



FINANCIAL STATEMENT RELEASE
JANUARY – DECEMBER 2016

PKC GROUP 

PKC Group Plc

Financial Statement Release

9 February 2017

8.15 a.m.

PKC Group Financial Statement Release January-December 2016

January-December 2016 highlights

- Revenue from continuing operations remained on previous year's level, totalling EUR 845.7 million (EUR 847.3 million).
- Comparable EBITDA from continuing operations increased 8.1% on the comparison period (1-12/2015), totalling EUR 64.4 million (EUR 59.5 million) and 7.6% (7.0%) of revenue.
- Net cash from operating activities was EUR 35.5 million (EUR 14.8 million) including discontinued operations during the comparison period.

Dividend proposal

- Motherson Sumi Systems Limited's voluntary public tender offer announced in January 19, 2017 is recommended by the Board of Directors and should the offer be completed no dividend shall be paid.
- Dividend proposal is EUR 0.70 per share (EUR 0.70 per share) conditional upon Motherson Sumi Systems Limited's voluntary public tender offer having not been completed.

PKC Group's outlook for 2017

- PKC Group estimates that with prevailing exchange rates 2017 revenue and comparable EBITDA will be in the same order of magnitude as in 2016. This estimate includes the negative impact of lower North American heavy duty truck production volumes and the divestment of some light vehicle programs which took place in fourth quarter of 2016. In 2016, PKC's revenue from continuing operations was EUR 845.7 million and comparable EBITDA from continuing operations was EUR 64.4 million.

Key figures (from continuing operations unless otherwise noted)	7-12/16	7-12/15	Change %	1-12/16	1-12/15	Change %
EUR 1,000 (unless otherwise noted)						
Revenue	412,582	432,133	-4.5	845,672	847,338	-0.2
EBITDA*	31,104	30,612	+1.6	64,357	59,528	+8.1
% of revenue	7.5	7.1		7.6	7.0	
Items affecting comparability	-5,353	-2,839		-5,353	-8,782	
Operating profit	8,903	11,572	-23.1	26,537	20,230	+31.2
% of revenue	2.2	2.7		3.1	2.4	
Earnings per share (EPS), EUR	0.12	0.17	-27.6	0.43	0.23	+92.9
Revenue by geographical locations						
Europe	142,096	141,079	+0.7	301,571	253,581	+18.9
North America	225,616	259,467	-13.0	458,942	539,078	-14.9
South America	20,423	14,134	+44.5	36,591	35,430	+3.3
APAC	24,448	17,453	+40.1	48,568	19,250	+152.3
Net cash from operating activities**	54,346	39,980	+35.9	35,464	14,813	139.4
Working capital**				89,880	92,711	
Net debt**				46,591	49,375	
ROCE, % **				9.7	9.9	
Gearing, %**				30.2	31.4	
Equity ratio, %**				27.4	29.0	
Average headcount	22,296	21,785	+2.3	21,920	20,855	+5.1

* before items affecting comparability

** comparison periods include assets and liabilities of discontinued operations

Matti Hyytiäinen, President & CEO:

"In the financial year 2016, PKC achieved the set operational targets. Revenue from the company's continuing business operations remained at the level of the previous year at 846 EUR million (847 EUR million), whilst its comparable EBITDA from continuing business operations increased to 64 EUR million (59 EUR million).

The key projects in the 2016 financial year focused on the implementation of our growth strategy.

- The rolling stock business acquired in 2015 was successfully integrated as part of PKC. The rolling stock business began strongly profitable growth during the financial year, one sign of which was the global framework agreement concluded with Bombardier Transportation.
- Expansion into the Chinese truck market made progress. Together with PKC's Chinese team, the management of the Huakai-PKC joint venture that began operations in 2015 demonstrated excellent skill in combining PKC's production expertise with the requirements of Huakai's customers. The result was profitable and growing business. During the financial year, we established a joint venture with the JAC Group of China. This joint venture is expected to start operations by the end of Q2/17.
- In Europe, the reorganisation of plants and production reached a conclusion by the end of the financial year. PKC now has at its disposal a competitive and modern production network to serve the needs of its customers.

PKC's market position remained strong in all product and geographical areas of operation throughout the financial year. This achievement would not have been possible without the excellent professional skill of PKC's personnel. For this I would like to express my warmest thanks to all those working at PKC.

In 2017, we expect the market environment to be fluctuating. The production of trucks in North America is forecast to decline further. In Europe, production volumes are expected to remain the same. With regard to the Brazilian market, we are cautious and we believe that production volumes will remain at the level of the previous year. In China, truck production is expected to remain on the same level but, from PKC's point of view, what is essential is the continued rise in average prices brought about by increasing complexity of electrical distribution systems. The rolling stock market is

expected to grow, and the order books of PKC's rolling stock customers are on a good level.

In January 2017 Motherson Sumi Systems Limited published voluntary public tender offer for all PKC shares and option rights. By combining both companies the target is to create world leading wiring harness and component company to serve transportation industry. This is exciting development for our company and employees, offering us new opportunities in many areas."

Operating environment

Majority of PKC Group's key customers operate in the commercial vehicle industry which products are investment goods and as such their demand is highly correlated to the general economic development. Economic activity in North America has underperformed somewhat in 2016 and the anticipated interest rate increases were postponed from earlier expectations. The modest growth of the European economy has continued despite the UK referendum decision to exit the EU. The European Central Bank's quantitative easing, lower oil prices and increased export competitiveness have supported the economic activity. In Brazil and Russia, the economies continue to be in a recession even though the potential for a slow turnaround has increased. Growth in China has continued at a level expected.

PKC's product program life cycles are long, therefore PKC's market share variations in the short term are mainly explained by changes in customers' market share. During 2016, PKC's regional market shares in truck production fluctuated somewhat from quarter to quarter. The largest market share fluctuation in 2016 occurred in the North American heavy duty truck market (60%-62%) and medium duty truck market (31%-32%). In Brazilian and European truck markets the market share development was relatively stable during 2016. Since the end of third quarter 2015 PKC's market share in China heavy duty truck market has been between 8-10% after the set-up of joint venture in China with Jiangsu Huakai Wire Harness Co. Ltd.

