PKC GROUP

ANNUAL REPORT 2014

PKC GROUP

> We have succeeded in our work with the help of competent and motivated personnel. I would like to thank our customers for good cooperation and shareholders for their trust in 2014.

MATTI HYYTIÄINEN • President & CEO

2014

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More information and PKC Group's Corporate Responsibility Report 2014 may be found on PKC's website: www.pkcgroup.com

Information for Shareholders

Annual General Meeting

The Annual General Meeting of PKC Group Plc. shall be held on 1 April 2015 at 1.00 p.m. 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 20 March 2015, (holders of nominee registered shares have to be entered on the temporary shareholders' register by 10 a.m. on 27 March 2015) and who notifies the company of his or her participation by 10 a.m. on 27 March 2015.

Notice of the Annual General Meeting has been published as a Stock Exchange Announcement on 5 March 2015 and on the company's website.

Dividend

The Board of Directors proposes that a dividend of EUR 0.70 per share be paid for the year 2014. The record date for dividends is 7 April 2015 and the payment date for dividends is 14 April 2015.

Financial reports for 2015

PKC Group Oyj will publish its interim reports for 2015 as follows:

- 1–3/2015 Thursday, May 6, 2015 at about 8.15 a.m.
- 1–6/2015 Thursday, August 6, 2015 at about 8.15 a.m.
- 1–9/2015 Thursday, October 29, 2015 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

PKC and Year 2014 in Brief

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

Wiring Systems

The Wiring Systems business designs, manufactures and integrates tailored electrical distribution systems, and related architecture components, wire and cable, particularly for trucks, light and recreational vehicles, as well as for agricultural, construction and forestry machinery.

Strengths

- PKC Uniqueness: PKC's unique expertise in managing complexity enables mass production of individually tailored, state-of-the art wiring harnesses, reliably and with short delivery times
- Long-term experience and solid customer relationships with the leading western manufacturers of trucks, tractors, construction equipment as well as light and recreational vehicles
- Global flexible service and production network close to the customer

Electronics

Electronics business develops innovative turn-key solutions for testing and power control and offers global EMS & ODM services for customers in telecommunication, energy and electronics industries. Electronics business' products are used for e.g. testing of electronic devices.

Strengths

- Comprehensive product portfolio for testing and power control
- Own, strong product concepts: Chameleon, Alva, Nactus and Caiman
- Turn-key solutions from design to manufacturing
- Innovative products with strong expertise in design for manufacturing and –assembly

2014 Highlights

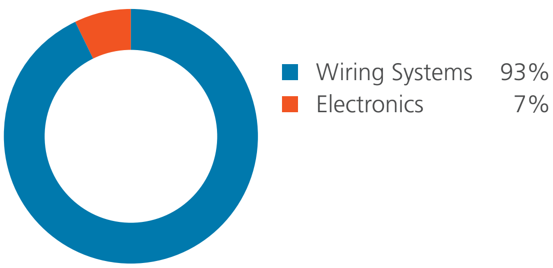
- PKC continued to ramp up new flexible and cost-efficient factories in Smederevo (Serbia) and Panevezys (Lithuania)
- PKC established a new wiring harness factory in Suzhou (China)
- PKC decided to close factories in Nogales (Mexico), Sosnowiec (Poland), Haapsalu (Estonia) and Itajuba (Brazil)
- PKC received a number of quality awards during the year, e.g. from Daimler, Paccar, Ford and Navistar in North America
- PKC continued to improve its processes by implementing best practices and by further developing New Product Introduction (NPI) function
- PKC signed a new revolving credit facility agreement and a domestic commercial paper program to further expand the funding base
- PKC continued to penetrate APAC and quotation activities were on a high level during the year including some new business awards
- PKC's comparable EBITDA was lower than the previous year due to lower utilization rates, reorganisations, program transfers and losses in Brazil

Group key figures

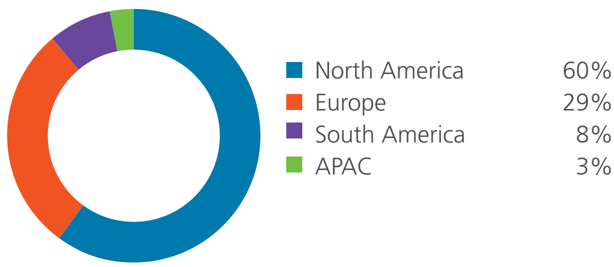
	2010	2011	2012	2013	2014
Revenue, EUR million	316.1	550.2	928.2	884.0	829.2
EBITDA before non-recurring items, EUR million	42.2	59.5	83.0	70.3	48.9
Operating profit (loss), EUR million	29.7	34.5	43.5	30.5	–6.7
Profit (loss) before taxes, EUR million	25.0	29.4	34.9	21.6	–10.5
Cash flows after investments, EUR million	14.9	–50.2	63.7	24.9	20.7
Return on investment (ROI), %	25.8	18.9	16.7	14.7	5.3
Gearing, %	–1.7	72.6	34.4	–1.1	–5.6
Earnings per share (EPS), EUR, diluted	1.09	1.16	1.12	0.62	–1.21
Dividend per share, EUR	0.55	0.60	0.70	0.70	0.70*

*) Board's proposal

Revenue by segment (%)



Revenue based on the geographical location of customers (%)



Report by the Board of Directors and Financial Statements

Content

Report by the Board of Directors

Review by the President & CEO

PKC's revenue was EUR 829.2 million. PKC's market position remained strong in all central product and geographical operating areas throughout the financial year. The number of trucks manufactured in Europe and Brazil fell short of the level of the previous year. Due to decreased production volumes, our revenue in Europe and Brazil fell. In North America, the production volumes of trucks exceeded the volumes of the previous year. Despite the positive truck market, PKC's revenue in North America remained at the level of the previous year, as revenue was decreased by some product programmes of light vehicles and components reaching the end of their lifecycle. The revenue for PKC's Electronics segment decreased in comparison to the previous year due to weakened demand in the EMS product area.

PKC's operating profit before non–recurring items was EUR 21.7 million. The operating profit was unsatisfactory as a result of significant losses sustained in Brazil. Furthermore, investment in implementing the strategy added the company's expenses in the financial year.

Cash flows from operations was at the level of previous financial year, totalling EUR 41.0 million. The company is free of net liabilities, with gearing at –5.6%.

I want to warmly thank all PKC employees for the fact that once again we have succeeded in serving our customers in an excellent fashion. Several recognitions we have received during the financial year are a token of this.

In 2015, we expect the market environment to be fluctuating. The production of trucks in North America is forecast to grow from the level of 2014. On the other hand, we forecast the production of trucks in Europe to remain at the level of the previous year at most and the production in Brazil to decrease from the level of previous year. The demand for the products of PKC's electronics segment is estimated to remain at the current level.

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 improve in North America during the fourth quarter. The growth of the European economy has been anemic and the inflation has continued to decrease. Events in Ukraine continued to maintain uncertainty in Europe. In Brazil, the economic growth has slowed down and the inflation has continued to increase. China's economic indicators have been slightly weaker recently.

PKC's product program life cycles are long, therefore PKC's market share variations in the short term are mainly explained by changes in customers' market share. During 2014, PKC's regional market shares in truck production fluctuated somewhat from quarter to quarter. The largest fluctuation occurred in

Key figures

EUR 1,000 (unless otherwise noted)	2014	2013	Change %
Revenue	829,219	883,986	–6.2
EBITDA before non-recurring items	48,865	70,341	–30.5
% of revenue	5.9	8.0	
EBITA before non-recurring items	29,833	52,461	–43.1
% of revenue	3.6	5.9	
Operating profit before non-recurring items	21,677	40,873	–47.0
% of revenue	2.6	4.6	
Non-recurring items	–28,362	–10,409	172.5
Operating profit (loss)	–6,685	30,463	–121.9
% of revenue	–0.8	3.4	
Profit (loss) before taxes	–10,528	21,562	–148.8
Net profit (loss) for the report period	–29,051	13,947	–308.3
Earnings per share (EPS), EUR	–1.21	0.63	–292.1
Cash flows after investments	20,699	24,941	–17.0
Return on investment (ROI), %	5.3	14.7	
Gearing, %	–5.6	–1.1	
Personnel in average	19,640	19,206	2.3

the market shares of the European heavy duty truck markets (38%–42%) and medium duty truck markets (20%–23%) and Brazilian heavy duty markets (30%–36%). In Brazilian medium duty truck market and North American truck market the market share development was relatively stable during 2014.

The weakening of PKC Group's functional currency euro against US dollar started on second quarter and continued during the fourth quarter. Brazilian real weakened significantly during the fourth quarter. US dollar strengthened against Mexican peso and was on a stronger level than in the comparison period. The Russian ruble depreciated substantially during the fourth quarter and has remained clearly weaker than in the comparison period. Majority of PKC's Russian manufacturing output is being exported. The price of key raw material, copper, decreased during the fourth quarter ending up on a lower level than year ago. On average the customer sales prices are updated with a 3–5 month delay on the basis of copper price changes.

Vehicle production, Europe, units

	10–12/ 2014	10–12/ 2013	Change %	7–9/ 2014	Change %	1–12/ 2014	1–12/ 2013	Change %
Heavy duty trucks	84,694	108,862	–22.2	74,848	13.2	314,419	341,770	–8.0
Medium duty trucks	18,632	24,970	–25.4	15,406	20.9	71,681	87,414	–18.0

Source: LMC Automotive Q4/2014

Transition to Euro 6 emission standard at the beginning of 2014 has kept the demand of trucks below the level of previous year especially in the fourth quarter where comparison figures include substantial pre-buy impact. The economic environment especially in the southern parts of Europe has suppressed truck demand.

Vehicle production, North America, units

	10–12/ 2014	10–12/ 2013	Change %	7–9/ 2014	Change %	1–12/ 2014	1–12/ 2013	Change %
Heavy duty trucks	77,821	60,463	28.7	79,734	–2.4	298,417	246,186	21.2
Medium duty trucks	56,181	51,420	9.3	58,299	–3.6	225,606	202,701	11.3
Light vehicles (Pick-UP & SUV)	2,133,807	2,090,024	2.1	2,220,468	–3.9	8,799,306	8,146,722	8.0

Source: LMC Automotive Q4/2014

The conditions have remained favourable for strong truck demand in North America. The transportation companies' profitability has remained good and readiness to buy has increased. The increased volumes are resulting from both replacement sales and expansion of the market due to strong economic growth in USA.

Vehicle production, Brazil, units

	10–12/ 2014	10–12/ 2013	Change %	7–9/ 2014	Change %	1–12/ 2014	1–12/ 2013	Change %
Heavy duty trucks	34,082	31,498	8.2	31,842	7.0	121,464	140,158	–13.3
Medium duty trucks	9,162	8,761	4.6	11,138	–21.3	39,963	46,115	–13.3

Source: LMC Automotive Q4/2014

In Brazil the current economic situation has had a negative impact on the demand for trucks. However, there has been seasonal volatility from one quarter to another. The reduction in terms of governmental incentives to support truck markets has had an adverse impact to demand.

Electronics business

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

Revenue and financial performance

Revenue in January-December amounted to EUR 829.2 million (EUR 884.0 million), down 6.2% from the previous financial year. The effect of exchange rate changes on consolidated revenue was about –1%. The revenue continued to be affected by some light vehicle build-outs in North America. Revenue was also impacted by a customer's decision to insource a bus wiring harness program in Europe. In addition European and South American truck market production volumes decreased from previous year which had an influence on revenue. In Europe the revenue has also been impacted by changes in the product portfolio whereby some programs have ended while new programs are ramping up, the net effect of which has decreased the revenue slightly.

During the financial year EUR –28.4 million (EUR –10.4 million) in non-recurring items were recognised. Non-recurring items include restructuring expenses related to development program in Europe and South America in the amount of EUR 20.2 million, restructuring expenses in North America related to light vehicle build-outs in the amount of EUR 6.0 million and expenses related to Group's strategic reorganization in the amount of EUR 1.9 million. Non-cash non-recurring items were EUR –11.3 million (EUR –3.7 million). EBITDA before non-recurring items was EUR 48.9 million (EUR 70.3 million) and 5.9% (8.0%) of revenue. Operating profit before non-recurring items and PPA depreciation and amortisation related to acquisitions totalled EUR 29.8 million (EUR 52.5 million), accounting for 3.6% of revenue (5.9%). Operating profit (loss) totalled EUR –6.7 million (EUR 30.5 million), accounting for –0.8% of revenue (3.4%). Operating profit was negatively impacted by lower utilization rates in Europe 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 33.5 million (EUR 32.9 million), including EUR 6.3 million in non-recurring items (EUR 3.4 million). PPA depreciation and amortisation amounted to EUR 8.2 million (EUR 11.6 million).

Financial items were EUR –3.8 million (EUR –8.9 million). Financial items include foreign exchange differences totalling EUR 0.1 million (EUR –2.2 million). Profit (loss) before taxes was EUR –10.5 million (EUR 21.6 million). Income tax of the financial year amounted to EUR 18.5 million (EUR 7.6 million). Tax reassessment decision from Finnish tax administration in relation to the Wiring Systems business restructuring carried out in 2009 was received in September 2014. The decision obliges PKC Group to pay EUR 8.3 million additional taxes, punitive tax increases and interests, which company recorded in the third quarter results. PKC Group has appealed the decision to the Board of Adjustment and has been granted a postponement of the payment of the taxes until end of September 2015. Net profit (loss) for the financial year totalled EUR –29.1 million (EUR 13.9 million). Earnings per share were EUR –1.21 (EUR 0.63).

Wiring Systems business

Revenue generated by the Wiring Systems business in the financial year amounted to EUR 771.4 million (EUR 820.3 million), or 6.0% less than in the previous financial year. The effect of exchange rate changes on consolidated revenue was about –1%. The revenue continued to be affected by some light vehicle build-outs in North America. Revenue was also impacted by a customer's decision to insource a bus wiring harness program in Europe. In addition European and South American truck market production volumes decreased from previous year which had an influence on revenue. In Europe the revenue has also been impacted by changes in the product portfolio whereby some programs have ended while new programs are ramping up, the net effect of which has decreased the revenue slightly. The segment's share of the consolidated revenue was 93.0% (92.8%).

During the financial year EUR –26.5 million (EUR –8.4 million) in non-recurring items were recognised and they include restructuring expenses related to development program in Europe and South America in the amount of EUR 20.2 million and restructuring expenses in North America related to light vehicle build-outs in the amount of EUR 6.0 million. Non-cash non-recurring items were EUR –11.3 million (EUR –3.5 million). EBITDA before non-recurring items was EUR 51.4 million (EUR 70.5 million) and 6.7% (8.6%) of revenue. Operating profit before non-recurring items was EUR 25.7 million (EUR 42.9 million), equivalent to 3.3% of the segment's revenue (5.2%). Operating profit was EUR –0.7 million (EUR 34.5 million), equivalent to –0.1% of the segment's revenue (4.2%). Operating profit was negatively impacted by lower utilization rates in Europe 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 9.1% to EUR 57.8 million (EUR 63.7 million). The revenue for PKC's Electronics segment decreased in comparison to the previous year due to weakened demand in the EMS product area. The segment's share of the consolidated revenue was 7.0% (7.2%). During the financial year no non-recurring items were recognised (EUR –0.2 million). EBITDA before non-recurring items was EUR 3.5 million (EUR 5.8 million) and 6.0% (9.2%) of revenue. Operating profit before non-recurring items was EUR 2.0 million (EUR 4.3 million), equivalent to 3.5% of the segment's revenue (6.7%). Operating profit was EUR 2.0 million (EUR 4.1 million), equivalent to 3.5% of the segment's revenue (6.5%). Due to lower and more volatile revenue the profitability was lower than in the previous year.

Financial position and cash flow

Consolidated total assets on 31 December 2014 amounted to EUR 456.3 million (EUR 455.6 million). At the close of the financial year, interest-bearing liabilities totalled EUR 101.4 million (EUR 100.4 million), which consisted of non-current interest-bearing debt.

PKC Group Plc signed on 30.10.2014 a new five year revolving credit facility agreement of EUR 90.0 million and a domestic commercial paper program of EUR 90.0 million. The new revolving credit facility replaced the previous revolving credit facility of EUR 30.0 million. The restructuring of financing was executed to ensure funding for investments, working capital and refinancing and to diversify the funding sources of PKC Group Plc.

The effective average interest rate of the interest-bearing debt including un-utilized credit facility was at the close of the financial year 4.4 % (3.8 %). The Group's equity ratio was 34.7% (42.7%) which was negatively influenced by large non-recurring items and additional taxes during 2014. Net interest-bearing liabilities totalled EUR –8.9 million (EUR –2.2 million) and gearing was –5.6% (–1.1%).

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 financial year nominal value of copper derivatives (forward contracts) was EUR 3.7 million (EUR 8.1 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 six months rate. The nominal value of these interest rate swaps was EUR 50.0 million (EUR 75.0 million) at the close of the financial year. At the end of financial year the nominal amount of currency forwards was EUR 63.0 million (EUR 18.2 million).

Inventories amounted to EUR 79.4 million (EUR 80.2 million). Current receivables totalled EUR 107.1 million (EUR 110.4 million). Net cash from operating activities was EUR 41.0 million (EUR 39.7 million) and cash flow after investments during the financial year was EUR 20.7 million (EUR 24.9 million). The core net working capital (inventories, trade receivables and trade payables) decreased significantly from end of previous quarter due to lower volumes around the year-end shutdown period. Net working capital at the end of December 2014 totalled EUR 26.2 million (EUR 63.5 million) representing a decrease of EUR 40.7 million during the quarter, while in the comparison period the decrease was EUR 37.3 million. Total net working capital was reduced by the recording of additional EUR 8.3 million tax liability in the third quarter and by liabilities related to non-recurring items in Europe, South America and North America which are to be paid during 2015. Cash and cash equivalents amounted to EUR 110.3 million (EUR 102.7 million).

