



# BAIC Motor 2018 Interim Results Announcement

August 2018



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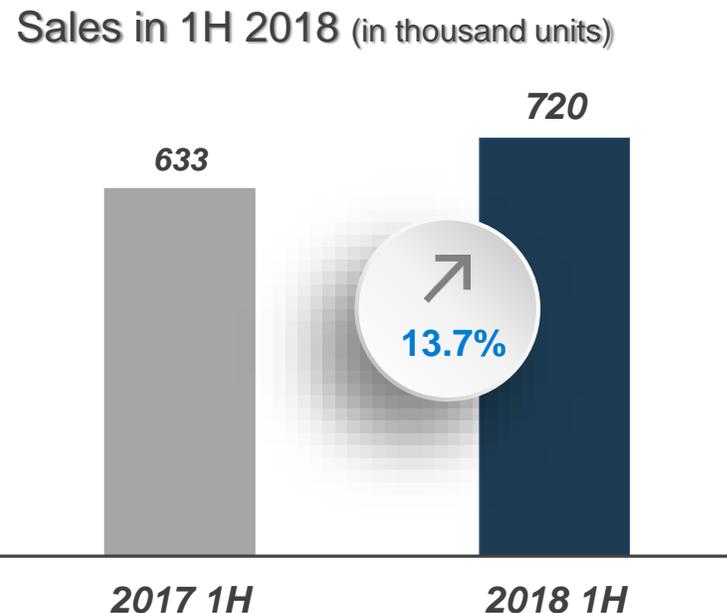
# 1 Summary of 2018 First Half Results

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# Overall Sales for the First Half of 2018

In the first half of 2018, the passenger vehicle sector in China experienced a new normal growth, with accelerated industry reform, so industry restructuring and upgrade become an inexorable trend. Even against the backdrop of increased market competition, the Group achieved a healthy growth in results: Self-owned brand business, Beijing Benz, Beijing Hyundai and Fujian Benz of the Group sold a total of 0.72 million units of vehicles, representing a year-on-year increase of 13.7%; Beijing Benz and Fujian Benz continued the rapid growth, while there was a significant recovery of Beijing Hyundai, and all main business sectors witnessed a good development trend



**北京汽车**  
BAIC MOTOR



Mercedes-Benz  
北京奔驰



**北京现代**



**Fujian Benz**  
福建奔驰

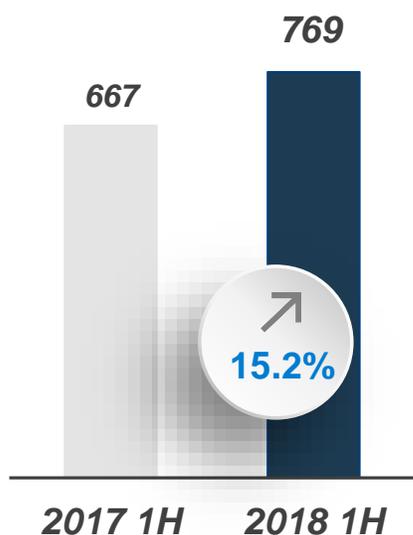




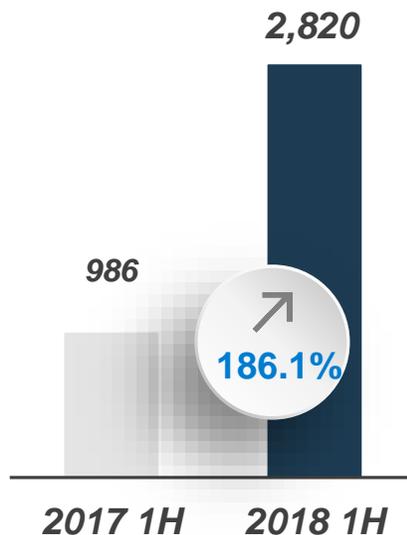
## Overall Results for the First Half of 2018

In the first half of 2018, the consolidated total revenue of the Group was RMB76.9 billion, representing a year-on-year increase of 15.2%; the net profit attributable to equity holders reached RMB2.82 billion, up by 186.1% year-on-year; the basic earnings per share was RMB0.36, up by 176.9% year-on-year

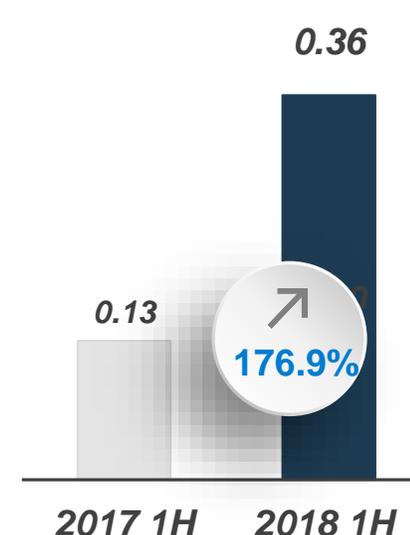
Total revenue  
(RMB0.1 billion)



Net profit attributable to equity holders  
(RMB million)



Basic earnings per share  
(RMB)





# Business Expansion in the First Half of 2018 - Upgrade of Strategic Cooperation Between BAIC Motor and Daimler AG

The scope of cooperation between the Group and Daimler AG was continuously expanded, with closer cooperation in terms of capacity upgrade, structure optimization, etc.: BAIC Motor and Daimler AG jointly invested over RMB11.9 billion in creation of the new production base (Shunyi) of Beijing Benz for premium vehicles and over RMB2 billion in introduction and technical upgrade of new vehicle models of Benz; construction of the pure electric vehicle plant and power battery factory (Yizhuang) of Beijing Benz goes well; and continuously supported MBLC, their joint venture, by increasing the capital contribution

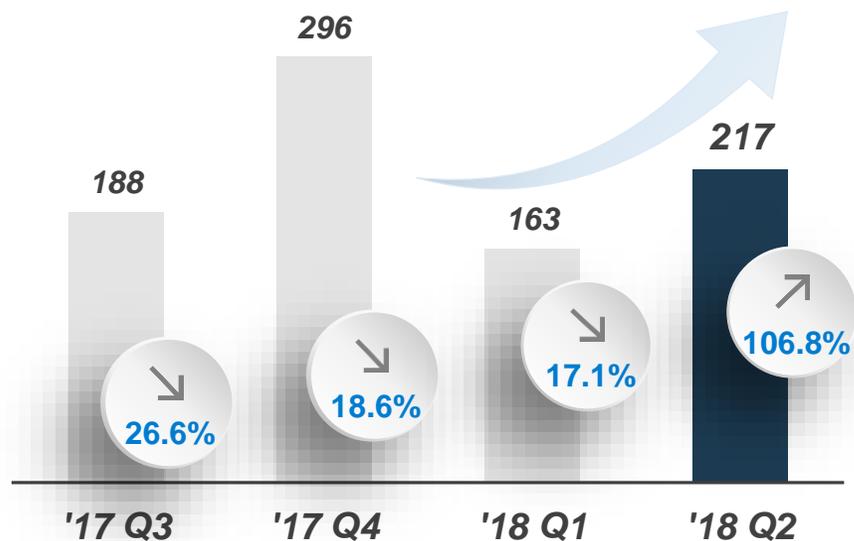


# 4

## Business Expansion in the First Half of 2018 - Beijing Hyundai Restored Its Confidence with a Strong Recovery

In the first half of 2018, Beijing Hyundai achieved a strong recovery with a quarter-by-quarter improvement in the sales performance; ENCINO, a high-performance compact SUV and LAFESTA, a sport coupe, which were exhibited by Beijing Hyundai in the Beijing International Automotive Exhibition, attracted broad attention in the market; BAIC Motor and Hyundai Capital Services signed the joint venture memorandum to enter the finance lease market in China

