

PONSSE PLC, STOCK EXCHANGE RELEASE, 21 FEBRUARY 2023, 9:00 a.m.

PONSSE'S FINANCIAL STATEMENTS FOR 1 JANUARY – 31 DECEMBER 2022

October-December (continuing operations):

- Net sales amounted to EUR 224.6 (173.2) million
- Operating profit totalled EUR 11.7 (9.1) million, equalling 5.2 (5.3) per cent of net sales

January-December (continuing operations):

- Net sales amounted to EUR 755.1 (608.3) million
- Operating profit totalled EUR 46.6 (50.0) million, equalling 6.2 (8.2) per cent of net sales
- Net result was EUR 34.2 (35.2) million
- Earnings per share were EUR 1.22 (1.26)
- Order books stood at EUR 353,7 (312.6) million at the end of period under review
- Cash flow from business operations was EUR -17.9 (102.4) million (continuing and discontinued operations)
- Equity ratio was 55.0 (60.7) per cent at the end of period under review (continuing and discontinued operations)
- Ponsse has classified the sold functions as assets for sale and reported them as discontinued operations. Unless otherwise specified, the figures presented in this financial statements refer to continuing operations. The balance sheet has not been adjusted for the comparison period. The cash flow statement has not been adjusted.
- The Board of Directors' dividend proposal is EUR 0.60 (0.60) per share
- The company's euro-denominated operating profit in 2023 is expected to be slightly higher than the operating profit of its continuing operations in 2022 (EUR 46.6 million).

PRESIDENT AND CEO JUHO NUMMELA:

For Ponsse, 2022 started driven by strong order books, and the market situation looked good. In the previous year, Russia had grown into the world's largest market for cut-to-length forest machines, also being the largest export market for Ponsse. The situation changed dramatically when Russia invaded Ukraine in February. The sanctions imposed by the EU and the withdrawal of western companies quickly froze Russia's forest machine market. The war had an extensive impact on Ponsse's business operations

All exports of forest machines and their spare parts to Russia and Belarus were stopped immediately at the beginning of March. The company's Board of Directors decided to suspend the operations of Ponsse's Russian subsidiary OOO Ponsse and start the divestment of operations in Russia. Deed of sale regarding the sale of Ponsse's largest and most profitable subsidiary was signed in June. While the decision was correct and the only possible course of action, it was still painful in many ways. Operations in Russia accounted for a fifth of Ponsse Group's net sales and a third of its operating profit. In the end, the company's order flow was relatively good during the year at roughly EUR 796 million.

During the final quarter of the year, the forest machine market calmed down slightly, while our order flow was roughly EUR 213 million despite the situation. As the availability of parts improved, the factory caught up with its schedules, and we were able to effectively deliver machines to our customers. Our net sales were EUR 224.6 million, driven by the delivery of new machines and the good situation in maintenance. Our customers were very well employed throughout the year.

During the final quarter, the difficulties experienced by Ponsse's subsidiary Ponsse Latin America Ltda in Brazil escalated quickly. Ponsse Latin America Ltda is responsible for extensive full service agreements. Regarding one full service agreement, the operational challenges resulted in a situation where the company was forced to recognise write-downs and prepare for the current year's challenges. As a result, Ponsse's net sales for the final quarter remained at EUR 11.7 million.

Ponsse's performance was relatively good given the extremely difficult global situation, and we were able to offset the loss of the Russian subsidiary in our net sales. During the year, our net sales were roughly EUR 755 million, and our maintenance services and technology company Epec showed excellent growth. However, we were unable to adjust our profitability as quickly. The suspended operations in Russia, the problems with the availability of parts and components, dramatic inflation rates, and the challenges experienced by our subsidiary Ponsse Latin America Ltda in Brazil reduced the company's profitability and cash flows.

During the year, the problems with the availability of parts and components often escalated unexpectedly which was reflected in an increase in the Vieremä factory's inventory values and in stocks of nearly finished forest machines. In contrast, our used machine stocks made relatively good progress throughout the year. Our cash flow from business operations was EUR -17.9 million.

In 2022, we launched new products and services at a quick pace. The most significant launches were PONSSE Mammoth, the latest addition to our forwarder range with its 25-tonne capacity, PONSSE Scorpion Giant, our new harvester model, the PONSSE H8 harvester head, and a large number of new maintenance service solutions. Our new product features seek to make operators' work easier and improve ergonomics. These included the cabin suspension system PONSSE Active Cabin, the rotating PONSSE Active Seat, and the PONSSE Manager Satellite, which enables satellite connections in forest machines. We also took our first step towards electric forest machines. The fully electric powertrain of PONSSE EV1, a technological forwarder concept, has been developed with our technology company Epec. The solution is a strong indication of our direction and role as part of fossil-free forestry.

NET SALES

Consolidated net sales for the period under review amounted to EUR 755.1 (608.3) million, which is 24.1 per cent more than in the comparison period. International business operations accounted for 79.1 (75.9) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 38.0 (41.0) per cent, Central and Southern Europe 21.4 (22.4) per cent, North and South America 36.5 (31.9) per cent and other countries 4.0 (4.6) per cent.

