



INTERIM REPORT  
JANUARY-MARCH 2014

**PKC GROUP** 

**PKC GROUP'S INTERIM REPORT 1-3/2014:  
BRAZIL WEAKENED OPERATING PROFIT, REVENUE LOWER THAN IN COMPARISON PERIOD AS  
ESTIMATED**
**JANUARY - MARCH 2014 HIGHLIGHTS**

- Revenue decreased 9.5% on the comparison period (1-3/2013), totalling EUR 203.8 million (EUR 225.2 million).
- EBITDA before non-recurring items was EUR 12.1 million (EUR 18.8 million) and 5.9% (8.3%) of revenue.
- EBITA\*\* was EUR 7.6 million (EUR 14.2 million) and 3.8% (6.3%) of revenue. During the report period PPA depreciation and amortisation totalled EUR 2.0 million (EUR 2.9 million).
- Operating profit before non-recurring items was EUR 5.6 million (EUR 11.3 million) and 2.8% (5.0%) of revenue.
- Diluted earnings per share were EUR 0.04 (EUR 0.14).
- Cash flow after investments was EUR -18.4 million (EUR 0.2 million).

**PKC GROUP'S OUTLOOK FOR 2014**

- PKC Group estimates that 2014 revenue and comparable EBITDA will be lower than in 2013. In 2013, PKC's revenue was EUR 884.0 million and comparable EBITDA before non-recurring items was EUR 70.3 million.
- Revenue estimate is based on current business structure. Revenue will be affected by light vehicle build-outs in North America and by changes in exchange rates. As a result of the above, comparable EBITDA is expected to be lower than in 2013. Comparable EBITDA in 2014 will also be affected by reorganisation and program transfers in Europe and expenditures related to the implementation of PKC's growth strategy.

<b>KEY FIGURES</b>	<b>1-3/14</b>	<b>1-3/13</b>	<b>Change %</b>	<b>1-12/13</b>
EUR 1,000 (unless otherwise noted)				
Revenue	203,813	225,161	-9.5	883,986
EBITDA*	12,094	18,768	-35.6	70,341
% of revenue	5.9	8.3		8.0
EBITA**	7,649	14,234	-46.3	52,461
% of revenue	3.8	6.3		5.9
Operating profit*	5,613	11,316	-50.4	40,873
% of revenue	2.8	5.0		4.6
Non-recurring items	-2,735	-5,389	-49.3	-10,409
Operating profit	2,878	5,927	-51.4	30,463
% of revenue	1.4	2.6		3.4
Profit before taxes	1,354	4,710	-71.2	21,562
Net profit for the report period	907	3,109	-70.8	13,947
Earnings per share (EPS), EUR	0.04	0.14	-74.0	0.62
Cash flow after investments	-18,355	204		24,941
ROI,%	9.1	14.4		14.7
Gearing, %	8.6	32.4		-1.1
Average number of personnel	18,806	19,535	-3.7	19,206

\* before non-recurring items

\*\* operating profit before PPA depreciation and amortisation and non-recurring items

**MATTI HYYTIÄINEN, PRESIDENT & CEO:**

”Revenue in the first quarter remained lower than in the comparison period at EUR 203.8 million. Although North American truck production started to grow during the period, revenue fell short of the comparison period because of the build-outs of the light vehicle programmes announced previously, and because of a rescheduling production shut-down carried out during the period by one of PKC’s North American customers lasting almost one month. In Europe, the volume of truck production fell significantly compared to the last quarter of 2013 but was slightly higher than in the comparison period. European revenue was also affected by the decision made by one customer during the period to transfer the production of a bus wiring harness program back to itself. In Brazil, production volumes for heavy-duty trucks fell short of the comparison period. The exchange rates for the key currencies, the US dollar and the Brazilian real, from PKC’s point of view, with respect to the euro were significantly more unfavourable than during the comparison period.

PKC’s operating profit before non-recurring items, EUR 5.6 million, was below that of the comparison period owing to the low production utilisation rates and particularly to the deepening losses at the Brazilian unit. In Brazil, the price agreements with our main customers have expired and negotiations for new agreements have been ongoing during the period. In a very challenging environment, PKC is working to improve its operations and implement reinforced measures. However, a prerequisite for future profitable business are price agreements that will take into account Brazil’s significantly increased labour costs and the effects of exchange rates.

PKC is continuing to develop its manufacturing footprint in order to ensure cost-competitive solutions for its customers. During the period, we opened a new plant in Serbia, where production has increased rapidly. During the period, a new wiring harness factory also began production at Suzhou in China. We also made the decision to close the factory at Nogales in Mexico, owing to the build-outs of some light vehicle programmes. We also decided to establish a wiring systems company in Lithuania. During this year, we will evaluate the future European manufacturing footprint in the light of experience to be gained in Serbia and Lithuania.

In North America, the truck market was healthy and production forecasts for the whole year have been increased somewhat. It is expected that production volumes for heavy-duty class-8 trucks will increase so that, in the last quarter of 2014, predicted production volumes will be about 10% higher than production achieved in the first quarter. Production volumes for medium-duty trucks are forecast to remain at the present level until the end of the year.

In Europe, the transition to the Euro 6 emission standard at the beginning of the year meant that the market was quieter than before. The production volume forecast for the whole year has been lowered further. It is expected that production volumes for the remainder of the year will on average remain at roughly the same level as in the first quarter. With regard to the remainder of the year, PKC’s product range will focus more on medium-duty vehicles than previously.

In Brazil, customers’ order books have been on a good level. In terms of the whole year, production volume forecasts have been further downgraded and a growing uncertainty about the development of truck demand will dominate the market during the latter part of the year. A sign of the increasing uncertainty is the reduction of daily production volumes planned by some customers.

Our work to implement PKC’s strategy 2018 is continuing and we are working towards some projects to become concrete during the year.

PKC’s personnel have once again been committed in their work, for which I express my sincerest thanks.”

## OPERATING ENVIRONMENT

### Wiring Systems Business

PKC's key customers operate in the commercial vehicle industry which products are investment goods and as such their demand is highly correlated to the general economic situation. Economic activity continued to pick up in North America and Europe during the quarter. Events in Ukraine, however, slightly increased the uncertainty towards the end of the period. In Brazil, the economic growth slowed down and the inflation increased in 2013 and the uncertainty has continued thereafter. China's economic indicators have continued to weaken.

PKC Group's functional currency euro continued to strengthen against the US dollar. The Brazilian real weakened significantly from the comparison period. The Mexican peso was relatively stable against the US dollar during the report period, while it weakened from the comparison period. Due to events in Ukraine the Russian ruble depreciated significantly during the report period against the comparison period. Majority of PKC Group's Russian manufacturing output is being exported, however. The price of key raw material, copper, continued to decline during the beginning of the year. In average the customer sales prices are updated with a 3-5 month delay on the basis of copper price changes.