Sales volume of Beijing Hyundai by quarter  
 (in thousand units)



■ Stock Code: 1958.HK

Vehicle models exhibited in Beijing International Automotive Exhibition 2018



Source: Company information, and the sales volume is the wholesale volume





5

# Business Expansion in the First Half of 2018 - Optimization and Upgrade of Self-owned Brand Businesses

In the first half of 2018, the Group continuously promoted optimization and upgrade of self-owned brand businesses with improvement in the efficiency. Products in the Beijing base will be upgraded from the Senova brand to the high-end brand of Benz. Through reorganization of the Wevan business, there was a reduction in burden and an improvement in the profitability

### Upgrade of products in the Beijing base with the profit increased

- Products in the Beijing base were upgraded from Senova brand to high-end brand premium vehicles of Benz
- Product upgrade and structure optimization effectively improved the profitability



Mercedes-Benz  
北京奔驰

### Reduction in burden of Wevan business through reorganization

- The company planned to gradually adjust and withdraw from the Wevan business through methods including asset transfer and entrusted operation
- The reorganization of the Wevan business was conducive to improvement in the financial position of the company and the profitability; defined the business orientation of the company and promoted the development of self-owned brands; and settled the horizontal competition problem in the market segment



# 6

## Business Expansion in the First Half of 2018 - Focus on “High, New and Special” Development

In the first half of 2018, the Group focused on the “high, new and special” development: with regard to “high” which means quality first, the Group adhered to the high-end route of Beijing Benz and promoted high-end adjustment of the overall capacity through product and brand upgrade; with regard to “new” which means innovation driving, the Group accelerated the step for comprehensive utilization of new energy and promoted application of new technologies including intelligentization and networking; with regard to “special” which means comparative advantages, the Group made efforts to promote heady rise of the “Beijing” off-road brand, using the reputation of the brand with a long history of off-road vehicle production

### HIGH Quality first

Adhering to the high-end route of Beijing Benz and realizing overall capacity upgrade of self-owned brand businesses; product and brand upgrade; high value-added industry chain



### NEW Innovation driving



Stock Code: 1958.HK

Accelerating the step for comprehensive utilization of new energy (new energy strategies of self-owned brand businesses, Beijing Benz and Beijing Hyundai); and application of new technologies including intelligentization and networking

### SPECIAL Comparative advantages

With comparative advantages of off-road features, making efforts to promote heady rise of the “Beijing” off-road brand, using the reputation of the brand with a long history of off-road vehicle production



Source: Company information





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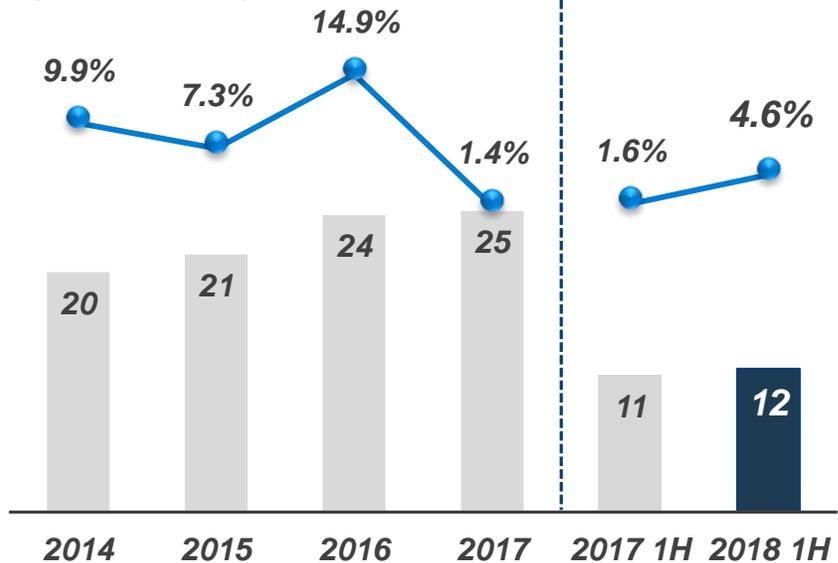
# 1

## Development of Passenger Vehicle Industry

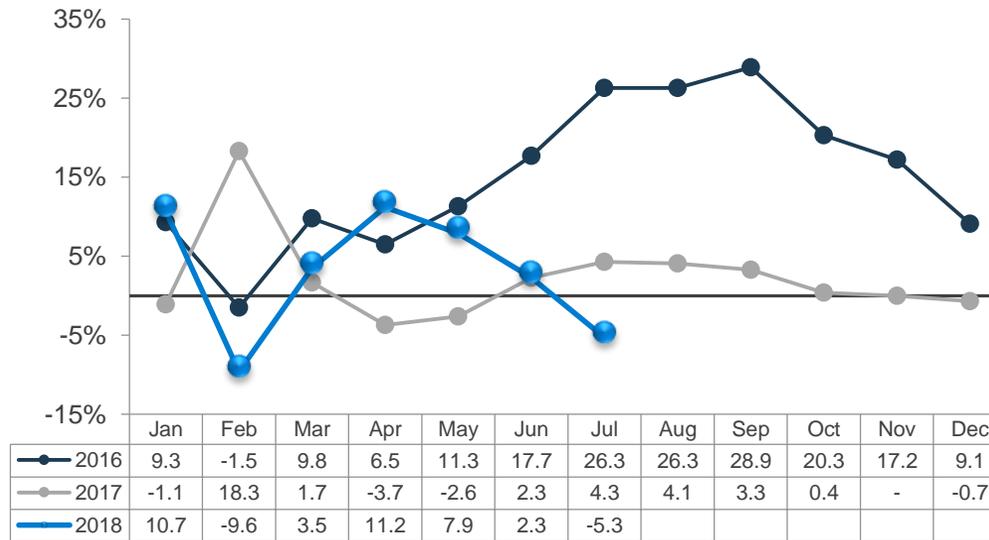
In the first half of 2018, 11.775 million units of passenger vehicles were sold in the market, up by 4.6% year-on-year, which was higher as compared with the same period of last year; there was a decline of sales in July

