



# WEICHAI POWER 2015 Interim Results



# Agenda

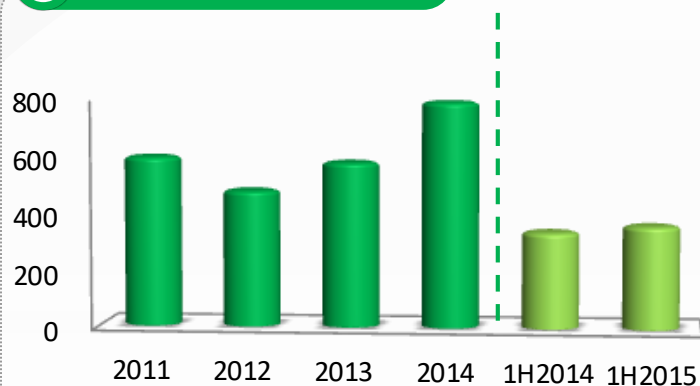




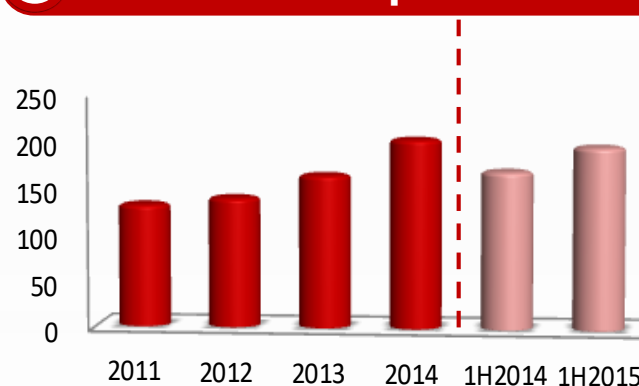
# Stable Growth in Business Scale

Unit: RMB 100 million

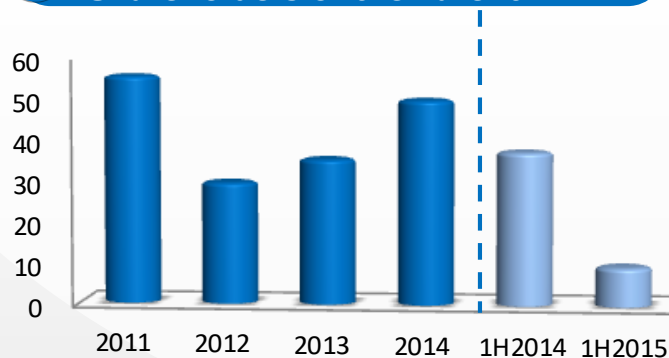
## Revenue



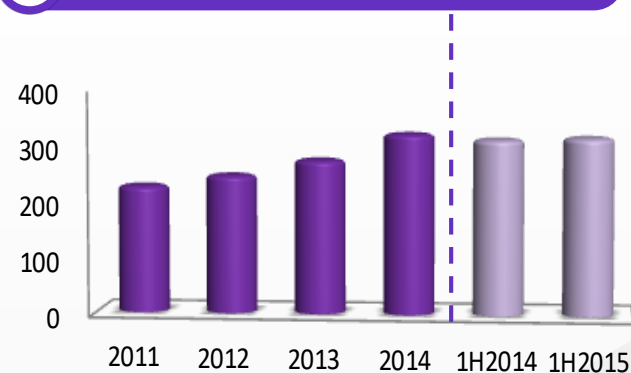
## Cash and Equivalents



## Net Profit Attributable to Shareholders of the Parent



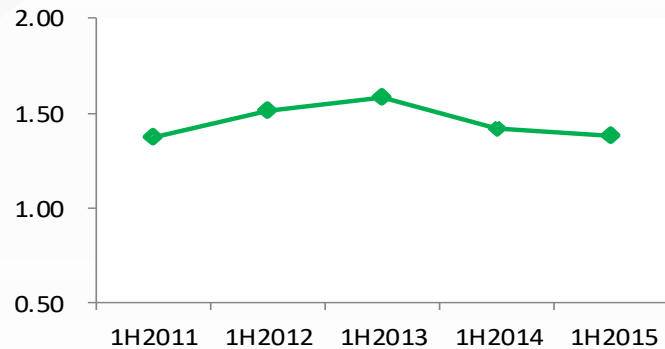
## Net Assets Attributable to the Parent



