

PONSSE

ANNUAL REPORT

2020



PONSSE IN BRIEF

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

The company was established by forest machine entrepreneur Einari Vidgrén in 1970, and it has been a leader in timber harvesting solutions based on the cut-to-length method ever since. With experience from over 16,000 cut-to-length forest machines, this family-owned company is today one of the world's leading manufacturers of forest machines. The sales and service network covers 40 countries and the share of exports is 79.6 per cent of net sales.

Ponsse is headquartered in Vieremä, Finland. The company's shares are quoted on the NASDAQ OMX Nordic List. In 2020, Ponsse celebrated its 50th anniversary!

NET SALES, MEUR

636,6

EMPLOYEES

1 845

SHARE OF EXPORTS, %

79,6

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PONSSE'S YEAR 2020

Ponsse's 50th anniversary was an exceptional year, starting with growing uncertainties in the midst of a trade war and bark beetle damage in Central Europe. Our strong order book gave us an excellent buffer for the slowing market cycle.

The impact of the coronavirus pandemic materialised at the end of the first quarter. Business operations were difficult to forecast but, despite the challenging situation, our net sales remained at a high level, and we were able to continue our production without interruptions.

Towards the summer, our customers started to show more urgent demand for machines, and our Vieremä factory returned to two shifts in June. Markets continued to recover towards the end of the year, with recovery from the crisis caused by the pandemic being faster than expected. Ponsse's net sales stood at EUR 636.6 million – a good result considering the situation.

Coronavirus restrictions were visible in all our operations across the world throughout the year. Our factory remained free of infections, and our employees' exemplary approach to responsibility paid off.



PONSSE'S PURPOSE

Sustainable solutions for the benefit of our customers and environment

WE EXIST FOR OUR CUSTOMERS. This idea has not changed since machine entrepreneur Einari Vidgrén, Ponsse's founder, 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.

PONSSE'S ROOTS ARE DEEP IN THE FOREST, and a love for the forest joins us and our customers all over the world. In every way, we strive to enable the wellbeing of forests in accordance with the principles of sustainable development. Healthy and well-managed forests are essential for the future of both Ponsse and our customers.

SUSTAINABLE DEVELOPMENT provides us with a direction and an opportunity for new innovations and operating methods. It also ensures our social and financial success. Financial success enables our company's continuity, investments and long-term development.

THE DEVELOPMENT OF OUR INNOVATIONS AND SOLUTIONS is always initiated and guided by our customers' needs, combined with the possibilities offered by technology. Our customers' insight enables us to develop solutions that offer true added value in everyday work within the harvesting business. Ponsse's technology and operations need to be an important part of the solution that will secure a good future for the generations that will follow us.

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

Our customers succeed together with us

CUSTOMER ORIENTATION is a way of life for us at Ponsse. Without our customers, we would have nothing: no production, service operations, R&D or support functions. 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. An understanding gained through cooperation helps us develop all our solutions for customers' actual needs and produce added value for their operations. Customers are at the heart of everything we do.

OUR SOLUTIONS play an important role in enabling the implementation of the principles of sustainable forestry. Our ability to develop and innovate sustainable solutions for the needs of responsible forestry is based on close partnerships with our customers and other stakeholders, the professionalism of our people and our technological abilities.

OUR STRONG CULTURE, developed over decades, forms our most important competitive edge. Our values guide our daily work, and quick decision-making based on our values enables our success. We believe in our work and always strive to be the best at what we do. We do things

efficiently, seeking the best end result and maintaining a good atmosphere. Our culture of a family enterprise enables the company's long-term development and continuity that protect the company's interests.

ALONE, WE ARE NOTHING. That is why we always work together for the customer's benefit. We ensure that we have the right people in the right places, enabling the continuous development of the company and excellent service to our customers. Together with our customers, personnel and other stakeholders, we form the Ponsse family. A family with a lot of strength.

VISION

Ponsse is the preferred partner in responsible forestry

WE ARE EXTREMELY PROUD of our customer closeness. Our close relationships with our customers enable our continuous development. Our objective is to be worthy of our customers' trust in all situations. We offer our customers the best solutions on the market and exceed their expectations. We strive to always manage our partnerships so that our customers continue to choose our solutions again and again, even across generations.

SUSTAINABLE DEVELOPMENT guides all our actions. As an innovative leader in our industry, we also take responsibility for our environment and the wellbeing of forests. 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 produces constant results. Our innovations are based on a culture of experimentation and networking, and they enable us to efficiently introduce new technology and solutions to the market to support our customers' business. Close and extensive cooperation with our customers and other business partners provides us with the opportunity to succeed.

VALUES

Determinedly on the way paved by Einari Vidgrén, the company's founder, since 1970.

CUSTOMER CLOSENESS

- 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

"Practice is the best teacher. And the best specialists are machine operators. It is worthwhile paying close attention to what they say and to keep their words well in mind."
(Einari Vidgrén, 1943–2010, the Founder of Ponsse)

Ponsse is driven by genuine interest in customers and their business operations. Ponsse knows its customers personally, allowing it to identify their needs. The flat organisational structure ensures that decision-makers are located close to customers.

INTEGRITY

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

"If you want to succeed in this business, you need to have honest and trustworthy relationships in both directions. Dishonesty takes you nowhere."

Ponsse's operations are based on honesty, ethics and high morals. Ponsse is reliable, as are its employees. Ponsse keeps its promises, and does not give any empty promises to its customers, stakeholders or colleagues. The customer is never left alone. All activities are characterised by openness.

PONSSSE 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

"As we're all part of the same company, everyone can call me Einari."

During decades, Ponsse and its employees have built their own unique culture and spirit, following Einari Vidgrén's ideas. The Ponsse spirit signifies friendliness and fair play. Ponsse serves its customers reliably and works hard without being overly serious.

Every Ponsse employee is entrepreneurial and willing to succeed. Everyone assumes and bears responsibility for the success of the company. That is why Ponsse makes no compromises over achieving its goals. Therefore, Ponsse employees have the capacity to make decisions and are humble and tenacious when it comes to work.

INNOVATION

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

Einari Vidgrén's definition of the very first PONSSE harvester head in 1986:

"Let's make it ourselves!" It must grapple a tree like a bear, and the log must pass through with a good speed."

Ponsse is continuously improving its products, services and processes. There must be initiative and broad-mindedness in R&D. This secures the company's competitiveness.

Ponsse employees are broad-minded and believe in what they do. The search for new ideas is not limited to the company's business field only but, regardless of the business area, Ponsse wants to actively learn from the best operators and apply what it has learned to its industry. That is why Ponsse sees that changes offer opportunities for development and advancement.



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

The year 2020 started with growing uncertainties. The first part of the year was characterised by a trade war, unrest in labour markets, bark beetle damage in Central Europe and the impact of the slowing market cycle. Our strong order book gave us an excellent buffer for the early year's challenges.



The real shock came at the end of the first quarter when the impact of the coronavirus pandemic started to materialise. Our company reacted quickly to the difficult situation, and we were able to alleviate the impact of the crisis. As societies started to close down due to restrictions, it became very difficult to forecast our operations.

The impact of the pandemic, during its first phase, quickly materialised in delivery problems in our manufacturing network. In Central Europe, in particular, many factories closed their doors for relatively long times. Unfortunately, this forced us to lay off our employees and operate our factory in one shift only. However, we were able to keep our factory up and running at all times.

What, from our company's point of view, started as problems with the availability of spare

parts, soon escalated into a crisis in demand for our products. Uncertainties over the impact of the rapidly worsening crisis slowed the markets considerably. Our order book nearly halved during the second quarter year-on-year, and Russian markets, in particular, slowed considerably. Towards the summer, our customers started, however, to show more urgent demand for machines, and we were able to return our factory to two shifts in the middle of June. At the end of September, we manufactured the 16,000th forest machine.

During the second half of the year, the market situation improved as the operations of our customers started to return to normal. The slow recovery in Asia gave a start to harvesting operations in Russia, and our situation slowly started to improve. During the third quarter, markets started to recover globally and the availability of spare parts increased. Market recovery continued until the end of the year. Considering the situation and driven by our strong order book at the beginning of the year, our performance was excellent. Finally, demand for trade-in machines also returned to a high level and, at the same time, our maintenance services climbed back to their normal growth track. Recovery from the coronavirus crisis was much quicker than expected.

Despite the very challenging situation, Ponsse did well, and we achieved a profitability of roughly nine per cent and a cash flow of EUR 74.8 million, which can be considered excellent in light of the circumstances. Our funding situation remained stable throughout the year, and we were able to repay our debts effectively towards the end of the year.

Coronavirus restrictions were visible in all our operations across the world. Decisions were made to ensure the health and safety of our customers and all Ponsse employees. The goal was to keep service centres and the factory as clean of coronavirus as possible. The transition of office employees to remote working in the spring exceeded all our expectations, and we were able to protect our

employees' health while continuing our development activities as normal. Our factory remained free of infections, and our employees' exemplary approach to responsibility paid off. Working life and operating methods have changed permanently at Ponsse. We will return to our offices after the pandemic, but we want to hold on to the proven opportunities of remote working and use electronic channels more than before in communicating and contacting.

Sped up by rapid changes across the world, sustainable development and responsibility inspire us even more than before. During the year, we revised our purpose, mission and vision. We are an integral part of responsible forestry, and we believe that technology presents more opportunities to follow the principles of sustainable development. According to our new vision, we want to be the most attractive partner in responsible forestry. Into this vision, we have incorporated our aim to be carbon neutral in the long term. We will seek to achieve this goal in all our solutions and operations.

Ponsse has continued its strong development. During the year, the company appointed Jarmo Vidgrén, who has a long history of working in operational positions at Ponsse, the new chair of the Board of Directors to continue Juha Vidgrén's excellent work. This change also helps us to enable our future development. At the same time, the company's sales and maintenance organisations underwent changes. Marko Mattila was appointed the new sales, service and marketing director, and he also became a member of the Group's Management Team. Another significant change in the company's Management Team was Miika Soininen's appointment as a director of digital services and IT. Digitalisation plays an important part in producing Ponsse's future solutions and added value experienced by customers.

Since 2010, we have invested around

EUR 141 million in R&D and some EUR 235 million in fixed assets. Continuous and purposeful development is an integral part of Ponsse's operations. Our global distribution and maintenance network is developing rapidly. We are developing the organisation and operating methods of our distribution network systematically, and aiming to expand effectively to new areas. The daily activities of the Ponsse network's sales and maintenance keep our customers satisfied and ensure our long-term success. At the same time, we are making significant investments in our manufacturing network to keep the development of our productivity and ability to produce quality as high as possible.

Last year marked Ponsse's 50th anniversary, but we were forced to cancel most of our planned events due to the pandemic. At the beginning of the year, our anniversary roadshow got off to an excellent start in the Nordic countries, and we were able to share our memories along the way with our customers. The company's roots and long history are important to everyone at Ponsse. Hopefully, we can celebrate our journey with you, also in our other market areas!

Our strong culture, developed over five decades, is an important asset for us. Our management is based on values, with a clear focus on the future. The values based on our history – customer orientation, integrity, 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.

A handwritten signature in black ink, appearing to read 'Jarmo Vidgrén'.

JARMO VIDGRÉN
Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read 'Juho Nummela'.

JUHO NUMMELA
Toimitusjohtaja

MARKET REVIEW

The year 2020 will not be easily forgotten due to the exceptional circumstances and intense fluctuations in demand caused by the coronavirus pandemic. All our market areas faced significant operational challenges, because the restrictions imposed to prevent the spread of the coronavirus were very strict in places.



All employees in our network deserve thanks for maintaining our ability to support the operations of harvesting companies during this exceptional situation. Above all, we would like to thank our customers! Good cooperation with you has helped us to adapt our operations to your needs and despite safe distances, our cooperation even seems to be closer than before.

According to our estimates, global forest machine sales decreased by 20% in 2020 from the previous year. Following the slow spring in the northern hemisphere, markets started to recover slowly, with the end of the year being almost historically busy in sales, maintenance and other support services provided for our customers. As in the previous year, Sweden maintained its position as the world's largest market for cut-to-length (CTL) forest machines. In Russia, forest machine sales decreased relatively the most, with markets being very quiet during the first two quarters, after which recovery and increases in demand started again.

The most significant new products were the firefighting equipment fitted on PONSSE forwarders and the new PONSSE H8HD Euca harvester head. We believe that the firefighting equipment fits well in our responsible product range. The new product responds to the need to carry powerful equipment closer to wildfires. The new larger PONSSE H8HD Euca harvester head extends the product range of eucalyptus-debarking harvester heads, offering a solution for harvesting high-diameter eucalyptus trees. The past year was characterised by active research and development and customer testing, and we are now preparing for a busy year of product launches in 2021.

After our organisational changes last summer, Jarmo Vidgrén transferred from his operational responsibilities to the position of Chairman of the Board of Directors, and I replaced him as the company's sales, service and marketing director. Jussi Hentunen, a longstanding member of the Ponsse

family, transferred to my previous position as the director of Ponsse's dealer network development from the management of international trade-in machine operations. We were able to complete the organisational changes successfully during the year, and we are now stronger than ever to face this year's challenges.

We only made minor facility investments in our network of 12 subsidiaries due to the coronavirus situation, while we focused even more actively on the development of our operations. Ponsse Latin America Ltda, our subsidiary in Brazil, entered the largest machine and maintenance agreement in Ponsse's history with Bracell. As a result of our commitment to successfully following the agreement, the number of personnel at Ponsse Latin America has increased rapidly, and the intensity of the company's operational development was very high last year. Ponsse North America Inc.'s strong customer service earned the trust of US harvesting contractors during the difficult coronavirus situation, and the subsidiary was even able to increase our already strong market share. The systematic long-term development of Ponsse AB, our subsidiary in Sweden, above all focused on improving the experiences of maintenance customers. The productive work of the Ponsse AB organisation was reflected in the increased share of new machine sales at the end of the year. We were the third most popular forest machine brand in Sweden, and our work to develop local services will continue. We now have eight PONSSE service centres, 19 maintenance vehicles and 20 contractual PONSSE service partners in Sweden. In Finland, Ponsse was a strong market leader with over 45 percent market share.

During the year, our dealer network expanded in the US, China, Romania, Western Canada and Italy. Currently, PONSSE services are provided not only by our own companies, but also by 42 dealers in more than 40 countries. Considering our retail markets, the market situation was particularly good in Germany, where Wahlers Forsttechnik GmbH, Ponsse's longstanding partner, is responsible for PONSSE sales and maintenance services. Wahlers was able to keep its customer service running throughout the year, with no interruptions and to high standards, even though coronavirus restrictions were exceptionally strict in Central Europe.

Overall, our dealer network served our customers excellently, even in the midst of the operational challenges caused by the pandemic. Thank you all!

When examining harvesting markets as a whole, it is safe to say that CTL harvesting will continue its steady growth almost across the world. This growth is driven by the method's environmental friendliness, combined with the greater efficiency and better operator ergonomics of CTL forest machines. Responsibility perspectives are increasingly guiding the entire industry, which significantly inspires all of us at Ponsse. We want to play our part in developing and promoting sustainable harvesting throughout the world. Following the Ponsse spirit and by working together, we will also make progress in this area this year!

A handwritten signature in black ink, appearing to read "Marko Mattila".

MARKO MATTILA

Sales, service and marketing director

We want to play our part in developing and promoting sustainable harvesting throughout the world.

EVENTS IN 2020



The anniversary roadshow started on 23 January from Aura, Finland



The PONSSE H9 harvester head was launched in Oregon, USA.



Ponsse was selected as the most reputable company in Finland for the third year in succession in the Reputation&Trust survey.



The new PONSSE H8HD Euca harvester head was introduced to eucalyptus plantations.



M.T.S. Parts CC. started as Ponsse's retailer in South Africa.

15 JAN Ponsse announces its plans for the 50th anniversary roadshow involving 28 countries and 105 locations. The anniversary truck starts in Aura on 23 January and continues to Sweden and Norway after demonstrations in Finland. Demonstrations at logging sites feature the latest models, the PONSSE Cobra and PONSSE Bison, and the flagship of the model series, the PONSSE Scorpion.

5 FEB Ponsse and Tampere University sign a cooperation agreement to support research and education in key research fields relevant to the research and development of forest machines.

20 FEB The new PONSSE H9 harvester head is introduced at the Oregon Logging Conference in the USA. The harvester head designed for track-based machines is capable of processing, felling and multi-stemming larger trunks.

12 MAR Ponsse receives Ethics Award at the Arvoseminaari event in Finland for advancing ethical values in the long term.

13 MAR The Covid-19 pandemic spreads strongly. Ponsse makes considerable efforts to ensure production and service provision, as well as to secure people's health. The company decides to stop the anniversary roadshow and visits, and all white-collar employees shift to remote working.

17 MAR Ponsse issues a profit warning and announces that the target set for operating profit will not be achieved.

18 MAR The personnel is summoned to employee co-operation negotiations as problems in the availability of components materialise. Ponsse's suppliers have to close down their factories in Central Europe to prevent the Covid-19 pandemic from spreading.

19 MAR The employee co-operation negotiations end. It was agreed that the entire personnel are furloughed for up to 90 days.

1 APR A new PONSSE retailer, Guangxi Pangpai Forestry Machinery Co. Ltd., starts operating in Nanning, China.

2 APR The new PONSSE H8HD Euca harvester head is introduced to eucalyptus plantations. The harvester head is designed for the PONSSE Bear harvester and track-based machines.

20 APR The PONSSE Parts Online spare part order service is added to PONSSE Manager.

1 MAY Maviprod SRL IRUM starts as Ponsse's retailer responsible for the sale and maintenance of PONSSE forest machines in Romania. The company's headquarters are located in Regin.

27 MAY Ponsse's general meeting is held in Vieremä via remote connections. The general meeting elects Jarmo Vidgrén as the new chair of Ponsse's Board of Directors. Previously, Mr Vidgrén has acted as the sales and marketing

director and deputy to the CEO and President. Juha Vidgrén continues as an ordinary member of the Board and works daily in the field of HR and public affairs. CFO Petri Häkkinen becomes the company's Deputy CEO, and Marko Mattila starts as the new sales, service and marketing director as well as a member of the Management Team.

2 JUN M.T.S. Parts CC. starts as Ponsse's official retailer, responsible for the sale and maintenance of PONSSE forest machines, as well as spare parts services in South Africa. The company is based in Nelspruit, Mpumalanga.

16 SEP Ponsse introduces the PONSSE Opti 8 – a state-of-the-art touchscreen computer designed for PONSSE forest machines.

23 SEP The 16,000th PONSSE forest machine is completed at Ponsse's factory in Vieremä. The PONSSE Ergo harvester is delivered to Celulose Nipo-Brasileira S.A. (CENIBRA) in Brazil, where it will operate at eucalyptus plantations to meet the needs of local pulp production.

22 OCT For the third year in succession, Ponsse is selected as the most reputable company in Finland in the annual Reputation&Trust survey, ahead of Supercell and Fazer. Ponsse receives the highest score for leadership and modernisation.

11 NOV Ponsse introduces firefighting equipment installed in the load space for fighting wildfires.

17 NOV Einari Vidgrén's biography written by Antti Heikkinen is published on Einari's name day. Miika Soininen is elected a member of Ponsse's Management Team and appointed the director of the company's digital services and IT.

6 DEC Juha Vidgrén, member of Ponsse's Board of Directors, is awarded Commander of the Order of the Lion of Finland on Finland's Independence Day.

11 DEC Gary Glendinning is appointed Ponsse's area director for the UK and Ireland and the managing director of Ponsse UK Ltd starting from 1 January 2021.

15 DEC Ponsse starts recruiting digital business professionals and introduces Connectivity unit for telematics. The unit transmits data from PONSSE machines autonomously, without any separate actions needed.

21 DEC The Einari Vidgrén Foundation rewards forestry professionals for the 15th time with a total of EUR 212,300. The main recognition, the Einari Award, is given to Kimmo Kulojärvi Oy and Metsäkone Pirinen Oy. The Lifetime Achievement Awards are given to Olavi Kauhanen, Pekka Poikolainen, and Mikko Rysä. At the same time, 39 distinguished forest machine operators and 33 harvesting graduates, as well as several forestry specialists are presented with awards.



Launched in September, PONSSE Opti 8 is a touchscreen computer for forest machines



In November, Ponsse introduces firefighting equipment mounted in the load space.

PONSSE PRODUCTS

DIRECTION FROM CUSTOMERS, OPPORTUNITIES FROM TECHNOLOGY



At Ponsse, we have worked with our customers for the last 50 years to develop the world's best forest machinery. The world's best forest machine must be their owner's most reliable, versatile and effective option in every scenario. We have made a lasting commitment to developing our products and operations to be sustainable.

We are achieving constant results by combining rapid technological progress with the Ponsse way of working. Our solutions always start from and are directed by customer needs, while technology allows us to come up with innovative solutions to meet these needs.

Ponsse is dedicated to its mission as the technological pioneer of the Cut-to-Length (CTL) timber harvesting method, which gives us a clear direction for our R&D. The CTL method is environmentally friendly and increasingly popular. CTL forest machines are used for two-thirds of the world's mechanical timber harvesting, and nearly all new timber harvesting projects and plantations are designed around the CTL method. The CTL method makes it possible to harvest timber in difficult terrain, and we emphasise operator ergonomics in the machines' technological development as essential for ensuring high productivity and quality of work.

In the CTL method, harvested trees are already processed in the forest according to their end use, optimising timber yields. Harvester automation systems guarantee the best possible results in quality and quantity, minimising waste and allowing branches and crowns to be left in the forest to cover machine tracks and nourish the soil. Harvested timber is transported directly from the roadside to its destination: saw logs to sawmills and pulp logs to pulp mills. Unlike other mechanical timber harvesting methods, CTL enables high-quality mechanical forest management by selective thinning.

HIGH LOAD CAPACITY, LOW SOIL DAMAGE

As part of our responsible R&D, we consider the loads imposed on soil during timber harvesting. The even load distribution and long wheelbases of our 8- and 10-wheel machines reduce surface pressure while keeping the machines' load-carrying capacities high. High-capacity forwarders eliminate the need to drive the same trail back and forth numerous times. The load on the soil is minimised by keeping the surface pressure low, distributing loads evenly, and by using the appropriate track and wheel solutions.

DATA AND DIGITALISATION IN FOREST MACHINES

Our vision is to be the most attractive partner in responsible forestry. A major part of this is using data and providing our customers with smart harvesting solutions.

The importance of information and data is growing in timber harvesting. Data is already used to direct the timber transport value chain from procurement to the processing of individual trunks. The future of the forest machine industry increasingly relies on data-driven solutions and operating models, which allow business decisions to be made quicker and even automatically. Our objective is always to make things easier, more controllable, and more predictable for harvesting companies and machine operators.

Smart products and services are part of the everyday work at forest machine companies. The data generated by a forest machine's sensors and buses is used to monitor its condition and functions, and data analysis can be used to determine maintenance needs. Remote connections have added a whole new dimension to machine management. The new Ponsse Connectivity Unit telematics unit collects a wealth of data about machine movements, operation and performance, enabling the development of a wide variety of new services. It allows maintenance crews to remotely view the machine function information required to troubleshoot problems.

The data-driven solutions of forest machines are based on physically distributed platforms that collect data from the machines, systems and processes. This data stream can also be passed through interfaces to external solutions. A good example of useful reporting is the management of business intelligence where select performance indicators can relay a quick overview of the fleet. Improvements in data collection and processing also enhance machine's data processing and decision-making when handling logs or scanning the environment, for example. There are great opportunities for environmental perception, among other things.

Ponsse's digital product selection includes everything from distributed platforms to a centralised user experience. The PONSSE Manager platform is a single location and user interface for all digital customer services. The platform is currently under intense development to meet customer needs.

MEGATRENDS INDICATE OPPORTUNITIES

The megatrends of the forest machine industry are digitalisation, sustainable development, connectivity and automation, all of which rely heavily on using data. The megatrends direct industry operators to work hard in these areas and often generate

PONSSE PRODUCTS

a “technological push” when new technologies are launched. Even so, the demand always depends on the customer’s need to use new technology.

Digitalisation – Among other things, information systems and digital services are used in forest machines to manage forest resources and the harvesting fleet, predict maintenance needs, report productivity, and visualise measurements and calibration data.

Sustainable development – A decisive effort is underway to reduce machine emissions and make them more sustainable by research and development into understanding environmental impacts and harvesting methods.

Connectivity – Data related to timber harvesting is collected and managed by using different data communication methods and connectivity solutions. In forest machines, this often takes the form of data transfer software, which is used to upload forest company bucking instructions, software updates and more to the machine, as well as download location, productivity, diagnostic and other data from the machine. Solutions are deve-

loping rapidly due to 5G technology, but satellite connections remain important in many markets.

Automation – Sensors, perception systems and processing methods are used in advanced operator-assist systems and automated functions. Interest is growing for both environmental and productivity purposes in the ability of forest machines to perceive their environment. Future machines will be able to identify obstacles, depressions and steep slopes, as well as determine the suitability of a tree for harvest. For example, perception systems can be used in forestry to assess the best spots for planting trees and the need for fertilisers.

