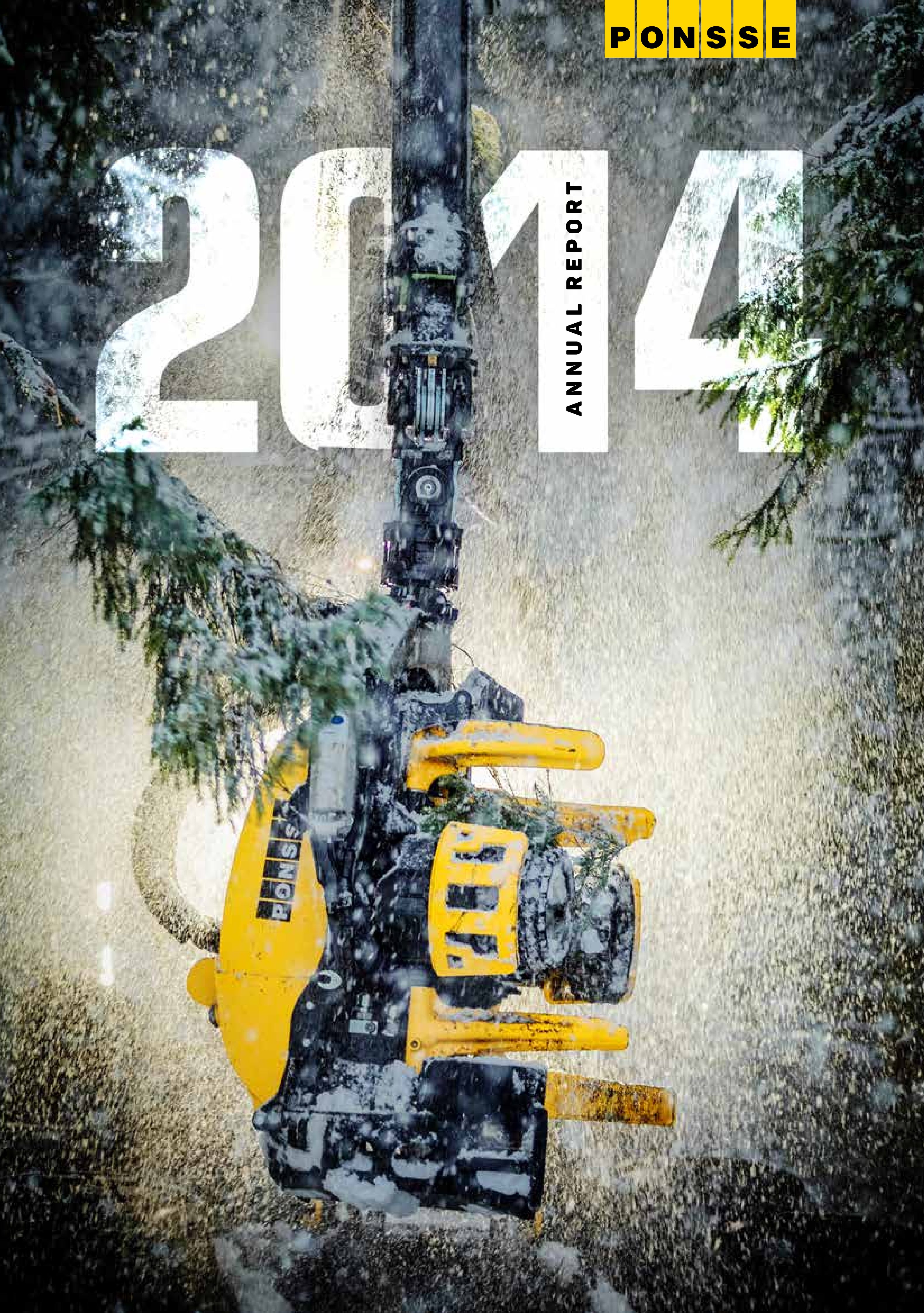
PONSSE

2014 ANNUAL REPORT



2014 in brief

The year 2014 was a very strong one for Ponsse, and we achieved a record result in terms of net sales and operating result. Ponsse's strongly reformed and competitive product range and new service solutions have significantly increased the company's net sales.

Our business operations were well balanced from the point of view of growth, profitability and cash flow. Our net sales increased by approximately one quarter to EUR 390.8 million, and we reached an operating profit margin of 10.7 per cent and a moderate cash flow from business operations of EUR 37.5 million. The company's operating result amounted to EUR 41.7 million.

International business operations accounted for a record-high figure of 75 per cent of net sales. Our solvency continued its positive development, and the company's equity ratio amounted to 42.0 per cent.

Demand for PONSSE forest machines continued to be strong throughout the year. Our order books rose to record figures on several occasions and amounted to EUR 158.4 million at year's end. Order intake for the period totalled EUR 451.7 million. The growth in the order books was 59 per cent year-on-year. Our factory manufactured forest machines at full capacity throughout the year. The Group had an average of 1,200 staff during the period.

We are developing the company with a long-term perspective. It is important to continuously reform our operations and products. Since 2010, we have invested EUR 43 million in R&D, while our capital expenditure for the same period has amounted to EUR 63 million. The PONSSE Model Series 2015 was launched in autumn 2014, with products entering in serial production in stages during 2015. The ergonomics, serviceability and productivity of the machines have been developed and the design has been updated. At the same time, machines delivered in Europe will have new engines compliant with the EU Stage IV emission level meeting the new environment requirements.

KEY FIGURES	IFRS 2014	IFRS 2013
Order intake, EUR million	451.7	371.0
Order books, EUR million	158.4	99.8
Net sales, EUR million	390.8	312.8
Operating result, EUR million	41.7	22.5
Operating result, % of net sales	10.7	7.2
Cash flow from business operations, EUR million	37.5	38.5
Result for the period, EUR million	29.8	9.1
Interest-bearing net liabilities, EUR million	39.0	48.3

CONTENTS

MISSION, VISIO

VISION

We are the preferred partner in our industry.

MISSION

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

VALUES

HONESTY

- We are honest and work with high ethics
- Reliability
- We keep sincerely what we have promised and we do not give any false promises
- Openness

INNOVATION

- We pursue for continuous improvement of products and services as well as processes
- We are initiative and open-minded
- Change is always an opportunity

PONSSE SPIRIT

- Modesty and humble minds before work
- Willingness to succeed and entrepreneurship
- Capability in decision-making
- Refusing to compromise in achieving goals
- Common responsibility for the success of our business
- We maintain good humour and fair play
- Recognition and appreciation of our human resources and good communication
- Helping our own colleagues and taking others into consideration

CLOSENESS TO THE CUSTOMER

- A real interest of the customer
- Knowing the business of the customer
- Good reachability and fast reaction
- Willingness to serve and good support for the customer
- Flat organisation

Review by the Chairman of the Board and the President and CEO

2014 was a very strong year for Ponsse. Our order books were strong from the beginning of the year, as the demand for PONSSE forest machines began to increase towards the end of the previous year. The order books grew practically throughout the year, and the rate accelerated towards the year's end. Having an order book filled into the future balances the fluctuations in our cyclic industry and provides stability for our operations. At the same time, it is important to evenly develop the volumes of our Vieremä factory to allow us to ensure the high quality of products and grow in a controlled way.

The company's long-term development is important to Ponsse. Our ongoing goal is to find a balance in our business operations between growth, profitability and cash flows, and we succeeded excellently in it. At the same time, our balance sheet indicators improved as expected. Continuous reform is key to us, and we have increasingly invested in both fixed assets and R&D. Since 2010, we have invested EUR 43 million in R&D, while our capital expenditure for the same period has amounted to EUR 63 million.

Growth in 2014 was strong. With regard to our business areas, sales of new machines, trade-in machines and services grew excellently. Exports accounted for 75 per cent of net sales for the first time in the company's history.

Of our market areas, Russia and North America were particularly strong. Deliveries of machines to Russia continued according to plan throughout the year in spite of the uncertain market situation. The situation in North America continued to be excellent. The European situation also improved in several markets, with the markets in Finland, Germany, France and the UK developing favourably, among others.

The PONSSE 2015 model range was launched at the FinnMETKO fair in autumn 2014. The serial production of PONSSE Scorpion and PONSSE Bear, the first harvester models of the new model series, started in 2014. The rest of the

products in the new model range will enter serial production in stages during 2015.

We have a strongly value-based management and 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 will continuously invest in sustainable operations that take the natural environment, our people and our 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.

We would like to thank our customers and personnel for the successful year and warmly welcome everyone to attend the events marking Ponsse's 45th anniversary.

Juha Vidgrén
Chairman of the Board of Directors

Juho Nummela
President and CEO

Market review

We broke records in 2014. Demand for PONSSE forest machines has never been so high, and we launched a record number of new products. Above all, we succeeded thanks to our customers' trust and our own long-term work. Humble hands-on work is what counts in the forest machine industry.

The strong development phase began in 2009, when we launched eight-wheeled harvester models in the middle of a financial recession. Now, we have introduced the completely revised PONSSE Model Series 2015. Investment in customer-oriented R&D has been crucial. Being able to renew ourselves even in an unstable market situation is necessary so that we can respond to our customers' needs in the changing field of wood harvesting. We have strengthened our position as a special expert in harvesting technology, particularly in markets where wood is harvested on steep slopes or in soft terrain.

In 2014, exports made up more than 75 per cent of our net sales for the first time. The general situation in the forest sector picked up compared to the previous year, which could be

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Market review

"Softwood accounts for most of felling in the Western United States. First and second thinning are especially suitable for Ponsse's 8-wheeled harvester range and tilt base forwarders as there are a lot of steep slopes in the area. Clear cutting is usually done with extremely heavy-duty processing harvester heads, and Ponsse has developed the H10 harvester head for this. Sales of PONSSE harvester heads are expected to grow in the area."

Pekka Ruuskanen / Managing Director, Ponsse North America Inc.

seen in several markets as the boldness both our customers and our resellers courage to make investments.

One of our most important market areas is Russia, where we have already delivered over 1,000 PONSSE forest machines. The uncertain situation in Russia did not affect our machine sales. OOO Ponsse, which is celebrating its tenth anniversary, deserves thanks in particular for its local training and service network, which has an active approach to the development of operations.

We set new records in North America as well. The general recovery of the economy and construction activity was reflected in forest machine sales. Our subsidiary Ponsse North America Inc. achieved an all-time high result in the United States, and we were the market leader in cut-to-length forest machines. In Canada, Ponsse's retail and service are taken care of by resellers, who also saw a positive mood in sales and investments. A new thing in North America was the sale of harvester heads, a field in which we are increasingly active with our new head models for tracked forest machines. New customer accounts and growth in the machine base resulted in investments in maintenance and spare part services, and we opened a service centre in Oregon.

As for our European markets, the United Kingdom has seen positive development for several consecutive years now. Ponsse UK Ltd. once again proved its ability to provide high-quality customer service with a big heart. Generally speaking, the European market developed favourably. The depressed Swedish forest machine market was stimulated by the advanced PONSSE Scorpion. The reception the new harvester model received has been record-breaking, and the machine was delivered to

"The key factor in forest machine sales is the after sales support. This business is based on long-term customer relationships and our customers have to be able to rely on us".

Gary Glendinning / Managing Director, Ponsse UK Ltd.

ten countries during the year. The total Finnish market increased from the previous year, and we were the market leader with a market share of 40.9 per cent. A new service centre in Rovaniemi continued the service centre investments made in Finland in recent years.

We progressed according to plan in South America. We focused on the development of the local service level in both Uruguay and Brazil and increased the number of staff as a result of Full Service agreements. Our distribution network also expanded into Chile and Australia in 2014. The sales and maintenance of PONSSE forest machines are carried out by Randalls Equipment Co. in Australia and by FC-Venta y Servicios Ltda. in Chile. The first PONSSE machines in these markets were delivered at the end of the year.

In particular, maintenance services deserve thanks for our stable market position. Expertise, service attitude and speed of services are a competitive asset on which machine sales depend. Growth in the machine base and new service concepts have steadily increased the significance of services in our overall business.

In 2015, we are investing strongly in services in the United States, Uruguay and France, among other countries. Ponsse's 45th anniversary will also see our US and French subsidiaries celebrating their own 20th anniversaries. Business in this industry is about long-term development of products, services and operations. The company's sustainable future is only built through determined work in which we focus on a Ponsse way of doing things, regardless of economic cycles.

I would like to extend my gratitude to all of our customers and partners for your trust in us!

Jarmo Vidgrén
Sales and Marketing Director

"We have 20 training centres for drivers and technicians in Russia. The main training centre is located with PONSSE maintenance services in Pitkäranta, where training is regularly provided. Investments in service and training are important. Russia is currently Ponsse's largest export market, with over 1,000 Ponsse machines operating in the country."

Jaakko Laurila / Managing Director, OOO Ponsse

Events during the past year

JANUARY

» New PONSSE C44+ parallel and C5 sliding boom cranes enter serial production.

» The serial production of PONSSE Scorpion begins.

» The first PONSSE Scorpion to Sweden.

» 20 Jan. The PONSSE Scorpion harvester receives the Quality Innovation of the Year award for the new machine structure which has improved operator ergonomics and working efficiency.

» 30 Jan. The PONSSE Scorpion harvester receives the Fennia Prize Grand Prix, Finland's main industrial design award, for its long-term utilisation of design, new design solutions and the input of users during the product development of the new harvester.

FEBRUARY

» 28 Feb. The PONSSE harvester head range expands to a new size category as Ponsse launches the new PONSSE H10 processing head and the PONSSE H8 harvester head equipped with a top saw at the Oregon Logging Conference exhibition. The H10 is a heavy-duty processing head for track-based machines weighing over 25 tonnes.

» The first PONSSE Scorpion to UK.

MARCH

» The first PONSSE Scorpion to Germany.

APRIL

» The first PONSSE Scorpion to France.

MAY

» Dealer agreement with FC-Ventas y Servicios Ltda in Chile.