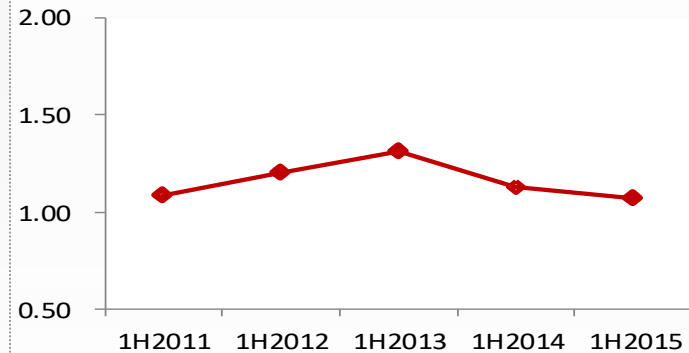


# Steady Operating Performance

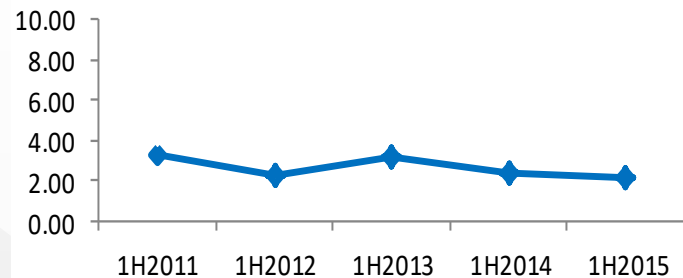
## Current Ratio



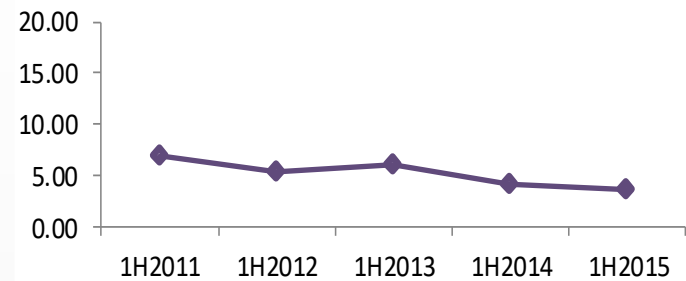
## Quick Ratio



## Inventory Turnover Ratio



## Receivable Turnover Ratio





# Agenda



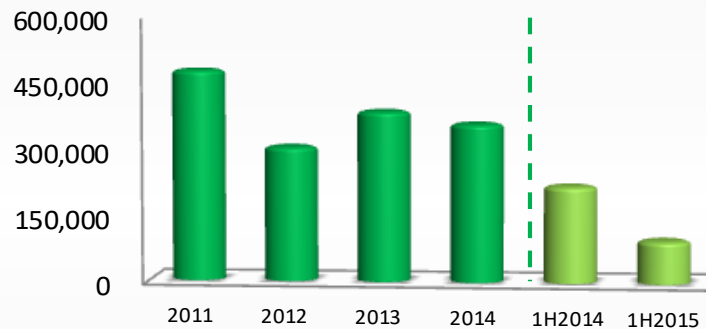


# Core Business - Retained Market Leadership Despite Business Adjustment

- 97,900 units of high-power engines were sold, including 64,900 units of HDT engines (giving it a market share of 22%), 17,300 units of wheel loader engines with load capacities of 5 tons (giving it a market share of 69.4%); and 9,300 units of medium-sized and large-sized passenger vehicle engines (giving it a market share of 14.5%);
- Fast Gear sold 22,930 units of gear boxes, with a market share of approximately 60%;
- SXHDM and Hande Axle optimized their product mix and sold 27,900 units of HDT and 119,300 axles, respectively.

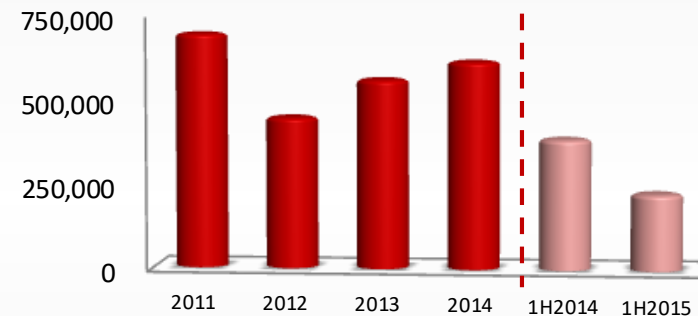
## Engine

Units



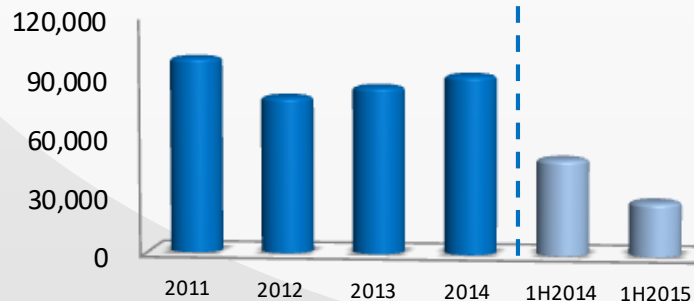
## Gearbox

Units



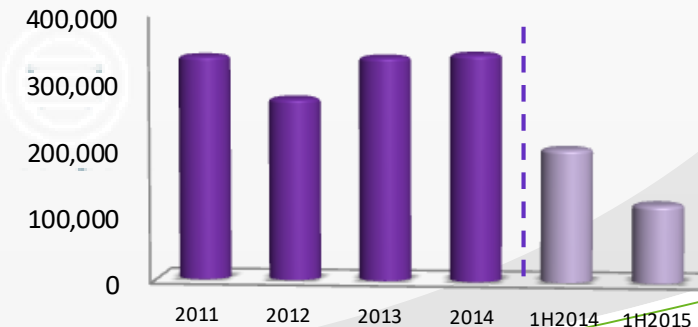
## HDT

Units



## Axle

Units

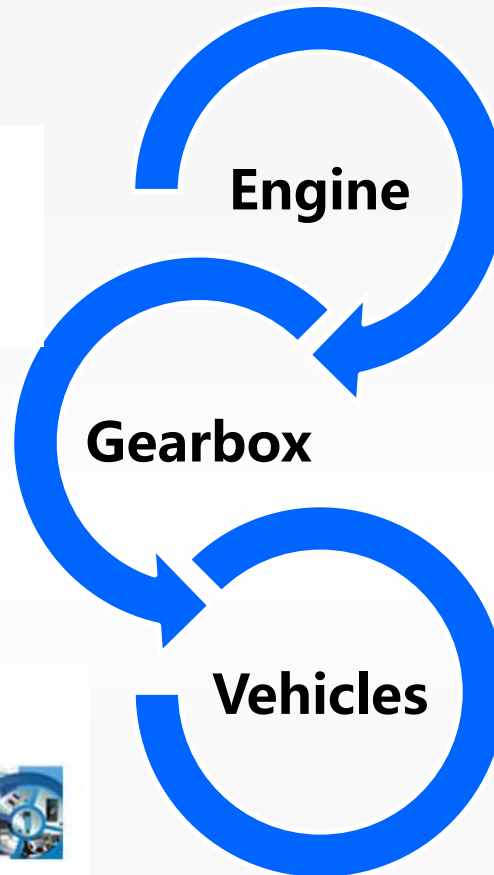




# Featured Products – Led Industrial Upgrade with High Value-added Products



- 100,100 units of Fast Gear 12-16 gearboxes sold, representing 43.6% of total sales volume as compared to 42.6% in 1H 2014;
- Continued to take the lead in developing multi-gear boxes



- 24,600 units of 12L engines sold, representing 25.14% of total sales volume and almost unchanged from 1H 2014;
- Continued to lead industrial upgrade towards high-power and high-horsepower products



