



WEICHAI POWER
2014

Interim Results



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Agenda

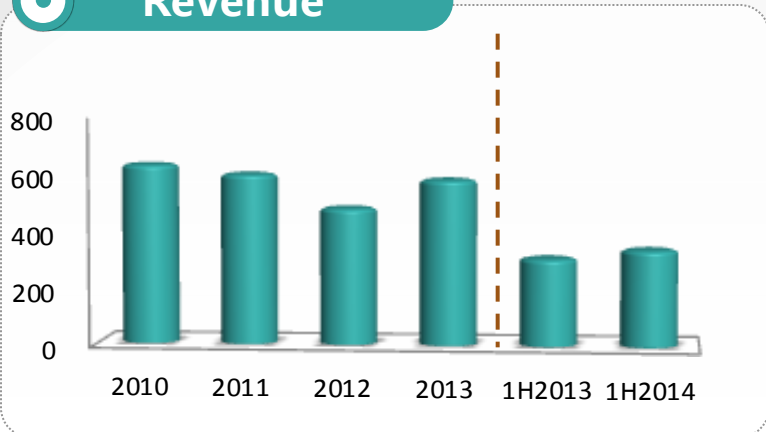
-  **Financial Highlights**
-  **Business Review**
-  **Industry Review**
-  **Outlook and Strategies**



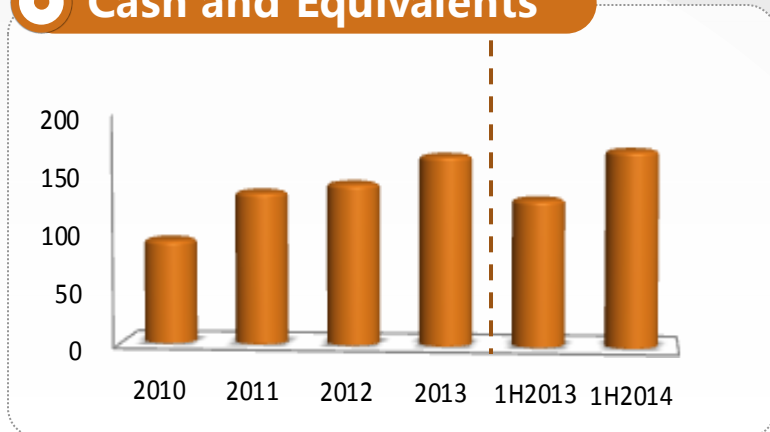
Greatly Strengthened Business and Scale

Unit: RMB 100 million

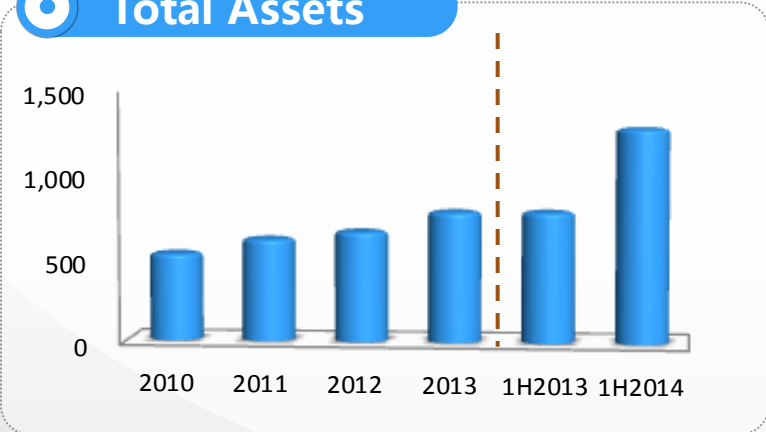
Revenue



Cash and Equivalents



Total Assets



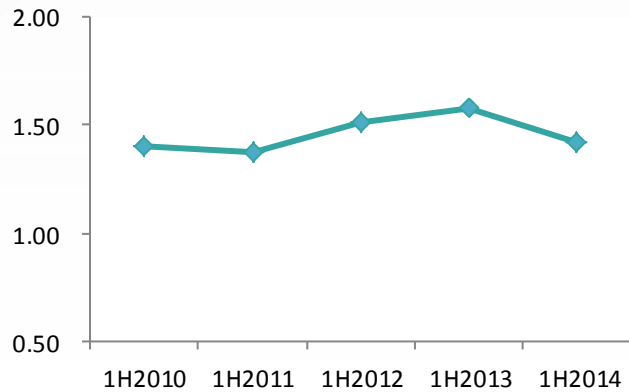
Net Profit Attributable to the Shareholders of the Parent



