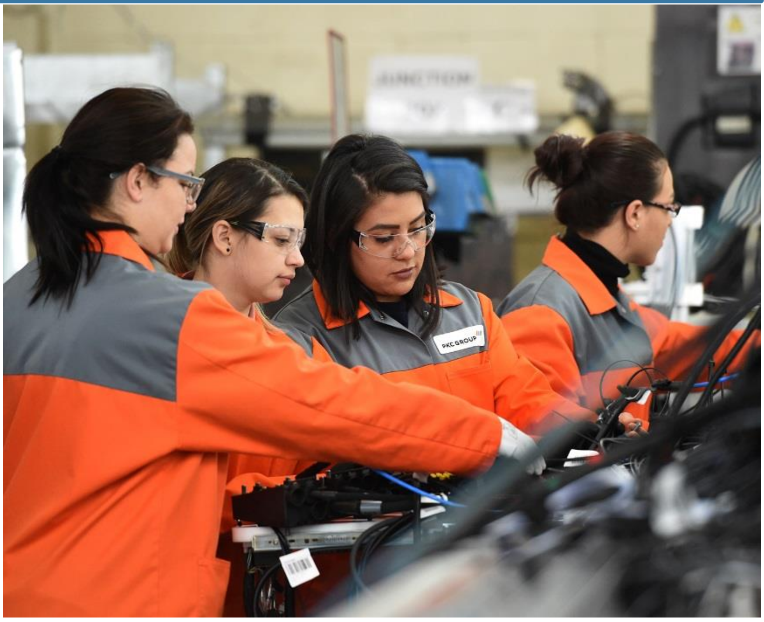
Financial Statements 1.1.2017-31.3.2018

PKC GROUP

Content

Report by the Board of Directors

Review by the President & CEO

In January 2017 Motherson Sumi Systems Limited (MSSL) published a voluntary public tender offer for all PKC shares and option rights. By combining both companies the target is to create world leading wiring harness and component company to serve transportation industry. This is exciting development for our company and employees, offering us new opportunities in many areas. MSSL gained title to all shares in PKC Group Ltd and PKC Group Ltd's shares were de-listed on 6 October 2017.

In the financial year, PKC improved its performance at many fronts. Revenue grew organically in all geographical areas and growth was accelerated by some inorganic measures. For example, a rolling stock electrical distribution system company Fortitude Industries Inc., in the state of New York (USA) was acquired in March 2017 and a second joint venture in China commenced its full-scale operations in the fall of 2017.

Operations continued to be improved and integrated into MSSL. Numerous improvement and synergy initiatives were implemented e.g. in the areas of material sourcing, manufacturing best practises and quality. These initiatives are to bring further benefits for the combined entity and to strengthen the combined entity's position in the market place.

PKC's market position continued to be strong in all product and geographical areas. During the financial period, customers honoured PKC with several quality awards. The strong position and recognitions by customers would not be possible without the commitment, professional skills and diligent work of PKC's personnel. For this, I express my warmest gratitude to each and every employee at PKC.

Key figures* (from continuing operations)

EUR 1,000 (unless otherwise noted)	2017-2018 (15 mon.)	2016 (12 mon.)
Revenue	1,281,946	845,672
Comparable EBITDA	94,224	64,357
% of revenue	7.4	7.6
Comparable EBITA	66,498	42,504
% of revenue	5.2	5.0
Comparable operating profit	54,811	31,890
% of revenue	4.3	3.8
Items affecting comparability	-13,035	-5,353
Operating profit (loss)	41,776	26,537
% of revenue	3.3	3.1
Profit (loss) before taxes	33,379	20,588
Net profit (loss) for the report period	30,903	12,235
Earnings per share (EPS), EUR	1.04	0.43
Net cash from operating activities	-2,212	35,464
Annualized return on capital employed (ROCE), %	12.9	9.7
Gearing, %	66.7	30.2
Personnel in average	22,650	21,277

* current period numbers are for 15 months hence not comparable

Operating environment

Majority of PKC Group'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 development. Economic activity in North America underperformed somewhat in 2016 whereafter the economy has performed on a higher level. The modest growth of the European economy has continued to pick up and in Brazil and Russia, the economies have started to slowly recover from recession. Growth in China has continued at a level expected and the outlook has improved.

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 the reporting period, PKC's regional market shares in truck production fluctuated somewhat from quarter to quarter mainly depending on the changes of PKC's customers' market shares.

PKC Group's functional currency the euro appreciated against the US dollar during the reporting period and on average was also on a stronger level. Towards the end of the reporting period the Brazilian real has continued to depreciate in relation to the euro but on average was on a stronger level than in the comparison period. US dollar depreciated against Mexican peso, but in average it was slightly stronger than in the comparison period. The price of key raw material, copper, has increased significantly during the reporting period even though it was relatively stable during the last few months of the period. On average the customer sales prices are updated with a 3-5 month delay on the basis of copper price changes.

Vehicle production, units	1/2017-3/2018 (15 mon.)	1-12/2017 (12 mon.)	1-12/2016 (12 mon.)	Change % (12 mon.)
North America				
Heavy duty trucks	331,451	255,950	228,707	11.9%
Medium duty trucks	327,050	261,103	241,760	8.0%
Light vehicles (Pick-up & SUV)	13,161,048	10,390,200	9,990,075	4.0%
Europe				
Heavy duty trucks	506,141	407,410	390,113	4.4%
Medium duty trucks	93,917	75,490	74,538	1.3%
Brazil				
Heavy duty trucks	69,584	56,232	38,386	46.5%
Medium duty trucks	30,237	24,431	19,863	23.0%
China				
Heavy duty trucks	1,493,878	1,149,664	741,362	55.1%
Medium duty trucks	294,943	234,013	231,437	1.1%

Source: LMC Automotive March 2018

During the reporting period, European truck demand has continued to recover and production volumes increased. In North America, the demand for heavy duty trucks decreased significantly in 2016 but has recovered clearly during the reporting period. In Brazil, the economic situation has improved somewhat and production volumes have increased substantially including the impact of clearly higher export volumes. In China, economic situation has improved and truck production has grown partly also due to market adjusting itself into new emission standards. The demand for the rolling stock has continued to grow steadily.

Revenue and profitability from continuing operations

Revenue in financial period amounted to EUR 1,281.9 million (EUR 845.7 million) equaling to a growth of 52% compared to a 25% longer financial period (15 months vs 12 months). The revenue grew in all geographical areas and the strongest relative growth took place in APAC where the second joint venture commenced full scale operations during fall of 2017. Revenue grew also organically in all geographical areas.

The financial period comparable EBITDA before items affecting comparability was EUR 94.2 million (EUR 64.4 million 12 months for previous year numbers) and 7.4% (7.6%) of revenue. During the financial period items affecting the comparability amounted to EUR -13.0 million (EUR -5.4 million). Items affecting comparability in the financial period consist mainly of expenses related to MSSL Estonia WH OÜ's public tender offer on PKC's shares and options.

The comparable EBITDA grew mainly by increased revenue. The financial period operating profit before items affecting comparability and PPA depreciation and amortisation related to acquisitions totalled EUR 66.5 million (EUR 42.5 million), accounting for 5.2% of revenue (5.0%). The financial period Group depreciation, amortisation and impairment losses amounted to EUR 39.4 million (EUR 32.6 million) equaling to 3.1% of revenue (3.9%). Excluding PPA related depreciation and amortisation, and impairment losses it amounted to EUR 27.7 million (EUR 21.9 million).

During the financial period the Group's operating profit totalled EUR 41.8 million (EUR 26.5 million), accounting for 3.3% of revenue (3.1%).

Financial items and net profit from continuing operations

Financial items were EUR -8.4 million (EUR -6.0 million) during the financial period. Financial items include foreign exchange differences totalling EUR -2.0 million (EUR -1.5 million) during the financial period.

Profit before taxes during the financial period was EUR 33.4 million (EUR 20.6 million). Income tax in the financial period amounted to EUR 2.5 million (EUR 8.4 million). Net profit for the financial period totalled EUR 30.9 million (EUR 12.2 million). The financial period earnings per share were EUR 1.04 (EUR 0.43).

Cash flow, financial position and financing

During the financial period net cash from operating activities was EUR -2.2 million (EUR 35.0 million) and cash flow after investments was EUR -55.4 million (EUR 17.0 million). During the financial period, net cash from operating activities was negatively impacted by the increase of working capital due to higher revenue and seasonality, and by expenses related to MSSL Estonia WH OÜ's public tender offer on PKC's shares and options.

Working capital (inventories, trade receivables and trade payables) increased from the end of previous financial period by EUR 50.7 million amounting to EUR 140.5 million at the end March. Total net working capital (including all current non-interest-bearing items) at the end of financial period was EUR 114.7 million (EUR 40.8 million at the end of previous financial period). Total net working capital increased EUR 73.9 million during the financial period, while in the comparison financial period the decrease was EUR 14.3 million.

During the financial period, the Group's gross capital expenditure totalled EUR 67.4 million (EUR 24.4 million), representing 5.3% of revenue (2.9%). Gross capital expenditure is geographically divided as follows: Europe 42.2% (39.5%), APAC 30.2% (6.8%), North America 24.0% (46.9%) and South America 3.6% (4.2%). The capital expenditure consisted of regular maintenance investments into production machinery and equipment during the report period. In addition, it included the impact of the acquisition of Fortitude Industries Inc. in the USA, execution of a call option liability (related to the acquisition of Groclin's Wiring & Controls business, including Kabel-Technik-Polska Sp. z o. o ("KTP") in Poland) and the impact of establishing joint ventures in China.

At the end of financial period cash and cash equivalents amounted to EUR 74.3 million (EUR 130.1 million) and interest-bearing liabilities totalled EUR 185.1 million (EUR 176.6 million). Interest-bearing liabilities consisted of non-current interest-bearing debt of EUR 0.1 million and current interest-bearing debt of EUR 185.0 million. Current interest-bearing liabilities consist mainly of outstanding commercial papers, bank loans and notes (bond) which are maturing in September, 2018. PKC Group has a Finnish commercial paper program whereby PKC Group regularly issues short-term notes. PKC Group selectively utilizes also non-recourse factoring arrangements with some customers. At the end of financial period, the outstanding amount of such arrangements was EUR 44.8 million (EUR 27.4 million).

The effective average interest rate of the interest-bearing debt was at the close of the financial period 2.5% (2.8%). Minority of the noteholders representing less than 3% of the nominal amount of PKC Group Ltd Notes due 2018 used the right to redeem their notes due to change of control event published in March 2017. The Group's equity ratio was 28.9% (27.4%). Net interest-bearing liabilities totalled EUR 110.8 million (EUR 46.6 million) and gearing was 66.7% (30.2%).

Discontinued operations

PKC Group announced on 27 January 2017 that it divests 100% of PKC Electronics Oy shares to Enics, one of the biggest Electronics Manufacturing Service (EMS) providers in the world focusing on industrial electronic. The requirements of closing have been fulfilled and the closing became effective and ownership and control transferred on 28 February 2017. As a consequence of the sale transaction, a loss of EUR 2.3 million has been recognised in profit for the reporting period from the discontinued operations.

Electronics business had been classified as a non-current asset held for sale and reported as discontinued operations as of 31 March 2016. After this change PKC Group has only one primary reporting operating segment which also includes Group functions and other items.

More information about discontinued operations can be found from the Consolidated Financials Statement's note 4.5 Discontinued Operations.

Research & development in continuing operations

Research and development costs during the financial period totalled EUR 7.4 million (EUR 6.0 million), representing 0.6% (0.7%) of the consolidated revenue. At the end of financial year 73 (84) 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.

Early involvement on customer design enables cost effective and reliable solutions utilizing the capabilities of latest production and product technologies and also considering "Design for Manufacturing" perspective. This will reduce iteration rounds and lower the design cost.

PKC can provide product support from design services up to mass production deliveries.

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.

Personnel, quality and environment in continuing operations

The Group had an average payroll of 23,511 employees (21,920) including temporary employees during the financial period. At the end of the financial period, the Group's personnel including temporary employees totalled 25,510 employees (20,426), of whom 25,462 (20,372) worked abroad and 48 (54) in Finland. Geographically personnel was divided at the end of the financial period as follows: North America 46.6% (48.8%), Europe 37.7% (41.4%), South America 5.7% (5.3%) and Asia 10.6% (4.5%).

More information about personnel, quality and the environment can be found from the Corporate Responsibility report to be published by MSSL at a later date.

Governance structure

The Annual General Meeting held on 5 April 2017, re-elected Robert Remenar and Matti Ruotsala and elected Vivek Chaand Sehgal, Andreas Heuser, Pankaj Mital and Gaya Nand Gauba as new members. In the Board's organisation meeting, Matti Ruotsala was elected as Chairman of the Board and Pankaj Mital as Vice-Chairman.

Matti Ruotsala was elected as the chairman of the Audit Committee and Pankaj Mital and Gaya Nand Gauba as members. The Board elected Andreas Heuser as chairman of the Remuneration Committee and Robert Remenar and Pankaj Mital as members.

The Annual General Meeting resolved, selected Authorised Public Accountants Ernst & Young Oy as audit firm, which has announced Jari Karppinen, Authorized Public Accountant, to be the Auditor with principal responsibility.

At the end of the March the Group's Executive Board consists of the following persons: Pankaj Mital, Chairman (President & CEO), Julie Bellamy (Group Senior Vice President, Human Resources), Andre Gerstner (President, Rolling Stock Business), Jyrki Keronen (President, Wiring Systems, APAC), Jani Kiljala (President, Wiring Systems, Europe and South America), Frank Sovis (President, Wiring Systems, North America), Juha Torniainen (CFO), Deepak Tyagi (Chief Technical Officer) and Vesa Vähämöttönen (Group Senior Vice President, Business Development).

Key strategic highlights of 2017-2018

PKC Group announced on 27 January 2017 that it divests 100% of PKC Electronics Oy shares to Enics, one of the biggest Electronics Manufacturing Service (EMS) provider in the world focusing on industrial electronic. The requirements of closing have been fulfilled and the closing became effective and ownership and control transferred on 28 February 2017.

PKC Group announced on 9 February 2017 that it was negotiating on establishing a company into China with a Chinese wiring harness manufacturer. It was estimated that the company would generate annual sales of about EUR 40 million and that the negotiations would be completed during the financial year. The 60/40 company was accomplished through a new company named Hubei Zhengao PKC Automotive Wiring Company Ltd that was established by Hubei Zhengao Automotive Accessories Co., Ltd. and PKC in city of Shiyan in Hubei province in China with an equity value of RMB 150 million (about EUR 20 million at current exchange rate). PKC will contribute RMB 60 million (about EUR 8 million at current exchange rate) via equity to be financed from PKC's cash resources. The company has commenced operations during the financial year.

PKC Group signed and closed a contract to buy the rolling stock electrical distribution system company Fortitude Industries Inc., in the state of New York (USA), which was announced on 31 March 2017.

On 1 October 2017 PKC Group acquired from the former Huber+Suhner rolling stock electrical distribution system operations in Tczew (Poland). According to the agreement PKC Group acquired assets together with the transfer of agreements and related liabilities. PKC Group has recognised this transaction as assets acquisition (as at the closing date it was amounted to about EUR 2 million).

Short-term risks and uncertainties

The demand for PKC´s products is dependent especially on the volatility of the global commercial vehicle industry as well as the development of PKC's customers' businesses. Rolling stock programs are typically publicly funded and therefore subject to risks in execution schedules.

Uncertainty related to emerging markets' political or economic development especially in China, Brazil and Russia has stabilized or reduced but is higher than the long-term average.

Consolidation of the customer base and 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 in the short term. 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.

The price of copper increased significantly during the reporting period even thought it was relatively stable towards the end of the period.

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 121.6 million, of which EUR 49.9 million is distributable as dividends, including the net profit (loss) for the financial year EUR -9.5 million. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.70 per share be paid for a total of EUR 16.9 million and that the remainder of the distributable funds be transferred to shareholders' equity. The dividend payment will be settled at the Annual General Meeting held after the end of the financial year. In the view of the Board of Directors, the proposed dividend pay-out will not put the company's liquidity at risk.

