ANNUAL REPORT 2011

PKC GROUP

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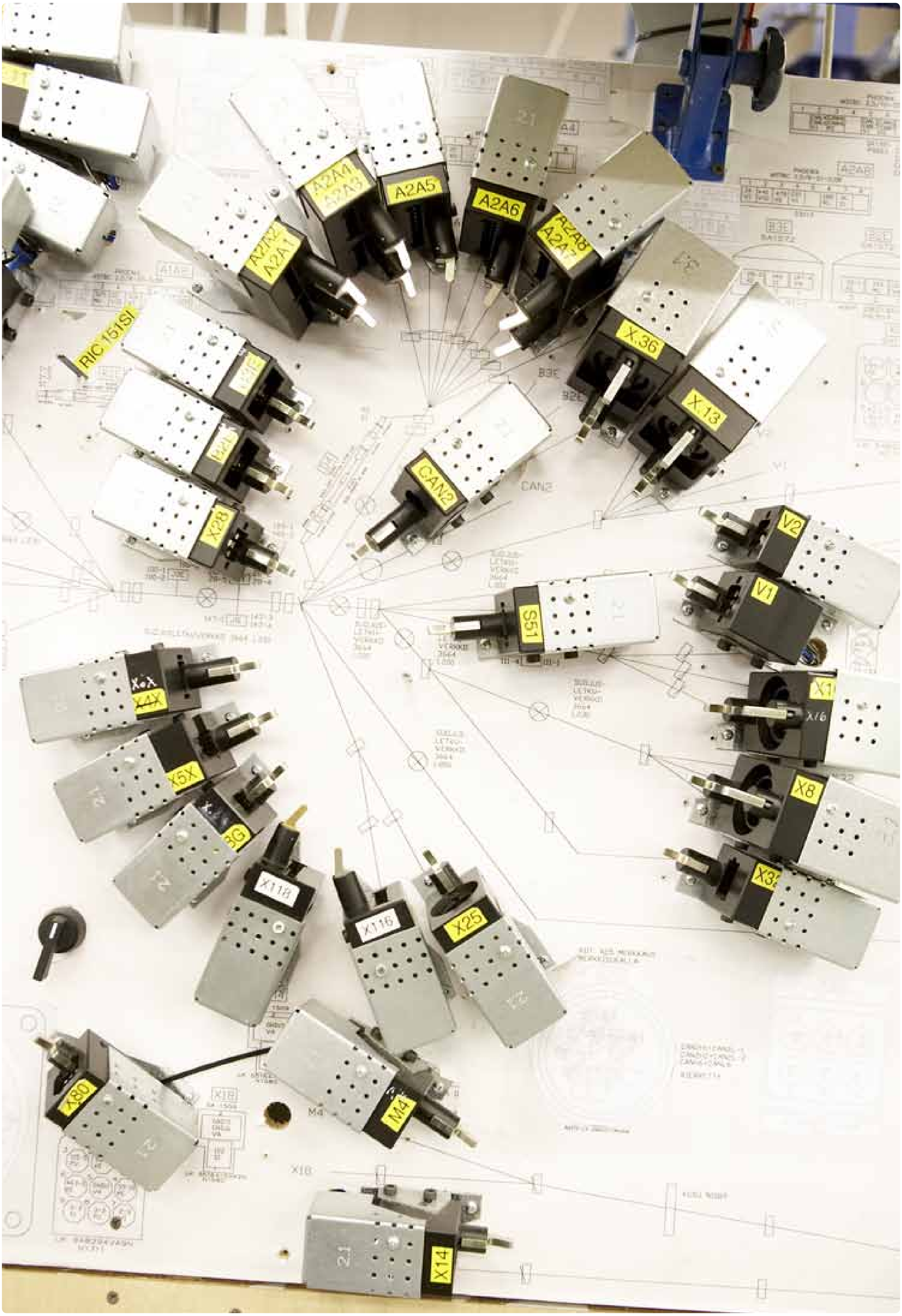
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BUSINESS

GROUP LOCATIONS

NORTH AMERICA

- Acuna, Mexico
- Farmers Branch, Texas, USA
- Green Valley, Arizona, USA
- Farmington Hills, Michigan, USA
- Jeffersontown, Kentucky, USA
- Juarez, Mexico
- Kirkland, Washington, USA
- Monterey, Mexico
- Nogales, Mexico
- Piedras Negras, Mexico
- Portland, Oregon, USA
- San Antonio, Texas, USA
- Torreon, Mexico
- Traverse City, Michigan, USA

SOUTH AMERICA

- Campo Alegre, Santa Catarina, Brazil
- Curitiba, Paraná, Brazil
- Itajubá, Minas Gerais, Brazil
- São Bento do Sul, Santa Catarina, Brazil
- São Paulo, São Paulo, Brazil

EUROPE

- Barchfeld, Germany
- Dundalk, Ireland
- Haapsalu, Estonia
- Keila, Estonia
- Kempele, Finland (Headquarters)
- Kostomuksha, Karelia, Russia
- Mukachewo, Ukraine
- Raahe, Finland
- Sosnowiec, Poland
- Starachowice, Poland

ASIA

- Suzhou, China

- Electronics unit
- Wiring Systems unit

PKC Group is a global designer and contract manufacturer of wiring systems and electronics. The products and services of the Group are delivered to the commercial vehicle, automotive and electronics industries. The Group's manufacturing facilities on four different continents ensure a comprehensive service and production network.

The net sales of PKC Group in 2011 totalled EUR 550.2 million. The Group employs 21,528 skilled personnel, and its manufacturing facilities are located in Brazil, China, Estonia, Ireland, Finland, Germany, Mexico, Poland, Russia, Ukraine, and the United States. PKC Group Oyj is listed on NASDAQ OMX Helsinki Ltd.

History

- In 1969, Pohjolan Kaapeli Oy, a subsidiary of Nokia Oy, established a wiring harness production facility in Kempele
- In the early 1990s, the company began co-operation with subcontractors in Estonia and Russia
- In 1994, PK Cables Oy was established. It was the first company from northern Finland to be listed on the Helsinki Stock Exchange, in 1997
- At the end of the 1990s, the Group opened a factory in Brazil, and acquired its Electronics business
- In the early 2000s, the Estonian and Russian subcontracting operations were bought
- The North American operations were acquired and the Chinese factory was set up in 2006
- In 2008, the Polish operations were acquired.

Key events in 2011

- PKC became a leading, global electrical distribution systems manufacturer for heavy-duty trucks through acquisitions
- The acquisition of the AEES companies in the United States, Mexico, Brazil and Ireland along with the acquisition of the SEGU companies in Central Europe strengthened PKC's product and service portfolio and its market position, particularly in North America and Central Europe
- The Group's comparable net sales for the Wiring Systems business grew as the automotive-industry market recovered, but net sales in the Electronics business remained at the previous year's level
- Comparable profitability for Wiring Systems remained at a good level, but profitability for Electronics fell from the previous year

GROUP KEY FIGURES

	2011	2010	2009	2008	2007
Net sales, EUR million	550.2	316.1	201.8	311.7	288.6
Operating profit, EUR million	34.5	29.7	0.7	21.0	28.2
Profit before taxes, EUR million	29.4	25.0	1.1	15.2	25.6
Return on investment (ROI), %	18.9	25.8	6.4	20.8	23.4
Equity ratio, %	30.0	56.5	49.2	41.9	47.2
Gross capital expenditure, EUR million	101.5	8.6	3.9	27.4	10.8
Earnings per share (EPS), EUR	1.16	1.09	0.13	0.31	0.98
Dividend per share, EUR	0.60 (*	0.55	0.40	0.15	0.45

(* Board's proposal

REVIEW BY THE PRESIDENT AND CEO

One year ago, I forecast in this column that 2011 would be a successful and interesting year. Forecast proved to be correct. An indication of this success is the company's strong growth in business and profit to a new record level. PKC Group's net sales increased some 74% on the previous year and profit before non-recurring items about 35%. Net sales increased both organically and through corporate acquisitions.

The acquisitions that strengthened our market position made the past year particularly interesting. The execution of large-scale acquisitions required some effort from PKC Group's management. After the acquisitions, PKC Group is a leading global supplier of electrical systems for trucks and also a significant supplier of electrical systems for light vehicles and construction equipment.

I began my first stint as PKC Group's President and CEO in spring 2002, when one of my first tasks was to restructure the company's organisation and to acquire foreign production units from Finland's neighbouring areas, to carry out significant investments in them and finally to transfer work to the new plants. In that way, a new competitive cost level was created for business, and we were able to assure our customers about our ability to respond to competition in the future.

In autumn 2005, I switched from President and CEO to Chairman of the Board. The company's competitiveness did not develop as we would have liked in the following years, and I returned to the position of President and CEO in spring 2008. My first task was to carry out significant operational reorganisation. I streamlined management by dissolving the matrix organisation. We reduced the number of plants and lowered labour costs at some of the Group's plants. We moved the last remaining wiring systems production abroad. In that way, we were able to meet the downturn of 2008 and 2009 in good shape. When the economy began to recover in 2010, PKC was once again a very well positioned. Based on our chosen strategy, we worked hard to grow globally through corporate acquisitions, particularly in the field of electrical systems for commercial vehicles. Acquisitions completed in 2011 are a visible part of this intensive strategic work, which has been going on for many years. The company's present position as a leading global supplier of electrical systems for trucks is creating a new foundation for future business.

Concern on the availability of investment financing has decreased after the Central Bank of Europe decreased its key interest rates and released a low interest loan program. It is my view that reasonably priced financing will be available for truck investments also in the future. I also believe that demand for transportation will increase in all our market areas. The significant fall in the level of truck replacement investments in Europe in 2008–2010 and in North America in 2007–2010 resulted

2011 was a successful and interesting year. An indication of this success is the company's strong growth in business and profit to a new record level. The acquisitions that strengthened our market position made the past year particularly interesting.

in the ageing of transport equipment. The 2011 level of investment is at a sustainable replacement investment level. I believe that as financial preconditions are now returning, the level of replacement investments will grow in the coming years. During autumn 2011, order flows for trucks weakened gradually but began to pick up again in November and December. It seems that this trend continues in early 2012. In North America, where a significant part of PKC Group's net sales is created today, there is currently a particularly good truck order book and outlook for 2012. PKC Group forecasts that this year's net sales and comparable operating profit will exceed the level of 2011. We have excellent prerequisites once again to reach new records in net sales and operating profit.

I have often stated that, in order to be a credible global supplier for the automotive industry, any company must have leading customers, especially in the USA and Germany. In the truck sector, Swedish customers are also very valuable. The fostering of these customer relationships requires very close interaction, which means that the company's management model must be correspondingly developed. In this respect, we are implementing a number of significant reforms. The operational functions of the company's Wiring Systems business will be run from two management centres: Detroit in the USA and Munich in Germany. Detroit will manage operations in North and South America and Munich will control Europe and Asia. Headquarters, which is proposed to be moved from Kempele to Helsinki, will be in charge of management for the whole Group. In conjunction with this, we are increasing the expertise of the Board of Directors also with new foreign members who have won their spurs in the automotive industry.

This review is my last one as President and CEO of PKC Group. At the coming Annual General Meeting in spring 2012, I will leave this position. I am a candidate for membership of the Board. In the ten-year period that I have been in control, the value of PKC Group shares has increased almost eight-fold. In addition to this, each year the company has paid almost half of its net profit in dividends. In comparison, the gross return of the OMX Helsinki index has been negative over the last decade. PKC Group's ability to go on increasing ownership value is, in my opinion, excellent.

I would like to thank the entire personnel of the Group for their excellent work. I would also like to thank all our interest groups for supporting our success. I wish the shareholders all the best with PKC. Thank you for the years we have had together!

Harri Suutari

STRATEGIC OUTLINES

In accordance with the strategy, operations were expanded through acquisitions. The acquisitions of operations in Central Europe, North America, Brazil and Ireland led PKC to grow into a leading, global, electrical distribution systems manufacturer for trucks. Expansion of the product and service network will significantly increase the Group's competitiveness also in the future.

PKC's vision is to be a customer-oriented, proactive contract manufacturer and product development partner, which offers price-competitive and high-quality products and services. In practice, this means that PKC is a flexible partner and functions in close interaction with customers. PKC actively seeks solutions that ensure the competitiveness of its products and services in the future as well. High productivity and cost effectiveness is strived for in all operations.

Strategic measures in 2011

- The acquisitions of the AEES and SEGU companies led PKC to grow into a global, leading electrical distribution systems manufacturer for trucks, and significantly strengthened PKC's product and service portfolio, market areas and customer base
- The cooperation between Wiring Systems and Electronics business segments was increased in order to achieve synergies
- Use of the Lean Management principles was expanded, and Six Sigma expertise was increased

PKC expanded its service network in Central Europe by buying the SEGU companies in Germany, Poland and Ukraine. Besides providing PKC with new OEM customers, the acquisition created a strategically important foothold in Germany. The acquisition of the AEES companies in North America, Brazil and Ireland led PKC to grow into a leading, global electrical distribution systems manufacturer for heavy-duty trucks. As a result of the acquisition, PKC also became a supplier to the automotive industry in North America and Brazil. Among AEES's largest customers in the truck industry are Daimler Trucks North America, Navistar and Paccar. The main customers in the light vehicle sector include Continental, Ford, General Motors, Harley Davidson and Lear. AEES's component and wire production have expanded PKC's product portfolio.

The acquisitions have strengthened and expanded PKC Wiring Systems business to a level that meets the needs of a global clientele. The acquisitions will help in the utilisation of wider synergies between the business areas.

To ensure competitiveness, programmes to strengthen operative efficiency were implemented in both business areas. Systematic transfers of production and development of the order-supply process improved profitability. The areas of focus for internal development projects were utilisation of Lean Management practices and improvement of productivity, reliability of supplies and product quality. In addition, development of services reducing the overall costs of products to customers was continued.

The Group's strategic objectives

PKC's aim is to grow profitably. Profitable growth is being sought through deepening existing customer relationships and by expanding the clientele in current and new customer segments. By utilising the product and service portfolio and the synergies between the business areas, we can offer customers more comprehensive packages.

In all operations, we strive for high customer satisfaction by producing first-rate, competitive products and services intended to exceed customers' expectations. With the help of a comprehensive product and service portfolio and an extensive production network, we will meet the needs of a global clientele. Close customer collaboration enables provision of services generating additional value as well as effective supply-chain management.

VALUES

PKC Group's values support implementation of the strategy and guide the daily operations.

COMMITMENT

We commit to the promises we make to customers, partners and co-workers.

QUALITY

We acknowledge our responsibility for the quality of our services and products and aspire to jointly making our operations more efficient and flawless. We take responsibility for our operating environment and strive to minimise any harm caused to the environment.

PROFITABILITY

We run profitable and productive operations, use capital efficiently, and maintain the solvency of our company at a high level.

CO-OPERATION

Our openness, appreciation of each other and equal treatment lay the foundation for fruitful co-operation.

We are able to strengthen our competitiveness and market position by utilising our global production and service network, increased technical know-how and synergies between our business areas. In addition, clarifying our technology strategy and taking advantage of in-house production of components create opportunities for us.

By utilising the Group's best practices and by developing the cooperation between functions, a sustainable base for profitable business operations is being established. Profitability and the implementation of strategy are assured by capable personnel that knows the business environment and understands the demands of customers.

In order to ensure the realisation of the Group's strategic objectives, PKC utilises its core strengths and competitive advantages:

- Long-term, confidential customer relationships
- A global service network close to the customer
- Almost all production in low-cost countries
- A comprehensive product and service portfolio for the product's entire life-cycle
- Excellent technical know-how and strong experience of the industry.

BUSINESS AREAS

The operations of the Group are divided into two business areas, Wiring Systems and Electronics. PKC designs and manufactures high-quality, tailored solutions for international customers. The expectations of customers are fulfilled by offering a comprehensive product range and a service concept for the product's whole life-cycle.

The Wiring Systems business designs, develops and manufactures tailored electrical distribution systems, components, wire and cable, particularly for trucks, light and recreational vehicles, and for farming and forestry machinery. The electrical distribution systems manufactured by PKC are responsible for power supply and transfer of information. Proactive design and effective management of the supply chain are carried out in close co-operation with customers, according to their requirements.

The Electronics business provides design and contract manufacture services to industrial electronics and the commercial vehicle and energy industries. Products designed and manufactured by PKC are used e.g. in power control for machinery, the testing of electronic products and for energy-saving. The service concept includes services covering the product's whole life-cycle.

Personnel and know-how

PKC's competitiveness is based on its skilled and professional personnel. As a result of strategic acquisitions, the number of employees has grown significantly. Growth was focused on the foreign units, where 98% of the Group's employees worked at the end of the year. The total number of employees working for the Group at year's end was 21,528, in addition to which 367 were rented employees.

Expertise in manufacturing, products, technology and components was strengthened as a result of the acquisitions. Strong experience of the automotive industry and of markets and customers in North America and Central Europe is further increasing PKC's ability to compete. By increasing co-operation between the business areas and by identifying best practices, we are strengthening expertise in the organisation.

THE BUSINESS OPERATIONS OF THE GROUP ARE DIVIDED INTO TWO BUSINESS AREAS, WIRING SYSTEMS AND ELECTRONICS. PKC OFFERS A COMPREHENSIVE PRODUCT AND SERVICE PORTFOLIO FOR THE WHOLE PRODUCT LIFE-CYCLE.

Continuous improvement

Uncertainty in the markets and continuous changes in the business environment set challenges for the development of operations. Our efforts to remain competitive and the growing demands of customers encourage us to make continual improvements. Since PKC's objective is a satisfied customer and a service exceeding customers' expectations, special attention is given in all operations to cost-effectiveness, operational quality and the improvement of working practices.

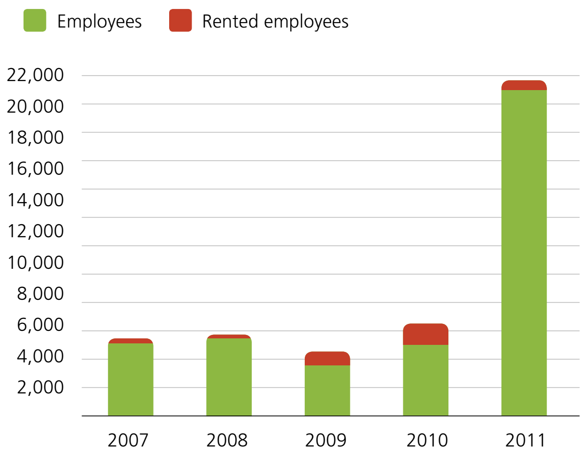
The tried and tested practices and tools are part of PKC's quality best practices. Widening the use of Lean Management principles supports continuous improvement and development and promotes competitiveness. In 2011, training was given in the Lean Management practices, and their use was widened, being introduced to many factories. The aim is to extend tools for effective working practices to the whole organisation. Use of the SaQu tool, which measures tidiness and order in production areas, was expanded. With the help of the tool, functionality, productivity, safety and quality in the work environment are noted and improved, and it has been developed in collaboration with occupational health and safety experts.

Use of Six Sigma, which is part of quality best practices, was expanded in both business areas. The tools and procedures for making operations more efficient, which arose as the result of development projects, are being established for daily use. By using the tools developed, supply chain management, reliability of supplies and product quality were improved.

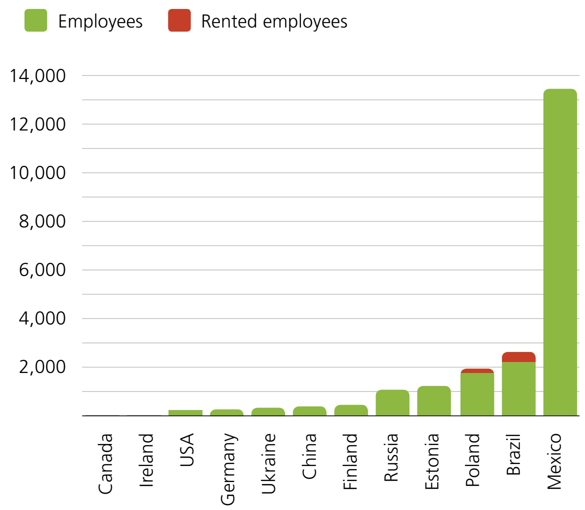
Quality and the environment

Quality is one of the Group's values. A high level of customer satisfaction is the result of high-quality daily operations. PKC's activity is based on the ISO 9001 and ISO 14001 quality and environmental standards as well as the automotive industry's ISO/TS 16949 quality standard.

NUMBER OF PERSONNEL FROM 2007 TO 2011



PERSONNEL BY GEOGRAPHICAL LOCATION AT THE END OF 2011



The certification process for the environmental management system at the factories located in Sosnowiec, Poland, and Mukachevo, Ukraine, will be concluded in the spring of 2012, and Campo Alegre and São Bento do Sul, Brazil in year 2012. The production units located in Curitiba and Itajubá, Brazil, and Suzhou, China, have also been certified in accordance with the OHSAS 18001 occupational health and safety system standard. The OHSAS 18001 certification process for the manufacturing plants located in Raahe, Finland, and Kostomuksha, Russia, has been started and will be concluded during the first part of 2012. In connection with the integration of the business acquisitions, the quality systems, efficiency and quality indicators as well as the working practices in the factories will be unified.

PKC wants to carry responsibility for the well-being of the environment by developing energy-saving solutions and by designing products where emissions and material usage are minimised. The environmental effects of manufacturing will be reduced by optimising deliveries, by improving energy efficiency in the production plants and via efficient management of materials. By reducing, sorting and recycling waste, the burden on the environment is minimised. Products are delivered to clients in recyclable and reusable packages in order to reduce packaging waste. Customers' environmental requirements are taken into account in the components chosen for products. As an important part of cooperation with suppliers, requirements are set for them to minimise their environmental impact.

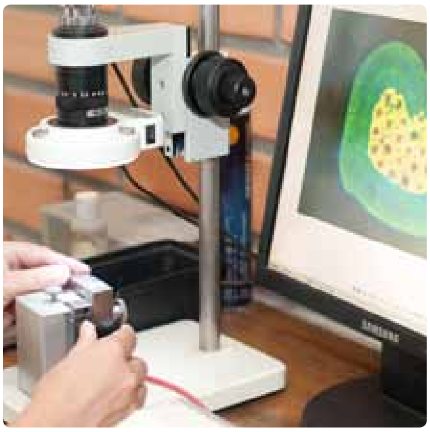
QUALITY SYSTEMS

PKC's activity is based on the ISO 9001 and ISO 14001 quality and environmental standards as well as the automotive industry's ISO/TS 16949 quality standard.

CONTINUOUS IMPROVEMENT

PKC's aim is a satisfied customer and a service that exceeds the expectations of customers. The best quality practices support continuous improvement.

PKC IS A LEADING, GLOBAL MANUFACTURER OF ELECTRICAL DISTRIBUTION SYSTEMS FOR TRUCKS. IN ADDITION, PKC DESIGNS AND MANUFACTURES COMPONENTS, WIRE AND CABLE.



WIRING SYSTEMS

PKC is a leading, global designer and manufacturer of electrical distribution systems for trucks. In addition, the Wiring Systems business manufactures components, wire and cable. In 2011, Wiring Systems business accounted for 86.7% of consolidated net sales.

High-quality and highly tailored electrical distribution systems are supplied, in particular for trucks, and light and recreational vehicles, as well as for agricultural and construction equipment. In addition, PKC designs and manufactures plastic components, connectors, junction boxes, power distribution centres and wire for other contract manufacturers.

Key events in the Wiring Systems business in 2011:

- The acquisition of the AEES companies situated in North America, Brazil and Ireland expanded the product and service portfolio and created a significant position for the North American market and clientele
- The acquisition of the SEGU companies' German, Polish and Ukrainian units strengthened the strategically important Central European service network
- Supplies to the commercial vehicle industry grew significantly
- The competitive cost structure was strengthened by making the production processes more efficient
- The integration of the AEES and SEGU companies into Group's operations was commenced in order to achieve synergies

Operating environment

The manufacture of heavy-duty trucks grew in PKC's key market regions in Brazil, Europe and North America. The significant fall in the level of truck replacement investments in Europe in 2008–2010 and in North America in 2007–2010 resulted in the ageing of transport equipment. The 2011 level of investment is at a sustainable replacement investment level. During autumn 2011, order flows for trucks weakened gradually but began to pick up again in November and December. It seems that this trend continues in early 2012. In North America, where a significant part of PKC Group's net sales is created today, there is currently a particularly good truck order book and outlook for 2012.

In Brazil, the new changes in exhaust-gas emission regulations may cause a drop in sales of heavy-duty trucks at the start of 2012. However, due to a strong economy, demand is expected to take a fast upward turn. Several truck manufacturers have reported significant investments in the Brazilian truck industry to meet its growing demand.

Sales of medium and light trucks rose in North America, and the growth is expected to continue in production volumes in 2012. In Brazil, sales of light vehicles grew, even though a new tax to control imports and to increase local production was imposed on imported vehicles.

Production of agricultural and construction equipment grew in Europe, and North and South America, excluding the sales of tractors in Brazil. Production volume of construction equipment is expected to grow especially in North and South America. Volumes of deliveries of wiring systems for recreation vehicles grew in Europe and North America.

Due to uncertainty in the markets, the business environment remained challenging. Customers continued the harmonisation of technologies and the global expansion of the product families, which, for its part, will change the competitive situation. The importance of a global production and service network will be highlighted further as customers want global suppliers.

Becoming a leading, global supplier of wiring systems for heavy-duty trucks

PKC made a significant strategic acquisition by buying AEES, North America's leading producer of electrical distribution systems for heavy and medium trucks, which also has an important position in electrical distribution systems for light vehicles. As a result of the deal, PKC also became a supplier to the automotive industry in North America and Brazil. AEES also supplies components and wire to other contract manufacturers.

The acquisition created a significant position for the North American market and clientele, and it strengthened the position of Wiring Systems business globally. Strong experience of the vehicle industry and of markets and customers in North America further increases PKC's competitiveness. The production units in Brazil, Ireland, Mexico and the United States will significantly expand PKC's production network.

The acquisition grew PKC's Wiring Systems business to a level that meets the future needs of a global clientele. In addition to its geographical position and an increased clientele, the expansion of the product and service portfolio and utilisation of in-house production of components and wire will strengthen PKC's competitiveness.

PKC strengthened its Central European service network

The acquisition of the German, Polish and Ukrainian units of the SEGU companies strengthened the strategically important Central European service network and created a significant foothold in the German market. The new OEM customers and the strengthening of the Central European service and production network will increase, for their part, PKC's competitiveness globally too.

The units situated in Germany, Poland and Ukraine develop and manufacture electrical distribution systems and components for the commercial vehicle, automotive and construction equipment industries. The SEGU companies also have technical expertise that will further benefit PKC's Wiring Systems business.

Competitive advantage by utilising synergies and improving operations

The integration of the AEES and SEGU companies into the Group has begun. The aim is to utilise more effectively the synergies of the global organisation, clientele, technical expertise and comprehensive product and service portfolio to strengthen the Group's competitiveness. The integration also includes the introduction of competitive and beneficial operating models in design, product development and supply chain management.

Increasing collaboration in the production and usability of components as well as expanding technical expertise will strengthen, for their part, the Group's competitiveness. Co-operation between the Wiring Systems and Electronics businesses enables the achievement of synergy benefits. By offering more extensive product and service concepts, added value is created for customers.

In internal development projects, production quality and productivity were improved to ensure our price competitiveness. In order to address tightening competition, the sourcing operations took advantage of global purchasing volumes in the requests for competitive bids from suppliers.

Strengths of the Wiring Systems business:

- Solid customer and industry experience
- Long-term customer relationships with major manufacturers in the field
- Global production network close to the customer
- Strong technical expertise and a comprehensive product and service portfolio
- Strong expertise in mass producing product variations (synchro-production)
- Profit responsible line organisation which enables rapid and customer-oriented management and decision-making

THE ELECTRICAL DISTRIBUTION SYSTEMS MANUFACTURED BY PKC ARE USED IN DEMANDING CONDITIONS IN TRUCKS, LIGHT AND RECREATIONAL VEHICLES, AND IN AGRICULTURAL AND CONSTRUCTION EQUIPMENT.

