

Weichai Power

2018 Interim Results

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Financial Highlights

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Business Review

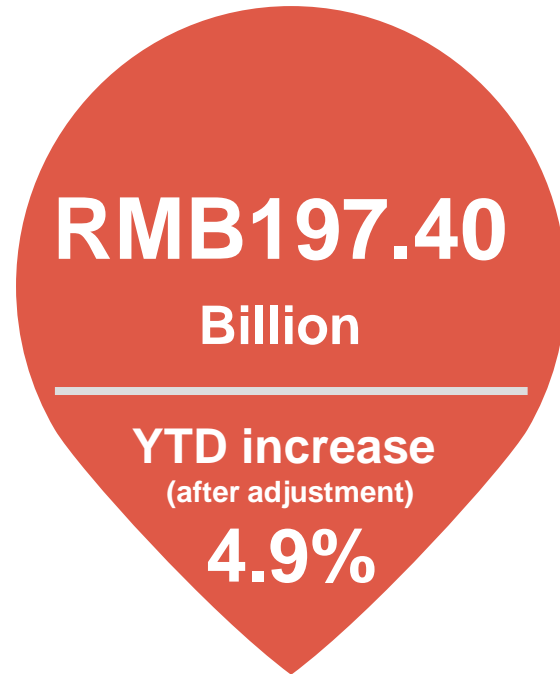
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Industry Review

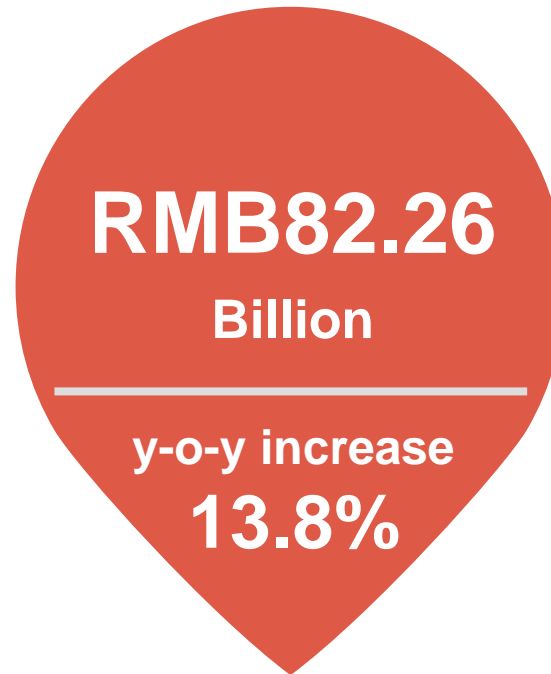
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Outlook and Strategies

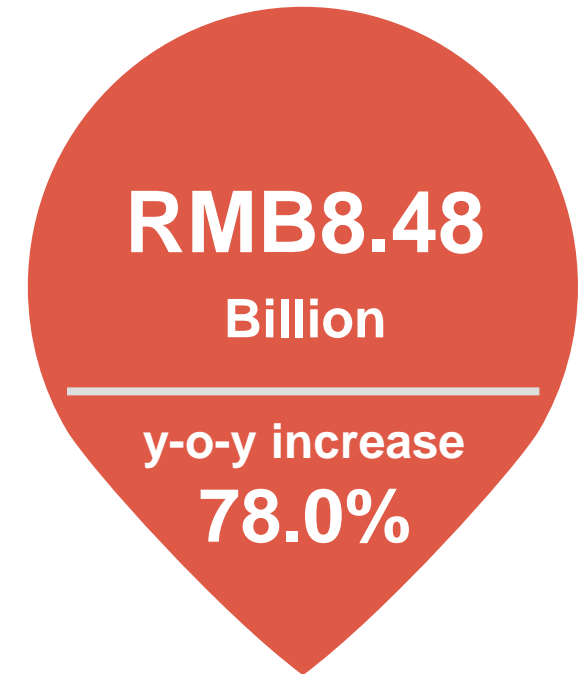
Enriched Comprehensive Strength



Total Assets
(Adjusted)



Sales Revenue



Net Cash Flow from Operating Activities

Increasing Profitability



12.7%

y-o-y decrease
1.1 pts

**Expense Ratio
during the Period**

5.3%

y-o-y increase
1.7 pts

**Net Profit Margin
Attributable to the Parent**

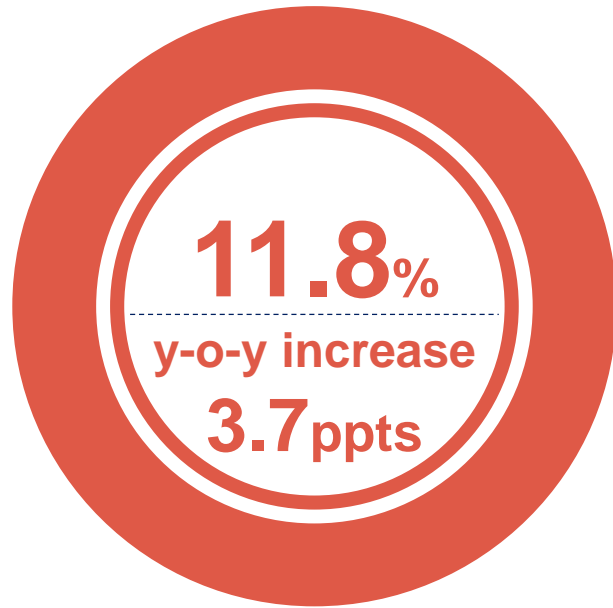
RMB4.39

Billion

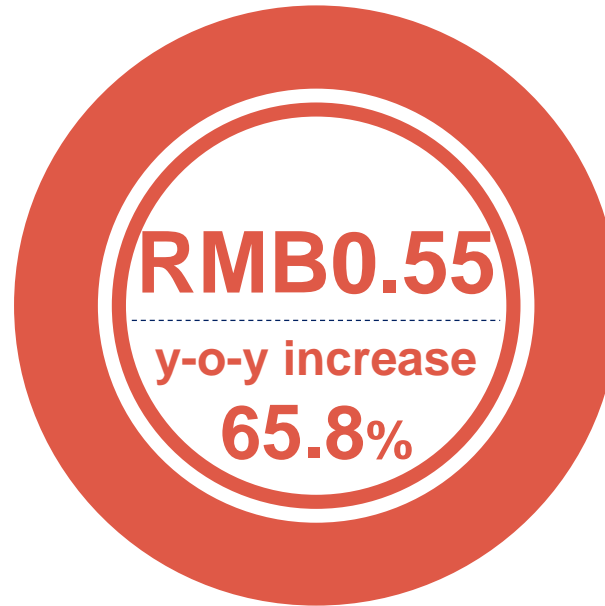
y-o-y increase
65.8%

**Net Profit Attributable
to the Parent**

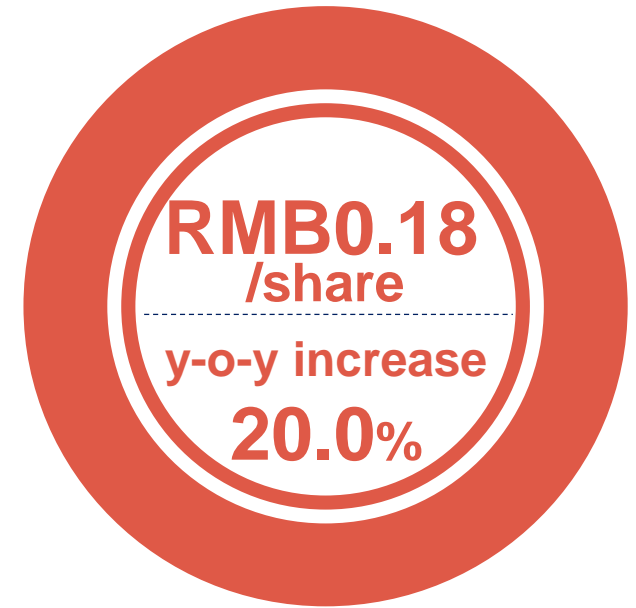
Continual Creation of Return on Value



Return on Equity
(Weighted average)