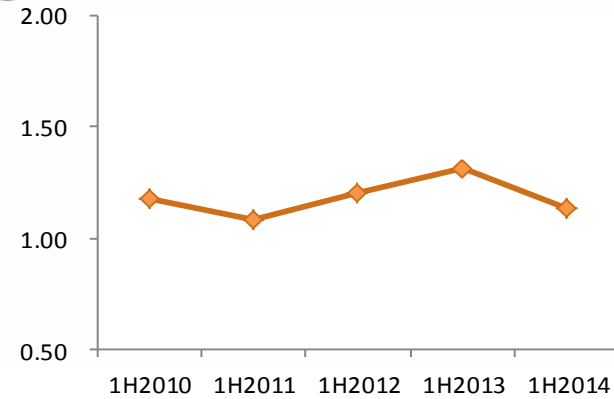


Operational Capability Steadily Improved

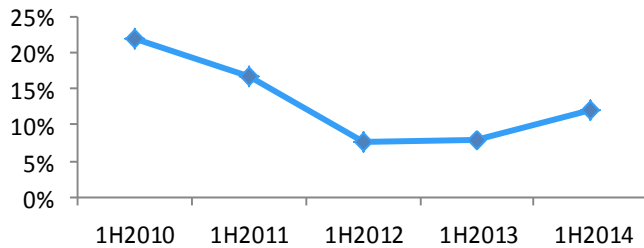
Current Ratio



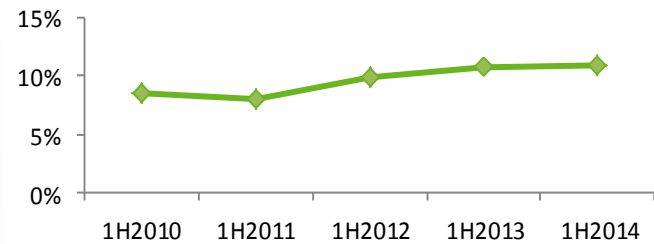
Quick Ratio



Asset-liability Ratio



Three Costs to Revenue Ratio





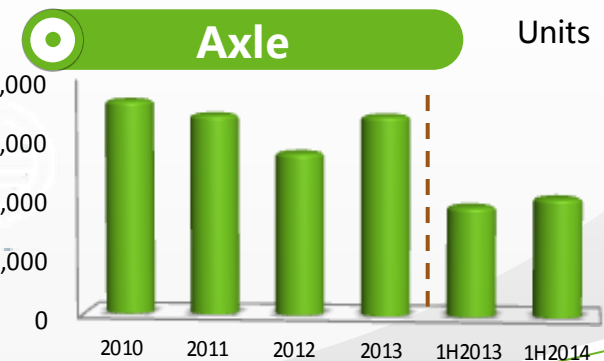
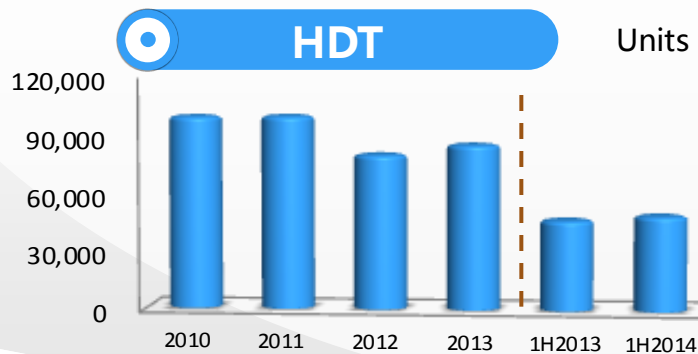
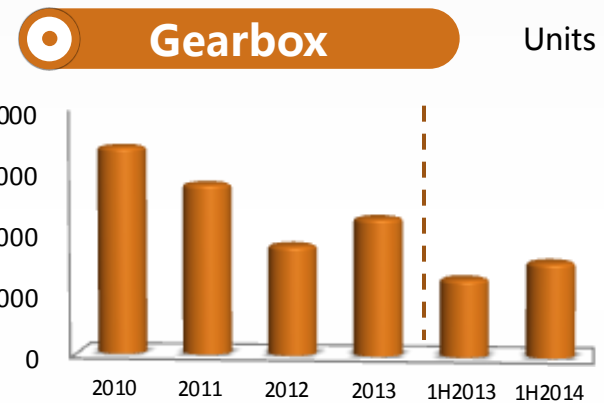
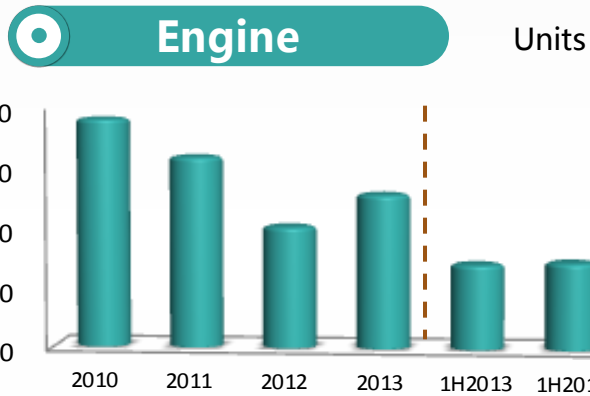
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Core Businesses — Full Recovery; Reinforced the Leading Position

- Sales of engines reached 220,800 units representing a year-on-year rise of 2.7%, of which sales of HDT (14+ tons) engines reached 168,300 units, with a market share of 39.2%; wheel loader engines with load capacities of 5 tons reached 33,500 units, with a market share of 60%; sales of medium-sized and large-sized passenger vehicles engines reached 10,100 units, with a market share of 14.2%;
- Fast Gear sold 390,000 units of gear boxes, a year-on-year increase of 21.8%;
- SXHDM and Hande Axle optimized product mix to record sales of 49,500 units and 202,400 axles respectively, representing year-on-year increases of 5.3% and 7.4%.





