

**PONSSE**

**ANNUAL REPORT**

**2022**

***SUSTAINABLE SOLUTIONS FOR THE BENEFIT  
OF OUR CUSTOMERS AND ENVIRONMENT***







In the cut-to-length (CTL) method, trees are already processed in the forest according to their end use, and branches and crowns are left on the ground to nourish the next generation of trees.

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We have dedicated the last five decades and more to the manufacturing, sale, maintenance, and R&D of effective and environmentally friendly CTL forest machines.



# PONSSE IN BRIEF

Ponsse Plc is a company specialising in the sales, production, maintenance and technology of cut-to-length method forest machines. It is driven by a genuine interest in its customers and their business. Ponsse develops and manufactures sustainable and innovative harvesting solutions based on customers' needs.

Throughout its history, the value-driven family company, established by forest machine entrepreneur Einari Vidgren, has only focused on cut-to-length forest machines. Today, more than 18,000 PONSSE forest machines have been completed at the Vieremä factory for global logging sites, customised to meet customers' needs.

Hailing from Vieremä, Finland, Ponsse is one of the world's leading forest machine manufacturers. The company's shares are quoted on the NASDAQ OMX Nordic List.

1970  
Year of foundation

13  
Subsidiaries

30  
Dealers across the world



The bark contains roughly 70 per cent of the total calcium of eucalyptus trees. The CTL method leaves the nutrient-rich bark and calcium in the forest, reducing the need for fertilisers.

## PONSSE'S PURPOSE – WHY DO WE EXIST?

### Sustainable solutions for the benefit of our customers and environment

We exist for our customers. This idea has not changed since Einari Vidgren declared it as Ponsse's driving force. Nor will it ever change. Our operations' deep customer orientation and genuine closeness to customers help us understand our customers' actual needs. The development of our solutions is always initiated and guided by our customers' needs. Our customers' insight enables us to develop solutions that offer true added value in everyday work within the harvesting business. Satisfied customers and sustainably managed forests give us a feeling of success. We are an important part of our customers' everyday operations, as well as a part of the solution to mitigate climate change.

## MISSION – PONSSE'S MISSION

### Our customers succeed together with us

Customer closeness is a way of life for us at Ponsse. Our partnership with our customers is based on trust – we always keep our promises. Our task is to understand our customers and their business. Our customers' extensive knowledge of timber harvesting and the industry also enables us to learn. We believe in our work and always strive to be the best at what we do. Our values guide our daily work, and customers are at the heart of everything we do. Our strong culture, developed over decades, forms our most important competitive edge.

## VISION – PONSSE'S FUTURE

### The preferred partner for responsible forestry

Sustainable development guides all our actions. We systematically strive for carbon neutrality in our operations and solutions. We are enthusiastic about the continuous development of Ponsse. We want to be the world leader in sustainable solutions representing the cut-to-length method. Fast technological development, combined with the Ponsse way of working, develops our operations and produces constant results. The continuous development of our solutions and daily operations makes us the preferred partner to collaborate with. Ponsse employees who feel well throughout our Ponsse network are our most important assets and the prerequisites for all development. Ponsse is a good and safe place to work for all of us.



PONSSE IN 2022

Ponsse’s performance was relatively good, given the extremely difficult global situation. The company’s profitability suffered from the loss of the business in Russia and high inflation. However, in terms of net sales, we managed to replace the loss of the business in Russia almost completely.

Our customers were busy throughout the year, and the sales of new forest machines were ultimately at a very high level. Our after sales services supported our customers very well, and we were also able

to take good care of our customers during the busiest seasons. The circulation of our used machine stock was at a relatively good level throughout the year. Among our business operations, the service business and our technology company Epec in particular showed excellent growth.

Problems with component availability were challenging, but despite the difficult situation, our factory in Vieremä, Finland, continued to deliver machines to our customers without interruption. However, the discontinuation of the business in

Russia, the poor availability of parts and components, and very high inflation decreased our profitability.

Despite the exceptionally challenging year, Ponsse’s continuous development made further advances in Finland and globally. Our distribution network and its operating methods are developed systematically, and we seek to expand to new areas as required by our customers. During the year, our new subsidiaries in Chile and the Czech Republic strengthened our service network.

Net sales  
**755.1** (608.3) MEUR

Operating profit  
**46.6** (50.0) MEUR

Result before taxes  
**43.2** (48.1) MEUR

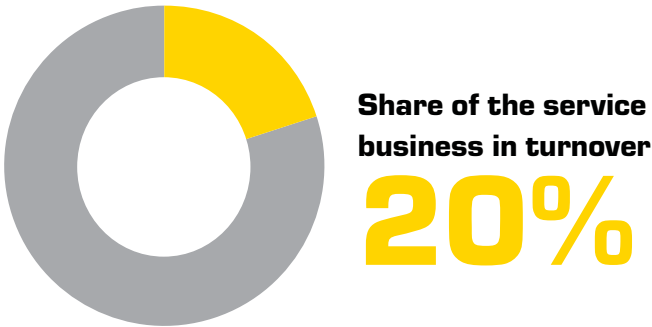
Order intake for the period  
**796.2** (770.7) MEUR

Order books  
**535.7** (312.6) MEUR

The PONSSE network  
Two new subsidiaries in Chile and the Czech Republic




Ponsse has 13 subsidiaries and 30 dealers across the world



Share of the service business in turnover  
**20%**

 **18,000<sup>th</sup>**  
PONSSE machine was completed in May

 Share of exports:  
**79%**

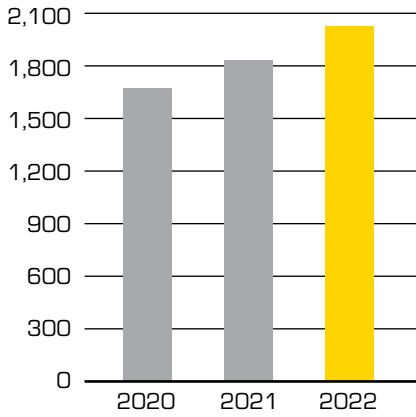
 **200**  
trained Ponsse path students in Finland

 Share of zero-emission energy:  
**89.3%**

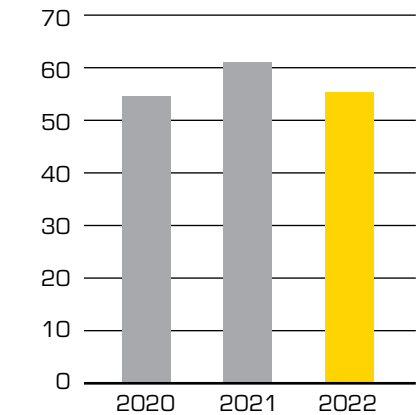
 **1,988**  
Ponsse employees

 **235**  
service centres around the world

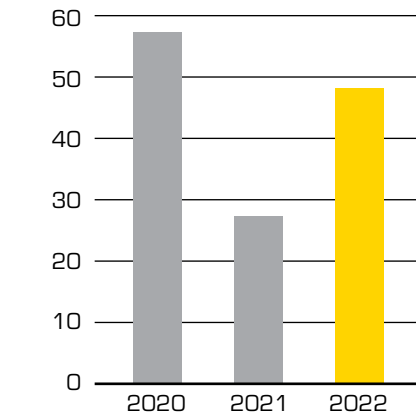
Average number of employees



Equity ratio [%]



Interest-bearing liabilities



# EVENTS 2022

12 January 2022

## New service centre opens in Joensuu, Finland

Ponsse opens a new service centre to better serve its customers in Eastern Finland. The service centre features field and information system maintenance, spare part and machine sales, technical support, ample parts stock, and a Ponsse Shop. With a repair shop and spare parts warehouse in the same facility, maintenance turnaround times are shortened, leaving more time for uninterrupted harvesting.

18 January 2022

## R&D unit opens in Turku, Finland

Ponsse and its technology company Epec start their new R&D unit in Turku, Finland. The unit aims to ensure the continued availability of top automation and software professionals.



17 February 2022

## Launch of the next-generation H8 harvester head

Ponsse demonstrates its new PONSSE H8 harvester head, with a more powerful feed functionality enhanced by Active Speed. The new saw box design makes the harvester head ideal for snowy conditions and trees with a large butt diameter.

17 March 2022

## Chilean subsidiary begins operations

Ponsse's new subsidiary Ponsse Chile S.p.A opens for business, when Ponsse buys the operations from its dealer. From now on, Ponsse will be responsible for sales, spare parts, and after sales services in Chile. The business is managed by Martin Toledo, who is also the Managing Director for Ponsse Uruguay and Area Director of Ponsse operations in Argentina.

1 April 2022

## Czech subsidiary begins operations

Ponsse's new subsidiary Ponsse Czech s.r.o. opens for business when Ponsse buys the operations from its dealer. In the future, Ponsse will be responsible for its sales, spare parts, and after sales services in the Czech Republic. Jakub Hacura is appointed as the Managing Director.

28 April 2022

## Ponsse delivers its 200th simulator to Sweden

The 200th PONSSE simulator is delivered to Södra Viken, a vocational education centre in Sweden. The excellent ergonomics of the PONSSE Full simulator ensure a proper training environment for students and make learning a pleasant experience.



"We appreciate Ponsse's helpfulness and our great cooperation. This investment, made possible by the Lundberg Foundation, will allow us to offer modern and up-to-date education for years to come."

Monica Olafson, Rector, Södra Viken



4 and 17 May 2022

## PONSSE Scorpion's Future Cabin receives renowned design awards

On 4 May, Ponsse's Future Cabin receives one of Finland's most notable design awards, and on 12 May, it is awarded the internationally recognised IF Design Award. In particular, the jury appreciated the product development based on customer feedback, improved forest machine operator ergonomics, and the comfortable working environment of the Future Cabin.



17 May 2022

## Completion of the 18,000th forest machine

The company's 18,000th forest machine rolls off the factory line in Vieremä, Finland. After the handover, the PONSSE Elk continued its journey to France, where it will be operated by VMC Bois.



"We started our cooperation with Ponsse after we purchased a used PONSSE Ergo a few years ago. We continued our partnership by buying a few new machines, and today we received the 18,000th Ponsse machine here in Vieremä. Our cooperation has been smooth, and we're very satisfied with our partnership."

Alexandre Collomb, owner, VMC Bois



27 May 2022

## Ponsse launches new products for responsible harvesting

Ponsse launches the PONSSE Scorpion Giant harvester and PONSSE Mammoth forwarder. The launch event was held in Surahammar, Sweden and presented a welcome opportunity to connect with customers after the lifting of covid restrictions and demonstrate the new products in the form of operator demonstrations.

2 June 2022

## Launch of the Data API service

PONSSE Manager Data API processes data collected from individual forest machines in a cloud environment and delivers it directly to customers' internal IT systems. The data provided by the service can be used to compile various reports for fleet reporting and monitoring purposes and to schedule upcoming work and improve the efficiency of resource planning.

20 June 2022

## Jean Sionneau chosen as the Managing Director of Ponsse S.A.S.

Founded in 1995, Ponsse's French subsidiary welcomes its new Managing Director, Jean Sionneau. Ponsse S.A.S. handles sales in France, Belgium, Luxembourg, and the French-speaking regions of Switzerland.



17 August 2022

## Electric forest machine technology concept introduced to the world

Ponsse and its technology subsidiary Epec launch the electric forest machine technology concept. The PONSSE EV1 is a forwarder with a fully electric power train. Its design features lower noise and emission levels while achieving the performance of a similarly sized forwarder based on conventional technology.



"At Suzano, we are very committed to our long-term objectives for sustainable development. We are a forest company, and pulp wood is our speciality;

we feel a great sense of responsibility for the changes to our planet. In my opinion, the EV1 will help us achieve our goals in less time. This is a great step in the right direction."

Paulo Mancinelli, Suzano, Brazil



"I must say that we're delighted by this development. We're very committed to the environment and sustainable development, and improvements such as this

present us with new opportunities. To accelerate the transition to even more sustainable operations, we have studied different possibilities for both harvesting and logistics. The EV1 is a pioneering product, and it offers a real alternative for achieving our objectives."

Gustavo Frejtman, UPM Uruguay



1-3 September 2022

## Future solutions launched at the FinnMETKO trade fair

Ponsse demonstrates harvesting solutions for today and tomorrow at Finland's largest heavy-duty machine industry trade fair. Among other things, the visitors could see the PONSSE EV1, Active Manual, and Manager Satellite. Ponsse's stand drew a crowd from the first hours of the event, and the visitors went through some 10,000 cups of coffee.

1 November 2022

## North American subsidiary opens a new location in Florida

Ponsse North America, Inc. has expanded its operations and opened new service centre in Tallahassee, Florida. The expansion was motivated by the region's increasing demand for timber and growing machine sales in the southern US.

16 November 2022

## Ponsse chosen again as one of Finland's most reputable companies

Ponsse was awarded second place in the competition for Finland's most reputable company. In the ten years that T-Media has conducted the reputation survey, Ponsse has been selected six times as one of the top three in country.

23 November 2022

## Launch of the new HH360 rotator

Ponsse launches the new HH360 rotator, which enables unrestricted 360-degree rotation of the harvester head. By keeping the hoses coming from the crane in place, the solution makes it possible to freely rotate the harvester head by eliminating production interruptions due to kinked hoses.



# PONSSE VALUES

## Customer orientation

- A genuine interest towards the customer
- Knowing the customer's business
- Availability and rapid response times
- A readiness to serve and support the customer
- Flat organisation

## Honesty

- Ethical operations and high morals
- Reliability
- Keeping our promises
- Openness

## Ponsse spirit

- Constructive humility and a tenacious work ethic
- Entrepreneurship and the will to succeed
- Decision-making capacity
- Refusing to compromise in achieving goals
- Assuming responsibility
- Friendliness and fair play
- Listening to personnel and good communication
- Helping co-workers and taking others into consideration

## Innovation

- Continuous improvement of products, services and processes
- Initiative and broad-mindedness
- Opportunity for change



Ponsse employees who feel well throughout our Ponsse network are our most important assets and the prerequisites for all development. It is important to us that Ponsse is a good and safe place to work for all of us.



REVIEW BY THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CEO

# STRONG VALUES LAY A SOLID FOUNDATION

For Ponsse, 2022 started with a strong order book, 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.

When the export sanctions entered into force, Ponsse made significant decisions about its operations in Russia. 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. While the decision was correct and the only possible course of action, it was still challenging in many ways.

Throughout the year, the war had a negative impact on the already low availability of parts and components and accelerated inflation in material costs and component prices. Inflation did not remain temporary, as it continued to accelerate, significantly affecting the profitability of the operations of both Ponsse and its customers. The loss of operations in Russia, combined with wildly running inflation, reduced Ponsse's profitability. We ended up in a situation where we had to drastically prioritise our operations and streamline our organisation through cooperation negotiations.

The sanctions imposed on Russia also had an impact on the delivery of sawn goods, roundwood and chips from Russia to Europe. The suspended delivery of sawn goods to Central Europe and that of roundwood and chips to Finland improved the order books of European forest machine contractors. Our customers had excellent order books throughout the year, even though the demand in the construction and sawmill industries decreased towards the end of the year. The positive trend in the pulp industry continued, providing harvesting contractors across the world with a steady inflow of work. Our maintenance services supported our customers excellently, and we were also able to take good care of our customers during the busiest seasons.

## We performed relatively well in the challenging situation

Ponsse's performance was relatively good given the extremely difficult global situation. Measured by net sales, we were able to compensate for the loss of operations in Russia almost in full. Among our business units, maintenance services and our technology company Epec showed excellent growth. In the end, sales of new forest machines were very high, and our Vieremä factory was able to deliver machines to our customers without any interruptions, regardless of the difficult circumstances.

Problems in the availability of components delayed machine deliveries and, from time to time, the factory was behind schedule during the year. As component deliveries improved, the factory stepped up towards the end of the

year and was able to almost reach the targeted schedule before the year came to a close. Our weak cash flows mainly resulted from the availability of parts and components. During the year, availability problems 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.

The suspended operations in Russia, the low availability of parts and components, and dramatic inflation rates also reduced our profitability, which we were unable to adjust as quickly as our net sales. The situation was also complicated by the challenges in our Brazilian subsidiary's large service agreement, which escalated during the rest of the year. Our business units took effective action to restore our profitability to a normal level. However, fixing the situation will take longer than adjusting our net sales under the current circumstances.

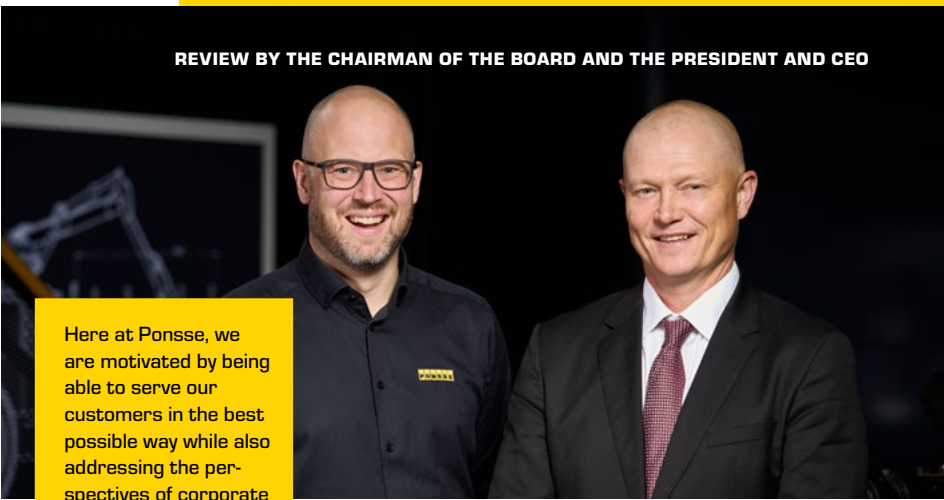
Despite the exceptionally challenging year, Ponsse's continuous development continued in Finland and globally. We are developing our distribution network and its operations systematically and seek to expand to new areas as required by our customers. During the year, our new subsidiaries in Chile and the Czech Republic strengthened our service network. The development of the Ponsse network's training system is key to our success. The daily activities of our sales and maintenance services keep our customers satisfied and ensure our success in the long term. We are also investing constantly in our manufacturing

network to increase the capacity and quality of our production. Technological development is rapid in our products, and we are increasingly investing in R&D and new technologies. Our investments in digital services and IT infrastructure are proceeding quickly. As a rule, all of our investments are aimed at producing added value for customers.

The 18,000th PONSSE forest machine was completed at our Vieremä factory, which stands as an indication of our employees' commitment. We survived the challenging year together, for which I want to thank every one of our employees. Our employees are our most important asset.

## Responsibility and sustainable development guide all our activities

Investments in R&D and new product technologies drive Ponsse forward. 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,



REVIEW BY THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CEO

Here at Ponsse, we are motivated by being able to serve our customers in the best possible way while also addressing the perspectives of corporate responsibility.

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. The PONSSE EV1 is still equipped with a combustion engine for charging batteries but, as the technology and our expertise advance, the power source can be something completely different in the future. We want to humbly develop our future capabilities and improve not only our customers' business opportunities, but also the preconditions of sustainable development.

Sustainable development and responsibility are key factors for our future success and prerequisites for the continuity of our business. Here at Ponsse, we are doing purposeful work as part of sustainable forestry. We are motivated by being able to serve our customers in the best possible way while also addressing the perspectives of corporate responsibility. We believe that our technologies and new business models provide us with more and more opportunities to fulfil the principle of sustainable development in forestry. Productive harvesting that respects the environment supports forest regeneration and enables the use of valuable raw materials for long-lasting high-quality wooden products. The significance of wood as a renewable raw material in replacing fossil raw materials is huge, and the level

of innovation in the industry is high. In developing our products and services, we are constantly aiming at solutions that are more climate- and nature-friendly, and we systematically aim to make our operations carbon neutral. We still need to work hard to achieve our goals, but the direction is clear.

Our strong Ponsse culture, built over more than five decades, is our asset, and our sustainable development goals have given it new strength. We are a value-driven company with a clear focus on the future. The values based on our history – customer orientation, honesty, innovativeness and the Ponsse spirit – are genuinely important to us at Ponsse, and they illustrate our day-to-day activities well. At the same time, we are continuously investing in the sustainable development of our functions that address the natural environment, our personnel and our finances.

Based in Vieremä, we are focusing and will continue to focus on the sale, maintenance, manufacture and R&D of cut-to-length forest machines. Our customers and committed personnel will enable our success in the future as well.

Jarmo Vidgren, Chairman of the Board  
Juho Nummela, President and CEO



PONSSE PRODUCTS

# RESPONSIBLE SOLUTIONS LISTENING TO CUSTOMERS AND THE ENVIRONMENT

Ponsse is a front runner in the development of forest machine technologies and provides responsible harvesting solutions while closely listening to customer needs. We want to be part of sustainable forestry and seek carbon neutrality in our operations and solutions. In 2022, we once again took concrete new steps in order to achieve this goal.

### Technological concepts lead the way towards sustainable harvesting

During the year, Ponsse and its technology company Epec introduced the PONSSE EV1, a new electric forest machine concept. Based on Epec's technology, the EV1 is a forwarder equipped with a full electric powertrain. While the new technology enables lower noise and emission levels, the forwarder's performance is the same as a similar-sized category forwarder based on conventional technology. The EV1 will be commercially available in the future, but Epec's technology can already be used in electric or hybrid-electric commercial vehicles and non-road mobile machines.

Designed for thinning sites, the technology concept, Thinning Density Assistant, was launched to the public at the FinnMETKO exhibition in Finland. Using Lidar technology, the concept identifies the location of standing trees left in real time in the forest, in addition to harvested trees. It allows the identification of trees around the machine and their locations. As a result, the operator always has access to accurate data about the location of trails and standing trees, which enables the correct thinning frequency, for example. In addition, the collected data regarding standing trees will be documented for later use.

### Sustainable harvesting solutions

A new member was added to the Scorpion product range during the year: the PONSSE Scorpion Giant harvester. A

new forwarder – the PONSSE Mammoth – was also launched to the market. In addition, we introduced several solutions that improve the safety and comfort of operators and make working easier. Our founder Einari Vidgren used to say that forest machine operators are the best experts, and we need to listen to what they have to say. This has been the leading idea throughout the history of our company, and it always will be.

The launch of the Ponsse Mammoth in Surahammar, Sweden was a success. Equipped with the Continuously Variable Transmission (CVT) and the K121 loader, the sturdy structures of the Mammoth make it the strongest forwarder on the market. With its 25-tonne capacity, Mammoth have raised Ponsse's forwarders to a whole new size category. The strong hydraulics and transmission allow the effortless transport of heavy loads, even in rough terrain, while high productivity helps to reduce the number of trips.

The Scorpion Giant is a versatile harvester that features many solutions that are familiar from the Scorpion product range that have been developed even further. The Scorpion Giant has an increased tractive force and an even more powerful C50+ crane. The fork boom and the one-piece front window offer excellent visibility of the logging site from the cabin, making the operator's work safer. While the safety of the operator was the starting point for the practical cabin, the aim was also to make the cabin more comfortable and help the operator to keep working. The



The EV1 concept was developed for forwarders with a 15-tonne load carrying capacity, the most popular size category of Ponsse's forwarders. The concept took its first steps in 2019 when Ponsse and Epec began to investigate responsible power source solutions in line with sustainable development.





PONSSE Manager, a platform that brings all our customers' digital services together, was supplemented with new services during the year. The system is developed continuously, and during the year, Satellite and Data API services, among others, were added to it.

Scorpion Giant's advanced levelling and stabilisation systems make the machine very stable and minimise the surface pressure directed at the ground.

The Scorpion Giant can be equipped either with the PONSSE H8 harvester head or with any of Ponsse's smaller harvester heads. With Active Speed, the operating speed of the H8 harvester head can be adjusted based on the tree species and stem diameter. As a result of the new saw box design, the harvester head is ideal for snowy conditions and trees with a large diameter.

The PONSSE HH360 rotator, developed based on customers' needs, was also launched at the end of the year. By keeping the crane hoses in place, the solution allows the harvester head to rotate a full 360 degrees without any production interruptions resulting from twisted hoses. Free harvester head rotation aids the operator and speeds up stem processing, among other things.

**Solutions that improve the**

**safety and enjoyment of the forest machine operator and make working easier**

PONSSE Forwarder Extra Display was one of the solutions introduced during the year that improve the safety of the operator. By fitting an additional display as an option in forwarders, the operator does not need to turn their seat to watch the display. The solution mirrors the view of the Opti computer installed in the cabin, which would, otherwise, remain hidden behind the operator's back when driving in the direction of the engine. It makes working safer, improves ergonomics and makes harvesting smoother.

The work wellbeing of the forest machine operator was also considered in the development of the cabin suspension system. The PONSSE Active Cabin solution suspends any stress on the cabin and allows the operator to continue.