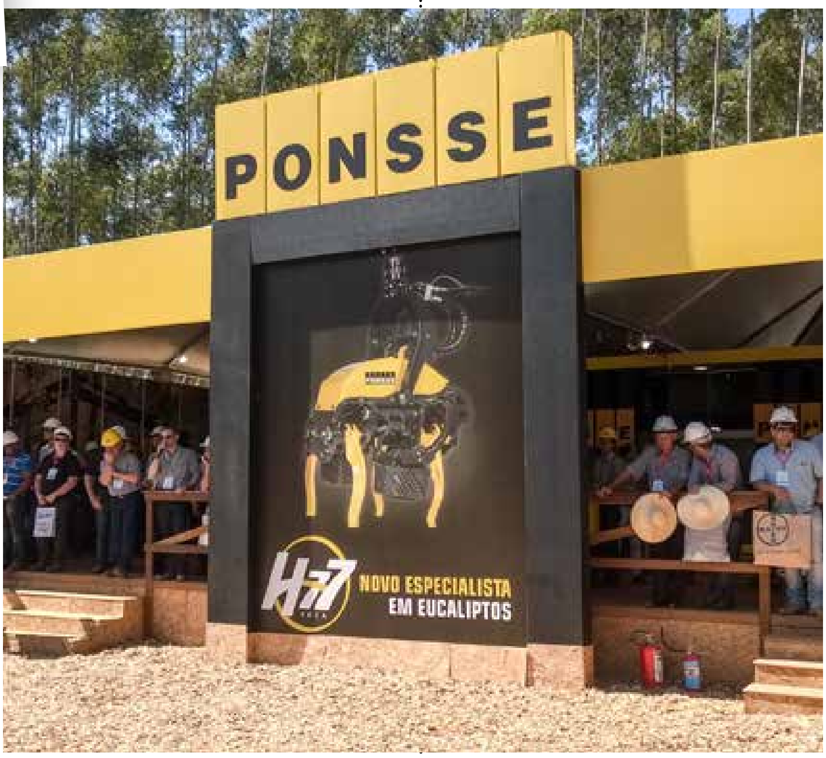
» Ladies Club's 10th anniversary trip to China.

» 9 May. The 20th anniversary of Ponsse AB, Ponsse's longest-standing subsidiary, and the 25th anniversary of AN Maskinteknik AB, Ponsse's longest-standing retailer, in Sweden.

» 15 May. Ponsse launches the completely upgraded PONSSE Bear 8w harvester designed for heavy-duty clear-cutting to the public at the Forestry Harvesting Demo in the UK. The serial production of the Bear 2015 Model Series begins.

» 21 May. Ponsse launches the new PONSSE H77euca harvester head for harvesting eucalyptus at the Expoforest exhibition in Brazil.

» 22 May. The Einari Vidgrén Foundation recognised forestry professionals, awards amounted to EUR 105,000.



JUNE

» PONSSE Scorpion logging eucalyptus at the Galiforest fair in Spain.

Events during the past year

JULY

AUGUST

» 28 Aug. The new PONSSE Model Series 2015 premiers at the FinnMETKO exhibition in Jämsä.

» The first machine deliveries to Chile.

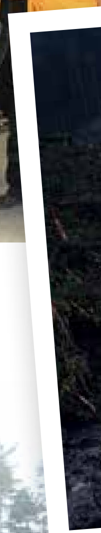
» Ponsse Ladies, North America, activities begin in the United States

» The first PONSSE Scorpion to United States.

SEPTEMBER

» Dealer agreement with Randalls Equipment Co in Australia.

» 30 Sep. PONSSE mechanic competition won by Nikolay Terentev (Lespromservis) in Pitkäranta, Russia.



OCTOBER

» The first PONSSE Scorpion to Norway and Estonia.

NOVEMBER

» The first PONSSE forest machines to Australia.

» The first PONSSE Scorpion to Canada.

» 21 Nov. Ponsse was ranked second in a survey that assessed various aspects of the reputation of Finnish listed companies. Ponsse took first place in the areas of corporate culture and management.

» 27 Nov. The PONSSE Scorpion harvester wins the first prize in the corporate series of the Productive Idea competition for its new innovations and digital features.

DECEMBER

» 1 Dec. Machinist Matti Hiltunen 45 years with Ponsse.

» Ponsse Ladies, UK, activities begin with a trip to Ponsse factory in Finland.

» The 1,000th PONSSE forest machine delivered to Russia.

Customer-specific individual products with the efficiency of serial production

Ponsse has improved its operational efficiency through investments and active product development. By investing in the expertise of our personnel, new manufacturing technology and processes, and continuous product development, we can ensure our efficiency over the long term as well.

Since 2010, we have invested EUR 63 million in fixed assets, the development of our factory and network. Through our latest investments, we will increase the factory capacity to correspond to the needs of the sales and maintenance network, and develop our productivity. In early 2015, the 1,600 m² expansion for frame and component manufacture will be completed, along with modernising production methods in boom manufacturing. We will also invest heavily in upgrading the factory's production machinery. These investments will support our ability to manufacture PONSSE forest machines in Finland.

Finnish expertise plays a significant part at Ponsse. We have always believed in our work and manufacturing. All PONSSE forest machines are made in Vieremä, from component manufacture to final assembly. In addition, the factory manufactures spare parts for our service network.

PRODUCTION GUIDED BY THE PONSSE PRODUCTION SYSTEM

PONSSE forest machines and devices are exclusively manufactured to order. Sales, R&D and production are together responsible for ensuring that our modular product families are manufactured cost-effectively and are suited to customers' needs.

Our production follows the principles of the Ponsse Production System (PPS). The objective is to manufacture customer-specific products to order with the efficiency of serial production.

According to PPS, the logistics of the factory and supplier network allow production employees to work without any interruptions. The main line in assembly manufacturing sets the pace at the factory, such as the schedule of component manufacturing, and the flow of line production is effective and visual. The development of production methods and processes along with the improvement of quality and safety comprise continuous processes.

Our customers' machines need to be productive at all times, and every Ponsse employee in R&D, at the factory and in maintenance develops their work in line with this principle. When it comes to forest machines, quality and reliability are the keys to success, not only in terms of productivity, but also considering the safety of users. We do not take any chances with them.

Production information systems support the control of the factory and supplier network. Production machines are connected to information systems, allowing the machine operating rate to be monitored, and maintenance operations and production processes to be planned sensibly. Manufacturing is monitored throughout the production chain – from component manufacture all the way to the end product. As the factory and supplier network are located in a single information system, the process flow is transparent, shortening product turnaround time. What is more, quality can be secured and monitored effectively because any disturbances and their corrections are guided in real time to a single system.

Working is increasingly controlled using information systems. Real-time information guides resources sensibly, considering the entire process and taking demand, capacity and any absences into account. Resource control requires employees to possess multiple skills, adds variation to production, and increases working capacity. The more diverse skills there are, the more quickly changes can be reacted to.

At the same time as we aim for no interruptions at the factory, we are building a working environment and culture supporting the safety and health of our employees. 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.

OUR SUPPLIER NETWORK IS 90 PER CENT FINNISH

In addition to our own investments, we are strongly developing our supplier network to support our production system. Our entire supplier network is located in western countries. In total, 90 per cent of the network is located in Finland and 60 per cent of all purchases are made in Finland. One quarter of all subcontracting is located

within a 25-kilometre radius of our factory, mainly in the partnership village next to the factory.

Our aim, together with our supplier network, is to adopt world-class operating methods through open cooperation. We have built a tight community around us, which is committed to our operating methods and operational development. Through the large scope of component manufacturing and close cooperation, we can maintain our level of expertise, production and quality control.

QUALITY STANDS FOR TAKING RESPONSIBILITY FOR THE CUSTOMER

Continuous improvement is a central part of production. In a highly competitive field, success is only possible with a good product, competent people, a competitive network, and the courage and skill to sell and market.

The development of overall quality management started when Ponsse received its first quality certificate 20 years ago. The method of continuous improvement is based on systematic problem-solving and the transparent recording and rectification of interruptions. The main indicators of the efficiency of operational activities are the fulfilment of the delivery time in production 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, as well as environmental indicators.

In the end, quality means every employee taking responsibility for their work. The commitment of employees to quality comes from motivation. When you are building the world's best forest machines, you are motivated.

The best forest machines in the world

Ponsse is known for its rapid product development based on customers' needs. 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. Since 2010, Ponsse has invested EUR 43 million in product development.

Ponsse's product range has never seen changes as drastic as it has in recent years. We have launched several advanced technologies to the market in rapid succession. The intensive development phase started in 2009 when we launched the first eight-wheeled harvester models. In fast-paced product development, everything is based on hard work where long-term investments and customer cooperation bear fruit.

A record-breaking year in terms of product launches

The year 2014 saw a number of significant product launches for Ponsse. Early in the year, serial production of PONSSE Scorpion, a whole new harvester model, began. As an indication of the significance of the product on the general development of harvesting technology, 80 per cent of all the technical solutions used in the Scorpion are completely new. At the beginning of the year, the new C44+ parallel and C5 sliding boom cranes entered serial production at Ponsse's factory in Vieremä.

During the year, we launched several significant new products in global harvesting markets. The upgraded PONSSE Bear harvester was introduced for heavy-duty regeneration felling and harvesting on steep slopes. The new PONSSE H77euca harvester head was launched for harvesting eucalyptus. Two other new harvester heads, the PONSSE H8, equipped with a top saw, and the PONSSE H10, opened up North American attachment harvester head markets for Ponsse. The PONSSE H10 is a heavy-duty harvester head for track-based machines of more than 25 tonnes, which is a size category where Ponsse has never before manufactured harvester heads. In autumn 2014, Ponsse launched a new machine model series at the FinnMETKO exhibition. The new models will enter serial production in stages during 2015.

PONSSE MODEL SERIES 2015

The new PONSSE Model Series 2015 continues the full-scale model series upgrade that began with the PONSSE Scorpion. The new model series focuses on improving durability, serviceability and ergonomics, producing significant results in terms of usability and productivity. At the same time, new engines compliant with the EU Stage IV emission level pertaining to the new environmental requirements were installed in all forest machines delivered in Europe.

The starting point for the development of the model series was the idea of a forest machine that does not compromise on the usability, productivity or serviceability of the machine. The new engine technology and the improved hydraulics have enabled service intervals to be extended from 600/1,200 hours to 900/1,800 hours. These long service intervals increase efficient working hours and reduce operating costs. The frame of the machine is even more durable, and we have made modifications to crane models to improve durability and the ease of use.

Under the new Model Series 2015, the PONSSE ActiveFrame forwarder was introduced. It is a whole new suspension system for the cabins of eight-wheelers. It has a simple and functional structure, cancelling out any sideways movement directed at the operator effectively and unnoticeably. The cabin suspension system helps the operator keep going even after a long shift. Comfort in driving allows the operator to use higher speeds, particularly when driving an empty load, and working with the loader is more efficient as the system keeps the cabin horizontal even in rough terrain.

The ActiveFrame solution utilises the same technology as the PONSSE Scorpion levelling system. Separate sensors have been replaced with reliable sensor circuits built into the control module. Thanks to the dual frame structure, the pivot point of the suspension system is very low, at the level of the bogie axle. This eliminates any swinging directed at the operator as efficiently as possible.

The development of forest machines is strongly heading in a direction where the working comfort of the operator is key, alongside machine productivity. The operator's working capacity has a direct impact on the productivity of harvesting. An operator who is alert throughout the shift has an impact, not only on machine production, but also on the after-harvest track. The cabin, visibility, ergonomic controls, ease of maintenance and use, together with machine stability and control, are crucial factors when it comes to comfort. Regardless of machine intelligence and advanced technology, quality and production are always based on the operator.

In recent years, machine stability has increased its role, as planted forests are located on steep slopes in many market areas. Thanks to its stability, eight-wheeled forest machines allow harvesting on ever steeper slopes and more uneven terrain. On the steepest slopes, winch solutions are also used, particularly in South America and Central Europe.

MORE TORQUE THROUGH ECO-FRIENDLY ENGINE TECHNOLOGY

PONSSE machines of the new Model Series 2015 sold in Europe are powered by engines compliant with the EU Stage IV emission level. Their Mercedes-Benz engines produce low emissions thanks to the SCR exhaust gas after-treatment system and the CEGR-cooled exhaust gas recirculation system. The benefits of the new technology include, along with a cleaner environment, a better response to sudden needs of power and lower fuel consumption.

The new engine technology improves the power and torque of all engine models, and offers a better response to loads. In particular, four-cylinder models are now much more powerful – the engine power has increased to 150 kW and torque to 800 Nm (previously 129 kW and 675 Nm).

SMART TECHNOLOGY OPENS UP NEW APPLICATION POSSIBILITIES

Digital control systems and measuring devices have been parts of forest machines for a long time. Since the middle of the 1990s, Ponsse has been designing software for the forest machine information systems and office computers of entrepreneurs and forest companies. The product family also includes training technology. Advancing technology opens up new possibilities for various applications that benefit customers.

Forest machines are filled with smart technology, and sensor technology is continuously moving forward. Currently, machine intelligence is being utilised in remote maintenance and monitoring. Using the PONSSE Fleet Management mobile application, entrepreneurs can control their entire fleet in real time, regardless of their location. Forest machines send data to a server, from where it is forwarded to the user's smartphone or table using the app. The app shows real-time forest machine positions on a map and the status of the active stand. Service reports allow monitoring of engine hours, the volume of fuel in the tank, the amount of wood harvested in the active stand, machine life productivity and fuel consumption for different operators. The application is also used to plan machine maintenance and transportation.

Aiming for the best possible service

Ponsse's international service network includes more than 150 service and spare part centres, employing more than 500 service experts. The network serves an active base of approximately 8,500 PONSSE forest machines. The network consists of Ponsse service centres along with those of its retailers and contractual service partners, and service vehicles used in field maintenance.

The share of maintenance services in Ponsse's net sales is increasing steadily thanks to the expanded machine base, broader product range in maintenance services, and new service concepts. The quality and availability of services strongly influence forest machine purchasing decisions. High-quality services maintain and improve the productivity of the machines, which is why we continuously invest in our service network. We monitor the quality of our maintenance services by regularly auditing our service centres and those of our retailers and contractual service partners.

AUDITS INDICATE EFFICIENCY AND SAFETY

In 2011, Ponsse adopted Effective and Safe Workshop (ESW), a development and auditing system for maintenance services. To date, more than 110 audits have been carried out within the PONSSE service network. The focus of these audits is to identify the strengths of, and areas for development in, local maintenance operations. The objective is to improve customer service, make the working environment safer and more effective, and increase operational profitability. Audits also combine the requirements of the ISO 9001 and ISO 14001 quality and environmental standards with daily maintenance operations.

The evaluation of service centres consists of 28 different elements, ranging from tools, service vehicles, spare part stocks and the scope of the service range to personnel training. Practical audits comprise part of long-term service network development, and have proven to be valuable tools in standardising locations and their service range. Re-audited sites have invariably improved their score from one audit to the next.

INVESTMENTS IN SERVICE

In recent years, Ponsse has invested heavily in improving the service its customers experience. The latest investments in the network include new service centres in Oregon, USA, and in Rovaniemi, Finland. Other important investments include the training offered among customers and the service network, and the on-call maintenance help desk which supports the PONSSE network. We train our service employees on a regular basis. The trained, authorised PONSSE service network always has the latest information on machine technology and operation. Furthermore, operator training comprises an increasing part of the service range in many markets.

Ponsse's logistics centre in Iisalmi is an important part of PONSSE maintenance services. The central warehouse maintains local spare parts inventories tailored for each country and continent, and takes care of their regular trunk deliveries. Because of the different customs regulations and transport times, Ponsse has extensive and locally customised spare part stocks in different markets.

