ANNUAL REPORT 2012

PKC GROUP

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BUSINESS

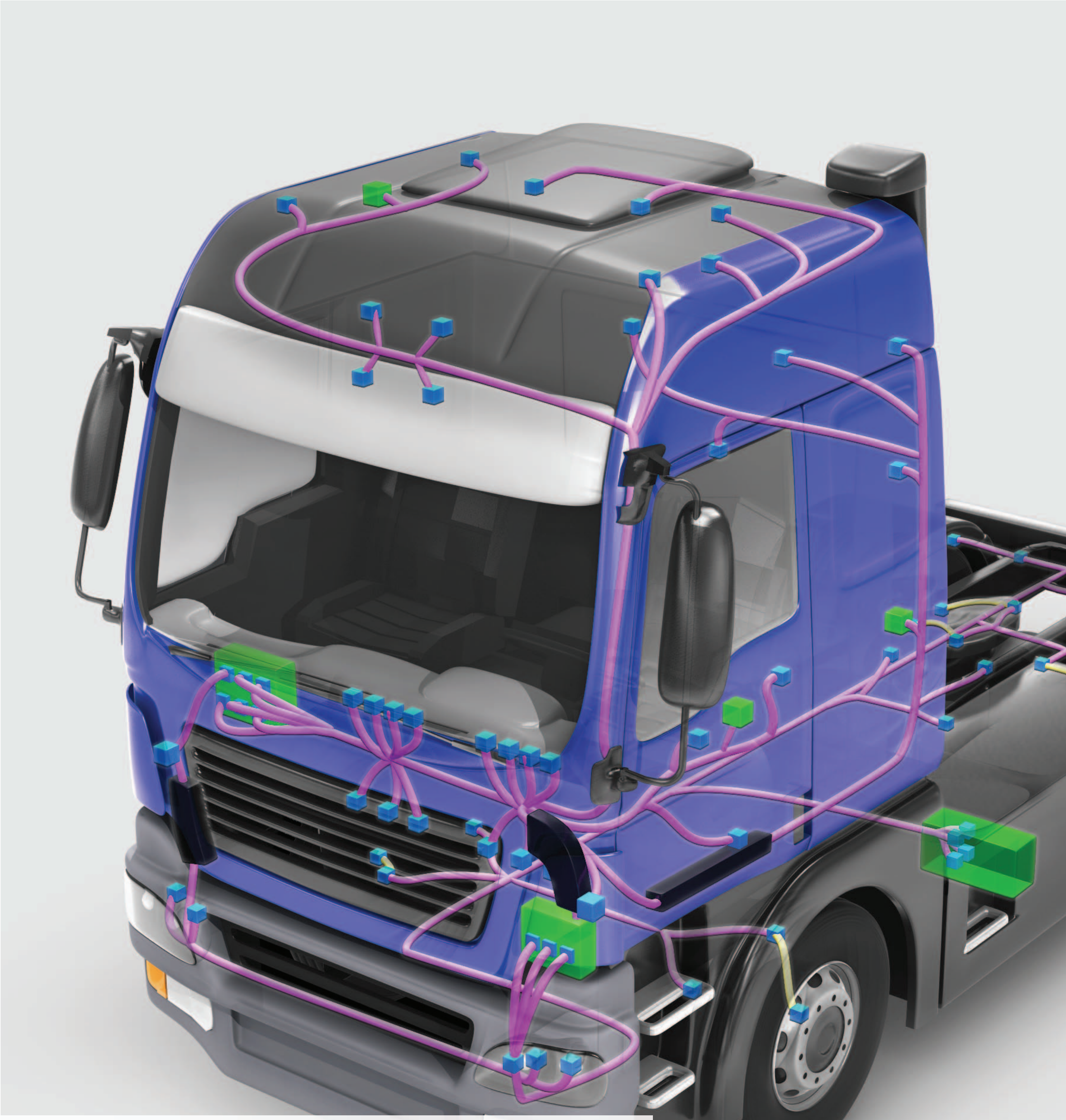
CORPORATE GOVERNANCE

REPORT BY THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

GLOBAL PARTNER

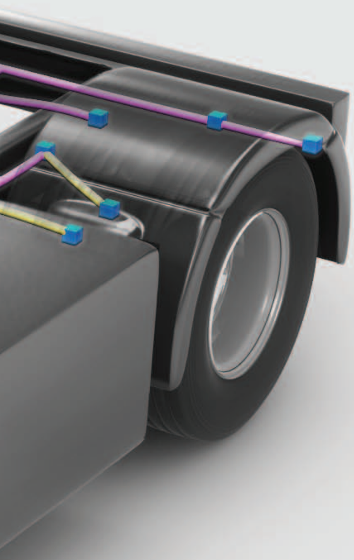
PKC is there, where customers are. PKC seeks growth not only in the traditional market regions of its clientele – Europe and North and South America – but in Asia as well.

BUSINESS



EXPERT IN ELECTRICAL DISTRIBUTION SYSTEMS

PKC offers its customers a comprehensive electrical distribution systems architecture product portfolio that utilises PKC's intelligent modular power distribution centre solution and PKC's vehicle electronics product solutions.



Key Investment Highlights

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

PKC Group's net sales in 2012 were EUR 928.2 million and the group employs 19.305 skilled professionals. PKC Group Plc is listed on NASDAQ OMX Helsinki Ltd.

PKC is a growth-driven company and an excellent investment opportunity due to its global market status, solid financial standing and ability to pay dividends.

Strong business expertise – a solid foundation for PKC's success

PKC has strongly grown its business both organically and through strategic acquisitions, while maintaining its solid financial position throughout its history.

In 2012, cash flow after investments was very strong, PKC's financial position strengthened further and gearing decreased considerably.

PKC's customers include all main western truck manufacturers as well as global, leading manufacturers of tractors, construction equipment as well as light and recreational vehicles. In 2012, in addition to the traditional market areas in Europe, North and South America, PKC's clientele also increased in Asia. PKC's service and product portfolio offers high technology solutions excellently suited for the growing commercial vehicle markets in Asia.

Through the global service and production network, PKC is exactly there where customers are. The Group has production facilities on four different continents: in Brazil, Ireland, China, Mexico, Poland, Germany, Finland, Ukraine, Estonia, Russia and the USA. PKC is continuously developing its services to meet the needs of our growing clientele.

The added value that PKC provides its customers originates from PKC's own unique know-how. Our competence is composed of processes, tools, expertise and architecture components developed for complexity management, which enable mass production of high-quality, individually tailored products and their countless variations with short delivery times.

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

Key events in 2012:

- Integration of acquisitions made in 2011 was completed. Development continues intensively by utilising the Group's business units' best practices
- Quotation activities and development of customer accounts in the commercial vehicle business was continued utilising the new technologies and the cross-sales enabled by the acquisitions concluded in 2011
- PKC Technology Days organised for customers were very successful
- Global clientele was even more interested in PKC than before
- Group headquarters were transferred from Kempele to Helsinki
- It was decided to transfer the Vehicle Electronics business from the Electronics business segment to Wiring Systems business segment
- The comparable net sales of the Group's Wiring Systems business increased strongly due to business acquisitions and the recovery of the automotive market, but net sales for the Electronics business decreased in comparison to the previous year
- The comparable profitability of Wiring Systems remained on a good level, even though it was strained by reorganisation operations in Brazil. Profitability of the Electronics business decreased from the level of the previous year

GROUP LOCATIONS

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

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

ASIA
- Suzhou, China
- Hong Kong, China

Electronics unit
Wiring Systems unit

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

GROUP KEY FIGURES

	2012	2011	2010	2009	2008
Net sales, EUR million	928.2	550.2	316.1	201.8	311.7
Operating profit, EUR million	43.5	34.5	29.7	0.7	21.0
Profit before taxes, EUR million	34.9	29.4	25.0	1.1	15.2
Return on investment (ROI), %	16.7	18.9	25.8	6.4	20.8
Equity ratio, %	33.9	30.0	56.5	49.2	41.9
Gross capital expenditure, EUR million	16.0	101.5	8.6	3.9	27.4
Earnings per share (EPS), EUR	1.12	1.16	1.09	0.13	0.31
Dividend per share, EUR	0.70*	0.60	0.55	0.40	0.15

(* Board's proposal


OmniExpress

Review by the President and CEO

Once again, the past year was a successful one for PKC, comprising many successes and positive events for the Group.

In 2012, our operating environment showed change and fluctuation depending on the market area. In North America, the business operations of transport firms saw renewed vigour, accelerated by strong freight demand and encouraging favourable freight price levels. As a result of this, truck production volumes grew rapidly in North America from the start of the year onwards. Caution with regard to truck investments increased towards the end of the year, which was affected by, for instance, uncertainty in the U.S. over the country's federal budget decisions. This is why the growth in manufacture quantities started tapering off and production volumes began to decline.

In Europe, economic uncertainty exerted an impact on transport firms' investment plans. Even so, truck manufacture in early 2012 was better than anticipated. The deterioration in the truck market during the second half of the year spread from southern Europe to other European regions.

At the beginning of 2012, Brazil introduced the Euro 5 emission regulation. Transport companies prepared for the change by purchasing large quantities of Euro 3 machinery and equipment before the new regulations came into force. As a result, production volumes collapsed at the outset of 2012 and remained on a low level until summer. The State support measures published in spring 2012 for the stimulation of truck investments gradually began to show results, and production volumes grew towards the end of the year.

PKC's net sales grew on the previous year by 69 %, and operating profit before non-recurring items and purchase price allocation amortisations grew 33 %. The increase in net sales was considerably impacted by the acquisition of the AEES companies during the last quarter of 2011. Operating profit was burdened by the significant losses suffered by the Brazilian operations, which derived from the unfavourable market conditions and ongoing production transfers.

Maintenance of a healthy balance sheet is pivotal to PKC's central strategies. The business acquisitions made in 2011 raised the debt-equity ratio to a level higher than normal, and for this reason projects to reduce net working capital were implemented in 2012. For example, by developing supply chain processes we were able to decrease the capital tied up in inventories by approximately EUR 23 million. Cash flow after investments for the entire year was indeed very strong, at EUR 63.7 million. During the year, we managed to considerably reduce the debt-equity ratio and thereby strengthen our balance sheet.

The most significant event of 2012 was the integration into PKC of the AEES companies acquired at the end of 2011. In this effort, we succeeded well and brought the integration phase to a close faster than originally planned. The success of integration was substantially affected by the positivity and professionalism of the management and personnel of the purchased enterprise. Integration was also propelled forward by the positive reaction and attitude shown by our clients.

Our objective is to consolidate our position on the market as our customers' first-and-foremost partner, no matter where they operate. Our business acquisitions have facilitated this aim. Moreover, we hosted PKC's Technology Days in 2012, which were given an excellent reception. The goal of these events was to present PKC's unique expertise as well as our product and service portfolio to our clients. Also in 2012, we were capable of acquiring several new customer accounts in addition to increasing sales to our current clients in new market areas. Demand is sure to continue in future for PKC's unique expertise in the management of electrical distribution systems product variations.

PKC's position is strong in all of our main markets, though our activities in Asia are only beginning. Asia – especially China – is the world's largest commercial vehicle market, which is predicted to experience dynamic growth. PKC's current global customers are actively directing their growth to these markets by forming, for instance, joint ventures with leading Chinese and Asian truck manufacturers. In addition to their growth, Asia's commercial vehicle markets are undergoing structural change, driven forward by the new emission regulations and the need for vehicles that are individually optimised for customers. As a result of structural change, the technological content in commercial vehicles is growing and diversifying considerably. Electrical distribution systems solutions are also becoming significantly more complex.

According to our assessments, PKC has excellent competitive potential to expand its business operations in Asia both to its current customers and to Asia's leading truck manufacturers, including China.

Corporate responsibility is an essential element of PKC's activities. PKC's first Corporate Responsibility Report is published concurrently with this Annual Report.

We enter 2013 on firm foundations. Our balance sheet is stronger and our customers can therefore trust that PKC is the right partner when selecting an electrical distribution systems supplier for long-term product programmes. We are continuously endeavouring to develop our personnel, functions and services. The same applies to corporate responsibility, in which our valuable work in the sphere of financial, social, quality and environmental accountability is making PKC even stronger than before.

I would like to thank our personnel, who have done excellent work to help our clients to succeed, as well as all our shareholders for the confidence they have shown towards PKC in 2012.

Matti Hyytiäinen
President and CEO

Strategic Outlines

PKC's goal is to grow profitably by strengthening market position. The implementation of strategy is enabled by PKC's unique expertise.

In keeping with the Group's business idea, PKC designs, manufactures and integrates electrical distribution systems, electronics and related architecture components for commercial vehicles and other selected segments.

PKC's vision is to be a global market leader in electrical distribution system architecture and electronics for commercial vehicles and other selected segments. As outlined in the Group's strategy, PKC offers its customers globally a comprehensive selection of electrical distribution system architecture products utilising PKC's intelligent Modular Power Distribution Center as well as PKC's product solutions for vehicle electronics. PKC's unique competence in managing electrical distribution system product variation brings our customers significant added value.

Strategic measures in 2012

- Integration of the AEES acquisition was brought to a conclusion during the second quarter
- Global partnership opportunities were utilised in all market areas
- It was decided to transfer the Vehicle Electronics business from PKC's Electronics business segment under Wiring Systems
- We continued with our determined work in developing the Group's best practices, operations and accounts

The AEES acquisition in 2011 has proven to be a successful purchase. The integration phase was brought to a conclusion earlier than planned, and development continues intensively by utilising the Group's best practices. Acquisitions provided synergy benefit as well as opportunities generated from cross-sales and global partnerships were utilised effectively in all market areas. Quotation activities to PKC's commercial vehicle customers continued at a high level.

With the expansion of the product and service portfolio, the integrated electrical distribution systems, electronics and related architecture components enable even more comprehensive offering to customers. Customers are interested in PKC's unique competence in managing electrical distribution system product variations and the benefits therein. In particular, a great deal of interest has been aroused in PKC's electrical distribution system architecture product range, which utilises PKC's intelligent Modular Power Distribution Center and PKC's vehicle electronics product solutions.

In order to increase the vehicle electronics business and to make use of synergies, it was decided to transfer the Vehicle Electronics business from the Electronics segment to Wiring Systems segment. A prerequisite for successful business is PKC's competent personnel, who know the customer's products and processes and are able to manage the whole supply chain. The Group's tried-and-tested operation methods are part of PKC's best practices, creating considerable added value for customers.

Strategy focus points

- PKC Uniqueness
- Expanding business operations in Asia
- Development of expertise and utilisation of best practises
- Profitable growth by strengthening market position

The Group's strategic focus points and execution of the strategy are based on the unique know-how, which incorporates knowledge of customer processes and products, the management of product variations and complexity, and a cost-efficient supply chain. PKC's core competence means combining state-of-the-art, individually tailored products and the mass production of innumerable variations with short delivery times. IT solutions developed support this expertise and enable seamless data transfer from customer systems to PKC's design and production. This PKC Uniqueness creates a solid foundation for competitiveness.

Asia, including China, is the world's biggest market for trucks, and it is anticipated to still experience strong growth. PKC's current global customers are actively directing their growth towards these markets by, for example, forming joint ventures with the leading Asian and Chinese truck manufacturers. There is a structural change taking place in Asian truck markets, driven by new emission regulations and the need for individually optimised vehicles for truck clients. With these structural changes, the amount of technology in trucks will grow and become more diverse, with electrical distribution systems also becoming more complex. Because of PKC's unique core competence, it has excellent competitive edge to expand its business operations in Asia, both to existing customers and to the leading Asian and Chinese truck manufacturers.

PKC's Electronics business strategy is to offer design and manufacture services for the entire product life-cycle, especially for the energy, telecommunications and electronics industry. The Electronics business offers its customers competent and flexible ODM (Original Design Manufacturer) services close to the customer. The service covers electronics, mechanics and testing design, prototype and preproduction, mass production and product maintenance. The core competences of the Electronics business are in designing testing solutions for electronic products and in designing intelligent power supply units.

Skilled personnel is a prerequisite for strategy implementation. Continuous development of expertise and utilising the Groups' best practices help to ensure that PKC remains more than a step ahead of its competitors.

PKC's objective is to grow in a profitable manner, while strengthening its market position. Profitable growth is being sought through deepening current customer relationships, utilising global partnership opportunities in new market areas, and expanding the range of clientele in current and new customer segments. As a global partner, PKC answers the needs of its clientele by strengthening its position on the Asian markets.

Values

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

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

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

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

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

FOR WORK AND LEISURE

PKC designs, manufactures and integrates tailored products for trucks and buses in addition to light and recreational vehicles, construction machinery and agricultural as well as forestry equipment.

Business Areas

PKC has two business areas: Wiring Systems and Electronics. Wiring Systems offers the competitive edge created by PKC's unique expertise to the customers of the commercial vehicle industry. The core areas of Electronics are testing systems and power supply units.

The Wiring Systems business designs, manufactures and integrates tailored electrical distribution systems and related architecture components, vehicle electronics, wires and cables especially for trucks and buses, light and recreational vehicles, construction equipment and agricultural and forestry equipment. PKC'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 Electronics business offers, in particular, product design, development and manufacture services of testing solutions and power supply systems for the electronics, telecommunications and energy industry. Products designed and manufactured by PKC are used in e.g. power control for machines, the testing of electronic products and energy-saving. The service concept covers the entire product life-cycle.

Personnel and development of competence

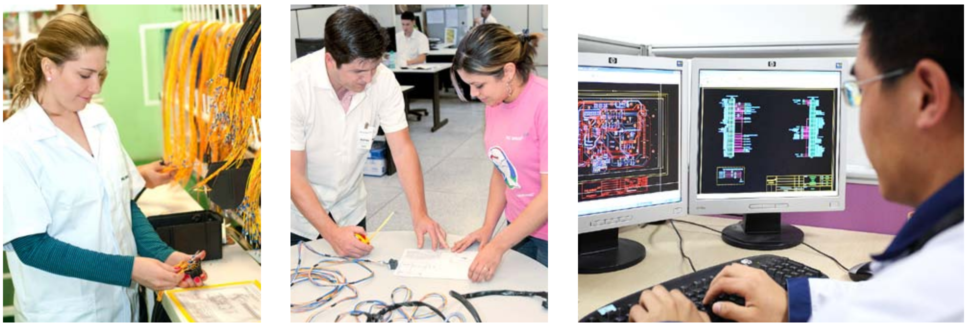
At the end of the year, the Group employed 19,305 people. Of them, 62% worked in North America, 23% in Europe, 13% in South America and 2% in Asia.

Competent and skilled personnel represent the foundation of successful business. At PKC, personnel competence development is continuous. In 2012, one of the competence development areas was leadership and management. Competent and sound management furthers the achievement of strategic objectives in the ever-changing operating environment.

PKC's objective is that each employee can show their abilities, and that the right person is employed in the right position. In relation thereto, PKC North America launched a specific personnel competence development program, which focuses on creating opportunities for personal development and promotion, thereby offering personnel the opportunity to create their own individual career paths at PKC.

Occupational safety and well-being

Promoting occupational safety at PKC is of utmost importance, and it is a



PKC's successful business operations are based on our expert, professionally skilled personnel, together with the continuous advancement and development of know-how, occupational safety and well-being at work.

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

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

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

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

During 2012, PKC carried out a survey on employee well-being at work that covered the whole Group and all continents. PKC's personnel processes and practices will be developed further on the basis of these results.

The Group has many units in which the EHS operation practices are internationally top of the field. These best practices will be implemented at all PKC factories.

Continuous improvement

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

During the past year, processes were developed and harmonised in order to increase productivity and quality in the production network. Widening the use of Lean -method and its tools was carried out further, and factories' personnel received training in Lean practices. Furthermore, the utilisation of the Six Sigma method was continued, and its use will be expanded and optimised further.

Surveying the quality best practices was continued, and the practices identified were applied in various parts of the Group. The process will be further developed in the future and will be increasingly integrated into everyday operations, securing PKC's competitiveness in the expanding markets.

Quality and Environment

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

PKC's operations are based on the ISO 9001 and ISO 14001 quality and environmental standards, as well as the automotive industry's ISO/TS 16949 quality system. The ISO 14001 certification process at the factories located in Sosnowiec, Poland, and Mukachewo, Ukraine, was concluded in 2012, in keeping with the plans. The production units located in Curitiba and Itajubá (Brazil), Raahe (Finland), and Suzhou (China) have also been certified in accordance with the OHSAS 18001 Occupational Health and Safety Management System standard. The OHSAS 18001 certification process for the manufacturing plants in Estonia and Mexico has been started, and the goal is to have it concluded over the course of 2013.

Harmonisation of quality metrics and reporting continued in 2012 as part of the integration work of the Group's new units. Reporting policies were made more effective to better meet the needs of the changed operating environment.

PKC wants to take responsibility for the well-being of the environment by developing energy-saving solutions and by designing products where emissions and material usage are minimised. The environmental impact of manufacturing will be reduced by optimising deliveries and the efficient management of materials. During the past year, the use of copper, in particular, has been made more efficient and material losses have been reduced in the Wiring Systems business. Reducing waste, sorting and recycling materials minimises any harm caused to the environment. Products are delivered to clients in recyclable and reusable packages in order to reduce packaging waste. The customers' environmental requirements are taken into account when choosing components for products. As key part of cooperation with suppliers, requirements are set on them to minimise their environmental impact.

EXPERT IN TRUCK ELECTRICAL DISTRIBUTION SYSTEMS

PKC's clientele comprises all significant Western truck manufacturers.

WIRING SYSTEMS

PKC designs, manufactures and integrates electrical distribution systems, electronics and related architecture components for the commercial vehicle industry and selected other segments. In 2012, the share of the Wiring Systems business of the Group's consolidated net sales was 92.5 %. The high-quality and highly customised electrical distribution systems and components are delivered for trucks, buses, light and recreational vehicles as well as agricultural and construction equipment in particular. PKC also designs and manufactures plastic components, connectors, junction boxes, power distribution centers and wires.

Key events in the Wiring Systems business in 2012:

- The integration of acquisitions made in 2011 was completed. Development continues intensively by utilising the Group's best practices in business units
- Quotation activities and development of customer accounts in the commercial vehicle business was continued utilising the new technologies and the cross-sales enabled by the acquisitions concluded in 2011
- New future accounts and projects were acquired
- PKC Technology Days raised awareness of PKC's unique expertise and product portfolio
- Global clientele were even more interested in PKC than before. In particular, a great deal of interest was aroused in PKC's electrical distribution system architecture product range, which utilises PKC's intelligent Modular Power Distribution Center and PKC's product solutions for vehicle electronics
- In Asian markets, demand for high-technology solutions for commercial vehicles continued to grow, which opened up opportunities for PKC as a global business partner
- The decision was made to move the Vehicle Electronics business from the Electronics business segment to Wiring Systems business segment

Business environment

The market situation in Europe remained stable despite the economic crisis, but it started to weaken toward the end of the year. The commercial vehicle market in North America grew in a positive manner, but general economic caution slowed down the development towards the end of the year.

