



PKC GROUP 

Investor Presentation Q3 2016

Interim Statement

October 27, 2016

Matti Hyytiäinen, President & CEO

Q3 2016 Highlights

Business Environment

- North American heavy-duty truck market has continued to shrink
- Heavy-duty truck demand in Europe has continued to recover even though volumes were down from Q2 due to regular vacation period shut-downs
- Brazilian market is in recession, while in China truck demand and production have grown

PKC's Operations

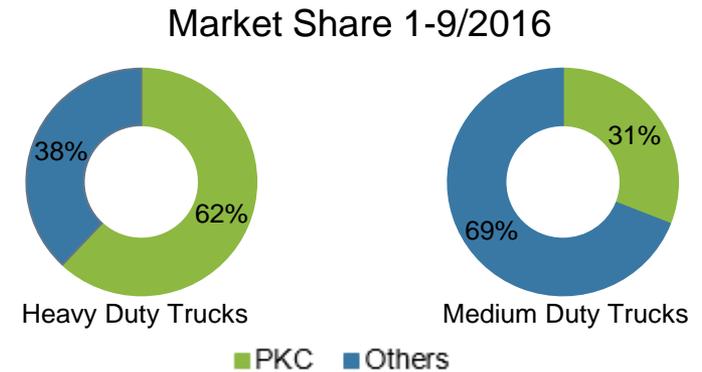
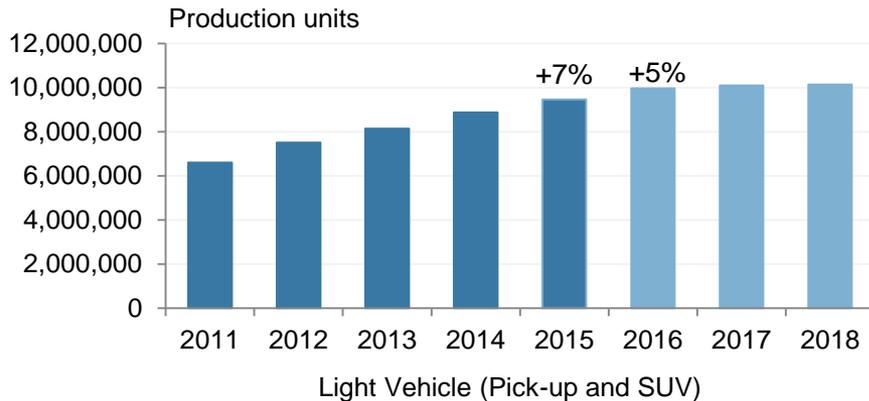
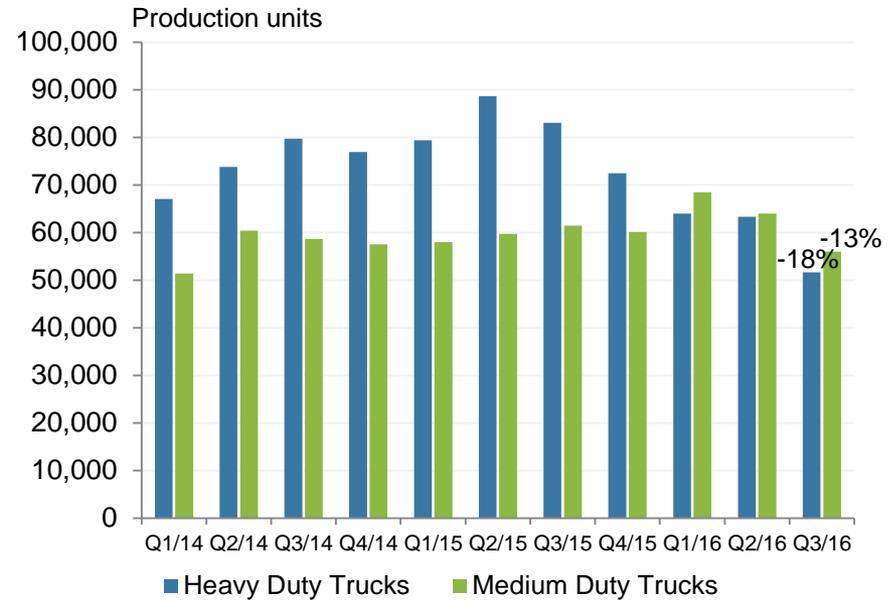
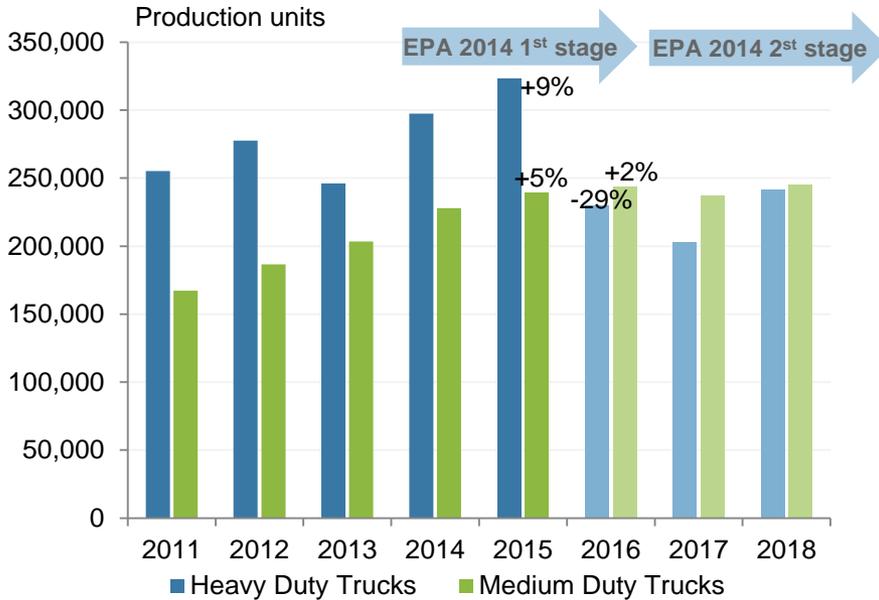
- North American operations negatively impacted by extra expenses related to a specific light vehicle program ramp-down and ramp-up
- European manufacturing footprint improvement and program transfers continue including freeing up capacity for higher rolling stock volumes

