



Weichai Power Co., Ltd.

2011 Annual Results

March 2012



潍柴动力
WEICHAI POWER

Disclaimer

This document has been prepared by Weichai Power Company Limited (hereinafter as the “Company”) and has not undergone independent verification. This document doesn’t contain any express or implied representations or warranties, and also does not guarantee the accuracy, neutrality or completeness of information contained herein. The Company and its affiliates, consultants or representatives don’t take any responsibility in terms of the loss caused by the information, which could be expressed in any forms in the document. Such forward-looking statements are subject to certain risks and uncertainties, most of which go beyond the Company’s control.

Agenda

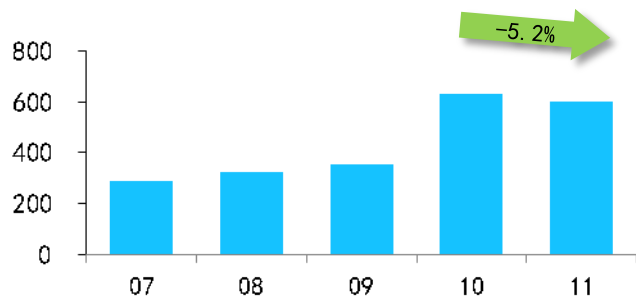
- ▶ **Financial Highlights**
- ▶ **Business Review**
- ▶ **Industry Review**
- ▶ **Outlook and Strategies**

Financial Highlights

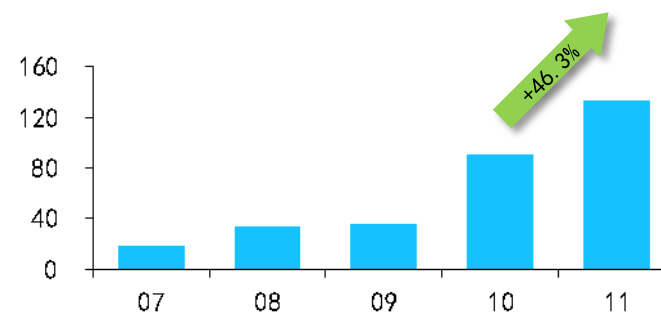
Scale Advantages & Strengthened Risk Resistance Capacity