NEW SERVICE PRODUCTS ARE DEFINED BY CUSTOMER NEEDS

The starting point for PONSSE maintenance services is to offer service products and solutions corresponding to customers' needs. These needs vary by market area according to the harvesting conditions, operating environment and the size of the company. According to Ponsse's service principles, services are tailored according to customer needs. For example, services can be relocated closer to customers.

Our most extensive maintenance service product is the tailored PONSSE Full Service, where the customer outsources all the maintenance services for its entire machine base, and even operator training, to Ponsse.

Full Service is offered in South America, Russia and China. In these market areas, the annual operating hours of machines are high, sometimes more than 6,000 hours a year.

In addition to the extensive Full Service, different maintenance agreements are prepared for various service needs. Through fixed-price agreements, entrepreneurs can have full control over their operating costs. Scheduled maintenance operations ensure uninterrupted machine operations and maximum productivity, while maintaining the value of the machine. Customers can focus on their key business – profitable harvesting.

One of the latest service concepts is PONSSE Remote Control, which offers technical support at the logging site without an actual maintenance visit. PONSSE Remote Control serves to analyse and update machine operations, and provide the operator with instructions via a remote connection. This real-time service maximises machine usability and effective working hours, while minimising costs arising from maintenance visits.

EASY SERVICEABILITY REDUCES OPERATING COSTS

While we are developing the readiness of our service network to serve Ponsse's customers, the easy serviceability of PONSSE forest machines remains a focus area in product development. The ease of daily maintenance and the time spent on maintenance are key factors in efficient operations of forest machine companies.

Through the new PONSSE Model Series 2015, the scheduled service intervals of machines have been extended from 600/1,200 hours to 900/1,800 hours. Longer scheduled maintenance intervals enable longer forest machine operating periods. Over a monitoring period of 10,000 hours, there are 30 % fewer scheduled maintenance visits than normal. As the time spent on maintenance and related costs decrease, we are talking about a significant improvement. Less maintenance also equals fewer resources and costs required for machine transportation.

Board of Directors, 31 December 2014

The Board was selected by the Annual General Meeting on 15 April 2014.

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 eight times. The Board members actively participated in the meetings – the attendance rate was 92,9 %.

CHAIRMAN OF THE BOARD

JUHA VIDGRÉN, B. 1970

Master of Pedagogy
Ponsse Plc, Board Member since 2000
Shareholding in Ponsse Plc on 31 December 2014: 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

University of Oulu, Board Member
Einari Vidgrén Foundation, Chairman of the Board
Einari Vidgren Oy, Board Member
Klaffi Tuotannot Oy, Board Member
Vieremän Kylänraitti Association, Chairman of the Board
Vieremän Oriyhdistys Association, Chairman of the Board
Suomen Filmiteollisuus (SF) Oy, Board Member

DEPUTY CHAIRMAN OF THE BOARD

HEIKKI HORTLING, B. 1951

Chairman of the Board of Olvi Plc since 1998
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 Director
Master of Law, MBA
Ponsse Plc, Board Member since 2010
Shareholding in Ponsse Plc on 31 December 2014: 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
Kansallis-Osake-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 2014: 24,179 shares
Independent of the company and major shareholders

Work experience

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

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

Commercial Counsellor, Administrative Notary
Ponsse Plc, Board Member since 2009
Shareholding in Ponsse Plc on 31 December 2014: 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

Cooperative Osuuskunta KPY, Chairman of the Board
KPY Sijoitus Oy, Chairman of the Board
Carlson Oy, Deputy Chairman of the Board
Savon Energiaholding Oy, Deputy Chairman of the Board
Savon Voima Corporation, 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 2013
Shareholding in Ponsse Plc on 31 December 2014: 3 691 742 shares

Work experience

Area Director of Ponsse Plc (Austria, Germany, Hungary, Poland, Romania, Slovakia and the Czech Republic) 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 Mutant Koala Pictures
Bachelor of Culture and Arts
Ponsse Plc, Board Member since 2011
Shareholding in Ponsse Plc on 31 December 2014: 3 764 778 shares

Work experience

Mutant Koala Pictures, Entrepreneur since 2004

Other key positions of trust

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

Management team 31 December 2014

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 2014: 26,546 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 2014: 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 2014: 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 2014: 400 shares

PAULA OKSMAN, B. 1959

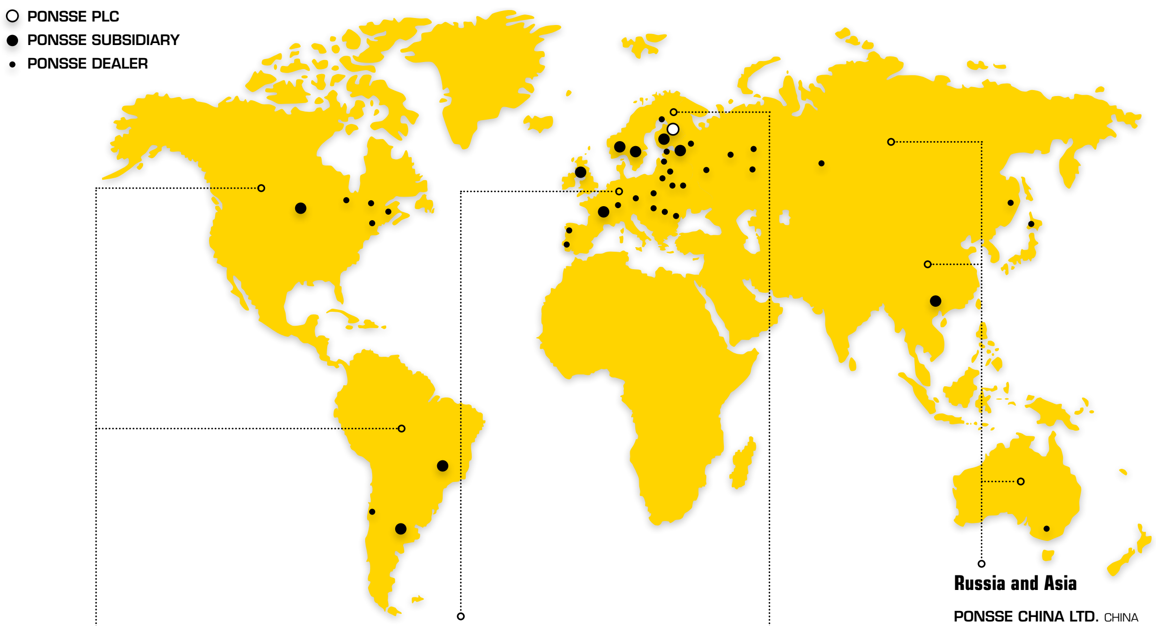
MA • Director of Human Resources and Ponsse Academy • Member of the Management Team since 1 August 2005 • Joined Ponsse in 2005

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. 1973

B. Eng. • Purchasing Director since 1 October 2013 • Member of the Management Team since 1 October 2013 • Joined Ponsse in 2013

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



North and South America

PONSSE LATIN AMERICA LTDA BRAZIL
PONSSE NORTH AMERICA, INC. USA
PONSSE URUGUAY S.A. URUGUAY
A.L.P.A. EQUIPMENT LTD. CANADA
CHADWICK-BAROSS, INC. USA
HLS FUHRER CONSULTING INC. CANADA
HYDROMEC INC. CANADA
READYQUIP SALES AND SERVICE LTD. CANADA
FC-VENTAS Y SERVICIOS LTDA CHILE

Central and Southern Europe

PONSSÉ S.A.S. FRANCE
PONSSE UK LTD. UNITED KINGDOM
ASCENDUM Máquinas PORTUGAL
FOREST POWER KFT. HUNGARY
KRENEK FOREST SERVICE S.R.O CHECH REPUBLIC
PML POLAND POLAND
TOIMIL CARCIA S.L. SPAIN
WAHLERS FORSTTECHNIK GMBH GERMANY
FOREST POWER - SC. IF CONST S.R.L. ROMANIA
FLEXIM SPOL. S R.O. SLOVAKIA

Northern Europe

PONSSE PLC FINLAND
EPEC OY FINLAND
PONSSE AB SWEDEN
PONSSE AS NORWAY
AN MASKINTEKNIK AB. SWEDEN
KONEKESKO EESTI AS. ESTONIA
SIA KONEKESKO LATVIJA LATVIA
UAB KONEKESKO LIETUVA LITHUANIA

Russia and Asia

PONSSE CHINA LTD. CHINA
OOO PONSSE RUSSIA
OOO DORMASHIMPORT VOSTOK RUSSIA
OOO LESPROMSERVIS RUSSIA
OOO KOSTROMA-SERVIS-PONSSE RUSSIA
OOO REMTECHNICA RUSSIA
OOO PKF GIDROSERVIS RUSSIA
OOO NORD WEST-KOM RUSSIA
OOO ZEPPELIN RUSSLAND RUSSIA
OOO PARTS SERVIS RUSSIA
ODO UDARNIK BELARUS
SHINGU SHOKO, LTD JAPAN
RANDALLS EQUIPMENT COMPANY AUSTRALIA

Area directors and subsidiary managing directors 31.12.2014

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

MARKO MATTILA, B. 1973
Area Director, Baltic countries, Chile and North American Dealers
Joined Ponsse in 2007

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

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

TEEMU RAITIS, B. 1977
Managing Director,
Ponsse Latin America Ltd.
Joined Ponsse in 2012

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

NORBERT SCHALKX, B. 1969
Area Director, Asia Pacific and Africa
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, Slovakia 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; Ponssé 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. As of the 2014 financial period, the Group includes the property companies OOO Ocean Safety Center in Russia and Kiinteistö Oy Kouvolan Kaupinkuja 3 in 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 wit hout 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 2014 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 Association, 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.

On 15 April 2014, 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 2014, the Board held eight meetings. The average attendance rate of Board members was 92.9 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 2014, the President and CEO was paid salary and other benefits totalling EUR 372,279.00. He was paid a performance and profit bonus of EUR 88,833.00. 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 2014, the following persons were members of the Management Team: Juho Nummela, President and CEO, acting as the chairman; 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.

The company management has regular management liability insurance. In 2014, the salaries and other benefits of the other Management Team members totalled EUR 864,666.64. In 2014, a total of EUR 225,582.00 were paid as performance and profit bonuses. No share-based incentives were paid to the President and CEO or the Management Team in 2014. 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

Ponsse Plc's corporate governance code

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.

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 members 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.

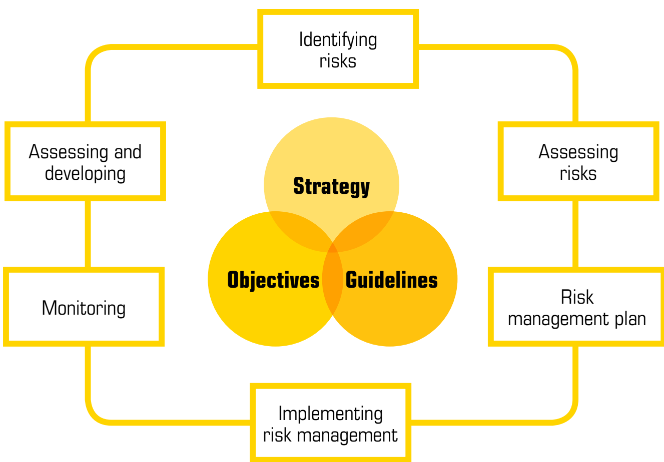
AUDITING

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.

RISK MANAGEMENT PROCESS



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 2014, PricewaterhouseCoopers Oy, Authorised Public Accountants, acted as the parent company's auditor, with Sami Posti, Authorised Public Accountant, as the principal auditor.

In 2014, the Group's auditing costs amounted to EUR 165 000.

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 MAP

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 Company'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

RISK MANAGEMENT ORGANISATION AND RESPONSIBILITIES

Board of Directors	Decides on risk management objectives and principles, as well as ratifies the Company Risk Management Policy. The Board supervises the implementation of risk management.
President and CEO	Responsible for arranging risk management measures and presenting risk management issues to the Board.
CFO	Coordinates the risk management process, carries the responsibility for reporting and presents risk management issues to the Management Team.
Management Team	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.
Regional directors	The subsidiaries independently implement their risk management in compliance with the Group's risk management policy and guidelines.
All employees	Obligated to act in a manner required to prevent risks, follow the Company policies and report any observed risks to their supervisors.

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 utilising 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

Information for shareholders

Ponsse Plc's Annual General Meeting for 2015 will be held on Tuesday, 14 April 2015, at the company's registered office at Ponssentie 22, FI-74200 Vieremä, Finland, commencing at 11:00 a.m.

ELIGIBILITY TO ATTEND

To be eligible to attend the Annual General Meeting, a shareholder must be registered in the shareholder register kept by Euroclear Finland Ltd by 31 March 2015. Shareholders who hold shares under their own names are automatically registered in the company's shareholder register. A shareholder with nominee registration can be temporarily added to the company's shareholder register. This must be done by 10:00 a.m. Finnish time on 9 April 2015 for the purpose of attending the Annual General Meeting. Holders of administrative-registered shares are advised to acquire instructions well in advance from their administrator regarding registration in the shareholder register, the issuance of powers of attorney and registration for the Annual General Meeting.

REGISTRATION

Shareholders wishing to attend the AGM should notify the company of their intention to do so by 4:00 p.m. Finnish time on Thursday 9 April 2015, either by writing to Ponsse Plc, Share Register, FI-74200 Vieremä, Finland, by calling +358 (0)20 768 800, by sending a fax to +358 20 768 8690, or by contacting the company online at www.ponsse.com/agm. Written notifications must arrive before the aforementioned deadline. Please submit any powers of attorney accompanying the advance registration.

DIVIDEND

Ponsse Plc's Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.45 per share be paid for 2014. The dividend will be paid to all shareholders who are listed in the shareholder register kept by Euroclear Finland Ltd as a company shareholder on the record date, 16 April 2015. The dividend shall be paid on 23 April 2015.

SHARE REGISTER

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

FINANCIAL REPORTS IN 2015

In addition to the financial statements and annual report for 2014, Ponsse Plc will issue three interim reports.

Interim reports for the 2015 financial period will be published as follows:

January–March	21 April 2015
January–June	4 August 2015
January–September	20 October 2015

The interim reports will be published in Finnish and English on Ponsse's website at www.ponsse.com.

ORDERING FINANCIAL PUBLICATIONS

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

Ponsse Plc
Ponssentie 22
FI-74200 Vieremä, Finland
Tel. +358 20 768 800
Fax +358 (0)20 768 8690
E-mail: corporate.communications@ponsse.com

The Annual Report is also available on the Internet at www.ponsse.com.

