PONSSE

ANNUAL REPORT

2021


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

CONTENTS

PONSSE IN BRIEF

Ponsse Plc is a company specialising in the sales, production, maintenance and technology of cut-to-length method forest machines. It is driven by a genuine interest in its customers and their business. Ponsse develops and manufactures sustainable and innovative harvesting solutions based on customers' needs. Ponsse has 12 subsidiaries and 44 dealers across the world.

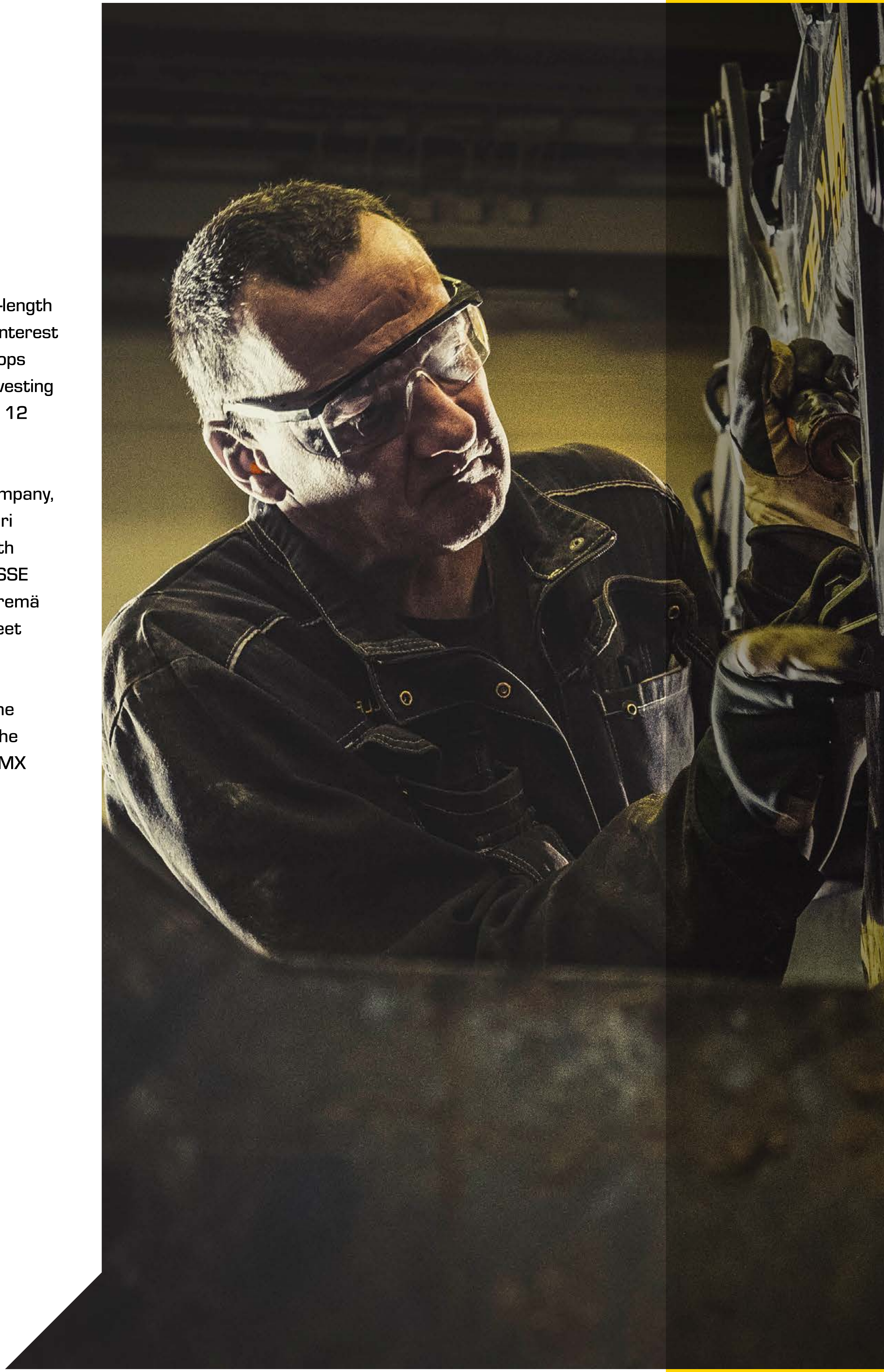
Throughout its history, the value-driven family company, established by forest machine entrepreneur Einari Vidgrén in 1970, has only focused on cut-to-length forest machines. Today, more than 17,000 PONSSE forest machines have been completed at the Vieremä factory for global logging sites, customised to meet customers' needs.

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

750
Net sales, MEUR

2,072
Employees

80%
Share of exports



Ponsse in one day

PONSSE machines at global logging sites
14,000

Sold used machines
4

235
Service centres across the world

1,400
Deliveries from the central warehouse

44
PONSSE dealers

1,045
Coffee cups drained at Vieremä

17,000
Forest machines manufactured since 1970

16
Guests at the Ponsse Club

100%
Team spirit in the global Ponsse family

more than 20
Languages spoken in the global Ponsse network

PONSSE IN 2021

The year 2021 was a time of growth for Ponsse. Our order flows broke new records, our order books were at a record high, and all our business areas grew significantly. Our profitability improved, and our cash flow was excellent throughout the year. Ponsse's solvency is strong.

Our customers' work situation was excellent throughout the year. All our market areas made good progress. The good market situation was also reflected in our maintenance services that grew better than expected, driven by our customers' busy work schedules. Our used machine operations also grew well.

Our employees worked remotely for the most part of the year, with the exception of our production, sales and maintenance service employees. The 17,000th PONSSE forest machine was completed at the Vieremä factory, and despite the challenges presented by the coronavirus pandemic, the factory operated without interruptions throughout the year. Thanks go to all Ponsse employees, who were exemplary in taking responsibility.

Innovative harvesting solutions, sustainable development and responsibility will continue to be key success factors for us in the future. 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.

Events in 2021

27 January ONLINE

Ponsse introduces PONSSE Full Simulator, a comprehensive training system with high-resolution graphics and real-life forest environments that offer a complete platform for professional training. The system is launched at the Ponsse Studio online event, marking the beginning of a series of nine online events at the same time.

24 February ONLINE

Ponsse launches the fully modernised Scorpion harvester model series. The next-generation PONSSE Scorpion meets all the requirements set by modern forest management. It offers unprecedented stability, efficiency and productivity, bearing the environment in mind and with minimum surface pressure. R&D, conducted together with customers, focused on improved ergonomics, safety, visibility from the cabin, and usability.

1 April

CDN Ergo, a new PONSSE dealer, starts operations in Poland. Now, the Ponsse network consists of 44 dealers across the world.

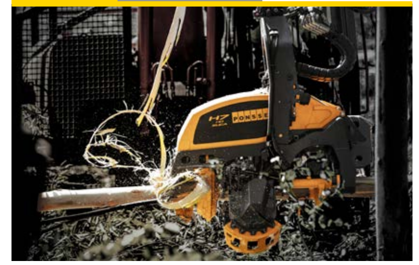
12 April

PONSSE Scorpion's new Future Cabin wins a product design award in the internationally acclaimed Red Dot design competition. The Best of the Best award in the Product Design category is given for the cabin's innovative design.

30 April

Ponsse Brazil celebrates 15 years of operations. The company's more than 300 professionals serve customers in 11 locations.

5 May ONLINE



Ponsse launches the new PONSSE H7 HD Euca harvester head for processing eucalyptus trees, also in rougher conditions. The PONSSE H7 HD Euca debarking harvester head makes the harvesting of medium-sized and large eucalyptus trees even more efficient and productive. The launch further strengthens Ponsse's strategy of becoming one of the world's leading manufacturers of harvester heads.

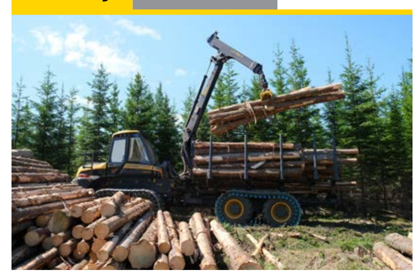
7 May

Quality Austria grants the ISO 45001:2018 occupational health and safety certificate to Ponsse Uruguay. At the same time, the ISO 9001 certificate is renewed.

19 May ONLINE

Ponsse introduces the new Frame and Crane Care for maintenance agreements. The new Frame and Crane Care provides customers with even more comprehensive maintenance agreement services.

26 May ONLINE



Ponsse launches the new K101 and K111 loaders for its most popular forwarder models. Developed together with customers, the loaders are designed for efficient load handling in demanding conditions.

1 June

PONSSE UK Ltd celebrates its 25th anniversary. The first PONSSE machines were delivered to the United Kingdom in 1994.

16 June ONLINE

At the "Shaping the Future – data and digitalisation in harvesting" online event, Ponsse's specialists talk about future harvesting and forest management operations from the digital services perspective.

8 July

The Einari Vidgrén Foundation awards forestry professionals for the 16th time. In 2021, the foundation's awards total EUR 169,900.

19 August

The 17,000th Ponsse forest machine is completed at Ponsse's factory in Vieremä. The PONSSE Elk is delivered to Kuusmoto Oy, operating at logging sites in Posio and Ranua in Lapland, Finland.

25 August ONLINE

The "Ponsse's innovative solutions for working on slopes" online event presents the solutions provided for PONSSE forest machines in areas with varying terrain and steepness.

24 September

People rank Ponsse Finland as the most reputable company for the fourth year in succession. A total of 9,265 Finns participated in the annual reputation survey.

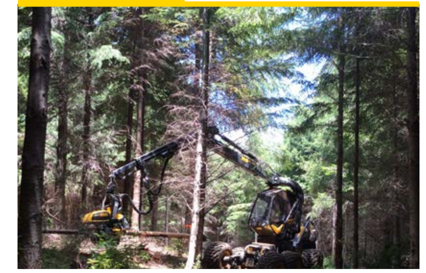
29 September ONLINE

At the "Ponsse's solutions for thinning sites" online event, Ponsse's specialists and customers discuss about how to select the correct equipment for thinning sites, and how the forest's growth conditions can be improved, and trees can be made to grow sturdier more quickly through correctly timed thinning.

26 October

Ponsse and Lapland Education Centre REDU open an advanced simulation-based learning environment in Rovaniemi. This also marks the largest simulator deal in Ponsse's history.

5 November



Ponsse strengthens its operations in Chile. Ponsse Group will move its sales, spare parts and maintenance services in Chile under its new subsidiary, Ponsse Chile SpA.

23 November

LRQA grants the ISO 9001:2015 certificate for the first time to Ponsse Brazil. The certificate is one of Ponsse Brazil's strategic goals for 2021.

24 November ONLINE

The "Ponsse's solutions for heavy-duty forwarding" online event presents the experiences of Ponsse's customers and specialists in the Elephant King and the Active Crane loader control system.

PONSSE'S VALUES

CUSTOMER ORIENTATION

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

INTEGRITY

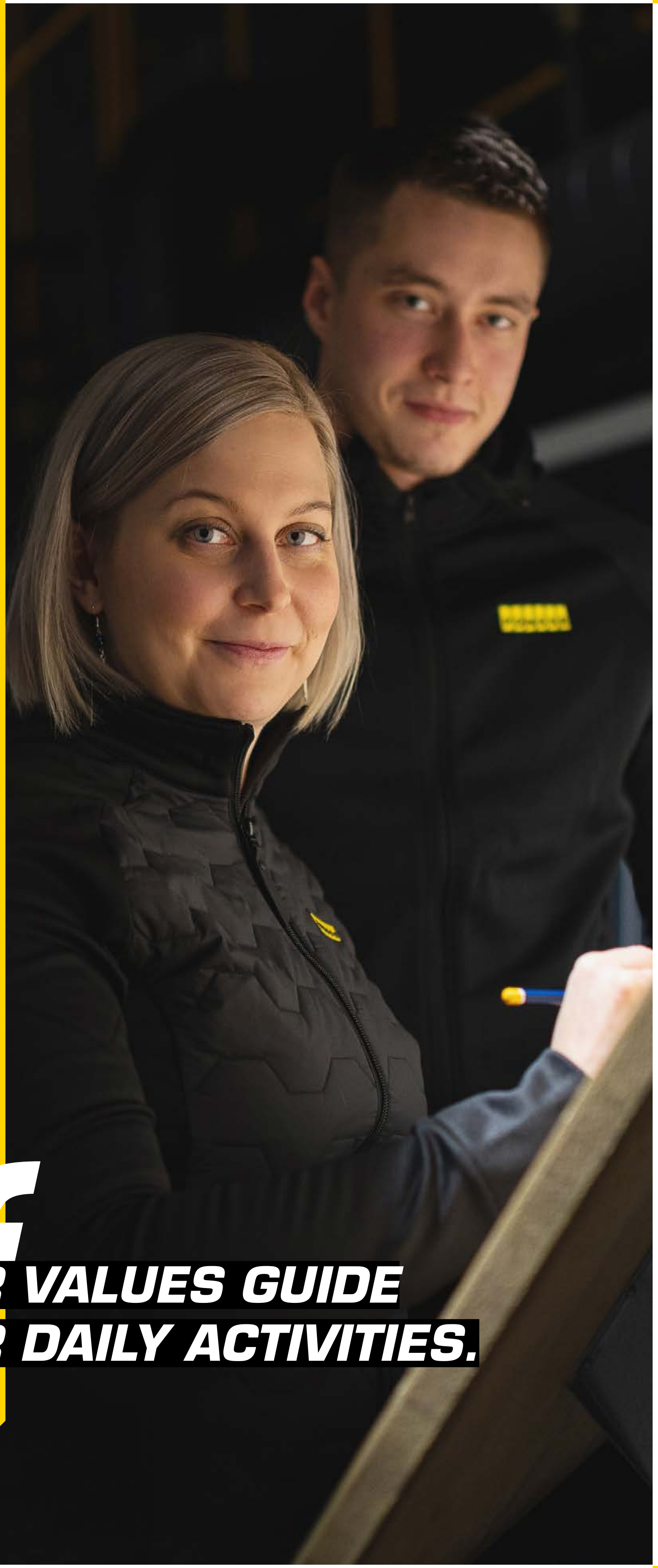
- Ethical operations and high morals
- Reliability
- Keeping our promises
- Openness

PONSSE SPIRIT

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

INNOVATION

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



"OUR VALUES GUIDE OUR DAILY ACTIVITIES.

PONSSE'S PURPOSE

WHY DO WE EXIST?

Sustainable solutions for the benefit of our customers and environment

We exist for our customers. This idea has not changed since machine entrepreneur Einari Vidgrén 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 well-being 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. We believe that we are part of the solution in combating climate change.

Sustainable development provides us with a direction and an opportunity for innovation and new operating methods. It also ensures our social and financial success.

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.

MISSION

PONSSE'S MISSION

Our customers succeed together with us

Ponsse's mission describes our main task and reflects our core business. While our purpose provides us with a firm foundation, our mission provides us with a permanent task as a part of our operating environment.

Customer closeness 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. We develop all our solutions for our customers' needs to produce added value for their operations.

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, the professionalism of our people, and our technological abilities.

We are a value-driven company, with our values guiding our daily work. Our strong culture, developed over decades, forms our most important competitive edge. Together with our customers, personnel and other stakeholders, we form the Ponsse family.

VISION

PONSSE'S FUTURE

The preferred partner for responsible forestry

We believe that we offer our customers the best solutions on the markets. We want to exceed our customers' expectations every day of the year.

Sustainable development guides all our actions. As an innovative leader in our industry, we take responsibility for our environment and the well-being of forests. Our continuous development makes us the most desirable partner.

We are enthusiastic about the continuous development of Ponsse. We want to be the world leader in sustainable solutions representing the cut-to-length method. Fast technological development, combined with the Ponsse way of working, develops our operations and produces constant results.

Our innovation is based on a culture of experimentation and networking, and they enable us to efficiently introduce new technologies and solutions to the market to support our customers' business.

Ponsse employees who feel well throughout our Ponsse network are our most important assets and the prerequisites for all development.

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

The year 2021 was a time of growth for Ponsse. Driven by changes in consumption behaviour resulting from the coronavirus pandemic and the high trend in the forest industries, markets for cut-to-length forest machines were at a very high level. Our order flows broke new records, and our order books were at a record-high. All of our business areas grew significantly, our profitability improved and our cash flow was excellent throughout the year. Ponsse's solvency is strong.

Our customers' work situation was excellent throughout the year. All our market areas made good progress, and Ponsse's sales and service organisation did excellent work throughout the year. The positive trend in demand for PONSSE forest machines started during the final quarter of 2020. During the first quarter of 2021, demand turned towards a rapid increase, strengthening our order books considerably. It became quickly evident that we will operate our Vieremä factory at full capacity throughout the year, the component and coronavirus situations permitting.

The good market situation was also reflected in our maintenance services that grew better than expected, driven by our customers' busy work schedules. The continuous development of our maintenance services also produced excellent results, and our maintenance service network was able to keep our customers' machines up and running globally. Our used machine business grew well, with the stock levels of used machines being under control.

Epec Oy, our technology company, was the fastest growing of our business areas, with its revised strategy starting to produce results. Changes in our operating environment towards constantly more ecological technologies have given excellent opportunities for Epec's rapidly developing technologies. The company specialises in control technologies for machines operating in demanding conditions, and autonomous and electric transmission systems.

However, this growth would not have been possible without all the hard work, regardless of the stable market situation. The highly challenging availability of parts and components was on the flip side of high demand. The soaring demand for equipment and machine manufacturing challenged manufacturing networks that were already in a vulnerable position. High demand, combined with logistics issues, affected the availability of parts and components, and caused significant inflation in prices and other operating expenses. This had a negative impact on both our maintenance services and supply chains. However, our supplier network, being almost entirely situated in Europe, eased the availability challenges. Our subsidiary Epec Oy secured the availability of electronics components for Ponsse and Epec's other customers, despite the global availability issues regarding semiconductors. We were able to manufacture all the PONSSE forest machines defined in our production plan and deliver them effectively to our customers across the world. The challenges in the availability of parts and components have pushed people in our company and manufacturing network to their limits. We are very proud of the excellent performance that has kept our maintenance service network and factory in operation. This would not have been possible without our manufacturing network, and the 17,000th forest machine completed at the Vieremä factory is an indication of everyone's commitment and hard work.

Our goal of finding a balance between growth, profitability and cash flows has driven our operations towards higher solvency. Along the years, we have been able to grow significantly, while taking care of our company's profitability and ensuring excellent cash flows. This has naturally strengthened our balance sheet. We still have a lot of work ahead of us but, right now, we are satisfied with the development of our solvency and our strong financial standing. This gives our company an opportunity to move forward and invest in the future.

“WE ARE A VALUE-DRIVEN COMPANY, WITH A CLEAR FOCUS ON THE FUTURE.

Continuous and purposeful development is an integral part of Ponsse's operations. We will systematically develop our distribution and manufacturing network, as well as its operating methods, and expand to new areas following customer needs. Most recently, we announced the transfer of the operations of FC Ventas Y Servicios, our dealer in Chile, to our subsidiary Ponsse Chile SpA during Q1/2022. The Ponsse network's daily operations keep our customers satisfied, and its training is an important success factor for us. Currently, the development of product technologies and digital services is rapid, and we aim to increasingly improve the customer value through new R&D and technological solutions.

Sustainable development and responsibility are key factors for our future success and prerequisites for the continuity of our business. Ponsse is doing purposeful work as part of sustainable forestry. This motivates every one of us at Ponsse and every member of our international network. We believe that our technologies and new business models provide us with more and more opportunities to fulfil the principle of sustainable development in forestry. Productive harvesting that respects the environment supports forest regeneration and enables the use of valuable raw materials for long-lasting high-quality wooden products. The significance of wood as a renewable raw material in replacing fossil raw materials is huge, and the level of innovation in the industry is high. In developing our products and services, we are constantly aiming at solutions that are friendlier to the climate and nature, and we aim to make our operations carbon neutral. We still need to work hard to achieve our goals, but the direction is clear.

Our strong Ponsse culture, developed over five decades, is an important asset for us. We are a value-driven company, 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.

Jarmo Vidgrén	Juho Nummela
Chairman of the Board of Directors	President and CEO

PONSSE PRODUCTS

HARVESTING SOLUTIONS IN CLOSE COOPERATION WITH CUSTOMERS

Ponsse's harvesting solutions are developed in cooperation with customers, driven by technology and in line with sustainable development. The cut-to-length method, in which we have specialised throughout our more than 50-year history, plays an important role in sustainable silviculture.

Customer orientation gives roots, while technologies and megatrends give wings

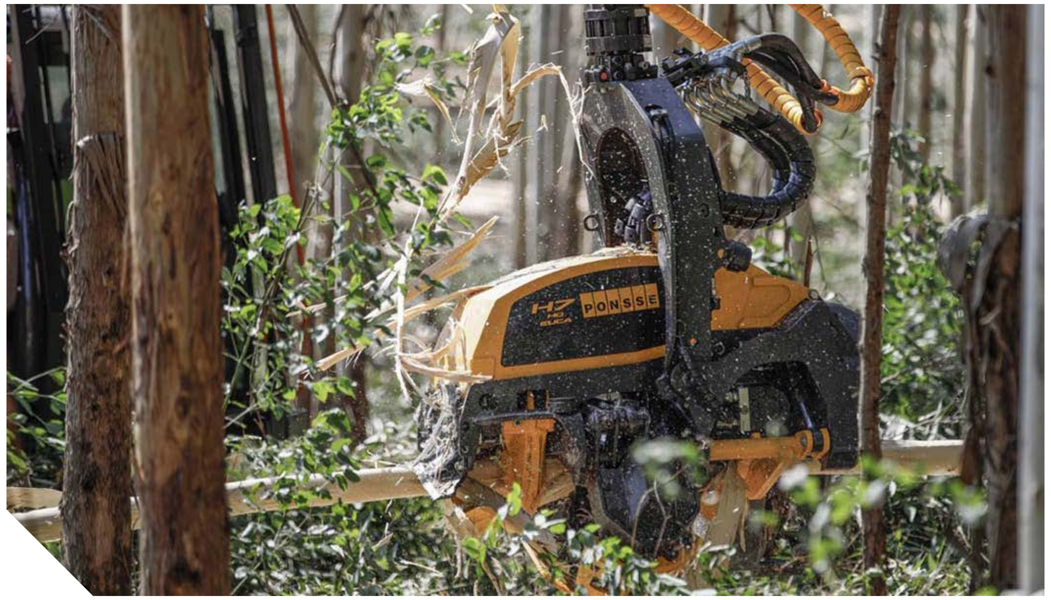
Information and data have slowly become increasingly important also in the forest industry, and the ongoing digitalisation has started a whole new era of data-driven business. Systematic data collection and data-based services have already been part of Ponsse's operations for decades, and the development of technologies and data processing tools has expanded the opportunities to scale digital services. Ponsse follows the industry's megatrends in its R&D activities, and the future product range will be a balance between the customer demand and the technologies that are launched on the market. Current megatrends in harvesting include digitalisation, sustainable and responsible forestry (including electrification), connectivity and data transfer solutions, and automation.

Our digital offering covers everything from distributed platforms to centralised user experiences. It also includes the PONSSE Manager platform, which brings all our customers' digital services together in one place. The factory-equipped Connectivity Unit is another good example of a data-to-information process. It automatically sends data from our forest machines and collects information about machine movements, operations and performance, among other factors. This helps maintenance services, for example, to remotely access the necessary data about machine's operations for solving problems and for evaluating maintenance needs.

The next-generation Scorpion

In February, we launched the fully modernised Scorpion harvester model series. The next-generation PONSSE Scorpion meets all the requirements set by modern forest management and offers unprecedented stability, efficiency and productivity, bearing the environment in mind and with minimum surface pressure. The new Scorpion's characteristics include its excellent visibility and handling. One of the most prominent changes was the one-piece

"PONSSE SCORPION MEETS ALL THE REQUIREMENTS SET BY MODERN FOREST MANAGEMENT.



windscreen, which extends to the roof of the cabin, offering even better visibility for the operator and ensuring safe working in all conditions. The unique crane solution offers visibility in all directions.

R&D for the new Scorpion, conducted together with customers, focused on improved ergonomics, safety, visibility from the cabin and usability. The workspace in the cabin was modified to be more practical, and the silent office with a view supports the operator's enjoyment and coping. The launch set a new standard for the operator's working environment, making our customer promise "A logger's best friend" even more solid than before.

PONSSE Frame and Crane Care and maintenance agreements make our customers' everyday operations easier

PONSSE Active Care maintenance agreements have established their position in many market areas across the world. They make our customers' everyday operations easier and constitute a solid framework for preventive maintenance to provide customers with cost savings. Regular maintenance ensures uninterrupted machine operations and correct adjustments, maximises productivity and minimises fuel consumption.

In May, Ponsse Frame and Crane Care was launched for maintenance agreement customers, covering all machine frame parts up to 10,000 operating hours. The Frame and Crane Care provides customers with even more comprehensive maintenance agreement services.

New harvester head for processing eucalyptus trees

In May, the new debarking PONSSE H7 HD Euca harvester head was launched. It further strengthened Ponsse's strategy of also being one of the world's leading manufacturers of harvester heads as well. R&D focused on mechanical durability and the ease maintenance. There was a general need for a more efficient and productive harvester head for processing small and medium-sized eucalyptus trees.

