

PONSSE PLC, STOCK EXCHANGE RELEASE, 25 APRIL 2017, 9:00 a.m.

### **PONSSE'S INTERIM REPORT FOR 1 JANUARY – 31 MARCH 2017**

- Net sales amounted to EUR 129.9 (115.1) million.
- Operating result totalled EUR 14.3 (12.1) million, equalling 11.0 (10.5) per cent of net sales.
- Result before taxes was EUR 14.5 (12.0) million.
- Cash flow from operating activities was EUR -5.4 (-2.3) million.
- Earnings per share were EUR 0.40 (0.34).
- Equity ratio was 52.4 (48.9) per cent.
- Order books stood at EUR 118.6 (156.2) million.

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

2017 started off well, and demand for PONSSE forest machines was high from the very beginning of the year. Orders for the first quarter were strong, and the order books at the end of the period under review stood at 118.6 (156.2) million euros.

Net sales grew well during the first quarter to 129.9 (115.1) million euros. The growth of net sales in relation to the comparison period was 12.9 percent. The net sales of service business grew extremely well, but the growth of net sales in used machines was moderate. The portion of international business in net sales was 72.1 (72.7) percent.

Profit for the past quarter amounted to 14.3 (12.1) million euros, with a growth of 18.3 percent. Result for the review period was 11.0 (10.5) percent. The distribution network and factory functioned as planned while operating costs remained under control, which had a positive effect on profitability. Cash flow was -5.4 (-2.3) million euros. The stock of used machines remains higher than expected.

Our investments proceeded according to plans. New service centres were finished in Uruguay and France, and our UK subsidiary's new facilities are expected to be completed by the end of the year. The investment for the factory's expansion is on schedule. Building will be completed in the autumn of 2017, after which equipment will be installed.

## NET SALES

Consolidated net sales for the period under review amounted to EUR 129.9 (115.1) million, which is 12.9 per cent more than in the comparison period. International business operations accounted for 72.1 (72.7) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 47.0 (39.5) per cent, Central and Southern Europe 19.0 (19.3) per cent, Russia and Asia 15.8 (10.6) per cent, North and South America 17.8 (29.2) per cent and other countries 0.4 (1.4) per cent.

## PROFIT PERFORMANCE

The operating result amounted to EUR 14.3 (12.1) million. The operating result equalled 11.0 (10.5) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 27.6 (27.1) per cent.

Staff costs for the period totalled EUR 18.6 (17.3) million. Other operating expenses stood at EUR 11.1 (10.9) million. The net total of financial income and expenses amounted to EUR 0.1 (-0.1) million. Exchange rate gains and losses with a net effect of EUR 0.3 (0.1) million were recognised under financial items for the period. Result for the period under review totalled EUR 11.2 (9.5) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.40 (0.34).

## 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 313.7 (264.5) million. Inventories stood at EUR 128.6 (112.2) million. Trade receivables totalled EUR 40.4 (39.2) million, while liquid assets stood at EUR 22.3 (14.4) million. Group shareholders' equity stood at EUR 161.3 (127.8) million and parent company shareholders' equity (FAS) at EUR 150.1 (122.8) million. The amount of interest-bearing liabilities was EUR 57.9 (57.0) million. The company has used 15 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 96.9 (71.4) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 35.4 (42.6) million, and the debt-equity ratio (net gearing) was 22.0 (33.3) per cent. The equity ratio stood at 52.4 (48.9) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR -5.4 (-2.3) million. Cash flow from investment activities came to EUR -8.2 (-4.5) million.

## ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 126.7 (116.2) million, while period-end order books were valued at EUR 118.6 (156.2) million.

## DISTRIBUTION NETWORK

The parent company Ponsse Plc established a new subsidiary Ponsse Machines Ireland Ltd in Ireland on 13 January 2017.

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 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 3.3 (3.2) million, of which EUR 0.8 (0.5) million was capitalised.

Capital expenditure totalled EUR 8.3 (4.5) million. It consisted in addition to capitalised R&D expenses of investments in buildings and ordinary maintenance and replacement investments for machinery and equipment.

## 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 and 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) until 20 March 2017, Jarmo Vidgrén as of 20 March 2017 and  
Gary Glendinning (the United Kingdom and Ireland).

**Russia and Asia:**

Jaakko Laurila (Russia and Belarus),  
Norbert Schalkx (Japan, Australia and South Africa) until 20 March 2017, Jarmo Vidgrén as of 20 March 2017 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 1,459 (1,388) during the period and employed 1,463 (1,400) 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 2017 totalled 619,257, accounting for 2.2 per cent of the total number of shares. Share turnover amounted to EUR 14.0 million, with the period's lowest and highest share prices amounting to EUR 20.85 and EUR 25.42, respectively.

At the end of the period, shares closed at EUR 21.90, and market capitalisation totalled EUR 613.2 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 11 April 2017 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.

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 at the same level in 2017 as it was in 2016.

Ponsse's updated and competitive product range and service solutions have had a significant impact on the company's growth. Our investments are directed at development of the service level and capacity of the delivery chain and spare parts logistics and development of service business network both in Finland and abroad.

The expansion of the Vieremä factory is progressing as planned and the construction will be completed at the end of 2017. The investment in the factory is related to the development of safety, productivity, product quality and capacity of the Vieremä factory. The total investment to the factory is approximately EUR 32 million. The new PONSSE service centres in Uruguay, France and the UK will be completed during the current year.