PKC Group's functional currency the euro appreciated against the US dollar during the end of the reporting period, but on average was close to comparison period level. Towards the end of the reporting period the Brazilian real has appreciated in relation to the euro but on average was on weaker level than in the comparison

period. US dollar has continued to strengthen against Mexican peso and was on a significantly stronger level than in the comparison period. The price of key raw material, copper, was relatively stable during the reporting period until fourth quarter when it increased

significantly. On average the customer sales prices are updated with a 3-5 month delay on the basis of copper price changes.

Vehicle production, units	7-12/2016	7-12/2015	Change %	1-12/2016	1-12/2015	Change %
North America						
Heavy duty trucks	100,792	155,564	-35.2%	228,090	323,634	-29.5%
Medium duty trucks	108,679	121,606	-10.6%	241,161	239,302	0.8%
Light vehicles (Pick-up & SUV)	5,012,993	4,779,497	4.9%	10,062,683	9,476,533	6.2%
Europe						
Heavy duty trucks	193,955	189,988	2.1%	381,379	359,507	6.1%
Medium duty trucks	42,861	35,328	21.3%	84,209	68,008	23.8%
Brazil						
Heavy duty trucks	19,872	20,427	-2.7%	39,530	48,001	-17.6%
Medium duty trucks	8,006	10,913	-26.6%	18,327	24,473	-25.1%
China						
Heavy duty trucks	375,773	238,606	57.5%	715,690	536,089	33.5%
Medium duty trucks	110,732	110,889	-0.1%	219,078	204,029	7.4%

Source: LMC Automotive Q4/2016

European truck demand has continued to recover in 2016 approaching normal long-term replacement level. European truck production volumes include also export volumes to EMEA, e.g. Russia, which have been on a low level, however. In North America, the demand for heavy duty trucks has decreased significantly after the highest production volume for ten years in 2015. The heavy duty truck industry order intake was on a very low level during the reporting period. The heavy duty truck demand has been reduced due to slow-down in manufacturing, oil and gas industries and the production volumes have also been reduced due to inventory reductions and large supply of second hand trucks. In Brazil the weak economic situation continued to have a strong negative impact on the demand for trucks. In China economic situation has stabilized and truck production has grown partly due to market adjusting itself into new emission standards. Furthermore, new overloading restrictions were introduced which increased the truck demand further in China during the fourth quarter. The demand for the rolling stock has continued to grow steadily.

Revenue and profitability from continuing operations

Revenue in January-December amounted to EUR 845.7 million (EUR 847.3 million), down 0.2% on the same period a year earlier. The changes in consolidation exchange rates had no material effect on the consolidated revenue. Since the beginning of July of 2015 consolidated Group revenue also includes the acquired Groclin's Wiring & Controls business, including Polish Kabel-Technik-Polska Sp. z o.o. which increased January-June revenue by +9% compared to same period a year earlier. The Chinese joint venture, Jiangsu Huakai-PKC Wire Harness Co., Ltd., began operations close to the end of September 2015, and its impact to January-September was +5% compared to same period a year earlier.

The January-December comparable EBITDA before items affecting comparability was EUR 64.4 million (EUR 59.5 million) and 7.6% (7.0%) of revenue. During the financial year items affecting the comparability amounted to EUR -5.4 million (EUR -8.8 million). Items affecting comparability in 2016 consist mainly of expenses related to adjusting North American organization and production capacity to medium term outlook. In the comparison period, items affecting the comparability consisted of

restructuring expenses related to the closure of Curitiba (Brazil) factory and expenses related to Group's strategic reorganization.

The comparable EBITDA was improved by better productivity in Europe which improved due to production arrangements as well as by increased production in China and in the rolling stock segment. The profitability in Brazil continued to improve even though it was still negative on a full year level. On the other hand, profitability in North America declined, owing to lower production volumes and an unfavourable product mix. In North America there was a negative impact stemming from extra ramp-down and ramp-up expenses of a light vehicle program in the third quarter which resulted in additional net costs of about EUR 4.5 million. Approximately EUR 2.5 million of these additional costs were recovered during the fourth quarter. January-December operating profit before items affecting comparability and PPA depreciation and amortisation related to acquisitions totalled EUR 42.5 million (EUR 39.4 million), accounting for 5.0% of revenue (4.6%). January-December Group depreciation, amortisation and impairment losses amounted to EUR 32.6 million (EUR 31.3 million). Excluding PPA related depreciation and amortisation, and impairment losses it amounted to EUR 21.9 million (EUR 20.2 million).

During January-December the Group's operating profit totalled EUR 26.5 million (EUR 20.2 million), accounting for 3.1% of revenue (2.4%).

Financial items and net profit from continuing operations

Financial items were EUR -6.0 million (EUR -3.4 million) during January-December. Financial items include foreign exchange differences totalling EUR -1.5 million (EUR 0.9 million) during January-December. Excluding foreign exchange differences the financial items were close to previous year level.

Profit before taxes during January-December was EUR 20.6 million (EUR 16.9 million). Income tax in January-December amounted to EUR 8.4 million (EUR 11.0 million). Especially in the comparison period the effective tax rate was impacted by PKC Group's high exposure to North America where the tax rates are higher and by operating losses, including restructuring expenses' impact, in Brazil, whereby no deferred tax assets are currently recognized. Net profit for the financial year totalled EUR 12.2 million (EUR 5.9 million). January-December earnings per share were EUR 0.43 (EUR 0.23).

Cash flow, financial position and financing

During January-December net cash from operating activities from continuing operations was EUR 35.5 million (EUR 14.8 million including discontinued operations) and cash flow after investments from continuing operations was EUR 17.0 million (EUR -23.4 million including discontinued operations). During the reporting period, net cash from operating activities was seasonally impacted by the increase of working capital until the year end when working capital typically is at its lowest level around the year end production shut-down period.

