PONSSE PLC, STOCK EXCHANGE RELEASE, 20 FEBRUARY 2024, 9:00 a.m.

PONSSE'S FINANCIAL STATEMENTS FOR 1 JANUARY – 31 DECEMBER 2023

October-December (continuing operations):
– Net sales amounted to EUR 242.8 (224.6) million
– Operating profit totalled EUR 13.8 (11.7) million, equalling 5.7 (5.2) per cent of net sales

January-December (continuing operations):
– Net sales amounted to EUR 821.8 (755.1) million
– Operating profit totalled EUR 47.2 (46.6) million, equalling 5.7 (6.2) per cent of net sales
– Net result was EUR 30.0 (34.2) million
– Earnings per share were EUR 1.07 (1.22)
– Order books stood at EUR 229.5 (353.7) million at the end of the financial year

– Cash flow from business operations was EUR 30.4 (-17.9) million (continuing and discontinued operations)
– Equity ratio was 53.3 (55.0) per cent at the end of the financial year (continuing and discontinued operations)

– 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 these financial statements refer to continuing operations.

– The Board of Directors´ dividend proposal is EUR 0.55 (0.60) per share.

– The company's euro-denominated operating profit in 2024 is expected to be on par with the operating profit in 2023 (EUR 47.2 million).

PRESIDENT AND CEO JUHO NUMMELA:

For Ponsse, the start of 2023 was driven by relatively strong order books. While the market situation looked fairly positive at the beginning of the year, the decreased outlook for the forest industry soon started to affect our customers' investment decisions.

While our order books for the second half of the year were weaker than in the comparison period, they increased slightly during the final quarter to EUR 194.2 million. At the end of the period, the company's order books stood at EUR 229.5 (353.7) million.

Forest machine markets were affected, on one hand, by uncertainties caused by inflation and rising interest rates and, on the other, by declining economies across the world. Difficulties in the key drivers of our operations – the sawmill and chemical forest industries – were rapidly reflected in forest machine sales. A decrease in purchasing power reduced private consumption and decelerated demand for sawn goods, board and pulp. Despite this, our customers were highly employed, and harvesting operations in Finland and Sweden in particular were running at high capacity.

Machines continued to be delivered normally from Ponsse's factory in Vieremä throughout the year. The availability of parts improved, reaching an excellent level at the end of the year. This resulted both from quieter general demand for equipment and machine manufacturing and from the measures we carried out in our supplier network. We modified our procurement strategy and built alternative procurement channels for critical components.

In 2023, our net sales increased to EUR 821.8 million, driven by the delivery of new machines and the positive situation in maintenance. The growth was 8.8 per cent. Eventually, our net sales for used machines also increased slightly from the comparison period. Our technology company Epec grew as planned.

The company's profitability decreased, with the operating profit rate being 5.7 (6.2) per cent. The loss of the Russian market had a significant impact and the difficulties of Ponsse Latin America Ltda, Ponsse's subsidiary in Brazil, continued. Ponsse reacted strongly to the situation of its Brazilian subsidiary, and the company is now heading in a better direction. The new Managing Director of Ponsse Latin America Ltda started at the beginning of February 2024. We expect the profitability of our Brazilian subsidiary to improve significantly in 2024.

The company's cash flow amounted to EUR 30.4 (-17.9) million in the period under review. We have been able to improve the efficiency of our working capital and especially release capital tied to material and accessory stocks. While the increase in used machine stocks calmed down towards the end of the period, the stocks increased significantly when examining the year as a whole.

Despite the challenges, 2023 was also full of successes. With festivities, we delivered the 19,000th and 20,000th PONSSE forest machines manufactured in Vieremä to our customers. Ponsse has grown rapidly. The PONSSE forest machine number 10,000 was completed in 2015 which means that the number of manufactured machines has doubled in only eight years.

