



**北京汽车**  
BAIC MOTOR



# **BAIC Motor** **2018 Annual Results Presentation**

March 2019



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# 1 Summary of Results for 2018

2 Industry Development for 2018

3 Operating Performance of the Group for 2018

4 Data from Consolidated Financial Statements

5 Development Prospect



# 2018 Results of Operations: Sales Volume

In 2018, China's passenger vehicle industry suffered the first decline in sales volume, with a 4.1% decrease

The Group's total sales volume of 1.445 million units, representing a year-on-year increase of 4.8%

## The Group's Sales Volume in 2018 (in thousand units)



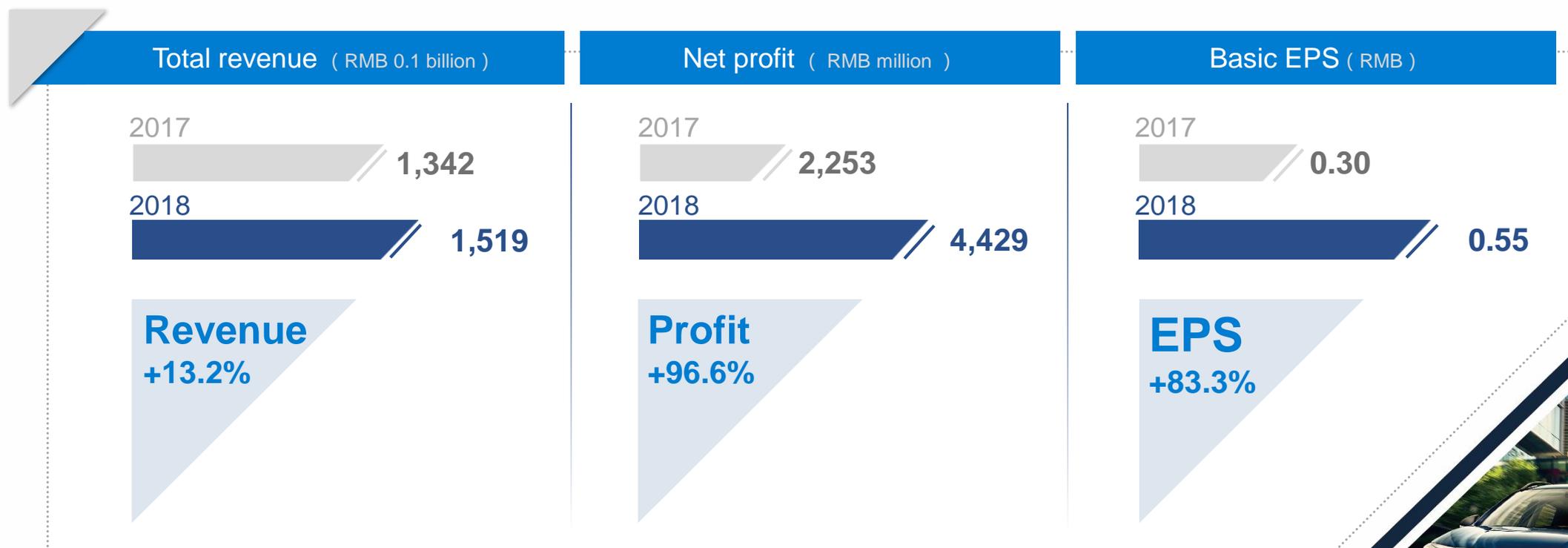
Note: 1. The data are the consolidated wholesale volume  
2. The Group is promoting the divestiture of Wevan business, and the above sales volumes are only for the sustainable operating segments and exclude the sales volume of Wevan business



## 2018 Results of Operations: Profitability

In 2018, the consolidated total revenue of the Group was RMB 151.92bn (+13.2% yoy)

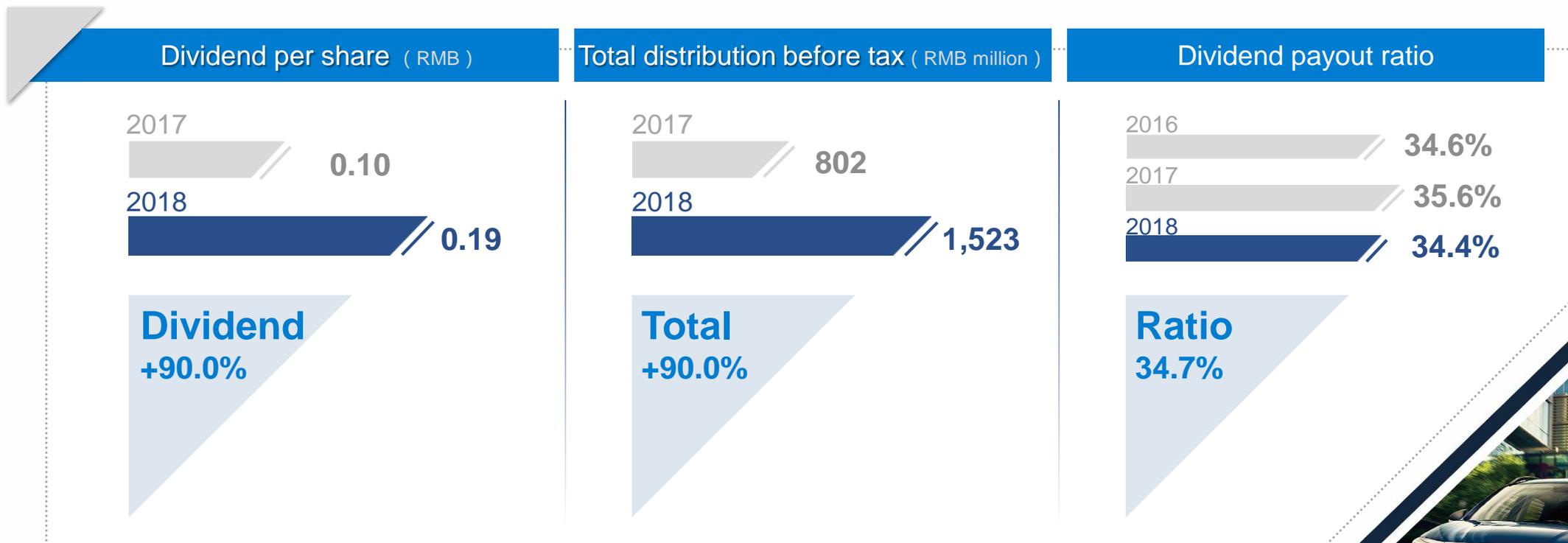
NP attributable to equity holders: RMB 4.43bn ( +96.6% yoy ) ; Basic EPS: RMB 0.55 (+83.3% yoy)



# 2018 Results of Operations: Dividend Distribution

In 2018, the Board recommended a cash dividend of RMB 0.19 per share (inclusive of tax) , +90.0%yoy

Maintaining a relatively high dividend payout ratio and continuing to follow the principle of rewarding shareholders



# 2018 Results Highlights: Focus on “High, New and Special”

In 2018, the Group focused on the “high, new and special” development

“High” ——Quality first , adhere to high-end manufacturing and products, and create value-added products

“New” ——Drive by innovation, strength the pace of comprehensive NEV, independent research

“Special” ——Strengthen the deep accumulation of BJ brand, develop the spirit in working and business

## High

Adhering to the high-end route of Beijing Benz and promoted high-end adjustment of the overall capacity



## New

Accelerating the comprehensive utilization of new energy in Beijing Brand, Beijing Benz and Beijing Hyundai and applying new technologies including intelligentization and networking



## Special

strengthen the deep brand accumulation of off-road, and starting a business with the spirit of working hard and bravely



# 2018 Results Highlights: Success with Strategic Partners

In 2018, we, together with strategic partners, made significant progress in the PRC market