Working capital (inventories, trade receivables and trade payables) decreased from the end of previous year by EUR 2.8 million amounting to EUR 89.9 million at the end December. Total net working capital (including all current non-interest bearing items) at the end of December was EUR 40.8 million (EUR 55.1 million a year earlier). Total net working capital decreased EUR 14.3 million during January-December, while in the comparison period the increase was EUR 28.9 million. Working capital and net working capital figures of comparison periods include discontinued operations. Total net working capital includes the impact of EUR 7.9 million tax liability related to a tax reassessment decision in Finland recorded originally in the third quarter of 2014. Furthermore, total net working capital was reduced during the fourth quarter due to a call option liability (related to the acquisition of Groclin's Wiring & Controls business, including Kabel-Technik-Polska Sp. z o. o ("KTP") in Poland) becoming a short-term liability. The structure of working capital in the acquired rolling stock business and the in the Chinese joint venture is somewhat different than rest of the Group.

During January-December, the Group's gross capital expenditure into continuing operations totalled EUR 24.4 million (EUR 36.9 million), representing 2.9% of revenue (4.4%). Gross capital expenditure is geographically divided as follows: North America 46.9% (18.6%), Europe 39.5% (77.1%), APAC 6.8% (2.9%) and South America 4.2% (1.5%). The capital expenditure consisted of regular maintenance investments into production machinery and equipment during the report period. During the comparison period the total capital expenditure includes the impact of acquisition EUR 22.5 million.

At the end of financial year cash and cash equivalents amounted to EUR 130.1 million (EUR 118.3 million) and

interest-bearing liabilities totalled EUR 176.6 million (EUR 167.7 million). Interest-bearing liabilities consisted of non-current interest-bearing debt of EUR 141.3 million and current interest-bearing debt of EUR 35.3 million. Current interest-bearing liabilities consist mainly of outstanding commercial papers. PKC Group has a Finnish commercial paper program whereby PKC Group regularly issues short-term notes. In addition, the group has a committed, un-utilized credit facility of EUR 90.0 million. PKC Group selectively utilizes also non-recourse factoring arrangements with some customers. At the end of December the outstanding amount of such arrangements was EUR 27.4 million (EUR 27.7 million) in continuing operations.

The effective average interest rate of the interest-bearing debt including the expenses of the unutilized credit facility was at the close of the financial year 2.8% (2.4%). The change in effective average interest rate is mainly related to terminated interest rate swap. The Group's equity ratio was 27.4% (29.0%). Net interest-bearing liabilities totalled EUR 46.6 million (EUR 49.4 million) and gearing was 30.2% (31.4%).

Discontinued operations

Electronics business has been classified as a non-current asset held for sale and reported as discontinued operations as of 31 March 2016. After this change PKC Group has only one primary reporting operating segment which also includes Group functions and other items.

In January-December the discontinued operations (Electronics business) revenue was EUR 41.9 million and reported operating loss was EUR -6.4 million including items affecting profitability (earlier non-recurring items). Items affecting comparability were EUR -4.9 million (EUR -0.2 million). At the end of the December the discontinued operations (Electronics business) property, plant and equipment was EUR 4.8 million, intangible assets EUR 0.1 million, inventories EUR 8.1 million, trade and other receivables EUR 7.2 million and trade and other payables EUR 10.1 million.

Research & development in continuing operations

Research and development costs during January-December totalled EUR 6.0 million (EUR 5.4 million), representing 0.7% (0.6%) of the consolidated revenue. At the end of December 84 (80) people worked in product

development, excluding production development and process development personnel.

Personnel, quality and the environment in continuing operations

The Group had an average payroll of 21,920 employees (20,855) including temporary employees during the financial year. At the end of December, the Group's personnel including temporary employees totalled 20,426 employees (21,557), of whom 20,372 (21,496) worked abroad and 54 (61) in Finland. Geographically personnel was divided at the end of the December as follows: North America 48.8% (56.1%), Europe 41.4% (34.8%), South America 5.3% (5.5%) and Asia 4.5% (3.6%).

More information about personnel, quality and the environment can be found from the Corporate Responsibility report which will be published 14 March 2017 at the latest.

Governance structure

The Annual General Meeting held on 6 April 2016, re-elected Reinhard Buhl, Wolfgang Diez, Shemaya Levy, Mingming Liu, Robert Remenar and Matti Ruotsala as Board members and elected Henrik Lange as new member. In the Board's organisation meeting, Matti Ruotsala was elected as Chairman of the Board and Robert Remenar as Vice-Chairman.

Shemaya Levy was elected as the chairman of the Audit Committee and Wolfgang Diez, Mingming Liu and Henrik Lange as members. The Board elected Matti Ruotsala as chairman of the Remuneration Committee and Reinhard Buhl and Robert Remenar as members.

The Annual General Meeting resolved, in accordance with Board's proposal, to establish a permanent Shareholders' Nomination Board with the task of preparing the proposals concerning the election and remuneration of the members of the Board of Directors and to adopt the Charter of the Shareholders' Nomination Board. According to the proposal, the Nomination Board shall consist of representatives of the three largest shareholders and the Chairman of the Board of Directors, acting as an expert member. The Nomination Board shall annually submit its proposals to the Board of Directors at the latest on 31 January preceding the Annual General Meeting. On September 1, 2016 the three largest shareholders of PKC Group were Ilmarinen Mutual Pension Insurance Company, Lannebo

Fonder AB and Nordea Funds Oy. They have appointed the following representatives to the Nomination Board: Mikko Mursula (Chief Investment Officer at Ilmarinen Mutual Pension Insurance Company), Claes Murander (Fund Manager at Lannebo Fonder until 23 January 2017) and Ted Roberts (Head of Finnish Equities at Nordea Funds). In addition, the Chairman of the PKC Group's Board of Directors Matti Ruotsala serves as an expert member in the Nomination Board.

The Annual General Meeting resolved, selected KPMG Oy Ab, which has announced Virpi Halonen, Authorized Public Accountant, to be the Auditor with principal responsibility.

At the end of the December the Group's Executive Board consists of the following persons: Matti Hyytiäinen, Chairman (President & CEO), Julie Bellamy (Group Senior Vice President, Human Resources), Andre Gerstner (President, Rolling Stock Business), Jyrki Keronen (President, Wiring Systems, APAC), Jani Kiljala (President, Wiring Systems, Europe and South America), Frank Sovis (President, Wiring Systems, North America), Juha Torniainen (CFO) and Vesa Vähämöttönen (Group Senior Vice President, Business Development).