PKC's Financial Performance

- YTD EBITDA of 7.0% at previous year level burdened by a specific LV program
- YTD cash flow from operations at previous year level

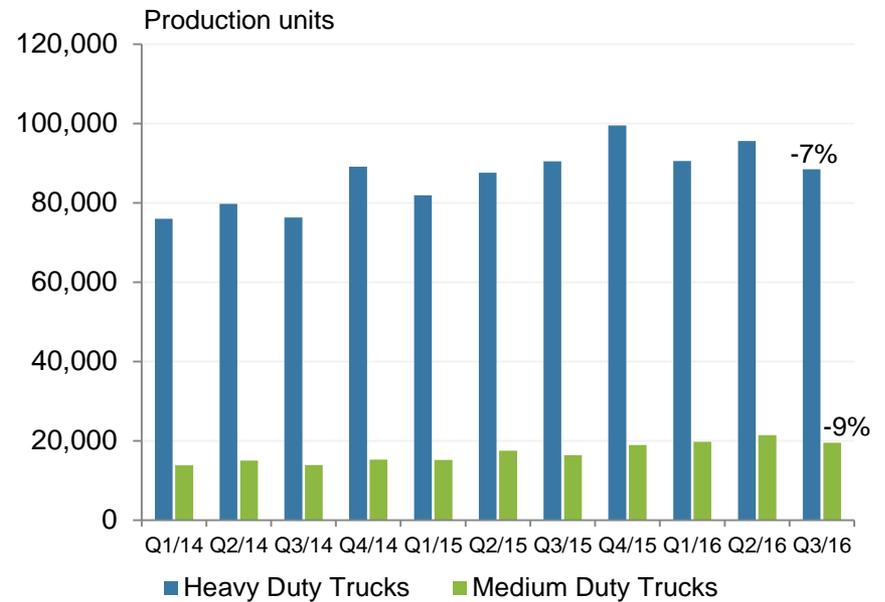
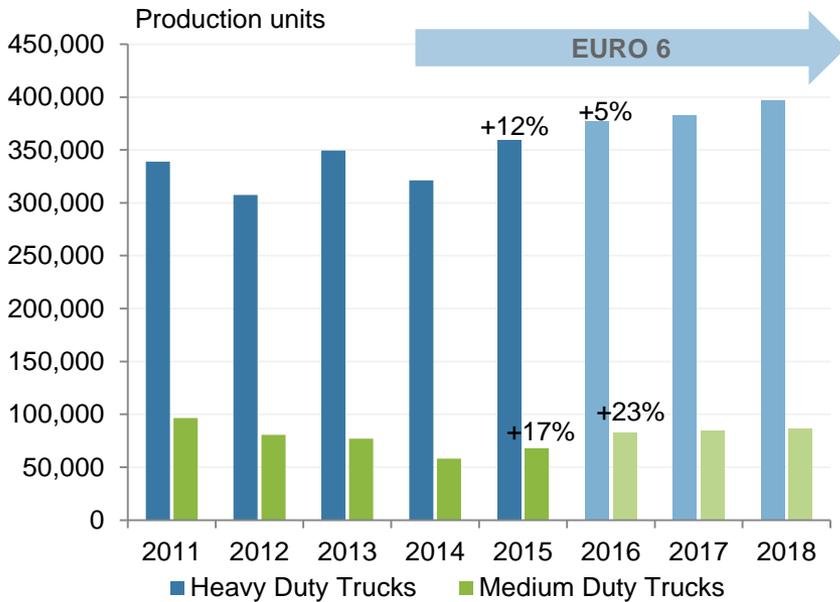


North America Market

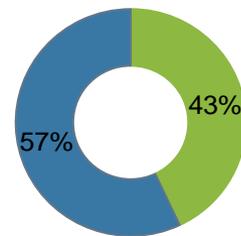


Source: LMC Automotive forecasting Q3/2016, ACT Build History October 2016, PKC Group

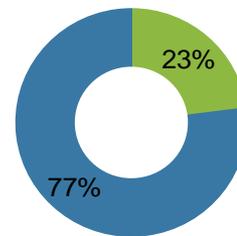
EU + 2 Market



Market Share 1-9/2016



Heavy Duty Trucks

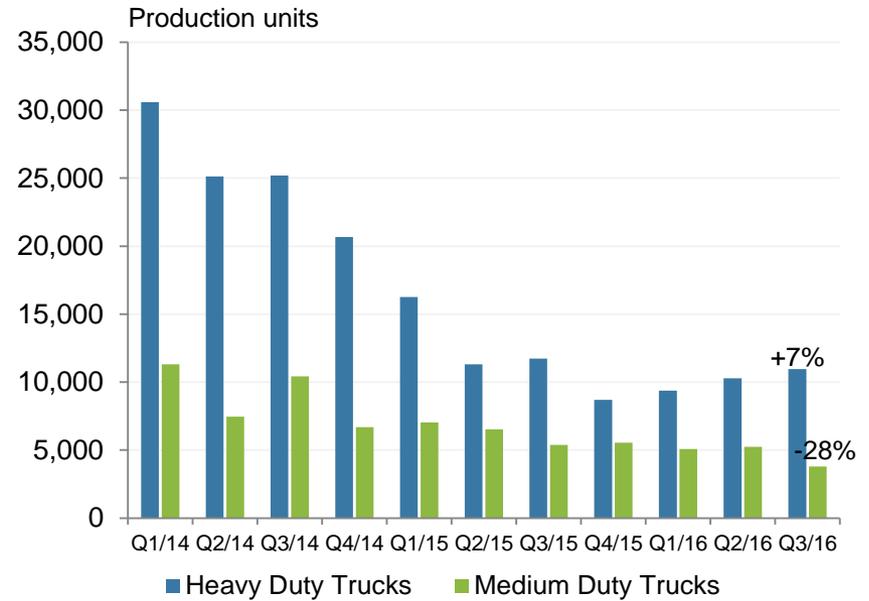
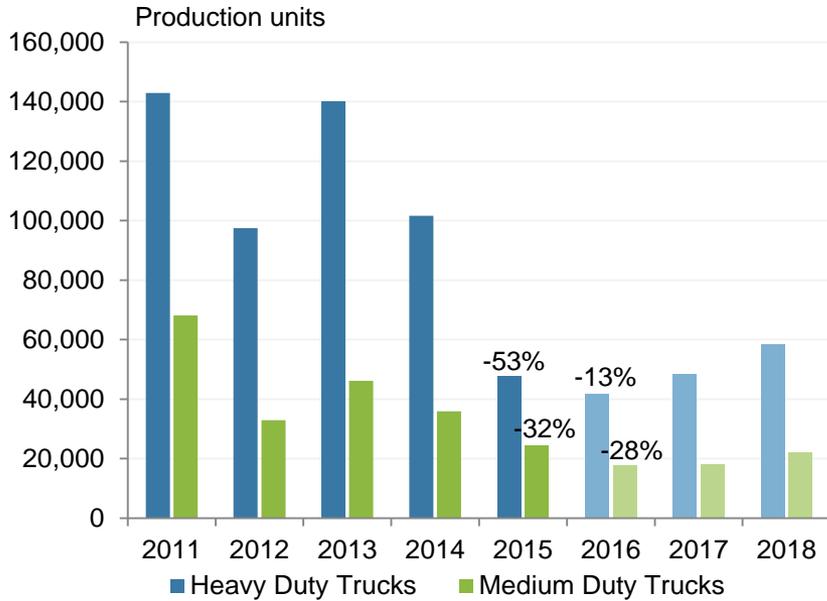