THE ELECTRONICS BUSINESS' SERVICE CONCEPT OFFERS THE CUSTOMER PROFESSIONAL DESIGN AND PRODUCT DEVELOPMENT OPERATIONS, AS WELL AS COST-EFFECTIVE PROTOTYPE AND VOLUME PRODUCTION IN EUROPE AND ASIA.

ELECTRONICS

The Electronics business offers electronics contract design and manufacturing services for the automotive, electronics and energy industries. In 2011, the Electronics business accounted for 13.3% of consolidated net sales.

A particular strength of PKC is its ability to offer comprehensive services from design to manufacture. The service concept also covers strong testing and mechanical design expertise. The cost-efficient and flexible production network meets various customer requirements. Manufacturing of prototypes, smaller production series and products that are in the initial stage of the life-cycle is carried out in the electronics plants in Finland and China. Cost-effective volume production is concentrated in the Chinese and Russian factories.

Key events in the Electronics business in 2011:

- Demand of automotive electronics continued to grow along with new customers and product development
- New, interesting customers were acquired in industrial electronics and in the environmental and measurement technology fields
- Cost-effectiveness was increased by improving the supply chain and material management and by increasing production in lower-cost countries
- The strengthening of product development expertise was continued, particularly in the Chinese unit
- The ISO/TS 16949 quality system in the Chinese and Russian units was successfully certified

Operating environment

The instability of the world economy negatively impacted on the level of industrial investments in Europe and China. In China, wind-power projects in the energy segment were temporarily cut back because of new wind-power regulations. The demand for renewable-energy and energy-saving solutions in the market grew. Supplies to Asia in the energy segment grew significantly. The predictability of the Electronics business field remained challenging throughout the year.

Uncertainty regarding the market situation in the telecommunications industry led to changes in customers' product strategies, which was also apparent in the demand for design and manufacturing services in the Electronics business.

There were challenges in the availability of components at the start of the year, but the situation improved towards the end of the year. The natural disasters in Japan and Thailand did not cause significant problems in the availability of electronics components.

New product solutions and customers

The development of automotive electronics continued to be strong, and its clientele widened. The product development organisation operated actively in automotive industry's development projects in collaboration with research institutes. The co-operation between the Wiring Systems and Electronics businesses enabled the provision of comprehensive services to customers in the automotive industry. The AEES acquisition will also open up a channel to new customers for the Electronics business and the opportunity to extend co-operation in the manufacture and usability of components.

The service concept aimed at reducing the overall costs of the product for the customer stabilised its position in the service portfolio. In addition to lower production costs and material savings, the service concept offers new solutions throughout the product life-cycle. The new solutions can improve, for instance, a product's usability, durability or technology.

The demand for power supply unit design continued to rise. Development work increased supplies of intelligent LED lighting solutions. The development of new, faster and more flexible testing solutions continued in close co-operation with clients. The design of renewable-energy solutions and intelligent electrical power networks created a competitive advantage in the market for the Electronics business.

Efficiency with new operating models

According to the Group strategy, design and product development expertise were strengthened, particularly in China. Co-operation between the Finnish and Chinese organisations enabled a more comprehensive service portfolio for global customers. Local prototype and pre-production manufacture support faster entry of products to the market.

In the Electronics business, new development projects aiming to increase profitability were implemented. The division of work between the factories was changed, and systematic transfers of production to lower cost countries were implemented. The Finnish plant retained an important role in manufacture of pre-production series at the initial stage of the product life-cycle.

In order to improve the reliability of supplies and production efficiency, the factories utilised Lean Management practices, which promote cost-effective supply chain. In sourcing and logistics, special attention was paid to the management and optimisation of material flows and stocks. As a result of the strengthening of the sourcing function in China, the focus of material sourcing has been transferred increasingly to Asian suppliers.

Competitive advantages by strengthening of expertise

All the Electronics factories have been certified in accordance with the automotive industry's ISO/TS 16949 quality system. The certifications enable direct deliveries to automotive industry clients and thereby significantly expand the market area in the Electronics business. The quality of operations was improved by training employees in the Six Sigma process and by implementing many Six Sigma development projects. Quality practices created by the projects will be implemented as part of operations during 2012.

In order to improve occupational safety and strengthen the operations, the OHSAS 18001 occupational health and safety system standard certification was continued. The objective is that all the Group's Electronics factories are certified in accordance with the OHSAS 18001 standard during the first half of 2012.

Strengths of the Electronics business:

- Long-term customer relationships and strong understanding of the market
- Innovative product development and pre-production close to the customer and volume production in countries with a lower cost level
- Services covering for the entire product life-cycle from design to maintenance
- A comprehensive service concept to reduce the overall costs for a customer's product
- Strong experience in the development and manufacture of automotive electronics and products relating to renewable energy
- Global and efficient procurement of materials

PKC DESIGNS AND MANUFACTURES AUTOMOTIVE-ELECTRONICS APPLICATIONS, PRODUCTS USED FOR CONTROLLING ENERGY NETWORKS AND MACHINE POWER, AS WELL AS TESTING AND MAINTENANCE EQUIPMENT FOR ELECTRONIC DEVICES.


PKC GROUP

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

This statement has been prepared in accordance with recommendation 54 of the Finnish Corporate Governance Code, and it also covers other key areas of governance. This statement on corporate governance is issued separately from the report of the Board of Directors. It is included in the annual report which is available on our website.

PKC Group Oyj complies with the Finnish Corporate Governance Code. The Code is publicly available from, for example, the website of the Finnish Securities Market Association, www.cgfinland.fi. The company's Corporate Governance Guidelines and a regularly updated report on corporate governance are published on the company's website.

Deviating from the guidelines

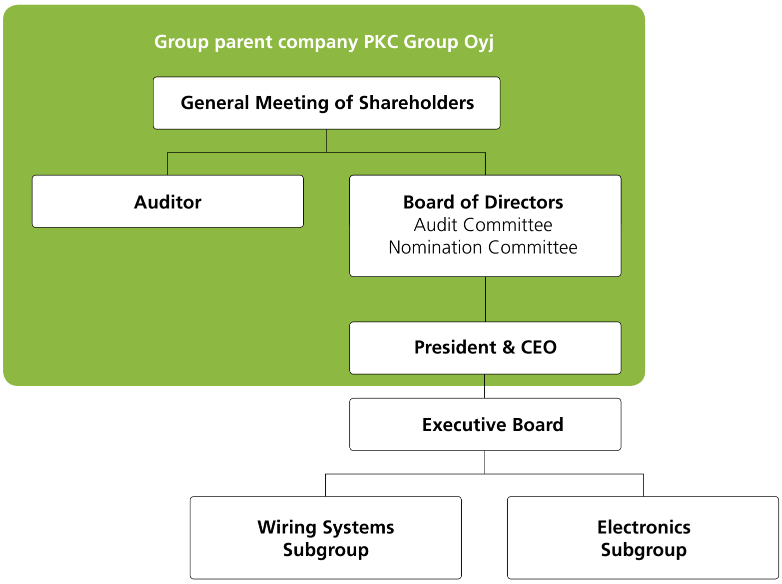
The company deviates from the Finnish Corporate Governance Code's recommendation concerning the minimum number of members in the Audit Committee (Recommendation 22 - Appointment of members to the committees) as of 1 January 2012 after the resignation of Matti Hyytiäinen from the Board of Directors. Taking into account the remaining term of the committee, number of the members on the Board and the nature of the company's operations, the Audit Committee is able to handle matters effectively with just two members.

GENERAL MEETING OF SHAREHOLDERS

The highest power of decision is vested in the General Meeting, which resolves the issues stipulated in the Companies' Act and Articles of Association.

The Annual General Meeting is held, upon completion of the financial statements, on the day specified by the Board of Directors, no later than the end of June, either at the company's registered office in Kempele or in

GROUP MANAGEMENT STRUCTURE



Helsinki. At the Annual General Meeting, matters relating to the meeting are dealt with in accordance with the Articles of Association as are any other proposals to the meeting. Moreover, the company can, if necessary, call an Extraordinary General Meeting. A shareholder has the right to have a matter handled by the general meeting, if it is relevant to the meeting according to the Companies' Act and if the shareholder notifies the Board in writing well in advance of the meeting so that the matter can be added to the notice of the meeting.

Notice of a company meeting, in accordance with the company's Corporate Governance guidelines, shall be sent to shareholders no earlier than two (2) months and no later than twenty-one (21) days before the meeting. The notice shall be published in one Helsinki-based newspaper and one Oulu-based newspaper, as a stock-exchange announcement, and it shall be published on the company's website. Normally, newspaper announcements are published in Helsingin Sanomat and Kaleva.

A shareholder is entitled to attend the meeting if he or she is listed as a shareholder in the company's shareholder register at Euroclear Finland Ltd on the record date indicated in the notice of the meeting and has confirmed his or her attendance in the manner specified in the notice of the meeting and by the deadline specified.

In 2011, the Annual General Meeting was held in Helsinki on 30 March 2011.

BOARD OF DIRECTORS

The Board of Directors is responsible for the company's administration and the due organisation of operations. The Board of Directors has drafted a written charter for its operations, which defines the key tasks and operating principles of the Board. The charter is published in its entirety on the company's website and its key content is described herein.

The Board's main duties include confirming the company's strategy and budget, approving the principles of risk management and ensuring the functioning of the management system. The Board shall decide on matters that are unusual or that have far-reaching effects on the quality or extent of the company's operations within the scope of its industry. These matters include the following, among others:

- to decide on acquisitions, mergers and other reorganisations that affect the structure of the Group and on strategically important expansions of the business and equity investments,
- to decide on the development of investments and significant individual investments,
- to approve incentive schemes and remuneration systems relating to the whole group.

The Annual General Meeting elects, in accordance with the Articles of Association, 5–7 members to the Board for a term that expires at the end of the next Annual General Meeting. Board members are elected such that they have the required competence for the task and the ability to devote a sufficient amount of time to the work. Both genders shall, when possible, be represented on the Board from the first Annual General Meeting held after 1 January 2009. The majority of the Board members must be independent of the company, and at least two of the said majority must be independent of the company's significant shareholders. The Board of Directors evaluates the independence of its members annually. The Board elects from among its members a Chairman, who according to the Articles of Association cannot be the company's President. The duties and responsibilities of the Chairman and other Board members have not been designated specifically.

The Board independently evaluates, on an annual basis, the effectiveness of its performance and working methods with an eye on development opportunities. The first time such an evaluation was performed was for the year 2004. The Board performs a self-evaluation via a questionnaire, which the President and all Board members must complete.

In 2011, the Annual General Meeting elected six people to the Board. Matti Hyytiäinen, Outi Lampela, Endel Palla, Olli Pohjanvirta, Matti Ruotsala and Jyrki Tähtinen continued on the Board of Directors. After the 2011 Annual General Meeting, the Board of Directors elected Matti Ruotsala Chairman and Jyrki Tähtinen Vice Chairman. Matti Hyytiäinen started at the employ of the company on 1 January 2012, and resigned from the Board on 31 December 2011, after which the Board has continued with five members.

BOARD OF DIRECTORS, 31 DECEMBER 2011

Matti Ruotsala (b.1956)

- Chairman since April 3, 2008
- Member of the Board of Directors from 2006
- M.Sc.(Eng.)
- Executive Vice President, Fortum Corporation Power Division.
- Previously President Fortum Generation of Fortum Corporation (2007–2009), AGCO Corporation's Vice President and Valtra Oy Ab's Managing Director (2005–2007), KCI Konecranes Plc´s Chief Operating Officer and Deputy CEO (2001–2004), KCI Konecranes Plc´s Technical Director and Commercial Director (1995–2000) and Kone Corporation´s crane business' Asia Pacific Area Director (1991–1994).
- Chairman of the Board of Directors at Kemijoki Oy and Deputy Chairman of the Board of Directors at Teollisuuden Voima Oyj and Member of the Board of Directors at Oy Halton Group Ltd.
- Independent of the company and of its significant shareholders.

Matti Hyytiäinen (b.1960)

- Member of ther Board of Directors from 2010 until December 31, 2011
- M. Sc. (Economics)
- Etteplan Oyj´s President and CEO until December 31, 2011 (Employed by PKC Group since 1 January 2012, CEO from 4 April 2012).
- Previously KONE Oyj, Escalator division´s Senior Vice President (2001–2007), Perlos Oyj´s Senior Executive Vice President (2001), KONE Elevators Co., Ltd´s President (1996–2000), PT KONE Indo Elevator´s President (1994–1996), KONE Oyj Hissit Suomi, General Manager, subsidiaries and acquisitions (1989–1994), Hissi-Ala Oy´s General Manager (1986–1989), KONE Oyj Hissit Suomi, Assistant Controller (1984–1986).
- Member of the Board of Directors at Revenio Group Oyj
- Independent of the company and of its significant shareholders during Board membership.

Outi Lampela (b.1949)

- Member of ther Board of Directors from 2009
- M.Sc. (Eng.)
- Outotec Oyj´s Senior Vice President, Risk Management and Internal Audit.
- Previously, Luvata Oy´s Director - Business Development (2005–2006), Outokumpu Heatcraft USA LLC´s CFO – Business Control and Finance (2002–2005), Outokumpu Oyj´s Vice President – Business Development (2000–2002), Outokumpu Technology Oy´s Vice President - Business, Control, Finance and Administration (1991–2000) and prior to this Outokumpu/ Outokumpu Technilogy in other business control, finance and business development duties.
- Managing Director at International Project Services Ltd. Oy. Chairman of the Board of Directors at MP Metals Processing Engineering Oy, Member of the Board of Directors at Outotec Minerals Oy, Outotec (Filters) Oy an Outotec (Finland) Oy.
- Independent of the company and of its significant shareholders.

Endel Palla (b .1941)

- Member of the Board of Directors from 1994
- Electronics Engineer
- A Harju Elekter Ltd´s Chairman of the Supervisory Board and Development Director.
- With AS Harju Elekter from 1983, latest as Development Director (1999–), Managing Director (1991–1999), Technical Director (1983–1991) and before that in management duties of electrotechnical division at AS Harju KEK.
- Chairman or the board member of the Supervisory Boards of AS Harju Elekter and its subsidiaries and affiliated companies (AS Harju Elekter Elektrotehnika, AS Eltek, Satmatic Oy, UAB Rifas, AS Draka Keila Cables) as well as member of the Supervisory Boards of AS Harju KEK and AS Laagri Vara. Member of the Board of Directors of the Council of the Estonian Chamber of commerce and industry.
- Not independent of the company (Chairman of the Supervisory Board and Development Director in AS Harju Elekter that is a lessor of PKC's subsidiary and PKC's significant shareholder).

Olli Pohjanvirta (b.1967)

- Member of the Board of Directors from 2007
- LL.M
- Managing Director of Russian Capital Management Ltd.
- Hannes Snellman Attorneys Ltd's partner (2006-2009), ETL Law Offices Ltd's partner (1993–2006), practising law related to Russia and the rest of the CIS countries since 1993.
- Hannes Snellman Attorneys Ltd's of counsel, Chairman of the Board at Nurminen Logistics Oyj, Boudin Oy and Oplax Oy, Member of the Boards of OOO Aurinkomatkat, Matkayhtymä Oy, Tulikivi Oyj, Spinverse Oy, Meka Pro Oy and International Banking Istitute of St. Petersburg.
- Independent of the company and of its significant shareholders.

Jyrki Tähtinen (b.1961)

- Vice-Chairman since September 1, 2005
- Member of the Board of Directors from 1999
- LL.M, MBA, Attorney at Law
- Attorneys at Law Borenius Ltd´s Chairman of the Board of Directors.
- Previously Attorneys at Law Borenius & Kemppinen Ltd´s President and CEO (1997–2008), partner (1991–), and before that practising law at the employ of other law firms and City of Helsinki since 1983.
- Chairman of the Board of Directors at Muoviura Oy, Member of the Board of Directors at JSH Capital Oy and Dexus Group Oy.
- Independent of the company and of its significant shareholders.

Meetings of the Board in 2011

On average, the Board meets on a monthly basis and also on other occasions as necessary. In 2011, the Board held 15 meetings, of which 6 were telephone meetings, in addition to which 8 decision minutes were drafted without holding a meeting.

Attendance of Board members at the meetings:

	meetings	attendance %
Matti Hyytiäinen	15/15	100
Outi Lampela	15/15	100
Endel Palla	15/15	100
Olli Pohjanvirta	13/15	87
Matti Ruotsala	13/15	87
Jyrki Tähtinen	14/15	93
Average attendance		**94**

COMMITTEES OF THE BOARD

The Board has established from among its members the Audit Committee and the Nomination Committee. It has not been deemed necessary to establish other committees, as, taking into account the scope and nature of the company's operations as well as the Board's working methods, the Board is able to handle matters effectively without such committees.

Audit Committee

In 2009, the Board of PKC Group Oyj resolved to establish from among its members an Audit Committee, which shall assist the Board by concentrating on issues relating to financial reporting and control, as well as preparing the proposal for resolution on the election of the auditor. The Board of Directors has drafted a written charter for the Audit Committee, which defines the key tasks and operating principles of the Audit Committee. The charter is published in its entirety on the company's website.

The Board elects the members and Chairman of the Committee from among its members at the organisation meeting. In 2011, Outi Lampela was elected as Chairman of the Audit Committee and Matti Hyytiäinen and Olli Pohjanvirta as members. After Matti Hyytiäinen resigned from the Board, the Audit Committee has continued, since 1 January 2012, with two members.

The members must have the qualifications required for fulfilment of the Committee's role, and at least one member shall have expertise either in accounting or bookkeeping or in auditing. The Committee must have sufficient expertise in accounting, bookkeeping, auditing, internal audit or practices related to financial statements, as the Committee deals with matters relating to the financial reporting and control of the company. The expertise may be based, for example, on experience in corporate management.

The members of the Audit Committee must be independent of the company, and at least one member must be independent of significant shareholders. If the Audit Committee has only two members, both must be independent of significant shareholders.

Meetings of the Audit Committee in 2011

The Audit Committee convenes at least four times a year before publication of the financial results and whenever necessary. In 2011, the Audit Committee held 5 meetings, of which 3 were telephone meetings.

Attendance of Committee members at the meetings:

	meetings	attendance %
Outi Lampela	5/5	100
Matti Hyytiäinen	5/5	100
Olli Pohjanvirta	4/5	80
Average attendance		**93**

Nomination Committee

In 2010, the Board of PKC Group Oyj resolved to establish from among its members a Nomination Committee, which shall prepare the matters relating to the nomination and remuneration of Board members. The Board of Directors has drafted a written charter for the operation of the Nomination Committee, which defines the key tasks and operating principles of the Nomination Committee. The charter is published in its entirety on the company's website.

The Board elects the members and Chairman of the Committee from among its members at the organisation meeting. In 2011, Matti Ruotsala was elected as Chairman of the Nomination Committee and Endel Palla and Jyrki Tähtinen as members.

The members must be independent of the company. The President or any other executive of the company may not be appointed to the Nomination Committee.

Meetings of the Nomination Committee in 2011

The Nomination Committee convenes at least once a year in order to prepare the proposals to be presented to the general meeting and whenever necessary. In 2011, the Nomination Committee held 3 meetings, of which 3 were telephone meetings in addition to which 1 decision minute was drafted without holding a meeting.

Attendance of Committee members at the meetings:

	meetings	attendance %
Matti Ruotsala	3/3	100
Endel Palla	3/3	100
Jyrki Tähtinen	3/3	100
Average attendance		**100**

PRESIDENT AND EXECUTIVE BOARD

President

The Board appoints the company's President, who is also the Group CEO. The President supervises the operations and administration of the whole group in accordance with the Companies' Act, the Articles of Association, the directions of the Board as well as the company's Corporate Governance Guidelines and other internal guidelines. The President's service contract has been prepared in writing and shall remain valid until further notice. The President operates as the Chairman of the Executive Board. The Board of Directors of PKC Group Oyj has appointed Mr. Matti Hyytiäinen new President and CEO as of the date of the next Annual General Meeting, currently estimated to take place on 4 April 2012. Matti Hyytiäinen will follow Harri Suutari, who will continue as President and CEO until Hyytiäinen takes over the position.

Executive Board

The Executive Board supports the President & CEO in managing the Group, but it does not have any authority based on legislation or the Articles of Association. The tasks of the Executive Board are to improve operations, carry out strategic work, monitor the realisation of the objectives and action plans set in strategic work, and deal with other matters of vital importance to operations. The Executive Board comprises the President & CEO (Chairman) and persons appointed at the proposal of the President.

EXECUTIVE BOARD, 31 DECEMBER 2011

Harri Suutari (b.1959)

- President & CEO from 2008
- Engineer
- With the company and member of the Executive Board from 2008.
- Previously President and CEO at PKC Group Oyj (March 13, 2002–August 31, 2005), Ponsse Oyj (1994–2000) and Kajaani Automatiikka Oy (1984–1996)
- Member of the Board of Directors at Alma Media Oyj, Oy M-Filter Ab and Sunit Oy.

Jarkko Kariniemi (b.1970)

- Director, HR & Risk Management
- B.Sc.
- With the company from 1999 and member of the Executive Board from 2009.
- Previously PKC Group Oyj´s Group Risk Manager (2008), Group Safety and Security Manager (2004–2008) and production management and development duties (1999–2004).

Harri Ojala (b.1959)

- President, Wiring Systems
- M.Sc. (Eng.), EMBA
- With the group and member of the Executive Board from 2010.
- Previously Cargotec Corporation, Vice President – Supply Development, (2008-2010), ELCOTEQ SE, Vice President – Corporate Affairs (2007–2008), ELCOTEQ SE - European Office, President – Geographical Area Europe (2005–2007), ELCOTEQ NETWORK CORPORATION, Director Operations – Europe (2002–2005), ELCOTEQ HUNGARY, General Manager (2002–2004), ELCOTEQ POLAND, General Manager (2001–2002), KONE (1986–2001) various positions in Germany and the United States.

Sanna Raatikainen (b.1972)

- General Counsel
- LL.M. with court training
- With the company from 1999 and member of the Executive Board from 2008.
- Previously PKC Group´s Legal Counsel (1999–2008), court training at district court of Oulu (1997–1998).

Jarmo Rajala (b.1962)

- President, Electronics
- M.Sc. (Econ.)
- With the company and member of the Executive Board from 2005
- Previously PKC Group's Business Unit Director (2005–2006), Suomen 3C Oy's Business Unit Director (2005), Cybelius Software Oy´s Sales Director (2003–2005), Tammerneon Oy´s Hungarian subsidiary´s Managing Director (1998–2003), Finland Trade Center Budapest, Trade Commissioner (1997), Vaasa University´s Liaison Officer/Project Manager (1991–1996).

Marja Sarajärvi (b.1963)

- CFO
- M.Sc. (Econ.)
- With the company from 1995 and member of the Executive Board from 2008.
- Previously PKC Group´s Financial Manager (2001–2008), Plant Manager (2000), PKC Electronics´ Director of Administration and Finance (1999), Raahen, TH-Elektroniikka´s Managing Director (1998), Financial Director (1995–1998), Financial Manager of Kone Oy Raahe plant (1988–1993).

ORGANISATION OF THE BUSINESS AND GROUP COMPANIES

The Group's operations and ownership of the subsidiaries is divided into two business areas corresponding to the core competence areas: Wiring Systems and Electronics. The operations of these business areas are managed centrally by the parent company of each business-area sub-group. Wiring Systems operations are managed by PKC Wiring Systems Oy and the Electronics business by PKC Electronics Oy, which direct, control and manage the operations of their subsidiaries.

The managing directors of the parent companies of the sub-groups are members of the Group Executive Board. Supporting the managing director of each business is a management board whose task is to deal with the strategy and operations of the business in question.

The managing directors and boards or equivalent governing bodies of the group companies shall decide on policies and strategies relating to the business within the framework approved by PKC's Board. The board or an equivalent body, the managing director and other management of the group companies are elected by the parent company President & CEO in accordance with

GROUP PARENT COMPANY
PKC Group Oyj

Kempele
- Group HQ
- Group administration and financing
- Long-term strategy and strategic decision

WIRING SYSTEMS PARENT COMPANY
PKC Wiring Systems Oy

Kempele
- Wiring Systems HQ
- Global responsibility of Wiring Systems business
- Global customer and supplier contracts and coordination of their subsidiaries' sales and sourcing activities
- Sales
- Sourcing
- D&D

SUBSIDIARIES
- Local contracts
- Sales
- Sourcing
- D&D
- Manufacturing

ELECTRONICS PARENT COMPANY
PKC Electronics Oy

Raahe
- Electronics HQ
- Global responsibility of Electronics business
- Global customer and supplier contracts and coordination of their subsidiaries' sales and sourcing activities
- Sales
- Sourcing
- Manufacturing
- D&D

Kempele
- Sales
- Sourcing
- D&D

SUBSIDIARIES
- Local contracts
- Sales
- Sourcing
- D&D
- Manufacturing

the general principles approved by the Board. The terms and conditions of service are also decided on by the parent company President & CEO in accordance with the general principles approved by the Board. The boards and equivalent governing bodies of the group companies largely comprise representatives of PKC's management. The managing directors of the group companies are responsible for the operations of the group companies, the development of the businesses, invested assets, return on equity and cash flow. The boards and equivalent governing bodies of the group companies are responsible for the tasks falling within the remit of the Board and specified by the legislation and regulations of the relevant country: responsibility for operations lies with the group company. The other management of group companies are responsible for operations in their own area, subject to the limits of their mandate.

AUDIT

The Annual General Meeting elects an auditor approved by the Finnish Central Chamber of Commerce as the company's auditor. In 2011, the authorised public accounting firm KPMG Oy Ab was elected as the company's auditor, and KPMG declared Virpi Halonen, Authorised Public Accountant, as the principal auditor. The auditor's term expires after the conclusion of the next Annual General Meeting following the election.

INSIDER ISSUES

The company complies with the Insider Guidelines of NASDAQ OMX Helsinki Ltd. The company's public insider register includes the President & CEO, the deputy CEO, Board members, the auditor and the employee of the authorised public accounting firm with the main responsibility for the audit. In addition, the company has defined the members of the Group Executive Board as persons subject to the disclosure requirement under the public insider register. The company's public insider register has been presented in its entirety on the company's website. The company's internal, non-public, company-specific insiders include persons who regularly handle insider information during the performance of their duties. When major projects are ongoing, project-specific insider registers are also used.

The company recommends that the insiders acquire the company's shares as long-term investments and do not participate in active trading. It is also recommended to schedule the trading within 30 days after the publication of financial reports, whilst taking into account the restrictions that possible insider information imposes. The insiders may not trade in the company's shares or share-related rights within the 30-day period prior to the publication of the company's interim reports or the financial statement bulletins, and this closed window ends on the day following the publication of financial results.

DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE FINANCIAL REPORTING PROCESS

Control environment

The Board of PKC Group Oyj has approved the internal control guidelines for the whole group, in which the general principles for the division of responsibilities, rights and control are determined at Group level. The Board of Directors has also ratified the Code of Conduct covering the whole group. Both sets of guidelines operate as a reference framework, and they supplement other current procedures and guidelines at both Group level and unit and function level.

PKC Group's goal is to encourage all Group employees to comply with firm, ethical standards in all activities with customers, suppliers, the public sector, the general public and others. Compliance with legislation, regulations and Group internal procedures is a fundamental requirement, from which it is not possible to deviate in any circumstances.

PKC Group's control environment and division of responsibilities at Group level comprises three parts, as shown by the diagram next page.

PKC Group Oyj is the parent company for the whole group, so it manages and directs the operations for the whole group. The Board of Directors of PKC Group Oyj is responsible for the creation and maintenance of adequate and practical internal control and risk management. Responsibility for the arrangement of control procedures lies with the President & CEO of PKC Group Oyj. The Group parent company prepares group-level guidelines. The parent companies for both the Wiring Systems and Electronics sub-groups may create their own guidelines relating to the sub-groups.

