Diluted and undiluted earnings per share	0.26	0.24

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

	IFRS 30 Sep 16	IFRS 30 Sep 15	IFRS 31 Dec 15
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	18,935	16,787	18,009
Goodwill	3,824	3,822	3,842
Property, plant and equipment	67,454	59,666	59,294
Financial assets	99	105	105
Investments in associated companies	844	857	817
Non-current receivables	2,393	3,101	2,134
Deferred tax assets	3,624	3,205	2,786
TOTAL NON-CURRENT ASSETS	97,173	87,542	86,988
<b>CURRENT ASSETS</b>			
Inventories	127,865	110,003	104,584
Trade receivables	34,868	31,229	40,199
Income tax receivables	517	595	104
Other current receivables	8,867	7,167	9,288
Cash and cash equivalents	18,380	10,602	26,495
TOTAL CURRENT ASSETS	190,498	159,596	180,670
TOTAL ASSETS	287,671	247,138	267,658
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7,000	7,000	7,000
Other reserves	2,452	2,452	2,452
Translation differences	-235	-92	-796
Treasury shares	-346	-346	-346
Retained earnings	124,544	92,064	109,602
EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS	133,415	101,078	117,912



<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	48,567	48,854	39,346
Deferred tax liabilities	659	710	905
Other non-current liabilities	2	2,436	7
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>49,228</b>	<b>51,999</b>	<b>40,259</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	21,258	23,421	23,056
Provisions	7,893	6,255	6,120
Tax liabilities for the period	1,976	2,315	1,906
Trade creditors and other current liabilities	73,902	62,069	78,405
<b>TOTAL CURRENT LIABILITIES</b>	<b>105,028</b>	<b>94,060</b>	<b>109,487</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>287,671</b>	<b>247,138</b>	<b>267,658</b>

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

	IFRS 1-9/16	IFRS 1-9/15	IFRS 1-12/15
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net result for the period	30,324	23,742	41,280
Adjustments:			
Financial income and expenses	-1,394	5,733	5,552
Share of the result of associated companies	-87	10	50
Depreciation and amortisation	8,824	7,186	9,890
Income taxes	8,157	4,714	9,105
Other adjustments	-229	-425	-26
Cash flow before changes in working capital	45,596	40,960	65,850
Change in working capital:			
Change in trade receivables and other receivables	5,815	-8,318	-19,666
Change in inventories	-23,281	-17,269	-11,850
Change in trade creditors and other liabilities	-4,402	1,139	17,238
Change in provisions for liabilities and charges	1,773	1,508	1,373
Interest received	168	129	224
Interest paid	-583	-712	-1,069
Other financial items	-608	1,068	723
Income taxes paid	-9,579	-5,230	-8,840
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES (A)</b>	<b>14,899</b>	<b>13,275</b>	<b>43,982</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Investments in tangible and intangible assets	-17,891	-20,785	-24,360
Proceeds from sale of tangible and intangible assets	88	0	193
<b>NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)</b>	<b>-17,804</b>	<b>-20,785</b>	<b>-24,167</b>

## CASH FLOWS FROM FINANCING ACTIVITIES

Sales of treasury shares	0	1,882	1,118
Withdrawal/Repayment of current loans	10,000	7,936	3,000
Withdrawal of non-current loans	10	12,436	17,520
Repayment of non-current loans	-2,143	-3,265	-9,659
Payment of finance lease liabilities	131	4,966	-167
Change in non-current receivables	-361	237	216
Dividends paid	-15,382	-12,586	-12,586
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	-7,745	11,606	-558
Change in cash and cash equivalents (A+B+C)	-10,650	4,096	19,257
Cash and cash equivalents on 1 Jan	26,495	12,719	12,719
Impact of exchange rate changes	2,534	-6,213	-5,481
Cash and cash equivalents on 30 Sep/31 Dec	18,380	10,602	26,495

## 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 2016	7,000	2,452	-796	-346	109,602	117,912
Translation differences			561			561
Result for the period					30,324	30,324
Total comprehensive income for the period			561		30,324	30,885
Dividend distribution					-15,382	-15,382
SHAREHOLDERS' EQUITY 30 SEP 2016	7,000	2,452	-235	-346	124,544	133,415
SHAREHOLDERS' EQUITY 1						
JAN 2015	7,000	130	-1,676	-2,228	82,790	86,016
Translation differences			1,584			1,584
Result for the period					23,742	23,742
Total comprehensive income for the period			1,584		23,742	25,326
Dividend distribution					-12,586	-12,586

Matching Share Plan		2,422		1,882	-1,882	2,422
Other changes		-100				-100
SHAREHOLDERS' EQUITY						
30 SEP 2015	7,000	2,452	-92	-346	92,064	101,078

		30 Sep 16	30 Sep 15	31 Dec 15
1. LEASING COMMITMENTS (EUR 1,000)		1,102	857	914
2. CONTINGENT LIABILITIES (EUR 1,000)				
Guarantees given on behalf of others		532	486	462
Repurchase commitments		2 164	3,518	4,290
Other commitments		225	26	276
TOTAL		2,921	4,030	5,028
3. PROVISIONS (EUR 1,000)	Guarantee provision			
1 January 2016		6,120		
Provisions added		2,743		
Provisions cancelled		-970		
30 September 2016		7,893		

KEY FIGURES AND RATIOS	30 Sep 16	30 Sep 15	31 Dec 15
R&D expenditure, MEUR	8.9	8.8	12.2
Capital expenditure, MEUR	17.9	20.8	24.4
as % of net sales	5.1	6.7	5.3
Average number of employees	1,428	1,318	1,329
Order books, MEUR	163.2	173.7	158.1
Equity ratio, %	47.4	41.4	44.8
Diluted and undiluted earnings per share (EUR)	1.08	0.85	1.48
Equity per share (EUR)	4.76	3.61	4.21

#### 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)	1-9/16	1-9/15	1-12/15
Ponsse Group	364.8	333.0	469.4

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 2015.

In addition to the consolidated financial statements according to IFRS, the interim report presents the above-mentioned indicators that aim to illustrate the operational performance and profitability of the company. The Group has applied ESMA's (the European Securities and Markets Authority) new Guidelines on Alternative Performance Measures, which entered into effect on 3 July 2016, and defined these indicators in accordance with the presented calculation formulas. The alternative performance measures can be calculated directly from the figures presented in the consolidated financial statements.

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, 18 October 2016

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.*