Edge Products – Leading the Future by Ushering New Industry Era

- Sales of 12L engines reached 56.7thousand units, up 28.1% y-o-y, with their share of total sales of engines rising from 20.6% to 25.7% y-o-y in 1H2014;



- Fast Gear 12-16 gearboxes reached 166.4thousand units, up 31.8% y-o-y, with their share of total sales of gearboxes rising from 39.4% to 42.6% y-o-y in 1H2014;



- MAN HDT sold 27.7thousand units, up 17% y-o-y, with their share of total sales rising from 50.4% to 56% in 1H2014.





New Products – Significant Progress and Distinguished Performance in Market

New Products



- Self-developed WP5/7 diesel engines with intellectual property rights further expanded the scope of auxiliary uses. The sales reached 7,246 units, up 72.3% y-o-y;



- Batch sales of AT and AMT automated gearboxes;
- The self-developed S gearbox, DS passenger vehicle gear boxes, fluid retarder, speed reducer, etc. are very popular among consumers;



- The newly launched M3000 passenger vehicle achieved sales of 9,675, representing an increase of 285% y-o-y.





Green Energy— A Leader in Technology and Low Pollution Emissions

R&D and Certification - Upgraded Emissions Standards

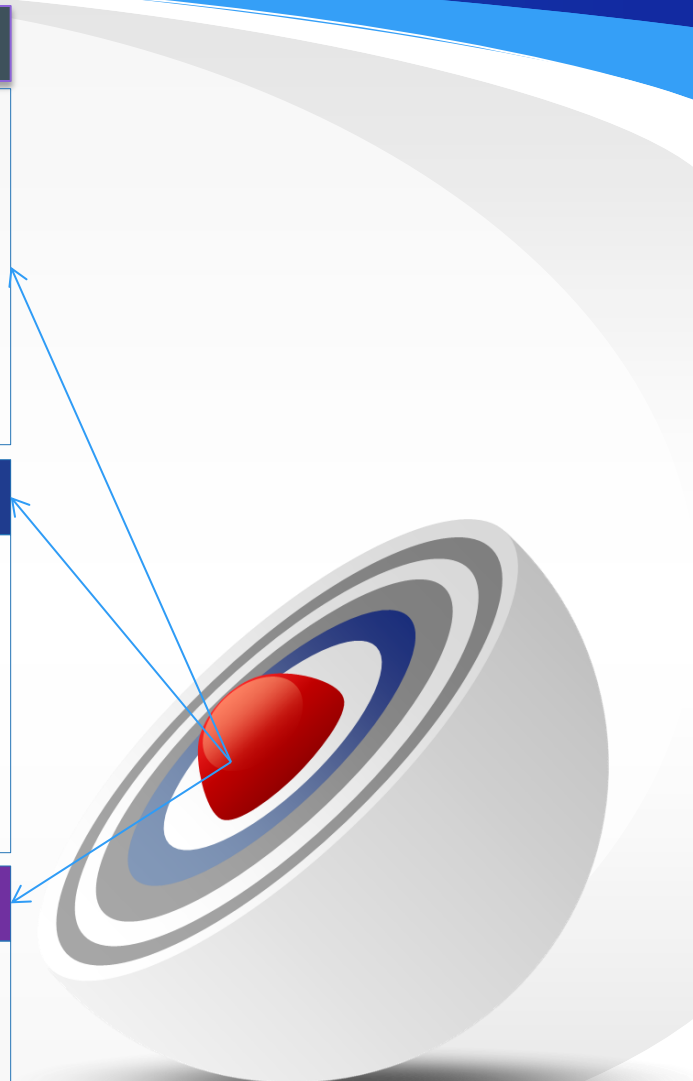
- Diesel engine with WP7 long stroke under China V standards passed domestic authentication, Germany TUV certification, and Russian GOST certification ;
- Completed all diesel engine development and authentication for China V standards ;
- Diesel engine with WP3 China IV standards completed the final design review and provided auxiliary uses for JAC light trucks ;
- Air purification company exploring asset-light model: the integration process of the five key components of resources to complete the entire China IV Basic Integrated Development and basic design of Beijing V, Euro VI standards ;

Research and Develop Electronic Control System

- Self-developed hydraulic controller passed tests with vehicle debugging ability ;
- Settled the selected suppliers under "Research on electronic control system of Euro VI engine project; the project has officially entered launch phase as the relevant development needs were confirmed;
- Number of "Zhiduoxing" users increased sharply with a full domestic coverage reached approximately 2600 sets;

Powertrain Development and Application of New Energy

- WN20 completed 2,400km trial run;
- The "commercial vehicles and hybrid construction machinery assembling" supported by Ministry of Science and Technology passed tests ;
- Bus featuring hybrid power system passed dynamic performance, economical efficiency and electric equilibrium tests.





Customer Relationship— Enhanced Cooperation to Achieve Win-Win

- Lonking and Shangdong Heavy Industry Group held a strategic alliance seminar and signed an agreement; both parties signed "strategic cooperation agreement" pushing new transformation and development alliance



23 February 2014



- Weichai Power successfully contacted Dayun Truck; the supporting coverage expanded to various products

5 June 2014



JAC
江淮汽车

LONKING 龙工

FOTON
福田汽车



XCMG
徐工集团

Early 2014

- Official strategic co-operational agreement between JAC and Weichai; Further co-operation in R&D, production and sales



4 May 2014

- Weichai Power signed new set "strategic cooperation agreement" with Foton; both will promote KDD and chain innovation, as well as the overall cooperation from China IV, V to VI Emission standards