PONSSE Active Manual supports the operator's daily activities by offering instructions through videos and

animations on smart devices. A visual and easy-to-use solution complements the Owners Manual, which contains instructional videos about the forest machine.

PONSSE Active Seat is a seat function that has been developed based on requests by forest machine operators. It improves machine usability, as it follows the boom tip and turns according to crane movements. The function makes working more comfortable, increases visibility of the working area, and improves the productivity of the operator.

**Digital services make our customers' everyday operations easier**

PONSSE Manager collects all our customers' digital services onto a single platform. It is a modern forest machine monitoring and data transfer system that forest machine entrepreneurs can use to see their machines' location, productivity figures and fuel consumption, among others. With PONSSE Manager, entrepreneurs can improve the efficiency of their business and enhance productivity, thanks to real-time field operation monitoring. Furthermore, entrepreneurs can also monitor the progress of stands, plan and manage machine transportation, keep track of machine outputs according to assortment, and print out measuring certificates. The system additionally indicates machine maintenance needs and displays any maintenance-related notes made by the operator. PONSSE Manager is developed continuously, and during the year, Satellite and Data API services, among others, were added to it.

Manager Satellite improves the data transfer connections of the machine in challenging environments, as the service enables the transfer of data in areas without any mobile coverage. It offers daily reports on engine operating hours, production volumes

by assortment, and cumulative fuel consumption. Data can be reported according to the machine, operator and work area. The service's reporting tool makes the daily work of the operator easier, improves the visibility of harvesting, and helps entrepreneurs to develop their operations.

Manager Data API processes data collected regarding individual forest machines in a cloud environment, from which it can be transferred directly to the IT systems of customers through an application programming interface (API). The data provided by the service can be used to create various reports for machine reporting and monitoring, preparing schedules for upcoming operations, and improving the efficiency of resource planning, for example. The data processing properties of the

service make key data quickly available and support the making of correct harvesting decisions. The service also helps to automate manual routines to improve the quality of data, save time and eliminate any errors.

Multifleet by Ponsse was developed for customers who want to keep all their machines more effectively under management, whether they are farming machines, forest machines, or even road vehicles. The service is already used by industrial customers in Brazilian markets, who have given valuable feedback in developing the solution. The service consists of a data collection unit fitted in the machine and a cloud service in which the collected machine data is updated.

The stabilisation system and balanced weight distribution of the Scorpion Giant, a member of the Scorpion product range, make the machine very stable and minimise the ground pressure. The safety, comfort, and ability to keep working of the operators were a focus when designing the cabin.



Forests absorb carbon dioxide from the atmosphere and slow down the greenhouse effect. This is why forests are carbon sinks. Forests are kept healthy through well-executed thinning, which increases the amount of carbon dioxide they absorb. Managed forests grow faster and yield higher-quality wood. A fully grown forest keeps the carbon dioxide it has absorbed but cannot absorb more carbon dioxide as effectively as a young, growing forest. Systematic and long-term forest management produces the best results. Our mission is to ensure that our forests remain sources of well-being for future generations.



PONSSE MAINTENANCE SERVICES

# MAINTENANCE SERVICES BRING PEACE OF MIND AND RELIABILITY AT LOGGING SITES ACROSS THE WORLD

During 2022, services continued the development of the comprehensive international service network at logging sites across the world. We want to provide our customers with the most uninterrupted harvesting operations possible, enabling productivity and supporting their business.

Sales of services increased during the year, despite the changes in the markets. Our customers were busy throughout the year, and services became even more important. We have developed our maintenance network, which consists of forest machine professionals. Our professional and skilled network will also help us always respond to the growing number of PONSSE machines in the future.

**Continuous training strengthens professional skills even further**

Our customers find it important that they receive services from industry professionals. We want to guarantee even better services for our customers, so we are constantly training our employees and those of our partners. Travel restrictions imposed due to the coronavirus pandemic have been lifted, and we are again able to provide in-person training for our network. Training was provided at the Vieremä factory and locally across our international network.


In 2023, we will upgrade our learning management system (LMS). The new system will give our network and us as a manufacturer even better opportunities to use e-learning and systematically improve training activities. The shared system will help us ensure that every professional in our network has up-to-date knowledge and skills.

**The maintenance service network expands and develops according to customer needs**

During the year, we responded to our growing customer needs by further developing the authorised PONSSE service network, ranging from investments to facilities, maintenance vehicles, and stored spare parts to personnel resources and training. The expanded network has brought us even closer to our customers. For example, shorter distances to service centres help us allocate more working hours for our customers and thus give us better opportunities to improve our profitability.

As part of service activities of an even higher quality, we use Effective and Safe Workshop (ESW), a truly unique audit and development system in the industry, in the customer interface. It helps us identify not only the strengths of local activities, but also key development areas. By identifying development areas and taking resulting action, we have been able to increase local activities to an even higher level. As a result of the pandemic, we limited onsite ESW audits, but now that the restrictions have been lifted, we will resume our normal audit routines.



  
For more than ten years now, we have reconditioned and remanufactured PONSSE forest machine components. Remanufactured parts are sold at affordable prices or used to recondition used forest machines. Remanufacturing provides customers with low-cost products, minimises material loss, and solves challenges related to the availability of spare parts.



Daily activities, product and service offering, and solutions of service help our customers focus on their core business – productive and effective harvesting.

### The popularity of Active Care service agreements continues to grow

PONSSE Active Care service agreements have continued to be popular and have consolidated their position in various global markets. We have received very positive feedback, and we will continue to develop the service. Feedback is valuable to us to ensure we can also address development ideas and customer needs in the future.

Active Care agreements aim to safeguard machine usability and keep machine maintenance costs under control. Regular maintenance ensures correct adjustments, maximises productivity, and minimises fuel consumption. Service agreements also offer an excellent opportunity to plan daily and weekly tasks, both for the customer and the maintenance network. Better work planning also helps improve occupational safety and health.

Active Care agreements lay a solid foundation for preventive maintenance

and offer an opportunity to be more responsible, while addressing occupational safety and the environment. Preventive maintenance provides customers with cost savings, and it also supports Reman activities, in which components are re-manufactured to be as good as new. This helps minimise the use of materials and reduce environmental loads.

### The solution range is developed based on customer feedback

During the year, we increased the already extensive range of spare parts, accessories, and consumables. At Ponsse, the product, service and solution range is always developed based on customer feedback. We always listen closely to our customers and address all the feedback we receive. It is important to us to develop our range to meet our customers' needs.

During the year, a new high-quality and lower price range Logger's was introduced alongside the PONSSE

product range, known for its high level of quality. The new product range has quickly received positive feedback, and encouraged by this, we will continue to develop the range.

We are also constantly developing our digital solutions. We want to make our customers' lives easier and offer an alternative way to use services. Parts Online and Active Manual are good examples. Parts Online allows customers to order spare parts from the nearest PONSSE service centre at any time of the day. However, spare parts and accessories can still be picked up from service centres, just like before. Active Manual supports the operator's daily activities by offering instructions through videos and animations on smart devices. A visual and easy-to-use solution complements the Owners Manual, which contains instructional videos about the forest machine and advice for daily maintenance. New videos will be added continuously to the service. Most recently, we added all

harvesters and forwarders in production to the service alongside Scorpion, which had already been added previously.

### A better and higher-quality working environment

In 2022, the Iisalmi Reman production unit moved into the facilities of the Iisalmi service centre. The new facilities enable higher quality in activities and offer an even better working

environment for our mechanics. In addition, they help us respond better to the constantly growing demand for Reman products.

At the same time, we developed the activities of the Iisalmi-based Recycle team. This unique recycling concept brings new dimensions and opportunities to the recycling of parts and is part of the development of our responsible operations.



In service agreements, recycled materials are handled by the authorised PONSSE maintenance network. As a result, recycling complies with requirements, and customers do not need to spend their time handling waste oil and filters.

Our professional network consists of more than 2,200 service professionals and 235 service centres across the world. The best service in the industry – the common goal of the authorised PONSSE service network.



RESPONSIBILITY AT PONSSE

# CONTINUOUS DEVELOPMENT FOR OUR FUTURE

For everyone at Ponsse, responsibility means a shared set of strong values that emphasise honest work, respecting each other and aiming for the best possible results while also considering the environment.

At Ponsse, we are committed to four responsibility goals that are closely tied to our business operations and values. We want to improve our people's wellbeing, innovate sustainable solutions that respect nature, avoid burdening nature through our operations, and be a reliable partner that values community.

Everything continues to focus on the customer, customer-based development of products and services, honest operations, and confidential relationships that have enabled our long-term growth-driven operations. Our stakeholders' needs for environmentally friendly solutions guide our development, and harvesting that fosters the environment remains a prerequisite for industrial wood processing.

### Skilled personnel who feel well

The input and role of every employee is important. Ponsse's employees are our most important resource and a precondition for the development of the company. At the end of 2022, Ponsse had a total of 1,988 personnel of which 1,140 were working in Finland and the others in our subsidiaries. The most significant changes in personnel resulted from the establishment of the new subsidiaries Ponsse Czech s.r.o and Ponsse Chile S.p.A, and the suspended operations of OOO Ponsse, our subsidiary in Russia.

We will ensure that we have skilled and professional employees through regular training and job rotation opportunities. To advance our personnel's competence and recruitment, we are engaged in co-operation with universities, universities of

applied sciences and vocational schools.

We want to be an accident-free company in the future. We measure our occupational safety using the LTIF accident frequency indicators, which represents the number of accidents leading to absences per one million working hours. In 2022, uncertainties in our daily work processes were reflected in our safety, and the Group's LTIF rate was 11.8. However, we were able to start reducing the LTIF rate from the previous year.

### Honesty and cooperation

Our mutual trust with different stakeholders is based on open long-term cooperation. We want to know our customers personally and also address their families and stakeholders in our activities. We monitor customer satisfaction in all our sales and service activities, and the Ponsse network's NPS was excellent at 54 in the end of the year 2022.

We find it important to be a responsible company in the communities in which we operate. When selecting our partners, we address the local dimension and aim to create regional welfare through profitable and environmentally sustainable operations.

Ponsse's production and head office are still located in the company's birthplace in Vieremä, and we have a high impact on regional employment in Northern Savonia. Nearly half of our subcontracted purchases are located within a 25-kilometre radius of our production facilities, and 97 per cent of our purchases are in the EU area.



We appreciate and take good care of each other, our customers and our network.



Machines have been developed to utilise the highly valuable wood raw material and cause the least harm at the logging site.

## ONE PONSSE

### One Ponsse principles:

- Customer focus
- Teamwork and responsibility
- Agile execution and transparency
- Common practices
- Open and proactive communication

Regeneration methods and obligations in commercial forests, harvesting technologies and forest management methods play an important role when forest resources are required for carbon sequestration and as raw materials, while also safeguarding biodiversity in forests. The advanced computing capacity of the machines allows the best possible value to be extracted from forests. This means more than financial gain. By optimising the yield and processing value of the raw material, the maximum amount of sawn timber with a long-term carbon sequestration capacity can be produced.

CTL machines support all harvesting methods from first thinning to continuous cover forestry and regeneration felling.

### Sustainability report 2022

Ponsse publishes its sustainability report simultaneously with its annual report, both in Finnish and English. The report is available on the company's website under its Sustainability and Investors sections, or by request can be ordered on the company's website.

### Making our operations carbon neutral

During 2022, we conducted an investigation of opportunities to reduce emissions, based on which we prepared our carbon neutrality roadmap. Our emission reduction goal of five per cent applies to our Scope 1 and 2 emissions.

In 2022, the carbon footprint of Ponsse Group's factories was 259 t CO<sub>2</sub>-eq, representing a decrease of four per cent compared to the previous year. We have reduced the carbon footprint of our factories' production by 90 per cent compared to 2019 by purchasing electricity produced with guaranteed renewable energy, using district heating produced with renewable energy sources and by transitioning to the use of renewable diesel.

In 2022, Ponsse Group's total carbon footprint stayed nearly the same at 4,310 t CO<sub>2</sub>-eq. The share of zero-emission energy in our electricity and heating increased to 89.3 per cent.

We were able to reduce our carbon footprint relative to our net sales, reducing our emission intensity by 21 per cent compared to the previous year.

### Procurement and logistics

The most significant environmental impact of our procurement and logistics is associated with steel manufacturing for PONSSE forest machines and the transport of components. Combined, steel and castings make up a significant part, 82 per cent, of the weight of forest machines. We calculate and dimension machine structures in our research and development operations by optimising the use of steel and castings based on product loads. Forest machines have a recycling rate of 97 per cent.

We have managed our environmental impact and procurement risks by centralising our procurement in Europe and especially in Finland. Of Ponsse's direct

material suppliers and subcontractors, 74 per cent are located in Finland and 23 per cent in other EU countries.

### Products and services

We develop sustainable and innovative wood harvesting solutions. According to our stakeholders' expectations, environmental aspects have become significant guiding factors in R&D. The sustainability of our customers' operations is also affected by our investments in minimising fuel consumption, fuel, and tree and soil damage, as well as in the continuous development of our maintenance service processes.

We have identified the environmental impact generated during the lifecycle of our products and services using LCAs in accordance with the ISO 14040 standard. Fuel consumption and production comprises 95 per cent of emissions during the lifecycle of a machine. The highest transport emissions are associated with machine deliveries from the Vieremä factory to customers and the transport of machines between stands. During maintenance, the most significant environmental factors are the oils, tyres and spare parts used in the machines.

High-quality operator training and instructions, combined with professional maintenance services, significantly improve the productivity and smooth flow of work as well as safety. Operator training also ensures that working methods and the forest machine and its equipment are suitable for each logging site in the best possible manner and that the harvesting results support sustainable forestry.

### CTL harvesting

PONSSE forest machines are based on the Cut-to-Length (CTL) harvesting method. Machines have been developed to utilise the highly valuable wood raw material and cause the least harm at the logging site.



# Board of Directors, 31 December 2022

The Board was selected by the Annual General Meeting on 7 April 2022.

### Selecting Board members

According to the Articles of Association, the Ponsse Plc Board consists of at least five and at most eight members. The Board members are selected by the Annual General Meeting which – according to the Articles of Association – must be held by the end of June each year. The period of office of the Board members ends at the next Annual General Meeting. The Board selects a chairperson for the period of office from among its members.

### Board meetings

During the year under review, the Board convened 14 times. The Board members actively participated in the meetings – the attendance rate was 94.4%.

### Chairman of the Board



**JARMO VIDGREN**, b. 1975

Commercial College Graduate in Marketing  
Ponsse Plc, Board Member since 2020  
Shareholding in Ponsse Plc on 31 December 2022:  
3,684,263 shares

#### Work experience

Ponsse Plc, Group Sales and Marketing Director and Vice President 2008–2020  
Ponsse Plc, Area Director, North-European business area 2007–2008  
Ponsse Plc, Sales Director, Finland 2004–2008  
Ponsse Plc, Area Sales Manager 2001–2004  
Ponsse AB, Warranty Handler and Area Sales Manager; used machines 1999–2001  
Ponsse Plc, Warranty Handler 1997–1999

#### Other key positions of trust

Einari Vidgren Oy, Board Member  
Lumon Oy, Board Member  
Savonmaan Puolesta Oy, Board Member

### Deputy Chairman of the Board



**MAMMU KAARIO**, b. 1963

Board professional  
Master of Law, MBA  
Ponsse Plc, Board Member since 2010  
Shareholding in Ponsse Plc on 31 December 2022:  
4,500 shares  
Independent of the company and major shareholders

#### Work experience

Partnera Oy, Managing Director 2016–2017  
Korona Invest Oy, Investment Manager 2011–2016  
Unicus Oy, Partner 2006–2011  
Conventum Corporate Finance Oy, Director 1998–2005  
Prospectus Oy, Director 1994–1998  
Kansallis-Osake-Pankki, Specialist 1988–1994

#### Other key positions of trust

Aspo Oy, Deputy Chairman of the Board  
CapMan Oy, Deputy Chairman of the Board  
Gofore Oy, Board Member  
Ilmastorahasto Oy, Board Member  
Lapti Group Oy, Board Member  
Makai Holding Oy, Chairman of the Board  
Puulo Oy, Board Member  
SAKA Finland Group Oy, Chairman of the Board  
Sibelius-Akatemian tukisäätiö ry, Board Member  
Suomen Urheilun tukisäätiö ry, Board Member  
Taideyliopiston sijoituskomitea, Member  
Urhea-halli Oy, Board Member

### Board members



**MATTI KYLÄVAIO**, b. 1974

Keitele Timber Oy, CEO  
M.Sc. (Econ.)  
Ponsse Plc, Board Member since 2016  
Independent of the company and major shareholders

#### Work experience

Keitele Timber Oy, Director of sawmill operations 2014–09/2022  
Keitele Timber Oy, Sales Director 2006–2014  
Keitele Timber Oy, Export Manager 1999–2006

#### Other key positions of trust

Keitele Forest Oy, Board Member



**JANNE VIDGREN**, b. 1968

Commercial College Graduate  
Ponsse Plc, Board Member since 2013  
Shareholding in Ponsse Plc on 31 December 2022:  
3,691,742 shares  
Independent of the company

#### Work experience

Ponsse Plc, Area Director 2007–2017  
Ponsse Plc, Area Export Manager 2001–2007  
Ponsse Plc, Marketing Manager 1994–2001

#### Other key positions of trust

Einari Vidgren Oy, Board Member



**ILPO MARJAMÄE**, b. 1961

M.Sc., Production Systems and Technologies  
Ponsse Plc, Board Member since 7 April 2022  
Independent of the company and major shareholders

#### Work experience

KONE Oyj, Director, Strategic Projects 2019–2020  
KONE Oyj, Senior Vice President, Head of Modernization business 2011–2019  
KONE Oyj, Senior Vice President, Head of Escalator business 2009–2011  
KONE Oyj, Senior Vice President, Head of Supply Operations 2006–2009  
KONE Hissit Oyj, CEO, Finland and The Baltics 2003–2006  
Kone Corporation 1999–2020, various management positions related to strategy and business development, as well as sales, production, and logistics.

#### Other key positions of trust

Hetitec Oy, Board Member



**JUHA VIDGREN**, b. 1970

Master of Pedagogy  
Ponsse Plc, Board Member since 2000  
Shareholding in Ponsse Plc on 31 December 2022:  
6,207,000 shares  
Independent of the company

#### Work experience

Ponsse Plc, Chairman of the Board 2010–2020  
Ponsse Plc, Deputy to the CEO 2003  
Ponsse Plc, Public Relations Manager, Marketing and Communications 2000–2010  
Ponsse Plc, Press Officer 1998–2000

#### Other key positions of trust

Einari Vidgren Foundation, Chairman of the Board  
Einari Vidgren Oy, Chairman of the Board  
Vieremän Kylänoitu Association, Chairman of the Board  
Vieremän Oriyhdistys Association, Chairman of the Board  
Ylä-Savon Hippos Association, Chairman of the Board



**JUHA VANHAINE**, b. 1961

Master's degree in engineering (process technology)  
Ponsse Plc, Board Member since 2018  
Independent of the company and major shareholders

#### Work experience

Apetit Oy, President and CEO 2015–2019  
Stora Enso Oy, Country Director and Board Member 2007–2015  
Stora Enso Oy, Managerial positions 1990–2007  
Kemi Oy, Engineer 1988–1990

#### Other key positions of trust

EKE Rakenus Oy, Board Member  
Koskisen Oy, Chairman of the Board



**JUKKA VIDGREN**, b. 1983

Mutant Koala Pictures Oy, Managing Director  
Bachelor of Culture and Arts  
Ponsse Plc, Board Member since 2011  
Shareholding in Ponsse Plc on 31 December 2022:  
3,764,778 shares  
Independent of the company

#### Work experience

Mutant Koala Pictures, Entrepreneur since 2004

#### Other key positions of trust

Einari Vidgren Foundation, Board Member  
Einari Vidgren Oy, Board Member



Management Team 31 December 2022



JUHO NUMMELA, b. 1977, Chairman

Dr. Tech.  
President and CEO  
Member of the Management Team since 2 Jan. 2005  
Joined Ponsse in 2002  
Previous main positions: Ponsse Plc, Factory Director 2006–2008, Ponsse Plc, Quality and IT Director 2005–2006  
Shareholding in Ponsse Plc on 31 Dec. 2022: 62,541 shares



MARKO MATTILA, b. 1973

Forestry Engineer, MBA  
Sales, Service and Marketing Director  
Member of the Management Team since 1 Jun. 2020  
Joined Ponsse in 2007  
Previous main positions: Ponsse Plc, Director; dealer network development 2018–2020, Ponsse Latin America Ltd., Managing Director 2016–2018, Ponsse Plc, Area Director; NA dealers, Baltics and Chile 2011–2016, Ponsse North America, Inc., Managing Director 2007–2011  
Shareholding in Ponsse Plc on 31 Dec. 2022: 722 shares



MIIKA SOININEN, b. 1981

Student of Technology  
Director, Digital Services and IT  
Member of the Management Team since 1 Dec. 2020  
Joined Ponsse in 2018  
Previous main positions: Ponsse Plc, Manager; IT and Digital Services 2019–2020, Ponsse Plc, IT Manager 2018–2019, Gentinel Finland Oy, Managing Director 2017–2018  
Shareholding in Ponsse Plc on 31 Dec. 2022: 180 shares



PETRI HÄRKÖNEN, b. 1969

M.Sc. (Tech.)  
CFO and Deputy to the CEO  
Member of the Management Team since 1 Oct. 2009  
Joined Ponsse in 2009  
Previous main positions: Suunto Oy, Director; Operations and Quality 2007–2009  
Shareholding in Ponsse Plc on 31 Dec. 2022: 7,670 shares



TAPIO MERTANEN, b. 1965

Technician (technical college), MTD  
Global Service Director  
Member of the Management Team since 3 May 2010  
Joined Ponsse in 1994  
Previous main positions: Ponsse Plc, Distribution Development Director 2007–2010, Ponsse Plc, Service Director 2004–2007, Ponsse Plc, After Sales Manager 1997–2004, Ponsse Plc, Parts Manager 1995–1997  
Shareholding in Ponsse Plc on 31 Dec. 2022: 1,200 shares



TOMMI VÄÄNÄNEN, b. 1973

B. Eng.  
Director, supply chain  
Member of the Management Team since 1 Oct. 2013  
Joined Ponsse in 2013  
Previous main positions: Metso Corporation, Metso Automation, Director; Analyzers Product Group 2010–2013, Director; Kajaani Operations 2006–2010  
Shareholding in Ponsse Plc on 31 Dec. 2022: 6,416 shares



JUHA INBERG, b. 1973

Dr. Tech.  
Director, Technology and R&D  
Member of the Management Team since 1 Jan. 2009  
Joined Ponsse in 2003  
Previous main positions: Ponsse Plc, R&D Engineer 2003–2006, Engineering Manager 2006–2008  
Shareholding in Ponsse Plc on 31 Dec. 2022: 12,796 shares



PAULA OKSMAN, b. 1959

MA  
Director of Human Resources and Ponsse Academy  
Member of the Management Team since 1 Aug. 2005  
Joined Ponsse in 2005  
Previous main positions: Genencor International Oy, Manager of Human Resources 1996–2005, University of Jyväskylä, Continuing Education Centre, Head of Training Division 1987–1996  
Shareholding in Ponsse Plc on 31 Dec. 2022: 4,436 shares

Area directors and subsidiary managing directors 31 December 2022



**FERNANDO CAMPOS**, b. 1982  
Managing Director; Ponsse Latin America Ltd.  
Area Director Brazil  
Joined Ponsse in 2006



**GARY GLENDINNING**, b. 1970  
Managing Director; Ponsse UK Ltd.  
Area Director Ireland  
Joined Ponsse in 1997



**JAKUB HACURA**, b. 1987  
Managing Director; Ponsse Czech s.r.o.  
Joined Ponsse on April 1, 2022



**CARL-HENRIK HAMMAR**, b. 1974  
Managing Director; Ponsse AS  
Joined Ponsse in 2015



**JUSSI HENTUNEN**, b. 1983  
Director; Ponsse retail network  
Joined Ponsse in 2006



**JYRI KYLÄ-KAILA**, b. 1979  
Managing Director; Epec Oy  
Joined Epec in 2019



**RISTO KÄÄRIÄINEN**, b. 1971  
Managing Director; Ponsse China (Beihai Ponsse Trading Co. Ltd.)  
Area Director, Japan  
Joined Ponsse in 2007



**JAAKKO LAURILA**, b. 1970  
Managing Director; OOO Ponsse, until 1 October 2022  
Area Director; Russia and Belarus  
Joined Ponsse in 2002



**JANI LIUKKONEN**, b. 1972  
Country Director; Finland  
Joined Ponsse in 2001



**EERO LUKKARINEN**, b. 1965  
Area Director; North American Dealers  
Joined Ponsse in 2012



**TUOMO MOILANEN**, b. 1965  
Area Director; Austria and Germany  
Joined Ponsse in 2011



**CLÉMENT PUYBARET**, b. 1980  
Sales Manager; used machines, since 20 September 2022  
Managing Director; Ponssé S.A.S, until 19 September 2022  
Joined Ponsse in 2006



**PEKKA RUUSKANEN**, b. 1968  
Managing Director; Ponsse North America Inc.  
Joined Ponsse in 1998



**ANTTI RÄSÄNEN**, b. 1976  
Area Director; Bulgaria, Croatia, Hungary, Italy, Romania, Serbia and Slovenia  
Joined Ponsse in 2002



**TARMO SAKS**, b. 1975  
Area Director; Baltic countries, Poland and Slovakia  
Joined Ponsse in 2019



**JEAN SIONNEAU**, b. 1965  
Managing Director; Ponssé S.A.S  
Joined Ponsse on 20 September 2022



**JANNE TARVAINEN**, b. 1968  
Area Director; Australia, New Zealand, Portugal, South Africa and Spain  
Joined Ponsse in 2017



**MARTIN TOLEDO**, b. 1971  
Managing Director; Ponsse Uruguay Ltd.  
Area Director; Argentina and Chile  
Joined Ponsse in 2005

\* Ponsse Oyj announced on 28 June 2022 that it had sold all the shares of its subsidiary OOO Ponsse, which provided PONSSE services to Russia and Belarus.



