

**PONSSE**

ANNUAL REPORT

2015





## PONSSE IN BRIEF

**PONSSE**

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

The company was established by forest machine entrepreneur Einari Vidgrén in 1970, and it has been a leader

in timber harvesting solutions based on the cut-to-length method ever since.

With experience from over 11,000 cut-to-length forest machines, this family-owned company is today one of the world's leading manufacturers of forest machines. The sales and service network covers 40 countries and the share of exports is 77 per cent of net sales.

Ponsse is headquartered in Vieremä, Finland. The company's shares are quoted on the NASDAQ OMX Nordic List.



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## MISSION

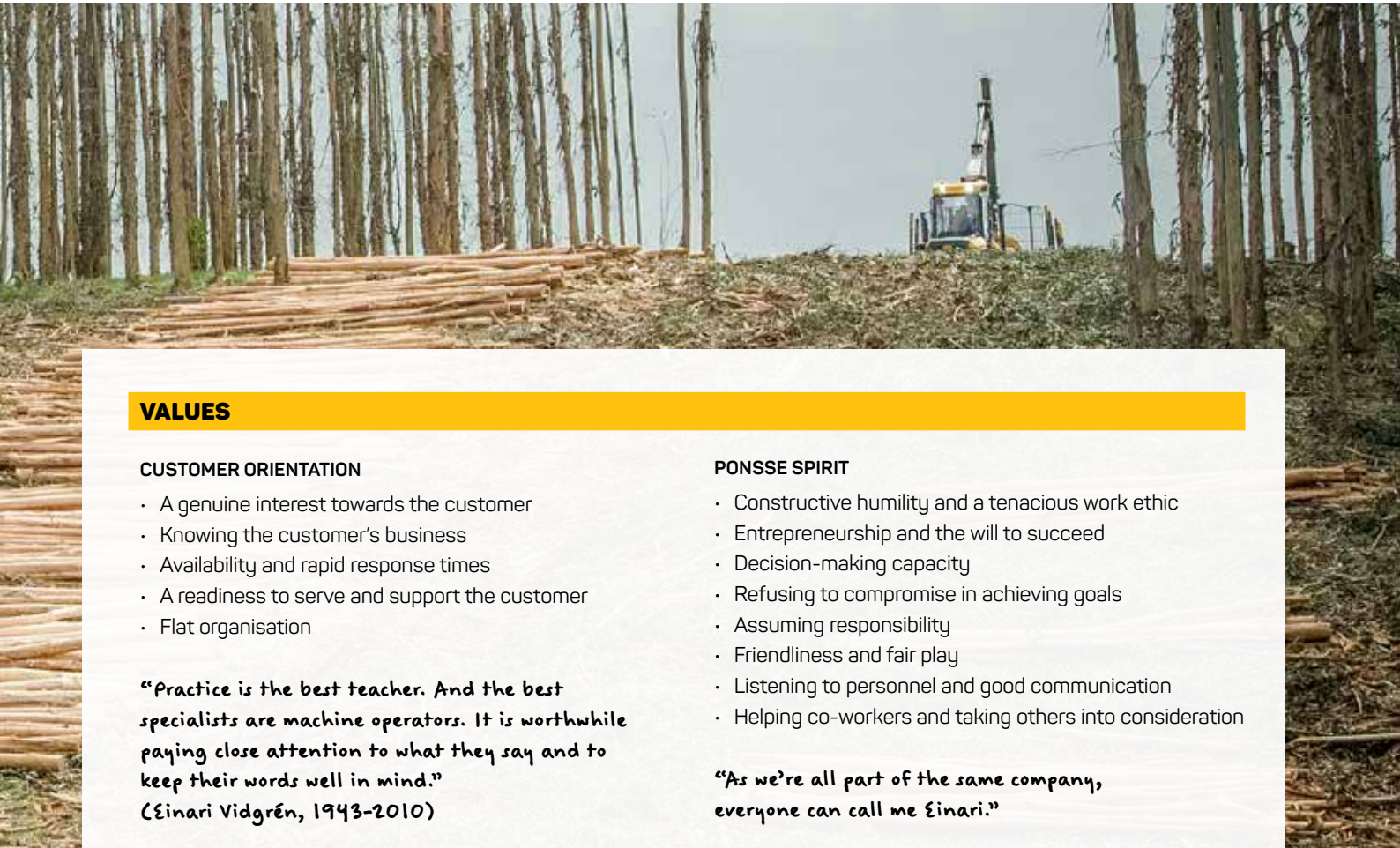
We will succeed together with our customers and partners through innovative harvesting solutions based on sustainable development.

Ponsse ensures a high-quality customer service by focusing on harvesting solutions based on the cut-to-length method. It seeks solutions openly and innovatively together with its customers, while continuously reaching for something new and better. There can be no compromises over the high level of quality and reliability of products and services, under any circumstances.

## VISION

We are the preferred partner in our industry.

We are continuously and at an ever higher intensity working hard to develop Ponsse in order to become the leader in the field of forest machines based on the cut-to-length method. Continuous development and advancement are what make Ponsse the most desirable partner in its field. That is why Ponsse's products and services are selected again and again, from one generation to the next.



## VALUES

### CUSTOMER ORIENTATION

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

***“Practice is the best teacher. And the best specialists are machine operators. It is worthwhile paying close attention to what they say and to keep their words well in mind.”***  
***(Einari Vidgrén, 1943-2010)***

Ponsse is driven by genuine interest in customers and their business operations. Ponsse knows its customers personally, allowing it to identify their needs. The flat organisational structure ensures that decision-makers are located close to customers.

### INTEGRITY

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

***“If you want to succeed in this business, you need to have honest and trustworthy relationships in both directions. Dishonesty takes you nowhere.”***

Ponsse's operations are based on honesty, ethics and high morals. Ponsse is reliable, as are its employees. Ponsse keeps its promises, and does not give any empty promises to its customers, stakeholders or colleagues. The customer is never left alone. All activities are characterised by openness.

### PONSSE SPIRIT

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

***“As we're all part of the same company, everyone can call me Einari.”***

During decades, Ponsse and its employees have built their own unique culture and spirit, following Einari's ideas. The Ponsse spirit signifies friendliness and fair play. Ponsse serves its customers reliably and works hard without being overly serious.

Every Ponsse employee is entrepreneurial and willing to succeed. Everyone assumes and bears responsibility for the success of the company. That is why Ponsse makes no compromises over achieving its goals.

### INNOVATION

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

***Einari's definition of the very first PONSSE harvester head in 1986:***

***“Let's make it ourselves!” It must grapple a tree like a bear, and the log must pass through with a good speed.”***

Ponsse is continuously improving its products, services and processes. There must be initiative and broad-mindedness in R&D. This secures the company's competitiveness.

# Review by the chairman of the board and the president and ceo

For Ponsse, the year 2015 was a wonderful continuation of the successful year we had in 2014. The company's specialisation in forest machines based on the cut-to-length method, its strong customer-orientation and the long-term development of the company are key elements in our successes. We strongly continued our internationalisation process, with the share exports from our turnover increasing to 77 per cent.

We were proficiently able to reach our objective of balancing our operations in terms of growth, profitability and cash flows. Our turnover increased by approximately 18 per cent, our operating profit exceeded 12 per cent and our business cash flow stood at EUR 44 million. We have continued to make significant investments. In 2015, we made historically high investments in R&D and fixed assets. Since 2010, we have invested roughly EUR 56 million in R&D and approximately EUR 87 million in fixed assets. Our investment intensity reflects our strong faith in the future and our firm development approach in order to lead our company forward.

Of our market areas, North America was particularly strong in 2015. The good and improving economic situation in the USA, together with the recovering dollar, had an impact on demand and the operations of our local subsidiary. Driven by the USA, the Canadian market also showed good growth. Despite the highly uncertain

situation in Russia, machine deliveries were carried out as planned. The European and Latin American markets were largely at a good level.

Ponsse's model series underwent significant upgrades in 2015. The serial production of PONSSE Scorpion and PONSSE Bear, the first harvester models of the new model series, started in 2014. The remaining products of the new model series entered into serial production in stages during 2015. We have developed machine ergonomics, serviceability and productivity and have upgraded the machine design. At the same time, we installed new engines of the EU Stage IV emissions level in accordance with new environmental regulations in forest machines delivered to Europe. The launch of the new products and their entry into serial production were complete successes. In addition, we were able to manufacture forest machines at full steam at our Vieremä factory, while volumes were constantly in controlled growth.



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

We are focusing and will continue to focus on the sale, maintenance, 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. Thank you all – together we have led Ponsse strongly forward.



*Juha Vidgrén*  
Chairman of the Board of Directors



*Juho Nummela*  
President and CEO

## Market review

The year 2014 was the best in Ponsse's history in many ways. Both our products and operations developed, which drove our exports to a record-high level. We launched the completely new PONSSE 2015 range, which bundled a significant number of responses to customer wishes concerning the usability and serviceability of machines.

Exports accounted for 77 percent of our net sales, which is strongly connected to the development of our retailer network and the strong commitment of our partners. Many of our subsidiaries and retailers invested in their operations in 2015, and the spirit of the network was very good.

The most significant positive market changes in 2015 were seen in our US and French subsidiaries, which celebrated their 20th anniversaries, as well as in Canada, Norway and Chile. The Canadian A.L.P.A. Equipment Ltd, which has been constantly developing its operations, was selected as the 2015 dealer of the year. In terms of volume, our machine sales developed the most in Chile, where FC Ventas, which started as our retailer in 2014, invested in a new service centre to support the larger machine base. Strong machine sales also continued in Russia in spite of uncertainty factors, and Germany, traditionally a strong market for us, was stable.

The Swedish forest machine market fell below the machine sales in Finland, and we did not achieve our objectives there. However, good customer feedback from our current product range supports our future expectations. The PONSSE range meets the local harvesting requirements very well in terms of the effectiveness, size categories and ergonomics of

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**Ponsse is the market leader in rubber-wheeled cut-to-length forest machines in the United States. The growth in machine sales was exceptionally strong in 2015, up 44% from the previous year. We now serve a machine base of over 1,000 units across the United States, and we continuously invest in service premises as well as expanding our personnel.**

***Pekka Ruuskanen***  
**CEO, Ponsse North America Inc, United States**

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# Market review

the machines. The operations of Ponsse AB expanded to also cover the Norrbotten region when we acquired our oldest retailer AN Maskinteknik AB.



The relatively good market situation kept harvesting volumes at the normal level throughout the year. Our customers are ambitious about developing their harvesting operations, and we are increasingly investing in training maintenance services together with our retailers.

*Jaakko Laurila, CEO / OOO Ponsse, Russia*



In 2015, the total cut-to-length forest machine market was approximately 3,500 machines. Finland was the largest market for rubber-wheeled forest machines for the first time ever. A total of 470 forest machines were sold in Finland, of which Ponsse accounted for 45 percent. The large machine base in Finland also means an extensive service network; we offer maintenance services in 24 locations.

The strong order books throughout the year are an excellent thing for the factory's employment situation and the development of the company, but the length

of delivery time was a challenge for us. To correct the situation, we revised our entire supply chain process and managed to make operations more efficient and invest in production. However, development work is always based on developing the product quality, not increasing the manufacturing volumes.

With high-quality harvesting solutions and services, we aim to make sure that forest machine entrepreneurs can focus on their own core business. It is important for an entrepreneur to keep the productivity of harvesting at a high level, be able to predict operating costs and receive support when needed. The need for services varies by customer as well as market, including not only maintenance services, but increasingly also training.



ALPA was founded 40 years ago by my father Armand Landry and we have been a Ponsse dealer since 2000. Our company's values are all about best service to our customer. We have a large parts inventory and parts service 24/7, many Ponsse technicians on the road and a training department with a simulator, operator trainer and Opti information system specialist supporting our customers.

*Serge Landry, A.L.P.A. Equipment Ltd, Canada*





We Ponsse employees and the entire company exist for our customers – our very existence is thanks to them. Every investment in the products, factory and other operations is intended to make us able to respond to customer needs everywhere we operate. Forest machines are perhaps the world's fastest-evolving machines, and fierce competition keeps machine manufacturers alert. This is also how it should be, as the operating conditions of our customers and requirements for harvesting are continuously changing. The ability to react quickly and knowing our customers' daily work are essential in developing forest machines and services. There is always room for us to develop in everything we do.

I would like to warmly thank you, our customers and partners, for putting your faith in us!



Jarmo Vidgrén  
Sales and Marketing Director



# Events during the past year

## JANUARY

- » Ponsse's 45th anniversary starts and the serial production of the PONSSE Model Series 2015 begins. New machine models are entered into serial production in phases throughout the year.
- » The expansion of 1,600 m<sup>2</sup> to Ponsse's Vieremä factory is completed at the beginning of the year. The new facilities are home to a boom and crane welding unit. Ponsse also upgrades its machining centre for booms and cranes.



- » 26 January The PONSSE forest machine number 10,000 is driven out of the Vieremä factory. The first PONSSE Paz was bought by machine entrepreneur Eero Vainikainen from Karttula in 1971. The PONSSE forest machine number 10,000 will also operate in the same region: the 10,000th PONSSE was delivered to Karttulan Metsätyö Oy.

## FEBRUARY

- » 4 February Juha Ingberg, Ponsse's director of technology and R&D, is selected the 2015 Technology Leader of the Year. The award of the Technology Academy Finland (TAF), Sitra and Spinverse Oy is given to an R&D leader who has had an impact on their company's technological capabilities and growth opportunities.



- » 20 February Ponsse opens a new service centre in Rovaniemi. In addition to its maintenance, spare parts and shop facilities, the 1,300 m<sup>2</sup> service centre offers training facilities for the personnel and customers.

## MARCH

- » The new 1,300 m<sup>2</sup> R&D facilities for prototype production and testing are completed. The investment allows Ponsse to rapidly enter new R&D solutions into practical testing, enabling it to obtain customer feedback at an early product development stage.
- » In the spring, three machining centre investments are completed at the factory. These investments serve to increase capacity and secure the needs of maintenance services for various parts. In 2015, a total of EUR 8.5 million are invested in the development of the factory.



## APRIL

- » 23 April Ponsse signs a retail agreement with Brazilian Timber Forest Equipamentos. The company sells and maintains PONSSE forest machines and equipment in the three southernmost states of Brazil: Parana, Santa Catarina and Rio Grande do Sul.



## MAY

- » 7 May The PONSSE Scorpion harvester is wins the highest Best of the Best award in the Red Dot design competition in the product design category for a high-quality product and innovative design.
- » 27 May The Einari Vidgrén Foundation, increasing appreciation for the work performed within the field of mechanised wood harvesting, issues recognitions to forestry professionals for the tenth time.
- » The seminar in Czech Republic is familiarizing Ponsse customers with the operations of Ponsse's Czech dealer Krenek Forest Service.



## JUNE

- » 4–5 June A forwarder cabin suspension system also for forwarders of the largest size category, PONSSE Elephant and ElephantKing, is presented at the SkogsElmia exhibition in Sweden.
- » 4 June A competition is organised for mechanics in Pitkäranta in Russia. The winner is, for the second year in a row, Syktyvkar-based mechanic Nikolay Terentev from Lespromservis, a dealer in the Komi and Kirov regions.
- » 4 June OOO Ponsse celebrates its 10th anniversary with its customers in Pitkäranta and presents the very first PONSSE Scorpion in Russia. Approximately 1,000 PONSSE forest machines operate in Russia.
- » 5 June The Iisalmi service centre celebrates its 20th anniversary at a market event.



# Events during the past year

## JULY

- » Ponsse expands its operations to the west coast of the USA as Ponsse North America Inc. opens a service centre in Eugene, Oregon.
- » 28 to 29 July Demo forest fair in Belgium.



## AUGUST

- » 7 August To celebrate the 45th anniversary, the factory hosts an open family event which has a record-breaking 2,000 visitors.
- » 8 August The anniversary year is crowned by a festival held for the personnel and customers at the home estate of the company's founder Einari Vidgrén in Vieremä. More than 2,000 Ponsse people take part in the festivities. Another cause for celebration is the retirement of machinist Matti Hiltunen, a true Ponsse veteran. As a reward for his 45-year career, Matti receives Rupeltaja, a Finnish stallion.
- » 31 August Dealer in the Norrbotten area of Sweden, AN Maskinteknik Ab, is transferred to the ownership of the Ponsse subsidiary Ponsse AB. Located in Haparanda, AN Maskinteknik AB started as Ponsse's first dealer in 1989.