Annual sales volume and growth rate of the passenger vehicle market in China

(in million units)



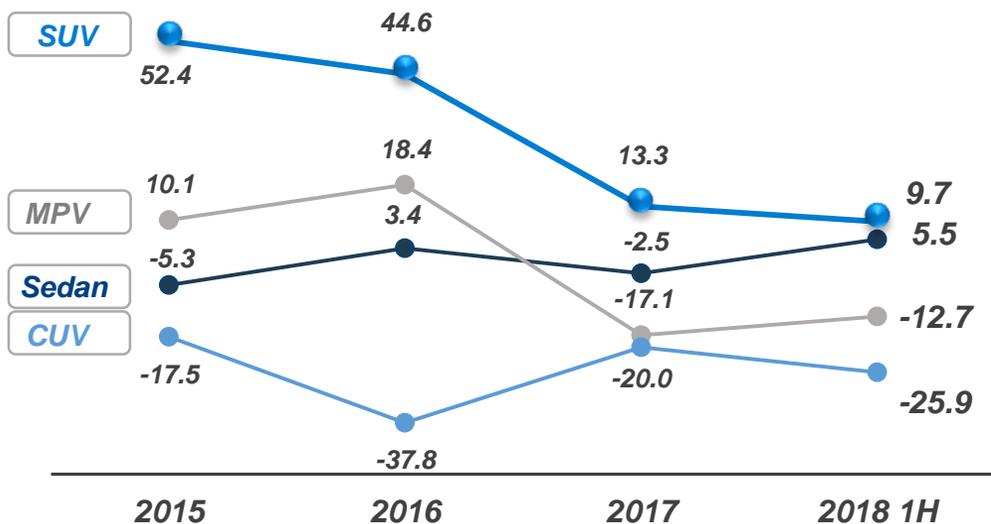
Monthly sales volume growth rate of the passenger vehicle market in China



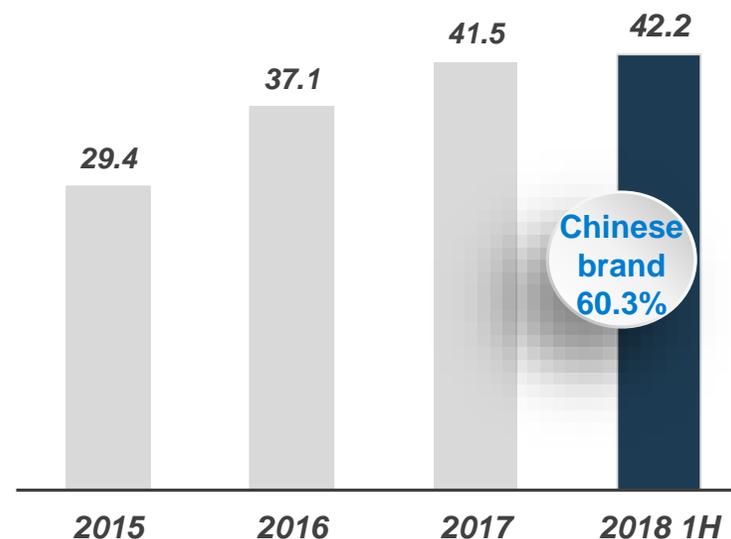
# Development of Passenger Vehicle Segment

In the first half of 2018, there was positive growth in the sales volumes of sedans and SUVs, and negative growth 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 10.9%, and the sales volume of SUV products under Chinese brands accounted for 60.3% of the total sales volume of SUVs

Rate of growth in passenger vehicle sales volume (%)



Market share of SUV models (%)



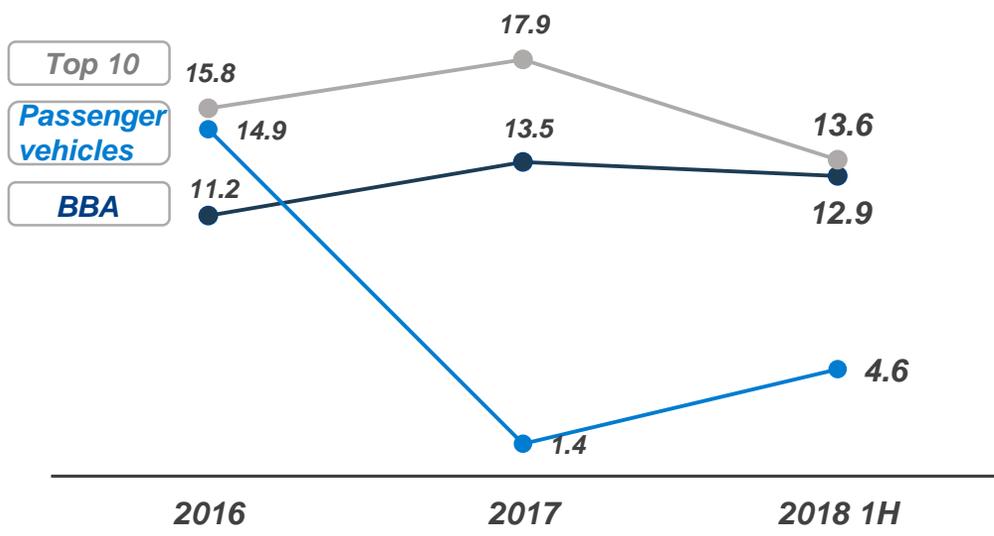
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## Development of Luxury-brand Passenger Vehicle Market

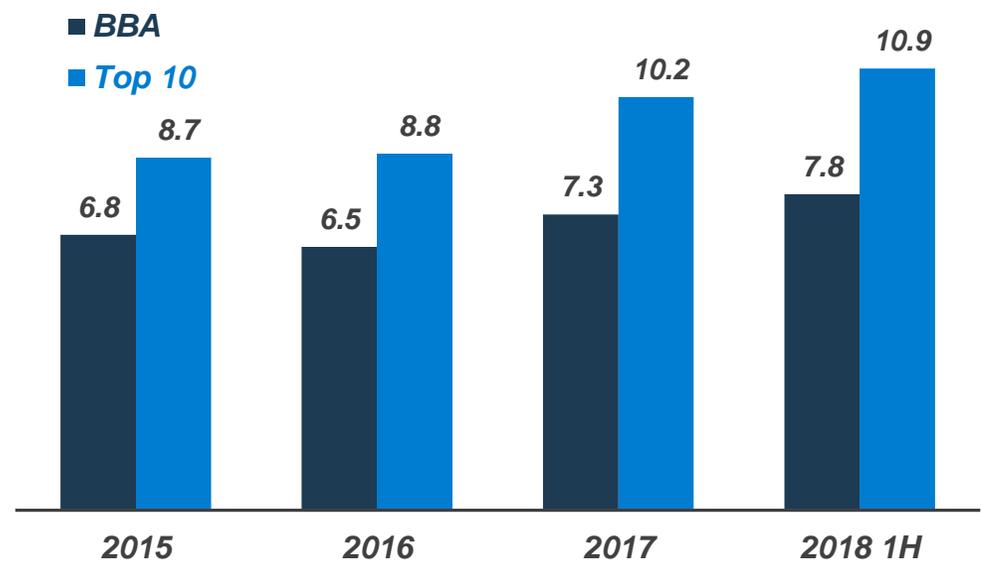


In the first half of 2018, the luxury vehicle market in China maintained a rapid growth. Benz, Audi, and BMW remain the top sellers of premium vehicles, with the total sales volume of 945 thousand units, up by 12.9% year-on-year; the top 10 premium vehicle brands sold a total of 1.323 million units, up by 13.6% year-on-year; the market share of premium vehicles was on the increase