#### - Vehicles, Europe

<b>Vehicle production, units</b>	<b>1-3/14</b>	<b>1-3/13</b>	<b>Change %</b>	<b>10-12/13</b>	<b>Change %</b>
<b>Europe</b>					
Heavy duty trucks	73,619	70,969	+3.7	117,152	-37.2
Medium duty trucks	15,813	16,427	-3.7	22,763	-30.5

Source: LMC Automotive Q4/2013

Transition to the euro 6 emission standard at the beginning of 2014 caused an increase in the demand and production of trucks at the end of 2013. As a result, production volumes decreased, as expected, strongly from the previous quarter, but increased slightly from previous year's first quarter.

#### - Vehicles, North America

<b>Vehicle production, units</b>	<b>1-3/14</b>	<b>1-3/13</b>	<b>Change %</b>	<b>10-12/13</b>	<b>Change %</b>
<b>North America</b>					
Heavy duty trucks	66,037	54,828	+20.4	60,404	+9.3
Medium duty trucks	53,712	44,848	+19.8	51,519	+4.3
Light vehicles (Pick-up & SUV)	2,102,942	1,958,979	+7.3	2,073,417	+1.4

Source: LMC Automotive Q4/2013

In North America the demand for trucks increased at the beginning of the year and monthly order intake increased which was driven by tight freight capacity and improving economic conditions. Order backlog in relation to build rates is at the high end of historical range while the inventory to sales is at the low end of the range.



- Vehicles, Brazil

Vehicle production, units	1-3/14	1-3/13	Change %	10-12/13	Change %
<b>Brazil</b>					
Heavy duty trucks	27,410	32,012	-14.4	31,498	-13.0
Medium duty trucks	13,103	10,539	+24.3	8,761	+49.6

Source: LMC Automotive Q4/2013

In Brazil the production of heavy duty trucks decreased significantly compared to previous quarter and the comparison period in 2013. The demand and production volumes were negatively affected by the short delay in the continuance of the governments' subsidies and the weakening of the incentive terms. However, the production of medium duty trucks increased noticeably.

### Electronics Business

The demand for renewable-energy and energy saving products including smart grid solutions on the market fell short of the level of the previous year. The market demand for telecommunications-related products increased from previous quarter.

## REVENUE AND FINANCIAL PERFORMANCE

### January-March 2014

Revenue in January-March amounted to EUR 203.8 million (EUR 225.2 million), down 9.5% on the same period a year earlier. The effect of exchange rate changes on consolidated revenue was about -4%. In addition, the revenue was decreased by some light vehicle build-outs and production rescheduling in North America and by a customer's decision to insource a bus wiring harness program in Europe. In addition South American truck market production volumes decreased from previous year which had an influence on revenue.

During the report period EUR -2.7 million (EUR -5.4 million) in non-recurring items were recognised. Non-recurring items consist mainly of restructuring charges in North America related to light vehicle build-outs (EUR -1.8 million) and expenses related to Group's strategic reorganization (EUR -0.6 million). Non-cash non-recurring items were EUR 0.0 million (EUR -2.3 million). Operating profit before non-recurring items and PPA depreciation and amortisation related to acquisitions totalled EUR 7.6 million (EUR 14.2 million), accounting for 3.8% of revenue (6.3%). Operating profit totalled EUR 2.9 million (EUR 5.9 million), accounting for 1.4% of revenue (2.6%). Operating profit was negatively impacted by lower utilization rates in general and by deeper losses of the Brazilian unit. In addition, profitability was negatively impacted by reorganisation and program transfers in Europe and expenditures related to the implementation of PKC's growth strategy. Total depreciation and amortisation amounted to EUR 6.5 million (EUR 9.7 million), including EUR 0.0 million in non-recurring items (EUR -2.3 million). PPA depreciation and amortisation amounted to EUR 2.0 million (EUR 2.9 million).

Financial items were EUR -1.5 million (EUR -1.2 million). Financial items include foreign exchange differences totalling EUR -0.4 million (EUR 0.1 million). Profit before taxes was EUR 1.4 million (EUR 4.7 million). Income tax of the report period amounted to EUR 0.5 million (EUR 1.6 million). The Group's tax rate for the report period was 33.0% (34.0%). Net profit for the report period totalled EUR 0.9 million (EUR 3.1 million). Diluted earnings per share were EUR 0.04 (EUR 0.14).

### Wiring Systems Business

Revenue generated by the Wiring Systems business in the report period amounted to EUR 188.4 million (EUR 208.4 million), or 9.6% less than in the comparison period. The effect of exchange rate changes on consolidated revenue was about -5%. In addition, the revenue was decreased by some light vehicle build-

outs and production rescheduling in North America and by a customer's decision to insource a bus wiring harness program in Europe. In South America the truck market production volumes decreased from previous year which had an influence on revenue. The segment's share of the consolidated revenue was 92.4% (92.6%).

During the report period EUR -2.1 million (EUR -5.2 million) in non-recurring items were recognised and they consist mainly of restructuring charges in North America related to light vehicle build-outs (EUR -1.8 million). Non-cash non-recurring items were EUR 0.0 million (EUR -2.3 million). Operating profit before non-recurring items was EUR 5.9 million (EUR 11.7 million), equivalent to 3.1% of the segment's revenue (5.6%). Operating profit was EUR 3.8 million (EUR 6.5 million), equivalent to 2.0% of the segment's revenue (3.1%). Operating profit was negatively impacted by lower utilization rates in general and by deeper losses of the Brazilian unit. In addition, profitability was negatively impacted by reorganisation and program transfers in Europe and expenditures related to the implementation of PKC's growth strategy.

#### Electronics Business

Revenue generated by the Electronics business decreased by 7.8% to EUR 15.4 million (EUR 16.7 million). The segment's share of the consolidated revenue was 7.6% (7.4%). During the report period no non-recurring items were recognised (EUR 0.1 million). Operating profit before non-recurring items was EUR 0.9 million (EUR 1.0 million), equivalent to 5.8% of the segment's revenue (6.1%). Operating profit was EUR 0.9 million (EUR 1.1 million), equivalent to 5.8% of the segment's revenue (6.6%). Despite lower sales than in the comparison period the profitability remained on a healthy level due to measures implemented during 2013 that streamlined the cost structure and of the growing share of ODM products in revenue.

#### FINANCIAL POSITION AND CASH FLOW

Consolidated total assets on 31 March 2014 amounted to EUR 453.5 million (EUR 500.2 million). At the close of the report period, interest-bearing liabilities totalled EUR 100.5 million (EUR 130.6 million), which consisted mainly of non-current interest-bearing debt. In addition, the Group has a committed, un-utilized credit facility of EUR 30.0 million. The effective average interest rate of the interest bearing debt including un-utilized credit facility was at the close of the report period 4.0 % (3.0 %). The effective average interest rate changed mainly due to refinancing executed in fall 2013 and due to changes in interest rates and the interest rate fixing terms. The Group's equity ratio was 43.3% (34.8%). Net liabilities totalled EUR 16.9 million (EUR 56.4 million) and gearing was 8.6% (32.4%).

PKC Group uses derivatives to hedge risks arising from changes in key foreign exchange rates, interest rates and copper price. At the end of the reporting period nominal value of copper derivatives (forward contracts) was EUR 4.5 million (EUR 6.1 million). The Group utilizes euro-denominated interest rate swaps to maintain the targeted level for interest rate fixing term. Based on these interest rate swaps the Group receives fixed rate interest until September 2018 and pays floating interest based on Euribor 6 month rate. The nominal value of these interest rate swaps was EUR 75.0 million (EUR 31.4 million) at the close of the report period. At the end of reporting period the nominal amount of currency forwards was EUR 24.2 million (EUR 6.5 million).

