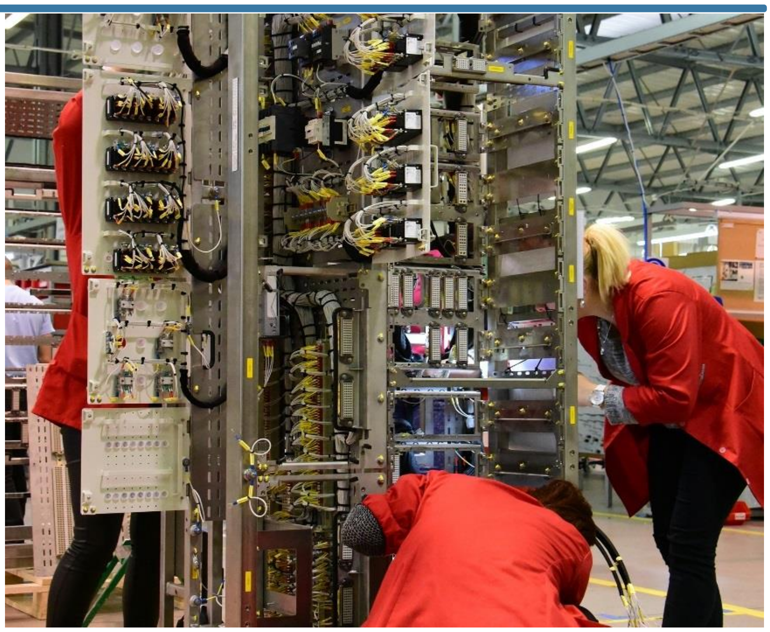
Financial Statements 2016

PKC GROUP

Content

Report by the Board of Directors

Review by the President & CEO

In the financial year 2016, PKC achieved the set operational targets. Revenue from the company's continuing business operations remained at the level of the previous year at 846 EUR million (847 EUR million), whilst its comparable EBITDA from continuing business operations increased to 64 EUR million (59 EUR million).

The key projects in the 2016 financial year focused on the implementation of our growth strategy.

- The rolling stock business acquired in 2015 was successfully integrated as part of PKC. The rolling stock business began strongly profitable growth during the financial year, one sign of which was the global framework agreement concluded with Bombardier Transportation.
- Expansion into the Chinese truck market made progress. Together with PKC's Chinese team, the management of the Huakai-PKC joint venture that began operations in 2015 demonstrated excellent skill in combining PKC's production expertise with the requirements of Huakai's customers. The result was profitable and growing business. During the financial year, we established a joint venture with the JAC Group of China. This joint venture is expected to start operations by the end of Q2/17.
- In Europe, the reorganisation of plants and production reached a conclusion by the end of the financial year. PKC now has at its disposal a competitive and modern production network to serve the needs of its customers.

PKC's market position remained strong in all product and geographical areas of operation throughout the financial year. This achievement would not have been possible without the excellent professional skill of PKC's personnel. For this I would like to express my warmest thanks to all those working at PKC.

In 2017, we expect the market environment to be fluctuating. The production of trucks in North America is forecast to decline further. In Europe, production volumes are expected to remain the same. With regard to the Brazilian market, we are cautious and we believe that production volumes will remain at the level of the previous year. In China, truck production is expected to remain on the same level but, from PKC's point of view, what is essential is the continued rise in average prices brought about by increasing complexity of electrical distribution systems. The rolling stock market is expected to grow, and the order books of PKC's rolling stock customers are on a good level.

In January 2017 Motherson Sumi Systems Limited published voluntary public tender offer for all PKC shares and option rights. By combining both companies the target is to create world leading wiring harness and component company to serve transportation industry. This is exciting development for our company and employees, offering us new opportunities in many areas.

Key figures (from continuing operations unless otherwise noted)

EUR 1,000 (unless otherwise noted)	2016	2015	Change %
Revenue	845,672	847,338	-0.2
Comparable EBITDA	64,357	59,528	8.1
% of revenue	7.6	7.0	
Comparable EBITA	42,504	39,361	8.0
% of revenue	5.0	4.6	
Comparable operating profit	31,890	29,012	9.9
% of revenue	3.8	3.4	
Items affecting comparability	-5,353	-8,782	
Operating profit (loss)	26,537	20,230	31.2
% of revenue	3.1	2.4	
Profit (loss) before taxes	20,588	16,860	22.1
Net profit (loss) for the report period	12,235	5,873	108.3
Earnings per share (EPS), EUR	0.43	0.23	87.0
Net cash from operating activities[1)]	35,464	14,813	139.4
Return on capital employed (ROCE)[1)], %	9.7	9.9	
Gearing[1)], %	30.2	31.4	
Personnel in average	21,277	20,214	5.3

[1)] figures of 2015 include assets and liabilities of discontinued operations

Operating environment

Majority of PKC Group's key customers operate in the commercial vehicle industry which products are investment goods and as such their demand is highly correlated to the general economic development. Economic activity in North America has underperformed somewhat in 2016 and the anticipated interest rate increases were postponed from earlier expectations. The modest growth of the European economy has continued despite the UK referendum decision to exit the EU. The European Central Bank's quantitative easing, lower oil prices and increased export competitiveness have supported the economic activity. In Brazil and Russia, the economies continue to be in a recession even though the potential for a slow turnaround has increased. Growth in China has continued at a level expected.

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 2016, PKC's regional market shares in truck production fluctuated somewhat from quarter to quarter. The largest market share fluctuation in 2016 occurred in the North American heavy duty truck market (60%-62%) and medium duty truck market (31%-32%). In Brazilian and European truck markets the market share development was relatively stable during 2016. Since the end of third quarter 2015 PKC's market share in China heavy duty truck market has been between 8-10% after the set-up of joint venture in China with Jiangsu Huakai Wire Harness Co. Ltd.

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

Vehicle production, units	7-12/2016	7-12/2015	Change %	1-12/2016	1-12/2015	Change %
North America						
Heavy duty trucks	100,792	155,564	-35.2%	228,090	323,634	-29.5%
Medium duty trucks	108,679	121,606	-10.6%	241,161	239,302	0.8%
Light vehicles (Pick-up & SUV)	5,012,993	4,779,497	4.9%	10,062,683	9,476,533	6.2%
Europe						
Heavy duty trucks	193,955	189,988	2.1%	381,379	359,507	6.1%
Medium duty trucks	42,861	35,328	21.3%	84,209	68,008	23.8%
Brazil						
Heavy duty trucks	19,872	20,427	-2.7%	39,530	48,001	-17.6%
Medium duty trucks	8,006	10,913	-26.6%	18,327	24,473	-25.1%
China						
Heavy duty trucks	375,773	238,606	57.5%	715,690	536,089	33.5%
Medium duty trucks	110,732	110,889	-0.1%	219,078	204,029	7.4%

Source: LMC Automotive Q4/2016

European truck demand has continued to recover in 2016 approaching normal long-term replacement level. European truck production volumes include also export volumes to EMEA, e.g. Russia, which have been on a low level, however. In North America, the demand for heavy duty trucks has decreased significantly after the highest production volume for ten years in 2015. The heavy duty truck industry order intake was on a very low level during the reporting period. The heavy duty truck demand has been reduced due to slow-down in manufacturing, oil and gas industries and the production volumes have also been reduced due to inventory reductions and large supply of second hand trucks. In Brazil the weak economic situation continued to have a strong negative impact on the demand for trucks. In China economic situation has stabilized and truck production has grown partly due to market adjusting itself into new emission standards. Furthermore, new overloading restrictions were introduced which increased the truck demand further in China during the fourth quarter. The demand for the rolling stock has continued to grow steadily.

Revenue and profitability from continuing operations

Revenue in January-December amounted to EUR 845.7 million (EUR 847.3 million), down 0.2% on the same period a year earlier. The changes in consolidation exchange rates had no material effect on the consolidated revenue. Since the beginning of July of 2015 consolidated Group revenue also includes the acquired Groclin's Wiring & Controls business, including Polish Kabel-Technik-Polska Sp. z o.o. which increased January-June revenue by +9% compared to same period a year earlier. The Chinese joint venture, Jiangsu Huakai-PKC Wire Harness Co., Ltd., began operations close to the end of September 2015, and its impact to January-September was +5% compared to same period a year earlier.

The January-December comparable EBITDA before items affecting comparability was EUR 64.4 million (EUR 59.5 million) and 7.6% (7.0%) of revenue. During the financial year items affecting the comparability amounted to EUR -5.4 million (EUR -8.8 million). Items affecting comparability in 2016 consist mainly of expenses related to adjusting North American organisation and production capacity to medium term outlook. In the comparison period, items affecting the comparability consisted of restructuring expenses related to the closure of Curitiba (Brazil) factory and expenses related to Group's strategic reorganisation.

The comparable EBITDA was improved by better productivity in Europe which improved due to production arrangements as well as by increased production in China and in the rolling stock segment. The profitability in Brazil continued to improve even though it was still negative on a full year level. On the other hand, profitability in North America declined, owing to lower production volumes and an unfavourable product mix. In North America there was a negative impact stemming from extra ramp-down and ramp-up expenses of a light vehicle program in the third quarter which resulted in additional net costs of about EUR 4.5 million. Approximately EUR 2.5 million of these additional costs were recovered during the fourth quarter. January-December operating profit before items affecting comparability and PPA depreciation and amortisation related to acquisitions totalled EUR 42.5 million (EUR 39.4 million), accounting for 5.0% of revenue (4.6%).

January-December Group depreciation, amortisation and impairment losses amounted to EUR 32.6 million (EUR 31.3 million). Excluding PPA related depreciation and amortisation, and impairment losses it amounted to EUR 21.9 million (EUR 20.2 million).

During January-December the Group's operating profit totalled EUR 26.5 million (EUR 20.2 million), accounting for 3.1% of revenue (2.4%).

Financial items and net profit from continuing operations

Financial items were EUR -6.0 million (EUR -3.4 million) during January-December. Financial items include foreign exchange differences totalling EUR -1.5 million (EUR 0.9 million) during January-December. Excluding foreign exchange differences the financial items were close to previous year level.

Profit before taxes during January-December was EUR 20.6 million (EUR 16.9 million). Income tax in January-December amounted to EUR 8.4 million (EUR 11.0 million). Especially in the comparison period the effective tax rate was impacted by PKC Group's high exposure to North America where the tax rates are higher and by operating losses, including restructuring expenses' impact, in Brazil, whereby no deferred tax assets are currently recognised. Net profit for the financial year totalled EUR 12.2 million (EUR 5.9 million). January-December earnings per share were EUR 0.43 (EUR 0.23).

Cash flow, financial position and financing

During January-December net cash from operating activities from continuing operations was EUR 35.5 million (EUR 14.8 million including discontinued operations) and cash flow after investments from continuing operations was EUR 17.0 million (EUR -23.4 million including discontinued operations). During the reporting period, net cash from operating activities was seasonally impacted by the increase of working capital until the year end when working capital typically is at its lowest level around the year end production shut-down period.

Working capital (inventories, trade receivables and trade payables) decreased from the end of previous year by EUR 2.8 million amounting to EUR 89.9 million at the end December. Total net working capital (including all current non-interest bearing items) at the end of December was EUR 40.8 million (EUR 55.1 million a year earlier). Total net working capital decreased EUR 14.3 million during January-December, while in the comparison period the increase was EUR 28.9 million. Working capital and net working capital figures of comparison periods include discontinued operations. Total net working capital includes the impact of EUR 7.9 million tax liability related to a tax reassessment decision in Finland recorded originally in the third quarter of 2014. Furthermore, total net working capital was reduced during the fourth quarter due to a call option liability (related to the acquisition of Groclin's Wiring & Controls business, including Kabel-Technik-Polska Sp. z o. o ("KTP") in Poland) becoming a short-term liability. The structure of working capital in the acquired rolling stock business and the in the Chinese joint venture is different than rest of the Group.

During January-December, the Group's gross capital expenditure into continuing operations totalled EUR 24.5 million (EUR 36.9 million), representing 2.9% of revenue (4.4%). Gross capital expenditure is geographically divided as follows: North America 46.9% (18.6%), Europe 39.5% (77.1%), APAC 6.8% (2.9%) and South America 4.2% (1.5%). The capital expenditure consisted of regular maintenance investments into production machinery and equipment during the report period. During the comparison period the total capital expenditure includes the impact of acquisition in the amount of EUR 22.5 million.

At the end of financial year cash and cash equivalents amounted to EUR 130.1 million (EUR 118.3 million) and interest-bearing liabilities totalled EUR 176.6 million (EUR 167.7 million). Interest-bearing liabilities consisted of non-current interest-bearing debt of EUR 141.3 million and current interest-bearing debt of EUR 35.3 million. Current interest-bearing liabilities consist mainly of outstanding commercial papers. PKC Group has a Finnish commercial paper program whereby PKC Group regularly issues short-term notes. In addition, the group has a committed, un-utilized credit facility of EUR 90.0 million. PKC Group selectively utilizes also non-recourse factoring arrangements with some customers. At the end of December the outstanding amount of such arrangements was EUR 27.4 million (EUR 27.7 million) in continuing operations.

The effective average interest rate of the interest-bearing debt including the expenses of the unutilized credit facility was at the close of the financial year 2.8% (2.4%). The change in effective average interest rate is mainly related to terminated interest rate swap. The Group's equity ratio was 27.4% (29.0%). Net interest-bearing liabilities totalled EUR 46.6 million (EUR 49.4 million) and gearing was 30.2% (31.4%).

Discontinued operations

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

In January-December the discontinued operations (Electronics business) revenue was EUR 41.9 million and reported operating loss was EUR -6.4 million including items affecting profitability (earlier non-recurring items). Items affecting comparability were EUR -4.9 million. At the end of the December the discontinued operations (Electronics business) property, plant and equipment was EUR 4.8 million, intangible assets EUR 0.1 million, inventories EUR 8.1 million, trade and other receivables EUR 7.2 million and trade and other payables EUR 10.1 million.

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

Research & development in continuing operations

Research and development costs during January-December totalled EUR 6.0 million (EUR 5.4 million), representing 0.7% (0.6%) of the consolidated revenue. At the end of December 84 (80) people worked in product development, excluding production development and process development personnel.

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

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

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

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

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

Personnel, quality and environment in continuing operations

The Group had an average payroll of 21,920 employees (20,855) including temporary employees during the financial year. At the end of December, the Group's personnel including temporary employees totalled 20,426 employees (21,557), of whom 20,372 (21,496) worked abroad and 54 (61) in Finland. Geographically personnel was divided at the end of the December as follows: North America 48.8% (56.1%), Europe 41.4% (34.8%), South America 5.3% (5.5%) and Asia 4.5% (3.6%). Total amount of financial year's employee benefit expenses was EUR 211.8 million (EUR 218.4) including EUR 5.6 million (EUR 4.9 million) classified as items affecting comparability.

More information about personnel, quality and the environment can be found from the Corporate Responsibility report which will published 14 March 2017 at the latest.

Governance structure

The Annual General Meeting held on 6 April 2016, re-elected Reinhard Buhl, Wolfgang Diez, Shemaya Levy, Mingming Liu, Robert Remenar and Matti Ruotsala as Board members and elected Henrik Lange as new member. 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 Henrik Lange as members. The Board elected Matti Ruotsala as chairman of the Remuneration Committee and Reinhard Buhl and Robert Remenar as members.

The Annual General Meeting resolved, in accordance with Board's proposal, to establish a permanent Shareholders' Nomination Board with the task of preparing the proposals concerning the election and remuneration of the members of the Board of Directors and to adopt the Charter of the Shareholders' Nomination Board. According to the proposal, the Nomination Board shall consist of representatives of the three largest shareholders and the Chairman of the Board of Directors, acting as an expert member. The Nomination Board shall annually submit its proposals to the Board of Directors at the latest on 31 January preceding the Annual General Meeting. On September 1, 2016 the three largest shareholders of PKC Group were Ilmarinen Mutual Pension Insurance Company, Lannebo Fonder AB and Nordea Funds Oy. They have appointed the following representatives to the Nomination Board: Mikko Mursula (Chief Investment Officer at Ilmarinen Mutual Pension Insurance Company), Claes Murander (Fund Manager at Lannebo Fonder until 23 January 2017) and Ted Roberts (Head of Finnish Equities at Nordea Funds). In addition, the Chairman of the PKC Group's Board of Directors Matti Ruotsala serves as an expert member in the Nomination Board.

The Annual General Meeting selected KPMG Oy Ab, which has announced Virpi Halonen, Authorized Public Accountant, to be the Auditor with principal responsibility.

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

Key strategic highlights of 2016

PKC Group divested some light vehicle business and associated assets in North America, which was announced on 24 November 2016.

Bombardier Transportation confirmed 31 October 2016 that PKC Group is to be awarded new rolling stock business contracts. The total value of the business contracts is EUR 280 million.

PKC Group announced 10 August 2016 that it had won new rolling stock business contracts from Bombardier Transportation.

On 10 August 2016 PKC Group announced to adjust its North American organisation and production capacity to medium term demand outlook.