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Ponsse's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, IFRS. The financial statements of the parent company have been prepared in accordance with the Finnish Accounting Standards, FAS, which the company conformed with prior to the 2005 financial period. The notes constitute an essential part of the financial statements. A sum of single figures may differ from the totals presented in the financial statements, as all figures have been rounded.



The harvester optimises each trunk according to the order and cuts them to size. The machine interacts with the end customer and can produce all the required assortments in a single pass during felling. The result is a more effective use of the raw material – in quality and quantity – and accurately dimensioned, high-quality timber products according to what is in demand.



INFORMATION FOR SHAREHOLDERS

Ponsse Plc’s Annual General Meeting for 2023 will be held on Wednesday 12 April 2023 at the company’s registered office at Ponssentie 22, FI-74200 Vieremä, Finland, commencing at 11:00 a.m. Finnish time.

ELIGIBILITY TO ATTEND

To be eligible to attend the AGM, shareholders must be registered by 29 March 2023 in the company’s share register maintained by Euroclear Finland Oy. Shareholders who hold shares under their own names are automatically registered in the company’s share register. A shareholder with nominee registration can be temporarily added to the company’s share register. This must be done by 10 a.m. Finnish time on 5 April 2023 for the purpose of attending the AGM. Holders of nominee-registered shares are advised to acquire instructions from their administrator regarding registration in the share register, the issuance of powers of attorney and registration for the AGM in good time.

REGISTRATION

Shareholders wishing to attend the AGM should notify the company of their intention to do so by 4 p.m. Finnish time on Monday 3 April 2023, either by writing to Ponsse Plc, Share Register, FI-74200 Vieremä, Finland, by calling +358 (0)20 768 800 or by contacting the company online at [www.ponsse.com/yhtiokokous](http://www.ponsse.com/yhtiokokous). Written notifications must arrive before the above-mentioned deadline. Please submit any powers of attorney accompanying the advance registration.

DIVIDEND

Ponsse Plc’s Board of Directors will propose to the AGM that a dividend of EUR 0.60 per share be paid for 2022. The dividend shall be paid to all shareholders who are listed in the share register maintained by Euroclear Finland Oy as a company shareholder on the record date, 14 April 2023. The dividend shall be paid on 21 April 2023.

SHARE REGISTER

Ponsse Plc’s shares and shareholders are listed in the shareholder register maintained by Euroclear Finland Oy. Shareholders are requested to report any change of address and other matters related to their shareholding to the book-entry securities register in which they have a book-entry securities account.

FINANCIAL REPORTS IN 2023

In addition to the financial statements and the Annual Report

for 2022, Ponsse Plc will issue three interim reports. Interim reports for the financial period 2023 will be published as follows:

- January–March 25 April 2023
- January–June 15 August 2023
- January–September 24 October 2023

The interim reports will be published in Finnish and English on the Ponsse website at [www.ponsse.com](http://www.ponsse.com).

ORDERING FINANCIAL PUBLICATIONS

This Annual Report is available in Finnish and English. You may order Annual Reports from the following address:

Ponsse Plc  
Ponssentie 22  
FI-74200 Vieremä, Finland  
Tel. +358 (0)20 768 800  
E-mail: [corporate.communications@ponsse.com](mailto:corporate.communications@ponsse.com)

The Annual Report will also be available online at [www.ponsse.com](http://www.ponsse.com).

INVESTOR RELATIONS

Ponsse maintains a silent period, which begins at the end of each reporting quarter and ends at the publication of the result for the quarter or financial period in question. During the silent period, Ponsse does not comment on the company’s financial situation, the market or the outlook. During the period, Ponsse’s top management does not meet representatives of capital markets or financial media or comment on matters concerning the company’s financial situation or the general outlook.

Should you have any questions regarding Ponsse’s business operations, please consult the following people:

Juho Nummela, President and CEO  
Tel. +358 (0)40 049 5690  
E-mail: [juho.nummela@ponsse.com](mailto:juho.nummela@ponsse.com)

Petri Härkönen, CFO  
Tel. +358 (0)50 409 8362  
E-mail: [petri.harkonen@ponsse.com](mailto:petri.harkonen@ponsse.com)

INVESTMENT ANALYSES

The following companies, among others, follow Ponsse as an investment object:  
Carnegie Investment Bank AB, Finland Branch, Inderes Oy, Nordea Bank Finland Plc, OP Bank Plc

BOARD OF DIRECTORS’ REPORT FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

General

Ponsse Group recorded net sales amounting to EUR 755.1 million (in 2021, EUR 608.3 million) and an operating result of EUR 46.6 (50.0) million for the period. Result before taxes was EUR 43.2 (48.1) million. Earnings per share were EUR 1.22 (EUR 1.26).

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.

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

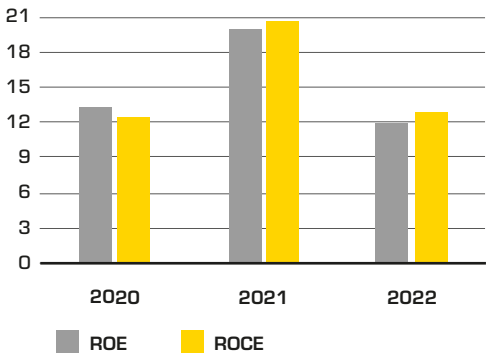
Profit performance

The operating profit amounted to EUR 46.6 (50.0) million. The operating result 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

RETURN ON EQUITY, (ROE) & RETURN ON CAPITAL EMPLOYED, (ROCE)

(%)



Consolidated return on capital employed (ROCE) stood at 12.8 (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. 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 588.6 (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-collaretal bank loans without financial covenants. Consolidated net liabilities totalled EUR 19.8 (-66.1) million, and the debt-equity ratio (net gearing) was 6.1 (-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; Ponssé 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 (established in 2022) 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 authorisation 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 Vidgren acted as Chairman of the Board and Mammu Kaario as Vice Chairman of the Board. Members of the Board were Matti Kylävainio, Ilpo Marjamaa (starting 7 April 2022), Juha Vanhainen, Janne Vidgren, Juha Vidgren and Jukka Vidgren.

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 per cent.

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: Mikhail 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.

Non-financial reporting

Governance and leadership of non-financial information

In our Code of Conduct, we are committed to respecting internationally recognised human rights, including international basic documents on human rights and the ILO Declaration on Fundamental Principles and Rights at Work.

We are also committed to complying with the UN Guiding Principles on Business and Human Rights. We do not accept child labour or other forms of forced labour in any circumstances. If we discover any shortcomings related to human rights, we are committed to intervening in them and engaging in cooperation to develop the activities in question.

Harmonised responsibility practices are ensured based on the company’s Code of Conduct and values. We require Ponsse’s employees and partners to comply with the principles of our Code of Conduct and respect our values whenever they work with or represent Ponsse. Approved in June 2020 by the Board of Directors, compliance with the Code of Conduct is ensured by instructions and training throughout the Ponsse network. The Code of Conduct training is part of the induction programme for our new employees, and the training completion is monitored in annual performance appraisals. The Code of Conduct and its related training will be updated in 2023.

Our ethical business is also supported by our whistleblowing channel, which allows any suspected misuse related to Ponsse and its operations to be reported.

Ponsse’s Board of Directors and management are committed to advancing corporate responsibility. Ponsse’s Board of Directors receives regular updates on the company’s responsibility work and risks and opportunities related to corporate responsibility and approves the key policies and guidelines. The Management Team and the president and CEO are responsible for realising the objectives and business plans decided by the Board of Directors and for upholding corporate responsibility as part of the company’s strategy and risk management work.

The Group’s Management Team is in charge of function-specific responsibility goals, their monitoring and achievement, and the identification of operational risks and opportunities associated with responsibility issues. A chief responsibility officer was appointed in the Group’s Management Team at the beginning of 2023.

We have defined the most important strategic responsibility goals that we seek to achieve through annual function-specific targets and measures as part of the company’s annual strategy process.

Our strategic responsibility goals are:

- we improve the wellbeing of our people;

- we innovate sustainable solutions that respect nature;
- we do not burden nature through our operations; and
- we are a reliable partner who values community.

Ponsse’s responsibility steering group convenes four times a year to review measures related to the promotion, execution and monitoring of responsibility goals. The steering group’s members are the President and CEO, CFO, CHRO and Chief Responsibility Officer, who reports the advancement of responsibility goals to the steering group.

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.

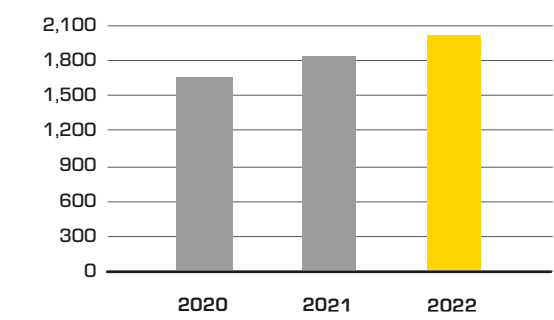
Certified management systems

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.

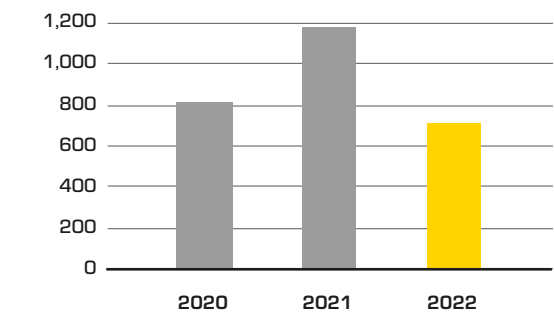
Ponsse Uruguay S.A, part of Ponsse Group, has been ISO 9001 and ISO 45001 certified since 2020. Ponsse Latin America Ltda, our Brazilian subsidiary, was ISO 9001 certified in

AVERAGE NUMBER OR EMPLOYEES



MARKET CAPITALISATION

(MEUR)





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.

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 Board of Directors has approved the company's Code of Governance, which follows the Finnish Corporate Governance Code for listed companies approved by the national Securities Market Association. The purpose of the Code of Governance is to ensure professional corporate governance and the use of high-grade ethical and professional business principles and practices.

The Code of Governance and the remuneration report are publicly available in the investors section of the company's website.

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.

The environment

In 2022, we investigated our emission reduction opportunities and measures and used the results to prepare a carbon neutrality roadmap for lowering our Scope 1 and 2 emissions. Our long-term goal is to reduce the group's carbon footprint by 55 per cent by 2035 compared to our 2022 emissions.

We have used 2019 as the baseline for our emissions calculations, as the company started to calculate the group's emissions during that year. In 2022, we recalculated our 2019 emissions to correspond with our continuing operations, as the company's business was interrupted in Russia as a result of Russia's invasion of Ukraine in March 2022. Other changes that affected our emission calculations in 2022 included the founding of subsidiaries in the Czech Republic and Chile.

In 2022, Ponsse's carbon footprint was 4,310 t CO<sub>2</sub>-eq. or about one per cent lower year-on-year. Compared to our initial carbon footprint calculated in 2019, the reduction was 38 per cent. In 2022, the share of zero-emission energy in our electricity and heating increased to 89.3 per cent.

The carbon footprint of Ponsse Group factories, including Ponsse Plc's Vieremä factory and Epec Oy's Seinäjoki factory, was 259 t CO<sub>2</sub>-eq. in 2022, about four per cent lower year-on-year. We have managed to reduce the carbon footprint of our

EMISSIONS INTO THE AIR

Carbon footprint, t CO <sub>2</sub> -eq.	2022	Change, %	2021	2020
Scope 1	3,681	1%	3,653.4	2,688.9
Scope 2 (market-based)	628.9	-12%	711.3	881.7
Total carbon footprint	4,309.9	-1%	4,364.8	3,570.6
Emission intensity, t CO <sub>2</sub> -eq./M€				
Carbon footprint relative to net sales	5.7	-21%	7.2	6.4
Biogenic emissions, t CO <sub>2</sub> -eq.				
Total biogenic emissions	2,468.5	-11%	2,775.8	2,389.1
Other emissions into the air, t				
Volatile organic compounds (VOC)	9.9	-35%	15.3	13

WASTE

Waste volume, t	2022	Change, %	2021	2020
Non-hazardous waste	2,208.3	-	-	-
For recycling	1,005.1	-	-	-
For energy	1,125.3	-	-	-
For landfill sites	77.9	-	-	-
Hazardous waste	1,698.7	-	-	-
For recycling	1,135.3	-	-	-
For energy	341.9	-	-	-
For landfill sites	221.5	-	-	-
Total waste volume	3,907	-	-	-
Waste recycling and reuse, %				
Waste recycling rate	54.80%	-	-	-
Waste reuse rate (recycling and incineration)	92.30%	-	-	-

Waste information collected at a group level for the first time. Previously, the information was only collected regarding Finland.

factories by a total of 90 per cent compared to 2019 by purchasing certified renewable energy and district heating mainly produced with renewable energy sources and by replacing fossil diesel fuel with renewable diesel.

In 2022, the carbon footprint of our operations in the Nordic countries was 1,931 t CO<sub>2</sub>-eq. or about seven per cent lower year-on-year. Compared to 2019, we have reduced our carbon footprint in the Nordics by 62 per cent, primarily by adopting renewable and zero-emission energy sources.

ENERGY

Energy consumption, GWh	2022	Change, %	2021	2020
Fossil fuels	17.3	7%	16.2	12.4
Petrol	2.4	-6%	2.5	1.4
Diesel	10.9	15%	9.5	8.4
Natural gas	1	+6%*	1	1.1
Liquefied petroleum gas	1	-1%*	1	0.8
Fuel oil	2.1	-3%	2.2	0.8
Renewable fuels	1.6	13%	1.4	1.1
Ethanol	0.1	-51%	0.3	0
Wood chips	0.4	New	-	-
Renewable diesel (HVO)	1	-3%	1.1	1
Renewable fuel oil	0.1	0%	0.1	0.1
Total energy from fuels	18.9	8%	17.5	13.5
Purchased electricity	12.7	5%	12.1	11
Self-generated electricity	0.1	-16%	0.2	0.2
Purchased district heating	7.2	-14%	8.3	6.8
Total electricity and heat	20.1	-3%	20.6	18
Total energy consumption	39	2%	38.1	31.5
Energy intensity, MWh/M€				
Total energy consumption relative to net sales	51.6	-18%	62.8	56.2
Share of zero-emission energy, %				
Zero-emission electricity and heat	89.3	+1.8%	87.5	83.1

\*The change rate has been calculated from unrounded figures.

WATER

Water consumption, 1,000 m³	2022	Change, %	2021	2020
Water consumption	29.7	-7%	31.8	-

child labour or other forms of forced labour in any circumstances. If we discover any shortcomings related to human rights, we are committed to intervening in them and engaging in cooperation to develop the activities in question.

We use an ethical whistleblowing channel maintained by an external service provider to monitor for issues related to our ways of working. The whistleblowing team appointed by Ponsse's Board of Directors processes reports submitted through the channel and forwards them to the Management Team or the Board of Directors, if required. The whistleblowing team consists of the company's internal auditor, CFO and CHRO. The team supervises that reports are processed and consequences are imposed identically in similar cases and that corrective measures are carried out. In 2022, 14 reports were sent through the whistleblowing channel. These reports were anonymous and concerned the following topics: discrimination and harassment (1), misconduct (1), corruption (2), HR procedures and guidelines (2), and privacy protection, the protection of personal data, and security in network and information systems (1), other (6), and irrelevant (1). None of the investigated cases needed to be reported to the authorities, and they were handled internally.

The number of our personnel increased by 2.8% (55 people) from 2021. The most significant changes in personnel resulted from the establishment of the new subsidiaries Ponsse Czech s.r.o. and Ponsse Chile S.p.A. and the suspension of operations at OOO Ponsse, our subsidiary in Russia.

In 2022, the group's lost time injury frequency (LTIF) remained high, 11.8, but we managed to reduce the number of lost-time accidents by 25 per cent. Our objective for occupational safety is to develop our safety culture and thinking and prevent accidents by investing in preventive safety work. We want to be an accident-free company in the future. We are committed to improving occupational safety and health to meet the expectations of our personnel and stakeholders, and we comply with the legislation and the Group's guidelines to ensure a safe working environment in all our operating areas.

In 2022, we harmonised the safety practices of our new subsidiaries Ponsse Czech s.r.o. and Ponsse Chile S.p.A. to conform with the Group's practices. We will also engage in closer cooperation with the Group's international occupational safety and health network to implement a shared safety culture and best safety practices.

Corruption

We are committed to combating corruption in all its forms, including extortion and bribery. We do not use bribes or other unlawful payments, nor do we authorise these payments to gain or maintain business. The company neither offers nor



accepts any favours, gifts, or benefits which could be reasonably assumed to influence our decisions inappropriately or give such an impression. Ponsse employees are instructed in our operating model with the Gift and Hospitality supplement of our Code of Conduct. We train our personnel to prevent corruption through Code of Conduct training, and we evaluate our risks related to corruption.

We do not accept or facilitate money laundering, and we comply with legislation related to the prevention of money laundering everywhere in the world. We conduct business only with reputable parties involved in legitimate business activities, with funds derived from legitimate sources. During the offer and negotiations process, we carry out background checks to ensure that the supplier or its management and owners do not violate any laws or regulations and are not subject to economic sanctions.

KEY PERSONNEL FIGURES <sup>1</sup>				
	2022	Change, %	2021	2020
Group personnel on 31 December	1,988	3%	1,933	1,727
Personnel in Finland, % <sup>2</sup>	58	-5%	61	64
Personnel in other countries, %	42	8%	39	36
Permanent personnel, %	97	0%	97	94
Full-time personnel, %	97	-1%	98	97
Average duration of employment, years	8.0	10%	7.3	7.7
Voluntary employee turnover, %	11.3	57%	7.2	4.0
Average age of personnel, %	39	3%	38	40
The personnel's age distribution				
Under 30 years	22	-8%	24	22
30–49 years	59	5%	56	58
Over 50 years	19	-5%	20	20
Women (Board of Directors/ Management Team/ supervisors), %	13/13/14		14/13/12	
Percentage of women from total personnel, %	12	9%	11	11
Salaries and wages, EUR million	107.9	23%	87.7	78.2
Personnel within the scope of performance reward schemes, %	100	0%	100	100

<sup>1</sup> Continuing operations  
<sup>2</sup> The figure includes the personnel of Epec Oy (176 employees), Ponsse Group's subsidiary in Finland

We require all our suppliers to commit to the Supplier Code of Conduct, which follows our internal Code of Conduct. The codes' requirements cover safety, corruption, the environment, and human rights, among other things.

EU taxonomy regulation reporting

INTRODUCTION

The EU Taxonomy Regulation is a classification system for environmentally sustainable economic activities which requires Ponsse to carry out an assessment based on three of its financial key figures. The Regulation entered into force at the start of 2022. Companies who are required to report according to the Regulation and its climate objectives' technical criteria must publish the share of sustainable activities of their net sales, operational expenses, and investments. The evaluation of taxonomy-compliant business functions was carried out by our sustainability and financial administration in cooperation with an external expert. They evaluated the business of Ponsse and its subsidiaries to identify taxonomy-compliant activities. Regarding operational expenses, our estimate is that the technical criteria cannot be met reliably, and the activities are therefore eligible but not compliant with the taxonomy. Counting figures twice is not a risk due to the limited number of eligible activities.

The Regulation establishes six environmental objectives. The Regulation's climate change mitigation and climate change adaptation criteria were passed as a Delegated Regulation on 4 June 2021. A Delegated Regulation for the other four climate objectives and their screening criteria are expected to be passed in spring 2023.

The Taxonomy Regulation is based on the European Parliament and Council's Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (Taxonomy Regulation).

The reporting for 2022 must include information on the share of taxonomy-eligible activities in the company's net sales, investments and operational expenses based on the screening criteria for climate change mitigation and climate change adaptation. Companies must also publish information on the taxonomy alignment of their economic activities for the first time. Taxonomy-aligned activities are defined as taxonomy-eligible activities that meet the detailed technical screening criteria, do no significant harm to the other environmental objectives and comply with the minimum social safeguards defined in the Taxonomy Regulation.

We have assessed Ponsse's taxonomy eligibility and taxonomy alignment based on the descriptions and NACE codes of the economic activities for the financial period that ended on 31

December 2022. Ponsse's subsidiaries are also included in the assessment. The most important class of activity for Ponsse is 3.6. Manufacture of other low carbon technologies, and at least the following NACE codes in accordance with the EU's classification of economic activities (EU 1893/2006): C22, C25, C27 and C28.

TAXONOMY-ELIGIBLE NET SALES

The Taxonomy Regulation mainly applies to business that has the greatest potential for climate change mitigation or adaptation. Ponsse's economic activities are based on the design, maintenance and manufacturing of forest machines. The emissions caused by the company's activities are not significant, but it is possible for us to affect the emissions caused by the use of the forest machines through innovative product development.

The economic activities of Ponsse's technology company Epec Oy are mainly based on solutions enabling the electrification of utility vehicles and heavy-duty machines, and we have assessed the significant portions of the company's economic activities to be taxonomy-eligible. The Epec Flow Power Distribution Unit (PDU) is used to connect electric motors, batteries, and different types of actuators. The Epec Flow Hybrid Control Unit (HCU) is used to operate electric powertrains to ensure optimal energy efficiency, productivity, and usability.

However, it is currently not possible to provide a breakdown of the net sales for low-emission technologies in the financial reporting of Epec Oy. We will seek to develop the company's reporting in 2023.

We have not identified taxonomy-eligible net sales in our economic activities.

TAXONOMY-ELIGIBLE OPERATIONAL EXPENSES

A significant portion of our product development investments will enable harvesting with lower emissions in the future.

In 2022, Ponsse launched the PONSSE EV1 forwarder, a machine concept with a fully electric powertrain. The concept will result in significant emission reductions through the reduction of fuel consumption in wood harvesting, representing a step towards zero-emission forest machines. Heavy-duty machines with electric powertrains can be classified as "Manufacture of other low carbon technologies" or "Manufacture of renewable energy technologies" if the forest machine meets the technical screening criteria of the Taxonomy Regulation. Our product development costs include personnel costs related to the PONSSE EV1 forwarder project and other business expenses tracked with project identifiers.

Our taxonomy-eligible operational expenses include the purchase of renewable energy and nuclear energy, as well as electric rail transport. These activities are certainly eligible, but

their compliance is not documented by the service providers, and it therefore cannot be verified.

In our operational expenses, we have identified the following as taxonomy-eligible expenses:

- Ponsse EV1 forwarder development costs (personnel, material and other costs)
- Renewable energy and nuclear energy purchasing costs
- Rail transport using renewable energy
- Total expenses: EUR 3,525,993.88

We cannot currently confirm any portion of our net sales or investments to be taxonomy-aligned with a sufficient level of accuracy. The PONSSE EV1 electric forwarder machine concept is in the product development phase, so its final emission reduction potential remains unknown. As part of our product development process, an LCA life-cycle assessment has been carried out for the machine, and the machine concept's fuel consumption has been studied through field testing. The current machine concept has reached a fuel consumption reduction of 25 per cent, resulting in reduced emissions. According to our preliminary assessment, the machine meets most of the taxonomy criteria, and our goal is to further specify our assessment in 2023.

The activities of Epec Oy are aligned with the EU's green transition in many areas. Meeting the taxonomy alignment criteria requires further action, which we aim to work on in 2023.

