

Ponsse Plc  
Interim Report

## **Ponsse's Interim Report for 1 January – 30 September 2023**

Ponsse Plc, Interim Report, 24 October 2023 9:00 a.m.

July-September (continuing operations):

- Net sales amounted to EUR 169.2 (178.5) million
- Operating profit totalled EUR 6.5 (13.0) million, equalling 3.9 (7.3) per cent of net sales

January-September (continuing operations):

- Net sales amounted to EUR 579.0 (530.5) million
- Operating profit totalled EUR 33.4 (34.9) million, equalling 5.8 (6.6) per cent of net sales
- Net result was EUR 22.4 (24.2) million
- Earnings per share were EUR 0.80 (0.86)
- Order books stood at EUR 278.1 (365.5) million at the end of period under review
- Cash flow from business operations was EUR -4.8 (-50.8) million (continuing and discontinued operations)
- Equity ratio was 54.8 (56.7) per cent at the end of period under review (continuing and discontinued operations)
- Ponsse issued a new performance guidance on October 18<sup>th</sup>, 2023: The company's euro-denominated operating profit in 2023 is expected to be on par with the comparable operating profit of its continuing operations in 2022 (EUR 46.6 million).
- Ponsse has classified the Russian operations subject to trade as assets held for sale and reported them as discontinued operations. Unless otherwise specified, the figures presented in this interim report refer to continuing operations.

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

The weakening demand in the forest sector and general uncertainty led to a decrease in the demand for PONSSE forest machines during the last quarter. During the third quarter, order intake totaled roughly EUR 153.1 million. At the end of the period under review, the company's order books stood at EUR 278.1 (365.5) million.

Our customers' business situation is decent, but logging volumes for the current year are expected to decrease. The weakening of the market is reflected in a reduction in the order books whilst the factory's production volumes still remain close to a normal level. The availability of parts and components has improved significantly as the general demand has decreased in our suppliers' business areas.

The company's net sales amounted to EUR 169.2 (178.5) million during the last quarter. New machine invoicing didn't reach last year's numbers, but we were able to both improve the delivery of used machines and boost their net sales. Our technology company, Epec, managed to grow a little. During the past quarter, we were able to finish the sales process of our Russian subsidiary.

Our relative profitability during the past quarter was poor, 3.9 (7.3) per cent. The main factors affecting our profitability were the persistent inflation, the operating expenses that grew faster than what the net sales developed, and the slower-than-expected improvement of the operative challenges of our subsidiary, Ponsse Latin America Ltda. Entering a weakening business cycle, also the

discontinuation of our Russian operations and the challenges in the organization's overall cost structure are reflected in the company's profitability. The growth in our net sales originates from the less profitable market areas.

The company's cash flow was EUR -4.8 (-50.8) million. Part of our capital is still temporarily tied to raw material stocks and, especially, to used machine stocks. The growth of the used machine stock took a turn during the quarter and started decreasing, but the used machine stock rotation is still on a too poor level.

In order to secure the fulfilment of our strategy and goals, we are developing the company's operative model. We want to ensure even stronger customer service, respond to market changes, and secure the growth of the company's profitability in the changed business environment. The development of the operative model will have a clear impact on our competitiveness. Ponsse evaluates investments very carefully, prioritizes operations, and will cut costs. The investments are made in the development of new products and technologies, the Group's information systems, and digital services.

## NET SALES

Consolidated net sales for the period under review amounted to EUR 579.0 (530.5) million, which is 9.1 per cent more than in the comparison period. International business operations accounted for 73.8 (79.5) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 44.9 (37.7) per cent, Central and Southern Europe 21.7 (23.1) per cent, North and South America 30.3 (36.1) per cent and other countries 3.1 (4.2) per cent.

	1-9/23	1-9/22
Net sales from continuing operations	579,010	530,516
Net sales from discontinued operations	3,576	28,269
Net sales total	582,586	558,785

## PROFIT PERFORMANCE

The operating profit amounted to EUR 33.4 (34.9) million. The operating profit equalled 5.8 (6.6) per cent of net sales for the period under review.