Our investments in the development of new products are bearing fruit. During the year, the PONSSE Mammoth, a new addition to our forwarder range with a carrying capacity of 25 tonnes, the new PONSSE Scorpion Giant harvester and the PONSSE H8 harvester head all entered serial production. At the same time, we developed our existing product range to be more competitive. New product properties focused on operator ergonomics and remote connections, including the PONSSE Active Cabin suspension system, the rotating PONSSE Active Seat, and PONSSE Manager Satellite which enables satellite connections in forest machines. The productisation and testing of the PONSSE EV1, a forwarder equipped with an electric powertrain, proceeded as planned, and the second prototype of the concept was completed for customer testing at the end of 2023.

Ponsse is planning to update its operating model globally to strengthen its long-term competitiveness and profitability and provide even better customer services. The goal is to have a more global and scalable organisation and operating model. We are especially seeking to strengthen roles with customer responsibility in our sales and service network and planning to establish regional organisations to ensure both local and regional support. The global functions to be possibly established to support these regional organisations and a harmonisation of their operating methods would provide effective support for the success of our customer activities in the future. The planned measures could result in total annual savings of approximately EUR 10 million from 2026 onwards. The Group's Management Team is moving the planning and execution of these changes forward. They would affect our organisation globally, and any local negotiations with employee representatives will be held in accordance with the local legislation of each country. If the planned operating model is realised, the changes would enter into force at the beginning of June 2024. According to initial estimates, the planned measures could result in the reduction of approximately 120-140 jobs globally.

NET SALES

Consolidated net sales for the financial year amounted to EUR 821.8 (755.1) million, which is 8.8 per cent more than in the comparison period. International business operations accounted for 74.9 (79.1) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 44.4 (38.0) per cent, Central and Southern Europe 21.9 (21.4) per cent, North and South America 30.7 (36.5) per cent and other countries 3.0 (4.0) per cent.

	1-12/23	1-12/22
Net sales from continuing operations	821,800	755,123
Net sales from discontinued operations	3,576	32,561
Net sales total	825,376	787,684

PROFIT PERFORMANCE

The operating profit amounted to EUR 47.2 (46.6) million. The operating profit equalled 5.7 (6.2) per cent of net sales for the financial year.

	1-12/23	1-12/22
Operating profit from continuing operations	47,153	46,577
Operating profit from discontinued operations	1,247	5,844
Operating profit total	48,400	52,421

Consolidated return on capital employed (ROCE) stood at 8.9 (12.8) per cent.

Staff costs for the financial year totalled EUR 115.3 (107.9) million. Other operating expenses stood at EUR 95.6 (85.3) million. The operating profit includes a total of EUR -7.8 (-8.5) million that arise from an additions in a provision related to a loss-producing full service agreement of Ponsse Latin America Ltda and from changes in the net bookings of the Group's other provisions.

The net total of financial income and expenses amounted to EUR -4.5 (-3.5) million. The net total of financial income and expenses amounted to EUR -4.5 (-3.5) million. Exchange rate gains and losses due to currency rate fluctuations and interest swap appreciation were recognised under financial items, the former having a net impact of EUR 0.2 (-4.3) million and the latter a net impact of EUR -1.2 (3.1) million over the financial year. The parent company's receivables from subsidiaries stood at EUR 125.1 (77.9) million net. The receivables from subsidiaries mainly consist of trade receivables, for which the Group's effective tax rate is affected by unrecognised tax receivables that arise from unrealised exchange losses from unhedged items related to the valuation of trade receivables. The parent company has measured a net investment in Ponsse Latin America Ltda at fair value by recognizing, in the previous financial year, a credit loss provision of EUR 19.0 million in trade receivables, as the subsidiary's operational performance and liquidity have decreased.

Result for the financial year totalled EUR 30.0 (34.2) million. Diluted and undiluted earnings per share (EPS) came to EUR 1.07 (1.22).

