



**中国南车股份有限公司**  
CHINA SOUTH LOCOMOTIVE & ROLLING STOCK CORPORATION LIMITED

## 2008 Annual Results Announcement



May 2009

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# 2008 Operating Results





中国南车

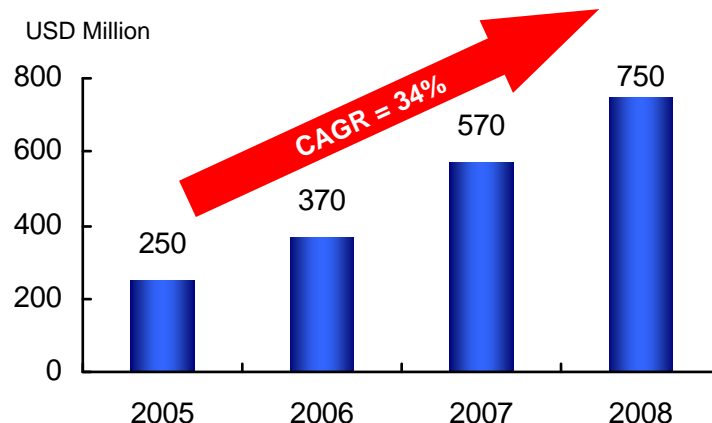


# Enhanced Ability to Expand Oversea Market

## Strong progress in overseas market expansion

- **Export to:** As of today, our products have been exported to more than 30 countries and regions.
- **Product mix:** Started from a manufacturer solely involved in parts & components manufacturing, now CSR has become an integrated manufacturer with complete units business up to 50% of the total.
- **Technology:** Advances in technology of export products, such as AC locomotives, rapid transit vehicles, and heavy axle load freight wagons.

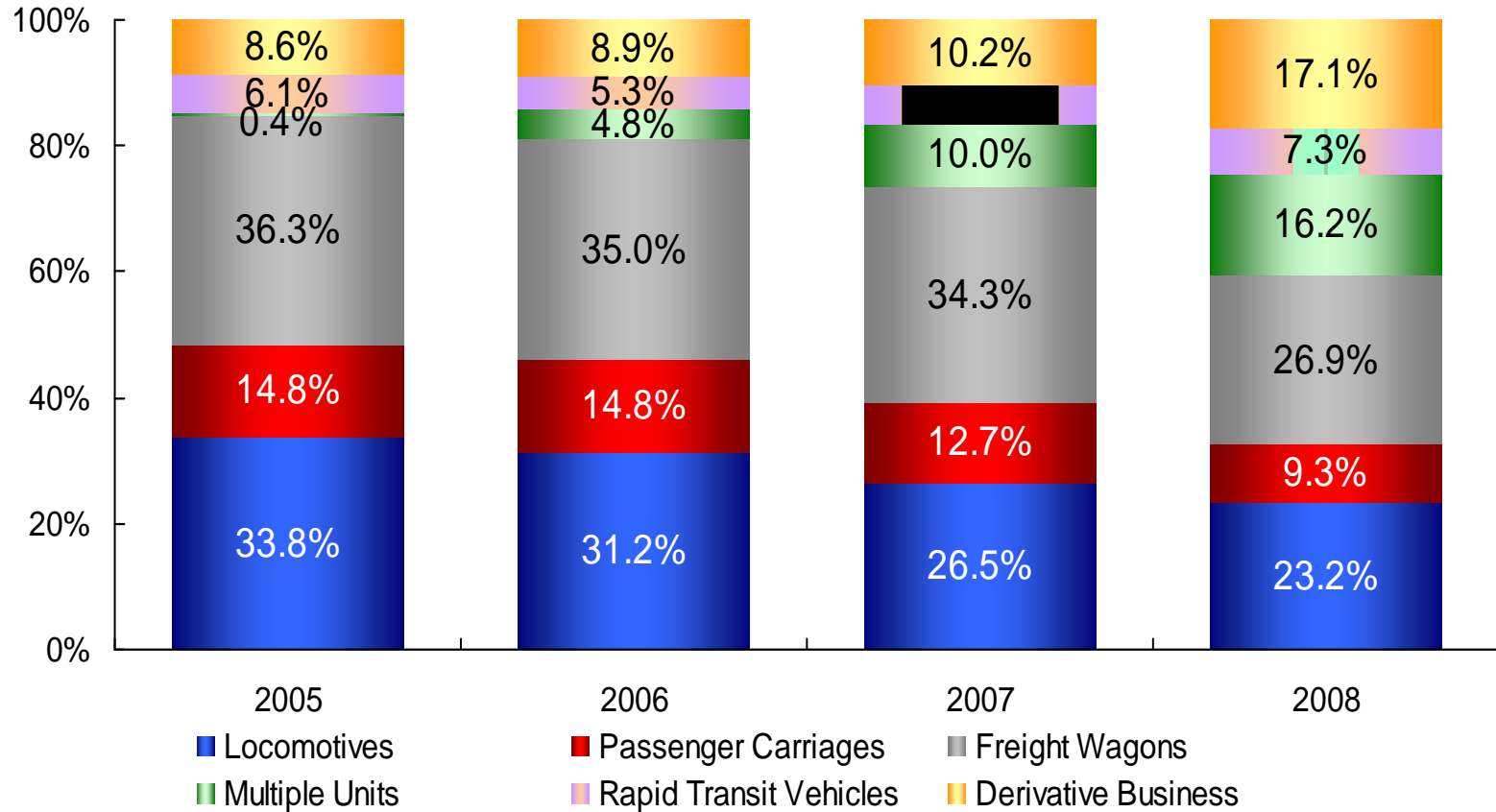
## Overseas New Contract Value



## Achievements in overseas market

<b>Loco-motives</b>	<b>Electric</b>	➤ Export 42 DC locomotives to Iran; 22 AC locomotives to Kazakhstan; 15 AC locomotives to Uzbekistan.
	<b>Diesel</b>	➤ Export 38 and 15 Diesel locomotives to Turkmenistan and Kazakhstan respectively.
<b>Freight Wagons</b>		➤ Export 976 open top wagons to Australia, 200 hopper wagons to Venezuela; 190 ore wagons to Australia.
<b>MUs</b>		➤ Export 8 diesel locomotives to Malaysia and 12 electric locomotives to Georgia
<b>RTV</b>		➤ Export 18 rapid transit vehicles(108 trains) to Bombay, India
<b>Components &amp; Parts</b>		➤ Export GDS components to US, and components and parts of locomotives to the European countries.