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



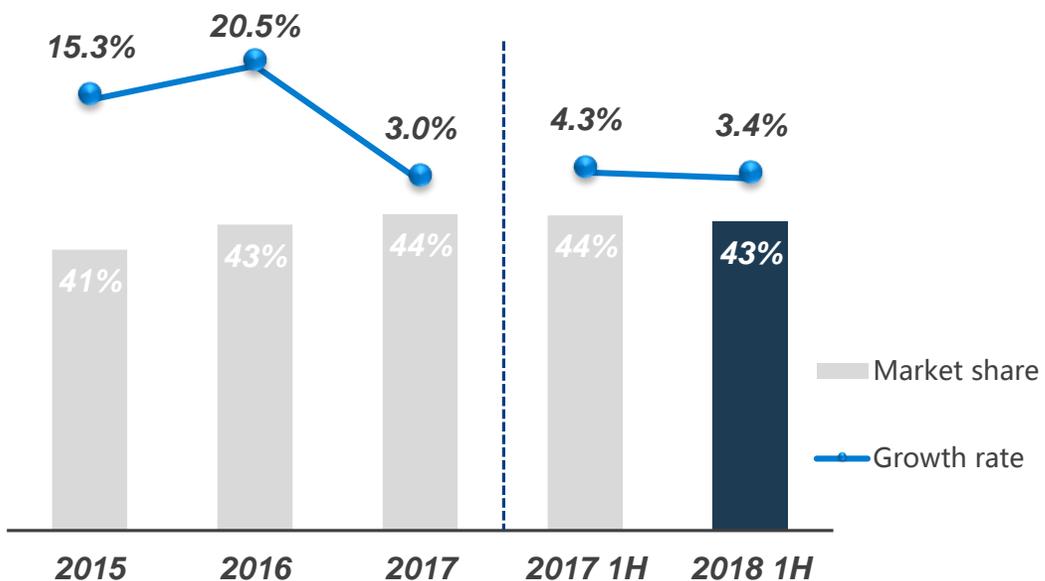
Market share of luxury brands (%)



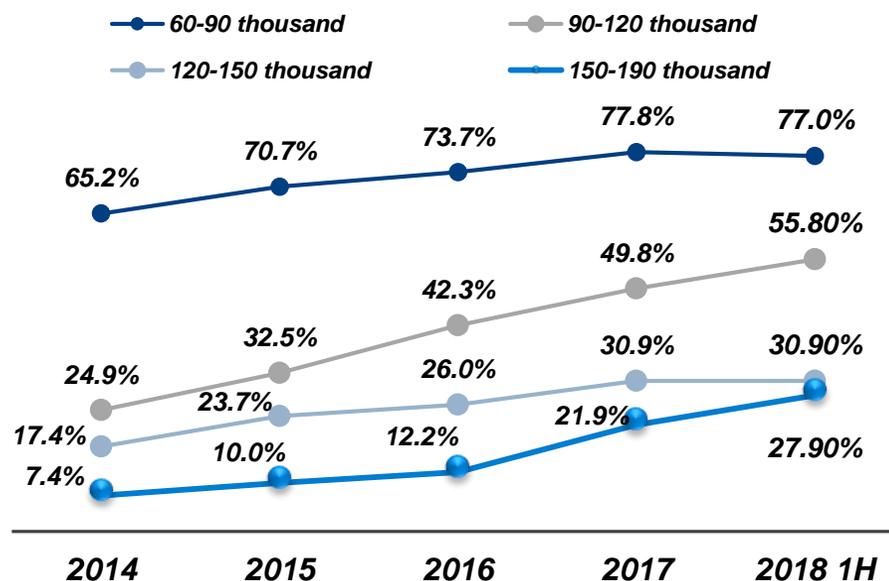
# Development of Passenger Vehicle Series Market

In the first half of 2018, the sales volume of Chinese-branded passenger vehicles was 5.109 million units, up by 3.4% year-on-year, with the share market of 43.4%, representing a decrease of 0.5 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



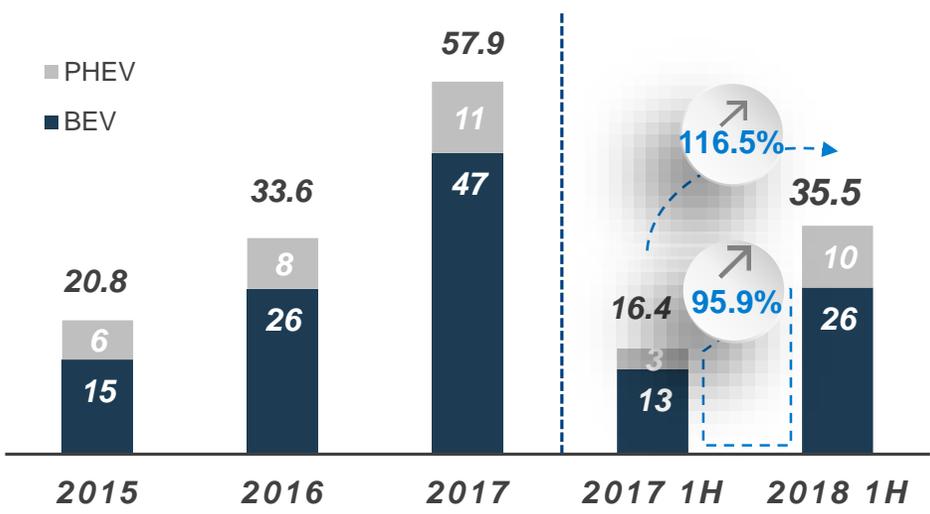
# 5

## Development of New Energy Passenger Vehicles



In the first half of 2018, the market of new energy passenger vehicles maintained rapid growth, with the total sales volume of 355 thousand units, up by 116.5% year-on-year; the sales volume of pure electric passenger vehicles reached 259 thousand units, up by 95.9% year-on-year, accounting for 73.0% 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 subsidies for new energy passenger vehicles (RMB 10 thousand)