Unit: RMB 100 million

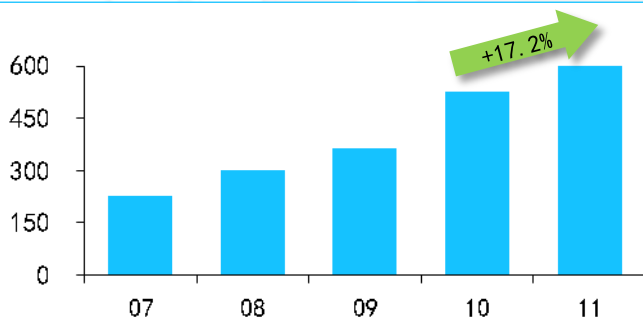
Revenue



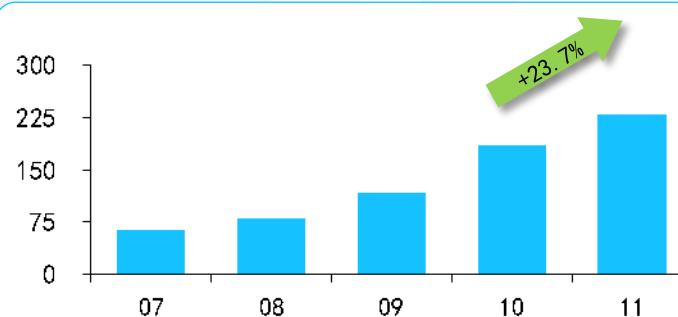
Cash and Cash Equivalent



Total Assets

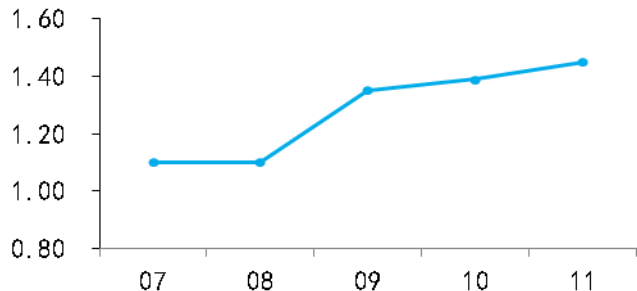


Net Assets

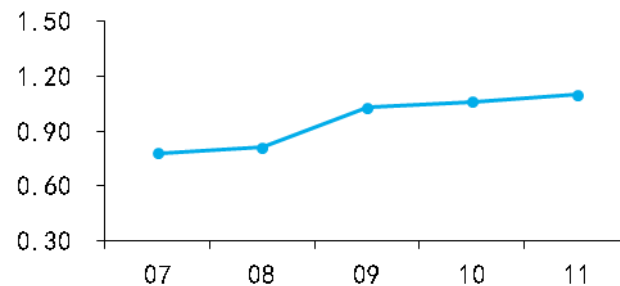


Efficient Management & Improved Operational Capability

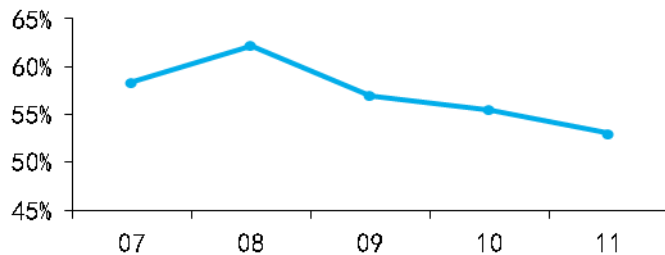
Current Ratio



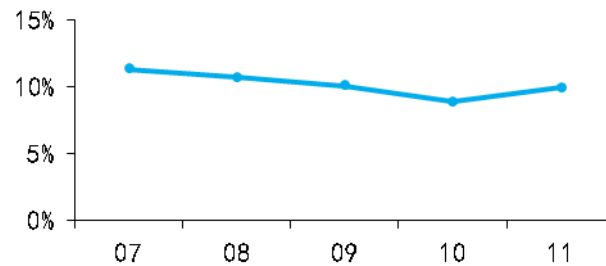
Quick Ratio



Asset-Liability Ratio



Three Costs to Revenue

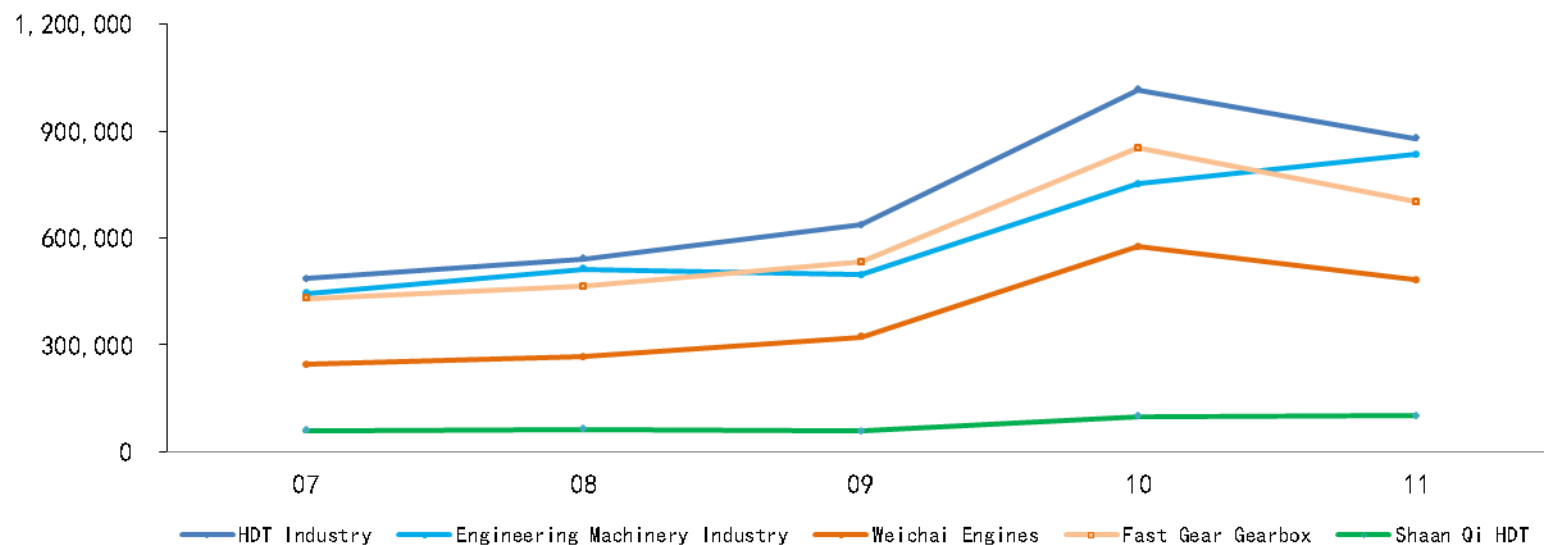


Business Review

Three Core Businesses – Continued to Maintain Leading Position Despite Industry Correction

Trends of Two Downstream Industries & Weichai's Three Core Businesses

Unit



- Despite a market correction in the HDT industry, sales of Weichai's engines, heavy-duty trucks produced by Shaanxi HD Motor and gear boxes produced by Fast Gear continued to lead their markets

Engine Business – Kept Competitive Edges Despite Decline in the Industry

Engine Types	Sales in 2011 (Unit '000)	Market Share in 2011 (%)
HDT Engine	318	36.2
Wheel Loader Engine (Load Capacity of 5+ Tons)	126	77.9
Large Passenger Vehicle Engine	16	21.6
Total Sales of High Power Engines	482	

- Market share of HDT (14+ tons) engines reached 36.2%, maintaining industry leading position
- Market share of wheel loader engines with load capacity of 5 tons and above reached 77.9%, demonstrating significant advantage in the market
- Market share of large passenger vehicle engines reached 21.6%, showing steady growth

Engine Business – Strategic Products Steadily Promoted with Intensified Marketing



- Sales of the WP5/WP7 engines increased 97.2% y-o-y; sales of auxiliary products to passenger vehicles and motocranes surged 211% and 289% y-o-y respectively; successfully provided auxiliary products to prototypes of major domestic excavator producers



- Small-volume production of Baudouin M26 engine products were achieved, providing solid foundation for future large-volume promotions



- The 12L engine is the only established high power engine platform in China and it continues to set the pace in technology innovation in the industry

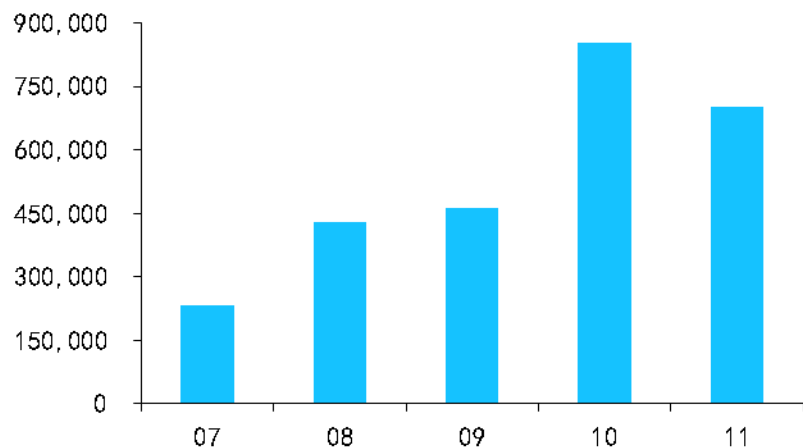


- The China IV engine technology is mature and stable and has various technological routes available to it