## PONSSE GROUP

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

	IFRS 1-3/17	IFRS 1-3/16	IFRS 1-12/16
NET SALES	129,907	115,114	517,400
Increase (+)/decrease (-) in inventories of finished goods and work in progress	7,879	7,734	2,346
Other operating income	426	598	1,915
Raw materials and services	-91,002	-80,256	-336,008
Expenditure on employment-related benefits	-18,649	-17,290	-73,879
Depreciation and amortisation	-3,161	-2,896	-11,905
Other operating expenses	-11,078	-10,901	-44,711
OPERATING RESULT	14,323	12,103	55,158
Share of results of associated companies	11	49	23
Financial income and expenses	144	-145	3,074
RESULT BEFORE TAXES	14,477	12,007	58,255
Income taxes	-3,265	-2,518	-12,543
NET RESULT FOR THE PERIOD	11,213	9,489	45,712
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	323	434	1,554
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	11,536	9,923	47,266
Diluted and undiluted earnings per share*	0.40	0.34	1.63

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

	IFRS 31 Mar 17	IFRS 31 Mar 16	IFRS 31 Dec 16
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	20,328	18,023	19,928
Goodwill	3,828	3,841	3,827
Property, plant and equipment	78,488	60,906	73,765
Financial assets	103	105	103
Investments in associated companies	732	866	781
Non-current receivables	1,715	2,033	2,340
Deferred tax assets	2,552	3,104	2,525
TOTAL NON-CURRENT ASSETS	107,745	88,878	103,269

<b>CURRENT ASSETS</b>			
Inventories	128,561	112,175	118,283
Trade receivables	40,418	39,245	35,933
Income tax receivables	620	179	859
Other current receivables	14,025	9,570	5,915
Cash and cash equivalents	22,299	14,438	37,342
<b>TOTAL CURRENT ASSETS</b>	<b>205,924</b>	<b>175,607</b>	<b>198,332</b>
<b>TOTAL ASSETS</b>	<b>313,669</b>	<b>264,844</b>	<b>301,600</b>
<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	1,081	-362	758
Treasury shares	-346	-346	-346
Retained earnings	151,145	119,091	139,932
<b>EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS</b>	<b>161,332</b>	<b>127,835</b>	<b>149,796</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	46,535	39,395	46,653
Deferred tax liabilities	646	750	799
Other non-current liabilities	0	0	0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>47,247</b>	<b>40,144</b>	<b>47,452</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	11,407	17,606	13,462
Provisions *)	6,276	5,718	5,970
Tax liabilities for the period	1,676	1,038	2,043
Trade creditors and other current liabilities *)	85,730	72,143	82,877
<b>TOTAL CURRENT LIABILITIES</b>	<b>105,089</b>	<b>96,505</b>	<b>104,353</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>313,669</b>	<b>264,484</b>	<b>301,600</b>

\*) Change in accounting principle, more information in the note 3.



CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)

	IFRS 1-3/17	IFRS 1-3/16	IFRS 1-12/16
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net result for the period	11,213	9,489	45,712
Adjustments:			
Financial income and expenses	-144	145	-3,074
Share of the result of associated companies	-11	-49	-23
Depreciation and amortisation	3,161	2,896	11,905
Income taxes	3,265	2,518	12,543
Other adjustments	-265	-366	3,051
Cash flow before changes in working capital	17,219	14,633	70,114
Change in working capital:			
Change in trade receivables and other receivables	-12,407	1,251	7,437
Change in inventories	-10,278	-7,591	-13,699
Change in trade creditors and other liabilities	1,933	-8,123	2,777
Change in provisions for liabilities and charges	305	240	1,216
Interest received	61	53	222
Interest paid	-114	-194	-953
Other financial items	270	-235	-468
Income taxes paid	-2,350	-2,372	-12,905
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES (A)</b>	<b>-5,360</b>	<b>-2,337</b>	<b>53,740</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Investments in tangible and intangible assets	-8,285	-4,520	-28,280
Proceeds from sale of tangible and intangible assets	67	0	198
<b>NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)</b>	<b>-8,218</b>	<b>-4,520</b>	<b>-28,082</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Sales of treasury shares	0	0	0
Withdrawal/Repayment of current loans	-2,084	-5,240	2,220
Withdrawal of non-current loans	0	0	1,004
Repayment of non-current loans	0	-342	-5,702
Payment of finance lease liabilities	21	181	191
Change in non-current receivables	583	-27	-1,396
Dividends paid	0	0	-15,382
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES (C)</b>	<b>-1,480</b>	<b>-5,428</b>	<b>-19,065</b>
Change in cash and cash equivalents (A+B+C)	-15,058	-12,285	6,593
Cash and cash equivalents on 1 Jan	37,342	26,495	26,495
Impact of exchange rate changes	16	228	4,254
Cash and cash equivalents on 31 Mar/31 Dec	22,299	14,438	37,342



Provisions cancelled -7  
31 March 2017 6,276

The accounting principle concerning the provision has been changed as of 1 January 2017 so that the amount shown as guarantee provision equals the amount to which the Company is bound by the terms and conditions of the sales contract. The change has not had effect on the result.

KEY FIGURES AND RATIOS	31 Mar 17	31 Mar 16	31 Dec 16
R&D expenditure (EUR million)	3.3	3.2	12.4
Capital expenditure (EUR million)	8.3	4.5	28.3
as % of net sales	6.4	3.9	5.5
Average number of employees	1,459	1,388	1,435
Order books (EUR million)	118.6	156.2	123.9
Equity ratio, %	52.4	48.9	50.3
Diluted and undiluted earnings per share (EUR)	0.40	0.34	1.63
Equity per share (EUR)	5.76	4.57	5.35

#### 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)	1-3/17	1-3/16	1-12/16
Ponsse Group	126.7	116.2	493.8

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 2016.

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, 25 April 2017

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.*