Capital expenditure

During the financial year, the Group's gross capital expenditure totalled EUR 19.9 million (EUR 14.6 million), representing 2.4% of revenue (1.7%). Gross capital expenditure is geographically divided as follows: North America 40.7% (44.3%), Europe 40.4% (27.8%), South America 9.6% (22.7%) and APAC 9.2% (5.2%). The capital expenditure consisted mainly of production machinery and equipment during the financial year. Investments into Serbia, Lithuania and 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, amortisation and impairment losses amounted to EUR 33.5 million (EUR 32.9 million) in the financial year. Excluding PPA related depreciation and amortisation, and impairment losses it amounted to EUR 19.0 million (EUR 17.9 million).

Research & development

Research and development costs totalled EUR 8.2 million (EUR 8.5 million), representing 1.0% (1.0%) of the consolidated revenue. At the end of financial year 149 (156) 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 financial, the Group had an average payroll of 19,640 employees (19,206). At the end of the financial year, the Group's personnel totalled 19,437 employees (18,644), of whom 19,141 (18,338) worked abroad and 296 (306) in Finland. In addition the Group had at the end of the financial year 605 (613) temporary employees. In the financial year 97.0% of the personnel were employed by the wiring systems business segment and 2.9% by the electronics business segment. Geographically personnel was divided at the end of the financial year as follows: North America 58.4%, Europe 27.4%, South America 12.2% and Asia 2.1%. Total amount of financial year's employee benefit expenses was EUR 216.6 million (EUR 201.2 million) including EUR 12.2 million (EUR 5.3 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

Almost 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 systems factories in Panevezys (Lithuania) and Smederevo (Serbia) have not yet been certified according to ISO/TS16949 quality standard requirements. Electronics factory in Raahe (Finland) is also certified according to ISO13485 quality standard for medical equipment manufacturing. 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 systems factory in Panevezys (Lithuania) which has not yet been certified. Preparations to recertify Curitiba (Brazil) factory according to ISO14001 environmental standard is on-going. Preparation to certify wiring systems factory in Panevezys (Lithuania) according to ISO/TS16949 and ISO9001 quality standard and ISO14001 environmental standard and factory in Smederevo (Serbia) according to ISO/TS16949 quality standard are on-going. The ISO/TS16949 certification transfer to the wiring systems factory in Suzhou (China) has been completed in 2014. Certification process for ISO9001 and ISO14001 in Smederevo (Serbia) and for ISO14001 in the wiring systems factory in Suzhou (China) has been completed after the period and the locations are now certified.

Production units in Acuna (Mexico), Juarez (Mexico), Piedras Negras (Mexico), Torreon (Mexico), Keila (Estonia), Haapsalu (Estonia), Itajuba (Brazil), Raahe (Finland) and Suzhou Electronics (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, improving energy efficiency of production facilities 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 and 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 financial year the Group's Executive Board consisted of the following persons Matti Hyytiäinen, Chairman (President & CEO), Jyrki Keronen (Senior Vice President, Business Development & APAC), Jani Kiljala (President, Wiring Systems, Europe and South America), Sanna Raatikainen (General Counsel), Jarmo Rajala (President, Electronics), Frank Sovis (President, Wiring Systems, North America) and Juha Torniainen (CFO).

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 2014 was published on 10 March 2015.

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 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 established a wiring systems company in Lithuania.

On 7 August 2014 PKC Group Plc announced to start a development program as a continuation for the consolidation of the wiring systems business in Europe and South America. The development program is started due to the expected change in the business environment where consolidation of customers will result in change in purchasing behaviour that requires new production structure and model in Europe and South America. Program shall bring growth opportunities also through benefits of scale and redirecting resources.

Events after the financial year

PKC Group announced three new share-based incentive plans for the Group key personnel approved by the Board of Directors.

Short term risks and uncertainties

The demand for PKC´s products is dependent especially on the volatility of the global commercial vehicle industry as well as the development of PKC's customers' businesses.

Uncertainty related to emerging markets' economic development has increased. Especially in Brazil higher inflation as well as economic and political uncertainty has continued. The growth of the European economy has not accelerated and the inflation has continued to decrease.

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.

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 2015 the production of heavy-duty and medium-duty trucks in Europe is expected to remain on previous year's level at the most.

Production of heavy-duty trucks in North America is expected to increase by about 14%, production of medium-duty trucks to decline by about 3% and production of light vehicles to increase by about 1% compared to 2014.

In 2015 the production of heavy-duty and medium-duty trucks in Brazil is expected to be lower than previous year. The governmental incentive program to support the purchase of new trucks continues to be valid until further notice, although the terms have been weakened significantly. The weakened terms and both economic and political uncertainty in Brazil bear a considerable risk for Brazilian truck sales for 2015.

Electronics business

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

PKC Group's outlook for 2015

PKC Group estimates that with prevailing exchange rates 2015 revenue will be close to previous year level, and that comparable EBITDA will be higher than in 2014. In 2014, PKC's revenue was EUR 829.2 million and comparable EBITDA before non-recurring items was EUR 48.9 million. Revenue and EBITDA estimates are based on current business structure.

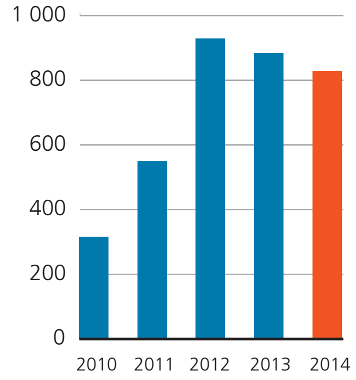
Disclaimer

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

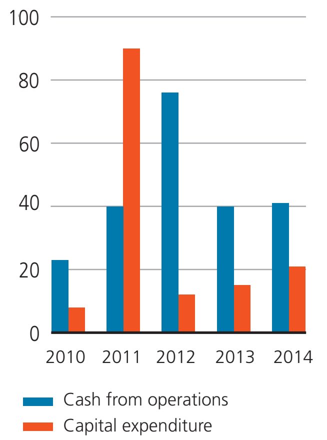
The Board of Directors' proposal for profit distribution

The parent company's distributable funds are EUR 112.7 million, of which EUR 43.6 million is distributable as dividends, including the net profit (loss) for the financial year EUR –9.9 million. The Board of Directors will propose to the Annual General Meeting to be held on 1 April 2015 that a dividend of EUR 0.70 per share be paid for a total of EUR 16.8 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 7 April 2015 and the payment date is 14 April 2015. In the view of the Board of Directors, the proposed dividend pay-out will not put the company's liquidity at risk.

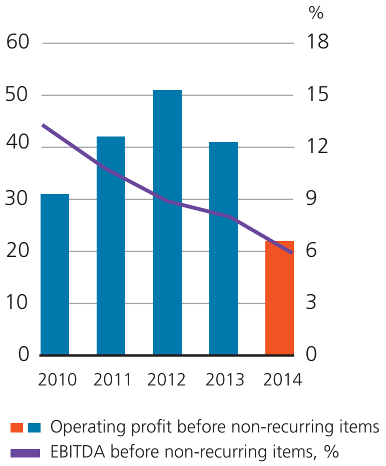
Revenue, EUR Million



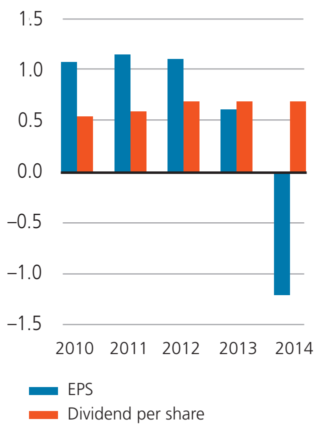
Cash from operations and capital expenditure, EUR Million



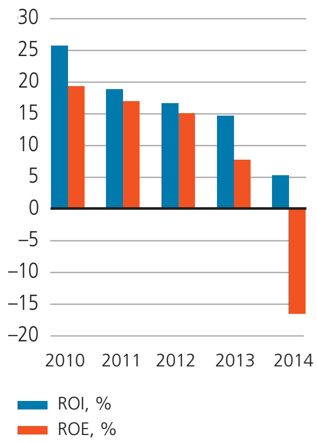
Comparable EBITDA, % and operating profit, EUR Million



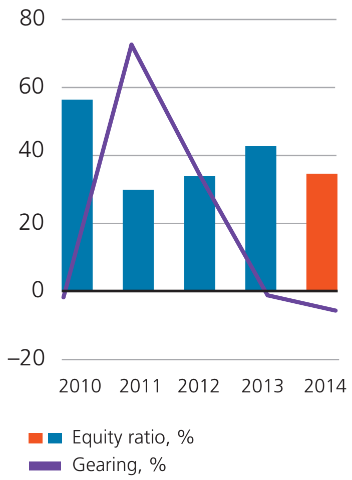
EPS and dividend per share, EUR



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



Gearing and Equity ratio, %



Group's Financial Key Indicators

EUR 1,000 (unless otherwise noted)	2010	2011	2012	2013	2014
Consolidated statement of comprehensive income					
Revenue	316,081	550,208	928,178	883,986	829,219
EBITDA before non-recurring items	42,184	59,498	82,954	70,341	48,865
EBITA before non-recurring items	33,786	40,010	65,358	52,461	29,833
Operating profit before non-recurring items	31,499	41,967	51,478	40,873	21,677
Non-recurring items	–1,810	–7,461	–8,027	–10,409	–28,362
Operating profit (loss)	29,689	34,505	43,451	30,463	–6,685
Profit (loss) before taxes	25,028	29,414	34,946	21,562	–10,528
Net profit (loss) for the report period	19,683	23,445	23,999	13,947	–29,051
Statement of financial position					
Assets					
Non-current assets	65,923	221,371	204,499	162,376	159,483
Current assets	153,034	287,426	280,560	293,257	296,799
Total assets	**218,957**	**508,798**	**485,059**	**455,634**	**456,282**
Equity and liabilities					
Equity	123,776	152,482	164,530	194,425	158,085
Non-current liabilities	31,376	205,608	130,709	133,478	137,918
Current liabilities	63,804	150,708	189,820	127,730	160,279
Total equity and liabilities	**218,957**	**508,798**	**485,059**	**455,634**	**456,282**
Key indicators					
Revenue	316,081	550,208	928,178	883,986	829,219
Change in revenue, %	56.6	74.1	68.7	–4.8	–6.2
EBITDA before non-recurring items	42,184	59,498	82,954	70,341	48,865
% of revenue	13.3	10.8	8.9	8.0	5.9
Operating profit (loss)	29,689	34,505	43,451	30,463	–6,685
% of revenue	9.4	6.3	4.7	3.4	–0.8
Profit (loss) before taxes	25,028	29,414	34,946	21,562	–10,528
Net profit (loss) for the report period	19,636	23,445	23,999	13,947	–29,051
% of revenue	6.2	4.3	2.6	1.6	–3.5
Return on equity (ROE), %	19.4	17.0	15.1	7.8	–16.5
Return on investment (ROI), %	25.8	18.9	16.7	14.7	5.3
Net working capital	61,062	100,668	72,709	63,540	26,199
Gearing, %	–1.7	72.6	34.4	–1.1	–5.6
Equity ratio, %	56.5	30.0	33.9	42.7	34.7
Quick ratio	1.5	1.2	1.0	1.7	1.4
Current ratio	2.4	1.9	1.5	2.3	1.9
Net cash from operating activities	22,935	39,990	75,988	39,714	41,038
Cash flows after investments	14,875	–50,223	63,673	24,941	20,699
Gross capital expenditure	8,575	101,532	16,023	14,620	19,908
% of revenue	2.7	18.5	1.7	1.7	2.4
R&D expenses	5,692	6,922	7,992	8,503	8,164
% of revenue	1.8	1.3	0.9	1.0	1.0
Personnel in average	5,278	10,793	20,590	19,206	19,640

Group's Financial Key Indicators

EUR (unless otherwise noted)	2010	2011	2012	2013	2014
Key indicators for shares					
Earnings per share (EPS), based	1.09	1.18	1.13	0.63	–1.21
Earnings per share (EPS), diluted	1.09	1.16	1.12	0.62	–1.21
Shareholders´equity per share	6.33	7.66	7.64	8.13	6.59
Cash flow per share	0.82	–2.50	2.97	1.11	0.86
Dividend per share [1]	0.55	0.60	0.70	0.70	0.70
Dividend per earnings, % [1]	50.5	50.7	62.1	111.8	–57.7
Effective dividend yield, % [1]	3.6	5.2	4.5	2.9	4.0
Price/earnings ratio (P/E)	14.1	9.7	13.7	38.6	–14.5
Share price at the end of the year	15.40	11.48	15.49	24.19	17.58
Lowest share price during the year	6.55	8.60	10.65	15.00	13.13
Highest share price during the year	15.58	18.36	18.30	25.31	26.33
Average share issue-adjusted number of shares [2]	17,990	19,816	21,296	22,280	23,953
Share issue-adjusted number of shares at the end of the financial year [2]	19,552	19,906	21,524	23,906	23,971
Unlisted shares at the end of period [2]	0	1,250	0	0	0
Market capitalisation, EUR 1,000	301,100	228,519	333,414	576,103	421,401
Dividend [1], EUR 1,000	10,890	12,814	15,122	16,760	16,783

[1] The figures of 2014 are based on the Board of Directors´proposal

[2] Number of shares in thousands

Calculation of Key Indicators

Return on equity (ROE), %	100 x	$\frac{\text{Net profit (loss) for the financial year}}{\text{Total equity (average)}}$
Return on investments (ROI), %	100 x	$\frac{\text{Profit (loss) before taxes + financial expenses}}{\text{Total equity + interest-bearing financial liabilities (average)}}$
Net liabilities		Interest-bearing financial liabilities – cash and cash equivalents
Gearing, %	100 x	$\frac{\text{Interest-bearing financial liabilities – cash and cash equivalents}}{\text{Total equity}}$
Equity ratio, %	100 x	$\frac{\text{Total equity}}{\text{Total of the statement of financial position – advance payments received}}$
Net working capital		Inventories + current non-interest-bearing receivables – current non-interest-bearing liabilities
Quick ratio		$\frac{\text{Total current assets - inventories}}{\text{Total current liabilities – advance payments received}}$
Current ratio		$\frac{\text{Total current assets}}{\text{Total current liabilities}}$
Earnings per share (EPS), EUR		$\frac{\text{Net profit (loss) for the financial year attributable to equity holders of the parent company}}{\text{Average share issue-adjusted number of shares}}$
Equity per share, EUR		$\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Share issue-adjusted number of shares at the closing date}}$
Cash flow per share, EUR		$\frac{\text{Cash flows after investments}}{\text{Average share-issue-adjusted number of shares}}$
Dividend per share, EUR		$\frac{\text{Dividend paid for financial year}}{\text{Share issue-adjusted number of shares at the closing date}}$
Dividend per earnings, %	100 x	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Effective dividend yield, %	100 x	$\frac{\text{Share issue-adjusted dividend per share}}{\text{Share issue-adjusted share price at the closing date}}$
Price per earnings, (P/E)		$\frac{\text{Share issue-adjusted share price at the closing date}}{\text{Earnings per share}}$
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
EBITA		Operating profit + non-recurring items + PPA (purchase price allocation) depreciation and amortisation

Shares and Shareholders

Trading of shares on Nasdaq Helsinki

	2014	2013
Turnover in shares	12,100,818	8,962,859
Share turnover, EUR million	238.4	184.3
Turnover in shares per average number of shares, %	50.5	40.2

PKC's shares are also traded on alternative exchanges (such as Chi-X, BATS and Turquoise). The total trading volume on these particular alternative exchanges was 1,232,226 shares (570,904 shares) during the financial year.

Shares and market value

	31.12.2014	31.12.2013
Number of shares	23,970,504	23,905,887
Lowest share price during the financial year, EUR	13.13	15.00
Highest share price during the financial year, EUR	26.33	25.31
Share price at close of financial year, EUR	17.58	24.19
Average share price of the financial year, EUR	19.69	20.47
Market capitalisation, EUR million	421.4	576.1

The shares held by Executive Board members, Board members, their closely associated persons and corporations in which they have a controlling interest accounted for 0.1% (0.2%) of the total number of shares at the end of the financial year. PKC Group Plc had a total of 8,811 shareholders (8,413) at the end of financial year. The shares held by foreigners and through nominee registrations at the close of the financial year totalled 30.5% of the share capital (36.5%).

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

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.

On 16 December 2014 the share of votes and share capital in PKC Group Plc held by Nordea Funds Oy (1737785–9) exceeded the limit of 5%. Following the transaction Nordea Funds Oy owned 1,212,010 PKC Group Plc shares and votes, i.e. 5.06% of the share capital and votes.

On 12 January 2015 the share of votes and share capital in PKC Group Plc held by Nordea Funds Oy (1737785–9) fell below the limit of 5%. Following the transaction Nordea Funds Oy owned 1,183,325 PKC Group Plc shares and votes, i.e. 4.94% of the share capital and votes.

Changes in PKC Group Plc's number of shares

Registrations of new shares corresponding to subscriptions	2009A[1]	2009B[1) 2)]	2009C[1]	Number of shares after the subscription
21.2.2014	11,850	7,500	0	23,925,237
2.4.2014	14,400	3,450	0	23,943,087
16.5.2014	9,950	7,467	9,500	23,970,004
7.10.2014	0	0	500	23,970,504
Total	**36,200**	**18,417**	**10,000**	

1) Cash payments received from share subscriptions based on the 2009 stock options, net of transaction costs, are recorded in the invested non-restricted equity fund according to the terms of the stock option.
2) After the financial year a total of 5,000 PKC Group Plc's shares have been subscribed for with 2009B options. New shares corresponding to subscriptions have been entered into the Trade Register on 29 January 2015. After the increase the Company's registered share capital is divided into 23,975,504 shares.

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 issues. 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

PKC´s long-term remuneration consists of stock option schemes approved by the annual general meeting. PKC has currently two stock option schemes: year 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.

