



PKC GROUP 

PKC Group Establishes 50-50% Joint Venture with Jiangsu Huakai Wire Harness Co. Ltd.

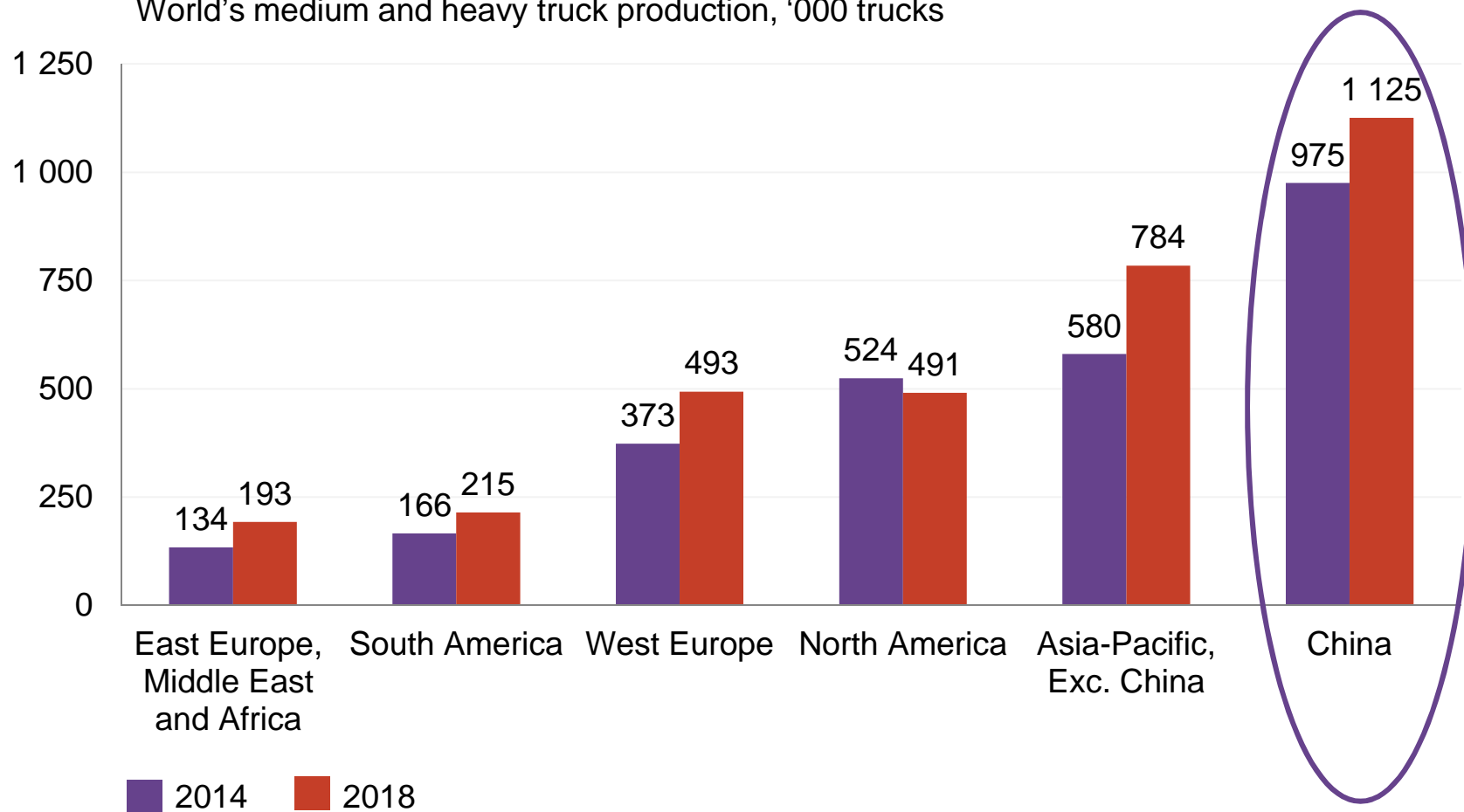
Matti Hyytiäinen, President & CEO

PKC Group Expands its Business in China and Establishes a Joint Venture with a Chinese Commercial Vehicle EDS Supplier

- PKC Group has signed a frame agreement to establish a joint venture with Jiangsu Huakai Wire Harness Co. Ltd. (Huakai)
- The joint venture shall increase PKC's market share in medium and heavy trucks segment in China by 8%-points and expand clientele with significant new customers
- The finalisation of the joint venture is subject to usual conditions including e.g. negotiating the related agreements and authority approvals.
- The finalisation is targeted in the latter half of year 2015, and the joint venture will be consolidated to PKC Group as of the date of closing the deal.