Inventories amounted to EUR 80.4 million (EUR 92.1 million). Current receivables totalled EUR 127.6 million (EUR 127.5 million). Net cash from operating activities was EUR -12.8 million (EUR 3.5 million) and cash flow after investments during the report period was EUR -18.4 million (EUR 0.2 million). Net cash from operations was negatively impacted due to seasonal growth of net working capital which totalled EUR 81.6 million at end March 2014 (EUR 63.5 million at the end of December, 2013) representing an increase of EUR 18.0 million during the quarter, while in the comparison period representing an increase of EUR 8.3 million. Cash and cash equivalents amounted to EUR 83.6 million (EUR 74.3 million).

#### CAPITAL EXPENDITURE

During the report period, the Group's gross capital expenditure totalled EUR 6.5 million (EUR 3.3 million), representing 3.2% of revenue (1.5%). Gross capital expenditure is geographically divided as follows: Europe 45.5%, North America 27.6%, APAC 18.4% and South America 8.6%. The capital expenditure consisted

mainly of production machinery and equipment during the report period. Investments into Serbia and Suzhou, China new wiring harness production facilities increased the capital expenditure from the comparison period.

PKC estimates that in the medium term, the Group's replacement investment level is close to its annual depreciation and amortisation level excluding PPA related depreciation and amortization, and impairment losses. The Group's depreciation, amortization and impairment losses amounted to EUR 6.5 million (EUR 9.7 million) in the report period. Excluding PPA related depreciation and amortisation, and impairment losses it amounted to EUR 4.4 million (EUR 4.5 million).

## **RESEARCH & DEVELOPMENT**

Research and development costs totalled EUR 2.0 million (EUR 2.3 million), representing 1.0% (1.0%) of the consolidated revenue. At the end of the report period, 151 (169) people worked in product development, excluding production development and process development personnel.

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

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

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

The strong areas of expertise of PKC's Electronics business product development are test and power management solutions.

## **PERSONNEL**

During the report period, the Group had an average payroll of 18,806 employees (19,535). At the end of the report period, the Group's personnel numbered 19,053 employees (19,460), of whom 18,749 (19,142) worked abroad and 304 (318) in Finland. In addition the Group had at the end of the report period 385 (701) temporary employees. In the report period 96.6% of the personnel was employed by the wiring systems business segment and 3.3% by the electronics business segment. Geographically, personnel was divided as follows: North America 58.1%, Europe 24.7%, South America 14.8% and Asia 2.4%. Total amount of report period's employee benefit expenses was EUR 50.7 million (EUR 51.8 million) including EUR 2.0 million (EUR 2.7 million) classified as non-recurring expenses).

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

## **QUALITY AND THE ENVIRONMENT**

All of the Group's factories are certified in accordance with requirements of the ISO/TS16949 quality standard for the automotive industry excluding factory in Traverse City (USA) and Raahe (Finland) electronics factory, which are certified in accordance with requirements of ISO9001 standard. In addition the new wiring harness factories in Smederevo (Serbia) and Suzhou (China) have not yet been certified according to ISO/TS16949 quality standard requirements. In addition all of the Group's factories are certified

in accordance with the ISO14001 environmental standard and all factories operate in accordance with the ISO9001 quality standard except the new wiring harness factories in Smederevo (Serbia) and Suzhou (China) which have not yet been certified. Certification of Campo Alegre (Brazil) factory according to ISO14001 environmental standard has been completed. Preparations to recertify Curitiba (Brazil) factory according to ISO14001 environmental standard is on-going and is planned to be completed in 2014. Preparation to certify wiring systems factory in Smederevo (Serbia) according to ISO/TS16949 quality standard and ISO14001 environmental standard have been started. The ISO/TS16949 certification transfer to the wiring systems factory in Suzhou (China) is on-going and preparations to certify the factory according to ISO14001 have been started.

Production units in Acuna (Mexico), Juarez (Mexico), Piedras Negras (Mexico), Torreon (Mexico), Keila (Estonia), Haapsalu (Estonia), Itajuba (Brazil), Raahe (Finland) and Suzhou (China) have also certification in accordance with the OHSAS18001 occupational health and safety management system standard.

PKC wants to take responsibility for the well-being of the environment by developing energy-saving solutions and by designing products where emissions and material usage are minimised. The environmental impact of manufacturing will be reduced by optimizing deliveries and the efficient management of materials.

## MANAGEMENT

The Annual General Meeting held on 3 April 2014, re-elected Wolfgang Diez, Shemaya Levy, Robert Remenar, Matti Ruotsala and Jyrki Tähtinen as Board members and elected Reinhard Buhl and Mingming Liu as new Board members. In the Board's organisation meeting, Matti Ruotsala was elected as Chairman of the Board with Robert Remenar as Vice-Chairman.

Shemaya Levy was elected as the chairman of the Audit Committee and Wolfgang Diez, Mingming Liu and Jyrki Tähtinen as members. The Board elected Matti Ruotsala as chairman of the Nomination and Remuneration Committee and Reinhard Buhl and Robert Remenar as members.

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

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

## DIVIDEND FOR 2013

The Annual General Meeting held on 3 April 2014 resolved to pay a dividend of EUR 0.70 per share: i.e. a total of about EUR 16.8 million. The dividend was paid out on 15 April 2014.

## SHARE TURNOVER AND SHAREHOLDERS

Trading of shares on NASDAQ OMX Helsinki Ltd	1-3/14	1-3/13
Turnover in shares	2,745,337	1,932,728
Share turnover, EUR million	63.9	32.2
Turnover in shares per average number of shares, %	11.5	9.0

PKC's shares are also traded on alternative exchanges (inter alia Chi-X and BATS). The total trading volume on these particular alternative exchanges was 543,437 shares (43,366 shares) during the report period.



Shares and market value on NASDAQ OMX Helsinki Ltd	<b>1-3/14</b>	<b>1-3/13</b>
Number of shares at the close of the report period	23,925,237	21,574,097
Lowest share price during the report period, EUR	21.13	15.00
Highest share price during the report period, EUR	26.33	18.25
Share price at close of the report period, EUR	22.63	18.09
Average share price of the report period, EUR	23.21	16.67
Market capitalisation at the close of the report period, EUR million	541.4	390.3

The shares held by Board members, their closely associated persons and corporations in which they have a controlling interest accounted for 0.0% (0.6%) of the total number of shares at the end of the report period. PKC Group Plc had a total of 8,581 shareholders (8,394) at the end of the report period. The shares held by foreigners and through nominee registrations at the close of the report period totalled 38.1% of the share capital (23.8%).

### Flaggings

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

On 26 March 2014 the share of votes and share capital in PKC Group Plc held by funds (OP-Focus Non-UCITS Fund, OP-Delta Fund, OP-Finland Small Firm Fund and OP-Nordic Plus Fund (NON-UCITS)) managed by OP Fund Management Company Ltd (0743962-2) exceeded the limit of 5%. Following the transaction the funds managed by OP Fund Management Company Ltd owned 1,213,161 shares i.e. 5.07% of the shares and votes.

