PKC GROUP

Annual Report 2013

PKC GROUP

ANNUAL REPORT 2013

2013

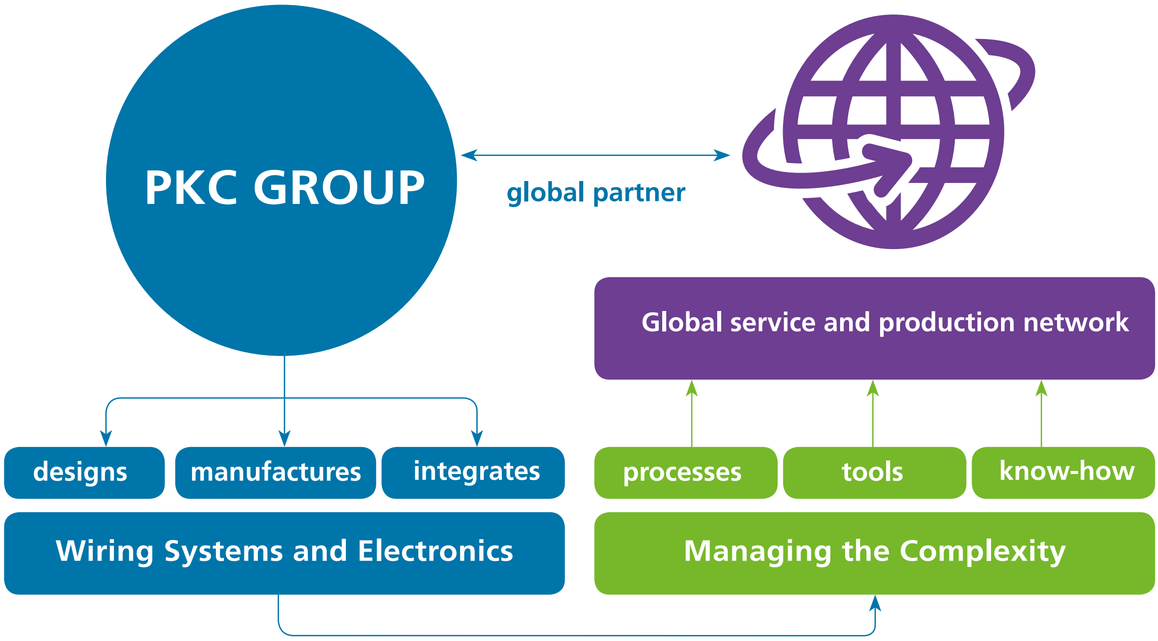
Revenue
EUR 884.0 million

EBITDA
EUR 63.3 million

Dividend/share*)
0.70 EUR

*) Board's proposal

PKC in Brief



PKC Group is a global partner, designing, manufacturing and integrating electrical distribution systems, electronics and related architecture components for the commercial vehicle industry and other selected segments. PKC Group has two business areas: Wiring Systems and Electronics.

- Wiring harness factory in Kempele, Finland founded in 1969
- Main products: electrical distribution systems, electronics and architecture components for commercial vehicles
- Main customers: the commercial vehicle industry and other transportation industry
- Employs 18,664 professionals globally
- Locations in Europe, North and South America and Asia
- Headquarters in Finland
- Listed on the Helsinki Stock Exchange

PKC – Key Investment Highlights

As a growth-driven company, PKC is an excellent investment due to its global market status, solid financial standing and ability to pay dividends. The company's success is based on strong business expertise, which has enabled dynamic growth, both organically and through strategic acquisitions.

In spite of the fluctuations in the international commercial vehicle markets and the company's strong growth, PKC has been able to maintain its strong financial position. In 2013, cash flow after capital expenditure was clearly positive, PKC's financial position remained steady and gearing decreased.

PKC's customers include all main western truck manufacturers as well as global, leading manufacturers of tractors, construction equipment and recreational vehicles. In 2013, in addition to the traditional market areas in Europe, North and South America, clientele also increased in Asia. During the past year, PKC concluded a strategic cooperation agreement with one of the China's largest truck manufacturers, Sinotruk.

Through its worldwide service and production network, PKC can be found exactly where its customers are. The Group has production facilities on four different continents: in Brazil, China, Mexico, Poland, Germany, Serbia, Finland, Estonia, Russia and the USA. PKC is continuously developing its services to meet the needs of our growing clientele. PKC's service and product portfolio offers high technology solutions ideally suited for the growing commercial vehicle markets in Asia.

Our objective is to grow further. We seek growth by deepening existing customer relationships and making the most of global partnership opportunities in new markets as well as by expanding clientele. Business operations are being developed and expanded especially in the present business segments, while new customer segments and potential acquisitions are being explored. We intend to continue to meet customer needs by expanding our service provisions on Asian markets for both current customers and the leading truck manufacturers in Asia and China.

KEY EVENTS IN 2013

- PKC's growth strategy based on PKC Uniqueness was published
- PKC carried out a directed share issue and also issued a bond in order to safeguard the financing of future projects aimed at growth
- PKC concluded a framework agreement on strategic cooperation with one of the China's leading truck manufacturers, Sinotruk
- The decision was made to establish a new wiring systems factory in Serbia to serve European customers
- The organisation of PKC's Technology Days for customers continued successfully
- Wiring Systems segment's operating profit before non-recurring items fell short of that of the previous year owing to lower volumes in North America and the losses recorded at the Brazilian unit.
- Electronics segment's operating profit before non-recurring items improved significantly over the previous year as a result of the measures implemented during the financial year that streamlined the cost structure and of the growing share of ODM products in revenue.

The Group's locations:

NORTH AMERICA
Acuña, Mexico
Farmers Branch, Texas
Farmington Hills, Michigan
Jeffersontown, Kentucky
Juarez, Mexico
Kirkland, Washington
Monterey, Mexico
Nogales, Mexico
Piedras Negras, Mexico
Portland, Oregon
San Antonio, Texas
Torreon, Mexico
Traverse City, Michigan

SOUTH AMERICA
Campo Alegre, Brazil
Curitiba, Brazil
Itajuba, Brazil

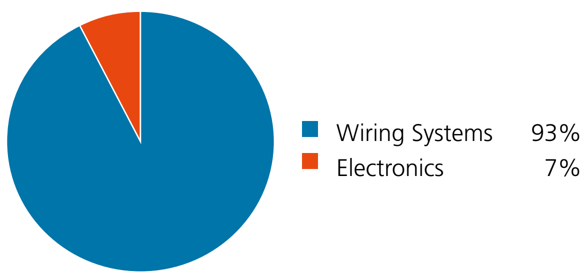
EUROPE
Barchfeld, Germany
Haapsalu, Estonia
Helsinki, Finland Group HQ
Keila, Estonia
Kempele, Finland
Kostomuksha, Russia
München, Germany
Raahe, Finland
Sosnowiec, Poland
Starachowice, Poland
Smederevo, Serbia

ASIA
Hong Kong, China
Suzhou, China

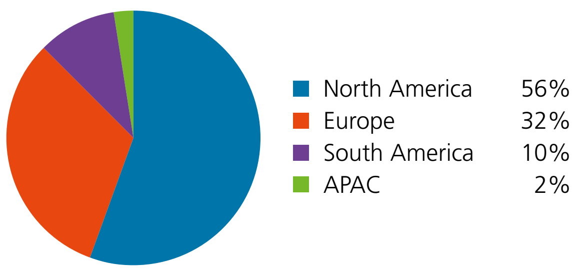
THE GROUP'S KEY FIGURES	2013	2012	2011	2010	2009
Revenue, EUR million	884.0	928.2	550.2	316.1	201.8
EBITDA (before non-recurring items), EUR million	70.3	83.0	59.5	42.2	16.1
Operating profit, EUR million	30.5	43.5	34.5	29.7	0.7
Profit before taxes, EUR million	21.6	35.0	29.4	25.0	1.1
Cash flow after investments, EUR million	24.9	63.7	–50.2	14.9	37.6
Return on investment (ROI), %	14.7	16.7	18.9	25.8	6.4
Gearing %	–1.1	34.4	72.6	–1.7	35.9
Earnings/share (EPS), EUR	0.62	1.12	1.16	1.09	0.13
Dividend/share, EUR	0.70*)	0.70	0.60	0.55	0.40

*) Board's proposal

REVENUE BY SEGMENT (%)



REVENUE BASED ON THE GEOGRAPHICAL LOCATION OF CUSTOMERS (%)



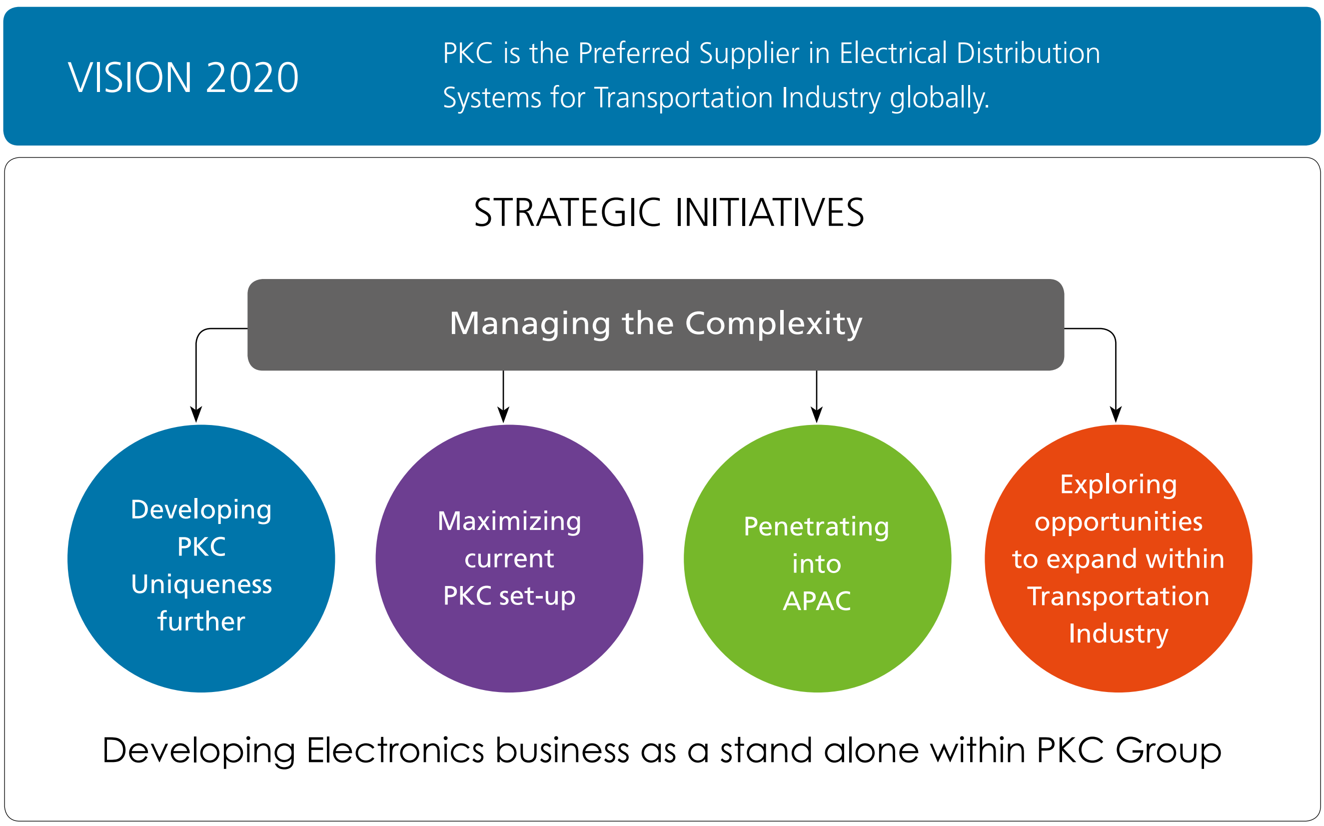
Strategic Outlines

PKC released the company's growth strategy in spring 2013 during its Capital Markets Day. The core of the strategy is PKC's unique expertise in the management of electrical distribution systems product variations.

After the AEES corporate acquisition in 2011 and the subsequent operational integration achieved rapidly, the points of departure for PKC's strategic objective-setting differed significantly from what it was previously. At the outset of 2013, PKC was a new company built on the basis of both organic and non-organic growth, which commanded the majority of truck markets in the western world.

In the new situation, the strategy was built to react to changes in the external operating environment as well as to utilise the company's own internal strengths. In this strategy, the opportunities opened up by development and trends on the global commercial vehicle market are taken into account, at the same time utilising PKC's own unique competitive advantages. The growth strategy is crystallised in four basic foundations: the development of PKC Uniqueness, maximisation of the company's current position, expansion into the region of Asia and the Pacific, and an examination of expansion possibilities in other branches of the transportation industry. In addition to these, PKC's Electronics business is being developed as its own independent part of the Group.

The strategic core is PKC Uniqueness, which provides excellent prerequisites to respond to the technological development of commercial vehicle markets. The second basic foun-



dation for our growth strategy rests on PKC's leading position as an electrical distribution systems supplier for western truck manufacturers, which offers significant growth potential via the globalisation of customership relations. The basis for the third basic foundation of strategy are Asia's commercial vehicle markets in terms of their dynamic growth in the future. In addition to the growth in production quantities, a technological structural transition is taking place on the Asian markets that PKC wants to be able to respond to in terms of the challenge it poses alongside its current customers and leading local commercial vehicle manufacturers. The points of departure for the fourth basic foundation in strategy relate to the three former strategic elements: strong expertise in the electrical architecture of commercial vehicles is an excellent starting point to also serve other customers in the transportation industry. The combination of these four basic foundations forms PKC's growth strategy and the ability to manage the complexity of its operating environment, segment and the electrical architecture of commercial vehicles.

PKC's Electronics business has its own strategy. It concentrates on its special areas of expertise, testing solutions and power management solutions.

The pivotal content of the four basic foundations of PKC's strategy is presented more closely on pages 12,16, 22 and 26.

Implementation of strategy 2013

PKC's new growth strategy accelerated the company in a successful manner immediately in the year it was announced. During the early part of the year, vehicle electronics were transferred from the Electronics business to become part of Wiring Systems business. During the third quarter, directed share issue was implemented towards experienced international and domestic investors, and a bond was also issued to ensure financing of growth projects in the future. In Asia, PKC concluded a framework agreement on strategic cooperation with China's leading truck manufacturer, Sinotruk. The optimisation and development of the global production network was continued, which resulted in the operations of the electrical distribution systems manufacturing facilities in Ukraine and Ireland as well as Russia's electronics plant being terminated; and it was decided to establish a new electrical distribution systems plant in Smederevo, Serbia. The new factory is intended to serve current and new customer relationships in Europe. In the globalisation of customerships, key success was achieved when new projects in Europe were secured via our North American customer relations. In Suzhou, China, the design and manufacturing of electrical distribution systems were differentiated to form a separate company, operating in rental facilities of its own. The unit will also function as an NPI centre (NPI = New Product Introduction) for China and the APAC region. In January, 2014, North America's production network was optimised by the decision to close the Mexican Nogales plant and transfer its production to Torreon, also in Mexico.

Review by the President & CEO

> We have succeeded in our work with the help of competent and motivated personnel.

Dear shareholders,

In 2013, our persistent work to develop the company continued and yielded results.

Our operating environment was more challenging than in the previous financial year especially in our main markets in North America and Europe. In North America, the production volumes of heavy-duty trucks were expected to grow evenly towards year-end, but this proved not to be the case. Production volumes remained at a low level, not picking up as expected. Only the last quarter showed growth in comparison to the previous year. Despite the transport entrepreneur business experiencing good results in North America, general uncertainty on economic development was reflected in cautious truck investments.

The prolonged weak economic trend in Europe was evident in low volumes on the truck markets. Anticipating the adoption of the EURO 6 emission regulations, transport entrepreneurs accelerated the acquisition of new trucks towards the end of the year, and production volumes were at a very high level in late 2013. Unfortunately, despite this development, the production volumes for the entire year in Europe remained at the level of 2012.

In Brazil, government aid measures to revitalise truck markets generated results, and production volumes were significantly higher than in the previous year. The production of heavy-duty trucks increased by 48%, and that of medium-duty trucks 63%, on the previous year.

PKC's revenue was EUR 884.0 million, 4.8% below the level of the previous year. Revenue was affected by the low volumes of our main markets and the production shutdown of some light vehicle and component programmes in the final stage of their life cycle. Operating profit before non-recurring items was EUR 40.9 million, 20.6% below the level of the previous financial year. The weak visibility of order flows created by market fluctuation, and significant variation in daily order volumes and the technical content of orders, typified the financial period. As a result of uneven order flows, the effectiveness of our production and management of net working capital suffered. Operating profit was also burdened by start-ups of several new customer programmes as well as transfers of production. Our Brazilian operations remained in the negative, despite the good level of production volumes. We successfully improved the effectiveness of production and lowered costs across the board in Brazil, but the inflation of wage levels and the weakening of the real undermined the cost benefits achieved.

In April, PKC organised a capital market day, presenting the company's growth strategy up to 2018. Attendance was good, with both Finnish and foreign investors and analysts present. The core of the published strategy is PKC's unique expertise in the management of electrical distribution systems product variations. In line with our strategy, we seek to increase the company's revenue to EUR 1.4 billion by 2018. The first key element of this growth is to be our customers' preferred partner wherever they do their business, the second being establishing our position on the Asian and Chinese markets, in addition to the expansion of business to other customerships within the transportation industry.

With regard to the implementation of our strategy, it is essential that we have a strong balance sheet and sufficient finance available for growth projects. During the third quarter, we implemented a directed share issue to experienced international and Finnish investors. In the issue, we directed 2.14 million shares and collected EUR 44.94 million before sales bonuses and expenses. In addition, we decided to rearrange the maturity of our loan portfolio and issued a 5-year EUR 100 million unsecured debenture bond. Both issues were oversubscribed, which indicates investors' confidence in the company and its growth strategy.

During the financial year, we continued projects to lower net working capital. PKC's free cash flow was EUR 24.9 million and gearing –1.1%.

In terms of the progress of our strategy, notable events in the financial year included the framework agreement concluded in September on strategic cooperation with Sinotruk. Our objective is to found a joint venture company with Sinotruk, which would manufacture electrical distribution systems for Sinotruk and potentially for other customers in China and for export. Sinotruk is one of the leading companies in the heavy-duty truck industry in China with a market share of about 15%. The intention of Sinotruk and PKC is to negotiate on the establishment of the joint venture company, which could start operating within the first half of 2014.

During the financial year, we continued to develop our production network. We closed down the factories in Ireland and Ukraine and the electronics production in Russia. We transferred the production of the discontinued units to other factories in Mexico, Poland, Estonia and China. In October, we made a decision to found a new electrical distribution systems factory in Smederevo, Serbia. This new unit is expected to start production in early 2014, and it will serve existing and potential new customerships in Europe.

One of the definite high points of the financial year is the positive development of PKC's Electronics business. The operating profit of the Electronics business rose by 430 % on the previous financial year as a result of the measures taken to improve cost competitiveness and through the increase of the share of ODM products. During the financial year, the products manufactured by the Electronics business were introduced onto the market, including the testing devices of mobile and other electronic equipment utilising touch screen technology as well as overvoltage protective devices.

Corporate responsibility is an essential part of PKC, and we have received positive feedback on the first corporate responsibility report published during the financial year. Our operations follow the UN's Global Compact initiative, among other things. This means that PKC respects the fundamental values related to human rights, working life principles, the environment and anti-corruption activities.

PKC has laid the foundation to continue successful work in 2014. We are nearly free of net liabilities and we have proven that we can generate a positive annual cash flow after the investments related to normal business activities. Thanks to the improved balance sheet, we can take new steps to develop the company in line with our strategy.

We have succeeded in our work with the help of competent and motivated personnel. I would like to thank our customers for good cooperation and shareholders for their trust in 2013.

Matti Hyytiäinen
President & CEO

45 years of PKC

In 2014 PKC celebrates its 45th anniversary. During those years, a small Nordic operator has grown into a successful global corporation.

The years as part of Nokia group
PKC's story begins with Pohjolan Kaapeli Oy, a subsidiary of Nokia, establishing a wiring systems factory in 1969 in Kempele, Finland. The plant produced wiring systems for both passenger cars and commercial vehicles.

During the early years, company gained two significant customers that paved the way for the growth and success of the company long into the future: Saab (Saab-Valmet and Saab Scania) and Volvo (Volvo-Auto Ab). A supplier agreement with the Saab Valmet car plant in Uusikaupunki created for PKC excellent conditions for it to develop its business. In terms of internationalisation, PKC was a pioneer of its day, as it actively sought customers from abroad, above all in Sweden.

In 1981, Pohjolan Kaapeli Oy merged with Oy Nokia Ab. The company invested strongly in the quality of production and customer service, and PKC's competitive advantages, unique expertise and mass-tailoring, were key success factors even back then. Our expertise and professionalism were valued by customers and company won many quality awards.

The wiring systems business was practised under the name of Nokia Kaapeli Oy in 1989 and Nokia Johdinsarjat Oy from 1990 to 1994. As price competition intensified in the global automotive market, competitiveness was strengthened by starting subcontracting in Estonia and Russia. The internationalisation of the clientele continued when General Motors of the USA became a customer as a result of the cooperation with Saab. In a challenging market situation, an important decision was made with regard to the future to focus on the company's strongest field of expertise: the design and manufacture of electrical distribution systems for commercial vehicles.

Becoming an independent and globally growing company
In 1994, the company's then owner, Nokia, decided to concentrate on telecommunications, as a result of which the wiring systems business, among others, was put up for sale. Buyers were found among the company's executive management, and long-term customers also gave their support to the buy-out plans. As a result of the management buy-out, PK Cables Oy came into being. In order to internationalise together with its customers, the new company needed additional financing, which it obtained by listing on the Helsinki Stock Exchange in 1997.

After listing, PKC continued its international growth. The same year that it became a listed company, PKC established its first subsidiary in Brazil. Between 1999 and 2004, wiring systems were also made at PKC's plant in the Netherlands. The Estonian production, which up until then had been carried out as subcontracting, was bought by the Group in 2002, and Russian production followed in 2003. The present Electronics business had previously been acquired in 1998.

During the years of strong growth, PKC expanded its activities to new continents. Asian operations were started in 2005 with the setting up of PKC's Chinese subsidiary. The company had started operations in North America a year earlier, and in 2005 operations there expanded significantly with the acquisition of the Electro Canada Group. Through the acquisition, PKC became the main global supplier of wiring harnesses to Bombardier Recreational Products.

The most significant acquisition in PKC's history took place in 2011. It was then that the company bought North America's leading manufacturer of truck wiring systems, AEES.

Achieving a new size through acquisitions

The first years of the 2000s were a time of international expansion, but only the beginning of the Group's global growth. In 2008, PKC bought Man Nutzfahrzeuge AG's wiring systems business in Poland, and gained the MAN Group's significant commercial vehicle customership.

A strategically significant foothold in the important commercial vehicle market of Central Europe was strengthened with the next acquisition, when in 2011 PKC bought the Segu Group, which had operations in Germany, Poland and Ukraine.

The most significant corporate acquisition in PKC's history took place in 2011. It was then that the company bought North America's leading manufacturer of truck wiring systems, AEES. As a result of the acquisition of the AEES Group, PKC's revenue doubled and its clientele expanded significantly. New customers acquired as a result of the deal included Daimler Trucks NA, Navistar, PACCAR and Ford.

Towards Asia's growing commercial vehicles markets

After the period of acquisitions, 2012 was a time to integrate functions. Acquisitions brought to the Group new technologies and greater opportunities for the development of customer relationships and cross-sales. PKC's headquarters in Finland were transferred from Kempele to Helsinki. At the same time, the focus turned increasingly towards Asia and its strongly growing and developing commercial vehicles markets, for whose needs PKC offers highly suitable high-technology solutions.

Managing the Complexity

Developing PKC Uniqueness further

The introduction of new emission standards and the rapid technological development of vehicles continuously increase the complexity of the electrical architecture in commercial vehicles. The demand for special vehicles is increasing, in addition to which traditional commercial vehicles are being individually tailored more and more. Combined with the growth in global vehicle manufacture in the future, this will mean that the quantities of products delivered by PKC and their complexity will increase. PKC has excellent prerequisites to respond to this trend with the company's unique know-how and its further development.

Business Areas

PKC has two business areas: Wiring Systems and Electronics. Wiring Systems business offers the competitive edge created by PKC Uniqueness to customers in the commercial vehicle industry. Electronics business features two special areas of competence: testing solutions and power management solutions.

Wiring Systems business designs, manufactures and integrates tailored electrical distribution systems and related architectural components, vehicle electronics, wires and cables especially for trucks and buses, light and recreational vehicles, construction equipment and agricultural and forestry equipment. Unique expertise in the management of vehicle electrical architecture complexity, combined with mass customisation and the excellent ability to integrate into the customer's operating environment, ensure an unique competitive advantage on the market. Product design and effective supply chain management are carried out in close cooperation with customers and in accordance with their requirements.

The Electronics business offers, in particular, product design, development and manufacture services related to test solutions and power management solutions for the electronics, telecommunications and energy industries. Products designed and manufactured by PKC are used in e.g. the testing of electronic products, power control of machines, and energy-saving. The service concept includes services for the entire product life cycle.

Personnel and competence development
At the end of the year, the Group employed 18,644 people. Of these, 58.5% worked in North America, 23.9% in Europe, 15.3% in South America and 2.3% in Asia.

PKC operates in a very labour-intensive industry where competent and professionally skilled personnel represent the foundation of successful business operations. For this reason, the continuous development of the personnel's competence is very important. In 2013, for example, training on the Group's Code of Conduct and its anti-corruption policy was arranged for the personnel.

PKC's market share 2013, heavy-duty trucks (HD)

59%
North America

38%
Europe

32%
Brazil

1%
APAC

Competence development and utilisation of best practices

At PKC, we encourage every employee to perform and grow, matching the right people to the right jobs. With this aim in view, PKC North America launched, in 2012, a special personnel competence development programme which focuses on creating opportunities for personal development, thereby offering the opportunity to create individual career paths at PKC. The programme is proving to be a success: for example, over the past year a larger number of vacancies at PKC than before found competent persons for the job from within PKC.

Occupational safety and well-being at work

Promoting occupational safety at PKC is of utmost importance, and it is a key element in supporting the Group's business operations and improving quality, efficiency and delivery accuracy. Among the most important key elements for EHS (Environment, Health, Safety) operations are the prevention of accidents and assessment of workplace hazards, as well as prevention and risk control measures. At PKC North America, for example, EHS operations are based on a systematic and continuous improvement process, where the achievement of the annually set EHS goals is measured by quantitative indicators. These results help to verify the achievement of the occupational health and safety and well-being at work objectives, as well as the development therein during a longer time span.

The foundation for occupational accident prevention is the identification of potential risks of accident. The risks identified are specified, followed by the implementation of effective risk control measures that aim at minimising and eliminating these risks.

Every PKC employee has a key role in assessing workplace hazards. The situations assessed and reported that reduce occupational safety serve as a basis for implementing clear procedures for the future which will substantially lower the risks of accident. The quality of the working environment is also being monitored from the point of view of cleanliness, quality and health-related issues.

Personnel health is a key element at PKC. Potential workplace strain on health is monitored and controlled constantly. For instance, at PKC North America, occupational illnesses are being prevented by PKC health programs. Depending on the goals, the health programs are targeted on a group of employees who may be exposed to work-related risks affecting their health. In these health programs, even the smallest possible occupational health hazards are noticed immediately, and it is possible to respond quickly. Personnel health is also promoted by other health-supportive means and by issuing general information on health and how to maintain it.

The results of the well-being at work survey carried out in 2012 at PKC were analysed by the Executive Board and PKC's personnel organisations, and based on the development needs that have emerged measures have been taken over the past year. The Group has many units where the EHS practices are internationally top of the field. These best practices will be implemented at all PKC production plants.

Continuous improvement

Economic fluctuation and an international, ever-growing clientele present a continuous challenge to operational development. Ensuring competitiveness in the changing operating environment leads to continuous improvement and the enhancement of operational flexibility. PKC's goals are high-quality and defect-free products, providing added value, high customer satisfaction and service exceeding customer expectations. In all operations, special attention is given to accuracy and quality. The tried-and-tested procedures and tools applied are all part of PKC's best quality practices.

The surveying, identification and implementation of best practices continued in the production units in 2013 as part of operative and development activities. In future, the implementation of best practices will become a firmer part of everyday operations. In this work, PKC's active NPI efforts with the regional NPI centres have a significant role in improving quality and cost effectiveness and ensuring the company's competitiveness in expanding markets.

Quality and Environment

Quality is one of the Group's values, and a high customer satisfaction is the result of high-quality daily operations. Potential quality risks affecting customers' operations can be eliminated through the systematic development of quality of products and operations.

PKC's operations are based on the ISO 9001 and ISO 14001 quality and environmental management standards, as well as the automotive industry's ISO/TS 16949 quality standard. Certification at Brazil's Campo Alegre, and Curitiba's re-certification, under the ISO14001 environmental management standard are in progress. The production units located

PKC's values

PKC's values represent the things that are important to us. They guide our decision making and support strategy implementation.