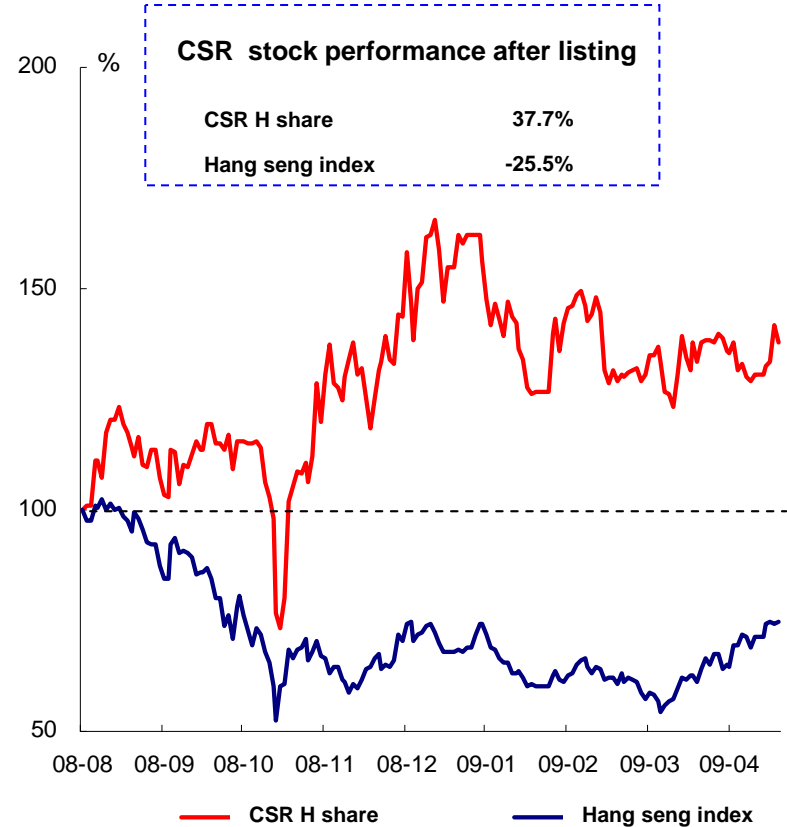
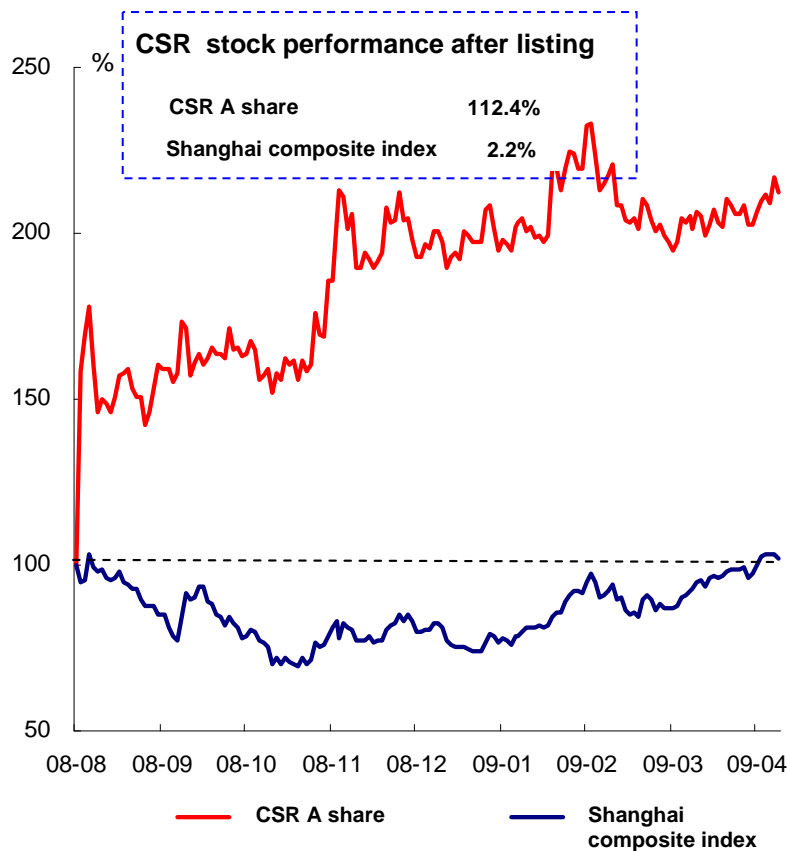
# More Balanced Business Mix



- The overall proportion made up of MU, RTV, and derivative business with proprietary technology is rising, with revenue more evenly distributed among various business segments and the structure better optimized
- CSR's sales revenue from MOR in 2006, 2007, and 2008 was RMB 13.43bn, RMB 16.53bn, and RMB 18.46bn respectively, accounted for 58.3%, 61.7%, and 52.6% of total revenue respectively.

# Solid Performance in Volatile Markets

Despite volatility in global stock markets, CSR's stock performance remains solid after listing.