2009 options

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

	2009A	2009B[1]	2009C
Subscription period	ended	1.4.2013– 30.4.2015	1.4.2014– 30.4.2016
Current subscription price, EUR	-	10.71	16.58
Total amount of options	200,000	200,000	200,000
Held by PKC or non-allocated	-	19,478	57,500
Exercised	195,500	129,832	10,000
Expired	4,500	-	-
Outstanding	-	50,690	132,500
Invested non-restricted equity fund can increase by, EUR	-	751,499	3,150,200

1) After the registration made on January 2015, 134,832 2009B warrants are exercised. 45,690 2009B warrants are outstanding. Invested non-restricted equity fund can further increase by EUR 697,949 as a result of the exercise of 2009B warrants.

2012 options

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

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

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

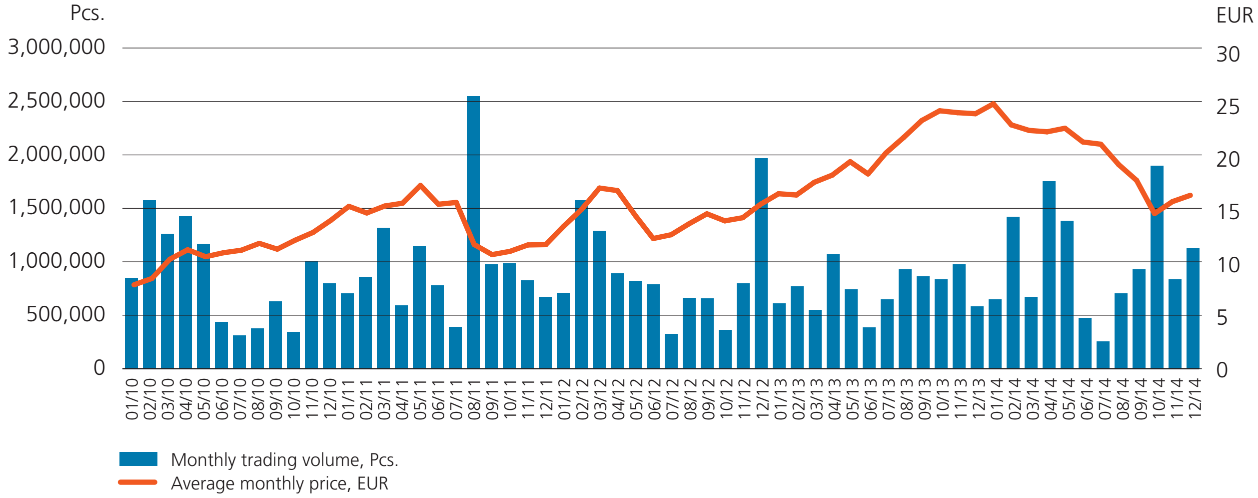
- The share subscription period with 2012 A (ii) options begins only if the financial performance and EBITDA of PKC Group for financial years 2012–2014 is, based on the total consideration of the Board of Directors, comparable to PKC Group´s key competitors that have published their results. The total consideration shall also take into account the development of PKC Group´s market share.
- The share subscription period with 2012 B (ii) options begins only if EBITDA for years 2013–2015 is cumulatively at least EUR 180 million. The effect of M&As and other restructurings as well as exceptional changes in macro-economy shall be taken into account in the calculation.
- The share subscription period with 2012 C (ii) options begins only if EBITDA for years 2014–2016 is cumulatively at least EUR 180 million. The effect of M&As and other restructurings as well as exceptional changes in macro-economy shall be taken into account in the calculation.
- 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 (ii) options shall be allocated to option holders conditionally so that the options shall be distributed and entered into option holders´ book-entry accounts only after the Board of Directors has decided on the start of the share subscription period and to the extent decided by the Board of Directors.

	2012A(i)	2012A(ii)	2012B(i)	2012B(ii)	2012C(i)	2012C(ii)
Subscription period	1.4.2015–30.4.2017	1.4.2015–30.4.2017	1.4.2016–30.4.2018	1.4.2016–30.4.2018	1.4.2017–30.4.2019	1.4.2017–30.4.2019
Current subscription price, EUR	15.31	15.31	16.65	16.65	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	5,000	5,000	5,000	5,000	20,500	20,500
Outstanding	165,000	165,000	165,000	165,000	149,500	149,500
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

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 price and monthly trading volume 4.1.2010–30.12.2014



Major shareholders 31.12.2014

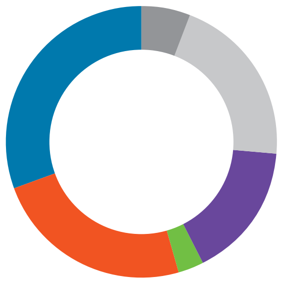
		Pcs.	% of shares and votes
1.	Ilmarinen Mutual Pension Insurance Company	2,931,165	12.2
2.	AS Harju Elekter	1,094,641	4.6
3.	Varma Mutual Pension Insurance Company	574,083	2.4
4.	OP-Focus Non-UCITS Fund	523,081	2.2
5.	Nordea Pro Finland Fund	500,000	2.1
6.	OP-Delta Fund	454,502	1.9
7.	Odin Finland	438,856	1.8
8.	Fondita Nordic Micro Cap	400,000	1.7
9.	OP-Finland Small Firms Fund	371,514	1.5
10.	Nordea Nordic Small Cap Fund	315,095	1.3
10 major holders total		**7,602,937**	**31.7**
Nominee registered			
Skandinaviska Enskilda Banken AB		2,914,287	12.2
Nordea Bank Finland Plc		2,150,345	9.0
Other nominee registered		602,981	2.5
Others		12,850,299	53.6
Total		**23,970,504**	**100.0**

Shares and options held by Board of Directors and Executive Board 31.12.2014

	Number of shares, Pcs.	Shares and votes, %	Ownership of related parties and controlled corporations, Pcs.	Options, Pcs.	Shares and votes incl. options, %
Board of Directors					
Buhl Reinhard	0	0.0	0	0	0.0
Diez Wolfgang	0	0.0	0	0	0.0
Levy Shemaya	0	0.0	0	0	0.0
Liu Mingming	0	0.0	0	0	0.0
Remenar Robert	0	0.0	0	0	0.0
Ruotsala Matti	0	0.0	0	0	0.0
Tähtinen Jyrki	0	0.0	10,892	0	0.0
Executive Board					
Hyytiäinen Matti	5,000	0.0	0	150,000	0.6
Keronen Jyrki	0	0.0	0	38,000	0.2
Kiljala Jani	4,910	0.0	0	51,133	0.2
Raatikainen Sanna	5,097	0.0	0	47,500	0.2
Rajala Jarmo	6,500	0.0	0	71,500	0.3
Sovis Frank	0	0.0	0	45,000	0.2
Torniainen Juha	2,000	0.0	0	45,000	0.2

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

Distribution of share ownership by owner categories on 31.12.2014



Distribution of share ownership by size of shareholding on 31.12.2014

	Shareholders		Shares		Votes	
Shares	**Pcs.**	**%**	**Pcs.**	**%**	**Pcs.**	**%**
1 – 100	2,159	24.5	134,580	0.6	134,580	0.6
101 – 500	4,125	46.8	1,133,279	4.7	1,133,279	4.7
501 – 1 000	1,331	15.1	1,001,521	4.2	1,001,521	4.2
1 001 – 5 000	968	11.0	2,089,885	8.7	2,089,885	8.7
5 001 – 10 000	115	1.3	831,867	3.5	831,867	3.5
10 001 – 50 000	70	0.8	1,515,830	6.3	1,515,830	6.3
50 001 – 100 000	17	0.2	1,309,822	5.5	1,309,822	5.5
100 001 – 500 000	19	0.2	5,214,576	21.8	5,214,576	21.8
500 001 –	7	0.1	10,739,144	44.8	10,739,144	44.8
Total,	**8,811**	**100.0**	**23,970,504**	**100.0**	**23,970,504**	**100.0**
of which nominee registered	11		5,667,613	23.6	5,667,613	23.6

Consolidated Statement of Comprehensive Income

EUR 1,000	Note	1.1.–31.12.2014	1.1.–31.12.2013
Revenue	1.1	**829,219**	**883,986**
Production for own use		53	315
Other operating income	1.2	4,311	1,982
Increase/decrease in inventories of finished goods and work in progress		1,211	–3,235
Materials and services	1.3	–504,680	–533,004
Employee benefit expenses	1.4, 4.1	–216,596	–201,170
Depreciation, amortisation and impairment	2.1, 2.3	–33,476	–32,860
Other operating expenses	1.5	–86,727	–85,551
Operating profit (loss)		**–6,685**	**30,463**
Items affecting comparability	1.1	–28,362	–10,409
Comparable operating profit		**21,677**	**40,873**
Interest and other financial income and expenses	3.3	–3,944	–6,670
Foreign currency exchange differences	3.3	101	–2,231
Profit (loss) before taxes		**–10,528**	**21,562**
Income taxes	1.6	–18,523	–7,615
Net profit (loss) for the report period		**–29,051**	**13,947**
Other comprehensive income			
Items, that may be reclassified subsequently to profit or loss			
Foreign currency translation differences -foreign operations		8,452	–16,905
Interest derivatives		0	970
Cash flow hedges		–1,443	0
Taxes related to interest derivatives	1.6	0	–238
Taxes related to cash flow hedges	1.6	529	0
Other comprehensive income for the financial year after taxes		**7,538**	**–16,173**
Total comprehensive income for the financial year		**–21,514**	**–2,226**
Attributable to equity holders of the parent company			
Basic earnings per share (EPS), EUR	1.7	–1.21	0.63
Diluted earnings per share (EPS), EUR	1.7	–1.21	0.62

Consolidated Statement of Financial Position

EUR 1,000	Note	31.12.2014	31.12.2013
Assets			
Non-current assets	1.1		
Goodwill	2.1, 2.2	30,348	29,486
Intangible assets	2.1	36,035	34,694
Property, plant and equipment	2.3	68,539	76,026
Available-for-sale financial assets	2.4	720	56
Receivables	2.5	6,541	5,671
Deferred tax assets	1.6	17,300	16,443
Total non-current assets		**159,483**	**162,376**
Current assets			
Inventories	2.6	79,390	80,237
Trade receivables and other receivables	2.7	107,085	110,354
Current tax assets		3	2
Cash and cash equivalents		110,321	102,665
Total current assets		**296,799**	**293,257**
Total assets		**456,282**	**455,634**
Equity and liabilities			
Equity			
Share capital	3.5	6,218	6,218
Share premium account	3.5	11,282	11,282
Invested non-restricted equity fund	3.5	81,256	81,033
Other reserves		–914	0
Share-based payments		5,369	3,857
Translation difference		–3,673	–12,323
Retained earnings		58,547	104,358
Total equity		**158,085**	**194,425**
Non-current liabilities			
Interest-bearing financial liabilities	3.2	101,446	99,763
Provisions	2.9	1,619	1,064
Other liabilities	2.5	9,260	8,722
Deferred tax liabilities	1.6	25,593	23,929
Total non-current liabilities		**137,918**	**133,478**
Current liabilities			
Interest-bearing financial liabilities	3.2	0	677
Trade payables and other non-interest bearing liabilities	2.8	160,264	126,904
Current tax liabilities		15	149
Total current liabilities		**160,279**	**127,730**
Total liabilities		**298,197**	**261,208**
Total equity and liabilities		**456,282**	**455,634**

Consolidated Statement of Cash Flows

EUR 1,000	Note	1.1.–31.12.2014	1.1.–31.12.2013
Cash flows from operating activities			
Cash receipts from customers		836,731	876,460
Cash receipts from other operating income		3,647	785
Cash paid to suppliers and employees		–794,399	–819,256
Cash flows from operations before financial income and expenses and taxes		**45,979**	**57,989**
Interest paid and other financial expenses		–8,227	–5,851
Effect of exhange rate changes		7,909	680
Interest received		3,846	153
Income taxes paid		–8,468	–13,258
Net cash from operating activities (A)		**41,038**	**39,714**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		–19,772	–15,103
Proceeds from sale of property, plant and equipment and intangible assets		42	329
Acquisitions of available-for-sale assets		–610	0
Net cash used in investing activities (B)		**–20,340**	**–14,773**
Cash flows from financial activities			
Share issue and exercise of options	3.5	422	46,342
Proceeds from non-currrent borrowings		0	99,531
Repayment of current/non-current borrowings		–660	–138,645
Dividends paid	3.5	–16,760	–15,122
Net cash used in financial activities (C)		**–16,998**	**–7,893**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)		**3,700**	**17,047**
Cash and cash equivalents at 1 January		**102,665**	**87,222**
Effect of exhange rate changes		**3,956**	**–1,604**
Cash and cash equivalents at 31 December		**110,321**	**102,665**

Consolidated Statement of Changes in Equity

EUR 1,000	Note	Share capital	Share premium account	Invested non-restricted equity fund	Other reserves	Translation difference	Retained earnings	Equity attributable to shareholders of the parent company
Equity at 1.1.2013		**6,191**	**10,606**	**35,376**	**–732**	**4,582**	**108,508**	**164,531**
Comprehensive income								
Net profit for the report period		0	0	0	0	0	13,947	13,947
Interest derivatives		0	0	0	732	0	0	732
Foreign currency translation differences -foreign operations	3.5	0	0	0	0	–16,905	0	–16,905
Total other comprehensive income		**0**	**0**	**0**	**732**	**–16,905**	**0**	**–16,173**
Total comprehensive income for the financial year		**0**	**0**	**0**	**732**	**–16,905**	**13,947**	**–2,226**
Transactions with shareholders								
Dividends	3.5	0	0	0	0	0	–15,122	–15,122
Share-based payments	1.4	0	0	0	0	0	882	882
Exercise of options	3.5	27	676	1,384	0	0	0	2,087
Directed share issue	3.5	0	0	44,273	0	0	0	44,273
Total transactions with shareholders		**27**	**676**	**45,657**	**0**	**0**	**–14,240**	**32,120**
Total equity at 31.12.2013		**6,218**	**11,282**	**81,033**	**0**	**–12,323**	**108,215**	**194,425**

EUR 1,000	Note	Share capital	Share premium account	Invested non-restricted equity fund	Other reserves	Translation difference	Retained earnings	Equity attributable to shareholders of the parent company
Equity at 1.1.2014		**6,218**	**11,282**	**81,033**	**0**	**–12,323**	**108,215**	**194,425**
Comprehensive income								
Net profit for the report period		0	0	0	0	0	–29,051	–29,051
Cash flow hedges		0	0	0	–914	0	0	–914
Foreign currency translation differences -foreign operations	3.5	0	0	–199	0	8,650	0	8,452
Total other comprehensive income		**0**	**0**	**–199**	**–914**	**8,650**	**0**	**7,538**
Total comprehensive income for the financial year		**0**	**0**	**–199**	**–914**	**8,650**	**–29,051**	**–21,514**
Transactions with shareholders								
Dividends	3.5	0	0	0	0	0	–16,760	–16,760
Share-based payments	1.4	0	0	0	0	0	1,512	1,512
Exercise of options	3.5	0	0	422	0	0	0	422
Total transactions with shareholders		**0**	**0**	**422**	**0**	**0**	**–15,248**	**–14,827**
Total equity at 31.12.2014		**6,218**	**11,282**	**81,256**	**–914**	**–3,673**	**63,916**	**158,085**

Basis of Preparation and Accounting Policies

Group information

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

PKC Group is a global partner, designing, manufacturing and integrating electrical distribution systems, electronics and related architecture components for the commercial vehicle industry and other selected segments. The revenue of the financial year 2014 totalled EUR 829.2 million and the average amount of personnel was 19,640. The Group operates in four different continents.

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

On 11 February 2015, the company's Board of Directors approved the consolidated financial statements. Under the Finnish Limited Liability Companies Act, the annual general meeting has the right to approve, reject or take the decision to amend the financial statements following their publication.

Basis of preparation

The consolidated financial statements of PKC Group Plc are prepared in accordance with the International Financial Reporting Standards (IFRS) in force at December 31, 2014 as adopted by the European Union. The notes to the consolidated financial statements have also been prepared according to Finnish accounting and company legislation supplementing the IFRS standards.

The consolidated financial statements have been prepared on a historical cost basis unless otherwise indicated.

The functional and presentation currency of the parent company, PKC Group Plc, is euro, which is also the presentation currency of the consolidated financial statements. All figures have been rounded, so the total number of individual figures can deviate from the presented sum figure. The key indicators are calculated using exact figures.

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

✪ Accounting policies for the consolidated financial statements

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

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

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

Use of estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent assets and liabilities and the recognition of income and expenses in profit or loss. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

The most important items, which require management estimates and assumptions and which may include uncertainty, are impairment testing of goodwill, deferred tax assets of unused tax losses and net realisable value of inventories. Detailed descriptions of decisions based on management's judgement and management's use of estimates are presented later at each item of the financial statements.

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

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

Basis of consolidation

The consolidated financial statements include the parent company and all of its subsidiaries. At the closing date 31 December 2014 Group comprised 33 companies, the parent company included. The Group had no holdings in any associates or joint ventures in the reporting period or in the comparison period.

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

Subsidiaries

Subsidiaries are companies in which the parent company has control. PKC is considered to control an entity when PKC is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In practice and usually a company is controlled by the parent company if the parent company holds over 50% of voting rights directly or through subsidiaries of the company.

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

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

▶ The list of PKC Group's subsidiaries at 31 December 2014 is presented in note 4.2 Group Structure.

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

Any contingent consideration is classified as either liability or equity. A contingent consideration classified as liability is remeasured at fair value at the end of each reporting period and the subsequent changes to fair value are recognised in profit or loss. A contingent consideration classified as equity is not remeasured subsequently. The consideration transferred does not include any transactions accounted for separately from the acquisition, which are accounted for in profit or loss in conjunction with the acquisition.

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

Foreign currency transactions

Subsidiaries included in the Group report in their financial statements their transactions using the currency of the economic operating environment in which the entity primarily operates (functional currency).