	1-12/22	1-12/21
Net sales from continuing operations	755,123	608,271
Net sales from discontinued operations	32,561	141,727
Net sales total	787,684	749,998

PROFIT PERFORMANCE

The operating profit amounted to EUR 46.6 (50.0) million. The operating profit equalled 6.2 (8.2) per cent of net sales for the period under review.

	1-12/22	1-12/21
Operating profit from continuing operations	46,577	49,998
Operating profit from discontinued operations	5,844	25,023
Operating profit total	52,421	75,021

Consolidated return on capital employed (ROCE) stood at 13.0 (20.7) per cent.

Staff costs for the period totalled EUR 107.9 (87.7) million. Other operating expenses stood at EUR 85.3 (55.1) million. Our operating profit includes EUR 8.5 million in write-downs and provisions related to a loss-producing full service agreement of Ponsse Latin America Ltda.

The net total of financial income and expenses amounted to EUR -3.5 (-1.9) million. Exchange rate gains and losses due to currency rate fluctuations and interest swap appreciation were recognised under financial items, the former having a net impact of EUR -4.3 (-1.1) million and the latter bringing in EUR 3.1 million over the period under review. The parent company's receivables from subsidiaries stood at EUR 77.9 (37.3) million net. Receivables from subsidiaries mainly consist of trade receivables, with unregistered tax receivables from unrealised exchange rate losses from unhedged items related to the measurement of trade receivables having an impact on the Group's effective tax rate. The parent company has measured a net investment in Ponsse Latin America Ltda at fair value by recognising a credit loss provision of EUR 19.0 million in trade receivables, as the subsidiary's operational performance and liquidity has decreased. Result for the period under review totalled EUR 34.2 (35.2) million. Diluted and undiluted earnings per share (EPS) came to EUR 1.22 (1.26).

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 593.7 (512.6) million. Inventories stood at EUR 229.6 (167.4) million. Trade receivables totalled EUR 62.3 (43.5) million, while cash and cash equivalents stood at EUR 73.5 (120.9) million. Group shareholders' equity stood at EUR 321.8 (297.3) million and parent company shareholders' equity (FAS) at EUR 233.5 (226.8) million. The amount of interest-bearing liabilities was EUR 96.3 (54.8) million. The company has ensured its liquidity by credit facility limits and commercial paper programs, of which 21 per cent are used at the end of the period under review. Group's loans from financial institutions are non-collateral bank loans without financial covenants. Consolidated net liabilities totalled EUR 19.8 (-66.1) million, and the debt-equity ratio (net gearing) was 6.0 (-22.2) per cent. The equity ratio stood at 55.0 (60.7) per cent at the end of the period under review.

Cash flow from operating activities amounted to EUR -17.9 (102.4) million. Cash flow from investment activities came to EUR -46.8 (-24.1) million.

IMPACTS OF THE WAR IN UKRAINE

Ponsse condemns the Russian military attack on Ukraine.

Our operating environment has changed drastically and it is affecting Ponsse's operations. Russia's invasion of Ukraine has forced the European Union and United States to respond and impose rigid sanctions against Russia. In compliance with export sanctions and the company's policy, Ponsse suspended all sales and export operations to Russia and Belarus effective 2 March 2022. At the same time, the operations of the local Russian subsidiary OOO Ponsse were discontinued.

In its release issued on 28 June 2022, Ponsse announced that it has signed a deed of sale regarding the sale of all shares in OOO Ponsse to the Russian company OOO Bison. The company has previously announced that it will complete the sale of its Russian subsidiary by the end of the third quarter of this financial period. While the process to complete the transaction is continuing, it has not yet been approved by the Russian authorities. The delay is caused by a regulation entered into force in Russia on 8 September 2022, relating to the approval of sales of companies owned by foreign parties. Ponsse aims to complete the sale as soon as possible, depending on the approval process of the Russian authorities.

The war in Ukraine is hampering to a great extent the operation of the manufacturing networks. Russia, Belarus and Ukraine have played a significant role in the supply chains of the European steel industry, while Russia has played a critical role as an energy supplier to Europe. As a result of the war, the availability of raw materials used in steel production has declined significantly and rising energy prices have pushed up the costs of steel processing. In addition, Ukraine has supplied, inter alia, gases used in the semiconductor manufacturing process, which has been reflected in the shortage of semiconductors. The delivery capacity of the manufacturing networks has decreased and inflation has significantly risen as a result of the crisis.

In the challenging situation, Ponsse's strong financial position is important. The company's financial position has remained strong due to good liquidity and binding credit limit facilities agreed with financial institutions. In terms of financing, Ponsse has carried out all measures necessary to ensure business continuity and financial situation is regularly evaluated.

In order to strengthen cybersecurity, Ponsse has clarified software update policy and user manual.

IMPACT OF THE COVID-19 PANDEMIC

The covid-19 pandemic has caused changes in the company's operating environment and operating practices. The company has avoided large-scale infections and has not had to interrupt operations at any point. The company has complied with all recommendations of the health authorities and the premise for decision-making has been the health and safety of the customers and Ponsse's employees.

ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 796.2 (770.7) million, while period-end order books were valued at EUR 353.7 (312.6) million.