PKC Group signed a global partnership agreement with Bombardier Transportation related to electrical systems deliveries, which was announced on 25 May 2016.

PKC Group announced on 3 May 2016 that it had signed an agreement to start negotiations on creating a joint venture in Electronics business whereby PKC would become a minority shareholder. Electronics business was classified as a non-current asset held for sale and reported as discontinued operations as of 31 March 2016.

PKC Group signed a joint venture contract with a Chinese JAC, which was announced on 29 March 2016.

Events after the financial year

Motherson Sumi Systems Limited's public tender offer

Motherson Sumi Systems Limited launches a voluntary recommended public tender offer for all shares and stock options in PKC Group Plc, which was announced on 19 January 2017. The target is to combine the two companies and create a leading supplier of wiring systems and components for the worldwide transportation industry. The Finnish Financial Supervisory Authority has on 3 February 2017 approved the tender offer document relating to the Tender Offer. The offer period for the Tender Offer will commence on February 6, 2017 at 9:30 a.m. (Finnish time) and expire on March 21, 2017 at 4:00 p.m. (Finnish time), unless the offer period is extended or any extended offer period is discontinued.

The divestment of PKC Electronics business

On 27 January 2017 PKC Group announced the divestment of PKC Electronics to Enics AG. The divestment is expected to be completed during the first quarter of 2017.

Short-term risks and uncertainties

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

Uncertainty related to emerging markets' economic development especially in China, Brazil and Russia has stabilized but is higher than on the average.

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

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

The price of copper increased significantly during the fourth quarter of 2016.

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.

Market outlook

In 2017 the production of heavy-duty and medium-duty trucks in both in Europe and China is expected to remain at the same level as in 2016. In 2017 the production of heavy-duty and medium-duty trucks in North America is expected to decrease by about 7% compared to 2016 and the decrease is expected mainly to take place in heavy-duty trucks. In 2017 the production of heavy-duty and medium-duty trucks in Brazil is expected to remain on the level of previous year. The demand for the rolling stock is expected to continue to grow steadily.

PKC Group's outlook for 2017

PKC Group estimates that with prevailing exchange rates 2017 revenue and comparable EBITDA will be in the same order of magnitude as in 2016. This estimate includes the negative impact of lower North American heavy duty truck production volumes and the divestment of some light vehicle programs which took place in fourth quarter of 2016.

In 2016, PKC's revenue from continuing operations was EUR 845.7 million and comparable EBITDA from continuing operations was EUR 64.4 million.

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 128.4 million, of which EUR 57.1 million is distributable as dividends, including the net profit for the financial year EUR 8.8 million.

Motherson Sumi Systems Limited's voluntary public tender offer announced in January 19, 2017 is recommended by the Board of Directors and should the offer be completed no dividend shall be paid.

The Board of Directors will propose to the Annual General Meeting to be held on 5 April 2017 that a dividend of EUR 0.70 per share be paid for a total of EUR 16.9 million and that the remainder of the distributable funds be transferred to shareholders' equity. The number of shares may change due to share subscriptions registered before the record date. In the view of the Board of Directors, the proposed dividend pay-out will not put the company's liquidity at risk.

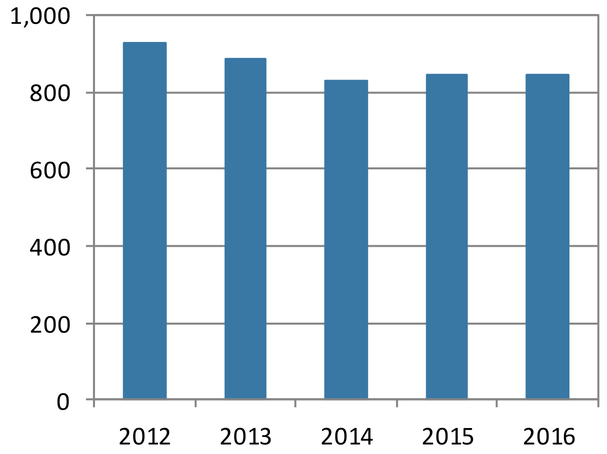
The dividend proposal is conditional upon

a) the conditions for the completion of Motherson Sumi Systems Limited's voluntary public tender offer ("Tender Offer") announced on 19 January 2017 having not been fulfilled (or waived) and
b) Tender offer having not been completed.

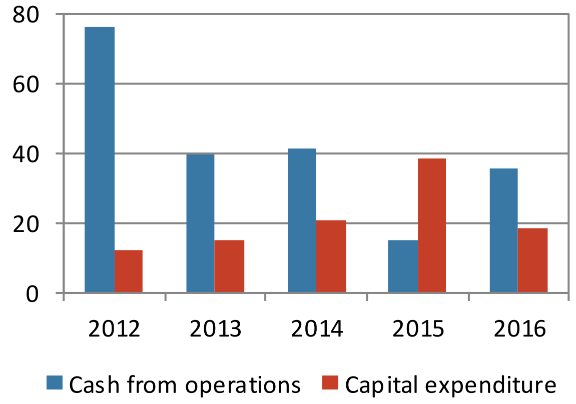
The Board of Directors furthermore will propose to the Annual General Meeting that Board of Directors be authorized to decide, subject to the fulfillment of and in line with the above mention conditions, upon the record date for the dividend pay-out and the dividend payment date as well as other required actions related thereto. Before the Board of Directors carries out the Annual General meeting's resolution, it has to evaluate in accordance with the Companies Act whether company's liquidity and financial position have changed after the Annual General Meeting to such an effect that the Companies Act's prerequisites for dividend pay-out are no longer fulfilled.

The Board of Directors will propose that the resolution and authorisation be effective until the start of the next Annual General Meeting of Shareholders.

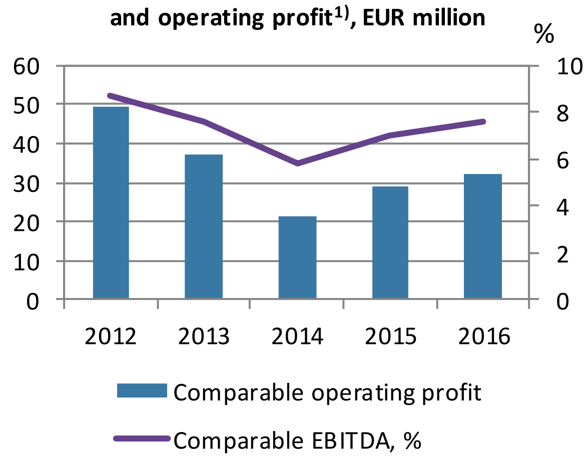
Revenue[1], EUR million



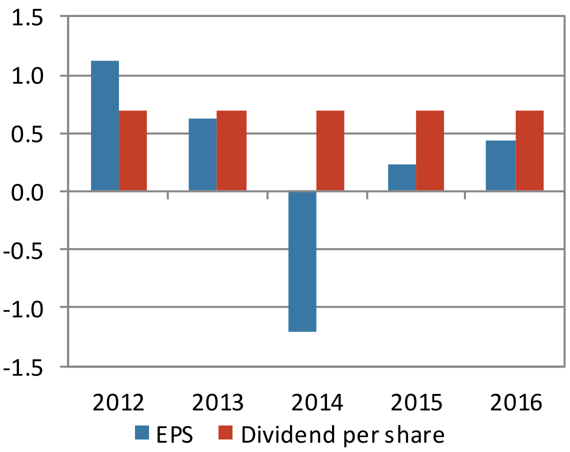
Cash from operations[3] and capital expenditure[3], EUR million



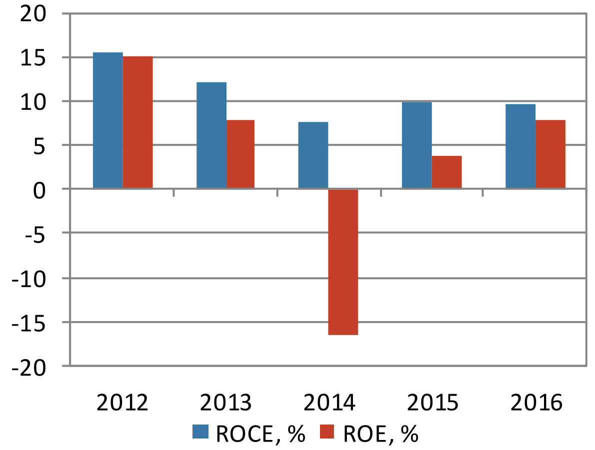
**Comparable EBITDA [1], %
and operating profit[1], EUR million**



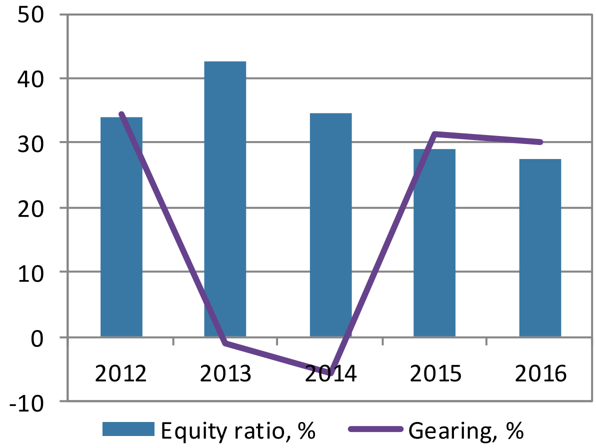
EPS[1] and dividend per share, EUR



Return on capital employed (ROCE)[2], and return on equity (ROE)[2], %



Gearing[3], % and Equity ratio[3], %



[1] 2012-2014 include discontinued operations
[2] figures of 2015 include assets and liabilities of discontinued operations, 2012-14 include discontinued operations
[3] 2012-2015 include discontinued operations

Group's Financial Key Indicators

EUR 1,000 (unless otherwise noted)	2012	2013	2014	2015	2016
Consolidated statement of comprehensive income					
Revenue[1)]	927,645	884,258	829,516	847,338	845,672
Operating profit (loss)[1)]	41,437	27,007	-6,978	20,230	26,537
Profit (loss) before taxes[1)]	34,946	21,562	-10,528	16,860	20,588
Net profit (loss) for the report period[1)]	23,999	13,947	-29,051	5,873	12,235
Consolidated statement of financial position					
Assets					
Non-current assets	204,499	162,376	159,483	203,564	181,703
Current assets	280,560	293,257	296,799	338,697	361,837
Assets classified as held for sale					20,156
Total assets	**485,059**	**455,634**	**456,282**	**542,261**	**563,696**
Equity and liabilities					
Total equity incl. non-controlling interests	164,530	194,425	158,085	157,313	154,399
Non-current liabilities	130,709	133,478	137,918	194,199	172,857
Current liabilities	189,820	127,730	160,279	190,750	226,304
Liabilities classified as held for sale					10,136
Total equity and liabilities	**485,059**	**455,634**	**456,282**	**542,261**	**563,696**
Key indicators					
Revenue[1)]	927,645	884,258	829,516	847,338	845,672
Change in revenue, %	68.4	-4.7	-6.2	2.1	-0.2
Operating profit (loss)[1)]	41,437	27,007	-6,978	20,230	26,537
% of revenue	4.5	3.1	-0.8	2.4	3.1
Profit (loss) before taxes[1)]	34,946	21,562	-10,528	16,860	20,588
Net profit (loss) for the report period[1)]	23,999	13,947	-29,051	5,873	12,235
% of revenue	2.6	1.6	-3.5	0.7	1.4
Return on equity (ROE)[2)], %	15.1	7.8	-16.5	3.7	7.9
Return on investment (ROI)[2)], %	15.9	11.8	2.0	11.4	10.7
Return on capital employed (ROCE)[2)], %	15.6	12.2	7.7	9.9	9.7
Net working capital[3)]	72,709	63,540	26,199	55,132	40,797
Working capital[3)]	96,575	84,246	70,172	92,711	89,880
Net liabilities[3)]	56,563	-2,225	-8,875	49,375	46,591
Gearing[3)], %	34.4	-1.1	-5.6	31.4	30.2
Equity ratio[3)], %	33.9	42.7	34.7	29.0	27.4
Quick ratio[3)]	1.0	1.7	1.4	1.3	1.2
Current ratio[3)]	1.5	2.3	1.9	1.8	1.6
Net cash from operating activities[3)]	75,988	39,714	41,038	14,813	35,464
Cash flows after investments[3)]	63,673	24,941	20,699	-23,372	17,030
Gross capital expenditure[1)]	16,023	14,620	19,908	36,932	24,484
% of revenue	1.7	1.7	2.4	4.4	2.9
R&D expenses[1)]	7,992	8,503	8,164	5,350	5,985
% of revenue	0.9	1.0	1.0	0.6	0.7
Personnel excl temporary in average[1)]	20,590	19,206	19,640	20,214	21,277

[1)] 2012-2014 incl discontinued operations, 2015-2016 from continuing operations

[2)] 2012-2014 incl discontinued operations, 2015 include assets and liabilities of discontinued operations, 2016 from continuing operations

[3)] 2012-2015 incl discontinued operations, 2016 from continuing operations

Group's Financial Key Indicators

EUR (unless otherwise noted)	2012	2013	2014	2015	2016
Key indicators for shares					
Earnings per share (EPS) incl discontinued operations, basic	1.13	0.63	-1.21	0.29	0.13
Earnings per share (EPS) incl discontinued operations, diluted	1.12	0.62	-1.21	0.29	-
Earnings per share (EPS) from continuing operations, basic				0.23	0.43
Earnings per share (EPS) from continuing operations, diluted				0.23	-
Shareholders´equity per share	7.64	8.13	6.59	6.08	5.71
Cash flow per share (2012-2015 incl discontinued operations)	3.54	1.77	1.70	0.62	1.48
Dividend per share [1]	0.70	0.70	0.70	0.70	0.70
Dividend per earnings, % [1]	62.1	111.8	-57.7	244.9	546.2
Dividend per earnings, continuing operations, % [1]				310.6	161.0
Effective dividend yield, % [1]	4.5	2.9	4.0	4.3	4.4
Price/earnings ratio (P/E)	13.7	38.6	-14.5	56.9	123.4
Price/earnings ratio (P/E), continuing operations				72.2	36.4
Share price at the end of the year	15.49	24.19	17.58	16.27	15.81
Lowest share price during the year	10.65	15.00	13.13	15.51	12.90
Highest share price during the year	18.30	25.31	26.33	23.37	18.80
Average share issue-adjusted number of shares [2]	21,296	22,280	23,953	23,993	23,992
Diluted average share issue-adjusted number of shares [2]	21,462	22,454	24,098	24,024	23,911
Share issue-adjusted number of shares at the end of the financial year [2]	21,524	23,906	23,971	24,095	24,125
Shares outstanding at the end of period [2]	21,524	23,906	23,971	23,963	24,009
Shares held by the company at the end of period [2] [3]	0	0	0	133	117
Market capitalisation, EUR 1,000	333,414	576,103	421,401	392,032	381,422
Dividend[1], EUR 1,000	15,122	16,760	16,788	16,867	16,888

[1] The figures of 2016 are based on the Board of Directors´proposal. Dividend proposal is conditional upon Motherson Sumi Systems Limited's voluntary public tender offer having not been completed.

[2] Number of shares in thousands

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

Calculation of Key Indicators

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

Measures of Profit and Items Affecting Comparability[1)]

EUR 1,000 (unless otherwise noted)	2012	2013	2014	2015	2016
Comparable EBITDA	**80,940**	**66,884**	**48,572**	**59,528**	**64,357**
% of revenue	8.7	7.6	5.9	7.0	7.6
Depreciation, amortisation and impairments[2)]	-17,596	-17,880	-19,032	-20,167	-21,853
Comparable EBITA	**63,344**	**49,004**	**29,540**	**39,361**	**42,504**
PPA depreciation and amortisation	-13,880	-11,588	-8,156	-10,349	-10,615
Comparable operating profit	**49,464**	**37,416**	**21,384**	**29,012**	**31,890**
Items affecting comparability:					
Employee benefit expenses	-5,890	-5,312	-12,216	-4,889	-5,577
Impairment of PPE and intangible assets	-1,109	-3,391	-6,288	-793	-100
Other items affecting comparability	-1,027	-1,707	-9,858	-3,101	325
Total items affecting comparability	**-8,027**	**-10,409**	**-28,362**	**-8,782**	**-5,353**
Operating profit	**41,437**	**27,007**	**-6,978**	**20,230**	**26,537**

1) 2012-2014 incl discontinued operations, 2015-2016 from continuing operations

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

Calculation of Measures of Profit and Items Affecting Comparability

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

✪ Items affecting comparability

Items affecting comparability are exceptional items which are not related to normal business operations. Typically, the items affecting comparability include substantial capital gains and losses; impairment losses or reversals of such impairment; expenses related to restructuring of business operations and strategic reorganisation; and penalties. Presentation of items affecting comparability improve the comparability between financial periods.

During the financial year EUR -5.4 million (EUR -8.8 million) in items affecting comparability were recognised. Items affecting comparability in 2016 consist mainly of expenses related to adjusting North American organisation and production capacity to medium term outlook. In the comparison period, items affecting the comparability consisted mainly of restructuring expenses related to the closure of Curitiba (Brazil) factory and expenses related to Group’s strategic reorganisation. Non-cash items affecting comparability were EUR -0.1 million (EUR -0.6 million).