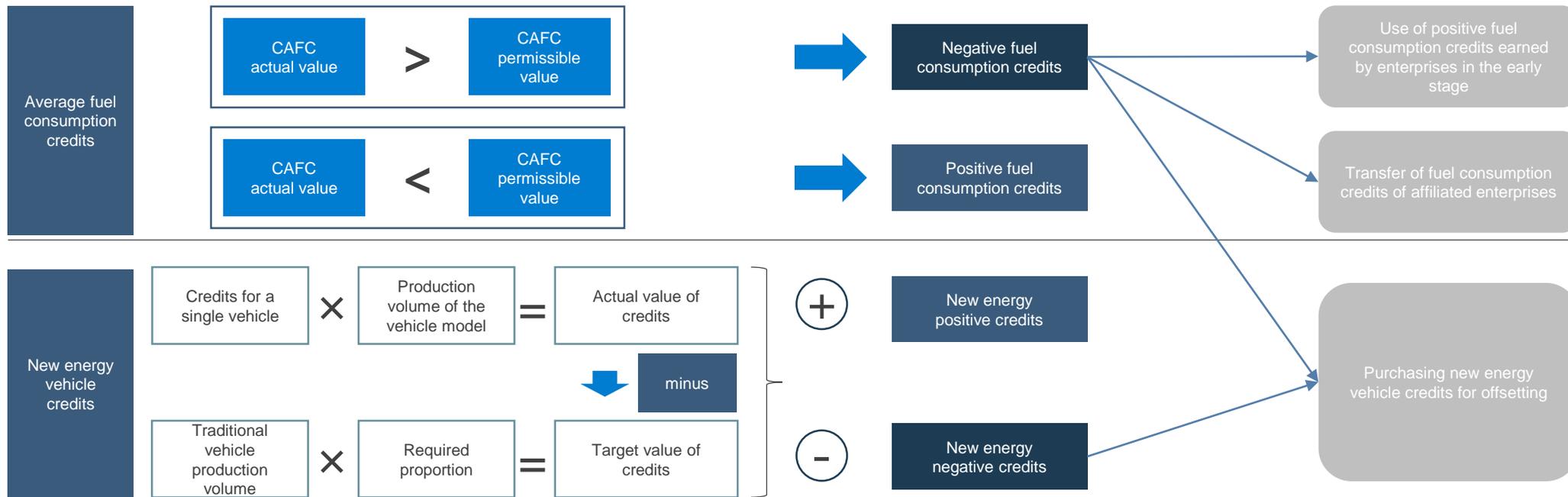
Passenger vehicle type	Mileage range (km)	2016	2017	2018
BEV	100 ≤ R < 150	2.5	2	0
	150 ≤ R < 200	4.5	3.6	1.5
	200 ≤ R < 250			2.4
	250 ≤ R < 300			3.4
	300 ≤ R < 400	5.5	4.4	4.5
	R ≥ 400			5
PHEV	R ≥ 50	3	2.4	2.2

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



# Adjustment of Industry Regulatory Policies

In the first half of 2018, the industry regulatory policies were further adjusted, and in particular, the regulatory policy for new energy passenger vehicles was further upgraded. The “dual-credit” scheme came into force on April 1, which promoted the transformation of vehicle enterprises to new energy vehicle enterprises; on July 2, the “Credits Trading Platform for Average Fuel Consumption and New Energy for Passenger Vehicle Enterprises” went live





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  - *Beijing Benz*
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  - *Fujian Benz*
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# 1

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

In the first half of 2018, self-owned brand business made a progress in production of new energy vehicles, with successive launch of EU5, a pure electric compact sedan and EX360, a pure electric small SUV, thus continuing to lead technology iteration and product upgrade of new energy passenger vehicles in China; the mileage range of EU5 reached 416km, better satisfying customer needs

EU5



Pure electric compact sedan

Mileage range 416km

e-Motion Drive, a super electric driving system

Smart and splendid screen

Advanced voice dialogue

ADAS driver assistance

EX360



Pure electric small SUV



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



北京汽车  
BAIC MOTOR

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 30.9% in the sales volume

BJ 40 PLUS



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

In the “Product 2.0” era of the Senova brand, its product series were continuously improved, reaching the mainstream level in the industry. After the launch of all new Senova D50, the first type of products in the “Product 2.0” era, new Senova X55 exhibited in the Beijing International Automotive Exhibition will be launched in the third quarter of this year

## New Senova X55



Launch in Q3

- AI vehicle condition manager
- AI voice assistant
- AI security guard



### Intelligent

5 main upgrades of the voice system, allowing barrier-free communication in dialects



### Driving

Now available on the ground

Low windage, lightweight design, safety first, enhanced tractive performance and controllability, and focus on the driver



### Comfortable

With the use of water-soluble hot melt adhesives for the interior of new X55, the air quality in the vehicle is better than in other vehicles of the same class



### Security

All series are equipped with Bosch 9.1 ESP, which helps effectively avoid a traffic accident as a result of sideslip



1

# Self-owned brand Business: Business Expansion and Technical Cooperation in the First Half of 2018

In the first half of 2018, the self-owned brand business actively carried out business expansion and made arrangement in the finance leasing market; deepened the cooperation with strategic partners, carrying out cooperation with enterprises and universities including Tencent and Peking University in fields of intelligent driving and intelligent interconnect; meanwhile, it reasonably integrated internal resources to improve the corporate profitability



## Finance leasing

The joint venture memorandum was signed with Hyundai Capital Services to enter the finance leasing market in China

## Resource integration

Transfer of assets of Beijing Branch, the Wevan business divestiture were carried out as planned

## Intelligentization

Cooperation agreements were signed with Tencent Internet of Vehicles and Peking University, in order to develop intelligentization and networking

## Hybrid power

Defining the hybrid power technology; accumulating the hybrid power technology strengthen



# 1 Self-owned Brand Business: Focusing on Research and Development

In the first half of 2018, the self-owned brand business focused on core cutting-edge technologies, to promote technology accumulation and application in key fields including intelligentization, hybrid power and HMI. Meanwhile, it improved the construction of a complete research and development system to adapt to future technical trend

User and trend study;  
Arrangement of functions of  
vehicle computer and instrument;  
Evaluation method and standard