Group's Financial Key Indicators*

EUR 1,000 (unless otherwise noted)	2013 (12 mon.)	2014 (12 mon.)	2015 (12 mon.)	2016 (12 mon.)	2017-18 (15 mon.)
Consolidated statement of comprehensive income					
Revenue[1)]	884,258	829,516	847,338	845,672	1,281,946
Operating profit (loss)[1)]	27,007	-6,978	20,230	26,537	41,776
Profit (loss) before taxes[1)]	21,562	-10,528	16,860	20,588	33,379
Net profit (loss) for the report period[1)]	13,947	-29,051	5,873	12,235	30,903
Consolidated statement of financial position					
Assets					
Non-current assets	162,376	159,483	203,564	181,703	191,418
Current assets	293,257	296,799	338,697	361,837	383,099
Assets classified as held for sale				20,156	
Total assets	**455,634**	**456,282**	**542,261**	**563,696**	**574,516**
Equity and liabilities					
Total equity incl. non-controlling interests	194,425	158,085	157,313	154,399	165,966
Non-current liabilities	133,478	137,918	194,199	172,857	29,487
Current liabilities	127,730	160,279	190,750	226,304	379,064
Liabilities classified as held for sale				10,136	
Total equity and liabilities	**455,634**	**456,282**	**542,261**	**563,696**	**574,516**
Key indicators					
Revenue[1)]	884,258	829,516	847,338	845,672	1,281,946
Change in revenue, %	-4.7	-6.2	2.1	-0.2	51.6
Operating profit (loss)[1)]	27,007	-6,978	20,230	26,537	41,776
% of revenue	3.1	-0.8	2.4	3.1	3.3
Profit (loss) before taxes[1)]	21,562	-10,528	16,860	20,588	33,379
Net profit (loss) for the report period[1)]	13,947	-29,051	5,873	12,235	30,903
% of revenue	1.6	-3.5	0.7	1.4	2.4
Annualized return on equity (ROE)[2)], %	7.8	-16.5	3.7	7.9	15.4
Annualized return on investment (ROI)[2)], %	11.8	2.0	11.4	10.7	12.9
Annualized return on capital employed (ROCE)[2)], %	12.2	7.7	9.9	9.7	12.9
Net working capital[3)]	63,540	26,199	55,132	40,797	114,684
Working capital[3)]	84,246	70,172	92,711	89,880	140,542
Net liabilities[3)]	-2,225	-8,875	49,375	46,591	110,755
Gearing[3)], %	-1.1	-5.6	31.4	30.2	66.7
Equity ratio[3)], %	42.7	34.7	29.0	27.4	28.9
Quick ratio[3)]	1.7	1.4	1.3	1.2	0.7
Current ratio[3)]	2.3	1.9	1.8	1.6	1.0
Net cash from operating activities[3)]	39,714	41,038	14,813	35,464	-2,212
Cash flows after investments[3)]	24,941	20,699	-23,372	17,030	-55,367
Gross capital expenditure[1)]	14,620	19,908	36,932	24,484	67,417
% of revenue	1.7	2.4	4.4	2.9	5.3
R&D expenses[1)]	8,503	8,164	5,350	5,985	7,392
% of revenue	1.0	1.0	0.6	0.7	0.6
Personnel excl temporary in average[1)]	19,206	19,640	20,214	21,277	22,650

[1)] 2013-2014 incl discontinued operations, 2015- from continuing operations

[2)] 2013-2014 incl discontinued operations, 2015 include assets and liabilities of discontinued operations, 2016- from continuing operations

[3)] 2013-2015 incl discontinued operations, 2016- from continuing operations

* current period numbers are for 15 months hence not comparable

Group's Financial Key Indicators

EUR (unless otherwise noted)	2013 (12 mon.)	2014 (12 mon.)	2015 (12 mon.)	2016 (12 mon.)	2017-18 (15 mon.)
Key indicators for shares					
Earnings per share (EPS) incl discontinued operations, basic	0.63	-1.21	0.29	0.13	0.94
Earnings per share (EPS) incl discontinued operations, diluted	0.62	-1.21	0.29	-	-
Earnings per share (EPS) from continuing operations, basic			0.23	0.43	1.04
Earnings per share (EPS) from continuing operations, diluted			0.23	-	-
Shareholders´equity per share	8.13	6.59	6.08	5.71	5.80
Cash flow per share (2013-2015 incl discontinued operations)	1.77	1.70	0.62	1.48	-0.09
Dividend per share [1]	0.70	0.70	0.70	-	0.70
Dividend per earnings, % [1]	111.8	-57.7	244.9	-	74.9
Dividend per earnings, continuing operations, % [1]			310.6	-	67.1
Effective dividend yield, % [1]	2.9	4.0	4.3	-	-
Price/earnings ratio (P/E)	38.6	-14.5	56.9	123.4	
Price/earnings ratio (P/E), continuing operations			72.2	36.4	
Share price at the end of the year	24.19	17.58	16.27	15.81	
Lowest share price during the year	15.00	13.13	15.51	12.90	
Highest share price during the year	25.31	26.33	23.37	18.80	
Average share issue-adjusted number of shares [2]	22,280	23,953	23,993	23,992	24,125
Diluted average share issue-adjusted number of shares [2]	22,454	24,098	24,024	23,911	24,125
Share issue-adjusted number of shares at the end of the financial year [2]	23,906	23,971	24,095	24,125	24,125
Shares outstanding at the end of period [2]	23,906	23,971	23,963	24,009	24,125
Shares held by the company at the end of period [2] [3]	0	0	133	117	0
Market capitalisation, EUR 1,000	576	421,401	392,032	381,422	
Dividend[1], EUR 1,000	16,760	16,788	16,867	-	16,888

[1] The figures of 2017-18 are based on the Board of Directors´proposal.

[2] Number of shares in thousands

[3] PKC Group has entered into an agreement with a third-party service provider concerning the management of the share-based incentive program for key personnel. The third party acquires and owns the shares until the shares were given to the participants of the program or otherwise redeemed.

Calculation of Key Indicators

Return on equity (ROE), %	100 x	Net profit (loss) for the report period / Total equity (average)
Return on investment (ROI), %	100 x	Profit (loss) before taxes + financial expenses / Total equity + interest-bearing financial liabilities (average)
Return on capital employed (ROCE), %	100 x	Operating profit +/- items affecting comparability / 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 statement of financial position - advance payments received
Net working capital		Inventories + current non-interest-bearing receivables – current non-interest-bearing liabilities
Working capital		Inventories + trade receivables - trade payables
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		Net profit (loss) for the report period attributable to equity holders of the parent company / Average share issue-adjusted number of outstanding shares
Equity per share, EUR		Equity attributable to equity holders of the parent company / Share issue-adjusted number of outstanding shares at the closing date
Cash flow per share, EUR		Net cash from operating activities / Average share-issue-adjusted number of outstanding shares
Dividend per share, EUR		Dividend paid for financial year / Share issue-adjusted number of shares outstanding 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

Measures of Profit and Items Affecting Comparability*[1)]

EUR 1,000 (unless otherwise noted)	2013 (12 mon.)	2014 (12 mon.)	2015 (12 mon.)	2016 (12 mon.)	2017-18 (15 mon.)
Comparable EBITDA	**66,884**	**48,572**	**59,528**	**64,357**	**94,224**
% of revenue	7.6	5.9	7.0	7.6	7.4
Depreciation, amortisation and impairments[2)]	-17,880	-19,032	-20,167	-21,853	-27,726
Comparable EBITA	**49,004**	**29,540**	**39,361**	**42,504**	**66,498**
PPA depreciation and amortisation	-11,588	-8,156	-10,349	-10,615	-11,687
Comparable operating profit	**37,416**	**21,384**	**29,012**	**31,890**	**54,811**
Items affecting comparability:					
Employee benefit expenses	-5,312	-12,216	-4,889	-5,577	-9,804
Impairment of PPE and intangible assets	-3,391	-6,288	-793	-100	30
Other items affecting comparability	-1,707	-9,858	-3,101	325	-3,262
Total items affecting comparability	**-10,409**	**-28,362**	**-8,782**	**-5,353**	**-13,035**
Operating profit	**27,007**	**-6,978**	**20,230**	**26,537**	**41,776**

[1)] 2012-2014 incl discontinued operations, 2015- from continuing operations

[2)] excluding PPA depreciation and amortisation and impairment of PPE and intangible assets affecting comparability

* current period numbers are for 15 months hence not comparable

Calculation of Measures of Profit and Items Affecting Comparability

EBITDA	Operating profit (loss) + items affecting comparability + depreciation, amortisation and impairments
EBITA	Operating profit (loss) + items affecting comparability + PPA (purchase price allocation) depreciation and amortisation

Items affecting comparability

Items affecting comparability are exceptional items which are not related to normal business operations. Typically, the items affecting comparability 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. Presentation of items affecting comparability improve the comparability between financial periods.

During the financial year EUR -13.0 million (EUR -5.4 million) in items affecting comparability were recognised. Items affecting comparability in the financial period consist mainly of expenses related to MSSL Estonia WH OÜ's public tender offer on PKC's shares and options. Items affecting comparability in 2016 consisted mainly of expenses related to adjusting North American organisation and production capacity to medium term outlook.

Shares and Shareholders

MSSL Estonia WH OÜ's public tender offer

Following the completion of the voluntary public tender offer for all outstanding shares and stock options in PKC, MSSL Estonia WH OÜ, a wholly-owned indirect subsidiary of Motherson Sumi Systems Limited has on 6 October 2017 posted a security in connection with the redemption of the minority shares in PKC and thus acquired title to all the minority shares in PKC in accordance with chapter 18, section 6 of the Finnish Companies Act after which MSSL Estonia WH OÜ owns 100 per cent of the shares of PKC. PKC's shares have been delisted and shares were listed for the last day on 6 October 2017.

Trading of shares on Nasdaq Helsinki

	1-9/2017	2016
Turnover in shares	33,230,281	9,940,968
Share turnover, EUR million	775.3	158.2
Turnover in shares per average number of shares, %	137.7	41.4

Shares and market value

	9/2017	31.12.2016
Number of shares	24,125,387	24,125,387
Lowest share price during the financial year, EUR	15.51	12.90
Highest share price during the financial year, EUR	24.42	18.80
Share price at close of financial year, EUR	-	15.81
Average share price of the financial year, EUR	23.02	15.91
Market capitalisation, EUR million	578.0	381.4

The shares held by Executive Board members, Board members, their closely associated persons and corporations in which they have a controlling interest accounted for 0.0% (0.3%) of the total number of shares at the end of the financial period. PKC Group Ltd had a total of 1 shareholders (8,988) at the end of financial period. The shares held by foreigners and through nominee registrations at the close of the financial period totalled 100.0% of the share capital (32.3%). At the end of financial period PKC Group Ltd does not have any own shares (treasury shares) in its possession.

- Additional information of related parties has been presented in consolidated financial statements' note 4.1 Related Party Disclosures.

Flaggings

On 13 January 2017 the share of votes and share capital in PKC Group Plc owned by Lannebo Fonder AB (Orgnr 556584-7042) fell below the limit of 5%. Following the transaction Lannebo Fonder AB owned 1,171,928 PKC Group Plc shares and votes, i.e. 4.86% of the share capital and votes.

On 27 March 2017 the share of votes and share capital in PKC Group Plc owned by Ilmarinen Mutual Pension Insurance Company fell below the limit of 5%. Following the transaction Ilmarinen Mutual Pension Insurance Company owned 0 PKC Group Plc shares and votes, i.e. 0.00% of the share capital and votes.

On 27 March 2017 the share of votes and share capital in PKC Group Plc owned by MSSL Estonia WH OÜ exceeded the limit of 90%. Following the transaction MSSL Estonia WH OÜ owned 23,065,057 PKC Group Plc shares and votes, i.e. 95.6% of the share capital and votes.

On 29 March 2017 the share of votes and share capital in PKC Group Plc held directly by Nordea Funds Oy (1737785-9) through its controlled funds fell below the limit of 5%. Following the transaction Nordea Funds Oy owned 0 PKC Group Plc shares and votes, i.e. 0.00% of the share capital and votes.

Number of shares

The Company's registered share capital is divided into 24,125,387 shares i.e no change compared to the end of year 2016.

The Board's authorisations

The Board of Directors was granted authorisation by the Annual General Meeting on 3 April 2014 to decide on one or more share issues 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 4,750,000 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. The authorisation revoked the authorisation granted on 30 March 2011.

Stock option schemes

PKC´s long-term remuneration consists of stock option schemes approved by the annual general meeting. During the financial year remaining 2012 stock options were exercised as cash or expired since PKC's shares have been delisted 6 October 2017. 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.

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 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 Helsinki, as defined in the stock option terms. Options which subscription period has begun and are held by PKC cannot be exercised.

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. Currently 2012A(ii) options have been released and are allocated to the key personnel. Also 2012B(ii) options have been released and are allocated to the key personnel and also converted to 2012B(i) options. The release criteria for 2012 C ii) options has not been fulfilled and thus 2012 C (ii) options expire.

Release criteria for 2012 (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. Board of Directors has decided that the release criteria for 2012 A ii) options has been fulfilled and thus share subscription period with 2012 A (ii) options shall start as set out in option terms.
- 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. Board of Directors has decided that the release criteria for 2012 B ii) options has been fulfilled and thus share subscription period with 2012 B (ii) options shall start as set out in option terms.

- The share subscription period with 2012 C (ii) options begins only if EBITDA for years 2014-2016 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. Board of Directors has decided that the release criteria for 2012 C ii) options has not been fulfilled and thus 2012 C (ii) options expire.

Share based incentive plans

PKC Group Plc's share-based incentive plan for the Group key personnel consists of Performance Share Plan, Matching Share Plan and a Restricted Share Plan. At the end of March 2018 only Restricted Share Plan 2016 has contractual life remaining and it will be later exercised wholly as cash. Other plans have already been exercised wholly as cash, since MSSL Estonia WH OÜ has gained title to all shares in PKC Group Ltd and PKC Group Ltd's shares were de-listed. The aim of the plans is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company in the long-term, to bind the participants to the Company, and to offer them competitive reward plans based on earning and accumulating the Company´s shares.

The potential rewards from these incentive plans, on the basis of the performance period and vesting periods, will be paid partly in the Company's shares and partly in cash in 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant´s employment or service ends before the reward payment.

Share based incentive plans 2016

On 10 February 2016 PKC Group announced two new share-based incentive plans for the Group key personnel approved by the Board of Directors. In total, the Performance Share Plan 2016 and Restricted Share Plan 2016 correspond to the value of an approximate maximum total of 490,000 PKC Group Plc shares (including also the cash proportion).

Performance Share Plan 2016

The performance period of the Performance Share Plan 2016 is calendar years 2016-2018, during which the plan is directed to approximately 60 participants, including the members of the Executive Board. The rewards to be paid on the basis of the performance period 2016-2018 correspond to the value of an approximate maximum total of 430,000 PKC Group Plc shares (including also the cash proportion). Attainment of the required performance level will determine the proportion out of the maximum reward that will be paid to a participant on the basis of the Performance Share Plan 2016.

Restricted Share Plan 2016

The vesting period of the Restricted Share Plan 2016 is calendar years 2016-2018, during which the plan is directed to approximately 20 selected key persons. The rewards allocated in 2016-2018 on the basis of the Restricted Share Plan 2016 correspond to the value of an approximate maximum total of 55,000 PKC Group Plc shares which will be exercised wholly as cash.

Share based incentive plans 2015

On 11 February 2015 PKC Group announced new share-based incentive plans for the Group key personnel approved by the Board of Directors. In total, the Performance Share Plan 2015, Matching Share Plan 2015 and Restricted Share Plan 2015 correspond to the value of an approximate maximum total of 530,000 PKC Group Plc shares (including also the cash proportion).