Gear Box Business – Strengthened Traditional Advantages, Led Upgrading in the Market

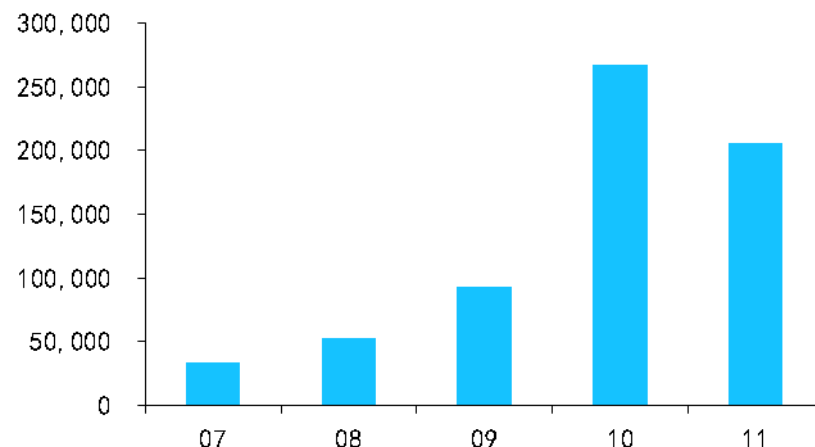
Gear Boxes

Unit



12-16 Gearboxes

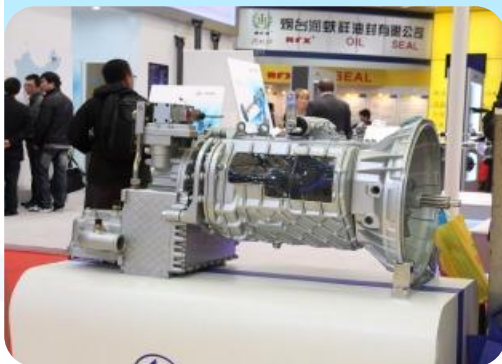
Unit



- No.1 in the industry for the tenth consecutive year by various operational indicators; best-selling heavy-duty gear box in the world for the seventh consecutive year
- 12-16 gearboxes continued to lead industrial development of multi-gear boxes

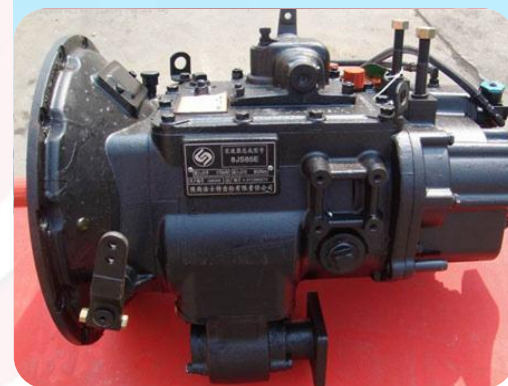
Gear Box Business – Strengthened Market Position & Products to Fulfill Diversified Needs

- New product 20-speed gear boxes with aluminum alloy crust weighing 100 kg lighter than traditional products
- Newly developed AMT automatic gear box achieved mass production



- Heavy-duty automatic hydrodynamic gear box project under full construction. Annual production of 120,000 units of heavy-duty AT gear boxes and 1.5 million units of engineering machinery components for export can be achieved after it goes into production

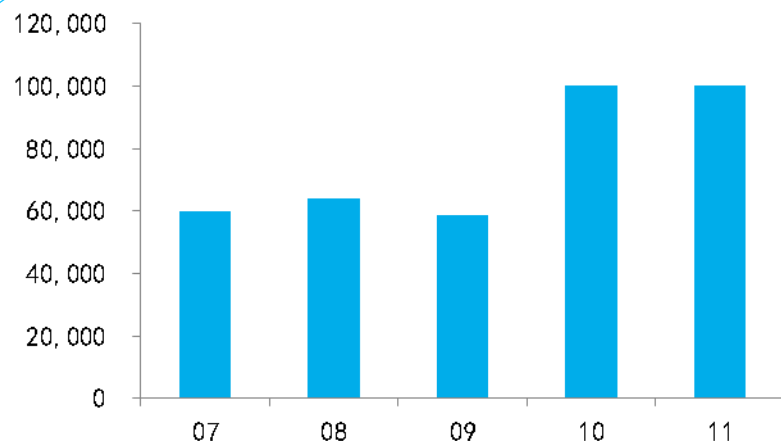
- Market share of the non-HDT gear box continued to expand, reaching 10.8% of total sales



HDT & Axle Business – Optimized Product Structure & Retained Leading Position

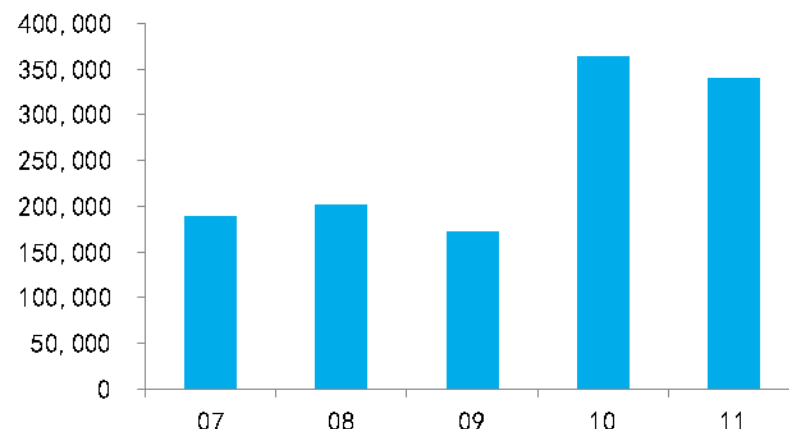
HDT

Unit



Axle

Unit



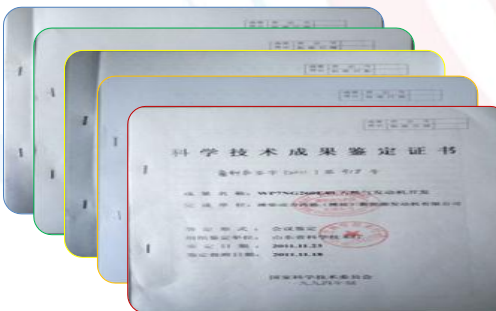
- Leveraging the outstanding performance of its new products, Shaanxi Heavy-Duty Motor sold more than 100,000 heavy-duty trucks against the downside market trend, with market share up 1.6 percentage points y-o-y
- Hande Axle stepped up efforts on R&D and restructuring, and recorded sales of 340,000 axles, continuing to outperform the industry