On 9 April 2014 the share of votes and share capital in PKC Group Plc held by Lannebo Fonder AB and possible future ownership (stock borrowing agreements), in total exceeded the limit of 5%. Following the transaction on 9 April 2014 Lannebo Fonder AB's total number of shares and votes were as follows: 857,016 PKC Group Plc's shares and votes and 400,000 lent shares and votes, which return 10 April 2014, in total 1,257,016 PKC Group Plc shares and votes i.e. 5.25% of the share capital and votes.

On 10 April 2014 the share of votes and share capital in PKC Group Plc held by Lannebo Fonder AB exceeded the limit of 5%. Following the transaction Lannebo Fonder AB owned 1,572,016 PKC Group Plc shares and votes, i.e. 6.57% of the share capital and votes.

On 5 May 2014 the share of votes and share capital in PKC Group Plc held by AS Harju Elekter (10029524) fell below the limit of 5%. Following the transaction AS Harju Elekter owned 1,194,641 PKC Group Plc shares and votes, i.e. 4.99% of the share capital and votes.

### NUMBER OF SHARES

PKC Group Plc's number of shares has changed during the report period and after the report period as follows:

Registrations of new shares corresponding to subscriptions	2009A options	2009B options	Number of shares after subscriptions
21.2.2014	11,850	7,500	23,925,237
2.4.2014	14,400	3,450	23,943,087

### THE BOARD'S AUTHORISATIONS

The Board of Directors was granted authorisation by the Annual General Meeting on 3 April 2014 to decide

on one or more share issues and granting of special rights defined in Chapter 10, Section 1 of the Companies Act and all the terms and conditions thereof. A maximum total of 4,750,000 shares may be issued or subscribed for on the basis of authorisation. The authorisation includes the right to decide on directed share issue. The authorisation is in force for five years from the date of the General Meeting's decision. At Board of Directors' discretion the authorisation may be used e.g. in financing possible corporate acquisitions, inter-company co-operation or similar arrangement, or strengthening Company's financial or capital structure. The authorisation revoked the authorisation granted on 30 March 2011.

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

### 2009 options

	2009A	2009B	2009C
Subscription period	1.4.2012- 30.4.2014	1.4.2013- 30.4.2015	1.4.2014- 30.4.2016
Current subscription price, EUR	0.90	10.71	16.58
Total amount of options	200,000	200,000	200,000
Held by PKC or non-allocated	4,500	19,478	47,500
Exercised	185,550	122,365	0
Outstanding	9,950	58,157	152,500
Invested non-restricted equity fund can increase by, EUR	13,005	831,471	3,316,000

The key personnel stock option scheme initiated in 2009 comprises a total of 600,000 options divided into A, B and C warrants. 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 beginning of the subscription period options will no longer be distributed to key personnel. 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.

### 2012 options

	2012A(i)	2012A(ii)	2012B(i)	2012B(ii)	2012C(i)	2012C(ii)
Subscription period	1.4.2015- 30.4.2017	1.4.2015- 30.4.2017	1.4.2016- 30.4.2018	1.4.2016- 30.4.2018	1.4.2017- 30.4.2019	1.4.2017- 30.4.2019
Current subscription price, EUR	15.31	15.31	16.65	16.65	23.28	23.28
Total amount of options	170,000	170,000	170,000	170,000	170,000	170,000
Held by PKC or non-allocated	15,000	15,000	5,000	5,000	170,000	170,000
Outstanding	155,000	155,000	165,000	165,000	0	0
Invested non-restricted equity fund can increase by, EUR	2,602,700	2,602,700	2,830,500	2,830,500	3,957,600	3,957,600

The key personnel stock option scheme initiated in 2012 comprises a total of 1,020,000 options. 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. 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 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 period for stock options 2012A(ii), 2012B(ii) and 2012C(ii) shall, however, not commence, unless certain operational or financial targets of the Group established for the exercise of stock options and determined by the Board of Directors have been attained. The Board of Directors shall annually decide on targets separately for each stock option class in connection with the distribution of stock options. Those stock options, for which the targets determined by the Board of Directors have not been attained, shall expire in the manner decided by the Board of Directors. 2012A(ii) and 2012B(ii) options have been initially allocated to the key personnel.

## **CORPORATE RESPONSIBILITY**

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

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

## **STRATEGY 2018**

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

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

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

## **Key strategic highlights of 2014**

On 7 January 2014 PKC Group Plc announced to optimise its manufacturing footprint in North America. PKC has decided to close the factory in Nogales, Mexico in order to further adapt and align its manufacturing capacity to the North American customer base. In addition PKC has decided to establish a wiring systems company in Lithuania.

## **SHORT-TERM RISKS AND UNCERTAINTIES**

Uncertainty related to emerging markets' economic development has increased. Especially in Brazil higher inflation as well as economic and political uncertainty has continued.

Consolidation of the customer base and changes in customers' relative market shares and sourcing strategies may affect demand of PKC's products.

Weakening of the US dollar against the Mexican peso as well as the weakening of the euro against the Polish zloty and the Russian rouble may increase PKC's processing costs. Strengthening of the euro against the Brazilian real may increase PKC's material costs. A significant increase in copper price may weaken PKC Group's profit in short term. The customer prices are updated on average with a 3-5 month delay on the basis of copper price changes.

PKC Group Plc has been subject to a tax audit in 2011 related to the year 2009 reorganisation of Wiring Systems business. PKC has given its final response during the second quarter of 2013 and complemented its final response during 2014. The tax reassessment decision from Finnish tax administration is pending. Based on the tax audit report regarding the same, there is interpretation difference between PKC and the tax authorities, which can result in tax reassessment decision and obligation to pay additional taxes and related payments. In the opinion of the management of PKC the taxes have been reported and levied properly.

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

## **MARKET OUTLOOK**

### **Wiring Systems Business**

In 2014 the production of heavy-duty trucks in Europe is expected to decline by 11% and production of medium-duty trucks by 9% compared to the level of 2013.

Production of heavy-duty trucks in North America is expected to increase by 16%, production of medium-duty trucks by 5% and production of light vehicles to increase slightly compared to 2013.

Production of heavy-duty trucks in Brazil is expected to decline by 5%, and production of medium-duty trucks to increase by 33% compared to 2013. The governmental incentive program to support the purchase of new trucks continues to be valid until further notice, although the terms have been weakened somewhat.

### **Electronics Business**

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

## **PKC GROUP'S OUTLOOK FOR 2014**

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

Revenue estimate is based on current business structure. Revenue will be affected by light vehicle build-outs in North America and by changes in exchange rates. As a result of the above, comparable EBITDA is expected to be lower than in 2013. Comparable EBITDA in 2014 will also be affected by reorganisation and program transfers in Europe and expenditures related to the implementation of PKC's growth strategy.

## **FINANCIAL REPORTS IN 2014**

In 2014, the Interim Reports will be published as follows:

- Interim Report 1-6/2014 Thursday, August 7, 2014 at about 8.15 a.m.
- Interim Report 1-9/2014 Thursday, October 30, 2014 at about 8.15 a.m.