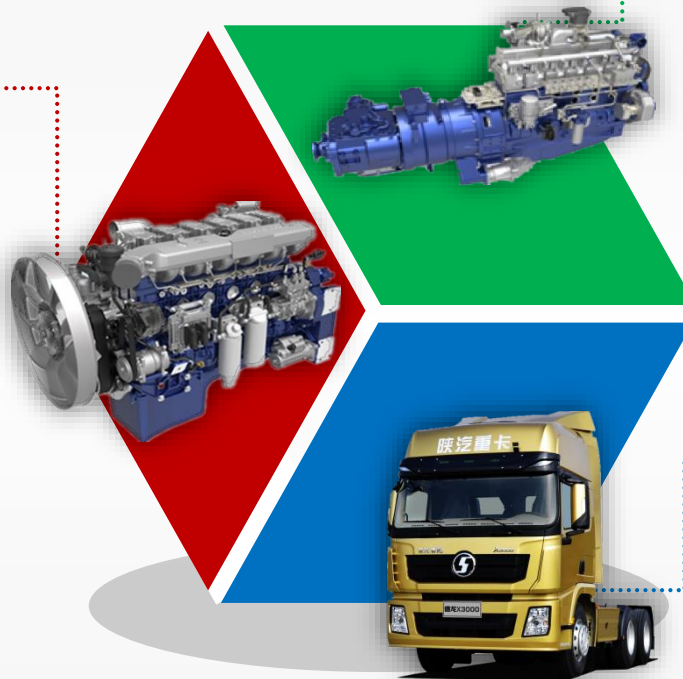
- 25,800 units of MAN HDT sold, representing 92.5% of total sales volume as compared to 88.5% in 1H 2014;
- Continued to lead technology upgrade of HDT



# Energy-efficient Products – High-end Green Technologies to Reduce Energy Consumption

## Engines

- New “Intelligent Power” series such as WP2.1 China V light engine, a full series of Beijing V engine and Special Beijing V engine were launched;
- WP9H diesel engine passed final design review and the performance development of WP 12 Series of marine diesel engine was completed;
- The development of 6M33 marine diesel engine, 6M33 land-based electricity generation diesel engine and 12M33 land-based electricity generation diesel engine passed final design review and commenced market trial



## Hybrid Powertrain

- The first batch of WE Series New Energy Products was launched to mass market, with over 100 units of products released;
- Self-developed WE52 Series hybrid plug-in power system was unveiled at BUSTEC 2015 International Coach Technology Exhibition
- Hybrid powertrain “WE61” with a dual-motor hybrid direct-drive technology was successfully developed

## Vehicles

- Delong X3000 heavy truck, Delong M3000 8X4 dual-fuel self-loading dump truck and the new model of Delong M3000 6X2 tractor were unveiled at the Fourteenth Western International Coal and New Energy Expo





# R&D – Self-Developed Proprietary Core Technologies

## DPF Regeneration Technology and Efficient SCR Technology

- Command the core-technology of the DPF regeneration process, thereby significantly reducing operating costs for customers;
- Overcame bottlenecks for efficient SCR technology applications and successfully launched the first series of non-EGR heavy-duty diesel engine with Euro VI emissions standards, hence striking a balance between affordability, mobility and emissions requirements

## High Pressure Common Rail Technology

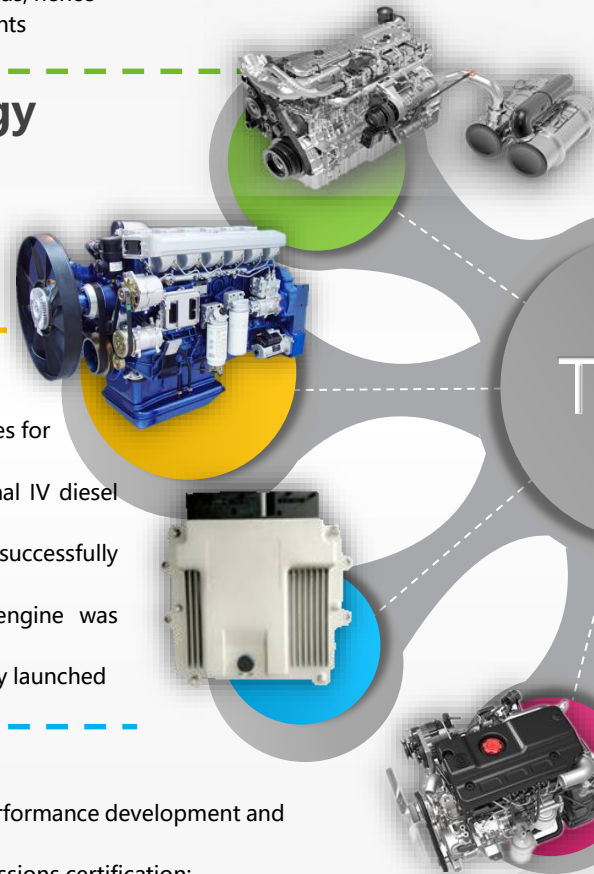
- The National 863 Program – “Key Technological Development for High Pressure Common Rail Heavy-Duty Diesel Engine” passed acceptance inspection, marking a remarkable technological breakthrough as it uses a domestically-developed high pressure common rail system and ECU control system and meets Europe VI emissions standards

## Self-Developed ECU

- Completed development and testing of software and hardware of B-samples for platform lift control system;
- Road testing and off-road testing for electronic control system of National IV diesel engine was completed;
- Electronic control system of Euro VI gas-powered engine was successfully developed and commenced trial run;
- Performance development for electronic control system of Euro VI engine was carried out on different platforms;
- WP17V8 diesel engine equipped with our self-develop ECU was successfully launched

## Certification of Emission Standards

- Yangchai's products were certified to meet National IV and National V performance development and emissions standards;
- WP9H/WP10H series diesel engines passed National IV and National V emissions certification;
- WP7 series equipped with Beijing V diesel engine and DPF technology was certified to meet Beijing V emissions standards





# Customer Relations – Win-Win Cooperation





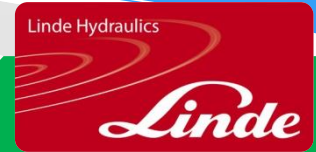
# Linde Hydraulics – Increasing Market Share with Wide Recognition

- Cooperated with XCMG for small-scale trial production of forklift trucks and mixer trucks and successfully expanded into wet shotcrete business;
- Zoomlion' s crane installation project met expected goal;
- A small number of DH17 bulldozers were launched along with Shantui' s road rollers and our 2<sup>nd</sup> generation energy-saving engines

- Completed trial run of the first main pump project with ZPMC, which marked Linde Hydraulics' successful penetration into the field of marine engineering;
- Cooperated with SANY by installing its 45t CVT Driving System, with the installation of prototypes to be completed by the end of October; mass production will follow suit after testing

- Targeted China' s agricultural machinery market and developed M2E products with integrated emergency braking function;
- Cooperated with CLAAS and Jing Yee Machinery Manufacture Ltd. to complete prototype installations and trial production;
- Supported Hebei Sino-Agri BOYO Agricultural Equipment Ltd. and Meidi in developing their four-lined corn harvester system and 8t silage maize harvester system respectively, with a limited number of systems to be installed within this year.