Performance Share Plan 2015

The performance period of the Performance Share Plan 2015 is calendar years 2015-2017, during which the plan is directed to approximately 40 participants, including the members of the Executive Board. The rewards to be paid on the basis of the performance period 2015-2017 correspond to the value of an approximate maximum total of 310,000 PKC Group Plc shares (including also the cash proportion). Attainment of the required performance level will determine the proportion out of the maximum reward that will be paid to a participant on the basis of the Performance Share Plan 2015.

Matching Share Plan 2015

The vesting period of Matching Share Plan 2015 is calendar years 2015-2017, during which the plan is directed to approximately 20 participants, including the members of the Executive Board. The Board of Directors may resolve to include new participants in this plan during 2015-2017, and on the duration of the related vesting periods (12-36 months). The rewards allocated in 2015-2017 on the basis of the Matching Share Plan 2015 correspond to the value of an approximate maximum total of 100,000 PKC Group Plc shares (including also the cash proportion).

The prerequisite for receiving reward on the basis of the Matching Share Plan 2015 is that a person participating in the Plan acquires the Company´ shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuation of participant´s employment or service upon reward payment. The participant may as a gross reward, receive one (1) matching share for each acquired share.

Restricted Share Plan 2015

The vesting period of the Restricted Share Plan 2015 is calendar years 2015-2017, during which the plan is directed to approximately 20 selected key persons. The Board of Directors may resolve to include new key persons in this plan during 2015-2017, and on the duration of the related vesting periods (12-36 months). The rewards allocated in 2015-2017 on the basis of the Restricted Share Plan 2015 correspond to the value of an approximate maximum total of 120,000 PKC Group Plc shares (including also the cash proportion).

- Additional information of share-based incentives has been presented in consolidated financial statements' note 1.4 Employee Benefit Expenses.

Dividend for 2016

As a result of the fulfilment of all conditions to complete MSSL Estonia WH OÜ's [a wholly-owned indirect subsidiary of Motherson Sumi Systems Limited] voluntary recommended public tender offer, the Board's conditional dividend proposal had lapsed and the Annual General Meeting resolved on 5 April 2017 not to pay dividend.

Share price and monthly trading volume 2.1.2013 - 4.9.2017

Consolidated Statement of Comprehensive Income

EUR 1,000	Note	1.1.2017 - 31.3.2018 (15 mon.)	1.1.2016 - 31.12.2016 (12 mon.)
Revenue	1.1	**1,281,946**	**845,672**
Production for own use		111	32
Other operating income	1.2	1,245	6,106
Increase/decrease in inventories of finished goods and work in progress		6,762	4,057
Materials and services	1.3	-805,768	-507,368
Employee benefit expenses	1.4, 4.1	-300,292	-211,766
Depreciation, amortisation and impairment	2.1, 2.3	-39,383	-32,568
Other operating expenses	1.5	-102,846	-77,628
Operating profit (loss)		**41,776**	**26,537**
Interest and other financial income and expenses	3.3	-6,402	-4,420
Foreign currency exchange differences	3.3	-1,994	-1,530
Profit (loss) before taxes		**33,379**	**20,588**
Income taxes	1.6	-2,476	-8,352
Net profit (loss) for the financial year from continuing operations		**30,903**	**12,235**
Net profit (loss) for the financial year from discontinued operations	4.5	**-2,595**	**-7,356**
Net profit (loss) for the financial year		**28,308**	**4,880**
Other comprehensive income			
Items, that may be reclassified subsequently to profit or loss			
Foreign currency translation differences -foreign operations	3.5	-25,281	2,699
Foreign currency translation differences from discontinued operations		0	-59
Cash flow hedges		3,471	1,210
Taxes related to cash flow hedges	1.6	-1,093	-438
Items that will not be reclassified to the income statement			
Actuarial gains and losses on defined benefit plans		120	0
Other comprehensive income for the financial year after taxes		**-22,782**	**3,412**
Total comprehensive income for the financial year		**5,526**	**8,292**
Net profit (loss) attributable to			
Shareholders of the parent company		22,560	3,075
Non-controlling interests		5,748	1,805
Total comprehensive income attributable to			
Shareholders of the parent company		148	6,857
Non-controlling interests		5,378	1,435
Total comprehensive income attributable to shareholders of the parent company divides as follows			
Continuing operations		2,743	14,271
Discontinued operations		-2,595	-7,414
Attributable to equity holders of the parent company			
Including discontinued operations			
Basic earnings per share (EPS), EUR	1.7	0.94	0.13
From continuing operations			
Basic earnings per share (EPS), EUR	1.7	1.04	0.43

Consolidated Statement of Financial Position

EUR 1,000	Note	31.3.2018	31.12.2016
Assets			
Non-current assets	1.1		
Goodwill	2.1, 2.2	40,263	35,837
Intangible assets	2.1	46,719	57,770
Property, plant and equipment	2.3	67,533	61,105
Available-for-sale financial assets	2.4	713	713
Investment in accociated company	2.5	8,076	0
Other receivables	2.6	8,341	5,439
Deferred tax assets	1.6	19,772	20,839
Total non-current assets		**191,418**	**181,703**
Current assets			
Inventories	2.7	116,974	99,039
Trade receivables and other receivables	2.8	191,792	132,746
Cash and cash equivalents		74,333	130,052
Total current assets		**383,099**	**361,837**
Assets classified as held for sale	4.5	**0**	**20,156**
Total assets		**574,516**	**563,695**
Equity and liabilities			
Equity	3.5		
Total equity attributable to the equity holders of the parent company		140,044	137,656
Non-controlling interests		25,921	16,742
Total equity		**165,966**	**154,399**
Non-current liabilities			
Interest-bearing financial liabilities	3.2	106	141,326
Provisions	2.10	233	973
Other liabilities	2.6	7,353	5,805
Deferred tax liabilities	1.6	21,794	24,752
Total non-current liabilities		**29,487**	**172,857**
Current liabilities			
Interest-bearing financial liabilities	3.2	184,982	35,316
Trade payables and other non-interest bearing liabilities	2.9	194,082	190,988
Total current liabilities		**379,064**	**226,304**
Liabilities classified as held for sale	4.5	**0**	**10,136**
Total liabilities		**408,551**	**409,297**
Total equity and liabilities		**574,516**	**563,695**

Consolidated Statement of Cash Flows

EUR 1,000	Note	1.1.2017 - 31.3.2018 (15 mon.)	1.1.2016 - 31.12.2016 (12 mon.)
Cash flows from operating activities			
Cash receipts from customers		1,208,114	827,461
Cash receipts from other operating income		455	4,140
Cash paid to suppliers and employees		-1,184,940	-783,400
Cash flows from operations before financial income and expenses and taxes		**23,629**	**48,200**
Interest paid and other financial expenses		-5,765	-7,939
Effect of exhange rate changes		-3,622	-1,710
Interest received		649	6,931
Income taxes paid		-17,103	-10,017
Net cash from operating activities (A)		**-2,212**	**35,464**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		-35,750	-25,713
Proceeds from sale of property, plant and equipment and intangible assets		1,786	7,038
Acquisition of subsidiary shares, net of cash acquired	4.3	-24,345	0
Disposal of subsidiaries		12,240	0
Acquisition of associated company		-7,329	0
Dividends received from investments		243	241
Net cash used in investing activities (B)		**-53,155**	**-18,434**
Cash flows from financial activities			
Share issue and exercise of options	3.5	0	455
Proceeds from current borrowings		229,329	135,000
Proceeds from non-currrent borrowings		0	128
Repayment of current/non-current borrowings		-220,110	-125,506
Change of treasury shares	3.5	2,747	0
Dividends paid	3.5	-1,337	-17,206
Net cash used in financial activities (C)		**10,630**	**-7,128**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)		**-44,736**	**9,902**
Cash and cash equivalents at the beginning of the financial year		**130,052**	**118,287**
Effect of exhange rate changes		**-10,982**	**1,863**
Cash and cash equivalents at the end of the financial year		**74,333**	**130,052**

- Net cash from operating activities (A) excludes discontinued operations. Additional information about discontinued operations' effect on the cash flow has been presented in note 4.5 Discontinued Operations.

Consolidated Statements of Changes in Equity 2017-2018

EUR 1,000	Note	Share capital	Share premium account	Invested non-restricted equity fund	Other reserves	Treasury shares	Translation difference	Retained earnings	Equity attributable to share-holders of the parent company	Non-controlling interests	Total equity
Equity at 1.1.2017		**6,218**	**11,282**	**83,433**	**-1,982**	**-1,985**	**-278**	**40,970**	**137,656**	**16,742**	**154,399**
Comprehensive income											
Net profit for the report period		0	0	0	0	0	0	22,560	22,560	5,748	28,308
Cash flow hedges		0	0	0	2,379	0	0	0	2,379	0	2,379
Foreign currency translation differences - foreign operations	3.5	0	0	0	0	0	-25,066	0	-25,066	-215	-25,281
Other changes		0	0	411	0	0	0	120	531	0	531
Total other comprehensive income		**0**	**0**	**411**	**2,379**	**0**	**-25,066**	**120**	**-22,157**	**-215**	**-22,372**
Total comprehensive income for the financial year		**0**	**0**	**411**	**2,379**	**0**	**-25,066**	**22,680**	**403**	**5,533**	**5,936**
Transactions with shareholders											
Dividends	3.5	0	0	0	0	0	0	0	0	-1,337	-1,337
Changes of treasury shares	3.5	0	0	0	0	1,985	0	0	1,985	0	1,985
Total transactions with shareholders		**0**	**0**	**0**	**0**	**1,985**	**0**	**0**	**1,985**	**-1,337**	**649**
Change in ownership interest											
Establishment of subsidiary with non-controlling interest	4.4									4,982	4,982
Total equity at 31.3.2018		**6,218**	**11,282**	**83,843**	**397**	**0**	**-25,344**	**63,649**	**140,045**	**25,921**	**165,966**

Consolidated Statements of Changes in Equity 2016

EUR 1,000	Note	Share capital	Share premium account	Invested non-restricted equity fund	Other reserves	Treasury shares	Translation difference	Retained earnings	Equity attributable to share-holders of the parent company	Non-controlling interests	Total equity
Equity at 1.1.2016		**6,218**	**11,282**	**82,944**	**-2,754**	**-2,252**	**-2,918**	**54,065**	**146,584**	**10,728**	**157,313**
Comprehensive income											
Net profit for the report period		0	0	0	0	0	0	3,075	3,075	1,805	4,880
Cash flow hedges		0	0	0	772	0	0	0	772	0	772
Foreign currency translation differences - foreign operations	3.5	0	0	0	0	0	2,699	0	2,699	0	2,699
translation differences from discontinued operations	3.5	0	0	0	0	0	-59	0	0	0	-59
Total other comprehensive income		**0**	**0**	**0**	**772**	**0**	**2,640**	**0**	**3,412**	**0**	**3,412**
Total comprehensive income for the financial year		**0**	**0**	**0**	**772**	**0**	**2,640**	**3,075**	**6,486**	**1,805**	**8,291**
Transactions with shareholders											
Dividends	3.5	0	0	0	0	0	0	-17,206	-17,206	0	-17,206
Share-based payments	1.4	0	0	0	0	0	0	1,312	1,312	0	1,312
Exercise of options	3.5	0	0	455	0	0	0	0	455	0	455
Other changes		0	0	34	0	267	0	-276	25	0	25
Total transactions with shareholders		**0**	**0**	**489**	**0**	**267**	**0**	**-16,170**	**-15,414**	**0**	**-15,414**
Change in ownership interest											
Establishment of subsidiary with non-controlling interest	4.4									4,209	4,209
Total equity at 31.12.2016		**6,218**	**11,282**	**83,433**	**-1,982**	**-1,985**	**-278**	**40,970**	**137,656**	**16,742**	**154,399**

Basis of Preparation and Accounting Policies

Group information

PKC Group Ltd is a Finnish limited company, domiciled in Helsinki, Finland. The registered address is Bulevardi 7, FI-00120 Helsinki, Finland. PKC Group Ltd is the parent company of PKC Group. PKC Group was listed on Nasdaq Helsinki since 3.4.1997 until 6.10.2017.

PKC Group is a global partner, designing, manufacturing and integrating electrical distribution systems, electronics and related architecture components for the commercial vehicle industry, rolling stock manufacturers and other selected segments. The revenue from continuing operations of the financial year 1.1.2017 – 31.3.2018 totalled EUR 1,281.9 million and the average amount of personnel was 22,650. The Group operates in four different continents.

On 25 May 2018, 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 Ltd are prepared in accordance with the International Financial Reporting Standards (IFRS) in force at March 31, 2018 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 Ltd, 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 figures. The key indicators are calculated using exact figures.

PKC Group Ltd's financial period has been changed from calendar year to 1.4.-31.3. As a result of financial period change, the financial period that started 1.1.2017 continued until 31.3.2018. Financial period was 15 months while the comparison period was 12 months.

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 decisions based on management's judgement and management's 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 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
Accociated company	2.4	IFRS 12
Inventories	2.7	IAS 2, IAS 18
Provisions	2.10	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
Business combinations	4.3	IFRS 3
Discontinued operations	4.5	IFRS 5

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 decisions based on management's judgement and management's 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 March 2018 Group comprised 37 companies, the parent company included. In the reporting period the Group had holdings in one associated company but none in joint ventures (The Group had no holdings in any associates or joint ventures 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

The consolidated financial statements include the parent company and subsidiaries in which the parent company directly or indirectly controls more than 50 per cent of the votes associated with shares or over which the parent company otherwise exercises control at the end of the financial year. PKC is considered to have control, when PKC is exposed to, or has rights to, variable returns from its involvement with the company and has the ability as well as the power to govern the financial and operating policies of the company to obtain benefits from its activities.

The profit for the financial year and items recognised in other comprehensive income are allocated to the owners of the parent company and non-controlling interests and presented in the statement of income and other comprehensive income. Non-controlling interests are presented separately from the equity allocated to the owners of the parent. Comprehensive income is allocated to the owners of the parent company and to non-controlling interests even in situations where the allocation would result in the non-controlling interests' share being negative, unless non-controlling interests have an exemption not to meet obligations which exceed non-controlling interests' investment in the company.

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 31.3.2018 is presented in note 4.2 Group Structure.

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 occurred before January 1, 2010 the accounting principles valid at the time of the acquisition have been applied.

Associated companies

Associates are all entities over which the PKC has significant influence. Significant influence is presumed to exist when the PKC owns over 20 per cent of the voting rights of the company or when the PKC otherwise exercises significant influence but does not exercise control.

Associated companies are consolidated in accordance with the equity method. Associated companies are consolidated from the date the company becomes an associated company and divested companies are consolidated until the date of disposal.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and assets and liabilities related to discontinued operations are classified as held for sale if their carrying amount will be recovered principally through a sale transaction. The prerequisites for the classification as held for sale are considered to be met when the sale is considered highly probable and management is committed to the sale within one year from the date of classification for sale. From the classification date the assets held for sale are measured at lower of their carrying amount or fair value less selling costs. Depreciation of these assets is discontinued on the classification date.

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).

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 reported in profit or loss. Foreign exchange gains and losses in business operations are included in the corresponding items above the operating profit. Foreign exchange gains and losses on foreign currency loans are included in financial income and expenses, except for exchange differences arising from foreign currency denominated loans which are classified as net investments in foreign subsidiaries. Exchange rate differences of these loans are recognised in items of other comprehensive income and cumulative exchange rate differences are presented as a separate item in the equity until the disposal of the foreign operation, in whole or in part.