The text section of this release focuses on the interim report. Comparisons have been made to the figures of the corresponding period in 2013, unless otherwise mentioned. The figures presented in the tables are independently rounded figures.



**TABLES**

This interim report has been prepared in accordance with IAS 34 (Interim Financial Reporting) standard. The interim report has been prepared in accordance with the same principles as the annual financial statements for 2013. The year 2014 IFRS standard changes have no significant effect on the interim report. IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities as well as the related amendments to IAS 27 and IAS 28: The standards have no significant impact on the Group's consolidated financial statements. Amendments to IAS 32 Financial Instruments: Presentation: The amendments provide clarifications on the application of requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amended standard is to be applied retrospectively. The amendment does not have a significant impact on the Group's consolidated financial statements. The figures in the interim report are unaudited.

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1,000)</b>	<b>1-3/14 3 mon.</b>	<b>1-3/13 3 mon.</b>	<b>1-12/13 12 mon.</b>
<b>Revenue</b>	<b>203,813</b>	<b>225,161</b>	<b>883,986</b>
Production for own use	91	49	315
Other operating income	137	275	1,982
Increase (+) / decrease (-) in stocks of finished goods and work in progress	-991	-1,965	-3,235
Materials and services	-123,025	-134,875	-533,004
Employee benefit expenses	-50,653	-51,840	-201,170
Depreciation, amortisation and impairment	-6,480	-9,729	-32,860
Other operating expenses	-20,013	-21,150	-85,551
<b>Operating profit</b>	<b>2,878</b>	<b>5,927</b>	<b>30,463</b>
Items affecting comparability	-2,735	-5,389	-10,409
<b>Comparable operating profit</b>	<b>5,613</b>	<b>11,316</b>	<b>40,873</b>
Interest and other financial income and expenses	-1,174	-1,274	-6,670
Foreign currency exchange differences	-350	58	-2,231
<b>Profit before taxes</b>	<b>1,354</b>	<b>4,710</b>	<b>21,562</b>
Income taxes	-447	-1,601	-7,615
<b>Profit for the report period</b>	<b>907</b>	<b>3,109</b>	<b>13,947</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations	605	5,372	-16,905
Interest derivatives	0	181	970
Tax related to interest derivatives	0	-44	-238
<b>Total comprehensive income for the period</b>	<b>1,512</b>	<b>8,617</b>	<b>-2,226</b>
<b>Attributable to equity holders of the parent company</b>			
Basic earnings per share (EPS), EUR	0.04	0.14	0.63
Diluted earnings per share (EPS), EUR	0.04	0.14	0.62

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EUR 1,000)**
**3/14      3/13      12/13**
**ASSETS**
**Non-current assets**

Goodwill	29,341	30,280	29,486
Intangible assets	33,742	42,233	34,694
Property, plant and equipment	76,905	92,779	76,026
Receivables	6,007	27,214	5,727
Deferred tax assets	15,924	13,735	16,443
<b>Total non-current assets</b>	<b>161,919</b>	<b>206,241</b>	<b>162,376</b>

**Current assets**

Inventories	80,436	92,144	80,237
Receivables			
Trade receivables	105,709	109,044	92,704
Other receivables	21,857	17,032	17,649
Current tax assets	10	1,472	2
Total receivables	127,576	127,548	110,356
Cash and cash equivalents	83,578	74,261	102,665
<b>Total current assets</b>	<b>291,590</b>	<b>293,953</b>	<b>293,257</b>
<b>Total assets</b>	<b>453,509</b>	<b>500,194</b>	<b>455,634</b>

**EQUITY AND LIABILITIES**
**Equity**

Share capital	6,218	6,210	6,218
Share premium account	11,282	11,170	11,282
Invested non-restricted equity fund	80,844	36,237	81,033
Fair value reserve	0	-596	0
Share-based payments	4,111	3,175	3,857
Translation difference	-11,424	9,321	-12,323
Retained earnings	104,358	105,228	90,411
Profit for the report period	907	3,109	13,947
<b>Total equity</b>	<b>196,296</b>	<b>173,855</b>	<b>194,425</b>

**Liabilities**
**Non-current liabilities**

Interest-bearing financial liabilities	100,446	68,856	99,763
Provisions	1,178	920	1,064
Other liabilities	8,380	30,447	8,722
Deferred tax liabilities	20,744	25,688	23,929
<b>Total non-current liabilities</b>	<b>130,748</b>	<b>125,911</b>	<b>133,478</b>

**Current liabilities**

Interest-bearing financial liabilities	12	61,782	677
Trade payables	86,991	94,817	88,695
Other non-interest-bearing liabilities	39,462	43,376	38,209
Current tax liabilities	0	453	149
<b>Total current liabilities</b>	<b>126,465</b>	<b>200,428</b>	<b>127,730</b>
<b>Total liabilities</b>	<b>257,213</b>	<b>326,338</b>	<b>261,208</b>

<b>Total equity and liabilities</b>	<b>453,509</b>	<b>500,194</b>	<b>455,634</b>
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<b>CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)</b>	<b>1-3/14</b>	<b>1-3/13</b>	<b>1-12/13</b>
	<b>3 mon.</b>	<b>3 mon.</b>	<b>12 mon.</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers	191,149	200,573	876,460
Cash receipts from other operating income	87	-252	785
Cash paid to suppliers and employees	-204,108	-191,318	-819,256
<b>Cash flows from operations before financial income and expenses and taxes</b>	<b>-12,872</b>	<b>9,003</b>	<b>57,989</b>
Interest paid and other financial expenses	-1,331	-3,172	-5,851
Effects of exchange rate changes	1,645	626	680
Interest received	16	21	153
Income taxes paid	-273	-2,986	-13,258
<b>Net cash from operating activities (A)</b>	<b>-12,816</b>	<b>3,492</b>	<b>39,714</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets	-5,561	-3,344	-15,103
Proceeds from sale of property, plant and equipment and intangible assets	21	56	329
<b>Net cash used in investment activities (B)</b>	<b>-5,540</b>	<b>-3,288</b>	<b>-14,773</b>
<b>Cash flows after investments</b>	<b>-18,355</b>	<b>204</b>	<b>24,941</b>
<b>Cash flows from financing activities</b>			
Share issue and subscriptions of options	105	551	46,342
Proceeds from non-current borrowings	23	0	99,531
Repayment of current/non-current borrowings	-648	-14,498	-138,645
Dividends paid	0	0	-15,122
<b>Net cash used in financing activities (C)</b>	<b>-521</b>	<b>-13,947</b>	<b>-7,893</b>
<b>Net increase (+) or decrease (-) in cash and equivalents (A+B+C)</b>	<b>-18,876</b>	<b>-13,743</b>	<b>17,047</b>
Cash and cash equivalents in the beginning of the period	102,665	87,222	87,222
Effect of exchange rate changes	-210	783	-1,604
Cash and cash equivalents in the end of the period	83,578	74,261	102,665