STATEMENT OF FINANCIAL POSITION AND FINANCING ACTIVITIES

At the end of the financial year, the total consolidated statements of financial position amounted to EUR 606.0 (588.6) million. Inventories stood at EUR 240.8 (229,6) million. Trade receivables totalled EUR 69.1 (62.3) million, while cash and cash equivalents stood at EUR 74.0 (73.5) million. Group shareholders' equity stood at EUR 321.8 (321.8) million and parent company shareholders' equity (FAS) at EUR 278.9 (233.5) million. The amount of interest-bearing liabilities was EUR 119.5 (96.3) 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 45.5 (19.8) million, and the debt-equity ratio (net gearing) was 14.1 (6.1) per cent. The equity ratio stood at 53.5 (55.0) per cent at the end of the financial year.

Cash flow from operating activities amounted to EUR 30.4 (-17.9) million. Cash flow from investment activities came to EUR -36.1 (-46.8) million.

ORDER INTAKE AND ORDER BOOKS

Order intake for the financial year totaled EUR 697.6 (796.2) million, while financial year-end order books were valued at EUR 229.5 (353.7) million.

DISTRIBUTION NETWORK AND GROUP STRUCTURE

The subsidiaries included in the Ponsse Group are Ponsse AB, Sweden; Ponsse AS, Norway; Ponssé S.A.S., France; Ponsse UK Ltd, the United Kingdom; Ponsse Machines Ireland Ltd, Ireland, Ponsse North America, Inc., the United States; Ponsse Latin America Ltda, Brazil; Ponsse Uruguay S.A., Uruguay; 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, Sunit Oy in Finland, which is Ponsse Plc's associate with a holding of 34 per cent, and Bram Engineers B.V. in the Netherlands, which was acquired by Epec Oy on 11 November 2023.

ACQUISITIONS AND SALES OF OPERATIONS

On 18 September 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 7 August 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.

On 1 November 2023, Epec Oy, a technology company belonging to the Ponsse Group, has acquired the Dutch company Bram Engineers B.V. The acquisition will enable the company to offer customers products and product development services related to software, electrification, autonomous systems, and control systems on a larger scale. Goodwill of EUR 1.0 million was recognized in the consolidated balance sheet.

R&D AND CAPITAL EXPENDITURE

Group's R&D expenses during the financial year totalled EUR 29.5 (27.7) million, of which EUR 11.9

(12.7) million was capitalised.

Investments during the financial year totalled EUR 35.9 (41.9) million. In addition to capitalised R&D expenses, they consisted of investments in buildings and ordinary maintenance and replacement investments for machinery and equipment.

ANNUAL GENERAL MEETING 2023

Annual General Meeting was held in Vieremä, Finland 12 April 2023. 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 2022 financial period. In addition to the election of the Board of Directors and the auditor, and the approval of the payment of the staff profit bonus, the remuneration report, and the remuneration of the Board of Directors, the AGM adopted the following resolutions.

The AGM decided to authorize the Board of Directors to decide to repurchase a maximum of 250,000 treasury shares with the company's unrestricted shareholders' equity, which corresponds to approximately 0.89 per cent of company's total shares. The shares may be acquired through public trading at the market price of the company's share at the time of the acquisition or outside public trading for a price which at most corresponds to the market price in public trading at the time of the acquisition. The authorization includes the right to decide how to acquire treasury shares. Under the authorization, treasury shares may also be repurchased in other proportions than that of the shares held by the shareholders (directed repurchase). The decision to repurchase treasury shares under the authorization may not be taken in such a way that the total number of treasury shares held by the company and its subsidiaries would exceed 10% of the total number of shares. The authorization revokes the authorization granted to the Board of Directors by the AGM on 7 April 2022 and is valid until the closing of the next Annual General Meeting; however no longer than until 30 June 2024.