Basic EPS



Cash Dividend

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Outlook and Strategies

Concentric Diversification Strategy – Focus on main business



Core - Powertrains

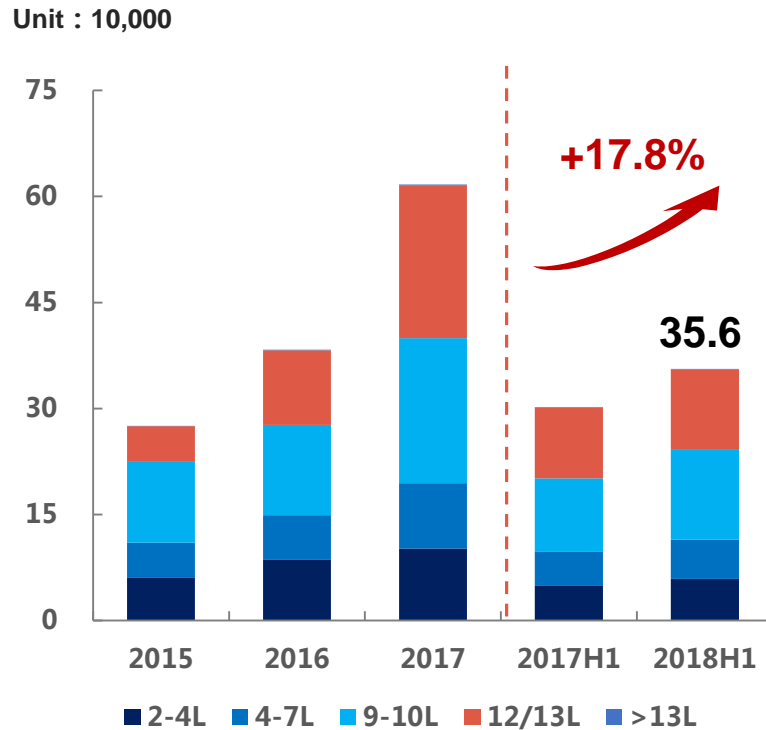
**Flagship Product - Vehicles
and Machines**

**Traction - Integrated smart
logistics solution**

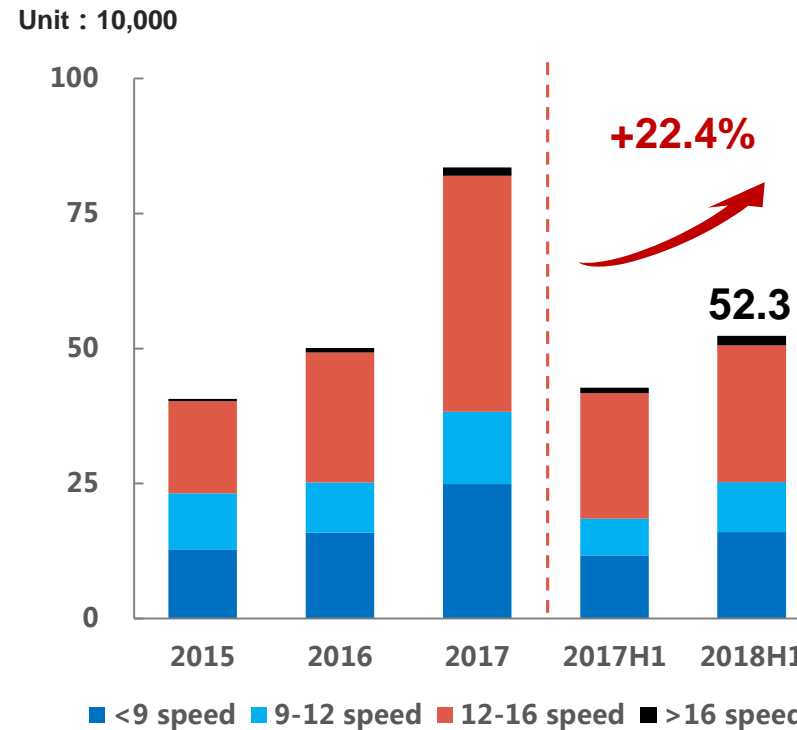
Powertrains – Pillar Product with Significant Advantages



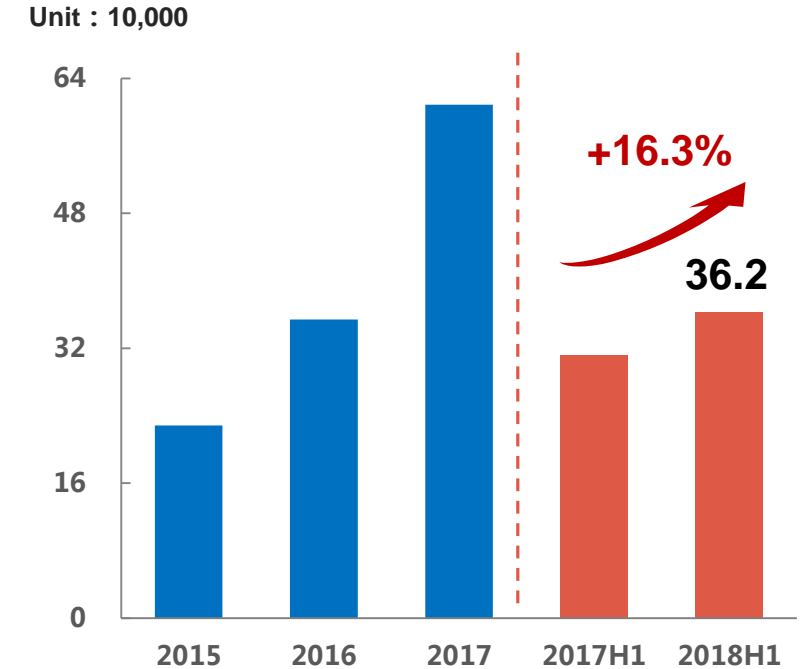
Sales of Engines



Sales of Gearboxes



Sales of Axles

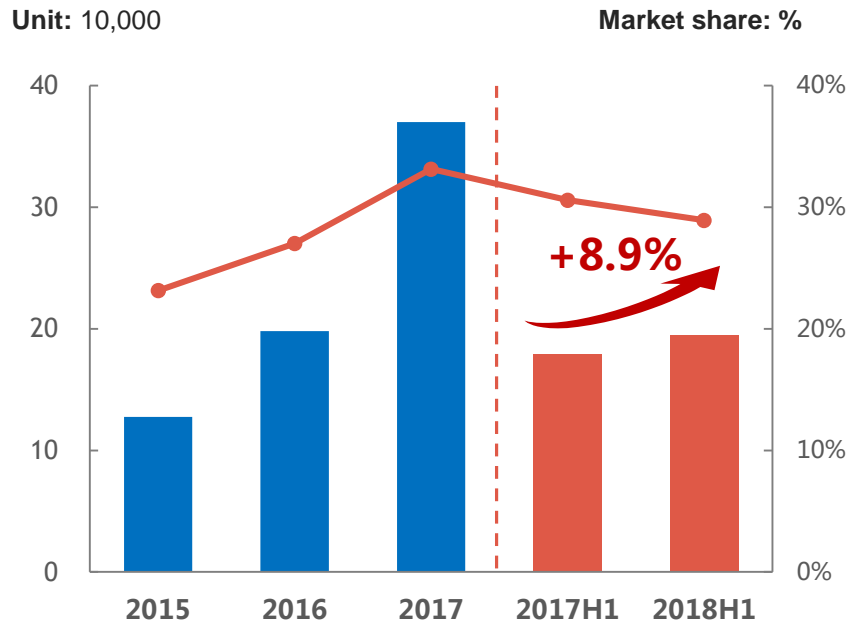


- The sales of 12L/13L engines reached 114,000 units, an increase of 12.9% y-o-y, accounting for 32.0% of the total sales.
- The sales of WP9H and WP10H engines reached 30,400 units, an increase of 260.8% y-o-y.
- The sales of HDT gearbox reached 505,000 units, an increase of 22.8% y-o-y, with a market share of around 75.2%.