PKC's product range offers innovative and adaptable solutions for the increasingly complex electrical architecture of commercial vehicles.

Implementing the Euro 5 emissions standards caused markets in Brazil to remain weak during the first half of the year, but they started to recover towards the end of the year.

PKC – a global partner

PKC's vision is to be the best possible business partner the customer could choose. Unique expertise, flexibility of services, and a global supply chain make PKC a reliable partner who can, together with the customer, meet the challenges of the global commercial vehicle market. The applications for electrical distribution system architecture and electronics developed by PKC offer innovative and customisable solutions for the increasingly complex electronic architecture in commercial vehicles.

PKC's clientele include all the main western truck manufacturers and global, leading manufacturers of tractors, construction equipment and light and recreational vehicles. In 2012, in addition to the traditional market areas in Europe, North and South America, the number of customers also continued to increase in Asia, where vehicle electrification has seen the strongest increase. PKC's product portfolio offers high-technology solutions tailored to and ideally suited for the growing commercial vehicle markets in Asia. As a global partner, PKC can offer its services both to existing customers and the leading Asian and Chinese truck manufacturers.

PKC's vision for the Wiring Systems business is that PKC will in future be the global market leader in electrical distribution system architecture and electronics for commercial vehicles and selected other segments.

Operational development

The global manufacturing and service network is being constantly developed to meet the needs of the growing clientele. An office specialising in customer service and design opened in Munich, Germany, which was seen favourably by customers, consolidating PKC's position and improving customer relationship management in Central Europe.

PKC's organisational structure has been updated to better meet the needs of the business which has grown strongly. In spring 2012, all Presidents of the geographical Wiring Systems business areas were appointed to the Executive Board, which in turn ensures up-to-date management and communications within the organisation. The management of Wiring Systems business in Europe and Asia was renewed by reorganizing operative management under common leadership and by centralizing sales management. The Wiring Systems business in Brazil also had its management strengthened and operations centralised.

Toward the end of the year, it was decided to move the Vehicle Electronics business from the Electronics segment to Wiring Systems segment. The goal is to significantly increase the Vehicle Electronics business as part of the Wiring Systems business solutions. In the same connection, it was decided to reorganise the Wiring Systems and Vehicle Electronics business in China into a separate company.

An extensive operational integration process was activated after the acquisition of AEES and SEGU companies. The integration of the AEES acquisition was brought to a conclusion during the second quarter. Intensive development continues, including implementation of the Group's best practices in product development, production and the various phases of supply chain management. Through internal development projects, quality and productivity were improved in order to ensure cost-competitiveness. Production operations were developed and processes harmonised by implementing IT systems and organisational improvements. Data network safety and operational reliability were boosted, and enterprise resource planning is also being systematically developed. In order to address increasingly stringent competition, procurement took advantage of global purchasing volumes and the synergies of operational units when requesting quotations from materials suppliers.

As a result of boosting operations, procurement and logistics, it was possible to release tied-up capital significantly. Through new assembly line solutions designed for production and streamlining the supply chain, this development is expected to continue.

PKC Uniqueness as competitive advantage

PKC provides its customers with added value generated by the Groups 's unique expertise. The expertise is composed of processes, tools, know-how and architecture components developed for complexity management. Though it may seem invisible at first sight, this unique PKC know-how enables smooth and easy cooperation between PKC and the customer. PKC can transfer the customer's information into its own operational systems, thus integrating into the customer's operating environment. This provides PKC's customers with considerable competitive advantage by giving them the freedom to select individually tailored end products in very short delivery times.

The product applications developed by PKC support expertise. PKC offers a versatile product portfolio for electrical distribution system architecture, making use of a modular, intelligent electrical and signal distribution solution as well as vehicle electronics product solutions. Through effective technological solutions, product weight and costs are reduced and simplifying complexity is made possible. The components used are durable and have been designed to sustain extreme conditions.

Strengths of the Wiring Systems business:

- PKC Uniqueness
  - Unique expertise in the industry to integrate into the customer's product and manufacturing environment
  - Strong expertise in mass producing product variations (synchro-production) and the constant development of production methods
  - Versatile product portfolio for electrical distribution system architecture using a modular, intelligent power distribution solution as well as vehicle electronics product solutions
  - An excellent ability to manage complexity of the product and operating environment and to deliver high quality products in short delivery times
- Long-term experience in the field
- Solid customer relationships with the leading western manufacturers of trucks, tractors, construction equipment as well as light and recreational vehicles
- Global partnership: a worldwide, flexible service and production network that is close to the customer

The PKC-designed Chameleon testing concept is an innovative solution for product testing within industrial environments. (on the left)

Alva is PKC's very own adjustable constant current source for LED applications. (on the right)

ELECTRONICS

PKC Electronics business provides electronics design and manufacturing services mainly for the electronics, telecommunications and energy industries. In 2012, the Electronics business accounted for 7.5 % of the Group's consolidated net sales.

A key strength of the Electronics business is the ability to offer services for the entire product life-cycle from design to manufacture. The ODM (Original Design Manufacturer) service concept covers not only electronics design but also strong expertise in mechanics and testing system design. The cost-effective and flexible production network responds to various customer requirements from prototypes to preproduction manufacture and mass production.

Key events in the Electronics business in 2012:

- The innovative testing concepts and power supply solutions designed and manufactured by PKC aroused interest among clientele
- The consolidation of product development expertise was continued, particularly in the unit in China
- Cost-effectiveness was increased by optimising material management and manufacture
- Demand for vehicle electronics continued to grow along with new customerships and product development
- It was decided to move the Vehicle Electronics business from the Electronics segment to Wiring Systems segment

Business environment

Economic uncertainty in Europe and global caution among companies towards industrial investment exerted an impact on the demand for electronics products. However, the demand for renewable energy and energy-saving products and intelligent power supply solutions remained good. The increased use of electronics in vehicles has also increased the demand for vehicle electronics. Competition in the electronics manufacture market nevertheless continued to be tight.

Services for the entire product life-cycle – core competence in testing systems and power supply units

PKC's Electronics business' core competence is to provide comprehensive services for the entire product life-cycle. The comprehensive service and product concept together with effective and flexible production network respond to various customer requirements from prototypes to preproduction manufacture and mass production. In addition to product development and project management services, PKC offers an extensive range of high-quality production technology. Smooth cooperation between design and production enables high-quality and timely manufacture. Product life-cycle services also include global procurement solutions for electronics and mechanics in addition to product maintenance and service operations.

The Electronics business provides its clients with substantial expertise and flexible service, especially in its core competence areas, the design and manufacture of testing systems and intelligent power supply units. During the past year, the demand for PKC testing solutions remained high. PKC's long experience in product testing has created the foundation for a comprehensive test systems services package, including a testing station and software, product-specific adapters, and maintenance. An excellent example of PKC's strong testing expertise is the PKC-designed, ready or customisable testing concept called the Chameleon. It is an innovative solution designed for product testing in a factory setting. Its comprehensive testing features are modular, enabling comprehensive testing – already with only one testing unit. With the Chameleon, the end product can be RF, monitor and sound tested. Functional testing can also be performed.

Power supply unit design is another strong field of expertise in the Electronics business. PKC offers tailored solutions for direct current, alternating current, high-voltage and precision power supply units. These intelligent power supply units ensure high efficiency and low energy consumption also under demanding industrial-environment and telecommunications conditions. In particular, programmable power supply units for LED illumination solutions are being actively advanced at PKC. Alva, PKC's very own product, is one outcome of PKC's product development. It is an adjustable constant current power source for lights that use LEDs.

Renewable energy solutions and intelligent electrical networks have opened up new opportunities in the Electronics segment, for instance in the design and manufacture of electrical network control equipment.

PKC's unique CostBuster® concept offers the customer a comprehensive service package, by means of which the overall costs of the customer's product are reduced, operations are made more efficient, and the product life-cycle is extended.

Competitiveness with new operational models

The competitive edge of the Electronics business is being sharpened through deepening and expanding current customer relationships and by obtaining new customerships for ODM services – particularly in testing system and power supply unit operations.

To ensure the best possible service and competitive products, operational models as well as production and service network solutions are being continuously developed. During the past year, design and product development expertise was heightened and intensified, especially in China. Cooperation between Finland and China enabled more comprehensive service provision than before for global clientele. Design, prototype and preproduction manufacture taking place close to the customer, support a faster launch of products to the markets. The effectiveness of customer service and operations was also improved via changes in the production network. Production transfers between units boosted operations and supported the Group's business strategies.

During the past year, the development of vehicle electronics continued strongly, and new, highly interesting customerships were obtained. At the end of the year, it was decided to move the Vehicle Electronics business from the Electronics business segment to Wiring Systems business segment. Through the change, the Vehicle Electronics business will be increased as part of the Wiring Systems business solutions. This enables the concentration of the Electronics business on the improvement of competitiveness in its core competence areas.

The strengths of the Electronics business:

- Comprehensive service package for the entire product life-cycle
- Strong areas of expertise: testing solutions and power supply units
- Innovative and proactive product development operations and new product concepts
- CostBuster® service concept for reducing the customer's overall product costs
- Long-term customer relationships and strong understanding of the market
- Global and efficient materials procurement

PKC GLOBALLY

The Group’s manufacturing facilities are located in Brazil, Ireland, China, Mexico, Poland, Germany, Finland, Ukraine, Estonia, Russia and the United States.

CORPORATE GOVERNANCE

Corporate Governance Statement

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

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

Deviations from the guidelines

The company deviates from Corporate Governance Code recommendation 26 regarding the independence of audit committee members (Recommendation 26-Independence of the members of the audit committee). The Board has wanted to strengthen the composition of the Committee and taking into account that the minimum recommended number of members (three) is independent of the company and of its significant shareholders, the composition of the Committee has been strengthened by a member, whose dependence of the Company is not regarded as being significant from the Company´s part.

GENERAL MEETING OF SHAREHOLDERS

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

The Annual General Meeting is held, upon completion of the financial statements, on the day specified by the Board of Directors, no later than the end of June, at the company's registered office in Helsinki. At the Annual General Meeting, matters relating to the meeting are dealt with in accordance with the Articles of Association as are any other proposals to the meeting. Moreover, the company can, if necessary, call an Extraordinary General Meeting.

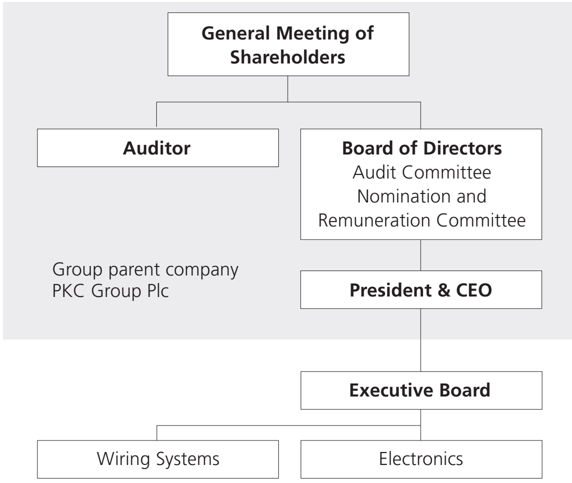
A shareholder has the right to have a matter handled by the general meeting, if it is relevant to the meeting according to the Companies' Act and if the shareholder notifies the Board in writing well in advance of the meeting so that the matter can be added to the notice of the meeting.

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

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

In 2012, the Annual General Meeting was held in Helsinki on 4 April 2012.

GROUP MANAGEMENT STRUCTURE



BOARD OF DIRECTORS

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

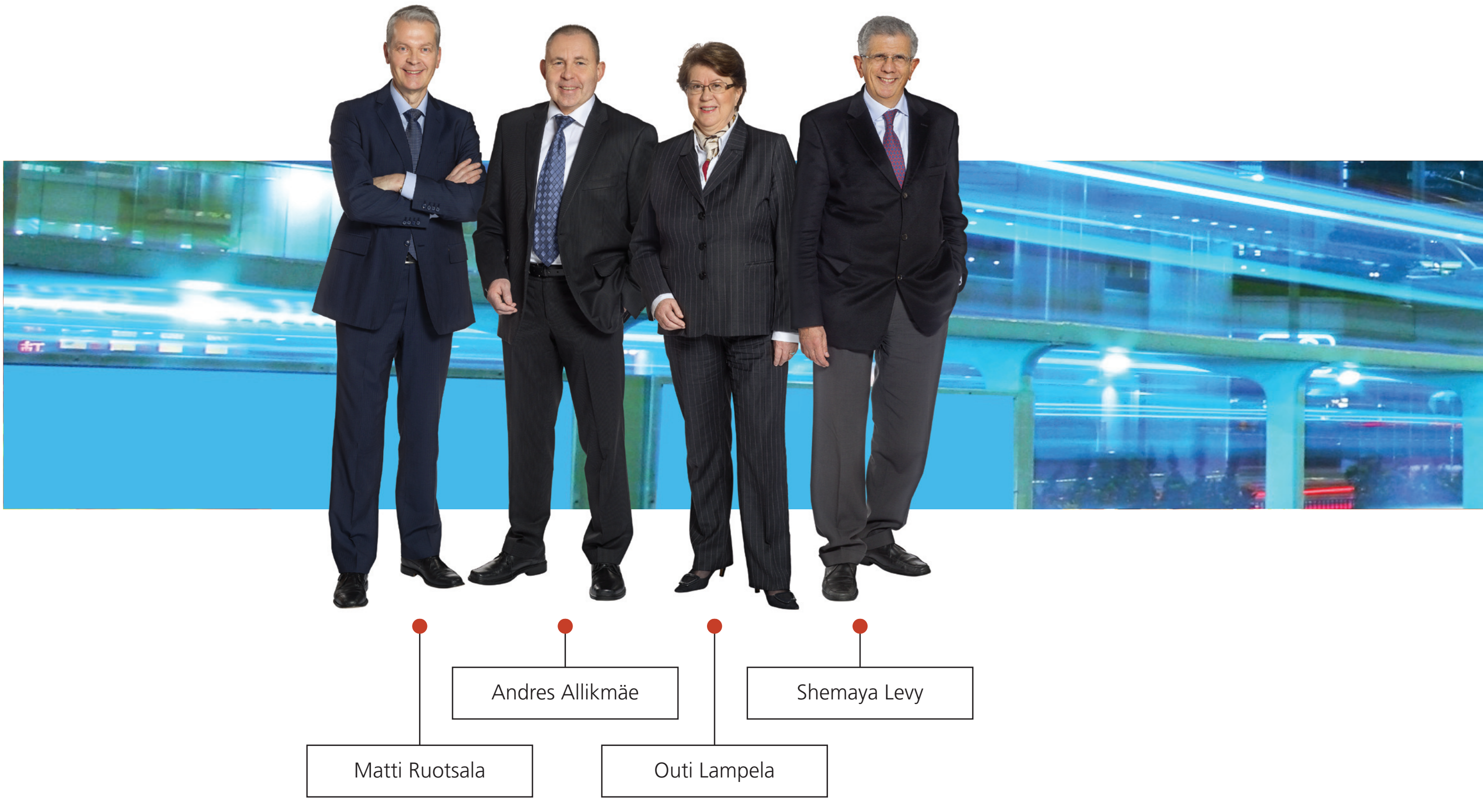
The Board's main duties include confirming the company's strategy and budget, approving the principles of risk management and ensuring the functioning of the management system. The Board shall decide on matters that are unusual or that have far-reaching effects on the quality or extent of the company's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

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

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

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

In 2012, the Annual General Meeting elected seven people to the Board. Outi Lampela, Matti Ruotsala and Jyrki Tähtinen were re-elected as Board members and Andres Allikmäe, Shemaya Levy, Robert Remenar and Harri Suutari were elected as new Board members. After the 2012 Annual General Meeting, the Board of Directors elected Matti Ruotsala Chairman and Harri Suutari Vice Chairman.



BOARD OF DIRECTORS

Matti Ruotsala (b. 1956)
- Chairman from 2008
- Chairman of the Nomination and Remuneration Committee
- Member of the Board of Directors from 2006
- M.Sc.(Eng.)
- Executive Vice President, Fortum Corporation Power Division
- Previously President Fortum Generation of Fortum Corporation (2007–2009), AGCO Corporation's Vice President and Valtra Oy Ab's Managing Director (2005–2007), KCI Konecranes Plc's Chief Operating Officer and Deputy CEO (2001–2004), KCI Konecranes Plc's Technical Director and Commercial Director (1995–2000) and Kone Corporation's crane business' Asia Pacific Area Director (1991–1994).
- Chairman of the Board of Directors at Kemijoki Oy and Teollisuuden Voima Oyj and Member of the Board of Directors at Oy Halton Group Ltd and Componenta Oyj.
- Independent of the company and of its significant shareholders.

Andres Allikmäe (b. 1957)
- Member of the Audit Committee
- Member of the Board of Directors since 2012
- Dipl.engineer of automation systems
- CEO of AS Harju Elekter
- Previously AS Harju Elekter, Cable Harness Factory's Manager (1990–1999), and before that in other engineering and managerial positions since 1982.
- Chairman of the Board at Harju Elekter AB and Development Funf of Tallinn University of Technology, Vice Chairman of the Board at AS Draka Keila Cables and Satmatic Oy, Member of the Board at AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, UAB Rifas and AS Saajos.
- Not independent of the company (belongs to the operative management of AS Harju Elekter, and the two companies have a customer, supplier or cooperation relationship significant to the other company as AS Harju Elekter leases premises to company's subsidary).
- Independent of significant shareholders.

Outi Lampela (b. 1949)
- Chairman of the Audit Committee
- Member of the Board of Directors since 2009
- M.Sc. (Eng.)
- Outotec Oyj's Senior Vice President, Risk Management and Internal Audit
- Previously, Luvata Oy's Director – Business Development (2005–2006), Outokumpu Heatcraft USA LLC's CFO – Business Control and Finance (2002–2005), Outokumpu Oyj's Vice President – Business Development (2000–2002), Outokumpu Technology Oy's Vice President – Business Control, Finance and Administration (1991–2000) and prior to this Outokumpu/Outokumpu Technilogy in other business control, finance and business development duties.
- Independent of the company and of its significant shareholders.

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

Robert J. Remenar

Harri Suutari

Jyrki Tähtinen

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

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

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

Jyrki Tähtinen (b. 1961)
- Member of the Audit Committee
- Member of the Board of Directors from 1999
- LL.M, MBA, Attorney at Law
- Attorneys at Law Borenius Ltd´s Chairman of the Board of Directors
- Previously Attorneys at Law Borenius & Kemppinen Ltd´s President and CEO (1997–2008), partner (1991–), and before that practising law at the employ of other law firms and City of Helsinki since 1983.
- Chairman of the Board of Directors at Muoviura Oy, Member of the Board of Directors at JSH Capital Oy and Dexus Group Oy.
- Independent of the company and of its significant shareholders.

ATTENDANCE OF BOARD MEMBERS AT THE BOARD OF DIRECTORS MEETINGS

	meetings	attendance %
Andres Allikmäe[1)]	8/8	100
Outi Lampela	12/12	100
Shemaya Levy[1)]	7/8	88
Endel Palla[2)]	4/4	100
Olli Pohjanvirta[2)]	1/4	25
Robert Remenar[1)]	8/8	100
Matti Ruotsala	11/12	92
Harri Suutari[1)]	8/8	100
Jyrki Tähtinen	12/12	100
Average attendance		**93**

1) Allikmäe, Levy, Remenar and Suutari Board members as of 4.4.2012
2) Palla and Pohjanvirta Board members until 4.4.2012

ATTENDANCE OF COMMITTEE MEMBERS AT THE AUDIT COMMITTEE MEETINGS

	meetings	attendance %
Andres Allikmäe[1)]	4/4	100
Outi Lampela	5/5	100
Shemaya Levy[1)]	4/4	100
Olli Pohjanvirta[2)]	1/1	100
Jyrki Tähtinen[1)]	4/4	100
Average attendance		**100**

1) Allikmäe, Levy and Tähtinen Committee members as of 4.4.2012
2) Pohjanvirta Committee member until 4.4.2012

Meetings of the Board in 2012

On average, the Board meets on a monthly basis and also on other occasions as necessary. In 2012, the Board held 12 meetings, of which 5 were telephone meetings, in addition to which 8 decision minutes were drafted without holding a meeting.

COMMITTEES OF THE BOARD

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

Audit Committee

Audit Committee assists the Board by concentrating on issues relating to financial reporting and control, as well as preparing the proposal for resolution on the election of the auditor. The Board of Directors has drafted a written charter for the Audit Committee, which defines the key tasks and operating principles of the Audit Committee. The charter is published in its entirety on the company's website.

The Board elects the members and Chairman of the Committee from among its members at the organisation meeting. In 2012, Outi Lampela was elected as Chairman of the Audit Committee and Andres Allikmäe, Shemaya Levy and Jyrki Tähtinen as members.

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

The members of the Audit Committee must be independent of the company, and at least one member must be independent of significant shareholders. If the Audit Committee has only two members, both must be independent of significant shareholders. In case the Audit Committee consists of more than three members, of which three are independent of the company, additional one member not independent of the company may be appointed to the Audit Committee for good reasons.

Meetings of the audit Committee in 2012

The Audit Committee convenes at least four times a year before publication of the financial results and whenever necessary. In 2012, the Audit Committee held 5 meetings, of which 4 were telephone meetings.

ATTENDANCE OF COMMITTEE MEMBERS AT THE NOMINATION AND REMUNERATION COMMITTEE MEETINGS

	meetings	attendance %
Endel Palla[2)]	1/1	100
Robert Remenar[1)]	3/3	100
Matti Ruotsala	3/4	75
Harri Suutari[1)]	3/3	100
Jyrki Tähtinen[2)]	1/1	100
Average attendance		**92**

1) Remenar and Suutari Committee members as of 4.4.2012

2) Palla and ja Tähtinen Committee members until 4.4.2012

Nomination and Remuneration Committee

In 2012 the Nomination Committee was expanded into Nomination and Remuneration Committee, whose tasks shall additionally include the remuneration of the managing director and other executives of the company as well as the remuneration schemes of the personnel. The Board of Directors has drafted a written charter for the Nomination and Remuneration Committee, which defines the key tasks and operating principles of the Nomination and Remuneration Committee. The charter is published in its entirety on the company's website.

