

WEICHAI POWER

2013 Interim Results

August 2013





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Agenda

- Financial Highlights

- Business Review

- Industry Review

- Outlook and Strategies

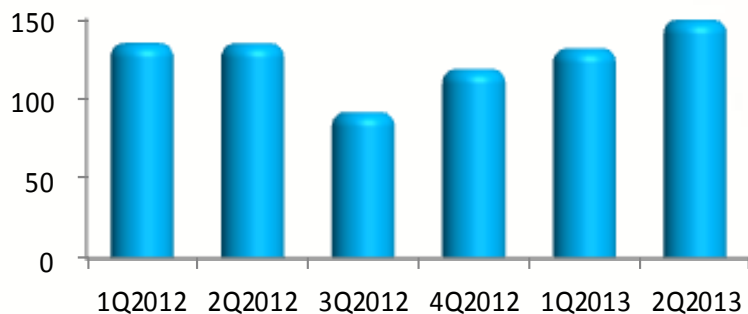


Steady Improvement in Profitability



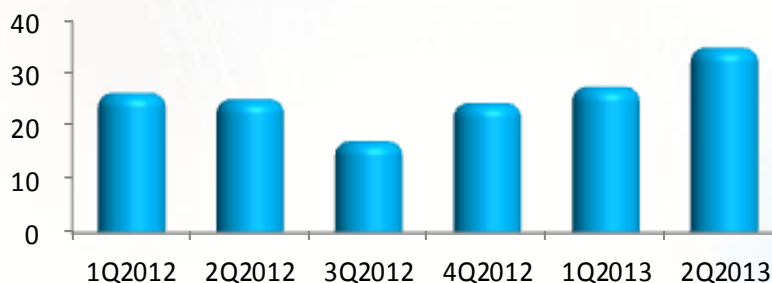
Revenue

Unit: RMB 100 million



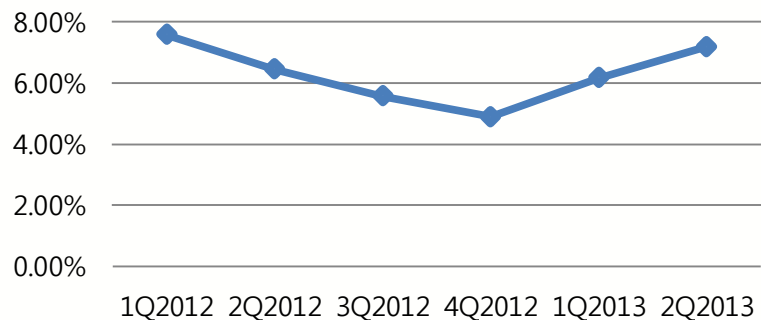
Gross Profit

Unit: RMB 100 million



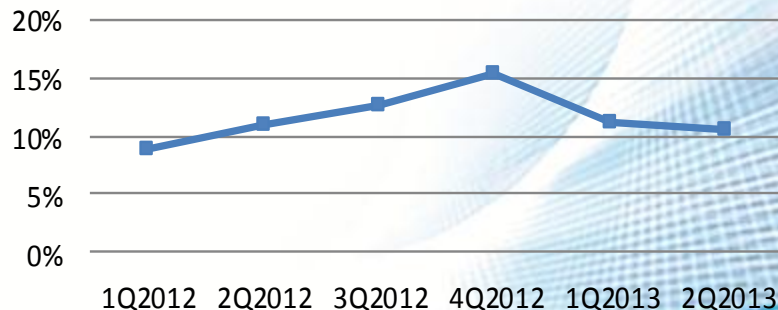
Net Profit Margin

Unit : %



Three fee to Revenue Ratio

Unit : %



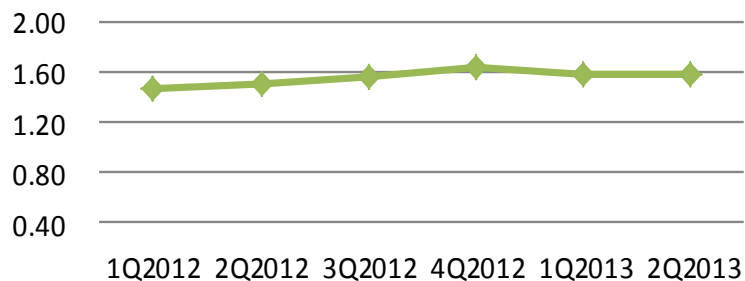


Continued Improvement in Operational Capability



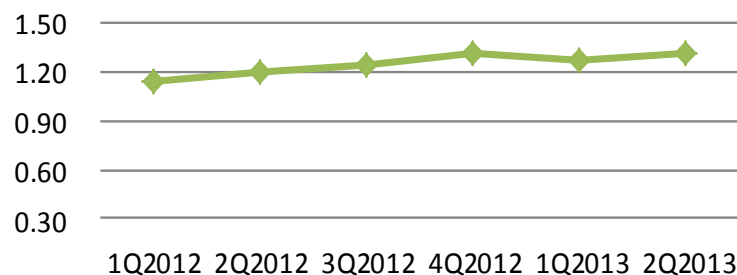
Current Ratio

Unit : %



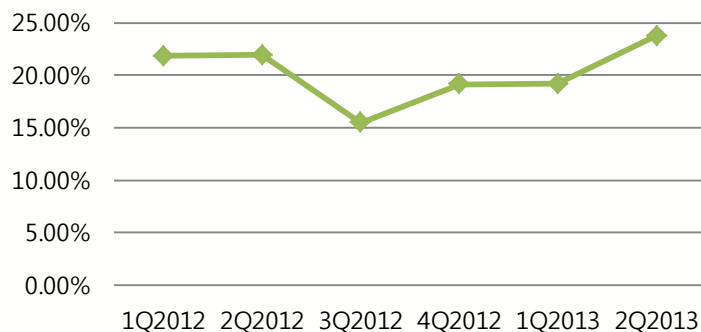
Quick Ratio

Unit : %



Asset-liability Ratio

Unit : %



Net Asset – Revenue Ratio

Unit : %





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Core Businesses - Maintain Advantageous Position in Traditional Market