DISTRIBUTION NETWORK AND GROUP STRUCTURE

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; Ponsse Chile SpA, Chile; Ponsse Czech s.r.o., Czech Republic and Epec Oy, Finland.

The Group includes also the OOO Ponsse wholly owned property company Ponsse Centre in Russia, EAI PON1V Holding Oy in Finland and Sunit Oy in Finland, which is Ponsse Plc's associate with a holding of 34 per cent.

Ponsse has completed on 17 March 2022 the acquisition of the asset items related to its business activities in Chile and on 1 April 2022 the share acquisition related to its business activities in the Czech Republic.

In its release issued on 28 June 2022, Ponsse announced that it has signed a deed of sale regarding the sale of all shares in OOO Ponsse to the Russian company OOO Bison. While the process to complete the transaction is continuing, it has not yet been approved by the Russian authorities.

R&D AND CAPITAL EXPENDITURE

Group's R&D expenses during the period under review totalled EUR 27.7 (23.8) million, of which EUR 12.7 (9.2) million was capitalised.

Investments during the period under review totalled EUR 41.9 (24.9) million. It consisted in addition to capitalised R&D expenses of investments in buildings and ordinary maintenance and replacement investments for machinery and equipment.

ANNUAL GENERAL MEETING

Annual General Meeting was held in Vieremä, Finland 7 April 2022. The AGM approved the parent company financial statements and the consolidated financial statements, and members of the Board of Directors and the President and CEO were discharged from liability for the 2021 financial period.

The AGM decided to pay a dividend of EUR 0.60 per share for 2021 (dividends totaling EUR 16,800,000). The dividend payment record date was 11 April 2022, and the dividends were paid on 20 April 2022. The AGM also decided to authorise the Board to decide on paying a dividend of at most EUR 0.25 per share at a later date. The shareholders did not demand minority dividends to be distributed. Ponsse's Board of Directors resolved on 15 November 2022 not to use authorization given to it, and no additional dividend was paid for the financial year 2021.

Annual General Meeting authorised the Board of Directors to decide on the acquisition of treasury shares so that a maximum of 250,000 shares can be acquired in one or several instalments. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes.

The shares will be acquired through public trading, for which reason the shares will be acquired otherwise than in proportion to the share ownership of the shareholders, and the consideration to be

paid for the shares will be the market price of the company's share in public trading at Nasdaq Helsinki Ltd at the time of the acquisition. Shares may also be acquired outside public trading at a price which at most corresponds to the market price in public trading at the time of the acquisition. The Board of Directors will be authorised to resolve upon how the shares are acquired. The Board may, pursuant to the authorisation, only decide upon the acquisition of treasury shares using the company's unrestricted shareholders' equity.

The Board of Directors will resolve upon how the shares are acquired. The company's treasury shares may be repurchased otherwise than in proportion to the shares held by the shareholders (directed repurchase), if there is a weighty financial reason for the company to do so as provided for in chapter 15, section 6 of the Finnish Limited Liability Companies Act. The company's treasury shares may be acquired to develop the company's capital structure, to be used to finance or execute possible acquisitions or investments supporting the company's growth strategy or other arrangements related to the company's business, to be used in the company's incentive schemes or otherwise to be transferred, held, or cancelled.

The decision to repurchase or redeem the company's treasury shares cannot be made so that the shares of the company in the possession of the company and its subsidiaries would exceed 10% of all shares.

The authorisation is valid until the end of the next Annual General Meeting; however, no later than 30 June 2023. The authorisation cancels the authorisation given to the Board of Directors at the AGM of 7 April 2021.

The Annual General Meeting authorised the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares in one of more tranches as laid down in chapter 10, section 1 of the Limited Liability Companies Act as follows:

The number of shares to be issued based on the authorisation may in total amount to a maximum of 250,000 shares (including shares issued based on options or special rights), corresponding to approximately 0.89 per cent of all shares in the company.

The Board of Directors will decide on the terms and conditions of the issuance of shares, options and other special rights entitling to shares. The authorisation concerns both the issuance of new shares as well as the transfer of treasury shares either against payment or without consideration. The issuance and transfer of shares, options and other special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive right (directed issue) for a weighty financial reason for the company, such as using the shares to develop the company's capital structure, to execute possible acquisitions or investments supporting the company's growth strategy or in other arrangements related to the company's business, or to be used in the company's incentive schemes. The Board of Directors may also decide on a free share issue to the company itself.

The authorisation is valid until the end of the next Annual General Meeting; however, no later than 30 June 2023. The authorisation cancels the authorisation given to the Board of Directors to decide on the transfer of treasury shares and the issuance of new shares at the AGM of 7 April 2021.

BOARD OF DIRECTORS AND THE COMPANY'S AUDITORS

Jarmo Vidgrén acted as Chairman of the Board and Mammu Kaario as Vice Chairman of the Board. Members of the Board were Matti Kylävaio, Ilpo Marjamaa, Juha Vanhainen, Janne Vidgrén, Juha

Vidgrén and Jukka Vidgrén.

The Board of Directors did not establish any committees or commissions from among its members.

The Board of Directors convened fourteen times during the period under review. The attendance rate was 94.4 percent.