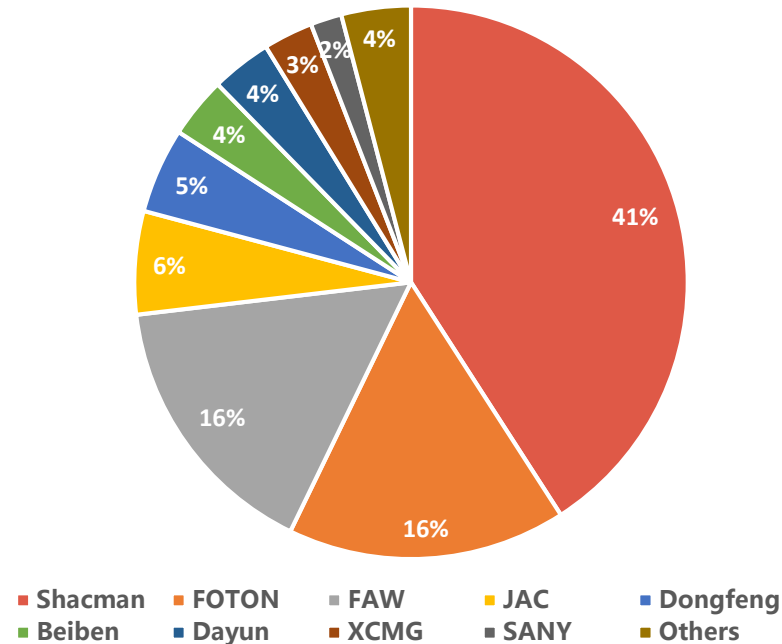
Engines – The Best Remains Strong, Balanced and Stable



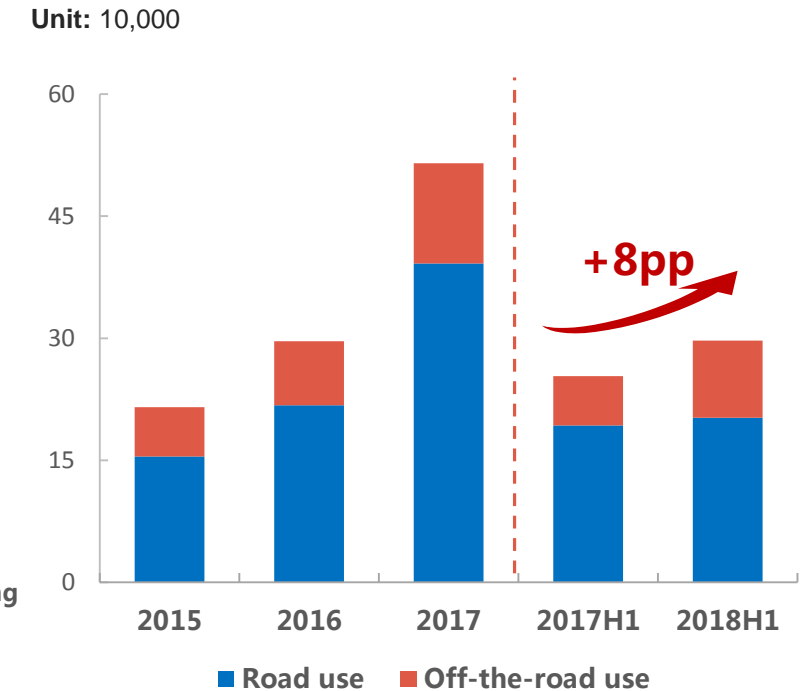
Sales and Market Share of HDT Engines



Customer Structure of HDT Engines



Sales of Medium and Heavy-duty Engines



- **Market share of HDT engines remained stable:**

194,000 units were sold, an increase of 8.9% y-o-y.
Market share was 28.9%, maintaining its leading position.

- **Customer structure was more balanced:**

The sales proportion of FAW Group and FOTON Motor gradually increased.
The sales to XCMG Group and SANY Group rapidly grew.

- **Business structure was more reasonable:**

Off-the-road engines accounted for 31.9% of medium and heavy-duty engines, an increase of 8 pts y-o-y.

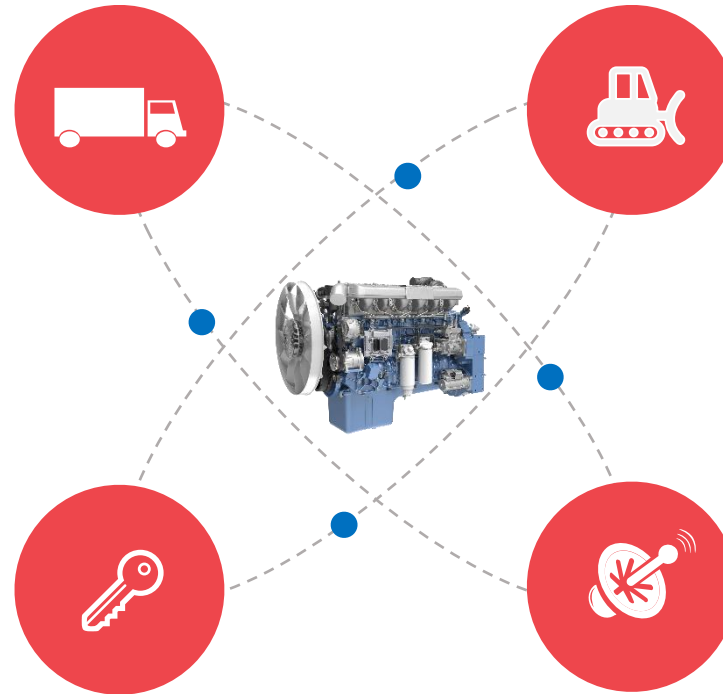
Emission Upgrade – Fully Prepared and Well Poised

Full Series of China-VI Road Products

- Completed the product development of full series of China-VI road products and launched some of them to the market by batches.
- Our five types of engines, including WP13, have obtained the European VI-C stage certification, and Weichai is the first domestic enterprise that obtains this certification.

Master Core Technologies

- Master DPF passive regeneration technology, high efficiency SCR technology and adaptive emission control technology etc.
- Enabling products to have a great leap forward in the quality of their power, economic benefit and emission.



Full Series of Stage IV Off-the-road Products

- Completed Stage IV off-the-road technical route analysis.
- Made full use of our leading advantages in the technology and market and speeded up the R&D of Stage IV products to meet the conditions for product launch in batches.