All PONSSE harvester heads are characterised by a simple and solid structure, which is why they can be used in various harvesting applications, ranging from harvesters to track-based solutions. All harvester heads are manufactured and designed at the Vieremä factory. Comprehensive design applies to both mechanical components and the electronic control system, controls and software. The manufacturing process is highly automated, guaranteeing a high level of quality and measuring accuracy.

The most versatile information systems at logging sites

The PONSSE Opti 8 touchscreen computer, equipped as standard in our forest machines from the beginning of 2021, received positive feedback from our customers throughout the year. During the latest update, the computer, which makes the operator's daily work quicker and easier, received performance upgrades and the most advanced touchscreen technology in the markets.

The completely upgraded and easy-to-adopt PONSSE Opti 5G information system allows operators to operate and adjust their forest machine directly on the touchscreen without needing to access any separate menus.

PONSSE Active Crane – a versatile and efficient control system

Throughout its history, Ponsse's operations have been guided by genuine customer orientation, and making the operator's work easier is one of our starting points. Active Crane, a crane control system for harvesters, is an example of how we make the operator's daily activities easier. With Active Crane, the operator can control the movements of the harvester head, instead of just controlling the individual operations of the crane. This allows the operator to focus on wood processing, instead of simply controlling the crane. The system is controlled using two levers, one of which controls the harvester head's height from the ground, and the other the direction of movement. The movement ranges of the controls are optimised for typical harvester work. The system also slows down all movements automatically before the end of their movement range to protect mechanical structures and the operator from straining impacts. When the operator indicates a specific spot, Active Crane automatically takes care of lifting, boom and extension movements.

New loaders for efficient load handling

In May, the PONSSE K101 and K111 loaders were launched. The new loaders are equipped with new working lights, they have a stronger structure, and they are even more productive, reliable and powerful. A user-friendly loader is a particularly important factor considering the smooth flow of work and the operator's wellbeing. The new loaders are also more maintenance-friendlier. The loaders feature powerful hydraulics and a proven structure, with which even the farthest stems can be loaded safely and precisely. The K101 and K111 loaders are available for the most popular forwarders: PONSSE Buffalo, Buffalo King and Bison Active Frame.

The firefighting equipment is a carefully thought-out system and an economical solution

Ponsse's firefighting equipment also continued its popularity in 2021. Installed in the forwarder's load space, the firefighting equipment helps suppress wildfires, even in challenging conditions. Operations in difficult terrain come as second nature to forwarders, and they have more than enough capacity in their hydraulic system for demanding conditions.

The firefighting equipment is a carefully thought-out system and an economical solution: the forwarder can be engaged in productive operations when the firefighting equipment is not required. The equipment is delivered to the fire location as a single package – and after it has been connected to forest machine hydraulics, the equipment is ready to operate. The 10 m³ water tank can be filled from a natural water source or the tank of a fire truck. The tank withstands the use of various chemicals mixed with water, as well as seawater. It is also light enough to be lifted into the machine load space. The water cannon has a range of 47 metres and a turning radius of 360 degrees.

PONSSE SERVICE

SOLUTIONS ENABLE PRODUCTIVE AND EFFECTIVE HARVESTING FOR CUSTOMERS

Listening to customers is the principle that guides the daily activities of maintenance and the development of all operations. The Service network expanded during 2021, bringing services even closer to our customers. Shorter distances to service centres help us allocate more working hours for each customer and, in this way, improve our profitability. The daily activities, product and service range, and solutions of maintenance services help our customers focus on their core business – productive and effective harvesting.

The high availability of PONSSE forest machines, their optimal productivity and the proactive management of maintenance costs are the basic pillars of our customers' business. All of these also guide the daily activities of maintenance and the development of all operations. To guarantee better services for our customers, we are constantly developing our operations and expanding our service product range and network. Our uncompromising goal is to provide our customers with the best maintenance services in the field year after year.

Listening to customers guides everything we do

The net sales of Service grew well in 2021. The customers' work situation was good, and machine maintenance events increased alongside higher annual operating hours, which was reflected in increased sales of Service. The developing product, service and solution range that supports our customers' operations also enabled growth.

The past year taught our Service network to live with the coronavirus pandemic. The changes in our operating models that we had made to serve our customers in the exceptional circumstances were established as everyday practices as the general situation became the new normal. Good examples include spare parts delivery services and Parts Online, a service for ordering spare parts.

We also expanded our range of spare parts, accessories and consumables during the year, and our goal is to continue to provide a high-quality range with competitive prices. Our offering is constantly developing towards solutions with digital services that accelerate the maintenance process and make services even more transparent. Digital solutions offer new opportunities to deepen and expand the service level, but if it were not for our specialists who quickly react to the needs of our customers and understand what each customer needs, our service promise "A logger's best friend" would be baseless.

"THE SERVICE NETWORK CONSISTS OF MORE THAN 1,600 PROFESSIONALS AND 235 SERVICE CENTRES ACROSS THE WORLD.

Listening to customers and all the work we have done based on feedback have paid off – this is indicated by our satisfied customers. The best Service in the industry has long been and will continue to be the common goal of Ponsse's service network.

Employees are our key assets

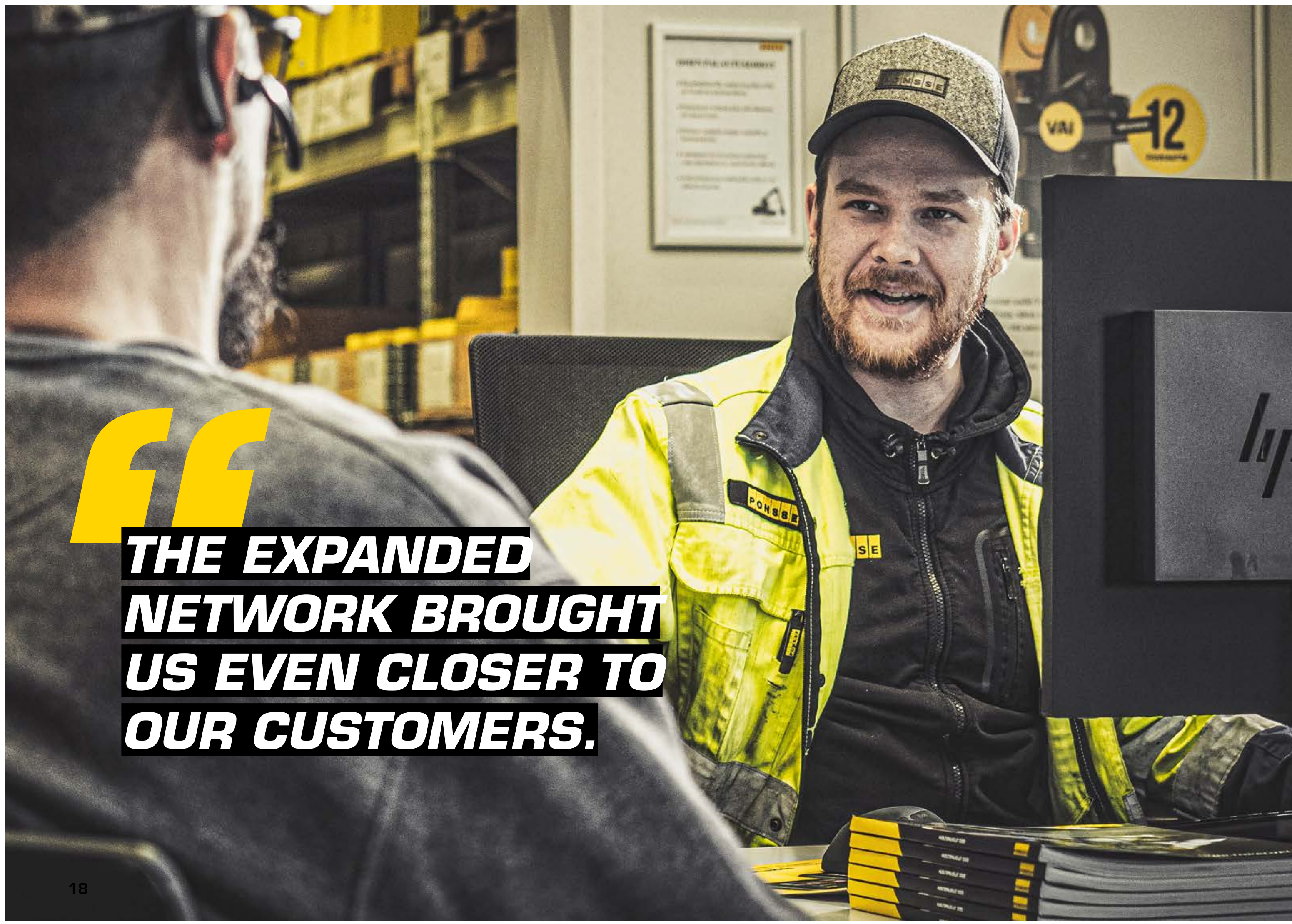
The well-being and expertise of our employees are key assets for our Service network, and prerequisites for everything we do and the development of our operations. We provide our personnel with continuous training, and we develop our working environment to be safer and more ergonomic.

Due to the travel restrictions caused by the coronavirus pandemic, employee training was also exceptional in 2021. Courses that quickly went online and training methods and content continued their development in the new normal. Online training routines have far-reaching results, but they also supplement in-person training by offering different digital opportunities.

The new normal in the training environment challenged our entire training network to pick up the pace in terms of development, and our training team and our entire network deserve thanks for their rapid reactions.

Even closer to customers by expanding the maintenance service network

During the year, we responded to growing customer needs by developing our Service network across the world. This included investments in personnel resources, training, stocked spare parts, facilities and vehicles. The expanded network brought us even closer to our customers, with shorter distances to service centres allowing us to allocate more working hours for each customer and thus giving us the opportunity to improve our profitability.



Maintenance agreements make our customers' everyday operations easier

During the year, PONSSE Active Care maintenance agreements established their position in many market areas across the world. They received highly positive feedback from customers, with development proposals helping us develop the content of maintenance agreements in the future.

Active Care agreements provide a strong framework for preventive maintenance to provide customers with cost savings. Regular maintenance also ensures correct machine adjustments to maximise productivity and minimise fuel consumption.

The goal of Active Care agreements is to safeguard machine availability and control machine maintenance costs, but they also give the opportunity to be more responsible. One goal is that recycled materials are handled by the authorised PONSSE maintenance network. Maintenance agreements also give the opportunity to plan daily and weekly work, which helps improve occupational health and safety. Furthermore, preventive maintenance can support Reman operations, meaning the recycling of worn and damaged parts. In Reman operations, old spare parts are remanufactured, minimising the use of new materials and reducing environmental loads.

Responding to local customer needs by developing operations

Our Service network serves our customers professionally and pays attention to local customer needs. Over the years, service centres have undergone a significant number of audits through the Effective and Safe Workshop (ESW) audit and development system. During the past year, the ESW already reached the admirable age of 10 years. Audits are an important part of the development of Service operations.

Board of Directors

Board of Directors, 31 December 2021
The Board was selected by the Annual General Meeting on 7 April 2021.

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 11 times. The Board members actively participated in the meetings – the attendance rate was 97.4%.

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 2021: 3,684,263 shares

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

OTHER KEY POSITIONS OF TRUST
Einari Vidgrén Oy, Board Member
KalPa Hockey Oy, Board Member
Lumon Oy, Board Member
Savonmaan Puolesta Oy, Board Member

Deputy Chairman of the Board

MAMMU KAARIO, b. 1963

Board professional
Master of Law, MBA
Ponsse Plc, Board Member since 2010
Shareholding in Ponsse Plc on 31 December 2021: 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
Puuilo Oyj, Board Member
Robit Oyj, Deputy Chairman of the Board
SAKA Finland Group Oy, Chairman of the Board
Sibelius-Akatemian tukisäätiö ry, Board Member
Suomen Urheilun tukisäätiö ry, Board Member
Taideyliopiston sijoituskomitea, Member
Urhea-halli Oy, Board Member

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

JANNE VIDGRÉN, b. 1968

Commercial College Graduate
Ponsse Plc, Board Member since 2013
Shareholding in Ponsse Plc on 31 December 2021: 3,691,742 shares

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

OTHER KEY POSITIONS OF TRUST
Einari Vidgrén Oy, Board Member

JUKKA VIDGRÉN, b. 1983

Mutant Koala Pictures Oy, Managing Director
Bachelor of Culture and Arts
Ponsse Plc, Board Member since 2011
Shareholding in Ponsse Plc on 31 December 2021: 3,764,778 shares

WORK EXPERIENCE
Mutant Koala Pictures, Entrepreneur since 2004

OTHER KEY POSITIONS OF TRUST
Einari Vidgrén Foundation, Board Member
Einari Vidgrén 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 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, Chairman of the Board

JUHA VIDGRÉN, b. 1970

Master of Pedagogy
Ponsse Plc, Board Member since 2000
Shareholding in Ponsse Plc on 31 December 2021: 6,207,000 shares

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

OTHER KEY POSITIONS OF TRUST
Einari Vidgrén Foundation, Chairman of the Board
Einari Vidgrén Oy, Chairman of the Board
Vieremän Kylänraitti Association, Chairman of the Board
Vieremän Oriyhdistys Association, Chairman of the Board
Ylä-Savon Hippos Association, Chairman of the Board

Management Team 31 December 2021

JUHO NUMMELA, b. 1977, Chairman

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 2021: 62,541 shares

PETRI HÄRKÖNEN, 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 2021: 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 2021: 12,796 shares

MARKO MATTILA, b. 1973

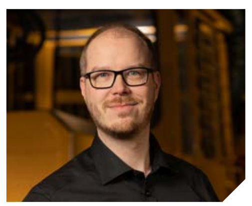
Forestry Engineer, MBA
Sales, Service and Marketing Director
Member of the Management Team since 1 June 2020
Joined Ponsse in 2007
Previous main positions: Ponsse Plc, Director, dealer network development 2018–2020, Ponsse Latin America Ltd., Managing Director 2016–2018, Ponsse Plc, Area Director, NA dealers, Baltics and Chile 2011–2016, Ponsse North America, Inc., Managing Director 2007–2011
Shareholding in Ponsse Plc on 31 December 2021: 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 2021: 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 2021: 6,436 shares



MIIKA 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, Qentinel Finland Oy, Managing Director 2017–2018
Shareholding in Ponsse Plc on 31 December 2021: 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 2021: 6,416 shares

Area Directors and subsidiary Managing Directors 31 December 2021

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

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

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
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

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

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

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

CLÉMENT PUYBARET, b. 1980
Managing Director, Ponssé S.A.S.
Joined Ponsse in 2006

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

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

TARMO SAKS, b. 1975
Area Director, Baltic countries, Poland, Slovakia and the Czech Republic
Joined Ponsse in 2019

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

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

RESPONSIBILITY

For everyone at Ponsse, responsibility means a shared set of strong values that emphasise honest work, respect shown towards people and our strive to achieve the best possible results, also considering the environment. Together, we have the enthusiasm, skill and will to constantly make things better.

INTRODUCTION

Ponsse is committed to carrying out its business sustainably and responsibly. Responsibility is central to the company's values, strategy and good governance. The purpose of this review is to describe our responsibility practices and principles and provide transparent information on our operations, also including information other than financial reporting.

Ponsse's values – integrity, innovation, the Ponsse spirit, and customer closeness – lay a solid foundation for all our operations and have guided us throughout our history to do honest work, respect people and cooperation, and develop outselves as part of our community. Machine entrepreneur Einari Vidgrén founded the family-owned company in 1970 in Vieremä where our production and head office are still located today. We have grown as an integral part of the community around us which has naturally helped us understand our social, financial and environmental impact.

Currently, Ponsse operates in more than 40 countries through our subsidiary and service networks, and our customers range from small harvesting companies to major international corporations. The customer-based development of products and services, honest operations and confidential relationships have enabled our long-term growth-driven operations. In recent years, our stakeholders' expectations and interest towards other parts of our corporate responsibility have also increased. This is a significant asset for our development. Needs to develop environmentally friendly products and services have steered us in the correct direction, while the requirements for transparency guide us towards a more systematic development of responsibility. We are committed to developing ourselves and complying with the EU's responsibility requirements for business activities that support our stakeholders' access to transparent and up-to-date information on our operations.

Ponsse's mission and vision, revised in 2021, emphasise the significance of responsibility and sustainable development as our future success factors and as prerequisites for the continuity of our operations. We believe that our technologies offer more opportunities to follow the principles of sustainable development in forestry. Productive harvesting that respects the environment supports the regeneration of commercial forests and enables the use of valuable raw materials in long-lasting and high-quality wood-based products, replacing plastic and concrete, among others.

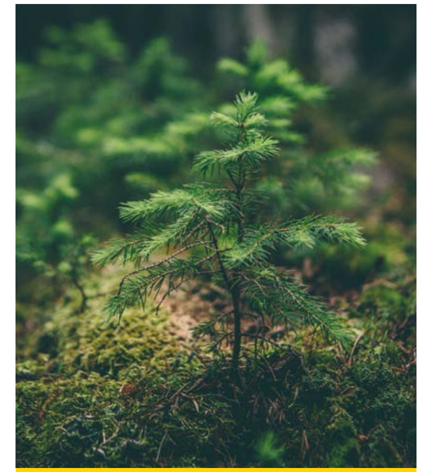
In 2021, Ponsse was selected, for the fourth time, as the most reputable company in Finland in the annual Reputation&Trust survey, measured by the following dimensions: governance, financial performance, leadership, innovation, dialogue, products and services, workplace, and responsibility. We also aim to develop further in all these dimensions.

Corporate responsibility at Ponsse in 2021

Carbon footprint

-42%

Our carbon footprint decreased by 42% from 2019 to 2020. For the first time, we calculated the carbon footprint of the entire Ponsse Group.



Recycling part sales increased by 50%

Remanufacturing provide customers with low-cost spare parts, minimises material waste and solves challenges related to the availability.

ISO standards

Ponsse Plc's operations comply with the ISO 9001 standard for quality management, ISO 14001 standard for environmental management and ISO 45001 standard for occupational health and safety management.

Renewable electricity's share

100%

In Finland, the share renewable electricity accounts for 100% of our energy consumption. We use renewable hydropower.

35% more safety observations

We made a total of 3,435 safety observations and implemented 5,700 measures to develop or maintain safety.

2,072

Ponsse employees

We are already 2,072 employees strong, and each of us included in the incentive system.

Guidance for responsibility

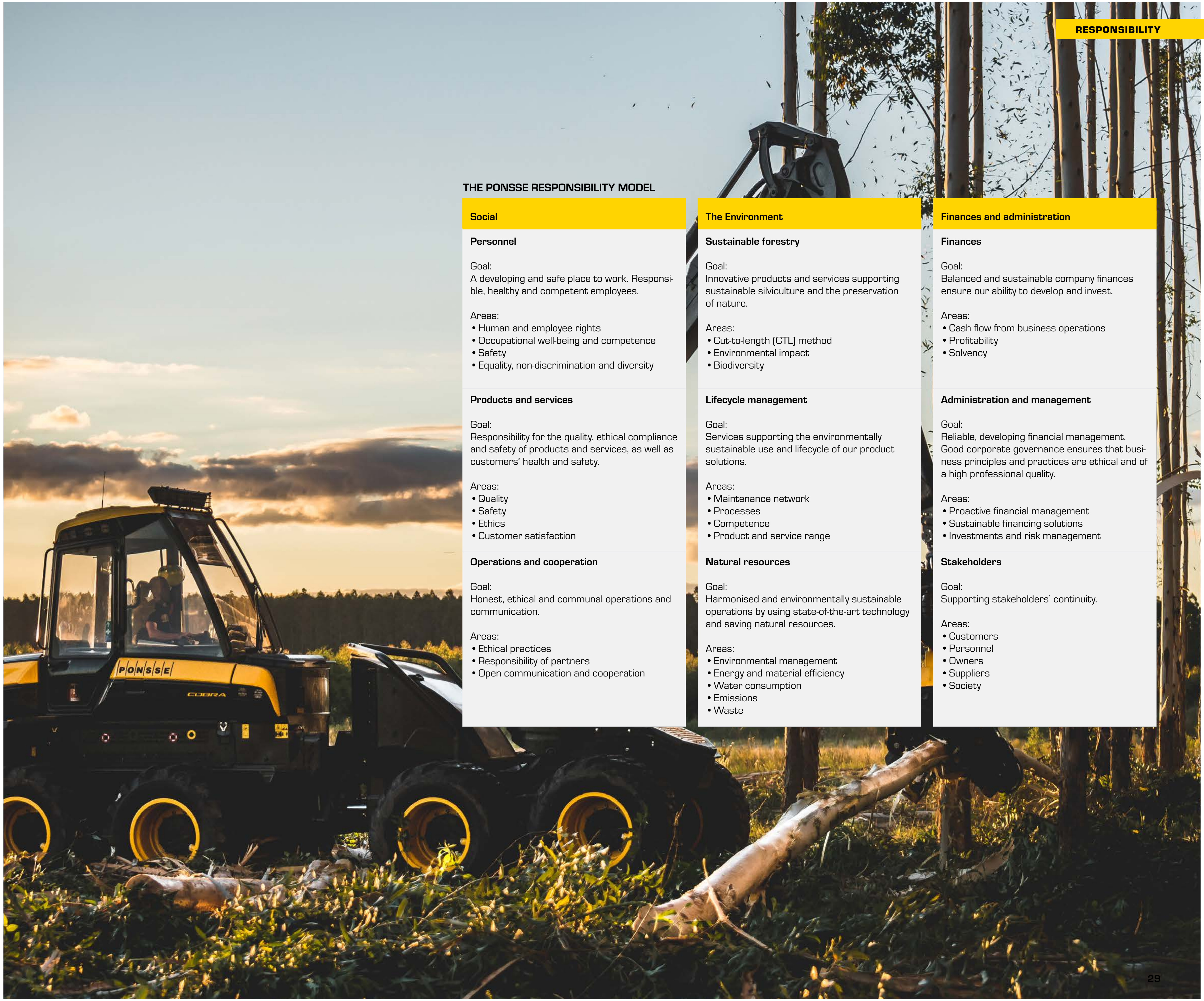
Ponsse's revised mission and vision highlight responsibility and sustainable development as key parts of Ponsse's business strategy. The company's annual strategy process defines function-specific responsibility goals and measures, and the evaluation of responsibility risks and opportunities is part of our risk management process.

Ponsse's Board of Directors and management are committed to advancing corporate responsibility. We have developed an operating policy, in which the Board of Directors is provided with a regular overview of the company's responsibility activities, as well as risks and opportunities associated with corporate responsibility. The overview is maintained by the company's CEO and deputy CEO who are responsible for ensuring that corporate responsibility is part of the company's strategy and risk management. The Management Team is in charge of function-specific responsibility goals, their monitoring and achievement, and the identification of operational risks and opportunities associated with responsibility.

During 2021, we increased our resources in responsibility activities. The company appointed a sustainability manager whose task is to guide and develop key focus areas of responsibility together with different functions. In addition, separate resources were allocated to key functions considering our responsibility goals. HSE managers are responsible for the development of health, safety and environmental activities, and the procurement development specialist guides the advancement of responsibility goals related to the supplier network. The interest and commitment of Ponsse's personnel towards developing more and more responsible operating methods and solutions has strengthened the value of responsibility.

Harmonised responsibility practices are ensured based on the company's Code of Conduct and values. We require Ponsse's employees and partners to comply with the principles of our Code of Conduct and respect our values whenever they work with or represent Ponsse. The Code of Conduct training is part of the induction programme for our new employees, and the training completion rate is monitored in annual performance appraisals.

Of all our suppliers, 72 per cent have signed the Ponsse Supplier Code of Conduct and ten per cent have verified their commitment to following responsible operating methods through other documentation.



THE PONSSE RESPONSIBILITY MODEL

Social	The Environment	Finances and administration
Personnel Goal: A developing and safe place to work. Responsible, healthy and competent employees. Areas: • Human and employee rights • Occupational well-being and competence • Safety • Equality, non-discrimination and diversity	**Sustainable forestry** Goal: Innovative products and services supporting sustainable silviculture and the preservation of nature. Areas: • Cut-to-length (CTL) method • Environmental impact • Biodiversity	**Finances** Goal: Balanced and sustainable company finances ensure our ability to develop and invest. Areas: • Cash flow from business operations • Profitability • Solvency
Products and services Goal: Responsibility for the quality, ethical compliance and safety of products and services, as well as customers' health and safety. Areas: • Quality • Safety • Ethics • Customer satisfaction	**Lifecycle management** Goal: Services supporting the environmentally sustainable use and lifecycle of our product solutions. Areas: • Maintenance network • Processes • Competence • Product and service range	**Administration and management** Goal: Reliable, developing financial management. Good corporate governance ensures that business principles and practices are ethical and of a high professional quality. Areas: • Proactive financial management • Sustainable financing solutions • Investments and risk management
Operations and cooperation Goal: Honest, ethical and communal operations and communication. Areas: • Ethical practices • Responsibility of partners • Open communication and cooperation	**Natural resources** Goal: Harmonised and environmentally sustainable operations by using state-of-the-art technology and saving natural resources. Areas: • Environmental management • Energy and material efficiency • Water consumption • Emissions • Waste	**Stakeholders** Goal: Supporting stakeholders' continuity. Areas: • Customers • Personnel • Owners • Suppliers • Society

FOCUS AREAS IN OUR RESPONSIBILITY ACTIVITIES:

Sustainable solutions for the benefit of our customers, people and the environment

PEOPLE

WE IMPROVE THE WELL-BEING OF OUR PEOPLE

Ponsse is a good and safe place to work for us. We work productively following the excellent Ponsse spirit, appreciate one another and take care of each other, our customers and our whole network.