	1-9/23	1-9/22
Operating profit from continuing operations	33,361	34,888
Operating profit from discontinued operations	1,247	3,340
Operating profit total	34,608	38,228

Consolidated return on capital employed (ROCE) stood at 7.6 (12.5) per cent.

Staff costs for the period totalled EUR 86.0 (79.1) million. Other operating expenses stood at EUR 62.6 (55.7) million. The net total of financial income and expenses amounted to EUR 1.2 (-2.2) million. Exchange rate gains and losses due to currency rate fluctuations were recognised under financial items, having a net impact of EUR 1.6 (-3.3) million. During the period under review, an EUR -0.1 million interest swap appreciation was recognised through loss. The parent company's receivables from subsidiaries stood at EUR 126.5 (102.7) million net. Receivables from subsidiaries mainly consist of trade receivables.

Result for the period under review totalled EUR 22.4 (24.2) million. Diluted and undiluted earnings per share (EPS) came to EUR 0.80 (0.86).

## STATEMENT OF FINANCIAL POSITION AND FINANCING ACTIVITIES

At the end of the period under review, the total consolidated statements of financial position amounted to EUR 588.6 (578.5) million. Inventories stood at EUR 258.3 (240.0) million. Trade receivables totalled EUR 61.5 (60.1) million, while cash and cash equivalents stood at EUR 49.4 (50.8) million. Group shareholders' equity stood at EUR 321.0 (320.6) million and parent company shareholders' equity (FAS) at EUR 277.1 (245.4) million. The amount of interest-bearing liabilities was EUR 119.5 (92.2) million. The company has ensured its liquidity by credit facility limits and commercial paper programs. Group's loans from financial institutions are non-collateral bank loans without financial covenants. Consolidated net liabilities totalled EUR 70.1 (40.8) million, and the debt-equity ratio (net gearing) was 21.8 (12.7) per cent. The equity ratio stood at 54.8 (56.7) per cent at the end of the period under review.

Cash flow from operating activities amounted to EUR -4.8 (-50.8) million. Cash flow from investment activities came to EUR -26.4 (-33.9) million.

## ORDER INTAKE AND ORDER BOOKS

Order intake for the period totaled EUR 503.4 (583.4) million, while period-end order books were valued at EUR 278.1 (365.5) million.

## DISTRIBUTION NETWORK AND GROUP STRUCTURE

The subsidiaries included in the Ponsse Group are Ponsse AB, Sweden; Ponsse AS, Norway; Ponsse S.A.S., France; Ponsse UK Ltd, the United Kingdom; Ponsse Machines Ireland Ltd, Ireland; Ponsse North America, Inc., the United States; Ponsse Latin America Ltda, Brazil; Ponsse Uruguay S.A., Uruguay; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China; Ponsse Chile SpA, Chile; Ponsse Czech s.r.o., Czech Republic and Epec Oy, Finland.

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

## ACQUISITIONS AND SALES OF OPERATIONS

On September 18<sup>th</sup>, 2023, Ponsse Plc completed the sale of all shares in OOO Ponsse, its subsidiary that provided PONSSE services in Russia and Belarus. After the conditions of the transaction were met, Ponsse's business operations in Russia transferred to OOO Bison and the trade received the approval of the local authorities. On 15 June 2022, Ponsse announced its intention to divest its operations in Russia, and on 28 June 2022, Ponsse informed that it had signed a deed of sale regarding all shares in OOO Ponsse. All facilities of OOO Ponsse, including spare parts warehouses and maintenance vehicles, as well as its personnel have been transferred to OOO Bison. Additionally, the deal included the Russian real-estate company, Ponsse Centre, that was 100% owned by OOO Ponsse. As a result of the completion of the deal, all Ponsse's activities in Russia ended. Ponsse has classified the traded functions as asset items available for sale and reported them as discontinued operations since its mid-year report published on 9 August 2022. The impact of the business arrangement is described in more detail in the note Discontinued operations.