Engine

Units



Gearbox

Units



HDT

Units



Axle

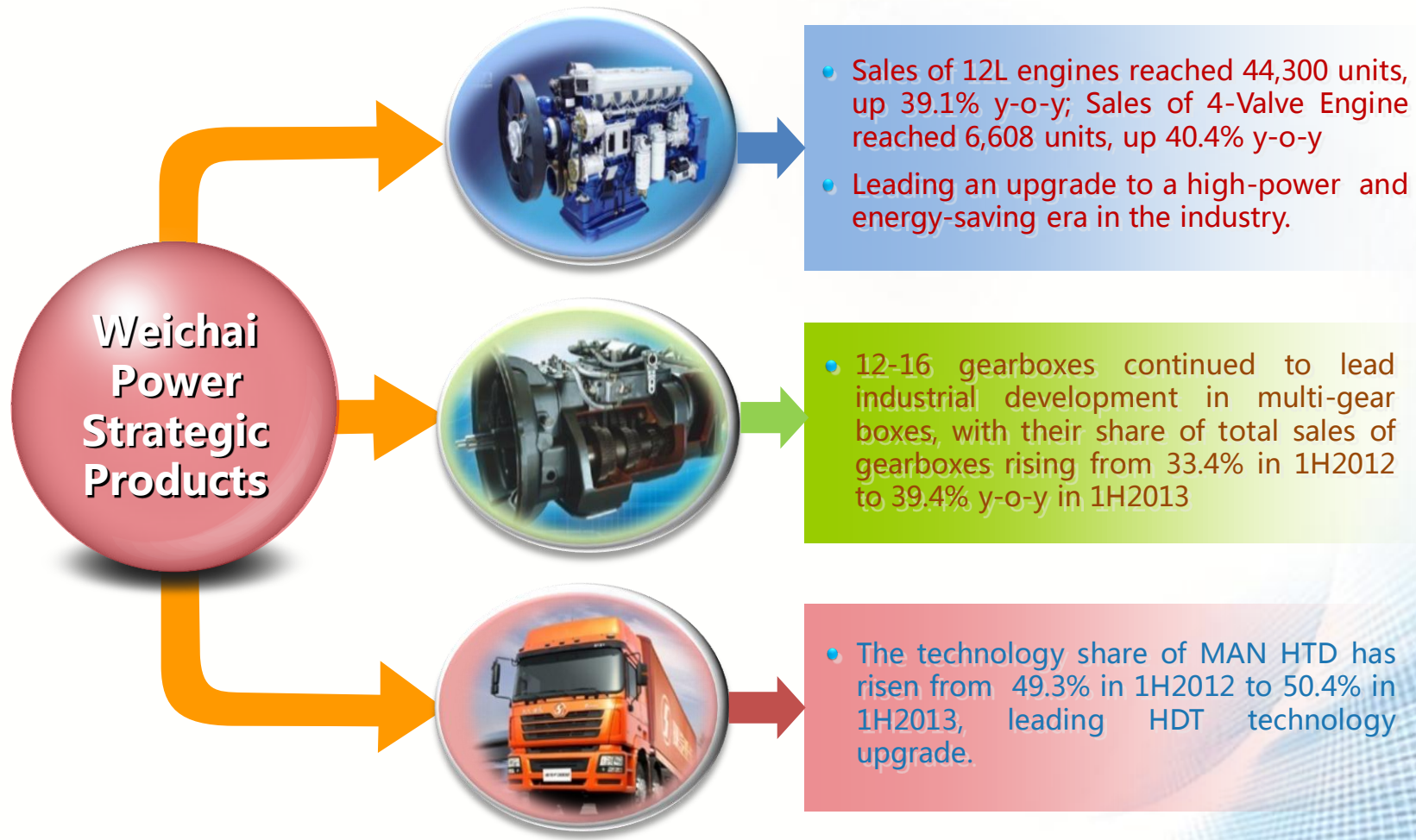
Units



- In 1H2013, sales of engines reached 214,900 units, among which sales of HDT(14+ tons) engines reached 155,100 units, a year-on-year increase of 22.7%, with market share of 38.5%; wheel loader engines with load capacities of 5 tons reached 41,900 units, a year-on-year increase of 5.9%, with market share of 67%; sales of medium-sized and large-sized passenger vehicles engines reached 9,100 units, a year-on-year increase of 3.8%, with market share of 11.6%
- Fast Gear sold 320,400 units of gear boxes, a year-on-year increase of 23.1%
- SXHDM and Hande Axle stepped up R&D efforts and optimized product mix to record sales of 47,000 units and 187,300 axles respectively, a year-on-year increase of 0.5% and 16.6%, both outperforming their industry peers



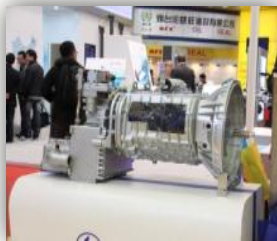
Strategic Products – Leading the Future by Ushering New Industry Era





New Products –Ramping Up Market Presence to Meet Diverse Needs

- Newly developed S-gearbox performance indicators can be compared to similar foreign products
- Non-HDT gear boxes accounted for 12.5%, up more than 2.5 percentage points y-o-y.



- Sales of WP5, WP7 diesel engines reached 4,205 units, up 55.3% y-o-y, entered auxiliary product market for passenger vehicles, MDT and HDT;
- Gradual localization of Mouteurs Baudouin's engine production, starting to produce ancillary on ships and power generation field, increasing growth prospects.



**Weichai
New
Product**



- Sales of natural gas HDT reached 5,611 units, up 136.2% y-o-y, ranking No. 1.