SOCIAL RESPONSIBILITY REQUIREMENTS

Taxonomy alignment requires companies to comply with the following social responsibility requirements that Ponsse Oyj has publicly committed to in its Code of Conduct:

- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work
- International Bill of Human Rights

We have identified a need to improve our risk assessments in relation to human rights, both within the Ponsse network and our supply chain, to fully verify our compliance with the taxonomy.

The company's Code of Conduct applies to all Ponsse employees and external people, companies, and communities closely connected to Ponsse. The Code of Conduct's obligations are also included in our Supplier Code of Conduct. We are committed to complying with good governance and the legislation and regulations of our country of operation. Ponsse Plc, the parent company of Ponsse Group, is listed on NASDAQ OMX Helsinki Ltd and follows the applicable corporate governance laws and regulations valid in Finland.



Revenue

Economic activities (1)	Codes (2)	Substantial contribution criteria								DNSH criteria ('Does Not Significantly Harm')								Taxonomy-aligned proportion of turnover; Year 2022 (18)	Taxonomy-aligned proportion of turnover; Year 2021 (19)	Category (enabling activity or) (20)	Category (transitional activity) (21)
		Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		€	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/-	T/-	
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-€	0.0%	0.0%	0.0%	-	-	-	-	-	-	-	-	-	-	-	0.0%	0.0%	-	-	
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-€	0.0%																-	-	
Total (A.1 + A.2)		-€	0.0%														0.0%	0.0%	-	-	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
Turnover of Taxonomy-non-eligible activities (B)		755,123,000 €	100%																		
Total (A + B)		755,123,000 €	100%																		

CapEx

Economic activities (1)	Codes (2)	Substantial contribution criteria								DNSH criteria (‘Does Not Significantly Harm’)								Taxonomy-aligned proportion of CapEx, Year 2022 (18)	Taxonomy-aligned proportion of CapEx, Year 2021 (19)	Category (enabling activity or) (20)	Category (transitional activity) (21)
		Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		€	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES				%																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-€	0.0%	0.0%	0.0%	-	-	-	-	-	-	-	-	-	-	-	0.0%	0.0%			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-€	0.0%																		
Total (A.1 + A.2)		-€	0.0%														0.0%	0.0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
CapEx of Taxonomy-non-eligible activities (B)		41,917,000 €	100.0%																		
Total (A + B)		41,917,000 €	100%																		



OpEx

Economic activities (1)	Codes (2)	Substantial contribution criteria								DNSH criteria ('Does Not Significantly Harm')								Taxonomy-aligned proportion of OpEx, Year 2022 (18)	Taxonomy-aligned proportion of OpEx, Year 2021 (19)	Category (enabling activity or) (20)	Category (transitional activity) (21)
		Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		€	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES				%																	
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
3.6 Manufacture of other low carbon technologies	3.6	-€	0.0%	0.0%	0.0%	-	-	-	-	-	-	-	-	-	-	No	0.0%	0.0%	-	-	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)				-€	0.0%	0.0%	0.0%	-	-	-	-	-	-	-	-	No	0.0%	0.0%			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
3.6 Manufacture of other low carbon technologies	3.6	3,525,994 €	1.8%																		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			3,525,994 €																	1.8%	
Total (A.1 + A.2)			3,525,994 €																	1.8%	0.0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
OpEx of Taxonomy-non-eligible activities (B)				191,390,546 €	98.2%																
Total (A + B)				194,916,540 €	100%																

Risk management

Our risk management is based on the company's values and strategic and financial goals. The purpose of risk management is to support the company's strategic objectives and to secure its financial development and the continuity of its business. Ponsse's management conducts an annual risk assessment that includes the sustainability risks and opportunities impacting the company's business. Within them, aspects related to climate change, biodiversity and resource efficiency together with digitalisation and technological development are emphasised.

The purpose of risk management is to identify, assess, and monitor business-related risks that may impact the realisation of the company's strategic and financial objectives or the continuity of business. This information is used to decide what measures will be required to prevent risks and respond to current risks.

Risk management is part of the company's daily business and has been incorporated into its management system. Risk management is directed by the risk management policy approved by the Board of Directors.

A risk is any event that may prevent the company from achieving its objectives or threatens the continuity of business. 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. The company's risk management methods include the avoidance, mitigation, and transfer of risk. Risks may also be managed by controlling and minimising their impacts.

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 risks.

The reorganisation in Russia may be associated with uncertainty regarding the approval process for the sale of foreign-owned companies and compliting 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 recognised. 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 prioritising 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.

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.

Vieremä, 2 March 2023

Ponsse Plc  
Board of Directors

Financial indicators

	IFRS 2022	IFRS 2021	IFRS 2020
Extent of operations, continuing operations			
Net sales, (1,000 EUR)	755,123	608,271	561,380
Change, %	24.1	8.4	-0.1
R&D expenditure, total (1,000 EUR)	27,702	23,786	21,298
of which capitalised (1,000 EUR)	12,692	9,196	9,214
as % of net sales	3.7	3.9	3.8
Gross capital expenditure (1,000 EUR), including discontinued operations	41,917	24,856	20,268
as % of net sales	5.6	4.1	3.6
Average number of employees	2,016	1,825	1,663
Net sales/employee (1,000 EUR)	375	333	338
Order stock, EUR million	353.7	312.6	150.2
Profitability, continuing operations			
Operating profit (1,000 EUR)	46,577	49,998	45,411
as % of net sales	6.2	8.2	8.1
Profit before taxes, (1,000 EUR)	43,219	48,107	32,259
as % of net sales	5.7	7.9	5.7
Profit for the period (1,000 EUR)	34,182	35,171	26,483
as % of net sales	4.5	5.8	4.7
Profitability, including discontinued operations			
Return on equity, % (ROE)	12.0	19.9	13.3
Return on capital employed, % (ROCE)	12.8	20.7	12.4
Financing and financial position, including discontinued operations			
Current ratio	1.8	2.2	1.9
Equity ratio, %	55.0	60.7	54.3
Net gearing, %	6.1	-22.2	-3.6
Interest-bearing liabilities (1,000 EUR)	96,300	54,796	114,525
Non-interest-bearing liabilities (1,000 EUR)	170,547	160,559	104,401

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.

In addition to the consolidated financial statements produced in compliance with IFRS, Ponsse Plc is presenting alternative performance measures to describe the financial development of its business operations and to provide a comparable overall view of the company's profitability, solvency and liquidity, as well as to provide additional information for analysing its result and capital structure.

The alternative performance measures should not be reviewed separately or in lieu of the figures presented in the audited IFRS-compliant financial statements.

The alternative performance measures have not been audited.



Per-share data <sup>1</sup>

	IFRS 2022	IFRS 2021	IFRS 2020
Earnings per share (EPS), EUR, continuing operations	1.22	1.26	0.95
Earnings per share (EPS), EUR, discontinued operations	0.10	0.71	0.21
Earnings per share (EPS), EUR (including discontinued operations)	1.33	1.97	1.15
Equity per share, EUR (including discontinued operations)	11.49	10.62	9.11
Nominal dividend per share, EUR	0.60 <sup>1</sup>	0.60	0.60
Dividend per share adjusted for share issues EUR	0.60 <sup>1</sup>	0.60	0.60
Dividend per earnings, % (including discontinued operations)	45.1 <sup>1</sup>	30.5	52.0
Effective dividend yield, %	2.4 <sup>1</sup>	1.4	2.1
Price/ earnings ratio (P/E) (including discontinued operations)	19.0	21.4	25.3
Share performance			
Lowest trading price	22.80	29.15	19.36
Highest trading price	44.40	48.80	33.00
Closing price	25.30	42.20	29.20
Average price	30.14	40.31	25.23
Market capitalisation, EUR million	708.4	1,181.6	817.6
Dividends paid, EUR million	16.8 <sup>1</sup>	16.8	16.8
Shares traded	1,219,318	1,351,899	2,920,250
Shares traded, %	4.4	4.8	10.4
Weighted average number of shares during			
the period, adjusted for share issues	28,000,000	28,000,000	28,000,000
Number of shares on the closing date,			
adjusted for share issues	28,000,000	28,000,000	28,000,000

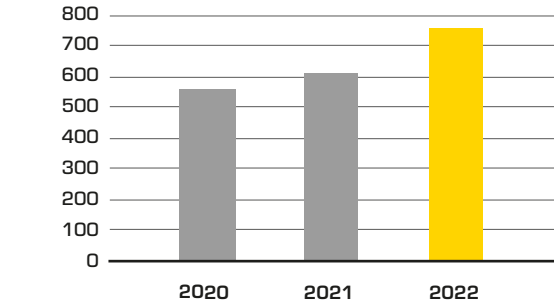
<sup>1</sup> The company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2022.

Formulae for financial indicators

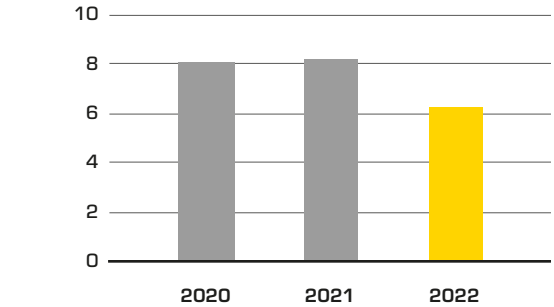
<b>1. Return on equity, % (ROE) (including discontinued operations)</b>	=	$\frac{\text{Net profit for the period}}{\text{Shareholders' equity} + \text{minority interest (average during the year)}}$	<b>x 100</b>
<b>2. Return on capital employed, % (ROCE) (including discontinued operations)</b>	=	$\frac{\text{Profit before taxes} + \text{financial expenses}}{\text{Shareholders' equity} + \text{financial liabilities (average during the year)}}$	<b>x 100</b>
<b>3. Equity ratio, % (including discontinued operations)</b>	=	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advance payments received}}$	<b>x 100</b>
<b>4. Net gearing, % (including discontinued operations)</b>	=	$\frac{\text{Financial liabilities} - \text{cash and cash equivalents}}{\text{Shareholders' equity}}$	<b>x 100</b>
<b>5. Average number of personnel during the financial year</b>	=	Average of the number of personnel at the end of each month from continuing operations. The calculation has been adjusted for part-time employees.	
<b>6. Earnings per share (EPS), continuing operations</b>		$\frac{\text{Net profit from continuing operations for the period} - \text{minority interest}}{\text{Average number of shares during the accounting period, adjusted for share issues}}$	
<b>7. Earnings per share (EPS), discontinued operations</b>		$\frac{\text{Net profit from discontinued operations for the period} - \text{minority interest}}{\text{Average number of shares during the accounting period, adjusted for share issues}}$	
<b>8. Earnings per share (EPS), including discontinued operations</b>	=	$\frac{\text{Net profit for the period} - \text{minority interest}}{\text{Average number of shares during the accounting period, adjusted for share issues}}$	
<b>9. Equity per share (including discontinued operations)</b>	=	$\frac{\text{Shareholders' equity}}{\text{Number of shares at closing of the accounts, adjusted for share issues}}$	
<b>10. Dividend per share, adjusted for share issues (including discontinued operations)</b>	=	$\frac{\text{Dividend per share}}{\text{Adjustment factors for share issues afer financial period}}$	
<b>11. Dividend per earnings, % (including discontinued operations)</b>	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$	<b>x 100</b>
<b>12. Effective dividend yield, %</b>	=	$\frac{\text{Dividend per share, adjusted for share issues}}{\text{Last trading price for the period, adjusted for share issues}}$	<b>x 100</b>
<b>13. Price/ earnings ratio (P/E) (including discontinued operations)</b>	=	$\frac{\text{Last trading price for the period, adjusted for share issues}}{\text{Earnings per share}}$	
<b>14. Market capitalisation</b>	=	Number of shares at end of the financial year multiplied by the closing price on the last trading day of the financial year adjusted for share issues.	
<b>15. Shares traded, %</b>	=	$\frac{\text{Shares traded during the financial period}}{\text{Average number of shares during the period}}$	<b>x 100</b>



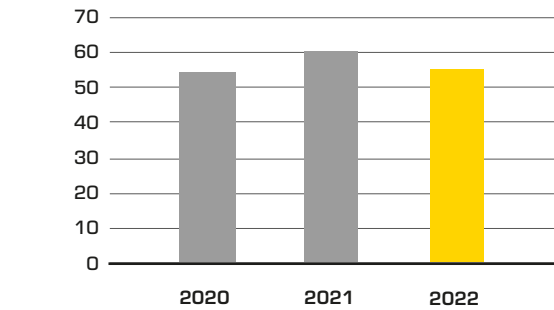
NET SALES  
(MEUR)



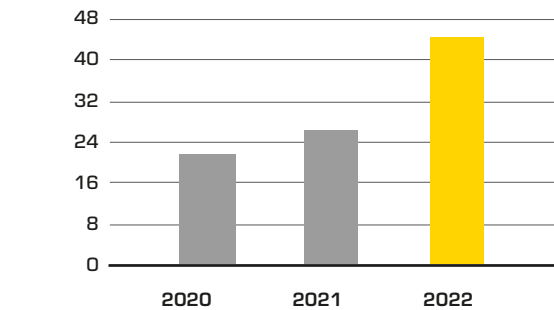
OPERATING PROFIT OF NET SALES  
(%)



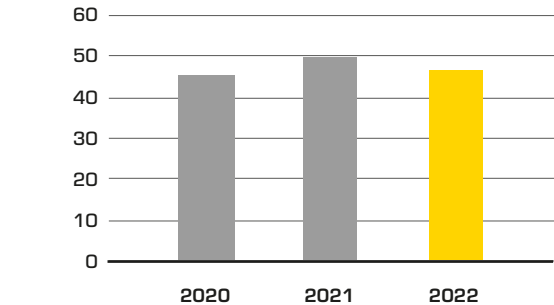
EQUITY RATIO  
(%)



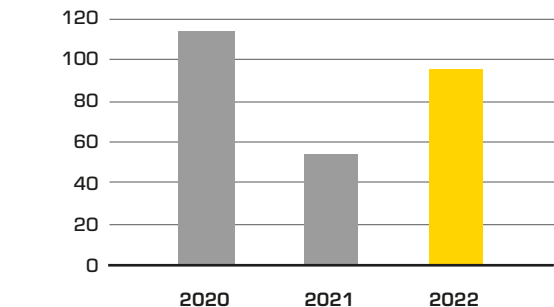
GROSS CAPITAL EXPENDITURE  
(MEUR)



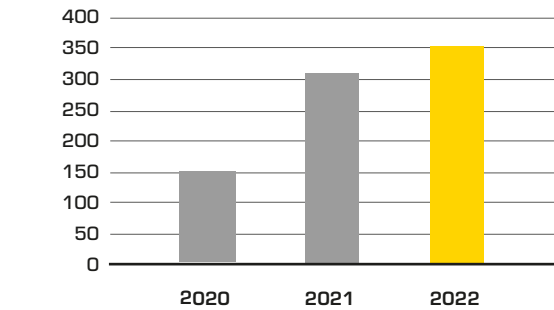
OPERATING PROFIT  
(MEUR)



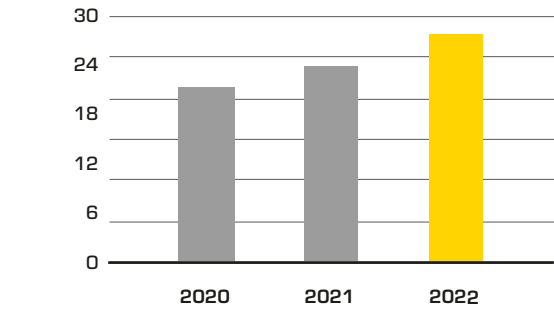
INTEREST-BEARING LIABILITIES  
(MEUR)



ORDER BOOKS  
(MEUR)



R&D EXPENDITURE  
(MEUR)



# Consolidated statement of comprehensive income

(1,000 EUR)	Note <sup>1</sup>	2022	2021
Net sales	2.2	755,123	608,271
Other operating income	2.3	3,677	2,924
Change in inventories of finished goods and work in progress		33,633	12,696
Raw materials and services		-525,040	-411,049
Expenditure on employment-related benefits	3.1, 3.2	-107,873	-87,655
Depreciation and amortisation	4.3	-27,671	-20,140
Other operating expenses	2.4	-85,270	-55,050
Operating profit		46,577	49,998
Financial income and expenses	5.2	-3,504	-1,911
Share of results of associated companies	7.3	147	19
Profit before taxes		43,219	48,107
Income taxes	6.1	-9,037	-12,936
Net profit from the continuing operations	2.5	34,182	35,171
Net profit from the discontinued operations	2.5	2,930	19,903
Net profit 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 financial period		41,467	58,989
Earnings per share calculated from the result belonging to parent company shareholders:			
Diluted and undiluted earnings per share from continuing operations	2.5	1.22	1.26
Diluted and undiluted earnings per share from discontinued operations	2.5	0.10	0.71
Diluted and undiluted earnings per share	2.5	1.33	1.97

<sup>1</sup> The note refers to the Notes to the Accounts on pages 55–85.



## Consolidated statement of financial position

(1,000 EUR)	Note <sup>1</sup>	2022	2021
ASSETS			
Non-current assets			
Tangible assets	4.1	114,732	112,127
Goodwill	4.2	5,707	3,801
Intangible assets	4.2	49,583	42,087
Financial assets	5.3, 5.7	375	373
Investments in associated companies	7.2	881	785
Receivables	4.5	63	173
Deferred tax assets	6.2	4,422	3,360
Total non-current assets		175,763	162,706
Current assets			
Inventories	4.4	229,648	167,414
Trade receivables and other receivables	4.5, 5.7	87,122	60,664
Tax receivable based on taxable income for the period		1,013	938
Cash and cash equivalents	5.4, 5.7	73,451	120,900
Total current assets		391,234	349,916
Assets related to assets held for sale		21,650	0
TOTAL ASSETS		588,648	512,622
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	5.1	7,000	7,000
Treasury shares		-274	-2
Translation differences		12,701	8,347
Other reserves		3,460	3,460
Retained earnings		298,926	278,462
Equity owned by parent company shareholders		321,813	297,267
Non-current liabilities			
Deferred tax liabilities	6.2	942	967
Interest-bearing liabilities	5.5, 5.7	42,484	49,851
Other liabilities	5.7	81	87
Total non-current liabilities		43,507	50,905
Current liabilities			
Interest-bearing liabilities	5.5, 5.7	53,804	4,945
Trade creditors and other liabilities	4.6	153,476	154,054
Income tax liabilities	4.6	4,664	901
Provisions	4.8	10,647	4,550
Total current liabilities		222,591	164,450
Liabilities related to assets held for sale		738	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		588,648	512,622

<sup>1</sup> The note refers to the Notes to the Accounts on pages 55–85.

## Consolidated statement of cash flows

### CONTINUING AND DISCONTINUED OPERATIONS

(1,000 EUR)	Note <sup>1</sup>	2022	2021
Cash flows from operating activities:			
Net profit for the period		37,113	55,073
Adjustments:			
Financial income and expenses	5.2	5,893	1,836
Change in provisions		6,291	-429
Share of the result of associated companies	7.2	-147	-19
Depreciation and amortisation	4.3	28,853	25,251
Income taxes	6.1	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 investing 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	5.1	-16,800	-16,800
Net cash flows from financing activities (C)		20,191	-80,943
Change in cash and cash equivalents (A+B+C)			
Cash and cash equivalents 1 Jan		120,900	123,611
Impact of changes in exchange rates		220	-116
Cash and cash equivalents 31 Dec	4.1, 5.4	76,545	120,900

<sup>1</sup> The note refers to the Notes to the Accounts on pages 55–85.

<sup>\*)</sup> 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

(1,000 EUR)		Equity owned by parent company shareholders					
	Note <sup>1</sup>	Share capital	Share premium account and other reserves	Translation differences	Treasury shares	Retained earnings	Shareholders' equity total
Shareholders' equity, 1 Jan 2022		7,000	3,460	8,347	-2	278,462	297,267
Comprehensive result:							
Net result for the period		0	0	0	0	37,113	37,113
Other items included in total comprehensive result:							
Translation differences		0	0	4,353	0	0	4,353
Total comprehensive result for the period		0	0	4,353	0	37,113	41,467
Direct entries to retained earnings		0	0	0	0	89	89
Transanctions with shareholders							
Share Plan		0	0	0	0	63	63
Dividend distribution	5.1	0	0	0	0	-16,800	-16,800
Acquisition of treasury shares*	3.3, 5.1	0	0	0	-272	0	-272
Transanctions with shareholders in total		0	0	0	-272	-16,737	-17,009
Other changes		0	0	0	0	0	0
Shareholders' equity, 31 Dec 2022		7,000	3,460	12,701	-274	298,926	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		0	0	0	0	55,073	55,073
Other items included in total comprehensive result:							
Translation differences		0	0	3,916	0	0	3,916
Total comprehensive result for the period		0	0	3,916	0	55,073	58,989
Direct entries to retained earnings		0	0	0	0	7	7
Transanctions with shareholders							
Share Plan		0	0	0	0	33	33
Dividend distribution	5.1	0	0	0	0	-16,800	-16,800
Acquisition of treasury shares	3.3, 5.1	0	0	0	0	0	0
Transanctions with shareholders in total		0	0	0	0	-16,767	-16,767
Other changes		0	0	0	0	0	0
Shareholders' equity, 31 Dec 2022		7,000	3,460	8,347	-2	278,462	297,267

<sup>1</sup> The note refers to the Notes to the Accounts on pages 55–85.

\*1) Treasury shares procured for incentive schemes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting principles

**Basic information on the Group**

Ponsse Group is a sales, maintenance, technology and industrial company committed to creating success for its customers and determined to secure its position as a global leader in the field of environmentally friendly cut-to-length forest machines. The Ponsse Group includes the parent company Ponsse Plc as well as the wholly-owned subsidiaries Ponsse AB in Sweden, Ponsse AS in Norway, Ponssé S.A.S. in France, Ponsse UK Ltd. in Great Britain, Ponsse Machines Ltd. in Ireland, Ponsse North America Inc. in the United States, Ponsse Latin America in Brazil, OOO Ponsse in Russia, Ponsse Asia-Pacific Ltd in Hong Kong, Ponsse China Ltd in China, Ponsse Uruguay S.A. in Uruguay, Ponsse Chile SpA in Chile, Ponsse Czech s.r.o in Czech Republic and Epec Oy in 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.

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. (Note 4.1)

The Group's parent company is Ponsse Plc, a Finnish public limited company established in accordance with Finnish legislation. Ponsse Plc's shares are listed on the NASDAQ OMX Nordic List. The parent company is headquartered in Vieremä and its registered address is Ponssentie 22, 74200 Vieremä.

Copies of the consolidated financial statements are available on the Internet at [www.ponsse.com](http://www.ponsse.com) and can be requested from the Group's head office at Ponssentie 22, 74200 Vieremä.

Ponsse Plc's Board of Directors approved the disclosure of these financial statements at its meeting on 2 March 2023. According to the Finnish Companies Act, shareholders have the option to approve or reject the financial statements

at a General Meeting of Shareholders to be held after the disclosure. The General Meeting of Shareholders may also amend the financial statements.

**Accounting policies**

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2022. In the Finnish Accounting Act and regulations enacted by virtue of the Act, International Financial Reporting Standards refer to the standards approved for use in the European Union in accordance with the procedure specified in the EU regulation (EC) No 1606/2002. The notes to the financial statements are also in compliance with Finnish legislation concerning accounting and corporate law. This legislation complements the IFRS regulations.

The information in the consolidated financial statements is presented in thousands of euro and is based on original acquisition costs, with the exception of financial assets and liabilities as well as derivative contracts that are measured at fair value. The financial statements have been presented in accordance with the profit and loss account by type of expense.

The consolidated financial statements have been prepared in compliance with the same accounting principles as in 2021 apart from the following new standards, interpretations and amendments to existing standards valid as of 1 January 2022.

The Group has adopted following standards and standard amendments in the beginning of year 2022.

— IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent. A subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.



- IFRS 9 *Financial Instruments* – Fees in the ‘10 per cent’ test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the ‘‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
- IFRS 16 *Leases* – *Lease incentives* – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.
- Proceeds before Intended Use – Amendments to IAS 16 *Property, Plant and Equipment* (effective for financial years beginning on or after 1 January 2022).

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items.

- Reference to the Conceptual Framework – Amendments to IFRS 3 *Business Combinations* (effective for financial years beginning on or after 1 January 2022).

The amendments update a reference in IFRS 3 and makes further reference-related amendments.

The amendments had no material impact on the consolidated financial statements.

Foreign currency translation

The figures indicating the earnings and financial position of Group entities are measured in the currency of each unit’s primary operating environment (“functional currency”). The consolidated financial statements are presented in euro, which is the operating and presentation currency of the Group’s parent company.