- Linde Hydraulics(China)Wei Fang Factory was successfully launched for production, marking the beginning of local production, and will help secure cost control and will help expand the market in China
- Linde Hydraulics (China) held the "Service Partner Authorization Ceremony " with six service providers in the first batch, marking the initial establishment of its after-sales service network in China.



**Construction  
Ancillary Products**

**Marine Machinery**

**Agricultural Machinery**

**Localization Efforts**

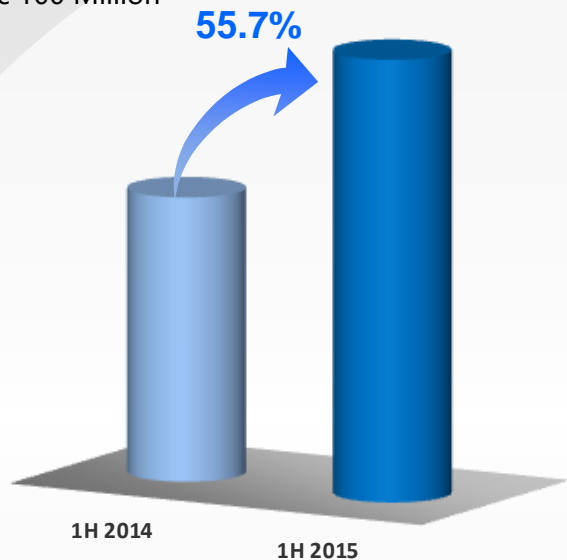




# Consolidated KION Account - Enhancing Overall Strengths through Greater Synergy

## KION' s Net Profit

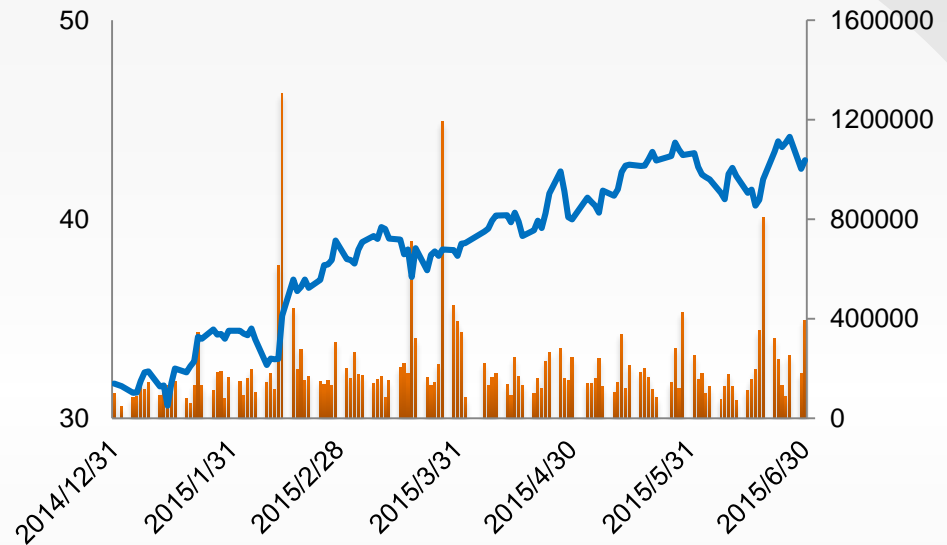
€ 100 Million



## Share Price Movement in 1H 2015

Share price €

Trading Volume



- KION earned net profit of €94.3 million in 1H2015, representing robust growth of 55.7%;
- KION' s Baoli WP2.7 fork truck was launched in the market. Leveraging its global network, we provided 24-hour services to customers;
- KION Group acquired a portage automation business from Belgium automation expert Egemin Group for a consideration of €72 million, making the storehouse and workflow of its factory more intelligent, and ensuring improvement in KION' s design and management capability in handling complicated automated projects in the future



# Global Strategy – Innovative Model with Overseas Manufacturing

- **Overseas offices and service centers:** 33 overseas offices and 315 service centers were established

- **Overseas spare parts centers and outlets:** 10 spare parts centers and 20 franchised stores

- **Plant development in India:**

Assembly of 236 CKD was completed, making it the first batch of foreign-made equipment featuring domestic design;

- **Ethiopia project:** Assembly line adjustment, driving installation adjustment and operation training completed;

- **Burma project:** Project permit was obtained and 100 sets of SKD parts of engines were assembled;

- **Thailand' s Fast Auto:** First batch of gear boxes were delivered to customers;

- **Shaanxi Heavy-duty Algeria project:** Vehicle factories were established in Algeria



- **Vietnam Changhai Coach:** Sold 362 engines in 1H; completed testing of WP7 designed for 12m coaches buses, which will be launched for sale by the end of this year; assembly of prototypes of WP2.1 designed for European light trucks before the year end;

- **Russian Project: KAMAZ project:** 3 models of engines, 7 models of gear boxes, 6 models of axles will be produced in small batches in September; the casting and processing of KAMAZ module will be completed by the end of the year. **CHTZ Project:** Bulldozers co-developed by the Company were displayed at the Yeka Exhibition, with their production is expected to reach 300 units in next year

- **Collaborated overseas marketing:** the specialized offset ferry truck from Shaanxi Heavy Duty won the bid for Busan Port, South Korea project; Hande' s axles, together with 50 sets of auto cranes, were successfully delivered to Indian customers





# After-sales Services – Steady Growth Sailing into New Horizon

## 1. Channel Development

- Established 52 back-up centers, 59 oil product centers, 42 reproduction retailers, 734 private oil banks



## 3. Innovative Business Model

- With a new business mindset, we cracked down on false goods worth RMB80 million and shut down 42 outlets selling fake products;
- Working with consultancy companies to help distributors enhance their marketing capabilities; used conference marketing model as a reference to hold 2015 after-market activities



**Revenue from after-sales services for engine business reached RMB936 million in 1H 2015**

## 2. Complete Product Lines

- Our product lines include assembly, service and reassembly parts. We released 180 items of service products in 19 different categories and 218 units of reassembly parts, booking orders worth RMB94.73 million



## 4. Development of VIP Customers

- In 1H2015, the VIP business actively used various resources to explore new customers; as a result, new large-scale VIP customers increased by 51 to a total of 103