Technology Innovation - Advanced Technology Constantly Emerging Through Further Investments



- The Company project 《Key technology and industrialization of heavy-duty high-speed diesel engine》 of Weichai was awarded the second prize of National Science and Technology on 18 January 2013, breaking the stranglehold by foreign technology

- “National Power Assembly Technology Research Center of Commercial Vehicle”, with total investment of over 20 bn, passed the on-site assessment by experts on 28 June 2013, providing a platform for the development of power Assembly Technology of Commercial Vehicle



Technological Breakthrough Product Innovation

The Company China IV vehicle's performance has been fully validated and qualified for launch

- Since China IV vehicle uses purification technology of particulate matter in vehicle, it can reduce over 80%PM, with lower fuel consumption than national III product and can further reduce 35% NOx after added SCR after-treatment system
- The development of China V products has completed while the development of Europe VI products is underway

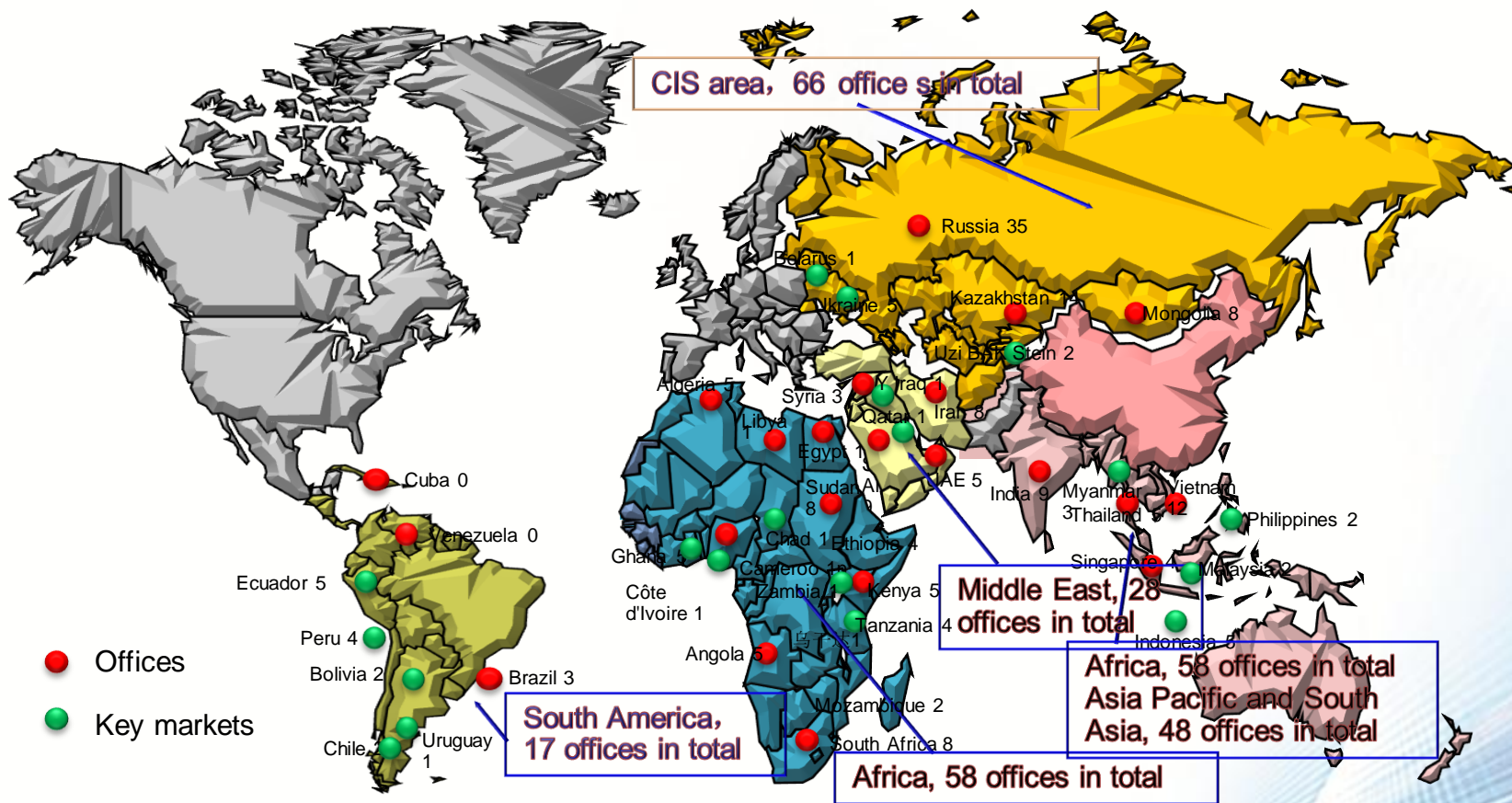


- SXHDM was recognized as one of the first “lightweight technology Innovation Strategic Alliance Innovation base” in China by Automobile Lightweight Technological Innovation Strategy Alliance in 2013





Export Market - International Business Reaches New High by Perfect Global Network