BBAC rolled the 2 millionth unit of vehicle and engine off the production line, and was preparing to produce EVs

BHMC rolled the 10 millionth unit of vehicle off the production line, thus surpassing the 10 million unit level



**BBAC: the 2 millionth unit of vehicle off line**



2,000,000

**BHMC: the 10 millionth unit of vehicle off line**



10,000,000



# 2018 Results Highlights: Launch of Competitive Models

In 2018, various key vehicle models were launched

Beijing Benz GLC long-wheelbase SUV, new A-Class sedan and other blockbusters

ENCINO and LA FESTA in the performance car series of Beijing Hyundai were popular

Launch of Double Smart Stars, Zhixing and Zhidao of Beijing brand, Focused on AI

New heavyweight products  
continue to drive growth



Performance + design value  
enhances brand power



2.0 Products, double smart  
stars launched



# 2018 Results Highlights: Deepening the Integration

Disposal of the base of Beijing Branch of Beijing Brand to Beijing Benz, with Daimler focusing on BBAC

RMB11.9 bn to construct a new production base of BBAC, with over RMB 2bn for new models and upgrade

With Hyundai, a number of consensus reached on the development of BHMC

Localization strategy; launching of blockbuster vehicle models; promoting brand; control of cost

The total investment in Beijing Benz is RMB 60bn since 2010

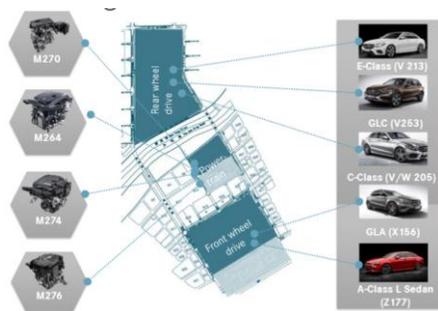
Reaching strategic consensus with Hyundai



BAIC



Daimler



Beijing Benz



Three in one  
R&D system



3 series + 3 technologies  
matrix product layout



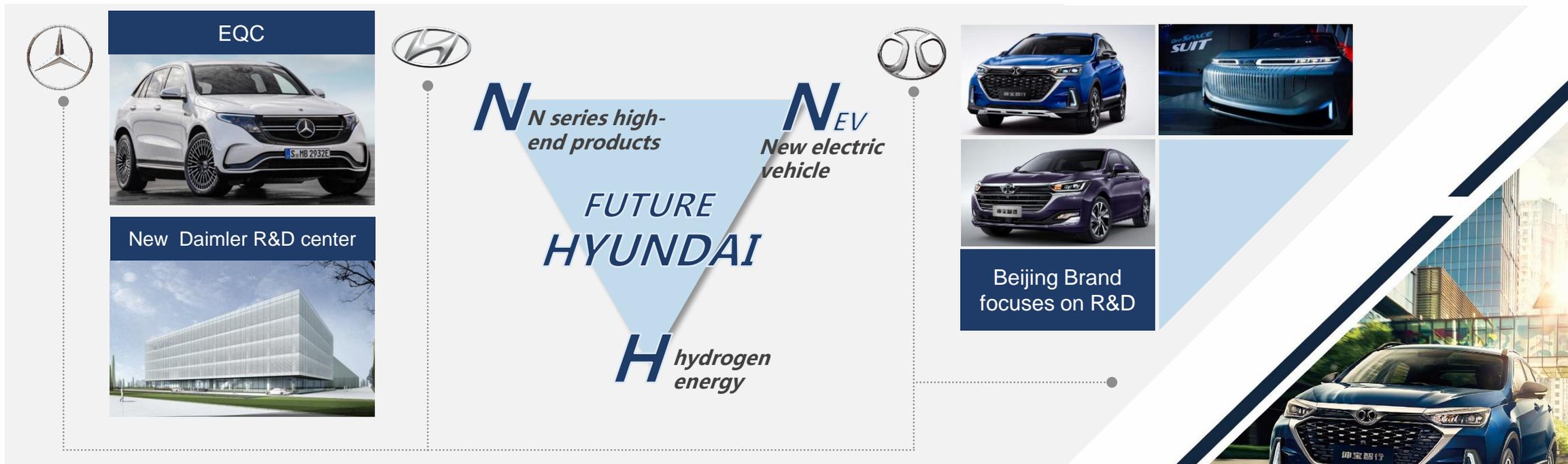
# 2018 Results Highlights: Forward-looking Strategy

The Group will embrace and lead the industry change, with a forward-looking strategy, and will closely cooperate with partners

EQC will be firstly produced at BBAC; new R&D center of daimler will be constructed

BHMC will introduce high-end products and NEVs; demonstrating the introduction of hydrogen energy products

Beijing brand will focus on R&D; developing new energy, intelligentization and networking



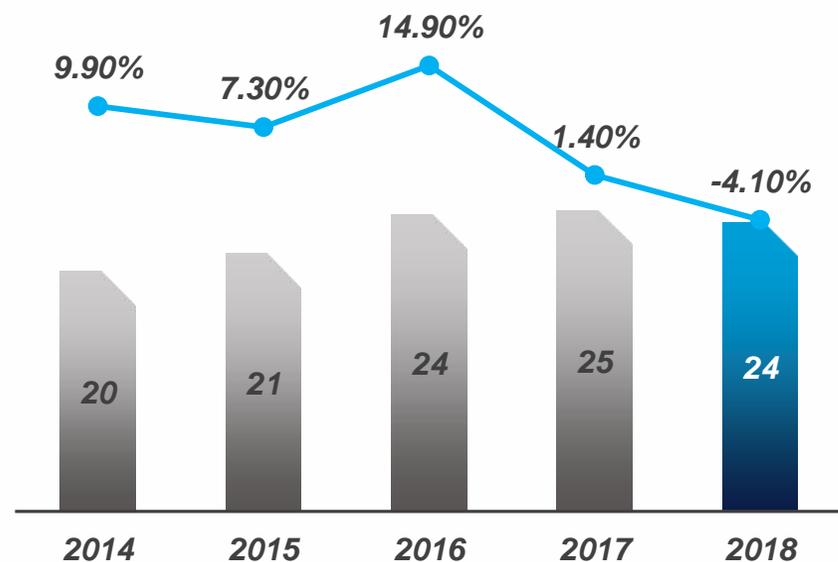
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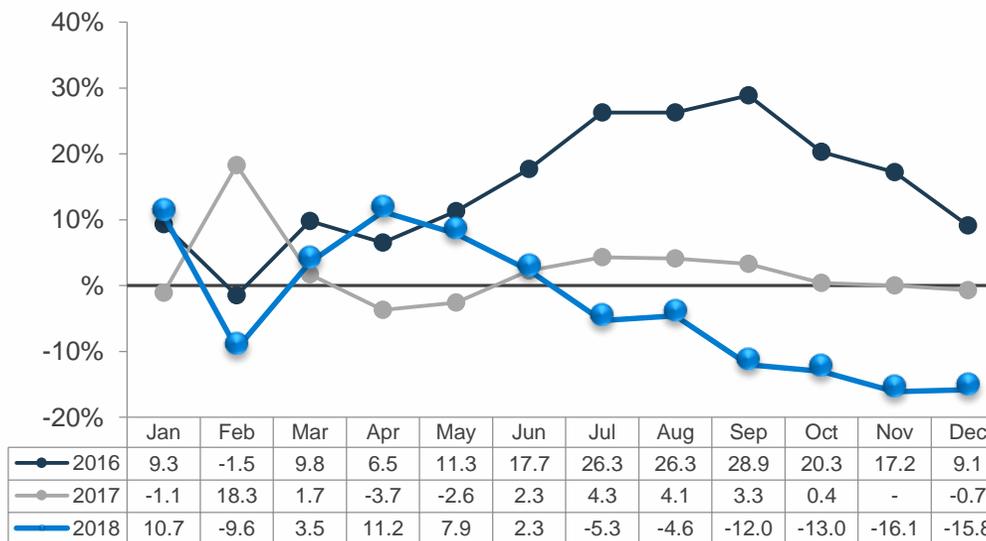
# Development of Passenger Vehicle Industry