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

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

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

		Average rate*)		Closing rate	
Country	**Currency**	**2014**	**2013**	**2014**	**2013**
Brazil	BRL	3.1228	2.8668	3.2207	3.2576
Canada	CAD	1.4669	1.3685	1.4063	1.4671
China	CNY	8.1882	8.1655	7.5358	8.3491
China, HongKong	HKD	10.3052	10.3018	9.4170	10.6933
Lithuania	LTL	3.4528	-	3.4528	-
Mexico	MXN	17.6621	16.9644	17.8679	18.0731
Poland	PLN	4.1845	4.1971	4.2732	4.1543
Serbia	RSD	117.1035	114.3674	120.3597	114.5894
Ukraine	UAH	-	10.8247	-	11.3500
Russia	RUR	51.0113	42.3248	72.3370	45.3246
USA	USD	1.3288	1.3281	1.2141	1.3791

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

Translation of financial statements of foreign subsidiaries

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

New and amended standards applied in the financial year ended

The Group has applied since 1 January 2014 the following new standards or their amendments issued by IASB. Group has adopted each standard and interpretation as of its effective date or, if the effective date is other than the first day of the financial period, as of the beginning of the financial period following the effective date.

IFRS 10 Consolidated financial statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard had no significant impact on the consolidated financial statements.

IFRS 11 Joint arrangements

In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In the future, jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. Because the Group had no joint arrangements during the financial year the new standard had no impact on the consolidated financial statements.

IFRS 12 Disclosures of interests in other entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard expanded the notes the Group provides for its interests in other entities. Amendment has not had an impact on the notes to the consolidated financial statements.

IAS 27 Separate financial statements
The revised standard includes the provisions on separate IFRS financial statements that were left after the control provisions were included in the new IFRS 10. The revised standard had no impact on the consolidated financial statements.

IAS 28 Investments in associates and joint ventures
Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. PKC Group has no associates or joint ventures and the amendment had no impact on the consolidated financial statements.

IAS 32 Financial instruments: presentation
The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments had no significant impact on consolidated financial statements.

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

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

The following published new and amended standards and interpretations are not yet effective as at 31 December 2014 and PKC has not applied them in preparation of these consolidated financial statements. The Group will adopt them as of the effective date of each of the standards, or if the effective date is not the first day of the financial year, as of the beginning of the next financial year following the effective date.

* = not yet endorsed for use by the European Union as of 31 December 2014.

Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions*
(effective for financial years beginning on or after 1 July 2014)
The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. Because there are no material defined benefit post-employment arrangement in Group companies, the amendment will have no impact on the consolidated financial statements.

Annual Improvements to IFRSs (2011–2013 cycle and 2010–2012 cycle*, December 2013)
(effective for financial years beginning on or after 1 July 2014)
The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total four (2011–2013 cycle) and seven (2010–2012 cycle) standards. Their impacts vary standard by standard but are not significant.

Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative*
(effective for financial years beginning on or after 1 January 2016)
The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation will have no significant impact on the consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
(effective for financial years beginning on or after 1 January 2016)
The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no impact on the consolidated financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
(effective for financial years beginning on or after 1 January 2016)
The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. PKC Group has no associates or joint ventures and the amendments will have no impact on the consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*

(effective for financial years beginning on or after 1 January 2016)

The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied.

Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements*

(effective for financial years beginning on or after 1 January 2016)

The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will not have an impact on the consolidated financial statements.

Annual Improvements to IFRSs, (2012–2014 cycle)*

(effective for financial years beginning on or after 1 January 2016)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to four standards. Their impacts vary standard by standard but are not significant.

New IFRS 15 Revenue from Contracts with Customers*

(effective for financial years beginning on or after 1 January 2017)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.

New IFRS 9 Financial Instruments*

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

IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9.

1. Items Related to the Profit for the Period

1.1 Operating Segments

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

Wiring Systems

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

Electronics

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

✪ Accounting policy of segment information

PKC Group's segment information is consistent with Group's internal reporting and IFRS standards. The Group's reportable segments are consistent with the operating segments.

Transfer prices between operating segments are based on market prices. Segment assets and liabilities include only those assets and liabilities that can be directly allocated to the respective segments.

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

Information about geographical areas

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

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

✪ Revenue recognition policies

Revenue from the sale of goods is recognised when the significant risks, rewards and actual control usually associated with ownership of the goods have been transferred to the buyer. Usually revenue is recognised as income when products are delivered in accordance with the terms of sale. Revenue from services is recognised during the period when the service is rendered and the economic benefit of the transaction is probable. The share of PKC Group's revenue from services is not significant. PKC Group has no long-term projects, for which the percentage-of-completion method is used.

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

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. According to the definition used by PKC Group, operating profit is the net amount formed when other operating income is added to the net sales, and the following items are then subtracted from the total: materials and services adjusted for the change in inventories of finished goods and work in progress; the employee benefit expenses; depreciation, amortisation and impairment losses; and other operating expenses. Any other items in profit or loss are shown under operating profit.

✪ Non-recurring items

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

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

During the financial year EUR –28.4 million (EUR –10.4 million) in non-recurring items were recognised. Non-recurring items include restructuring expenses related to development program in Europe and South America in the amount of EUR 20.2 million, restructuring expenses in North America related to light vehicle build-outs in the amount of EUR 6.0 million and expenses related to Group's strategic reorganization in the amount of EUR 1.9 million. Non-cash non-recurring items were EUR –11.3 million (EUR –3.7 million).

Operating segments 2014

EUR 1,000	Wiring Systems	Electronics	Reportable segments	Unallocated amounts and eliminations	Total Group
Segment revenue	771,991	58,109	830,100	576	830,676
of which inter-segment revenue	607	274	881	576	1,457
External revenue	**771,384**	**57,835**	**829,219**	**0**	**829,219**
Operating profit (loss)	**–721**	**2,006**	**1,285**	**–7,969**	**–6,685**
Non-recurring employee benefit expenses	–12,216	0	–12,216	0	–12,216
Impairment of intangible assets and property, plant and equipment	–6,288	0	–6,288	0	–6,288
Other non-recurring expenses and income	–7,967	0	–7,967	–1,891	–9,858
Total non-recurring items	**–26,471**	**0**	**–26,471**	**–1,891**	**–28,362**
Comparable operating profit	**25,749**	**2,006**	**27,756**	**–6,079**	**21,677**
Financial income and expenses	0	0	0	–3,843	–3,843
Profit (loss) before taxes	**–721**	**2,006**	**1,285**	**–11,813**	**–10,528**
Income taxes	0	0	0	–18,523	–18,523
Net profit (loss) for the financial year	**–721**	**2,006**	**1,285**	**–30,336**	**–29,051**
Goodwill	29,139	1,209	30,348	0	30,348
Other segment assets	348,723	39,484	388,207	37,727	425,934
Total assets	**377,862**	**40,693**	**418,555**	**37,727**	**456,282**
Segment liabilities	262,547	27,658	290,205	7,993	298,197
Total liabilities	**262,547**	**27,658**	**290,205**	**7,993**	**298,197**
Capital expenditure	18,370	1,238	19,608	301	19,908

Operating segments 2013

EUR 1,000	Wiring Systems	Electronics	Reportable segments	Unallocated amounts and eliminations	Total Group
Segment revenue	820,768	64,950	885,718	425	886,143
of which inter-segment revenue	436	1,295	1,732	425	2,157
External revenue	**820,332**	**63,654**	**883,986**	**0**	**883,986**
Operating profit	**34,529**	**4,128**	**38,657**	**–8,193**	**30,463**
Non-recurring employee benefit expenses	–4,459	–853	–5,312	0	–5,312
Impairment of intangible assets and property, plant and equipment	–3,391	0	–3,391	0	–3,391
Other non-recurring expenses and income	–507	700	194	–1,900	–1,707
Total non-recurring items	**–8,356**	**–153**	**–8,509**	**–1,900**	**–10,409**
Comparable operating profit	**42,885**	**4,281**	**47,166**	**–6,293**	**40,873**
Financial income and expenses	0	0	0	–8,902	–8,902
Profit before taxes	**34,529**	**4,128**	**38,657**	**–17,095**	**21,562**
Income taxes	0	0	0	–7,615	–7,615
Profit for the financial year	**34,529**	**4,128**	**38,657**	**–24,710**	**13,947**
Goodwill	28,277	1,209	29,486	0	29,486
Other segment assets	402,246	38,215	440,461	–14,314	426,147
Total assets	**430,524**	**39,424**	**469,948**	**–14,314**	**455,634**
Segment liabilities	235,905	26,797	262,702	–1,494	261,208
Total liabilities	**235,905**	**26,797**	**262,702**	**–1,494**	**261,208**
Capital expenditure	13,419	1,090	14,509	111	14,620

Geographical information

EUR 1,000	Revenue by geographical location of customer 2014	2013	Non-current assets by location of assets 2014	2013	Capital expenditure 2014	2013
Europe	241,370	282,885	28,463	35,815	8,045	4,065
of which Finland	50,781	57,184	5,733	5,185	1,067	1,336
South America	67,874	87,461	10,294	11,520	1,911	3,312
North America	493,985	491,704	91,157	88,315	8,111	6,480
APAC	25,990	21,936	5,728	4,612	1,841	763
Total	**829,219**	**883,986**	**135,642**	**140,262**	**19,908**	**14,620**

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

Major customers

EUR 1,000	2014	% of revenue	2013	% of revenue
Customer 1	138,397	16.7	159,260	18.0
Customer 2	115,087	13.9	108,659	12.3
Customer 3	95,836	11.6	-	-
Customer 4	90,037	10.9	-	-
Total	**439,357**	**53.0**	**267,919**	**30.3**
Group revenue	**829,219**		**883,986**	

In the table above, the Wiring Systems segment's customers are not necessarily the same during the reporting period and the comparison period.

1.2 Other Operating Income

✪ Accounting policy

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

Government grants, which have been received to compensate realised costs, are recognised as other operating income through profit or loss over the period to match them with the costs that they are compensating. During the financial year 2014 the Group has received employment grants in Serbia and Lithuania.

EUR 1,000	2014	2013
Proceeds from sales of intangible assets and property, plant and equipment	12	169
Government grants	3,180	275
Compensations from insurance companies	0	69
Other income	1,119	1,470
Total	**4,311**	**1,982**

1.3 Materials and Services

EUR 1,000	2014	2013
Purchases during the financial period	479,371	513,353
Change in inventories, increase (+) or decrease (-)	6,407	–932
Raw materials and consumables	**485,778**	**512,422**
Outsourced services	18,901	20,583
Total	**504,680**	**533,004**

During 2014 inventories of EUR 2.9 million were written down (in 2013 EUR 0.4 million).

1.4 Employee Benefit Expenses

✪ Accounting policy

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

Short-term employee benefits

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

Termination benefits

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

Post-employment benefits

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

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

Other long-term employee benefits

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

Employee benefit expenses

EUR 1,000	2014	2013
Wages and salaries	171,971	160,884
Defined contribution pension plans	4,871	6,250
Other personnel expenses	38,243	33,154
Share-based payments	1,512	882
Total	**216,596**	**201,170**

- In 2014 employee benefit expenses include EUR 12.2 million (in 2013 EUR 5.3 million) non-recurring expenses arising from lay-offs. Non-recurring items are presented in note 1.1. Operating Segments.

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

Number of personnel

	At the end of the year		Average	
Operating segments	**2014**	**2013**	**2014**	**2013**
Wiring Systems	18,837	18,020	19,000	18,530
Electronics	578	603	616	655
Unallocated	22	21	23	20
Total	**19,437**	**18,644**	**19,640**	**19,205**

	At the end of the year		Average	
Geographical areas	**2014**	**2013**	**2014**	**2013**
Europe,	4,897	4,454	4,741	4,431
of which Finland	296	306	302	313
South America	2,424	2,859	2,682	2,882
North America	11,697	10,902	11,764	11,481
APAC	419	429	453	411
Total	**19,437**	**18,644**	**19,640**	**19,205**

Share-based payments

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

Share-based payments included in employee benefit expenses totalled EUR 1.5 million in 2014 (in 2013 EUR 0.9 million).

Valid option schemes 31.12.2014

Scheme	Granted 1,000 pcs.	Exercisable 1,000 pcs.	Exercise price, EUR	Share subscription period	Vesting period ends
2012C(i)	149.5	149.5	23.28	1.4.2017 - 30.4.2019	1.4.2017
2012C(ii)	149.5	149.5	23.28	1.4.2017 - 30.4.2019	1.4.2017
2012B(i)	165.0	165.0	16.65	1.4.2016 - 30.4.2018	1.4.2016
2012B(ii)	165.0	165.0	16.65	1.4.2016 - 30.4.2018	1.4.2016
2012A(i)	165.0	165.0	15.31	1.4.2015 - 30.4.2017	1.4.2015
2012A(ii)	165.0	165.0	15.31	1.4.2015 - 30.4.2017	1.4.2015
2009C	142.5	132.5	16.58	1.4.2014 - 30.4.2016	ended
2009B	180.5	50.7	10.71	1.4.2013 - 30.4.2015	ended
Total	**1,282.0**	**1,142.2**			

A share ownership plan, which obliges the key personnel to subscribe for the company's shares with 20% of the gross income earned from their stock options and hold these shares for two years, is incorporated to the stock options. The options are forfeited if the employee leaves the Group company before the end of the vesting period. The Parent Company's President and CEO must hold his shares for as long as he remains in the Group's service. 2012A(ii), 2012B(ii) and 2012C(ii) options have been initially allocated to key personnel. The share subscription period for (ii) option schemes, shall, however, not commence, unless certain operational or financial targets of the Group established for the exercise of stock options and determined by the Board of Directors have been attained. The Board of Directors shall annually decide on targets separately for each stock option class in connection with the distribution of stock options. Those stock options, for which the targets determined by the Board of Directors have not been attained, shall expire in the manner decided by the Board of Directors. The following table does not include 2012A(ii), 2012B(ii) and 2012C(ii) initially allocated options

	2014 Weighted average exercise price per share, EUR	2014 Number of options, 1,000 pcs.	2013 Weighted average exercise price per share, EUR	2013 Number of options, 1,000 pcs.
Outstanding at 1 January	14.96	607.8	12.90	723.3
Granted during the year	21.46	204.5	16.65	165
Forfeited during the year	16.67	–85.0	15.32	–39.5
Exercised during the year	6.55	–64.6	8.58	–240.9
Outstanding at 31 December	17.34	662.7	14.96	607.8
Exercisable at 31 December	17.34	662.7	14.96	607.8

The range of exercise prices and the weighted average remaining contractual life of the options outstanding at 31 December 2014 are presented in the following table.

	Exercise price, EUR	Contractual life, years	Number of options, 1,000 pcs
Exercisable options at 31 December 2014	10.71–23.28	2.68	662.7

The weighted average share price of PKC Group Plc at the date of exercise for the share options exercised in 2014 was EUR 23.65 (in 2013 EUR 20.29).

Stock option plans

Stock options granted to the key personnel of the Group

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

	2012A(i and ii)	2012B(i and ii)	2012C(i and ii)
Grant date	7.5.2014	7.5.2014	7.5.2014
Number of instruments granted, 1,000 pcs.	30.0	20.0	154.5
Exercise price at the grant date, EUR	15.31	16.65	23.28
Exercise price, EUR	15.31	16.65	23.28
Share price at the grant date, EUR	23.90	23.90	23.90
Remaining vesting period, years	3.0	4.0	5.0
Expected volatility, %	40	40	40
Risk-free interest rate, %	0.32	0.63	0.78
Expected dividend yield, %	4.46	4.46	4.46
Fair value of the instrument (at grant date), EUR	8.24	7.68	5.62

The fair values of the options have been calculated using the Black-Scholes share pricing model. The expected volatility has been estimated based on historic volatility using the actual price developments, taking into account the remaining terms of the options. Calculation of the fair values of the options was based on the assumption that there are no forfeited options.

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

1.5 Other Operating Expenses

Accounting policy

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

EUR 1,000	2014	2013
Production maintenance expenses	19,474	18,314
Other maintenance expenses	7,615	8,035
Transportation and freight expenses	8,970	9,114
Other employee expenses	6,007	10,581
Administrative expenses	9,532	8,488
Outsourced services	14,136	11,239
Rents and leasing expenses	10,722	10,408
Losses from sales of intangible assets and property, plant and equipment	278	83
Other items	8,594	8,514
Auditors´ fees	1,398	775
Total	**86,727**	**85,551**

Auditor's fees, KPMG

EUR 1,000	2014	2013
Audit fees	527	481
Certificates and statements	1	1
Tax services	143	67
Other services	727	226
Total	**1,398**	**775**

1.6 Income Taxes, incl. Deferred Tax Assets and Liabilities

Accounting policy

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

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

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

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

Use of estimates

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

Tax reassessment decision from Finnish tax administration in relation to the Wiring Systems business restructuring carried out in 2009 was received in September 2014. The decision obliges PKC Group to pay EUR 8.3 million additional taxes, punitive tax increases and interests, which company recorded in the third quarter results. PKC Group has appealed the decision to the Board of Adjustment and has been granted a postponement of the payment of the taxes until end of September 2015.

Income taxes

EUR 1,000	2014	2013
Income taxes for the financial year	–11,422	–17,675
Adjustments for prior years	–7,926	–495
Changes in deferred taxes	824	10,555
Total	**–18,523**	**–7,615**

Income tax rate

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

EUR 1,000	2014	2013
Profit (loss) before taxes	–10,528	21,562
Income tax calculated at Finnish tax rate	1,990	–5,283
Changes in tax rates	69	179
Effects of different tax rates in foreign subsidiaries	–3,566	–1,372
Income not subject to tax	436	11
Expenses not deductible for tax purposes	–1,491	–1,092
Share of profit of subsidiaries	1,580	2,895
Tax losses for which no deferred tax was recognised	–8,924	–2,609
Income taxes from previous years	–7,661	–495
Other items	–953	152
Tax charge in the statement of comprehensive income	**–18,523**	**–7,615**
Effective tax rate %	–175.9	35.3

- The effective tax rate according to the statement of comprehensive income was –175.9 % (35.5% in 2013) which does not describe the true effective tax rate due to losses in some Group companies whereby no deferred tax asset were recognised and due to large non-recurring items in 2014. The effective tax rate used in the statement of comprehensive income is always impacted by the balance of income in different countries taxed at different rates and local terms. The weighted average applicable tax rate was 27 % (27% in 2013). The weighted average tax rate is higher than the Finnish tax rate applied as the nominal tax rate because of the profits generated e.g. in Mexico and Northern America, where the tax rate is higher than the Finnish tax rate. A significant portion of the Group's turnover and profits are generated and consequently, are subject to tax outside Finland at the tax rate different to the Finnish corporate income tax rate. Thus, a comparison between the effective tax rate and the weighted average tax rate better reflects the tax burden of PKC Group than a comparison between the effective tax rate and the Finnish tax rate. The amount of profits generated in different countries and the corporate income tax rate applicable in these countries together determine the weighted average tax rate.