**H  
M  
I**

## Intelligentization

Intelligent driving;  
Intelligent networking;  
EE architecture

Among the mainstream in terms  
of the intelligentization level



## Hybrid power

Technical route;  
Simulation and assessment ability;  
System development

Strengthen the foundation for  
development and mass production

Settle the sore points at  
source, thus improving  
the user experience

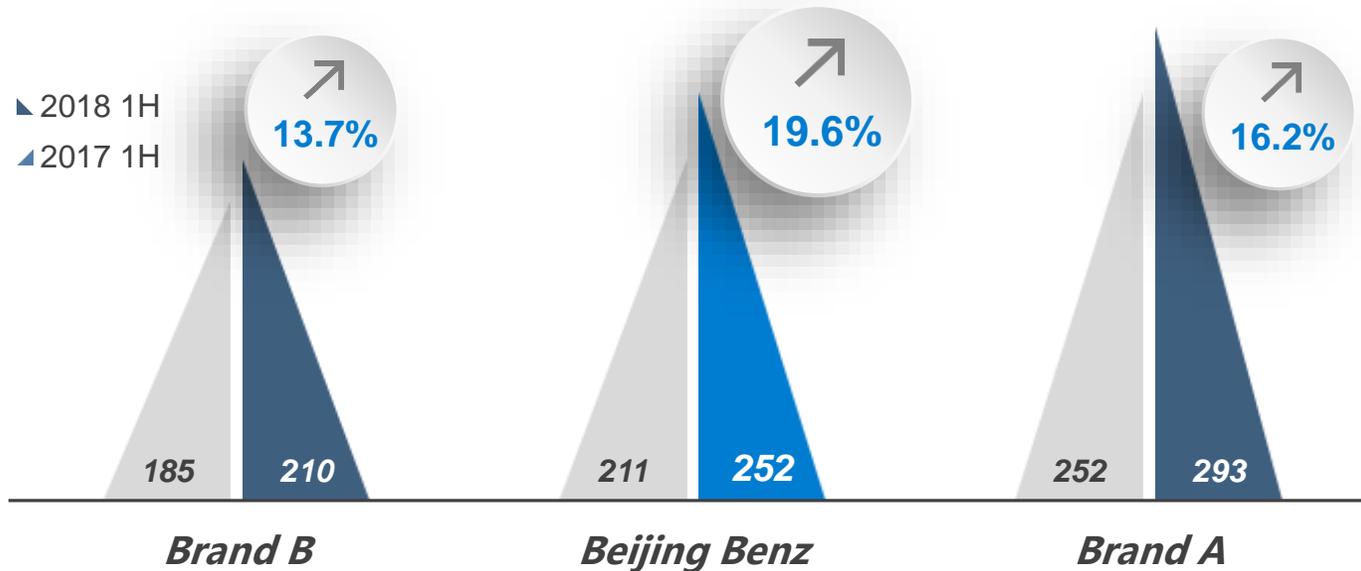
# 2

## Beijing Benz: Sales Volume Growth

Beijing Benz has outperformed competitors in terms of sales volume growth, and has continuously taken the leading position in the premium vehicle market in China, while achieving rapid development. Beijing Benz ranked first in terms of profit and sales volume growth among main brands of China-made premium passenger vehicles

### Sales volume and growth rate of brands of China-made premium passenger vehicles

(in thousand units)



*Ranked first in terms of sales volume growth*



*Ranked first in terms of profit*



# 2

## Beijing Benz: Further Improvement in Capacity Construction



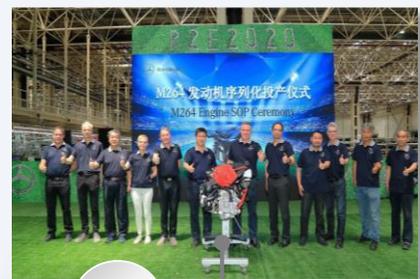
In the first half of 2018, Beijing Benz actively improved the capacity construction, with Engine Factory 2 processing; MFA factory, the most advanced front wheel drive vehicle factory of Daimler AG started operation, thus further improving the vehicle and engine production capacity; meanwhile, Beijing Benz accelerated capacity arrangements for new energy vehicles, with smooth implementation of the power battery factory project and steady progress in the high-end production base for premium vehicles located in Shunyi, Beijing. The first type of electric vehicles was planned to be launched before 2020



**New energy power battery factory**  
“China-made core for Benz”  
The first overseas battery factory of Daimler AG



**MFA factory**  
The most advanced front wheel drive vehicle factory of Daimler AG



**High-end production base for premium vehicles**  
Invest over RMB11.9 billion



**Pure electric vehicle factory**  
Mercedes-Benz products including EQ electric vehicle will be produced



**Engine Factory 2**  
Engine Factory 2 is in construction; M264 was introduced in Beijing Benz



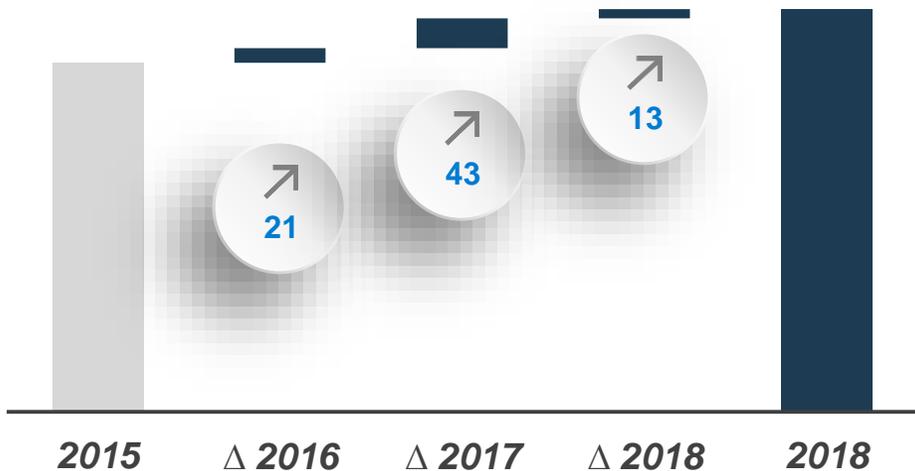
# 2

## Beijing Benz: Expansion of Sales Network

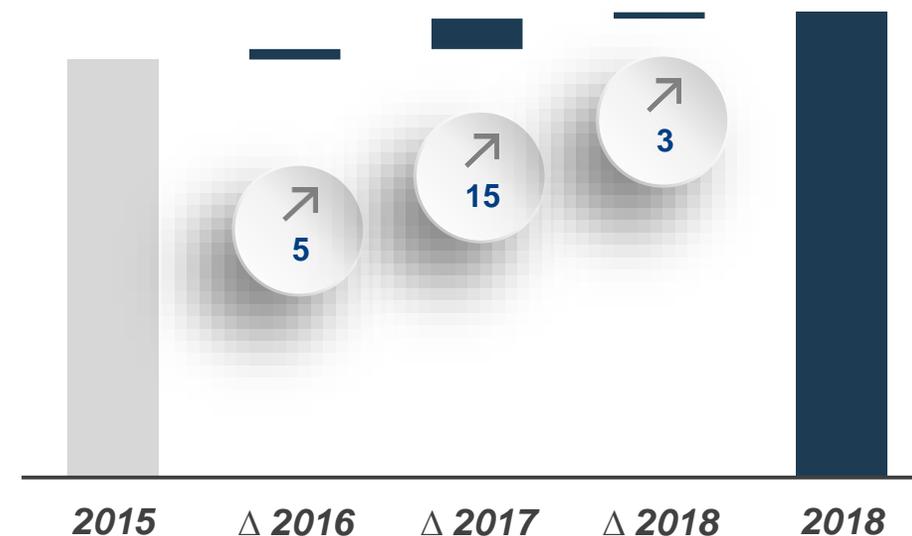
Through integration of BMBS, a joint venture, the number of dealerships of Mercedes-Benz brand in China and the number of cities covered reached the leading level in the industry; meanwhile, it helps dealers enhance their core strength, through improvement in the comprehensive performance, the quality and efficiency of marketing activity, and guidance for new dealers, etc.

