Innovation & Cooperation
Key Success Factors for Globalization

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Part one: China automotive market overview

Part two: BAIC group overview

Part three: Sustainable development of BAIC

- Globalization
- Innovations
  - Technical
  - Business
- Cooperation
China automotive industry experienced rapid growth over past ten years

Historical sales of China automotive industry

Unit: ten thousand

CAGR = 14.2%

CAGR
China: 24.4%
Global: 0.5%
Industry concentration has increased

### 2010 OEM sales and market share

<table>
<thead>
<tr>
<th>no.</th>
<th>OEM</th>
<th>Sales (10,000 units)</th>
<th>Market share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SAIC</td>
<td>355.84</td>
<td>19.7</td>
</tr>
<tr>
<td>2</td>
<td>Dongfeng</td>
<td>272.48</td>
<td>15.1</td>
</tr>
<tr>
<td>3</td>
<td>FAW</td>
<td>255.82</td>
<td>14.2</td>
</tr>
<tr>
<td>4</td>
<td>Chang’An</td>
<td>237.88</td>
<td>13.2</td>
</tr>
<tr>
<td>5</td>
<td>BAIC</td>
<td>150.1</td>
<td>8.3</td>
</tr>
<tr>
<td>6</td>
<td>GAIG</td>
<td>72.42</td>
<td>4</td>
</tr>
<tr>
<td>7</td>
<td>Chery</td>
<td>68.21</td>
<td>3.8</td>
</tr>
<tr>
<td>8</td>
<td>BYD</td>
<td>51.98</td>
<td>2.9</td>
</tr>
<tr>
<td>9</td>
<td>Brilliance</td>
<td>50.14</td>
<td>2.8</td>
</tr>
<tr>
<td>10</td>
<td>JAC</td>
<td>45.85</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1559.61</strong></td>
<td><strong>86.4</strong></td>
</tr>
</tbody>
</table>
Road infrastructure has laid the solid foundation for the development of the China automotive industry

- Up to now, the total mileage of express way of China has reached 65,000 km, ranked as second in the world after the United States.
- Future the highway construction in China will continue with the “7918” highway network (composed of 7 radial highways from Beijing, 9 vertical highways going north to south and 18 horizontal highways head west to east), with a total scale of about 85,000km.
- China national highway is in full verse — with a size of about 35,000 km, consisting of 5 vertical routes and 7 horizontal routes.
- Rural Road Network—“the eleventh five years plan“ newly reconstructed rural road of 1.2 million km, more than 95% villages and more than 80% of formed village asphalt (cement) roads

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Mileage</th>
<th>Express way</th>
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<tbody>
<tr>
<td>2004</td>
<td>1.87 million</td>
<td>34 thousand</td>
</tr>
<tr>
<td>2010</td>
<td>2.3 million</td>
<td>55 thousand</td>
</tr>
<tr>
<td>2016</td>
<td>______</td>
<td>75 thousand</td>
</tr>
<tr>
<td>2020</td>
<td>3 million</td>
<td>85 thousand</td>
</tr>
</tbody>
</table>
The China automotive industry is expected to reach 40 million by volume in the next 10 years

China automotive industry sales forecast

Units: 10 thousand

CAGR=24.4%

CAGR=11.4%

Source: China association of automotive manufacturers
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Globalization

Innovations
- Technical
- Business

Cooperation
BAIC Overview

- BAIC’s business ranging from development and manufacturing of vehicles, parts, financial services and other auto related business.

- BAIC ranks No.5 in the sector and is explicitly supported by national industrial policy as one of the 8 largest enterprise groups.

- Vehicle sales volume passed 1.5 million units in 2010. Revenue reached 158 billion Yuan in 2010.
Major product Lines

Auman  Euro V  Forland  MP-X  Aumark

View  Midi  SAGA  Sub

007 Yusheng  Yongshi  Qishi

Lulling  Luba  Zhangqi
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Globalization

Innovations
  - Technical
  - Business

Cooperation
BAIC Vision

Automotive company with strong brand, core competitive competencies & International operating capability

• 3.5~4 million units by 2015
Driving Sustainable Growth

- Globalization
- Technical Innovation
- Business Innovation

Cooperation
Product Innovation
Planning to ensure production and sales of 3,500 units of pure EV in 2011 and hybrid vehicles to reach the total volume of 8,000. The objective is to realize total production capacity of 150,000 vehicles in 2015 including hybrid vehicles and pure EV.

Striving to develop pure EV

- **Middle/High End C70GB**: Middle/High end pure EV developed based on the C70G model platform developed by BAIC, mainly for middle/high-end public service vehicles and commercial vehicles use.
- **Middle End Q60FB**: Middle/High end pure EV developed based on the C60F model platform developed by BAIC, mainly for public service vehicles, commercial vehicles and taxi use.
- **Joint Compact Platform**: Middle/High end pure EV based on the joint cooperation platform and compact product platform, mainly for public service vehicles, commercial vehicles and taxi use.
- **Low End C30DB**: Low end pure EV passenger vehicles based on C30D model, mainly for public service vehicles, taxi, private cars and export use.
- **Low End M30RB**: Low end pure EV commercial vehicles based on M30R model, mainly for urban logistic and private use.
BAIC New Energy Vehicles