## SEPTEMBER



- » The Scorpion Tour starts in Brazil.
- » 2 September German Wahlers Forsttechnik GmbH is selected as the 2014 dealer of the year. Established in 1935, the family-owned company has acted as a Ponsse dealer in Germany since 1993.
- » 11 September Ponsse North America Inc., Ponsse's subsidiary in the USA, celebrates its 20th anniversary during the Great Lakes Logging Expo.
- » The first PONSSE machine came to the United States in 1991 and was delivered to Earl St. John in Spalding, Michigan.
- » 22 September Our French subsidiary Ponsse SAS is celebrating its 20th Anniversary.



## OCTOBER

- » 15 October The first Ponsse Pestit (Ponsse Jobs) recruitment event is organised in Vieremä.



- » 31 October Hydromec Inc, a Ponsse dealer in Quebec Canada is celebrating its 40th Anniversary.



## NOVEMBER

- » 13 November Ponsse finishes second in the Luottamus&-Maine (Trust&Reputation) survey conducted by T-Media. Ponsse receives the highest score in administration, interaction and sustainability.



- » 17 November FC Ventas, a Ponsse dealer in Chile, opens a new service center.

- » 20 November Ponsse wins the international Swedish Steel Prize in Stockholm. The prize is awarded for the next generation's Scorpion harvester, which widely utilises the properties of high-strength steel.

- » 18 to 20 November Expocorma fair in Chile.

- » 24 November Ponsse comes in second place in the reputation survey of listed Finnish companies. The survey is conducted by Pohjoisranta Burson-Marsteller and Arvopaperi magazine.

- » PONSSE Model Series 2015 is launched in Uruguay.



## DECEMBER

- » 11 December The Tampere service centre celebrates its 20th anniversary.

- » By the end of the year, 154 ESW (Effective and Safe Workshop) audits have been carried out in the PONSSE service network since 2011.

- » 31 December Ponsse Group employs 1,373 people. During the year 2015 Ponsse team had 127 new employees all around the world.



# The world's most modern forest machine factory

The needs of customers steer Ponsse's functions, ranging from the very first contact to the delivery of a finished machine. Customer needs also define the basic principles of production. Ponsse manufactures individual customer-specific products at the efficiency of serial production.

Because of high variability of PONSSE forest machines, the product and production system must work seamlessly together. This means that production is continuously developed alongside products. In 2015, Ponsse invested EUR 24 million in fixed assets, mainly in the development of the factory. These investments will be continued, with development being heavily focused on the development of productivity and the quality production capacity throughout the manufacturing network.

One of the biggest changes in 2015 was the redefined organisational structure where the entire delivery chain was merged into a single system, ranging from the receipt of customer orders to production and machine deliveries. This brought along a distinct change in operating meth-

ods and improved the efficiency of the delivery chain. The objective of this change simply was to increase the capacity to respond to customer needs. The delivery chain is working seamlessly together, and product quality is being monitored without interruption from one production phase to the next. At the same time, we are preparing for an increase in manufacturing volumes in the long term. In 2015, the Vieremä factory manufactured more machines than ever before.

## EXPERTISE IN OUR OWN HANDS

Ponsse's production principle is to largely keep technology and expertise in its own hands. All PONSSE forest machines are manufactured in Vieremä, while control



systems designed by Ponsse are made in our subsidiary at Epec in Seinäjoki.

In addition to its expertise and capacity, Ponsse utilises the services of the companies selected in its supplier network. Of all components acquired through subcontracting, approximately 90% are purchased from Finland and 10% from Germany. One fifth of all components acquired through subcontracting are produced at a radius of 20 km from the factory, mainly in the partnership business park located close to the factory.

The opportunities offered by the production system and supplier network for the development of manufacturability are already taken into account in the product design phase. As R&D is located under the same roof as production and the supplier network is mainly located nearby, communication and cooperation can be carried out at a highly concrete level.

### PONSSE'S PRODUCTION SYSTEM

Ponsse Production System (PPS) refers to Ponsse's production system and principles, ranging from the receipt of orders to the delivery of individual products manufactured according to customer requirements. Customer needs, products and the expertise required are the key. The system is based on the Lean concept which has been supplemented by ideas characteristic to Ponsse's operations concerning the high variability of products according to the needs of each customer. The overall process, ranging from an order to the delivery, produces as little waste as possible, and every phase must produce added value for customers. Otherwise, the process is unnecessary.

Ponsse's concept of quality covers both product quality and operational quality. Because the objective is to have flawless products and operations, quality thinking can be summarised by the following idea:

Ponsse only want to do the right things, and it does them right in one go. The aim is to use the best possible methods in all operations, guaranteeing that the quality criteria set are fulfilled. High-quality processes produce high-quality products.

Every Ponsse employee bears responsibility for the quality of PONSSE forest machines, and the input of every employee is equally important. Every employee is responsible for ensuring that each product is passed over to the next phase following the highest level of quality.

The safety of employ-

*Ponsse aims to do the right things for the needs of its customers, and to do these exactly right.*

ees, the working environment and the factory hold the highest priority for Ponsse. Clean workstations that clearly and purposefully support the progress of work are also usually safe. Ponsse aims to actively digitise and computerise its data acquisition processes, while the visual aspects of operational facilities have been developed, particularly in production. The purpose is that, at a single glance, employees are able to catch an understanding of the state of their workstation and, in particular, identify any deviations from the planned state.

Ponsse's production aims to be also balanced, allowing for a high and even use of resources at each workstation. As a result, any deviations from the planned duration of each phase can be identified immediately and any problems can be resolved without any delay. Balanced production enables a changing production speed in production control. On the basis of the production speed, the aim is to distribute workloads and available resources as evenly as possible. After all, Ponsse's production system is largely based on synchronised process lines.

### CONTINUOUS IMPROVEMENT AND DEVELOPMENT AS AN APPROACH

Any deviations and disturbances in operations comprise parts of production activities, but Ponsse always sees them as opportunities to do things differently and better than before. That is why it is essential that they are identified immediately. Every development suggestion put into practice develops productivity in a positive way.

In addition to reacting to deviations, continuous improvement is part of everyday life at Ponsse. Continuous improvement is a preventive activity which improves the level reliability of performance, even if there is no compelling need for development.

Skilled employees who are constantly developing their competence are the best experts of their processes and methods. Therefore, the continuous development of activities is the responsibility of everyone. When the operating environment is a challenging one, it is important that the skills and abilities of employees are up to date. At Ponsse, having "the right person in the right place" means that employees have the motivation and ability to perform their tasks and take part in development work. The personal responsibility of every employee is a precondition of shared success.







# Customer feedback guides product development

Ponsse's mission is to improve to its customers' operations with productive and reliable PONSSE forest machines and services. New products and product upgrades are designed, without exception, on the basis of customer requests. In an industry with rapid cycles, it is important to constantly monitor what needs the industry places for forest machines and machine entrepreneurs. Since 2010, Ponsse has invested roughly EUR 56 million in R&D.

In order for Ponsse and its employees to be able to keep their customer promise, the development of products and services is guided by the principle of continuous improvement, and hard work is constantly being done for new product solutions. Every year, approximately one thousand changes are made to the model series following the principle of continuous improvement. Machine development does not stop after product launches - it is a continuous and active process. As the objective is to build the world's best forest machines, it is necessary that customer expectations are always fulfilled or even exceeded.

## **AN EXTENSIVE MODEL SERIES FOR PROFESSIONAL HARVESTING**

PONSSE forest machines are based on environmentally friendly cut-to-length (CTL) logging, where the tree is felled, de-limbed and cut into various log assortments before it leaves the forest. The company's product range covers all size categories of forest machines, from first thinning and the harvesting of forest energy to heavy-duty regeneration felling, as well as all logging sites, from soft soil to steep slopes. The product range includes harvesters, harvester heads and cranes, forwarders, loaders and harvesting-related information technology. The largest PONSSE harvester head models are also sold for excavator-based forest machines. All PONSSE forest machines are manufactured and designed at Ponsse in Vieremä.

The extensive model series serves the objective, ac-

ording to which a sufficient number of product options are offered to customers for professional harvesting. The principle of professional harvesting largely defines the size categories of machines and the requirements set for them regarding productivity and durability.

*In order for Ponsse and its employees to be able to keep their customer promise, the development of products and services is guided by the principle of continuous improvement, and continuous development work is being carried out on new product solutions.*

All PONSSE forest machines are tested and test driven before delivery in order to assure their high quality. Harvesters are test driven in a forest in real harvesting conditions, producing realistic testing results. Roughly half of all forwarders are test driven in a forest, while the other half is tested on the test track located in connection with the factory. Detailed test drive reports are prepared, including any deviations identified or the approval of all tested and test driven properties. Every machine delivered to the customer is a finished, high-quality product that is 100% ready, because every customer is equally important.

## **FOCUS ON THE OPERATOR IN THE NEW MODEL SERIES**

In recent years, the increased emphasis on machine ergonomics and the ease of use has been one of the most



important changes in the development of harvesting technology. Both of these have a high impact on productivity, as the operator is fully able to concentrate on work.

Ergonomics and the ease of use have also been starting points for Ponsse's new model series. Ponsse's product range was fully upgraded in 2015. Products from the new model series were entered into serial production in stages, which meant that a new machine model entered into production every month throughout the year. During the full-scale model series upgrade, all PONSSE machine models were upgraded and the durability, serviceability and ergonomics of every product were developed significantly. In addition, the new PONSSE ActiveFrame system, which dampens any sideways movement affecting the operator, was an important step forward in terms of the working comfort of forwarder operators.

In the new model series, major improvements have been made in the usability and productivity of the machines. At the same time, new engines of the EU Stage IV emissions level in accordance with new environmental regulations were installed in forest machines delivered to Europe. Mercedes-Benz engines produce low emissions

thanks to the SCR exhaust gas after-treatment system and the CEGR-cooled exhaust gas recirculation system. Benefits of the new technology include, along with a cleaner environment, a better machine response to sudden needs of power and lower fuel consumption. In addition, special attention has been paid to the working comfort of the operator in the design of cabin structures. The completely upgraded cabin offers plenty of storage space, the most ergonomic controls available in the market and the excellent visibility characteristic of all PONSSE forest machines.

In the new model series, service points are easily accessible. Only products of the highest quality have been selected as components, and the filtration of hydraulic oils has been developed, allowing for a significant increase in machine maintenance intervals. The scheduled maintenance intervals of machines were extended from 600/1,200 hours to 900/1,800 hours. Over a review period of 10,000 operating hours, the number of scheduled maintenance visits will be reduced by 30%. The extended scheduled maintenance intervals, together with improved serviceability, signify more productive working hours and lower maintenance costs.



### LONG-TERM PRODUCT DEVELOPMENT PROCESS

The purpose of Ponsse's R&D is to develop innovative harvesting solutions following the principle of sustainable development for the success of Ponsse and its customers. Even though the rate of product development is fast, everything is based on work where long-term investments and customer cooperation pay off.

In addition, the design of Ponsse's products is always based on the safety of products and their safe use, as well as life cycle costs arising from the use of products. Adherence to the principle of sustainable development can be seen in products, for example, in terms of new engine technologies, fuel economy, the recyclability of selected materials, remanufactured components and upgraded trade-in machines.

Ponsse aims to keep its key competence in its own hands by supporting expertise with carefully selected partners when necessary. Ponsse's key competence guarantees sufficient reaction rates and straightforward operations, allowing it to respond to needs arising in the field. The extensive service network continuously collects product feedback from the harvesting markets of 40 different countries.

As the internationalisation rate of operations increases, product testing is also being performed at the product final operating sites. In product testing, the high-quality design result is always verified using prototypes. In addition to testing performed by Ponsse, customers always test prototypes in the field in order to verify the performance, reliability and serviceability of machines. This also ensures that each product corresponds with the requirement specifications set for them.

Only after development proposals and testing results have been obtained from the customer is the final productisation decision made, are the required changes in designs prepared and is the manufacture of the o-series started. Serial production is started after the product has been developed further on the basis of the functionality and manufacturability feedback obtained on the o-series.

The aim is to achieve a competitive edge in terms of products through the high availability and productive use of products. Information systems that support the operations of customers and the use of products also grow in significance, offering operational and use-related support.



# Services close to the customer

The significance of maintenance services in Ponsse's business operations has continuously increased as its machine base has grown in different market areas. At the same time, we are developing our service range according to customer and market-specific special requirements and needs.



During the past five years, the turnover of maintenance operations has increased significantly in all market areas. Of the 11,000 PONSSE machines manufactured, approximately 9,500 are working in industrial harvesting markets in different parts of the world. Even though most machines are still located in Europe, machine volumes are increasing heavily in North America and Russia, in particular.

We are continuously developing our products and services according to the wishes and needs of our customers. Cooperation with our customers, together with changes in their operating environments, guides further development both in product technology and services.

## CUSTOMER FEEDBACK DEFINES HOW SERVICES ARE DEVELOPED

Maintenance operations are always aiming towards more effective preventive maintenance. The objective is that defects are always recognised before they manifest. By anticipating future maintenance activities, it is possible to minimise the time when machines are not performing productive work. Planned and preventive maintenance guarantee safe operating hours for machine users. Machines need to operate effectively and reliably throughout their life cycle.

The life cycle thinking of PONSSE maintenance ser-

vices is strongly associated with our way of working close to the customer. This means that we support the business operations of our customers throughout the life cycle of their PONSSE machines. The expertise of maintenance services and the availability of spare parts cover both the newest product solutions and older machine models. Older machines can offer important support for entrepreneurs during busy seasons, or at the very first logging sites of new companies. In addition to maintenance and spare part services, we offer upgrade solutions (PONSSE Performance Packages) for older machine models to improve their performance.

Remote management offers good opportunities for improving machine usability. In terms of maintenance, remote management means that, upon separate agreement, PONSSE maintenance is able to establish a remote connection to a machine and diagnose a fault or estimate maintenance needs. It is also possible to repair specific faults via a remote connection. Such a service is transparent and effective.

#### A SIGNIFICANT LEAP FORWARD IN TERMS OF SERVICEABILITY

In 2015, the complete upgrade of the PONSSE model series set a positive challenge for Ponsse's maintenance services. Entered in serial production last year, this is the first complete PONSSE model series in which maintenance services have taken part in the development of the series in all phases of design and testing. The ease of serviceability was one of the key starting points of the design process.

Furthermore, the product range of Ponsse's maintenance services is continuously being expanded. New spare part products, forest machine accessories and services are developed on the basis of valuable customer feedback. The guiding principle is that products are carefully selected and meet high quality requirements. Examples of the exhaus-

tive range designed for professionals include grapples, wheel chains, saw bars, saw chains and oils.

#### TRAINING

During the year 2015 the entire service network were trained in the technical properties of the new model series. Training comprises a significant part of the development of the expertise of the entire PONSSE service network. We have made significant investments in training facilities, teaching and visual material, competence and resources. The significance of international maintenance and spare part training increases year by year, while the share of exports from the turnover is increasing.

Services must always be at the same level, regardless of the location of the logging sites of customers.

#### THE NUMBER OF MAINTENANCE AGREEMENTS INCREASING

The number of maintenance agreements is increasing as service products and services associated with remote maintenance are developing. Changes in the industry also act as a strong driving force. Harvesting entrepreneurs are increasingly shifting their operations towards productive harvesting and are outsourcing maintenance activities to Ponsse. Through fixed-price agreements, entrepreneurs are able to keep their machine operating costs comprehensively under control. Machines maintained regularly by professionals using only high-quality and original parts, lubricants and filters remain in good operating condition and retain their value.

Our most extensive maintenance service product is the fully customised PONSSE Full Service, in which the customer outsources the maintenance operations for its entire machine base and even the training of operators to Ponsse. Full Service products are used, for example, in South America and Russia.

### CASE: MONTES DEL PLATA, URUGUAY



The Montes del Plata pulp mill in Conchillas, southern Uruguay, is the largest investment in the country's history. 50% of the company is owned by the Chilean company Arauco and 50% by Stora Enso. The mill is dimensioned to produce 1.45 million tonnes of eucalyptus pulp per year.

Montes del Plata chose the cut-to-length method as its harvesting method in 2011, and Ponsse began training Montes del Plata's and its subcon-

tractors' drivers. To date, Ponsse has trained 150 drivers and 25 technicians for the project. Machine deliveries began in 2013. Montes del Plata's machines have comprehensive Full Service agreements, covering continuous maintenance and follow-up of the machines. The machine base is currently served 24/7 by ab. 30 maintenance professionals with service vehicles. Ponsse Uruguay's Full Service has received full five stars in ESW quality audits.



## Board of Directors, 31 December 2015

The Board was selected by the Annual General Meeting on 14 April 2015.

### **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 ten times. The Board members actively participated in the meetings – the attendance rate was 95,7 %.