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.

in Itajubá (Brazil), Raahe (Finland), and Suzhou (China) have also been certified under the OHSAS 18001 Occupational Health and Safety System standard. In 2013, the certification of the production units in Mexico's Acuna, Juarez, Piedras Negras and Torreon as well as Estonia's Keila and Haapsalu was also completed under the OHSAS 18001 industrial health and safety standard.

The harmonisation of quality metrics and reporting practices launched in 2012 as well as the integration of new production units into PKC were brought to completion in 2013. The development and intensification of reporting practices, metrics and quality processes will be continued as part of normal operations so that they will also meet the demands of a developing business environment in future.

PKC wants to take 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 impact of manufacturing will be reduced by optimising deliveries, improving energy efficiency at the manufacturing plants and the efficient management of materials. The effective use of copper and the reduction of copper scrap generated in the production process is one of the key projects to increase material efficiency and decrease waste. Reducing waste, sorting and recycling materials minimises harm caused to the environment. Products are delivered to clients in recyclable and reusable packages in order to reduce packing waste. The customers' environmental requirements are taken into consideration when choosing components for products. As an important part of cooperation with suppliers, requirements are set on them to minimise their environmental impact.

Managing the Complexity

Maximising current PKC set-up

Significant potential for PKC's growth is offered by the company's dominating position as an electrical distribution systems supplier for western truck manufacturers. There are, however, differences between PKC's business units in the position of global customerships. For example, a commercial vehicle manufacturer that is one of PKC's main customers in North America may not necessarily be part of PKC's European clientele. This element opens considerable growth potential to PKC via the globalisation of customerships. The goal to maximise the company's current position brought significant results in 2013, whereupon PKC won new projects in Europe for vehicle manufacturers that had been customers for the North American business unit only.

Wiring Systems

Unique expertise enables PKC's position as a trusted and value adding wiring systems supplier for its customers.

PKC designs, manufactures and integrates electrical distribution systems, electronics and related architectural components for the commercial vehicle industry and selected other segments. In 2013, the share of the Wiring Systems business of consolidated revenue was 93%. The high-quality and highly customised electrical distribution systems and components are delivered in particular for trucks, buses, light and recreational vehicles as well as agricultural and construction equipment. PKC also designs and manufactures plastic components, connectors, junction boxes, power distribution centres and wires.

Key events in the Wiring Systems business in 2013:

- PKC was awarded several quality rewards from customers
- In Asia, a Framework Agreement for Strategic Cooperation was signed with Sinotruk
- PKC expanded the activity of its NPI (New Product Introduction) centres from North America to other regions
- The decision was made to establish a new wiring systems factory in Serbia to serve European customers
- Cost-efficiency was improved through production transfers
- In order to improve profitability in Brazil, significant measures were initiated
- PKC Technology Days were held for customers to raise awareness of PKC unique expertise and product portfolio

Operating environment

In North America the uncertainty related to economic and political decisions affected consumer confidence, which was reflected in cautiousness on the truck investment and production volumes for heavy-duty trucks in North America faell short of the previous year's level. European truck production remained at the level of the previous year despite the market boost caused by transition to Euro 6 standard in the last quarter of the financial year. Brazilian production volumes increased in comparison with the previous year.

Personnel, geographical split, Wiring Systems

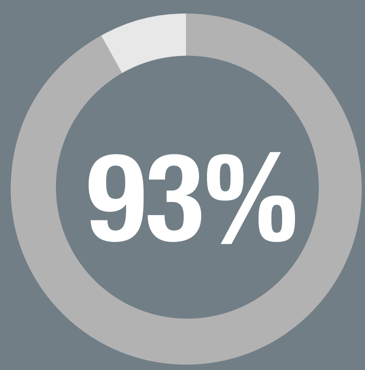
60.0%
North America

23.5%
Europe

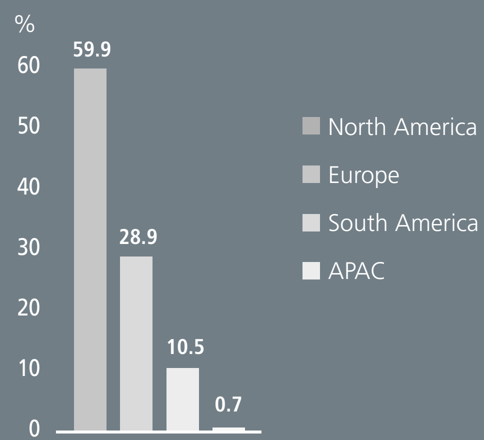
16.2%
South America

0.3%
APAC

Wiring Systems' share of Group's consolidated revenue was 93%.



Wiring Systems' revenue based on the geographical location of customers, %



Skilled and professional personnel are the most important factor in PKC Uniqueness.

PKC – a global partner for its customers

PKC's vision is to be the best possible business partner the customer could choose. Unique expertise, flexibility of services, and a global supply chain make PKC a reliable partner that can, together with the customer, meet the challenges of the global commercial vehicle market. In the past year, several customers rewarded PKC with quality awards. These awards are only granted to first-rate suppliers that can systematically maintain excellent quality and delivery accuracy.

PKC's clientele includes all the main western truck manufacturers and global, leading manufacturers of tractors, construction equipment and recreational vehicles. During the past year new customer relationships were gained and new customer projects launched in traditional market areas in Europe and North and South America. In the Asian commercial vehicle market, a significant initiative was taken in September 2013, when PKC concluded a framework agreement on strategic cooperation with Sinotruk concerning a joint venture to be set up in China. This joint venture would manufacture wiring systems for Sinotruk and possibly for other customers in China and for export.

PKC's vision for the Wiring Systems business is that, by 2020, it will be the preferred supplier in electrical distribution systems for transportation industry globally.

Operational development

The worldwide manufacturing and service network is being constantly developed to meet with the needs of the growing clientele. In 2013, PKC expanded the activity of its NPI (New Product Introduction) centres from North America to Europe and other regions. The function of the NPI centres is to ensure the seamless ramp-up of new customer programmes from the early design stage all the way to mass production. The centres also carry out constant development work for operating methods and processes, so that PKC Uniqueness is always up-to-date and can meet the challenges of the segment.

In order to improve cost efficiency, production transfers were carried out between different units. Expertise related to vehicle electronics and component manufacture was concentrated on Barchfeld in Germany. The decision was made to establish a new wiring systems plant at Smederevo in Serbia, which will serve present and possible future customers in Europe. The organisation was also renewed by combining the Wiring Systems businesses in Europe and South America under the same management from the beginning of 2014. By means of this tightening of management, we can better respond to the globalisation of customers' products and operating practices.

In South America, the operations of the Brazilian unit were loss-making, despite an increase in production volumes and operational development. Because of this, PKC has begun massive work in order to improve the productivity and profitability of the unit's operations.

PKC Uniqueness as competitive advantage

PKC provides its customers with added value generated by Group's unique expertise. The expertise is composed of processes, tools, know-how and architecture components developed for complexity management. In its product strategy, product development takes into account the long- and short-term product development needs of PKC's customers and the latest development trends in the automotive industry. In the past year, as in the previous year, PKC organised for its customers PKC Technology Days, at which customer personnel could better learn about PKC's expertise and range of products.

PKC has the ability to transfer the customer's information into its own operational systems and integrate into the customer's operating environment. This provides PKC's customers with a considerable competitive advantage by giving them the freedom to select individually tailored end products in very short delivery times.

The product applications developed by PKC support expertise. PKC offers a diverse product portfolio for electrical distribution system architecture, making use of a modular, intelligent electrical and signal distribution solution as well as vehicle electronics product solutions. Through effective technological solutions, product weight and costs are reduced.

The components used are durable and have been designed to sustain extreme conditions. The sourcing organisation takes advantage of global purchasing volumes and the synergies of operational units when tendering for material suppliers, which reduces the overall costs of the customer's product.

Skilled and professional personnel are the most important factor in PKC Uniqueness. In the development of personnel and competence and the support of well-being, PKC makes use of the best practices of each business unit, which are also shared actively between units in the global organisation. In the past year, PKC published its first corporate responsibility report, which has been very positively received by PKC's stakeholders. The 2013 corporate responsibility report will be published on the same day as the annual report.

The strengths of the Wiring Systems business:

- Unique expertise – PKC Uniqueness
  - Unique expertise in the industry to integrate into the customer's product and manufacturing environment
  - Strong expertise in mass producing product variations (syncro production) and the constant development of production methods
  - Versatile product portfolio in wiring systems architecture
  - An excellent ability to manage complexity of the product and operating environment and to deliver high quality products in short delivery times
- Skilled and professional personnel as a key factor in the unique expertise
- Long-term experience in the field
- Solid customer relationships with the leading western manufacturers of trucks, tractors, construction equipment and recreational vehicles
- A strong basis from which to expand the clientele to elsewhere in transportation industry
- Global partnership: a worldwide, flexible service and production network that is close to the customer

Electronics

PKC's Electronics business provides electronics design and manufacturing services mainly for the electronics, telecommunications and energy industries.

During the past year, in accordance with its strategy, the Electronics business continued to focus its operations more strongly into two areas of special expertise: test solutions and power management solutions. In 2013, the Electronics business accounted for 7% of Group's consolidated revenue.

The key strength of the Electronics business is the ability to offer services for the entire product life-cycle from design to manufacture. The ODM (Original Design Manufacturer) service concept covers not only electronics design but also strong expertise in mechanics and test system design. In its fields of special expertise, test solutions and power management solutions, PKC's own OEM (Original Equipment Manufacturer) products are a key part of Electronics' service portfolio. PKC's cost-effective and flexible production network responds to various customer requirements from prototypes to preproduction and mass production.

Key events in the Electronics business in 2013:

- Innovative solution services were productised and global marketing launched
- PKC launched its own products
  - The Chameleon™ product family in test solutions
  - The Alva power source product family and Nactus over voltage protection in power management solutions
- Volume production continued to be focused on the Chinese unit
- The optimisation projects for inventories and material flows produced good results
- Global material sourcing was boosted by strengthening Asian sourcing operations
- The introduction of the Lean Proto service concept ensured faster access to the market for customers' products

Operating environment

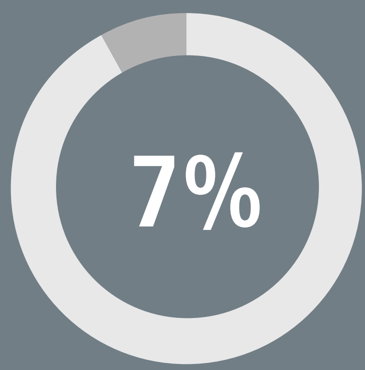
Economic uncertainty in Europe and global caution among companies towards industrial investment exerted a negative impact on the demand for electronics products. The demand for renewable-energy and energy saving products including smart grid solutions on the market fell short of the level of the previous year. The market demand for telecommunications-related products increased slightly from previous year.

Personnel, geographical split, Electronics

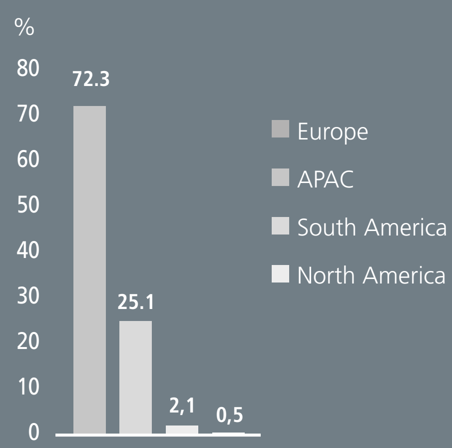
46.0%
Europe

54.0%
APAC

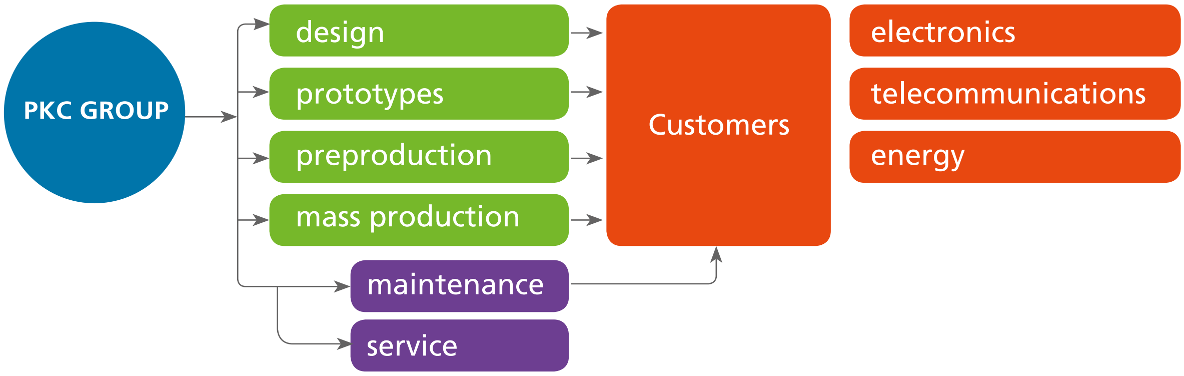
Electronics Business's share of Group's consolidated revenue was 7%.



Electronics' revenue based on the geographical location of customers



Service portfolio for the entire product life-cycle



Innovative solution services from areas of special expertise

Extensive service portfolio for the entire product life-cycle is the key strength in PKC's Electronics business. The comprehensive service and product concept and an effective as well as flexible production network respond to various customer needs from prototypes to preproduction and mass production. In addition to product development and project management services, PKC offers an extensive range of high-quality production technology. Seamless cooperation between design and production enables high-quality and timely manufacture. Product life-cycle services also include global sourcing for electronics and mechanics in addition to product maintenance and service operations.

In accordance with its strategy, the Electronics business is focusing on two business areas: test solutions as well as power source and overvoltage protection solutions. PKC's long experience in product testing has created the foundation for a comprehensive test systems services package, including a test station and software, product-specific adapters, and maintenance. In test solutions, in 2013 PKC launched its own product concept, the Chameleon™ product family, whose products are used for example in testing mobile devices and other electronic equipment utilising touch-screens. Chameleon™ products offer an innovative solution for product testing taking place in an industrial environment.

In power management, PKC offers intelligent solutions for direct current, alternating current, high-voltage and precision power supply units. These intelligent power supply units ensure high efficiency and low energy consumption in demanding conditions. In particular, digital power supply units for LED lighting solutions are being actively developed at PKC. The Alva product range was created as an outcome of this product development, and comprises intelligent, adjustable constant current power sources for lights that use LEDs. PKC's over voltage protection device, Nactus, has also aroused much interest amongst the clientele. Renewable energy solutions and intelligent electrical networks have opened up new opportunities in the Electronics segment, for instance in the design and manufacture of electrical network control equipment.

Production and service network optimised by centralising mass production and introducing Lean Proto

To ensure the best possible service and competitive products, operational models as well as production and service network solutions are being continuously developed. During the past year, the strengthening of design and product development expertise at the Chinese unit was continued and mass production was also focused on Asia. Cooperation between the organisations in Finland and China enabled comprehensive service provision for global clientele.

In order to further improve customer service, in Finland the Lean Proto concept was introduced to support the faster access of products to market. The Lean Proto service is focused on the manufacture of prototypes and on products that will only be manufactured in small volumes. With Lean Proto, the delivery time for customers' products is shortened, in addition to which Lean Proto also supports the manufacture of PKC's own product development prototypes.

In order to reduce the overall costs of the customer's product, PKC offers its customers the CostBuster® concept, which lowers costs, boosts operations and extends product life-cycle.

The strengths of the Electronics business:

- Comprehensive service package for the product's entire life-cycle
- Product development and production services close to the customer in Europe and Asia
- Comprehensive design expertise, test and power management solutions as a special areas of expertise
- Own, strong product concepts: Alva, Chameleon™ ja Nactus
- The Lean Proto service concept guarantees fast access of products to market
- Long-term customer relationships and strong understanding of the market
- Global and efficient materials sourcing

Managing the Complexity

Penetrating into APAC

In the near future, the most significant growth potential on the commercial vehicle markets is found in Asia – especially in China, which is the world's largest manufacturer of trucks. PKC's current Western customers are also actively directing their operations to Asia to compete with local manufacturers. A large structural change is taking place in Asian vehicle markets: vehicle specialisation and manufacturing quantities are growing vigorously with urbanisation and industrialisation, and new emission regulations and environmental management standards demand new solutions and technological expertise from vehicle manufacturers. As a global partner, PKC has excellent prerequisites to respond to these challenges by serving its current customers as well as leading truck manufacturers in Asia and China as well.

Corporate Responsibility

Corporate responsibility is a cornerstone of PKC's operations. PKC's business must be met by the highest standards of ethical behaviour.

The Group takes responsibility for the environment and strives to minimise its environmental impact. The Group also respects and promotes human rights and fair workplace practices; equal opportunities; and maintains a zero-tolerance policy on bribery and corruption. Observance of the applicable laws, regulations and Group's internal policies and practices is a requirement from which there can be no exception.

PKC's corporate responsibility report is published at the same time as the Annual Report. Corporate responsibility reporting is one way for PKC to show that it operates in the most responsible and transparent way possible. The report is published on PKC's webpage at www.pkcgroup.com in Corporate Responsibility pages.

Priorities and stakeholder engagement

PKC's corporate responsibility priorities relate to personnel, ethical business practices and the environment. As a publicly traded company, financial sustainability is also important to us. These priorities were validated by the survey, in which stakeholders assessed which issues they view as important. These themes are reflected in the content of the corporate responsibility report.

PKC's Corporate Responsibility approach is based on PKC's vision, core values, company culture, business and operating environment as well as stakeholders' expectations. PKC's approach to corporate responsibility comprises of compliance, employee motivation, risk management, and strengthened stakeholder relationships, which all facilitate the Group's improved market position.

Personnel

PKC's competitiveness is based on its skilled and professional personnel. Therefore, issues related to employees and their well-being are considered the most important matters in corporate responsibility. PKC is fully committed to promoting sustainable labour practises and human rights. PKC also aims

Group's personnel, geographical split

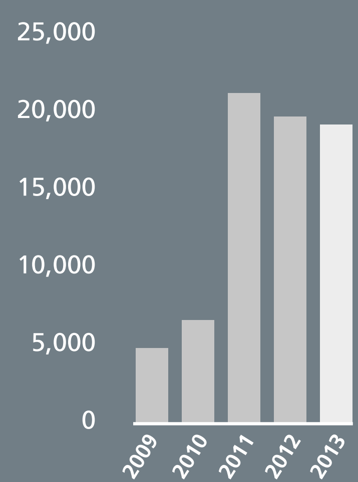
57.9%
North America

24.3%
Europe

15.7%
South America

2.1%
APAC

Number of Personnel 2009 to 2013



to ensure that all employees conduct themselves in ways that demonstrate uncompromising ethical standards in all of their dealings with other employees, customers, suppliers, governments, the public, and other stakeholders.

Quality and Customer Satisfaction
Quality is one of PKC's key values. In line with PKC's strategy, the Group creates high-quality products while striving for high productivity and cost-efficiency throughout its operations. Investment in the quality of products and operations is a cornerstone of ensuring customer satisfaction and the success of the Group's operations. PKC's operations are very customer driven and PKC works in close co-operation with its customers. PKC's customers are also taking steps to address the sustainability of their supply chain, which leads us to work even harder to meet and exceed our customers' expectations. By exceeding the Group's current and potential customers' expectations regarding corporate responsibility, PKC can become the partner of choice creating new business opportunities for the Group.

Environment
Although the environmental impact of PKC's business operations is minimal, the Group strives to continuously observe and measure the environmental impact of its operations in order to promote the continuous improvement of processes. The Group also strives to minimise possible effects by, for instance, sourcing materials locally near manufacturing; reducing and recycling packaging materials; utilizing recyclable materials; minimising material loss, and optimising production and deliveries.

Economic Performance
Profitability is one of PKC's key values. PKC runs profitable and productive operations, uses capital efficiently, maintains the solvency of the Group at a high level and does not practice tax evasion. PKC continuously improves its operations and seeks new opportunities for growth. Besides creating value for shareholders, profitable growth creates a sustainable basis for the business by maintaining motivated personnel and reliable supplier base, and thus ensuring competitiveness and increased customer satisfaction also in the future.

Key events in 2013:

- Extensive training of policies launched/updated in 2012 (Code of Conduct, Treasury Policy, Anti-corruption Compliance policy)
- PKC North America has received three customer awards/ recognitions:
  (i) Daimler Trucks North America's "Masters of Quality" Supplier Award for excellence in appreciation and recognition of superior quality parts provided during the past 12 months;
  (ii) Paccar's 2012 Quality Achievement for meeting Paccar's expectation that supplied parts and components achieve 50 PPM or better quality;
  (iii) Ford's Q1 Preferred Quality Award
- Torreon, Mexico plant was recognised by the Mexico labour authority "Secretaria del Trabajo Prevision Social" for Excellence in Inclusiveness for People with Disabilities
- OECD dismissed the meritless complaint made by labour unions about the conduct of PKC Group in Mexico in relation to the labour union representation of the employees
- OHSAS 18001 certification for Keila and Haapsalu in Estonia and Acuña, Juarez, Piedras Negras and Torreon in Mexico
- Thanksgiving meal program created by PKC Group North America provided thanksgiving meals to 30 senior adults and 45 families

Going forward
In the next few years, PKC will focus on developing PKC's corporate responsibility work to further support our strategy. On the longer term, PKC intends to maintain and develop the corporate responsibility practices, including improving transparency. This includes developing our corporate responsibility reporting and training of corporate responsibility related policies and practices. PKC is committed to make corporate responsibility an essential part of operations.

Managing the Complexity

Exploring opportunities to expand within Transportation Industry

PKC Uniqueness also has applications outside the commercial vehicle industry. Versatile expertise of the electrical architecture of commercial vehicles offers an excellent opportunity to approach other customers in the transport industry whose products can benefit from PKC's know-how. These customers include the aviation, rolling stock and mining industries. Expansion within the transportation field offers PKC significant growth potential and the opportunity to improve the market value of the company.

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. Both the report and this statement are included in the annual report which is available on PKC's website. This statement is also published separately on the website.

PKC Group Plc 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.

Deviations from the guidelines

There were no deviations after 4.4.2013. Until 4.4.2013, the company deviated from Corporate Governance Code recommendation 26 regarding the independence of audit committee members (Recommendation 26-Independence of the members of the audit committee). The Board had wanted to strengthen the composition of the Committee and taking into account that the minimum recommended number of members (three) was independent of the company and of its significant shareholders, the composition of the Committee had been strengthened by a member, whose dependence of the Company was not regarded as being significant from the Company´s part.

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, at the company's domicile in 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.

According to the PKC's Articles of Association, Invitation to the General Meeting shall be published on the Company´s Internet pages no more than three (3) months and no less than three (3) weeks prior to the meeting.

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 2013, the Annual General Meeting was held in Helsinki on 4 April 2013.

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 consequences in light of the scope and quality of the company's operations and the framework of its field of business. These matters include the following, among others:

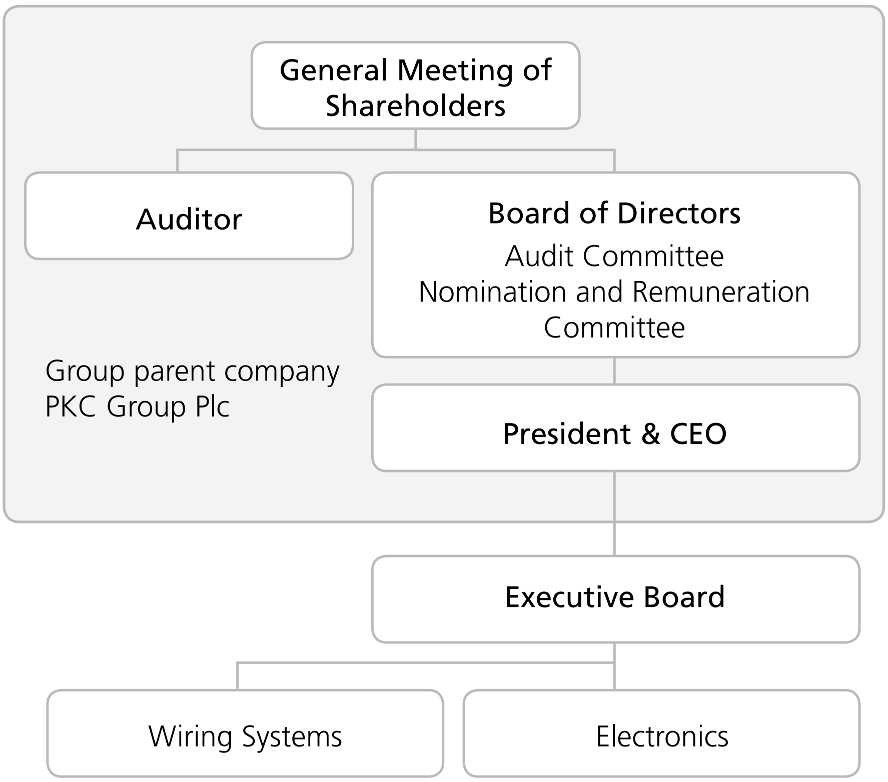
- to decide on acquisitions, mergers and other reorganisations that affect the structure of the Group and on strategically important expansions of the business and equity investments,
- to decide on the development of investments and significant individual investments,
- to approve incentive schemes 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. 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 2013, the Annual General Meeting elected seven people to the Board. Outi Lampela, Shemaya Levy, Robert Remenar, Matti Ruotsala, Jyrki Tähtinen and Harri Suutari were re-elected as Board members and Wolfgang Diez was elected as new Board members. After the 2013 Annual General Meeting, the Board of Directors elected Matti Ruotsala Chairman and Robert Remenar Vice Chairman.

GROUP MANAGEMENT STRUCTURE



Board of Directors

From left: Matti Ruotsala, Wolfgang Diez and Outi Lampela

Matti Ruotsala (b. 1956)
• Chairman from 2008
• Chairman of the Nomination and Remuneration Committee
• 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 Member of the Board of Directors at Oy Halton Group Ltd, Componenta Oyj and Teollisuuden Voima Oyj.
• Independent of the company and of its significant shareholders.

Wolfgang Diez (b. 1953)
• Member of the Audit Committee
• Member of the Board of Directors since 2013
• Diplom-Kaufmann in Business Administration
• Independent consultant in automotive and supplier industry
• Previously DaimlerChrysler AG´s Head of Global Corporate Bus Business and Member of management board Commercial Vehicle Division (2002–2006), EvoBus GmbH´s CEO and Chief Personnel Officer (1995–2006), Mercedes-Benz AG´s Director Business Administration and Controlling, Commercial Vehicle Division, before that in other managerial positions within Daimler-Benz AG since 1997.
• Independent of the company and of significant shareholders.

Outi Lampela (b. 1949)
• Member of the Audit Committee
• Member of the Board of Directors since 2009
• M.Sc. (Eng.)
• Consultant, Financial Advisor
• Previously Outotec Oyj´s Senior Vice President Risk Management and Internal Audit (2011–2013), Outotec Oyj´s Senior Vice President - Corporate Controller (2006–2011), 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.
• Independent of the company and of its significant shareholders.

Shemaya Levy (b. 1947)
• Chairman of the Audit Committee
• Member of the Board of Directors from 2012
• Graduate of ENSAE (Ecole Nationale de la Statistique et de l´Administration Economique)
• Board professional
• Previously Executive Vice-President and CFO of the RENAULT Group (1998–2004), Chairman and CEO of the RENAULT V.I. Group (1994–1998), COO of RENAULT V.I., in charge

From left: Shemaya Levy, Robert J. Remenar, Harri Suutari and Jyrki Tähtinen

of the European Branch (1991–1994), before that in other marketing, sales and managerial positions within RENAULT Group since 1972.
- Member of the Supervisory Board and Nomination Committee and Chairman of the Audit Committee at AEGON N.V., Vice-chairman of the Supervisory Board, Chairman of the Audit Committee and Member of the Remuneration Committee at TNT Express N.V., Member of the Supervisory Board of the SEGULA Technologies Group.
- Independent of the company and of significant shareholders.

Robert J. Remenar (b. 1955)
- Vice-Chairman of the Board of Directors since 2013
- Member of the Nomination and Remuneration Committee
- Member of the Board of Directors from 2012
- MBA
- President & CEO of Chassix Inc.
- Previously President & CEO at Nexteer Automotive (2009–2012), Vice President, Delphi Corporation and President, Delphi Steering (2002–2009), Executive Director, Delphi Energy and Chassis Division (2000–2001), before that in other executive positions within Delphi since 1998 and several executive and managerial positions within General Motors since 1985.
- Member of the President´s Advisory Council (PAC) of Walsh College, Troy, Michigan, Member of Dean´s Business Advisory Council (DBAC), Central Michigan University, Mt. Pleasant, Michigan.
- Independent of the company and of significant shareholders.