Shares and Shareholders

Trading of shares on Nasdaq Helsinki

	2016	2015
Turnover in shares	9,940,968	11,308,942
Share turnover, EUR million	158.2	212.5
Turnover in shares per average number of shares, %	41.4	47.1

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 1,904,405 shares (1,541,048 shares) during the financial year.

Shares and market value

	31.12.2016	31.12.2015
Number of shares	24,125,387	24,095,387
Lowest share price during the financial year, EUR	12.90	15.51
Highest share price during the financial year, EUR	18.80	23.37
Share price at close of financial year, EUR	15.81	16.27
Average share price of the financial year, EUR	15.91	18.84
Market capitalisation, EUR million	381.4	392.0

The shares held by Executive Board members, Board members, their closely associated persons and corporations in which they have a controlling interest accounted for 0.3% (0.3%) of the total number of shares at the end of the financial year. PKC Group Plc had a total of 8,988 shareholders (9,465) at the end of financial year. The shares held by foreigners and through nominee registrations at the close of the financial year totalled 32.3% of the share capital (32.5%).

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

Flaggings

On 11 March 2016 the share of votes and share capital in PKC Group Plc held directly by Nordea Funds Oy (1737785-9) through its controlled funds exceeded the limit of 5%. Following the transaction Nordea Funds Oy owned 1,327,174 PKC Group Plc shares and votes, i.e. 5.51% of the share capital and votes.

On 31 October 2016 the share of votes and share capital in PKC Group Plc held directly by OP Fund Management Company Ltd (0743962-2) through its controlled funds fell below the limit of 5%. Following the transaction OP Fund Management Company Ltd owned 1,162,696 PKC Group Plc shares and votes, i.e. 4.82% of the share capital and votes.

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

Changes in PKC Group Plc's number of shares

PKC Group Plc's number of shares has changed during the financial year as follows: A total of 30,000 PKC Group Plc's shares have been subscribed for with 2009C options. New shares corresponding to subscriptions have been entered into the Trade Register on 16 May 2016. After the increase the Company's registered share capital is divided into 24,125,387 shares. 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 schemes.

The Board's authorisations

The Board of Directors was granted authorisation by the Annual General Meeting on 3 April 2014 to decide on one or more share issues and granting of special rights defined in Chapter 10, Section 1 of the Companies Act and all the terms and conditions thereof. A maximum total of 4,750,000 shares may be issued or subscribed for on the basis of authorisation. The authorisation includes the right to decide on directed share issue. The authorisation is in force for five years from the date of the General Meeting's decision. At Board of Directors' discretion the authorisation may be used e.g. in financing possible corporate acquisitions, inter-company co-operation or similar arrangement, or strengthening Company's financial or capital structure. The authorisation revoked the authorisation granted on 30 March 2011.

The Board of Directors was granted authorisation by the Annual General Meeting on 6.4.2016 to resolve to repurchase a maximum of 1,200,000 shares in the Company by using funds in the unrestricted shareholders' equity. The number of shares corresponds to about 5 per cent of all shares of the Company. The price paid for the shares repurchased shall be based on the market price of the Company´s shares in public trading. The minimum price to be paid would be the lowest market price of the share quoted in public trading during the authorisation period and the maximum price the highest market price quoted during the authorisation period. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The authorisation is used for purposes determined by the Board of Directors, among other things, for the Company's incentive plans. The authorisation is effective until next Annual General Meeting of Shareholders, however, at most until 30 September 2017.

Own shares

PKC Group has entered into an agreement with a third-party service provider concerning the management of the share-based incentive program for key personnel. The third party acquires and owns the shares until the shares are given to the participants of the program. In accordance with IFRS accounting principles these 116,650 shares acquired have been accounted for as treasury shares in the consolidated statement of financial position at the end of the financial year. The number of these shares equals to 0.5% of the total company shares and voting rights outstanding.

Stock option schemes

PKC´s long-term remuneration consists of stock option schemes approved by the annual general meeting. PKC has currently year 2012 stock options. The subscription periods of year 2009 options have ended during the financial year. 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. After the beginning of the subscription period options will no longer be distributed to key personnel. 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. Options which subscription period has begun and are held by PKC cannot be exercised.

	2009A	2009B	2009C
Subscription period	ended	ended	ended
Total amount of options	200,000	200,000	200,000
Exercised	195,500	167,215	62,500
Expired	4,500	32,785	137,500

2012 options

The year 2012 stock-option scheme comprises of 1,020,000 stock options and they are divided into 2012A (i and ii), 2012B (i) and 2012C (i and ii) options. The stock options entitle their owners to subscribe for a maximum total of 1,020,000 new shares in the Company or existing shares held by the Company. The share subscription period is during the years 2015-2019. The share subscription price for stock options is the volume-weighted average price of the PKC Group Plc share on Nasdaq Helsinki, as defined in the stock option terms. Options which subscription period has begun and are held by PKC cannot be exercised.

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

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

- The share subscription period with 2012 A (ii) options begins only if the financial performance and EBITDA of PKC Group for financial years 2012-2014 is, based on the total consideration of the Board of Directors, comparable to PKC Group´s key competitors that have published their results. The total consideration shall also take into account the development of PKC Group´s market share. Board of Directors has decided that the release criteria for 2012 A ii) options has been fulfilled and thus share subscription period with 2012 A (ii) options shall start as set out in option terms.
- The share subscription period with 2012 B (ii) options begins only if EBITDA for years 2013-2015 is cumulatively at least EUR 180 million. The effect of M&As and other restructurings as well as exceptional changes in macro-economy shall be taken into account in the calculation. Board of Directors has decided that the release criteria for 2012 B ii) options has been fulfilled and thus share subscription period with 2012 B (ii) options shall start as set out in option terms.
- The share subscription period with 2012 C (ii) options begins only if EBITDA for years 2014-2016 is cumulatively at least EUR 180 million. The effect of M&As and other restructurings as well as exceptional changes in macro-economy shall be taken into account in the calculation. Board of Directors has decided that the release criteria for 2012 C ii) options has not been fulfilled and thus 2012 C (ii) options expire.

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	2012A(i)	2012A(ii)	2012B(i)[1)]	2012C(i)	2012C(ii)
Subscription period	1.4.2015-30.4.2017	1.4.2015-30.4.2017	1.4.2016-30.4.2018	1.4.2017-30.4.2019	1.4.2017-30.4.2019
Current subscription price, EUR	15.31	15.31	16.65	23.28	23.28
Total amount of options	170,000	170,000	340,000	170,000	170,000
Held by PKC or non-allocated	137,500	137,500	-	52,700	52,700
Exercised	32,500	32,500	-	-	-
Outstanding	-	-	340,000	117,300	117,300
Invested non-restricted equity fund can increase by, EUR	-	-	5,661,000	3,957,600	3,957,600

[1)] 2012B(ii) options have been converted into 2012B(i) options.
Stock options 2012B(i) are listed on Nasdaq Helsinki since 1 April 2016.

Share based incentive plans

PKC Group Plc's share-based incentive plan for the Group key personnel consists of Performance Share Plan, Matching Share Plan and a Restricted Share Plan. The aim of the plans is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company in the long-term, to bind the participants to the Company, and to offer them competitive reward plans based on earning and accumulating the Company´s shares.

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

In total, the outstanding share-based incentive plans 2015 and 2016 correspond to the value of an approximate maximum total of 1,020,000 PKC Group Plc shares (including also the cash proportion).

Share based incentive plans 2016

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

Performance Share Plan 2016

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

Restricted Share Plan 2016

The vesting period of the Restricted Share Plan 2016 is calendar years 2016-2018, during which the plan is directed to approximately 20 selected key persons. The rewards allocated in 2016-2018 on the basis of the Restricted Share Plan 2016 correspond to the value of an approximate maximum total of 60,000 PKC Group Plc shares (including also the cash proportion).

Share based incentive plans 2015

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

Performance Share Plan 2015

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

Matching Share Plan 2015

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

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

Restricted Share Plan 2015

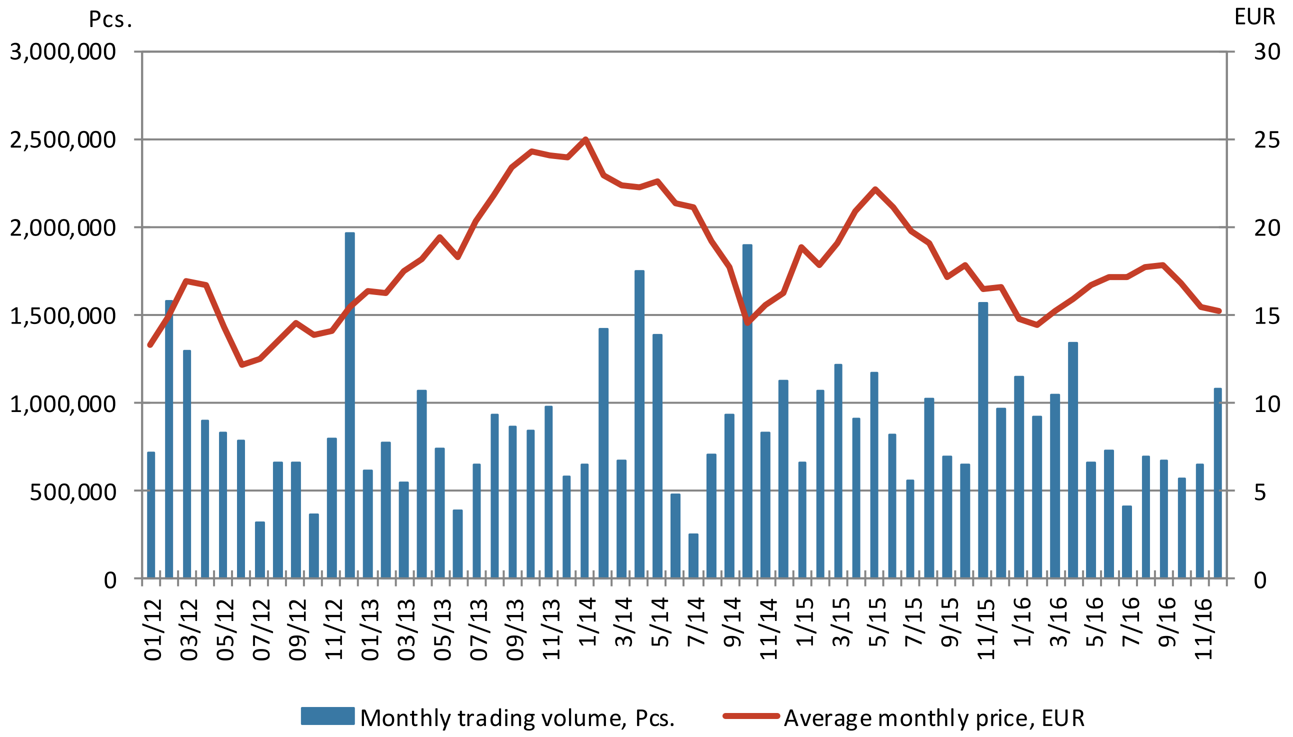
The vesting period of the Restricted Share Plan 2015 is calendar years 2015-2017, during which the plan is directed to approximately 20 selected key persons. The Board of Directors may resolve to include new key persons in this plan during 2015-2017, and on the duration of the related vesting periods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

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

Dividend for 2015

The Annual General Meeting held on 6 April 2016 resolved to pay a dividend of EUR 0.70 per share: i.e. a total of about EUR 16.9 million. The dividend was paid out on 15 April 2016.

Share price and monthly trading volume 2.1.2012 - 30.12.2016



Major shareholders 31.12.2016

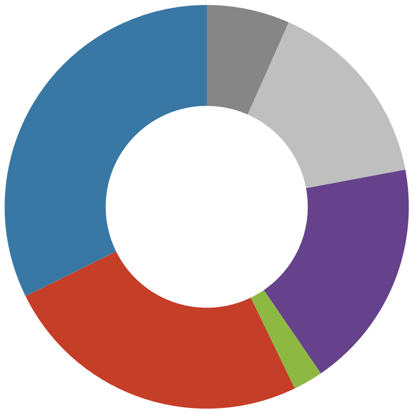
		Pcs.	% of shares and votes
1.	Ilmarinen Mutual Pension Insurance Company	2,931,165	12.1
2.	AS Harju Elekter	1,094,641	4.5
3.	Varma Mutual Pension Insurance Company	574,083	2.4
4.	OP-Delta Fund	565,700	2.3
5.	Odin Finland	518,791	2.2
6.	Nordea Nordic Small Cap Fund	413,814	1.7
7.	The State Pension Fund	400,000	1.7
8.	Nordea Pro Finland Fund	398,708	1.7
9.	Fondita Nordic Micro Cap	390,000	1.6
10.	Nordea Fennia Fund	339,392	1.4
10 major holders total		**7,626,294**	**31.6**
Nominee registered			
Skandinaviska Enskilda Banken AB		2,928,361	12.1
Nordea Bank Finland Plc		2,877,789	11.9
Other nominee registered		178,652	0.7
Others		10,514,291	43.6
Total		**24,125,387**	**100.0**

Shares and options held by Board of Directors and Executive Board 31.12.2016

	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
Henrik Lange	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
Executive Board					
Bellamy Julie	4,345	0.0	0	11,500	0.1
Gerstner André	0	0.0	0	0	0.0
Hyytiäinen Matti	20,134	0.1	0	73,000	0.4
Keronen Jyrki	7,500	0.0	0	13,100	0.1
Kiljala Jani	17,110	0.1	0	36,300	0.2
Sovis Frank	14,500	0.1	0	49,500	0.3
Torniainen Juha	10,000	0.0	0	38,200	0.2
Vähämöttönen Vesa	2,000	0.0	0	2,500	0.0

- 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 31.12.2016



Distribution of share ownership by size of shareholding on 31.12.2016

	Shareholders		Shares		Votes	
Shares	**Pcs.**	**%**	**Pcs.**	**%**	**Pcs.**	**%**
1 – 100	2,338	26.0	140,635	0.6	140,635	0.6
101 – 500	3,959	44.0	1,091,095	4.5	1,091,095	4.5
501 – 1 000	1,393	15.5	1,057,488	4.4	1,057,488	4.4
1 001 – 5 000	1,052	11.7	2,261,595	9.4	2,261,595	9.4
5 001 – 10 000	115	1.3	833,936	3.5	833,936	3.5
10 001 – 50 000	90	1.0	1,817,779	7.5	1,817,779	7.5
50 001 – 100 000	16	0.2	1,060,802	4.4	1,060,802	4.4
100 001 – 500 000	18	0.2	4,371,527	18.1	4,371,527	18.1
500 001 –	7	0.1	11,490,530	47.6	11,490,530	47.6
Total,	**8,988**	**100.0**	**24,125,387**	**100.0**	**24,125,387**	**100.0**
of which nominee registered	9	0.1	5,984,802	24.8	5,984,802	24.8

Consolidated Statement of Comprehensive Income

EUR 1,000	Note	1.1.-31.12.2016	1.1.-31.12.2015
Revenue	1.1	**845,672**	**847,338**
Production for own use		32	23
Other operating income	1.2	6,106	4,423
Increase/decrease in inventories of finished goods and work in progress		4,057	-9,755
Materials and services	1.3	-507,368	-492,349
Employee benefit expenses	1.4, 4.1	-211,766	-218,357
Depreciation, amortisation and impairment	2.1, 2.3	-32,568	-31,308
Other operating expenses	1.5	-77,628	-79,785
Operating profit (loss)		**26,537**	**20,230**
Interest and other financial income and expenses	3.3	-4,420	-4,285
Foreign currency exchange differences	3.3	-1,530	915
Profit (loss) before taxes		**20,588**	**16,860**
Income taxes	1.6	-8,352	-10,987
Net profit (loss) for the financial year from continuing operations		**12,235**	**5,873**
Net profit (loss) for the financial year from discontinued operations	4.5	**-7,356**	**1,451**
Net profit (loss) for the financial year		**4,880**	**7,324**
Other comprehensive income			
Items, that may be reclassified subsequently to profit or loss			
Foreign currency translation differences -foreign operations	3.5	2,699	441
Foreign currency translation differences from discontinued operations		-59	314
Cash flow hedges		1,210	-2,891
Taxes related to cash flow hedges	1.6	-438	1,051
Other comprehensive income for the financial year after taxes		**3,412**	**-1,085**
Total comprehensive income for the financial year		**8,292**	**6,239**
Net profit (loss) attributable to			
Shareholders of the parent company		3,075	6,858
Non-controlling interests		1,805	466
Total comprehensive income attributable to			
Shareholders of the parent company		6,857	5,767
Non-controlling interests		1,435	472
Total comprehensive income attributable to shareholders of the parent company divides as follows			
Continuing operations		14,271	4,002
Discontinued operations		-7,414	1,765
Attributable to equity holders of the parent company			
Including discontinued operations			
Basic earnings per share (EPS), EUR	1.7	0.13	0.29
Diluted earnings per share (EPS), EUR	1.7		0.29
From continuing operations			
Basic earnings per share (EPS), EUR	1.7	0.43	0.23
Diluted earnings per share (EPS), EUR	1.7		0.23