10 July 2014

- CEO of Xugong Group Wang Min visited Weichai Power to enhance cooperation and seeking breakthroughs



After-market Services – Innovation Models Leading to Profit Growth



1 Establishing channels

- Established 83 reproduction retailers, 225 back-up centers and 839 private oils bank ;

2 Redflag 400 Fair

- As at end of July, 145 events were launched involving tens of thousands of participants; immediate orders rose to RMB 448 million, increasing the Company's increasing market share in after-market services ;

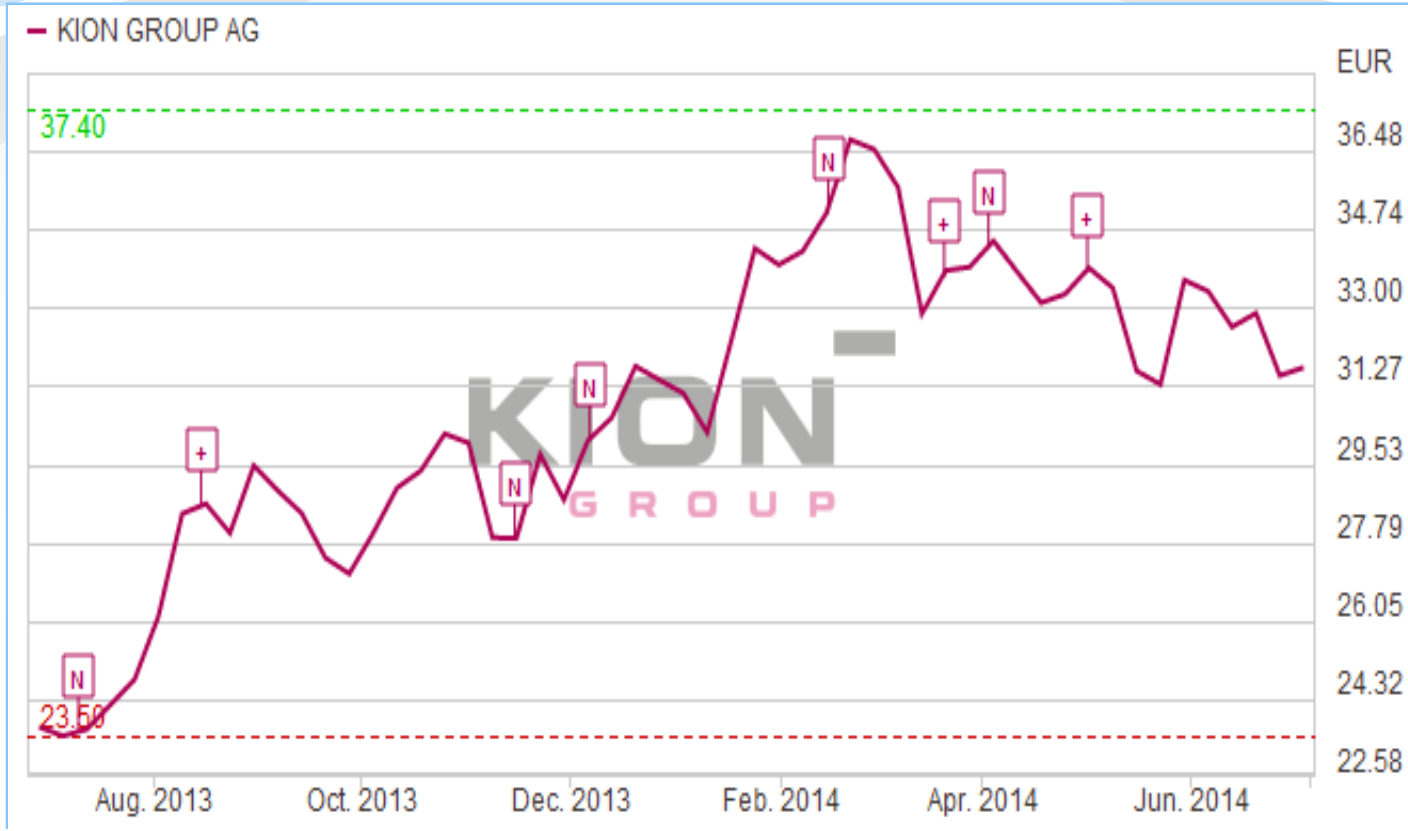
3 Autonomous Central Database

- Distributors built a central database involving 76 central libraries. The union prevents pirated copies of the products and maintains the brand.

Sales of after-market services reached 1.172 billion, up 15.7% y-o-y, with the sales of reproductions amounting to 6,668 units, up 12% y-o-y.



Consolidation of KION—Creating Synergy and Aiming for Global Fortune 500



- On 12 June, 2014, Superlift decreased its shareholding to 26.9%. Weichai Power became the largest shareholder of KION with shareholding of 60.2%, officially making it the mother company of KION;
- KION, the second largest and the largest industrial forklift truck manufacturers around the world and Europe, has been creating synergies with Weichai and making Weichai Power grow more efficiently.