Harri Suutari (b. 1959)
- Member of the Nomination and Remuneration Committee
- Member of the Board of Directors from 2012
- Engineer
- Board professional
- Previously President and CEO at PKC Group Oyj (April 3 2008– April 4 2012 and March 13, 2002– August 31, 2005), Ponsse Oyj (1994–2000) and Kajaani Automatiikka Oy (1984–1996).
- Chairman of the Board of Directors at Componenta Oyj, Metsänhoitoyhdistys Kainuu LKV, Alma Media Oyj and Tulikivi Oyj, member of the Board of Directors at Oy M-Filter Ab, member of the Board of Directors at Teknologiateollisuus ry.
- Not independent of the company (an employment relationship or service contract with the company in the last three years).
- Independent of significant shareholders.

Jyrki Tähtinen (b. 1961)
- Member of the Audit Committee
- 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.
- Member of the Board of Directors at JSH Capital Oy and Dexus Group Oy.
- Independent of the company and of its significant shareholders.

ATTENDANCE OF BOARD MEMBERS AT THE MEETINGS

	meetings	attendance %
Andres Allikmäe[1)]	2/2	100
Wolfgang Diez[2)]	11/11	100
Outi Lampela	13/13	100
Shemaya Levy	12/13	92.3
Robert Remenar	13/13	100
Matti Ruotsala	13/13	100
Harri Suutari	13/13	100
Jyrki Tähtinen	12/13	92.3
Average attendance		**97.8**

[1)] Allikmäe Board member until 4.4.2013

[2)] Diez Board member as of 4.4.2013

ATTENDANCE OF AUDIT COMMITTEE MEMBERS AT THE MEETINGS

	meetings	attendance %
Andres Allikmäe[1)]	2/2	100
Wolfgang Diez[2)]	3/4	75
Outi Lampela	6/6	100
Shemaya Levy	6/6	100
Jyrki Tähtinen	5/6	83.3
Average attendance		**91.7**

[1)] Allikmäe Committee member until 4.4.2013

[2)] Diez Committee member as of 4.4.2013

Meetings of the Board in 2013

On average, the Board meets on a monthly basis and also on other occasions as necessary. In 2013, the Board held 13 meetings, of which 8 were telephone meetings, in addition to which 5 decision minutes were drafted without holding a meeting.

COMMITTEES OF THE BOARD

The Board has established from among its members the Audit Committee and the Nomination and Remuneration 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

Audit Committee assists 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 2013, Shemaya Levy was elected as Chairman of the Audit Committee and Wolfgang Diez, Outi Lampela and Jyrki Tähtinen as 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. In case the Audit Committee consists of more than three members, of which three are independent of the company, additional one member not independent of the company may be appointed to the Audit Committee for good reasons.

Meetings of the Audit Committee in 2013

The Audit Committee convenes at least four times a year before publication of the financial results and whenever necessary. In 2013, the Audit Committee held 6 meetings, of which 4 were telephone meetings.

Nomination and Remuneration Committee

Nomination and Remuneration Committee assists the Board by concentrating on matters pertaining to the nomination and remuneration of Board members, the appointment and

ATTENDANCE OF COMMITTEE MEMBERS AT THE MEETINGS

	meetings	attendance %
Robert Remenar	3/3	100
Matti Ruotsala	3/3	100
Harri Suutari	3/3	100
Average attendance		**100**

remuneration of the managing director and other executives of the company as well as the remuneration schemes of the personnel. The Board of Directors has drafted a written charter for the Nomination and Remuneration Committee, which defines the key tasks and operating principles of the Nomination and Remuneration 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 2013, Matti Ruotsala was elected as Chairman of the Committee and Robert Remenar and Harri Suutari 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 and Remuneration Committee.

Meetings of the Nomination and Remuneration Committee in 2013

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 2013, the Nomination Committee held 3 meetings, of which 1 was telephone meeting in addition to which 2 decision minutes were drafted without holding a meeting.

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 company´s President & CEO since April 4, 2012 has been Matti Hyytiäinen. In 2013, President & CEO Matti Hyytiäinen has relocated to Hong Kong on an interim basis in order to further grow Group's business in Asia and China.

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

From left: Matti Hyytiäinen, Jyrki Keronen, Jani Kiljala and Pekka Korkala

Matti Hyytiäinen (b. 1960)
- President & CEO
- M. Sc. (Economics)
- With the company from 2012.
- Previously Etteplan Oyj´s President and CEO (2008–2011), 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 Kemppi Oy.

Jyrki Keronen (b.1966)
- Senior Vice President, Business Development & APAC
- BSc. Eng., EMBA
- With the company from 2011 and member of Executive Board from 2012.
- Previously Senior Vice President Rautaruukki Oyj Engineering ja Construction divisions (2009–2011), Vice President, Business Development Nypro Inc. Consumer & Electronics division (2003–2009), President Perlos Inc. (2002–2003), leadership positions in Perlos both in Americas regions and in Europe (1996–2002).

Jani Kiljala (b. 1975)
- President, Wiring Systems, Europe and South America
- M.Sc. (Tech.)
- With the company from 1999 and member of the Executive Board from 2013.
- Previously PKC Wiring Systems Vice President Sales&Engineering Europe&APAC (2012–2013), PKC Eesti AS Managing Director (2008–2012), PKC Group Oyj Account Director (2006–2008) and management positions in production, logistics and IT (1999–2006).

Pekka Korkala (b. 1969) (until 31 December 2013)
- President, Wiring Systems, South America
- M.Sc. (Tech.)
- With the company and member of the Executive Board from 2012.
- Previously Lahden Autokori Oy´s Managing Director (2010–2012), PKC Group Oyj´s Vice President, Wiring Harnesses (2008–2009), PKC Group Oyj´s Mexican unit´s Production Director (2006–2008), Business Unit Director (2002–2006), Brazilian unit´s Business Controller (1999–2002), previously holding positions in production management. Prior to that, he acted as Rannikon Konetekniikka Oy´s Production Manager (1995–1998).

From left: Sanna Raatikainen, Jarmo Rajala, Frank Sovis and Juha Torniainen

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 Europe Ltd's (Hungary) Managing Director (1998–2003), Finland Trade Center Budapest's Trade Commissioner (1997), Vaasa University´s Liaison Officer, Project Manager and Lecturer (1990–1996), United Nations / UNIFIL (Lebanon) Platoon Leader (1989–1990), Vaasa University's Training Designer and Lecturer (1987–1989).

Frank Sovis (b. 1961)
- President, Wiring Systems, North America
- MBA, BBA
- With the company from 2011 and member of the Executive Board from 2012.
- Previously, President & Chief Executive Officer - AEES (2009–2011), Chief Operating Officer - Noble International (2007–2009), President Interior Systems Division - Lear Corporation (2000–2006), Vice President - Lear Corporation (1995–2000), Director of Finance - Lear Corporation (1990–1994), Manufacturing Consulting - Ernst & Young (1987–1990), Financial Specialist - General Motors (1983–1987).

Juha Torniainen (b. 1966)
- CFO
- M.Sc. (Econ.)
- With the company and member of the Executive Board from 2012.
- Previously StaffPoint Oy, Managing Director (2009–2012), Perlos Corporation, CFO (2006–2009), Perlos Corporation, Executive Vice President, Finance and Information Management (2003–2005), Perlos Corporation, Director, Finance (2000–2002), Oy Veho Ab, Business Controller (1998–2000), Kemira Oyj, Controller (1994–1998).

ORGANISATION OF THE BUSINESS AND GROUP COMPANIES

The Group's operations are divided into two business areas corresponding to the core competence areas: Wiring Systems and Electronics. Wiring Systems business is organised under PKC Wiring Systems Oy and Electronics business under PKC Electronics Oy.

The Executive Board and specifically the Executive Board members with business unit responsibility are responsible for the organisation and development of the business. The Executive Board shall decide on policies and strategies relating to the business within the framework approved by PKC's Board.

The board or an equivalent body and the managing director of the group companies are elected, and conditions of service are decided, by the parent company President & CEO and/or the responsible Executive Board member in accordance with the general principles approved by the Board. The boards and equivalent governing bodies of the business areas largely comprise of representatives of PKC's management. The boards and equivalent governing bodies of the group companies are also responsible for the tasks falling within the remit of the board and specified by the legislation and regulations of the relevant countries.

AUDIT

The Annual General Meeting elects an auditor approved by the Finnish Central Chamber of Commerce as the company's auditor. In 2013, 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 authorized 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 on-going, 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

PKC Group Plc is the parent company for the whole group, so it manages and directs the operations for the whole group. The main responsibility for the internal control and risk management systems relating to the financial reporting process lies with the Board of PKC Group Plc. In this task the Board is assisted by the Audit Committee, whose main tasks include supervising the financial reporting process, monitoring the efficiency of the company´s internal control, internal audit, and risk management systems as well as monitoring significant economic risks and the measures to manage them.

The Board of PKC Group Plc 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 has also approved a Treasury Policy, which defines the main activities, common management principles, division of responsibilities as well as control environment for Treasury and related financial risk management processes to be applied throughout PKC Group. Under the Treasury Policy, the Board of Directors of PKC Group Plc is the ultimate decision maker, but the Policy also sets relevant risk limits and delegates certain decision-making authority to the President & CEO and the Chief Financial Officer ("CFO").

The President 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. The CFO manages PKC Group's financial operations and is responsible for practical arrangement of financial reporting as well as creation and maintenance of adequate and practical internal control and risk management. The CFO and Group Finance are responsible for maintaining necessary reporting and accounting processes and providing instructions to subsidiaries in relation to financial reporting and reporting schedule and content.

Business responsible Executive Board members are responsible for the financial reporting in their responsibility area and for the implementation of practical measures for internal control and for ensuring that the organisational structure of their own responsibility area is maintained so that authority, responsibilities and reporting relationships are clearly and thoroughly defined. They are also responsible for ensuring that the subsidiary companies have competent management, who adopt a sensible and steady management style and comply with the group and business area level guidelines and regulations. Business areas' general managers, financial managers and chief accountants are responsible for the adequate of financial reporting according to local legislation and instructions received from PKC Group Plc. The subsidiaries are responsible for the daily management of operations, accounting and financial reporting in accordance with the guidelines and regulations established by the parent company as well as local legislation and the regulations issued by authorities.

The Audit Committee monitors financial reporting process.

Internal control

The Board is responsible for internal control and Board's Audit Committee is responsible for monitoring the efficiency of the company´s internal control, internal audit, and risk management systems. 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 Plc has approved the group-wide internal control guidelines and the Treasury Policy. The President and the CFO are responsible for the practical arrangement of control procedures.

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 as well as internal operating procedures and standards are followed.

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 reviews and audits and operational reviews and 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. In 2013, it was decided to establish Internal Audit function to improve Group's overall corporate governance and internal controls globally. The preparations for the implementation of Internal Audit function are on-going with the target to launch the function in 2014.

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 Group's risk management process.

For the management of financial risks, the Board of the parent company has confirmed the Group's Treasury 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 largely centralised within the Group's finance department. The aims of centralising these functions are effective risk management, cost savings and optimisation of cash flow. The CFO is responsible for the management of financial risks and risks relating to financial reporting, that 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.

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-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

GROUP PARENT COMPANY PKC GROUP PLC

- Financial reporting
- Investor Relations
- Strategic decisions (mergers and acquisitions, 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, Treasury Policy, Code of Conduct, Risk Management Policy)
- Insider management

EXECUTIVE BOARD

- Monthly reporting
- Rolling estimation and budgets
- Control and supervision of business units' operation
- Preparation and implementation of strategy

BUSINESS UNITS AND SUBSIDIARIES

- Day-to-day administration of the operations in accordance with the instructions and rules laid down by group parent company and the Executive Board and in compliance with local legislation and authorities' instructions

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 foreign exchange and commodity rate risks, investments, the administration of external debt and transfer pricing.

Business responsible Executive Board members are responsible for the financial reporting in their responsibility area. The managing directors, CFO's, financial managers 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 unit, 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 rolling 12-month business-area forecasts that are updated monthly. Financial results, the achievement of objectives and forecasts are reviewed monthly by the management of each business area and unit, 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 2013, the development of financial reporting has been focused on the reporting of balance sheet, capital expenditure and cash flow reporting and forecasting. In addition, special attention has been paid to improve the reporting and analysis of profit and loss and balance sheet variances to plans and past performance. Treasury and tax related reporting has been also developed further during 2013.

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 Plc 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 with a prior approval by the CFO. In the scope of the audit, it is taken into account that the company does not yet 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 executive board members and the managing directors and other senior management thereof ensure that information is transferred in their units so that each 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, the CFO 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 and external auditor's reports.

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 2013, the annual remuneration payable to the members of the Board of Directors is as follows:

- the annual remuneration payable to the members of the Board of Directors to be elected for a term of office ending at the end of the next Annual General Meeting shall be the following: Chairman EUR 60,000, Vice Chairman EUR 45,000 and other Board members EUR 30,000
- the chairmen of the board committees shall be paid an additional annual remuneration of EUR 10,000 and the other committee members EUR 5,000
- the meeting fee for attending the board meetings shall be the following: Chairman EUR 1,200 per meeting, and other Board members EUR 800 per meeting. The meeting fees will be doubled in case Board member physically participates in a meeting held in a country, where Board member is not resident. No meeting fee shall be paid for the decision minutes drafted without holding a meeting nor for participating in committee meetings
- in addition, the travel and accommodation expenses related to the board and committee meetings shall be paid.

Other benefits

The Chairman or the members of the Board of Directors are not in employment relationship or have service contract with company or its subsidiaries. The Board of Directors is not included in the company's stock option schemes. The company has not otherwise granted shares or other share related rights as compensation to the Board of Directors. The options in the possession of the member of the Board Harri Suutari were granted to him when he was PKC Group Plc's President & CEO. 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, in addition to which Matti Hyytiäinen's service contract has provision of severance payment of twelve months salary. The retirement age is statutory and no voluntary pension insurance policies have been taken.

The President is included in the company's 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 typically 6 months depending on the achievement of the objectives set annually. The retirement age is statutory and no voluntary pension insurance policies have been taken.

The members of the Executive Board are included in the company's stock option schemes. The company has not otherwise granted shares or other share related rights as compensation to the Executive Board.

Short-term Remuneration - Bonus System

The Group has in force a result based bonus system approved by the Board of Directors, the purpose of which is to reward achievement of strategic objectives and to offer competitive incentive scheme for personnel. 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. For year 2013, the result criteria were business unit specific EBITDA and cash flow targets. Within the target ranges, bonuses were determined linearly. Group management and key personnel, and also white and blue collar employees in Finland, are included in the system. The members of the Executive Board are included in the management's bonus system. The limit of the annual bonus is predominantly maximum of six months' salary, depending on the achievement of the objectives set annually. The system's earning period is the financial year.

Long-term Remuneration - Stock Option Schemes

PKC's long-term remuneration consists of stock option schemes approved by the annual general meeting. The Board of Directors shall annually decide upon the distribution of the stock options to the key personnel employed by or to be recruited by the Group. The stock options shall be issued free of charge to the Group key personnel. The earnings period of all stock option schemes is three years.

All stock option schemes contain a share ownership plan. The option recipients are required to acquire or subscribe for the Company's shares with 20 per cent of the gross stock option income gained from the exercised stock options, and to hold such shares for at least two years. The Company's President must hold such shares as long as his service contract is in force.

Options 2006

The year 2006 stock option scheme comprises of 697,500 stock options and they are divided into A, B and C warrants. The stock options entitle their owners to subscribe for a maximum total of 697,500 new shares in the Company or existing shares held by the Company. The subscription period is during the years 2009–2013. The share subscription price for stock options is the volume-weighted average price of the PKC Group Plc share on the Helsinki Stock Exchange, with dividend adjustments as defined in the stock option terms. The share subscription period for 2006 options has ended 30 April 2013. During the share subscription period a total 260,850 shares were subscribed and 1,650 warrants remained unused.

Options 2009

The year 2009 stock-option scheme comprises of 600,000 stock options and they are divided into A, B and C options. 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 is during the years 2012–2016. The share subscription price for stock options is the volume-weighted average price of the PKC Group plc share on the Helsinki Stock Exchange, with dividend adjustments as defined in the stock option terms.

Options 2012

The year 2012 stock-option scheme comprises of 1,020,000 stock options and they are divided into 2012A (i and ii), 2012B (i and ii) and 2012C (i and ii) options. The stock options entitle their owners to subscribe for a maximum total of 1,020,000 new shares in the Company or existing shares held by the Company. The share subscription period is during the years 2015–2019. The share subscription price for stock options is the volume-weighted average price of the PKC Group plc share on the Helsinki Stock Exchange, as defined in the stock option terms.

The share subscription period for stock options 2012A(ii), 2012B(ii) and 2012C(ii) shall, however, not commence, unless certain operational or financial targets of the Group established for the exercise of stock options and determined by the Board of Directors have been attained. The Board of Directors shall annually decide on targets separately for each stock option class in connection with the distribution of stock options. Those stock options, for which the targets determined by the Board of Directors have not been attained, shall expire in the manner decided by the Board of Directors.

Release criteria for 2012 A (ii) options:

- The share subscription period with 2012 A (ii) options begins only if the financial performance and EBITDA of PKC Group for financial years 2012–2014 is, based on the total consideration of the Board of Directors, comparable to PKC Group´s key competitors that have published their results. The total consideration shall also take into account the development of PKC Group´s market share.
- If the above-mentioned prerequisite is not fulfilled, stock options expire based on the consideration and in the extent and manner decided by the Board of Directors and the terms of the stock options.
- 2012 A (ii) options shall be allocated to option holders conditionally so that the options shall be distributed and entered into option holders´ book-entry accounts only after the Board of Directors has decided on the start of the share subscription period and to the extent decided by the Board of Directors.

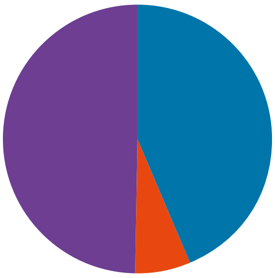
Release criteria for 2012 B (ii) options:

- The share subscription period with 2012 B (ii) options begins only if EBITDA for years 2013–2015 is cumulatively at least EUR 180 million. The effect of M&As and other restructurings as well as exceptional changes in macroeconomy shall be taken into account in the calculation.
- If the above-mentioned prerequisite does not fulfill, stock options expire based on the consideration and in the extent and manner decided by the Board of Directors and the terms of the stock options.
- 2012 B (ii) options shall be allocated to option holders conditionally so that the options shall be distributed and entered into option holders´ book-entry accounts only after the Board of Directors has decided on the start of the share subscription period and to the extent decided by the Board of Directors.

AUDITOR

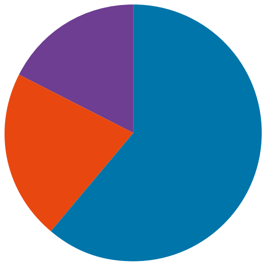
The Annual General Meeting resolves the remuneration and the ground for compensation of travelling expenses of the auditor. In 2013, the Annual General Meeting resolved to pay auditor's fees and travel expenses in accordance with a reasonable invoice.

DIVISION OF REMUNERATION PAID TO THE PRESIDENT 2013



Salaries	43.8%
Bonuses	6.6%
Share-based payments	49.7%

DIVISION OF REMUNERATION PAID TO OTHER EXECUTIVE BOARD MEMBERS 2013



Salaries	61.2%
Bonuses	21.5%
Share-based payments	17.3%

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

	Salaries		Bonuses		Share-based payments		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Matti Hyytiäinen [1)]	449	295	67	141	509	201	1,026	637
Harri Suutari [2)]	-	138	-	-	-	44	-	182
Other Executive Board	2,312	1,557	813	287	654	1,472	3,779	3,316

[1)] President & CEO since 4 April 2012 [2)] President & CEO until 4 April 2012

OPTIONS GRANTED TO THE PRESIDENT & CEO AND OTHER EXECUTIVE BOARD MEMBERS IN 2013

	2012B
Matti Hyytiäinen	30,000
Other Executive Board	98,000

OPTIONS HELD BY THE PRESIDENT & CEO AND OTHER EXECUTIVE BOARD MEMBERS ON 31 DECEMBER 2013

	2009A	**2009B**	**2009C**	**2012A**	**2012B**
Matti Hyytiäinen	-	-	60,000	30,000	30,000
Other Executive Board	5,500	25,000	40,000	87,500	98,000
Total	5,500	25,000	100,000	117,500	128,000

Share ownership by the Board of Directors and Executive Board on 31 December 2012 is presented in the Financial Statements in the Shares and Shareholders section.

FEES PAID TO THE AUDITOR, EUR 1,000

	Audit		Certificates and statements		Tax services		Other services		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
KPMG Oy Ab	481	496	1	1	67	77	226	126	775	700

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. 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 strategy 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. A decision to establish Internal Audit function to improve Group's overall corporate governance and internal controls globally was made in 2013. PKC risk management along with related processes and practices are being developed on a continuous basis. In 2013, a business impact analysis and a liability risk analysis were conducted to further support the development of risk management activities. Risk management is also an integral part of project operations. The risks associated with projects are monitored continuously, and rapid reaction to changing situations is ensured. Risks and their management methods can be perused on the Group's website, in the Corporate Governance guidelines.

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 are assessed on a case-by-case basis using a separate project risk-analysis model. Failure of executing PKC's strategy or failure of the strategy itself may adversely affect PKC's growth prospects and profitability in the future. A slowdown in the global commercial vehicle industry can affect business volumes which in turn can adversely affect PKC's financial condition, results of operations and future prospects.

OPERATIONAL RISKS

Political, cultural and legislative risks

The PKC Group´s production is spread out over a wide geographical area, as is that of PKC´s main customers. Relatively high share of PKC's production is located in countries with history of political, regulatory or economic instability. Unfavourable political, economic or legislative changes may impair PKC´s operations in some countries. PKC has to comply with a wide variety of laws and regulations, most notably increasing regulations restricting competitive trading conditions, health and safety regulations, environmental regulations, labour regulations, competition regulations and corporate and tax laws. Furthermore, PKC's profitability may be burdened by high inflation of salaries and wages in emerging countries. Also the labour union legislation, practices and the high bargaining power of labour unions may adversely affect PKC's operations. The risk connected with emerging countries is reduced by decentralising production across different countries, by complying very diligently with each country's legislation, through functional co-operation networks, and by means of continuity plans.

Operational environment risks and business fluctuations

Fluctuations in the world economy and development in the automotive, electronics and energy industries have impact on the demand for PKC's products and the Group's financial status in the short term. In particular the public deficit and high indebtedness of many European countries and the United States have weakened economic growth, end-customer demand and availability of financing for investment goods thus impacting on the demand of PKC's products.

Market and customer risks

As a result of corporate acquisitions, the Group's customer base has expanded and the effects of changes in the economic conditions of individual market areas have diminished in comparison with the past. Penetration into the APAC market according to PKC's strategy creates new opportunities and potential to further expand the current customer base. 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.

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 supply chain processes and 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, and 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 (including 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 and continuous development of the quality of products and operations as well as having certified ISO9001 and automotive industry specific ISO/TS 16949 quality management systems in place at manufacturing locations. Particular attention is paid to ensuring quality throughout the whole order-delivery chain when launching new units and products, as well as transferring production.

Although the environmental impact of its business operations is not significant, 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 according to the environmental management system ISO14001 and local legal requirements and by the Group's management.

Personnel and corporate safety 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. Performance related to labour protection is reported annually in PKC's Corporate Responsibility report.

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.

REPORT BY THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

Report by the Board of Directors

Review by the President & CEO

PKC's revenue was EUR 884.0 million and operating profit before non-recurring items EUR 40.9 million. The decrease in revenue was particularly affected by production volumes for heavy-duty trucks in North America falling short of the previous year's level and the unfavourable exchange rate between the euro and the US dollar. European truck production remained at the level of the previous year despite the market boost caused by transition to Euro 6 standard in the last quarter of the financial year. Brazilian production volumes increased in comparison with the previous year. The revenue recorded was also affected by some product programmes for light vehicles and components reaching the end of their life cycles during the financial year.

Cash flow for the entire year was at a moderate level, EUR 24.9 million after investments. As a result of the positive cash flow and a directed share issue implemented during the financial year, the company is free of net debt, with gearing at 1.1% negative.

PKC's market position remained strong in all geographical areas of operation throughout the financial year.

PKC's Wiring Systems segment's operating profit before non-recurring items fell short of that of the previous year owing to lower volumes in North America and the losses recorded at the Brazilian unit. Moreover, as a result of uneven order flows, our production efficiency suffered. During the financial year, several new production programmes ramp-ups and transfers of production were also ongoing.

PKC's Electronics segment's operating profit before non-recurring items improved significantly over the previous year as a result of the measures implemented during the financial year that streamlined the cost structure and of the growing share of ODM products in revenue.

In 2014, truck production volumes are expected to fall in Europe and Brazil and to increase in North America. The market demand for Electronics segment's products is expected to remain at the present level.

In many ways, 2013 was challenging, and I would like to express my thanks to all PKC's personnel for a job well done.

During 2014, we are continuing with the implementation of the strategy programme published in spring 2013, and PKC is on track to achieving the set strategic targets.

Key figures

EUR 1,000 (unless otherwise noted)	**2013**	**2012**	**Change %**
Revenue	883,986	928,178	–4.8
EBITDA before non-recurring items	70,341	82,954	–15.2
% of revenue	8.0	8.9	
EBITA before non-recurring items	52,461	65,358	–19.7
% of revenue	5.9	7.0	
Operating profit before non-recurring items	40,873	51,478	–20.6
% of revenue	4.6	5.5	
Non-recurring items	10,409	8,027	29.7
Operating profit	30,463	43,451	–29.9
% of revenue	3.4	4.7	
Profit before taxes	21,562	34,946	–38.3
Profit for the financial year	13,947	23,999	–41.9
Earnings per share (EPS), EUR	0.62	1.12	–44.6
Cash flows after investments	24,941	63,673	–60.8
Return on investment (ROI), %	14.7	16.7	
Gearing, %	–1.1	34.4	
Personnel in average	19,206	20,590	–6.7

Operating environment

Wiring Systems business

PKC's key customers operate in the commercial vehicle industry which products are investment goods and as such their demand is highly correlated to the general economic situation. During 2013, the general economic activity remained on a relatively low level, but some early signs of recovery were visible during the year, first in North America and then in Europe. In Brazil, the economic growth slowed down and the inflation increased.

PKC's product program life cycles are long, therefore PKC's market share variations in the short term are mainly explained by changes in customers' market share. During 2013, PKC's regional market shares in truck production fluctuated somewhat from quarter to quarter. The largest fluctuation occurred in the market shares of the North American medium-duty truck market share (range 36%–33%) and of Brazilian heavy-duty truck market share (range 34%–32%).

Among PKC Group's key currencies, the US dollar weakened against the euro towards the end of the year and slightly in the average for the full year. The Mexican peso against the US dollar was relatively volatile during the year, but in the average remained quite close to previous year's level. Brazilian real depreciated significantly and Russian rouble depreciated somewhat in the average from the previous financial year. In average the Polish zloty remained relatively stable. The price of key raw material, copper, declined during the year. However, in average the customer sales prices are updated with a 3–5 month delay on the basis of copper price changes.

Vehicles, Europe

European heavy and medium truck production in 2013 remained at the same level as in 2012. A decline took place in first half of 2013, whereas the production increased at the end of 2013 due to a pre-buy impact caused by the transition to Euro 6 standard at January 1, 2014.

Total production for heavy-duty trucks in Europe for 2013 was 316,000 units, which was at the same level as the previous year.

Total production of medium-duty trucks in Europe for the whole year was 70,000 units, which was at the same level as the previous year.

Vehicles, North America

In North-America the uncertainty related to economic and political decisions affected consumer confidence, which was reflected in cautiousness on the truck investment.

The production volume for heavy-duty trucks (class 8) in the NAFTA area in 2013 was 250,000 units, which was about 10% less than total production the previous year (278,000).

Total production of medium-duty trucks for the year increased from about 186,000 units in 2012 to 200,000, representing an increase of more than 7%.

Production figures for light vehicles in 2013 increased by about 8% to 8,118,000 units from 7,507,000 the previous year.

Vehicles, Brazil

The Brazilian truck production benefited from government subsidies which continued throughout 2013 and improved demand.

In Brazil, total production of heavy-duty trucks in 2013 was 144,000 units, representing an increase of about 48% over 2012 (97,000).

Total production of medium-duty trucks in 2013 was 54,000 units, representing an increase of about 63% over 2012 (33,000).

Electronics business

Economic uncertainty in Europe and global caution among companies towards industrial investment exerted a negative impact on the demand for electronics products. The demand for renewable-energy and energy saving products including smart grid solutions on the market fell short of the level of the previous year. The market demand for telecommunications-related products increased slightly from previous year.