↑ *Photo (from left) Ilkka Kylävainio, Mammu Kaario, Juha Vidgrén, Jukka Vidgrén, Heikki Hortling, Ossi Saksman and Janne Vidgrén.*

## CHAIRMAN OF THE BOARD

### JUHA VIDGRÉN, B. 1970

Master of Pedagogy  
Ponsse Plc, Board Member since 2000  
Shareholding in Ponsse Plc on 31 December 2015:  
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 Filmitoimittajien (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

## BOARD MEMBERS

### MAMMU KAARIO, B. 1963

Managing Director of Partnera Oy  
Master of Law, MBA  
Ponsse Plc, Board Member since 2010  
Shareholding in Ponsse Plc on 31 December 2015: 4,500 shares  
Independent of the company and major shareholders

#### Work experience

Korona Invest Oy 2011–2016  
Unicus Oy, Partner 2006–2011  
Conventum Corporate Finance Oy, Director 1998–2005  
Prospectus Oy, Director 1994–1998  
Kansallis-Osake-Pankki, Specialist 1988–1994

#### Other key positions of trust

Aspo Oyj, Board Member  
Makai Holding 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 2015: 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 2015: 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  
Technopolis Kuopio Oy, 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 2015: 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 2015: 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 Filmitoimittajien SF, Board Member

# Management team 31 December 2015



**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 2015:** 33,259 shares



**JUHA INBERG, B. 1973**

Dr. Tech. · Director, Technology and R&D · Member of the Management Team since 1 January 2009 · Joined Ponsse in 2003

**Previous main positions:** Ponsse Plc, R&D Engineer 2003–2006, Engineering Manager 2006–2008

**Shareholding in Ponsse Plc on 31 December 2015:** 9,540 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 2015:** 3,684,263 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 2015:** 1,200 shares



**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

**Shareholding in Ponsse Plc on 31 December 2015:** 5,980 shares



**PAULA OKSMÄ, B. 1959**

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

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

**Shareholding in Ponsse Plc on 31 December 2015:** 3,960 shares



**TOMMI VÄÄNÄNEN, B. 1973**

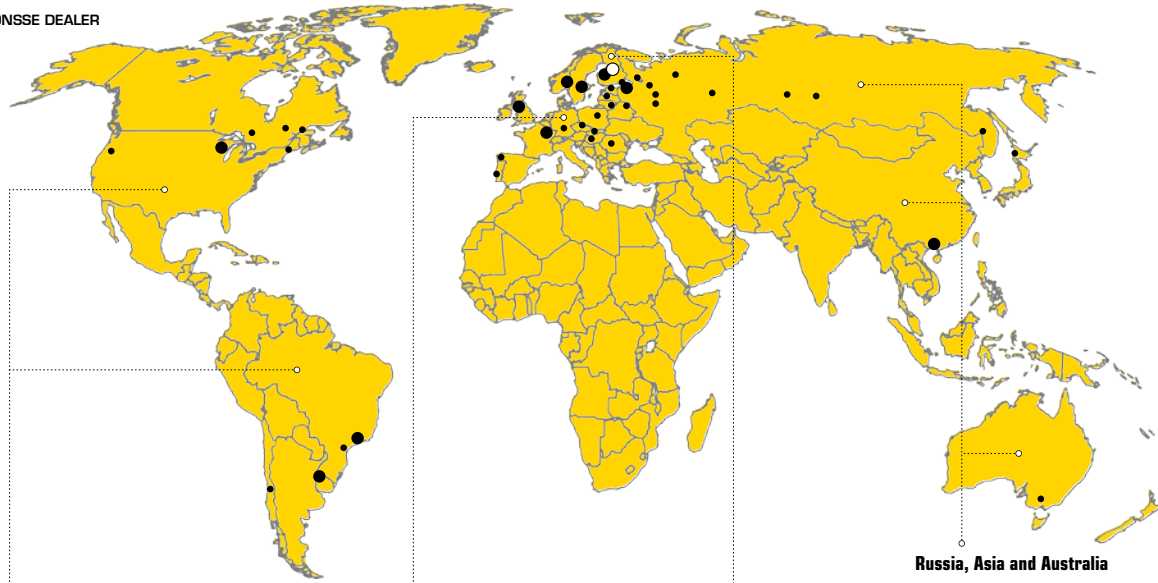
B. Eng. · Purchasing Director since 1 October 2013, Director, supply chain since 1 November 2015 · Member of the Management Team since 1 October 2013 · Joined Ponsse in 2013

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

**Shareholding in Ponsse Plc on 31 December 2015:** 4,340 shares



- PONSSE PLC
- PONSSE SUBSIDIARY
- PONSSE DEALER



#### 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  
 HYDROMEC INC. CANADA  
 READYQUIP SALES AND SERVICE LTD. CANADA  
 FC-VENTAS Y SERVICIOS LTDA CHILE  
 TIMBER FOREST BRAZIL

#### Central and Southern Europe

PONSSE S.A.S. FRANCE  
 PONSSE UK LTD. UNITED KINGDOM  
 ASCENDUM MAGUINÁS PORTUGAL  
 FOREST POWER KFT. HUNGARY  
 KRENEK FOREST SERVICE S.R.O. CZECH REPUBLIC  
 PML POLAND POLAND  
 HNOS. TOIMIL GARCÍA, 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  
 KONEKESKO EESTI AS. ESTONIA  
 SIA KONEKESKO LATVIJA LATVIA  
 UAB KONEKESKO LIETUVA LITHUANIA

#### Russia, Asia and Australia

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

# Area directors and subsidiary managing directors 31.12.2015

#### JARMO VIDGRÉN, B. 1975

Sales and Marketing Director,  
 Deputy to the CEO  
 Joined Ponsse in 1997

#### JAAKKO LAURILA, B. 1970

Area Director, Russia and Belarus,  
 Managing Director, OOO Ponsse  
 Joined Ponsse in 2002

#### PEKKA RUUSKANEN, B. 1968

Managing Director, Ponsse  
 North America Inc.  
 Joined Ponsse in 1998

#### GARY GLENDINNING, B. 1970

Managing Director, Ponsse UK Ltd.  
 Joined Ponsse in 1997

#### JOUNI MATIKAINEN, B. 1967

Managing Director, Epec Oy  
 Joined Epec in 2005

#### NORBERT SCHALKX, B. 1969

Area Director, Asia Pacific and Africa  
 Joined Ponsse in 2008

#### CARL-HENRIK HAMMAR, B. 1974

Managing Director, Ponsse AB  
 Joined Ponsse in 1 July 2015

#### MARKO MATTILA, B. 1973

Area Director, Baltic countries,  
 Chile and North American Dealers  
 Joined Ponsse in 2007

#### SIGURD SKOTTE, B. 1962

Managing Director, Ponsse AS  
 Joined Ponsse in 2011

#### JUSSI HENTUNEN, B. 1983

Area Director (Spain, Portugal, Italy),  
 Product Manager, used machines  
 Joined Ponsse in 2006

#### CLÉMENT PUYBARET, B. 1980

Managing Director, Ponsse S.A.S  
 Joined Ponsse in 2006

#### MARTIN TOLEDO, B. 1971

Country Manager, Ponsse Uruguay Ltd.  
 Joined Ponsse in 2005

#### RISTO KÄÄRIÄINEN, B. 1971

Managing Director, Ponsse China  
 (Beihai Ponsse Trading Co. Ltd)  
 Joined Ponsse in 2007

#### TEEMU RAITIS, B. 1977

Managing Director, Ponsse  
 Latin America Ltd.  
 Joined Ponsse in 2012

#### 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

## CORPORATE GOVERNANCE STATEMENT

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 Code is publicly available on the website of the Securities Market Association, ([www.cgfinland.fi](http://www.cgfinland.fi)), for example. The company's annual report refers to this statement.

## GROUP STRUCTURE AND MAIN FIELD OF BUSINESS

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

The Ponsse Group includes the parent company Ponsse Plc, as well as the following wholly-owned subsidiaries: Ponsse AB, Sweden; Ponsse AS, Norway; Ponsse S.A.S., France; Ponsse UK Ltd., the United Kingdom; Ponsse North America Inc., the United States; Ponsse Latin America Ltda, Brazil; OOO Ponsse, Russia; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China; Ponsse Uruguay S.A., Uruguay; and Epec Oy in Seinäjoki, Finland. As of the 2014 financial period, the Group includes the property company OOO Ocean Safety Center in Russia. 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.

## 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. In 2015, there were 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 aforementioned 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.

## MEMBERS OF THE BOARD OF DIRECTORS: :

### Juha Vidgrén, born 1970

- Master of Pedagogy
- Chairman of the Ponsse Plc Board

### Heikki Hortling, born 1951

- M. Sc. (Econ.)
- Vice Chairman of Ponsse Plc
- Chairman of Olvi Plc's Board of Directors

### Mammu Kaario, born 1963

- Master of Law, MBA
- Managing Director of Partnera Oy

### Ilkka Kylävainio, born 1946

- Wood industry technician
- Managing Director and chairman of the Board of Keitele Forest Oy

### Ossi Saksman, born 1951

- Administrative Notary
- Chairman of the Board of Cooperative Osuuskuunta KPY

### Janne Vidgrén, s 1968

- Commercial College Graduate
- Area Director of Ponsse Plc

### Jukka Vidgrén, born 1983

- Bachelor of Culture and Arts
- Managing Director of Mutant Koala Pictures

On 14 April 2015, the AGM confirmed the annual remuneration payable to the Chairman of the Board as EUR 46,000, the remuneration payable to the Deputy Chairman as EUR 41,000 and the remuneration payable to other members as EUR 35,000. No remuneration is paid to members in the employment of the Company, with the exception of the Chairman of the Board. In 2015, the Board held ten meetings. The average attendance rate of Board members was 95.7 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

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), Doctor of Technology, has acted as President and CEO since 1 June 2008. In 2015, the President and CEO was paid salary and other benefits totaling EUR 328 227,56. He was paid a performance and profit bonus of EUR 173 755,19. 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.

#### RISK MANAGEMENT AND INTERNAL AUDITING

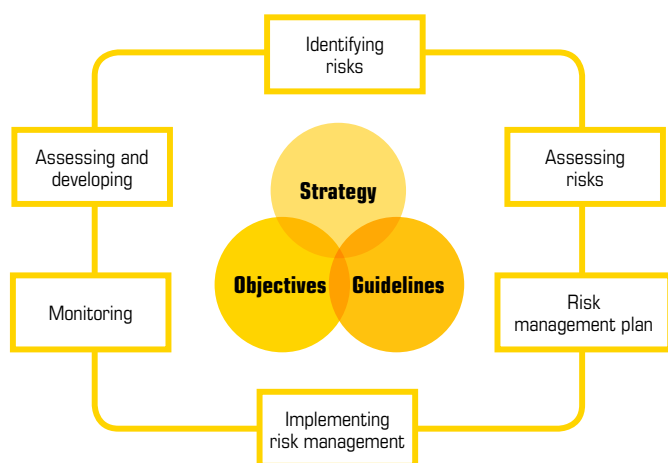
##### RISK MANAGEMENT

The Company's 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.

#### RISK MANAGEMENT PROCESS



# Ponsse Plc's corporate governance code

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

## RISK MANAGEMENT PROCESS

The Company's risk management policy seeks to maintain and further develop a practical and comprehensive system for the management and reporting of risks. The risk management process includes systematic surveying of function and unit-specific risks, their assessment and comparing the risks with the Company risk management plan. Risk management is systematically implemented and monitored as part of the daily business. The Company aims to promote 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 be clearly detrimental to the preconditions for the Company's business.

### Market and business environment

Global and regional economic fluctuations affect the demand for the Company's products and 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 that they 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.

### Products 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 coop-

## RISK MAP



erate 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 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 recruitment 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 to monitor the supplier network and optimise batch sizes.

**Production and processes**

The Company’s business requires comprehensive process management. What is important for a cost-efficient business is maintaining and improving processes. The Company’s

**RISK MANAGEMENT ORGANISATION AND RESPONSIBILITIES**

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

# Ponsse Plc's corporate governance code

quality management system is continuously developed in order to maintain the functionality of its processes. 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.

## *RISKS 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 on 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.

## **RISK MANAGEMENT ORGANISATION AND RESPONSIBILITIES**

### *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.

The Company does not have a special internal audit organisation. Instead, internal auditing is integrated as part of 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.

# Information for shareholders

Ponsse Plc's Annual General Meeting for 2016 will be held on Tuesday 12 April 2016 at the company's registered office at Ponssentie 22, FI-74200 Vieremä, Finland, commencing at 11:00 a.m. Finnish time.

## ELIGIBILITY TO ATTEND

To be eligible to attend the AGM, shareholders must be registered by 31 March 2015 in the company's share register maintained by Euroclear Finland Oy. Shareholders who hold shares under their own names are automatically registered in the company's share register. A shareholder with nominee registration can be temporarily added to the company's share register. This must be done by 10 a.m. Finnish time on 7 April 2016 for the purpose of attending the AGM. Holders of nominee-registered shares are advised to acquire instructions from their administrator regarding registration in the share register, the issuance of powers of attorney and registration for the AGM in good time.

## REGISTRATION

Shareholders wishing to attend the AGM should notify the company of their intention to do so by 4 p.m. Finnish time on Thursday 7 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 +358 20 768 8690, or by contacting the company online at [www.ponsse.com/yhtiokokous](http://www.ponsse.com/yhtiokokous). Written notifications must arrive before the above-mentioned deadline. Please submit any powers of attorney accompanying the advance registration.

## DIVIDEND

Ponsse Plc's Board of Directors will propose to the AGM that a dividend of EUR 0.55 per share be paid for 2015. The dividend shall be paid to all shareholders who are listed in the share register maintained by Euroclear Finland Oy as a company shareholder on the record date, 14 April 2016. The dividend shall be paid on 21 April 2016.

## SHARE REGISTER

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

## FINANCIAL REPORTS IN 2016

In addition to the financial statements and the Annual Report for 2015, Ponsse Plc will issue three interim reports. Interim reports for the financial period 2016 will be published as follows:

January–March	19 April 2016
January–June	9 August 2016
January–September	18 October 2016

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

## ORDERING FINANCIAL PUBLICATIONS

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

### Ponsse Plc

Ponssentie 22

FI-74200 Vieremä, Finland

Tel. +358 (0)20 768 800

Fax +358 (0)20 768 8690

E-mail: [corporate.communications@ponsse.com](mailto:corporate.communications@ponsse.com)

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

## INVESTOR RELATIONS

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

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

### Juho Nummela

President and CEO

Tel. +358 (0)20 768 8914

Fax +358 (0)20 768 8690

E-mail: [juho.nummela@ponsse.com](mailto:juho.nummela@ponsse.com)

### Petri Härkönen

CFO

Tel. +358 (0)20 768 8608

Fax +358 (0)20 768 8690

E-mail: [petri.harkonen@ponsse.com](mailto:petri.harkonen@ponsse.com)

## INVESTMENT ANALYSES

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

### Evli Bank Plc

Inderes Oy

Nordea Bank Finland Plc

Pohjola Bank Plc



PONSSE

GAZELLE

20m



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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 2015

## General

Ponsse Group recorded net sales amounting to EUR 461.9 million (in 2014, EUR 390.8 million) and an operating result of EUR 56.0 (41.7) million for the period. Result before taxes was EUR 50.4 (38.0) million. Earnings per share were EUR 1.48 (EUR 1.07).

## Net sales

Consolidated net sales for the period under review amounted to EUR 461.9 (390.8) million, which was 18.2 per cent more than in the comparison period. International business operations accounted for 76.9 (74.5) per cent of net sales.

Net sales were regionally distributed as follows: Northern Europe 37.3 (41.2) per cent, Central and Southern Europe 18.6 (20.2) per cent, Russia and Asia 12.3 (16.4) per cent, North and South America 31.5 (22.1) per cent and other countries 0.4 (0.1) per cent.

## Profit performance

The operating result amounted to EUR 56.0 (41.7) million. The operating result equalled 12.1 (10.7) per cent of net sales for the period under review. Consolidated return on capital employed (ROCE) stood at 32.8 (30.1) per cent.

Staff costs for the period totalled EUR 67.6 (58.6) million. Other operating expenses stood at EUR 40.3 (35.9) million. The net total of financial income and expenses amounted to EUR -5.6 (-3.7) million. Exchange rate gains and losses with a net effect of EUR -4.0 (-1.9) million were recognised under financial items for the period. Result for the period under review totalled EUR 41.3 (29.8) million. Diluted and undiluted earnings per share (EPS) came to EUR 1.48 (1.07).

## 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 267.7 (205.8) million. Inventories stood at EUR 104.6 (92.7) million. Trade receivables totalled EUR 40.2 (25.2) million, while liquid assets stood at EUR 26.5 (12.7) million. Group shareholders' equity stood at EUR 117.9 (86.0) million and parent company shareholders' equity (FAS) at EUR 113.6 (104.2) million. The amount of interest-bearing liabilities was EUR 62.4 (51.7) million. The company has used 17 per cent of its credit facility limit. The parent company's net receivables from other Group companies stood at EUR 60.9 (73.2) million. The parent company's receivables from subsidiaries mainly consisted of trade receivables. Consolidated net liabilities totalled EUR 35.9 (39.0) million, and the debt-equity ratio (net gearing) was 30.5 (45.3) per cent. The equity ratio stood at 44.8 (42.0) percent at the end of the period under review.