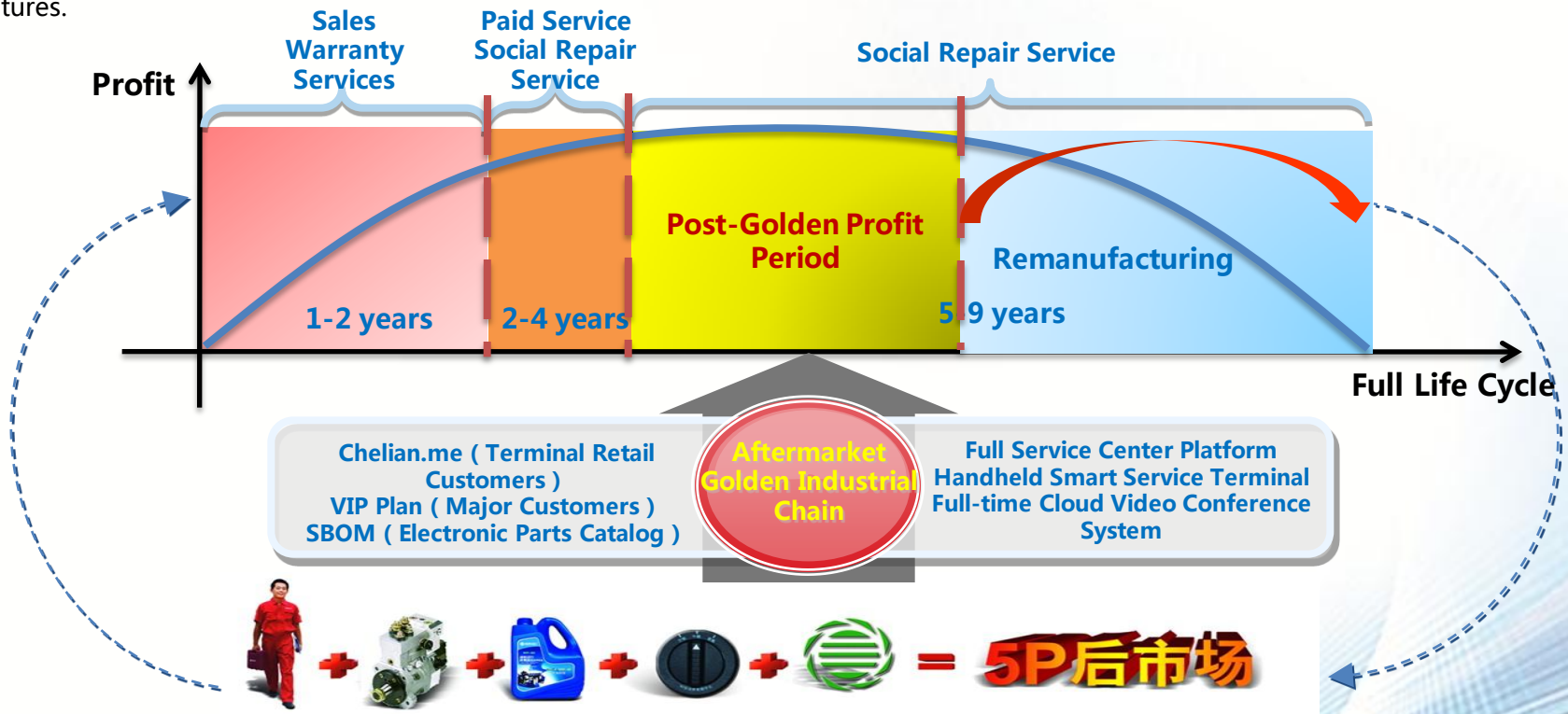


- Export recorded steadily growth in 1H2013. 5,580 units of 2-4L engine exported, up 36-fold y-o-y; 5,309 units of fast gearbox exported, up 94.3% y-o-y
- Weichai has built a worldwide international network with overseas offices increase to 29, overseas service station to 217 as well as selling product to international market
- Signed agreement with the Myanmar government on export technology and provide service. The agreement achieved not only exporting product, but also exporting service and technology ;
- Vietnam Changhai Auto Ancilliary Company produced 300 engines. This is another success experience to open up a overseas engine factory, following by the set up of AM ICO in Iran.



After-Market Services- Full Life Cycle With Refinement Of New Business Model

Adhere to the operating philosophy of "Strategic guidance, channel sharing and win-win development". Leveraging the upgrade of "full life cycle" service and enhancement of industry chain value, it has established an aftermarket business model with its unique "Weichai" features.



Privileged Service + Proprietary Accessories + Private Oil + Patented Technology Products + Professional Remanufacturing

- In 1H 2013, sales of remanufactured engines reached 5,956 units, up 68.92% y-o-y;
- Organized 286 events for launching "Product introduce to customers in domestic aftermarket" in the first half of 2013;
- Currently, a total of 613 franchise parts stores have completed the declaration. Among them, 479 stores received approval: and 106 stores have started operation



New Energy Industry – Always Leading, on the Path of Continuing Industrialization

The Company's "generator-engine-transmission" green industry chain provides new energy automobiles with an effective system, as well as energy-saving and environmental friendly power.

● Industrialization of Powertrain

The Company has undertaken the country's technological support scheme "Development of Parallel Hybrid Power System for Commercial Vehicles", which offers the latest developed new energy sanitary vehicles. Power for the sanitary vehicles is generated by the hybrid powertrain which features the generator-engine-AMT. The Company successfully carried out trial operations on the new vehicles and laid a foundation for the industrialization of new energy powertrain.

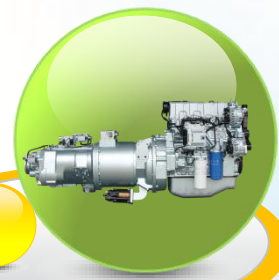


**Sanitary Vehicle
with New Energy
Powertrain**

● Independent Research and Development of Core Technology

Independent development of HCU: HCU software, a hybrid power powertrain controller system, has a significant influence on gasoline saving rate and overall performance of automobiles. The successful development of HCU shows that the Company has mastered the core technology of developing the hybrid powertrain controller system.

Independent development of TCU: TCU software is the core of hybrid power AMT controller system. It successfully controls AMT to realize the function of shifting between automatic and manual mode.



WN20 Powertrain

● Outstanding quality of products

Shaanxi Heavy-duty Automobile Co., Ltd. is the only production company in China that realizes industrialization of new energy automobile and carries out scientific research and development of new energy heavy-duty trucks. LNG heavy-duty trucks include heavy-duty trucks of all kinds, with a driving distance of over 2000km. The trucks are light-weight with low gasoline consumption, low cost and low pollutant emission. They pass the European ECE-R29 strict collision test and the "three highs" experiment.



**LNG Truck-load of Shaanxi Heavy-duty
Automobile Co., Ltd.**



Brand Communications – Enhancing international brand image

The Company places great importance on brand influence and internationalization, and boosted its global influence through cross-border M&A and strategic alliances with leading global quality enterprises. It also actively enhanced its global brand image through overseas exhibition and media outreach.



- In 28 June 2013, KION Group was successfully listed on the Frankfurt Stock Exchange in Germany. By raising its stake in KION to 30% of the total equity after listing, the Company stepped up its globalization.



- On 11 April 2013, the Company established a strategic alliance with Scuderia Ferrari, and became a sponsor of the Italian Formula 1 team. Through the sponsorship, the two companies may partner in a number of cooperative projects to further enhance mutual benefits beyond brand cooperation.