CONTINUOUS PRODUCT RANGE DEVELOPMENT

Our R&D is primarily focused on the needs of machine operators and ensuring their safety. These solutions also play an important role in how easy and safe maintenance is to carry out. Because forest machine maintenance often takes place out in the field, the components must be easily and safely accessible. The direction of our product solution design is clear: effective operator assis-

Since 2010, we have invested nearly 141 million euros into research and development.



tance, minimised environmental impact, improved machine energy efficiency, and improved services through digital solutions.

We conducted extensive R&D projects in 2020, and we are preparing major new product releases for 2021. We kicked off our next-generation information system products by launching the state-of-the-art PONSSE Opti 8 touchscreen computer. This computer is designed for difficult operating

conditions where extreme performance and seamless operation are required.

We also launched wildfire fighting equipment that can be mounted in a forwarder’s load space. Wildfires have become a growing problem as global warming continues, and we wish to address this issue and need. Forest machines can easily reach wildfires and have excellent load capacity and hydraulics for firefighting.

PONSSE MAINTENANCE SERVICES

EASE THROUGH MAINTENANCE SERVICE SOLUTIONS

The maximised availability and productivity of forest machines, and the proactive management of maintenance costs are footholds for the profitable operations of harvesting companies. This is why the availability and quality of maintenance services are crucial factors for contractors. PONSSE maintenance services operate nearly without interruptions throughout the PONSSE network so that forest machine contractors and operators can focus on what is essential – productive harvesting.

Net sales of PONSSE maintenance services remained at the planned level, despite the challenging year. In many market areas, our customers were able to continue to operate almost normally, even though uncertainties over coronavirus and bark beetle damage characterised wood markets, especially during the first part of the year. However, market demand for the sustainable use of renewable raw materials did not disappear, and machines mainly remained in operation.

As the global pandemic shaped our daily activities, we aimed to protect the safety of our customers and employees, with some of our service centres operating behind closed doors. Maintenance assignments were received by telephone and remote connections, and new forms of services were developed for spare parts sales. We delivered spare parts directly to a destination defined by our customers, or our customers retrieved their spare parts from pick-up points. Our customers adapted well to be new situation, for which they deserve big thanks.

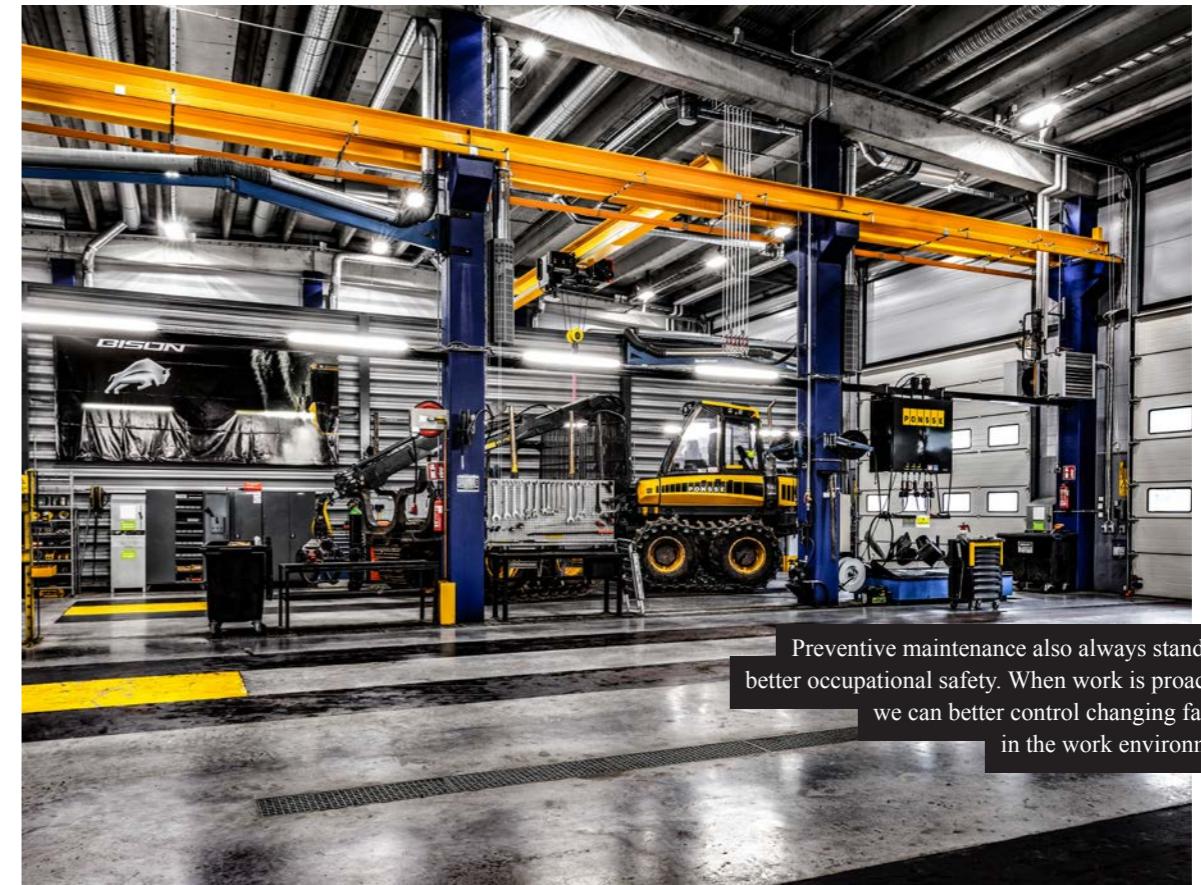
NEW OPPORTUNITIES FOR TRAINING

To provide better services, we are continuously developing our offering through our operations, our service range and the expansion of our network. However, the expertise of the PONSSE maintenance network's employees is our most important asset. This is why we are continuously training our employees and developing their work environments to be more ergonomic and safer.

In 2020, our personnel training was in a new situation due to travel restrictions. This new situation also gave us the impetus to quickly develop the training routines of maintenance services. Training quickly went online, which significantly developed the content of training material and training methods. To replace the visual aspects of contact teaching, we adopted new solutions that make use of remote connections and virtual reality. These changes gave birth to development that will also bear fruit in the future. Thanks for these changes also go to our training team and maintenance service network, which adapted to our new ways of working.

The authorised PONSSE maintenance network also continued to expand in 2020, with new service centres from Ponsse and our partners joining the network. Now, the PONSSE maintenance network consists of 1,450 maintenance service professionals, 204 PONSSE service centres, 590 maintenance vehicles and volumes of expertise.

Having a broader network means that we are even closer to our customers. Easy access to services improves the efficiency of harvesting companies' operations and, therefore, also their profitability. It is an honour to us to react quickly to customer needs in spare parts deliveries, for example. In this, crucial factors include not only smoothly flowing logistics, but also the broad range of local spare parts warehouses.



Preventive maintenance also always stands for better occupational safety. When work is proactive, we can better control changing factors in the work environment.

PROACTIVITY THROUGH MAINTENANCE AGREEMENTS

The popularity of PONSSE Active Care maintenance agreements continued to grow in 2020. More and more owners of new or used PONSSE forest machines choose an Active Care agreement, and even more renew their agreement after the first agreement period.

We are continuously collecting feedback from our customers on our service level and the content of our services. Through Active Care agreements, machine contractors are better able to foresee their activities, both financially and operationally, keep their machines' productivity and utilisation rate higher, and improve fuel economy. Maintenance agreements also help us at Ponsse to balance the workloads of maintenance services and, therefore, quickly allocate resources to our customers' urgent maintenance needs. Preventive maintenance also always stands for better occupational safety. When work is proactive, we can better control changing factors in the work environment.

Alongside with safety, the significance of other aspects of responsibility is increasing. With maintenance agreements, the PONSSE maintenance network is responsible for the appropriate handling of recycled materials, such as waste oil and filters.

DEVELOPMENT BASED ON CUSTOMER FEEDBACK

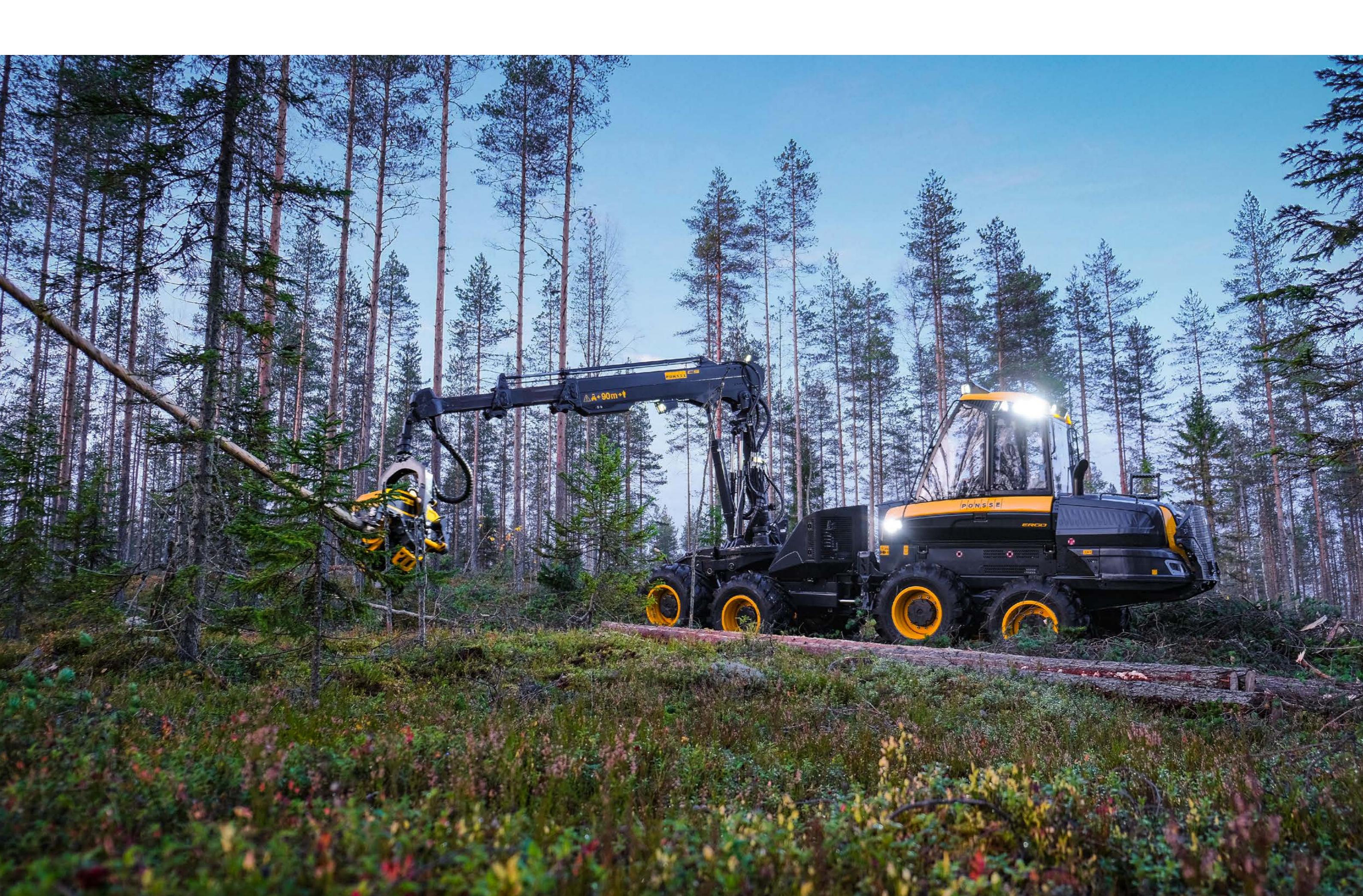
Maintenance services must always be able to respond to customer needs, while adapting to local conditions. We measure our ability to produce quality by means of Effective and Safe Workshop (ESW) audits, in which we regularly assess the operations of our service network. The audit combines the requirements of the ISO 9001 and ISO 14001 quality and environmental certificates with daily maintenance operations.

Our product and service range is also developed on the basis of customer feedback. In spare parts, the range of wearing parts is developed continuously, and we have received loads of positive feedback on the quality of our range and our competitive prices.

Our service range is also developed towards solutions, in which digital services accelerate the service process and make services more transparent.

Digital services open up new opportunities to deepen and expand the service level. However, without specialists who react quickly to customer needs and understand them, we would not be able to keep our service promise "a logger's best friend".

Our goal remains the same. We want to provide our customers with the best maintenance services in the industry.



BOARD OF DIRECTORS



JARMO VIDGRÉN



MAMMU KAARIO



MATTI KYLÄVAINIO



JUHA VANHAINEN



JANNE VIDGRÉN



JUHA VIDGRÉN



JUKKA VIDGRÉN

Board of Directors, 31 December 2020

The Board was selected by the Annual General Meeting on 27 May 2020.

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 ten times. The Board members actively participated in the meetings – the attendance rate was 98,5%.

Chairman of the Board

JARMO VIDGRÉN, B. 1975

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

Work experience

Ponsse Plc, Group Sales and Marketing Director 2008–2020
Ponsse Plc, Vice President, responsible for the 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
KalPa Hockey 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 2020:
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 Oyj, Deputy Chairman of the Board
CapMan Oyj, Deputy Chairman of the Board
Gofore Oyj, Board Member
Ilmastorahasto Oy, Board Member
Lapti Group Oy, Board Member
Makai Holding Oy, Chairman of the Board
Nordic ID Oyj, Board Member
Robit Oyj, Deputy Chairman of the Board
Sibelius-Akatemian tukisäätiö ry, Board Member
Taideyliopiston sijoituskomitea, Member
Urhea-halli Oy, Board Member

Board members

MATTI KYLÄVAINIO, B. 1974

Keitele Group, Director of sawmill operations
M.Sc. (Econ.)
Ponsse Plc, Board Member since 2016
Independent of the company and major shareholders

Work experience

Keitele Forest Oy, Director of sawmill operations 2014–
Keitele Forest Oy, Sales Director 2006–2014
Keitele Forest Oy, Export Manager 1999–2006

Other key positions of trust

Keitele Forest Oy, Board Member

JUHA VANHAINEN, B. 1961

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

Work experience

Uros Oy, CEO 2019–2020
Apetit Oyj, President and CEO 2015–2019
Stora Enso Oyj, Country Director and Board Member 2007–2015
Stora Enso Oyj, Managerial positions 1990–2007
Kemi Oy, engineer 1988–1990

Other key positions of trust

Koskisen Oy, Vice-chairman
Wihuri Group, Board Member

JANNE VIDGRÉN, B. 1968

Commercial College Graduate
Ponsse Plc, Board Member since 2013
Shareholding in Ponsse Plc on 31 December 2020:
3 691 742 shares

Work experience

Mutant Koala Pictures Oy, Managing Director
Bachelor of Culture and Arts

Ponsse Plc, Board Member since 2011
Shareholding in Ponsse Plc on 31 December 2020:
3 764 778 shares

Work experience

Mutant Koala Pictures, Entrepreneur since 2004

Other key positions of trust

Einari Vidgrén Foundation, Board Member
Suomen Filmiteollisuus SF, Chairman of the Board

MANAGEMENT TEAM 31 DECEMBER 2020



JUHO NUMMELA, B. 1977, CHAIRMAN OF THE MANAGEMENT TEAM

Dr.Tech.
President and CEO
Member of the Management Team since 2 January 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 December 2020:
62,541 shares

PETRI HÄKKINEN, B. 1969

M.Sc. (Tech.)
CFO and Deputy to the CEO
Member of the Management Team since 1 October 2009
Joined Ponsse in 2009
Previous main positions: Suunto Oy, Director, Operations and Quality 2007-2009
Shareholding in Ponsse Plc on 31 December 2020:
7,670 shares

JUHA INBERG, B. 1973

Dr. Tech.
Director, Technology and R&D
Member of the Management Team since 1 January 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 December 2020: 12,796 shares

MARKO MATTILA B. 1973

Forestry Engineer, MBA
Sales, Service and Marketing Director
Member of the Management Team since 1 June 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 December 2020:
722 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 December 2020:
1,200 shares

PAULA OKSMAN, B. 1959

MA
Director of Human Resources and Ponsse Academy
Member of the Management Team since 1 August 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 December 2020:
6,436 shares

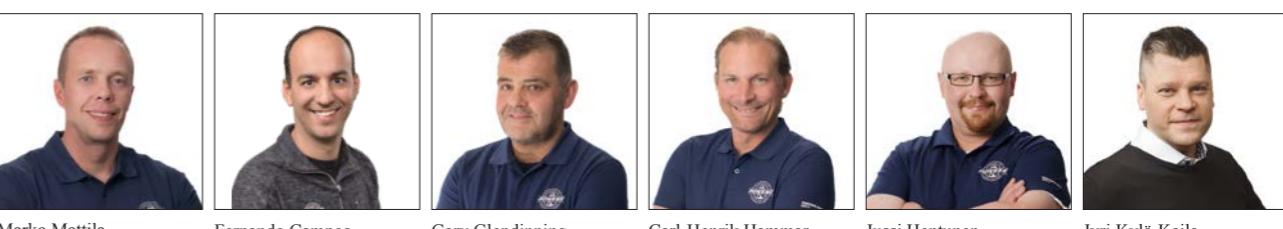
MIKAI SOININEN, B. 1981

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

TOMMI VÄÄNÄNEN, B. 1973

B. Eng.
Director, supply chain
Member of the Management Team since 1 October 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 December 2019:
6,416 shares

AREA DIRECTORS AND SUBSIDIARY MANAGING DIRECTORS



Marko Mattila Fernando Campos Gary Glendinning Carl-Henrik Hammar Jussi Hentunen Jyri Kylä-Kaila



Risto Kääriäinen Jaakko Laurila Eero Lukkarinen Tuomo Moilanen Clément Puybaret Dean Robson



Pekka Ruuskanen Tarmo Saks Janne Tarvainen Martin Toledo

MARKO MATTILA, B. 1973

Sales, Marketing and Service Director
since 1 June 2020
Joined Ponsse in 2007

FERNANDO CAMPOS, B. 1982

Managing Director, Ponsse Latin America Ltd.
Area Director, Brazil
Joined Ponsse in 2006

GARY GLENDINNING, B. 1970

Area Director, Bulgaria, Croatia, Hungary, Italy, Romania, Serbia and Slovenia
Managing Director, Ponsse UK Ltd. and Area Director Ireland and UK since 1 January 2021
Joined Ponsse in 1997

CARL-HENRIK HAMMAR, B. 1974

Managing Director, Ponsse AB
Managing Director, Ponsse AS
Joined Ponsse in 2015

JUSSI HENTUNEN, B. 1983

Director, Ponsse retail network since 1 June 2020
Director, Used Machines Global Business until 1 June 2020
Joined Ponsse in 2006

JYRI KYLÄ-KAILA, B. 1979

Managing Director, Epec Oy
Joined Ponsse 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
Area Director, Russia and Belarus
Joined Ponsse in 2002

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

Managing Director, Ponssé S.A.S
Joined Ponsse in 2006

DEAN ROBSON, B. 1987

Managing Director, Ponsse UK Ltd.
until 31 December 2020
Sales and Marketing Manager, UK and Ireland since 1 January 2021
Joined Ponsse in 2004

PEKKA RUUSKANEN, B. 1968

Managing Director, Ponsse North America Inc.
Joined Ponsse in 1998

TARMO SAKS, B. 1975

Area Director, Baltic countries, Poland, Slovakia and the Czech Republic
Joined Ponsse in 2019

JANNE TARVAINEN, B. 1968

Area Director, Australia, New Zealand, South Africa, Spain, Portugal
Joined Ponsse in 2017

MARTIN TOLEDO, B. 1971

Managing Director, Ponsse Uruguay Ltd.
Area Director, Argentina and Chile
Joined Ponsse in 2005

RESPONSIBILITY

Ponsse sees corporate responsibility as a continuum underlying its value-based operations in which sustainable development plays an important role.



CORPORATE RESPONSIBILITY AT PONSSE

Ponsse is committed to conducting sustainable and responsible business. Responsibility is central to the values, strategy and corporate governance of Ponsse Plc. The purpose of this report is to describe our responsibility practices and principles, and to give transparent information about our operations. This responsibility report also covers information that is not part of financial reporting requirements.

The company's leadership and management play a significant role in ensuring a uniform company culture. They are responsible for making sure that every Ponsse employee knows their responsibilities and follows our common guidelines. Responsibility is an obligation for every Ponsse employee.

Ponsse's responsibility work is guided by group-level policies and our Code of Conduct, approved by the board of directors on 8 June 2020. The purpose of the Code of Conduct is to guarantee common operating principles and practices. It is a powerful guideline for management and daily operations, instructing Ponsse employees to observe common ethical principles.

As part of updating the Code of Conduct, we commissioned a new whistleblowing channel. According to our ethical principles, all Ponsse employees are obligated to report activities that they see as violating our Code of Conduct. Our personnel are instructed to report these activities to their supervisor, management, the whistleblowing team or anonymously through the whistleblowing channel. The whistleblowing channel is also open to external stakeholders on the company website: https://www.ponsse.com/en/company/investors/corporate-info/code-of-conduct#

The whistleblowing team is appointed by Ponsse's board of directors, and it reviews all misconduct cases. If necessary, cases can be presented to the board for further review. In 2020, we received seven reports through the whistleblowing channel. These reports concerned the following topics: conflict of interest (1), suspected corruption (2), HR (2) and other (2). Every report was investigated according to our established process. No deliberate negligence or abuse was discovered by the investigations. As a result of the investigations, we have improved our instructions and examined our processes for confidential information processing, potential conflicts of interest and recruitment, among others.

In 2020, we participated for the first time in EcoVadis and Climate Disclosure Project (CDP) evaluations that support the development of our responsibility work. The CDP evaluation's Climate Change programme rates the measures taken by companies to mitigate climate risks. The aim is to highlight the role of companies in achieving international climate targets.

The EcoVadis evaluation uses 21 social and environmental responsibility criteria to rate the operations of companies by assessing the responsibility of supply chains internationally. Founded in 2007, EcoVadis has evaluated companies in 190 industries and 150 countries. Its methods are based on international corporate responsibility standards, including the Global Reporting Initiative, the UN Global Compact and the ISO 26000 standard. We qualified for the bronze level in our first evaluation.

In 2020, we started calculating the group's carbon footprint, which included our parent company, Epec Oy and Ponsse AB, our Swedish subsidiary. The calculation will be expanded in 2021

to include all Ponsse subsidiaries. We also continued Life Cycle Assessments (LCA) to determine the environmental impacts of PONSSE products over their service life. We use these verified results to bring our plans in line with the company's strategic objective of carbon-neutral operations and solutions.

FOUNDED ON PONSSE VALUES

Ponsse sees corporate responsibility as a continuum underlying its value-based operations, in which sustainable development plays an important role. Our work on responsibility has a firm foundation in the Ponsse values: integrity, innovation, the Ponsse spirit and closeness to the customer. Throughout Ponsse's history, our strong values have steered employees towards honest work, respect for others and cooperation, and a desire to improve our operations and community.

The strong focus on sustainable development has contributed to the emergence of innovative product, service and operational solutions that help protect the environment and save natural resources. Supporting the vitality of local communities through long-term financial management, investments, and opportunities for employment and cooperation has always been an operating principle of Ponsse. This is why our responsibility efforts emphasise ethical behaviour, supporting people's welfare and lifelong learning, eco-aware and innovative operations and R&D, sustainable business management, and supporting the continuity of stakeholder activities.

RESPONSIBILITY AS PART OF STRATEGIC MANAGEMENT

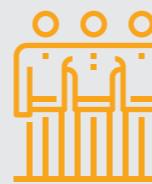
At Ponsse, responsibility and sustainable development are closely linked to our business strategy. Our management is fully committed to promoting corporate responsibility and takes responsibility for realising our responsibility objectives. Responsibility objectives and development needs are reviewed annually as part of the company's strategy process.

For the justification and continuity of our business, it is vital that our daily activities are genuine and in accordance with our Code of Conduct from the perspective of our employees, business partners, customers and other stakeholders.

We are proud of the way our employees and networks have taken to promoting responsibility. This reinforces the importance of responsibility as part of our corporate strategy. Our personnel are an important resource in our responsibility work.

CORPORATE RESPONSIBILITY AT PONSSE

Our responsibility efforts are guided by national and international rules and regulations for business, employer obligations and commitments, and the general priorities of the forest industry. We actively monitor the requirements in our operating regions for changes and participate in development. We see



A foundation in the Ponsse values:

- Integrity
- Innovation
- Ponsse spirit
- Customer closeness



2021

The carbon footprint calculation will be expanded in 2021 to include all Ponsse subsidiaries.