Cash flow from operating activities amounted to EUR 44.0 (37.5) million. Cash flow from investment activities came to EUR -24.2 (-19.0) million.

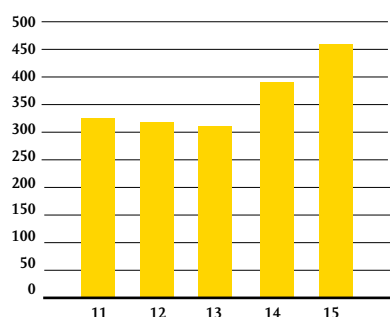
## Order intake and order books

Order intake for the period totalled EUR 469.4 (451.7) million, while period-end order books were valued at EUR 158.1 (158.4) million.

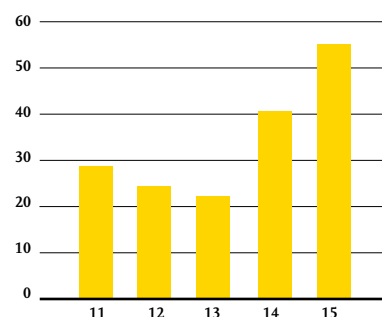
## Distribution network

The subsidiaries included in the Ponsse Group are Ponsse AB, Sweden; Ponsse AS, Norway; Ponsse S.A.S., France; Ponsse UK Ltd, the United Kingdom; Ponsse North

Net sales, meur



Operating result, meur



America, Inc., the United States; Ponsse Latin America Ltda, Brazil; Ponsse Uruguay S.A., Uruguay; OOO Ponsse, Russia; Ponsse Asia-Pacific Ltd, Hong Kong; Ponsse China Ltd, China and Epec Oy, Finland. The Group includes also the property company OOO Ocean Safety Center, Russia. Sunit Oy, Finland, is an associate in which Ponsse Plc has a holding of 34 per cent.

No changes took place in the Group structure except for the merger of the joint real estate company Kiinteistö Oy Kaupinkuja 3 into the parent company on 30 June 2015. In addition, the business operations of Ponsse's retailer AN Maskinteknik Ab in the Norrbotten region in Northern Sweden were transferred to Ponsse's subsidiary Ponsse AB on 31 August 2015.

### Capital expenditure and r&d

During the period under review, the Group's R&D expenses totalled EUR 12.2 (10.3) million, of which EUR 3.9 (3.1) million was capitalised.

Capital expenditure totalled EUR 24.4 (19.2) 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

The Annual General Meeting was held in Vieremä, Finland 14 April 2015. 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 2014 financial period.

The AGM decided to pay a dividend of EUR 0.45 per share for 2014 (dividends totaling EUR 12,585,109). No

dividend will be paid to shares owned by the company itself (33,092 shares). The dividend payment record date was 16 April 2015, and the dividends were paid on 23 April 2015.

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

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

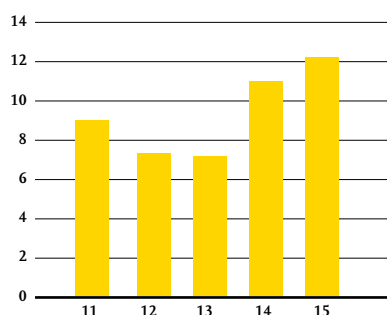
The Board may, pursuant to the authorisation, only decide upon the acquisition of the treasury shares using the company's unrestricted shareholders' equity.

The authorisation is 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, used for increasing shareholders' ownership value by invalidating shares after their acquisition or used in personnel incentive systems. The authorisation includes the right of the Board to decide upon all other terms and conditions of the share issue.

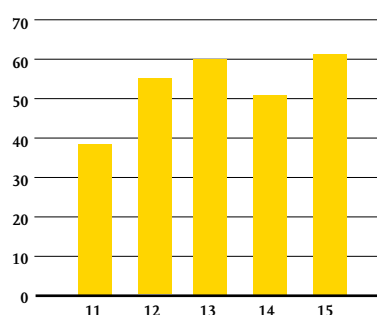
The authorisation is proposed to be valid until the next Annual General Meeting; however, no later than 30 June 2016. The previous authorisations are cancelled.

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 250,000 shares will be issued on the basis of the authorisa-

Operating result, % of net sales



Interest-bearing liabilities, meur



tion. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes.

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

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

The authorisation is valid until the next AGM; however, no later than 30 June 2016. 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 ten times during the period under review. The attendance rate was 95.7 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 (until 17 August 2015); Petri Härkönen, CFO; Juha Inberg, Technology and R&D Director; Tapio Mertanen, Service Director; Paula Oksman, HR Director; Tommi Väänänen, Purchasing Director (until 1 November 2015) and Director of Delivery Chain Process (starting from 1 November 2015) 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), Carl-Henrik Hammar (Sweden, Denmark), Marko Mattila (the Baltic countries) and Sigurd Skotte (Norway),

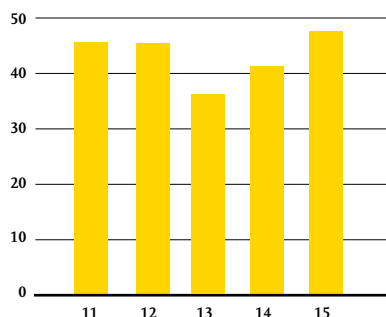
Central and Southern Europe: Janne Vidgrén (Austria, Poland, Romania, Germany, the Czech Republic and Hungary), Clément Puybaret (France), Jussi Hentunen (Spain, Italy and Portugal) and Gary Glendinning (the United Kingdom)

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

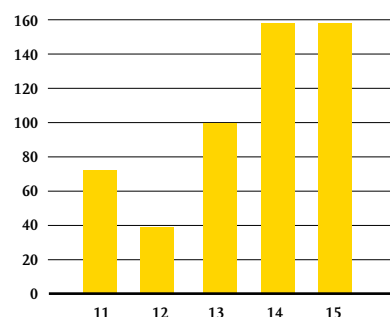
North and South America: Pekka Ruuskanen (the United States), Marko Mattila (North American dealers and Chile), Teemu Raitis (Brazil) and Martin Toledo (Uruguay).

Carl-Henrik Hammar has been appointed Managing Director of Ponsse Plc's Swedish subsidiary, Ponsse AB, as of 1 July 2015.

Equity ratio, %



Order books, meur



### Personnel

The Group had an average staff of 1,329 (1,200) during the period and employed 1,373 (1,246) people at period-end.

### Share issue related to the incentive plan for key employees

In order to implement the key employee Matching Share Plan 2015, the Board of Directors of Ponsse Plc decided on two share issues directed to the key employees belonging to target group of the plan. The Company has announced a release on the Matching Share Plan and the related share issues on 17 February 2015.

A maximum total of 106,450 shares held by the Company were offered in the share issue against payment, for subscription to the key employees belonging to the target group of the Matching Share Plan 2015. The share subscription price for the shares was EUR 12.12 per share, and the shares had to be paid upon subscription. The share subscription period of the shares ended on 18 March 2015. The Board of Directors of the Company approved the subscriptions of a total of 92,310 shares in the share issue, corresponding to a total of 1,118,797.20 euros.

A total of 87,498 shares held by the Company were given to the Group key employees belonging to the target group of the Matching Share Plan 2015 in the share issue without payment. According to the terms and conditions of the Matching Share Plan, the key employees may not transfer the shares received as reward before 31 March 2018.

The Company transferred a total of 179,808 shares held by the Company on the basis of the share issues on 31 March 2015. The Company holds 33,092 shares after the share transfer.

### 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 9,206 shareholders. The trading volume of Ponsse Plc shares for 1 January – 31 December 2015 totalled 4,190,494, accounting for 15.0 per cent of the total number of shares. Share turnover amounted to EUR 64.0 million, with the period's lowest and highest share prices amounting to EUR 11.66 and EUR 19.77, respectively.

At the end of the period, shares closed at EUR 18.36, and market capitalisation totalled EUR 514.1 million.

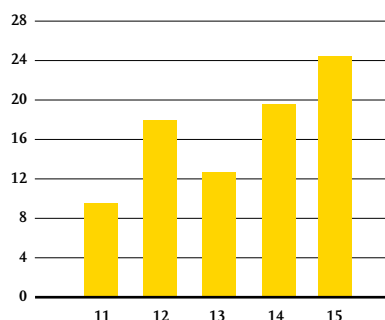
At the end of the period under review, the company held 33,092 treasury shares.

### Quality and environment

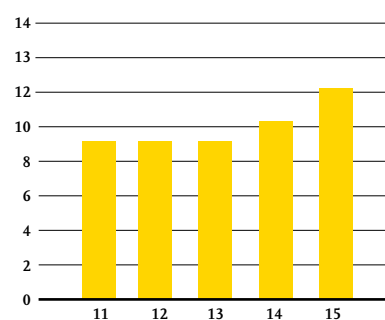
Ponsse is committed to observing the ISO 9001:2000 quality standard, the ISO 14001 environmental system standard and the OHSAS 18001 occupational safety and health standard, the first two of which are certified. Lloyd's Register Quality Assurance conducted an audit of the ISO 9001:2008 quality system 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

**Gross capital expenditure, meur**



**R&D expenditure, meur**



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 2015, and its use has been expanded significantly. 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, other regulations governing publicly listed companies and the company's Articles of Association. The company's Board of Directors has adopted the Code of Governance that complies with the Finnish Corporate Governance Code ap-

proved by the Board of the Securities Market Association in 2010. The purpose of the code is to ensure that the company is professionally managed and that its business principles and practices are of a high ethical and professional standard.

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

### Risk management

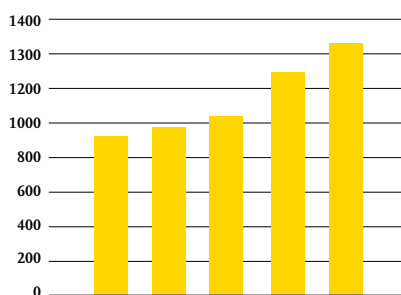
Risk management is based on the company's values, as well as strategic and financial objectives. Risk management aims to support the achievement of the objectives specified in the company's strategy, as well as to ensure the financial development of the company and the continuity of its business.

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

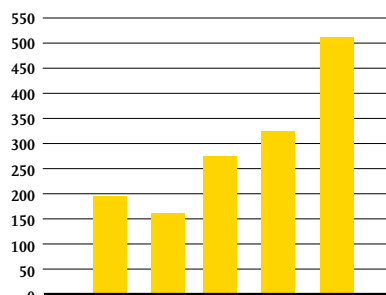
Risk management is a part of regular daily business, and it is also included in the management system. Risk management is controlled by the risk management policy approved by the Board.

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

**Average number of employees**



**Market capitalisation, meur**



### Short-term risks and their management

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

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

The company has no important events after the conclusion of the period under review.

### Outlook for the future

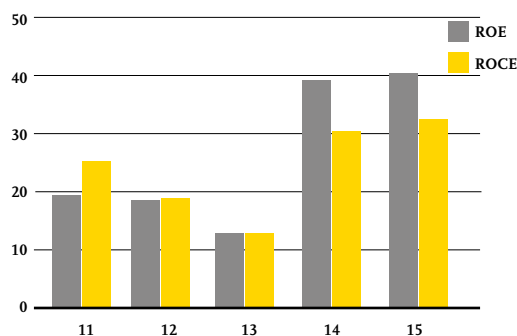
After the very strong performance in 2015, the Group's euro-denominated operating profit is expected to be on a par with 2015 in 2016.

Ponsse's strongly reformed and competitive product range and new service solutions have significantly grown the company. Our investments are focused on developing the level of service and capacity of the supply chain and spare part logistics and developing the service network in Finland and abroad.

### THE MOST IMPORTANT EXCHANGE RATES

	Closing exchange rate 31 Dec 2015	Average exchange rate 2015	Closing exchange rate 31 Dec 2014	Average exchange rate 2014
SEK	9,18950	9,33640	9,39300	9,10042
NOK	9,60300	8,99181	9,04200	8,39400
GBP	0,73395	0,72790	0,77890	0,80546
USD	1,08870	1,11241	1,21410	1,32555
BRL	4,31170	3,70111	3,22070	3,12073
RUB	80,67360	69,01681	72,33700	51,42425
CNY	7,06080	6,98908	7,53580	8,16926

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



# Consolidated statement of comprehensive income

(EUR 1,000)	Note <sup>1</sup>	2015	2014
<b>Net sales</b>	1, 4	<b>461,928</b>	<b>390,831</b>
Other operating income	5	2,152	1,185
Change in inventories of finished goods and work in progress		-1,021	3,173
Raw materials and services		-289,294	-251,067
Expenditure on employment-related benefits	8, 34	-67,554	-58,583
Depreciation and amortisation	7	-9,890	-7,962
Other operating expenses	6	-40,335	-35,875
<b>Operating result</b>		<b>55,987</b>	<b>41,704</b>
Financial income	10	33,102	16,419
Financial expenses	11	-38,654	-20,164
Share of results of associated companies		-50	1
<b>Result before taxes</b>		<b>50,385</b>	<b>37,959</b>
Income taxes	12	-9,105	-8,164
<b>Net result for the period</b>		<b>41,280</b>	<b>29,795</b>
<b>Other items included in total comprehensive result:</b>			
Translation differences related to foreign units		880	-3,093
<b>Total comprehensive income for the financial period</b>		<b>42,160</b>	<b>26,702</b>
Earnings per share calculated from the result belonging to parent company shareholders:			
undiluted earnings per share (EUR), result for the period	13	1.48	1.07
earnings per share (EUR) adjusted for dilution, result for the period	13	1.48	1.07

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



# Consolidated statement of financial position

(EUR 1,000)	Note <sup>1</sup>	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	59,294	47,282
Goodwill	15	3,842	3,440
Intangible assets	15	18,009	15,954
Financial assets	18, 31	105	104
Investments in associated companies	17	817	946
Receivables	19	2,134	832
Deferred tax assets	20	2,786	1,267
<b>Total non-current assets</b>		<b>86,988</b>	<b>69,825</b>
<b>Current assets</b>			
Inventories	21	104,584	92,734
Trade receivables and other receivables	22, 31	49,487	29,927
Income tax receivables		104	591
Cash and cash equivalents	23, 31	26,495	12,719
<b>Total current assets</b>		<b>180,670</b>	<b>135,971</b>
<b>TOTAL ASSETS</b>		<b>267,658</b>	<b>205,796</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
	24		
Share capital		7,000	7,000
Treasury shares		-346	-2,228
Translation differences		-796	-1,676
Other reserves		2,452	130
Retained earnings		109,602	82,790
<b>Equity owned by parent company shareholders</b>		<b>117,912</b>	<b>86,016</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	20	905	867
Financial liabilities	28, 31	39,346	33,712
Other liabilities	29, 31	7	0
<b>Total non-current liabilities</b>		<b>40,259</b>	<b>34,580</b>
<b>Current liabilities</b>			
Trade creditors and other liabilities	29	78,405	61,644
Deferred tax liabilities based on the taxable income for the period		1,906	812
Provisions	27	6,120	4,747
Current financial liabilities	28, 31	23,056	17,997
<b>Total current liabilities</b>		<b>109,487</b>	<b>85,200</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>267,658</b>	<b>205,796</b>

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

# Consolidated statement of cash flows

(EUR 1,000)	Note <sup>1</sup>	2015	2014
<b>Cash flows from operating activities:</b>			
Net result for the period		41 280	29,795
Adjustments:			
Financial income and expenses	10, 11	5 552	3,745
Share of the result of associated companies		50	-1
Depreciation and amortisation	7	9 890	7,962
Income taxes		9 105	8,164
Other adjustments		-26	-2,049
Cash flow before changes in working capital		65 850	47,616
Change in working capital:			
Increase (-)/decrease (+) in trade receivables and other receivables		-19 666	-920
Increase (-)/decrease (+) in inventories		-11 850	-6,967
Increase (+)/decrease (-) in trade creditors and other liabilities		17 238	9,251
Change in provisions for liabilities and charges		1 373	129
Interest received		224	187
Interest paid		-1 069	-1,071
Other financial items		723	-2,080
Income taxes paid		-8 840	-8,675
<b>Net cash flow from operating activities (A)</b>		<b>43 982</b>	<b>37,472</b>
<b>Cash flows used in investing activities:</b>			
Investments in tangible and intangible assets		-24 360	-19,154
Proceeds from sale of tangible and intangible assets		193	147
<b>Net cash flows used in investing activities (B)</b>		<b>-24 167</b>	<b>-19,007</b>
<b>Cash flows from financing activities:</b>			
Sales of treasury shares		1,118	0
Withdrawal/repayment of current loans		3,000	-3,540
Withdrawal of non-current loans		17,520	5,000
Repayment of non-current loans		-9,659	-9,773
Payment of finance lease liabilities		-167	-280
Increase (-)/decrease (+) in non-current receivables		216	-4
Dividends paid	24	-12,586	-8,336
<b>Net cash flows from financing activities (C)</b>		<b>-558</b>	<b>-16,933</b>
<b>Change in cash and cash equivalents (A+B+C)</b>		<b>19,257</b>	<b>1,532</b>
Cash and cash equivalents 1 Jan		12,719	11,958
Impact of changes in exchange rates		-5,481	-770
Cash and cash equivalents 31 Dec	23	26,495	12,719