The managing directors and other senior management of the parent companies of the sub-groups are responsible for:
- the implementation of practical measures for internal control and for ensuring that the organisational structure of their own line of business is maintained so that authority, responsibilities and reporting relationships are clearly and thoroughly defined
- the development and maintenance of procedures based on such risk-management principles, via which risks can be identified, evaluated and measured as well as limited and controlled

GROUP PARENT COMPANY
PKC Group Oyj
- Group administration and financing
- Financial reporting
- Investor Relations
- Strategic decisions (mergers and acquisitons, other reorganisations and strategically important business expansions)
- Long-term strategy
- Budget, investment budget and significant individual investments
- Group-wide incentive and bonus systems
- Group level insurances
- Group wide policies and instruction (e.g. Internal Control Guidelines, Code of Conduct, Risk Management Policy)
- Insider management

SUBGROUPS' PARENT COMPANIES
PKC Wiring Systems Oy / PKC Electronics Oy
- Global responsibility for each subgroup's business
- Control and supervision of their subsidiaries' operations
- Responsibility for other group-wide functions and services

SUBSIDIARIES
- Day-to-day administration of the operations in accordance with the instructions and rules laid down by group parent company's and the respective business segment's parent company and in compliance with local legislation and authorities' instructions

- ensuring that the subsidiary companies have competent management, who adopt a sensible and steady management style and comply with the guidelines and regulations established by management of the parent company.

The subsidiaries are responsible for the daily management of operations in accordance with the guidelines and regulations established by the parent company of the business area. The managing directors of the subsidiries are responsible for the management of operations and control of the business in accordance with the guidelines and regulations established by management of the parent company as well as local legislation and the regulations issued by authorities. They are also responsible for the development of the business in question, assets invested and cashflows.

The managing directors and other senior management of the subsidiaries are responsible for the following, amongst other things:
- the achievement of objectives set for the company in question
- the arrangement and implementation of adequate and appropriate internal control
- the implementation of practical measures for internal control and the maintenance of the organisational structure in their own line of business so that authority, responsibilities and reporting relationships are clearly and thoroughly defined
- the accuracy of information and reporting within the Group and with local authorities.

In their operations, the subsidiaries must not take risks that could substantially compromise solvency, liquidity or the Group's solvency.

Internal control

The Board is responsible for internal control, and the President is responsible for arrangement of control procedures. The Board shall ensure that the company has determined operating principles for internal control and that the company monitors the effectiveness of control procedures. Moreover, it shall ensure that planning, information and control systems used for risk management are sufficient and support the business objectives. The Board of PKC Group Oyj has approved the internal control guidelines for the whole group.

The aim of internal control and risk management is to ensure that the company's operations are efficient and productive, that information is reliable and that regulations and operating principles are followed throughout the Group. The aims of internal control include the following, among others:

- the clear definition of responsibilities, authority and reporting relationships
- the promotion of an ethical environment and honesty
- the achievement of the aims and objectives set and the economical and effective use of resources
- appropriate management of risk
- validity and reliability of financial data and other management information
- separation of the functions relating to commitments, payments and bookkeeping for assets and liabilities, and the reconciliation of these processes
- the safeguarding of operations, data and assets
- ensuring that information flows through the business as required
- ensuring that external regulations are followed as well as internal operating procedures and standards.

Internal control is an essential part of all Group operations at all levels of the organisation. Control procedures are carried out at all levels and in all functions of the whole organisation. The internal control processes include internal guidelines, reporting, various technical systems and procedures relating to operations. They help ensure that management directives are followed and that there is an appropriate response to risks that threaten achievement of the Group's objectives. The daily tasks include management audits and operational audits, carrying out checks that are suitable for each line of business, physical controls, monitoring compliance with agreed acceptance limits and operating principles and monitoring of deviations, a system of approvals and mandates, and various checks and reconciliation arrangements. Since the Group does not have a specific internal audit organisation, special attention has been paid to the organisation of functions, the professional skills of personnel, operating instructions, reporting and the scope of auditing.

Risk management and evaluation of risks

Risk management is an integral part of internal control. Risk management refers to the identification, assessment, measurement, limitation and monitoring of risks that are fundamentally related to the business or are part of it. The aim of risk management is to identify the risks relevant to business operations and to determine the measures, responsibilities and schedules required for effective risk management. Risk-management processes go hand-in-hand with strategic processes, and the results achieved are used systematically in the annual plan.

PKC Group uses a risk management policy that applies throughout the Group and which the Board of the parent company has approved. Risk management is carried out and risks are reported in accordance with the risk management policy, risk management guidelines, the risk management annual plan and the company's risk management process. For the management of financial risks, the Board of the parent company has confirmed the Group's financial risk management policy. The aim of financial risk management is to protect the Group against adverse changes in the financial markets and thereby to safeguard the Group's financial results, equity and liquidity. The Group's financing and financial risk management have been centralised within the Group's finance department. The aims of centralising these functions are effective risk management, cost savings and optimisation of cash flow.

PKC's risk management process is based on the COSO ERM Integrated Framework. The comprehensive risk management process is implemented across the whole group with the aim of establishing uniform procedures for the analysis and measurement of risks, taking into consideration the geographical differences between units.

Risks are evaluated according to the risk management guidelines. The evaluations are performed regularly, according to the schedule arranged by the parent company, in all the units belonging to the Group by function, and the magnitude of the risks is determined by multiplying probability by the financial impact. In this way, an overall picture can be derived from the results between the various functions and units. On the basis of the risk evaluations, a Group-level analysis report is prepared, in which the controls and measures planned for the most significant risks are described as well as the responsibilities for monitoring and the schedules. The Group Chief Financial Officer (CFO) is responsible for the management of financial risks and risks relating to financial reporting. Financial risks are identified, evaluated and controlled in the context of the Group's general risk management process and separately as part of financial management's own operational processes. The Group-level risk management report is reviewed by the Audit Committee and the Board of Directors at least once a year.

The main principles of risk management and the most significant risk areas have been presented in the Corporate Governance Guidelines, which are available on the company's website, and the main parts have been described in the risk-management section of the annual report. The management and evaluation of financial risks has been explained in the notes to the consolidated financial statements.

Financial reporting

It is necessary to provide adequate and comprehensive information for decision making. The information must be reliable, relevant and timely, and it shall be supplied in the format agreed. The information to be supplied includes financial and operational data sourced internally, data on compliance with external regulations and internal procedures, and external data on the business environment and market developments.

The Board of PKC shall ensure that the company's financial statements provide adequate and accurate information about the company. The Board of Directors is assisted by the Audit Committee in these tasks. The duties of the Audit Committee include, amongst others

- monitoring the reporting process for financial statements;
- supervising the financial reporting process;
- monitoring the financial position and financing of the Group;
- reviewing the budget, forecast and assumptions related thereto;
- reviewing financial statements, reports by the Board of Directors, interim reports and financial bulletins before approval by the Board, as well as reviewing the annual reports, including, e.g.:
    - ensuring the correctness of the company's financial results together with the company's management and auditors;
    - examining the bases of preparation, and the management estimates used in the preparation work;
    - reviewing short-term risks and uncertainties as well as the prospects for the future;
    - reviewing the description of the main features of the internal control and risk management systems relating to the financial reporting process, which is included in the company's corporate governance statement issued in connection with the financial statements and report by the Board of Directors.

The President is responsible for ensuring that the company's accounting complies with legislation and that the financial administration has been organised in a reliable way. The CFO and the Group finance department determine, support and co-ordinate the financial management for the whole group and the control of operations. The Group finance department is responsible for the monitoring of and compliance with financial reporting standards, the maintenance of bases relating to financial reporting, and providing information and training to units. The duties of the Group finance department also include the financing of Group companies, hedging against exchange-rate risks, investments, the administration of external debt and transfer pricing.

The managing directors, CFOs and chief accountants of the Group companies are responsible for ensuring that reporting by the companies fulfils the requirements of the Group and those of local legislation. Each business area, Group company and function is responsible for the accuracy of the figures reported by it and the realism of its forecasts. The data provided by the units' financial management and ERP systems is standardised and transferred to the Group reporting system so that it can be consolidated via automated interfaces.

The Group finance department, managed by the Group CFO, prepares the financial statements specified by IFRS standards and required by external accounting as well as the forecasts, analyses and reports for internal accounting prepared in accordance with the guidelines specified in the Group, for both the Executive Board and the Board of Directors. Short-term financial planning for the Group is based on 12-month business-area forecasts that are updated monthly. The required rate of return on equity is determined annually based on market conditions, and in the required rate of return industry- and country-specific risk-related differences are taken into account. Financial results, the achievement of objectives and forecasts are reviewed monthly by the management of each profit centre, by the Group Executive Board and by the Board of

Directors. Information on the Group's financial situation is published via interim reports and financial statement bulletins. In the Group financial statements published in the annual report, the main principles of preparation of these financial statements are described.

In 2011, the development of financial reporting has focused on the reporting of acquired businesses in accordance with Group requirements.

Audit

The audit shall be performed by an authorised firm of auditors. The parent company is responsible for selecting the audit firm. The audit firm selected by PKC Group has overall responsibility for co-ordination of audits for the whole group (audit plans for each Group company) and their cost, together with the CFO of PKC Group Oyj and the management of the subsidiaries. Moreover, if required, a local authorised audit firm can be selected to carry out the audit required by local legislation. In the scope of the audit, it is taken into account that the company does not have its own separate internal-audit organisation.

Information and communication

The company's Board of Directors defines the guidelines of communications and decides on the dates and content of the publication of matters falling within the scope of regular disclosure obligations as well as on the publication of significant matters falling within the scope of continuous disclosure obligations. As part of its regular disclosure obligations, the company publishes interim reports concerning the first three, six and nine months of the financial year, a financial statements bulletin and its financial statements as well as an Annual Report. The fundamental premise of the disclosure obligation is to ensure that all market parties are provided with sufficient, accurate and identical information on securities and their issuers at the same time.

As a form of internal communication the Group uses intranet pages, where all the Group-level guidelines of any significance can be found, and also the unit-specific intranet pages show the guidelines that concern a given unit. Also, the most essential guidelines for financial management can be seen on the company intranet pages. For all guidelines of any significance, training plans shall be prepared whose implementation is monitored. The management of the sub-group parent companies and the managing directors and other senior management of the subsidiaries ensure that information is transferred in their units so that each one knows the operating procedures relating to his/her duties and so that the other information required for performance of tasks is supplied to the personnel.

Monitoring

The effectiveness of financial reporting, internal control and risk management is continually monitored as part of the daily management of the Group. The Board of Directors, the Audit Committee, the President & CEO and the Group Executive Board, and the Group companies participate in the internal control of financial reporting via monitoring of monthly financial reports and regular forecasts and via reviews of processes.

The Board of Directors of PKC Group Oyj is responsible for the creation, maintenance and monitoring of adequate and practical internal control and risk management. The monitoring of financial reporting, internal control and the effectiveness of risk management is also one of the major tasks of the Audit Committee, and relating to this the Audit Committee's duty, amongst others, includes

- monitoring internal control in the company, any internal inspections and the effectiveness of the risk management systems;
- monitoring significant economic risks and the measures taken to manage them;
- monitoring other significant risks and the measures taken to manage them;
- revising the plans and reports of the possible internal audit function.

Responsibility for the arrangement of control procedures lies with the President & CEO of PKC Group Oyj. The financial department of the Group is responsible for the functioning and reliability of the financial reporting processes at Group level. The financial department and external auditor hold regular meetings where the areas of focus for the inspections are chosen.

REMUNERATION STATEMENT

BOARD OF DIRECTORS

Remuneration

The Annual General Meeting resolves the remuneration paid to the Board of Directors.

According to the resolution made in 2011, remuneration of EUR 30,000 euros per term will be paid to the Board members, EUR 45,000 per term to the Vice Chairman of the Board and EUR 60,000 per term to the Chairman of the Board, as well as travel and accommodation expenses relating to Board meetings. In addition, the Chairman and members of the audit committee are paid an additional annual remuneration of EUR 5,000. Remuneration is paid in four equal installments on a quarterly basis.

Other benefits

The Board of Directors is not included in the stock option schemes of years 2006 or 2009. The company has not granted shares or other share related rights as compensation to the Board of Directors. The company does not pay Board members fees on any other basis or grant them loans or give guarantees on their behalf.

PRESIDENT AND EXECUTIVE BOARD

President

The Board of Directors decides on the salary and other benefits of the President. The President is included in the management´s bonus system, with the annual bonus being a maximum of six months´ salary, depending on the achievement of the objectives set annually. The President´s service contract has provision for a notice period of three (3) months on the President´s part and six (6) months on the company´s part, without separate severance payment. The retirement age is statutory and no voluntary pension insurance policies have been taken.

The President is included in the 2006 and 2009 stock option schemes. The President has not otherwise been granted shares or other share related rights as compensation.

Executive Board

The Board of Directors confirms the salaries and benefits of the members of the Executive Board upon President´s proposal. The members of the Executive Board are included in the management´s bonus system, with the annual bonus being a maximum of six months´ salary, depending on the achievement of the objectives set annually. The members of the Executive Board have employment contracts valid for an indefinite period, with three (3) months notice period on director´s part and six (6) months notice period on company´s part, without right to separate severance payments or other compensation. In the service contracts of the subgroups´ parent companies´ managing directors it is furthermore agreed that a separate severance payment corresponding to six (6) months salary at a maximum, is paid in addition to the salary for the notice period The retirement age is statutory and no voluntary pension insurance policies have been taken.

The members of the Executive Board are included in the 2006 and 2009 stock option schemes. The company has not granted shares or other share related rights as compensation to the Executive Board. The company exceptionally granted to some members of the Executive Board a market-based loan to finance the subscription of shares with options.

Bonus System

The Group has in force a result based bonus system approved by the Board of Directors, the purpose of which is to support company strategy and reward its implementation. The principles, terms and conditions, earnings criteria, maximum and minimum limits of targeted yield levels and persons included in the system are confirmed annually by the Board. Group management and key personnel, and also clerical staff and employees in Finland, are included in the system. The members of the Executive Board are included in the management´s bonus system, with the annual bonus being a maximum of six months´ salary, depending on the achievement of the objectives set annually. The system's earning period is the financial year.

AUDITOR

The Annual General Meeting resolves the remuneration and the ground for compensation of travelling expenses of the auditor. In 2011, the Annual General Meeting resolved to pay auditor´s fees and travel expenses in accordance with a reasonable invoice.

BOARD REMUNERATION PER TERM RESOLVED BY THE ANNUAL GENERAL MEETING IN YEARS 2009–2011, EUR

	2011	2010	2009
Chairman of the Board	60,000	50,000	50,000
Vice Chairman of the Board	45,000	37,500	37,500
Member of the Board	30,000	25,000	25,000
Chairman of the Audit Committee	5,000	5,000	5,000
Member of the Audit Committee	5,000	5,000	5,000
Chairman of Nomination Committee	-	-	-
Member of Nomination Committee	-	-	-

REMUNERATION PAID TO BOARD MEMBERS FOR BOARD AND COMMITTEE WORK, EUR 1,000

	Remuneration for Board work		Remuneration for Audit Committee work		Total	
	2011	2010	2011	2010	2011	2010
Matti Hyytiäinen [3]	29	18	5	5	34	23
Outi Lampela [3]	29	25	5	5	34	30
Endel Palla [4]	29	25			29	25
Olli Pohjanvirta [4]	29	25	5	5	34	30
Matti Ruotsala [1), 4)]	58	50			58	50
Jyrki Tähtinen [2), 4)]	52	38			52	38

[1)] Ruotsala Chairman of the Board [2)] Tähtinen Vice Chairman of the Board [3)] Lampela Chairman of the Audit Committee, Hyytiäinen and Pohjanvirta members [4)] Ruotsala Chairman of Nomination Committee, Palla and Tähtinen members
(No remuneration is paid for Nomination Committee work)

SALARIES AND BONUSES PAID TO THE PRESIDENT AND OTHER EXECUTIVE BOARD MEMBERS, EUR 1,000

	Salaries		Bonuses		Total	
	2011	2010	2011	2010	2011	2010
Harri Suutari	325	298	134	144	459	442
Other Executive Board	759	764	245	322	1,004	1,086

OPTIONS GRANTED TO THE PRESIDENT AND OTHER EXECUTIVE BOARD MEMBERS IN 2011

	2009A	2009B	2009C
Harri Suutari	6,000	6,000	-
Other Executive Board	4,000	4,000	70,000

OPTIONS HELD BY THE PRESIDENT AND OTHER EXECUTIVE BOARD MEMBERS ON 31 DECEMBER 2011

	2006A	2006B	2006C	2009A	2009B	2009C
Harri Suutari	-	-	-	36,000	26,000	-
Other Executive Board	-	66,000	69,400	70,500	79,000	70,000
Total	-	66,000	69,400	106,500	105,000	70,000

Share ownership by the Board of Directors and Executive Board on 31 December 2011 is presented in the Financial Statements in the Shares and Shareholders section.

FEES PAID TO THE AUDITOR, EUR 1,000

	Audit		Assignments		Tax services		Other services		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
KPMG Oy Ab	364	133	1	3	197	411	13	-	575	548
Ernst & Young Oy*	-	54	-	-	-	5	-	5	-	64

*Until 31 March 2010

RISK MANAGEMENT

The objective of risk management and internal supervision is to identify risks relevant to business operations, and to determine the measures, responsibilities and schedules required for efficient risk management. The PKC Group's Board of Directors approves the risk management policy, and bears responsibility for the continuous supervision of risk management results and measures. Risk management processes go hand-in-hand with the strategic process, and achieved results are systematically utilised as part of annual planning.

Development of risk management

Development of risk management is primarily based on PKC's own business needs. PKC develops its processes and its personnel's know-how in order to prevent risks from materialising. Risk management is an essential component of internal control that is described in the Corporate Governance Statement. Since the Group does not have a separate internal supervision organization, special attention has been paid to the organization of functions, the personnel's expertise, instructions, reporting, and the scope of auditing.

KEY RISKS

PKC's risks are classified into strategic, operational and financial risks. Financial risks and their management are described in the notes to the financial statements. A description of the main features of the internal control and risk management systems pertaining to the financial reporting process is included in the Corporate Governance Statement.

STRATEGIC RISKS

Successful implementation of the strategy is a significant factor in the continuity of the business operations. Management of strategic risks is an essential part of comprehensive risk management, and all strategically important projects can be assessed on a case-by-case basis using a separate project risk-analysis model.

OPERATIONAL RISKS

Operational environment risks and business fluctuations

Fluctuations in the world economy and developments in the automotive, electronics and energy industries impact on demand for PKC's products and the Group's financial status in the short term.

Market and customer risks

The Group's operations depend greatly on agreements concluded with a few international customers, as well as on the development of their business operations. As a result of corporate acquisitions, the customer base has expanded and the effects of changes in the economic conditions of individual market areas have diminished in comparison with the past. The expansion of the service and product concept creates the opportunity to deepen customer relations.

Typically, customer sectors are subject to a continuous downward trend in prices. Cost-efficiency is improved by means of product and order-delivery chain development, seeking out new and more flexible operating methods and inviting competitive bids from suppliers of materials.

Purchasing and logistics risks

Raw materials account for an important share in the overall costs of end products, and trends in the world economy impact on the prices and availability of raw materials. Risks related to copper prices can be hedged through purchasing agreements, raw material futures and options, and sales agreements. Similarly, changes in the prices of oil and metals can indirectly affect the Group's operations, if price fluctuations lead to a drop in demand for its customers' products. Fluctuations in the price of electrical energy do not have a significant impact on financial performance.

Any disruptions in the delivery or transportation of raw materials which are due to goods suppliers can cause interruptions to both PKC's and its customers' production operations. Indeed, alternative suppliers cannot be quickly found for all components. The company seeks to limit this risk by means of identifying alternative suppliers, supplier audits and buffer stocks, through good co-operation with the customs authorities, and developing the professional skills of its logistics employees. Risks connected to interruptions and transportation have been hedged with Group-wide insurance programmes and supplementary local insurance policies.

Rapid changes in forecasts submitted by customers, short delivery times, suppliers' comparatively long delivery times, as well as the short life cycles of products pose challenges to inventory management.

Liability risks

PKC may face demands arising from the defectiveness of its products. The Group seeks to limit the liabilities arising from these factors through agreements and by taking out comprehensive insurance coverage. PKC is prepared for property and liability risks (inc. product liability, operational liability, and the management's liability) by means of insurance programmes covering the entire Group and through supplementary local insurance policies. Despite the preventive and restrictive measures taken in this respect, PKC may be obligated to pay damages that are not covered by insurance policies, due to the extent or nature of such damages. The scope of insurance coverage is actively monitored and developed together with experts in the industry.

Written agreements with major customers, suppliers and partners are used to specify the operating procedures and conditions required for the division of responsibility and minimisation of any damages that may occur.

Quality and environmental risks

Investment in the quality of products and operations is a cornerstone of, and an absolute precondition for, the company's operations. Potential quality risks affecting customers' operations can be eliminated through the systematic development of the quality of products and operations.

Particular attention is paid to ensuring quality when launching new units and products, as well as transferring production for the whole order-supply chain.

Although the environmental impact of its business operations is slight, the Group strives to continuously minimise such effects by, for instance, recycling materials, minimising material loss, localising production and developing the energy efficiency of production plants. Environmental impact is annually assessed by the Group's management.

Labour protection and corporate security risks

The company's labour protection and occupational safety encompasses both the physical and psychosocial working environment. Effective labour protection is systematic and based on the assessment of working environment risks, jointly formulated plans, and security practices.

Labour protection, which aims at maintaining the health of employees, preventing accidents and sickness, and the safe and ergonomic operation of production machinery, is a key element in supporting the Group's business operations and the improvement of quality, efficiency and delivery accuracy.

Safety plans, which are specific to business locations, aim at achieving operational conditions in which the company's safety risks are at an acceptable level, and the prevention of damage and accidents is effective. Such safety plans include business location-specific descriptions of operational models for different types of emergencies and disturbances, as well as the means for limiting such situations.

The state of the work environment and its development are monitored at Group level using the SaQu system or similar methods.

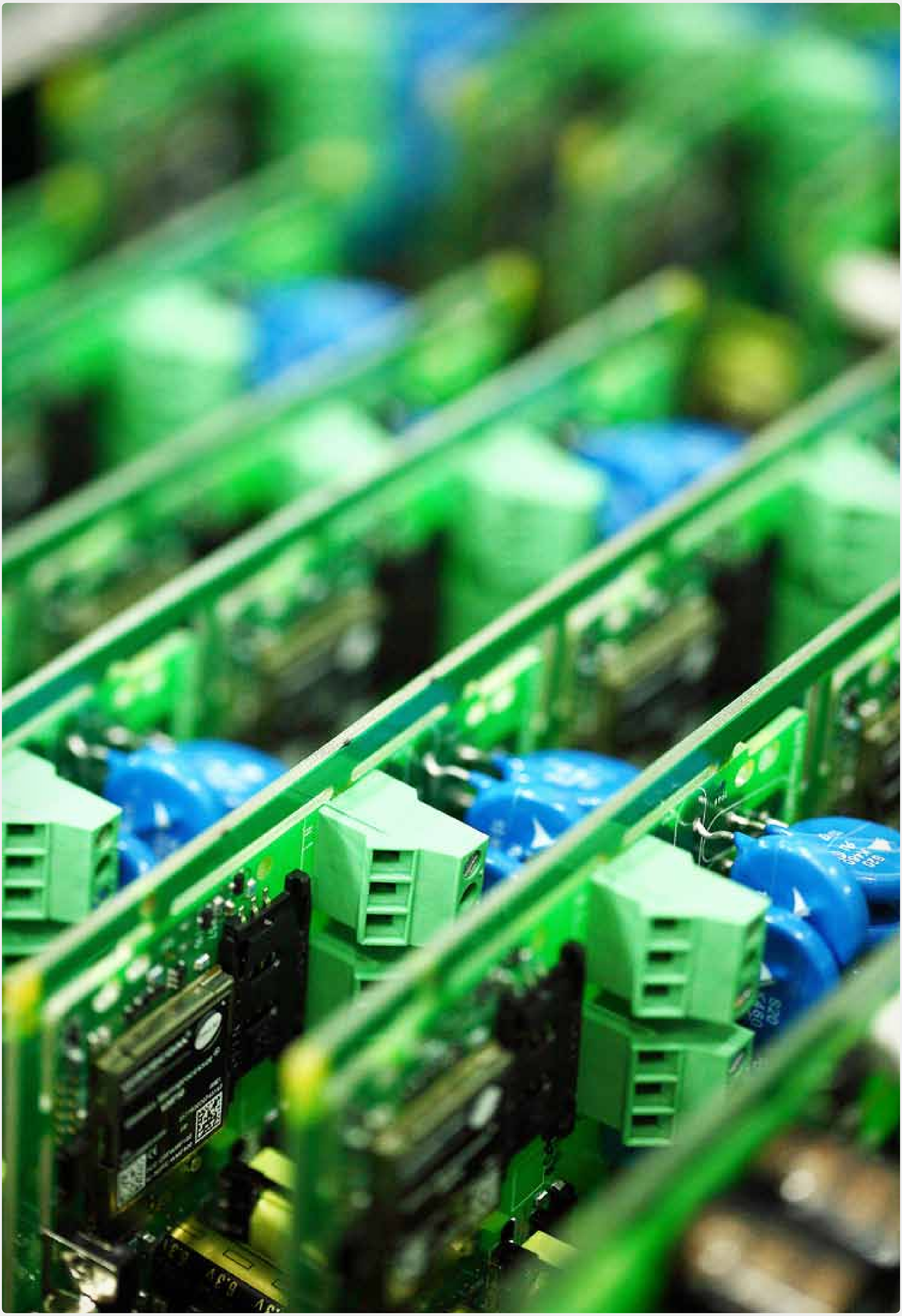
Information security and information system risks

The Group's information security policy and guidelines specify minimum-level procedures and working instructions for ensuring and maintaining Group-wide information security. Efficient information systems and telecommunications connections as well as real-time information transfer between customers, suppliers and the Group's various manufacturing units, are absolutely critical in terms of business operations.

PKC endeavours to ensure that the information security of applications and systems remains at an acceptable level, by means of monitoring and seeking more efficient solutions that provide greater information security. Recovery plans have been drafted for cases of failure or damage.

Other risks

Other risks include those related to the personnel, technology and the production processes, as well as political, cultural and legislative risks. These risks and their management methods can be perused on the Group's website, in the Corporate Governance guidelines.



FINANCIAL STATEMENTS

OPERATING ENVIRONMENT

Wiring Systems business

Vehicles, Europe

The registration of heavy-duty trucks increased in Europe (the EU countries, Switzerland and Norway) by 36% in 2011 over the previous year. All in all, about 236,500 heavy-duty trucks were registered during 2011. In Europe, the order books of our customers are forecast to be on a level equivalent to 2–3 months' production. Forecasts on the production volumes in Europe for 2012 would seem to indicate a fall of about 10% over 2011.

Registrations of medium and heavy commercial vehicles over 3.5 tonnes in the EU-27 rose by 29.0% in 2011. A total 315,447 new trucks were registered during the year.

New car sales in the European Union (EU-27) year 2011 was 13,111,209 – a 1.7% decline from the 2010 total of 13,343,302 and the fourth consecutive yearly fall.

The number of orders received by truck manufacturers in Europe during the fourth quarter fell about a fourth short of the level of deliveries made.

Vehicles, North America

The freight volume in the NAFTA region has returned to pre-crisis level, and vehicle fleets are being replaced. Demand has been particularly strong for heavy-duty long-haulage trucks. Some truck models now have backorders stretching for six months.

The North America heavy-duty truck market strengthened during the report period. All in all, about 249,800 heavy-duty trucks were produced in 2011 which represents an increase of 62% when compared to 2010. During the fourth quarter, a total of 69,100 new heavy-duty trucks were produced. Production volumes for 2012 are projected to increase 20% to over 300,000 units.

Forecasts for North American class 8 truck retail sales are around 232,000 units in 2012. This implies overall market growth of around 26–27% versus 2011 total of around 183,000.