Revenue and financial performance

Revenue in January-December amounted to EUR 884.0 million (EUR 928.2 million), down 4.8% on the previous financial year. Sales to North American customers decreased by approximately 10.9% in euro terms, whereas sales to European customers increased by approximately 1.5%. During the financial year EUR 10.4 million (EUR 8.0 million) in non-recurring items were recognised. Non-cash non-recurring items were EUR 3.4 million (EUR 1.1 million). Non-recurring items are mainly related to employee benefit expenses (EUR 5.3 million), impairment (EUR 3.4 million) and advisor fees related to strategic projects (EUR 0.7 million). Operating profit before non-recurring items, PPA depreciation and amortisation related to acquisitions totalled EUR 52.5 million (EUR 65.4 million), accounting for 5.9% of revenue (7.0%). Operating profit totalled EUR 30.5 million (EUR 43.5 million), accounting for 3.4% of revenue (4.7%). Operating profit continued to be burdened by the losses of the Brazilian unit. Measures to improve profitability in Brazil are continuing. Total depreciation and amortisation amounted to EUR 32.9 million (EUR 32.6 million), including EUR 3.4 million of non-recurring items (EUR 1.1 million). PPA depreciation and amortisation amounted to EUR 11.6 million (EUR 13.9 million). Financial items were EUR 8.9 million negative (EUR 8.5 million negative). Financial items include foreign exchange losses totalling EUR 2.2 million (EUR 2.6 million). Profit before taxes was EUR 21.6 million (EUR 35.0 million). Income tax of the financial year amounted to EUR 7.6 million (EUR 11.0 million). Profit for the financial year totalled EUR 13.9 million (EUR 24.0 million). Diluted earnings per share were EUR 0.62 (EUR 1.12).

Revenue generated by the Wiring Systems business in the financial year amounted to EUR 820.3 million (EUR 858.8 million), or 4.5% less than in the previous financial year. The effect of exchange rate changes on consolidated revenue was about 3% negative. The segment's share of the consolidated revenue was 92.8% (92.5%). Revenue decreased due to lower North American truck market production volumes, while the South American truck production volumes increased and the European truck market remained relatively stable. The revenue was also affected by some light vehicle and component product programmes reaching the end of their life cycles during the financial year. During the financial year, several new production programmes ramp-ups and transfers of production were also ongoing. During the financial year EUR 8.4 million (EUR 6.4 million) in non-recurring items were recognised. Non-recurring items are mainly related to employee benefit expenses (EUR 4.5 million) and impairment (EUR 3.4 million). Non-cash non-recurring items were EUR 3.4 million (EUR 1.1 million). Operating profit before non-recurring items was EUR 42.9 million (EUR 53.5 million), equivalent to 5.2% of the segment's revenue (6.2%). Operating profit was EUR 34.5 million (EUR 47.1 million), equivalent to 4.2% of the segment's revenue (5.5%). The relative profitability was still weakened due to the losses of the Brazilian unit. Measures to improve profitability in Brazil are continuing.

Revenue generated by the Electronics business decreased by 8.3% to EUR 63.7 million (EUR 69.4 million). The segment's share of the consolidated revenue was 7.2% (7.5%). During the financial year EUR 0.2 million (EUR 1.4 million) in non-recurring items were recognised. The gross non-recurring expenses of EUR 1.5 million related to reorganisation in Finland and Russia were compensated by non-recurring intra-group reorganisation gains of EUR 1.2 million. Operating profit before non-recurring items was EUR 4.3 million (EUR 2.1 million), equivalent to 6.6% of the segment's revenue (3.1%). Operating profit was EUR 4.1 million (EUR 0.8 million), equivalent to 6.5% of the segment's revenue (1.1%). Operating profit before non-recurring items improved significantly over the previous year as a result of the measures implemented during the financial year that streamlined the cost structure and of the growing share of ODM products in revenue.

Financial position and cash flow

Consolidated total assets at 31 December 2013 amounted to EUR 455.6 million (EUR 485.1 million). Interest-bearing liabilities totalled EUR 100.4 million at the close of financial year (EUR 143.8 million), out of which current interest-bearing liabilities, consisting mainly of finance lease liabilities, totalled EUR 0.7 million. In addition, the Group has a committed, unutilized credit facility of EUR 30.0 million. Financial position was improved by a directed share issue which amounted to EUR 44.9 million. Furthermore, PKC Group Plc issued EUR 100 million fixed rate unsecured bond maturing in 2018. The proceeds from the equity and bond issues were partly used for refinancing. The effective average interest rate of the interest-bearing debt including unutilized credit facility was at the close of financial year 3.8% (3.1%). The effective average interest rate changed mainly due to refinancing executed in 2013 and due to changes in the interest rate fixing terms. The Group's equity ratio was 42.7% (33.9%). Net liabilities totalled EUR 2.2 million negative (EUR 56.6 million) and gearing was 1.1% negative (34.4%).

PKC Group uses derivatives only to hedge risks arising from changes in foreign exchange rates, interest rates and copper price. At the end of the reporting period nominal value of copper derivatives (forward contracts) was EUR 8.1 million (EUR 4.6 million). The Group utilizes euro-denominated interest rate swaps to maintain the targeted level for interest rate fixing term. Based on these interest rate swaps the Group receives fixed rate interest for 5 years and pays floating interest based on Euribor 6 month rate. The nominal value of these interest rate swaps was EUR 75.0 million (EUR 36.0 million) at the close of the year. At the end of reporting period the nominal amount of currency forwards was EUR 18.2 million (EUR 5.1 million).

Inventories amounted to EUR 80.2 million (EUR 87.5 million). Current receivables totalled EUR 110.4 million (EUR 105.9 million). Net cash from operating activities was EUR 39.7 million (EUR 76.0 million) and cash flow after investments during the financial year was EUR 24.9 million (EUR 63.7 million). Cash flow after investments was to large extent generated during the second half of the year, while during the first half of the year working capital was increasing from its seasonally low level at the very beginning of 2013. Cash and cash equivalents amounted to EUR 102.7 million (EUR 87.2 million).

Capital expenditure

During the financial year, the Group's gross capital expenditure totalled EUR 14.6 million (EUR 16.0 million), representing 1.7% of revenue (1.7%). Gross capital expenditure is geographically divided as follows: Europe 27.8% (17.3%), South America 22.7 % (23.2%), North America 44.3 % (56.5%) and APAC 5.2 % (2.9%). The capital expenditure consisted mainly of production machinery and equipment during the financial year. No major single investments were carried out during the review period.

PKC estimates that in the medium term, the Group's replacement investment level is close to its annual depreciation and amortisation level excluding PPA related depreciation and amortisation, and impairment losses. The Group's depreciation, amortisation and impairment losses amounted to EUR 32.9 million (EUR 32.6 million) in 2013. Excluding PPA related depreciation and amortisation, and impairment losses it amounted to EUR 17.9 million (EUR 17.6 million).

Research & development

Research and development costs totalled EUR 8.5 million (EUR 8.0 million), representing 1.0% (0.9%) of the consolidated revenue. At the end of the financial year, 156 (165) people worked in product development, excluding production development and process development personnel.

In its product strategy, product development in PKC's Wiring Systems business takes into consideration the long- and short-term product development needs of PKC's customers and the latest development trends in the automotive industry.

PKC's main products are individually tailored electrical distribution systems, in addition to which PKC's product development is a pioneer in the application of new solutions for the needs of its customers. A growing part of PKC's global product range is vehicle electronics, through which PKC can offer its customers more thoroughly optimised electrical distribution systems.

Through active technological development, improvement is constantly being sought in product quality and performance: alternative materials are researched and utilised, and new innovative solutions are developed for the vehicle electrical distribution systems architecture. Improvements are being implemented cost-effectively with the aim of minimising the overall costs of the customer's product.

The strong areas of expertise of PKC's Electronics business product development are test and power management solutions. In 2013 PKC launched its own products: the Chameleon™ product family in test solutions and the Alva power source product family and Nactus over voltage protection in power management solutions.

Personnel

During the financial year, the Group had an average payroll of 19,206 employees (20,590). At the end of the financial year, the Group's personnel numbered 18,644 employees (19,305), of whom 18,338 (18,962) worked abroad and 306 (343) in Finland. In addition the Group had at the end of the financial year 613 temporary employees. In 2013, 96.8% of the personnel was employed by the wiring systems business segment and 3.2% by the electronics business segment. Geographically personnel was divided as follows: South America 14.9%, North-America 56.6%, Asia 2.2% and Europe 26.2%. Total amount of financial year's employee benefit expenses was EUR 201.2 million (EUR 203.2 million) including EUR 5.3 million (EUR 5.9 million) classified as non-recurring expenses).

Majority of PKC's manufacturing is labour intensive and the Group's competitiveness is based on its skilled personnel. In order to maintain a skilled and engaged workforce, PKC focuses on developing its employees' competences. PKC takes a systematic approach to labour protection and frequently follows e.g. injury and occupational disease rates and absentee rates which are reported also in PKC Group's corporate responsibility report.

Quality and the environment

All of the Group's wiring system factories are certified in accordance with requirements of the ISO/TS16949 quality standard for the automotive industry excluding factory in Traverse City (USA) and Raahe (Finland) electronics factory, which are certified in accordance with requirements of ISO9001 standard. In addition all of the Group's factories, except factory in Campo Alegre (Brazil), are certified in accordance with the ISO14001 environmental standard and all factories operate in accordance with the ISO9001 quality standard. Production units in Acuna (Mexico), Juarez (Mexico), Piedras Negras (Mexico), Torreon (Mexico), Keila (Estonia), Haapsalu (Estonia), Itajuba (Brazil), Raahe (Finland) and Suzhou (China) have also certification in accordance with the OHSAS18001 occupational health and safety management system standard. Certification of Campo Alegre (Brazil) factory according to ISO14001 environmental standard will be completed after the period.

Preparations to recertify Curitiba (Brazil) factory according to ISO14001 environmental standard is on-going and is planned to be completed in first half of 2014.

PKC wants to take 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 impact of manufacturing will be reduced by optimizing deliveries and the efficient management of materials.

Management

The Annual General Meeting held on 4 April 2013, re-elected Outi Lampela, Shemaya Levy, Robert Remenar, Harri Suutari, Matti Ruotsala and Jyrki Tähtinen as Board members and elected Wolfgang Diez as new Board member. In the Board's organisation meeting, Matti Ruotsala was elected as Chairman of the Board with Robert Remenar as Vice-Chairman.

Shemaya Levy was elected as the chairman of the Audit Committee and Wolfgang Diez, Outi Lampela and Jyrki Tähtinen as members. The Board elected Matti Ruotsala as chairman of the Nomination and Remuneration Committee and Robert Remenar and Harri Suutari as members.

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

At the end of the financial year the Group's Executive Board consisted of the following persons Matti Hyytiäinen Chairman (President & CEO), Jyrki Keronen (Senior Vice President, Business Development & APAC), Jani Kiljala (President, Wiring Systems, Europe), Pekka Korkala (President, Wiring Systems, South America), Sanna Raatikainen (General Counsel), Jarmo Rajala (President, Electronics), Frank Sovis (President, Wiring Systems, North America) and Juha Torniainen (CFO).

As of 1 January 2014, PKC Group's Wiring Systems businesses in Europe and South America was consolidated under the same leadership. Jani Kiljala took over also the wiring systems business in South America as President, Wiring Systems, Europe and South America and Pekka Korkala's Executive Board membership ended.

Corporate responsibility

Corporate responsibility is a key element in PKC's operations. PKC operates with ethical business practice, takes responsibility for the operating environment and strives to minimize any harm caused to the environment, and respects and promotes human rights and fair workplace practices, equal opportunities, and zero-tolerance policy on bribery and corruption. PKC Group's Board of Directors has ratified the Code of Conduct covering the whole group. The Code of Conduct sets principles for ethical business practice and is based on the highest ethical standards. Compliance with legislation, regulations and international norms is a fundamental requirement, from which it is not possible to deviate in any circumstances.

PKC's Corporate Responsibility report for 2013 will published on 12 March 2014.

Strategy 2018

Strategic objectives have been announced in the capital market day held 3 April 2013.

PKC is a global partner, designing, manufacturing and integrating electrical distribution systems for the commercial vehicle industry and other selected segments. PKC is seeking growth within its current Commercial Vehicle markets and customers as well as in the growing markets of Asia. In addition, PKC is studying growth opportunities in expanding its business further within Transportation Industry. This is a segment where PKC can further utilize its unique knowhow as a global supplier of electrical distribution systems.

The long-term financial targets of PKC Group Plc is to reach EUR 1.4 billion revenue by 2018 and over 10% EBITDA, while maintaining gearing below 75%. The targeted dividend payout is 30–60% of the cash flow after investments.

Key strategic highlights of 2013

In order to optimise production, PKC Group has established a new Wiring Systems company in Suzhou, China and the Wiring Systems operations have been moved to another leased facility. In addition, the new factory in Suzhou will function as NPI center for China and APAC. PKC Group has decided to establish a new wiring systems factory in Smederevo, Serbia. The factory's purpose is to serve existing and potential new customers in Europe. The total capital expenditure by the end of 2016 is estimated to be about eight million euros. The factory is expected to employ about 1,500 employees by the end of 2016. In addition, PKC has closed its factories in Ireland and Ukraine.

PKC Group has signed a Framework Agreement for Strategic Cooperation with China National Heavy Duty Truck Group Company Limited ("SINOTRUK"). Under the preliminary agreement, PKC and SINOTRUK desire to explore certain forms of cooperation in connection with the manufacturing of wiring systems, which include setting up a joint venture in China and signing a long term supply agreement subject to further negotiations. The joint venture would manufacture wiring systems for SINOTRUK and possibly also for other customers in China and abroad.

PKC Group issued EUR 100 million fixed rate unsecured bond maturing in 2018. The bond pays an annual coupon of 4.25 per cent. The bond was admitted to public trading on 26 September 2013 at NASDAQ OMX Helsinki.

PKC issued 2.14 million new shares to a limited number of selected domestic and international institutional qualified investors in an accelerated book-built offering deviating from the shareholders' pre-emptive subscription rights. The issue amounted to a total of EUR 44.94 million before commissions and expenses.

Events after the financial year

On 7 January 2014 PKC Group Plc announced to optimise its manufacturing footprint in North America. PKC has decided to close the factory in Nogales, Mexico in order to further adapt and align its manufacturing capacity to the North American customer base. The Nogales production shall be transferred to PKC's existing facility in Torreon, Mexico. The action taken is related to current light vehicle program build-outs in North America and PKC's focus on maximising its opportunities in the current core customer segments. The related non-recurring items are estimated to be approximately EUR 3.6 million on an after-tax basis. The estimated annual savings are approximately EUR 2.0 million on an after tax basis from 2014 onwards. These measures are expected to be completed in 2014.

Short term risks and uncertainties

The public deficit and high indebtedness of many European countries and also the United States have weakened economic growth, end-customer demand and availability of financing for investment goods. In addition, uncertainty related to emerging markets' economic development has increased recently. Especially in Brazil inflation as well as economic and political uncertainty has continued. In Europe the transition to EURO 6 standard commercial vehicles and related pre-buy effect at the end of 2013 may reduce the demand at the start of year 2014. Changes in customers' relative market shares and sourcing strategies may affect demand of PKC's products.

Weakening of the US dollar against the Mexican peso as well as the weakening of the euro against the Polish zloty and the Russian rouble may increase PKC's processing costs. Strengthening of the euro against the Brazilian real may increase PKC's material costs.

A significant increase in copper price may weaken PKC Group's profit in short term. The customer prices are updated on average with a 3–5 month delay on the basis of copper price changes.

PKC Group Plc has been subject to a tax audit in 2011 related to the year 2009 reorganisation of Wiring Systems business. PKC has given its final response during the second quarter of 2013 and the tax reassessment decision from Finnish tax administration is pending. Based on the tax audit report regarding the same, there is interpretation difference between PKC and the tax authorities, which can result in tax reassessment decision and obligation to pay additional taxes and related payments. In the opinion of the management of PKC the taxes have been reported and levied properly.

The objective of PKC Group's risk management is to identify risks relevant to business operations, and to determine the measures, responsibilities and schedules required for efficient risk management. The comprehensive risk management process is implemented across the whole PKC Group with the aim of establishing uniform procedures for the analysis and measurement of risks, taking into consideration the geographical differences between units. PKC's risks are classified into strategic, operational and financial risks. More information about PKC's risks is presented in the annual report and Corporate Governance Guidelines.

Market outlook

Wiring Systems

Production of heavy-duty trucks in Europe is expected to decline by 4% in 2014, and production of medium-duty trucks by 3% compared to the previous year. The EURO 6 emission standard that entered into force at the beginning of 2014 caused an increase in the demand for trucks at the end of 2013. Second half of 2014 volumes are expected to be higher than those of the first half.

Production of heavy-duty trucks in North America is expected to increase by 10%, production of medium-duty trucks by 5% and production of light vehicles by 2% compared to 2013. Quarterly production volumes for heavy-duty trucks are expected to increase steadily during the year.

Production of heavy-duty trucks in Brazil is expected to decline by 5%, and production of medium-duty trucks to increase by 24% compared to 2013. The governmental incentive program to support the purchase of new trucks continues to be valid until further notice, although the terms have been weakened somewhat.

Electronics

The market demand for Electronics segment's products is expected to remain at the present level.

PKC Group's outlook for 2014

PKC Group estimates that 2014 revenue and comparable EBITDA will be lower than in 2013. In 2013, PKC's revenue was EUR 884.0 million and comparable EBITDA before non-recurring items was EUR 70.3 million.

Revenue estimate is based on current business structure. Revenue will be affected by light vehicle build-outs in North

America and by changes in exchange rates. As a result of the above, comparable EBITDA is expected to be lower than in 2013. Comparable EBITDA in 2014 will also be affected by reorganisation and program transfers in Europe and expenditures related to the implementation of PKC's growth strategy.

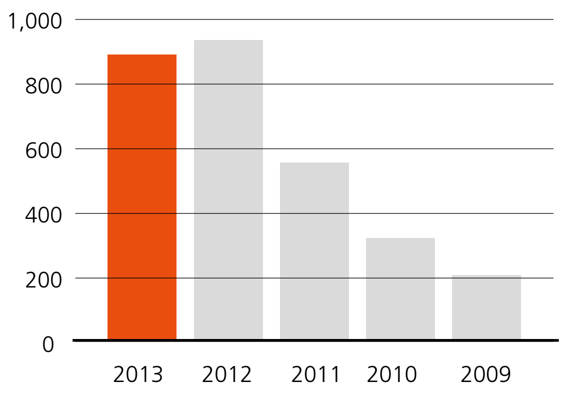
Disclaimer

All the future estimates and forecasts presented in report by the Board of Directors are based on the best current knowledge of the company's management and information published by market research companies and customers. The estimates and forecasts contain certain elements of risk and uncertainty which, if they materialise, may lead to results that differ from present estimates. The main factors of uncertainty are related, among other things, to the general economic situation, the trend in the operating environment and the sector as well as the success of the Group's strategy.

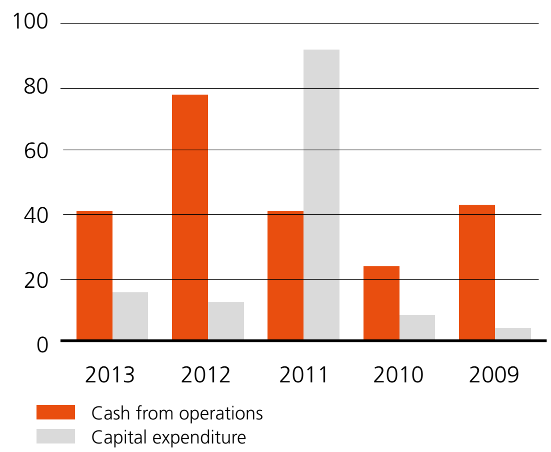
The Board of Directors' proposal for profit distribution

The parent company's distributable funds are EUR 139.0 million, of which EUR 70.3 million is distributable as dividends, including the profit for the financial year EUR 21.6 million. The Board of Directors will propose to the Annual General Meeting to be held on 3 April 2014 that a dividend of EUR 0.70 per share be paid for a total of EUR 16.7 million and that the remainder of the distributable funds be transferred to shareholders' equity. The number of shares may change due to share subscriptions registered before the record date. The record date for the dividend pay-out is 8 April 2014 and the payment date is 15 April 2014. In the view of the Board of Directors, the proposed dividend pay-out will not put the company's liquidity at risk.

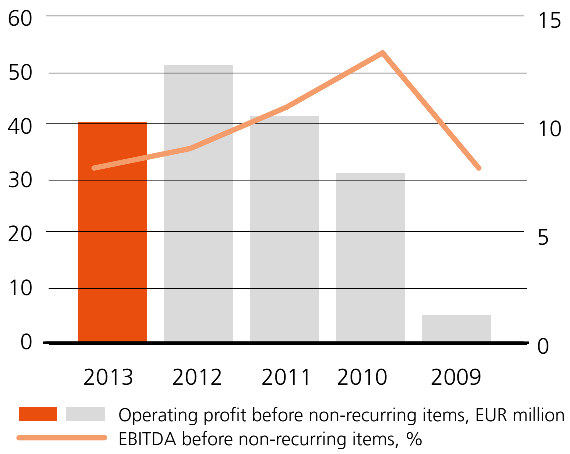
Revenue, EUR Million



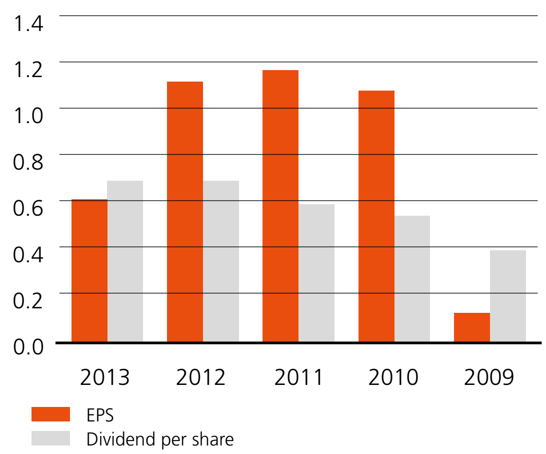
Cash from operations and capital expenditure, EUR Million



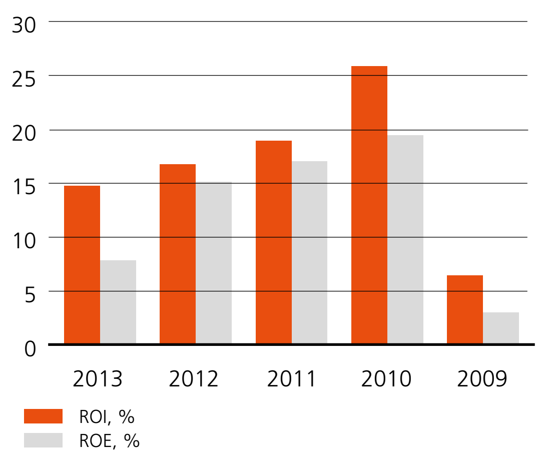
Comparable EBITDA, % and operating profit, EUR Million



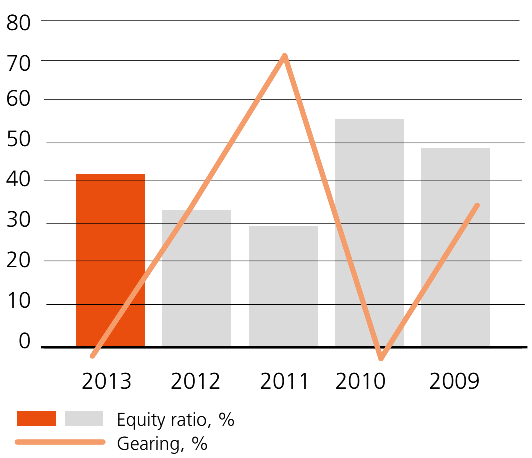
EPS and dividend per share, EUR



Return on investment (ROI) and Return on equity (ROE), %



Gearing and Equity ratio, %



Group’s Financial Key Indicators

EUR 1,000 (unless otherwise noted)	2013	2012	2011	2010	2009
Consolidated statement of comprehensive income					
Revenue	883,986	928,178	550,208	316,081	201,814
EBITDA before non-recurring items	70,341	82,954	59,498	42,184	16,050
EBITA before non-recurring items	52,461	65,358	40,010	33,786	7,355
Operating profit before non-recurring-items	40,873	51,478	41,967	31,499	5,068
Non-recurring-items	10,409	8,027	7,461	1,810	4,386
Operating profit	30,463	43,451	34,505	29,689	682
Profit before taxes	21,562	34,946	29,414	25,028	1,103
Profit for the financial year	13,947	23,999	23,445	19,683	2,349
Statement of financial position					
Assets					
Non-current assets	162,376	204,499	221,371	65,923	64,995
Current assets	293,257	280,560	287,426	153,034	94,852
Total assets	**455,634**	**485,059**	**508,798**	**218,957**	**159,847**
Equity and liabilities					
Equity	194,425	164,530	152,482	123,776	78,626
Non-current liabilities	133,478	130,709	205,608	31,376	38,110
Current liabilities	127,730	189,820	150,708	63,804	43,111
Total equity and liabilities	**455,634**	**485,059**	**508,798**	**218,957**	**159,847**
Key indicators					
Revenue	883,986	928,178	550,208	316,081	201,814
Change in revenue, %	–4.8	68.7	74.1	56.6	–35.3
EBITDA before non-recurring-items	70,341	82,954	59,498	42,184	16,050
% of revenue	8.0	8.9	10.8	13.3	8.0
Operating profit	30,463	43,451	34,505	29,689	682
% of revenue	3.4	4.7	6.3	9.4	0.3
Profit before taxes	21,562	34,946	29,414	25,028	1,103
Profit for the financial year	13,947	23,999	23,445	19,636	2,349
% of revenue	1.6	2.6	4.3	6.2	1.2
Return on equity (ROE), %	7.8	15.1	17.0	19.4	3.0
Return on investment (ROI), %	14.7	16.7	18.9	25.8	6.4
Net working capital	63,540	72,709	100,668	61,062	45,355
Gearing, %	–1.1	34.4	72 .6	–1.7	35.9
Equity ratio, %	42.7	33.9	30.0	56.5	49.2
Quick ratio	1.7	1.0	1.2	1.5	1.3
Current ratio	2.3	1.5	1.9	2.4	2.2
Net cash from operating activities	39,714	75,988	39,990	22,935	42,408
Cash flows after investments	24,941	63,673	–50,223	14,875	37,632
Gross capital expenditure	14,620	16,023	101,532	8,575	3,894
% of revenue	1.7	1.7	18.5	2.7	1.9
R&D expenses	8,503	7,992	6,922	5,692	5,518
% of revenue	1.0	0.9	1.3	1.8	2.7
Personnel in average	19,206	20,590	10,793	5,278	4,704

Group's financial key indicators

EUR (unless otherwise noted)	2013	2012	2011	2010	2009
Key indicators for shares					
Earnings per share (EPS), based	0.63	1.13	1.18	1.09	0.13
Earnings per share (EPS), diluted	0.62	1.12	1.16	1.09	0.13
Shareholders´equity per share	8.13	7.64	7.66	6.33	4.42
Cash flow per share	1.11	2.97	–2.50	0.82	–2.30
Dividend per share [1]	0.70	0.70	0.60	0.55	0.40
Dividend per earnings, % [1]	111.8	62.1	50.7	50.5	307.7
Effective dividend yield, % [1]	2.9	4.5	5.2	3.6	6.1
Price/earnings ratio (P/E)	38.6	13.7	9.7	14.1	50.8
Share price at the end of the year	24.19	15.49	11.48	15.40	6.60
Lowest share price during the year	15.00	10.65	8.6	6.55	2.70
Highest share price during the year	25.31	18.30	18.36	15.58	6.83
Average share issue-adjusted number of shares [2]	22,280	21,296	19,816	17,990	17,782
Share issue-adjusted number of shares at the end of the financial year [2]	23,906	21,524	19,906	19,552	17,782
Unlisted shares at the end of period [2]	0	0	1,250	0	0
Market capitalisation, EUR 1,000	576,103	333,414	228,519	301,100	117,358
Dividend, EUR 1,000	19,125	15,067	12,694	10,754	7,113

[1] The figures of 2013 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)
Net liabilities		Interest bearing financial liabilities – cash and cash equivalents
Gearing, %	100 x	Interest-bearing financial liabilities – cash and cash equivalents / Total equity
Equity ratio, %	100 x	Total equity / Total of the statement of financial position – advance payments received
Net working capital		Inventories + current non-interest bearing receivables – current non-interest bearing liabilities
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 at the closing date
Cash flow per share, EUR		Cash flow after investments / Average share-issue-adjusted number of shares
Dividend per share, EUR		Dividend paid for financial year / Share issue-adjusted number of shares at the closing date
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 share price at the closing date
Price per earnings, (P/E)		Share issue-adjusted 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
EBITDA		Operating profit + non-recurring items + depreciation, amortisation and impairments
EBITA		Operating profit + non-recurring items + PPA (purchase price allocation) depreciation and amortisation

Shares and Shareholders

Trading of shares on NASDAQ OMX Helsinki Ltd

	2013	2012
Turnover in shares	8,962,859	10,853,570
Share turnover, EUR million	184.3	160.1
Turnover in shares per average number of shares, %	40.2	51.1

Shares and market value

	31.12.2013	31.12.2012
Number of shares	23,905,887	21,524,442
Lowest share price during the financial year, EUR	15.00	10.65
Highest share price during the financial year, EUR	25.31	18.30
Share price at close of financial year, EUR	24.19	15.49
Average share price of the financial year, EUR	20.47	14.76
Market capitalisation, EUR million	576.1	333.4

PKC's shares are also traded on alternative exchanges (inter alia Chi-X and BATS). The total trading volume on these particular alternative exchanges was 668,787 shares (331,968 shares) during the financial year.