Share turnover and shareholders

Trading of shares on Nasdaq Helsinki	1-12/16	1-12/15
Turnover in shares	9,940,968	11,308,942
Share turnover, EUR million	158.2	212.5
Turnover in shares per average number of shares, %	41.4	47.1

PKC's shares are also traded on alternative exchanges (such as Chi-X, BATS and Turquoise). The total trading volume on these particular alternative exchanges was 1,904,405 shares (1,541,048 shares) during January-December.

Shares and market value on Nasdaq Helsinki	12/16	12/15
Number of shares	24,125,387	24,095,387
Lowest share price during the financial year, EUR	12.90	15.51
Highest share price during the financial year, EUR	18.80	23.37
Share price at close of the financial year, EUR	15.81	16.27
Average share price of the financial year, EUR	15.91	18.84
Market capitalisation, EUR million	381.4	392.0

The shares held by Executive Board members, Board members, their closely associated persons and corporations in which they have a controlling interest accounted for 0.3% (0.3%) of the total number of shares at the end of the December. PKC Group Plc had a total of 8,988 shareholders (9,465) at the end of financial year. The shares held by foreigners and through nominee registrations at the close of the financial year totalled 32.3% of the share capital (32.5%).

Flaggings

On 11 March 2016 the share of votes and share capital in PKC Group Plc held directly by Nordea Funds Oy (1737785-9) through its controlled funds exceeded the limit of 5%. Following the transaction Nordea Funds Oy

owned 1,327,174 PKC Group Plc shares and votes, i.e. 5.51% of the share capital and votes.

On 31 October 2016 the share of votes and share capital in PKC Group Plc held directly by OP Fund Management Company Ltd (0743962-2) through its controlled funds fell below the limit of 5%. Following the transaction OP Fund Management Company Ltd owned 1,162,696 PKC Group Plc shares and votes, i.e. 4.82% of the share capital and votes.

On 13 January 2017 the share of votes and share capital in PKC Group Plc owned by Lannebo Fonder AB (Orgnr 556584-7042) fell below the limit of 5%. Following the transaction Lannebo Fonder AB owned 1,171,928 PKC

Group Plc shares and votes, i.e. 4.86% of the share capital and votes.

Number of shares

PKC Group Plc's number of shares has changed during January-December as follows: A total of 30,000 PKC Group Plc's shares have been subscribed for with 2009C options. New shares corresponding to subscriptions have been entered into the Trade Register on 16 May 2016. After the increase the Company's registered share capital is divided into 24,125,387 shares.

The Board's authorisations

The Board of Directors was granted authorisation by the Annual General Meeting on 3 April 2014 to decide on one or more share issues and granting of special rights defined in Chapter 10, Section 1 of the Companies Act and all the terms and conditions thereof. A maximum total of 4,750,000 shares may be issued or subscribed for on the basis of authorisation. The authorisation includes the right to decide on directed share issue. The authorisation is in force for five years from the date of the General Meeting's decision. At Board of Directors' discretion the authorisation may be used e.g. in financing possible corporate acquisitions, inter-company co-operation or similar arrangement, or strengthening Company's financial or capital structure. The authorisation revoked the authorisation granted on 30 March 2011.

The Board of Directors was granted authorisation by the Annual General Meeting on 6.4.2016 to resolve to repurchase a maximum of 1,200,000 shares in the Company by using funds in the unrestricted shareholders' equity. The number of shares corresponds to about 5 per cent of all shares of the Company. The price paid for the shares repurchased shall be based on the market price of the Company's shares in public trading. The minimum price to be paid would be the lowest market price of the share quoted in public trading during the authorization period and the maximum price the highest market price quoted during the authorization period. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). The authorization is used for purposes determined by the Board of Directors, among other things, for the Company's incentive plans. The authorization is effective until next Annual General Meeting of Shareholders, however, at most until 30 September 2017.

Own shares

PKC Group has entered into an agreement with a third-party service provider concerning the management of the share-based incentive program for key personnel. The third party acquires and owns the shares until the shares are given to the participants of the program. In accordance with IFRS accounting principles 116,650 shares have been accounted for as treasury shares in the consolidated statement of financial position at the end of the reporting period. The number of shares equals to 0.5% of the total company shares and voting rights outstanding.

Stock option and share-based incentive plans

At the end of December 2016, PKC Group Plc's valid stock option schemes 2012A, 2012B and 2012C entitled the holders to subscribe to a total of 457,300 shares and these subscriptions may increase the invested non-restricted equity fund by EUR 9.6 million.

On 10 February 2016 PKC Group announced two new share-based incentive plans for the Group key personnel approved by the Board of Directors. In total, the Performance Share Plan 2016 and Restricted Share Plan 2016 correspond to the value of an approximate maximum total of 490,000 PKC Group Plc shares (including also the cash proportion).

In total, the outstanding share-based incentive plans 2015 and 2016 correspond to the value of an approximate maximum total of 1,020,000 PKC Group Plc shares (including also the cash proportion).

The terms and conditions of stock options and share-based incentive plans are available on company's website at www.pkcgroup.com/investors.

Key strategic highlights 2016

PKC Group divested some light vehicle business and associated assets in North America, which was announced on 24 November 2016.

Bombardier Transportation confirmed 31 October that PKC Group is to be awarded new rolling stock business contracts. The total value of the business contracts is EUR 280 million.

PKC Group announced 10 August 2016 that it had won new rolling stock business contracts from Bombardier Transportation.

On 10 August 2016 PKC Group announced to adjust its North American organization and production capacity to medium term demand outlook.

PKC Group signed a global partnership agreement with Bombardier Transportation related to electrical systems deliveries, which was announced on 25 May 2016.

PKC Group announced on 3 May that it had signed an agreement to start negotiations on creating a joint venture in Electronics business whereby PKC would become a minority shareholder. Electronics business was classified as a non-current asset held for sale and reported as discontinued operations as of 31 March 2016.

PKC Group signed a joint venture contract with a Chinese JAC, which was announced on 29 March 2016.