Source: Bloomberg, as of Apr.17 2009





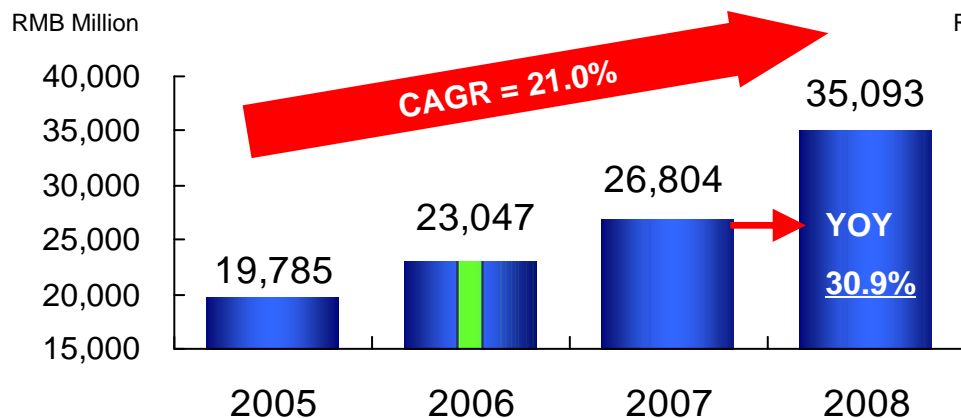
## 2008 Financial Highlights



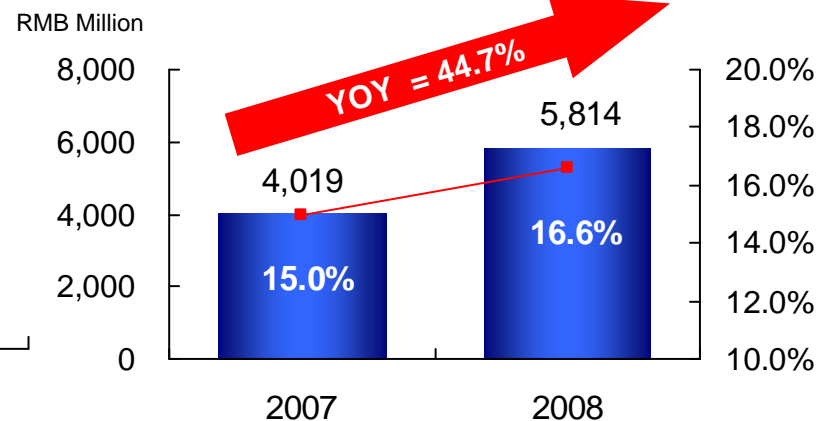


# Outstanding Operating Performance: Margins Hike

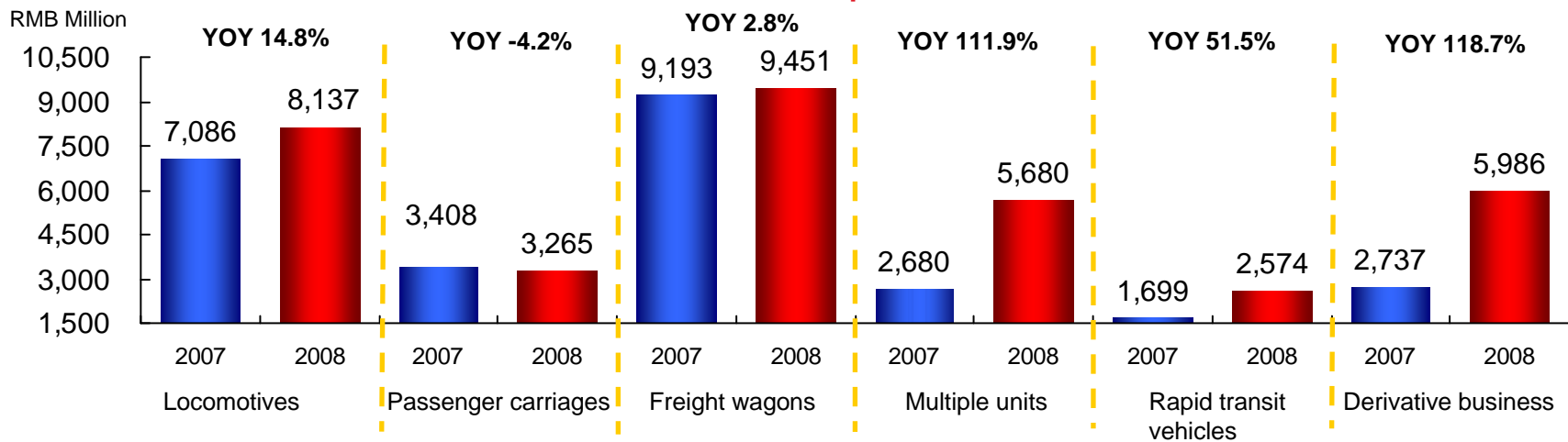
## Revenue



## GP & GP%

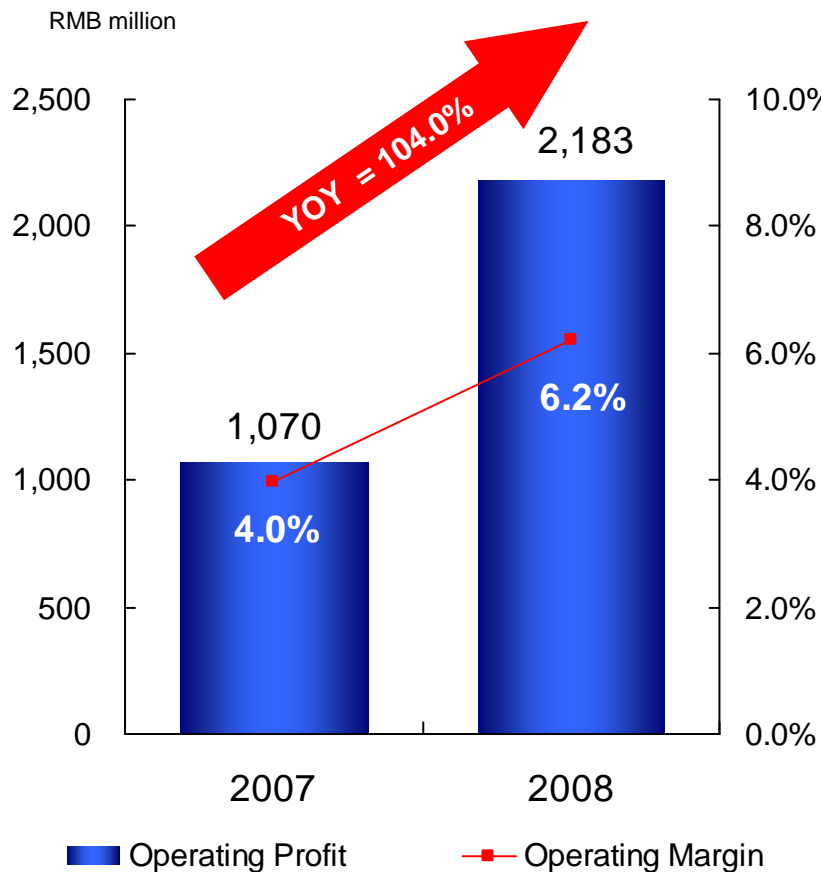


Although passenger carriages has been slightly affected by the substitutes, all other businesses have achieved remarkable performance.