**KEY FINANCIAL INDICATORS**

	<b>1-3/14</b>	<b>1-3/13</b>	<b>1-12/13</b>
	<b>3 mon.</b>	<b>3 mon.</b>	<b>12 mon.</b>
Revenue, EUR 1,000	203,813	225,161	883,986
Operating profit, EUR 1,000	2,878	5,927	30,463
% of revenue	1.4	2.6	3.4
Profit before taxes, EUR 1,000	1,354	4,710	21,562
% of revenue	0.7	2.1	2.4
Net profit for the period, EUR 1,000	907	3,109	13,947
% of revenue	0.4	1.4	1.6
Return on equity (ROE), %	1.9	7.3	7.8
Return on investments (ROI), %	9.1	14.4	14.7
Net working capital, EUR 1,000	81,559	81,046	63,540
Net liabilities, EUR 1,000	16,880	56,376	-2,225
Gearing, %	8.6	32.4	-1.1
Equity ratio, %	43.3	34.8	42.7
Current ratio	2.3	1.5	2.3
Gross capital expenditure, EUR 1,000	6,534	3,314	14,620
% of revenue	3.2	1.5	1.7
R&D expenditures, EUR 1,000	2,036	2,349	8,503
% of revenue	1.0	1.0	1.0
Personnel average	18,806	19,535	19,206

**PER-SHARE KEY INDICATORS**

	<b>1-3/14</b>	<b>1-3/13</b>	<b>1-12/13</b>
	<b>3 mon.</b>	<b>3 mon.</b>	<b>12 mon.</b>
Earnings per share (EPS), EUR	0.04	0.14	0.63
Earnings per share (EPS), diluted, EUR	0.04	0.14	0.62
Equity per share, EUR	8.20	8.06	8.13
Cash flow per share, EUR	-0.76	0.01	1.11
Share price at close of period, EUR	22.63	18.09	24.19
Lowest share price, EUR	21.13	15.00	15.00
Highest share price, EUR	26.33	18.25	25.31
Average share price, EUR	23.21	16.67	20.47
Turnover in shares, 1,000 shares	2,745	1,933	8,963
Turnover in shares per (share issue adjusted) share capital, %	11.5	9.0	40.2
Average number of shares, 1,000 shares	23,914	21,558	22,280
Average number of shares, diluted, 1,000 shares	24,115	21,699	22,454
Shares at end of period, 1,000 shares	23,925	21,574	23,906
Market capitalisation, EUR 1,000	541,428	390,275	576,103



## 1. SEGMENT INFORMATION

Segment assets and liabilities include only those assets and liabilities that can be directly allocated to the respective segments. Group's unallocated expenses and income, and eliminations between segments are included in unallocated items of comprehensive income. Unallocated assets include mainly items related to Group management and also taxes and loan receivables. Unallocated liabilities include current and non-current loans and tax liabilities.

1.1.-31.3.2014 (EUR 1,000)	Wiring Systems	Electronics	Total reportable amounts	Unallocated amounts and eliminations	Total Group
Segment revenue	188,529	15,487	204,016	182	204,198
of which inter-segment revenue	141	62	203	182	385
<b>External revenue</b>	<b>188,388</b>	<b>15,425</b>	<b>203,813</b>	<b>0</b>	<b>203,813</b>
<b>EBITDA</b>	<b>11,984</b>	<b>1,244</b>	<b>13,228</b>	<b>-1,134</b>	<b>12,094</b>
<b>% of revenue</b>	<b>6.4</b>	<b>8.1</b>			<b>5.9</b>
Depreciation, amortisation and impairments *)	-4,076	-355	-4,431	-15	-4,445
<b>EBITA</b>	<b>7,908</b>	<b>889</b>	<b>8,797</b>	<b>-1,148</b>	<b>7,649</b>
<b>% of revenue</b>	<b>4.2</b>	<b>5.8</b>			<b>3.8</b>
PPA depreciation and amortisation	-2,035	0	-2,035	0	-2,035
<b>Operating profit before non-recurring items</b>	<b>5,873</b>	<b>889</b>	<b>6,762</b>	<b>-1,148</b>	<b>5,613</b>
<b>% of revenue</b>	<b>3.1</b>	<b>5.8</b>			<b>2.8</b>
Non-recurring employee benefit expenses	-2,020	0	-2,020	0	-2,020
Other non-recurring income and expenses	-85	0	-85	-630	-715
<b>Total non-recurring items</b>	<b>-2,105</b>	<b>0</b>	<b>-2,105</b>	<b>-630</b>	<b>-2,735</b>
<b>Operating profit</b>	<b>3,768</b>	<b>889</b>	<b>4,657</b>	<b>-1,779</b>	<b>2,878</b>
<b>% of revenue</b>	<b>2.0</b>	<b>5.8</b>			<b>1.4</b>
Financial income and expenses	0	0	0	-1,524	-1,524
<b>Profit before taxes</b>	<b>3,768</b>	<b>889</b>	<b>4,657</b>	<b>-3,303</b>	<b>1,354</b>
Income taxes	0	0	0	-447	-447
<b>Profit for the period</b>	<b>3,768</b>	<b>889</b>	<b>4,657</b>	<b>-3,750</b>	<b>907</b>
Goodwill	28,132	1,209	29,341	0	29,341
Other segment assets	402,906	38,120	441,026	-16,858	424,168
<b>Total assets</b>	<b>431,037</b>	<b>39,329</b>	<b>470,367</b>	<b>-16,858</b>	<b>453,509</b>
Segment liabilities	330,014	27,921	357,935	-100,722	257,213
<b>Total liabilities</b>	<b>330,014</b>	<b>27,921</b>	<b>357,935</b>	<b>-100,722</b>	<b>257,213</b>

\*) excluding PPA depreciation and amortisation and non-recurring asset impairment

1.1.-31.3.2013 (EUR 1,000)	Wiring Systems	Electronics	Total reportable amounts	Unallocated amounts and eliminations	Total Group
Segment revenue	208,542	17,018	225,560	129	225,688
of which inter-segment revenue	114	284	398	129	527
<b>External revenue</b>	<b>208,428</b>	<b>16,734</b>	<b>225,161</b>	<b>0</b>	<b>225,161</b>
<b>EBITDA</b>	<b>18,547</b>	<b>1,475</b>	<b>20,022</b>	<b>-1,255</b>	<b>18,768</b>
<b>% of revenue</b>	<b>8.9</b>	<b>8.8</b>			<b>8.3</b>
Depreciation, amortisation and impairments *)	-3,915	-441	-4,356	-178	-4,534
<b>EBITA</b>	<b>14,632</b>	<b>1,034</b>	<b>15,666</b>	<b>-1,432</b>	<b>14,234</b>
<b>% of revenue</b>	<b>7.0</b>	<b>6.2</b>			<b>6.3</b>
PPA depreciation and amortisation	-2,918	0	-2,918	0	-2,918
<b>Operating profit before non-recurring items</b>	<b>11,714</b>	<b>1,034</b>	<b>12,748</b>	<b>-1,432</b>	<b>11,316</b>
<b>% of revenue</b>	<b>5.6</b>	<b>6.2</b>			<b>5.0</b>
Non-recurring employee benefit expenses	-2,586	-98	-2,684	0	-2,684
Impairment of PPE and intangible assets	-2,277	0	-2,277	0	-2,277
Other non-recurring income and expenses	-361	174	-186	-242	-428
<b>Total non-recurring items</b>	<b>-5,223</b>	<b>76</b>	<b>-5,147</b>	<b>-242</b>	<b>-5,389</b>
<b>Operating profit</b>	<b>6,490</b>	<b>1,111</b>	<b>7,601</b>	<b>-1,674</b>	<b>5,927</b>
<b>% of revenue</b>	<b>3.1</b>	<b>6.6</b>			<b>2.6</b>
Financial income and expenses	0	0	0	-1,217	-1,217
<b>Profit before taxes</b>	<b>6,490</b>	<b>1,111</b>	<b>7,601</b>	<b>-2,891</b>	<b>4,710</b>
Income taxes	0	0	0	-1,601	-1,601
<b>Profit for the period</b>	<b>6,490</b>	<b>1,111</b>	<b>7,601</b>	<b>-4,492</b>	<b>3,109</b>
Goodwill	29,071	1,209	30,280	0	30,280
Other segment assets	435,184	38,711	473,895	-3,981	469,914
<b>Total assets</b>	<b>464,254</b>	<b>39,920</b>	<b>504,174</b>	<b>-3,981</b>	<b>500,194</b>
Segment liabilities	324,919	29,586	354,505	-28,166	326,338
<b>Total liabilities</b>	<b>324,919</b>	<b>29,586</b>	<b>354,505</b>	<b>-28,166</b>	<b>326,338</b>