Medium Duty Trucks

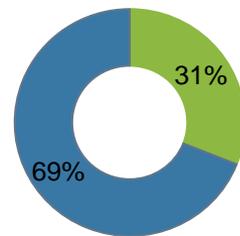
■ PKC ■ Others

Source: LMC Automotive forecasting Q3/2016, PKC Group

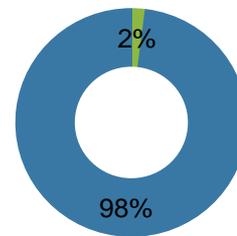
Brazil Market



Market Share 1-9/2016



Heavy Duty Trucks

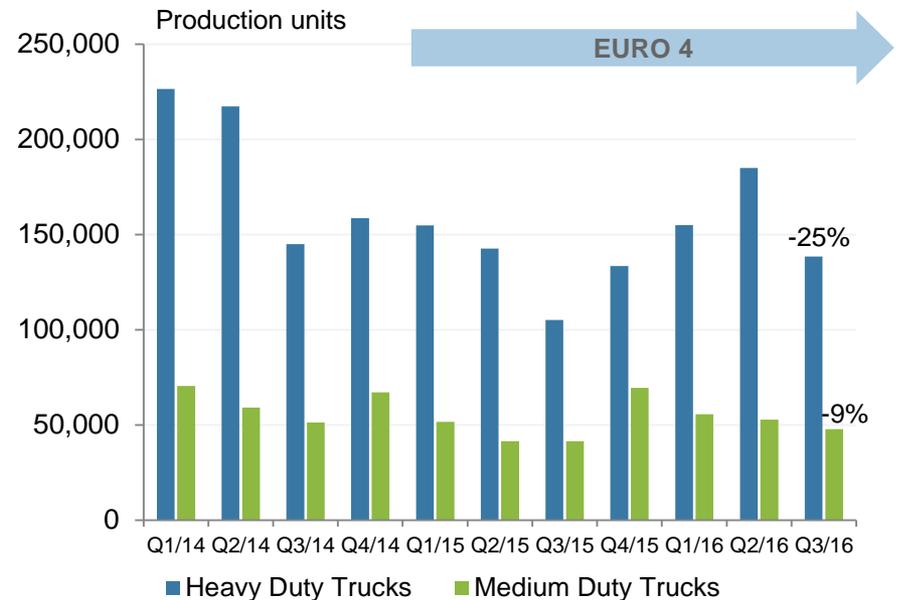
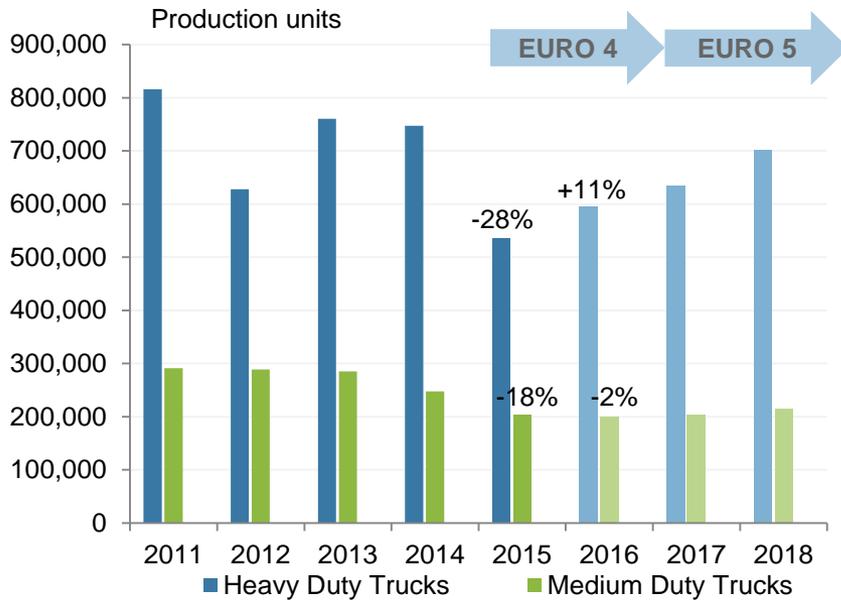