Consolidated Statement of Financial Position

EUR 1,000	Note	31.12.2016	31.12.2015
Assets			
Non-current assets	1.1		
Goodwill	2.1, 2.2	35,837	37,771
Intangible assets	2.1	57,770	65,956
Property, plant and equipment	2.3	61,105	73,045
Available-for-sale financial assets	2.4	713	720
Other receivables	2.5	5,439	6,040
Deferred tax assets	1.6	20,839	20,032
Total non-current assets		**181,703**	**203,564**
Current assets			
Inventories	2.6	99,039	94,875
Trade receivables and other receivables	2.7	132,746	125,535
Cash and cash equivalents		130,052	118,287
Total current assets		**361,837**	**338,697**
Assets classified as held for sale	4.5	**20,156**	
Total assets		**563,695**	**542,261**
Equity and liabilities			
Equity	3.5		
Total equity attributable to the equity holders of the parent company		137,656	146,584
Non-controlling interests		16,742	10,728
Total equity		**154,399**	**157,313**
Non-current liabilities			
Interest-bearing financial liabilities	3.2	141,326	142,190
Provisions	2.9	973	1,224
Other liabilities	2.5	5,805	21,479
Deferred tax liabilities	1.6	24,752	29,305
Total non-current liabilities		**172,857**	**194,199**
Current liabilities			
Interest-bearing financial liabilities	3.2	35,316	25,472
Trade payables and other non-interest bearing liabilities	2.8	190,988	165,278
Total current liabilities		**226,304**	**190,750**
Liabilities classified as held for sale	4.5	**10,136**	
Total liabilities		**409,297**	**384,949**
Total equity and liabilities		**563,695**	**542,261**

Consolidated Statement of Cash Flows

EUR 1,000	Note	1.1.-31.12.2016	1.1.-31.12.2015
Cash flows from operating activities			
Cash receipts from customers		827,461	899,682
Cash receipts from other operating income		4,140	4,022
Cash paid to suppliers and employees		-783,400	-859,332
Cash flows from operations before financial income and expenses and taxes		**48,200**	**44,373**
Interest paid and other financial expenses		-7,939	-9,439
Effect of exhange rate changes		-1,710	-8,047
Interest received		6,931	4,415
Income taxes paid		-10,017	-16,489
Net cash from operating activities (A)		**35,464**	**14,813**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		-25,713	-16,128
Proceeds from sale of property, plant and equipment and intangible assets		7,038	306
Acquisition of subsidiary shares, net of cash acquired	4.3	0	-22,503
Dividends received from investments		241	140
Net cash used in investing activities (B)		**-18,434**	**-38,185**
Cash flows from financial activities			
Share issue and exercise of options	3.5	455	1,736
Proceeds from current borrowings		135,000	172,500
Proceeds from non-currrent borrowings		128	40,000
Repayment of current/non-current borrowings		-125,506	-168,792
Purchase of treasury shares	3.5	0	-2,257
Dividends paid	3.5	-17,206	-16,788
Net cash used in financial activities (C)		**-7,128**	**26,398**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)		**9,902**	**3,026**
Cash and cash equivalents at 1 January		**118,287**	**110,321**
Effect of exhange rate changes		**1,863**	**4,940**
Cash and cash equivalents at 31 December		**130,052**	**118,287**

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

Consolidated Statements of Changes in Equity 2015

EUR 1,000	Note	Share capital	Share premium account	Invested non-restricted equity fund	Other reserves	Treasury shares	Translation difference	Retained earnings	Equity attributable to share-holders of the parent company	Non-controlling interests	Total equity
Equity at 1.1.2015		**6,218**	**11,282**	**81,256**	**-914**	**0**	**-3,673**	**63,916**	**158,085**	**0**	**158,085**
Comprehensive income											
Net profit for the report period		0	0	0	0	0	0	6,858	6,858	466	7,324
Cash flow hedges		0	0	0	-1,840	0	0	0	-1,840	0	-1,840
Foreign currency translation differences -foreign operations	3.5	0	0	0	0	0	435	0	435	6	441
Foreign currency translation differences from discontinued operations	3.5	0	0	0	0	0	314	0	0	0	314
Total other comprehensive income		**0**	**0**	**0**	**-1,840**	**0**	**749**	**0**	**-1,091**	**6**	**-1,085**
Total comprehensive income for the financial year		**0**	**0**	**0**	**-1,840**	**0**	**749**	**6,858**	**5,767**	**472**	**6,239**
Transactions with shareholders											
Dividends	3.5	0	0	0	0	0	0	-16,788	-16,788	0	-16,788
Purchases of treasury shares	3.5	0	0	0	0	0	0	-2,257	-2,257	0	-2,257
Share-based payments	1.4	0	0	0	0	0	0	1,434	1,434	0	1,434
Exercise of options	3.5	0	0	1,736	0	0	0	0	1,736	0	1,736
Other changes		0	0	-48	0	-2,252	6	901	-1,393	0	-1,393
Total transactions with shareholders		**0**	**0**	**1,688**	**0**	**-2,252**	**6**	**-16,709**	**-17,268**	**0**	**-17,268**
Change in ownership interest											
Establishment of subsidiary with non-controlling interest	4.4									10,256	10,256
Total equity at 31.12.2015		**6,218**	**11,282**	**82,944**	**-2,754**	**-2,252**	**-2,918**	**54,065**	**146,584**	**10,728**	**157,313**

Consolidated Statements of Changes in Equity 2016

EUR 1,000	Note	Share capital	Share premium account	Invested non-restricted equity fund	Other reserves	Treasury shares	Translation difference	Retained earnings	Equity attributable to share-holders of the parent company	Non-controlling interests	Total equity
Equity at 1.1.2016		**6,218**	**11,282**	**82,944**	**-2,754**	**-2,252**	**-2,918**	**54,065**	**146,584**	**10,728**	**157,313**
Comprehensive income											
Net profit for the report period		0	0	0	0	0	0	3,075	3,075	1,805	4,880
Cash flow hedges		0	0	0	772	0	0	0	772		772
Foreign currency translation differences -foreign operations	3.5	0	0	0	0	0	3,069	0	3,069	-370	2,699
Foreign currency translation differences from discontinued operations	3.5	0	0	0	0	0	-59	0	0	0	-59
Total other comprehensive income		**0**	**0**	**0**	**772**	**0**	**3,010**	**0**	**3,781**	**-370**	**3,412**
Total comprehensive income for the financial year		**0**	**0**	**0**	**772**	**0**	**3,010**	**3,075**	**6,856**	**1,435**	**8,291**
Transactions with shareholders											
Dividends	3.5	0	0	0	0	0	0	-17,206	-17,206	0	-17,206
Share-based payments	1.4	0	0	0	0	0	0	1,312	1,312	0	1,312
Exercise of options	3.5	0	0	455	0	0	0	0	455	0	455
Other changes		0	0	34	0	267	0	-276	25	0	25
Total transactions with shareholders		**0**	**0**	**489**	**0**	**267**	**0**	**-16,170**	**-15,414**	**0**	**-15,414**
Change in ownership interest											
Establishment of subsidiary with non-controlling interest	4.4									4,209	4,209
Total equity at 31.12.2016		**6,218**	**11,282**	**83,433**	**-1,982**	**-1,985**	**92**	**40,970**	**138,026**	**16,372**	**154,399**

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 Bulevardi 7, FI-00120 Helsinki, Finland. 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, rolling stock manufacturers and other selected segments. The revenue from continuing operations of the financial year 2016 totalled EUR 845.7 million and the average amount of personnel was 21,277. The Group operates in four different continents.

A copy of the consolidated financial statements is available from the parent company's head office at Bulevardi 7, FI-00120 Helsinki, Finland.

On 8 February 2017, 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, 2016 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 figures. 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
Business combinations	4.3	IFRS 3
Discontinued operations	4.5	IFRS 5

Use of estimates

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

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

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

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

Basis of consolidation

The consolidated financial statements include the parent company and all of its subsidiaries. At the closing date 31 December 2016 Group comprised 37 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

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

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

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

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

- The list of PKC Group's subsidiaries at 31.12.2016 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.

Non-current assets held for sale and discontinued operations

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

Foreign currency transactions

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

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

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

Translation of financial statements of foreign subsidiaries

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

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

		Average rate*)		Closing rate	
Country	**Currency**	**2016**	**2015**	**2016**	**2015**
Brazil	BRL	3.8616	3.6918	3.4305	4.3117
Canada	CAD	1.4664	1.4176	1.4188	1.5116
China	CNY	7.3496	6.9730	7.3202	7.0608
China, HongKong	HKD	8.5900	8.6023	8.1751	8.4376
Mexico	MXN	20.6532	17.5998	21.7719	18.9145
Poland	PLN	4.3636	4.1828	4.4103	4.2639
Serbia	RSD	123.1183	120.6606	123.3730	121.6200
Russia	RUR	74.2224	68.0068	64.3000	80.6736
USA	USD	1.1066	1.1096	1.0541	1.0887
Vietnam	VND	24,753.1444	24,543.9651	24,025.9098	24,473.9770

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

Operating Profit

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

Impact of new ESMA guidelines

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

New and amended standards applied in the financial year ended

The Group has applied since 1 January 2016 the following new standards or their amendments issued by IASB. Group has adopted each standard and interpretation as of its effective date or, if the effective date is other than the first day of the financial period, as of the beginning of the financial period following the effective date.

Amendments to IAS 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 had some impact on the notes and the presentation of 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 were not significant.

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 2016 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 2016.

New IFRS 15 Revenue from Contracts with Customers

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

- Essential concepts in IFRS 15 has been analysed on revenue stream level. PKC's revenue streams consists of contract with customers in wiring systems business. Current revenue recognition in PKC is based on transfer of risks and rewards to customer. PKC has frame agreements with major customers. Separate purchase orders are covered by frame agreement and as a rule they form a separate performance obligation. Revenue for performance obligations is recognised also in the future at a point in time. Part of the agreements include variable considerations, but based on preliminary analysis timing of their revenue recognition is not expected to change significantly. Warranties given by PKC are more statutory in nature thus accounting for such warranties correspond mainly current practice.
- PKC plans to apply IFRS 15 standard retrospectively possibly using practical expedients for presenting comparative information.
- Based on preliminary analysis timing of revenue recognition is not expected to have significant changes. Standard will increase disclosure information related to revenue recognition.
- During the year 2017 PKC will continue the analysis in more detailed level and implement the standard during the year 2017. PKC will inform effects in a more detailed level during the year 2017.

New IFRS 9 Financial Instruments*

(effective for financial years beginning on or after 1 January 2018)
IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. At the end of the financial year the Group is assessing the impact of IFRS 9 not to be significant.

New IFRS 16 Leases*

(effective for financial years beginning on or after 1 January 2019)
IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to

IAS 17. The Group is assessing that IFRS 16 has impact on the consolidated financial statements.

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

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

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

(effective for financial years beginning on or after 1 January 2017)
The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Group is initially assessing that amendments have possible impact on the notes of the consolidated financial statements.

Amendments to IFRS 4 Insurance Contracts*

(effective for financial years beginning on or after 1 January 2018)
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts The amendments respond to industry concerns about the impact of differing effective dates by allowing two optional solutions to alleviate temporary accounting mismatches and volatility. The amendments are expected not to have impact on the consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions*

(effective for financial years beginning on or after 1 January 2018)
The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments will have no material impact on consolidated financial statements.

Annual Improvements to IFRSs (2014-2016 cycle)* (effective for financial years beginning on or after 1

January 2017 for IFRS 12 and on or after 1 January 2018 for IFRS 1 and IAS 28).
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 cycle contains amendments to three standards. Their impacts vary standard by standard but are not significant.

1. Items Related to the Profit for the Period

1.1 Operating Segments

PKC Group announced on May 3, 2016 that it had signed an agreement to start negotiations on creating a joint venture in Electronics business whereby PKC Group would become a minority shareholder. Electronics business is classified as a non-current asset held for sale and reported as discontinued operations as of 31 March 2016. After this change PKC Group has only one primary business segment which also includes Group functions and other items. Additional information about discontinued operations can be found in note 4.5. Since financial year 2016 the business of PKC Group consists of one business area, Wiring Systems.

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 products, construction equipment and agricultural and forestry equipment. In addition, segment designs and manufactures electrical cabinets, power packs and electrical distribution systems for rolling stock manufacturers. Segment's strengths, mass customisation and the excellent skill to integrate into the customer's operating environment, provide a unique competitive advantage in the market. Product design and effective supply chain management are carried out in close cooperation with customers and in accordance with their requirements. The units of Wiring Systems business are located in Brazil, China, Estonia, Finland, Germany, Lithuania, Mexico, Poland, Russia, Serbia and USA.

✪ Accounting policy of segment information

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

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

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

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

Information about geographical areas

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

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

✪ Revenue recognition policies

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

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

Revenue also includes foreign exchange rate gains and losses arising from trade receivables.

Geographical information

	Revenue by geographical location of customer		Non-current assets by location of assets		Capital expenditure	
EUR 1,000	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Europe	301,571	253,581	58,201	67,652	9,661	29,534
of which Finland	12,191	12,179	4,751	6,377	779	1,467
South America	36,591	35,430	6,011	6,627	1,030	539
North America	458,942	539,078	83,440	95,058	12,139	6,858
APAC	48,568	19,250	7,774	8,156	1,654	1,199
Total	**845,672**	**847,338**	**155,425**	**177,492**	**24,484**	**38,129**

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

Major customers

EUR 1,000	**2016**	**% of revenue**	**2015**	**% of revenue**
Customer 1	122,333	14.5	127,770	15.1
Customer 2	121,488	14.4	125,256	14.8
Customer 3	108,475	12.8	117,571	13.9
Customer 4	-	-	114,700	13.5
Total	**352,296**	**41.7**	**485,297**	**57.3**
Group revenue	**845,672**		**847,338**	

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

1.2 Other Operating Income

Accounting policy

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

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 2016 the Group has received employment grants in Serbia (during the comparison period in Serbia).

EUR 1,000	**2016**	**2015**
Proceeds from sales of intangible assets and property, plant and equipment	2,699	176
Government grants	2,538	2,989
Other income	869	1,258
Total	**6,106**	**4,423**

1.3 Materials and services

EUR 1,000	2016	2015
Purchases during the financial period	492,372	468,659
Change in inventories, increase (+) or decrease (-)	-7,573	3,578
Raw materials and consumables	**484,799**	**472,237**
Outsourced services	22,569	20,112
Total	**507,368**	**492,349**

During 2015 inventories of EUR 0.5 million were written down in items affecting comparability.

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.

Other personnel expenses

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

Employee benefit expenses

EUR 1,000	2016	2015
Wages and salaries	168,363	171,693
Defined contribution pension plans	4,965	5,579
Other social security expenses	31,459	32,407
Share-based payments	2,142	2,603
Other personnel expenses	4,836	6,076
Total	**211,766**	**218,357**

- In 2016 employee benefit expenses include EUR 5.6 million (in 2015 EUR 4.9 million) expenses affecting comparability arising from lay-offs. Items affecting comparability are presented in the Report by the Board of Directors, chapter Measures of Profit and Items Affecting Comparability.

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

Number of personnel

	At the end of the year		Average	
Geographical areas	**2016**	**2015**	**2016**	**2015**
Europe,	7,750	7,214	7,624	5,846
of which Finland	54	61	60	63
South America	1,081	1,178	1,168	1,689
North America	9,973	12,083	11,613	12,377
APAC	924	782	871	303
Total	**19,728**	**21,257**	**21,277**	**20,214**

Share-based payments

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

The Group has applied IFRS 2 Share-Based Payments to share-based incentives and also to the option schemes. Share-based payments of stock option schemes and share-based incentives included in employee benefit expenses totalled EUR 2.1 million in 2016 (in 2015 EUR 2.6 million).

Stock option schemes and share-based incentive plans 31.12.2016

2012 Stock option scheme
2012B(i)
2012C(i)
2012C(ii)
Sharebased incentive plans 2015
Performance Share Plan 2015
Matching Share Plan 2015
Restricted Share Plan 2015
Sharebased incentive plans 2016
Performance Share Plan 2016
Restricted Share Plan 2016

Stock option schemes

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.

Valid option schemes 31.12.2016

Scheme	Granted 1,000 pcs.	Exercisable 1,000 pcs.	Exercise price, EUR	Share subscription period	Vesting period ends
2012C(i)	117.3	117.3	23.28	1.4.2017 - 30.4.2019	01/04/2017
2012C(ii)	117.3	117.3	23.28	1.4.2017 - 30.4.2019	01/04/2017
2012B(i) [1)]	340.0	340.0	16.65	1.4.2016 - 30.4.2018	ended
2012A(i)	32.5	0.0	15.31	1.4.2015 - 30.4.2017	ended
2012A(ii)	32.5	0.0	15.31	1.4.2015 - 30.4.2017	ended
Total	**639.6**	**574.6**			

[1)] 2012B(ii) options have been converted into 2012B(i) options.
Stock options 2012B(i) are listed on Nasdaq Helsinki since 1 April 2016.