On August 7<sup>th</sup>, 2023, Ponsse announced that it had signed a retail agreement with PacWest Machinery from the US. At the same time, the two companies signed a deed of sale, in which Ponsse undertook to sell its maintenance service operations in Coburg, Oregon, to PacWest Machinery. Hereafter, PacWest will be responsible for the sale and maintenance of PONSSE forest machines in the states of Oregon, Washington, and Idaho on the West Coast of the United States. The transaction

price was not made public since the price has no impact on the measurement of Ponsse's value or result.

## R&D AND CAPITAL EXPENDITURE

Group's R&D expenses during the period under review totalled EUR 21.4 (20,3) million, of which EUR 8.2 (8,2) million was capitalised.

Investments during the period under review totalled EUR 27.6 (28,8) million. In addition to capitalised R&D expenses, they consisted of investments in buildings and ordinary maintenance and replacement investments for machinery and equipment.

## MANAGEMENT

The following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; Petri Härkönen, Deputy CEO, Chief Financial Officer; Juha Inberg, Chief R&D and Technology officer; Tiina Kautonen, Chief Human Resources Official; Marko Mattila, Chief, Sales, Service and Marketing Officer; Tapio Mertanen, Chief Service Business Officer; Katja Paananen, Chief Responsibility Officer; Miika Soininen, Chief Digital officer and Tommi Väänänen, Chief Operations officer. The company management has regular management liability insurance.

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

The geographical distribution and the responsible persons are presented below.

Northern Europe:

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

Central and Southern Europe:

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

North and South America:

Pekka Ruuskanen (the United States),  
Eero Lukkarinen (Canada),  
Fernando Campos (Brazil) and  
Martin Toledo (Uruguay, Chile, and Argentina).

Other countries:

Janne Tarvainen (Australia and South Africa) and  
Risto Kääriäinen (China and Japan).

## PERSONNEL

The Group had an average staff of 2,106 (2,024) during the period and employed 2,113 (2,014) people at period-end.

## SHARE-BASED INCENTIVE PLANS

The Board of Directors of Ponsse Plc has approved two new Ponsse Group's share-based incentive plans. A stock exchange release regarding the incentive plans has been published on 3 March 2023. 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 CEO plan consists of five performance periods, calendar years 2023, 2023-2024, 2023-2025, 2024-2026 and 2025-2027. A restriction period is included in performance periods 2023 and 2023-2024, which begins from the reward payment and ends on 31 December 2025. The matching reward will be paid by the end of May 2024, 2025 and 2026. The matching shares delivered as a matching reward cannot be transferred during a restriction period that will end on 31 December 2025, 31 December 2026 and 31 December 2027. The performance-based reward will be paid by the end of May after the end of each performance period. The shares received as reward based on performance periods 2023 and 2023-2024 cannot be transferred during the restriction period, i.e. 31 December 2025. The amount of rewards to be paid based on the performance periods that began in 2023 will correspond to an approximate maximum total of 75,000 Ponsse Plc shares, also including the portion to be paid in cash (gross reward).

The key employee plan consists of three performance periods, each lasting for three calendar years, performance periods 2023-2025, 2024-2026 and 2025-2027. The matching reward will be paid in 2023, 2024 and 2025 after the acquisition of the investment shares and confirmation of reward, as soon as practically possible. The matching shares delivered as a matching reward cannot be transferred during a restriction period that will end on 31 December 2025, 31 December 2026, and 31 December 2027. The performance-based reward will be paid by the end of May after the end of each performance period. The share acquisitions for the first performance periods began on April 28, 2023, and ended on July 12, 2023. The number of shares acquired totaled 16,500.