Global Leadership in Reliability

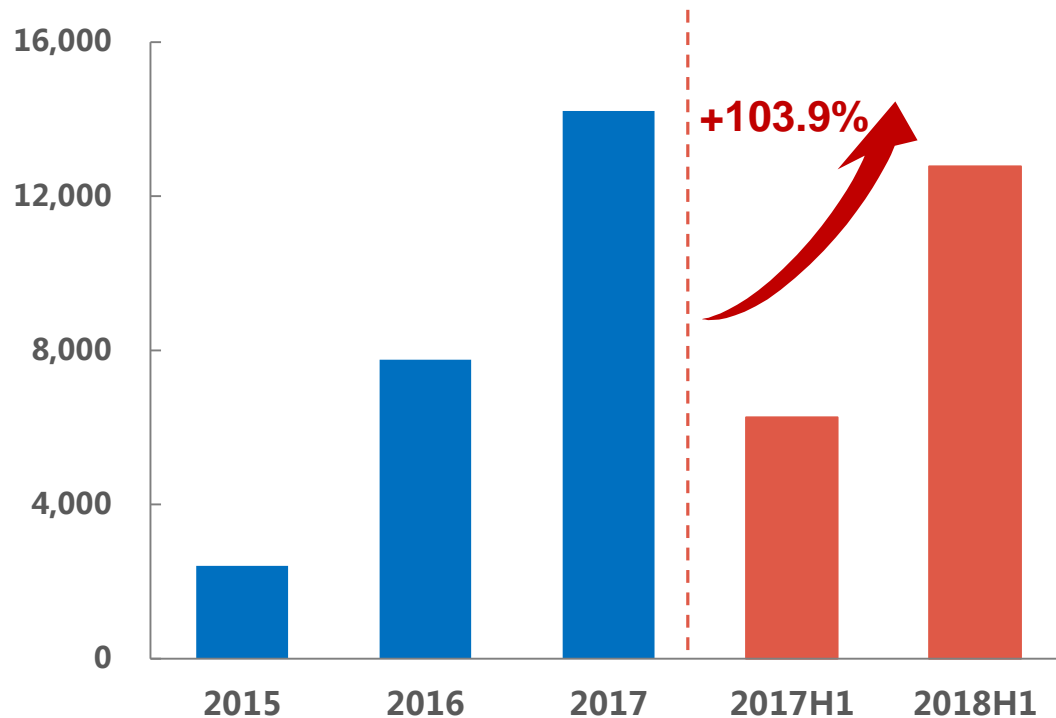
- TopDown cooling technology, new technologies such as creeping iron cylinder head and special line design of key friction pairs were adopted.
- Product MTBF reached 4,000h and its B10 life reached 1.8 million km and 30,000 hours. Our product reliability far exceeds that of our competitors.

Linde Hydraulics – Emerging as the Ultimate Victor



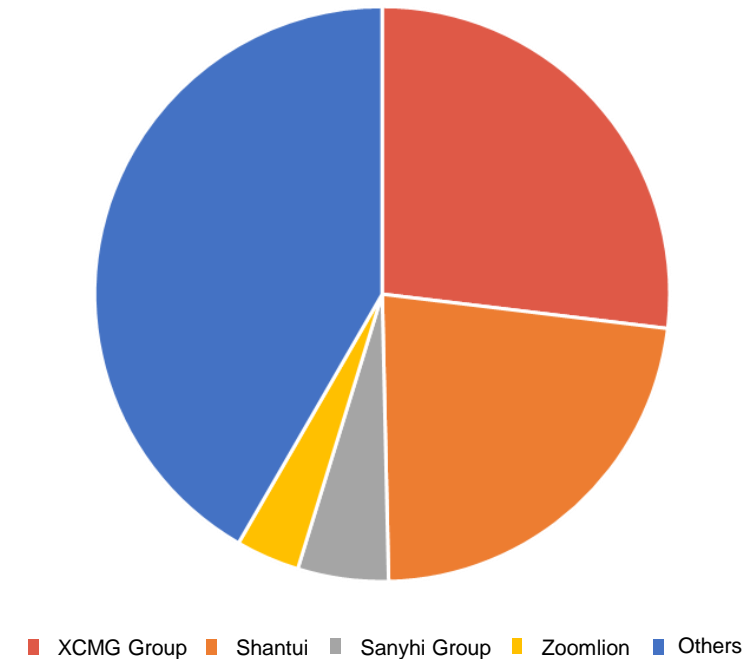
The Revenue of Linde Hydraulics (China)

Unit: RMB'0 thousands



- 11,000 units were sold during the first half of 2018, an increase of 100.6% y-o-y. The revenue was RMB130 million, an increase of 103.9% y-o-y. It continues to maintain 100% growth.

Main customers of Linde Hydraulics (China)

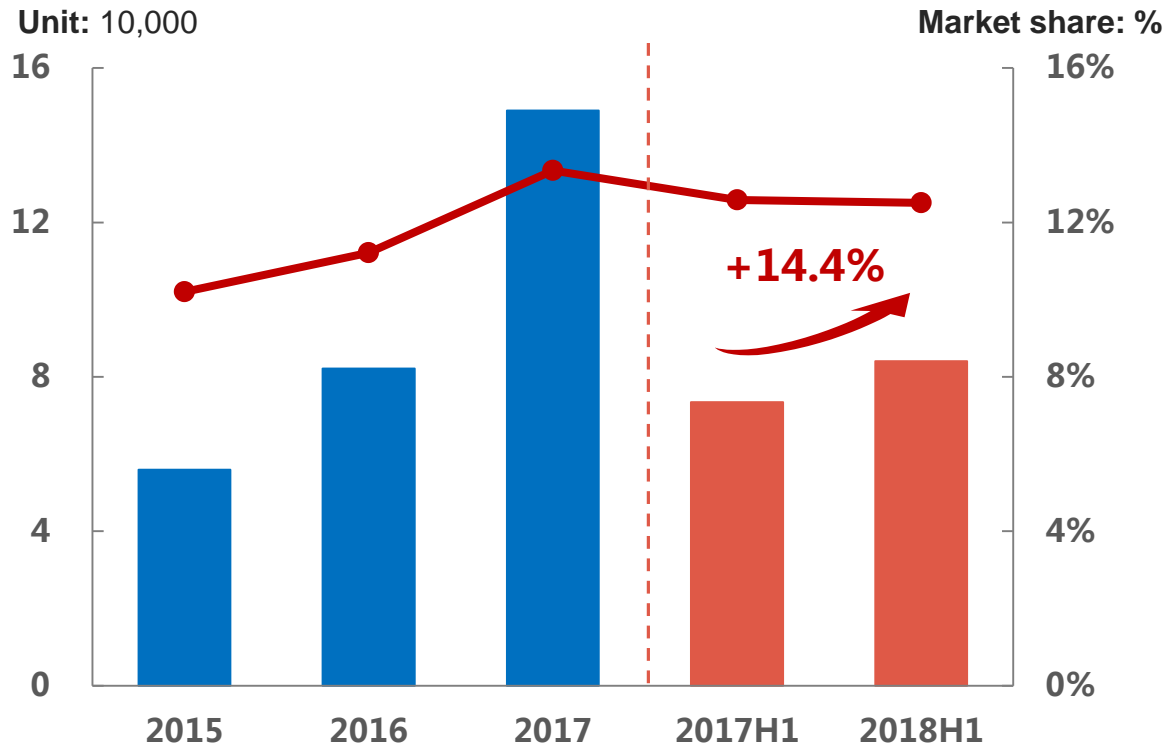


- Orders of XCMG Group, Shantui Construction Machinery, SANY Group, and Zoomlion increased significantly y-o-y, accounting for **58%** of the total revenue.