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**	**2017-2018**	**2016**	**31.3.2018**	**31.12.2016**
Brazil	BRL	3.6827	3.8616	4.0716	3.4305
Canada	CAD	1.4821	1.4664	1.5883	1.4188
China	CNY	7.6617	7.3496	7.7285	7.3202
China, HongKong	HKD	8.9657	8.5900	9.6701	8.1751
Mexico	MXN	21.6642	20.6532	22.3626	21.7719
Poland	PLN	4.2395	4.3636	4.2158	4.4103
Serbia	RSD	120.5445	123.1183	118.1214	123.3730
Russia	RUR	66.6635	74.2224	70.3788	64.3000
Vietnam	VND	-	24,753.1444	-	24,025.9098
USA	USD	1.1494	1.1066	1.2321	1.0541

*) Average rate of the year is calculated from monthly average rates.

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 and also for foreign exchanges gains and losses arising from trade payables; 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.

Impact of new ESMA guidelines

In accordance with the new guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA) PKC has as of 2016 replaced the term non-recurring items (NRI) by the term items affecting comparability. However the definition remains the same. Items affecting comparability (earlier non-recurring items) are exceptional items which are not related to normal business operations. Typically, the items affecting comparability 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. Alternative performance measures are presented in the chapter Measures of profit and items affecting comparability in the report by the Board of Directors. Alternative Performance Measures (APM) are used in order to better describe the operational business performance and to improve comparability between reporting periods.

New and amended standards applied in the financial year ended

The Group has applied since 1 January 2017 the following new standards or their amendments issued by IASB. 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.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses*

(effective for financial years beginning on or after 1 January 2017)
The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments had no significant impact on consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative*

(effective for financial years beginning on or after 1 January 2017)
The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments had no significant impact on consolidated financial statements.

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

Adoption of new and amended standards and interpretations applicable in future financial years

The following published new and amended standards and interpretations are not yet effective as at 31 March 2018 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. No other new and amended standards and interpretations would be expected to have any impact on consolidated financial statements.

New IFRS 15 Revenue from Contracts with Customers

(effective for financial years beginning on or after 1 January 2018)
The new standard replaces current IAS 18 and IAS 11 - standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognize revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also extensive new disclosure requirements. The impacts of IFRS 15 on PKC's consolidated financial statements have been assessed as follows:

- Essential concepts in IFRS 15 has been analysed on revenue stream level. PKC's revenue streams consists of contract with customers in wiring systems business. Current revenue recognition in PKC is based on transfer of risks and rewards to customer. PKC has frame agreements with major customers. Separate purchase orders are covered by frame agreement and as a rule they form a separate performance obligation. Revenue for performance obligations is recognised also in the future at a point in time. Part of the agreements include variable considerations, but based on current analysis timing of their revenue recognition is not expected to change significantly. Warranties given by PKC are more statutory in nature thus accounting for such warranties correspond mainly current practice.
- PKC has continued the analysis in more detailed level. The IFRS 15 project and the impact evaluation will continue on certain individual customer contract details. Based on current analysis, timing of revenue recognition is not expected to have significant changes. Furthermore, the standard will increase disclosure information related to revenue recognition. PKC will implement the standard during the year 2018.

New IFRS 9 Financial Instruments

(effective for financial years beginning on or after 1 January 2018)

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. At the end of the financial year the Group is assessing the impact of IFRS 9 not to be significant.

New IFRS 16 Leases

(effective for financial years beginning on or after 1 January 2019)

IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. The Group is assessing that IFRS 16 has impact on the consolidated financial statements.

1. Items Related to the Profit for the Period

1.1 Operating Segments

PKC Group has only one primary business segment, Wiring Systems, which also includes Group functions and other items.

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 products, construction equipment and agricultural and forestry equipment. In addition, segment designs and manufactures electrical cabinets, power packs and electrical distribution systems for rolling stock manufacturers. Segment'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 Brazil, China, Estonia, Finland, Germany, Lithuania, Mexico, Poland, Russia, Serbia and USA.

✪ Accounting policy of segment information

PKC Group's segment information is consistent with Group's internal reporting and IFRS standards. The Group's reportable segment are consistent with the operating segments. The business of the Group consists of one business area (reporting operating segment), Wiring Systems. The Wiring Systems business is operated in geographical areas where customers are offered the same product concept applied to different local conditions and requirements. The main products of all geographical areas are the wiring systems modules and related architecture components. The customers of the Wiring Systems business are predominantly globally operating companies that make long-term sourcing decisions on the basis of global purchasing volumes.

Internal management reporting is used to monitor the performance of the Wiring Systems business as a whole and on basis of geographical business area. Reporting supports the internal overall target setting and strategic monitoring.

PKC Group's highest operative decision maker (CODM, Chief Operating Decision Maker) is the President and CEO supported by the Executive Board. President and CEO evaluates the Group's financial position and its development as a whole, not based on the results of the geographical business areas. Because the Group's customers predominantly operate globally the reported indicators in a single geographical area do not give a correct picture of the financial situation and the development of the Group's Wiring Systems business.

Due to business model and operative structure, PKC Group's business cannot be divided into separately reported operating segments.

Information about geographical areas

Revenue by market areas is 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 service is rendered and the economic benefit of the transaction is probable. The share of PKC Group's revenue from services is not significant. PKC Group has no long-term projects, for which the percentage-of-completion method is used.

Revenue includes the income of the actual operations measured at fair value and adjusted for discounts given. Revenue also includes foreign exchange rate gains and losses arising from trade receivables.

Geographical information

EUR 1,000	Revenue by geographical location of customer 2017-2018	2016	Non-current assets by location of assets 2018	2016	Capital expenditure 2018	2016
Europe	442,792	301,571	53,555	58,201	28,430	9,661
of which Finland	18,982	12,191	270	4,751	17,570	779
South America	75,626	36,591	5,886	6,011	2,427	1,030
North America	597,480	458,942	80,823	83,440	16,194	12,139
APAC	166,049	48,568	23,041	7,774	20,367	1,654
Total	**1,281,946**	**845,672**	**163,304**	**155,425**	**67,417**	**24,484**

Non-current assets consist of goodwill, intangible assets, property, plant and equipment and available-for-sale financial assets.

Major customers

EUR 1,000	2017-2018	% of revenue	2016	% of revenue
Customer 1	208,820	16.3	122,333	14.5
Customer 2	162,662	12.7	121,488	14.4
Customer 3	131,406	10.3	108,475	12.8
Total	**502,889**	**39.2**	**352,296**	**41.7**
Group revenue	**1,281,946**		**845,672**	

In the table above, the customers 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, government grants and share of net profit of associated company.

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. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

During the comparison period 2016 the Group has received employment grants in Serbia.

EUR 1,000	2017-18	2016
Proceeds from sales of intangible assets and property, plant and equipment	176	2,699
Government grants	130	2,538
Other income	191	869
Share of net profit of associated comp	748	0
Total	**1,245**	**6,106**

1.3 Materials and services

EUR 1,000	2017-18	2016
Purchases during the financial period	792,177	492,372
Change in inventories, increase (+) or decrease (-)	-16,953	-7,573
Raw materials and consumables	**775,224**	**484,799**
Outsourced services	30,544	22,569
Total	**805,768**	**507,368**

1.4 Employee Benefit Expenses

Accounting policy

Employee benefits include short-term employee benefits, termination benefits, post-employment benefits, 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 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. 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.

Other personnel expenses

Other personnel expenses include e.g. expenses related to occupational safety, expenses of occupational health care services and workplace dining and transportation arranged by the employer.

Employee benefit expenses

EUR 1,000	2017-18	2016
Wages and salaries	238,121	168,363
Defined contribution pension plans	8,633	4,965
Other social security expenses	40,371	31,459
Share-based payments	5,186	2,142
Other personnel expenses	7,981	4,836
Total	**300,292**	**211,766**

In 2017-2018 employee benefit expenses include EUR 9.8 million expenses affecting comparability. Items affecting comparability in the financial period consist mainly of expenses related to MSSL Estonia WH OÜ's public tender offer on PKC's shares and options. In comparison period 2016 employee benefit expenses include EUR 5.6 million expenses affecting comparability arising from lay-offs. Items affecting comparability are presented in the Report by the Board of Directors, chapter Measures of Profit and Items Affecting Comparability.

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

Number of personnel

	At the end of the year		Average	
Geographical areas	**2017-2018**	**2016**	**2017-2018**	**2016**
Europe,	8,226	7,750	7,961	7,624
of which Finland	45	54	46	60
South America	1,443	1,081	1,342	1,168
North America	11,888	9,973	11,698	11,613
APAC	2,476	924	1,650	871
Total	**24,033**	**19,728**	**22,650**	**21,277**

Share-based payments

PKC's long-term remuneration consists of stock option schemes and the share-based incentive plans.

The Group has applied IFRS 2 Share-Based Payments to share-based incentives and also to the option schemes. Share-based payments of stock option schemes and share-based incentives included in employee benefit expenses totalled EUR 5.2 million in 2017-2018 (in 2016 EUR 2.1 million). At the end of March 2018 only Restricted Share Plan 2016 has contractual life remaining and it will be later exercised wholly as cash. Other plans have already been exercised wholly as cash, since MSSL Estonia WH OÜ has gained title to all shares in PKC Group Ltd. Stock options were exercised as cash or expired since PKC's shares have been delisted 6 October 2017.

- More information on the share-based incentives and the options is presented in the Report by the Board of Directors, sections Shares and shareholders.

Restricted Share Plan 2016

The vesting period of the Restricted Share Plan 2016 is calendar years 2016-2018, during which the plan is directed to approximately 20 selected key persons. The rewards allocated in 2016-2018 on the basis of the Restricted Share Plan 2016 correspond to the value of an approximate maximum total of 55,000 PKC Group Ltd shares (including also the cash proportion) which will be exercised wholly as cash.

The reward from the Restricted Share Plan will be based on a valid employment or service contract of a key person upon the reward payment.

The basic details of the plans are listed in the tables below:

	Matching Share Plan 2015	Performance Share Plan 2015-2017	Restricted Share Plan 2015-2016	Restricted Share Plan 2015-2017	Performance Share Plan 2016-2018	Restricted Share Plan 2016-2018	Total / weighted average
Initial amount, 1,000 pcs	100	310	40	40	430	60	980
Initial allocation date	11.2.2015	11.2.2015	11.2.2015	11.2.2015	10.2.2016	10.2.2016	
Vesting date	31.5.2018	31.5.2018	31.5.2017	31.5.2018	31.5.2019	31.5.2019	
Maximum contractual life, years	3.3	3.3	2.3	3.3	3.3	3.3	3.3
Remaining contractual life, years	0.2	0.2	0.0	0.2	1.2	1.2	1.2
Number of persons at the end of the reporting year	0	0	0	0	0	30	
Payment method	Cash	Cash	Cash	Cash	Cash	Cash	

Changes during the financial year 2017 - 2018 are presented in the tables below:

1,000 pcs	Matching Share Plan 2015	Performance Share Plan 2015-2017	Restricted Share Plan 2015-2016	Restricted Share Plan 2015-2017	Performance Share Plan 2016-2018	Restricted Share Plan 2016-2018	Total
1.1.2017							
Outstanding at the beginning of the reporting period	73	290	32	29	416	57	897
Changes during the period							
Granted	0	0	0	0	0	2	2
Forfeited	0	210	0	0	394	4	609
Excercised	73	80	32	29	22	0	235
31.3.2018							
Excercised at the end of the period	73	80	32	29	22	0	235
Outstanding at the end of the period	0	0	0	0	0	55	55

Effect of share-based incentives on the result and financial position during the period:

EUR 1,000	2017-18	2016
Expenses for the financial year, share-based payments	5,073	1,638
Expenses for the financial year, share-based payments, equity-settled	0	808
Liabilities arising from share-based payments at the end of the period	892	1,211

1.5 Other Operating Expenses

Accounting policy

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

EUR 1,000	2017-18	2016
Administrative expenses and outsourced services	23,015	17,948
Production maintenance expenses	23,295	15,509
Facility expenses	14,204	11,315
IT and telecommunications expenses	10,864	8,839
Transportation and freight expenses	10,702	8,813
Travelling expenses	9,424	7,099
Other maintenance expenses	4,688	3,412
Other insurance expenses	1,369	1,036
Auditors´ fees	1,138	746
Other employee related expenses	609	608
Losses from sales of intangible assets and property, plant and equipment	143	449
Other items	3,395	1,854
Total	**102,846**	**77,628**

Auditors´ fees

EUR 1,000	2017-18	2016
Audit fees	870	544
Tax services	264	94
Other services	4	108
Total	**1,138**	**746**

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 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 substantially 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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 recognised 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 utilised. Amendments in the regulations and practice related to taxation may also have an effect on the management judgment.

PKC's tax appeal for the Wiring Systems business restructuring carried out in 2009 was rejected by Finland's Board of Adjustment. The decision was received in January 2016. The decision obliges PKC Group to pay EUR 8.3 million additional taxes, punitive tax increases and interests, which company recorded in the results of the financial year 2014. PKC Group has placed the issue before the administrative court of Northern Finland (Pohjois-Suomen hallinto-oikeus) and applies for a rectification of the Board of Adjustment's ruling and continuation of interdiction of enforcement of the tax imposed. In September 2017 the Administrative Court of Northern Finland made decision which decreased the total of additional taxes, tax increases and interest rate to EUR 1.7 million. PKC Group made an appeal and application for leave of appeal to the Supreme Administrative Court, which did not grant the leave of appeal, so the Administrative Court's decision was final. PKC Group has initiated measures to correct double taxation within the EU.

Income taxes

EUR 1,000	**2017-18**	**2016**
Income taxes for the financial year	-14,929	-11,782
Adjustments for prior years	7,083	-2,181
Changes in deferred taxes	5,470	5,611
Withholding taxes	-100	0
Total	**-2,476**	**-8,352**

Income tax rate

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

EUR 1,000	**2017-18**	**2016**
Profit (loss) before taxes	33,379	20,588
Income tax calculated at Finnish tax rate	-6,676	-4,117
Changes in tax rates	3,259	-34
Effects of different tax rates in foreign subsidiaries	-2,510	-1,465
Income not subject to tax	-3,517	2,247
Expenses not deductible for tax purposes	3,350	-3,741
Share of profit of subsidiaries	2,909	1,078
Tax losses for which no deferred tax was recognised	-6,200	-2,288
Income taxes from previous years	7,918	-161
Other items	-1,009	130
Discontinued operations	-	-
Tax charge in the statement of comprehensive income	**-2,476**	**-8,352**
Effective tax rate, %	7.4	40.6

The effective tax rate according to the statement of comprehensive income was 7.4 % (40.6% in 2016). The effective tax rate was impacted by PKC Group's high exposure to North America where the tax rates have decreased (effective January 1,2018) and a prior year adjustment eliminating a tax liability in Finland due to litigation closure. 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 absolute average applicable tax rate was 24% and the average nominal tax rates was 25% in 2017 - 2018. 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 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.

U.S. tax reform

The U.S. tax reform bill was signed into law, known as the Tax Cuts and Jobs Act of 2017, on December 22, 2017, and it makes major revisions to the U.S. tax code for both individuals and corporations. The most significant changes affecting PKC Group are:

1. The federal tax rate decreased from 35% to 21%. The deferred tax liabilities were revalued on December 31, 2017, recognizing a EUR 3.3 million tax benefit.
2. New section 163 (j) which is an anti-base erosion measure limiting the interest expense deduction for all related and unrelated debt to 30% of EBITDA.
3. Imposes an additional tax known as the Base Erosion Minimum Tax ("BEAT"). The BEAT tax amount is computed as 10 percent (5 percent transitionally for years beginning in 2018 and 12.5 percent for years beginning in 2026 or later) of modified taxable income.

The significant changes discussed above are effective January 1, 2018.