The AGM authorized the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares in one of more tranches as laid down in chapter 10, section 1 of the Finnish Companies Act. The number of shares to be issued based on the authorization may, in one or more instalments, amount to a maximum of 250,000 shares (including shares issued based on options or special rights), corresponding to approximately 0.89 per cent of all the shares in the company. The Board of Directors will decide on the terms and conditions of the issuance of shares, options and other special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance and transfer of shares, options and other special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive right (directed issue). Under the authorization, the Board of Directors may also decide on a share issue to the company itself. The authorization revokes the authorization granted to the Board of Directors by the AGM on 7 April 2022 to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares. The authorization is valid until the closing of the next Annual General Meeting; however no longer than until 30 June 2024.

The AGM resolved to amend the Articles of Association by modifying Section 9 and adding a new Section 11 so that it enables the general meetings to be held elsewhere than the company's registered domicile and to be held entirely without a meeting venue, so-called remote meeting, if the Board of Directors so decides.

BOARD OF DIRECTORS AND THE COMPANY'S AUDITORS

Jarmo Vidgren acted as Chairman of the Board and Mammu Kaario as Vice Chairman of the Board. Members of the Board were Matti Kylävainio, Ilpo Marjamaa, Juha Vanhainen, Jukka Vidgren, and Terhi Koipijärvi.

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

The Board of Directors convened eleven times during the financial year. The attendance rate was 94.9 percent.

During the financial year, KPMG Oy Ab acted as the company auditor with Ari Eskelinen, Authorized 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, Chief Financial Officer; Juha Inberg, Chief R&D and Technology Officer; Tiina Kautonen, Chief Human Resources Officer; Marko Mattila, Chief Sales, Service and Marketing Officer; Tapio Mertanen, Service Director; Katja Paananen, Chief Responsibility Officer; Miika Soininen, Chief Digital Officer and Tommi Väänänen, Chief Operations Officer. The company management has a regular management liability insurance.

The international PONSSE service network is led by Marko Mattila, Chief, Sales, Service and Marketing Officer, and Tapio Mertanen, Service Director. 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 (Estonia, Latvia and Lithuania).

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, until 29 Jan 2024),
Janne Loponen (Brazil, from 1 Feb 2024) 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 (2,016) during the financial year and employed 2,110 (1,988) people at financial year-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 financial year, the cost effect of the share-based incentive plans was approximately EUR 0.7 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 – 31 December 2023 totalled 788,385, accounting for 2.82 per cent of the total number of shares. Share turnover amounted to EUR 21.1 million, with the financial year's lowest and highest share prices amounting to EUR 21.75 and EUR 35.00, respectively.

At the end of the financial year, shares closed at EUR 22.60, and market capitalisation totalled EUR 632.8 million.

At the end of the financial year, the company held 23,562 treasury shares.

SUSTAINABILITY

We have defined our key sustainability goals, the realisation of which we promote through annual, activity-specific targets and actions as part of the company's strategy process. We want to promote the well-being of our people, innovate sustainable solutions that respect nature, develop our operations while considering the natural environment, and be a trusted partner for whom communality is an asset.

In 2023, we launched a development project to strengthen our readiness to meet the requirements of the EU Sustainability Reporting Directive (CSRD), which came into force at the beginning of 2024. During 2023, we carried out a human rights impact assessment and started work on a double materiality assessment, which will be completed by the end of February 2024. An ESG Controller specialising in sustainability reporting also started at the company.

In the company's first human rights impact assessment, we examined and described a process related to Human Rights Due Diligence. As a baseline, we assessed the human rights impacts and risks of Ponsse's operations and specified the key human rights issues and standards in the value chain (Human Rights Impact Assessment). The areas for improvement were assessed taking into account the four key groups of people in the company's human rights responsibility: 1) our work community, 2) customers and end-users, 3) supply chain employees, and 4) people in the surrounding areas and communities.

In the double materiality assessment, we identify and prioritise the key economic, social and environmental sustainability issues that have the greatest impact and strategic value for our operations, both in the short and long term. The material impacts, risks and opportunities identified in the assessment form the basis for Ponsse's 2024 sustainability reporting.

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 the Sustainability and Investors drop-down menus.