INVESTOR RELATIONS

Ponsse maintains a silent period, which begins at the end of each reporting quarter and ends following 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

Petri Härkönen
CFO
Tel. +358 20 768 8608
Fax +358 20 768 8690
E-mail: 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

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 2014

General

Ponsse Group recorded net sales amounting to EUR 390.8 million (in 2013, EUR 312.8 million) and an operating result of EUR 41.7 (22.5) million for the period. Result before taxes was EUR 38.0 (14.2) million. Earnings per share were EUR 1.07 (EUR 0.31).

Net sales

Consolidated net sales for the period under review amounted to EUR 390.8 (312.8) million, which was 24.9 per cent more than in the comparison period. International business operations accounted for 74.5 (69.3) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 41.2 (43.4) per cent, Central and Southern Europe 20.2 (16.2) per cent, Russia and Asia 16.4 (18.1) per cent, North and South America 22.1 (22.2) per cent and other countries 0.1 (0.0) per cent.

Profit performance

The operating result amounted to EUR 41.7 (22.5) million. The operating result equalled 10.7 (7.2) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 30.1 (12.2) per cent.

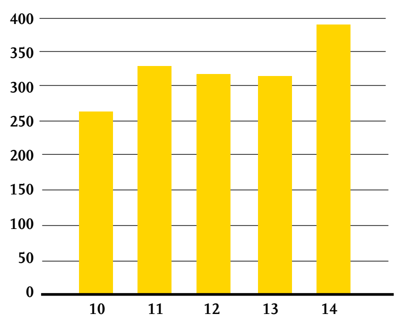
Staff costs for the period totalled EUR 58.6 (49.0) million. Other operating expenses stood at EUR 35.9 (31.5) million. The net total of financial income and expenses amounted to EUR -3.7 (-8.2) million. Exchange rate gains and losses with a net effect of EUR -1.9 (-6.6) million were recognised under financial items for the period. Result for the period under review totalled EUR 29.8 (9.1) million. Diluted and undiluted earnings per share (EPS) came to EUR 1.07 (0.31). In the comparison period 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

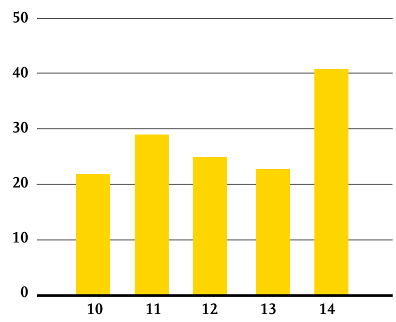
At the end of the period under review, the total consolidated statements of financial position amounted to EUR 205.8 (186.0) million. Inventories stood at EUR 92.7 (85.8) million. Trade receivables totalled EUR 25.2 (23.2) million, while liquid assets stood at EUR 12.7 (12.0) million. Group shareholders' equity stood at EUR 86.0 (67.6) million and parent company shareholders' equity (FAS) at EUR 104.2 (85.8) million. The amount of interest-bearing liabilities was EUR 51.7 (60.3) million. The company has used 9 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 73.2 (71.9) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 39.0 (48.3) million, and the debt-equity ratio (net gearing) was 45.3 (71.6) per cent. The equity ratio stood at 42.0 (36.5) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR

Net sales, meur



Operating result, meur



37.5 (38.5) million. Cash flow from investment activities came to EUR -19.0 (-11.2) million.

Order intake and order books

Order intake for the period totalled EUR 451.7 (371.0) million, while period-end order books were valued at EUR 158.4 (99.8) million.

Distribution network

The subsidiaries included in the Ponsse Group are Ponsse AB, Sweden; Ponsse AS, Norway; Ponssé S.A.S., France; Ponsse UK Ltd, the United Kingdom; Ponsse North America, Inc., the United States; Ponsse Latin America Ltda, Brazil; Ponsse Uruguay S.A., Uruguay; OOO Ponsse, Russia; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China and Epec Oy, Finland. In addition, as of the 2014 financial period, the Group includes the property companies OOO Ocean Safety Center, Russia and Kiinteistö Oy Kouvolan Kaupinkuja 3, Finland. Sunit Oy, Finland, is an affiliated company in which Ponsse Plc has a holding of 34 per cent.

Capital expenditure and R&D

During the period under review, the Group's R&D expenses totalled EUR 10.3 (8.9) million, of which EUR 3.1 (3.6) million was capitalised.

Capital expenditure totalled EUR 19.2 (11.2) million. It consisted in addition to capitalised R&D expenses of investments in buildings and ordinary maintenance and replacement investments for machinery and equipment.

Annual General Meeting

Annual General Meeting was held in Vieremä, Finland 15 April 2014. 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 2013 financial period.

The AGM decided to pay a dividend of EUR 0.30 per share for 2013 (dividends totaling EUR 8,336,130). No dividend will be paid to shares owned by the company itself (212,900 shares). The dividend payment record date was 22 April 2014, and the dividends were paid on 29 April 2014.

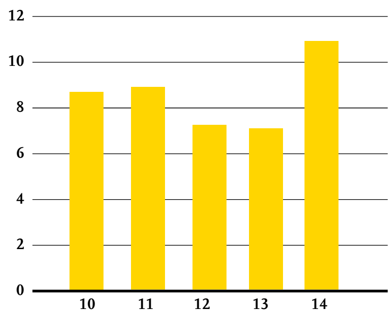
The AGM authorised the Board of Directors to decide on the assignment of treasury shares held by the company against payment or free of charge so that a maximum of 212,900 shares will be issued on the basis of the authorisation. The maximum amount corresponds to approximately 0.76 per cent of the company's 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.

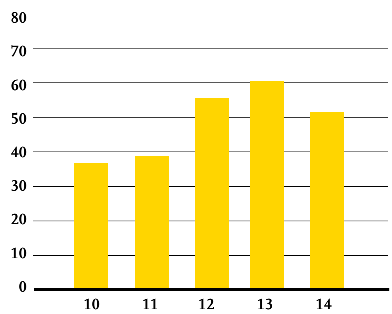
The authorisation is proposed for use in supporting the Company's growth strategy in the Company's potential corporate acquisitions or other arrangements. In addition, the shares can be issued to the Company's current shareholders, sold through public trading or used in personnel incentive systems.

The authorisation is valid until the next AGM; howev-

Operating result, % of net sales



Interest-bearing liabilities, meur



er, no later than 30 June 2015. 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, Janne Vidgrén, Juha Vidgrén and Jukka Vidgrén were re-elected 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 eight times during the period under review. The attendance rate was 92.9 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; 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 and Jarmo Vidgrén, Deputy CEO, Sales and Marketing Director. The company management has regular management liability insurance.

The area director organisation of sales is led 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, Australia and South Africe) and Risto Kääriäinen (China),

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

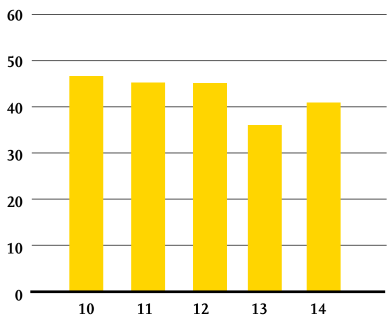
Personnel

The Group had an average staff of 1,200 (1,027) during the period and employed 1,246 (1,099) people at period-end.

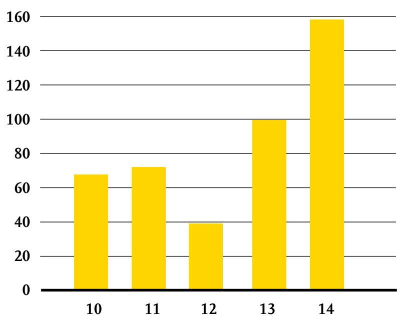
Share performance

The company's registered share capital consists of 28,000,000 shares. At the end of the period under review the company had 8,314 shareholders. The trading volume of Ponsse Plc shares for 1 January–31 December 2014 to-

Equity ratio, %



Order books, meur



talled 4,144,642, accounting for 14.8 per cent of the total number of shares. Share turnover amounted to EUR 47.0 million, with the period's lowest and highest share prices amounting to EUR 9.02 and EUR 13.35, respectively.

At the end of the period, shares closed at EUR 12.02, and market capitalisation totalled EUR 336.6 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 9001:2000 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 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. 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.

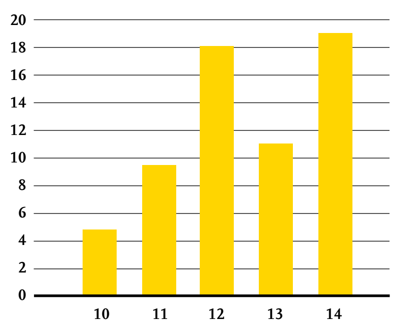
Procedures and production processes are developed through both internal and external audits. The company's audit system was a key tool in promoting development during 2014, and its use has been expanded further. During the period under review, internal audits assessing the procedures and working environment 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. Moreover, the subsidiaries have adopted a model for assessing good management policies. The company develops the management policies of its subsidiaries with the subsidiaries' assessment model.

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.

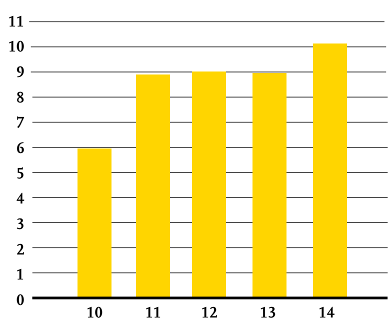
Governance

In its decision-making and administration, the company observes the Finnish Limited Liability Companies Act, oth-

Gross capital expenditure, meur



R&D expenditure, meur



er 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.

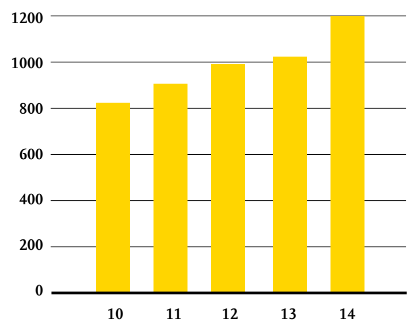
Short-term risks and their management

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 geopolitical situation, in particular, will increase the uncertainty through financial market operations and sanctions.

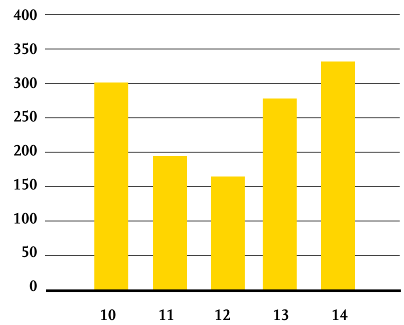
The parent company monitors the changes in the Group's internal and external trade receivables and the associated risk of impairment.

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.

Average number of employees



Market capitalisation, meur



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

Forest engineer Carl-Henrik Hammar has been appointed Managing Director of Ponsse Plc's Swedish subsidiary, Ponsse AB, as of 1 July 2015. He will transfer to Ponsse on 16 March 2015. Carl-Henrik Hammar reports to Jarmo Vidgrén, Sales and Marketing Director of Ponsse Plc, and will be based in Surahammar, Sweden. Eero Lukkarinen, current Managing Director of Ponsse AB, will transfer to exports and sales within Ponsse Group in Finland.

The Board of Directors of Ponsse Plc has decided to launch a new share-based incentive plan for the Group key employees on 16 February 2015. The aim of the long-term plan, which commits the key employees to shareholding in the Company, is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, and to offer them a competitive reward plan based on acquisition and ownership of the Company's shares.

Outlook for the future

After the very strong performance in 2014, the Group's euro-denominated operating profit is expected to be slightly higher in 2015 than in 2014.

Ponsse's strongly reformed and competitive product range and new service solutions have significantly increased the company's net sales. The PONSSE 2015 product range will enter serial production in phases during 2015.

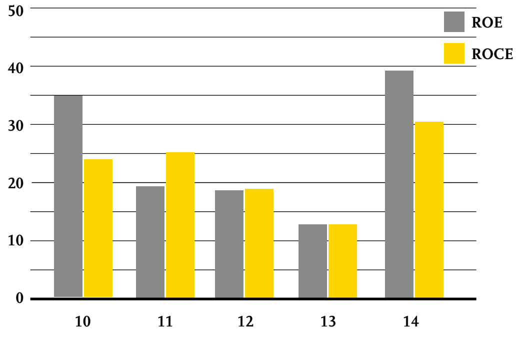
Due to the strong order books, the capacity of the factory will be increased.

Our investments will concern new service centres in France, the United States and Uruguay, and the development of production technology and R&D.

THE MOST IMPORTANT EXCHANGE RATES

	Closing exchange rate 31 Dec 2014	Average exchange rate 2014	Closing exchange rate 31 Dec 2013	Average exchange rate 2013
SEK	9.39300	9.10042	8.85910	8.66245
NOK	9.04200	8.39400	8.36300	7.82656
GBP	0.77890	0.80546	0.83370	0.84746
USD	1.21410	1.32555	1.37910	1.32995
BRL	3.22070	3.12073	3.25760	2.87911
RUB	72.33700	51.42425	45.32460	42.44406
CNY	7.53580	8.16926	8.34910	8.17693

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



Consolidated statement of comprehensive income

(EUR 1,000)	Note[1]	2014	2013
Net sales	1, 4	**390,831**	**312,825**
Other operating income	5	1,185	1,053
Change in inventories of finished goods and work in progress		3,173	5,832
Raw materials and services		-251,067	-210,146
Expenditure on employment-related benefits	8, 34	-58,583	-49,022
Depreciation and amortisation	7	-7,962	-6,568
Other operating expenses	6	-35,875	-31,472
Operating result		**41,704**	**22,501**
Financial income	10	16,419	12,100
Financial expenses	11	-20,164	-20,308
Share of results of associated companies		1	-45
Result before taxes		**37,959**	**14,248**
Income taxes	12	-8,164	-5,150
Net result for the period		**29,795**	**9,098**
Other items included in total comprehensive result:			
Translation differences related to foreign units		-3,093	2,955
Total comprehensive income for the financial period		**26,702**	**12,053**
Earnings per share calculated from the result belonging to parent company shareholders:			
undiluted earnings per share (EUR), result for the period	13	1.07	0.31
earnings per share (EUR) adjusted for dilution, result for the period	13	1.07	0.31

[1] The note refers to the Notes to the Accounts on pages 42–72.