Strategic Synergy – Demonstrating Advantages of Golden Industry Chain with Further Resource Sharing



- Newly launched Delong M3000 HDT, characterized by its low self-weight and low oil wear, embedded with the Landking II WP7/WP10 engine, compatible with Fast Gear's gear box and Hande Axle's axles, recorded a rise of 30% on the power transmission efficiency and achieved total mileage of over 1.2 million km without major maintenance, fully demonstrating the strategic synergistic advantages of the golden industry chain

Technology Strengths – Promoted Scientific & Technological Innovation, Reaped Fruitful Results



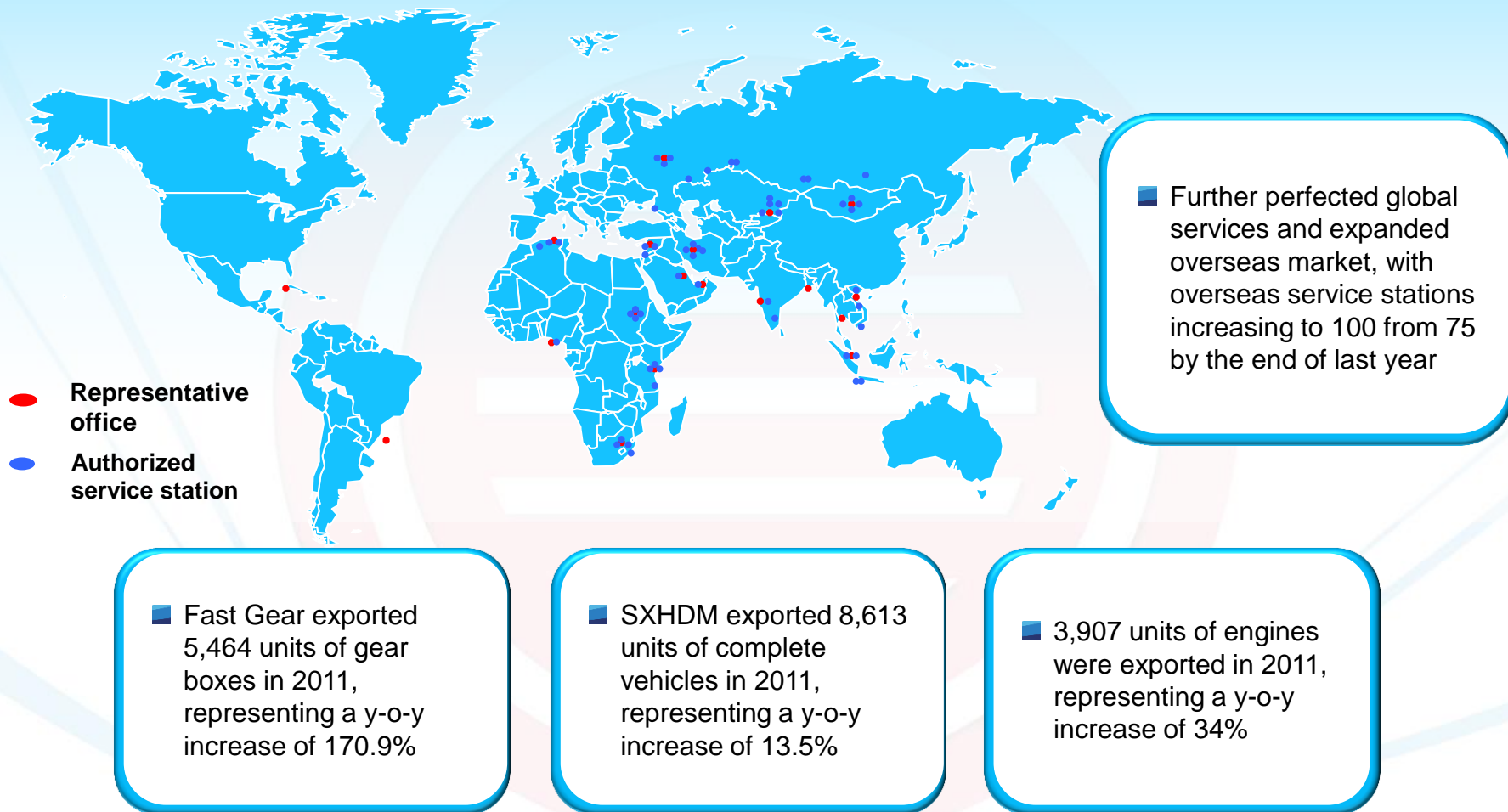
- Accredited by the Ministry of Science and Technology as one of the nation's most innovative enterprises; nominee of National Torch Plan Key High-tech Enterprises
- Shaanxi Fast Gear became the first enterprise to have met national military requirements and to be qualified to produce military equipment
- R&D building and lab center commenced operation; R&D laboratory for engines at internationally leading standards
- “Landking” II engines saved more than 10% oil comparing with similar products in China
- 3 research achievements of WP5 diesel reached advanced world standards