In 2018, in the passenger vehicle market in China, 23.71 million units of vehicles were sold, representing a year-on-year decrease of 4.1%, which had been the first annual decrease in recent years; from July, there was a sustained negative growth in the sales volume of passenger vehicles

Annual Sales Volume and Growth Rate of the Passenger Vehicle Market in China (in million units)



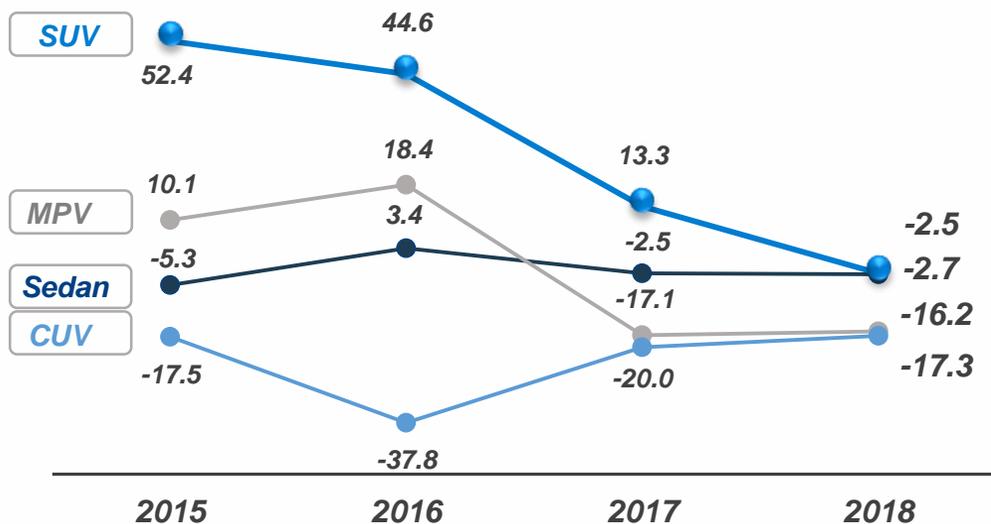
Monthly Sales volume Growth Rate of the Passenger Vehicle Market in China



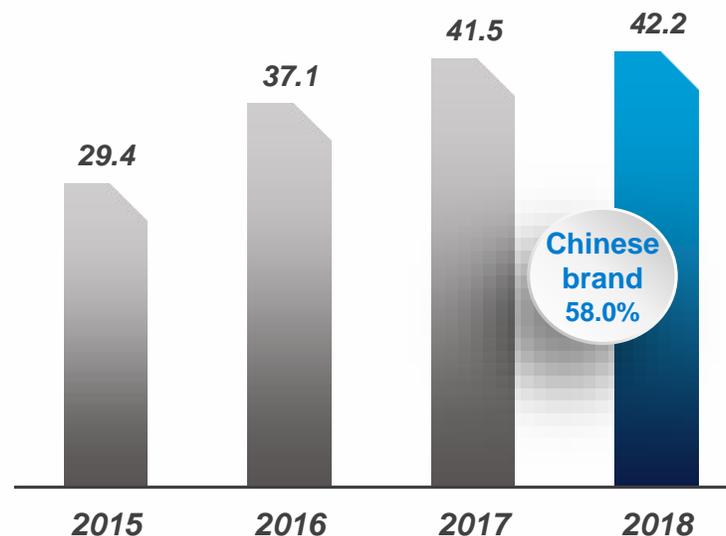
# Development of Passenger Vehicle Market Segment

In 2018, there was a negative growth in the sales volumes of four major types of passenger vehicles, and a greater decrease in the sales volumes of MPVs and CUVs; the market share of SUV models further increased to 42.2%, while the sales volume of SUV products under Chinese brands increased by -6.7%, accounting for 58.0% of the total sales volume of SUVs, with a decrease in the market share

Rate of growth in passenger vehicle sales volume (%)



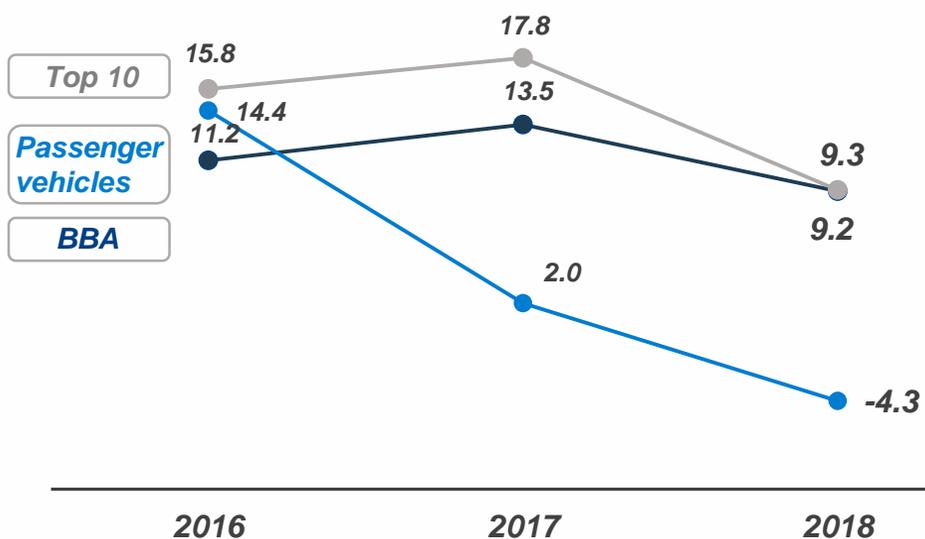
Market share of SUV models (%)



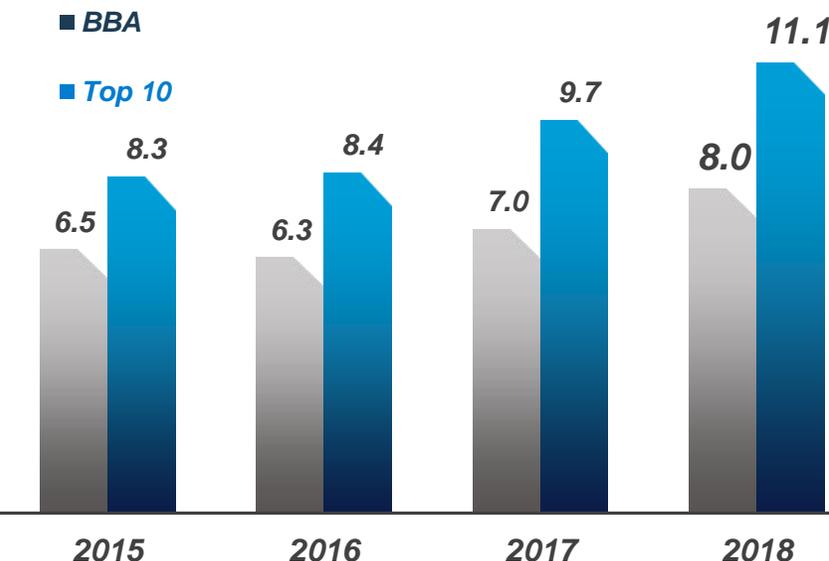
# Development of Luxury-brand Passenger Vehicle Market