Transactions denominated in a foreign currency

Transactions denominated in a foreign currency have been converted into the functional currency at the exchange rate valid on the transaction date. In practice, the applicable exchange rate is often a near estimate of the rate valid on the transaction date. Monetary items in a foreign currency have been converted into the functional currency at the exchange rates valid on the closing date of the reporting period. Non-monetary items in a foreign currency are measured at the exchange rates valid on the transaction date. Gains and losses originating from business transactions in a foreign currency and the conversion of monetary items are recognised through profit or loss. Exchange rate gains and losses from operations, as well as exchange rate gains and losses on foreign currency loans, are included in financial income and expenses.

Conversion of the financial statements of foreign Group companies

The income and expense items in the comprehensive profit and loss accounts of non-Finnish consolidated companies have been converted into euro at the average exchange rate of the accounting period, and their balance sheets have been converted at the exchange rate quoted on the closing date of the accounting period. The different exchange rates applicable to the conversion of profit on the profit and loss account and balance sheet result in a translation difference recognised in shareholders’ equity. This change is recognised under other comprehensive profit/loss items. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries, as well as translation differences in equity items accumulated after the acquisition, are recognised under other comprehensive profit/loss items. When a subsidiary is divested in full or in part, accumulated translation differences are recognised through profit or loss as part of the sales gain or loss.

Operating result

The standard IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group has defined it as follows: operating profit is the net amount created by adding other operating income to net sales, subtracting purchase costs adjusted by change in inventories of finished and unfinished products and costs of manufacture for own use, and subtracting costs of employee benefits, depreciation and amortisation, any impairment losses and other operating expenses. All profit and loss items other than the above are presented below operating profit. Exchange rate differences are recognised in financial items.

Accounting estimates and accounting policies requiring consideration by management

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. Furthermore, the application of accounting policies requires consideration.

Group management utilises their best judgement when making decisions regarding accounting policies and their adoption. This refers to those cases in particular where the valid IFRS standards offer several alternative booking, recognition or presentation methods.

Uncertainties connected with estimates

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. These are connected to, for example, the expected development of the Group’s financial operating environment regarding the sales and the level of expenditure. The Group regularly monitors the realisation of estimates and assumptions, as well as changes in the underlying factors, together with the business unit by utilising several internal and external sources of information. Any changes in the estimates and assumptions are recognised in the financial period during which the estimates and assumptions are adjusted, and in all subsequent financial periods.

The essential assumptions concerning the future and crucial factors of uncertainty associated with the estimates on the closing date of the reporting period that will impose a significant risk of substantial changes in the book values of assets and liabilities during the next financial period are given in the notes for each profit and loss account item or balance sheet item. The Group’s most significant management estimates are regarding the measurement of trade receivables, changes in

guarantee provisions, the recognition and measurement of other provisions, the activation of R&D expenses, the accounting of configuration and tailoring expenses for cloud services, the recognition of deferred taxes, the testing of goodwill, and the classification of traded functions as assets held for sale and their measurement at fair value. Group management has deemed these the most important sectors in the financial statements because the compilation principles connected with these issues are the most complex from the Group’s viewpoint, and their adoption requires using the most major estimates and assumptions when, for example, evaluating asset items. Furthermore, the potential impacts of the assumptions and estimates used in these sectors of the financial statements are deemed the greatest.

Application of new and amended IFRS standards

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 *Presentation of Financial Statements* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

- Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 *Making Materiality Judgements* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify the application of materiality to disclosure of accounting policies.

- Definition of Accounting Estimates – Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 *Income Taxes* (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

- Lease Liability in a Sale and Leaseback – *Amendments to IFRS 16 Leases* (effective for financial years beginning on or after 1 January 2024, early application is permitted)

THE MOST IMPORTANT EXCHANGE RATES				
	Closing exchange rate 31 Dec 2022	Average exchange rate 2022	Closing exchange rate 31 Dec 2021	Average exchange rate 2021
SEK	11.12180	10.62583	10.25030	10.14685
NOK	10.51380	10.10272	9.98880	10.18743
GBP	0.88693	0.85370	0.84028	0.86153
USD	1.06660	1.05634	1.13260	1.18506
BRL	5.63860	5.47475	6.31010	6.37819
RUB	79.14900	74.26313	85.30040	87.64787
CNY	7.35820	7.08361	7.19470	7.63882
CLP	909.28000	917.89769	-	-
CZK	24.11600	24.56238	-	-



The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

- Non-current Liabilities with Covenants – Amendments to IAS 1 *Presentation of Financial Statements* (effective for financial years beginning on or after 1 January 2024, early application is permitted)

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require to disclose information about these covenants in the notes to the financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (available for optional adoption, effective date deferred indefinitely)

The amendments address the conflict between the existing guidance on consolidation and equity accounting and require the full gain to be recognised when the assets transferred meet the definition of a ‘business’ under IFRS 3 *Business Combinations*.

Other new or amended standards, improvements or annual improvements applicable from January 1, 2023 or later are not material for the Group’s consolidated financial statements.

## 2. Profitability

### 2.1 Segment information

#### ACCOUNTING PRINCIPLES

##### Segment reporting

The operating segments are reported in a way which is consistent with the internal management reporting used by the Group Management Team in operational decision-making.

##### Revenue recognition

Revenue can be recognised over time or at a specific point in time, with the transfer of control being the key criterion.

- Contracts with customers are itemised
- Separate contractual obligations are itemised
- The contractual transaction price is defined
- The transaction price is allocated to separate performance obligations
- Revenue is recognised when each performance obligation has been met

The most significant part of the Group’s net sales comes from machine sales where revenue is recognised at a specific point in time when control transfers to the customer in accordance with agreement terms. With regard to maintenance services, control transfers over time. However, a significant part of the Group’s maintenance services comprises short-term services. Revenue from long-term maintenance agreements is recognised over time so that the revenue corresponds with the maintenance services carried out by the Group. Agreements may include discounts and other than cash remuneration, i.e. trade-in machines. Discounts are allocated as items adjusting net sales to the period to which sales gains are allocated, and other than cash remuneration is recognised at fair value.

The Group has four 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.

The net sales of the reported operating segments are mainly generated by sales of forest machines and maintenance services. Reported segments do not depart from operating segments.

The Group Management Team assesses the performance of the operating segments on the basis of operating profit (EBIT).

Income from each segment is allocated in accordance with the location of the customer. The expense items include items that can be allocated to the segment on reasonable grounds. Expense items allocated to a segment are based on the normal production degree.

The Group’s reported segments are:

- Northern Europe
- Central and Southern Europe
- North and South America
- Other countries

Pricing between segments is based on fair market price.

#### OPERATING SEGMENTS 2022

(1,000 EUR)	Northern Europe	Central and Southern Europe	North and South America	Other countries	Total
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 profit of the segment	-1,399	18,284	22,740	4,777	44,403
Unallocated items					2,174
Operating profit	-1,399	18,284	22,740	4,777	46,577
Depreciation and amortisation	23,180	927	3,357	207	27,671

#### OPERATING SEGMENTS 2021

(1,000 EUR)	Northern Europe	Central and Southern Europe	North and South America	Other countries	Total
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 profit of the segment	3,294	17,730	26,915	4,167	52,106
Unallocated items					-2,108
Operating profit	3,294	17,730	26,915	4,167	49,998
Depreciation and amortisation	17,104	736	2,072	228	20,140



2.2 Net sales

RECONCILIATIONS

(1,000 EUR)	2022	2021
<b>Net sales</b>		
Net sales of the reporting segments	943,565	861,845
Elimination of income between segments	-188,443	-253,574
<b>Group's net sales, total</b>	<b>755,123</b>	<b>608,271</b>
<b>Operating profit</b>		
Result of the reporting segments	44,403	52,106
Items not allocated to any segment	2,174	-2,108
<b>Group's operating profit, total</b>	<b>46,577</b>	<b>49,998</b>

NET SALES BY INTERNATIONAL BUSINESS OPERATIONS

%	2022	2021
Export share of net sales	79.1	75.9

NET SALES BY CONTRACT TYPE

(1,000 EUR)	2022	2021
Machine sales	569,151	462,330
Service	161,008	127,843
Information systems	24,964	18,098
<b>Total</b>	<b>755,123</b>	<b>608,271</b>

2.3 Other operating income

ACCOUNTING PRINCIPLES
<b>Public subsidies</b> Public subsidies, such as government grants associated with the acquisition of tangible assets, are recognised as deductions in the book values of tangible assets when it is reasonably certain that the subsidies will be received and the Group fulfils the preconditions for receiving such subsidies. The subsidies will be recognised as income during the useful life of the asset items. Any subsidies covering already realised expenses are recognised through profit or loss for the accounting period during which the right to obtain the subsidy arises. Such subsidies are presented in other operating income.
<b>Rental income</b> Rental income is recognised in equal instalments over the rental period

OTHER OPERATING INCOME

(1,000 EUR)	2022	2021
Rental income	266	277
Sales profits on tangible assets	452	360
Public subsidies	1,015	958
Recycling income	368	339
Other	1,577	991
<b>Total</b>	<b>3,677</b>	<b>2,924</b>

2.4 Other operating expenses

OTHER OPERATING EXPENSES

(1,000 EUR)	2022	2021
Voluntary employee expenses	6,028	5,031
Travel expenses	4,606	2,334
Operating and maintenance expenses	15,453	12,432
Shipping and handling expenses	16,599	12,862
Rent expenses	2,025	1,646
Marketing and representation expenses	5,222	3,364
Administrative expenses	9,568	7,299
Saas expenses	3,282	1,183
R&D expenditure	3,841	4,302
Other expense items	18,647	4,598
<b>Total</b>	<b>85,270</b>	<b>55,050</b>

AUDITOR'S REMUNERATIONS

(1,000 EUR)	2022	2021
<b>KPMG</b>		
Auditor's remunerations	249	205
Certificates and statements	7	7
Tax advice	3	9
Other remunerations	16	58
	<b>275</b>	<b>279</b>

Above-mentioned other remunerations than auditor's remunerations paid to KPMG Oy AB amounted to EUR 26 thousand (EUR 74 thousand in 2021).

<b>Other organisations</b>		
Auditor's remunerations	36	34
Certificates and statements	4	4
Tax advice	17	15
Other remunerations	54	24
	<b>110</b>	<b>77</b>
<b>Total</b>	<b>385</b>	<b>356</b>

2.5 Earnings per share

Undiluted earnings per share are calculated by dividing the profit for the financial period belonging to the parent company's shareholders by the weighted average of shares outstanding during the financial period.

(1,000 EUR)	2022	2021
Profit for the financial period belonging to parent company shareholders (1,000 EUR)	37,113	55,073
Weighted average number of shares during the financial period (1,000 pcs)	27,990	28,000
Undiluted earnings per share (EUR/share), continuing operations	1.22	1.26
Undiluted earnings per share (EUR/share), discontinued operations	0.10	0.71
Undiluted earnings per share (EUR/share)	1.33	1.97

In the calculation of earnings per share adjusted for dilution, the weighted average number of shares includes the diluting effect of the conversion of all potential ordinary shares. In year 2021, the Group's share-based incentive scheme did not produce a diluting effect, which means that the earnings per share adjusted for dilution equal the undiluted earnings per share.



## 3. Remuneration

### 3.1 Expenditure on employment-related benefits

ACCOUNTING PRINCIPLES
<b>Pension liabilities</b> The Group's pension schemes are defined contribution plans. Under defined contribution plans, the Group makes fixed payments to a separate entity. Contributions paid to defined contribution pension plans are recognised through profit or loss during the financial period to which the charge applies.
Pension cover for the personnel of the Group's Finnish companies is arranged through statutory pension insurance policies with external pension insurance companies. Foreign Group companies have arranged pensions for their personnel in accordance with local legislation.

#### EXPENDITURE ON EMPLOYMENT-RELATED BENEFITS

(1,000 EUR)	2022	2021
Wages and salaries	87,083	67,983
Pension expenditure defined contribution plans	11,074	10,741
Share plan	95	989
Other social security costs	9,621	7,942
<b>Total</b>	<b>107,873</b>	<b>87,655</b>

#### AVERAGE NUMBER OF STAFF DURING THE FINANCIAL PERIOD

(1,000 EUR)	2022	2021
Employees	789	1,115
Clerical workers	1,227	710
<b>Total</b>	<b>2,016</b>	<b>1,825</b>

### 3.2 Management's employment-related benefits

(1,000 EUR)	2022	2021
Salaries and other short-term employment-related benefits	3,913	3,642
Benefits paid upon termination of employment	0	0
Pension liabilities, statutory and voluntary pension security	1,096	1,008
<b>Total</b>	<b>5,009</b>	<b>4,650</b>

Management's employment-related benefits include salaries and bonuses of the President and CEO, parent company's Management Team and Managing Directors of subsidiaries.

(1,000 EUR)	2022	2021
<b>President and CEO</b>		
Salaries and other short-term employment-related benefits	732	722
Pension liabilities, statutory and voluntary pension security	365	387
<b>Total</b>	<b>1,097</b>	<b>1,108</b>
<b>Compensation of the members of the Board of Directors</b>		
Kaario Mammu	45	45
Kylävainio Matti	38	38
Marjamaa Ilpo (starting 7 April 2022)	28	0
Vanhainen Juha	38	38
Vidgren Janne	38	38
Vidgren Jarmo	48	48
Vidgren Juha	38	38
Vidgren Jukka	38	38
<b>Total</b>	<b>311</b>	<b>283</b>

The President and CEO is included in the performance-based bonus scheme. The bonus is based on a performance target approved by the Board of Directors. The President and CEO's period of notice is six months if service is terminated by the company, or six months if service is terminated by the President and CEO. The terms and conditions of the President and CEO's employment are defined in writing in a service contract approved by the Board of Directors. No loans have been granted to management.

### 3.3 Share-based payment plans

ACCOUNTING PRINCIPLES
The Group has valid an incentive scheme, from which the plan was paid or will be paid partly in the company's shares and partly in cash. The effect of the scheme on profit is disclosed in expenditure on employment-related benefits.

During the financial period 2021, ended the incentive scheme launched in 2018 for the Group's key employees.

During the financial period 2021, the Board of Directors of Ponsse Plc has approved three new Ponsse Group's share-based incentive plans (stock exchange release 17 February 2021):

- CEO's performance-based share ownership plan
- key employee performance-based matching share plan
- Restricted Share Plan

The share-based incentive plans have not been implemented during the financial period 2022.

During the financial period 2021, the Group implemented the restricted share plan, where the reward is based on the participant's valid employment or director contract and the continuity of the employment or service during a restriction period.

The reward will be 3,000 company shares given after the end of a 24 months restriction period. The expenses of the share plan will be recognised as an expense for the restriction period on an accrual basis.

During the financial period, EUR 95 thousand (EUR 76 thousand in 2021) was recognised as an expense of the restricted share plan.

### 3.4 Pension liabilities

The Group did not have any pension obligations.

## 4. Capital employed

### 4.1 Tangible assets

#### 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. 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 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.

The company OOO Ponsse holds cash funds in Russia, which may be subject to currency exchange or other legal restrictions. Therefore, the funds are not available to the parent company and other subsidiaries.

#### PROFIT AND LOSS STATEMENT FROM DISCONTINUED OPERATIONS

(1,000 EUR)	2022	2021
<b>Net sales</b>	32,561	141,727
Other operating income	496	648
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-1,992	-195
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
<b>Operating profit</b>	<b>5,844</b>	<b>25,023</b>
Financial income and expenses	-2,389	75
<b>Profit before taxes</b>	<b>3,456</b>	<b>25,098</b>
Income taxes	-526	-5,195
<b>Net profit for the period</b>	<b>2,930</b>	<b>19,903</b>



THE EFFECT OF DISCONTINUED OPERATIONS  
ON THE STATEMENT OF FINANCIAL POSITION

(1,000 EUR)	31 Dec 2022
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	21,650
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

(1,000 EUR)	2022	2021
Cash flows from operating activities	-10,712	19,881
Cash flows used in investing activities	-798	-989
Cash flows from financing activities	-21	-72
Cash flows for the period under review	-11,532	18,821

ACCOUNTING PRINCIPLES

Tangible assets are recognised at acquisition cost less accumulated depreciation and impairment losses

Expenses incurred from the direct acquisition of tangible assets are included in the acquisition. The acquisition cost of a self-manufactured asset item includes material expenses, direct expenses incurred for employee benefits and other direct expenses incurred for the completion of the tangible assets for the intended use.

If tangible assets consist of several parts whose estimated useful lives differ, each part is treated as a separate item. In such a case, all replacement costs are activated and any remaining book value in connection with replacement is derecognised. In any other cases, costs arising at a later date are included in the book value of tangible assets only if it is likely that the future economic benefits related to the item will benefit the Group and the item's acquisition cost can be reliably defined. Other repair and maintenance costs are recognised through profit or loss as they are realised.

Asset items are depreciated by the straight-line method over their estimated useful life. Depreciation is not booked on land areas. Estimated useful lives are the following:

Buildings	20 years
Machinery and equipment	5 to 10 years

The residual value, useful life and the depreciation method of asset items are reviewed at least upon each closing of the accounts and adjusted, if necessary, to reflect any changes in the expected economic benefit.

Depreciation and amortisation begins when the asset item is ready for use, i.e. when it is in such a location and condition that it can function in the manner intended by management. Depreciation on tangible assets will be discontinued when the item is classified as available for sale in accordance with standard IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Sales gains and losses arising from the decommissioning and transfer of tangible assets is recognised through profit or loss and presented under other operating income and expenses. The sales gain is defined as the difference between the selling price and residual acquisition cost

Lease contracts

Group as lessee

According the standard IFRS 16 *Leases*, the Group recognises non-cancellable leases on the balance sheet. The Group has made use of an easement allowed in the standard according to which short-term leases of assets with minor value do not need to be recognised on the balance sheet. For non-fixed-term leases, the Group only recognises on the balance sheet leases with a term of notice longer than 12 months that do not include a significant sanction related to the termination of the lease agreement.

Group as lessor

Leases where the Group has not substantially transferred the risks and benefits of ownership of the asset to the lessee are included in tangible assets or inventories on the balance sheet. Lease income is recognised through profit or loss in equal instalments over the lease period.

TANGIBLE ASSETS

(1,000 EUR)	Land and water	Buildings	Machinery and equipment	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2022	3,741	113,816	120,343	1,857	239,757
Increase	278	4,113	16,610	12,818	33,819
Acquired operations (note 7.2)	0	736	455	0	1,191
Decrease	0	-40	-3,182	-5,085	-8,307
Transfers between items; assets related to assets held for sale	-486	-5,372	-2,317	-8	-8,183
Exchange rate difference	90	1,008	2,440	31	3,569
Acquisition cost 31 Dec 2022	3,623	114,261	134,349	9,612	261,846

Accumulated depreciation and impairment 1 Jan 2022	0	-47,493	-80,138	0	-127,631
Depreciation and amortisation, continuing operations	0	-6,472	-11,470	0	-17,943
Depreciation and amortisation, discontinued operations	0	-298	-640	0	-938
Accumulated depreciation on decrease and transfers	0	0	-31	0	-31
Exchange rate difference	0	98	-669	0	-571
Accumulated depreciation and impairment 31 Dec 2022	0	-54,165	-92,948	0	-147,113

Book value 1 Jan 2022	3,741	66,323	40,205	1,857	112,126
Book value 31 Dec 2022	3,624	60,095	41,401	9,612	114,732

Acquisition cost 1 Jan 2021	3,601	107,064	108,699	3,068	222,433
Increase	26	5,829	13,042	6,999	25,896
Decrease	-5	-97	-2,217	-8,328	-10,648
Exchange rate difference	119	1,019	819	118	2,076
Acquisition cost 31 Dec 2021	3,741	113,816	120,343	1,857	239,757

Accumulated depreciation and impairment 1 Jan 2021	0	-40,290	-69,961	0	-110,251
Depreciation and amortisation, continuing operations	0	-5,592	-8,267	0	-13,859
Depreciation and amortisation, discontinued operations	0	-1,370	-2,144	0	-3,514
Accumulated depreciation on decrease and transfers	0	0	831	0	831
Exchange rate difference	0	-242	-597	0	-838
Accumulated depreciation and impairment 31 Dec 2021	0	-47,493	-80,138	0	-127,631

Book value 1 Jan 2021	3,601	66,774	38,738	3,068	112,181
Book value 31 Dec 2021	3,741	66,323	40,205	1,857	112,127



RIGHT-OF-USE ASSETS INCLUDED IN TANGIBLE ASSETS,  
BALANCE SHEET VALUES

(1,000 EUR)	Buildings	Machinery and equipment	Total
Book value 1 Jan 2022	7,696	4,579	12,275
Increase	1,992	873	2,865
Acquired operations (note 7.2)	736	0	736
Depreciation and amortisation, continuing operations	-1,904	-1,548	-3,451
Depreciation and amortisation, discontinued operations	-4	-1	-5
Assets related to assets held for sale	-12	0	-12
Exchange rate difference	-49	381	332
Book value 31 Dec 2022	8,455	4,285	12,740
Book value 1 Jan 2021	9,301	1,864	11,165
Increase	451	3,862	4,312
Depreciation and amortisation, continuing operations	-1,992	-1,183	-3,175
Depreciation and amortisation, discontinued operations	-76	-7	-83
Exchange rate difference	13	44	56
Book value 31 Dec 2021	7,696	4,579	12,275

LEASE LIABILITIES, BALANCE SHEET VALUES

(1,000 EUR)	2022	2021
Book value 1 Jan	12,364	11,104
Exchange rate difference	574	206
Increase	3,601	4,312
Interest expense	302	247
Lease payments	-3,759	-3,505
Decrease	0	0
Liabilities related to assets held for sale	-12	0
Book value 31 Dec	13,071	12,364
Non-current lease liabilities	9,192	9,018
Current lease liabilities	3,880	3,346
Total	13,071	12,364

Maturity of lease liabilities is presented in note 5.5, section Due dates and reconciliation of lease liabilities.

AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

(1,000 EUR)	2022	2021
Depreciation charge of right-of-use assets	3,451	3,175
Interest expense	302	247
Expense relating to leases of low-value assets or short-term leases	1,465	1,151
Expense relating to variable lease payments not included in lease liabilities	559	543
Total	5,779	5,116

The Group made use of an easement allowed in the standard according to which short-term leases of assets with minor value do not need to be recognised on the balance sheet. For non-fixed-term leases, the Group only recognises on the balance sheet leases with a term of notice longer than 12 months that do not include a significant sanction related to the termination of the lease agreement.

The rents are discounted using the internal interest rate of the lease contract. If this rate of interest cannot be easily determined, which is often the case in the Group's lease contracts, the interest rate of the lessee's additional credit is used. This refers to the interest rate which the lessee concerned would have to pay when borrowing for an equivalent period and with equivalent guarantees the money required to acquire an asset with a value equivalent to that of the right-of-use asset in a similar economic environment.

4.2 Intangible assets and goodwill

ACCOUNTING PRINCIPLES

Other intangible assets

An intangible asset item is only recognised in the balance sheet at original cost if its acquisition cost can be reliably determined and it is probable that the expected economic benefit from the item will be to the Group's advantage

Intangible assets with a limited useful life are recognised as expenses through profit or loss by straight-line amortisation over their known or estimated useful life. The Group does not have any intangible assets with an unlimited useful life.

The amortisation periods for intangible assets are the following:

Capitalised development expenditure	3 to 10 years
Patents	5 years
Computer software	5 years
Other intangible assets	5 to 10 years

The residual value, useful life and depreciation and amortisation method of asset items are reviewed at least upon each closing of accounts and adjusted, if necessary, to reflect any changes in the expected economic benefit.

Depreciation and amortisation of intangible assets begins when the asset item is ready for use, i.e. when it is in such a location and condition that it can function in the manner intended by management.

The recording of depreciation and amortisation is discontinued when an intangible asset item is classified as held for sale (or included in a group of assignable items classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

R&D expenditure

Research costs are recognised as expenses through profit or loss. Development costs arising from the design of new or more advanced products are capitalised as intangible assets in the balance sheet starting from the time the product is technically feasible, it can be utilised commercially, and future economic benefit is expected from the product. Capitalised development expenditure consists of the costs of materials, labour and testing arising directly from the preparation of an asset for its intended use. Development costs previously recognised as expenses will not be subsequently capitalised.

Amortisation is booked on an item starting from the time it is ready for use. An item that is not yet ready for use is tested annually for impairment. After initial recognition, capitalised development expenditure is measured at original cost less accumulated amortisation and impairment. The useful life of capitalised development expenditure is from three to ten years, during which the capitalised expenditure will be recognised as expenses by straight-line amortisation.

Goodwill

Goodwill arising from business combinations is recognised at the amount by which the consideration paid, share of non-controlling interest holders of the acquiree and previous holding combined exceed the fair value of the acquired net assets.

