



# 2013

ANNUAL REPORT

## FROM A HAND-HELD SAW TO THE SMARTEST HARVESTER TECHNOLOGY IN THE FOREST

*Ponsse was born from a forest machine entrepreneur's dream. Machine entrepreneur Einari Vidgrén built the first forest machine himself when the existing machines did not last in heavy-duty use. Since then, Ponsse has been a pioneer in Nordic cut-to-length wood harvesting. Today, the family company is one of the world's leading forest machine manufacturers with experience gained from more than 9,000 forest machines, and its customer-oriented operations are still guided by the wishes and needs of forest machine entrepreneurs.*

**EINARI VIDGRÉN, THE FOUNDER** of the company, was born into a small farmer's family in Northern Savo. He started working at logging sites with his father in 1957, when he was just 14. At the age of 27, Vidgrén – who had started harvesting with a hand-held saw – was already employing 25 loggers, which made him one of Finland's major machine entrepreneurs. However, the machines suffered from durability problems, and in 1969 Vidgrén developed Ponsse Dino, a load-carrying forest tractor, in a local village workshop. He named the forwarder Ponsse, after a crossbreed harrier dog that roamed the village.

Ponsse Dino was first used at the Tehdaspuu (UPM) logging site, and after a year of use Tehdaspuu asked for more equally durable forwarders. This feedback encouraged Vidgrén to establish a forest machine factory in Vieremä. By a one-vote majority, the municipal council decided to build a factory hall, and Ponsse Oy was established in 1970. The first PONSSE machine intended for serial production was a PAZ forwarder. During the first decade, a total of 50 PAZ forwarders were manufactured.



**1980** A breakthrough in the evolution of forest machines takes place in the 1980s. In 1980, Ponsse introduces a new heavy duty S20 forwarder. In three years, approximately fifty S20s are manufactured. As mechanical harvesting increases, people start to pay attention to the marks left by the heavy forest machines in the forest. The demand is for machines that would be lighter and more friendly to the terrain.

**1983** Ponsse's breakthrough into the Finnish forest machine market takes place with an aluminium-framed S15 forwarder. Its cross-terrain performance is in a class of its own, and the marks it leaves on the soil are slight compared with its competitors. The machine only weighs 10 tonnes, although its carrying capacity is 12 tonnes, and its tractive force is in the category of large machines at 14 tonnes. The S15 can also operate on soil with poor load-bearing capacity, and it soon supersedes the S20 model.

**1986** The product family expands from forwarders to harvesting machines when the first harvester head H520 is introduced in 1986, followed by the new H60 right at the end of the same year. Ponsse purchases the measuring devices needed to control the harvester heads from Kajaanin Automatiikka Oy. The very first machine with a functioning diameter measuring device is delivered to contractor Voitto Muikku in Puolanka in the spring of 1986.

**1987** Ponsse introduces its first harvester model, the PONSSE HS15, in 1987 with a new HN125 sliding boom crane. Ponsse's first measuring devices designed for harvesters are introduced in 1988. Since then, the company has itself developed information system products related to forest machines. In 1990, Kajaani 2000, a computer-based loader control system, leads the way in the R&D of forest machine control systems.

**1992** Ponsse introduces a lightweight eight-wheel forest machine chain, the HS10 harvester and the S10 forwarder. Einari receives the Finnish National Inventor Prize awarded by the Ministry of Trade and Industry, in recognition of his persistent work in forest machine development. S10 is the first PONSSE machine with hydrostatic transmission.



**1993** Kajaanin Automatiikka Oy, which designs and manufactures information system products, merges with Ponsse. Ponsse is the world's first forest machine manufacturer to have a PC-based measuring device system, PONSSE Opti.

**1994** Finnish quality is rewarded when Ponsse becomes the first ISO 9001-certified forest machine manufacturer in the world.

**1995** The first model of the legendary PONSSE Ergo, the Ergo HS15 equipped with active damping and double-circuit hydraulics, is introduced into production.

**2000** The 2001 product family with Mercedes-Benz engines is launched at Ponsse's 30th anniversary party. The latest addition to the product family is the Beaver harvester. At the same time, the company launches OptiControl, a digital control system created as a result of Ponsse's own development work.

**2005** The first debarking PONSSE harvester heads for harvesting eucalyptus.

**2006** The PONSSE crane range is supplemented with parallel cranes.

**2008** Ponsse patents a ten-wheel forwarder model for harvesting in soft terrains.

**2009** Ponsse introduces PONSSE Fox and PONSSE Ergo 8w, eight-wheel harvesters for harvesting in soft terrain and steep slopes. With the H model series, all PONSSE harvester heads include a multi-stemming feature for harvesting energy wood and small-diameter industrial wood.

**2012** PONSSE ElephantKing is the first cut-to-length forest machine to reach the new 24-tonne carrying capacity category. The ergonomic PONSSE Comfort user interface is introduced into production.

**2013** The new generation PONSSE Scorpion harvester is released to market. Scorpion represents the greatest step forward in the development of forest machines for more than two decades. Its ergonomics and productivity are in a class of its own.



*We continue to follow the path cleared by Einari: "We manufacture the best forest machines in the world."*

## THE YEAR 2013 IN BRIEF

The year 2013 was two-fold. We started the year with a weak order book and had to adjust our operations until the end of the second quarter. There was a significant change for the better in the demand for forest machines during the third quarter. Our order books grew during the latter half of the year, and were valued at EUR 99.8 (41.8) million at the end of the year, or 138 per cent higher compared to the previous year. Thanks to the strong order book, our Vieremä factory was able to manufacture forest machines at almost full capacity towards the end of the year.

Our customers were well employed in most of our markets, as the demand for wood was good. In addition to sales of new machines, this had a positive effect on our after sales service and trade-in machine business as well.

Our business operations were driven by our strongly reformed and competitive product range and after sales service portfolio. Our net sales

almost reached the level of the previous year, amounting to EUR 312.8 million in spite of the lower volume of machines. Global forest machine sales were still slightly over one-third lower than during the peak year 2008. However, our manufacturing volumes are almost at the same level, which means that our market shares have grown. In 2013, a positive trend was visible in the Russian and North American markets in particular.

The year 2013 was strongly marked by technological pioneering in the development of forest machine technology. Following our eight-wheeled new harvesters, we launched the PONSSE Scorpion in June 2013, and its reception exceeded all of our expectations. PONSSE Scorpion is a next-generation forest machine, and Ponsse employees and our customers have contributed to its development and commercialisation extensively. Hard work is done for new innovations, and it has paid off.

KEY FIGURES	IFRS 2013	IFRS 2012
Order intake, M€	371,0	285,9
Order books, M€	99,8	41,8
Net sales, M€	312,8	314,8
Operating result, M€	22,5	24,5
Operating result as % of net sales	7,2	7,8
Cash flow from business operations, M€	38,5	13,3
Result of the financial period, M€	9,1	13,9
Interest-bearing net liabilities, M€	48,3	42,1
Equity ratio, %	36,5	45,1

### STOCK EXCHANGE RELEASES IN 2013

- 19.2. Ponsse's Financial Statements for 1 January – 31 December 2012
- 19.2. Ponsse to settle its hybrid loan as planned
- 22.3. Notice of Annual General Meeting
- 25.3. Ponsse Plc of Annual Report for 2012 published
- 16.4. Decisions of Ponsse Plc's Annual General Meeting
- 23.4. Ponsse's Interim Report for 1 January – 31 March 2013
- 7.5. Change in the operative management of Ponsse Plc
- 6.8. Ponsse's Interim Report for January – 30 June 2013
- 7.8. Tommi Väänänen appointed Purchasing Director of Ponsse Plc
- 22.10. Ponsse's Interim Report for 1 January – 30 September 2013
- 21.11. Ponsse Plc's financial reporting and Annual General Meeting in 2014



## CONTENTS

- 3 Mission, vision and values
- 3 Operating policy  
ISO 9001: 2008 and  
ISO 14001: 2004
- 5 Review by the chairman  
of the board and the president  
and CEO
- 6 Market review
- 8 Ponsse's year 2013

- 10 Product range
- 14 Environment
- 16 Services
- 18 Production

- 20 Board of directors
- 22 Management team
- 23 Area directors and sub-  
sidiary managing directors
- 24 Corporate governance code
- 30 Information for shareholders

- 32 Board of Directors' report
- 38 Consolidated financial  
statements (IFRS)
- 76 Parent company's  
financial statements (FAS)
- 88 Share capital and shares
- 92 Board of Directors' proposal  
for the disposal of profit
- 93 Auditor's report
- 94 Contacts



## MISSION, VISION & VALUES

### MISSION

*We will succeed together with our customers and partners through innovative harvesting solutions based on sustainable development.*

### VISION

*We are the preferred partner in our industry.*

### VALUES

HONESTY	INNOVATION	PONSSE SPIRIT	CLOSENESS TO THE CUSTOMER
<ul style="list-style-type: none"> <li>• We are honest and work with high ethics</li> <li>• Reliability</li> <li>• We keep sincerely what we have promised and we do not give any false promises</li> <li>• Openness</li> </ul>	<ul style="list-style-type: none"> <li>• We pursue for continuous improvement of products and services as well as processes</li> <li>• We are initiative and open-minded</li> <li>• Change is always an opportunity</li> </ul>	<ul style="list-style-type: none"> <li>• Modesty and humble minds before work</li> <li>• Willingness to succeed and entrepreneurship</li> <li>• Capability in decision-making</li> <li>• Refusing to compromise in achieving goals</li> <li>• Common responsibility for the success of our business</li> <li>• We maintain good humour and fair play</li> <li>• Recognition and appreciation of our human resources and good communication</li> <li>• Helping our own colleagues and taking others into consideration</li> </ul>	<ul style="list-style-type: none"> <li>• A real interest of the customer</li> <li>• Knowing the business of the customer</li> <li>• Good reachability and fast reaction</li> <li>• Willingness to serve and good support for the customer</li> <li>• Flat organisation</li> </ul>

### OPERATING POLICY ISO 9001: 2008 AND ISO 14001:2004

We develop, manufacture and market reliable and high-quality cut-to-length forest machines and information technology related to harvesting, and we produce services required in their effective utilization based on sustainable development. We constantly fulfil the expectations of our customer with our high quality products, services and operations. We offer our customer solutions that are suitable for natural environments and we are committed to developing our products and services considering the environmental aspects. According to our customer-oriented operat-

ing method, we listen to and understand our customers and respect their opinions. The quality and environmentally friendly products, services and operations are our common goals. All Ponsse employees participate in the realization and development of quality with their own work, and pay attention to the environmental effects of their actions. We follow the legislation related to our operations. We only deliver products and services that meet our quality criteria. The basis of development in our quality and environmental matters are a skilful and motivated per-

sonnel and profitable business operations. We set goals to our operations. We measure and audit our operations and react effectively to deviations. This way we can ensure our competitiveness also in the future. Ponsse Plc's management is committed to realizing our operating policy and ensuring that our policy is communicated to the personnel. With sufficient training we will ensure that our operating policy is understood by the whole group.



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

*The year 2013 was very two-fold. The slowing down of the forest machine market towards the end of 2012 caused problems in early 2013 as well, and our year began with weak order books. We had to adjust our operations until the end of the second quarter. However, after the uncertainty of the first months, the year turned for the better during the spring, and the improved order flow made it possible for the factory to return to two shifts at the beginning of June. There was a rapid turn for the better in the market after the summer, which ensured the full employment of the factory and even capacity increase. Our order books recovered quickly, and we were again able to employ our personnel in full.*

**I**N SPITE OF the uncertain situations, our customers have had enough work in almost all markets. With regard to our market areas, the positive trend in Russia, South America and North America was reflected in the sales of new machines as well as increasing after sales services business. A significant factor contributing to the situation was the recovery of construction of detached houses in North America. This was reflected both as a change in sawn timber flows and improving employment situation for our customers in several markets. In South America, our success was associated with securing new customer accounts and strong reform of after sales services. The problems in Europe continued further, and the Swedish and Central European markets in particular remained relatively small. The Finnish overall market was almost on a par with the previous year.

In spite of the year being very two-fold by nature, Ponsse's net sales and operating profit almost reached the level of the previous years, even with a lower volume of machines. This was a significant achievement, considering the very uncertain situation early in the year.

After coping with the extremely challenging financial situation early in the year, the remainder of the year was considerably more straightforward. The net sales of after sales services continued to

grow at a steady rate, thanks to growth in the machine stock and after sales service contracts of new major customers. The demand for trade-in machines was good throughout the year, and the decrease in the trade-in machine stock had a positive impact on our cash flows towards the end of the year. Our active sales efforts succeeded both in Finland and abroad, and we were able to report acceptable financial figures towards the end of the year.

Cash flow from operations was excellent, and we were also able to improve our profitability, capital turnover and gearing. We also consider the repayment of the hybrid loan and the improvement of our equity ratio towards the end of the year a significant thing.

Our investments also continued in 2013, but they focused mainly on the completion of investments started in previous years. The focus of the investments was on after sales services and product development. We launched the new PONSSE Scorpion harvester at the Elmia Wood fair in Sweden in June. Introducing the new product, technology and new innovative solutions met an extremely favourable reception among our customers. The finalisation of Scorpion continued until the very end of the year, and Scorpion entered serial production in early 2014. The planned manufacturing quantity of Scorpion for 2014 was sold out already during 2013, which is very illustrative of how successful the product is. The new harvest-

er model has already been sold to eleven different countries. PONSSE Scorpion has also raised attention outside the forest industry. So far, Scorpion has received the Viva Automation, Quality Innovation of the Year and Fennia Prize Grand Prix awards.

We are a company whose management is strongly based on values with a clear focus on the future. The values based on our history – customer orientation, integrity, innovativeness and the Ponsse spirit – are genuinely important to us at Ponsse, and they illustrate our everyday operations well. At the same time, we are continuously investing in the sustainable development of functions that take the natural environment, our personnel and the economic environment into account.

We are focusing and will continue to focus on the sales, service, manufacture and R&D of cut-to-length forest machines from Vieremä, Finland. Our customers and committed personnel will enable our success in the future as well.

JUHA VIDGRÉN  
Chairman of the Board

JUHO NUMMELA  
President and CEO



*The planned manufacturing quantity of Scorpion for 2014 was sold out already during 2013, which is very illustrative of how successful the product is."*

## MARKET REVIEW

*Despite challenges, 2013 was a positive year for Ponsse. Our customer's work situation was good in most markets, and we strongly launched new technology in the market. We succeeded in our effort to rise from the weak situation early in the year to the strong order book at the end of the year. Most of this is thanks to our customers. Their needs and ideas are a resource that drives our product development and operations in the right direction.*

**T**HE YEAR 2013 was a new leap for the forest machine market in developing forest machine technology. We launched a completely new kind of a forest machine, PONSSE Scorpion. The development of Scorpion has been a significant effort, with all Ponsse employees willingly taking part.

Ponsse is known for its fast product development based on customers' needs. Scorpion is a prime example of state-of-the-art technology being manufactured and designed in Finland, also in the conventional machine industry. However, the new harvester does not only prove our technological competence, but also what can be reached in product development with genuine cooperation with customers. The solutions achieved in this machine are unique and provide our customers with an opportunity for adopting new harvesting methods and improving the productivity of work.

The trend in the forest machine market in favour of eight-wheeled machines continued further. Difficult harvesting conditions on steep slopes and soft soil, increasingly strict requirements for continuously cleaner after-harvest track and ergonomics-related product features clearly influenced the demand for eight-wheeled harvesters and ten-wheeled forwarders. Eight-wheeled harvesters and forwarders already account for almost 90% of our production.

North America, South America and Russia were our market areas with the most positive development in 2013. In the United States, the construction industry, which has showed cautious signs of recovery, needs premium timber, which is made from wood harvested using the cut-to-length method in particular. Timber was also imported to the US market from Canada, and the situation also awakened the European and Russian sawn timber markets.

The Russian industrial harvesting market was strong, as it has been for several

consecutive years. Companies are investing in productive harvesting equipment. Operating in a country the size of Russia has demanded and will demand determined work. We have strengthened our after sales service network and customised services to customer needs with our retailers and service partners. High-quality operator and mechanic training is also important in our Russian operations, and the local Ponsse instructors are to thank for it. The largest investment in Russia during the year was the new after sales service and training centre in Pitkäranta.

The economic problems in Europe were still reflected in the sales figures in Europe. The biggest drops were seen in Sweden and Germany, both traditionally strong forest machine markets. Also the relatively small but previously stable markets Norway and France were weak. The UK is a positive exception. Even though the local forest machine market was quite slow, our local subsidiary gained a stronger foothold and market share through good cooperation with its customers.

The uncertain Swedish forest machine market plunged about 30% from the previous year, and our sales slumped accordingly. A total of 257 forwarders were registered in Sweden in 2013 (only forwarders are registered). A lot of feedback from Swedish customers and forest companies was taken into account in the product development of the new PONSSE Scorpion, and we expect our market share to strengthen in 2014. The year is an anniversary for us, as we have been operating in Sweden for 25 years. Ponsse's first retailer, AN Maskinteknik, which operates in the Norrbotten region, began to sell and service PONSSE forest machines in 1989, and our subsidiary Ponsse AB was established 20 years ago in 1994.

In Finland, sales of forest machines have been decreasing in two consecutive

years. However, the market was stable, and the total market was 381 registered forest machines, 30 machines less than the previous year. Our customers' good work situation was reflected in an increase in the number of after sales service agreements, with the customers focusing their operations on harvesting and outsourcing the servicing of their machines to Ponsse or our service partners. Our market share in Finland was 47.5%.

With regard to South America, Ponsse has a strong foothold in Uruguay, where both softwood and eucalyptus are harvested. During the period under review, Ponsse Uruguay S.A. was transferred to Ponsse Plc's direct ownership from Ponsse Latin America Ltda. In Brazil, we focused on developing our Full Service portfolio in particular with new significant customer accounts.

The year 2014 will once again be filled with activity for us in terms of product development, investments in after sales services as well as events. PONSSE Scorpion will be introduced to ten new markets, and the new PONSSE C5 and C44+ cranes will boost our sales.

We Ponsse People, including our employees and customers, have had a positive atmosphere, which can be seen as the best forest machines in the world and related services. We have always allocated our resources to where we can be the best in the world. In developing environmentally-friendly cut-to-length forest machines, we represent the state of the art. Our customers are used only to the best products and services, and we want to keep this promise in the future as well.



JARMO VIDGRÉN  
Sales and Marketing Director



*We Ponsse People, including our employees and customers, have had a positive atmosphere, which can be seen as the best forest machines in the world and related services."*

# PONSSE'S YEAR 2013

## 1. 9000<sup>TH</sup> PONSSE DELIVERED

The 9000th PONSSE forest machine was manufactured at the Vieremä factory on 10 October and it was delivered to Kathy Lemieux and Réjean, Christopher, Andy and Bryan Girard at our Canadian customer Entreprises Forestières Lemieux & Girard Inc's.

## 2. EINARI VIDGRÉN FOUNDATION REWARDED FOR THE 8<sup>TH</sup> TIME

The foundation maintaining the life's work of Einari Vidgrén recognised forestry professionals on 16 May. The main recognition, Einari Award was received by Eero Pyykkönen Ky and Pentti Häihälä.

## 3. RECORD YEAR FOR PONSSE CLUB

The hostesses of Ponsse Club served 2,900 guests on the shore of Sotkunlampi. Over the years, the dark steam of the smoke sauna has been enjoyed on 1,450 days.

## 4. NEW LOGISTICS CENTRE STARTED OPERATIONS

The most significant investment during the year was the logistics centre opened in Iisalmi in June, featuring 42,000 m<sup>3</sup> of warehouse space. Each year, more than 100,000 separate shipments leave Iisalmi for the service network.

## 5. VIVA AUTOMATION! PRIZE AWARDED TO SCORPION

The Viva Automation! prize was awarded to Scorpion on 1 October for the development work for the stabilising and levelling system.

## 6. ELMIA WOOD 2014

Elmia Wood 2014 in Jönköping, Sweden, was one of the most important events of all times for Ponsse. The completely new harvester model PONSSE Scorpion was launched on 5 June at 1 p.m. The audience met it with unforeseen enthusiasm, and Scorpion won a sincere applause.

## 7. NEW PONSSE C5 CRANE FOR ERGO HARVESTERS

The powerful PONSSE C5 sliding boom crane for regeneration felling with large trees and sloping sites was launched at Elmia Wood.

## 8. NEW AFTER SALES SERVICE AND TRAINING SERVICE IN PITKÄRANTA

Investments in servicing continued. A new after sales service and training centre was opened in Pitkäranta, Russia, in June. New service centres were opened in Laukaa and Seinäjoki, Finland.

## 9. LOGGING CONGRESS EXPO IN MICHIGAN

The first Ponsse machine delivered to the United States was on display at the Logging Congress on 6–7 September. The HS15 harvester purchased by machine entrepreneur Earl St. John in the early 1990s is still in use – with 38,000 hours of operation behind it! The St. John family's four generations were present at the expo: Earl, Tom, Jordan, Jase and Carmen St. John.

## 10. SCORPION IN HELSINKI

Solid Finnish technology expertise was impressively highlighted on 20 November when the PONSSE Scorpion was presented in the city center of Finland's capital, Helsinki.

## 11. PONSSE PEOPLE

Machinist Matti Hiltunen, a Ponsse employee since 1970, represented Ponsse at the Presidential Independence Day reception on 6 December.



# THE BEST FOREST MACHINES IN THE WORLD

*Ponsse's product development is strongly guided by customer feedback. Therefore, the product development strategy is to make strong investments in developing new product solutions and to continuously improve the existing models. Ponsse manufactures innovative wood harvesting solutions in line with sustainable development with experience gained from more than 9,000 forest machines.*

**P**ONSSE DEVELOPS and manufactures cut-to-length forest machines according to customers' needs. The starting point is that PONSSE forest machines are designed to have as wide a range of uses as possible, so that the same machines are profitably suitable for a variety of harvesting purposes from first thinning and harvesting of energy wood to regeneration felling – without expensive investments in specialised equipment. We want to offer harvesting professionals efficient and environmentally friendly forest machines for productive logging.

Ponsse's product range covers all size categories of forest machines, from first thinning and harvesting of forest energy to heavy-duty regeneration felling, and all harvesting sites, from soft soil to steep slopes. The product selection includes harvesters, harvester heads and cranes, forwarders, loaders and harvesting-related information technology. All forest machines are manufactured and designed at Ponsse in Vieremä. It is highly important

that R&D and production are located under the same roof, as the products are developed in strong cooperation with customers and feedback to the factory is provided in a straightforward manner.

## **PONSSE SCORPION – THE WORLD'S MOST ADVANCED HARVESTING TECHNOLOGY**

In 2013, Ponsse introduced a completely new type of forest machine at the Elmia Wood trade fair in Sweden: the PONSSE Scorpion harvester. Scorpion is a brilliant example of Finnish technological expertise and the importance of customer cooperation in the R&D of forest machines. Scorpion's advanced technical solutions take harvesting productivity and operator working comfort to a new level.

Five separate patent families are pending for the technical solutions of the PONSSE Scorpion. The crane's position and movement geometry, the stabilising and levelling solutions and the triple-frame structure are totally new product solutions. These patented solutions have strengthened the position of the

PONSSE product family at the vanguard of forest machine technology. The starting point for the development work was the idea of a forest machine that does not compromise on the usability, productivity or maintainability of the machine.

Driver ergonomics and ease of use are emphasised in demanding harvesting, where a very technical machine is used to make continuous quick decisions with a significant impact on the productivity of work. Scorpion has been able to remove the key factors disrupting the driver's work and reduce the strain of the work. Due to the position of the crane, the driver has an unobstructed view of the working area. This makes the driver's work essentially easier and improves harvesting quality – it is easier to choose the trees to be removed, the machine need not be moved from place to place for nothing, and remaining trees are not damaged. Scorpion allows even difficult sites to be reached safely, and the strain of the work is clearly lower.

In October 2013, Scorpion received the





**AWARD-WINNING INNOVATIONS.** Ponsse has received many awards for its ergonomics and technology, as well as design.

*“When the weight of the machine is distributed evenly over eight wheels, it is possible to reach softer terrain.”*

Viva Automation! prize for its stabilising and levelling system. At the beginning of 2014, Scorpion received the Quality Innovation of the Year award due to the new kind of structure improving the driver's ergonomics and the performance of the machine. Scorpion was also awarded the main prize for industrial design, the Fennia Prize Grand Prix, for new design solutions and the input of users on product development. The harvester also uses the new ergonomic user interface, PONSSE Comfort, which received a Fennia Prize honorary mention in 2012.

**HARVESTERS REPRESENT STATE-OF-THE-ART TECHNOLOGY IN THE FOREST**

Ponsse launched its eight-wheel harvesters in 2009, and serial production began in early 2010. Today, eight-wheel harvesters are included in all size categories in Ponsse's product range, and they already account for approximately 80% of Ponsse's harvester production.

The reason for the popularity of eight-wheeled forest machines is clear: their low surface pressures and even weight distribution make the machines more environmentally friendly and better suited for soil with poor load-bearing capacity. Due to their stability, eight-wheelers can access steeper and more uneven terrain where mechanical harvesting was previously unproductive or even impossible. The climatic conditions have also influenced demand.

Stability and driveability are important product features from the point of view of driver ergonomics as well. An ergonomic working environment is essential from the perspective of coping at work and work productivity. The machines offer a comfortable and safe working environment due to the spacious cabin, ergonomic controls and excellent serviceability.

In 2013, Ponsse introduced three new harvester crane models to the market, the C44+ and C50 parallel cranes and the C5 sliding boom crane. The crane has a great impact on the productivity of the harvester. An easy-to-use crane and the stability provided by eight wheels greatly increase productivity. The features of the crane are emphasised in thinning sites, where long reach, speed and ease of manoeuvring are important. The models include both parallel and sliding boom cranes for different operating habits and terrains.

The product family of PONSSE harvester heads has been strongly renewed

in the past few years. All of the harvester heads in the different size categories are suited for thinning, regeneration felling and multi-stemming. The size of the harvester head is chosen according to the size of the timber to be handled. Multi-stemming of energy wood and small diameter industrial wood is possible with PONSSE harvester heads without separate auxiliary equipment.

**FORWARDERS FOR ALL LOAD-BEARING CLASSES**

The PONSSE forwarder family covers all size categories, from the 10-tonne PONSSE Gazelle to the 20-tonne PONSSE ElephantKing. An extensive product range is necessary for the needs of different markets and terrains. The forwarders of the smallest size category are designed for more fragile sites, and the tractive force of the larger machine models guarantees the flexibility of short-distance hauling at slope sites and over long transport distances. In the harvesting of wood energy and small diameter industrial wood, mechanically or hydraulically expanding load spaces are used, which allow the load volume to be increased as required, making it possible to better utilise the capacity of the machine.