Deferred tax assets 2017-2018

EUR 1,000	1.1.2017	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences, reclassifications and other changes	31.3.2018
Property, plant and equipment	1,463	348	0	-294	1,517
Intangible assets	1	0	0	173	174
Goodwill	237	173	0	-224	186
Financial instruments	-96	47	0	3	-46
Inventories	454	54	0	-244	264
Employee benefits	322	-171	0	194	345
Provisions and other accruals	4,296	-59	62	649	4,948
Tax losses	13,300	-730	0	-1,057	11,513
Other temporary differences	862	703	0	-694	871
Total deferred tax assets	**20,839**	**365**	**62**	**-1,494**	**19,772**

Deferred tax liabilities 2017-2018

EUR 1,000	1.1.2017	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences, reclassifications and other changes	31.3.2018
Property, plant and equipment	-2,120	-401	0	207	-2,314
Intangible assets	9,502	-5,461	1,768	-1,372	4,437
Goodwill	4,157	-958	0	88	3,287
Inventories	-524	-77	0	75	-526
Provisions and other accruals	124	-48	0	44	120
Undistributed earnings	7,689	1,488	0	-4	9,173
Other temporary differences	5,924	353	1,092	248	7,617
Deferred tax liabilities	**24,752**	**-5,104**	**2,860**	**-714**	**21,794**

Deferred tax assets 2016

EUR 1,000	1.1.2016	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences, reclassifications and other changes	Discontinued operations	31.12.2016
Property, plant and equipment	1,887	-355	0	-100	31	1,463
Intangible assets	8	5	0	-4	-8	1
Goodwill	1,495	26	0	-1,284	0	237
Financial instruments	8	140	0	-244	0	-96
Inventories	1,249	394	0	-1,189	0	454
Employee benefits	556	45	0	-221	-58	322
Provisions and other accruals	3,672	122	0	622	-120	4,296
Tax losses	8,519	1,516	0	3,553	-288	13,300
Other temporary differences	2,639	-1,627	0	290	-441	862
Total deferred tax assets	**20,032**	**267**	**0**	**1,425**	**-884**	**20,839**

Deferred tax liabilities 2016

EUR 1,000	1.1.2016	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences, reclassifications and other changes	Discontinued operations	31.12.2016
Property, plant and equipment	1,114	-3,214	0	-20	0	-2,120
Intangible assets	10,841	-1,664	0	326	0	9,502
Goodwill	4,964	-500	0	-307	0	4,157
Inventories	478	162	0	-1,164	0	-524
Provisions and other accruals	434	-62	0	-248	0	124
Undistributed earnings	7,144	544	0	0	0	7,689
Other temporary differences	4,333	-317	243	1,674	-7	5,926
Deferred tax liabilities	**29,305**	**-5,050**	**243**	**262**	**-7**	**24,752**

Tax losses at the end of the 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	**2017-18**	**2016**	**2017-18**	**2016**	**2017-18**	**2016**
Losses without expiration date	97.4	108.3	6.6	8.5	21.2	24.0
Losses with expiration date	81.5	39.7	4.9	4.8	14.9	5.8
Total	**178.9**	**148.0**	**11.5**	**13.3**	**36.1**	**29.8**

[1] The deferred tax asset not recognised 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 outstanding shares.

Diluted earnings per share

Diluted earnings per share is calculated similar to 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 shares 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 2016 is negative, therefore diluting effect is not presented. At the end of the financial year 2017 - 2018 PKC Group didn´t have any valid stock option schemes.

	2017-18	**2016**
Net profit including discontinued operations for the financial year, EUR 1,000	22,560	3,075
Net profit from continuing operations for the financial year, EUR 1,000	25,156	10,430
Weighted average number of shares outstanding during the financial year, 1,000 pcs.	24,125	23,992
Basic earnings including discontinued operations per share (EPS), EUR	**0.94**	**0.13**
Basic earnings from continuing operations per share (EPS), EUR	**1.04**	**0.43**

2. Operating Assets and Liabilities

2.1 Intangible Assets

Accounting policy

Goodwill

Goodwill arising from 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 are recognised at fair value at the date of acquisition.

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 and software licenses 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.

Intangible assets' acquisitions in progress

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

Amortisation periods for intangible assets

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 2017-2018

EUR 1,000	Goodwill	Customer relationships	Other intangible assets	Intangible assets acquisitions in progress	Total
Acquisition cost 1.1.2017	41,161	90,667	35,494	249	167,571
+/- Currency translation differences	-1,000	-147	-1,351	0	-2,498
+ Additions	0	0	1,664	779	2,442
+ Business combinations	5,451	4,177	93	0	9,720
- Disposals	0	0	-1,005	0	-1,005
+ /- Reclassifications	0	3,681	-3,702	-831	-852
Acquisition cost 31.3.2018	**45,612**	**98,377**	**31,193**	**197**	**175,378**
Accumulated amortisation and impairments 1.1.2017	5,324	52,894	15,746	0	73,964
+/- Currency translation differences	0	560	131	0	691
+ Accumulated amortisation on disposals and reclassifications	0	2,265	-2,445	0	-180
+ Amortisation of business combinations	24	0	0	0	24
+ Amortisation	0	9,067	4,831	0	13,898
Accumulated amortisation and impairments 31.3.2018	**5,348**	**64,785**	**18,263**	**0**	**88,397**
Carrying amount 31.3.2018	**40,263**	**33,592**	**12,930**	**197**	**86,981**

Intangible assets 2016

EUR 1,000	Goodwill	Customer relationships	Other intangible assets	Intangible assets acquisitions in progress	Total
Acquisition cost 1.1.2016	41,886	88,084	36,888	325	167,183
+/- Currency translation differences	-725	1,033	-340	0	-32
+ Additions	0	1,550	1,754	640	3,944
- Disposals	0	0	-1,724	0	-1,724
+ /- Reclassifications	0	0	716	-716	0
- Reclassification to assets held for sale	0	0	-1,800	0	-1,800
Acquisition cost 31.12.2016	**41,161**	**90,667**	**35,494**	**249**	**167,571**
Accumulated amortisation and impairments 1.1.2016	4,115	45,231	14,111	0	63,457
+/- Currency translation differences	0	85	52	0	138
+ Accumulated amortisation on disposals and reclassifications	0	0	-1,739	0	-1,739
+ Amortisation	1,209	7,577	4,967	0	13,753
- Reclassification to assets held for sale	0	0	-1,645	0	-1,645
Accumulated amortisation and impairments 31.12.2016	**5,324**	**52,894**	**15,746**	**0**	**73,964**
Carrying amount 31.12.2016	**35,837**	**37,773**	**19,747**	**249**	**93,607**

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 unit and then proportionally as a reduction of unit's other assets. 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 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. 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 of EUR 40.3 million (EUR 35.8 million) to the cash-generating units. The Group consists of one business area (reporting operating segment), Wiring Systems.

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, 1.5 %-point (1.5 %-point in comparison period), 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 forecasted 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. The Board of Directors has approved these assumptions. The most significant assumptions are
- average operating profit level (EBIT) and
- discount rate.

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

Assumptions used in the cash flow analysis, %	2017-18
Revenue growth FY2018-2022	-6.6 - 9.2
Terminal value growth FY2023-	1.5
Average EBIT	5.8 - 8.8
Post-Tax WACC	8.5 - 8.8
Pre-Tax WACC	9.6 - 10.7

Assumptions used in the cash flow analysis, %	2016
Revenue growth 2016-2020	3.4 - 9.0
Terminal value growth 2021-	1.5
Average EBIT	3.7 - 7.9
Post-Tax WACC	8.8 - 9.1
Pre-Tax WACC	10.1 - 12.8

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 during the forecast period and thereafter, or, the terminal value growth would decrease, 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.

	2017-2018		2016	
Sensitivity analysis	Value used, %	Change, %-point	Value used, %	Change, %-point
Discount rate (Post-Tax)	8.5 - 8.8	+13.6 - +67.3	8.8 - 9.1	+3.0 - +19.3
Average EBIT	5.8 - 8.8	-6.6 - -8.6	3.7 - 7.9	-2.3 - -6.7
Terminal value growth	1.5	-40.3 - -n/a	1.5	-4.5 - -146.0

The consequential effects of the change in the tested 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 170%.

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

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 leases

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 4.6 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 in 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 2017-2018

EUR 1,000	Land areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and constructions in progress	Total
Acquisition cost 1.1.2017	2,434	21,250	122,430	8,095	3,705	157,914
+/- Currency translation differences	-200	-859	-13,161	-1,168	-252	-15,640
+ Additions	1,104	318	12,495	5,819	15,381	35,116
+ Business combinations	0	0	364	284	0	647
- Disposals	0	-6	-5,743	-1,227	-48	-7,023
+ /- Reclassifications	0	-4,054	9,746	6,962	-12,768	-115
+/- Other changes	0	0	81	-20	37	98
Acquisition cost 31.3.2018	**3,338**	**16,649**	**126,211**	**18,744**	**6,055**	**170,998**
Accumulated depreciation and impairments 1.1.2017	378	11,891	81,126	4,031	122	97,548
+/- Currency translation differences	0	-756	-9,437	-376	-6	-10,575
+ Accumulated depreciation on disposals and reclassifications	0	-3,273	-6,994	3,568	0	-6,699
+/- Other changes	0	0	0	-166	0	-166
+ Depreciations of Business combinations	0	353	0	0	0	353
+ Depreciation	15	806	19,424	3,526	0	23,772
Accumulated depreciation and impairments 31.3.2018	**393**	**9,021**	**84,120**	**10,582**	**116**	**104,232**
Carrying amount 31.3.2018	**2,945**	**7,629**	**42,091**	**8,162**	**5,939**	**66,766**

Property, plant and equipment 2016

EUR 1,000	Land areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and constructions in progress	Total
Acquisition cost 1.1.2016	2,596	21,933	126,577	10,116	4,467	165,690
+/- Currency translation differences	-162	1,190	5,089	276	7	6,400
+ Additions	0	61	4,338	1,263	14,839	20,501
- Disposals	0	-2,317	-9,969	-272	0	-12,558
+ /- Reclassifications	0	377	13,480	878	-15,596	-862
+/- Other changes	0	632	0	-3,319	0	-2,687
- Reclassification to assets held for sale	0	-626	-17,085	-846	-12	-18,569
Acquisition cost 31.12.2016	**2,434**	**21,250**	**122,430**	**8,095**	**3,705**	**157,914**
Accumulated depreciation and impairments 1.1.2016	378	9,795	76,904	5,449	119	92,645
+/- Currency translation differences	0	812	4,644	268	3	5,727
+ Accumulated depreciation on disposals and reclassifications	0	-459	-7,403	-300	0	-8,162
+/- Other changes	0	0	130	-1,848	0	-1,717
+ Depreciation	0	1,751	19,418	1,156	0	22,325
- Reclassification to assets held for sale	0	-7	-12,567	-695	0	-13,269
Accumulated depreciation and impairments 31.12.2016	**378**	**11,891**	**81,126**	**4,031**	**122**	**97,548**
Carrying amount 31.12.2016	**2,057**	**9,359**	**41,304**	**4,064**	**3,583**	**60,366**

In addition property, plant and equipment include assets leased under finance leases as follows:

	Machinery and equipment	
EUR 1,000	**2017-18**	**2016**
Carrying amount at the beginnig	740	992
+/- Changes	-152	3
- Reclassifications	627	0
- Depreciation and impairment	-448	-255
Carrying amount at the end	**767**	**740**

2.4 Available-for-sale Financial Assets

Available-for-sale financial assets are mainly investments in unlisted shares. These are valued at cost less impairment as the fair value cannot be reliably determined.

EUR 1,000	**2017-18**	**2016**
Available-for-sale financial assets	713	713
Total	**713**	**713**

2.5 Investment in associated companies

EUR 1,000	**2017-18**	**2016**
Increases	7,323	0
Share of profit or loss for the financial year	754	0
Investment in associated companies at the end	**8,076**	**0**

- More information about associated company can be found in note 4.4.

2.6 Non-Current Other Receivables and Liabilities

EUR 1,000	**2017-18**	**2016**
Other receivables	8,341	5,439
Total	**8,341**	**5,439**

- Non-current other receivables include receivables related to customer long term assets, long term lease deposits and indemnification assets.

EUR 1,000	**2017-18**	**2016**
Other liabilities	7,353	5,805
Total	**7,353**	**5,805**

- Non-current other liabilities include liabilities related to long term employee benefits and indemnification liabilities which have a corresponding indemnification asset.

2.7 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 PKC Group acquisition 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 when 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	**2017-18**	**2016**
Raw materials and supplies	79,216	67,422
Work in progress	10,528	6,913
Finished goods	23,590	23,388
Other inventories	3,639	1,315
Total	**116,974**	**99,039**

2.8 Trade Receivables and Other Receivables

Accounts receivable arise when the PKC Group delivers products and services directly to a customer.

Prepayments and accrued income is income, of which no payment has been received.

Other receivables include e.g. value added tax related receivables.

Current tax assets include taxes receivable related to the income of the year.

EUR 1,000	2017-18	2016
Trade receivables	168,308	115,377
Other receivables	10,596	4,634
Prepayments and accrued income	12,679	12,489
Current tax assets	210	245
Total	**191,792**	**132,746**

Other receivables and prepayments and accrued income consist of following items

EUR 1,000	2017-18	2016
from employee benefits	451	660
from other operating expenses	10,704	9,469
from financial items	11	688
from value added tax	8,311	4,194
from taxes	290	1,324
from other items	3,508	788
Total	**23,274**	**17,123**

- Age distribution of trade receivables is presented in note 3.4 Financial Risk Management.

2.9 Trade Payables and Other Non-Interest-Bearing Liabilities

Trade payables are liabilities arisen from the received goods including raw materials, supplies, outsourced services and related items.

Advances received include, for example, the advance payments of undelivered products or services received from customers.

Accruals and deferred income include

- Payments received from such income that is realised on an accrual basis in future financial years, unless recognised into advances received.
- Accrued expenses which are not paid, unless recognised into trade payables.
- Future expenses and losses, unless recognised into provisions or deducted from the carrying value of the asset.

Other liabilities include e.g. value added tax related liabilities. In comparison period 2016 current other liabilities include estimated value of the call option related to business combination accounted for according to the so-called anticipated acquisition method.

Current tax liabilities include taxes payable related to the income of the year.

EUR 1,000	2017-18	2016
Trade payables	144,739	124,537
Advances received	83	50
Other liabilities	18,304	37,448
Accruals and deferred income	26,084	28,131
Current tax liabilities	4,871	822
Total	**194,082**	**190,988**

Other liabilities and accruals and deferred income consist of following items

EUR 1,000	2017-18	2016
from employee benefits	22,189	18,577
from other operating expenses	13,552	7,322
from financial items	2,701	5,397
from value added tax	3,740	1,050
from taxes	2,206	16,631
from acquisitions	0	16,602
Total	**44,388**	**65,579**

2.10 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.

Provisions do not include any restructuring costs.

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. There are no such provisions.

	Provisions for pension expenses		Other provisions		Total	
EUR 1,000	**2017-18**	**2016**	**2017-18**	**2016**	**2017-18**	**2016**
Provisions at the beginning	872	1,120	100	104	973	1,224
+/- Currency tranlation differences	5	0	3	0	7	0
+ Additions	13	9	47	0	60	9
- Reversed	0	0	-36	0	-36	0
- Used provisions	0	-257	0	-4	0	0
+/- Reclassificiations	-771	0	0	0	-771	0
Provisions at the end	**119**	**872**	**114**	**100**	**233**	**973**

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 is 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. Trade date is the date when 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 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, cancelled or expired.

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 to the extent 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 is considered 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 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 exchange rates, interest rates and the price of copper. PKC Group uses currency and copper forwards 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 copper derivatives are recognised in profit or loss as incurred since PKC Group does not apply hedge accounting to these instruments.

PKC Group applied hedge accounting to all outstanding interest rate swaps during 2016. The positive fair value of interest rate swap with nominal value of EUR 50.0 million that was terminated during 2016 is accrued to financial income until the maturity of the related bond. PKC Group had no open interest rate swaps during 2017-2018.

Hedge accounting is applied also to currency derivatives. The impacts on profit or loss arising from changes in the value of interest rate swaps and currency derivatives which are effective hedges, are presented in a manner consistent with the hedged item.

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 31.3.2018 (and 31.12.2016) PKC Group did not have 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 minimum 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.