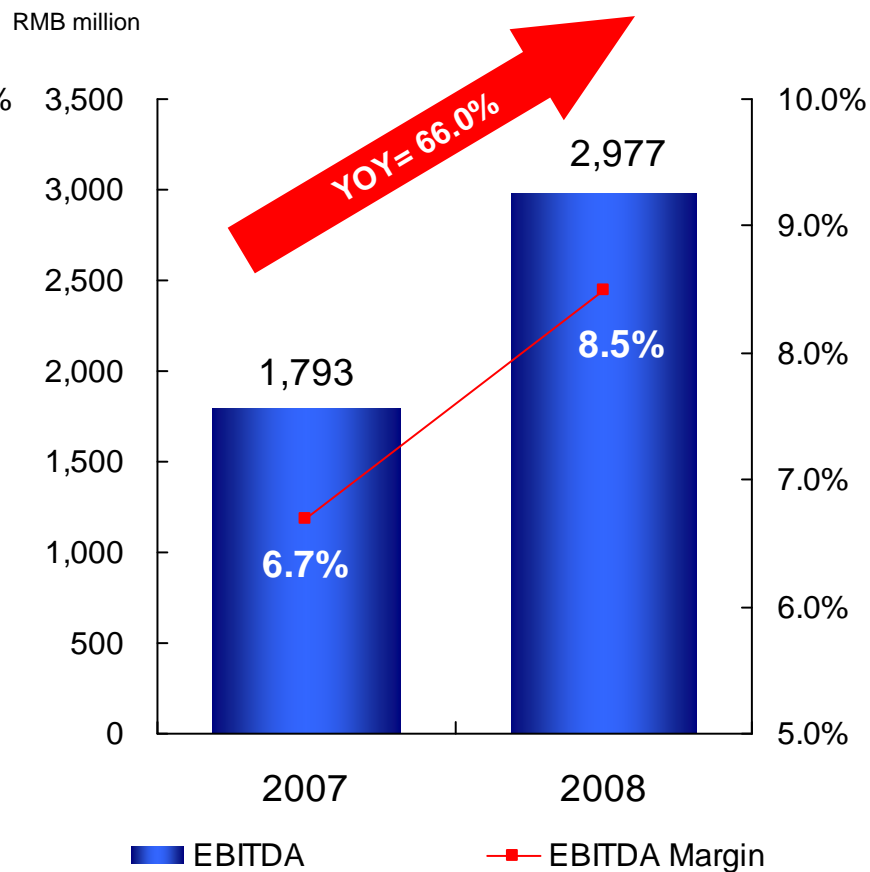


# Profitability Continues To Grow

## Operating profit / EBIT

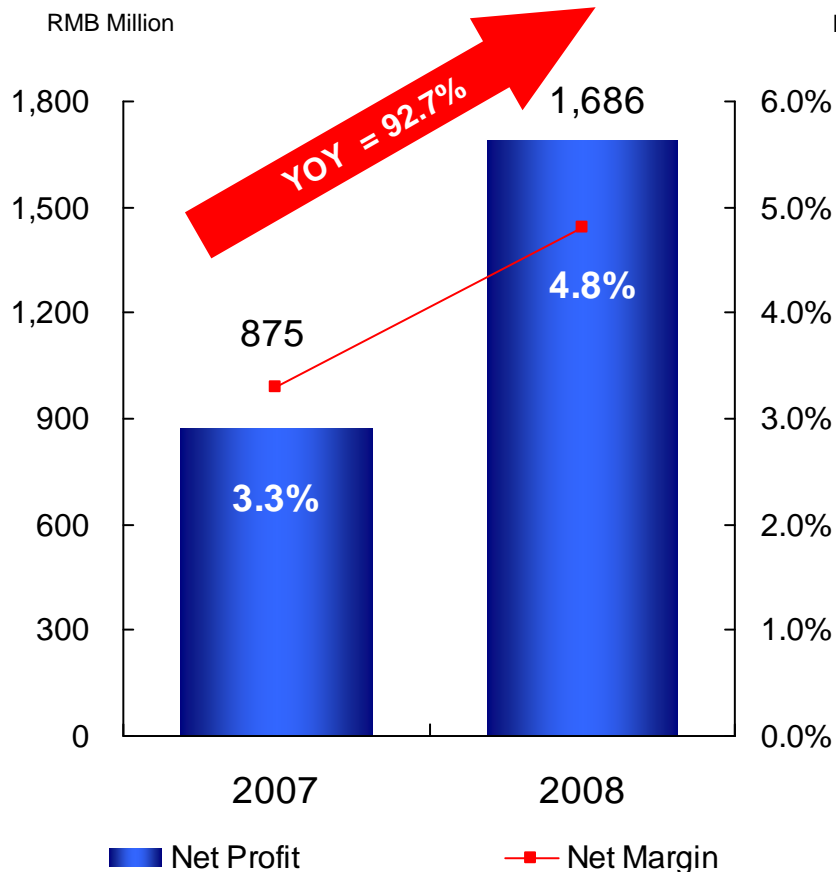


## EBITDA

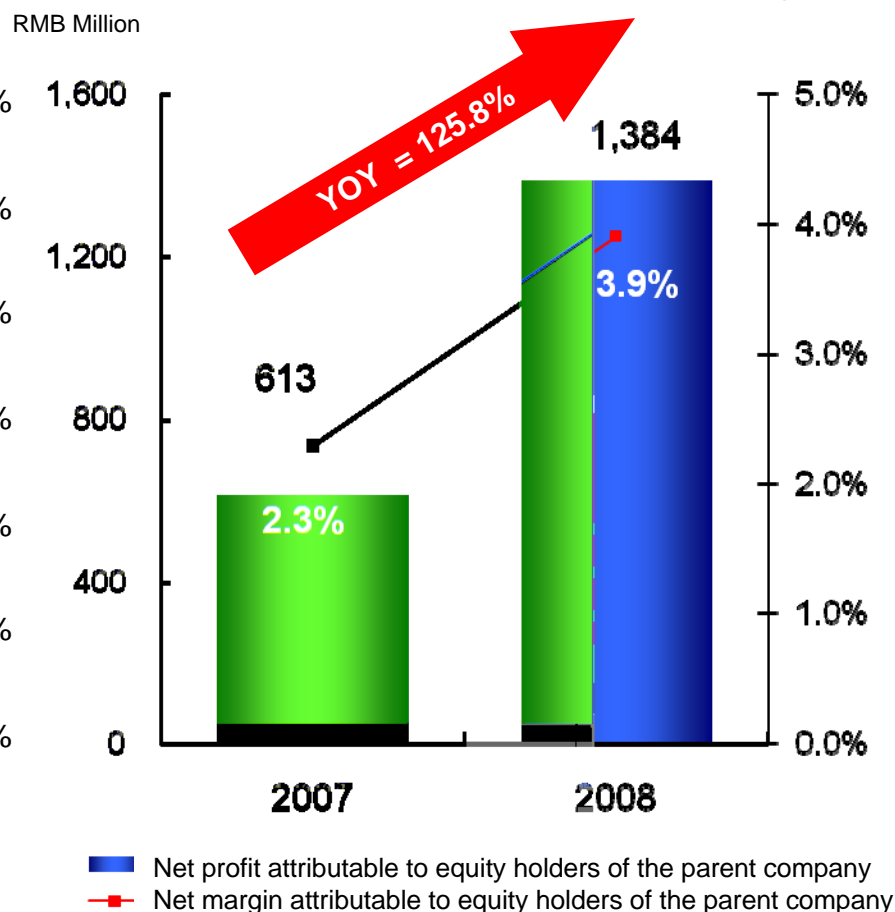


# Net Profit Achieves Blowout-growth, Surpassing the Estimates

## Net Profit

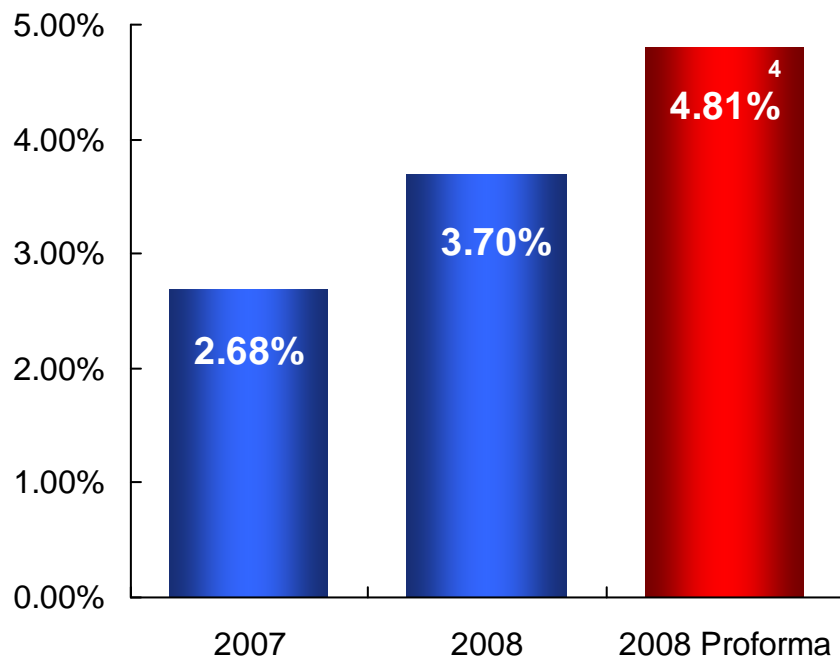


## Net Profit attributable to equity holders of the Parent Company

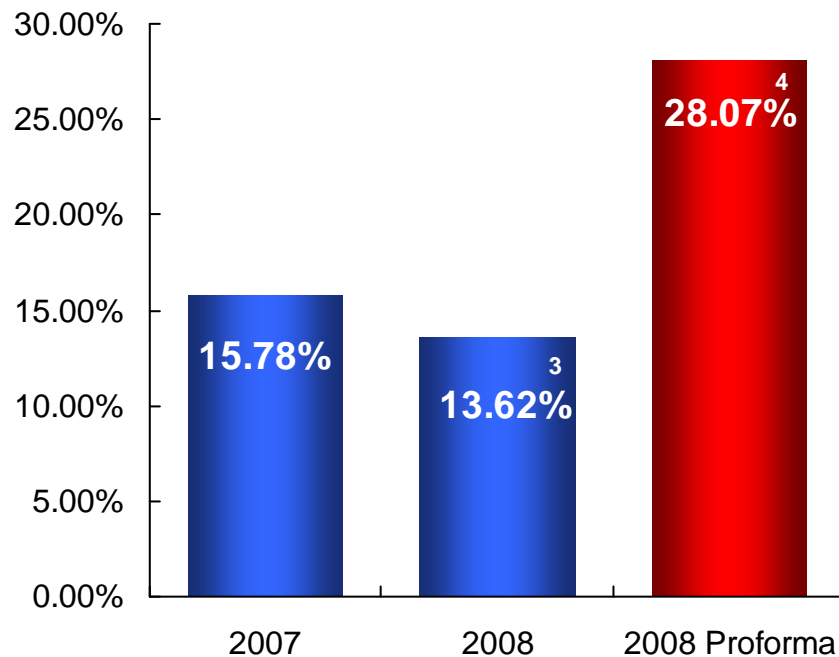


# Significant Improvement in ROA & ROE

## Return on Asset<sup>1</sup>



## Return on Equity<sup>2</sup>



Note 1: ROA = net profit/total ending assets

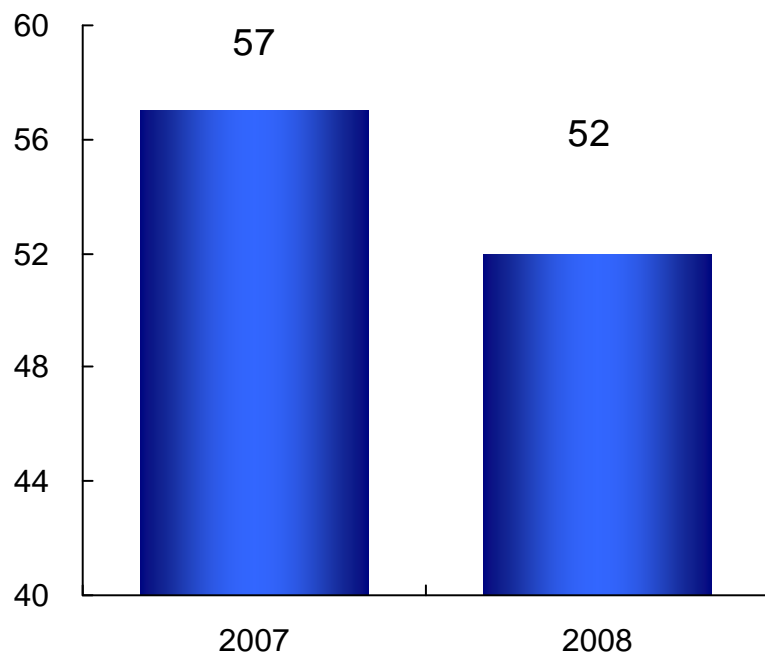
Note 2: ROE = Net profit attributable to shareholders of the parent company / ( beginning equity attributable to shareholders of the parent company + ending equity attributable to shareholders of the parent company) x 2