\*) excluding PPA depreciation and amortisation and non-recurring asset impairment

1.1.-31.12.2013 (EUR 1,000)	Wiring Systems	Electronics	Total reportable amounts	Unallocated amounts and eliminations	Total Group
Segment revenue	820,768	64,950	885,718	425	886,143
of which inter-segment revenue	436	1,295	1,732	425	2,157
<b>External revenue</b>	<b>820,332</b>	<b>63,654</b>	<b>883,986</b>	<b>0</b>	<b>883,986</b>
<b>EBITDA</b>	<b>70,527</b>	<b>5,837</b>	<b>76,364</b>	<b>-6,023</b>	<b>70,341</b>
<b>% of revenue</b>	<b>8.6</b>	<b>9.2</b>			<b>8.0</b>
Depreciation, amortisation and impairments *)	-16,054	-1,556	-17,610	-270	-17,881
<b>EBITA</b>	<b>54,473</b>	<b>4,281</b>	<b>58,754</b>	<b>-6,293</b>	<b>52,461</b>
<b>% of revenue</b>	<b>6.6</b>	<b>6.7</b>			<b>5.9</b>
PPA depreciation and amortisation	-11,588	0	-11,588	0	-11,588
<b>Operating profit before non- recurring items</b>	<b>42,885</b>	<b>4,281</b>	<b>47,166</b>	<b>-6,293</b>	<b>40,873</b>
<b>% of revenue</b>	<b>5.2</b>	<b>6.7</b>			<b>4.6</b>
Non-recurring employee benefit expenses	-4,459	-853	-5,312	0	-5,312
Impairment of PPE and intangible assets	-3,391	0	-3,391	0	-3,391
Other non-recurring income and expenses	-507	700	194	-1,900	-1,707
<b>Total non-recurring items</b>	<b>-8,356</b>	<b>-153</b>	<b>-8,509</b>	<b>-1,900</b>	<b>-10,409</b>
<b>Operating profit</b>	<b>34,529</b>	<b>4,128</b>	<b>38,657</b>	<b>-8,193</b>	<b>30,463</b>
<b>% of revenue</b>	<b>4.2</b>	<b>6.5</b>			<b>3.4</b>
Financial income and expenses	0	0	0	-8,902	-8,902
<b>Profit before taxes</b>	<b>34,529</b>	<b>4,128</b>	<b>38,657</b>	<b>-17,095</b>	<b>21,562</b>
Income taxes	0	0	0	-7,615	-7,615
<b>Profit for the period</b>	<b>34,529</b>	<b>4,128</b>	<b>38,657</b>	<b>-24,710</b>	<b>13,947</b>
Goodwill	28,277	1,209	29,486	0	29,486
Other segment assets	402,246	38,215	440,461	-14,314	426,147
<b>Total assets</b>	<b>430,524</b>	<b>39,424</b>	<b>469,948</b>	<b>-14,314</b>	<b>455,634</b>
Segment liabilities	330,308	28,297	358,606	-97,397	261,208
<b>Total liabilities</b>	<b>330,308</b>	<b>28,297</b>	<b>358,606</b>	<b>-97,397</b>	<b>261,208</b>

\*) excluding PPA depreciation and amortisation and non-recurring asset impairment

<b>REVENUE BY GEOGRAPHICAL LOCATIONS (EUR 1,000)</b>	<b>1-3/14 3 mon.</b>	<b>1-3/13 3 mon.</b>	<b>1-12/13 12 mon.</b>
Finland	12,951	14,641	57,184
Other Europe	51,138	54,440	225,701
North America	114,476	128,997	491,704
South America	17,628	22,555	87,461
APAC	7,621	4,528	21,936
<b>Total</b>	<b>203,813</b>	<b>225,161</b>	<b>883,986</b>

## 2. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (EUR MILLION)

A = Share Capital

B = Share premium account

C = Invested non-restricted equity fund

D = Fair value reserve

E = Translation difference

F = Retained earnings

G = Equity attributable to shareholders of the parent company

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>
<b>Equity at 1.1.2013</b>	<b>6.2</b>	<b>10.6</b>	<b>35.4</b>	<b>-0.7</b>	<b>4.6</b>	<b>108.5</b>	<b>164.5</b>
Share-based payments	0.0	0.0	0.1	0.0	0.0	0.2	0.3
Share issue, exercise of options	0.0	0.5	0.0	0.0	0.0	0.0	0.5
Comprehensive income for the period	0.0	0.0	0.7	0.1	4.7	3.1	8.6
<b>Equity at 31.3.2013</b>	<b>6.2</b>	<b>11.1</b>	<b>36.2</b>	<b>-0.6</b>	<b>9.3</b>	<b>111.8</b>	<b>173.9</b>
<b>Equity at 1.1.2014</b>	<b>6.2</b>	<b>11.3</b>	<b>81.0</b>	<b>0.0</b>	<b>-12.3</b>	<b>108.2</b>	<b>194.4</b>
Share-based payments	0.0	0.0	0.0	0.0	0.0	0.3	0.3
Exercise of options	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Comprehensive income for the period	0.0	0.0	-0.3	0.0	0.9	0.9	1.5
<b>Equity 31.3.2014</b>	<b>6.2</b>	<b>11.3</b>	<b>80.8</b>	<b>0.0</b>	<b>-11.4</b>	<b>109.4</b>	<b>196.3</b>