During the period under review, the cost effect of the share-based incentive plans was approximately EUR 0.6 million. For the restriction periods that started in 2023, the total cost effect of the share-based incentive plans is estimated to be around EUR 2.0 million in the years 2023-2025.

During the financial period 2021, the Group implemented the restricted share plan, where the reward is based on the participant's valid employment or director contract and the continuity of the employment or service during a restriction period. The 24-month restriction period of the system ended in 2023 and accordingly, 3,000 company shares were paid as a reward. The expenses were distributed over the entire period, of which the 2023 portion is EUR 56 thousand.

## SHARE PERFORMANCE

The company's registered share capital consists of 28,000,000 shares. The trading volume of Ponsse Plc shares for 1 January – 30 September 2023 totalled 450,013, accounting for 1.61 per cent of the total number of shares. Share turnover amounted to EUR 13.0 million, with the period's lowest and highest share prices amounting to EUR 25.55 and EUR 35.00, respectively.

At the end of the period, shares closed at EUR 26.20, and market capitalisation totalled EUR 733.6

million.

At the end of the period under review, the company held 14,562 treasury shares.

## ANNUAL GENERAL MEETING

A separate release was issued on 12 April 2023 regarding the authorizations given to the Board of Directors and other resolutions at the AGM.

## GOVERNANCE

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

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

## NON-FINANCIAL INFORMATION REPORTING

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

## RISK MANAGEMENT

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

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

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

A risk is any event that may prevent the company from achieving its objectives or threatens the continuity of business. A risk may also be a positive event, in which case the risk is treated as an opportunity. Each risk is assessed on the basis of its impact and probability. The company's risk management methods include the avoidance, mitigation, and transfer of risk. Risks may also be managed by controlling and minimising their impacts.

## SHORT-TERM RISK MANAGEMENT

Our major short-term risks are related to the geopolitical situation, sudden economic fluctuations, and both persistent and high inflation which has led to rising interest rates. The geopolitical situation also increases uncertainty through financial market operability and sanctions. The risks in the financial market may also increase the volatility of developing countries' foreign exchange markets. The instability of the world economy and increasing financing costs may also reduce demand for forest machines.

In the challenging situation, Ponsse's strong financial position is important. In terms of financing, Ponsse has carried out all measures necessary to ensure business continuity, and financial situation is regularly evaluated.

The key objective of the company's financial risk management policy is to manage liquidity, interest, and currency risks. The company's financial position has remained strong due to good liquidity and binding credit limit facilities agreed with several 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.

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. General delivery problems in the supply chain have made it more difficult to manage PONSSE forest machine production schedules, tied up more capital in the supply chain, and increased the risks related to working capital management.

The parent company monitors the changes in the Group's internal and external trade receivables and the associated risk of impairment. The company has long-term and extensive service contracts, which may involve operational risks.

In order to strengthen cybersecurity, Ponsse has clarified software update policy and user manual. We will improve our ability to detect and react to abnormal activity on our networks, and we will regularly test our digital services with our partners against cyber-attacks.

## OUTLOOK FOR THE FUTURE

The company's euro-denominated operating profit in 2023 is expected to be on par with the comparable operating profit of its continuing operations in 2022 (EUR 46.6 million).

Due to the uncertainty in the markets, the company will keep prioritising its investments, continues to monitor its costs, and develops its operative model in order to improve competitiveness. The development work to improve profitability continues. The company monitors changes in the operating environment and customers operating conditions closely.

We monitor Ponsse Latin America Ltda -subsidiary's situation in an enhanced manner and the company takes measures to improve the situation.

## EVENTS AFTER THE PERIOD

On October 18<sup>th</sup>, 2023, Ponsse issued a new performance guidance which expects the company's euro-denominated operating profit in 2023 to be on par with the comparable operating profit of its continuing operations in 2022 (EUR 46.6 million). Essentially, the new performance guidance was issued since the development of the company's profitability was weaker than previously expected.