Master netting agreements and similar arrangements

PKC Group enters into derivatives' agreements with counterparties following ISDA-agreements. The amounts owed by each counterparty on a single day regarding all transactions outstanding in same currency are aggregated into a single net amount payable by one party to the other. In case of a credit event like default, all outstanding transactions under the agreement are terminated and only one amount is payable to settle all transactions. Derivative assets and liabilities cannot be offset in the consolidated statement of financial position as ISDA-agreements do not meet the criteria for offsetting.

Master netting agreements and similar arrangements

EUR 1,000	2017-18	2016
Derivative Assets		
Gross amounts of financial assets in the statement of financial position	2,128	560
Related financial instruments that are not offset	2,128	243
Total	**0**	**317**
Derivative liabilities		
Gross amounts of financial liabilities in the statement of financial position	150	4,178
Related financial instruments that are not offset	150	243
Total	**0**	**3,935**

Classification of financial assets and liabilities by valuation category 2017-2018

EUR 1,000	Financial assets and liabilities through profit or loss	Derivatives under hedge accounting	Loans and other 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	713	0	713	0	Level 3
Total non-current financial assets	0	0	0	713	0	713	0	
Current financial assets								
Trade receivables	0	0	168,308	0	0	168,308	168,308	
Currency derivatives	0	2,128	0	0	0	2,128	2,128	Level 2
Cash and cash equivalents	74,333	0	0	0	0	74,333	74,333	
Total current financial assets	**74,333**	**2,128**	**168,308**	**0**	**0**	**244,769**	**244,769**	
Total financial assets	**74,333**	**2,128**	**168,308**	**713**	**0**	**245,481**	**244,769**	
Non-current financial liabilities								
Non-current interest-bearing liabilities	0	0	0	0	106	106	106	Level 2
Total non-current financial liabilities	**0**	**0**	**0**	**0**	**106**	**106**	**106**	
Current financial liabilities								
Current interest-bearing liabilities	0	0	0	0	184,983	184,983	188,330	
Trade payables	0	0	0	0	144,739	144,739	144,739	
Commodity derivatives	150	0	0	0	0	150	150	Level 2
Total current financial liabilities	**150**	**0**	**0**	**0**	**329,722**	**329,871**	**333,219**	
Total financial liabilities	**150**	**0**	**0**	**0**	**329,827**	**329,977**	**333,325**	

Classification of financial assets and liabilities by valuation category 2016

EUR 1,000	Financial assets and liabilities through profit or loss	Derivatives under hedge accounting	Loans and other 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	713	0	713	0	Level 3
Total non-current financial assets	**0**	**0**	**0**	**713**	**0**	**713**	**0**	
Current financial assets								
Trade receivables	0	0	115,377	0	0	115,377	115,377	
Commodity derivatives	318	0	0	0	0	318	318	Level 2
Cash and cash equivalents	130,052	0	0	0	0	130,052	130,052	
Total current financial assets	**130,370**	**0**	**115,377**	**0**	**0**	**245,747**	**245,747**	
Total financial assets	**130,370**	**0**	**115,377**	**713**	**0**	**246,460**	**245,747**	
Non-current financial liabilities								
Non-current interest-bearing liabilities	0	0	0	0	141,326	141,326	146,944	Level 2
Total non-current financial liabilities	**0**	**0**	**0**	**0**	**141,326**	**141,326**	**146,944**	
Current financial liabilities								
Current interest-bearing liabilities	0	0	0	0	35,316	35,316	35,316	
Trade payables	0	0	0	0	124,537	124,537	124,537	
Currency derivatives	0	3,935	0	0	0	3,935	3,935	Level 2
Total current financial liabilities	**0**	**3,935**	**0**	**0**	**159,853**	**163,788**	**163,788**	
Total financial liabilities	**0**	**3,935**	**0**	**0**	**301,179**	**305,114**	**310,732**	

3.2 Interest-Bearing Financial Liabilities

Non-current interest-bearing financial liabilities

EUR 1,000	2017-18	2016
Bond	0	101,293
Loans from financial institutions	0	39,758
Finance lease liabilities	106	275
Total	**106**	**141,326**

Current interest-bearing financial liabilities

EUR 1,000	2017-18	2016
Bond	97,581	0
Loans from financial institutions	42,329	0
Finance lease liabilities	72	316
Commercial papers	45,000	35,000
Total	**184,982**	**35,316**

Maturities of finance lease liabilities

Minimum lease payments

EUR 1,000	2017-18	2016
Within one year	76	339
Between one and five years	111	288
Total	**187**	**627**

Present value of minimum lease payments

EUR 1,000	2017-18	2016
Within one year	72	316
Between one and five years	106	275
Total	**178**	**591**
Future finance and other charges concerning lease payments	9	36
Total lease payments	**187**	**627**

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	2017-18	2016
Dividend income from investments available for sale	243	149
Interest income		
from derivatives	937	1,750
Other interest income	631	573
Total	**1,811**	**2,472**

Interest and other financial expenses

EUR 1,000	2017-18	2016
Interest expenses		
from bonds	-5,422	-4,421
from financial institutions loans	-1,086	-372
from derivatives	0	-615
from factoring	-643	-430
Other financial expenses	-1,062	-1,054
Total	**-8,213**	**-6,892**
Interest and other financial income and expenses	**-6,402**	**-4,420**

Foreign currency exchange differences

EUR 1,000	2017-18	2016
Foreign exchange gains		
from other financial instruments	11,504	6,042
Total	**11,504**	**6,042**
Foreign exchange losses		
from other financial instruments	-13,499	-7,572
Total	**-13,499**	**-7,572**
Foreign currency exchange differences (net)	**-1,994**	**-1,530**

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 to hedge against transaction risk. Significant certain or highly probable foreign exchange cash flows are hedged from transaction risk a maximum of twelve months forward. Hedging is not executed for currencies, especially in emerging countries, where hedging is expensive or derivatives' markets are underdeveloped. At the end of the reporting period PKC Group had open currency derivatives with a nominal value of EUR 52.5 million. PKC Group applies cash flow hedge accounting to currency derivatives. EUR 0.4 million of the change in the fair value of currency derivatives under hedge accounting was recorded in Equity and the inefficient part of the hedge EUR 1.8 million was recorded in profit and loss.

According to Group policy 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 290.2 million (EUR 314.9 million in 2016). 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	**2017-18**	**2016**
BRL	27,370	24,546
CAD	4,674	6,914
CNY	44,580	36,942
HKD	-5,626	-3,239
MXN	19,992	15,783
PLN	76,199	76,104
RUB	7,441	6,699
RSD	12,983	7,049
USD	102,569	144,103
VND	0	20
Total	**290,182**	**314,921**

- More information about currencies can be found in note Basis of Preparation and Accounting policies.

PKC Group has translation risk related to profit and loss mainly in USD, PLN, CNY and BRL. According to Group policy this translation risk is not hedged. Group has also significant foreign currency denominated equity and loans classified as net investments, for example in USD, BRL, PLN and CNY. At the end of the financial year net investments to foreign entities had not been hedged.

Below are presented transaction risk positions related to the statement of financial position 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.

2017-2018

Functional currency	**USD**	**BRL**	**EUR**	**EUR**	**PLN**	**CNY**	**CNY**
Foreign currency	**MXN**	**EUR**	**SEK**	**USD**	**EUR**	**USD**	**EUR**
EUR 1,000							
Cash and cash equivalents	0	0	0	84	57	438	13
Trade receivables	0	75	0	4	33,517	65	0
Trade payables	-21,397	-750	-2,133	-34	-24,422	-94	-699
Net position	**-21,397**	**-675**	**-2,133**	**54**	**9,152**	**409**	**-686**
Hedges	52,535	-	-	-	-	-	-
Open position	**0**	**-675**	**-2,133**	**54**	**9,152**	**409**	**-686**

EUR million	**Change in foreign currency %**							
Sensitivity	+10	-	-0.1	-0.2	0.0	1.0	0.0	-0.1
	-10	-	0.1	0.2	0.0	-0.8	0.0	0.1

2016

Functional currency	**USD**	**BRL**	**EUR**	**EUR**	**PLN**	**CNY**	**CNY**
Foreign currency	**MXN**	**EUR**	**SEK**	**USD**	**EUR**	**USD**	**EUR**
EUR 1,000							
Cash and cash equivalents	0	0	0	6,652	7,050	4,355	339
Trade receivables	0	116	0	2,243	18,710	2,440	996
Trade payables	-21,562	-948	-1,902	-3,961	-14,245	-1,805	-1,107
Net position	**-21,562**	**-832**	**-1,902**	**4,934**	**11,515**	**4,990**	**228**
Hedges	63,197	-	-	-	-	-	-
Open position	**-**	**-832**	**-1,902**	**4,934**	**11,515**	**4,990**	**228**

EUR million	**Change in foreign currency %**							
Sensitivity	+10	-	-0.1	-0.2	0.5	1.3	0.6	0.0
	-10	-	0.1	0.2	-0.4	-1.0	-0.5	0.0

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. 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 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 forwards to hedge the copper exposure. Changes in copper prices are transferred to customer prices based on the sales agreements with an average lag of 3-5 months.

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

	2017-2018		2016	
EUR million	**Income Statement**	**Equity**	**Income Statement**	**Equity**
+/-10% change in copper price	+/-0.3	-	+/-0.2	-

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 optimise 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 forwards to modify the interest rate fixing term of PKC Group's debt portfolio.

An interest rate swap with nominal value of EUR 50.0 million where hedge accounting was applied, was terminated during 2016. Based on the terminated swap PKC Group paid floating rate interest tied to Euribor 6 months's rate and received 5-years fixed interest. Positive fair value of the terminated swap is accrued on profit and loss until the end of related bonds maturity. At the end of reporting period PKC Group did not have any open interest rate derivatives.

Sensitivity of the PKC Group's pre-tax profit arising from financial instruments (excl. factoring) to changes in interest rate at the end of reporting period:

	2017-2018		2016	
EUR million	**Income Statement**	**Equity**	**Income Statement**	**Equity**
+/- 1% change in market interest rates	-0.8/+0.8	-	-0.8/+0.8	-

Sensitivity calculation does not take into account the impact of negative short term market rates.

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 in selected countries or with selected customers. At the end of the reporting period the outstanding amount of receivables in factoring arrangement was EUR 44.8 million (EUR 27.4 million).

Collaterals are not assumed as security for receivables, and no loans are granted to parties outside the PKC Group. An aging provision of trade receivables is recognised when there is a reasonable risk 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 142.4 million (EUR 104.4 million) at the end of the reporting period. Of these, EUR 70.5 million (EUR 50.8 million) were from the six largest customers, and the rest was divided between a large number of customers. During the financial period 2017-2018 a total of EUR 9 thousand of receivables was recognised as impaired (EUR 1 thousand). No impairments of trade receivables were recognised for the six largest customers during the financial year and the comparison period. The most significant customers of PKC Group are international transportation 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

		2017-2018	
EUR 1,000	**Trade Receivables**	**Aging provision**	**Net**
Not yet overdue	142,434	0	142,434
Falling due in 30 days or less	13,906	0	13,906
Due 31-60 days ago	4,438	0	4,438
Due 61-90 days ago	3,099	0	3,099
Due over 90 days ago	5,204	774	4,430
Total	**169,081**	**774**	**168,307**

		2016	
EUR 1,000	**Trade Receivables**	**Aging provision**	**Net**
Not yet overdue	104,233	0	104,233
Falling due in 30 days or less	6,944	0	6,944
Due 31-60 days ago	1,812	0	1,812
Due 61-90 days ago	586	0	586
Due over 90 days ago	2,358	556	1,802
Total	**115,933**	**556**	**115,377**

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 74.3 million (EUR 130.1 million). PKC Group had also available undrawn credit facilities of EUR 82.0 million (EUR 90.0 million).

Maturity analysis of financial liabilities 2017-2018

EUR 1,000	2018-19	2019-20	2020-21	2021-22	2022-23	2024-	Total
Bond repayments	97,297	0	0	0	0	0	97,297
Repayments of loans from financial institutions	42,329	0	0	0	0	0	42,329
Repayments of commercial papers	45,000	0	0	0	0	0	45,000
Financing costs of bonds, loans from financial institutions and commercial papers	4,503	0	0	0	0	0	4,503
Total	**189,129**	**0**	**0**	**0**	**0**	**0**	**189,129**
Finance lease liabilities							
Repayments	73	72	33	0	0	0	178
Financing costs	4	3	2	0	0	0	9
Total	**76**	**75**	**36**	**0**	**0**	**0**	**187**
Current non-interest-bearing liabilities							
Trade payables	144,739	0	0	0	0	0	144,739
Derivatives	150	0	0	0	0	0	150
Total	144,889	0	0	0	0	0	144,889
Total	**334,095**	**75**	**36**	**0**	**0**	**0**	**334,206**

The Group’s unutilized credit facilities of EUR 82 million will expire in 2018.

Maturity analysis of financial liabilities 2016

EUR 1,000	2017	2018	2019	2020	2021	2022-	Total
Bond repayments	0	100,000	0	0	0	0	100,000
Repayments of loans from financial institutions	0	40,000	0	0	0	0	40,000
Repayments of commercial papers	35,000	0	0	0	0	0	35,000
Financing costs of bonds, loans from financial institutions and commercial papers	4,738	3,221	0	0	0	0	7,959
Total	**39,738**	**143,221**	**0**	**0**	**0**	**0**	**182,959**
Finance lease liabilities							
Repayments	315	168	54	53	0	0	591
Financing costs	23	10	2	0	0	0	36
Total	**338**	**178**	**56**	**53**	**0**	**0**	**625**
Current non-interest-bearing liabilities							
Trade payables	124,537	0	0	0	0	0	124,537
Derivatives	1,464	0	0	0	0	0	1,464
Total	**126,001**	**0**	**0**	**0**	**0**	**0**	**126,001**
Total	**166,077**	**143,399**	**56**	**53**	**0**	**0**	**309,585**

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 shareholder's value with a target of gaining maximum return on capital. An optimal capital structure also ensures the optimal 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	2017-18	2016
Interest-bearing liabilities	185.1	176.6
Cash and cash equivalents	74.3	130.1
Net liabilities	110.8	46.6
Total equity	166.0	154.4
Gearing, %	66.7	30.2

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.

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.

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. The Group has foreign currency denominated inter-company loans. The foreign exchange differences of these loans are considered as translation differences into equity, if criteria for net investment loan categorisation are met.

The translation difference by currency in the items of other comprehensive income is presented in the table.

EUR million	2017-18	2016
BRL	5.7	2.4
CAD	0.5	-0.3
CNY	0.0	3.1
HKD	0.2	-0.1
MXN	-1.9	-2.0
PLN	0.3	-2.7
RUB	1.8	0.6
RSD	0.0	0.1
USD	-32.0	2.0
Total	**-25.3**	**3.0**

Other reserves

Other reserves include the accumulated effective portions of the fair value changes of the derivatives designated as hedging changes in interest and exchange rates.

Treasury shares

Purchases of treasury shares (own shares) and direct attributable incremental costs are deducted from equity. When the purchased own shares are subsequently sold or reissued, any consideration received is included in equity.

PKC Group has entered into an agreement with a third-party service provider concerning the management of the share-based incentive program for key personnel. The third party acquired and owned the shares until the shares were given to the participants of the program or otherwise remeeded. At the end of financial period PKC Group Ltd does not have any own shares. During the comparison period in accordance with IFRS accounting principles these 116,650 shares acquired have been accounted for as treasury shares in the consolidated statement of financial position. During the comparison period the number of shares equalled to 0.5% of the total company shares and voting rights outstanding.