The Board elects the members and Chairman of the Committee from among its members at the organisation meeting. In 2012, Matti Ruotsala was elected as Chairman of the Committee and Robert Remenar and Harri Suutari as members. The members must be independent of the company. The President or any other executive of the company may not be appointed to the Nomination and Remuneration Committee.

Meetings of the Nomination and Remuneration Committee in 2012

The Nomination Committee convenes at least once a year in order to prepare the proposals to be presented to the general meeting and whenever necessary. In 2012, the Nomination Committee held 4 meetings, of which 2 were telephone meetings in addition to which 1 decision minute was drafted without holding a meeting.

PRESIDENT AND EXECUTIVE BOARD

President

The Board appoints the company's President, who is also the Group CEO. The President supervises the operations and administration of the whole group in accordance with the Companies' Act, the Articles of Association, the directions of the Board as well as the company's Corporate Governance Guidelines and other internal guidelines. The President's service contract has been prepared in writing and shall remain valid until further notice. The President operates as the Chairman of the Executive Board. The company´s President & CEO since April 4, 2012 has been Matti Hyytiäinen, who followed Harri Suutari.

Executive Board

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

EXECUTIVE BOARD

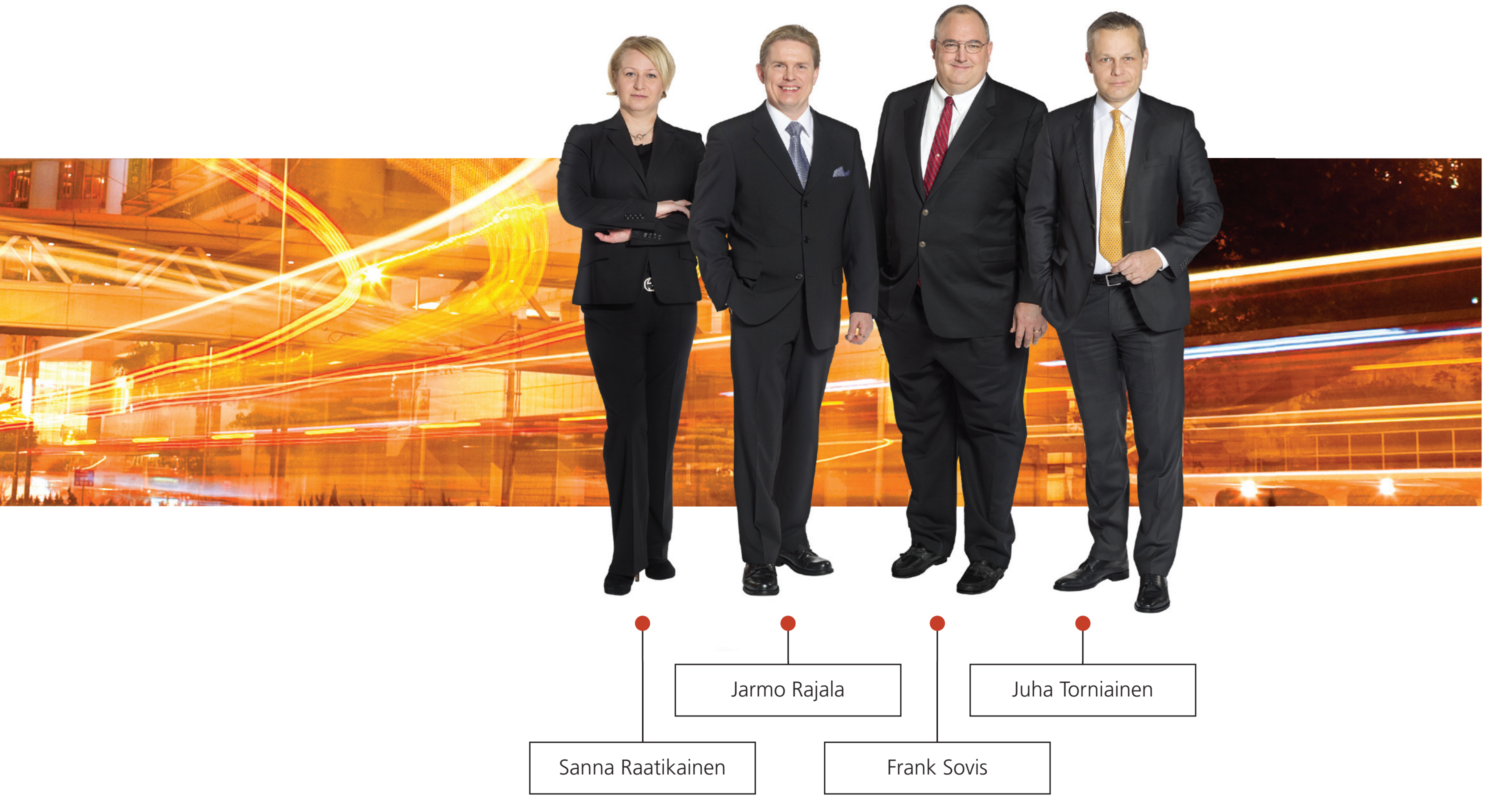
Matti Hyytiäinen (b. 1960)
- President & CEO
- M. Sc. (Economics)
- With the company from 2012.
- Previously Etteplan Oyj´s President and CEO (2008–2011), KONE Oyj, Escalator division´s Senior Vice President (2001–2007), Perlos Oyj´s Senior Executive Vice President (2001), KONE Elevators Co., Ltd´s President (1996–2000), PT KONE Indo Elevator´s President (1994–1996), KONE Oyj Hissit Suomi, General Manager, subsidiaries and acquisitions (1989–1994), Hissi-Ala Oy´s General Manager (1986–1989), KONE Oyj Hissit Suomi, Assistant Controller (1984–1986).
- Member of the Board of Directors at Revenio Group Oyj and Kemppi Oy.

Jyrki Keronen (b.1966)
- Senior Vice President, Business Development
  (Senior Vice President, Business Development & APAC from 14 of January 2013)
- BSc. Eng., EMBA
- With the company from 2011 and member of Executive Board from 2012.
- Previously Senior Vice President Rautaruukki Oyj Engineering ja Construction divisions (2009–2011), Vice President, Business Development Nypro Inc. Consumer & Electronics division (2003–2009), President Perlos Inc. (2002–2003), leadership positions in Perlos both in Americas regions and in Europe (1996–2002).

Jani Kiljala (b. 1975)
- President, Wiring Systems, Europe (from 14 of January 2013)
- M.Sc. (Tech.)
- With the company from 1999 and member of the Executive Board from 14 of January 2013.
- Previously PKC Wiring Systems Vice President Sales&Engineering Europe&APAC (2012–2013), PKC Eesti AS Managing Director (2008–2012), PKC Group Oyj Account Director (2006–2008) and management positions in production, logistics and IT (1999–2006).

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

Harri Ojala (b. 1959)
- President, Wiring Systems, Europe and APAC (Ojala until January 2013)
- M.Sc. (Eng.), EMBA
- With the company from 2010 and member of the Executive Board from 2010 until January 14, 2013.
- Previously Cargotec Corporation,



Vice President – Supply Development (2008–2010), ELCOTEQ SE, Vice President – Corporate Affairs (2007–2008), ELCOTEQ SE – European Office, President – Geographical Area Europe (2005–2007), ELCOTEQ NETWORK CORPORATION, Director Operations – Europe (2002–2005), ELCOTEQ HUNGARY, General Manager (2002–2004), ELCOTEQ POLAND, General Manager (2001–2002), KONE (1986–2001) various positions in Germany and the United States.

Sanna Raatikainen (b.1972)
• General Counsel
• LL.M. with court training
• With the company from 1999 and member of the Executive Board from 2008.
• Previously PKC Group´s Legal Counsel (1999–2008), court training at district court of Oulu (1997–1998).

Jarmo Rajala (b. 1962)
• President, Electronics
• M.Sc. (Econ.)
• With the company and member of the Executive Board from 2005.
• Previously PKC Group's Business Unit Director (2005–2006), Suomen 3C Oy's Business Unit Director (2005), Cybelius Software Oy´s Sales Director (2003–2005), Tammerneon Europe Ltd's (Hungary) Managing Director (1998–2003), Finland Trade Center Budapest's Trade Commissioner (1997), Vaasa University´s Liaison Officer, Project Manager and Lecturer (1990–1996), United Nations / UNIFIL (Lebanon) Platoon Leader (1989–1990), Vaasa University's Training Designer and Lecturer (1987–1989).

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

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

ORGANISATION OF THE BUSINESS AND GROUP COMPANIES

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

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

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

AUDIT

The Annual General Meeting elects an auditor approved by the Finnish Central Chamber of Commerce as the company's auditor. In 2012, KPMG Oy Ab was elected as the company's auditor, and KPMG declared Virpi Halonen, Authorised Public Accountant, as the principal auditor. The auditor's term expires after the conclusion of the next Annual General Meeting following the election.

INSIDER ISSUES

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

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

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

Control environment

PKC Group Plc is the parent company for the whole group, so it manages and directs the operations for the whole

GROUP PARENT COMPANY
PKC Group Plc

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

EXECUTIVE BOARD

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

BUSINESS UNITS AND SUBSIDIARIES

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

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

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

The President shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The CFO manages PKC Group's financial operations and is responsible for practical arrangement of financial reporting as well as creation and maintenance of adequate and practical internal control and risk management. The CFO and Group Finance are responsible for maintaining necessary reporting and accounting processes and providing instructions to subsidiaries in relation to financial reporting and reporting schedule and content.

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

The Audit Committee monitors financial reporting process.

PKC Group's control environment and division of responsibilities at Group level is as shown by the diagram above.

Internal control

The Board is responsible for internal control and Board's Audit Committee is responsible for monitoring the efficiency of the company´s internal control, internal audit, and risk management systems. The Board shall ensure that the company has determined operating principles for internal control and that the company monitors the effectiveness of control procedures. Moreover, it shall ensure that planning, information and control systems used for risk management are sufficient and support the business objectives. The Board of PKC

Group Plc has approved the group-wide internal control guidelines and the Treasury Policy. The President and the CFO are responsible for the practical arrangement of control procedures.

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

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

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

Risk management and evaluation of risks

Risk management is an integral part of internal control. Risk management refers to the identification, assessment, measurement, limitation and monitoring of risks that are fundamentally related to the business or are part of it. The aim of risk management is to identify the risks relevant to business operations and to determine the measures, responsibilities and schedules required for effective risk management. Risk-management processes go hand-in-hand with strategic processes, and the results achieved are used systematically in the annual plan. PKC Group uses a risk management policy that applies throughout the Group and which the Board of the parent company has approved. Risk management is carried out and risks are reported in accordance with the risk management policy, risk management guidelines, the risk management annual plan and the Group's risk management process.

For the management of financial risks, the Board of the parent company has confirmed the Group's Treasury Policy.

PRODUCTS FOR DEMANDING CONDITIONS

The fault-free operability and high quality of PKC products ensure their durability and reliability under extreme conditions.

The aim of financial risk management is to protect the Group against adverse changes in the financial markets and thereby to safeguard the Group's financial results, equity and liquidity. The Group's financing and financial risk management have been largely centralised within the Group's finance department. The aims of centralising these functions are effective risk management, cost savings and optimisation of cash flow. The CFO is responsible for the management of financial risks and risks relating to financial reporting, that financial risks are identified, evaluated and controlled in the context of the Group's general risk management process and separately as part of financial management's own operational processes.

PKC's risk management process is based on the COSO ERM Integrated Framework. The comprehensive risk management process is implemented across the whole group with the aim of establishing uniform procedures for the analysis and measurement of risks, taking into consideration the geographical differences between units. Risks are evaluated according to the risk management guidelines. The evaluations are performed regularly, according to the schedule arranged by the parent company, in all the units belonging to the Group by function, and the magnitude of the risks is determined by multiplying probability by the financial impact. In this way, an overall picture can be derived from the results between the various functions and units. On the basis of the risk evaluations, a Group-level analysis report is prepared, in which the controls and measures planned for the most significant risks are described as well as the responsibilities for monitoring and the schedules. The Group-level risk management report is reviewed by the Audit Committee and the Board of Directors at least once a year.

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

Financial reporting

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

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

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

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

Business responsible Executive Board members are responsible for the financial reporting in their responsibility area. The managing directors, CF0's, financial managers and chief accountants of the Group companies are responsible for ensuring that reporting by the companies fulfils the requirements of the Group and those of local legislation. Each business unit, Group company and function is responsible for the accuracy of the figures reported by it and the realism of its forecasts. The data provided by the units' financial management and ERP systems is standardised and transferred to the Group reporting system so that it can be consolidated via automated interfaces.

The Group finance department, managed by the Group CFO, prepares the financial statements specified by IFRS standards and required by external accounting as well as the forecasts, analyses and reports for internal accounting prepared in accordance with the guidelines specified in the Group, for both the Executive Board and the Board of Directors. Short-term financial planning for the Group is based on rolling 12-month business-area forecasts that are updated monthly. The required rate of return on equity is determined annually based on market conditions, and in the required rate of return industry- and country-specific risk-related differences are taken into account. Financial results, the achievement of objectives and forecasts are reviewed monthly by the management of each business area and unit, by the Group Executive Board and by the Board of Directors. Information on the Group's financial situation is published via interim reports and financial statement bulletins. In the Group financial statements published in the annual report, the main principles of preparation of these financial statements are described.

In 2012, the development of financial reporting has continued to be focused on the reporting of acquired businesses in accordance with Group requirements. In addition, the development has been focused on unified reporting of profit and loss and balance sheet as well as systematic balance sheet and cash flow budgeting and forecasting. Treasury and tax related reporting has been also developed during 2012.

Audit

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

Information and communication

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

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

Monitoring

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

The financial department and external auditor hold regular meetings where the areas of focus for the inspections are chosen.

PKC UNIQUENESS

PKC's competitive edge is the result of familiarity with our clients' processes and products, diligent control over product variations and complex entities, and our cost-effective supply chain.

Remuneration Statement

BOARD OF DIRECTORS

Remuneration

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

According to the resolution made in 2012, the annual remuneration payable to the members of the Board of Directors is as follows: Chairman EUR 60,000, Vice Chairman EUR 45,000 and other Board members EUR 30,000 and, additionally, attendance fee as follows: Chairman EUR 1,200 per meeting, other Board members EUR 800 per meeting as well as the travel and accommodation expenses related to the board meetings. The chairman and members of the audit committee are paid an additional annual remuneration of EUR 5,000. No remuneration shall be payable for the decision minutes drafted without holding a meeting nor for Nomination Committee work.

Other benefits

The Chairman or the members of the Board of Directors are not in employment relationship or have service contract with company or its subsidiaries. The Board of Directors is not included in the stock option schemes of years 2006, 2009 or 2012. The company has not otherwise granted shares or other share related rights as compensation to the Board of Directors. The options in the possession of the member of the Board Harri Suutari were granted to him when he was PKC Group Plc's President & CEO. The company does not pay Board members fees on any other basis or grant them loans or give guarantees on their behalf.

PRESIDENT AND EXECUTIVE BOARD

President

The Board of Directors decides on the salary and other benefits of the President. The President is included in the management's bonus system, with the annual bonus being a maximum of six months' salary, depending on the achievement of the objectives set annually. The President's service contract has provision for a notice period of three

(3) months on the President's part and six (6) months on the company's part, in addition to which Matti Hyytiäinen's service contract has provision of severance payment of twelve months salary. Harri Suutari's service contract did not have provision of separate severance payment. The retirement age is statutory and no voluntary pension insurance policies have been taken.

The President is included in the 2009 and 2012 stock option schemes. The President has not otherwise been granted shares or other share related rights as compensation.

Executive Board

The Board of Directors confirms the salaries and benefits of the members of the Executive Board upon President's proposal. The members of the Executive Board are included in the management's bonus system with the annual bonus being typically 6 months depending on the achievement of the objectives set annually. The retirement age is statutory and no voluntary pension insurance policies have been taken.

The members of the Executive Board are included in the 2006, 2009 and 2012 stock option schemes. The company has not otherwise granted shares or other share related rights as compensation to the Executive Board.

Short-term Remuneration – Bonus System

The Group has in force a result based bonus system approved by the Board of Directors, the purpose of which is to reward achievement of strategic objectives and to offer competitive incentive scheme for personnel. The principles, terms and conditions, earnings criteria, maximum and minimum limits of targeted yield levels are confirmed annually by the Board. For year 2012, the result criteria were business unit specific EBITDA and cash flow targets. Within the target ranges, bonuses were determined linearly. Group management and key personnel, and also white and blue collar employees in Finland, are included in the system. The members of the Executive Board are included in the management's bonus system. The limit of the annual bonus is predominantly maximum of six months' salary, depending on the achievement of the objectives set annually. The system's earning period is the financial year.

Long-term Remuneration – Stock Option Schemes

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

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

Options 2006

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

THE REMUNERATION PER TERM RESOLVED BY THE ANNUAL GENERAL MEETING IN YEARS 2010–2012, EUR

	2012	2011	2010
Chairman of the Board	60,000	60,000	50,000
Vice Chairman of the Board	45,000	45,000	37,500
Member of the Board	30,000	30,000	25,000
Chairman of Nomination Committee	5,000	5,000	5,000
Member of the Audit Committee	5,000	5,000	5,000
Chairman of Nomination Committee	-	-	-
Member of Nomination Committee	-	-	-
Attendance fees: Chairman of the Board	1,200	-	-
Attendance fees: Vice Chairman of the Board	800	-	-

REMUNERATION PAID TO BOARD MEMBERS, EUR 1,000

	Remuneration for Board work		Remuneration for Audit Committee work		Total	
	2012	2011	2012	2011	2012	2011
Andres Allikmäe [3), 7)]	28	-	4	-	32	-
Matti Hyytiäinen [1)]	-	29	-	5	-	34
Outi Lampela [7)]	36	29	5	5	41	34
Shemaya Levy [3), 7)]	28	-	4	-	32	-
Endel Palla [2)]	8	29	-	-	8	29
Olli Pohjanvirta [2)]	8	29	1	5	9	34
Robert J. Remenar [3), 8)]	28	-	-	-	28	-
Matti Ruotsala [4), 8)]	68	58	-	-	68	58
Harri Suutari [3), 6), 8)]	39	-	-	-	39	-
Jyrki Tähtinen [5), 7)]	39	52	4	-	43	52
Salaries and other current employee benefits	478	0	-	-	-	-

1) Member of Board until 31 December 2011 2) Until 4 April 2012 3) Since 4 April 2012 4) Ruotsala Chairman of the Board 5) Tähtinen Vice Chairman of the Board until 4 April 2012 6) Suutari Vice Chairman of the Board since 4 April 2012, 7) Lampela Chairman of the Audit Committee, Allikmäe, Levy and Tähtinen members 8) Ruotsala Chairman of Nomination and Remuneration Committees, Remenar and Suutari members

Options 2009
The year 2009 stock-option scheme comprises of 600,000 stock options and they are divided into A, B and C options. The stock options entitle their owners to subscribe for a maximum total of 600,000 new shares in the Company or existing shares held by the Company. The share subscription period is during the years 2012–2016. The share subscription price for stock options is the volume-weighted average price of the PKC Group Plc share on the Helsinki Stock Exchange, with dividend adjustments as defined in the stock option terms.

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

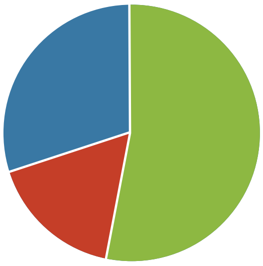
The share subscription period for stock options 2012A(ii), 2012B(ii) and 2012C(ii) shall, however, not commence, unless certain operational or financial targets of the Group established for the exercise of stock options and determined by the Board of Directors have been attained. The Board of Directors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

Release criteria for 2012 A (ii) options:

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

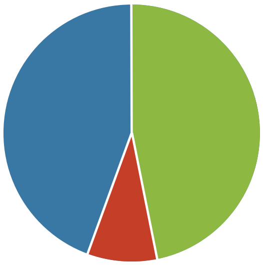
AUDITOR

The Annual General Meeting resolves the remuneration and the ground for compensation of travelling expenses of the auditor. In 2012, the Annual General Meeting resolved to pay auditor’s fees and travel expenses in accordance with a reasonable invoice.