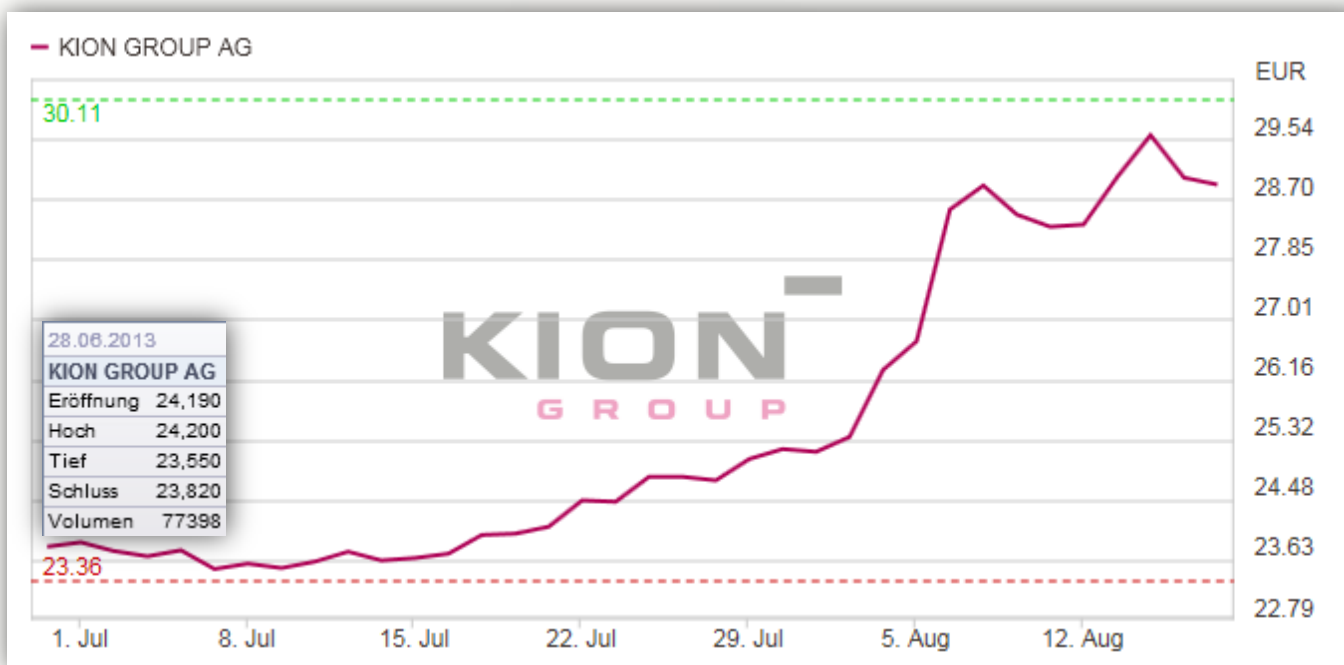


- Focusing on “brand globalization” , the Company participated in BUAMA exhibition and media outreach, organized a campaign and product fair on the theme of “Serving Indonesia for 30 Years by Weichai” and participated in more than 10 other overseas exhibitions to actively enhance its global brand image and influence.





Capital Operation — KION Listing Successfully



Share Price Continue Rising

- Investors remain bullish on KION development and outlook amid economic downturn in Europe ;
- Share price of KION continue rising to record high €30.105 after listed on 28 June and outperform of the market.

Fully Advance Synergy

- With the advantage of Asia-Pacific market, the Company realize the synergy development with KION ;
- KION plans to record €8 billion revenue by the end of 12th Five Year Plan and ranked 500 in the world.



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Industry Policies

"Diesel Fuel Emission Standards on China IV Vehicles"

- Delayed implementation of China IV emission requirement for commercial vehicles;
- 20 regions and cities required registered heavy diesel vehicles to meet China IV emission standards

"Provisions on the Standards for Compulsory Retirement of Motor Vehicles"

- Effective 1st May, 2013 onwards, four compulsory retirement requirements were specified.

"School bus safety regulations" , "dedicated school bus manufacturers and product access management rules"

- Focusing on the safety of school buses, subsidies for the purchase and operation of school buses will be implemented in the third quarter of this year

"Guidance on the priority to the development of urban public transport"

- Public transport accounts for about 60% of motorized vehicles by raising ownership of urban public transport vehicles; funds for developing public transport are included in the public finance system to focus on ramping up purchase of vehicles and equipment updates

Impact

- Industry growth targeted at electronic controls, as well as low-energy and low-emission operations
- Rising procurement costs would inevitably lead to demand for large buses

- Facilitates phasing out of obsolete vehicles
- Further drives after-market consumption such as automobile maintenance and repair

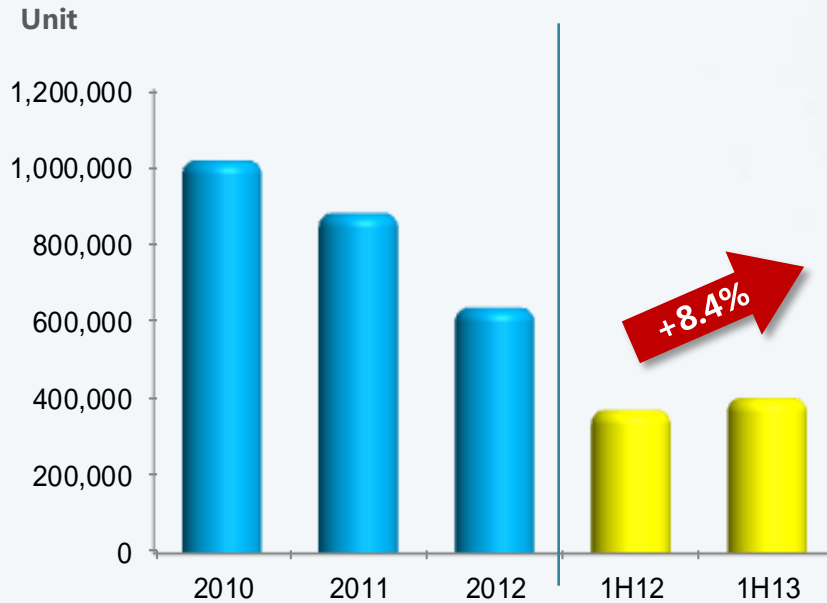
- Overall market production value of school buses is about RMB400 billion. Implementation of regulations will let school bus market enter high growth phase