New Energy Business – Based on Long-term Plans & Leadership in the Green Economy

- Sales of high-speed commercial vehicle gas engines reached 6,700 units, representing a y-o-y increase of 156%, winning a market share of more than 50%
- Weichai Power's products using new energy technologies went into volume production, with economical efficiency up 30%, discharge amount and costs both down 30%
- SXHDM CNG and LNG HDT owned a number of technology patents and filled the gap in China's gas HDT field; LNG's endurance surged to over 2,000 km from around 200 to 300 km



International Market - International Business Hit Record High with Well-established Global Network



“Talent First” Project – Establishing International Talent System with A Global View



Introduce Global Talents

- Attracted nearly 50 international senior talents to join Weichai
- Attracted 966 talents in 2011, 2 of whom entered national “One-Thousand Talents Scheme”

Optimize Environment for Talents

- Deployed specialized teams, set up customized research institutions, financed special supporting funds, and created excellent working and research environment for the introduced senior talents



Emphasize Incentive Policies to Retain Talents

- Encouraged talents both physically and spiritually, and set up complete talent incentive system
- Launched “Incentive guidelines for Science and Technology Talents”

Industry Overview

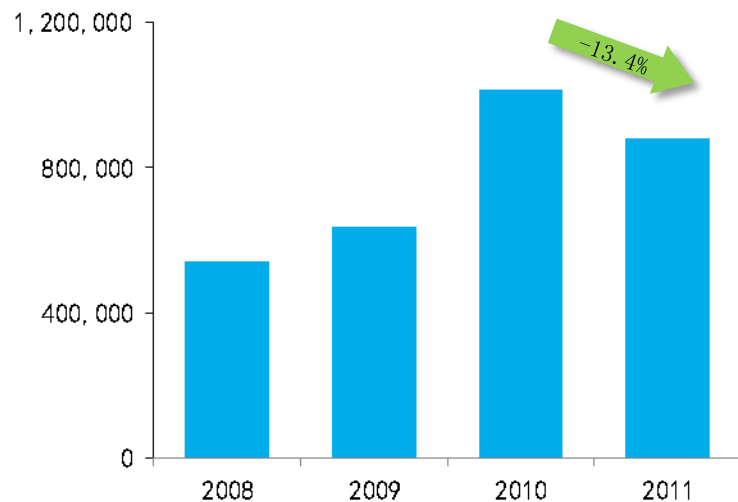
Industry Policies

Policies	Details	Impact
“Eight Measures to Stimulate Logistics Development”	<ul style="list-style-type: none"> Includes tax reductions for logistics enterprises, reductions on bridge and road tolls, increased land support for logistics industry, etc 	<ul style="list-style-type: none"> Improved clients' profitability, increased road transport competitiveness, improved logistics efficiency, benefitting HDT the most
“Road Safety and Protection Measures”	<ul style="list-style-type: none"> Drivers are required to stop working in transport if found to overload three times in one year; the license of the transporting vehicles will be revoked if found to be overloaded three times in one year 	<ul style="list-style-type: none"> Tremendous impact on industry sales volume, structure, transportation volume and freight fees; overloading will be managed effectively in medium to long term; lowering transport capacity of the single vehicle while increasing demand for new vehicles
“Diesel Fuel Emission Standard on China IV Vehicles”	<ul style="list-style-type: none"> China IV emission requirement for commercial vehicles will be implemented on July 1, 2013 	<ul style="list-style-type: none"> Drove the industry to develop towards electricity controls and to be high-tech and high value-added
“Fuel Consumption Limit on Heavy Commercial Vehicle”	<ul style="list-style-type: none"> Specified limits are applicable to commercial gasoline and diesel vehicles with a designed capacity of 3500 kgms or above 	<ul style="list-style-type: none"> Took a substantial step in energy-savings for heavy commercial vehicles. Lightweight HDT is becoming a trend