Ponsse is an equal and non-discriminating working community, in which everyone has equal opportunities, rights and obligations.

Safety, LTIF: 17.1

Employee engagement, eNPS: 40

Voluntary employee turnover: 7.3%

Incentive programme coverage: 100%

SOLUTIONS

WE INNOVATE SUSTAINABLE SOLUTIONS THAT RESPECT NATURE

Our product and service solutions play an important role in enabling the implementation of the principles of sustainable forestry. We bear responsibility for the machine lifecycle and extend it through good maintenance services. Sustainable and responsible development offers us a direction and opportunities.

Our aim is that our machines are as safe and ergonomic as possible for their users. We select high-quality materials that withstand long-term wear for our machines. We develop solutions that save the environment, promote the circular economy and reduce environmental impact during the machine lifecycle.

Investments in R&D: EUR 23.8 million

Forest machine recycling rate: 97%

Percentage of maintenance agreements in new machine sales: 41%

Highest environmental impact:

- production of the steel used in manufacturing
- 95% of CO_2 emissions during the machine lifecycle are generated at the operating stage (fuel manufacturing and consumption)

ACTIVITIES

WE DO NOT BURDEN NATURE THROUGH OUR OPERATIONS

We understand the impact of our operations on the environment and human rights. In our operations, we seek carbon neutrality and material efficiency.

Social, ecological and financial sustainability guide how we select our suppliers. We know our suppliers, and together, we improve transparency and risk management, while being committed to complying with our Code of Conduct.

Carbon footprint: -42%, 2020 4,657 t CO_2-eq
(2019: 7,972 t CO_2-eq)

Renewable electricity in Finland: 100%

The Group's energy consumption (electricity and heating): 22.61 GWh

Waste utilisation rate in Finland: 91%

Increase in the sale of recycled parts (reman, budget): 50%

COMMUNITY

WE ARE A RELIABLE PARTNER THAT VALUES COMMUNITY

Acting honestly and ethically as a community is at the core of Ponsse. Good corporate governance and our Code of Conduct define how we treat people equally, conduct sustainable business and engage in confidential cooperation with our partners.

We build trust by engaging in open cooperation and long-term business activities with our different stakeholders. Working as a community is important to us wherever we operate.

Total taxes paid: EUR 56.7 million,
of which EUR 25.9 million in Finland

Net promoter score, Ponsse network*: NPS 62 (n=1,107)
Net promoter score, Ponsse Group: NPS 31 (n=618)

* Ponsse Group and Ponsse dealers

VISION:

The preferred partner for responsible forestry

PONSSE'S VALUES:

Integrity, Innovation, the Ponsse spirit, Customer closeness

SOCIAL RESPONSIBILITY

PONSSE'S EMPLOYEES ARE OUR MOST IMPORTANT ASSETS

At Ponsse, social responsibility means responsibility for the impact of our business activities on people, taking responsibility for this impact, and continuously aiming to have a positive impact on our people and community. Ponsse has a strong value base that steers its employees to respect people and cooperation, and to develop our operations and community.

We are committed to respecting internationally recognised human rights, including international conventions on human rights and the ILO Declaration on Fundamental Principles and Rights at Work. We are also committed to complying with the UN Guiding Principles on Business and Human Rights. We do not accept child labour or other forms of forced labour in any circumstances.

Equal and skilled personnel who feel well

Ponsse has emphasised the appreciation of its personnel since the founding of the company. The input and role of every employee is an important part of the whole. We want our employees to be safe and healthy and feel that they have a meaningful job in which they want to continuously improve their performance. Ponsse's employees are our most important assets and prerequisites for all our development.

Ponsse complies with the ISO 45001 standard for occupational safety and health management. We want to offer our employees a safe and healthy working environment and be an equal and reliable employer. Our goal is to be a developing workplace and have responsible, healthy and competent employees who are treated with equal respect.

Ponsse accepts no discrimination against our employees or job applicants based on age, origin, nationality, language, religion, conviction, opinion, political action, trade unionism, family relations, health, disability, sexual orientation or other personal reasons. We promote an equal, non-discriminating and diverse working culture, and we do not accept any harassment or workplace bullying. We support the freedom of association, and every employee has the right to either belong to a trade union or not, and to participate in codetermination in their workplace.

In 2012, we revised our equality and non-discrimination plan and defined the goal that all Ponsse's employees should feel that they are treated in an equal and non-discriminating manner. We conducted a pay survey for the personnel working in Finland to identify the job classification, remuneration and any pay differences between men and women. No unjustified pay differences among employees carrying out the same or similar work were identified. Ponsse conducts the pay survey every three years and revises the equality plan in other respects every year.

At Ponsse, employees have equal opportunities to apply for various positions and to advance in their careers in accordance with their education and competence. Vacancies are available for application by everyone with a few exceptions. Ponsse aims to facilitate coordination between work and leisure through working hours arrangements and by adopting a positive approach to the use of family leave.

ONE PONSSE

One Ponsse principles:

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

At the end of 2021, men accounted for 89 per cent and women for 11 per cent of Ponsse Group's personnel. We seek to find new ways to make the forest industry more attractive. Considering the company's growth and development, it is important for Ponsse to recruit the best professionals in the field, regardless of the gender or other personal background.

In 2021, the number of personnel increased by 227 new employees, mainly in Finland, Russia and Brazil, with the number of personnel totalling 2,072 at the end of the 2021. Including our Finnish subsidiary Epec Oy, a total of 1,154 of our employees work in Finland where all PONSSE forest machines are designed and manufactured.

To advance our personnel's competence and recruitment, we are engaged in cooperation with universities, universities of applied sciences and vocational schools. We also provide vocational training in our facilities. Together with Ylä-Savo Vocational College, we have trained mechanics and welders in our production for ten years now through the "Ponsse Polku" (Ponsse Training Path) programme, and it has become an important recruitment channel for our factory. In 2021, Ylä-Savo Vocational College gave Ponsse the "Mainio koulutustyöpaikka" (Great Workplace for Education) certificate.

The availability of skilled employees also presents a challenge to Ponsse. We maintain a positive employer image by means of high-quality recruitment and communication. In Finland, we have a presence in key technology locations, and we provide job opportunities across Finland.

Ponsse's culture

As part of Ponsse's work culture, it is important that all Ponsse employees understand the company's position and goals. The company's strategic goals are communicated and implemented in each function every year and, as a result, they become part of every employee's personal goals. The goals are monitored through daily management and development appraisals.

Ponsse's corporate culture is based on the Code of Conduct and the One Ponsse programme. One Ponsse is an operating model for every Ponsse employee. It focuses on our activities for the benefit of our customers and defines the principles that guide our daily activities: customer orientation, working together and taking responsibility, open and proactive communication, agile execution and transparency, and unified operating methods.

In accordance with One Ponsse, we bear responsibility for what we do and for our common goals, without any organisational boundaries. The ground rule always is that communication in the organisation is open and active, and we work with respect for each other and our common practices. This is visible to our customers as first-rate services and rapid responses to customer needs.

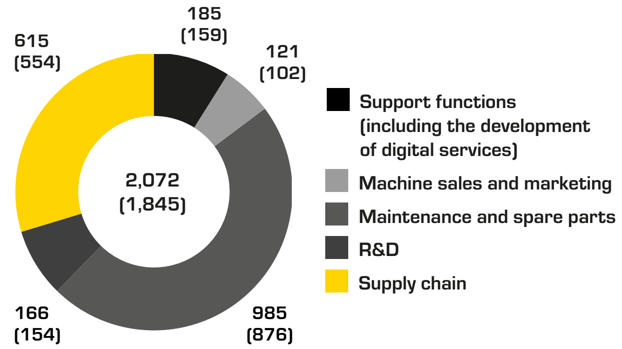
All of the Group's supervisors participate in the One Ponsse Leadership Programme, which provides guidance towards systematic and high-quality supervisory work. The One Ponsse principles are implemented in the daily activities of Ponsse's employees through training and communication for all employees. In 2021, One Ponsse training focused on leadership and supervisory skills in the exceptional circumstances caused by the coronavirus pandemic.

Measuring employee experiences and well-being at work

Motivated employees who feel well have a significant impact on work results and customer experiences. The experiences and well-being of Ponsse's employees are monitored not only through development appraisals conducted twice a year, but also through the quarterly "Ponssen Pulssi" (Ponsse Pulse) well-being survey and the eNPS index, which measures employee experiences. In addition, the Group conducts an extensive personnel survey every two or three years.

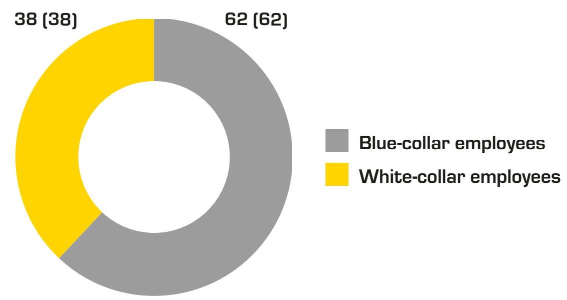
In 2021, the Group's total eNPS ranged from 31 to 49, with the average being 40 (Q4/2020: +55), which has been set as a limit for excellent results in the index. Our employee feedback highlighted the uncertainty related to the coronavirus pandemic

PERSONNEL BY FUNCTION ON 31 DECEMBER



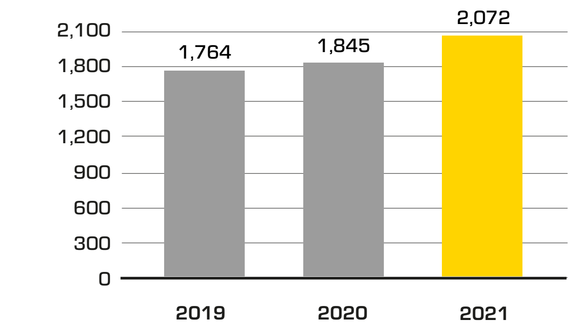
PERSONNEL BY PERSONNEL GROUP ON 31 DECEMBER

(%)



DEVELOPMENT OF THE NUMBER OF PERSONNEL

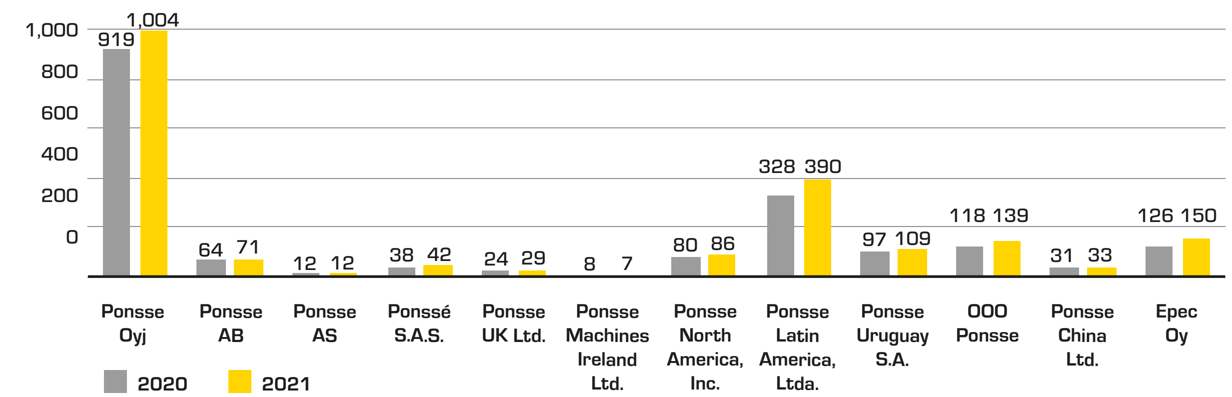
The Group's personnel on 31 December

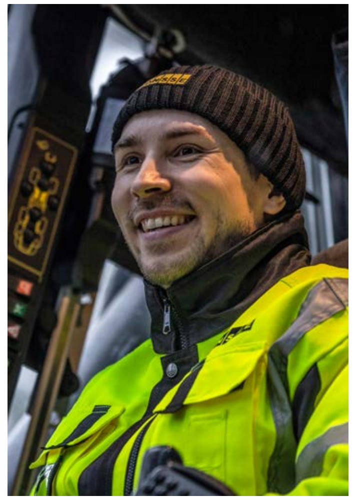


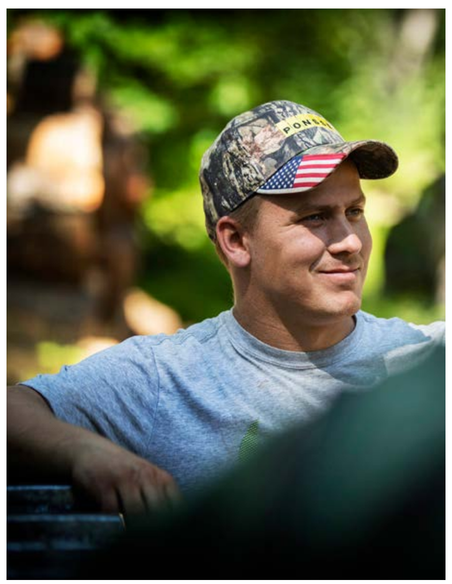
INFORMATION ABOUT THE PERSONNEL

	2021	2020	2019
The Group's personnel on 31 December	**2,072**	1,845	1,764
Personnel in Finland, %	**57%**	59%	60%
Personnel in other countries, %	**43%**	41%	40%
Permanent employees, %	**97%**	94%	95%
Fixed-term employees, %	**3%**	6%	5%
Full-time employees, %	**98%**	97%	97%
Part-time employees, %	**2%**	3%	3%
Average duration of employment, years	**7.2**	7.6	7.3
Voluntary employee turnover, %	**7.3%**	4.1%	5.1%
Average age of the personnel	**38**	40	40
The personnel's age distribution			
Under 30 years	**23%**	21%	19%
30–49 years	**58%**	60%	60%
Over 50 years	**19%**	19%	21%
Gender distribution, %			
Female	**11%**	11%	12%
Male	**89%**	89%	88%
Gender distribution among supervisors, %			
Female	**12%**	10%	11%
Male	**88%**	90%	89%
Gender distribution in the Management Team, %			
Female	**13%**	11%	14%
Male	**87%**	89%	86%
Gender distribution in the Board of Directors, %			
Female	**14%**	14%	17%
Male	**86%**	86%	83%
Salaries and wages, EUR million	**102.8**	85.7	92.7
Incentive scheme coverage	**100%**	100%	100%

PERSONNEL BY COMPANY ON 31 DECEMBER







and the availability of components. We have set an eNPS of more than 50 as our long-term goal.

A total of 1,176 employees participated in the annual survey to measure the quality of management, with the Group's average score being 3.25 (2020: 3.32) on a scale from 1 to 4. Management training provided for Ponsse's subsidiary network evened out any company-specific differences, and the total score was good.

The voluntary employee turnover increased in the good job market situation to 7.3 per cent (2020: 4.1). Our goal is to keep employee turnover below five per cent. A full 100 per cent of Ponsse's personnel are included in performance reward schemes.

The majority of our white-collar employees also continued to work remotely in 2021 with the exception of production and maintenance services. Ponsse's employees complied with our strict safety instructions which helped us avoid any coronavirus infections in our facilities. Enhanced communication and occupational healthcare services also supported our success.

Occupational safety

We comply with the ISO 45001 standard for occupational safety and health management in our operations. With regard to work safety, our goal is to develop safety culture and thinking, and to prevent accidents by investing proactive safety measures. At Ponsse, the development of smooth work flow and quality is also closely linked to the safety measures. We are committed to improving occupational health and safety to meet our stakeholders' expectations, and we comply with the legislation and the Group's guidelines to ensure a safe working environment in all our operating areas.

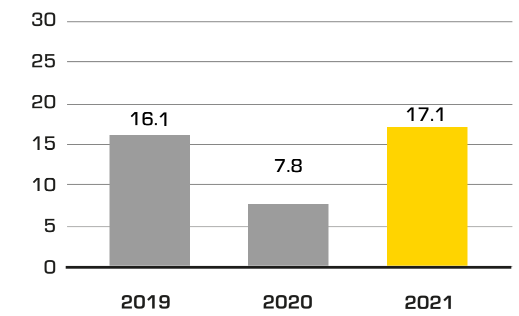
Ponsse measures occupational safety using the Lost Time Injury Frequency (LTIF), which represents the number of accidents leading to absences per one million working hours. In 2021, changes and uncertainties in daily work processes were also reflected in safety. In 2021, the Group LTIF rate was 17.1 (2020: 7.8). A total number of accidents resulting in sick leave was 64 (2020: 27), of which 26 (2020: 12) resulted in less than three days of sick leave and 38 (2020: 15) more than three days of sick leave.

Our goal is to be an accident-free company in the future. To achieve our safety goals, we will target measures at preventive safety and continuous observations. As a tool for predictability, we also use risk assessment and safety observations, walks and training. In 2021, the a total of 3,435 safety observations were reported in the Group (2020: 2,539) and approximately 5,700 measures were implemented to develop or maintain safety. The number of safety observations increased particularly in China (173) and the highest increase in safety walks was in Russia (52). At the end of the year, Ponsse AS in Norway had the longest consecutive period without accidents, where no accidents resulting in sick leave have occurred in more than ten years.

We also focused on safety resources and, during 2021, Ponsse's subsidiaries in Sweden, the UK, Ireland and China appointed a person responsible for safety and the environment. In addition to Finland, Ponsse's subsidiaries in Brazil and Uruguay, as well as Epec Oy, have a full-time health, safety and environment manager.

LTIF (LOST TIME INJURY FREQUENCY)

Group (%)



OUR GOALS

- Ponsse is a good and safe place to work for us.
- We work productively following the excellent Ponsse spirit, appreciate one another and take care of each other, our customers and our whole network.

Honesty and cooperation

Honesty, ethics and communality in operations are vital factors for us. Good corporate governance and our Code of Conduct define how we treat people equally, conduct sustainable business and engage in close cooperation with our partners.

Mutual trust with our different stakeholders is based on open long-term cooperation. Our key stakeholders include our customers and members of the entire Ponsse network. We want to know our customers personally and also address their families and stakeholders in our activities. The Ponsse network consists of our own companies, as well as our dealers who we always aim to treat as equivalent to our own companies. We monitor customer satisfaction in all our sales and service activities. At the end of 2021, our net promoter score (ranging from -100 to +100) was 31 within Ponsse Group, and 62 when our dealers are included.

We find it important to be a responsible company in the communities in which we operate. When selecting our partners, we address the local dimension and aim to create regional well-being through profitable and environmentally sustainable operations. Ponsse's production and head office are still located in the company's birthplace in Vieremä where we have a high impact on regional employment. At the end of 2021, we had 659 employees at our factory and 116 employees at our Iisalmi logistics centre and in our maintenance services. In addition, nearly 400 employees work in companies that mainly act as Ponsse's subcontractors or manufacture components for Ponsse in the partnership business park located in the immediate vicinity of our factory. We make 47 per cent of our purchases from subcontractors that are located within a 25-kilometre radius from our production.

In addition, our sports sponsorships highlight the local dimension, a shared set of values and long-term partnerships, ranging from children and young people to professional sports.

Our stakeholders' expectations have an impact on our responsibility goals, and we try to understand the expectations set for us through active cooperation. We conducted a stakeholder survey at the end of 2021 and at the beginning of 2022 to identify our stakeholders' expectations related to responsibility. The targeted online survey was responded to by 443 and the interviews by 14 specialists in our different market areas. Of the respondents to the online survey, 82 per cent represented Ponsse's personnel. The interviewees were specialists representing the company's Board of Directors, the supplier, customer and service networks, forest companies, educational institutions, environmental associations, and funding and investment companies.

This was Ponsse's first large-scale responsibility survey targeted at stakeholders, and we will use its results to prioritise the focus areas of our responsibility during the spring of 2022.

Our employees and stakeholders can report any activities in breach of our Code of Conduct through our whistleblowing channel on the company's website. The whistleblowing team appointed by Ponsse's Board of Directors processes reports submitted through the channel and forwards them to the Management Team, if required. In 2021, nine reports were submitted to the whistleblowing channel. The anonymous reports were divided into the following topics: conflicts of interest (2), corruption (1), misuse (2), HR procedures and guidelines (2), as well as privacy protection and the protection of personal data, and security in network and information systems (2). All of the reports were investigated following the agreed process, and we identified needs to specify guidelines and procedures. The reports did not lead to any legal proceedings.

Product safety

In the development of PONSSE forest machines, we always prioritise the customers and the end users, especially machine operators and maintenance personnel, but is also necessary to ensure the safe machine manufacturing. We assess the risks to machine users during the product life cycle at the earliest stage possible. Primarily, we aim to eliminate any hazards by means of design and secondarily through technical protective measures that improve safety. Warnings and instructions related to any residual risks remain the final means.

Our products meet the international standards applicable to them and the relevant safety requirements set out in directives, including the safety cabin's protective FOPS, OPS and ROPS structures and related test standards. As an indication of this, all machines carry the CE marking, and a declaration of conformity, including references to relevant directives, is delivered with each machine. We participate in the development of industry standards in the international standardisation committee to enable safer solutions in the future together.

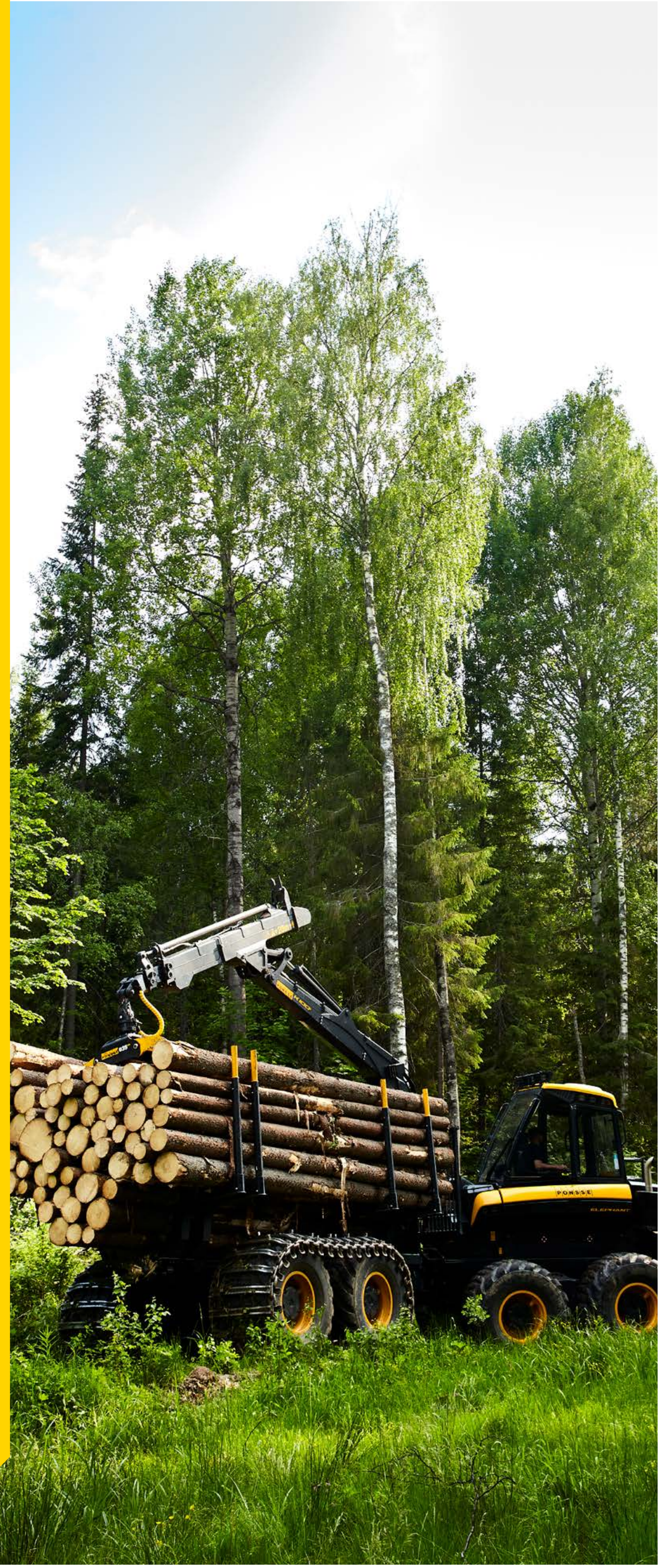
The professional skills of forest machine operators are highly significant considering the safe use of machines. High-quality operator training and instructions, combined with professional maintenance services during the product lifecycle, significantly improve not only the productivity and smooth flow of work, but also safety. Operator training also ensures that working methods and the forest machine and its equipment are suitable for each logging site in the best possible manner and that the harvesting results support sustainable forestry.