Events after the financial year

Motherson Sumi Systems Limited's public tender offer

Motherson Sumi Systems Limited launches a voluntary recommended public tender offer for all shares and stock options in PKC Group Plc, which was announced on 19 January 2017. The target is to combine the two companies and create a leading supplier of wiring systems and components for the worldwide transportation industry. The Finnish Financial Supervisory Authority has on 3 February 2017 approved the tender offer document relating to the Tender Offer. The offer period for the Tender Offer will commence on February 6, 2017 at 9:30 a.m. (Finnish time) and expire on March 21, 2017 at 4:00 p.m. (Finnish time), unless the offer period is extended or any extended offer period is discontinued.

The divestment of PKC Electronics business

On 27 January PKC Group announced the divestment of PKC Electronics to Enics AG. The divestment is expected to be completed during the first quarter of 2017.

Short-term risks and uncertainties

The demand for PKC's products is dependent especially on the volatility of the global commercial vehicle industry as well as the development of PKC's customers' businesses. Rolling stock programs are typically publicly funded and therefore subject to risks in execution schedules.

Uncertainty related to emerging markets' economic development especially in China, Brazil and Russia has stabilized but is higher than on the average.

Consolidation of the customer base and changes in customers' relative market shares and sourcing strategies may affect demand of PKC's products.

Weakening of the US dollar against the Mexican peso as well as the weakening of the euro against the Polish zloty and the Russian rouble may increase PKC's processing costs. Strengthening of the euro against the Brazilian real may increase PKC's material costs in the short term. A significant increase in copper price may weaken PKC Group's profit in short term. The customer prices are updated on average with a 3-5 month delay on the basis of copper price changes.

The price of copper increased significantly during the fourth quarter of 2016.

Market outlook

In 2017 the production of heavy-duty and medium-duty trucks in both in Europe and China is expected to remain at the same level as in 2016. In 2017 the production of heavy-duty and medium-duty trucks in North America is expected to decrease by about 7% compared to 2016 and the decrease is expected mainly to take place in heavy-duty trucks. In 2017 the production of heavy-duty and medium-duty trucks in Brazil is expected to remain on the level of previous year. The demand for the rolling stock is expected to continue to grow steadily.

PKC Group's outlook for 2017

PKC Group estimates that with prevailing exchange rates 2017 revenue and comparable EBITDA will be in the same order of magnitude as in 2016. This estimate includes the negative impact of lower North American heavy duty truck production volumes and the divestment of some

light vehicle programs which took place in fourth quarter of 2016.

In 2016, PKC's revenue from continuing operations was EUR 845.7 million and comparable EBITDA from continuing operations was EUR 64.4 million.

The Board of Directors proposal for the disposal of profits

The parent company's distributable funds are EUR 128.4 million, of which EUR 57.1 million is distributable as dividends, including the net profit (loss) for the financial year EUR 8.8 million.

Motherhood Sumi Systems Limited's voluntary public tender offer announced in January 19, 2017 is recommended by the Board of Directors and should the offer be completed no dividend shall be paid.

The Board of Directors will propose to the Annual General Meeting to be held on 5 April 2017 that a dividend of EUR 0.70 per share be paid for a total of EUR 16.9 million and that the remainder of the distributable funds be transferred to shareholders' equity. The number of shares may change due to share subscriptions registered before the record date. In the view of the Board of Directors, the proposed dividend pay-out will not put the company's liquidity at risk.

The dividend proposal is conditional upon

- a) the conditions for the completion of Motherhood Sumi Systems Limited's voluntary public tender offer ("Tender Offer") announced on 19 January 2017 having not been fulfilled (or waived) and
- b) Tender offer having not been completed.

The Board of Directors furthermore will propose to the Annual General Meeting that Board of Directors be authorized to decide, subject to the fulfillment of and in line with the above mention conditions, upon the record date for the dividend pay-out and the dividend

payment date as well as other required actions related thereto. Before the Board of Directors carries out the Annual General meeting's resolution, it has to evaluate in accordance with the Companies Act whether company's liquidity and financial position have changed after the Annual General Meeting to such an effect that the Companies Act's prerequisites for dividend pay-out are no longer fulfilled.

The Board of Directors will propose that the resolution and authorization be effective until the start of the next Annual General Meeting of Shareholders.

Financial and Corporate Governance Statement

PKC Group Plc will publish its Financial Statements, Corporate Governance Statement and Remuneration Statement 2016 on Tuesday, March 14, 2017 at the latest. Statements will be published on the PKC Group website.

Annual General Meeting and Financial information in 2017

The Annual General Meeting is planned to be held on Wednesday, April 5, 2017.

In 2017 PKC will publish financial information as follows:

- Interim Statement 1-3/2017 Friday, May 5, 2017 at about 8.15 a.m.
- Half-year Financial Report 1-6/2017 Thursday, August 10, 2017 at about 8.15 a.m.
- Interim Statement 1-9/2017 Thursday, October 26, 2017 at about 8.15 a.m.

The text section of this release focuses on the annual accounts. Comparisons have been made to the figures of the corresponding period in 2015, unless otherwise mentioned. The figures presented in the tables are independently rounded figures.

Tables

This financial statement release has been prepared in accordance with IAS 34 (Interim Financial Reporting) standard. The financial statement release has been prepared in accordance with the same principles as the annual financial statements for 2015. The year 2016 IFRS standard changes have no significant effect on the financial statement release. PKC Group has classified Electronics business as a non-current asset held for sale and it is reported as discontinued operations as of 31 March 2016. The restated figures for continuing operations for 2015 are presented in detail in a separate stock exchange release on 9 August 2016. The annual figures in the financial statement release are audited.