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. Options which subscription period has begun and are held by PKC cannot be exercised. 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. Board of Directors has decided that the release criteria for 2012A ii) and 2012B(ii) options has been fulfilled. The following table does not include 2012C(ii) initially to the key personnel allocated options.

	2016 Weighted average exercise price per share, EUR	2016 Number of options, 1,000 pcs.	2015 Weighted average exercise price per share, EUR	2015 Number of options, 1,000 pcs.
Outstanding at 1 January	18.69	408.5	17.34	662.69
Granted during the year[1)]	16.65	182.0	15.31	165.0
Forfeited during the year	22.71	-23.2	21.21	-16.0
Exercised during the year	15.18	-30.0	13.90	-124.9
Expired during the year	15.18	-80.0	10.01	-13.3
Acquired during the year	-	-	15.31	-265.0
Outstanding at 31 December	18.35	457.3	18.69	408.5
Exercisable at 31 December	18.35	457.3	18.69	408.5

[1)] Includes also 2012B(ii) options released in 2016 and 2012A(ii) options released in 2015

The range of exercise prices and the weighted average remaining contractual life of the options outstanding at 31 December 2016 are presented in the following table.

	Exercise price, EUR	Contractual life, years	Number of options, 1,000 pcs.
Exercisable options at 31 December 2016	16.65 - 23.28	1.59	457.3

The weighted average share price of PKC Group Plc at the date of exercise for the share options exercised in 2016 was EUR 15.84 (in 2015 EUR 18.38).

Stock option plans

Stock options granted to the key personnel of the Group

	2012B(i and ii)
Grant date	4.3.2016
Number of instruments granted, 1,000 pcs.	24.0
Exercise price at the grant date, EUR	16.65
Exercise price, EUR	16.65
Share price at the grant date, EUR	14.82
Remaining vesting period, years	2.2
Expected volatility, %	39
Risk-free interest rate, %	-0.44
Expected dividend yield, %	4.18
Fair value of the instrument (at grant date), EUR	2.04

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.

Share-based incentives

The Group offers share-based bonuses as part of its key personnel commitment and incentive scheme.

PKC Group Plc's share-based incentive plan consists of Performance Share Plan, Matching Share Plan and a Restricted Share Plan. The aim of the plans is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company in the long-term, to bind the participants to the Company, and to offer them competitive reward plans based on earning and accumulating the Company´s shares.

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

Performance Share Plan 2015 and 2016

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

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

The potential reward from both performance periods will be based on the PKC Group's and/or on the participant's business area's 3-year cumulative Revenue and 3-year cumulative Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA), with heavier weight on the EBITDA. Attainment of the required performance level will determine the proportion out of the maximum reward that will be paid to a participant.

A member of the Executive Board must hold 50 per cent of the net number of shares given on the basis of the Performance Share Plan, as long as his or her shareholding in total corresponds to the value of his or her annual gross salary. Such number of Shares must be held as long as the member's employment or service in the PKC Group continues.

Matching Share Plan 2015

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

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

In order to finance the acquisition of the PKC Group shares, the Board of Directors has resolved to offer to members of the Executive Board participating in the Matching Share Plan a possibility to sell to the Company their stock options 2012A(i) and 2012A(ii) at the theoretical value. The stock option purchases have been implemented in spring 2015.

Restricted Share Plan 2015

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

The vesting period of the Restricted Share Plan 2016 is calendar years 2016-2018, during which the plan is directed to approximately 20 selected key persons. The rewards allocated in 2016-2018 on the basis of the Restricted Share Plan 2015 correspond to the value of an approximate maximum total of 60,000 PKC Group Plc shares (including also the cash proportion).

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

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

	Matching Share Plan 2015	**Performance Share Plan 2015-2017**	**Restricted Share Plan 2015**	**Restricted Share Plan 2015-2016**	**Restricted Share Plan 2015-2017**	**Performance Share Plan 2016-2018**	**Restricted Share Plan 2016-2018**	**Total / weighted average**
Initial amount, 1,000 pcs	100	310	40	40	40	430	60	1,020
Initial allocation date	11.2.2015	11.2.2015	11.2.2015	11.2.2015	11.2.2015	10.2.2016	10.2.2016	
Vesting date	31.5.2018	31.5.2018	31.5.2016	31.5.2017	31.5.2018	31.5.2019	31.5.2019	
Maximum contractual life, years	3.3	3.3	1.3	2.3	3.3	3.3	3.3	3.2
Remaining contractual life, years	1.4	1.4	0.0	0.4	1.4	2.4	2.4	1.8
Number of persons at the end of the reporting year	14	36	0	4	10	49	31	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity	

Changes during the financial year 2016 are presented in the tables below:

1,000 pcs	Matching Share Plan 2015	Performance Share Plan 2015-2017	Restricted Share Plan 2015	Restricted Share Plan 2015-2016	Restricted Share Plan 2015-2017	Performance Share Plan 2016-2018	Restricted Share Plan 2016-2018	Total
1.1.2016								
Outstanding at the beginning of the reporting period	59	310	32	32	34	0	0	466
Changes during the period								
Granted	19	0	0	0	0	419	57	495
Forfeited	5	20	0	0	4	3	0	32
Excercised	0	0	32	0	0	0	0	32
31.12.2016								
Excercised at the end of the period	0	0	32	0	0	0	0	32
Outstanding at the end of the period	73	290	0	32	29	416	57	897

Fair value determination

The fair value of share based incentives have been determined at grant date and the fair value is expensed until vesting. The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect.

Valuation parameters for instruments granted during period:

	Matching Share Plan 2015	Performance Share Plan 2016-2018	Restricted Share Plan
Share price at grant, EUR	17.8	14.7	14.7
Share price at reporting period end, EUR	15.81	15.81	15.81
Expected dividends, EUR	1.5	2.7	2.7
Fair value 31.12.2016, EUR 1,000	290	1,723	715

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

EUR 1,000	2016	2015
Expenses for the financial year, share-based payments	1,638	1,303
Expenses for the financial year, share-based payments, equity-settled	808	664
Liabilities arising from share-based payments at the end of the period	1,211	639

1.5 Other Operating Expenses

Accounting policy

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

EUR 1,000	2016	2015
Administrative expenses and outsourced services	17,948	17,299
Production maintenance expenses	15,509	18,472
Facility expenses	11,315	10,502
IT and telecommunications expenses	8,839	8,782
Transportation and freight expenses	8,813	10,128
Travelling expenses	7,099	6,646
Other maintenance expenses	3,412	3,461
Other insurance expenses	1,036	975
Auditors´ fees	746	916
Other employee related expenses	608	759
Losses from sales of intangible assets and property, plant and equipment	449	282
Other items	1,854	1,564
Total	**77,628**	**79,785**

Auditors´ fees, KPMG

EUR 1,000	2016	2015
Audit fees	544	550
Tax services	94	111
Other services	108	255
Total	**746**	**916**

1.6 Income Taxes, incl. Deferred Tax Assets and Liabilities

Accounting policy

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

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

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

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

Use of estimates

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

PKC's tax appeal for the Wiring Systems business restructuring carried out in 2009 was rejected by Finland’s Board of Adjustment. The decision was received in January 2016. The decision obliges PKC Group to pay EUR 8.3 million additional taxes, punitive tax increases and interests, which company recorded in the results of the financial year 2014. PKC Group has placed the issue before the administrative court of Northern Finland (Pohjois-Suomen hallinto-oikeus) and applies for a rectification of the Board of Adjustment's ruling and continuation of interdiction of enforcement of the tax imposed.

Income taxes

EUR 1,000	2016	2015
Income taxes for the financial year	-11,782	-16,091
Adjustments for prior years	-2,181	-395
Changes in deferred taxes	5,611	5,499
Total	**-8,352**	**-10,987**

Income tax rate

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

EUR 1,000	2016	2015
Profit (loss) before taxes	20,588	16,860
Income tax calculated at Finnish tax rate	-4,117	-3,658
Changes in tax rates	-34	406
Effects of different tax rates in foreign subsidiaries	-1,465	-4,243
Income not subject to tax	2,247	4,950
Expenses not deductible for tax purposes	-3,741	-5,509
Share of profit of subsidiaries	1,078	2,655
Tax losses for which no deferred tax was recognised	-2,288	-13,021
Income taxes from previous years	-161	-609
Other items	130	8,065
Discontinued operations	-	-24
Tax charge in the statement of comprehensive income	**-8,352**	**-10,987**
Effective tax rate, %	40.6	65.2

- The effective tax rate according to the statement of comprehensive income was 40.6 % (65.2% in 2015). Especially in the comparison period the effective tax rate was impacted by PKC Group's high exposure to North America where the tax rates are higher and by operating losses, including restructuring expenses' impact, in Brazil, whereby no deferred tax assets are currently recognised. The effective tax rate used in the statement of comprehensive income is always impacted by the balance of income in different countries taxed at different rates and local terms. The weighted absolute average applicable tax rate was 24% and the average nominal tax rates was 26% in 2016. The weighted average tax rate is higher than the Finnish tax rate applied as the nominal tax rate because of the profits generated e.g. in Mexico and Northern America, where the tax rate is higher than the Finnish tax rate. A significant portion of the Group's turnover and profits are generated and consequently subject to tax outside Finland at the tax rate different to the Finnish corporate income tax rate. Thus, a comparison between the effective tax rate and the weighted average tax rate better reflects the tax burden of PKC Group than a comparison between the effective tax rate and the Finnish tax rate. The amount of profits generated in different countries and the corporate income tax rate applicable in these countries together determine the weighted average tax rate.

Deferred tax assets 2016

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

Deferred tax liabilities 2016

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

Deferred tax assets 2015

EUR 1,000	1.1.2015	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences, reclassifications and other changes	Acquired in business combinations	31.12.2015
Property, plant and equipment	2,043	-49	0	-107	0	1,887
Intangible assets	0	2	0	6	0	8
Goodwill	63	-142	0	0	1,573	1,495
Financial instruments	8	0	0	0	0	8
Inventories	1,234	1	0	13	0	1,249
Employee benefits	575	1	0	-20	0	556
Provisions and other accruals	4,051	-416	0	36	0	3,672
Tax losses	9,904	869	0	-2,255	0	8,519
Other temporary differences	-579	2,274	1,051	-107	0	2,639
Total deferred tax assets	**17,300**	**2,541**	**1,051**	**-2,433**	**1,573**	**20,032**

Deferred tax liabilities 2015

EUR 1,000	1.1.2015	Recognised through profit or loss	Recognised through other comprehensive income	Exchange rate differences, reclassifications and other changes	Acquired in business combinations	31.12.2015
Property, plant and equipment	3,903	-3,064	0	275	0	1,114
Intangible assets	11,955	-2,353	0	1,239	0	10,841
Goodwill	363	-370	0	39	4,931	4,964
Inventories	0	659	0	-182	0	478
Provisions and other accruals	314	952	0	-831	0	434
Undistributed earnings	6,248	896	0	0	0	7,144
Other temporary differences	2,812	1,096	-974	1,398	0	4,333
Deferred tax liabilities	**25,593**	**-2,184**	**-974**	**1,938**	**4,931**	**29,305**

Tax losses at the end of the financial year

EUR million	Tax losses 2016[1)]	Tax losses 2015	Deferred tax asset recognised on the statement of financial position 2016[1)]	Deferred tax asset recognised on the statement of financial position 2015	Deferred tax asset not recognised on the statement of financial position [2)] 2016[1)]	Deferred tax asset not recognised on the statement of financial position [2)] 2015
Losses without expiration date	108.3	86.8	8.5	6.5	24.0	24.7
Losses with expiration date	39.7	43.2	4.8	2.0	5.8	5.5
Total	**148.0**	**130.0**	**13.3**	**8.5**	**29.8**	**30.3**

[1)] Information of financial year 2016 from continuing operations

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

1.7 Earnings per Share

Basic earnings per share

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

Diluted earnings per share

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

Stock option schemes

The diluting effect of stock option schemes existing in the Group on 31 December 2016 is negative, therefore diluting effect is not presented.

	2016	2015
Net profit including discontinued operations for the financial year, EUR 1,000	3,075	6,858
Net profit from continuing operations for the financial year, EUR 1,000	10,430	5,407
Weighted average number of shares outstanding during the financial year, 1,000 pcs.	23,992	23,993
Basic earnings including discontinued operations per share (EPS), EUR	**0.13**	**0.29**
Basic earnings from continuing operations per share (EPS), EUR	**0.43**	**0.23**
Weighted average number of shares outstanding during the financial year, 1,000 pcs.	23,992	23,993
Diluting effect of options, 1,000 pcs.	neg	32
Diluted weighted average number of shares outstanding during financial year, 1,000 Pcs.	-	24,024
Diluted earnings including discontinued operations per share (EPS), EUR	-	**0.29**
Diluted earnings from continuing operations per share (EPS), EUR	-	**0.23**

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 2016

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

Intangible assets 2015

EUR 1,000	Goodwill	Customer relationships	Other intangible assets	Intangible assets acquisitions in progress	Total
Acquisition cost 1.1.2015	34,752	64,951	16,120	588	116,411
+/- Currency translation differences	849	5,304	729	0	6,881
+ Additions	0	0	1,392	521	1,913
+ Business combinations	6,285	17,829	17,876	0	41,990
+ /- Reclassifications	0	0	772	-785	-13
Acquisition cost 31.12.2015	**41,886**	**88,084**	**36,888**	**325**	**167,183**
Accumulated amortisation and impairments 1.1.2015	4,404	34,874	10,751	0	50,029
+/- Currency translation differences	-289	2,154	329	0	2,194
+ Accumulated amortisation on disposals and reclassifications	0	858	150	0	1,008
+ Amortisation	0	7,344	2,882	0	10,227
Accumulated amortisation and impairments 31.12.2015	**4,115**	**45,231**	**14,111**	**0**	**63,457**
Carrying amount 31.12.2015	**37,771**	**42,853**	**22,777**	**325**	**103,725**

2.2 Impairment Testing

Accounting policy

The principles of impairments of intangible assets

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

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

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

Use of estimates

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

Allocation of goodwill

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

The table below presents the allocation of goodwill in segments, which may contain one or several cash-generating units. In 2016 business of the Group consists of one business area (reporting operating segment), Wiring Systems. Electronics business is reported as discontinued operations.

Goodwill, EUR million	2016	2015
Continuing operations	35,8	36,6
Discontinued operations	0,0	1,2
Total	**35,8**	**37,8**

Determination of cash flows

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

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

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

The key assumptions

Key assumptions used in calculating value in use are determined by Group management. The Board of Directors has approved these assumptions. The most significant assumptions are
- average operating profit level (EBIT) and
- discount rate.

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

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

Assumptions used in the cash flow analysis, %	2015
Revenue growth 2015-2019	-8.1 - 16.6
Terminal value growth 2020-	1.5
Average EBIT	1.1 - 8.1
Post-Tax WACC	7.0 - 9.1
Pre-Tax WACC	8.5 - 11.9

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.

Sensitivity analysis	2016 Value used, %	Change, %-point	2015 Value used, %	Change, %-point
Discount rate (Post-Tax)	8.8 - 9.1	+3.0 - +19.3	7.0 - 9.1	+2.6 - +44.1
Average EBIT	3.7 - 7.9	-2.3 - -6.7	1.1 - 8.1	-1.8 - -5.9
Terminal value growth	1.5	-4.5 - -146.0	1.5	-3.7 - -103.6

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 37%.

2.3 Property, Plant and Equipment

Accounting policy

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

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

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

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

Depreciation periods for items of property, plant and equipment

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

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

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

Gains and losses from sale

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

Leases

Finance leases

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

Operating leases

- Additional information about leases is presented in note 4.6 Operating leases.