No amortisation is booked on goodwill but it is tested annually for impairment. For this purpose, goodwill is allocated to cash-generating units. Goodwill is recognised at original cost deducted by impairment.

KEY ESTIMATES AND JUDGEMENTS

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 recognised. 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.

Impairment testing

The Group carries out annual impairment testing of goodwill and unfinished intangible assets, and evidence of impairment is evaluated as presented above in the accounting policies. Recoverable amounts from cash-generating units are determined as calculations based on value in use. The preparation of these calculations requires the use of estimates.



INTANGIBLE ASSETS

(1,000 EUR)	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2022	56,087	2,904	3,651	16,175	10,786	89,603
Increase	11,640	344	704	3,672	17,944	34,305
Transfers between items; assets related to assets held for sale	0	0	0	-18	0	-18
Decrease	0	0	0	0	-16,811	-16,811
Acquisition cost 31 Dec 2022	67,727	3,248	4,355	19,829	11,919	107,079
Accumulated depreciation and impairment 1 Jan 2022	-32,655	-1,814	-3,060	-9,988	0	-47,516
Depreciation and amortisation, continuing operations	-7,092	-306	-292	-2,040	0	-9,729
Depreciation and amortisation, discontinued operations	-166	-7	-3	-68	0	-244
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0
Exchange rate difference	0	0	0	-7	0	-7
Accumulated depreciation and impairment 31 Dec 2022	-39,912	-2,127	-3,355	-12,102	0	-57,496
Book value 1 Jan 2022	23,432	1,090	592	6,187	10,786	42,087
Book value 31 Dec 2022	27,815	1,121	1,001	7,726	11,919	49,583
Acquisition cost 1 Jan 2021	40,381	2,253	3,416	14,294	16,200	76,544
Increase	15,706	650	235	2,151	14,335	33,077
Transfers between items	0	1	0	124	0	125
Decrease	0	0	0	-394	-19,749	-20,143
Acquisition cost 31 Dec 2021	56,087	2,904	3,651	16,175	10,786	89,603
Accumulated depreciation and impairment 1 Jan 2021	-27,266	-1,463	-2,813	-8,291	0	-39,834
Depreciation and amortisation, continuing operations	-4,307	-276	-214	-1,483	0	-6,281
Depreciation and amortisation, discontinued operations	-1,081	-75	-34	-408	0	-1,597
Accumulated depreciation on decrease and transfers	0	0	0	199	0	199
Exchange rate difference	0	0	0	-3	0	-3
Accumulated depreciation and impairment 31 Dec 2021	-32,655	-1,814	-3,060	-9,988	0	-47,516
Book value 1 Jan 2021	13,114	790	604	6,002	16,200	36,710
Book value 31 Dec 2021	23,432	1,090	592	6,187	10,786	42,087

Intangible rights include computer software licence fees, among others. Other intangible assets include fees for computer software tailored for the Group, among others.

Prepayments and unfinished acquisitions include R&D expenditure, patent application expenses and computer software acquisition costs.

ALLOCATION OF GOODWILL

(1,000 EUR)	2022	2021
Goodwill is allocated to the following cash-generating units:		
Northern Europe segment: Epec Oy	3,440	3,440
Northern Europe segment: Business in Norrbotten region, Sweden	333	361
Central and Southern Europe segment: Czech	1,934	0
Total	5,707	3,801

The recognised goodwill value is the amount of acquisition cost exceeding the fair value of identifiable assets and liabilities of the acquired companies at the time of purchase. The goodwill includes intangible assets such as business expertise, customer relationships and synergy values.

Impairment testing

For impairment testing, the recoverable amounts have been determined on the basis of value in use. The cash flow forecast is based on three-year forecasts approved by management. The applicable discount rate before tax is 9-12.5%. The discount rate before tax is determined on the basis of weighted average cost of capital (WACC). Cash flows following the forecast period approved by management have been estimated by extrapolating with a steady growth factor of 2 per cent in the units. The growth factor applied does not exceed long-term realised growth of the sectors in question.

The essential variables used for the calculation of value in use are the following:

1. Budgeted EBITDA – Determined on the basis of forecast EBITDA for the next three years. The value of the variable is based on realised development.
2. Forecast residual value – Determined on the basis of the last budgeted year 2025 and a steady growth factor of 2%. The residual value is not expected to change essentially as continuous product development and anticipated intensification of competition are considered.

3. Discount rate – Determined on the basis of the weighted average cost of capital (WACC) method representing the total cost of equity and liabilities taking into account any specific risks associated with the assets and the sector of business.

Sensitivity analysis for impairment testing

It is the management’s opinion that no reasonably estimated change in any essential variable would result in the recoverable amounts falling below their book value.

R&D EXPENDITURE

(1,000 EUR)	2022	2021
R&D expenditure in total	27,702	23,786
Share activated in the balance sheet	12,692	9,196



4.3 Depreciation, amortisation and impairment

ACCOUNTING PRINCIPLES

Impairments to tangible and intangible assets

On each closing date of a reporting period, the Group estimates whether there is evidence that the value of an asset may have been impaired. If there is such evidence, the amount recoverable from the asset will be estimated. Furthermore, the recoverable amount will be estimated annually for the following assets regardless of whether there is evidence of impairment: goodwill and unfinished intangible assets. The need for impairment is reviewed at the level of cash-generating units, which refers to the lowest level of unit that is mainly independent of other units and whose cash flows can be separated from other cash flows.

The recoverable amount equals the fair value of an asset deducted by costs arising from its sale, or value in use if this is higher. Value in use refers to estimated future net cash flows available from the asset or the cash-generating unit discounted to present value. The applicable discount rate is a rate determined before tax that reflects the market opinion on the time value of money and the specific risks associated with the asset.

An impairment loss is recognised when the book value of an asset exceeds its recoverable amount. Impairment losses are immediately recognised through profit or loss. If an impairment loss is attributable to a cash-generating unit, it is first allocated to reduce the goodwill attributable to the cash-generating unit and then to reduce other asset items within the unit on a pro rata basis. In connection with the recognition of an impairment loss, the useful life of the asset subject to depreciation or amortisation is reassessed. Impairment losses on assets other than goodwill will be reversed if there is a change in the estimates used for determining the recoverable amount from the asset. However, any impairment loss reversal may not exceed the amount that would be the book value of the asset item if the impairment loss were not recognised. Impairment losses recognised on goodwill are not to be reversed under any circumstances.

KEY ESTIMATES AND JUDGEMENTS

Capitalisation of R&D expenditure

On the date of the reporting period, 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.

DEPRECIATION, AMORTISATION AND IMPAIRMENT

(1,000 EUR)	2022	2021
Intangible assets		
Capitalised development expenditure	7,092	4,307
Patents	306	276
Intangible rights	292	214
Other intangible assets	2,040	1,483
Total	9,729	6,281
Tangible assets		
Buildings	6,472	5,592
Machinery and equipment	11,470	8,267
Total	17,943	13,859
Total	27,671	20,140

4.4 Inventories

ACCOUNTING PRINCIPLES

Inventories are valued at acquisition cost or a lower net realisable value. The Average Cost method is used as a basis for calculating the value of materials and supplies in stock. The acquisition cost of finished and unfinished products comprises raw materials, direct expenses due to work performed, other direct expenses, and the appropriate proportion of the variable and fixed overheads of manufacturing at the normal utilised capacity. The inventory of second-hand machines is valued at acquisition cost or a lower probable net realisable value. Net realisable value refers to an estimated sales price available through normal business operations less the estimated costs of finishing the product and the costs of sale.

KEY ESTIMATES AND JUDGEMENTS

On the date of the financial statements, the Group recognises impairment losses according to its best judgement, particularly with regard to trade-in machines. The assessment takes into account the age structure of the trade-in machine stock and the likely selling prices.

INVENTORIES

(1,000 EUR)	2022	2021
Raw materials and consumables	139,650	102,408
Work in progress	28,565	20,984
Finished products/goods	36,494	15,212
Other inventories	31,785	28,810
Assets related to assets held for sale	-6,846	0
Total	229,648	167,414

EUR 3.5 million was recognised as an expense item, which was used to reduce the book value of inventories to correspond to the net realisable value (EUR 3.2 million in 2021).

4.5 Trade receivables and other receivables

KEY ESTIMATES AND JUDGEMENTS

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 Group applies the general model specified in IFRS 9 on recognising expected credit losses.

To determine the expected credit losses, the trade receivables from each customer were grouped on the basis of the probability of credit risk and lateness of payment. The credit loss risk is deemed to have increased significantly if the payment is more than 30 days overdue. A customer-specific assessment of the expected credit loss is made on that basis. The sold machine serving as security is taken into account when determining the credit loss.

The estimates are based on systematic and continuous review of receivables as part of credit risk control. The assessment of credit risks is based on previously realised credit losses, amount and structure of the receivables and short-term financial events and conditions.

RECEIVABLES (NON-CURRENT)

(1,000 EUR)	2022	2021
Trade receivables	0	100
Accrued income	63	73
Total	63	173

Receivables do not have any significant credit risk concentrations.

TRADE RECEIVABLES AND OTHER RECEIVABLES (CURRENT)

(1,000 EUR)	2022	2021
Trade receivables	64,610	43,394
Accrued income	8,258	4,346
Other receivables	11,344	12,830
Derivative contracts held for trading	5,470	94
Assets related to assets held for sale	-2,560	0
Total	87,122	60,664

Definition established of expected credit losses is described in note 5.6. The fair value of receivables is presented in note 5.7.



TRADE RECEIVABLES BY AGE AND ITEMS RECOGNISED AS A CREDIT LOSS

(1,000 EUR)	Non-matured	Matured less than 30 days	Matured 30–90	Matured 91–180 days	Matured 181–360 days	Matured more than 360 days	Total
2022							
Gross book value of trade receivables	47,086	10,053	4,809	288	157	487	62,879
Assets related to assets held for sale	116	6	2,051	50	299	19	2,542
Deductible item concerning expected loss					-305	-506	-811
Net book value of trade receivables	47,202	10,059	6,861	338	151	0	64,610
2021							
Gross book value of trade receivables	34,028	6,426	2,258	599	157	493	43,964
Deductible item concerning expected loss					-76	-493	-569
Net book value of trade receivables	34,028	6,426	2,258	599	81	0	43,394

DEDUCTION THROUGH PROFIT AND LOSS FOR THE LOSS ASSOCIATED WITH TRADE RECEIVABLES:

(1,000 EUR)	2022	2021
Change in the deduction for the expected loss associated with trade receivables	242	-325
Final credit losses	-158	193
Cancelled final credit losses	-84	-44
Discontinued operations	0	137
Total	0	-39

4.6 Trade creditors and other liabilities

TRADE CREDITORS AND OTHER LIABILITIES

(1,000 EUR)	2022	2021
Trade creditors (other financial liabilities)	93,133	89,839
Advances received	3,462	22,937
Other liabilities	14,157	12,255
Accruals and deferred income		
Accrued staff expenses	23,049	21,917
Interest accruals	240	6
Liabilities based on sales contracts	4,047	4,386
Income tax liability	4,664	901
Other accruals and deferred income	15,920	2,422
Derivative contracts held for trading	168	292
Liabilities related to assets held for sale	-700	0
Total	158,140	154,955

4.7 Provisions

ACCOUNTING PRINCIPLES

A provision is recognised when the Group has a legal or factual obligation based on a previous event, the realisation of a payment obligation is probable and the amount of the obligation can be reliably estimated. The amount of the provisions is measured on each closing date and modified according to the best estimate at the time of assessment. Changes in provisions are recognised in the income statement at the same amount as the initial recognition of the provision.

A guarantee provision is recognised upon the sale of a product subject to a guarantee condition. The amount of guarantee provision is based on empirical data on actual guarantee costs.

Other provision is recognised when Group is found to have an onerous contract. An existing obligation under the contract is recognised and measured as a provision.

KEY ESTIMATES AND JUDGEMENTS

Guarantee provision

The guarantee provision is based on realised guarantee expenses. The guarantee period granted for the products is 12 months or 2,000 hours, and defects in the products observed during the guarantee period are repaired at the company's cost. The guarantee provision is based on failure history recorded in the previous years. The guarantee provisions are expected to be used during the next year.

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.

PROVISIONS

(1,000 EUR)	Guarantee provision	Other provisions	Total
31 Dec 2021	4,550	0	4,550
Increase	806	6,483	7,289
Decrease	-1,192	0	-1,192
31 Dec 2022	4,164	6,483	10,647



## 5. Capital structure and financial risks

### 5.1 Notes on shareholders’ equity

ACCOUNTING PRINCIPLES
Share capital is presented as the nominal value of ordinary shares. Expenses associated with the issuance or purchase of equity instruments are presented as an equity reduction item.
The dividend distribution to shareholders proposed by the Board of Directors is recognised as a deduction of shareholders’ equity in the period during which the general meeting of shareholders has approved the dividend.
<b>Treasury shares</b> If the Group buys the company’s own shares, the consideration paid for the shares and any expenses directly resulting from the purchase are deducted from the capital attributable to equity holders until the shares are cancelled or reissued. The value date of treasury shares is their actual date of purchase.  If the shares are reissued, any consideration paid for them will be included in the capital attributable to equity holders, less the amount of direct transaction costs incurred.

The following table is a presentation of the effects of changes in the numbers of shares and equity.

	Number of shares	Share capital	Other reserves	Treasury shares
	(1,000 pcs)	(1,000 EUR)	(1,000 EUR)	(1,000 EUR)
31 Dec 2021	28,000	7,000	3,460	-2
Share-based incentive plan	0		0	-272
31 Dec 2022	28,000	7,000	3,460	-274

The maximum number of shares is 48 million (48 million in 2021). The nominal value of each share is EUR 0.25, and the Group’s maximum share capital is EUR 12 million (EUR 12 million in 2021). The number of shares outstanding is 28 million (28 million in 2021). All issued shares have been paid in full.

All shares are of the same series and each share entitles its holder to one vote at shareholders’ meetings and gives an equal right to dividends.

Ponsse Plc has no outstanding convertible notes or bonds with warrants.

The Ponsse Plc Board of Directors is not currently authorised to increase the share capital or issue convertible notes or bonds with warrants.

The Ponsse Plc Board of Directors is authorised by AGM to decide upon the acquisition of the treasury shares using the company’s unrestricted shareholders’ equity and to decide on the assignment of treasury shares.

Below are descriptions of the equity reserves:

#### Treasury shares

The company holds 10 227 treasury shares.

#### Translation differences

The translation differences reserve comprises translation differences arising from the translation of financial statements of foreign units.

#### Other reserves

Other reserves comprises increase for the issue of the treasury shares related to the share based incentive plan.

#### Dividends

In 2022, a dividend of EUR 0.60 was paid per share, for a total of EUR 16.8 million (in 2021, EUR 0.60 per share, for a total of EUR 16.8 million).The company’s Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2022. The dividend distribution totals to at most EUR 16,8 million.

### 5.2 Financial income and expenses

ACCOUNTING PRINCIPLES
<b>Dividends</b> Dividend income is recognised once the dividend becomes vested.
<b>Exchange rate gains and losses</b> The principles for recognising the exchange rate gains and losses are presented in the notes section 1. Accounting principles, Foreign currency translation.

#### FINANCIAL INCOME

(1,000 EUR)	2022	2021
Dividend income from the investment of non-current assets	3	5
Interest income from loans and receivables	200	81
Exchange rate gains, realised	0	0
Exchange rate gains, unrealised	0	0
Change in the fair value of derivative instruments	2,436	0
Other financial income	3,206	447
<b>Total</b>	<b>5,846</b>	<b>533</b>

Interest swap appreciation of EUR 3.1 million is included in item other financial income.

#### FINANCIAL EXPENSES

(1,000 EUR)	2022	2021
Interest expenses for financial loans	924	544
Exchange rate losses, realised	4,094	214
Exchange rate losses, accruals	2,599	611
Change in the fair value of derivative instruments	0	235
Other financial expenses	1,733	841
<b>Total</b>	<b>9,350</b>	<b>2,443</b>
<b>Financial income and expenses in total</b>	<b>-3,504</b>	<b>-1,911</b>

Accrued exchange rate losses in 2022 mainly consist of measuring the Group’s internal trade receivables in companies Ponsse Latin America Ltda and Ponsse Chile SpA.

### 5.3 Other financial assets

#### OTHER FINANCIAL ASSETS

(1,000 EUR)	Other investments
Acquisition cost 31 Dec 2021	373
Increase	2
Decrease	0
<b>Acquisition cost 31 Dec 2022</b>	<b>375</b>

Other financial assets mainly contain unquoted shares in enterprises serving the company’s operations.

### 5.4 Cash and cash equivalents

#### CASH AND CASH EQUIVALENTS

(1,000 EUR)	2022	2021
Cash in hand and at banks	76,545	120,900
Assets related to assets held for sale	-3,094	0
<b>Total</b>	<b>73,451</b>	<b>120,900</b>



5.5 Interest-bearing liabilities

ACCOUNTING PRINCIPLES
<b>Interest-bearing liabilities</b> Interest-bearing liabilities are classified as short-term liabilities unless the Group has the unconditional right to postpone the payment of the liabilities by at least 12 months from the end of the reporting period.

INTEREST-BEARING LIABILITIES

(1,000 EUR)	2022	2021
<b>Non-current interest-bearing liabilities</b>		
Loans from financial institutions	32,339	39,162
Other liabilities	953	1,671
Lease liabilities	9,192	9,018
<b>Total</b>	<b>42,484</b>	<b>49,851</b>
<b>Current interest-bearing liabilities</b>		
Loans from financial institutions	49,122	641
Other liabilities	803	958
Lease liabilities	3,892	3,346
Liabilities related to assets held for sale	-12	0
<b>Total</b>	<b>53,804</b>	<b>4,945</b>

The fair values for commitments is presented in Note 8.1.

The fair values for liabilities is presented in Note 5.7.

The Group has both floating rate and fixed rate non-collare-tal bank loans.

EUR 15,237 thousand of all liabilities have a fixed interest rate (EUR 15,726 thousand in 2021). Other loans EUR 81,051 thousand (EUR 39,070 thousand in 2021) have a variable interest rate.

DUE DATES AND RECONCILIATION OF LEASE LIABILITIES

(1,000 EUR)	2022	2021
<b>Lease liabilities – total amount of minimum rents</b>		
Within less than twelve months	4,093	3,497
Within one to five years	7,746	8,458
After more than five years	2,002	683
<b>Total</b>	<b>13,840</b>	<b>12,638</b>
<b>Lease liabilities – present value of minimum rents</b>		
Within less than twelve months	3,880	0
Within one to five years	7,304	8,344
After more than five years	1,888	674
<b>Total</b>	<b>13,071</b>	<b>9,018</b>
Financial expenses to be accrued in the future	769	3,620
<b>Total lease liabilities</b>	<b>13,840</b>	<b>12,638</b>

5.6 Management of financing risks

The Group is exposed to several financing risks in its normal course of business. The objective of the Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings. The primary types of financing risks are foreign exchange risk and interest rate risk. The Group uses forward exchange agreements, foreign currency loans and interest rate swaps for risk management. The general principles of the Group's risk management are approved by the Board of Directors of the parent company, and the Group management with the business operations is responsible for their practical implementation. The Group management will identify and assess the risks, and acquire the instruments required for hedging against risks in close cooperation with operating units.

The Group operates internationally and is therefore exposed to transaction risks arising from different foreign exchange positions, as well as risks arising from the conversion of investments in different currencies to the parent company's operating currency. The most important currencies for the Group are the United States dollar (USD), the Swedish krona (SEK), the pound sterling (GBP), the Brazilian real (BRL) and Russian rouble (RUB), of which USD, SEK and GBP are hedged according to Group's hedging policy.

Foreign exchange risks arise from commercial transactions, monetary balance sheet items and net investments in foreign subsidiaries. The equity of the Group subsidiaries is EUR 73.3 million (EUR 88.6 million in 2021), including a dividend of EUR 1.0 million (EUR 1.0 million in 2021) paid to the parent company.

The Group processes foreign currency denominated receivables and liabilities at net amounts for hedging purposes, and hedges them with forward exchange agreements. Hedging transactions are carried out in accordance with written risk management principles approved by Group management. Hedge accounting in accordance with IFRS 9 is not applied to these items (Note 5.2).

The following table is a presentation of the strengthening or weakening of the euro against the United States dollar, the Swedish krona, the pound sterling, Brazilian real and Russian rouble, with all other factors remaining unchanged. The total net position of the aforementioned currencies is -40.5 million euros (-4.7 million euros in 2021).The change percentages reflect average volatility during the previous 12 months. The sensitivity analysis is based on foreign currency assets and liabilities on the balance sheet date. The sensitivity analysis also takes into consideration the effects of currency derivatives, which off-set the effects of exchange rate changes.

The changes would mainly have been caused by exchange rate changes in foreign currency trade receivables and liabilities.

(1,000 EUR)	2022			
<b>Change in EUR exchange rate</b>	<b>Strengthening</b>		<b>Weakening</b>	
Effect on profit after taxes				
USD	8%	-182	7%	170
SEK	4%	67	5%	-88
GBP	3%	-60	4%	90
BRL	7%	2,412	15%	-5,326

(1,000 EUR)	2021			
<b>Change in EUR exchange rate</b>	<b>Strengthening</b>		<b>Weakening</b>	
Effect on profit after taxes				
USD	4%	-129	3%	86
SEK	2%	28	1%	-19
GBP	2%	-46	3%	48
BRL	7%	531	6%	-407

Interest rate risk

The Group's short-term money market investments expose its cash flow to interest rate risk, but the overall effect is not significant. The Group's income and operational cash flows are mainly independent of market interest rate fluctuations. The Group is mainly exposed to interest rate risk associated with the non-current loan portfolio. The Group hedges the interest rate risk associated with future cash flows by interest rate swaps. The degree of hedging is about 34 per cent of all floating rate loans.

(1,000 EUR)		
<b>Sensitivity analysis for floating interest loans:</b>		
Change percentage	+2%	-0.5%
Floating interest loans	-1,303	326
Interest rate swaps	448	-112
<b>Net effect on profit after tax</b>	<b>-855</b>	<b>214</b>



Credit risk

The Group’s policy defines creditworthiness requirements for customers, investment transactions and counterparties to derivatives, as well as investment principles. The Group does not have any significant concentrations of credit risk on receivables because its customer base is wide and geographically diversified. The Group aims at cautious and secured credit granting. As a rule, the sold machine is guarantee for trade receivables until the purchase price has been paid. The Group’s maximum credit risk corresponds to the book value of financial assets at period-end. Trade receivables are presented by age in Note 4.5.

The Group applies the IFRS 9 general model for measuring expected credit losses, according to which probable credit losses are recognised from trade receivables over 30 days overdue and over EUR 10 thousand. To determine the credit loss, the overdue trade receivables are grouped based on payment delay, probability of payment default and secure of the trade receivable. The credit loss risk is deemed to have increased significantly if the payment is more than 30 days overdue. A customer-specific assessment of the expected credit loss is made on that basis. The sold machine serving as security is taken into account when determining the credit loss.

Liquidity risk

The Group aims to continuously estimate and monitor the amount of financing required for business operations in order to maintain sufficient liquid assets for financing the operations and repaying any loans falling due. Group management has not identified significant liquidity risk concentrations in financial assets or sources of financing.

The availability and flexibility of financing is ensured through credit facilities and other financial instruments, as well as through co-operation with several banks. The amount of unused credit facilities on 31 December 2022 was EUR 110.0 million, which equals 79 per cent of the total credit facilities (2021, EUR 140.0 million, 100 per cent). The credit limit facilities mainly mature for renewal every three years. The Group has available an EUR 100 million corporate paper programme, of which EUR 0 million has been taken out. In addition, the group has in use bank account limits worth 3 million euros during the financial period.

The average maturity of the bank loans was 2.7 years (2021, 2.9 years) on 31 December 2022.

The following is a presentation of a contractual maturity analysis regarding financial liabilities. The figures are non-discounted and include both interest payments and repayment of capital including discontinued operations.

	Balance sheet value	Cash flow *	Within less than one year	Within one to five years	After more than five years
(1,000 EUR)					
31 Dec 2022 (EUR 1,000)					
Loans from financial institutions	81,460	80,820	51,046	29,773	0
Other liabilities	1,756	1,775	812	964	0
Lease liabilities	13,071	13,840	4,093	7,746	2,002
Trade creditors and other liabilities	158,053	158,053	158,053		
Derivative contract liabilities	168	168	168		
Off-balance sheet liabilities**	0	6,300	6,300		

	Balance sheet value	Cash flow *	Within less than one year	Within one to five years	After more than five years
(1,000 EUR)					
31 Dec 2021 (EUR 1,000)					
Loans from financial institutions	39,803	40,953	948	40,005	0
Other liabilities	2,629	2,666	971	1,695	0
Lease liabilities	12,364	12,514	3,497	8,344	674
Trade creditors and other liabilities	154,750	154,750	154,750		
Derivative contract liabilities	292	292	292		
Off-balance sheet liabilities**	0	7,404	7,404		

\* contractual cash flow from contracts cleared in gross values  
\*\* maximum cash flow based on off-balance sheet agreements, not taking into account the probability of the payment being realised. Detailed information in Note 8.1.