- Increasing investment returns while growing demand for HDT

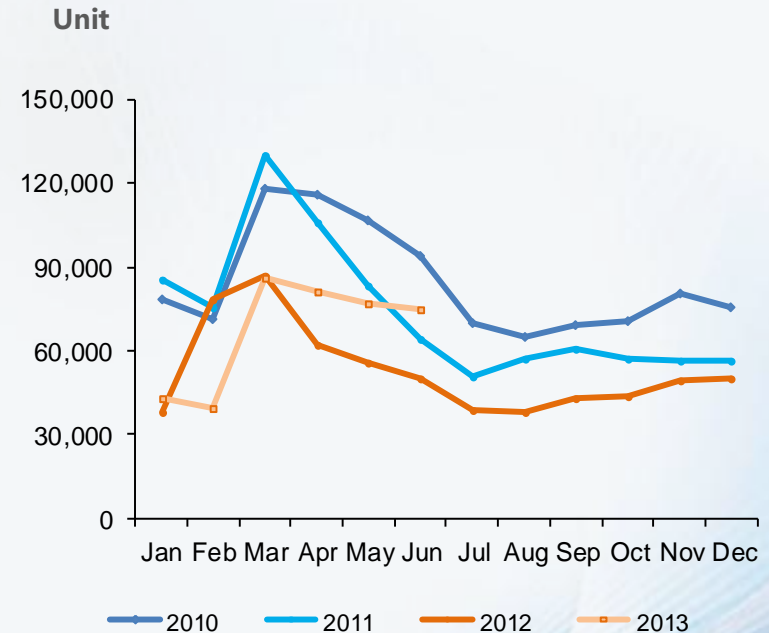


HDT Industry – Multiple factors contributed to industrial recovery

HDT Industry – Yearly Sales Trend



HDT Industry – Monthly Sales Trend



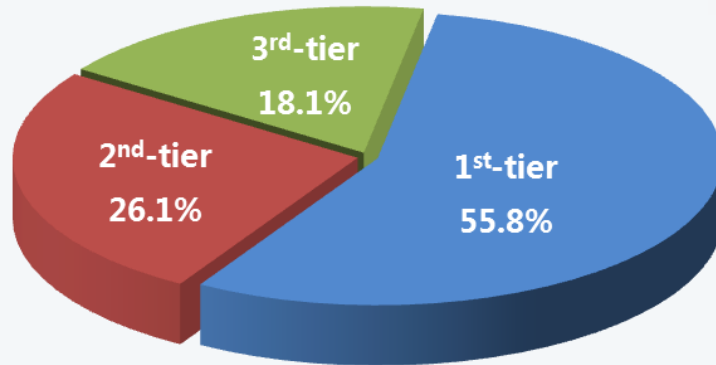
Source: China Association of Automobile Manufacturers

- Given the favorable factors such as the HDT vehicle market gradually entering the replacement cycle and the advanced consumption driven by implementation of China IV Emissions Standard in 2010 and 2011, demand in the HDT industry started to recover in 1H 2013;
- In 1H 2013, sales of HDT reached approximately 402,700 units, up 8.4% y-o-y.

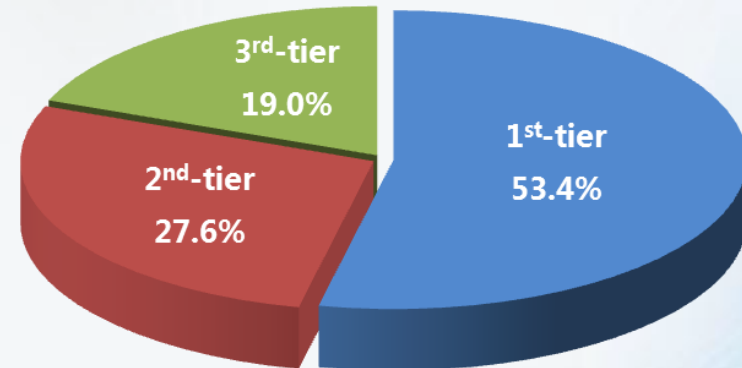


State of HDT Industry – Market share of second-, third-tier industry players up

1H 2012



1H 2013



Source: China Association of Automobile Manufacturers

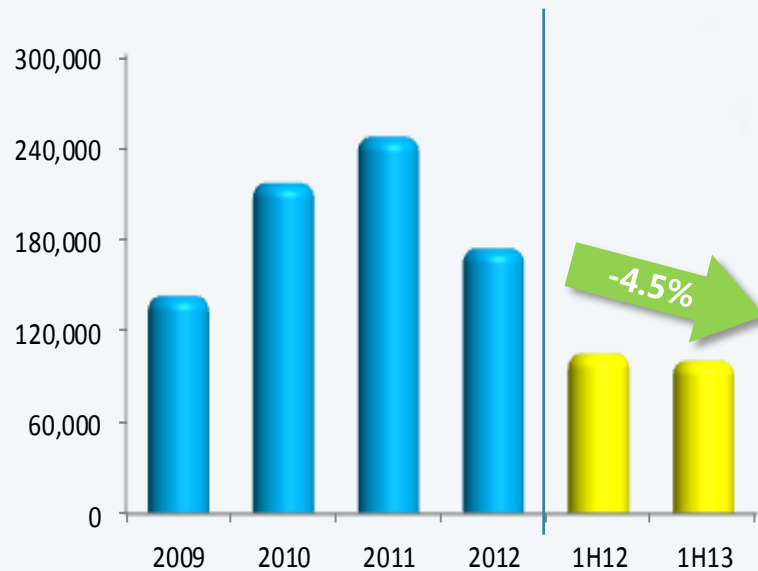
- In 1H 2013, the structure of HDT industry underwent further adjustments, with market share of second-tier industry players up 1.5% y-o-y, and gap between first- and third-tier continuing to narrow.