Persistent inflation has kept affecting the profitability of the business. Entering a weakening business cycle, the discontinuation of the Russian operations and the challenges in the organization's overall cost structure are reflected in the company's profitability. The growth in the company's net sales has originated from the less profitable market areas. The company's profitability has also been affected by the operating expenses that grew faster than the net sales, and the slower-than-expected improvement of the operative challenges of Ponsse's subsidiary, Ponsse Latin America Ltda.

In the previous interim reports of 2023, Ponsse's estimation about the near-future results has been as follows: "the company's euro-denominated operating profit in 2023 is expected to be slightly higher than the comparable operating profit of its continuing operations in 2022 (EUR 46.6 million)."

There have been no other subsequent events after the review period that require recognition or disclosure.

## PONSSE GROUP

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

	1-9/23	1-9/22	1-12/22
NET SALES	579,010	530,516	755,123
Increase (+)/decrease (-) in inventories of finished goods and work in progress	15,591	37,000	33,633
Other operating income	3,807	2,342	3,677
Raw materials and services	-393,050	-379,816	-525,040
Expenditure on employment-related benefits	-85,997	-79,130	-107,873
Depreciation and amortisation	-23,377	-20,348	-27,671
Other operating expenses	-62,623	-55,677	-85,270
OPERATING PROFIT	33,361	34,888	46,577
Share of results of associated companies	245	108	147
Financial income and expenses	-1,506	-2,237	-3,504
RESULT BEFORE TAXES	32,100	32,759	43,219
Income taxes	-9,687	-8,589	-9,037
NET RESULT FROM THE CONTINUING OPERATIONS	22,414	24,171	34,182
Net result from the discontinued operations	-11,133	760	2,930
NET RESULT FOR THE PERIOD	11,281	24,931	37,113
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:			
Translation differences related to foreign units	4,906	15,384	4,354
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	16,187	40,315	41,467
Diluted and undiluted earnings per share from continuing operations			
	0.80	0.86	1.22
Diluted and undiluted earnings per share from discontinued operations			
	-0.40	0.03	0.10
Diluted and undiluted earnings per share			
	0.40	0.89	1.33

	7-9/23	7-9/22
NET SALES	169,182	178,472
Increase (+)/decrease (-) in inventories of finished goods and work in progress	8,488	-1,147
Other operating income	1,710	946
Raw materials and services	-118,873	-115,194
Expenditure on employment-related benefits	-25,403	-23,443
Depreciation and amortisation	-7,813	-6,946
Other operating expenses	-20,764	-19,673
OPERATING PROFIT	6,527	13,014
Share of results of associated companies	101	-9
Financial income and expenses	-3,649	-613
RESULT BEFORE TAXES	2,980	12,392
Income taxes	-2,334	-2,788
NET RESULT FROM THE CONTINUING OPERATIONS	646	9,604

Net result from the discontinued operations	-12,176	959
NET RESULT FOR THE PERIOD	-11,530	10,564
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:		
Translation differences related to foreign units	10,163	1,752
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	-1,367	12,316
Diluted and undiluted earnings per share from continuing operations	0.02	0.34
Diluted and undiluted earnings per share from discontinued operations	-0.44	0.03
Diluted and undiluted earnings per share	-0.41	0.38