HDT Industry – Industry Correction Emerged Due to Influence of Macroeconomics

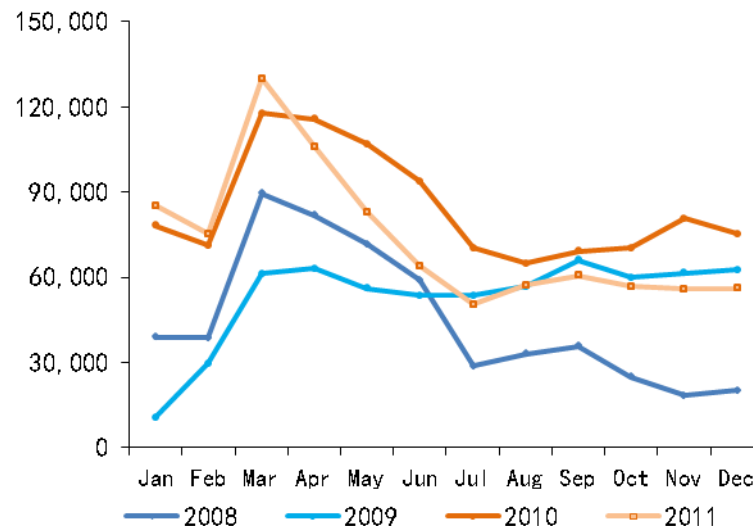
HDT Industry Yearly Sales Trend

Unit



HDT Industry Monthly Sales Trend

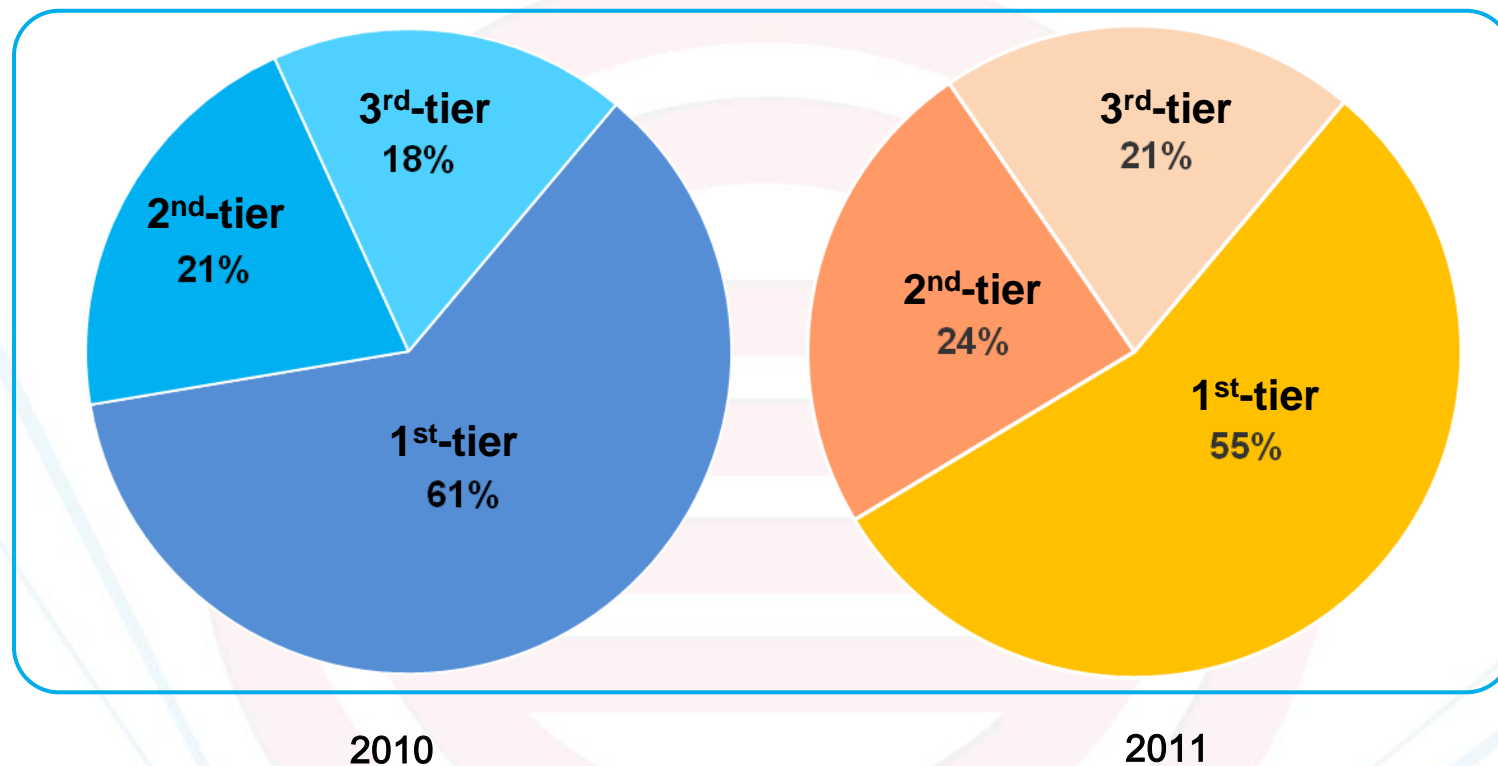
Unit



Source: China Association of Automobile Manufacturers

- Tightening macroeconomic policies, industry reforms and lagging effects after the rapid growth of HDT industry in 2010 and in the first quarter of 2011 resulted in a decline in the HDT industry
- In 2011, sales of HDT reached approximately 881,000 units, down 13.4% y-o-y

HDT Industry Layout – Concentrated Resources & Increased Market Share of Second & Third – Tier Industry Players

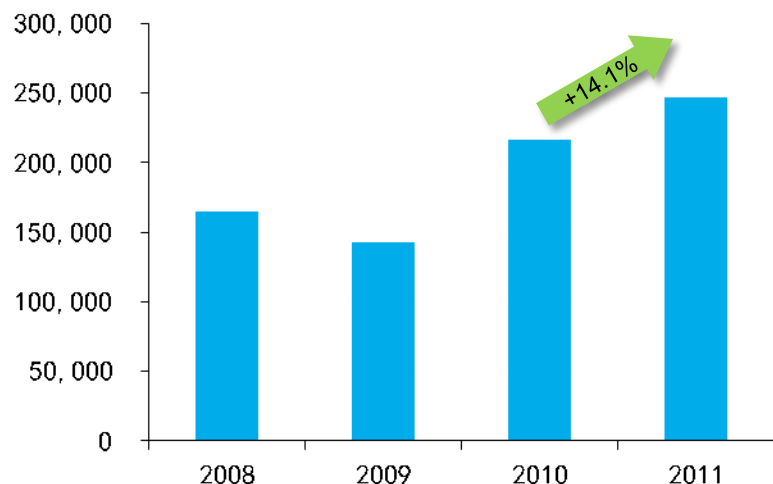


■ HDT enterprises from the second and third-tier industry player groups grew robustly and their market share continued to grow

Loader Industry – Steady Export-Driven Growth

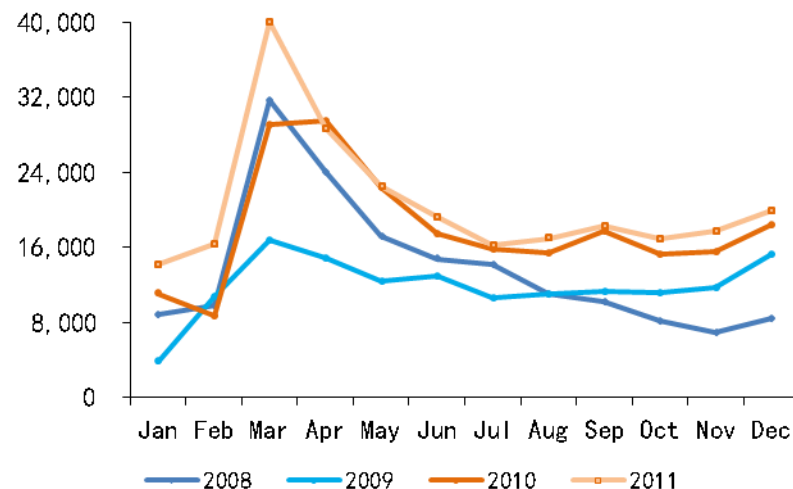
Wheel Loader Industry Yearly Sales Trend