Ergonomics is a significant part of the forest machine operator's well-being. We invest in ergonomics by offering the best possible visibility over the work area from the cabin and by developing cabin and workstation ergonomics, such as the seat and controls, and by stabilising and levelling the operator's work environment, if required. User interfaces and automation systems, such as the Active Crane boom control system, are part of development. The user interface must be easy to use and provide the information required at the correct time to reduce the cognitive load targeted at the operator.

ENVIRONMENTAL RESPONSIBILITY

WE ARE PART OF SUSTAINABLE FORESTRY

We manage and develop Ponsse's business taking environmental aspects into account in all our operations. We want to avoid or minimise the negative impacts of our products, services, operations and decisions on biodiversity, the ecosystem and sufficiency of natural resources. Our objective is to recognise the environmental impact of our operations and achieve carbon neutrality and high material efficiency in our operations. Ponsse is committed to comply with the ISO 14001 environmental system standard.



Towards carbon neutrality in our operations

In 2021, we calculated for the first time the carbon footprint of the entire Ponsse Group for emissions from our own operations (Scope 1) and the energy we purchase (Scope 2). The calculation was made according to the GHG (greenhouse gas protocol) developed to calculate the climate change impacts. In our carbon footprint calculation, we report fossil and biogenic emissions separately. Fossil emissions come from the combustion and use of non-renewable energy sources, and biogenic emissions from the utilisation of organic energy sources, for instance forest chips, which produce thermal energy used by our Vieremä factory.

In 2019, the total carbon footprint of Ponsse's global operations was 7,972 t CO_2 eq and 42 per cent less, 4,657 t CO_2 eq in 2020. The main reason for the reduction of carbon footprint was the transition from the use of general electricity to the guaranteed 100% renewable hydropower at all our offices in Finland. In 2019, our biogenic emissions were 2,863 t CO_2 eq and 2,445 t CO_2 eq in 2020.

The overall climate change impact, i.e. absolute emissions, of Ponsse's operations decreased by a total of 34 per cent from 2019 (10,835 t CO_2 eq) to 2020 (7,102 t CO_2 eq). In 2020, the most notable impacts on our carbon footprint included the use of our own vehicles and machines, purchased heat and test driving of produced forest machines.

In 2019, the Scope 1 and Scope 2 emissions had an equal impact on our carbon footprint, but after transition to renewable energy in Finland, 75 per cent of our emissions in 2020 came from our own operations (Scope 1). The emissions from purchased energy (Scope 2) varied between our subsidiaries due to different energy options in our different market areas. In the European energy and electricity markets, it is easy for consumers to choose how the energy they purchase is generated.

We will continue to calculate our carbon footprint for 2021 during H1/2022 once the production mix of energy producers needed for calculation becomes available. Based on the calculation results and our current state assessment, we will prepare a roadmap to our carbon neutrality target and determine the Scope 3 emissions relevant to our operations, which come, for example, from the end use of the products we manufacture and purchased components. During 2022, we will also schedule and define the first percentage emission reduction targets and measures to reduce emissions, and set concrete targets and timetable for our carbon neutrality target.

As part of the audit of our customer's supplier network, we participated in the CDP's climate change impact assessment in the summer of 2021. However, since our carbon footprint calculation at the Group level was not completed, we were not able to include calculation data on our climate change impact in the assessment and our result was D. Despite the poor result, our participation improved our understanding of our climate change impact.

Sourcing and logistics

The primary objective of the sourcing and logistics is effective inventory turnover and optimal availability of materials. This helps maintain our inventory and keep our space and resource requirements reasonable, as well as avoid material waste. The biggest environmental impacts of our sourcing and logistics are related to the manufacturing of steel used in PONSSE forest machines and transport of components. The combined percentage of steel and cast components in the weight of forest machine is considerable, making up 82 per cent. We calculate and measure machine structures in our R&D in order to optimise the use of steel depending on the site load. The recycling rate of the forest machine is 97 per cent.

We have managed our environmental impact and other sourcing-related risks, for example, by concentrating our purchases in Europe and especially in Finland. 75 per cent of Ponsse's direct suppliers and subcontractors are located in Finland and 22 per cent in other EU countries. Ponsse in not engaged in direct sourcing from the so-called low-cost countries to a substantial extent. Besides Finland, the most technologically advanced and most expensive components of the PONSSE forest machines come from Germany and Sweden.

More than 20 per cent of our subcontractors are located within a radius of 25 kilometres from our production, mainly in a business park for partner companies next to Vieremä factory. The proximity of the location significantly reduces emissions from transport and enables shared transport between our production and our subcontractors.

We aim to manage the environmental impacts from transport by making transportations more efficient and developing packaging solutions. 90 per cent of our transportation partners report their carbon footprint to us and we prepare to expand our emissions monitoring. We cooperate with our largest suppliers to reuse packaging between them and Ponsse. Recyclable packaging, transport racks designed for PONSSE components and packaging design has reduced not only the use of packaging materials but also the parts' damage and improved the freight load factor. We use folding packaging for large products to make return logistics more efficient.

In our deliveries, we mainly use standard, reusable pallets and send disposable pallets for shredding and further for district heat production in Vieremä. In other respects, we fulfil our producer responsibility by circulating the packaging generated in our operations to a producer community who sends the materials for recycling or energy recovery.

Production

We manufacture all PONSSE forest machines in Vieremä and production accounts for approximately a third of Ponsse's carbon footprint. The environmental impacts of production come from the consumption of energy and raw materials, use of chemicals and VOC emissions from surface treatment. We have an environmental permit for our operations and a chemical storage and handling operations granted by TUKES (Finnish Safety and Chemicals Agency).

We use electricity generated by hydropower with guarantees of origin in our production and all our offices in Finland. In 2021, the factory's solar power station with 640 solar panels generated a total of 150 MWh of electricity.

We are modernising our building system technology in conjunction with all production technology and real estate investments to enable energy efficiency and predictive maintenance. The upgrade of the building automation implemented in Vieremä's facilities in 2021 and inspection of the controls and adjustments of machines with Stage IV engine will generate 203 MWh of annual energy savings. In addition to environmental values, the energy savings we achieve also generates economic benefits and the investment pays for itself in 2,3 years.

Our production method is not water-intensive. We use water only to wash parts during surface treatment and to wash machines after test drive. Thorough equipment cleaning also prevents the spread of invasive species. In surface treatment, we use the same water multiple times to minimise consumption. In 2021, the water consumption in our production increased by 27 per cent compared to the previous year, amounting to 14,946 m^3 (2020: 11,721 m^3).

In 2021, we reduced VOC emissions from our production, contributing to global warming, per litre of used paint by utilising a new paint grade with a higher content of dry matter in the surface treatment. Besides being environmentally friendly, the new paint provides higher corrosion resistance, lower environmental load and better spreading rate.

OUR GOALS

- We know the impacts of our operations on the environment and act systematically to reduce them
- In our operations, we seek carbon neutrality and material efficiency

Our goal is to avoid the generation of waste and especially mixed waste in our operations. We sort the generated waste so it can be reused and recycled as efficiently as possible as a material or for energy recovery. Currently, we are able to recycle cardboard, paper, plastic and metal waste generated in our production.

After the forest machine is completed on the assembly line, it is filled with light fuel oil or diesel based on customers' needs and the country of destination. Since the beginning of 2020, only diesel produced from renewable raw materials has been used in our production, which has reduced the fossil emissions of our production by 0.2 per cent per year. Emissions from the first fill fuel are included in the Ponsse's own emissions (Scope 1) as 75 per cent of the fuel is used for machine testing and delivery. According to the life cycle assessment, using diesel in the machine over the entire service life will reduce its fossil carbon footprint by more than 90 per cent. In 2021, biodegradable hydraulic oil selected as a first fill fuel was used in 16 per cent of our new machine deliveries.

Post-production machine testing generates emissions from fuels and oils used in the transport and test drive of the machines. We use our own transport fleet to deliver all produced PONSSE machines to the test site, to our domestic customers and to Iisalmi railway station for export onward transport around the world. 80 per cent of our production is exported and all exports are transported to the port by rail, the most energy-efficient and low-emission transport mode.

ENVIRONMENT 2019-2021

	2021	2020	2019
Carbon footprint			
fossil, t CO_2-eq	Q2/2022*	4,657	7,972
biogenic, t CO_2-eq	Q2/2022*	2,445	2,863
carbon intensity, t CO_2-eq/EUR thousand (total emissions/net sales)	Q2/2022*	0.007	0.012
Energy			
energy consumption (electricity and heating), GWh	22.61	21.15	24.15
distribution of energy consumption			
electricity, GWh	12.38	11.37	12.91
heating, GWh	10.23	9.81	11.23
fuel, GWh	Q2/2022*	12.6	14.89
share of renewable / fossil-based electricity, %	89.1/10.9	-	-
VOC emissions			
VOC emissions, kg (production)	15,261	12,980	13,200
Water			
water consumption, m^3	29,614.9	24,688.7	32,172.7
Waste* **			
waste, kg	2,433,236	2,257,364	2,845,177
waste recycling rate, %	38	45	39
waste utilisation rate, %	91	93	92

*The results of the 2021 carbon footprint calculation and energy consumption distribution will be published in Q2/2022 on the company's website. The heating plant production distributions required for the calculations are not available at the time of publication of this report.
** The waste volume is only reported for Ponsse's operations in Finland.

Environmental impacts of products and services

We are committed to developing sustainable and innovative harvesting solutions. In line with the expectations of our stakeholders, environmental aspects have become a major driver in our R&D. Our investments in minimising the fuel consumption, emissions, forest damage and soil degradation, as well as the continuous development of our service processes also affect the sustainability of our customers' operations.

We have identified the life cycle environmental impacts of the Ponsse's products and services using the life cycle assessment (LCA) specified in the ISO 14040 standard. We have studied the environmental impact of the manufacturing, transport and use of machines and related maintenance in different conditions. The highest life cycle emissions contributing to global warming, approximately 95 per cent, come from the consumption and production of fuel used in the machines. The highest emissions from transport are related to the deliveries of machines from the Vieremä factory and relocations between stands.

The objective of our continuous development in the R&D is to reduce the consumption of fuel and oils during the use of machines. Fuel efficiency, i.e. fuel consumption in relation to the amount of harvested wood, is an important cost factor in the timber harvesting, and therefore the development is driven by both economic and environmental factors. Thanks to the product development, renewable fuels and hydraulic oils can also be used in the PONSSE forest machines.

The major environmental factors of the maintenance include oils, tyres and spare parts used in the machine. The authorised Ponsse maintenance network ensures the proper handling of waste when the machine is serviced by the authorised PONSSE maintenance network. In our maintenance services, we emphasise predictive maintenance so that unexpected breakdowns can be prevented and maintenance can be carried out safely without endangering the environment and technicians. Maintenance agreements also allow to extend the service intervals for machines, which means less maintenance products and less waste.

Currently, 0 per cent (CAPEX, OPEX and turnover) of our operations are Taxonomy-eligible and respectively 100 per cent not Taxonomy-aligned (CAPEX, OPEX and turnover). Our products do not therefore meet the criteria of the EU classification system for sustainable finance for the products mitigating climate change or contributing to climate change adaptation.

Cut-to-length logging method

PONSSE forest machines are based on cut-to-length (CTL) logging method. The machines have been developed not only to utilise very valuable wood raw material but also to leave as few tracks as possible at the logging sites. The knowledge and methods related to sustainable use of Nordic forests are one of the solution to mitigating global deforestation while renewable wood raw materials are needed to replace, for example, plastic and concrete. The practices and obligations of regenerating commercial forests, harvesting technology and forest management methods play an important role when forest resources are needed both for carbon sequestration and as a raw material, giving due consideration to the forest biodiversity.

The advanced calculating capabilities of the measuring devices used in the CTL machines allows to get the best possible value from the forest. This does not mean just economic benefits. Once the raw material yields and value-added processing can be optimised, the wood will yield the maximal long-term carbon sequestration in sawn timber.

CTL machines can be used for different types of harvesting, from first thinning and regeneration felling to final felling. All harvesting methods take into account fast and safe regeneration of the forest, because only the healthy growth of the next generation of trees allows for the forest cycles and regeneration of raw materials. In order to enable different harvesting methods, the machines must be balanced and durable to utilise high-reach crane, for example, in thinning.

The CTL method is aimed to reduce the strain caused by the machines on the terrain. The balanced weight distribution in the eight-wheel PONSSE forest machines in combination with the appropriate tracks can minimise the load on the soil. The forwarders that drive multiple times on the same track have a massive impact on rut formation. In the CTL method, the harvester leaves branches and treetops on the trail to protect the ground on which the forwarder will drive. The large loading space also reduces rut formations, thus requiring fewer return trips.

Pioneer in circular economy

Ponsse's circular economy competence is particularly strong in the spare part and used machine business. We sell and refurbish used machines in all our markets. Trade-in machines refurbished by skilled technicians can be upgraded with a range of performance packages to meet the requirements of forestry today.

Ponsse Reman & Parts Recirculation Unit, located at the logistics centre and maintenance services in Iisalmi, handles parts damaged at the customers, factory or in the sales networks, which are sold at to the customers at an affordable price after reconditioning or utilised in the refurbishing of used forest machines. The goal is to promote circular economy by establishing reconditioning services at our non-EU subsidiaries closer to local customers.

Remanufacturing offers customers affordable products, minimises material loss and also solves problems related to the availability of spare parts. The parts received for reconditioning are usually the largest and the most expensive parts of mechanical transmission, such as engines or gear systems. In 2021, the engine testing equipment was deployed in Iisalmi to ensure the quality of refurbished engines. The price of the parts require a deposit, which the customer will get back when returning the damaged part for reconditioning. This way we can ensure that the spare parts do not end up as waste.

We have studied the environmental impacts of reconditioning using a life cycle assessment and the results support the goals of a circular economy: the carbon footprint of a single component is reduced by approximately one quarter when a reconditioned component is selected instead of a new one. The better we are at reusing machine parts, the less emissions there will be from the machines during their entire life cycle.

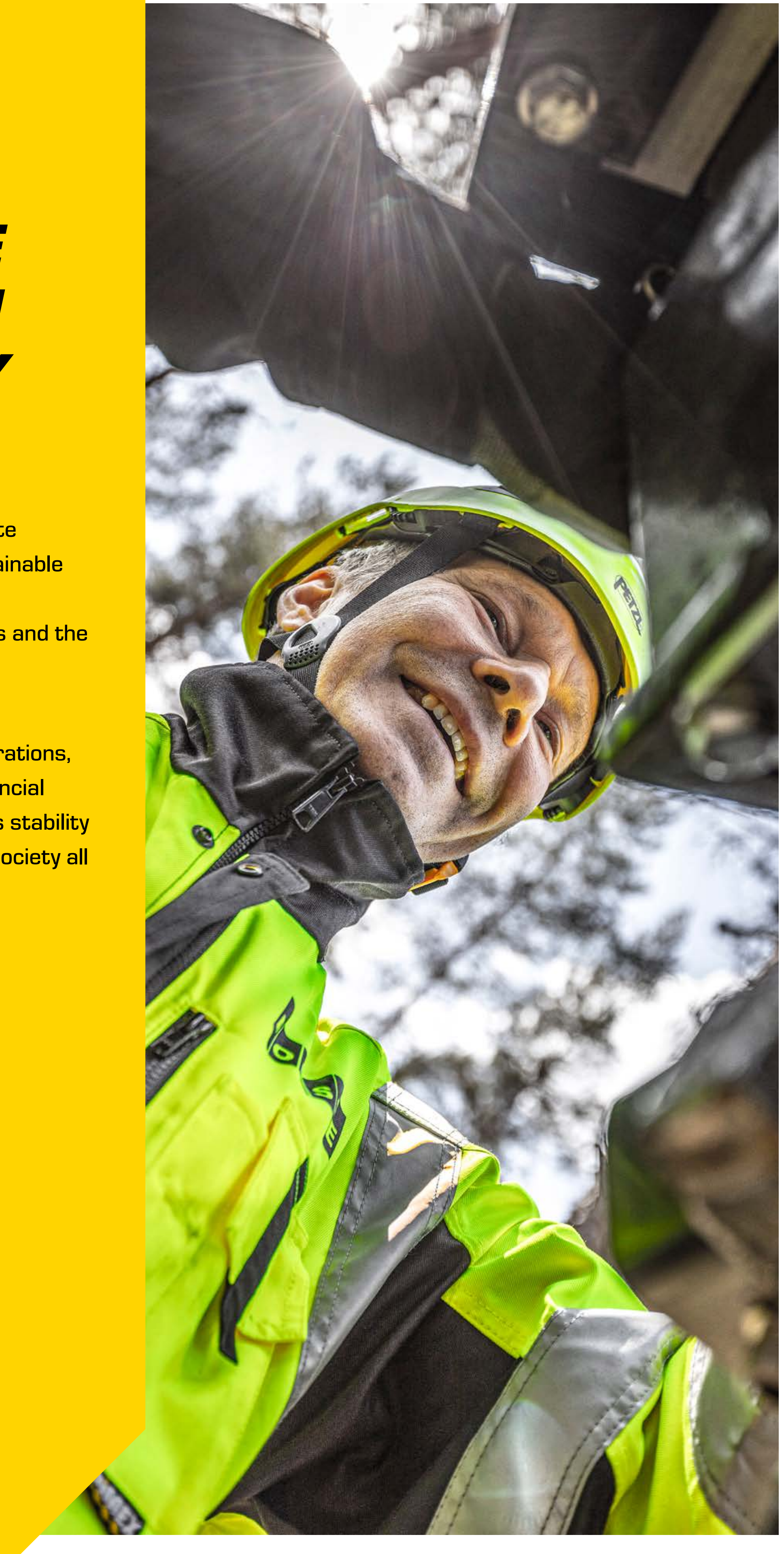
In 2021, Ponsse was included in the Finland's Independence Celebration Fund 's "The most interesting companies in the circular economy in Finland" list as a pioneering company that offers circular economy solutions.

FINANCES AND ADMINISTRATION

WE PROMOTE OUR GROWTH RESPONSIBLY

Financial responsibility and good corporate governance mean the balanced and sustainable development of Ponsse's finances, while addressing ethical business, stakeholders and the environment.

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



Balanced and sustainable finances

Throughout its history, Ponsse has been a family-owned company, and values and long-term operations have been emphasised in its management. Ponsse's financial management is also based on reliability, proactivity and continuous development.

It is important for Ponsse to maintain a good balance between operational growth, profitability and cash flow from business operations. We want to grow responsibly, which is why the long-term development of operations and the building of a strong financial position to secure continuity are emphasised in our decision making. We are constantly investing in research and development, the supply chain and maintenance service network in Finland and in our subsidiaries' operating countries.

As part of responsible financial management, we always ensure that we can fulfil our obligations towards our key stakeholders. Our main obligations are to remunerate our personnel, pay dividends to our owners, pay suppliers for goods and services, pay social taxes, and keep our customer promises.

We ensure investments and adaptation to business fluctuations through sustainable financing solutions. In our financing solutions, we have also used loans linked to our sustainable development goals, in which we are evaluated with indicators related to the development of our safety and our suppliers' compliance with the Supplier Code of Conduct.

Operating model and tax footprint

Ponsse Plc specialises in the sale, production, maintenance and technology of cut-to-length method forest machines, and is driven by a genuine interest in its customers and their business operations. We develop and manufacture sustainable and innovative harvesting solutions based on customer needs.

Ponsse Group consists of Ponsse Plc, the parent company, and subsidiaries under its direct ownership in Sweden, Norway, France, the UK, Ireland, Russia, China, the USA, Brazil, Uruguay and Chile, as well as Epec Oy in Finland. The foreign subsidiaries account for international maintenance services and sales of PONSSE forest machines together with 44 PONSSE dealers. Technology company Epec Oy develops and manufactures products and services for machine control.

All PONSSE forest machines are manufactured, from key components to assembly, at our Vieremä factory in Finland where the company's head office is also located. Exports account for 80 per cent of our net sales, and our international maintenance service network consists of 235 service centres.

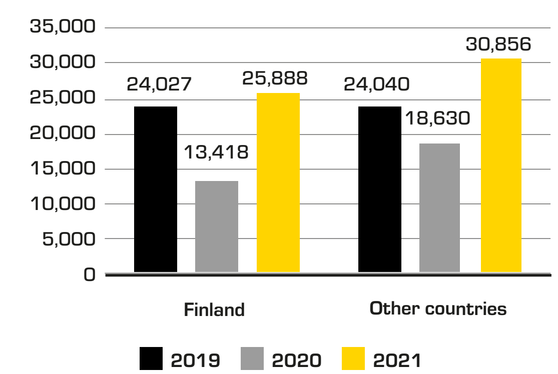
We want to promote an open tax policy, and we comply with valid tax laws and regulations in all countries where Ponsse operates. The company has no separate taxation-based corporate structures. We are committed to paying the respective statutory taxes and fees without delay wherever we operate and produce results. We comply with the OECD transfer pricing guidelines and ensure regularly that intra-group pricing is based on market terms.

We report and publish our tax information in accordance with legislation and the transparency goals set in our tax policy. The goal of our tax management is predictable and effective taxation with high morals. We are engaged in close cooperation with the Large Taxpayers' Office in Finland.

In 2021, Ponsse paid a total of EUR 56.7 million (2020: EUR 32.4 million) in taxes and duties, of which EUR 25.9 (13.4) million in Finland.

PAID TAXES IN TOTAL

(EUR 1,000)



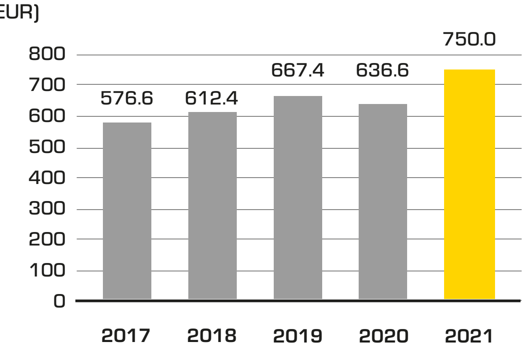
TAX FOOTPRINT

(1,000 EUR)	2021 Finland*	2021 Other countries*	2021 Total**	2020 Finland*	2020 Other countries*	2020 Total**
Net sales	616,777	439,247	749,998	503,280	383,653	636,627
Result before taxes	61,243	30,610	73,204	2,858	5,307	8,165
Personnel (persons)	1,154	918	2,072	1,045	800	1,845
Corporate income tax	12,301	6,284	18,585	3,558	3,331	6,889
Property tax	428	229	657	218	216	434
Employer's charges	13,072	6,287	19,359	9,606	5,361	14,967
Custom duties	84	17,839	17,924	33	9,604	9,637
Other taxes	3	216	219	3	117	120
Paid taxes total (EUR 1,000)	**25,888**	**30,856**	**56,744**	**13,418**	**18,630**	**32,048**

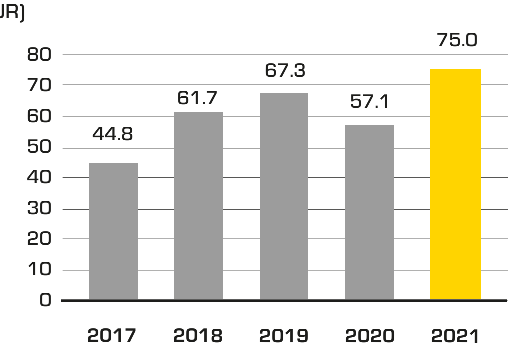
* Unconsolidated
**Consolidated

In 2020 the parent company 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.

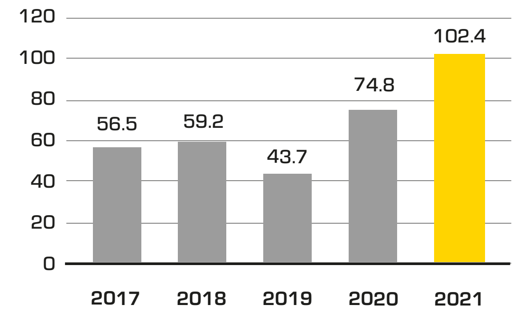
NET SALES
(MEUR)



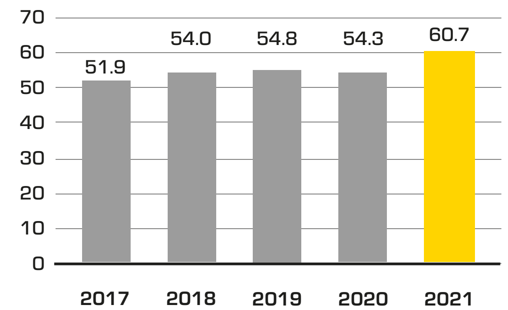
OPERATING RESULT
(MEUR)



CASH FLOW FROM BUSINESS OPERATIONS
(MEUR)



EQUITY RATIO
(%)



OUR GOALS

- We want to maintain the balance between the operational growth, profitability and cash flow from business operations
- The long-term development of operations is emphasised in our decision making

Good corporate governance promotes transparency

Ponsse complies with good corporate governance in accordance with legislation on listed Finnish companies, Ponsse's Articles of Association, and the 2020 Corporate Governance Code for listed companies, while promoting openness and transparency. The purpose of the corporate governance principles is to ensure ethical business and a high level of professionalism.