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

ASSETS	30 Sep 23	30 Sep 22	31 Dec 22
<b>NON-CURRENT ASSETS</b>			
Intangible assets	53,093	46,431	49,583
Goodwill	5,677	5,680	5,707
Property, plant and equipment	117,509	112,530	114,732
Financial assets	375	428	375
Investments in associated companies	1,057	842	881
Non-current receivables	3,308	244	63
Deferred tax assets	7,013	4,526	4,422
<b>TOTAL NON-CURRENT ASSETS</b>	<b>188,032</b>	<b>170,681</b>	<b>175,763</b>
<b>CURRENT ASSETS</b>			
Inventories	258,297	239,998	229,648
Trade receivables	61,466	60,139	62,305
Income tax receivables	1,761	1,766	1,013
Other current receivables	29,705	21,097	24,817
Cash and cash equivalents	49,362	50,754	73,451
<b>TOTAL CURRENT ASSETS</b>	<b>400,593</b>	<b>373,754</b>	<b>391,234</b>
Assets related to assets held for sale	0	34,057	21,650
<b>TOTAL ASSETS</b>	<b>588,625</b>	<b>578,492</b>	<b>588,648</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7,000	7,000	7,000
Other reserves	3,460	3,460	3,460
Translation differences	17,606	23,731	12,701
Treasury shares	-463	-274	-274
Retained earnings	293,436	286,640	298,926
<b>EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS</b>	<b>321,039</b>	<b>320,557</b>	<b>321,813</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	59,493	58,036	42,484
Deferred tax liabilities	838	857	942
Other non-current liabilities	80	82	81
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>60,410</b>	<b>58,975</b>	<b>43,507</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	60,004	34,173	53,804
Provisions	10,860	4,346	10,647
Tax liabilities for the period	2,708	6,969	4,664
Trade creditors and other current liabilities	133,603	145,428	153,476
<b>TOTAL CURRENT LIABILITIES</b>	<b>207,175</b>	<b>190,916</b>	<b>222,591</b>
Liabilities related to assets held for sale	0	8,045	738
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>588,625</b>	<b>578,492</b>	<b>588,648</b>

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

	1-9/23	1-9/22	1-12/22
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net result for the period	11,281	24,931	37,113
Adjustments:			
Financial income and expenses	13,692	4,660	5,893
Change in provisions	-190	-204	6,291
Share of the result of associated companies	-245	-108	-147
Depreciation and amortisation	23,444	21,563	28,853
Income taxes	9,880	8,746	9,562
Other adjustments	-1,298	-1,016	-3,753
Cash flow before changes in working capital	56,565	58,570	83,812
Change in working capital:			
Change in trade receivables and other receivables	-6,204	-21,131	-21,858
Change in inventories	-25,837	-73,566	-67,087
Change in trade creditors and other liabilities	-12,870	-7,396	-4,173
Interest received	394	199	309
Interest paid	-2,458	-1,273	-1,627
Other financial items	394	235	600
Income taxes paid	-14,817	-6,478	-7,921
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES (A)</b>	<b>-4,833</b>	<b>-50,840</b>	<b>-17,945</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Investments in tangible and intangible assets	-27,569	-28,804	-41,917
Proceeds from sale of tangible and intangible assets	1,169	396	612
Acquisition of subsidiaries*	0	-5,514	-5,516
<b>NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)</b>	<b>-26,427</b>	<b>-33,922</b>	<b>-46,821</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Withdrawal/Repayment of current loans	14,230	28,793	29,575
Withdrawal of non-current loans	10,000	7,000	11,170
Withdrawal/Repayment of finance lease liabilities	-2,896	-2,606	-3,755
Dividends paid	16,794	-16,800	-16,800
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES (C)</b>	<b>4,540</b>	<b>16,388</b>	<b>20,191</b>
<b>Change in cash and cash equivalents (A+B+C)</b>	<b>-26,720</b>	<b>-68,374</b>	<b>-44,575</b>
Cash and cash equivalents on 1 Jan	76,545	120,900	120,900
Impact of exchange rate changes	-463	-1,120	220
Cash and cash equivalents on 30Sep/31 Dec	49,362	51,632	76,545

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (EUR 1,000)