In 2018, the luxury vehicle market in China maintained a rapid growth. Benz, Audi and BMW remain the top sellers of premium vehicles, with the total sales volume of 1.979 million units, up by 9.2% year-on-year; the top 10 premium vehicle brands sold a total of 2.757 million units, up by 9.3% year-on-year; the market share of premium vehicles was on the increase

Sales volume growth rate of luxury-brand passenger vehicles (%)



Market Shares of Luxury Brands (%)



Note: Top 10 luxury brands are Benz, Audi, BMW, Cadillac, Lexus, Jaguar Land Rover, Volvo, Porsche, Lincoln and Acura  
 Source: CAAM, relevant corporate annual reports/press releases, relevant media reports; there may be certain errors in relevant media reports



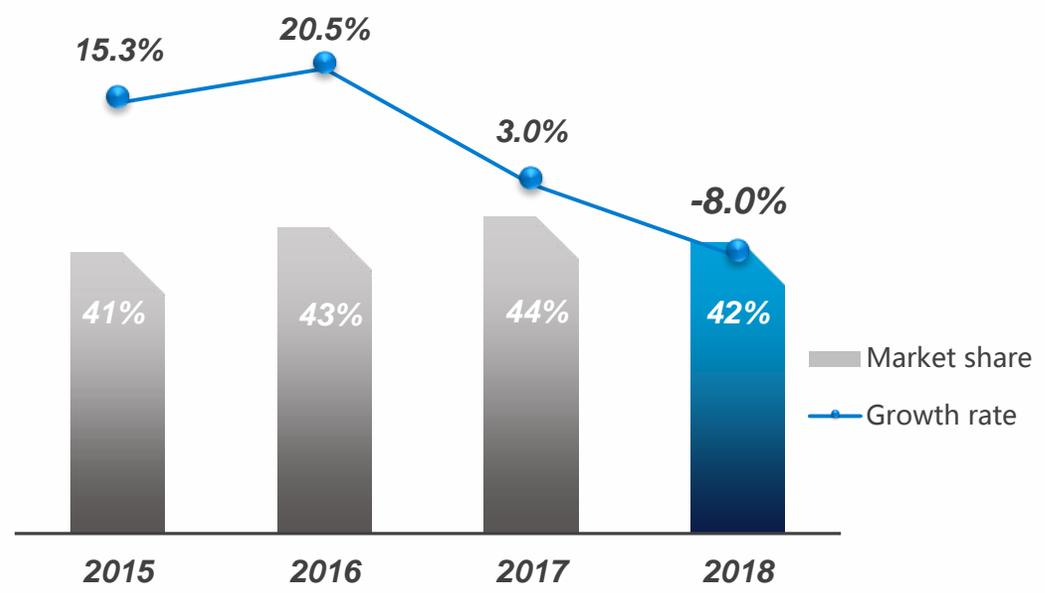
# 4

## Development of Passenger Vehicle Series Market

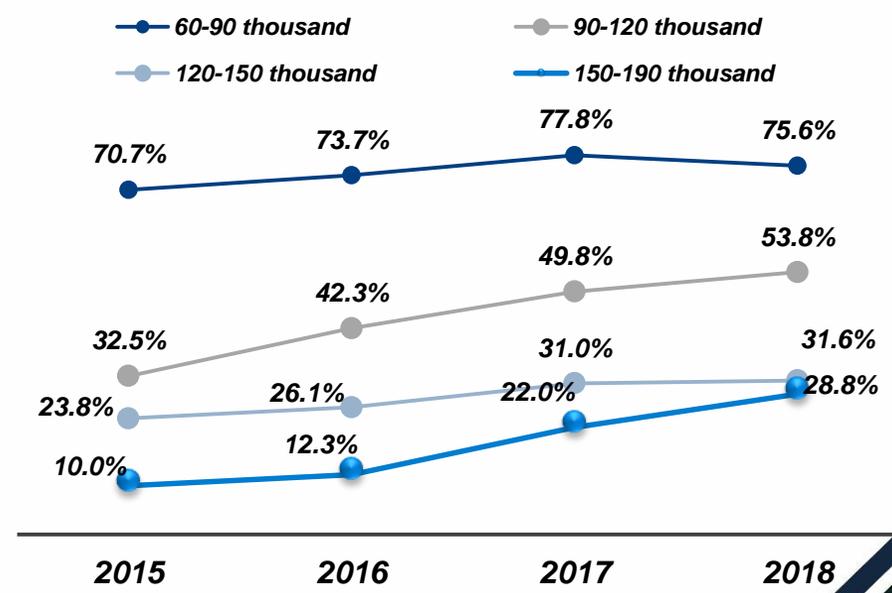


In 2018, the sales volume of Chinese-branded passenger vehicles was 9.98 million units, down by 8.0% year-on-year, with the market share of 42.1%, representing a decrease of 1.8 percentage point as compared with the same period of last year; Chinese brands witnessed an improvement in the product quality and price, and in particular took the leading position in terms of new energy industry development

Market share and sales volume growth rate of Chinese brands



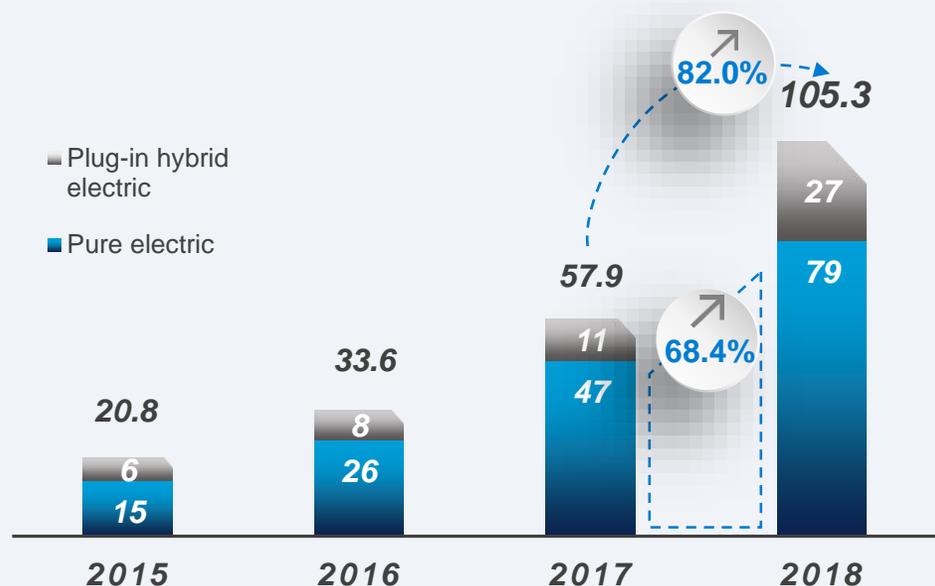
Market share of Chinese brands by price range



# Development of New Energy Passenger Vehicles

In 2018, the market of new energy passenger vehicles maintained rapid growth, with the total sales volume of 1,053 thousand units, up by 82.0% year-on-year; the sales volume of pure electric passenger vehicles reached 788 thousand units, up by 68.4% year-on-year and accounting for 74.8% of the sales volume of new energy passenger vehicles; new energy vehicle subsidy policies will promote the development of new energy passenger vehicles with longer mileage range, higher battery energy density and lower energy consumption

Sales and growth of new energy passenger vehicles (in 10 thousand units)



2016-2018 national subsidy for new energy passenger vehicles (RMB10 thousand)

Passenger vehicle type	Mileage range (km)	2016	2017	2018
BEV	100≤R < 150	2.5	2	0
	150≤R < 200	4.5	3.6	1.5
	200≤R < 250			2.4
	250≤R < 300			3.4
	300≤R < 400	5.5	4.4	4.5
	R≥400			5
PHEV	R≥50	3	2.4	2.2