The key features of the forwarder range include power, reliability, comfort of use, and a favourable ratio of net weight to load-carrying capacity. Productivity is ensured by effective engines and loaders that have sufficient power for even challenging harvesting conditions. Great tractive force and good cross-terrain performance are necessary to ensure easy moving of loads even on the steepest slopes and in deep snow.

In 2013, Ponsse introduced the PONSSE 10w forwarder with a hydraulic additional shaft for soft soils. This ten-wheel solution makes productive harvesting possible with normal equipment on soil with a poor load-carrying capacity, protecting the terrain and environment all year round. The additional pair of wheels and the special tracks make the forwarder's ground contact area very wide, and normal loads are carried effortlessly even in boggy stands.

A new PONSSE EcoDrive application was also introduced for forwarders. It shows in real time whether the driver's working methods and the machine's adjustments are economical and efficient.

**THE PONSSE HARVESTER PRODUCT FAMILY**

<b>Model</b>	Beaver	Fox	Scorpion	ScorpionKing	Ergo	Ergo 8w	Bear 8w
<b>Power</b>	129 kW	145 kW	210 kW	210 kW	EU: 210 kW Other countries: 205 kW	EU: 210 kW Other countries: 205 kW	240 kW
<b>Harvester head</b>	H5 or H6	H5 or H6	H5 or H6	H7	H5, H6, H7 or H7euca	H5, H6, H7 or H7euca	H8
<b>Crane</b>	C2 or C44+	C44+	C50	C50	C4, C5 or C44+	C4, C5 or C44+	C6 or C55
<b>Special features</b>	A versatile, all-round machine from first thinning to regeneration felling.	An agile eight-wheeler for difficult terrain and soft harvesting conditions.	A next-generation harvester designed with the driver and the environment in mind.	The best stability and ergonomics on the market enabled by the excellent performance of the double-circuit hydraulics.	The most powerful all-round machine in its size category; equipped with double-circuit hydraulics.	An extremely powerful eight-wheeler equipped with double-circuit hydraulics and capable of performing even in the most challenging terrain.	An eight-wheel powerhouse for heavy-duty harvesting.

**THE PONSSE FORWARDER PRODUCT FAMILY**

<b>Model</b>	Gazelle	Wisent	Elk	Buffalo	BuffaloKing	Elephant	ElephantKing	PONSSE 10w
<b>Power</b>	129 kW	129 kW	129 kW	EU: 210 kW Other countries: 205 kW	EU: 210 kW Other countries: 205 kW	EU: 210 kW Other countries: 205 kW	EU: 210 kW Other countries: 205 kW	
<b>Load carrying capacity</b>	10,000 kg	12,000 kg	13,000 kg	14,000 kg	18,000 kg	18,000 kg	20,000 kg	
<b>Loader</b>	K70+	K70+	K70+ or K90+	K90+ or K100+	K100+	K100+	K100+	
<b>Special features</b>	A lightweight, agile and economical forwarder. Available in 8-wheeler.	A powerful all-round forwarder. Available in 6 or 8-wheeler.	The most powerful forwarder in its size category. Available in 6 or 8-wheeler.	The new champion of forwarders. Available in 6 or 8-wheeler.	The king-size carrier of heavy loads. Available in 6 or 8-wheeler.	A great load carrying capacity and superior tractive force. Available in 6 or 8-wheeler.	Superior carrying capacity and tractive force. Available in 8-wheeler.	A ten-wheel solution for soft terrain.*

\*PONSSE 10w is available with a hydraulic operated additional axle for the PONSSE Elk and Buffalo model and with a fixed additional axle for the PONSSE Wisent forwarder

**COMPUTERS IN THE FOREST**

Ponsse designs and manufactures all of the control and measuring systems needed for the wood procurement chain. The principal idea is the ease of use of the systems, which takes into account the requirements of both the drivers and the forest company.

The PONSSE Opti information system products consist of machine control and work management systems for harvesters, forwarders and track-based applications. Opti software products make procuring wood and managing harvesting and logistics more efficient in the wood supply chain. The product family al-

so includes training technology. PONSSE Opti4G is the user interface of the OptiControl management system. It handles all of the operations required for cutting, from data transfer to marking for bucking and reporting. The PONSSE OptiControl machine control system controls the power production of the engine and hydraulics based on the existing load, for example. Opti reporting solutions report on the productivity of the machine and driver, the fuel consumption of the machine and the utilisation rate.

A forest machine continuously collects information on its harvesting output and its own status, location and working

hours. The information can be transferred over the Internet to the customer and the office of the wood harvesting company in real time, saving time and money.

In 2013, Ponsse introduced a new Fleet Management online application, permitting monitoring of the operation of PONSSE machines either at the office of the harvesting company or, as necessary, at Ponsse service. It is possible to anticipate faults at an early stage. A machine can be called in for service or the necessary adjustments can be made before the fault starts to disrupt the machine's operation.

# LONG-TERM FOREST MANAGEMENT

*The general requirements for the environmental friendliness of machines in the forest industry have strongly guided the development of machines over decades. Environmental concerns related to both the after-harvest track and the features of the machines are emphasised in an increasing number of markets.*

**P**ONSSE'S FOREST MACHINES are based on cut-to-length (CTL) logging, where the tree is felled, delimited and cut into various log assortments before it leaves the forest. The method is in itself an environmentally friendly way of harvesting, as it aims for a long-term increase in the yield of the forest. The growth of forests is increased by selective thinning, and the preconditions for forest regeneration are also preserved after regeneration felling. Mechanical first thinning is possible with cut-to-length forest machines due to their long crane reach of 10–11 metres. In selective thinning, the best individuals in the forest are left growing, and the agile machines do not damage the remaining trees. Short-distance hauling of the timber is implemented with load-carrying forwarders, whose impact on the forest soil and vegetation is known to be better under control than when using skidders pulling long whole trees behind them.

During the past 40 years, Finland has harvested the amount of the current timber reserves in our forests, some 2.3 billion cubic metres. However, during the same period, the amount of trees has increased by more than 40%.

Forests are important absorbers of carbon dioxide and a carbon reserve. By keeping forests productive and taking care of the regeneration of forests, forests absorb

more carbon than they release.

The quality of wood is not damaged in cut-to-length harvesting, which makes it possible to manufacture high-quality processed products from the wood. The raw material is utilised precisely, as the harvester measures each stem before cutting, and even a small amount of special wood can be harvested separately. The after-harvest track is also clean. Damage to the soil and remaining trees is slight due to the low surface pressures of the machines. In more fragile sites, the harvester can be used to leave branches covering the logging road over which the forwarder drives, which protects the soil and improves its carrying capacity. When the tree is delimited and cut in the forest, all of the nutrition-rich leaves and needles, and often also the branches and tops, remain in the forest to provide nutrition for the trees that remain growing or new seedlings.

The economic efficiency of the total costs of the method compared with tree-length and full-tree logging can be considered to comply with the values of sustainable development. Fewer machines and spare parts and less fuel are needed per harvested solid cubic metre. When effectively utilising cut-to-length logging, the long-distance transportation of logs is faster and more efficient when the wood has already been cut in the forest into log assortments suited to the user's purposes.

## MORE PAIRS OF WHEELS REDUCE THE MARKS REMAINING ON THE TERRAIN

In the past few years, the largest change in the development of the environmental friendliness and ergonomics of forest machines has been Ponsse's eight-wheel harvesters.

Eight-wheeled forest machines also allow good access to more fragile harvesting sites – soft soil and during the spring thaw. Summertime thinning and slopes can be harvested even without tracks and chains, which reduces the marks left by the machines in the terrain and saves fuel. Suitability for soils with poor carrying capacity is due to the low surface pressures of the machine. When the weight of the machine is distributed over a larger number of wheels, the reduced surface pressure on the soil from eight-wheelers is superior to six-wheelers. For example, the surface pressure of an eight-wheel PONSSE Ergo 8w harvester is 280 g/cm<sup>2</sup>, that of a six-wheel Ergo is 850 g/cm<sup>2</sup>, and a human foot is approximately 260 g/cm<sup>2</sup>.

Among the forwarder models, the PONSSE 10w forwarder has been developed for transporting wood short distances over soils with the poorest carrying capacity. It allows harvesting all year round even in boggy terrain. An automatic stabilising technique has been developed for the new PONSSE Scorpion,



*The requirements of the forest industry have led to maintaining and even increasing the forest area. Half of the world's countries have managed to stop deforestation or even to reverse the process."*

**THE STABILITY AND LOW SURFACE PRESSURES** of the eight-wheelers enable harvesting better in steep slopes and soft or otherwise difficult terrain.

which evens out the load of the machine on the soil exceptionally well.

## ENVIRONMENTAL FRIENDLINESS ALSO GUIDES TECHNICAL DEVELOPMENT

PONSSE forest machines use efficient Mercedes-Benz engines. The high energy efficiency and the tractive force and hydraulic power generated by the engine also reduce fuel consumption. The new technology engines use SCR, which is a means of reducing the amount of nitrogen oxides in exhaust gas. The new low-emission EU Stage IV engine technology used in the PONSSE Scorpion represents one of the cleanest engine technologies for machines on the market. Scorpion is the world's first serially manufactured forest machine using EU Stage IV engine technology. Ponsse continuously has various technology projects in progress aimed at reducing fuel consumption and improving the energy efficiency of the machine.

Technical development has made it possible to lengthen the service interval of the machines. When the service interval is longer, there will be fewer servicing operations during the machine's life cycle, which means that less waste oil and other waste, such as filters, is generated in con-

nection with periodic servicing. The environmental load from transporting machines or using a service vehicle in connection with service is also reduced. The delivery of waste oil and filters to recycling is included in the content of PONSSE service agreements.

Service operations performed in field conditions are restricted in most markets. The aim is to organise local servicing so that operations are in accordance with the local requirements and customers' needs. The technology of PONSSE machines provides the opportunity to use biodegradable hydraulics oils where it is necessary.

## RECYCLING AFTER A LONG SERVICE LIFE

In demanding harvesting work, extremely large loads are directed at the machine frames. Due to this, all frame structures are manufactured from high-quality steel and components, and the service life of the machines is long.

The long life cycle of PONSSE forest machines and their high recycling rate contribute to making the machine environmentally friendly. When forest machines become older, they are usually transferred to use as harvesting entrepreneurs' standby machines, evening out peaks in de-

mand, or to entrepreneurs whose main income is not generated from harvesting.

It is not always worthwhile reconditioning a forest machine that is more than twenty years old, even though the service life of a machine is to a large extent dependent on servicing provided. More than 90% of the weight of the machine is recyclable material. A large part of the mass of a forest machine consists of various steel structures which can be reused completely. The hydraulics oils are also recyclable. The largest individual components that cannot be utilised after the machine's service life consists of the plastic parts and windows of the cabin. However, with new machine models, we are adopting recyclable plastics for cabin upholstery.

Ponsse's product selection also includes remanufactured REMAN Parts. REMAN Parts are spare parts, for example transmission components, refurbished to correspond with new ones. Through the REMAN supply, customers receive more affordable spare parts that support the principles of sustainable development. The long service life of the machines is promoted by the principle that spare parts are available for even very old PONSSE machine models. ■

# CUSTOMERS' NEEDS DETERMINE THE SERVICE SUPPLY

*The starting point for PONSSE services is to offer service products and solutions corresponding to customers' needs. The needs vary by market area according to the harvesting conditions, operating environment and size of companies. However, the aim of service is always the same: to keep PONSSE machines productive and working where they should be, in the forest.*

**T**HE QUALITY AND AVAILABILITY of service strongly influence forest machine purchase decisions. Service must be efficient, as the profitability of a harvesting company is not dependent just on the productivity of the machine, but also on the standard of the service supply.

**THE QUALITY OF SERVICE IS VITAL TO FOREST MACHINE ENTREPRENEURS**

Ponsse's service network includes a total of 150 service and spare part centres employing more than 500 service experts. The network serves an active machine base of ap-

proximately 8,000 PONSSE forest machines. The service network consists of in-house and reseller service centres and contract workshops with their service vehicles. The service network is developed when the machine base or service requirements in the area change. The aim is to keep distances to service centres or the nearest field maintenance unit as small as possible. The local service solutions are tailored, as necessary, by distributing the maintenance provided by a service centre closer to customers.

Maintaining and building the network and continuous training are a large investment for all operators in the service net-

work. However, we want to actively work on the service supply, as proper customer support is crucial in the forest machine business. Investing in services is also strongly linked to Ponsse's operating principles.

Unexpected downtime always reduces the entrepreneur's productive work, and only regular servicing keeps machines in good condition and the trade-in value what it should be.

**FROM THE MAINTENANCE HELP DESK TO FULL SERVICE SOLUTIONS**

It is an increasingly popular trend for entrepreneurs to outsource the servic-

ing of their machines to the professionals of PONSSE services. In a number of industrial harvesting markets, more and more duties requiring time and expertise – ranging from planning stands to hiring subcontractors – have been transferred to the responsibility of the entrepreneur. In such cases, some of the functions that used to be considered a self-evident part of the operations of the company, such as having one's own service and repair operations, have been transferred to the machine manufacturer's authorised service network. Ponsse's maintenance help desk particularly supports the needs of companies where maintenance operations are handled at least partly in-house.

Our most extensive service product is Full Service, where the customer outsources the service operations for its entire machine base and the training of operators to Ponsse. This service is in demand not only in the traditional full service market of South America, but also in Russia. The Full Service solution is always tailored according to the customer's needs.

The popularity of Full Service solutions in the harvesting markets of South America and Russia is based on the size of the companies and the annual operating hours of the machines. Operating hours may be more than 6,000 hours, which means that the machine is used for work on a 24/7/365 basis. For comparison, operating hours in the Nordic countries are typically 2,000–3,000 hours per year. Even then, the machine operates in two shifts from early morning until late at night.

The local service operations are also impacted by the local infrastructure. In a number of markets, wood is harvested in remote areas far from heated service depots. The lack of forest roads or their poor condition may totally prevent the movement of service vehicles during the spring

thaw. The necessary servicing must then be done at the logging site where the personnel of the harvesting company may be working housed at a camp nearby. In such cases, the maintenance help desk and training provided by the Ponsse service network play a particularly significant role for the customer.

**TRAINING AND ATTITUDE ARE CRUCIAL**

Regardless of the service solution, the level of service the customer receives depends on the professional skill and service attitude of the service personnel. In order to maintain and develop the professional skill of the service network, Ponsse has professionals focusing on training operations. Ponsse trains its mechanics and spare part sales personnel regularly, both at the factory and in local markets. The training covers the personnel of our own service centres, resellers and contract workshops.

Our training services make up an increasing part of the service supply, as training for forest machine mechanics or operators is not available in all markets. Regardless of background, the diversified competence required by the profession is often only achieved through training by the machine manufacturer. Training services are for the benefit of the customer and the machine manufacturer alike. Without professionally skilled operators and mechanics, the greatest efficiency cannot be achieved with the forest machine or valuable wood raw material or terrain may be damaged.

**THE NEW LOGISTICS CENTRE ENHANCES LOCAL SPARE PARTS SERVICES**

Ponsse's central warehouse, the Iisalmi logistics centre, is located 25 kilometres from the Vieremä factory. Although the majority of the PONSSE forest machines are located far away in the export markets, the proximity of the factory and the logistics cen-

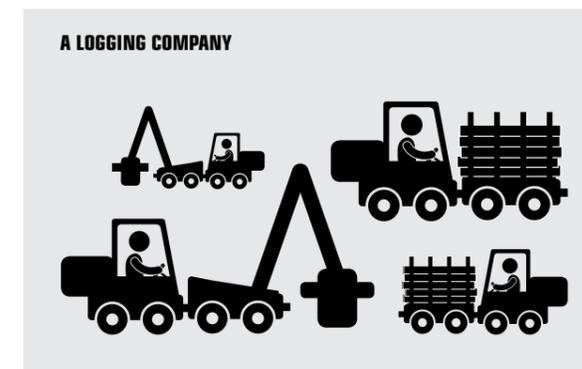
tre is important. Due to the large share of in-house manufacturing, the Vieremä factory also manufactures a large part of the spare parts for PONSSE forest machines. This allows the availability of parts for older machine models to be flexibly secured as well, regardless of the model and year of manufacture. The location of the Iisalmi logistics centre between Sweden and Russia, Ponsse's important export countries, serves our operations well.

The 4,500 m<sup>2</sup> logistics centre of introduced in the summer of 2013 has 42,000 m<sup>3</sup> of warehouse premises. The scope of the logistics centre is also emphasised by its inventory value, EUR 20 million. Each year, more than 100,000 separate shipments leave Iisalmi for the PONSSE service network. The warehouse premises of the new logistics centre include 22,000 different items, 7,000 pallet places and state-of-the-art material handling automation and environmental technology.

Due to varying customs practices and transport times, Ponsse has extensive local stocks of spare parts in all its market areas. The central warehouse maintains Ponsse's local spare parts inventories, tailored for each country, and takes care of their regular trunk deliveries. Spare part shipments from the central warehouse can reach the end user even on the next day, depending on the market area.

**INVESTMENTS IN 2013**

In addition to the significant logistics centre investment, the PONSSE service network was also renewed in 2013. A modern service and training centre was completed in Pitkäranta, Russia. The contractual service network was expanded in the United States, Russia, Sweden and Norway. With the expansion of the reseller network, service supply increased in Hungary, Slovakia and Romania. ■



# IN-BUILT QUALITY IN THE BEST INTEREST OF THE CUSTOMER

*Systematic product development, flexible and cost-effective production, high-quality customer service and sensitivity to changes in the operating environment are the cornerstones of Ponsse's operations. When we comply with the principles of continuous improvement in own processes, we create the world's best forest machines – according to the needs of our customers.*



*We manufacture the world's best forest machines using state-of-the-art manufacturing methods."*

**I**N FOREST MACHINES, quality and reliability play a crucial role. We do not take any chances with them. It is a matter of honour for us at Ponsse that our customers are satisfied and successful with the forest machines we manufacture. Accordingly, all our operations focus on supporting sales and servicing, resulting in true customer orientation. In order to offer our customers the world's best forest machines, our own processes and manufacturing methods must also be world class.

The core of profitable operations is an efficient, modern operating environment where skilled personnel lay the foundation for success.

#### PONSSE PRODUCTION SYSTEM

The Ponsse Production System tailored for Ponsse's production needs combines production philosophies that create as efficient a production environment as possible. The production system enables continuously more efficient working methods, improving quality and developing safety. Due to the system, we are able to manufacture individually tailored, state-of-the-art technology with the efficiency of serial production.

We continuously measure the performance of our Vieremä factory and immediately react to any deviations. The main indicators of the efficiency of operational activities are keeping to the delivery time in the lines, the number of unfinished machines, delivery reliability, test drive feedback and interruptions at the factory. In addition to these main indicators, we monitor order books and the delivery reliability of suppliers, not forgetting environmental indicators.

Our production system also guarantees that we can continuously monitor our ability to produce high quality. We produce final results at once so that we do not need to waste time and costs in repairing defects.

#### PRODUCTION CONTROLLED BY ORDERS – CUSTOMER-SPECIFIC INDIVIDUAL PRODUCTS

We believe in the high-quality Finnish manufacturing industry, and therefore Ponsse has made significant investments in in-house manufacturing. Strategically important operations are in our own hands. All Ponsse forest machines are manufactured at the Vieremä factory, where all assembly operations and the manufacturing of all frame structures,

and to a large extent also parts, take place. Product development, servicing and the design and manufacturing of the information systems of forest machines also take place in-house.

PONSSE machines and products are exclusively manufactured to order. To avoid excess production, we control our production by reducing batch sizes and developing setting times. Sales, R&D and



The warehouse and internal logistics support the smooth operation of production employees and the production system organised in lines enables effective and visual production flow. The main line operating accurately down to the minute provides the schedule for the other factory, such as parts manufacture. The Ponsse factory operates like an orchestra: it all plays to a common tune.

#### A SAFE WORKING ENVIRONMENT IS A QUALITY FACTOR

At the same time as we aim for no interruptions at the factory, we build a working environment and culture supporting the safety and health of our employees. This includes daily observations of occupational safety. Near-miss situations and incidents are always investigated immediately, and any observed safety risks are rectified promptly.

A safe working environment and a proper safety attitude play a large role in being able to concentrate on what is essential at work – creating high quality. In practice, the safety and operational reliability of methods, machinery and equipment are secured through risk surveys, inspections and anticipatory servicing.

#### THE BEST EXPERTS PROVIDE THE BEST RESULTS

The Ponsse spirit means a straightforward attitude towards customers, partners, working and co-workers. At Ponsse, cooperation is always based on trust and honesty. A firm attitude towards working and supporting co-workers represents the Ponsse spirit at its best.

We base our continuous development on our long-term expertise and on an open and fair attitude. We have the courage to question matters, but we also offer solutions to problems we observe. Our development is based on facts, not individual opinions.

Continuous improvement results from systematic problem-solving and the transparent recording and rectification of interruptions. We continuously develop our expertise and employ the best experts to create the best quality, as we know that we can achieve results when the right people are in the right places. Ponsse employees are always accountable for their own high-quality work. ■

production are together responsible for ensuring that our modular product families are cost-effective and suited to customers' needs. Being successful using this operating model has required large investments and development measures.

#### DELIVERY RELIABILITY AND EFFICIENCY

The supplier network plays a significant role in supporting our production system. It is essential to build an effective and reliable whole together with the supplier network where long-term operation is valued. The cooperation with the supplier network must be active and open so that we can react to matters related to research and development, quality and price quickly and successfully. Ninety per cent of Ponsse's supplier network is located in Finland, and the remaining 10% principally in Germany.

By making strong investments in the expertise of personnel, new manufacturing technology, production processes and continuous research and development, we ensure our efficiency over the long term as well.

## BOARD OF DIRECTORS 31 DECEMBER 2013

The Board was selected by the Annual General Meeting on 16 April 2013.



**PONSSE PLC BOARD OF DIRECTORS.** From top left: Ilkka Kylävainio, Ossi Saksman, Janne Vidgrén and Jukka Vidgrén. Mammu Kaario, Juha Vidgrén and Heikki Hortling

### SELECTING BOARD MEMBERS

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

next Annual General Meeting. The Board selects a chairperson for the period of office from among its members.

### BOARD MEETINGS

During the year under review, the Board convened nine times. The Board members actively participated in the meetings – the attendance rate was 93,5 %.

#### Chairman of the Board **JUHA VIDGRÉN, B. 1970**

Master of Pedagogy | Ponsse Plc, Board Member since 2000 | Shareholding in Ponsse Plc on 31 December 2013: 6 207 000 shares | Epec Oy, Chairman of the Board

#### Work experience

Ponsse Plc, Deputy to the CEO 2003 | Ponsse Plc, Public Relations Manager 2000–2003 | Ponsse Plc, Press Officer 1998–2000

#### Other key positions of trust

Einari Vidgrén Foundation, Chairman of the Board | Einari Vidgrén Oy, Board Member | Klaffi Tuotannot Oy, Board Member | University of Oulu, Board Member | Vieremän Kyläraitti Association, Chairman of the Board | Vieremän Oriyhdistys Association, Chairman of the Board | Suomen Filmitollisuus (SF) Oy, Board Member

#### Deputy Chairman of the Board **HEIKKI HORTLING, B. 1951**

Chairman of the Board of Olvi Plc | Industrial Counsellor, Master of Economic Sciences | Ponsse Plc, Board Member since 2010 | Independent of the company and major shareholders

#### Work experience

Olvi Plc, Material Manager 1986–1998 | Olvi Plc, Marketing Manager 1981–1986

#### Other key positions of trust

Puhelinosuuskunta IPY, Board Member

#### Board members

#### **MAMMU KAARIO, B. 1963**

Korona Invest Oy, Investment Manager | Master of Law, MBA | Ponsse Plc, Board Member since 2010 | Shareholding in Ponsse Plc on 31 December 2013: 4,500 shares | Independent of the company and major shareholders

#### Work experience

Unicus Oy, Partner 2006–2011 | Conventum Corporate Finance Oy, Director 1998–2005 | Prospectus Oy, Director 1994–1998 | Kansallisosake-Pankki, Specialist 1988–1994

#### Other key positions of trust

Aspo Oyj, Board Member | Enfo Corporation, Board Member | Invalidiliiton Asumispalvelut Oy, Board Member | Makai Holding Oy, Chairman of the Board | Pilke päiväkodit Oy, Chairman of the Board

#### **ILKKA KYLÄVAINIO, B. 1946**

Managing Director of Keitele Group Industrial Counsellor, Wood Industry Technician | Ponsse Plc, Board Member since 1999 | Shareholding in Ponsse Plc on 31 December 2013: 24,179 shares | Independent of the company and major shareholders

#### Work experience

Keitele Forest Oy, Managing Director since 1988 | Keitele Engineered Wood Oy, Managing Director since 2005 | Keitele Timber Oy, Managing Director since 1981 | Keitele Energy Oy, Managing Director since 1993

#### Other key positions of trust

Keitele Energy Oy, Chairman of the Board | Keitele Engineered Wood Oy, Chairman of the Board | Keitele Forest Oy, Chairman of the Board | Keitele Timber Oy, Chairman of the Board | Lappi Timber Oy, Chairman of the Board | Finnish Sawmills Association, Board Member

#### **OSSI SAKSMAN, B. 1951**

Chairman of the Board of Cooperative Osuuskunta KPY | Commercial Counsellor, Administrative Notary | Ponsse Plc, Board Member since 2009 | Shareholding in Ponsse Plc on 31 December 2013: 5,000 shares | Independent of the company and major shareholders

#### Work experience

Carlson Oy, Managing Director 1990–2008, Office Manager 1977–1983 | Kuopion Osuuspankki, Bank Manager 1984–1989 | Saastamoinen Yhtymä Oy, Accounting Manager 1975–1976, Finance Manager 1973–1974

#### Other key positions of trust

Enfo Corporation, Board Member | KPY Si-joitus Oy, Chairman of the Board | Carlson Oy, Deputy Chairman of the Board | Savon Energiholding Oy, Deputy Chairman of the Board | Sepa Oy, Chairman of the Board | Veljekset Halonen Oy, Deputy Board Member

#### **JANNE VIDGRÉN, B. 1968**

Area Director of Ponsse Plc | Commercial College Graduate | Ponsse Plc, Board Member since 16 April 2013 | Shareholding in Ponsse Plc on 31 December 2013: 3 691 742 shares

#### Work experience

Area Director of Ponsse Plc (Austria, Poland, Romania, Germany, the Czech Republic and Hungary) since 2007 | Area Export Manager of Ponsse Plc 2001–2007 | Marketing Manager of Ponsse Plc 1994–2001

