



**PKC GROUP** 

## PKC Group establishes 50-50 Joint Venture with JAC

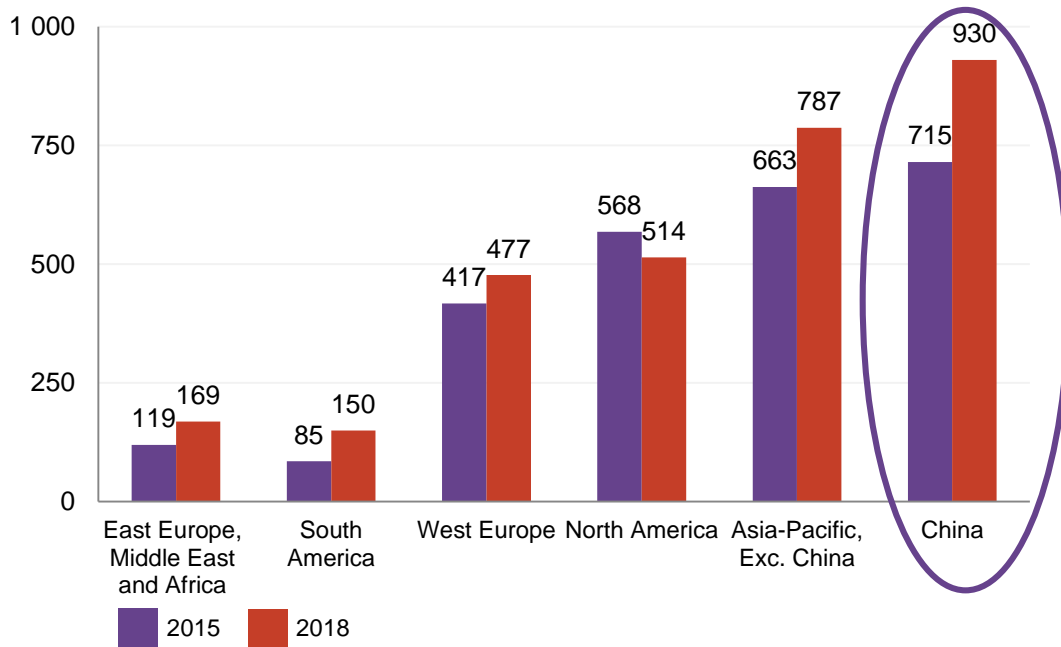
Matti Hyttiäinen, President & CEO

## PKC Group makes a major breakthrough in China and establishes JV with JAC

- PKC Group has signed an agreement to establish 50/50 joint venture (JV) with Anhui Jianghuai Automobile Co., Ltd (JAC) subsidiary Hefei Jianghuai Automobile Co., Ltd (Hefei JAC)
- JV will comprise the current wiring harness business of JAC group with aim to gradually insource currently outsourced harnesses.
- PKC market share in both medium and heavy duty truck segments in China grows by 5%-points.
- JV will expand PKC's business to very sizable light truck segment as well to other commercial and light vehicle models.
- The finalisation of the JV is subject to usual conditions including e.g. negotiating the related agreements and authority approvals.
- The finalisation is targeted in the second half of year 2016, and the JV will be consolidated to PKC Group as of the date of starting the operations.

# PKC's market position in world's biggest truck market will increase significantly

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



PKC's market share development in China:

Currently:

- Heavy-duty 10%
- Medium duty 0%

After JV:

- Heavy-duty 15%
- Medium duty 5%

China is also the world's biggest light truck and bus market

	Year 2015	Year 2018
Light trucks	3,977,734	4,032,019
Buses	164,299	186,257

Source: LMC Automotive Q4 2015

JV also expands PKC's presence in the world's biggest light truck and bus market in China.

# JAC is stock listed automotive group with ambition to grow both in China and abroad

- Headquarters, R&D center and main factories in Hefei, Anhui province
- Produces close to 600,000 vehicles p.a. and 400,000 engines p.a.
- Target to gain more market share by meeting various end market requirements
- Product portfolio covers all commercial vehicle segments as well as light vehicle models
- Annual revenue EUR 6.7 billion and employs 33,000 people



# JV creates strong business basis and significant growth opportunities to PKC (1/2)

## JV to become the primary harness supplier to JAC

- JV is targeted to get minimum of 70% of JAC's wiring harnesses purchases over the next few years
- JAC's current wiring harnesses buy appr. EUR 140 million p.a.

## JAC continues to invest in its vehicle offering

- Tighter government regulation and higher customer demands in China raise wiring harness content
- JAC will invest in improved quality and performance of its vehicles. More features are added to vehicles and thus electrical system becomes more complicated and critical.

## JV's business plan shows steady growth

- JAC and PKC have agreed on JV's business plan for years 2016 - 2021.
- According to business plan JV's annual revenue will grow steadily.



# JV creates strong business basis and significant growth opportunities to PKC (2/2)

## JV expands PKC's product offering to new segments in China

- Business is expanded to buses, light trucks, vans, pick-up trucks and various other light vehicles

## Increased PKC brand recognition and foothold in China brings further business opportunities

- PKC has excellent competitive position to expand its business in China to current customers and the leading Asian and Chinese truck manufacturers through PKC's unique expertise in managing complexity.



# Transaction Highlights Summary

## Transaction in brief

- The JV is accomplished via a new company that will be established with Hefei JAC with an equity valuation of RMB 100 million / EUR 14 million\*.
- PKC holds 50% and Hefei JAC 50% of the equity.
- PKC will contribute RMB 50 million / EUR 7 million cash.
- Transaction is financed from PKC's cash resources.
- The JV contract contains specific terms regarding PKC's right to consolidate.

## Impact to PKC group's financials

- The deal has no significant impact yet to PKC Group 2016 results.
- The JV will be consolidated to PKC Group financials.

## Timetable

- The agreement was signed on 29 March 2016.
- The finalisation of the JV is targeted in the second half of 2016.
- The finalisation is subject to usual conditions including authority approvals.
- Integration starts after the finalisation of the JV.

\* Latest RMB/EUR exchange rate





Managing the Complexity

[www.pkcgroup.com](http://www.pkcgroup.com)