ISO standards

Quality management ISO 9001
Environmental management ISO 14001
Health and safety management OHSAS 18001/ISO 45001
Certified ISO 9001, ISO 14001, ISO 45001



The group's overall energy consumption

-23 %



The group's total water consumption

-14,1 %



Factory's solar power plant generated

154 000 kWh

(equivalent to the annual consumption of 100 flats)



Incentive systems coverage

100 %

We use an

ISO 14001
environmental management system

CORPORATE RESPONSIBILITY AT PONSSE

PRODUCTS AND SERVICES



- R&D costs **€19M**
- Gross investments in fixed assets **€29M**

PERSONNEL



- Average number of Group employees: **1,845**,
57% in Finland and 43% abroad
- Average employment duration: **8 years** (7.3)
- Voluntary turnover: **2.6%** (5.1)
- Incentive systems coverage: **100%**
- Gender distribution **11%** women and **89%** men

NATURAL RESOURCES



- We have invested in the energy efficiency of our facilities and prefer renewable energy sources.
- In production, water is circulated in a closed system and reused several times.
- We employ good design and optimised logistics to achieve better material efficiency.
- We take care to minimise, properly process and recycle waste in all our operations.

LIFE CYCLE MANAGEMENT



Maintenance agreement benefits:

- Longer maintenance cycles
- Fewer maintenance products
- Less waste from maintenance
- Waste and recycling handled by Ponsse or an authorised service partner

Environmentally friendly maintenance products and spare parts:

- Reuse (Budget Parts)
- Refurbishing (Reman Parts)
- Older models (Classic Parts)
- Environmentally friendly maintenance products
- Digital services 24/7

OPERATIONS AND COOPERATION



- **40** countries with active operations
- **204** service centres worldwide
- 72% of suppliers are Finnish
- 78% of turnover comes from exports

SUSTAINABLE FORESTRY



- **Cut-to-Length (CTL) method**
Based on the CTL method, PONSSE forest machines make the most of raw wood material.
- **Minimising impacts on topsoil**
Eight-wheeled forest machines and ten-wheeled forwarders for soft soils exert low surface pressure.

- **Fuel consumption**
We are working to continuously reduce fuel consumption.

STAKEHOLDERS



- Personnel: salaries **€85,7M** (92,7)
- Customers: investments in R&D and capital expenditure **€41,6M** (47,9)
- Owners: dividends **€8,4M** (22,4)
- Suppliers and subcontractors: purchases **€323M** (374)
- Society: taxes, customs duties and employer contributions **€17,5M** (30,7)

COMPANY FINANCES



- Net sales **€636,6M** (667,4)
- Cash flow from business operations **€74,8M** (43,7)
- Profitability operating result **€57,1M** (67,3) which was 9% of net sales

Solvency

- equity ratio **54,3%** (54,8),
- gearing ratio **-3,6%** (14,2)

CORPORATE RESPONSIBILITY AT PONSSE

change as an opportunity and part of continuous development.

We use corporate responsibility reporting to improve the transparency of our operations and objectives.

In addition to the expectations of stakeholders, we have identified the responsibility needs stemming from legislation, standards and international policy, as well as our ethical responsibility for people, the environment and our business. We balance all three dimensions as we develop our responsibility.

STEWARDS OF RESPONSIBILITY

Every Ponsse employee is obligated to carefully review the company's Code of Conduct. Our new Code of Conduct was extensively communicated and trained throughout the group in the first half of 2020. The training has been completed by 93 per cent of our employees and 65 per cent of our retailer representatives. The Code of Conduct is part of our induction programme, and the completion of the training is monitored in annual performance reviews.

Ponsse's management is committed to developing and managing responsibility with the company's employees and partners. We require that our partners follow the Code of Conduct's principles in all their dealings with or on behalf of Ponsse, and that they also abide by all laws and regulations that concern them.

We are committed to responsible sourcing. Every supplier and subcontractor is required to commit to the terms of the Ponsse Supplier Code of Conduct regarding responsible operating methods and to foster the responsibility requirements in their own supply chain. The Supplier Code of Conduct was updated in 2020, and it has been signed by 52 per cent of our suppliers and subcontractors.

Our principal stakeholders are our customers and personnel. Other stakeholders include owners, investors, financial institutions, local communities, forest industry operators, subcon-

tractors, suppliers, the media, the authorities and educational institutions.

We wish to be a reliable partner for all our stakeholders, and we develop our cooperation accordingly. The objectives of our responsibility work are heavily influenced by the expectations of stakeholders, which we strive to understand through active, open and honest cooperation. Knowing our customers personally is important to us, and we also consider our customers' families and stakeholders in our operations.

We wish to be a visible participant in the communities where we are present, and we prefer local partners. We create local welfare by being a responsible employer, and conducting profitable and environmentally sustainable long-term business.

We respect the special features of local culture and act in accordance with our values and Code of Conduct across all Ponsse Group companies.

Business model

Ponsse Plc specialises in the sale, production, maintenance and technology of Cut-to-Length (CTL) forest machines, and is driven by a genuine interest in its customers and their business. Ponsse develops and manufactures sustainable and innovative harvesting solutions based on customer needs.

The Ponsse Group comprises the parent company Ponsse Plc, its subsidiary Epec Oy in Finland, and other subsidiaries in Sweden, Norway, Russia, France, the United Kingdom, the United States, Brazil, Uruguay and China.

Our overseas subsidiaries are responsible for the sales and servicing of PONSSE forest machines in their local market. Epec Oy is our technology company that develops, manufactures, and produces products and services related to machine control.

The corporation's head office and main functions are lo-

cated in Vieremä, Finland. Vieremä is also home to our forest machine factory and most of PONSSE's forest machine R&D. Furthermore, the company's auxiliary functions, including finance, HR, IT, QC, communications and product lines are mostly located in Vieremä. In addition to Vieremä, Ponsse also has R&D operations in Kajaani and Tampere in Finland. Our centralised spare parts warehouse, which serves our entire international service network, is located in Iisalmi, Finland.

All PONSSE forest machines and harvester heads are produced in Vieremä, from main component manufacturing (cabins, cranes, loaders and frames) to final assembly. With 72 per cent of our suppliers being Finnish, no substantial direct sourcing takes place in "low-cost" countries. Our most expensive and technologically advanced components are sourced from Finland, Germany and Sweden.

Trends, risks and opportunities

As part of our responsibility work, we have identified the trends in our operating environment, as well as the related risks and opportunities. The most significant trends influencing corporate responsibility management are the operating environment's susceptibility to change, digitalisation, technological development, and the increasing importance of corporate responsibility and sustainable development.

At Ponsse, responsibility is seen as a benefit and enabler for our business. This thinking is reinforced by our products and services, which allow renewable raw wood material to be used sustainably. Ponsse products make it possible to completely exploit raw wood material, minimise harvesting damage and other environmental impacts, and carry out mechanical forestry. PONSSE forest machines are based on the Cut-to-Length method, which is an environmentally friendly mechanical timber harvesting method. Mechanical harvesting is not only more efficient but also safer than manual forest work.

The accelerating pace of changes in the operating environment emphasises the importance of knowing one's international customer network and operating cultures, as well as understanding customer needs. In a global operating environment, the monitoring of national regulations and international regulations, standards and policies is a challenge for resourcing and communication. We have allocated responsibility for monitoring the operating environment, laws and regulations across various functions in our organisation, and external experts are used as required.

Our customer orientation, customer need insight and investment in the development of the PONSSE network are strengths that confer a business advantage. However, we have identified a risk that we may be unable to identify the needs of our stakeholders or changes in the operating environment quickly enough.

In 2020, the coronavirus pandemic restricted our mobility to vital customer service situations. To maintain our traditions of close cooperation and open communication in stakeholder re-

lations, we ramped up our communications, developed remote training, support services and product launches, and enhanced contact with our stakeholders.

The increasingly digital nature of functions has also increased information security risks, which need to be addressed in the processing of business, customer and personal data. We manage risks by developing our training and operating methods, as well as by technical means.

The growing importance of corporate responsibility and sustainable development has raised the awareness and expectations of our customers and other stakeholders, which gives a major impetus to the development of our responsibility work. PONSSE forest machines have always been developed with environmental values in mind, and the increasing demand for environmentally friendly products, together with customer needs, has given our R&D a clear direction. Our customers are well aware of environmental aspects in both harvesting and machine maintenance.

We have identified challenges in the deployment of common responsibility practices and culture in our global work community and partner network. In addition to training and communication, we manage risks with audits that are used to develop our service network and the operations of our subsidiaries.

Though challenging, corporate responsibility is a great opportunity for us, and the significance of related activities will increase as the PONSSE network expands.

Governance and management systems

Ponsse Plc is governed according to current legislation, our Articles of Association, and the practices defined by the company's administrative bodies. The company abides by the rules of Nasdaq Helsinki Ltd (stock exchange rules), including the Finnish Corporate Governance Code (2015) published by the Securities Market Association. The company also complies with the regulations and guidelines issued by the Financial Supervisory Authority (FIN-FSA).

The purpose of our management systems is to standardise activities throughout the group and to ensure the company's continuous development. Our internal audits are based on international standards for quality management (ISO 9001), environmental management (ISO 14001), health and safety management (OHSAS 18001/ISO 45001), and accounting. Ponsse Plc is certified for ISO 9001, ISO 14001 and ISO 45001 (occupational safety and health standard).

Each subsidiary is responsible for implementing and observing their country's standards with the support of our HSE function. We are developing our corporate responsibility by improving the monitoring of responsibility indicators and integrating the monitoring of responsibility objectives into our auditing and reporting systems. Of our subsidiaries, Ponsse Uruguay has been certified for ISO 9001 and OHSAS 18001, and Ponsse Latin America Ltda in Brazil is seeking ISO 9001 certification in 2021.

MEETING STAKEHOLDER EXPECTATIONS

	CUSTOMERS	PERSONNEL	PARTNERS *	OWNERS	SOCIETY AUTHORITIES	COMMUNITY	MEDIA
ETHICAL AND MORAL RESPONSIBILITY	Contributing to customer success and security	Investing in competence, well-being at work and atmosphere	Continuous development of partners and partnerships	Value-based, responsible business	Responsible corporate citizenship	Contributing to the development of surrounding communities	Communicating actively and openly
RESPONSIBILITY TOWARDS STAKEHOLDERS	Activities based on customer needs	Reliable, non-discriminating and respectful employer	Reliable long-term partnerships	Sustainable growth and value development	Transparency and long-term activities	Contributions to the welfare of surrounding communities	Equal, honest and current communication
RESPONSIBILITY BASED ON LAWS AND STANDARDS	Fulfilling product and service agreements and obligations	Observing employer obligations and upholding human rights	Fulfilling contracts and obligations	Profitable business	Compliance with laws and regulations	Compliance with local laws and regulations	Communication in accordance with stock exchange regulations

* Here "partners" refers to retailers, contractual service partners, forest industry operators, suppliers, subcontractors and educational institutions.

CORPORATE RESPONSIBILITY AT PONSSSE

At Ponsse, responsibility means taking corporate and individual responsibility for the social, economic and environmental impacts of our activities. What we do affects our stakeholders, society at large, the natural environment and our success as a company. Responsibility is part of our daily work, decision-making and management. It extends to our partner network, which contributes to the production of our products and services, and their delivery to customers.

SOCIAL RESPONSIBILITY

In the Ponsse responsibility model, our social responsibility is divided into responsibility for products and services, personnel, operations, and cooperation.

At Ponsse, social responsibility means taking responsibility for the impacts that our business has on people. Our Code of Conduct defines the company's commitment to complying with laws and regulations, respecting human and employee rights, and conducting honest business and fair competition. Our strong

values steer us towards respecting others and cooperation.

These principles must be upheld by every Ponsse employee and key stakeholder.

The failed deployment of responsibility objectives and methods has been identified as the greatest risk to social responsibility at Ponsse, because this would prevent the implementation of a uniform company culture as stipulated in our Code of Conduct. This risk has partly materialised, and measures are currently being taken to develop our uniform company culture.

THE PONSSSE RESPONSIBILITY MODEL

SOCIAL	PRODUCT AND SERVICE Goal: Responsibility for the quality, ethical compliance and safety of products and services. Responsibility for the health and safety of customers. Areas: <ul style="list-style-type: none">• Quality• Safety• Ethics• Customer satisfaction	PERSONNEL Goal: Developing and safe place to work. Responsible, healthy and competent employees. Areas: <ul style="list-style-type: none">• Human and employee rights• Occupational well-being and competence• Safety• Equality, fairness and diversity	OPERATION AND COLLABORATION Goal: We operate and communicate honestly, ethically and communally. Areas: <ul style="list-style-type: none">• Ethical practices• Partner responsibility• Open communication and cooperation
ENVIRONMENT	SUSTAINABLE FORESTRY Goal: Innovative products and services supporting sustainable forestry and environmental protection. Areas: <ul style="list-style-type: none">• CTL method• Environmental burden• Environmental communication	LIFE-CYCLE MANAGEMENT Goal: Services supporting the environmentally sustainable use of our products. Areas: <ul style="list-style-type: none">• Maintenance network• Processes• Competence• Product and service selection	NATURAL RESOURCES Goal: We operate in a uniform, environmentally friendly manner, prefer the best available technology and save natural resources Areas: <ul style="list-style-type: none">• Environmental management• Energy efficiency• Water consumption• Emissions• Waste
FINANCE	COMPANY FINANCES Goal: Balanced and sustainable company finances. Areas: <ul style="list-style-type: none">• Cash flow from business operations• Profitability• Solvency	MANAGEMENT Goal: Reliable, developing financial management. Areas: <ul style="list-style-type: none">• Proactive financial management• Sustainable financing solutions• Investments and risk management	STAKEHOLDERS Goal: Supporting the continuity of stakeholders. Areas: <ul style="list-style-type: none">• Customers• Personnel• Owners• Suppliers• Society



We wish to make the world's best forest machines that support the profitability of our customers' business and the health and safety of employees.

Responsible products and services

We are increasingly steering our R&D towards environmentally friendly and sustainable product and service solutions.

We wish to make the world's best forest machines that support the profitability of our customers' business and the health and safety of employees. We are highly focused on customer satisfaction and the quality of our products and services. We choose durable high-quality materials for our products and seek innovative and responsible solutions for products and services. In our services, we emphasise safe maintenance, employee skills and tools. We actively monitor the changes in safety and environmental requirements, and we respond promptly to customer needs.

As part of developing our responsibility, we are undertaking intensive and innovative development of product and service solutions that meet the need for responsible timber harvesting and constantly exceed the expectations of our customers and other stakeholders regarding responsibility.

Our sustainable development objectives are also supported by digital product and service solutions. In forest machines, digitalisation manifests as automated functions that support the operator, as well as an increased efficiency of harvesting company operations. Forest machines can transmit information about defects and maintenance needs from anywhere in the world.

Healthy, equal and competent personnel

Ponsse has always valued its employees and emphasised their importance since the founding of the company. Every employee is an important part of the whole, contributing valuable input. We want our personnel to be healthy, have a meaningful job and

seek continuous improvement. Our employees are a fundamental resource and essential for all development.

For every employee, Ponsse must be a good and safe place to work. We work in the true Ponsse spirit with mutual respect, caring about one another and our entire network.

We are committed to observing internationally recognised human rights, including their universal basic documents and the ILO Declaration on Fundamental Principles and Rights at Work. We also comply with the UN Guiding Principles on Business and Human Rights.

We do not discriminate against employees or applicants based on age, ethnicity, nationality, language, religion, belief, opinion, political activity, trade union activity, family relations, health, disability, sexual orientation or other grounds related to their person. We respect the freedom of association and the right to organise trades unions. Our employees have the right to join or remain independent of trades unions, as well as to participate in collective bargaining.

We create a workplace that is desirable for all our employees, and where they are treated with equal dignity and respect. In addition, we promote a culture of equal opportunity and diversity. There is zero tolerance for any disrespectful behaviour, harassment or bullying, and we prohibit the use of child labour and other forms of forced labour without exception.

Our HR management is based on active cooperation and interaction, leadership and decision-making in line with our values, ensuring well-being at work, consistent and fair wages and rewards, and continuous skill development. The company's strategic objectives are used as team objectives, reaching all the

CORPORATE RESPONSIBILITY AT PONSSSE

way to the personal objectives of every employee. We monitor the progress of our objectives and the welfare of our people through daily management and regular performance reviews. All our employees are included in our incentive system.

Measuring the employee experience and well-being at work

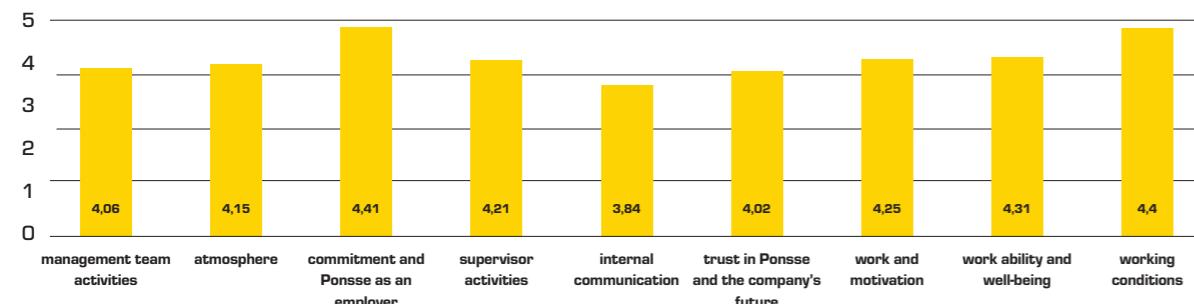
We believe that only motivated, enthusiastic and healthy personnel can provide an outstanding customer experience. The commitment of our personnel is very important for improving customer loyalty, and our survey results for well-being at work are reflected in our business.

We use regular personnel surveys to monitor our employee experience and well-being at work. The group carries out comprehensive employee satisfaction surveys every other year, and

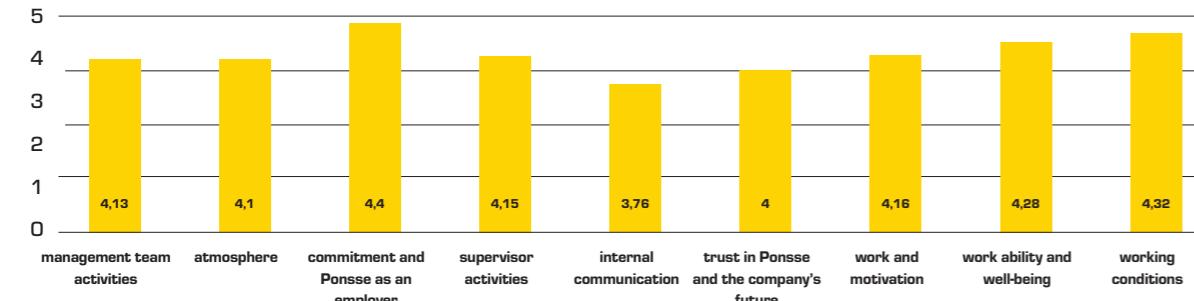
we monitor employee approval and mood with quarterly Ponsse Pulssi surveys. In addition, we measure the development of management and supervision with annual One Ponsse management surveys. In our corporate responsibility report, we explore both the worldwide results and the national results for Finland, as half of our personnel work in Finland.

The Ponsse Pulssi survey is summed up as an Employee Net Promoter Score (eNPS), which indicates how likely our personnel are to recommend Ponsse as an employer. In 2020, we expanded the survey to include all our subsidiaries. The eNPS for December 2020 was +55 globally and +49 for Finland (+37 in November 2019). Our target is to achieve a global eNPS greater than 40, which is the limit for an excellent result.

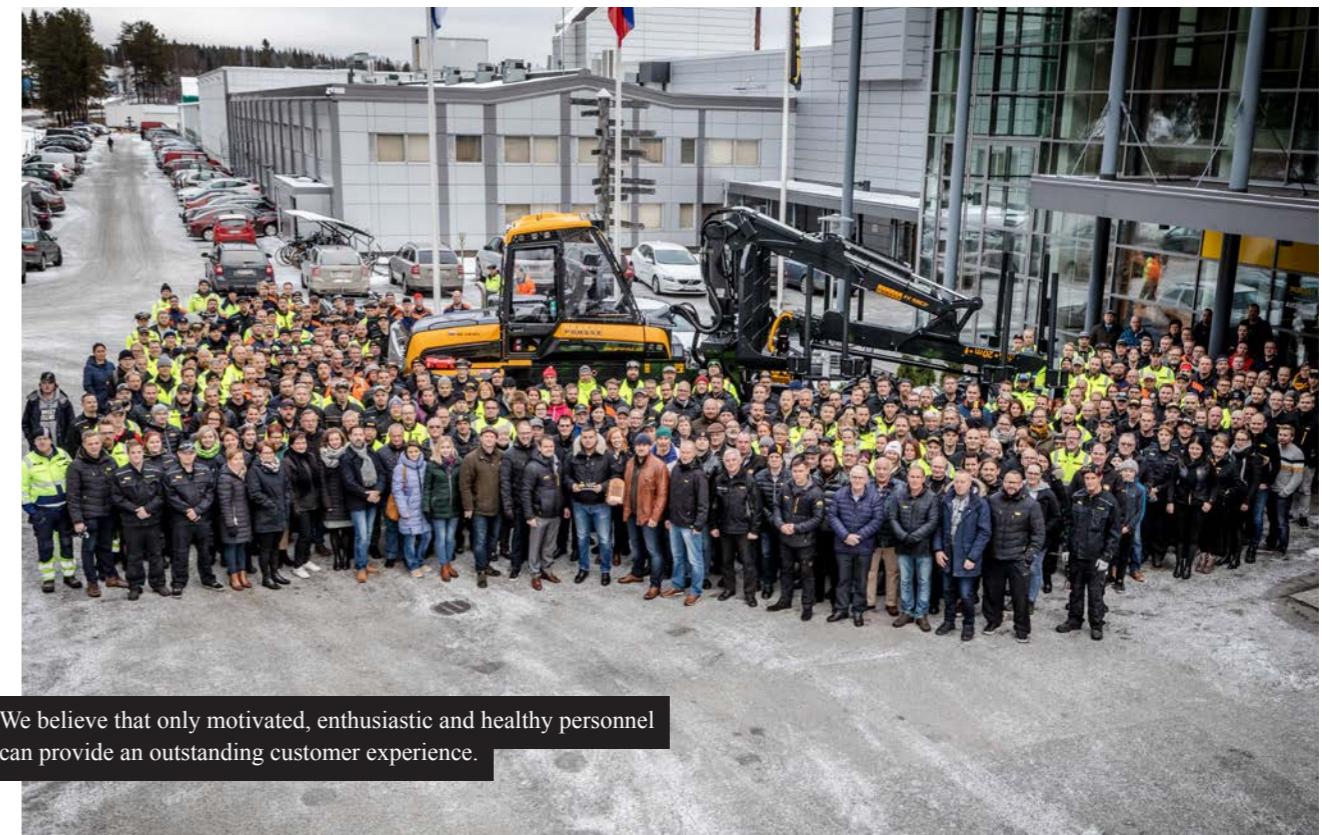
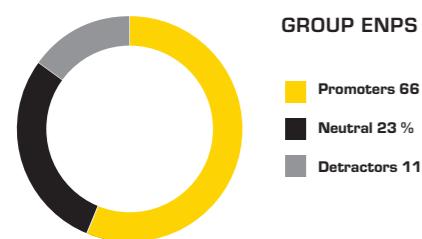
GROUP PERSONNEL SURVEY 2020, N = 1,306



FINNISH PERSONNEL SURVEY 2020, N = 745



ENPS RESULTS (-100 TO +100, DECEMBER 2020)



We believe that only motivated, enthusiastic and healthy personnel can provide an outstanding customer experience.

One Ponsse model

One Ponsse is a customer-driven way of working that applies to every Ponsse employee. In One Ponsse, we take responsibility for our work and common objectives, regardless of organisational boundaries. The organisation communicates actively and openly, and we act with mutual respect and in accordance with our common practices. As a result, our customers receive first-class service and quick responses to their needs.

The One Ponsse practices apply to every employee of the Ponsse Group. The training programme started in 2017 has been expanded from supervisor training to include every employee. One Ponsse is also an essential model for the development of our corporate responsibility practices.

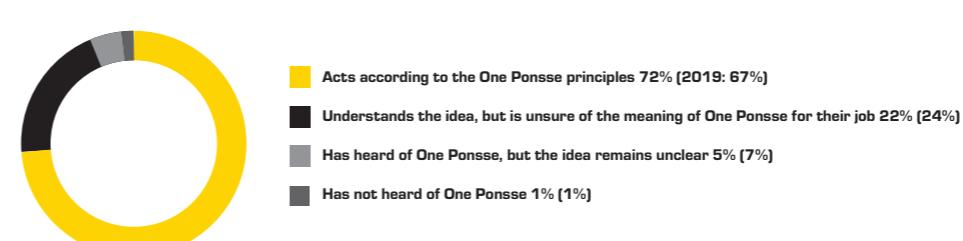
In 2020, One Ponsse training focused especially on management and supervision in telework and the changes caused by the coronavirus pandemic.