Impairments of property, plant and equipment

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

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

Property, plant and equipment 2016

EUR 1,000	Land areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and constructions in progress	Total
Acquisition cost 1.1.2016	2,596	21,933	126,577	10,116	4,467	165,690
+/- Currency translation differences	-162	1,190	5,089	276	7	6,400
+ Additions	0	61	4,430	1,263	14,839	20,593
- Disposals	0	-2,317	-10,103	-272	0	-12,692
+ /- Reclassifications	0	377	14,342	878	-15,596	0
+/- Other changes	0	632	0	-3,319	0	-2,687
- Reclassification to assets held for sale	0	-626	-17,085	-846	-12	-18,569
Acquisition cost 31.12.2016	**2,434**	**21,250**	**123,250**	**8,095**	**3,705**	**158,734**
Accumulated depreciation and impairments 1.1.2016	378	9,795	76,904	5,449	119	92,645
+/- Currency translation differences	0	812	4,644	268	3	5,727
+ Accumulated depreciation on disposals and reclassifications	0	-459	-7,448	-300	0	-8,207
+/- Other changes				-1,848	0	-1,848
+ Depreciation	0	1,751	19,674	1,156	0	22,581
- Reclassification to assets held for sale	0	-7	-12,567	-695	0	-13,269
Accumulated depreciation and impairments 31.12.2016	**378**	**11,891**	**81,206**	**4,031**	**122**	**97,629**
Carrying amount 31.12.2016	**2,057**	**9,359**	**42,043**	**4,064**	**3,583**	**61,105**

Property, plant and equipment 2015

EUR 1,000	Land areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and constructions in progress	Total
Acquisition cost 1.1.2015	2,674	18,767	119,221	9,486	3,349	153,498
+/- Currency translation differences	-413	-2,944	1,376	-1,602	-475	-4,058
+ Additions	0	378	5,518	541	6,815	13,252
+ Business combinations	335	5,944	7,837	2,285	0	16,400
- Disposals	0	-372	-11,451	-1,469	-109	-13,401
+ /- Reclassifications	0	160	4,077	875	-5,113	0
Acquisition cost 31.12.2015	**2,596**	**21,933**	**126,577**	**10,116**	**4,467**	**165,691**
Accumulated depreciation and impairments 1.1.2015	630	10,112	69,176	5,040	0	84,958
+/- Currency translation differences	0	-995	-659	-1,167	0	-2,821
+ Accumulated depreciation on disposals and reclassifications	0	-325	-13,261	-1,117	0	-14,703
+/- Other changes	-252	-766	3,267	1,072	0	3,321
- Impairments	0	0	37	-157	119	0
+ Depreciation	0	1,768	18,345	1,777	0	21,891
Accumulated depreciation and impairments 31.12.2015	**378**	**9,795**	**76,904**	**5,449**	**119**	**92,645**
Carrying amount 31.12.2015	**2,219**	**12,138**	**49,673**	**4,667**	**4,348**	**73,045**

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

	Machinery and equipment	
EUR 1,000	**2016**	**2015**
Acquisition cost 1.1.	1,794	0
+ Business combinations	0	2,785
+/- Changes	-69	0
- Reclassifications	-165	0
- Depreciation and impairment	-950	-991
Carrying amount 31.12.	**610**	**1,794**

2.4 Available-for-sale Financial Assets

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

EUR 1,000	**2016**	**2015**
Available-for-sale financial assets	713	720
Total	**713**	**720**

2.5 Non-Current Other Receivables and Liabilities

EUR 1,000	**2016**	**2015**
Other receivables	5,439	6,040
Total	**5,439**	**6,040**

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

EUR 1,000	**2016**	**2015**
Other liabilities	5,805	21,479
Total	**5,805**	**21,479**

- Non-current other liabilities include liabilities related to long term employee benefits and indemnification liabilities which have a corresponding indemnification asset. In comparison period non-current other liabilities include, in addition, estimated value of the call option related to business combination accounted for according to the so-called anticipated acquisition method.

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 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	**2016**	**2015**
Raw materials and supplies	67,422	64,119
Work in progress	6,913	6,686
Finished goods	23,388	23,574
Other inventories	1,315	496
Total	**99,039**	**94,875**

During 2015 inventories of EUR 0.5 million were written down in items affecting comparability.

2.7 Trade Receivables and Other Receivables

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

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

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

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

EUR 1,000	2016	2015
Trade receivables	115,377	106,807
Other receivables	4,634	7,891
Prepayments and accrued income	12,489	10,534
Current tax assets	245	303
Total	**132,746**	**125,535**

Other receivables and prepayments and accrued income consist of following items

EUR 1,000	2016	2015
from employee benefits	660	999
from other operating expenses	9,469	5,521
from financial items	688	2,671
from value added tax	4,194	7,874
from taxes	1,324	1,008
from other items	788	352
Total	**17,123**	**18,425**

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

2.8 Trade Payables and Other Non-Interest-Bearing Liabilities

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

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

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

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

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

EUR 1,000	2016	2015
Trade payables	124,537	108,971
Advances received	50	46
Other liabilities	37,448	23,943
Accruals and deferred income	28,131	32,298
Current tax liabilities	822	20
Total	**190,988**	**165,278**

Other liabilities and accruals and deferred income consist of following items

EUR 1,000	2016	2015
from employee benefits	18,577	22,985
from other operating expenses	7,322	9,306
from financial items	5,397	7,741
from value added tax	1,050	3,051
from taxes	16,631	13,158
from acquisitions	16,602	0
Total	**65,579**	**56,241**

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 do not include any restructuring costs.

Use of estimates

The Group is a defendant in some court cases arising from its business operations. A provision is recorded when an unfavourable result is probable and the loss can be determined with reasonable certainty. The final result can differ from these estimates. There are no such provisions.

	Provisions for pension expenses		**Other provisions**		**Total**	
EUR 1,000	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Provisions 1.1.	1,120	791	104	827	1,224	1,619
+ Additions	9	447	0	64	9	511
- Reversed	0	0	0	-61	0	0
- Used provisions	-257	-80	-4	0	-261	0
+/- Reclassificiations	0	-39	0	-726	0	0
Provisions 31.12.	**872**	**1,120**	**100**	**104**	**973**	**1,224**

3. Capital Structure and Financial Expenses

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

Accounting policy

Classification, accounting and valuation principles

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

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

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

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

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

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

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

Fair value hierarchy

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

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

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

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

Available-for-sale financial assets

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

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

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

Loans and other receivables

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

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

Cash and cash equivalents

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

Financial assets and liabilities at fair value through profit and loss

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

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

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

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

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

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

PKC Group applied hedge accounting to a part of interest rate swaps during 2015 and to all outstanding interest rate swaps during 2016. The positive fair value of interest rate swap with nominal value of EUR 50.0 million that was terminated during 2016 is accrued to financial income until the maturity of the related bond.

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

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

At the end of the reporting period 31.12.2016 (and 31.12.2015) PKC Group did not have financial instruments at fair value through profit and loss other than derivatives. There were no changes in the valuation principles or methods during the reporting period.

Financial liabilities at amortised cost (other financial liabilities)

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

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

Master netting agreements and similar arrangements

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

Master netting agreements and similar arrangements

EUR 1,000	2016	2015
Derivative Assets		
Gross amounts of financial assets in the statement of financial position	560	2,013
Related financial instruments that are not offset	243	67
Total	**317**	**1,946**
Derivative liabilities		
Gross amounts of financial liabilities in the statement of financial position	4,178	6,127
Related financial instruments that are not offset	243	67
Total	**3,935**	**6,060**

Classification of financial assets and liabilities by valuation category 2016

EUR 1,000	Financial assets and liabilities through profit or loss	Derivatives under hedge accounting	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amor-tised cost	Carrying amounts of statement of financial position's items	Fair values of statement of financial position's items	Fair value hierarchy level
Non-current financial assets								
Other non-current financial assets	0	0	0	713	0	713	0	Level 3
Total non-current financial assets	**0**	**0**	**0**	**713**	**0**	**713**	**0**	
Current financial assets								
Trade receivables	0	0	115,377	0	0	115,377	115,377	
Commodity derivatives	318	0	0	0	0	318	318	Level 2
Cash and cash equivalents	130,052	0	0	0	0	130,052	130,052	
Total current financial assets	**130,370**	**0**	**115,377**	**0**	**0**	**245,747**	**245,747**	
Total financial assets	**130,370**	**0**	**115,377**	**713**	**0**	**246,460**	**245,747**	
Non-current financial liabilities								
Non-current interest-bearing liabilities	0	0	0	0	141,326	141,326	146,944	Level 2
Total non-current financial liabilities	**0**	**0**	**0**	**0**	**141,326**	**141,326**	**146,944**	
Current financial liabilities								
Current interest-bearing liabilities	0	0	0	0	35,316	35,316	35,316	
Trade payables	0	0	0	0	124,537	124,537	124,537	
Currency derivatives	0	3,935	0	0	0	3,935	3,935	Level 2
Total current financial liabilities	**0**	**3,935**	**0**	**0**	**159,853**	**163,788**	**163,788**	
Total financial liabilities	**0**	**3,935**	**0**	**0**	**301,179**	**305,114**	**310,732**	

Classification of financial assets and liabilities by valuation category 2015

EUR 1,000	Financial assets and liabilities through profit or loss	Derivatives under hedge accounting	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts of statement of financial position's items	Fair values of statement of financial position's items	Fair value hierarchy level
Non-current financial assets								
Other non-current financial assets	0	0	0	720	0	720	0	Level 3
Total non-current financial assets	**0**	**0**	**0**	**720**	**0**	**720**	**0**	
Current financial assets								
Trade receivables	0	0	106,807	0	0	106,807	106,807	
Interest rate derivatives	0	1,822	0	0	0	1,822	1,822	Level 2
Cash and cash equivalents	118,287	0	0	0	0	118,287	118,287	
Total current financial assets	**118,287**	**1,822**	**106,807**	**0**	**0**	**226,916**	**226,916**	
Total financial assets	**118,287**	**1,822**	**106,807**	**720**	**0**	**227,636**	**226,916**	
Non-current financial liabilities								
Non-current interest-bearing liabilities	0	0	0	0	142,190	142,190	150,441	Level 2
Total non-current financial liabilities	**0**	**0**	**0**	**0**	**142,190**	**142,190**	**150,441**	
Current financial liabilities								
Current interest-bearing liabilities	0	0	0	0	25,472	25,472	25,472	
Trade payables	0	0	0	0	108,971	108,971	108,971	
Copper derivatives	226	0	0	0	0	226	226	Level 2
Currency derivatives	0	5,968	0	0	0	5,968	5,968	Level 2
Total current financial liabilities	**226**	**5,968**	**0**	**0**	**134,443**	**140,637**	**140,637**	
Total financial liabilities	**226**	**5,968**	**0**	**0**	**276,633**	**282,827**	**291,078**	

3.2 Interest-Bearing Financial Liabilities

Non-current interest-bearing financial liabilities

EUR 1,000	2016	2015
Bond	101,293	101,637
Loans from financial institutions	39,758	39,943
Finance lease liabilities	275	610
Total	**141,326**	**142,190**

Current interest-bearing financial liabilities

EUR 1,000	2016	2015
Finance lease liabilities	316	472
Commercial papers	35,000	25,000
Total	**35,316**	**25,472**

Maturities of finance lease liabilities

Minimum lease payments

EUR 1,000	2016	2015
Within one year	339	513
Between one and five years	288	636
Total	**627**	**1,149**

Present value of minimum lease payments

EUR 1,000	2016	2015
Within one year	316	472
Between one and five years	275	610
Total	**591**	**1,082**
Future finance and other charges concerning lease payments	36	67
Total lease payments	**627**	**1,149**

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	2016	2015
Dividend income from investments available for sale	149	140
Interest income		
from derivatives	1,750	2,180
Other interest income	573	883
Total	**2,472**	**3,204**

Interest and other financial expenses

EUR 1,000	2016	2015
Interest expenses		
from bonds	-4,421	-4,428
from financial institutions loans	-372	-196
from derivatives	-615	-1,548
from factoring	-430	-358
Other financial expenses	-1,054	-960
Total	**-6,892**	**-7,489**
Interest and other financial income and expenses	**-4,420**	**-4,285**

Foreign currency exchange differences

EUR 1,000	2016	2015
Foreign exchange gains		
from other financial instruments	6,042	10,612
Total	**6,042**	**10,612**
Foreign exchange losses		
from other financial instruments	-7,572	-9,697
Total	**-7,572**	**-9,697**
Foreign currency exchange differences (net)	**-1,530**	**915**

3.4 Financial Risk Management

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

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

Currency risk

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

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

The Treasury of PKC Group uses foreign exchange forwards to hedge against transaction risk. Significant certain or highly probable foreign exchange cash flows are hedged from transaction risk a maximum of twelve months forward. Hedging is not executed for currencies, especially in emerging countries, where hedging is expensive or derivatives' markets are underdeveloped. At the end of the reporting period PKC Group had open currency derivatives with a nominal value of EUR 63.2 million. PKC Group applies cash flow hedge accounting to currency derivatives. EUR 2.0 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 0.4 million was recorded in profit and loss.

According to Group policy translation risk is not to execute equity hedging due to the fact that the translation risk only very seldom realises while the hedge itself always creates a cash flow cost. The foreign currency net investments in PKC Group's subsidiaries at the close of the reporting period were EUR 314.9 million (EUR 250.7 million in 2015). 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	**2016**	**2015**
BRL	24,546	16,425
CAD	6,914	5,341
CNY	36,942	33,001
HKD	-3,239	-1,774
MXN	15,783	14,442
PLN	76,104	68,681
RUB	6,699	5,547
RSD	7,049	4,820
USD	144,103	104,169
VND	20	0
Total	**314,921**	**250,652**

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

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

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

2016

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

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

2015

Functional currency	**USD**	**BRL**	**EUR**	**EUR**	**PLN**	**CNY**	**CNY**
Foreign currency	**MXN**	**EUR**	**SEK**	**USD**	**EUR**	**USD**	**EUR**
EUR 1,000							
Cash and cash equivalents	0	0	0	622	3,581	3,560	2,775
Trade receivables	0	0	0	1,801	16,624	1,247	2,523
Trade payables	-19,517	-309	-1,055	-1,871	-12,712	-1,394	-1,039
Net position	**-19,517**	**-309**	**-1,055**	**552**	**7,493**	**3,413**	**4,259**
Hedges	87,038	-	-	-	-	-	-
Open position	**-**	**-309**	**-1,055**	**552**	**7,493**	**3,413**	**4,259**

EUR million	**Change in foreign currency %**							
Sensitivity	+10	-	0.0	-0.1	0.1	0.8	0.4	0.5
	-10	-	0.0	0.1	0.0	-0.6	-0.3	-0.4

Commodity risk

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

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

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

	2016		2015	
EUR million	**Income Statement**	**Equity**	**Income Statement**	**Equity**
+/-10% change in copper price	+/-0.2	-	+/-0.2	-

Interest rate risk

Changes in interest rate levels affect mainly the fair values of interest-bearing liabilities in the consolidated statement of financial position and related interest payments. The objective of interest rate risk management in PKC Group is to optimise interest expenses and at the same time ensure that changes in interest rates do not cause unpredictable effects on the profit or loss, cash flows or statement of financial position of PKC Group. Interest rate risk is managed by maintaining an optimal balance between the abovementioned objectives. To this end the Treasury of PKC Group uses interest rate swaps and forwards to modify the interest rate fixing term of PKC Group's debt portfolio. The targeted average interest rate fixing term is 12-48 months. At the end of the reporting period the average interest rate fixing period of the debt portfolio of PKC Group was 12 months.

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

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

	2016		2015	
EUR million	**Income Statement**	**Equity**	**Income Statement**	**Equity**
+/- 1% change in market interest rates	-0.8/+0.8	-	-1.2/+1.2	-

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

Credit risk

PKC Group's most significant credit risks are related to trade receivables. The age distribution of trade receivables is regularly monitored on the Group level, and in addition the Group companies monitor receivables per customer. The credit quality of new customers is checked and customers are granted standard payment terms only. As a part of cash management PKC Group has some outstanding factoring arrangements in selected countries or with selected customers. At the end of the reporting period the outstanding amount of receivables in factoring arrangement from continued operations was EUR 27.4 million (EUR 27.7 million).

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

Trade receivables, which were neither past due nor impaired, were EUR 104.4 million (EUR 90.8 million) at the end of the reporting period. Of these, EUR 50.8 million (EUR 37.5 million) were from the six largest customers, and the rest was divided between a large number of customers. In 2016 a total of EUR 1 thousand of receivables was recognised as impaired (EUR 112 thousand). No impairments of trade receivables were recognised for the six largest customers during the financial year and the comparison period. The most significant customers of PKC Group are international transportation manufacturers, with which it has longstanding customer relationships. The most significant geographical concentration of credit risk to PKC Group is in North America.

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

Age distribution of trade receivables

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

		2015	
EUR 1,000	**Trade Receivables**	**Aging provision**	**Net**
Not yet overdue	90,754	0	90,754
Falling due in 30 days or less	5,968	0	5,968
Due 31-60 days ago	1,265	0	1,265
Due 61-90 days ago	440	0	440
Due over 90 days ago	1,796	503	1,293
Total	**100,223**	**503**	**99,720**

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 130.1 million (EUR 118.3 million). PKC Group had also available committed undrawn credit facilities of EUR 90.0 million (EUR 90.0 million). Financing agreements contain common covenants. During the financial periods 2016 and 2015, PKC Group has fulfilled the terms of the covenants.

Maturity analysis of financial liabilities 2016

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

The Group’s committed available unutilised credit facility of EUR 90 million expires in 2019.