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

# Consolidated statement of changes in equity

(EUR 1,000)	Note	Equity owned by parent company shareholders					Shareholders' equity total
		Share capital	Share premium account and other reserves	Translation differences	Treasury shares	Retained earnings	
<b>Shareholders' equity, 1 Jan 2015</b>		<b>7,000</b>	<b>130</b>	<b>-1,676</b>	<b>-2,228</b>	<b>82,790</b>	<b>86,016</b>
Translation differences		0	0	880	0	0	880
Result for the period		0	0	0	0	41,280	41,280
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>880</b>	<b>0</b>	<b>41,280</b>	<b>42,160</b>
Matching Share Plan		0	2,422	0	1,882	-1,882	2,422
Dividend distribution	24	0	0	0	0	-12,586	-12,586
Other changes		0	-100	0	0	0	-100
<b>Shareholders' equity, 31 Dec 2015</b>		<b>7,000</b>	<b>2,452</b>	<b>-796</b>	<b>-346</b>	<b>109,602</b>	<b>117,912</b>
<b>Shareholders' equity, 1 Jan 2014</b>		<b>7,000</b>	<b>30</b>	<b>1,417</b>	<b>-2,228</b>	<b>61,331</b>	<b>67,550</b>
Translation differences		0	0	-3,093	0	0	-3,093
Result for the period		0	0	0	0	29,795	29,795
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>-3,093</b>	<b>0</b>	<b>29,795</b>	<b>26,702</b>
Matching Share Plan		0	0	0	0	0	0
Dividend distribution	24	0	0	0	0	-8,336	-8,336
Other changes		0	100	0	0	0	100
<b>Shareholders' equity, 31 Dec 2014</b>		<b>7,000</b>	<b>130</b>	<b>-1,676</b>	<b>-2,228</b>	<b>82,790</b>	<b>86,016</b>

# Notes to the consolidated financial statements

## Basic information on the group

Ponsse Group is a sales, maintenance and technology company committed to creating success for its customers, and determined to secure its position as a global leader in the field of environmentally friendly cut-to-length forest machines. The Ponsse Group includes the parent company Ponsse Plc as well as the wholly-owned subsidiaries Ponsse AB in Sweden, Ponsse AS in Norway, Ponsse S.A.S. in France, Ponsse UK Ltd. in Great Britain, Ponsse North America Inc. in the United States, Ponsse Latin America in Brazil, OOO Ponsse in Russia, Ponsse Asia-Pacific Ltd in Hong Kong, Ponsse China Ltd in China, Ponsse Uruguay S.A. in Uruguay and Epec Oy in Finland. As of the financial period 2014, the Group includes the property companies OOO Ocean Safety Center in Russia. Furthermore, the Group includes Sunit Oy in Kajaani, which is Ponsse Plc's associate with a holding of 34 per cent.

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

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

Ponsse Plc's Board of Directors approved the disclosure of these financial statements at its meeting on 15 February 2016. 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 2015. 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 compli-

ance with Finnish legislation concerning accounting and corporate law. This legislation complements the IFRS regulations.

The information in the consolidated financial statements is presented in thousands of euro and is based on original acquisition costs, with the exception of financial assets and liabilities as well as derivative contracts that are measured at fair value. The financial statements have been presented in accordance with the profit and loss account by type of expense.

The consolidated financial statements have been prepared in compliance with the same accounting principles as in 2014 apart from the following new standards, interpretations and amendments to existing standards valid as of 1 January 2015.

- *Annual Improvements to IFRSs 2010–2012 and 2011–2013* (applicable mainly to financial periods beginning on or after 1 July 2014). 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.

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 curren-

cy"). The consolidated financial statements are presented in euro, which is the operating and presentation currency of the Group's parent company.

#### **Transactions denominated in a foreign currency**

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

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

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

#### **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 in-

cludes 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.

##### **Share based incentive plan**

The Group has an incentive scheme paid partly in shares in the company and partly in cash. The rewards granted under the scheme are measured at fair value at the time of granting them and recognised as an expense on a pro rata basis during the restriction period by 31 March 2018. The effect of the scheme on profit is disclosed in expenditure on employment-related benefits.

##### **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 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 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.
- Amendment to IAS 1 *Presentation of Financial Statements: Disclosure initiative* (applicable to financial periods beginning on or after 1 January 2016). The amendments clarify the IAS guidelines related to materiality, consolidation of profit and loss account and balance sheet items, presentation of subheadings and the structure and accounting policies for the financial statements. The Group is currently assessing any effects of the standard.
- IFRS 15 *Revenue from Contracts with Customers* (applicable to financial periods beginning on or after 1 January 2018). 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 standard.

**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 2015**

(EUR 1,000)	Northern Europe	Central and Southern Europe	Russia and Asia	North and South America	Total
Net sales of the segment	300,510	87,217	57,173	148,032	592,933
Revenues between segments	-128,381	-1,269	-564	-2,493	-132,707
Unallocated sales					1,702
<b>Net sales from external customers</b>	<b>172,129</b>	<b>85,948</b>	<b>56,609</b>	<b>145,539</b>	<b>461,928</b>
Operating result of the segment	5,878	14,032	11,119	24,552	55,581
Unallocated items					406
<b>Operating result</b>	<b>5,878</b>	<b>14,032</b>	<b>11,119</b>	<b>24,552</b>	<b>55,987</b>
Depreciation and amortisation	8,937	212	282	458	9,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>OPERATING SEGMENTS 2014</b>					
(1 000 EUR)	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
<b>Net sales from external customers</b>	<b>160,923</b>	<b>79,113</b>	<b>64,106</b>	<b>86,263</b>	<b>390,831</b>
Operating result of the segment	9,012	13,133	11,718	7,589	41,452
Unallocated items					252
<b>Operating result</b>	<b>9,012</b>	<b>13,133</b>	<b>11,718</b>	<b>7,589</b>	<b>41,704</b>
Depreciation and amortisation	7,114	188	341	320	7,962

<b>RECONCILIATIONS</b>		
(1 000 EUR)	2015	2014
<b>Net sales</b>		
Net sales of the reporting segments	592,933	501,628
Income from all other segments	1,702	427
Elimination of income between segments	-132,707	-111,224
<b>Group's net sales, total</b>	<b>461,928</b>	<b>390,831</b>
<b>Operating result</b>		
Result of the reporting segments	55,581	41,452
Result of all other segments	294	10
Items not allocated to any segment	113	241
<b>Group's operating result, total</b>	<b>55,987</b>	<b>41,704</b>

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

The Group does not have any of these items.

**3. ACQUIRED BUSINESS OPERATIONS**

Ponsse AB acquired the business operations of Ponsse's retailer in the Norrbotten area of Sweden, AN Maskinteknik Ab, on 31 August 2015. The purchase price was EUR 403 thousand, which has been recognised as goodwill. With the acquisition, Ponsse strengthened its services and strategy in Northern Sweden.

**4. NET SALES**

(EUR 1,000)	2015	2014
Machine sales	377,531	314,236
Service	84,396	76,595
<b>Total</b>	<b>461,928</b>	<b>390,831</b>

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

**5. OTHER OPERATING INCOME**

(EUR 1,000)	2015	2014
Sales profits on property, plant and equipment	193	147
Public subsidies	232	296
Other	1,728	743
<b>Total</b>	<b>2,152</b>	<b>1,185</b>

**6. OTHER OPERATING EXPENSES**

(EUR 1,000)	2015	2014
Voluntary employee expenses	3,358	2,508
Operating and maintenance expenses	7,102	5,844
Shipping and handling expenses	7,770	6,847
Rent expenses	2,943	3,676
Marketing and representation expenses	4,836	4,908
Administrative expenses	6,396	5,397
R&D expenditure	955	691
Other expense items	6,974	6,003
<b>Total</b>	<b>40,335</b>	<b>35,875</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6.1. AUDITOR'S REMUNERATIONS

(EUR 1,000)	2015	2014
<b>PricewaterhouseCoopers Oy</b>		
Auditor's remunerations	125	127
Certificates and statements	2	0
Tax advice	6	89
Other remunerations	39	24
	172	240
<b>Other organisations</b>		
Auditor's remunerations	21	38
Certificates and statements	0	0
Tax advice	27	41
Other remunerations	74	33
	122	111
<b>Total</b>	<b>295</b>	<b>351</b>

### 7. DEPRECIATION, AMORTISATION AND IMPAIRMENT

(EUR 1,000)	2015	2014
<b>Intangible assets</b>		
Capitalised development expenditure	2,224	1,740
Patents	51	44
Intangible rights	238	210
Other intangible assets	388	358
<b>Total</b>	<b>2,900</b>	<b>2,352</b>
<b>Property, plant and equipment</b>		
Buildings	2,416	1,730
Machinery and equipment	4,573	3,879
<b>Total</b>	<b>6,989</b>	<b>5,609</b>



<b>8. EXPENDITURE ON EMPLOYMENT-RELATED BENEFITS</b>		
(EUR 1,000)	2015	2014
Wages and salaries	53,638	47,307
Pension expenditure - defined contribution plans	7,643	6,463
Share plan	916	0
Other social security costs	5,357	4,813
<b>Total</b>	<b>67,554</b>	<b>58,583</b>

<b>Average number of staff during the financial period</b>		
	2015	2014
Employees	810	717
Clerical workers	519	483
<b>Total</b>	<b>1,329</b>	<b>1,200</b>

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

<b>9. R&amp;D EXPENDITURE</b>		
(EUR 1,000)	2015	2014
R&D expenditure recorded as a cost item in the consolidated statement of comprehensive income	10,511	8,924

<b>10. FINANCIAL INCOME</b>		
(EUR 1,000)	2015	2014
Dividend income from financial assets available for sale	1	3
Interest income from loans and receivables	224	187
Exchange rate gains	26,886	13,107
Change in the fair value of derivative instruments	5,937	3,044
Other financial income	53	78
<b>Total</b>	<b>33,102</b>	<b>16,419</b>

<b>11. FINANCIAL EXPENSES</b>		
(EUR 1,000)	2015	2014
Interest expenses for financial loans	804	1,028
Exchange rate losses	29,006	13,528
Change in the fair value of derivative instruments	7,846	4,576
Other financial expenses	998	1,031
<b>Total</b>	<b>38,654</b>	<b>20,164</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12. INCOME TAXES

(EUR 1,000)	2015	2014
Tax based on the taxable income for the period	10,463	7,728
Taxes from previous financial periods	123	119
Deferred taxes	-1,480	317
<b>Total</b>	<b>9,105</b>	<b>8,164</b>

Reconciliation of tax expenses in the consolidated statement of comprehensive income and taxes calculated at the Group's domestic tax rate (2015: 20.0%, 2014: 20.0 %):

(EUR 1,000)		
Result before taxes	50,385	37,959
Tax calculated using the domestic tax rate	10,077	7,592
Effect of the different tax rates used in foreign subsidiaries	263	50
Tax-exempt income	-12	-2,510
Non-deductible expenses	1,125	1,013
Tax reliefs and supports	-16	-140
Use of tax losses not recorded previously	-2,880	-972
Unbooked deferred tax assets	1,731	2,975
Impacts of group consolidation and elimination	27	37
Deferred tax asset booked during the financial period	-1,334	0
Taxes for previous financial periods	123	119
<b>Taxes in the consolidated statement of comprehensive income</b>	<b>9,105</b>	<b>8,164</b>

### 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)	2015	2014
Result for the financial period belonging to parent company shareholders	41,280	29,795
Weighted average number of shares during the financial period (1,000 pcs)	27,967	27,787
Undiluted earnings per share (EUR/share)	1.48	1.07

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 Matching Share Plan 2015 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 2015	1,889	44,350	47,693	4,322	98,254
Increase	40	8,805	12,366	9,830	31,041
Decrease	0	-113	-1,210	-11,419	-12,741
Transfers between items	101	-101	0	0	0
Exchange rate difference	47	134	-147	3	37
Acquisition cost 31 Dec 2015	2,077	53,075	58,702	2,736	116,590
Accumulated depreciation and impairment 1 Jan 2015	0	-17,536	-33,436	0	-50,972
Depreciation and amortisation	0	-2,416	-4,573	0	-6,989
Accumulated depreciation on decrease and transfers	0	5	665	0	669
Exchange rate difference	0	-106	101	0	-5
Accumulated depreciation and impairment 31 Dec 2015	0	-20,053	-37,243	0	-57,296
Book value 1 Jan 2015	1,889	26,814	14,257	4,322	47,282
<b>Book value 31 Dec 2015</b>	<b>2,077</b>	<b>33,022</b>	<b>21,459</b>	<b>2,736</b>	<b>59,294</b>

	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
<b>Book value 31 Dec 2014</b>	<b>1,889</b>	<b>26,814</b>	<b>14,257</b>	<b>4,322</b>	<b>47,282</b>

Non-depreciated share of the acquisition costs of production machinery and equipment included in the Group's property, plant and equipment totalled EUR 14.9 million on 31 Dec 2015 (EUR 8.0 million on 31 Dec 2014).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>Financial lease contracts</b>			
(EUR 1,000)			
Property, plant and equipment includes the following items rented under a finance lease contract:			
31 Dec 2015	Buildings	Machinery and equipment	Total
Acquisition cost	762	3,689	4,451
Accumulated depreciation	-533	-3,217	-3,750
Book value	229	472	701
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

<b>15. INTANGIBLE ASSETS</b>						
(EUR 1,000)						
	Development expenditure	Patent costs	Intangible rights	Other intangible assets	Prepayments and unfinished acquisitions	Total
Acquisition cost 1 Jan 2015	12,425	751	1,893	4,964	7,662	27,695
Increase	3,689	73	208	289	4,828	9,087
Transfers between items	0	3	0	0	-3	0
Decrease	0	0	0	0	-4,131	-4,131
Acquisition cost 31 Dec 2015	16,113	827	2,101	5,253	-8,356	32,651
Accumulated depreciation and impairment 1 Jan 2015	-6,002	-600	-1,253	-3,887	0	-11,742
Depreciation and amortisation	-2,224	-51	-238	-388	0	-2,900
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0
Accumulated depreciation and impairment 31 Dec 2015	-8,226	-651	-1,490	-4,274	0	-14,642
Book value 1 Jan 2015	6,422	151	641	1,077	7,662	15,954
<b>Book value 31 Dec 2015</b>	<b>7,888</b>	<b>176</b>	<b>611</b>	<b>979</b>	<b>8,356</b>	<b>18,009</b>

(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
<b>Book value 31 Dec 2014</b>	<b>6,422</b>	<b>151</b>	<b>641</b>	<b>1,077</b>	<b>7,662</b>	<b>15,954</b>

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

<b>Allocation of goodwill</b>		
(EUR 1,000)	2015	2014
Goodwill is allocated to the following cash-generating unit:		
Northern Europe segment: Epec Oy	3,440	3,440
Northern Europe segment: Business in Norrbotten region, Sweden	4030	0
<b>Total</b>	<b>3,842</b>	<b>3,440</b>

**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 12,5%. The discount rate before tax is determined on the basis of weighted average cost of capital (WACC). Cash flows following the forecast period approved by management have been estimated by extrapolating with a steady growth factor of 1% in the units. The growth factor applied does not exceed long-term realised growth of the sectors in question.

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

1. Budgeted EBITDA – Determined on the basis of forecast EBITDA for the next three years. The value of the variable is based on realised development.
2. Forecast residual value – Determined on the basis of the last budgeted year 2018 and a steady growth factor of 1%. The residual value is not expected to change essentially as continuous product development and anticipated intensification of competition are considered.
3. Discount rate – Determined on the basis of the weighted average cost of capital (WACC) method representing the total cost of equity and liabilities taking into account any specific risks associated with the assets and the sector of business.