Linde Hydraulics—System Planning and Exploring Asian Markets

1 Organization structure



- Integrating Xiamen's resources, improving organizational structure; Social recruitment, internal selection and overseas training in Germany;
- Promoting the establishment of Linde Hydraulic's domestic joint venture company;

2 Market development

- Held distributor conference to better explore consumer needs;
- Cooperated with Xugong to develop full static pressure loader, roller hybrid powertrain system;



3 Technology Application

- Powertrain and system integration with cultivation of excavator and loader, etc., pushing growth of R&D sector;
- Declared research projects such as "2014 industry transformation upgrading project" to set a cornerstone for better cooperation with domestic suppliers;

- Operation of plants in Xiamen: imported components, made full use of resources in Xiamen, realized localization of product assembly;
- Preparing a factory in Weifang: offer competitive prices for localized components and complete civil reconstruction plans



Construction 4



Overseas Facilities— Enhanced Facilities to Accelerate Overseas Marketing

Manufacturing with Permit —Essé, Burma

- Technical transformation with permit
- Engine with CKD
- Construction or commissioning of processing plant

Local assembly —India, Thailand

- Plant rental & layout
- Building operation team
- Purchase of facilities

Bulk packaging —AMICO, Iran & Longsea, Vietnam

- AMICO— offer auxiliary for almost 10,000 HDTs
- Longsea—offer auxiliary for almost 1,000 passenger vehicle

Less facility support —Ukraine, Belarus, Russia

- Less facility support for: —Ukraine, KRAZ and Belarus MAS, etc.
- Prototype test—Russia HTZ, etc.

**Overseas
Manufacture**
(manufacturing with
permit, localized
assembling)



Overseas facilities
(heavy trucks , coaches,
construction machinery)

- By the end of 1H in 2014, Weichai Power has a worldwide international sales and services network of 36 overseas offices and 267 overseas services stations;
- With various ways of exploring overseas market (local manufacturing and equipment auxiliary), part of the market has developed with better scale, with more potential markets ready to be explored ;
- The experience accumulated through overseas manufacturing is considered a successful model for other cross-area manufacturing.



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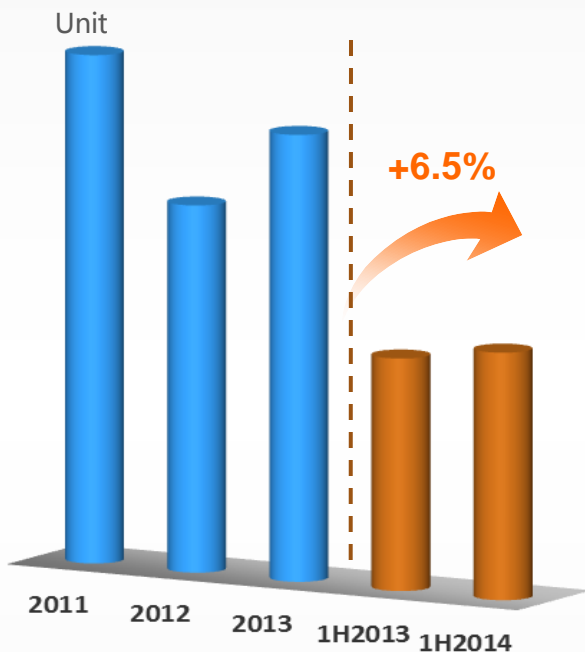
Industry Policies

Policies	Analysis	Influence
“Diesel Fuel Emissions Standards for China IV Vehicles”	<ul style="list-style-type: none">■ Full implementation will start on 1 Jan, 2015	<ul style="list-style-type: none">■ Industry growth targeted at electronic controls, as well as low-energy and low-emission operations ;■ May stimulate growth in sales of China III commercial vehicles to some extent
“Notice on the development of new energy vehicles ”	<ul style="list-style-type: none">■ Ministry of Finance and four other ministries announced subsidies to promote new energy vehicles in February 2014	<ul style="list-style-type: none">■ “Green” and “efficient” new energy buses will become the top choice for urban transportation
“National new-type urbanization plan (2014-2020)”	<ul style="list-style-type: none">■ Improved integrated transport network ;■ Strengthened small and medium cities, small towns and transport links, connecting the urban transportation hubs, accelerating the upgrading of national and provincial trunk highways	<ul style="list-style-type: none">■ Improve logistics infrastructure and maintain investment growth at a certain rate to support development of heavy truck industry
“School Bus Safety Regulations” , “Dedicated School Bus Manufacturers and Product Access Management Rules”	<ul style="list-style-type: none">■ Focused on safety of school buses; subsidies for the purchase and operation of school buses will be implemented in the third quarter of this year	<ul style="list-style-type: none">■ Overall market production value of school buses has reached approximately RMB400 billion. Implementation of regulations will lead school bus market enter high growth phase

