

PKC Group Plc

Interim Statement

27 October 2016

8.15 a.m.

PKC Group Q3/2016 Interim Statement

Good progress continued across business areas except North America where there was a negative impact stemming from extra ramp-down and ramp-up expenses of a light vehicle program which took place during the end of the period. PKC Group's outlook for 2016 remains unchanged.

Key figures (from continuing operations unless otherwise noted)	1-9/16	1-9/15	Change %	1-12/15
EUR 1,000 (unless otherwise noted)				
Revenue	631,457	627,386	+0.6	847,338
EBITDA*	44,421	44,125	+0.7	59,528
% of revenue	7.0	7.0		7.0
Items affecting comparability**	-2,870	-7,746		-8,782
Operating profit	18,126	14,063	+28.9	20,230
% of revenue	2.9	2.2		2.4
Earnings per share (EPS), EUR	0.28	0.14	+100.3	0.23
Revenue by geographical locations				
Europe	224,965	176,386	+27.5	253,581
North America	343,938	415,720	-17.3	539,078
South America	26,826	29,791	-10.0	35,430
APAC	35,728	5,489	+550.8	19,250
Net cash from operating activities***	-39,550	-38,742		14,813
Working capital***	141,531	124,501		92,711
Net debt***	119,267	99,926		49,375
ROCE, % ***	8.6	9.9		9.9
Gearing, %***	82.9	65.0		31.4
Equity ratio, %***	27.9	29.3		29.0
Average headcount	21,885	20,508	+6.7	20,855

* before items affecting comparability

** 2016: expenses related to North American organization and production capacity being adjusted to medium term demand outlook

*** comparison periods include assets and liabilities of discontinued operations

The information presented in this statement is unaudited.

Matti Hyytiäinen, President & CEO:

"PKC's strong performance and momentum in other regions offset the extra product launch cost and operational challenges encountered in the North American business unit. As a consequence EBITDA remained at previous year level and PKC's operating profit from continuing operations improved and exceeded the comparison period. All PKC business units

improved their operating profit over the comparison period, except PKC's North American unit.

Production volumes continued to fall in North America, and the drop in revenue was greatest in the company's most profitable segment, heavy-duty trucks. Also the unsuccessful production ramp-down and ramp-up concerning a model change in one light-vehicle programme at the Torreon plant in Mexico resulted in additional net costs of about EUR 4.5 million at the end of the period.

Typical of PKC's business is increase of working capital in the early part of the year and its freeing up towards the end of the year. Net cash from operating activities in the period under review remained at the level of comparison period, but it is improving as the year draws to a close, and net cash from operating activities for the whole year is expected to be clearly positive.

PKC's market position remained strong in all truck markets:

- In North America, demand for heavy-duty trucks continued to decline and, as a result, production volumes were 29% below the comparison period. The increase in demand for medium-duty trucks slowed but production volumes increased by 5% over the comparison period.
- In Europe, the growth in production volumes of heavy-duty trucks flattened out but volumes exceeded those in the comparison period by 5%. With regard to medium-duty trucks, production volumes increased by 23% over the comparison period.
- In China, production of trucks increased over the comparison period, by about 19% for heavy-duty trucks and about 16% for medium-duty trucks.
- In Brazil, the decline in production volumes of heavy-duty trucks settled at 22% below the comparison period.

Demand in the rolling stock market continued to increase. The framework agreement we have concluded with Bombardier Transportation is proceeding as planned, and Bombardier Transportation has allocated an increasing number of orders to PKC. Other rolling stock customers have also increased their number of orders.

PKC's strategic growth projects are continuing. The joint venture to be established in China with JAC was granted a business license. The license was granted later than had been expected, which is why the joint venture is estimated to begin operations during the second quarter of 2017.

Growth projects in the rolling stock business are focusing on speeding up organic growth by seeking to conclude global framework agreements with key rolling stock manufacturers, and on strengthening our product portfolio in electrical systems.

PKC's success stems from our expert personnel whose professional skills our customers value."

Market outlook

In 2016 the production of heavy-duty and medium-duty trucks in Europe is expected to increase by about 8% and about 8% in China respectively compared to 2015. In 2016 the production of heavy-duty and medium-duty trucks in North America is expected to decrease by about 16% compared to 2015 and decrease is expected to take place in heavy-duty trucks. In 2016 the production of heavy-duty and medium-duty trucks in Brazil is expected to decline by about 18% compared to 2015. The demand for the rolling stock is expected to continue to grow steadily.

PKC Group's outlook for 2016

PKC Group estimates that with prevailing exchange rates 2016 revenue from continuing operations (i.e. excluding Electronics business) will be close to previous year level and comparable EBITDA from continuing operations will be higher than previous year level. In 2015, PKC's revenue from continuing operations was EUR 847.3 million and comparable EBITDA from continuing operations was EUR 59.5 million.

Outlook includes higher than average uncertainty related to the North American heavy-duty truck production volumes and to a specific light vehicle program performance during rest of the year.

PKC Group Plc Board of Directors

Matti Hyytiäinen President & CEO

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Press conference

A press conference on the interim statement will be arranged for analysts and investors today, 27 October 2016, at 10.00 a.m., at the address Event Arena Bank, Unioninkatu 20, Helsinki.

Distribution

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