ONE PONSSE

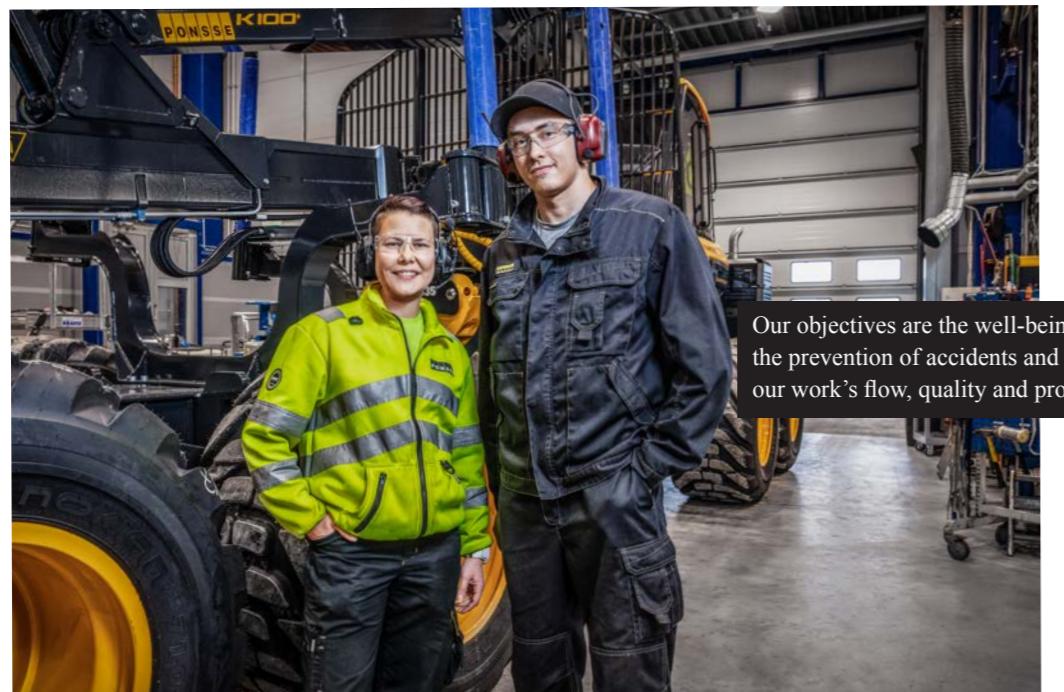
ONE PONSSE PRINCIPLES:

- Customers are at the heart of it all
- Cooperation and taking responsibility
- Agile implementation and transparency
- Common practices
- Open and proactive communication (why-messaging)

ONE PONSSE AWARENESS (DECEMBER 2020) N = 1203



CORPORATE RESPONSIBILITY AT PONSSE



Our objectives are the well-being of employees, the prevention of accidents and developing our work's flow, quality and productivity.

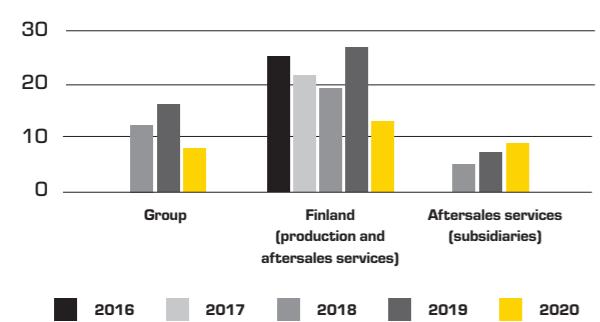
Occupational safety

We provide a safe and healthy working environment for every employee in accordance with the applicable laws and regulations. We are committed to continuously improving occupational health and safety, taking into account the expectations of our customers and other stakeholders as well. Our safety work is based on common values and objectives. Our objectives are the well-being of employees, the prevention of accidents and developing our work's flow, quality and productivity.

Ponsse develops occupational safety at the group and local subsidiary levels. Ponsse employees are encouraged to actively develop safety, make observations and take responsibility. Our objective for global cooperation is to build and deploy operating models that improve safety and ensure that safety activities are effective and transparent across our organisation.

We measure our safety performance with the Lost Time Injury Frequency Rate (LTIF). LTIF is the number of injuries that resulted in at least one day of absence per million hours

LTIF (LOST TIME INJURY FREQUENCY)



worked. In 2020, the LTIFs were 7.8 (2019: 16.1) for the Ponsse Group, 11.3 (26.8) for Finland (production and aftersales services), and 8.8 (7.2) for our international sales and service network. Our investment in the development of safety culture and tools resulted in improvements throughout the Ponsse network, with a further reduction in workplace accidents. There was a marked reduction in the Vieremä factory's LTIF, which also had a positive impact on the group's result.

In 2020, a total of 27 (56) accidents resulting in sick leave occurred at Ponsse Group. Most of the accidents resulted in only minor harm. Of the registered accidents, 12 (33) resulted in three days of sick leave and 15 (23) in more than three days of sick leave. No serious injuries or deaths were caused by workplace accidents at Ponsse in 2020.

Our objective of being an accident-free company is supported by improved preparations, training, observations, communication and responsibility. A total of 2,539 safety observations were reported in the group in 2020. Safety observations are an important tool for developing occupational safety and help us identify areas where safety needs to be improved. Ponsse employees can report their observations using a mobile app.

Honest business and cooperation

Honesty, ethics and community spirit are key principles at Ponsse, and the foundation of all our activities. Our Code of Conduct sets out the guidelines and objectives for the fair and equal treatment of people, as well as honest business, trade and cooperation with our stakeholders. We are a reliable partner for our stakeholders, including our business partners, suppliers and customers. All our business relationships must be based on objective fact.

We communicate honestly and openly, and we make sure that all stakeholders, including personnel, have sufficient and correct information about our situation. We always aim to communicate information simultaneously and equally throughout our network.

Upholding human rights and combating bribes and corruption

We respect internationally recognised human rights, including their universal basic documents and the ILO Declaration on Fundamental Principles and Rights at Work. We also comply with the UN Guiding Principles on Business and Human Rights.

We do not discriminate against employees or applicants based on age, ethnicity, nationality, language, religion, belief, opinion, political activity, trade union activity, family relations, health, disability, sexual orientation or other grounds related to their person.

We aim to build a workplace that is desirable for all our employees, and where they are treated with equal dignity and respect. In addition, we promote a culture of equal opportunity and diversity. We have zero tolerance for any disrespectful behaviour, harassment or bullying.

We are committed to combating corruption in all its forms, including blackmail and bribes. We never offer bribes or other illegal payments, nor do we authorise them to attain or maintain business.

We never offer or accept benefits, gifts or services that could be reasonably presumed to inappropriately influence decision-making or give such an impression. We keep our hospitality within the limits of standard entertainment expenses.

ENVIRONMENTAL RESPONSIBILITY

The Ponsse responsibility model's focus areas for environmental responsibility are support for sustainable forestry, product life cycle management and the sustainable use of natural resources. We manage and develop our business with an eye on environmental considerations in all our activities. We comply with current environmental regulations and other environmental maintenance and protection practices in all our operating regions. Environmental management is embedded in our strategy process, which has defined environmental objectives.

We identify the environmental impacts of Ponsse products and services over their life cycles, and we are committed to developing sustainable and innovative timber harvesting solutions. We include environmental considerations in our R&D, monitor the environmental impacts of our operations throughout our value chain and actively work to reduce the environmental harm caused by our activities. We systematically measure and evaluate our progress in environmental objectives and report the results openly.

We use an ISO 14001 environmental management system in our operations and prioritise investments in environmentally sustainable products and services.

We have identified unforeseen environmental damage related

to production activities, product use and aftersales services as the greatest risk to environmental responsibility. We seek to prevent environmental damage caused by our products with continuous R&D, in which customer and stakeholder cooperation plays an important role. Every customer receives comprehensive training in the safe and environmentally friendly use of our products, which helps prevent problems. Preventive maintenance is employed to prevent unexpected breakdowns, and maintenance can be carried out safely without endangering the environment.

Our production involves the handling and storage of oils and other chemicals, which are subject to environmental permits. These permits stipulate that our activities may not pose a health risk or the risk of major environmental damage. Their monitoring plan is supervised by the local Centre for Economic Development, Transport and the Environment.

Environmental impacts of products

The environmental impacts from the manufacturing, use and recycling of our products can best be influenced at the design and planning stage. Most of the environmental impacts of forest machines come from operational emissions and the consumption of fluids and parts. A long service life and high recyclability are the result of our achieving our sustainable development objectives. Through technical development, we have extended the service intervals of our forest machines, reduced the consumption of oils, fuel and parts, and enabled the use of biodegradable hydraulic fluids. We are an industry veteran with decades of development experience, and we are proceeding quickly towards carbon-neutral forest machines.

In 2020, we carried out the life cycle assessment (LCA) of the PONSSE Buffalo forwarder. The LCA starts from the supplier network and ends at the end of the machine's life cycle. These results allowed us to identify and verify the environmental impacts caused by the product's manufacturing and use. Combining the data with the LCA results of the PONSSE Ergo harvester from 2019, we can now identify the environmental impacts of the whole machine chain. We will use these results to focus our research on areas of environmental significance.

Many forest machine components can be replaced or refurbished, which extends their service life as trade-in machines. We have refurbished (remanufactured) parts for more than ten years, and since 2019, our service centre in Iisalmi, Finland has included the Recycling Centre, which develops the recycling of components. The long service life of our products is also supported by our high degree of in-house manufacturing at the Vieremä factory, which allows us to manufacture spare parts and parts for trade-in machines. Our forest machines are 90 per cent recyclable by weight.

PONSSE forest machines are based on the Cut-to-Length method, which is highly productive and environmentally friendly compared to other mechanical harvesting methods. In the CTL method, the typical fuel consumption per harvested cubic metre is significantly lower compared to the tree-length method, because fewer machines are needed and they can usually be lighter. The CTL method leaves behind nutrition-rich

CORPORATE RESPONSIBILITY AT PONSSE



We purchase renewable energy for our factory, and all sites owned by Ponsse in Finland use electricity generated from renewable sources.

leaves, needles, branches and crowns to nourish the forest. This ensures sufficient nutrients for the remaining trees and saplings, especially when the soil is poor in nutrients. Terrain damage can be reduced by using a protective covering of branches on the forwarder's trail at sensitive sites. The low surface pressure of eight-wheeled forest machines also helps protect the terrain. Unnecessary logistics are avoided, because timber is transported directly to refining facilities.

Environmental impacts of the supply chain

Production is the main source of environmental impacts in the supply chain. The environmental impacts of production come from the consumption of energy and raw materials, surface treatment VOC emissions, chemical handling and storage, and product testing emissions.

Our production method is not water-intensive, and water consumption is therefore not a major environmental concern for us. We use water to wash machines after their test drive and to wash parts during surface treatment. In surface treatment, the water is reused several times to minimise consumption.

We have identified production volumes, production equipment operating hours and personnel numbers as the most significant factors affecting electricity consumption.

The biggest environmental impacts of sourcing and logistics come from transport emissions. We minimise driving distances, schedule deliveries and develop better packaging to reduce the environmental impacts from transport. We use our own transport fleet to deliver PONSSE forest machines to their test sites, domestic customers and train transport. We regularly upgrade our transport fleet, keeping each vehicle for about five years.

The primary objective in sourcing and logistics is effective stock circulation and optimal availability of materials which also affects energy consumption through space requirements. We aim to minimise the amount of packaging waste and efficiently recycle materials by optimising packaging design. We have passed the producer liability for packaging on to producer responsibility organisations. The producer liability system funded by companies can recycle all but one or two per cent of the total packaging used annually.

We have increased cooperation with our largest suppliers to reuse packaging between them and us. Reusable packaging prevents damage to parts and minimises non-essential packaging work and packaging material consumption. This has also enabled the loading of additional cargo. We use folding reusable packaging for large products to make return logistics more efficient.

Environmental considerations are also included in our invest-

ments in production technology and facilities: we emphasise optimal building automation control, energy and water-efficient solutions, renewable energy and preventive equipment maintenance.

We purchase renewable energy for our factory, and all sites owned by Ponsse in Finland use electricity generated from renewable sources. We use smart motion-detecting LED lighting in renovated and new buildings, and we have replaced all fluorescent tube lights in our production facilities with ergonomic and energy-efficient LED lights.

In 2017, we expanded our factory and installed a solar power plant on the roof that generated 154,000 kWh of electricity in 2020 (2019: 142,000 kWh). This is approximately equivalent to the annual consumption of 100 flats, and all the electricity was used in our own production. The roof of the factory extension was covered with a bitumen compound that neutralises harmful airborne industrial and traffic emissions, improving air quality. The roofing also keeps the surrounding air cooler, which reduces the energy consumption of air conditioning.

Since 2019, we have used biodiesel instead of fossil diesel to fill up the new PONSSE forest machines rolling off our production line. Because some 40 per cent of new machines are delivered from the factory with diesel fuel included, this change has had a notable impact on the carbon footprint of our supply chain

Environmental impacts of services

The purpose of Ponsse aftersales services is to ensure the functioning of PONSSE forest machines, allowing customers to focus on productive harvesting. From the environmental perspective, the objective is to minimise environmental impacts from machine use and maintenance, and to optimise the machine's service life. The environmental impacts during the product's life cycle can also be influenced by the choice of spare parts, consumables and maintenance service products. Factory refurbished parts (Reman Parts), second-hand parts (Budget Parts) and parts for end-of-life models (Classic Parts) increase product service life and material efficiency.

The major environmental impacts of our maintenance service business are related to building upkeep (heating, cooling, electricity), machine maintenance, maintenance products, waste handling, customer and personnel travel, and machine transport.

During maintenance, the largest environmental load is caused by the raw materials of the maintenance parts and the waste generated. The greatest environmental risk is unexpected environmental damage during maintenance, such as an uncontaminated oil spill. We aim to prevent damage with common instructions, training and internal audits. In addition, we minimise damage by providing appropriate equipment to maintenance workshops and trucks. We use a common operating model for waste handling that ensures efficient recycling of the materials as secondary raw materials or energy.

Our customers can use maintenance agreements to achieve better reliability and predictability of maintenance. We also handle the waste on behalf of the customer. Longer service in-

tervals have allowed us to reduce the consumption of oil and fluids, as well as the fuel needed for transport.

We use internal audits to develop corporate responsibility throughout our entire aftersales service network. The Ponsse Effective and Safe Workshop (ESW) audit system also monitors and steers the implementation of environmental and safety objectives, and we will further specify our target setting. To date, 423 audits have been completed. In 2020, only a limited number of audits could be carried out due to the coronavirus pandemic. We are developing a concept in which audits can be carried out remotely.

Environmental impact monitoring

We currently monitor total energy consumption and water consumption at the group level. In 2020, we started calculating our carbon footprint at the parent company, Epec Oy and Ponsse AB, our Swedish subsidiary. In 2021, we will expand carbon footprint calculation to all Ponsse Plc subsidiaries. The availability of environmental data and the quality of reporting pose challenges for these calculations. Our objective is to reduce our global carbon footprint in the Greenhouse Gas Protocol's Scopes 1 and 2, and determine our most significant Scope 3 categories. We will use the calculation to understand our current situation and set the base level for our future efforts towards our objective of carbon neutrality.

The group's total energy consumption was 21.17 GWh in 2020 (2019: 24.15 GWh). The Vieremä factory consumed 12.1 GWh. Our total energy consumption includes the electrical, heating and cooling energy consumed by buildings, but not transport fuels. The calculation also takes into account the electricity generated by our solar panels. In 2020, we implemented plans prepared after an energy audit to improve our use of energy. We achieved an annual saving of 125 MWh in energy consumption in Finland. The group's overall energy consumption fell by 14.1 per cent. This marked reduction was the result of increased teleworking due to the coronavirus pandemic and slightly lower production volumes compared to the previous year.

We collected information about the transport fuels used by the whole group for the first time in 2020, and we will continue to develop this reporting in 2021.

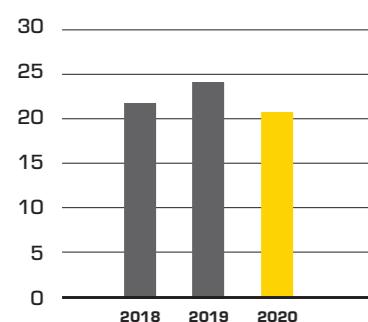
The total energy consumption was divided into electrical power and heating as follows:

power 11.37 GWh	(12.91 GWh)
heating and cooling 9.81 GWh	(11.24 GWh)

The group's total water consumption in 2020 was 24,688.7 m³, a 23.3 per cent reduction compared to the previous year's 32,172.7 m³. The Vieremä factory consumed 11,721 m³ (19,809 m³).

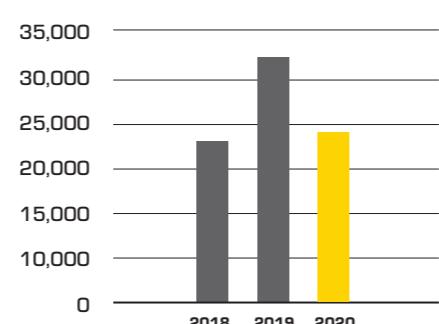
CORPORATE RESPONSIBILITY AT PONSSE

GROUP TOTAL ENERGY CONSUMPTION (GWH)



At our Vieremä factory, we also monitor VOC emissions and the total amount of waste. In 2020 the VOC emissions of the factory were 11,291 kg (2019: 12,697 kg). The total amount of waste in 2020 was 1,258,113 kg (2019: 1,732,430 kg).

GROUP TOTAL WATER CONSUMPTION (M³)



FINANCIAL RESPONSIBILITY

Financial responsibility at Ponsse means the balanced and sustainable development of our finances that takes into account our stakeholders and environmental concerns. We value a good balance between operational growth, profitability and cash flow from business operations. We wish to be a responsible corporate citizen, and hence look to promote openness in tax policy.

Balanced and sustainable company finances

Ponsse aims to grow responsibly. This means that the company's decision-making emphasises long-term operational devel-

opment and securing a solid financial position to guarantee continuity. In practice, the company's objective is profitable growth while generating a positive cash flow. This will guarantee good solvency, financial position and liquidity. In order to ensure operational development and continuity, Ponsse makes significant investments in R&D, the supply chain and the aftersales service network in Finland and other countries.

Good governance and financial management

Throughout its history, Ponsse has been a predominantly privately and family-owned company with a management style emphasising company values and long-term business. We aim

for reliable, predictable and continuously developing financial management. Our objective is to improve the company's ability to respond to financial developments by utilising analysis, scenarios and situational awareness in decision-making.

We use sustainable financing solutions as part of responsible financial management to ensure the completion of necessary investments and adaptation to economic fluctuations. We make investments on a long-term basis and include risk management in their decision-making. Ponsse makes use of sustainable development loans where part of the interest margin is tied to the success of our sustainable development objectives, measured by agreed KPI.

In accordance with good governance, the company protects the rights of its owners, reports its finances correctly and on time, and directs the organisation's management. Account audits, internal control, risk management, compliance with laws and regulations, and administrative and management practices have been organised appropriately with major business and conflicts of interest subjected to sufficient scrutiny.

We refuse to accept or abet money laundering. We comply with money laundering prevention regulations worldwide. We only do business with reputable parties who engage in legal business, and whose assets originate from legitimate sources.

We promote fair and honest competition. We follow the applicable competition legislation in all market areas and refrain from illegal activities. The use of our assets for illegal or inappropriate purposes is strictly forbidden.

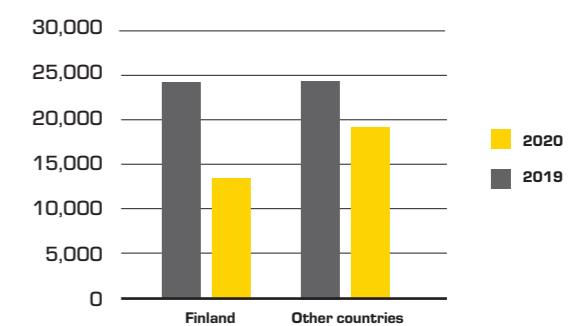
TAX FOOTPRINT

(EUR 1,000)	2020			2019		
	FINLAND*	OTHER COUNTRIES*	TOTAL**	FINLAND*	OTHER COUNTRIES*	TOTAL**
TURNOVER	503,280	383,653	636,627	556,266	380,215	667,402
EARNINGS BEFORE TAXES	2,858	5,307	39,561	65,432	8,836	74,268
PERSONNEL	1,045	800	1,845	1,065	699	1,764
CORPORATION TAX	3,558	3,719	7,277	12,241	2,323	14,564
PROPERTY TAXES	218	216	434	245	205	450
PAYROLL TAXES	9,606	5,361	14,967	11,486	5,836	17,323
CUSTOMS DUTIES	33	9,604	9,637	51	15,549	15,601
OTHER LEVIES	3	117	120	3	127	130
PAID TAXES IN TOTAL	13,418	19,018	32,436	24,027	24,040	48,067

*) Unconsolidated **) Consolidated

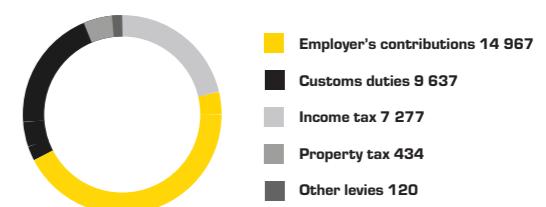
The parent company has measured the net investment to subsidiary Ponsse Latin America Ltda at fair value by recognising credit loss from trade receivables and impairment from non-current investments, in total EUR 30.4 million. These postings influenced the effective tax rate of both the parent company and the group in 2020.

PAID TAXES IN TOTAL (EUR 1,000)

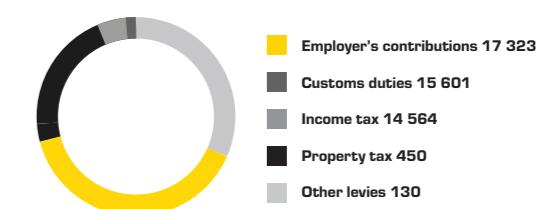


The paid taxes include income taxes, payroll taxes, customs duties, property taxes and other levies.

PAID TAXES IN TOTAL 2020 (EUR 1,000)



PAID TAXES IN TOTAL 2019 (EUR 1,000)



CORPORATE RESPONSIBILITY AT PONSSSE

Supporting the continuity of stakeholders

One primary task of responsible financial development and management is to ensure that the company can fulfil its obligations towards key stakeholders. Aside from customer promises, the company's principal obligations are to pay employee salaries, owner dividends, supplier fees and government taxes.

Tax policy and tax footprint

Tax policy

Ponsse aims to be a responsible corporate citizen consistent with its values. We also wish to be a trendsetter of the forest machine industry in the promotion of open tax policy.

Ponsse's tax policy describes the company's main principles regarding taxation, which are based on our values and Code of Conduct. The tax policy is the responsibility of Ponsse's CFO, and it is approved by the board of directors.

Main principles regarding taxation

Ponsse abides by current tax laws and regulations in all countries where the company has operations.

Ponsse complies with the OECD's Transfer Pricing Guidelines and regularly reviews the market basis of the group's internal pricing.

Ponsse is committed to paying without delay all statutory taxes and fees wherever it operates and its results are produced. Ponsse reports and releases its financial information in accordance with current legislation and the transparency objectives of the company tax policy.

At Ponsse, the objective of tax management is highly moral, predictable and effective taxation.

Tax policy compliance and openness of taxation

The company tax policy applies to all Ponsse employees whose work involves Ponsse's business operations and particularly the related taxation. Ponsse also requires the company's external advisers to comply with its tax policy in instances where reporting and other tasks related to taxes have been outsourced. Ponsse works closely with the Finnish Large Taxpayers' Office. Our objective is open and predictable cooperation with the Finnish Tax Administration.

Business structure

All Ponsse business is conducted for a commercial purpose, and the company is structured to serve its business. The parent company's operations include R&D, sourcing, production, logistics, sales, aftersales services and group administration.

Ponsse subsidiaries outside Finland operate as local sellers who offer aftersales services. The Finnish subsidiary Epec Oy designs and manufactures control systems, which it sells to the parent company and external customers. All of the subsidiaries are directly owned by the parent company.

RESPONSIBILITY DEVELOPMENT

We have carried out a materiality analysis to evaluate the focus areas and related objectives of our responsibility model with regard to stakeholder expectations and business significance in order to identify our objectives for responsibility development. Our action plan is monitored and updated annually as part of the group's strategy work. We have chosen development task objectives that reinforce the group's common culture of responsibility, and we are further integrating responsibility work into our management systems.