Deferred tax assets 2014

EUR 1,000	1.1.2014	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences, reclassifica-tions and other changes	31.12.2014
Property, plant and equipment	91	577	0	1,376	2,043
Leased assets	42	–41	0	0	0
Goodwill	25	38	0	0	63
Financial instruments	4	5	0	0	8
Inventories	121	–257	0	1,370	1,234
Employee benefits	1,828	–336	0	-917	575
Provisions and other accruals	2,015	–265	0	2,301	4,051
Tax losses	10,770	207	0	–1,073	9,904
Other temporary differences	1,547	518	529	207	2,801
Total	**16,443**	**446**	**529**	**3,264**	**20,680**
Netting of deferred tax assets	0	0	0	0	–3,380
Total deferred tax assets	**16,443**	**446**	**529**	**3,264**	**17,300**

Deferred tax liabilities 2014

EUR 1,000	1.1.2014	Recognised through profit or loss	Exchange rate differences, reclassifications and other changes	31.12.2014
Property, plant and equipment	5,510	–2,909	1,302	3,903
Intangible assets	12,538	–114	–469	11,955
Goodwill	330	–6	39	363
Inventories	–1,234	0	1,234	0
Employee benefits	–449	0	449	0
Provisions and other accruals	–1,251	–63	1,628	314
Undistributed earnings	5,419	830	0	6,248
Other temporary differences	3,068	1,879	1,245	6,192
Total	**23,929**	**–383**	**5,428**	**28,974**
Netting of deferred tax liabilities	0	0	0	–3,380
Total deferred tax liabilities	**23,929**	**–383**	**5,428**	**25,593**

Deferred tax assets 2013

EUR 1,000	1.1.2013	Recognised through profit or loss	Exchange rate differences, reclassifications and other changes	31.12.2013
Property, plant and equipment	75	12	5	91
Leased assets	159	–108	–10	42
Goodwill	0	25	0	25
Financial instruments	258	–17	–238	4
Inventories	81	39	2	121
Employee benefits	1,437	497	–107	1,828
Provisions and other accruals	1,094	951	–30	2,015
Tax losses	7,657	4,746	–1,633	10,770
Other temporary differences	511	1,592	–556	1,547
Total deferred tax assets	**11,272**	**7,737**	**–2,566**	**16,443**

Deferred tax liabilities 2013

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

Tax losses at the end of the financial year

	Tax losses		Deferred tax asset recognised on the statement of financial position		Deferred tax asset not recognised on the statement of financial position [1]	
EUR million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Losses without expiration date	78.0	15.0	0.8	9.6	6.6	2.3
Losses with expiration date	37.0	59.1	9.1	0.5	10.7	9.6
Total	**115.1**	**74.1**	**9.9**	**10.1**	**17.4**	**11.9**

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

1.7 Earnings per Share

Basic earnings per share

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

Diluted earnings per share

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

Stock option schemes

The diluting effect of stock option schemes existing in the Group on 31 December 2014 is minor, but is not taken into account due to negative net profit for the financial year.

Directed share issue 2013

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

	2014	2013
Net profit for the financial year, EUR 1,000	–29,051	13,947
Weighted average number of shares outstanding during the financial year, 1,000 pcs.	23,953	22,280
Basic earnings per share (EPS), EUR	**–1.21**	**0.63**
Weighted average number of shares outstanding during the financial year, 1,000 pcs.	23,953	22,280
Diluting effect of options, 1,000 pcs.	145	174
Diluted weighted average number of shares outstanding during finacial year, 1,000 Pcs.	24,098	22,454
Diluted earnings per share (EPS), EUR	**–1.21**	**0.62**

2. Operating Assets and Liabilities

2.1 Intangible assets

Accounting policy

Goodwill

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

Customer relationships

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

Other intangible assets

Intangible assets are initially recognised in the statement of financial position at acquisition cost if their cost can be determined reliably and it is probable that they will bring economic benefits for the Group. The cost of an intangible asset comprises the purchase price and all costs that can be directly attributed to preparing an asset for its intended use. Other intangible assets in the Group include patents and software licenses among others.

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

Intangible assets' acquisitions in progress

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

Amortisation periods for intangible assets

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

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

Research and development costs

Research costs are recognised in profit or loss.

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

Intangible assets 2014

EUR 1,000	Goodwill	Customer relation-ships	Other intangible assets	Intangible assets acquisitions in progress	Total
Acquisition cost 1.1.2014	33,890	61,215	11,050	353	106,508
+/- Currency translation differences	252	3,736	1,268	0	5,256
+ Additions	610	0	3,231	390	4,230
- Disposals	0	0	–23	0	–23
+/- Reclassifications	0	0	594	–155	440
Acquisition cost 31.12.2014	**34,752**	**64,951**	**16,120**	**588**	**116,411**
Accumulated amortisation and impairments 1.1.2014	4,404	28,980	8,944	0	42,328
+/- Currency translation differences	0	–282	–8	0	–290
+ Amortisation	0	6,175	1,815	0	7,990
Accumulated amortisation and impairments 31.12.2014	**4,404**	**34,874**	**10,751**	**0**	**50,029**
Carrying amount 31.12.2014	**30,348**	**30,077**	**5,369**	**588**	**66,383**

Intangible assets 2013

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

2.2 Impairment testing

✪ Accounting policy

The principles of impairments of intangible assets

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

An impairment loss is immediately recognised in profit or loss. The impairment loss of a cash-generating unit is recognised first as a reduction of the carrying amount of any goodwill allocated to the unit and then proportionally as a reduction of unit's other assets. The useful life of the asset to be amortised is reassessed at the recognition of the impairment loss. Recognition of an impairment loss reduces Group's profit and thus equity, but it has no effect on the consolidated statement of cash flows.

A previously recognised impairment loss for assets other than goodwill 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.

O Use of estimates

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

Allocation of goodwill

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

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

Goodwill, EUR million	2014	2013
Wiring Systems	29.1	28.3
Electronics	1.2	1.2
Total	**30.3**	**29.5**

Determination of cash flows

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

The expected future net cash flows consist of two components: 4-year financial forecasts made by the business management and extrapolated cash flows after the forecast period (so called terminal value). The net sales and profitability estimates used in the forecasts are based on customer-specific estimates, future outlooks and previous experience. Estimates related to long-term profitability aim to take into account a normalised, sustainable level of profitability. Terminal value growth rate, 1.5 % (2.0 in comparison period), used in the calculations reflects both expected growth and inflation of each cash-generating unit's area in the long term, and is not expected to exceed the forecasted long-term growth of the industry.

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

The key assumptions

Key assumptions used in calculating value in use are determined by Group management. The Board of Directors has approved these assumptions. The most significant assumptions are

- average operating profit level (EBIT) and
- discount rate.

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

Assumptions used in the cash flow analysis, %	2014
Revenue growth 2014–2018	–1.6–12.5
Terminal value growth 2019–	1.5
Average EBIT	3.1–7.5
Post-Tax WACC	7.6–9.1
Pre-Tax WACC	9.6–11.6

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

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

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

	2014		2013	
Sensitivity analysis	Value used, %	Change, %-point	Value used, %	Change, %-point
Discount rate (Post-Tax)	7.6 – 9.1	+9.4 – +18.0	8.7 – 12.1	+5.3 – +49.9
Average EBIT	3.1 – 7.5	–2.6 – –5.9	1.7 – 9.0	–2.2 – –6.8
Terminal value growth	1.5	–20.4 – –91.7	2.0	–8.3 – –150.0

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

The recoverable amounts of all cash-generating units exceeded their carrying values by more than 143%.

2.3 Property, Plant and Equipment

✪ Accounting policy

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

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

Subsequent costs are added to the carrying amount of the asset only if there is sufficient evidence that they bring future economic benefits for the Group and if their cost can be determined reliably.

Assets are depreciated on a straight-line basis during their estimated useful lives. Land areas are not depreciated.

Depreciation periods for items of property, plant and equipment

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

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

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

Gains and losses from sale

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

Leases

Finance leases

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

Operating leases

▶ Additional information about leases is presented in note 4.3 Operating leases.

Impairments of property, plant and equipment

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

An impairment loss is reversed in a subsequent period if there has been a significant positive change in the estimates used to determine an asset's recoverable amount. An impairment loss can be reversed to the amount that would have been the carrying value of the asset, had no impairment loss been recognised.

Property, plant and equipment 2014

EUR 1,000	Land areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1.1.2014	2,698	23,156	104,723	10,029	6,072	146,678
+/– Currency translation differences	–24	–3,495	3,030	9	351	–128
+ Additions	0	386	12,392	1,304	1,590	15,672
– Disposals	0	–128	–2,935	–2,341	–112	–5,516
+/– Reclassifications	0	629	2,725	732	–4,526	–441
+/- Other changes	0	–1,781	–714	–247	–27	–2,768
Acquisition cost 31.12.2014	**2,674**	**18,767**	**119,221**	**9,486**	**3,349**	**153,498**
Accumulated depreciation and impairments 1.1.2014	607	9,771	54,906	5,368	0	70,652
+/– Currency translation differences	–2	–1,563	–620	12	0	–2,172
+ Accumulated depreciation on disposals and reclassifications	0	–66	–3,123	–2,033	0	–5,222
+/– Other changes	24	0	126	0	0	150
– Impairments	0	39	0	0	0	39
+ Depreciation	0	1,931	17,888	1,693	0	21,512
Accumulated depreciation and impairments 31.12.2014	**630**	**10,112**	**69,176**	**5,040**	**0**	**84,958**
Carrying amount 31.12.2014	**2,044**	**8,655**	**50,045**	**4,446**	**3,349**	**68,539**

Property, plant and equipment 2013

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

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

	Buildings and constructions		Machinery and equipment		Total	
EUR 1,000	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Acquisition cost 1.1.	0	2,396	443	750	443	3,146
– Depreciation and impairment	0	2,396	443	307	443	2,703
Carrying amount 31.12.	**0**	**0**	**0**	**443**	**0**	**443**

2.4 Available-for-sale Financial Assets

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

EUR 1,000	2014	2013
Available-for-sale financial assets	720	56
Total	**720**	**56**

2.5 Non-Current Other Receivables and Liabilities

EUR 1,000	2014	2013
Other receivables	6,541	5,671
Total	**6,541**	**5,671**

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

EUR 1,000	2014	2013
Other liabilities	9,260	8,722
Total	**9,260**	**8,722**

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

2.6 Inventories

Accounting policy

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

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

Use of estimates

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

EUR 1,000	2014	2013
Raw materials and supplies	55,102	58,064
Work in progress	5,470	5,583
Finished goods	18,818	16,589
Total	**79,390**	**80,237**

During 2014 inventories of EUR 2.9 million were written down (in 2013 EUR 0.4 million).

2.7 Trade Receivables and Other Receivables

EUR 1,000	2014	2013
Trade receivables	89,033	92,704
Other receivables	3,987	3,974
Prepayments and accrued income	14,065	13,675
Total	**107,085**	**110,354**

Other receivables and prepayments and accrued income consist of following items

EUR 1,000	2014	2013
from other operating expenses	4,795	6,641
from financial items	2,656	676
from value added tax	6,560	6,392
from taxes	3,629	3,676
from other items	412	264
Total	**18,052**	**17,649**

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

2.8 Trade Payables and Other Non-Interest-Bearing Liabilities

EUR 1,000	2014	2013
Trade payables	98,251	88,695
Advances received	332	329
Other liabilities	26,333	14,716
Accruals and deferred income	35,348	23,164
Total	**160,264**	**126,904**

Other liabilities and accruals and deferred income consist of following items

EUR 1,000	2014	2013
from employee benefits	24,642	21,191
from other operating expenses	13,827	7,687
from financial items	5,601	1,851
from value added tax	2,416	2,929
from taxes	15,194	4,223
Total	**61,681**	**37,880**

2.9 Provisions

✪ Accounting policy

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation arising as a result of a past event, the obligation is likely to entail future expenses, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the costs necessary to settle the obligation. If a reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate asset when it is practically certain that such reimbursement will be received.

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

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

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

Provisions of financial year 2014 do not include any restructuring costs.

O Use of estimates

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

	Provision for pension expenses		Tax provision		Other provisions		Total	
EUR 1,000	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Provision 1.1.	630	572	0	56	434	672	1,064	1,300
+ Additions	161	58	0	0	393	0	555	58
- Reversed	0	0	0	0	0	–238	0	–238
- Used provisions	0	0	0	–56	0	0	0	–56
Provision 31.12.	**791**	**630**	**0**	**0**	**827**	**434**	**1,619**	**1,064**

3. Capital Structure and Financial Expenses

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

✪ Accounting policy

Classification, accounting and valuation principles

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

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

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

The classification of financial assets takes place on the basis of their purpose at initial recognition. The criteria for classification is re-evaluated on each closing date. Transaction costs are included in the initial carrying amount of the financial asset for assets which are not recognised at fair value through profit and loss. All purchases and sales of financial assets are recognised on the trade date. Trade date is the date when PKC Group commits to purchase or sell the asset. Financial assets are derecognised when PKC Group has lost the contractual rights to the cash flow of the financial asset or when the risks and rewards of ownership have been substantially transferred outside PKC Group.

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

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

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

Fair value hierarchy

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

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

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

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

Available-for-sale financial assets

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

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

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

Loans and other receivables

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

PKC Group utilises selectively client and/or country specific factoring arrangements when it considers it beneficial for example due to long payment terms. Sold trade receivables are derecognised only up to the amount for which the risks and benefits have been transferred outside PKC Group. The carrying amounts of trade receivables and other receivables are equal to their fair values, as the effect of discounting cash flows is not relevant considering their maturity.

Cash and cash equivalents

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

Financial assets and liabilities at fair value through profit and loss

In the consolidated statement of financial position all derivative financial instruments, to which hedge accounting is not applied and which are not financial guarantee contracts, are included in this category. These instruments are classified as held for trading. There are no items in the consolidated statement of financial position that would be classified at initial recognition on the basis of IAS 39 fair value option to this category or which would be classified upon this category on the basis of continuous trading.

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

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

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

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

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

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

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

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

At the end of the reporting period 31.12.2014 (and 31.12.2013) PKC Group had no other financial instruments at fair value through profit and loss other than derivatives. There were no changes in the valuation principles or methods during the reporting period.

Financial liabilities at amortised cost (other financial liabilities)

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

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

Classification of financial assets and liabilities by valuation category 2014

EUR 1,000	Financial assets and liabilities through profit or loss	Derivatives under hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts of statement of financial position's items	Fair values of statement of financial position's items	Fair value hierarchy level
Non-current financial assets								
Other non-current financial assets	0	0	0	720	0	720	720	Level 3
Total non-current financial assets	**0**	**0**	**0**	**720**	**0**	**720**	**720**	
Current financial assets								
Trade receivables	0	0	89,033	0	0	89,033	89,033	
Interest rate derivatives	0	2,040	0	0	0	2,040	2,040	Level 2
Cash and cash equivalents	110,321	0	0	0	0	110,321	110,321	
Total current financial assets	**110,321**	**2,040**	**89,033**	**0**	**0**	**201,394**	**201,394**	
Total financial assets	**110,321**	**2,040**	**89,033**	**720**	**0**	**202,114**	**202,114**	
Non-current financial liabilities								
Non-current interest-bearing liabilities	0	0	0	0	101,446	101,446	112,962	Level 2
Total non-current financial liabilities	**0**	**0**	**0**	**0**	**101,446**	**101,446**	**112,962**	
Current financial liabilities								
Trade payables	0	0	0	0	98,251	98,251	98,251	
Copper derivatives	42	0	0	0	0	42	42	Level 2
Currency derivatives	2,382	1,549	0	0	0	3,931	3,931	
Total current financial liabilities	**2,424**	**1,549**	**0**	**0**	**98,251**	**102,224**	**102,224**	
Total financial liabilities	**2,424**	**1,549**	**0**	**0**	**199,697**	**203,670**	**215,186**	

Classification of financial assets and liabilities by valuation category 2013

EUR 1,000	Financial assets and liabilities through profit or loss	Derivatives under hedge accounting	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts of statement of financial position's items	Fair values of statement of financial position's items	Fair value hierarchy level
Non-current financial assets								
Other non-current financial assets	0	0	0	7	0	7	7	Level 3
Total non-current financial assets	**0**	**0**	**0**	**7**	**0**	**7**	**7**	
Current financial assets								
Trade receivables	0	0	92,704	0	0	92,704	92,704	
Interest rate derivatives	0	386	0	0	0	386	386	Level 2
Cash and cash equivalents	102,665	0	0	0	0	102,665	102,665	
Total current financial assets	**102,665**	**386**	**92,704**	**0**	**0**	**195,755**	**195,755**	
Total financial assets	**102,665**	**386**	**92,704**	**7**	**0**	**195,762**	**195,762**	
Non-current financial liabilities								
Non-current interest-bearing liabilities	0	0	0	0	99,763	99,763	100,000	Level 2
Total non-current financial liabilities	**0**	**0**	**0**	**0**	**99,763**	**99,763**	**100,000**	
Current financial liabilities								
Current interest-bearing liabilities	0	0	0	0	677	677	677	
Trade payables	0	0	0	0	88,695	88,695	88,695	
Interest rate derivatives	131	0	0	0	0	131	131	
Copper derivatives	19	0	0	0	0	19	19	Level 2
Currency derivatives	86	0	0	0	0	86	86	
Total current financial liabilities	**236**	**0**	**0**	**0**	**89,372**	**89,608**	**89,608**	
Total financial liabilities	**236**	**0**	**0**	**0**	**189,135**	**189,371**	**189,608**	