#### Other key positions of trust

Epec Oy, Board Member

#### **JUKKA VIDGRÉN, B. 1983**

Managing Director of Bro'nson Productions Oy | Bachelor of Culture and Arts | Ponsse Plc, Board Member since 2011 | Shareholding in Ponsse Plc on 31 December 2013: 3 764 778 shares

#### Work experience

Bro'nson Productions Oy, Entrepreneur since 2004

#### Other key positions of trust

Einari Vidgrén Foundation, Board Member | PAVA ry, Chairman of the Board | POEM Foundation, Board Member | Suomen Filmitollisuus SF, Board Member

## MANAGEMENT TEAM 31 DECEMBER 2013

**JUHO NUMMELA, B. 1977,**  
**CHAIRMAN OF THE MANAGEMENT TEAM**  
 Dr.Tech. | President and CEO | Member of the Management Team since 2 January 2005 | Joined Ponsse in 2002

**Previous main positions:**  
 Ponsse Plc, Factory Director 2006–2008 | Ponsse Plc, Quality and IT Director 2005–2006 | Shareholding in Ponsse Plc on 31 December 2013: 26,246 shares

**JARMO VIDGRÉN, B. 1975**  
 Commercial College Graduate in Marketing | Group Sales and Marketing Director and Deputy to the CEO | Member of the Management Team since 22 October 2001 | Joined Ponsse in 1997

**Previous main positions:**  
 Ponsse Plc, Vice President responsible for the North-European business area 2007–2008, | Ponsse Plc, Sales Director, Finland 2004–2008 | Ponsse Plc, Area Sales Manager 2001–2004 | Ponsse AB, Warranty Handler and Area Sales Manager, used machines 1999–2001 | Shareholding in Ponsse Plc on 31 December 2013: 3,679,938 shares

**JUHA HAVERINEN, B. 1974**  
 Bachelor of Machine Automation | Factory Director | Member of the Management Team since 1 June 2008 | Joined Ponsse in 2007

**Previous main positions:**  
 Ponsse Plc, Production Manager 2007–2008 | Kesla Plc, several assignments in production, among others production development, supervising and production managing during 1999–2007

**PETRI HÄRKÖNEN, B. 1969**  
 M.Sc. (Tech.) | CFO | Member of the Management Team since 1 October 2009 | Joined Ponsse in 2009

**Previous main positions:**  
 Suunto Oy, Director, Operations and Quality 2007–2009

**JUHA INBERG, B. 1973**  
 Dr. Tech. | Director, Technology and R&D | Member of the Management Team since 1 January 2009 | Joined Ponsse in 2003

**Previous main positions:**  
 Ponsse Plc, R&D Engineer 2003–2006, Engineering Manager 2006–2008 | Shareholding in Ponsse Plc on 31 December 2013: 5,000 shares

**TAPIO MERTANEN, B. 1965**  
 Technician (technical college), MTD | Service Director | Member of the Management Team since 3 May 2010 | Joined Ponsse in 1994

**Previous main positions:**  
 Ponsse Plc, Distribution Development Director 2007–2010 | Ponsse Plc, Service Director 2004–2007 | Ponsse Plc, After Sales Manager 1997–2004 | Ponsse Plc, Parts Manager 1995–1997 | Shareholding in Ponsse Plc on 31 December 2013: 400 shares

**PAULA OKSMAN, B. 1959**  
 MA | Director of Human Resources and Ponsse Academy | Member of the Management Team since 1 August 2005 | Joined Ponsse in 2005

**Previous main positions:**  
 Genencor International Oy, Manager of Human Resources 1996–2005 | University of Jyväskylä, Continuing Education Centre, Head of Training Division 1987–1996

**TOMMI VÄÄNÄNEN, B. 1974**  
 B. Eng. | Purchasing Director since 1 October 2013 | Member of the Management Team since 1 October 2013 | Joined Ponsse 1 October 2013

**Previous main positions:**  
 Metso Corporation, Metso Automation, Director, Analyzers Product Group 2010–2013 | Director, Kajaani Operations 2006–2010



Juho Nummela



Jarmo Vidgrén



Juha Haverinen



Petri Härkönen



Juha Inberg



Tapio Mertanen



Paula Oksman



Tommi Väänänen

## AREA DIRECTORS AND SUBSIDIARY MANAGING DIRECTORS 31 DECEMBER 2013

**JARMO VIDGRÉN, B. 1975**  
 Sales and Marketing Director, Deputy to the CEO | Joined Ponsse in 1997

**GARY GLENDINNING, B. 1970**  
 Managing Director, Ponsse UK Ltd. | Joined Ponsse in 1997

**JUSSI HENTUNEN, B. 1983**  
 Area Director (Spain, Portugal, Italy, Norrbotten/Sweden) | Product Manager, used machines | Joined Ponsse in 2006

**RISTO KÄÄRIÄINEN, B. 1971**  
 Managing Director, Ponsse China (Beihai Ponsse Trading Co. Ltd) | Joined Ponsse in 2007

**JAAKKO LAURILA, B. 1970**  
 Area Director, Russia and Belarus, Managing Director, OOO Ponsse | Joined Ponsse in 2002

**EERO LUKKARINEN, B. 1965**  
 Managing Director, Ponsse AB | Joined Ponsse in 2012

**JOUNI MATIKAINEN, B. 1967**  
 Managing Director, Epec Oy | Joined Epec in 2005

**MARKO MATTILA, B. 1973**  
 Area Director, North American Dealers | Joined Ponsse in 2007

**CLÉMENT PUYBARET, B. 1980**  
 Managing Director, Ponsse S.A.S | Joined Ponsse in 2006

**TEEMU RAITIS, B. 1977**  
 Managing Director, Ponsse Latin America Ltda. | Joined Ponsse 10 May 2012

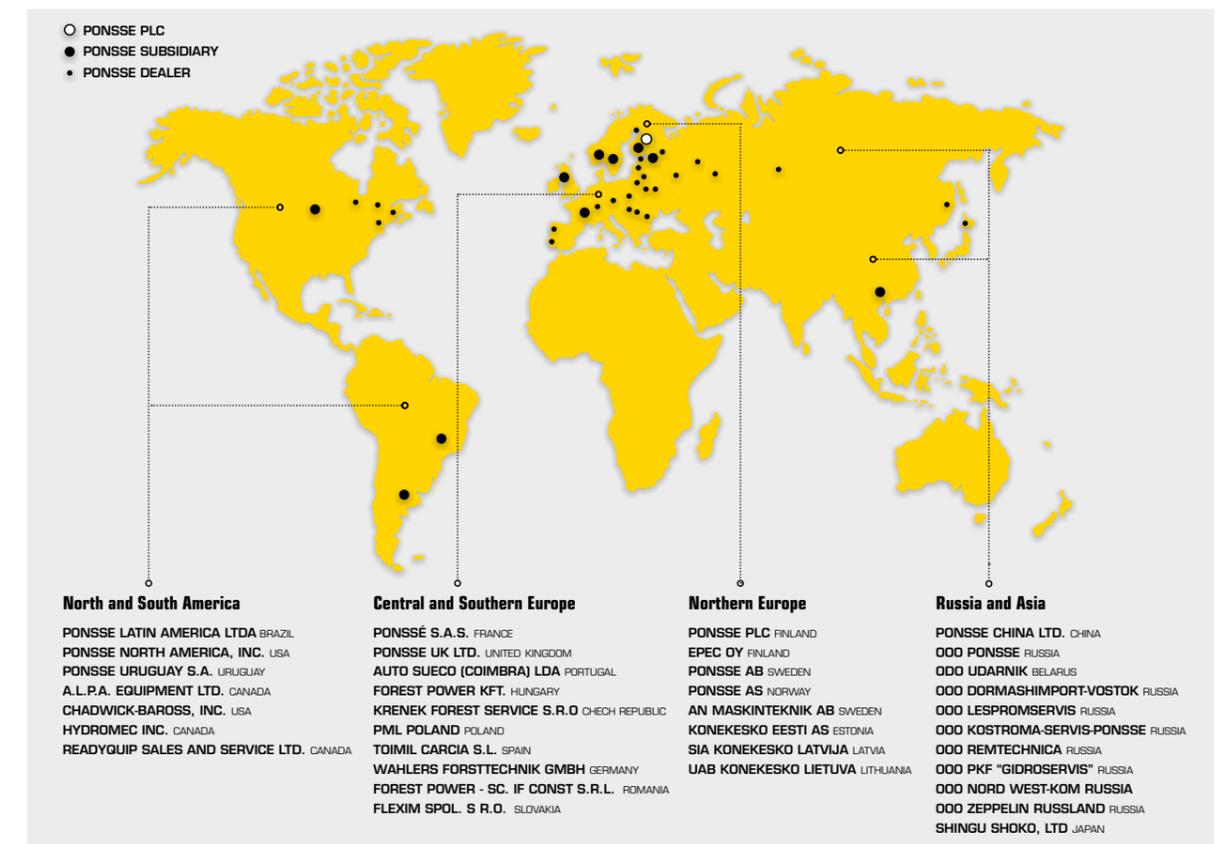
**PEKKA RUUSKANEN, B. 1968**  
 Managing Director, Ponsse North America Inc. | Joined Ponsse in 1998

**NORBERT SCHALKX, B. 1969**  
 Area Director, Asia Pacific, Africa and Baltic countries | Joined Ponsse in 2008

**SIGURD SKOTTE, B. 1962**  
 Managing Director, Ponsse AS | Joined Ponsse in 2011

**MARTIN TOLEDO, B. 1971**  
 Country Manager, Ponsse Uruguay Ltd. | Joined Ponsse in 2005

**JANNE VIDGRÉN, B. 1968**  
 Area Director, Austria, Germany, Hungary, Poland, Romania and the Czech Republic | Joined Ponsse in 1994



# PONSSE PLC'S CORPORATE GOVERNANCE CODE

## GROUP STRUCTURE AND MAIN FIELD OF BUSINESS

Ponsse Plc (hereinafter "the Company") is a public limited liability company listed on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Ltd). The Company has its registered office in Vieremä, Finland.

The Ponsse Group includes the parent company Ponsse Plc, as well as the following wholly-owned subsidiaries: Ponsse Ab, Sweden; Ponsse AS, Norway; Ponsse S.A.S., France; Ponsse UK Ltd., the United Kingdom; Ponsse North America Inc., the United States; Ponsse Latin America Ltda, Brazil; OOO Ponsse, Russia; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China; Ponsse Uruguay S.A., Uruguay; and Epec Oy in Seinäjoki, Finland. Sunit Oy, which operates in Kajaani, Finland, is an affiliated company in which the Company has a holding of 34 per cent.

The main field of business of the Company and the Group is the design, manufacture, sale and servicing of forest machines, other metal products, machine control systems, vehicle PC equipment, different types of separate systems and software.

## GOVERNANCE AND APPLICABLE LEGISLATION AND OTHER REGULATIONS

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 this Code of Governance that complies with the Finnish Corporate Governance Code for Finnish listed companies approved by the Board of the Securities Market Association in 2010. 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.

## GENERAL MEETING

The highest decision-making body of the Company is the Annual General Meeting, whose duties and procedures are defined in the Finnish Limited Liability Companies Act and the Company's Articles of Association. The AGM is responsible for, for example, making decisions on amending the Articles of Association, on increasing and

decreasing share capital, on granting stock options and electing the Board of Directors and auditors.

The AGM shall be held each year before the end of June on a date to be specified by the Company's Board of Directors. At the Annual General Meeting, the Company's financial statements and the consolidated financial statements shall be presented; the adoption of the profit and loss account, the balance sheet, the consolidated profit and loss account and the consolidated balance sheet, and dividends or actions warranted by the profit or loss shown in the adopted profit and loss account shall be decided on; and the discharge of liability of the Board of Directors and the President and CEO shall be decided on. In addition, the AGM decides on the number of and the remuneration for Board members, the auditor's fee and the compensation for travel expenses. The AGM also elects the members of the Board of Directors and the auditor.

Shareholders are entitled to submit matters for consideration to the AGM by notifying the Board of Directors thereof in writing well enough in advance so that the matter can be included in the notice of the meeting. Proposals on matters involving the election of Board members and auditors, and other proposals submitted by the Board to the AGM may be countered at the meeting as each point on the agenda is being dealt with. Voting takes place in accordance with the voting procedure adopted by the AGM and all shareholders present at the AGM are entitled to vote.

The notice of an AGM and the following information is made available on the Company website at the latest 21 days before the AGM:

- total number of shares and votes on the day of the notice of the AGM;
- documents to be presented to the AGM (including financial statements, Annual Report and auditor's report);
- Board of Directors' decision proposals; and
- any business included in the agenda of the AGM without a decision proposal.

In order to attend an AGM, shareholders must inform the Company of their intention to do so by the date given in the notice. The given date may be no earlier than five

(5) days prior to the AGM.

All shareholders who are entered as such in the Company's shareholder register maintained by Euroclear Finland Ltd eight (8) days prior to the meeting are entitled to attend the AGM.

Holders of nominee-registered shares may be temporarily entered in the shareholder register for the purpose of attending an AGM. Shareholders may exercise their rights at the AGM either in person or through a representative, in addition to which they are entitled to avail themselves of counsel at the AGM.

Extraordinary meetings of shareholders shall be convened whenever the Board deems it necessary. Likewise, an extraordinary meeting of shareholders shall be convened for the purpose of dealing with a matter specified by them if the auditor or shareholders holding at least one-tenth of all shares issued so request in writing.

The minutes of the AGM, including voting results and any appendices that constitute the decision of the AGM, will be made available on the Company website two weeks after the AGM.

The Company aims for all Board members, as well as the President and CEO to be present at all AGMs. A person who is nominated as a Board member for the first time must attend the AGM deciding upon his or her election, unless there is a weighty reason for his or her absence.

The Company auditor must attend each AGM.

## BOARD OF DIRECTORS

A Board of Directors consisting of no fewer than five and no more than eight members is responsible for the proper organisation of the Company's administration and operations. The AGM elects Board members for a term of office expiring at the end of the AGM following their election. The Board elects a Chairman and a Deputy Chairman from among its members. During the operation period 2013 there was seven members in the Company's Board of Directors.

Persons elected to the Board of Directors shall have the necessary competence required for their duties. Members shall be elected to represent a diverse range of expertise, as well as the viewpoint of the Company's owners. Under the Articles of Asso-

ciation, no upper age limit applies to Board members.

The majority of Board members shall be independent of the Company, in addition to which no fewer than two of the Board members belonging to the above-mentioned majority shall be independent of any of the Company's major shareholders. Board members shall submit sufficient information to assess their competence and independence, and report any changes in such information. Notice of independence is given in the Annual Report and on the Company's website.

The Board of Directors considers Board members Heikki Hortling, Mammu Kaario, Ilkka Kylävainio and Ossi Saksman to be independent of the Company and its major shareholders.

The Board members and their shareholdings in the Company are presented in the Company's Annual Report and on the Company website at [www.ponsse.com](http://www.ponsse.com).

On 16 April 2013, the AGM confirmed the annual remuneration payable to the Chairman of the Board as EUR 43,000, the remuneration payable to the Deputy Chairman as EUR 38,000 and the remuneration payable to other members as EUR 32,000. In 2013, the Board held nine meetings. The average attendance rate of Board members was 93.5 per cent.

If shareholders controlling more than 10 per cent of the Company's voting rights should notify the Company's Board of Directors of their proposal on the number and identity of Board members and the identity of the auditor, which are matters to be decided on by the AGM, this information shall be noted in the notice of the AGM. Any proposals on candidates made after the notice of the AGM has been published shall be made public separately.

In addition to the tasks separately specified in the Finnish Limited Liability Companies Act and the Company's Articles of Association, the Board is responsible for the business of the Company, its earnings and its development, ratifying the long-term strategy and the Group risk management policy, approving the budget and also deciding on corporate and real estate transactions and key strategic business expansions, equity-based investments, investment development and individual major investments.

The Board appoints the Company's President and CEO and ratifies the nomination of other Management Team members, decides upon the principles for compensating top management and annually assesses management activities.

The Board ratifies its own agenda.

In Board meetings, the business at hand is presented by the President and CEO or an executive named by the President and CEO. The Board's activities and working methods are annually assessed by means of self-assessment or by an external auditor.

## COMMITTEES OF THE BOARD OF DIRECTORS

Duties and responsibilities have not been specifically divided among members and the Chairman of the Board of Directors, nor has the Board appointed any specific committees.

## PRESIDENT AND CEO AND THE MANAGEMENT TEAM

The President and CEO is appointed by the Board of Directors. The President and CEO manages the Company's day-to-day business affairs in accordance with the guidelines and instructions issued by the Board of Directors. His duties include operational management, keeping the Board informed, presenting matters over which the Board has the power of decision, implementing the decisions of the Board and ensuring the legality of the Company's business operations. The President and CEO is assisted by a Management Team consisting of the President and CEO as Chairman and the executives appointed to the team by the Board of Directors. The Management Team meets approximately once a month, and also convenes whenever necessary to address, for example, business plans for the following year and strategy over the longer term.

Each member of the Management Team is responsible for a distinct sphere of operations based on key Company functions. Management Team members report to the President and CEO.

Juho Nummela (born 1977) has acted as President and CEO since 1 June 2008. In 2013, the President and CEO was paid salary and other benefits totalling EUR 280,489.92. He was paid a performance and profit bonus of EUR 54,790.00.

The retirement age of the President and CEO is 65 years, and the pension benefit is determined in compliance with valid legislation.

Under the contract of service concluded between the Company and its President and CEO, both parties may terminate the agreement by giving six (6) months' notice. Should the Company terminate the agreement, it shall pay the President and CEO a sum equal to 12 months' salary in addition to salary and other benefits accruing during the period of notice.

In 2013, the following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; Pasi Arajärvi, Purchasing and Logistics Director (until May 13 2013); Juha Haverinen, Factory Director; Petri Härkönen, CFO; Juha Inberg, Technology and R&D Director; Tapio Mertanen, Service Director; Paula Oksman, HR Director; Jarmo Vidgrén, Deputy CEO, Sales and Marketing Director; and Tommi Väänänen, Purchasing Director (since October 1 2013)

The company management has regular management liability insurance. In 2013, the salaries and other benefits of the other Management Team members totalled EUR 865,063.32. In 2013, a total of EUR 153,281.00 were paid as performance and profit bonuses. No share-based incentives were paid to the President and CEO or the Management Team in 2013. The retirement age of members of the Management Team is 65 years, and the pension benefit is determined in compliance with valid legislation. The Management Team members' period of notice is 6 months. If the Company terminates the agreement, the Company shall pay the salary determined for the notice period.

The Management Team members and their shareholdings in the Company are presented in the Company's Annual Report and on the Company website at [www.ponsse.com](http://www.ponsse.com).

The compensation of the President and CEO and the Management Team consists of a fixed monthly salary and a performance bonus. The performance bonus is based on the operational and performance objectives set by the Board of Directors annually. Ponsse Plc's Board of Directors decides on the salaries of the President and CEO and mem-

bers of the Management Team, the contents and objectives of the bonus scheme, the persons included within the scope of the scheme and ultimately the payment of the bonus. The annual performance bonus of the President and CEO and members of the Management Team may be at most 50 per cent of the previous year's salary.

As necessary, the Management Team monitors and revises the Company's internal principles and procedures, which refer to, for example, reporting, financial administration, investments, risk management, insurance policies, IT systems, general procurement, industrial property rights, management of contractual risks, human resources administration, quality management issues, environmental issues, occupational health and safety, insider guidelines and communications.

**INSIDERS AND INSIDER MANAGEMENT**

The Ponsse Group complies with the insider regulations of Nasdaq OMX Helsinki Ltd.

The Company's permanent insiders are not allowed to trade in any of the Company's shares during a period of fourteen days prior to the publication of a Company stock exchange release or interim report (closed window). The closed window ends with the publication of the interim report or stock exchange release.

Pursuant to the Securities Markets Act, Board members, the President and CEO, and his or her deputy, as well as the auditors, are considered permanent insiders due to their position in the Company. In addition to these, pursuant to a decision taken by the Company, the members of the Management Team and specifically named persons, who, by virtue of their duties, regularly deal with non-public information having an impact on the value of the Company's share are also considered permanent insiders.

The prohibition on misuse of insider information refers to anybody with insider information, regardless of how he or she has obtained the information. Thus, the prohibition on misuse of insider information covers persons other than the Company's permanent insiders.

An insider is not allowed to provide any sales, purchase, etc. assignments on the Company shares or, directly or indirectly, advise any third parties on any trading of

which he or she has insider information. No such information may be disclosed to a third party, unless such disclosure is done as part of the regular job, profession or tasks of the person disclosing the information.

In addition to a public insider register, the Company maintains a company-specific insider register on people who, due to their position or tasks, regularly obtain insider information and whom the Company has specified as company-specific insiders. The information in the company-specific register is not public.

The shareholdings of insiders are available for inspection at the insider register of the Company maintained by Euroclear Finland Ltd. Information on the shareholdings of permanent insiders may be viewed on the Company's website and in the office of Euroclear Finland Ltd at Urho Kekkosen katu 5 C, Helsinki, Finland. Insiders are obligated to inform the person in charge of managing insider matters within the Company of any changes in the information entered in the insider register without delay.

**AUDITING**

The primary purpose of statutory audits is to verify that the financial statements give

a true and fair view of the Group's result and financial position for the financial period. The Company's financial year is the calendar year.

The auditor is responsible for auditing the Company's accounts and financial statements to verify that they are free of material misstatement. The auditor shall also submit a report on the audit performed to the AGM. In addition, under Finnish law, the auditor also audits the Company's corporate governance for compliance with the relevant legislation. Normally, the auditor reports to the Board of Directors once per year.

The Company has one auditor, which shall be a public accounting firm authorised by the Central Chamber of Commerce. The auditor is elected by the AGM, and the auditor's term of office expires at the end of the first AGM following its election.

The auditing procedures of the foreign subsidiaries within the Ponsse Group have been organised in the manner required by each country's legislation and other regulations. In 2013, PricewaterhouseCoopers Oy, Authorised Public Accountants, acted as the parent company's auditor, with Sami Posti, Authorised Public Accountant, as the principal auditor.

In 2013, the Group's auditing costs amounted to EUR 163 000.

**RISK MANAGEMENT**

**RISK MANAGEMENT**

Risk management is based on the Company's values, as well as strategic and financial objectives. Risk management aims to support the achievement of the objectives specified in the Company's strategy, as well as to ensure the financial development of the Company and the continuity of its business.

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

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

A risk is any event that may prevent the Company from reaching its objectives or that threatens the continuity of business.

On the other hand, a risk may also be a positive event, in which case the risk is treated as an opportunity. Each risk is assessed on the basis of its impact and probability. Methods of risk management include avoiding, mitigating and transferring risks. Risks can also be managed by controlling and minimising their impact.

**RISK MANAGEMENT PROCESS**

The Company's risk management policy seeks to maintain and further develop a practical and comprehensive system for the management and reporting of risks. The risk management process includes systematic surveying of function- and unit-specific risks, their assessment and comparing the risks with the Company risk management plan. Risk management is systematically implemented and monitored as part of the daily business. The Company aims at promoting its risk management by increasing awareness of the significance of risk management and supporting shared risk management projects of the functions.

**RISK CLASSIFICATION**

The key risks to the Company's business are divided into four categories: strategic

and operative risks, as well as financing risks and risks of injury or damage.

**STRATEGIC RISKS**

The term "strategic risk" refers to a risk related to the nature of the Company's business, its selected strategy and implementation of the strategy. Such risks may refer to the competitive situation, markets or market environment, legislation and other legal norms, for example. A strategic risk may also be a major investment or a strategic choice related to the business. If realised, a strategic risk may clearly deteriorate the preconditions for the Company's business.

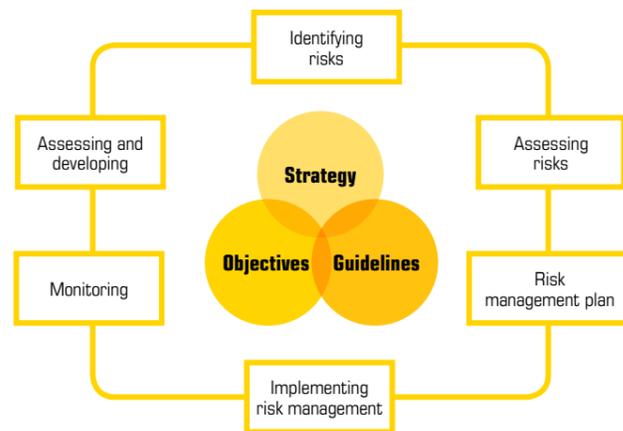
**Market and operating environment**

Any global economic crisis and general economic fluctuations affect the demand for the Company's products and thus its financial position. The fact that the Company does business in more than forty countries balances out the fluctuation risks. Furthermore, the Company aims to maintain its business so that it is flexible and adaptable to changes in order to be ready to quickly adapt its business to the prevailing market situation. The competitive situation and changing requirements of the markets may influence the demand for and profitability of the Company's products. The Company invests in understanding the needs of its customers, and it carefully studies the requirements posed by different markets on products in order to ensure that the products comply with the specific requirements of each region and are competitive. The Company has an extensive network of stakeholders. Stakeholder risks are mitigated by continuously monitoring the network and engaging in good cooperation. The price development of strategically important raw materials and their availability in the global market influence the profitability of the Company's products. Risks related to the price development and availability of raw materials are mitigated by surveying alternative materials and developing acquisition channels.

**Legislation and the environment**

Changes to the political environment, legislation influencing the Company's business and phenomena connected to climate change may clearly influence the Compa-

**RISK MANAGEMENT PROCESS**



**RISK MAP**



ny's business in different market areas. In cooperation with its subsidiaries and regional partners, the Company actively monitors the requirements posed by the markets on products, services and the business as a whole – such as general business and import legislation, as well as product compliance and environmental requirements. Furthermore, the Company actively communicates with its stakeholders, influences future solutions and sees such solutions as new opportunities.

#### Product and technology

The Company's product and technology risks refer to technological choices and R&D. These risks are mitigated by staying close to customers and other stakeholders in order to ensure that product technology is developed in the correct manner. Furthermore, the Company aims to actively cooperate with universities, institutions of higher education and research establishments, as well as participate in global R&D projects. Developed technologies and products are protected by means of intellectual property rights. The Company is also aware of the industrial property rights of its competitors and respects them in the conduct of its own business.

#### OPERATIVE RISKS

The term "operative risk" refers to a risk related to the Company's internal processes, personnel, business network and systems.

If realised, operative risks may deteriorate the Company's earnings, effectiveness and profitability.