During the period under review, KPMG Oy Ab acted as the company auditor with Ari Eskelinen, Authorised Public Accountant, as the principal auditor.

MANAGEMENT

The following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; Petri Härkönen, Deputy CEO, CFO; Juha Inberg, Technology and R&D Director; Marko Mattila, Sales, Service and Marketing Director; Tapio Mertanen, Service Director; Paula Oksman, HR Director; Miika Soininen, Director of IT and Digital Services and Tommi Väänänen, Director of Delivery Chain Process. The company management has regular management liability insurance.

Tiina Kautonen has been appointed Ponsse Plc's new CHRO and a member of the Management Team starting from 1 January 2023. She will replace Paula Oksman who will retire after working as the company's HR Director since 2005.

The international PONSSE service network is led by Marko Mattila, the Group's Sales, Service and Marketing Director, and Tapio Mertanen, Service Director. Managing directors of Ponsse's subsidiaries and Jussi Hentunen report to Marko Mattila, Ponsse Plc's sales and marketing director. Group area directors report to Jussi Hentunen, Director, Dealer Development.

The geographical distribution and the responsible persons are presented below.

Northern Europe:

Jani Liukkonen (Finland),
Carl-Henrik Hammar (Sweden, Denmark and Norway) and
Tarmo Saks (the Baltic countries).

Central and Southern Europe:

Tuomo Moilanen (Germany and Austria),
Jean Sionneau (France),
Janne Tarvainen (Spain and Portugal),
Gary Glendinning (United Kingdom and Ireland),
Antti Räsänen (Hungary, Italy, Romania, Slovenia, Croatia, Serbia and Bulgaria),
Tarmo Saks (Poland and Slovakia) and
Jakub Hacura (Czech Republic).

Russia and Asia:

Mihail Menshikov (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 2,016 (1,825) during the period and employed 1,988 (1,933) 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 December 2022 totalled 1,219,318, accounting for 4.4 per cent of the total number of shares. Share turnover amounted to EUR 36.6 million, with the period's lowest and highest share prices amounting to EUR 22.80 and EUR 44.40, respectively.

At the end of the period, shares closed at EUR 25.30, and market capitalisation totalled EUR 708.4 million.

At the end of the period under review, the company held 10 227 treasury shares.

CERTIFIED MANAGEMENT SYSTEMS

Ponsse Plc is committed to observing the following standards: ISO 9001 for quality management systems, ISO 14001 for environmental management systems, and ISO 45001 for occupational health and safety management systems. The purpose of management systems is to standardise our group's operations and ensure our company's continuous development.

In 2022, LRQA re-certified the company's management systems. According to the regular audit programme, the group conducted internal audits and audited the supplier and distribution network based on Ponsse's operating processes.

Ponsse Uruguay S.A, part of Ponsse Group, has been ISO 9001 and ISO 45001 certified since 2020. Ponsse Latin America Ltda, our Brazilian subsidiary, was ISO 9001 certified in 2021. Ponsse's Finnish subsidiary Epec Oy was awarded ISO 27001 certification for its information security management system in 2021. Epec develops and produces Ponsse data system solutions. Epec Oy also has the following certifications: ISO 9001 for quality management systems, ISO 14001 for environmental management systems, and ISO 45001 for occupational health and safety management systems.

SUSTAINABLE DEVELOPMENT

Our management systems steer the implementation of Ponsse's sustainable development principles and responsible leadership. At Ponsse, sustainable development means taking the economic, social and ecological points of view and the principles related to them equally into account in the company's operations.

According to the point of view of ecological sustainability we want to avoid and minimise the negative impacts of our products, services, operations and decisions on biodiversity, the ecosystem and sufficiency of natural resources.

We evaluate the lifetime environmental impacts of our products according to the life cycle assessment specified in ISO 14040. Our investments in minimising the fuel consumption and emissions of our products, as well as the damage they can cause to trees and the soil, and the continuous development of our service processes also influence the sustainability of our customers' operations.

To maintain social sustainability, we ensure people's occupational health and safety, exercise equal and fair treatment, and support employment and the development of a skilled workforce.

In economical sustainability, we focus on profitability, cash flow from business operations, and growth to ensure our company's financial performance in the long term. This brings stability and continuity to local communities and society all across our global field of operations.

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. 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.

NON-FINANCIAL INFORMATION REPORTING

Each year, Ponsse publishes its responsibility report in conjunction with its annual report. The report is also available on the company's website under responsibility and investors.

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

Our major short-term risks are caused by Russia's invasion of Ukraine. The invasion has shaken the global economy and increased the price of energy and raw materials. In combination with the economic effects of the covid-19 pandemic, the situation has limited the availability of components and increased manufacturing costs. The delivery risks related to semiconductors have also increased due to tensions between China and Taiwan.

General delivery problems in our supply chain have made it more difficult to manage PONSSE forest machine production schedules, tied up more capital in the supply chain, and increased the risks related to working capital management. Sudden economic fluctuations and the continuing rise of inflation may pose further risks to the availability of parts, delay machine deliveries, and increase costs, weakening our profitability. The instability of the world economy and increasing financing costs may also reduce demand for forest machines.

