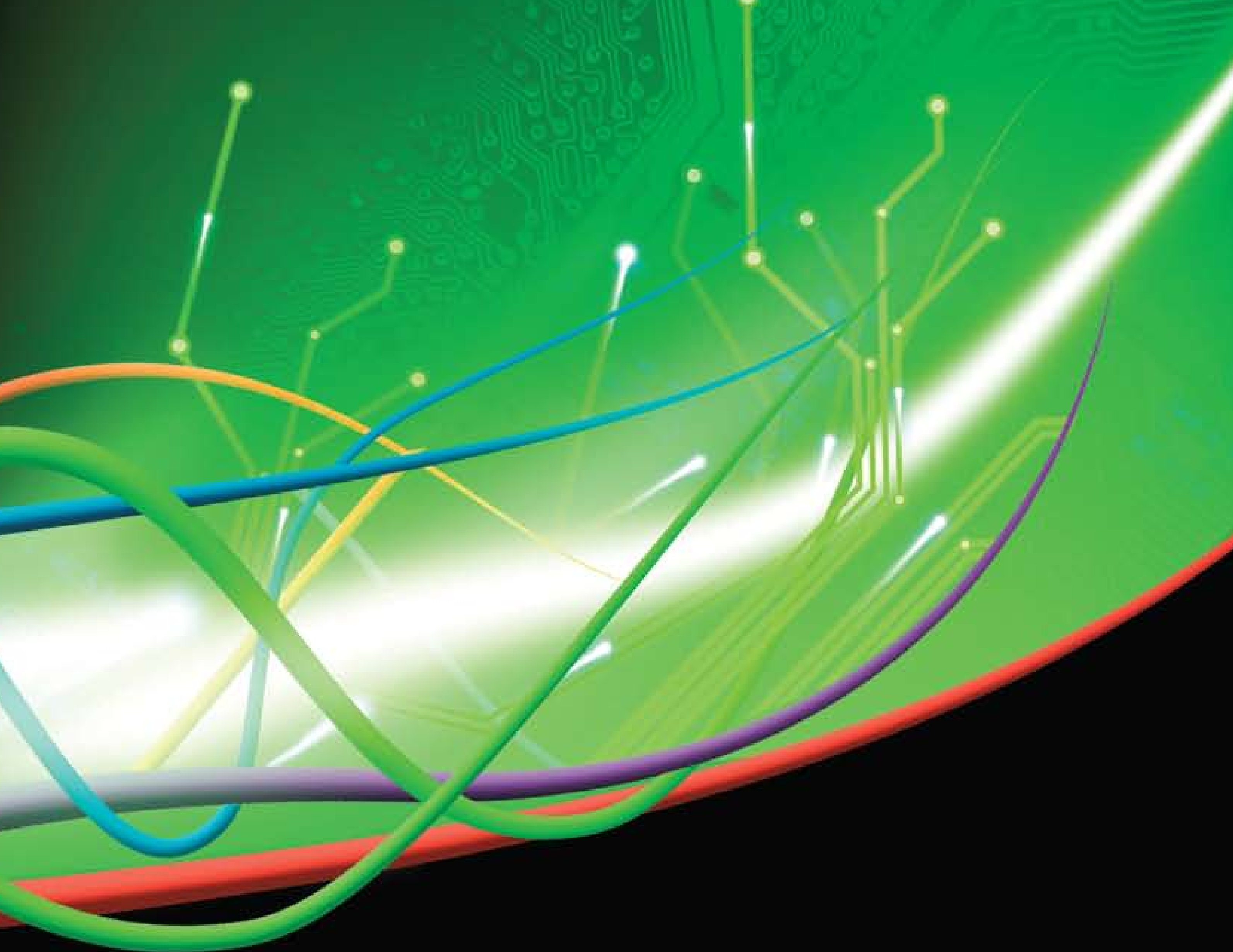


ANNUAL REPORT 2007

PKC GROUP

CONTENTS

PKC GROUP

GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of PKC Group Oyj will be held on Thursday 27 March 2008, at 4.00 p.m., at the parent company's offices in Kempele, at the address Vihikari 10.

A shareholder is entitled to attend the meeting if he or she is listed as a shareholder in the company's shareholder register at Finnish Central Securities Depository Ltd, on the record date 17 March 2008 and confirms his or her attendance by 4.00 p.m. on 19 March 2008.

Notice of the Annual General Meeting was given in a Stock Exchange Announcement and in the Helsingin Sanomat and Kaleva newspapers.

DISTRIBUTION OF DIVIDENDS

The Board of Directors proposes that a dividend of EUR 0.45 per share be paid for the financial year 2007. The record date for dividends is 1 April 2008. The payment date for dividends is 8 April 2008.

FINANCIAL REPORTS FOR 2008

PKC Group Oyj will publish its financial reports for 2008 as follows:

Interim Report 1–3/2008
on Friday 18 April 2008 at 8.15 a.m.
Interim Report 1–6/2008
on Tuesday 15 July 2008 at 8.15 a.m.
Interim Report 1–9/2008
on Tuesday 21 October 2008 at 8.15 a.m.

The Interim Reports and Stock Exchange Bulletins will be published in Finnish and in English on the company's website at www.pkcgroup.com. The company's Annual Reports and Interim Reports will also be available in 'PDF' format on the company's website.

CHANGE OF ADDRESS

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

PKC IN BRIEF

PKC GROUP

The PKC Group offers design and contract manufacturing services for wiring harnesses, cabling and electronics. The Group's products and services are delivered mainly to the automotive, telecommunications and electronics industries. The Group has production facilities in Finland, Brazil, China, Mexico, Estonia and Russia, and employs about 5,300 people. The net sales of PKC Group Oyj amounted to EUR 288.6 million in 2007.

STRENGTHS

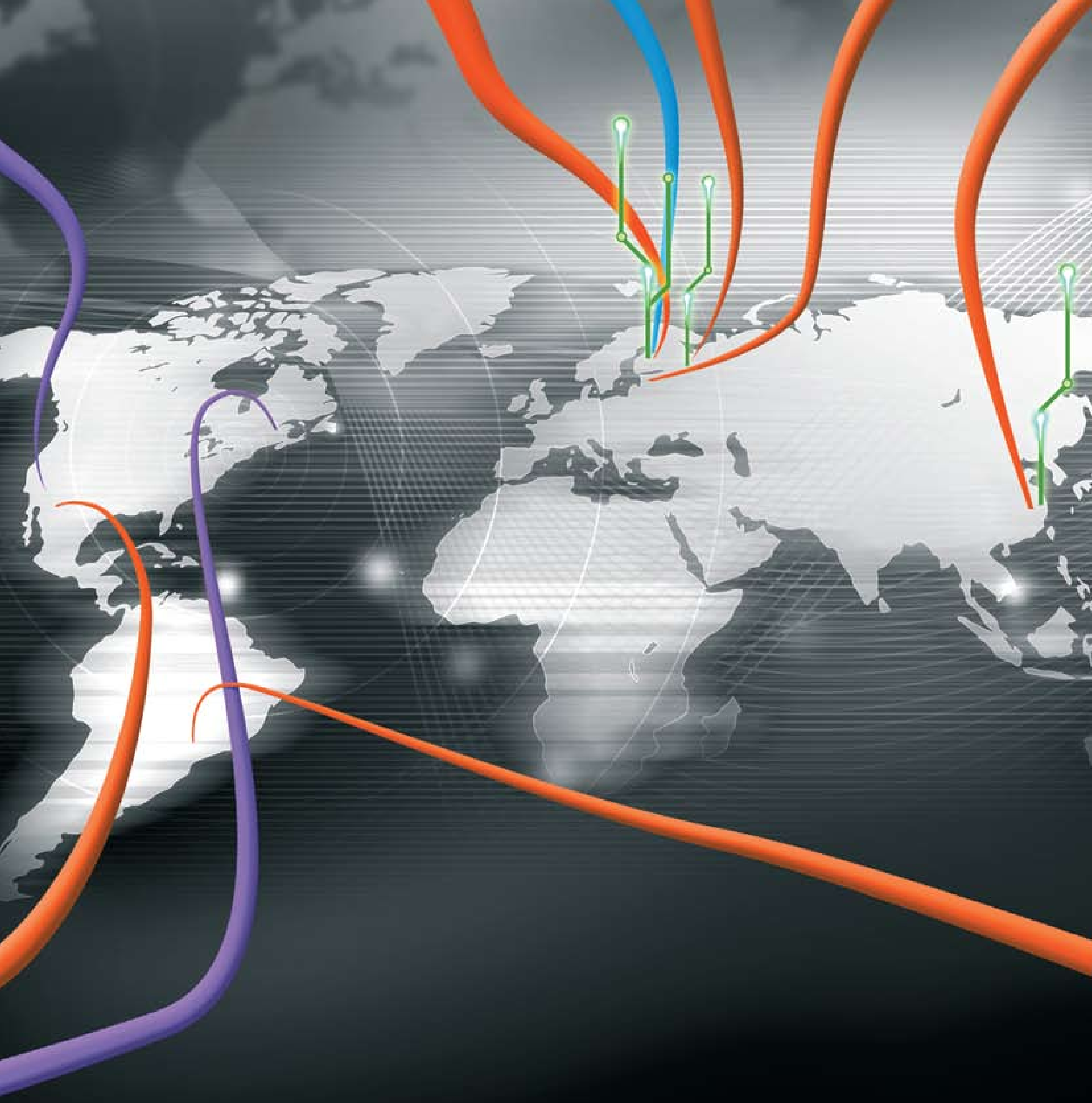
- Active and close co-operation with customers and our ability to create added value
- Long-term customer relationships based on trust
- Our worldwide competence and long experience in operating in lower-cost countries
- Cost-efficient and flexible production network that operates according to consistent quality and environmental standards.

HISTORY

- In 1969, Pohjolan Kaapeli Oy, a subsidiary of Oy Nokia Ab, established a wiring harness production facility in Kempele
- In the early 1990s, the company began co-operation with subcontractors in Estonia and Russia
- In 1994, PK Cables Oy was established, and the company was listed on the Helsinki Stock Exchange in 1997 as the first company from northern Finland
- At the end of the 1990s, the Brazilian factory was opened and the Group acquired the Electronics business
- In the 2000s, the Group has grown vigorously in Russia, Estonia and South America
- In recent years, the operations in North America and China have strengthened the PKC Group's global development.

GROUP KEY FIGURES	2007	2006	2005	2004	2003
Net sales, EUR million	288.6	228.9	198.8	177.7	146.0
Operating profit, EUR million	28.2	24.2	26.7	20.8	18.4
Profit before taxes, EUR million	25.6	22.8	27.3	19.6	18.1
Return on investment (ROI), %	23.4	24.1	32.3	28.6	36.7
Equity ratio, %	47.2	48.0	55.6	44.2	56.9
Gross capital expenditure, EUR million	10.8	20.0	11.4	13.3	10.2
Earnings per share, diluted, EUR	0.98	0.87	1.06	0.75	0.73
Dividend per share, EUR	0.45(*	0.45	0.45	0.20	0.83

*) Board's proposal



CANADA
Toronto

USA
Green Valley

MEXICO
Nogales

BRAZIL
Curitiba

FINLAND
Kempele
Muhos
Raahe

ESTONIA
Haapsalu
Keila

RUSSIA
Kostomuksha
Pskov

CHINA
Suzhou

ELECTRONICS　WIRING HARNESSES　TESTING PRODUCTS　OFFICE

REVIEW BY THE PRESIDENT AND CEO

For the PKC Group, 2007 was a time of record growth. Deliveries by our Wiring Harnesses and Electronics businesses and net sales from them grew by more than a fourth. There was continued strong demand for capital goods in our main market areas. This was reflected in our customers' increased production volumes. Sales to the heavy vehicle industry were at their highest level ever. Demand for industrial electronics was boosted both by the favourable business cycle and by the rise in the price of energy, which led to higher demand for energy saving products and solutions. The Electronics product development business grew significantly, strengthening its share of the business segment's net sales. Cost-effective production and logistics contributed to a further improvement in profitability of the Electronics business.

We succeeded in meeting the increased demand by expanding our operations and by investing in production capacity, particularly at the new units in Pskov, Russia, and Suzhou, China. The reorganisation and development of operations in North America has called for more work and time than anticipated.

During 2008, we will see the integration to completion and begin the manufacture of new product groups in Mexico. By means of these development steps, we believe that we will achieve good results. In global competitive bidding, our operations in North America are of great strategic importance.

During the review period, we decided to begin electronics production in China. We manufactured the first test batches of electronics products towards the end of the year, and we will start series production at the beginning of 2008. The cost-effectiveness of Russia and China combined with Finland's flexibility and strong product development know-how will make it possible for the business to grow profitably in coming years as well.

The trend towards consolidation in our customer industries continued in the manner we forecast, and we believe this trend will continue ahead. For us, this is both a challenge and an opportunity. Changes in ways of operating and requirements in the industry have been fast-paced during the 2000s. Our major competitors in wiring harness deliveries to the commercial vehicle industry are the world's largest automotive industry contract manufacturers and system suppliers, whereas well towards the end of the 1990s, we competed with small local players.

The challenges before us are the uncertain outlook for the world economy, the raw materials price trend and the rise in the level of costs in developing regions. In order to be able to meet these challenges and serve our customers better time after time, we must continually develop our methods and our efficiency. Our customers need partners who are capable of worldwide service. In line with our strategy, we have expanded our operations in order to support our customers' changing needs. Our long experience opens up opportunities for us as more and more of our potential customers expand their production to Russia's growing markets. In future years too, we must stay on the forefront of development in new and growing market areas.

At the close of a successful year, we can observe that our strategy has worked. I wish to express my thanks for achieving excellent results to our good customers of long standing, our partners in cooperation, our shareholders and all our staff. We are well poised to push ahead.

Mika Kari

Our Group's vision is to be a customer-oriented, proactive contract manufacturer and product development partner as well as a cost-competitive, high-quality and flexible partner in co-operation. In practice, this means that we research and develop the products and services that we offer to our customers. We refine and improve our products and actively seek solutions that will ensure the competitiveness of our products and services in the future. The basic idea behind our operations is to produce as much added value as possible for our customers.

The Group's strategic objectives
PKC's objective is to grow profitably. We seek growth by expanding our customer relationships and attracting new customers both in our current and in new market areas.

We develop our operations in anticipation of customer needs and meet customers' expectations worldwide with the help of our extensive production network. We invest in the development of services, products and production methods in order to improve cost-efficiency and customer satisfaction.

We ensure our own competitiveness with versatile expertise and systematic operating models. By developing all of our functions and their mutual cooperation, we create a sustainable basis for successful business operations.

We reinforce our personnel's competence and invest in management and strategic planning.

In order to ensure the realisation of the Group's strategic objectives, we utilise our core strengths.

Our values support operations
The PKC Group's values – commitment, quality, profitability and co-operation – create the basis for all operations.

In line with our values, we commit to promises made to customers, partners in co-operation and co-workers. We acknowledge our responsibility for the quality of our services and aspire to together make our operations more efficient and faultless. We take responsibility for our operating environment and strive to minimise harm caused to the environment.

We run profitable and productive operations, use capital efficiently and maintain the solvency of our company at a good level. Our openness, appreciation of each other and equal treatment lay the foundation for good co-operation.

VALUES

The PKC Group's common values lay the basis for all operations.

WIRING HARNESSES BUSINESS

The Wiring Harnesses business designs, develops and manufactures wiring harnesses and cabling for customers in the automotive, telecommunications and electronics industries. In 2007, the Wiring Harnesses business accounted for 79.7% of consolidated net sales.

The year 2007 was a year of growth in the Wiring Harnesses business. Measures for the improvement of quality, delivery accuracy and efficiency, undertaken in accordance with strategy, strengthened our position as a significant partner to the automotive industry. We responded to stiff price competition by actively managing costs.

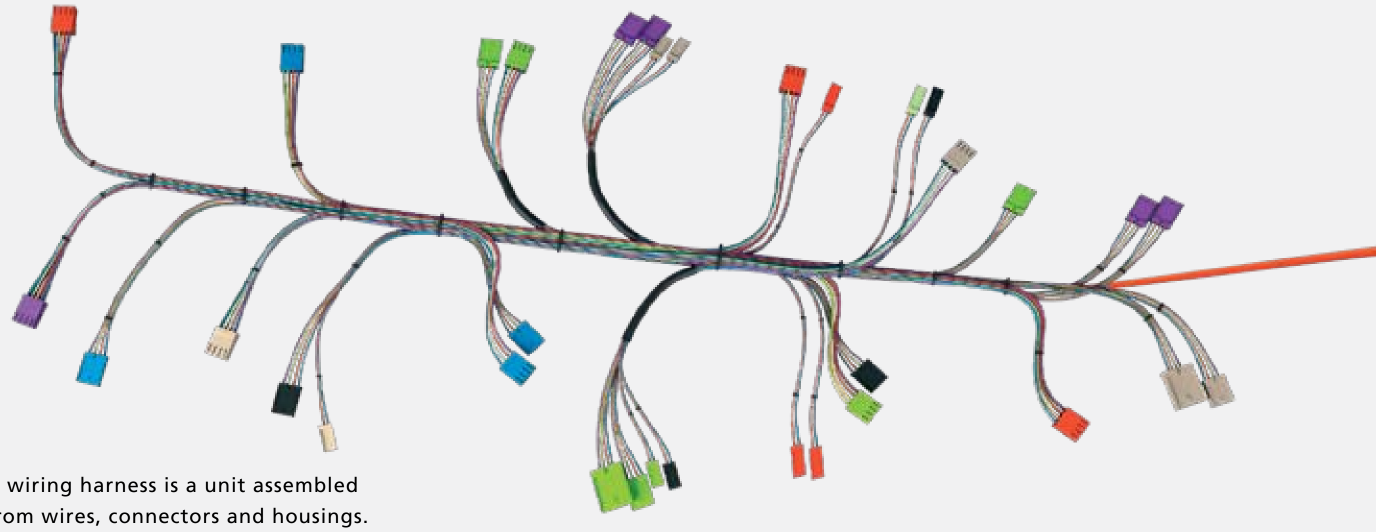
Worldwide production network
As planned, we expanded our facility in Pskov, Russia, where we built extra production capacity and also started the manufacture of new products. We will continue to expand the Pskov facility in the future in order to serve also customers that operate in the Russian market.

At the Suzhou facility in China, we focused on products for telecommunications and automation industry's customers, and began manufacturing wiring harnesses for the automotive industry at the end of the year. The Suzhou facility will primarily serve customers operating in Asian markets.

The rise in costs in developing areas posed challenges for the profitability of the business. We managed to contain the effects of this by increasing the efficiency and volume of production. With the aim of ensuring the flexibility of our production capacity, we also began cooperation with subcontractors in Lithuania and Russia for the production of wiring harnesses.

The integration of the North American operations into the Group's production network is still ongoing. We will continue to integrate and develop these operations by deploying the Group's operations control system in Mexico as well. By enhancing quality and expertise we will ensure that the start-up of the manufacture of new products occurs smoothly and quickly.

TAILORED SOLUTIONS WITH QUALITY AND FLEXIBILITY



A wiring harness is a unit assembled from wires, connectors and housings. A single wiring harness may contain up to several kilometres of wires.

Our operations in Brazil are well-established, with production volumes increasing as a result of the country's strong economic development. The Brazilian unit has devoted resources to the development of expertise and the flexibility of operations, in particular. This enables us to take customers' requirements into consideration as comprehensively as possible.

Operating environment

The world market prices of raw materials, which remained high, had a substantial impact on the prices of components. The copper price clauses negotiated in supplier and customer contracts and the hedging of risks related to raw materials have helped us lessen the impact of market price fluctuations on profitability. We have also strengthened efforts to seek alternative components and to bolster sourcing operations in Asia. By developing our forecast methods, we improved the planning of materials procurements and production capacity.

We actively monitor and analyse markets, the activities of our competitors and the needs of our customers.