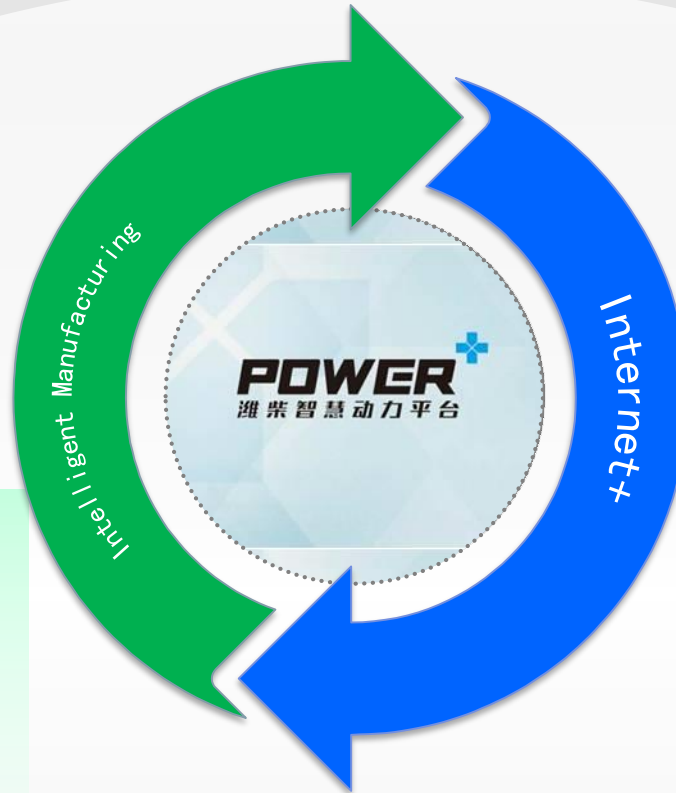


# Intelligent Power – Leverage National Strategy to Expand



## Intelligent Manufacturing

- The Digitalized Vehicle Engine Plant, a national project co-developed with the Beijing Machinery Automation Research Institute in 2014 to promote intelligent manufacturing, passed testing by an expert group;
- The “Integrated Demonstration Project for Intelligent Production of Diesel Engines”, a project pioneered by the Company, was selected as the 2015 Intelligent Manufacturing Demonstration Project



## Internet+

- Management activities relating to the integration of informatization and industrialization for “global collaboration to promote engine innovation” were certified by the Ministry of Industry and Information Technology;
- “Weichai After-sales Service Platform for E-commerce Collaboration” received the “2014 E-commerce Integrated Innovation Award” from the China Association for Promotion of E-commerce Innovation;
- Weichai Enranger Automobile (潍柴英致汽车) formulated Internet strategy and launched its Internet-based intelligent automobile platform system – Meettwo (米图)





# Agenda



Financial Highlights



Business Review



**Industry Overview**



Outlook and Strategies

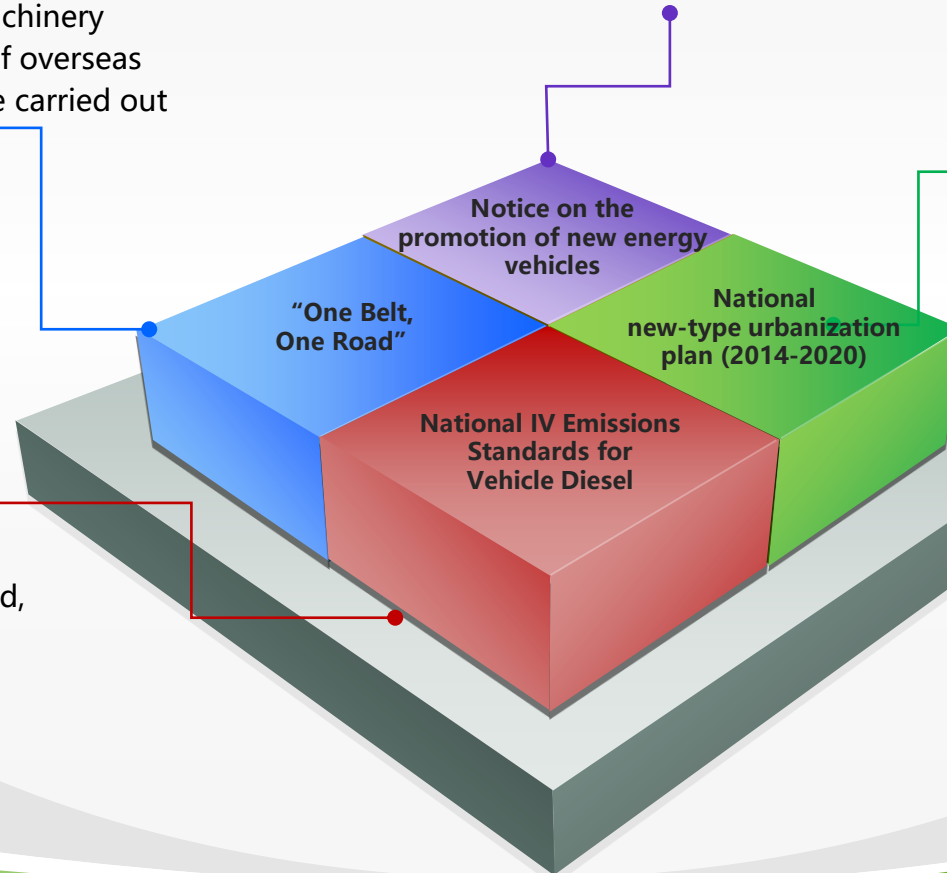




# Impacts of Industry Policies

- The subsidy policy for pure electric vehicles is expected to be introduced in 2015
- New energy coach buses have “green” and “efficient” features, making them the best alternative in urban transportation

- Improve inter-city transportation network
- Improve the connection of major highways and transportation hubs between small and medium cities and small towns, thereby accelerating the upgrade of national and provincial highways
- HDT and construction machinery sectors will benefit from improved logistics infrastructure and investment growth



- Related infrastructure projects will be carried out in 2015
- Overcapacity problems in China’s HDT and construction machinery sectors will be mitigated if overseas infrastructure projects are carried out

■ National IV emissions standards for diesel vehicles was fully implemented on Jan 1, 2015

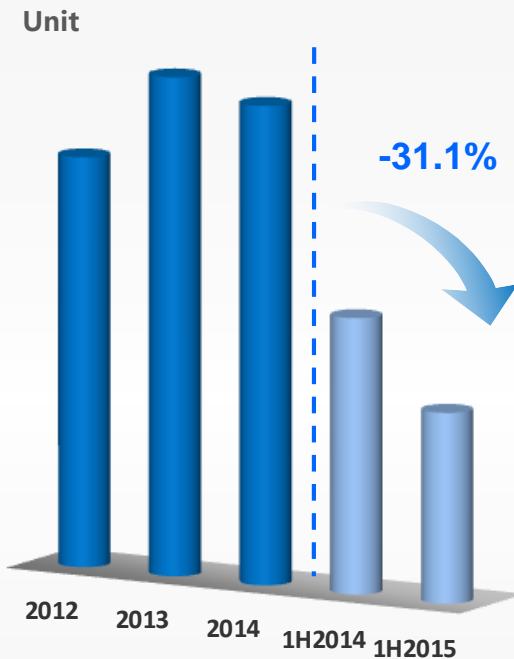
■ Users are encouraged to use electricity-powered, low energy consumption and low emission commercial vehicles;