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 global geopolitical situation, sudden economic fluctuations, and to the interest rate level that has remained high. The geopolitical situation increases uncertainty through financial market operability, sanctions, and growing cybersecurity threats.

The risks in the financial market may also increase the volatility of developing countries' foreign exchange markets. The continued instability of the world economy and growing financing costs may also reduce demand for forest machines. Additionally, if the political strikes in Finland continue, Ponsse could suffer significant financial losses. These financial risks relate in particular to the functionality of the production and supply chains.

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 and liquidity have remained strong due to binding credit limit facilities agreed with several financial institutions. The effect of adverse changes in interest rates is minimized by utilizing credit linked to different reference rates and by concluding interest rate swaps. The effects of currency rate fluctuations are partly mitigated through derivative contracts.

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.

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. Global supply chain disruptions can make it more difficult to manage PONSSE forest machine production schedules and it may tie up more capital in the company's supply chain and increase the risks related to working capital management.

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

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 utilizes 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 date of the financial statements.

Trade receivables
On the date of the financial statements, the Group recognizes 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 recognizing provision for expected credit losses.

Inventories
On the date of the financial statements, the Group recognizes 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 realized guarantee expenses and on failure history recorded in the previous years. In addition, company may prepare provision for possible individual warranty obligations, if needed.

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

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

Deferred 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 recognized as the result of the differences. The possibilities of utilizing a deferred tax asset are estimated and adjusted to the extent that the possibility of utilization is unlikely.

Goodwill
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.

OUTLOOK FOR THE FUTURE

The company's euro-denominated operating profit in 2024 is expected to be on par with the operating profit in 2023 (EUR 47.2 million).

Due to the uncertainty in the markets, the company will consider carefully its investments, continues to monitor its costs, and develops its operative model in order to improve competitiveness. The company monitors changes both 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

Janne Loponen has been appointed as the new Managing Director of Ponsse Latin America Ltda, effective 1 February 2024. Janne Loponen will be based in Brazil and will report to Marko Mattila, Chief Sales, Service & Marketing Officer of the Ponsse Group. Fernando Campos Passos, the former Managing Director of Ponsse Latin America Ltda, held the position since 2018.

Ponsse has published a press release on 20 February 2024, in which it tells the plans to update its operating model globally to strengthen its long-term competitiveness and profitability and provide even better customer services. The Group's Management Team is moving the planning and execution of these changes forward. They would affect our organisation globally, and any local negotiations with employee representatives will be held in accordance with the local legislation of each country. If the planned operating model is realised, the changes would enter into force at the beginning of June 2024. The planned measures could result in total annual savings of approximately EUR 10 million from 2026 onwards. According to initial estimates, the planned measures could result in the reduction of approximately 120-140 jobs globally.

There are no other known events after the end of the reporting period that would require either adjustments to the information presented for the financial year or disclosure of additional information.

ANNUAL GENERAL MEETING 2024

Ponsse Plc's Annual General Meeting will be held on 9 April 2024, starting at 11:00 a.m. at a place and in a way that are to be announced.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFIT

The parent company Ponsse Plc had 231,603,128.02 euros of distributable funds on 31 December 2023.

The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.55 per share shall be paid for the year 2023. The company's Board of Directors proposes to the Annual General Meeting that a profit bonus of at most EUR 100 per person per working month shall be paid for 2023 to the personnel employed by the Group.