Our aim is to expand our business operations in the vigorously growing Russian vehicle market, a goal that is supported by our long experience in operating in Russia and the strong growth of the region's automotive industry. In order to strengthen our competitive position, we will reinforce our current business units, explore new operating areas and study the options for expanding our design services.

The wiring harnesses business's strengths:

- Solid experience in the industry
- Long-term customer relationships with the automotive industry's leading manufacturers
- The volumes of a large company provided with the flexibility of a small one
- Worldwide production network close to the customers
- Skilled and committed personnel

VERSATILE WIRING HARNESSES

ELECTRONICS BUSINESS

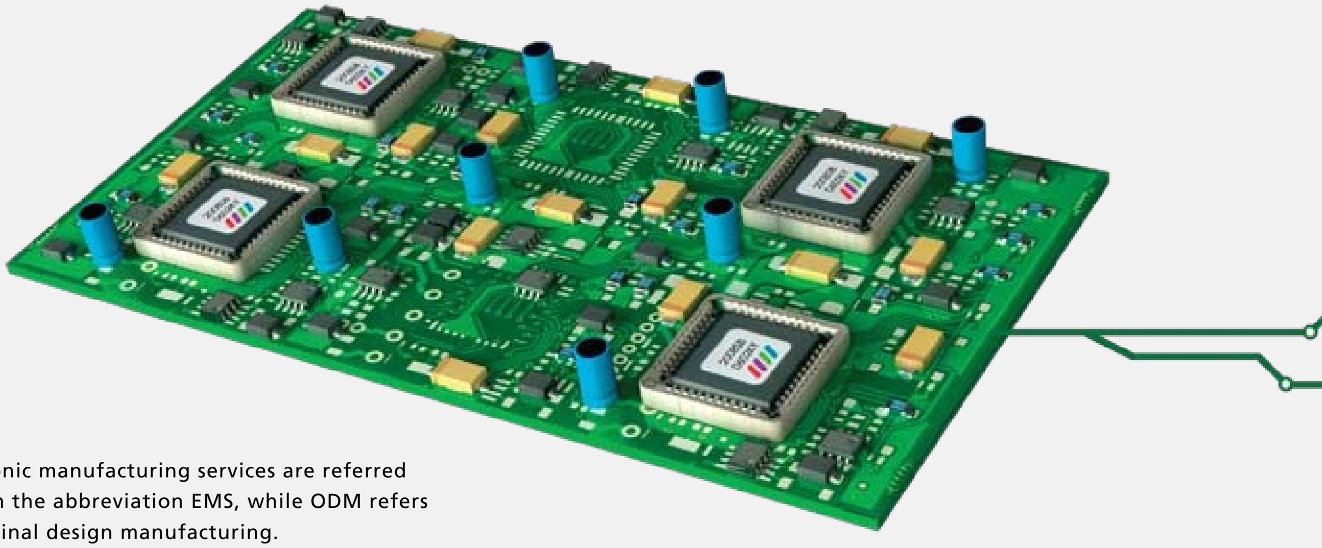
The Electronics business offers electronics product development, design and manufacturing services to the telecommunications, electronics and automotive industries. In 2007, the Electronics business accounted for 20.3 % of consolidated net sales.

For the Electronics business, the year 2007 was marked by strong growth. Aiming to improve our competitive position, we increased our resources in product development and design, enhanced our production technology and stepped up our production capacity.

Comprehensive services
The share of contract design services in the business grew and deliveries to customers in the telecommunications and industrial electronics sectors increased. Thanks to our strong expertise, we are able to offer a more comprehensive product development and design services package to complement our cost-efficient manufacturing services. This has proven to be a considerable competitive edge.

The key customers of our Electronics business increased their operations especially in Asia. Since we strive to offer customers a comprehensive design and manufacturing network, we launched electronics manufacturing operations in Suzhou, China, in accordance with our growth strategy. We successfully manufactured the first test batches in December and will start serial production early in 2008. The Chinese unit's role in the manufacture of volume products will be significant in the future, as we are also seeking new customer relationships in Asian markets.

EFFICIENT AND ACCURATE DEVELOPMENT, DESIGN AND MANUFACTURE OF ELECTRONICS PRODUCTS



Electronic manufacturing services are referred to with the abbreviation EMS, while ODM refers to original design manufacturing.

Our facility in Kostomuksha, Russia, also manufactures volume products. In Finland, we are focusing on design and product development, as well as on demanding manufacturing operations requiring flexibility and short delivery times. Our comprehensive design and manufacturing network enables us to offer a versatile range of services.

Operating environment

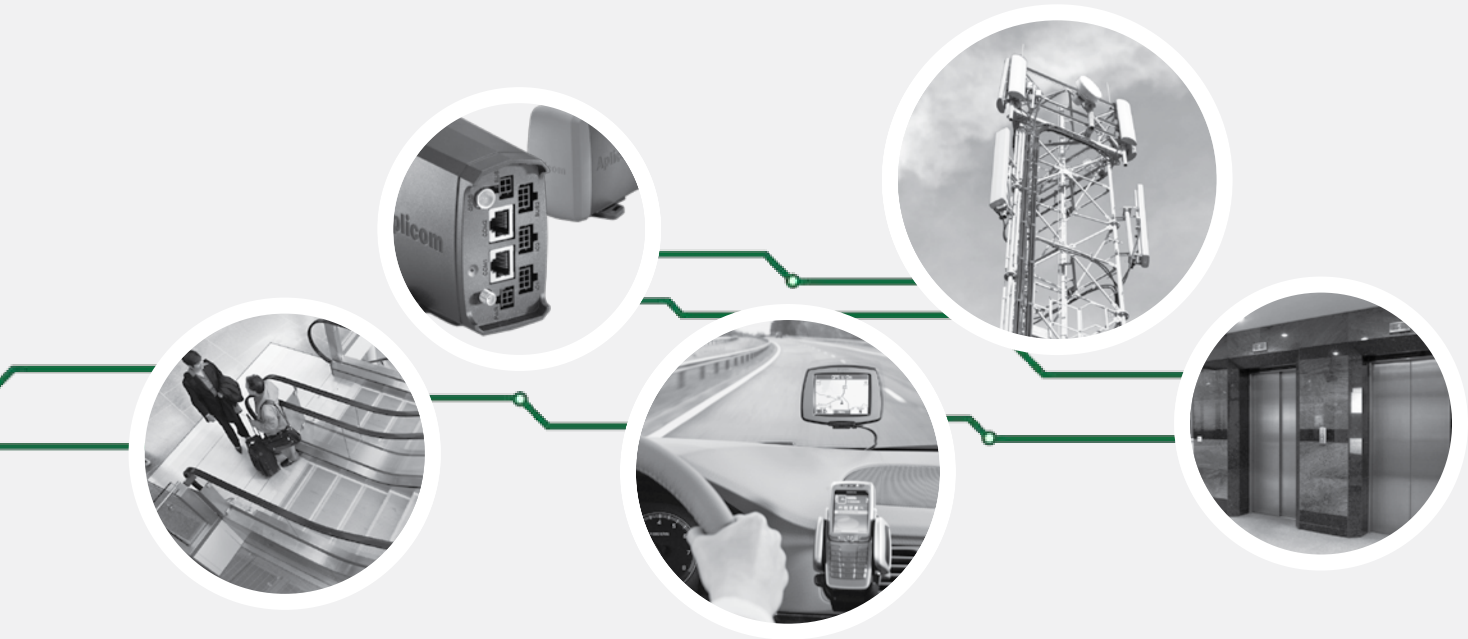
The more international nature of our competition has posed its own challenges. The downward trend in the prices of products and services entails cost-efficient ways of working. We have begun materials and components sourcing operations in Asia. New and efficient production equipment and efficient logistics enable quick and smooth deliveries to customers.

Both our customers and competitors have implemented several structural reorganisation measures, which means we are competing with ever-larger operators. We will guarantee the continuation of tight co-operation based on trust by offering customers added value during the different stages of a product's life cycle.

The electronics business's strengths:

- Innovative product development operations
- High-quality and reliable service
- Long-term customer relationships
- Design, product development and manufacturing services according to the customer's requirements
- Skilled and committed personnel

DIVERSIFIED CUSTOMER BASE



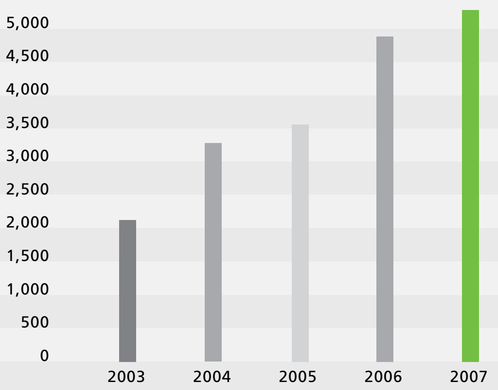
PERSONNEL

Skilled and committed employees ensure the realisation and success of PKC Group's business strategy. Our people are our chief resource.

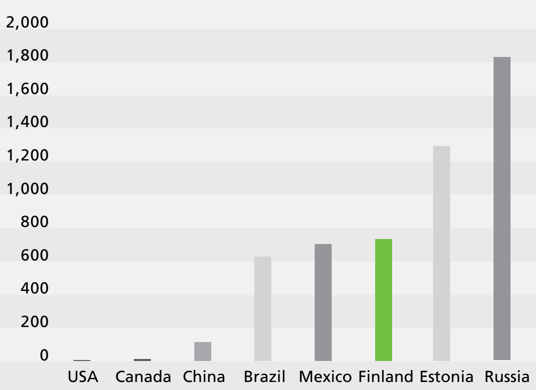
Strengthening know-how
We develop our personnel's know-how in accordance with the requirements of the operating environment and we make sure that our employees have the necessary knowledge and skills. Our objective is satisfied and professionally skilled staff, who are the cornerstone of business growth.

Satisfaction drives results
We aim for a high degree of job satisfaction and low staff turnover by setting personal challenges and targets for our personnel. By means of our rewarding incentive system, we motivate our people to achieve these targets. We develop a positive workplace atmosphere through efficient internal communications and by strengthening supervisor skills.

We develop the work environment
We develop job well-being and the organisation's ways of working, and invest in a smoothly functioning work environment in order to enhance our employees' contentment. In an annual Group-wide personnel survey, we collect information on the personnel's wishes and needs. By seeing to factors such as an ergonomic work environment and by encouraging our employees to exercise in their breaks and in their free time, we cut down sickness absences.



PERSONNEL AT THE END OF THE YEAR 2003–2007



PERSONNEL BY COUNTRY AT THE END OF 2007

The Group's personnel strength also grew strongly during 2007. In September, PKC Group's payroll topped 5,000 employees, and at the end of the year there were a total of 5,311 employees.

Quality is one of our Group's core values. We operate in compliance with the international ISO 9001 and ISO 14001 quality and environmental standards and our Wiring Harnesses business also complies with the strict ISO/TS 16949 quality standard for the automotive industry.

Quality management

Our objective is a satisfied customer, and therefore we pay a great deal of attention to the continuous improvement of our operations. Customer satisfaction surveys serve as important indicators for future actions. We steer our operations in a more efficient direction based on the feedback and demands we receive. In order to ensure quality, we utilise the best operating models throughout the Group.

We place high quality requirements and targets for all of our operations. Using operational benchmarks, we direct our day-to-day operations towards profitable growth. Quality training enables us to create the capabilities for the continuous improvement of processes and product quality.

All of our business units employ quality management systems that comply with standards. We systematically enhance the quality of products and processes, and each and every one of our employees participates in the development of operations. We also actively evaluate and develop our co-operation with suppliers.

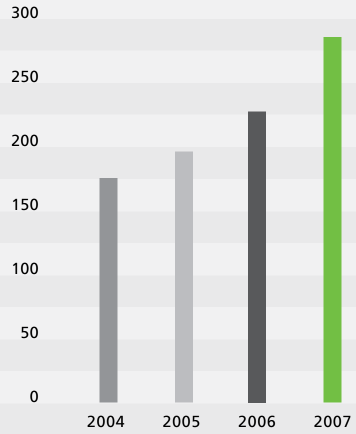
Responsibility for the environment

We support sustainable development in our environment. In accordance with our environmental programmes, we measure, monitor and constantly reduce harmful effects caused to the environment by our operations. We monitor the success of our environmental objectives using quantitative and financial indicators.

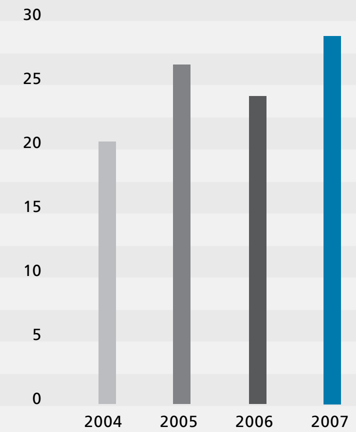
Each of our employees bears responsibility for recycling, and we also take environmental effects into consideration when procuring materials. Moreover, we have set clear requirements for our suppliers in order to minimise environmental impacts.

PKC's valid quality and environmental certificates at the end of 2007:

- **Kempele** (Finland)
  ISO 9001, ISO/TS 16949, ISO 14001
- **Raahe** (Finland)
  ISO 9001, ISO 14001
- **Keila and Haapsalu** (Estonia)
  ISO 9001, ISO/TS 16949, ISO 14001
- **Kostomuksha** (Russia), Wiring Harnesses
  ISO 9001, ISO/TS 16949, ISO 14001
- **Kostomuksha** (Russia), Electronics
  ISO 9001, ISO 14001
- **Curitiba** (Brazil)
  ISO 9001, ISO/TS 16949, ISO 14001
- **Suzhou** (China), Wiring Harnesses
  ISO14001,
  ISO/TS 16949 (granted a "Letter of Conformance")
- **Pskov** (Russia)
  ISO14001
- **Nogales** (Mexico)
  ISO9001, ISO/TS 16949
- **Toronto** (Canada)
  ISO/TS 16949.



NET SALES, EUR million



OPERATING PROFIT, EUR million

EARNINGS PER SHARE (EPS), EUR

Operating environment and deliveries
The Group's wiring harnesses deliveries grew substantially in Europe and the South America compared with the previous year, thanks to growth in the commercial vehicles market. The deliveries of wiring harnesses for other vehicles enjoyed a favourable trend. The volume of deliveries in North America was somewhat smaller than expected. The sales of wiring harnesses and cabling to the telecommunications and automation industries remained at the previous year's level but took place largely in the latter part of the year, with final-quarter sales being substantially higher than in the previous year.

The growth of electronics contract design and manufacturing exceeded earlier expectations. Investments made by the company's telecommunications customers led to an increase in the volume of design services and demand from the industrial electronics sector also remained strong. Aiming to improve our competitive position, we increased our resources in product development and design, enhanced our production technology and stepped up our production capacity. The share of contract design in our Electronics business grew. Thanks to our strong product development expertise, we were able to offer a more comprehensive design services package in addition to our cost-efficient materials and manufacturing services.

In line with our growth strategy, we launched electronics manufacturing operations in Suzhou, China. The facility in China will play a crucial role in the future as a unit manufacturing volume products, for in addition to serving our existing customers, we are also seeking new customer relationships in the Asian markets. In Asia, we began global materials and components sourcing operations which we expect will boost our competitiveness in the future.

Net sales and financial performance
Consolidated net sales in the financial year totalled EUR 288.6 million (228.9 million), increasing by 26.1% on the previous year. Consolidated operating profit totalled EUR 28.2 million (24.2 million), accounting for 9.8% of net sales (10.6%). Depreciation amounted to EUR 7.6 million (6.3 million). Financial income and expenses were EUR 2.5 million negative (1.5 million negative). Profit before taxes was EUR 25.6 million (22.8 million). Profit for the financial year totalled EUR 17.6 million (15.7 million). Diluted earnings per share were EUR 0.98 (0.87).

Net sales generated by the Wiring Harnesses business during the report year rose by 26.3% to EUR 230.0 million (182.0 million). The segment's share of consolidated net sales was 79.7% (79.5%). The Wiring Harnesses business reported an operating profit of EUR 18.7 million (17.9 million), or 8.2% of the segment's net sales (9.8%).

The Electronics business segment saw its net sales increase by 25.0% to EUR 58.6 million (46.9 million), accounting for 20.3%

of consolidated net sales (20.5%). The Electronics business posted an operating profit of EUR 9.4 million (6.4 million), or 16.1% of the segment's net sales (13.5%).

Consolidated net sales enjoyed favourable growth in both business areas and profitability remained at a good level. The world market prices of raw materials maintained their high level. We used derivative instruments to hedge part of our future copper requirements. The earnings trend of the North American operations fell below expectations. The Electronics business's new production unit in China was completed according to timetable and it manufactured its first products in December. In Russia, the production volume of the Pskov factory was increased as planned, and production in the extension to the factory will be started early this year.

Balance sheet and financing
Consolidated total assets at 31 December 2007 stood at EUR 175.9 million (151.0 million). Interest-bearing liabilities totalled EUR 55.7 million at the close of the report year (45.0 million). The Group's equity ratio was 47.2% (48.0%). Net liabilities totalled EUR 45.3 million (37.0 million) and gearing was 54.5% (50.9%).

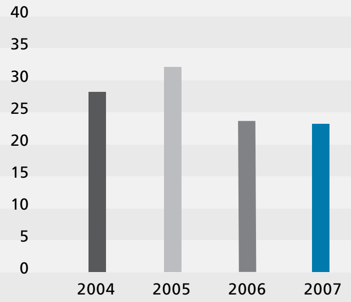
Inventories amounted to EUR 47.0 million (36.6 million). Current receivables totalled EUR 70.2 million (62.7 million). Cash flows after investing activities during the period in review were EUR 0.2 million (8.7 million negative). Cash in hand and at bank amounted to EUR 10.4 million (8.1 million). In order to ensure financing flexibility, PKC has available credit facilities.

Capital expenditures
During the review period, the Group's gross capital expenditures totalled EUR 10.8 million (20.0 million), representing 3.7% of net sales (8.7%). Capital expenditures consisted mostly of the acquisition of production machinery and equipment.

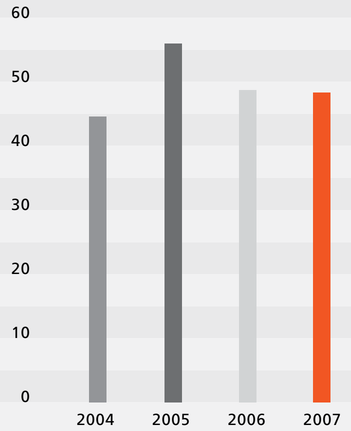
Research and development
Research and development expenditure totalled EUR 5.5 million (4.9 million), representing 1.9% (2.1%) of consolidated net sales. At the end of the report year, 90 (80) people were employed in product development.

Personnel
During the review period, the Group had an average payroll of 4,971 employees (4,013). At the end of the financial year, the Group's personnel numbered 5,311 employees (4,779), of whom 4,576 (4,084) worked abroad and 735 (695) in Finland.

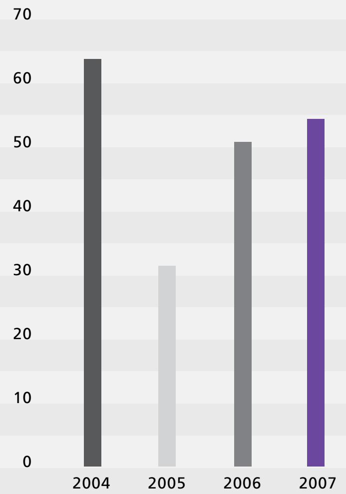
Quality and the environment
The Group's European Wiring Harnesses business has been certified in compliance with the ISO/TS 16949, ISO 9001 and ISO 14001 standards. The Chinese factory as well as the factory in Pskov, Russia, have received ISO 14001 certificates and will be certified in accordance with ISO/TS 16949 and ISO 9001



RETURN ON INVESTMENT (ROI), %



EQUITY RATIO, %



GEARING, %

standards during the first part of the current year. The North American wiring harnesses operations have been certified in accordance with ISO/TS 16949, and the objective is to obtain a certificate for an ISO 14001 environmental system at the Mexican factory in spring 2008. The Electronics business has been certified in accordance with the ISO 9001 and ISO 14001 standards in Europe and also the electronics unit in China will be certified in spring 2008.