Note 3: Compared to 2007, ROE decreased a bit YOY mainly because CSR launched A+H IPO, resulting in the one-off equity increase of more than RMB 10 bn.

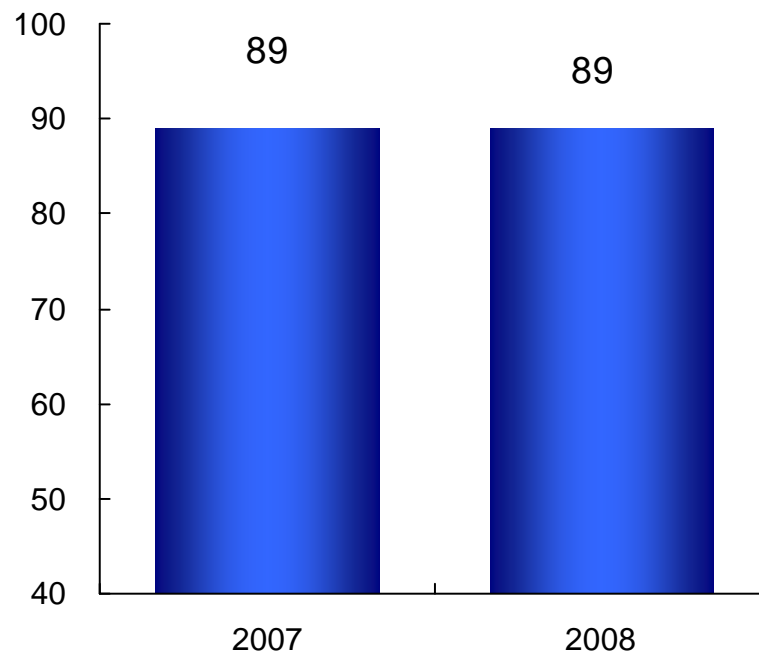
Note 4: As for the 2008 proforma, the numerators for calculating ROA and NROA remain unchanged. The actual raised capital from H and A share IPO totalling to HKD 4.647 bn and RMB 6.379 bn respectively shall be deducted from the denominators.

# Turnover Steadily Increases with High Operating Efficiency

## Accounts Receivable turnover days<sup>1</sup>



## Inventory turnover days<sup>2</sup>

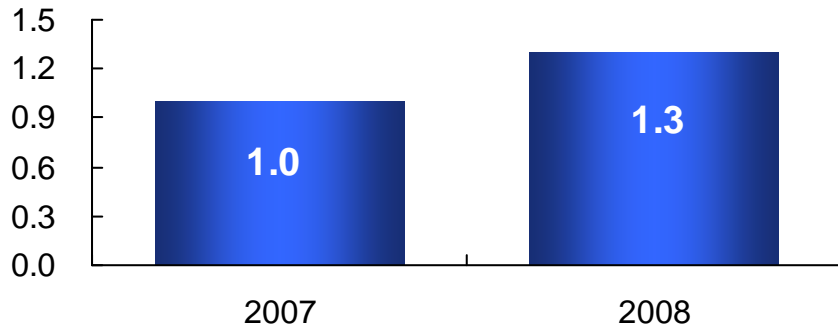


Note 1: Accounts Receivable turnover days= ((Accounts Receivable at Beginning of period + Accounts Receivable at End of period) / 2) / Revenue \*365

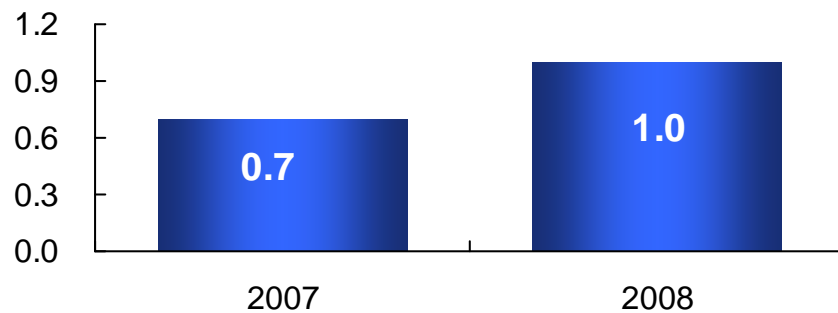
Note 2: Inventory turnover days=((Inventory at Beginning of period + Inventory at End of period) / 2) / COGS \*365