Medium Duty Trucks

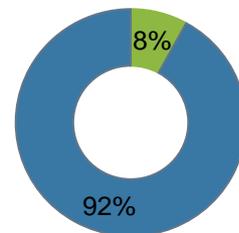
■ PKC ■ Others

Source: LMC Automotive forecasting Q3/2016, PKC Group

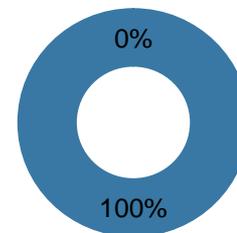
China Market



Market Share 1-9/2016



Heavy Duty Trucks

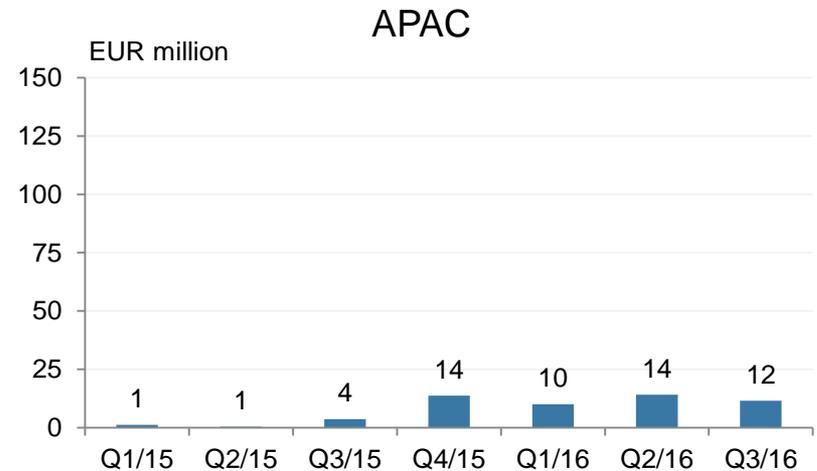
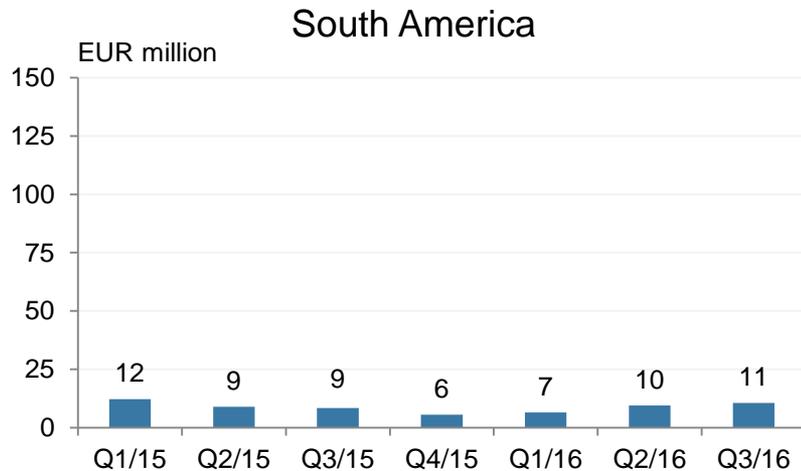
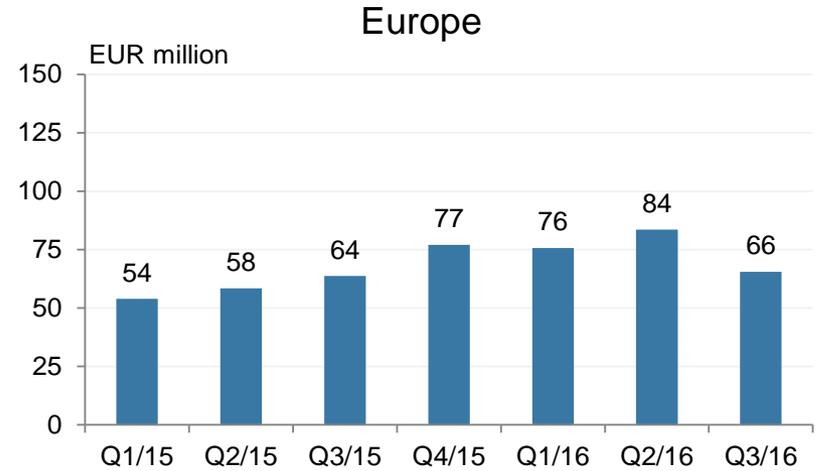
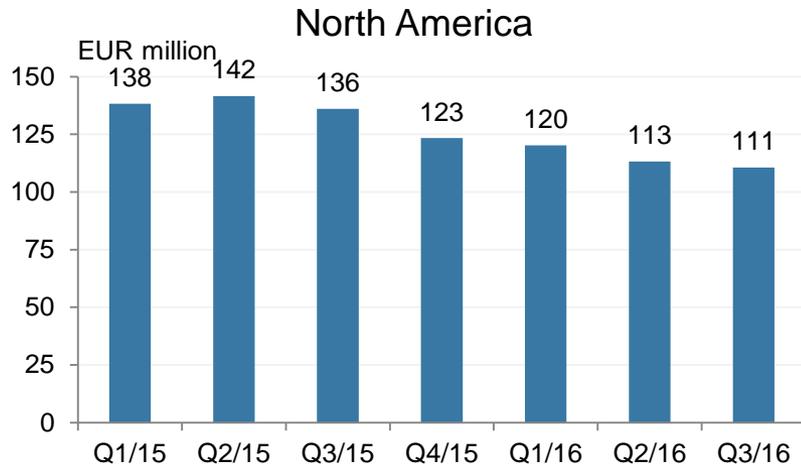


Medium Duty Trucks

■ PKC ■ Others

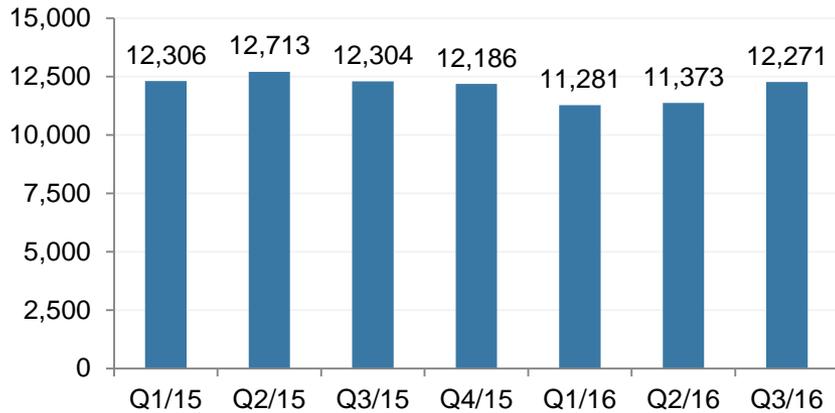
Source: LMC Automotive forecasting Q3/2016, PKC Group