DIVISION OF REMUNERATION PAID TO THE PRESIDENT 2012

- Salaries 52.9 %
- Bonuses 17.2 %
- Share based payments 29.9 %



DIVISION OF REMUNERATION PAID TO OTHER EXECUTIVE BOARD MEMBERS 2012

- Salaries 47.0 %
- Bonuses 8.6 %
- Share based payments 44.4 %

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

	Salaries		Bonuses		Share based payments		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Harri Suutari [1)]	138	325	-	134	44	774	182	1,234
Matti Hyytiäinen [2)]	295	-	141	-	201	-	637	-
Other Executive Board	1,557	759	287	245	1,472	504	3,316	1,508

1) until 4 April 2012 2) since 4 April 2012

OPTIONS GRANTED TO THE PRESIDENT AND OTHER EXECUTIVE BOARD MEMBERS IN 2012

	2009B	2009C	2012A
Harri Suutari [1)]	-	-	-
Matti Hyytiäinen [2)]	22,522	60,000	30,000
Other Executive Board	-	-	95,000

1) until 4 April 2012 2) since 4 April 2012

OPTIONS HELD BY THE PRESIDENT AND OTHER EXECUTIVE BOARD MEMBERS ON 31 DECEMBER 2012

	2006C	2009A	2009B	2009C	2012A
Matti Hyytiäinen	-	-	22,522	60,000	30,000
Other Executive Board	7,500	23,000	47,000	45,000	95,000
Total	7,500	23,000	69,522	105,000	125,000

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

FEES PAID TO THE AUDITOR, EUR 1,000

	Audit fees		Certificates and statements		Tax services		Other services		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
KPMG Oy Ab	496	364	1	1	77	197	126	13	700	575

Risk Management

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

Development of risk management

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

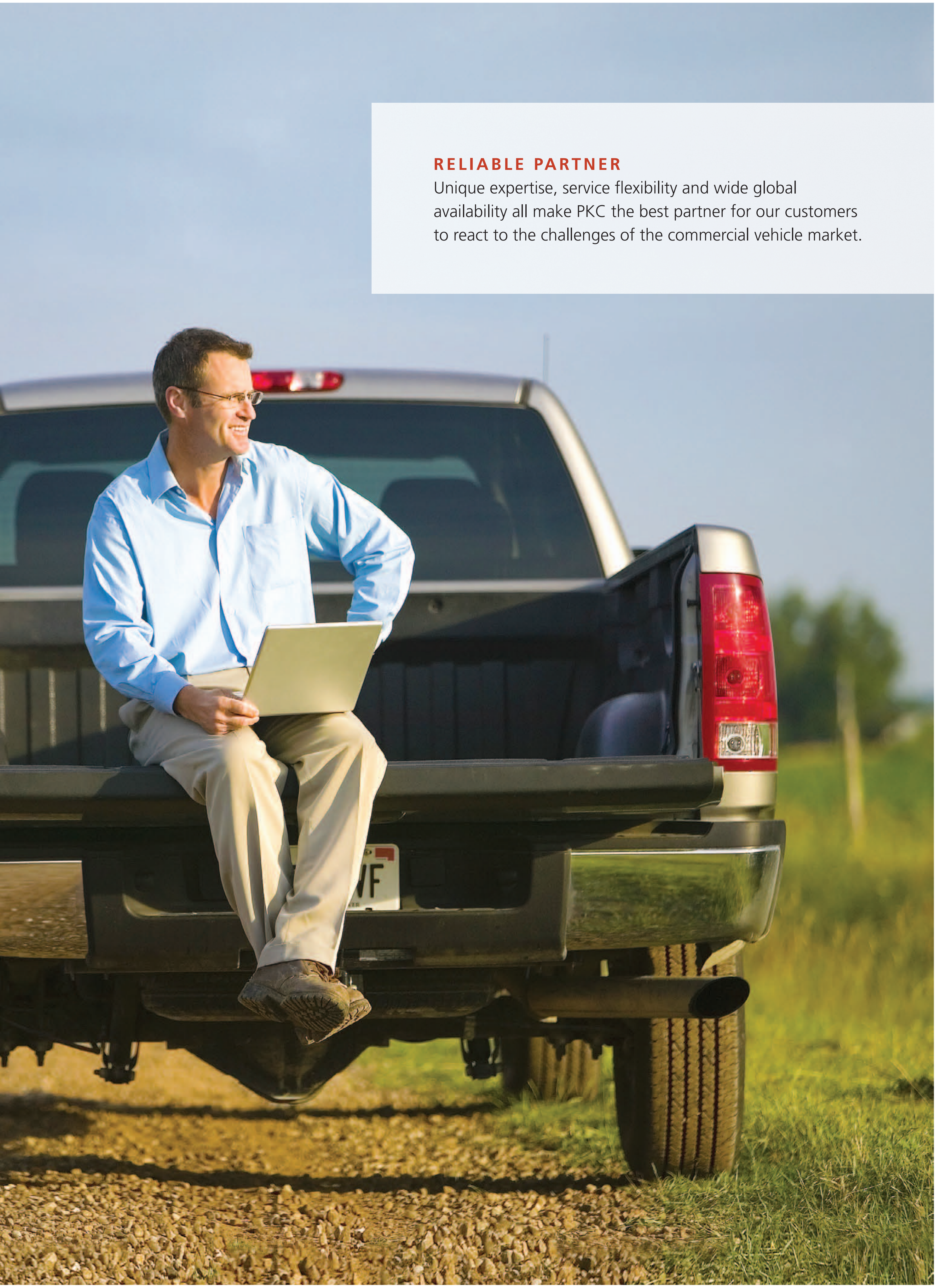
PKC risk management along with related processes and practices are being developed on a continuous basis. In 2012, the new business units were successfully integrated into the Group's risk management processes. Risk management is also an integral part of project operations. The risks associated with projects are monitored continuously, and rapid reaction to changing situations is ensured.

KEY RISKS

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

STRATEGIC RISKS

Successful implementation of the strategy is a significant factor in the continuity of the business operations. Management of strategic risks is an



RELIABLE PARTNER

Unique expertise, service flexibility and wide global availability all make PKC the best partner for our customers to react to the challenges of the commercial vehicle market.

essential part of comprehensive risk management, and all strategically important projects can be assessed on a case-by-case basis using a separate project risk-analysis model.

OPERATIONAL RISKS

Operational environment risks and business fluctuations

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

Market and customer risks

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

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

Purchasing and logistics risks

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

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

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

Liability risks

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

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

Quality and environmental risks
Investment in the quality of products and operations is a cornerstone of, and an absolute precondition for, the company's operations. Potential quality risks affecting customers' operations can be eliminated through the systematic development of the quality of products and operations. Particular attention is paid to ensuring quality when launching new units and products, as well as transferring production for the whole order-supply chain.

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

Labour protection and corporate security risks
The company's labour protection and occupational safety encompasses both the physical and psychosocial working environment. Effective labour protection is systematic and based on the assessment of working environment risks, jointly formulated plans, and security practices. Labour protection, which aims at maintaining the health of employees, preventing accidents and sickness, and the safe and ergonomic operation of production machinery, is a key element in supporting the Group's business operations and the improvement of quality, efficiency and delivery accuracy.

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

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

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

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

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

Corporate Responsibility

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

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

PRIORITIES AND STAKEHOLDER ENGAGEMENT

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

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

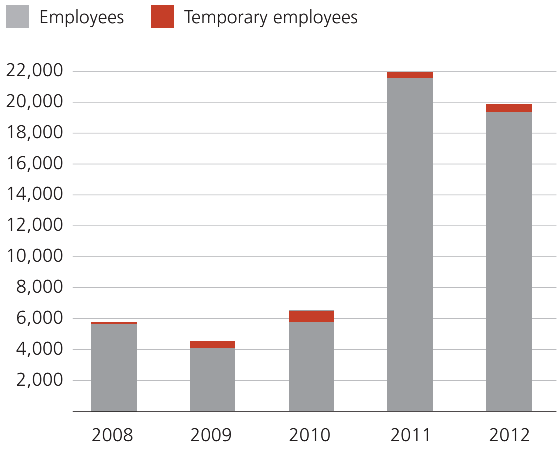
Personnel

PKC's competitiveness is based on its skilled and professional personnel. Therefore, issues related to employees and their well-being are considered the most important matters in corporate responsibility. PKC is fully committed to promoting sustainable labour practises and human rights. PKC also aims to ensure that all employees conduct themselves in ways that demonstrate uncompromising ethical standards in all of their dealings with other employees, customers, suppliers, governments, the public, and other stakeholders.

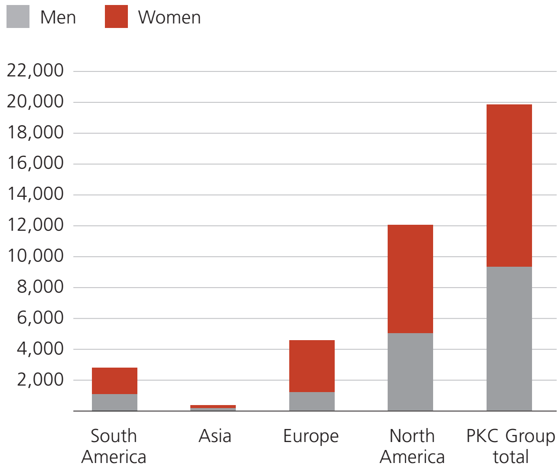
Quality and Customer Satisfaction

Quality is one of PKC's key values. In line with PKC's strategy, the Group creates high-quality products while striving for high productivity and cost-efficiency throughout its operations. Investment in the quality of products and operations is a cornerstone of ensuring customer satisfaction and the success of

NUMBER OF PERSONNEL FROM 2008 TO 2012



PERSONNEL BY GEOGRAPHICAL LOCATION AT THE END OF 2012



the Group's operations. PKC's operations are very customer driven and PKC works in close co-operation with its customers. PKC's customers are also taking steps to address the sustainability of their supply chain, which leads us to work even harder to meet and exceed our customers' expectations. By exceeding the Group's current and potential customers' expectations regarding corporate responsibility, PKC can become the partner of choice creating new business opportunities for the Group.

The Environment

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

Key events in 2012

- Policy updates/launches
  - Code of Conduct
  - Treasury Policy
  - Anti-corruption Compliance policy
- Corporate responsibility reporting started
- Stakeholder survey
- Stakeholder discussions and press releases regarding labour union issue in Acuña, Mexico
- PKC Eesti AS was honored with the highest prize for Estonian enterprises by Estonian government for year 2012. PKC Eesti also won in foreign investor category for good development and effort made over many years being present in Estonia
- Verde Ghaia award for 2012: PKC's factory in Itajubá, Brazil was awarded 1st place in two categories: Environment and Health & Safety.

Going Forward

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

OPERATIONAL DEVELOPMENT

PKC's global production and service network is being advanced and developed continuously in order to respond to the needs of our growing clientele.

REPORT BY THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

Report By The Board Of Directors

OPERATING ENVIRONMENT

Wiring Systems business

Vehicles, Europe
The full year 2012 production of heady duty trucks was 310,000 units, which is close to 10% less than that of 2011 which was 345,000 units.

Full year production of medium duty trucks was approximately 75,000 units. Compared to 2011 total production volume (82,000 units) there was about 8% decline.

Vehicles, North America
NAFTA full year 2012 production volume of heavy duty trucks (class 8) was approximately 280,000 units equaling a growth rate of more than 9% from 2011 total production volume of 255,000 units.

Total production volume of medium duty trucks increased from 165,000 in 2011 to 185,000 units in 2012, equaling a growth rate of more than 10%.

Full year production of light vehicles increased to 7,250,000 units from 6,500,000 units in 2011.

Vehicles, Brazil
In Brazil, full year 2012 production volume of heavy duty trucks was 100,000 units, which is 30% less than in year 2011 (140,000 units).

The full year 2012 production of medium duty trucks was 35,000 units, which is close to 49% less than that of 2011 which was 68,000 units.

Agricultural Equipment
Full year tractor sales in North America increased about 8% and in South America about 4% compared to year 2011. As for Europe, the Middle East and Asia sales development was negative, and the actual sales were down more than 2% from the comparison year. Full year 2012 agricultural equipment unit volume remained at the previous year's level.

Construction Equipment
Global demand for construction equipment was down about 6% from the previous year's demand. The North American market grew over 20%, Asian (excl China) over 10% and South American over 5%. The Chinese market was down about 30% and European market about 3% from the previous year's level.

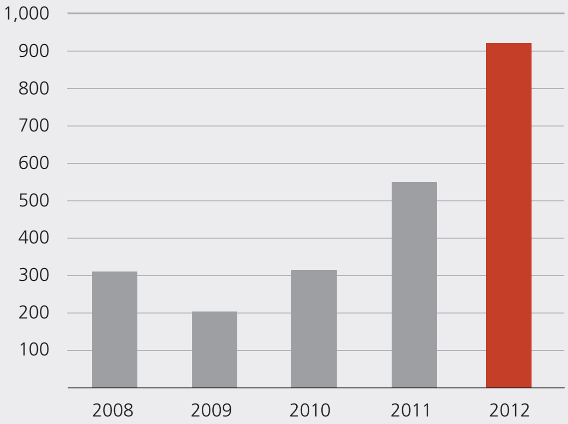
Electronics business

The economic uncertainty in Europe and industrial investment cautiousness of companies globally affected the demand for electronic appliances. Volumes of renewable-energy and energy saving products including smart grid solutions on the market continued to be good. The increased use of electronics in vehicles has increased the demand of vehicle electronics accordingly.

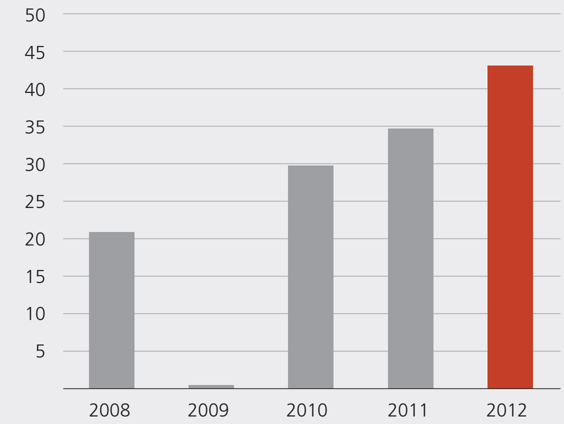
NET SALES AND FINANCIAL PERFORMANCE

Net sales in January-December amounted to EUR 928.2 million (EUR 550.2 million), up 68.7% on the previous financial year. During the financial year EUR 8.0 million (EUR 7.5 million) in non-recurring items were recognised. Non-cash non-recurring items were EUR 1.1 million (EUR 0.3 million negative). Operating profit before non-recurring items, PPA depreciation and amortisation totalled EUR 65.4 million, accounting for 7.0% of net sales. Consolidated operating profit totalled EUR 43.5 million (EUR 34.5 million), accounting for 4.7% of net sales (6.3%). Operating profit was burdened by the losses of the Brazilian unit. Depreciation amounted to EUR 32.6 million (EUR 17.5 million), including EUR 1.1 million of non-recurring items (EUR 0.0 million). Depreciation caused by acquisitions (PPA) amounted to EUR 13.9 million. Financial items were EUR 8.5 million negative (EUR 5.1 million negative). Financial items include foreign exchange differences totalling EUR 2.6 million negative. Profit before taxes was EUR 34.9 million (EUR 29.4 million). Income tax of the financial year amounted to EUR 10.9 million accounting for 31.3% of profit before taxes. Net profit for the report period totalled EUR 24.0 million (EUR 23.4 million). Diluted earnings per share were EUR 1.12 (EUR 1.12).

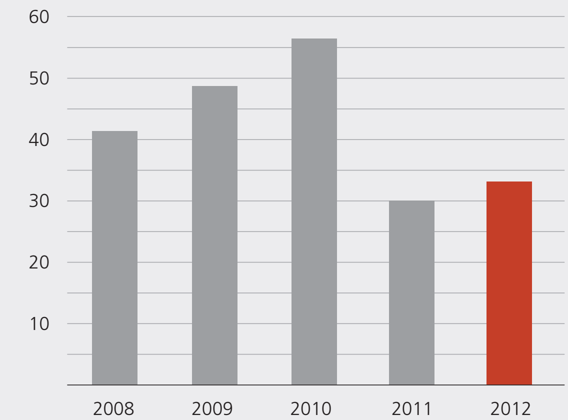
NET SALES, EUR MILLION



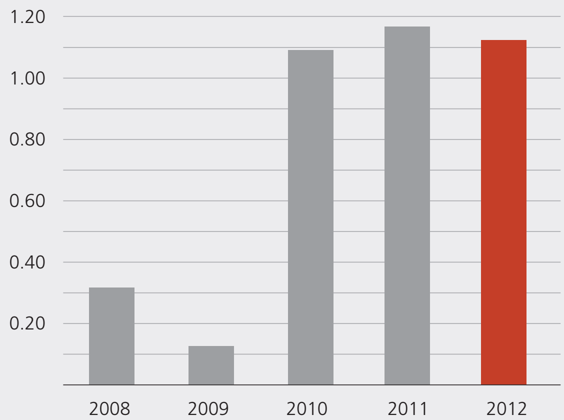
OPERATING PROFIT, EUR MILLION



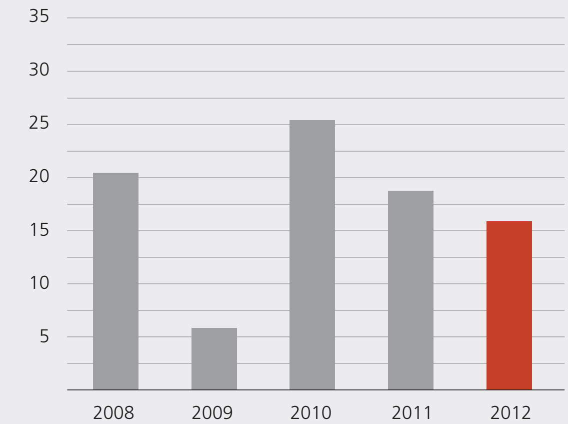
EQUITY RATIO, %



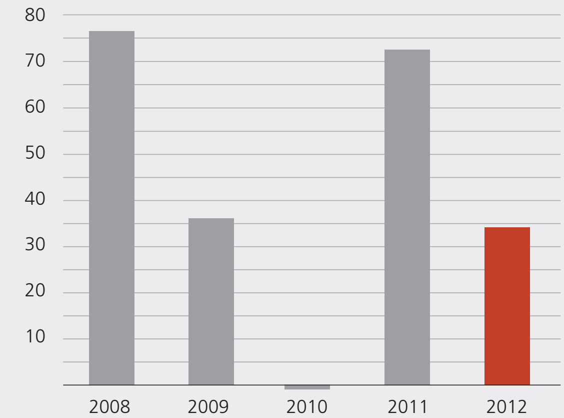
EARNINGS PER SHARE (EPS), EUR



RETURN ON INVESTMENT (ROI), %



GEARING, %



Net sales generated by the Wiring Systems business in the financial year amounted to EUR 858.8 million (EUR 477.2 million), or 79.8% more than in the previous financial year. The segment's share of the consolidated net sales was 92.5% (86.7%). Net sales increased along with the acquisition of AEES companies, which took place in October, 2011. During the financial year EUR 6.4 million (EUR 7.0 million) in non-recurring items were recognised. Non-cash non- recurring items were EUR 1.1 million (EUR 0.3 million negative). Operating profit before non-recurring items, PPA depreciation and amortisation was EUR 67.4 million (EUR 49.5 million), equivalent to 7.8% of the segment's net sales (10.4%). Operating profit was EUR 47.0 million (EUR 35.5 million), equivalent to 5.5% of the segment's net sales (7.4%). The comparable profitability weakened due to the losses of the Brazilian unit resulting from low production volumes and costs related to the reorganisation of manufacturing.

Net sales generated by the Electronics business decreased by 4.9% to EUR 69.4 million (EUR 73.0 million). The segment's share of the consolidated net sales was 7.5% (13.3%). During the financial year EUR 1.4 million (EUR 0.5 million) in non-recurring items were recognised. Operating profit before non-recurring items was EUR 2.1 million, equivalent to 3.1% of the segment's net sales. Operating profit was EUR 0.8 million (EUR 2.4 million), equivalent to 1.1% of the segment's net sales (3.2%). The decline of net sales and operating profit is due to decreased demand of design and manufacturing services (ODM) of production and service devices for telecommunication industry. Decrease in demand was especially due to change of individual customer's product strategy. Electronics segment's result was further burdened by costs related to production transfers to more competitive production facilities.

FINANCIAL POSITION AND CASH FLOW

Consolidated total assets at 31 December 2012 amounted to EUR 485.1 million (EUR 508.8 million). Interest-bearing liabilities totalled EUR 143.8 million at the close of the financial year (EUR 163.0 million). The Group's equity ratio was 33.9% (30.0%). Net liabilities totalled EUR 56.6 million (EUR 110.7 million) and gearing was 34.4% (72.6%).

Inventories amounted to EUR 87.5 million (EUR 110.5 million). Current receivables totalled EUR 105.9 million (EUR 124.6 million). Net cash from operating activities was EUR 76.0 million (EUR 40.0 million) and cash flow after investments during the financial year was EUR 63.7 million (EUR 50.2 million negative). The strong cash flow was due to improved EBITDA and net working capital management. Cash and cash equivalents amounted to EUR 87.2 million (EUR 52.3 million).

CAPITAL EXPENDITURE

During the financial year, the Group's gross capital expenditure totalled EUR 16.0 million (EUR 101.6 million), representing 1.7% of net sales (18.5%). The capital expenditure consisted mainly of production machinery and equipment during 2012.

RESEARCH & DEVELOPMENT

Research and development costs totalled EUR 8.0 million (EUR 6.9 million), representing 0.9% (1.3%) of the consolidated net sales. At the end of the financial year, 165 (143) people worked in product development, excluding production development and process development personnel.

PERSONNEL

During the financial year, the Group had an average payroll of 20,590 employees (10,793). At the end of the financial year, the Group's personnel numbered 19,305 employees (21,528), of whom 18,962 (21,161) worked abroad and 343 (367) in Finland. In addition the Group had at the end of the report period 454 temporary employees.

QUALITY AND THE ENVIRONMENT

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

The certification in accordance with ISO14001 environmental standard in Campo Alegre (Brazil) is planned to be completed during 2013. In Keila and Haapsalu (Estonia) and in Acuna (Mexico) preparations to certify all Estonian and Mexican operations according to OHSAS18001 occupational health and safety management system standard have been started. The certification in accordance with OHSAS18001 standard in Acuna (Mexico) and in Keila and Haapsalu (Estonia) is planned to be completed during 2013.

MANAGEMENT

The Annual General Meeting held on 4 April 2012, re-elected Outi Lampela, Matti Ruotsala and Jyrki Tähtinen as Board members and elected Andres Allikmäe, Shemaya Levy, Robert Remenar and Harri Suutari as new Board members. In the Board's organisation meeting, Matti Ruotsala was elected as Chairman of the Board with Harri Suutari as Vice-Chairman.

Outi Lampela was elected as the chairman of the Audit Committee and Andres Allikmäe, Shemaya Levy and Jyrki Tähtinen as members. The Board decided to expand the duties of the Nomination Committee and form it into Nomination and Remuneration Committee. The Board elected Matti Ruotsala as chairman of the Nomination and Remuneration Committee and Robert Remenar and Harri Suutari as members.

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

Matti Hyytiäinen has started as President & CEO as of 4 April 2012.

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

After the financial year PKC Group's Executive Board has been changed as of 14 January 2013 as follows: Jani Kiljala (b. 1975), M.Sc. (Tech.), has been appointed to the Executive Board as a new member as President, Wiring Systems, Europe. The responsibilities of the current Executive Board member Jyrki Keronen, Senior Vice President, Business Development have been amended to include Wiring Systems business in APAC. Executive Board membership of Harri Ojala has ended while he continued at the employ of PKC in strategic project duties reporting directly to President & CEO Matti Hyytiäinen.

CORPORATE RESPONSIBILITY

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

With regard to the labour union issue in Acuña, Mexico, the official election regarding the labour union representation of the employees at PKC Group's facilities in Acuña, Mexico was arranged by the Mexican Federal Labour Board on 18 October 2012. According to the counting of the votes by the Labour Board, the Confederation of Mexican Workers (CTM), the labour union with whom a collective bargaining agreement had already been executed, won the election with 52% of the votes cast. Voter turnout was 64%.

PKC's Corporate Responsibility report for 2012 will be published on 13 March 2013.