Ponsse's shares are listed on Nasdaq Helsinki, and we comply with the rules and regulations of the Helsinki stock exchange and the Finnish Financial Supervisory Authority. Consolidated financial statements and interim reports are prepared in accordance with the International Financial Reporting Standards (IFRS). Ponsse's ethical values are described in the company's Code of Conduct, which is available on the Ponsse's website. Our ethical business is also supported by our whistleblowing channel, which allows any suspected misuse related to Ponsse and its operations to be reported.

According to good corporate governance, Ponsse protects the rights of its shareholders, conducts diligent and correctly timed financial reporting, and provides the organisation's managers with guidance. Auditing, internal control, risk management, compliance with legislation and regulations, and management and administrative practices have been arranged appropriately, and the most significant business activities and conflicts of interest are evaluated on the basis of risks.

We are committed to combating corruption in all its forms, including extortion and bribery. We do not use bribes or other unlawful payments, nor do we authorise these payments to gain or maintain business.

We do not accept or facilitate money laundering, and we comply with legislation related to the prevention of money laundering everywhere in the world. We know who our business partners are. We conduct business only with reputable parties involved in legitimate business activities, with funds derived from legitimate sources.

We promote fair and honest competition. We comply with applicable competition law, regardless of the market area, and refrain from entering into or carrying out any illegal practices.

Our assets may not be used for unlawful or improper purposes. We respect and protect personal data, and employees processing it are expected to exercise special caution when processing data.

Diversity and independence of the Board of Directors, and remuneration principles

Diversity in the Board of Directors promotes an open discussion culture and the ability to adopt an open approach to innovative ideas. Diversity is supported by the consideration of the age and gender distribution, educational backgrounds, as well as work and international experience. It benefits the company as a whole that individuals whose skills, backgrounds and views differ from one another are appointed to the Board. This ensures the development of business and responsibility, as well as good corporate governance.

During the 2021 financial period, Ponsse's Board of Directors consisted of members with expertise in finances, legal affairs, technology, internationalisation, strategies, and sales and marketing. One of the seven members was female. Three members were independent, deviating from the Corporate Governance Code's recommendation. The company justifies this deviation in that, throughout its history, Ponsse has been a strongly person- and family-owned company, led successfully under the guidance of its Board of Directors and shareholders. The members of the Board of Directors represent the continuity of the successful management method, and the deviation from the recommendation has not resulted or will not result in any conflicts of interest between the company and its shareholders.

The goal of the company's remuneration policy is to advance the company's long-term financial performance and the building of a sustainable shareholder value by recruiting, committing and motivating senior managers and employees to fulfil Ponsse's strategy. As a rule, remuneration must be competitive, engaging and fair. The annual performance bonus of the President and CEO and the Deputy CEO cannot exceed 50% of their salary in the previous year.

Management systems

Our management systems steer the implementation of Ponsse's sustainable development principles and responsible leadership. The aim is to standardise our group's operations and ensure our company's continuous development. Alongside the management systems, the company's mission, vision and values strongly guide the company's operations, in which responsibility has been given a strategically important position.

Ponsse Plc's operations comply with ISO 9001 for quality management systems, ISO 14001 for environmental management systems, and ISO 45001 for occupational health and safety management systems. In 2021, LRQA audited the company's management systems. In addition, the statutory audit of the compliance of production with requirements was conducted. Internal audits mandated by our operating processes were carried out in the group according to the normal audit programme. Due to the coronavirus pandemic, only select critical audits were conducted in our supplier network.

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

Trends, risks and opportunities

As part of our responsibility, we have identified trends and associated risks and opportunities in our business environment. In our assessments, the emphasised significance of sustainable development, especially from the perspectives of climate change, biodiversity and resource efficiency, and the opportunities offered by digitalisation and technological development have been identified as trends that affect our responsibility and operations.

In 2021, we revised our risk management process and developed tools for analysing risks. In our revised risk management process, we placed more focus on risks and opportunities associated with the environment and social and financial responsibilities from the perspectives of strategic, operational, financing and loss risks. In 2022, our aim is to conduct the first climate risk assessment as part of our strategic risk assessment process.

Market and business environment

Global economic uncertainties may have a negative impact on demand for forest machines and the availability of components. Our operations in more than forty countries events out risks associated with economic fluctuations. We aim to keep our operations flexible and sensitive to changes which allows us to take rapid adaptation measures if the market situation so requires.

Data and information systems

Growing digitalisation has increased the data security risk, which we address in the processing of business, customer and personal data. Having updated, reliable, available and secure data and information systems is essential considering our operations. Currently, the company is upgrading its ERP system.

Supplier network

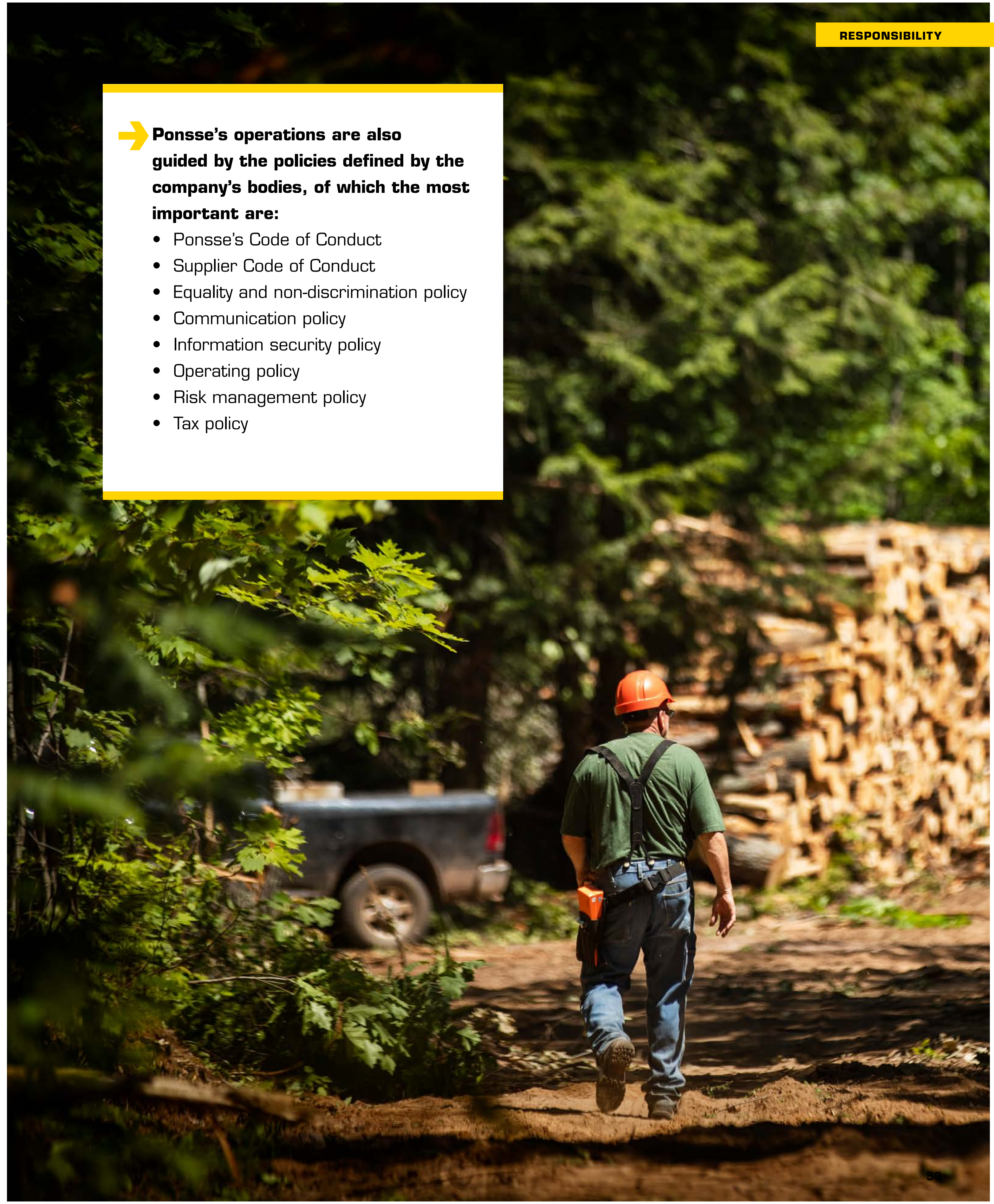
The faster recovery of the global economy than expected and rapid growth in demand have resulted in availability issues in certain component groups. Rapid economic fluctuations may also lead to high inflation in component markets. We aim to safeguard the quality of our products and competitive prices by knowing our supplier network and alternative procurement channels, and by engaging in long-term agreements and close R&D cooperation with our suppliers.

Products and technological solutions

We support sustainable forestry by innovative products and services that protect nature and the environment. We promote harvesting based on the sustainable and effective CTL method and are constantly reducing the environmental impact of our products and services. We aim to reduce risks by engaging in close cooperation with our customers and stakeholders to ensure appropriate technological trends. In addition, we work actively with higher educational institutions, universities and research organisations.

Financing

The geopolitical situation will increase uncertainty through financial market operations and sanctions. Volatile exchange markets in emerging countries may increase uncertainty. The key goal of financial risk management is to keep liquidity, interest and currency risks under control. To ensure a good liquid position, the company has entered into binding credit facility agreements with different funding providers. The impact of adverse changes in interest rates is minimised by using loans and interest swaps tied to different reference rates. The impact of exchange rate fluctuations is reduced partly through derivative contracts.



Ponsse's operations are also guided by the policies defined by the company's bodies, of which the most important are:

- Ponsse's Code of Conduct
- Supplier Code of Conduct
- Equality and non-discrimination policy
- Communication policy
- Information security policy
- Operating policy
- Risk management policy
- Tax policy

GOALS AND ACTIONS PLAN

Topic	Measures 2022	Target	Target	2021	Indicator
WE IMPROVE THE WELLBEING OF OUR PEOPLE					
Occupational safety	Preventive safety work Developing safety management, training and observation	1. Zero accidents	LTIF < 5	LTIF 17.1	LTIF
Occupational well-being	Preventive occupational healthcare	2. Committed employees with good well-being	Voluntary employee turnover < 5%	7.3%	Voluntary employee turnover, %
Equality and non-discrimination	Implementation of the equality and non-discrimination plan Human rights assessment	3. Equal and non-discriminating workplace	Employee engagement, eNPS > 50	eNPS 40	Employee engagement, eNPS (Employee Net Promoter Score)
Ethics	Updating the Code of Conduct training	4. Working community committed to the Code of Conduct	100% of employees have completed the Code of Conduct training	80%	Employees with completed training, %
Leadership and supervisory skills	One Ponsse leadership and supervisory skill training	5. Skilled leadership and supervisory work	Management quality > 3	3.25	Management quality 1–4
WE INNOVATE SUSTAINABLE SOLUTIONS THAT RESPECT NATURE					
Innovations	Developing customer-oriented product development processes	1. Environmentally friendly, safe and ergonomic innovations	Product development's share of net sales > 3%	3.17% (EUR 23.8 million)	Product development's share of net sales, %
Product safety	Product safety integrated into all phases of the product development process	2. Solutions safe to operate, maintain and produce	Zero accidents		Number of accidents
Maintenance services	Developing maintenance agreement offering and sales	3. Services supporting the environmentally sustainable use of products	Maintenance agreements > 90% of new machine sales	41%	Maintenance agreements, % of new machine sales
Harvesting	Implementing training and raising awareness of CTL harvesting	4. Promoting environmentally friendly CTL harvesting		Two thirds of harvesting	Share of mechanical harvesting, %
WE DO NOT BURDEN NATURE THROUGH OUR OPERATIONS					
Circular economy, material efficiency	Remanufacturing of spare parts Expanding operations of Ponsse Reman & Parts Recirculation	1. Reducing material waste and raw material consumption through circular economy solutions	95 %	95 %	Recirculation percentage of components damaged at the factory
Circular economy, life cycle	Expansion of performance package offering	2. Prolonging the life cycle of PONSSE forest machines through maintenance services			Number of performance packages
Energy consumption	Monitoring of subsidiaries' energy consumption and verifying the origin of electricity	3. Energy used by Ponsse is produced through renewable and sustainable means	100% renewable energy	Share of renewable energy in carbon footprint calculation results, available H1/2022	
Greenhouse gas emissions	Carbon neutrality roadmap and Scope 3 emission category definitions Emission reduction objectives	4. Ponsse is a carbon-neutral company	The objective will be set in 2022	2020 CO_2 emissions -42% (4657 t CO_2-eq) 2021 performance will be available H1/2022	Reduction of direct (Scope 1) and indirect (Scope 2) emissions compared to 2019, t CO2-eq
Waste	Monitoring of subsidiaries' waste utilisation rate	5. Minimizing produced waste and ensuring utilisation of waste	Utilisation rate of waste 100%	Utilisation rate of waste 88% (Finland)	Utilisation rate of waste, %
Environmental work	Systematic environmental work and risk assessments of functions	6. We know the environmental impact of our operations and work systematically to reduce it	Carbon neutrality roadmap	Group carbon footprint calculations	
WE ARE A RELIABLE PARTNER THAT VALUES COMMUNITY					
Supply chain	Development of supplier network control and Supplier Code of Conduct process	1. A transparent supply chain committed to the sustainable business practices	100% of suppliers have agreed to the responsible business practices	80%	Supplier Code of Conduct commitment, %
Customers	Improving a seamless customer experience	2. Confidential and developing customer cooperation	NPS > 60	NPS 31	Customer engagement, NPS (products, maintenance, spare parts)
Responsibility work	Goals and measures of materiality assessment-based responsibility work	3. Identifying the sustainability expectations of vital stakeholders and related development measures	Sustainability roadmap	Stakeholder survey	

Einari Vidgrén Foundation

The goal of the Einari Vidgrén Foundation, established in 2005 by forest machine entrepreneur and industrial counsellor Einari Vidgrén, founder of Ponsse Plc, is to increase appreciation for the work done in the field of mechanised harvesting and highlight the responsible activities carried out in the forest industry in line with the principles of sustainable development. At the same time, the foundation seeks to improve the image of entrepreneurship in the field of mechanised harvesting and the attractiveness of the harvesting sector, especially among young people.

Every year, the Einari Vidgrén Foundation rewards Finnish and international forest industry professionals. In 2021, the foundation gave the Einari Operator award to 45 merited forest machine operators in recognition of high professional quality and customer-driven activities. The rewarded operators were recognised for their determination regarding the quality of work and close cooperation with forest owners and other stakeholders. Einari Student scholarships were given to 34 forest machine students who had excelled in their studies.

The foundation issues annual Einari Recognition awards for harvesting research and development, people who develop education in the industry, and those who increase the image and recognition of the industry. In 2021, rewarding focused on increasing the awareness of children and young people regarding forests and sustainable forestry. Einari Recognitions were given to Kari Huotari from Työtehoseura, Perttu Liukkonen from Metsä Group, Niina Mäntyniemi from the Rural Professions Association, and the forest trail project of the Vieremä 4H Organisation. Canadian New Brunswick Community College was rewarded for its CTL education and Juho Kemppainen (Jätkä-Juho Oy) as a young rural entrepreneur. The Swedish Network for Women and Non-binary Persons in the Forest Sector (NYKS) was recognised for promoting equality in the forest and harvesting industry and for improving the industry's image among women.

EINARI VIDGRÉN
SAATIO · STIFTELSE · FOUNDATION

www.evsaatio.fi

The Einari Award, the Einari Vidgrén Foundation's annually distributed key recognition, is granted for long-term work and professional entrepreneurship in the demanding harvesting industry. In 2021, the Einari Award was received by Kimmo Hokkanen (Metsäkone Hokkanen Oy).

The Einari Vidgrén Foundation's lifetime achievement awards were given to Paavo Rautio (Metsärautio Oy) and Markku Eronen (Metsäkoneurakointi Veljekset Eronen Ky). The lifetime achievement award is a recognition of a significant life's work in advancing Finland's forestry, high-quality harvesting and economic growth.

In 2021, the foundation rewarded forestry professionals with EUR 169,900. The Einari Vidgrén Foundation is chaired by Juha Vidgrén.

STATEMENT OF NON-FINANCIAL INFORMATION, TABLE OF CONTENTS

FINANCIAL STATEMENTS

Contents:

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.

INFORMATION FOR SHAREHOLDERS

Ponsse Plc's Annual General Meeting for 2022 is scheduled to be held on Thursday 7 April 2022. without the presence of shareholders or their representatives at the company's registered office at Ponssentie 22, FI-74200 Vieremä, Finland.

ELIGIBILITY TO ATTEND

To be eligible to attend the AGM, shareholders must be registered by 28 March 2022 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 4 April 2022 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 28 March 2022, either by writing to Ponsse Plc, Share Register, FI-74200 Vieremä, Finland, by calling +358 (0)20 768 800 or by contacting the company online at www.ponsse.com/yhtiokokous. Written notifications must arrive before the above-mentioned deadline. Please submit any powers of attorney accompanying the advance registration.

DIVIDEND

The company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2021. The Board will also propose that the Annual General Meeting will authorise the Board to decide on paying a dividend of at most EUR 0.25 per share at a later date. 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, 11 April 2022. The dividend shall be paid on 20 April 2022.

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 2022

In addition to the financial statements and the Annual Report for 2021, Ponsse Plc will issue three interim reports. Interim reports for the financial period 2022 will be published as follows:

– January–March 26 April 2022
– January–June 9 August 2022
– January–September 25 October 2022

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
Ponssentie 22, FI-74200 Vieremä, Finland
Tel. +358 (0)20 768 800, Fax +358 (0)20 768 8690
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

BOARD OF DIRECTORS' REPORT FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

General

Ponsse Group recorded net sales amounting to EUR 750.0 million (in 2020, EUR 636.6 million) and an operating result of EUR 75.0 (57.1) million for the period. Result before taxes was EUR 73.2 (39.6) million. Earnings per share were EUR 1.97 (EUR 1.15).

Net sales

Consolidated net sales for the period under review amounted to EUR 750.0 (636.6) million, which is 17.8 per cent more than in the comparison period. International business operations accounted for 80.4 (79.6) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 33.3 (39.6) per cent, Central and Southern Europe 18.2 (23.6) per cent, Russia and Asia 22.2 (14.6) per cent, North and South America 25.9 (21.7) per cent and other countries 0.4 (0.5) per cent.

Profit performance

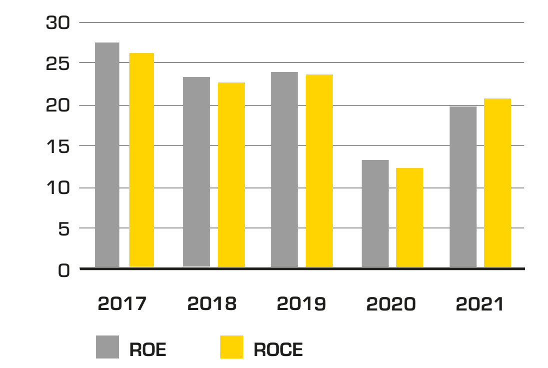
The operating result amounted to EUR 75.0 (57.1) million. The operating result equalled 10.0 (9.0) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 20.7 (12.4) per cent.

Staff costs for the period totalled EUR 102.8 (85.7) million. Other operating expenses stood at EUR 63.6 (47.8) million. The net total of financial income and expenses amounted to EUR -1.8 (-17.7) million. Exchange rate gains and losses with a net effect of EUR -1.0 (-15.2) million were recognised under financial items for the period.

The parent company's receivables from subsidiaries stood at EUR 37.3 (42.2) million net. Their reduction and the moderate change in exchange rates have resulted in a significantly reduced impact on financial items for the period under review. The unrealised exchange rate losses for the comparison period mainly consist of the assessment of inter-company accounts payable for Ponsse Latin America Ltda and OOO Ponsse.

Result for the period under review totalled EUR 55.1 (32.3) million. Diluted and undiluted earnings per share (EPS) came to EUR 1.97 (1.15).

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



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 512.6 (474.0) million. Inventories stood at EUR 167.4 (142.1) million. Trade receivables totalled EUR 43.5 (35.4) million, while cash and cash equivalents stood at EUR 120.9 (123.6) million. Group shareholders' equity stood at EUR 297.3 (255.0) million and parent company shareholders' equity (FAS) at EUR 226.8 (197.3) million. The amount of interest-bearing liabilities was EUR 54.8 (114.5) million. The company has ensured its liquidity by credit facility limits and commercial paper programs, which are not used at the end of the period under review. Group's loans from financial institutions are non-collaretal bank loans without financial covenants. Consolidated net liabilities totalled EUR -66.1 (-9.1) million, and the debt-equity ratio (net gearing) was -22.2 (-3.6) per cent. The equity ratio stood at 60.7 (54.3) per cent at the end of the period under review.

Cash flow from operating activities amounted to EUR 102.4 (74.8) million. Cash flow from investment activities came to EUR -24.1 (-20.0) million.

Impact of the COVID-19 pandemic

The company has recovered from the impacts of covid-19 pandemic on the demand for products faster than expected. However, the covid-19 pandemic has caused changes in the company's operating environment. The company's management is actively monitoring the development of the pandemic. The covid-19 pandemic has had a major impact on the availability of components.

Covid-19 pandemic restrictions have been felt by company operations across the world. Decisions have been made to ensure the health and safety of the company's customers and all Ponsse employees. The company's white-collar employees have mainly been teleworking, while manufacturing units and the sales and service business network are operating as normal.

In terms of financing, the company has carried out all measures necessary to ensure business continuity. The company has analysed credit risks related to trade receivables and credit loss provisions and concluded that there are sufficient provisions at the end of the period under review. The company has not had any signs of decreases in goodwill or the value of activated development costs.

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 1,019.6 (581.7) million, while period-end order books were valued at EUR 439.8 (174.9) 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 OOO Ponsse wholly-owned property company Ponsse Centre in Russia and Sunit Oy in Finland, which is Ponsse Plc's associate with a holding of 34 per cent.

R&D and capital expenditure

Group's R&D expenses during the period under review totalled EUR 23.8 (21.3) million, of which EUR 9.2 (9.2) million was capitalised.

Capital expenditure totalled EUR 24.9 (20.3) million. It consisted in addition to capitalised R&D expenses of investments in buildings and ordinary maintenance and replacement investments for machinery and equipment.

Annual general meeting

Annual General Meeting was held in Vieremä, Finland 7 April 2021. 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 2020 financial period.

The AGM decided to pay a dividend of EUR 0.60 per share for 2020 (dividends totaling EUR 16,800,000). The dividend payment record date was 9 April 2021, and the dividends were paid on 16 April 2021.

Annual General Meeting authorised the Board of Directors to decide on the acquisition of treasury shares so that a maximum of 250,000 shares can be acquired in one or several instalments. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes. The shares will be acquired 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 to support the company's growth strategy and for use in the company's potential corporate 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 2022. 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 2022. 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 (directed 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 2022.

Board of Directors and the company's auditors

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

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

The Board of Directors convened eleven times during the period under review. The attendance rate was 97.4 percent.

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

Management

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

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), Gary Glendinning (Hungary, Romania, Slovenia, Croatia and Serbia until 28 February 2021; United Kingdom and Ireland), Antti Räsänen (Hungary, Italy, Romania, Slovenia, Croatia, Serbia and Bulgaria starting 1 March 2021) and Tarmo Saks (Poland, Czech Republic and Slovakia),

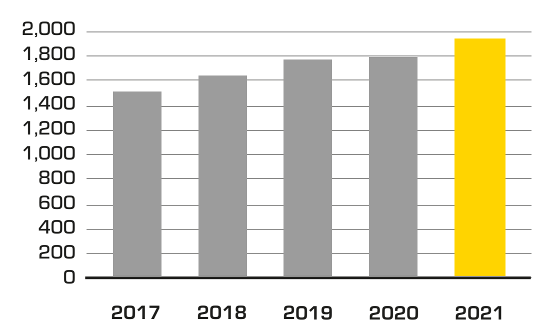
Russia and Asia: Jaakko Laurila (Russia and Belarus), Janne Tarvainen (Australia and South Africa) and Risto Kääriäinen (China and Japan),

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 1,954 (1,782) during the period and employed 2,072 (1,845) people at period-end.

AVERAGE NUMBER OR EMPLOYEES



Share performance

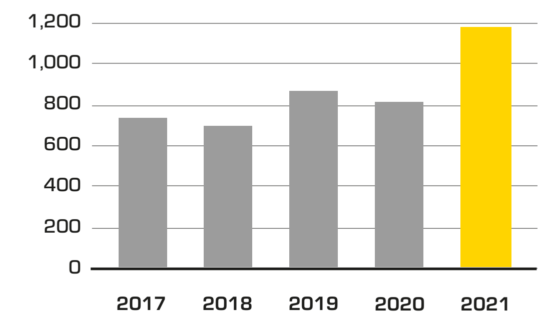
The company's registered share capital consists of 28,000,000 shares. The trading volume of Ponsse Plc shares for 1 January – 31 December 2021 totalled 1,351,899, accounting for 4.8 per cent of the total number of shares. Share turnover amounted to EUR 54.4 million, with the period's lowest and highest share prices amounting to EUR 29.15 and EUR 48.8, respectively.

At the end of the period, shares closed at EUR 42.20, and market capitalisation totalled EUR 1,181.6 million.