# Healthy Financial Condition & Optimized Leverage

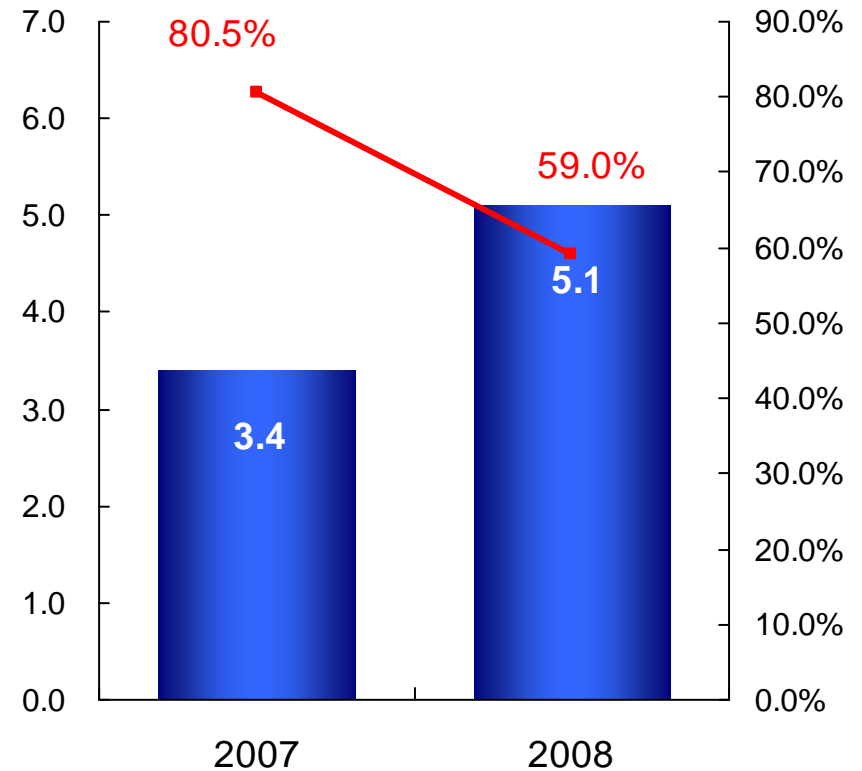
## Current Ratio



## Quick Ratio



## Asset-liability Ratio Interest Coverage

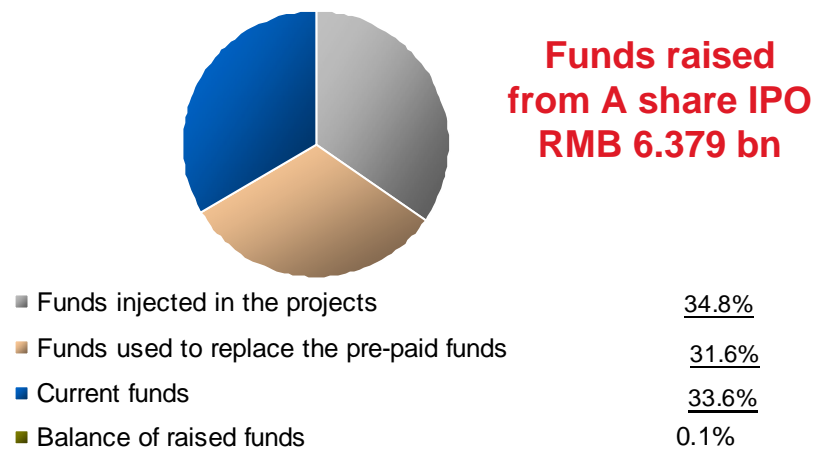
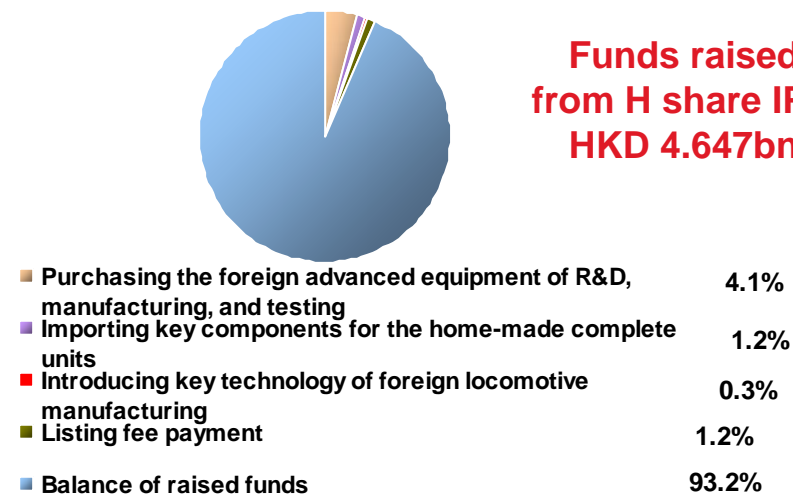
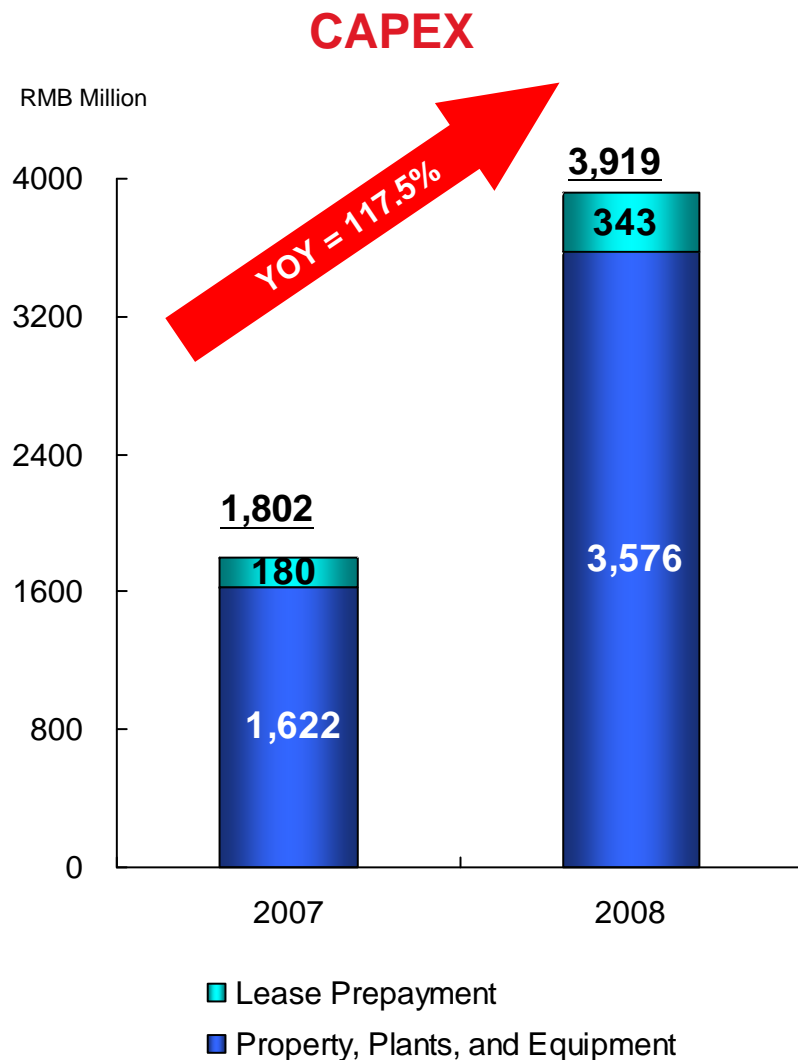