SHORT-TERM RISKS AND UNCERTAINTIES

The public deficit and high indebtedness of many European countries and also the United States has weakened economic growth, end-customer demand and availability of financing for investment goods. This increases uncertainty in the markets and might be reflected in longer than expected customer production shut-downs and in reduced daily production volumes.

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

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

MARKET OUTLOOK

European heavy and medium truck production is estimated to decrease by 8% compared to 2012. The general economic uncertainty is estimated to keep the commercial vehicle demand in Europe at a lower level especially during the first half of 2013. In the second half, the production volumes are estimated to increase due to transition to Euro 6 emission standard.

North American heavy duty truck production is estimated to decrease by 5%, medium duty truck production to increase 10% and light vehicle production to remain at 2012 level. It is estimated that the production volumes of trucks will increase gradually throughout the year.

Brazilian heavy duty truck production is estimated to increase by 14% and medium duty truck production by 48% compared to 2012. The governmental incentive program to support the purchase of new trucks is ongoing. The continuation of the program is decided during year 2013. The continuation of the program may have an impact on the production volumes.

PKC's market outlook is further impacted by some light vehicle and component programs that are near end-of-life-cycle and will be ramped-down in 2013.

Industrial investment cautiousness of companies globally is estimated to keep the demand of industrial electronic appliances not more than on a current level. Volumes of renewable-energy and energy saving products including smart grid solutions are likely to remain good.

PKC GROUP'S OUTLOOK

PKC Group estimates its full year 2013 net sales to be lower than in 2012 and estimates its comparable operating profit excluding non-recurring items to reach 2012 level. In 2012 PKC's net sales were EUR 928.2 million and comparable operating profit excluding non-recurring items was EUR 51.5 million.

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFITS

The parent company's distributable funds are EUR 86.2 million, of which EUR 63.8 million is distributable as dividends, including the net profit for the financial year EUR 42.0 million. The Board of Directors will propose to the Annual General Meeting to be held on 4 April 2013 that a dividend of EUR 0.70 per share be paid for a total of EUR 15.1 million and that the remainder of the distributable funds be transferred to shareholders' equity. The number of shares may change due to share subscriptions registered before the record date. The record date for the dividend pay-out is 9 April 2013 and the payment date is 16 April 2013. In the view of the Board of Directors, the proposed dividend pay-out will not put the company's liquidity at risk.

Key Indicators

GROUP'S FINANCIAL KEY INDICATORS					
EUR 1,000	**2012**	**2011**	**2010**	**2009**	**2008**
STATEMENT OF INCOME					
Net sales	928,178	550,208	316,081	201,814	311,713
Operating profit	43,451	34,505	29,689	682	21,039
Profit before taxes	34,946	29,414	25,028	1,103	15,228
Profit for the financial year	23,999	23,445	19,683	2,349	5,566
STATEMENT OF FINANCIAL POSITION					
Assets					
Non-current assets	204,499	221,371	65,923	64,995	61,182
Current assets	280,560	287,426	153,034	94,852	126,256
Total assets	**485,059**	**508,798**	**218,957**	**159,847**	**187,437**
Equity and liabilities					
Equity	164,530	152,482	123,776	78,626	78,586
Non-controlling interests	0	0	0	0	328
Non-current liabilities	130,709	205,608	31,376	38,110	43,797
Current liabilities	189,820	150,708	63,804	43,111	65,055
Total equity and liabilities	**485,059**	**508,798**	**218,957**	**159,847**	**187,437**
KEY INDICATORS					
Net sales, EUR 1,000	928,178	550,208	316,081	201,814	311,713
Change in net sales, %	68.7	74.1	56.6	-35.3	8.0
Operating profit, EUR 1,000	43,451	34,505	29,689	682	21,039
% of net sales	4.7	6.3	9.4	0.3	6.7
Profit before taxes, EUR 1,000	34,946	29,414	25,028	1,103	15,228
Profit for the financial year, EUR 1,000	23,999	23,445	19,636	2,349	5,519
% of net sales	2.6	4.3	6.2	1.2	1.8
Return on equity (ROE), %	15.1	17.0	19.4	3.0	6.7
Return on investment (ROI), %	16.7	18.9	25.8	6.4	20.8
Gearing, %	34.4	72.6	-1.7	35.9	75.7
Equity ratio, %	33.9	30.0	56.5	49.2	41.9
Quick ratio	1.0	1.2	1.5	1.3	1.1
Current ratio	1.5	1.9	2.4	2.2	1.9
Gross capital expenditure, EUR 1,000	16,023	101,532	8,575	3,894	27,426
% of net sales	1.7	18.5	2.7	1.9	8.8
R&D expenses, EUR 1,000	7,992	6,922	5,692	5,518	5,812
% of net sales	0.9	1.3	1.8	2.7	1.9
Personnel in average	20,590	10,793	5,278	4,704	5,588

KEY INDICATORS FOR SHARES	2012	2011	2010	2009	2008
Earnings per share (EPS), EUR	1.13	1.18	1.09	0.13	0.31
Earnings per share (EPS), diluted, EUR	1.12	1.16	1.09	0.13	0.31
Shareholders' equity per share, EUR	7.64	7.66	6.33	4.42	4.41
Dividend per share, EUR [1]	0.70	0.60	0.55	0.40	0.15
Dividend per earnings, % [1]	62.1	50.7	50.5	307.7	48.4
Effective dividend yield, % [1]	4.0	4.4	3.3	6.1	4.6
Price/earnings ratio (P/E)	13.7	9.7	14.1	50.8	10.5
Share price at the end of the year, EUR	15.49	11.48	15.40	6.60	3.25
Lowest share price during the year, EUR	10.65	8.60	6.55	2.70	2.82
Highest share price during the year, EUR	18.30	18.36	15.58	6.83	9.48
Average share issue-adjusted number of shares [2]	21,296	19,816	17,990	17,782	17,782
Share issue-adjusted number of shares at the end of the financial year [2]	21,524	19,906	19,552	17,782	17,782
Unlisted shares at the end of period [2]	0	1,250	0	0	0
Market capitalisation, EUR 1,000	333,414	228,519	301,100	117,358	57,789
Dividend, EUR 1,000	15,067	12,694	10,754	7,113	2,667

[1] The figures of 2012 are based on the Board of Directors' proposal [2] Number of shares in thousands

CALCULATION OF KEY INDICATORS

Return on equity (ROE), % $= 100 \times \dfrac{\text{Profit for the financial year}}{\text{Total equity (average)}}$

Return on investments (ROI), % $= 100 \times \dfrac{\text{Profit before taxes + financial expenses}}{\text{Total equity + interest-bearing financial liabilities (average)}}$

Net liabilities = Interest bearing liabilities - cash and cash equivalents

Gearing, % $= 100 \times \dfrac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Total equity}}$

Equity ratio, % $= 100 \times \dfrac{\text{Total equity}}{\text{Total of the statement of financial position - advance payments received}}$

Quick ratio $= \dfrac{\text{Total current assets - inventories}}{\text{Total current liabilities - advance payments received}}$

Current ratio $= \dfrac{\text{Total current assets}}{\text{Total current liabilities}}$

Earnings per share (EPS), EUR $= \dfrac{\text{Profit for the financial year attributable to equity holders of the parent company}}{\text{Average share issue-adjusted number of shares}}$

Shareholders' equity per share, EUR $= \dfrac{\text{Equity attributable to equity holders of the parent company}}{\text{Share issue-adjusted number of shares on the date of the statement of financial position}}$

Dividend per share, EUR $= \dfrac{\text{Dividend paid for financial year}}{\text{Share issue-adjusted number of shares on the date of the statement of financial position}}$

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

Effective dividend yield, % $= 100 \times \dfrac{\text{Share issue-adjusted dividend per share}}{\text{Share issue-adjusted average share price at the closing date}}$

Price per earnings, (P/E) $= \dfrac{\text{Share issue-adjusted average share price at the closing date}}{\text{Earnings per share}}$

Market capitalisation = Number of shares at the end of the financial year x the last trading price of the financial year

EBITDA = Operating profit + non-recurring items + depreciation, amortisation and impairments

Shares and Shareholders

Share turnover and shareholders

PKC Group Plc's share turnover on NASDAQ OMX Helsinki Ltd from 1 January to 31 December 2012 was 10,853,570 shares (11,803,605 shares), representing 51.0% of the average number of shares (59.6%). Shares were traded to a total value of EUR 160.1 million (EUR 158.1 million). The lowest share value during the financial year was EUR 10.65 (EUR 8.60) and the highest EUR 18.30 (EUR 18.36). The closing price on the last trading day of the financial year was EUR 15.49 (EUR 11.48) and the average price during the financial year was EUR 14.76 (EUR 13.44). The company's market capitalisation at 31 December 2012 was EUR 333.4 million (EUR 228.5 million).

The shares held by Board members, their closely associated persons and corporations in which they have a controlling interest accounted for 0.6% (0.6%) of the total number of shares at the end of the financial year. PKC Group Plc had a total of 8 853 shareholders (9,041) at the end of the financial year. The shares held by foreigners and through nominee registrations at the close of the financial year totalled 22.3% of the share capital (24.4%).

Flaggings 2012

- The share of votes and share capital in PKC Group Plc held by funds (OP-Focus Fund (Non-UCITS), OP-Delta Fund, OP-Finland Small Firm Fund and OP-Equity Hedge Fund (Non-UCITS) managed by OP Fund Management Company Ltd (0743962-2) exceeded the limit of 5% on 29 August 2012. Following the transaction the funds managed by OP Fund Management Company Ltd owned 1,145,312 shares i.e. 5.33% of the shares and votes.
- The share of votes and share capital in PKC Group Plc held by Project Del Holdings, LLC (X00840083), an entity controlled by Platinum Equity Advisors, LLC, has fallen below the limit of 5% on 12 December 2012.

Shares and share capital

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

- A total of 110 PKC Group Plc's shares have been subscribed for with 2006B options. The new shares and the corresponding increase in the share capital, EUR 37.4, have been entered into the Trade Register on 12 January 2012. The new shares were traded on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 13 January 2012. After the increase the Company's registered share capital was EUR 6,103,098.92, divided into 21,155,966 shares.
- A total of 201,439 PKC Group Plc's shares have been subscribed for with 2006 options (101,040 with 2006B options and 100,399 with 2006C options). The new shares and the corresponding increase in the share capital, EUR 68,489.26, have been entered into the Trade Register on 29 March 2012. The new shares were traded on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 30 March 2012. After the increase the Company's registered share capital was EUR 6,171,588.18, divided into 21,357,405 shares.
- A total of 57,157 PKC Group Plc's shares have been subscribed for with 2006 options (28,780 with 2006B options and 28,377 with 2006C options), and the corresponding increase in the share capital is EUR 19,433.38. A total of 67,750 PKC Group Plc's shares have been subscribed for with 2009A options. New shares and increase in share capital corresponding to subscriptions have been entered into the Trade

Register on 10 May 2012. The new shares were traded on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 11 May 2012. After the increase the Company's registered share capital was EUR 6,191,021.56, divided into 21,482,312 shares.

- A total of 130 PKC Group Plc's shares have been subscribed for with 2006C options, and the corresponding increase in the share capital is EUR 44.20. A total of 36,000 PKC Group Plc's shares have been subscribed for with 2009A options. New shares and increase in share capital corresponding to subscriptions have been entered into the Trade Register on 31 August 2012. The new shares were traded on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 3 September 2012. After the increase the Company's registered share capital was EUR 6,191,065.76, divided into 21,518,442 shares.
- A total of 6,000 PKC Group Plc's shares have been subscribed for with 2009A options. New shares corresponding to subscriptions have been entered into the Trade Register on 30 November 2012. The new shares were traded on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 3 December 2012. After the increase the Company's registered number of shares totals 21,524,442 shares.

After the financial year a total of 31,705 PKC Group Plc's shares have been subscribed for with 2006C options, and the corresponding increase in the share capital is EUR 10,779.70. A total of 17,950 PKC Group Plc's shares have been subscribed for with 2009A options. New shares and increase in share capital corresponding to subscriptions have been entered into the Trade Register on 31 January 2013. The new shares were traded on the main list of the NASDAQ OMX Helsinki Ltd together with the old shares as of 1 February 2013. After the increase the Company's registered share capital was EUR 6,201,845.46, divided into 21,574,097 shares.

The Board's authorisations

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

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

Stock option schemes

2006 options
The stock option scheme initiated in 2006, comprises a total of 697,500 options divided into A, B and C warrants. At the close of financial year, the outstanding options and options held by key personnel totals 80,480 2006C warrants.

The share subscription price for the 2006 stock options is the volume-weighted average price of the PKC Group Plc share on NASDAQ OMX Helsinki, with dividend adjustments, as defined in the stock option terms (at present, EUR 8.94 for the 2006C warrants). Through the exercise of the 2006 stock options, the share capital of PKC Group Plc may be increased by a maximum total of 697,500 new shares and EUR 237,150. After the registration of subscription made on 31 January 2013, the Company's share capital can increase by a maximum of 50,425 shares i.e. EUR 17,144.50 as a result of the exercise of the remaining outstanding option rights. The share subscription period is for 2006C warrants 1 April 2011–30 April 2013. The 2006 stock options are subject to a share ownership plan. Key personnel are obliged to subscribe for or purchase the company's shares with 20% of the gross income earned from stock options and to own these shares for two years. The company's President and CEO is obliged to own these shares for the duration of his managerial contract.

The share subscription period for 2006A warrants has ended 30 April 2011. During the share subscription period a total 200,300 shares were subscribed and 2,200 warrants remained unused. The share subscription period for 2006B warrants has ended 30 April 2012 and no warrants remained unused.

2009 options
The Annual General Meeting held on 27 March 2009 decided to issue stock options to key personnel in the company and its subsidiaries. The maximum total number of stock options issued is 600,000 and they are divided into A, B and C warrants. At the close of the financial year, the outstanding options and options held by key personnel totals 85,250 2009A, 197,522 2009B and 190,000 2009C warrants, in addition to which 500 shares had been subscribed for with 2009A warrants but the share subscription hadn't been approved at the close of the financial year.

The subscription price for shares through the exercise of the 2009 stock options is the volume-weighted average price of the PKC Group Plc share on NASDAQ OMX Helsinki for April 2009, 2010 and 2011 + 20% with dividend adjustments, (at present, EUR 2.30 for the 2009A warrants, EUR 12.11 for the 2009B warrants and EUR 17.98 for the 2009C warrants). The subscription price for shares will be recorded in the invested non-restricted equity fund. The stock options entitle their owners to subscribe for a maximum total of 600,000 new shares in the company or existing shares held by the company. After the registration of subscription made on 31 January 2013, the Company's share capital can increase by a maximum of 472,300 shares as a result of the exercise of the remaining outstanding option rights. The share subscription period for 2009A warrants is 1 April 2012–30 April 2014, for 2009B warrants 1 April 2013–30 April 2015 and for 2009C warrants 1 April 2014–30 April 2016. The 2009 stock options are subject to a share ownership plan. Key personnel are obliged to subscribe for or purchase the company's shares with 20% of the gross income earned from stock options and to own these shares for two years. The company's President and CEO is obliged to own these shares for the duration of his managerial contract.

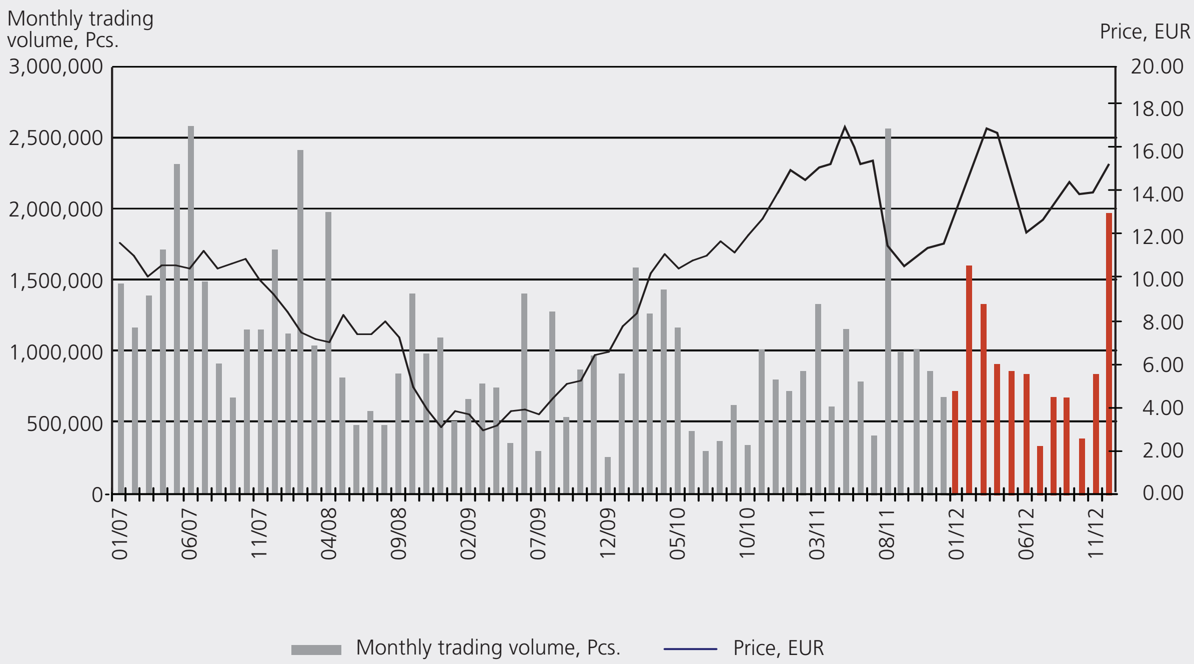
2012 options
The Annual General Meeting held on 4 April 2012 decided to issue stock options to key personnel in the company and its subsidiaries. The maximum total number of stock options issued is 1,020,000. The stock options are marked with the symbol 2012A(i) and 2012A(ii); 2012B(i) and 2012B(ii); as well as 2012C(i) and 2012C(ii). A total of 170,000 stock options are included in each stock option class. At the close of the financial year, the outstanding options and options held by key personnel totals 170,000 2012A(i) warrants, in addition to which 170,000 2012A(ii) warrants have been initially allocated to key personnel.

The subscription price for shares through the exercise of the 2012 stock options is the volume-weighted average price of the PKC Group Plc share on NASDAQ OMX Helsinki Ltd during first quarter in 2012, 2013 and 2014. The share subscription price is EUR 15.31 with the 2012A options. The subscription price for shares will be recorded in the invested non-restricted equity fund. The stock options entitle their owners to subscribe for a maximum total of 1,020,000 new shares in the company or existing shares held by the company. The share subscription period for stock options 2012A, will be 1 April 2015–30 April 2017, for stock options 2012B, 1 April 2016–30 April 2018, and for stock options 2012C, 1 April 2017–30 April 2019. 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. The 2012 stock options are subject to a share ownership plan. Key personnel are obliged to subscribe for or purchase the company's shares with 20% of the gross income earned from stock options and to own these shares for two years. The company's President and CEO is obliged to own these shares for the duration of his managerial contract.

Dividend for 2011

The Annual General Meeting held on 4 April 2012 resolved to pay a dividend of EUR 0.60 per share i.e. a total of about EUR 12.8 million. The dividend was paid out on 18 April 2012.