The impacts of the war in Ukraine on Ponsse's operations are described in more detail in section "IMPACTS OF THE WAR IN UKRAINE".

The effects of the covid-19 pandemic are described in section "IMPACT OF THE COVID-19 PANDEMIC" of this release.

The uncertainty may also be increased by the volatility of developing countries' foreign exchange markets. The geopolitical situation 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 parent company monitors the changes in the Group's internal and external trade receivables and the associated risk of impairment. The company has long-term and extensive service contracts, which may involve operational and financial risks.

The reorganisation in Russia may be associated with uncertainty regarding the approval process for the sale of foreign-owned companies and completing the transaction. While the process to complete the transaction is continuing, it has not yet been approved by the Russian authorities. The delay is caused by a regulation entered into force in Russia on 8 September 2022, relating to the approval of sales of companies owned by foreign parties. Ponsse aims to complete the sale as soon as possible, depending on the approval process of the Russian authorities.

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 partly mitigated through derivative contracts.

ACCOUNTING POLICIES REQUIRING CONSIDERATION BY MANAGEMENT AND CRUCIAL FACTORS OF UNCERTAINTY ASSOCIATED WITH ESTIMATES

Estimates and assumptions regarding the future have to be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Group management utilises their best judgement when making decisions regarding accounting policies and their adoption. Estimates made when compiling the financial statements are based on the management's best views on the closing date of the reporting period. The estimates are based on previous experience and assumptions about the future that are deemed the most likely on the balance sheet date.

Trade receivables

On the date of the financial statements, the Group recognises a credit loss on receivables for which no payment will probably be received according to its best judgement. The general model specified in IFRS 9 is applied when recognising provision for expected credit losses.

Inventories

On the date of the financial statements, the Group recognises impairment losses according to its best judgement. The assessment takes into account the age structure of the inventory and the likely selling price.

Change in guarantee provision

The guarantee provision is based on realised guarantee expenses and on failure history recorded in the previous years. In addition, company may prepare provision for possible individual warranty obligations, if needed.

Change in other provisions

The group has recognised a provision in the item of other provisions based on an agreement entered into by Ponsse Latin America Ltda, as the fulfilment of the contractual obligations is estimated to generate expenses that exceed the expected economic benefits obtained from the agreement. The provision has been measured based on the best possible estimate of the expenses arising from the fulfilment of the obligations on the closing date.

Capitalisation of R&D expenditure

On the date of the financial statements, the Group assesses whether the new product is technically feasible, whether it can be commercially utilised and whether future economic benefits will be received from the product, which makes it possible to capitalise development expenditure arising from the design of new or advanced products on the balance sheet as intangible assets.

Accounting of configuration or customisation costs in a cloud computing arrangement

In April 2021, the IFRS Interpretations Committee published its final agenda decision on the accounting of configuration or customisation costs in a cloud computing arrangement (IAS 38 Intangible Assets). In this agenda decision, the Interpretations Committee determined when an intangible asset in relation to the configuration or customisation of application software can be recognized. IFRIC agenda decisions have no date when they enter into force, and they are expected to be applied as soon as possible.

Because the Group uses cloud computing arrangements, it has analysed the impact on the accounting principles applied to the deployment costs of cloud services. Based on this analysis, it was concluded that the IFRIC agenda decision has an impact on the earlier accounting treatment related to costs in cloud computing arrangements. As a result of the analysis, Group has expensed cloud

computing related costs which clearly do not give rise to an intangible asset.

EVENTS AFTER THE PERIOD

Katja Paananen, M.A., has been appointed the Chief Responsibility Officer of Ponsse Plc and a member of the Management Team starting from 16 January 2023. Paananen will report to Petri Härkönen, CFO and Deputy CEO, and her workplace will be in Vieremä.

OUTLOOK FOR THE FUTURE

The company's euro-denominated operating profit in 2023 is expected to be slightly higher than the operating profit of its continuing operations in 2022 (EUR 46.6 million).

The crisis in Ukraine increases risks due to reduced availability of parts and components and rising costs. In cooperation with the supplier network, sustainable solutions are being sought to manage the risk. Ponsse is rigorously prioritizing its investments and the enhanced cost control will be continued.

We monitor Ponsse Latin America Ltda -subsidiary's situation in an enhanced manner and together with the customer, Ponsse takes measures to improve the situation. The company has made reservations for the current year based on the best estimate.

ANNUAL GENERAL MEETING

Ponsse Plc's Annual General Meeting will be held on 12 April 2023, starting at 11:00 a.m. at the place and in a way to be announced later.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFIT

The parent company Ponsse Plc had 187,606,472.17 euros of distributable funds on 31 December 2022.

The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.60 per share shall be paid for the year 2022. The company's Board of Directors proposes to the Annual General Meeting that a profit bonus of at most EUR 100 per person per working month be paid for 2022 to the personnel employed by the Group.