■ Demand will, to some extent, be negatively affected by higher prices

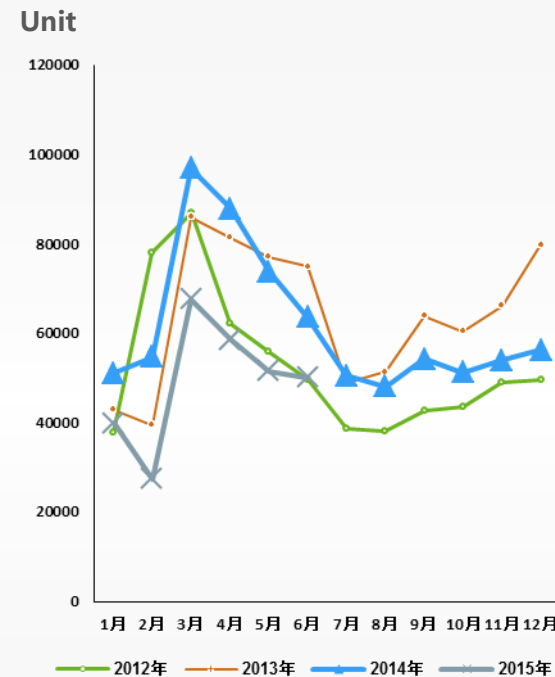


# HDT Industry – Decline in Sales

HDT Industry – Yearly Sales Trend



HDT Industry – Monthly Sales Trend

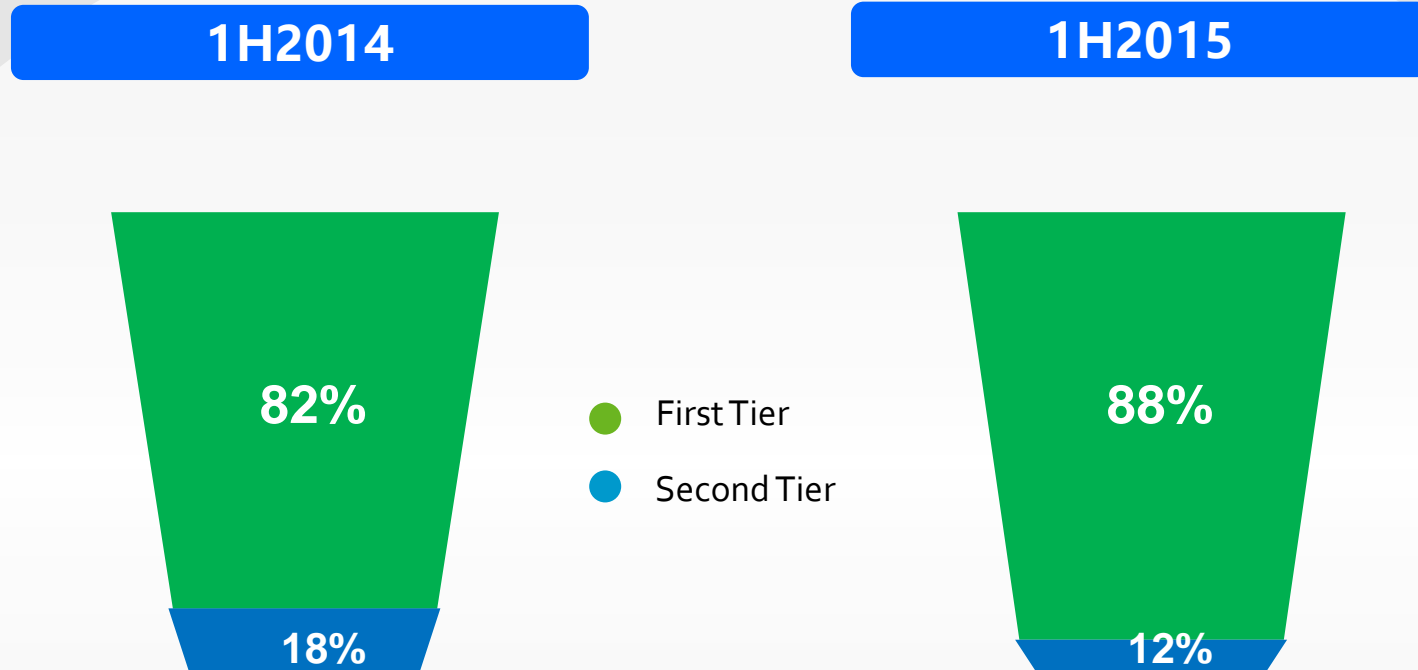


Source: China Association of Automobile Manufacturers

- Affected by a slowdown in economic growth, a decline in infrastructure investment and the implementation of national IV emissions standards, HDT demand saw a sharp decline;
- In 1H2015, sales of HDT reached approximately 296,000 units, down 31.3% y-o-y.



# HDT Industry – Larger Market Shares for Top 5 Players



Source: China Association of Automobile Manufacturers

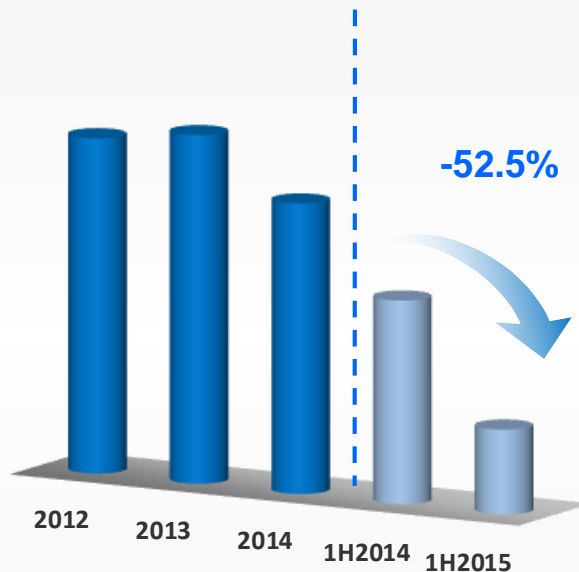
- In 1H2015, the first-tier players in the HDT sector continued to dominate the market and commanded a larger market share