Note: In 2018, the municipal subsidy for new energy vehicles in Beijing were provided according to the central government-to-local government ratio of 1:0.5, and the total subsidy provided by the central government and the municipal government should not exceed 60% of the vehicle selling price  
Source: CAAM



Since 2018, the industry regulation policy has been further adjusted, which has presented challenges and opportunities for the industry: the “dual-credit scheme” was implemented on April 1, which promoted the transformation of vehicle enterprises to new energy vehicle enterprises at the policy level; the removal of the restriction on shareholding percentages of foreign entities, the publication of the Provisions on the Administration of Investment in the Automotive Industry, and the reduction in import tariff, promoted the profound industry reform; the shift to “China VI”, the publication of new subsidy policies for new energy and stricter environmental protection requirements showed a clearer trend of energy saving and emission reduction; tax reductions and fees cutting energized enterprise development

## 2018

### Permission for foreign investment

At the Boao Forum, there was a signal of the removal of restriction on shareholding percentages of foreign entities; NDRC confirmed the timetable

### New energy

The “dual-credit scheme” was implemented; and subsidy policies were adjusted

### Tariff adjustment

The tariff rate on vehicles and parts was reduced to 15%

### Tax reduction

The value-added tax rate for the manufacturing industry was reduced to 16%

## 2019

### Tax reductions and fees cutting

The value-added tax rate for the manufacturing industry decreased to 13%; Social insurance tax rate reduced by 3%

### Stricter environmental protection requirements

The implementation of “China VI” emission standards was promoted continuously

### Promoting consumption

Measures were taken to promote consumption involving vehicle scrapping, subsidy for new energy, used-vehicle and so on

### New energy

Subsidy policies for new energy were further adjusted



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- *Self-owned brand Business*
- *Beijing Benz*
- *Beijing Hyundai*
- *Fujian Benz*

4 Data from Consolidated Financial Statements

5 Development Prospect



# 1

## Self-owned Brand Business: Leading the Industry in the New Energy Field

In 2018, the self-owned brand business continued to develop towards the transformation of comprehensive new energy, with the sales volume of new energy vehicles reaching 31.6% (without taking the Wevan business into account). EU5 (R550), a pure electric compact sedan, has a mileage range of 460km in the integrated operating condition, thus the company continued to lead the technical iteration and product upgrade of new energy passenger vehicles in China

EU5 (R550)



Pure electric compact sedan

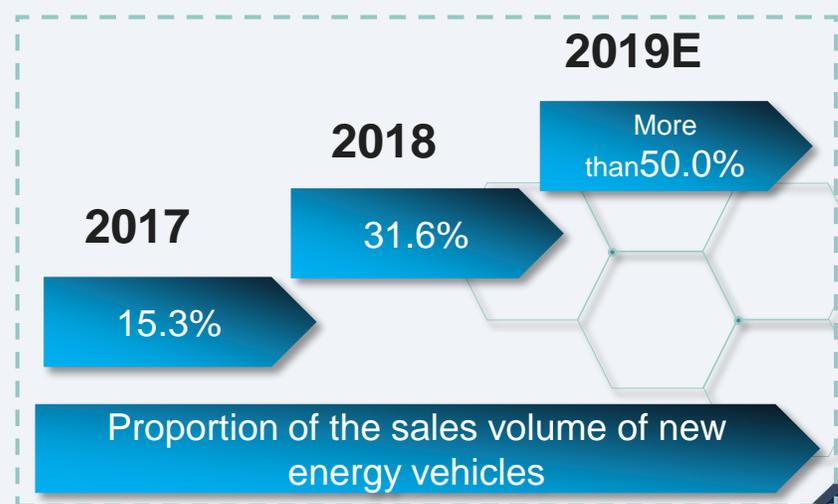
Integrated operating condition  
460km

Pure electric SUV

EX5



Integrated operating condition  
415km



# 1

## Self-owned Brand Business: More Mature Senova 2.0 Product



In the Product 2.0 era of the Senova brand, its product series are continuously improved, reaching the mainstream level in the industry. Senova Zhixing, the first SUV products in the 2.0 era, was launched at the end of September; Senova Zhidao, a flagship sedan, was formally launched in December, thus forming a “double smart stars” product matrix to meet high-end demands of consumers, with a more prominent product strength

Senova Zhixing



Senova Zhidao



## 1

## Self-owned Brand Business: Prominent Advantages of Off-road Vehicles

The self-owned brand business further improved the differentiated competition advantages of off-road vehicle products. It maintained the leading position of Chinese brand in the hard-style off-road market, with military quality, and entered the city market, with excellent practicability, becoming popular among families; on May 2018, two vehicle models were successively launched, namely BJ40 PLUS and BJ80 EVEREST. BJ40 PLUS was widely accepted in the market, with a year-on-year increase of 18.5% in the sales volume for the year

BJ 80



■ Stock Code: 1958.HK

Off-Road Vehicle Series

BJ 40 PLUS



Source: Company information





# Self-owned Brand Business: Business Expansion and Technical Cooperation in 2018



In 2018, for the self-owned brand business, the Company actively carried out business expansion and made arrangements in the automobile finance markets; deepened the cooperation with strategic partners, and carried out cooperation with artificial intelligence and network interconnection technology leaders, focusing on research and development for rapid progress towards R&D 3.0; meanwhile, it reasonably integrated internal resources to improve the profitability

## automobile finance

Capital increase to BAIC Finance and Mercedes-Benz Leasing; established Beixian Leasing to enter China's finance lease market

## Resource optimizing

The transfer of assets of Beijing Branch, divestiture of business and assets of Wevan were carried out as planned

## Intelligent networking

Cooperation agreements were signed with enterprises and universities including Tencent and Peking University, in order to develop intelligent networking; deepened the relationship with XIAOMI, BAIDU and IFLYTEK

## Hybrid power

Defining the hybrid power technology route and accumulating the hybrid power technology strengthen; developing hybrid power routes including 48V



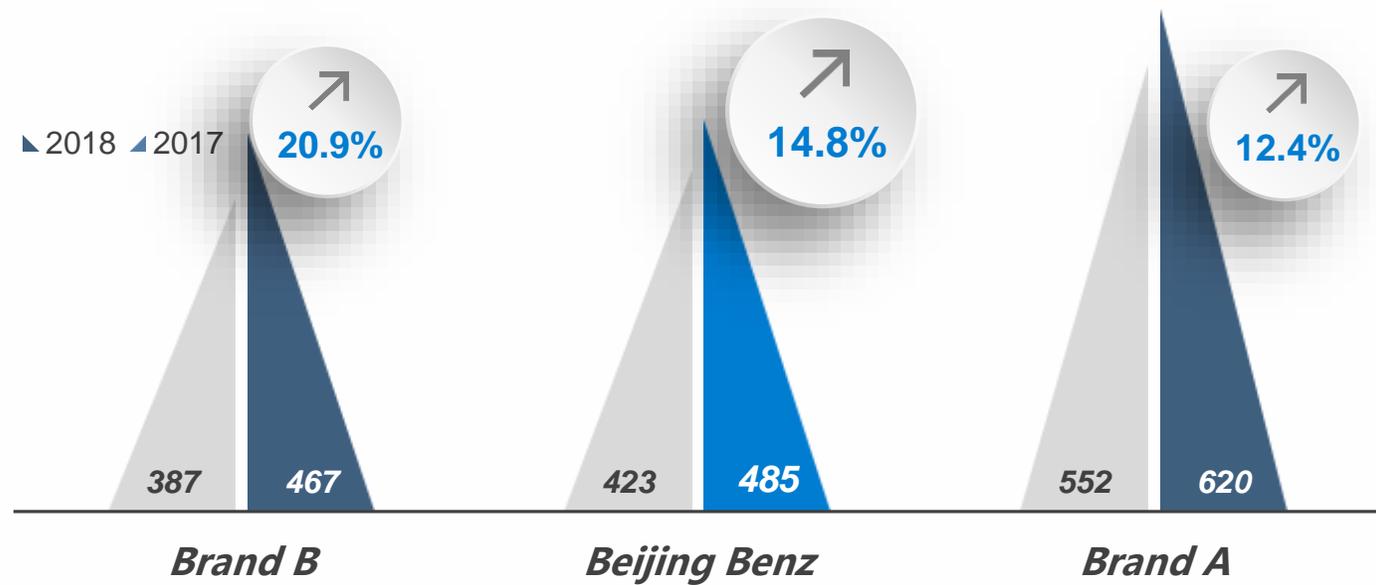
# 2

## Beijing Benz: Sales Volume Growth



Beijing Benz has outperformed competitors in terms of sales volume growth rate, and has continuously taken the leading position in the premium vehicle market in China, while achieving rapid development. In 2018, Beijing Benz ranked first and second among the top 3 luxury brands in China, respectively in terms of profit and sales volume