Consolidated statement of comprehensive income (EUR 1,000)	7-12/16 6 mon.	7-12/15 6 mon.	1-12/16 12 mon.	1-12/15 12 mon.
Revenue	412,582	432,133	845,672	847,338
Production for own use	13	21	32	23
Other operating income	2,153	1,885	6,106	4,423
Increase (+) / decrease (-) in stocks of finished goods and work in progress	3,261	-14,270	4,057	-9,755
Materials and services	-247,253	-242,088	-507,368	-492,349
Employee benefit expenses	-104,581	-109,620	-211,766	-218,357
Depreciation, amortisation and impairment	-16,749	-16,201	-32,568	-31,308
Other operating expenses	-40,524	-40,288	-77,628	-79,785
Operating profit (loss)	8,903	11,572	26,537	20,230
Interest and other financial income and expenses	-2,403	-2,420	-4,420	-4,285
Foreign currency exchange differences	59	410	-1,530	915
Profit (loss) before taxes	6,558	9,562	20,588	16,860
Income taxes	-2,741	-5,020	-8,352	-10,987
Net profit (loss) for the report period from continuing operations	3,818	4,542	12,235	5,873
Net profit (loss) for the period from discontinued operations	-3,550	-190	-7,356	1,451
Net profit (loss) for the period	268	4,352	4,880	7,324

	7-12/16 6 mon.	7-12/15 6 mon.	1-12/16 12 mon.	1-12/15 12 mon.
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation differences - foreign operations	8,147	-8,875	2,699	441
Foreign currency translation differences from discontinued operations	-4	403	-59	314
Cash flow hedges	-771	-1,021	1,210	-2,891
Taxes related to cash flow hedges	284	365	-438	1,051
Total comprehensive income for the period	7,923	-4,775	8,292	6,239
Net profit (loss) attributable to				
Shareholders of the parent company	-598	3,886	3,075	6,858
Non-controlling interests	866	466	1,805	466
Total comprehensive income attributable to				
Shareholders of the parent company	7,407	-5,247	6,857	5,767
Non-controlling interests	516	472	1,435	472
Total comprehensive income attributable to shareholders of the parent company divides as follows				
Continuing operations	10,961	-5,461	14,271	4,002
Discontinued operations	-3,554	214	-7,414	1,765
Attributable to equity holders of the parent company				
Including discontinued operations				
Basic earnings per share (EPS), EUR	-0.02	0.16	0.13	0.29
Diluted earnings per share (EPS), EUR		0.16		0.29
From continuing operations				
Basic earnings per share (EPS), EUR	0.12	0.17	0.43	0.23
Diluted earnings per share (EPS), EUR		0.17		0.23

Consolidated statement of financial position (EUR 1,000)	12/16	12/15
Assets		
Non-current assets		
Goodwill	35,837	37,771
Intangible assets	57,770	65,956
Property, plant and equipment	61,105	73,045
Available-for-sale financial assets	713	720
Other receivables	5,439	6,040
Deferred tax assets	20,839	20,032
Total non-current assets	181,703	203,564
Current assets		
Inventories	99,039	94,875
Trade receivables	115,377	106,807
Other receivables	17,123	18,425
Current tax assets	245	303
Cash and cash equivalents	130,052	118,287
Total current assets	361,837	338,697
Assets classified as held for sale	20,156	0
Total assets	563,695	542,261
Equity and liabilities		
Equity		
Total equity attributable to the equity holders of the parent company	137,656	146,585
Non-controlling interests	16,742	10,728
Total equity	154,399	157,313
Liabilities		
Non-current liabilities		
Interest-bearing financial liabilities	141,326	142,190
Provisions	973	1,224
Other liabilities	5,805	21,479
Deferred tax liabilities	24,752	29,305
Total non-current liabilities	172,857	194,199
Current liabilities		
Interest-bearing financial liabilities	35,316	25,472
Trade payables	124,537	108,971
Other non-interest-bearing liabilities	65,629	56,287
Current tax liabilities	822	20
Total current liabilities	226,304	190,750
Liabilities classified as held for sale	10,136	0
Total liabilities	409,297	384,949
Total equity and liabilities	563,695	542,261

Consolidated statement of cash flows (EUR 1,000)	7-12/16 6 mon.	7-12/15 6 mon.	1-12/16 12 mon.	1-12/15 12 mon.
Cash flows from operating activities				
Cash receipts from customers	421,782	455,614	827,461	899,682
Cash receipts from other operating income	3,591	3,791	4,140	4,022
Cash paid to suppliers and employees	-367,009	-409,305	-783,400	-859,332
Cash flows from operations before financial income and expenses and taxes	58,364	50,102	48,200	44,373
Interest paid and other financial expenses	-1,707	-6,076	-7,939	-9,439
Effects of exchange rate changes	-3,178	-3,401	-1,710	-8,047
Interest received	3,572	2,303	6,931	4,415
Income taxes paid	-2,704	-2,947	-10,017	-16,489
Net cash from operating activities (A) from continuing operations	54,346	39,980	35,464	14,813
Net cash from operating activities (A) from discontinued operations	1,028	0	-280	0
Net cash from operating activities (A)	55,374	39,980	35,183	14,813
Cash flows from investing activities				
Acquisition of property, plant and equipment and intangible assets	-17,097	-10,783	-25,713	-16,128
Proceeds from sale of property, plant and equipment and intangible assets	3,730	138	7,038	306
Acquisitions of subsidiary shares, net of cash acquired	0	-22,503	0	-22,503
Dividends received from investments	34	42	241	140
Net cash used in investment activities (B)	-13,333	-33,107	-18,434	-38,185
Cash flows after investments	41,014	6,874	17,030	-23,372
Cash flows from financing activities				
Share issue and subscriptions of options	3	821	455	1,736
Proceeds from current borrowings	69,997	148,000	135,000	172,500
Proceeds from non-current borrowings	14	40,000	128	40,000
Repayment of current/non-current borrowings	-85,174	-168,792	-125,506	-168,792
Purchase of treasury shares	0	-2,257	0	-2,257
Dividends paid	-340	0	-17,206	-16,788
Net cash used in financing activities (C)	-15,500	17,772	-7,128	26,398
Net increase (+) or decrease (-) in cash and equivalents (A+B+C)	25,513	24,646	9,902	3,026
Cash and cash equivalents in the beginning of the period	101,034	93,515	118,287	110,321
Effect of exchange rate changes	3,504	127	1,863	4,940
Cash and cash equivalents in the end of the period	130,052	118,287	130,052	118,287