The improvement of the quality of operations is carried out in line with the Group's quality strategy and action plans based on it. In accordance with its environmental policy, PKC is committed to continuously minimising the environmental impacts of its operations.

The demands of the ROHS directive are followed stringently in the Electronics business and material procurement.

The company's board of directors and corporate management team

PKC Group Oyj's Board of Directors was composed of the following members: Harri Suutari (Chairman), Matti Eestilä, Jaakko Niemelä, Endel Palla, Olli Pohjanvirta (as from 29 March 2007), Matti Ruotsala, Risto Suonio (until 29 March 2007), and Jyrki Tähtinen.

Mika Kari served as the company's President and CEO. The Group's Corporate Management Team is composed of Mika Kari, President and CEO; Mika Rytky, Vice President, Wiring Harnesses; Jarmo Rajala, Vice President, Electronics; and Sami Klemola, CFO.

Auditors

The authorized public accounting firm Ernst & Young Oy carried out PKC Group Oyj's audit, with Rauno Sipilä, Authorized Public Accountant, acting as the principal auditor.

Shares and shareholders

AS Harju Elekter's proportion of PKC Group Oyj's voting rights and share capital fell below the one tenth (1/10) limit on 15 May 2007.

The Board's authorisations

The Board of Directors has been granted authorisation by the Annual General Meeting on 29 March 2007 to decide on one or more share issues and the granting of special rights as defined in Chapter 10, Section 1 of the Companies Act and on all the terms and conditions thereof. A maximum total of 3,500,000 shares may be issued or subscribed for on the basis of the authorisation. The authorisation includes the right to decide on a directed share issue. The authorisation shall be in force for five years from the date of the resolution of the Annual General Meeting. The authorisation may be used at the Board's discretion for financing corporate acquisitions, for carrying out inter-company co-operation or similar arrangements, or for strengthening the company's financing and capital structure. The Board of Directors does not have a valid authorisation to acquire the company's own shares, and the company does not have any own shares (treasury shares) in its possession.

Short-term risks and uncertainties

The PKC Group strives to manage and limit any adverse effects of risks encountered in its operations. The main risks are the market trend in the demand for the products of its main customers, price pressures imposed by customers and demands for tighter contractual terms, the availability of raw materials and components and changes in their world market prices, as well as the adequacy of production capacity in case demand rises rapidly.

The principles, objectives and organisation of the company's risk management as well as key risk areas are described in the risk management section in the Corporate Governance guidelines, which are available on the company's website, www.pkcgroup.com.

Outlook for the future

The higher degree of uncertainty in the global economy has not been reflected in customers' orders or forecasts. Because of the continuing consolidation trend among customers, competitors and suppliers, and with overall demand potentially levelling off, the competitive situation is expected to continue to become tighter.

In accordance with customer forecasts, we expect deliveries to the commercial vehicles industry to grow compared with the previous year. We will also be seeking growth on the growing Russian market in the future.

The volume of wiring harnesses deliveries to the other vehicle industry and to customers in the telecommunications and automation industries is expected to increase with the start-up of new product ranges.

Competition on the contract design and manufacturing market will remain stiff, calling for cost-efficiency and the capability to rapidly respond to customers' worldwide needs. By offering customers services that cover all stages of a product's life cycle, we will guarantee the continuation of close co-operation based on trust in the future. We expect the Electronics business to continue its growth and to maintain its profitability at a good level.

Consolidated net sales are expected to grow on the previous year. The downward trend in sales prices will create pressures to develop operational efficiency. In addition, we estimate that high prices of raw materials and costs related to the increase of production capacity will cut our profitability, but operative profitability over the full year is forecast to remain at a good level.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFITS

The parent company's distributable funds are EUR 57,671,404 of which the net profit for the financial year amounts to EUR 14,213,049.

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

- a dividend of EUR 0.45 per share is to be paid, totalling	EUR 8,001,685
- a transfer be made to shareholders' equity in the amount of	EUR 49,669,719
total	EUR 57,671,404 .

The record date for the dividend payout is 1 April 2008. The payment date for dividends is 8 April 2008.

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

Other information listed in the Ministry of Finance Decree on a security issuer's statutory duty of disclosure (153/2007) is shown in the notes for financial statements.

1,000 EUR	Notes	2007	2006
NET SALES	2,4	**288,649**	**228,928**
Increase (+) or decrease (-) in stocks of finished goods and work in progress		4,668	-339
Other operating income	5	1,009	1,136
Raw materials and services	6	162,665	122,549
Staff expenses	7	66,824	51,898
Depreciation and value adjustments	8	7,644	6,310
Other operating expenses	9	29,022	24,719
OPERATING PROFIT	2	**28,171**	**24,249**
Financial income and expenses	10	-2,529	-1,498
PROFIT BEFORE TAXES		**25,642**	**22,751**
Income taxes	11	-8,063	-7,044
PROFIT FOR THE FINANCIAL YEAR		**17,579**	**15,708**
Attributable to:			
Shareholders of the parent company		17,374	15,552
Minority interest		205	155
Total		17,579	15,708
From profit attributable to shareholders of the parent company	12		
Basic earnings per share (EPS), EUR		0.98	0.88
Diluted earnings per share (EPS), EUR		0.98	0.87

1,000 EUR	Notes	31.12.2007	31.12.2006
ASSETS			
NON-CURRENT ASSETS			
Goodwill	13	6,214	5,723
Other intangible assets	13	3,534	3,330
Tangible assets	14	34,454	31,468
Deferred tax assets	17,18	3,804	2,486
Other receivables	18	388	641
Non-current assets total		**48,393**	**43,647**
CURRENT ASSETS			
Inventories Total	16	46,954	36,589
Receivables	17		
Trade receivables		61,176	55,557
Other non interest-bearing receivables		9,001	7,163
Short-term receivables total		70,176	62,720
Cash and cash equivalents		10,426	8,060
Current assets total		**127,556**	**107,369**
ASSETS TOTAL		**175,949**	**151,016**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19	5,983	5,983
Share premium account		4,862	4,862
Reserve fund		239	166
Translation differences		5	-403
Share-based payments	20	759	222
Retained earnings		52,970	45,516
Profit for the financial year		17,374	15,552
Minority interest		**789**	**646**
EQUITY TOTAL		**82,980**	**72,544**
LIABILITIES			
Non-current liabilities	21		
Interest-bearing liabilities	25	21,078	18,947
Non interest-bearing liabilities		0	112
Provisions for pensions	22	114	223
Deferred tax liabilities	18, 21	560	658
Non-current liabilities total		21,752	19,941
Current liabilities	21		
Interest-bearing liabilities	25	34,606	26,068
Trade payables		21,173	18,394
Non interest-bearing liabilities		15,438	14,068
Current liabilities total		71,217	58,531
Liabilities total		**92,969**	**78,472**
EQUITY AND LIABILITIES TOTAL		**175,949**	**151,016**

1,000 EUR	2007	2006
Cash flows from operating activities		
Cash receipts from customers	282,362	217,714
Cash receipts from other operating income	974	1,070
Cash paid to suppliers and employees	-258,253	-199,711
Cash flows from operations before financial income and expenses and taxes	**25,082**	**19,074**
Interest paid	-2,745	-2,413
Interest received and other financial income	817	2,086
Income taxes paid	-10,497	-8,766
Net cash from operating activies (A)	**12,658**	**9,980**
Cash flows from investing activities		
Purchase of tangible or intangible assets	-11,143	-9,237
Proceeds from sale of tangible and intangible assets	108	534
Aquisitions of subsidiaries	-1,380	-9,985
Loans granted	-11	-12
Amortisation of loan receivables	9	14
Dividends received	1	1
Net cash used in financial activities (B)	**-12,416**	**-18,685**
Cash flows from financing activities		
Share issue	0	441
Drawing of credits	18,843	25,393
Amortisation of credits	-8,642	-5,891
Dividends paid	-8,077	-8,068
Net cash used in financial activities (C)	**2,123**	**11,876**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)	**2,365**	**3,171**
Cash and cash equivalents at beginning of period	**8,060**	**4,889**
Cash and cash equivalents at end of period	**10,426**	**8,060**
Change	**2,365**	**3,171**

1,000 EUR	Share premium Share capital	Other account	Retained reserves	Equity attributable to shareholders earnings	Minority of the parent	Equity interest	total
Shareholders’ equity 1.1.2006	**5,952**	**4,452**	**262**	**53,778**	**64,444**	**593**	**65,036**
Translation difference	-	-	-	-790	-790	-5	-795
Transfer from restricted to unrestricted capital	-	-	-96	96	-	-	-
Net income recognised directly in equity	**-**	**-**	**-96**	**-694**	**-790**	**-5**	**-795**
Profit for the financial year	-	-		15,552	15,552	155	15,708
Total recognised income and expenses for the period	**-**	**-**	**-**	**15,552**	**15,552**	**155**	**15,708**
Dividends	-	-	-	-7,971	-7,971	-97	-8,068
Share-based payments	-	-	-	222	222	-	222
Equity share options used	31	410	-	-	441	-	441
Shareholders’ equity 31.12.2006	**5,983**	**4,862**	**166**	**60,887**	**71,898**	**646**	**72,544**
Shareholders’ equity 1.1.2007	**5,983**	**4,862**	**166**	**60,887**	**71,898**	**646**	**72,544**
Translation difference	-	-	-19	-5	-24	13	-11
Transfer from unrestricted to restricted capital	-	-	92	-92	-	-	-
Translation difference of net investment to foreign subsidiary	-	-	-	408	408	-	408
Net income recognised directly in equity	**-**	**-**	**73**	**311**	**384**	**13**	**397**
Profit for the financial year	-	-		17,374	17,374	205	17,579
Total recognised income and expenses for the period	**-**	**-**	**-**	**17,374**	**17,374**	**205**	**17,579**
Dividends	-	-	-	-8,002	-8,002	-75	-8,077
Equity share options used	-	-	-	-	-	-	0
Share-based payments	-	-	-	537	537	-	537
Shareholders’ equity 31.12.2007	**5,983**	**4,862**	**239**	**71,107**	**82,191**	**789**	**82,980**

Dividends was paid in 0.45 EUR per share according to annual general meeting’s decisions in 2007 and 0.45 EUR per share in 2006.

CORPORATE INFORMATION

The PKC Group offers design and contract manufacturing services for wiring harnesses, cabling and electronics to the commercial vehicles, telecommunications and electronics industry. The Group has production facilities in Finland, Estonia, Russia, Brazil, Mexico and China, and it employs over 5,300 people. The parent company of the Group, PKC Group Oyj, is a public listed company and it is domiciled in Kempele. Visiting address: Vihikari 10, FIN-90440 Kempele, Finland.

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED ACCOUNTS

General

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared in compliance with IAS and IFRS standards as well as the SIC and IFRIC interpretations that came into force on 31 December 2007. The notes to the consolidated financial statements have also been prepared according to Finnish GAAP and company legislation that are a supplement to the IFRS standards.

The consolidated financial statements have been prepared on a historical cost basis and are presented in euros, rounded to the nearest thousand except when otherwise indicated. Available-for-sale investments and financial assets and liabilities held for trading are measured at fair value.

Basis of consolidation

The consolidated financial statements include the parent company and all of its subsidiaries. Subsidiaries are companies in which the parent company holds, directly or indirectly, over 50 per cent of the voting rights or which it otherwise controls at the end of the financial period. Divested companies are included in the income statement until the time of sale or control ceases. Subsidiaries are fully consolidated from the date of acquisition, which is the date when the Group has obtained control. The Group had neither holdings in associates nor joint ventures in the previous financial period.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities assumed at the date of acquisition. Any excess is recorded as goodwill.

According to the exemption permitted under IFRS 1, business combinations prior to the date of transition to IFRS (1 January 2004) are not restated to comply with IFRS but are instead treated at deemed cost, valued according to Finnish GAAP.

All intra-group transactions, receivables and liabilities, intra-group margins and dividends have been eliminated in full. Profit for the financial period has been divided between profit for the financial period attributable to shareholders of the parent company and minority interest. Minority interest is presented as a separate item in equity.

At 1 January 2007, the Group has applied the following new and revised standards and interpretations:

- IFRS 7 Financial Instruments: Disclosures
  The standard has increased the number of notes to be presented in the consolidated financial statements. The new notes relate mainly to sensitivity analyses.
- IAS 1 Presentation of Financial Statements – Capital Disclosure
  The rules have expanded the notes to the consolidated financial statements.
- IFRIC 8 Scope of IFRS 2
  The Group has not had arrangements pursuant to the interpretation during the past financial period or preceding periods.
- IFRIC 9 Reassessment of Embedded Derivatives
  Adoption of the interpretation has not had an effect on the consolidated financial statements.
- IFRIC 10 Interim Financial Reporting and Impairment
  The interpretation has not had an effect on the consolidated financial statements.

Foreign subsidiaries and foreign currency items

The Group's income statement is presented in euros, which is the functional currency of the parent company. The functional currency of Group companies in Finland, Brazil, Russia, Estonia and China is the euro in both the current and previous period. The functional currency of the other companies in the Group is the local currency.

In the consolidated financial statements, foreign currency transactions are initially recorded at the functional currency rate at the date of the transactions. At the balance sheet date, monetary items, such as receivables and liabilities are translated at the rate at the balance sheet date. Any translation differences are recorded in the income statement.

The income statements of subsidiaries whose functional currency is not the euro are translated to euro amounts using the weighted average exchange rate and balance sheet items are translated at the exchange rate at the balance sheet date. Any translation difference that arises is recognised in equity.

Cumulative translation differences that have arisen before the date of the transition to IFRS are recognised in retained earnings according to the exemption permitted under IFRS 1. The amount of cumulative translation differences at the date of transition to IFRS was insignificant.

Exchange rate gains and losses arising from foreign transactions and translation gains and losses arising from foreign non-monetary items are recognised in the income statement. Exchange rate gains and losses on foreign currency based loans are included in financial income and expenses, except the translation differences arising from loans which are designated as a hedge of a net investment in a foreign operation and are effective for that purpose. These translation differences are recorded in translation differences under equity.

Intangible assets

Intangible assets are recorded in the balance sheet at cost if their cost can be determined reliably and it is probable that they will embody economic benefits for the Group.

Intangible assets that have limited useful lives are amortised on a straight-line basis in the income statement during their known or estimated financial useful lives. Intangible assets with indefinite useful lives are not amortised but tested annually for impairment.

Amortisation periods for intangible assets are:

Purchased software licences	4–5 years
Customer relationships	5 years.

Goodwill

Goodwill is recognised as the amount of the excess of the cost of a business acquisition over the Group's interest in the net fair value of assets and it is allocated to cash-generating units. Goodwill is tested annually for impairment with a discounted cash-flow model according to IAS 36. Impairment losses are recognised in the income statement of the year in which they arose. Goodwill is not amortised in the income statement.

Research and development costs

Research costs are expensed as they are incurred. Development costs are recognised as intangible assets when they fulfil the terms of development cost capitalisation according to IAS 38. All the Group's development costs are expensed because of insufficient indication of future economic benefits in the development phase of projects.

Tangible assets

Tangible assets are intially measured at cost. Following initial recognition, tangible assets are carried at cost less any accumulated depreciations and any accumulated impairment losses. Subsequent expenses are added to the carrying amount of the assets only when they embody future economic benefits for the Group and when their cost can be determined reliably.

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

Depreciation periods for tangible assets are:

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

Leases

Leases that transfer to the Group substantially all the risks and benefits incidental to ownership are classified as finance leases and recognised as non-current assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments and depreciated over the economic life. Commitments of lease payments are recognised as interest-bearing liabilities.

Leases that transfer from the Group substantially all the risks and benefits incidental to ownership are classified as finance leases and recognised as a receivable in the balance sheet. The receivable is measured at present value and it is recognised as rental income over the lease term.

Operating lease payments are recognised as income or expenses in the income statement on a straight-line basis. The Group has not had finance leases in the current period or previous periods.

Investment properties
The Group has not had assets that could be classified as investment properties either in the current period or previous periods.

Impairments of assets
The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less the cost to sell and its value in use. In addition, goodwill and other intangible assets with indefinite useful lives are tested for impairment annually.

An impairment loss is recognised when the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. An impairment loss is recognised as a reduction in the carrying value in the balance sheet, which is expensed in the income statement. The impairment loss of a cash-generating unit is recognised first as a reduction in the carrying value of the goodwill allocated to the cash-generating unit and then proportionally as a reduction in the other assets of the cash-generating unit. Details of impairment testing are given in note 15.

A previously recognised impairment loss for assets other than goodwill is reversed only if there has been a significant positive change in the estimates used to determine the 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 shall not be reversed at any circumstances.

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

Financial assets, liabilities and derivate contracts
Financial assets and liabilities are initially measured at acquisition cost, which is the value of the received or divested consideration on the transaction date.

Financial assets are classified after initial recognition in four categories: financial assets at fair value through profit and loss, held-to-maturity investments, available-for-sale investments and in loans and receivables. Transaction costs are included in the initial carrying amount of the financial asset when the assets are not recognised at fair value through profit and loss.

Financial assets at fair value through profit and loss are measured at fair value through profit and loss. Held-to-maturity investments are carried at amortised cost.

Available-for-sale investments are measured at fair value with gains and losses being recognised in equity until the investment is derecognised, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Available-for-sale investments whose fair value cannot be determined reliably are measured at acquisition cost less any cumulative impairment. Unrealised gains and losses on available-for-sale investments are recognised in equity until the investments are sold, at which time the cumulative gains and losses are recognised in the income statement.

Loans and receivables are measured at amortised cost using the effective interest method.

Derivatives to which hedge accounting is not applied are classified as financial assets at fair value through profit and loss. Currency forwards are measured at fair value on the basis of the difference between the contractual rate and the rate at the balance sheet date. Currency options are measured at fair value using the Black-Scholes valuation model. At the balance sheet date, the Group had no derivatives to which hedge accounting is applied. Financial liabilities are classified as financial liabilities at fair value through profit and loss and other financial liabilities.

Financial liabilities are classified as financial liabilities at fair value through profit and loss and as other financial liabilities. Financial liabilities at fair value through profit and loss are measured at fair value. Other financial liabilities are carried at amortised cost.

The group evaluates potential impairments of financial assets and liabilities at each balance sheet date and recognises impairment losses as financial expenses in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and short-term deposits with an original maturity of three months or less.

Treasury shares

Purchases of treasury shares including costs are deducted from equity. No treasury shares were purchased in the current or previous period.

Interest-bearing loans

Interest-bearing loans are measured at amortised cost using the effective interest method. Gains and losses arising from differences between amortised cost using the effective interest method and the initially recognised acquisition cost are recognised in net profit or loss throughout the amortisation process. Used credit limits are included in current interest-bearing liabilities.

Pension arrangements

Pension arrangements are classified either as defined benefit pension plans or defined contribution pension plans according to IFRS. Pension plans at all Group companies are defined contribution plans. For defined-contribution plans, the Group pays fixed contributions to a separate unit. The Group does not have obligations to pay supplementary contributions if the recipient of the contributions is not able to meet the payment of said pension benefits.

Share-based payments

The Group has applied IFRS 2 Share-Based Payments to the option scheme which was approved by the Annual General Meeting on 30 March 2006. Expenses of option schemes prior to this have not been presented in the income statement, pursuant to transitional provisions of the standard. Option rights are measured at fair value at the time they are granted and entered as an expense in the income statement in even instalments during the vesting period. The expense determined is based on the defined fair value of the stock options as well as on management's estimate of the amount of options to which the employee will be entitled at the end of the vesting period. The fair value of the options is determined on the basis of the Black-Scholes pricing model. The Group updates the assumptions concerning the final amount of stock options at each balance sheet date. Changes in the estimates are recorded in the income statement. When options are exercised, the cash payments received on the basis of share subscriptions, adjusted for any transaction expenses, are entered in equity.

Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that it entails 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.

A restructuring provision is recognised in the balance sheet only when a detailed and formal plan is prepared and its main features are announced to those affected by it. A provision is not booked on expenditure connected with the Group's continuing operations.

A warranty provision is recognised, when a product is sold which contains a warranty clause. The warranty provision is estimated on the basis of past experience of warranty costs. The warranty cost history in the financial year now ended and in the comparative period preceding it did not require the recognition of a guarantee provision.

Revenue recognition

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

Revenue from the sale of goods is recognised when the significant risks, rewards and actual control connected with ownership of the goods have been transferred to the buyer. As a rule, sales are recognised as income when products are supplied in accordance with the terms of sale. Revenue from services is recognised in the period when the service is rendered.

Revenue and expenses for long-term projects is recorded as income and expenses on the basis of the stage of completion when the outcome of the transaction can be estimated reliably. When the outcome of the transaction cannot be estimated reliably, the margin on the transaction is not recorded as income. In determining the stage of completion of a long-term project, the work input applied to the project is compared to the estimated total work input.

Other operating income and expenses

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

Interest and dividend income

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Government grants

Received government grants are recognised as income over the period necessary to match the costs that they are intended to compensate.

Income taxes

The income taxes presented in the consolidated financial statements are the income taxes calculated according to the local tax rules of the Group companies and the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised on all of the temporary differences between the carrying amounts and taxable value of balance sheet items. The amount of deferred tax assets and liabilities is measured using the tax base that is probably in force at the time of payment.

The most important temporary items arise from depreciation differences within the Group. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. Deferred tax assets and liabilities are presented in more detail in note 18.

Non-current assets held for sale and discontinued operations

Operations are classified as discontinued at the date when they fulfil the terms to be classified as non-current assets held for sale or when disposed of. For this to be the case, the asset's disposal or sale must be highly probable.

Gains and losses from sales of discontinued operations are presented separately from continuing operations in the income statement without tax effect. The Group had no operations to be classified as discontinued in the financial period now ended.

Accounting policies calling for management's judgement

The preparation of financial statements according to IFRS has required management to make assumptions and estimates that have affected the values presented in the balance sheet and notes to the financial statements. The assumptions and estimates used are based on historical experience and the circumstances and outlook prevailing at the balance sheet date.

The execution of the annual impairment test has required management to make assumptions and estimates to measure the value in use of cash-generating units. According to management's estimation, values in use exceed the carrying amounts of all cash-generating units to such a significant extent that allocated goodwill or other intangible and tangible assets hold no significant risk for impairment in the current period.

Assumptions and estimates used in the comparative period are based on the circumstances and outlook that prevailed at the balance sheet date of the comparative period. Although all estimates are based on management's best knowledge of current events and actions, the actual result may differ from the estimates.

Application of new or revised IFRS standards

The Group will apply the following standards and IFRIC interpretations, published by the IASB, from 1 January 2008:

- IFRIC 11 – IFRS 2 Group and Treasury Share Transactions
  The Group estimates that the adoption of the revised standard will have no material impact on its forthcoming financial statements.
- IFRIC 12 – Service Concession Arrangements
  The Group estimates that the adoption of the revised standard will have no material impact on its forthcoming financial statements.
- IFRIC 13 Customer Loyalty Programmes
  The Group does not have Customer Loyalty Programmes in the meaning of the interpretation.
- FRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
  According to a preliminary estimate, the interpretation will not have any impact on the forthcoming financial statements.

The Group will apply the following standards, published by the IASB, from 1 January 2009:

- IFRS 8 Operating Segments
  It is estimated that the new standard will not materially alter the present segment reporting because the business segments defined in accordance with internal reporting are at present the Group's primary form of reporting.
- IAS 23 Borrowing Costs
  The revised standard requires that borrowing costs relating to the acquisition, construction or production of a qualifying asset, such as a production plant, measured on a cost basis, be capitalised as part of the cost of that asset. The Group has recorded, in the previously permitted manner, borrowing costs as an expense in the period when they have been incurred. The Group estimates that adoption of the new standard will not have a material impact on forthcoming financial statements.
- IAS 1 Presentation of Financial statements – Capital Disclosure
  The revised standard changes the presentation of financial statement calculations. The Group estimates that the change will mainly affect the presentation of the income statement and the statement of changes in equity. The principle of calculating the earnings per share key ratio will not change.

2. SEGMENT INFORMATION

The Group's primary reporting segments are business segments. The secondary information is reported geographically. Transfer prices between business segments are based on market prices. Segments' assets and liabilities include only assets and liabilities that can be directly allocated. Business segments' common items, such as administration, are included in unallocated assets and liabilities.

BUSINESS SEGMENTS

Wiring Harnesses

The Wiring Harnesses business manufactures and develops wiring harnesses and cabling for demanding and tailored solutions.

Electronics

The Electronics business provides design and contract manufacturing services to the telecommunications and electronics industries.

GEOGRAPHICAL SEGMENTS

The revenue of geographical segments is based on the geographical location of customers. The segments are Finland, other Europe, North America, South America and other countries. The assets and investments of geographical segments are based on the geographical locations of the assets, which are Finland, Estonia, Russia, Brazil, Mexico and other countries.

2. SEGMENT INFORMATION

BUSINESS SEGMENTS 1,000 EUR	Wiring Harnesses	Electronics	Eliminations	Group Total
2007				
Sales to external customers	230,013	58,636	0	288,649
Sales to other segments	170	835	-1,005	0
NET SALES	**230,183**	**59,471**	**-1,005**	**288,649**
Depreciation	6,426	1,233	0	7,659
OPERATING PROFIT	**18,731**	**9,424**	**0**	**28,156**
Goodwill	5,005	1,209	0	6,214
Other assets of segment	115,240	27,364	-3,042	139,562
Unallocated assets				30,174
ASSETS TOTAL	**120,244**	**28,573**	**-3,042**	**175,949**
Segment's liabilities	26,365	9,416	-796	34,985
Unallocated liabilities				57,870
LIABILITIES TOTAL	**26,365**	**9,416**	**-796**	**92,855**
Capital expenditures	6,631	4,160	0	10,791
2006				
Sales to external customers	182,006	46,922	0	228,928
Sales to other segments	155	1,112	-1,267	0
NET SALES	**182,161**	**48,034**	**-1,267**	**228,928**
Depreciation	5,320	990	0	6,310
OPERATING PROFIT	**17,899**	**6,350**	**0**	**24,249**
Goodwill	4,514	1,209	0	5,723
Other assets of segment	116,356	20,370	-3,281	133,445
Unallocated assets				11,847
ASSETS TOTAL	**120,870**	**21,579**	**-3,281**	**151,016**
Segment's liabilities	22,861	10,734	-3,603	29,992
Unallocated liabilities				48,480
LIABILITIES TOTAL	**22,861**	**10,734**	**-3,603**	**78,472**
Capital expenditures	6,501	2,781	0	9,282

1,000 EUR	2007	2006
GEOGRAPHICAL SEGMENTS		
NET SALES		
by market areas		
Finland	54,411	47,824
Other Europe	153,727	128,484
North America	30,692	16,534
South America	36,145	29,149
Other countries	13,673	6,937
Total	**288,649**	**228,928**
ASSETS		
by location of assets		
Finland	100,311	86,464
Estonia	6,488	7,072
Russia	24,493	26,707
Brazil	21,403	14,448
Mexico	8,141	9,646
Other countries	15,112	6,679
Total	**175,949**	**151,016**
CAPITAL EXPENDITURES		
by location of assets		
Finland	2,547	3,259
Estonia	666	611
Russia	2,977	2,325
Brazil	1,705	1,019
Mexico	576	1,593
Other countries	2,320	475
Total	**10,791**	**9,282**

3. BUSINESS COMBINATIONS

On 1 August 2006, the PKC Group purchased the business of Electro Canada Limited and all the shares of Electro Canada SA de CV and Electro USA Inc. The Electro Canada companies manufacture wiring harnesses for vehicles and electrotechnical equipment. The acquisition included a head office in Toronto, Canada, a wiring harnesses factory in Nogales, Mexico, and a sales office in Arizona, USA. The purchase cost, EUR 10.7 million, included fees of lawyers and valuation experts that totalled EUR 837 thousand. The acquisition has been included in the PKC Group's consolidated financial statements as from 1 August 2006 using the purchase method of consolidation. The EUR 3.8 million goodwill booked on the integration of the businesses, as reconciled in January 2007, includes synergy and other benefits, which include additional sales generated for the Group and materials procurement benefits which are expected to be gained from the integration of funds and functions. The preliminary purchase price calculation presented in the annual report of 2006 did not have material changes as the final fair values were determined.

1,000 EUR	**Final fair values 2007**	**Fair values booked at the date of the integration of the businesses 2006**
Intangible rights, agreements with customers	1,253	1,125
Tangible assets	1,738	1,655
Inventory	3,673	3,546
Deferred tax assets	0	333
Trade receivables and other non interest-bearing receivables	3,722	3,544
Total	10,386	10,203
Other liabilities	2,581	2,456
Deferred tax liability	102	333
Total	2,683	2,789
Net assets	7,703	7,414
Goodwill	3,831	3,316
Total purchase cost	11,534	10,730

4. LONG TERM PROJECTS

Consolidated net sales in 2007 included EUR 175,000 in returns booked from construction contracts (EUR 149,000 in 2006). Substantial profits or advance payments from uncompleted long term projects was not booked in current or in previous financial period.

1,000 EUR	2007	2006
5. OTHER OPERATING INCOME		
Income from sales of non-current assets	12	90
Grants	131	128
Other income	866	918
Total	**1,009**	**1,136**

6. MATERIALS AND SERVICES		
Raw materials and consumables		
Purchases during the financial period	165,119	124,450
Outsourced services	2,843	1,108
Increase (-) or decrease (+) in stocks	-5,297	-3,010
Total	**162,665**	**122,549**

EUR 1,000	2007	2006	2005
7. STAFF EXPENSES			
Wages and salaries	52,084	40,501	37,097
Defined pension contribution plans	5,566	4,743	4,311
Other social expenses	8,637	6,433	4,915
Share-based payments	537	222	0
Total	**66,824**	**51,898**	**46,323**
Salaries and fees to Board and management			
Salaried and fees to Board members			
Eestilä Matti, member from 30.3.2006	24	15	0
Hakalax Tom, member until 30.3.2005	0	0	5
Koskinen Juhani, member until 30.3.2006	0	5	17
Niemelä Jaakko, member from 30.3.2006	24	15	0
Ojala Leo, member until 30.3.2006	0	5	17
Palla Endel	24	20	17
Pohjanvirta Olli, member from 29.3.2007	19		
Ravaska Veikko, member until 30.3.2006	0	5	20
Ruotsala Matti, member from 30.3.2006	24	15	0
Suonio Risto, member until 29.3.2007	5	20	17
Suutari Harri	48	39	20
Tähtinen Jyrki	36	29	24
Total	202	166	134
Salaries and fees to Presidents(*			
Kari Mika	274	190	163
Suutari Harri	0	0	113
Share-based payments to Presidents(*, note 20	79	37	
Total	353	227	275
Salaries and fees to other members of management team	505	390	884
Share-based payments to other members of management team, note 20	84	49	0
Total	589	439	884
Salaries and fees to management total	**1,144**	**832**	**1,293**

*) Mika Kari was appointed PKC Group Oyj's president and CEO as from 1.9.2005. At the same time Harri Suutari has been apppointed Chairman of the Board

Salaries, remuneration and other benefits

In 2007 the AGM resolved to pay Board members EUR 25,000/term, Vice-Chairman EUR 37,500/term and Chairman EUR 50,000/term as well as travel and accommodations expenses. In 2006 it was decided to pay the Chairman EUR 40,000/term, Vice-Chairman EUR 30,000/term and other members EUR 20,000/term.

In 2007 the President's salaries and other benefits totalled EUR 273,597 of which bonuses EUR 90,000 (32.9% of the total salary). Mika Kari´s service contract has provision for 3 months notice period from the President´s part and 6 months from company´s part and also, when the company ends the contract, for a monetary compensation corresponding to 15 months total salary, including salary for the period of notice as well as, in conjunction with the adoption of financial statements, prorated part of the bonus corresponding to the period of working in full months during the financial year in question. The retirement age is statutory and no voluntary insurance policies have been taken. At the end of financial year 2007 the President had 60,000 share-options.

In year 2007 the corporate management teams', excluding the president, salaries and other benefits totalled EUR 505,349 of which bonuses EUR 142,984 (28.3 % of the total salaries). Meeting fees are not paid to the Corporate Management Team. The members of the C.M.T. have employment contracts valid for indefinite period, with 3 months notice period from the director´s part and 6 months from company´s part and without separate severance payment or other compensation. The retirement age is statutory and no voluntary insurance policies have been taken. The members of the Corporate Management Team are included in the year 2006 Stock Option Scheme. At the end of the financial year 2007 the Corporate Management Team had 70,000 share-options.

	2007	2006	2005
Average number of personnel			
Clerical employees	1,119	898	650
Employees	3,852	3,115	2,856
Total	**4,971**	**4,013**	**3,506**
Personnel by business segments at the end of period			
Wiring harnesses	4,789	4,389	3,226
Electronics	522	390	344
Total	**5,311**	**4,779**	**3,570**
Personnel by reginon at the end of period			
Brazil	629	581	560
Canada	14	15	0
China	124	29	2
Mexico	709	794	0
Finland	735	695	719
USA	2	1	2
Russia	1,820	1,467	1,229
Estonia	1,278	1,197	1,058
Total	**5,311**	**4,779**	**3,570**
Personnel at the end of period	**5,311**	**4,779**	**3,570**

8. DEPRECIATION

1,000 EUR	2007	2006
Intangible assets		
Purschased software licenses	726	499
Customer relationships	249	94
Tangible assets		
Buildings and constructions	752	755
Machinery and equipment	5,584	4,816
Other tangible assets	333	146
Total	**7,644**	**6,310**

9. OTHER OPERATING EXPENSES

1,000 EUR	2007	2006
Auditors' fees	294	259
Rents	4,432	3,698
Other operating expenses	24,296	20,762
Total	**29,022**	**24,719**

Auditors' fees

1,000 EUR	2007	2006
Audits	164	177
Assignments	1	1
Tax services	28	20
Other services	100	61
Total	**294**	**259**

10. FINANCIAL INCOME AND EXPENSES

1,000 EUR	2007	2006
Financial income		
Profit on exchange	1,760	993
Dividend yields	1	1
Other interest and financial income	141	94
Total	**1,901**	**1,088**
Financial expenses		
Exchange loss	-1,979	-1,275
Other interest and financial expenses	-2,451	-1,210
Change in fair value of assets recognised through profit and loss	0	-101
Total	**-4,430**	**-2,586**
Financial income and expenses total	**-2,529**	**-1,498**

Exchange differences included in income statement

1,000 EUR	2007	2006
Net sales	-93	-46
Raw materials and services	364	182
Raw material derivates	-314	-213
Financing	-176	-205
Total	**-220**	**-281**

11. INCOME TAXES

1,000 EUR	2007	2006
Income taxes from actual operations	8,999	7,568
Income taxes from previous year	-3	1
Other taxes	-968	-607
Change in deferred tax assets and liabilities	34	82
Total	**8,063**	**7,044**

Definition of tax expense

1,000 EUR	2007	2006
Income taxes according to Finland's tax rate	6,667	5,911
Effects of different tax rates in foreign subsidiaries	672	321
Tax-free income and non-deductible costs	440	456
Other items	283	355
Total	**8,063**	**7,044**

12. EARNINGS PER SHARE

1,000 EUR	2007	2006
Basic		
Profit for the financial year	17,374	15,552
Average share issue-adjusted number of shares 1,000 shares	17,782	17,756
Basic earnings per share (EPS), EUR	**0.98**	**0.88**
Diluted		
Profit for the financial year	17,374	15,552
Average share issue-adjusted number of shares 1,000 shares	17,782	17,756
Diluting effects of options 1,000 shares	negative	18
Diluted average share issue-adjusted number of shares, 1,000 shares	17,782	17,774
Diluted earnings per share (EPS), EUR	**0.98**	**0.87**

1,000 EUR

13. INTANGIBLE ASSETS	Purchased software licenses	Goodwill	Customer relationships	Advance payments	Total
Acquisition cost 1.1.2007	**3,441**	**10,128**	**1,125**	**395**	**15,089**
+/- Translation difference 1.1	0	97	119	0	216
+ Increases	314	255	0	811	1,381
- Decreases	0	0	0	-59	-59
+/- Transfers	991	0	0	-991	0
+/- Other changes	-6	139	0	0	132
Acquisition cost 31.12.2007	**4,739**	**10,618**	**1,244**	**157**	**16,759**
Accumulated depreciation and impairments 1.1.2007	**1,538**	**4,404**	**94**	**0**	**6,036**
+Depreciation	726	0	249	0	975
Accumulated depreciation 31.12.2007	**2,264**	**4,404**	**343**	**0**	**7,011**
Book value 31.12.2007	**2,475**	**6,214**	**902**	**157**	**9,748**
Book value 31.12.2006	**1,903**	**5,723**	**1,032**	**395**	**9,053**

14. TANGIBLE ASSETS	Land areas	Buildings and cons-tructions	Machinery and equipment	Other tangible assets	Advance payments and acquistions in progress	Total
Acquisition cost 1.1.2007	**119**	**14,267**	**44,083**	**1 ,507**	**740**	**60,597**
+/- Translation difference 1.1	0	-14	73	-7	0	52
+ Increases	0	42	8,380	660	632	9,713
- Decreases	0	0	-436	0	0	-436
+/- Transfers	0	0	435	346	-781	0
+/- Other changes	0	0	21	-61	-3	-43
Acquisition cost 31.12.2007	**119**	**14,294**	**52,556**	**2,445**	**588**	**70,003**
Accumulated depreciation and impairments 1.1.2007	**0**	**2,254**	**26,082**	**912**	**0**	**29,249**
+/- Translation difference 1.1	0	-2	19	-1	0	17
- Accumulated depreciation of decreases and transfers	0	0	-374	-10	0	-385
+ Depreciation	0	752	5,584	333	0	6,669
Accumulated depreciation and impairments 31.12.2007	**0**	**3,005**	**31,311**	**1,233**	**0**	**35,549**
Book value 31.12.2007	**119**	**11,290**	**21,245**	**1,212**	**588**	**34,454**
Book value 31.12.2006	**119**	**12,013**	**18,001**	**595**	**740**	**31,349**

15. PROCEDURES AND RESULTS OF IMPAIRMENT TESTING

Impairment testing is performed annually on goodwill and on intangible assets with indefinite useful lives. The Group's intangible assets with indefinite useful lives at the balance sheet date comprised only goodwill.

The Group has allocated goodwill to cash-generating units that comprise one or more business units. The impairment of a cash-generating unit (CGU) is tested for impairment by comparing its recoverable amount to its carrying amount. The recoverable amounts of all of the cash-generating units are determined by their values in use, which are based on the present value of their future cash flows. The estimates of the cash flows are based on continuing use of assets and on 3-year financial forecasts by business management, which are also used to extrapolate the fourth and fifth year. Net sales estimates used in the forecasts are based on customer-specific estimates, future outlooks and knowledge from previous experience. Gross margins used in the forecasts are based on historical actual results and cautious assumptions about changes occurring in the future. The used terminal value's growth rate is 2% per annum.

Discount rates were determined separately for each business unit, reflecting the effects of different business and economic areas on the expected return of equity. The cost of capital was determined using the capital asset pricing model (CAPM). The cost of debt was determined on the basis of the current credit portfolio of the parent company. In the determination of the weighted average cost of capital, the target equity ratio and the effect of indebtedness to the cost of equity have been taken into consideration.

The range of used discount rates varied between 8.35% to 12.87%, depending on the CGU.