Consolidated statement of financial position

(EUR 1,000)	Note[1]	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	14	47,282	37,766
Goodwill	15	3,440	3,440
Intangible assets	15	15,954	14,278
Financial assets	18, 31	104	104
Investments in associated companies	17	946	1,031
Receivables	19	832	914
Deferred tax assets	20	1,267	1,374
Total non-current assets		**69,825**	**58,908**
Current assets			
Inventories	21	92,734	85,767
Trade receivables and other receivables	22, 31	29,927	29,208
Income tax receivables		591	207
Cash and cash equivalents	23, 31	12,719	11,958
Total current assets		**135,971**	**127,140**
TOTAL ASSETS		**205,796**	**186,048**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	24		
Share capital		7,000	7,000
Treasury shares		-2,228	-2,228
Translation differences		-1,676	1,417
Other reserves		130	30
Retained earnings		82,790	61,331
Equity owned by parent company shareholders		**86,016**	**67,550**
Non-current liabilities			
Deferred tax liabilities	20	867	657
Financial liabilities	28, 31	33,712	38,810
Other liabilities	29, 31	0	0
Total non-current liabilities		**34,580**	**39,466**
Current liabilities			
Trade creditors and other liabilities	29	61,644	52,002
Deferred tax liabilities based on the taxable income for the period		812	920
Provisions	27	4,747	4,618
Current financial liabilities	28, 31	17,997	21,492
Total current liabilities		**85,200**	**79,032**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**205,796**	**186,048**

[1] The note refers to the Notes to the Accounts on pages 42–72.

Consolidated statement of cash flows

(EUR 1,000)	Note[1]	2014	2013
Cash flows from operating activities:			
Net result for the period		29,795	9,098
Adjustments:			
Financial income and expenses	10, 11	3,745	8,208
Share of the result of associated companies		-1	45
Depreciation and amortisation	7	7,962	6,568
Income taxes		8,164	5,150
Other adjustments		-2,049	2,637
Cash flow before changes in working capital		47,616	31,706
Change in working capital:			
Increase (-)/decrease (+) in trade receivables and other receivables		-920	-81
Increase (-)/decrease (+) in inventories		-6,967	-4,131
Increase (+)/decrease (-) in trade creditors and other liabilities		9,251	15,557
Change in provisions for liabilities and charges		129	-359
Interest received		187	227
Interest paid		-1,071	-1,143
Other financial items		-2,080	-1,063
Income taxes paid		-8,675	-2,260
Net cash flow from operating activities (A)		**37,472**	**38,453**
Cash flows used in investing activities:			
Investments in tangible and intangible assets		-19,154	-11,188
Proceeds from sale of tangible and intangible assets		147	0
Net cash flows used in investing activities (B)		**-19,007**	**-11,188**
Cash flows from financing activities:			
Hybrid loan	24	0	-19,000
Interest paid, hybrid loan		0	-1,136
Withdrawal/repayment of current loans		-3,540	-14,500
Increase (-)/decrease (+) in current interest-bearing receivables		0	-136
Withdrawal of non-current loans		5,000	29,322
Repayment of non-current loans		-9,773	-10,668
Payment of finance lease liabilities		-280	-239
Increase (-)/decrease (+) in non-current receivables		-4	172
Dividends paid	24	-8,336	-6,947
Net cash flows from financing activities (C)		**-16,933**	**-23,132**
Change in cash and cash equivalents (A+B+C)		**1,532**	**4,133**
Cash and cash equivalents 1 Jan		11,958	14,083
Impact of changes in exchange rates		-770	-6,259
Cash and cash equivalents 31 Dec	23	12,719	11,958

[1] The note refers to the Notes to the Accounts on pages 42–72.

Consolidated statement of changes in equity

		Equity owned by parent company shareholders					
(EUR 1,000)	Note	Share capital	Share premium account and other reserves	Translation differences	Treasury shares	Retained earnings	Shareholders' equity total
Shareholders' equity, 1 Jan 2014		**7,000**	**30**	**1,417**	**-2,228**	**61,331**	**67,550**
Translation differences		0	0	-3,093	0	0	-3,093
Result for the period		0	0	0	0	29,795	29,795
Total comprehensive income for the period		**0**	**0**	**-3,093**	**0**	**29,795**	**26,702**
Dividend distribution	24	0	0	0	0	-8,336	-8,336
Other changes		0	100	0	0	0	100
Shareholders' equity, 31 Dec 2014		**7,000**	**130**	**-1,676**	**-2,228**	**82,790**	**86,016**
Shareholders' equity, 1 Jan 2013		**7,000**	**19,030**	**-1,538**	**-2,228**	**59,180**	**81,444**
Translation differences		0	0	2,955	0	0	2,955
Result for the period		0	0	0	0	9,098	9,098
Total comprehensive income for the period		**0**	**0**	**2,955**	**0**	**9,098**	**12,053**
Dividend distribution	24	0	0	0	0	-6,947	-6,947
Other changes		0	-19,000	0	0	0	-19,000
Shareholders' equity, 31 Dec 2013		**7,000**	**30**	**1,417**	**-2,228**	**61,331**	**67,550**

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, Ponssé 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 Finland. As of the financial period 2014, the Group includes the property companies OOO Ocean Safety Center in Russia and Kiinteistö Oy Kouvolan Kaupinkuja 3 in 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 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 16 February 2015. 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 2014. 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 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 2013 apart from the following new standards, interpretations and amendments to existing standards valid as of 1 January 2014.

- IFRS 10 *Consolidated Financial Statements* (applicable in the EU to financial periods beginning on or after 1 January 2014). The standard determines control as the basis for inclusion in the consolidated statements in accordance with the existing principles. Moreover, the standard provides guidance for the definition of control when it is difficult to assess. The standard has not had a material effect 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 arrangements: 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 has not had 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 in other entities, including associated companies, joint arrangements, structured entities and other off-balance sheet instruments. The standard has not had an effect on the consolidated financial statements.
- *Investment Entities* – amendments to IFRS 10, IFRS 12

and IAS 28 (applicable to financial periods beginning on or after 1 January 2014. If an entity is defined as an investment entity as defined in the standard and it measures all of its subsidiaries at fair value, it need not disclose consolidated financial statements. The amendment has not had any 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.
- 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 has not had a material effect impact on the consolidated financial statements.
- 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 had a material effect impact on the consolidated financial statements.
- IFRIC 21 *Levies* (applicable in the EU to the first financial period beginning on or after 17 June 2014 at the latest). The interpretation covers the accounting for any liabilities arising from levies imposed on entities. The interpretation has not had any impact on the Group's 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, by being an investor, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

Associates

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

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

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 receivables and loans, are included in financial income and expenses.

Conversion of the financial statements of foreign Group companies

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

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

Amortisation is booked on an item starting from the time it is ready for use. An item that is not yet ready for use is tested annually for impairment. After initial recognition, capitalised development expenditure is measured at original cost less accumulated amortisation and impairment. The useful life of capitalised development expenditure is 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.

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 machines and spare parts is recognised once the significant risks, benefits and control associated with their ownership have been transferred to the purchaser. At this time, the Group no longer has any power of control associated with the product. As a rule, this takes place in connection with handover of the products in accordance with the terms and conditions of the agreement. Income from maintenance services is recognised when the service has been rendered.

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 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:

- *Annual Improvements to IFRSs* 2010–2012 and 2011–2013 (applicable mainly to financial periods beginning on or after 1 July 2014) and 2012–2014 (applicable to financial periods beginning on or after 1 January 2016). 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 impact of the changes differs from standard to standard but they are not significant.
- Amendment to IAS 27 *Separate Financial Statements, Equity Method in Separate Financial Statements* (applicable to financial periods beginning on or after 1 January 2016). The amendment to the standard allows the use of the equity method in measuring investments in subsidiaries, joint ventures and associates in separate financial statements, which has been a local requirement in some countries. Therefore, an increasing number of entities are able to prepare their separate financial statements in compliance with IFRS. The amendment has no effect on the consolidated financial statements.
- Amendment to IAS 16, *Property, Plant and Equipment* and IAS 38 *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable to financial periods beginning on or after 1 January 2016). The amendment prohibits revenue-based depreciation of intangible assets. As an exception, revenue-based depreciation is possible only when revenue and consumption of the intangible economic benefit are very highly correlated to each other. Also, revenue-based depreciation of property, plant and equipment is not possible. The amendment has no effect on the consolidated financial statements.
- Amendment to IFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations* (applicable to financial periods beginning on or after 1 January 2016). The amendment requires the application of the accounting principles on business combinations to the acquisition of an interest in a joint operation in which the activity constitutes a business. The amendment will have no effect on the consolidated financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The amendment provides more detailed guidance on the sale or contribution of assets between an investor and its associate or joint venture. The amendments will have no impact on the consolidated financial statements.
- IFRS 15 *Revenue from Contracts with Customers* (applicable to financial periods beginning on or after 1 January 2017). The new standard contains a five-step guideline on recognising revenue from contracts with customers, and it supersedes the current IAS 18 and IAS 11 standards and related interpretations. Revenue can be recognised over time or at a point in time, and the transfer of control is the key criterion. The standard also increases the number of notes to be disclosed. The Group is currently assessing any effects of the standard.
- IFRS 9 *Financial Instruments as amended* (applicable to financial periods beginning on or after 1 January 2018). The new standard supersedes the current standard IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 amends the classification and measurement of financial assets and includes a new 'expected loss' impairment model for financial assets. The classification and measurement of financial assets are largely similar to the requirements of current IAS 39. The Group is currently assessing any effects of the s tandard.

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.

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 2014

(EUR 1,000)	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Total
Net sales of the segment	268,895	79,874	64,680	88,179	501,628
Revenues between segments	-107,972	-761	-575	-1,917	-111,224
Unallocated sales					427
Net sales from external customers	**160,923**	**79,113**	**64,106**	**86,263**	**390,831**
Operating result of the segment	9,012	13,133	11,718	7,589	41,452
Unallocated items					252
Operating result	**9,012**	**13,133**	**11,718**	**7,589**	**41,704**
Depreciation and amortisation	**7,114**	**188**	**341**	**320**	**7,962**

OPERATING SEGMENTS 2013

(1 000 EUR)	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	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
Net sales from external customers	**135,849**	**50,775**	**56,732**	**69,440**	**312,825**
Operating result of the segment	1,311	6,048	8,190	6,266	21,814
Unallocated items					686
Operating result	**1,311**	**6,048**	**8,190**	**6,266**	**22,501**
Depreciation and amortisation	**5,895**	**164**	**298**	**211**	**6,568**

RECONCILIATIONS

(1 000 EUR)	2014	2013
Net sales		
Net sales of the reporting segments	501,628	417,241
Income from all other segments	427	29
Elimination of income between segments	-111,224	-104,446
Group's net sales, total	**390,831**	**312,825**
Operating result		
Result of the reporting segments	41,452	21,814
Result of all other segments	10	-8
Items not allocated to any segment	241	694
Group's operating result, total	**41,704**	**22,501**

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 2014 or 2013.

4. NET SALES

(EUR 1,000)	2014	2013
Machine sales	314,236	247,061
Service	76,595	65,764
Total	**390,831**	**312,825**

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

5. OTHER OPERATING INCOME

(EUR 1,000)	2014	2013
Sales profits on property, plant and equipment	147	68
Public subsidies	296	273
Other	743	712
Total	**1,185**	**1,053**

6. OTHER OPERATING EXPENSES

(EUR 1,000)	2014	2013
Voluntary employee expenses	2,508	1,881
Operating and maintenance expenses	5,844	5,361
Shipping and handling expenses	6,847	6,331
Rent expenses	3,676	3,673
Marketing and representation expenses	4,908	3,790
Administrative expenses	5,397	4,638
R&D expenditure	691	444
Other expense items	6,003	5,354
Total	**35,875**	**31,472**

6.1. AUDITOR'S REMUNERATIONS		
(EUR 1,000)	**2014**	**2013**
PricewaterhouseCoopers Oy		
Auditor's remunerations	127	127
Certificates and statements	0	0
Tax advice	89	47
Other remunerations	24	13
	240	187
Other organisations		
Auditor's remunerations	38	36
Certificates and statements	0	0
Tax advice	41	27
Other remunerations	33	36
	111	99
Total	**351**	**286**

7. DEPRECIATION, AMORTISATION AND IMPAIRMENT		
(EUR 1,000)	**2014**	**2013**
Intangible assets		
Capitalised development expenditure	1,740	1,237
Patents	44	51
Intangible rights	210	188
Other intangible assets	358	294
Total	**2,352**	**1,770**
Property, plant and equipment		
Buildings	1,730	1,473
Machinery and equipment	3,879	3,325
Total	**5,609**	**4,798**

8. EXPENDITURE ON EMPLOYMENT-RELATED BENEFITS		
(EUR 1,000)	**2014**	**2013**
Wages and salaries	47,307	39,570
Pension expenditure - defined contribution plans	6,463	5,418
Other social security costs	4,813	4,034
Total	**58,583**	**49,022**
Average number of staff during the financial period	**2014**	**2013**
Employees	717	566
Clerical workers	483	461
Total	**1,200**	**1,027**

Information on management's employment-related benefits is presented in Note 34, Related party transactions.

9. R&D EXPENDITURE		
(EUR 1,000)	**2014**	**2013**
R&D expenditure recorded as a cost item in the consolidated statement of comprehensive income	8,924	6,522

10. FINANCIAL INCOME		
(EUR 1,000)	**2014**	**2013**
Dividend income from financial assets available for sale	3	3
Interest income from loans and receivables	187	227
Exchange rate gains	13,107	7,847
Change in the fair value of derivative instruments	3,044	3,906
Other financial income	78	117
Total	**16,419**	**12,100**

11. FINANCIAL EXPENSES		
(EUR 1,000)	**2014**	**2013**
Interest expenses for financial loans	1,028	1,044
Exchange rate losses	13,528	15,376
Change in the fair value of derivative instruments	4,576	2,955
Other financial expenses	1,031	933
Total	**20,164**	**20,308**

12. INCOME TAXES

(EUR 1,000)	2014	2013
Tax based on the taxable income for the period	7,728	5,092
Taxes from previous financial periods	119	116
Deferred taxes	317	-57
Total	**8,164**	**5,150**

Reconciliation of tax expenses in the consolidated statement of comprehensive income and taxes calculated at the Group's domestic tax rate (2014: 20.0%, 2013: 24.5 %)

(EUR 1,000)		
Result before taxes	37,959	14,248
Tax calculated using the domestic tax rate	7,592	3,491
Effect of the different tax rates used in foreign subsidiaries	50	-343
Effect of the changes in income tax rates	0	60
Tax-exempt income	-2,473	-393
Non-deductible expenses	1,013	1,675
Tax reliefs and supports	-140	0
Use of tax losses not recorded previously	-972	-311
Unbooked deferred tax assets	2,975	856
Taxes for previous financial periods	119	116
Taxes in the consolidated statement of comprehensive income	**8,164**	**5,150**

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

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)	2014	2013
Result for the financial period belonging to parent company shareholders	29,795	9,098
Interest on the hybrid loan (adjusted for tax effect)	0	-427
Result for the financial period adjusted for dilution effect in order to calculate the earnings per share	29,795	8,671
Weighted average number of shares during the financial period (1,000 pcs)	27,787	27,787
Undiluted earnings per share (EUR/share)	1.07	0.31

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.