HDT Vehicle – High Quality and Speed, High Volume and Profits

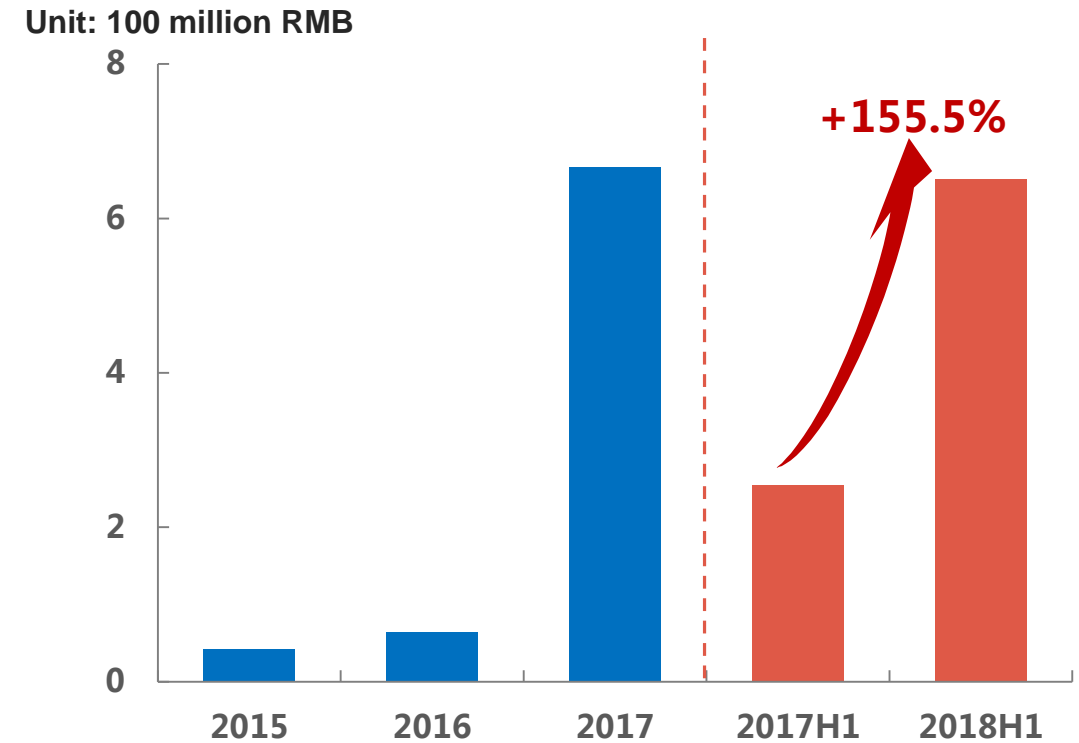


Sales and Market Share of Shaanxi Heavy-duty Motor



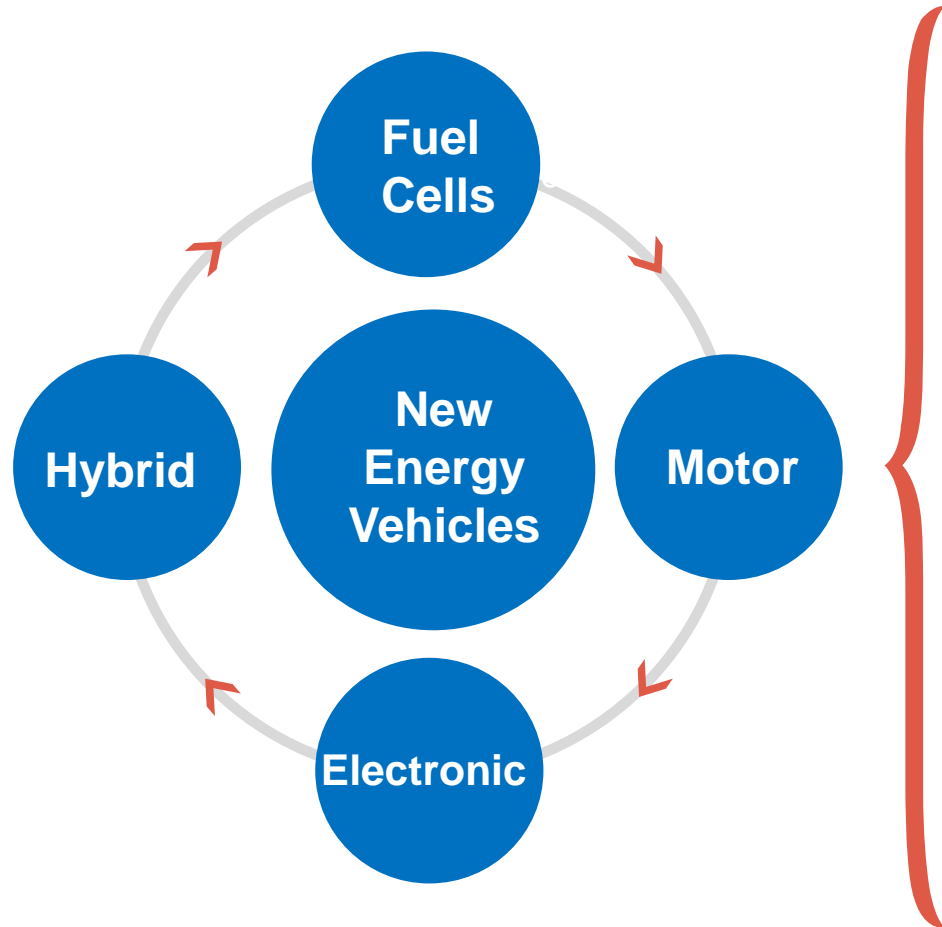
- 84,000 units of HDT were sold, an increase of 14.4% y-o-y.
- Market share of HDT was 12.5%, ranking first tier with increasing competitiveness.

Net Profit Shaanxi Heavy-duty Motor



- In the first half of 2018, the revenue of Shaanxi Heavy-duty Motor was RMB27.95 billion, a y-o-y increase of 24.9%; net profit was RMB650 million, an increase of 155.5% y-o-y.

New Energy – Accelerated Growth and in Leading Position



Strategic Planning for Solid Oxide Fuel Cell (SOFC)

- Invest in and commence comprehensive & strategic cooperation with the UK-based listed company **Ceres Power**, a global leading supplier of SOFC.



Undertake Major New Energy Projects

- **Ministry of Science and Technology New Energy Vehicle Special Key Project for 2018** : Fuel cell engine and commercial vehicle industrialization technology and application projects



Establish A Science and Technology Innovation Center

- Establishing Science and Technology Innovation Centers in Chicago, USA, Aschaffenburg, Germany, and Tokyo, Japan.

Strategic Partnership to Deepen Cooperation – Achieve In-depth, Mutual Benefits and Win-win Outcomes



Commence a new round of close cooperation and motivate both parties to be the global leading companies in the new energy vehicles field



The Pillars of Great Power , deep connections Help pushing national industry to a higher end



Comprehensive cooperation Commence a new chapter of deepening cooperation



Ride out of storms together , deepen cooperation Focus on the high quality development of Chinese equipment



Smart logistics – World Leading Comprehensive Solutions



World-leading Positions

- European No. 1 and Global No. 2 in industrial trucks and services
- Global No. 1 provider in supply chain solutions
- Unique and complete material handling offering
- Multi-brand strategy with market leading brands

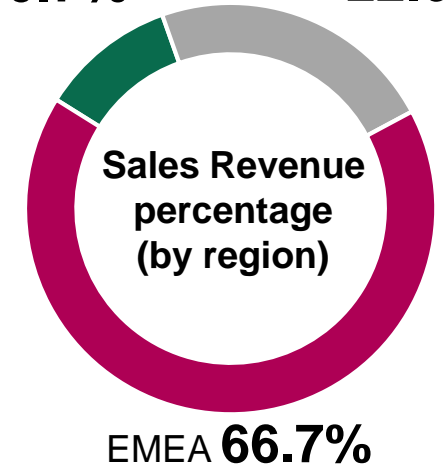


Strong Global Presence

- Present in more than 100 countries
- Dematic adds complementary regional footprint
- Over 30,000 employees

Asia Pacific
10.7%

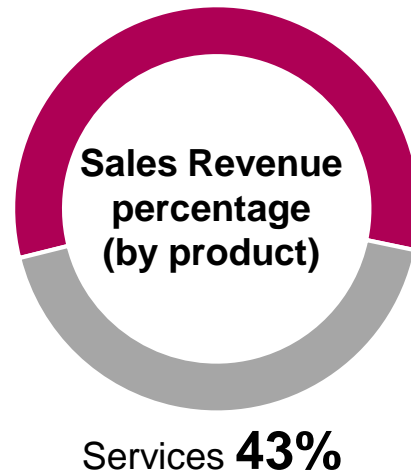
Americas
22.6%



Flexible Product Structure

- 1.3 million industrial trucks in the globe and >6,000 installed systems at customers
- Around 1,500 sales and service locations across the world
- High proportion of after-sales service market share to effectively support stable business development

New business **57%**



Balanced Business Structure

- Combined KION forklift hardware and automated logistics systems like Dematic and Egemin to create synergy and explore global customers
- Growth drivers: E-commerce, digitalization, Industrial 4.0

Industrial forklift & services
73%



Overseas Expansion – Accurate and Strategic Planning



Overseas Factory Building



- Belarus Maz Weichai factory is under construction to speed up made in Belarus.

- For Ethiopia project, first batch of 700 units of KD were assembled there. The Myanmar project completed the handover.