Number of dealerships of Benz and growth

(as at June 30, 2018)



Number of cities covered by the sales network of Benz and growth (as at June 30, 2018)



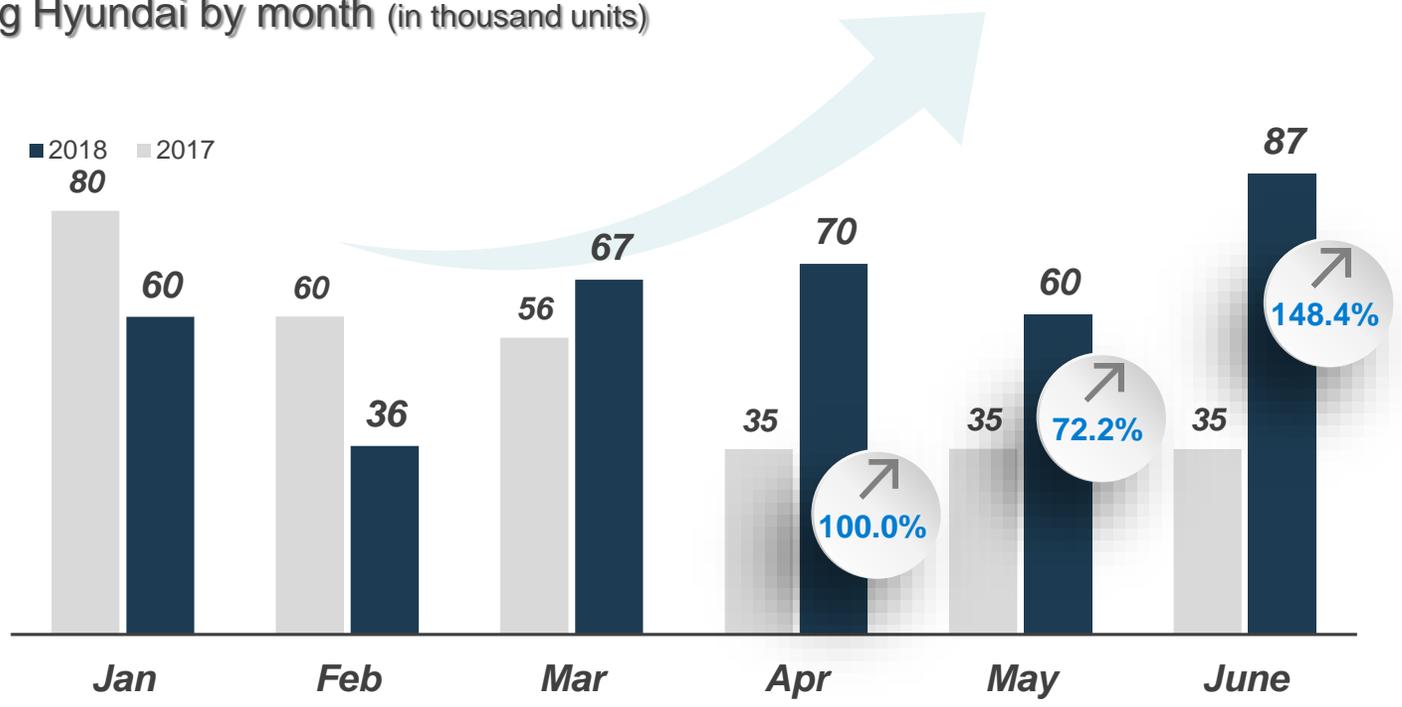
# 3

## Beijing Hyundai: Regaining the Mainstream Status



In the first half of 2018, there was a significant year-on-year increase in the monthly sales volume of Beijing Hyundai, representing the ability of self-adjustment, thus Beijing Hyundai regained the mainstream status

Sales volume of Beijing Hyundai by month (in thousand units)



# 3

## Beijing Hyundai: Regaining the Mainstream Status

In April 2018, ENCINO, a high-performance SUV of Beijing Hyundai was launched, which marked the beginning of production of high-performance vehicles by Beijing Hyundai. The vehicle incorporates high technologies, with fashionable design. Many main vehicle models were widely accepted in the market, with the maximum monthly sales volume exceeding 10 thousand units in the first half of 2018