#### Organisation and management

Risks related to the Company's organisation and management include risks connected to, for example, the availability of workforce, labour market disturbances and the management of key competence. The Company's personnel strategy has a key role in managing risks related to the organisation and management. The commitment of key employees in the Company is improved by means of an incentive scheme. Investments in recruiting are made in order to ensure access to the correct type of workforce. The Company's image as an employer is developed by means of appropriate communications and cooperation with various educational establishments and other stakeholders.

#### Information and IT

The Company's information and IT risks include, for example, the risk of trade secrets leaking out of the Company, as well as risks related to the functionality, security and safety of IT systems. The Company complies with an information security policy to manage these risks, with the aim of ensuring that all preconditions for the functionality and safety of the systems exist. Information leaks are proactively prevented by all possible means.

#### Supplier network

The Company persistently develops its supplier network. Material price and availability risks are also related to the supplier network. The Company aims to ensure a competitive material price level by studying alternative procurement channels and concluding long-term agreements. In order to achieve cost-efficient solutions, the Company invests in close R&D cooperation with its supplier network.

Whenever possible, the Company utilises a policy of two suppliers, in order to manage material availability risks. The business environment is stabilised by means of long-term supplier agreements, and suppliers are regularly audited in compliance with the auditing programme. The Company aims to create a supply chain by which the Company does business directly with manufacturers in order to retain a real-time communications channel. A supply chain management tool is utilised in monitoring the supplier network and optimising batch sizes.

#### Production and processes

The Company's business requires comprehensive process management. What is important for a cost-efficient business is maintaining and improving processes. The Company's quality management system is continuously developed in order to maintain its processes as functional. Functionality of the system is assessed by utilis-

ing results obtained from process management, as well as ISO 9001 certification by a third party.

Production process disturbances or disruptions may hamper business operations. Preparations for major disturbances are made by maintaining substitute manufacturing methods and equipment. Furthermore, the opportunity to manufacturing cooperation with key partners is maintained.

#### FINANCING RISKS

The Company is exposed to several financing risks in the normal course of its business. The Company's financing risk management system aims to protect the Group's performance, cash flows, shareholders' equity and liquidity from unfavourable financing market fluctuations. Financing risk management is handled in a centralised manner by the Company Financing Unit. The Board ratifies the Company financing risk management policy, and the Company CFO is in charge of its practical implementation in cooperation with the Financing Unit.

The Company's financing risks include currency, interest, credit and liquidity risks, as well as capital management risks. For more information on financing risk management, please see Note 30 to the consolidated financial statements.

#### RISK OF INJURY OR DAMAGE

The main focus in risk of injury or damage mitigation lies in identifying and preventing risks. Identified risks of injury or damage include, for example, occupational health and safety risks, environmental risks and risks of property damage. Risks of injury or damage are managed by means of an extensive insurance scheme. Damage is proactively prevented by applying a safety policy and safety guidelines, as well as ensuring that working methods and tools are safe. The Company quickly reacts to any dangers observed. All accidents and close-call situations are recorded in a monitoring system, and the necessary measures to prevent dangers are implemented. The Company's objective is an accident-free working environment. Risks of injury or damage are regularly assessed by means of internal audits. The entire personnel participate in identifying the risks of injury or damage.

#### INTERNAL AUDITING

In compliance with the Finnish code of corporate governance, internal auditing and risk management seek to ensure that the Company's activities are effective and profitable, the information used by the management when making decisions is reliable, the Company policies are followed, implementation of risk management measures complies with the risk management policy, and the Company complies with all laws and regulations. Internal auditing supports the Board's management task.

Internal auditing is integrated into the Company's management and reporting system. Internal auditing is implemented by the Board of the Company, operational management and employees. Implementation of internal auditing is ensured by paying special attention to organising activities, the competence of personnel, operational guidelines, reporting and the scope of auditing.

The Board ensures that the auditing of the Company's accounting, asset management and risk management has been properly organised and complies with the relevant legislation. Furthermore, the Board ensures – together with the President and CEO – that the Company conducts its business in compliance with its values. The Board approves the risk management policy and all guidelines pertaining to internal auditing and the code of governance. If necessary, the Board may request external auditors or other service providers to conduct an internal audit.

The President and CEO is in charge of the daily management of the Company in compliance with the Board's instructions. The President and CEO provides a basis for internal auditing by managing and guiding top management and monitoring how executives audit their own activities.

The Company's Management Team ensures that different activities of the Company comply with the internal auditing guidelines and practices. Risk management, financial administration guidelines and financial administration practices are of particular importance.

Under the management of the Company CFO, financial administration assists in creating proper risk management and financial management auditing practices,

and monitors the sufficiency and practical functionality of the auditing measures.

The President and CEO, the members of the Management Team and managers of the subsidiaries have the responsibility for legislative compliance of the accounting and administration of their areas of responsibility, as well as compliance with the Company's operational guidelines. Auditors annually check the accounting and administration of the subsidiaries. Audits of all the Group companies are performed by authorised accounting firms. The auditor of the parent company has the responsibility for coordinating audit focus areas, analysing audit observations from the perspective of the consolidated financial statements and communicating with the Group's financial administration. The internal auditing structure of the Group companies is taken into account when deciding upon the scope of the audit. Annual detailed reports on auditing results are provided to Group management and the Board.

#### SHAREHOLDER AGREEMENTS

The Company is not aware of its shareholders having entered into shareholder agreements.

#### DIVIDEND POLICY

The Company has adopted a dividend policy whereby dividends are paid in accordance with the Company's long-term performance and capital requirements.

#### COMMUNICATION

The Company's President and CEO carries the responsibility for communication outside the Company. The Company's Communications Unit and financial administration participate in handling investor and media relations, stock exchange communication and creation of investor information published on the Company website, managed by the President and CEO.

In connection with its financial statements and Annual Report, the Company publishes its Corporate Governance Statement as a separate document.

The Company's corporate governance statement is available under Investor Information on the Company website at [www.ponsse.com](http://www.ponsse.com)

### RISK MANAGEMENT ORGANISATION AND RESPONSIBILITIES

<b>Board of</b>	Decides on risk management objectives and principles, as well as ratifies the Company Risk Management Policy. The Board supervises the implementation of risk management.
<b>President and CEO</b>	Responsible for arranging risk management measures and presenting risk management issues to the Board.
<b>CFO</b>	Coordinates the risk management process, carries the responsibility for reporting and presents risk management issues to the Management Team.
<b>Management Team</b>	Risk management is included in the strategy process. The Management Team participates in controlling the risk management process and naming the persons in charge. Each member of the Management Team is in charge of identifying risks in his or her business area and implementing risk management.
<b>Regional directors</b>	The subsidiaries independently implement their risk management in compliance with the Group's risk management policy and guidelines.
<b>All employees</b>	Obligated to act in a manner required to prevent risks, follow the Company policies and report any observed risks to their supervisors.

## INFORMATION FOR SHAREHOLDERS

Ponsse Plc's Annual General Meeting for 2014 will be held on Tuesday 15 April 2014 at the company's registered office at Ponssentie 22, FI-74200 Vieremä, Finland, commencing at 11:00 a.m. Finnish time.

### ELIGIBILITY TO ATTEND

To be eligible to attend the AGM, shareholders must be registered by 3 April 2014 in the company's share register maintained by Euroclear Finland Oy. Shareholders who hold shares under their own names are automatically registered in the company's share register. A shareholder with nominee registration can be temporarily added to the company's share register. This must be done by 10 a.m. Finnish time on 10 April 2013 for the purpose of attending the AGM. Holders of nominee-registered shares are advised to acquire instructions from their administrator regarding registration in the share register, the issuance of powers of attorney and registration for the AGM in good time.

### REGISTRATION

Shareholders wishing to attend the AGM should notify the company of their intention to do so by 4 p.m. Finnish time on Thursday 10 April 2014, either by writing to Ponsse Plc, Share Register, FI-74200 Vieremä, Finland, by calling +358 20 768 800, by sending a fax +358 20 768 8690, or by contacting the company online at [www.ponsse.com/agn](http://www.ponsse.com/agn). Written notifications must arrive before the above-mentioned deadline. Please submit any powers of attorney accompanying the advance registration.

### DIVIDEND

Ponsse Plc's Board of Directors will propose to the AGM that a dividend of EUR 0.30 per share be paid for 2013. The dividend shall be paid to all shareholders who are listed in the share register maintained by Euroclear Finland Oy as a company shareholder on the record date, 22 April 2014. The dividend shall be paid on 29 April 2014.

### SHARE REGISTER

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

### FINANCIAL REPORTS IN 2014

In addition to the financial statements and the Annual Report for 2013, Ponsse Plc will issue three interim reports. Interim reports for the financial period 2014 will be published as follows:

- January–March 22 April 2014
- January–June 4 August 2014
- January–September 20 October 2014

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

### ORDERING FINANCIAL PUBLICATIONS

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

Ponsse Plc  
Ponssentie 22  
FI-74200 Vieremä, Finland  
Tel. +358 20 768 800  
Fax +358 20 768 8690  
E-mail:  
[corporate.communications@ponsse.com](mailto:corporate.communications@ponsse.com)

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

### INVESTOR RELATIONS

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

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

Juho Nummela  
President and CEO  
Tel. +358 20 768 8914  
Fax +358 20 768 8690  
E-mail: [juho.nummela@ponsse.com](mailto:juho.nummela@ponsse.com)

Petri Härkönen  
CFO  
Tel. +358 20 768 8608  
Fax +358 20 768 8690  
E-mail: [petri.harkonen@ponsse.com](mailto:petri.harkonen@ponsse.com)

### INVESTMENT ANALYSES

The following companies, among others, follow Ponsse as an investment object:

Evli Bank Plc  
Inderes Oy  
Nordea Bank Finland Plc  
Pohjola Bank Plc  
Pareto Securities Oy

## CONTENTS

- 32** Board of Directors' report
- 37** The most important exchange rates

### Consolidated financial statements (IFRS)

- 38** Consolidated statement of comprehensive income
- 39** Consolidated statement of financial position
- 40** Consolidated statement of cash flows
- 41** Consolidated statement of changes in equity
- 42** Notes to the consolidated financial statements
- 73** Financial indicators
- 74** Per-share data
- 75** Formulae for financial indicators

### Parent company's financial statements (FAS)

- 76** Parent company's profit and loss account
- 77** Parent company's balance sheet
- 78** Parent company's cash flow statement
- 79** Notes to the parent company's accounts

- 88** Share capital and shares
- 92** Board of Directors' proposal for the disposal of profit
- 93** Auditor's report

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

# BOARD OF DIRECTORS' REPORT FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2013

## General

Ponsse Group recorded net sales amounting to EUR 312.8 million (in 2012, EUR 314.8 million) and an operating result of EUR 22.5 (24.5) million for the period. Result before taxes was EUR 14.2 (20.5) million. Earnings per share were EUR 0.31 (EUR 0.44).

## Net sales

Consolidated net sales for the period under review amounted to EUR 312.8 (314.8) million, which was 0.6 per cent less than in the comparison period. International business operations accounted for 69.3 (67.4) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 43.4 (51.8) per cent, Central and Southern Europe 16.2 (16.6) per cent, Russia and Asia 18.1 (17.2) per cent, North and South America 22.2 (14.3) per cent and other countries 0.0 (0.0) per cent.

## Profit performance

The operating result amounted to EUR 22.5 (24.5) million. The operating result of the comparison period includes a non-recurring cost item of EUR 1.9 million. The operating result equalled 7.2 (7.8) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 12.2 (17.7) per cent.

Staff costs for the period totalled EUR 49.0 (49.2) million. Other operating expenses stood at EUR 31.5 (32.0) million. The net total of financial income and expenses amounted to EUR -8.2 (-4.0) million. Exchange rate gains and losses with a net effect of EUR -6.6 (-2.2) million were recognised under financial items for the period. Result for the period under review totalled EUR 9.1 (13.9) million.

Diluted and undiluted earnings per share (EPS) came to EUR 0.31 (0.44). The interest on the subordinated loan for the period, less tax, has been taken into account in the calculation of EPS.

## 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 186.0 (181.7) million. Inventories stood at EUR 85.8 (81.6) million. Trade receivables totalled EUR 23.2 (26.0) million, while liquid assets stood at EUR 12.0 (14.1) million. Group shareholders' equity stood at EUR 67.6 (81.4) million and parent company shareholders' equity (FAS) at EUR 85.8 (81.1) million. In the comparison period Group shareholders' equity includes a hybrid loan of EUR 19 million issued on 31 March 2009 and settled on 28 March 2013. A separate release was issued on 19 February 2013 regarding the settlement of the hybrid loan. The interest paid on the hybrid loan totalling EUR 9.1 million, less tax, is recognised as a deduction from Group equity. The amount of interest-bearing liabilities was EUR 60.3 (56.4) million. The company has used 18 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 71.9 (80.5) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 48.3 (42.1) million, and the debt-equity ratio (net gearing) was 71.6 (51.7) per cent. The equity ratio stood at 36.5 (45.1) per cent at the end of the period under review.

Cash flow from operating activities amounted to EUR

38.5 (13.3) million. Cash flow from investment activities came to EUR -11.2 (-18.0) million.

## Order intake and order books

Order intake for the period totalled EUR 371.0 (285.9) million, while period-end order books were valued at EUR 99.8 (41.8) million. The minimum order commitments for retailers are not included in the order book total.

## Distribution network

No changes took place in the Group structure during the period under review except for Ponsse Uruguay S.A. being transferred to Ponsse Plc's direct ownership from Ponsse Latin America Ltda.

The subsidiaries included in the Ponsse Group are: Epec Oy, Finland; OOO Ponsse, Russia; Ponsse AB, Sweden; Ponsse AS, Norway; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China; Ponsse Latin America Ltda, Brazil; Ponsse North America, Inc., the United States; Ponssé S.A.S., France; Ponsse UK Ltd, the United Kingdom; and Ponsse Uruguay S.A., Uruguay. Sunit Oy, based in Kajaani, Finland, is an affiliated company in which Ponsse Plc has a holding of 34 per cent.

## R&D and capital expenditure

During the period under review, the Group's R&D expenses totalled EUR 9.7 (9.5) million, of which EUR 3.6 (3.3) million was capitalised.

Capital expenditure totalled EUR 11.2 (18.1) million. It consisted in addition to capitalised R&D expenses of ordinary maintenance and replacement investments for machinery and equipment.

## Annual general meeting

Annual General Meeting was held in Vieremä, Finland 16 April 2013. 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 2012 financial period.

The AGM decided to pay a dividend of EUR 0.25 per share for 2012 (dividends totaling EUR 6,946,775). No dividend will be paid to shares owned by the company itself (212,900 shares). The dividend payment record date was 19 April 2013, and the dividends were paid on 26 April 2013.

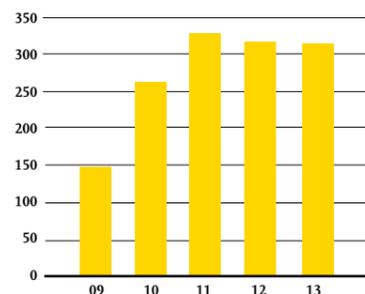
The AGM authorised the Board of Directors to decide on the acquisition of the treasury shares so that a maximum of 250,000 shares can be acquired in one or more batches. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes.

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

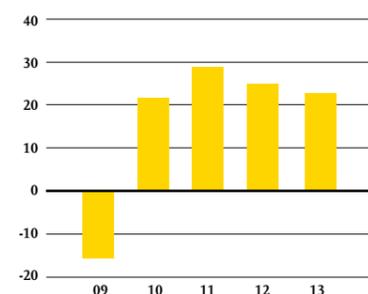
The Board may, pursuant to the authorisation, only decide upon the acquisition of the treasury shares using the Company's unrestricted shareholders' equity.

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

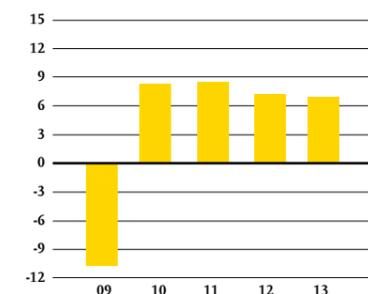
Net sales, meur



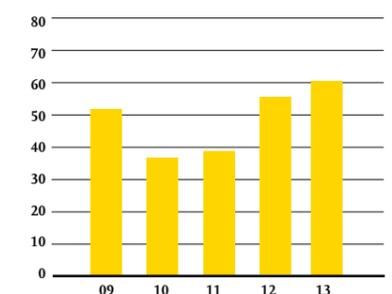
Operating result, meur



Operating result, % of net sales



Interest-bearing liabilities, meur



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

The authorisation is valid until the next AGM; however, no later than 30 June 2014. Previous authorisations are canceled.

The AGM authorised the Board of Directors to decide on the issue of new shares and the assignment of treasury shares held by the company against payment or free of charge so that a maximum of 250,000 shares will be issued on the basis of the authorisation. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes.

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

The authorisation is proposed for use in supporting the Company's growth strategy in the Company's potential corporate acquisitions or other arrangements. In addition, the shares can be issued to the Company's current shareholders, sold through public trading or used in personnel incentive systems.

The authorisation is valid until the next AGM; however, no later than 30 June 2014. Previous authorisations are canceled.

#### Board of directors and the company's auditors

The Board of Directors comprised seven members during the period under review. Heikki Hortling, Mammu Kaario, Ilkka Kylävainio, Ossi Saksman Jukka Vidgrén and Juha Vidgrén were re-elected and Janne Vidgrén was elected

as a new member to the Board. Juha Vidgrén acted as the Chairman of the Board and Heikki Hortling as the Vice Chairman.

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

The Board of Directors convened nine times during the period under review. The attendance rate was 93.5 percent.

During the period under review, auditing firm PricewaterhouseCoopers Oy acted as the company auditor with Sami Posti, Authorised Public Accountant, as the principal auditor.

#### Management

The following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; Pasi Arajärvi, Purchasing and Logistics Director (until 13 May 2013); Juha Haverinen, Factory Director; Petri Härkönen, CFO; Juha Inberg, Technology and R&D Director; Tapio Mertanen, Service Director; Paula Oksman, HR Director; Tommi Väänänen, Purchasing Director (as of 1 October 2013) and Jarmo Vidgrén, Deputy CEO, Sales and Marketing Director. The company management has regular management liability insurance.

The area director organisation of sales is lead by Jarmo Vidgrén, Group's Sales and Marketing Director and Tapio Mertanen, Service Director. The geographical distribution and the responsible persons are presented below:

Northern Europe: Jarmo Vidgrén (Finland), Eero Lukkarinen (Sweden, Denmark) and Sigurd Skotte (Norway),

Central and Southern Europe: Janne Vidgrén (Austria, Poland, Romania, Germany, the Czech Republic and

Hungary), Clément Puybaret (France), Jussi Hentunen (Spain, Italy, Portugal and Norrbotten/Sweden) and Gary Glendinning (the United Kingdom)

Russia and Asia: Jaakko Laurila (Russia, Belarus), Norbert Schalkx (Japan and the Baltic countries) and Risto Kääriäinen (China),

North and South America: Pekka Ruuskanen (the United States) Marko Mattila (North American dealers), Teemu Raitis (Brazil) and Martin Toledo (Uruguay).

Pasi Arajärvi, the Purchasing and Logistics Director and a member of the Management Team at Ponsse Plc, left the company on 13 May 2013. B. Eng. Tommi Väänänen took up his post as the Purchasing Director and a member of the Board of Directors on 1 October 2013. CEO Juho Nummela took care of the responsibilities of the Purchasing and Logistics Director from 13 May to 1 October 2013.

#### Personnel

The Group had an average staff of 1 027 (994) during the period and employed 1 099 (986) people at period-end.

#### Share-based incentive scheme

The Group had a share-based incentive scheme aimed at the Group's key personnel. The earning criteria for the first earning period will not be met, and a decision was made to terminate the entire scheme. The amount recognised as income as a result during the financial period is EUR 667 thousand, and it is shown under employment benefit expenses.

#### Share performance

The company's registered share capital consists of 28,000,000 shares. At the end of the period under review the company had 7,225 shareholders. The trading volume of Ponsse Plc shares for 1 January – 31 December 2013 totalled 2,919,553, accounting for 10.4 per cent of the total number of shares. Share turnover amounted to EUR 21.2 million, with the period's lowest and highest share prices amounting to EUR 5.50 and EUR 10.02, respectively.

At the end of the period, shares closed at EUR 9.81, and market capitalisation totalled EUR 274.7 million.

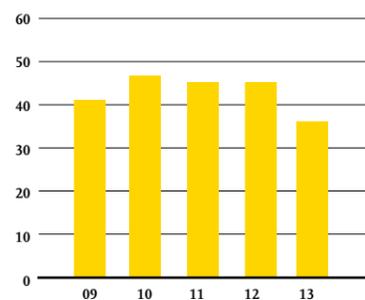
At the end of the period under review, the company held 212,900 treasury shares.

#### Quality and environment

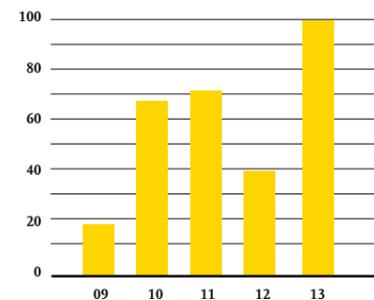
Ponsse is committed to observing the ISO 9001 quality standard, the ISO 14001 environmental system standard and the OHSAS 18001 occupational safety and health standard, the first two of which are certified. Lloyd's Register Quality Assurance conducted an audit of the ISO 9001:2008 quality system and the ISO 14001:2004 environmental system during the period under review.

The company has included the procedures required by these quality, environmental and occupational safety and health standards in Ponsse's sustainable development principles. At Ponsse, sustainable development means taking the economic, social and ecological points of view into account in all the company's operations. Procedures according to sustainable development related to profitability, cash flow from operating activities and growth ensure the company's economic performance in the long term.

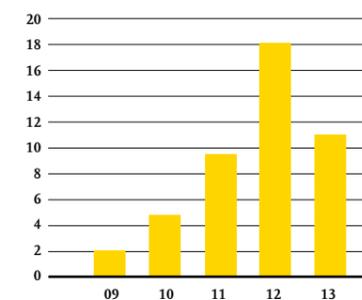
Equity ratio, %



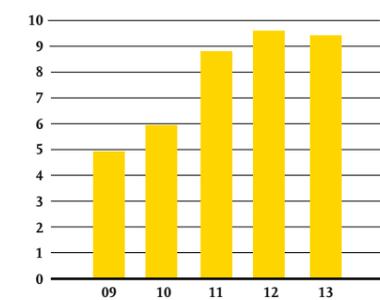
Order books, meur



Gross capital expenditure, meur



R&D expenditure, meur



Procedures related to the social point of view ensure the availability of competent human resources for the company and its customers and maintain the professional skills and well-being of the company's employees. The environmental point of view ensures the environmental friendliness of our products and production, improving our customers' profitable operations by means of, for example, lower fuel consumption and emissions.

Procedures and production processes are developed through both internal and external audits. The company's audit system was a key tool in promoting development during 2013. During the period under review, internal audits assessing the procedures and working environment of services were expanded in the company's service network. The aim of the quality audits of services is to ensure efficient and safe procedures in the PONSSE service network.

Production processes are continuously developed in accordance with the operating model of continuous improvement. The company's quality assurance system emphasises the importance of prevention. During the period under review, a procedure development model internal to the company, which is based on Lean Six Sigma quality management principles, was used successfully.

#### 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

in 2010. 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.

#### Risk management

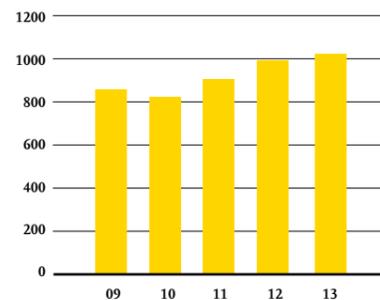
Risk management is based on the company's values, as well as strategic and financial objectives. Risk management aims to support the achievement of the objectives specified in the company's strategy, as well as to ensure the financial development of the company and the continuity of its business.

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

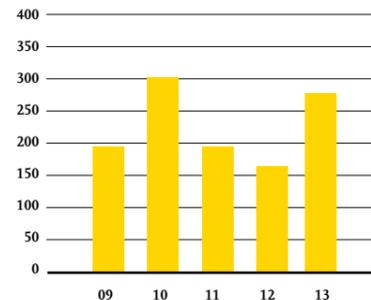
Risk management is a part of regular daily business, and it is also included in the management system. Risk management is controlled by the risk management policy approved by the Board.

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

Average number of employees



Market capitalisation, meur



#### Short-term risks and their management

The prolonged insecurity in the world economy and weak economic situation may result in a decline in the demand for forest machines. The uncertainty may be increased by the volatility of developing countries' foreign exchange markets.

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

The key objective of the company's financial risk management policy is to manage liquidity, interest and currency risks. The company ensures its liquidity through credit limit facilities agreed with a number of financial institutions. The effect of adverse changes in interest rates is minimised by utilising credit linked to different reference rates and by concluding interest rate swaps. The effects of currency rate fluctuations are mitigated through derivative contracts.

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.

#### Events after the period

In its decision on 21 January 2014, the Supreme Administrative Court approved the company's appeal concerning the tax deductibility of the impairment losses of intra-Group trade receivables in parent company's taxation in 2008, totalling EUR 1.6 million. The decision has not affected the tax expense for 2013 because the previously debited tax has been posted as a receivable in the company's financial statements 2013 on the basis of a favourable decision made by the tax rectification committee of the Corporate Taxation Unit on 16 February 2010.

#### Outlook for the future

The Group's euro-denominated operating profit is expected to be significantly higher than in 2013.

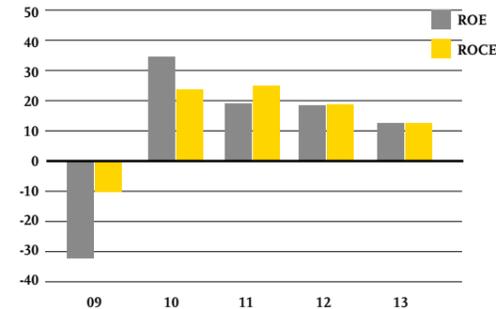
In general, the positive work situation of the customers and Ponsse's strongly renewed and competitive product portfolio and maintenance service solutions are having a positive effect on the company's business operations.

Thanks to the strong order books, the factory is able to produce forest machines at almost full capacity. We estimate that the work situation of our customers will also continue to be good.