PONSSE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)

	1-12/22	1-12/21
NET SALES	755,123	608,271
Increase (+)/decrease (-) in inventories of finished goods and work in progress	33,633	12,696
Other operating income	3,677	2,924
Raw materials and services	-525,040	-411,049
Expenditure on employment-related benefits	-107,873	-87,655
Depreciation and amortisation	-27,671	-20,140
Other operating expenses	-85,270	-55,050
OPERATING PROFIT	46,577	49,998
Share of results of associated companies	147	19
Financial income and expenses	-3,504	-1,911
RESULT BEFORE TAXES	43,219	48,107
Income taxes	-9,037	-12,936
NET RESULT FROM THE CONTINUING OPERATIONS	34,182	35,171
Net result from the discontinued operations	2,930	19,903
NET RESULT FOR THE PERIOD	37,113	55,073
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:		
Translation differences related to foreign units	4,354	3,915
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	41,467	58,989
Diluted and undiluted earnings per share from continuing operations	1.22	1.26
Diluted and undiluted earnings per share from discontinued operations	0,10	0.71
Diluted and undiluted earnings per share	1,33	1.97

	10-12/22	10-12/21
NET SALES	224,607	173,210
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-3,367	-6,074
Other operating income	1,335	1,066
Raw materials and services	-145,225	-111,065
Expenditure on employment-related benefits	-28,744	-24,907
Depreciation and amortisation	-7,323	-5,065
Other operating expenses	-29,594	-18,052
OPERATING PROFIT	11,689	9,112
Share of results of associated companies	38	-20
Financial income and expenses	-1,267	-224
RESULT BEFORE TAXES	10,460	8,868
Income taxes	-448	-646
NET RESULT FROM THE CONTINUING OPERATIONS	10,012	8,222

Net result from the discontinued operations	2,170	7,639
NET RESULT FOR THE PERIOD	12,182	15,861
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:		
Translation differences related to foreign units	-11,079	489
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	1,103	16,350
Diluted and undiluted earnings per share from continuing operations	0.36	0.29
Diluted and undiluted earnings per share from discontinued operations	0.08	0.28
Diluted and undiluted earnings per share	0.44	0.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

ASSETS	31 Dec 22	31 Dec 21
NON-CURRENT ASSETS		
Intangible assets	49,583	42,087
Goodwill	5,707	3,801
Property, plant and equipment	114,732	112,127
Financial assets	375	373
Investments in associated companies	881	785
Non-current receivables	63	173
Deferred tax assets	4,422	3,360
TOTAL NON-CURRENT ASSETS	175,763	162,706
CURRENT ASSETS		
Inventories	229,648	167,414
Trade receivables	62,305	43,394
Income tax receivables	1,013	938
Other current receivables	24,817	17,270
Cash and cash equivalents	73,451	120,900
TOTAL CURRENT ASSETS	391,234	349,916
Assets held for sale	21,651	
TOTAL ASSETS	588,648	512,622
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	7,000	7,000
Other reserves	3,460	3,460
Translation differences	12,701	8,347
Treasury shares	-274	-2
Retained earnings	298,926	278,462
EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS	321,813	297,267
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	42,484	49,851
Deferred tax liabilities	942	967
Other non-current liabilities	81	87
TOTAL NON-CURRENT LIABILITIES	43,507	50,905
CURRENT LIABILITIES		
Interest-bearing liabilities	53,804	4,945
Provisions	10,647	4,550
Tax liabilities for the period	4,664	901
Trade creditors and other current liabilities	153,476	154,054
TOTAL CURRENT LIABILITIES	214,591	164,450
Liabilities related to assets held for sale	738	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	588,648	512,622

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)
Continuing and discontinued operations

	1-12/22	1-12/21
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net result for the period	37,113	55,073
Adjustments:		
Financial income and expenses	5,893	1,836
Change in provisions	6,291	-429
Share of the result of associated companies	-147	-19
Depreciation and amortisation	28,853	25,251
Income taxes	9,562	18,131
Other adjustments	-3,753	-1,016
Cash flow before changes in working capital	83,812	98,827
Change in working capital:		
Change in trade receivables and other receivables	-21,858	-12,835
Change in inventories	-67,087	-22,371
Change in trade creditors and other liabilities	-4,173	57,525
Interest received	309	190
Interest paid	-1,627	-1,062
Other financial items	600	279
Income taxes paid	-7,921	-18,126
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	-17,945	102,429
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-41,917	-24,856
Proceeds from sale of tangible and intangible assets	612	776
Acquisition of subsidiaries*	-5,516	0
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)	-46,821	-24,080
CASH FLOWS FROM FINANCING ACTIVITIES		
Withdrawal/Repayment of current loans	29,575	-61,031
Withdrawal of non-current loans	11,170	0
Withdrawal/Repayment of finance lease liabilities	-3,755	-3,113
Dividends paid	-16,800	-16,800
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	20,191	-80,943
Change in cash and cash equivalents (A+B+C)	-44,575	-2,594
Cash and cash equivalents on 1 Jan	120,900	123,611
Impact of exchange rate changes	220	-116
Cash and cash equivalents on 31 Dec	76,545	120,900

*) Acquisition of subsidiaries Ponsse Chile SpA, Chile and Ponsse Czech s.r.o., Czech Republic decreased by cash and cash equivalents at the time of acquisition