Technology Exports

- Sales volume of Baudouin engines reached 1,400 units with 230% y-o-y.



Overseas Subsidiaries



- Sales revenue and volume increased over 50% y-o-y with highlights on power emission, commercial vehicles and Construction Machinery packages performances

General trade

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Outlook and Strategies

Industrial Policy – Accelerate Upgrading and Elimination



All **gas vehicles** produced, imported, sold and registered shall meet the requirements of China-VI Emission Standard.
Key areas, the Pearl River Delta region, and the Chengdu-Chongqing region will implement China-VI Emission Standard in advance.



The Beijing-Tianjin-Hebei region and the surrounding areas and the Fenhe and Weihe Plains will phase out more than 1 million medium and diesel HDT that with China-III Emission Standards and below.

1 Jan 2019

1 Jul 2019

1 Jul 2020

End of 2020

1 Jul 2021



China will supply a full range of automotive gasoline and diesel that meets China-VI Emission Standard, and stop selling gasoline and diesel products below this standard.



All **city vehicles** produced, imported, sold and registered shall meet the requirements of China-VI Emission Standard.



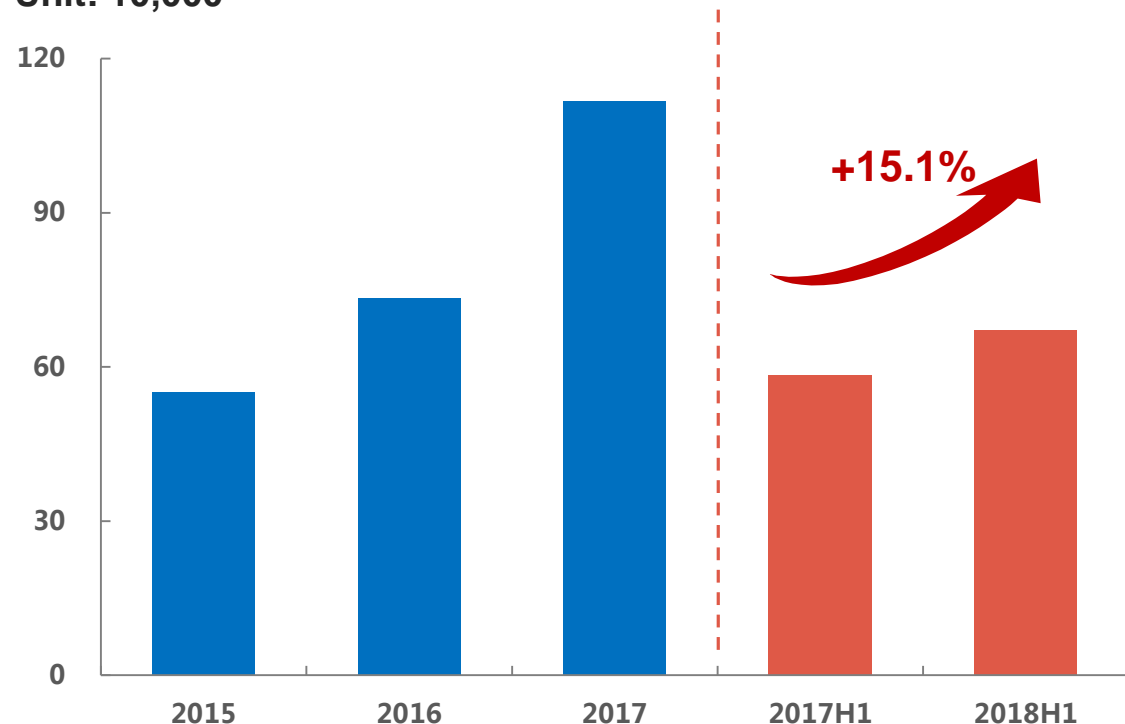
All diesel HDT produced, imported, sold and registered shall meet the requirements of China-VI Emission Standard.

HDT Industry – Maintaining Positive Outlook



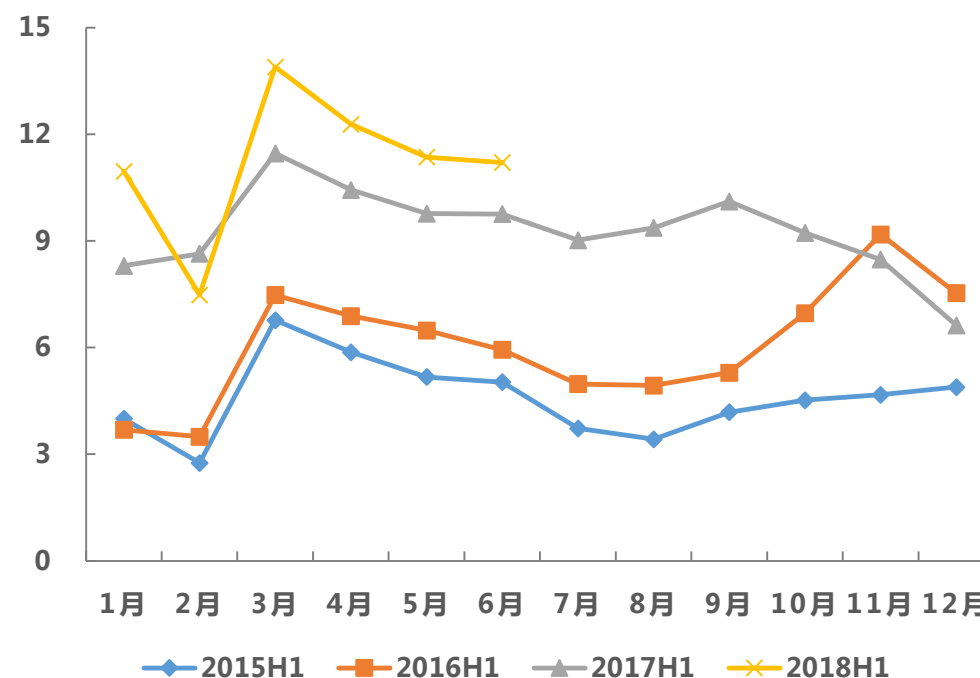
HDT Industry – Yearly Sales Trend

Unit: 10,000



HDT Industry – Monthly Sales Trend

Unit: 10,000



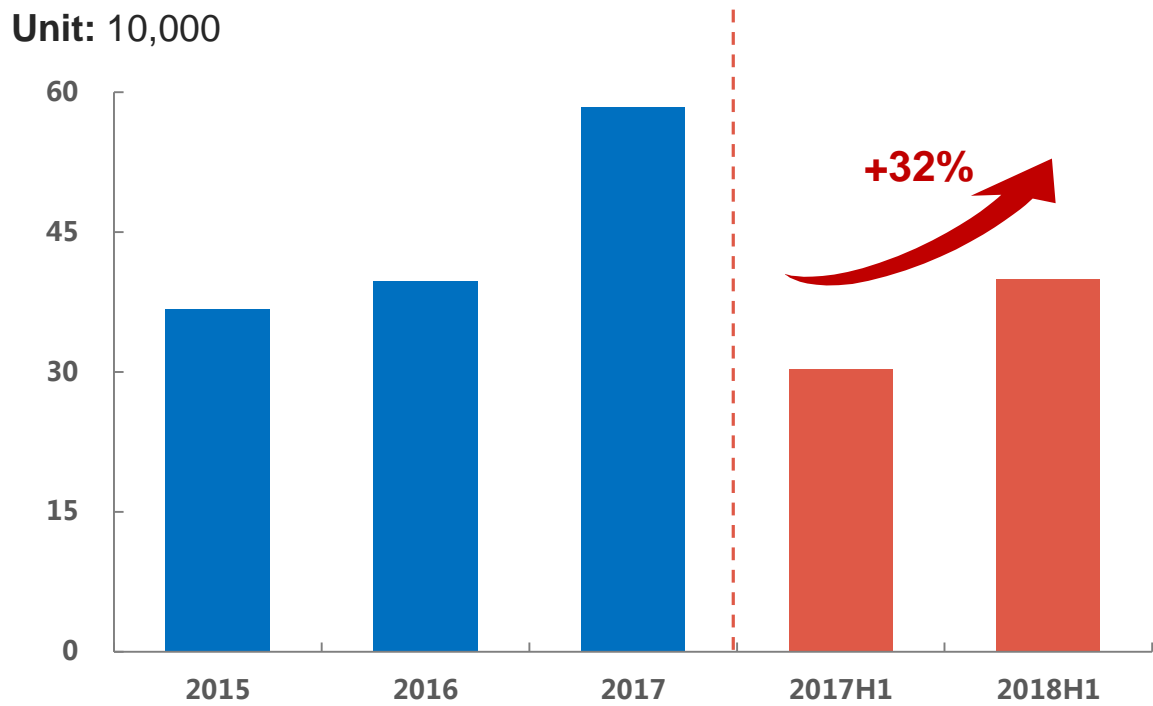
Data Source: China Association of Automobile Manufacturers