#### THE MOST IMPORTANT EXCHANGE RATES

	Closing exchange rate 31 Dec 2013	Average exchange rate 2013	Closing exchange rate 31 Dec 2012	Average exchange rate 2012
SEK	8.85910	8.66245	8.58200	8.70146
NOK	8.36300	7.82656	7.34830	7.48398
GBP	0.83370	0.84746	0.81610	0.81373
USD	1.37910	1.32995	1.31940	1.29322
BRL	3.25760	2.87911	2.70360	2.52199
RUB	45.32460	42.44406	40.32950	40.23542
CNY	8.34910	8.17693	8.22070	8.14615

Return on equity, % (ROE) & return on capital employed, % (ROCE)



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	Note <sup>1</sup>	2013	2012
<b>Net sales</b>	1, 4	312,825	314,779
Other operating income	5	1,053	836
Change in inventories of finished goods and work in progress		5,832	-130
Raw materials and services		-210,146	-203,943
Expenditure on employment-related benefits	8, 35	-49,022	-49,223
Depreciation and amortisation	7	-6,568	-5,862
Other operating expenses	6	-31,472	-31,986
<b>Operating result</b>		<b>22,501</b>	<b>24,471</b>
Financial income	10	12,100	14,137
Financial expenses	11	-20,308	-18,105
Share of results of associated companies		-45	11
<b>Result before taxes</b>		<b>14,248</b>	<b>20,513</b>
Income taxes	12	-5,150	-6,623
<b>Net result for the period</b>		<b>9,098</b>	<b>13,890</b>
<b>Other items included in total comprehensive result:</b>			
Translation differences related to foreign units		2,955	437
<b>Total comprehensive income for the financial period</b>		<b>12,053</b>	<b>14,327</b>
Earnings per share calculated from the result belonging to parent company shareholders:			
undiluted earnings per share (EUR), result for the period	13	0.31	0.44
earnings per share (EUR) adjusted for dilution, result for the period	13	0.31	0.44

<sup>1</sup> The note refers to the Notes to the Accounts on pages 42–72.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note <sup>1</sup>	2013	2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	37,766	35,525
Goodwill	15	3,440	3,440
Intangible assets	15	14,278	11,898
Financial assets	18, 31	104	111
Investments in associated companies	17	1,031	1,186
Receivables	19	914	999
Deferred tax assets	20	1,374	1,628
<b>Total non-current assets</b>		<b>58,908</b>	<b>54,787</b>
<b>Current assets</b>			
Inventories	21	85,767	81,636
Trade receivables and other receivables	22, 31	29,208	29,266
Income tax receivables		207	1,959
Cash and cash equivalents	23, 31	11,958	14,083
<b>Total current assets</b>		<b>127,140</b>	<b>126,944</b>
<b>TOTAL ASSETS</b>		<b>186,048</b>	<b>181,732</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		7,000	7,000
Treasury shares		-2,228	-2,228
Translation differences		1,417	-1,538
Other reserves		30	19,030
Retained earnings		61,331	59,180
<b>Equity owned by parent company shareholders</b>		<b>67,550</b>	<b>81,444</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	20	657	968
Financial liabilities	28, 31	38,810	21,474
Other liabilities	29, 31	0	13
<b>Total non-current liabilities</b>		<b>39,466</b>	<b>22,455</b>
<b>Current liabilities</b>			
Trade creditors and other liabilities	29	52,002	37,558
Deferred tax liabilities based on the taxable income for the period		920	385
Provisions	27	4,618	4,977
Current financial liabilities	28, 31	21,492	34,912
<b>Total current liabilities</b>		<b>79,032</b>	<b>77,833</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>186,048</b>	<b>181,732</b>

<sup>1</sup> The note refers to the Notes to the Accounts on pages 42–72.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR 1,000)	Note <sup>1</sup>	2013	2012
<b>Cash flows from operating activities:</b>			
Net result for the period		9,098	13,890
Adjustments:			
Financial income and expenses	10, 11	8,208	3,968
Share of the result of associated companies		45	-11
Depreciation and amortisation	7	6,568	5,862
Income taxes		5,150	6,623
Other adjustments		2,637	-452
Cash flow before changes in working capital		31,706	29,880
Change in working capital:			
Increase (-)/decrease (+) in trade receivables and other receivables		-81	4,256
Increase (-)/decrease (+) in inventories		-4,131	-1,161
Increase (+)/decrease (-) in trade creditors and other liabilities		15,557	-8,600
Change in provisions for liabilities and charges		-359	350
Interest received		227	195
Interest paid		-1,143	-1,334
Other financial items		-1,063	269
Income taxes paid		-2,260	-10,509
<b>Net cash flow from operating activities (A)</b>		<b>38,453</b>	<b>13,346</b>
<b>Cash flows used in investing activities:</b>			
Investments in tangible and intangible assets		-11,188	-18,062
Proceeds from sale of tangible and intangible assets		0	62
<b>Net cash flows used in investing activities (B)</b>		<b>-11,188</b>	<b>-18,000</b>
<b>Cash flows from financing activities:</b>			
Hybrid loan	24	-19,000	0
Interest paid, hybrid loan		-1,136	-2,280
Withdrawal/repayment of current loans		-14,500	14,478
Increase (-)/decrease (+) in current interest-bearing receivables		-136	-100
Withdrawal of non-current loans		29,322	10,000
Repayment of non-current loans		-10,668	-6,792
Payment of finance lease liabilities		-239	-363
Increase (-)/decrease (+) in non-current receivables		172	380
Dividends paid	24	-6,947	-9,725
<b>Net cash flows from financing activities (C)</b>		<b>-23,132</b>	<b>5,598</b>
<b>Change in cash and cash equivalents (A+B+C)</b>		<b>4,133</b>	<b>945</b>
Cash and cash equivalents 1 Jan		14,083	16,267
Impact of changes in exchange rates		-6,259	-3,129
Cash and cash equivalents 31 Dec	23	11,958	14,083

<sup>1</sup> The note refers to the Notes to the Accounts on pages 42–72.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Note	Equity owned by parent company shareholders					Shareholders' equity total
		Share capital	Share premium account and other reserves	Translation differences	Treasury shares	Retained earnings	
<b>Shareholders' equity, 1 Jan 2013</b>		<b>7,000</b>	<b>19,030</b>	<b>-1,538</b>	<b>-2,228</b>	<b>59,180</b>	<b>81,444</b>
Translation differences		0	0	2,955	0	0	2,955
Result for the period		0	0	0	0	9,098	9,098
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>2,955</b>	<b>0</b>	<b>9,098</b>	<b>12,053</b>
Direct posting to retained earnings*		0	0	0	0	0	0
Dividend distribution	24	0	0	0	0	-6,947	-6,947
Other changes		0	-19,000	0	0	0	-19,000
<b>Shareholders' equity, 31 Dec 2013</b>		<b>7,000</b>	<b>30</b>	<b>1,417</b>	<b>-2,228</b>	<b>61,331</b>	<b>67,550</b>
<b>Shareholders' equity, 1 Jan 2012</b>		<b>7,000</b>	<b>19,030</b>	<b>-1,975</b>	<b>-2,228</b>	<b>56,736</b>	<b>78,563</b>
Translation differences		0	0	437	0	0	437
Result for the period		0	0	0	0	13,890	13,890
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>437</b>	<b>0</b>	<b>13,890</b>	<b>14,327</b>
Direct posting to retained earnings*		0	0	0	0	-1,721	-1,721
Dividend distribution	24	0	0	0	0	-9,725	-9,725
<b>Shareholders' equity, 31 Dec 2012</b>		<b>7,000</b>	<b>19,030</b>	<b>-1,538</b>	<b>-2,228</b>	<b>59,180</b>	<b>81,444</b>

\* Consists of interest, less tax, paid for the hybrid loan classified as equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Basic information on the group

Ponsse Group is a sales, maintenance and technology company committed to creating success for its customers, and determined to secure its position as a global leader in the field of environmentally friendly cut-to-length forest machines. The Ponsse Group includes the parent company Ponsse Plc as well as the wholly-owned subsidiaries Ponsse AB in Sweden, Ponsse AS in Norway, Ponsse S.A.S. in France, Ponsse UK Ltd. in Great Britain, Ponsse North America Inc. in the United States, Ponsse Latin America in Brazil, OOO Ponsse in Russia, Ponsse Asia-Pacific Ltd in Hong Kong, Ponsse China Ltd in China, Ponsse Uruguay S.A. in Uruguay and Epec Oy in Seinäjoki, Finland. Furthermore, the Group includes Sunit Oy in Kajaani, which is Ponsse Plc's associate with a holding of 34 per cent.

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

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

Ponsse Plc's Board of Directors approved the disclosure of these financial statements at its meeting on 17 February 2014. According to the Finnish Companies Act, shareholders have the option to approve or reject the financial statements at a General Meeting of Shareholders to be held after the disclosure. The General Meeting of Shareholders may also amend the financial statements.

## Accounting policies

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2013. In the Finnish Accounting Act and regulations enacted by virtue of the Act, International Financial Reporting Standards refer to the standards approved for use in the European Union in accordance with the procedure specified in the EU regulation (EC) No 1606/2002. The notes to the financial statements are also in compliance with Finnish legislation concerning accounting and corporate law. This legislation complements the IFRS regulations.

The information in the consolidated financial statements is presented in thousands of euro and is based on

original acquisition costs, with the exception of derivative contracts and share-based payments that are measured at fair value. The financial statements have been presented in accordance with the profit and loss account by type of expense.

The consolidated financial statements have been prepared in compliance with the same accounting principles as in 2012 apart from the following new standards, interpretations and amendments to existing standards valid as of 1 January 2013.

– Revised IAS 19 *Employee Benefits*. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. In the future, all actuarial gains and losses must immediately be recorded in other comprehensive income items. The amendment has not had any impact on the consolidated financial statements.

– IAS 1 (amendment) *Presentation of Financial Statements* (applicable to financial periods beginning on or after 1 July 2012). The key amendment is the requirement for grouping other comprehensive income items according to whether they will possibly be transferred to items recognised through profit or loss when certain conditions are met (adjustments due to reclassification). The amendment does not concern which items are presented in other comprehensive income items.

– IFRS 13 *Fair Value Measurement* (applicable to financial periods beginning on or after 1 January 2013). The purpose of the standard is to increase consistency and reduce complicacy, as it contains a precise definition of fair value and the requirements for the measurement of fair value and notes to the financial statements. The use of fair value is not expanded; rather, guidance is provided for its measurement when its use is permitted or required by other standards. The standard has no impact on the consolidated financial statements.

– IFRS 7 (amendment) *Financial Instruments: Disclosures* (applicable to financial periods beginning on or after 1 January 2013). Requirements for notes are increased with the aim of improving the comparability of financial statements according to IFRS and US GAAP. The amendment has no material effect on the consolidated financial statements.

– *Annual Improvements to IFRSs 2009–2011*, May 2012, applicable to financial periods beginning on or after 1 January 2013). Minor and less urgent changes made in the standards by applying the Annual Improvements procedure are collected into a single entity to be implemented annually. The changes included in the procedure refer to a total of five standards. The amendment will not have a material impact on the consolidated financial statements.

Preparation of financial statements in accordance with IFRS standards requires the Group's management to make

certain estimates and considerations with regard to the application of the accounting policies, and the management has made these estimates and considerations. Information on considerations made by management with regard to application of the Group's accounting policies that have the most significant effect on the figures presented in the financial statements is presented in the Section "Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates".

## Accounting principles concerning the consolidated financial statements

### Consolidation principles

#### Subsidiaries

The consolidated financial statements include the parent company Ponsse Plc and all of its subsidiaries. Subsidiaries are entities in which the Group exercises control. A position of control arises when the Group holds more than one half of the voting rights or otherwise controls the entity. Control refers to the right to define the principles of the finances and business operations of an entity in order to gain benefit from its operations.

Intra-Group shareholdings have been eliminated using the acquisition method. The consideration paid and the identifiable assets and obtained liabilities of the acquiree are measured at fair value at the time of acquisition. Acquisition-related expenses, excluding expenses arising from the issuance of debt or equity securities, are recorded as an expense. The consideration paid does not include business operations processed separately from the acquisition. Their effect has been recognised in connection with the acquisition through profit or loss. Any conditional additional purchase price is measured at fair value at the time of acquisition and classified as liability or equity. Additional purchase price classified as a liability is measured at fair value on each closing date of a reporting period, and the arising profit or loss is recorded through profit or loss or under other comprehensive profit/loss items. Additional purchase price classified as equity is not re-measured.

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

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

Acquisitions that have taken place before 1 January 2010 have been processed in accordance with the regulations in force at the time.

#### Associates

Associates are entities in which the Group exercises significant power. Significant power mainly arises when the Group holds more than 20 per cent of the voting rights in an entity or the Group otherwise has significant power but no position of control. Associates are consolidated using the equity method. If the Group's share of an associate's loss exceeds the book value of the investment, the investment is recognised in the balance sheet at zero value and loss exceeding the book value is not consolidated unless the Group is committed to the fulfilment of the associate's obligations. An investment in an associate includes the goodwill arising from its acquisition. A share of associate profits corresponding to the Group's share of holding is presented as a separate item after operating profit.

#### Foreign currency translation

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

#### Transactions denominated in a foreign currency

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

**Conversion of the financial statements of foreign Group companies**

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

**Property, plant and equipment**

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and impairment losses.

Expenses incurred from the direct acquisition of property, plant and equipment are included in the acquisition. The acquisition cost of a self-manufactured asset item includes material expenses, direct expenses incurred for employee benefits and other direct expenses incurred for the completion of the property, plant and equipment item for the intended use. Liability expenses directly incurred for the acquisition, construction or manufacture of a property, plant and equipment item fulfilling the conditions are capitalised as part of the acquisition cost of the asset item.

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

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

Buildings	20 years
Machinery and equipment	5 to 10 years

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

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

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

**Public subsidies**

Public subsidies, such as government grants associated with the acquisition of property, plant and equipment items, are recognised as deductions in the book values of property, plant and equipment items when it is reasonably certain that the subsidies will be received and the Group fulfils the preconditions for receiving such subsidies. The subsidies will be recognised as income during the useful life of the asset items. Any subsidies covering already realised expenses are recognised through profit or loss for the accounting period during which the right to obtain the subsidy arises. Such subsidies are presented in other operating income.

**Intangible assets**

**Goodwill**

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

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

**R&D expenditure**

Research costs are recognised as expenses through profit or loss. Development costs arising from the design of new or more advanced products are capitalised as intangible assets in the balance sheet starting from the time the prod-

uct is technically feasible, it can be utilised commercially, and future economic benefit is expected from the product. Capitalised development expenditure consists of the costs of materials, labour and testing arising directly from the preparation of an asset for its intended use. Development costs previously recognised as expenses will not be subsequently capitalised.

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

**Other intangible assets**

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

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

The amortisation periods for intangible assets are the following:

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

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

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

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

**Inventories**

Stocks are valued at acquisition cost or a lower net realisable value. The Average Cost method is used as a basis

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

**Lease contracts**

**Group as lessee**

Leases on property, plant or equipment items in which the Group has a significant part of the risks and benefits characteristic of ownership are categorised as finance lease contracts. Asset items acquired under finance lease contracts are recognised in the balance sheet at the fair value of the leased item at the start of the lease period or at a lower present value of minimum rents. Asset items acquired under finance lease contracts are depreciated over the useful life of the item or the lease period, whichever is shorter. Leasing rents payable are divided into financing cost and reduction of debt over the lease period so that the interest rate on the debt remaining in each financial period is equal. Lease obligations are included in financial liabilities.

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

When a lease contract includes sections concerning both land areas and buildings, the classification of each section as a finance lease contract or other lease contract is assessed separately.

**Group as lessor**

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

**Impairments to tangible and intangible assets**

On each closing date of a reporting period, the Group estimates whether there is evidence that the value of an asset may have been impaired. If there is such evidence, the amount recoverable from the asset will be estimated.

Furthermore, the recoverable amount will be estimated annually for the following assets regardless of whether there is evidence of impairment: goodwill and unfinished intangible assets. The need for impairment is reviewed at the level of cash-generating units, which refers to the lowest level of unit that is mainly independent of other units and whose cash flows can be separated from other cash flows.

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

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

#### Employee benefits

#### Pension liabilities

The Group's pension schemes are defined contribution plans. Under defined contribution plans, the Group makes fixed payments to a separate entity. Contributions paid to defined contribution pension plans are recognised through profit or loss during the financial period to which the charge applies.

Pension cover for the personnel of the Group's Finnish companies is arranged through statutory pension insurance policies with external pension insurance companies. Foreign Group companies have arranged pensions for their personnel in accordance with local legislation.

#### Share-based incentive scheme

The Group had a share-based incentive scheme aimed at the Group's key personnel. The earning criteria for the first earning period will not be met, and a decision was

made to terminate the entire scheme. The amount recognised as income as a result during the financial period is EUR 667 thousand, and it is shown under employment benefit expenses.

#### Provisions

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

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

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

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

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

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

The most substantial temporary differences arise from the depreciation of property, plant and equipment, as well as adjustments at fair value upon acquisitions.

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

Deferred tax receivables are recognised up to the probable amount of taxable income in the future against which

the temporary difference can be utilised. The conditions for recognising a deferred tax liability are estimated in this respect on each closing date of a reporting period.

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

#### Revenue recognition

Net sales consist of the income from the sales of products and services measured at fair value and adjusted by indirect taxes and discounts.

#### Goods and services sold

Income from the sale of goods is recognised once the significant risks, benefits and control associated with the ownership of the goods have been transferred to the purchaser. At this time, the Group no longer has any power of control associated with the product. As a general rule, this occurs when the products are handed over in compliance with the terms and conditions of the agreement. Income from services is recognised when the service is rendered and receiving economic benefit from the rendered service is likely.

#### Rental income

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

#### Dividends

Dividend income is recognised once the dividend becomes vested.

#### Financial assets and liabilities

##### Financial assets

The Group's financial assets are classified into the following groups: financial assets at fair value through profit or loss, loans and receivables, and financial assets available for sale. The classification is based on the purpose of acquiring the financial assets and carried out upon original acquisition.

Financial asset items are classified as *Financial assets at fair value through profit or loss* if they are acquired for trading purposes or if they are categorised as assets to be recognised at fair value through profit or loss upon initial recognition. Derivatives that do not meet the IAS 39 criteria for hedge accounting are classified as assets held for trading. Derivatives held for trading are included in current assets and liabilities. The items within the group are measured at fair value. Both realised and unrealised gains and losses arising from changes in fair value are recognised through profit and loss for the reporting period during which they arise.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not held by the Group for trading purposes nor classified as held for sale when originally recognised. The basis for their measurement is amortised cost. On the balance sheet, they are included in trade receivables and other receivables based on their nature: in the latter group if the time to maturity is more than 12 months.

*Financial assets available for sale* are those non-derivative financial assets that are designated as available for sale or are not classified in any other group. They are included in non-current assets unless the intention is to hold them for less than 12 months from the closing date of the reporting period, in which case they are included in current assets.

Financial assets available for sale consist of unlisted shares. They are measured at acquisition.

#### Cash and cash equivalents

Liquid assets comprise cash and bank deposits withdrawable on demand.

#### Impairment of financial assets

On each closing date of a reporting period, the Group estimates whether there is objective evidence that the value of a financial asset item or financial asset group may have been impaired. If there is evidence that the fair value of equity investments is significantly below the acquisition cost, an impairment loss on the share available for sale is recognised through profit or loss.

The Group recognises an impairment loss on trade receivables when there is objective evidence that the receivable cannot be recovered in full. The debtor's substantial financial problems, the probability of bankruptcy, and default or substantial delay on payments are evidence of impairment of trade receivables. If the amount of impairment loss is reduced during a subsequent period and the reduction can be objectively considered to relate to an event subsequent to the recognition of the impairment loss, the recognised impairment loss shall be reversed through profit or loss.

**Financial liabilities**

Financial liabilities are initially recognised at fair value. Financial liabilities are included in non-current and current liabilities, and they are interest-bearing. Financial liabilities are categorised as current liabilities, unless the Group has an absolute right to postpone the payment of the debt so that the due date is at least twelve months after the end of the reporting period.

The principles for determining the fair values of all financial assets and liabilities are presented in Note 31.

**Derivative contracts and hedge accounting**

The Group handles derivative contracts in accordance with the standard IAS 39 *Financial Instruments: Recognition and Measurement*. Ponsse Group has categorised all derivatives as derivatives held for trading as it does not apply hedge accounting in accordance with the IAS 39 standard. The derivatives held for trading include forward exchange agreements and interest rate swaps measured at fair value. The fair value of the derivatives is recognised in other current assets and liabilities. Both realised and unrealised gains and losses arising from changes in fair value are recognised under financial items on the profit and loss account for the financial period during which they arise.

**Shareholders' equity**

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

The group has settled the equity-based bond of EUR 19 million (so-called hybrid loan) issued in accounting period 2009. The loan was posted in the Group equity.

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

**Operating profit**

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

operating profit. Exchange rate differences are recognised in financial items.

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

Estimates and assumptions regarding the future have to be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration.

**Management consideration connected with accounting policies and their adoption**

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

**Uncertainties connected with estimates**

Estimates made when compiling the financial statements are based on the management's best views on the closing date of the reporting period. The estimates are based on previous experience and assumptions about the future that are deemed the most likely on the balance sheet date. These are connected to, for example, the expected development of the Group's financial operating environment regarding the sales and the level of expenditure. The Group regularly monitors the realisation of estimates and assumptions, as well as changes in the underlying factors, together with the business unit by utilising several internal and external sources of information. Any changes in the estimates and assumptions are recognised in the financial period during which the estimates and assumptions are adjusted, and in all subsequent financial periods.

The essential assumptions concerning the future and crucial factors of uncertainty associated with the estimates on the closing date of the reporting period that will impose a significant risk of substantial changes in the book values of assets and liabilities during the next financial period are given below. Group management has deemed these the most important sectors in the financial statements because the compilation principles connected with these issues are the most complex from the Group's viewpoint, and their adoption requires using the most major estimates and assumptions when, for example, evaluating asset items. Furthermore, the potential impacts of the assumptions and

estimates used in these sectors of the financial statements are deemed the greatest.

**Trade receivables**

On the date of the financial statements, the Group recognises a credit loss on receivables for which no payment will probably be received according to its best judgement. The estimates are based on systematic and continuous review of receivables as part of credit risk control. The assessment of credit risks is based on previously realised credit losses, amount and structure of the receivables and short-term financial events and conditions.

**Inventories**

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

**Guarantee provision**

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

**Capitalisation of R&D expenditure**

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

**Income taxes**

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

**Impairment testing**

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

**Application of new and amended IFRS standards**

IASB has published new or revised standards and interpretations, presented below, that the Group has not yet applied. The Group will adopt these standards and interpretations starting on the effective date of the standard or interpretation or, if the effective date is not the first day of a financial period, starting at the beginning of the next financial period. Group management is reviewing the effect of these revised standards on the consolidated financial statements:

– IFRS 9 *Financial Instruments and amendments to it* (mandatory effective date open). This is a three-phase project to replace IAS 39 with a new standard. The different measurement principles have been retained, but they have been simplified by prescribing two measurement groups for financial assets: amortised cost and fair value. The classification depends on the operating model of the entity and the characteristics of the cash flows from the item included in financial assets. The guidance included in IAS 39 for the impairment of the value of financial assets and hedge accounting still remains valid. Due to the unfinished parts, the final impact of the standard on the consolidated financial statements cannot be estimated for the time being. The standard has not yet been approved for application in the EU.

– IFRS 10 *Consolidated Financial Statements* (applicable in the EU to financial periods beginning on or after 1 January 2014). The aim is to determine principles that concern the preparation and presentation of consolidated financial statements when an entity has control over one or several other entities. The principles related to control are defined, and control is determined as the basis for inclusion in the consolidated financial statements. The standard provides guidance for the application of the concept of control when it is established whether an investor has control and whether it must include the object of investment in the consolidated financial statements. The standard also contains requirements concerning the preparation of consolidated financial statements. The standard is not estimated to have a material impact on the consolidated financial statements.

– IFRS 11 *Joint Arrangements* (applicable in the EU to financial periods beginning on or after 1 January 2014). With the standard, the treatment of joint arrangements becomes more realistic. According to the standard, the focus is on the rights and obligations arising from the arrangement and not on its legal form. There are two kinds of joint arrangement: joint operations and joint ventures. The parties to a joint operation have rights related to assets and obligations concerning the arrangement, and they deal with these in the assets, liabilities, income and expenses in their accounting. In a joint venture, the parties have rights to the net assets of the arrangement, and they treat these using the equity method. Relative consolidation of joint ventures is no longer permitted. The standard will not have a material effect on the consolidated financial statements.

– IFRS 12 *Disclosure of Interests in Other Entities* (applicable in the EU to financial periods beginning on or after 1 January 2014). The standard contains requirements for notes concerning all types of interests. It concerns joint arrangements, associated companies, investment instruments created for a specific purpose and other off-balance sheet instruments. The standard will have no effect on the consolidated financial statements.

– IAS 27 (revised in 2011) *Separate Financial Statements* (applicable in the EU to financial periods beginning on or after 1 January 2014). The revised standard only contains requirements for separate financial statements. The revised standard will have no effect on the consolidated financial statements.

– IAS 28 (revised in 2011) *Investments in Associates and Joint Ventures* (applicable in the EU to financial periods beginning on or after 1 January 2014). The revised standard contains the requirements for treating both associates and joint ventures using the equity method as a result of the publication of IFRS 11. The standard has been approved for application in the EU. The revised standard will have no effect on the consolidated financial statements.

– Amendment to IAS 32 *Financial Instruments: Presentation, Offsetting Financial Assets and Financial Liabilities* (applicable to financial periods beginning on or after 1 January 2014). The amendment clarifies the rules on the net settlement of financial assets and liabilities and provides additional guidance on application related to the matter. The amendment will not have a material impact on the consolidated financial statements. The amendment has not yet been approved for application in the EU.

– Amendment to IAS 36, *Impairment of Assets, Recoverable Amount Disclosures for Non-Financial Assets* (applicable to financial periods beginning on or after 1 January 2014). The amendment specifies further the requirements concerning notes related to cash-generating units where impairment losses have been recognised. The amendment

has not yet been approved for application in the EU.

– IFRIC 21 *Levies* (applicable to financial periods beginning on or after 1 January 2014). The interpretation covers the accounting for any liabilities arising from levies imposed on entities. The interpretation will not have an impact on the consolidated financial statements. The interpretation has not yet been approved for application in the EU.

– *Annual Improvements to IFRSs 2010–2012 and Annual Improvements to IFRSs 2011–2013*. Minor and less urgent changes made in the standards by applying the Annual Improvements procedure are collected into a single entity to be implemented annually. The project resulted in 11 amendments to 9 standards. The Group will adopt the following standards in subsequent financial periods, provided that the EU approves them. The impacts of the amendments vary by standard, but the amendments will not have a material impact on the consolidated financial statements. The amendments are presented below:

- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment
- IAS 24 Related Party Disclosures
- IAS 38 Intangible Assets

## 1. OPERATING SEGMENTS

The Group has four reporting segments based on a geographical division of regions. The operating segments are based on reporting used by the Group Management Team in operational decision-making.