<b>3. PROPERTY, PLANT AND EQUIPMENT (EUR 1,000)</b>	<b>3/14</b>	<b>3/13</b>
<b>Acquisition cost 1.1.</b>	<b>146,679</b>	<b>150,213</b>
+/- Currency translation differences	-626	4,663
+ Additions	5,991	3,056
- Disposals	-964	-917
+/- Reclassifications	-44	0
+/- Other changes	25	2,992
<b>Acquisition cost 31.3.</b>	<b>151,061</b>	<b>160,007</b>
<b>Accumulated depreciation 1.1.</b>	<b>70,652</b>	<b>55,906</b>
+/- Currency translation differences	-480	1,737
- Accumulated depreciation on disposals and reclassifications	-991	-865
+/- Other changes	0	3,172
+ Depreciation and impairment	4,975	7,278
<b>Depreciation 31.3.</b>	<b>74,156</b>	<b>67,228</b>
<b>Carrying amount 31.3.</b>	<b>76,905</b>	<b>92,778</b>
<b>4. INTANGIBLE ASSETS (EUR 1,000)</b>	<b>3/14</b>	<b>3/13</b>
<b>Acquisition cost 1.1.</b>	<b>106,508</b>	<b>108,306</b>
+/- Currency translation differences	1,045	1,124
+ Additions	543	258
+/- Reclassifications	84	0
+/- Other changes	0	91
<b>Acquisition cost 31.3.</b>	<b>108,180</b>	<b>109,779</b>
<b>Accumulated amortisation 1.1.</b>	<b>42,328</b>	<b>34,444</b>
+/- Currency translation differences	0	372
+ Amortisation	2,770	2,451
<b>Amortisation 31.3.</b>	<b>45,098</b>	<b>37,267</b>
<b>Carrying amount 31.3.</b>	<b>63,083</b>	<b>72,512</b>

**5. FAIR VALUES OF FINANCIAL INSTRUMENTS (EUR 1,000)**

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 March 2014

<b>As of March 31, 2014</b>	<b>Carrying amounts of balance sheet items</b>	<b>Fair values of balance sheet items</b>
<b>Non-current financial assets</b>		
Other non-current financial assets	7	7
Total non-current financial assets	7	7
<b>Current financial assets</b>		
Interest derivatives	1,126	1,126
Currency derivatives	222	222
Total current financial assets	1,348	1,348
<b>Total financial assets</b>	<b>1,355</b>	<b>1,355</b>
<b>Non-current financial liabilities</b>		
Non-current interest-bearing liabilities	100,446	100,000
Total non-current financial liabilities	100,446	100,000
<b>Current financial liabilities</b>		
Current interest-bearing liabilities	12	12
Copper derivatives	121	121
Total current financial liabilities	133	133
<b>Total financial liabilities</b>	<b>100,578</b>	<b>100,133</b>

The valuation of derivatives is based on market data (level 2 IFRS 7:27A). The valuation of available-for-sale shares (Other non-current financial assets, 7) is based on the acquisition cost (level 3, IFRS 7.27A) as the fair value of the shares cannot be determined reliably.

**6. CONTINGENT LIABILITIES AT END OF PERIOD  
(EUR 1,000)**

	<b>3/14</b>	<b>3/13</b>	<b>12/13</b>
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**Leasing liabilities**

**Liabilities for derivative instruments**

**Nominal values**

Interest derivatives	75,000	31,376	75,000
Currency derivatives	24,195	6,477	18,190
Copper derivatives	4,460	6,089	8,056
<b>Total</b>	<b>103,655</b>	<b>43,942</b>	<b>101,245</b>

**Fair values**

Interest derivatives	1,126	-797	223
Currency derivatives	222	136	-86
Copper derivatives	-121	-204	-19
<b>Total</b>	<b>1,227</b>	<b>-865</b>	<b>118</b>

Currency and copper derivatives are used in hedging currency and copper risks. PKC Group does not apply hedge accounting to currency and copper derivative instruments in accordance with IAS 39. Fair values of currency and copper derivatives are recognised through profit and loss. PKC Group applies hedge accounting to part of its interest rate swaps.

**7. QUARTERLY KEY INDICATORS,  
CONSOLIDATED**

	<b>10-12/12</b>	<b>1-3/13</b>	<b>4-6/13</b>	<b>7-9/13</b>	<b>10-12/13</b>	<b>1-3/14</b>
	<b>3 mon.</b>	<b>3 mon.</b>	<b>3 mon.</b>	<b>3 mon.</b>	<b>3 mon.</b>	<b>3 mon.</b>
Revenue, EUR million	214.0	225.2	235.1	211.6	212.1	203.8
Operating profit, EUR million	4.0	5.9	120.0	7.9	4.6	2.9
% of revenue	1.9	2.6	5.1	3.8	2.2	1.4
Profit before taxes, EUR million	0.7	4.7	9.4	5.5	1.9	1.4
% of revenue	0.3	2.1	4.0	2.6	0.9	0.7
Equity ratio, %	33.9	34.8	34.5	39.1	42.7	43.3
Earnings per share (EPS), diluted (EUR)	0.03	0.14	0.28	0.14	0.08	0.04
Equity per share, EUR	7.64	8.06	7.14	8.26	8.13	8.20
Net cash from operating activities, EUR million	15.2	3.5	4.8	8.4	23.0	-13.5
Cash flow after investments, EUR million	11.6	0.2	1.1	5.1	18.5	-18.4

**QUARTERLY KEY INDICATORS, WIRING SYSTEMS**

Revenue, EUR million	196.1	208.4	217.2	196.4	198.4	188.4
Operating profit, EUR million	5.2	6.5	12.9	8.5	6.6	3.8
% of revenue	2.6	3.1	6.0	4.3	3.3	2.0

**QUARTERLY KEY INDICATORS, ELECTRONICS**

Revenue, EUR million	17.8	16.7	17.9	15.3	13.7	15.4
Operating profit, EUR million	-0.2	1.1	1.8	0.9	0.3	0.9
% of revenue	-0.8	6.6	10.1	5.9	2.2	5.8

## **CALCULATION OF INDICATORS**

Return on equity (ROE), %  
 =  $100 \times \text{Profit for the report period} / \text{Total equity (average)}$

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

Net liabilities  
 = Interest bearing liabilities – cash and cash equivalents

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

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

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

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

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

Cash flow per share, EUR  
 =  $\text{Cash flows after investments} / \text{Average share issue-adjusted number of shares}$

Market capitalisation  
 =  $\text{Number of shares at the end of the report period} \times \text{the last trading price of the report period}$

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

EBITA  
 = Operating profit + non-recurring items + PPA depreciation and amortisation

Net working capital  
 = Inventories + current non-interest-bearing receivables – current non-interest-bearing liabilities

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

**PKC GROUP PLC**  
**Board of Directors**

**Matti Hyytiäinen**  
**President & CEO**

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**PRESS CONFERENCE**

A press conference on the interim report will be arranged for analysts and investors today, 8 May 2014, at 10.00 a.m., at the address Event Arena Bank, Unioninkatu 20, Helsinki.

**DISTRIBUTION**

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PKC Group is a global partner, designing, manufacturing and integrating electrical distribution systems, electronics and related architecture components for the commercial vehicle industry and other selected segments. The Group has production facilities in Brazil, China, Estonia, Finland, Germany, Mexico, Poland, Russia, Serbia and the USA. The Group's revenue in 2013 totalled EUR 884.0 million. PKC Group Plc is listed on NASDAQ OMX Helsinki Ltd.





MANAGING THE COMPLEXITY

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