The results of the impairment testing indicated that the recoverable amount of all CGUs' exceeded their corresponding carrying values. The Group shall not recognise impairment loss for the current period accordingly to the results of the impairment test. According to a sensitivity analysis, possible changes to any crucial variables, reasonably estimated, will not lead to a situation in which the recoverable amounts of cash-generating units are less than the units' carrying amounts.

1,000 EUR	**2007**	**2006**
16. INVENTORIES		
Raw materials and supplies	30,727	25,192
Work in progress	6,214	4,146
Finished goods	9,833	7,113
Advance payments	180	137
Total	**46,954**	**36,589**

1,000 EUR	**2007**	**2006**
17. RECEIVABLES		
Non-current		
Other receivables		
Interest-bearing receivables		
Loan receivables	100	100
Total	100	100
Non interest-bearing receivables		
Other receivables	272	525
Total	272	525
Available-for-sale investments	15	15
Non-current other receivables total	388	641
Deferred tax assets	3,804	2,486
Non-current receivables total	**4,192**	**3,126**
Current		
Trade receivables	61,176	55,557
Other receivables		
Interest-bearing receivables		
Loan receivables	2	1
Total	2	1
Non interest-bearing receivables		
Other receivables	5,192	4,560
Prepayments and accrued income	3,806	2,602
Total	8,998	7,162
Current other receivables total	9,001	7,163
Current receivables total	**70,176**	**62,720**
Receivables total	**74,368**	**65,846**

1,000 EUR	**2007**	**2006**
Prepayments and accrued income		
Non interest-bearing receivables		
Staff expenses	170	176
Financial items	14	6
Taxes	1,784	675
Others	1,838	1,745
Total	**3,806**	**2,602**

1,000 EUR

18. DEFERRED TAX ASSETS AND LIABILITIES

	1.1.2007	Recognised in income statement	31.12.2007
Deferred tax assets			
Accumulated depreciation differences	828	-92	735
Unused tax-deductible losses from previous periods (*	1,080	1,667	2,747
Depreciation differences of goodwill recognised	307	-307	0
Provisions	254	-1	252
Other items	17	51	69
Total	**2,486**	**1,318**	**3,804**

*) Unrecognised deferred tax assets related to unused tax-deductible losses of foreign subsidiaries totalled EUR 0.8 million in 2007.

Deferred tax liabilities			
Allocation of production fixed expenses	141	-141	0
Undistributed unrestricted capital	49	176	225
Accumulated depreciation differences	130	-26	103
Depreciation differences of intangible assets recognised in business combination	307	-224	82
Other items	32	117	149
Total	**658**	**-98**	**560**

Deferred tax assets	**1.1.2006**	**Recognised in income statement**	**31.12.2006**
Accumulated depreciation difference	841	-13	828
Unused tax-deductible losses from previous periods	403	678	1 080
Depreciation differences of goodwill recognised	0	0	307
Provisions	265	-11	254
Other items	87	-70	17
Total	**1,595**	**584**	**2,486**

Deferred tax liabilities			
Allocation of production fixed expenses	281	-141	141
Undistributed unrestricted capital	0	49	49
Accumulated depreciation differences	65	64	130
Depreciation differences of intangible assets recognised in business combination	0	0	307
Other items	53	-21	32
Total	**400**	**-48**	**658**

19. SHARE CAPITAL **1,000 EUR**	**Number of shares (1,000 pcs)**	**Share Capital**	**Share premium account**	**Reserve fund**
1.1.2006	17,689	5,952	4,452	262
Transfer from unrestricted to restricted capital	0	0	0	-96
Equity share options used	92	31	410	0
31.12.2006	**17,782**	**5,983**	**4,862**	**166**
1.1.2007	**17,782**	**5,983**	**4,862**	**166**
Transfer from restricted to unrestricted capital	0	0	0	92
Translation difference	0	0	0	-19
31.12.2007	**17,782**	**5,983**	**4,862**	**239**

20. SHARE BASED PAYMENTS

The Board of Directors of PKC Group Oyj has on 20 April 2006, in accordance with the Annual General Meeting's stock option decision on 30 March 2006, distributed the stock options directed to the key personnel of the Group and to Carhatec Oy, a wholly-owned subsidiary of the company. A total of 202,500 stock options 2006A and 221,000 stock options 2006B were distributed to the key personnel of PKC Group Oyj. The remainder of the stock options 2006A as well as stock options 2006B and 2006C were granted to Carhatec Oy to be further distributed to the present and future key personnel of the Group. A share ownership plan, in which the key personnel is obligated to subscribe for company's shares with 20% of the gross income earned from stock options and own these shares for two years, is incorporated to the stock options 2006. The Company's President and CEO must own these shares as long as his service in the Group continues.

Stock option planStock options, granted to key personnel of the Group

	2006A	**2006A**	**2006B**
Grant date	20.4.2006	29.3.2007	29.3.2007
Number of instruments granted, 1,000 pcs.	180	22.5	221
Exercise price at the grant date, EUR	11.54	11.09	11.09
Exercise price, EUR	11.09	11.09	11.09
Share price at the grant date, EUR	12.25	10.01	10.01
Contractual life for the share options, years	5.1	4.1	5.2
Vesting conditions			
Settle method	Shares	Shares	Shares
Expected volatility, %	39	35	35
Expected contractual life of the option, years	5.1	4.1	5.2
Risk-free interest-rate, %	3.66	4.10	4.10
Expected dividend yield, %	0	0	0
Expected personnel reductions (at grant date)	0	0	0
Expected realisation of result-based vesting condition (at grant date)	-	-	-
Fair value of the instrument (at grant date), EUR	5.19	3.03	3.48
Option pricing model Black-Scholes			

	2007 Weighted average exercise price per share, EUR	**2007 Number of options (1,000 pcs)**	**2006 Weighted average exercise price per share, EUR**	**2006 Number of options (1,000 pcs)**
Outstanding at 1.1	11.54	180	6.93	68
Granted during the year	11.09	243.5	11.54	180
Exercised during the year			6.48	68
Outstanding at 31.12	11.09	423.5	11.54	180
Exercisable at 31.12	11.09	423.5	11.54	180

1,000 EUR	2007	2006
21. NON-CURRENT LIABILITIES		
Interest-bearing receivables		
Loans from financial institutions	20,928	18,786
Pension loans	149	162
Total	**21,078**	**18,947**
Non interest-bearing receivables		
Trade payables	0	112
Provisions	114	223
Total	**114**	**335**
Deferred tax liabilities	**560**	**658**
Non-current liabilities total	**21,752**	**19,941**
CURRENT LIABILITIES		
Trade payables	21,173	18,394
Current other liabilities		
Interest-bearing receivables		
Loans from financial institutions	34,595	26,057
Pension loans	11	11
Total	**34,606**	**26,068**
Non interest-bearing receivables		
Advances received	1	8
Other liabilities	3,431	4,360
Accruals and deferred income	12,005	9,700
Total	**15,438**	**14,068**
Current other liabilities total	**50,045**	**40,137**
Current liabilities total	**71,217**	**58,531**
Creditors total	**92,969**	**78,472**
ACCRUALS AND DEFFERED INCOME		
To others		
Staff expenses	9,117	6,658
Financial items	692	366
Taxes	1,624	1,691
Others	572	985
Total	**12,005**	**9,700**

22. PROVISIONS

Provisions for pension expenses	
1.1.2006	235
Decreases in provisions	-11
31.12.2006	223
1.1.2007	223
Decreases in provisions	-109
31.12.2007	114

Provisions for pensions is recognised from the Group's liability part of the unemployment pensions between 2007–2009 of the persons dismissed by co-determination negotiations.

1,000 EUR	2007	2006
23.DERIVATES		
Nominal values		
Currency derivates		
Forward agreements	5,740	5,917
Raw material derivates		
Futures contracts	1,598	0
Total	**7,338**	**5,917**
Fair values		
Currency derivates		
Forward agreements	-105	-38
Raw material derivates		
Futures contracts	-144	0
Total	**-249**	**-38**

Derivates are used only in hedging currency and changing copper prices. PKC Group does not apply hedge accounting to derivate instruments according to IAS 39. Fair values of the derivates are recognised through profit and loss account.

1,000 EUR	2007	2006
24. OPERATING LEASES		
Group as a lessee		
0–1 years	1,196	1,140
1–5 years	4,232	4,164
later than 5 years	592	1,607
Total	**6,021**	**6,911**

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

Measurement principles of financial assets and liabilities

Available-for-sale financial assets consist entirely of investments in unquoted stocks that are measured at cost because their fair value cannot be determined reliably with valuation models. The carrying amounts of trade receivables and other receivables correspond to their fair values because the effect of discounting in not substantial due to their short maturity period. The fair values of currency derivates are measured by using the market prices at balance sheet date. The fair values of interest-bearing liabilities are determined by discounted cash flows. The discount rate used is determined by using the group's interest rate for corresponding interest-bearing liabilities at the balance sheet date. The total interest rate comprises risk-free interest rate and company specific margin. The carrying amounts of trade payables and other liabilities correspond to their fair values because the effect of discounting in not substantial due to their short maturity

2007	Financial assets and liabilities at fair value through profil and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet items	Fair value by balance sheet items
Non-current financial assets						
Non-current interest-bearing receivables	0	100	0	0	100	100
Other non-current assets	0	272	15	0	288	288
Non-current financial assets total	0	372	15	0	388	388
Current financial assets						
Trade receivables and other receivables	0	70,176	0	0	70,176	70,176
Current financial assets total	0	70,176	0	0	70,176	70,176
Financial assets total	**0**	**70,548**	**15**	**0**	**70,564**	**70,564**
Non-current financial liabilities						
Non-current interest bearing liabilities	0	0	0	21,078	21,078	17,696
Non-current financial liabilities total	0	0	0	21,078	21,078	17,696
Current financial liabilities						
Current interest-bearing liabilities	0	0	0	34,606	34,606	37,551
Derivate agreements	105	0	0	0	105	105
Trade payables and other liabilities	0	0	0	36,506	36,506	36,506
Current financial liabilities total	105	0	0	71,113	71,217	74,162
Financial Liabilities total	**105**	**0**	**0**	**92,190**	**92,295**	**91,858**

2006	Financial assets and liabilities at fair value through profil and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet items	Fair value by balance sheet items
Non-current financial assets						
Non-current interest-bearing receivables	0	100	0	0	100	100
Other non-current assets	0	525	15	0	541	541
Non-current financial assets total	0	625	15	0	641	641
Current financial assets						
Trade receivables and other receivables	0	62,694	0	0	62,694	62,694
Derivate agreements	26	0	0	0	26	26
Current financial assets total	26	62,694	0	0	62,720	62,720
Financial assets total	**26**	**63,319**	**15**	**0**	**63,360**	**63,360**
Non-current financial liabilities						
Non-current interest bearing liabilities	0	0	0	18,947	18,947	16,680
Other non-current financial liabilities	0	0	0	112	112	112
Non-current financial liabilities total	0	0	0	19,059	19,059	16,792
Current financial liabilities						
Current interest bearing liabilities	0	0	0	26,068	26,068	27,857
Derivate agreements	64	0	0	0	64	64
Trade payables and other liabilities	0	0	0	32,398	32,398	32,398
Current financial liabilities total	64	0	0	58,467	58,531	60,320
Financial liabilities total	**64**	**0**	**0**	**77,526**	**77,591**	**77,112**

26. RELATED PARTY DISCLOSURES

A party is related to an entity if it controls, is controlled by, or is under common control with, the entity; or it has an interest in the entity that gives it significant influence over the entity; or has joint control over the entity. The Group's related party comprises of the Group companies, parent company's Board of Directors and Corporate Management Team. There were no related party transactions in the current period or previous period.

27. FINANCIAL RISK MANAGEMENT

The company's Board of Directors has confirmed the Group's financial risk management policy. The objective of the policy is to protect the Group against unfavourable changes in the financial markets and thereby to safeguard the Group's earnings trend, equity and liquidity. The Group's financing and financial risk management have been centralised within the parent company's finance function. The aims of centralising these functions are effective risk management, cost savings and optimisation of cash flow.

Currency risk

Because the Group operates in international markets, it is exposed to currency risks caused by exchange rate fluctuations. Sales and purchases in foreign currencies (transaction risk) as well as balance sheet items investments in and loans to foreign subsidiaries (valuation risk) create currency risk. Currency risks are hedged by using internal netting out, foreign currency loans, forward exchange agreements and currency options. However, currency options may be used at the most in half of the derivative agreements. Derivatives are used only for hedging purposes. Currency risks are also hedged by the currency clauses in sales agreements. The majority of product sales and purchases of materials are conducted in euros.

The equity of the Group's subsidiaries at the end of the financial period was EUR 23.3 million (2006: EUR 21.2 million).

Group's valuation exposure by currency

	2007	2006
EUR 1,000	**Net investment**	**Net investment**
BRL	15,064	11,475
RUB	4,865	5,317
CAD	99	2,584
MXN	626	506
CNY	2,125	842
USD	451	438
Total	**23,230**	**21,161**

The Group's interest-bearing liabilities are in euro amounts in their entirety. The Group has not used derivative instruments to hedge valuation risk.

Commodity risk

Changes in global economy may affect the prices and availability of raw materials. Copper price risks can be hedged with purchase agreements and raw materials futures and options. Changes in the prices of oil and metals can indirectly interfere the Group's operations if they reduce customers' demand of products. Changes in energy prices do not have substantial effect in profit. According to the Group's risk management policy, a maximum of 50 percent of the copper position can be hedged.

Interest risk

Interest risk is involved mainly in interest-bearing liabilities in the balance sheet. The financing function monitors the interest risk of the loan portfolio and, when necessary, changes the interest rate maturity by means of forward rate agreements, options and interest rate swaps. At the end of 2007, 0.3% of the loan portfolio of the Group consisted of fixed interest loans. The counterpart risk involved in loans has been minimised by making loan agreements with at least three accepted parties.

The Group's interest rate maturities at the balance sheet date

1,000 EUR	Under 6 mon.	6–12 mon.	Over 1 year	Total
Floating-rate financial instruments				
Loans from financial institutions	12,595	43,089	0	55,524
Fixed-rate financial instruments				
Pension loans	0	161	0	161
Total	**12,595**	**43,250**	**0**	**55,684**

Sensitivity to market risk

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

The following table sets forth how changes in the main market risk factors from the Group's standpoint would affect the Group's operating profit. The calculation is based on assumptions of ordinary market and business conditions. The effect of hedging has not been taken into account.

Average effect on operating profit net of hedging effects

EUR million	2007	2006
10% change in the price of copper	+/- 1.1–1.2	+/- 1.4–1.5
10% change in foreign exchange rate between the euro and the dollar (USD)	+/- 0.8	+/- 1.2
10% change in foreign exchange rate between the euro and the Swedish krona (SEK)	+/- 2.1	+/- 1.5
10% change in the foreign exchange rate between the euro and the Brazilian real (BRL)	+/- 1.6	+/- 1.4

Sensitivity to market risks arising from financial instruments as required by IFRS 7

The sensitivity analysis presented below, which is required under IFRS 7, illustrates the sensitivity of the Group's net profit and equity to a change in the price of copper, to foreign exchange rates between the euro and the US dollar, and the euro and the Swedish krona, as well as to interest rates. The sensitivity is due to the financial instruments, financial assets and liabilities as well as derivative contracts that are included in the balance sheet for the financial period in accordance with the IFRS definition. Financial instruments that are sensitive to the above-mentioned market risks are working capital items such as trade receivables and other receivables as well as trade payables and other liabilities, financial liabilities, deposits, cash and bank receivables, and derivative contracts.

Sensitivity to market risks arising from financial instruments as required by IFRS 7

	2007	2007	2006	2006
EUR milliion	**Income statement**	**Equity**	**Income statement**	**Equity**
+/- 10% change in the price of copper	+/- 0.1	+/- 0.1	0	0
+/- 10% change in foreign exchange rate between the euro and the US dollar (USD)	+/- 0.4	+/- 0.4	+/- 0.4	+/- 0.4
+/- 10% change in foreign exchange rate between the euro and the Swedish krona (SEK)	+/- 0.3	+/- 0.3	+/- 0.3	+/- 0.3
+/- 1% change in market interest rates	+/- 0.4	+/- 0.4	+/- 0.3	+/- 0.3

Credit risk

Credit risk associated with investments made in the financial markets is minimised by making agreements with a sufficiently large number of leading and financially sound banks, financial institutions and other parties. Customers are granted only standard payment terms. Loans are not granted to parties outside the Group, nor are collateral, contingent liabilities or other obligations assumed as security for their liabilities. The same applied related parties of said companies.

Aging of trade receivables

1,000 EUR	**2007**	**Credit recorded as a loss**	**Net 2007**	**2006**	**Credit recorded as a loss**	**Net 2006**
Not yet due	55,513	0	55,513	45,283	0	45,283
falling due in 30 days or less	3,920	0	3,920	6,574	0	6,574
due 31–60 days ago	372	0	372	649	0	649
due 61–90 days ago	403	0	403	1,028	0	1,028
due over 90 days ago	1,156	-189	967	2,022	0	2,022
Total	**61,365**	**-189**	**61,175**	**55,557**	**0**	**55,557**

Liquidity risk

Liquidity risk means the risk of obtaining financing at any given time. The parent company's treasury function is responsible for the Group's liquidity and the adequacy of financing. Sufficient liquidity is maintained by means of efficient cash management. At the balance sheet date, the Group had a total of EUR 35 million of credit and financing facilities, of which EUR 11 million was unused. Most of the parent company's interest-bearing loans contained a covenant stating that the equity ratio according to the audited consolidated balance sheet be a minimum of either 30% or 35%, depending on the agreement.