Loader Industry – Sluggish demand lead to sales decline

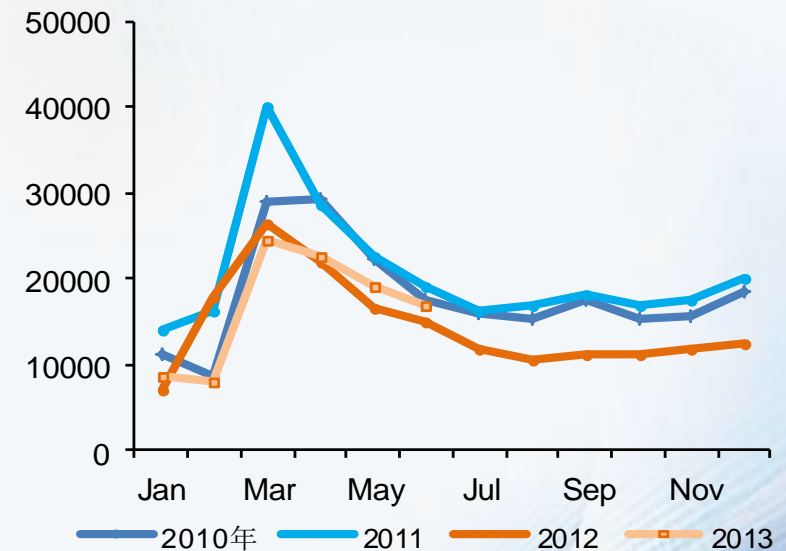
Wheel Loader Industry – Yearly Sales Trend

Unit



Wheel Loader Industry – Monthly Sales Trend

Unit



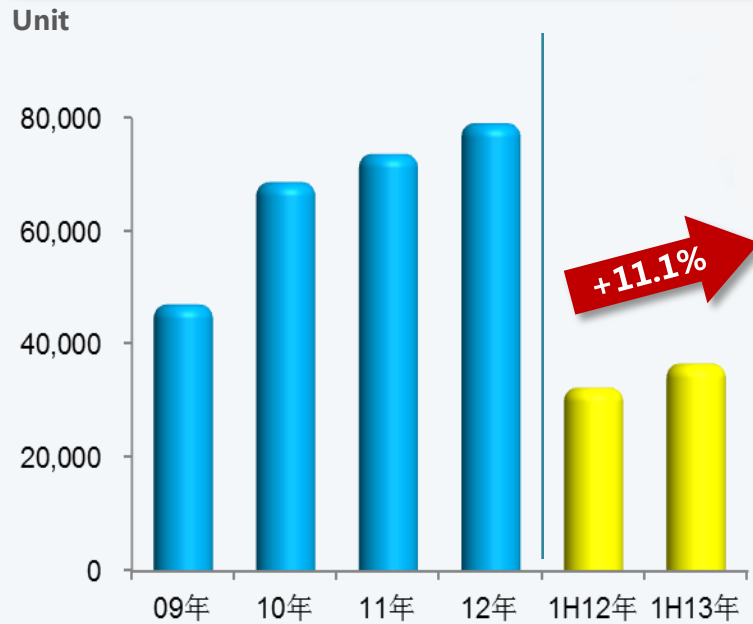
Source : <http://www.21-sun.com/>

- Decline in investment growth dragged down the overall wheel loader industry;
- In 1H 2013, sales of wheel loaders reached approximately 100,000 units, down 4.5% y-o-y



Large Passenger Vehicle Industry – Maintaining growth momentum

Large Passenger Vehicle Industry – Yearly Sales Trend



Large Passenger Vehicle Industry – Monthly Sales Trend



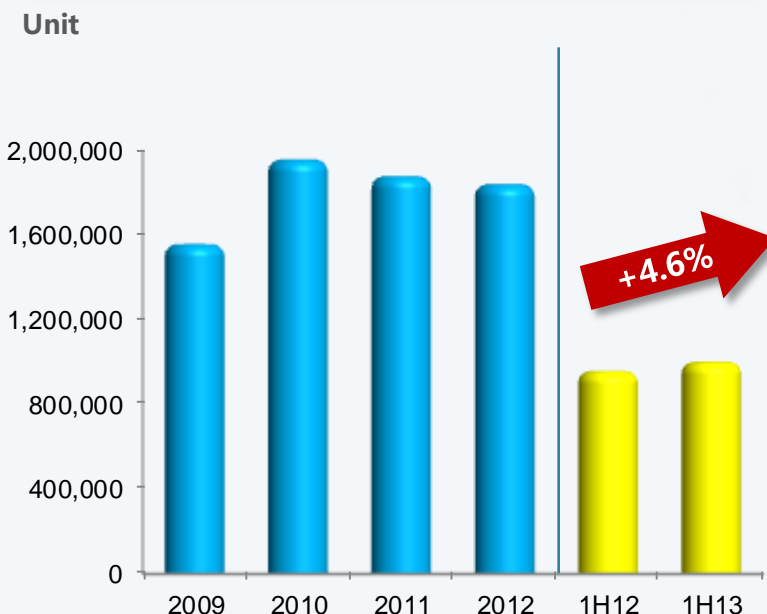
Source : Association of Automobile Manufacturers

- Sales of the large passenger vehicle industry continued growing as it benefited from urbanization and the steady growth in demand for intercity passenger transportation, tourism, urban public transportation and school bus;
- In 1H 2013, sales of large passenger vehicle reached approximately 37,700 units, up 11.1%.



Light Truck Industry – Steady growth in sales

Light Truck Industry – Yearly Sales Trend



Light Truck Industry – Monthly Sales Trend



Source : Association of Automobile Manufacturers

- Light trucks sold well, benefitting from the substitution of agricultural vehicles and vans;
- In 1H 2013, sales of Light Trucks reached approximately 1,003,000 units, up 4.6% y-o-y.