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

MARKET CAPITALISATION

(MEUR)



Quality, environment and occupational health and safety

Certified management systems

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

Our management systems were audited by LRQA in 2021, and we also carried out a statutory compliance audit of our production. Internal audits mandated by our operating processes were carried out in the group according to the normal audit programme. Due to the covid-19 pandemic, only select critical audits were performed in our supplier network.

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

Sustainable development

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

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

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

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

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

Governance

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

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

Non-financial information reporting

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 unexpectedly swift recovery of the world economy and rapid growth in demand have resulted in availability problems in certain component groups. The quick economic fluctuation may affect availability, but also cause rapid inflation in the component market. The uncertainty may also 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 geopolitical risk materialized in Russia at the end of February 2022, which has caused challenges in the financial markets and imposed sanctions affecting the business. The effects on the Group's operations to date have been described in more detail in the events after the period.

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

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 partly mitigated through derivative contracts.

Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates

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

Trade receivables

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

Inventories

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

Change in guarantee provision

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

Capitalisation of R&D expenditure

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

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

Because the Group uses cloud computing arrangements, it has analysed the impact on the accounting principles applied to the deployment costs of cloud services. Based on this analysis, it was concluded that the IFRIC agenda decision has an impact on the earlier accounting treatment related to costs in cloud computing arrangements. As a result of the analysis, Group has expensed cloud computing related costs which clearly do not give rise to an intangible asset. This recognition has an EUR 0.2 million impact on the fourth quarter result. The analysis will be continued during 2022 for items under consideration recorded in advance payments (EUR 0.4 million) in order to confirm the final accounting treatment.

Events after the period

Ponsse Group will be independently responsible for its sales, spare parts and maintenance services in the Czech Republic. On 4 February 2022, Ponsse signed a deed of sale, in which it agrees to purchase all shares in KŘENEK FOREST SERVICE s.r.o, its PONSSE forest machine and service dealer in the Czech Republic. The aim is that PONSSE services in the Czech Republic will transfer to Ponsse Group by 1 April 2022. The company will operate as a subsidiary wholly owned by Ponsse.

Ponsse Plc has decided on 2 March 2022 to discontinue temporarily all export operations to Russia and Belarus for both PONSSE forest machines and their spare parts. Also the Ponsse Group's Russian subsidiary OOO Ponsse is discontinues temporarily its local spare parts and service operations. Sales in Russia and Belarus account for about 20 percent of the company's net sales calculated from the 2021 financial statements.

At the same time, Ponsse Plc withdrew its profit guidance for the current year. The new profit quidance is linked to the uncertainties caused by Russia's invasion of Ukraine and EU sanctions. The company announced that it will not provide new guidance for the current year. In accordance with the previous profit quidance, Group´s euro-denominated operating result in 2022 is estimated to be on a par with 2021.

In this challenging situation, Ponsse also strives to take care of the OOO Ponsse's personnel.

Ponsse Plc’s Board of Directors has decided to amend its dividend proposal included in the financial statement release published on 22 February 2022 for the Annual General Meeting to be held on 7 April 2022. This amendment is related to Russia’s attack on Ukraine and the impacts of this on the company’s operations and finances.

The Board’s new dividend proposal:

“The company’s Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2021. The Board will also propose that the Annual General Meeting will authorise the Board to decide on paying a dividend of at most EUR 0.25 per share at a later date.”

The previous dividend proposal published on 22 February 2022 was as follows:

“The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.85 per share be paid for 2021.”

Outlook for the future

The Group has decided to withdraw its profit guidance for the current year. A stock exchange release was released on the matter on 2 March 2022.

Sustainable solutions to address the availability of parts and components, as well as increasing costs, are being sought in cooperation with the supplier network. High rate of infections caused by the covid-19 pandemic can cause significant challenges to supplier network and Ponsse factory operations.

The company will continue its enhanced cost control and careful investment execution.

Proposal for the disposal of profit

No such material changes have taken place in the company's financial standing after the end of the financial year that would affect the proposal for dividend distribution. 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 185,322,440.64, of which the net profit for the period amounted to EUR 46,292,198.39.

The company’s Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2021. The Board will also propose that the Annual General Meeting will authorise the Board to decide on paying a dividend of at most EUR 0.25 per share at a later date. The dividend distribution totals to at most EUR 23,800,000.00.

If the maximum dividend is distributed, EUR 161,522,440.60 will remain in the parent company’s non-restricted equity.

Vieremä, 15 March 2022

Ponsse Plc
Board of Directors

Financial indicators

	IFRS 2021	IFRS 2020	IFRS 2019
Extent of operations			
Net sales, (1,000 EUR)	749,998	636,627	667,402
Change, %	17.8	-4.6	9
R&D expenditure, total (1,000 EUR)	23,786	21,298	19,282
of which capitalised (1,000 EUR)	9,196	9,214	7,656
as % of net sales	3.2	3.3	2.9
Gross capital expenditure (1,000 EUR)	24,854	20,268	28,567
as % of net sales	3.3	3.2	4.3
Average number of employees	1,954	1,782	1,761
Net sales/employee (1,000 EUR)	384	357	379
Order stock, EUR million	439.8	174.9	256.8
Profitability			
Operating result (1,000 EUR)	75,021	57,146	67,301
as % of net sales	10.0	9.0	10.1
Result before taxes, (1,000 EUR)	73,204	39,561	66,574
as % of net sales	9.8	6.2	10
Result for the period (1,000 EUR)	55,073	32,284	52,010
as % of net sales	7.3	5.1	7.8
Return on equity, % (ROE)	19.9	13.3	24.1
Return on capital employed, % (ROCE)	20.7	12.4	23.5
Financing and financial position			
Current ratio	2.2	1.9	1.9
Equity ratio, %	60.7	54.3	54.8
Net gearing, %	-22.2	-3.6	14.2
Interest-bearing liabilities (1,000 EUR)	54,796	114,525	81,682
Non-interest-bearing liabilities (1,000 EUR)	160,559	104,401	113,000

The Group has applied ESMA's (the European Securities and Markets Authority) new Guidelines on Alternative Performance Measures, which entered into effect on 3 July 2016.

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

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

The alternative performance measures have not been audited.

Per-share data[1]

	IFRS 2021	IFRS 2020	IFRS 2019
Earnings per share (EPS), EUR	1.97	1.15	1.86
Equity per share, EUR	10.62	9.11	8.29
Nominal dividend per share, EUR	0.85[1]	0.60	0.30
Dividend per share adjusted for share issues EUR	0.85[1]	0.60	0.30
Dividend per earnings, %	43.2[1]	52.0	16.2
Effective dividend yield, %	2.0[1]	2.1	1.0
Price/earnings ratio (P/E)	21.5	25.3	16.7
Share performance			
Lowest trading price	29.15	19.36	24.80
Highest trading price	48.80	33.00	31.95
Closing price	42.20	29.20	31.00
Average price	40.31	25.23	28.48
Market capitalisation, EUR million	1,181.6	817.6	868.0
Dividends paid, EUR million	23.8[1]	16.8	8.4
Shares traded	1,351,899	2,920,250	1,774,066
Shares traded, %	4.8	10.4	6.3
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

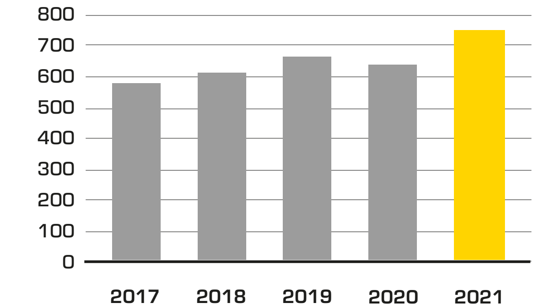
[1]The company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2021. The Board will also propose that the Annual General Meeting will authorise the Board to decide on paying a dividend of at most EUR 0.25 per share at a later date.

Formulae for financial indicators

Indicator		Numerator	Denominator	
Return on equity,% (ROE)	=	Net result for the period	Shareholders' equity + minority interest (average during the year)	x 100
Return on capital employed, % (ROCE)	=	Result before taxes + financial expenses	Shareholders' equity + interest–bearing financial liabilities (average during the year)	x 100
Equity ratio, %	=	Shareholders' equity + minority interest	Balance sheet total – advance payments received	x 100
Net gearing, %	=	Interest-bearing financial liabilities – cash and cash equivalents	Shareholders' equity	x 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)	=	Net result for the period – minority interest	Average number of shares during the accounting period, adjusted for share issues	
Equity per share	=	Shareholders' equity	Number of shares at closing of the accounts, adjusted for share issues	
Dividend per share, adjusted for share issues	=	Dividend per share	Adjustment factors for share issues afer financial period	
Dividend per earnings, %	=	Dividend per share	Earnings per share	x 100
Effective dividend yield, %	=	Dividend per share, adjusted for share issues	Last trading price for the period, adjusted for share issues	x 100
Price/earnings ratio (P/E)	=	Last trading price for the period, adjusted for share issues	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, %	=	Shares traded during the financial period	Average number of shares during the period	x 100

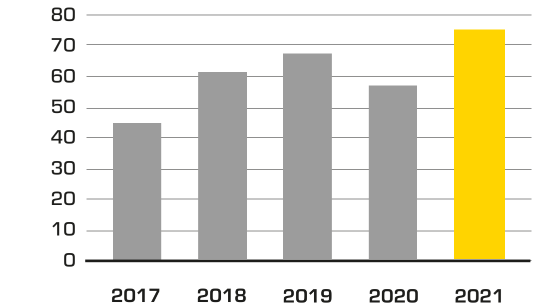
NET SALES

(MEUR)



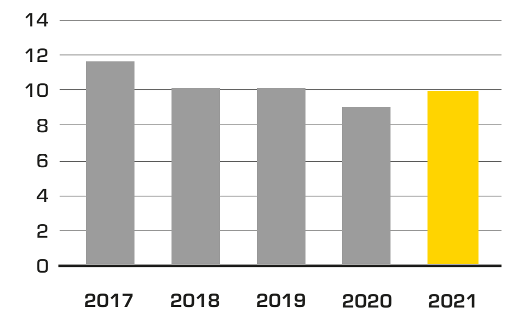
OPERATING RESULT

(MEUR)



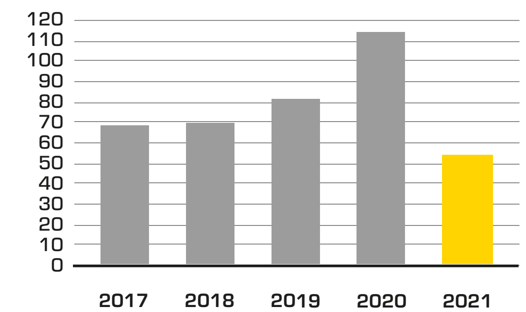
OPERATING RESULT OF NET SALES

(%)



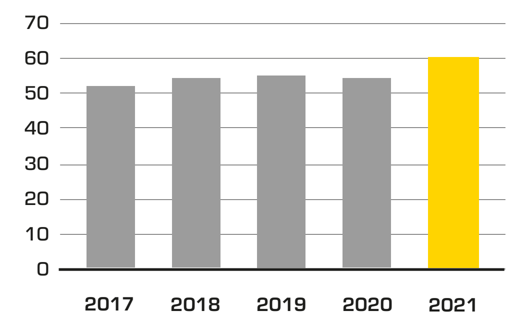
INTEREST-BEARING LIABILITIES

(MEUR)



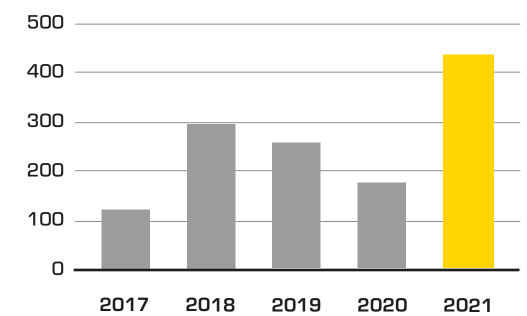
EQUITY RATIO

(%)



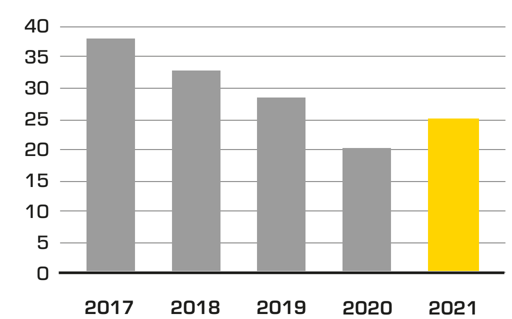
ORDER BOOKS

(MEUR)



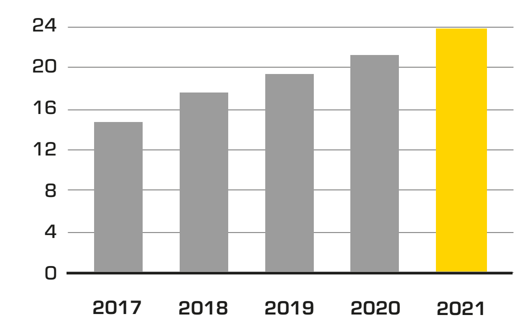
GROSS CAPITAL EXPENDITURE

(MEUR)



R&D EXPENDITURE

(MEUR)



Consolidated statement of comprehensive income

(1,000 EUR)	Note[1]	2021	2020
Net sales	2	**749,998**	**636,627**
Other operating income	2.3	3,573	3,521
Change in inventories of finished goods and work in progress		12,502	-6,424
Raw materials and services		-499,351	-418,400
Expenditure on employment-related benefits	3.1, 3.2	-102,835	-85,726
Depreciation and amortisation	4.3	-25,251	-24,631
Other operating expenses	2.4	-63,615	-47,821
Operating result		**75,021**	**57,146**
Financial income and expenses	5.2	-1,836	-17,671
Share of results of associated companies		19	86
Result before taxes		**73,204**	**39,561**
Income taxes	6.1	-18,131	-7,277
Net result for the period		**55,073**	**32,284**
Other items included in total comprehensive result:			
Translation differences related to foreign units		3,916	-968
Total comprehensive income for the financial period		**58,989**	**31,316**
Earnings per share calculated from the result belonging to parent company shareholders:			
undiluted earnings per share (EUR), result for the period	2.5	1.97	1.15
earnings per share (EUR) adjusted for dilution, result for the period	2.5	1.97	1.15

[1]The note refers to the Notes to the Accounts on pages 74–101.

Consolidated statement of financial position

(1,000 EUR)	Note[1]	2021	2020
ASSETS			
Non-current assets			
Tangible assets	4.1	112,127	112,183
Goodwill	4.2	3,801	3,808
Intangible assets	4.2	42,087	36,709
Other financial assets	5.3, 5.7	373	371
Investments in associated companies	7.2	785	832
Receivables	4.6	173	839
Deferred tax assets	6.2	3,360	3,076
Total non-current assets		**162,706**	**157,818**
Current assets			
Inventories	4.5	167,414	142,137
Trade receivables and other receivables	4.6, 5.7	60,664	48,549
Income tax receivables		938	1,849
Cash and cash equivalents	5.4, 5.7	120,900	123,611
Total current assets		**349,916**	**316,146**
TOTAL ASSETS		**512,622**	**473,964**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	5.1		
Share capital		7,000	7,000
Treasury shares		-2	-2
Translation differences		8,347	4,431
Other reserves		3,460	3,460
Retained earnings		278,462	240,149
Equity owned by parent company shareholders		**297,267**	**255,038**
Non-current liabilities			
Deferred tax liabilities	6.2	967	1,137
Interest-bearing liabilities	5.5, 5.7	49,851	50,470
Other liabilities	5.7	87	41
Total non-current liabilities		**50,905**	**51,648**
Current liabilities			
Interest-bearing liabilities	5.5, 5.7	4,945	64,055
Trade creditors and other liabilities	4.7	154,054	96,932
Income tax liabilities		901	1,312
Provisions	4.8	4,550	4,979
Total current liabilities		**164,450**	**167,278**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**512,622**	**473,964**

[1]The note refers to the Notes to the Accounts on pages 74–101.

Consolidated statement of cash flows

(1,000 EUR)	Note[1]	2021	2020
Cash flows from operating activities:			
Net result for the period		55,073	32,284
Adjustments:			
Financial income and expenses	5.2	1,836	17,671
Share of the result of associated companies		-19	-86
Depreciation and amortisation	4.3	25,251	24,631
Income taxes	6.1	18,131	7,277
Other adjustments		-1,016	1,749
Cash flow before changes in working capital		99,256	83,526
Change in working capital:			
Change in trade receivables and other receivables		-12,835	9,454
Change in inventories		-22,371	1,965
Change in trade creditors and other liabilities		57,525	-7,570
Change in provisions for liabilities and charges		-429	1,529
Interest received		190	97
Interest paid		-1,062	-1,068
Other financial items		279	-3,100
Income taxes paid		-18,126	-10,043
Net cash flows from operating activities (A)		**102,429**	**74,790**
Cash flows used in investing activities:			
Investments in tangible and intangible assets		-24,856	-20,270
Proceeds from sale of tangible and intangible assets		776	254
Net cash flows used in investing activities (B)		**-24,080**	**-20,016**
Cash flows from financing activities:			
Withdrawal/repayment of current loans		-61,031	28,680
Withdrawal/repayment of finance lease liabilities		-3,113	-1,268
Dividends paid	5.1	-16,800	-8,400
Net cash flows from financing activities(C)		**-80,943**	**19,012**
Change in cash and cash equivalents (A+B+C)		**-2,594**	**73,786**
Cash and cash equivalents 1 Jan		123,611	48,704
Impact of changes in exchange rates		-116	1,121
Cash and cash equivalents 31 Dec	5.4	120,900	123,611

[1]The note refers to the Notes to the Accounts on pages 74–101.

The company has made a retrospective change in comparison period between items Other adjustments, Income taxes paid and Change in trade creditors and other liabilities. The change had no effect on Net cash flows from operating activities (A).

Consolidated statement of changes in equity

(1,000 EUR)	Equity owned by parent company shareholders						
	Note[1]	Share capital	Share premium account and other reserves	Translation differences	Treasury shares	Retained earnings	Shareholders' equity total
Shareholders' equity, 1 Jan 2021		**7,000**	**3,460**	**4,431**	**-2**	**240,149**	**255,038**
Translation differences		0	0	3,916	0	0	3,916
Result for the period		0	0	0	0	55,073	55,073
Total comprehensive income for the period		**0**	**0**	**3,916**	**0**	**55,073**	**58,989**
Direct entries to retained earnings		0	0	0	0	7	7
Share Plan		0	0	0	0	33	33
Dividend distribution	5.1	0	0	0	0	-16,800	-16,800
Shareholders' equity, 31 Dec 2021		**7,000**	**3,460**	**8,347**	**-2**	**278,462**	**297,267**
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	5.1	0	0	0	0	-8,400	-8,400
Shareholders' equity, 31 Dec 2020		**7,000**	**3,460**	**4,431**	**-2**	**240,149**	**255,038**

[1]The note refers to the Notes to the Accounts on pages 74–101.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting principles

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, Ponssé S.A.S. in France, Ponsse UK Ltd. in Great Britain, Ponsse Machines Ltd. in Ireland, Ponsse North America Inc. in the United States, Ponsse Latin America in Brazil, OOO Ponsse in Russia, Ponsse Asia-Pacific Ltd in Hong Kong, Ponsse China Ltd in China, Ponsse Uruguay S.A. in Uruguay and Epec Oy in Finland. The Group includes also the OOO Ponsse wholly-owned property company Ponsse Centre in Russia and Sunit Oy in Finland, 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 Ponssentie 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 Ponssentie 22, 74200 Vieremä.

Ponsse Plc's Board of Directors approved the disclosure of these financial statements at its meeting on 21 February 2022. 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 2021. 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 2020 apart from the following new standards, interpretations and amendments to existing standards valid as of 1 January 2021.

The Group has adopted following standards and standard amendments in the beginning of year 2021.

– Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 *Leases* (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021)

The amendments allow the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the covid-19 pandemic and only if certain conditions are met.

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

– Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2021)

Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

Foreign currency translation

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

Transactions denominated in a foreign currency

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

Conversion of the financial statements of foreign Group companies

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

Operating 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.

THE MOST IMPORTANT EXCHANGE RATES

	Closing exchange rate 31 Dec 2021	Average exchange rate 2021	Closing exchange rate 31 Dec 2020	Average exchange rate 2020
SEK	10.25030	10.14685	10.03430	10.47885
NOK	9.98880	10.18743	10.47030	10.71148
GBP	0.84028	0.86153	0.89903	0.88638
USD	1.13260	1.18506	1.22710	1.14518
BRL	6.31010	6.37819	6.37350	5.88470
RUB	85.30040	87.64787	91.46710	83.12714
CNY	7.19470	7.63882	8.02250	7.89157

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.

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.

– Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (effective for financial years beginning on or after 1 January 2022)

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

– Annual Improvements to IFRS Standards 2018–2020 (effective for financial years beginning on or after 1 January 2022)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent. A subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- IFRS 16 *Leases* – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.

– Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 *Property, Plant and Equipment* (effective for financial years beginning on or after 1 January 2022)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items. The amendment is applied retrospectively. The amendment has no impact on previously reported figures.

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

The amendment updates a reference in IFRS 3 and made further amendments to avoid unintended consequences of updating the reference.

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

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

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

The amendments clarify the application of materiality to disclosure of accounting policies to help companies provide useful accounting policy disclosures.

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

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

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

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

As in the most cases the deferred tax assets and liabilities arising from recognition of leases can be offset with each other, the amendment has not material effect on the Group's consolidated statement of financial position. The amendment will, however, change the disclosure information in the consolidated financial statements related to the deferred taxes.

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

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

Other new or amended standards, improvements or annual improvements applicable from January 1, 2022 or later are not material for the Group's consolidated financial statements.

2. Profitability

2.1 Operating segments and revenue from contracts with customers

ACCOUNTING PRINCIPLES

Segment reporting

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

Revenue recognition

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

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 2021

(1,000 EUR)	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Total
Net sales of the segments	479,306	140,391	168,408	213,970	1,002,075
Revenues between segments	-229,725	-3,918	-1,655	-19,787	-255,085
Unallocated sales					3,008
Net sales from external customers	**249,580**	**136,473**	**166,753**	**194,184**	**749,998**
Operating result of the segment	3,294	17,730	28,563	26,915	76,502
Unallocated items					-1,481
Operating result	**3,294**	**17,730**	**28,563**	**26,915**	**75,021**
Depreciation and amortisation	**21,165**	**736**	**1,278**	**2,072**	**25,251**

OPERATING SEGMENTS 2020

(1,000 EUR)	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Total
Net sales of the segments	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**

2.2 Net sales

RECONCILIATIONS

(1,000 EUR)	2021	2020
Net sales		
Net sales of the reporting segments	1,002,075	796,900
Income from all other segments	3,008	3,392
Elimination of income between segments	-255,085	-163,665
Group's net sales, total	**749,998**	**636,627**
Operating result		
Result of the reporting segments	76,502	69,219
Result of all other segments	387	320
Items not allocated to any segment	-1,868	-12,393
Group's operating result, total	**75,021**	**57,146**

NET SALES BY INTERNATIONAL BUSINESS OPERATIONS

%	2021	2020
Export share of net sales	80.4	79.6

NET SALES BY CONTRACT TYPE

(1,000 EUR)	2021	2020
Machine sales	569,771	495,157
Service	159,596	125,895
Information systems	20,631	15,575
Total	**749,998**	**636,627**

2.3 Other operating income

ACCOUNTING PRINCIPLES

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.

Rental income

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

OTHER OPERATING INCOME

(1,000 EUR)	2021	2020
Rental income	372	439
Sales profits on tangible assets	776	254
Public subsidies	958	1,659
Recycling income	544	204
Other	924	966
Total	**3,573**	**3,521**

Year 2020 public subsidies include periodic covid-19 aids from different states amounting to EUR 1.4 million.

2.4 Other operating expenses

OTHER OPERATING EXPENSES

(1,000 EUR)	2021	2020
Voluntary employee expenses	5,114	3,769
Travel expenses	2,601	2,045
Operating and maintenance expenses	9,901	7,957
Shipping and handling expenses	13,749	9,792
Rent expenses	1,694	1,460
Marketing and representation expenses	3,592	4,533
Administrative expenses	15,345	11,012
R&D expenditure	4,302	1,858
Other expense items	7,318	5,396
Total	**63,615**	**47,822**

AUDITOR'S REMUNERATIONS

(1,000 EUR)	2021	2020
KPMG		
Auditor's remunerations	205	196
Certificates and statements	7	1
Tax advice	9	26
Other remunerations	58	50
	279	**273**

Above-mentioned other remunerations than auditor's remunerations paid to KPMG Oy AB amounted to EUR 67 thousand (EUR 76 thousand in 2020).

Other organisations		
Auditor's remunerations	39	40
Certificates and statements	4	2
Tax advice	15	11
Other remunerations	24	38
	82	**91**
Total	**361**	**364**

2.5 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.

(1,000 EUR)	2021	2020
Result for the financial period belonging to parent company shareholders	55,073	32,284
Weighted average number of shares during the financial period (1,000 pcs)	28,000	28,000
Undiluted earnings per share (EUR/share)	1.97	1.15

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

3. Remuneration

3.1 Expenditure on employment-related benefits

ACCOUNTING PRINCIPLES

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.