PONSSE GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)

	1-12/23	1-12/22
NET SALES	821,800	755,123
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-3,545	33,633
Other operating income	5,593	3,677
Raw materials and services	-534,497	-525,040
Expenditure on employment-related benefits	-115,262	-107,873
Depreciation and amortisation	-31,337	-27,671
Other operating expenses	-95,599	-85,270
OPERATING PROFIT	47,153	46,577
Share of results of associated companies	255	147
Financial income and expenses	-4,459	-3,504
RESULT BEFORE TAXES	42,949	43,219
Income taxes	-12,924	-9,037
NET RESULT FROM THE CONTINUING OPERATIONS	30,026	34,182
Net result from the discontinued operations	-11,149	2,930
NET RESULT FOR THE PERIOD	18,877	37,113
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:		
Translation differences related to foreign units	3,001	4,354
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	21,878	41,467
Diluted and undiluted earnings per share from continuing operations	1.07	1.22
Diluted and undiluted earnings per share from discontinued operations	-0.40	0.10
Diluted and undiluted earnings per share	0.67	1.33

	10-12/23	10-12/22
NET SALES	242,790	224,607
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-19,137	-3,367
Other operating income	1,786	1,335
Raw materials and services	-141,447	-145,225
Expenditure on employment-related benefits	-29,265	-28,744
Depreciation and amortisation	-7,960	-7,323
Other operating expenses	-32,975	-29,594
OPERATING PROFIT	13,792	11,689
Share of results of associated companies	10	38
Financial income and expenses	-2,953	-1,267
RESULT BEFORE TAXES	10,849	10,460
Income taxes	-3,237	-448
NET RESULT FROM THE CONTINUING OPERATIONS	7,612	10,012

Net result from the discontinued operations	-16	2,170
NET RESULT FOR THE PERIOD	-7,596	12,182
OTHER ITEMS INCLUDED IN TOTAL COMPREHENSIVE RESULT:		
Translation differences related to foreign units	1,905	-11,079
TOTAL COMPREHENSIVE RESULT FOR THE PERIOD	5,691	1,103
Diluted and undiluted earnings per share from continuing operations	0.27	0.36
Diluted and undiluted earnings per share from discontinued operations	0.00	0.08
Diluted and undiluted earnings per share	0.27	0.44

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)

ASSETS	31 Dec 23	31 Dec 22
NON-CURRENT ASSETS		
Intangible assets	52,736	49,583
Goodwill	6,698	5,707
Property, plant and equipment	119,017	114,732
Financial assets	374	375
Investments in associated companies	1,067	881
Non-current receivables	3,229	63
Deferred tax assets	8,446	4,422
TOTAL NON-CURRENT ASSETS	191,569	175,763
CURRENT ASSETS		
Inventories	240,837	229,648
Trade receivables	69,129	62,305
Income tax receivables	1,249	1,013
Other current receivables	29,225	24,817
Cash and cash equivalents	74,002	73,451
TOTAL CURRENT ASSETS	414,443	391,234
Assets related to assets held for sale	0	21,650
TOTAL ASSETS	606,011	588,648
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	7,000	7,000
Other reserves	3,460	3,460
Translation differences	15,702	12,701
Treasury shares	-463	-274
Retained earnings	296,101	298,926
EQUITY OWNED BY PARENT COMPANY SHAREHOLDERS	321,799	321,813
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	66,637	42,484
Deferred tax liabilities	1,120	942
Other non-current liabilities	6,284	81
TOTAL NON-CURRENT LIABILITIES	74,041	43,507
CURRENT LIABILITIES		
Interest-bearing liabilities	52,816	53,804
Provisions	14,690	10,647
Tax liabilities for the period	1,257	4,664
Trade creditors and other current liabilities	141,407	153,476
TOTAL CURRENT LIABILITIES	210,171	222,591
Liabilities related to assets held for sale	0	738
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	606,011	588,648