ACTION PLAN 2021-2022

FOCUS AREAS	MEASURES	OBJECTIVES
PERSONNEL: Healthy, equal and competent personnel, whom we provide with a safe and healthy working environment	<ol style="list-style-type: none"> 1. Updating and deploying the equality plan. 2. Competence mapping and development programmes at the organisational and individual level. 3. Ensuring competent management and supervision with One Ponsse training. 4. Continuing the deployment of safety management. 	<ol style="list-style-type: none"> 1. Creating a fair work community in which everyone has equal opportunities, rights and responsibilities. 2. Continuously developing and healthy organisation. 3. eNPS (Employee Net Promoter Score) > 40 4. Verifying competence in management and supervision. 5. Harmonising safety management practices. 6. Group LTIF < 5.
OPERATIONS AND COOPERATION Basing all activities on honesty, ethics and community spirit	<ol style="list-style-type: none"> 1. Updating internal induction and instructions related to the Code of Conduct. 2. Making active use of the whistleblowing channel and addressing any issues that may arise. 3. Organising responsibility work and organising a new materiality analysis. 4. Defining the framework, objectives and metrics for responsibility work based on the new materiality analysis. 5. Assessing corporate responsibility as part of risk management and strategy processes. 6. Integrating responsibility objectives into internal audit processes and financial monitoring. 	<ol style="list-style-type: none"> 1. Reinforcing an ethical organisational culture. 2. Open, trusting and developing company atmosphere and stakeholder cooperation. 3. Keeping responsibility work in line with stakeholder expectations. 4. Closely integrating corporate responsibility into business operations and company strategy.
Responsible key stakeholder operations and jointly developing responsibility efforts with stakeholders	<ol style="list-style-type: none"> 1. Organising a responsibility work materiality analysis responsibility survey for stakeholders. 	<ol style="list-style-type: none"> 1. Understanding the expectations of key stakeholders regarding responsibility and developing responsibility accordingly.
SUSTAINABLE FORESTRY: Innovative products supporting sustainable forestry and the preservation of nature	<ol style="list-style-type: none"> 1. Increasing harvesting operators' awareness of the CTL method and expanding CTL markets. 2. Identifying products' environmental impacts based on LCA and defining development based on the identified impacts. 	<ol style="list-style-type: none"> 1. Promoting Cut-to-Length method timber harvesting. 2. Continuously reducing the environmental impacts of products and services.
Services supporting the environmentally friendly use of ponsse products	<ol style="list-style-type: none"> 1. Updating the environmental objectives of aftersales services and integrating the objectives into the service network's ESW audit system. 2. Increasing the number of maintenance agreements. 	<ol style="list-style-type: none"> 1. Minimising the environmental impacts of machine use and maximising the service life of machines. 2. Increasing the use of environmentally friendly services and actively gathering customer feedback for service development.
Environmental awareness and practices in everyday work	<ol style="list-style-type: none"> 1. Updating our environmental objectives and roadmap to match the group's strategic objective of carbon neutrality. 2. Continuing development to save natural resources, minimise waste and promote recycling. 	<ol style="list-style-type: none"> 1. Committing personnel to common environmental objectives and activities that enable carbon-neutral operations. 2. Sustainable use of natural resources.
SUPPLY CHAIN Responsible and transparent supply chain	<ol style="list-style-type: none"> 1. Including environmental considerations, energy efficiency and sustainable development in solutions for production, sourcing and logistics. 2. Achieving 100% coverage for the Supplier Code of Conduct (suppliers and subcontractors). 	<ol style="list-style-type: none"> 1. Reducing the environmental impacts of the supply chain and ensuring transparency of operations. 2. Committing the supply chain to the Ponsse Code of Conduct.
FINANCES AND GOVERNANCE Balanced and sustainable company finances, good governance	<ol style="list-style-type: none"> 1. Cash flow, min. EBITDA 2. EBIT \geq 12% 3. Capital turnover \geq 2 4. Developing risk management work. 	<ol style="list-style-type: none"> 1. Securing balanced and sustainable finances in the long term. 2. Cementing corporate responsibility in good governance.



FINANCIAL STATEMENTS

Ponsse Plc's financial statements 2020 include Board of Director's report, consolidated financial statements (IFRS) and parent company's financial statements (FAS).

INFORMATION FOR SHAREHOLDERS

Ponsse Plc's Annual General Meeting for 2021 will be held on Wednesday 7 April 2021 at the company's registered office at Ponsentie 22, FI-74200 Vieremä, Finland, commencing at 10:00 a.m. Finnish time.

ELIGIBILITY TO ATTEND

To be eligible to attend the AGM, shareholders must be registered by 24 March 2021 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 31 March 2021 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 29 March 2021, either by writing to Ponsse Plc, Share Register, FI-74200 Vieremä, Finland, by calling +358 20 768 800, or by contacting the company online at www.ponsse.com/agm. 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 2020. 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, 9 April 2021. The dividend shall be paid on 16 April 2021.

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 2021

In addition to the financial statements and the Annual Report for 2020, Ponsse Plc will issue three interim reports. Interim reports for the financial period 2021 will be published as follows:

- January–March	20 April 2021
- January–June	10 August 2021
- January–September	26 October 2021

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The interim reports will be published in Finnish and English on the Ponsse website at 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
Ponsentie 22
FI-74200 Vieremä, Finland
Tel. +358 20 768 800
E-mail: corporate.communications@ponsse.com

The Annual Report will also be available online at 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

Petri Härkönen
CFO
Tel. +358 (0)50 409 8362
E-mail: 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

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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.

BOARD OF DIRECTORS' REPORT FOR THE PERIOD JANUARY – 31 DECEMBER 2020

GENERAL

Ponsse Group recorded net sales amounting to EUR 636.6 million (in 2019, EUR 667.4 million) and an operating result of EUR 57.1 (67.3) million for the period. Result before taxes was EUR 39.6 (66.6) million. Earnings per share were EUR 1.15 (EUR 1.86).

NET SALES

Consolidated net sales for the period under review amounted to EUR 636.6 (667.4) million, which is 4.6 per cent less than in the comparison period. International business operations accounted for 79.6 (78.2) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 39.6 (38.0) per cent, Central and Southern Europe 23.6 (19.7) per cent, Russia and Asia 14.6 (17.6) per cent, North and South America 21.7 (24.0) per cent and other countries 0.5 (0.7) per cent.

PROFIT PERFORMANCE

The operating result amounted to EUR 57.1 (67.3) million. The operating result equalled 9.0 (10.1) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 12.4 (23.5) per cent.

Staff costs for the period totalled EUR 85.7 (92.7) million. Other operating expenses stood at EUR 47.8 (57.6) million. The net total of financial income and expenses amounted to EUR -17.7 (-1.0) million. Exchange rate gains and losses with a net effect of EUR -15.2 (0.4) million were recognised under financial items for the period.

The parent company's net receivables from other Group companies stood at EUR 42.2 (98.0) million. The parent company has measured the net investment to subsidiary Ponsse Latin America Ltda at fair value by recognising credit loss from trade receivables and impairment from non-current investments, in total EUR 30.4 million, while the operative performance of the subsidiary has improved. Receivables from subsidiaries mainly consisted of trade receivables, with unregistered tax receivables from unrealised exchange rate losses from unhedged items related to the valuation of trade receivables having an impact on the Group's effective tax rate.

Result for the period under review totalled EUR 32.3 (52.0) million. Diluted and undiluted earnings per share (EPS) came to EUR 1.15 (1.86).

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 474.0 (426.8) million. Inventories stood at EUR 142.1 (153.2) million. Trade receivables totalled EUR 35.4 (47.2) million, while liquid assets stood at EUR 123.6 (48.7) million. Group shareholders' equity stood at EUR 255.0 (232.1) million and parent company shareholders' equity (FAS) at EUR 197.3 (208.0) million. The amount of interest-bearing liabilities was EUR 114.5 (81.7) million. The company has ensured its liquidity by withdrawal of current loan from credit facility limit and commercial paper programme. The company has used 21 per cent of its credit facility limit. Group's loans from financial institutions are non-collateral bank loans without financial covenants. Consolidated net liabilities totalled EUR -9.1 (32.9) million, and the debt-equity ratio (net gearing) was -3.6 (14.2) per cent. The equity ratio stood at 54.3 (54.8) per cent at the end of the period under review.

Cash flow from operating activities amounted to EUR 74.8 (43.7) million. Cash flow from investment activities came to EUR -20.0 (-28.2) million.

IMPACT OF THE COVID-19 PANDEMIC

The coronavirus pandemic has caused rapid changes in the company's operating environment. The company's management has actively monitored and forecasted the development of the pandemic and taken preventive and corrective action to minimise its impact. Prolonging of coronavirus pandemic may have a significant impact on availability of components.

The company reacted to the COVID-19 pandemic rapidly, and the company's management began to prepare alternative action plans for the changing environment. In terms of financing, the company has carried out all measures necessary to ensure the company's continuity.

Coronavirus restrictions were visible in all the company's operations across the world. Decisions were made to ensure the health and safety of the company's customers and all Ponsse employees.

The company's office employees successfully moved to remote working in the spring and the company was able to protect employees' health while continuing development activities as normal. The company's production remained free of infections, and employees' exemplary approach to responsibility paid off. Working life and operating methods have changed permanently at Ponsse. After the pandemic, the com-

pany will hold on to the proven opportunities of the digital modes of operation and use them more than before in both, internal and external communicating and contacting.

MARKET SITUATION

Uncertainties over the impact of the rapidly worsening pandemic slowed the markets considerably during the first half of the year. During the second half of the year, the market situation improved as the operations of the company's customers began to return to normal, and the company returned to two production shifts in the middle of June.

TEMPORARY COST-SAVING MEASURES

The company's management has actively monitored and forecasted the development of the pandemic, and taken preventive and corrective action to minimise its impact. Ponsse Plc started cooperation negotiations with its personnel, and the negotiations ended on 19 March 2020. It was agreed that all personnel would be laid off for up to 90 days to adjust the parent company's operations. In addition, the subsidiaries were adjusting their operations. The company continues to enhance the control of expenses, and investments continue to be carefully considered.

PUBLIC SUBSIDIES AND OTHER SUPPORT

Public subsidies presented in other operating income include periodic COVID-19 aids from different states amounting to EUR 1.4 million.

IMPACT ON FINANCIAL REPORTING

Based on the company's impairment calculations, there was no need to reduce the goodwill of any cash-generating unit at the end of the financial period.

The company analysed credit risks related to trade receivables, as well as credit loss provisions, and concluded that there were enough provisions at the end of the financial period.

ORDER INTAKE AND ORDER BOOKS

Order intake for the period totalled EUR 581.7 (642.2) million, while period-end order books were valued at EUR 174.9 (256.8) million.

DISTRIBUTION NETWORK

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 and Epec Oy, Finland. The Group includes also the property company Ponsse Centre, Russia. Sunit Oy, Finland, is an associate in which Ponsse Plc has a holding of 34 per cent.

R&D AND CAPITAL EXPENDITURE

Group's R&D expenses during the period under review totalled EUR 21.3 (19.3) million, of which EUR 9.2 (7.7) million was capitalised.

Capital expenditure totalled EUR 20.3 (28.6) 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 27 May 2020. 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 2019 financial period.

The AGM decided to pay a dividend of EUR 0.30 per share for 2019 (dividends totaling EUR 8,400,000). The dividend payment record date was 29 May 2020, and the dividends were paid on 5 June 2020.

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

The shares will be acquired in public trading organised by Nasdaq Helsinki ("the Stock Exchange"). Furthermore, they will be acquired and paid according to the rules of the Stock Exchange and Euroclear Finland Ltd.

The Board may, pursuant to the authorisation, only decide upon the acquisition of the treasury shares using the company's unrestricted shareholders' equity.

The authorisation is required for supporting the company's growth strategy in the company's potential mergers and acquisitions or other arrangements. In addition, shares can be distributed to the company's current shareholders, used for increasing shareholders' ownership value by invalidating shares after their acquisition or used in personnel incentive systems. The authorisation includes the right of the Board to decide

upon all other terms and conditions in the acquisition of treasury shares.

The authorisation is valid until the next Annual General Meeting; however, no later than 30 June 2021. The previous authorisations are cancelled.

The AGM authorised the Board of Directors to decide on the assignment of treasury shares held by the company in one or more tranches for payment or without payment so that a maximum of 250,000 shares will be issued on the basis of the authorisation. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes.

The authorisation includes the right of the Board to decide upon all other terms and conditions of the share issue. Thus, the authorisation includes the right to organise a directed issue in deviation of the shareholders' subscription rights under the provisions prescribed by law.

The authorisation is used in supporting the Company's growth strategy in the Company's potential corporate acquisitions or other arrangements. In addition, the shares can be issued to the Company's current shareholders, sold through public trading or used in personnel incentive systems. A directed share issue may only be free of charge if there is a particularly weighty economic reason for this considering the company, taking into account the interests of the company and all of its shareholders.

The authorisation is valid until the next Annual General Meeting; however, no later than 30 June 2021. The previous authorisations are cancelled.

Annual General Meeting authorised the Board of Directors to decide on a directed share issue and to issue special rights entitling to shares as referred to in Section 10(1) of the Finnish Limited Liability Companies Act, in one or more tranches, for payment or without a payment.

Based on the authorisation, a maximum of 200,000 shares can be issued, which is approximately 0.7 per cent of the current total number of shares in the company. Shares can be issued as part of the company's share-based incentive plans. The Board of Directors will decide on all the terms and conditions for the granting of special rights entitling to shares in the share issue. Based on the authorisation, a derogation from the pre-emptive subscription right of shareholders (targeted share issue) may be granted for the special rights entitling to shares. A directed issue may only be free of charge if there is a particularly weighty economic reason for this considering the company, taking into account the interests of the company and all of its shareholders.

The authorisation is valid until the next Annual General Meeting, however no later than 30 June 2021.

BOARD OF DIRECTORS AND THE COMPANY'S AUDITORS

Juha Vidgrén acted as Chairman of the Board until 27 May 2020 and Jarmo Vidgrén from 27 May 2020, and Mammu Kaario as Vice Chairman of the Board. Members of the Board were Matti Kylävainio, Juha Vanhainen, Janne Vidgrén and Jukka Vidgrén.

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

The Board of Directors convened ten times during the period under review. The attendance rate was 98.5 percent.

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

MANAGEMENT

The following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; Petri Härkönen, Deputy CEO, CFO; Juha Inberg, Technology and R&D Director; Marko Mattila, Sales and Marketing Director starting 1 June 2020; Tapio Mertanen, Service Director; Paula Oksman, HR Director; Miika Soininen, Director of IT and Digital Services starting 1 December 2020; Jarmo Vidgrén, Deputy CEO, Sales and Marketing Director until 31 May 2020 and Tommi Väänänen, Director of Delivery Chain Process. The company management has regular management liability insurance.

The area director organisation of sales is led by Marko Mattila, the Group's sales and marketing director, and Tapio Mertanen, service director. Area directors report to Jussi Hentunen, Ponsse retail network manager. Managing directors of subsidiaries and Jussi Hentunen report to Marko Mattila, Ponsse Plc's sales and marketing director.

The geographical distribution and the responsible persons are presented below:

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

Central and Southern Europe: Tuomo Moilanen (Germany and Austria), Clément Puybaret (France), Janne Tarvainen (Spain and Portugal), Dean Robson (the United Kingdom) until 31 December 2020, Patrick Murphy (Ireland) until 6 November 2020, Gary Glendinning (Hungary, Romania, Slovenia, Croatia, Serbia, and the United Kingdom and Ireland starting 1 January 2021) and Tarmo Saks (Poland, Czech Republic and Slovakia).

Russia and Asia: Jaakko Laurila (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 1,782 (1,761) during the period and employed 1,845 (1,764) 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 2020 totalled 2,920,250, accounting for 10.4 per cent of the total number of shares. Share turnover amounted to EUR 73.7 million, with the period's lowest and highest share prices amounting to EUR 19.36 and EUR 33.00, respectively.

At the end of the period, shares closed at EUR 29.20, and market capitalisation totalled EUR 817.6 million.

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

QUALITY, ENVIRONMENT AND OCCUPATIONAL HEALTH AND SAFETY

Ponsse is committed to observing the ISO 9001 quality standard, the ISO 14001 environmental system standard and the ISO45001 safety and health standard. The aim of the management systems based on international standards is to standardise operations at the Group level and to ensure a continuous development. Lloyd's Register Quality Assurance conducted an audit of the ISO 9001:2015 quality system and the ISO 14001:2015 environmental system and as a new the ISO45001 safety and health standard during the period under review.

Implementation of the principles of sustainable development and responsible leadership are guided by the management systems based on the company's quality, environmental and occupational safety and health standards. 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. At Ponsse, defining the environmental impact of production, services and products life cycle is based on

ISO14040 life cycle assessment standard. Our investments in minimising the fuel consumption and emissions of our products and surface damage of trees and in our maintenance services processes also influence the sustainability of the operations of our customers. According to the point of view of social sustainability, we ensure occupational well-being and safety and equal treatment and support employment and the development of professional human resources. The point of view of economical sustainability is related to profitability, cash flow from business operations and growth and ensures the company's economic performance in the long term. This brings stability and continuity to the local community and the society in the whole of our global field of operations.

At Ponsse, operating methods and production processes are developed with both internal and external audits. The company's audit system has been a key tool in promoting the development during 2020. COVID-19 has not significantly affected the operation of the audit system.

Production processes are continuously developed in accordance with the operating model of continuous improvement. The company's quality assurance system emphasises the importance of prevention.

GOVERNANCE

In its decision-making and administration, the company observes the Finnish Limited Liability Companies Act, other regulations governing publicly listed companies and the company's Articles of Association. The company's Board of Directors has adopted the Code of Governance that complies with the Finnish Corporate Governance Code approved by the Board of the Securities Market Association. The purpose of the code is to ensure that the company is professionally managed and that its business principles and practices are of a high ethical and professional standard.

The Code of Governance is available on Ponsse's website in the Investors section.

NON-FINANCIAL INFORMATION REPORTING

The non-financial information reporting is available at the annual report, in section Corporate social responsibility and also on Ponsse's website in the Investors section.

RISK MANAGEMENT

Risk management is based on the company's values, as well as strategic and financial objectives. Risk management aims

to support the achievement of the objectives specified in the company's strategy, as well as to ensure the financial development of the company and the continuity of its business.

Furthermore, risk management aims to identify, assess and monitor business-related risks which may influence the achievement of the company's strategic and financial goals or the continuity of its business. Decisions on the necessary measures to anticipate risks and react to observed risks are made on the basis of this information.

Risk management is a part of regular daily business, and it is also included in the management system. Risk management is controlled by the risk management policy approved by the Board.

A risk is any event that may prevent the company from reaching its objectives or that threatens the continuity of business. On the other hand, a risk may also be a positive event, in which case the risk is treated as an opportunity. Each risk is assessed on the basis of its impact and probability. Methods of risk management include avoiding, mitigating and transferring risks. Risks can also be managed by controlling and minimising their impact.

SHORT-TERM RISK MANAGEMENT

The insecurity in the world economy may result in a decline in the demand for forest machines and the availability of components. The uncertainty may be increased by the volatility of developing countries' foreign exchange markets. The geopolitical situation, in particular, will increase the uncertainty through financial market operations and sanctions. 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 effects of the COVID-19 pandemic are described in section "IMPACT OF THE COVID-19 PANDEMIC".

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

The key objective of the company's financial risk management policy is to manage liquidity, interest and currency risks.

The company ensures its liquidity through credit limit facilities agreed with a number of financial institutions. The effect of adverse changes in interest rates is minimised by utilising credit linked to different reference rates and by concluding interest rate swaps. The effects of currency rate fluctuations are mitigated through derivative contracts.

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.

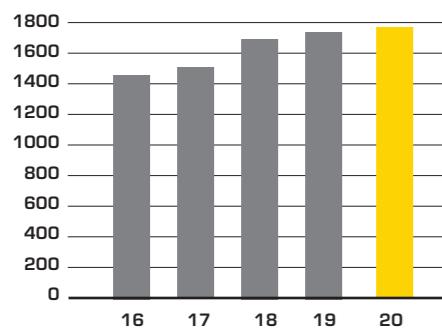
INVENTORIES

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.

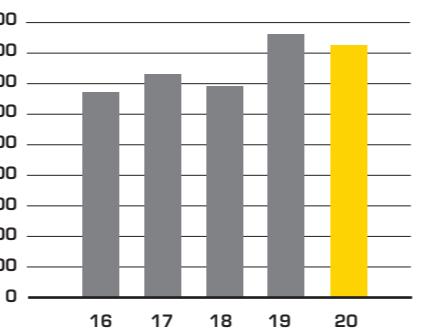
CHANGE IN GUARANTEE PROVISION

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.

AVERAGE NUMBER OF EMPLOYEES



MARKET CAPITALISATION, MEUR



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.

EVENTS AFTER THE PERIOD

The company has no important events after the conclusion of the period under review.

OUTLOOK FOR THE FUTURE

Group's euro-denominated operating result in 2021 is expected to be slightly higher than in 2020.

It is still unclear how long, and how strong the corona pandemic will last. Its impact on Ponsse's business operations, financial position, operating results and liquidity are continuously evaluated.

The Group will continue to keep costs under strict control and make investments after thorough consideration.

PROPOSAL FOR THE DISPOSAL OF PROFIT

No 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 159,524,135.76, of which the net loss for the period amounted to EUR 2,244,146.71.

The company's Board of Directors proposes that the Annual General Meeting authorise a dividend of EUR 0.60 per share for 2020 totalling to EUR 16,800,000.00.

EUR 142,724,135.76 shall be retained in the parent company's non-restricted equity.

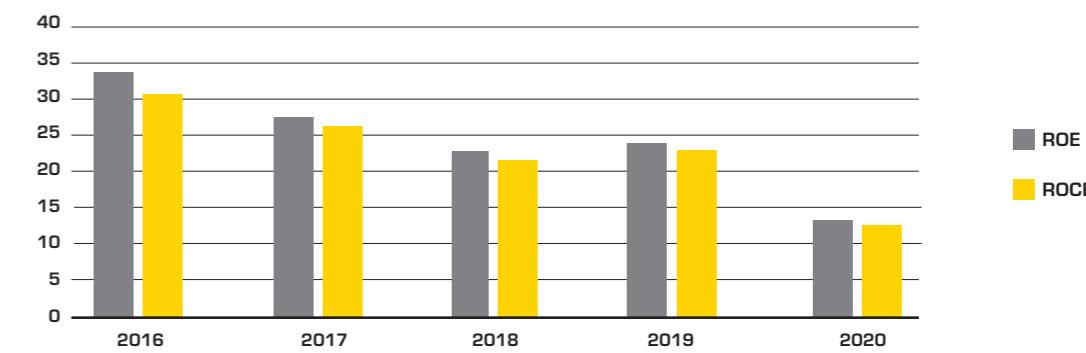
Vieremä, 15 February 2021

Ponsse Plc
Board of Directors

THE MOST IMPORTANT EXCHANGE RATES

	Closing exchange rate 31 Dec 2020	Average exchange rate 2020	Closing exchange rate 31 Dec 2019	Average exchange rate 2019
SEK	10.03430	10.47885	10.44680	10.55718
NOK	10.47030	10.71148	9.86380	9.85238
GBP	0.89903	0.88638	0.85080	0.87730
USD	1.22710	1.14518	1.12340	1.12142
BRL	6.37350	5.88470	4.51570	4.41949
RUB	91.46710	83.12714	69.95630	72.79492
CNY	8.02250	7.89157	7.82050	7.69337

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



FINANCIAL INDICATORS

	IFRS 2020	IFRS 2019	IFRS 2018
Extent of operations			
Net sales (EUR 1,000)	636,627	667,402	612,435
Change, %	-4.6	9.0	6.2
R&D expenditure, total (EUR 1,000)	21,298	19,282	17,472
of which capitalised (EUR 1,000)	9,214	7,656	6,074
as % of net sales	3.3	2.9	2.9
Gross capital expenditure (EUR 1,000)	20,268	28,567	32,916
as % of net sales	3.2	4.3	5.4
Average number of employees	1,782	1,761	1,635
Net sales/employee (EUR 1,000)	357	379	375
Order stock, EUR million	174.9	256.8	294.9
Profitability			
Operating result (EUR 1,000)	57,146	67,301	61,717
as % of net sales	9.0	10.1	10.1
Result before taxes (EUR 1,000)	39,561	66,574	56,324
as % of net sales	6.2	10.0	9.2
Result for the period (EUR 1,000)	32,284	52,010	43,699
as % of net sales	5.1	7.8	7.1
Return on equity, % (ROE)	13.3	24.1	23.2
Return on capital employed, % (ROCE)	12.4	23.5	22.6
Financing and financial position			
Current ratio	1.9	1.9	1.8
Equity ratio, %	54.3	54.8	54.0
Net gearing, %	-3.6	14.2	9.2
Interest-bearing liabilities (EUR 1,000)	114,525	81,682	69,571
Non-interest-bearing liabilities (EUR 1,000)	104,401	113,000	109,337

PER-SHARE DATA ¹

	IFRS 2020	IFRS 2019	IFRS 2018
Earnings per share (EPS), EUR	1.15	1.86	1.56
Equity per share, EUR	9.11	8.29	7.15
Nominal dividend per share, EUR	0.60 ¹	0.30	0.80
Dividend per share adjusted for share issues, EUR	0.60 ¹	0.30	0.80
Dividend per earnings, %	52.0 ¹	16.2	51.3
Effective dividend yield, %	2.1 ¹	1.0	3.2
Price/earnings ratio (P/E)	25.3	16.7	15.9
Share performance			
Lowest trading price	19.36	24.80	23.85
Highest trading price	33.00	31.95	32.35
Closing price	29.20	31.00	24.75
Average price	25.23	28.48	28.79
Market capitalisation, EUR million	817.6	868.0	693.0
Dividends paid, EUR million	16.8 ¹	8.4	22.4
Shares traded	2,920,250	1,774,066	2,327,277
Shares traded, %	10.4	6.3	8.3
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

¹ 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 2020.