14. PROPERTY, PLANT AND EQUIPMENT

(EUR 1,000)	Land and water	Buildings	Machinery and equipment	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2014	1,267	37,872	44,370	392	83,901
Increase	598	6,720	4,709	5,423	17,450
Decrease	0	0	-1,141	-1,494	-2,635
Transfers between items	0	0	0	0	0
Exchange rate difference	24	-243	-244	1	-462
Acquisition cost 31 Dec 2014	1,889	44,350	47,693	4,322	98,254
Accumulated depreciation and impairment 1 Jan 2014	0	-15,745	-30,390	0	-46,135
Depreciation and amortisation	0	-1,730	-3,879	0	-5,609
Accumulated depreciation on decrease and transfers	0	0	702	0	702
Exchange rate difference	0	61	131	0	70
Accumulated depreciation and impairment 31 Dec 2014	0	-17,536	-33,436	0	-50,972
Book value 1 Jan 2014	1,267	22,127	13,980	392	37,766
Book value 31 Dec 2014	**1,889**	**26,814**	**14,257**	**4,322**	**47,282**

	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
Book value 31 Dec 2013	**1,267**	**22,127**	**13,980**	**392**	**37,766**

Non-depreciated share of the acquisition costs of production machinery and equipment included in the Group's property, plant and equipment totalled EUR 8.0 million on 31 Dec 2014 (EUR 8.4 million on 31 Dec 2013).

Financial lease contracts			
(EUR 1,000)			
Property, plant and equipment includes the following items rented under a finance lease contract:			
31 Dec 2014	Buildings	Machinery and equipment	**Total**
Acquisition cost	2,281	3,815	6,096
Accumulated depreciation	-930	-3,249	-4,179
Book value	1,351	566	1,917
31 Dec 2013	Buildings	Machinery and equipment	**Total**
Acquisition cost	2,281	3,607	5,888
Accumulated depreciation	-738	-3,232	-3,970
Book value	1,544	375	1,918

15. INTANGIBLE ASSETS

(EUR 1,000)	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2014	8,886	699	1,590	4,716	7,842	23,731
Increase	3,046	50	369	271	3,429	7,165
Transfers between items	493	2	0	0	-496	0
Decrease	0	0	-65	-23	-3,112	-3,201
Acquisition cost 31 Dec 2014	12,425	751	1,893	4,964	7,662	27,695
Accumulated depreciation and impairment 1 Jan 2014	-4,262	-556	-1,107	-3,528	0	-9,454
Depreciation and amortisation	-1,740	-44	-210	-358	0	-2,352
Accumulated depreciation on decrease and transfers	0	0	64	0	0	64
Accumulated depreciation and impairment 31 Dec 2014	-6,002	-600	-1,253	-3,887	0	-11,742
Book value 1 Jan 2014	4,623	143	482	1,188	7,842	14,278
Book value 31 Dec 2014	**6,422**	**151**	**641**	**1,077**	**7,662**	**15,954**

(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
Book value 31 Dec 2013	**4,623**	**143**	**482**	**1,188**	**7,842**	**14,278**

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		
(EUR 1,000)	**2014**	**2013**
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 2017 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 65 per cent of the actual operating margin in 2014 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.

17. INVESTMENTS IN ASSOCIATED COMPANIES

(EUR 1,000)	2014	2013
At beginning of financial period	1,031	1,186
Share of the result of the financial period	-85	-155
At end of financial period	**946**	**1,031**

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

(EUR 1,000)	2014	2013
Associated company		
Sunit Oy, Kajaani, Finland		
Assets	3,602	4,145
Liabilities	693	984
Net sales	4,311	4,465
Result	2	-132
Share of ownership	34 %	34 %

Sunit Oy specialises in telematics and manufactures vehicle computers.

18. OTHER FINANCIAL ASSETS

(EUR 1,000)	
Investments available for sale	**Other shares and holdings**
Acquisition cost 1 Jan 2014	104
Increase	0
Decrease	0
Acquisition cost 31 Dec 2014	104
Acquisition cost 1 Jan 2013	111
Increase	0
Decrease	-7
Acquisition cost 31 Dec 2013	104

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.

19. RECEIVABLES (NON-CURRENT)

(EUR 1,000)	2014	2013
Trade receivables	0	87
Loan receivables	0	0
Other receivables	817	808
Accrued income	15	20
Total	**832**	**915**

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

20. DEFERRED TAX RECEIVABLES AND LIABILITIES

(EUR 1,000)

Changes in deferred taxes during 2014:

Deferred tax assets:	**31 Dec 2013**	**Recognised through profit or loss**	**31 Dec 2014**
Inventories	1,133	-126	1,007
Fixed assets	212	-92	120
Other items	29	111	141
Total	**1,374**	**-107**	**1,267**

Deferred tax liabilities:	**31 Dec 2013**	**Recognised through profit or loss**	**31 Dec 2014**
Inventories	103	11	114
Fixed assets	513	210	723
Other items	41	-10	30
Total	**657**	**210**	**867**

Changes in deferred taxes during 2013:

Deferred tax assets:	**31 Dec 2012**	**Recognised through profit or loss**	**31 Dec 2013**
Inventories	1,211	-78	1,133
Fixed assets	232	-20	212
Other items	185	-155	29
Total	**1,628**	**-254**	**1,374**

Deferred tax liabilities:	**31 Dec 2012**	**Recognised through profit or loss**	**31 Dec 2013**
Inventories	180	-77	103
Fixed assets	397	115	513
Other items	390	-350	41
Total	**968**	**-311**	**657**

No deferred tax has been recognised through shareholders' equity.

No deferred tax asset has been recognised for confirmed losses EUR 31,386 thousand (29,320 in 2013) associated with the Group's foreign subsidiaries. 21 per cent of these confirmed losses expire during years 2015-2027. The rest has no maturity time.

21. INVENTORIES		
(EUR 1,000)	2014	2013
Raw materials and consumables	52,635	50,201
Work in progress	10,754	5,095
Finished products/goods	9,965	13,079
Other stocks	19,380	17,392
Total	**92,734**	**85,767**

EUR 3.1 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 2.4 million in 2013).

22. TRADE RECEIVABLES AND OTHER RECEIVABLES (CURRENT)		
(EUR 1,000)	2014	2013
Trade receivables	25,226	23,108
Accrued income	729	3,097
Other receivables	3,555	2,297
	29,509	28,502
Derivative contracts held for trading	417	705
Total	**29,926**	**29,207**

The Group's credit losses for trade receivables amounted to EUR 281 thousand (EUR 409 thousand in 2013) during the financial period and cancellation of credit losses to EUR 18 thousand (EUR 273 thousand in 2013). 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)	2014	2013
Non-matured	17,086	14,560
Matured		
Less than 30 days	6,390 [1]	6,336 [1]
30–90 days	1,136 [1]	1,427 [1]
91–180 days	397 [1]	279 [1]
181–360 days	150 [2]	632 [2]
More than 360 days	3,022 [2]	2,655 [2]
Impairment losses	-2,957	-2,694
Total	**25,226** [3]	**23,195** [3]

[1] Trade receivables that have matured but whose value has not impaired at the end of the financial period.
[2] 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.
[3] Non-current and current trade receivables

23. CASH AND CASH EQUIVALENTS

(EUR 1,000)	2014	2013
Cash in hand and at banks	12,719	11,958
Total	**12,719**	**11,958**

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 2013	27,787	7,000	30	-2,228
Building fund	0	0	100	0
31 Dec 2014	27,787	7,000	130	-2,228

The maximum number of shares is 48 million (48 million in 2013). 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 2013). The number of shares outstanding is 28 million (28 million in 2013). All issued shares have been paid in full.

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

Ponsse Plc has no outstanding convertible notes or bonds with warrants. The Ponsse Plc Board of Directors is not currently authorised to increase the share capital or issue convertible notes or bonds with warrants.

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 foreign units.

Other reserves

In the comparison period 2013 Ponsse Plc settled the equity-based loan of EUR 19 million (a so-called hybrid loan) issued on 31 March 2009 and 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. The loan was treated as equity in the consolidated financial statements prepared in accordance with IFRS and it was shown in the balance sheet item Other reverves. The arrangement did not dilute the holdings of the company's shareholders.

Dividends

In 2014, a dividend of EUR 0.30 was paid per share, for a total of EUR 8.3 million (in 2013, EUR 0.25 per share, for a total of EUR 6.9 million). The Board of Directors has proposed after the closing date of the reporting period that a dividend of EUR 0.45 per share shall be paid, i.e. a total of EUR 12.5 million.

25. SHARE-BASED PAYMENT PLANS

The Group did not have any share-based payments.

26. PENSION LIABILITIES

The Group did not have any pension obligations.

27. PROVISIONS

(EUR 1,000)	Guarantee provision
31 Dec 2013	4,618
Change in provisions	129
31 Dec 2014	**4,747**

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 2014 amounted to EUR 4,747 thousand (EUR 4,618 thousand in 2013). 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)	**2014**	**2013**
Non-current financial liabilities		
Loans from financial institutions	30,226	32,371
Pension loans	2,393	4,867
Finance lease liabilities	1,093	1,572
Total	**33,712**	**38,810**
Current financial liabilities		
Loans from financial institutions	14,811	18,506
Pension loans	2,474	2,474
Finance lease liabilities	712	513
Total	**17,997**	**21,492**

The currency distribution for receivables is presented in Note 31 and fair values in Note 32.

The Group has both floating rate and fixed rate bank loans.

EUR 7,566 thousand of all liabilities have a fixed interest rate (EUR 10,454 thousand in 2013). Other loans are bound to Euribor EUR 44,143 thousand (EUR 49,848 thousand in 2013).

The Group's floating rate liabilities and their contractual repricing periods are:		
(EUR 1,000)	**2014**	**2013**
Within less than twelve months	44,143	49,848
Within one to five years	0	0
Total	**44,143**	**49,848**

Due dates of finance lease liabilities		
(EUR 1,000)	**2014**	**2013**
Finance lease liabilities – total amount of minimum rents		
Within less than twelve months	795	621
Within one to five years	805	1,137
After more than five years	310	464
Total	1,909	2,222
Finance lease liabilities – present value of minimum rents		
Within less than twelve months	712	521
Within one to five years	783	1,100
After more than five years	310	464
Total	1,805	2,085
Financial expenses to be accrued in the future	104	138
Total finance lease liabilities	**1,909**	**2,222**

29. TRADE CREDITORS AND OTHER LIABILITIES

(EUR 1,000)	**2014**	**2013**
Trade creditors (other financial liabilities)	39,329	34,428
Advances received	1,078	927
Advance invoicing	3,119	275
Other liabilities	2,227	2,028
Accruals and deferred income		
Accrued staff expenses	11,165	9,677
Interest accruals	106	95
Accruals and deferred income in respect of inventories	208	468
Other accruals and deferred income	3,575	3,798
Derivative contracts held for trading	836	306
Total	**61,644**	**52,002**

Non-current financial liabilities measured at original amortised cost		
Accruals and deferred income	0	0
Total	**0**	**0**

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), the Brazilian real (BRL) and Russian rouble (RUB).

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 -10.9 million (EUR -11.7 million in 2013), including a dividend of EUR 0.1 million (EUR 1.6 million in 2013) 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 following table is a presentation of the strengthening or weakening of the euro against the United States dollar, the Swedish krona, the pound sterling, Brasilian real and Russian rouble, with all other factors remaining unchanged. The total net position of the aforementioned currencies is -19.6 million euros (-25.6 million euros in 2013).The change percentages reflect average volatility during the previous 12 months. The sensitivity analysis is based on foreign currency assets and liabilities on the balance sheet date. The sensitivity analysis also takes into consideration the effects of currency derivatives, which off-set the effects of exchange rate changes.

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

(1 000 EUR)	2014				2013			
Change in EUR exchange rate	Strengthening		Weakening		Strengthening		Weakening	
Effect on result after taxes								
USD	8 %	-543	4 %	290	4 %	-140	4 %	139
SEK	3 %	45	3 %	-53	4 %	14	3 %	-11
GBP	3 %	-34	3 %	27	2 %	-15	3 %	26
BRL	5 %	979	5 %	-988	11 %	2 073	13 %	-2 541
RUB	10 %	242	41 %	-1 002	6 %	339	7 %	-364
Total		**689**		**-1 726**		**2 273**		**-2 752**

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)				
Sensitivity analysis for floating interest loans:	2014		2013	
Change percentage	+1%	-1%	+1%	-1%
Effect on result after taxes	-353	353	-399	399

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 2014 was EUR 68.0 million, which equals 91 per cent of the total credit facilities (2013: EUR 53.5 million, 82 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 2014 (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	45,037	46,344	15,261	31,082	0
Pension loans	4,867	5,158	2,630	2,528	0
Finance lease liabilities	1,805	1,909	795	805	310
Trade creditors and other liabilities	60,808	60,808	60,808		
Derivative contract liabilities	836	836	836		
Guarantee agreements **	0	2,579	2,579		

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	50,876	52,751	19,167	33,584	0
Pension loans	7,340	7,865	2,709	5,156	0
Finance lease liabilities	2,085	2,222	621	1,137	464
Trade creditors and other liabilities	51,696	51,696	51,696		
Derivative contract liabilities	306	306	306		
Guarantee agreements **	0	3,137	3,137		

* 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 2014 were EUR 39.0 million (31 Dec 2013: EUR 48.3 million) and net gearing was 45.3 per cent (31 Dec 2013: 71.6 per cent). For calculating net gearing, interest-bearing net financial liabilities were divided by the amount of equity. Net liabilities include interest-bearing liabilities deducted by interest-bearing receivables and liquid assets.

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)	**2014**	**2013**
Interest-bearing liabilities	51,709	60,302
Interest-bearing receivables	0	0
Cash and cash equivalents	-12,719	-11,958
Net liabilities	38,990	48,344
Total shareholders' equity	86,016	67,550
Net gearing	45.3 %	71.6 %

31. FINANCIAL INSTRUMENTS BY GROUPS AND FAIR VALUES

(EUR 1,000)

31 Dec 2014

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		417		417
Trade receivables and other receivables (excluding prepayments)	25,226			25,226
Cash and cash equivalents	12,719			12,719
Total	**37,945**	**417**	**104**	**38,466**

Balance sheet liabilities	Liabilities at fair value through profit or loss	Liabilities at original amortised cost	Total
Loans (excluding finance lease liabilities)		49,904	49,904
Finance lease liabilities		1,805	1,805
Derivative instruments	836		836
Trade creditors and other liabilities (excluding statutory obligations)		39,329	39,329
Total	**836**	**91,038**	**91,874**

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
Total	**35,153**	**705**	**104**	**35,962**

Balance sheet liabilities	Liabilities at fair value through profit or loss	Liabilities at original amortised cost	Total
Loans (excluding finance lease liabilities)		58,217	58,217
Finance lease liabilities		2,085	2,085
Derivative instruments	306		306
Trade creditors and other liabilities (excluding statutory obligations)		34,428	34,428
Total	**306**	**94,730**	**95,035**

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 2014	Fair value 2014	Book value 2013	Fair value 2013
Financial assets					
Other financial assets	18	104	104	104	104
Trade receivables and other receivables (non-current)	19	832	832	915	915
Trade receivables and other receivables (current)	22	29,509	29,509	28,502	28,502
Cash and cash equivalents	23	12,719	12,719	11,958	11,958
Forward exchange agreements	22	417	417	705	705
Interest rate swaps	22	0	0	0	0
Total		**43,581**	**43,581**	**42,184**	**42,184**
Financial liabilities					
Loans from financial institutions	28	45,037	42,245	50,876	42,245
Pension loans	28	4,867	4,389	7,340	4,389
Finance lease liabilities	28	1,805	1,719	2,085	1,972
Trade creditors and other liabilities	29	61,644	61,644	52,002	52,002
Forward exchange agreements	29	806	806	279	279
Interest rate swaps	29	29	29	27	27
Total		**114,188**	**110,832**	**112,609**	**100,914**

The nominal values of forward agreements were EUR 28.8 million in 2014 and EUR 26.4 million in 2013.