The net sales of the reported operating segments are mainly generated by sales of forest machines and maintenance services.

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

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

Segment reporting is based on asset and liability valuation principles complying with IFRS. The liabilities allocated to the segments are also recognised for the separate company. Unallocated items include all Group-level adjustments, interest-bearing financial liabilities and working capital items from outside of the segments. Investments consist of additions of property, plant and equipment as well as intangible assets which are used in connection with more than one period.

### The Group's reported segments are:

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

Pricing between segments is based on fair market price.

### OPERATING SEGMENTS 2013

(EUR 1,000)	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Elimination	Total
Net sales of the segment	237,962	51,474	57,244	70,561		417,241
Revenues between segments	-102,113	-699	-512	-1,121		-104,446
Unallocated sales						29
<b>Net sales from external customers</b>	<b>135,849</b>	<b>50,775</b>	<b>56,732</b>	<b>69,440</b>		<b>312,825</b>
Operating result of the segment	1,311	6,048	8,190	6,266		21,814
Unallocated items						686
<b>Operating result</b>	<b>1,311</b>	<b>6,048</b>	<b>8,190</b>	<b>6,266</b>		<b>22,501</b>
Segment liabilities	50,578	5,146	8,837	45,033	-56,032	53,561
Unallocated liabilities						64,937
<b>Total liabilities</b>	<b>50,578</b>	<b>5,146</b>	<b>8,837</b>	<b>45,033</b>	<b>-56,032</b>	<b>118,498</b>
<b>Investments</b>	<b>10,205</b>	<b>112</b>	<b>493</b>	<b>377</b>		<b>11,188</b>
<b>Depreciation and amortisation</b>	<b>5,895</b>	<b>164</b>	<b>298</b>	<b>211</b>		<b>6,568</b>

<b>OPERATING SEGMENTS 2012</b>						
(EUR 1,000)	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Elimination	Total
Net sales of the segment	195,257	52,491	54,360	45,265		347,373
Revenues between segments	-32,262	-93	-136	-151		-32,643
Unallocated revenue						48
<b>Net sales from external customers</b>	<b>162,995</b>	<b>52,398</b>	<b>54,224</b>	<b>45,114</b>		<b>314,779</b>
Operating result of the segment	7,265	7,795	8,569	905		24,534
Unallocated items						-64
<b>Operating result</b>	<b>7,265</b>	<b>7,795</b>	<b>8,569</b>	<b>905</b>		<b>24,471</b>
Segment liabilities	36,272	5,953	14,617	39,467	-56,413	39,896
Unallocated liabilities						60,391
<b>Total liabilities</b>	<b>36,272</b>	<b>5,953</b>	<b>14,617</b>	<b>39,467</b>	<b>-56,413</b>	<b>100,288</b>
Investments	16,243	156	1,357	307		18,062
Depreciation and amortisation	5,119	168	204	371		5,862
<b>RECONCILIATIONS</b>						
(EUR 1,000)	2013		2012			
<b>Net sales</b>						
Net sales of the reporting segments	417,241		347,373			
Income from all other segments	29		48			
Elimination of income between segments	-104,446		-32,643			
<b>Group's net sales, total</b>	<b>312,825</b>		<b>314,779</b>			
<b>Operating result</b>						
Result of the reporting segments	21,814		24,534			
Result of all other segments	-1		-1			
Items not allocated to any segment	687		-63			
<b>Group's operating result, total</b>	<b>22,501</b>		<b>24,471</b>			
<b>Liabilities</b>						
Liabilities of the reporting segments	53,561		39,896			
Liabilities of all other segments	0		0			
Other liabilities not allocated to any segment	64,937		60,391			
<b>Group liabilities, total</b>	<b>118,498</b>		<b>100,288</b>			

**2. LONG-TERM ASSETS HELD FOR SALE, AND DISCONTINUED OPERATIONS**

The Group does not have any of these items.

**3. ACQUIRED BUSINESS OPERATIONS**

There were no acquisitions of business operations in 2013 or 2012.

**4. NET SALES**

(EUR 1,000)	2013	2012
Machine sales	247,061	254,771
Service	65,764	60,008
<b>Total</b>	<b>312,825</b>	<b>314,779</b>

There were no long-term projects during the accounting period.

**5. OTHER OPERATING INCOME**

(EUR 1,000)	2013	2012
Sales profits on property, plant and equipment	68	63
Public subsidies	273	115
Other	712	658
<b>Total</b>	<b>1,053</b>	<b>836</b>

**6. OTHER OPERATING EXPENSES**

(EUR 1,000)	2013	2012
Voluntary employee expenses	1,881	1,985
Operating and maintenance expenses	5,361	5,425
Shipping and handling expenses	6,331	5,087
Rent expenses	3,673	4,106
Marketing and representation expenses	3,790	3,731
Administrative expenses	4,638	4,699
R&D expenditure	444	433
Other expense items	5,354	6,519
<b>Total</b>	<b>31,472</b>	<b>31,986</b>

<b>6.1. AUDITOR'S REMUNERATIONS</b>		
(EUR 1,000)	2013	2012
<b>PricewaterhouseCoopers Oy</b>		
Auditor's remunerations	127	124
Certificates and statements	0	0
Tax advice	47	8
Other remunerations	13	27
	187	158
<b>Other organisations</b>		
Auditor's remunerations	36	28
Certificates and statements	0	0
Tax advice	27	13
Other remunerations	36	15
	99	56
<b>Total</b>	<b>286</b>	<b>215</b>

<b>7. DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>		
(EUR 1,000)	2013	2012
<b>Intangible assets</b>		
Capitalised development expenditure	1,237	909
Patents	51	63
Intangible rights	188	237
Other intangible assets	294	202
<b>Total</b>	<b>1,770</b>	<b>1,412</b>
<b>Property, plant and equipment</b>		
Buildings	1,473	1,249
Machinery and equipment	3,325	3,201
<b>Total</b>	<b>4,798</b>	<b>4,450</b>

<b>8. EXPENDITURE ON EMPLOYMENT-RELATED BENEFITS</b>		
(EUR 1,000)	2013	2012
Wages and salaries	39,570	39,675
Pension expenditure - defined contribution plans	5,418	5,678
Other social security costs	4,034	3,870
<b>Total</b>	<b>49,022</b>	<b>49,223</b>

<b>Average number of staff during the financial period</b>		
	2013	2012
Employees	566	536
Clerical workers	461	458
<b>Total</b>	<b>1,027</b>	<b>994</b>

Information on management's employment-related benefits is presented in Note 35, Related party transactions.

<b>9. R&amp;D EXPENDITURE</b>		
(EUR 1,000)	2013	2012
R&D expenditure recorded as a cost item in the consolidated statement of comprehensive income	6,137	6,207

<b>10. FINANCIAL INCOME</b>		
(EUR 1,000)	2013	2012
Dividend income from financial assets available for sale	3	4
Interest income from loans and receivables	227	195
Exchange rate gains	7,847	9,398
Change in the fair value of derivative instruments	3,906	4,379
Other financial income	117	161
<b>Total</b>	<b>12,100</b>	<b>14,137</b>

<b>11. FINANCIAL EXPENSES</b>		
(EUR 1,000)	2013	2012
Interest expenses for financial loans	1,044	1,202
Exchange rate losses	15,376	11,057
Change in the fair value of derivative instruments	2,955	4,927
Other financial expenses	933	919
<b>Total</b>	<b>20,308</b>	<b>18,105</b>

<b>12. INCOME TAXES</b>		
(EUR 1,000)	2013	2012
Tax based on the taxable income for the period	5,092	7,747
Taxes from previous financial periods	116	-67
Deferred taxes	-57	-1,056
<b>Total</b>	<b>5,150</b>	<b>6,623</b>

**Reconciliation of tax expenses in the consolidated statement of comprehensive income and taxes calculated at the Group's domestic tax rate (2013: 24.5 %, 2012: 24.5%)**

(EUR 1,000)	2013	2012
Result before taxes	14,248	20,513
Tax calculated using the domestic tax rate	3,491	5,026
Effect of the different tax rates used in foreign subsidiaries	-343	-387
Effect of the changes in income tax rates	60	0
Tax-exempt income	-393	-448
Non-deductible expenses	1,675	1,702
Use of tax losses not recorded previously	-311	-114
Unbooked deferred tax assets	856	912
Taxes for previous financial periods	116	-67
<b>Taxes in the consolidated statement of comprehensive income</b>	<b>5,150</b>	<b>6,623</b>

The Finnish income tax rate used in calculating the deferred taxes changed from the previous year's 24.5 % to 20 % in the financial statements for the accounting period 2013.

**13. EARNINGS PER SHARE**

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

(EUR 1,000)	2013	2012
Result for the financial period belonging to parent company shareholders	9,098	13,890
Interest on the hybrid loan (adjusted for tax effect)	-427	-1,722
Result for the financial period adjusted for dilution effect in order to calculate the earnings per share	8,671	12,169
Weighted average number of shares during the financial period (1,000 pcs)	27,787	27,787
Undiluted earnings per share (EUR/share)	0.31	0.44

In the calculation of earnings per share adjusted for dilution, the weighted average number of shares includes the diluting effect of the conversion of all potential ordinary shares. The Group's share-based incentive scheme, which was cancelled in 2013, did not produce a diluting effect, which means that the earnings per share adjusted for dilution equal the undiluted earnings per share.

<b>14. PROPERTY, PLANT AND EQUIPMENT</b>					
(EUR 1,000)	Land and water	Buildings	Machinery and equipment	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2013	1,278	30,946	39,937	5,192	77,354
Increase	0	5,976	5,683	5,219	16,879
Decrease	0	0	-706	-9,907	-10,613
Transfers between items	0	1,045	-26	0	1,019
Exchange rate difference	-11	-95	-519	-112	-738
Acquisition cost 31 Dec 2013	1,267	37,872	44,370	392	83,901
Accumulated depreciation and impairment 1 Jan 2013	0	-14,303	-27,526	0	-41,829
Depreciation and amortisation	0	1,473	-3,325	0	-4,798
Accumulated depreciation on decrease and transfers	0	0	254	0	254
Exchange rate difference	0	31	207	0	238
Accumulated depreciation and impairment 31 Dec 2013	0	-15,745	-30,390	0	-46,135
Book value 1 Jan 2013	1,278	16,643	12,412	5,192	35,525
<b>Book value 31 Dec 2013</b>	<b>1,267</b>	<b>22,127</b>	<b>13,980</b>	<b>392</b>	<b>37,766</b>

(EUR 1,000)	Land and water	Buildings	Machinery and equipment	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2012	791	25,647	34,224	3,419	64,080
Increase	491	5,304	6,760	10,707	23,262
Decrease	0	-6	-1,109	-8,933	-10,048
Transfers between items	0	0	109	0	109
Exchange rate difference	-4	2	-47	-1	-49
Acquisition cost 31 Dec 2012	1,278	30,946	39,937	5,192	77,354
Accumulated depreciation and impairment 1 Jan 2012	0	-13,050	-24,865	0	-37,916
Depreciation and amortisation	0	-1,249	-3,201	0	-4,450
Accumulated depreciation on decrease and transfers	0	0	520	0	521
Exchange rate difference	0	-4	20	0	16
Accumulated depreciation and impairment 31 Dec 2012	0	-14,303	-27,526	0	-41,829
Book value 1 Jan 2012	791	12,596	9,359	3,419	26,165
<b>Book value 31 Dec 2012</b>	<b>1,278</b>	<b>16,643</b>	<b>12,412</b>	<b>5,192</b>	<b>35,525</b>

Non-depreciated share of the acquisition costs of production machinery and equipment included in the Group's property, plant and equipment totalled EUR 8.4 million on 31 Dec 2013 (EUR 7.0 million on 31 Dec 2012).

Financial lease contracts			
(EUR 1,000)			
Property, plant and equipment includes the following items rented under a finance lease contract:			
31 Dec 2013	Buildings	Machinery and equipment	<b>Total</b>
Acquisition cost	762	3,607	4,369
Accumulated depreciation	-457	-3,232	-3,689
Book value	305	375	680
31 Dec 2012	Buildings	Machinery and equipment	<b>Total</b>
Acquisition cost	762	3,607	4,369
Accumulated depreciation	-419	-3,013	-3,432
Book value	343	594	937

**15. INTANGIBLE ASSETS**

(EUR 1,000)	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2013	8,184	635	1,412	4,434	4,910	19,575
Increase	541	59	178	282	3,853	4,913
Transfers between items	160	0	0	0	-757	-597
Decrease	0	5	0	0	-165	-160
Acquisition cost 31 Dec 2013	8,886	699	1,590	4,716	7,842	23,731
Accumulated depreciation and impairment 1 Jan 2013	-3,025	-505	-912	-3,234	0	-7,677
Depreciation and amortisation	-1,237	-51	-188	-294	0	-1,770
Accumulated depreciation on decrease and transfers	0	0	-7	0	0	-7
Accumulated depreciation and impairment 31 Dec 2013	-4,262	-556	-1,107	-3,528	0	-9,454
Book value 1 Jan 2013	5,159	130	500	1,199	4,910	11,899
<b>Book value 31 Dec 2013</b>	<b>4,623</b>	<b>143</b>	<b>482</b>	<b>1,188</b>	<b>7,842</b>	<b>14,278</b>

(EUR 1,000)	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2012	5,504	636	1,216	3,362	4,629	15,347
Increase	2,185	9	212	1,072	4,446	7,923
Transfers between items	495	0	0	0	-495	0
Decrease	0	-10	-16	0	-3,670	-3,695
Acquisition cost 31 Dec 2012	8,184	635	1,412	4,434	4,910	19,575
Accumulated depreciation and impairment 1 Jan 2012	-2,116	-448	-690	-3,036	0	-6,290
Depreciation and amortisation	-909	-62	-237	-202	0	-1,412
Accumulated depreciation on decrease and transfers	0	7	15	4	0	26
Accumulated depreciation and impairment 31 Dec 2012	-3,025	-505	-912	-3,234	0	-7,677
Book value 1 Jan 2012	3,389	188	526	325	4,629	9,057
<b>Book value 31 Dec 2012</b>	<b>5,159</b>	<b>130</b>	<b>500</b>	<b>1,199</b>	<b>4,910</b>	<b>11,899</b>

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

Allocation of goodwill	2013	2012
(EUR 1,000)		
Goodwill is allocated to the following cash-generating unit:		
Northern Europe segment: Epec Oy	3,440	3,440

**Impairment testing**

For impairment testing, the recoverable amounts from Epec Oy have been determined on the basis of value in use. The cash flow forecast is based on three-year forecasts approved by management. The applicable discount rate before tax is 13%. The discount rate before tax is determined on the basis of weighted average cost of capital (WACC). Cash flows following the forecast period approved by management have been estimated by extrapolating with a steady growth factor of 1% in the units. The growth factor applied does not exceed long-term realised growth of the sectors in question.

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

1. Budgeted operating margin – Determined on the basis of forecast operating margin for the next three years. The value of the variable is based on realised development.
2. Forecast residual value – Determined on the basis of the last budgeted year 2016 and a steady growth factor of 1%. The residual value is not expected to change essentially as continuous product development and anticipated intensification of competition are considered.
3. Discount rate – Determined on the basis of the weighted average cost of capital (WACC) method representing the total cost of equity and liabilities taking into account any specific risks associated with the assets and the sector of business.

**Sensitivity analysis for impairment testing**

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

No impairment would occur even if Epec Oy's operating margin for all the years to come were to remain at 60 per cent of the actual operating margin in 2013 and none of the planned increases in the operating margin were experienced. Neither would any impairment be observed even if the discount rate after taxes were to increase two-fold.

**16. INVESTMENT PROPERTIES**

The Group has no investment properties.

<b>17. INVESTMENTS IN ASSOCIATED COMPANIES</b>		
(EUR 1,000)	2013	2012
At beginning of financial period	1,186	1,294
Share of the result of the financial period	-155	-108
<b>At end of financial period</b>	<b>1,031</b>	<b>1,186</b>

Information concerning the Group's associated company, its assets, liabilities, net sales and result:		
(EUR 1,000)	2013	2012
Associated company		
Sunit Oy, Kajaani, Finland		
Assets	4,145	4,235
Liabilities	984	618
Net sales	4,465	4,327
Result	-132	33
Share of ownership	34%	34%

Sunit Oy specialises in telematics and manufactures vehicle computers.

<b>18. OTHER FINANCIAL ASSETS</b>		
(EUR 1,000)		
<b>Investments available for sale</b>		
		<b>Other shares and holdings</b>
Acquisition cost 1 Jan 2013		111
Increase		0
Decrease		-7
Acquisition cost 31 Dec 2013		104
Acquisition cost 1 Jan 2012		111
Increase		0
Decrease		0
Acquisition cost 31 Dec 2012		111

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

<b>19. RECEIVABLES (NON-CURRENT)</b>		
(EUR 1,000)	2013	2012
Trade receivables	87	0
Loan receivables	0	0
Other receivables	808	973
Accrued income	20	26
<b>Total</b>	<b>915</b>	<b>999</b>

Receivables do not have any significant credit risk concentrations and the changes of the accounting period do not include any write-downs.

<b>20. DEFERRED TAX RECEIVABLES AND LIABILITIES</b>			
(EUR 1,000)			
Changes in deferred taxes during 2013:			
<b>Deferred tax assets:</b>	<b>31 Dec 2012</b>	<b>Recognised through profit or loss</b>	<b>31 Dec 2013</b>
Inventories	1,211	-78	1,133
Fixed assets	232	-20	212
Other items	185	-155	29
<b>Total</b>	<b>1,628</b>	<b>-254</b>	<b>1,374</b>
<b>Deferred tax liabilities:</b>	<b>31 Dec 2012</b>	<b>Recognised through profit or loss</b>	<b>31 Dec 2013</b>
Inventories	180	-77	103
Fixed assets	397	115	513
Other items	390	-350	41
<b>Total</b>	<b>968</b>	<b>-311</b>	<b>657</b>
Changes in deferred taxes during 2012:			
<b>Deferred tax assets:</b>	<b>31 Dec 2011</b>	<b>Recognised through profit or loss</b>	<b>31 Dec 2012</b>
Inventories	1,673	-462	1,211
Fixed assets	285	-53	232
Other items	868	-684	185
<b>Total</b>	<b>2,826</b>	<b>-1,198</b>	<b>1,628</b>
<b>Deferred tax liabilities:</b>	<b>31 Dec 2011</b>	<b>Recognised through profit or loss</b>	<b>31 Dec 2012</b>
Inventories	184	-4	180
Fixed assets	203	194	397
Other items	723	-333	390
<b>Total</b>	<b>1,110</b>	<b>-142</b>	<b>968</b>

No deferred tax has been recognised through shareholders' equity.

No deferred tax asset has been recognised for confirmed losses EUR 29,320 thousand (29,420 in 2012) associated with the Group's foreign subsidiaries. 26 per cent of these confirmed losses expire during years 2014-2027. The rest has no maturity time.

<b>21. INVENTORIES</b>		
(EUR 1,000)	2013	2012
Raw materials and consumables	50,201	42,990
Work in progress	5,095	4,160
Finished products/goods	13,079	9,524
Other stocks	17,392	24,962
<b>Total</b>	<b>85,767</b>	<b>81,636</b>

EUR 2.4 million was recognised as an expense item, which was used to reduce the book value of stocks to correspond to the net realisable value (EUR 4.6 million in 2012).

<b>22. TRADE RECEIVABLES AND OTHER RECEIVABLES (CURRENT)</b>		
(EUR 1,000)	2013	2012
Trade receivables	23,108	25,954
Accrued income	3,097	979
Other receivables	2,297	1,788
	28,502	28,721
Derivative contracts held for trading	705	545
<b>Total</b>	<b>29,207</b>	<b>29,266</b>

The Group's credit losses for trade receivables amounted to EUR 409 thousand (EUR 1,224 thousand in 2012) during the financial period and cancellation of credit losses to EUR 273 thousand (EUR 110 thousand in 2012). Balance sheet values best describe the amount of money that is the maximum amount of the credit risk, not taking into account the fair value of the guarantee in the case that the other contracting parties are unable to fulfil their obligations associated with financial instruments. As a rule, the sold machine is guarantee for trade receivables until the purchase price has been paid.

The currency distribution for receivables is presented in Note 30 and fair values in Note 31.

Trade receivables by age and items recognised as credit losses		
(EUR 1,000)	2013	2012
Non-matured	14,560	18,773
Matured		
Less than 30 days	6,336 <sup>1</sup>	4,710 <sup>1</sup>
30–90 days	1,427 <sup>1</sup>	1,622 <sup>1</sup>
91–180 days	279 <sup>1</sup>	483 <sup>1</sup>
181–360 days	632 <sup>2</sup>	195 <sup>2</sup>
More than 360 days	2,655 <sup>2</sup>	2,729 <sup>2</sup>
Impairment losses	-2,694	-2,558
<b>Total</b>	<b>23,195<sup>3</sup></b>	<b>25,954<sup>3</sup></b>

<sup>1</sup>Trade receivables that have matured but whose value has not impaired at the end of the financial period.

<sup>2</sup>Trade receivables that have matured and whose value has impaired at the end of the financial period. The amount of impairment is presented in Impairment losses.

<sup>3</sup>Non-current and current trade receivables

<b>23. CASH AND CASH EQUIVALENTS</b>		
(EUR 1,000)	2013	2012
Cash in hand and at banks	11,958	14,083

#### **24. NOTES ON SHAREHOLDERS' EQUITY**

The following table is a presentation of the effects of changes in the numbers of shares:

	Number of shares (1,000)	Share capital (EUR 1,000)	Other reserves (EUR 1,000)	Treasury shares (EUR 1,000)
31 Dec 2012	27,787	7,000	19,030	-2,228
Settlement of the hybrid loan	0	0	-19,000	0
31 Dec 2013	27,787	7,000	30	-2,228

The maximum number of shares is 48 million (48 million in 2012). The nominal value of each share is EUR 0.25, and the Group's maximum share capital is EUR 12 million (EUR 12 million in 2012). The number of shares outstanding is 28 million (28 million in 2012). All issued shares have been paid in full.

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

Ponsse Plc has no outstanding convertible notes or bonds with warrants. The company cancelled the share-based incentive scheme for key personnel during the accounting period. The Ponsse Plc Board of Directors is not currently authorised to increase the share capital or issue convertible notes or bonds with warrants.

Below are descriptions of the equity reserves:

#### **Treasury shares**

The treasury shares fund includes the parent company's acquisition cost of own shares, amounting to EUR 2,228 thousand, and it is shown as a decrease of equity.

#### **Translation differences**

The translation differences reserve comprises translation differences arising from the translation of financial statements of non-Finnish units.

#### **Other reserves**

On 31 March 2009, Ponsse Plc issued an equity-based loan of EUR 19 million (a so-called hybrid loan), aimed at Finnish investors. The loan had a coupon rate of interest of 12 per cent per annum. The loan did not have a maturity date, but the company was entitled to redeem it after four years. Ponsse Plc settled the hybrid loan on 28 March 2013. The loan was treated as equity in the consolidated financial statements prepared in accordance with IFRS. The arrangement did not dilute the holdings of the company's shareholders.

#### **Dividends**

In 2013, a dividend of EUR 0.25 was paid per share, for a total of EUR 6.9 million (in 2012, EUR 0.35 per share, for a total of EUR 9.7 million). The Board of Directors has proposed after the closing date of the reporting period that a dividend of EUR 0.30 per share shall be paid, i.e. a total of EUR 8.3 million.

**25. SHARE-BASED PAYMENT PLANS****Share-based incentive scheme**

The Group had a share-based incentive scheme aimed at the Group's key personnel. The earning criteria for the first earning period will not be met, and a decision was made to terminate the entire scheme. The amount recognised as income as a result during the financial period is EUR 667 thousand, and it is shown under employment benefit expenses.

**26. PENSION LIABILITIES**

The Group did not have any pension obligations.

**27. PROVISIONS**

(EUR 1,000)	Guarantee provision
31 Dec 2012	4,977
Change in provisions	-359
<b>31 Dec 2013</b>	<b>4,618</b>

**Guarantee provision**

Products are given a 12 month/2,000 hour guarantee. Any faults or errors found in machines during the guarantee period will be repaired at the company's own expense according to the conditions of guarantee. Guarantee provisions at the end of 2013 amounted to EUR 4,618 thousand (EUR 4,977 thousand in 2012). The guarantee provision is based on failure history recorded in the previous years. The guarantee provisions are expected to be used during the next year.

**28. FINANCIAL LIABILITIES**

(EUR 1,000)	2013	2012
<b>Non-current financial liabilities</b>		
Loans from financial institutions	33,455	17,639
Pension loans	4,867	3,290
Finance lease liabilities	489	545
<b>Total</b>	<b>38,810</b>	<b>21,474</b>
<b>Current financial liabilities</b>		
Loans from financial institutions	18,660	32,800
Pension loans	2,474	1,574
Finance lease liabilities	358	539
<b>Total</b>	<b>21,492</b>	<b>34,912</b>

The guarantees for company's financial liabilities are described in Note 30. The currency distribution for liabilities is presented in Note 30 and fair values in Note 31.

The Group has both floating rate and fixed rate bank loans. EUR 10,454 thousand of all liabilities have a fixed interest rate (EUR 7,500 thousand in 2012). Other loans are bound to Euribor EUR 49,848 thousand (EUR 48,886 thousand in 2012).

The Group's floating rate liabilities and their contractual repricing periods are:

(EUR 1,000)	2013	2012
Within less than twelve months	49,848	48,886
Within one to five years	0	0
<b>Total</b>	<b>49,848</b>	<b>48,886</b>

**Due dates of finance lease liabilities**

(EUR 1,000)	2013	2012
<b>Finance lease liabilities – total amount of minimum rents</b>		
Within less than twelve months	466	654
Within one to five years	518	616
After more than five years	0	22
<b>Total</b>	<b>984</b>	<b>1,291</b>

**Finance lease liabilities - present value of minimum rents**

Within less than twelve months	358	539
Within one to five years	480	538
After more than five years	0	7
<b>Total</b>	<b>838</b>	<b>1,084</b>

Financial expenses to be accrued in the future	146	207
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<b>Total finance lease liabilities</b>	<b>984</b>	<b>1,291</b>
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**29. TRADE CREDITORS AND OTHER LIABILITIES**

(EUR 1,000)	2013	2012
Trade creditors (other financial liabilities)	34,428	21,261
Advances received	927	1,294
Advance invoicing	275	35
Other liabilities	2,028	2,007
<b>Accruals and deferred income</b>		
Accrued staff expenses	9,677	7,620
Interest accruals	95	126
Accruals and deferred income in respect of inventories	468	485
Other accruals and deferred income	3,798	4,489
Derivative contracts held for trading	306	242
<b>Total</b>	<b>52,002</b>	<b>37,558</b>

**Non-current financial liabilities measured at original amortised cost**

Accruals and deferred income	0	13
<b>Total</b>	<b>0</b>	<b>13</b>

**30. MANAGEMENT OF FINANCING RISKS**

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

**Foreign exchange risk**

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

Foreign exchange risks arise from commercial transactions, monetary balance sheet items and net investments in foreign subsidiaries. The equity of the Group subsidiaries is EUR -11.7 million (EUR -11.2 million in 2012), including a dividend of EUR 1.6 million (EUR 2.6 million in 2012) paid to the parent company.