Joint Venture is in Line with PKC APAC Strategy and Strengthens PKC's Market Presence in China

World's medium and heavy truck production, '000 trucks

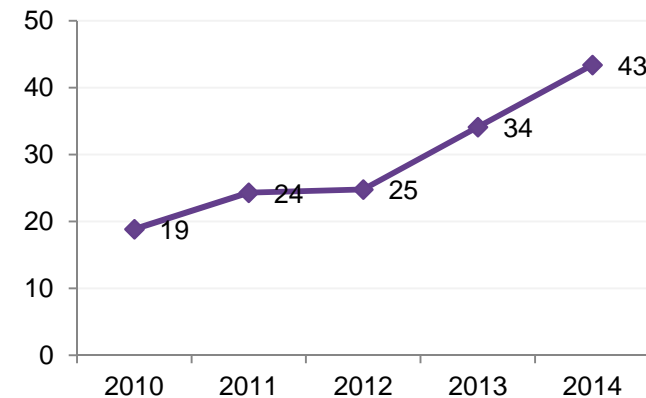


Source: LMC Automotive Q4 2014

Huakai is Privately Owned Wire Harness Supplier to Foton-Daimler Trucks

- Manufactures wire harnesses to leading Chinese trucks, construction vehicle and bus OEMs
- Key customers include Foton (and Beijing Foton Daimler Automotive) trucks, and Kinglong and Iveco buses
- Foton, the #4 truck company, has 11% market share in China in 2014
- Headquarters and manufacturing is in Danyang, Jiangsu Province in China. Huakai has also a factory in Beijing. Factory area totals 28,000 m²
- Huakai is vertically integrated and has inhouse wire extrusion, plastics and metal parts manufacturing
- Huakai is a growing business and revenue amounted to EUR 43 million with 680 employees in 2014. Profitability is at healthy level
- Huakai is 100% privately owned by family Gu

Revenue development, EUR million*



Factories:



* Latest RMB/EUR exchange rate

Rationale: Joint Venture Offers Favourable Growth Opportunities to PKC

China is the world's biggest and growing trucks market

- China totals 32% of the world medium and heavy truck volumes with 975,000 trucks produced in 2014
- Annual growth 2015-2018 amounts to 7.9%
- Joint venture raises PKC's market share in China by 8%-points in 2015

Tighter government regulation and higher customer demands in China raise wire harness content

- Truck market transferred from Euro 3 to Euro 4 emission standards and banned sales of Euro 3 trucks in the beginning of 2015
- ABS brakes became obligatory in new trucks in the beginning of 2015
- End customers and export market require more functionalities and more customised solutions
- These requirements raise wire harness content and complexity with sales price impact of +30%. Number of functionalities still remains about 50% of that in Europe
- PKC provides joint venture with wire harness technology and knowhow to meet the new market demands



Huakai supplies wire harnesses to Auman truck, a new truck by Beijing Foton Daimler Automotive joint venture

Rationale: The Joint Venture Offers New Customer Opportunities and Economies of Scale in Sourcing

The China market is dominated by local private and central government connected in-house manufacturers

- These manufacturers always serve only one significant truck OEM. The joint venture targets to get second major truck OEM customer
- Euro 4 change and PKC's technology give the joint venture an opportunity to expand to more complex products e.g. truck engines. The joint venture has been preliminary accepted as JMC engines supplier

Cost synergies exist in components

- The joint venture benefits from economies of scale in supplier base, especially in international components
- The joint venture's in-house wire, plastic- and metal parts have cross selling opportunities to PKC

Huakai has strong track record in generating growth, the management continues in the joint venture

- Annual growth 2008-2014 amounts to 24%
- Gu Weikai, the current majority share holder and vice president, will continue managing the joint venture



Transaction Highlights Summary

Transaction in brief

- The joint venture is accomplished via a new company that will be established by Huakai with an equity valuation of RMB 150 million / EUR 22 million*
- PKC will contribute RMB 150 million / EUR 22 million cash through share issue
- The total equity value of the joint venture is RMB 300 million / EUR 44 million
- PKC holds 50% and Huakai 50% of the equity. The frame agreement contains specific terms regarding PKC's right to consolidate
- Transaction is financed from PKC's cash resources

Impact to PKC group's financials

- The deal has no significant impact to PKC Group 2015 results
- The joint venture will be consolidated to PKC Group financials

Timetable

- The agreement was signed on 28 March 2015
- The finalisation of the joint venture is targeted in the latter half of 2015
- The finalisation is subject to common conditions including authority approvals
- Integration starts after the finalisation of the joint venture

* Latest RMB/EUR exchange rate



Managing the Complexity

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