**Sensitivity analysis for impairment testing**

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

No impairment would occur even if the EBITDA for all the years to come were to remain at 92 per cent at Epec Oy and at 60 per cent in the business of Norrbotten region in Sweden of the budgeted EBITDA and none of the planned increases in the EBITDA were experienced.

**16. INVESTMENT PROPERTIES**

The Group has no investment properties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. INVESTMENTS IN ASSOCIATED COMPANIES

(EUR 1,000)	2015	2014
At beginning of financial period	946	1,031
Share of the result of the financial period	-129	-85
<b>At end of financial period</b>	<b>817</b>	<b>946</b>

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

(EUR 1,000)	2015	2014
Associated company		
Sunit Oy, Kajaani, Finland		
Assets	2,836	3,602
Liabilities	512	693
Net sales	3,424	4,311
Result	-352	2
Share of ownership	34 %	34 %

Sunit Oy specialises in telematics and manufactures vehicle computers.

### 18. OTHER FINANCIAL ASSETS

(EUR 1,000)	
<b>Investments available for sale</b>	<b>Other shares and holdings</b>
Acquisition cost 1 Jan 2015	104
Increase	1
Decrease	0
Acquisition cost 31 Dec 2015	105
Acquisition cost 1 Jan 2014	104
Increase	0
Decrease	0
Acquisition cost 31 Dec 2014	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)	2015	2014
Trade receivables	0	0
Loan receivables	0	0
Other receivables	2,128	817
Accrued income	6	15
<b>Total</b>	<b>2,134</b>	<b>832</b>

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 2015:

Deferred tax assets:	31 Dec 2014	Recognised through profit or loss	31 Dec 2015
Inventories	1,007	228	1,235
Fixed assets	120	-20	100
Confirmed losses in taxation	0	1,358	1,358
Other items	141	-48	93
<b>Total</b>	<b>1,267</b>	<b>1,518</b>	<b>2,786</b>

Deferred tax liabilities:	31 Dec 2014	Recognised through profit or loss	31 Dec 2015
Inventories	114	-114	0
Fixed assets	723	183	905
Other items	30	-30	0
<b>Total</b>	<b>867</b>	<b>38</b>	<b>905</b>

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
<b>Total</b>	<b>1,374</b>	<b>-107</b>	<b>1,267</b>

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
<b>Total</b>	<b>657</b>	<b>210</b>	<b>867</b>

No deferred tax has been recognised through shareholders' equity.

A deferred tax asset of EUR 1.3 million has been recognised for confirmed losses EUR 29.0 million (31.4 in 2014) associated with the Group's foreign subsidiaries. 4 per cent of these confirmed losses expire during years 2027. The rest has no maturity time.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>21. INVENTORIES</b>		
(EUR 1,000)	2015	2014
Raw materials and consumables	59,631	52,635
Work in progress	10,641	10,754
Finished products/goods	9,122	9,965
Other stocks	25,190	19,380
<b>Total</b>	<b>104,584</b>	<b>92,734</b>

EUR 2.8 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 3.1 million in 2014).

<b>22. TRADE RECEIVABLES AND OTHER RECEIVABLES (CURRENT)</b>		
(EUR 1,000)	2015	2014
Trade receivables	40,199	25,226
Accrued income	1,660	729
Other receivables	7,317	3,555
	49,175	29,509
Derivative contracts held for trading	312	417
<b>Total</b>	<b>49,487</b>	<b>29,926</b>

The Group's credit losses for trade receivables amounted to EUR 173 thousand (EUR 281 thousand in 2014) during the financial period and cancellation of credit losses to EUR 86 thousand (EUR 18 thousand in 2014). 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)	2015	2014
Non-matured	25,561	17,086
Matured		
Less than 30 days	10,824 <sup>1</sup>	6,390 <sup>1</sup>
30–90 days	2,647 <sup>1</sup>	1,136 <sup>1</sup>
91–180 days	523 <sup>1</sup>	397 <sup>1</sup>
181–360 days	638 <sup>2</sup>	150 <sup>2</sup>
More than 360 days	3,050 <sup>2</sup>	3,022 <sup>2</sup>
Impairment losses	-3,044	-2,957
<b>Total</b>	<b>40,199<sup>3</sup></b>	<b>25,226<sup>3</sup></b>

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

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

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



**23. CASH AND CASH EQUIVALENTS**

(EUR 1,000)	<b>2015</b>	<b>2014</b>
Cash in hand and at banks	26,495	12,719
<b>Total</b>	<b>26,495</b>	<b>12,719</b>

**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 2014	27,787	7,000	130	-2,228
Share issue / Matching Share Plan	180	0	2,422	1,882
Building fund	0	0	-100	0
31 Dec 2015	27,967	7,000	2,452	-346

The maximum number of shares is 48 million (48 million in 2014). 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 2014). The number of shares outstanding is 28 million (28 million in 2014). All issued shares have been paid in full.

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

Ponsse Plc has no outstanding convertible notes or bonds with warrants. The company has a share based incentive plan for the key employees. 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 346 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**

Other reserves has increased for the issue of the treasury shares related to the share based incentive plan.

**Dividends**

In 2015, a dividend of EUR 0.45 was paid per share, for a total of EUR 12.5 million (in 2014, EUR 0.30 per share, for a total of EUR 8.3 million). The Board of Directors has proposed after the closing date of the reporting period that a dividend of EUR 0.55 per share shall be paid, i.e. a total of EUR 15.4 million.

**25. SHARE-BASED PAYMENT PLANS**

During the financial period, the Group launched a new incentive scheme for the Group's key employees.

The prerequisite for participating in the plan is that a key employee owns the Company's shares up to the number determined by the Board of Directors, or acquires them from the market or in the Company's directed share issue. Furthermore, receipt of reward is tied to the validity of the key employee's employment or service upon reward payment.

The reward from the plan was paid partly in the company's shares and partly in cash in spring 2015. The cash proportion will cover taxes and tax-related costs arising from the reward to the key employee. Shares given as reward may not be transferred during the restriction period ending on 31 March 2018. If a key employee's employment or service ends during the restriction period, the key employee will be obliged to return the shares given as reward, fully or partly, to the company, without compensation.

In order to implement the Matching Share Plan 2015, the Board of Directors decided on two share issues directed to the key employees belonging to the target group of the plan.

A maximum total of 106,450 shares held by the Company were offered in the directed share issue against payment for subscription to the key employees belonging to the target group of the Matching Share Plan 2015. The share subscription price for the shares was EUR 12.12 per share, which was to be paid upon subscription. The share subscription period ended on 18 March 2015. The Board of Directors of the company approved the subscriptions of a total of 92,310 shares in the share issue, corresponding to a total of EUR 1,119 thousand.

A total of 87,498 shares held by the company were given as reward to the Group's key employees belonging to the target group of the Matching Share Plan in a directed share issue without payment on 31 March 2015. EUR 916 thousand was recognised as an expense for the financial period on an accrual basis.

**26. PENSION LIABILITIES**

The Group did not have any pension obligations.

**27. PROVISIONS**

(EUR 1,000)	Guarantee provision
31 Dec 2014	4,747
Change in provisions	1,373
<b>31 Dec 2015</b>	<b>6,120</b>

**Guarantee provision**

Products are given a 12 month/2,000 hour guarantee. Any faults or errors found in machines during the guarantee period will be repaired at the company's own expense according to the conditions of guarantee. Guarantee provisions at the end of 2015 amounted to EUR 6,120 thousand (EUR 4,474 thousand in 2014). 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.

<b>28. FINANCIAL LIABILITIES</b>		
(EUR 1,000)	2015	2014
<b>Non-current financial liabilities</b>		
Loans from financial institutions	30,253	30,226
Pension loans	1,350	2,393
Other liabilities	7,419	929
Finance lease liabilities	325	164
<b>Total</b>	<b>39,346</b>	<b>33,712</b>
<b>Current financial liabilities</b>		
Loans from financial institutions	19,190	14,811
Pension loans	1,043	2,474
Other liabilities	2,594	155
Finance lease liabilities	230	557
<b>Total</b>	<b>23,056</b>	<b>17,997</b>

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 13,766 thousand of all liabilities have a fixed interest rate (EUR 7,566 thousand in 2014). Other loans are bound to Euribor EUR 48,771 thousand (EUR 44,143 thousand in 2014).

The Group's floating rate liabilities and their contractual repricing periods are:		
(EUR 1,000)	2015	2014
Within less than twelve months	48,771	44,143
Within one to five years	0	0
<b>Total</b>	<b>48,771</b>	<b>44,143</b>

<b>Due dates of finance lease liabilities</b>		
(EUR 1,000)	2015	2014
Finance lease liabilities – total amount of minimum rents		
Within less than twelve months	367	795
Within one to five years	292	805
After more than five years	17	310
<b>Total</b>	<b>675</b>	<b>1,909</b>

Finance lease liabilities – present value of minimum rents		
Within less than twelve months	231	712
Within one to five years	290	783
After more than five years	16	310
<b>Total</b>	<b>537</b>	<b>1,805</b>

Financial expenses to be accrued in the future	138	104
<b>Total finance lease liabilities</b>	<b>675</b>	<b>1,909</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>29. TRADE CREDITORS AND OTHER LIABILITIES</b>		
(EUR 1,000)	2015	2014
Trade creditors (other financial liabilities)	52,294	39,329
Advances received	4,215	1,078
Advance invoicing	1,038	3,119
Other liabilities	2,676	2,227
Accruals and deferred income		
Accrued staff expenses	13,616	11,165
Interest accruals	55	106
Accruals and deferred income in respect of inventories	601	208
Other accruals and deferred income	3,499	3,575
Derivative contracts held for trading	411	836
<b>Total</b>	<b>78,405</b>	<b>61,644</b>
<b>Non-current financial liabilities measured at original amortised cost</b>		
Accruals and deferred income	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 30. MANAGEMENT OF FINANCING RISKS

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

### Foreign exchange risk

The Group operates internationally and is therefore exposed to transaction risks arising from different foreign exchange positions, as well as risks arising from the conversion of investments in different currencies to the parent company's operating currency. The most important currencies for the Group are the United States dollar (USD), the Swedish krona (SEK), the pound sterling (GBP), 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 18.8 million (EUR -10.9 million in 2014), including a dividend of EUR 0.5 million (EUR 0.1 million in 2014) 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, Brazilian real and Russian rouble, with all other factors remaining unchanged. The total net position of the aforementioned currencies is -6.6 million euros (-19.6 million euros in 2014). 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)	2015				2014			
	Strengthening		Weakening		Strengthening		Weakening	
Change in EUR exchange rate								
Effect on result after taxes								
USD	5 %	-88	2 %	29	8 %	-543	4 %	290
SEK	2 %	-26	2 %	29	3 %	45	3 %	-53
GBP	3 %	-13	3 %	12	3 %	-34	3 %	27
BRL	19 %	1,340	21 %	-1,511	5 %	979	5 %	-988
RUB	17 %	330	17 %	-323	10 %	242	41 %	-1,002
<b>Total</b>		<b>1,543</b>		<b>-1,763</b>		<b>689</b>		<b>-1,726</b>

### Interest rate risk

The Group's short-term money market investments expose its cash flow to interest rate risk but the overall effect is not significant. The Group's income and operational cash flows are mainly independent of market interest rate fluctuations. The Group is mainly exposed to interest rate risk associated with the non-current loan portfolio. The Group hedges the interest rate risk associated with future cash flows by interest rate swaps. The degree of hedging is about 80 per cent of all floating rate loans.

(EUR 1,000)	2015		2014	
	Sensitivity analysis for floating interest loans:			
Change percentage	+1%	-1%	+1%	-1%
Effect on result after taxes	-390	390	-353	353

### 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 2015 was EUR 50.0 million, which equals 83 per cent of the total credit facilities (2014: EUR 68.0 million, 91 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2015 (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	49,443	50,475	19,635	29,831	1,009
Pension loans	2,393	2,460	1,081	1,379	0
Other liabilities	10,013	11,246	2,894	4,657	3,695
Finance lease liabilities	537	675	367	292	17
Trade creditors and other liabilities	77,994	77,994	77,994		
Derivative contract liabilities	411	411	411		
Guarantee agreements **	0	5,028	5,028		

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	46,141	15,261	30,879	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		

\* 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 2015 were EUR 35.9 million (31 Dec 2014: EUR 39.0 million) and net gearing was 30.5 per cent (31 Dec 2014: 45.3 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)	2015	2014
Interest-bearing liabilities	62,403	51,709
Interest-bearing receivables	0	0
Cash and cash equivalents	-26,495	-12,719
Net liabilities	35,907	38,990
Total shareholders' equity	117,912	86,016
Net gearing	30.5 %	45.3 %

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

(EUR 1,000)

**31 Dec 2015**

<b>Balance sheet assets</b>	<b>Loans and other receivables</b>	<b>Assets at fair value through profit or loss</b>	<b>Available-for-sale</b>	<b>Total</b>
Available-for-sale financial assets			105	105
Derivative instruments		312		312
Trade receivables and other receivables (excluding prepayments)	40,199			40,199
Cash and cash equivalents	26,495			26,495
<b>Total</b>	<b>66,694</b>	<b>312</b>	<b>105</b>	<b>67,111</b>

<b>Balance sheet liabilities</b>	<b>Liabilities at fair value through profit or loss</b>	<b>Liabilities at original amortised cost</b>	<b>Total</b>
Loans (excluding finance lease liabilities)		51,835	51,835
Finance lease liabilities		537	537
Derivative instruments	411		411
Trade creditors and other liabilities (excluding statutory obligations)		52,294	52,294
<b>Total</b>	<b>411</b>	<b>104,667</b>	<b>105,078</b>

**31 Dec 2014**

<b>Balance sheet assets</b>	<b>Loans and other receivables</b>	<b>Assets at fair value through profit or loss</b>	<b>Available-for-sale</b>	<b>Total</b>
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
<b>Total</b>	<b>37,945</b>	<b>417</b>	<b>104</b>	<b>38,466</b>

<b>Balance sheet liabilities</b>	<b>Liabilities at fair value through profit or loss</b>	<b>Liabilities at original amortised cost</b>	<b>Total</b>
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
<b>Total</b>	<b>836</b>	<b>91,038</b>	<b>91,874</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2015	Fair value 2015	Book value 2014	Fair value 2014
<b>Financial assets</b>					
Other financial assets	18	105	105	104	104
Trade receivables and other receivables (non-current)	19	2,134	2,134	832	832
Trade receivables and other receivables (current)	22	49,175	49,175	29,509	29,509
Cash and cash equivalents	23	26,495	26,495	12,719	12,719
Forward exchange agreements	22	312	312	417	417
Interest rate swaps	22	0	0	0	0
<b>Total</b>		<b>78,222</b>	<b>78,222</b>	<b>43,581</b>	<b>43,581</b>
<b>Financial liabilities</b>					
Loans from financial institutions	28	49,443	46,643	45,037	42,262
Pension loans	28	2,393	2,145	4,867	4,389
Finance lease liabilities	28	554	523	722	635
Trade creditors and other liabilities	29	78,405	78,405	61,644	61,644
Forward exchange agreements	29	368	368	806	806
Interest rate swaps	29	43	43	29	29
<b>Total</b>		<b>131,205</b>	<b>128,128</b>	<b>113,104</b>	<b>109,765</b>

The nominal values of forward agreements were EUR 30.5 million in 2015 and EUR 28.8 million in 2014.

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:	2015	2014
Within one year	643	638
Within one to five years	851	1,028
After more than five years	124	216

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 2015 includes EUR 2.2 million of rent expenses paid on the basis of other lease contracts (EUR 2.2 million in 2014).

**Group as lessor**

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

**33. CONTINGENT LIABILITIES**

(EUR 1,000)

	2015	2014
Guarantees given on behalf of others	462	476
Repurchase commitments	4,290	1,966
Other commitments	275	137
<b>Total</b>	<b>5,028</b>	<b>2,579</b>

**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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>Management's employment-related benefits</b>		
(EUR 1,000)	2015	2014
Salaries and other short-term employment-related benefits	3,539	2,815
Benefits paid upon termination of employment	0	0
Pension liabilities, statutory pension security	502	392
<b>Total</b>	<b>4,041</b>	<b>3,206</b>
<b>Salaries and bonuses</b>		
(EUR 1,000)	2015	2014
<b>Managing director</b>		
Salaries and other short-term employment-related benefits	459	372
Pension liabilities, statutory pension security	82	66
<b>Total</b>	<b>541</b>	<b>438</b>
<b>Compensation of the members of the Board of Directors</b>		
Hortling Heikki	40	38
Kaario Mammu	34	32
Kylävainio Ilkka	34	32
Saksman Ossi	34	32
Vidgrén Janne	34	32
Vidgrén Juha	45	43
Vidgrén Jukka	34	32
<b>Total</b>	<b>257</b>	<b>241</b>

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

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

The company has no important events after the conclusion of the period under review.