Revenue from Continuing Operations

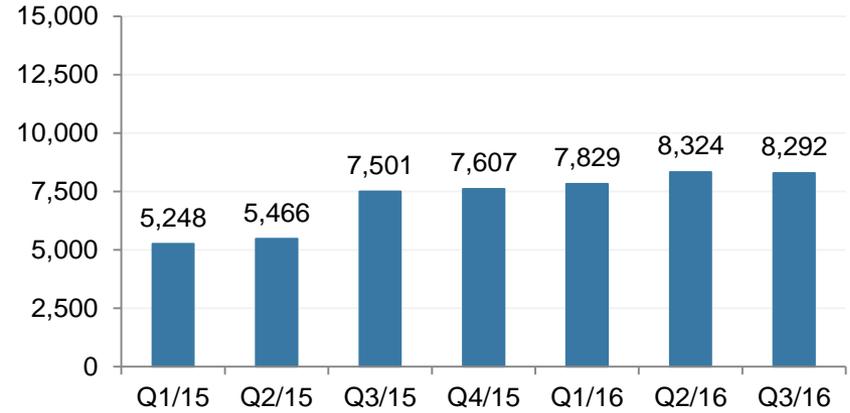


Headcount, Average in Continuing Operations

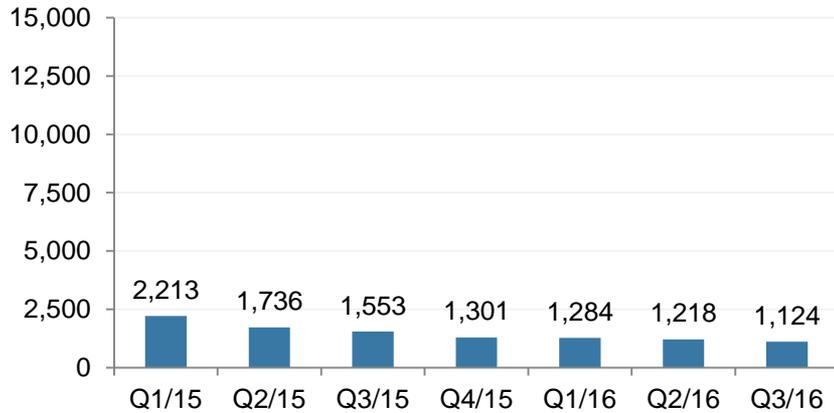
North America



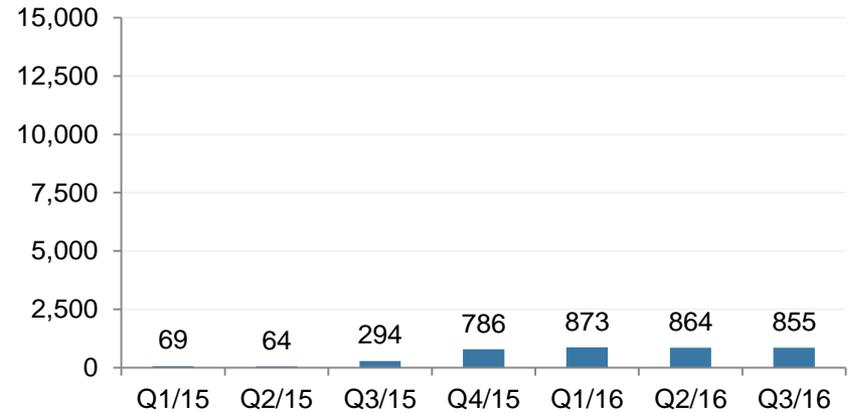
Europe



South America



APAC



Market Outlook – Full Year 2016



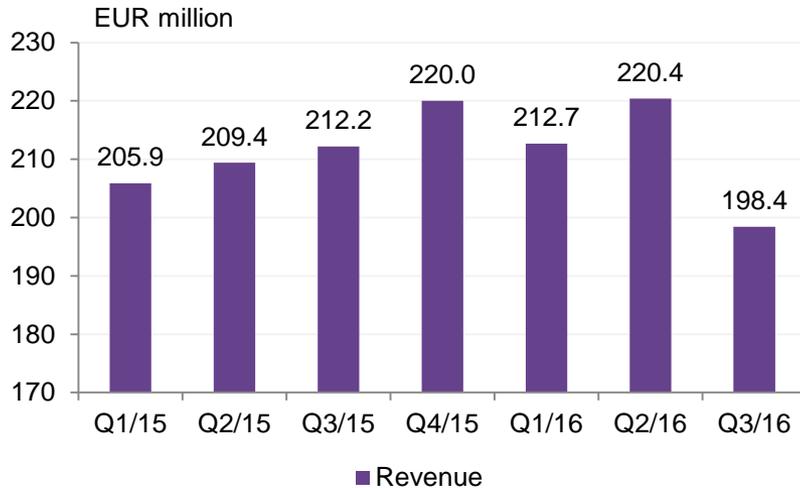
- North American heavy-duty and medium-duty truck production is estimated to decrease by 16% compared to previous year's level
- European heavy-duty and medium-duty truck production is estimated to increase by 8% compared to previous year's level
- Brazilian heavy-duty and medium-duty truck production is expected to decline by about 18% compared to previous year's level
- Chinese heavy-duty and medium-duty truck production is expected to grow by about 8% compared to previous year's level
- The demand for the rolling stock is expected to continue to grow steadily