The North America medium-duty truck market continued to gain momentum during the report period. 2011 production of medium-duty trucks increased in North America by 42.3% over the comparison period to 160,731 units. During the fourth quarter, a total of 41,147 new medium-duty trucks were produced. Production volumes for 2012 are projected to increase 6% to 170,000 units. Forecasts for North American class 6–7 truck retail sales are around 108,000 units in 2012.

North America light-duty truck assembly in 2011 rose to 6,912,666 units from 6,299,976 units in 2010.

North America Light Vehicle 2011 sales were up 9.4% to 15.28 million units over the comparison period. The momentum gained in 2011 in the automotive industry is expected to continue throughout 2012 and sales growth is projected at 6.4% for 2012.

In North America, the orders received by truck manufacturers during the fourth quarter were almost on level with the volume of deliveries made in the corresponding period.

Vehicles, South America

The South America heavy-duty 2011 production was at 140,114 which represents an increase of 8.2% when compared to 2010. Fourth quarter production levels decreased 18% from the previous quarter to 33,764 units. The fourth quarter production decline was anticipated as production levels are historically lower in the fourth quarter. Production volumes for 2012 are projected to decrease 12% to 123,000 units.

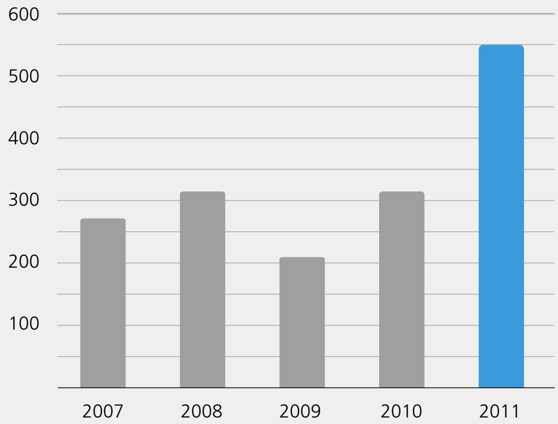
The South America medium-duty 2011 production was at 63,696 units which represents an increase of 5.8% when compared to 2010. Fourth quarter production levels decreased 14% from the previous quarter to 15,805 units. The fourth quarter production decline was anticipated as production levels are historically lower in the fourth quarter. Production volumes for 2012 are projected to decrease 7% to 59,000 units.

The number of orders received by truck manufacturers in Brazil during the fourth quarter fell about a fifth short of the level of deliveries made.

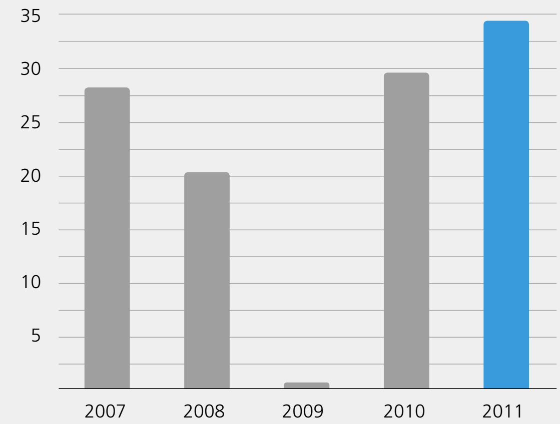
The 2011 South America light vehicle market sales reached 5.53 million units which is an all-new high. Overall sales were up 8.1% compared with 2010 which reflects the promising outlook of the South American automobile industry. A major development in the region in 2011 was the closing of boarders to imported vehicles which was expanded from Venezuela to include Argentina, Brazil and Ecuador as the country continues to drive localized production. The explosive growth that the region experienced in recent history is expected to slow down and 2012 projected sales in the region is expected to reach 5.7 million units which represents little growth over the record 2011 sales rate.

New vehicle sales in Brazil set a fifth consecutive annual record in 2011. Sales of new vehicles increased 3.4% to 3.63 million units last year. Production levels also reached a new record last year at 3.41 million units, up 0.7% from the 3.38 million vehicles build in 2010. This year production is expected to reach 3.49 million units.

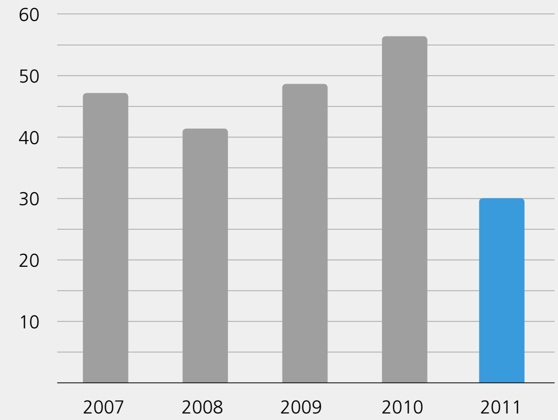
NET SALES, EUR MILLION



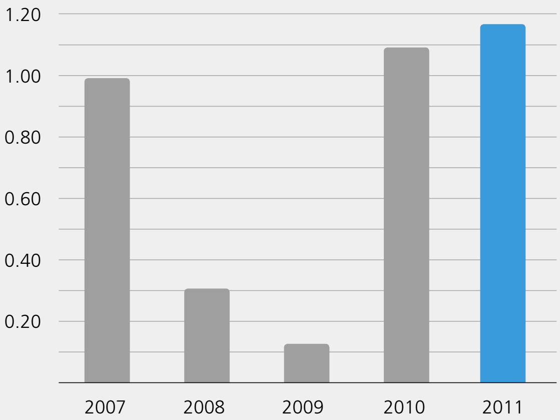
OPERATING PROFIT, EUR MILLION



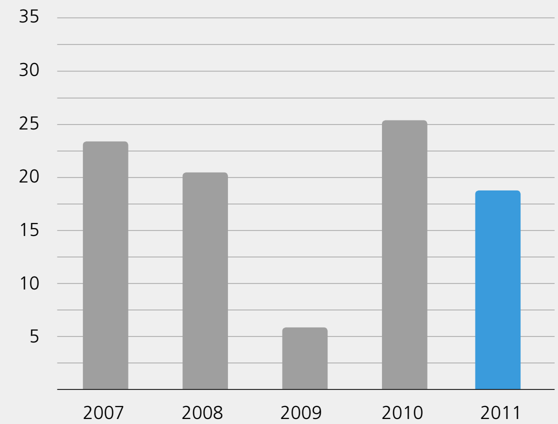
EQUITY RATIO, %



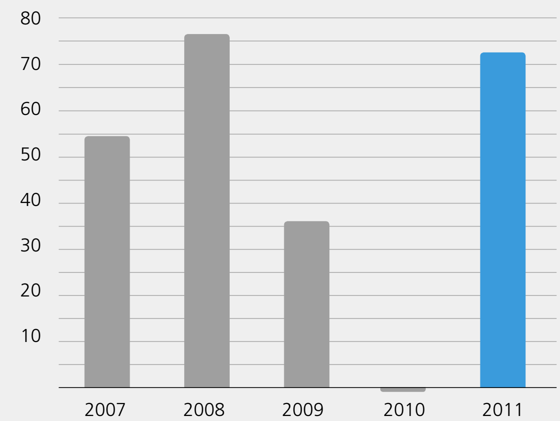
EARNINGS PER SHARE (EPS), EUR



RETURN ON INVESTMENT (ROI), %



GEARING, %



Agricultural Equipment Industry
Agricultural Equipment Industry and Market Worldwide agricultural industry unit sales increased 12% compared to 2010. Global tractor sales grew 12% while global combine sales grew 16%. North American tractor sales, both over and under 40 horsepower segments, were up 2%, and combine sales were down 5%. Latin America sales of tractors decreased 2% and combine sales increased 21%. EAME & CIS markets continued to improve in 2011, with tractor sales up 25% and combine sales up 39%. Production volumes for 2012 are projected to equal 2011 volumes in North America and to decrease 5-10% in South America.

Construction Equipment Industry
Construction Equipment Industry and Market Global construction equipment industry unit sales rose 27% in 2011 compared to the prior year, with positive trends in every region. Light equipment was up 30% and heavy equipment up 23%. North American demand was up 38% and EAME & CIS markets rose 35% as the industry continued to rebuild from the prior year's low levels. In Latin America, the market was up 25%, driven by strong demand from projects in both the public and private sectors. In APAC markets, industry sales were up 19% for the year, although significantly weaker in the second half of the year. Production volumes for 2012 are projected to increase 10–20% from 2011 volumes in North America and to increase 5–10% in South America. Production volumes in AEME & CIS markets are projected to stay flat or grow up to 5%.

Electronics business

Demand for the products of PKC Group's key industrial electronics customers increased during the first half of 2011 but turned down during the second half of the year. The weakening was a result of growing economic uncertainty in Europe and a reduction in wind power investments globally.

Due to a change in the product strategy of a telecommunications customer, the demand for PKC Group's Electronics business design and manufacturing services was significantly smaller than the previous year.

NET SALES AND FINANCIAL PERFORMANCE

Consolidated net sales from financial year amounted to EUR 550.2 million (EUR 316.1 million), up 74.1% on the previous financial year. Consolidated operating profit totalled EUR 34.5 million (EUR 29.7 million), accounting for 6.3% of net sales (9.4%). During the report period were reported EUR 7.5 million (EUR 1.8 million) in non-recurring items. Depreciation amounted to EUR 17.5 million (EUR 10.7 million). Recognition of acquisitions increased the depreciation in the last quarter by EUR 4.8 million. Management estimates that the annual depreciation related to acquisitions amounts to EUR 12 million in the coming years. Financial items were EUR 5.1 million negative (EUR 4.7 million negative). Financial items contain EUR 4.3 million interest expenses, EUR 0.6 million interest income and exchange rate loss totalling EUR 1.4 million net. Profit before taxes was EUR 29.4 million (EUR 25.0 million). Profit for the financial year totalled EUR 23.4 million (EUR 19.7 million). Diluted earnings per share were EUR 1.16 (EUR 1.09).

Net sales generated by the Wiring Systems business in the financial year amounted to EUR 477.2 million (EUR 242.4 million), or 96.9% more than in the previous financial year. The segment's share of the consolidated net sales was 86.7% (76.7%). Wiring Systems business generated an operating profit of EUR 35.5 million (EUR 24.5 million), equivalent to 7.4% of the segment's net sales (10.1%). During the financial year were reported EUR 7.0 million (EUR 1.8 million) in non-recurring items. The improvement of operating profit is mainly due to increased sales as a result of business acquisitions. Recognition of acquisitions increased the depreciation in the last quarter by EUR 4.8 million

Net sales generated by the Electronics business increased by 1.0% to EUR 73.0 million (EUR 73.7 million). The segment's share of the consolidated net sales was 13.3% (23.3%). Electronics business generated an operating profit of EUR 2.4 million (EUR 7.7 million), equivalent to 3.2% of the segment's net sales (10.4%). During the financial year were reported EUR 0.5 million in non-recurring expenses. During the previous financial year no non-recurring items were recorded. The decline of operating profit is due to decreased demand of design and manufacturing services (ODM) of production and service devices for telecommunication devices. Electronics segment's result was further burdened by costs related to production transfers from Finland to more competitive production facilities.

FINANCIAL POSITION AND CASH FLOW

Consolidated total assets at 31 December 2011 amounted to EUR 508.8 million (EUR 219.0 million). Increase in total assets is mainly due to the acquisition cost recognition and profit for the report period. Interest-bearing liabilities totalled EUR 163.0 million at the close of the financial year (EUR 35.0 million). The Group's equity ratio was 30.0% (56.5%). Net liabilities totalled EUR 110.7 million (EUR 2.1 million negative) and the gearing was 72.6% (1.7% negative).

Inventories amounted to EUR 110.5 million (EUR 58.1 million). Current receivables totalled EUR 124.6 million (EUR 57.8 million). Net cash from operating activities was EUR 40.0 million and cash flows after investments during the financial year were EUR 50.2 million negative (EUR 14.9 million). Cash and cash equivalents amounted to EUR 52.3 million (EUR 37.1 million).

CAPITAL EXPENDITURE

During the financial year, the Group's gross capital expenditure totalled EUR 101.6 million (EUR 8.6 million), representing 18.5% of net sales (2.7%). The capital expenditure consisted, in addition to the acquisition of Segu and AEES companies, mostly of acquisition of production machinery and equipment.

RESEARCH & DEVELOPMENT

Research and development costs totalled EUR 6.9 million (EUR 5.7 million), representing 1.3% (1.8%) of the consolidated net sales. At the end of the report period, 143 (120) people worked in product development, excluding production development and process development personnel.

PERSONNEL

During the report period, the Group had an average payroll of 10 793 employees (5,277). At the end of the report period, the Group's personnel numbered 21 528 employees (5,977), of whom 21 161 (5,512) worked abroad and 367 (465) in Finland. In addition the Group had at the end of the report period 367 rented employees.

As a result of the co-determination negotiations concluded in October, it was decided to lay off a total of 77 persons from PKC Electronics Oy, of which 28 persons were laid off in 2011. Rationalisation measures led to approximately EUR 0.3 million in non-recurring expenses for the last quarter on year 2011.

QUALITY AND THE ENVIRONMENT

All of the Group's factories are certified in accordance with requirements of the ISO/TS16949 quality standard for the automotive industry excluding factory in Traverse City (USA), which is certified in accordance with requirements of ISO9001 standard. In addition all of the Group's factories, except factories in Sosnowiec (Poland), Mukachevo (Ukraine), Campo Alegre (Brazil) and São Bento do Sul (Brazil), are certified in accordance with the ISO14001 environmental standard and all factories operate in accordance with the ISO9001 quality standard. Production units in Curitiba (Brazil), Itajubá (Brazil) and Suzhou (China) have also certification in accordance with the OHSAS18001 occupational health and safety management system standard.

The Sosnowiec and Mukachevo factories continue building a system in accordance with ISO14001 environmental standard on schedule. The aim is to certify it in the first quarter of 2012. The certification in accordance with ISO14001 environmental standard in Campo Alegre (Brazil) and São Bento do Sul (Brazil) is planned to be completed during 2012. The certification of Occupational health and safety management system in accordance with OHSAS18001 standard will be achieved in all Electronics units during the first quarter of 2012.

MANAGEMENT

The Annual General Meeting held on 30 March 2011, re-elected Matti Hyytiäinen, Outi Lampela, Endel Palla, Olli Pohjanvirta, Matti Ruotsala and Jyrki Tähtinen as Board members. In the Board's organisation meeting, Matti Ruotsala was elected as Chairman of the Board with Jyrki Tähtinen as Vice-Chairman.

Outi Lampela was elected as chairman of the Audit Committee with Matti Hyytiäinen and Olli Pohjanvirta as its members. The Board of Directors also elected Matti Ruotsala as chairman of the Nomination Committee and Endel Palla and Jyrki Tähtinen as members.

Authorised public accounting firm KPMG Oy Ab, which has announced Virpi Halonen, APA, to be the Auditor with principal responsibility, was selected as auditor.

The Group's Executive Board consists of the following persons: Harri Suutari, Chairman (President and CEO); Harri Ojala (President, Wiring Systems); Jarmo Rajala (President, Electronics); Sanna Raatikainen (General Counsel); Marja Sarajärvi (CFO); and Jarkko Kariniemi (Director, HR and Risk Management).

The Board of Directors of PKC Group Oyj has appointed Mr. Matti Hyytiäinen (b. 1960), M.Sc. Economics, new President and CEO of PKC Group Oyj as of the date of the next AGM. Following the proposal of the nomination committee, the Board of Directors has decided to propose to the next Annual General Meeting that the current President & CEO Harri Suutari be elected to Board of Directors. The AGM is currently estimated to take place on 4 April 2012. Matti Hyytiäinen started in the employ of PKC Group Oyj as of 1 January 2012 and resigned from the Board of Directors on 31.12.2011, after which the Board will continue with five members.

BUSINESS COMBINATIONS

Segu companies

PKC Group announced on 28 February 2011 that it had signed an agreement to purchase 100% of the shares in SEGU companies. Under the share purchase agreement, PKC Group's subsidiaries shall purchase all shares in SEGU Systemelektrik GmbH (Germany), SEGU Polska Sp. z o.o. (Poland) and TZOV HBM Kabel Corp (Ukraine). The closing of the acquisition was subject to fulfilment of customary terms including Ukrainian competition authority approval. The requirements of closing have been fulfilled and PKC gained control of the acquired companies on April 30, 2011, which is also the day of consolidation. SEGU companies and PKC's Polish unit will form a business unit servicing the Central European markets with annual sales of about hundred million and about 2,800 employees.

AEES companies

PKC Group signed on 9 August 2011 an agreement for the purchase of AEES companies from funds controlled by Platinum Equity. The closing became effective and ownership and control were transferred on 1 October 2011. AEES is one of the leading North American wiring harness manufacturers for heavy and medium duty trucks and it also has a significant position in light vehicle wiring harnesses. In addition, AEES provides components and wires to other contract manufacturers. AEES' largest customer accounts within the truck industry are e.g. Daimler Trucks North America, Navistar and PACCAR.

Major light vehicle customers include i.a. Continental, Ford, General Motors, Harley Davidson and Lear. In 2010, AEES generated net sales of EUR 454.0 million. AEES has operations in USA, Mexico, Brazil and Ireland and had about 13,722 employees at the end of December 2011.

As a result of the acquisition, PKC Group strengthened its position as a supplier of electrical systems for heavy-duty trucks in the western world. PKC also became a significant manufacturer of electrical systems for light vehicles in North America. The primary reason for the acquisition was that PKC believes that the combined businesses are able to increase their net sales organically significantly more rapidly than PKC would have been able to without the acquisition. It is PKC's view that global customers will concentrate their purchases to a few globally operating suppliers and that the combined entities' ability to serve current customers and maintain acquired customers will be substantially better than PKC Group's ability before the acquisition. It is PKC's view that companies' combined technical know-how and technical capacity will be able to create more added value services to customers than PKC previously could.

SHORT-TERM RISKS AND UNCERTAINTIES

The public deficit and high indebtedness of many European countries and the United States may weaken economic growth and availability of financing for investment goods and increase uncertainty in the markets. A potential weakening of the euro against the Polish zloty and the Russian rouble as well as the potential weakening of the USD against the Mexican peso may increase PKC's processing costs.

A significant increase in copper price may weaken PKC Group's profit in short term. The customer prices are updated on average with 5 month delay on the basis of copper price changes.

OUTLOOK FOR THE FUTURE

PKC expects that its net sales and comparable operating profit will increase in 2012 from the previous year's level. Net sales in 2011 amounted to EUR 550.2 million and operating profit without non-recurring items was EUR 42.6 million. Major part of net sales and profit is generated by the Wiring Systems business.

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFITS

The parent company's distributable funds are EUR 56.8 million, of which the net profit for the financial year is EUR 0.2 million negative. The Board of Directors will propose to the Annual General Meeting to be held on 4 April 2012 that a dividend of EUR 0.60 per share be paid for a total of EUR 12.7 million and that the remainder of the distributable funds be transferred to shareholders' equity. The record date for the dividend payout is 11 April 2012 and the payment date is 18 April 2012. In the view of the Board of Directors, the proposed dividend payout will not put the company's liquidity at risk.

GROUP'S FINANCIAL KEY INDICATORS

EUR 1,000	2011	2010	2009	2008	2007
STATEMENT OF INCOME					
Net sales	550,208	316,081	201,814	311,713	288,649
Operating profit	34,505	29,689	682	21,039	28,171
Profit before taxes	29,414	25,028	1,103	15,228	25,642
Profit for the financial year	23,445	19,683	2,349	5,566	17,374
STATEMENT OF FINANCIAL POSITION					
Assets					
Non-current assets	221,371	65,923	64,995	61,182	48,393
Current assets	287,426	153,034	94,852	126,256	127,556
Total assets	**508,798**	**218,957**	**159,847**	**187,437**	**175,949**
Equity and liabilities					
Equity	152,482	123,776	78,626	78,586	82,980
Non-controlling interests	0	0	0	328	789
Non-current liabilities	205,608	31,376	38,110	43,797	21,752
Current liabilities	150,708	63,804	43,111	65,055	71,217
Total equity and liabilities	**508,798**	**218,957**	**159,847**	**187,437**	**175,949**
KEY INDICATORS					
Net sales, EUR 1,000	550,208	316,081	201,814	311,713	288,649
Change in net sales, %	74.1	56.6	-35.3	8.0	26.1
Operating profit, EUR 1,000	34,505	29,689	682	21,039	28,171
% of net sales	6.3	9.4	0.3	6.7	9.8
Profit before taxes, EUR 1,000	29,414	25,028	1,103	15,228	25,642
Profit for the financial year, EUR 1,000	23,445	19,636	2,349	5,519	17,374
% of net sales	4.3	6.2	1.2	1.8	6.0
Return on equity (ROE), %	17.0	19.4	3.0	6.7	22.6
Return on investment (ROI), %	18.9	25.8	6.4	20.8	23.4
Gearing, %	72.6	-1.7	35.9	75.7	54.5
Equity ratio, %	30.0	56.5	49.2	41.9	47.2
Quick ratio	1.2	1.5	1.3	1.1	1.1
Current ratio	1.9	2.4	2.2	1.9	1.8
Gross capital expenditure, EUR 1,000	101,532	8,575	3,894	27,426	10,791
% of net sales	18.5	2.7	1.9	8.8	3.7
R&D expenses, EUR 1,000	6,922	5,692	5,518	5,812	5,511
% of net sales	1.3	1.8	2.7	1.9	1.9
Personnel in average	10,793	5,278	4,704	5,588	4,971

KEY INDICATORS FOR SHARES	2011	2010	2009	2008	2007
Earnings per share (EPS), EUR	1.18	1.09	0.13	0.31	0.98
Earnings per share (EPS), diluted, EUR	1.16	1.09	0.13	0.31	0.98
Shareholders' equity per share, EUR	7.66	6.33	4.42	4.41	4.62
Dividend per share, EUR [1]	0.60	0.55	0.40	0.15	0.45
Dividend per earnings, % [1]	50.7	50.5	307.7	48.4	45.9
Effective dividend yield, % [1]	4.4	3.3	6.1	4.6	5.2
Price/earnings ratio (P/E)	9.7	14.1	50.8	10.5	8.9
Share price at the end of the year, EUR	11.48	15.40	6.60	3.25	8.70
Lowest share price during the year, EUR	8.60	6.55	2.70	2.82	8.55
Highest share price during the year, EUR	18.36	15.58	6.83	9.48	12.40
Average share issue-adjusted number of shares [2]	19,816	17,990	17,782	17,782	17,764
Share issue-adjusted number of shares at the end of the financial year [2]	19,906	19,552	17,782	17,782	17,782
Unlisted shares at the end of period [2]	1,250	0	0	0	0
Market capitalisation, EUR 1,000	228,519	301,100	117,358	57,789	154,699
Dividend, EUR 1,000	12,694	10,754	7,113	2,667	8,002

[1] The figures of 2011 are based on the Board of Directors' proposal [2] Number of shares in thousands

CALCULATION OF KEY INDICATORS

Return on equity (ROE), %	= 100 x	Profit for the financial year / Total equity (average)
Return on investments (ROI), %	= 100 x	Profit before taxes + financial expenses / Total equity + interest-bearing financial liabilities (average)
Gearing, %	= 100 x	Interest-bearing liabilities - cash and cash equivalents / Total equity
Equity ratio, %	= 100 x	Total equity / Total of the statement of financial position - advance payments received
Quick ratio	=	Total current assets - inventories / Total current liabilities - advance payments received
Current ratio	=	Total current assets / Total current liabilities
Earnings per share (EPS), EUR	=	Profit for the financial year attributable to equity holders of the parent company / Average share issue-adjusted number of shares
Shareholders' equity per share, EUR	=	Equity attributable to equity holders of the parent company / Share issue-adjusted number of shares on the date of the statement of financial position
Dividend per share, EUR	=	Dividend paid for financial year / Share issue-adjusted number of shares on the date of the statement of financial position
Dividend per earnings, %	= 100 x	Dividend per share / Earnings per share
Effective dividend yield, %	= 100 x	Share issue-adjusted dividend per share / Share issue-adjusted average share price at the closing date
Price per earnings, (P/E)	=	Share issue-adjusted average share price at the closing date / Earnings per share
Market capitalisation	=	Number of shares at the end of the financial year x the last trading price of the financial year

Share turnover and shareholders

PKC Group Oyj's share turnover on NASDAQ OMX Helsinki Ltd from 1 January to 31 December 2011 was 11,803,605 shares (10,172,914 shares), representing 59.6% of the average number of shares (56.5%). Shares were traded to a total value of EUR 158.1 million (EUR 107.7 million). The lowest share value during the financial year was EUR 8.60 (EUR 6.55) and the highest EUR 18.36 (EUR 15.40). The closing price on the last trading day of the financial year was EUR 11.48 (EUR 15.40) and the average price during the financial year was EUR 13.44 (EUR 10.72). The company's market capitalisation at 31 December 2011 was EUR 228.5 million (EUR 301.1 million).

Flaggings 2011

- The share of votes and share capital in PKC Group Oyj held by Ilmarinen Mutual Pension Insurance Company (0107638-1) exceeded the limit of 10% on 30 August 2011. Following the transaction Ilmarinen Mutual Pension Insurance Company owned 2,017,955 PKC Group Oyj shares i.e. 10.14% of the shares and votes.
- The share of votes and share capital in PKC Group Oyj held by PEA Escrow, LLC (X00832908), an entity controlled by Platinum Equity Advisors, LLC, exceeded the limit of 5% on 1 October 2011 after the closing of the agreement between PKC Wiring Systems Oy and PKC Group USA Inc. (as buyers) and PKC Group Oyj (as guarantor) and the funds controlled by Platinum Equity (as sellers) signed on 9 August 2011 for the purchase of AEES-companies. As part of the purchase price payable for the shares in the AEES-companies, PEA Escrow received on behalf of the funds controlled by Platinum Equity 1,250,000 PKC Group Oyj's shares corresponding to 5.9% of shares and votes.
- The share of votes and share capital in PKC Group Oyj held by PEA Escrow, LLC (X00832908), an entity controlled by Platinum Equity Advisors, LLC, has fallen below the limit of 5% on 30 December 2011 and the share of votes and share capital in PKC Group Oyj held by Project Del Holdings, LLC (X00840083), an entity controlled by Platinum Equity Advisors, LLC, exceeded the limit of 5% on 30 December 2011. As part of the purchase price payable for the shares in the AEES-companies pursuant to the agreement between PKC Wiring Systems Oy and PKC Group USA Inc. (as buyers) and PKC Group Oyj (as guarantor) and the funds controlled by Platinum Equity (as sellers) signed on 9 August 2011 for the purchase of AEES-companies, PEA Escrow received on behalf of the funds controlled by Platinum Equity 1,250,000 PKC Group Oyj's shares corresponding to 5.9% of shares and votes and all these shares have been transferred to Project Del Holdings, LLC on behalf of the funds controlled by Platinum Equity.

The shares held by Board members, their closely associated persons and corporations in which they have a controlling interest accounted for 0.6% (0.7%) of the total number of shares at the end of the financial year. PKC Group Oyj had a total of 9 041 shareholders (7,207) at the end of the financial year. The shares held by foreigners and through nominee registrations at the close of the financial year totalled 24.4% of the share capital (19.8%).