Maturity analysis based on interest-bearing liability agreements

1,000 EUR	2008	2009	2010	2011	2012	2013-	Total
31.12.2007							
Loans from financial institutions							
Repayments	34,595	7,000	4,500	3,714	2,929	2,786	55,524
Financing costs	1,831	864	569	378	218	107	3,976
Total	**36,426**	**7,864**	**5,069**	**4,092**	**3,147**	**2,893**	**59,491**
Pension loans							
Repayments	11	10	10	9	8	112	161
Financing costs	10	9	8	8	7	96	138
Total	**21**	**19**	**18**	**17**	**16**	**208**	**299**
Total	**36,447**	**7,883**	**5,087**	**4,109**	**3,163**	**3,101**	**59,789**
31.12. 2006							
Loans from financial institutions							
Repayments	26,057	6,496	3,856	2,916	2,170	2,137	43,632
Financing costs	986	525	326	199	109	38	2,183
Total	**27,043**	**7,021**	**4,182**	**3,115**	**2,279**	**2,175**	**45,815**
Pension loans							
Repayments	11	10	9	9	8	113	160
Financing costs	11	10	9	9	8	103	150
Total	**22**	**20**	**18**	**18**	**16**	**216**	**310**
Total	**27,065**	**7,041**	**4,200**	**3,133**	**2,295**	**2,391**	**46,125**

Capital management

The Group's objective when managing capital is to support its business by ensuring normal operating conditions and to increase owner's value with target to gain maximum possible return. The optimal capital structure guarantees also the lowest capital costs. The capital structure is changed with dividend distributions and with share issues. The capital sctructure is continuously monitored with gearing ratio. The Group's gearing ratio was in the current period and previous period as follows:

Gearing	**2007**	**2006**
Interest-bearing liabilities, 1,000 EUR	55,684	45,016
Cash and cash equivalents, 1,000 EUR	10,426	8,060
Net liabilities, 1,000 EUR	45,258	36,955
Equity total, 1,000 EUR	82,980	72,544
Gearing, %	54.5	50.9

1,000 EUR	Notes	2007	2006
NET SALES	1	**177,260**	**142,588**
Increase (+) or decrease (-) in stocks of finished goods and work in progress		2,643	-184
Other operating income	2	1,667	1,818
Raw materials and services	3	135,328	99,414
Staff expenses	4	20,059	18,808
Depreciation and value adjustments	5	1,255	1,199
Other operating expenses	6	9,549	9,430
OPERATING PROFIT		**15,379**	**15,370**
Financial income and expenses	7	456	1,358
PROFIT BEFORE EXTRAORDINARY INCOME		**15,835**	**16,728**
Extraordinary income	8	2,500	1,250
PROFIT BEFORE TAXES		**18,335**	**17,978**
Appropriations	9	347	347
Income taxes	10	-4,469	-4,196
PROFIT FOR THE FINANCIAL YEAR		**14,213**	**14,129**

1,000 EUR	Notes	31.12.2007	31.12.2006
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11	2,543	1,955
Tangible assets	12	1,586	2,398
Investments	13		
Holdings in group companies		23,282	20,686
Other investments		235	235
Non current assets total		**27,647**	**25,274**
CURRENT ASSETS			
Inventories	14	22,359	17,992
Non-current	15		
Other receivables		41,424	35,600
Non-current receivables total		41,424	35,600
Current	15		
Trade receivables		43,865	42,085
Other non interest-bearing receivables		8,055	6,650
Current receivables total		51,920	48,735
Cash and cash equivalents		1,419	437
Current assets total		**117,123**	**102,764**
Assets total		**144,769**	**128,038**
LIABILITIES			
SHAREHOLDER'S EQUITY	16		
Share capital		5,983	5,983
Share premium account		4,862	4,862
Other reserves		166	166
Retained earnings	17	43,458	37,331
Profit for the financial year		14,213	14,129
Shareholder's equity		**68,682**	**62,471**
APPROPRIATIONS	18	**0**	**347**
PROVISIONS	19	**98**	**171**
CREDITORS	20		
Non-current liabilities	21		
Other liabilities		21,078	19,687
Non-current liabilities total		21,078	19,687
Current liabilities			
Trade payables		13,912	12,910
Other liabilities		40,999	32,452
Current liabilities total		54,911	45,362
Creditors total		**75,989**	**65,049**
Liabilities total		**144,769**	**128,038**

1,000 EUR	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	174,114	135,769
Cash receipts from other operating income	1,566	3,443
Cash paid to suppliers and employees	-162,036	-130,643
Cash flows from operations before financial income and expenses and taxes	**13,644**	**8,569**
Interest paid	-2,518	-1,090
Interest received and other financial income	1,855	805
Income taxes paid	-5,265	-6,116
Net cash from operating activities (A)	**7,715**	**2,168**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible or intangible assets	-1,277	-1,836
Proceeds from sale of tangible and intangible assets	158	396
Loans granted	-10,778	-18,342
Amortisations of loan received	4,610	3,052
Aquisitions of subsidiaries	-2,597	-2,228
Dividends received	1,464	2,175
Net cash used in financial activities (B)	**-8,419**	**-16,782**
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Share issue	0	441
Drawing of credits	18,843	26,435
Amortisation of credits	-10,405	-5,891
Dividends paid	-8,002	-7,971
Group contributions received	1,250	0
Net cash used in financial activities (C)	**1,686**	**13,015**
Net increase (+) or decrease (-) in cash and cash equivalents (A+B+C)	**981**	**-1,600**
Cash and cash equivalents at beginning of period	**437**	**2,037**
Cash and cash equivalents at end of period	**1,419**	**437**
Change	**981**	**-1,600**

Foreign currency items

Business transactions in foreign currencies have been entered during the financial period by using the exchange rate on the transaction date. Balance sheet items open on the closing date of the financial period have been valued using the average rate on the date of closing the accounts. The exchange rate differences have been stated in the profit and loss account.

Non-current assets

Non-current assets have been stated at their acquisition costs. Depreciation on fixed assets is calculated according to predefined depreciation plan. The depreciation period based on estimated service duration are as follows

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of the inventory is determined on the basis of the weighted average cost formula and, in contrast to previous accounting practise, it includes all of the direct costs and a proportional amount of indirect manufacturing costs. The net realisable value is the sales price less estimated costs to finish and sell the product.

Net sales

Net sales have been calculated from the Group's total revenue obtained from products produced, from which discounts and VAT have been deducted.

Research and development costs

Research and development costs have been entered as expenses for the financial period during which they were included.

Rent for leased assets

The rent for leased assets was entered as a cost in the income statement.

Pension costs

The retirement plans for employees are provided by external insurance companies. Pension insurance payments have been entered in the financial statements on accrual basis corresponding with salaries.

Direct taxes

Direct taxes for the financial period have been entered in the profit and loss account on accrual basis.

1,000 EUR	2007	2006
1. NET SALES BY BUSINESS SEGMENTS AND MARKET AREAS		
Net sales by business segments		
Wiring harnesses	177,260	142,588
Total	**177,260**	**142,588**
Net sales by market areas		
Finland	17,698	12,598
Other Europe	144,902	122,540
North America	4,565	4,428
South America	7,080	103
Others	3,016	2,919
Total	**177,260**	**142 588**
2. OTHER OPERATING INCOME		
Income from sales of non-current assets	78	130
Grants	93	96
Other income	1,495	1,592
Total	**1,667**	**1,818**
3. MATERIALS AND SERVICES		
Raw materials and consumables		
Purchases during the financial period	102,246	76,736
Outsourced services	34,815	24,490
Increase (-) or decrease (+) in stocks	-1,733	-1,812
Total	**135,328**	**99,414**

1,000 EUR	2007	2006	2005
4. STAFF EXPENSES			
Wages and salaries	16,287	15,304	17,614
Defined pernsion contribution plans	2,748	2,562	2,676
Other social expenses	1,024	941	1,450
Total	**20,059**	**18,808**	**21,740**

1,000 EUR	2007	2006	2005
Salaries and fees to Board and management			
Wages and fees to Board members			
Eestilä Matti, member from 30.3.2006	24	15	0
Hakalax Tom, member until 30.3.2005	0	0	5
Koskinen Juhani, member until 30.3.2006	0	5	17
Niemelä Jaakko, member from 30.3.2006	24	15	0
Ojala Leo, member until 30.3.2006	0	5	17
Palla Endel	24	20	17
Pohjanvirta Olli, member from 29.3.2007	19	0	0
Ravaska Veikko, member until 30.3.2006	0	5	20
Ruotsala Matti, member from 30.3.2006	24	15	0
Suonio Risto, member until 29.3.2007	5	20	17
Suutari Harri	48	39	20
Tähtinen Jyrki	36	29	24
Total	202	166	134
Salaries and fees to President(*			
Kari Mika	274	190	163
Suutari Harri	0	0	113
Total	274	190	275
Salaries and fees to other members of management team	505	390	884
Salaries and fees to management total	**981**	**746**	**1 293**

*) Mika Kari was appointed PKC Group Oyj's president and CEO as from 1.9.2005. At the same time Harri Suutari has been apppointed Chairman of the Board.

	2007	2006	2005
Avarage number of personnel			
Clerical employees	174	175	176
Employees	265	278	392
Total	**439**	**453**	**568**
Personnel at the end of period	**439**	**464**	**496**

1,000 EUR	2007	2006
5. DEPRECIATION AND VALUE ADJUSTMENTS		
Depreciation according to plan	1,255	1,199
Total	**1,255**	**1,199**
6. OTHER OPERATING EXPENSES		
Auditors' fees	184	170
Rents	1,655	1,752
Other operating expenses	7,710	7,508
Total	**9,549**	**9,430**
Auridors' fees		
Audits	78	91
Assignments	1	1
Tax services	5	18
Other services	100	61
Total	**184**	**170**
7. FINANCIAL INCOME AND EXPENSES		
Dividend yields		
From Group companies	1,463	2,174
Total	**1,463**	**2,174**
Income from other investments held as fixed assets		
From others	1	1
Total	**1**	**1**
Other interest and financial income		
From Group companies	2,274	1,068
From others	322	237
Total	**2,597**	**1,305**
Other interest and financial expenses		
From Group companies		
From others	-3,605	-2,122
Total	**-3,605**	**-2,122**
Financial income and expenses total	**456**	**1,358**
Financial income and expenses total includes net exchange rate differences	**-496**	**-787**

1,000 EUR	2007	2006
8. EXTRAORDINARY ITEMS		
Extraordinary income		
From Group companies/Group		
Contributions received	2,500	1,250
Total	**2,500**	**1,250**
9. CHANGE IN APPROPRIATIONS		
Change in untaxed reserves	347	347
Total	**347**	**347**
10. INCOME TAXES		
Income taxes from actual operations	-4,472	-4,195
Change in deferred tax assets and liabilities	3	-1
Total	**-4,469**	**-4,196**

1,000 EUR

11. INTANGIBLE ASSETS	Intangible rights	Other long-term expenditures	Advance payments	Total
Acquisition cost 1.1.2007	**2,742**	**122**	**395**	**3,258**
+ Increases	98	12	811	922
- Decreases	0	0	-59	-59
+/- Transfers	991	346	-991	346
Acquisition cost 31.12.2007	**3,830**	**480**	**157**	**4,468**
Accumulated depreciation and impairments 1.1.2007	**1,267**	**37**	**0**	**1,304**
+Depreciation	537	84	0	621
Accumulated depreciation and impairments 31.12.2007	**1,804**	**121**	**0**	**1,924**
Book value 31.12.2007	**2,027**	**360**	**157**	**2,543**
Book value 31.12.2006	**1,475**	**85**	**395**	**1,955**

12. TANGIBLE ASSETS	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition cost 1.1.2007	**1,552**	**9,827**	**209**	**305**	**11,894**
+ Increases	0	148	0	44	192
- Decreases	0	-323	0	0	-323
+/- Transfers	0	0	0	-346	-346
+/- Other changes	0	0	0	-3	-3
Acquisition cost 31.12.2007	**1,552**	**9,652**	**209**	**0**	**11,414**
Accumulated depreciation and impairments 1.1.2007	**824**	**8,482**	**190**	**0**	**9,496**
- Accumulated depreciation of decreases and transfers	0	-302	0	0	-302
+ Depreciation	82	534	18	0	634
Accumulated depreciation and impairments 31.12.2007	**906**	**8,714**	**208**	**0**	**9,828**
Book value 31.12.2007	**646**	**938**	**1**	**0**	**1,586**
Book value 31.12.2006	**728**	**1,345**	**20**	**305**	**2,398**

13. INVESTMENTS	Holdings in Group companies	Other shares and similar rights of ownership	Other receivables	Total
Acquisition cost 1.1.2007	**20,686**	**188**	**48**	**20,921**
+ Increases	2,597	0	0	2,597
Acquisition cost 31.12.2007	**23,282**	**188**	**48**	**23,518**
Book value 31.12.2007	**23,282**	**188**	**48**	**23,518**
Book value 31.12.2006	**20,686**	**188**	**48**	**20,921**

SHARES AND SIMILAR RIGHTS OF OWNERSHIP

Group companies	Group's ownership, %	Parent company's ownership, %
PKC Eesti AS	100	100
PK Cables do Brasil Industria e Comercio Ltda.	97	97
PK Cables Nederland B.V.	100	0
PKC Netherlands Holding B.V.	100	100
Carhatec Oy	100	100
TKV-sarjat Oy	100	0
Carhatest Oy	80	0
OOO Karhakos	100	0
OOO AEK	100	0
OOO PKC Group Pskov	100	0
PKC Group Americas Inc.	100	0
PKC Electronics Oy	100	0
OOO Elektrokos	100	0
OOO Elektromeka	100	0
PKC Wiring Harness (Suzhou) Co., Ltd.	100	0
PKC Group Canada Inc.	100	0
PKC Group Mexico S.A. de C.V.	100	100
PKC Group USA Inc.	100	100

1,000 EUR	2007	2006
14. INVENTORIES		
Raw materials and supplies	14,410	12,677
Work in progress	2,183	1,480
Finished goods	5,764	3,823
Advance payments	2	12
Total	**22,359**	**17,992**
15. RECEIVABLES		
Non-current other receivables		
From Group companies		
Loan receivables	41,324	35,500
Total	**41,324**	**35,500**
From others		
Loan receivables	100	100
Total	**100**	**100**
Non-current other receivables total	**41,424**	**35,600**
Non-current receivables total	**41,424**	**35,600**

1,000 EUR	2007	2006
Current		
Trade receivables		
From Group companies	5,376	2,871
From others	38,489	39,214
Total	**43,865**	**42,085**
Other receivables		
From Group companies		
Loan receivables	362	1,507
Prepayments and accrued income	3,374	1,920
Total	**3,737**	**3,426**
From others		
Loan receivables	2	1
Other receivables	2,705	1,781
Prepayments and accrued income	1,612	1,442
Total	**4,319**	**3,224**
Current other receivables total	**8,055**	**6,650**
Current receivables total	**51,920**	**48,735**
Prepayments and accrued income		
From Group companies		
Financial items	3,280	1,811
Others	94	109
Total	**3,374**	**1,920**
From others		
Staff expenses	90	94
Financial items	14	6
Taxes	1,403	606
Others	104	736
Total	**1,612**	**1,442**

1,000 EUR	2007	2006
16. SHARE CAPITAL		
Share capital 1.1	5,983	5,952
Increase in share capital	0	31
Share capital 31.12	**5,983**	**5,983**
Share premium account 1.1	4,862	4,452
Change	0	410
Share premium account 31.12	**4,862**	**4,862**
Reserve fund 1.1	166	166
Reserve fund 31.12	**166**	**166**
Retained earnings 1.1	51,460	45,302
Dividend distribution	-8,002	-7,971
Retained earnings 31.12	**43,458**	**37,331**
Profit for the financial year	**14,213**	**14,129**
Total shareholders' equity	**68,682**	**62,471**

17. CALCULATION OF DISTRIBUTABLE FUNDS		
Retained earnings	43,458	37,331
Profit for the financial year	14,213	14,129
Distributable funds 31.12	**57,671**	**51,460**

18. APPROPRIATIONS		
Untaxed reserves	0	347
Total	**0**	**347**

19. PROVISIONS		
Provisions for pensions	98	171
Total	**98**	**171**

Untaxed reserves are subject to a deferred tax assets of EUR 25,480

1,000 EUR	2007	2006
20. CREDITORS		
Non-current liabilities		
Non-current other liabilities		
To Group companies		
Loans	0	740
Total	**0**	**740**
To others		
Loans from financial institutions	20,928	18,786
Pension loans	149	162
Total	**21,078**	**18,947**
Non-current other liabilities total	**20,928**	**18,786**
Non-current liabilities total	**21,078**	**19,687**
Current liabilities		
Trade payables		
To Group companies	2,694	2,393
To others	11,218	10,518
Total	**13,912**	**12,910**
Current other liabilities		
To Group companies		
Accruals and deffered income	73	11
Total	**73**	**11**
To others		
Loans from financial institutions	34,595	27,548
Pension loans	11	11
Accruals and deffered income	5,546	4,188
Other liabilities	773	693
Total	**40,926**	**32,441**
Current other liabilities total	**40,999**	**32,452**
Current liabilities total	**54,911**	**45,362**

1,000 EUR	2007	2006
Accruals and deffered income		
To Group companies		
Others	56	4
Financial items	17	7
Total	**73**	**11**
To others		
Staff expenses	4,562	3,666
Financial items	692	366
Taxes	0	3
Others	292	153
Total	**5,546**	**4,188**
Loans falling due later than five years from now		
Loans from financial institutions	2,786	3,429
Pension loans	112	120
Total	**2,897**	**3,549**

21. COMMITMENTS AND OTHER LIABILITIES		
Amount to be paid for leasing commitments		
For the current financial period	167	102
Falling due at a later date	170	83
Total	**337**	**185**
Liabilities related to current premises		
For the current financial period	1,015	1,015
Falling due at a later date	4,653	5,668
Total	**5,668**	**6,683**
Contingent liabilities		
Liabilities for currency derivates		
Liabilities for raw material derivates	1,598	0
Nominal values	3,279	3,990
Fair value	-192	2

Derivates are used only in hedging currency and changing copper prices.

Shares and shareholders

PKC Group Oyj's share turnover on the OMX Nordic Exchange Helsinki from 1 January to 31 December 2007 was 17,639,780 shares (11,402,932 shares), representing 99.2% of the average number of shares (64.2%). Shares were traded to a total value of EUR 185.1 million (154.7 million). The low during the report year was EUR 8.55 (10.02) and the high was EUR 12.40 (14.08). The closing price on the last trading day of the report period was EUR 8.70 (12.25) and the average price during the period was EUR 10.48 (11.69). The company's market capitalisation at 31 December 2007 was EUR 154.7 million (217.8 million).

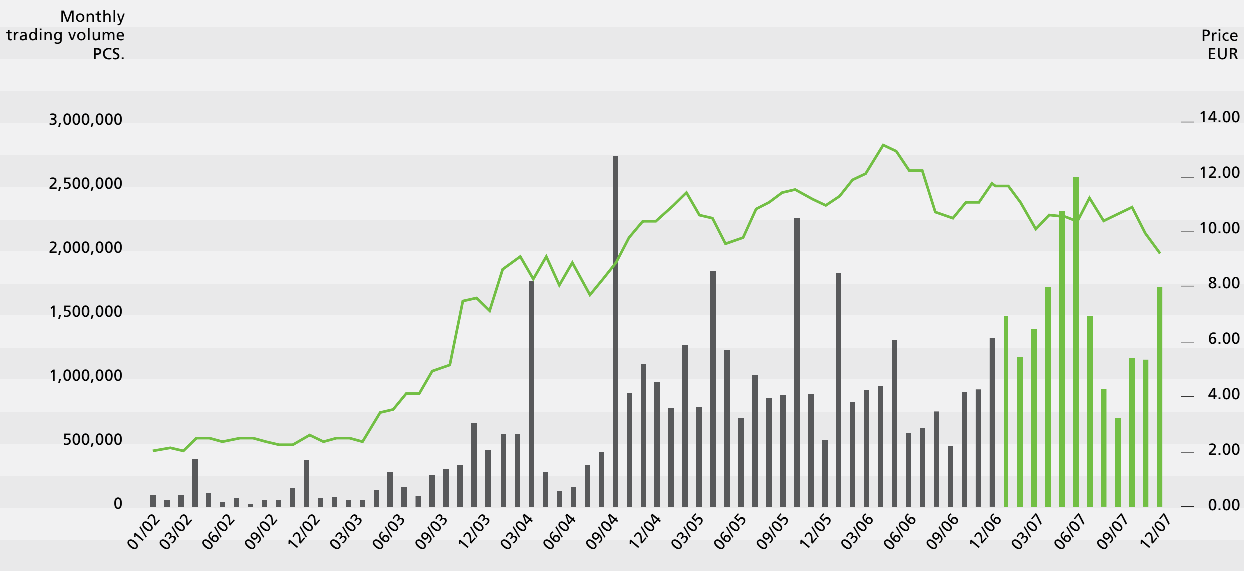
Shares held by Board members, their related persons and corporations in which they have a controlling interest accounted for 2.9% (3.5%) of the total number of shares at the end of the report year. PKC Group Oyj had 6,505 shareholders (5,998) at the end of the review period. The proportion of shares held by foreigners and by way of nominee registrations at 31 December 2007 was 28.1% of the shares outstanding (29.5%).

The Board's authorisations

The Board of Directors has been granted authorisation by the Annual General Meeting on 29 March 2007 to decide on one or more share issues and the granting of special rights as defined in Chapter 10, Section 1 of the Companies Act and on all the terms and conditions thereof. A maximum total of 3,500,000 shares may be issued or subscribed for on the basis of the authorisation. The authorisation includes the right to decide on a directed share issue. The authorisation shall be in force for five years from the date of the resolution of the Annual General Meeting. The authorisation may be used at the Board's discretion for financing corporate acquisitions, for carrying out inter-company co-operation or similar arrangements, or for strengthening the company's financing and capital structure.

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

SHARE PRICE AND MONTHLY TRADING VOLUME 2.1.2002–31.12.2007



Stock option schemes
In 2006, PKC launched a stock option scheme according to which the maximum total number of stock options to be issued is 697,500, and they are divided into A, B and C warrants. At the end of the report period the company's key personnel had a total of 202,500 2006A warrants and 221,000 2006B warrants in their possession.