C30 DB

(306平台-M30RB)

Q60 FB

C71 EV

B90 Hybird
BAIC New Energy Vehicles

- Mini e-Taxi
- 2T e-Truck
- 8T e-Truck
- 16T e-Truck
- 12M e-Bus
- Small e-Truck
- 3T Tuck Platform
- Logistics Postal
- Logistics Mining
- 10.5m, 11.5m Bus
Development of Key Subsystems & Components

- Rapid Start-Stop System
- DCM - Mech-Electric Power Coupling Mechanism
- Hybrid Power train System for AUV buses
- EVT - Electric CVT
- Control Systems for Mild, Medium, Strong Hybrid and Electric vehicles

Rapid Start-Stop System

DCM – Mech-Electric Power Coupling

EVT – Electric CVT

Overall Control
On 14th December of 2009, BAIC and SAAB reached the agreement that BAIC acquired technical properties of three vehicle platforms, which include current 9-5 and 9-3 models, two series of turbo engines and transmissions, and related intellectual properties of tooling for production. BAIC aims at establishing medium to high end self-owned brand passenger vehicles by combining own advantages and technical strengths from SAAB.
Continue to strengthen cooperation with Hyundai Motor and Mercedes-Benz

Seek new partnership with a third-party international enterprise

Pursue cooperation with global players, domestic or global major players with technical advantages

Continue to cooperate with leading domestic and international players in spare parts and trading services

Future exploring global market driven by commercial vehicles

Complement “Go abroad” Strategy for BAIC Self-owned brands

Strengthen cooperation with financial institutions and form a new exportation financing platform

Establish venture capital fund for export credit insurance

Active to deal with international trade confliction

Comprehensive improvement level of service for BAIC global trading

Self-innovation and Self-owned Brand

Technical Innovation and New Energy Vehicles

Innovative Management and International Cooperation

Accelerating Internationalization

Innovative operation and International cooperation

Strengthening Cooperation
**Domestic and international partnership in parts manufacturing business**

BAIC’s subsidiary, Beijing Hainachuan Automotive Parts Co., Ltd, now has more than 20 parts enterprises, including foreign joint ventures with Johnson, Delphi, Lear, Visteon, BorgWarner, Tenneco; also established and invested in system components manufacturers with Shanghai Yanfeng, Zhejiang Yatai, Xuchang Yuandong, Jiangyin MPT. And the objective Hainachuan auto part company’s future joint venture plan is to cooperate with the well-known Fortune 500 and top 3 players in the international parts suppliers market and domestic parts industry.

### The United States:
- Johnson
- Tenneco
- Delphi
- BorgWarner
- Lear
- Asimco

### Korea:
- Halla (Visteon)
- Pike
- Xiyi

### Shandong:
- Xinghuabanhua

### Jiangyin:
- MPT

### Shanghai:
- Yanfeng Visteon
- Delphi Jiehua
- Yatai Group

### Zhejiang:
- Shandong Xuchang Yuandong
Foton’s Overseas Strategy Model

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<tbody>
<tr>
<td>Seeking Technological Cooperation; Wiping out Entry Barriers</td>
<td>Conducting Market Screening; Utilizing Comparative Advantages</td>
<td>Controlling Investment Scale; Controlling Development Pace</td>
</tr>
<tr>
<td>- Establishing a joint venture with Cummins as Beijing Foton Cummins Engine Co., Ltd, giving Foton access to markets in developed countries.</td>
<td>- Giving priority to the investment and factory establishment in those weak countries in vehicles production and utilizing comparative advantages.</td>
<td>- “5+3+1” Development Strategy</td>
</tr>
<tr>
<td>- Establishing a joint venture with Daimler with 50:50 equity structure producing heavy trucks which focus on Foton Auman brand and Daimler heavy truck engines as well as other overseas investment</td>
<td>- Already established CKD factories in countries like Pakistan, Ukraine, Turkey. Also established complete sales network and service system in many areas and countries like Central Asia, West Asia, Southeast Asia, South Asia, Africa, CIS and Eastern Europe</td>
<td>- First of all, established 5 overseas holding factories with capacity of 100,000 in developing countries such as Brazil, India, Russia, Mexico and Thailand.</td>
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<tr>
<td></td>
<td>- Foreign expansion almost covered 80 regions and countries globally</td>
<td>- Through the adjustment of product structure and by producing high-end vehicles and engine products, achieving success in 3 most high-end auto markets-Japan and South Korea, Western Europe and North America.</td>
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<tr>
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<td>- Take advantage of new energy development, realizing breakthrough in passenger vehicles and achieving the first world-class vehicle brand</td>
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<td>- In 2009, Foton hired over 40 overseas experts in Detroit, USA one at a time.</td>
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</tbody>
</table>
Business Innovation & Cooperation

- Traditional business model no longer meet the needs of sustainable growth:
  - Sky rocketing product & market development cost is no longer affordable by individual automaker;
- BAIC is interested in innovative business approaches to explore win-win opportunities throughout the value chain:
  - Market development;
  - Product technology cooperation;
  - Supplier base development;
  - New energy vehicle;
  - Joint development of component sector;
  - Go aboard with strategic & financial partners;
  - ...
Thank you!