The shares held by Board members, their closely associated persons and corporations in which they have a controlling interest accounted for 0.1% (0.6%) of the total number of shares at the end of the financial year. PKC Group Plc had a total of 8,413 shareholders (8,853) at the end of financial year. The shares held by foreigners and through nominee registrations at the close of the financial year totalled 36,5% of the share capital (22.3%).

- Additional information of related party has been presented in Note 4.1 Related Party Disclosures.

Flaggings

After end of the financial year on 24 January 2014 the share of votes and share capital in PKC Group Plc held by funds (OP-Focus Non-UCITS Fund, OP-Delta Fund and OP-Finland Small Firm Fund) managed by OP Fund Management Company Ltd (0743962-2) fell below the limit of 5%. Following the transaction the funds managed by OP Fund Management Company Ltd owned 1,096,908 shares i.e. 4.59% of the shares and votes.

Changes in PKC Group Plc's shares and share capital

Registrations of new shares and increase in share capital corresponding to subscriptions	2006C	2009A[1)]	2009B[1)]	Share issue[2)]	Increase in share capital, EUR	Parent Company's registered share capital after subscription	Number of shares after the subscription
31.1.2013	31,705	17,950	0	0	10,779.70	6,201,845.46	21,574,097
3.4.2013	24,100	4,500	0	0	8,194.00	6,210,039.46	21,602,697
14.5.2013	24,675	5,250	21,900	0	8,389.50	6,218,428.96	21,654,522
16.8.2012	0	250	6,000	0	0	6,218,428.96	21,660,772
12.9.2013	0	0	0	2,140,000	0	6,218,428.96	23,800,772
7.11.2013	0	2,500	12,493	0	0	6,218,428.96	23,815,765
31.12.2013	0	19,100	71,022	0	0	6,218,428.96	23,905,887
Total	**80,480**	**49,550**	**111,415**	**2,140,000**	**27,363.20**		

1) Cash payments received from share subscriptions based on the 2009A and 2009B stock options, net of transaction costs, are recorded in the invested non-restricted equity fund according to the terms of the stock option.

2) The proceeds of the directed share issue, EUR 44.3 million (less sales commissions and other costs) are recorded in the invested non-restricted equity fund.

The Board's authorisations

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 Plc'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. On 4 September 2013 a total of 2,140,000 new shares were subscribed for in PKC Group Plc's directed share issue. After this share issue, a maximum total of 2,610,000 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.

Stock option schemes

PKC´s long-term remuneration consists of stock option schemes approved by the annual general meeting. PKC has currently three stock option schemes: year 2006, 2009 and 2012 stock-options. The Board of Directors shall annually decide upon the distribution of the stock options to the key personnel employed by or to be recruited by the Group. The stock options shall be issued free of charge to the Group key personnel. The earnings period of all stock option schemes is three years.

All stock option schemes contain a share ownership plan. The option recipients are required to acquire or subscribe for the Company´s shares with 20 per cent of the gross stock option income gained from the exercised stock options, and to hold such shares for at least two years. The Company´s President must hold such shares as long as his service contract is in force.

2006 options

The year 2006 stock option scheme comprises of 697,500 stock options and they are divided into A, B and C warrants. The stock options entitle their owners to subscribe for a maximum total of 697,500 new shares in the Company or existing shares held by the Company. The subscription period is during the years 2009–2013. The share subscription price for stock options is the volume-weighted average price of the PKC Group Plc share on the NASDAQ OMX Helsinki Ltd, with dividend adjustments as defined in the stock option terms.

	2006A	**2006B**	**2006C**
Subscription period	ended 30.4.2011	ended 30.4.2012	ended 30.4.2013
Total amount of options	202,500	232,500	262,500
Exercised	200,300	232,500	260,850
Expired	2,200	0	1,650

2009 options

The year 2009 stock-option scheme comprises of 600,000 stock options and they are divided into A, B and C options. 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 is during the years 2012–2016. The share subscription price for stock options is the volume-weighted average price of the PKC Group Plc share on the NASDAQ OMX Helsinki Ltd, with dividend adjustments as defined in the stock option terms.

	2009A	**2009B**	**2009C**
Subscription period	1.4.2012– 30.4.2014	1.4.2013– 30.4.2015	1.4.2014– 30.4.2016
Current subscription price, EUR	1.60	11.41	17.28
Total amount of options	200,000	200,000	200,000
Held by PKC or non-allocated	4,500	19,478	32,500
Exercised	159,300	111,415	0
Outstanding	36,200	69,107	167,500
Invested non-restricted equity fund can increase by, EUR	65,120	1,010,755	3,456,000

2012 options

The year 2012 stock-option scheme comprises of 1,020,000 stock options and they are divided into 2012A (i and ii), 2012B (i and ii) and 2012C (i and ii) options. The stock options entitle their owners to subscribe for a maximum total of 1,020,000 new shares in the Company or existing shares held by the Company. The share subscription period is during the years 2015–2019. The share subscription price for stock options is the volume-weighted average price of the PKC Group Plc share on NASDAQ OMX Helsinki Ltd, as defined in the stock option terms.

The share subscription period for stock options 2012A(ii), 2012B(ii) and 2012C(ii) shall, however, not commence, unless certain operational or financial targets of the Group established for the exercise of stock options and determined by the Board of Directors have been attained. The Board of Directors shall annually decide on targets separately for each stock option class in connection with the distribution of stock options. Those stock options, for which the targets determined by the Board of Directors have not been attained, shall expire in the manner decided by the Board of Directors. 2012A(ii) and 2012B(ii) options have been initially allocated to key personnel.

Release criteria for 2012 A (ii) options is defined as follows:

- The share subscription period with 2012 A (ii) options begins only if the financial performance and EBITDA of PKC Group for financial years 2012–2014 is, based on the total consideration of the Board of Directors, comparable to PKC Group´s key competitors that have published their results. The total consideration shall also take into account the development of PKC Group´s market share.
- If the above-mentioned prerequisite is not fulfilled, stock options expire based on the consideration and in the extent and manner decided by the Board of Directors and the terms of the stock options.
- 2012 A (ii) options shall be allocated to option holders conditionally so that the options shall be distributed and entered into option holders´ book-entry accounts only after the Board of Directors has decided on the start of the share subscription period and to the extent decided by the Board of Directors.

Release criteria for 2012 B (ii) options is defined as follows:

- The share subscription period with 2012 B (ii) options begins only if EBITDA for years 2013–2015 is cumulatively at least EUR 180 million. The effect of M&As and other restructurings as well as exceptional changes in macro-economy shall be taken into account in the calculation.
- If the above-mentioned prerequisite does not fulfill, stock options expire based on the consideration and in the extent and manner decided by the Board of Directors and the terms of the stock options.
- 2012 B (ii) options shall be allocated to option holders conditionally so that the options shall be distributed and entered into option holders´ book-entry accounts only after the Board of Directors has decided on the start of the share subscription period and to the extent decided by the Board of Directors.

	2012A(i)	**2012A(ii)**	**2012B(i)**	**2012B(ii)**	**2012C(i)**	**2012C(ii)**
Subscription period	1.4.2015–30.4.2017	1.4.2015–30.4.2017	1.4.2016–30.4.2018	1.4.2016–30.4.2018	1.4.2017–30.4.2019	1.4.2017–30.4.2019
Current subscription price, EUR	15.31	15.31	16.65	16.65	-	-
Total amount of options	170,000	170,000	170,000	170,000	170,000	170,000
Held by PKC or non-allocated	0	0	5,000	5,000	170,000	170,000
Outstanding	170,000	170,000	165,000	165,000	0	0
Invested non-restricted equity fund can increase by, EUR	2,602,700	2,602,700	2,830,500	2,830,500	-	-

Dividend for 2012

The Annual General Meeting held on 4 April 2013 resolved to pay a dividend of EUR 0.70 per share: i.e. a total of about EUR 15.1 million. The dividend was paid out on 16 April 2013.

Information pursuant to Ministry of Finance Ordinance 1020/2012

PKC Group Plc only has one class of shares. The Company has no shares nor securities entitling thereto, which include special rights in the decision-making of PKC Group Plc. The Articles of Association of PKC Group Plc contain no redemption and consent clauses. The prerequisite for the distribution of stock options is that the recipient of the stock options undertakes to acquire or subscribe for the Company's shares with 20 per cent of the gross stock option income gained from the exercised stock options, and to hold such shares for at least two years. The Company's President and CEO must hold such shares as long as his service contract is in force. The terms of the stock options include conditions related to takeover bids, among others.

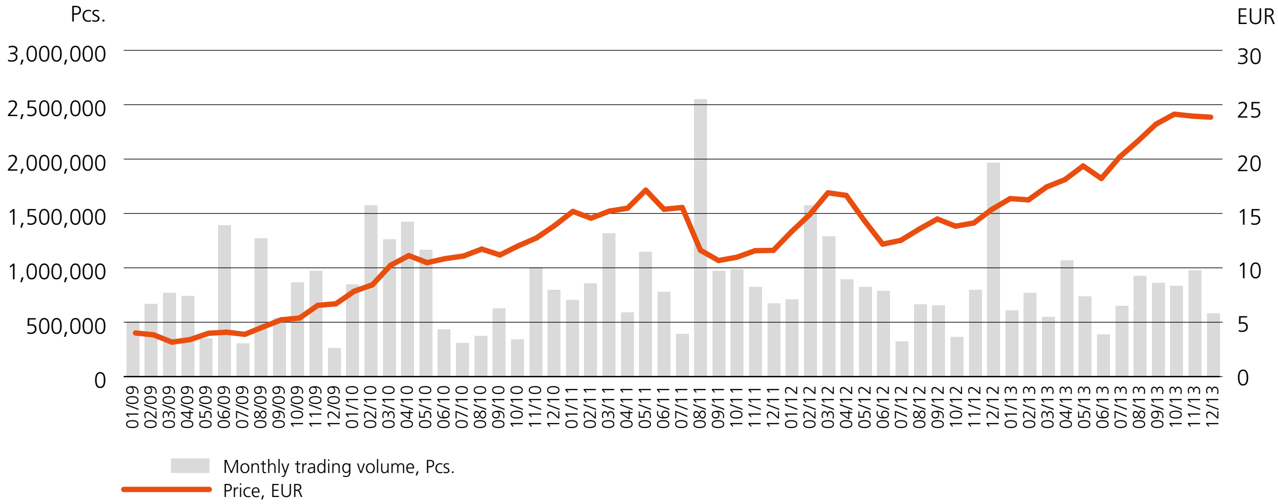
The Company has no separate agreements nor conditions related to takeover bids with the members of the Board of Directors or President and CEO. The key information on election and dismissal of the members of the Board of Directors or President and CEO is described in Corporate Governance Statement. The regular terms and conditions and compensation pertaining to termination of the President and CEO are discussed in Group's Remuneration Statement.

Some PKC's customer agreements contain change of control clauses as a result of which the contracts may be terminated.

PKC Group issued a EUR 100 million bond in 2013 and the bond terms contain certain special conditions related to ownership changes. If the majority of shares or the control of PKC Group Plc becomes transferred to an individual party, the bondholders may demand immediate, premature bond repayment.

PKC Group has a financing agreement with a bank. If the majority of shares or the control of PKC Group Plc becomes transferred to an individual party, the bank may unilaterally demand immediate and premature repayment of its loans and cancellation of its unutilized credit facilities.

Share price and monthly trading volume 2.1.2009–30.12.2013



Major shareholders 31.12.2013

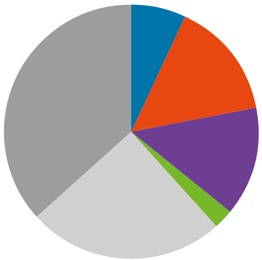
		Pcs.	% of shares and votes
1.	Ilmarinen Mutual Pension Insurance Company	2,621,431	11.0
2.	AS Harju Elekter	1,294,641	5.4
3.	Varma Mutual Pension Insurance Company	574,083	2.4
4.	OP-Focus Non-UCITS Fund	534,295	2.2
5.	Fondita Nordic Micro Cap	507,000	2.1
6.	OP-Finland Small Firms Fund	393,060	1.6
7.	Odin Finland	345,796	1.4
8.	Laakkonen Mikko	327,934	1.4
9.	Mutual Fund Evli Finnish Equity	298,606	1.2
10.	Takanen Jorma	296,515	1.2
10 major holders total		**7,193,361**	**30.1**
Nominee registered			
Nordea Bank Finland Plc		3,514,482	14.7
Skandinaviska Enskilda Banken AB		2,666,902	11.2
Other nominee registered		843,570	3.5
Others		12,354,474	51.7
Total		**23,905,887**	**100.0**

Shares and options held by Board of Directors and Executive Board 31.12.2013

	Number of shares, Pcs.	Shares and votes, %	Ownership of related parties and controlled corporations, Pcs.	Options, Pcs.	Shares and votes incl. options, %
Board of Directors					
Diez Wolfgang	0	0.0	0	0	0.0
Lampela Outi	0	0.0	0	0	0.0
Levy Shemaya	0	0.0	0	0	0.0
Remenar Robert	0	0.0	0	0	0.0
Ruotsala Matti	0	0.0	0	0	0.0
Suutari Harri	20,000	0.1	360	0	0.1
Tähtinen Jyrki	0	0.0	10,892	0	0.0
Executive Board					
Hyytiäinen Matti	5,000	0.0	0	120,000	0.5
Keronen Jyrki	0	0.0	0	23,000	0.1
Kiljala Jani	4,910	0.0	0	48,000	0.2
Korkala Pekka	2,000	0.0	0	30,000	0.1
Raatikainen Sanna	5,097	0.0	0	35,000	0.2
Rajala Jarmo	6,500	0.0	0	60,000	0.3
Sovis Frank	0	0.0	0	30,000	0.1
Torniainen Juha	2,000	0.0	0	30,000	0.1

- Additional information about related party is presented in note 4.1 Related Party Disclosures.
- According to the Finnish Securities Markets Act, a controlled entity is defined as an entity in which the shareholder, member or other person has the controlling power as defined in the law.

Distribution of share ownership by owner categories on 31.12.2013



% of shares and votes

Domestic corporations	7.1%
Financial institutions and insurance corporations	14.7%
Public institutions	14.3%
Non-profit institutions	2.5%
Households and private investors	25.0%
Foreign investors (including nominee registered shares)	36.5%

Distribution of share ownership by size of shareholding on 31.12.2013

	Shareholders		Shares		Votes	
Shares	**Pcs.**	**%**	**Pcs.**	**%**	**Pcs.**	**%**
1–100	2,128	25.3	133,258	0.6	133,258	0.6
101–500	3,826	45.5	1,055,080	4.4	1,055,080	4.4
501–1,000	1,279	15.2	975,304	4.1	975,304	4.1
1,001–5,000	957	11.4	2,033,701	8.5	2,033,701	8.5
5,001–10,000	107	1.3	762,955	3.2	762,955	3.2
10,001–50,000	79	0.9	1,785,419	7.5	1,785,419	7.5
50,001–100,000	12	0.1	912,697	3.8	912,697	3.8
100,001–500,000	17	0.2	3,833,625	16.0	3,833,625	16.0
500,001–	8	0.1	12,413,848	51.9	12,413,848	51.9
Total,	**8,413**	**100.0**	**23,905,887**	**100.0**	**23,905,887**	**100.0**
of which nominee registered	13		7,024,954	29.4	7,024,954	29.4

Consolidated Statement of Comprehensive Income

EUR 1,000	Note	1.1.–31.12.2013	1.1.–31.12.2012
Revenue	1.1	**883,986**	**928,178**
Production for own use		315	207
Other operating income	1.2	1,982	2,193
Increase/decrease in inventories of finished goods and work in progress		–3,235	–839
Materials and services	1.3	–533,004	–564,482
Employee benefit expenses	1.4, 4.1	–201,170	–203,221
Depreciation, amortisation and impairment	2.1, 2.3	–32,860	–32,584
Other operating expenses	1.5	–85,551	–86,000
Operating profit		**30,463**	**43,451**
Items affecting comparability	1.1	–10,409	–8,027
Comparable operating profit		**40,873**	**51,477**
Interest and other financial income	3.3	827	335
Interest and other financial expenses	3.3	–7,497	–6,213
Foreign currency exchange differences	3.3	–2,231	–2,627
Profit before taxes		**21,562**	**34,946**
Income taxes	1.6	–7,615	–10,947
Profit for the financial year		**13,947**	**23,999**
Other comprehensive income			
Items, that may be reclassified subsequently to profit or loss			
Foreign currency translation differences -foreign operations		–16,905	–2,190
Interest derivatives		970	–970
Taxes related to interest derivatives	1.6	–238	238
Other comprehensive income for the financial year after taxes		**–16,173**	**–2,922**
Total comprehensive income for the financial year		**–2,226**	**21,076**
Attributable to equity holders of the parent company			
Basic earnings per share (EPS), EUR	1.7	0.63	1.13
Diluted earnings per share (EPS), EUR	1.7	0.62	1.12

Consolidated Statement of Financial Position

EUR 1,000	Note	31.12.2013	31.12.2012
Assets			
Non-current assets			
Goodwill	2.1	29,486	30,627
Intangible assets	2.1	34,694	43,234
Property, plant and equipment	2.3	76,026	94,307
Receivables	2.4	5,727	25,058
Deferred tax assets	1.6	16,443	11,272
Total non-current assets		**162,376**	**204,499**
Current assets			
Inventories	2.6	80,237	87,481
Trade receivables and other receivables	2.7	110,354	103,961
Current tax assets		2	1,897
Cash and cash equivalents		102,665	87,222
Total current assets		**293,257**	**280,560**
Total assets		**455,634**	**485,059**
Equity and liabilities			
Equity			
Share capital	3.5	6,218	6,191
Share premium account	3.5	11,282	10,606
Invested non-restricted equity fund	3.5	81,033	35,376
Fair value reserve		0	-732
Share-based payments		3,857	2,975
Translation difference		-12,323	4,582
Retained earnings		104,358	105,532
Total equity		**194,425**	**164,530**
Non-current liabilities			
Interest-bearing financial liabilities	3.2	99,763	74,595
Provisions	2.9	1,064	1,301
Other liabilities	2.5	8,722	27,196
Deferred tax liabilities	1.6	23,929	27,617
Total non-current liabilities		**133,478**	**130,709**
Current liabilities			
Interest-bearing financial liabilities	3.2	677	69,190
Trade payables and other non-interest bearing liabilities	2.8	126,904	120,534
Current tax liabilities		149	96
Total current liabilities		**127,730**	**189,820**
Total liabilities		**261,208**	**320,529**
Total equity and liabilities		**455,634**	**485,059**

Consolidated Statement of Cash Flows

EUR 1,000	Note	1.1.–31.12.2013	1.1.–31.12.2012
Cash flows from operating activities			
Cash receipts from customers		876,460	949,400
Cash receipts from other operating income		785	3,246
Cash paid to suppliers and employees		–819,256	–851,334
Cash flows from operations before financial income and expenses and taxes		**57,989**	**101,311**
Interest paid and other financial expenses		–5,851	–5,635
Effect of exhange rate changes		680	1,033
Interest received		153	335
Income taxes paid		–13,258	–21,057
Net cash from operating activities (A)		**39,714**	**75,987**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		–15,103	–16,317
Proceeds from sale of property, plant and equipment and intangible assets		329	3,490
Proceeds from repayments of loan receivables	4.1	0	514
Net cash used in investing activities (B)		**–14,773**	**–12,313**
Cash flows from financial activities			
Share issue and exercise of options	3.5	46,342	2,687
Proceeds from current borrowings		0	5,090
Proceeds from non-currrent borrowings		99,531	0
Repayment of current/non-current borrowings		–138,645	–23,642
Dividends paid	3.5	–15,122	–12,814
Net cash used in financial activities (C)		**–7,893**	**–28,678**
Net increase (+) or decrease (–) in cash and cash equivalents (A+B+C)		**17,047**	**34,995**
Cash and cash equivalents at 1 January		**87,222**	**52,280**
Effect of exhange rate changes		**–1,604**	**–54**
Cash and cash equivalents at 31 December		**102,665**	**87,222**

Consolidated Statement of Changes in Equity

EUR 1,000	Note	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 1.1.2012		**6,103**	**8,259**	**35,639**	**–464**	**6,257**	**96,688**	**152,482**
Comprehensive income								
Profit for the financial year		0	0	0	0	0	23,999	23,999
Interest derivatives		0	0	0	–269	0	0	–269
Foreign currency translation differences -foreign operations	3.5	0	0	–516	0	–1,675	0	–2,190
Total other comprehensive income		**0**	**0**	**–516**	**–269**	**–1,675**	**0**	**–2,459**
Total comprehensive income for the financial year		**0**	**0**	**–516**	**–269**	**–1,675**	**23,999**	**21,540**
Transactions with shareholders								
Dividends	3.5	0	0	0	0	0	–12,814	–12,814
Share-based payments	1.4	0	0	0	0	0	635	635
Exercise of options	3.5	88	2,347	252	0	0	0	2,687
Total transactions with shareholders		**88**	**2,347**	**252**	**0**	**0**	**–12,179**	**–9,492**
Total equity at 31.12.2012		**6,191**	**10,606**	**35,376**	**–732**	**4,582**	**108,508**	**164,531**

EUR 1,000	Note	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 1.1.2013		**6,191**	**10,606**	**35,376**	**–732**	**4,582**	**108,508**	**164,531**
Comprehensive income								
Profit for the financial year		0	0	0	0	0	13,947	13,947
Interest derivatives		0	0	0	732	0	0	732
Foreign currency translation differences -foreign operations	3.5	0	0	0	0	–16,905	0	–16,905
Total other comprehensive income		**0**	**0**	**0**	**732**	**–16,905**	**0**	**–16,173**
Total comprehensive income for the financial year		**0**	**0**	**0**	**732**	**–16,905**	**13,947**	**–2,226**
Transactions with shareholders								
Dividends	3.5	0	0	0	0	0	–15,122	–15,122
Share-based payments	1.4	0	0	0	0	0	882	882
Exercise of options	3.5	27	676	1,384	0	0	0	2,087
Directed share issue	3.5	0	0	44,273	0	0	0	44,273
Total transactions with shareholders		**27**	**676**	**45,657**	**0**	**0**	**–14,240**	**32,120**
Total equity at 31.12.2013		**6,218**	**11,282**	**81,033**	**0**	**–12,323**	**108,215**	**194,425**

Basis of Preparation and Accounting Policies

Group information

PKC Group Plc is a Finnish public limited company, domiciled in Helsinki, Finland. The registered address is Unioninkatu 20-22, FI-00130 Helsinki. PKC Group Plc is the parent company of PKC Group. PKC Group is listed on NASDAQ OMX Helsinki Ltd since 3.4.1997.

PKC Group is a global partner, designing, manufacturing and integrating electrical distribution systems, electronics and related architecture components for the commercial vehicle industry and other selected segments. The revenue of the financial year 2013 totalled EUR 884.0 million and the average amount of personnel was 19,206. The Group operates in 15 countries.

A copy of the consolidated financial statements is available from the parent company's head office at Unioninkatu 20–22, FI-00130 Helsinki, Finland.

On 13 February 2014, the company's Board of Directors approved the consolidated financial statements. Under the Finnish Limited Liability Companies Act, the annual general meeting has the right to approve, reject or take the decision to amend the financial statements following their publication.

Basis of preparation

The consolidated financial statements of PKC Group Plc are prepared in accordance with the International Financial Reporting Standards (IFRS) in force at December 31, 2013 as adopted by the European Union. 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.
The functional and presentation currency of the parent company, PKC Group Plc, is euro, which is also the presentation currency of the consolidated financial statements. All figures have been rounded, so the total number of individual figures can deviate from the presented sum figure. The key indicators are calculated using exact figures.

The consolidated financial statements are prepared for the calendar year, which is the financial year of the parent and the Group.

Accounting policies for the consolidated financial statements

The general accounting policies of the consolidated financial statements are described in this section. Detailed accounting policies and descriptions of management's judgement based decisions and use of estimates are presented later at each item of the financial statements.

At the table below PKC Group's accounting policies for the consolidated financial statements are presented by section. In addition, the related notes and references to the most significant IFRS standards that regulate particular financial statement items are also presented in the table below.

Accounting policy	Note	IFRS-standard
Operating segments	1.1	IFRS 8, IAS 18
Other operating income	1.2	IAS 18
Employee benefit expenses	1.4	IAS 19, IFRS 2
Income taxes, incl. deferred tax assets and liabilities	1.6	IAS 12
Intangible assets	2.1	IAS 38, IFRS 3
Impairment testing	2.2	IAS 36
Property, plant and equipment	2.3	IAS 16, IAS 23
Inventories	2.6	IAS 2, IAS 18
Provisions	2.9	IAS 37
Financial assets and liabilities	3.1	IAS 32, IAS 39, IFRS 7, IFRS 13
Financial income and expenses	3.3	IAS 32, IAS 39, IFRS 7

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 assets and liabilities and the recognition of income and expenses in profit or loss. 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 assumptions and which may include uncertainty, are impairment testing of goodwill, deferred tax assets of unused tax losses and net realisable value of inventories. Detailed descriptions of management's judgement based decisions and use of estimates are presented later at each item of the financial statements.

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

Basis of consolidation

The consolidated financial statements include the parent company and all of its subsidiaries. At the closing date 31 December 2013 Group comprised 32 companies, the parent company included. The Group had no holdings in any associates or joint ventures in the reporting period or in the comparison period.

All intra-group transactions, receivables and liabilities, intra-group margins and dividends have been eliminated in the consolidated financial statements.

Subsidiaries

Subsidiaries are companies in which the parent company has control. A company is controlled by the parent company if the parent company holds over 50% of voting rights directly or through subsidiaries of the company or it has control otherwise. Control is held if company has the power to govern the financial and operating policies of the company so as to obtain benefit from its operations.

Subsidiaries acquired or established during the period are included in the consolidated financial statements since the Group has obtained the control or until control ceases. Acquisitions of subsidiaries have been accounted for in the consolidated financial statements by using the acquisition method. Accordingly, the identifiable assets and liabilities of the company acquired are measured at fair value at the date of acquisition.

Translation differences of non-euro subsidiaries arising from acquisition cost eliminations and post-acquisition accumulated equity items are recognised in other comprehensive income and presented in equity (item Translation difference). In disposal of a foreign entity the accumulated translation differences are disclosed in profit or loss as part of the gain or loss on disposal

▶ The list of PKC Group's subsidiaries at 31 December 2013 is presented in note 4.1 Related Party Disclosures.

The consideration transferred includes the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer, measured at their fair values. All acquisition-related costs, with the exception of costs to issue debt or equity securities, are expensed in the periods in which the costs are incurred and the services rendered.

Any contingent consideration is classified as either liability or equity. A 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. A contingent consideration classified as equity is not remeasured subsequently. 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.

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

Foreign currency transactions

Subsidiaries included in the Group report in their financial statements their transactions using the currency of the economic operating environment in which the entity primarily operates (functional currency). During the comparison period (2012) the subsidiaries operating in China and Russia had euro as functional currency.

The Group companies translate in their accounting foreign currency transactions into their functional currency using the exchange rate of the transaction date. Foreign currency receivables and liabilities are translated into functional currency using the exchange rate of the closing date.

Foreign exchange gains and losses arising from foreign currency transactions and translation of monetary items are recognised in financial items of the comprehensive statement of income.

Translation of financial statements of foreign subsidiaries

In the consolidated financial statements the income and expenses of the statements of comprehensive income of foreign subsidiaries are translated into euros at the average exchange rates of the reporting period. Items of the statement of the financial position, excluding the profit of the financial year, are translated to euros at the closing rate of the reporting period. Translation of the profit for the financial year and other comprehensive income using average exchange rates of the reporting period and translation of the items of the statement of the financial position using the closing rate of the reporting period causes translation differences, which are recognised in other comprehensive income and cumulative translation differences are presented as a separate item in equity.

In the consolidated financial statements following exchange rates have been applied:

		Average rate		Closing rate	
Country	**Currency**	**2013**	**2012**	**2013**	**2012**
Brazil	BRL	2.8668	2.5084	3.2576	2.7036
Canada	CAD	1.3685	1.2842	1.4671	1.3137
China	CNY	8.1655	8.1052	8.3491	8.2207
China, HongKong	HKD	10.3018	-	10.6933	-
Mexico	MXN	16.9644	16.9029	18.0731	17.1850
Poland	PLN	4.1971	4.1847	4.1543	4.0740
Serbia	RSD	114.3674	-	114.5894	-
Ukraine	UAH	10.8247	10.5991	11.3500	10.4572
Russia	RUR	42.3248	39.9262	45.3246	40.2950
USA	USD	1.3281	1.2848	1.3791	1.3194

New and amended standards applied in the financial year ended

The Group has applied since 1 January 2013 the following new standards or their amendments issued by IASB.