SHARE PRICE AND MONTHLY TRADING VOLUME 2.1.2007–28.12.2012



MAJOR SHAREHOLDERS 31.12.2012

		Pcs.	% of shares and votes
1.	Ilmarinen Mutual Pension Insurance Company	2,202,923	10.2
2.	As Harju Elekter	1,384,641	6.4
3.	OP-Focus Non-UCITS Fund	680,602	3.2
4.	Varma Mutual Pension Insurance Company	574,083	2.7
5.	Takanen Jorma	573,178	2.7
6.	OP-Finland Small Firms Fund	521,424	2.4
7.	Laakkonen Mikko	417,934	1.9
8.	Odin Finland	352,796	1.6
9.	Nordea Nordic Small Cap Fund	305,442	1.4
10.	Eestilä Matti	301,603	1.4
10 major holders total		**7,314,626**	**34.0**
Nominee registered			
Nordea Pankki Suomi Oyj		1,962,462	9.1
Other nominee registered		1,037,072	4.8
Others		11,210,282	52.1
Total		**21,524,442**	**100.0**

SHARES AND OPTIONS HELD BY THE BOARD OF DIRECTORS AND EXECUTIVE BOARD ON 31.12.2012

	Number of shares and votes, Pcs.	Shares and votes, %	Ownership of related parties and controlled corporations, Pcs.	Options, Pcs.
Board of Directors				
Allikmäe Andres	0	0.0	0	0
Lampela Outi	0	0.0	0	0
Levy Shemaya	0	0.0	0	0
Remenar Robert	0	0.0	0	0
Ruotsala Matti	0	0.0	0	0
Suutari Harri	110,814	0.5	360	26,000
Tähtinen Jyrki	0	0.0	10,892	0
Executive Board				
Hyytiäinen Matti	2,000	0.0	0	112,522
Keronen Jyrki	1,000	0.0	0	10,000
Korkala Pekka	2,000	0.0	0	15,000
Ojala Harri	3,572	0.0	0	60,000
Raatikainen Sanna	5,097	0.0	0	42,000
Rajala Jarmo	6,500	0.0	0	60,500
Sovis Frank	0	0.0	0	15,000
Torniainen Juha	2,000	0.0	0	15,000

DISTRIBUTION OF SHARE OWNERSHIP BY OWNER CATEGORIES ON 31.12.2012

	% of shares and votes
Domestic corporations	8.5
Financial institutions and insurance corporations	16.6
Public institutions	14.0
Non-profit institutions	2.3
Households and private investors	36.2
Foreign investors (including nominee registered shares)	22.3
Total	**100.0**

DISTRIBUTION OF SHARE OWNERSHIP BY SIZE OF SHAREHOLDING ON 31.12.2012

Shares	Shareholders		Shares		Votes	
	Pcs.	%	Pcs.	%	Pcs.	%
1–100	2,033	23.0	132,567	0.6	132,567	0.6
101–500	3,948	44.6	1,116,887	5.2	1,116,887	5.2
501–1,000	1,487	16.8	1,136,616	5.3	1,136,616	5.3
1,001–5,000	1,125	12.7	2,438,914	11.3	2,438,914	11.3
5,001–10,000	131	1.5	939,306	4.4	939,306	4.4
10,001–50,000	83	0.9	1,766,373	8.2	1,766,373	8.2
50,001–100,000	18	0.2	1,367,286	6.4	1,367,286	6.4
100,001–500,000	20	0.2	4,064,848	18.9	4,064,848	18.9
500,001–	8	0.1	8,561,645	39.8	8,561,645	39.8
Total,	**8,853**	**100.0**	**21,524,442**	**100.0**	**21,524,442**	**100.0**
of which nominee registered	16		2,999,534	13.9	2,999,534	13.9

Consolidated Statement of Comprehensive Income

EUR 1,000	Note	1.1.–31.12.2012	1.1.–31.12.2011
Net sales	**2**	**928,178**	**550,208**
Production for own use		207	208
Other operating income	4	2,193	4,042
Increase/decrease in stocks of finished goods and work in progress		-839	-1,679
Materials and services	5	564,482	332,646
Employee benefit expenses	6,21	203,221	109,800
Depreciation, amortisation and impairment loss on goodwill	7	32,584	17,531
Other operating expenses	8	86,000	58,296
Operating profit		**43,451**	**34,505**
Interest and financial income	9	335	599
Interest and financial expenses	9	-6,213	-4,220
Foreign currency exchange differences, net	9	-2,627	-1,470
Profit before taxes		**34,946**	**29,414**
Income taxes	10,17	-10,947	-5,969
Profit for the financial year		**23,999**	**23,445**
Other comprehensive income			
Interest derivatives	11	-970	-464
Foreign currency translation differences - foreign operations	11	-2,190	-1,112
Tax effects relating to components of other comprehensive income	17	238	0
Other comprehensive income for the financial year after taxes		-2,922	-1,576
Total comprehensive income for the financial year		**21,076**	**21,869**
Attributable to equity holders of the parent company			
Basic earnings per share (EPS), EUR	12	1.13	1.18
Earnings per share (EPS), diluted, EUR	12	1.12	1.16

Consolidated Statement Of Financial Position

EUR 1,000	Note	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
Goodwill	13	30,627	29,813
Intangible assets	13	43,234	50,099
Property, plant and equipment	14	94,307	113,556
Receivables	16	25,058	20,207
Deferred tax assets	17	11,272	7,697
Total non-current assets		**204,499**	**221,371**
Current assets			
Inventories	18	87,481	110,526
Trade receivables and other receivables	19	103,961	124,456
Current tax assets		1,897	165
Cash and cash equivalents		87,222	52,280
Total current assets		**280,560**	**287,426**
Total assets		**485,059**	**508,798**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	6,191	6,103
Share Premium Account	20	10,606	8,259
Invested non-restricted equity fund	20	35,376	35,639
Fair value reserve		-732	-464
Translation difference		4,582	6,257
Share-based payments		2,975	2,340
Retained earnings		105,532	94,348
Total equity		**164,530**	**152,482**
Non-current liabilities			
Interest-bearing financial liabilities	23	74,595	146,789
Provisions	22	1,301	1,541
Other liabilities	24	27,196	24,321
Deferred tax liabilities	17	27,617	32,957
Total non-current liabilities		**130,709**	**205,608**
Current liabilities			
Interest-bearing financial liabilities	23	69,190	16,230
Trade payables and other non-interest-bearing liabilities	25	120,534	133,955
Current tax liabilities		96	524
Total current liabilities		**189,820**	**150,708**
Total liabilities		**320,529**	**356,316**
Total equity and liabilities		**485,059**	**508,798**

Consolidated Statement of Cash Flows

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	949,400	564,533
Cash receipts from other operating income	3,246	5,357
Cash paid to suppliers and employees	-851,334	-520,867
Cash flows from operations before financial income and expenses and taxes	**101,311**	**49,022**
Interest paid and other financial expenses	-5,635	-3,695
Translation difference	1,033	2,489
Interest received	335	1,995
Income taxes paid	-21,057	-9,822
Net cash from operating activities (A)	**75,988**	**39,990**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	-16,317	-11,845
Proceeds from sale of property, plant and equipment and intangible assets	3,490	1,393
Loans granted	0	-514
Proceeds from repayments of borrowings	514	16
Acquisitions of subsidiary shares net of cash acquired	0	-79,565
Dividends received from investments	0	301
Net cash used in investment activities (B)	**-12,313**	**-90,213**
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue	2,687	4,000
Drawing of short-term borrowings	5,090	12,175
Drawing of long-term borrowings	0	153,703
Repayment of short-term / long-term borrowings	-23,642	-93,596
Dividends paid	-12,814	-10,890
Net cash used in financial activities (C)	**-28,678**	**65,391**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)	**34,996**	**15,168**
Cash and cash equivalents at 1 January	**52,280**	**37,104**
Effect of exchange rate fluctuations	**-54**	**8**
Cash and cash equivalents at 31 December	**87,222**	**52,280**
Change	**34,996**	**15,168**

Consolidated Statement of Changes in Equity

EUR 1,000	Note	Share capital	Share premium account	Invested non-restricted equity fund	Fair value reserve	Translation difference	Retained earnings	Equity attributable to share-holders of the parent company
Equity at 1.1.2011		**5,983**	**4,862**	**21,852**	**0**	**7,623**	**83,457**	**123,776**
Interest derivatives		0	0	0	-464	0	0	-464
Foreign currency translation differences - foreign operations	20	0	0	254	0	-1,366	0	-1,112
Total other comprehensive income		**0**	**0**	**254**	**-464**	**-1,366**	**0**	**-1,576**
Profit for the financial year		0	0	0	0	0	23,445	23,445
Total comprehensive income for the financial year		**0**	**0**	**254**	**-464**	**-1,366**	**23,445**	**21,869**
Dividends	20	0	0	0	0	0	-10,890	-10,890
Share-based payments	21	0	0	0	0	0	677	677
Share issue, exercise of options	20	120	3,397	13,534	0	0	0	17,051
Equity at 31.12.2011		**6,103**	**8,259**	**35,639**	**-464**	**6,257**	**96,688**	**152,482**
Equity at 1.1.2012		**6,103**	**8,259**	**35,639**	**-464**	**6,257**	**96,688**	**152,482**
Interest derivatives		0	0	0	-269	0	0	-269
Foreign currency translation differences - foreign operations		0	0	-516	0	-1,675	0	-2,190
Total other comprehensive income		**0**	**0**	**-516**	**-269**	**-1,675**	**0**	**-2,459**
Profit for the financial year		0	0	0	0	0	23,999	23,999
Total comprehensive income for the financial year		**0**	**0**	**-516**	**-269**	**-1,675**	**23,999**	**21,540**
Dividends		0	0	0	0	0	-12,814	-12,814
Share-based payments		0	0	0	0	0	635	635
Share issue, exercise of options		88	2,347	252	0	0	0	2,688
Equity at 31.12.2012		**6,191**	**10,606**	**35,376**	**-732**	**4,582**	**108,508**	**164,530**

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

Further information about share based payments is given in note 21, Share based payments.

Notes to the Consolidated Financial Statements

GROUP INFORMATION

The PKC Group offers design and manufacturing services for wiring systems and electronics to the automotive, telecommunications and electronics industries. The Group has production facilities in Brazil, China, Estonia, Finland, Germany, Ireland, Mexico, Poland, Russia, Ukraine and the USA and employs about 20,000 people.

The parent company of the Group, PKC Group Plc, is a public listed company domiciled in Helsinki. The Group's visiting address is Unioninkatu 20–22, FIN-00130 Helsinki, Finland. The consolidated financial statements were approved by the Board of Directors on 13 February 2013.

1. ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

General

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2012. The notes to the consolidated financial statements have also been prepared according to Finnish accounting and company legislation supplementing the IFRS standards.

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

Basis of consolidation

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

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

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

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

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

Since 1 January 2012, the Group has applied the following updated standards, amendments and interpretations which have no significant effect on the notes of the consolidated financial statements:

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

Foreign currency items

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

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

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

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

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

Intangible assets

Goodwill

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

Other intangible assets

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

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

Amortisation periods for intangible assets are:

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

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

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

Property, plant and equipment

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

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

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

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

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

Leases

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

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

Impairments of assets

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

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

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

Inventories

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

Financial assets, liabilities and derivatives

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

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

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

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

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

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

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

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

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

Financial liabilities
Financial liabilities are classified as financial liabilities at fair value through profit and loss and as other financial liabilities. Financial liabilities at fair value through profit and loss include derivative financial instruments, to which hedge accounting is not applied and which are not financial guarantee contracts, are classified as held-for-sale and measured at fair value through profit and loss. Unrealised and realised profit and loss due to changes in the fair value of derivatives are recorded in profit and loss in the period in which they are incurred. Other financial liabilities, which consist of loans taken out by the Group, are initially recognised at fair value. Transaction costs include to the historical carrying amount. After initial recognition liabilities are recognised at amortised cost. Then any difference between net proceeds and redemption value is recognised as interest cost over the loan period, using the effective interest method. In the effective interest method, in which gains and losses arising from differences between amortised cost and the initially recognised acquisition cost are recognised in net profit or loss throughout the amortisation process.

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

Treasury shares

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

Employee benefits

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

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

Share-based payments
The Group has applied IFRS 2 Share-Based Payments to the option schemes approved by the Annual General Meetings held on 30 March 2006, 27 March 2009 and 4 April 2012. Options are measured at fair value at the time they are granted and expensed as employee benefit expenses over the instruments vesting period. The expenditure determined at the grant date is based on the estimate of the amount of options expected to vest at the end of the vesting period. The fair value of the options is determined on the basis of the Black-Scholes pricing model. The Group updates the assumptions concerning the final amount of stock options at each reporting date. Changes in the estimates are recorded in profit or loss. When options are exercised, the cash payments received on the basis of share subscriptions, adjusted for any transaction expenses, are entered in equity.

Provisions and contingent liabilities

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

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

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

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

Revenue recognition policies

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

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

The Group has no long-term projects.

Other operating income and expenses

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

Interest and dividend income

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

Government grants

Such government grants, which have been received to compensate the already realised costs, are recognised as other operating income over the period necessary to match the costs that they were meant to compensate for. The Group received no significant government grants in accounting periods of 2012 and 2011.

Income taxes

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

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

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

Non-current assets held for sale

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

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

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. According to the definition used by the Group, operating profit is the net amount formed when other operating income is added to the net sales, and the following items are then subtracted from the total: materials and services adjusted for the change in inventories of finished goods and work in progress; the employee benefit expenses; depreciation, any impairment losses, and other operating expenses. Any other items in the income statement not mentioned above are shown under operating profit. Non-recurring items are exceptional transactions which are not related to regular, continuing business operations. Typically, the non-recurring items include substantial capital gains and losses, additional write-downs, or reversals of such write-downs, expenses related to restructuring of business operations and penalties.

Use of estimates

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

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

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

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

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

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

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

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

Application of new or revised IFRS standards

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

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

- Amendments to IAS 1 Presentation of Financial Statements
- Amendment to IAS 19 Employee Benefits
- IFRS 13 Fair Value Measurement
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IFRS 7 Financial Instruments: Disclosures

In 2014 the Group will adopt the following standards, interpretations and amendments issued by the IASB.

- Amendments to IAS 32 Financial Instruments: Presentation
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures

2. SEGMENT INFORMATION

The Group's segment information is consistent with Group's internal reporting. The accounting policies used in segment reporting are the same as those used in the consolidated accounts. The Group's reportable segments are consistent with the business segments.

Transfer prices between business segments are based on market prices. Assets and liabilities for the segments include only those assets and liabilities that can be directly allocated to the respective segments. Common items of the business segments are included in unallocated assets and liabilities.

Business segments

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

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

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

Information about geographical areas

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

SEGMENT INFORMATION 2012

EUR 1,000	Wiring Systems	Electronics	Unallocated amounts and eliminations	Group total
Segment net sales	859,294	69,602	0	928,896
of which inter-segment sales	516	203	-718	-718
Net sales from external customers	**858,778**	**69,400**		**928,178**
Operating profit / loss before non-recurring items	**53,495**	**2,136**	**-4,155**	**51,477**
Other non-recurring expenses	0	961	0	961
Advisor fees	0	66	0	66
Write-down of intangible assets	1,108	0	0	1,108
Non-recurring employee benefit expenses	5,329	331	231	5,892
Total non-recurring items	**6,437**	**1,358**	**231**	**8,027**
Operating profit/loss	**47,058**	**778**	**-4,386**	**43,451**
Goodwill	29,418	1,209	0	30,627
Other assets	426,685	41,181	-24,706	443,160
Deferred tax assets	0	0	11,272	11,272
Total assets	**456,103**	**42,390**	**-13,434**	**485,059**
Liabilities	338,312	32,988	-78,388	292,912
Deferred tax liabilities	0	0	27,617	27,617
Total liabilities	**338,312**	**32,988**	**-50,771**	**320,529**
Capital expenditure	14,307	771	945	16,023
Number of employees 31.12.2012	18,505	778	22	19,305
Average number of employees	19,787	782	21	20,590

SEGMENT INFORMATION 2011

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

EUR 1,000	2012	2011
GEOGRAPHICAL INFORMATION		
Net sales by geographical location of customer		
Europe,	278,759	298,527
of which Finland	60,401	62,521
South America	76,105	73,514
North America	551,957	157,458
Other countries	21,356	20,708
Total	**928,178**	**550,208**
Assets by location of assets		
Europe,	167,988	185,783
of which Finland	84,381	85,284
South America	41,382	47,802
North America	258,982	252,071
Other countries	16,707	23,143
Total	**485,059**	**508,798**
Capital expenditure		
Europe,	2,773	64,402
of which Finland	1,755	1 558
South America	3,719	3,719
North America	9,060	32,120
Other countries	472	1,291
Total	**16,023**	**101,532**

MAJOR CUSTOMERS 2012

EUR 1,000	Net sales	% of net sales
Customer 1	169,621	18.3
Customer 2	107,665	11.6
Total	**277,286**	**29.9**
Group net sales	**928,178**	

MAJOR CUSTOMERS 2011

EUR 1,000	Net sales	% of net sales
Customer 1	103,230	18.8
Customer 2	77,173	14.0
Customer 3	73,807	13.4
Total	**254,210**	**46.2**
Group net sales	**550,208**	

NUMBER OF EMPLOYEES AT THE END OF YEAR

	2012	2011
Finland	343	367
Other Europe	4,158	4,865
South America	2,435	2,300
North America	12,019	13,662
Other countries	350	334
Total	**19,305**	**21,528**

AVERAGE NUMBER OF EMPLOYEES

	2012	2011
Finland	351	401
Other Europe	4,493	4,785
South America	2,458	1,166
North America	12,942	4,131
Other countries	346	310
Total	**20,590**	**10,793**

3. BUSINESS COMBINATIONS

2012

During the financial year 2012 there were no acquistions.

2011

The profit effect of business combinations, EUR million

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

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

Segu

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

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

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

The following table summarizes the consideration paid for Segu companies and the amounts of the assets acquired and liabilities recognized at the acquisition date. The purchase price allocation was finalized during the year 2012, which resulted in no significant changes in the initial purchase price allocation.

Consideration, EUR million	
Cash	13.7
Total consideration transferred	13.7
Consideration paid in cash	13.7
Acquired cash and cash equivalents	-0.5
Cash flow effect	13.2

The assets and liabilities arising from the acquisition , EUR million	
Property, plant and equipment	12.0
Intangible assets	2.8
Inventories	8.0
Trade and other receivables	6.1
Cash and cash equivalents	0.5
Total assets	29.4
Provisions	0.2
Retirement benefit obligation	0.3
Interest-bearing liabilities	5.7
Trade and other liabilities	8.8
Deferred tax liabilities	0.8
Total liabilities	15.8
Total identifiable net assets	13.6
Goodwill	0.1

The fair value of the acquired identifiable intangible assets of EUR 2.8 million (including customer relationships and software).

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

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

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

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

AEES

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

As a result of the acquisition, PKC Group strengthened its position as a supplier of electrical systems for heavy-duty trucks in the western world. PKC also became a significant manufacturer of electrical systems for light vehicles in North America. The primary reason for the acquisition was that PKC believes that the combined businesses are able to increase their net sales organically significantly more rapidly than PKC would have been able to without the acquisition. It is PKC's view that global customers will concentrate their purchases to a few globally operating suppliers and that the combined entities' ability to serve current customers and maintain acquired customers will be substantially better than PKC Group's ability before the acquisition. It is PKC's view that companies' combined technical know-how and technical capacity will be able to create more added value services to customers than PKC previously could. None of the goodwill, EUR 12.7 million, recognized is expected to be deductible for income tax purposes.

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

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

Assets acquired and liabilities assumed at the date of acquisition are presented below (EUR million). The purchase price allocation (PPA) was finalized during year 2012.

The assets and liabilities arising from the acquisition, EUR million	
Property, plant and equipment	55.2
Intangible assets	44.1
Deferred tax assets	4.4
Inventories	49.7
Trade receivables	65.7
Other assets	35.0
Cash and cash equivalents	5.7
Total assets	259.8
Retirement benefit obligation	8.9
Interest-bearing liabilities	42.3
Trade and other liabilities	109.9
Deferred tax liabilities	25.9
Total liabilities	187.0
Total identifiable net assets	72.8
Goodwill	12.7

Acquisition related costs of EUR 6.7 million have been charged to other operating expenses in the consolidated statement of comprehensive income for the financial year ended 31 December 2011.

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

The fair value of trade receivables is EUR 65.7 million.

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

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

EUR 1,000	**2012**	**2011**
4. OTHER OPERATING INCOME		
Proceeds from sales of intangible assets and property, plant and equipment	353	56
Government grants	99	164
Value-added tax refunds to foreign subsidiaries	0	2,509
Other income	1,741	1,313
Total	**2,193**	**4,042**

EUR 1,000	2012	2011
5. MATERIALS AND SERVICES		
Purchases during the financial period	523,078	316,244
Change in inventories, increase (+) or decrease (-)	20,213	1,572
Raw materials and consumables	543,291	317,815
Outsourced services	21,192	14,831
Total	**564,482**	**332,646**

6. EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	161,408	86,499
Defined contribution pension plans	7,325	4,611
Other personnel expenses	33,853	18,013
Share-based payments	635	677
Total	**203,221**	**109,800**

In 2012 employee benefit expenses include EUR 5.9 million non-recurring expenses arising from layoffs.
In comparison period employee benefit expenses include EUR 0.5 million non-recurring expenses arising from layoffs.

Salaries and fees to management are presented in note 28, Related party disclosures and 21, Sharebased payments.

Personnel		
Average number of personnel		
Wiring Systems	19,787	9,922
Electronics	782	855
Unallocated	21	16
Total	**20,590**	**10,793**

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

7. DEPRECIATION AND AMORTISATION		
Depreciation and amortisation by commodity group		
Intangible assets		
Intangible assets	1,676	1,058
Customer relationships	7,669	7,297
Total	**9,345**	**8,355**
Property, plant and equipment		
Buildings and constructions	3,837	1,390
Machinery and equipment	18,070	6,390
Other tangible assets	1,333	1,443
Total	**23,240**	**9,223**
Total depreciation, amortisation and impairments	**32,584**	**17,578**

EUR 1,000	2012	2011
8. OTHER OPERATING EXPENSES		
Auditors' fees	700	575
Leases	4,773	4,467
Acquisition expenses	0	7,100
Other operating expenses	80,527	46,154
Total	**86,000**	**58,296**
Auditors' fees		
KPMG		
Audit fees	496	364
Certificates and statements	1	1
Tax services	77	197
Other services	126	13
Total	**700**	**575**
9. FINANCIAL INCOME AND EXPENSES		
Financial income		
Dividend income from investments available for sale	0	1
Other interest and financial income	335	598
Foreign exchange gains	9,148	10,008
Total	**9,482**	**10,607**
Other interest and financial expenses		
Interest expenses on financial liabilities recognized at amortized costs	-3,303	-1,367
Other financial expenses	-2,832	-2,821
Financial expense and changes in fair values of items recognized at fair value through the statement of income	-78	-33
Foreign exchange losses	-11,774	-11,478
Total	**-17,987**	**-15,699**
Total financial income and expenses	**-8,505**	**-5,092**
Financial income and expenses include foreign exchange differences (net) from following items:		
Net sales	-533	494
Raw materials and services	-1,874	-2,264
Raw material derivatives	472	-549
Financing	-691	848
Total	**-2,627**	**-1,470**

EUR 1,000	2012	2011
10. INCOME TAXES		
Income taxes for the financial year	-19,499	-3,784
Adjustments for prior years	-7	-38
Deferred taxes	8,678	-2,034
Other taxes	-118	-114
Total	**-10,947**	**-5,969**
Tax rate reconcilation		
Profit before taxes	34,946	29,414
Income taxes at Finnish tax rate (24,5%)	-8,561	-9,620
Effects of different tax rates in foreign subsidiaries	-3,228	4,095
Tax exempt income and non-deductible costs	1,012	1,741
Other temporary differences	224	-1,918
Unrecognised taxes on losses carried forward	-268	-116
Income taxes from previous years	-7	-38
Other taxes	-118	-114
Taxes in the statement of income	**-10,947**	**-5,969**
11. OTHER COMPREHENSIVE INCOME		
Interest derivatives	-970	-464
Foreign currency translation differences - foreign operations	-2,190	-1,112
Tax effects relating to components of other comprehensive income	238	0
Other comprehensive income for the financial year after taxes	**-2,922**	**-1,576**
12. EARNINGS PER SHARE		
Profit for the financial year	23,999	23,445
Weighted average number of shares (share issue adjusted/restated) *)	21,296	19,816
Basic earnings per share (EPS), EUR	**1.13**	**1.18**
Weighted average number of shares (share issue adjusted/restated) *)	21,296	19,816
Diluting effects of options	166	311
Weighted average number of shares, diluted *)	21,462	20,127
Diluted earnings per share (EPS), EUR	**1.12**	**1.16**

*) Shares in thousands

EUR 1,000

13. GOODWILL AND INTANGIBLE ASSETS

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

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

EUR 1,000

14. PROPERTY, PLANT AND EQUIPMENT

	Land areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquistion cost 1.1.2012	**4,189**	**30,286**	**97,933**	**8,488**	**3,712**	**144,608**
+/- Translation difference 1.1.2012	-9	-1,841	-2,392	-350	-41	**-4,633**
+ Additions	0	123	3,783	988	9,518	**14,413**
+ Reclassifications	1,067	335	7,668	382	-8,384	**1,067**
- Disposals	0	-11	-2,497	-600	0	**-3,108**
Acquisition cost 31.12.2012	**3,113**	**28,892**	**104,495**	**8,907**	**4,805**	**150,213**
Accumulated depreciation and impairments 1.1.2012	**332**	**4,274**	**24,449**	**3,080**	**0**	**32,135**
+/- Translation difference 1.1.2012	3	0	1	0	0	**4**
- Accumulated depreciation on disposals and reclassifications	0	0	-355	-15	0	**-370**
+ Other changes	0	0	0	-356	0	**-356**
+/- Currency translation differences	0	0	1,227		0	**1,227**
+ Depreciation for the year	26	3,837	18,070	1,333	0	**23,266**
Accumulated depreciation and impairments 31.12.2012	**361**	**8,111**	**43,392**	**4,042**	**0**	**55,906**
Carrying amount 31.12.2012	**2,752**	**20,781**	**61,103**	**4,865**	**4,805**	**94,307**

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

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

EUR 1,000	Buildings and constructions	Machinery and equipment	Total
Acquisition cost 1.1.2012	**2,640**	**823**	**3,463**
Accumulated depreciation	245	177	422
Carrying amount 31.12.2012	**2,396**	**646**	**3,042**

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

15. IMPAIRMENT TESTING

The Group has allocated goodwill to business units i.e. to cash-generating units (CGU). Apart from goodwill, the Group did not have any other intangible assets with indefinite useful lives on the date of impairment test on 30 September 2012.