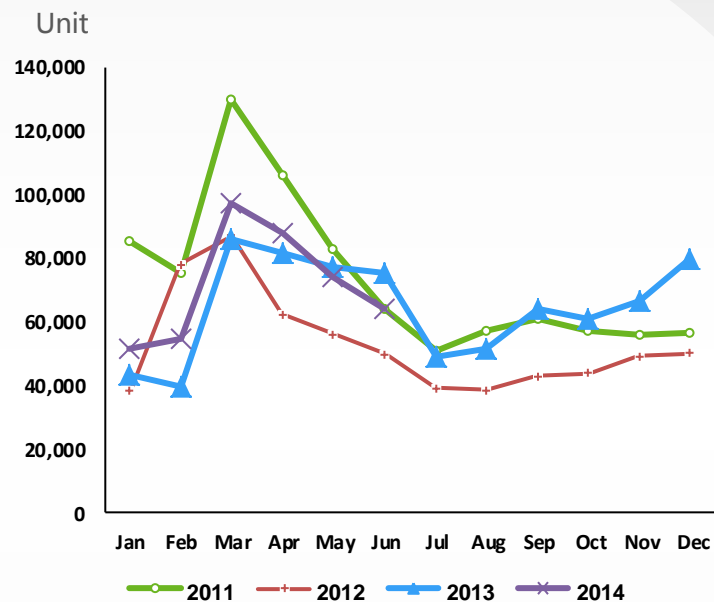


HDT Industry – Continued Full Recovery

HDT Industry – Yearly Sales Trend



HDT Industry – Monthly Sales Trend



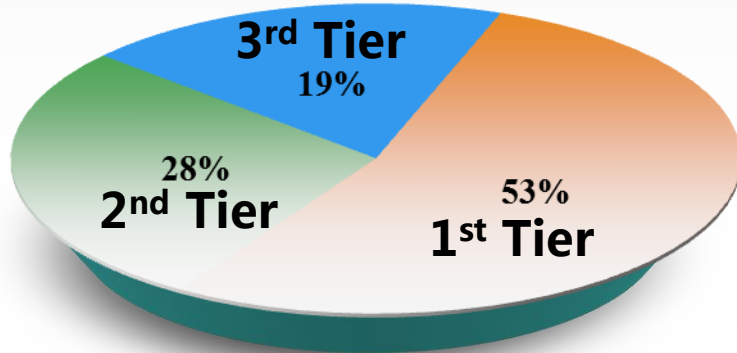
Source: China Association of Automobile Manufacturers

- Benefiting from the upgrading of emissions regulations, the development of e-commerce and national policy guidelines for the logistics industry, the heavy truck industry continues to maintain growth;
- In the first half of 2014, sales in the HDT industry reached approximately 429,000 units, up 6.5% y-o-y.

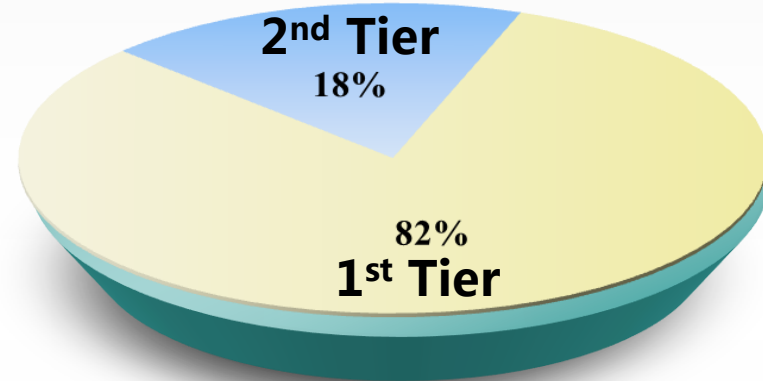


State of HDT Industry – Change in Traditional Market Share

2013 1H



2014 1H



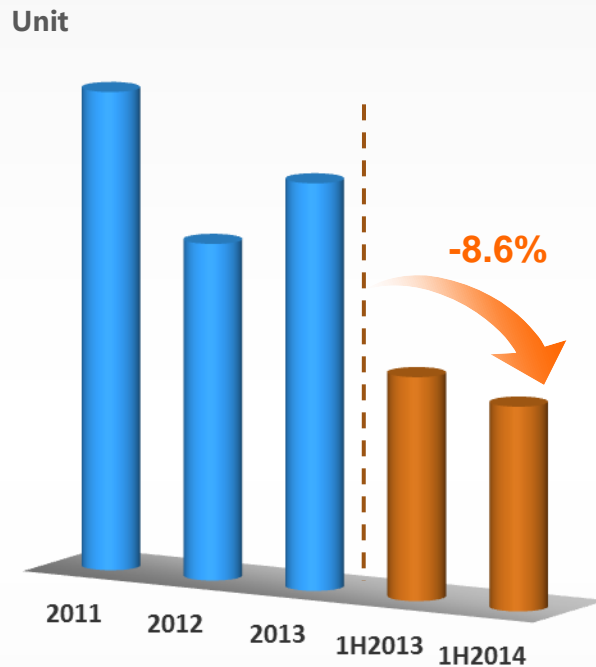
Source: China Association of Automobile Manufacturers

- In the first half of 2014, the structure of the HDT industry underwent further adjustments. The first-tier industry players became stronger, while the market concentration of the 5 largest players was further strengthened.

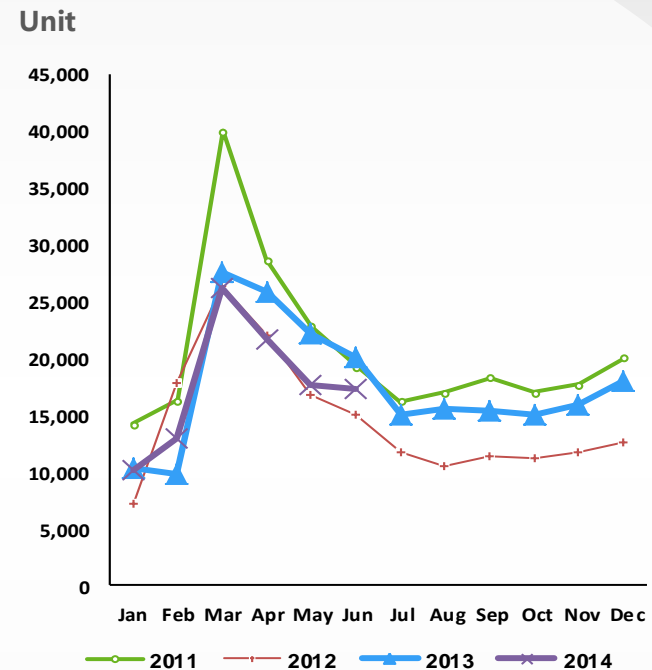


Loader Industry—Performance Remains Weak

Wheel Loader Industry
– Yearly Sales Trend



Wheel Loader Industry
– Monthly Sales Trend



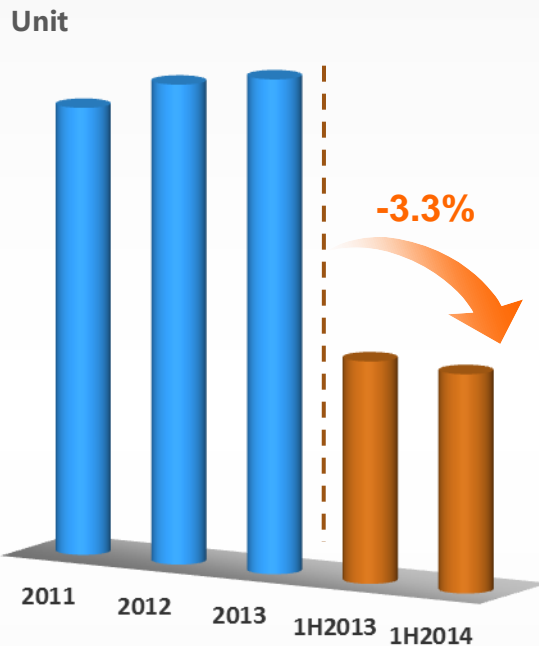
Source: China Construction Machinery Association

- Gradual transformation of economic growth mode led to investment slowdown and weak sales in loader industry;
- In the first half of 2014, sales of wheel loaders reached approximately 106,000 units, down 8.6% y-o-y.

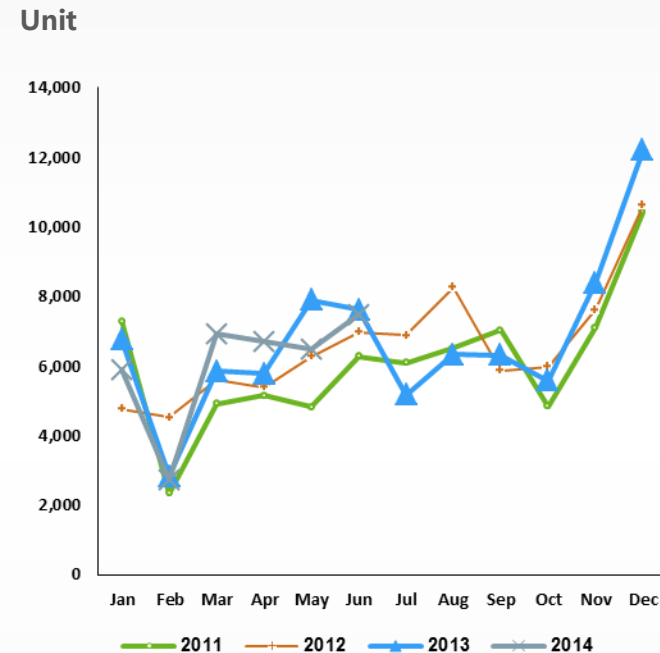


Large Passenger Vehicle Industry – Impact from High-speed Railway

Large Passenger Vehicle Industry – Yearly Sales Trend



Large Passenger Vehicle Industry – Monthly Sales Trend



Source: China Association of Automobile Manufacturers

- Due to the impact of high-speed railways, market sentiment was strong, resulting a decline in sales of large passenger vehicles;
- In the first half of 2014, sales of large passenger vehicles reached approximately 36,000 units, down 3.3% y-o-y.



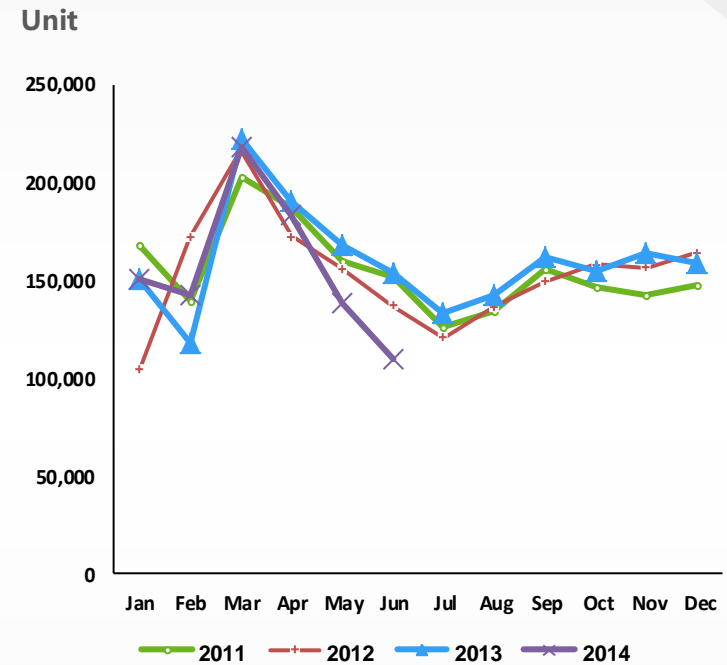
Light Truck Industry – Decline in Demand

Light Truck Industry – Yearly Sales Trend



Source: China Association of Automobile Manufacturers

Light Truck Industry – Monthly Sales Trend



- The macroeconomic slowdown led to a decline in short-haul logistics, with a decline in overall demand for light trucks; however, the market share of high-end light trucks featuring high efficiency continued to grow;
- In the first half of 2014, sales of Light Trucks reached approximately 943,000 units, down 6.1% y-o-y.