Shares and share capital

PKC Group Oyj's shares and share capital has changed during the financial year as follows:

- A total of 49,400 PKC Group Oyj's shares have been subscribed for with 2006 options (31,600 with 2006A options and 17,800 with 2006B options). The new shares and the corresponding increase in the share capital, EUR 16,796, have been entered into the Trade Register on 1 February 2011. The new shares were traded on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 2 February 2011. After the increase the Company's registered share capital was EUR 5,999,523.36, divided into 19,601,332 shares.
- A total of 199,270 PKC Group Oyj's shares have been subscribed for with 2006 options (136,230 with 2006A options and 63,040 with 2006B options). The new shares and the corresponding increase in the share capital, EUR 67,751.80, have been entered into the Trade Register on 29 March 2011. The new shares were traded on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 30 March 2011. After the increase the Company's registered share capital was EUR 6,067,275.16, divided into 19,800,602 shares.
- A total of 103,840 PKC Group Oyj's shares have been subscribed for with 2006 options (32,060 with 2006A options, 20,780 with 2006B options and 51,000 with 2006C options). The new shares and the corresponding increase in the share capital, EUR 35,350.60, have been entered into the Trade Register on 12 May 2011. The new shares were traded on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 13 May 2011. After the increase the Company's registered share capital was EUR 6,102,580.76, divided into 19,904,442 shares.
- A total of 1,414 PKC Group Oyj's shares have been subscribed for with 2006 options (950 with 2006B options and 464 with 2006C options). The new shares and the corresponding increase in the share capital, EUR 480.76, have been entered into the Trade Register on 30 August 2011. The new shares were traded on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 31 August 2011. After the increase the Company's registered share capital was EUR 6,103,061.52, divided into 19,905,856 shares.
- PKC Group Oyj's Board of Directors has, on the basis of the authorisation granted by the shareholders' meeting on 30 March 2011, resolved on a directed share issue without payment of 1,250,000 new shares to company's wholly owned subsidiary PKC Group USA Inc for the payment of purchase price for the shares in the AEES-companies. After the increase the Company's registered share capital was EUR 6,103,061.52, divided into 21,155,856 shares. As part of the purchase price for the AEES companies, the sellers received 1,250,000 PKC Group Oyj's shares on 1 October 2011. The new shares were not listed at the time of acquisition as according to the agreement the shares would be listed on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares within 180 days after the closing date of AEES acquisition.

After the financial year a total of 110 PKC Group Oyj's shares have been subscribed for with 2006B options. The new shares and the corresponding increase in the share capital, EUR 37.40, have been entered into the Trade Register on 12 January 2012. The new shares will be traded on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 13 January 2012. After the increase the Company's registered share capital was EUR 6,103,098.92, divided into 21,155,966 shares. The shares entitled their holders to dividends and other shareholder rights in the Company as of the date of registration of the shares in the Trade Register. After the increase, the number of shares listed in NASDAQ OMX Helsinki Ltd was 19,905,966 as the 1,250,000 shares related to the AEES acquisition were not listed on the main list of the NASDAQ OMX Helsinki Ltd.

The 1,250,000 shares related to the AEES acquisition were listed on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 1 February 2012.

The Board's authorisations

Authorisation to the Board of Directors to decide on share issue

The Board of Directors was granted authorisation by the Annual General Meeting on 30 March 2011 to decide on share issue and granting of special rights defined in Chapter 10, Section 1 of the Companies Act and all the terms and conditions thereof. A maximum total of 6,000,000 shares may be issued or subscribed for on the basis of authorisation. The authorisation includes the right to decide on directed share issue. The authorisation is in force for five years from the date of the General Meeting's decision. At Board of Directors' discretion the authorisation may be used e.g. in financing possible corporate acquisitions, inter-company co-operation or similar arrangement, or strengthening company's financial or capital structure etc. PKC Group Oyj's Board of Directors has, on the basis of the authorisation granted by the shareholders' meeting on 30 March 2011, resolved on a directed share issue without payment of 1,250,000 new shares to company's wholly owned subsidiary PKC Group USA Inc for the payment of the purchase price for the shares in the AEES-companies. After this share issue, a maximum total of 4,750,000 shares may be issued or subscribed for on the basis of authorisation.

The Board of Directors does not possess a valid authorisation to acquire company's own shares, and the company does not have any own shares (treasury shares) in its possession.

Donations to good causes

The Annual General Meeting granted on 30 March 2011 to the Board of Directors an authorisation to decide on a donation of no more than EUR 150,000 to Finnish universities either directly by the company or through its subsidiaries. According to the decision of the Board of Directors PKC Electronics Oy donated EUR 100,000 to the University of Oulu and EUR 50,000 to the University of Vaasa.

Stock option schemes

2006 options

The stock option scheme initiated in 2006, comprises a total of 697,500 options divided into A, B and C warrants. At the close of financial year, the outstanding options and options held by key personnel totals 129,930 2006B warrants and 209,386 2006C warrants.

The share subscription price for the 2006 stock options is the volume-weighted average price of the PKC Group Oyj share on NASDAQ OMX Helsinki, with dividend adjustments, as defined in the stock option terms (at present, EUR 9.54 for the 2006B and 2006C warrants). Through the exercise of the 2006 stock options, the share capital of PKC Group Oyj may be increased by a maximum total of 697,500 new shares and EUR 237,150. After the registration of subscription made on 12 January 2012, the Company's share capital can increase by a maximum of 340,856 shares i.e. EUR 115,891.04 as a result of the exercise of the remaining outstanding option rights. The share subscription period is for 2006B warrants 1 April 2010–30 April 2012, and for 2006C warrants 1 April 2011–30 April 2013. The 2006 stock options are subject to a share ownership plan. Key personnel are obliged to subscribe for or purchase the company's shares with 20% of the gross income earned from stock options and to own these shares for two years. The company's President and CEO is obliged to own these shares for the duration of his managerial contract.

The share subscription period for 2006A warrants has ended 30 April 2011. During the share subscription period a total 200,300 shares were subscribed and 2,200 warrants remained unused.

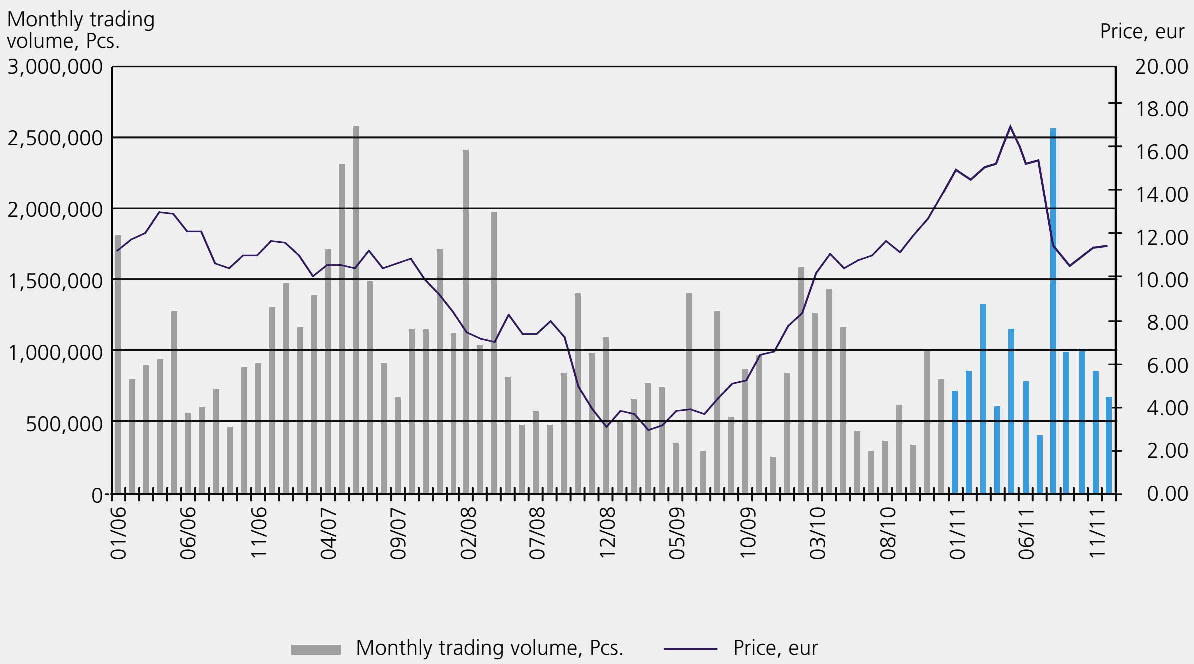
2009 options
The Annual General Meeting held on 27 March 2009 decided to issue stock options to key personnel in the company and its subsidiaries. The maximum total number of stock options issued is 600,000 and they are divided into A, B and C warrants. At the close of the financial year, the outstanding options and options held by key personnel totals 195,500 2009A, 190,000 2009B and 140,000 2009C warrants.

The subscription price for shares through the exercise of the 2009 stock options is the volume-weighted average price of the PKC Group Oyj share on NASDAQ OMX Helsinki for April 2009, 2010 and 2011 + 20% with dividend adjustments, (at present, EUR 2.90 for the 2009A warrants, EUR 12,71 for the 2009B warrants and EUR 18.58 for the 2009C warrants). The subscription price for shares will be recorded in the invested non-restricted equity fund. The stock options entitle their owners to subscribe for a maximum total of 600,000 new shares in the company or existing shares held by the company. The share subscription period for 2009A warrants is 1 April 2012–30 April 2014, for 2009B warrants 1 April 2013–30 April 2015 and for 2009C warrants 1 April 2014–30 April 2016. The 2009 stock options are subject to a share ownership plan. Key personnel are obliged to subscribe for or purchase the company's shares with 20% of the gross income earned from stock options and to own these shares for two years. The company's President and CEO is obliged to own these shares for the duration of his managerial contract.

Dividend for 2010

The Annual General Meeting held on 30 March 2011 resolved to pay a dividend of EUR 0.55 per share i.e. a total of about EUR 10.9 million. The dividend was paid out on 11 April 2011.

SHARE PRICE AND MONTHLY TRADING VOLUME 3.1.2006–30.12.2011



MAJOR SHAREHOLDERS 31.12.2011

		Pcs.	% of shares and votes
1.	Ilmarinen Mutual Pension Insurance Company	2,402,923	11.4
2.	As Harju Elekter	1,400,003	6.6
3.	Project Del Holdings Llc	1,250,000	5.9
4.	Takanen Jorma	797,598	3.8
5.	Varma Mutual Pension Insurance Company	574,083	2.7
6.	OP-Finland Small Firms Fund	561,293	2.7
7.	Laakkonen Mikko	437,934	2.1
8.	Suutari Harri	412,500	1.9
9.	Etera Mutual Pension Insurance Company	410,177	1.9
10.	Odin Finland	370,888	1.8
10 major holders total		**8,617,399**	**40.7**
Nominee registered			
Nordea Pankki Suomi Oyj		1,486,840	7.0
Other nominee registered		560,993	2.7
Others		10,490,624	49.5
Total		**21,155,856**	**100.0**

SHARES AND OPTIONS HELD BY THE BOARD OF DIRECTORS AND EXECUTIVE BOARD ON 31.12.2011

Board of Directors	Number of shares and votes, Pcs.	Shares and votes, %	Ownership of related parties and controlled corporations, Pcs.	Options, Pcs.
Hyytiäinen Matti	0	0	0	0
Lampela Outi	0	0	0	0
Palla Endel	112,000	0.5	0	0
Pohjanvirta Olli	9,350	0	4,950	0
Ruotsala Matti	0	0	0	0
Tähtinen Jyrki	0	0	10,892	0
Executive Board				
Kariniemi Jarkko	10,000	0	0	66,300
Ojala Harri	0	0	0	52,000
Raatikainen Sanna	10,000	0	0	75,300
Rajala Jarmo	10,000	0	0	86,000
Sarajärvi Marja	10,000	0	0	75,300
Suutari Harri	412,500	1.9	360	62,000

DISTRIBUTION OF SHARE OWNERSHIP BY OWNER CATEGORIES ON 31.12.2011

	% of shares and votes
Domestic corporations	7.3
Financial institutions and insurance corporations	6.7
Public institutions	16.9
Non-profit institutions	3.3
Households and private investors	41.4
Foreign investors (including nominee registered shares)	24.4
Total	**100.0**

DISTRIBUTION OF SHARE OWNERSHIP BY SIZE OF SHAREHOLDING ON 31.12.2011

Shares	Shareholders		Shares		Votes	
	Pcs.	%	Pcs.	%	Pcs.	%
1–100	1,968	21.8	130,319	0.6	130,319	0.6
101–500	4,120	45.6	1,160,589	5.5	1,160,589	5.5
501–1,000	1,497	16.6	1,142,492	5.4	1,142,492	5.4
1,001–5,000	1,206	13.3	2,599,869	12.3	2,599,869	12.3
5,001–10,000	136	1.5	1,003,144	4.7	1,003,144	4.7
10,001–50,000	78	0.9	1,606,733	7.6	1,606,733	7.6
50,001–100,000	14	0.2	1,049,222	5.0	1,049,222	5.0
100,001–500,000	15	0.2	3,990,748	18.9	3,990,748	18.9
500,001–	7	0.1	8,472,740	40.0	8,472,740	40.0
Total,	**9,041**	**100.0**	**21,155,856**	**100.0**	**21,155,856**	**100.0**
of which nominee registered	10		2,064,747	9.8	2,064,747	9.8

CONSOLIDATED STATEMENT OF INCOME

EUR 1,000	Note	1.1.–31.12.2011	1.1.–31.12.2010
Net sales	**2**	**550,208**	**316,081**
Production for own use		208	0
Other operating income	4	4,042	4,597
Increase/decrease in stocks of finished goods and work in progress		-1,679	5,983
Materials and services	5	332,646	190,940
Employee benefit expenses	6	109,800	66,442
Depreciation and impairment loss on goodwill	7	17,531	10,684
Other operating expenses	8	58,296	28,906
Operating profit		**34,505**	**29,689**
Financial income		10,607	6,712
Financial expenses	9	-15,699	-11,373
Profit before taxes		**29,414**	**25,029**
Income taxes	10	-5,969	-5,346
Profit for the financial year		**23,445**	**19,683**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Other comprehensive income			
Interest derivatives		-464	0
Foreign currency translation differences - foreign operations	11	-1,112	10,499
Total comprehensive income for the financial year		**21,869**	**30,182**
Attributable to equity holders of the parent company			
Earnings per share (EPS), diluted, EUR	12	1.16	1.09
Basic earnings per share (EPS), EUR	12	1.18	1.09

EUR 1,000	Note	31.12.2011	31.12.2010
ASSETS			
Non-current assets			
Goodwill	13	29,813	15,662
Intangible assets	13	50,099	9,196
Property, plant and equipment	14	113,556	36,232
Receivables	16	20,207	38
Deferred tax assets	17	7,697	4,794
Total non-current assets		**221,371**	**65,923**
Current assets			
Inventories	18	110,526	58,127
Trade receivables and other receivables	19	124,456	56,343
Current tax assets		165	1,460
Cash and cash equivalents		52,280	37,104
Total current assets		**287,426**	**153,034**
Total assets		**508,798**	**218,956**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	6,103	5,983
Share Premium Account	20	8,259	4,862
Invested non-restricted equity fund	20	35,639	21,852
Fair value reserve		-464	0
Translation reserve		6,257	7,623
Share-based payments	21	2,340	1,663
Retained earnings		94,348	81,794
Total equity		**152,482**	**123,776**
Non-current liabilities			
Interest-bearing financial liabilities	23	146,789	26,097
Provisions	22	1,541	472
Other liabilities	24	24,321	0
Deferred tax liabilities	17	32,957	4,804
Total non-current liabilities		**205,608**	**31,373**
Current liabilities			
Interest-bearing financial liabilities	23	16,230	8,939
Trade payables and other non-interest-bearing liabilities	25	133,955	52,750
Current tax liabilities		524	2,118
Total current liabilities		**150,708**	**63,807**
Total liabilities		**356,316**	**95,180**
Total equity and liabilities		**508,798**	**218,956**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1.1.–31.12.2011	1.1.–31.12.2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	564,533	305,662
Cash receipts from other operating income	5,357	4,625
Cash paid to suppliers and employees	-520,867	-284,392
Cash flows from operations before financial income and expenses and taxes	**49,022**	**25,895**
Interest paid	-3,695	-1,915
Translation difference	2,489	857
Interest received and other financial income	1,995	342
Income taxes paid	-9,822	-2,244
Net cash from operating activies (A)	**39,990**	**22,935**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	-11,845	-8,542
Proceeds from sale of property, plant and equipment and intangible assets	1,393	466
Loans granted	-514	-1
Proceeds from payments of loans	16	17
Acquisitions of subsidiary shares	-79,565	0
Dividends received	301	0
Net cash used in investment activities (B)	**-90,213**	**-8,060**
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue	4,000	21,708
Drawing of short-term borrowings	12,175	0
Drawing of long-term borrowings	153,703	0
Repayment of short-term / long-term borrowings	-93,596	-8,697
Dividends paid	-10,890	-7,113
Net cash used in financial activities (C)	**65,391**	**5,899**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)	**15,168**	**20,774**
Cash and cash equivalents at 1 January	**37,104**	**15,326**
Effect of exchange rate fluctuations	**8**	**1,004**
Cash and cash equivalents at 31 December	**52,280**	**37,104**
Change	**15,168**	**20,774**

EUR 1,000	Share capital	Share premium account	Invested non-restricted equity fund	Fair value reserve	Translation difference	Retained earnings	Equity attributable to shareholders of the parent company
Equity at 1.1.2010	**5,983**	**4,862**	**370**	**0**	**-2,876**	**70,288**	**78,627**
Foreign currency translation differences - foreign operations	0	0	0	0	10,499	0	10,499
Other comprehensive income for the financial year	**0**	**0**	**0**	**0**	**10,499**	**0**	**10,499**
Profit for the financial year	0	0	0	0	0	19,683	19,683
Total comprehensive income for the financial year	**0**	**0**	**0**	**0**	**10,499**	**19,683**	**30,182**
Dividends	0	0	0	0	0	-7,113	-7,113
Share-based payments	0	0	0	0	0	611	611
Subscription of shares	0	0	21 482	0	0	0	21,482
Other changes	0	0	0	0	0	-12	-12
Equity at 31.12.2010	**5,983**	**4,862**	**21,852**	**0**	**7,623**	**83,457**	**123,776**
Equity at 1.1.2011	**5,983**	**4,862**	**21,852**	**0**	**7,623**	**83,457**	**123,776**
Interest derivatives	0	0	0	-464	0	0	-464
Foreign currency translation differences - foreign operations	0	0	254	0	-1,366	0	-1,112
Other comprehensive income for the financial year	**0**	**0**	**254**	**-464**	**-1,366**	**0**	**-1,576**
Profit for the financial year	0	0	0	0	0	23,445	23,445
Total comprehensive income for the financial year	**0**	**0**	**254**	**-464**	**-1,366**	**23,445**	**21,869**
Dividends	0	0	0	0	0	-10,890	-10,890
Share-based payments	0	0	0	0	0	677	677
Share issue, exercise of options	120	3,397	13,534	0	0	0	17,051
Equity at 31.12.2011	**6,103**	**8,259**	**35,639**	**-464**	**6,257**	**96,688**	**152,482**

Further information about share capital is given in note 20, Share capital.

GROUP INFORMATION

The PKC Group offers design and contract manufacturing services for wiring systems and electronics to the automotive, telecommunications and electronics industries. The Group has production facilities in Brazil, China, Estonia, Finland, Germany, Ireland, Mexico, Poland, Russia, Ukraine and the USA and employs about 22,000 people.

The parent company of the Group, PKC Group Oyj, is a public listed company domiciled in Kempele. The Group's visiting address is Vihikari 10, FIN-90440 Kempele, Finland. The consolidated financial statements were approved by the Board of Directors on 15 February 2012.

1. ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

General

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2011. The notes to the consolidated financial statements have also been prepared according to Finnish accounting and company legislation supplementing the IFRS standards.

The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated. Financial assets and liabilities held for trading are measured at fair value. The financial statement information is principally presented in thousand euros.

Basis of consolidation

The consolidated financial statements include the parent company PKC Group Oyj and all of its subsidiaries. Subsidiaries are companies in which the parent company holds, directly or indirectly, over 50 per cent of the voting rights or which it otherwise controls at the end of the report period. Control refers to the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Divested companies are included in the consolidated financial statement until the parent company's control of them ceases. Subsidiaries are fully consolidated from the date of acquisition, which is the date when the Group has obtained control. The Group had no holdings in any associates or joint ventures in the financial period under review and in the previous financial period.

Acquisitions of subsidiaries have been accounted for by using the purchase method of accounting. Accordingly the purchase price and the assets acquired and liabilities assumed in the business combination are measured at fair value at the date of acquisition. The difference between the purchase price, possible equity belonging to the non-controlling interests and the acquired company's net identifiable assets, liabilities and contingent liabilities measured at fair value is goodwill.

The consideration transferred includes the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the target and the equity interests issued by the acquirer, measured at their fair values. Any contingent consideration related to the business combination is measured at fair value at the acquisition date and it is classified as either liability or equity. Contingent consideration classified as liability is remeasured at fair value at the end of each reporting period and the subsequent changes to fair value are recognised in profit or loss. Contingent consideration classified as equity is not subsequently remeasured. The consideration transferred does not include any transactions accounted for separately from the acquisition, which are accounted for in profit or loss in conjunction with the acquisition. All acquisition-related costs, with the exception of costs to issue debt or equity securities, are recognised as expenses in the periods in which costs are incurred and services rendered.

For the business combinations made before January 1, 2010 the accounting principles valid at the time of the acquisition have been applied.

All intra-group transactions, receivables and liabilities, intra-group margins and dividends have been eliminated.

Since 1 January 2011, the Group has applied the following updated standards, amendments and interpretations which have no significant effect on the notes of the consolidated financial statements:

- IAS 32 Financial Instruments: *Presentation - Classification of Rights Issues.* The amendment concern the accounting treatment (classification) of stock options, warrants or other rights issues in other than issuer's functional currency.
- Revised IAS 24 *Related Party Disclosers.* The definition of related party is clarified and certain disclosure requirements for government-related entities has changed.

Adoption of other updated standards, amendments and interpretations have no effect on the notes of the financial statements.

Foreign currency items

The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company. The functional currency of Group companies in Russia and China in both the period under review and the previous period has been the euro. The functional currency is the currency of the primary economic environment in which the unit operates.

Transactions in foreign currency are recognised in the amounts of each company's functional currency, applying the exchange rate of the date of the transaction. Receivables and liabilities at the balance sheet date are translated at the exchange rate of the balance sheet date.

The statements of comprehensive income and income and expense items of separate income statements of foreign subsidiaries are translated into euros at the weighted average exchange rate of the transaction month and the balance sheets at the exchange rate at the balance sheet date. The translation of the profit of the period and other comprehensive income using different exchange rates in the statement of income, in the statement of comprehensive income and in the statement of financial position cause translation differences, which are recognised in equity and which are recorded in other comprehensive income as change. Translation differences of foreign subsidiaries' acquisition cost eliminations and post-acquisition accumulated equity items are recognised in other comprehensive income. In connection with disposal of a foreign entity accumulated currency translation differences are disclosed in the income statement as part of the gains or losses on the disposal.

The financial statements of the Russian and Chinese subsidiaries have been translated into euros under IAS 21. The euro has been considered the functional currency of the Russian and Chinese subsidiaries. In accordance with IAS 21, monetary (i.e. cash) items of the Russian and Chinese subsidiaries are translated into euros in the consolidated financial statements using the exchange rate at the balance sheet date, and non-monetary items, such as non-current assets, inventories and equity, using the rate at the date of the transaction.

Foreign currency differences arising from foreign transactions and foreign monetary items are recognised in statement of comprehensive income in financial items. Foreign currency differences on foreign currency loans are included in financial income and expenses, except for the foreign currency differences of liabilities which are classified as long-term net investments. These foreign currency differences are recognised in other comprehensive income, and foreign currency differences accrued are recognised in equity until the partial or full disposal of a foreign operation.

Intangible assets

Goodwill

Goodwill is recognised as the amount of the excess of the cost of a business combination over the net fair value of assets acquired and allocated to cash-generating units. Goodwill is not amortised but is tested annually for impairment with a discounted cash-flow model. Impairment losses are recognised in profit or loss as incurred.

Other intangible assets

Intangible assets are recorded in the balance sheet at acquisition cost if their cost can be determined reliably and it is probable that they will bring economic benefits for the Group. The cost of intangible assets comprises the purchase price and all costs that can be directly attributed to preparing an asset for its intended use. Other intangible assets in the Group are for example patents, software licences and customer relationships.

Intangible assets that have limited useful lives are amortised on a straight-line basis in the income statement during their known or estimated useful lives. An asset is amortised from the time it is ready to use. Asset which is not yet ready to use is tested annually for impairment.

Amortisation periods for intangible assets are:

Purchased software licences	4–5	years
Customer relationships	2–10	years.

The amortisation ceases when the intangible asset is classified as held for sale.

Research and development costs
Research costs are expensed as incurred. Development costs are capitalised when they meet the criteria for development cost capitalisation of IAS 38. All the Group's development costs are expensed as there is insufficient indication of future economic benefits in the development phase of projects.

Property, plant and equipment

Property, plant and equipment are initially recorded at acquisition cost. Acquisition cost includes expenditure that is directly attributable to the acquisition of an item. Borrowing costs that are directly attributable to the asset acquisition, construction or production and to the completion of the asset for its intended use or sale requiring necessarily a considerable length of time, will be activated in the balance sheet as part of the cost of the asset. The Group does not have at the end of the report period in the consolidated statement of financial position investments that fulfil the requirements.

Following initial recognition, property, plant and equipment are carried at cost less depreciation and any impairment losses. Subsequent expenses are added to the carrying amount of the assets only if there is sufficient evidence that they bring future economic benefits for the Group and if their cost can be determined reliably.

Assets are depreciated on a straight-line basis during their estimated useful lives. Land areas are not depreciated. Depreciation periods for items of property, plant and equipment are:

Buildings and constructions	5–20 years
Machinery and equipment	3–10 years
Other tangible assets	5–10 years.

The estimated useful lives and residual values of property, plant and equipment and intangible assets are reviewed at the end of each reporting period, and if they differ significantly from previous estimates, depreciation periods are adjusted accordingly. The depreciation of property, plant and equipment ceases when asset is classified as held for sale.

Leases

Leases that substantially transfer all the risks and rewards incidental to ownership to the Group are classified as finance leases and recognised according to the nature of the item in the statement of financial position at the lower rate of its fair value at the inception date or the present value of minimum lease payments, and depreciated over the economic life or over the lease term, whichever is shorter. Lease payment obligations, net of finance charge, are recognised as interest-bearing liabilities.

Leases in which risks and rewards incidental to ownership are not transferred to the Group are classified as operating leases. Lease payments related to them are recognised as other income or expenses in the income statement on a straight-line basis over the lease term.

Impairments of assets

The Group assesses at least annually whether there is any indication that an asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated. In addition, goodwill and unfinished intangible assets are tested for impairment annually regardless of any indication of impairment.

An impairment loss is recognised when an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the asset's net selling price or its value in use, whichever is the higher. In impairment testing the recoverable amount is based on value in use or discounted estimated future net cash flows. An impairment loss is recognised in profit or loss. The impairment loss of a cash-generating unit is recognised first as a reduction of the carrying amount of any goodwill allocated to the cash-generating unit and then proportionally as a reduction of other assets included in the cash-generating unit. The useful life of the asset to be depreciated is reassessed in connection with the recognition of the impairment loss. Additional information about impairment testing is presented in note 15 to the consolidated financial statements.

A previously recognised impairment loss for assets other than goodwill are reversed in a subsequent period if there has been a significant positive change in the estimates used to determine an asset's recoverable amount. An impairment loss can be reversed to the amount that would have been the carrying value of the asset, had no impairment loss been recognised. An impairment loss for goodwill is not reversed under any circumstances.

Inventories

Inventories are measured at acquisition cost or the probable net realisable value, whichever is lower. The cost of an inventory is determined on the basis of the weighted average cost formula and includes all direct costs and a proportional amount of indirect manufacturing costs. The net realisable value is the selling price less estimated costs of finishing and selling the product.

Financial assets, liabilities and derivatives

Group's financial assets are divided into following categories: financial assets at fair value through profit and loss, available-for-sale financial assets, and loans and receivables. Financial assets are classified on the basis of their purpose upon initial recognition. Criteria for classification is re-evaluated on each closing date. Transaction costs are included in the initial carrying amount of the financial asset when the assets are not recognised at fair value through profit and loss. All purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to the cash flow of the financial asset expire or when the risks and rewards of ownership have been substantially transferred outside the Group.