# Loader Industry – Prosperity Degree is not High

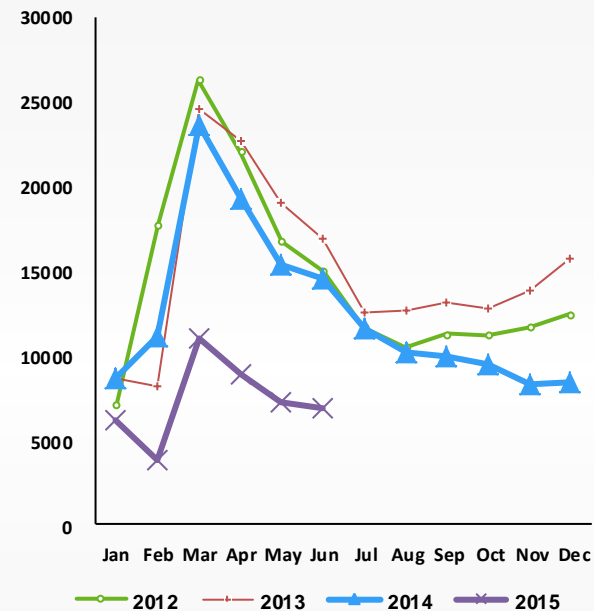
Wheel Loader Industry  
– Yearly Sales Trend

Unit



Wheel Loader Industry  
– Monthly Sales Trend

Unit



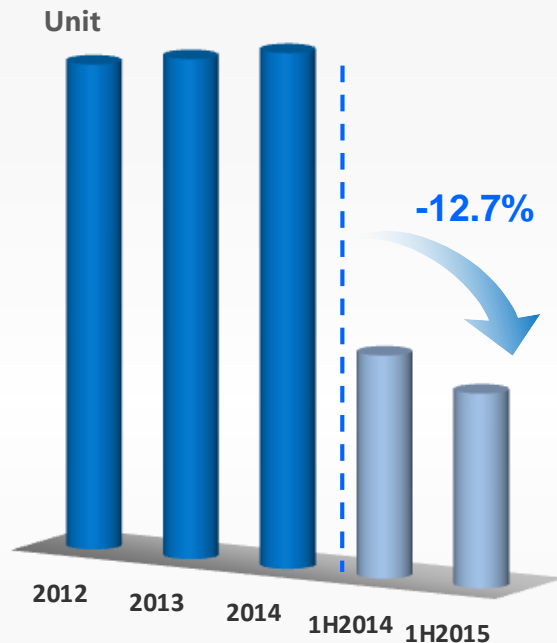
Source: Machinery Industry Association

- Loader sales were hit by economic transformation, overcapacity and insufficient demand
- In 1H2015, sales in the loaders industry reached 44,000 units, down 52.5% y-o-y

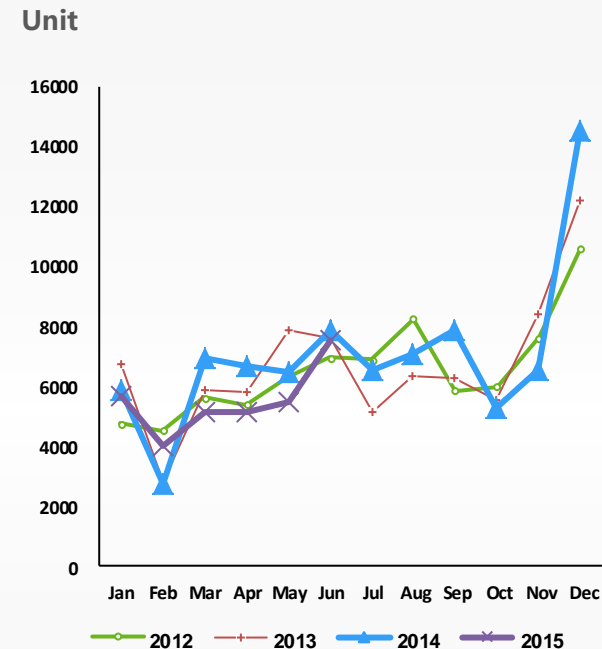


# Large Passenger Vehicle Industry – Drop Slightly Compared to Last Year

Large Passenger Vehicle Industry – Yearly Sales Trend



Large Passenger Vehicle Industry – Monthly Sales Trend



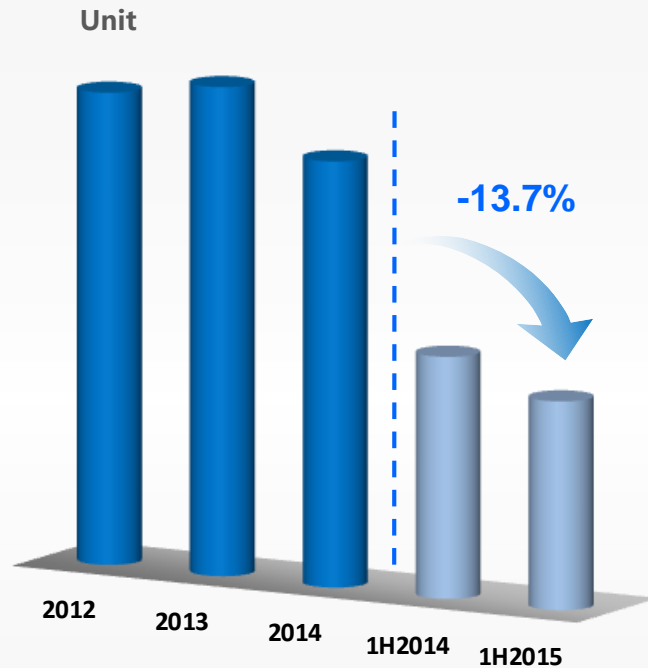
Source: China Association of Automobile Manufacturers

- With high-speed rail competing with mid- and long-haul coach services, sales of large passenger vehicles dropped;
- In 1H2015, sales of large passenger vehicles dropped to 32,000 units, down 12.7% y-o-y