Maturity analysis of financial liabilities 2015

EUR 1,000	2016	2017	2018	2019	2020	2021-	Total
Bond repayments	0	0	100,000	0	0	0	100,000
Repayments of loans from financial institutions	0	0	40,000	0	0	0	40,000
Repayments of commercial papers	25,000	0	0	0	0	0	25,000
Financing costs of bonds, loans from financial institutions and commercial papers	4,714	4,611	3,205	0	0	0	12,530
Total	**29,714**	**4,611**	**143,205**	**0**	**0**	**0**	**177,530**
Finance lease liabilities							
Repayments	472	399	157	41	13	0	1,082
Financing costs	41	20	5	1	0	0	67
Total	**513**	**419**	**162**	**42**	**13**	**0**	**1,149**
Current non-interest-bearing liabilities							
Trade payables	108,971	0	0	0	0	0	108,971
Derivatives	1,753	0	0	0	0	0	1,753
Total	**110,724**	**0**	**0**	**0**	**0**	**0**	**110,724**
Total	**140,951**	**5,030**	**143,367**	**42**	**13**	**0**	**289,403**

The Group's committed available unutilised credit facility of EUR 90 million expires in 2019.

Capital structure management

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

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

EUR million	2016	2015
Interest-bearing liabilities	176.6	167.7
Cash and cash equivalents	130.1	118.3
Net liabilities	46.6	49.4
Total equity	154.4	157.3
Gearing, %	30.2	31.4

3.5 Equity

Share capital

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

- Additional information concerning the share subscriptions of the year 2016 is presented in the Report by the Board of Directors, section Shares and shareholders.

Share premium account

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

Invested non-restricted equity fund

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

- Additional information concerning the share subscriptions of the year 2016 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.

Translation difference

Translation differences arise from the translation of the financial statements of foreign operations into euro. Also gains and losses arising from hedges of a net investment in a foreign operation are included in translation differences. The Group has foreign currency denominated inter-company loans. The foreign exchange differences of these loans are considered as translation differences into equity, if criteria for net investment loan categorisation are met.

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

	Translation difference by currency	
EUR million	**2016**	**2015**
BRL	2.4	-12.4
CAD	-0.3	-0.2
CNY	3.1	2.8
HKD	-0.1	-0.1
MXN	-2.0	-0.1
PLN	-2.7	-0.4
RUB	0.6	3.1
RSD	0.1	0.0
USD	2.0	8.0
Total	**3.0**	**0.7**

Other reserves

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

Treasury shares

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

PKC Group has entered into an agreement with a third-party service provider concerning the management of the share-based incentive program for key personnel. The third party acquires and owns the shares until the shares are given to the participants of the program. In accordance with IFRS accounting principles these 116,650 shares (132,500 shares) acquired have been accounted for as treasury shares in the consolidated statement of financial position. The number of shares equals to 0.5% (0.5%) of the total company shares and voting rights outstanding. The company possesses a valid authorisation from the Annual General Meeting to acquire its own shares. Additional information concerning the authorisation is presented in the Report by the Board of Directors, section Shares and shareholders.

	Number of shares	Share capital	Share premium account	Invested non-restricted equity fund
	1,000 pcs.	EUR 1,000	EUR 1,000	EUR 1,000
1.1.2015	**23,971**	**6,218**	**11,282**	**81,256**
Exercise of stock options	125	0	0	1,736
Other changes	0	0	0	-48
31.12.2015	**24,095**	**6,218**	**11,282**	**82,943**
1.1.2016	**24,095**	**6,218**	**11,282**	**82,943**
Exercise of stock options	30	0	0	455
Other changes	0	0	0	34
31.12.2016	**24,125**	**6,218**	**11,282**	**83,433**

Dividends

- In 2016 the dividend of EUR 0.70 per share was paid, in total EUR 16.9 million (In 2015 EUR 0.70 per share, in total EUR 16.8 million).
- After the reporting period, the Board of Directors has proposed that EUR 0.70 per share will be distributed as dividends, EUR 16.9 million in total. Dividend proposal is conditional upon Motherson Sumi Systems Limited's voluntary public tender offer having not been completed.

4. Other Notes

4.1 Related Party Disclosures

The Group's related party comprises the Group companies, members of the parent company's Board of Directors and members of the Group's Executive Board.

PKC Group's key management personnel consists of the members of the parent company's Board of Directors and the members of PKC Group's Executive Board including President & CEO. Employee benefits, salaries and fees of key management personnel totalled EUR 5.3 million (EUR 6.2 million). At the end of the financial year 31 December 2016 PKC Group's Executive Board consisted of the following persons: Matti Hyytiäinen, Chairman (President & CEO), Julie Bellamy (Group Senior Vice President, Human Resources), Andre Gerstner (President, Rolling Stock Business), Jyrki Keronen (President, Wiring Systems, APAC), Jani Kiljala (President, Wiring Systems, Europe and South America), Frank Sovis (President, Wiring Systems, North America), Juha Torniainen (CFO) and Vesa Vähämöttönen (Group Senior Vice President, Business Development).

Accrued employee benefits of the Executive Board

EUR 1,000	2016	2015
Salaries and other employee benefits	3,811	4,660
Share-based payments	979	1,107
Total	**4,791**	**5,768**

24,000 stock options were granted to the Group's Executive Board in 2016. No stock options were granted to the Group's Executive Board in 2015.

EUR 1,000 unless otherwise noted	31.12.2016	31.12.2015
Granted options, 1,000 pcs.	224.1	236.0
of which exercisable [1)	165.5	70.0
Total fair value of the options	1,150.8	1,241.1
Total number of shares, to which the options held by PKC Group´s Executive Board entitle, 1,000 pcs.	224.1	236.0
Share-based payments		
President & CEO	79	130
Other executive board	191	263
Share-based payments total	270	393

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

- Additional information about the stock option schemes of PKC Group's key personnel is presented in note 1.4 Employee Benefit Expenses. The fair value of the options is determined based on the principles described in the same note.

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

	2016		2015	
EUR 1,000	President & CEO	Other Executive Board	President & CEO	Other Executive Board
Granted share-based incentives at the end of financial year, 1,000 pcs.	108	312	52	187
Expenses for the financial year, share-based payments	133	577	113	601
Expenses for the financial year, share-based payments, equity-settled	61	286	53	296
Liabilities arising from share-based payments at the end of financial year	131	596	60	305

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

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

EUR 1,000	2016	2015
Hyytiäinen, Matti	933	1,009

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 223 thousand in 2016 (in 2015 EUR 207 thousand). The Finnish statutory pension plan is part of Finnish social security system and is a collective plan in which an employer has no direct responsibility for the pension benefits but the responsibility is borne by the whole pension system. Under this plan, pensions are financed in two different ways: part of the pensions payable in future are funded and the rest are financed on a pay-as-you-go-basis as the related pensions are paid out.

Salaries and fees of the Board of Directors

EUR 1,000	2016	2015
Buhl, Reinhard	50	55
Diez, Wolfgang	56	53
Lange, Henrik, since 6 April 2016	41	0
Levy, Shemaya	66	62
Mingming, Liu	53	53
Remenar, Robert	68	71
Ruotsala, Matti	90	95
Tähtinen, Jyrki, until 6.4.2016	15	53
Total	**439**	**440**

Services acquired from related party entities

During financial year other operating expenses did not include any services acquired from related party entities (in 2015 other operating expenses included EUR 39 thousand services acquired from related party entities). These business transactions are based on market prices.

4.2 Group Structure

Group companies 31.12.2016

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

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

- Joint venture PKC Vehicle Technology (Hefei) Co., Ltd. was established.
- The ownerships of PKC Group Lithuania UAB, PKC Group Poland Sp. z o.o. and OOO AEK were transferred to PKC Eesti AS.
- Carhatest Oy was dissolved.

4.3 Business Combinations

2016

During the financial year 2016 there were no acquisitions.

2015

On July 1, 2015 PKC Group acquired Groclin's Wiring & Controls business, including Kabel-Technik-Polska Sp. z o. o ("KTP") in Poland. The consideration of the transaction was EUR 38.0 million.

KTP develops and manufactures electrical cabinets, power packs and electrical distribution systems for rolling stock manufacturers. The clientele also includes the on/off highway commercial vehicle, energy and materials handling industry. The customers are leading companies in their field and mainly operate globally.

The net debt free purchase price was EUR 50 million. The acquisition took place via a new company, in which PKC Group has an 80% holding and Wiring & Controls business' management has a 20% holding. PKC Group and minority shareholders have agreed on a call option structure, within the framework of which PKC Group will acquire the minority shareholders' shares not before than two years from the closing of the deal.

The acquisition has been consolidated into PKC Group as of 1 July 2015 according to the so-called anticipated acquisition method. In the anticipated acquisition method, the estimated value of the call option is included into the acquisition value (consideration transferred). The acquired Wiring & Controls business is included into PKC Group's Wiring Systems business segment.

The following tables summarise the amounts for the consideration paid for KTP, the cash flow from the acquisition and the amounts of the assets acquired and liabilities recognised at the acquisition date. The purchase price allocation was finalised during the year 2016, which resulted in no changes in the initial purchase price allocation.

Consideration	**EUR million**
Consideration transferred	38.0
Total consideration transferred	**38.0**

Cash flow from the acquisition	**EUR million**
Consideration paid in cash	22.4
Cash and cash equivalents of the acquired companies	-0.5
Total cash flow from the acquisition	**22.0**

Values of the assets and liabilities arising from the acquisition	**EUR million**
Intangible assets	34.6
Property, plant and equipment	11.7
Inventories	8.9
Trade and other receivables	11.5
Deferred tax assets	1.6
Cash and cash equivalents	0.5
Total assets	**68.8**
Provisions	0.1
Pension obligations	0.1
Trade payables and other liabilities	32.2
Deferred tax liabilities	4.8
Total liabilities	**37.1**
Total net assets	**31.7**
Goodwill	**6.3**

The fair values of acquired identifiable intangible assets at the date of acquisition (including customer relationships, trademarks, order backlog) amounted to EUR 34.6 million. The fair value of current trade receivables and other receivables is approximately EUR 11.5 million. The fair value of trade receivables does not include any significant risk.

The goodwill of EUR 6.3 million reflects the value of know-how and expertise in rolling stock business. PKC Group foresees that the new unit will capture new market opportunities and improve the operational efficiency of its customers. The goodwill recognised for KTP is not tax deductible.

Purchase price allocation resulted in assets totalling EUR 24.9 million and related depreciation and amortisation equal to EUR 3.4 million per year in the beginning.

Acquisition-related costs amounted to EUR 2.5 million consisting of external advisory and due diligence fees. The costs have been included in the other operating expenses in the consolidated statement of income and classified as items affecting comparability.

Had the acquisition occurred on 1 January 2015, management estimates that the consolidated Group revenue from continuing operations would have been EUR 873 million and adjusted EBITDA from continuing operations EUR 62 million in January-December 2015.

4.4 Established Jiangsu Huakai-PKC Wire Harness Co., Ltd. and PKC Vehicle Technology (Hefei) Co., Ltd.

PKC Vehicle Technology (Hefei) Co., Ltd.

PKC Group announced on 29 March 2016 that it has signed a contract establishing the company with Anhui Jianghuai Automobile Co., Ltd's (JAC) subsidiary Hefei Jianghuai Automobile Co., Ltd (Hefei JAC). The established company shall increase PKC's market share in in China in both medium and heavy duty truck segments by 5 percentage points and expand business to buses, light trucks, vans, pick –up trucks and various other light vehicles.

The established company shall comprise current wiring harness business of JAC group with the aim to gradually take-over also other, currently outsourced, wiring systems business. JAC's current wiring harness buy is appr. RMB 1,000 million p.a. (appr. EUR 140 million p.a. at current exchange rate). The parties' aim is to develop established company as a primary supplier for all wiring harnesses to JAC group. The company will deliver full design & development, manufacturing and sequence delivery services to JAC group companies.

JAC's total sales in 2015 consisted of 588 thousand vehicles and revenue of RMB 47 billion (appr. EUR 6.5 billion at current exchange rate).

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

The finalisation of the established company is subject to usual conditions including e.g. negotiating the related agreements and obtaining authority approvals. The finalisation is targeted in the second quarter of 2017, and the joint venture will be consolidated to PKC Group as of the date of starting the operations. The company is estimated to generate approximately RMB 350 million (appr. EUR 50 million at current exchange rate) revenue and employ about 1000 people in its first 12 months of operation. The established company had no significant impact yet on PKC Group's 2016 result.

Jiangsu Huakai-PKC Wire Harness Co., Ltd.

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

The company was accomplished through a new company that was established by Huakai in Danyang, Jiangsu province in China with an equity value of RMB 150 million / EUR 22 million. PKC contributed in total RMB 150 million / EUR 22 million via share issues financed from PKC's cash resources. After the capital increase the total equity value of the established company is RMB 300 million / EUR 44 million and PKC owns 50% and Huakai 50%. The agreement contains such elements that give PKC the consolidation right and control, accordingly. Although the company has been established together with another company, PKC Group controls and processes the company as a subsidiary.

The established company comprises Huakai's previous business which develops and manufactures electrical distribution systems to truck, construction vehicle and bus segments in China. The key customers are Foton (and Beijing Foton Daimler Automotive), Kinglong and Iveco. Foton is the fourth biggest truck manufacturer in China with 11% market share in 2014. Had the company been established on 1 January 2015, management estimates that the annual revenue 2015 of the joint venture would have been approximately EUR 44 million with current exchange rate, and employees would have amounted to 715.

The established company is consolidated into PKC Group as of 1 September 2015. The joint venture is included into PKC Group's Wiring Systems business segment.

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

EUR 1,000	Jiangsu Huakai-PKC Wire Harness Co., Ltd. 2016	2015	PKC Vehicle Technology (Hefei) Co., Ltd. 2016
Non-controlling interests' holding, %	**50%**	**50%**	**50%**
Non-current assets	3,927	3,212	40
Current assets	39,760	30,986	2,733
Current liabilities	13,158	12,741	40
Net assets	**30,529**	**21,457**	**2,733**
Net assets attributable to non-controlling interests	15,265	10,728	1,367
Revenue	42,164	16,163	0
Profit	3,608	932	1
Items of other comprehensive income	-370	12	0
Total comprehensive income	**3,238**	**943**	**1**
Net profit allocated to non-controlling interests	1,804	466	1
Items of other comprehensive income allocated to non-controlling interests	1,619	472	1
Net cash from operating activities	5,910	-7,375	1
Net cash from investment activities	-1,027	-971	0
Net cash used in financing activities	6,425	12,039	2,732
Net increase (+) or decrease (-) in cash and cash equivalents	**11,308**	**3,693**	**2,733**

4.5 Discontinued Operations

PKC Group announced on 3 May 2016 that it had signed an agreement to start negotiations on creating a joint venture (JV) with a company specialized on electronics manufacturing.

As of January-March 2016 interim statement PKC's Electronics business will be classified as a non-current asset held for sale and reported as discontinued operations according to IFRS 5 standard Non-Current Assets Held for Sale and Discontinued Operations. Discontinued operations are presented on one line, net of tax, in the income statement. In accordance with IFRS 5 the 2015 comparable information for income statement has been restated. Assets and liabilities related to the discontinued operations are presented in separate lines in the balance sheet of 2016. After the classification PKC Group has only one business segment, Wiring Systems business, that also includes the Group functions and other items.

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

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

EUR 1,000	2016	2015
Results of Electronics business		
Income	42,040	61,702
Expenses	-48,486	-60,275
Profit (loss) before taxes	**-6,446**	**1,428**
Income taxes	-909	24
Net profit (loss) for the financial year from discontinued operations	**-7,356**	**1,451**
Items affecting comparability	-4,933	-191
Cash flows from Electronics business		
Net cash from operating activities	-280	-
Net cash used in investing activities	-444	-
Net cash used in financial activities	0	-
Total net cash flows	**-724**	**-**

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

4.6 Operating Leases

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

Operating lease obligations, PKC Group as a lessee

EUR 1,000	2016	2015
Less than one year	10,912	8,812
Between one and five years	24,694	16,214
More than five years	4,346	4,526
Total	**39,952**	**29,552**

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

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

4.7 Contingent Items and Commitments

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group (e.g. outcome of on-going judicial process). A contingent liability is also a present obligation, which probably does not require payment obligation or the amount of the obligation cannot be measured with sufficient reliability. At the end of the financial year 31 December 2016 (31 December 2015) PKC Group has no material contingent items or commitments.

4.8 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.

There are change of ownership clauses in the agreements related to the PKC's established companies in China. According to the conditions agreements can be terminated in case of significant change of ownership.

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 agreements with financial institutions. 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.

4.9 Events after the Financial Year

Motherson Sumi Systems Limited's public tender offer

Motherson Sumi Systems Limited launches a voluntary recommended public tender offer for all shares and stock options in PKC Group Plc, which was announced on 19 January 2017. The target is to combine the two companies and create a leading supplier of wiring systems and components for the worldwide transportation industry. The Finnish Financial Supervisory Authority has on 3 February 2017 approved the tender offer document relating to the Tender Offer. The offer period for the Tender Offer will commence on February 6, 2017 at 9:30 a.m. (Finnish time) and expire on March 21, 2017 at 4:00 p.m. (Finnish time), unless the offer period is extended or any extended offer period is discontinued.

The divestment of PKC Electronics business

On 27 January 2017 PKC Group announced the divestment of PKC Electronics to Enics AG. The divestment is expected to be completed during the first quarter of 2017.