Financial assets at fair value through profit and loss
Financial assets are classified in the category of financial assets at fair value through profit and loss, if they are held for trading. In the consolidated statement of financial position all derivative financial instruments, to which hedge accounting is not applied and which are not financial guarantee contracts, are included in this category. There are no items in the consolidated balance sheet that would be classified in initial recognition on the basis of IAS 39 fair value option to this category or which would be classified upon this category on the basis of continuous trading. Depending on derivative financial instruments' nature, they are included either in current assets or in current liabilities.

Financial assets are recognised initially at fair value and recognised later at fair value at the end of the reporting period. Fair value is determined by using prevailing market rates or applicable valuation methods. The fair value of interest rate swaps is determined as the present value of future cash flows. Realised and unrealised gains and losses from changes in the fair values are recognised in profit or loss as incurred excluding those contracts to which hedge accounting is applied.

Financial assets available-for-sale
Available-for-sale financial assets are assets (excluding derivative assets) which have been expressly classified in this group or which have not been classified in any other group. Unless the intention is to sell them within 12 months of the end of the report period, they are included in non-current assets.

PKC Group's investments to other companies are classified as financial assets available-for-sale. Equity investments to unlisted companies are included to this category. Because the fair value of these investments cannot be determined reliably these investments are measured at acquisition cost less any impairment.

Loans and other receivables
Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. They arise when the Group provides money, goods or services directly to a debtor. Loans and other receivables are included in non-current assets, except for maturities under 12 months after the closing date. Non-current trade receivables and other receivables are included in receivables in the consolidated statement of financial position.

PKC Group has agreements on the purchase of receivables for example in such Group operating countries, where trade receivables have long payment term. Sold trade receivables are derecognised only to the amount of risks and benefits transferred from the ownership.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and highly liquid investments with an original maturity of three months or less from the acquisition date.

Derivatives
Derivative financial instruments are classified as financial assets at fair value through profit and loss. Currency and copper derivatives are measured at fair value on the basis of the difference between the contractual rate and the rate at the reporting date. The impacts on profit or loss arising from changes in the value of interest rate swaps to which he Group applies hedge accounting and which are effective hedges are presented in a manner consistent with the hedged item. The change in the fair value of interest rate swaps is recorded in other comprehensive income and is stated in equity in the fair value reserve to the extent the hedge is effective.

Financial liabilities
Financial liabilities are classified as financial liabilities at fair value through profit and loss and as other financial liabilities. Financial liabilities at fair value through profit and loss include derivative financial instruments, to which hedge accounting is not applied and which are not financial guarantee contracts, are classified as held-for-

sale and measured at fair value through profit and loss. Unrealised and realised profit and loss due to changes in the fair value of derivatives are recorded in profit and loss in the period in which they are incurred. Other financial liabilities, which consist of loans taken out by the Group, are initially recognised at fair value. Transaction costs include to the historical carrying amount. After initial recognition liabilities are recognised at amortised cost. Then any difference between net proceeds and redemption value is recognised as interest cost over the loan period, using the effective interest method. In the effective interest method, in which gains and losses arising from differences between amortised cost and the initially recognised acquisition cost are recognised in net profit or loss throughout the amortisation process.

Financial liabilities are classified as current unless the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after end of the reporting period. The Group removes a financial liability (or part of it) from its statement of financial position only when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Treasury shares

Purchases of treasury shares (own shares) and direct costs related thereto are deducted from equity. When purchased company's own shares are subsequently sold or reissued, any consideration received is included in equity. No treasury shares were purchased in the period under review or in previous period.

Employee benefits

Pension plans

Pension plans are classified either as defined benefit pension plans or defined contribution pension plans. Pension plans at all PKC Group companies are defined contribution plans, except in Germany where minor pension plans are defined benefit pension plans. For defined contribution plans, the Group pays fixed contributions to a separate unit. The Group has no obligation to pay supplementary contributions if the recipient of the contributions is unable to meet the payment of pension benefits. Payments to defined contribution pension plans are recognised through profit and loss as incurred. In accordance with IAS 1.31 PKC Group does not present in the financial statements note in accordance with IAS 19 because pension liability is not considered material.

The cost for defined benefit pension plans are calculated and recognised under the terms of the plan based on actuarial calculations. Pension costs are recognised as expenses over the working lives of employees. The pension obligation is measured as the present value of the estimated future contributions deducted by the fair value of plan assets at the end of the reporting period. Changes in the estimates in the actuarial calculations may influence the reported pension obligations and pension costs. Actuarial gains and losses are recorded in full through profit or loss in pension costs and in statement of financial position to pension liabilities.

Share-based payments

The Group has applied IFRS 2 Share-Based Payments to the option schemes approved by the Annual General Meetings held on 30 March 2006 and 27 March 2009. Options are measured at fair value at the time they are granted and expensed as employee benefit expenses over the instruments vesting period. The expenditure determined at the grant date is based on the estimate of the amount of options expected to vest at the end of the vesting period. The fair value of the options is determined on the basis of the Black-Scholes pricing model. The Group updates the assumptions concerning the final amount of stock options at each reporting date. Changes in the estimates are recorded in profit or loss. When options are exercised, the cash payments received on the basis of share subscriptions, adjusted for any transaction expenses, are entered in equity.

Provisions and contingent liabilities

Provisions are recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation arising as a result of a past event, the obligation is likely to entail future expenses, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the costs necessary to settle the obligation. If the reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as separate item when it is practically certain such reimbursement will be received.

A restructuring provision is recognised only if a detailed and formal plan has been prepared and those affected by it have been informed of its main features. A provision is not recognised on expenditure connected with the Group's continuing operations.

A warranty provision is recognised when a product, which contains a warranty clause, is sold. The warranty provision is estimated on the basis of past experience of warranty costs. The warranty cost history in the period under review and in the compassion period does not required recognition of a guarantee provision.

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group (i.e. outcome of ongoing judicial process). Contingent liability is also a present obligation, which probably does not require payment obligation or the amount of the obligation cannot be measured with sufficient reliability.

Revenue recognition policies

Revenue (net sales) is presented as the total invoiced value of products sold and services rendered, measured at fair value and adjusted for indirect taxes and discounts given.

Revenue from the sale of goods is recognised when the significant risks, rewards and actual control usually associated with ownership of the goods have been transferred to the buyer. Usually sales are recognised as income when products are delivered in accordance with the terms of sale. Revenue from services is recognised during the period when the services are rendered and the economic benefits of the transaction is probable.

The Group has no long-term projects.

Other operating income and expenses

Other operating income comprises gains from sales of items of property, plant and equipment and other income not related to actual operations. Other operating expenses comprise losses from sales of items of property, plant and equipment and other indirect costs, such as research and development expenses.

Interest and dividend income

Interest income is recognised using the effective interest method. Dividend income is recognised when the Group's right to receive payment has been established.

Government grants

Such government grants, which have been received to compensate the already realised costs, are recognised as other operating income over the period necessary to match the costs that they were meant to compensate for. The Group received no significant government grants in accounting period 2011 and 2010.

Income taxes

Income taxes comprise the Group companies' taxes on current net profit and deferred taxes. They are recognised in profit or loss unless when related to items recognised directly in equity or other comprehensive income.

Current tax on taxable income for the period is determined using the tax rates which have been adopted in each country. Deferred tax assets and liabilities are as a rule recognised on all of the temporary differences between the carrying amounts and taxable values of statement of financial position items. The amount of deferred tax assets and liabilities is measured using the tax rate expected to be in force at the time of payment using tax rates which have been adopted in practice by the end of the report period or tax rates of future report period when they are substantively enacted by then.

Deferred tax assets are recognised to the extent that it is probable that they can be utilised against future taxable profits. Deferred tax liabilities are recognised in their entirety. Deferred tax assets and liabilities are presented in more detail in note 17.

Non-current assets held for sale

Non-current assets (or a disposal group) and assets and liabilities relating to discontinued operations are classified as held for sale, if their carrying amount will be recovered principally through the disposal of the assets rather than through continuing use. For this to be the case, the sale must be highly probable, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary, the management must be committed to selling and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A non-current asset held for sale and assets included in the disposal group classified as held for sale are disclosed separately in the consolidated statement of financial position. The Group had no assets included in the disposal group classified as held for sale in the financial period under review and in the previous financial period.

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. According to the definition used by the Group, operating profit is the net amount formed when other operating income is added to the net sales, and the following items are then subtracted from the total: materials and services adjusted for the change in inventories of finished goods and work in progress; the employee benefit expenses; depreciation, any impairment losses, and other operating expenses. Any other items in the income statement not mentioned above are shown under operating profit. As non-recurring expenses are classified restructuring expenses, impairments and other expenses, which are not related to continuing operations.

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the statement of income. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates. The most important items, which require management estimates and which may include uncertainty, include the following:

The execution of the annual impairment test has required management to make assumptions and estimates to measure the recoverable amount of cash-generating units (note 15). On the basis of the impairment testing, the Group has no need to recognise impairment loss of goodwill. Other intangible and tangible assets show no indication of impairment.

Assets and liabilities acquired in business combinations are measured at their fair values at the date of acquisition. The fair values on which cost allocation is based are determined by reference to market values to the extent they are available. If market values are no available, the measurement is based on the estimated earning-generating capacity of the asset and its future use in Group's operating activities. The measurement of intangible assets, in particular, is based on the present values of future cash flows and requires management estimates regarding future cash flows and the use of assets.

Deferred tax assets are recognised for carry forward of unused tax losses and for all temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit s will be available against which they can be utilised. The recognised amount of deferred tax assets is based on the management's assessment of future taxable income. Changes in tax legislation can also affect the estimates made by the management.

The Group regularly reviews inventories for obsolescence and turnover, and for below-cost market values, and recognises obsolescence as necessary. Such reviews require assessments of future demand for products. Possible changes in these estimates may cause changes in inventory measurement in future periods.

The Group is a defendant in some court cases arising from its business operations. A provision is recorded when an unfavourable result is probable and the loss can be determined with reasonable certainty. The final result can differ from these estimates.

The Group's management makes judgements concerning the adoption and application of the accounting policies to the financial statements. The management has used its judgement in selecting and applying the accounting policies, for example, to the measurement of assets and classification of leases.

Any assumptions and estimates related to the comparison period are based on the circumstances and outlook that prevailed at the reporting date of that period.

Application of new or revised IFRS standards

The standards, interpretations and their amendments described below have been released but the Group will not adopt them until the mandatory adoption date. PKC Group will adopt each standard and interpretation as of its effective date or, if the effective date is some other than the first day of the financial period, as of the beginning of the financial period following the effective date. The standards, interpretations and amendments have no relevant effect on the consolidated financial statements.

* The standards, interpretations or amendments have not been endorsed by the European Union.

In 2012 the Group will adopt the following amendments issued by the IASB.

- Amendments to IFRS 7 *Financial Instruments: Disclosures*
- Amendments to IAS 12 *Income Taxes**

In 2013 the Group will adopt the following standards, interpretations and their amendments issued by the IASB.

- Amendments to IAS 1 Presentation of Financial Statements*
- Amendment to IAS 19 *Employee Benefits**
- IFRS 10 *Consolidated Financial Statements**
- IFRS 11 *Joint Arrangements**
- IFRS 12 *Disclosure of Interests in Other Entities**
- IFRS 13 *Fair Value Measurement**
- IAS 27 (as revised in 2011) S*eparate Financial Statements**
- IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures**
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine**
- Amendtments to IFRS 7 *Financial Instruments: Disclosures*

In 2014 the Group will adopt the following amendments issued by the IASB.

- Amendments to IAS 32 *Financial Instruments: Presentation**

In 2015 the Group will adopt the following amendments issued by the IASB.

- IFRS 9 *Financial Instruments** and amendments made to it.

2. SEGMENT INFORMATION

The Group's segment information is consistent with the internal reporting. The Group's reportable segments are business segments and geographical areas. Transfer prices between business segments are based on market prices. Assets and liabilities for the segments include only those assets and liabilities that can be directly allocated to the respective segments. Common items of the business segments are included in unallocated assets and liabilities.

Business segments

PKC Group's business is divided into two business areas: Wiring Systems and Electronics. To customers is provided a comprehensive service concept from cost-effective contract manufacturing to expert product development and design services.

Wiring Systems

The Wiring Systems business designs, develops and manufactures tailored electrical distribution systems, components, wire and cable, particularly for trucks, light and recreational vehicles, and for agricultural and construction machinery. The electrical distribution systems manufactured by PKC are responsible for power supply and transfer of information. Proactive design and effective management of the supply chain are carried out in close co-operation with customers, according to their requirements. The units of Wiring Systems business are located in Finland, Russia, Estonia, Poland, Ukraine, Germany, Ireland, USA, Mexico and Brazil.

Electronics

The Electronics business provides design and contract manufacture services to industrial electronics and the commercial vehicle and energy industries. Products designed and manufactured by PKC are used e.g. in power control for machinery, the testing of electronic products and for energy-saving. The service concept includes services covering the product's whole life-cycle. The factories of Electronics business are located in Finland, Russia and China.

Information about geographical areas

The net sales by market areas are based on customers' geographical locations. The Group is active in following geographical areas: Europe, North America, South America, and other countries. The assets and investments of geographical areas are based on the locations of the assets, i.e., Europe, North America, South America and other countries.

SEGMENT INFORMATION 2011

EUR 1,000	Wiring Systems	Electronics	Unallocated amounts and eliminations	Group total
Segment net sales	477,967	73,127	0	551,095
of which inter-segment sales	755	132	-887	-887
Net sales from external customers	**477,212**	**72,995**		**550,208**
Operating profit / loss before non-recurring expenses	**42,467**	**2,825**	**-3,326**	**41,967**
Donations to the universities	0	150	0	150
Advisor fees	7,100	0	0	7,100
Cancellation of the write-down of inventories	-317	0	0	-317
Non-recurring employee benefit expenses	218	310	0	528
Total non-recurring expenses	**7,001**	**460**	**0**	**7,461**
Operating profit/loss	**35,466**	**2,365**	**-3,326**	**34,505**
Goodwill	28,597	1,209	0	29,806
Other assets	454,997	47,701	-31,402	471,295
Deferred tax assets	0	0	7,697	7,697
Total assets	**483,593**	**48,910**	**-23,706**	**508,798**
Other liabilities	457,838	24,524	-159,004	323,359
Deferred tax liabilities	0	0	32,957	32,957
Total liabilities	**457,838**	**24,524**	**-126,046**	**356,316**
Capital expenditure	99,043	2,017	472	101,532
Number of employees 31.12.2011	20,727	785	16	21,528
Average number of employees	9,922	855	16	10,793

SEGMENT INFORMATION 2010

EUR 1,000	Wiring Systems	Electronics	Unallocated amounts and eliminations	Group total
Segment net sales	242,795	73,940	0	316,734
of which inter-segment sales	411	243	-654	-654
Net sales from external customers	**242,384**	**73,697**		**316,081**
Operating profit / loss before non-recurring expenses	**26,260**	**7,691**	**-2,452**	**31,499**
Non-recurring employee benefit expenses	1,363	0	0	1,363
Non-recurring writedown of inventories	447	0	0	447
Total non-recurring expenses	**1,810**	**0**	**0**	**1,810**
Operating profit/loss	**24,450**	**7,691**	**-2,452**	**29,689**
Goodwill	14,453	1,209	0	15,662
Other assets	137,181	51,138	10,181	198,500
Deferred tax assets	0	0	4,794	4,794
Total assets	**151,634**	**52,348**	**14,975**	**218,956**
Other liabilities	74,997	26,596	-11,218	90,376
Deferred tax liabilities	0	0	4,804	4,804
Total liabilities	**74,997**	**26,596**	**-6,414**	**95,180**
Capital expenditure	4,719	3,606	250	8,575
Number of employees 31.12.2010	4,921	828	16	5,765
Average number of employees	4,528	735	15	5,278

EUR 1,000	2011	2010
GEOGRAPHICAL INFORMATION		
Net sales by geographical location of customer		
Europe	298,527	208,308
South America	157,458	56,958
North America	73,514	20,732
Other countries	20,708	30,083
Total	**550,208**	**316,081**
Assets by location of assets		
Europe	185,783	154,438
South America	47,802	38,728
North America	252,071	7,573
Other countries	23,143	18,217
Total	508,798	**218,956**
Capital expenditure		
Europe	64,402	4,352
South America	3,719	2,427
North America	32,120	207
Other countries	1,291	1,588
Total	**101,532**	**8,575**

MAJOR CUSTOMERS 2011			
EUR 1.000	**Net sales**	**% of net sales**	**Segment**
Customer 1	103,230	18.8	Wiring Systems
Customer 2	77,173	14.0	Wiring Systems
Customer 3	73,807	13.4	Wiring Systems
Total	**254,210**	**46.2**	
Group net sales	**550,208**		

MAJOR CUSTOMERS 2010			
EUR 1.000	**Net sales**	**% of net sales**	**Segment**
Customer 1	86,851	27.5	Wiring Systems
Customer 2	54,287	17.2	Wiring Systems
Customer 3	54,037	17.1	Wiring Systems
Customer 4	32,789	10.4	Electronics
Total	**227,964**	**72.1**	
Group net sales	**316 081**		

NUMBER OF EMPLOYEES AT THE END OF YEAR		
	2011	**2010**
Finland	367	465
Other Europe	4,865	3,890
South America	15,744	749
North America	218	622
Other countries	334	251
Total	**21,528**	**5,977**

AVERAGE NUMBER OF EMPLOYEES		
	2011	**2010**
Finland	401	505
Other Europe	4,785	3,300
South America	1,166	653
North America	4,131	642
Other countries	310	178
Total	**10,793**	**5,278**

3. BUSINESS COMBINATIONS

The profit effect of business combinations, EUR million

	Recognised in 2011	Pro forma of the financial year
Net sales	152.8	962.3
Net profit for the financial year	6.7	27.1

Pro forma of the financial year presents the effect of business combinations if the acquisitions made in 2011 had been consolidated to the consolidated financial statements since 1 January 2011.

Segu

PKC Group signed on 28 February 2011 an agreement for the purchase of shares in the Segu companies. The ownership and control have been transferred to PKC Group on 30 April 2011, which is also the date of consolidation.

The acquisition cost is calculated on the basis of the Segu companies' preliminary balance sheet as per 30 April 2011 prepared, essentially, in accordance with IFRS and the PKC Group's accounting principles.

The preliminary goodwill of EUR 0.1 million arising from the acquisition is mainly attributable to the acquired workforce and economies of scale and synergies expected from combining the operations of Segu and PKC Group. None of the goodwill recognized for the Segu companies is tax deductible.

The following table summarizes the consideration paid for Segu companies and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date. The below mentioned acquisition consideration and the fair values at 31 December 2011 are preliminary as the finalisation of the acquisition cost calculation is still on-going.

Consideration, EUR million	
Cash	13.7
Total consideration transferred	13.7
Consideration paid in cash	13,7
Acquired cash and cash equivalents	-0,5
Cash flow effect	13,2
The assets and liabilities arising from the acquisition, EUR million	
Property, plant and equipment	12.0
Intangible assets	2.8
Inventories	8.0
Trade and other receivables	6.1
Cash and cash equivalents	0.5
Total assets	29,4
Provisions	0.2
Retirement benefit obligation	0.3
Interest-bearing liabilities	5.7
Trade and other liabilities	8.8
Deferred tax liabilities	0.8
Total liabilities	15.8
Total identifiable net assets	13.6
Goodwill	0.1

The fair value of the acquired identifiable intangible assets of EUR 2.8 million (including customer relationships and software) is preliminary pending receipt of the final valuations for those assets.

The fair value of current trade receivables and other receivables is EUR 6.1 million and includes trade receivables with a fair value of EUR 2.7 million. The fair value of trade receivables does not include any significant risk.

The total acquisition-related costs totalled to approximate EUR 0.8 million. Acquisition-related cost included in other operating expenses in the consolidated statement of comprehensive income amount to EUR 0.4 million for the year ended 31 December 2010 and EUR 0.4 million for the year ended 31 December 2011.

The net sales included in the consolidated statement of comprehensive income since 30 April 2011 contributed by Segu companies was EUR 28.8 million. Segu companies contributed profit of EUR 0.0 million over the same period.

Had the Segu companies been consolidated from 1 January 2011, the consolidated statement of comprehensive income would show net sales of EUR 564.7 million and profit of EUR 24.4 million.

AEES

PKC Group signed an agreement for the purchase of shares in the AEES companies, which produce and market wires, cables, components and wiring harnesses in North America, Brazil and Ireland, on 9 August 2011. The ownership and control transferred to PKC on 1 October 2011, which is the date of acquisition.

As a result of the acquisition, PKC Group strengthened its position as a supplier of electrical systems for heavy-duty trucks in the western world. PKC also became a significant manufacturer of electrical systems for light vehicles in North America. The primary reason for the acquisition was that PKC believes that the combined businesses are able to increase their net sales organically significantly more rapidly than PKC would have been able to without the acquisition. It is PKC's view that global customers will concentrate their purchases to a few globally operating suppliers and that the combined entities' ability to serve current customers and maintain acquired customers will be substantially better than PKC Group's ability before the acquisition. It is PKC's view that companies' combined technical know-how and technical capacity will be able to create more added value services to customers than PKC previously could. None of the goodwill, about EUR 15.6 million, recognized is expected to be deductible for income tax purposes.

Consideration, EUR million	
Cash	72.5
Equity instruments	13.0
Total consideration transferred	85.5
Acquired cash and cash equivalents	5.9
Cash flow effect	66.6

EUR 83.6 million was paid in 2011 and EUR 1.9 million in January 2012 as purchase price.

Assets acquired and liabilities assumed at the date of acquisition are presented below (EUR million). The purchase price allocation (PPA) is still provisional pending finalization of valuation of the identifiable assets and liabilities.

The assets and liabilities arising from the acquisition, EUR million	
Property, plant and equipment	56.4
Intangible assets	44.1
Deferred tax assets	3.5
Inventories	49.7
Trade receivables	65.7
Other assets	31.7
Cash and cash equivalents	5.9
Total assets	256.9
Retirement benefit obligation	8.9
Interest-bearing liabilities	42.3
Trade and other liabilities	109.9
Deferred tax liabilities	25.9
Total liabilities	187.1
Total identifiable net assets	69.8
Goodwill	15.6

Acquisition related costs of EUR 6.7 million have been charged to other operating expenses in the consolidated statement of comprehensive income for the current year.

The fair value of the 1,250,000 PKC Group Oyj's shares transferred to the sellers (EUR 13.0 million) was determined based on the share price at date of acquisition.

The fair value of trade receivables is EUR 65.7 million.

The net sales included in the consolidated statement of comprehensive income since 1 October 2011 contributed by AEES companies is EUR 124.0 million. AEES companies contributed profit of EUR 6.7 million over the same period.

Had the AEES companies been consolidated from 1 January 2011, the consolidated statement of comprehensive income would show net sales of EUR 947.8 million and profit of EUR 26.7 million.

EUR 1,000	**2011**	**2010**
4. OTHER OPERATING INCOME		
Proceeds from sales of non-current assets	56	133
Government grants	164	129
Value-added tax refunds to foreign subsidiaries	2,509	1,139
Other income	1,313	3,196
Total	**4,042**	**4,597**

EUR 1,000	2011	2010
5. MATERIALS AND SERVICES		
Purchases during the financial period	316,244	195,745
Change in inventories, increase (+) or decrease (-)	1,572	-13,695
Raw materials and consumables	317,815	182,050
Outsourced services	14,831	8,890
Total	**332,646**	**190,940**

In the comparison period materials and services include non-recurring writedown of inventories EUR 0.4 million.

	2011	2010
6. EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	86,499	52,326
Defined pension contribution plans	4,611	3,921
Other personnel expenses	18,013	9,585
Share-based payments	677	611
Total	**109,800**	**66,442**

In 2011 employee benefit expenses include EUR 0.5 million non-recurring expenses arising from layoffs.
In comparison period employee benefit expenses include EUR 1.4 million non-recurring expenses arising from layoffs.

Salaries and fees to management are presented in note 28, Related party disclosures.

	2011	2010
Personnel		
Average number of personnel		
Wiring Systems	9,922	4,528
Electronics	855	735
Unallocated	16	15
Total	**10,793**	**5,278**

Geographical information of number of personnel is presented in note 2, Segment information.