PKC Group's Outlook

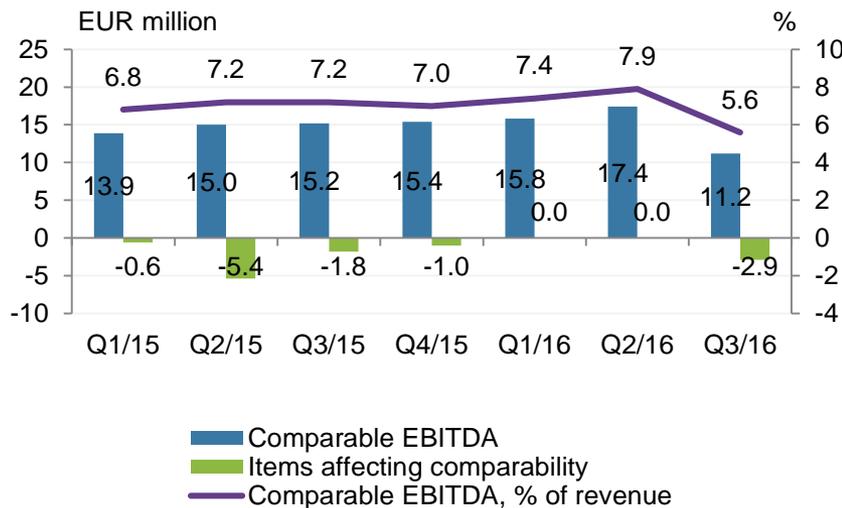
- PKC Group estimates that with prevailing exchange rates 2016 revenue from continuing operations (i.e. excluding Electronics business) will be close to previous year level and comparable EBITDA from continuing operations will be higher than previous year level.
- Outlook includes higher than average uncertainty related to the North American heavy-duty truck production volumes and to a specific light vehicle program performance during rest of the year
- In 2015, PKC's revenue from continuing operations was EUR 847.3 million and comparable EBITDA from continuing operations was EUR 59.5 million



Revenue and EBITDA, Q3 2016



- YTD revenue from continuing operations increased +1%
 - YTD negative FX impact of -1%
 - Revenue in North America declined due to lower heavy-duty truck volumes
 - European truck revenue grew even though it was down q-to-q due to regular vacation period shut-downs
 - Increased production in China and in the rolling stock segment



- Comparable EBITDA down from Q2 to Q3, while YTD is at previous year level
 - Extra ramp-up and ramp down expenses in a North American light vehicle program
 - YTD EBITDA in North America declined owing to lower volumes, weakened utilization rates and unfavourable product mix
 - Better productivity and production arrangements in Europe
 - The recent transactions in Poland and China have a positive contribution to EBITDA
 - Brazil improving despite low volumes

Key Figures

EUR million (from continuing operations unless otherwise noted)	7-9/16	7-9/15	Change %	1-9/16	1-9/15	Change %	1-12/15
Revenue	198.4	212.2	-6.5	631.5	627.4	+0.6	847.3
EBITDA ¹⁾	11.2	15.2	-26.6	44.4	44.1	+0.7	59.5
EBITDA % ¹⁾	5.6	7.2		7.0	7.0		7.0
Items affecting comparability ²⁾	-2.9	-1.8		-2.9	-7.7		-8.8
Operating profit	0.5	5.4	-90.9	18.1	14.1	+28.9	20.2
EPS (EUR)	-0.03	0.08		0.28	0.14	+100.3	0.23
Net cash from operating activities ³⁾	-20.7	-13.6		-39.1	-38.7		14.8
Working capital ³⁾⁴⁾	141.5	124.5	+13.7	141.5	124.5	+13.7	92.7
ROCE, % ⁵⁾				8.6	9.9		9.9
Gearing, % ³⁾				82.9	65.0		31.4
Average headcount	22,564	21,671	+4.1	21,885	20,508	+6.7	20,855

¹⁾ Excluding items affecting comparability

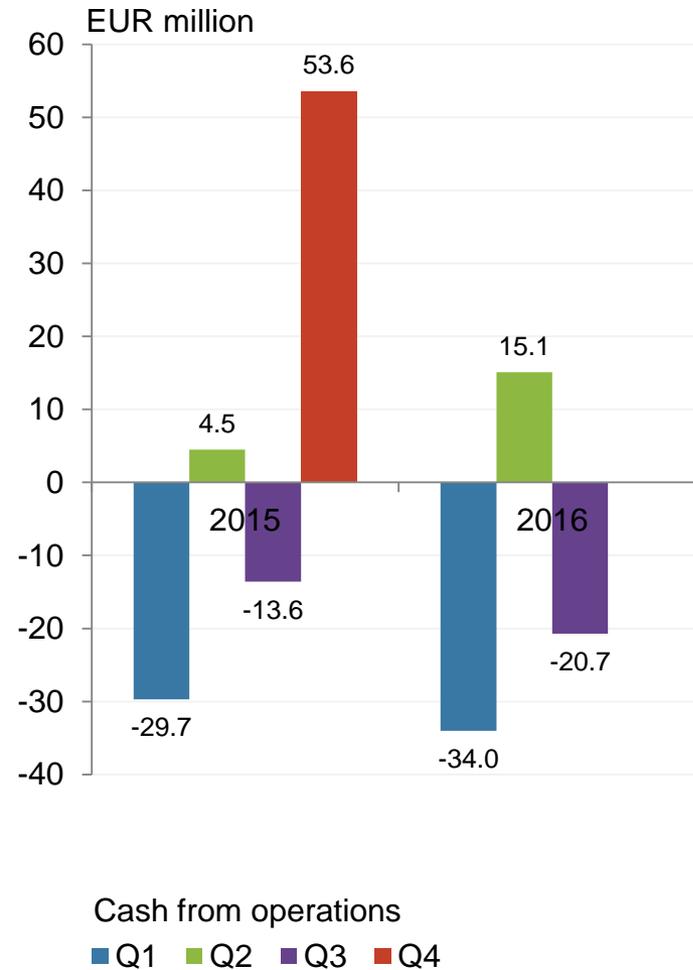
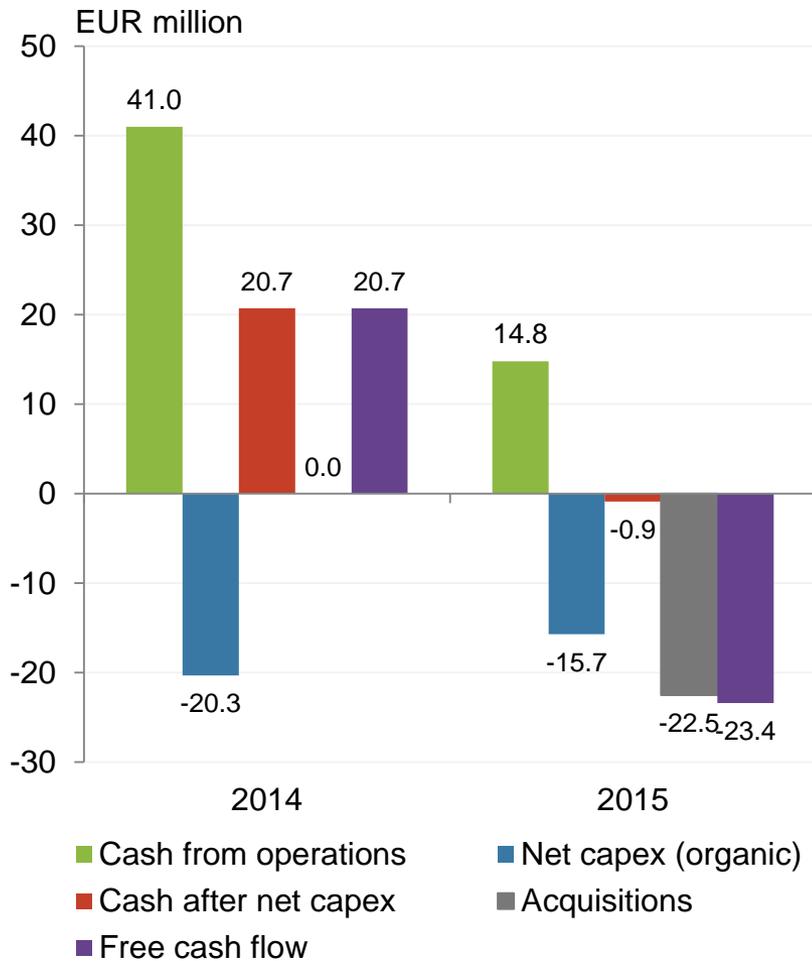
²⁾ 2016: expenses related to North American organization and production capacity being adjusted to medium term demand outlook