- Due to the high volume of logistics vehicles, as well as infrastructure construction and real estate investment, the HDT industry will continue to maintain an optimistic outlook.
- In the first half of 2018, China's HDT industry achieved a sales volume of 672,000 units, an increase of 15.1% y-o-y.

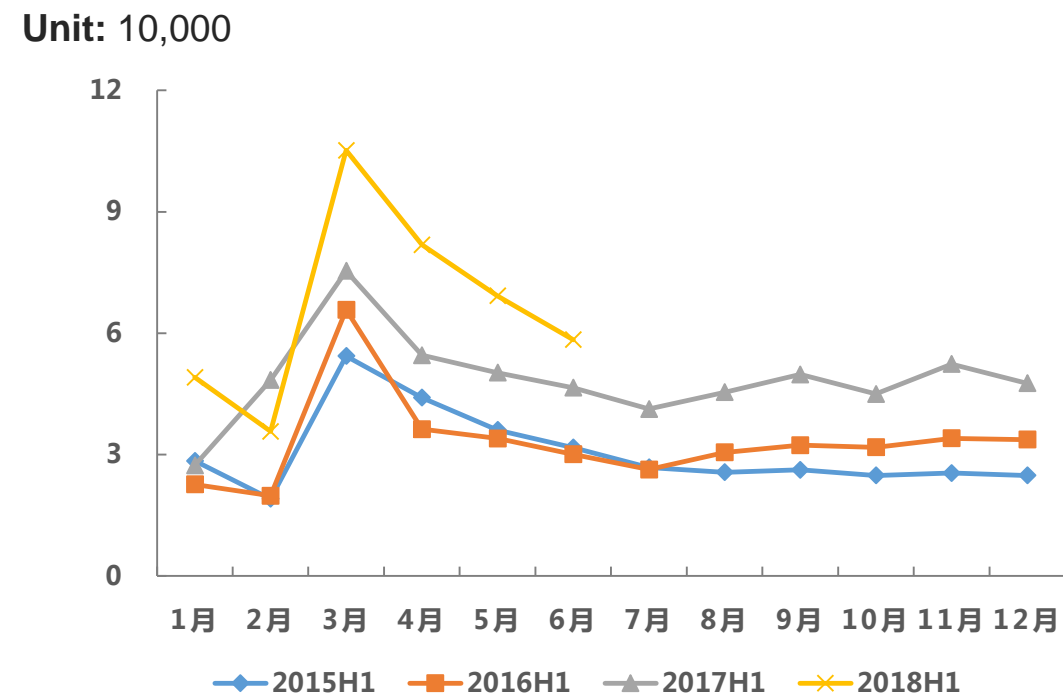
Construction Machinery Industry – Continues to Grow Rapidly



Construction Machinery Industry - Yearly Sales Trend



Construction Machinery Industry - Monthly Sales Trend



Data Source: China Construction Machinery Association

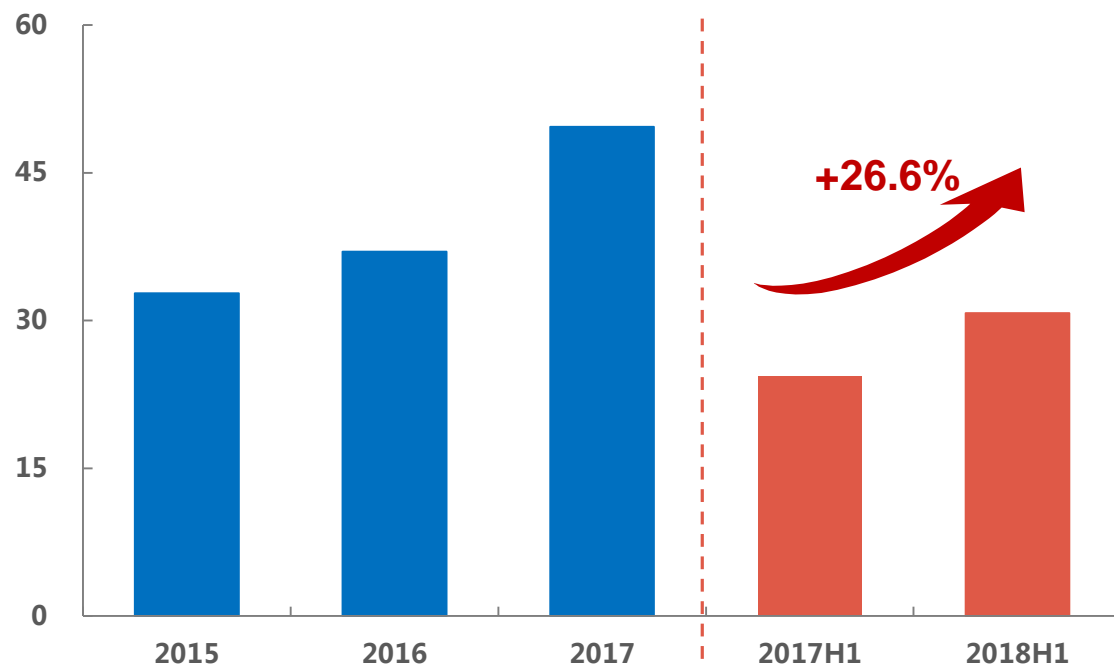
- The construction machinery industry continues to grow rapidly due to the upgrading of the industry and the impact of infrastructure construction and real estate investment.
- In the first half of 2018, China's construction machinery industry achieved a sales volume of 400,000 units, an increase of 32% y-o-y.

Forklift industry – Creating a New Record



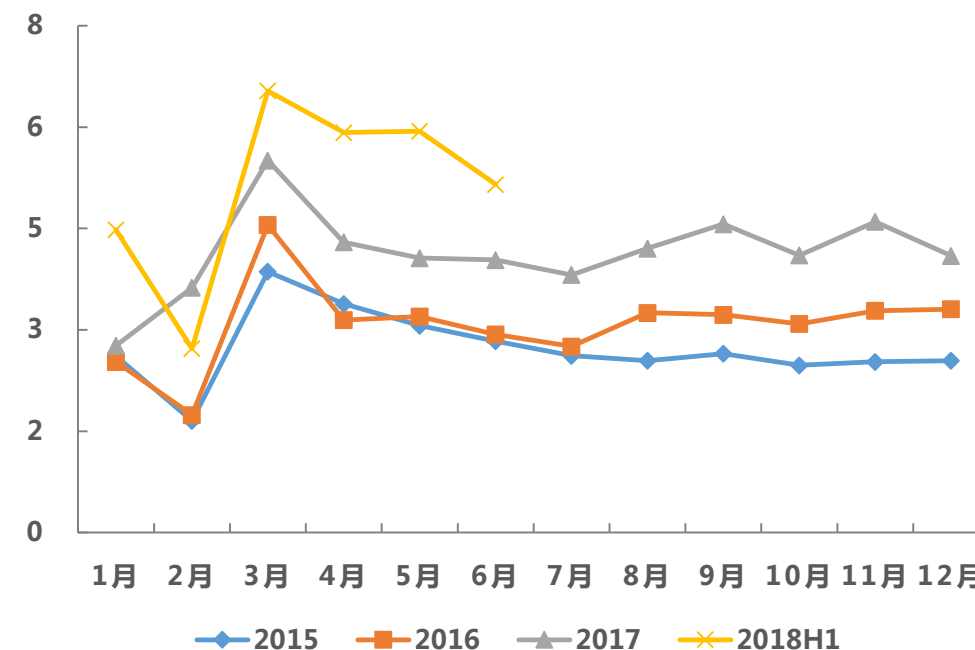
Forklift Industry – Yearly Sales Trend

Unit: 10,000



Forklift Industry – Monthly Sales Trend

Unit: 10,000



Data Source: China Construction Machinery Industry Association Industrial Vehicles Branch

- Due to the rapid development of logistics e-commerce, the acceleration of new energy forklift applications, and the increase in export share, the sales of the forklift industry has hit record high.
- In the first half of 2018, China's forklift industry achieved a sales volume of 308,000 units, a y-o-y increase of 26.6%.