Unit



Wheel Loader Industry Monthly Sales Trend

Unit

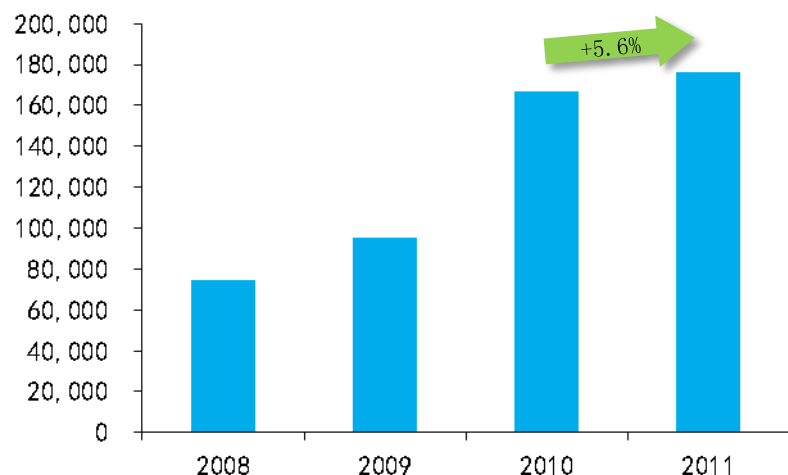


- Strong demand in overseas markets drove the steady growth of the wheel loader industry
- Annual sales of wheel loader reached approximately 247,000 units, up 14.1% y-o-y
- In 2011, exports of the wheel loader reached 25,000 units, accounting for 10% of total sales and up a significant 60% y-o-y

Excavator Industry – Sales Flat After a Rise But Steady Overall

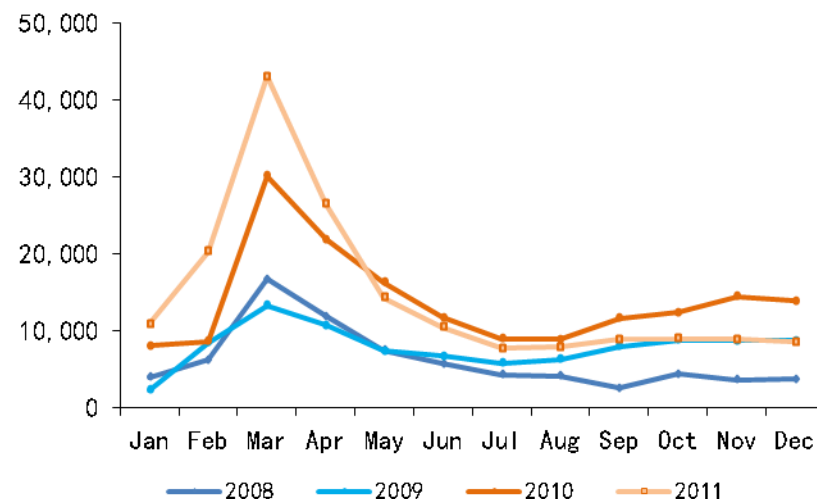
Excavator Industry Yearly Sales Trend

Unit



Excavator Industry Monthly Sales Trend

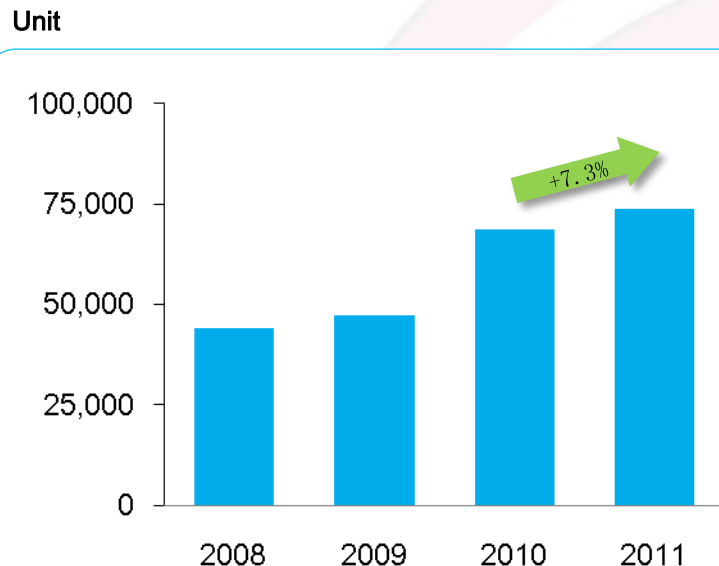
Unit



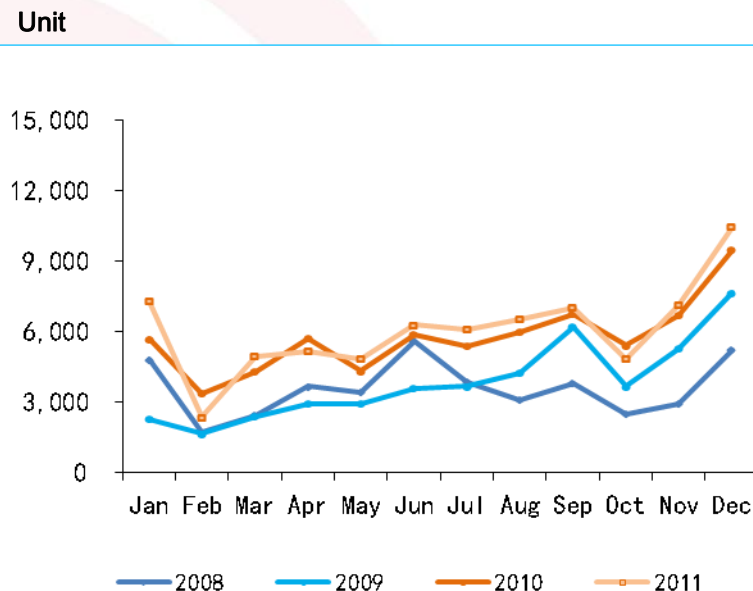
- With booming sales in the first quarter of 2011, the excavator industry recorded a new single month sales record of 43,000 units in March
- Despite a decline in market demand, sales remained stable in the second half
- In 2011, sales of excavator reached approximately 176,000 units, up 5.6% y-o-y