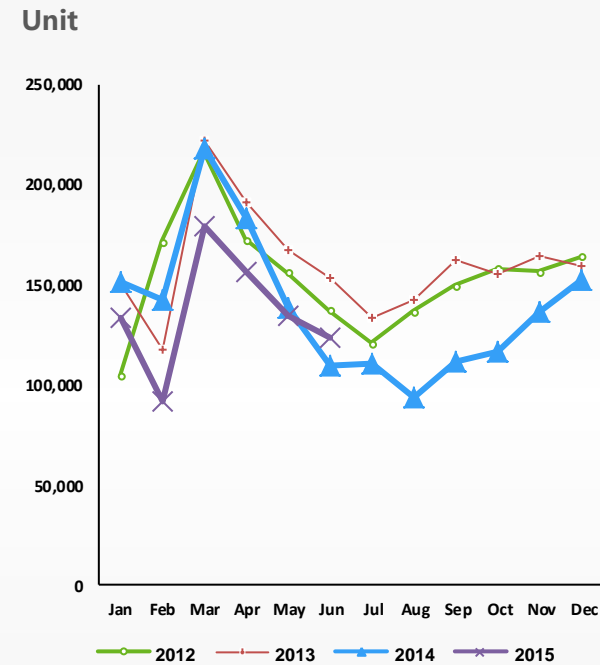


# Light Truck Industry – Emissions Standards Affect the Demand

Light Truck Industry – Yearly Sales Trend



Light Truck Industry – Monthly Sales Trend



Source: China Association of Automobile Manufacturers

- Market share of high-end and high-efficiency light trucks continued to rise due to the upgrading of national emissions standards
- In 1H2015, sales of light trucks declined to 815,000 units, down 13.7% y-o-y



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**Outlook and Strategies**



# Economic Outlook for 2H 2015

## Downward Pressure on Global Economy



- Interest rate hikes by Federal Reserve will negatively affect the financial industry and the global economy. The global economic growth rate will slow to 2.8%.
- Financing costs of developing countries will climb, while countries which heavily depend on bulk commodities trade will be hit hard. The outlook for the global economy is bleak.

## New Normal for China's Economy



- China's economy will remain stable and continue to grow amidst "New Normal" conditions. While the GDP growth for this year is expected to be 7%, the government will push for structural reform and innovation.
- The NDRC will proceed with its regional development strategy and step up efforts to implement the "One Belt, One Road" strategy, promote the coordinated development of Beijing, Tianjin and Hebei, and the development of the Yangtze Economic Zone.
- More Free Trade Zones will be set up to promote external trade and the development of the logistics industry.





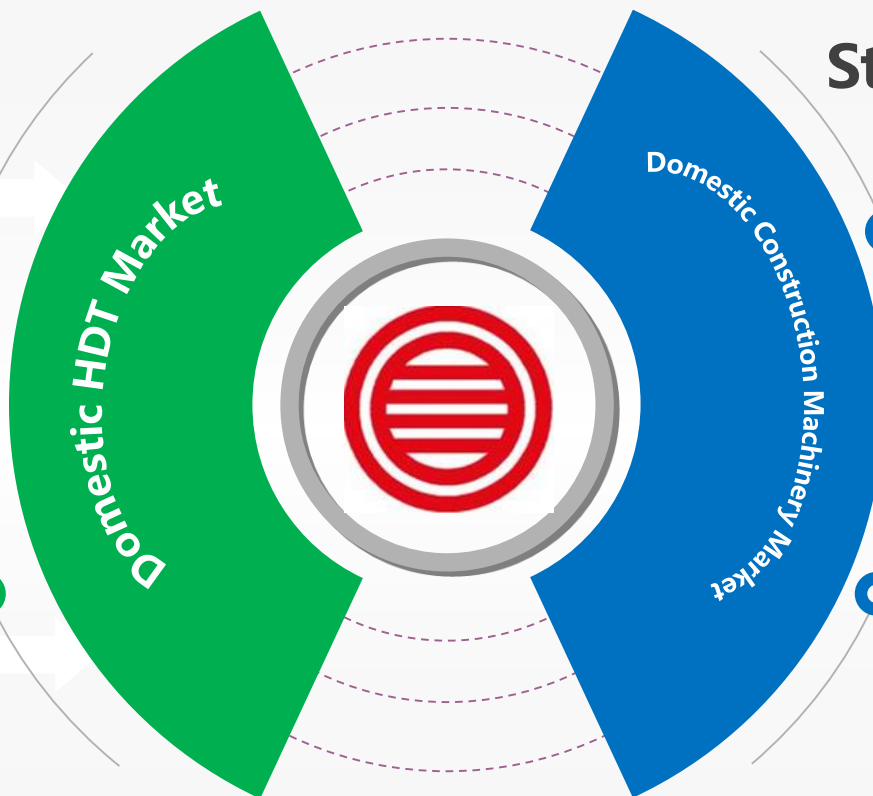
# Industry Outlook for 2H 2015

## Opportunities

HDT sales will benefit from the “One Belt, One Road” strategy, while HDT tractor sales will be boosted from an increased in external trade and the growth of the logistics industry as more Free Trade Zones are set up.

Sales of LNG-powered HDT will suffer from the decline in oil prices. The market will look for reliable, durable and quality HDT powered by new energy.

Yellow-label tractors and obsolete tractors will be eliminated from the market after the Chinese government introduces measures to put a cap on the capacity of cement mixers, which will boost the demand for HDT.



## Stabilizing Factors

“The “One Belt, One Road” strategy and the establishment of AIIB will create ample room for the overseas expansion of China’s tractor sector.

Reform of state-owned enterprises in the construction machinery industry will lead to the asset reorganization, which will enhance operating efficiency and the performance of listed companies in this sector.

The kick-off of the interest rate cut cycle and the government’s initiatives to drive the development of transportation infrastructure will not only lower the financing costs of enterprises and help them to improve their balance sheets, but also stimulate domestic demand for construction machinery.



# Business Outlook for 2H 2015

## Engine

- Drive informatization and intelligent production; make use of Internet technology to develop intelligent modes of production with our own unique features to enhance the standards of our intelligent production



## Gearbox

- Continue to develop light, automatic and multi-gear clutch; accelerate the development of AT / AMT automated gearbox; S-series gearbox and coach gear box; step up efforts in new product development



## HDT

- Develop new generation of HDT, continue to explore the potential of existing products and increase our share in gas-powered HDT market to lay a solid foundation for future growth



## After-sales Services

- Enhance the integration of after-sales services with other businesses, extend our management to full product life-cycle, strive to innovate our business model



## Globalization

- Push for internationalization strategy, leverage overseas subsidiaries to implement local product ion, regional management and service internationalization; and develop ourselves as an international brand through overseas expansion



**Unified  
Strategy,  
Independent  
Operation,  
Resource-  
Sharing**

**谢 谢**

**THANK YOU!**