3.2 Interest-Bearing Financial Liabilities

Non-current

EUR 1,000	2014	2013
Bond	101,446	99,763
Total	**101,446**	**99,763**

Current

EUR 1,000	2014	2013
Loans from financial institutions	0	17
Finance lease liabilities	0	660
Total	**0**	**677**

Maturities of finance lease liabilities

Minimum lease payments

EUR 1,000	**2014**	**2013**
Within one year	0	662
Total	**0**	**662**

Present value of minimum lease payments

EUR 1,000	**2,014**	**2013**
Within one year	0	660
Total	**0**	**660**
Future finance and other charges concerning lease payments	0	2
Total lease payments	0	**662**

3.3 Financial Income and Expenses

Accounting policy

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

Interest and other financial income

EUR 1,000	**2014**	**2013**
Interest income		
from derivatives	3,628	675
Other interest income	158	152
Total	**3,786**	**827**

Interest and other financial expenses

EUR 1,000	**2014**	**2,013**
Interest expenses		
from bonds	–4,607	–1,342
from financial instituions' loans	0	–3,889
from derivatives	–2,317	–1,073
from factoring	–400	–517
Other financial expenses	–407	–676
Total	**–7,731**	**–7,497**
Interest and other financial income and expenses	**–3,944**	**–6,670**

Foreign currency exchange differences

EUR 1,000	**2014**	**2013**
Foreign exchange gains		
from trade receivables	3,255	2,704
from trade payables	4,763	2,570
from raw material derivatives	477	54
from other financial instruments	8,986	8,490
Total	**17,481**	**13,818**
Foreign exchange losses		
from trade receivables	–2,958	–2,432
from trade payables	–3,035	–5,427
from raw material derivatives	–533	–891
from other financial instruments	–10,854	–7,300
Total	**–17,380**	**–16,050**
Foreign currency exchange differences (net)	**101**	**–2,231**

3.4 Financial Risk Management

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

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

Currency risk

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

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

The Treasury of PKC Group uses foreign exchange forwards and options to hedge against transaction risk. Significant certain or highly probable foreign exchange cash flows are hedged from transaction risk a maximum of twelve months forward. Hedging is not executed for currencies, especially in emerging countries, where hedging is expensive or derivatives' markets are underdeveloped. At the end of the reporting period PKC Group had open currency derivatives with a nominal value of EUR 63.0 million. PKC Group applies cash flow hedge accounting to a part of currency derivatives. The nominal value of currency derivatives under hedge accounting was EUR 38.2 million. EUR 1.4 million of the change in the fair value of currency derivatives under hedge accounting was recorded in Equity and the inefficient part of the hedge EUR 0.1 million was recorded in profit and loss.

The main principle in regard to translation risk is not to execute equity hedging due to the fact that the translation risk only very seldom realises while the hedge itself always creates a cash flow cost. The foreign currency net investments in PKC Group's subsidiaries at the close of the reporting period were EUR 211.4 million (EUR 195.7 million in 2013). Economic risk is managed as a part of the strategy process and strategy implementation.

The translation risk exposure of PKC Group by currency

	Net Investment	
EUR 1, 000	**2014**	**2013**
BRL	41,439	47,960
CAD	4,665	8,039
CNY	15,531	12,484
HKD	4,516	–397
LTL	2,025	-
MXN	11,503	23,562
PLN	26,966	32,424
RUB	6,814	8,846
RSD	2,775	3
UAH	-	572
USD	95,127	62,167
Total	**211,361**	**195,660**

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

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

2014

Functional currency		**USD**	**BRL**	**EUR**	**EUR**	**CNY**
Foreign currency		**MXN**	**EUR**	**SEK**	**USD**	**EUR**
EUR 1,000						
Cash and cash equivalents		0	0	0	73	5,672
Trade receivables		0	2	0	2	2,904
Trade payables		–18,936	–1,579	–1,776	–1,833	–1,131
Net position		**–18,936**	**–1,577**	**–1,776**	**–1,758**	**7,445**
Hedges		62,988	-	-	-	-
Open position		**-**	**–1,577**	**–1,776**	**–1,758**	**7,445**
EUR million	**Change in currency %**					
	+10	-	–0.2	–0.2	–0.2	0.8
	–10	-	0.1	0.2	0.2	–0.7

2013

Functional currency		**USD**	**BRL**	**EUR**	**EUR**	**CNY**
Foreign currency		**MXN**	**EUR**	**SEK**	**USD**	**EUR**
EUR 1,000						
Cash and cash equivalents		0	0	0	2,031	3,269
Trade receivables		0	3	0	4	3,551
Trade payables		–1,607	–3,651	–2,568	–1,579	–1,277
Net position		**–1,607**	**–3,648**	**–2,567**	**456**	**5,543**
Hedges		–18,171	-	-	-	-
Open position		**-**	**–3,648**	**–2,567**	**456**	**5,543**
EUR million	**Change in currency %**					
	+10 %	-	–0.4	–0.3	0.1	0.6
	–10 %	-	0.3	0.2	0.0	–0.5

Commodity risk

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

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

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

	2014		2013	
EUR million	**Income Statment**	**Equity**	**Income Statment**	**Equity**
+/-10% change in copper price	+/- 0,4	-	+/- 0,8	-

Interest rate risk

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

At the end of the reporting period the average interest rate fixing period of the debt portfolio of PKC Group was 20 months. In order to keep the Group's debt portfolio's average interest rate fixing period within the target range, PKC Group had at the end of reporting period an open euro-denominated interest rate swap with a nominal value of EUR 50.0 million. Based on this swap PKC Group pays floating rate interest tied to Euribor 6 months rates and receives five years fixed interest. PKC Group applies fair value hedge accounting to the interest rate swap. Changes in the fair values of the bond and interest rate swap depend on changes in market interest rates. An increase in market interest rate increases the fair value of the bond while the fair value of the swap decreases.

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

	2014		2013	
EUR million	**Income Statement**	**Equity**	**Income Statement**	**Equity**
+/- 1% change in market interest rates	+2,0 / –2,1	-	+1,3 / –1,4	-

Credit risk

PKC Group's most significant credit risks are related to trade receivables. The age distribution of trade receivables is regularly monitored on the Group level, and in addition the Group companies monitor receivables per customer. The credit quality of new customers is checked and customers are granted standard payment terms only. As a part of cash management PKC Group has some outstanding factoring arrangements in selected countries or with selected customers. At the end of the reporting period the outstanding amount of receivables under factoring arrangement was EUR 26.4 million (EUR 39.1 million)

Collaterals are not assumed as security for receivables, and no loans are granted to parties outside the PKC Group. An impairment of trade receivables is recognised when there is reasonable evidence that PKC Group will not be able to collect all receivables on the original terms. Credit risk associated with investments in the financial markets is minimised by making agreements with counterparties with high credit worthiness and by diversifying investments among several counterparties.

Trade receivables, which were neither past due nor impaired, were EUR 80.8 million (EUR 84.6 million) at the end of the reporting period. Of these, EUR 43.4 million (EUR 45.5 million) were from the six largest customers, and the rest was divided between a large number of customers. In 2014 a total of EUR 277 thousand of receivables was recognised as impaired (EUR 65 thousand). No impairments of trade receivables were recognised for the six largest customers during the financial year and the comparison period. The most significant customers of PKC Group are international commercial vehicle manufacturers, with which it has longstanding customer relationships. The most significant geographical concentration of credit risk to PKC Group is in North America.

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

Age distribution of trade receivables

	2014		
EUR 1,000	**Trade Receivables**	**Aging provision**	**Net**
Not yet overdue	80,812	0	80,812
Falling due in 30 days or less	6,067	0	6,067
Due 31–60 days ago	1,100	0	1,100
Due 61–90 days ago	453	0	453
Due over 90 days ago	3,417	2,816	601
Total	**91,849**	**2,816**	**89,033**

	2013		
EUR 1,000	**Trade Receivables**	**Aging provision**	**Net**
Not yet overdue	84,639	0	84,639
Falling due in 30 days or less	5,395	0	5,395
Due 31–60 days ago	1,097	0	1,097
Due 61–90 days ago	251	0	251
Due over 90 days ago	1,993	671	1,322
Total	**93,376**	**671**	**92,704**

Liquidity risk

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

At the end of reporting period cash and cash equivalents totalled EUR 110.3 million (EUR 102.7 million). Additionally the PKC Group had available committed undrawn credit facilities of EUR 90.0 million (EUR 30.0 million) which contain common covenants. During the financial periods 2014 and 2013, PKC Group has fulfilled the terms of the covenants. During 2013 PKC Group issued a EUR 100 million bond, which expires in 2018, and has a coupon rate of 4.25%.

Maturity analysis of financial liabilities 2014

EUR 1,000	2015	2016	2017	2018	2019	2020–	Total
Bond repayments	0	0	0	100,000	0	0	100,000
Financing costs of bonds	4,250	4,250	4,250	3,034	0	0	15,784
Total	**4,250**	**4,250**	**4,250**	**103,034**	**0**	**0**	**115,784**
Current non-interest-bearing liabilities							
Trade payables	98,251	0	0	0	0	0	98,251
Derivatives	1,670	0	0	0	0	0	1,670
Total	**99,921**	**0**	**0**	**0**	**0**	**0**	**99,921**
Total	**104,171**	**4,250**	**4,250**	**103,034**	**0**	**0**	**215,705**

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

Maturity analysis of financial liabilities 2013

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

The Group's committed available unutilised credit facility of EUR 30 million was terminated during 2014.

Capital structure management

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

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

EUR million	2014	2013
Interest-bearing liabilities	101.4	100.4
Cash and cash equivalents	110.3	102.7
Net liabilities	–8.9	–2.2
Total equity	158.1	197.0
Gearing, %	–5.6	–1.1

3.5 Equity

Share capital

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

- Additional information concerning the share subscriptions of the year 2014 is presented in the Report by the Board of Directors, section Shares and shareholders.

Share premium account

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

The share subscription period for the year 2006 stock option scheme stock options ended during the financial year 2013.

Invested non-restricted equity fund

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

- Additional information concerning the share subscriptions of the year 2014 is presented in the Report by the Board of Directors, section Shares and shareholders.
- Additional information concerning the effect of the outstanding stock options on distributable equity is presented in the Report by the Board of Directors, section Shares and shareholders, Option schemes.

Share issue 2013

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

Translation difference

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

Other reserves

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

Treasury shares

Purchases of treasury shares (own shares) and direct attributable incremental costs are deducted from equity. When the purchased own shares are subsequently sold or reissued, any consideration received is included in equity. No treasury shares were in PKC Group's possession in the period ended 31 December 2014 (and 31 December 2013). The company does not possess a valid authorisation from the Annual General Meeting to acquire its own shares.

	Number of shares 1,000 pcs.	Share capital EUR 1,000	Share premium account EUR 1,000	Invested non-restricted equity fund EUR 1,000
1.1.2013	**21,524**	**6,191**	**10,606**	**35,376**
Exercise of stock options	241	27	0	1,366
Directed share issue	2,140	0	676	44,273
Other changes	0	0	0	17
31.12.2013	**23,906**	**6,218**	**11,282**	**81,033**
1.1.2014	**23,906**	**6,218**	**11,282**	**81,033**
Exercise of stock options	65	0	0	0
Other changes	0	0	0	223
31.12.2014	**23,971**	**6,218**	**11,282**	**81,256**

Dividends

- In 2014 the dividend of EUR 0.70 per share was paid, in total EUR 16.8 million (In 2013 EUR 0.70 per share, in total EUR 15.1 million).
- After the reporting period, the Board of Directors has proposed that EUR 0.70 per share will be distributed as dividends, EUR 16.8 million in total.

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4. Other Notes

4.1 Related Party Disclosures

The Group's related party comprises the Group companies, members of the parent company's Board of Directors, members of the Group's Executive Board and related party entity Attorneys at Law Borenius Ltd.

PKC Group's Group's key management personnel consists of the members of the parent company's Board of Directors and the members of PKC Group's Executive Board including President & CEO. At the end of the financial year 31 December 2014 PKC Group's Executive Board consisted of the following persons Matti Hyytiäinen (President & CEO), Jyrki Keronen (Senior Vice President, Business Development & APAC), Jani Kiljala (President, Wiring Systems, Europe and South America), Sanna Raatikainen (General Counsel), Jarmo Rajala (President, Electronics), Frank Sovis (President, Wiring Systems, North America) and Juha Torniainen (CFO).

Employee benefits of the Executive Board

EUR 1,000	2014	2013
Salaries and other short-term employee benefits	2,888	3,641
Share-based payments	676	1,163
Total	**3,563**	**4,804**

117,500 stock options were granted to the Group's Executive Board in 2014 (in 2013 128,000 pcs.).

EUR 1,000 unless otherwise noted	31.12.2014	31.12.2013
Granted options, 1,000 pcs.	448.1	376.0
of which exercisable [1)]	115.1	53.0
Total fair value of the options	1,993.6	1,383.3
Total number of shares, to which the options held by PKC Group´s Executive Board entitle, 1,000 pcs.	448.1	376.0

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

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

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

EUR 1,000	2014	2013
Hyytiäinen, Matti	826	1,026

Statutory pension obligation

The pension costs of the President and CEO, recognised on an accrual basis on his remuneration under the Finnish Employees Pensions Act (TyEl, 395/2006), amount to EUR 180 thousand in 2014 (in 2013 EUR 220 thousand). The Finnish statutory pension plan is part of Finnish social security system and is a collective plan in which an employer has no direct responsibility for the pension benefits but the responsibility is borne by the whole pension system. Under this plan, pensions are financed in two different ways: part of the pensions payable in future are funded and the rest are financed on a pay-as-you-go-basis as the related pensions are paid out.

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

EUR 1,000	2014	2013
Allikmäe, Anders, until 4 April 2013	0	11
Buhl, Reinhard, since 3 April 2014	37	0
Diez, Wolfgang, since 4 April 2013	49	37
Lampela, Outi, until 3 April 2014	13	46
Levy, Shemaya	58	50
Mingming, Liu, since 3 April 2014	38	0
Remenar, Robert	67	58
Ruotsala, Matti	92	83
Suutari, Harri, until 3 April 2014	13	49
Tähtinen, Jyrki	50	45
Total	**418**	**379**
Salaries and other short-term employee benefits	0	319
Total	**418**	**697**

Services acquired from related party entities

Other operating expenses include EUR 0.1 million services acquired from related party entities (in 2013 EUR 0.1 million services and rents). These business transactions are based on market prices.

4.2 Group Structure

Group companies 31 December 2014

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

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

- PKC Group AEES Commercial, S. de R.L. de C.V., PKC Group Lithuania UAB and PKC Vehicle Technology (Suzhou) Co. were established.
- LLC PKC Group Ukraine was closed.

4.3 Operating Leases

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

Operating lease obligations, PKC Group as a lessee

EUR 1,000	2014	2013
Less than one year	9,001	8,677
Between one and five years	10,403	11,523
More than five years	1,366	1,819
Total	**20,771**	**22,019**

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

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

4.4 Contingent Items and Commitments

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group (e.g. outcome of on-going judicial process). A contingent liability is also a present obligation, which probably does not require payment obligation or the amount of the obligation cannot be measured with sufficient reliability. At the end of the financial year 31 December 2014 (31 December 2013) PKC Group has no material contingent items or commitments.

4.5 Information pursuant to Ministry of Finance Ordinance 1020/2012

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

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

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

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

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

4.6 Events after the Financial Year

PKC Group announced three new share-based incentive plans for the Group key personnel approved by the Board of Directors.

Parent Company's Income Statement

EUR 1,000	Note	1.1.–31.12.2014	1.1.– 31.12.2013
Net sales	1	**495**	**375**
Other operating income	2	2,251	2,154
Staff expenses	3	–2,930	–2,443
Depreciation, amortisation and impairment	7	–348	–483
Other operating expenses	4	–6,555	–5,962
Operating profit/loss		**–7,087**	**–6,358**
Interest and other financial income	5	8,869	34,984
Interest and other financial expenses	5	–7,109	–5,982
Foreign exchange differences	5	204	–1,062
Financial income and expenses		**1,964**	**27,941**
Profit/loss before extraordinary items		**–5,123**	**21,582**
Group contribution	6	3,458	0
Profit/loss before taxes		**–1,665**	**21,582**
Income taxes	7	–8,274	0
Profit/loss for the financial year		**–9,939**	**21,582**

Parent Company's Balance Sheet

EUR 1,000	Note	31.12.2014	31.12.2013
Assets			
Non-current assets			
Intangible assets	8	542	493
Tangible assets	8	130	227
Investments	9	61,875	61,875
Total non-current assets		**62,548**	**62,595**
Current assets			
Non-current receivables	10	106,407	106,159
Current receivables	11	52,017	117,309
Cash and cash equivalents		46,424	61,091
Total current assets		**204,848**	**284,559**
Total assets		**267,396**	**347,155**
Equity and liabilities			
Equity	12		
Share capital		6,218	6,218
Share premium account		11,282	11,282
Invested non-restricted equity fund		69,094	68,673
Retained earnings		53,543	48,720
Profit for the financial year		–9,939	21,583
Total equity		**130,198**	**156,475**
Liabilities			
Non-current liabilities	13	99,377	99,523
Current liabilities	14	37,820	91,156
Total liabilities		**137,198**	**190,679**
Total equity and liabilities		**267,396**	**347,155**

Parent Company's Cash Flow Statement

EUR 1,000	1.1.–31.12.2014	1.1.– 31.12.2013
Cash flows from operating activities		
Cash receipts from customers	650	21
Cash receipts from other operating income	2,256	3,111
Cash paid to suppliers and employees	–12,152	–10,261
Cash flows from operations before financial income and expenses and taxes	**–9,246**	**–7,128**
Interest paid	–7,178	–4,307
Translation difference	232	–36
Interest received and other financial income	8,027	8,173
Income taxes paid	–43	694
Net cash from operating activities (A)	**–8,207**	**–2,604**
Cash flows from investing activities		
Aqcuisitions of tangible and intangible assets	–301	–111
Loans granted to subsidiaries	–26,383	–111,403
Proceeds from payments of loan receivables	95,559	22,397
Dividends received	199	36,713
Net cash used in investing activities (B)	**69,074**	**–52,405**
Cash flows from financial activities		
Share issue and excercise of options	422	47,009
Proceeds from current borrowings	–62,834	23,349
Proceeds from non-current borrowings	0	99,531
Repayment of current/non-current borrowings	181	–93,526
Dividends paid	–16,760	–15,122
Net cash used in financial activities (C)	**–78,992**	**61,242**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)	**–18,125**	**6,232**
Cash and cash equivalents at the beginning of the financial year	**61,091**	**54,859**
Cash and cash equivalents at the end of the financial year	**46,424**	**61,091**

Accounting Policies for the Parent Company's Financial Statements

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

Foreign currency items

Foreign currency transactions have been recognised during the financial period by using the exchange rate of the transaction date. Balance sheet items outstanding on the closing date of the financial period have been valued using the exchange rates of the reporting date. The exchange rate differences have been stated in income statement.