Key financial indicators from continuing operations unless otherwise noted	1-12/16 12 mon.	1-12/15 12 mon.
Revenue, EUR 1,000	845,672	847,338
Comparable EBITDA*, EUR 1,000	64,357	59,528
% of revenue	7.6	7.0
Comparable EBITA*, EUR 1,000	42,504	39,361
% of revenue	5.0	4.6
Comparable operating profit*, EUR 1,000	31,890	29,012
% of revenue	3.8	3.4
Operating profit (loss), EUR 1,000	26,537	20,230
% of revenue	3.1	2.4
Profit (loss) before taxes, EUR 1,000	20,588	16,860
% of revenue	2.4	2.0
Net profit (loss) for the period, EUR 1,000	12,235	5,873
% of revenue	1.4	0.7
Return on equity (ROE), %	7.9	3.7
Return on investments** (ROI), %	10.7	11.4
Return on capital employed** (ROCE), %	9.7	9.9
Net working capital***, EUR 1,000	40,797	55,132
Working capital***, EUR 1,000	89,880	92,711
Net liabilities***, EUR 1,000	46,591	49,375
Gearing***, %	30.2	31.4
Equity ratio***, %	27.4	29.0
Current ratio***	1.6	1.8
Net cash from operating activities****	35,464	14,813
Gross capital expenditure, EUR 1,000	24,484	36,932
% of revenue	2.9	4.4
R&D expenditures, EUR 1,000	5,985	5,350
% of revenue	0.7	0.6
Personnel (temporary included) average	21,920	20,855

* see note 7

** comparison periods include liabilities of discontinued operations

*** comparison periods include discontinued operations

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

Per-share key indicators	1-12/16 12 mon.	1-12/15 12 mon.
Earnings per share (EPS) including discontinued operations, EUR	0.13	0.29
Earnings per share (EPS) including discontinued operations, diluted, EUR	-	0.29
Earnings per share (EPS) from continuing operations, EUR	0.43	0.23
Earnings per share (EPS) from continuing operations, diluted, EUR	-	0.23
Equity per share, EUR	5.71	6.08
Cash flow per share, EUR (comparison periods include discontinued operations)	1.48	0.62
Dividend per share, EUR *)	0.70	0.70
Dividend per earnings, % *)	546.18	244.89
Dividend per earnings, % *) from continuing operations	161.01	310.63
Effective dividend yield, % *)	4.43	4.30
Price/earnings ratio (P/E)	123.36	56.92
Price/earnings ratio (P/E) from continuing operations	36.37	72.20
Share price at close of period, EUR	15.81	16.27
Lowest share price, EUR	12.90	15.51
Highest share price, EUR	18.80	23.37
Average share price, EUR	15.91	18.84
Turnover in shares, 1,000 shares	9,941	11,309
Turnover in shares per (share issue adjusted) share capital, %	41.4	47.1
Average number of shares, 1,000 shares	23,992	23,993
Average number of shares, diluted, 1,000 shares	23,911	24,024
Shares at end of period, 1,000 shares	24,125	24,095
Market capitalisation, EUR 1,000	381,422	392,032

*) The figures of 2016 are based on the Board of Director's proposal. Dividend proposal is conditional upon Motherson Sumi Systems Limited's voluntary public tender offer having not been completed.

1. Revenue from continuing operations geographical locations (EUR 1,000)	7-12/16 6 mon.	7-12/15 6 mon.	1-12/16 12 mon.	1-12/15 12 mon.
Europe	142,096	141,079	301,571	253,581
North America	225,616	259,467	458,942	539,078
South America	20,423	14,134	36,591	35,430
APAC	24,448	17,453	48,568	19,250
Total	412,582	432,133	845,672	847,338

2. Consolidated statement of changes in equity (EUR million)

A = Share capital
 B = Treasury shares
 C = Share premium account
 D = Invested non-restricted equity fund
 E = Other reserves
 F = Translation difference
 G = Retained earnings
 H = Equity attributable to shareholders of the parent company
 I = Non-controlling interests
 J = Total equity

	A	B	C	D	E	F	G	H	I	J
Equity at 1.1.2015	6.2	0.0	11.3	81.3	-0.9	-3.7	63.9	158.1	0.0	158.1
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	-16.8	-16.8	0.0	-16.8
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	-2.3	-2.3	0.0	-2.3
Share-based payments	0.0	0.0	0.0	0.0	0.0	0.0	1.4	1.4	0.0	1.4
Exercise of options	0.0	0.0	0.0	1.7	0.0	0.0	0.0	1.7	0.0	1.7
Comprehensive income for the period	0.0	0.0	0.0	0.0	-1.8	0.7	6.9	5.8	0.5	6.2
Other changes	0.0	-2.3	0.0	0.0	0.0	0.0	0.9	-1.4	0.0	-1.4
Change in ownership interest										
Establishment of subsidiary with non-controlling interest									10.3	10.3
Equity at 31.12.2015	6.2	-2.3	11.3	82.9	-2.8	-2.9	54.1	146.6	10.7	157.3
Equity at 1.1.2016	6.2	-2.3	11.3	82.9	-2.8	-2.9	54.1	146.6	10.7	157.3
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	-17.2	-17.2	0.0	-17.2
Share-based payments	0.0	0.0	0.0	0.0	0.0	0.0	1.3	1.3	0.0	1.3
Exercise of options	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.5	0.0	0.5
Comprehensive income for the period	0.0	0.0	0.0	0.0	0.8	2.6	3.1	6.5	1.8	8.3
Other changes	0.0	0.3	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	0.0
Change in ownership interest										
Establishment of subsidiary with non-controlling interest									4.2	4.2
Equity 31.12.2016	6.2	-2.0	11.3	83.4	-2.0	-0.3	40.9	137.7	16.7	154.4

3. Intangible assets and property, plant and equipment (EUR 1,000)	12/16	12/15
Intangible assets and goodwill		
Carrying amount 1.1.	103,726	66,383
Currency translation differences	-170	4,688
Additions	3,944	1,913
Acquisitions	0	41,990
Amortisation and impairment	-12,014	-11,235
Disposals and reclassifications	-1,724	-13
Discontinued operations	-155	0
Carrying amount 31.12.	93,607	103,725
Property, plant and equipment		
Carrying amount 1.1.	73,046	68,539
Currency translation differences	673	-1,238
Additions	20,593	13,252
Acquisitions	0	16,400
Amortisation and impairment	-14,374	-7,180
Disposals and reclassifications	-13,531	-16,730
Discontinued operations	-5,300	0
Carrying amount 31.12.	61,105	73,045