Large Passenger Vehicle Industry – Outshined Peers and Led the Commercial Vehicle Market

Large Passenger Vehicle Industry Yearly Sales Trend



Large Passenger Vehicle Industry Monthly Sales Trend



- Large passenger vehicle industry maintained growth as it benefited from the growth of urban public transportation and tourism markets
- In 2011, sales of large passenger vehicle reached approximately 74,000 units, up 7.3% y-o-y

Outlook & Strategies

2012 Macro-Economic Outlook

Global economy to recover slowly while
Chinese economy to record stable growth

Global Economy

- Greek problems remain unsolved. Debt crisis is about to cripple European economy for long time. US economy hit bottom and all economic data is improving
- Soaring raw material costs across the globe, fluctuating crude oil prices with Middle East situation added more uncertainty
- Growth of emerging economies slowed and their effects as growth momentum declined

Chinese Economy

- Maintaining stable and rapid economic growth with a theme of “making progress stably”
- Keeping the consumer price level generally stable
- Stepping up government support for projects that improve people’s well-being
- Pushing forward the strategic restructuring of the economy
- Continuing proactive fiscal yet prudent monetary policies

2012 Industry Outlook

Factors

■ Stable growth of China's economy and construction of infrastructure and civil works drive market demand for HDT. Rising raw material prices, rigorous real estate policies, policies to curb inflation, appreciation of the RMB and intensified international competition exert pressures on the growth of HDT market

■ Strong demand for housing, the acceleration of urbanization and industrialization, increased investment from private sector, as well as further implementation of Exploration in the West will drive market demand for a long time. However, overall investment in 2012 may slow

■ Huge potential in public transportation market, ongoing urbanization, and booming tourism stimulated by rising purchasing power continued to drive growth of passenger vehicle market. Competition from high-speed rail disperses market demand

Outlook

■ HDT market to enter a period of steady adjustment with total sales fluctuating slightly at high levels

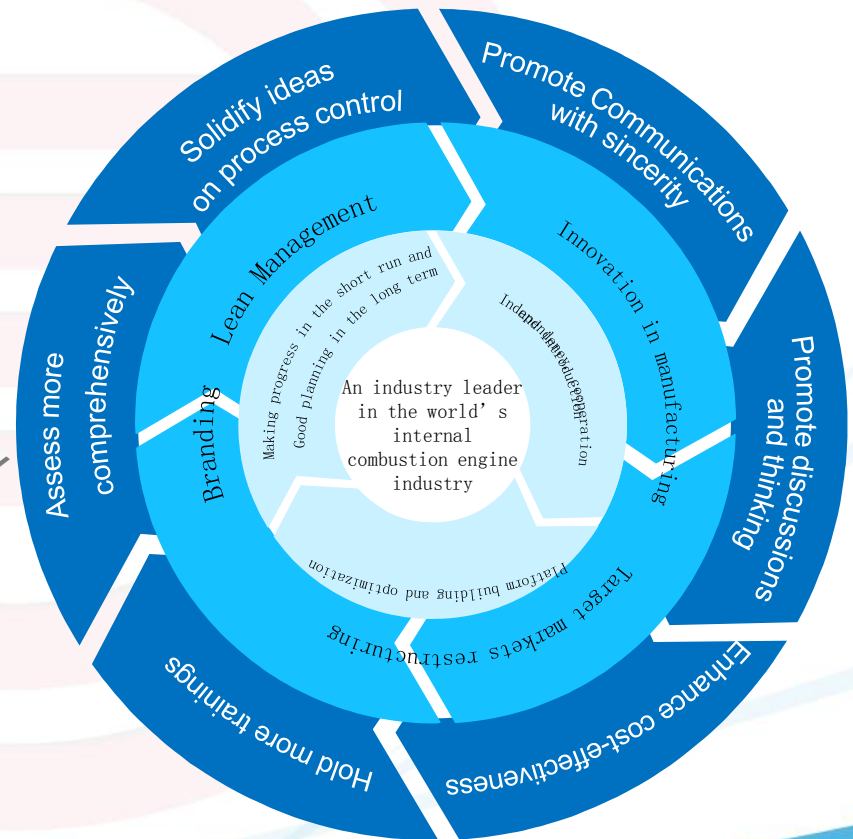
■ Engineering machinery market to maintain growth momentum and to deliver steady growth

■ Passenger vehicle market to maintain steady growth

2012 Company Outlook

Leverage “Product Year” to comprehensively enhance the quality of operation

- Launch “Product Year” campaign to strengthen core competencies, with focus on “**One** target, **Three** integrations, **Four** breakthroughs and strengthening of **Six** items”



2012 Company Outlook

Achieve breakthroughs in internalization by taking advantage of inter-industry synergy

Build a global sales and marketing system

To consolidate the subsidiaries' marketing and service resources across the globe; to explore the feasibility of building a unified management platform for overseas businesses; as well as to push forward the construction of a service network based on different countries' characteristics.



Expand into huge overseas markets

To leverage advantages of brand synergy to be a pioneer in opening overseas factories in mature markets such as Southeast Asia and to proactively push forward preparation for opening factories in Russia, East Europe and South America, in an effort to recognize local manufacturing.



Thanks!