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Outlook and Strategies

Macro Economy Outlook in 2018H2



Global Economy - Still Recovering

- The “wide fiscal, loose credit” policy implemented by the Trump administration will continue to stimulate the US investment. The US economic growth shows a positive trend.
- European economic growth has weakened monumentally, but still maintains moderate growth.
- Emerging markets continue to grow faster than developed countries
- However, uncertainties and instability of the global economic situation have risen.
- **Overall, the global economic growth rate is expected to be around 3.6% in 2018.**



China's Economy - Maintaining Steady Growth

- China's economy is functioning steadily and constantly, amidst new problems and new challenges, especially changes in the external environment.
- Macroeconomic policies are expected to be more proactive, with policy emphasis on expanding domestic demand and structural adjustment.
- With favorable policies like stable investment, tax and fee reductions, investment and consumption are expected to maintain steady growth.
- **The Chinese economy is expected to operate in a reasonable range in the second half of the year, with an annual economic growth rate of about 6.6%.**

Industry Outlook in 2018H2

- In the second half of 2018, the HDT industry is expected to maintain its leading position, with an annual sales volume of about 1.1 million units; the construction machinery industry is expected to continue its growing trend, with its annual sales volume exceeding 700,000 units; intelligentization, automation and the rapid development of the logistics industries will propel the rapid growth of the smart logistics industry.



HDT Industry

- With an unprecedented concern for environmental protection, the pace of emission upgrades has accelerated significantly, and will bring about a large number of vehicle renewal demand.
- Infrastructure construction investment remains high, and the demand for construction-purpose HDT is large; e-commerce, express delivery, cold chain and other logistics sectors are also developing rapidly and continue to maintain strong demand.
- Natural gas price is declining and the growth of natural gas HDT market is expected to recover.



Machinery Industry

- Changes in domestic investment structure, major transportation projects, major construction projects, suburban and rural infrastructure construction will become new driving force.
- Domestic railway investment is expected to accelerate in the second half of the year, and the annual railway fixed assets investment will return to RMB800 billion.
- “One Belt, One Road” promotes infrastructure interconnection and accelerates the growth of China's foreign engineering contracting with huge demand.



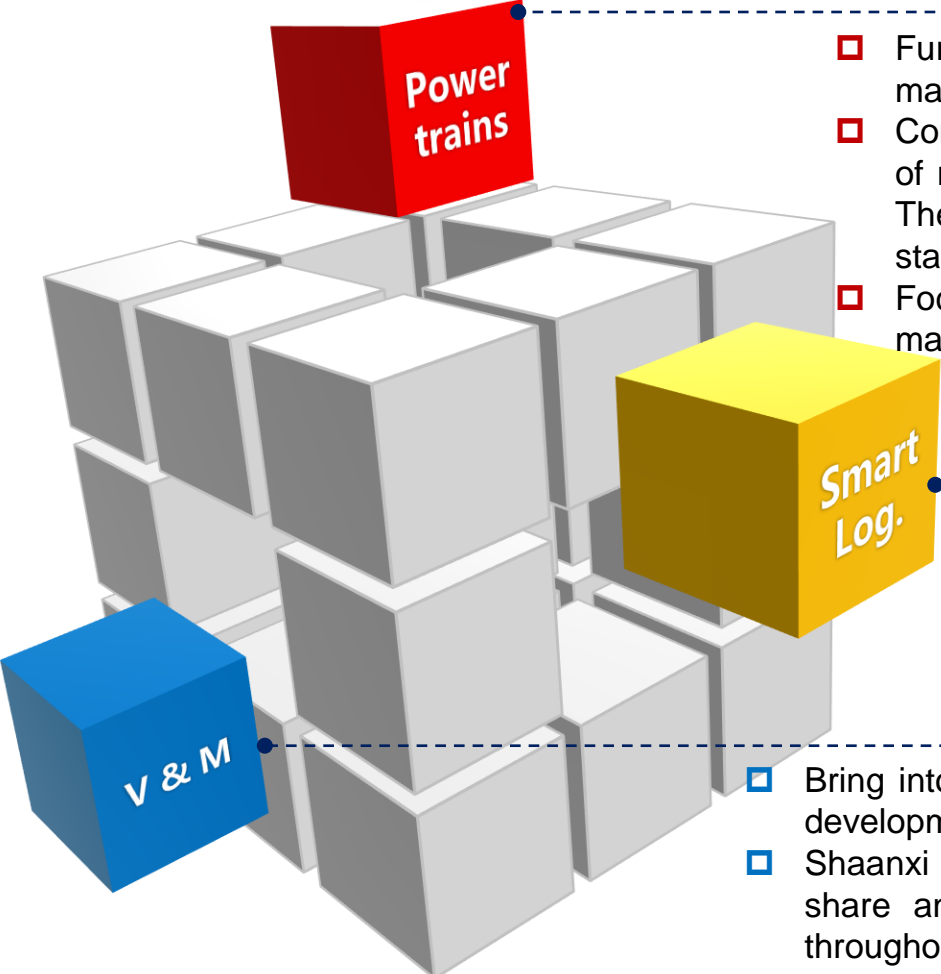
Smart Logistics Industry

- The domestic demographic dividend has gradually disappeared, and the drive to improve logistics efficiency and reduce costs has caused the machinery generation to gradually become a trend.
- The regulation for environmental protection has been tightened, and the electrification trend of the forklift industry is becoming more and more obvious, with the proportion of electric forklifts to continue increasing.
- The rapid development of the logistics industry and e-commerce express delivery has caused the demand for warehouse forklifts and automated logistics to accelerate.

Company Strategy Outlook in 2018H2

- Guided by the 2020-2030 strategy, the Company will focus on its main businesses and accelerate the construction of the leading business model that covers a full value chain of powertrains, smart logistics and vehicles and machines. The Company seeks to lead the development with innovation, to provide customers with the best quality products and services, and in turn, to establish itself as a respected international enterprise.

Powertrains

- 
- Further optimize product and market structure, and vigorously develop off-the-road engine markets
 - Continue to increase investment in product R&D, comprehensively speed up the full series of road-use China-VI products, off-the-road China-IV products, and new energy products. The Company plans to stay competitive by implementing a solid upgrade on the emission standards.
 - Focus on four markets near China to accelerate the pace of overseas construction, license manufacturing and trade exports.

Smart Logistics

- Create a strategic planning for the smart logistics solution platform
- Integrate the Group's vehicle, machine and automated storage system resources to develop integrated products to enhance software/data/algorithm capabilities

Vehicles and Machines

- Bring into play the technological advantages of new energy and smart network, accelerate the development and performance improvement of new generation products
- Shaanxi Heavy-duty Motor will steadily implement major projects and key tasks, expand market share and industrial influence, and fully accomplish the sales target of 160,000 vehicles throughout the year.

Thanks