4. Fair values of financial instruments (EUR 1,000)

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2016

As of December 31, 2016	Carrying amounts of balance sheet items	Fair values of balance sheet items
Other non-current financial assets	713	713
Total non-current financial assets	713	713
Copper derivatives	318	318
Total current financial assets	318	318
Total financial assets	1,030	1,030
Non-current interest-bearing liabilities	141,326	146,944
Total non-current financial liabilities	141,326	146,944
Current interest-bearing liabilities	35,316	35,316
Currency derivatives	3,935	3,935
Total current financial liabilities	39,251	39,251
Total financial liabilities	180,578	186,195

The valuation of derivatives is based on market data (level 2 IFRS 7:27A). The valuation of available-for-sale shares (Other non-current financial assets, EUR 713 thousand) is based on the acquisition cost (level 3, IFRS 7.27A) as the fair value of the shares cannot be determined reliably.

5. Contingent liabilities at the end of period (EUR 1,000)	12/16	12/15
Leasing liabilities	40,466	30,647
Liabilities for derivative instruments		
Nominal values		
Interest derivatives	0	50,000
Currency derivatives	63,197	87,038
Copper derivatives	2,295	2,379
Total	65,492	139,417
Fair values		
Interest derivatives	0	1,822
Currency derivatives	-3,935	-5,968
Copper derivatives	318	-226
Total	-3,618	-4,372

Derivatives are used to hedge risks from changes in interest rates, currencies and copper prices. PKC Group does not apply hedge accounting to copper derivative instruments in accordance with IAS 39. Fair values of copper derivatives are recognised through profit and loss. PKC Group applies hedge accounting to currency derivatives.

**6. Quarterly key indicators,
consolidated, from continuing
operations unless other wised noted**

	Q1/15	Q2/15	Q3/15	Q4/15	Q1/16	Q2/16	Q3/16	Q4/16
Revenue, EUR million	205.9	209.4	212.2	220.0	212.7	220.4	199.2	213.4
Comparable EBITDA*, EUR 1,000	13.9	15.0	15.2	15.4	15.8	17.4	11.2	19.9
% of revenue	6.8	7.2	7.2	7.0	7.4	7.9	5.6	9.3
Items affecting comparability	-0.6	-5.4	-1.8	-1.0	0.0	0.0	-2.9	-2.5
Operating profit (loss), EUR million	6.2	2.5	5.4	6.2	8.0	9.6	0.5	8.4
% of revenue	3.0	1.2	2.5	2.8	3.8	4.4	0.2	3.9
Earnings per share (EPS), (EUR)	0.11	-0.06	0.08	0.09	0.13	0.21	-0.03	0.16
Net cash from operating activities**, EUR million	-29.7	4.5	-13.6	53.6	-34.0	15.1	-20.7	75.0
Working capital**, EUR million	103.5	96.5	124.5	92.7	122.4	122.3	141.5	89.9
Net liabilities**, EUR million	15.5	32.2	99.9	49.4	88.7	91.2	119.3	46.6
ROCE**, %	9.8	10.9	9.9	9.9	9.7	10.6	8.6	9.7
Gearing**, %	8.8	21.1	65.0	31.4	56.4	62.7	82.9	30.2
Equity ratio**, %	35.8	32.6	29.3	29.0	29.7	27.3	27.9	27.4
Personnel (temporary included) average	19,854	19,988	21,671	21,898	21,294	21,802	22,564	22,027

*see note 7

** comparison periods (2015) include assets and liabilities of discontinued operations

7. Measures of profit and items affecting comparability from continuing operations (EUR 1,000)	7-12/16 6 mon.	7-12/15 6 mon.	1-12/16 12 mon.	1-12/15 12 mon.
Comparable EBITDA	31,104	30,612	64,357	59,528
Depreciation, amortisation and impairments*)	-11,501	-10,525	-21,853	-20,167
Comparable EBITA	19,603	20,087	42,504	39,361
PPA depreciation and amortisation	-5,348	-5,676	-10,615	-10,349
Comparable operating profit	14,255	14,411	31,890	29,012
Items affecting comparability:				
Employee benefit expenses	-4,528	-1,216	-5,577	-4,889
Impairment of PPE and intangible assets	100	0	-100	-793
Other items affecting comparability	-924	-1,623	325	-3,101
Total items affecting comparability	-5,353	-2,839	-5,353	-8,782
Operating profit	8,903	11,572	26,537	20,230

*) excluding PPA depreciation and amortisation and impairment of PPE and intangible assets affecting comparability

Calculation of indicators

Calculation of indicators are presented in the annual report, which can be found from company's webpage www.pkcgroup.com/investors/reports-and-presentations.

During 2016 the following change to the calculation of indicators has been made:

Working Capital

= Inventories + trade receivables – trade payable

All the future estimates and forecasts presented in this stock exchange release are based on the best current knowledge of the company's management and information published by market research companies and customers. The estimates and forecasts contain certain elements of risk and uncertainty which, if they materialise, may lead to results that differ from present estimates. The main factors of uncertainty are related, among other things, to the general economic situation, the trend in the operating environment and the sector as well as the success of the Group's strategy.

PKC Group Plc
Board of Directors

Matti Hyytiäinen
President & CEO

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Press conference

A press conference on the financial statement will be arranged for analysts and investors today, 9 February 2017, at 10.00 a.m., at the address Event Arena Bank, Unioninkatu 20, Helsinki.

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PKC Group is a global partner, designing, manufacturing and integrating electrical distribution systems, electronics and related architecture components for the commercial vehicle industry, rolling stock manufacturers and other selected segments. The Group has production facilities in Brazil, China, Finland, Germany, Lithuania, Mexico, Poland, Russia, Serbia and the USA. The Group's revenue from continuing operations in 2016 totalled EUR 846 million. PKC Group Plc is listed on Nasdaq Helsinki.



MANAGING THE COMPLEXITY

PKC GROUP 

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