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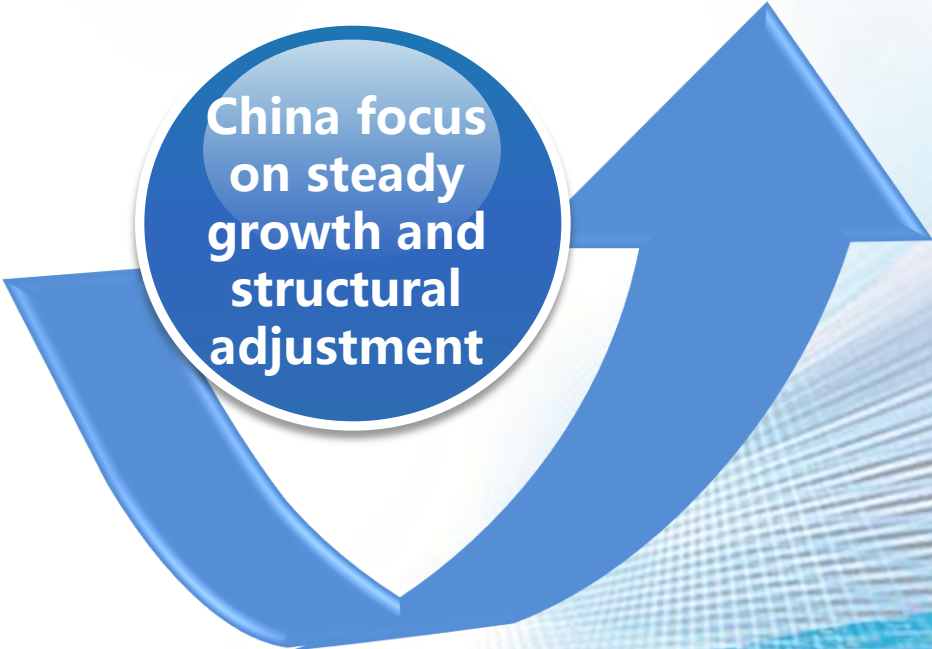
2H 2013 Macro-Economic Outlook



Complex global economy

- U.S economy continues to recover, but risks still exist;
- Eurozone economy likely to remain in recession;
- Japan economy expected to maintain recovery, but at a moderate pace
- Domestic and overseas demand of emerging market are weak and economic growth slowdown

- Annual GDP growth expected to remain at 7.5 or above;
- Continue to promote rural urbanization and urban modernization;
- Rapid growth in infrastructure and real estate investment.



China focus on steady growth and structural adjustment



2H 2013 Industry Outlook

China HDT market

Further improved supply and demand, expected growth in HDT sales

- Details of urbanization proposals expected to be rolled out during the year, bringing forth investment returns and increased demand for HDT;
- Development of municipal rail transports, affordable housings and expedition of redevelopment of shack-dwellers areas to stimulate HDT consumption;
- Policies fuelling domestic demand are being formulated on an ongoing basis, leading to stronger flow of goods and rising demand for HDT

China construction machinery market

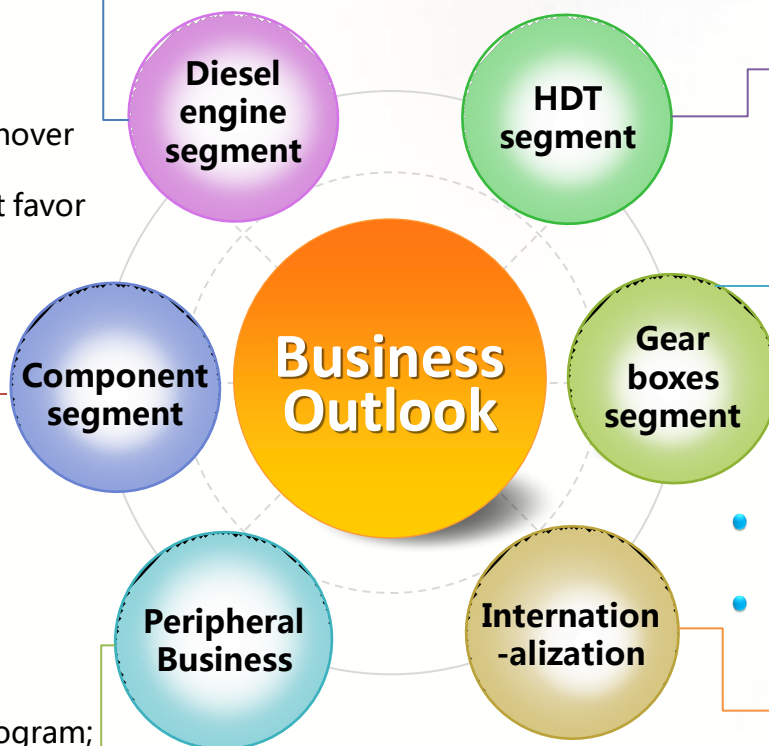
Market recovery brought greater positive momentum

- Rapid growth in infrastructure and properties investment;
- Self-use housing demand remains robust;
- Ongoing municipal construction projects such as hydraulic projects;
- Further development in urbanization construction investment



2H 2013 Business Outlook

- Deliver products with top-notch competitiveness in terms of cost, technological sophistication and product quality;
- Prepare for production and product marketing in compliance with China IV Emission Standards;
- Foster cost saving and efficiency enhancement by cutting admin. expenses, improving inventory turnover rate, strengthening technological processes and other measures that favor cost reduction
- Step up research and innovation, enhance core competence of our products;
- Take full advantage of the interplay synergies between component business segment and engine business segment
- Promote "Vehicles' Link with Me" project;
- Establish catalogue for after-sales electronic components (SBOM) program;
- Step up distribution in accordance to the full life-cycle concept



- Expedite research into new generation of heavy-duty trucks to boost technological content of these products, and in preparation for subsequent growth.
- On the back of the successful formulation of the "S Gearbox", continue to step up efforts in research and development to achieve new breakthroughs
- Enhance global brand image through M&A;
- Expedite expansion of overseas markets, with emerging markets as key development

WEICHAI POWER

Thanks!