EXPENDITURE ON EMPLOYMENT-RELATED BENEFITS

(1,000 EUR)	2021	2020
Wages and salaries	82,487	69,529
Pension expenditure – defined contribution plans	11,543	8,346
Share plan	989	1,229
Other social security costs	7,816	6,621
Total	**102,835**	**85,726**

AVERAGE NUMBER OF STAFF DURING THE FINANCIAL PERIOD

(1,000 EUR)	2021	2020
Employees	1,201	1,061
Clerical workers	753	721
Total	**1,954**	**1,782**

3.2 Management's employment-related benefits

(1,000 EUR)	2021	2020
Salaries and other short-term employment-related benefits	3,946	4,117
Benefits paid upon termination of employment	0	0
Pension liabilities, statutory and voluntary pension security	1,139	1,239
Total	**5,085**	**5,356**

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

(1,000 EUR)	2021	2020
President and CEO		
Salaries and other short-term employment-related benefits	722	996
Pension liabilities, statutory and voluntary pension security	387	438
Total	**1,108**	**1,434**
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	48	28
Vidgrén Juha	38	39
Vidgrén Jukka	38	38
Total	**283**	**264**

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

3.3 Share-based payment plans

ACCOUNTING PRINCIPLES

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

During the financial period, ended the incentive scheme launched in 2018 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 was not allowed to transfer 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 was 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 989 thousand (EUR 1,229 thousand in 2020) was recognised as an expense of the share-based bonus scheme.

During the financial period, the Board of Directors of Ponsse Plc has approved three new Ponsse Group's share-based incentive plans:

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

The aim of the new plans is to align the objectives of the shareholders and plan participants for increasing the value of the company in the long-term, to retain the participants at the company and to offer them competitive reward schemes that are based on earning and accumulating the company's shares.

The company announced the new share plans on a stock exchange release 17 February 2021.

The CEO's and key employee performance based matching share plan have not been implemented during the financial period.

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

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

During the financial period, EUR 76 thousand was recognised as an expense of the restricted share plan.

3.4 Pension liabilities

The Group did not have any pension obligations.

4. Capital employed

4.1 Tangible assets

ACCOUNTING PRINCIPLES

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

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

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

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

Buildings	20 years
Machinery and equipment	5–10 years

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

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

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

Lease contracts

Group as lessee

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

TANGIBLE ASSETS

(1,000 EUR)	Land and water	Buildings	Machinery and equipment	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2021	3,601	107,064	108,699	3,068	222,433
Increase	26	5,829	13,042	6,999	25,896
Decrease	-5	-97	-2,217	-8,328	-10,648
Exchange rate difference	119	1,019	819	118	2,076
Acquisition cost 31 Dec 2021	3,741	113,816	120,343	1,857	239,757
Accumulated depreciation and impairment 1 Jan 2021	0	-40,290	-69,961	0	-110,251
Depreciation and amortisation	0	-6,962	-10,411	0	-17,373
Accumulated depreciation on decrease and transfers	0	0	831	0	831
Exchange rate difference	0	-242	-597	0	-838
Accumulated depreciation and impairment 31 Dec 2021	0	-47,493	-80,138	0	-127,631
Book value 1 Jan 2021	3,601	66,774	38,738	3,068	112,181
Book value 31 Dec 2021	**3,741**	**66,323**	**40,205**	**1,857**	**112,127**
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**

RIGHT-OF-USE ASSETS, BALANCE SHEET VALUES

(1,000 EUR)	Buildings	Machinery and equipment	Total
Book value 1 Jan 2021	9,301	1,864	11,165
Increase	451	3,862	4,312
Depreciation and amortisation	-2,068	-1,190	-3,258
Exchange rate difference	13	44	56
Book value 31 Dec 2021	7,696	4,579	12,275
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

LEASE LIABILITIES, BALANCE SHEET VALUES

(1,000 EUR)	2021	2020
Book value 1 Jan	11,104	6,787
Exchange rate difference	206	52
Increase	4,312	6,965
Interest expense	247	201
Lease payments	-3,505	-2,901
Decrease	0	0
Book value 31 Dec	12,364	11,104
Non-current lease liabilities	9,018	8,360
Current lease liabilities	3,346	2,743
Total	**12,364**	**11,104**

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

AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS

(1,000 EUR)	2021	2020
Depreciation charge of right-of-use assets	3,258	2,700
Interest expense	247	201
Expense relating to leases of low–value assets or short-term leases	1,151	1,028
Expense relating to variable lease payments not included in lease liabilities	543	433
Total	**5,199**	**4,361**

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

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 2021 was 1.0%.

4.2 Intangible assets

ACCOUNTING PRINCIPLES

Other intangible assets

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

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

The amortisation periods for intangible assets are the following:

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

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

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

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

R&D expenditure

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

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

Goodwill

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

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

KEY ESTIMATES AND JUDGEMENTS

Accounting of configuration or customisation costs in a cloud computing arrangement

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

Because the Group uses cloud computing arrangements, it has analysed the impact on the accounting principles applied to the deployment costs of cloud services. Based on this analysis, it was concluded that the IFRIC agenda decision has an impact on the earlier accounting treatment related to costs in cloud computing arrangements. As a result of the analysis, Group has expensed cloud computing related costs which clearly do not give rise to an intangible asset. This recognition has an EUR 0.2 million impact on the fourth quarter result. The analysis will be continued during 2022 for items under consideration recorded in advance payments (EUR 0.4 million) in order to confirm the final accounting treatment.

Impairment testing

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

INTANGIBLE ASSETS

(1,000 EUR)	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2021	40,381	2,253	3,416	14,294	16,200	76,544
Increase	15,706	650	235	2,151	14,335	33,077
Transfers between items	0	1	0	124	0	125
Decrease	0	0	0	-394	-19,749	-20,143
Acquisition cost 31 Dec 2021	56,087	2,904	3,651	16,175	10,786	89,603
Accumulated depreciation and impairment 1 Jan 2021	-27,266	-1,463	-2,813	-8,291	0	-39,834
Depreciation and amortisation	-5,388	-351	-247	-1,892	0	-7,879
Accumulated depreciation on decrease and transfers	0	0	0	199	0	199
Exchange rate difference	0	0	0	-2	0	-2
Accumulated depreciation and impairment 31 Dec 2021	-32,655	-1,814	-3,060	-9,987	0	-47,516
Book value 1 Jan 2021	13,114	790	604	6,002	16,200	36,710
Book value 31 Dec 2021	**23,432**	**1,090**	**592**	**6,188**	**10,786**	**42,087**
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**

Intangible rights include computer software licence fees, among others. Other intangible assets include fees for computer software tailored for the Group, among others. Prepayments and unfinished acquisitions include R&D expenditure, patent application expenses and computer software acquisition costs.

ALLOCATION OF GOODWILL

(1,000 EUR)	2021	2020
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	361	369
Total	**3,801**	**3,809**

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 2024 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.

R&D EXPENDITURE

(1,000 EUR)	2021	2020
R&D expenditure recorded as a cost item in the consolidated statement of comprehensive income	19,960	17,831

4.3 Depreciation, amortisation and impairment

ACCOUNTING PRINCIPLES

Impairments to tangible and intangible assets

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

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

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

KEY ESTIMATES AND JUDGEMENTS

Capitalisation of R&D expenditure

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

DEPRECIATION, AMORTISATION AND IMPAIRMENT

(1,000 EUR)	2021	2020
Intangible assets		
Capitalised development expenditure	5,388	5,734
Patents	351	329
Intangible rights	247	267
Other intangible assets	1,892	1,448
Total	**7,878**	**7,779**
Tangible assets		
Buildings	6,962	6,577
Machinery and equipment	10,411	10,274
Total	**17,373**	**16,852**
Total	**25,251**	**24,631**

4.5 Inventories

ACCOUNTING PRINCIPLES

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

KEY ESTIMATES AND JUDGEMENTS

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

INVENTORIES

(1,000 EUR)	2021	2020
Raw materials and consumables	102,408	83,799
Work in progress	20,984	7,919
Finished products/goods	15,212	16,247
Other inventories	28,810	34,171
Total	**167,414**	**142,137**

EUR 3.2 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 4.4 million in 2020).

4.6 Trade receivables and other receivables

KEY ESTIMATES AND JUDGEMENTS

Trade receivables

On the date of the financial statements, the Group recognises a credit loss on receivables for which no payment will probably be received according to its best judgement.

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

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

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

RECEIVABLES (NON-CURRENT)

(1,000 EUR)	2021	2020
Trade receivables	0	0
Loan receivables	0	7
Other receivables	0	749
Accrued income	73	82
Total	**73**	**839**

Receivables do not have any significant credit risk concentrations.

TRADE RECEIVABLES AND OTHER RECEIVABLES (CURRENT)

(1,000 EUR)	2021	2020
Trade receivables	43,394	35,384
Accrued income	4,346	2,835
Other receivables	12,830	9,711
Derivative contracts held for trading	94	619
Total	**60,664**	**48,549**

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

TRADE RECEIVABLES BY AGE AND ITEMS RECOGNISED AS A CREDIT LOSS

(1,000 EUR)	Non-matured	Matured less than 30 days	Matured 30–90	Matured 91–180 days	Matured 181–360 days	Matured more than 360 days	Total
2021							
Gross book value of trade receivables	34,028	6,426	2,258	599	157	493	43,964
Deductible item concerning expected loss					-76	-493	-569
Net book value of trade receivables	34,028	6,426	2,258	599	81	0	43,394
2020							
Gross book value of trade receivables	26,547	6,276	1,888	452	499	617	36,279
Deductible item concerning expected loss				-28	-249	-617	-895
Net book value of trade receivables	26,547	6,276	1,888	423	249	0	35,384

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

(1,000 EUR)	2021	2020
Change in the deduction for the expected loss associated with trade receivables	-325	-381
Final credit losses	193	365
Cancelled final credit losses	-44	-74
Total	**-176**	**-90**

4.7 Trade creditors and other liabilities

TRADE CREDITORS AND OTHER LIABILITIES

(1,000 EUR)	2021	2020
Trade creditors (other financial liabilities)	89,839	59,551
Advances received	22,937	4,549
Other liabilities	12,255	7,387
Accruals and deferred income		
Accrued staff expenses	21,917	16,982
Interest accruals	6	394
Liabilities based on sales contracts	4,386	4,575
Other accruals and deferred income	3,324	3,778
Derivative contracts held for trading	292	1,029
Total	**154,956**	**98,244**

4.8 Provisions

ACCOUNTING PRINCIPLES

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

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

KEY ESTIMATES AND JUDGEMENTS

Guarantee provision

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

PROVISIONS

(1,000 EUR)	Guarantee provision
31 Dec 2020	4,979
Increase	956
Decrease	-1,384
31 Dec 2021	**4,550**

5. Capital structure and financial risks

5.1 Shareholders' equity

ACCOUNTING PRINCIPLES

Share capital is presented as the nominal value of ordinary shares. Expenses associated with the issuance or purchase of equity instruments are presented as an equity reduction item.

The dividend distribution to shareholders proposed by the Board of Directors is recognised as a deduction of shareholders' equity in the period during which the general meeting of shareholders has approved the dividend.

Dividends

Dividend income is recognised once the dividend becomes vested.

Notes on shareholders' equity

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

	Number of shares	Share capital	Other reserves	Treasury shares
	(1,000 pcs)	(1,000 EUR)	(1,000 EUR)	(1,000 EUR)
31 Dec 2020	28,000	7,000	3,460	-2
Share-based incentive plan	0		0	0
31 Dec 2021	28,000	7,000	3,460	-2

The maximum number of shares is 48 million (48 million in 2020). 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 2020). The number of shares outstanding is 28 million (28 million in 2020). All issued shares have been paid in full.

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

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

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

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

Below are descriptions of the equity reserves:

Treasury shares

The company holds 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 2021, a dividend of EUR 0.60 was paid per share, for a total of EUR 16.8 million (in 2020, EUR 0.30 per share, for a total of EUR 8.4 million). The company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2021. The Board will also propose that the Annual General Meeting will authorise the Board to decide on paying a dividend of at most EUR 0.25 per share at a later date. The dividend distribution totals to at most EUR 23,8 million.

5.2 Financial income and expenses

FINANCIAL INCOME

(1,000 EUR)	2021	2020
Dividend income from financial assets available for sale	5	5
Interest income from loans and receivables	190	97
Exchange rate gains, realised	0	0
Exchange rate gains, unrealised	0	0
Change in the fair value of derivative instruments	0	168
Other financial income	447	197
Total	**643**	**466**

FINANCIAL EXPENSES

(1,000 EUR)	2021	2020
Interest expenses for financial loans	603	1,415
Exchange rate losses, realised	41	2,169
Exchange rate losses, accruals	759	13,239
Change in the fair value of derivative instruments	235	0
Other financial expenses	841	1,314
Total	**2,478**	**18,137**
Financial income and expenses in total	**-1,836**	**-17,671**

Accrued exchange rate losses in 2020 mainly consist of measuring the Group's internal trade receivables in company Ponsse Latin America Ltda.

5.3 Other financial assets

OTHER FINANCIAL ASSETS

(1,000 EUR)	Other shares and holdings
Acquisition cost 31 Dec 2020	371
Increase	2
Decrease	0
Acquisition cost 31 Dec 2021	**373**

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.

5.4 Cash and cash equivalents

CASH AND CASH EQUIVALENTS

(1,000 EUR)	2021	2020
Cash in hand and at banks	120,900	123,611
Total	**120,900**	**123,611**

5.5 Interest-bearing liabilities

ACCOUNTING PRINCIPLES

Interest-bearing liabilities

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

INTEREST-BEARING LIABILITIES

(1,000 EUR)	2021	2020
Non-current interest-bearing liabilities		
Loans from financial institutions	39,162	39,481
Other liabilities	1,671	2,629
Lease liabilities	9,018	8,360
Total	**49,851**	**50,470**
Current interest-bearing liabilities		
Loans from financial institutions	641	30,353
Other liabilities	958	30,958
Lease liabilities	3,346	2,743
Total	**4,945**	**64,055**

The fair values for commitments is presented in Note 8.1.

The fair values for liabilities is presented in Note 5.7.

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

EUR 15,726 thousand of all liabilities have a fixed interest rate (EUR 45,525 thousand in 2020). Other loans EUR 39,070 thousand (EUR 69,000 thousand in 2020) have a variable interest rate.

DUE DATES AND RECONCILIATION OF LEASE LIABILITIES

(1,000 EUR)	2021	2020
Lease liabilities – total amount of minimum rents		
Within less than twelve months	3,497	2,857
Within one to five years	8,458	7,579
After more than five years	683	1,136
Total	**12,638**	**11,571**
Lease liabilities – present value of minimum rents		
Within less than twelve months	3,346	2,743
Within one to five years	8,344	8,099
After more than five years	674	261
Total	**12,364**	**11,104**
Financial expenses to be accrued in the future	274	468
Total lease liabilities	**12,638**	**11,571**

5.6 Management of financing risks

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

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

Foreign exchange risks arise from commercial transactions, monetary balance sheet items and net investments in foreign subsidiaries. The equity of the Group subsidiaries is EUR 88.6 million (EUR 43.7 million in 2020), including a dividend of EUR 1.0 million (EUR 1.7 million in 2020) paid to the parent company.

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

The following table is a presentation of the strengthening or weakening of the euro against the United States dollar, the Swedish krona, the pound sterling, Brasilian real and Russian rouble, with all other factors remaining unchanged. The total net position of the aforementioned currencies is -4.8 million euros (-37.3 million euros in 2020).The change percentages reflect average volatility during the previous 12 months. The sensitivity analysis is based on foreign currency assets and liabilities on the balance sheet date. The sensitivity analysis also takes into consideration the effects of currency derivatives, which off-set the effects of exchange rate changes.

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

(1,000 EUR)	2021			
Change in EUR exchange rate	**Strengthening**		**Weakening**	
Effect on result after taxes				
USD	4%	-129	3%	86
SEK	2%	28	1%	-19
GBP	2%	-46	3%	48
BRL	7%	531	6%	-407
RUB	6%	6	5%	-5

(1,000 EUR)	2020			
Change in EUR exchange rate	**Strengthening**		**Weakening**	
Effect on result after taxes				
USD	5%	181	7%	-257
SEK	4%	13	6%	-16
GBP	5%	-48	3%	28
BRL	23%	6,872	15%	-4,397
RUB	16%	-416	11%	295

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 72 per cent of all floating rate loans.

(1,000 EUR)		
Sensitivity analysis for floating interest loans:		
Change percentage	+1%	-0.5%
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 4.6.

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

Liquidity risk

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

The availability and flexibility of financing is ensured through credit facilities and other financial instruments, as well as through co-operation with several banks. The amount of unused credit facilities on 31 December 2021 was EUR 140.0 million, which equals 100 per cent of the total credit facilities (2020, EUR 110.0 million, 79 per cent). The credit limit facilities mainly mature for renewal every three years. The Group has available an EUR 100 million corporate paper programme, of which EUR 0 million has been taken out. In addition, the group has in use bank account limits worth 3 million euros during the financial period.

The average maturity of the bank loans was 2.9 years (2020, 3.9 years) on 31 December 2021.

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.

(1,000 EUR)	Balance sheet value	Cash flow*	Within less than one year	Within one to five years	After more than five years
31 Dec 2021					
Bank loans	39,803	41,152	948	40,204	0
Other liabilities	2,629	2,671	976	1,695	0
Lease liabilities	12,364	12,638	3,497	8,458	683
Trade creditors and other liabilities	154,664	154,664	154,664		
Derivative contract liabilities	292	292	292		
Off-balance sheet liabilities**	0	7,404	7,404		

(1,000 EUR)	Balance sheet value	Cash flow*	Within less than one year	Within one to five years	After more than five years
31 Dec 2020					
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		

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

Capital management

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

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

The Group's interest-bearing net liabilities at the end of 2021 were EUR -66.1 million (31 Dec 2020: EUR 9.1 million) and net gearing was -22.2 per cent (31 Dec 2020: -3.6 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.

(1,000 EUR)	2021	2020
Interest-bearing liabilities	54,796	114,525
Interest-bearing receivables	0	-7
Cash and cash equivalents	-120,900	-123,611
Net liabilities	**-66,104**	**-9,093**
Total shareholders' equity	297,267	255,038
Net gearing	-22.2 %	-3.6 %

(1,000 EUR)	Financing liabilities			Other assets		
	Loans	Leases	Sub total	Cash and cash equivalents	Liquid investments	Total
Net liabilities 1 Jan 2021	**-103,421**	**-11,104**	**-114,525**	**123,611**	**7**	**9,093**
Cash flows	61,031	3,113	64,143	-2,594		61,549
Acquisition – leases		-4,312	-4,312			-4,312
Exchange rate adjustments	-40	-62	-102	-117		-219
Other changes			0		-7	-7
Net liabilities 31 Dec 2021	**-42,430**	**-12,366**	**-54,796**	**120,900**	**0**	**66,104**
Net liabilities 1 Jan 2020	**-74,895**	**-6,787**	**-81,682**	**48,704**	**56**	**-32,923**
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**

5.7 Financial instruments by groups and fair values

ACCOUNTING PRINCIPLES

Financial assets

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

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

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

Impairment of financial assets

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

Interest-bearing liabilities

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

Derivative contracts and hedge accounting

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

(1,000 EUR)

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

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

(1,000 EUR)

31 Dec 2020 Balance sheet assets	Assets at fair value through profit or loss	Assets at original amortised cost	Total
Unlisted shares	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**

31 Dec 2020 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**

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

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

The 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 28.0 million in 2021 and EUR 29.0 million in 2020.

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 throug 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.

6. Income taxes

ACCOUNTING PRINCIPLES

Tax based on the taxable income for the period and deferred tax

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

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

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

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

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

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

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

KEY ESTIMATES AND JUDGEMENTS

Income taxes

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

6.1 Income taxes

INCOME TAXES

(1,000 EUR)	2021	2020
Tax based on the taxable income for the period	17,517	6,889
Taxes from previous financial periods	1,069	0
Deferred taxes	-454	388
Total	**18,131**	**7,277**

Reconciliation of tax expenses in the consolidated statement of comprehensive income and taxes calculated at the Group's domestic tax rate (2021: 20.0%, 2020: 20.0 %)

(1,000 EUR)	2021	2020
Result before taxes	73,204	39,561
Tax calculated using the domestic tax rate	14,641	7,912
Effect of the different tax rates used in foreign subsidiaries	2,786	-597
Tax-exempt income	-45	-362
Non-deductible expenses	-356	3,132
Tax reliefs and supports	-24	-124
Unbooked deferred tax assets	0	3,257
Taxes for previous financial periods	1,069	0
Other items	61	-5,941
Taxes in the consolidated statement of comprehensive income	**18,131**	**7,277**

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".

6.2 Deferred tax receivables and liabilities

CHANGES IN DEFERRED TAXES DURING 2021:

(1,000 EUR)			
Deferred tax assets:	**31 Dec 2020**	**Recognised through profit or loss**	**31 Dec 2021**
Inventories	1,862	254	2,116
Confirmed losses in taxation	716	-33	683
Other items	498	63	561
Total	**3,076**	**285**	**3,360**
Deferred tax liabilities:	**31 Dec 2020**	**Recognised through profit or loss**	**31 Dec 2021**
Inventories	0	0	0
Fixed assets	1,137	-170	967
Other items	0	0	0
Total	**1,137**	**-170**	**967**

CHANGES IN DEFERRED TAXES DURING 2020:

(1,000 EUR)			
Deferred tax assets:	**31 Dec 2019**	**Recognised through profit or loss**	**31 Dec 2020**
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:	**31 Dec 2019**	**Recognised through profit or loss**	**31 Dec 2020**
Inventories	0	0	0
Fixed assets	1,407	-271	1,137
Other items	0	0	0
Total	**1,407**	**-271**	**1,137**

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 21.9 million (16.3 in 2020) associated with the Group's foreign subsidiaries. The confirmed losses mentioned have no maturity time.

7. Group structure

ACCOUNTING PRINCIPLES

Subsidiaries

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

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

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

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

Associates

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

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

7.1 Related party transactions

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

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

Name and domicile	Group and parent company share of shares and votes,%
Parent company Ponsse Plc, Vieremä, Finland	
Ponsse AB, Västerås, Sweden	100
Ponsse AS, Kongsvinger, Norway	100
Ponssé S.A.S., Gondreville, France	100
Ponsse UK Ltd., Annan, United Kingdom	100
Ponsse Machines Ireland Ltd., Port Laoise, Ireland	100
Ponsse North America, Inc., Rhinelander, United States	100
Ponsse Latin America Indústria de Máquinas Florestais Ltda, Mogi das Cruzes, Brazil	100
OOO Ponsse, St. Petersburg, Russia	100
Ponsse Centre, St. Petersburg, Russia (owned by OOO Ponsse)	100
Epec Oy, Seinäjoki, Finland	100
Ponsse Asia-Pacific Ltd., Hong Kong	100
Ponsse China Ltd., Beihai, China (owned by Ponsse Asia-Pacific Ltd.)	100
Ponsse Uruguay S.A., Paysandú, Uruguay	100
Ponsse Chile SpA Chillán, Chile (starting from 4 Nov 2021)	100

A list of associated companies is presented in Note 7.2. The Group has no joint ventures.

7.2 Investments in associated companies

(1,000 EUR)	2021	2020
At beginning of financial period	832	849
Adjustment for previous periods	0	-1
Dividens received	-66	-102
Share of the result of the financial period	19	86
At end of financial period	785	832

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

(1,000 EUR)	2021	2020
Associated company		
Sunit Oy, Kajaani, Finland		
Assets	2,926	3,341
Liabilities	544	893
Net sales	3,854	3,369
Result	129	254
Share of ownership	34%	34%

Sunit Oy specialises in telematics and manufactures vehicle computers.

8. Other notes

8.1 Commitments

CONTINGENT LIABILITIES

(1,000 EUR)	2021	2020
Guarantees given on behalf of others	20	20
Responsibility of checking the VAT deductions made on real property investments, returns responsibility	7,272	7,863
Other commitments	112	14
Total	**7,404**	**7,897**

(1,000 EUR)	2021	2020
Minimum rents due based on other non-cancellable leases	847	730

8.2 Events after the closing date of the reporting period

Ponsse Group will be independently responsible for its sales, spare parts and maintenance services in the Czech Republic. On 4 February 2022, Ponsse signed a deed of sale, in which it agrees to purchase all shares in KŘENEK FOREST SERVICE s.r.o, its PONSSE forest machine and service dealer in the Czech Republic. The aim is that PONSSE services in the Czech Republic will transfer to Ponsse Group by 1 April 2022. The company will operate as a subsidiary wholly owned by Ponsse.

Ponsse Plc has decided on 2 March 2022 to discontinue temporarily all export operations to Russia and Belarus for both PONSSE forest machines and their spare parts. Also the Ponsse Group's Russian subsidiary OOO Ponsse is discontinues temporarily its local spare parts and service operations. Sales in Russia and Belarus account for about 20 percent of the company's net sales calculated from the 2021 financial statements.

At the same time, Ponsse Plc withdrew its profit guidance for the current year. The new profit quidance is linked to the uncertainties caused by Russia's invasion of Ukraine and EU sanctions. The company announced that it will not provide new guidance for the current year. In accordance with the previous profit quidance, Group´s euro-denominated operating result in 2022 is estimated to be on a par with 2021.