Capital management

The purpose of the Group’s capital management is to support business through an optimum capital structure by ensuring normal operating conditions and to increase shareholder value with the aim of providing the best possible return. An optimum capital structure also ensures smaller capital costs.

The capital structure can be affected through e.g. dividend distribution. The Group can change and adjust the dividends paid to shareholders or the amount of capital returned to them or the number of new issued shares or decide on selling assets held for sale in order to reduce liabilities.

The Group’s interest-bearing net liabilities at the end of 2022 were EUR 19.8 million (31 Dec 2021: EUR -66.1 million) and net gearing was 6.1 per cent (31 Dec 2021: -22.2 per cent). For calculating net gearing, interest-bearing net financial liabilities were divided by the amount of equity. Net liabilities include interest-bearing liabilities deducted by interest-bearing receivables and liquid assets including discontinued operations.

(1,000 EUR)	2022	2021
Interest-bearing liabilities	96,300	54,796
Interest-bearing receivables	0	0
Cash and cash equivalents	-76,545	-120,900
Net liabilities	19,755	-66,104
Total shareholders' equity	321,813	297,267
Net gearing	6.1%	-22.2%

(1,000 EUR)	Financing liabilities			Other assets		
	Loans	Leases	Sub total	Cash and cash equivalents	Liquid investments	Total
Net liabilities 1 Jan 2022	-42,430	-12,366	-54,796	120,900	0	66,104
Cash flow effects	-40,745	3,755	-36,990	-47,669	0	-84,659
Acquisition – leases	0	-4,130	-4,130	0	0	-4,130
Exchange rate adjustments	-38	-334	-372	220	0	-152
Other changes	0	0	0	0	0	0
Assets/liabilities related to assets held for sale	0	-12	-12	3,094	0	3,082
Net liabilities 31 Dec 2022	-83,213	-13,087	-96,300	76,545	0	-19,755
Net liabilities 1 Jan 2021	-103,421	-11,104	-114,525	123,611	7	9,093
Cash flow effects	61,031	3,113	64,143	-2,594	0	61,549
Acquisition – leases	0	-4,312	-4,312	0	0	-4,312
Exchange rate adjustments	-40	-62	-102	-117	0	-219
Other changes	0	0	0	0	-7	-7
Net liabilities 31 Dec 2021	-42,430	-12,366	-54,796	120,900	0	66,104



5.7 Financial instruments by groups and fair values

ACCOUNTING PRINCIPLES

Financial assets

The Group's financial assets are classified as assets to be recognised at fair value through profit or loss or to be recognised as amortised cost. The classification is based on the purpose of acquiring financial assets and in connection with the original acquisition.

Financial asset items are classified as Financial assets at fair value through profit or loss if they are acquired for trading purposes or if they are categorised as assets to be recognised at fair value through profit or loss upon initial recognition. The Group has classified investments and derivatives to be recognised at fair value through profit or loss. The derivatives are included in current assets and liabilities.

Financial asset items are classified as assets to be recognised as amortised cost if both of the following conditions are met: a) financial asset items are held pursuant to a business model aimed at holding financial assets for the purpose of collecting cash flows based on an agreement and b) the terms of contract for an item belonging to financial assets stipulates for cash flows that will be implemented at specific points in time and that solely involve the payment of capital and the remaining interest on such capital. The Group has classified trade receivables, other receivables and cash as financial assets to be classified as assets to be recognised as amortised cost. In terms of their nature, the financial assets recognised as amortised cost are included in current or non-current assets in the balance sheet - to non-current assets if they are due to mature after more than 12 months.

Impairment of financial assets

With regard to a decline in the value of financial assets, an expected credit loss model is applied.

Interest-bearing liabilities

Interest-bearing liabilities are classified as assets to be recognised at fair value through profit or loss or to be recognised as amortised cost. The Group recognises derivative instruments at fair value through profit or loss. Loans from financial institutions, finance leasing liabilities, accounts payable and other liabilities are recognised as amortised cost.

Derivative contracts and hedge accounting

The Group does not apply hedge accounting pursuant to the IFRS 9 Standard. Derivatives are forward contracts and interest rate swaps that are recognised at fair value through profit or loss. The fair value of the derivatives is recognised in other current assets and liabilities.

[1,000 EUR]			
31 Dec 2022 Balance sheet assets	Assets at fair value through profit or loss	Assets at original amortised cost	Total
Unlisted shares	375	0	375
Derivative instruments	5,470	0	5,470
Trade receivables and other receivables (excluding prepayments)	0	64,610	64,610
Cash and cash equivalents	0	76,545	76,545
Assets related to assets held for sale	0	-5,399	-5,399
Total	5,845	135,755	141,600

31 Dec 2022 Balance sheet liabilities	Assets at fair value through profit or loss	Assets at original amortised cost	Total
Loans (excluding lease liabilities)	0	81,460	81,460
Lease liabilities	0	9,180	9,180
Derivative instruments	168	0	168
Trade creditors and other liabilities (excluding statutory obligations)	0	93,133	93,133
Liabilities related to assets held for sale	0	-738	-738
Total	168	183,035	183,202

[1,000 EUR]			
31 Dec 2021 Balance sheet assets	Assets at fair value through profit or loss	Assets at original amortised cost	Total
Unlisted shares	373	0	373
Derivative instruments	94	0	94
Trade receivables and other receivables (excluding prepayments)	0	43,394	43,394
Cash and cash equivalents	0	120,900	120,900
Total	467	164,294	164,761

31 Dec 2021 Balance sheet liabilities	Assets at fair value through profit or loss	Assets at original amortised cost	Total
Loans (excluding lease liabilities)	0	39,803	39,803
Lease liabilities	0	12,364	12,364
Derivative instruments	292	0	292
Trade creditors and other liabilities (excluding statutory obligations)	0	89,839	89,839
Total	292	142,005	142,297



The Group’s items measured at fair value includes unlisted shares and derivative instruments.

Unlisted shares belong to level 3 and derivative instruments belong to level 2 in the fair value hierarchy.

The nominal values of forward agreements were EUR 58.7 million in 2022 and EUR 27.4 million in 2021.

The following price quotations, assumptions and valuation models have been used for the determination of fair values for financial assets and liabilities presented in the table:

- The book values of current financial assets and liabilities can be considered to correspond to their fair values.
- Unquoted equity investments are measured at acquisition cost as they cannot be measured at fair value through profit and loss. The company evaluates the fair value of equity investments on yearly basis. At the closing date, the original book value of the receivables corresponds to their fair value.
- The fair values of forward exchange agreements are determined using the market prices for agreements of similar duration on the balance sheet date. The fair values of interest rate swaps have been determined using the method of present value of future cash flows, supported by market interest rates and other market information on the balance sheet date.
- The fair values of interest-bearing liabilities have been calculated by discounting the cash flows associated with each liability at the market interest rate on the balance sheet date.

## 6. Income taxes

### ACCOUNTING PRINCIPLES

**Tax based on the taxable income for the period and deferred tax**  
Tax expenses comprise tax based on the taxable income for the financial period and deferred tax. Taxes are recognised through profit and loss, except if they are directly related to items recognised in equity or comprehensive profit and loss account. In such a case, the tax is also recognised under these items. The tax based on the taxable income for the period is calculated on the basis of taxable income in accordance with the tax rate valid in each country.

Deferred taxes are calculated on temporary differences between book value and the tax base. However, no deferred tax will be recognised if the tax arises from the original recognition of an asset or liability in accounting, when it is not a question of a business combination and the recognition of such an asset or liability does not affect the profit in accounting or taxable income at the time the transaction is realised.

Deferred tax is recognised in the case of investments in subsidiaries or associated companies, except if the Group is able to determine the time the temporary difference was eliminated and the extent to which the difference will probably not be eliminated during the foreseeable future.

The most substantial temporary differences arise from the depreciation of tangible assets, as well as adjustments at fair value upon acquisitions.

Deferred tax is calculated at tax rates enacted by the closing date of the reporting period which have in practice been approved by the closing date of the reporting period.

Deferred tax receivables are recognised up to the probable amount of taxable income in the future against which the temporary difference can be utilised. The conditions for recognising a deferred tax liability are estimated in this respect on each closing date of a reporting period.

The Group deducts deferred tax receivables and liabilities from each other only in the case that the Group has a legally enforceable right to set off tax receivables and tax liabilities based on the taxable income for the period against each other and the deferred tax receivables and liabilities are related to income taxes levied by the same tax recipient, either from the same taxpayer or different taxpayers, who intend either to set off the tax receivables and liabilities based on the taxable income for the period against each other, or to realise the receivable and pay the liabilities simultaneously in each such future period during which a significant amount of deferred tax liabilities are expected to be paid or a significant amount of deferred tax receivables are expected to be utilised.

### KEY ESTIMATES AND JUDGEMENTS

**Income taxes**  
Preparing the consolidated financial statements requires the Group to estimate its income taxes separately for each subsidiary. The estimates take into account the tax position and the effect of temporary differences due to different tax and accounting practices, such as allocation of income and provisions for expenses. Deferred tax assets and liabilities are recognised as the result of the differences. The possibilities of utilising a deferred tax asset are estimated and adjusted to the extent that the possibility of utilisation is unlikely.

## 6.1 Income taxes

### INCOME TAXES

(1,000 EUR)	2022	2021
Tax based on the taxable income for the period	10,884	12,281
Taxes from previous financial periods	61	1,069
Deferred taxes	-1,909	-413
<b>Total</b>	<b>9,037</b>	<b>12,936</b>

Reconciliation of tax expenses in the consolidated statement of comprehensive income and taxes calculated at the Group’s domestic tax rate (2022: 20.0%, 2021: 20.0%)

(1,000 EUR)	2022	2021
Profit before taxes	43,219	48,107
Tax calculated using the domestic tax rate	8,644	9,621
Effect of the different tax rates used in foreign subsidiaries	1,185	2,786
Tax-exempt income	-129	-45
Non-deductible expenses	299	422
Tax reliefs and supports	-29	-24
Unbooked deferred tax assets	6,591	3,265
Taxes for previous financial periods	61	1,069
Other items	-7,586	-4,158
<b>Taxes in the consolidated statement of comprehensive income</b>	<b>9,037</b>	<b>12,936</b>

In 2022, the Group’s effective tax rate was affected by consolidation. No deferred tax is recognised for it, because it is treated as a permanent difference. The tax impact of the permanent difference shows on the tax reconciliation on rows “Unbooked deferred tax assets” and “Other items”.

## 6.2 Deferred tax receivables and liabilities

### CHANGES IN DEFERRED TAXES DURING 2022:

(1,000 EUR)			
	<b>31 Dec 2021</b>	<b>Recognised through profit or loss</b>	<b>31 Dec 2022</b>
<b>Deferred tax assets:</b>			
Inventories	2,116	1,602	3,719
Confirmed losses in taxation	683	-88	595
Other items	561	129	690
Tax receivable based on the taxable income for the period	0	-582	-582
<b>Total</b>	<b>3,360</b>	<b>1,061</b>	<b>4,422</b>

	<b>31 Dec 2021</b>	<b>Recognised through profit or loss</b>	<b>31 Dec 2022</b>
<b>Deferred tax liabilities:</b>			
Inventories	0	0	0
Fixed assets	967	1	968
Other items	0	0	0
Liabilities related to assets held for sale	0	-26	-26
<b>Total</b>	<b>967</b>	<b>-25</b>	<b>942</b>

### CHANGES IN DEFERRED TAXES DURING 2021:

(1,000 EUR)			
	<b>31 Dec 2020</b>	<b>Recognised through profit or loss</b>	<b>31 Dec 2021</b>
<b>Deferred tax assets:</b>			
Inventories	1,862	254	2,116
Confirmed losses in taxation	716	-33	683
Other items	498	63	561
<b>Total</b>	<b>3,076</b>	<b>285</b>	<b>3,360</b>

	<b>31 Dec 2020</b>	<b>Recognised through profit or loss</b>	<b>31 Dec 2021</b>
<b>Deferred tax liabilities:</b>			
Inventories	0	0	0
Fixed assets	1,137	-170	967
Other items	0	0	0
<b>Total</b>	<b>1,137</b>	<b>-170</b>	<b>967</b>

No deferred tax has been recognised through shareholders’ equity.

A deferred tax asset of EUR 0.7 million has been recognised for confirmed losses EUR 25.6 million (21.9 million in 2021) associated with the Group’s foreign subsidiaries. The confirmed losses mentioned have no maturity time.



## 7. Group structure

### ACCOUNTING PRINCIPLES

#### Subsidiaries

The consolidated financial statements include the parent company Ponsse Plc and all of its subsidiaries. Subsidiaries are entities in which the Group exercises control. A position of control arises when the Group, by being an investor, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intra-Group shareholdings have been eliminated using the acquisition method. The consideration paid and the identifiable assets and obtained liabilities of the acquiree are measured at fair value at the time of acquisition. Acquisition-related expenses, excluding expenses arising from the issuance of debt or equity securities, are recorded as an expense. The consideration paid does not include business operations processed separately from the acquisition. Their effect has been recognised in connection with the acquisition through profit or loss. Processing of the goodwill arising from subsidiary acquisitions is described in part "Goodwill".

Acquired subsidiaries are included in the consolidated financial statements as of the date the Group acquired a position of control, and divested subsidiaries are included until the date the Group's control is discontinued. All intra-Group business transactions, receivables, liabilities, unrealised gains and internal profit distributions are eliminated during the preparation of the consolidated financial statements. Unrealised losses are not eliminated if they are caused by impairment.

In connection with an acquisition that takes place in phases, the previous interest is measured at fair value and the arising profit or loss is recognised through profit or loss. When the Group loses control of a subsidiary, the remaining investment is measured at fair value on the date when control was lost, and the resulting difference is recognised through profit or loss.

#### Associates

Associates are entities in which the Group exercises significant power: Significant power mainly arises when the Group holds more than 20 per cent of the voting rights in an entity or the Group otherwise has significant power but no position of control.

Associates are consolidated using the equity method. If the Group's share of an associate's loss exceeds the book value of the investment, the investment is recognised in the balance sheet at zero value and loss exceeding the book value is not consolidated unless the Group is committed to the fulfilment of the associate's obligations. An investment in an associate includes the goodwill arising from its acquisition. A share of associate profits corresponding to the Group's share of holding is presented as a separate item after operating profit.

### 7.1 Related party transactions

The Group's related parties include the parent company, subsidiaries and associates. Related parties also include the members of the Board of Directors, the President and CEO and the members of the management team, including their family members and controlled corporations.

The Group's parent and subsidiary relationships are the following:

Name and domicile	Group and parent company share of shares and votes,%
<b>Parent company Ponsse Plc, Vieremä, Finland</b>	
Ponsse AB, Västerås, Sweden	100.00
Ponsse AS, Kongsvinger, Norway	100.00
Ponssé S.A.S., Gondreville, France	100.00
Ponsse UK Ltd., Annan, United Kingdom	100.00
Ponsse Machines Ireland Ltd., Port Laioise, Ireland	100.00
Ponsse North America, Inc., Rhinelander, United States	100.00
Ponsse Latin America Indústria de Máquinas Florestais Ltda, Mogi das Cruzes, Brazil	100.00
ООО Ponsse, St. Petersburg, Russia	100.00
Ponsse Centre, St. Petersburg, Russia (owned by ООО Ponsse)	100.00
Epec Oy, Seinäjoki, Finland	100.00
Ponsse Asia-Pacific Ltd., Hong Kong	100.00
Ponsse China Ltd., Beihai, China (owned by Ponsse Asia-Pacific Ltd.)	100.00
Ponsse Uruguay S.A., Paysandú, Uruguay	100.00
Ponsse Czech s.r.o, Hostinné, Czech (starting from 1.4.2022)	100.00
Ponsse Chile SpA Chillán, Chile	100.00
EAI PON1V Holding Oy, Finland (starting from 5.7.2022)	100.00

### 7.2 Business combinations

#### Ponsse Czech s.r.o

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.

A list of associated companies is presented in Note 7.3. The Group has no joint ventures.

### 7.3 Investments in associated companies

(1,000 EUR)	2022	2021
At beginning of financial period	785	832
Adjustment for previous periods	0	0
Dividens received	-51	-66
Share of the result of the financial period	146	19
<b>At end of financial period</b>	<b>880</b>	<b>785</b>

Information concerning the Group's associated company, its assets, liabilities, net sales and profit:

(1,000 EUR)	2022	2021
<b>Associated company</b>		
Sunit Oy, Kajaani, Finland		
Assets	3,531	2,926
Liabilities	941	544
Net sales	4,010	3,854
Profit for the period	359	129
Share of ownership	34%	34%

Sunit Oy specialises in telematics and manufactures vehicle computers.

## 8. Other notes

### 8.1 Commitments

#### CONTINGENT LIABILITIES

(1,000 EUR)	2022	2021
Guarantees given on behalf of others	0	20
Responsibility of checking the VAT deductions made on real property investments, returns responsibility	6,100	7,272
Other commitments	200	112
<b>Total</b>	<b>6,300</b>	<b>7,404</b>

(1,000 EUR)	2022	2021
Minimum rents due based on other non-cancellable leases	1,047	775

### 8.2 Events after the closing date of the reporting 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.

Parent company’s profit and loss account

(1,000 EUR)	Note <sup>1</sup>	2022	2021
Net sales	2	625,225	582,331
Increase (+)/decrease (-) in inventories of finished goods and work in progress		12,230	13,280
Other operating income	3	2,219	2,055
Raw materials and services	4	-454,723	-417,690
Staff costs	5, 6, 7	-64,918	-64,332
Depreciation, amortisation and impairment	8	-20,039	-17,856
Other operating expenses		-70,114	-42,932
Operating profit		29,880	54,856
Financial income and expenses	10	-3,037	1,687
Profit before extraordinary items		26,843	56,542
Appropriations	11	2,372	1,205
Income taxes	12	-5,771	-11,455
Net profit for the period		23,444	46,292

<sup>1</sup> The note refers to the Notes to the Accounts on pages 89–96.

Parent company’s balance sheet

(1,000 EUR)	Note <sup>1</sup>	2022	2021
ASSETS			
Non-current assets			
Intangible assets	13	45,839	40,212
Tangible assets	13	70,001	74,419
Financial assets	14	17,166	11,782
Total non-current assets		133,006	126,413
Current assets			
Inventories	15	128,348	96,310
Non-current receivables	16	11,031	8,197
Current receivables	16	107,357	58,605
Cash in hand and at banks		52,014	95,633
Total current assets		298,750	258,745
TOTAL ASSETS		431,756	385,158
LIABILITIES			
Shareholders' equity	17, 18		
Share capital		7,000	7,000
Revaluation reserve		841	841
Other reserves		3,458	3,458
Retained earnings		198,724	169,232
Net profit for the period		23,444	46,292
Total shareholders' equity		233,467	226,822
Appropriations	19	167	2,539
Provisions for liabilities and charges	20	4,442	4,833
Creditors			
Non-current creditors	21	21,953	40,671
Current creditors	22	171,727	110,293
Total creditors		193,680	150,964
TOTAL LIABILITIES		431,756	385,158

<sup>1</sup> The note refers to the Notes to the Accounts on pages 89–96.



Parent company’s cash flow statement

(1,000 EUR)	2022	2021
Cash flows from operating activities:		
Operating profit	29,880	54,856
Depreciation, amortisation and impairment	20,039	17,856
Change in provisions	-636	-477
Other adjustments	18,967	729
Cash flow before changes in working capital	68,249	72,963
Change in working capital:		
Increase [-]/decrease [+] in current non-interest-bearing receivables	-69,261	-3,948
Increase [-]/decrease [+] in inventories	-32,038	-18,620
Increase [+] / decrease [-] in current non-interest-bearing liabilities	9,891	37,333
Cash flow from operations before financial items and income taxes	-23,159	87,728
Interest received	981	889
Interest paid	-411	-722
Dividends received	1,051	1,100
Other financial items	-2,222	-343
Direct taxes paid	-2,754	-10,074
Net cash flows from operating activities (A)	-26,513	78,578
Cash flows used in investing activities:		
Investments in tangible and intangible assets	-26,631	-19,536
Proceeds from sale of tangible and intangible assets	33	33
Net cash flows used in investing activities (B)	-26,599	-19,503
Cash flows from financing activities:		
Increase [+] / decrease [-] in current loans	29,845	-60,000
Increase [+] / decrease [-] in non-current loans	-718	-958
Increase [-] / decrease [+] in non-current receivables	-2,835	-65
Dividends paid and other distribution of profit	-16,800	-16,799
Net cash flows from financing activities (C)	9,492	-77,822
Increase [+] / decrease [-] in liquid assets (A+B+C)	-43,619	-18,747
Cash and cash equivalents on 1 Jan	95,633	114,380
Cash and cash equivalents on 31 Dec	52,014	95,633

NOTES TO THE PARENT COMPANY’S ACCOUNTS

1. Accounting policies

Ponsse Plc's financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS). The information in the financial statements is given in thousands of euro and is based on original acquisition costs unless otherwise stated in the accounting policies.

Non-current assets

Non-current assets are recognised in the balance sheet at immediate cost less planned depreciation and amortisation. Planned depreciation and amortisation has been calculated on a straight-line basis over the useful life of the assets. Depreciation and amortisation has been calculated starting from the month during which the asset was taken into use.

The depreciation and amortisation periods are:

R&D expenses	3 to 10 years
Intangible rights	5 years
Other intangible assets	5 years
Buildings and structures	20 years
Machinery and equipment	5 to 10 years

Investments

Subsidiary shares and other shares and participations in the investments of non-current assets are measured at the original acquisition cost or the lower fair value.

Inventories

Inventories are valued at acquisition cost or a lower probable net realisable value. The Weighted Average Cost method is used as a basis for calculating the value of materials and supplies in stock. The acquisition cost of finished and unfinished products comprises raw materials, direct expenses due to work performed, other direct expenses, and the appropriate proportion of the variable and fixed overheads of manufacturing at the normal utilised capacity. The inventory of second-hand machines is valued at acquisition cost or a lower probable net realisable value. Net realisable value refers to an estimated sales price available through normal business operations less the estimated costs of finishing the product and the costs of sale.

Guarantee provision

Probable guarantee expenses in respect of products delivered are booked under provisions for liabilities and charges.

Recognition of sales

Sales are recognised upon the delivery of performance. Items such as indirect taxes and discounts granted have been deducted from the sales revenue before calculating net sales. Exchange rate differences in sales are recognised in financial items.

Leasing expenses

Leasing payments have been recognised as expenses.

R&D expenditure

Development costs that fulfil the capitalisation requirements of Chapter 5, Section 8 of the Accounting Act have been booked under intangible assets in the balance sheet and are subject to amortisation. Research costs are recognised directly as annual expenses.

Pensions

Statutory pension cover for Group employees has been arranged through pension insurance companies and there are no outstanding pension liabilities. Pension insurance contributions have been allocated to match the wages and salaries booked on an accrual basis in the annual accounts.

Derivatives

Derivatives of the parent company include currency derivatives and interest rate swaps. The fair values of the currency derivatives are capitalised and the change of fair values is recognised through profit or loss for the financial period. The fair values of interest rate swaps are presented in notes to the off-balance sheet.

Income taxes

Income taxes have been recognised according to Finnish tax legislation.

Foreign currency items

Business transactions in a foreign currency are recognised at the exchange rate on the transaction date, while receivables and liabilities in the balance sheet are converted at the exchange rate on the balance sheet date. Exchange rate differences arising from the measurement of balance sheet items are booked under financial items in the profit and loss account.

Comparability with the previous year

The data for the financial year 1 January to 31 December 2022 is comparable with the previous year.