The Group has adopted each standard and interpretation as of its effective date or, if the effective date is other than the first day of the financial period, as of the beginning of the financial period following the effective date.

IAS 1 Presentation of financial statements

The standard has changed the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future date would be presented separately from items that will never be reclassified. The amendment has only had an impact on the presentation of items in other comprehensive income.

IAS 19 Employee benefits

The key changes of the amendment are the following; remeasurements related to the redefining of defined benefit post-employment arrangements and past service costs are recognised immediately. Because there are no material defined benefit post-employment arrangements in Group companies, the amendment has not had any effect on the consolidated financial statements.

IFRS 13 Fair value measurement

The standard establishes a single source of guidance under IFRS for all fair value measurements. The standard did not change regarding when an entity is required to use fair value. IFRS 13 has expanded the notes presented of the items measured at fair value.

IFRS 7 Financial instruments: disclosures

The standard clarifies the information given on the financial statements, how the netting of receivables and liabilities has affected entity's statement of financial position. The amendment has had effect only on the notes to the consolidated financial statements.

Adoptions of other amended standards had no effect on the consolidated financial statements.

New IFRS standards, IFRIC interpretations and amendments to existing standards and interpretations

The following published new and amended standards and interpretations are not yet effective as at 31 December 2013 and PKC has not applied them in preparation of these consolidated financial statements. The Group will adopt them as of the effective date of each of the standards, or if the effective date is not the first day of the financial year, as of the beginning of the next financial year following the effective date.

IFRS 10 Consolidated financial statements

Effective in the EU on financial years beginning on or after 1 January 2014.

The standard changes and expands the concept of control which determines should an entity be consolidated. In addition the standard provides further guidance on definition of control in some specific situations.

IFRS 11 Joint arrangements

Effective in the EU on financial years beginning on or after 1 January 2014.

The standard includes guidance on how to account for joint arrangements. The standard focuses on the rights and obligations of the arrangement rather than its legal form.

IFRS 12 Disclosures of interests in other entities

Effective in the EU on financial years beginning on or after 1 January 2014.

The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles. Amendment will have an effect on the notes to the consolidated financial statements of PKC Group.

IAS 27 Separate financial statements

Effective in the EU on financial years beginning on or after 1 January 2014.

The revised standard includes the provisions on separate financial statements that are left after the control provisions have been included in the new IFRS 10. The amendment will have no effect on the consolidated financial statements of PKC Group.

IAS 28 Investments in associates and joint ventures
Effective in the EU on financial years beginning on or after 1 January 2014.

The revised standard includes requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. PKC Group has no associates or joint ventures and the amendment has no effect on the consolidated financial statements.

IAS 32 Financial instruments: presentation
Effective in the EU on financial years beginning on or after 1 January 2014.

The amended standard clarifies when an entity has a legally enforceable right to set-off posted amounts and when setting off happens simultaneously enough so that an asset and a liability can be netted.

1. Items Related to the Profit for the Period

1.1 Operating Segments

PKC Group has two business areas: Wiring Systems and Electronics.

Wiring Systems

The Wiring Systems business designs, manufactures and integrates tailored electrical distribution systems and related architecture components, vehicle electronics, wires and cables especially for trucks and buses, light and recreational vehicles, construction equipment and agricultural and forestry equipment. Group's strengths, mass customisation and the excellent skill to integrate into the customer's operating environment, provide a unique competitive advantage in the market. Product design and effective supply chain management are carried out in close cooperation with customers and in accordance with their requirements. The units of Wiring Systems business are located in Finland, Russia, Estonia, Poland, Germany, China, Serbia, USA, Mexico and Brazil.

Electronics

The Electronics business offers, in particular, product design, development and manufacture services of testing solutions and power supply systems for the electronics, telecommunications and energy industry. Products designed and manufactured by the Group are used in e.g. power control for machines, the testing of electronic products and energy-saving equipment. The service concept covers the entire product life-cycle. The factories of Electronics business are located in Finland and China.

✪ Accounting policy of segment information

PKC Group's segment information is consistent with Group's internal reporting and IFRS standards. The Group's reportable segments are consistent with the operating segments. Transfer prices between operating segments are based on market prices. Segment assets and liabilities include only those assets and liabilities that can be directly allocated to the respective segments.

Group's unallocated expenses and income, and eliminations between segments are included in unallocated items of comprehensive income. Unallocated assets include mainly items related to Group management and also taxes and loan receivables. Unallocated liabilities include current and non-current loans and tax liabilities.

Information about geographical areas

Revenue by market areas are based on customers' geographical locations. PKC Group is active in the following geographical areas: Europe, North America, South America and APAC (Asia and Pacific).

The assets and capital expenditure of geographical areas are based on the locations of the assets, i.e., Europe, North America, South America and APAC (Asia and Pacific).

✪ Revenue recognition policies

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 revenue is 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 are probable. The share of revenue from services of PKC Group's revenue is not essential. PKC Group has no long-term projects, which are accounted for using the percentage-of-completion method.

Revenue includes the income of the actual operations measured at fair value and adjusted for discounts given.

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. According to the definition used by PKC 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, amortisation and impairment losses, and other operating expenses. Any other items in profit or loss are shown under operating profit.

Non-recurring items

Non-recurring items are presented separately in PKC Groups' statement of comprehensive income. The specification of non-recurring items improves the comparability of comprehensive statement of income between different financial periods.

Non-recurring items are exceptional items which are not related to normal business operations. Typically, the non-recurring items include substantial capital gains and losses, impairment losses, or reversals of such impairment, expenses related to restructuring of business operations and strategic reorganisation, and penalties.

Operating segments 2013

EUR 1,000	Wiring Systems	Electronics	Total reportable segments	Unallocated amounts and eliminations	Total Group
Segment revenue	820,768	64,950	885,718	425	886,143
of which inter-segment revenue	436	1,295	1,732	425	2,157
External revenue	**820,332**	**63,654**	**883,986**	**0**	**883,986**
Operating profit	**34,529**	**4,128**	**38,657**	**–8,193**	**30,463**
Non-recurring employee benefit expenses	–4,459	–853	–5,312	0	–5,312
Impairment of intangible assets and property, plant and equipment	–3,391	0	–3,391	0	–3,391
Other non-recurring expenses and income	–507	700	194	–1,900	–1,707
Total non-recurring items	**–8,356**	**–153**	**–8,509**	**–1,900**	**–10,409**
Comparable operating profit	**42,885**	**4,281**	**47,166**	**–6,293**	**40,873**
Financial income and expenses	0	0	0	–8,902	–8,902
Profit before taxes	**34,529**	**4,128**	**38,657**	**–17,095**	**21,562**
Income taxes	0	0	0	–7,615	–7,615
Profit for the financial year	**34,529**	**4,128**	**38,657**	**–24,710**	**13,947**
Goodwill	28,277	1,209	29,486	0	29,486
Other segment assets	402,246	38,215	440,461	–14,314	426,147
Total assets	**430,524**	**39,424**	**469,948**	**–14,314**	**455,634**
Segment liabilities	330,308	28,297	358,606	–97,397	261,208
Total liabilities	**330,308**	**28,297**	**358,606**	**–97,397**	**261,208**
Capital expenditure	13,419	1,090	14,509	111	14,620

Operating segments 2012

EUR 1,000	Wiring Systems	Electronics	Total reportable segments	Unallocated amounts and eliminations	Total Group
Segment revenue	859,294	69,602	928,896	1,241	930,137
of which inter-segment sales	516	203	718	1,241	1,959
External revenue	**858,778**	**69,400**	**928,178**	**0**	**928,178**
Operating profit	**47,058**	**778**	**47,836**	**–4,386**	**43,451**
Non-recurring employee benefit expenses	–5,329	–331	–5,660	–231	–5,890
Impairment of intangible assets and property, plant and equipment	–1,109	0	–1,109	0	–1,109
Other non-recurring expenses and income	0	–1,027	–1,027	0	–1,027
Total non-recurring items	**–6,438**	**–1,359**	**–7,796**	**–231**	**–8,027**
Comparable operating profit	**53,496**	**2,137**	**55,632**	**–4,155**	**51,477**
Financial income and expenses	0	0	0	–8,505	–8,505
Profit before taxes	**47,058**	**778**	**47,836**	**–12,891**	**34,946**
Income taxes	0	0	0	–10,947	–10,947
Profit for the financial year	**47,058**	**778**	**47,836**	**–23,838**	**23,999**
Goodwill	29,418	1,209	30,627	0	30,627
Other segment assets	426,685	41,181	467,866	–13,434	454,432
Total assets	**456,103**	**42,390**	**498,493**	**–13,434**	**485,059**
Segment liabilities	338,312	32,988	371,300	–50,771	320,529
Total liabilities	**338,312**	**32,988**	**371,300**	**–50,771**	**320,529**
Capital expenditure	14,307	771	15,078	945	16,023

Geographical information

EUR 1,000	Revenue by geographical location of customer 2013	2012	Non-current assets by location of assets 2013	2012	Capital expenditure 2013	2012
Europe	282,885	278,759	35,759	45,212	4,065	2,773
of which Finland	57,184	60,401	5,129	5,261	1,336	1,755
South America	87,461	76,105	11,520	14,582	3,312	3,719
North America	491,704	551,957	88,315	103,920	6,480	9,060
APAC	21,936	21,356	4,612	4,454	763	472
Total	**883,986**	**928,178**	**140,207**	**168,168**	**14,620**	**16,023**

Non-current assets consist of goodwill, intangible assets and property, plant and equipment.

Major customers

EUR 1,000	2013	% of revenue	2012	% of revenue
Customer 1	159,260	18.0	169,621	18.3
Customer 2	108,659	12.3	107,665	11.6
Total	**267,919**	**30.3**	**277,286**	**29.9**
Group revenue	**883,986**		**928,178**	

In the table above, the customers specified are not necessarily the same during the reporting period and the comparison period.

1.2 Other Operating Income

Accounting policy

Income related to other than normal business is recognised as other operating income. Such items are, for example, proceeds from sales of items of property, plant and equipment and intangible assets and compensations from insurance companies.

Government grants, which have been received to compensate realised costs, are recognised as other operating income through profit or loss over the period to match them with the costs that they are compensating

EUR 1,000	2013	2012
Proceeds from sales of intangible assets and property, plant and equipment	169	353
Government grants	275	99
Compensations from insurance companies	69	200
Other income	1,470	1,541
Total	**1,982**	**2,193**

1.3 Materials and Services

EUR 1,000	2013	2012
Purchases during the financial period	513,353	523,078
Change in inventories, increase (+) or decrease (–)	–932	20,213
Raw materials and consumables	512,422	543,291
Outsourced services	20,583	21,192
Total	**533,004**	**564,482**

1.4 Employee Benefit Expenses

Accounting policy

Employee benefits include short-term employee benefits, termination benefits , post-employment benefit, other long-term employee benefits and share-based payments.

Short-term employee benefits

Short-term employee benefits are wages and salaries, fringe benefits, annual leaves and bonuses.

Termination benefits

Termination benefits are benefits are based on the termination of employment rather than employee service. These comprise severances.

Post-employment benefits

Post-employment benefits will be payable after the completion of employment. They comprise pensions or other post-employment benefits, for example life insurance or health care benefits.

Post-employment benefit arrangements are classified either as defined benefit arrangements or defined contribution arrangements. There are no material defined benefit post-employment arrangements in the Group companies. For defined contribution arrangements, the Group pays fixed contributions to a separate external unit and the Group has no obligation to pay supplementary contributions if the recipient of the contributions is unable to meet the payment of the benefits. Payments to defined contribution arrangements are recognised through profit or loss as incurred.

Other long-term employee benefits

PKC Group's other long-term employee benefits include among other things service year awards and leave benefits based on long-term employment.

Employee benefit expenses

EUR 1,000	2013	2012
Wages and salaries	160,884	161,408
Defined contribution pension plans	6,250	7,325
Other personnel expenses	33,154	33,853
Share-based payments	882	635
Total	**201,170**	**203,221**

- In 2013 employee benefit expenses include EUR 5.3 million (EUR 5.9 million in 2012) non-recurring expenses arising from lay-offs.

▶ Information concerning remuneration of management is presented in note 4.1 Related Party Disclosures.

Number of personnel

	At the end of the year		Average	
	2013	**2012**	**2013**	**2012**
Wiring Systems	18,020	18,505	18,530	19,787
Electronics	603	778	655	782
Unallocated	21	22	20	21
Total	**18,644**	**19,305**	**19,205**	**20,590**

	At the end of the year		Average	
	2013	**2012**	**2013**	**2012**
Europe,	4,454	4,501	4,431	4,844
of which Finland	306	343	313	351
South America	2,859	2,435	2,882	2,458
North America	10,902	12,019	11,481	12,942
APAC	429	350	411	346
Total	**18,644**	**19,305**	**19,205**	**20,590**

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, 27 March 2009 and 4 April 2012. Options are measured at fair value at the time they are granted and expensed on a straight-line basis 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 estimates concerning the final amount of the 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, invested non-restricted equity fund.

Share-based payments included in employee benefit expenses totalled EUR 0.9 million in year 2013 (EUR 0.6 million in year 2012).

Valid option schemes 31.12.2013

Scheme	Granted 1,000 pcs.	Exercisable 1,000 pcs.	Exercise price, EUR	Share subscription period	Vesting period ends
2012B(i)	165.0	165.0	16.65	1.4.2016–30.4.2018	01.04.2016
2012B(ii)	165.0	165.0	16.65	1.4.2016–30.4.2018	01.04.2016
2012A(i)	170.0	170.0	15.31	1.4.2015–30.4.2017	01.04.2015
2012A(ii)	170.0	170.0	15.31	1.4.2015–30.4.2017	01.04.2015
2009 C	167.5	167.5	17.28	1.4.2014–30.4.2016	01.04.2014
2009 B	180.5	69.1	11.41	1.4.2013–30.4.2015	ended
2009 A	195.5	36.2	1.60	1.4.2012–30.4.2014	ended
Total	**1,213.5**	**942.8**			

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 Group of company before the end of the vesting period. The Parent Company's President and CEO must hold his shares for as long as he remains in the Group's service. 2012A(ii) and 2012B(ii) options have been initially allocated to key personnel. The share subscription period for (ii) option schemes, shall, however, not commence, unless certain operational or financial targets of the Group established for the exercise of stock options and determined by the Board of Directors have been attained. The Board of Directors shall annually decide on targets separately for each stock option class in connection with the distribution of stock options. Those stock options, for which the targets determined by the Board of Directors have not been attained, shall expire in the manner decided by the Board of Directors. The following table does not include 2012A(ii) and 2012B(ii) options allocated initially.

	2013 Weighted average exercise price per share, EUR	2013 Number of options, 1,000 pcs.	2012 Weighted average exercise price per share, EUR	2012 Number of options, 1,000 pcs.
Outstanding at 1 January	12.90	723.3	10.20	864.8
Granted during the year	16.65	165.0	15.66	252.5
Forfeited during the year	15.32	–39.5	14.46	–25.0
Exercised during the year	8.58	–240.9	7.28	–369.1
Expired during the year	0.00	0.0	0.00	0.0
Outstanding at 31 December	14.96	607.8	12.90	723.3
Exercisable at 31 December	14.96	607.8	12.90	723.3

In the following table are presented the range of exercise prices and the weighted average remaining contractual life of the options outstanding at 31 December 2013.

	Exercise price, EUR	Contractual life, years	Number of options, 1,000 pcs.
Exercisable options at 31 December 2013	1.60–17.28	2.92	607.8

The weighted average share price of PKC Group Plc at the date of exercise for the share options exercised in 2013 was EUR 20.29 (EUR 16.94 in 2012).

Stock option plans

Stock options granted to the key personnel of the Group

	2009B	2009C	2009B
Grant date	8.3.2012	8.3.2012	2.8.2012
Number of instruments granted, 1,000 pcs.	10.0	60.0	12.5
Exercise price at the grant date, EUR	12.71	18.58	12.11
Exercise price, EUR	12.11	17.98	12.11
Share price at the grant date, EUR	16.60	16.60	12.11
Remaining vesting period, years	3.1	4.1	2.7
Expected volatility, %	44	44	45
Risk-free interest rate, %	0.71	0.91	0.03
Fair value of the instrument (at grant date), EUR	6.77	5.34	3.51

	2012A(i and ii)	2012B(i and ii)
Grant date	20.6.2012	23.4.2013
Number of instruments granted, 1,000 pcs.	170.0	165.0
Exercise price at the grant date, EUR	15.31	16.65
Exercise price, EUR	15.31	16.65
Share price at the grant date, EUR	11.20	18.06
Remaining vesting period, years	4.9	5.0
Expected volatility, %	44	45
Risk-free interest rate, %	0.92	0.43
Expected dividend yield, %	4.72	4.48
Fair value of the instrument (at grant date), EUR	2.06	4.97

The fair values of the options have been calculated using the Black-Scholes share pricing model. The expected volatility has been estimated based 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 all incentives: expected dividend yield 0% (excluding stock options 2012) and expected forfeited options 0%.

▶ More information on the options is presented in the Report by the Board of Directors, section Shares and shareholders.

1.5 Other Operating Expenses

Accounting policy

Indirect expenses of operations excluding employee benefit expenses are recognised as other operating expenses.

EUR 1,000	2013	2012
Production maintenance expenses	18,314	20,863
Other maintenance expenses	8,035	6,647
Transportation and freight expenses	9,114	8,181
Other employee expenses	10,581	10,526
Administrative expenses	8,488	7,292
Outsourced services	11,239	11,039
Rents and leasing expenses	10,408	10,942
Losses from sales of intangible assets and property, plant and equipment	83	549
Other items	8,514	9,261
Auditors´ fees	775	700
Total	**85,551**	**86,000**

Auditors´ fees, KPMG	2013	2012
Audit fees	481	496
Certificates and statements	1	1
Tax services	67	77
Other services	226	126
Total	**775**	**700**

1.6 Income Taxes, incl. Deferred Tax Assets and Liabilities

Accounting policy

Group's income taxes include taxes of Group companies calculated based on the taxable profit for the period and adjustments for previous periods as well as the change in deferred income taxes. The income taxes are recognised in profit or loss except for the items recognised directly in equity or other comprehensive income, the income tax effect is similarly recognised.

The Group's current income tax includes taxes of Group companies calculated based on the taxable profit for the period. Taxable profit differs from profit as reported in profit or loss due to the accrual differences and items that are never taxable or tax-deductible. The current tax is measured using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are provided using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is not accounted for. Deferred tax is determined to reflect the expected manner of recovery or settlement and using the tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

Use of estimates

Management judgment is required in determining the provision for income taxes and the deferred tax assets. Deferred tax assets are provided on tax losses as well as on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognized to the extent that it is probable based on the management judgment that future taxable profit will be available against which the deferred tax asset can be utilized. Amendments in the regulations and practice related to taxation may also have an effect on the management judgment.

PKC Group Plc has been subject to a tax audit in 2011 related to the year 2009 reorganisation of Wiring Systems business. PKC Group has given its final response during the second quarter of 2013 and the tax reassessment decision from Finnish tax administration is pending. Based on the tax audit report regarding the same, there is interpretation difference between PKC Group and the tax authorities, which can result in tax reassessment decision and obligation to pay additional taxes and related payments. In the opinion of the management of PKC Group the taxes have been reported and levied properly. Due to the interpretation difference and uncertainty, the Group has not recognised a provision related to the tax audit.

EUR 1,000	2013	2012
Income taxes for the financial year	–17,675	–19,618
Adjustments for prior years	–495	–7
Changes in deferred taxes	10,555	8,678
Total	**–7,615**	**–10,947**

Income tax rate

Income taxes from Group´s profit before taxes deviates from Finnish nominal tax rate as follows:

EUR 1,000	2013	2012
Profit before taxes	21,562	34,946
Income tax calculated at Finnish tax rate	–5,283	–8,561
Tax rate changes	179	–3,228
Effects of different tax rates in foreign subsidiaries	–1,372	1,012
Income not subject to tax	11	224
Expenses not deductible for tax purposes	–1,092	–268
Share of profit of subsidiaries	2,895	–7
Tax losses for which no deferred tax was recognised	–2,609	0
Income taxes from previous years	–495	0
Other items	152	–118
Tax charge in the statement of comprehensive income	**–7,615**	**–10,947**
Effective tax rate %	35.3	31.3

- Deferred taxes derived from Finland are measured by applying 20% tax rate in the financial statements for 2013. The measurement of deferred taxes at the new rate has minor effect on the effective tax rate for the year ended 31 December 2013.
- The effective tax rate according to the statement of comprehensive income was 35.3%. The effective tax rate used in the statement of comprehensive income is always impacted by the balance of income in different countries taxed at different rates and local terms. The weighted average applicable tax rate was 27% (27% in 2012). The weighted average tax rate is higher than the Finnish tax rate applied as the nominal tax rate because of the profits generated e.g. in Mexico and Northern America, where the tax rate is higher than the Finnish tax rate. A significant portion of the Group's turnover and profits are generated and consequently, are subject to tax outside Finland at the tax rate different to the Finnish corporate income tax rate. Thus, a comparison between the effective tax rate and the weighted average tax rate better reflects the tax burden of PKC Group than a comparison between the effective tax rate and the Finnish tax rate. The amount of profits generated in different countries and the corporate income tax rate applicable in these countries together determine the weighted average tax rate.

Deferred tax assets 2013

EUR 1,000	1.1.2013	Recognised through profit or loss	Exchange rate differences, reclassifications and other changes	31.12.2013
Property, plant and equipment	75	12	5	91
Leased assets	159	–108	–10	42
Goodwill	0	25	0	25
Financial instruments	258	–17	–238	4
Inventories	81	39	2	121
Employee benefits	1,437	497	–107	1,828
Provisions and other accruals	1,094	951	–30	2,015
Tax losses	7,657	4,746	–1,633	10,770
Other temporary differences	511	1,592	–650	1,453
Total deferred tax assets	**11,272**	**7,737**	**–2,660**	**16,349**

Deferred tax liabilities 2013

EUR 1,000	1.1.2013	Recognised through profit or loss	Exchange rate differences, reclassifications and other changes	31.12.2013
Property, plant and equipment	8,944	3,181	253	5,510
Intangible assets	14,786	1,768	480	12,538
Goodwill	996	599	68	330
Inventories	–2,246	–836	–176	–1,234
Employee benefits	–331	84	35	–449
Provisions and other accruals	–1,890	–716	78	–1,251
Undistributed earnings	3,998	–1,421	0	5,419
Other temporary differences	3,359	–163	454	3,068
Total deferred tax liabilities	**27,617**	**2,496**	**1,192**	**23,929**

Deferred tax assets 2012

EUR 1,000	1.1.2012	Recognised through profit or loss	31.12.2012
Property, plant and equipment	897	–179	718
Provisions and other accruals	150	0	150
Tax losses	664	6,249	6,913
Other temporary differences	5,985	–2,732	3,491
Total deferred tax assets	**7,696**	**3,338**	**11,272**

Deferred tax liabilities 2012

EUR 1,000	1.1.2012	Recognised through profit or loss	31.12.2012
Property, plant and equipment	4,952	0	4,952
Undistributed earnings	1,745	2,253	3,998
Other temporary differences	26,261	–7,594	18,667
Total deferred tax liabilities	**32,958**	**–5,341**	**27,617**

Tax losses at the end of financial year

	Tax losses		Deferred tax asset recognised on the statement of financial position		Deferred tax asset not recognised on the statement of financial position[1)]	
EUR million	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Losses without expiration date	15.0	2.2	9.6	0.6	2.3	0.0
Losses with expiration date	59.1	45.7	0.5	6.3	9.6	3.3
Total	**74.1**	**47.9**	**10.1**	**6.9**	**11.9**	**3.3**

[1)] The deferred tax asset not recognized on the statement of financial position relates to tax loss carry-forwards whose future utilisation is uncertain.

1.7 Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing profit for the financial year attributable to the equity holders of the parent company by the average share-issue adjusted number of shares.

Diluted earnings per share

Diluted earnings per share is calculated like basic earnings per share, but when calculating diluted earnings per share the number of potentially diluting shares are added to the average share-issued adjusted number of shares. Potentially diluting shares are options arising from stock option schemes of Group's key personnel.

Stock option schemes

The diluting effect of stock option schemes existing in the Group on 31 December 2013 is minor.

Directed share issue 2013

A total of 2,140,000 new shares were subscribed in the directed share issue. The new shares corresponding to the subscriptions were entered to the Trade Register on 12 September 2013.

	2013	2012
Profit for the financial year, EUR 1,000	13,947	23,999
Weighted average number of shares outstanding during the financial year, 1,000 pcs.	22,280	21,296
Basic earnings per share (EPS), EUR	**0.63**	**1.13**
Weighted average number of shares outstanding during the financial year, 1,000 pcs.	22,280	21,296
Diluting effect of options, 1,000 pcs.	174	166
Diluted weighted average number of shares outstanding during finacial year, 1,000 Pcs.	22,454	21,462
Diluted earnings per share (EPS), EUR	**0.62**	**1.12**

2. Operating Assets and Liabilities

2.1 Intangible Assets

Accounting policy

Goodwill

Goodwill arising on a business combination is recognised as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and any previously held equity interests in the acquiree, over the Group's share of the fair value of the identifiable net assets acquired. Goodwill is not amortised but is tested annually for the impairment. Possible impairment losses are recognised in profit or loss immediately as incurred. For the purposes of impairment testing goodwill is allocated to cash-generating units.

Customer relationships

Existing customer relationships which are recognised at fair value at the date of acquisition are presented as customer relationships.

Other intangible assets

Intangible assets are initially recognised in the statement of financial position 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 an intangible asset 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 include patents, software licenses and customer relationships among others.

Intangible assets that have limited useful lives are amortised on a straight-line basis in the statement of income during their known or estimated useful lives. Amortisation is commenced when asset is available for use. An asset which is not yet available for use is tested annually for impairment.

Acquisitions in progress

Software projects under preparation and implementation are presented under acquisitions in progress.

Amortisation periods for intangible assets are:

Other intangible assets	3–5 years
Customer relationships	5–10 years

Amortisation ceases when an intangible asset is classified as held for sale.

Research and development costs

Research costs are recognised in profit or loss.

If development costs meet certain capitalisation criteria, they are presented in the statement of financial position under Other intangible assets and are amortised over their useful lives. All the Group's development costs are expensed as there is insufficient indication of future economic benefits in the development phase of projects.

Intangible assets 2013

EUR 1,000	Goodwill	Customer relationships	Other intangible assets	Acquisitions in progress	Total
Acquisition cost 1.1.2013	35,031	62,743	10,031	501	**108,306**
+/– Currency translation differences	–1,141	–1,960	–87	0	**–3,188**
+/– Reclassifications	0	0	877	–882	**–5**
+ Additions	0	432	268	734	**1,434**
– Disposals	0	0	–39	0	**–39**
Acquisition cost 31.12.2013	**33,890**	**61,215**	**11,050**	**353**	**106,508**
Accumulated amortisation and impairments 1.1.2013	4,404	21,924	8,117	0	**34,445**
+/– Currency translation differences	0	–396	–70	0	**–466**
+ Accumulated amortisation on disposals and reclassifications	0	0	0	0	**0**
+ Amortisation	0	7,452	897	0	**8,350**
Accumulated amortisation and impairments 31.12.2013	**4,404**	**28,980**	**8,944**	**0**	**42,328**
Carrying amount 31.12.2013	**29,486**	**32,235**	**2,106**	**353**	**64,180**

Intangible assets 2012

EUR 1,000	Goodwill	Customer relationships	Other intangible assets	Acquisitions in progress	Total
Acquisition cost 1.1.2012	34,217	62,560	8,510	105	**105,392**
+/- Currency translation differences	814	0	–16	–4	**794**
+ /- Reclassifications	0	0	261	–261	**0**
+ Additions	0	183	1,297	661	**2,141**
- Disposals	0	0	–21	0	**–21**
Acquisition cost 31.12.2012	**35,031**	**62,743**	**10,031**	**501**	**108,306**
Accumulated amortisation and impairments 1.1.2013	4,404	14,595	6,479	0	**25,478**
+/- Currency translation differences	0	–341	–18	0	**–359**
+ Accumulated amortisation on disposals and reclassifications	0	0	–20	0	**–20**
+ Amortisation	0	7,669	1,676	0	**9,345**
Accumulated amortisation and impairments 31.12.2012	**4,404**	**21,923**	**8,117**	**0**	**34,444**
Carrying amount 31.12.2012	**30,627**	**40,820**	**1,913**	**501**	**73,862**

2.2 Impairment Testing

✪ Accounting policy

The principles of impairments of intangible 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.

An impairment loss is immediately 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 amortised is reassessed at the recognition of the impairment loss. Recognition of an impairment loss reduces Group's profit and thus equity, but it has no effect on the consolidated statement of cash flows.

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.

Use of estimates

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

Allocation of goodwill

For impairment testing purposes the Group has allocated goodwill to the cash-generating units.