³⁾ Comparison periods include discontinued operations

⁴⁾ Inventories + trade receivables - trade payables

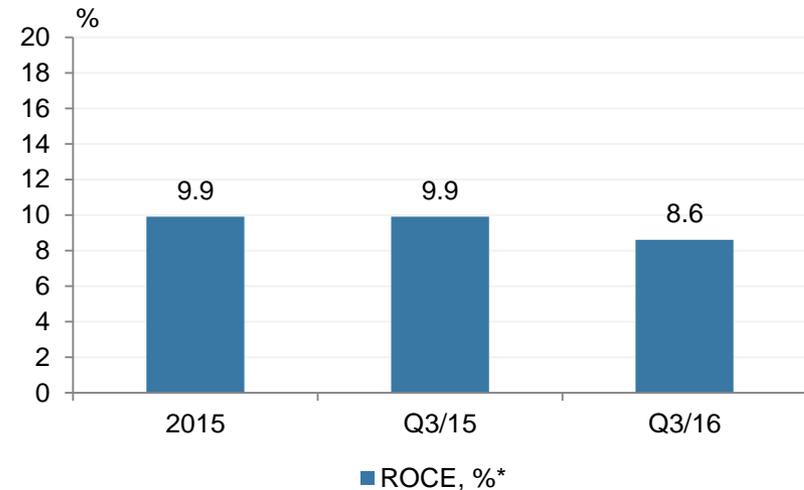
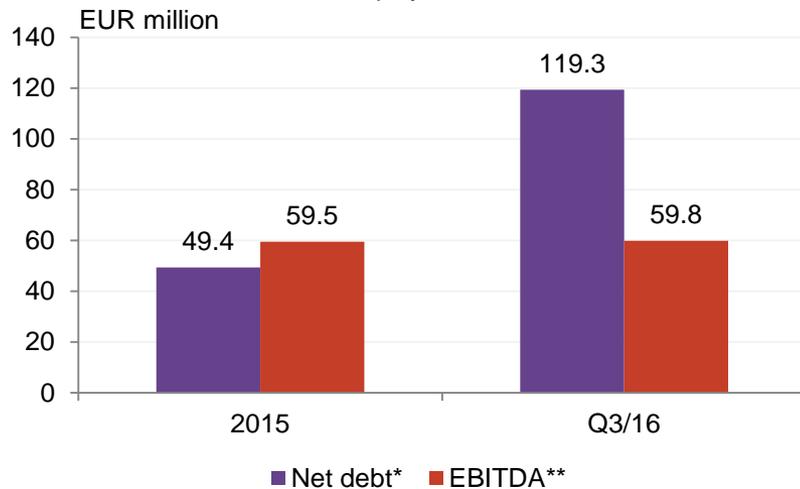
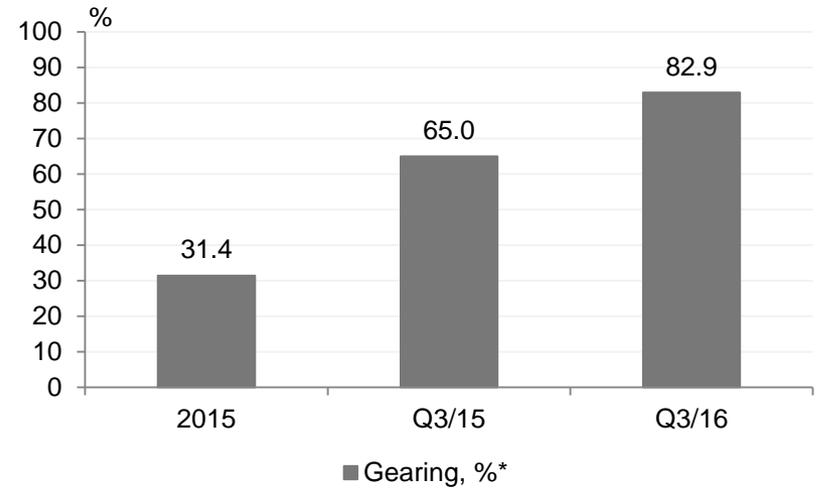
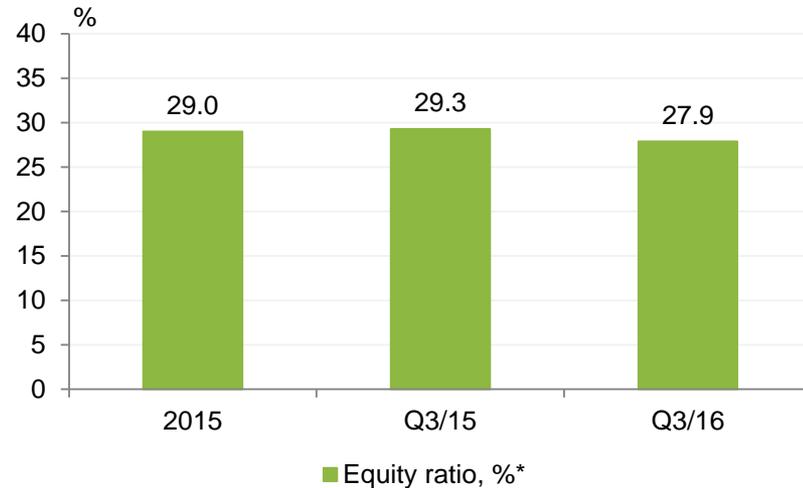
⁵⁾ ROCE, % = Adjusted operating profit (excl. items affecting comparability) / ((Total equity + interest-bearing liabilities)(average))