The subscription period for shares through the exercise of stock options shall be during the years 2009–2013. The share subscription price for stock options shall be the volume-weighted average price of the PKC Group Oyj share on the OMX Nordic Exchange Helsinki, with dividend adjustments, as defined in the stock option terms (at present, EUR 11.09 for the 2006A and 2006B warrants). Through the exercise of the 2006 stock options, the share capital of PKC Group Oyj may be increased by a maximum total of 697,500 new shares and EUR 234,673.67. The stock options 2006 are subject to a share ownership plan. Key personnel are obliged to subscribe for or purchase the company's shares with 20% of the gross income earned from stock options and to own these shares for two years. The company's President and CEO is obliged to own these shares for the duration of his managerial contract.

Dividends for the 2006 financial year
The Annual General Meeting held on 29 March 2007 passed a resolution to pay a dividend of EUR 0.45 per share for the year 2006, or a total about 8.0 million. The dividend was paid out on 12 April 2007.

MAJOR SHAREHOLDERS ON 31.12.2007	**Pcs.**	**% of shares and votes**
1. As Harju Elekter	1,580,003	8.9
2. Tapiola Mutual Pension Insurance Company	809,600	4.6
3. Odin Norden c/o Odin Forvaltning AS	653,850	3.7
4. OP-Suomi Pienyhtiöt	596,461	3.4
5. Takanen Jorma	367,860	2.1
6. Ravaska Veikko	345,200	1.9
7. Laakkonen Mikko	310,000	1.7
8. Eestilä Matti	300,000	1.7
9. Mutual Fund Nordea Nordic Small Cap	253,306	1.4
10. Sampo Suomi Osake Mutual Fund	203,700	1.1
10 major holders total	**5,419,980**	**30.5**
Nominee registered		
Svenska Handelsbanken Ab	1,504,522	8.5
Other nominee registered	1,093,611	6.1
Others	9,763,409	54.9
Total	**17,781,522**	**100.0**

SHARES AND OPTIONS HELD BY THE BOARD AND MANAGEMENT ON 31.12.2007

Board of Directors	Number of shares and votes, pcs.	Shares and votes, %	Ownership of close persons and controlled corporations, pcs	Options, pcs.
Eestilä Matti	300,000	1.7	0	0
Niemelä Jaakko	0	0	2,000	0
Palla Endel	112,000	0.6	0	0
Suutari Harri	100,000	0.6	0	0
Management Team				
Kari Mika	1,000	0	0	60,000
Klemola Sami	0	0	0	15,000
Rajala Jarmo	0	0	0	25,000
Rytky Mika	0	0	0	30,000

DISTRIBUTION OF SHARE OWNERSHIP BY OWNER CATEGORIES ON 31.12.2007

	% of shares and votes
Domestic companies	8.3
Financial institutions and insurance companies	10.5
Public institutions	6.2
Non-profit organisations	4.6
Households and private investors	42.3
Foreign investors (including nominee registered shares)	28.1
Total	**100.0**

DISTRIBUTION OF SHARE OWNERSHIP BY SIZE OF SHAREHOLDING ON 31.12.2007

Shares per shareholders	Shareholders		Shares		Votes	
	Number	%	Pcs.	%	Pcs.	%
1–100	755	11.6	56,505	0.3	56,505	0.3
101–500	2,623	40.3	804,296	4.5	804,296	4.5
501–1,000	1,599	24.6	1,222,792	6.9	1,222,792	6.9
1,001–5,000	1,280	19.7	2,762,164	15.5	2,762,164	15.5
5,001–10,000	144	2.2	1,047,115	5.9	1,047,115	5.9
10,001–50,000	67	1.0	1,430,225	8.0	1,430,225	8.0
50,001–100,000	11	0.2	756,457	4.3	756,457	4.3
100,001–500,000	20	0.3	3,978,704	22.4	3,978,704	22.4
500,001–	6	0.1	5,723,264	32.2	5,723,264	32.2
Total,	**6,505**	**100.0**	**17,781,522**	**100.0**	**17,781,522**	**100.0**
of which nominee registered	10		2,598,133	14.6		

Return on equity (ROE), %	100 x	$\frac{\text{Profit before extraordinary items - taxes}}{\text{Shareholders equity + minority interest (average)}}$
Return on investments (ROI), %	100 x	$\frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Balance sheet total - interest free liabilities (average)}}$
Gearing, %	100 x	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents and investments}}{\text{Shareholders equity + minority interest}}$
Equity ratio, %	100 x	$\frac{\text{Shareholders equity + minority interest}}{\text{Balance sheet total - advance payments received}}$
Quick ratio		$\frac{\text{Receivables and cash in hand and at banks}}{\text{Current creditors - advance payments received}}$
Current ratio		$\frac{\text{Receivables and cash and cash equivalents + inventories}}{\text{Current creditors}}$
Earnings per share (EPS), EUR		$\frac{\text{Profit before extraordinary items - income taxes +/- minority interest}}{\text{Average share issue-adjusted number of shares}}$
Shareholders' equity per share, EUR		$\frac{\text{Shareholders equity}}{\text{Share issue-adjusted number of shares on the date of the financial statement}}$
Dividend per share, EUR		$\frac{\text{Dividend paid for financial year}}{\text{Share issue-adjusted number of shares on the date of the financial statement}}$
Dividend per earnings, %	100 x	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Effective dividend yield, %	100 x	$\frac{\text{Share issue-adjusted dividend per share}}{\text{Share issue-adjusted average share price at the closing date}}$
Price per earnings (P/E)		$\frac{\text{Share issue-adjusted average share price at the closing date}}{\text{Earnings per share}}$
Market capitalisation		Number of shares at the end of the financial year x the last trading price of the financial year

	2007	2006	2005	2004	FAS[1] 2003
FIVE YEAR REVIEW					
FINANCIAL KEY INDICATORS, CONSOLIDATED GROW					
Net sales, 1,000 EUR	288,649	228,928	198,789	177,697	146,048
Change in net sales, %	26.1	15.2	11.9	21.7	8.8
Operating profit, 1,000 EUR	28,171	24,249	26,728	20,799	18,428
% of net sales	9.8	10.6	13.4	11.7	12.6
Profit before taxes, 1,000 EUR	25,642	22,751	27,258	19,562	18,070
Net profit, 1,000 EUR	17,374	15,552	18,813	13,177	12,026
% of net sales	6.0	6.8	9.5	7.4	8.2
Return on equity (ROE), %	22.6	22.8	33.8	27.5	31.9
Return on investment (ROI), %	23.4	24.1	32.3	28.6	36.7
Gearing, %	54.5	50.9	31.6	64.1	24.5
Equity ratio, %	47.2	48.0	55.6	44.2	56.9
Quick ratio	1.1	1.2	1.5	1.3	1.5
Current ratio	1.8	1.8	2.3	2.4	2.5
Gross capital expanditure, 1,000 EUR	10,791	20,018	11,410	13,321	10,210
% of net sales	3.7	8.7	5.7	7.5	7.0
R&D expenses, 1,000 EUR	5,511	4,906	3,800	4,034	3,230
% of net sales	1.9	2.1	1.9	2.3	2.2
Personnel, average	4,971	4,013	3,506	2,742	1,723
KEY INDICATORS FOR SHARES					
Earnings per share (EPS), EUR	0.98	0.88	1.07	0.76	0.73
Earnings per share (EPS), diluted, EUR [3]	0.98	0.87	1.06	0.75	-
Shareholders' equity per share, EUR	4.62	4.04	3.64	2.75	2.61
Dividend per share, EUR [2]	0.45	0.45	0.45	0.20	0.83
Dividend per earnings, % [2]	45.9	51.1	42.1	27.3	113.5
Effective dividend yield, % [2]	3.7	3.7	4.1	2.0	11.7
Price/earnings ratio (P/E)	8.9	13.9	10.2	14.0	7.7
Share price at the end of the year, EUR	8.70	12.25	10.90	10.25	7.07
Lowest share price during the year, EUR	8.55	10.02	9.21	7.06	2.25
Highest share price during the year, EUR	12.40	14.08	12.25	10.67	7.77
Average share issue-adjusted number of shares, 1,000 shares	17,764	17,756	17,607	17,417	16,385
Share issue-adjusted number of shares at the end of the financial year, 1,000 shares	17,782	17,782	17,689	17,461	17,245
Market capitalisation, 1,000 EUR	154,699	217,824	192,815	178,970	121,862
Dividend, 1,000 EUR [2]	8,002	8,002	7,971	3,509	14,469

1) Year 2003 is prepared according to Finnish GAAP. The figures of 2004, 2005, 2006, and 2007 are prepared according to IFRS standards.

2) The figures of 2007 are based on the Board of Director's proposal. The figure of 2003 includes surplus dividend of EUR 0.5 in addition to the dividend decision of the annual general meeting.

3) Earnings per share (EPS), diluted is not presented in 2003 because it would exceed the undiluted earnings per share (EPS)

1,000 EUR	2007	2006	2005	2004	FAS(1 2003
CONSOLIDATED PROFIT AND LOSS ACCOUNT					
Net sales	288,649	228,928	198,789	177,697	146,048
Operating profit	28,171	24,249	26,728	20,799	18,428
Profit before taxes	25,642	22,751	27,258	19,562	18,070
Profit for the financial year	17,374	15,552	18,813	13,177	12,026
CONSOLIDATED BALANCE SHEET					
ASSETS					
Non-current assets	48,393	43,647	33,687	27,453	18,633
Current assets	127,556	107,369	83,347	81,764	60,940
Total assets	175,949	151,016	117,034	109,217	79,573
LIABILITIES					
Shareholders' equity	82,980	72,544	65,036	48,238	45,058
Minority interest	789	646	593	284	258
Non-current creditors	21,752	19,941	15,487	21,595	10,228
Current creditors	71,217	58,531	36,510	39,384	24,029
Total liabilities	175,949	151,016	117,034	109,217	79,573

SIGNATURES

Kempele, 7 February 2008

Harri Suutari
Chairman of the Board

Matti Eestilä
Board Member

Jaakko Niemelä
Board Member

Endel Palla
Board Member

Olli Pohjanvirta
Board Member

Matti Ruotsala
Board Member

Jyrki Tähtinen
Board Member

Mika Kari
President and CEO

TO THE SHAREHOLDERS OF PKC GROUP OYJ

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of PKC Group Oyj for the period 1.1.–31.12.2007. The Board of Directors and the CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the CEO of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements
In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration
In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion, the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

In Oulu, February 7, 2008

Ernst & Young Oy
Authorized Public Accountant Firm

Rauno Sipilä
Authorized Public Accountant

PKC Group Oyj complies with the Corporate Governance Recommendations for Listed Companies issued by OMX, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers. The key sections of the Company's Corporate Governance Guidelines ratified by the Board of Directors are described in the Annual Report. The guidelines are published in their entirety on the company's website.

GENERAL MEETING OF SHAREHOLDERS

The highest power of decision is vested in the General Meeting. Each shareholder is entitled to participate in the General Meeting and to exercise the right to speak and to vote, with each share carrying one vote. In order to realise interaction between shareholders and the company's governing bodies, as well as the right of shareholders to ask questions, the President, Chairman of the Board of Directors, and a sufficient number of Board members shall be present at the General Meeting, along with, if necessary, the Auditor and such persons that have been proposed for Board membership for the first time. The Annual General Meeting is held, upon completion of the financial statements, on the day specified by the Board of Directors, no later than by the end of June. In 2007, the Annual General Meeting was held on 29 March 2007.

BOARD OF DIRECTORS

The Board of Directors is responsible for the company's administration and the due organisation of operations. The Board's liabilities include the duties appointed to it in the Companies Act and in the Articles of Association. The Board's main duties include confirming the Company's strategy and budget, approving the principles of risk management and ensuring the functioning of the management system.

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

The Annual General Meeting elects 5–7 members to the Board for a term ending at the next Annual General Meeting. Board members are elected such that they have the required competence for the task and represent both a wide range of expertise and the viewpoint of shareholders. The majority of the Board members must be independent of the company and at least two of said majority must be independent of the company's significant shareholders. The Board of Directors evaluates the independence of its members annually and the independence is reported in the Annual Report and on the company's website under the Board members' presentation.

The 2007 Annual General Meeting elected seven members to the Board, and these members are presented in the appropriate section in this Annual Report. The Board elects from among its members a Chairman, who according to the Articles of Association cannot be the company's President. After the 2007 Annual General Meeting, Harri Suutari was appointed as Chairman and Jyrki Tähtinen as Vice Chairman. The duties and responsibilities of the Chairman and other members have not been designated specifically.

In 2007, the Board held 15 meetings, of which 6 were telephone meetings, in addition to which two decision minutes were drafted without holding a meeting. The average attendance of Board members at the meetings was 97%.

The Board has not deemed it necessary to establish separate committees, since, taking into account the scope and nature of the company's operations as well as the Board's working methods, the Board is able to handle matters effectively without such committees.

Each year, the Board independently evaluates the effectiveness of its performance and working methods with an eye on development opportunities. The evaluation was conducted for the first time for the year 2004.

PRESIDENT AND CEO

The company's President and CEO since 1 September 2005 has been Mika Kari. The President's duties include operational management, informing the Board, presenting matters over which the Board has the power of decision, implementing the decisions of the Board, ensuring the legality of business operations, as well as investor relations.

The Board appoints the company's President and specifies his service terms and conditions in writing. The President's service contract is valid until further notice.

OTHER MANAGEMENT

The tasks of the Group's Corporate Management Team are to improve operations, carry out strategic work, monitor the realisation of the objectives and action plans set in strategic work and deal with other matters of vital importance for the company's operations. The Corporate Management Team comprises the President and CEO (Chairman), the Vice Presidents of the business segments and the Chief Financial Officer. The Corporate Management Team convenes monthly. The members of the Corporate Management Team are presented in the appropriate section in this Annual Report.

The Group's operations are divided into two business segments corresponding to its core competence areas, Wiring Harnesses and Electronics, the management teams of which convene monthly. Their task is to deal with operative issues and assess the development needs and future requirements of their respective business segments. The management teams of the business segments comprise the Vice President of the business segment (Chairman) and directors and managers responsible for operations and customer accounts.

In a matrix organisation, operations are divided into plants, customer accounts and Group-wide functions, which are production, logistics and sourcing, technology and quality development as well as finance and administration.

The Managing Directors and Boards of the subsidiaries take decisions on policies and strategies related to business operations within a framework approved by the Board of PKC Group Oyj. The Boards of the subsidiaries are primarily composed of representatives of the management of the Group's parent company and its subsidiaries.

AUDIT

The Annual General Meeting elects an auditor approved by the Finnish Central Chamber of Commerce as the company's auditor. The authorised public accounting firm Ernst & Young Oy carries out the company's audit, with Rauno Sipilä, Authorised Public Accountant, acting as the responsible auditor. The auditor's term expires after the conclusion of the next Annual General Meeting following the election.

SALARIES AND REMUNERATION

Board of Directors
The Annual General Meeting confirms the remuneration paid to the Board of Directors. In 2007 the Annual General Meeting decided to pay the Chairman EUR 50,000 per term, the Vice Chairman EUR 37,500 per term and other members EUR 25,000 per term, in addition to travel and accommodation expenses related to the Board's meetings. The company does not pay the Board members fees on any other basis, nor does it grant them loans or give guarantees on their behalf. Board members are not included in the company's 2006 Stock Option Scheme. The remuneration paid for the year 2007 has been presented in the notes to the financial statements.

President and CEO
The Board of Directors confirms the President's salary and other benefits. The President is included in the Group's bonus system, with the annual bonus being a maximum of six months' salary, depending on the achievement of the objectives set for each year. The President is included in the year 2006 Stock Option Scheme, and was granted 30,000 stock options in 2007. The President has not been granted shares or other share-related rights as compensation. The company does not pay the President fees on any other basis, nor does it grant him loans or give guarantees on his behalf. The salaries, remuneration and total number of stock options paid to the President for the year 2007 are presented in the notes to the financial statements.
The President's service contract has a provision for a notice period of three months on the President's part and six

months on the company's part. Moreover, if the contract is terminated by the company, the President is entitled to a monetary compensation equivalent to 15 months' total salary, which includes the salary for the period of notice as well as a prorated share of the result based incentive corresponding to the period of employment in full months during the financial year in question. The retirement age is statutory and no voluntary pension insurance policies have been taken.

Other management
The Board of Directors decides on the salaries and benefits of the members of the Corporate Management Team. Salaries are set in accordance with the demands of the job and the responsibilities, professional skills and expertise it entails. Salaries may comprise cash salaries and benefits. The salaries are reviewed annually by the Board of Directors. In line with the principles approved by the Board of Directors, the Group has adopted a result-based incentive system. The incentive is dependent on the achievement of annual objectives set for the performance and efficiency of the Group and each responsibility area and/or the achievement of specific targets. The maximum incentive is the salary of six months. The members of the Corporate Management Team are included in the year 2006 Stock Option Scheme, and in 2007, excluding the President, they were granted 45,000 stock options in total. The company has not granted shares as compensation. No remuneration for meetings is paid to members of the Group's Corporate Management Team or the management teams of the business segments. The company does not pay the members of the Corporate Management Team fees on any other basis, nor does it grant them loans or give guarantees on their behalf. The salaries, remuneration and total number of stock options paid to the members of the Corporate Management Team for the year 2007 are presented in the notes to the financial statements.

The members of the Corporate Management Team have employment contracts valid until further notice, with a notice period of three months on a member's part and six months on the company's part, and without separate severance payment or other compensation. The retirement age is statutory and no voluntary pension insurance policies have been taken.

Auditor
In line with a resolution by the Annual General Meeting, the auditor's fees and travel expenses are paid according to a reasonable invoice. The audit fees for the year 2007 and other fees for non-audit services paid to the auditor are presented in the notes to the financial statements.

INSIDER ISSUES

The company complies with the Insider Guidelines of the Helsinki Stock Exchange. The company's public insider register includes the President and CEO, the deputy CEO, Board members, the auditor and the employee of the authorised public accounting firm with the main responsibility for the audit. In addition the company has defined the members of the Corporate Management Team as persons subject to the disclosure requirement under the public insider register. The company's public insider register has been presented in its entirety on the company's website. The company's internal, non-public, company-specific insiders include persons belonging to the management teams of the business segments and other persons who regularly handle insider information during the performance of their duties. When major projects are ongoing, project-specific insider registers are also used.

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

RISK MANAGEMENT

The PKC Group's risk management is an essential part of the management of the Group's business operations and the Group's management system. It supports decision-making, strategic and planning processes, the continuity of operations and reporting. Systematic risk assessment is used to identify and prevent events that affect business operations adversely, which, if they materialise, could have a negative impact on relationships with customers and other stakeholders, profitability and shareholder value.

The processes of risk management progress hand in hand with the strategic process, and achieved results are utilised systematically as part of annual planning.

INTERNAL SUPERVISION

The Board of Directors is responsible for internal supervision, while the President and CEO is responsible for the practical arrangements concerning supervision. The Board of Directors oversees that the President and CEO attends to the day-to-day administration of the company in accordance with its instructions and orders. The Board also makes sure that appropriate arrangements exist for monitoring the company's accounting and the administration of its finances.

Internal supervision methods include internal guidelines, reporting and various technical systems related to operations. Special attention is paid to the organisation of functions, the professional skill of employees, operating instructions, reporting and the extent of the audit.

PRINCIPLES AND ORGANISATION OF RISK MANAGEMENT

The principle behind risk management is to identify key risks related to operations, and to define the procedures, responsibilities and timetables related to efficient risk management. The significance of risks is determined on the basis of their probability and financial effects.

The Board of Directors of PKC Group approves risk management policy and takes responsibility for the continuous monitoring of the results and procedures of risk management. In addition, it is responsible for the assessment of the functionality of risk management processes and management systems.

The risk management team is responsible for the risk management strategy and principles at the Group level, as well as for monitoring the success of risk management within a framework provided by the Board. The directors of functions and units are responsible for the practical implementation of risk management processes. The Group's risk management function is responsible for monitoring the implementation of risk management, developing systems, maintenance and reporting to the Group's management.