	Number of shares	Share capital	Share premium account	Invested non-restricted equity fund
	1,000 pcs.	EUR 1,000	EUR 1,000	EUR 1,000
1.1.2016	**24,095**	**6,218**	**11,282**	**82,943**
Exercise of stock options	30	0	0	455
Other changes	0	0	0	34
31.12.2016	**24,125**	**6,218**	**11,282**	**83,433**
1.1.2017	**24,125**	**6,218**	**11,282**	**83,433**
Other changes	0	0	0	411
31.3.2018	**24,125**	**6,218**	**11,282**	**83,843**

Dividends

- As a result of the fulfilment of all conditions to complete MSSL Estonia WH OÜ’s [a wholly-owned indirect subsidiary of Motherson Sumi Systems Limited] voluntary recommended public tender offer, the Board’s conditional dividend proposal had lapsed and the Annual General Meeting resolved on 5 April 2017 not to pay dividend. (In 2016 dividend of EUR 0.70 per share was paid, in total EUR 16.9 million).
- After the reporting period, the Board of Directors has proposed that EUR 0.70 per share will be distributed as dividends, EUR 16.9 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 and members of the Group's Executive Board.

PKC Group's key management personnel consists of the members of the parent company's Board of Directors and the members of PKC Group's Executive Board including President & CEO. Employee benefits, salaries and fees of key management personnel totalled EUR 9.9 million (EUR 5.3 million). At the end of the financial year 31 March 2018 PKC Group's Executive Board consisted of the following persons: Pankaj Mital, Chairman (President & CEO), Julie Bellamy (Group Senior Vice President, Human Resources), Andre Gerstner (President, Rolling Stock Business), Jyrki Keronen (President, Wiring Systems, APAC), Jani Kiljala (President, Wiring Systems, Europe and South America), Frank Sovis (President, Wiring Systems, North America), Juha Torniainen (CFO), Deepak Tyagi (Chief Technical Officer) and Vesa Vähämöttönen (Group Senior Vice President, Business Development).

Accrued employee benefits of the Executive Board

EUR 1,000	2017-18	2016
Salaries and other employee benefits	9,593	3,811
Share-based payments	0	979
Total	**9,593**	**4,791**

No stock options were granted to the Group's Executive Board during financial year 2017-2018. 24,000 stock options were granted to the Group's Executive Board in 2016.

EUR 1,000 unless otherwise noted	31.3.2018	31.12.2016
Granted options, 1,000 pcs.	0	224.1
of which exercisable [1)]	0	165.5
Total fair value of the options	0	1,150.8
Total number of shares, to which the options held by PKC Group´s Executive Board entitle, 1,000 pcs.	0	224.1
Share-based payments		
President & CEO	7	79
Other executive board	21	191
Share-based payments total	28	270

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

➢ Additional information about the stock option schemes of PKC Group's key personnel is presented in note 1.4 Employee Benefit Expenses.

Amount of share-based incentives granted to the members of the Executive Board and the effect on the result and financial position during the financial year are presented in the table below.

	2017-2018		2016	
EUR 1,000	President & CEO	Other Executive Board	President & CEO	Other Executive Board
Granted share-based incentives at the end of financial year, 1,000 pcs.	0	0	108	312
Expenses for the financial year, share-based payments	627	2,130	133	577
Expenses for the financial year, share-based payments, equity-settled	0	0	61	286
Liabilities arising from share-based payments at the end of financial year	0	0	131	596

➢ Share-based incentives are described in note 1.4 Employee Benefit Expenses.

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

EUR 1,000	2017-18	2016
Hyytiäinen, Matti	2,013	933
Total	**2,013**	**933**

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 EUR 278 thousand in financial year 2017-2018 (in 2016 EUR 223 thousand). 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 are financed on a pay-as-you-go-basis as the related pensions are paid out.

Salaries and fees of the Board of Directors

EUR 1,000	2017-18	2016
Buhl, Reinhard, until 5 April 2017	18	50
Diez, Wolfgang, until 5 April 2017	18	56
Gauba, G N, since 5 April 2017	0	0
Heuser, Andreas, since 5 April 2017	0	0
Lange, Henrik, until 5 April 2017	19	41
Levy, Shemaya, until 5 April 2017	22	66
Mingming, Liu, until 5 April 2017	16	53
Mital, Pankaj, since 5 April 2017	0	0
Remenar, Robert	60	68
Ruotsala, Matti	101	90
Sehgal, Vivek Chaand, since 5 April 2017	0	0
Tähtinen, Jyrki, until 6.4.2016	0	15
Total	**255**	**439**

Services acquired from related party entities

During the financial year PKC Group acquired in the value EUR 0,5 million and sold in the value of EUR 1,1 million from/to MSSL subsidiaries and its related parties. During the comparison period other operating expenses did not include any services acquired from related party entities. These business transactions are based on market prices.

4.2 Group Structure

Group companies 31.3.2018

Company	Principal activity	Domicile	Holding, %	Votes, %
PKC Group Plc	Administration	Finland	100	100
PKC Wiring Systems Oy	Administration	Finland	100	100
PK Cables do Brasil Industria e Comercio Ltda	Manufacturing	Brazil	100	100
PKC Group Canada Inc.	Sales	Canada	100	100
PKC Group APAC Limited	Administration	Hong Kong	100	100
PKC Vehicle Technology (Suzhou) Co. Ltd	Manufacturing	China	100	100
PKC Vehicle Technology (Hefei) Co., Ltd.	Manufacturing	China	50	50
Hubei Zhengao PKC Automotive Wiring Company Ltd	Manufacturing	China	40	40
Jiangsu Huakai-PKC Wire Harness Co., Ltd.	Manufacturing	China	50	50
Shandong Huakai-PKC Wire Harness co., Ltd *)	Manufacturing	China		
Project Del Holding S.à.r.l.	Holding	Luxembourg	100	100
AEES Manufacturera, S. De R.L. de C.V	Administration	Mexico	100	100
Arneses y Accesorios de México, S. de R.L. de C.V.	Manufacturing	Mexico	100	100
Arneses de Ciudad Juarez, S. de R.L. de C.V.	Manufacturing	Mexico	100	100
Asesoria Mexicana Empresarial, S. de R.L. de C.V.	Administration	Mexico	100	100
Cableados del Norte II, S. de R.L. de C.V.	Manufacturing	Mexico	100	100
PKC Group de Piedras Negras, S. de R.L. de C.V.	Manufacturing	Mexico	100	100
PKC Group AEES Commercial, S. de R.L. de C.V.	Sales	Mexico	100	100
Manufacturas de Componentes Eléctricos de México S. de R.L. de C.V.	Manufacturing	Mexico	100	100
PKC Group Mexico S.A. de C.V.	Manufacturing	Mexico	100	100
PKC SEGU Systemelektrik GmbH	Manufacturing	Germany	100	100
PKC Wiring Systems Llc	Manufacturing	Serbia	100	100
TKV-sarjat Oy	Holding	Finland	100	100
PKC Eesti AS	Administration	Estonia	100	100
PKC Group Lithuania UAB	Manufacturing	Lithuania	100	100
PKC Group Poland Sp. z o.o.	Manufacturing	Poland	100	100
OOO AEK	Manufacturing	Russia	100	100
PKC Group USA Inc.	Administration	USA	100	100
AEES Inc.	Administration	USA	100	100
AEES Power Systems Limited Partnership	Manufacturing	USA	100	100
Fortitude Industries Inc.	Manufacturing	USA	100	100
T.I.C.S. Corporation	Holding	USA	100	100
PKC Group Poland Holding Sp. z o.o.	Holding	Poland	100	100
Groclin Luxembourg S.à.r.l.	Holding	Luxembourg	100	100
Kabel Technik Polska Sp. z o.o.	Manufacturing	Poland	100	100
PKC Netherlands Holding B.V.	Holding	The Netherlands	100	100
PK Cables Nederland B.V.	Holding	The Netherlands	100	100

*) Owned by Jiangsu Huakai-PKC Wire Harness Co., Ltd. 100%

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

- Associate company Hubei PKC Automotive Wiring Wiring Company Ltd was established.
- PKC Electronics Oy, PKC Electronics (Suzhou) Co.,Ltd and PKC Electronics Vietnam Co. Ltd were divested.
- Fortitude Industries Inc. was acquired.
- Shangdong Huakai-PKC Wire Harness Co.,Ltd was established by Jiangsu Huakai-PKC Wire harness Co. Ltd

4.3 Business Combinations

2017-2018

On April 1, 2017 PKC Group acquired Fortitude Industries, Inc. (dba Advanced Transit Manufacturing, or ATM) in the United States. The consideration of the transaction is EUR 11.2 million. ATM develops and manufactures electrical distribution systems for rolling stock manufacturers.

The acquisition has been consolidated into PKC Group as of April 1, 2017.

The following table summarizes the amounts for the consideration paid for ATM, the cash flow from the acquisition and the amounts of the assets acquired and liabilities recognized at the acquisition date:

Consideration	EUR million
Consideration transferred	8.9
Contingent consideration	2.3
Total consideration transferred	**11.2**

Cash flow from the acquisition	EUR million
Consideration paid in cash	8.9
Total cash flow from the acquisition	**8.9**

Intangible assets	4.8
Property, plant and equipment	0.4
Inventories	1.9
Trade and other receivables	1.4
Total assets	**8.5**
Trade payables and other liabilities	1.5
Deferred taxes	2.0
Total liabilities	**3.5**
Total net assets	**5.0**
Goodwill	**6.2**

The goodwill reflects the value of know-how and expertise in rolling stock business.

2016

During the financial year 2016 there were no acquisitions.

4.4 Established Jiangsu Huakai-PKC Wire Harness Co., Ltd., PKC Vehicle Technology (Hefei) Co., Ltd. and Hubei Zhengao PKC Automotive Wiring Company Ltd

PKC Vehicle Technology (Hefei) Co., Ltd.

PKC Group announced on 29 March 2016 that it has signed a contract establishing the company with Anhui Jianghuai Automobile Co., Ltd's (JAC) subsidiary Hefei Jianghuai Automobile Co., Ltd (Hefei JAC). The established company operates in China in both medium and heavy duty truck segments and expands business to buses, light trucks, vans, pick –up trucks and various other light vehicles in China.

The established company comprises previous wiring harness business of JAC group with the aim to gradually take-over also other, currently outsourced, wiring systems business. The parties' aim is to develop established company as a primary supplier for all wiring harnesses to JAC group. The company will deliver full design & development, manufacturing and sequence delivery services to JAC group companies.

The 50/50 company was accomplished through a new company (named PKC Vehicle Technology (Hefei) Co., Ltd.) that was established by Hefei JAC and PKC in city of Hefei in Anhui province in China with an equity value of RMB 100 million (EUR 14 million at current exchange rate). PKC will contribute RMB 50 million (EUR 7 million at current exchange rate) via equity to be financed from PKC's cash resources. The agreement contains specific terms regarding PKC's right to consolidate. Although the company has been established together with another company, PKC Group controls and processes the company as a subsidiary. Established company has started its operations during financial year.

Jiangsu Huakai-PKC Wire Harness Co., Ltd.

PKC Group announced on 4 September 2015 that PKC's 50/50 company Jiangsu Huakai-PKC Wire Harness Co., Ltd. with Jiangsu Huakai Wire Harness Co. Ltd. (Huakai) has been established and started its operations. The finalisation of the company was subject to usual conditions including e.g. negotiating the related agreements and authority approvals. The conditions have been fulfilled, Huakai's business has been transferred to the established company and company has started its operations in September 2015.

The agreement contains specific terms regarding PKC's right to consolidate. Although the company has been established together with another company, PKC Group controls and processes the company as a subsidiary.

During the financial year 2017-2018 Jiangsu Huakai-PKC Wire harness Co. Ltd. established subisidiary, Shangdong Huakai-PKC Wire Harness Co.,Ltd, owned by 100%.

Balance sheet date information about the subsidiaries, that have non-controlling interest, before intra-group eliminations is presented in the following table.

EUR 1,000	Jiangsu Huakai-PKC Wire Harness Co., Ltd. 2017-18	2016	Shandong Huakai - PKC Wire Harness Co., Ltd. 2017-18	PKC Vehicle Technology (Hefei) Co., Ltd. 2017-18	2016
Non-controlling interests' holding, %	**50 %**	**50 %**	**50 %**	**50 %**	**50 %**
Non-current assets	9,475	3,927	1,967	6,470	40
Current assets	59,483	39,760	760	27,239	2,733
Current liabilities	26,117	13,158	843	26,591	40
Net assets	**42,840**	**30,529**	**1,885**	**7,118**	**2,733**
Net assets attributable to non-controlling interests	21,420	15,265	942	3,559	1,367
Revenue	85,511	42,164	23	55,008	0
Profit	14,257	3,608	-825	-1,936	1
Items of other comprehensive income	-273	-370	-8	-148	0
Total comprehensive income	**13,984**	**3,238**	**-833**	**-2,085**	**1**
Net profit allocated to non-controlling interests	7,128	1,804	-412	-968	1
Items of other comprehensive income allocated to non-controlling interests	6,992	1,619	-416	-1,042	1
Net cash from operating activities	3,601	5,910	-57	3,613	1
Net cash from investment activities	-6,910	-1,027	-2,525	-5,363	0
Net cash used in financing activities	8,771	6,425	2,717	6,470	2,732
Net increase (+) or decrease (-) in cash and cash equivalents	**5,462**	**11,308**	**136**	**4,719**	**2,733**

Associated company Hubei Zhengao PKC Automotive Wiring Company Ltd.

PKC Group announced on 9 February 2017 that it was negotiating on establishing a company into China with a Chinese wiring harness manufacturer. It was estimated that the company would generate annual sales of about EUR 40 million and that the negotiations would be completed during the financial year. The 60/40 company was accomplished through a new company named Hubei Zhengao PKC Automotive Wiring Company Ltd that was established by Hubei Zhengao Automotive Accessories Co., Ltd. and PKC in city of Shiyan in Hubei province in China with an equity value of RMB 150 million (about EUR 20 million at current exchange rate). PKC will contribute RMB 60 million (about EUR 8 million at current exchange rate) via equity to be financed from PKC's cash resources.

The company has commenced operations during the financial year.

EUR 1,000	Hubei Zhengao PKC Automotive Wiring Company, Ltd. 2017-18
Owning %	**40 %**
Non-current assets	3,767
Current assets	39,610
Total assets	**43,378**
Current liabilities	22,081
Total liabilities	**22,081**
Revenue	37,613
Other operating income	4
Increase/decrease inventory of FG&WIP	3,106
Materials and services	-30,290
Employee benefit expenses	-5,531
Depreciation, amortization and impairment	-506
Other operating expenses	-1,797
Operating profit	**2,599**
Financial income and expenses	-110
Profit before taxes	**2,489**
Income taxes	-621
Profit for the period	**1,868**
Share of associated companie's profit	754
Investment in associated companies	**8,076**

4.5 Discontinued Operations

PKC Group announced on 27 January 2017 that it divests 100% of PKC Electronics Oy shares to Enics, one of the biggest Electronics Manufacturing Service (EMS) providers in the world focusing on industrial electronic. The requirements of closing have been fulfilled and the closing became effective and ownership and control transferred on 28 February 2017. As a consequence of the sale transaction, a loss of EUR 2.3 million has been recognised in profit for the reporting period from the discontinued operations.

Electronics business had been classified as a non-current asset held for sale and reported as discontinued operations as of 31 March 2016. After this change PKC Group has only one primary reporting operating segment which also includes Group functions and other items.

- Accounting policies of the discontinued operations are presented in the Basis of Preparation and Accounting policies' chapter Non-current assets held for sale and discontinued operations.

The financial information of discontinued operations is presented in the table.

EUR 1,000	2017-18	2016
Results of Electronics business		
Income	6,685	42,040
Expenses	-9,188	-48,486
Profit (loss) before taxes	**-2,503**	**-6,446**
Income taxes	-93	-909
Net profit (loss) for the financial year from discontinued operations	**-2,595**	**-7,356**
Items affecting comparability	0	-4,933
Cash flows from Electronics business		
Net cash from operating activities	-1,561	-280
Net cash used in investing activities	1,412	-444
Net cash used in financial activities	41	0
Total net cash flows	**-107**	**-724**

EUR 1,000	31.12.2016
Assets and liabilities classified as held for sale	
Property, plant and equipment	4,805
Intangible assets	102
Receivables	7,151
Inventories	8,099
Total assets (A)	**20,156**
Trade payables and other non-interest-bearing liabilities	10,136
Total liabilities (B)	**10,136**
Net assets and liabilities (A-B)	**10,020**

4.6 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 leases.