A = Share capital

B = Share premium and other reserves

C = Translation differences

D = Treasury shares

E = Retained earnings

F = Total shareholders' equity

	EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS					
	A	B	C	D	E	F
SHAREHOLDERS' EQUITY						
1 JAN 2023	7,000	3,460	12,701	-274	298,926	321,813
Comprehensive result:						
Net result for the period					11,281	11,281
Other items included in total comprehensive result:						
Translation differences			4,905			4,905
Total comprehensive result for the period			4,905		11,281	16,186
Direct entries to retained earnings					22	22
Transactions with shareholders						
Share Plan				343		343
Dividend distribution					-16,793	-16,793
Acquisition of treasury shares				-532		-532
Transactions with shareholders in total				-189	-16,793	-16,982
Other changes						
SHAREHOLDERS' EQUITY 30 SEP 2023	7,000	3,460	17,606	-463	293,436	321,039
SHAREHOLDERS' EQUITY						
1 JAN 2022	7,000	3,460	8,347	-2	278,462	297,267
Comprehensive result:						
Net result for the period					24,931	24,931
Other items included in total comprehensive result:						
Translation differences			15,384			15,384
Total comprehensive result for the period			15,384		24,931	40,315
Direct entries to retained earnings						
Transactions with shareholders						
Share Plan					47	47
Dividend distribution					-16,800	-16,800
Acquisition of treasury shares				-272		-272
Transactions with shareholders in total					-16,753	-16,753
Other changes						
SHAREHOLDERS' EQUITY 30 SEP 2022	7,000	3,460	23,731	-274	286,640	320,557

## NOTES TO THE RELEASE FOR THE INTERIM REPORT

The stock exchange release for the interim report has been prepared observing the recognition and valuation principles of IFRS, but some of the IAS 34 requirements have not been complied with. The same accounting principles were observed for the closing of the books as for the annual financial statements dated 31 December 2022, except for the IAS/IFRS standard and interpretation modifications that came into effect on January 1<sup>st</sup>, 2023. These interpretation and standard modifications haven't had a material impact on the interim report.

Ponsse has classified the Russian operations subject to trade as assets held for sale and reported them as discontinued operations. Unless otherwise specified, the figures presented in this interim report refer to continuing operations.

The above figures have not been audited.

The above figures have been rounded and may therefore differ from those given in the official financial statements.

Ponsse is preparing for the adoption of Pillar 2 minimum tax rules in the beginning of 2024 and will disclosure information about the impacts in 2023 financial statements according to IAS 12.

This communication includes future-oriented statements that are based on the assumptions currently made by the company's management and its current decisions and plans. Although the management believes that the future expectations are well founded, there is no certainty that these expectations will prove to be correct. This is why the results may significantly deviate from the assumptions included in the future-oriented statements as a result of, among other things, changes in the economy, markets, competitive conditions, legislation or currency exchange rates.

1. PROVISIONS (EUR 1,000)	Guarantee provision	Other provisions	Total
1 January 2023	4,164	6,483	10,647
Provisions added	482	16	498
Provisions cancelled	-691	0	-691
Exchange rate difference	0	405	405
30 September 2023	3,955	6,905	10,860

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

## 2. DISCONTINUED OPERATIONS

The sale of all Ponsse's shares in its Russian subsidiary, OOO Ponsse, to the Russian company, OOO Bison, came to a completion in September after the conditions of the transaction were met. As the trade received the approval of the local authorities on September 18<sup>th</sup>, 2023, it is considered the official date of the sale of Ponsse's Russian operations. On 15 June 2022, Ponsse had announced its intention to divest its operations in Russia, and on 28 June 2022, Ponsse informed that it had signed a deed of sale regarding all shares in OOO Ponsse. As a result of the sale, all facilities of OOO Ponsse, including spare parts warehouses and maintenance vehicles, as well as its personnel have been transferred to OOO Bison. Additionally, the deal included the Russian real-estate company, Ponsse Centre, that was 100% owned by OOO Ponsse. Ponsse has classified the traded functions as asset items available for sale and reported them as discontinued operations since its mid-year report

published in August 2022.

Because of the deal, Ponsse made a sales loss of EUR 12.3 million which includes a total of EUR 9.7 million in RUB/EUR translation difference. The transaction price is not made public due to contractual reasons. The sales price includes EUR 3 million receivable which is due in 18 months. The receivable has not been discounted in the interim report since its impact is not material. The deal's effect on the parent company's distributable reserves is EUR +14.9 million.