Interest Coverage

Asset-liability Ratio

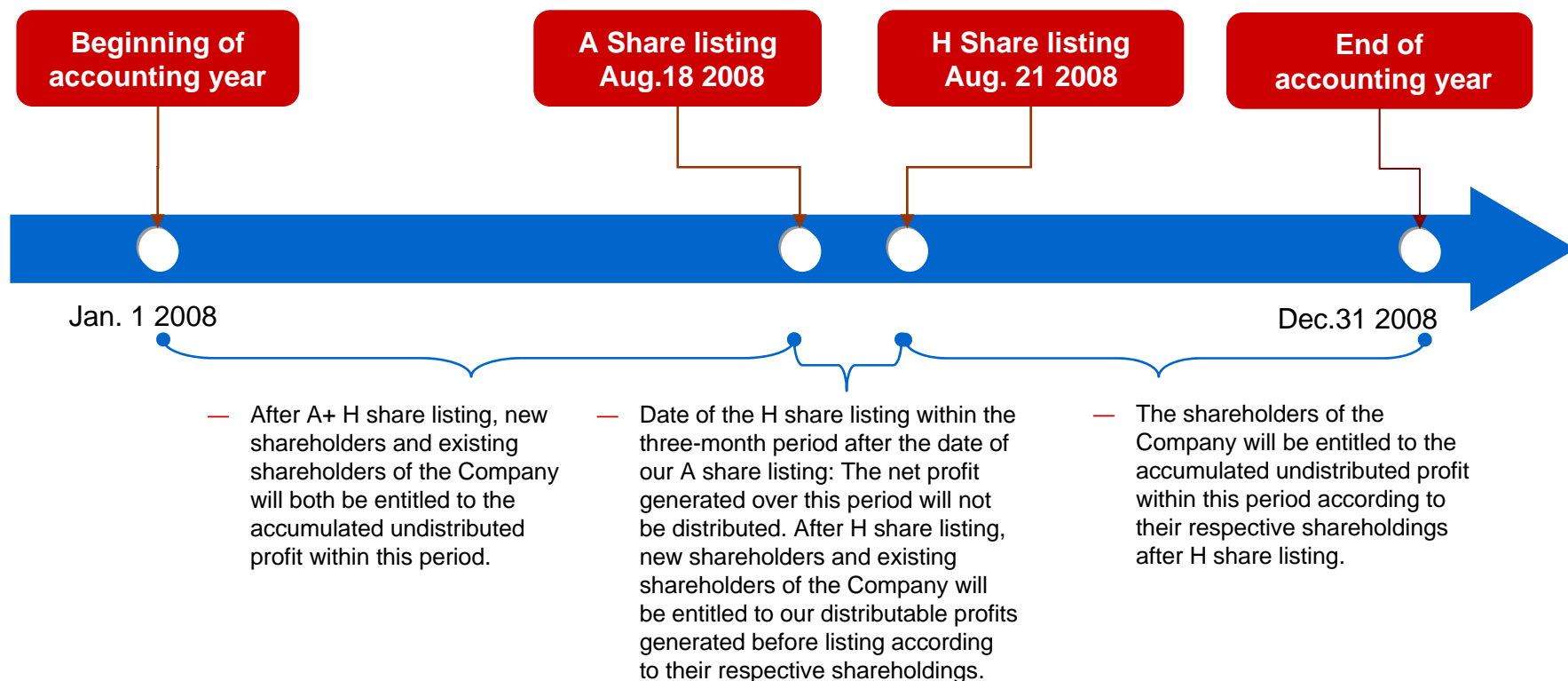


# CAPEX Raises Significantly Projects Running Smoothly



Note 1: The Company has repaid RMB 630 mn on Mar. 17 2009 by its own funds, i.e. 9.9% of total raised funds from A share listing.

# Dividend



CSR's board of directors proposed that the distribution shall be 30.41% of distributable profits (higher than minimum 25% commitment in Prospectus), i.e. RMB 0.032 per share (before tax)

This Distribution Proposal is subject to the approval of CSR Shareholders General Meeting

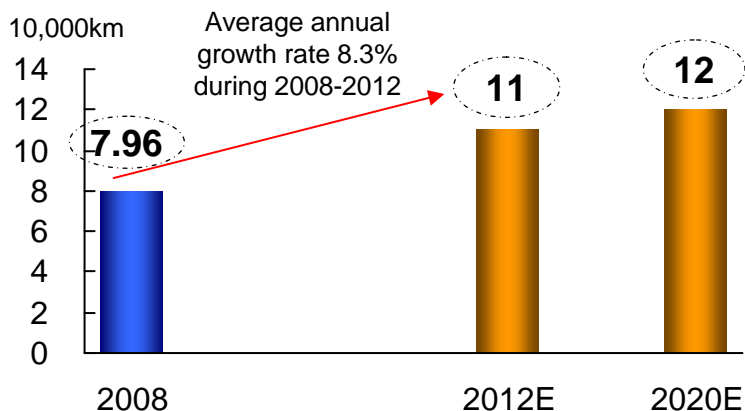


## 2009 Outlook



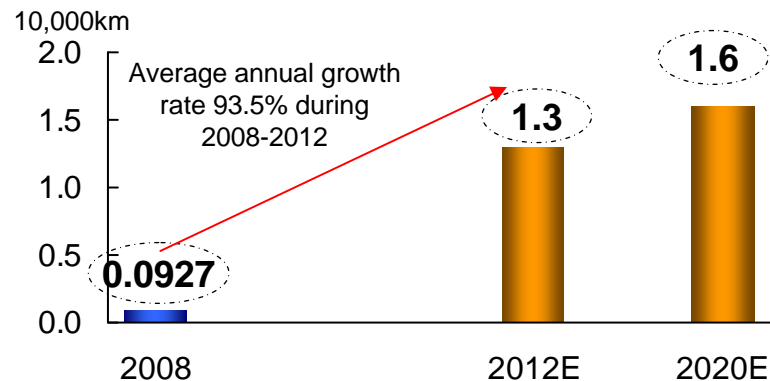
# China Railway's Golden Period in the Next 5 Years