# Financial indicators

	IFRS 2015	IFRS 2014	IFRS 2013
<b>Extent of operations</b>			
Net sales (EUR 1,000)	461,928	390,831	312,825
Change, %	18.2	24.9	-0.6
R&D expenditure, total (EUR 1,000)	12,186	10,304	8,883
of which capitalised, (EUR 1,000)	3,898	3,120	3,598
as % of net sales	2.6	2.6	2.8
Gross capital expenditure, (EUR 1,000)	24,360	19,154	11,188
as % of net sales	5.3	4.9	3.6
Average number of employees	1,329	1,200	1,027
Net sales/employee, (EUR 1,000)	348	326	305
Order stock, EUR million	158.1	158.4	99.8
<b>Profitability</b>			
Operating result, (EUR 1,000)	55,987	41,704	22,501
as % of net sales	12.1	10.7	7.2
Result before taxes, (EUR 1,000)	50,385	37,959	14,248
as % of net sales	10.9	9.7	4.6
Result for the period, (EUR 1,000)	41,280	29,795	9,098
as % of net sales	8.9	7.6	2.9
Return on equity, % (ROE)	40.5	38.8	12.2
Return on capital employed, % (ROCE)	32.8	30.1	12.2
<b>Financing and financial position</b>			
Current ratio	1.7	1.6	1.6
Equity ratio, %	44.8	42.0	36.5
Net gearing, %	30.5	45.3	71.6
Interest-bearing liabilities, (EUR 1,000)	62,403	51,709	60,302
Non-interest-bearing liabilities, (EUR 1,000)	87,343	68,071	58,196

# Per-share data <sup>1</sup>

	IFRS 2015	IFRS 2014	IFRS 2013
Earnings per share (EPS), EUR	1.48	1.07	0.31
Equity per share, EUR	4.21	3.07	2.41
Nominal dividend per share, EUR	0.55 <sup>1</sup>	0.45	0.30
Dividend per share adjusted for share issues, EUR	0.55 <sup>1</sup>	0.45	0.30
Dividend per earnings, %	37.3 <sup>1</sup>	42.0	96.1
Effective dividend yield, %	3.0 <sup>1</sup>	3.7	3.1
Price/earnings ratio (P/E)	12.4	11.2	31.4
Share performance			
Lowest trading price	11.06	9.02	5.50
Highest trading price	19.77	13.35	10.02
Closing price	18.36	12.02	9.81
Average price	15.28	11.49	7.22
Market capitalisation, EUR million	514.1	336.6	274.7
Dividends paid, EUR million	15.4 <sup>1</sup>	12.5	8.3
Shares traded	4,190,494	4,144,642	2,919,553
Shares traded, %	15.0	14.8	10.4
Weighted average number of shares during the period, adjusted for share issues	28,000,000	28,000,000	28,000,000
Number of shares on the closing date, adjusted for share issues	28,000,000	28,000,000	28,000,000

<sup>1</sup> The company's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.55 per share shall be paid for the year 2015.

# Formulae for financial indicators

$$\text{Return on equity, \% (ROE)} = \frac{\text{Net result for the period}}{\text{Shareholders' equity + minority interest (average during the year)}} \times 100$$

$$\text{Return on capital employed, \% (ROCE)} = \frac{\text{Result before taxes + financial expenses}}{\text{Shareholders' equity + interest-bearing financial liabilities (average during the year)}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total – advance payments received}} \times 100$$

$$\text{Net gearing, \%} = \frac{\text{Interest-bearing financial liabilities – cash and cash equivalents}}{\text{Shareholders' equity}} \times 100$$

$$\text{Average number of personnel during the financial year} = \text{Average of the number of personnel at the end of each month. The calculation has been adjusted for part-time employees.}$$

$$\text{Earnings per share (EPS)} = \frac{\text{Net result for the period – minority interest}}{\text{Average number of shares during the accounting period, adjusted for share issues}}$$

$$\text{Equity per share} = \frac{\text{Shareholders' equity}}{\text{Number of shares at closing of the accounts, adjusted for share issues}}$$

$$\text{Dividend per share, adjusted for share issues} = \frac{\text{Dividend per share}}{\text{Adjustment factors for share issues after the financial period}}$$

$$\text{Dividend per earnings, \%} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

$$\text{Effective dividend yield, \%} = \frac{\text{Dividend per share, adjusted for share issues}}{\text{Last trading price for the period, adjusted for share}} \times 100$$

$$\text{Price/earnings ratio (P/E)} = \frac{\text{Last trading price for the period, adjusted for share issues}}{\text{Earnings per share}}$$

$$\text{Market capitalisation} = \text{Number of shares at end of the financial year multiplied by the closing price on the last trading day of the financial year adjusted for share issues.}$$

$$\text{Shares traded, \%} = \frac{\text{Shares traded during the financial period}}{\text{Average number of shares during the period}} \times 100$$

# Parent company's profit and loss account

(EUR 1,000)	Note <sup>1</sup>	2015	2014
<b>Net sales</b>	2	<b>366,453</b>	<b>300,804</b>
Increase (+)/decrease (-) in inventories of finished goods and work in progress		-894	7,420
Other operating income	3	3,527	649
Raw materials and services	4	-252,019	-211,506
Staff costs	5, 6, 7	-43,670	-38,306
Depreciation, amortisation and impairment	8	-7,426	-6,249
Other operating expenses		-38,994	-21,402
<b>Operating result</b>		<b>26,977</b>	<b>31,410</b>
Financial income and expenses	10	2,108	1,352
<b>Result before extraordinary items</b>		<b>29,085</b>	<b>32,762</b>
Extraordinary items	11	0	0
<b>Result after extraordinary items</b>		<b>29,085</b>	<b>32,762</b>
Appropriations	12	-1,197	871
Direct taxes	13	-8,329	-6,903
<b>Net result for the period</b>		<b>19,559</b>	<b>26,730</b>

<sup>1</sup>The note refers to the Notes to the Accounts on pages 79–87.

# Parent company's balance sheet

(EUR 1,000)	Note <sup>1</sup>	2015	2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	14	16,714	15,000
Tangible assets	14	48,930	31,927
Financial assets	15	11,498	12,470
<b>Total non-current assets</b>		<b>77,142</b>	<b>59,397</b>
<b>Current assets</b>			
Inventories	16	60,632	56,778
Non-current receivables	17	11,365	10,427
Current receivables	17	80,127	81,494
Cash in hand and at banks		22,071	7,736
<b>Total current assets</b>		<b>174,194</b>	<b>156,435</b>
<b>TOTAL ASSETS</b>		<b>251,336</b>	<b>215,832</b>
<b>LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	18, 19	7,000	7,000
Revaluation reserve		841	841
Other reserves		2,423	0
Retained earnings		83,816	69,671
Net result for the period		19,559	26,730
<b>Total shareholders' equity</b>		<b>113,638</b>	<b>104,242</b>
<b>Appropriations</b>	20	<b>2,677</b>	<b>1,431</b>
<b>Provisions for liabilities and charges</b>	21	<b>6,120</b>	<b>4,747</b>
<b>Creditors</b>			
Non-current creditors	22	38,769	32,164
Current creditors	23	90,132	73,248
<b>Total creditors</b>		<b>128,901</b>	<b>105,412</b>
<b>TOTAL LIABILITIES</b>		<b>251,336</b>	<b>215,832</b>

<sup>1</sup> The note refers to the Notes to the Accounts on pages 79–87.

# Parent company's cash flow statement

(EUR 1,000)	2015	2014
<b>Cash flows from operating activities:</b>		
Operating result	26,977	31,410
Depreciation, amortisation and impairment	7,426	6,249
Change in provisions	1,373	129
Change in provisions	706	0
Cash flow before changes in working capital	36,481	37,788
<b>Change in working capital:</b>		
Increase (-)/decrease (+) in current non-interest-bearing receivables	308	-27
Increase (-)/decrease (+) in inventories	-3,854	-8,251
Increase (+)/decrease (-) in current non-interest-bearing liabilities	10,362	10,564
Cash flow from operations before financial items and income taxes	43,296	40,074
Interest received	2,019	2,882
Interest paid	-758	-908
Dividends received	589	187
Other financial items	821	-2,069
Income taxes paid	-7,318	-7,036
<b>Net cash flows from operating activities (A)</b>	<b>38,648</b>	<b>33,129</b>
<b>Cash flows used in investing activities:</b>		
Investments in tangible and intangible assets	-25,171	-10,990
<b>Net cash flows used in investing activities (B)</b>	<b>-25,171</b>	<b>-10,990</b>
<b>Cash flows from financing activities:</b>		
Sales of treasury shares	1,119	0
Increase (+)/decrease (-) in current loans	3,000	4,500
Increase (+)/decrease (-) in non-current loans	9,168	-3,678
Increase (-)/decrease (+) in non-current receivables	155	-4,060
Dividends paid and other distribution of profit	-12,585	-8,336
<b>Net cash flows from financing activities (C)</b>	<b>857</b>	<b>-20,574</b>
<b>Increase (+)/decrease (-) in liquid assets (A+B+C)</b>	<b>14,334</b>	<b>1,565</b>
Cash and cash equivalents on 1 Jan	7,736	6,172
Cash and cash equivalents on 31 Dec	22,071	7,736



# 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 2015 is comparable with the previous year.

## NOTES TO THE PARENT COMPANY'S ACCOUNTS

### 2. NET SALES BY MARKET AREA

(EUR 1,000)	2015	2014
Northern Europe	146,400	139,022
Southern and Central Europe	65,902	61,514
Russia and Asia	46,905	49,095
North and South America	105,582	50,792
Other countries	1,664	381
<b>Total</b>	<b>366,453</b>	<b>300,804</b>

### 3. OTHER OPERATING INCOME

(EUR 1,000)	2015	2014
Sales profits on property, plant and equipment	69	62
Public subsidies	209	141
Other	3,249	445
<b>Total</b>	<b>3,527</b>	<b>649</b>

### 4. RAW MATERIALS AND SERVICES

(EUR 1,000)	2015	2014
Raw materials and consumables		
Purchases during the financial period	248,155	206,352
Increase (-)/decrease (+) in inventories	-4,748	-850
External services	8,612	6,004
<b>Total</b>	<b>252,019</b>	<b>211,506</b>

### 5. AVERAGE NUMBER OF STAFF

persons	2015	2014
Employees	420	383
Clerical workers	303	285
<b>Total</b>	<b>723</b>	<b>668</b>

### 6. STAFF COSTS

(EUR 1,000)	2015	2014
Salaries and bonuses	35,656	31,310
Pension costs	6,262	5,251
Other social security costs	1,753	1,746
<b>Total</b>	<b>43,670</b>	<b>38,306</b>

### 7. MANAGEMENT SALARIES AND REMUNERATIONS

(EUR 1,000)	2015	2014
Managing director	459	372
Members of the Board of Directors	414	369
<b>Total</b>	<b>873</b>	<b>741</b>

### 8. DEPRECIATION AND VALUE ADJUSTMENTS

(EUR 1,000)	2015	2014
Depreciation according to plan	7,426	6,249
<b>Total</b>	<b>7,426</b>	<b>6,249</b>

<b>9. AUDITOR'S REMUNERATIONS</b>		
(EUR 1,000)	2015	2014
Authorised Public Accountants PricewaterhouseCoopers Oy		
Auditor's remunerations	61	59
Certificates and statements	2	0
Tax advice	4	87
Other remunerations	20	1
<b>Total</b>	<b>87</b>	<b>147</b>
<b>10. FINANCIAL INCOME AND EXPENSES</b>		
(EUR 1,000)	2015	2014
Income from investments in non-current assets		
From Group companies	510	100
From associated companies	79	86
From others	0	1
Income from investments in non-current assets total	589	187
Interest income and other financial income		
From Group companies	1,983	2,827
From others	20,508	10,023
Interest income and other financial income, total	22,491	12,850
<b>Financial income, total</b>	<b>23,080</b>	<b>13,037</b>
Value adjustments of financial securities	0	0
Interest expenses and other financial expenses		
To Group companies	0	0
To others	20,972	11,685
Interest expenses and other financial expenses, total	20,972	11,685
<b>Financial expenses, total</b>	<b>20,972</b>	<b>11,685</b>
<b>Financial income and expenses, total</b>	<b>2,108</b>	<b>1,352</b>
The item "Financial income and expenses" includes exchange rate profit/loss (net)	871	95
<b>11. EXTRAORDINARY ITEMS</b>		
(EUR 1,000)	2015	2014
Extraordinary income/group contribution	0	0
<b>12. APPROPRIATIONS</b>		
(EUR 1,000)	2015	2014
Difference between depreciations according to plan and depreciations in taxation	1,197	871
<b>13. INCOME TAX</b>		
(EUR 1,000)	2015	2014
Income tax on extraordinary items	0	0
Income taxes from actual operation	8,329	6,903
Change in deferred tax receivable	0	0
<b>Total</b>	<b>8,329</b>	<b>6,903</b>

## NOTES TO THE PARENT COMPANY'S ACCOUNTS

**14. INTANGIBLE AND TANGIBLE ASSETS**

(EUR 1,000)	Development costs	Patent costs	Goodwill	Intangible rights	Other capitalised long-term expenses	Prepayments and unfinished acquisitions	Total
<b>Intangible assets 2015</b>							
Acquisition cost 1 Jan 2015	9,969	728	905	1,307	6,005	7,447	26,362
Increase	3,653	71	0	94	548	4,201	8,567
Decrease	0	0	0	0	0	-4,097	-4,097
Transfers between items	0	0	0	0	0	0	0
Acquisition cost 31 Dec 2015	13,622	799	905	1,401	6,553	7,551	30,832
Accumulated depreciation on 1 Jan 2015	-4,776	-589	-664	-835	-4,499	0	-11,362
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0	0
Depreciation for the accounting period	-1,911	-50	-181	-169	-446	0	-2,756
Accumulated depreciation on 31 Dec 2015	-6,687	-639	-844	-1,003	-4,944	0	-14,118
<b>Book value 31 Dec 2015</b>	<b>6,935</b>	<b>160</b>	<b>60</b>	<b>398</b>	<b>1,609</b>	<b>7,551</b>	<b>16,714</b>
Book value 31 Dec 2014	5,193	139	241	473	1,507	7,447	15,000
<b>Tangible assets 2015</b>							
(EUR 1,000)	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Prepayments and unfinished acquisitions	Total	
Acquisition cost 1 Jan 2015	997	31,959	33,248	29	4,288	70,521	
Increase	45	13,541	10,247	0	8,243	32,075	
Decrease	0	0	0	0	-10,402	-10,402	
Transfers between items	0	0	0	0	0	0	
Acquisition cost 31 Dec 2015	1,042	45,499	43,495	29	2,129	92,194	
Accumulated depreciation on 1 Jan 2015	0	-15,288	-24,147	0	0	-39,435	
Accumulated depreciation on decrease and transfers	0	0	0	0	0	0	
Depreciation for the accounting period	0	-1,632	-3,038	0	0	-4,670	
Accumulated depreciation on 31 Dec 2015	0	-16,921	-27,185	0	0	-44,105	
Revaluations	0	841	0	0	0	841	
<b>Book value 31 Dec 2015</b>	<b>1,042</b>	<b>29,419</b>	<b>16,310</b>	<b>29</b>	<b>2,129</b>	<b>48,930</b>	
Book value 31 Dec 2014	997	17,511	9,101	29	4,288	31,927	
<b>Book value of operating machinery and equipment</b>							
31 Dec 2015				14,934			
31 Dec 2014				8,035			

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

<b>15. FINANCIAL ASSETS</b>						
(EUR 1,000)	Shares in Group companies	Shares in associated companies	Shares, other	Receivables from Group companies	Receivables, other	Total
<b>Financial assets 2015</b>						
Acquisition cost 1 Jan 2015	17,23	335	95	0	0	17,660
Increase	47	0	1	0	0	48
Decrease	0	0	0	0	0	0
Acquisition cost 31 Dec 2015	17,277	335	96	0	0	17,708
Accumulated write-downs 1 Jan 2015	-5,190	0	0	0	0	-5,190
Decrease	-1,020	0	0	0	0	-1,020
Write-downs	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0
<b>Book value 31 Dec 2015</b>	<b>11,067</b>	<b>335</b>	<b>96</b>	<b>0</b>	<b>0</b>	<b>11,498</b>
<b>Group companies</b>						
Name and domicile						Company's share of ownership %
Ponsse AB, Västerås, Sweden						100.00
Ponsse AS, Kongsvinger, Norway						100.00
Ponsse S.A.S., Gondreville, France						100.00
Ponsse UK Ltd., Lockerbie, United Kingdom						100.00
Ponsse North America, Inc., Rhinelander, United States						100.00
Ponsse Latin America Indústria de Máquinas Florestais Ltda, Mogi das Cruzes, Brazil						100.00
OOO Ponsse, St. Petersburg, Russia						100.00
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

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

<b>Associates</b>	
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.