Parent Company's Income Statement

EUR 1,000	Note	1.1.-31.12.2016	1.1.-31.12.2015
Net sales	1	**487**	**228**
Other operating income	2	2,864	5,396
Staff expenses	3	-3,481	-3,074
Depreciation, amortisation and impairment	7	-350	-376
Other operating expenses	4	-6,474	-9,199
Operating profit/loss		**-6,955**	**-7,025**
Interest and other financial income	5	10,824	37,012
Interest and other financial expenses	5	-6,008	-6,724
Foreign exchange differences	5	-38	-820
Financial income and expenses		**4,777**	**29,467**
Profit/loss before appropriations and taxes		**-2,178**	**22,443**
Change in cumulative accelerated depreciation		14	0
Group contribution		10,998	18,181
Appropriations		**11,012**	**18,181**
Income taxes	6	-16	-11
Profit/loss for the financial year		**8,818**	**40,613**

Parent Company's Balance Sheet

EUR 1,000	Note	31.12.2016	31.12.2015
Assets			
Non-current assets			
Intangible assets	7	431	678
Tangible assets	7	3	33
Investments	8	63,838	61,875
Total non-current assets		**64,272**	**62,587**
Current assets			
Long-term receivables	9	202,192	155,758
Short-term receivables	10	83,183	120,655
Cash and cash equivalents		18,472	32,494
Total current assets		**303,847**	**308,908**
Total assets		**368,119**	**371,495**
Equity and liabilities			
Equity	11		
Share capital		6,218	6,218
Share premium account		11,282	11,282
Invested non-restricted equity fund		71,285	70,830
Retained earnings		48,263	24,517
Profit for the financial year		8,818	40,613
Total equity		**145,867**	**153,460**
Appropriations			
Cumulative accelerated depreciation		-14	0
Total appropriations		**-14**	**0**
Liabilities			
Non-current liabilities	12	139,651	141,235
Current liabilities	13	82,616	76,799
Total liabilities		**222,266**	**218,035**
Total equity and liabilities		**368,119**	**371,495**

Parent Company's Cash Flow Statement

EUR 1,000	1.1.-31.12.2016	1.1.-31.12.2015
Cash flows from operating activities		
Cash receipts from customers	656	7
Cash receipts from other operating income	2,496	8,568
Cash paid to suppliers and employees	-10,503	-16,103
Cash flows from operations before financial income and expenses and taxes	**-7,351**	**-7,528**
Interest paid	-4,750	-6,808
Translation difference	0	52
Interest received and other financial income	11,292	7,339
Income taxes paid	-152	-332
Net cash from operating activities (A)	**-961**	**-7,276**
Cash flows from investing activities		
Aqcuisitions of tangible and intangible assets	-73	-423
Proceeds from sale of tangible and intangible assets	5	628
Loans granted to subsidiaries	-56,340	-79,204
Proceeds from payments of loan receivables	4,195	6,713
Dividends received	93	140
Net cash used in investing activities (B)	**-52,119**	**-72,147**
Cash flows from financial activities		
Excercise of options	455	1,736
Purchase of own shares	0	-2,257
Proceeds from current borrowings	137,825	191,099
Proceeds from non-current borrowings	0	40,000
Repayment of current/non-current borrowings	-132,519	-151,753
Received group contributions and dividends	50,163	3,458
Dividends paid	-16,867	-16,788
Net cash used in financial activities (C)	**39,058**	**65,494**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)	**-14,023**	**-13,929**
Cash and cash equivalents at the beginning of the financial year	**32,494**	**46,424**
Cash and cash equivalents at the end of the financial year	**18,472**	**32,494**

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 recognised in income statement.

Non-current assets

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

The depreciation/amortisation periods are as follows:

Intangible assets	3 - 4 years
Buildings and constructions	7 - 15 years
Machinery and equipment	5 - 7 years

Subsidiary shares

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

Financial instruments

Financial instruments are recognised at acquisition cost.

Net sales

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

Other operating income

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

Lease rentals

Lease rentals have been expensed.

Pension costs

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

Direct taxes

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

Derivative assets and liabilities

During 2016 parent company has started to apply the instruction from Finnish Accounting Board (KiLa 2016 1963) relating to the fair values of derivative instruments. In addition to realized profit or loss from derivative agreements also the changes in the fair values of derivatives are recorded as a profit or loss. The figures of comparison period 2015 are restated as follows:

EUR 1,000	New accounting policy	Previous accounting policy	The changes of restated accounting policy in comparison to previous accounting policy
Income statement 2015			
Net sales	**228**	**228**	**0**
Operating profit/loss	**-7,025**	**-7,025**	**0**
Financial income and expenses 2015			
Interest and other financial income	37,012	36,954	57
Interest and other financial expenses	-6,724	-6,724	0
Foreign exchange differences	-820	-636	-184
Financial income and expenses	**29,467**	**29,594**	**-127**
Profit/loss for the financial year	**40,613**	**40,740**	**-127**
Balance sheet 2015			
Total non-current assets	**62,587**	**62,587**	**0**
Current assets			
Long-term receivables	155,758	155,758	0
Short-term receivables	120,655	118,833	1,822
Cash and cash equivalents	32,494	32,494	0
Total current assets	**308,908**	**307,085**	**1,822**
Total assets	**371,495**	**369,672**	**1,822**
Equity			
Share capital	6,218	6,218	0
Share premium account	11,282	11,282	0
Invested non-restricted equity fund	70,830	70,830	0
Retained earnings	24,517	24,559	-42
Profit for the financial year	40,613	40,740	-127
Total equity	**153,460**	**153,628**	**-168**
Liabilities			
Non-current liabilities	141,235	139,470	1,765
Current liabilities	76,799	76,573	226
Total liabilities	**218,035**	**216,044**	**1,991**
Total equity and liabilities	**371,495**	**369,672**	**1,822**

Notes to the Parent Company's Financial Statements

1. Net Sales

By market areas

EUR 1,000	2016	2015
Finland	213	109
Other Europe	250	102
North America	24	17
Total	**487**	**228**

2. Other Operating Income

EUR 1,000	2016	2015
Rental income from Group companies	0	85
Services to Group companies	2,864	4,691
Proceeds from sales of non-current assets	0	620
Total	**2,864**	**5,396**

3. Staff Expenses

EUR 1,000	2016	2015
Wages and salaries	2,860	2,527
Pension expenses	469	405
Other social security expenses	113	86
Other staff expenses	38	56
Total	**3,481**	**3,074**

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

Number of personnel

	2016	2015
Average number of personnel	22	20
Personnel at the end of financial year	19	19

4. Other Operating Expenses

EUR 1,000	2016	2015
Outsourced services	604	3,844
Outsourced services from Group companies	214	21
IT and telecommunications expenses	2,342	1,996
Administrative expenses	2,034	2,323
Travelling expenses	322	250
Facility expenses	155	191
Insurances	502	99
Vehicle expenses	23	25
Other maintenance expenses	22	25
Other items	149	104
Auditors´ fees	107	320
Total	**6,474**	**9,199**

Auditors´ fees, Authorised Public Accountants KPMG

EUR 1,000	2016	2015
Audit fees	41	59
Tax services	61	61
Other services	5	200
Total	**107**	**320**

5. Financial Income and Expenses

Interest and other financial income

EUR 1,000	2016	2015
Income from subsidiary shares	256	30,212
Interest and other financial income from Group companies	5,573	4,561
Interest and other financial income	4,995	2,238
Foreign exchange gains		
from trade payables	4	0
from raw material derivatives	273	402
from other financial instruments	0	1
Total	**11,101**	**37,414**

Interest and other financial expenses

EUR 1,000	2016	2015
Interest and other financial expenses	-6,008	-6,724
Foreign exchange losses		
from trade payables	-3	0
from raw material derivatives	-312	-1,220
from other financial instruments	0	-3
Total	**-6,323**	**-7,947**
Total financial income and expenses	**4,777**	**29,467**

6. Income Taxes

EUR 1,000	2016	2015
Income taxes for the financial year	-16	-11
Total	**-16**	**-11**

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7. Non-Current Assets

Intangible assets

EUR 1,000	Intangible rights	Other non-current expenditures	Acquisitions in progress	Total
Acquisition cost 1.1.2016	3,660	491	1	4,152
+ Additions	26	0	47	73
- Disposals	-1,463	0	0	-1,463
+/- Reclassifications	48	0	-48	0
Acquisition cost 31.12.2016	2,270	491	0	2,761
Accumulated amortisation and impairments 1.1.2016	3,232	241	0	3,474
- Accumulated amortisation on disposals and reclassifications	-1,463	0	0	-1,463
+ Amortisation	210	110	0	320
Accumulated amortisation and impairments 31.12.2016	1,979	351	0	2,330
Carrying amount 31.12.2016	**291**	**140**	**0**	**431**
Carrying amount 31.12.2015	428	250	1	678

Tangible assets

EUR 1,000	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1.1.2016	118	1,001	209	1,328
Acquisition cost 31.12.2016	118	1,001	209	1,328
Accumulated depreciation and impairments 1.1.2016	101	985	209	1,295
+ Depreciation	17	14	0	31
Accumulated depreciation and impairments 31.12.2016	118	999	209	1,326
Carrying amount 31.12.2016	**0**	**3**	**0**	**3**
Carrying amount 31.12.2015	17	16	0	33

8. Investments

EUR 1,000	Shares of subsidiaries	Other shares	Other investments	Total
Acquisition cost 1.1.2016	61,822	5	48	61,875
+ Additions	1,968	0	0	1,968
- Disposals	0	-5	0	-5
Acquisition cost 31.12.2016	63,791	0	48	63,838
Carrying amount 31.12.2016	**63,791**	**0**	**48**	**63,838**
Carrying amount 31.12.2015	61,822	5	48	61,875

Subsidiaries

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

- The list of Group companies (31 December 2016) is presented in consolidated financial statements' note 4.2 Group Structure.

9. Long-term Receivables

EUR 1,000	2016	2015
Loan receivables from Group companies	202,024	155,491
Other non-current receivables	167	268
Total	**202,192**	**155,758**

10. Short-term Receivables

EUR 1,000	2016	2015
Trade receivables	0	1
Other receivables	221	42
Prepayments and accrued income	287	2,593
Receivables from Group companies		
Interest-bearing loan receivables	53,117	49,474
Trade receivables	368	167
Prepayments and accrued income of financial items	29,191	68,377
Total	**83,183**	**120,655**

Prepayments and accrued income

EUR 1,000	2016	2015
of staff expenses	24	18
of other operating expenses	205	139
of financial items	57	2,436
Total	**287**	**2,593**

11. Equity

Restricted equity

EUR 1,000	2016	2015
Share capital 1.1.	6,218	6,218
Share capital 31.12.	**6,218**	**6,218**
Share premium account 1.1.	11,282	11,282
Share premium account 31.12.	**11,282**	**11,282**
Total restricted equity	**17,500**	**17,500**

Distributable equity

EUR 1,000	2016	2015
Invested non-restricted equity fund 1.1.	70,830	69,094
Increase (+)/ decrease (-) in invested non-restricted equity fund	455	1,736
Invested non-restricted equity fund 31.12.	**71,285**	**70,830**
Retained earnings 1.1.	65,130	43,604
Dividends paid	-16,867	-16,788
Purchase of treasury shares	0	-2,257
Retained earnings 31.12.	**48,263**	**24,517**
Profit for the financial year	8,818	40,613
Distributable equity 31.12.	**128,367**	**135,960**
Total equity	**145,867**	**153,460**

Statement of distributable funds

EUR 1,000	2016	2015
Retained earnings	48,263	24,517
Profit for the financial year	8,818	40,613
Invested non-restricted equity fund	71,285	70,830
Total	**128,367**	**135,960**

12. Non-Current Liabilities

EUR 1,000	2016	2015
Bond	99,681	101,292
Loans from financial institutions	39,970	39,943
Total non-current liabilities	**139,651**	**141,235**
of which interest-bearing	139,651	141,235

Loans falling due later than five years do not exist.

13. Current Liabilities

EUR 1,000	2016	2015
Interest-bearing commercial papers	35,000	25,000
Trade payables	792	880
Accruals and deferred income	11,814	11,261
Other liabilities	86	57
To Group companies		
Interest-bearing cash pool	34,874	39,595
Trade payables	42	5
Other liabilities	7	2
Total	**82,616**	**76,799**

Accruals and deferred income

EUR 1,000	2016	2015
from staff expenses	968	1,097
from other operating expenses	212	237
from financial items	2,754	1,975
from taxes	7,880	7,952
Total	**11,814**	**11,261**

Other liabilities

EUR 1,000	2016	2015
from staff expenses	4	57
from taxes	82	0
Total	**86**	**57**

14. Commitments and Other Obligations

Other liabilities

EUR 1,000	2016	2015
Given on behalf of other Group companies	14,567	6,094
Total	**14,567**	**6,094**

Lease obligations related to current premises

EUR 1,000	2016	2015
For the current financial period	138	213
Falling due at a later date	183	61
Total	**321**	**274**

Other lease obligations

EUR 1,000	2016	2015
For the current financial period	13	13
Falling due at a later time	3	16
Total	**16**	**29**

Derivative obligations

EUR 1,000	2016	2015
Raw material derivatives		
Nominal value	0	2,379
Fair value	0	-226
Interest rate swaps		
Nominal value	0	50,000
Fair value	0	1,822

This document is an English translation of the Finnish Board of Director's Proposal for Profit Distribution and Signatures. Only the Finnish version is legally binding.

Board of Directors´ Proposal for Profit Distribution and Signatures

The parent company´s distributable funds are EUR 128,366,984, of which EUR 57,081,651 is distributable as dividends, including the net profit (loss) for the financial year EUR 8,818,391. There are 24,125,387 shares with dividend rights.

The Board of Directors proposes to the Annual General Meeting to be held on 5 April 2017 that the distributable funds be disposed as follows:

- A dividend of EUR 0.70 per share be paid, totalling	EUR 16,887,770.90
- The remaining be retained in shareholders´ equity	EUR 111,479,213.10
Total	EUR 128,366,984.00

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 pay-out will not put the company´s liquity at risk.

The dividend proposal is conditional upon

a) the conditions for the completion of Motherson Sumi Systems Limited's voluntary public tender offer ("Tender Offer") announced on 19 January 2017 having not been fulfilled (or waived) and
b) Tender offer having not been completed.

The Board of Directors furthermore will propose to the Annual General Meeting that Board of Directors be authorized to decide, subject to the fulfillment of and in line with the above mention conditions, upon the record date for the dividend pay-out and the dividend payment date as well as other required actions related thereto. Before the Board of Directors carries out the Annual General meeting's resolution, it has to evaluate in accordance with the Companies Act whether company's liquidity and financial position have changed after the Annual General Meeting to such an effect that the Companies Act's prerequisites for dividend pay-out are no longer fulfilled.

The Board of Directors will propose that the resolution and authorization be effective until the start of the next Annual General Meeting of Shareholders.

Munich, 8 February 2017.

Matti Ruotsala
Chairman of the Board

Reinhard Buhl
Board Member

Wolfgang Diez
Board Member

Henrik Lange
Board Member

Shemaya Levy
Board Member

Mingming Liu
Board Member

Robert J. Remenar
Board Member

Matti Hyytiäinen
President & CEO

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

The Auditor's Note

Our auditor's report has been issued today.

Munich, 8 February 2017.

KPMG Oy Ab
Authorised Public Accountants

(signed)
Virpi Halonen
Authorised Public Accountant

List of Accounting Books

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

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

Auditor's report

To the Annual General Meeting of PKC Group Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PKC Group Plc (business identity code 0972280-0) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

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

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

Valuation of Goodwill and Intangible assets - refer to Accounting principles and Notes 2.1 and 2.1 in the consolidated financial statements

Key audit matter

- In recent years the group has expanded its operations through acquisitions. At the year-end 2016 the group had EUR 37.8 million in goodwill and EUR 65.6 million in intangible assets, which are mainly acquisition related.
- Irrespective of whether there is any indication of impairment, goodwill acquired in a business combination is required to be tested for impairment annually. An impairment arises when the recoverable amount is less than the carrying value of the investment
- Acquisition related intangible assets have a definitive useful life. However, the useful lives and related amortization period should be assessed annually.
- The assumptions to support goodwill values (e.g. growth rate, profitability and discount rates) are judgemental.

Our response

- We have assessed the impairment tests prepared by management and related supporting third party evidence.
- We have challenged the assumptions used in respect of the forecasted growth rates and involved KPMG valuation specialists to assess the appropriateness of the discount rates used. This included comparison to economic and industry forecasts, where appropriate, as well as assessment over the technical appropriateness of the calculations.
- We have applied professional judgment when evaluating the forecasts by stress testing key assumptions and assessing the impact on the sensitivity analysis.
- For acquisition related intangible assets, we have assessed management's assumptions regarding the remaining useful life of identified intangible assets based on our own expectations and on our knowledge of the client and experience of the industry in which it operates as well as external data sources.
- In addition, we have assessed the adequacy and appropriateness of the notes in the financial statements on goodwill and impairment testing.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Other Reporting Requirements

Other Information

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

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

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

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

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 8 February, 2017

KPMG Oy Ab

Virpi Halonen
Authorized Public Accountant, KHT