Non-current assets

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

The depreciation/amortisation periods are as follows:

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

Subsidiary shares

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

Financial instruments

Financial instruments are recognised at acquisition cost.

Net sales

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

Lease rentals

Lease rentals have been expensed.

Pension costs

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

Direct taxes

Direct taxes for the financial period have been recognised in profit or loss on an accrual basis. Tax losses carried forward are not recognised as deferred tax assets.

Notes to the Parent Company's Financial Statements

1. Net sales

By market areas

EUR 1,000	2014	2013
Finland	287	222
Other Europe	151	116
North America	57	38
Total	**495**	**375**

2. Other Operating Income

EUR 1,000	2014	2013
Government grants	0	8
Rental income from Group companies	130	130
Services to Group companies	2,116	1,957
Compensation received from insurance companies	5	32
Other income	0	27
Total	**2,251**	**2,154**

3. Staff Expenses

EUR 1,000	2014	2013
Wages and salaries	2,424	2,028
Pension expenses	407	336
Other social security expenses	99	78
Total	**2,930**	**2,443**

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

Number of personnel

	2014	2013
Average number of personnel	23	20
Personnel at the end of financial year	22	21

4. Other Operating Expenses

EUR 1,000	2014	2013
Administrative expenses	162	179
Other staff expenses	57	196
Travelling expenses	332	348
Other maintenance expenses	2,002	1,596
Outsourced services	2,485	2,267
Outsourced services from Group companies	72	42
Rents and lease expenses	215	272
Insurances	54	60
Other items	863	750
Auditors´ fees	315	251
Total	**6,555**	**5,962**

Auditors´ fees, Authorised Public Accountants KPMG

EUR 1,000	2014	2013
Audit fees	81	42
Certificates and statements	1	1
Tax services	50	6
Other services	183	202
Total	**315**	**251**

5. Financial Income and Expenses

Interest and other financial income

EUR 1,000	2014	2013
Income from subsidiary shares	198	30,203
Interest and other financial income from Group companies	4,996	4,059
Interest and other financial income	3,675	722
Foreign exchange gains		
from trade payables	9	0
from raw material derivatives	477	54
from other financial instruments	233	6
Total	**9,589**	**35,044**

Interest and other financial expenses

EUR 1,000	2014	2013
Interest and other financial expenses	–7,109	–5,981
Foreign exchange losses		
from trade receivables	0	–1
from trade payables	–1	–9
from raw material derivatives	–510	–956
from other financial instruments	–4	–155
Total	**–7,624**	**–7,103**
Total financial income and expenses	**1,964**	**27,941**

6. Group Contribution

EUR 1,000	2014	2013
Group contribution	3,458	0
Total	**3,458**	**0**

7. Income Taxes

EUR 1,000	2014	2013
Adjustments for prior years	–8,274	0
Total	**–8,274**	**0**

Tax reassessment decision from Finnish tax administration in relation to the Wiring Systems business restructuring carried out in 2009 was received in September 2014. The decision obliges PKC Group to pay EUR 8.3 million additional taxes, punitive tax increases and interests, which company recorded in the third quarter results. PKC Group has appealed the decision to the Board of Adjustment and has been granted a postponement of the payment of the taxes until end of September 2015.

8. Non-Current Assets

Intangible assets

EUR 1,000	Intangible rights	Other non-current expenditures	Advance payments	Total
Acquisition cost 1.1.2014	3,264	167	0	3,431
+ Additions	68	195	36	298
Acquisition cost 31.12.2014	3,332	362	36	3,729
Accumulated amortisation and impairments 1.1.2014	2,777	161	0	2,938
+ Amortisation	243	7	0	250
Accumulated amortisation and impairments 31.12.2014	3,020	168	0	3,188
Carrying amount 31.12.2014	**312**	**194**	**36**	**542**
Carrying amount 31.12.2013	487	6	0	493

Tangible assets

EUR 1,000	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1.1.2014	1,552	1,000	209	2,762
+ Additions	0	2	0	2
Acquisition cost 31.12.2014	1,552	1,003	209	2,764
Accumulated depreciation and impairments 1.1.2014	1,379	947	209	2,535
+ Depreciation	78	20	0	99
Accumulated depreciation and impairments 31.12.2014	1,457	968	209	2,634
Carrying amount 31.12.2014	**95**	**35**	**0**	**130**
Carrying amount 31.12.2013	173	53	0	227

9. Investments

EUR 1,000	Shares of subsid-iaries	Other shares	Other investments	Total
Acquisition cost 1.1.2014	61,822	5	48	61,875
Acquisition cost 31.12.2014	61,822	5	48	61,875
Carrying amount 31.12.2014	**61,822**	**5**	**48**	**61,875**
Carrying amount 31.12.2013	61,822	5	48	61,875

Subsidiaries

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

▶ The list of Group companies (31 December 2014) is presented in consolidated financial statements' note 4.2 Group Structure.

10. Non-Current Receivables

EUR 1,000	2014	2013
Loan receivables from Group companies	106,031	105,691
Other non-current receivables	377	469
Total	**106,407**	**106,159**

11. Current Receivables

EUR 1,000	2014	2013
Trade receivables	0	8
Other receivables	269	47
Prepayments and accrued income	811	864
Receivables from Group companies		
Loan receivables	26,443	95,963
Trade receivables	263	357
Other receivables	4,232	71
Prepayments and accrued income	20,000	20,000
Total	**52,017**	**117,309**
of which interest-bearing	26,443	95,963

Prepayments and accrued income

EUR 1,000	2014	2013
of staff expenses	9	8
of other operating expenses	187	158
of finance	616	676
of taxes	0	23
Total	**811**	**864**

Prepayments and accrued income from Group companies

EUR 1,000	2014	2013
of financial items	20,000	20,000
Total	**20,000**	**20,000**

12. Equity

Restricted equity

EUR 1,000	2014	2013
Share capital 1.1.	6,218	6,191
Increase in share capital	0	27
Share capital 31.12.	**6,218**	**6,218**
Share premium account 1.1.	11,282	10,606
Increase in share premium account	0	675
Share premium account 31.12.	**11,282**	**11,282**
Restricted equity, total	**17,500**	**17,500**

Distributable equity

EUR 1,000	2014	2013
Invested non-restricted equity fund 1.1.	68,673	22,367
Increase in invested non-restricted equity fund	422	46,306
Invested non-restricted equity fund 31.12.	**69,094**	**68,673**
Retained earnings 1.1.	70,303	63,842
Dividends paid	–16,760	–15,122
Retained earnings 31.12.	**53,543**	**48,720**
Profit for the financial year	–9,939	21,583
Distributable equity 31.12.	**112,698**	**138,975**
Total equity	**130,198**	**156,475**

Statement of distributable funds

EUR 1,000	2014	2013
Retained earnings	53,543	48,720
Profit for the financial year	–9,939	21,583
Invested non-restricted equity fund	69,094	68,673
Total	**112,697**	**138,974**

13. Non-Current Liabilities

EUR 1,000	2014	2013
Bond	99,377	99,523
Total non-current liabilities	**99,377**	**99,523**
of which interest-bearing	99,377	99,523
Loans falling due later than five years:		
Bond	99,377	99,523
Total	**99,377**	**99,523**

14. Current Liabilities

EUR 1,000	2014	2013
Trade payables	1,169	592
Advances received	54	0
Accruals and deferred income	10,897	2,487
Other liabilities	78	69
To Group companies		
Trade payables	6	8
Accruals and deferred income	55	0
Other liabilities	25,562	88,000
Total	**37,820**	**91,156**
of which interest-bearing	25,562	88,000

Accruals and deferred income

EUR 1,000	2014	2013
from staff expenses	929	638
from other operating expenses	26	112
from financial items	1,668	1,737
from taxes	8,274	0
Total	**10,897**	**2,487**

Other liabilities

EUR 1,000	2014	2013
from staff expenses	72	3
from other operating expenses	5	0
from taxes	0	66
Total	**78**	**69**

Accruals and deferred income to Group companies

EUR 1,000	2014	2013
from other operating expenses	55	0
Total	**55**	**0**

Other liabilities to Group companies

EUR 1,000	2014	2013
Liabilities to Group companies	25,562	88,000
Total	**25,562**	**88,000**

15. Commitments and Other Obligations

Other liabilities

EUR 1,000	2014	2013
Given on behalf of other Group companies	876	551
Total	**876**	**551**

Lease obligations related to current premises

EUR 1,000	2014	2013
For the current financial period	259	310
Falling due at a later date	186	341
Total	**445**	**651**

Other lease obligations

EUR 1,000	2014	2013
For the current financial period	6	18
Falling due at a later time	0	56
Total	**6**	**74**

Derivative obligations

EUR 1,000	2014	2013
Raw material derivatives		
Nominal value	3,708	8,056
Fair value	–42	–19
Interest rate swaps		
Nominal value	50,000	75,000
Fair value	2,040	255

Board of Directors´ Proposal for Profit Distribution and Signatures

The parent company´s distributable funds are EUR 112,697,268, of which EUR 43,603,851 is distributable as dividends, including the net profit (loss) for the financial year EUR –9,938,703. There are 23,975,504 shares with dividend rights.

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

- A dividend of EUR 0.70 per share be paid, totalling	EUR 16,782,852.80
- The remaining be retained in shareholders´ equity	EUR 95,914,415.20
Total	EUR 112,697,268.00

The record date for the dividend payout is 7 April 2015 and the payment date is 14 April 2015.

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, 11 February 2015.

Matti Ruotsala
Chairman of the Board.

Reinhard Buhl
Board Member

Wolfgang Diez
Board Member

Shemaya Levy
Board Member

Mingming Liu
Board Member

Robert J. Remenar
Board Member

Jyrki Tähtinen
Board Member

Matti Hyytiäinen
President & CEO

Auditor's Report

To the Annual General Meeting of PKC Group Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of PKC Group Plc for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

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

Auditor's responsibility

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

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

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

Opinion on the consolidated financial statements

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

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

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

Other opinions

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

Helsinki, February 11, 2015
KPMG Oy Ab

Virpi Halonen
Authorized Public Accountant

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.cg-finland.fi. The company's Corporate Governance Guidelines and a regularly updated report on corporate governance are published on the company's website.

Deviations from the guidelines

There were no deviations.

GENERAL MEETING OF SHAREHOLDERS

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

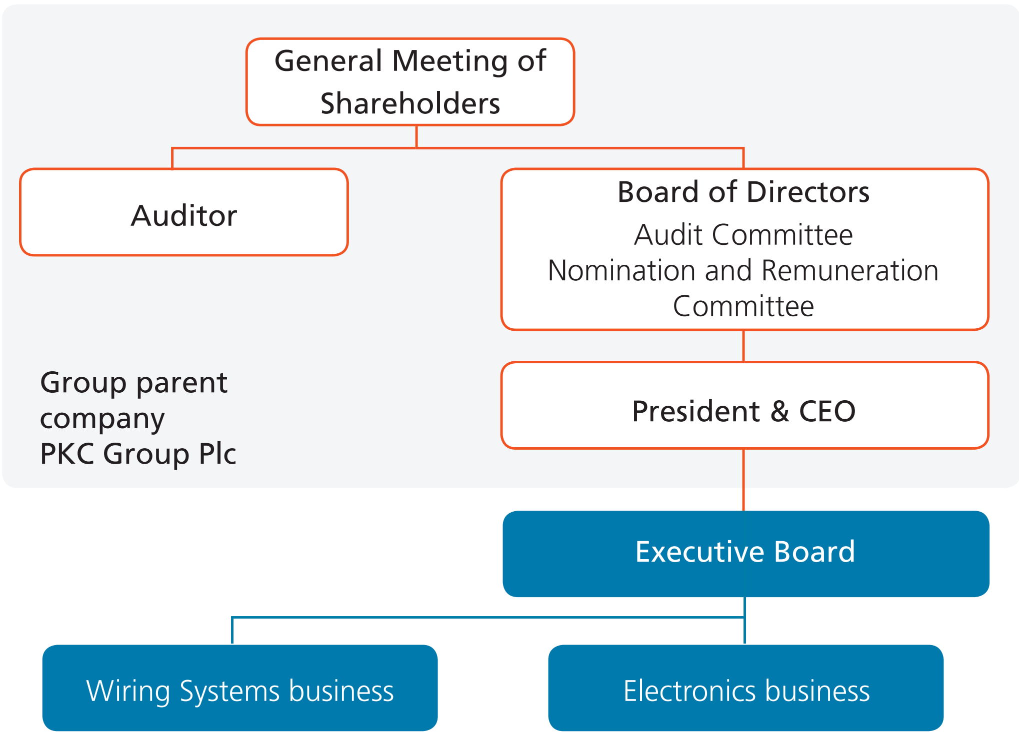
The Annual General Meeting is held, upon completion of the financial statements, on the day specified by the Board of Directors, no later than the end of June, at the company's domicile in Helsinki.

At the Annual General Meeting, matters relating to the meeting are dealt with in accordance with the Articles of Association as are any other proposals to the meeting. Moreover, the company can, if necessary, call an Extraordinary General Meeting. A shareholder has the right to have a matter handled by the general meeting, if it is relevant to the meeting according to the Companies' Act and if the shareholder notifies the Board in writing well in advance of the meeting so that the matter can be added to the notice of the meeting. According to the PKC's Articles of Association, Invitation to the General Meeting shall be published on the Company´s Internet pages no more than three (3) months and no less than three (3) weeks prior to the meeting.

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

In 2014, the Annual General Meeting was held in Helsinki on 3 April 2014.

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

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

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

The Board independently evaluates, on an annual basis, 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 2014, the Annual General Meeting elected seven people to the Board. Wolfgang Diez, Shemaya Levy, Robert Remenar, Matti Ruotsala and Jyrki Tähtinen were re-elected as Board members and Reinhard Buhl and Mingming Liu were elected as new Board members. After the 2014 Annual General Meeting, the Board of Directors elected Matti Ruotsala Chairman and Robert Remenar Vice Chairman.

Meetings of the Board in 2014

On average, the Board meets on a monthly basis and also on other occasions as necessary. In 2014, the Board held 13 meetings, of which 7 were telephone meetings, in addition to which one decision minutes were drafted without holding a meeting.

Attendance of Board members at the meetings

	meetings	attendance %
Reinhard Buhl [1)]	9/9	100
Wolfgang Diez	11/13	85
Outi Lampela [2)]	4/4	100
Shemaya Levy	13/13	100
Mingming Liu [1)]	9/9	100
Robert Remenar	13/13	100
Matti Ruotsala	12/13	92
Harri Suutari [2)]	4/4	100
Jyrki Tähtinen	13/13	100
Average attendance		**97**

[1)] Buhl and Liu Board members as of 3.4.2014

[2)] Lampela and Suutari Board members until 3.4.2014

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 2014, Shemaya Levy was elected as Chairman of the Audit Committee and Wolfgang Diez, Mingming Liu 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 2014

The Audit Committee convenes at least four times a year before publication of the financial results and whenever necessary. In 2014, the Audit Committee held 6 meetings, of which 5 were telephone meetings.

Attendance of Committee members at the meetings

	meetings	attendance %
Wolfgang Diez	6/6	100
Outi Lampela [1]	2/2	100
Shemaya Levy	6/6	100
Mingming Liu [2]	4/4	100
Jyrki Tähtinen	6/6	100
Average attendance		**100**

[1] Lampela Committee member until 3.4.2014

[2] Liu Committee member as of 3.4.2014

Nomination and Remuneration Committee

Nomination and Remuneration Committee assists the Board by concentrating on matters pertaining to the nomination and remuneration of Board members, the appointment and 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 2014, Matti Ruotsala was elected as Chairman of the Committee and Reinhard Buhl and Robert Remenar 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 2014

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 2014, the Nomination Committee held 4 meetings, of which 3 were telephone meeting in addition to which 1 decision minutes were drafted without holding a meeting.

Attendance of Committee members at the meetings

	meetings	attendance %
Reinhard Buhl [1]	3/3	100
Robert Remenar	4/4	100
Matti Ruotsala	3/4	75
Harri Suutari [2]	1/1	100
Average attendance		**94**

[1] Buhl Committee member as of 3.4.2014

[2] Suutari Committee member until 3.4.2014

PRESIDENT AND EXECUTIVE BOARD

President

The Board appoints the company's President, who is also the Group CEO. The President supervises the operations and administration of the whole group in accordance with the Companies' Act, the Articles of Association, the directions of the Board as well as the company's Corporate Governance Guidelines and other internal guidelines. The President's service contract has been prepared in writing and shall remain valid until further notice. The President operates as the Chairman of the Executive Board. The company´s President & CEO since April 4, 2012 has been Matti Hyytiäinen. In 2013, President & CEO Matti Hyytiäinen has relocated to Hong Kong on an interim basis in order to further grow Group's business in Asia and China.