The table below presents the allocation of goodwill between the Wiring Systems and Electronics business segments, which may contain one or several cash-generating units. In addition the businesses acquired during the financial period 2011 have been tested separately for the comparison financial period.

Goodwill, EUR million	2012	2011
Electronics	1.2	1.2
Wiring Systems	29.4	28.6
Total	**30.6**	**29.8**
Acquired Segu-companies		*0.1*
Acquired AEES-companies		*15.6*

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

Discount rate is determined based on the weighted average cost of capital, (WACC). Discount rates are determined separately for each business 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 following table presents a summary of the assumptions used in the cash flow analysis.

Assumptions used in the cash flow analysis, %	2012	Assumptions used in the cash flow analysis, %	2011
Net sales growth 2012–2016	-5.0–5.5	Net sales growth 2011–2015	-7.0–8.4
Terminal value growth 2017–	2.0	Terminal value growth 2016–	2.0
Average EBIT 2012–2016	3.5–12.7	Average EBIT 2011–2015	5.2–12.0
WACC (after tax)	7.1–10.2	WACC (after tax)	7.3–10.1
WACC (IFRS)	9.0–12.6	WACC (IFRS)	9.9–12.8

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

Approximately 4% reduction in estimated profitability or 11% increase in discount rate is required in order for the estimated recoverable amount to be equal to the carrying amount in the Wiring Systems business segment. Approximately 5% reduction in estimated profitability or 16% increase in discount rate is required in order for the estimated recoverable amount to be equal to the carrying amount in the Electronics business segment. The assumptions related to calculation of the recoverable amounts are most vulnerable to changes in the profitability (EBIT). The recoverable amount from all CGUs exceeded their carrying values by more than 190%.

EUR 1,000	2012	2011
16. NON-CURRENT RECEIVABLES		
Other receivables	25,003	20,140
Available-for-sale financial assets	56	67
Total	**25,058**	**20,207**
of which interest-bearing	408	0

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

EUR 1,000

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	1.1.2012	Recognised in income statement	Tax effects relating to components of other comprehensive income	31.12.2012
From accumulated depreciation differences	897	-179	0	718
From confirmed tax losses	664	6,249	0	6,913
From provisions	150	0	0	150
From other temporary differences	5,985	-2,732	238	3,491
Total	**7,696**	**3,338**	**238**	**11,272**

Tax deductible losses from previous years related to foreign subsidiaries has been recognised EUR 6.9 million deferred tax assets.
Losses (EUR million) in question mature as follows:

	Deferred tax assets
Year 2016	0.1
Year 2017	0.1
Year 2018	0.1
Year 2019	0.2
Year 2021	0.1
Year 2022–	6.3
Total	**6.9**

Deferred tax liabilities	1.1.2012	Recognised in income statement	31.12.2012
From undistributed unrestricted capital	1,745	2,253	3,998
From property, plant and equipment and intangible items	4,952	0	4,952
From other temporary differences	26,261	-7,594	18,667
Total	**32,958**	**-5,341**	**27,617**

One of the key Group companies is subject to a pending final report of a tax audit.

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

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

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

Deferred tax liabilities from	1.1.2011	Recognised in income statement	Acquisition	31.12.2011
Undistributed unrestricted capital	562	1,183	0	1,745
Property, plant and equipment and intangible items	3,928	1,024	0	4,952
Other temporary differences	315	309	25,637	26,261
Total	**4,805**	**2,515**	**25,637**	**32,957**

EUR 1,000	2012	2011
18. INVENTORIES		
Raw materials and supplies	60,797	82,439
Work in progress	6,896	5,831
Finished goods	19,684	22,088
Other inventories	85	133
Advance payments	19	35
Total	**87,481**	**110,526**

19. TRADE RECEIVABLES AND OTHER RECEIVABLES		
Trade receivables	84,604	103,965
Prepayments and accrued income	15,884	15,467
Other receivables	3,472	5,023
Total current receivables	**103,961**	**124,456**
Prepayments and accrued income		
From net sales	0	215
From other operating income	0	103
From other operating expenses	5,205	4,540
From financial expenses	26	9
From employee benefits	201	403
From other taxes	10,452	10,197
Total	**15,884**	**15,467**

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

20. EQUITY

	Number of shares, 1,000 pcs.	Share capital, EUR 1,000	Share premium account, EUR 1,000	Invested non-restricted equity fund, EUR 1,000
1.1.2011	**19,552**	**5,983**	**4,862**	**21,852**
Share issue	354	120	0	0
Exercise of options	0	0	3,397	13,787
31.12.2011	**19,906**	**6,103**	**8,259**	**35,639**
1.1.2012	**19,906**	**6,103**	**8,259**	**35,639**
Exercise of options	1,619	88	2,347	-263
31.12.2012	**21,524**	**6,191**	**10,606**	**35,376**

Dividends

In 2012 a dividend of EUR 0.60 per share was paid, in total EUR 12.8 million (In 2011 EUR 0.55 per share, in total EUR 10.8 million).

After the balance sheet date the Board of Directors has proposed that EUR 0.70 per share will be distributed as dividends, in total EUR 15.1 million.

21. SHARE BASED PAYMENTS

The Board of Directors of PKC Group Plc distributed stock options to the key personnel of the Group and to PKC Wiring Systems Oy, a wholly-owned subsidiary of the company, in accordance with the Annual General Meeting's decision on stock options on 30 March 2006. The outstanding options and options held by the Group's key personnel totals 80,480 stock options 2006C. The remainder of the stock options 2006C 1,650 were granted to PKC Wiring Systems Oy to be distributed further to the Group's present and future key personnel. The share subscription period for 2006A warrants has ended 30 April 2011. During the share subscription period a total 200,300 shares were subscribed and 2,200 warrants remained unused. The share subscription period for 2006B warrants has ended 30 April 2012. During the share subscription period a total 200,300 shares were subscribed and no warrants remained unused. A total of 180,370 PKC Group Plc's shares have been subscribed for with 2006C options. The amount of exercisable 2006C warrants totals 82,130.

The Board of Directors of PKC Group Plc distributed stock options to the key personnel of the Group and to PKC Wiring Systems Oy, a wholly-owned subsidiary of the company, in accordance with the Annual General Meeting's decision on stock options on 27 March 2009. The outstanding options and options held by the Group's key personnel totals 85,250 stock options 2009A, 197,522 2009B options and 190,000 2009C stock options, in addition to which 500 shares had been subscribed for with 2009A warrants but the share subscription hadn't been approved at the close of the financial year. The remainder of the stock options 2009A, 2009B and 2009C were granted to PKC Wiring Systems Oy to be distributed further to the Group's present and future key personnel. A total of 110,250 PKC Group Plc's shares have been subscribed for with 2009A options. The amount of exercisable 2009A warrants totals 89,750.

The Board of Directors of PKC Group Plc distributed stock options to the key personnel of the Group and to PKC Wiring Systems Oy, a wholly-owned subsidiary of the company, in accordance with the Annual General Meeting's decision on stock options on 4 April 2012. The outstanding options and options held by the Group's key personnel totals 170,000 2012A(i) warrants, in addition to which 170,000 2012A(ii) warrants have been initially allocated to key personnel.

A share ownership plan, which obliges the key personnel to subscribe for the company's shares with 20% of the gross income earned from their stock options and hold these shares for two years, is incorporated to the stock options. The options are forfeited if the employee leaves the company before the end of the vesting period. The Company's President and CEO must hold his shares for as long as he remains in the Group's service. The fair values of the options have been calculated using the Black-Scholes share pricing model. The expected volatility has been estimated on historic volatility using the actual price developments, taking into account the remaining terms of the options. Calculation of the fair values of the options was based on the following parameters used for to all incentives: expected dividend yield 0% (excluding stock options 2012) and expected forfeited options 0%.

Stock option plan	**Stock options granted to the key personnel of the Group**		
	2006B	**2006B**	**2006C**
Grant date	29.3.2007	27.3.2008	27.3.2008
Number of instruments granted, 1,000 pcs.	221.0	9.6	146.7
Exercise price at the grant date, EUR	11.09	10.64	10.64
Exercise price, EUR	8.94	8.94	8.94
Share price at the grant date, EUR	10.01	7.38	7.38
Remaining vesting period, years	5.2	4.2	5.2
Expected volatility, %	35	30	32
Risk-free interest rate, %	4.10	3.78	3.78
Fair value of the instrument (at grant date), EUR	3.48	1.22	1.65
	2006B	**2006C**	**2006B**
Grant date	14.4.2008	14.4.2008	14.7.2008
Number of instruments granted, 1,000 pcs.	40.0	40.0	16.1
Exercise price at the grant date, EUR	10.64	10.64	10.64
Exercise price, EUR	8.94	8.94	8.94
Share price at the grant date, EUR	7.05	7.05	7.04
Remaining vesting period, years	4.1	5.1	3.9
Expected volatility, %	30	32	30
Risk-free interest rate, %	3.79	3.79	4.53
Fair value of the instrument (at grant date), EUR	1.04	1.45	1.04

Stock option plan	Stock options granted to the key personnel of the Group		
	2006C	**2006B**	**2006C**
Grant date	14.7.2008	3.10.2008	3.10.2008
Number of instruments granted, 1,000 pcs.	14.0	41.4	38.0
Exercise price at the grant date, EUR	10.64	10.64	10.64
Exercise price, EUR	8.94	8.94	8.94
Share price at the grant date, EUR	7.04	6.50	6.50
Remaining vesting period, years	4.9	3.6	4.6
Expected volatility, %	30	31	31
Risk-free interest rate, %	4.53	3.88	3.88
Fair value of the instrument (at grant date), EUR	1.37	0.77	1.00
	2006B	**2006C**	**2009A**
Grant date	22.1.2009	22.1.2009	29.4.2009
Number of instruments granted, 1,000 pcs.	18.7	23.9	161.5
Exercise price at the grant date, EUR	10.64	10.64	3.85
Exercise price, EUR	8.94	8.94	2.30
Share price at the grant date, EUR	3.50	3.50	3.64
Remaining vesting period, years	1.2	2.2	5.0
Expected volatility, %	38	35	36
Risk-free interest rate, %	2.72	3.07	2.86
Fair value of the instrument (at grant date), EUR	0.12	0.17	1.25
	2006B	**2006C**	**2009A**
Grant date	31.3.2010	31.3.2010	31.3.2010
Number of instruments granted, 1,000 pcs.	47.1	54.9	59.5
Exercise price at the grant date, EUR	10.09	10.09	3.45
Exercise price, EUR	8.94	8.94	2.30
Share price at the grant date, EUR	10.38	10.38	10.38
Remaining vesting period, years	2.0	3.0	4.0
Expected volatility, %	38	38	38
Risk-free interest rate, %	1.20	1.60	2.09
Fair value of the instrument (at grant date), EUR	2.46	3.02	7.32
	2009B	**2009A**	**2009B**
Grant date	31.3.2010	3.5.2011	3.5.2011
Number of instruments granted, 1,000 pcs.	200.0	10.0	10.0
Exercise price at the grant date, EUR	13.26	2.90	12.71
Exercise price, EUR	12.11	2.30	12.11
Share price at the grant date, EUR	10.38	16.44	16.44
Remaining vesting period, years	5.0	3.0	4.0
Expected volatility, %	38	40	40
Risk-free interest rate, %	2.41	2.40	2.64
Fair value of the instrument (at grant date), EUR	3.04	13.74	7.23

Stock option plan	Stock options granted to the key personnel of the Group		
	2009C	**2009B**	**2009C**
Grant date	4.10.2011	8.3.2012	8.3.2012
Number of instruments granted, 1,000 pcs.	140.0	10.0	60.0
Exercise price at the grant date, EUR	18.58	12.71	18.58
Exercise price, EUR	17.98	12.11	17.98
Share price at the grant date, EUR	9.90	16.60	16.60
Remaining vesting period, years	4.6	3.1	4.1
Expected volatility, %	43	44	44
Risk-free interest rate, %	1.33	0.71	0.91
Fair value of the instrument (at grant date), EUR	1.87	6.77	5.34

	2009B	**2012A(i)**
Grant date	2.8.2012	20.6.2012
Number of instruments granted, 1,000 pcs.	12.5	170.0
Exercise price at the grant date, EUR	12.11	15.31
Exercise price, EUR	12.11	15.31
Share price at the grant date, EUR	12.11	11.20
Remaining vesting period, years	2.7	4.9
Expected volatility, %	45	44
Risk-free interest rate, %	0.03	0.92
Expected dividend yield, %	0.00	4.72
Fair value of the instrument (at grant date), EUR	3.51	4.86

	2012	**2012**	**2011**	**2011**
	Weighted average exercise price per share, EUR	**Number of options, 1,000 pcs.**	**Weighted average exercise price per share, EUR**	**Number of options, 1,000 pcs.**
Outstanding at 1 January	10.20	864.8	9.48	1075.4
Granted during the year	15.66	252.5	17.23	160.0
Exercised during the year	14.46	-25.0	9.67	-14.5
Forfeited during the year	7.28	-369.1	9.54	-353.9
Expired during the year	0.00	0.0	9.54	-2.2
Outstanding at 31 December	12.90	723.3	10.20	864.8
Exercisable at 31 December	12.90	723.3	10.20	864.8

The range of exercise prices and the weighted average contractual life of options outstanding at 31 December 2012 is presented below.

	Exercise price, EUR	**Contractual life, years**	**Number of options, 1,000 pcs**
Exercisable options at 31 December 2012	2,30–17,98	2.72	723.3

The weighted average share price at the date of exercise for share options exercised in 2012 was EUR 16.94 (2011: EUR 15.45).

EUR 1,000	2012	2011
22. PROVISIONS		
Provisions for pension expenses 1.1.	830	472
+ additions	0	358
- disposals	-258	0
Provisions for pension expenses 31.12.	**572**	**830**
Tax provision 1.1.	280	0
+ additions	0	280
- disposals	-224	0
Tax provision 31.12.	**56**	**280**
Other provisions 1.1.	431	0
+ additions	241	431
Other provisions 31.12.	**672**	**431**
Total provisions	**1,300**	**1,541**
23. INTEREST-BEARING FINANCIAL LIABILITIES		
Non-current		
Loans from financial institutions	71,836	143,423
Finance lease liabilities	2,759	3,366
Total non-current financial liabilities	**74,595**	**146,789**
Current		
Loans from financial institutions	68,565	15,740
Finance lease liabilities	626	490
Total current financial liabilities	**69,190**	**16,230**
Maturities of finance lease liabilities		
Minimum lease payments		
Within one year	1,480	1,405
Between one and five years	2,760	4,140
Total	**4,240**	**5,544**
Present value of minimum lease payments		
Within one year	626	490
Between one and five years	2,759	3,366
Total	**3,385**	**3,856**
Future finance and other charges concerning lease payments	846	1,688
Total lease payments	**846**	**5,544**

EUR 1,000	2012	2011
24. NON-CURRENT OTHER LIABILITIES		
Other liabilities	27,196	24,321

Non-current other liabilities include liabilities transferred in business acquisition, which are related to seller's indemnity.

EUR 1,000	2012	2011
25. TRADE PAYABLES AND OTHER NON-INTEREST-BEARING LIABILITIES		
Trade payables	75,510	90,779
Advances received	42	598
Other liabilities	18,760	13,663
Accruals and deferred income	26,222	28,915
Total current liabilities	**120,534**	**133,955**
Accruals and deferred income		
From net sales	154	175
From other operating income	1,168	171
From employee benefits	18,975	15,295
From other operating expenses	1,496	3,957
From other taxes	2,904	7,716
From financial expenses	1,137	611
From property, plant and equipment	388	990
Total	**26,222**	**28,915**

EUR 1,000	2012	2011
26. OPERATING LEASES		
Group as a lessee		
Less than one year	7,682	6,364
Between one and five years	9,808	9,501
More than five years	2,765	0
Total	**20,255**	**15,865**

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

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

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

At the reporting dates of 2012 and 2011, the Group held no other financial instruments that could be measured at fair value, except for derivatives and minor available-for-sale share investments. There have been no changes in the fair value determination calculations or valuation principles during the financial period. The valuation of derivatives is based on market data (level 2 IFRS 7:27A). The valuation of available-for-sale shares is based on the acquisition cost (level 3, IFRS 7.27A) as the fair value of the shares cannot be determined reliably. There is no functional market for unquoted shares. For the time being, the Group does not intend to dispose of these share investments. The nominal value of currency forwards was EUR 5.1 million (EUR 5.9 million). The nominal value of raw material derivatives' forward contracts was EUR 4.6 million (2.4 million). The nominal value of interest rate swaps was EUR 36.0 million (EUR 46.0 million).

EUR 1,000 **2012**	**Financial assets and liabilities at fair value through profit and loss**	**Cash flow and net investment hedges**	**Loans and receivables**	**Available-for-sale financial assets**	**Financial liabilities measured at amortised cost**	**Carrying amounts of balance sheet items**	**Fair values of balance sheet items**
Non-current financial assets							
Other non-current financial assets	0	0	0	7	0	7	7
Total non-current financial assets	0	0	0	7	0	7	7
Current financial assets							
Trade receivables	0	0	84,604	0	0	84,604	84,604
Currency derivatives	12	0	0	0	0	12	12
Cash and cash equivalents	87,222	0	0	0	0	87,222	87,222
Total current financial assets	87,233	0	84,604	0	0	171,838	171,838
Total financial assets	**87,233**	**0**	**84,604**	**7**	**0**	**171,845**	**171,845**
Non-current financial liabilities							
Non-current interest-bearing liabilities	0	0	0	0	74,595	74,595	77,420
Total non-current financial liabilities	0	0	0	0	74,595	74,595	77,420
Current financial liabilities							
Current interest-bearing liabilities	0	0	0	0	69,190	69,190	68,148
Trade payables	0	0	0	0	75,510	75,510	75,510
Copper derivatives	66	0	0	0	0	66	66
Interest rate swaps	0	980	0	0	0	980	980
Total current financial liabilities	66	980	0	0	144,700	145,746	144,704
Total financial liabilities	**66**	**980**	**0**	**0**	**219,295**	**220,341**	**222,124**

EUR 1,000 2011	Financial assets and liabilities at fair value through profit and loss	Cash flow and net investment hedges	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts of balance sheet items	Fair values of balance sheet items
Non-current financial assets							
Other non-current financial assets	0	0	0	8	0	8	8
Total non-current financial assets	0	0	0	8	0	8	8
Current financial assets							
Trade receivables	0	0	103,965	0	0	103,965	103,965
Currency derivatives	17	0	0	0	0	17	17
Copper derivatives	188	0	0	0	0	188	188
Cash and cash equivalents	52,280	0	0	0	0	52,280	52,280
Total current financial assets	52,485	0	103,965	0	0	156,450	156,450
Total financial assets	**52,485**	**0**	**103,965**	**8**	**0**	**156,458**	**156,458**
Non-current financial liabilities							
Non-current interest-bearing liabilities	0	0	0	0	146,789	146,789	142,432
Total non-current financial liabilities	0	0	0	0	146,789	146,789	142,432
Current financial liabilities							
Current interest-bearing liabilities	0	0	0	0	16,230	16,230	16,785
Trade payables	0	0	0	0	90,779	90,779	90,779
Currency derivatives	81	0	0	0	0	81	81
Interest rate swaps	0	480	0	0	0	480	480
Total current financial liabilities	81	480	0	0	107,008	107,569	108,124
Total financial liabilities	**81**	**480**	**0**	**0**	**253,798**	**254,358**	**250,556**

28. RELATED PARTY DISCLOSURES

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

The Group's related party comprises of the Group companies, the parent company's Board of Directors, the Executive Board and related entities: Attorneys at Law Borenius Ltd., Hannes Snellman Attorneys Ltd. and AS Harju Elekter. Other operating expenses include EUR 1.6 million (in year 2011 EUR 2.0 million) services and rents from related entities. Business transactions are based on market prices.

Group companies 31.12.2012

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

Employee benefits of management

EUR 1,000	2012	2011
Salaries and other current employee benefits	2,419	1,464
Share based payments	1,717	1,278
Total	**4,135**	**2,742**

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

EUR 1,000	2012	2011
Salaries, fees and shares based payments of the President & CEO		
Suutari Harri, President & CEO [1]	182	1,234
Hyytiäinen Matti, President & CEO [2]	637	0
Salaries, fees and shares based payments of the Board of Directors		
Members of the Board of Directors		
Allikmäe Andres [2]	32	0
Hyytiäinen Matti [3]	0	34
Lampela Outi	41	34
Levy Shemaya[2]	32	0
Palla Endel [1]	8	29
Pohjanvirta Olli [1]	9	34
Remenar Robert J. [2]	28	0
Ruotsala Matti	68	58
Suutari Harri [1]	39	0
Tähtinen Jyrki	43	52
Total	**300**	**241**
Salaries and other current employee benefits	478	0
Total	**778**	**241**

[1] until 4 April 2012 [2] since 4 April 2012 [3] member since 31 March 3.2010 and until 31 December 2011.

207,522 options was granted to the Group's Executive Board in 2012. The fair value of the options is determined based on principles described in note 21 Share based payments.

1,000 Pcs.	31.12.2012	31.12.2011
Granted options	330.0	416.9
of which exercisable [1]	30.5	135.4
Total fair value of the options	1,054.9	1,252.7
Total amount of shares, which options held by the Group's Executive Board entitle	330.0	416.9

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

Loans to the related parties

EUR 1,000	2012	2011
At beginning of the financial year	514	0
Loans granted during the financial year	0	514
Repayments of loans during the financial year	-514	0
Total	**0**	**514**

Loans were granted to the key personnel of the Group in 2011. Repayment of loans was settled by the due date. Due date was 17 September 2012. Interest on loans was 4%. Granted loans were unsecured. As of balance sheet date, there are no loans to related parties.