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

	1-9/23	1-9/22	1-12/22
NET SALES	3,576	28,269	32,561
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-17	-1,521	-1,992
Other operating income	534	218	496
Raw materials and services	-1,190	-16,111	-17,320
Expenditure on employment-related benefits	-1,019	-3,652	-4,246
Depreciation and amortisation	-68	-1,215	-1,182
Other operating expenses	-570	-2,649	-2,472
OPERATING PROFIT	1,247	3,340	5,844
Financial income and expenses	111	-2,423	-2,389
RESULT BEFORE TAXES	1,358	917	3,456
Income taxes	-194	-157	-526
NET RESULT FOR THE PERIOD	-1,164	760	2,930
Sales loss	-2,628	0	0
Translation difference	-9,669	0	0
NET RESULT FROM DISCONTINUED OPERATIONS	-11,133	760	2,930

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

	30 Sep 23
<b>SOLD ASSETS</b>	
Intangible assets	13
Property, plant and equipment	6,480
Deferred tax assets	370
Inventories	4,073
Trade receivables	3,480
Income tax receivables	-16
Other current receivables	1,420
Cash and cash equivalents	1,802
<b>SOLD ASSETS TOTAL</b>	<b>17,622</b>
<b>SOLD LIABILITIES</b>	
Interest-bearing liabilities	0
Deferred tax liabilities	10
Tax liabilities for the period	3
Trade creditors and other current liabilities	221
<b>SOLD LIABILITIES TOTAL</b>	<b>234</b>

KEY FIGURES AND RATIOS	30 Sep 23	30 Sep 22	31 Dec 22
R&D expenditure, MEUR	21.4	20.3	27.7
Capital expenditure, MEUR	27.6	28.8	41.9
as % of net sales	4.8	5.4	5.6
Average number of employees	2,106	2,024	2,016
Order books, MEUR	278.1	365.5	353.7
Equity ratio, %	54.8	56.7	55.0
Diluted and undiluted earnings per share (EUR), continuing operations	0.80	0.86	1.22
Diluted and undiluted earnings per share (EUR), discontinued operations	-0.40	0.03	0.10
Diluted and undiluted earnings per share (EUR)	0.40	0.89	1.33
Equity per share (EUR)	11.47	11.45	11.49
Order intake, MEUR	503.4	583.4	796.2

#### FORMULAE FOR FINANCIAL INDICATORS

Return on capital employed, % (including discontinued operations):  
Result before taxes + financial expenses

-----  
Shareholder's equity + interest-bearing financial liabilities (average during the year) \* 100

Average number of employees:

Average of the number of personnel at the end of each month from continuing operations. The calculation has been adjusted for part-time employees.

Net gearing, % (including discontinued operations):  
Interest-bearing financial liabilities – cash and cash equivalents

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Shareholders' equity \* 100

Equity ratio, % (including discontinued operations):  
Shareholders' equity + Non-controlling interests

-----  
Balance sheet total - advance payments received \* 100

Earnings per share, continuing operations:  
Net result from continuing operations for the period - Non-controlling interests

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

Earnings per share, discontinued operations:  
Net result from discontinued operations for the period - Non-controlling interests

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

Earnings per share (including discontinued operations):  
Net result for the period - Non-controlling interests

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

Equity per share (including discontinued operations):  
Shareholders' equity

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

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

Vieremä, 24 October 2023

PONSSE PLC

Juho Nummela  
President and CEO

#### FURTHER INFORMATION

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#### DISTRIBUTION

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

*The company was established by forest machine entrepreneur Einari Vidgren in 1970, and it has been a leader in timber harvesting solutions based on the cut-to-length method ever since. Ponsse is headquartered in Vieremä, Finland. The company's shares are quoted on the NASDAQ OMX Nordic List.*