FORMULAE FOR FINANCIAL INDICATORS

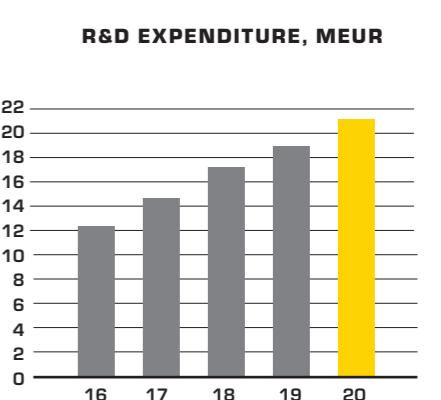
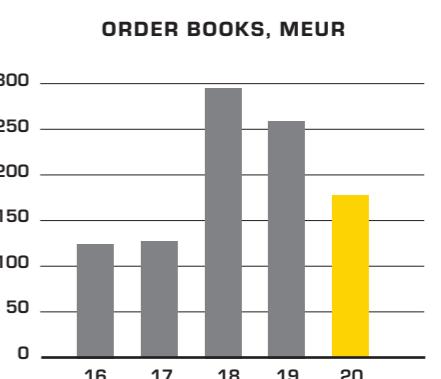
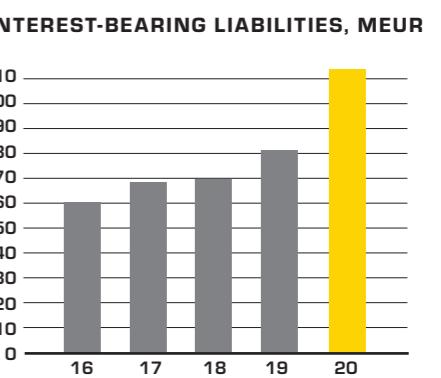
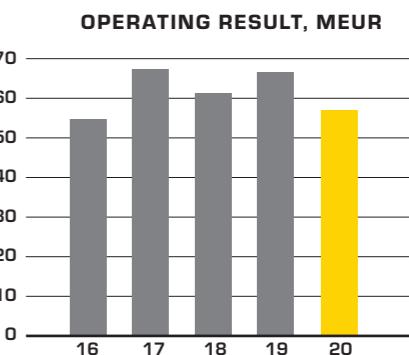
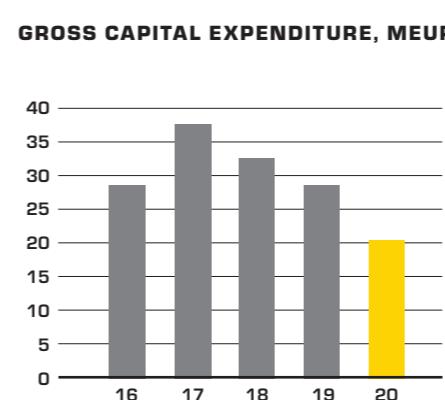
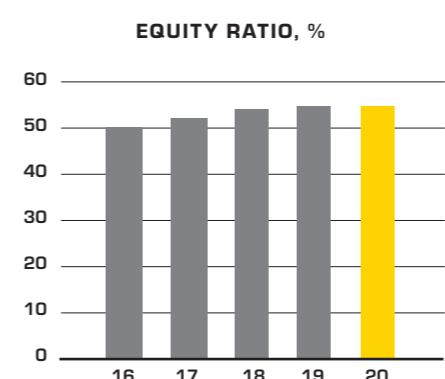
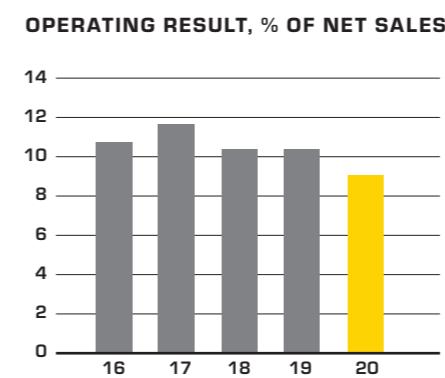
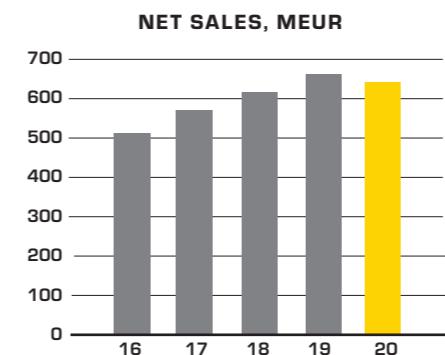
RETURN ON EQUITY, % (ROE)	= $\frac{\text{Net result for the period}}{\text{Shareholders' equity} + \text{minority interest (average during the year)}} \times 100$
RETURN ON CAPITAL EMPLOYED, % (ROCE)	= $\frac{\text{Result before taxes} + \text{financial expenses}}{\text{Shareholders' equity} + \text{interest-bearing financial liabilities (average during the year)}} \times 100$
EQUITY RATIO, %	= $\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advance payments received}} \times 100$
NET GEARING, %	= $\frac{\text{Interest-bearing financial liabilities} - \text{cash and cash equivalents}}{\text{Shareholders' equity}} \times 100$
AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR	= Average of the number of personnel at the end of each month. The calculation has been adjusted for part-time employees.
EARNINGS PER SHARE (EPS)	= $\frac{\text{Net result for the period} - \text{minority interest}}{\text{Average number of shares during the accounting period, adjusted for share issues}}$
EQUITY PER SHARE	= $\frac{\text{Shareholders' equity}}{\text{Number of shares at closing of the accounts, adjusted for share issues}}$
DIVIDEND PER SHARE, ADJUSTED FOR SHARE ISSUES	= $\frac{\text{Dividend per share}}{\text{Adjustment factors for share issues after the financial period}}$
DIVIDEND PER EARNINGS, %	= $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
EFFECTIVE DIVIDEND YIELD, %	= $\frac{\text{Dividend per share, adjusted for share issues}}{\text{Last trading price for the period, adjusted for share}} \times 100$
PRICE/EARINGS RATIO (P/E)	= $\frac{\text{Last trading price for the period, adjusted for share issues}}{\text{Earnings per share}}$
MARKET CAPITALISATION	= 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.
SHARES TRADED, %	= $\frac{\text{Shares traded during the financial period}}{\text{Average number of shares during the period}} \times 100$

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.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	Note ¹	2020	2019
Net sales	1	636,627	667,402
Other operating income	2	3,521	3,046
Change in inventories of finished goods and work in progress		-6,424	15,718
Raw materials and services		-418,400	-447,390
Expenditure on employment-related benefits	5, 29	-85,726	-92,693
Depreciation and amortisation	4	-24,631	-21,219
Other operating expenses	3	-47,821	-57,563
Operating result		57,146	67,301
Financial income and expenses	7, 8	-17,671	-1,032
Share of results of associated companies		86	305
Result before taxes		39,561	66,574
Income taxes	9	-7,277	-14,564
Net result for the period		32,284	52,010
Other items included in total comprehensive result:			
Translation differences related to foreign units		-968	2,373
Total comprehensive income for the financial period		31,316	54,383
Earnings per share calculated from the result belonging to parent company shareholders:			
undiluted earnings per share [EUR], result for the period	10	1.15	1.86
earnings per share [EUR] adjusted for dilution, result for the period	10	1.15	1.86

¹ The note refers to the Notes to the Accounts on pages 66–95.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note ¹	2020	2019
ASSETS			
Non-current assets			
Tangible assets	11	112,183	118,507
Goodwill	12	3,808	3,794
Intangible assets	12	36,709	32,213
Other financial assets	14, 27	371	370
Investments in associated companies	13	832	849
Receivables	15	839	1,196
Deferred tax assets	16	3,076	3,844
Total non-current assets		157,818	160,773
Current assets			
Inventories	17	142,137	153,158
Trade receivables and other receivables	18, 27	48,549	63,817
Income tax receivables		1,849	351
Cash and cash equivalents	19, 27	123,611	48,704
Total current assets		316,146	266,030
TOTAL ASSETS		473,964	426,803
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		7,000	7,000
Treasury shares		-2	-2
Translation differences		4,431	5,399
Other reserves		3,460	3,460
Retained earnings		240,149	216,264
Equity owned by parent company shareholders		255,038	232,121
Non-current liabilities			
Deferred tax liabilities	16	1,137	1,407
Interest-bearing liabilities	24, 27	50,470	48,030
Other liabilities	27	41	23
Total non-current liabilities		51,648	49,460
Current liabilities			
Interest-bearing liabilities	24, 27	64,055	33,652
Trade creditors and other liabilities	25	96,932	105,099
Income tax liabilities		1,312	3,021
Provisions	23	4,979	3,450
Total current liabilities		167,278	145,222
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		473,964	426,803

¹ The note refers to the Notes to the Accounts on pages 66–95.

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR 1,000)	Note ¹	2020	2019
Cash flows from operating activities:			
Net result for the period		32,284	52,010
Adjustments:			
Financial income and expenses	7, 8	17,671	1,032
Share of the result of associated companies		-86	-305
Depreciation and amortisation	4	24,631	21,219
Income taxes	9	7,277	14,564
Other adjustments		1,749	-790
Cash flow before changes in working capital		83,526	87,730
Change in working capital:			
Change in trade receivables and other receivables		9,454	-6,996
Change in inventories		1,965	-24,187
Change in trade creditors and other liabilities		-7,570	2,398
Change in provisions for liabilities and charges		1,529	-1,968
Interest received		97	301
Interest paid		-1,068	-765
Other financial items		-3,100	-882
Income taxes paid		-10,043	-11,944
Net cash flows from operating activities (A)		74,790	43,687
Cash flows used in investing activities:			
Investments in tangible and intangible assets		-20,270	-28,567
Proceeds from sale of tangible and intangible assets		254	322
Net cash flows used in investing activities (B)		-20,016	-28,245
Cash flows from financing activities:			
Withdrawal of current loans		28,680	7,166
Cash outflow for leases		-1,268	-2,401
Dividends paid	20	-8,400	-22,400
Net cash flows from financing activities (C)		19,012	-17,635
Change in cash and cash equivalents (A+B+C)		73,786	-2,193
Cash and cash equivalents 1 Jan		48,704	51,105
Impact of changes in exchange rates		1,121	-208
Cash and cash equivalents 31 Dec	19	123,611	48,704

¹ The note refers to the Notes to the Accounts on pages 66–95.

*) The company changed over to presenting the change in non-current receivables included in the cash flow statement under item change in trade receivables and other receivables. As a result, previously reported cash flows have been adjusted to allow comparability. The previously reported cash flow from business operations was EUR 42.9 million in the 2019 financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Note	Equity owned by parent company shareholders					Shareholders' equity total
		Share capital	Share premium account and other reserves	Translation differences	Treasury shares	Retained earnings	
Shareholders' equity, 1 Jan 2020		7,000	3,460	5,399	-2	216,264	232,121
Translation differences		0	0	-968	0	0	-968
Result for the period		0	0	0	0	32,284	32,284
Total comprehensive income for the period		0	0	-968	0	32,284	31,316
Dividend distribution	22	0	0	0	0	-8,400	-8,400
Shareholders' equity, 31 Dec 2020		7,000	3,460	4,431	-2	240,149	255,038
Shareholders' equity, 1 Jan 2019		7,000	3,462	3,026	0	186,667	200,155
Translation differences		0	0	2,373	0	0	2,373
Result for the period		0	0	0	0	52,010	52,010
Total comprehensive income for the period		0	0	2,373	0	52,010	54,383
Share based incentive plan		0	-2	0	0	-13	-15
Dividend distribution	22	0	0	0	0	-22,400	-22,400
Acquisition of treasury shares		0	0	0	-2	0	-2
Shareholders' equity, 31 Dec 2019		7,000	3,460	5,399	-2	216,264	232,121

¹ The note refers to the Notes to the Accounts on pages 66–95.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIC INFORMATION ON THE GROUP

Ponsse Group is a sales, maintenance and technology 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, Ponsse 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 and Epec Oy in Finland. As of the financial period 2014, the Group includes the property companies Ponsse Centre in Russia. Furthermore, the Group includes Sunit Oy in Kajaani, which is Ponsse Plc's associate with a holding of 34 per cent.

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 Ponsentie 22, 74200 Vieremä.

Copies of the consolidated financial statements are available on the Internet at www.ponsse.com and can be requested from the Group's head office at Ponsentie 22, 74200 Vieremä.

Ponsse Plc's Board of Directors approved the disclosure of these financial statements at its meeting on 15 February 2021. 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 2020. 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 2019 apart from the following new standards, interpretations and amendments to existing standards valid as of 1 January 2020.

The Group has adopted following standards and standard amendments in the beginning of year 2020.

- *Definition of material* – amendments to IAS 1 *Presentation of Financial statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and the resulting changes to other standards (applicable since 1 January 2020).

- The wording of the definition of material is aligned across IFRS standards and in the Conceptual Framework for Financial Reporting;
- the definition of material is clarified; and
- instructions concerning immaterial information are included in IAS 1.

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

- Change in *Conceptual Framework for Financial Reporting* (applicable since 1 January 2020).

IASB has published a revised Conceptual Framework that was immediately used in the decisions made when issuing standards. The main changes are as follows:

- emphasis on stewardship of the company is increased as the goal of financial reporting
- prudence is reintroduced as a factor of neutrality
- the reporting entity is defined; it can be a juridical unit or its part
- the definitions of assets and liabilities are reformed
- the recognition threshold based on probability is omitted, and instructions for exclusion from the balance sheet are supplemented
- instructions regarding different measurement bases are supplemented; and
- it is stated that profit or loss is the primary measure of per-

formance, and that the income and expenses recognised in other comprehensive income items should in principle be transferred to be recognised through profit and loss when it increases the significance of financial statements or improves truthful presentation.

ACCOUNTING PRINCIPLES CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATION 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 signifi-

cant 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.

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.

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.

TANGIBLE ASSETS

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 condi-

tion 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.

PUBLIC SUBSIDIES

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.

INTANGIBLE ASSETS

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.

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.

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 the 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*.

INVENTORIES

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.

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 cancellation clause. A simplified method has been used for the transition.

Lease contracts in which the risks and benefits characteristic of ownership remain with the lessor are treated as other lease contracts. Leases payable on the basis of other lease contracts are recognised as expenses through profit or loss in equal instalments over the lease period.

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.

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 discount-

ed 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.

EMPLOYEE BENEFITS

Pension liabilities

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.

Share based incentive plan

The Group has valid an incentive scheme for the Group's key employees, from which the plan was paid partly in the company's shares and partly in cash. The rewards granted under the scheme are measured at fair value at the time of granting them and recognised as an expense on a pro rata basis during the restriction period by 12 December 2021. The effect of the scheme on profit is disclosed in expenditure on employment-related benefits and the effects of the share based incentive plan are explained in more detail in note 21.

PROVISIONS

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.

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 li-

abilities 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.

REVENUE RECOGNITION

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

Five-step guideline on recognised revenue:

- Contracts with customers are itemized.
- Separate contractual obligations are itemized.
- 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.

Rental income

Rental income is recognised in equal instalments over the rental period.

Dividends

Dividend income is recognised once the dividend becomes vested.

FINANCIAL ASSETS AND INTEREST-BEARING LIABILITIES

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

Financial 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. Financial 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.

The principles for determining the fair values of all financial assets and liabilities are presented in Note 27.

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.

SHAREHOLDERS' EQUITY
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.

OPERATING PROFIT
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 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. Furthermore, the application of accounting policies requires consideration.

MANAGEMENT CONSIDERATION CONNECTED WITH ACCOUNTING POLICIES AND THEIR ADOPTION

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 below. 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.

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.

INVENTORIES

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.

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.

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.

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.

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 deter-

mined as calculations based on value in use. The preparation of these calculations requires the use of estimates.

APPLICATION OF NEW AND AMENDED IFRS STANDARDS

IASB has published new or revised standards and interpretations, presented below, that the Group has not yet applied. The Group will adopt these standards and interpretations starting on the effective date of the standard or interpretation or, if the effective date is not the first day of a financial period, starting at the beginning of the next financial period. The amendments do not expect to have any material impact on the consolidated financial statements.

- *Property, Plant and Equipment – Proceeds before Intended Use – Amendments to IAS 16 (Tangible assets)* (to be applied from 1 January 2022)

- *Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (Provisions, contingent liabilities and contingent assets)* (1 January 2022)

- *Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (Presentation of financial statements)* (1 January 2023)

- *Annual improvements process (AIP; Annual improvements to IFRS standards)* (1 January 2022)

• *IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*

• *IFRS 16 Leases*



1. OPERATING SEGMENTS AND REVENUE FROM CONTRACTS WITH CUSTOMERS

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 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 result (EBIT).

Income from each segment is allocated in accordance with the location of the customer. Unallocated income contains sales to areas outside segments, such as South Africa or Australia. The income items include items that can be allocated to the segment on reasonable grounds. Income items allocated to a segment are based on the normal production degree.

THE GROUP'S REPORTED SEGMENTS ARE:

Northern Europe
Central and Southern Europe
Russia and Asia
North and South America

Pricing between segments is based on fair market price.

OPERATING SEGMENTS 2020

	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Total
(EUR 1,000)					
Net sales of the segment	408,068	153,703	94,051	141,078	796,900
Revenues between segments	-155,898	-3,509	-1,338	-2,920	-163,665
Unallocated sales					3,392
Net sales from external customers	252,170	150,195	92,713	138,157	636,627
Operating result of the segment	6,190	21,019	21,452	20,557	69,219
Unallocated items					-12,073
Operating result	6,190	21,019	21,452	20,557	57,146
Depreciation and amortisation	21,418	704	991	1,517	24,631

OPERATING SEGMENTS 2019

	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Total
(EUR 1,000)					
Net sales of the segment	442,513	133,319	118,526	163,733	858,090
Revenues between segments	-188,974	-1,874	-1,277	-3,287	-195,412
Unallocated sales					4,724
Net sales from external customers	253,539	131,445	117,248	160,445	667,402
Operating result of the segment	10,611	19,124	17,001	21,421	68,156
Unallocated items					-855
Operating result	10,611	19,124	17,001	21,421	67,302
Depreciation and amortisation	18,209	665	807	1,538	21,219

RECONCILIATIONS		
(EUR 1,000)	2020	2019
Net sales		
Net sales of the reporting segments	796,900	858,090
Income from all other segments	3,392	4,724
Elimination of income between segments	-163,665	-195,412
Group's net sales, total	636,627	667,402
Operating result		
Result of the reporting segments	69,219	68,156
Result of all other segments	320	247
Items not allocated to any segment	-12,393	-1,102
Group's operating result, total	57,146	67,302
NET SALES BY INTERNATIONAL BUSINESS OPERATIONS		
%	2020	2019
Export share of net sales	79.6	78.2
NET SALES BY CONTRACT TYPE		
(EUR 1,000)	2020	2019
Machine sales	510,732	541,094
Service	125,895	126,308
Total	636,627	667,402
2. OTHER OPERATING INCOME		
(EUR 1,000)	2020	2019
Rental income	439	375
Sales profits on tangible assets	254	322
Public subsidies	1,659	850
Recycling income	204	310
Other	966	1,189
Total	3,521	3,046
Public subsidies include periodic Covid-19 aids from different states amounting to EUR 1.4 million, which EUR 1.2 million is recognised based on grant application that has reasonable assurance of approval.		
3. OTHER OPERATING EXPENSES		
(EUR 1,000)	2020	2019
Voluntary employee expenses	3,769	4,831
Travel expenses	2,045	5,163
Operating and maintenance expenses	7,957	9,887
Shipping and handling expenses	9,792	9,345
Rent expenses	1,460	1,703
Marketing and representation expenses	4,533	7,220
Administrative expenses	11,012	11,114
R&D expenditure	1,858	2,053
Other expense items	5,396	6,247
Total	47,822	57,563

3.1. AUDITOR'S REMUNERATIONS		
(EUR 1,000)	2020	2019
KPMG	PwC	
Auditor's remunerations	196	118
Certificates and statements	1	2
Tax advice	26	6
Other remunerations	50	21
	273	147
Above-mentioned other remunerations than auditor's remunerations paid to KPMG Oy AB amounted to EUR 76 thousand (PwC EUR 17 thousand in 2019).		
Other organisations		
Auditor's remunerations	40	33
Certificates and statements	2	4
Tax advice	11	14
Other remunerations	38	37
	91	87
Total	364	234
4. DEPRECIATION, AMORTISATION AND IMPAIRMENT		
(EUR 1,000)	2020	2019
Intangible assets		
Capitalised development expenditure	5,734	4,112
Patents	329	296
Intangible rights	267	267
Other intangible assets	1,448	951
Total	7,779	5,627
Tangible assets		
Buildings	6,577	6,100
Machinery and equipment	10,274	9,492
Total	16,852	15,592
Total	24,631	21,219

5. EXPENDITURE ON EMPLOYMENT-RELATED BENEFITS		
(EUR 1,000)	2020	2019
Wages and salaries	69,529	74,358
Pension expenditure – defined contribution plans	8,346	10,136
Share plan	1,229	1,013
Other social security costs	6,621	7,186
Total	85,726	92,693
Average number of staff during the financial period	2020	2019
Employees	1,061	1,061
Clerical workers	721	699
Total	1,782	1,760

Information on management's employment-related benefits is presented in Note 29, Related party transactions.

6. R&D EXPENDITURE		
(EUR 1,000)	2020	2019
R&D expenditure recorded as a cost item in the consolidated statement of comprehensive income	17,831	15,738

7. FINANCIAL INCOME		
(EUR 1,000)	2020	2019
Dividend income from financial assets available for sale	5	3
Interest income from loans and receivables	97	301
Exchange rate gains, realised	0	92
Exchange rate gains, unrealised	0	348
Change in the fair value of derivative instruments	168	0
Other financial income	197	351
Total	466	1,096

8. FINANCIAL EXPENSES		
(EUR 1,000)	2020	2019
Interest expenses for financial loans	1,415	748
Exchange rate losses, realised	2,169	0
Exchange rate losses, accruals	13,239	0
Change in the fair value of derivative instruments	0	65
Other financial expenses	1,314	1,315
Total	18,137	2,128
Financial income and expenses in total	-17,671	-1,032

Accrued exchange rate losses mainly consist of measuring the Group's internal trade receivables in company Ponsse Latin America Ltda.

9. INCOME TAXES		
(EUR 1,000)	2020	2019
Tax based on the taxable income for the period	6,889	14,976
Taxes from previous financial periods	0	78
Deferred taxes	388	-490
Total	7,277	14,564

Reconciliation of tax expenses in the consolidated statement of comprehensive income and taxes calculated at the Group's domestic tax rate (2020: 20.0%, 2019: 20.0%)

(EUR 1,000)	2020	2019
Result before taxes	39,561	66,574
Tax calculated using the domestic tax rate	7,912	13,315
Effect of the different tax rates used in foreign subsidiaries	-597	93
Tax-exempt income	-362	0
Non-deductible expenses	3,132	506
Tax reliefs and supports	-124	-201
Use of tax losses not recorded previously	0	0
Unbooked deferred tax assets	3,257	815
Booked deferred tax assets/liabilities	0	0
Taxes for previous financial periods	0	78
Other items	-5,941	-41
Taxes in the consolidated statement of comprehensive income	7,277	14,564

In 2020, 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 "Non-deductible expenses", "Unbooked deferred tax assets" and "Other items".

10. EARNINGS PER SHARE

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

(EUR 1,000)	2020	2019
Result for the financial period belonging to parent company shareholders	32,284	52,010
Weighted average number of shares during the financial period (1,000 pcs)	28,000	28,000
Undiluted earnings per share (EUR/share)	1.15	1.86

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 2020, 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.