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. OTHER LEASE CONTRACTS

(EUR 1,000)

Group as lessee

Minimum rents due based on other non-cancellable leases:	**2014**	**2013**
Within one year	638	1,122
Within one to five years	1,028	3,462
After more than five years	216	2,265

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 2014 includes EUR 2.2 million of rent expenses paid on the basis of other lease contracts (EUR 2.3 million in 2013).

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

33. CONTINGENT LIABILITIES

(EUR 1,000)	**2014**	**2013**
Guarantees given on behalf of others	476	487
Repurchase commitments	1,966	1,138
Other commitments	137	1,511
Total	**2,579**	**3,137**

34. 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
Ponssé 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
OOO Ocean Safety Center, St. Petersburg, Russia (owned by OOO Ponsse)	100.00
Epec Oy, Seinäjoki, Finland	100.00
Ponsse Asia-Pacific Ltd., Hong Kong	100.00
Ponsse China Ltd, Beihai, China (owned by Ponsse Asia-Pacific Ltd.)	100.00
Ponsse Uruguay S.A., Paysandú, Uruguay	100.00
Kiinteistö Oy Kouvolan Kaupinkuja 3, Kouvola, Finland	100.00

Property companies OOO Ocean Safety Center in Russia and Kiinteistö Oy Kouvolan Kaupinkuja 3 in Finland were acquired to the Group during the financial period.

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

Management's employment-related benefits		
(EUR 1,000)	**2014**	**2013**
Salaries and other short-term employment-related benefits	2,815	2,475
Benefits paid upon termination of employment	0	122
Pension liabilities, statutory pension security	392	349
Total	**3,206**	**2,946**

Salaries and bonuses		
(EUR 1,000)	**2014**	**2013**
Managing director		
Salaries and other short-term employment-related benefits	372	335
Pension liabilities, statutory pension security	66	59
Total	**438**	**394**

Compensation of the members of the Board of Directors		
Hortling Heikki	38	38
Kaario Mammu	32	32
Kylävainio Ilkka	32	32
Saksman Ossi	32	32
Vidgrén Janne	32	24
Vidgrén Juha	43	43
Vidgrén Jukka	32	32
Total	**241**	**233**

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.

35. EVENTS AFTER THE CLOSING DATE OF THE REPORTING PERIOD

The Board of Directors of Ponsse Plc has decided to launch a new share-based incentive plan for the Group key employees on 16 February 2015. The aim of the long-term plan, which commits the key employees to shareholding in the Company, is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, and to offer them a competitive reward plan based on acquisition and ownership of the Company's shares.

Financial indicators

	IFRS 2014	IFRS 2013	IFRS 2012
Extent of operations			
Net sales (EUR 1,000)	390,831	312,825	314,779
Change, %	24.9	-0.6	-4.1
R&D expenditure, total (EUR 1,000)	10,304	8,883	8,978
of which capitalised (EUR 1,000)	3,120	3,598	3,306
as % of net sales	2.6	2.8	2.9
Gross capital expenditure (EUR 1,000)	19,154	11,188	18,062
as % of net sales	4.9	3.6	5.7
Average number of employees	1,200	1,027	994
Net sales/employee (EUR 1,000)	326	305	317
Order stock, EUR million	158.4	99.8	41.8
Profitability			
Operating result (EUR 1,000)	41,704	22,501	24,471
as % of net sales	10.7	7.2	7.8
Result before taxes (EUR 1,000)	37,959	14,248	20,513
as % of net sales	9.7	4.6	6.5
Result for the period (EUR 1,000)	29,795	9,098	13,890
as % of net sales	7.6	2.9	4.4
Return on equity, % (ROE)	38.8	12.2	17.4
Return on capital employed, % (ROCE)	30.1	12.2	17.7
Financing and financial position			
Current ratio	1.6	1.6	1.7
Equity ratio, %	42.0	36.5	45.1
Net gearing, %	45.3	71.6	51.7
Interest-bearing liabilities (EUR 1,000)	51,709	60,302	56,386
Non-interest-bearing liabilities (EUR 1,000)	68,071	58,196	43,888

Per-share data [1]

	IFRS 2014	IFRS 2013	IFRS 2012
Earnings per share (EPS), EUR	1.07	0.31	0.44
Equity per share, EUR	3.07	2.41	2.91
Nominal dividend per share, EUR	0.45 [1]	0.30	0.25
Dividend per share adjusted for share issues, EUR	0.45 [1]	0.30	0.25
Dividend per earnings, %	42.0 [1]	96.1	57.1
Effective dividend yield, %	3.7 [1]	3.1	4.2
Price/earnings ratio (P/E)	11.2	31.4	13.6
Share performance			
Lowest trading price	9.02	5.50	5.57
Highest trading price	13.35	10.02	8.55
Closing price	12.02	9.81	5.94
Average price	11.49	7.22	6.89
Market capitalisation, EUR million	336.6	274.7	166.3
Dividends paid, EUR million	12.5 [1]	8.3	6.9
Shares traded	4,144,642	2,919,553	1,508,478
Shares traded, %	14.8	10.4	5.4
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

[1] The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.45 per share shall be paid for the year 2014.

Formulae for financial indicators

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

Parent company's profit and loss account

(EUR 1,000)	Note[1]	2014	2013
Net sales	2	**300,804**	**247,305**
Increase (+)/decrease (-) in inventories of finished goods and work in progress		7,420	281
Other operating income	3	649	329
Raw materials and services	4	-211,506	-175,843
Staff costs	5, 6, 7	-38,306	-32,798
Depreciation, amortisation and impairment	8	-6,249	-5,025
Other operating expenses		-21,402	-19,041
Operating result		**31,410**	**15,207**
Financial income and expenses	10	1,352	754
Result before extraordinary items		**32,762**	**15,961**
Extraordinary items	11	0	0
Result after extraordinary items		**32,762**	**15,961**
Appropriations	12	871	-864
Direct taxes	13	-6,903	-3,416
Net result for the period		**26,730**	**11,681**

[1] The note refers to the Notes to the Accounts on pages 79–87.

Parent company's balance sheet

(EUR 1,000)	Note[1]	2014	2013
ASSETS			
Non-current assets			
Intangible assets	14	15,000	13,631
Tangible assets	14	31,927	29,601
Financial assets	15	12,470	11,424
Total non-current assets		**59,397**	**54,656**
Current assets			
Inventories	16	56,778	48,527
Non-current receivables	17	10,427	6,367
Current receivables	17	81,494	80,195
Cash in hand and at banks		7,736	6,172
Total current assets		**156,435**	**141,261**
TOTAL ASSETS		**215,832**	**195,917**
LIABILITIES			
Shareholders' equity	18, 19		
Share capital		7,000	7,000
Revaluation reserve		841	841
Retained earnings		69,671	66,326
Net result for the period		26,730	11,681
Total shareholders' equity		**104,242**	**85,848**
Appropriations	20	**1,431**	**2,303**
Provisions for liabilities and charges	21	**4,747**	**4,618**
Creditors			
Non-current creditors	22	32,164	37,009
Current creditors	23	73,248	66,139
Total creditors		**105,412**	**103,148**
TOTAL LIABILITIES		**215,832**	**195,917**

[1] The note refers to the Notes to the Accounts on pages 79–87.

Parent company's cash flow statement

(EUR 1,000)	2014	2013
Cash flows from operating activities:		
Operating result	31,410	15,207
Depreciation, amortisation and impairment	6,249	5,025
Change in provisions	129	-359
Cash flow before changes in working capital	37,788	19,873
Change in working capital:		
Increase (-)/decrease (+) in current non-interest-bearing receivables	-27	1,953
Increase (-)/decrease (+) in inventories	-8,251	-4,818
Increase (+)/decrease (-) in current non-interest-bearing liabilities	10,564	15,973
Cash flow from operations before financial items and income taxes	40,074	32,981
Interest received	2,882	2,768
Interest paid	-908	-2,181
Dividends received	187	1,712
Other financial items	-2,069	-1,073
Income taxes paid	-7,036	-1,177
Net cash flows from operating activities (A)	**33,129**	**33,029**
Cash flows used in investing activities:		
Investments in tangible and intangible assets	-10,990	-9,199
Net cash flows used in investing activities (B)	**-10,990**	**-9,199**
Cash flows from financing activities:		
Increase (+)/decrease (-) in current loans	12,600	-17,000
Increase (+)/decrease (-) in non-current loans	-20,778	1,438
Increase (-)/decrease (+) in non-current receivables	-4,060	122
Dividends paid and other distribution of profit	-8,336	-6,948
Net cash flows from financing activities (C)	**-20,574**	**-22,388**
Increase (+)/decrease (-) in liquid assets (A+B+C)	**1,565**	**1,443**
Cash and cash equivalents on 1 Jan	6,172	4,729
Cash and cash equivalents on 31 Dec	7,736	6,172

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 2014 is comparable with the previous year.

2. NET SALES BY MARKET AREA		
(EUR 1,000)	**2014**	**2013**
Northern Europe	139,022	113,030
Southern and Central Europe	61,514	37,378
Russia and Asia	49,095	44,945
North and South America	50,792	51,948
Other countries	381	5
Total	**300,804**	**247,305**

3. OTHER OPERATING INCOME		
(EUR 1,000)	**2014**	**2013**
Sales profits on property, plant and equipment	62	8
Public subsidies	141	74
Other	445	247
Total	**649**	**329**

4. RAW MATERIALS AND SERVICES		
(EUR 1,000)	**2014**	**2013**
Raw materials and consumables		
Purchases during the financial period	206,352	174,370
Increase (-)/decrease (+) in inventories	-850	-4,537
External services	6,004	6,011
Total	**211,506**	**175,843**

5. AVERAGE NUMBER OF STAFF		
persons	**2014**	**2013**
Employees	383	355
Clerical workers	285	271
Total	**668**	**626**

6. STAFF COSTS		
(EUR 1,000)	**2014**	**2013**
Salaries and bonuses	31,310	26,925
Pension costs	5,251	4,276
Other social security costs	1,746	1,598
Total	**38,306**	**32,798**

7. MANAGEMENT SALARIES AND REMUNERATIONS		
(EUR 1,000)	**2014**	**2013**
Managing director	372	335
Members of the Board of Directors	369	233
Total	**741**	**568**

8. DEPRECIATION AND VALUE ADJUSTMENTS		
(EUR 1,000)	**2014**	**2013**
Depreciation according to plan	6,249	5,025
Total	**6,249**	**5,025**

9. AUDITOR'S REMUNERATIONS		
(EUR 1,000)	**2014**	**2013**
Authorised Public Accountants PricewaterhouseCoopers Oy		
Auditor's remunerations	59	59
Certificates and statements	0	0
Tax advice	87	47
Other remunerations	1	1
Total	**147**	**106**

10. FINANCIAL INCOME AND EXPENSES		
(EUR 1,000)	**2014**	**2013**
Income from investments in non-current assets		
From Group companies	100	1,600
From associated companies	86	110
From others	1	1
Income from investments in non-current assets total	187	1,712
Interest income and other financial income		
From Group companies	2,827	2,674
From others	10,023	9,075
Interest income and other financial income, total	12,850	11,749
Financial income, total	**13,037**	**13,461**
Value adjustments of financial securities	0	0
Interest expenses and other financial expenses		
To Group companies	0	0
To others	11,685	12,707
Interest expenses and other financial expenses, total	11,685	12,707
Financial expenses, total	**11,685**	**12,707**
Financial income and expenses, total	**1,352**	**754**
The item "Financial income and expenses" includes exchange rate profit/loss (net)	95	-1,404

11. EXTRAORDINARY ITEMS		
(EUR 1,000)	**2014**	**2013**
Extraordinary income/group contribution	0	0

12. APPROPRIATIONS		
(EUR 1,000)	**2014**	**2013**
Difference between depreciations according to plan and depreciations in taxation	871	-864

13. INCOME TAX		
(EUR 1,000)	**2014**	**2013**
Income tax on extraordinary items	0	0
Income taxes from actual operation	6,903	3,416
Change in deferred tax receivable	0	0
Total	**6,903**	**3,416**

14. INTANGIBLE AND TANGIBLE ASSETS

(EUR 1,000) **Intangible assets 2014**	**Development costs**	**Patent costs**	**Goodwill**	**Intangible rights**	**Other capitalised long-term expenses**	**Prepayments and unfinished acquisitions**	**Total**
Acquisition cost 1 Jan 2014	7,132	680	905	1,037	5,594	7,329	22,676
Increase	2,837	48	0	271	411	3,230	6,797
Decrease	0	0	0	0	0	-3,111	-3,111
Transfers between items	0	0	0	0	0	0	0
Acquisition cost 31 Dec 2014	9,969	728	905	1,307	6,005	7,447	26,362
Accumulated depreciation on 1 Jan 2014	-3,242	-545	-483	-683	-4,092	0	-9,045
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0	0
Depreciation for the accounting period	-1,534	-44	-181	-152	-406	0	-2,318
Accumulated depreciation on 31 Dec 2014	-4,776	-589	-664	-835	-4,499	0	-11,362
Book value 31 Dec 2014	**5,193**	**139**	**241**	**473**	**1,507**	**7,447**	**15,000**
Book value 31 Dec 2013	3,890	135	422	354	1,502	7,329	13,631

(EUR 1,000) **Tangible assets 2014**	**Land and water**	**Buildings and structures**	**Machinery and equipment**	**Other tangible assets**	**Prepayments and unfinished acquisitions**	**Total**
Acquisition cost 1 Jan 2014	985	31,860	31,005	29	384	64,264
Increase	12	99	2,243	0	5,072	7,425
Decrease	0	0	0	0	-1,168	-1,168
Transfers between items	0	0	0	0	0	0
Acquisition cost 31 Dec 2014	997	31,959	33,248	29	4,288	70,521
Accumulated depreciation on 1 Jan 2014	0	-13,869	-21,635	0	0	-35,504
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0
Depreciation for the accounting period	0	-1,419	-2,512	0	0	-3,931
Accumulated depreciation on 31 Dec 2014	0	-15,288	-24,147	0	0	-39,435
Revaluations	0	841	0	0	0	841
Book value 31 Dec 2014	**997**	**17,511**	**9,101**	**29**	**4,288**	**31,927**
Book value 31 Dec 2013	985	18,832	9,370	29	384	29,601
Book value of operating machinery and equipment						
31 Dec 2014			8,035			
31 Dec 2013			8,408			

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) **Financial assets 2014**	**Shares in Group companies**	**Shares in associated companies**	**Shares, other**	**Receivables from Group companies**	**Receivables, other**	**Total**
Acquisition cost 1 Jan 2014	16,183	335	95	0	0	16,613
Increase	1,047	0	0	0	0	1,047
Decrease	0	0	0	0	0	0
Acquisition cost 31 Dec 2014	17,230	335	95	0	0	17,660
Accumulated write-downs 1 Jan 2014	-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
Book value 31 Dec 2014	**12,040**	**335**	**95**	**0**	**0**	**12,470**

Group companies	
Name and domicile	Company's share of ownership %
Ponsse AB, Västerås, Sweden	100.00
Ponsse AS, Kongsvinger, Norway	100.00
Ponssé 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
OOO Ocean Safety Center, St. Petersburg, Russia (owned by OOO Ponsse)	100.00
Epec Oy, Seinäjoki, Finland	100.00
Ponsse Asia-Pacific Ltd., Hong Kong	100.00
Ponsse China Ltd., Beihai, China (owned by Ponsse Asia-Pacific Ltd.)	100.00
Ponsse Uruguay S.A., Paysandú, Uruguay	100.00
Kiinteistö Oy Kouvolan Kaupinkuja 3, Kouvola, Finland	100.00

During the reporting period the parent company Ponsse Plc acquired a property company Kiinteistö Oy Kouvolan Kaupinkuja 3 and OOO Ponsse acquired a property company OOO Ocean Safety Center.