STRATEGIC RISKS

The Board of Directors of the parent company determines the Group's risk exposure and makes decisions on taking strategic risks, such as significant individual investments, corporate and real estate acquisitions and other actions that are extraordinary or far-reaching in terms of the scope and nature of the company's operations. Decisions on strategic risks are taken after careful and extensive preparation, in which experts from within and, if necessary, from outside the company are used.

OPERATIONAL RISKS

Operational risks comprise all the factors that may jeopardise or prevent the achievement of set business objectives. The main responsibility for hedging operational risks lies with the different functions. Group administration co-ordinates and advises on risk management matters as well as decides on the Group's risk management measures. Continuity plans aim at securing substitute resources for personnel, premises, production machinery and equipment, raw and other materials and transportation.

Business environment risks and business cycles
Business cycles in the world economy and trends in the automotive, electronics and telecommunications industries' markets influence demand for the products manufactured by PKC as well as the Group's financial position in the short term. The long-term effects are evened out by the wide geographical spread of the operations of PKC's customers, the ability to operate in different customer industries and long-term co-operation with our main customers.

Market and customer risks
The Group's operations depend greatly on agreements concluded with a few internationally operating customers and on the trend in their businesses. In order to reduce the risk resulting from this narrow customer base, the Group focuses on its core areas of expertise and on developing its know-how in order to ensure that its present customer relationships are maintained and deepened. In addition, the Group seeks to expand its clientele in the present business areas.

Typically, the customer sectors are subject to a continuous downward trend in prices. Cost-efficiency is improved by means of continuous product development, rationalising operations, seeking out new, more flexible ways of working, inviting competitive bids from suppliers of materials and moving production to countries with lower labour costs.

Technological risks
Demand for design and product development services is growing in the key customer sectors. PKC prepares for an increase in demand for design capacity by developing its own product development function and signing co-operation agreements with experienced providers of design and product development services.

Political, cultural and legislative developments
PKC's production operations are spread out over a wide geographical area. Unfavourable political, economical or legislative changes could impair the Group's cost-efficiency and/or have a detrimental effect on the Group's operations in some countries. Risks connected with emerging countries are contained by decentralising production across different countries, complying with the legislation of each country, maintaining functional co-operation networks and making continuity plans.

Risks related to the production process
Internal assessments with consistent benchmarks are used to track the efficiency and appropriateness of processes and ways of working. The results of the assessments are utilised for the continuous improvement of operations and increasing the efficiency of response times. With manufacturing processes taking place mainly in the subsidiaries, the consistency, functionality, controllability and efficiency of business processes take on an even more important role.

PKC ensures the efficiency of its production by, among other things, developing the working environment, keeping production machinery up-to-date and increasing operational reliability and the degree of automation.

Purchasing and logistics risks
Raw materials account for an important share of the overall costs of end products. Purchasing prices are negotiated on a centralised basis, suppliers are asked to submit competitive bids and efforts are made to find alternative suppliers.

Disturbances in the delivery or transportation of raw materials which are due to goods suppliers can cause interruptions to both PKC's and its customers' production. Alternative suppliers cannot be found quickly for all components. The company seeks to limit this risk by means of finding alternative suppliers, supplier audits, good cooperation with customs officials, buffer stocks and developing the professional skills of the employees of its logistics function. Risks connected with interruptions and transportation have been hedged with Group-wide insurance programmes and supplementary local insurance policies. The trend in the world economy may affect the prices and availability of raw materials. Risks related to copper prices can be hedged through purchasing agreements and by means of raw materials futures and options. Similarly, changes in the prices of oil and metals can indirectly hamper the Group's operations if price fluctuations lead to a drop in demand for its customers' products. Fluctuations in the price of electric energy do not have a significant effect on financial performance.

Rapid changes in forecasts submitted by customers, short delivery times and suppliers' fairly long delivery times as well as the short life cycles of products pose challenges for inventory management. The control of material flows takes place via an operations control system covering the entire production network.

Liability risks

PKC is prepared for property and liability risks (incl. product liability, operational liability and management liability) by means of insurance programmes covering the entire Group and through supplementary local insurance policies. Despite the preventive and restrictive measures, PKC may face claims for damages that are not covered by insurance policies due to the extent or nature of the damages. The scope of insurance coverage is actively monitored and developed together with experts in the industry.

It is possible that the PKC Group may face demands arising from the defectiveness of products. The Group seeks to limit the liabilities arising from these factors through agreements and by taking out comprehensive insurance coverage.

Written agreements with major customers, suppliers and co-operation partners are used to specify the operating procedures and conditions needed for preventing the materialisation of risks, dividing responsibilities and minimising any damage that may occur.

QUALITY AND ENVIRONMENTAL RISKS

Investment in the quality of products and operations is a cornerstone of and an absolute requirement for the company's operations. Potential quality risks affecting customers' operations can be eliminated with the systematic development of the quality of products and operations. Particular attention is paid to quality assurance when starting up new units and products as well as transferring production.

Even though the environmental impacts of its business operations are slight, the Group strives to continuously minimise such effects.

PERSONNEL RISKS

The personnel's importance to company's development and competitiveness is crucial. In accordance with the human resources strategy, the focus in the management of personnel risks is on developing competence, commitment and well-being at work. The development of competence is based on the company's business strategies. These strategies include a definition of the required competence and the means to secure such competence.

Deputy systems guarantee that if any employee is prevented from working or if their employment comes to an end, this will not hinder the company's overall competence or cause interruptions in its operations. Employees are offered competitive fringe benefits and they are encouraged to develop their own professional skills.

LABOUR PROTECTION AND CORPORATE SECURITY RISKS

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

Safety plans, which are specific to business locations, aim to achieve operational conditions in which the company's safety risks are at an acceptable level and damage and accidents are prevented effectively. The safety plans contain business location specific descriptions of operational models for different types of emergency and disturbance situations and the means of limiting such situations.

INFORMATION SECURITY AND INFORMATION SYSTEM RISKS

The Group's information security policy and guidelines specify minimum-level procedures and working instructions for ensuring and maintaining Group-wide information security. The personnel's behaviour forms an integral part of information security, and the information security risk can be minimised by systematically training personnel.

Effective information systems and telecommunications connections as well as real-time information transfer between customers, suppliers and the Group's various manufacturing units are an absolute must for business operations. Disturbances in telecommunications and deficient capacity are a major risk for efficient business operations. PKC strives to minimise this risk by using doubled and decentralised operator connections. New alternatives for communications links are explored regularly.

New business locations and companies are integrated to use a single production and logistics control system covering the entire production network.

By means of continuous monitoring and the seeking of more effective solutions that provide greater information security, the Group endeavours to ensure that the information security of applications and systems remains at an acceptable level. A recovery plan is in place to ensure that operations can be continued should any failure or disturbance occur.

FINANCIAL RISKS

Financial risks are described in the notes to the financial statements.

BOARD OF DIRECTORS ON DECEMBER 31, 2007

Harri Suutari Jyrki Tähtinen Jaakko Niemelä Matti Eestilä Endel Palla Olli Pohjanvirta Matti Ruotsala

BOARD OF DIRECTORS

Harri Suutari (b. 1959)
Chairman since 1 September 2005. Member of the Board of Directors since 2005. Engineer. Previously President and CEO of PKC Group Oyj (13 March 2002 – 31 August 2005), Ponsse Plc (1994–2000) and Kajaani Automatiikka Oy (1984–1996). Member of the Board of Directors of Alma Media Corporation. Not independent of the company (service relationship with the company during the last three years prior to the inception of the board membership).

Matti Eestilä (b. 1949)
Member of the Board of Directors since 2006. Engineer Entrepreneur. Previously CEO of Betonimestarit Oy (1988–2000) and Director of Lujabetoni Oy's Concrete Element Division (1973–1988). Independent of the company and its significant shareholders.

Jaakko Niemelä (b. 1963)
Member of the Board of Directors since 2006. Dr. (Econ.). CEO of Pro Value Corporate Finance Oy. Previously CEO (1999–2003) and Head Analyst (1998–1999) of Mandatum Stockbrokers Ltd, and prior to this Analyst and Head Analyst in the stock brokerage firms Pankkiiriliike Protos Oy and Opstock Oy (1994–1998). Independent of the company and its significant shareholders.

Endel Palla (b. 1941)
Member of the Board of Directors since 1994. Electronics Engineer. Chairman of the Supervisory Board and Development Director of AS Harju Elekter. Employed with AS Harju Elekter since 1983, holding the positions of Development Director (1999–), Managing Director (1991–1999), Technical Director (1983–1991) and prior to that working in management duties with the electrotechnical division of AS Harju KEK. Chairman or member of the Supervisory Boards of AS Harju Elekter and its subsidiaries and affiliated companies, and member of the Supervisory Boards of AS Harju KEK, AS Kelmo and AS Laagri Vara. Not independent of the company (Chairman of the Supervisory Board and Development Director of AS Harju Elekter, which is a lessor of PKC's subsidiary and a significant shareholder in PKC).

Olli Pohjanvirta (b. 1967)
Member of the Board of Directors since 2007. LL.M. Head of Hannes Snellman Attorneys at Law Ltd's operations in Russia and Ukraine. Partner with Hannes Snellman Attorneys at Law Ltd (2006–), Partner with ETL Law Offices Ltd (1993–2006), attending to legal tasks related to Russia and other CIS countries since 1993. Member of the Board of Directors of John Nurminen Oy, Nurminen Autoholding Oy, Nurminen Logistics Plc, HS Holdings Ltd, ZAO Vepsäläinen and Skandia Autologistics Oy. Independent of the company and its significant shareholders.

Matti Ruotsala (b. 1956)
Member of the Board of Directors since 2006. M.Sc. (Eng.). President of Fortum Generation, Fortum Corporation. Previously Vice President of AGCO Corporation and Managing Director of Valtra Oy Ab (2005–2007), Chief Operating Officer and Deputy CEO of KCI Konecranes Plc (2001–2004), Technical Director and Commercial Director

CORPORATE MANAGEMENT TEAM ON DECEMBER 31, 2007

Mika Kari Sami Klemola Jarmo Rajala Mika Rytky

of KCI Konecranes Plc (1995–2000) and Asia Pacific Area Director of the crane business of Kone Corporation (1991–1994). Member of the Board of Directors of Larox Corporation and Oy Halton Group Ltd, OKG AB and Forsmarks Kraftgrupp AB, President of the European Committee of Associations of Agricultural Machinery (CEMA). Independent of the company and its significant shareholders.

Jyrki Tähtinen (b. 1961)
Vice Chairman since 1 September 2005. Member of the Board of Directors since 1999. LL.M, MBA, Attorney at Law. President and CEO of Attorneys at Law Borenius & Kemppinen Ltd. Practising law since 1983, his latest positions being with Attorneys at Law Borenius & Kemppinen Ltd as President and CEO (1997–) and Partner (1991–), and earlier in the employ of other law firms and the City of Helsinki. Member of the Board of Directors of JSH Capital Oy and Girasole Oy. Chairman of the Board of Directors of RNO Finland Oy, Muoviura Oy, Dexus Oy and Dexus Group. Independent of the company and its significant shareholders.

CORPORATE MANAGEMENT TEAM

Mika Kari (b. 1969)
President & CEO. M.Sc. (Tech.). Serving with the company since 1996 and a member of the Corporate Management Team since 1997. President & CEO of the PKC Group (1 September 2005–), Vice President, Wiring Harnesses, and Deputy CEO (2004–2005), Business Development Director (2001–2004), prior to that worked in quality management.

Sami Klemola (b. 1970)
CFO. M.Sc. (Admin.), LL.M. With the company and a member of the Corporate Management Team since 1 May 2007. Previously CFO of Polar Electro Group (2005–2007) and Group Business Controller (2002–2005), CFO/Financial Manager/Business Controller of the business unit of Sonera Oyj (1998–2002), Controller with Keski-Suomen Puhelin Oyj (1996–1998).

Jarmo Rajala (b. 1962)
Vice President, Electronics. M.Sc. (Econ.). Serving with the company and a member of the Corporate Management Team since 2005. Business Unit Director with PKC Group (2005–2006). Previously Business Unit Director with Suomen 3C Oy (2005), Sales Director with Cybelius Software Oy (2003–2005), Managing Director of the Hungarian subsidiary of Tammerneon Oy (1998–2003), Trade Commissioner with Finland Trade Center Budapest (1997), Liaison Officer/Project Manager with Vaasa University (1991–1996).

Mika Rytky (b. 1971)
Vice President, Wiring Harnesses. M.Sc. (Eng.). Serving with the company since 2000 and a member of the Corporate Management Team since 2004. Business Development and Quality Director of the PKC Group (2004–2006), Sales Manager (2000–2004). Previously Product Manager with Control CAD (1999–2000), consultant with Pohto (1995–1999). Member of the Board of Directors of Obas Oy.

CONTACT INFORMATION

FINLAND

Head office and wiring harness factory

PKC Group Oyj
Visiting address:
Vihikari 10
90440 Kempele, Finland
Tel. +358 20 1752 111
Fax +358 20 1752 211

Postal address:
PKC Group Oyj
P.O. Box 174
FI-90401 Oulu, Finland

Electronics factory
PKC Electronics Oy
Pajuniityntie 43
FI-92120 Raahe, Finland
Tel. +358 8 2103 111
Fax +358 8 2103 201

Testing products
Carhatest Oy
Tehtaantie 11
FI-91500 Muhos, Finland
Tel. +358 8 533 4859
Fax +358 8 533 4869

BRAZIL

Wiring harness factory
PK Cables do Brasil Ltda
Rua Estrada da Graciosa
803 - Atuba
82840 - 360 - Curitiba
- PR - Brazil
Tel. +55 41 2109 9778
Fax +55 41 2109 9780

CANADA

Sales and administration office
PKC Group Canada Inc.
50 Ronson Drive, Suite 155
Toronto, Ontario
Canada, M9W 1B3
Tel. +1 416 785 6070
Fax +1 416 785 6078

CHINA

Wiring harness factory
PKC Wiring Harness (Suzhou) Co., Ltd.
Block T unit 6-10
No. 128 XingPu Road
Ascendas-Xinsu Square II
Suzhou Industrial Park,
215126 China
Tel. +86 512 6299 0699
Fax +86 512 6299 0698

Electronics factory
PKC Wiring Harness (Suzhou) Co., Ltd.
Building 13CD
Suchun Industrial Square
428 Xinglong Street
Suzhou Industrial Park,
215024 China
Tel. +86 512 6265 2025
Fax +86 512 6265 2008

ESTONIA

Wiring harness factory
PKC Eesti AS
Paldiski mnt. 31
76606 Keila, Estonia
Tel. +372 639 0100
Fax +372 674 7432

Wiring harness factory
PKC Eesti AS
Tööstuse 9
90506 Haapsalu, Estonia
Tel. +372 47 20 890
Fax +372 47 20 880

MEXICO

Wiring harness factory
PKC Group Mexico S.A. de C.V.
Prolongacion Avenida
Hidalgo #10
Parque Industrial
San Carlos Oeste
Nogales, Sonora 84094
Mexico
Tel. +52 631 311 3550
Fax +52 631 311 3557

RUSSIA

Wiring harness factory
OOO AEK
Shosse Gornyakov 34
186930, Kostomuksha
Republic of Karelia
Russian Federation
Tel./Fax + 7 814 59 42 354

Electronics factory
OOO Elektrokos
Shosse Gornyakov 34
186930, Kostomuksha
Republic of Karelia
Russian Federation
Tel./Fax + 7 814 59 23 019

Wiring harness factory
OOO PKC Group Pskov
Pozhigovskaya, 6
180021, Pskov
Russian Federation
Tel. + 7 8112 79 00 00
Fax + 7 8112 79 00 50

USA

Sales office
PKC Group USA Inc.
101 South La Canada Drive
Suite 38
Green Valley, Arizona 85614
USA
Tel. +1 520 393 8290
Fax +1 520 393 8142

www.pkcgroup.com

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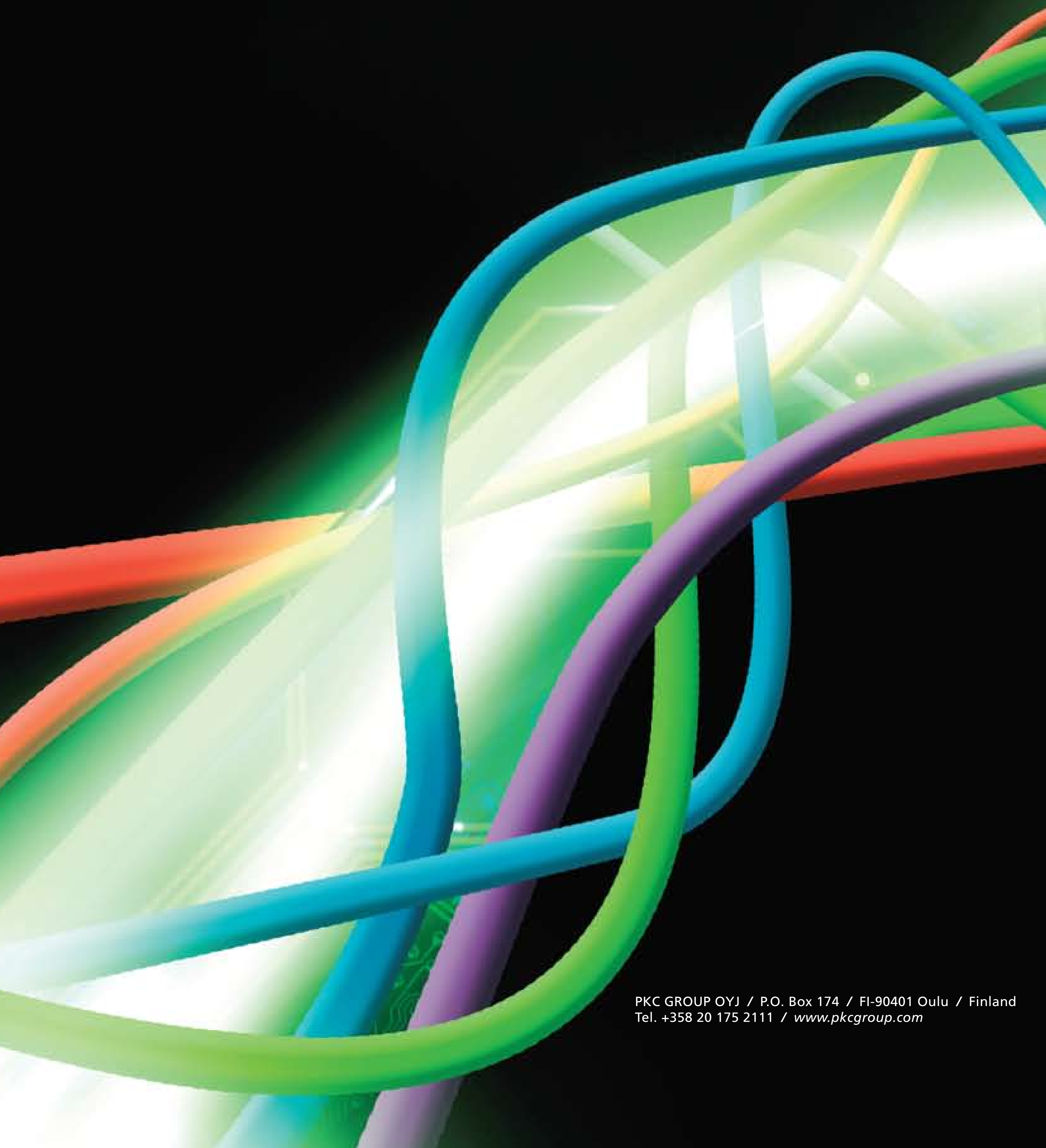

PKC GROUP OYJ / P.O. Box 174 / FI-90401 Oulu / Finland
Tel. +358 20 175 2111 / *www.pkcgroup.com*