29. FINANCIAL RISK MANAGEMENT

The company's Board of Directors has approved the Group's Treasury policy. The purpose of the Treasury Policy is to define 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 Group. The Group's Treasury, organizationally located within Group Finance, provides treasury services and transactions centrally to the Group companies. The purpose of centralising these functions is effective risk management, cost savings and optimisation of cash flows.

Currency risk

The objective of foreign exchange risk management is to reduce the uncertainty in the Group's profit and loss, cash flows and balance sheet caused by fluctuations in foreign exchange rates to an acceptable level for the Group. 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. Sales and purchases in foreign currencies (transaction risk) as well as balance sheet items including investments in and loans to foreign subsidiaries (translation risk) create currency risk. The Group Treasury is authorized to use foreign exchange forwards and swaps as well as plain vanilla options to hedge against transaction risk. The main principle in regard to translation risk is not to execute equity hedging due to the fact that the translation risk only very seldom realises and while the hedge itself realises and always creates a cash flow cost. The foreign currency equity of the Group's subsidiaries at the close of the financial period was EUR 78.9 million (2011: EUR 110.7 million).

Group's valuation exposure by currency, EUR 1,000

	2012 Net Investment	2011 Net Investment
BRL	9,847	30,440
RUB	-947	481
CAD	3,960	6,685
MXN	18,779	14,701
CNY	9,310	7,385
USD	18,413	34,683
PLN	20,592	16,859
UAH	-1,012	-541
Total	**78,943**	**110,693**

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

EUR 1,000

Local currency	EUR	MXN	BRL	CNY
Foreign currency	USD	USD	EUR	EUR
2012				
Cash and cash equivalents	5,565	18	0	4,790
Trade receivables	8	22,113	20	2,625
Trade payables	-2,393	-690	-14,343	-867
Position	**3,180**	**21,441**	**-14,323**	**6,548**
Hedges	0	-5,121	0	0
Net position	**3,180**	**16,321**	**-14,323**	**6,548**
2011				
Cash and cash equivalents	904	29	0	1,531
Trade receivables	441	15,729	40	1,749
Trade payables	-2,095	-937	-6,335	-3,234
Position	**-750**	**14,821**	**-6,294**	**45**
Hedges	0	-5,540	0	0
Net position	**-750**	**9,281**	**-6,294**	**45**

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

EUR million	Change in currency %				
Local currency		EUR	MXN	BRL	CNY
Foreign currency		USD	USD	EUR	EUR
Year 2012	+10	0.3	1.5	-1.3	0.6
	-10	-0.4	-1.8	1.6	-0.7
Year 2011	+10	-0.1	0.8	-0.6	0.0
	-10	0.1	-1.0	0.7	0.0

Commodity risk

Trends in global economy may affect the prices and availability of raw materials. The Group's main principle is to manage the commodity risk first by operative means by the Business Areas, e.g. through commercial terms with customers and suppliers contracts. Changes in the prices of oil and metals can interfere with the Group's operations indirectly if they reduce demand for the customers' products. Group's major commodity risk is related to copper which is one of the components of the material costs. Changes in energy prices have no substantial effect on profit. According to the Group's Treasury Policy, the Group Treasury hedges 25%–75% of the net copper exposure. Group Treasury is authorized to use copper futures, forwards and swaps to hedge copper exposure.

Interest risk

Interest risk arises mainly from interest-bearing liabilities in the consolidated statement of financial position. The main objectives of interest rate risk management in PKC Group are to minimise interest expenses and ensure that changes in interest rates do not cause unpredictable impact on the Group's profit and loss, cash flows or value. Interest rate risk is managed by maintaining an optimal balance between the abovementioned objectives. The Group Treasury is authorized to use interest rate swaps and forward rate agreements to modify the interest rate fixing term of the Group's net debt portfolio. The targeted average interest rate fixing term is 6-18 months. At the end of reporting period the Group had open euro-denominated interest rate swaps. Based on these interest rate swaps the Group receives floating rate interest based on Euribor 3 months rates and pays fixed interest. PKC Group applies hedge accounting to interest rate swaps.

The Group's interest rate maturities at the balance sheet date, EUR 1,000	
	Under 6 mon.
Variable interest-rate financial instruments	
Loans from financial institutions	141,457
Interest rate swaps	-36,009
Total	**105,448**

Sensitivity to market risk

Sensitivity of operating profit to market risks connected with the Group's operations

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

Average effect on operating profit net of hedging effects, EUR million		
	2012	**2011**
Currency risk		
10% change in foreign exchange rate between the euro and the USA dollar (USD)	+/- 6.7	+/- 2.2
10% change in foreign exchange rate between the euro and the Mexican peso (MXN)	+/- 5.1	+/- 1.2
10% change in foreign exchange rate between the euro and the Brazilian real (BRL)	+/- 0.4	+/- 4.5
10% change in foreign exchange rate between the euro and the Chinese juan renminbi (CNY)	+/- 0.3	+/- 0.1
Commodity risk		
10% change in the price of copper	+ 3.4/- 3.4	+ 3.8/- 1.5

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

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

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

EUR million	2012 Income statement	2012 Equity	2011 Income statement	2011 Equity
Currency risk				
10% change in foreign exchange rate between the euro and the USA dollar (USD)			+/- 0.1	
10% change in foreign exchange rate between the euro and the Mexican peso (MXN)	+/- 0.4		+/- 0.9	
Commodity risk				
10% change in the price of copper	+/- 0.3		+/- 0.1	
Interest risk				
1% change in market interest rates	+/- 1.1	+/- 0.8	+/- 1.2	+/- 1.1

Credit risk

Credit risk associated with investments in the financial markets is minimised by making agreements with counterparties with high credit worthiness. Customers are granted standard payment terms only. As part of cash management Group has some factoring arrangements. No loans are granted to parties outside the Group, nor are collateral, contingent liabilities or other obligations assumed as security for their liabilities. Impairment of trade receivables is recognised where there is reasonable evidence that the Group will not receive all receivables on the original terms. Impairment of receivables is recognised under other operating expenses in the income statement.

Age distribution of trade receivables

EUR 1,000	2012	Impaired credit, recorded as a loss	Net 2012	2011	Impaired credit, recorded as a loss	Net 2011
Not yet overdue	76,108	0	76,108	48,528	0	48,528
Falling due in 30 days or less	6,047	0	6,047	35,092	0	35,092
Due 31-60 days ago	1,216	-38	1,179	17,889	0	17,889
Due 61-90 days ago	573	-7	566	1,106	-34	1,072
Due over 90 days ago	889	-184	705	1,431	-48	1,383
Total	**84,833**	**-228**	**84,604**	**104,047**	**-82**	**103,965**

Liquidity risk

The objective of cash and liquidity management is to centralise the management of the Group's cash and other liquid assets and thereby ensure efficient use of the Group's liquidity while avoiding liquidity risk. The Group Treasury shall optimize the Group's cash balances to cover the short term outgoing payments plus the liquidity buffer. 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 87.2 million (EUR 52.3 million) in addition the Group had available undrawn credit facilities EUR 31.1 million. During the comparison year 2011 the Group withdrew EUR 153,6 million new non-current financing to business acquisitions.

Equity and net debt in the consolidated balance sheet is managed as the capital structure. The objective of managing the capital is to support the Group's business by ensuring normal operating conditions and to increase the owner's value with a target of gaining maximum return. The optimal capital structure also ensures the lowest capital costs. The capital structure can be affected by dividend distributions, share issues and loan restructurings. The capital structure is continuously monitored by using the gearing ratio. The Group's bank loans contain common covenants. During the financial periods 2012 and 2011, the company fulfilled the terms of the covenants.

Maturity analysis of financial liabilities

EUR 1,000							
31.12.2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018–**	**Total**
Loans from financial institutions							
Repayments	68,811	8,585	8,565	8,565	46,931	0	141,457
Financing costs	2,452	1,444	1,281	1,119	692	0	6,987
Total	**71,263**	**10,029**	**9,846**	**9,684**	**47,623**	**0**	**148,444**
Finance lease liabilities							
Repayments	626	2,760	0	0	0	0	3,385
Financing costs	845	0	0	0	0	0	846
Total	**1,471**	**2,760**	**0**	**0**	**0**	**0**	**4,231**
Current non-interest-bearing liabilities							
Trade payables	75,510	0	0	0	0	0	75,510
Derivatives	1,137	0	0	0	0	0	1,137
Total	**76,647**	**0**	**0**	**0**	**0**	**0**	**76,647**
Total	**149,381**	**12,789**	**9,846**	**9,684**	**47,623**	**0**	**229,322**

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

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

Gearing		
EUR 1,000	**2012**	**2011**
Interest-bearing liabilities	143,785	163,019
Cash and cash equivalents	87,222	52,280
Net liabilities	56,563	110,739
Total equity	164,530	152,482
Gearing, %	34.4	72.6

30. EVENTS AFTER THE BALANCE SHEET DATE

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

Parent Company's Income Statement

EUR 1,000	Note	1.1.–31.12.2012	1.1.–31.12.2011
Net sales	1	**1,149**	**715**
Other operating income	2	2,188	5,527
Employee benefit expenses	3	2,891	1,839
Depreciation and impairment	8	1,049	359
Other operating expenses	4	3,520	7,088
Operating profit/loss		**-4,121**	**-3,043**
Income from subsidairy shares	5	46,022	3,500
Interest and financial income	5	3,541	1,295
Interest and financial expenses	5	-3,657	-1,600
Foreign exchange gains and losses, net	5	194	-264
Profit/loss before extraordinary items		**41,980**	**-112**
Group contribution		0	0
Profit/loss before taxes		**41,980**	**-112**
Income taxes	6	0	-45
Profit/loss for the financial year		**41,980**	**-157**

Parent Company's Balance Sheet

EUR 1,000	Note	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
Intangible assets	7	765	819
Tangible assets	7	326	376
Investments	8	61,875	62,051
Total non-current assets		**62,967**	**63,246**
Current assets			
Non-current receivables	9	92,365	94,001
Current receivables	10	52,750	32,324
Cash and cash equivalents		54,859	14,256
Total current assets		**199,974**	**140,581**
TOTAL ASSETS		**262,941**	**203,827**
EQUITY AND LIABILITIES			
Equity	11		
Share capital		6,191	6,103
Share premium account		10,606	8,259
Invested non-restricted equity fund		22,367	22,114
Retained earnings		21,862	34,833
Profit/loss for the financial year		41,980	-157
Total equity		**103,006**	**71,153**
Liabilities			
Non-current liabilities	12	24,806	92,849
Current liabilities	13	135,129	39,825
Total liabilities		**159,935**	**132,674**
TOTAL EQUITY AND LIABILITIES		**262,941**	**203,827**

Parent Company's Cash Flow Statement

EUR 1,000	1.1.–31.12.2012	1.1.–31.12.2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	572	1,351
Cash receipts from other operating income	5,560	1,643
Cash paid to suppliers and employees	-5,505	-8,752
Cash flows from operations before financial income and expenses and taxes	**627**	**-5,758**
Interest paid	-3,689	-1,505
Translation difference	-17	-74
Interest received and other financial income	873	-186
Income taxes paid	-557	-579
Group contribution	0	0
Net cash from operating activities (A)	**-2,763**	**-8,102**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	-945	-472
Proceeds from sale of tangible and intangible assets	0	0
Loans granted to subsidiaries	-13,758	-114,930
Loans granted	0	-514
Proceeds from payments of loans	20,779	1,144
Dividends received	19,709	3,500
Net cash used in investing activities (B)	**25,785**	**-111,271**
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Share issue	2,687	3,513
Proceeds from short-term borrowings	47,350	11,600
Proceeds from long-term borrowings	0	115,760
Repayment of long-term/short-term borrowings	-19,642	-13,329
Dividends paid	-12,814	-10,890
Net cash used in financial activities (C)	**17,581**	**106,654**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)	**40,602**	**-12,719**
Cash and cash equivalents at the beginning of the financial year	**14,256**	**26,976**
Cash and cash equivalents at the end of the financial year	**54,859**	**14,256**
Change in cash and cash equivalents	**40,602**	**-12,719**

Notes to the Parent Company's Financial Statements

ACCOUNTING POLICIES FOR PARENT COMPANY'S FINANCIAL STATEMENTS

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

Foreign currency items

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

Non-current assets

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

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

Subsidiary shares

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

Financial instruments

Financial instruments are recognised at acquisition cost.

Net sales

Net sales include the revenue obtained from services sold. Revenue from services is recognised for the period when the service is rendered.

Lease rentals

Lease rentals have been recognised as expenses.

Pension costs

The retirement plans for employees are provided by external insurance companies. Pension costs are recognised as expenses on the year of accrual.

Direct taxes

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

EUR 1,000	2012	2011
1. NET SALES BY BUSINESS SEGMENTS AND MARKET AREAS		
Net sales by business segments		
Sales of services to the Group companies	1,149	715
Total	**1,149**	**715**
Net sales by market areas		
Finland	467	433
Other Europe	183	232
North America	478	33
South America	8	0
Others	14	18
Total	**1,149**	**715**
2. OTHER OPERATING INCOME		
Government grants	8	5
Services to Group companies	2,106	5,521
Proceeds from sale of assets	20	0
Other income	54	0
Total	**2,188**	**5,526**
3. EMPLOYEE BENEFIT EXPENSES		
Salaries and fees	2,453	1,576
Defined contribution pension plans	349	202
Other social expenses	89	61
Total	**2,891**	**1,839**
Salaries and fees to management are presented in note 28, Related party disclosures, in consolidated financial statement		
Average number of personnel	21	16
Personnel at the end of period	22	16

EUR 1,000	2012	2011
4. OTHER OPERATING EXPENSES		
Auditors' fees	77	56
Rents	271	145
Administrative expenses	153	184
Other operating expenses	3,018	6,702
Total	**3,520**	**7,088**
Auditors' fees		
KPMG		
Audit fees	35	45
Consulting services	0	1
Tax services	6	2
Other services	36	8
Total	**77**	**56**
5. FINANCIAL INCOME AND EXPENSES		
Income from subsidiary shares	46,022	3,500
Other interest and financial income from Group companies	3,492	1,247
Other interest and financial income	49	48
Foreign exchange gains	676	582
Total financial income	**50,240**	**5,377**
Other interest and financial expenses from Group companies	0	-73
Other interest and financial expenses	-3,657	-1,528
Foreign exchange losses	-482	-846
Total financial expenses	**-4,139**	**-2,446**
Total financial income and expenses	**46,101**	**2,931**
Financial income and expenses include foreign exchange differences (net) from following items:		
Raw materials and services	0	4
Raw material derivatives	280	-323
Financing	-85	56
Total	**194**	**-264**
6. INCOME TAXES		
Adjustments for prior years	0	-45
Total	**0**	**-45**

EUR 1,000

7. NON-CURRENT ASSETS

Intangible assets

	Intangible rights	Other long-term expenditures	Total
Acquisition cost 1.1.2012	**2,264**	**159**	**2,423**
+ Additions	889	8	**897**
Acquisiton cost 31.12.2012	**3,153**	**167**	**3,320**
Accumulated depreciation and impairments 1.1.2012	**1,446**	**158**	**1,604**
+ Depreciation for the period	950	1	**951**
Accumulated depreciation and impairments 31.12.2012	**2,396**	**159**	**2,555**
Carrying amount 31.12.2012	**757**	**8**	**765**
Carrying amount 31.12.2011	**818**	**1**	**819**

Tangible assets

	Buildings and constructions	Machinery and equipment	Other intangible asset	Total
Acquisition cost 1.1.2012	**1,552**	**952**	**209**	**2,714**
+ Additions	0	48	0	48
Acquisiton cost 31.12.2012	**1,552**	**1,000**	**209**	**2,762**
Accumulated depreciation and impairments 1.1.2012	**1,222**	**906**	**209**	**2,338**
+ Depreciation for the period	78	19	0	97
Accumulated depreciation and impairments 31.12.2012	**1,301**	**925**	**209**	**2,436**
Carrying amount 31.12.2012	**252**	**75**	**0**	**326**
Carrying amount 31.12.2011	**330**	**46**	**0**	**376**

EUR 1,000

8. INVESTMENTS

	Shares of subsidiaries	Other shares	Other receivables	Total
Acquisition cost 1.1.2012	**61,822**	**181**	**48**	**62,051**
- Disposals	0	-176	0	-176
Acquisiton cost 31.12.2012	**61,822**	**5**	**48**	**61,875**
Carrying amount 31.12.2012	**61,822**	**5**	**48**	**61,875**
Carrying amount 31.12.2011	**61,822**	**181**	**48**	**62,051**

Subsidiary shares

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

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

	2012	2011
9. NON-CURRENT RECEIVABLES		
Loan receivables from group companies	92,365	94,001
Total non-current interest-bearing receivables	**92,365**	**94,001**
10. CURRENT RECEIVABLES		
Loan receivables	0	514
Trade receivables	12	8
Prepayments and accrued income	77	125
Other receivables	18	522
Current tax receivables	642	0
Loan receivables from Group companies	20,395	25,335
Trade receivables from Group companies	957	4,349
Prepayments and accrued income from Group companies	26,913	0
Other receivables from Group companies	3,735	1,471
Total current receivables	**52,750**	**32,324**
of which interest-bearing	20,395	25,335

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

	2012	2011
Prepayments and accrued income		
Of other operating expenses	60	26
Of employee benefit expenses	8	5
Of taxes	9	94
Total	**77**	**125**
Prepayments and accrued income from Group companies		
Of financial items	26,913	0
Total	**26,913**	**0**

EUR 1,000	2012	2011
11. EQUITY		
Share capital 1.1.	6,103	5,983
Increase in share capital	88	120
Share capital 31.12.	6,191	6,103
Share premium account 1.1.	8,259	4,866
Increase in share premium account	2,347	3,393
Share premium account 31.12.	10,606	8,259
Invested non-restricted equity fund 1.1.	22,114	22,114
Increase in invested non-restricted equity fund	252	0
Invested non-restricted equity fund 31.12.	22,367	22,114
Retained earnings 1.1.	34,677	45,724
Dividends paid	-12,814	-10,890
Invested non-restricted equity fund	22,367	22,114
Profit for the financial year	41,980	-157
Distributable equity 31.12.	**86,209**	**56,791**
Restricted equity	16,797	14,362
Distributable equity	86,209	56,791
Total equity 31.12.	**103,006**	**71,153**

12. NON-CURRENT INTEREST-BEARING LIABILITIES		
Loans from financial institutions	24,806	92,849
Total non-current liabilities	**24,806**	**92,849**
Loans falling due later than five years from now		
Interest-bearing loans from financial institutions	0	169
Total	**0**	**169**

13. CURRENT LIABILITIES		
Loans from financial institutions	68,565	15,165
Loans from pension insurance companies	0	0
Trade payables	223	367
Other liabilities	96	647
Accruals and deferred income	1,039	875
Trade payables to Group companies	87	2
Other liabilities to Group companies	65,119	22,769
Total current liabilities	**135,129**	**39,825**
of which interest-bearing	133,684	37,934

EUR 1,000	2012	2011
Accruals and deferred income		
From employee benefit expenses	861	665
From financial items	63	95
From taxes	0	0
From other operating expenses	115	115
Total	**1,039**	**875**
Other liabilities		
From employee benefit expenses	96	73
From taxes	0	574
Total	**96**	**647**
Other liabilities to Group companies		
Liabilities to Group companies	65,119	22,769
Total	**65,119**	**22,769**

14. COMMITMENTS AND OTHER LIABILITIES

Other liabilities		
Given on behalf of group	48,297	50,574
Liabilities related to current premises		
For the current financial period	377	1,115
Falling due at a later date	556	650
Total	**933**	**1,765**
Derivative liabilities		
Liabilities for raw material derivatives		
Nominal value	4,564	2,450
Fair value	-64	188
Interest rate swaps		
Nominal value	36,009	45,974
Fair value	-980	-480

Derivatives are used only in hedging loan interests and copper prices.

Board Of Directors' Proposal for Profit Distribution and Signatures

The parent company's distributable funds are EUR 86,208,811,
of which EUR 63,842,300 is distributable as dividends, including the net profit for the financial year EUR 41,979,811.
There are 21,524,442 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 15,067,109.40
- that the following sum be retained in shareholders' equity	EUR 71,141,701.60
Total	EUR 86,208,811.00

The record date for the dividend payout is 9 April 2013 and the payment date is 16 April 2013.

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

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

Helsinki, 13 February 2013.

Matti Ruotsala
Chairman of the Board

Andres Allikmäe
Board Member

Outi Lampela
Board Member

Shemaya Levy
Board Member

Robert J. Remenar
Board Member

Harri Suutari
Board Member

Jyrki Tähtinen
Board Member

Matti Hyytiäinen
President and CEO

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF PKC GROUP PLC

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of PKC Group Plc for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

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

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

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

Opinion on the consolidated financial statements

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

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

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

Other opinions

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

Helsinki, February 13, 2013
KPMG Oy Ab

Virpi Halonen
Authorized Public Accountant

Information for Shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of PKC Group Plc. shall be held on 4 April 2013 at 1.00 pm in Helsinki, at Pörssitalo at the address Fabianinkatu 14.

A shareholder is entitled to attend the meeting if he or she is listed as a shareholder in the company's shareholder register at Euroclear Finland Ltd, on the record date of 21 March 2013, (holders of nominee registered shares have to be entered on the temporary shareholders' register by 10 a.m. on 28 March 2013) and who notifies the company of his or her participation by 10 a.m. on 28 March 2013.

Notice of the Annual General Meeting has been published as a Stock Exchange Announcement on 11 March 2013 and on the company's website.

DIVIDENDS

The Board of Directors proposes that a dividend of EUR 0.70 per share be paid for the year 2012. The record date for dividends is 9 April 2013 and the payment date for dividends is 16 April 2013.

FINANCIAL REPORTS FOR 2013

PKC Group Oyj will publish its interim reports for 2013 as follows:

- 1–3/2013 Wednesday,
  May 8, 2013 at about 8.15 a.m.
- 1–6/2013 Thursday,
  August 8, 2013 at about 8.15 a.m.
- 1–9/2013 Thursday,
  October 31, 2013 at about 8.15 a.m.

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

CHANGE OF ADDRESS

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

Contact Information

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Finland

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Fax +358 20 1752 211

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