Cash Flow



Q1, Q2 and Q3 2016 from continuing operations

Balance Sheet and Return



* *EBITDA of previous 12 months excl. items affecting comparability

ROCE % = Adjusted operating profit (excl. items affecting comparability) / ((Total equity + interest-bearing liabilities)(average))

* Comparison periods include assets and liabilities of discontinued operations

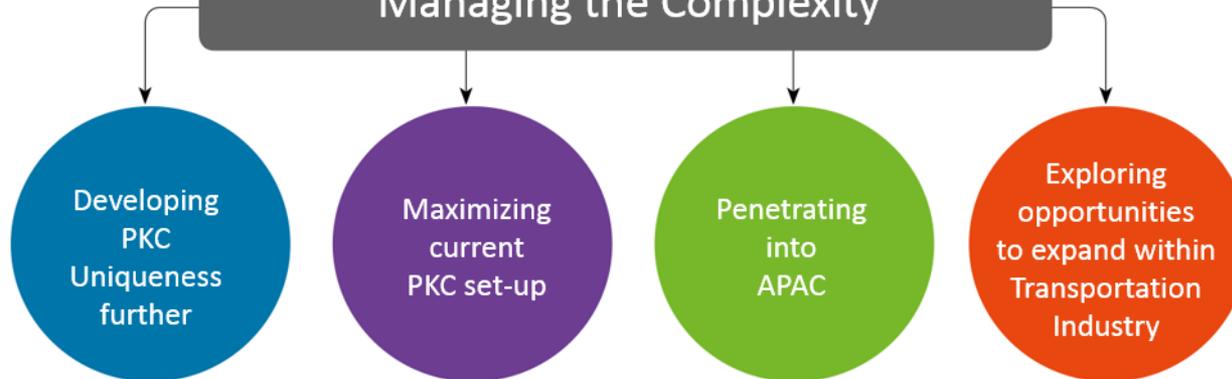
PKC's Strategy Captures Growth Opportunities

VISION

PKC is the Preferred Supplier in Electrical Distribution Systems for Transportation Industry globally.

STRATEGIC INITIATIVES

Managing the Complexity



Developing Electronics business as a stand alone within PKC Group

Long-term Financial Targets

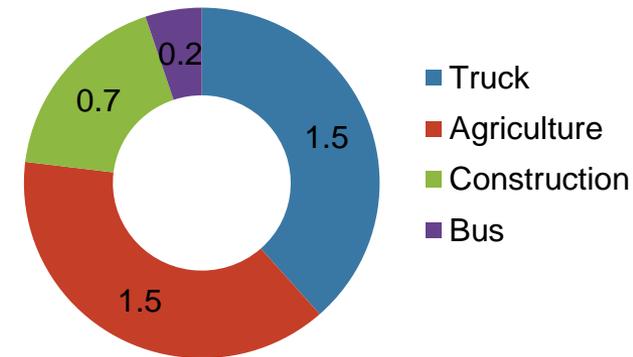
Annual Revenue EUR 1.4 Billion by 2018
 EBITDA > 10% Gearing < 75%
 Dividends 30–60% of Free Cash Flow

PKC Strategy 2018 – Doubling the Addressable Market

PKC's existing addressable market amounts to about EUR 4 billion

- Trucks in North America, Europe and South America EUR 1.5 billion
- Construction equipment globally EUR 0.7 billion
- Agriculture equipment globally EUR 1.5 billion
- Buses globally EUR 0.2 billion

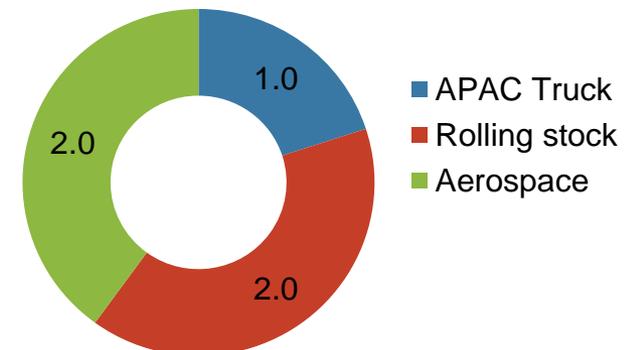
Existing market about EUR 4 billion



New market opportunities equal to addressable market growth by about EUR 5 billion by 2018

- APAC truck wiring harnesses EUR 1 billion
- Rolling stock control panels, power packs and wiring harnesses globally EUR 2 billion
- Aerospace wiring harnesses globally EUR 2 billion

New market opportunities about EUR 5 billion



Strategy Execution Proceeding

- Global off-road OEMs (agri, construction) entering new phase. OEM's are planning to centralize global buy to selected few global wiring harness companies. Recent awards in Europe and SA indicates that PKC is well positioned to capitalize this opportunity
- Global rolling stock OEMs speeding up their development of global supply chain and outsourcing of in-house production. PKC is in discussion with number of OEMs to develop global supply chain for electrical commodity
- 2nd Chinese JV has received the business license and operations are estimated to commence Q2 2017. PKC knowhow recognized by the market and further organic and inorganic opportunities identified and in progress





MANAGING THE COMPLEXITY

PKC GROUP 

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