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 2022	7,000	3,460	8,347	-2	278,462	297,267
Comprehensive result:						
Net result for the period					37,113	37,113
Other items included in total comprehensive result:						
Translation differences			4,353			4,353
Total comprehensive result for the period			4,353		37,113	41,466
Direct entries to retained earnings					89	89
Transactions with shareholders						
Share Plan					63	63
Dividend distribution					-16,800	-16,800
Acquisition of treasury shares				-272		-272
Transactions with shareholders in total				-272	-16,737	-17,009
Other changes						
SHAREHOLDERS' EQUITY 31 DEC 2022	7,000	3,460	12,701	-274	298,927	321,813
SHAREHOLDERS' EQUITY						
1 JAN 2021	7,000	3,460	4,431	-2	240,149	255,038
Comprehensive result:						
Net result for the period					55,073	55,073
Other items included in total comprehensive result:						
Translation differences			3,916			3,916
Total comprehensive result for the period			3,916		55,073	58,989
Direct entries to retained earnings					7	7
Transactions with shareholders						
Share Plan					33	33
Dividend distribution					-16,800	-16,800
Acquisition of treasury shares						
Transactions with shareholders in total					-16,767	-16,767
Other changes						
SHAREHOLDERS' EQUITY 31 DEC 2021	7,000	3,460	8,347	-2	278,462	297,267

*) Treasury shares procured for incentive schemes; further details are included in the financial statements

NOTES TO THE RELEASE FOR THE ANNUAL FINANCIAL STATEMENTS

The stock exchange release for the annual financial statements has been prepared observing the recognition and valuation principles of IFRS, and the requirements of IAS 34 have been complied with. The same accounting principles were observed for the closing of the books as for the annual financial statements dated 31 December 2021.

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.

The company founded EAI PON1V Holding Oy on 5 July 2022 for the purpose of managing incentive schemes, buying and selling the related Ponsse Plc securities, and acting as a party to financial agreements.

Ponsse has completed on 17 March 2022 the acquisition of the asset items related to its business activities in Chile and on 1 April 2022 the share acquisition related to its business activities in the Czech Republic.

1. SEGMENT INFORMATION (EUR 1,000)

The Group has operating segments based on a geographical division of regions. The operating segments are based on reporting used by the Group Management Team in operational decision-making. The group has changed its segmentation, when the operations in Russia have been classified as discontinued operations and assets held for sale in accordance with the IFRS 5 standard and are not included in the report of continuing operations.

OPERATING SEGMENTS

	Northern Europe	Central and Southern Europe	North and South America	Other countries	Total
1-12/2022					
Net sales of the segments	466,889	166,662	279,138	30,877	943,565
Revenues between segments	-179,838	-4,856	-3,422	-327	-188,443
NET SALES FROM EXTERNAL CUSTOMERS	287,052	161,806	275,715	30,549	755,123
Operating result of the segment	-1,399	18,284	22,740	4,777	44,403
Unallocated items					2,174
OPERATING RESULT	-1,399	18,284	22,740	4,777	46,577
DEPRECIATION AND AMORTISATION	23,180	927	3,357	207	27,671

OPERATING SEGMENTS

	Northern Europe	Central and Southern Europe	North and South America	Other countries	Total
1-12/2021					
Net sales of the segments	479,306	140,391	213,970	28,177	861,845
Revenues between segments	-229,725	-3,918	-19,787	-144	-253,574
NET SALES FROM EXTERNAL CUSTOMERS	249,580	136,473	194,184	28,033	608,271
Operating result of the segment	3,294	17,730	26,915	4,167	52,106
Unallocated items					-2,108
OPERATING RESULT	3,294	17,730	26,915	4,167	49,998
DEPRECIATION AND AMORTISATION	17,104	736	2,072	228	20,140

2. LEASING COMMITMENTS (EUR 1,000)	31 Dec 22 1,047	31 Dec 21 775
3. CONTINGENT LIABILITIES (EUR 1,000)	31 Dec 22	31 Dec 21
Guarantees given on behalf of others	0	20
Responsibility of checking the VAT deductions made on real property investments	6,100	7,272
Other commitments	200	112
TOTAL	6,300	7,404

4. PROVISIONS (EUR 1,000)	Guarantee provision	Other provisions	Total
1 January 2022	4 550	0	4 550
Provisions added	806	6 483	7 289
Provisions cancelled	-1 192	0	-1 192
31 December 2022	4 164	6 483	10 647

To item other provisions the Group has recognised a provision in the item of other provisions based on an agreement entered into by Ponsse Latin America Ltda, as the fulfilment of the contractual obligations is estimated to generate expenses that exceed the expected economic benefits obtained from the agreement. The provision has been measured based on the best possible estimate of the expenses arising from the fulfilment of the obligations on the closing date.

5. BUSINESS COMBINATIONS

Ponsse Group will be independently responsible for its sales, spare parts and maintenance services in the Czech Republic. On 4 February 2022, Ponsse signed a deed of sale and has completed the share transaction related to its business activities in the Czech Republic on 1 April 2022. Ponsse purchased all shares in Křenek Forest Service s.r.o., its PONSSE forest machine and service dealer in the Czech Republic. Ponsse Czech s.r.o., a subsidiary wholly owned by Ponsse, is responsible for Ponsse's sales, spare parts and maintenance activities in the Czech Republic.