NOTES TO THE PARENT COMPANY'S ACCOUNTS

<b>16. INVENTORIES</b>		
(EUR 1,000)	2015	2014
Raw materials and consumables	40,282	37,170
Work in progress	10,067	9,916
Finished products/goods	2,481	3,352
Other stocks	7,763	6,301
Prepayments	39	39
<b>Total</b>	<b>60,632</b>	<b>56,778</b>
<b>17. RECEIVABLES</b>		
(EUR 1,000)	2015	2014
<b>Non-current receivables</b>		
Receivables from Group companies		
Loan receivables	10,271	10,427
Loan receivables	0	0
Other receivables	1,093	0
<b>Non-current receivables, total</b>	<b>11,365</b>	<b>10,427</b>
<b>Current receivables</b>		
Trade receivables		
Trade receivables	22,478	11,936
Receivables from Group companies		
Trade receivables	52,222	67,434
Other receivables	4,641	1,628
Accrued income		
Grants receivable	56	47
Income tax receivables	0	0
Derivative contracts	312	417
Other accrued income	418	32
Other accrued income, total	787	496
<b>Current receivables, total</b>	<b>80,127</b>	<b>81,494</b>
<b>Receivables, total</b>	<b>91,492</b>	<b>91,921</b>

<b>18. SHAREHOLDERS' EQUITY</b>		
(EUR 1,000)	2015	2014
<b>Equity employed</b>		
Share capital on 1 Jan	7,000	7,000
Scrip issue	0	0
Share capital on 31 Dec	7,000	7,000
<b>Share premium account</b>		
Share premium account on 1 Jan	0	0
Scrip issue	0	0
Share premium account on 31 Dec	0	0
<b>Revaluation reserve</b>		
Revaluation reserve 1 Jan	841	841
Revaluation of non-current assets, change	0	0
Revaluation reserve 31 Dec	841	841
<b>Equity employed, total</b>	<b>7,841</b>	<b>7,841</b>
<b>Shareholders' surplus</b>		
Other reserves 1 Jan	0	0
Matching Share Plan, change	2,423	0
Other reserves 31 Dec	2,423	0
<b>Retained earnings</b>		
Retained earnings on 1 Jan	96,401	78,007
Purchase of treasury shares	0	0
Dividend distribution	-12,585	-8,336
Retained earnings on 31 Dec	83,816	69,671
Result for the period	19,559	26,730
<b>Shareholders' surplus, total</b>	<b>105,797</b>	<b>96,401</b>
<b>Total shareholders' equity</b>	<b>113,638</b>	<b>104,242</b>
<b>19. DISTRIBUTABLE FUNDS</b>		
(EUR 1,000)	2015	2014
Retained earnings	83,816	69,671
Result for the period	19,559	26,730
<b>Total</b>	<b>103,374</b>	<b>96,401</b>

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

Ponsse Plc's registered share capital on 31 December 2015 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 33,092 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.

On 16 February 2015, the Board of Directors of Ponsse Plc decided on launching a long-term incentive scheme for the Group's key employees as authorised by the Annual General Meeting. The reward from the plan was paid partly in the company's shares and partly in cash in spring 2015. The cash proportion will cover taxes and tax-related costs arising from the reward to the key employee. Shares given as reward may not be transferred during the restriction period ending on 31 March 2018. The prerequisite for participating in the plan is that a key employee owns the Company's shares up to the number determined by the Board of Directors, or acquires them from the market or in the Company's directed share issue.

## NOTES TO THE PARENT COMPANY'S ACCOUNTS

<b>20. ACCUMULATED APPROPRIATIONS</b>		
(EUR 1,000)	2015	2014
Depreciation difference	2,677	1,431
<b>21. PROVISIONS FOR LIABILITIES AND CHARGES</b>		
(EUR 1,000)	2015	2014
Guarantee provision	6,120	4,747
Other compulsory provisions	0	0
<b>Total</b>	<b>6,120</b>	<b>4,747</b>
<b>22. NON-CURRENT CREDITORS</b>		
(EUR 1,000)	2015	2014
Loans from financial institutions	30,000	29,771
Pension loans	1,350	2,393
Other loans	7,419	0
<b>Non-current creditors, total</b>	<b>38,769</b>	<b>32,164</b>
<b>Debts falling due in more than five years</b>		
Loans from financial institutions	1,000	0
Pension loans	0	0
Other loans	3,587	0
<b>Total</b>	<b>4,587</b>	<b>0</b>
<b>23. CURRENT CREDITORS</b>		
(EUR 1,000)	2015	2014
Loans from financial institutions	18,771	14,371
Pension loans	1,043	2,474
Other loans	2,594	55
Advances received	2,617	55
Trade creditors	48,185	36,259
<b>Liabilities to Group companies</b>		
Advances received	0	2,733
Intra-Group trade creditors	1,642	1,941
Other intra-Group liabilities	0	0
Accruals and deferred income	0	0
<b>Liabilities to Group companies, total</b>	<b>1,642</b>	<b>4,675</b>
Advance invoicing	62	3,117
Other liabilities	1,750	1,813
<b>Accruals and deferred income</b>		
Accrued staff expenses	8,573	7,280
Interest accruals	55	106
Income tax liability	1,423	412
Accruals and deferred income in respect of inventories	0	0
Other accruals and deferred income	3,416	2,686
<b>Accruals and deferred income, total</b>	<b>13,467</b>	<b>10,483</b>
<b>Current creditors, total</b>	<b>90,132</b>	<b>73,248</b>



**24. PLEDGES GIVEN, CONTINGENT AND OTHER LIABILITIES**

(EUR 1,000)	2015	2014
<b>24.1 Pledges given for own debt</b>		
<b>Debts for which mortgages have been pledged as collateral</b>		
Loans from financial institutions	0	0
Mortgages given on land and buildings	0	0
Chattel mortgages granted	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>24.2 Leasing commitments</b>		
<b>Leasing payments payable under leasing agreements</b>		
Leasing payments payable during the next financial period	254	647
Leasing payments payable thereafter	249	249
<b>Total</b>	<b>503</b>	<b>896</b>
<b>24.3 Contingent liabilities on behalf of Group companies</b>		
Guarantees given on behalf of companies within the Group	288	302
The parent company has issued a written security for the external liabilities of its three subsidiaries.		
<b>24.4 Other contingent liabilities</b>		
Guarantees given on behalf of others	0	0
Repurchase commitments	909	96
Other commitments	276	137
<b>Total</b>	<b>1,185</b>	<b>233</b>
<b>24.5 Derivative liabilities</b>		
<b>Forward exchange agreements</b>		
Fair value	-56	-390
Value of underlying asset	30,473	28,849
<b>Interest rate derivatives</b>		
Fair value	-43	-29
Value of underlying asset	41,000	30,057

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 33,092 treasury shares.

The Annual General Meeting authorised the Board of Directors to decide on the acquisition of treasury shares so that shares can be acquired in one or several instalments to a maximum of 250,000 shares. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes. The shares will be acquired in public trading organised by NASDAQ OMX Helsinki Ltd ("the Stock Exchange"). Furthermore, they will be acquired and paid according to the rules of the Stock Exchange and Euroclear Finland Ltd. The Board may, pursuant to the authorisation, only decide upon the acquisition of the treasury shares using the company's unrestricted shareholders' equity. The authorisation is 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, used for increasing shareholders' ownership value by invalidating shares after their acquisition or used in personnel incentive systems. The authorisation includes the right of the Board to decide upon all other terms and conditions of the share issue. The authorisation is proposed to be valid until the next Annual General Meeting; however, no later than 30 June 2016.

The Annual General Meeting authorised the Board of Directors to decide on the issue of new shares and the assignment of treasury shares held by the company for payment or free of charge so that a maximum of 250,000 shares will be issued on the basis of the authorisation. The maximum amount corresponds to approximately 0.89 per cent of the company's total shares and votes. The authorisation includes the right of the Board to decide upon all other terms and conditions of the share issue. Thus, the authorisation includes a right to organise a directed issue in deviation of the shareholders' subscription rights under the provisions prescribed by law. The authorisation is proposed for use in supporting the company's growth strategy in the company's potential corporate acquisitions or other arrangements. In addition, the shares can be issued to the company's current shareholders, sold through public trading or used in personnel incentive systems. The authorisation is valid until the next AGM; however, no later than 30 June 2016.

## INCREASES IN SHARE CAPITAL 1994 - 2015

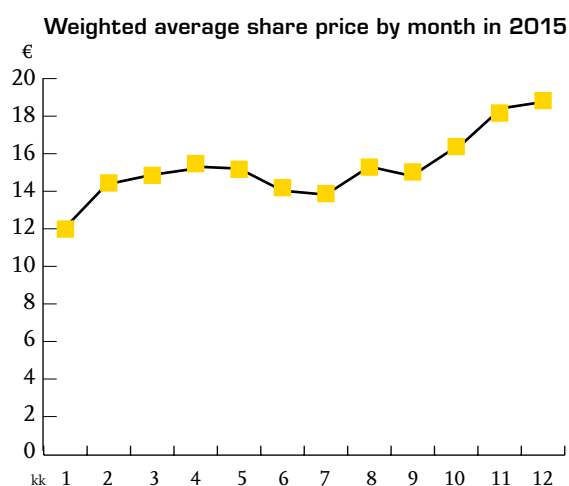
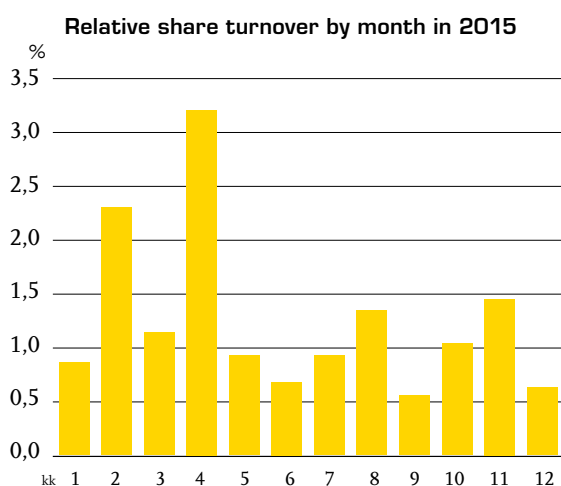
Subscription period	Method of increase	Nominal value EUR	Number of new shares	Increase in share capital EUR	New share capital EUR
31 August 1994	Scrip issue	0.84	1,300,000	1,093,221.52	2,489,181.31
9–22 March 1995	Scrip issue	0.84	148,000	124,459.07	2,613,640.38
9–22 March 1995	Rights issue targeted 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 2015

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	2,990,279	246,665	11.66	12.50	12.12	12.44	348,320,000	28,000,000	0.88
2	9,191,668	640,386	12.43	15.95	14.35	14.60	408,800,000	28,000,000	2.29
3	4,775,958	321,677	14.11	15.29	14.85	14.64	409,920,000	28,000,000	1.15
4	13,553,698	888,638	14.41	15.72	15.29	14.99	419,720,000	28,000,000	3.17
5	3,783,443	249,228	14.33	15.63	15.18	14.33	401,240,000	28,000,000	0.89
6	2,768,282	196,853	13.13	14.90	14.06	13.47	377,160,000	28,000,000	0.70
7	3,434,600	246,551	13.10	14.84	13.93	14.69	411,320,000	28,000,000	0.88
8	5,746,933	377,616	13.60	15.77	15.22	14.82	414,960,000	28,000,000	1.35
9	2,332,357	155,898	14.00	15.70	14.96	14.77	413,560,000	28,000,000	0.56
10	4,785,246	294,102	14.80	17.49	16.26	17.42	487,760,000	28,000,000	1.05
11	7,411,110	401,163	17.25	19.34	18.48	18.95	530,600,000	28,000,000	1.43
12	3,228,315	171,717	18.20	19.77	18.80	18.36	514,080,000	28,000,000	0.61
<b>2015</b>	<b>64,001,889</b>	<b>4,190,494</b>	<b>11.66</b>	<b>19.77</b>	<b>15.28</b>	<b>18.36</b>	<b>514,080,000</b>	<b>28,000,000</b>	<b>14.97</b>



**SHAREHOLDER PROFILE ON 31 DECEMBER 2015**

	Shares, pcs	Percentage of shares and votes, %	Shares of nominee-registered, pcs	Shares of nominee-registered, %	Votes, pcs	Percentage of votes, %
Enterprises	965,954	3.450	0	0	965,954	3.450
Financial institutions and insurance companies	1,519,210	5.426	1,060,886	3.789	2,580,096	9.215
Public sector entities	807,190	2.883	0	0	807,190	2.883
Households	22,948,132	81.957	0	0	22,948,132	81.957
Non-profit organisations	566,365	2.023	0	0	566,365	2.023
Foreign holding	104,537	0.373	27,726	0.099	132,263	0.472
<b>Total</b>	<b>26,911,388</b>	<b>96.112</b>	<b>1,088,612</b>	<b>3.888</b>	<b>28,000,000</b>	<b>100.000</b>

**ANALYSIS OF SHAREHOLDERS ON 31 DECEMBER 2015**

Shares per shareholder	Number of shareholders	Percentage of shareholders, %	Shares, total, pcs	Percentage of shares and votes, %
1-100	3,392	36.846	192,473	0.687
101-500	3,599	39.094	992,401	3.544
501-1,000	1,051	11.416	840,398	3.001
1,001-5,000	961	10.439	2,153,665	7.692
5,001-10,000	100	1.086	732,172	2.615
10,001-50,000	83	0.902	1,650,206	5.894
50,001-100,000	5	0.054	395,641	1.413
100,001-500,000	10	0.109	3,007,881	10.742
over 500,000	5	0.054	18,035,163	64.412
<b>Total</b>	<b>9,206</b>	<b>100.000</b>	<b>28,000,000</b>	<b>100.000</b>

**SHAREHOLDERS ON 31 DECEMBER 2015**

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	3,684,263	13.16	13.16
5	Nordea Nordic Small Cap mutual fund	687,380	2.45	2.45
6	Ilmarinen Mutual Pension Insurance Company	392,666	1.40	1.40
7	Varma Mutual Pension Insurance Company	389,000	1.39	1.39
8	Einari Vidgrén Foundation	388,000	1.39	1.39
9	Nordea Bank Finland Plc (nom. reg.)	357,839	1.28	1.28
10	Skandinaviska Enskilda Banken Ab (nom. reg.)	341,956	1.22	1.22
11	Svenska Handelsbanken AB (nom. reg.)	325,473	1.16	1.16
12	Evli Suomi Pienyhtiöt mutual fund	251,555	0.90	0.90
13	Aktia Capital mutual fund	240,000	0.86	0.86
14	Säästöpankki Kotimaa mutual fund	179,392	0.64	0.64
15	EQ Pohjoismaat Pienyhtiö	142,000	0.51	0.51
16	Danske Invest Suomen Pienyhtiöt mutual fund	98,500	0.35	0.35
17	SEB Finland Small Cap	90,000	0.32	0.32
18	Laakkonen Mikko	80,000	0.29	0.29
19	Relander Harald	76,000	0.27	0.27
20	Randelin Mari	51,141	0.18	0.18
21	Rinta-Jouppi Jarmo	50,000	0.18	0.18
22	Tiitinen Arto	50,000	0.18	0.18
23	KPY Sijoitus Oy	41,727	0.15	0.15
24	Vidgrén Kalle Samuel	40,800	0.15	0.15
25	Mutual fund Alfred Berg Finland	40,732	0.15	0.15
26	Vidgrén Henri Eemil	38,084	0.14	0.14
27	Outokummun Metalli Oy	36,000	0.13	0.13
28	Aleksin Kivi Oy	35,000	0.13	0.13
29	Apotrade Consulting Oy	35,000	0.13	0.13
30	Nummela Juho	33,259	0.12	0.12
	Other shareholders	6,160,713	22.00	22.00
	<b>Total</b>	<b>28,000,000</b>	<b>100.00</b>	<b>100.00</b>

At year-end 2015, Ponsse Plc had 9,206 shareholders (on 31 December 2014: 8,314).

**Management holdings**

Members of the Board of Directors, President and CEO, companies under their control and their underage children held a total of 13,754,503 Ponsse Plc shares on 31 December 2015, corresponding to 49.1 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 103,374,345.27.

The company's Board of Directors proposes that the Annual General Meeting authorise a dividend of EUR 0.55 per share for 2015.

Vieremä, 15 February 2016

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 2015. 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, 15 February 2016

PricewaterhouseCoopers Oy  
Authorised Public Accountants

SAMI POSTI  
Authorised Public Accountant

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A logger's best friend

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