2. Net sales by market area

(1,000 EUR)	2022	2021
Northern Europe	236,691	202,948
Southern and Central Europe	134,913	106,112
Russia and Asia	32,100	133,205
North and South America	217,660	137,363
Other countries	3,860	2,703
Total	625,225	582,331

3. Other operating income

(1,000 EUR)	2022	2021
Sales profits on tangible assets	33	33
Public subsidies	865	916
Other	1,321	1,106
Total	2,219	2,055

4. Raw materials and services

(1,000 EUR)	2022	2021
Raw materials and consumables		
Purchases during the financial period	463,622	410,149
Increase [-]/decrease [+] in inventories	-19,808	-5,368
External services	10,910	12,908
Total	454,723	417,690

5. Average number of staff

(1,000 EUR)	2022	2021
Persons		
Employees	476	446
Clerical workers	526	530
Total	1,002	976

6. Staff costs

(1,000 EUR)	2022	2021
Salaries and bonuses	53,655	52,671
Pension costs	9,081	9,221
Other social security costs	2,181	2,440
Total	64,918	64,332

7. Management salaries and remunerations

(1,000 EUR)	2022	2021
President and CEO	732	722
Members of the Board of Directors	413	374
Total	1,145	1,096

8. Depreciation and value adjustments

(1,000 EUR)	2022	2021
Depreciation according to plan	20,039	17,856
Total	20,039	17,856

9. Auditor's remunerations

(1,000 EUR)	2022	2021
	KPMG	KPMG
Auditor's remunerations	85	77
Certificates and statements	7	7
Tax advice	3	7
Other remunerations	16	54
Total	112	144

10. Financial income and expenses

(1,000 EUR)	2022	2021
Dividend income		
From Group companies	1,000	1,033
From associated companies	51	66
From others	0	0
Dividend income, total	1,051	1,100
Interest income and other financial income		
From Group companies	903	890
Change in the fair value of derivative instruments	2,826	985
From others	4,976	3,815
Interest income and other financial income, total	8,706	5,690
Financial income, total	9,757	6,790
Value adjustments of financial securities	0	0
Interest expenses and other financial expenses		
To Group companies	0	0
Change in the fair value of derivative instruments	1,342	2,203
To others	11,452	2,900
Interest expenses and other financial expenses, total	12,794	5,103
Financial expenses, total	12,794	5,103
Financial income and expenses, total	-3,037	1,687
The item "Financial income and expenses" includes exchange rate profit/loss (net)	-3,778	713

11. Appropriations

(1,000 EUR)	2022	2021
Difference between depreciations according to plan and depreciations in taxation	2,372	1,205

12. Income tax

(1,000 EUR)	2022	2021
Income tax on extraordinary items	0	0
Income taxes from actual operation	5,771	11,455
Change in deferred tax asset	0	0
Total	5,771	11,455



### 13. Intangible and tangible assets

INTANGIBLE ASSETS 2022

(1,000 EUR)	Development costs	Patent costs	Intangible rights	Other intangi-ble assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2022	51,509	2,824	2,363	17,272	10,029	83,997
Increase	11,640	311	0	3,642	16,285	31,878
Decrease	0	0	0	0	-16,788	-16,788
Transfers between items	0	0	0	0	0	0
Acquisition cost 31 Dec 2022	63,150	3,135	2,363	20,914	9,526	99,087
Accumulated depreciation on 1 Jan 2022	-28,650	-1,784	-2,051	-10,683	0	-43,168
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0
Depreciation for the accounting period	-6,986	-304	-138	-2,066	0	-9,495
Accumulated depreciation on 31 Dec 2022	-35,636	-2,088	-2,189	-12,749	0	-52,663
Book value 31 Dec 2022	27,513	1,047	174	8,165	9,526	46,424
Book value 31 Dec 2021	22,859	1,040	312	6,589	10,029	40,829

TANGIBLE ASSETS 2022

(1,000 EUR)	Development costs	Patent costs	Intangible rights	Other intangi-ble assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2022	1,618	81,262	86,006	230	1,016	170,132
Increase	0	661	5,124	0	4,793	10,578
Decrease	0	0	0	0	-4,420	-4,420
Transfers between items	0	0	0	0	0	0
Acquisition cost 31 Dec 2022	1,618	81,923	91,129	230	1,389	176,290
Accumulated depreciation on 1 Jan 2022	0	-36,128	-61,044	0	0	-97,172
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0
Depreciation for the accounting period	0	-3,856	-6,688	0	0	-10,544
Accumulated depreciation on 31 Dec 2022	0	-39,983	-67,732	0	0	-107,715
Revaluations	0	841	0	0	0	841
Book value 31 Dec 2022	1,618	42,781	23,397	230	1,389	69,416
Book value 31 Dec 2021	1,618	45,975	24,962	230	1,016	73,801
Book value of operating machinery and equipment						
31 Dec 2022			20,727			
31 Dec 2021			22,490			

A revaluation of EUR 841 thousand was made on 31 August 1994 of the parent company's business premises at Vieremä. Depreciation has not been applied to the revaluation. The revaluation was made on the basis of legislation then in effect because the likely sales price of the premises is permanently and substantially higher than the acquisition cost.

### 14. Financial assets

INVESTMENTS 2022

(1,000 EUR)	Shares in Group companies	Shares in associated companies	Shares, other	Receivables from Group companies	Receivables, other	Total
Acquisition cost 1 Jan 2022	32,617	335	440	0	0	33,391
Increase	5,383	0	0	0	0	5,383
Decrease	0	0	0	0	0	0
Acquisition cost 31 Dec 2022	38,000	335	440	0	0	38,774
Accumulated write-downs 1 Jan 2022	-21,525	0	-84	0	0	-21,608
Decrease	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0
Book value 31 Dec 2022	16,475	335	356	0	0	17,166
Book value 31 Dec 2021	11,092	335	356	0	0	11,782

Group companies

Name and domicile	Company's share of ownership %
Ponsse AB, Västerås, Sweden	100.00
Ponsse AS, Kongsvinger, Norway	100.00
Ponssé S.A.S., Gondreville, France	100.00
Ponsse UK Ltd., Annan, United Kingdom	100.00
Ponsse Machines Ireland Ltd., Ireland	100.00
Ponsse North America, Inc., Rhinelander, United States	100.00
Ponsse Latin America Indústria de Máquinas Florestais Ltda, Mogi das Cruzes, Brazil	100.00
OOO Ponsse, St. Petersburg, Russia	100.00
Ponsse Centre, St. Petersburg, Russia (owned by OOO Ponsse)	100.00
Epec Oy, Seinäjoki, Finland	100.00
Ponsse Asia-Pacific Ltd., Hong Kong	100.00
Ponsse China Ltd., Beihai, China (owned by Ponsse Asia-Pacific Ltd.)	100.00
Ponsse Uruguay S.A., Paysandú, Uruguay	100.00
Ponsse Czech s.r.o, Hostinné, Czech (starting 1 April 2022)	100.00
Ponsse Chile SpA, Chillán, Chile	100.00
EAI PON1V Holding Oy, Finland (starting 5 July 2022)	100.00

All Group companies were consolidated in the parent company's financial statements.

Associates

Name and domicile	Company's share of ownership %
Sunit Oy, Kajaani, Finland	34.00

The associate was consolidated in the parent company's financial statements.

### 15. Inventories

(1,000 EUR)	2022	2021
Raw materials and consumables	80,175	63,941
Work in progress	27,783	20,526
Finished products/goods	9,062	4,074
Other inventories	11,328	7,770
Prepayments	0	0
Total	128,348	96,310

16. Receivables

(1,000 EUR)	2022	2021
Non-current receivables		
Receivables from Group companies		
Loan receivables	11,031	8,197
Non-current receivables, total	11,031	8,197
Current receivables		
Trade receivables	26,514	13,787
Receivables from Group companies		
Trade receivables	72,513	37,708
Other receivables	3,107	4,315
Accrued income		
Grants receivable	471	596
Income tax receivables	0	236
Derivative contracts	2,621	94
Other accrued income	2,131	1,870
Other accrued income, total	5,223	2,796
Current receivables, total	107,357	58,605
Receivables, total	118,388	66,802

In year 2022, the company has measured the net investment to subsidiary Ponsse Latin America Ltda at fair value by recognising EUR 19.0 million credit loss from trade receivables.

17. Shareholders’ equity

(1,000 EUR)	2022	2021
Equity employed		
Share capital on 1 Jan	7,000	7,000
Scrip issue	0	0
Share capital on 31 Dec	7,000	7,000
Share premium account on 1 Jan	0	0
Scrip issue	0	0
Share premium account on 31 Dec	0	0
Revaluation reserve 1 Jan	841	841
Revaluation of non-current assets, change	0	0
Revaluation reserve 31 Dec	841	841
Equity employed, total	7,841	7,841
Shareholders' surplus		
Other reserves 1 Jan	3,458	3,458
Share based incentive scheme, change	0	0
Other reserves 31 Dec	3,458	3,458
Retained earnings on 1 Jan	215,524	186,030
Purchase of treasury shares	0	0
Share based incentive scheme, change	0	0
Dividend distribution	-16,800	-16,799
Retained earnings on 31 Dec	198,724	169,232
Result for the period	23,444	46,292
Shareholders' surplus, total	225,626	218,982
Total shareholders' equity	233,467	226,823

18. Distributable funds

(1,000 EUR)	2022	2021
Retained earnings	198,724	169,232
Result for the period	23,444	46,292
Capitalised R&D expenses	-34,562	-30,201
Total	187,606	185,322

Capitalised R&D expenses are deducted from the distributable funds as of 1 January 2016.

Ponsse Plc’s registered share capital on 31 December 2022 was EUR 7,000,000 divided into 28,000,000 shares each having a nominal value of EUR 0.25. All shares are of the same series and each share entitles its holder to one vote at shareholder meetings and gives an equal right to a dividend.

Ponsse Plc has no outstanding convertible notes or bonds with warrants. The parent company holds 10 227 treasury shares. The Ponsse Plc Board of Directors is not currently authorised to increase the company’s share capital, or issue convertible notes or bonds with warrants.

19. Accumulated appropriations

(1,000 EUR)	2022	2021
Depreciation difference	167	2,539

20. Provisions for liabilities and charges

(1,000 EUR)	2022	2021
Guarantee provision	4,442	4,833
Other compulsory provisions	0	0
Total	4,442	4,833

21. Non-current creditors

(1,000 EUR)	2022	2021
Loans from financial institutions	21,000	39,000
Other loans	953	1,671
Non-current creditors, total	21,953	40,671

Ponsse Oyj has no debts falling due in more than five years.

22. Current creditors

(1,000 EUR)	2022	2021
Loans from financial institutions	48,000	0
Other loans	803	958
Advances received	242	381
Trade creditors	82,132	80,775
Liabilities to Group companies		
Intra-Group trade creditors	5,843	8,259
Liabilities to Group companies, total	5,843	8,259
Other liabilities	1,447	1,402
Accruals and deferred income		
Accrued staff expenses	13,030	13,781
Interest accruals	240	6
Income tax liability	2,781	0
Other accruals and deferred income	17,209	4,731
Accruals and deferred income, total	33,260	18,518
Current creditors, total	171,727	110,293



23. Pledges given, contingent and other liabilities

23.1 Pledges given for own debt

Company has not issued any written security for the external liabilities.

23.2 Leasing commitments

(1,000 EUR)	2022	2021
Leasing payments payable under leasing agreements		
Leasing payments payable during the next financial period	650	489
Leasing payments payable thereafter	699	711
Leasing payments payable under leasing agreements, total	1,349	1,200

23.3 Contingent liabilities on behalf of Group companies

(1,000 EUR)	2022	2021
Guarantees given on behalf of companies within the Group	23	24

The parent company has issued a written security for the external liabilities of its six subsidiaries.

23.4 Pension liabilities

Pension cover for the personnel of the company is arranged with external pension insurance company.

23.5 Other contingent liabilities

(1,000 EUR)	2022	2021
Guarantees given on behalf of others	3,161	2,528
Repurchase commitments	190	299
Other commitments	6,293	7,384
Other contingent liabilities, total	9,645	10,211

The company is responsible for checking the VAT deductions made on real property investments if the taxable usage of the real property is diminished during the auditing period. The maximum amount of the liability is EUR 6,100,484 (EUR 7,271,688) and the last auditing year is 2032 (2031), and this is included in above-mentioned Other liabilities -section.

23.6 Derivative liabilities

(1,000 EUR)	2022	2021
Forward exchange agreements		
Fair value	2,446	10
Value of underlying asset	58,675	27,423
Interest rate derivatives		
Fair value	2,842	-208
Value of underlying asset	28,000	28,000

Derivative contracts are used solely to hedge against foreign exchange and interest rate risks.

SHARE CAPITAL AND SHARES

Ponsse Plc's share capital is EUR 7,000,000 divided into 28,000,000 shares. The nominal value of each share is EUR 0.25. All shares are of the same series and each share entitles its holder to one vote at shareholders' meetings and gives an equal right to dividends.

Ponsse Plc has no outstanding convertible notes or bonds with warrants.

Treasury shares

The parent company holds 10,227 treasury shares. 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.

INCREASES IN SHARE CAPITAL 1994–2022

Subscription period	Method of increase	Nominal value EUR	Number of new shares	Increase in share capital EUR	New share capital EUR
31 August 1994	Scrip issue	0.84	1,300,000	1,093,221.52	2,489,181.31
9–22 March 1995	Scrip issue	0.84	148,000	124,459.07	2,613,640.38
9–22 March 1995	Rights issue targeted at the general public	0.84	392,000	329,648.34	2,943,288.71
16 March 2000	Split 1: 2	0.42	-	0.00	2,943,288.71
16 March 2000	Scrip issue	0.50	-	556,711.29	3,500,000.00
29 November 2004	Scrip issue	0.50	7,000,000	3,500,000.00	7,000,000.00
29 March 2006	Split 1: 2	0.25	-	0.00	7,000,000.00

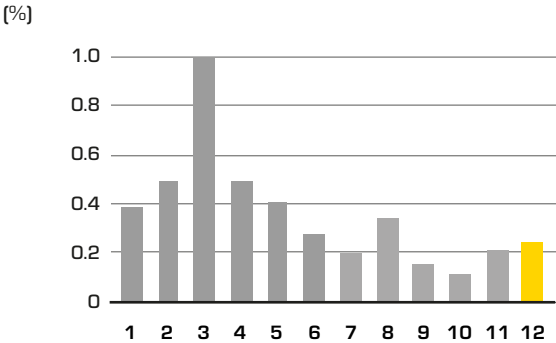
Authorisation to increase share capital

At the end of the financial year, the company's Board of Directors did not have any valid authorisation to increase the share capital or to issue convertible bonds or bonds with warrants.

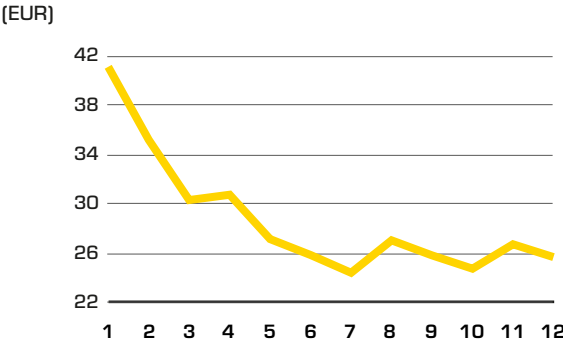
SHARE TURNOVER 1 JANUARY – 31 DECEMBER 2022

Month	Turnover value, EUR	Turnover, number of shares	Lowest, EUR	Highest, EUR	Weighted average share price, EUR	Closing price, EUR	Market capitalisation, EUR	Number of shares	Relative turnover, %
1	4,374,340	106,396	37.80	44.40	41.11	39.95	1,118,600,000	28,000,000	0.38
2	4,827,578	137,246	30.50	41.95	35.19	31.65	886,200,000	28,000,000	0.49
3	8,906,923	294,220	26.20	34.65	30.30	32.75	917,000,000	28,000,000	1.05
4	4,178,697	135,983	27.20	36.05	30.73	29.45	824,600,000	28,000,000	0.49
5	3,074,420	113,400	25.65	29.70	27.13	27.50	770,000,000	28,000,000	0.41
6	2,028,221	78,572	24.00	28.70	25.84	25.25	707,000,000	28,000,000	0.28
7	1,329,773	54,656	22.80	26.75	24.40	26.30	736,400,000	28,000,000	0.20
8	2,588,982	95,958	24.50	29.35	27.03	26.30	736,400,000	28,000,000	0.34
9	1,189,673	46,045	24.55	27.40	25.81	24.70	691,600,000	28,000,000	0.16
10	766,718	31,005	23.50	26.20	24.73	25.15	704,200,000	28,000,000	0.11
11	1,557,581	58,336	24.65	28.70	26.71	25.95	726,600,000	28,000,000	0.21
12	1,733,069	67,501	24.60	27.20	25.67	25.30	708,400,000	28,000,000	0.24
2022	36,555,974	1,219,318	22.80	44.40	30.14	25.30	708,400,000	28,000,000	4.35

RELATIVE SHARE TURNOVER BY MONTH 2022



WEIGHTED AVERAGE SHARE PRICE BY MONTH 2022



SHAREHOLDER PROFILE ON 31 DECEMBER 2022

	Shares, pcs	Percentage of shares and votes, %	Shares of nominee-registered, pcs	Shares of nominee-registered, %	Votes, pcs	Percentage of votes, %
Enterprises	609,081	2.175	0	0	609,081	2.175
Financial institutions and insurance companies	2,235,027	7.982	1,062,741	3.796	3,297,768	11.778
Public sector entities	925,964	3.307	0	0	925,964	3.307
Households	22,323,207	79.726	0	0	22,323,207	79.726
Non-profit organisations	534,991	1.911	0	0	534,991	1.911
Foreign holding	29,843	0.107	279,146	0.997	308,989	1.104
Total	26,658,113	95.208	1,341,887	4.792	28,000,000	100.000

ANALYSIS OF SHAREHOLDERS ON 31 DECEMBER 2022

Shares per shareholder	Number of shareholders	Percentage of shareholders, %	Shares, total, pcs	Percentage of shares and votes, %
1–100	11,845	65.237	412,888	1.475
101–500	4,371	24.073	1,096,397	3.916
501–1,000	1,011	5.568	785,530	2.805
1,001–5,000	763	4.202	1,629,577	5.820
5,001–10,000	86	0.474	629,486	2.248
10,001–50,000	62	0.341	1,231,977	4.400
50,001–100,000	6	0.033	365,415	1.305
100,001–500,000	7	0.039	1,983,395	7.084
yli 500,000	6	0.033	19,865,335	70.948
Total	18,157	100.000	28,000,000	100.000



SHAREHOLDERS ON 31 DEC 2022

No.	Name	Number of shares	Percentage of shares	Percentage of votes
1	Vidgren Juha Einari	6,207,000	22.17	22.17
2	Vidgren Jukka Tuomas	3,764,778	13.45	13.45
3	Vidgren Janne Ilmari	3,691,742	13.18	13.18
4	Vidgren Jarmo Kalle Johannes	3,684,263	13.16	13.16
5	Nordea Nordic Small Cap Fund	1,482,656	5.30	5.30
6	Skandinaviska Enskilda Banken Ab (Publ), Helsinki	1,034,896	3.70	3.70
7	Ilmarinen Mutual Pension Insurance Company	420,791	1.50	1.50
8	Varma Mutual Pension Insurance Company	389,000	1.39	1.39
9	Einari Vidgren Foundation	388,000	1.39	1.39
10	Evli Suomi Pienyhtiöt mutual fund	272,000	0.97	0.97
11	Aktia Capital mutual fund	218,000	0.78	0.78
12	Citibank Europe Plc	190,604	0.68	0.68
13	Elo Mutual Pension Insurance Company	105,000	0.38	0.38
14	Säästöpankki Kotimaa mutual fund	79,392	0.28	0.28
15	Mandatum Life Insurance Company Limited	63,841	0.23	0.23
16	Nummela Juho Aleksi	62,541	0.22	0.22
17	Kirkon Eläkerahasto	55,000	0.20	0.20
18	Rinta-Jouppi Jarmo Aulis	53,500	0.19	0.19
19	Randelin Mari	51,141	0.18	0.18
20	Relander Pär-Gustaf	48,000	0.17	0.17
21	Vidgren Kalle Samuel	40,800	0.15	0.15
22	Vidgren Henri Eemil	38,084	0.14	0.14
23	Apotrade Consulting Oy	36,000	0.13	0.13
24	Clearstream Banking S.A.	35,225	0.13	0.13
25	Aro Erkki Arvi Juhani	33,499	0.12	0.12
26	Outokummum Metalli Oy	32,000	0.11	0.11
27	Relander Annette Louise	32,000	0.11	0.11
28	Pietarinen Oiva Untamo	31,432	0.11	0.11
29	Saxo Bank A/S	31,104	0.11	0.11
30	Niemi Mutual Fund	28,000	0.10	0.10
	Other shareholders	5,399,711	19.28	19.28
Total		28,000,000	100.00	100.00

At year-end 2022, Ponsse Plc had 18,517 shareholders (on 31 December 2021: 15,912).

**Management holdings**  
Members of the Board of Directors, President and CEO, companies under their control and their underage children held a total of 17,415,099 Ponsse Plc shares on 31 December 2022, corresponding to 62.2 per cent of shares and votes in the company.

# BOARD OF DIRECTORS’ PROPOSAL FOR THE DISPOSAL OF PROFIT

No such material changes have taken place in the company’s financial standing after the end of the financial year. When making its proposal regarding dividends, the Board of Directors has taken into account the impact of distribution of dividends on the Group’s solvency as prescribed in Chapter 13, section 2 of the Companies Act.

The parent company’s distributable funds total EUR 187,606,472.17, of which the net profit for the period amounted to EUR 23,444,186.59.

The company’s Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2022. The dividend distribution totals to at most EUR 16,800,000.00.

EUR 170,806,472.17 will remain in the parent company’s non-restricted equity.

Vieremä, 2 March 2023

Jarmo Vidgren	Mammu Kaario	Matti Kylävainio	Ilpo Marjamaa
Juha Vanhainen	Janne Vidgren	Juha Vidgren	Jukka Vidgren
Juho Nummela, toimitusjohtaja			

# AUDITOR’S NOTE

A report on the audit carried out has been submitted today.

Helsinki, 2 March 2023

KPMG Oy Ab

Ari Eskelinen  
APA

AUDITOR'S REPORT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Ponsse Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ponsse Plc (business identity code 0934209-0) for the year ended 31 December 2022. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, profit and loss account, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations

applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.4 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER

Recognition of revenue from machine and service sales

(Accounting principles concerning the consolidated financial statements and notes 2.1 and 2.2)

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>The amount of net sales in the financial statements is addressed as a key audit matter, since net sales comprises various revenue streams and a considerable number of transactions.</p> <p>Machine sales account for the most significant part of the consolidated net sales, 75%, where revenue is recognised at a point in time when control transfers to the customer in accordance with contract terms.</p> <p>The timing of revenue recognition for machine sales involves risk of revenue being recorded either too early or too late.</p> <p>Revenue from long-term maintenance agreements is recognised over time so that the revenue corresponds with the maintenance services carried out by the Group. Service sales account for 21% of the consolidated net sales.</p>	<ul style="list-style-type: none"><li>• We evaluated the revenue recognition and accounting principles of the company by reference to applicable IFRS standards, focusing on machine and service sales.</li><li>• In respect of net sales, we tested sales-related key controls and performed both analytical and substantive audit procedures by utilising data analyses, among others.</li><li>• We considered transactions during the financial year by comparing to invoices, underlying contracts, delivery documents and payments received, on a sample basis.</li><li>• We assessed the inclusion of sales in the appropriate period by comparing recognised sales transactions occurred near 31 December 2022 to invoices, delivery documents and contract terms, and by examining credit invoices issued in early 2023, on a sample basis.</li><li>• Furthermore, we considered the accuracy and adequacy of the disclosures on net sales provided in the consolidated financial statements.</li></ul>

Valuation of inventories – trade-in machines, inventory of materials and supplies

(Accounting principles concerning the consolidated financial statements and note 4.4)

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>Inventories are measured at the lower of cost and probable net realisable value. The cost of materials and supplies is assigned by using the average cost formula.</p> <p>Trade-in machines, materials and supplies account for 72% of the total inventory balance amounting to approximately EUR 236 million.</p> <p>Valuation of trade-in machines, materials and supplies involves judgments made by management for probable net realisable value.</p> <p>Functionality of the IT systems and internal control plays a major role in ensuring the accuracy of inventory reporting (number and unit price).</p>	<ul style="list-style-type: none"><li>• In respect of valuation of trade-in machines and materials and supplies we tested key controls of the company and performed both analytical and substantive audit procedures by utilising data analyses, among others.</li><li>• We obtained an understanding of the company's impairment model and principles and assessed the consistency in application of the accounting rules. We considered the adequacy of the impairment losses recorded.</li><li>• We analysed the valuation principles of trade-in machines. We examined the inventory turnover and compared the carrying amounts of the selected machines to actual resale prices.</li><li>• We attended inventory counts at various subsidiaries, if possible, or performed alternative audit procedures to ensure the existence of inventories.</li></ul>



**Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company’s or the group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company’s or the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when,

in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER REPORTING REQUIREMENTS**

**Information on our audit engagement**

We were first appointed as auditors by the Annual General Meeting on 27 May 2020, and our appointment represents a total period of uninterrupted engagement of 3 years.

**Other Information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor’s report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 2 March 2023  
KPMG OY AB

Ari Eskelinen  
Authorized Public Accountant, KHT

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