	2011	2010
7. DEPRECIATION AND AMORTISATION		
Depreciation and amortisation by commodity group		
Intangible assets		
Intangible assets	1,058	1,150
Customer relationships	7,297	2,402
Total	**8,355**	**3,552**
Property, plant and equipment		
Buildings and constructions	1,390	971
Machinery and equipment	6,390	5,424
Other tangible assets	1,443	737
Total	**9,223**	**7,132**
Total depreciation and amortisation	**17,578**	**10,684**

EUR 1,000	2011	2010
8. OTHER OPERATING EXPENSES		
Auditors' fees	575	611
Leases	4,467	3,921
Acquisition expenses	7,100	0
Other operating expenses	46,154	24,374
Total	**58,296**	**28,906**
Auditors' fees		
Authorised Public Accountant Firm KPMG		
Audit fees	364	133
Certificates and statements	1	3
Tax services	197	411
Other services	13	0
Total	**575**	**548**
Authorised Public Accountant Firm Ernst&Young, accounting period 2009		
Audit fees	0	54
Tax services	0	5
Other services	0	5
Total	**0**	**64**
9. FINANCIAL INCOME AND EXPENSES		
Financial income		
Dividend income from investments available for sale	1	1
Other interest and financial income	598	131
Foreign exchange gains	10,008	6,580
Total	**10,607**	**6,712**
Other interest and financial expenses		
Other interest and financial expenses	-4,253	-1,964
Foreign exchange losses	-11,445	-9,409
Total	**-15,699**	**-11,373**
Total financial income and expenses	**-5,092**	**-4,661**
Financial income and expenses include foreign exchange differences (net) from following items:		
Net sales	494	-410
Raw materials and services	-2,264	-1,674
Raw material derivatives	-651	337
Financing	983	-1,082
Total	**-1,437**	**-2,829**

EUR 1,000	2011	2010
10. INCOME TAXES		
Income taxes for the financial year	-3,784	-4,028
Adjustments for prior years	-38	619
Deferred taxes	-2,034	-1,711
Other taxes	-114	-227
Total	**-5,969**	**-5,345**
Tax rate reconcilation		
Profit before taxes	29,414	24,721
Income taxes at Finnish tax rate (26%)	-9,620	-6,428
Effects of different tax rates in foreign subsidiaries	4,095	3,007
Tax exempt income and non-deductible costs	1,741	409
Other temporary differences	-1,918	-1,986
Unrecognised taxes on losses carried forward	-116	-740
Income taxes from previous years	-38	619
Other taxes	-114	-227
Taxes in the statement of income	**-5,969**	**-5,346**
11. OTHER COMPREHENSIVE INCOME		
Interest derivatives	-464	0
Foreign currency translation differences - foreign operations	-1,112	10,499
Total	**-1,576**	**10,499**
12. EARNINGS PER SHARE		
Profit for the financial year	23,445	19,683
Weighted average number of shares (share issue adjusted/restated) *)	19,816	17,990
Basic earnings per share (EPS), EUR	**1.18**	**1.09**
Weighted average number of shares (share issue adjusted/restated) *)	19,816	17,990
Diluting effects of options	311	64
Weighted average number of shares, diluted *)	20,127	18,054
Diluted earnings per share (EPS), EUR	**1.16**	**1.09**
*) Shares in thousands		

EUR 1,000

13. GOODWILL AND INTANGIBLE ASSETS

	Intangible assets	Goodwill	Customer relationships	Acquisition in progress	Total
Acquisition cost 1.1.2011	**7,453**	**20,066**	**12,508**	**75**	**40,102**
+ Reclassifications	158	0	0	-158	**0**
+ Additions	742	0	0	187	**929**
+ Acquistions	157	15,496	50,052	0	**65,705**
+/- Currency translation differences	0	-1,345	0	0	**-1,345**
Acquisition cost 31.12.2011	**8,509**	**34,217**	**62,560**	**105**	**105,391**
Accumulated amortisation and impairments 1.1.2011	**5,313**	**4,404**	**5,553**	**0**	**15,271**
+/- Accumulated amortisation on disposals and reclassifications	108	0	1,745	0	**1,853**
+ Amortisation for the year	1,058	0	7,297	0	**8,355**
Accumulated amortisation and impairments 31.12.2011	**6,479**	**4,404**	**14,596**	**0**	**25,479**
Carrying amount 31.12.2011	**2,030**	**29,813**	**47,964**	**105**	**79,912**

	Intangible assets	Goodwill	Customer relationships	Acquisition in progress	Total
Acquisition cost 1.1.2010	**6,575**	**19,376**	**12,508**	**0**	**38,459**
+ Additions	412	690	0	75	**1,177**
Acquisition cost 31.12.2010	**6,987**	**20,066**	**12,508**	**75**	**39,636**
Accumulated amortisation and impairments 1.1.2010	**3,969**	**4,404**	**3,047**	**0**	**11,420**
+/- Translation difference 1.1.2010	92	0	0	0	**92**
+/- Accumulated amortisation on disposals and reclassifications	-397	0	89	0	**-308**
+/- Currency translation differences	7	0	15	0	**22**
+ Amortisation for the year	1,150	0	2,402	0	**3,552**
Accumulated amortisation and impairments 31.12.2010	**4,821**	**4,404**	**5,553**	**0**	**14,778**
Carrying amount 31.12.2010	**2,166**	**15,662**	**6,955**	**75**	**24,858**

EUR 1,000

14. PROPERTY, PLANT AND EQUIPMENT

	Land areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquistion cost 1.1.2011	**112**	**17,282**	**50,986**	**5,360**	**1,177**	**74,917**
+ Additions	3	48	4,852	1,550	5,401	**11,855**
+ Acquistions	4,074	13,310	44,737	1,669	4,213	**68,003**
- Disposals	0	-354	-2,642	-92	-7,079	**-10,166**
Acquisition cost 31.12.2011	**4,189**	**30,286**	**97,933**	**8,488**	**3,712**	**144,609**
Accumulated depreciation and impairments 1.1.2011	**0**	**5,724**	**32,119**	**2,256**	**0**	**40,098**
- Accumulated depreciation on disposals and reclassifications	26	-2,840	-14,010	-620	0	**-17,444**
+/- Currency translation differences	17	0	-50	1	0	**-31**
+ Depreciation for the year	288	1,390	6,390	1,443	0	**9,512**
Accumulated depreciation and impairments 31.12.2011	**332**	**4,274**	**24,449**	**3,080**	**0**	**32,135**
Carrying amount 31.12.2011	**3,857**	**26,012**	**73,485**	**5,408**	**3,712**	**112,474**

	Land areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquistion cost 1.1.2010	**122**	**17,915**	**50,758**	**5,483**	**915**	**75,193**
+ Additions	0	82	6,068	1,201	3,777	**11,128**
- Disposals	-10	-136	-4,897	-845	-3,465	**-9,352**
Acquisition cost 31.12.2010	**112**	**17,861**	**51,930**	**5,838**	**1,228**	**76,969**
Accumulated depreciation and impairments 1.1.2010	**0**	**4,888**	**31,923**	**2,085**	**0**	**38,895**
- Accumulated depreciation on disposals and reclassifications	0	-80	-4,824	-431	0	**-5,335**
+/- Currency translation differences	0	6	34	5	0	**44**
+ Depreciation for the year	0	971	5,424	737	0	**7,132**
Accumulated depreciation and impairments 31.12.2010	**0**	**5,785**	**32,556**	**2,395**	**0**	**40,736**
Carrying amount 31.12.2010	**112**	**12,076**	**19,373**	**3,443**	**1,228**	**36,232**

Property, plant and equipment include assets leased under finance leases as follows:

	Buildings and constructions	Machinery and equipment	Total
Acquisition cost 1.1.2011	**2,637**	**817**	**3,454**
Acquisitions	0	241	**241**
Accumulated depreciation	224	208	**432**
Carrying amount 31.12.2011	**2,413**	**850**	**3,263**

	Buildings and constructions	Machinery and equipment	Total
Acquisition cost 1.1.2010	**3,459**	**1,291**	**4,750**
Accumulated depreciation	502	374	**876**
Carrying amount 31.12.2010	**2,957**	**917**	**3,874**

15. IMPAIRMENT TESTING

The Group has allocated goodwill to business units in other words to cash-generating units (CGU). Apart from goodwill, the Group did not have any other intangible assets with indefinite useful lives on the date of impairment test on 30 September 2011.

The table below presents the allocation of goodwill between the Electronics and Wiring Systems business segments, which may comprise one or several cash-generating units. In addition the businesses acquired during the financial period have been tested separately.

Goodwill, EUR million	**2011**	**2010**
Electronics	1.2	1.2
Wiring Systems	28.6	14.5
Total	**29.8**	**15.7**
Acquired Segu-companies	*0.1*	
Acquired AEES-companies	*15.6*	

The impairment of a cash-generating unit is tested by comparing its recoverable amount to its carrying amount. The recoverable amounts of the cash-generating units are determined by their values-in-use, which are based on discounted future cash flows. The estimates of the cash flows are based on 5-year financial forecasts made by the business management and extrapolated cash flows after forecast period. The net sales and profitability estimates used in the forecasts are based on customer-specific estimates, future outlooks and previous experience. Estimates related to long-term profitability aim to take into account a normalized, solid level of profitability. Terminal value growth rate used in the calculations reflects both expected growth and inflation of each area in the long term.

Discount rate is determined with the help of weighted average cost of capital, (WACC). Discount rates are determined separately for each business unit, reflecting the effects of different businesses and different countries on the expected return of equity. In the determination of the weighted average cost of capital (WACC), the target equity ratio and the effect of indebtedness to the cost of equity have been taken into account.

The following table presents a summary of the assumptions used in the cash flow analysis.

Assumptions used in the cash flow analysis, %	**2011**	**Assumptions used in the cash flow analysis, %**	**2010**
Net sales growth 2011–2015	-7.0–8.4	Net sales growth 2010–2014	4.2–11.0
Terminal value growth 2016–	2.0	Terminal value growth 2015–	2.0
Average EBIT 2011–2015	5.2–12.0	Average EBIT 2010–2014	3.9–16.4
WACC (after tax)	7.3–10.1	WACC (after tax)	7.3–10.6
WACC (IFRS)	9.9–12.8	WACC (IFRS)	9.4–13.6

On the basis of the impairment testing, there is no need for write-downs.

Key assumptions of the recoverable amount relate to expected profitability (EBIT) and the discount rate used.

The assumptions related to calculation of recoverable amount are most vulnerable to changes in profitability (EBIT). If Central Europe unit's, which belongs to Wiring Systems business segment, profitability level would be 0.7 percentage points lower than predicted on an annual basis it would lead to a situation where the recoverable amount would be equal to carrying amount (about EUR 52 million). The unit's recoverable amount is about 17 per cent higher than carrying amount. In the other cash-generating units, no reasonable possible change in the assumptions will cause impairment.

EUR 1,000	2011	2010
16. NON-CURRENT RECEIVABLES		
Loan receivables	0	16
Other receivables	20,140	14
Available-for-sale financial assets	67	9
Total	**20,207**	**38**
of which interest-bearing	0	16

During the reporting period non-current other receivables include receivables transferred in business acquisition, which are related to the corresponding non-current liabilities

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	1.1.2011	Recognised in income statement	Acquisitions	31.12.2011
From accumulated depreciation differences	850	47	0	897
From confirmed tax losses	2,805	-2,141	0	664
From provisions	150	0	0	150
From other temporay differences	990	0	4,995	5,985
Total	**4,795**	**-2,094**	**4,995**	**7,696**

Tax deductible losses from previous years related to foreign subsidiaries has been recognised EUR 0.9 million deferred tax assets. Losses (EUR million) in question mature as follows:

Year 2016	0.1
Year 2017	0.1
Year 2018	0.2
Year 2019	0.3
Year 2021	0.2
Total	**0.9**

Deferred tax liabilities	1.1.2011	Recognised in income statement	Acquisitions	31.12.2011
From undistributed unrestricted capital	562	1,183	0	1,745
From property, plant and equipment and intangible items	3,928	1,024	0	4,952
From other temporary differences	315	309	25,637	26,260
Total	**4,805**	**2,515**	**25,637**	**32,957**

One of Group companies is subject to on-going tax audit, of which no significant consequences is expected.

Deferred tax assets	1.1.2010	Recognised in income statement	31.12.2010
From accumulated depreciation differences	550	300	850
From confirmed tax losses	3,945	-1,140	2,805
From provisions	111	39	150
From other temporary differences	198	792	990
Total	**4,804**	**-9**	**4,795**

Tax deductible losses from previous years related to foreign subsidiaries of EUR 2.8 million has been recognised in deferred tax assets. Losses (EUR million) in question mature as follows:

Year 2015	1.1
Year 2016	0.9
Year 2017	0.2
Year 2018	0.6
Total	**2.8**

Deferred tax liabilities from, EUR 1,000	**1.1.2010**	**Recognised in income statement**	**31.12.2010**
Undistributed unrestricted capital	130	432	562
Property, plant and equipment and intangible items	2,334	1,594	3,928
Other temporary differences	640	-325	315
Total	**3,103**	**1,701**	**4,805**

EUR 1,000	**2011**	**2010**
18. INVENTORIES		
Raw materials and supplies	82,439	41,288
Work in progress	5,831	5,970
Finished goods	22,088	9,894
Other inventories	133	0
Advance payments	35	975
Total	**110,526**	**58,127**
19. TRADE RECEIVABLES AND OTHER RECEIVABLES		
Trade receivables	103,965	45,797
Prepayments and accrued income	15,467	5,863
Other receivables	5,023	4,683
Total current receivables	**124,456**	**56,343**
Prepayments and accrued income		
From net sales	215	0
From other operating income	103	58
From other operating expenses	4,540	1,739
From financial income		308
From financial expenses	9	0
From employee benefits	403	936
From other taxes	10,197	2,822
Total	**15,467**	**5,863**

Aging of trade receivables is presented in note 29, Financial risk management.

20. SHARE CAPITAL

	Number of shares, 1,000 pcs.	Share capital, EUR 1,000	Share premium account, EUR 1,000	Invested non-restricted equity fund, EUR 1,000
1.1.2010	**17,782**	**5,988**	**4,862**	**370**
Share issue	1,770	0	0	21,482
31.12.2010	**19,552**	**5,983**	**4,862**	**21,852**
1.1.2011	**19,552**	**5,983**	**4,862**	**21,852**
Share issue	354	120	3,397	13,787
31.12.2011	**19,905**	**6,103**	**8,259**	**35,639**

Dividends

In 2011 a dividend of EUR 0.55 per share was paid, in total EUR 10.8 million (In 2010 EUR 0.40 per share, in total EUR 7.1 million).

After the balance sheet date the Board of Directors has proposed that EUR 0.60 per share will be distributed as dividends, in total EUR 12.7 million.

21. SHARE BASED PAYMENTS

The Board of Directors of PKC Group Oyj distributed stock options to the key personnel of the Group and to PKC Wiring Systems Oy, a wholly-owned subsidiary of the company, in accordance with the Annual General Meeting's decision on stock options on 30 March 2006. The outstanding options and options held by the Group's key personnel totals 129,930 stock options 2006B and 209,386 stock options 2006C. The remainder of the stock options 2006C were granted to PKC Wiring Systems Oy to be distributed further to the Group's present and future key personnel. The share subscription period for 2006A warrants has ended 30 April 2011. During the share subscription period a total 200,300 shares were subscribed and 2,200 warrants remained unused. A total of 102,570 PKC Group Oyj's shares have been subscribed for with 2006 B options. The amount of exercisable 2006B warrants totals 129,930. A total of 51,464 PKC Group Oyj's shares have been subscribed for with 2006C options. The amount of exercisable 2006C warrants totals 209,386.

The Board of Directors of PKC Group Oyj distributed stock options to the key personnel of the Group and to PKC Wiring Systems Oy, a wholly-owned subsidiary of the company, in accordance with the Annual General Meeting's decision on stock options on 27 March 2009. The outstanding options and options held by the Group's key personnel totals 195,500 stock options 2009A, 190,000 2009B options and 140,000 2009C stock options. The remainder of the stock options 2009A, 2009B and 2009C were granted to PKC Wiring Systems Oy to be distributed further to the Group's present and future key personnel.

A share ownership plan, which obliges the key personnel to subscribe for the company's shares with 20% of the gross income earned from their stock options and hold these shares for two years, is incorporated to the stock options. The options are forfeited if the employee leaves the company before the end of the vesting period. The Company's President and CEO must hold his shares for as long as he remains in the Group's service. The fair values of the options have been calculated using the Black-Scholes share pricing model. The expected volatility has been estimated on historic volatility using the actual price developments, taking into account the remaining terms of the options. Calculation of the fair values of the options was based on the following parameters used for to all incentives: expected dividend yield 0%, expected forfeited options 0%.

Stock option plan	Stock options granted to the key personnel of the Group		
	2006A	**2006A**	**2006B**
Grant date	20.4.2006	29.3.2007	29.3.2007
Number of instruments granted, 1,000 pcs.	180	22.5	221
Exercise price at the grant date, EUR	11.54	11.09	11.09
Exercise price, EUR	9.54	9.54	9.54
Share price at the grant date, EUR	12.25	10.01	10.01
Remaining vesting period, years	5.1	4.1	5.2
Expected volatility, %	39	35	35
Risk-free interest rate, %	3.66	4.10	4.10
Fair value of the instrument (at grant date), EUR	5.19	3.03	3.48

	2006A	**2006B**	**2006C**
Grant date	27.3.2008	27.3.2008	27.3.2008
Number of instruments granted, 1,000 pcs.	5.9	9.6	146.7
Exercise price at the grant date, EUR	10.64	10.64	10.64
Exercise price, EUR	9.54	9.54	9.54
Share price at the grant date, EUR	7.38	7.38	7.38
Remaining vesting period, years	3.1	4.2	5.2
Expected volatility, %	31	30	32
Risk-free interest rate, %	3.81	3.78	3.78
Fair value of the instrument (at grant date), EUR	0.93	1.22	1.65

Stock option plan	Stock options granted to the key personnel of the Group		
	2006A	**2006B**	**2006C**
Grant date	14.4.2008	14.4.2008	14.4.2008
Number of instruments granted, 1,000 pcs.	30	40	40
Exercise price at the grant date, EUR	10.64	10.64	10.64
Exercise price, EUR	9.54	9.54	9.54
Share price at the grant date, EUR	7.05	7.05	7.05
Remaining vesting period, years	3.1	4.1	5.1
Expected volatility, %	31	30	32
Risk-free interest rate, %	3.57	3.79	3.79
Fair value of the instrument (at grant date), EUR	0.78	1.04	1.45

	2006A	**2006B**	**2006C**
Grant date	14.7.2008	14.7.2008	14.7.2008
Number of instruments granted, 1,000 pcs.	14.6	16.1	14
Exercise price at the grant date, EUR	10.64	10.64	10.64
Exercise price, EUR	9.54	9.54	9.54
Share price at the grant date, EUR	7.04	7.04	7.04
Remaining vesting period, years	2.8	3.9	4.9
Expected volatility, %	32	30	30
Risk-free interest rate, %	4.48	4.53	4.53
Fair value of the instrument (at grant date), EUR	0.82	1.04	1.37

	2006A	**2006B**	**2006C**
Grant date	3.10.2008	3.10.2008	3.10.2008
Number of instruments granted, 1,000 pcs.	25.3	41.4	38
Exercise price at the grant date, EUR	10.64	10.64	10.64
Exercise price, EUR	9.54	9.54	9.54
Share price at the grant date, EUR	6.50	6.50	6.50
Remaining vesting period, years	2.6	3.6	4.6
Expected volatility, %	35	31	31
Risk-free interest rate, %	3.48	3.88	3.88
Fair value of the instrument (at grant date), EUR	0.60	0.77	1.00

	2006A	**2006B**	**2006C**
Grant date	22.1.2009	22.1.2009	22.1.2009
Number of instruments granted, 1,000 pcs.	19.3	18.7	23.9
Exercise price at the grant date, EUR	10.64	10.64	10.64
Exercise price, EUR	9.54	9.54	9.54
Share price at the grant date, EUR	3.50	3.50	3.50
Remaining vesting period, years	0.2	1.2	2.2
Expected volatility, %	40	38	35
Risk-free interest rate, %	1.99	2.72	3.07
Fair value of the instrument (at grant date), EUR	0.06	0.12	0.17

Stock option plan	Stock options granted to the key personnel of the Group		
	2009A	**2006B**	**2006C**
Grant date	29.4.2009	31.3.2010	31.3.2010
Number of instruments granted, 1,000 pcs.	161.5	47.1	54.9
Exercise price at the grant date, EUR	3.85	10.09	10.09
Exercise price, EUR	2.90	9.54	9.54
Share price at the grant date, EUR	3.64	10.38	10.38
Remaining vesting period, years	5	2	3
Expected volatility, %	36	38	38
Risk-free interest rate, %	2.86	1.20	1.60
Fair value of the instrument (at grant date), EUR	1.25	2.46	3.02

	2009A	**2009B**	**2009A**
Grant date	31.3.2010	31.3.2010	3.5.2011
Number of instruments granted, 1,000 pcs.	59.5	200.0	10.0
Exercise price at the grant date, EUR	3.45	13.26	2.90
Exercise price, EUR	2.90	12.71	2.90
Share price at the grant date, EUR	10.38	10.38	16.44
Remaining vesting period, years	4	5	3
Expected volatility, %	38	38	40
Risk-free interest rate, %	2.09	2.41	2.40
Fair value of the instrument (at grant date), EUR	7.32	3.04	13.74

	2009B	**2009C**
Grant date	3.5.2011	4.10.2011
Number of instruments granted, 1,000 pcs.	10.0	140.0
Exercise price at the grant date, EUR	12.71	18.58
Exercise price, EUR	12.71	18.58
Share price at the grant date, EUR	16.44	9.90
Remaining vesting period, years	4	4.6
Expected volatility, %	40	43
Risk-free interest rate, %	2.64	1.33
Fair value of the instrument (at grant date), EUR	7.23	1.87

	2011	**2011**	**2010**	**2010**
	Weighted average exercise price per share, EUR	**Number of options, 1,000 pcs.**	**Weighted average exercise price per share, EUR**	**Number of options, 1,000 pcs.**
Outstanding at 1 January	9.48	1,075.4	9.22	736.0
Granted during the year	17.23	160.0	10.75	361.5
Exercised during the year	9.67	-14.5	8.49	-21.7
Forfeited during the year	9.54	-353.9	10.09	-0.4
Expired during the year	9.54	-2.2		
Outstanding at 31 December	10.20	864.8	9.48	1,075.4
Exercisable at 31 December	10.20	864.8	9.48	1,075.4

The range of exercise prices and the weighted average contractual life of options outstanding at 31 December 2011 is presented below.

	Exercise price, EUR	Contractual life, years	Number of options, 1,000 pcs
Exercisable options at 31 December 2011	2.90–18.58	2.33	864.8

The weighted average share price at the date of exercise for share options exercised in 2011 was EUR 15.45 (2010: EUR 12.86).

EUR 1,000	2011	2010
22. PROVISIONS		
Provisions for pension expenses 1.1.	472	376
+ additions	358	96
Provisions for pension expenses 31.12.	**830**	**472**
Tax provision 1.1	0	0
+ additions	280	0
Tax provision 31.12.	**280**	**0**
Other provisions 1.1	0	0
+ additions	431	0
Other provisions 31.12.	**431**	**0**
Total provisions	**1,541**	**472**

23. INTEREST-BEARING FINANCIAL LIABILITIES		
Non-current		
Loans from financial institutions	143,423	14,752
Loans from pension insurance companies	0	7,640
Finance lease liabilities	3,366	3,704
Total non-current financial liabilities	**146,789**	**26,097**
Current		
Loans from financial institutions	15,740	6,320
Loans from pension insurance companies	0	2,269
Finance lease liabilities	490	350
Total current financial liabilities	**16,230**	**8,939**
Maturities of finance lease liabilities		
Minimum lease payments		
Within one year	1,405	1,458
Between one and five years	4,140	5,572
Total	**5,544**	**7,029**
Present value of minimum lease payments		
Within one year	490	350
Between one and five years	3,366	3,704
Total	**3,856**	**4,054**
Future finance and other charges concerning lease payments	1,688	2,975
Total lease payments	**5,544**	**7,029**

EUR 1,000	2011	2010
24. NON-CURRENT OTHER LIABILITIES		
Other liabilities	23,321	0

During the reporting period in non-current other liabilities include liabilities transferred in business acquisition, which are related to seller's indemnity.

25. TRADE PAYABLES AND OTHER NON-INTEREST-BEARING LIABILITIES		
Trade payables	90,779	33,291
Advances received	598	5
Other liabilities	13,663	3,851
Accruals and deferred income	28,915	15,603
Total current liabilities	**133,955**	**52,750**
Accruals and deferred income		
From net sales	175	0
From other operating income	171	0
From employee benefits	15,295	6,686
From other operating expenses	3,957	5,867
From other taxes	7,716	2,991
From financial expenses	611	59
From property, plant and equipment	990	0
Total	**28,915**	**15,603**

26. OPERATING LEASES		
Group as a lessee		
Less than one year	1,248	1,139
Between one and five years	650	1,843
Total	**1,898**	**2,982**

27. CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES

Measurement principles of financial assets and liabilities
Available-for-sale financial assets consist entirely of investments in unquoted stocks; these are measured at acquisition cost, since their fair value cannot be determined reliably with valuation models. The carrying amounts of trade receivables and other receivables correspond to their fair values, as the effect of discounting is not material taking into account their short maturity. The fair values of derivatives are measured by using the market prices at the reporting date, but the fair value of interest rate swaps is determined as the present value of future cash flows. The fair values of interest-bearing liabilities are based on discounted cash flows. The discount rate used is based on the Group's interest rate for corresponding interest-bearing liabilities at the reporting date. The total interest rate consists of a risk-free interest rate and a company-specific margin. The carrying amounts of trade payables and other liabilities correspond to their fair values, as the effect of discounting in not material with regard to their short maturity.

Currency and copper derivates are used only in hedging currency and copper risks. The Group uses in risk management currency forwards, copper derivatives and interest rate swaps. PKC Group does not apply hedge accounting to currency and copper derivate instruments in accordance with IAS 39. Fair values of the currency and copper derivatives are recognised through profit and loss. At the end of reporting period the Group had open euro-denominated interest rate swaps. Based on these interest rate swaps the Group receives floating rate interest based on Euribor 3 month rates and pays fixed interest. PKC Group applies hedge accounting to interest rate swaps.

At the reporting date 2011 and 2010, the Group held no other financial instruments that could be measured at fair value, except for derivatives and minor available-for-sale share investments. There have been no changes in the fair value determination calculations or valuation principles during the financial period. The valuation of derivatives is based on market data (level 2 IFRS 7:27A). The valuation of available-for-sale shares is based on the acquisition cost (level 3, IFRS 7.27A) as the fair value of the shares cannot be determined reliably. There is no functional market for unquoted shares. For the time being, the Group does not intend to dispose of these share investments. The nominal value of currency forwards was EUR 5.9 million. The nominal value of raw material derivatives' forward contracts was EUR 2.4 million (2.0 million). The nominal value of interest rate swaps was EUR 46.0 million.

EUR 1,000 2011	**Financial assets and liabilities at fair value through profit and loss**	**Loans and receivables**	**Available-for-sale financial assets**	**Financial liabilities measured at amortised cost**	**Carrying amounts of balance sheet items**	**Fair values of balance sheet items**
Non-current financial assets						
Other non-current financial assets	0	0	8	0	8	8
Total non-current financial assets	0	0	8	0	8	8
Current financial assets						
Trade receivables	0	103,965	0	0	103,965	103,965
Currency derivatives	17	0	0	0	17	17
Copper derivatives	188	0	0	0	188	188
Cash and cash equivalents	52,280	0	0	0	52,280	52,280
Total current financial assets	52,485	103,965	0	0	156,450	156,450
Total financial assets	**52,485**	**103,965**	**8**	**0**	**156,458**	**156,458**
Non-current financial liabilities						
Non-current interest-bearing liabilities	0	0	0	146,789	146,789	96,453
Total non-current financial liabilities	0	0	0	146,789	146,789	96,453
Current financial liabilities						
Current interest-bearing liabilities	0	0	0	16,230	16,230	62,764
Trade payables	0	0	0	90,779	90,779	90,779
Currency derivatives	81	0	0	0	81	81
Interest rate swaps	480	0	0	0	480	480
Total current financial liabilities	561	0	0	107,008	107,569	154,104
Total financial liabilities	**561**	**0**	**0**	**253,798**	**254,358**	**250,556**

EUR 1,000 2010	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts of balance sheet items	Fair values of balance sheet items
Non-current financial assets						
Non-current interest-bearing receivables	0	16	0	0	16	16
Other non-current financial assets	0	0	9	0	9	9
Total non-current financial assets	0	16	9	0	24	24
Current financial assets						
Trade receivables	0	45,722	0	0	45,722	45,722
Copper derivatives	307	0	0	0	307	307
Cash and cash equivalents	37,104	0	0	0	37,104	37,104
Total current financial assets	37,411	45,722	0	0	83,133	83,133
Total financial assets	**37,411**	**45,738**	**9**	**0**	**83,158**	**83,158**
Non-current financial liabilities						
Non-current interest-bearing liabilities	0	0	0	26,097	26,097	23,805
Total non-current financial liabilities	0	0	0	26,097	26,097	23,805
Current financial liabilities						
Current interest-bearing liabilities	0	0	0	8,939	8,939	11,205
Trade payables	0	0	0	33,291	33,291	33,291
Total current financial liabilities	0	0	0	42,231	42,231	44,496
Total financial liabilities	**0**	**0**	**0**	**68,327**	**68,327**	**68,301**

28. RELATED PARTY DISCLOSURES

A party is related to an entity if it controls, is controlled by, or is under common control with, the entity or has an interest in the entity that gives it significant influence over the entity or has joint control over the entity.

The Group's related party comprises of the Group companies, the parent company's Board of Directors, the Executive Board and related entities: Attorneys at Law Borenius & Kemppinen Ltd., Hannes Snellman Attorneys Ltd. and AS Harju Elekter. Other operating expenses include EUR 2.0 million (in year 2010 EUR 1.9 million) services and rents from related entities. Business transactions are based on market prices.

Group companies 31.12.2011

Company	Domicile	Holding %	Votes %
Parent company PKC Group Oyj	Finland		
PKC Wiring Systems Oy	Finland	100	100
AEES Funding Corporation	USA	100	100
AEES Holding Corporation	USA	100	100
AEES Holding LLC	USA	100	100
AEES Inc	USA	100	100
AEES LP	USA	100	100
AEES Manufacturera S.de R.L de C.V	Mexico	100	100
AEES Power Systems do Brasil Sistemas Electricos e Eletronicos Ltda	Brazil	100	100
AEES Power Systems LP	USA	100	100
Anrses de Ciudad Juarez II , S. de R.L de C.V	Mexico	100	100
Arneses y Accesorios de Mexico S. de R.L de C.V	Mexico	100	100
Asesoria Mexicana Epresarial, S. de R.L de C.V	Mexico	100	100
Cableodos del Norte II, S. de R.L de C.V	Mexico	100	100
Carhatest Oy	Finland	100	100
Engineered Plastic Components Europe, Limited	Ireland	100	100
LLC PKC Group Ukraine	Ukraine	100	100
Manufacturas de Componentes Electricos de Mexico S. de R.L de C.V	Mexico	100	100
OOO AEK	Russia	100	100
OOO PKC Group Northwest	Russia	100	100
PK Cables do Brasil Industria e Comercio Ltda.	Brazil	100	100
PKC Eesti AS	Estonia	100	100
PKC Group Canada Inc.	Canada	100	100
PKC Group Mexico S.A. de C.V.	Mexico	100	100
PKC Group Poland Sp. z o.o.	Poland	100	100
PKC Group USA Inc.	USA	100	100
PKC SEGU Systemelektrik GmbH	Germany	100	100
Project Del Holding Corporation	USA	100	100
Project Del Holding S.a.r.l	Luxemburg	100	100
T.I.C.S. Corporation	USA	100	100
TKV-sarjat Oy	Finland	100	100
PKC Netherlands Holding B.V.	The Netherlands	100	100
PK Cables Nederland B.V.	The Netherlands	100	100
PKC Electronics Oy	Finland	100	100
OOO Elektrokos	Russia	100	100
PKC Wiring Harness & Electronics (Suzhou) Co., Ltd.	China	100	100

SEGU Polska Sp. z o.o. merged to PKC Group Poland Sp. z o.o. on 31 December 2011

Employee benefits of management

EUR 1,000	2011	2010
Salaries and other current employee benefits	1,464	1,528
Share based payments	1,278	326
Total	**2,742**	**1,853**

Management consists of parent company's Board of Directors, President & CEO and members of the Executive Board.