### Launch of ENCINO in the first half of 2018

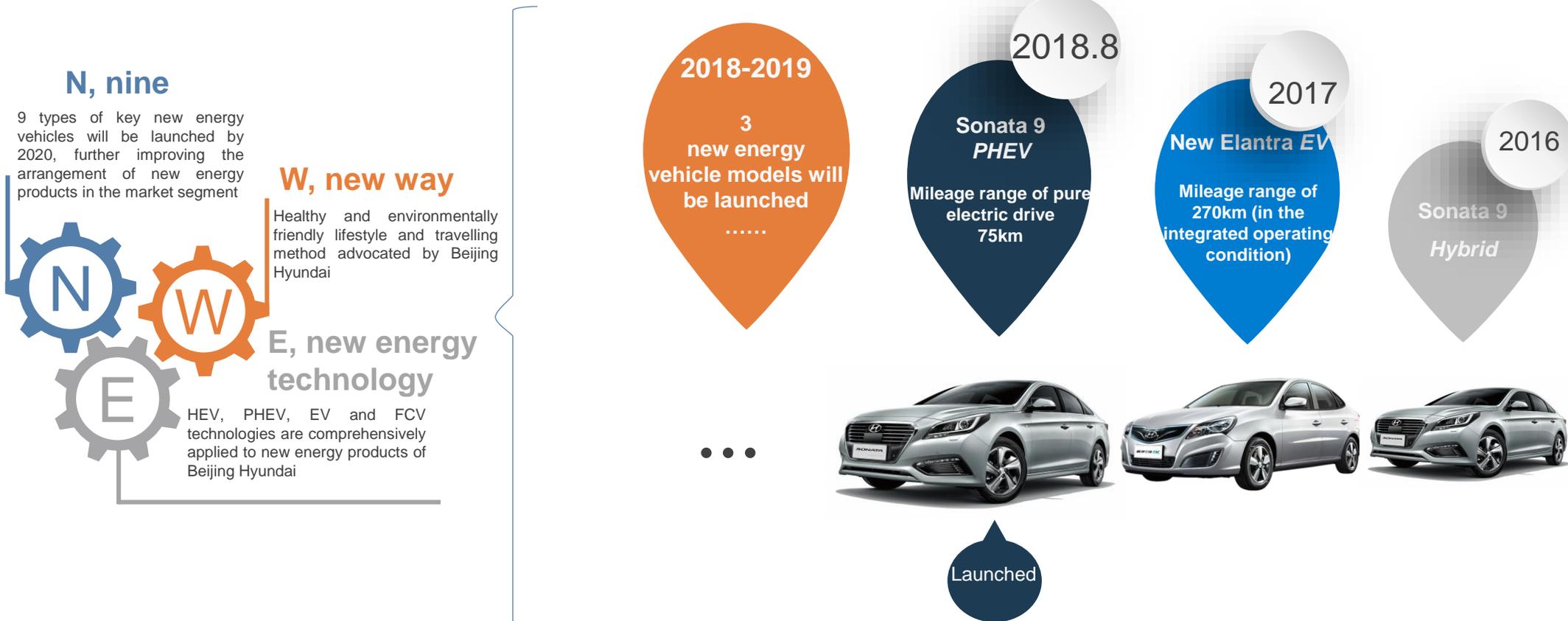


Vehicle models with the maximum monthly sales volume exceeding 10 thousand units in the first half of 2018 (in thousand units)



# 3 Beijing Hyundai: Strategic Arrangements for New Energy

In 2016, Beijing Hyundai released the new energy- NEW plan, which indicated that 9 types of key new energy vehicles will be launched by 2020. Beijing Hyundai planned to launch 4 new energy vehicle models from 2018 to 2019, with SONATA 9 PHEV launched in August 7



# Beijing Hyundai: Acceleration of “Localization”

Beijing Hyundai is committed to localization strategies and strengthens cooperation with Korea Nanyang Research Institute and China Technology Research Institute, so as to construct a “three-in-one” research and development system, better participating in research and development of the localized vehicle models; Beijing Hyundai endeavors to develop a “3 series + 3 technologies” matrix product layout to improve the product series



Beijing Hyundai

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Nanyang Research Institute

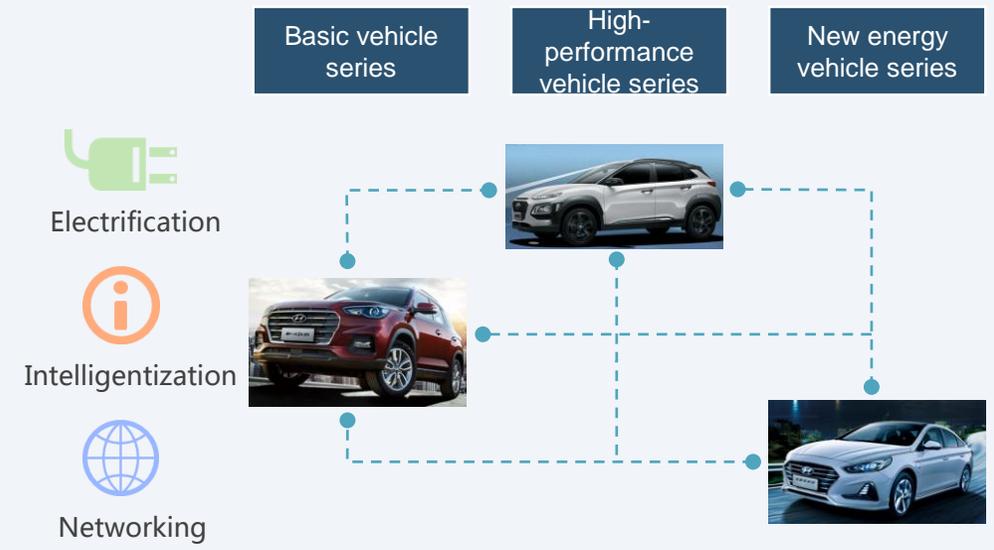
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China Technology Research Institute

“Three-in-one” research and development system

## “3 series + 3 technologies” matrix product layout





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# Summarised Financial Data (Consolidated)

Unit: RMB million

Item	2018 1H	2017 1H	YOY
Revenue	76,902.2	66,737.1	15.2%
Gross profit	20,436.8	17,490.7	16.8%
Selling and distribution expenses	6,334.2	6,218.7	1.9%
General and administrative expenses	2,766.4	2,123.3	30.3%
Other losses/(gains)-net	-50.8	808.9	Decrease by 859.7
Finance costs-net	237.3	325.8	-27.2%
Share of profit/(loss)of investments accounted for using equity method	582.3	-132.3	Increase by 714.6
Profit before income tax	11,732.0	7,881.7	48.9%
Profit during the period	8,045.6	5,047.9	59.4%
<i>Attributable to: Equity holders of the Company</i>	<b>2,820.3</b>	<b>985.7</b>	<b>186.1%</b>
Non-controlling interests	5,225.3	4,062.2	28.6%
Basic and diluted earnings per share (RMB)	0.36	0.13	176.9%
Capital expenditure (capital expenditure and research and development expenditure)	3,452.5	3,731.8	-7.5%

Source: International Standard Review Report





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# 1

## 2018 Launch Plan for New Vehicle Models



EX360



EU5 BJ40L PLUS



X55 facelift New D70



EU300 EX5



GLC (long wheel base) New C-Class sedan New A-Class sedan



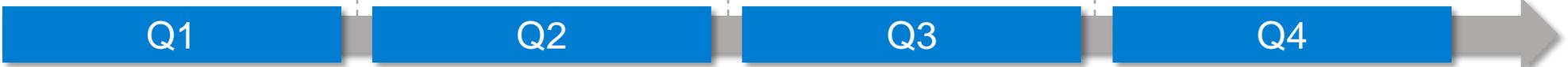
ENCINO



SONATA 9 PHEV



LAFESTA New SANTA FE





## Development Prospect

Events including removal of the restriction on shareholding percentages of foreign entities, reduction in import tariff, trade frictions between China and the United States, lead to long-term uncertainty of the passenger vehicle industry in China. However, challenges and opportunities coexist. The Group will make the best of its advantages and cover the shortage, in order to meet the challenge in the future

### Strengths

- The cooperation relation with Daimler AG and other strategic partners is stable and is deepened continuously
- New energy businesses under the self-owned brand take the leading position in China
- Off-road vehicle businesses under the self-owned brand have significant differentiated competition advantages
- Good financing platform

### Opportunity

- The premium vehicle market maintains rapid growth
- The new energy market is promising
- There is great potential for expansion of the off-road vehicle market
- Open policies provide conditions for good cooperation of vehicle enterprises

### Weakness

- Greater pressure for transformation and upgrade of self-owned brand businesses
- Challenges in steady improvement in the operation of Beijing Hyundai
- Greater difficulty in maintenance of sustainable and rapid development of Beijing Benz

### Threats

- Removal of the restriction on shareholding percentages of foreign entities
- Reduction in import tariff
- Long-term uncertainty about trade frictions between China and the United States
- Slowdown in the growth of the passenger vehicle industry



Please visit our website at: [www.baicmotor.com](http://www.baicmotor.com)

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