11. TANGIBLE ASSETS						
	Land and water	Buildings	Machinery and equipment	Prepayments and unfinished acquisitions	Total	
(EUR 1,000)						
Acquisition cost 1 Jan 2020	3,672	101,089	106,896	2,457	214,114	
Increase	151	7,770	8,739	5,390	22,051	
Decrease	0	-72	-4,651	-4,726	-9,449	
Exchange rate difference	-222	-1,724	-2,285	-53	-4,284	
Acquisition cost 31 Dec 2020	3,601	107,064	108,699	3,068	222,433	
Accumulated depreciation and impairment 1 Jan 2020	0	-34,001	-61,606	0	-95,607	
Depreciation and amortisation	0	-6,577	-10,274	0	-16,852	
Accumulated depreciation on decrease and transfers	0	3	613	0	616	
Exchange rate difference	0	285	1,306	0	1,592	
Accumulated depreciation and impairment 31 Dec 2020	0	-40,290	69,961	0	-110,251	
Book value 1 Jan 2020	3,672	67,088	45,290	2,457	118,507	
Book value 31 Dec 2020	3,601	66,774	38,738	3,068	112,181	
	Land and water	Buildings	Machinery and equipment	Prepayments and unfinished acquisitions	Total	
(EUR 1,000)						
Acquisition cost 1 Jan 2019	3,412	83,726	92,724	8,898	188,760	
Additions on transition to IFRS 16	0	3,056	485	0	3,541	
Adjusted acquisition cost 1 Jan 2019	3,412	86,782	93,209	8,898	192,301	
Increase	191	13,576	14,606	8,829	37,202	
Decrease	0	0	-910	-15,405	-16,316	
Exchange rate difference	69	731	-8	135	927	
Acquisition cost 31 Dec 2019	3,672	101,089	106,896	2,457	214,114	
Accumulated depreciation and impairment 1 Jan 2019	0	-27,817	-52,125	0	-79,942	
Depreciation and amortisation	0	-6,100	-9,492	0	-15,592	
Accumulated depreciation on decrease and transfers	0	0	517	0	517	
Exchange rate difference	0	-84	-507	0	-591	
Accumulated depreciation and impairment 31 Dec 2019	0	-34,001	-61,606	0	-95,607	
Book value 1 Jan 2019	3,412	58,965	41,084	8,898	112,360	
Book value 31 Dec 2019	3,672	67,088	45,290	2,457	118,507	

RIGHT-OF-USE ASSETS, BALANCE SHEET VALUES						
(EUR 1,000)		Buildings	Machinery and equipment	Total		
Book value 1 Jan 2020		5,573	1,363	6,937		
Increase		5,796	1,191	6,988		
Depreciation and amortisation		-2,079	-621	-2,700		
Exchange rate difference		10	-69	-60		
Book value 31 Dec 2020		9,301	1,864	11,165		
Book value 1 Jan 2019		4,307	1,255	5,562		
Increase		3,021	626	3,648		
Depreciation and amortisation		-1,740	-517	-2,257		
Exchange rate difference		-15	-1	-16		
Book value 31 Dec 2019		5,573	1,363	6,937		
LEASE LIABILITIES, BALANCE SHEET VALUES						
(EUR 1,000)		2020	2019			
Book value 1 Jan		6,787	5,419			
Exchange rate difference		52	-16			
Increase		6,965	3,641			
Interest expense		201	190			
Lease payments		-2,901	-2,447			
Decrease		0	0			
Book value 31 Dec		11,104	6,787			
Non current lease liabilities		8,360	4,491			
Current lease liabilities		2,743	2,296			
Total		11,104	6,787			
Maturity of lease liabilities is presented in Note 24, section Due dates and reconciliation of lease liabilities.						
AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS						
(EUR 1,000)		2020	2019			
Depreciation charge of right-of-use assets		2,700	2,257			
Interest expense		201	190			
Expense relating to leases of low-value assets or short-term leases		1,028	1,182			
Expense relating to variable lease payments not included in lease liabilities		433	521			
Total		4,361	4,150			

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 cancellation clause.

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. The weighted average of the interest rate of the lessee's additional loan applicable to lease contract liabilities on 1 January 2020 was 1.0%.

12. INTANGIBLE ASSETS

	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
[EUR 1,000]						
Acquisition cost 1 Jan 2020	36,301	1,927	3,300	12,055	10,685	64,268
Increase	4,080	301	116	2,239	12,962	19,698
Transfers between items	0	25	0	0	0	25
Decrease	0	0	0	0	-7,447	-7,447
Acquisition cost 31 Dec 2020	40,381	2,253	3,416	14,294	16,200	76,544
Accumulated depreciation and impairment 1 Jan 2020	-21,532	-1,134	-2,546	-6,843	0	-32,055
Depreciation and amortisation	-5,734	-329	-267	-1,448	0	-7,779
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0
Exchange rate difference	0	0	0	0	0	0
Accumulated depreciation and impairment 31 Dec 2020	-27,266	-1,463	-2,813	-8,291	0	-39,834
Book value 1 Jan 2020	14,769	793	755	5,211	10,685	32,213
Book value 31 Dec 2020	13,114	790	604	6,002	16,199	36,710

	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
[EUR 1,000]						
Acquisition cost 1 Jan 2019	29,226	1,772	2,989	8,895	9,844	52,726
Increase	7,074	155	312	3,160	10,115	20,817
Transfers between items	0	0	0	0	0	0
Decrease	0	0	0	0	-9,275	-9,275
Acquisition cost 31 Dec 2019	36,301	1,927	3,300	12,055	10,685	64,268
Accumulated depreciation and impairment 1 Jan 2019	-17,420	-838	-2,278	-5,893	0	-26,429
Depreciation and amortisation	-4,112	-296	-267	-951	0	-5,626
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0
Exchange rate difference	0	0	0	0	0	0
Accumulated depreciation and impairment 31 Dec 2019	-21,532	-1,134	-2,546	-6,843	0	-32,055
Book value 1 Jan 2019	11,807	934	710	3,002	9,844	26,297
Book value 31 Dec 2019	14,769	793	755	5,211	10,684	32,213

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

		2020	2019
[EUR 1,000]			
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	369	354	
Total	3,809	3,794	

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 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 1% 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 2023 and a steady growth factor of 1%. 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.

13. INVESTMENTS IN ASSOCIATED COMPANIES

	2020	2019
(EUR 1,000)		
At beginning of financial period	849	545
Adjustment for previous periods	-1	50
Dividends received	-102	-51
Share of the result of the financial period	86	305
At end of financial period	832	849
Information concerning the Group's associated company, its assets, liabilities, net sales and result:		
(EUR 1,000)		
Associated company		
Sunit Oy, Kajaani, Finland		
Assets	3,341	3,538
Liabilities	893	1,045
Net sales	3,369	5,399
Result	254	892
Share of ownership	34 %	34 %

Sunit Oy specialises in telematics and manufactures vehicle computers.

14. OTHER FINANCIAL ASSETS

	Other shares and holdings
(EUR 1,000)	
Acquisition cost 31 Dec 2019	370
Increase	1
Decrease	0
Acquisition cost 31 Dec 2020	371

Other financial assets mainly contain unquoted shares in enterprises serving the company's operations. They are measured at acquisition cost because their fair values are not reliably available.

15. RECEIVABLES (NON-CURRENT)		2020	2019
(EUR 1,000)			
Trade receivables	0	28	
Loan receivables	7	56	
Other receivables	749	1,020	
Accrued income	82	92	
Total	839	1,196	

Receivables do not have any significant credit risk concentrations.

16. DEFERRED TAX RECEIVABLES AND LIABILITIES		31 Dec 2019	Recognised through profit or loss	31 Dec 2020
(EUR 1,000)				
Changes in deferred taxes during 2020:				
Deferred tax assets:				
Inventories	2,521	-659	1,862	
Confirmed losses in taxation	878	-161	716	
Translation difference for the accounting period		109		
Other items	445	53	498	
Total	3,844	-659	3,076	
Deferred tax liabilities:				
Inventories	0	0	0	
Fixed assets	1,407	-271	1,137	
Other items	0	0	0	
Total	1,407	-271	1,137	
Changes in deferred taxes during 2019:				
Deferred tax assets:				
Inventories	2,049	472	2,521	
Confirmed losses in taxation	1,003	-125	878	
Other items	190	255	445	
Total	3,242	602	3,844	
Deferred tax liabilities:				
Inventories	0	0	0	
Fixed assets	1,295	112	1,407	
Other items	0	0	0	
Total	1,295	112	1,407	

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 13.6 million (22.6 in 2019) associated with the Group's foreign subsidiaries. The confirmed losses mentioned have no maturity time.

17. INVENTORIES		2020	2019
(EUR 1,000)			
Raw materials and consumables		83,799	89,544
Work in progress		7,919	15,374
Finished products/goods		16,247	21,386
Other inventories		34,171	26,855
Total		142,137	153,158

EUR 4.4 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 3.0 million in 2019).

18. TRADE RECEIVABLES AND OTHER RECEIVABLES (CURRENT)		2020	2019
(EUR 1,000)			
Trade receivables		35,384	47,171
Accrued income		2,835	3,509
Other receivables		9,711	12,948
		47,930	63,628
Derivative contracts held for trading		619	189
Total		48,549	63,817

Definition established of expected credit losses is described in Note 26. The fair value of receivables is presented in Note 27.

2020	Non-matured	Matured	Matured	Matured	Matured	Matured
		Less than 30 days	30-90 days	91-180 days	181-360 days	More than 360 days
Gross book value of trade receivables	26,547	6,276	1,888	452	499	617
Deductible item concerning expected loss				-28	-249	-617
Net book value of trade receivables	26,547	6,276	1,888	423	249	0
2019	Non-matured	Matured	Matured	Matured	Matured	Matured
2019	Non-matured	Less than 30 days	30-90 days	91-180 days	181-360 days	More than 360 days
Gross book value of trade receivables	33,053	9,825	3,171	781	756	859
Deductible item concerning expected loss					-417	-859
Net book value of trade receivables	33,053	9,825	3,171	781	339	0

Deduction through profit and loss for the loss associated with trade receivables:			
(EUR 1,000)	2020	2019	
Change in the deduction for the expected loss associated with trade receivables	-381	592	
Final credit losses	365	202	
Cancelled final credit losses	-74	-86	
Total	-90	708	

19. CASH AND CASH EQUIVALENTS			
(EUR 1,000)	2020	2019	
Cash in hand and at banks	123,611	48,704	
Total	123,611	48,704	

20. NOTES ON SHAREHOLDERS' EQUITY			
	Number of shares (1,000 pcs)	Share capital (EUR 1,000)	Other reserves (EUR 1,000)
31 Dec 2019	28,000	7,000	3,460
Share based incentive plan	0		0
31 Dec 2020	28,000	7,000	3,460
			-2

The maximum number of shares is 48 million (48 million in 2019). 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 2019). The number of shares outstanding is 28 million (28 million in 2019). 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 company has a share based incentive plan for the key employees. 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 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 2020, a dividend of EUR 0.30 was paid per share, for a total of EUR 8.4 million (in 2019, EUR 0.80 per share, for a total of EUR 22.4 million). The Board of Directors has proposed after the closing date of the reporting period that a dividend of EUR 0.60 per share shall be paid, i.e. a total of EUR 16.8 million.

21. SHARE-BASED PAYMENT PLANS

During the financial period 2018, the Group launched a new incentive scheme for the Group's key employees.

The prerequisite for participating in the plan was that a key employee acquire the Company's shares up to the number determined by the Board of Directors. Furthermore, receipt of reward was tied to the validity of the key employee's employment or service upon reward payment.

The reward from the plan was paid partly in the company's shares and partly in cash in December 2018. The cash proportion will cover taxes and tax-related costs arising from the reward to the key employee. Shares given as reward may not be transferred during the restriction period ending on 12 December 2021. If a key employee's employment or service ends during the restriction period, the key employee will be obliged to return the shares given as reward, fully or partly, to the company, without compensation.

Through the free rights issue 13 December 2018 to the Group's key employees who have acquired shares was transferred as a bonus 36,349 treasury shares acquired by the company. The fair value of share based incentives has been EUR 1,040 thousand at grant date. The expenses of the share-based bonus scheme during the restriction period from 13 December 2018 to 12 December 2021 were totalled EUR 2,999 thousand, which is recognised as other receivables in balance sheet and as an expense for the restriction period on an accrual basis. During the financial period EUR 1,229 thousand (EUR 1,013 thousand in 2019) was recognised as an expense of the share-based bonus scheme.

22. PENSION LIABILITIES

The Group did not have any pension obligations.

23. PROVISIONS

(EUR 1,000)	Guarantee provision
31 Dec 2019	3,450
Increase	2,692
Decrease	-1,163
31 Dec 2020	4,979

GUARANTEE PROVISION

Products are given a 12 month / 2,000 hour guarantee. Any faults or errors found in machines during the guarantee period will be repaired at the company's own expense according to the conditions of guarantee. Guarantee provisions at the end of 2020 amounted to EUR 4,979 thousand (EUR 3,450 thousand in 2019). 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.

24. INTEREST-BEARING LIABILITIES

(EUR 1,000)	2020	2019
Non-current interest-bearing liabilities		
Loans from financial institutions	39,481	39,952
Other liabilities	2,629	3,587
Lease liabilities	8,360	4,491
Total	50,470	48,030
Current interest-bearing liabilities		
Loans from financial institutions	30,353	10,398
Other liabilities	30,958	20,958
Lease liabilities	2,743	2,296
Total	64,055	33,652

The fair values for commitments is presented in Note 28.

The fair values for liabilities is presented in Note 27.

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

EUR 45,525 thousand of all liabilities have a fixed interest rate (EUR 32,682 thousand in 2019). Other loans EUR 69,000 thousand (EUR 49,000 thousand in 2019) have a variable interest rate.

Due dates and reconciliation of lease liabilities (EUR 1,000)	2020	2019
Lease liabilities – total amount of minimum rents		
Within less than twelve months	2,857	2,389
Within one to five years	7,579	4,409
After more than five years	1,136	389
Total	11,571	7,187
Lease liabilities – present value of minimum rents		
Within less than twelve months	2,743	2,296
Within one to five years	8,099	4,126
After more than five years	261	364
Total	11,104	6,786
Financial expenses to be accrued in the future	468	401
Total lease liabilities	11,571	7,187
25. TRADE CREDITORS AND OTHER LIABILITIES (EUR 1,000)	2020	2019
Trade creditors (other financial liabilities)	59,551	72,498
Advances received	4,549	3,448
Other liabilities	7,387	5,967
Accruals and deferred income		
Accrued staff expenses	16,982	17,969
Interest accruals	394	39
Liabilities based on sales contracts	4,575	2,749
Other accruals and deferred income	3,778	4,636
Derivative contracts held for trading	1,029	815
Total	98,244	108,120

26. 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 43.7 million (EUR 42.4 million in 2019), including a dividend of EUR 1.7 million (EUR 4.9 million in 2019) 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 (Notes 7 and 8).

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, Brasilian real and Russian rouble, with all other factors remaining unchanged. The total net position of the aforementioned currencies is -37.3 million euros (-18.2 million euros in 2019). 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.

(EUR 1,000)	2020			2019	
	Change in EUR exchange rate	Strengthening	Weakening	Strengthening	Weakening
Effect on result after taxes					
USD	5%	181	7%	-257	3% -101 2% 85
SEK	4%	13	6%	-16	3% -67 3% 63
GBP	5%	-48	3%	28	3% -44 4% 65
BRL	23%	6,872	15%	-4,397	5% 1,244 5% -1,307
RUB	16%	-416	11%	295	4% -143 10% 349

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 42 per cent of all floating rate loans.

Sensitivity analysis for floating interest loans:

(EUR 1,000)	+1%	-0.5%
Change percentage		
Effect on result after taxes	-552	276

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 18.

The Group applies the IFRS 9 general model for measuring expected credit losses, according to 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 2020 was EUR 110.0 million, which equals 79 per cent of the total credit facilities (2019, EUR 70.0 million, 87 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 30 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 3.9 years (2019, 2.0 years) on 31 December 2020.

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.

31 Dec 2020 (EUR 1,000)	Balance sheet value		Cash flow*	Within less than one year	Within one to five years	After more than five years
	Bank loans	Other liabilities				
Bank loans	69,834	71,471	31,016	40,455	0	
Other liabilities	33,587	33,807	31,134	2,673	0	
Lease liabilities	11,104	11,571	2,857	7,579	1,136	
Trade creditors and other liabilities	97,215	97,215	97,215			
Derivative contract liabilities	1,029	1,029	1,029			
Off-balance sheet liabilities **	0	7,897	7,897			

31 Dec 2019 (EUR 1,000)	Balance sheet value		Cash flow*	Within less than one year	Within one to five years	After more than five years
	Bank loans	Other liabilities				
Bank loans	50,350	51,721	10,881	40,839	0	
Other liabilities	24,545	24,725	21,089	3,636	0	
Lease liabilities	6,787	6,946	2,147	4,409	389	
Trade creditors and other liabilities	107,305	107,305	107,305			
Derivative contract liabilities	815	815	815			
Off-balance sheet liabilities **	0	8,879	8,879			

* 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 re-aliased. Detailed information in Note 28.

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 2020 were EUR -9.1 million (31 Dec 2019: EUR 32.9 million) and net gearing was -3.6 per cent (31 Dec 2019: 14.2 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.

(EUR 1,000)	2020		2019	
	Interest-bearing liabilities	Interest-bearing receivables	Cash and cash equivalents	Net liabilities
Interest-bearing liabilities	114,525	-7	-123,611	-9,093
Interest-bearing receivables				
Cash and cash equivalents				
Net liabilities				
Total shareholders' equity	255,038		32,923	
Net gearing	-3.6 %		14.2 %	

(EUR 1,000)	Financing liabilities			Other assets	
	Loans	Leases	Sub total	Cash and cash equivalents	Liquid investments
Net liabilities 1 Jan 2019	-67,722	-5,419	-73,141	51,105	103
Cash flows	-7,166	2,402	-4,765	-2,194	-6,959
Acquisition - financial leasing and operative leases			-3,772	-3,772	-3,772
Exchange rate adjustments	-7	2	-5	-207	-212
Other changes			0	-48	-48
Net liabilities 31 Dec 2019	-74,895	-6,787	-81,682	48,704	56
Net liabilities 1 Jan 2020	-74,895	-6,787	-81,682	48,704	56
Cash flows	-28,680	1,268	-27,412	73,786	46,374
Acquisition - leases			-5,683	-5,683	-5,683
Exchange rate adjustments	155	98	253	1,121	1,373
Other changes			0	-48	-48
Net liabilities 31 Dec 2020	-103,421	-11,104	-114,525	123,611	7
					9,093

27. FINANCIAL INSTRUMENTS BY GROUPS AND FAIR VALUES

(EUR 1,000)

31 Dec 2020

Balance sheet assets	Assets at fair value through profit or loss	Assets at original amortised cost	Total
Available-for-sale financial assets	371	0	371
Derivative instruments	619	0	619
Trade receivables and other receivables [excluding prepayments]	0	35,384	35,384
Cash and cash equivalents	0	123,611	123,611
Total	990	158,995	159,985

Balance sheet liabilities	Liabilities at fair value through profit or loss	Liabilities at original amortised cost	Total
Loans (excluding lease liabilities)	0	69,834	69,834
Lease liabilities	0	11,104	11,104
Derivative instruments	1,029	0	1,029
Trade creditors and other liabilities [excluding statutory obligations]	0	59,551	59,551
Total	1,029	140,489	141,518

31 Dec 2019

Balance sheet assets	Assets at fair value through profit or loss	Available-for-sale	Total
Available-for-sale financial assets	369	0	369
Derivative instruments	189	0	189
Trade receivables and other receivables [excluding prepayments]	0	47,199	47,199
Cash and cash equivalents	0	48,704	48,704
Total	558	95,902	96,461

Balance sheet liabilities	Liabilities at fair value through profit or loss	Liabilities at original amortised cost	Total
Loans (excluding lease liabilities)	0	50,350	50,350
Finance lease liabilities	0	6,787	6,787
Derivative instruments	815	0	815
Trade creditors and other liabilities [excluding statutory obligations]	0	72,498	72,498
Total	815	129,635	130,450

The Group's items measured at fair value includes available-for-sale financial assets and derivative instruments.

The available-for-sale financial assets belong to level 3 and derivative instruments belong to level 2 in the fair value hierarchy.

The Group's items measured at fair value only include derivative instruments. These instruments belong to level 2 in the fair value hierarchy.

The nominal values of forward agreements were EUR 29.0 million in 2020 and EUR 25.5 million in 2019.

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. If there are indications, that the fair value of the investments is significantly less than the acquisition cost, the impairment loss of available-for-sale shares is recognised through profit and loss. The original book value of 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.

28. COMMITMENTS

Contingent liabilities

	2020	2019
(EUR 1,000)		
Guarantees given on behalf of others	20	20
Responsibility of checking the VAT deductions made on real property investments, returns responsibility	7,863	8,700
Other commitments	14	159
Total	7,897	8,879

(EUR 1,000)

Minimum rents due based on other non-cancellable leases:

29. 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, %
Parent company Ponsse Plc, Vieremä, Finland	
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 Laoise, 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

A list of associated companies is presented in Note 13. The Group has no joint ventures.

Management's employment-related benefits

(EUR 1,000)	2020	2019
Salaries and other short-term employment-related benefits	4,117	4,212
Benefits paid upon termination of employment	0	0
Pension liabilities, statutory and voluntary pension security	1,239	1,271
Total	5,356	5,483
Salaries and bonuses		
(EUR 1,000)	2020	2019
President and CEO		
Salaries and other short-term employment-related benefits	996	822
Pension liabilities, statutory and voluntary pension security	438	415
Total	1,434	1,238
Compensation of the members of the Board of Directors		
Kaario Mammu	45	45
Kylävainio Matti	38	38
Vanhainen Juha	38	38
Vidgrén Janne	38	38
Vidgrén Jarmo	28	0
Vidgrén Juha	39	48
Vidgrén Jukka	38	38
Total	264	245

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.

30. EVENTS AFTER THE CLOSING DATE OF THE REPORTING PERIOD

It is still unclear how long, and how strong the corona pandemic will last. Its impact on Ponsse's business operations, financial position, operating results and liquidity are continuously evaluated.

PARENT COMPANY'S PROFIT AND LOSS ACCOUNT

(EUR 1,000)	Note ¹	2020	2019
Net sales	2	478,586	531,523
Increase (+)/decrease (-) in inventories of finished goods and work in progress		-7,436	7,795
Other operating income	3	943	1,657
Raw materials and services	4	-338,290	-373,328
Staff costs	5, 6, 7	-52,755	-58,840
Depreciation, amortisation and impairment	8	-18,138	-15,293
Other operating expenses		-46,047	-35,154
Operating result		16,863	58,359
Financial income and expenses	10	-16,966	4,458
Result before extraordinary items		-102	62,817
Appropriations	11	845	-801
Direct taxes	12	-2,987	-11,688
Net result for the period		-2,244	50,329

¹ The note refers to the Notes to the Accounts on pages 99–109.

PARENT COMPANY'S BALANCE SHEET

(EUR 1,000)	Note ¹	2020	2019
ASSETS			
Non-current assets			
Intangible assets	13	35,234	31,175
Tangible assets	13	77,717	83,996
Financial assets	14	11,782	11,782
Total non-current assets		124,733	126,953
Current assets			
Inventories	15	77,690	88,442
Non-current receivables	16	8,131	9,677
Current receivables	16	56,998	113,482
Cash in hand and at banks		114,380	38,283
Total current assets		257,199	249,884
TOTAL ASSETS		381,932	376,837
LIABILITIES			
Shareholders' equity	17, 18		
Share capital		7,000	7,000
Revaluation reserve		841	841
Other reserves		3,458	3,460
Retained earnings		188,724	146,343
Net result for the period		-2,244	50,329
Total shareholders' equity		197,329	207,973
Appropriations	19	3,744	4,588
Provisions for liabilities and charges	20	5,097	3,560
Creditors			
Non-current creditors	21	41,629	42,587
Current creditors	22	134,134	118,129
Total creditors		175,763	160,716
TOTAL LIABILITIES		381,932	376,837

¹ The note refers to the Notes to the Accounts on pages 99–109.

PARENT COMPANY'S CASH FLOW STATEMENT

[EUR 1,000]	2020	2019
Cash flows from operating activities:		
Operating result	16,863	58,359
Depreciation, amortisation and impairment	18,138	15,293
Change in provisions	3,364	-2,280
Other adjustments	15,365	704
Cash flow before changes in working capital	53,731	72,076
Change in working capital:		
Increase (-)/decrease (+) in current non-interest-bearing receivables	27,093	-22,965
Increase (-)/decrease (+) in inventories	10,752	-20,108
Increase (+)/decrease (-) in current non-interest-bearing liabilities	-14,316	6,388
Cash flow from operations before financial items and income taxes	77,260	35,391
Interest received	940	943
Interest paid	-805	-595
Dividends received	1,802	4,906
Other financial items	-2,438	-738
Income taxes paid	-6,188	-9,150
Net cash flows from operating activities (A)	70,571	30,758
Cash flows used in investing activities:		
Investments in tangible and intangible assets	-15,918	-20,410
Proceeds from sale of tangible and intangible assets	0	112
Net cash flows used in investing activities (B)	-15,918	-20,298
Cash flows from financing activities:		
Increase (+)/decrease (-) in current loans	30,000	8,000
Increase (+)/decrease (-) in non-current loans	-958	-958
Increase (-)/decrease (+) in non-current receivables	802	1,202
Dividends paid and other distribution of profit	-8,400	-22,400
Net cash flows from financing activities (C)	21,444	-14,156
Increase (+)/decrease (-) in liquid assets (A+B+C)	76,097	-3,695
Cash and cash equivalents on 1 Jan	38,283	41,979
Cash and cash equivalents on 31 Dec	114,380	38,283

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. The financial statements have been presented in accordance with the profit and loss account by type of expense.