Sales volume and growth rate of brands of China-made premium passenger vehicles (in thousand units)



- 1 *Ranked first in terms of profit*
- 2 *Ranked second in terms of sales volume*



# 2

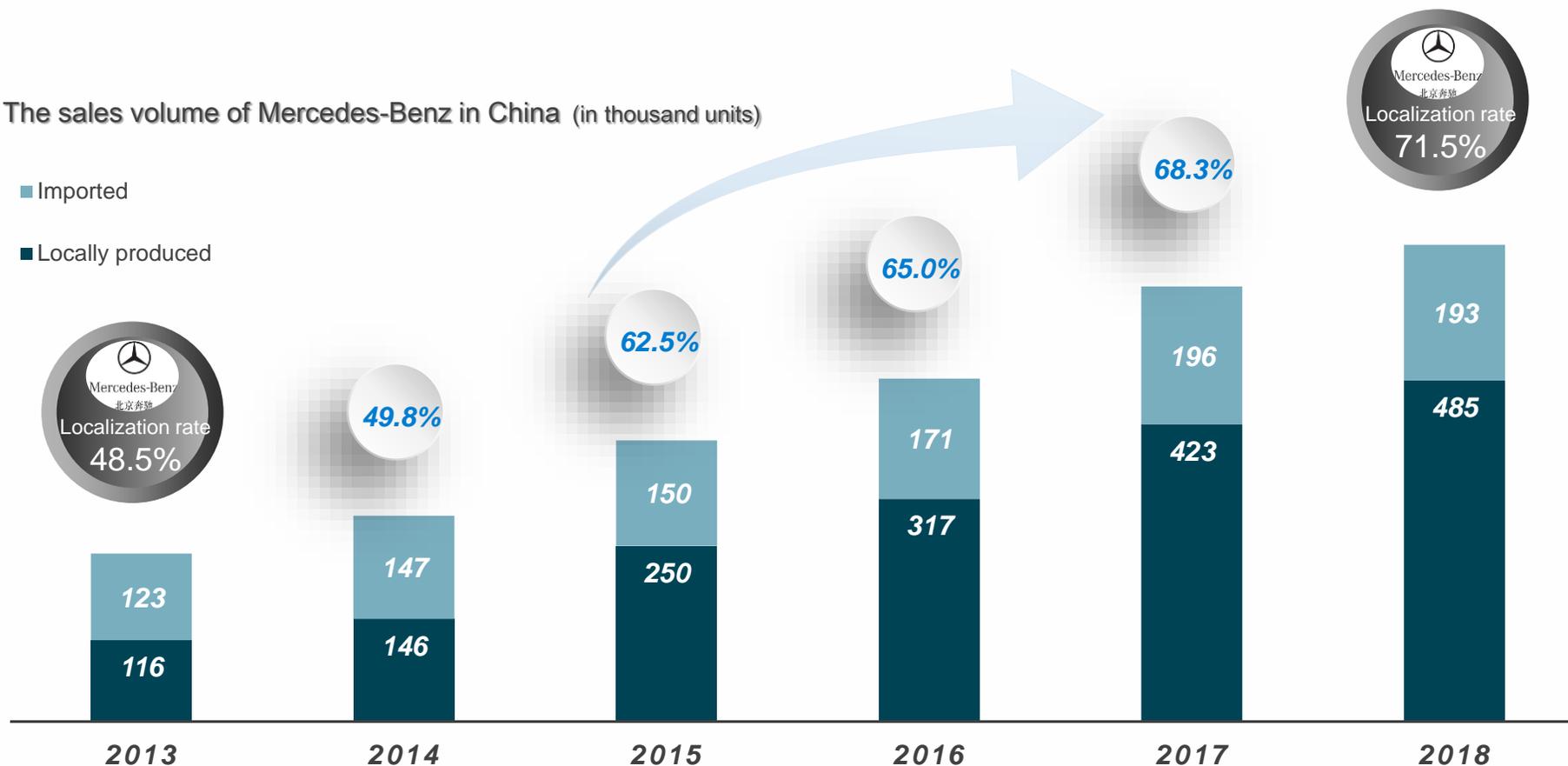
## Beijing Benz: Supporting Daimler AG in Sales Volume Growth in China



Beijing Benz maintained a rapid sales growth, which supported Daimler AG in the sales volume growth in China. The localization rate of the Mercedes-Benz brand continuously increased, which reflected the importance of Beijing Benz

The sales volume of Mercedes-Benz in China (in thousand units)

- Imported
- Locally produced



■ Stock Code: 1958.HK

Source: Official information of Daimler AG



2

## Beijing Benz: Performance by Model

All series of products of Beijing Benz were widely accepted by market and became the key driver for sales volume growth, with a year-on-year increase of 22.0% in the sales volume of C-Class and a year-on-year increase of 29.8% in the sales volume of E-Class for 2018; GLC long-wheelbase was launched in October. In addition, new long-wheelbase A-Class sedans was launched in November. Beijing Benz manufactured a total of over 2 million units of vehicles and entered a new development stage

GLC long-wheelbase



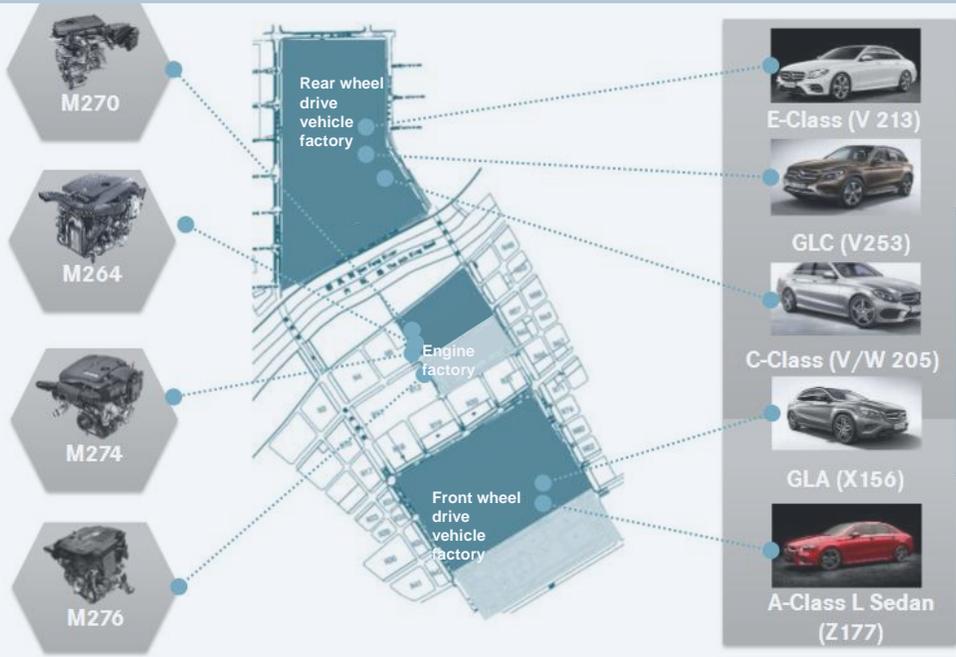
New A-Class long-wheelbase sedan



# Beijing Benz: Further Improvement in Capacity Construction

In 2018, Beijing Benz actively improved the capacity construction, with the start of construction of Shunyi production base and Engine Factory 2, and the completion of MFA factory, which is the most advanced front wheel drive vehicle factory of Daimler AG. Meanwhile, Beijing Benz accelerated capacity arrangements for new energy vehicles, with smooth implementation of the power battery factory. The first type of electric vehicles was planned to be launched in the second half of 2019