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

	1-12/23	1-12/22
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net result for the period	18,877	37,113
Adjustments:		
Financial income and expenses	16,647	5,893
Change in provisions	3,677	6,291
Share of the result of associated companies	-255	-147
Depreciation and amortisation	31,402	28,853
Income taxes	13,115	9,562
Other adjustments	1,304	-3,753
Cash flow before changes in working capital	84,767	83,812
Change in working capital:		
Change in trade receivables and other receivables	-17,531	-21,858
Change in inventories	-10,166	-67,087
Change in trade creditors and other liabilities	-4,451	-4,173
Interest received	960	309
Interest paid	-3,927	-1,627
Other financial items	-294	600
Income taxes paid	-18,966	-7,921
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)	30,391	-17,945
CASH FLOWS USED IN INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-35,892	-41,917
Proceeds from sale of tangible and intangible assets	1,282	612
Acquisition of subsidiaries*	-1,458	-5,516
NET CASH FLOWS USED IN INVESTMENT ACTIVITIES (B)	-36,068	-46,821
CASH FLOWS FROM FINANCING ACTIVITIES		
Withdrawal/Repayment of current loans	14,121	29,575
Withdrawal of non-current loans	10,000	11,170
Withdrawal/Repayment of finance lease liabilities	-4,066	-3,755
Dividends paid	-16,794	-16,800
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)	3,261	20,191
Change in cash and cash equivalents (A+B+C)	-2,416	-44,575
Cash and cash equivalents on 1 Jan	76,545	120,900
Impact of exchange rate changes	-127	220
Cash and cash equivalents on 30Sep/31 Dec	74,002	76,545

*) In the 2022 period, 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. In the 2023 period, acquisition of Bram Engineers B.V. the Netherlands.

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
Correction for previous periods**)					-4,962	-4,962
Corrected shareholders' equity 1 JAN 2023	7,000	3,460	12,701	-274	293,964	316,851
Comprehensive result:						
Net result for the period					18,877	18,877
Other items included in total comprehensive result:						
Translation differences			3,001			3,001
Total comprehensive result for the period			3,001		18,877	21,878
Direct entries to retained earnings					54	54
Transactions with shareholders						
Share Plan				343		343
Dividend distribution					-16,794	-16,794
Acquisition of treasury shares				-532		-532
Transactions with shareholders in total				-189	-16,794	-16,983
SHAREHOLDERS' EQUITY 31 DEC 2023	7,000	3,460	15,702	-463	296,101	321,799
SHAREHOLDERS' EQUITY 1 JAN 2022	7,000	3,460	8,347	-2	278,462	297,267
Comprehensive result:						
Net result for the period					37,113	37,113
Other items included in total comprehensive result:						
Translation differences			4,353			4,353
Total comprehensive result for the period			4,353		37,113	41,466
Direct entries to retained earnings					89	89
Transactions with shareholders						
Share Plan					63	63
Dividend distribution					-16,800	-16,800
Acquisition of treasury shares				-272		-272
Transactions with shareholders in total				-272	-16,737	-17,009

SHAREHOLDERS' EQUITY 31 DEC 2022	7,000	3,460	12,701	-274	298,926	321,813

*) Treasury shares procured for incentive schemes; further details are included in the financial statements.
**) Correction related to defined benefit plans; further details are included in the financial statements.

NOTES TO THE RELEASE FOR THE ANNUAL FINANCIAL STATEMENTS

The stock exchange release for the financial statements has been prepared in accordance with the recognition and valuation principles of IFRS and the requirements of IAS 34 have been followed in its preparation. The financial statements have been prepared applying the same accounting principles as for the annual financial statements dated 31 December 2022, except for the IAS/IFRS standard and interpretation modifications that came into effect on 1January 2023. These interpretation and standard modifications haven't had a material impact on the financial statements. Ponsse has changed its reporting during the financial year to present other long-term employee benefits in accordance with IAS 19.

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 the financial statements refer to continuing operations.

The release's figures have not been audited.

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

Ponsse is preparing for the implementation of the Pillar 2 minimum tax rules from the beginning of 2024 and is currently assessing its impact.

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. SEGMENT INFORMATION (EUR 1,000)

The Group has operating segments based on a geographical division of regions. The operating segments are based on reporting used by the Group Management Team in operational decision-making. The group has changed its segmentation, when the operations in Russia were classified as discontinued operations and assets held for sale in accordance with the IFRS 5 standard and were no more included in the numbers for continuing operations.