The Group processes foreign currency denominated receivables and liabilities at net amounts for hedging purposes, and hedges them with forward exchange agreements. Hedging transactions are carried out in accordance with written risk management principles approved by Group management. Hedge accounting in accordance with IAS 39 is not applied to these items (Notes 10 and 11).

The parent company's operating currency is the euro. Receivables and liabilities in a foreign currency at the exchange rates valid on the balance sheet date are as follows:

(EUR 1,000)	2013				2012			
	USD	SEK	GBP	BRL	USD	SEK	GBP	BRL
Nominal values								
Foreign currency receivables	18,893	7,049	4,671	4,575	31,698	14,250	5,340	2,419
Foreign currency liabilities	1,050	1,687	942	1,274	1,059	1,654	315	539
Foreign currency derivatives	13,153	5,862	2,673	0	20,031	8,504	3,808	0
Net position	4,690	-501	1,055	3,301	10,608	4,092	1,217	1,880

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

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

(EUR 1,000)	2013		2012	
	Strengthening	Weakening	Strengthening	Weakening
Change in EUR exchange rate				
Effect on result after taxes	+10%	-10%	+10%	-10%
USD	-354	354	-801	801
SEK	38	-38	-309	309
GBP	-80	80	-92	92
BRL	-249	249	-142	142
Total	-645	645	-1,344	1,344

**Interest rate risk**

The Group's short-term money market investments expose its cash flow to interest rate risk but the overall effect is not significant. The Group's income and operational cash flows are mainly independent of market interest rate fluctuations. The Group is mainly exposed to interest rate risk associated with the non-current loan portfolio. To some extent, the Group hedges the interest rate risk associated with future cash flows by interest rate swaps.

(EUR 1,000)	2013		2012	
Sensitivity analysis for floating interest loans:				
Change percentage	+1%	-1%	+1%	-1%
Effect on result after taxes	-376	376	-369	369

**Credit risk**

The Group's policy defines creditworthiness requirements for customers, investment transactions and counterparties to derivatives, as well as investment principles. The Group does not have any significant concentrations of credit risk on receivables because its customer base is wide and geographically diversified. The Group aims at cautious and secured credit granting. As a rule, the sold machine is guarantee for trade receivables until the purchase price has been paid. The Group's maximum credit risk corresponds to the book value of financial assets at period-end. Trade receivables are presented by age in Note 22.

**Liquidity risk**

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

The availability and flexibility of financing is ensured through credit facilities and other financial instruments, as well as through co-operation with several banks. The amount of unused credit facilities on 31 December 2013 was EUR 53.5 million, which equals 82 per cent of the total credit facilities (2012: EUR 24.0 million, 48 per cent). The credit limit facilities mainly mature for renewal every three years. In addition, the group has in use bank account limits worth 2 million euros during the financial period.

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

31 Dec 2013 (EUR 1,000)	Balance sheet value	Cash flow *	Within less than one year	Within one to five years	After more than five years
Bank loans	52,115	54,061	19,338	34,253	470
Pension loans	7,340	7,865	2,709	5,156	0
Finance lease liabilities	838	984	466	518	0
Trade creditors and other liabilities	51,696	51,696	51,696		
Derivative contract liabilities	306	306	306		
Guarantee agreements **	0	4,945	4,945		

31 Dec 2012 (EUR 1,000)	Balance sheet value	Cash flow *	Within less than one year	Within one to five years	After more than five years
Bank loans	50,438	52,679	33,811	13,136	5,733
Pension loans	4,864	5,239	1,756	3,483	0
Finance lease liabilities	1,084	1,291	654	616	22
Trade creditors and other liabilities	37,317	37,317	37,317		
Derivative contract liabilities	242	242	242		
Guarantee agreements **	0	6,759	6,759		

\* contractual cash flow from contracts cleared in gross values

\*\* maximum cash flow based on off-balance sheet agreements, not taking into account the probability of the payment being realised.

**Capital management**

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

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

The Group's interest-bearing net liabilities at the end of 2013 were EUR 48.3 million (31 Dec 2012: EUR 42.1 million) and net gearing was 71.6 per cent (31 Dec 2012: 51.7 per cent). For calculating net gearing, interest-bearing net financial liabilities were divided by the amount of equity. Net liabilities include interest-bearing liabilities deducted by interest-bearing receivables and liquid assets.

The Group's most important bank loan covenant is its equity ratio. The covenant terms and conditions are met on the date of the financial statements. Covenants are not applied in credit limit facilities.

(EUR 1,000)	2013	2012
Interest-bearing liabilities	60,302	56,386
Interest-bearing receivables	0	-213
Cash and cash equivalents	-11,958	-14,083
Net liabilities	48,344	42,090
<b>Total shareholders' equity</b>	<b>67,550</b>	<b>81,444</b>
<b>Net gearing</b>	<b>71.6 %</b>	<b>51.7 %</b>

**31. FINANCIAL INSTRUMENTS BY GROUPS AND FAIR VALUES**

(EUR 1,000)

31 Dec 2013

Balance sheet assets	Loans and other receivables	Assets at fair value through profit or loss	Available-for-sale	Total
Available-for-sale financial assets			104	104
Derivative instruments		705		705
Trade receivables and other receivables (excluding prepayments)	23,195			23,195
Cash and cash equivalents	11,958			11,958
<b>Total</b>	<b>35,153</b>	<b>705</b>	<b>104</b>	<b>35,962</b>

Balance sheet liabilities	Liabilities at fair value through profit or loss	Liabilities at original amortised cost	Total
Loans (excluding finance lease liabilities)		59,455	59,455
Finance lease liabilities		838	838
Derivative instruments	306		306
Trade creditors and other liabilities (excluding statutory obligations)		34,428	34,428
<b>Total</b>	<b>306</b>	<b>94,721</b>	<b>95,027</b>

31 Dec 2012

Balance sheet assets	Loans and other receivables	Assets at fair value through profit or loss	Available-for-sale	Total
Available-for-sale financial assets			111	111
Derivative instruments		545		545
Trade receivables and other receivables (excluding prepayments)	25,954			25,954
Cash and cash equivalents	14,083			14,083
<b>Total</b>	<b>40,037</b>	<b>545</b>	<b>111</b>	<b>40,693</b>

Balance sheet liabilities	Liabilities at fair value through profit or loss	Liabilities at original amortised cost	Total
Loans (excluding finance lease liabilities)		55,302	55,302
Finance lease liabilities		1,084	1,084
Derivative instruments	242		242
Trade creditors and other liabilities (excluding statutory obligations)		21,261	21,261
<b>Total</b>	<b>242</b>	<b>77,647</b>	<b>77,889</b>

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

The following is a presentation of the fair value determination principles used by the Group for all financial instruments. Furthermore, the table includes a detailed presentation of the fair values and book values of each item that correspond to the values in the consolidated balance sheet.

(EUR 1,000)	Note	Book value 2013	Fair value 2013	Book value 2012	Fair value 2012
<b>Financial assets</b>					
Other financial assets	18	104	104	111	111
Trade receivables and other receivables (non-current)	19	915	915	999	999
Trade receivables and other receivables (current)	22	29,207	29,207	29,266	29,266
Cash and cash equivalents	23	11,958	11,958	14,083	14,083
Forward exchange agreements	22	705	705	545	545
<b>Total</b>		<b>42,890</b>	<b>42,890</b>	<b>45,005</b>	<b>45,005</b>
<b>Financial liabilities</b>					
Loans from financial institutions	28	52,115	48,979	50,438	48,597
Pension loans	28	7,340	6,465	4,864	4,276
Finance lease liabilities	28	846	796	1,084	1,021
Trade creditors and other liabilities	29	52,002	52,002	37,571	37,571
Forward exchange agreements	29	279	279	226	226
Interest rate swaps	29	27	27	16	16
<b>Total</b>		<b>112,609</b>	<b>108,547</b>	<b>94,199</b>	<b>91,707</b>

The nominal values of forward agreements were EUR 26.4 million in 2013 and EUR 36.6 million in 2012.

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

The book values of current financial assets and liabilities can be considered to correspond to their fair values.

Unquoted equity investments are measured at acquisition cost as they cannot be measured at fair value using the valuation methods. If there are indications, that the fair value of the investments is significantly less than the acquisition cost, the impairment loss of available-for-sale shares is recognised through profit and loss. The original book value of receivables corresponds to their fair value.

The fair values of forward exchange agreements are determined using the market prices for agreements of similar duration on the balance sheet date. The fair values of interest rate swaps have been determined using the method of present value of future cash flows, supported by market interest rates and other market information on the balance sheet date.

The fair values of interest-bearing liabilities have been calculated by discounting the cash flows associated with each liability at the market interest rate on the balance sheet date.

### 32. JOINT VENTURES

The Group has no investments in joint ventures.

### 33. OTHER LEASE CONTRACTS

(EUR 1,000)

#### Group as lessee

	2013	2012
Minimum rents due based on other non-cancellable leases:		
Within one year	1,122	1,052
Within one to five years	3,462	3,159
After more than five years	2,265	2,836

The Group has leased some of the service facilities it has used. The average contract length is five years, usually with an option to continue the contract after its original expiration date.

The consolidated statement of comprehensive income for 2013 includes EUR 2.3 million of rent expenses paid on the basis of other lease contracts (EUR 2.7 million in 2012).

#### Group as lessor

The Group does not have any substantial non-cancellable leases.

### 34. CONTINGENT LIABILITIES

(EUR 1,000)

	2013	2012
Guarantees given on behalf of others	487	1,601
Repurchase commitments	233	1,541
Other commitments	4,224	3,616
<b>Total</b>	<b>4,945</b>	<b>6,759</b>

### 35. RELATED PARTY TRANSACTIONS

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

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

Name and domicile	Group and parent company share of shares and votes, %
Parent company Ponsse Plc, Vieremä, Finland	
Ponsse AB, Västerås, Sweden	100.00
Ponsse AS, Kongsvinger, Norway	100.00
Ponsse S.A.S., Gondreville, France	100.00
Ponsse UK Ltd., Lockerbie, United Kingdom	100.00
Ponsse North America, Inc., Rhinelander, United States	100.00
Ponsse Latin America Indústria de Máquinas Florestais Ltda, Mogi das Cruzes, Brazil	100.00
OOO Ponsse, St. Petersburg, Russia	100.00
Epec Oy, Seinäjoki, Finland	100.00
Ponsse Asia-Pacific Ltd., Hong Kong	100.00
Ponsse China Ltd, Beihai, China (owned by Ponsse Asia-Pacific Ltd.)	100.00
Ponsse Uruguay S.A., Paysandú, Uruguay	100.00

No changes took place in the Group structure during the period under review except for Ponsse Uruguay S.A. being transferred to Ponsse Plc's direct ownership from Ponsse Latin America Ltda.

A list of associated companies is presented in Note 17. The Group has no joint ventures.

Management's employment-related benefits (EUR 1,000)	2013	2012
Salaries and other short-term employment-related benefits	2,475	2,834
Benefits paid upon termination of employment	122	0
Pension liabilities, statutory pension security	349	414
<b>Total</b>	<b>2,946</b>	<b>3,247</b>
<b>Salaries and bonuses</b>		
(EUR 1,000)	2013	2012
<b>Managing director</b>		
Salaries and other short-term employment-related benefits	335	343
Pension liabilities, statutory pension security	59	61
<b>Total</b>	<b>394</b>	<b>404</b>
<b>Compensation of the members of the Board of Directors</b>		
Hortling Heikki	38	38
Kaario Mammu	32	32
Kylävainio Ilkka	32	32
Saksman Ossi	32	32
Vidgrén Janne, new member of the Board of Directors	24	0
Vidgrén Juha	43	43
Vidgrén Jukka	32	32
<b>Total</b>	<b>233</b>	<b>209</b>

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

### 36. EVENTS AFTER THE CLOSING DATE OF THE REPORTING PERIOD

In its decision on 21 January 2014, the Supreme Administrative Court approved the company's appeal concerning the tax deductibility of the impairment losses of intra-Group trade receivables in parent company's taxation in 2008, totalling EUR 1.6 million. The decision has not affected the tax expense for 2013 because the previously debited tax has been posted as a receivable in the company's financial statements 2013 on the basis of a favourable decision made by the tax rectification committee of the Corporate Taxation Unit on 16 February 2010.

## FINANCIAL INDICATORS

	IFRS 2013	IFRS 2012	IFRS 2011
<b>Extent of operations</b>			
Net sales (EUR 1,000)	312,825	314,779	328,191
Change, %	-0.6	-4.1	25.1
R&D expenditure			
capitalised (EUR 1,000)	3,598	3,306	2,692
expensed (EUR 1,000)	6,137	6,207	6,110
R&D expenditure, total (EUR 1,000)	9,735	9,513	8,803
as % of net sales	3.1	3.0	2.7
Gross capital expenditure (EUR 1,000)	11,188	18,062	9,430
as % of net sales	3.6	5.7	2.9
Average number of employees	1,027	994	948
Net sales/employee (EUR 1,000)	305	317	346
Order stock, EUR million	99.8	41.8	71.9
<b>Profitability</b>			
Operating result (EUR 1,000)	22,501	24,471	28,844
as % of net sales	7.2	7.8	8.8
Result before taxes (EUR 1,000)	14,248	20,513	26,046
as % of net sales	4.6	6.5	7.9
Result for the period (EUR 1,000)	9,098	13,890	14,812
as % of net sales	2.9	4.4	4.5
Return on equity, % (ROE)	12.2	17.4	19.3
Return on capital employed, % (ROCE)	12.2	17.7	24.3
<b>Financing and financial position</b>			
Current ratio	1.6	1.7	1.8
Equity ratio, %	36.5	45.1	45.2
Net gearing, %	71.6	51.7	28.6
Interest-bearing liabilities (EUR 1,000)	60,302	56,386	39,064
Non-interest-bearing liabilities (EUR 1,000)	58,196	43,888	56,286

## PER-SHARE DATA <sup>1</sup>

	IFRS 2013	IFRS 2012	IFRS 2011
Earnings per share (EPS), EUR	0.31	0.44	0.47
Equity per share, EUR	2.41	2.91	2.81
Nominal dividend per share, EUR	0.30 <sup>1</sup>	0.25	0.35
Dividend per share adjusted for share issues, EUR	0.30 <sup>1</sup>	0.25	0.35
Dividend per earnings, %	96.1 <sup>1</sup>	57.1	74.1
Effective dividend yield, %	3.1 <sup>1</sup>	4.2	5.0
Price/earnings ratio (P/E)	31.4	13.6	14.8
<b>Share performance</b>			
Lowest trading price	5.50	5.57	5.85
Highest trading price	10.02	8.55	11.85
Closing price	9.81	5.94	7.00
Average price	7.22	6.89	9.49
Market capitalisation, EUR million	274.7	166.3	196.0
Dividends paid, EUR million	8.3 <sup>1</sup>	6.9	9.7
Shares traded	2,919,553	1,508,478	2,638,091
Shares traded, %	10.4	5.4	9.4
Weighted average number of shares during the period, adjusted for share issues	28,000,000	28,000,000	28,000,000
Number of shares on the closing date, adjusted for share issues	28,000,000	28,000,000	28,000,000

<sup>1</sup> The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.30 per share shall be paid for the year 2013.

## FORMULAE FOR FINANCIAL INDICATORS

<b>Return on equity, % (ROE)</b>	=	$\frac{\text{Net result for the period}}{\text{Shareholders' equity + minority interest (average during the year)}} \times 100$
<b>Return on capital employed, % (ROCE)</b>	=	$\frac{\text{Result before taxes + financial expenses}}{\text{Shareholders' equity + interest-bearing financial liabilities (average during the year)}} \times 100$
<b>Equity ratio, %</b>	=	$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advance payments received}} \times 100$
<b>Net gearing, %</b>	=	$\frac{\text{Interest-bearing financial liabilities - cash and cash equivalents}}{\text{Shareholders' equity}} \times 100$
<b>Average number of personnel during the financial year</b>	=	Average of the number of personnel at the end of each month. The calculation has been adjusted for part-time employees.
<b>Earnings per share (EPS)</b>	=	$\frac{\text{Net result for the period - minority interest - interest on hybrid loan for the period less tax}}{\text{Average number of shares during the accounting period, adjusted for share issues}}$
<b>Equity per share</b>	=	$\frac{\text{Shareholders' equity}}{\text{Number of shares at closing of the accounts, adjusted for share issues}}$
<b>Dividend per share, adjusted for share issues</b>	=	$\frac{\text{Dividend per share}}{\text{Adjustment factors for share issues after the financial period}}$
<b>Dividend per earnings, %</b>	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
<b>Effective dividend yield, %</b>	=	$\frac{\text{Dividend per share, adjusted for share issues}}{\text{Last trading price for the period, adjusted for share}} \times 100$
<b>Price/earnings ratio (P/E)</b>	=	$\frac{\text{Last trading price for the period, adjusted for share issues}}{\text{Earnings per share}}$
<b>Market capitalisation</b>	=	Number of shares at end of the financial year multiplied by the closing price on the last trading day of the financial year adjusted for share issues.
<b>Shares traded, %</b>	=	$\frac{\text{Shares traded during the financial period}}{\text{Average number of shares during the period}} \times 100$

## PARENT COMPANY'S PROFIT AND LOSS ACCOUNT

(EUR 1,000)	Note <sup>1</sup>	2013	2012
<b>Net sales</b>	2	<b>247,305</b>	<b>243,255</b>
Increase (+)/decrease (-) in inventories of finished goods and work in progress		281	1,653
Other operating income	3	329	414
Raw materials and services	4	-175,843	-170,163
Staff costs	5, 6, 7	-32,798	-32,613
Depreciation, amortisation and impairment	8	-5,025	-4,228
Other operating expenses		-19,041	-18,590
<b>Operating result</b>		<b>15,207</b>	<b>19,729</b>
Financial income and expenses	10	754	606
<b>Result before extraordinary items</b>		<b>15,961</b>	<b>20,335</b>
Extraordinary items	11	0	0
<b>Result after extraordinary items</b>		<b>15,961</b>	<b>20,335</b>
Appropriations	12	-864	-611
Direct taxes	13	-3,416	-4,273
<b>Net result for the period</b>		<b>11,681</b>	<b>15,451</b>

<sup>1</sup>The note refers to the Notes to the Accounts on pages 79–91.

## PARENT COMPANY'S BALANCE SHEET

(EUR 1,000)	Note <sup>1</sup>	2013	2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	13,631	12,066
Tangible assets	14	29,601	26,998
Financial assets	15	11,424	11,418
<b>Total non-current assets</b>		<b>54,656</b>	<b>50,482</b>
<b>Current assets</b>			
Inventories	16	48,527	43,709
Non-current receivables	17	6,367	6,489
Current receivables	17	80,195	84,915
Cash in hand and at banks		6,172	4,729
<b>Total current assets</b>		<b>141,261</b>	<b>139,841</b>
<b>TOTAL ASSETS</b>		<b>195,917</b>	<b>190,324</b>
<b>LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		7,000	7,000
Revaluation reserve		841	841
Retained earnings		66,326	57,822
Net result for the period		11,681	15,451
<b>Total shareholders' equity</b>		<b>85,848</b>	<b>81,114</b>
<b>Appropriations</b>			
Appropriations	20	2,303	1,439
<b>Provisions for liabilities and charges</b>	21	<b>4,618</b>	<b>4,977</b>
<b>Creditors</b>			
Non-current creditors	22	37,009	19,638
Current creditors	23	66,139	83,155
<b>Total creditors</b>		<b>103,148</b>	<b>102,793</b>
<b>TOTAL LIABILITIES</b>		<b>195,917</b>	<b>190,324</b>

<sup>1</sup> The note refers to the Notes to the Accounts on pages 79–91.

## PARENT COMPANY'S CASH FLOW STATEMENT

(EUR 1,000)	2013	2012
<b>Cash flows from operating activities:</b>		
Operating result	15,207	19,729
Depreciation, amortisation and impairment	5,025	4,228
Change in provisions	-359	351
Cash flow before changes in working capital	19,873	24,307
Change in working capital:		
Increase (-)/decrease (+) in current non-interest-bearing receivables	1,953	-2,948
Increase (-)/decrease (+) in inventories	-4,818	-340
Increase (+)/decrease (-) in current non-interest-bearing liabilities	15,973	-9,400
Cash flow from operations before financial items and income taxes	32,981	11,620
Interest received	2,768	2,406
Interest paid	-2,181	-3,329
Dividends received	1,712	2,720
Other financial items	-1,073	-1,180
Income taxes paid	-1,177	-9,070
<b>Net cash flows from operating activities (A)</b>	<b>33,029</b>	<b>3,167</b>
<b>Cash flows used in investing activities:</b>		
Investments in tangible and intangible assets	-9,199	-13,359
<b>Net cash flows used in investing activities (B)</b>	<b>-9,199</b>	<b>-13,359</b>
<b>Cash flows from financing activities:</b>		
Increase (+)/decrease (-) in current loans	-17,000	14,500
Increase (+)/decrease (-) in non-current loans	1,438	1,888
Increase (-)/decrease (+) in non-current receivables	122	-912
Dividends paid and other distribution of profit	-6,948	-9,725
<b>Net cash flows from financing activities (C)</b>	<b>-22,388</b>	<b>5,751</b>
<b>Increase (+)/decrease (-) in liquid assets (A+B+C)</b>	<b>1,443</b>	<b>-4,441</b>
Cash and cash equivalents on 1 Jan	4,729	9,170
Cash and cash equivalents on 31 Dec	6,172	4,729

## NOTES TO THE PARENT COMPANY'S ACCOUNTS

### 1. Accounting policies

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

### Non-current assets

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

The depreciation and amortisation periods are:

Intangible rights	5 years
Other capitalised long-term expenses	5 years
Buildings and structures	20 years
Machinery and equipment	5 to 10 years

### Inventories

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

### Guarantee provision

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

### Recognition of sales

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

### Leasing expenses

Leasing payments have been recognised as expenses.

### R&D expenditure

Development costs that fulfil the capitalisation requirements of Chapter 5, Section 8 of the Accounting Act have been booked under intangible assets in the balance sheet and are subject to amortisation. Research costs are recognised directly as annual expenses. The method for booking R&D expenses was changed in 2003.

### Pensions

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

### Derivatives

The parent company's derivatives include forward exchange agreements and interest rate swaps measured at fair value on the balance sheet date. Changes in fair value are booked in financial items in the profit and loss account.

### Income taxes

Income taxes have been recognised according to Finnish tax legislation.

### Foreign currency items

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

### Comparability with the previous year

The data for the financial year 1 January to 31 December 2013 is comparable with the previous year.

<b>2. NET SALES BY MARKET AREA</b>		
(EUR 1,000)	2013	2012
Northern Europe	113,030	137,629
Southern and Central Europe	37,378	40,355
Russia and Asia	44,945	39,438
North and South America	51,948	25,833
Other countries	5	0
<b>Total</b>	<b>247,305</b>	<b>243,255</b>

<b>3. OTHER OPERATING INCOME</b>		
(EUR 1,000)	2013	2012
Sales profits on property, plant and equipment	8	14
Public subsidies	74	69
Other	247	331
<b>Total</b>	<b>329</b>	<b>414</b>

<b>4. RAW MATERIALS AND SERVICES</b>		
(EUR 1,000)	2013	2012
Raw materials and consumables		
Purchases during the financial period	174,370	166,180
Increase (-)/decrease (+) in inventories	-4,537	1,313
External services	6,011	2,670
<b>Total</b>	<b>175,843</b>	<b>170,163</b>

<b>5. AVERAGE NUMBER OF STAFF</b>		
persons	2013	2012
Employees	355	353
Clerical workers	271	277
<b>Total</b>	<b>626</b>	<b>630</b>

<b>6. STAFF COSTS</b>		
(EUR 1,000)	2013	2012
Salaries and bonuses	26,925	26,568
Pension costs	4,276	4,523
Other social security costs	1,598	1,522
<b>Total</b>	<b>32,798</b>	<b>32,613</b>

<b>7. MANAGEMENT SALARIES AND REMUNERATIONS</b>		
(EUR 1,000)	2013	2012
Managing director	335	343
Members of the Board of Directors	233	209
<b>Total</b>	<b>568</b>	<b>552</b>

<b>8. DEPRECIATION AND VALUE ADJUSTMENTS</b>		
(EUR 1,000)	2013	2012
Depreciation according to plan	5,025	4,228
<b>Total</b>	<b>5,025</b>	<b>4,228</b>

<b>9. AUDITOR'S REMUNERATIONS</b>		
(EUR 1,000)	2013	2012
Authorised Public Accountants PricewaterhouseCoopers Oy		
Auditor's remunerations	59	57
Certificates and statements	0	0
Tax advice	47	6
Other remunerations	1	4
<b>Total</b>	<b>106</b>	<b>66</b>

<b>10. FINANCIAL INCOME AND EXPENSES</b>		
(EUR 1,000)	2013	2012
Income from investments in non-current assets		
From Group companies	1,600	2,600
From associated companies	110	119
From others	1	1
Income from investments in non-current assets total	1,712	2,720
Interest income and other financial income		
From Group companies	2,674	2,315
From others	9,075	12,235
Interest income and other financial income, total	11,749	14,550
<b>Financial income, total</b>	<b>13,461</b>	<b>17,270</b>
Value adjustments of financial securities	0	0
Interest expenses and other financial expenses		
To Group companies	0	0
To others	12,707	16,664
Interest expenses and other financial expenses, total	12,707	16,664
<b>Financial expenses, total</b>	<b>12,707</b>	<b>16,664</b>
<b>Financial income and expenses, total</b>	<b>754</b>	<b>606</b>
The item "Financial income and expenses" includes exchange rate profit/loss (net)	-1,404	-544

<b>11. EXTRAORDINARY ITEMS</b>		
(EUR 1,000)	2013	2012
Extraordinary income/group contribution	0	0

<b>12. APPROPRIATIONS</b>		
(EUR 1,000)	2013	2012
Difference between depreciations according to plan and depreciations in taxation	-864	-611

<b>13. INCOME TAX</b>		
(EUR 1,000)	2013	2012
Income tax on extraordinary items	0	0
Income taxes from actual operation	3,416	4,273
Change in deferred tax receivable	0	0
<b>Total</b>	<b>3,416</b>	<b>4,273</b>

**14. INTANGIBLE AND TANGIBLE ASSETS**

(EUR 1,000)	Development costs	Patent costs	Goodwill	Intangible rights	Other capitalised long-term expenses	Prepayments and unfinished acquisitions	Total
<b>Intangible assets 2013</b>							
Acquisition cost 1 Jan 2013	6,764	621	905	938	5,349	4,681	19,257
Increase	368	59	0	99	245	3,404	4,174
Decrease	0	0	0	0	0	-755	-755
Transfers between items	0	0	0	0	0	0	0
Acquisition cost 31 Dec 2013	7,132	680	905	1,037	5,594	7,329	22,676
Accumulated depreciation on 1 Jan 2013	-2,139	-494	-302	-543	-3,713	0	-7,191
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0	0
Depreciation for the accounting period	-1,103	-51	-181	-139	-380	0	-1,853
Accumulated depreciation on 31 Dec 2013	-3,242	-545	-483	-683	-4,092	0	-9,045
<b>Book value 31 Dec 2013</b>	<b>3,890</b>	<b>135</b>	<b>422</b>	<b>354</b>	<b>1,502</b>	<b>7,329</b>	<b>13,631</b>
Book value 31 Dec 2012	4,625	126	603	394	1,637	4,681	12,066
<b>Tangible assets 2013</b>							
Acquisition cost 1 Jan 2013	985	25,892	27,436	29	4,146	58,489	
Increase	0	5,968	3,569	0	4,998	14,535	
Decrease	0	0	0	0	-8,761	-8,761	
Transfers between items	0	0	0	0	0	0	
Acquisition cost 31 Dec 2013	985	31,860	31,005	29	384	64,264	
Accumulated depreciation on 1 Jan 2013	0	-12,697	-19,636	0	0	-32,332	
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0	
Depreciation for the accounting period	0	-1,172	-1,999	0	0	-3,171	
Accumulated depreciation on 31 Dec 2013	0	-13,869	-21,635	0	0	-35,504	
Revaluations	0	841	0	0	0	841	
<b>Book value 31 Dec 2013</b>	<b>985</b>	<b>18,832</b>	<b>9,370</b>	<b>29</b>	<b>384</b>	<b>29,601</b>	
Book value 31 Dec 2012	985	14,037	7,800	29	4,146	26,998	
Book value of operating machinery and equipment							
31 Dec 2013			8,408				
31 Dec 2012			6,953				

A revaluation of EUR 841,000 was made on 31 August 1994 of the parent company's business premises at Vieremä. Depreciation has not been applied to the revaluation. The revaluation was made on the basis of legislation then in effect because the likely sales price of the premises is permanently and substantially higher than the acquisition cost.