Operating lease obligations, PKC Group as a lessee

EUR 1,000	2017-18	2016
Less than one year	9,519	10,912
Between one and five years	17,344	24,694
More than five years	1,415	4,346
Total	**28,278**	**39,952**

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.

4.7 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 March 2018 (31 December 2016) PKC Group has no material contingent items or commitments.

4.8 Events after the Financial Year

The group´s management is not aware of any significant events occurring after 31 March 2018.

Parent Company's Income Statement

EUR 1,000	Note	1.1.2017-31.3.2018	1.1.-31.12.2016
Net sales	1	**1,431**	**487**
Other operating income	2	3,441	2,864
Staff expenses	3	-8,303	-3,481
Depreciation, amortisation and impairment	7	-337	-350
Other operating expenses	4	-13,559	-6,474
Operating profit/loss		**-17,327**	**-6,955**
Interest and other financial income	5	7,965	10,824
Interest and other financial expenses	5	-6,627	-6,008
Foreign exchange differences	5	-30	-38
Financial income and expenses		**1,308**	**4,777**
Profit/loss before appropriations and taxes		**-16,019**	**-2,178**
Change in cumulative accelerated depreciation		-14	14
Group contribution		0	10,998
Appropriations		**-14**	**11,012**
Income taxes	6	6,566	-16
Profit/loss for the financial year		**-9,468**	**8,818**

Parent Company's Balance Sheet

EUR 1,000	Note	31.3.2018	31.12.2016
Assets			
Non-current assets			
Intangible assets	7	200	431
Tangible assets	7	23	3
Investments	8	63,838	63,838
Total non-current assets		**64,061**	**64,272**
Current assets			
Long-term receivables	9	210,685	202,192
Short-term receivables	10	72,897	83,183
Cash and cash equivalents		16,328	18,472
Total current assets		**299,911**	**303,847**
Total assets		**363,972**	**368,119**
Equity and liabilities			
Equity	11		
Share capital		6,218	6,218
Share premium account		11,282	11,282
Invested non-restricted equity fund		71,776	71,285
Retained earnings		59,338	48,263
Profit for the financial year		-9,468	8,818
Total equity		**139,146**	**145,867**
Appropriations			
Cumulative accelerated depreciation		0	-14
Total appropriations		**0**	**-14**
Liabilities			
Non-current liabilities	12	12,100	139,651
Current liabilities	13	212,726	82,616
Total liabilities		**224,826**	**222,266**
Total equity and liabilities		**363,972**	**368,133**

Parent Company’s Cash Flow Statement

EUR 1,000	1.1.2017 -31.3.2018	1.1.-31.12.2016
Cash flows from operating activities		
Cash receipts from customers	1,436	656
Cash receipts from other operating income	3,425	2,496
Cash paid to suppliers and employees	-21,801	-10,503
Cash flows from operations before financial income and expenses and taxes	**-16,940**	**-7,351**
Interest paid	-6,292	-4,750
Translation difference	-1	0
Interest received and other financial income	6,852	11,292
Income taxes paid	-1,491	-152
Net cash from operating activities (A)	**-17,873**	**-961**
Cash flows from investing activities		
Aqcuisitions of tangible and intangible assets	-126	-73
Proceeds from sale of tangible and intangible assets	0	5
Loans granted to subsidiaries	-34,973	-56,340
Proceeds from payments of loan receivables	9,534	4,195
Dividends received	0	93
Net cash used in investing activities (B)	**-25,565**	**-52,119**
Cash flows from financial activities		
Excercise of options	0	455
Change of own shares	2,747	0
Proceeds from current borrowings	222,802	137,825
Proceeds from non-current borrowings	12,100	0
Repayment of current/non-current borrowings	-225,534	-132,519
Received group contributions and dividends	29,179	50,163
Dividends paid	0	-16,867
Net cash used in financial activities (C)	**41,294**	**39,058**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)	**-2,144**	**-14,023**
Cash and cash equivalents at the beginning of the financial year	**18,472**	**32,494**
Cash and cash equivalents at the end of the financial year	**16,328**	**18,472**

Accounting Policies for the Parent Company's Financial Statements

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

PKC Group Ltd's financial period has been changed from calendar year to 1.4.-31.3. As a result of financial period change, the financial period that started 1.1.2017 continued until 31.3.2018. Financial period was 15 months while the comparison period was 12 months.

Foreign currency items

Foreign currency transactions have been recognised during the financial period by using the exchange rate of the transaction date. Balance sheet items outstanding on the closing date of the financial period have been valued using the exchange rates of the reporting date. The exchange rate differences have been recognised 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 assets	3 - 4 years
Buildings and constructions	7 - 15 years
Machinery and equipment	5 - 7 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.

Net sales

Net sales comprise the service revenue. Net sales are recognised for the period when the service is rendered.

Other operating income

Income related to other than normal business is recognised as other operating income. Services to Group companies include flow through costs e.g. telephone, IT, premises, marketing and travelling costs invoiced from Group companies. Other items in other operating income are, for example proceeds from sales of non-current assets and compensations from insurance companies.

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. Tax losses carried forward are not recognised as deferred tax assets

Derivative assets and liabilities

During 2016 parent company has started to apply the instruction from Finnish Accounting Board (KiLa 2016 1963) relating to the fair values of derivative instruments. In addition to realized profit or loss from derivative agreements also the changes in the fair values of derivatives are recorded as a profit or loss.

Notes to the Parent Company's Financial Statements

1. Net Sales

By market areas

EUR 1,000	2017-18	2016
Finland	239	213
Other Europe	888	250
North America	304	24
Total	**1,431**	**487**

2. Other Operating Income

EUR 1,000	2017-18	2016
Services to Group companies	3,439	2,864
Other income	2	0
Total	**3,441**	**2,864**

3. Staff Expenses

EUR 1,000	2017-18	2016
Wages and salaries	7,475	2,860
Pension expenses	615	469
Other social security expenses	117	113
Other staff expenses	97	38
Total	**8,303**	**3,481**

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

Number of personnel

	2017-18	2016
Average number of personnel	23	22
Personnel at the end of financial year	23	19

4. Other Operating Expenses

EUR 1,000	2017-18	2016
Outsourced services	6,846	604
Outsourced services from Group companies	2,118	214
IT and telecommunications expenses	3,037	2,342
Administrative expenses	0	2,034
Travelling expenses	496	322
Facility expenses	250	155
Insurances	690	502
Vehicle expenses	33	23
Other maintenance expenses	28	22
Other items	8	149
Auditors´ fees	53	107
Total	**13,559**	**6,474**

Auditors´ fees

EUR 1,000	2017-18	2016
Audit fees	53	41
Tax services	0	61
Other services	0	5
Total	**53**	**107**

5. Financial Income and Expenses

Interest and other financial income

EUR 1,000	2017-18	2016
Income from subsidiary shares	0	256
Interest and other financial income from Group companies	6,977	5,573
Interest and other financial income	989	4,995
Foreign exchange gains		
from trade payables	30	4
from raw material derivatives	0	273
Total	**7,996**	**11,100**

Interest and other financial expenses

EUR 1,000	2017-18	2016
Interest and other financial expense from Group companies	-189	0
Interest and other financial expenses	-6,438	-6,008
Foreign exchange losses		
from trade payables	-2	-3
from raw material derivatives	-57	-312
from other financial instruments	-1	0
Total	**-6,687**	**-6,323**
Total financial income and expenses	**1,308**	**4,777**

6. Income Taxes

EUR 1,000	2017-18	2016
Income taxes for the financial year	0	-16
Adjustments for prior years	6,566	0
Total	**6,566**	**-16**

7. Non-Current Assets

Intangible assets

EUR 1,000	Intangible rights	Other non-current expenditures	Acquisitions in progress	Total
Acquisition cost 1.1.2017	2,270	491	0	2,761
+ Additions	0	0	95	95
+/- Reclassifications	575	-491	-91	-8
Acquisition cost 31.3.2018	2,845	0	3	2,848
Accumulated amortisation and impairments 1.1.2017	1,979	351	0	2,330
- Accumulated amortisation on disposals and reclassifications	345	-351	0	-6
+ Amortisation	325	0	0	325
Accumulated amortisation and impairments 31.3.2018	2,649	0	0	2,649
Carrying amount 31.3.2018	**196**	**0**	**3**	**200**
Carrying amount 31.12.2016	291	140	0	431

Tangible assets

EUR 1,000	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1.1.2017	118	1,001	209	1,328
+ Additions	31	0	0	31
+/- Reclassifications	-12	113	-94	8
Acquisition cost 31.3.2018	137	1,114	116	1,367
Accumulated depreciation and impairments 1.1.2017	118	999	209	1,326
- Accumulated depreciation on disposals and reclassifications	6	116	-116	6
+ Depreciation	5	0	7	12
Accumulated depreciation and impairments 31.3.2018	129	1,114	101	1,344
Carrying amount 31.3.2018	**8**	**0**	**15**	**23**
Carrying amount 31.12.2016	0	3	0	3

8. Investments

EUR 1,000	Shares of subsidiaries	Other investments	Total
Acquisition cost 1.1.2017	63,791	48	63,838
Acquisition cost 31.3.2018	63,791	48	63,838
Carrying amount 31.3.2018	**63,791**	**48**	**63,838**
Carrying amount 31.12.2016	63,791	48	63,838

Subsidiaries

Company		Registered office	Parent's holding, %	Parent's vote, %
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 March 2018) is presented in consolidated financial statements' note 4.2 Group Structure.

9. Long-term Receivables

EUR 1,000	2017-18	2016
Loan receivables from Group companies	210,671	202,024
Other non-current receivables	14	167
Total	**210,685**	**202,192**

10. Short-term Receivables

EUR 1,000	2017-18	2016
Other receivables	138	221
Prepayments and accrued income	1,214	287
Receivables from Group companies		
Interest-bearing loan receivables	69,979	53,117
Trade receivables	384	368
Prepayments and accrued income of financial items	1,182	29,191
Total	**72,897**	**83,183**

Prepayments and accrued income

EUR 1,000	2017-18	2016
of staff expenses	18	24
of other operating expenses	1,031	205
of financial items	0	57
of taxes	165	0
Total	**1,214**	**287**

11. Equity

Restricted equity

EUR 1,000	2017-18	2016
Share capital 1.1.	6,218	6,218
Share capital 31.3./31.12.	**6,218**	**6,218**
Share premium account 1.1.	11,282	11,282
Share premium account 31.3./31.12.	**11,282**	**11,282**
Total restricted equity	**17,500**	**17,500**

Distributable equity

EUR 1,000	2017-18	2016
Invested non-restricted equity fund 1.1.	71,285	70,830
Increase (+)/ decrease (-) in invested non-restricted equity fund	490	455
Invested non-restricted equity fund 31.3./31.12.	**71,776**	**71,285**
Retained earnings 1.1.	57,082	65,130
Dividends paid	0	-16,867
Change of treasury shares	2,257	0
Retained earnings 31.3./31.12.	**59,339**	**48,263**
Profit for the financial year	-9,468	8,818
Distributable equity 31.3./31.12.	**121,646**	**128,367**
Total equity	**139,146**	**145,867**

Statement of distributable funds

EUR 1,000	2017-18	2016
Retained earnings	59,339	48,263
Profit for the financial year	-9,468	8,818
Invested non-restricted equity fund	71,776	71,285
Total	**121,646**	**128,367**

12. Non-Current Liabilities

EUR 1,000	2017-18	2016
Bond	0	99,681
Loans from financial institutions	0	39,970
To Group companies		
Interest-bearing borrowings	12,100	0
Total non-current liabilities	**12,100**	**139,651**
of which interest-bearing	12,100	139,651

Loans falling due later than five years do not exist.

13. Current Liabilities

EUR 1,000	2017-18	2016
Bond	97,297	0
Loans from financial institutions	33,000	0
Interest-bearing commercial papers	45,000	35,000
Trade payables	666	792
Advances received		
Accruals and deferred income	4,216	11,814
Other liabilities	252	86
To Group companies		
Interest-bearing cash pool	31,815	34,874
Trade payables	429	42
Accruals and deferred income from financial expenses	50	0
Other liabilities	0	7
Total	**212,726**	**82,616**

Accruals and deferred income

EUR 1,000	2017-18	2016
from staff expenses	567	968
from other operating expenses	1,098	212
from financial items	2,552	2,754
from taxes	0	7,880
Total	**4,216**	**11,814**

Other liabilities

EUR 1,000	2017-18	2016
from staff expenses	246	4
from taxes	5	82
Total	**252**	**86**

14. Commitments and Other Obligations

Other liabilities

EUR 1,000	2017-18	2016
Given on behalf of other Group companies	11,522	14,567
Total	**11,522**	**14,567**

Lease obligations related to current premises

EUR 1,000	2017-18	2016
For the current financial period	147	138
Falling due at a later date	143	183
Total	**290**	**321**

Other lease obligations

EUR 1,000	2017-18	2016
For the current financial period	12	13
Falling due at a later time	25	3
Total	**37**	**16**

Board of Directors´ Proposal for Profit Distribution and Signatures

The parent company´s distributable funds are EUR 121,646,325, of which EUR 49,870,752 is distributable as dividends, including the net profit (loss) for the financial year EUR -9,467,768. There are 24,125,387 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 16,887,770.90
- The remaining be retained in shareholders´ equity	EUR 104,758,554.10
Total	EUR 121,646,325.00

The dividend payment will be settled at the Annual General Meeting held after the end of the financial year.

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, 25 May 2018.

Matti Ruotsala Chairman of the Board	Gaya Nand Gauba Board Member	Andreas Heuser Board Member
Robert J. Remenar Board Member	Vivek Chaand Sehgal Board Member	Pankaj Mital President & CEO Board Member

This document is an English translation of the Finnish Auditor's note. Only the Finnish version is legally binding.

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, 25 May 2018.

Ernst & Young Oy
Authorised Public Accountants

(signed)
Jari Karppinen
Authorised Public Accountant

List of Accounting Books

- journal and general ledger
- ledger specifications
- ledger vouchers
- memo vouchers
- inventory counting
- list of items of intangible and tangible assets

Ernst & Young Oy
Alvar Aallon katu 5 C
FI-00100 Helsinki
FINLAND

Tel. +358 207 280 190
www.ey.com/fi
Business ID 2204039-6,
domicile Helsinki

AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of PKC Group Oy

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of PKC Group Oy (business identity code 0972280-0) for the year ended 31 March, 2018. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have not provided any non-audit services to the parent company or group companies.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Goodwill *We refer to the note 2.1 Accounting policy and note 2.2 Impairment testing* • During the previous years the company has expanded its operations by business acquisitions, which has increased the carrying value of goodwill. At the balance sheet date the value of the goodwill amounted to 40.3 m€, which is 7 % of the total assets. • Revenue recognition was determined to be a key audit matter, because the cash-flow estimates used in the impairment tests include significant management judgement for, among others, revenue growth, profitability and discount rate.	Our audit procedures included, among others, the following audit procedures: • We assessed the assumptions and methods applied by the group, specially related to forecasted revenue growth, profit margins and the cost of the weighted average capital. • We assessed the accuracy of the previous forecasts made by the management. • We assessed how sensible the range of impairment in CGU testing would be and assessed if any possible change of assumptions could lead to situation where carrying values would exceed the value of use. • We compared the value-of-use calculated in impairment test with the market value of shares quoted just before the shares were delisted on 6 October 2017. • We considered the appropriateness of the group's disclosures in respect of goodwill.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director 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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were appointed as auditors by the Annual General Meeting on 5 April 2017.

Building a better working world

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 25 May 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant