



WEICHAI POWER 2014 Annual Results



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Agenda



Financial Highlights



Business Review



Industry Review



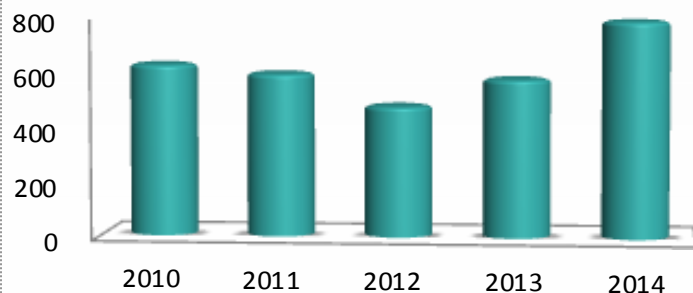
Outlook and Strategies



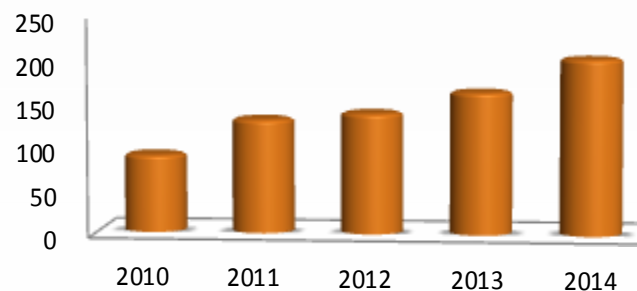
Steady Growth in Scale and Strength

Unit: RMB 100 million

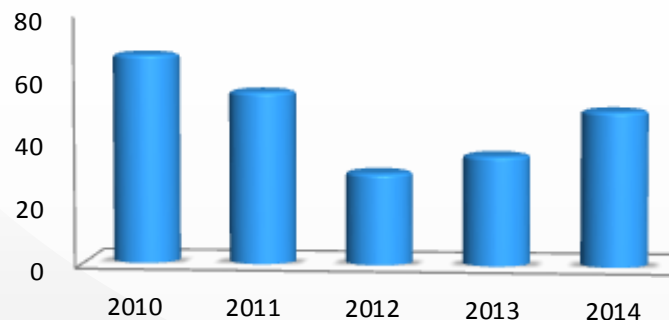
Revenue



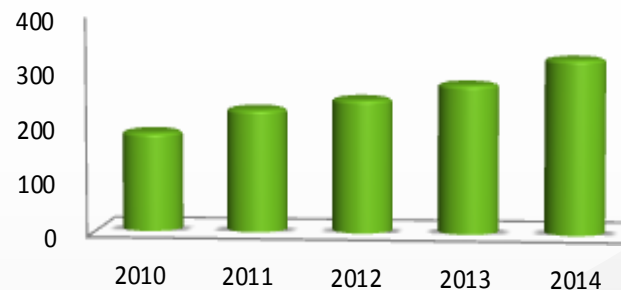
Cash and Equivalents



Net Profit Attributable to Shareholders of the Parent



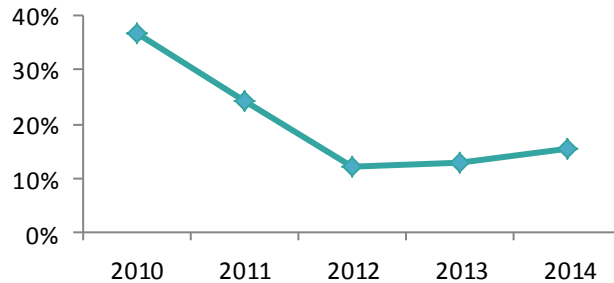
Net Assets Attributable to the Parent



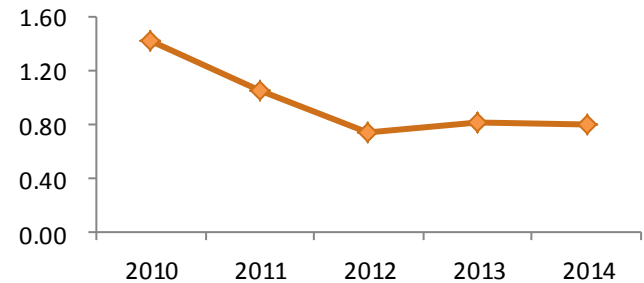


Steady Improvement in Operating Performance

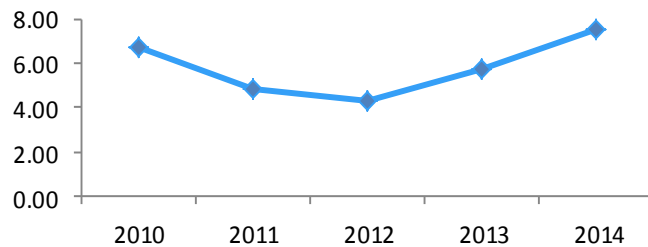
Return on Equity



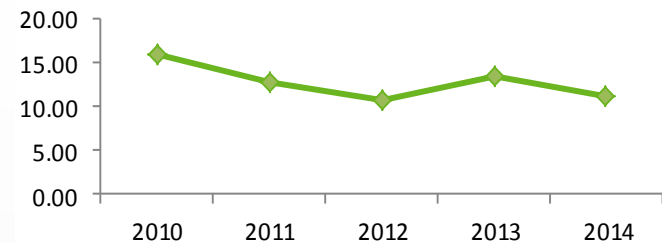
Total Asset Turnover Ratio



Inventory Turnover Ratio



Receivable Turnover Ratio





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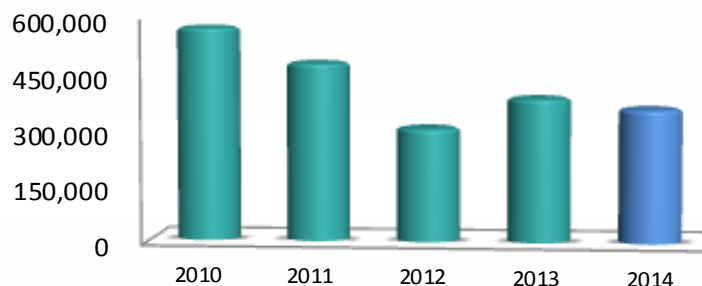
Core Business – Maintained Overall Growth and Retained Market Leadership

- The Company sold 361,600 units of high-power engines, including 271,300 units of HDT engines (market share: 36.5%, 0.3 y-o-y percentage points growth), 52,900 units of wheel loader engines with load capacity of 5 tonnes (market share: around 60%) and 22,600 units of engines for medium and large-sized vehicles (market share: 13.8%).
- Shaanxi Fast Gear sold 620,000 units of gear boxes, up 9.6% from a year ago.
- SXHDM and Hande Axle optimized product mix and recorded sales of 91,800 units of HDT and 344,500 axles respectively, representing year-on-year growth of 7% and 1.4%.



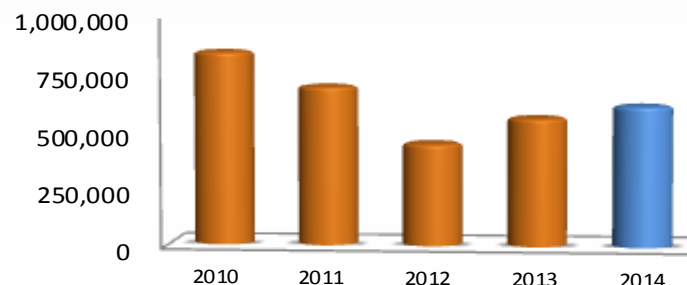
Engine

Units



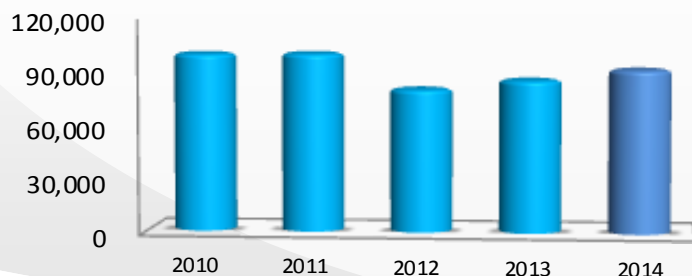
Gearbox

Units



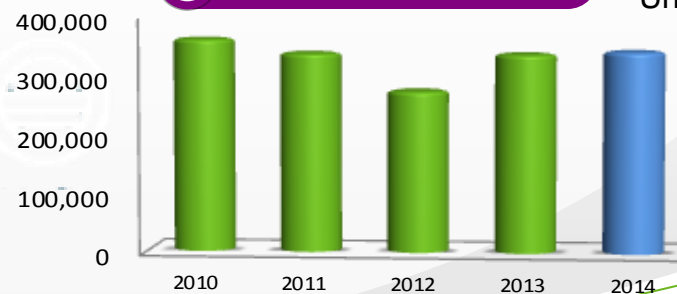
HDT

Units



Axle

Units





Cutting-edge Products – High value-added and driver of market upgrade



Engine

- Sales of 12L engines reached 89,400 units, up 0.7% y-o-y, with their share of total sales of engines rising from 22.8% in 2013 to 24.7%
- Continued to drive the market upgrade towards high-power engines.



Gearbox

- Sales of Fast Gear 12-16 gearboxes reached 262,400 units, up 13.5% y-o-y, with their share of total sales of gearboxes rising from 40.9% in 2013 to 42.3%;
- Continued to lead the development of multi-gear gearboxes.



Complete HDT

- Sales of MAN HDT were 66,400 units, up 16.9% y-o-y, with their share of total sales rising from 66.2% in 2013 to 72.3%;
- Continued to take the lead in driving the upgrade of complete HDT.



Energy-saving Products – Green, High-end Products for Emission Reduction

Engine

- A total of 1,400 units of WP3 diesel engines meeting National IV standards and 24,900 units of WP12 4-valve diesel engines have been sold, up 75.8% y-o-y, reflecting the market recognition of our technological supremacy in emission reduction
- Development of RA425 diesel engines was completed, implying that this light powertrain can be applied to passenger vehicles.



HDT

- SHMC's M3000 series, offering green, intelligent, environmental dump trucks, was warmly received and saw rapid sales growth. Annual sales reached 24,800 units, up 305.4% y-o-y.
- SHMC's X3000 driving chamber passed the collision test conducted under European standards, signifying that its safety standard has reached European standards.
- Sales of new energy HDT reached 13,800 units, up 30.1% y-o-y.



Gearbox

- Sales of the light, energy-efficient gearbox with aluminum alloy coating grew remarkably, accounting for over 20% of total sales;
- New products such as Xi'an ShuangTe's automatic gearbox, AMT automatic gearbox, super gearbox and hydraulic retarder were massively launched to the market.



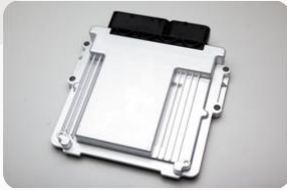
Achievements in New Energy

- They were equipped with the first 17 units of self-developed WE42 mixed power system;
- 2,400-km road test of self-developed WN20 system was successfully completed. It has commenced mass production for use in buses and sanitation trucks.





R&D – Intelligent Electronic Controls, Based on the Innovation Tuyere



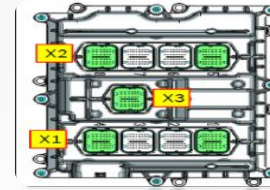
Hydraulic control system

- Development, verification and adjustment of A-sample software and hardware for self-developed hydraulic platform lift control system was completed, and development of B-sample hardware, lower-layer software and application software was also completed.



Emissions accreditation

- WP7 is the first diesel engine in China to receive U.K. VCA Euro VI emissions certification; the WP7 long-haul/WP10/WP12/WP13 series received the national certification meeting the National V standard, Russian GOST certification and Germany TUV certification.



Electronic control system

- The first stage of software development based on “Research on Euro VI engine electronic control system” was completed, followed by the successful launch of self-developed Euro VI ECU. The self-developed electronic control system is compatible with the combustion engine.



DIAGSMART

- DIAGSMART is a self-developed after-sales services for its engine users. The software and hardware sold has reached 3,400 packages and is distributed at Weichai and Yangchai outlets.

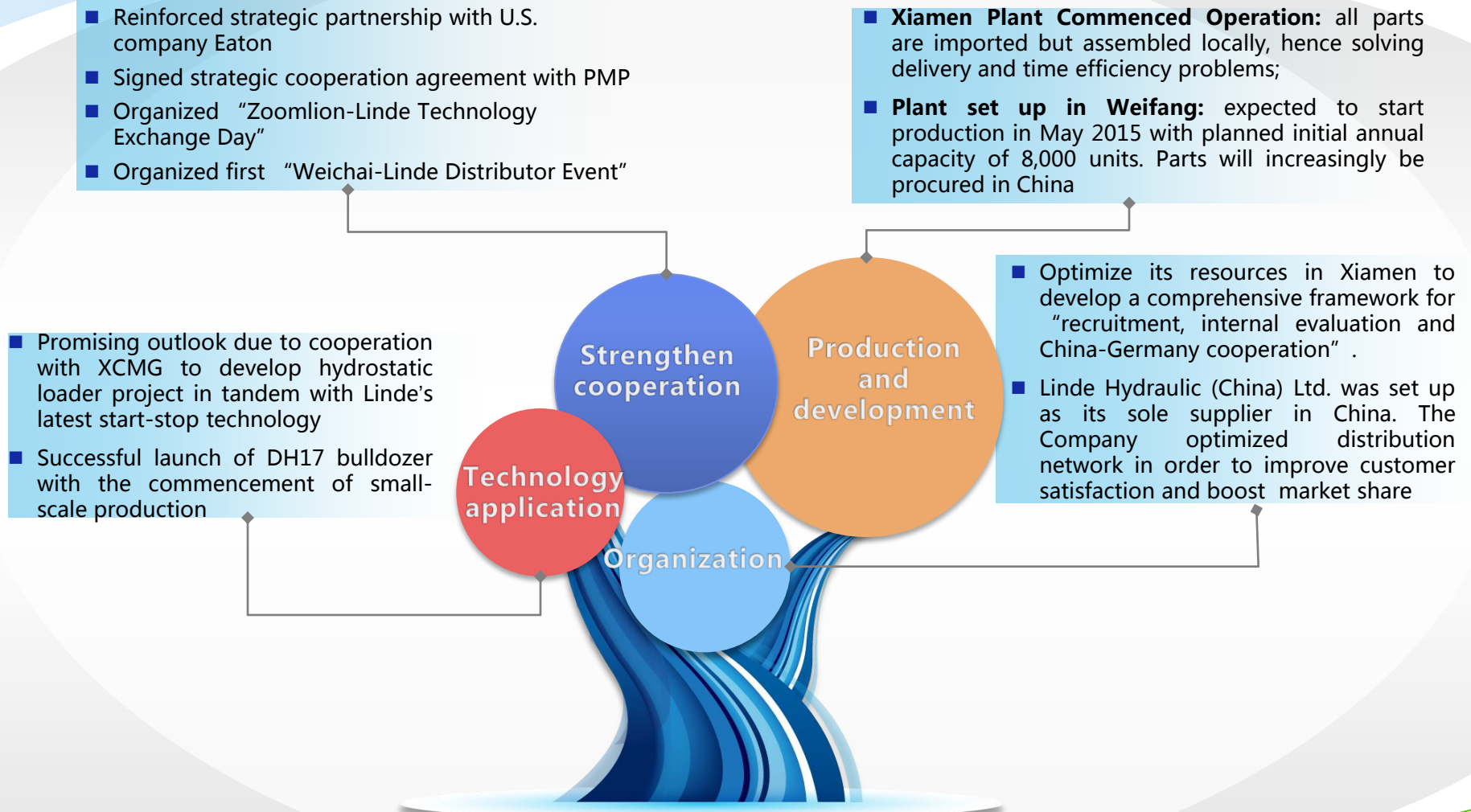


Customer Relations – Cooperation for Win-Win Outcomes





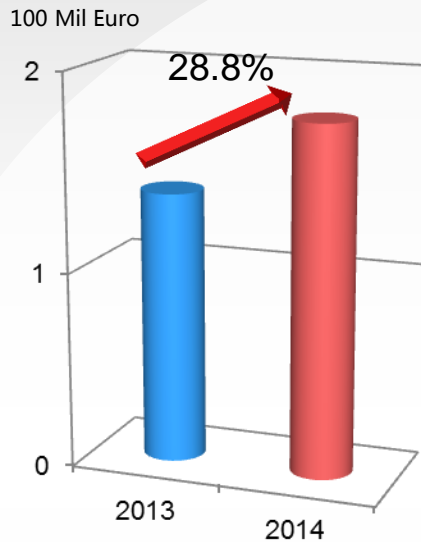
Linde Hydraulics – Ready for Rapid Expansion





Acquired KION to Enhance Overall Strengths through Strategic Collaboration

KION' s net profit



- This will promote the two companies realize the qualitative leap, promote the coordinated development, enhance the ability to participate in international competition in size and structure
- KION achieved net profit of Euro 178 million, representing robust growth of 28.8%.



Global Strategy – Innovation Model accompanied by Cross-Country Production

Overseas Marketing

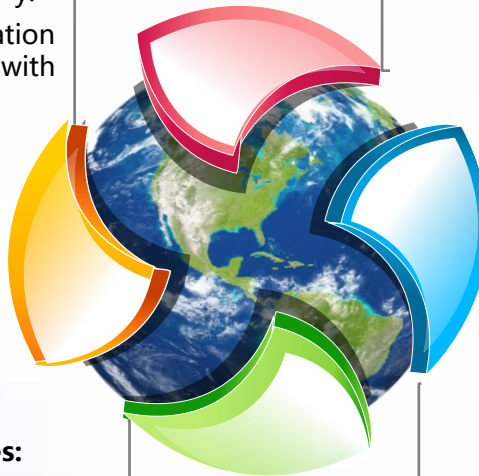


- **Coordinate overseas marketing:** Weichai and SHMC jointly explored the Angola market, while Hande made breakthroughs in the expansion of South East Asian market. This showcased their coordination efforts. In 2014, SHMC exported 12,000 units, up 67.4% y-o-y.
- **Overseas expansion:** successful penetration into Kenya, Pakistan and Saudi Arabia, with sales of 2,000 units achieved in Venezuela

Overseas Services



- **Overseas offices and service centres:** established more than 30 overseas offices and 302 service centres;
- **Overseas spare parts centres and outlets:** 12 centre stores and 20 franchise stores were newly signed



Overseas Supporting



- **Iran AMICO HDT:** equipped with 1,120 ancillary units in 2014, and is expected to increase to 1,200 units in 2015;
- **THACO:** equipped with 604 units, and is expected to increase to 800 units in 2015
- **Russian CHTZ, Ukraine KRAZ, Belarus MAZ:** equipped with 79 units, and is expected to increase to 500 units in 2015

Overseas Production



- **Plant development in India:** commenced production of diesel engines with annual capacity of 3,000 units;
- **Ethiopia project:** production will commence in 3Q 2015, with annual capacity of 2,000 units of diesel engines and contracts for 580 units signed;
- **Burma project:** sales of 200 units of engine CKD for 1st phase, contracts worth US\$7.3 million signed for 2nd phase;
- **Thailand's Fast Auto:** commenced production in Oct 2014



After-market Services – Steady Growth as Weichai Sails to New Horizon



1 Establish channels

- Established 54 back-up centres, 62 oil product centres, 45 reproduction retailers, 338 outlets, 949 distributors and 534 private oil banks;

2 Redflag 400 Fair

- Organized fast-moving products marketing, held 243 "Redflag 400 Fair" events, drawing 13,000 participants who made orders worth RMB540 million on site

3 Autonomous Central Database

- Changed mindset and let channel distributors develop "Autonomous Central Database" on their own to maintain the order in channels and prevent cheating

4 Development of VIP Customers

- Set up VIP service team, developed strategy in accordance with customers' needs and offered a variety of services to meet their needs. In 2014, it signed service agreements with 52 VIP customers.

- In 2014, sales of after-market services reached RMB2.209 billion, up 6.2% y-o-y;
- In 2014, the Company sold 12,100 units of reproduced engines, up 8.3% y-o-y.



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Industry



Outlook and Strategies



Industry Policies

Policies

Analysis

Influence

Diesel Fuel Emissions Standards for China IV Vehicles

- Full implementation started on 1 Jan, 2015

- Industry growth targeting electronic controls, as well as low-energy and low-emission operations ;
- May affect growth in sales of vehicles to some extent

Notice on the development of new energy vehicles

- The subsidy policy for pure electric vehicles is expected to be introduced in 2015

- "Green" and "efficient" new energy buses will become the top choice for urban transportation

National new-type urbanization plan (2014-2020)

- Improved integrated transport network ;
- Strengthened small and medium cities, small towns and transport links, connecting urban transportation hubs; and accelerating the upgrading of national and provincial trunk highways

- Improve logistics infrastructure and maintain investment growth, thereby supporting the development of HDT and construction engine industries

School Bus Safety Regulations, Technical Requirements for School Bus Safety

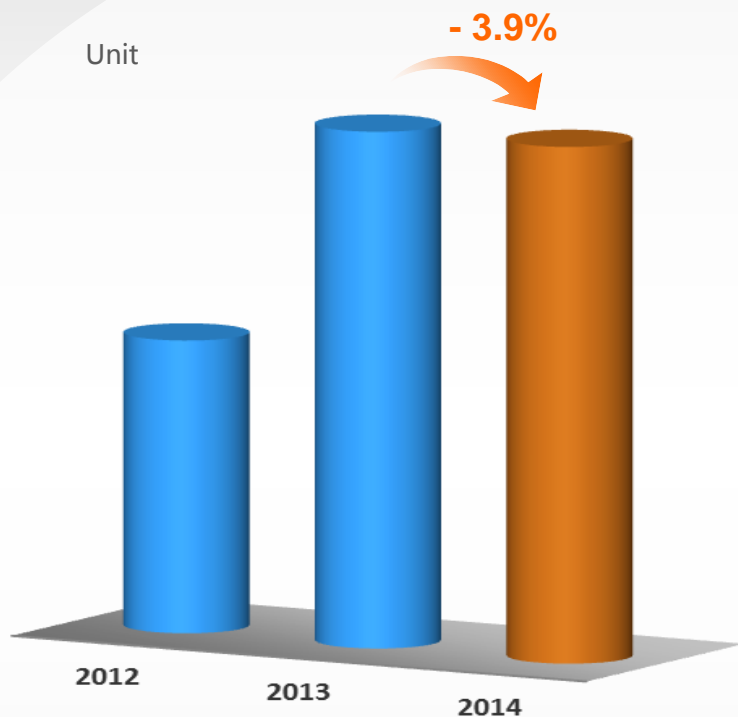
- Focused on safety of school buses; subsidies for the purchase and operation of school buses will be implemented

- Overall market production value of school buses has reached approximately RMB400 billion. Implementation of regulations will drive the school bus market to enter a high-growth period

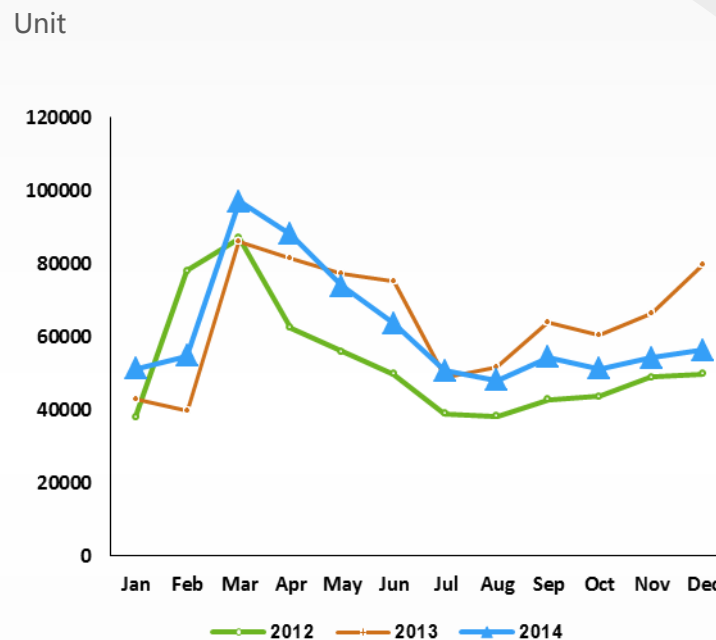


HDT Industry – Slight Decline in Sales

HDT Industry – Yearly Sales Trend



HDT Industry – Monthly Sales Trend



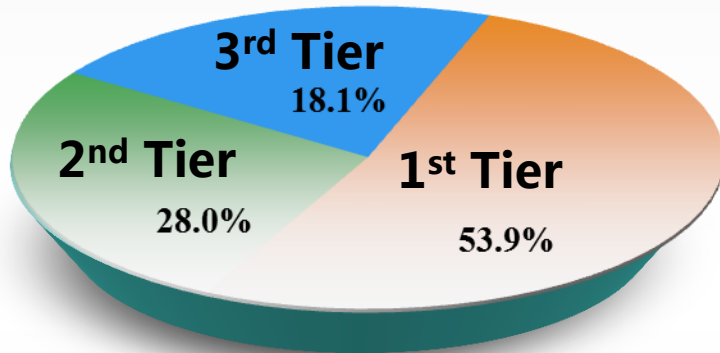
Source: China Association of Automobile Manufacturers

- Affected by a slowdown in economic growth, a decline in infrastructure investment and the upgrading of emissions regulations, demand for HDT saw a slight decline
- In 2014, sales of HDT reached approximately 744,000 units, down 3.9% y-o-y.

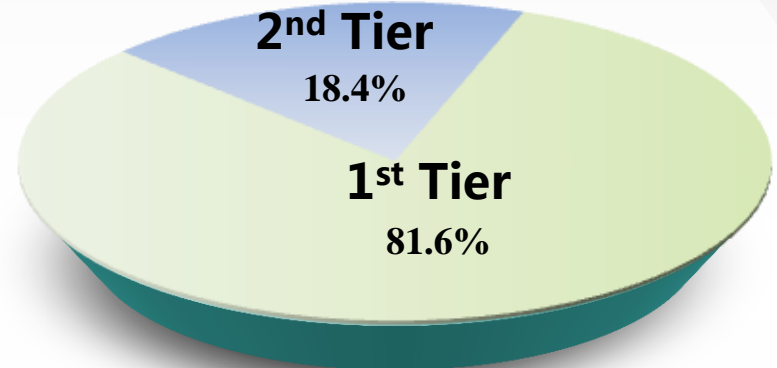


HDT Industry – Traditional Market Structure Evolving

2013



2014



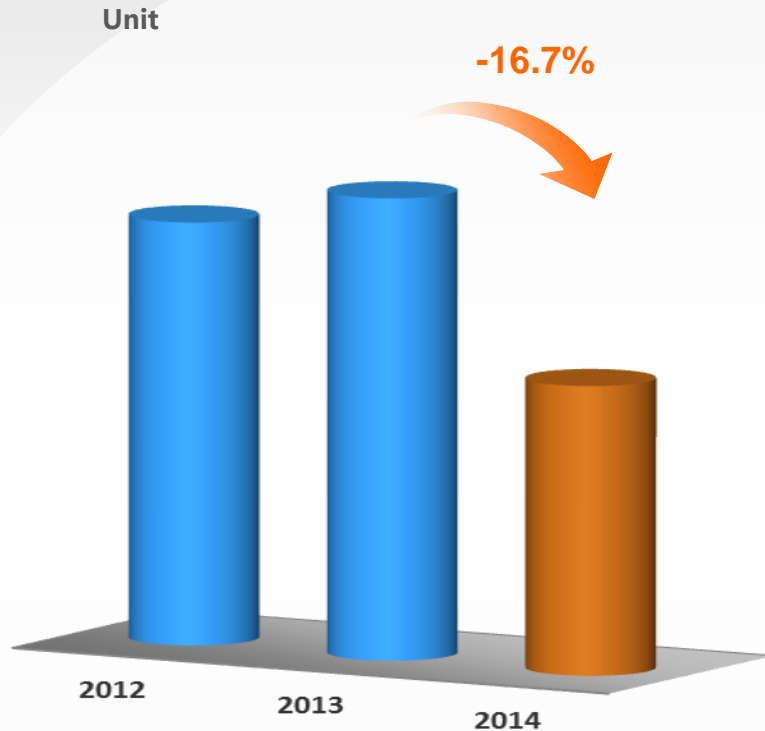
Source: China Association of
Automobile Manufacturers

- In 2014, the first tier players in the HDT sector expanded their marketing teams, with the 5 largest players continuing to dominate the market and holding a total market share of over 80%

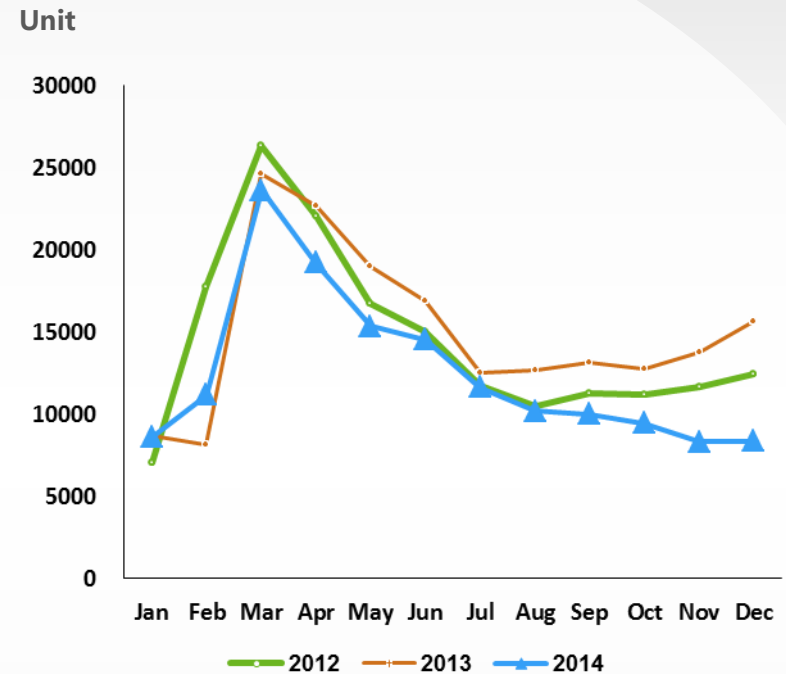


Loader Industry – Performance Remained Weak

Wheel Loader Industry –
Yearly Sales Trend



Wheel Loader Industry –
Monthly Sales Trend



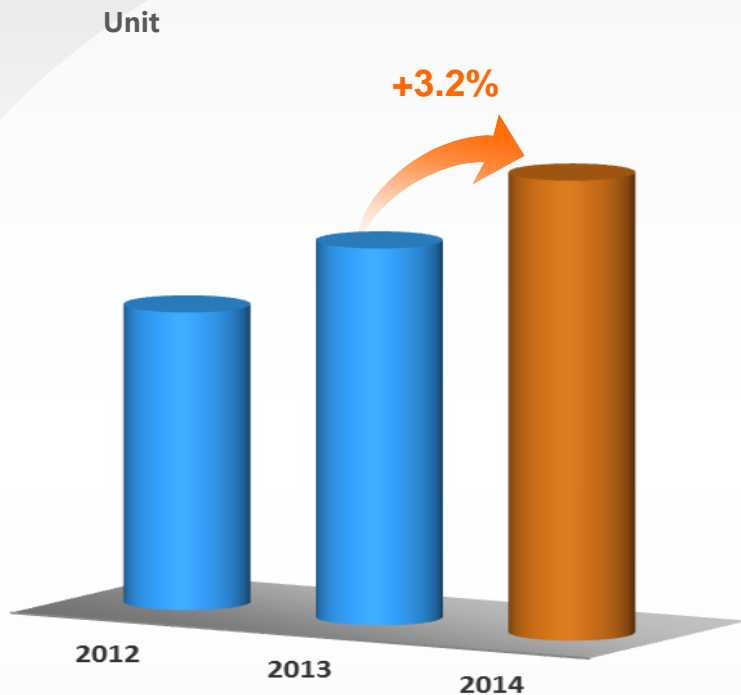
Source: China Association of
Automobile Manufacturers

- Slowdown in domestic fixed investment growth led to continuous weak sales of loaders
- In 2014, sales of loaders industry reached 150,600 units, down 16.7% y-o-y

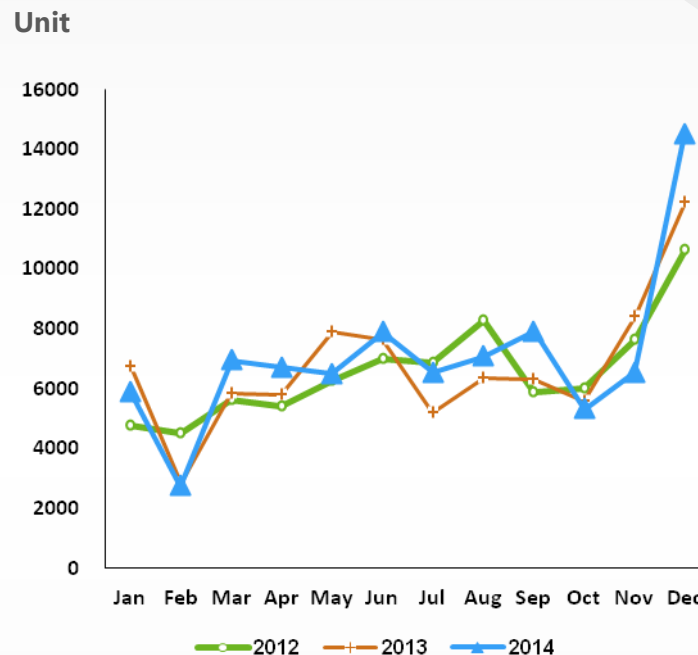


Large Passenger Vehicle Industry – Sustained Steady Growth

Large Passenger Vehicle
Industry – Yearly Sales Trend



Large Passenger Vehicle
Industry – Monthly Sales Trend



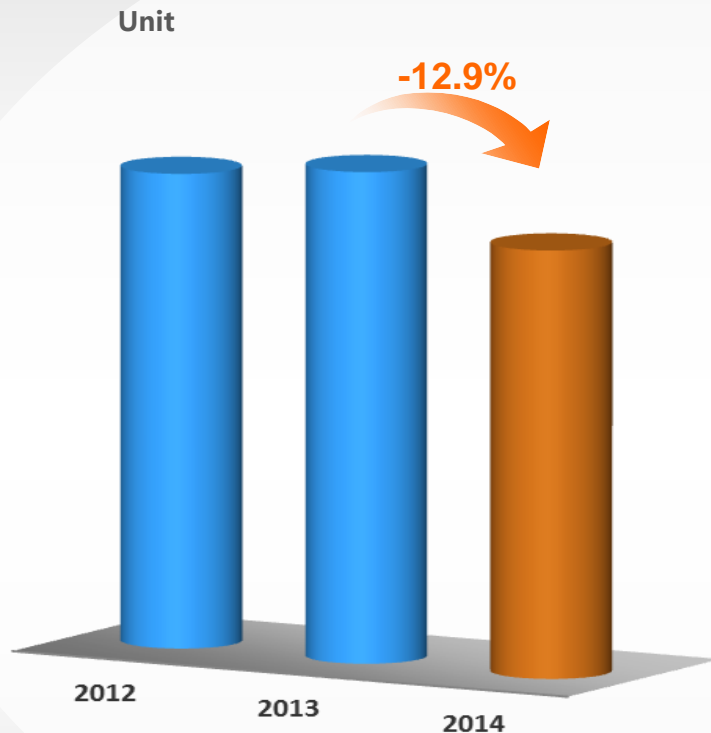
Source: China Association of
Automobile Manufacturers

- Benefitting from economic growth and acceleration of urbanization, market performance of bus, tourism, city transport and school bus sectors remained promising, and sales of large passenger vehicles maintained steady growth
- In 2014, sales of large passenger vehicles reached 84,300 units, up 3.24% y-o-y

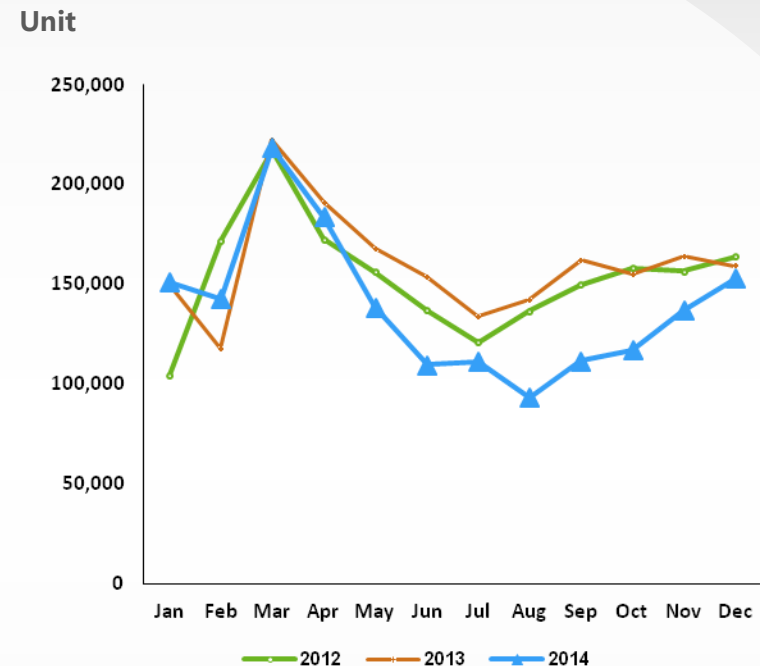


Light Truck Industry – Weakened Demand

Light Truck Industry –
Yearly Sales Trend



Light Truck Industry –
Monthly Sales Trend



Source: China Association of
Automobile Manufacturers

- Light truck industry saw decline in demand due to the upgrading of national emission standards
- In 2014, sales of light trucks reached 1,662,600 units, down 12.9% y-o-y



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Outlook and Strategies



2015 Macro-Economic Outlook



Slow recovery of global economy

- Driven by low oil prices, the growth rate of global economy is anticipated to reach 3.5% for the year; but the consequences brought about by the crisis and potential lower growth rate may drag on economic recovery.
- The US will still maintain a relatively strong recovery, while the Eurozone will adopt more proactive economic policies, and the negative impact of consumption tax in Japan will gradually weaken;
- Economies of emerging markets and various developing countries will further adjust their economic policies to accelerate or maintain the sustainability of their economic growth.