The transaction price was not made public by the parties' mutual agreement, and the price has no impact on the measurement of Ponsse's value. Ponsse's local market share is approximately 20 per cent in cut-to-length harvesting.

The operations of Ponsse Czech s.r.o are included in the figures for Central and Southern Europe in segment reporting. Their impact on the group's figures is minor.

The goodwill generated through business combinations is EUR 1.9 million. The accounting of business combinations can be adjusted during the period under review, which however is not longer than one year starting from the acquisition date.

6. DISCONTINUED OPERATIONS

On 28 June 2022, Ponsse has signed a deed of sale regarding the sale of all shares in OOO Ponsse to the Russian company OOO Bison. While the process to complete the transaction is continuing, it has not yet been approved by the Russian authorities. Ponsse aims to complete the sale as soon as possible. Ponsse has classified the sold functions as assets for sale and reported them as discontinued operations.

The reorganisation has no material impact on profit, and no significant impairment or sales profit due to the sale has been recorded in the income statement for the period under review. The cumulative RUB/EUR translation difference was EUR 5.1 million at the end of year 2022. The cumulative translation difference will be recognised as income on the income statement once the sale has been concluded. RUB/EUR average rate of 74.26313 and closing rate of 79.14900 is used in financial statements.

PROFIT AND LOSS STATEMENT FROM DISCONTINUED OPERATIONS (EUR 1,000)

	1-12/22	1-12/21
NET SALES	32,561	141,727
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-1,992	-195
Other operating income	497	648
Raw materials and services	-17,320	-88,301
Expenditure on employment-related benefits	-4,246	-15,180
Depreciation and amortisation	-1,182	-5,111
Other operating expenses	-2,472	-8,566
OPERATING PROFIT	5,844	25,023
Financial income and expenses	-2,389	75
RESULT BEFORE TAXES	3,456	25,098
Income taxes	-526	-5,195
NET RESULT FOR THE PERIOD	2,930	19,903

THE EFFECT OF DISCONTINUED OPERATIONS ON THE STATEMENT OF FINANCIAL POSITION (EUR 1,000)

31 Dec 22

ASSETS RELATED TO ASSETS HELD FOR SALE

Intangible assets	18
Property, plant and equipment	8,183
Deferred tax assets	582
Inventories	6,846
Trade receivables	2,305
Income tax receivables	368
Other current receivables	255
Cash and cash equivalents	3,094

ASSETS RELATED TO ASSETS HELD FOR SALE TOTAL	21,651
--	--------

LIABILITIES RELATED TO ASSETS HELD FOR SALE

Interest-bearing liabilities	12
Deferred tax liabilities	26
Tax liabilities for the period	3
Trade creditors and other current liabilities	697
LIABILITIES RELATED TO ASSETS HELD FOR SALE TOTAL	738

STATEMENT OF CASH FLOWS FROM DISCONTINUED OPERATIONS (EUR 1,000)

	1-12/22	1-12/21
Cash flows from operating activities	-10,712	19,881
Cash flows used in investing activities	4,235	-989
Cash flows from financing activities	-21	-72
Cash flows for the period under review	-6,499	18,821

KEY FIGURES AND RATIOS

	31 Dec 22	31 Dec 21
R&D expenditure, MEUR	27.7	23.8
Capital expenditure, MEUR	41.9	24.9
as % of net sales	5.6	4.1
Average number of employees	2,016	1,825
Order books, MEUR	353.7	312.6
Equity ratio, %	55.0	60.7
Diluted and undiluted earnings per share (EUR), continuing operations	1.22	1.26
Diluted and undiluted earnings per share (EUR), discontinued operations	0.10	0.71
Diluted and undiluted earnings per share (EUR)	1.33	1.97
Equity per share (EUR)	11.49	10.62
Order intake, MEUR	796.2	770.7

FORMULAE FOR FINANCIAL INDICATORS

Return on capital employed, % (including discontinued operations):
Result before taxes + 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 from continuing operations. The calculation has been adjusted for part-time employees.

Net gearing, % (including discontinued operations):

Interest-bearing financial liabilities – cash and cash equivalents

Shareholders' equity * 100

Equity ratio, % (including discontinued operations):

Shareholders' equity + Non-controlling interests

Balance sheet total - advance payments received * 100

Earnings per share, continuing operations:

Net result from continuing operations for the period - Non-controlling interests

Average number of shares during the accounting period, adjusted for share issues

Earnings per share, discontinued operations:

Net result from discontinued operations for the period - Non-controlling interests

Average number of shares during the accounting period, adjusted for share issues

Earnings per share (including discontinued operations):

Net result for the period - Non-controlling interests

Average number of shares during the accounting period, adjusted for share issues

Equity per share (including discontinued operations):

Shareholders' equity

Number of shares on the balance sheet date, adjusted for share issues

Order intake:

Net sales from continuing operations for the period + Change in order books from continuing operations during the period

Vieremä, 21 February 2023

PONSSE PLC

Juho Nummela
President and CEO

FURTHER INFORMATION

Juho Nummela, President and CEO, tel. +358 400 495 690

Petri Härkönen, CFO, tel. +358 50 409 8362

DISTRIBUTION

NASDAQ OMX Helsinki Ltd

Principal media

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.