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)	**2014**	**2013**
Raw materials and consumables	37,170	36,041
Work in progress	9,916	4,431
Finished products/goods	3,352	1,527
Other stocks	6,301	6,529
Prepayments	39	0
Total	**56,778**	**48,527**

17. RECEIVABLES		
(EUR 1,000)	**2014**	**2013**
Non-current receivables		
Receivables from Group companies		
Loan receivables	10,427	6,367
Loan receivables	0	0
Other receivables	0	0
Non-current receivables, total	**10,427**	**6,367**
Current receivables		
Trade receivables	11,936	9,300
Receivables from Group companies		
Trade receivables	67,434	67,649
Other receivables	1,628	751
Accrued income		
Grants receivable	47	87
Income tax receivables	0	0
Derivative contracts	417	705
Other accrued income	32	1,703
Current receivables, total	**81,494**	**80,195**
Receivables, total	**91,921**	**86,562**

18. SHAREHOLDERS' EQUITY		
(EUR 1,000)	**2014**	**2013**
Equity employed		
Share capital on 1 Jan	7,000	7,000
Scrip issue	0	0
Share capital on 31 Dec	7,000	7,000
Share premium account on 1 Jan	0	0
Scrip issue	0	0
Share premium account on 31 Dec	0	0
Revaluation reserve 1 Jan	841	841
Revaluation of non-current assets, change	0	0
Revaluation reserve 31 Dec	841	841
Equity employed, total	**7,841**	**7,841**
Shareholders' surplus		
Retained earnings on 1 Jan	78,007	73,273
Purchase of treasury shares	0	0
Dividend distribution	-8,336	-6,948
Retained earnings on 31 Dec	69,671	66,326
Result for the period	26,730	11,681
Shareholders' surplus, total	**96,401**	**78,007**
Total shareholders' equity	**104,242**	**85,848**

19. DISTRIBUTABLE FUNDS		
(EUR 1,000)	**2014**	**2013**
Retained earnings	69,671	66,326
Result for the period	26,730	11,681
Total	**96,401**	**78,007**

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

Ponsse Plc's registered share capital on 31 December 2014 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.

20. ACCUMULATED APPROPRIATIONS		
(EUR 1,000)	**2014**	**2013**
Depreciation difference	1,431	2,303

21. PROVISIONS FOR LIABILITIES AND CHARGES		
(EUR 1,000)	**2014**	**2013**
Guarantee provision	4,747	4,618
Other compulsory provisions	0	0
Total	**4,747**	**4,618**

22. NON-CURRENT CREDITORS		
(EUR 1,000)	**2014**	**2013**
Loans from financial institutions	29,771	32,143
Pension loans	2,393	4,867
Non-current creditors, total	**32,164**	**37,009**
Debts falling due in more than five years		
Loans from financial institutions	0	0
Pension loans	0	0
Total	**0**	**0**

23. CURRENT CREDITORS		
(EUR 1,000)	**2014**	**2013**
Loans from financial institutions	14,371	17,705
Pension loans	2,474	2,474
Advances received	55	82
Trade creditors	36,259	32,164
Liabilities to Group companies		
Advances received	2,733	1,357
Intra-Group trade creditors	1,941	711
Other intra-Group liabilities	0	0
Accruals and deferred income	0	0
Liabilities to Group companies, total	4,675	2,067
Advance invoicing	3,117	10
Other liabilities	1,813	1,077
Accruals and deferred income		
Accrued staff expenses	7,280	6,571
Interest accruals	106	95
Income tax liability	412	544
Accruals and deferred income in respect of inventories	0	0
Other accruals and deferred income	2,686	3,350
Accruals and deferred income, total	10,483	10,561
Current creditors, total	73,248	66,139

24. PLEDGES GIVEN, CONTINGENT AND OTHER LIABILITIES

(EUR 1,000)	2014	2013
24.1 Pledges given for own debt		
Debts for which mortgages have been pledged as collateral		
Loans from financial institutions	0	0
Mortgages given on land and buildings	0	0
Chattel mortgages granted	0	0
Total	**0**	**0**

24.2 Leasing commitments		
Leasing payments payable under leasing agreements		
Leasing payments payable during the next financial period	647	961
Leasing payments payable thereafter	249	106
Total	**896**	**1,066**

24.3 Contingent liabilities on behalf of Group companies		
Guarantees given on behalf of companies within the Group	302	327

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

24.4 Other contingent liabilities		
Guarantees given on behalf of others	0	0
Repurchase commitments	96	233
Other commitments	137	1,511
Total	**233**	**1,745**

24.5 Derivative liabilities		
Forward exchange agreements		
Fair value	-390	427
Value of underlying asset	28,849	26,441
Interest rate derivatives		
Fair value	-29	-27
Value of underlying asset	30,057	43,676

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 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 212,900 shares will be issued on the basis of the authorisation. The maximum amount corresponds to approximately 0.76 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 2015.

INCREASES IN SHARE CAPITAL 1994–2014

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

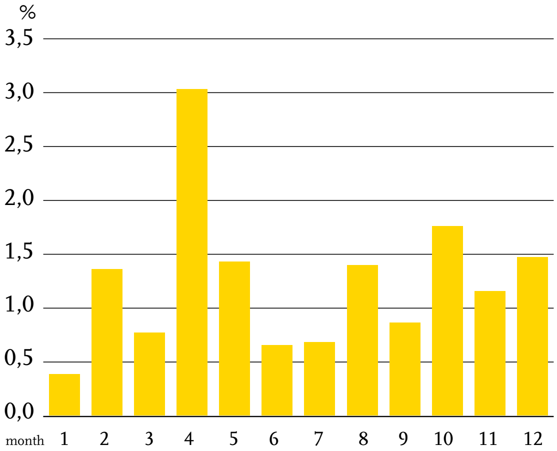
Authorisation to increase share capital

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.

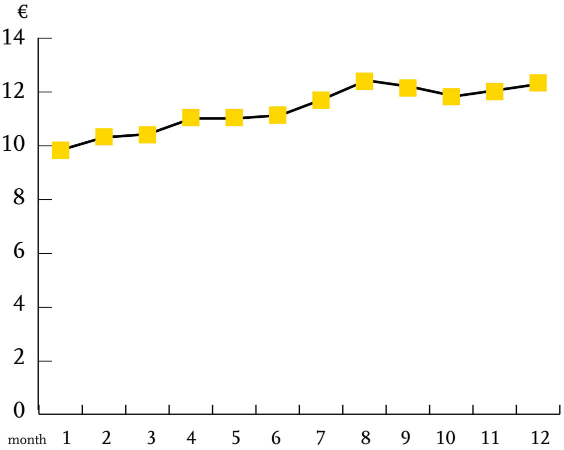
SHARE TURNOVER 1 JANUARY–31 DECEMBER 2014

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	996,047	101,915	9.07	10.00	9.75	9.45	264,600,000	28,000,000	0.36
2	3,887,076	376,611	9.02	10.75	10.24	10.40	291,200,000	28,000,000	1.35
3	2,105,424	204,900	9.80	10.61	10.28	10.50	294,000,000	28,000,000	0.73
4	9,155,317	841,784	10.05	11.48	10.96	11.04	309,120,000	28,000,000	3.01
5	4,307,942	394,019	10.69	11.19	10.97	11.08	310,240,000	28,000,000	1.41
6	1,978,874	179,628	10.80	11.27	11.02	11.18	313,040,000	28,000,000	0.64
7	2,242,105	193,389	11.08	12.15	11.59	12.07	337,960,000	28,000,000	0.69
8	4,820,196	390,051	11.08	13.32	12.36	12.39	346,920,000	28,000,000	1.39
9	2,902,800	240,030	11.91	12.40	12.09	12.00	336,000,000	28,000,000	0.86
10	5,744,938	489,541	10.04	13.35	11.74	12.10	338,800,000	28,000,000	1.75
11	3,864,349	322,456	11.65	12.48	11.98	12.37	346,360,000	28,000,000	1.15
12	5,030,295	410,318	11.60	12.63	12.19	12.02	336,560,000	28,000,000	1.47
2014	**47,035,363**	**4,144,642**	**9.02**	**13.35**	**11.49**	**12.02**	**336,560,000**	**28,000,000**	**14.80**

Relative share turnover by month in 2014



Weighted average share price by month in 2014



SHAREHOLDER PROFILE ON 31 DECEMBER 2014

	Shares, pcs	Percentage of shares and votes, %	Shares of nominee-registered, pcs	Shares of nominee-registered, %	Votes, pcs	Percentage of votes, %
Enterprises	1,333,621	4.763	0	0	1,333,621	4.763
Financial institutions and insurance companies	1,549,621	5.534	861,390	3.076	2,411,011	8.610
Public sector entities	803,206	2.869	0	0	803,206	2.869
Households	22,830,669	81.538	0	0	22,830,669	81.538
Non-profit organisations	551,044	1.968	0	0	551,044	1.968
Foreign holding	35,653	0.127	34,796	0.124	70,449	0.252
Total	**27,103,814**	**96.799**	**896,186**	**3.200**	**28,000,000**	**100.000**

ANALYSIS OF SHAREHOLDERS ON 31 DECEMBER 2014

Shares per shareholder	Number of shareholders	Percentage of shareholders, %	Shares, total, pcs	Percentage of shares and votes, %
1-100	2,729	32.825	160,774	0.574
101-500	3,369	40.522	944,696	3.374
501-1,000	1,070	12.870	857,984	3.064
1,001-5,000	935	11.246	2,072,074	7.400
5,001-10,000	113	1.359	834,906	2.982
10,001-50,000	75	0.902	1,579,552	5.641
50,001-100,000	4	0.048	265,816	0.949
100,001-500,000	15	0.180	3,940,740	14.074
over 500,000	4	0.048	17,343,458	61.942
Total	**8,314**	**100.000**	**28,000,000**	**100.000**

SHAREHOLDERS ON 31 DECEMBER 2014				
No.	Name	Number of shares, pcs	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	Ilmarinen Mutual Pension Insurance Company	392,666	1.40	1.40
6	Varma Mutual Pension Insurance Company	389,000	1.39	1.39
7	Einari Vidgrén Foundation	388,000	1.39	1.39
8	Aktia Capital mutual fund	367,227	1.31	1.31
9	Svenska Handelsbanken AB (nom. reg.)	352,194	1.26	1.26
10	Nordea Nordic Small Cap mutual fund	317,065	1.13	1.13
11	Nordea Bank Finland Plc (nom. reg.)	297,594	1.06	1.06
12	Evli Suomi Pienyhtiöt mutual fund	276,555	0.99	0.99
13	Säästöpankki Kotimaa mutual fund	249,952	0.89	0.89
14	Ponsse Plc	212,900	0.76	0.76
15	Skandinaviska Enskilda Banken Ab (nom. reg.)	204,207	0.73	0.73
16	EQ Pohjoismaat Pienyhtiö	150,000	0.54	0.54
17	Op-Suomi Pienyhtiöt	120,164	0.43	0.43
18	Danske Invest Suomen Pienyhtiöt mutual fund	115,500	0.41	0.41
19	Evli Pohjoismaat mutual fund	107,716	0.38	0.38
20	Laakkonen Mikko	80,000	0.29	0.29
21	Relander Harald	70,000	0.25	0.25
22	Säästöpankki Pienyhtiöt mutual fund	64,675	0.23	0.23
23	Randelin Mari	51,141	0.18	0.18
24	Tiitinen Arto	50,000	0.18	0.18
25	Suutari Eero	45,734	0.16	0.16
26	Lähitapiola Mutual Life Insurance Company	43,535	0.16	0.16
27	KPY Sijoitus Oy	41,727	0.15	0.15
28	Apotrade Consulting Oy	41,543	0.15	0.15
29	Vidgrén Kalle Samuel	40,800	0.15	0.15
30	SEB Finland Small Cap	40,000	0.14	0.14
	Other shareholders	6,146,647	21.95	21.95
	Total	**28,000,000**	**100.00**	**100.00**

At year-end 2014, Ponsse Plc had 8,314 shareholders (on 31 December 2013: 7,225).

Management holdings

Members of the Board of Directors, President and CEO, companies under their control and their underage children held a total of 13,785,874 Ponsse Plc shares on 31 December 2014, corresponding to 49.2 per cent of shares and votes in the company.

Board of directors' proposal for the disposal of profit

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

The parent company's distributable funds total EUR 96,400,731.80.

The company's Board of Directors proposes that the Annual General Meeting authorise a dividend of EUR 0.45 per share for 2014.

Vieremä, 16 February 2015

Juha Vidgrén

Heikki Hortling

Mammu Kaario

Ilkka Kylävainio

Ossi Saksman

Janne Vidgrén

Jukka Vidgrén

Juho Nummela
President and CEO

Auditor's report

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 2014. 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, 16 February 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Sami Posti
Authorised Public Accountant

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