Executive Board

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

ORGANISATION OF THE BUSINESS AND GROUP COMPANIES

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

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

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

AUDIT

The Annual General Meeting elects an auditor approved by the Finnish Central Chamber of Commerce as the company's auditor. In 2014, 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 Helsinki. The company's public insider register includes the President & CEO, the deputy CEO, Board members, the auditor and the employee of the authorized public accounting firm with the main responsibility for the audit. In addition, the company has defined the members of the Group Executive Board as persons subject to the disclosure requirement under the public insider register. The company's public insider register has been presented in its entirety on the company's website. The company's internal, non-public, company-specific insiders include persons who regularly handle insider information during the performance of their duties. When major projects are on-going, project-specific insider registers are also used.

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

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

Control environment

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

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

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

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

The Audit Committee monitors financial reporting process.

Internal control

The Board is responsible for internal control and Board's Audit Committee is responsible for monitoring the efficiency of the company´s internal control, internal audit, and risk management systems. The Board shall ensure that the company has determined operating principles for internal control and that the company monitors the effectiveness of control procedures. Moreover, it shall ensure that planning, information and control systems used for risk management are sufficient and support the business objectives. The Board of PKC Group Plc has approved the group-wide internal control guidelines and the Treasury Policy. The President and the CFO are responsible for the practical arrangement of control procedures.

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

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

Internal control is an essential part of all Group operations at all levels of the organisation. Control procedures are carried out at all levels and in all functions of the whole organisation. The internal control processes include internal guidelines, reporting, various technical systems and procedures relating to operations. They help ensure that management directives are followed and that there is an appropriate response to risks that threaten achievement of the Group's objectives. The daily tasks include management reviews and audits and operational reviews and audits, carrying out checks that are suitable for each line of business, physical controls, monitoring compliance with agreed acceptance limits and operating principles and monitoring of deviations, a system of approvals and mandates, and various checks and reconciliation arrangements.

PKC Group has established a separate internal audit organization. It started its operation in the second half of 2014. The purpose of Internal Audit is to provide independent, objective assurance and consulting services that are designed to add value and improve PKC Group's operations. Internal Audit work is expected to cover risks that threaten PKC Group's strategic, operational, compliance and reporting related objectives. By bringing a systematic, disciplined and objective approach Internal Audit helps PKC Group to improve the effectiveness of governance, risk management and control processes. Internal audit work supports the achievement of the defined objectives. Internal Audit has complete and unrestricted access to all PKC activities. In order to ensure the independence of the Internal Audit, Internal Audit reports to the Audit Committee and administratively to the Group CFO. Internal Audit conducts regular audits at plants, subsidiaries and other functions, implementing an annual audit plan approved by the Audit Committee, including any special tasks requested by the management and Audit Committee. All noteworthy internal audit findings are discussed between Internal Audit and Quality & Risk management organizations. Internal Audit Plan is also coordinated with external auditor.

Risk management and evaluation of risks

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

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

Group Parent Company PKC Group Plc

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

Executive Board

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

Business Units and Subsidiaries

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

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

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

In 2014, special attention has been paid to the development of financial reporting on improving the reporting of variances and analysis of variances between actual and forecasted profit and balance sheet. Development of treasury and tax related reporting has also continued during 2014. In addition, group level chart of accounts, cost centre structure and personnel reporting as well as monthly closing process and guidelines related thereto were developed and reporting schedule was accelerated.

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.

Information and communication

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

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

Monitoring

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

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.)
- Chief Operating Officer and Deputy to CEO, Fortum Corporation
- Previously Executive Vice President, Fortum Corporation Power Division (2009–2013), 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.

Reinhard Buhl (b. 1952)

- Member of the Nomination and Remuneration Committee
- Member of the Board of Directors from 2014
- M.Sc. (Mechanical Engineering)
- Member of the Board of Management, ZF Friedrichshafen AG
- Previously ZF Group Car Chassis Technology Division Group Executive, ZF Lemförder GmbH (2004–2011), Car Chassis Technology Executive Vice President, ZF Lemförder Fahrwerktechnik GmbH (2003–2004), General Manager and Head of Business Unit Commercial Vehicle Axle Systems of Off-Road Driveline Technology and Axle Systems Division, ZF Passau GmbH (2000–2003), Deputy Group Vice President and Member of the Management Team and Head of Development Steering/Chassis Components Passenger Cars, ZF Lemförder Fahrwerktechnik GmbH & Co. KG (1996–2000), before that several executive and managerial positions within Lemförder Metallwaren Jürgen Ulderup AG & Co.
- Member of the Board of Trustees, Foundation for Applied Sciences Osnabrück, Member of the Board of Trustees, Dr. Jürgen and Irmgard Ulderup Foundation.
- Independent of Company and of its significant shareholders.

Wolfgang Diez (b. 1953)

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

Shemaya Levy (b. 1947)

- Chairman of the Audit Committee
- Member of the Board of Directors from 2012
- Graduate of ENSAE (Ecole Nationale de la Statistique et de l´Administration Economique)
- Board professional
- Previously Executive Vice-President and CFO of the RENAULT Group (1998–2004), Chairman and CEO of the RENAULT V.I. Group (1994–1998), COO of RENAULT V.I., in charge of the European Branch (1991–1994), before that in other marketing, sales and managerial positions within RENAULT Group since 1972.
- Member of the Supervisory Board and Nomination Committee and Chairman of the Risk 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.
- Independent of the company and of significant shareholders.

Mingming Liu (b. 1951)

- Member of the Audit Committee
- Member of the Board of Directors since 2014
- C-MBA
- Executive Representative of Voith Asia
- Previously President and CEO, Voith Paper Asia (2009–2014), President, Voith Paper China (2002–2009), Chief Representative, Voith Paper China (1998–2002), General Manager, Sino German joint venture Yunnan Hongta Blue Eagle (1994–1998), Director, Sales and Marketing, Beijing Sitong Computer Software Company (1987–1989).
- Member of the Executive Board of Directors of Voith Industrial Service China, Member of Board of Directors of German Chamber of Commerce China, Shanghai
- Independent of Company and of its significant shareholders.

Robert J. Remenar (b. 1955)

- Vice-Chairman of the Board of Directors since 2013
- Member of the Nomination and Remuneration Committee
- Member of the Board of Directors from 2012
- Master’s Degree - Business and Professional Accountancy
- Consultant and Advisor
- Previously President & CEO of Chassix Inc. (2012–2014), 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 diverse executive positions within Delphi since 1998 and several executive and managerial positions within General Motors since 1985.
- Member of the Advisory Board, Current Capital LLC, 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.

Jyrki Tähtinen (b. 1961)

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

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).
- Vice-Chairman of the Board of Directors at Kemppi Oy.

Jyrki Keronen (b. 1966)

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

Jani Kiljala (b. 1975)

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

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).

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 2014, the annual remuneration payable to the members of the Board of Directors is as follows:

- the annual remuneration payable to the members of the Board of Directors to be elected for a term of office ending at the end of the next Annual General Meeting shall be the following: Chairman EUR 60,000, Vice Chairman EUR 45,000 and other Board members EUR 30,000
- the Chairmen of the Board Committees shall be paid an additional annual remuneration of EUR 10,000 and the other Committee members EUR 5,000
- the meeting fee for attending the Board and Committee meetings shall be the following: Chairmen EUR 1,200 per meeting, and other members EUR 800 per meeting. The meeting fees will be doubled in case member physically participates in a meeting held in a country, where member is not resident. No meeting fee shall be paid for the decision minutes drafted without holding a meeting.
- In addition, the travel and accommodation expenses related to the board and committee meetings shall be paid.

Other benefits

The Chairman or the members of the Board of Directors are not in employment relationship or have service contract with company or its subsidiaries. The Board of Directors is not included in the company's stock option schemes. The company has not otherwise granted shares or other share related rights as compensation to the Board of Directors. The company does not pay Board members fees on any other basis or grant them loans or give guarantees on their behalf.

PRESIDENT AND EXECUTIVE BOARD

President

The Board of Directors decides on the salary and other benefits of the President. The President is included in the management's bonus system, with the annual bonus being a maximum of six months' salary, depending on the achievement of the objectives set annually. The President's service contract has provision for a notice period of three (3) months on the President's part and six (6) months on the company's part, in addition to which Matti Hyytiäinen's service contract has provision of severance payment of twelve months salary. The retirement age is statutory and no voluntary pension insurance policies have been taken.

The President is included in the company's stock option schemes. The President has not otherwise been granted shares or other share related rights as compensation.

Executive Board

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

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

Short-term Remuneration – Bonus System

The Group has in force a result based bonus system approved by the Board of Directors, the purpose of which is to reward achievement of strategic objectives and to offer competitive incentive scheme for personnel. The principles, terms and conditions, earnings criteria, maximum and minimum limits of targeted yield levels and persons included in the system are confirmed annually by the Board. For year 2014, the result criteria were business unit specific EBITDA and cash flow targets. Within the target ranges, bonuses were determined linearly. Group management and key personnel, and also white and blue collar employees in Finland, are included in the system. The members of the Executive Board are included in the management's bonus system. The limit of the annual bonus is predominantly maximum of six months' salary, depending on the achievement of the objectives set annually. The system's earning period is the financial year.

Long-term Remuneration – Stock Option Schemes

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

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

Options 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 Nasdaq Helsinki with dividend adjustments as defined in the stock option terms.

The share subscription period for 2009A warrants has ended 30 April 2014. During the share subscription period a total 195,500 shares were subscribed and 4,500 warrants remained unused.

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 Nasdaq Helsinki, as defined in the stock option terms.

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

Release criteria for 2012 A (ii) options:

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

Release criteria for 2012 B (ii) options:

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

Release criteria for 2012 C (ii) options:

- The share subscription period with 2012 C (ii) options begins only if EBITDA for years 2014–2016 is cumulatively at least EUR 180 million. The effect of M&As and other restructurings as well as exceptional changes in macro-economy shall be taken into account in the calculation.
- If the above-mentioned prerequisite does not fulfill, stock options expire based on the consideration and in the extent and manner decided by the Board of Directors and the terms of the stock options.
- 2012 C (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 2014, the Annual General Meeting resolved to pay auditor's fees and travel expenses in accordance with a reasonable invoice.

The remuneration per term resolved by the Annual General Meeting in years 2012–2014, EUR

	2014	2013	2012
Annual remuneration			
Chairman of the Board	60,000	60,000	60,000
Vice Chairman of the Board	45,000	45,000	45,000
Member of the Board	30,000	30,000	30,000
Chairman of the Audit Committee	10,000	10,000	5,000
Member of the Audit Committee	5,000	5,000	5,000
Chairman of Nomination and Remuneration Committee	10,000	10,000	-
Member of Nomination and Remuneration Committee	5,000	5,000	-
Attendance fees			
Chairman	1,200	1,200	1,200
Other members	800	800	800

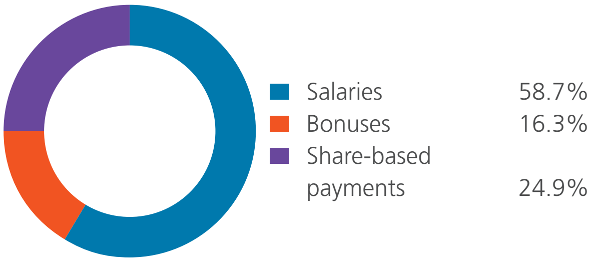
(Attendance fee for Committee work since 3 April 2014)

Remuneration paid to Board Members for Board and Committee work, EUR 1,000

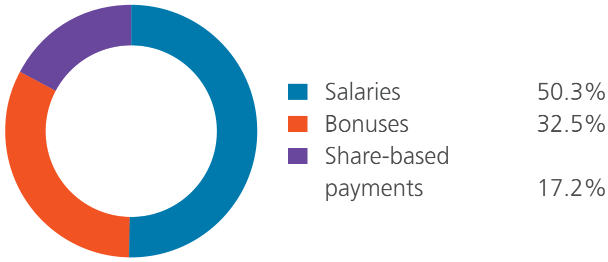
	Remuneration for Board work		Remuneration for Audit Committee work		Remuneration for Nomination and Remuneration Committee work		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Andres Allikmäe [1]	-	10	-	1	-	-	-	11
Reinhard Buhl [2] [8]	34	-	-	-	4	-	37	-
Wolfgang Diez [3] [7]	44	34	5	4	-	-	49	37
Outi Lampela [4]	12	41	1	5	-	-	13	46
Shemaya Levy [7]	48	41	10	9	-	-	58	50
Mingming Liu [2] [7]	35	-	4	-	-	-	38	-
Robert J. Remenar [5] [8]	62	54	-	-	5	4	67	58
Matti Ruotsala [6] [8]	82	76	-	-	10	8	92	83
Harri Suutari [4]	12	45	-	-	1	4	13	49
Jyrki Tähtinen [7]	45	40	5	5	-	-	50	45
Salaries and other current employee benefits	-	319						

[1] Until 4 April 2013
[2] Since 3 April 2014
[3] Since 4 April 2013
[4] Until 3 April 2014
[5] Vice Chairman of the Board
[6] Chairman of the Board
[7] Levy Chairman of the Audit Committee, Diez, Liu and Tähtinen members
[8] Ruotsala Chairman of Nomination and Remuneration Committee, Buhl and Remenar members

Division of remuneration paid to the President 2014



Division of remuneration paid to other Executive Board members 2014



Salaries and bonuses paid to the President and other Executive Board Members, EUR 1,000

	Salaries		Bonuses		Share-based payments		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Matti Hyytiäinen	485	449	135	67	206	509	826	1,026
Other Executive Board	1,378	2,312	889	813	470	654	2,737	3,779

Options granted to the President and other Executive Board members in 2014

	2012A	2012B	2012C
Matti Hyytiäinen	10,000	6,000	14,000
Other Executive Board	20,000	14,000	53,500

Options held by the President and other Executive Board members on 31 December 2014

	2009B	2009C	2012A	2012B	2012C
Matti Hyytiäinen	-	60,000	40,000	36,000	14,000
Other Executive Board	15,133	40,000	92,500	97,000	53,500
Total	15,133	100,000	132,500	133,000	67,500

Share ownership by the Board of Directors and Executive Board on 31 December 2014 is presented in the Financial Statements in the Shares and Shareholders section.

Fees paid to the Auditor, EUR 1,000

	Audit		Certificates and statements		Tax services		Other services		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
KPMG Oy Ab	527	481	1	1	143	67	727	226	1,398	775

Risk Management

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

Development of risk management

Development of risk management is primarily based on PKC's own business needs. PKC develops its processes and its personnel's know-how in order to prevent risks from materialising. Risk management is an essential component of internal control that is described in the Corporate Governance Statement. A decision to establish Internal Audit function to improve Group's overall corporate governance and internal controls globally was made in 2013. Internal Audit started its operations in 2014. Close co-operation between Internal Audit and Risk Management functions enables further strengthening of PKC's risk management activities. PKC risk management along with related processes and practices are being developed on a continuous basis. Risk management is also an integral part of project operations. The risks associated with projects are monitored continuously, and rapid reaction to changing situations is ensured. Risks and their management methods can be perused on the Group's website, in the Corporate Governance guidelines.

KEY RISKS

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

STRATEGIC RISKS

Successful implementation of the strategy is a significant factor in the continuity of the business operations. Management of strategic risks is an essential part of comprehensive risk management, and all strategically important projects are assessed on a case-by-case basis using a separate project risk analysis model. Failure of executing PKC's strategy or failure of the strategy itself may adversely affect PKC's growth prospects and profitability in the future. A slowdown in the global commercial vehicle industry can affect business volumes which in turn can adversely affect PKC's financial condition, results of operations and future prospects.

OPERATIONAL RISKS

Political, cultural and legislative risks

PKC Group's production is spread out over a wide geographical area, as is that of PKC's main customers. Relatively high share of PKC's production is located in countries with history of political, regulatory or economic instability. Unfavourable political, economic or legislative changes may impair PKC's operations in some countries. PKC has to comply with a wide variety of laws and regulations, most notably increasing regulations restricting competitive trading conditions, health and safety regulations, environmental regulations, labour regulations, competition regulations and corporate and tax laws. Furthermore, PKC's profitability may be burdened by high inflation of salaries and wages in emerging countries. Also the labour union legislation, practices and the high bargaining power of labour unions may adversely affect PKC's operations. The risk connected with emerging countries is reduced by decentralising production across different countries, by complying very diligently with each country's legislation, through functional co-operation networks, and by means of continuity plans. Russia country risk due to the Ukraine crisis has increased but it does not currently have impact on PKC's operations in Russia. PKC monitors the situation continuously as part of the risk management activities.

Operational environment risks and business fluctuations

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

Market and customer risks

As a result of corporate acquisitions, the Group's customer base has expanded and the effects of changes in the economic conditions of individual market areas have diminished in comparison with the past. On the other hand, the consolidation of the customer base and changes in customers' relative market shares and sourcing strategies may affect demand of PKC's products. Penetration into the APAC market according to PKC's strategy creates new opportunities and potential to further expand the current customer base. The expansion of the service and product concept creates the opportunity to deepen customer relations.

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

Purchasing and logistics risks

Raw materials account for an important share in the overall costs of end products, and trends in the world economy impact on the prices and availability of raw materials. Risks related to copper prices can be hedged through purchasing agreements, raw material futures and options, and sales agreements.

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

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

Liability risks

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

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

Quality and environmental risks

Investment in the quality of products and operations is a cornerstone of, and an absolute precondition for, the company's operations. Potential quality risks affecting customers' operations can be eliminated through the systematic and continuous development of the quality of products and operations as well as having certified ISO9001 and automotive industry specific ISO/TS 16949 quality management systems in place at manufacturing locations. Particular attention is paid to ensuring quality throughout the whole order-delivery chain when launching new units and products, as well as transferring production.

Although the environmental impact of its business operations is not significant, the Group strives to continuously minimise such effects by, for instance, recycling materials, minimising material loss, localising production and developing the energy efficiency of production plants. Environmental impact and risks are annually assessed according to the environmental management system ISO14001 and local legal requirements and by the Group's management.

Personnel and corporate safety risks

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

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

The state of the work environment and its development are monitored at Group level using the 5S 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 locations, 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.

Contact Information

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PKC GROUP

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