Since 2010, BAIC and Daimler AG has invested a total of nearly RMB60 billion



EQC, a pure electric vehicle of Daimler AG, will be produced at Beijing Benz



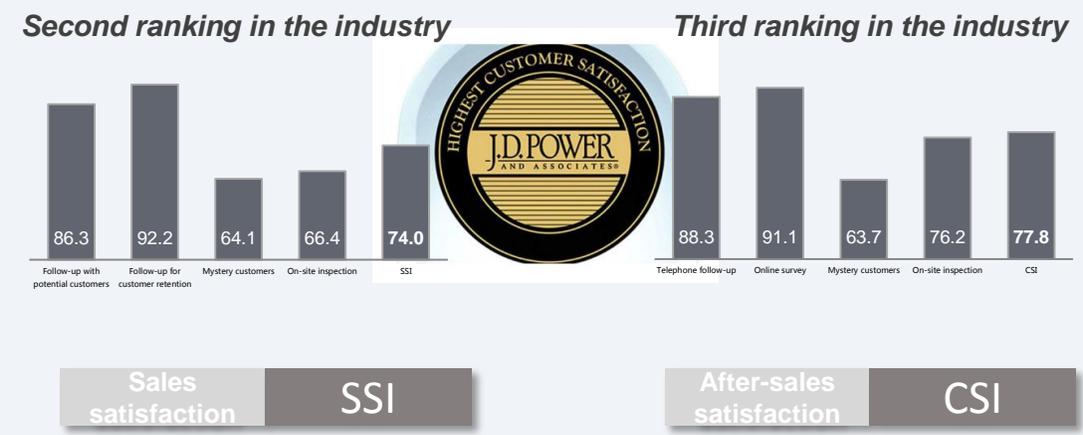
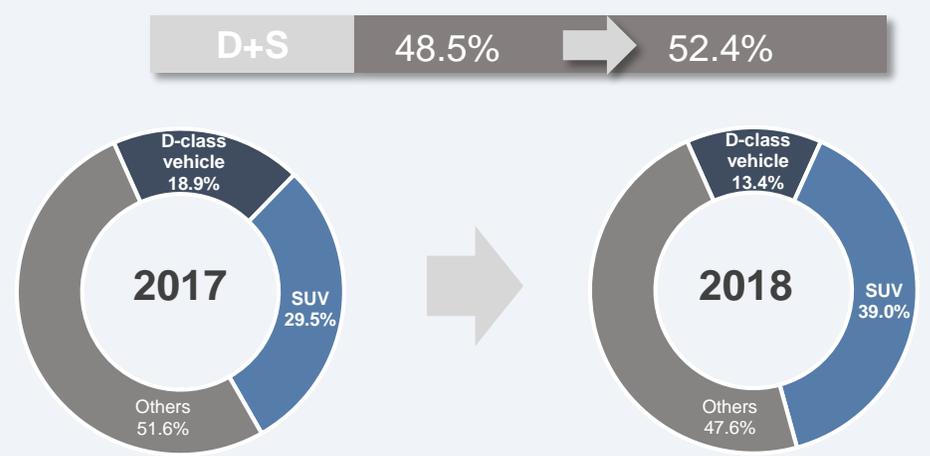
# 3

## Beijing Hyundai: Products and Services



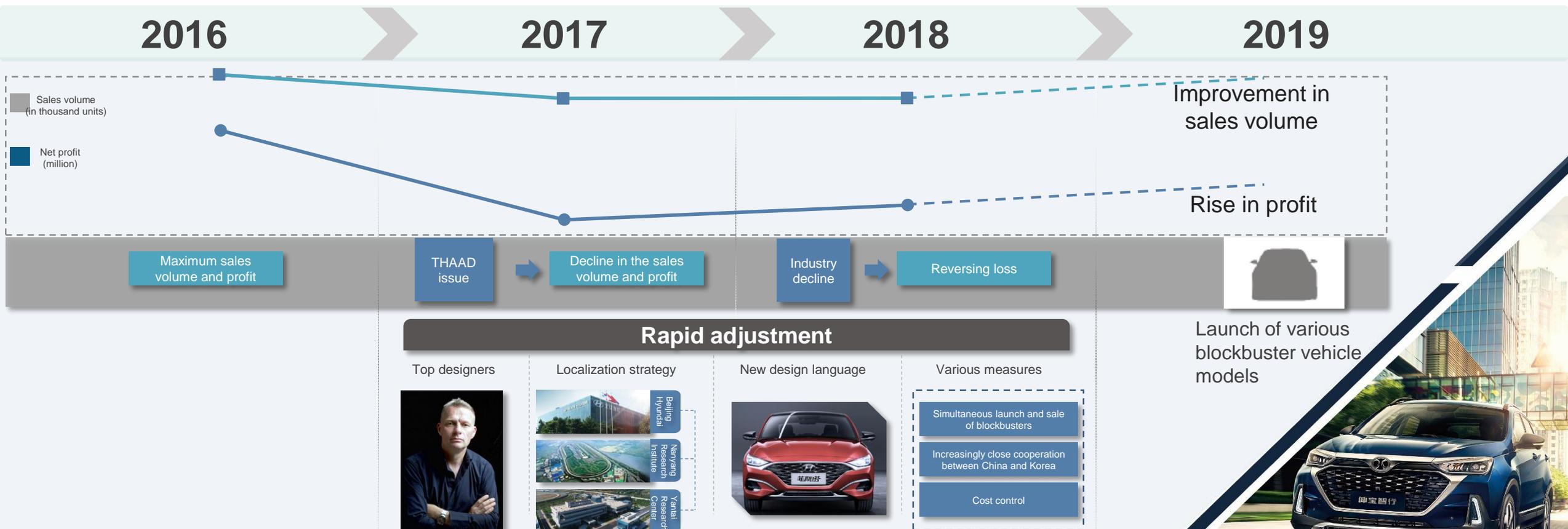
In 2018, Beijing Hyundai further optimized the product structure, with D+S accounting for 52.4%; meanwhile, Beijing Hyundai was ranked top three in both China Sales Satisfaction Index (SSI) Study and China Customer Service Index (CSI) Study by J.D.Power, which reflected its strong product strength and the whole industry chain ability

Proportion of Beijing Hyundai D+S model



# Beijing Hyundai: Focus on the PRC Market

Hyundai Motor attached great importance to the PRC market, with a view to rebuild its glory. Chinese and Korean partners reached various agreements to give preference to Beijing Hyundai in terms of strategic positioning, launch of vehicle models, resource allocation and otherwise



3

## Beijing Hyundai: Monthly Sales Volumes of Vehicle Models Exceeding 10 Thousand Units

In 2018, various vehicle models of Beijing Hyundai were widely accepted in the market, with the maximum monthly sales volume exceeding 10 thousand, showing the powerful product strength and marketing strength