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

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 2020 is comparable with the previous year.

2. NET SALES BY MARKET AREA		
(EUR 1,000)	2020	2019
Northern Europe	205,891	221,631
Southern and Central Europe	117,181	104,128
Russia and Asia	60,131	98,082
North and South America	92,039	103,020
Other countries	3,346	4,662
Total	478,586	531,523

3. OTHER OPERATING INCOME		
(EUR 1,000)	2020	2019
Sales profits on tangible assets	0	112
Public subsidies	275	672
Other	668	873
Total	943	1,657

4. RAW MATERIALS AND SERVICES		
(EUR 1,000)	2020	2019
Raw materials and consumables		
Purchases during the financial period	323,164	376,493
Increase (-)/decrease (+) in inventories	3,359	-12,232
External services	11,891	9,067
Total	338,415	373,328

5. AVERAGE NUMBER OF STAFF		
persons	2020	2019
Employees	418	531
Clerical workers	516	410
Total	934	941

6. STAFF COSTS		
(EUR 1,000)	2020	2019
Salaries and bonuses	44,271	48,548
Pension costs	6,414	8,123
Other social security costs	2,070	2,169
Total	52,755	58,840

7. MANAGEMENT SALARIES AND REMUNERATIONS		
(EUR 1,000)	2020	2019
President and CEO	996	822
Members of the Board of Directors	325	285
Total	1,321	1,107

8. DEPRECIATION AND VALUE ADJUSTMENTS		
(EUR 1,000)	2020	2019
Depreciation according to plan	18,138	15,293
Total	18,138	15,293

9. AUDITOR'S REMUNERATIONS		
(EUR 1,000)	2020	2019
KPMG	PwC	
Auditor's remunerations	77	45
Certificates and statements	1	2
Tax advice	26	0
Other remunerations	50	10
Total	154	57

10. FINANCIAL INCOME AND EXPENSES		2020	2019
(EUR 1,000)			
Dividend income			
From Group companies	1,700	4,855	
From associated companies	102	51	
From others	0	0	
Dividend income, total	1,802	4,906	
Interest income and other financial income			
From Group companies	920	898	
Change in the fair value of derivative instruments	10,722	2,855	
From others	10,756	7,696	
Interest income and other financial income, total	22,398	11,449	
Financial income, total	24,200	16,355	
Value adjustments of financial securities	15,315	0	
Interest expenses and other financial expenses			
To Group companies	0	0	
Change in the fair value of derivative instruments	9,878	4,138	
To others	15,973	7,759	
Interest expenses and other financial expenses, total	25,851	11,897	
Financial expenses, total	41,165	11,897	
Financial income and expenses, total	-16,966	4,458	
The item "Financial income and expenses" includes exchange rate profit/loss (net)	-2,090	45	

The parent company has measured the net investment to subsidiary Ponsse Latin America Ltda at fair value by recognising credit loss from trade receivables EUR 15.1 million and impairment from non-current investments EUR 15.3 million, in total EUR 30.4 million.

11. APPROPRIATIONS		2020	2019
(EUR 1,000)			
Difference between depreciations according to plan and depreciations in taxation	845	-801	
12. INCOME TAX		2020	2019
(EUR 1,000)			
Income tax on extraordinary items	0	0	
Income taxes from actual operation	2,987	11,688	
Change in deferred tax asset	0	0	
Total	2,987	11,688	

13. INTANGIBLE AND TANGIBLE ASSETS		2020	Development costs	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
(EUR 1,000)	Intangible assets 2020							
Acquisition cost 1 Jan 2020		32,145	1,893	2,244	13,325	10,306	59,913	
Increase		3,658	301	35	2,252	12,880	19,126	
Decrease		0	0	0	0	-7,166	-7,166	
Transfers between items		0	0	0	0	0	0	
Acquisition cost 31 Dec 2020		35,803	2,194	2,280	15,576	16,021	71,874	
Accumulated depreciation on 1 Jan 2020		-18,285	-1,113	-1,714	-7,627	0	-28,739	
Accumulated depreciation on decrease and transfers		0	0	0	0	0	0	
Depreciation for the accounting period		-5,350	-325	-181	-1,422	0	-7,278	
Accumulated depreciation on 31 Dec 2020		-23,636	-1,438	-1,895	-9,049	0	-36,017	
Book value 31 Dec 2020		12,167	756	385	6,528	16,021	35,857	
Book value 31 Dec 2019		13,860	780	531	5,698	10,306	31,175	
(EUR 1,000)		2020	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
(EUR 1,000)	Tangible assets 2020							
Acquisition cost 1 Jan 2020		1,479	76,787	78,770	159	1,765	158,960	
Increase		138	1,690	2,584	71	3,783	8,267	
Decrease		0	0	0	0	-4,309	-4,309	
Transfers between items		0	0	0	0	0	0	
Acquisition cost 31 Dec 2020		1,618	78,477	81,354	230	1,240	162,918	
Accumulated depreciation on 1 Jan 2020		0	-28,407	-47,399	0	0	-75,805	
Accumulated depreciation on decrease and transfers		0	0	0	0	0	0	
Depreciation for the accounting period		0	-3,840	-7,020	0	0	-10,860	
Accumulated depreciation on 31 Dec 2020		0	-32,246	-54,419	0	0	-86,665	
Revaluations		0	841	0	0	0	841	
Book value 31 Dec 2020		1,618	47,072	26,935	230	1,240	77,094	
Book value 31 Dec 2019		1,479	49,221	31,371	159	1,765	83,996	
Book value of operating machinery and equipment								
31 Dec 2020							24,610	
31 Dec 2019							28,807	

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						
(EUR 1,000)	Shares in Group companies	Shares in associated companies	Shares, other	Receivables from Group companies	Receivables, other	Total
Financial assets 2020						
Acquisition cost 1 Jan 2020	17,302	335	440	0	0	18,076
Increase	15,315	0	0	0	0	15,315
Decrease	0	0	0	0	0	0
Acquisition cost 31 Dec 2020	32,617	335	440	0	0	33,391
Accumulated write-downs 1 Jan 2020	-6,210	0	-84	0	0	-6,294
Decrease	0	0	0	0	0	0
Write-downs	-15,315	0	0	0	0	-15,315
Revaluations	0	0	0	0	0	0
Book value 31 Dec 2020	11,092	335	356	0	0	11,782
Book value 31 Dec 2019	11,092	335	356	0	0	11,782

Impairments are related to down-write of investment in Ponsse Latin America Ltda.

Group companies		Company's share of ownership %
Name and domicile		
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 Laoise, 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

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

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

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

15. INVENTORIES		2020	2019
(EUR 1,000)			
Raw materials and consumables		54,790	60,306
Work in progress		7,427	14,948
Finished products/goods		3,906	3,868
Other inventories		11,567	9,239
Prepayments		0	81
Total		77,690	88,442
16. RECEIVABLES		2020	2019
(EUR 1,000)			
Non-current receivables			
Receivables from Group companies			
Loan receivables		8,131	8,933
Loan receivables		0	0
Other receivables		0	743
Non-current receivables, total		8,131	9,677
Current receivables			
Trade receivables		9,105	11,937
Receivables from Group companies			
Trade receivables		39,071	93,062
Other receivables		5,289	6,991
Accrued income			
Grants receivable		156	371
Income tax receivables		1,616	0
Derivative contracts		619	189
Other accrued income		1,141	933
Other accrued income, total		3,533	1,492
Current receivables, total		56,998	113,482
Receivables, total		65,129	123,159

17. SHAREHOLDERS' EQUITY		
	2020	2019
(EUR 1,000)		
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	3,462
Share based incentive scheme, change	0	-4
Other reserves 31 Dec	3,458	3,458
Retained earnings on 1 Jan	196,674	168,759
Purchase of treasury shares	0	0
Share based incentive scheme, change	0	-13
Dividend distribution	-8,400	-22,400
Retained earnings on 31 Dec	188,274	146,346
Result for the period	-2,244	50,329
Shareholders' surplus, total	189,488	200,132
Total shareholders' equity	197,329	207,973

18. DISTRIBUTABLE FUNDS		
	2020	2019
(EUR 1,000)		
Retained earnings	188,274	146,346
Result for the period	-2,244	50,329
Capitalised R&D expenses	-26,506	-22,770
Total	159,524	173,905

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

Ponsse Plc's registered share capital on 31 December 2020 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 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		
	2020	2019
(EUR 1,000)		
Depreciation difference	3,744	4,588
20. PROVISIONS FOR LIABILITIES AND CHARGES		
	2020	2019
(EUR 1,000)		
Guarantee provision	5,097	3,560
Other compulsory provisions	0	0
Total	5,097	3,560

21. NON-CURRENT CREDITORS		
(EUR 1,000)	2020	2019
Loans from financial institutions	39,000	39,000
Pension loans	0	0
Other loans	2,629	3,587
Non-current creditors, total	41,629	42,587
Debts falling due in more than five years	0	0
Loans from financial institutions	0	0
Pension loans	0	0
Other loans	0	0
Total	0	0
22. CURRENT CREDITORS		
(EUR 1,000)	2020	2019
Loans from financial institutions	30,000	10,000
Pension loans	0	0
Other loans	30,958	20,958
Advances received	197	363
Trade creditors	50,790	65,243
Liabilities to Group companies		
Advances received	0	0
Intra-Group trade creditors	4,562	3,971
Other intra-Group liabilities	0	0
Accruals and deferred income	0	0
Liabilities to Group companies, total	4,562	3,971
Advance invoicing	0	0
Advance invoicing to Group companies	0	0
Other liabilities	1,048	1,377
Accruals and deferred income		
Accrued staff expenses	10,398	11,554
Interest accruals	394	39
Income tax liability	0	1,585
Accruals and deferred income in respect of inventories	0	0
Other accruals and deferred income	5,786	3,040
Accruals and deferred income, total	16,578	16,218
Current creditors, total	134,134	118,129

23. PLEDGES GIVEN, CONTINGENT AND OTHER LIABILITIES		
(EUR 1,000)	2020	2019
23.1 Pledges given for own debt		
Company has not issued any written security for the external liabilities.		
23.2 Leasing commitments		
Leasing payments payable under leasing agreements		
Leasing payments payable during the next financial period	307	455
Leasing payments payable thereafter	212	260
Leasing payments payable under leasing agreements, total	519	715
23.3 Contingent liabilities on behalf of Group companies		
Guarantees given on behalf of companies within the Group	261	275
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		
Guarantees given on behalf of others	1,720	1,552
Repurchase commitments	441	786
Other commitments	7,877	8,859
Other contingent liabilities, total	10,037	11,197
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 7,876,790 (EUR 8,700,116) and the last auditing year is 2030 (2029), and this is included in above-mentioned Other liabilities -section.		
23.6 Derivative liabilities		
Forward exchange agreements		
Fair value	245	77
Value of underlying asset	28,969	25,486
Interest rate derivatives		
Fair value	-655	-702
Value of underlying asset	29,000	29,000
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 227 treasury shares.

Annual General Meeting authorised the Board of Directors to decide on the acquisition of treasury shares so that shares can be acquired in one or several instalments to a maximum of 250,000 shares. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes. The shares will be acquired in public trading organised by Nasdaq Helsinki ("the Stock Exchange"). Furthermore, they will be acquired and paid according to the rules of the Stock Exchange and Euroclear Finland Ltd. The Board may, pursuant to the authorisation, only decide upon the acquisition of the treasury shares using the company's unrestricted shareholders' equity. The authorisation is required for supporting the company's growth strategy in the company's potential mergers and acquisitions or other arrangements. In addition, shares can be distributed to the company's current shareholders, used for increasing shareholders' ownership value by invalidating shares after their acquisition or used in personnel incentive systems. The authorisation includes the right of the Board to decide upon all other terms and conditions in the acquisition of treasury shares. The authorisation is valid until the next Annual General Meeting; however, no later than 30 June 2021. The previous authorisations are cancelled.

The AGM authorised the Board of Directors to decide on the assignment of treasury shares held by the company in one or more tranches for payment or without payment so that a maximum of 250,000 shares will be issued on the basis of the authorisation. The maximum amount corresponds to approxi-

mately 0.89 per cent of the company's total shares and votes. The authorisation includes the right of the Board to decide upon all other terms and conditions of the share issue. Thus, the authorisation includes the right to organise a directed issue in deviation of the shareholders' subscription rights under the provisions prescribed by law. The authorisation is used in supporting the Company's growth strategy in the Company's potential corporate acquisitions or other arrangements. In addition, the shares can be issued to the Company's current shareholders, sold through public trading or used in personnel incentive systems. A directed share issue may only be free of charge if there is a particularly weighty economic reason for this considering the company, taking into account the interests of the company and all of its shareholders. The authorisation is valid until the next Annual General Meeting; however, no later than 30 June 2021. The previous authorisations are cancelled.

Annual General Meeting authorised the Board of Directors to decide on a directed share issue and to issue special rights entitling to shares as referred to in Section 10(1) of the Finnish Limited Liability Companies Act, in one or more tranches, for payment or without a payment. Based on the authorisation, a maximum of 200,000 shares can be issued, which is approximately 0.7 per cent of the current total number of shares in the company. Shares can be issued as part of the company's share-based incentive plans. The Board of Directors will decide on all the terms and conditions for the granting of special rights entitling to shares in the share issue. Based on the authorisation, a derogation from the pre-emptive subscription right of shareholders (targeted share issue) may be granted for the special rights entitling to shares. A directed issue may only be free of charge if there is a particularly weighty economic reason for this considering the company, taking into account the interests of the company and all of its shareholders. The authorisation is valid until the next Annual General Meeting, however no later than 30 June 2021.

INCREASES IN SHARE CAPITAL 1994–2020

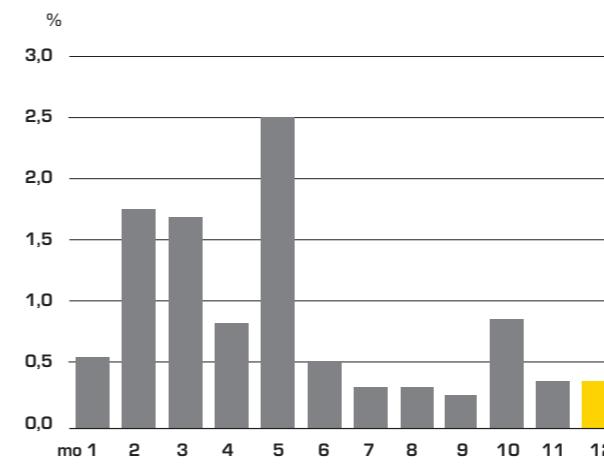
Subscription period	Method of increase	Nominal value EUR	Number of new shares	Increase in share capital EUR	New share capital EUR
31 August 1994	Scrip issue	0.84	1,300,000	1,093,221.52	2,489,181.31
9–22 March 1995	Scrip issue	0.84	148,000	124,459.07	2,613,640.38
9–22 March 1995	Rights issue targeted 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

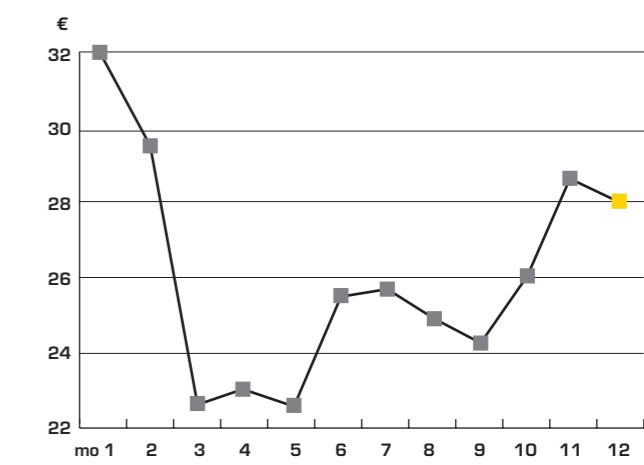
At the end of the financial year, the company's Board of Directors did not have any valid authorisation to increase the share capital or to issue convertible bonds or bonds with warrants.

SHARE TURNOVER 1 JANUARY–31 DECEMBER 2020							Market capitalisation, EUR	Number of shares	Relative turnover, %
Month	Turnover value, EUR	Turnover, number of shares	Lowest, EUR	Highest, EUR	Weighted average share price, EUR	Closing price, EUR			
1	4,779,140	150,215	30.60	32.45	31.82	31.55	883,400,000	28,000,000	0.54
2	14,329,521	487,219	23.95	33.00	29.41	25.35	709,800,000	28,000,000	1.74
3	10,611,263	473,176	19.36	27.45	22.41	20.50	574,000,000	28,000,000	1.69
4	5,542,922	241,657	20.35	25.50	22.93	23.60	660,800,000	28,000,000	0.86
5	15,718,381	704,455	21.60	25.15	22.31	25.05	701,400,000	28,000,000	2.52
6	3,840,527	150,166	23.55	26.60	25.58	25.40	711,200,000	28,000,000	0.54
7	2,285,829	88,662	25.00	26.60	25.78	25.20	705,600,000	28,000,000	0.32
8	2,340,276	93,098	24.00	25.95	25.14	25.10	702,800,000	28,000,000	0.33
9	1,866,119	77,006	23.00	25.25	24.23	23.70	663,600,000	28,000,000	0.28
10	6,063,139	232,924	23.35	28.55	26.03	27.35	765,800,000	28,000,000	0.83
11	3,251,093	112,479	27.00	29.95	28.90	28.50	798,000,000	28,000,000	0.40
12	3,061,127	109,193	26.80	29.50	28.03	29.20	817,600,000	28,000,000	0.39
2020	73,689,338	2,920,250	19.36	33.00	25.23	29.20	817,600,000	28,000,000	10.43

RELATIVE SHARE TURNOVER BY MONTH IN 2020



WEIGHTED AVERAGE SHARE PRICE BY MONTH IN 2020



SHAREHOLDER PROFILE ON 31 DECEMBER 2020						
	Shares, pcs	Percentage of shares and votes, %	Shares of nominee-registered, pcs	Shares of nominee-registered, %	Votes, pcs	Percentage of votes, %
Enterprises	670,735	2.395	0	0	670,735	2.395
Financial institutions and insurance companies	2,443,313	8.726	1,006,913	3.596	3,450,226	12.322
Public sector entities	790,881	2.825	0	0	790,881	2.825
Households	22,407,482	80.027	0	0	22,407,482	80.027
Non-profit organisations	559,375	1.998	0	0	559,375	1.998
Foreign holding	29,376	0.105	91,925	0.328	121,301	0.433
Total	26,901,162	96.076	1,098,838	3,924	28,000,000	100.000

ANALYSIS OF SHAREHOLDERS ON 31 DECEMBER 2020				
Shares per shareholder	Number of shareholders	Percentage of shareholders, %	Shares, total, pcs	Percentage of shares and votes, %
1-100	9,182	59.857	357,032	1.275
101-500	4,181	27.256	1,075,521	3.841
501-1,000	994	6.480	775,152	2.768
1,001-5,000	802	5.228	1,703,122	6.083
5,001-10,000	94	0.613	686,597	2.452
10,001-50,000	67	0.437	1,336,754	4.774
50,001-100,000	7	0.046	449,254	1.604
100,001-500,000	7	0.046	2,236,926	7.989
over 500,000	6	0.039	19,379,642	69.213
Total	15,340	100.000	28,000,000	100.000

SHAREHOLDERS ON 31 DECEMBER 2020			
No.	Name	Number of shares	Percentage of shares
1	Vidgrén Juha Einari	6,207,000	22.17
2	Vidgrén Jukka Tuomas	3,764,778	13.45
3	Vidgrén Janne Ilmari	3,691,742	13.18
4	Vidgrén Jarmo Kalle Johannes	3,684,263	13.16
5	Nordea Nordic Small Cap mutual fund	1,476,540	5.27
6	Skandinaviska Enskilda Banken Ab (Publ), Helsinki	555,319	1.98
7	Nordea Bank ABP	424,428	1.52
8	Ilmarinen Mutual Pension Insurance Company	392,666	1.40
9	Varma Mutual Pension Insurance Company	389,000	1.39
10	Einari Vidgrén Foundation	388,000	1.39
11	Evli Suomi Pienyhtiöt mutual fund	252,832	0.90
12	Aktia Capital mutual fund	218,000	0.78
13	SEB Finland Small Cap	172,000	0.61
14	Säästöpankki Kotimaa mutual fund	79,392	0.28
15	Kirkon Eläkerahasto	72,000	0.26
16	Danske Invest Finnish Equity Fund	70,000	0.25
17	Nummela Juho Aleksi	62,541	0.22
18	Mandatum Life Insurance Company Limited	60,680	0.22
19	Rinta-Jouppi Jarmo Aulis	53,500	0.19
20	Randelin Mari	51,141	0.18
21	Relander Pär-Gustaf	48,000	0.17
22	KPY Sijoitus Oy	41,727	0.15
23	Vidgrén Kalle Samuel	40,800	0.15
24	Vidgrén Henri Eemil	38,084	0.14
25	Apotrade Consulting Oy	36,000	0.13
26	Aro Erkki Arvi Juhani	32,807	0.12
27	Clearsrtream Banking S.A.	32,279	0.12
28	Relander Annette Louise	32,000	0.11
29	Pietarinen Oiva Untamo	31,432	0.11
30	Outokummun Metalli Oy	28,571	0.10
	Other shareholders	5,572,478	19.90
	Total	28,000,000	100.00
			100.00

At year-end 2020, Ponsse Plc had 15,340 shareholders (on 31 December 2019: 13,713).

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 2020, corresponding to 62.2 per cent of shares and votes in the company.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFIT

No 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 159,524,135.76, of which the net loss for the period amounted to EUR 2,244,146.71.

The company's Board of Directors proposes that the Annual General Meeting authorise a dividend of EUR 0.60 per share for 2020 totalling to EUR 16,800,000.00.

EUR 142,724,135.76 shall be retained in the parent company's non-restricted equity.

Vieremä, 15 February 2021

JARMO VIDGRÉN

MAMMU KAARIO

MATTI KYLÄVAINIO

JUHA VANHAINEN

JANNE VIDGRÉN

JUHA VIDGRÉN

JUKKA VIDGRÉN

JUHO NUMMELA
President and CEO

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 2020. 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 Audit Committee and 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 3.1 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**HOW THE MATTER WAS ADDRESSED IN THE AUDIT****RECOGNITION OF REVENUE FROM MACHINE SALES**

(Accounting principles concerning the consolidated financial statements and note 1)

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.

Machine sales account for the most significant part of the consolidated net sales, 80%, where revenue is recognised at a point in time when control transfers to the customer in accordance with contract terms.

The timing of revenue recognition for machine sales involves risk of revenue being recorded either too early or too late.

- We evaluated the revenue recognition and accounting principles of the company by reference to applicable IFRS standards, focusing on machine sales.

- In respect of net sales, we tested sales-related key controls and performed both analytical and substantive audit procedures by utilizing data analyses, among others.

- We considered transactions during the financial year by comparing to invoices, underlying contracts, delivery documents and payments received, on a sample basis.

- We assessed the inclusion of sales in the appropriate period by comparing recognized sales transactions occurred near 31 December 2020 to invoices, delivery documents and contract terms, and by examining credit invoices issued in early 2021, on a sample basis.

- Furthermore, we considered the accuracy and adequacy of the disclosures on net sales provided in the consolidated financial statements.

THE KEY AUDIT MATTER**HOW THE MATTER WAS ADDRESSED IN THE AUDIT****VALUATION OF INVENTORIES – TRADE-IN MACHINES, INVENTORY OF MATERIALS AND SUPPLIES**
(Accounting principles concerning the consolidated financial statements and note 17)

Inventories are measured at the lower of cost and probable net realizable value. The cost of materials and supplies is assigned by using the average cost formula.

Trade-in machines, materials and supplies account for 83% of the total inventory balance amounting to approximately EUR 142 million.

Valuation of trade-in machines, materials and supplies involves judgements made by management for probable net realizable value.

Functionality of the IT systems and internal control plays a major role in ensuring the accuracy of inventory reporting (number and unit price).

- 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 utilizing data analyses, among others.

- 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.

- We analyzed 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.

- We attended inventory counts at various subsidiaries, if possible, or performed alternative audit procedures to ensure the existence of inventories.

THE PARENT COMPANY'S INVESTMENTS IN SUBSIDIARIES
(notes 14, 16 and 22 to the parent company financial statements)

The parent company's investments in and receivables from its subsidiaries, totaling approximately EUR 59 million, make up a significant item in the parent company's financial statements and consequently affect the amount of distributable funds. Valuation of the investments is based on the subsidiaries' financial performance over a longer term.

In the financial year ended, the parent company recognized impairment losses on the shares in and trade receivables of the subsidiary Ponsse Latin America, totaling approximately EUR 30 million.

- We analyzed subsidiaries' financial performance, financial position and management estimates on their future prospects.

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 have acted as auditors appointed by the Annual General Meeting as of 27 May 2020.

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 15 March 2021

KPMG OY AB

Ari Eskelinen
Authorized Public Accountant

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