The table below presents the allocation of goodwill between the Wiring Systems and Electronics business segments, which may contain one or several cash-generating units.

Goodwill, EUR million	2013	2012
Wiring Systems	28.3	29.4
Electronics	1.2	1.2
Total	**29.5**	**30.6**

Determination of cash flows

The Group performs the annual impairment testing of goodwill during the last quarter of each financial year. An impairment test of a cash-generating unit is performed by comparing its recoverable amount to its carrying amount. The recoverable amount is the cash generating unit's fair value less costs of disposal or its value in use, whichever is higher. For goodwill testing purposes the recoverable amount is based on value in use which is determined by discounted future net cash flows.

The expected future net cash flows consist of two components: 4-year financial forecasts made by the business management and extrapolated cash flows after the forecast period (so called terminal value). 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 normalised, sustainable level of profitability. Terminal value growth rate, 2.0%, used in the calculations reflects both expected growth and inflation of each cash-generating unit's area in the long term, and is not expected to exceed the forecast long-term growth of the industry.

The discount rate used to determine the recoverable amount is the (pre-tax) weighted average cost of capital (WACC). Discount rates are determined separately for each cash-generating unit, reflecting the impact 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 debt to equity ratio and the effect of indebtedness to the cost of equity have been taken into account.

The key assumptions

Key assumptions used in calculating value in use are determined by Group management. Group's executive board and the Board of Directors have approved these assumptions. The most significant assumptions were:

– average operating profit level (EBIT); and
– discount rate

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

Assumptions used in the cash flow analysis,%	2013
Revenue growth 2013-2017	–1.5–9.8
Terminal value growth 2018-	2.0
Average EBIT	1.7–9.0
Post-Tax WACC	8.7–12.1
Pre-Tax WACC	10.8–15.0

Assumptions used in the cash flow analysis,%	2012
Revenue growth 2012-2016	–5.0–5.5
Terminal value growth 2017-	2.0
Average EBIT	3.5–12.7
Post-Tax WACC	7.1–10.2
Pre-Tax WACC	9.0–12.6

The impairment test performed indicates that the recoverable amounts of Group's cash-generating units exceed the respective carrying amounts including goodwill and there is no need for goodwill impairment.

The Group has prepared sensitivity analysis assuming that the average operating profit (EBIT) level would decrease, as well as during the forecast period and thereafter, or that the discount rate would increase. The table below shows the change in a key assumption that (other assumptions being equal) would mean that the recoverable amount would then be equal to the carrying amount. The recoverable amount is most sensitive to the key assumptions in regard to change in profitability (EBIT) level.

	2013		2012	
Sensitivity analysis	**Value used, %**	**Change, %-point**	**Value used, %**	**Change, %-point**
Discount rate (Post-Tax)	8.7 – 12.1	+5.3 – +49.9	7.1 – 10.2	+11.0 – +40.5
Average EBIT	1.7 – 9.0	–2.2 – –6.8	3.5 – 12.7	–3.9 – –9.1

The consequential effects of the change in the previously mentioned key assumption on the other variables used to measure recoverable amounts have not been incorporated in the sensitivity analysis.

The recoverable amounts of all cash-generating units exceeded their carrying values by more than 101%.

2.3 Property, Plant and Equipment

Accounting policy

Property, plant and equipment are measured at original acquisition cost less accumulated depreciation and impairment losses. The original purchase price of the acquisition is composed of direct expenditure incurred.

Borrowing costs are activated into acquisition cost of asset, if the asset meets the conditions set under IAS 23 standard. During the reporting and comparison period the Group did not have such assets.

Subsequent costs are added to the carrying amount of the asset 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 years

The estimated useful lives and residual values of assets are reviewed at the end of each financial year, and if they differ significantly from previous estimates, depreciation periods are adjusted accordingly.

Depreciation of property, plant and equipment ceases when an asset is classified as held for sale.

Gains and losses from sale

Gains from sales of items of property, plant and equipment are included in other operating income and losses from sales in other operating expenses.

Leases

Finance lease

Leases of property, plant and equipment that substantially transfer all the risks and rewards incidental to the ownership to PKC Group are classified as finance leases. Assets leased under finance leases are recognised according to the nature of the item in the statement of financial position at the lower of the fair value or the present value of the minimum lease payments at the inception date, and depreciated over the useful life or the lease term, whichever is shorter. The lease payment liabilities, net of finance charge, are recognised as interest-bearing liabilities.

Operating leases

▶ Additional information about leases is presented in note 4.2 Operating leases.

Impairments of property, plant and equipment

The Group assesses at least annually whether there is any indication that an item of property, plant and equipment may be impaired. The review is in practise carried out based on pool of assets. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the asset's fair value less costs of disposal or its value in use, whichever is higher. The recoverable amount is based on the discounted estimated future net cash flows at the time of review. An impairment loss is recognised when an asset's carrying amount exceeds its recoverable amount. An impairment loss is recognised immediately in profit or loss and it is included the item Depreciation, amortisation and impairment in comprehensive income. The useful life of the asset to be depreciated is reassessed at the recognition of the impairment loss.

An impairment loss is 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.

Property, plant and equipment 2013

EUR 1,000	Land areas	Buildings and constructions	Machinery and equip-ment	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquistion cost 1.1.2013	3,113	28,892	104,495	8,907	4,805	**150,212**
+/– Currency translation differences	–366	–3,837	–6,933	–475	–256	**–11,867**
+ Additions	4	150	5,952	813	6,267	**13,186**
– Disposals	0	–400	–1,139	–88	–88	**–1,715**
+ /– Reclassifications	0	800	1,901	811	–4,652	**–1,139**
+/– Other changes	–53	–2,450	447	61	–4	**–1,998**
Acquisition cost 31.12.2013	**2,698**	**23,156**	**104,723**	**10,029**	**6,072**	**146,679**
Accumulated depreciation and impairments 1.1.2013	361	8,111	43,392	4,042	0	**55,906**
+/– Currency translation differences	–30	–1,375	–4,106	–157	0	**–5,668**
+ Accumulated depreciation on disposals and reclassifications	0	1,061	–1,857	–15	0	**–811**
+/– Other changes	276	212	1,595	–99	0	**1,985**
– Impairments	0	0	2,791	0	0	**2,791**
+ Depreciation	0	1,762	13,090	1,597	0	**16,449**
Accumulated depreciation and impairments 31.12.2013	**607**	**9,771**	**54,906**	**5,368**	**0**	**70,652**
Carrying amount 31.12.2013	**2,091**	**13,385**	**49,818**	**4,661**	**6,072**	**76,026**

Property, plant and equipment 2012

EUR 1,000	Land areas	Buildings and constructions	Machinery and equip-ment	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquistion cost 1.1.2012	4,189	30,286	97,934	8,488	3,712	**144,608**
+/– Currency translation differences	–9	–1,841	–2,392	–350	–41	**–4,633**
+ Additions	0	123	3,783	988	9,518	**14,413**
– Disposals	0	–11	–2,497	–600	0	**–3,108**
+ /– Reclassifications	–1,067	335	7,668	382	–8,384	**–1,066**
+/– Other changes		0	0	0	0	**0**
Acquisition cost 31.12.2012	**3,113**	**28,892**	**104,495**	**8,907**	**4,805**	**150,213**
Accumulated depreciation and impairments 1.1.2012	332	4,274	24,449	3,080	0	**32,135**
+/– Currency translation differences	3	0	1,228	0	0	**1,231**
+ Accumulated depreciation on disposals and reclassifications	0	0	–355	–15	0	**–370**
+/– Other changes	0	0	0	–356	0	**–356**
+ Depreciation	26	3,837	18,070	1,333	0	**23,266**
Accumulated depreciation and impairments 31.12.2012	**361**	**8,111**	**43,392**	**4,042**	**0**	**55,906**
Carrying amount 31.12.2012	**2,752**	**20,781**	**61,103**	**4,865**	**4,805**	**94,307**

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

	Buildings and constructions		Machinery and equipment		Total	
EUR 1,000	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Acquisition cost 1.1.	2,396	2,640	750	823	3,146	3,463
- Depreciation	2,396	245	307	177	2,703	422
Carrying amount 31.12.	**0**	**2,396**	**443**	**646**	**443**	**3,042**

2.4 Non-Current Receivables

EUR 1,000	2013	2012
Other receivables	5,671	25,003
Available-for-sale financial assets	56	56
Total	**5,727**	**25,058**
of which interest-bearing	0	408

• Non-current other receivables include receivables transferred in a business acquisition, which are related to the corresponding non-current liabilities.

2.5 Non-Current Other Liabilities

EUR 1,000	2013	2012
Other liabilities	8,722	27,196
Total	**8,722**	**27,196**

• Non-current other liabilities include liabilities transferred in a business acquisition, which are related to the seller's indemnity. This indemnity is included in non-current other receivables.

2.6 Inventories

Accounting policy

Inventories are measured at acquisition cost or the net realisable value, whichever is lower. Raw material costs comprise all purchase costs including freight costs. Cost of finished goods and work in progress includes, in addition to raw material expenses, direct labour and other direct expenses and also a proportion of indirect expenses of production.

In the PKC Group cost is determined on the basis of the weighted average cost formula. The net realisable value is the selling price less estimated costs of completion and selling the product.

Use of estimates

PKC Group regularly reviews inventories for obsolescence and turnover, and for a possible reduction in net realisable value below cost, and recognises obsolescence as necessary. Such reviews require estimates of future demand for products. Possible changes in these estimates may cause adjustments in inventory valuation in future periods.

EUR 1,000	2013	2012
Raw materials and supplies	58,064	60,816
Work in progress	5,583	6,896
Finished goods	16,589	19,684
Other inventories	0	85
Total	**80,237**	**87,481**

2.7 Trade Receivables and Other Receivables

EUR 1,000	2013	2012
Trade receivables	92,704	84,604
Other receivables	3,974	3,472
Prepayments and accrued income	13,675	15,884
Total	**110,354**	**103,961**

Other receivables

EUR 1,000	2013	2012
From other operating expenses	1,657	135
From taxes	2,235	1,936
From other items	82	1,401
Total	**3,974**	**3,472**

Prepayments and accrued income

EUR 1,000	2013	2012
From other operating expenses	4,601	5,205
From value added tax	3,498	3,638
From taxes	4,335	6,814
From other items	1,242	227
Total	**13,675**	**15,884**

▶ Aging of trade receivables is presented in note 3.4 Financial risk management.

2.8. Trade Payables and Other Non-Interest-Bearing Liabilities

EUR 1,000	2013	2012
Trade payables	88,695	75,510
Advances received	329	42
Other liabilities	14,716	18,760
Accruals and deferred income	23,164	26,193
Total	**126,904**	**120,505**

Other liabilities and accruals and deferred income consist of following items

EUR 1,000	2013	2012
From employee benefits	21,191	24,528
From value added tax	2,910	1,645
From other operating expenses	6,322	9,067
From taxes	4,242	4,335
From other items	3,215	5,408
Total	**37,880**	**44,982**

2.9 Provisions

Accounting policy

A provision is 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 a reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate asset when it is practically certain that 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 associated with the Group's continuing operations.

▶ Additional information about provision for pension expenses is presented in note 1.4. Employee Benefit Expenses

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 comparison period did not require recognition of a warranty provision

Use of estimates

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

	Provision for pension expenses		Tax provision		Other provisions		Total	
EUR 1,000	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Provision 1.1.	572	830	56	280	672	431	1,300	1,541
+ Additions	58	0	0	0	0	241	58	241
- Reversed	0	–258	0	0	–238	0	–238	–258
- Used provisions	0	0	–56	–224	0	0	–56	–224
Provision 31.12.	**630**	**572**	**0**	**56**	**434**	**672**	**1,064**	**1,300**

3. Capital Structure and Financial Expenses

3.1 Classification, Accounting and Valuation Principles, Carrying Amounts and Fair Values of Financial Assets and Liabilities by Valuation Categories

Accounting policy

Classification, accounting and valuation principles

The principles PKC Group applies in classifying, recognising, derecognising and valuing of financial assets and liabilities are presented below.

The financial assets of PKC Group are classified into the following categories:

- Financial assets at fair value through profit and loss
- Available-for-sale financial assets
- Loans and other receivables

The classification of financial assets takes place on the basis of their purpose at initial recognition. The criteria for classification are re-evaluated on each closing date. Transaction costs are included in the initial carrying amount of the financial asset for assets which 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 PKC Group commits to purchase or sell the asset. Financial assets are derecognised when PKC Group has lost the contractual rights to the cash flow of the financial asset or when the risks and rewards of ownership have been substantially transferred outside the PKC Group.

The financial liabilities of PKC Group are classified into the following categories:

- Financial liabilities at fair value through profit and loss
- Financial liabilities at amortised cost (other financial liabilities)

Transaction costs are included in the original carrying amount of financial liabilities at amortised cost. Financial liabilities are classified as current unless PKC Group has an unconditional right to defer settlement of the liability for at least 12 months after end of the reporting period. PKC Group derecognises a financial liability (or part of it) only when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Fair value hierarchy

A number of PKC Group's accounting policies and disclosures require the measurement of fair values. For PKC Group this applies primarily to financial assets and liabilities.

For financial instruments that are measured in the statement of financial position at fair value, IFRS requires disclosure of fair value measurements by level of the fair value measurement hierarchy. The fair value hierarchy is based on the source of inputs used in determining fair values (used in the valuation techniques) as follows:

- Level 1: fair values are based on quoted price in active markets for identical assets or liabilities
- Level 2: fair values are based on market rates and prices, discounted future cash flows etc.
- Level 3: for assets and liabilities in level three, there is no reliable market source available and thus fair value measurement cannot be based on observable market data.

When measuring the fair value of an asset or a liability, PKC Group uses observable market data as far as possible.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which have been designated in this category or which have not been classified in any other category. Unless the intention is to sell them within 12 months of the end of the reporting period, they are included in non-current assets.

PKC Group's investments in other companies are classified as financial assets available-for-sale. Equity investments in unlisted companies are included in this category.

Since in the absence of functioning markets the fair value of these investments cannot be determined reliably, they are measured at acquisition cost less any impairment. Thus these investments are classified in the fair value hierarchy to level 3. PKC Group has no intention for now to dispose of these investments.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payment dates that are not quoted in active markets. They arise when PKC Group provides goods or services directly to a debtor. Loans and other receivables are carried in the consolidated statement of financial position at amortised cost using the effective interest rate method. Loans and other receivables are included in non-current assets, except for maturities less than 12 months after the closing date. Non-current trade receivables and other receivables are presented under Receivables in the consolidated statement of financial position.

PKC Group utilises selectively client and/or country specific factoring arrangements when it considers it beneficial for example due to long payment terms. Sold trade receivables are derecognised only up to the amount for which the risks and benefits have been transferred outside the PKC Group.

The carrying amounts of trade receivables and other receivables are equal to their fair values, as the effect of discounting cash flows is not relevant considering their maturity.

Cash and cash equivalents

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

Financial assets and liabilities at fair value through profit and loss

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. These instruments are classified as held for trading. There are no items in the consolidated statement of financial position that would be classified at 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.

Derivatives are used for hedging risks from fluctuations in currency rates, interest rates and the price of copper. PKC Group uses currency forwards, copper derivatives and interest rate swaps in its risk management.

Derivative contracts are recognised initially at fair value and later recognised at fair value at the end of each reporting period. Fair value is determined by using prevailing quoted market rates and applicable valuation methods for each type of derivative as follows:

- The fair value of currency and copper derivatives is determined as the difference of the fair value of the derivatives at the end of the reporting period and the fair value at the time the contract was made.
- The fair value of interest rate swaps is determined as the present value of the related future cash flows.

Derivatives are classified in the fair value hierarchy on level 2, because their valuation is based on observable market inputs.

Realised and unrealised gains and losses from changes in the fair values of currency and copper derivatives are recognised in profit or loss as incurred since PKC Group does not apply hedge accounting to these instruments.

PKC Group applies fair value hedge accounting to a part of its interest rate swaps. The impacts on profit or loss arising from changes in the value of interest rate swaps to which PKC Group applies hedge accounting and which are effective hedges are presented in a manner consistent with the hedged item.

At the end of the reporting period PKC Group had open euro-denominated interest rate swaps based on which it pays Euribor 6 months floating rate interest and receives 5-year fixed interest rate.

Derivative instruments are included according to their nature in current assets (prepayments and accrued income) or current liabilities (accruals and deferred income) on the consolidated statement of financial position.

At the end of the reporting period 31.12.2013 (and 31.12.2012) PKC Group had no other financial instruments at fair value through profit and loss other than derivatives. There were no changes in the valuation principles or methods during the reporting period.

Financial liabilities at amortised cost (other financial liabilities)

Other financial liabilities consist of loans taken out by PKC Group, finance lease liabilities and trade payables. Loans and trade payables are initially recognised at fair value. Finance lease liabilities are initially recognised at fair value or at present value of minimun lease payments. Any transaction costs are included in the historical carrying amount. After initial recognition other financial liabilities are recognised at amortised cost. Any difference between net proceeds received and later amortisations is recognised as interest cost over the loan period using the effective interest method.

The fair values of interest bearing loans are based on present values of future cash flows. The discount rate is the rate that PKC Group would have to pay for an equal loan at the end of the reporting period. The total interest rate consists of a risk-free rate and a company specific risk premium. The carrying amounts of trade payables and other current financial liabilities are equal to their fair values, as the effect of discounting cash flows is not relevant considering their maturity.

Classification of financial assets and liabilities by valuation category 2013

EUR 1,000	Financial assets and liabilities through profit or loss	Cash flow and net investment hedges	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts of statement of financial position's items	Fair values of statement of financial position's items	Fair value hierarchy level
Non-current financial assets								
Other non-current financial assets	0	0	0	7	0	7	7	Level 3
Total non-current financial assets	**0**	**0**	**0**	**7**	**0**	**7**	**7**	
Current financial assets								
Trade receivables	0	0	92,704	0	0	92,704	92,704	
Interest rate swaps	255	0	0	0	0	255	223	Level 2
Cash and cash equivalents	102,665	0	0	0	0	102,665	102,665	
Total current financial assets	**102,920**	**0**	**92,704**	**0**	**0**	**195,624**	**195,592**	
Total financial assets	**102,920**	**0**	**92,704**	**7**	**0**	**195,631**	**195,599**	
Non-current financial liabilities								
Non-current interest-bearing liabilities	0	0	0	0	99,763	99,763	100,000	Level 2
Total non-current financial liabilities	**0**	**0**	**0**	**0**	**99,763**	**99,763**	**100,000**	
Current financial liabilities								
Current interest-bearing liabilities	0	0	0	0	677	677	677	
Trade payables	0	0	0	0	88,695	88,695	88,695	
Copper derivatives	19	0	0	0	0	19	19	Level 2
Currency derivatives	86	0	0	0	0	86	86	
Total current financial liabilities	**105**	**0**	**0**	**0**	**89,372**	**89,477**	**89,477**	
Total financial liabilities	**105**	**0**	**0**	**0**	**189,135**	**189,240**	**189,477**	

Classification of financial assets and liabilities by valuation category 2012

EUR 1,000	Financial assets and liabilities through profit or loss	Cash flow and net investment hedges	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts of statement of financial position's items	Fair values of statement of financial position's items	Fair value hierarchy level
Non-current financial assets								
Other non-current financial assets	0	0	0	7	0	7	7	Level 3
Total non-current financial assets	**0**	**0**	**0**	**7**	**0**	**7**	**7**	
Current financial assets								
Trade receivables	0	0	84,604	0	0	84,604	84,604	
Currency derivatives	12	0	0	0	0	12	12	Level 2
Cash and cash equivalents	87,222	0	0	0	0	87,222	87,222	
Total current financial assets	**87,233**	**0**	**84,604**	**0**	**0**	**171,838**	**171,838**	
Total financial assets	**87,233**	**0**	**84,604**	**7**	**0**	**171,845**	**171,845**	
Non-current financial liabilities								
Non-current interest-bearing liabilities	0	0	0	0	74,595	74,595	77,420	Level 2
Total non-current financial liabilities	**0**	**0**	**0**	**0**	**74,595**	**74,595**	**77,420**	
Current financial liabilities								
Current interest-bearing liabilities	0	0	0	0	69,190	69,190	68,148	
Trade payables	0	0	0	0	75,510	75,510	75,510	
Copper derivatives	66	0	0	0	0	66	66	Level 2
Interest rate swaps	0	980	0	0	0	980	980	
Total current financial liabilities	**66**	**980**	**0**	**0**	**144,700**	**145,746**	**144,704**	
Total financial liabilities	**66**	**980**	**0**	**0**	**219,295**	**220,341**	**222,124**	

3.2 Interest-Bearing Financial Liabilities

Non-current

EUR 1,000	2013	2012
Bond	99,763	0
Loans from financial institutions	0	71,836
Finance lease liabilities	0	2,759
Total	**99,763**	**74,596**

Current

EUR 1,000	2013	2012
Loans from financial institutions	17	68,565
Finance lease liabilities	660	626
Total	**677**	**69,192**

Maturities of finance lease liabilities

Minimum lease payments

EUR 1,000	2013	2012
Within one year	662	1,471
Between one and five years	0	2,760
Total	**662**	**4,231**

Present value of minimum lease payments

EUR 1,000	2013	2012
Within one year	660	626
Between one and five years	0	2,759
Total	**660**	**3,385**

Future finance and other charges concerning lease payments	2	846
Total lease payments	**662**	**4,231**

3.3 Financial Income and Expenses

Accounting policy

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

Interest and other financial income

EUR 1,000	2013	2012
Interest and other financial income	827	335
Total	**827**	**335**

Interest and other financial expenses

EUR 1,000	2013	2012
Interest and other financial expenses	–7,497	–6,213
Total	**–7,497**	**–6,213**

Foreign currency exchange differences

EUR 1,000	2013	2012
Foreign exchange gains		
from trade receivables	2,704	2,659
from trade payables	2,570	1,110
from raw material derivatives	54	674
from other financial instruments	8,490	13,897
Total	**13,818**	**18,340**
Foreign exchange losses		
from trade receivables	–2,432	–3,192
from trade payables	–5,427	–2,985
from raw material derivatives	–891	–394
from other financial instruments	–7,300	–14,395
Total	**–16,050**	**–20,967**
Foreign currency exchange differences (net)	**–2,231**	**–2,627**

3.4 Financial Risk Management

PKC Group is exposed in its operations to different financial risks. Financial risks are managed according to the PKC Group Treasury Policy as approved by the Parent Company's Board of Directors. The Treasury Policy defines the main activities, common management principles, division of responsibilities as well as required control environment for Treasury and related risk management processes to be applied throughout the PKC Group. The CFO of PKC Group reports on the Group's financial situation and risks regularly to the Audit Committee of the Parent Company's Board of Director's as defined in the Treasury Policy.

The Treasury of PKC Group, organisationally located within Group Finance, provides treasury services and transactions centrally to the companies of PKC Group. The purpose of centralising these functions is effective risk management, cost savings and optimisation of cash flows.

Currency risk

Currency risk is monitored from the perspectives of transaction, translation and economic risk. Transaction risk is related to foreign currency denominated sales and purchases, translation risk to statement of financial position's items, including investments and loans to foreign subsidiaries, and economic risk to the currency distribution of the PKC Group's cost structure in comparison to competitors.

The objective of foreign exchange risk management is to reduce the uncertainty in the PKC Group's profit and loss, cash flows and statement of financial position caused by fluctuations in foreign exchange rates to an acceptable level. Foreign exchange risk management shall not aim to improve profits by actively taking views on the future changes of foreign exchange rates. The main principle is to mitigate the risk first by operative means in the businesses, e.g. through commercial terms in supplier and sales contracts.

The Treasury of PKC Group uses foreign exchange forwards and plain vanilla options to hedge against transaction risk. Significant certain or highly probable foreign exchange cash flows are hedged from transaction risk a maximum of six months forward. Hedging is not executed for currencies, especially in emerging countries, where hedging is expensive or financial markets are underdeveloped. The main principle in regard to translation risk is not to execute equity hedging due to the fact that the translation risk only very seldom realises while the hedge itself always creates a cash flow cost. The foreign currency net investments in PKC Group's subsidiaries at the close of the reporting period were EUR 195.7 million (EUR 99.4 million in 2012). Economic risk is managed as a part of the strategy process and strategy implementation.

The translation risk exposure of PKC Group by currency

	Net Investment	
EUR 1,000	**2013**	**2012**
BRL	47,960	27,033
CAD	8,039	8,296
CNY	12,484	9,934
HKD	-397	0
MXN	23,562	18,779
PLN	32,424	17,311
RUB	8,846	–2,249
RSD	3	0
UAH	572	1,888
USD	62,167	18,413
Total	**195,660**	**99,406**

Below are presented the transaction risk positions of the PKC Group's most significant currency pairs, as well as the sensitivity of the PKC Group's pre-tax profit to currency rate changes at the end of the reporting period.

2013

Functional currency	**MXN**	**BRL**	**EUR**	**EUR**	**CNY**
Foreign currency	**USD**	**EUR**	**SEK**	**USD**	**EUR**
EUR 1,000					
Cash and cash equivalents	79	0	0	2,031	3,269
Trade receivables	23,782	3	0	4	3,551
Trade payables	–238	–3,651	–2,568	–1,579	–1,277
Net position	**23,623**	**–3,648**	**–2,567**	**456**	**5,543**
Hedges	–18,171				
Open position	**5,452**	**–3,648**	**–2,567**	**456**	**5,543**

EUR million	**Change in currency %**					
	+10 %	0.6	–0.4	–0.3	0.1	0.6
	–10 %	–0.5	0.3	0.2	0.0	–0.5

2012

Functional currency	**MXN**	**BRL**	**EUR**	**EUR**	**CNY**
Foreign currency	**USD**	**EUR**	**SEK**	**USD**	**EUR**
EUR 1,000					
Cash and cash equivalents	18	0	4	5,565	4,790
Trade receivables	22,113	20	0	8	2,625
Trade payables	–690	–14,343	–2,723	–2,393	–867
Net position	**21,441**	**–14,323**	**–2,719**	**3,180**	**6,548**
Hedges	–5,121				
Open position	**16,320**	**–14,323**	**–2,719**	**3,180**	**6,548**

EUR million	**Change in currency %**					
	+10 %	1.5	–1.3	–0.3	0.3	0.6
	–10 %	–1.8	1.6	0.2	–0.4	–0.7

Commodity risk

PKC Group's most significant commodity risk relates to copper, which is one of the key components of material costs. Also changes in the prices of oil and other commodities may affect the material costs of PKC Group and thus indirectly product demand. Changes in energy prices have no material effect on profit or loss.

The objective of PKC Group is to manage commodity risk primarily by operative means, e.g. through commercial terms with customer and supplier contracts. According to the Treasury Policy of PKC Group, the Group Treasury hedges 25%–75% of the net copper position. The net copper position, which is calculated monthly, is the amount of copper in tonnes that remains when the copper contents of fixed price purchases is subtracted from the copper contents of fixed price sales. The Group Treasury uses copper futures and forwards to hedge the copper exposure. Changes in copper prices are transferred to customer prices based on the sales agreements with an average 3–5 month delay.

Sensitivity of the Group's pre-tax profit arising from financial instruments to changes in the price of copper.

	2013		2012	
EUR million	**Income Statement**	**Equity**	**Income Statement**	**Equity**
10% change in copper price	+/– 0.8	-	+/– 0.3	-

Interest rate risk

Changes in interest rate levels affect mainly the fair values of interest-bearing liabilities in the consolidated statement of financial position and related interest payments. The objective of interest rate risk management in PKC Group is to minimise interest expenses and at the same time ensure that changes in interest rates do not cause unpredictable effects on the profit or loss, cash flows or statement of financial position of PKC Group. Interest rate risk is managed by maintaining an optimal balance between the abovementioned objectives. To this end the Treasury of PKC Group uses interest rate swaps and forward rate agreements to modify the interest rate fixing term of PKC Group's debt portfolio. The targeted average interest rate fixing term is 6–24 months.

At the end of the reporting period the average interest rate fixing period of the debt portfolio of PKC Group was 18 months. In order to keep the Group's debt portfolio's average interest rate fixing period within the target range, PKC Group had at the end of reporting period open euro-denominated interest rate swaps based on which it pays floating rate interest tied to Euribor 6 months rates and receives five years fixed interest. PKC Group applies fair value hedge accounting to a part of the interest rate swaps.

Sensitivity of the PKC Group's pre-tax profit arising from financial instruments to changes in interest rate.

	2013		2012	
EUR million	**Income Statement**	**Equity**	**Income Statement**	**Equity**
1% change in market interest rates	+1.3 / –1.4	-	+/– 1.1	+/– 0.8

Credit risk

PKC Group's most significant credit risks are related to trade receivables. The age distribution of trade receivables is regularly monitored on the Group level, and in addition the Group companies monitor receivables per customer. The credit quality of new customers is checked and customers are granted standard payment terms only. As a part of cash management PKC Group has some outstanding factoring arrangements. Collaterals are not assumed as security for receivables, and no loans are granted to parties outside the PKC Group. An Impairment of trade receivables is recognised when there is reasonable evidence that PKC Group will not be able to collect all receivables on the original terms. Credit risk associated with investments in the financial markets is minimised by making agreements with counterparties with high credit worthiness and by diversifying investments among several counterparties.