### TUCSON

Maximum monthly sales volume of **13,242** units



### Mistra

Maximum monthly sales volume of **15,222** units



### Elantra

Maximum monthly sales volume of **11,485** units



### New iX35

Maximum monthly sales volume of **18,320** units



### Elantra

Maximum monthly sales volume of **24,888** units



# 3

## Beijing Hyundai: Upgrade of Localization Strategy

Beijing Hyundai attached great importance to localization strategy, with various blockbuster vehicle models launched. ENCINO and LA FESTA, high-performance models of Beijing Hyundai, were launched in succession, improving the Hyundai brand. Beijing Hyundai launched the new energy - NEW plan, confirming the launch of 9 blockbuster new energy vehicle models by 2020, and ELANTRA plug-in hybrid models, LA FESTA and ENCINO pure electric vehicle models will be launched in 2019



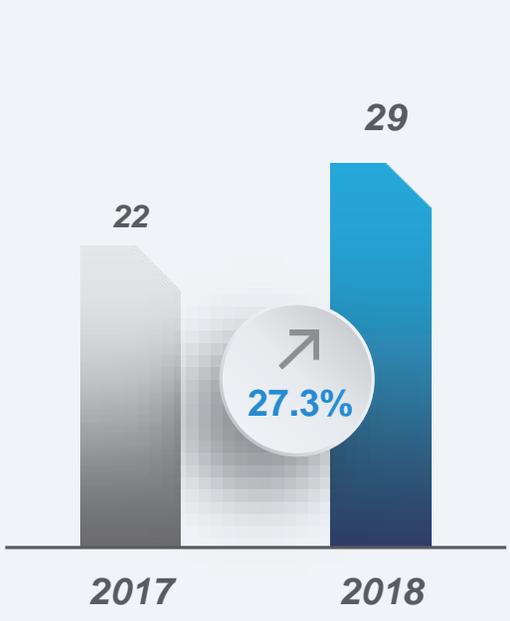
# 4

## Fujian Benz: Overall Operation

In 2018, with strong performance in the sales volume of the new V-Class model, Fujian Benz continued to maintain the trend of rapid growth, selling 29 thousand units of vehicles, representing a year-on-year increase of 27.3%

Sales volume (in thousand units)

Benz V-Class



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# Summarised Financial Data (Consolidated)

Unit: RMB million

Item	2018	2017	YOY
Revenue	151,920.4	134,158.5	13.2%
Gross profit	37,006.6	35,499.3	4.2%
Selling and distribution expenses	10,432.0	11,919.5	-12.5%
General and administrative expenses	6,569.6	5,007.0	31.2%
Financial costs-net	357.0	447.9	-20.3%
Share of profit/(loss)of investments accounted for using equity method	903.8	-33.8	Increase by 937.6
Profit before income tax	21,174.9	17,036.4	24.3%
Profit for the period	14,271.3	10,998.3	29.8%
<i>Attributable to: Equity holders of the Company</i>	<b>4,429.5</b>	<b>2,252.8</b>	<b>96.6%</b>
Basic and diluted earnings per share (RMB)	0.55	0.30	83.3%
Capital expenditure	6,414.0	8,739.0	-26.6%
Research and development expenditure	2,402.9	2,788.3	-13.8%



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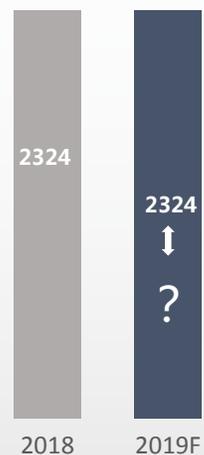
# 2019 Market Prediction

Professional institutions predict that in 2019, there will be a zero growth or may be a decrease in the sales volume of passenger vehicles, the industry entering the post-growth era. The low passenger vehicle ownership per 1,000 people in China, and the implementation of measures to significantly reduce taxes and fees and stabilize the consumption present both challenges and opportunities for the industry development

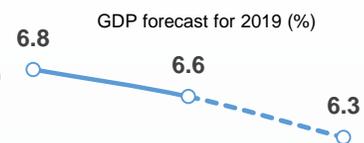
## Challenges

### Prediction of authorities for 2019

Professional forecast of zero growth  
**Possible decrease**  
-4% YoY

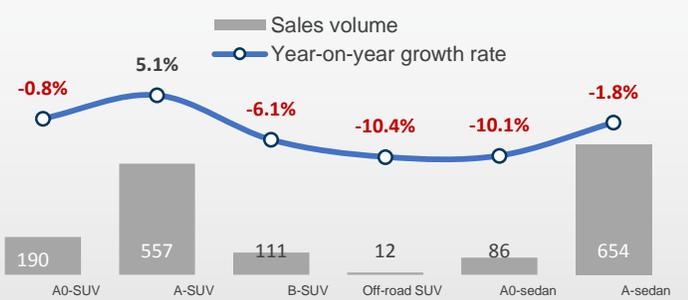


### Weak economic growth



- 2017: Economic transformation, Slow-down of the old engine
- 2018: New engine underpowered, Trade frictions between China and the United States
- 2019F: Early adoption of China VI, Dual-credit scheme for new energy, Decrease in the new energy subsidies, Traffic restriction on non-locally registered vehicles

Positive growth of A-class SUV only, and continued negative growth of other markets



## Opportunities

### Passenger vehicle ownership per 1,000 people remaining low

**In China, the passenger vehicle ownership per 1,000 people was only about 150, showing large room for growth**

### The new energy market maintains rapid growth

**Accumulation of the company in the new energy field will benefit from the rapid growth of the new energy market**

### A series of economic stimulus measures

- Publication of measures to reduce taxes and fees to a larger extent**
  - The value-added tax rate for the manufacturing industry was reduced to 13%
  - Social insurance tax rate reduced by 3%

**Reduction in enterprise taxes and social insurance contributions by approximately RMB2trillion for the year**

- Policy to stimulate consumption**
  - Promoting the scrapping and updating of old vehicle in an orderly manner
  - Continuous optimization of the subsidy structure for new energy vehicles
  - Promotion of updating and upgrading of vehicles in rural areas
  - Acceleration of the booming of the used-car market
  - Optimization of motor vehicle management measures of local governments

# 2

## Development Strategies

The macro economy, industry trend and policy orientation promote a profound change in the passenger vehicle industry. In 2019, the Group will make full use of its advantage, overcome disadvantages and embrace future challenges



北京汽车  
BAIC MOTOR

Focus on research and development and marketing

Coordination between the three strengths, and brand upgrade

Diligence, reform and innovation

.....

### Beijing Brand

R&D and marketing



Mercedes-Benz  
北京奔驰

Embracing challenges and seeking a breakthrough

Launch of new vehicle models

New factories into operation

.....

### Beijing Benz

Breakthrough and capacity expansion



北京现代

Brand image improvement

Cost structure improvement

Sales system improvement

.....

### Beijing Hyundai

Brand, cost and sale



Fujian Benz  
福建奔驰

Lean and higher-efficiency  
Quality and quantity assurance

Scientific management  
Cost reduction and higher efficiency

Optimization of purchase  
Promotion of products made in China

.....

### Fujian Benz

Lean and optimized



3

# 2019 Launch Plan for New Vehicle Models



D50 annual model



EU300 revised



X35 facelift



A+ class pure electric sedan



EX360 annual model



ZHIXING annual model



Mercedes-Benz  
北京奔驰



New GLC L



EQC



GLB SUV



A35 L AMG



New Santafe



ENCINO EV



New SONATA



New iX25



北京现代



Elantra



Elantra plug-in hybrid



LAFESTA EV



Verna



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