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2H 2014 Macro-Economic Outlook



Recovery of global economy

- Global economy continues to recover at a slightly higher than the first half of the year to attain approximately 3.6% on an annual basis;
- The Eurozone and Japan expected to maintain recovery at a moderate pace with uncertainties;
- Demand from emerging markets remains weak, increasing financial risks.



Increased economic efficiency in China

- At a critical stage of economic transformation and structural adjustments, the Chinese economy continued to be affected by the three period superimposed;
- The theme of “stabilizing growth, adjusting structure, promoting reforms and maintaining steady economic development” still holds;
- New direction of rural urbanization to drive growth in infrastructure and real estate investments.



2H 2014 Industry Outlook

China HDT market

China construction machinery market

Continued growth

Rapid urbanization benefitting investments in rail transport

Implementation of policies to control highly-polluting vehicles

New cycle of renewal in HDT industry

Rapid development of the logistics sector

Advantageous policies for recovery

Continuous developments in the transport sector, including high-speed rail, roads, rails and municipal constructions

Fixed investment in transportation amounted to RMB 800 billion in 2014

Expedited transformation and upgrading of the construction machinery industry and increased demand in the agricultural machinery submarket



2014 Business Outlook

Diesel engine segment

- Leveraging its advanced technology, large-scale and high quality production, and the synergy from the availability of global resources and strong loyal customer base, WeiChai has advantages as it prepares to meeting China IV Emissions Standards
- Maintain leading position in the high-power engines market

After-sales market business

- Expedite the implementation of business model for after-sales market
- Create new profit points by means of reinforced marketing efforts, enhancing catalogue for after-sales electronic components (SBOM), establishing an inventory management system and coordinated platform for sales of electronic components, and establishing a component distribution centre

HDT segment

- Gear up development of new generation products with different competitive strengths represented by the M series and heavy-duty trucks powered by natural gas
- Form new marketing approaches to prepare for subsequent growth

Gear boxes segment

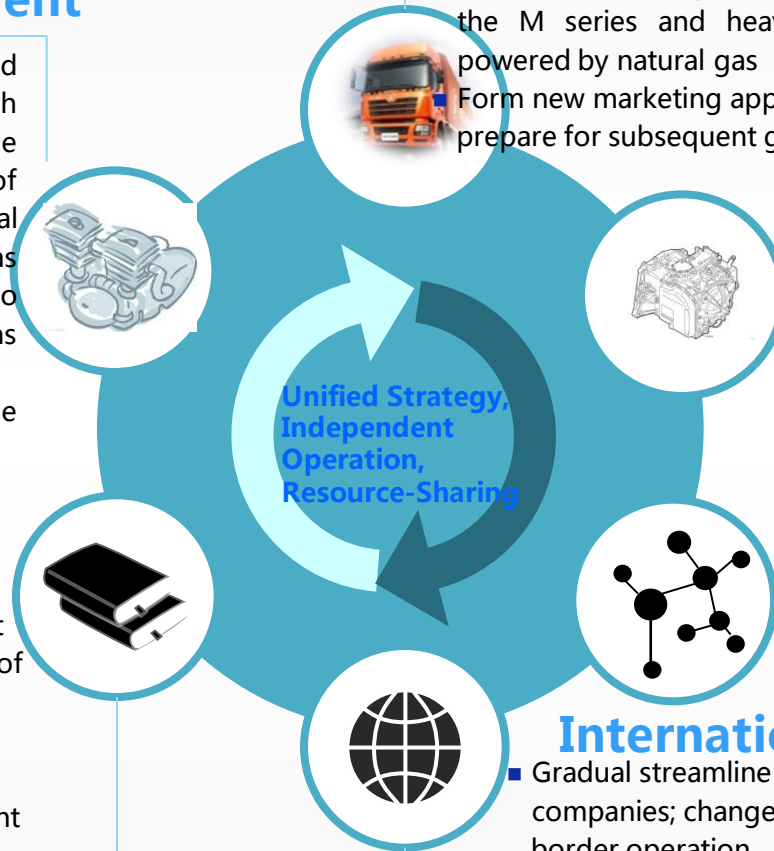
- Foster light-weight products, including automated and multi-gear products
- Form a platform for new-generation gearboxes for machinery

Component segment

- Intensify research and innovation, enhance core competence of products
- Take full advantage of the synergy between the component business segment and the engine business segment

Internationalization

- Gradual streamline the mechanism for the control of overseas companies; change from cross-border acquisition to cross-border operation
- Utilize and coordinate synergistic advantages of technology, resources and management of domestic and overseas companies; continue to enhance the quality of development and boost overall capability to manage risks



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THANK YOU!