Trade receivables, which were neither past due nor impaired, were EUR 84.6 million at the end of the reporting period. Of these, EUR 45.5 million were from the six largest customers, and the rest was divided between a large number of customers. No impairments of trade receivables were recognised for the six largest customers. In 2013 a total of EUR 65 thousand of receivables recognised as impaired. In 2012 the figure was EUR 228 thousand. The most significant customers of PKC Group are international commercial vehicle manufacturers, with which it has longstanding customer relationships. The most significant geographical concentration of credit risk to PKC Group is in North America.

▶ More information about the largest customers and the distribution of net sales can be found in note 1.1 Operating Segments.

Age distribution of trade receivables

EUR 1,000	2013	2012
Not yet overdue	84,639	76,108
Falling due in 30 days or less	5,395	6,047
Due 31–60 days ago	1,097	1,179
Due 61–90 days ago	251	566
Due over 90 days ago	1,322	705
Total	**92,704**	**84,604**

Liquidity risk

The objective of cash and liquidity management is to centralise the management of the cash and other liquid assets of PKC Group and thereby ensure the efficient use of the Group's liquidity while avoiding liquidity risk. The Treasury of PKC Group shall optimise the Group's cash balances to cover the short term outgoing payments plus the liquidity reserve. To manage liquidity risk, the objective is to maintain a sufficient liquidity reserve in all situations.

At the end of reporting period cash and cash equivalents totalled EUR 102.7 million (EUR 87.2 million). Additionally the PKC Group had available committed undrawn credit facilities of EUR 30.0 million (EUR 31.1 million) which contain common covenants. During the financial periods 2013 and 2012, PKC Group fulfilled the terms of the covenants. During 2013 PKC Group issued a EUR 100 million bond, which expires in 2018, and has a coupon rate of 4.25%.

Maturity analysis of financial liabilities 2013

EUR 1,000	2014	2015	2016	2017	2018	2019–	Total
Bond							
Repayments	0	0	0	0	100,000	0	100,000
Loans from financial institutions							
Repayments	17	0	0	0	0	0	17
Bonds and loans from financial institutions							
Financing costs	4,251	4,250	4,250	4,250	3,034	0	20,035
Total	**4,268**	**4,250**	**4,250**	**4,250**	**103,034**	**0**	**120,052**
Finance lease liabilities							
Repayments	660	0	0	0	0	0	660
Financing costs	2	0	0	0	0	0	2
Total	**662**	**0**	**0**	**0**	**0**	**0**	**662**
Current non-interest-bearing liabilities							
Trade payables	88,695	0	0	0	0	0	88,695
Derivatives	1,776	0	0	0	0	0	1,776
Total	**90,471**	**0**	**0**	**0**	**0**	**0**	**90,471**
Total	**95,401**	**4,250**	**4,250**	**4,250**	**103,034**	**0**	**211,185**

The Group's committed available unutilised credit facility of EUR 30 million expires in 2016.

Maturity analysis of financial liabilities 2012

EUR 1,000	2013	2014	2015	2016	2017	2018–	Total
Loans from financial institutions							
Repayments	68,811	8,585	8,565	8,565	46,931	0	141,457
Financing costs	2,452	1,444	1,281	1,119	692	0	6,988
Total	**71,263**	**10,029**	**9,846**	**9,684**	**47,623**	**0**	**148,445**
Finance lease liabilities							
Repayments	626	2,760	0	0	0	0	3,386
Financing costs	845	0	0	0	0	0	845
Total	**1,471**	**2,760**	**0**	**0**	**0**	**0**	**4,231**
Current non-interest-bearing liabilities							
Trade payables	75,510	0	0	0	0	0	75,510
Derivatives	1,137	0	0	0	0	0	1,137
Total	**76,647**	**0**	**0**	**0**	**0**	**0**	**76,647**
Total	**149,381**	**12,789**	**9,846**	**9,684**	**47,623**	**0**	**229,323**

Capital structure management

Capital structure management covers equity and net debt in the consolidated statement of financial position. The objective of managing the capital structure is to support the Group's business by ensuring normal operating conditions for the businesses and to increase the owner's value with a target of gaining maximum return on capital. An optimal capital structure also ensures the lowest capital costs. The capital structure can be affected by dividend distributions, share issues and loan restructurings. The capital structure is continuously monitored by using the gearing ratio. The Group's long-term objective is to keep the gearing ratio below 75%.

The Group's gearing ratio at the end of the reporting period was as follows:

EUR million	**2013**	**2012**
Interest-bearing liabilities	100.4	143.8
Cash and cash equivalents	102.7	87.2
Net liabilities	–2.2	56.6
Total equity	197.0	164.5
Gearing, %	–1.1	34.4

3.5 Equity

Share capital

The subscription price of a share received by the company in connection with share issues is credited to the share capital, unless it is provided in the share issue decision that a part of the subscription price is to be recorded in the fund for invested non-restricted equity.

- ▶ Additional information concerning the share subscriptions of the year 2013 is presented in the Report by the Board of Directors, section Shares and shareholders.

Share premium account

The share premium account accrued under the previous Finnish Limited Liability Companies Act (29 Sept. 1978/734). The payments received by PKC Group for the share subscriptions based on the stock option plans decided upon when the previous Act was in force, were recognised in the share capital and the share premium account in accordance with the terms of the arrangement, less transaction costs. Under the Act currently in force, since 1 September 2006, the share premium account is restricted equity and may no longer increase. The share premium account may be reduced in accordance with the rules applying to decreasing share capital and can be used to increase the share capital as a reserve increase.

Invested non-restricted equity fund

The fund for invested non-restricted equity includes other equity investments and the part of the subscription price of the shares that according to the related decision is not to be credited to the share capital. The payments received by PKC Group for the share subscriptions made, based on the stock option plans decided upon after the entry into force of the current Limited Liability Companies Act (1 September 2006), are fully credited to the fund for invested non-restricted equity.

- ▶ Additional information concerning the share subscriptions of the year 2013 is presented in the Report by the Board of Directors, section Shares and shareholders.
- ▶ Additional information concerning the effect of the outstanding stock options on distributable equity is presented in the Report by the Board of Directors, section Shares and shareholders, Option schemes.

Share issue 2013

2,140,000 shares were subscribed in the directed share issue. The subscription price was EUR 21.00 per share. The proceeds from the share issue, EUR 44.3 million, were recorded in the invested non-restricted equity fund.

Translation difference

Translation differences arise from the translation of the financial statements of foreign operations into euro. Also gains and losses arising from hedges of a net investment in a foreign operation are included in translation differences, provided that they qualify for hedge accounting.

Fair value reserve

The fair value reserve includes the accumulated effective portions of the fair value changes of the derivatives designated as hedging interest rate swaps.

Treasury shares

Purchases of treasury shares (own shares) and direct by attributable incremental costs are deducted from equity. When the purchased own shares are subsequently sold or reissued, any consideration received is included in equity. No treasury shares were in PKC Group's possession in the period ended 31 December 2013 (and 31 December 2012). The company does not possess a valid authorisation from the Annual General Meeting to acquire its own shares.

	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
1.1.2012	**19,906**	**6,103**	**8,259**	**35,639**
Exercise of stock options	1,619	88	2,347	–263
31.12.2012	**21,524**	**6,191**	**10,606**	**35,376**
1.1.2013	**21,524**	**6,191**	**10,606**	**35,376**
Exercise of stock options	243	27	0	1,366
Directed share issue	2,140	0	676	44,273
Other changes	0	0	0	17
31.12.2013	**23,907**	**6,218**	**11,282**	**81,033**

Dividends

- In 2013 the dividend of EUR 0.70 per share was paid, in total EUR 15.1 million (In 2012 EUR 0.55 per share, in total EUR 12.8 million).
- After the reporting period the Board of Directors has proposed that EUR 0.70 per share will be distributed as dividends, EUR 16.7 million in total.

4. Other Notes

4.1. Related Party Disclosures

The Group's related party comprises the Group companies, members of the parent company's Board of Directors, members of the Group's Executive Board and related party entity Attorneys at Law Borenius Ltd. In 2012 also AS Harju Elekter was a related party entity.

The members of the parent company's Board of Directors, President & CEO, and the members of PKC Group's Executive Board belong to the Group's key management personnel. At the close of the financial year 31 December 2013 PKC Group's Executive Board consisted of the following persons Matti Hyytiäinen (President & CEO), Jyrki Keronen (Senior Vice President, Business Development & APAC), Jani Kiljala (President, Wiring Systems, Europe and South America), Sanna Raatikainen (General Counsel), Jarmo Rajala (President, Electronics), Frank Sovis (President, Wiring Systems, North America) and Juha Torniainen (CFO).

Employee benefits of the Executive Board

EUR 1,000	2013	2012
Salaries and other short-term employee benefits	3,641	2,419
Share-based payments	1,163	1,717
Total	**4,804**	**4,136**

128,000 stock options were granted to the Group's Executive Board in 2013 (in 2012 207,522).

EUR 1,000 unless otherwise noted	31.12.2013	31.12.2012
Granted options, 1,000 pcs.	376.0	330.0
of which exercisable [1)]	53.0	30.5
Total fair value of the options	1,383.3	1,054.9
Total number of shares, to which the options held by PKC Group´s Executive Board entitle, 1,000 pcs.	376.0	330.0

[1)] Options, for which the share subscription period has begun.

- The fair value of the options is determined based on the principles described in note 1.4, Employee Benefit Expenses.
- In the Report by the Board of Directors, section Shares and shareholders is presented additional information about stock the option schemes of PKC Group's key personnel.

Salaries, fees, share-based payments and pension obligations of the President & CEO

EUR 1,000	2013	2012
Hyytiäinen, Matti, since 4 April 2012	1,026	637
Suutari, Harri, until 4 April 2012	0	182

Statutory pension obligation

The pension costs of the President and CEO, recognised on an accrual basis on his remuneration under the Finnish Employees Pensions Act (TyEl, 395/2006), amount to 220 thousand EUR in 2013 (2012:116 thousand EUR). The Finnish statutory pension plan is part of Finnish social security system and is a collective plan in which an employer has no direct responsibility for the pension benefits but the responsibility is borne by the whole pension system. Under this plan, pensions are financed in two different ways: part of the pensions payable in future are funded and the rest is financed on a pay-as-you-go-basis as the related pensions are paid out.

Salaries, fees and share-based payments of the Board of Directors

EUR 1,000	2013	2012
Allikmäe, Anders, 4 April 2012 - 4 April 2013	11	32
Diez, Wolgang, since 4 April 2013	37	0
Lampela, Outi	46	41
Levy, Shemaya, since 4 April 2012	50	32
Palla, Endel, until 4 April 2012	0	8
Pohjanvirta, Olli, until 4 April 2012	0	9
Remenar, Rober, since 4 April 2012	58	28
Ruotsala, Matti	83	68
Suutari, Harri, since 4 April 2012	49	39
Tähtinen, Jyrki	45	43
Total	**379**	**300**
Salaries and other short-term employee benefits	319	478
Total	**697**	**778**

Services acquired from related party entities

Other operating expenses include EUR 0.1 million services (in 2012 EUR 1.6 million services and rents) acquired from the related party entities. Business transactions are based on market prices.

Loans to related parties

EUR 1,000	31.12.2013	31.12.2012
At beginning of the financial year	0	-514
Repayments of loans during the financial year	0	514
Total	**0**	**0**

- The loans were granted to the key personnel in 2011. The loans were settled by the due date. The due date was 17 September 2012. The interest on the loans was 4%. The granted loans were unsecured. At the end of the financial year, there are no loans to related parties.

Group companies 31 December 2013

Company	Domicile	Holding, %	Votes, %
PKC Group Plc	Finland	100	100
PKC Wiring Systems Oy	Finland	100	100
PK Cables do Brasil Industria e Comercio Ltda	Brazil	100	100
PKC Group Canada Inc.	Canada	100	100
PKC Group APAC Limited	China	100	100
PKC Vehicle Technology (Suzhou) Co. Ltd	China	100	100
Project Del Holding S.a.r.l	Luxemburg	100	100
Engineered Plastic Components Europe Limited	Ireland	100	100
AEES Manufacturera, S. De R.L de C.V	Mexico	100	100
Arneses y Accesorios de México, S. de R.L de C.V.	Mexico	100	100
Arneses de Ciudad Juarez, S. de R.L de C.V	Mexico	100	100
Asesoria Mexicana Empresarial, S. de R.L de C.V.	Mexico	100	100
Cableodos del Norte II, S. de R.L de C.V.	Mexico	100	100
PKC Group de Piedras Negras, S. de R.L. de C.V.	Mexico	100	100
Manufacturas de Componentes Electricos de Mexico S. de R.L de C.V	Mexico	100	100
PKC Group Mexico S.A. de C.V.	Mexico	100	100
PKC Group Poland Sp. z o.o.	Poland	100	100
PKC SEGU Systemelektrik GmbH	Germany	100	100
PKC Wiring Systems Llc	Serbia	100	100
TKV-sarjat Oy	Finland	100	100
Carhatest Oy	Finland	100	100
LLC PKC Group Ukraine	Ukraine	100	100
OOO AEK	Russia	100	100
PKC Eesti AS	Estonia	100	100
PKC Group USA Inc.	USA	100	100
AEES Inc.	USA	100	100
AEES Power Systems Limited Partnership	USA	100	100
T.I.C.S. Corporation	USA	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
PKC Wiring Harness & Electronics (Suzhou) Co., Ltd.	China	100	100

Following changes have occurred in the Group structure during the financial year:

- AEES Power Systems do Brasil Sistemas Electricos e Eletronicos Ltda was merged to PKC Cables do Brasil Industirae Comercio Ltda
- OOO Elektrokos and OOO PKC Group Northwest were merged to OOO AEK
- PKC Wiring Systems Llc and PKC Group APAC Limited were established

4.2 Operating Leases

Leases in which risks and rewards incidental to ownership are not transferred to PKC Group are classified as operating leases. Related lease payments are recognised as profit or loss under other operating expenses on a straight-line basis over the lease term. Operating lease obligations mainly consist of factory and office facility.

Operating lease obligations, PKC Group as a lessee

EUR 1,000	2013	2012
Less than one year	8,677	7,682
Between one and five years	11,523	9,808
More than five years	1,819	2,765
Total	**22,019**	**20,255**

Leases that substantially transfer all the risks and rewards incidental to ownership to PKC Group are classified as finance leases.

▶ Additional information about finance leases is presented in note 2.3 Property, Plant and Equipment.

4.3 Contingent Items and Commitments

A 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 (e.g. outcome of on-going judicial process). A 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. At the end of the financial year 31 December 2013 (31 December 2012) PKC Group has no material contingent items or commitments.

4.4 Events after the Financial Year

PKC Group announced on 7 January 2014 that it has decided to close the factory in Nogales, Mexico in order to further adapt and align its manufacturing capacity to the North American customer base. The Nogales production shall be transferred to PKC's existing facility in Torreon, Mexico.

Parent Company's Income Statement

EUR 1,000	Note	1.1.–31.12.2013	1.1.–31.12.2012
Revenue	1	375	1,149
Other operating income	2	2,154	2,188
Staff expenses	3	–2,443	–2,891
Depreciation, amortisation and impairment	7	–483	–1,049
Other operating expenses	4	–5,962	–3,520
Operating profit/loss		**–6,358**	**–4,121**
Interest and other financial income	5	35,044	50,240
Interest and other financial expenses	5	–7,103	–4,139
Financial income and expenses		**27,941**	**46,101**
Profit before extraordinary items		**21,582**	**41,980**
Profit before taxes		**21,582**	**41,980**
Profit for the financial year		**21,582**	**41,980**

Parent Company's Balance Sheet

EUR 1,000	Note	31.12.2013	31.12.2012
Assets			
Non-current assets			
Intangible assets	6	493	765
Tangible assets	6	227	326
Investments	7	61,875	61,875
Total non-current assets		**62,595**	**62,967**
Current assets			
Non-current receivables	8	106,159	92,365
Current receivables	9	117,309	52,750
Cash and cash equivalents		61,091	54,859
Total current assets		**284,559**	**199,974**
Total assets		**347,155**	**262,941**
Equity and liabilities			
Equity	10		
Share capital		6,218	6,191
Share premium account		11,282	10,606
Invested non-restricted equity fund		68,673	22,367
Retained earnings		48,720	21,862
Profit for the financial year		21,583	41,980
Total equity		**156,475**	**103,006**
Liabilities			
Non-current liabilities	11	99,523	24,806
Current liabilities	12	91,156	135,129
Total liabilities		**190,679**	**159,935**
Total equity and liabilities		**347,155**	**262,941**

Parent Company's Cash Flow Statement

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Cash flows from operating activities		
Cash receipts from customers	21	572
Cash receipts from other operating income	3,111	5,560
Cash paid to suppliers and employees	–10,261	–5,505
Cash flows from operations before financial income and expenses and taxes	**–7,128**	**627**
Interest paid	–4,307	–3,689
Translation difference	–36	–17
Interest received and other financial income	8,173	873
Income taxes paid	694	–557
Net cash from operating activities (A)	**–2,604**	**–2,763**
Cash flows from investing activities		
Aqcuisitions of tangible and intangible assets	–111	–945
Loans granted to subsidiaries	–111,403	–13,758
Proceeds from payments of loan receivables	22,397	20,779
Dividends received	36,713	19,709
Net cash used in investing activities (B)	**–52,405**	**25,785**
Cash flows from financial activities		
Share issue and excercise of options	47,009	2,687
Proceeds from current borrowings	23,349	47,350
Proceeds from non-current borrowings	99,531	0
Repayment of current/non-current borrowings	–93,526	–19,642
Dividends paid	–15,122	–12,814
Net cash used in financial activities (C)	**61,242**	**17,581**
Net increase (+) or decrease (–) in cash and cash equivalents (A+B+C)	**6,232**	**40,602**
Cash and cash equivalents at the beginning of the financial year	**54,859**	**14,256**
Cash and cash equivalents at the end of the financial year	**61,091**	**54,859**

Accounting Policies for the Parent Company's Financial Statements

PKC Group Plc's financial statements have been prepared in compliance with the Finnish accounting and company legislation.

Foreign currency items

Foreign currency transactions have been recognised 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 income statement.

Non-current assets

Non-current assets are measured at cost less any accumulated depreciation, amortisation and any impairment losses. Assets are depreciated/amortised on a straight-line basis during their estimated lives.

The depreciation/amortisation periods are as follows:

Intangible rights	4–5 years
Other non-current 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 a subsidiary's recoverable amount based on future cash flows is lower than the acquisition cost.

Financial instruments

Financial instruments are recognised at acquisition cost.

Revenue

Revenue includes the service revenue. Revenue is recognised for the period when the service is rendered.

Lease rentals

Lease rentals have been expensed.

Pension costs

The retirement plans for employees are provided by external insurance companies. Pension costs are expensed when the related service has been rendered.

Direct taxes

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

Notes to the Parent Company's Financial Statements

1. Revenue by Business Segments and Market Areas

Revenue by business segments

EUR 1,000	2013	2012
Sales of services to Group companies	375	1,149
Total	**375**	**1,149**

Revenue by market areas

EUR 1,000	2013	2012
Finland	222	467
Other Europe	116	183
North America	38	478
South America	0	8
APAC	0	14
Total	**375**	**1,149**

2. Other Operating Income

EUR 1,000	2013	2012
Government grants	8	8
Rental income from Group companies	130	142
Services to Group companies	1,957	1,964
Proceeds from sale of non-current assets	0	20
Compensation received from insurance companies	32	0
Other income	27	54
Total	**2,154**	**2,188**

3. Staff Expenses

EUR 1,000	2013	2012
Wages and salaries	2,028	2,453
Pension expenses	336	349
Other social security expenses	78	89
Total	**2,443**	**2,891**

▶ Information of management remuneration is presented in consolidated financial statements' note 4.1 Related Party Disclosures.

Average number of personnel	20	21
Personnel at the end of financial year	21	22

4. Other Operating Expenses

EUR 1,000	2013	2012
Administrative expenses	179	153
Other staff expenses	196	234
Travelling expenses	348	200
Other maintenance expenses	1,596	601
Outsourced services	2,267	1,144
Outsourced services from Group companies	42	100
Rents and lease expenses	272	271
Insurances	60	102
Other items	750	637
Auditors´fees	251	77
Total	**5,962**	**3,520**

Auditors´ fees, Authorised Public Accountants KPMG

EUR 1,000	2013	2012
Audit fees	42	35
Certificates and statements	1	0
Tax services	6	6
Other services	202	36
Total	**251**	**77**

5. Financial Income and Expenses

Interest and other financial income

EUR 1,000	2013	2012
Income from subsidiary shares	30,203	46,022
Interest and other financial income from Group companies	4,059	3,492
Interest and other financial income	722	49
Foreign exchange gains		
from raw material derivatives	54	674
from other financial instruments	6	3
Total	**35,044**	**50,240**

Interest and other financial expenses

EUR 1,000	2013	2012
Interest and other financial expenses	–5,981	–3,657
Foreign exchange losses		
from trade receivables	–1	0
from trade payables	–9	0
from raw material derivatives	–956	–394
from other financial instruments	–155	–88
Total	**–7,103**	**–4,139**

Total financial income and expenses	**27,941**	**46,101**

6. Non-Current Assets

Intangible assets

EUR 1,000	Intangible rights	Other non-current expenditures	Total
Acquisition cost 1.1.2013	**3,153**	**167**	**3,320**
+ Additions	111	0	111
Acquisition cost 31.12.2013	**3,264**	**167**	**3,431**
Accumulated amortisation and impairments 1.1.2013	**2,396**	**159**	**2,555**
+ Amortisation	381	2	383
Accumulated amortisation and impairments 31.12.2013	**2,777**	**161**	**2,938**
Carrying amount 31.12.2013	**487**	**6**	**493**
Carrying amount 31.12.2012	**757**	**8**	**765**

Tangible assets

EUR 1,000	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1.1.2013	**1,552**	**1,000**	**209**	**2,762**
+ Additions	0	0	0	0
Acquisition cost 31.12.2013	**1,552**	**1,000**	**209**	**2,762**
Accumulated depreciation and impairments 1.1.2013	**1,301**	**925**	**209**	**2,436**
+ Depreciation	78	22	0	100
Accumulated depreciation and impairments 31.12.2013	**1,379**	**947**	**209**	**2,535**
Carrying amount 31.12.2013	**173**	**53**	**0**	**227**
Carrying amount 31.12.2012	**252**	**75**	**0**	**326**

7. Investments

EUR 1,000	Shares of subsidiaries	Other shares	Other investments	Total
Acquisition cost 1.1.2013	**61,822**	**5**	**48**	**61,875**
Acquisition cost 31.12.2013	**61,822**	**5**	**48**	**61,875**
Carrying amount 31.12.2013	**61,822**	**5**	**48**	**61,875**
Carrying amount 31.12.2012	**61,822**	**5**	**48**	**61,875**

Subsidiary shares

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

▶ The list of Group companies (31 December 2013) is presented in consolidated financial statements' note 4.1 Related Party Disclosures.

8. Non-Current Receivables

EUR 1,000	2013	2012
Loan receivables from Group companies	105,691	92,365
Other non-current receivable	469	0
Total	**106,159**	**92,365**

9. Current Receivables

EUR 1,000	2013	2012
Trade receivables	8	12
Other receivables	47	18
Prepayments and accrued income	864	77
Current tax receivables	0	642
Receivables from Group companies		
Loan receivables	95,963	20,395
Trade receivables	357	957
Other receivables	71	3,735
Prepayments and accrued income	20,000	26,913
Total	**117,309**	**52,750**
of which interest-bearing	95,963	20,395

Prepayments and accrued income

EUR 1,000	2013	2012
Of staff expenses	8	8
Of other operating expenses	158	60
Of finance	676	0
Of taxes	23	9
Total	**864**	**77**

Prepayments and accrued income from Group companies

EUR 1,000	2013	2012
Of financial items	20,000	26,913
Total	**20,000**	**26,913**

10. Equity

EUR 1,000	2013	2012
Share capital 1.1.	6,191	6,103
Increase in share capital	27	88
Share capital 31.12.	**6,218**	**6,191**
Share premium account 1.1.	10,606	8,259
Increase in share premium account	675	2,347
Share premium account 31.12.	**11,282**	**10,606**
Invested non-restricted equity fund 1.1.	22,367	22,114
Increase in invested non-restricted equity fund	46,306	252
Invested non-restricted equity fund 31.12.	**68,673**	**22,367**
Distributable equity		
Retained earnings 1.1.	63,843	34,677
Dividends paid	–15,122	–12,814
Invested non-restricted equity fund 1.1.	68,673	22,367
Profit for the financial year	21,583	41,980
Distributable equity 31.12.	**138,976**	**86,209**
Restricted equity	17,500	16,797
Distributable equity	138,976	86,209
Total equity 31.12.	**156,475**	**103,006**

11. Non-Current Liabilities

EUR 1,000	2013	2012
Bond	99,523	0
Loans from financial institutions	0	24,806
Total non-current liabilities	**99,523**	**24,806**
of which interest-bearing	99,523	24,806

Loans falling due later than five years:

Interest-bearing loans from financial institutions	99,523	0
Total	**99,523**	**0**

12. Current Liabilities

EUR 1,000	2013	2012
Loans from financial institutions	0	68,565
Trade payables	592	223
Other liabilities	69	96
Accruals and deferred income	2,487	1,039
To Group companies		
Trade payables	8	87
Other liabilities	88,000	65,119
Total	**91,156**	**135,129**
of which interest-bearing	88,000	133,684

Accruals and deferred income

EUR 1,000	2013	2012
From staff expenses	638	861
From financial items	1,737	63
From other operating expenses	112	115
Total	**2,487**	**1,039**

Other liabilities

EUR 1,000	2013	2012
From staff expenses	3	3
From taxes	66	92
Total	**69**	**96**

Other liabilities to Group companies

EUR 1,000	2013	2012
Liabilities to Group companies	88,000	65,119
Total	**88,000**	**65,119**

13. Commitments and Other Obligations

Other liabilities

EUR 1,000	2013	2012
Given on behalf of other Group companies	551	48 297

Lease obligations related to current premises

EUR 1,000	2013	2012
For the current financial period	310	377
Falling due at a later date	341	556
Total	**651**	**933**

Other lease obligations

EUR 1,000	2013	2012
For the current financial period	18	36
Falling due at a later time	56	43
Total	**74**	**79**

Derivative obligations

EUR 1,000	2013	2012
Raw material derivatives		
Nominal value	8,056	4,564
Fair value	–19	–64
Interest rate swaps		
Nominal value	75,000	36,009
Fair value	255	–980

Board of Directors´ Proposal for Profit Distribution and Signatures

The parent company´s distributable funds are EUR 138,975,945,
of which EUR 70,303,194 is distributable as dividends, including the profit for the financial year EUR 21,582,525.
There are 23,905,887 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 0.70 per share be paid, totalling	EUR	16,734,120.90
- that the following sum be retained in shareholders´ equity	EUR	122,241,824.10
Total	EUR	138,978,945.00

The record date for the dividend payout is 8 April 2014 and the payment date is 15 April 2014.

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, 13 February 2014.

Matti Ruotsala
Chairman of the Board

Wolfgang Diez
Board Member

Outi Lampela
Board Member

Shemaya Levy
Board Member

Robert J. Remenar
Board Member

Harri Suutari
Board Member

Jyrki Tähtinen
Board Member

Matti Hyytiäinen
President & CEO

Auditor’s Report

To the Annual General Meeting of PKC Group Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of PKC Group Plc for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, 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 President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the 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 President and CEO 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 President and CEO 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 on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company’s financial statements and the report of the Board of Directors

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 President and CEO should be discharged from liability for the financial period audited by us.

Helsinki, February 13, 2014
KPMG Oy Ab

Virpi Halonen
Authorized Public Accountant

Information for Shareholders

Annual General Meeting

The Annual General Meeting of PKC Group Plc. shall be held on 3 April 2014 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 24 March 2014, (holders of nominee registered shares have to be entered on the temporary shareholders' register by 10 a.m. on 31 March 2014) and who notifies the company of his or her participation by 10 a.m. on 31 March 2014.

Notice of the Annual General Meeting has been published as a Stock Exchange Announcement on 7 March 2014 and on the company's website.

Dividends

The Board of Directors proposes that a dividend of EUR 0.70 per share be paid for the year 2013. The record date for dividends is 8 April 2014 and the payment date for dividends is 15 April 2014.

Financial reports for 2014

PKC Group Oyj will publish its interim reports for 2014 as follows:

- 1–3/2014 Thursday, May 8, 2014 at about 8.15 a.m.
- 1–6/2014 Thursday, August 7, 2014 at about 8.15 a.m.
- 1–9/2014 Thursday, October 30, 2014 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

Headquarters

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Finland
Tel. +358 20 1752 111
Fax +358 20 1752 211

The contact information for the Group's locations can be found on the website:
www.pkcgroup.com

PKC GROUP

www.pkcgroup.com