Salaries, fees and share based payments of the President & CEO and the Board of Directors

EUR 1,000	2011	2010
Suutari Harri, President & CEO	1,234	522
Members of the Board of Directors		
Hyytiäinen Matti [1)]	34	23
Lampela Outi	34	30
Palla Endel	29	25
Pohjanvirta Olli	34	30
Ruotsala Matti	58	50
Tähtinen Jyrki	52	38
Total	**241**	**196**

[1)] member since 31.3.2010 and until 31.12.2011.

90,000 options was granted to the Group's Executive Board in 2011.
The fair value of the options is determined based on principles described in note 21 Share based payments.

1,000 Pcs.	31.12.2011	31.12.2010
Granted options	416.9	477.7
of which exercisable	135.4	161.6
Total fair value of the options	1,252.7	1,147.1
Total amount of shares, which options held by the Group's Executive Board entitle	416.9	477.7

Loans to the related parties

EUR 1,000	2011	2010
At beginning of accounting period	0	0
Loans granted during the accounting period	514	0
Total	**514**	**0**

Loans are granted to the key personnel of the Group. Repayment of loans is settled by the due date. Due date is 17 September 2012.
Interest on loans is 4%. Granted loans are unsecured.

29. FINANCIAL RISK MANAGEMENT

The company's Board of Directors has approved the Group's financial risk management policy. The objective of the policy is to protect the Group against unfavourable changes in the financial markets and thereby safeguard the Group's earnings trend, equity and liquidity. The Group's financing and financial risk management have been centralised within the parent company's finance function. The aims of centralising these functions are effective risk management, cost savings and optimisation of cash flow.

Currency risk

Because the Group operates in international markets, it is exposed to currency risks caused by exchange rate fluctuations. Sales and purchases in foreign currencies (transaction risk) as well as balance sheet items investments in and loans to foreign subsidiaries (translation risk) create currency risk. Currency risks are also hedged by currency clauses in sales agreements. Currency risks are hedged by using internal netting out, foreign currency loans, and also as needed by currency forwards and currency options. However, currency options may not be used in more than half of the derivative financial instruments. Derivatives are used only for hedging purposes. The equity of the Group's subsidiaries at the close of the financial period was EUR 110.7 million (2010: EUR 87.8 million).

Group's valuation exposure by currency, EUR 1,000		
	2011 Net Investment	2010 Net Investment
BRL	30,440	15,636
RUB	481	1,747
CAD	6,685	46,296
MXN	14,701	601
CNY	7,385	4,149
USD	34,683	6,442
PLN	16,859	12,890
UAH	-541	0
Total	**110,693**	**87,763**

Below is presented the net position by most significant currencies relating to trade receivables, cash and cash equivalents and trade payables.

EUR 1,000	USD	SEK	BRL
2011			
Trade receivables	58,182	0	23,821
Cash and cash equivalents	30,695	4	832
Trade payables	-59,490	-2,585	-4,169
Open net position	**29,387**	**-2,580**	**20,484**
2010			
Trade receivables	5,155	0	18,613
Cash and cash equivalents	2,779	0	359
Trade payables	-5,403	-3,459	-1,832
Open net position	**2,531**	**-3,458**	**17,140**

The table below shows from the point of view of the net position calculation presented above the effect of a 10% change in currency exchange rate both to the Group's result before taxes and to equity.

EUR million	Change in currency %	USD	SEK	BRL
Year 2011	+10	2.7	-0.2	1.9
	-10	-3.3	0.3	-2.3
Year 2010	+10	0.2	-0.3	1.6
	-10	-0.3	0.4	-1.9

Commodity risk

Trends in global economy may affect the prices and availability of raw materials. Copper price risks can be hedged with purchase agreements and raw materials futures and options. Changes in the prices of oil and metals can interfere with the Group's operations indirectly if they reduce demand for the customers' products. Changes in energy prices have no substantial effect on profit. According to the Group's risk management policy, a maximum of 50 percent of the copper position can be hedged.

Interest risk

Interest risk arises mainly from interest-bearing liabilities in the consolidated statement of financial position. The financing function monitors the interest risk of the loan portfolio and, if necessary, hedges the interest rate maturity by means of forward rate agreements, options and interest rate swaps. The counterpart risk involved in loans has been minimised by entering into loan agreements with at least three accepted parties. At the end of reporting period the Group had open euro-denominated interest rate swaps. Based on these interest rate swaps the Group receives floating rate interest based on Euribor 3 months rates and pays fixed interest. PKC Group applies hedge accounting to interest rate swaps.

The Group's interest rate maturities at the balance sheet date, EUR 1,000			
	Under 6 mon.	6-12 mon.	Total
Variable interest-rate financial instruments			
Loans from financial institutions	155,741	5,000	160,741

Sensitivity to market risk

Sensitivity of operating profit to market risks connected with the Group's operations
The following table describes how changes in the main market risk factors from the Group's standpoint could affect the Group's operating profit. These calculations are based on assumptions relating to ordinary market and business conditions. The effect of hedging has not been taken into account.

Average effect on operating profit net of hedging effects, EUR million		
	2011	2010
Currency risk		
10% change in foreign exchange rate between the euro and the US dollar (USD)	+/- 2.2	+/- 1.1
10% change in foreign exchange rate between the euro and the Swedish krona (SEK)	+/- 2.4	+/- 1.6
10% change in foreign exchange rate between the euro and the Brazilian real (BRL)	+/- 4.5	+/- 2.4
Commodity risk		
10% change in the price of copper	+ 3.8/- 1.5	+ 2.1/- 1.4

Sensitivity to market risks arising from financial instruments, referred to in IFRS 7
The sensitivity analysis presented below, which is required by IFRS 7, illustrates the sensitivity of the Group's operating profit and equity to changes in the price or copper, and to interest rates. In accordance with the IFRS definition, this sensitivity is due to the financial instruments, financial assets and liabilities as well as derivative financial instruments that are included in the balance sheet for the financial period. Financial instruments that are sensitive to the above-mentioned market risks include working capital items such as trade receivables and other receivables, trade payables and other liabilities, financial liabilities, deposits, cash and bank receivables and derivative financial instruments.

Sensitivity to market risks arising from financial instruments, referred to in IFRS 7

EUR million	2011 Income statement	2011 Equity	2010 Income statement	2010 Equity
Currency risk				
10% change in foreign exchange rate between the euro and the US dollar (USD)	+/- 0.1	+/- 0.1		
10% change in foreign exchange rate between the euro and the Mexican peso (MXN)	+/- 0.9	+/- 0.9		
Commodity risk				
10% change in the price of copper	+/- 0.1	+/- 0.1	+/- 0.0	+/- 0.0
Interest risk				
1% change in market interest rates	+/- 1.0	+/- 1.0	+/- 0.3	+/- 0.3

Credit risk

Credit risk associated with investments in the financial markets is minimised by making agreements with a sufficiently large number of leading and financially sound banks, financial institutions and other parties. Customers are granted standard payment terms only. As part of cash management Group has agreements on the purchases of sales receivables. No loans are granted to parties outside the Group, nor are collateral, contingent liabilities or other obligations assumed as security for their liabilities. Impairment of trade receivables is recognised where there is reasonable evidence that the Group will not receive all receivables on the original terms. Impairment of receivables is recognised under other operating expenses in the income statement.

Age distribution of trade receivables

EUR 1,000	2011	Impaired credit, recorded as a loss	Net 2011	2010	Impaired credit, recorded as a loss	Net 2010
Not yet overdue	48,528	0	48,528	37,536	0	37,536
Falling due in 30 days or less	35,092	0	35,092	2,515	0	2,515
Due 31–60 days ago	17,889	0	17,889	2,602	0	2,602
Due 61–90 days ago	1,106	-34	1,072	2,652	0	2,652
Due over 90 days ago	1,431	-48	1,383	513	-21	492
Total	**104,047**	**-82**	**103,965**	**45,819**	**-21**	**45,797**

Liquidity risk

Liquidity risk means the risk involved in obtaining financing at any given time. The parent company's finance function is responsible for the Group's liquidity and the adequacy of its financing. Sufficient liquidity is maintained by means of efficient cash management.

At the end of reporting period cash and cash equivalents totalled EUR 52.3 million (EUR 37.1 million) in addition the Group had available undrawn credit facilities EUR 23.4 million. During the year the Group withdrew EUR 153,6 million new non-current financing to business acquisitions.

Equity shown in the consolidated balance sheet is managed as capital. External capital demands are not applied in the Group. The objective of managing capital is to support the Group's business by ensuring normal operating conditions and to increase the owner's value with a target of gaining maximum return. The optimal capital structure also ensures the lowest capital costs. The capital structure can be affected by dividend distributions or share issues, for example. The capital structure is continuously monitored by using the gearing ratio. The Group's bank loans contain covenants which are common conditions. During the financial periods 2011 and 2010, the company fulfilled the terms of the covenants.

Maturity analysis of financial liabilities

EUR 1,000							
31.12.2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017-**	**Total**
Loans from financial institutions							
Repayments	15,441	68,841	8,588	8,565	8,565	50,743	160,741
Financing costs	4,129	3,296	1,727	1,498	1,269	770	12,689
Total	**19,570**	**72,136**	**10,314**	**10,063**	**9,834**	**51,513**	**173,430**
Finance lease liabilities							
Repayments	490	3,343	24	0	0	0	3,856
Financing costs	915	773	0	0	0	0	1,688
Total	**1,405**	**4,115**	**24**	**0**	**0**	**0**	**5,544**
Current non-interest-bearing liabilities							
Trade payables	90,779	0	0	0	0	0	90,779
Accruals and deferred income	611	0	0	0	0	0	611
Total	**91,390**	**0**	**0**	**0**	**0**	**0**	**91,390**
Total	**112,364**	**76,252**	**10,339**	**10,063**	**9,834**	**51,513**	**270,364**

Maturity analysis of financial liabilities

EUR 1,000							
31.12.2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016-**	**Total**
Loans from financial institutions							
Repayments	6,692	6,217	7,781	382	0	0	21,073
Financing costs	364	244	133	2	0	0	742
Total	**7,056**	**6,461**	**7,913**	**384**	**0**	**0**	**21,815**
Loans from pension insurance companies							
Repayments	2,269	2,268	2,268	607	607	1,890	9,909
Financing costs	257	198	138	89	71	164	916
Total	**2,526**	**2,466**	**2,406**	**696**	**677**	**2,054**	**10,825**
Finance lease liabilities							
Repayments	350	453	3,251	0	0	0	4,054
Financing costs	1,107	1,004	863	0	0	0	2,975
Total	**1,458**	**1,458**	**4,114**	**0**	**0**	**0**	**7,029**
Current non-interest-bearing liabilities							
Trade payables	33,291	0	0	0	0	0	33,291
Accruals and deferred income	59	0	0	0	0	0	59
Total	**33,350**	**0**	**0**	**0**	**0**	**0**	**33,350**
Total	**44,390**	**10,385**	**14,433**	**1,080**	**677**	**2,054**	**73,020**

The Group's gearing ratio in the current period and previous period was as follows:

Gearing

EUR 1,000	**2011**	**2010**
Interest-bearing liabilities	163,019	35,036
Cash and cash equivalents	52,280	37,104
Net liabilities	110,739	-2,068
Total equity	152,482	123,776
Gearing, %	72.6	-1.7

30. EVENTS AFTER THE BALANCE SHEET DATE

No significant events took place in the Group after the balance sheet date.

PARENT COMPANY'S INCOME STATEMENT

EUR 1,000	Note	1.1.–31.12.2011	1.1.–31.12.2010
Net sales	1	**715**	**10,317**
Other operating income	2	5,527	1,207
Raw materials and services	3	0	9,758
Employee benefit expenses	4	1,839	1,475
Depreciation and impairment	8	359	328
Other operating expenses	6	7,088	2,002
Operating profit/loss		**-3,043**	**-2,040**
Financial income	6	5,377	1,040
Financial expenses	6	-2,446	-698
Profit/loss before extraordinary items		**-112**	**-1,698**
Group contribution		0	4,500
Profit/loss before taxes		**-112**	**2,802**
Income taxes	7	-45	-826
Profit/loss for the financial year		**-157**	**1,976**

EUR 1,000	Note	31.12.2011	31.12.2010
ASSETS			
Non-current assets			
Intangible assets	8	819	616
Tangible assets	8	376	466
Investments	9	62,051	62,051
Total non-current assets		**63,246**	**63,133**
Current assets			
Non-current receivables	10	94,001	4,282
Current receivables	11	32,324	2,495
Cash and cash equivalents		14,256	26,976
Total current assets		**140,581**	**33,752**
TOTAL ASSETS		**203,827**	**96,886**
EQUITY AND LIABILITIES			
Equity	12		
Share capital		6,103	5,983
Share premium account		8,259	4,866
Invested non-restricted equity fund		22,114	22,114
Retained earnings		34,833	43,748
Profit/loss for the financial year		-157	1,976
Total equity		**71,153**	**78,687**
Liabilities			
Non-current liabilities	13	92,849	5,150
Current liabilities	14	39,825	13,048
Total liabilities		**132,674**	**18,199**
TOTAL EQUITY AND LIABILITIES		**203,827**	**96,886**

PARENT COMPANY'S CASH FLOW STATEMENT

EUR 1,000	1.1.–31.12.2011	1.1.–31.12.2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1,351	14,538
Cash receipts from other operating income	1,643	991
Cash paid to suppliers and employees	-8,752	-13,404
Cash flows from operations before financial income and expenses and taxes	**-5,758**	**2,125**
Interest paid	-1,505	-637
Tranlation difference	-74	0
Interest received and other financial income	-186	369
Income taxes paid	-579	-506
Group contribution	0	6,600
Net cash from operating activities (A)	**-8,102**	**7,951**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-472	-250
Proceeds from sale of tangible and intangible assets	0	6
Loans granted to subsidiaries	-114,930	-1,129
Loans granted	-514	0
Proceeds from payments of loans	1,144	10,763
Dividends received	3,500	0
Net cash used in investing activities (B)	**-111,271**	**9,390**
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Share issue	3,513	21,952
Proceeds from short-term borrowings	11,600	0
Proceeds from long-term borrowings	115,760	0
Repayment of long-term/short-term borrowings	-13,329	-9,788
Dividends paid	-10,890	-7,113
Net cash used in financial activities (C)	**106,654**	**5,051**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)	**-12,719**	**22,393**
Cash and cash equivalents at the beginning of the financial year	**26,976**	**4,583**
Cash and cash equivalents at the end of the financial year	**14,256**	**26,976**
Change in cash and cash equivalents	**-12,719**	**22,393**

ACCOUNTING POLICIES FOR PARENT COMPANY'S FINANCIAL STATEMENTS

PKC Group Oyj's financial statements have been prepared in compliance with the Finnish Accounting Standards.

Foreign currency items

Foreign currency transactions have been entered during the financial period by using the exchange rate on the transaction date. Balance sheet items outstanding on the closing date of the financial period have been valued using the exchange rates at the reporting date. The exchange rate differences have been stated in the profit and loss account.

Non-current assets

Non-current assets are recognised at cost less any depreciation and any impairment losses. Assets are depreciated on a straight-line basis during their estimated lives. The depreciation periods are as follows:

Intangible rights	4–5 years
Other long-term expenditures	3–10 years
Buildings and constructions	5–20 years
Machinery and equipment	3–10 years.

Subsidiary shares

Subsidiary shares are recognised at acquisition cost, which have been impaired, if subsidiary's recoverable amount based on future cash flows is lower than the acquisition cost.

Financial instruments

Financial instruments are recognised at acquisition cost.

Net sales

Net sales include the revenue obtained from products and services sold, which are valued at fair value and, and adjusted for discounts and indirect taxes. Revenue from the sale of goods is recognised when the products are supplied in accordance with the terms of sale. Revenue from services is recognised for the period when the service is rendered.

Research and development costs

Research and development costs have been recognised as expenses in the financial period during which they incurred.

Lease rentals

Lease rentals have been recognised as expenses.

Pension costs

The retirement plans for employees are provided by external insurance companies. Pension contributions and expenses for the financial period are based on actuarial calculations. Pension costs are recognised as expenses on the year of accrual.

Direct taxes

Direct taxes for the financial period have been recognised in profit or loss on accrual basis.

EUR 1,000	2011	2010
1. NET SALES BY BUSINESS SEGMENTS AND MARKET AREAS		
Net sales by business segments		
Wiring Systems	0	9,758
Sales of services to the Group companies	715	558
Total	**715**	**10,317**
Net sales by market areas		
Finland	433	354
Other Europe	232	9,154
North America	33	551
South America	0	36
Others	18	222
Total	**715**	**10,317**
2. OTHER OPERATING INCOME		
Government grants	5	3
Services to Group companies	5,521	1,199
Other income	0	5
Total	**5,526**	**1,207**
3. MATERIALS AND SERVICES		
Purchases during the financial period	0	9,758
Total	**0**	**9,758**
4. EMPLOYEE BENEFIT EXPENSES		
Salaries and fees	1,576	1,292
Defined pension contribution plans	202	135
Other social expenses	61	48
Total	**1,839**	**1,475**
Salaries and fees to management are presented in note 28, Related party disclosures, in consolidated financial statement		
Average number of personnel	16	15
Personnel at the end of period	16	18

EUR 1,000	2011	2010
5. OTHER OPERATING EXPENSES		
Auditors' fees	56	63
Rents	145	147
Administrative expenses	184	111
Other operating expenses	6,702	1,681
Total	**7,088**	**2,002**
Auditors' fees		
Authorised Public Accountant Firm KPMG		
Audit fees	45	16
Consulting services	1	0
Tax services	2	3
Other services	8	1
Total	**56**	**20**
Authorised Public Accountant Firm Ernst&Young, accounting period 2009		
Audit fees	0	36
Tax services	0	4
Other services	0	3
Total	**0**	**43**
6. FINANCIAL INCOME AND EXPENSES		
Income from subsidiary shares	3,500	0
Other interest and financial income from Group companies	1,247	211
Other interest and financial income	48	31
Foreign exchange gains	582	797
Total financial income	**5,377**	**1,040**
Other interest and financial expenses from Group companies	-73	-6
Other interest and financial expenses	-1,528	-631
Foreign exchange losses	-846	-62
Total financial expenses	**-2,446**	**-698**
Total financial income and expenses	**2,931**	**342**
Financial income and expenses include foreign exchange differences (net) from following items:		
Net sales	0	1
Raw materials and services	4	2
Raw material derivatives	-323	345
Financing	56	387
Total	**-264**	**735**
7. INCOME TAXES		
Income taxes for the financial year	0	-696
Adjustments for prior years	-45	-131
Total	**-45**	**-826**

EUR 1,000

8. NON-CURRENT ASSETS

Intangible assets

	Intangible rights	Other long-term expenditures	Total
Acquisition cost 1.1.2011	**1,792**	**159**	**1,951**
+ Additions	472	0	**472**
Acquisiton cost 31.12.2011	**2,264**	**159**	**2,423**
Accumulated depreciation and impairments 1.1.2011	**1,186**	**149**	**1,335**
+ Depreciation for the period	260	9	**268**
Accumulated depreciation and impairments 31.12.2011	**1,446**	**158**	**1,604**
Carrying amount 31.12.2011	**818**	**1**	**819**
Carrying amount 31.12.2010	**606**	**10**	**616**

Tangible assets

	Buildings and constructions	Machinery and equipment	Total
Acquisition cost 1.1.2011	**1,552**	**952**	**2,504**
Acquisiton cost 31.12.2011	**1,552**	**952**	**2,504**
Accumulated depreciation and impairments 1.1.2011	**1,144**	**894**	**2,038**
+ Depreciation for the period	78	12	**93**
Accumulated depreciation and impairments 31.12.2011	**1,222**	**906**	**2,131**
Carrying amount 31.12.2011	**330**	**46**	**376**
Carrying amount 31.12.2010	**408**	**58**	**466**

EUR 1,000

9. INVESTMENTS

	Holdings in Group companies	Other shares	Other receivables	Total
Acquisition cost 1.1.2011	**61,822**	**181**	**48**	**62,051**
Acquisiton cost 31.12.2011	**61,822**	**181**	**48**	**62,051**
Carrying amount 31.12.2011	**61,822**	**181**	**48**	**62,051**
Carrying amount 31.12.2010	**61,822**	**181**	**48**	**62,051**

Subsidiary shares

Group companies	Segment	Registered office	Parent's holding %	Parent's votes %
PKC Wiring Systems Oy	Wiring Systems	Kempele	100	100
PKC Netherlands Holding B.V.	Electronics	Eindhoven, The Netherlands	100	100

Group companies are presented in consolidated financial statements' note 28, Related party dislosures.

	2011	2010
10. NON-CURRENT RECEIVABLES		
Loan receivables	0	16
Loan receivables from group companies	94,001	4,266
Total non-current interest-bearing receivables	**94,001**	**4,282**
11. CURRENT RECEIVABLES		
Loan receivables	514	0
Trade receivables	8	71
Prepayments and accrued income	125	8
Other receivables	522	50
Loan receivables from Group companies	25,335	1,129
Trade receivables from Group companies	4,349	772
Prepayments and accrued income from Group companies	0	465
Other receivables from Group companies	1,471	0
Total current receivables	**32,324**	**2,495**
of which interest-bearing	25,335	1,129

More information about loan receivables is presented in consolidated financial statements' note 28, Related party dislosures.

	2011	2010
Prepayments and accrued income		
Of financial items	0	1
Of other operating expenses	26	7
Of employee benefit expenses	5	0
Of taxes	94	0
Total	**125**	**8**
Prepayments and accrued income from Group companies		
Of other operating income	0	465
Total	**0**	**465**

EUR 1,000	2011	2010
12. SHARE CAPITAL		
Share capital 1.1.	5,983	5,983
Increase in share capital	120	0
Share capital 31.12.	6,103	5,983
Share premium account 1.1.	4,866	4,862
Increase in share premium account	3,393	4
Share premium account 31.12.	8,259	4,866
Invested non-restricted equity fund 1.1.	22,114	166
Increase in invested non-restricted equity fund	0	21,948
Invested non-restricted equity fund 31.12.	22,114	22,114
Retained earnings 1.1.	45,724	50,861
Share issue	-10,890	-7,113
Invested non-restricted equity fund	22,114	22,114
Profit for the financial year	-157	1,976
Distributable equity 31.12	**56,791**	**67,838**
Restricted equity	14,362	10,849
Distributable equity	56,791	67,838
Total shareholders' equity 31.12	**71,153**	**78,687**
13. NON-CURRENT INTEREST-BEARING LIABILITIES		
Loans from financial institutions	92,849	3,393
Loans from pension insurance companies	0	1,638
Loans from Group companies	0	120
Total non-current liabilities	**92,849**	**5,150**
Loans falling due later than five years from now		
Interest-bearing loans from financial institutions	169	0
Interest-bearing loans from pension insurance companies	0	1,134
Total	**169**	**1,134**
14. CURRENT LIABILITIES		
Loans from financial institutions	15,165	1,246
Loans from pension insurance companies	0	462
Trade payables	367	97
Other liabilities	647	56
Accruals and deferred income	875	1,198
Trade payables to Group companies	2	3
Accruals and deferred income to Group companies	0	102
Other liabilities to Group companies	22,769	9,884
Total current liabilities	**39,825**	**13,048**
of which interest-bearing	37,934	1,708

EUR 1,000	2011	2010
Accruals and deferred income		
From employee benefit expenses	665	565
From financial items	95	11
From taxes	0	440
From other operating expenses	115	107
Total	**875**	**1,123**
Accruals and deferred income to Group companies		
Of other operating expenses	0	102
Total	**0**	**102**
Other liabilities		
From employee benefit expenses	73	565
From financial items	0	11
From taxes	574	0
From other operating expenses	0	107
Total	**647**	**683**
Other liabilities to Group companies		
Liabilities to Group companies	22,769	9,887
Total	**22,769**	**9,887**

15. COMMITMENTS AND OTHER LIABILITIES

Other liabilities		
Given on behalf of Group	50,574	1,032
Liabilities related to current premises		
For the current financial period	1,115	1,054
Falling due at a later date	650	1,669
Total	**1,765**	**2,724**
Loans for which business mortagages have been given as collateral		
Loans from credit institutions	0	6,229
Business mortgages	0	31,693
Derivative liabilities		
Liabilities for raw material derivatives		
Nominal value	2,450	2,010
Fair value	188	307

Derivatives are used only in hedging currency and copper prices.

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION AND SIGNATURES

The parent company's distributable funds are EUR 56,791,018, of which net profit for the financial year is EUR 157,744 negative.
There are 21,155,966 shares with dividend rights.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be disposed as follows:

- a dividend of EUR 0.60 per share be paid, totalling	EUR 12,693,579.60
- That the following sum be retained in shareholders' equity	EUR 44,097,438.40
Total	EUR 56,791,018.00.

The record date for the dividend payout is 11 April 2012 and the payment date is 18 April 2012.

The number of shares may change due to share subscriptions registered before the record date.

The company's liquidity is good and in the opinion of the Board of Directors the proposed dividend will not put the company's solvency at risk.

Helsinki, 15 February 2012.

Matti Ruotsala Chairman of the Board	Outi Lampela Board Member	Endel Palla Board Member
Olli Pohjanvirta Board Member	Jyrki Tähtinen Board Member	Harri Suutari President and CEO

TO THE ANNUAL GENERAL MEETING OF PKC GROUP OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of PKC Group Oyj for the year ended 31 December, 2011. The financial statements comprise the consolidated balance sheet, income statement and cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We recommend that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki February 15, 2012
KPMG Oy Ab

Virpi Halonen
Authorized Public Accountant

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting of PKC Group Oyj shall be held on 4 April 2012 at 1.00 pm in Helsinki, at Pörssitalo at the address Fabianinkatu 14.

A shareholder is entitled to attend the meeting if he or she is listed as a shareholder in the company's shareholder register at Euroclear Finland Ltd, on the record date of 23 March 2012, (holders of nominee registered shares have to be entered on the temporary shareholders' register by 10 a.m. on 30 March 2012) and who notifies the company of his or her participation by 10 a.m. on 30 March 2012.

Notice of the Annual General Meeting has been published as a Stock Exchange Announcement on 9 March 2012 and in the Helsingin Sanomat and Kaleva newspapers on 10 March 2012.

DIVIDENDS

The Board of Directors proposes that a dividend of EUR 0.60 per share be paid for the year 2011. The record date for dividends is 11 April 2012 and the payment date for dividends is 18 April 2012.

FINANCIAL REPORTS FOR 2012

PKC Group Oyj will publish its interim reports for 2012 as follows:

- 1–3/2012 Friday, May 4, 2012 at about 8.15 a.m.
- 1–6/2012 Thursday, August 9, 2012 at about 8.15 a.m.
- 1–9/2012 Thursday, November 1, 2012 at about 8.15 a.m.

The Interim Reports and stock exchange bulletins are published in Finnish and English on the company's website at www.pkcgroup.com. The Interim Reports and financial statement bulletins are also available on the website in PDF format. The Annual Report is published in PDF format and is available on the website.

CHANGE OF ADDRESS

Shareholders are kindly requested to notify the book-entry register at which their book-entries are kept of any changes in their contact information.

CONTACT INFORMATION

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