In this challenging situation, Ponsse also strives to take care of the OOO Ponsse's personnel.

Ponsse Plc's Board of Directors has decided to amend its dividend proposal included in the financial statement release published on 22 February 2022 for the Annual General Meeting to be held on 7 April 2022. This amendment is related to Russia's attack on Ukraine and the impacts of this on the company's operations and finances.

The Board's new dividend proposal:

"The company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2021. The Board will also propose that the Annual General Meeting will authorise the Board to decide on paying a dividend of at most EUR 0.25 per share at a later date."

The previous dividend proposal published on 22 February 2022 was as follows:

"The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.85 per share be paid for 2021."

Parent company's profit and loss account

(1,000 EUR)	Note[1]	2021	2020
Net sales	2	**582,331**	**478,586**
Increase (+)/decrease (-) in inventories of finished goods and work in progress		13,280	-7,436
Other operating income	3	2,055	943
Raw materials and services	4	-417,690	-338,290
Staff costs	5, 6, 7	-64,332	-52,755
Depreciation, amortisation and impairment	8	-17,856	-18,138
Other operating expenses		-42,932	-46,047
Operating result		**54,856**	**16,863**
Financial income and expenses	10	1,687	-16,966
Result before extraordinary items		**56,542**	**-102**
Appropriations	11	1,205	845
Direct taxes	12	-11,455	-2,987
Net result for the period		**46,292**	**-2,244**

[1]The note refers to the Notes to the Accounts on pages 105–112.

Parent company's balance sheet

(1,000 EUR)	Note[1]	2021	2020
ASSETS			
Non-current assets			
Intangible assets	13	40,212	35,234
Tangible assets	13	74,419	77,717
Financial assets	14	11,782	11,782
Total non-current assets		**126,413**	**124,733**
Current assets			
Inventories	15	96,310	77,690
Non-current receivables	16	8,197	8,131
Current receivables	16	58,605	56,998
Cash in hand and at banks		95,633	114,380
Total current assets		**258,745**	**257,199**
TOTAL ASSETS		**385,158**	**381,932**
LIABILITIES			
Shareholders' equity	17, 18		
Share capital		7,000	7,000
Revaluation reserve		841	841
Other reserves		3,458	3,458
Retained earnings		169,232	188,274
Net result for the period		46,292	-2,244
Total shareholders' equity		**226,822**	**197,329**
Appropriations	19	**2,539**	**3,744**
Provisions for liabilities and charges	20	**4,833**	**5,097**
Creditors			
Non-current creditors	21	40,671	41,629
Current creditors	22	110,293	134,134
Total creditors		**150,964**	**175,763**
TOTAL LIABILITIES		**385,158**	**381,932**

[1]The note refers to the Notes to the Accounts on pages 105–112.

Parent company's cash flow statement

(1,000 EUR)	2021	2020
Cash flows from operating activities:		
Operating result	54,856	16,863
Depreciation, amortisation and impairment	17,856	18,138
Change in provisions	-477	3,341
Other adjustments	729	15,365
Cash flow before changes in working capital	72,963	53,708
Change in working capital:		
Increase (-)/decrease (+) in current non-interest-bearing receivables	-3,948	27,093
Increase (-)/decrease (+) in inventories	-18,620	10,752
Increase (+)/decrease (-) in current non-interest-bearing liabilities	37,333	-14,293
Cash flow from operations before financial items and income taxes	87,728	77,260
Interest received	889	940
Interest paid	-722	-805
Dividends received	1,100	1,802
Other financial items	-343	-2,438
Income taxes paid	-10,074	-6,188
Net cash flows from operating activities (A)	**78,578**	**70,571**
Cash flows used in investing activities:		
Investments in tangible and intangible assets	-19,536	-15,918
Proceeds from sale of tangible and intangible assets	33	0
Net cash flows used in investing activities (B)	**-19,503**	**-15,918**
Cash flows from financing activities:		
Increase (+)/decrease (-) in current loans	-60,000	30,000
Increase (+)/decrease (-) in non-current loans	-958	-958
Increase (-)/decrease (+) in non-current receivables	-65	802
Dividends paid and other distribution of profit	-16,799	-8,400
Net cash flows from financing activities (C)	**-77,822**	**21,444**
Increase (+)/decrease (-) in liquid assets (A+B+C)	**-18,747**	**76,097**
Cash and cash equivalents on 1 Jan	114,380	38,283
Cash and cash equivalents on 31 Dec	**95,633**	**114,380**

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	3–10 years
Intangible rights	5 years
Other intangible assets	5 years
Buildings and structures	20 years
Machinery and equipment	5–10 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 2021 is comparable with the previous year.

2. Net sales by market area

(1,000 EUR)	2021	2020
Northern Europe	202,948	205,891
Southern and Central Europe	106,112	117,181
Russia and Asia	133,205	60,131
North and South America	137,363	92,039
Other countries	2,703	3,346
Total	**582,331**	**478,586**

3. Other operating income

(1,000 EUR)	2021	2020
Sales profits on tangible assets	33	0
Public subsidies	916	275
Other	1,106	668
Total	**2,055**	**943**

4. Raw materials and services

(1,000 EUR)	2021	2020
Raw materials and consumables		
Purchases during the financial period	410,149	323,164
Increase (-)/decrease (+) in inventories	-5,368	3,235
External services	12,908	11,891
Total	**417,690**	**338,290**

5. Average number of staff

(1,000 EUR)	2021	2020
Persons		
Employees	446	418
Clerical workers	530	516
Total	**976**	**934**

6. Staff costs

(1,000 EUR)	2021	2020
Salaries and bonuses	52,671	44,271
Pension costs	9,221	6,414
Other social security costs	2,440	2,070
Total	**64,332**	**52,755**

7. Management salaries and remunerations

(1,000 EUR)	2021	2020
President and CEO	722	996
Members of the Board of Directors	374	325
Total	**1,096**	**1,321**

8. Depreciation and value adjustments

(1,000 EUR)	2021	2020
Depreciation according to plan	17,856	18,138
Total	**17,856**	**18,138**

9. Auditor's remunerations

(1,000 EUR)	2021	2020
	KPMG	KPMG
Auditor's remunerations	77	77
Certificates and statements	7	1
Tax advice	7	26
Other remunerations	54	50
Total	**144**	**154**

10. Financial income and expenses

(1,000 EUR)	2021	2020
Dividend income		
From Group companies	1,033	1,700
From associated companies	66	102
From others	0	0
Dividend income, total	1,100	1,802
Interest income and other financial income		
From Group companies	890	920
Change in the fair value of derivative instruments	985	10,722
From others	3,815	10,756
Interest income and other financial income, total	5,690	22,398
Financial income, total	**6,790**	**24,200**
Value adjustments of financial securities	0	15,315
Interest expenses and other financial expenses		
To Group companies	0	0
Change in the fair value of derivative instruments	2,203	9,878
To others	2,900	15,973
Interest expenses and other financial expenses, total	5,103	25,851
Financial expenses, total	**5,103**	**41,165**
Financial income and expenses, total	**1,687**	**-16,966**
The item "Financial income and expenses" includes exchange rate profit/loss (net)	713	-2,090

In 2020, 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

(1,000 EUR)	2021	2020
Difference between depreciations according to plan and depreciations in taxation	1,205	845

12. Income tax

(1,000 EUR)	2021	2020
Income tax on extraordinary items	0	0
Income taxes from actual operation	11,455	2,987
Change in deferred tax asset	0	0
Total	**11,455**	**2,987**

13. Intangible and tangible assets

INTANGIBLE ASSETS 2021

(1,000 EUR)	Development costs	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2021	35,803	2,194	2,280	15,576	16,021	71,874
Increase	15,706	630	83	2,094	13,632	32,145
Decrease	0	0	0	-398	-19,623	-20,022
Transfers between items	0	0	0	0	0	0
Acquisition cost 31 Dec 2021	51,509	2,824	2,363	17,272	10,029	83,997
Accumulated depreciation on 1 Jan 2021	-23,636	-1,438	-1,895	-9,049	0	-36,017
Accumulated depreciation on decrease and transfers	0	0	0	199	0	199
Depreciation for the accounting period	-5,015	-346	-156	-1,833	0	-7,349
Accumulated depreciation on 31 Dec 2021	-28,650	-1,784	-2,051	-10,683	0	-43,168
Book value 31 Dec 2021	**22,859**	**1,040**	**312**	**6,589**	**10,029**	**40,829**
Book value 31 Dec 2020	12,167	756	385	6,528	16,021	35,857

TANGIBLE ASSETS 2021

(1,000 EUR)	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2021	1,618	78,477	81,354	230	1,240	162,918
Increase	0	2,785	4,652	0	5,758	13,195
Decrease	0	0	0	0	-5,981	-5,981
Transfers between items	0	0	0	0	0	0
Acquisition cost 31 Dec 2021	1,618	81,262	86,006	230	1,016	170,132
Accumulated depreciation on 1 Jan 2021	0	-32,246	-54,419	0	0	-86,665
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0
Depreciation for the accounting period	0	-3,881	-6,625	0	0	-10,506
Accumulated depreciation on 31 Dec 2021	0	-36,128	-61,044	0	0	-97,172
Revaluations	0	841	0	0	0	841
Book value 31 Dec 2021	**1,618**	**45,975**	**24,962**	**230**	**1,016**	**73,801**
Book value 31 Dec 2021	1,618	47,072	26,935	230	1,240	77,094
Book value of operating machinery and equipment						
31 Dec 2021			22,490			
31 Dec 2020			24,610			

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

TANGIBLE ASSETS 2021

(1,000 EUR)	Shares in Group companies	Shares in associated companies	Shares, other	Receivables from Group companies	Receivables, other	Total
Acquisition cost 1 Jan 2021	32,617	335	440	0	0	33,391
Increase	0	0	0	0	0	0
Decrease	0	0	0	0	0	0
Acquisition cost 31 Dec 2021	32,617	335	440	0	0	33,391
Accumulated write-downs 1 Jan 2021	-21,525	0	-84	0	0	-21,608
Decrease	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0
Book value 31 Dec 2021	**11,092**	**335**	**356**	**0**	**0**	**11,782**
Book value 31 Dec 2020	11,092	335	356	0	0	11,782

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

Group companies

Name and domicile	Companys's share of ownership, %
Ponsse AB, Västerås, Sweden	100
Ponsse AS, Kongsvinger, Norway	100
Ponssé S.A.S., Gondreville, France	100
Ponsse UK Ltd., Annan, United Kingdom	100
Ponsse Machines Ireland Ltd., Ireland	100
Ponsse North America, Inc., Rhinelander, United States	100
Ponsse Latin America Indústria de Máquinas Florestais Ltda, Mogi das Cruzes, Brazil	100
OOO Ponsse, St. Petersburg, Russia	100
Ponsse Centre, St. Petersburg, Russia (owned by OOO Ponsse)	100
Epec Oy, Seinäjoki, Finland	100
Ponsse Asia-Pacific Ltd., Hong Kong	100
Ponsse China Ltd., Beihai, China (owned by Ponsse Asia-Pacific Ltd.)	100
Ponsse Uruguay S.A., Paysandú, Uruguay	100
Ponsse Chile SpA, Chillán, Chile (starting from 4 November 2021)	100

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

Associates

Name and domicile	Companys's share of ownership, %
Sunit Oy, Kajaani, Finland	34

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

15. Inventories

(1,000 EUR)	2021	2020
Raw materials and consumables	63,941	54,790
Work in progress	20,526	7,427
Finished products/goods	4,074	3,906
Other inventories	7,770	11,567
Prepayments	0	0
Total	**96,310**	**77,690**

16. Receivables

(1,000 EUR)	2021	2020
Non-current receivables		
Receivables from Group companies		
Loan receivables	8,197	8,131
Loan receivables	0	0
Other receivables	0	0
Non-current receivables, total	**8,197**	**8,131**
Current receivables		
Trade receivables	13,787	9,105
Receivables from Group companies		
Trade receivables	37,708	39,071
Other receivables	4,315	5,289
Accrued income		
Grants receivable	596	156
Income tax receivables	236	1,616
Derivative contracts	94	619
Other accrued income	1,870	1,141
Other accrued income, total	2,796	3,533
Current receivables, total	**58,605**	**56,998**
Receivables, total	**66,802**	**65,129**

17. Shareholders' equity

(1,000 EUR)	2021	2020
Equity employed		
Share capital on 1 Jan	7,000	7,000
Scrip issue	0	0
Share capital on 31 Dec	7,000	7,000
Share premium account on 1 Jan	0	0
Scrip issue	0	0
Share premium account on 31 Dec	0	0
Revaluation reserve 1 Jan	841	841
Revaluation of non-current assets, change	0	0
Revaluation reserve 31 Dec	841	841
Equity employed, total	**7,841**	**7,841**
Shareholders' surplus		
Other reserves 1 Jan	3,458	3,458
Share based incentive scheme, change	0	0
Other reserves 31 Dec	3,458	3,458
Retained earnings on 1 Jan	186,030	196,674
Purchase of treasury shares	0	0
Share based incentive scheme, change	0	0
Dividend distribution	-16,799	-8,400
Retained earnings on 31 Dec	169,232	188,274
Result for the period	46,292	-2,244
Shareholders' surplus, total	**218,982**	**189,488**
Total shareholders' equity	**226,823**	**197,329**

18. Distributable funds

(1,000 EUR)	2021	2020
Retained earnings	169,232	188,274
Result for the period	46,292	-2,244
Capitalised R&D expenses	-30,201	-26,506
Total	**185,322**	**159,524**

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

Ponsse Plc's registered share capital on 31 December 2021 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

(1,000 EUR)	2021	2020
Depreciation difference	2,539	3,744

20. Provisions for liabilities and charges

(1,000 EUR)	2021	2020
Guarantee provision	4,833	5,097
Other compulsory provisions	0	0
Total	**4,833**	**5,097**

21. Non-current creditors

(1,000 EUR)	2021	2020
Loans from financial institutions	39,000	39,000
Pension loans	0	0
Other loans	1,671	2,629
Non-current creditors, total	**40,671**	**41,629**
Debts falling due in more than five years		
Loans from financial institutions	0	0
Pension loans	0	0
Other loans	0	0
Total	**0**	**0**

22. Current creditors

(1,000 EUR)	2021	2020
Loans from financial institutions	0	30,000
Pension loans	0	0
Other loans	958	30,958
Advances received	381	197
Trade creditors	80,775	50,790
Liabilities to Group companies		
Advances received	0	0
Intra-Group trade creditors	8,259	4,562
Other intra-Group liabilities	0	0
Accruals and deferred income	0	0
Liabilities to Group companies, total	8,259	4,562
Advance invoicing	0	0
Advance invoicing to Group companies	0	0
Other liabilities	1,402	1,048
Accruals and deferred income		
Accrued staff expenses	13,781	10,398
Interest accruals	6	394
Income tax liability	0	0
Accruals and deferred income in respect of inventories	0	0
Other accruals and deferred income	4,731	5,786
Accruals and deferred income, total	18,518	16,578
Current creditors, total	**110,293**	**134,134**

23. Pledges given, contingent and other liabilities

23.1 Pledges given for own debt

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

23.2 Leasing commitments

(1,000 EUR)	2021	2020
Leasing payments payable under leasing agreements		
Leasing payments payable during the next financial period	489	338
Leasing payments payable thereafter	711	267
Leasing payments payable under leasing agreements, total	**1,200**	**605**

23.3 Contingent liabilities on behalf of Group companies

(1,000 EUR)	2021	2020
Guarantees given on behalf of companies within the Group	24	261

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

23.4 Pension liabilities

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

23.5 Other contingent liabilities

(1,000 EUR)	2021	2020
Guarantees given on behalf of others	2,528	1,720
Repurchase commitments	299	441
Other commitments	7,384	7,877
Other contingent liabilities, total	**10,211**	**10,037**

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 7,271,688 (EUR 7,863,036) and the last auditing year is 2031 (2030), and this is included in above-mentioned Other commitments section.

23.6 Derivative liabilities

(1,000 EUR)	2021	2020
Forward exchange agreements		
Fair value	10	245
Value of underlying asset	27,423	28,969
Interest rate derivatives		
Fair value	-208	-655
Value of underlying asset	28,000	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 2022. 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 2022. 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 2022.

INCREASES IN SHARE CAPITAL 1994–2021

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

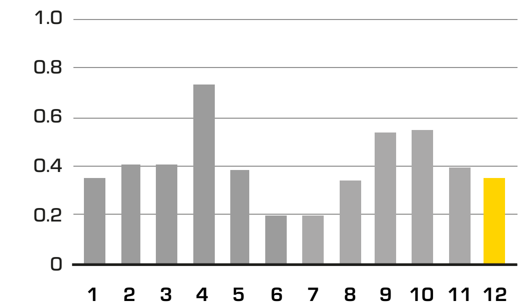
At the end of the financial year, the company's Board of Directors did not have any valid authorisation to increase the share capital or to issue convertible bonds or bonds with warrants.

SHARE TURNOVER 1 JANUARY –31 DECEMBER 2021

Month	Turnover value, EUR	Turnover, number of shares	Lowest, EUR	Highest, EUR	Weighted average share price, EUR	Closing price, EUR	Market capitalisation, EUR	Number of shares	Relative turnover, %
1	3,026,332	98,086	29.15	31.95	30.85	31.90	893,200,000	28,000,000	0.35
2	3,831,358	115,447	31.55	34.40	33.19	33.50	938,000,000	28,000,000	0.41
3	3,922,916	110,960	33.10	38.70	35.38	37.80	1,058,400,000	28,000,000	0.40
4	8,370,538	203,375	37.00	45.10	41.19	44.20	1,237,600,000	28,000,000	0.73
5	4,591,596	105,297	42.00	45.85	43.64	43.10	1,206,800,000	28,000,000	0.38
6	2,440,339	57,279	40.15	44.25	42.63	42.40	1,187,200,000	28,000,000	0.20
7	2,354,659	57,120	39.90	42.95	41.22	42.95	1,202,600,000	28,000,000	0.20
8	4,072,282	94,129	41.50	44.70	43.26	44.00	1,232,000,000	28,000,000	0.34
9	6,092,940	148,435	38.00	45.20	41.05	39.85	1,115,800,000	28,000,000	0.53
10	6,878,278	154,085	38.25	48.80	44.64	44.70	1,251,600,000	28,000,000	0.55
11	4,816,887	109,436	41.05	45.75	44.01	42.20	1,181,600,000	28,000,000	0.39
12	4,028,989	98,250	39.40	42.35	41.03	42.20	1,181,600,000	28,000,000	0.35
2021	**54,427,113**	**1,351,899**	**29.15**	**48.80**	**40.31**	**42.20**	**1,181,600,000**	**28,000,000**	**4.83**

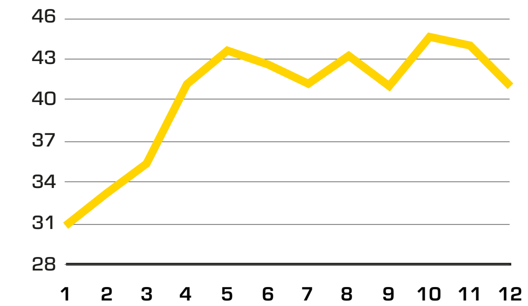
RELATIVE SHARE TURNOVER BY MONTH 2021

(%)



WEIGHTED AVERAGE SHARE PRICE BY MONTH 2021

(EUR)



SHAREHOLDER PROFILE ON 31 DECEMBER 2021

	Shares, pcs	Percentage of shares and votes, %	Shares of nominee-registered, pcs	Shares of nominee-registered, %	Votes, pcs	Percentage of votes, %
Enterprises	585,310	2.090	0	0	585,310	2.090
Financial institutions and insurance companies	2,470,247	8.822	962,719	3.438	3,432,966	12.261
Public sector entities	899,006	3.211	0	0	899,006	3.211
Households	22,205,160	79.304	0	0	22,205,160	79.304
Non-profit organisations	547,538	1.955	0	0	547,538	1.955
Foreign holding	29,563	0.106	300,457	1.073	330,020	1.179
Total	**26,736,824**	**95.489**	**1,263,176**	**4.511**	**28,000,000**	**100.000**

ANALYSIS OF SHAREHOLDERS ON 31 DECEMBER 2021

Shares per shareholder	Number of shareholders	Percentage of shareholders, %	Shares, total, pcs	Percentage of shares and votes, %
1–100	9,929	62.399	354,736	1.267
101–500	4,093	25.723	1,035,359	3.698
501–1,000	957	6.014	742,181	2.651
1,001–5,000	758	4.764	1,607,226	5.740
5,001–10,000	90	0.566	651,900	2.328
10,001–50,000	65	0.408	1,252,234	4.472
50,001–100,000	7	0.044	467,591	1.670
100,001–500,000	7	0.044	2,150,712	7.681
yli 500,000	6	0.038	19,738,061	70.493
Total	**15,912**	**100.000**	**28,000,000**	**100.000**

SHAREHOLDERS ON 31 DEC 2021

No.	Name	Number of shares	Percentage of shares	Percentage of votes
1	Vidgrén Juha Einari	6,207,000	22.17	22.17
2	Vidgrén Jukka Tuomas	3,764,778	13.45	13.45
3	Vidgrén Janne Ilmari	3,691,742	13.18	13.18
4	Vidgrén Jarmo Kalle Johannes	3,684,263	13.16	13.16
5	Nordea Nordic Small Cap Fund	1,459,755	5.21	5.21
6	Skandinaviska Enskilda Banken Ab (Publ), Helsinki	930,523	3.32	3.32
7	Ilmarinen Mutual Pension Insurance Company	420,791	1.50	1.50
8	Varma Mutual Pension Insurance Company	389,000	1.39	1.39
9	Einari Vidgrén Foundation	388,000	1.39	1.39
10	Evli Suomi Pienyhtiöt mutual fund	306,954	1.10	1.10
11	Aktia Capital mutual fund	218,000	0.78	0.78
12	SEB Finland Small Cap	215,000	0.77	0.77
13	Citibank Europe Plc	212,967	0.76	0.76
14	Elo Mutual Pension Insurance Company	80,000	0.29	0.29
15	Säästöpankki Kotimaa mutual fund	79,392	0.28	0.28
16	Kirkon Eläkerahasto	79,000	0.28	0.28
17	Nummela Juho Aleksi	62,541	0.22	0.22
18	Mandatum Life Insurance Company Limited	62,017	0.22	0.22
19	Rinta-Jouppi Jarmo Aulis	53,500	0.19	0.19
20	Randelin Mari	51,141	0.18	0.18
21	Relander Pär-Gustaf	48,000	0.17	0.17
22	Vidgrén Kalle Samuel	40,800	0.15	0.15
23	Vidgrén Henri Eemil	38,084	0.14	0.14
24	Apotrade Consulting Oy	36,000	0.13	0.13
25	Clearstream Banking S.A.	34,612	0.12	0.12
26	Aro Erkki Arvi Juhani	32,807	0.12	0.12
27	Relander Annette Louise	32,000	0.11	0.11
28	Pietarinen Oiva Untamo	31,432	0.11	0.11
29	Outokummum Metalli Oy	28,771	0.10	0.10
30	Niemi Mutual Fund	28,000	0.10	0.10
	Other shareholders	5,293,130	18.90	18.90
Total		**28,000,000**	**100.00**	**100.00**

At year-end 2021, Ponsse Plc had 15,912 shareholders (on 31 December 2020: 15,340).

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 2021, corresponding to 62.2 per cent of shares and votes in the company.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFIT

No such material changes have taken place in the company's financial standing after the end of the financial year that would affect the proposal for dividend distribution. 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 185,322,440.64, of which the net profit for the period amounted to EUR 46,292,198.39.

The company's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2021. The Board will also propose that the Annual General Meeting will authorise the Board to decide on paying a dividend of at most EUR 0.25 per share at a later date. The dividend distribution totals to at most EUR 23,800,000.00.

If the maximum dividend is distributed, EUR 161,522,440.60 will remain in the parent company's non-restricted equity.

Vieremä, 15 March 2022

Jarmo Vidgrén Mammu Kaario Matti Kylävainio

Juha Vanhainen Juha Vidgrén Janne Vidgrén Jukka Vidgrén

President and CEO

AUDITOR'S NOTE

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

Helsinki, 15 March 2022

KPMG Oy Ab

Ari Eskelinen

APA

AUDITOR'S REPORT

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

To the Annual General Meeting of Ponsse Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ponsse Plc (business identity code 0934209-0) for the year ended 31 December 2021. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, profit and loss account, cash flow statement and notes.

In our opinion

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 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.

KEY AUDIT MATTERS

Recognition of revenue from machine sales

(Accounting principles concerning the consolidated financial statements and note 2)

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
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, 76%, 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 2021 to invoices, delivery documents and contract terms, and by examining credit invoices issued in early 2022, on a sample basis. • Furthermore, we considered the accuracy and adequacy of the disclosures on net sales provided in the consolidated financial statements.

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

(Accounting principles concerning the consolidated financial statements and note 4.5)

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
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 78% of the total inventory balance amounting to approximately EUR 167 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.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
– Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 27 May 2020, and our appointment represents a total period of uninterrupted engagement of 2 years.

Other Information

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

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

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

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

Helsinki 15 March 2022
KPMG OY AB

Ari Eskelinen
Authorized Public Accountant, KHT

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