**15. FINANCIAL ASSETS**

(EUR 1,000)	Shares in Group companies	Shares in associated companies	Shares, other	Receivables from Group companies	Receivables, other	Total
<b>Financial assets 2013</b>						
Acquisition cost 1 Jan 2013	16,171	335	102	0	0	16,608
Increase	12	0	0	0	0	12
Decrease	0	0	-7	0	0	-7
Acquisition cost 31 Dec 2013	16,183	335	95	0	0	16,613
Accumulated write-downs 1 Jan 2013	-5,190	0	0	0	0	-5,190
Decrease	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0
<b>Book value 31 Dec 2013</b>	<b>10,994</b>	<b>335</b>	<b>95</b>	<b>0</b>	<b>0</b>	<b>11,424</b>
<b>Group companies</b>						
Name and domicile	Company's share of ownership %					
Ponsse AB, Västerås, Sweden						100.00
Ponsse AS, Kongsvinger, Norway						100.00
Ponsse S.A.S., Gondreville, France						100.00
Ponsse UK Ltd., Lockerbie, United Kingdom						100.00
Ponsse North America, Inc., Rhinelander, United States						100.00
Ponsse Latin America Indústria de Máquinas Florestais Ltda, Mogi das Cruzes, Brazil						100.00
OOO Ponsse, St. Petersburg, Russia						100.00
Epec Oy, Seinäjoki, Finland						100.00
Ponsse Asia-Pacific Ltd., Hong Kong						100.00
Ponsse China Ltd, Beihai, China (owned by Ponsse Asia-Pacific Ltd.)						100.00
Ponsse Uruguay S.A., Paysandú, Uruguay						100.00

No changes took place in the Group structure during the period under review except for Ponsse Uruguay S.A. being transferred to Ponsse Plc's direct ownership from Ponsse Latin America Ltda.

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

**Associates**

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

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

**16. INVENTORIES**

(EUR 1,000)	2013	2012
Raw materials and consumables	36,041	28,992
Work in progress	4,431	3,270
Finished products/goods	1,527	2,407
Other stocks	6,529	9,040
Prepayments	0	0
<b>Total</b>	<b>48,527</b>	<b>43,709</b>

<b>17. RECEIVABLES</b>		
(EUR 1,000)	<b>2013</b>	<b>2012</b>
<b>Non-current receivables</b>		
Receivables from Group companies		
Loan receivables	6,367	6,489
Loan receivables	0	0
Other receivables	0	0
<b>Non-current receivables, total</b>	<b>6,367</b>	<b>6,489</b>
<b>Current receivables</b>		
Trade receivables	9,300	7,273
Receivables from Group companies		
Trade receivables	67,649	75,093
Other receivables	751	116
Accrued income		
Grants receivable	87	44
Income tax receivables	0	1,694
Derivative contracts	705	545
Other accrued income	1,703	150
<b>Current receivables, total</b>	<b>80,195</b>	<b>84,915</b>
<b>Receivables, total</b>	<b>86,562</b>	<b>91,403</b>

<b>18. SHAREHOLDERS' EQUITY</b>		
(EUR 1,000)	<b>2013</b>	<b>2012</b>
<b>Equity employed</b>		
Share capital on 1 Jan	7,000	7,000
Scrip issue	0	0
Share capital on 31 Dec	7,000	7,000
Share premium account on 1 Jan	0	0
Scrip issue	0	0
Share premium account on 31 Dec	0	0
Revaluation reserve 1 Jan	841	841
Revaluation of non-current assets, change	0	0
Revaluation reserve 31 Dec	841	841
<b>Equity employed, total</b>	<b>7,841</b>	<b>7,841</b>
<b>Shareholders' surplus</b>		
Retained earnings on 1 Jan	73,273	67,547
Purchase of treasury shares	0	0
Dividend distribution	-6,948	-9,725
Retained earnings on 31 Dec	66,326	57,822
Result for the period	11,681	15,451
<b>Shareholders' surplus, total</b>	<b>78,007</b>	<b>73,273</b>
<b>Total shareholders' equity</b>	<b>85,848</b>	<b>81,114</b>
<b>19. DISTRIBUTABLE FUNDS</b>		
(EUR 1,000)	<b>2013</b>	<b>2012</b>
Retained earnings	66,326	57,822
Result for the period	11,681	15,451
<b>Total</b>	<b>78,007</b>	<b>73,273</b>

A revaluation of EUR 841,000 made on 31 August 1994 of the parent company's business premises at Vieremä has been retrospectively transferred from retained earnings to the revaluation reserve.

Ponsse Plc's registered share capital on 31 December 2013 was EUR 7,000,000 divided into 28,000,000 shares each having a nominal value of EUR 0.25. All shares are of the same series and each share entitles its holder to one vote at shareholder meetings and gives an equal right to a dividend.

Ponsse Plc has no outstanding convertible notes or bonds with warrants. The parent company holds 212,900 treasury shares. The Ponsse Plc Board of Directors is not currently authorised to increase the company's share capital, or issue convertible notes or bonds with warrants.

The Group had a share-based incentive scheme aimed at the Group's key personnel. The earning criteria will not be met, and a decision was made to terminate the entire scheme.

<b>20. ACCUMULATED APPROPRIATIONS</b>		
(EUR 1,000)	<b>2013</b>	<b>2012</b>
Depreciation difference	2,303	1,439

<b>21. PROVISIONS FOR LIABILITIES AND CHARGES</b>		
(EUR 1,000)	2013	2012
Guarantee provision	4,618	4,977
Other compulsory provisions	0	0
<b>Total</b>	<b>4,618</b>	<b>4,977</b>
<b>22. NON-CURRENT CREDITORS</b>		
(EUR 1,000)	2013	2012
Hybrid loan	0	0
Loans from financial institutions	32,143	16,348
Pension loans	4,867	3,290
<b>Non-current creditors, total</b>	<b>37,009</b>	<b>19,638</b>
<b>Debts falling due in more than five years</b>		
Loans from financial institutions	0	5,000
Pension loans	0	0
<b>Total</b>	<b>0</b>	<b>5,000</b>
<b>23. CURRENT CREDITORS</b>		
(EUR 1,000)	2013	2012
Hybrid loan	0	19,000
Loans from financial institutions	17,705	32,538
Pension loans	2,474	1,574
Advances received	82	97
Trade creditors	32,164	19,451
<b>Liabilities to Group companies</b>		
Advances received	1,357	0
Intra-Group trade creditors	711	1,042
Other intra-Group liabilities	0	0
Accruals and deferred income	0	0
<b>Liabilities to Group companies, total</b>	<b>2,067</b>	<b>1,042</b>
Advance invoicing	10	0
Other liabilities	1,077	1,323
<b>Accruals and deferred income</b>		
Accrued staff expenses	6,571	4,685
Interest accruals	95	696
Income tax liability	544	0
Accruals and deferred income in respect of inventories	0	0
Other accruals and deferred income	3,350	2,749
<b>Accruals and deferred income, total</b>	<b>10,561</b>	<b>8,130</b>
<b>Current creditors, total</b>	<b>66,139</b>	<b>83,155</b>

<b>24. PLEDGES GIVEN, CONTINGENT AND OTHER LIABILITIES</b>		
(EUR 1,000)	2013	2012
<b>24.1 Pledges given for own debt</b>		
<b>Debts for which mortgages have been pledged as collateral</b>		
Loans from financial institutions	0	0
Mortgages given on land and buildings	0	0
Chattel mortgages granted	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>24.2 Leasing commitments</b>		
<b>Leasing payments payable under leasing agreements</b>		
Leasing payments payable during the next financial period	961	1,597
Leasing payments payable thereafter	106	190
<b>Total</b>	<b>1,066</b>	<b>1,788</b>
<b>24.3 Contingent liabilities on behalf of Group companies</b>		
Guarantees given on behalf of companies within the Group	321	365
The parent company has issued a written security for the external liabilities of its three subsidiaries.		
<b>24.4 Other contingent liabilities</b>		
Guarantees given on behalf of others	0	0
Repurchase commitments	233	459
Other commitments	4,224	3,616
<b>Total</b>	<b>4,458</b>	<b>4,075</b>
<b>24.5 Derivative liabilities</b>		
<b>Forward exchange agreements</b>		
Fair value	427	319
Value of underlying asset	26,441	36,596
<b>Interest rate derivatives</b>		
Fair value	-27	-16
Value of underlying asset	43,676	34,129

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

## SHARE CAPITAL AND SHARES

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

Ponsse Plc has no outstanding convertible notes or bonds with warrants. The company cancelled the share-based incentive scheme for key personnel during the accounting period.

### Treasury shares

The parent company holds 212,900 treasury shares.

The Annual General Meeting authorised the Board of Directors to decide on the acquisition of treasury shares so that a maximum of 250,000 shares can be acquired in one or more batches. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes. The shares will be acquired in public trading organised by NASDAQ OMX Helsinki Ltd ("the Stock Exchange"). Furthermore, they will be acquired and paid according to the rules of the Stock Exchange and Euroclear Finland Ltd. The Board may, pursuant to the authorisation, only decide upon the acquisition of treasury shares using the company's unrestricted shareholders' equity. The authorisation is required for supporting the company's growth strategy in the company's potential business arrangements or other arrangements. In addition, the shares can be issued to the company's current shareholders or

used for increasing the ownership value of the company's shareholders by invalidating shares after their acquisition, or used in personnel incentive systems. The authorisation includes the right of the Board to decide upon all other terms and conditions in the acquisition of treasury shares. The authorisation is valid until the next AGM; however, no later than 30 June 2014.

The Annual General Meeting authorised the Board of Directors to decide on the issue of new shares and the assignment of treasury shares held by the company for payment or free of charge so that a maximum of 250,000 shares will be issued on the basis of the authorisation. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes. The authorisation includes the right of the Board to decide upon all other terms and conditions of the share issue. Thus, the authorisation includes a right to organise a directed issue in deviation of the shareholders' subscription rights under the provisions prescribed by law. The authorisation is proposed for use in supporting the company's growth strategy in the company's potential corporate acquisitions or other arrangements. In addition, the shares can be issued to the company's current shareholders, sold through public trading or used in personnel incentive systems. The authorisation is valid until the next AGM; however, no later than 30 June 2014.

### INCREASES IN SHARE CAPITAL 1994 - 2013

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

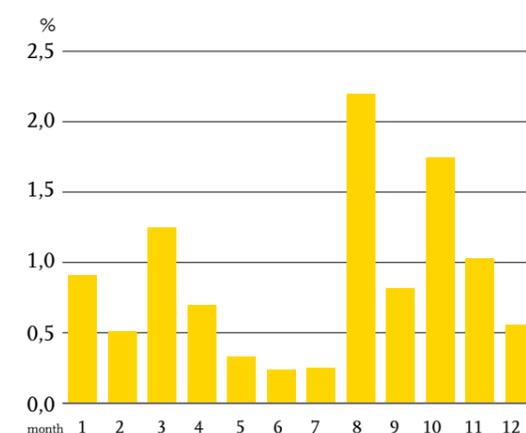
### Authorisation to increase share capital

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

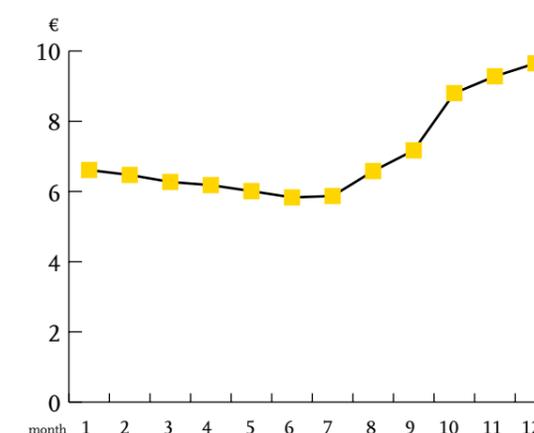
### SHARE TURNOVER 1 JANUARY-31 DECEMBER 2013

Month	Turnover value, EUR	Turnover, number of shares	Lowest, EUR	Highest, EUR	Weighted average share price, EUR	Closing price, EUR	Market capitalisation, EUR	Number of shares	Relative turnover, %
1	1,626,665	252,510	5.99	6.89	6.61	6.77	189,560,000	28,000,000	0.90
2	911,456	140,963	6.28	6.77	6.47	6.40	179,200,000	28,000,000	0.50
3	2,170,470	346,342	6.20	6.59	6.27	6.36	178,080,000	28,000,000	1.24
4	1,190,278	192,519	5.50	6.45	6.18	5.94	166,320,000	28,000,000	0.69
5	531,024	88,412	5.75	6.20	6.01	5.95	166,600,000	28,000,000	0.32
6	368,703	63,251	5.71	6.04	5.83	5.74	160,720,000	28,000,000	0.23
7	392,313	66,877	5.72	5.99	5.87	5.82	162,960,000	28,000,000	0.24
8	4,030,484	612,760	5.83	6.86	6.58	6.75	189,000,000	28,000,000	2.19
9	1,634,188	227,278	6.70	7.39	7.17	7.30	204,400,000	28,000,000	0.81
10	4,174,204	488,461	7.30	10.02	8.80	8.95	250,600,000	28,000,000	1.74
11	2,647,665	285,452	8.63	9.70	9.28	9.48	265,440,000	28,000,000	1.02
12	1,492,624	154,728	9.30	10.02	9.65	9.81	274,680,000	28,000,000	0.55
<b>2013</b>	<b>21,170,073</b>	<b>2,919,553</b>	<b>5.50</b>	<b>10.02</b>	<b>7.22</b>	<b>9.81</b>	<b>274,680,000</b>	<b>28,000,000</b>	<b>10.43</b>

Relative share turnover by month in 2013



Weighted average share price by month in 2013



**SHAREHOLDER PROFILE ON 31 DECEMBER 2013**

	Shares, pcs	Percentage of shares and votes, %	Shares of nominee-registered, pcs	Shares of nominee-registered, %	Votes, pcs	Percentage of votes, %
Enterprises	1,224,978	4.375	0	0	1,224,978	4.375
Financial institutions and insurance companies	1,222,812	4.367	574,454	2.052	1,797,266	6.419
Public sector entities	1,727,706	6.170	0	0	1,727,706	6.170
Households	22,622,248	80.794	0	0	22,622,248	80.794
Non-profit organisations	548,770	1.960	0	0	548,770	1.960
Foreign holding	40,707	0.145	38,325	0.137	79,032	0.282
<b>Total</b>	<b>27,387,221</b>	<b>97.811</b>	<b>612,779</b>	<b>2.189</b>	<b>28,000,000</b>	<b>100.000</b>

**ANALYSIS OF SHAREHOLDERS ON 31 DECEMBER 2013**

Shares per shareholder	Number of shareholders	Percentage of shareholders, %	Shares, total, pcs	Percentage of shares and votes, %
1–100	2,133	29.523	125,851	0.449
101–500	2,932	40.581	832,543	2.973
501–1,000	1,056	14.616	842,834	3.010
1,001–5,000	903	12.498	2,019,245	7.212
5,001–10,000	103	1.426	756,970	2.703
10,001–50,000	76	1.052	1,547,210	5.526
50,001–100,000	5	0.069	340,806	1.217
100,001–500,000	12	0.166	3,251,583	11.613
over 500,000	5	0.069	18,282,958	65.296
<b>Total</b>	<b>7,225</b>	<b>100.000</b>	<b>28,000,000</b>	<b>100.000</b>

**SHAREHOLDERS ON 31 DECEMBER 2013**

No.	Name	Number of shares	Percentage of shares	Percentage of votes
1	Vidgrén Juha Einari	6,207,000	22.17	22.17
2	Vidgrén Jukka Tuomas	3,764,778	13.45	13.45
3	Vidgrén Janne	3,691,742	13.18	13.18
4	Vidgrén Jarmo	3,679,938	13.14	13.14
5	Elo Mutual Pension Insurance Company	939,500	3.36	3.36
6	Aktia Capital mutual fund	424,430	1.52	1.52
7	Ilmarinen Mutual Pension Insurance Company	392,666	1.40	1.40
8	Varma Mutual Pension Insurance Company	389,000	1.39	1.39
9	Einari Vidgrén Foundation	388,000	1.39	1.39
10	OP-Suomi Pienyhtiöt mutual fund	310,057	1.11	1.11
11	Svenska Handelsbanken AB (nom. reg.)	302,800	1.08	1.08
12	Nordea Bank Finland Plc (nom. reg.)	218,188	0.78	0.78
13	Ponsse Plc	212,900	0.76	0.76
14	Nordea Nordic mutual fund	196,365	0.70	0.70
15	Evli Suomi Pienyhtiöt mutual fund	147,777	0.53	0.53
16	EQ Pohjoismaat Pienyhtiö	140,000	0.50	0.50
17	Tukinvest Oy	129,400	0.46	0.46
18	Tiitinen Arto	95,000	0.34	0.34
19	Laakkonen Mikko	80,000	0.29	0.29
20	Relander Harald	63,000	0.23	0.23
21	Rausanne Oy	51,665	0.18	0.18
22	Randelin Mari	51,141	0.18	0.18
23	Nordea Nordic Small Cap mutual fund	46,138	0.16	0.16
24	Suutari Eero	45,734	0.16	0.16
25	Placeringsfonden Handelsbanken Aktie	45,000	0.16	0.16
26	Skandinaviska Enskilda Banken Ab (nom. reg.)	42,224	0.15	0.15
27	KPY Sijoitus Oy	41,727	0.15	0.15
28	Apotrade Consulting Oy	41,543	0.15	0.15
29	Aktia Secura mutual fund	40,000	0.14	0.14
30	Vidgrén Kalle Samuel	38,000	0.14	0.14
	Other shareholders	5,783,487	20.66	20.66
<b>Total</b>		<b>28,000,000</b>	<b>100.00</b>	<b>100.00</b>

At year-end 2013, Ponsse Plc had 7,225 shareholders (on 31 December 2012: 7,153).

**Management holdings**

Members of the Board of Directors, President and CEO, companies under their control and their underage children held a total of 13,788,023 Ponsse Plc shares on 31 December 2013, corresponding to 49.2 per cent of shares and votes in the company.

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## BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFIT

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

The parent company's distributable funds total EUR 78,007,032.76.

The company's Board of Directors proposes that the Annual General Meeting authorise a dividend of EUR 0.30 per share for 2013.

Vieremä, 17 February 2014

JUHA VIDGRÉN	HEIKKI HORTLING
MAMMU KAARIO	ILKKA KYLÄVAINIO
OSSI SAKSMAN	JANNE VIDGRÉN
JUKKA VIDGRÉN	JUHO NUMMELA President and CEO

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## AUDITOR'S REPORT

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### To the AGM of Ponsse Plc

We have audited the accounting, the financial statements and the corporate governance of Ponsse Plc for the accounting period of 1 January to 31 December 2013. The financial statements include the consolidated balance sheet, comprehensive profit and loss account, cash flow statement, statement of changes in equity with notes to the financial statements, as well as the parent company's balance sheet, profit and loss account, cash flow statement and notes to the financial statements.

### Responsibilities of the Board and the CEO

The Board of Directors and the CEO are responsible for preparing the financial statements and for ensuring that the consolidated financial statements provide correct and sufficient information in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and that the report of the Board of Directors and the financial statements provide correct and sufficient information in accordance with the regulations governing financial statements and reports of the Board of Directors in force in Finland. The Board of Directors is responsible for ensuring that accounting and asset management is appropriately organised, and the CEO is responsible for ensuring that accounting complies with law and asset management has been organised in a reliable manner.

### The Auditor's duties

It is our duty to issue a statement on the financial statements, consolidated financial statements and Board of Directors' report on the basis of our audit. The Accounting Act requires us to comply with the professional code of conduct. We have conducted the audit in accordance with good accounting practices observed in Finland. Good accounting practices require that we plan and conduct the audit in order to obtain reasonable assurance that the financial statements and the report of the Board of Directors are free of material misstatement and whether the members of the Board and the CEO of the parent company have engaged in an act or act of neglect that might result in a liability for damages towards the company, or violated the Finnish Companies Act or the Articles of Association.

The audit includes measures to obtain audit evidence on the figures included in the financial statements and report of the Board of Directors and the other information disclosed therein. The selection of the measures is based on the auditor's judgment, which includes an evaluation of the risks of material misstatement due to misdemeanour or error. In assessing these risks, the auditor observes internal control, which is significant in the company from the point of view of preparing financial statements and report of the Board of Directors that provide correct and sufficient information. The auditor evaluates internal control in order to be able to plan appropriate audit measures considering the circumstances, but not to the purpose of issuing a statement on the effectiveness of the company's internal control. The audit also includes an evaluation of the appropriateness of the accounting principles applied in the preparation of the financial statements, reasonability of the accounting estimates made by the operational management and the general presentation of the financial statements and Board of Directors' report.

Our view is that we have obtained a sufficient amount of appropriate audit evidence as the basis of our statement.

### Statement regarding the consolidated financial statements

As our statement, we submit that the consolidated financial statements give a true and fair view of the Group's financial position and its results of operation and cash flows in the manner referred to in the International Financial Reporting Standards (IFRS) as adopted by the EU.

### Statement regarding the financial statements and report of the Board of Directors

As our statement, we submit that the financial statements and the report of the Board of Directors give a true and fair view of the Group's and the parent company's results of operation and financial position in the manner referred to in the regulations governing the preparation of financial statements and reports of Board of Directors in force in Finland. There is no conflict between the information shown in the report of the Board of Directors and the financial statements.

Vieremä, 17 February 2014

PricewaterhouseCoopers Oy  
Authorised Public Accountants

SAMI POSTI  
Authorised Public Accountant

# CONTACTS

## Production

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## Sales and service network

### NORTHERN EUROPE

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<b>EPEC OY</b> Tiedekatu 6 PL 194 60100 Seinäjoki FINLAND Tel. +358 20 760 8111 Fax +358 20 760 8110 www.epec.fi	<b>PONSSE AS</b> Klettavegen 7 N-2211 Kongsvinger NORWAY Tel. +47 628 888 70 Fax +47 628 888 78	<b>KONEKESKO EESTI AS</b> Põrguvälja tee 3A Pildiküla, Rae Vald 75308 Harjumaa ESTONIA Tel. +372 6059 100 Fax +372 6059 101 www.konekesko.com/ee	<b>UAB KONEKESKO LIETUVA</b> Molėtų g.13 Didžiosios Riešės k. LT-14262 Vilnius LITHUANIA Tel./Fax +370 5 2477400 www.konekesko.com/lt

### CENTRAL AND SOUTHERN EUROPE

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<b>PONSSE UK LTD.</b> Unit 3 Broomhouses 1 Industrial Estate Lockerbie, DG11 2RZ UNITED KINGDOM Tel. +44 1576 203 000 Fax. +44 1576 202 202	<b>KRENEK FOREST SERVICE S.R.O.</b> Nový Nemojov 122 CZ-54461 Nemojov CZECH REPUBLIC Tel. +420 499 429 677 Fax +420 499 429 676 www.krenekfs.cz	<b>WAHLERS FORSTTECHNIK GMBH</b> Landwehrstr. 4 D-97215 Uffenheim GERMANY Tel. +49 9848 97 9990 Fax +49 9848 97 99919 www.wahlers-forsttechnik.de	<b>FLEXIM SPOL: S.R.O.</b> Lucatin 263 976 61 Lucatin SLOVAKIA Tel. 00421 4187185 www.flexim.sk
<b>AUTO SUECO (COIMBRA) LDA</b> ASC Industria EN 10 Edificio Volvo Apartado 2094 2696-801 S. João Da Talha PORTUGAL Tel. +351 21 9946500 Fax +351 21 9946553	<b>PML POLAND</b> Profesjonalne Maszyny Lesne Sprzedaz i Serwis Sp. z o.o. Osiedle złote łąki 9/24 62-811 Kościelna Wieś POLAND Tel. +48 6259 99 733 Fax +48 22 823 96 75 www.proml.pl	<b>FLEXIM SPOL: S.R.O.</b> Lucatin 263 976 61 Lucatin SLOVAKIA Tel. 00421 4187185 www.flexim.sk	

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