"New normal" of Chinese economy

- Chinese economy will uphold the principle of advancement with stability while acting on the basis of enhancing the quality and effectiveness of economic development. The economy will proactively adapt to the new normal of development and remain in a reasonable range;
- Growth rate of Chinese economy is anticipated to show insignificant movement in 2015, with GDP growth rate for the year to remain at around 7%;
- Driven by the thorough implementation of "One Belt, One Road" policy and investment in "seven infrastructure" projects, investment is expected to maintain steady growth.



2015 Industry Outlook

China HDT Market

Stable demand

The government is expected to invest over RMB10 trillion in “Infrastructure Projects Covering 7 Major Sectors”, which involves the renovation of many shanty towns and construction of railways, roads and other infrastructure projects, in turn creating demand for HDT used for civil construction

Action plans on energy savings and emissions reduction implemented by the government will lead to the phasing out of 6 million yellow-label vehicles and old cars, which will facilitate development of heavy-duty trucks market

Reform on logistics and transportation, development of free-trade zones and regional integration will drive growth of various market segments such as port tractors and dump trucks

China Construction Machinery Market

Market stabilization expected

“One Belt, One Road” project will spur the development of infrastructure projects such as high speed railways and expressways. Demand for related construction machinery products will increase significantly

New model of urbanisation, coupled with integration of Yangtze River Economic Belt and Beijing-Tianjin-Hebei Area, will speed up construction of urban infrastructure and stimulate demand for construction machinery

New round of interest rate cuts will lower financing barrier for downstream customers, which to a certain extent will lead to a rebound in property market and infrastructure investment, boosting demand for construction machinery



2015 Business Outlook

Engine

- Continue to forge the most competitive product in terms of cost, technology and quality; continue to enhance understanding and satisfaction of customer needs; accelerate the pace of product structure adjustment and emerging market development; make effective responses to vertical integration in the industry

Gearbox

- Adjust product structure in a scientific manner and further accelerate the pace of transformation and upgrading; continue to optimize strategic products, including AT hydraulic automated gear, AMT automated gear and S super gear

After-sales Services

- Continue to explore the business model for after-sales services, accelerate the coordinated development between after-sales services segment and other business segments of the Company

HDT

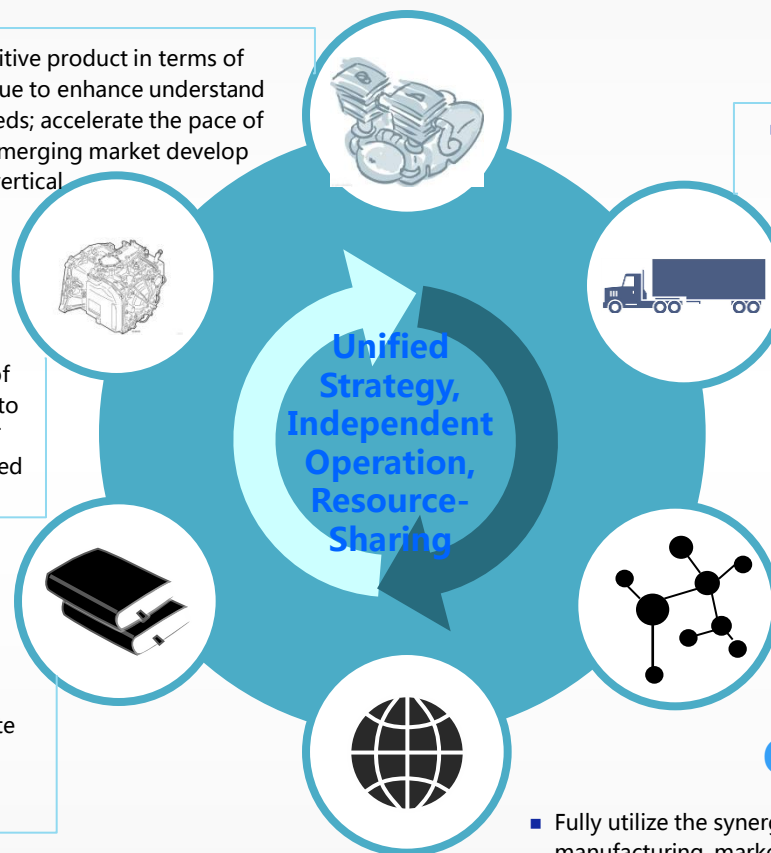
- Fully exemplify corporate advantages of service-manufacturing; join forces with partners and integrate our resources to jointly establish a macro-logistics circle with HDT products as the core component; proactively respond to the rapid development of Internet, smart truck, vehicle network, logistics network, smart transport and macro-logistics

Component

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

Globalization

- Fully utilize the synergistic advantage of the brands, technology, manufacturing, marketing and management of the domestic and overseas segments, and continue to enhance the quality of development and boost overall capability to manage risks



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THANK YOU!