OPERATING SEGMENTS

1-12/2023	Northern Europe	Central and Southern Europe	North and South America	Other countries	Total
Net sales of the segments	549,224	183,087	255,780	25,145	1,013,236
Revenues between segments	-184,587	-2,820	-3,680	-349	-191,436
NET SALES FROM EXTERNAL CUSTOMERS	364,636	180,268	252,100	24,796	821,800
Operating result of the segment	9,170	23,943	10,649	4,546	48,308
Unallocated items					-1,154
OPERATING RESULT	9,170	23,943	10,649	4,546	47,153

DEPRECIATION AND AMORTISATION	26,512	943	3,701	181	31,337

OPERATING SEGMENTS

1-12/2022	Northern Europe	Central and Southern Europe	North and South America	Other countries	Total
Net sales of the segments	468,889	166,662	279,138	30,877	943,565
Revenues between segments	-179,838	-4,856	-3,422	-327	-188,443
NET SALES FROM EXTERNAL CUSTOMERS	287,052	161,806	275,715	30,549	755,123
Operating result of the segment	-1,399	18,284	22,740	4,777	44,403
Unallocated items					2,174
OPERATING RESULT	-1,399	18,284	22,740	4,777	46,577
DEPRECIATION AND AMORTISATION	23,180	927	3,357	207	27,671

	31 Dec 23	31 Dec 22
2. LEASING COMMITMENTS (EUR 1,000)	964	1047

3. CONTINGENT LIABILITIES (EUR 1,000)	31 Dec 23	31 Dec 22
Guarantees given on behalf of others	0	0
Responsibility of checking the VAT deductions made on real property investments	5,349	6,100
Other commitments	139	200
TOTAL	5,488	6,300

4. PROVISIONS (EUR 1,000)	Guarantee provision	Other provisions	Total
1 January 2023	4,164	6,483	10,647
Provisions added	922	4,147	5,069
Provisions cancelled	-691	0	-691
Exchange rate difference	0	-335	-335
31 December 2023	4,395	10,295	14,690

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

5. 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 18 September 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 annual financial statements 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 Jan - 18 Sep 23	1 Jan - 31 Dec 22
NET SALES	3,576	32,561
Increase (+)/decrease (-) in inventories of finished goods and work in progress	-17	-1,992
Other operating income	534	496
Raw materials and services	-1,190	-17,320
Expenditure on employment-related benefits	-1,019	-4,246
Depreciation and amortisation	-68	-1,182
Other operating expenses	-570	-2,472
OPERATING PROFIT	1,247	5,844
Financial income and expenses	95	-2,389
RESULT BEFORE TAXES	1,342	3,456
Income taxes	-194	-526
NET RESULT FOR THE PERIOD	1,148	2,930
Sales loss	-2,628	0
Translation difference	-9,669	0
NET RESULT FROM DISCONTINUED OPERATIONS	11,149	2,930

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

	18 Sep 23
SOLD ASSETS	
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
SOLD ASSETS TOTAL	17,622
SOLD LIABILITIES	
Interest-bearing liabilities	0
Deferred tax liabilities	10
Tax liabilities for the period	3

Trade creditors and other current liabilities	221
SOLD LIABILITIES TOTAL	234

KEY FIGURES AND RATIOS	31 Dec 23	31 Dec 22
R&D expenditure, MEUR	29.5	27.7
Capital expenditure, MEUR	35.9	41.9
as % of net sales	4.4	5.6
Average number of employees	2,106	2,016
Order books, MEUR	229.5	353.7
Equity ratio, %	53.3	55.0
Diluted and undiluted earnings per share (EUR), continuing operations	1.07	1.22
Diluted and undiluted earnings per share (EUR), discontinued operations	-0.40	0.10
Diluted and undiluted earnings per share (EUR)	0.67	1.33
Equity per share (EUR)	11.49	11.49
Order intake, MEUR	697.6	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
----
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, 20 February 2024

PONSSE PLC

Juho Nummela
President and CEO

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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.