## Significant increase of railway operation length



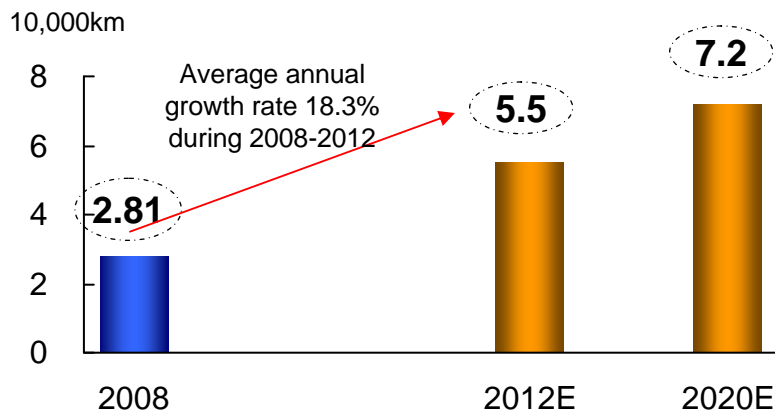
Source: MOR of China

## Development Plan for Passenger Lines



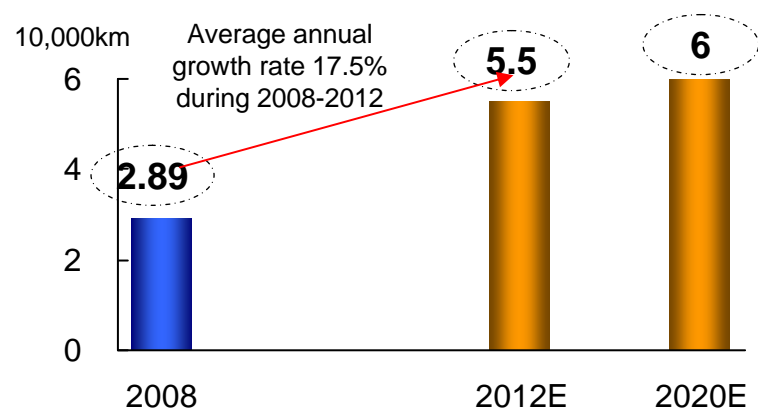
Source: MOR of China

## Development Plan for Electric Railway



Source: MOR of China

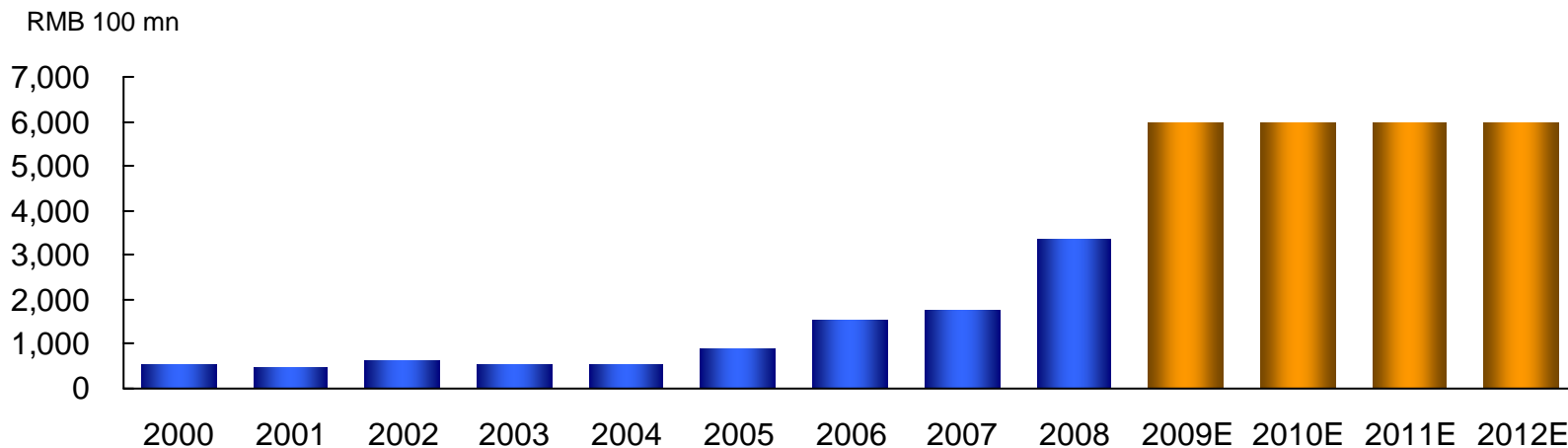
## Development Plan for Double Tracks Railway



Source: MOR of China

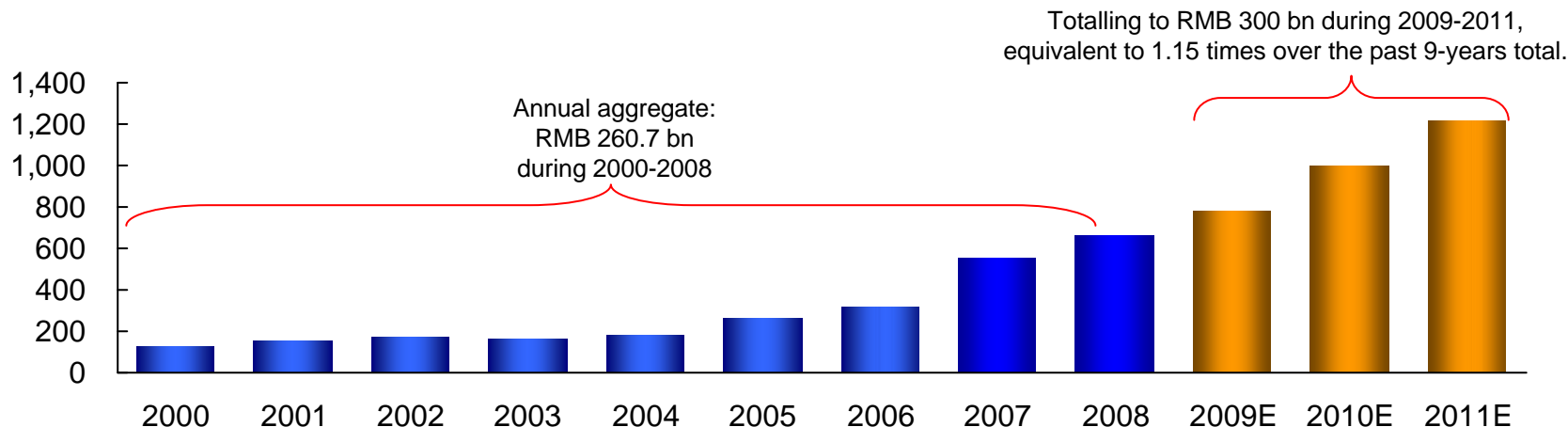
# Swift Growth of the Investment in Railway Infrastructure and Rolling Stock Purchase

## High Growth Rate of Railway Infrastructure Investment



Source: MOR of China

## High Growth Rate of Locomotive Purchase Investment



Source: MOR of China

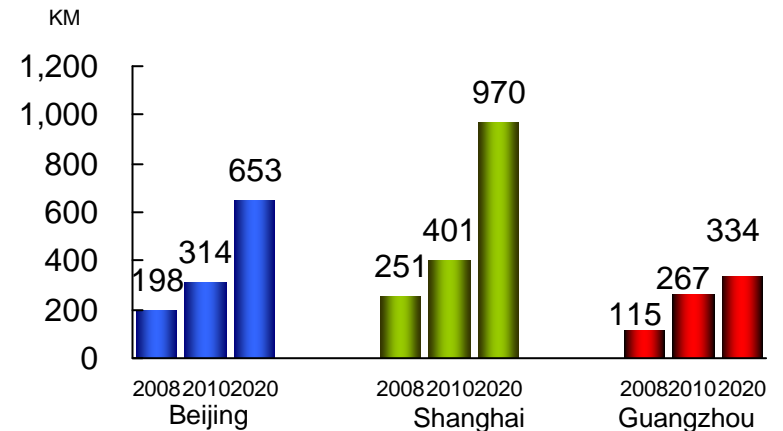
# Rapid Transit Vehicles Enjoy Unprecedented Development Opportunity

## China: Huge potential to improve the utilization of RTV

City	Rapid transit system operation length (km)	As % of total public transportation
NY	443.0	70%
Paris	551.0	80%
London	430.6	80%
Shanghai	251.0	23.5%
Beijing	142.0	13.4%

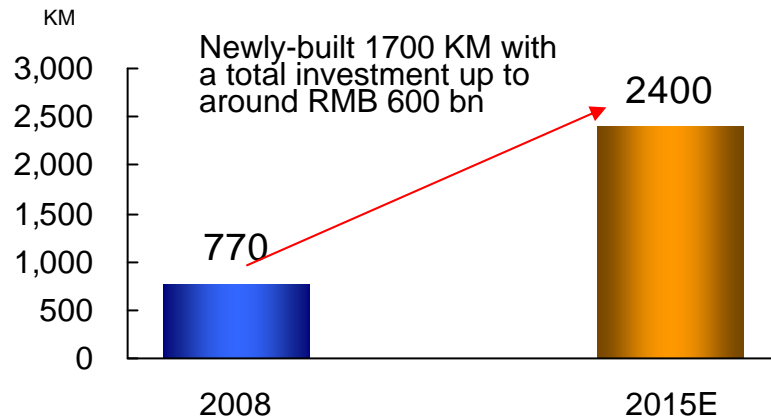
Note: Statistics for Chinese cities are based on 2007 figures; others are based on 2004 figures.

## China: Major RTV development plan



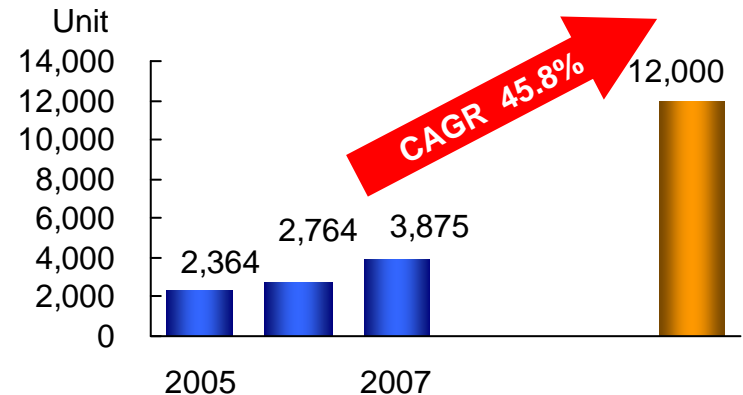
Source: Local Government Official Website

## High growth of planned operation length for RTV



Source: Local Government Official Website, local railway companies' website

## Significant growth of RTV in operation

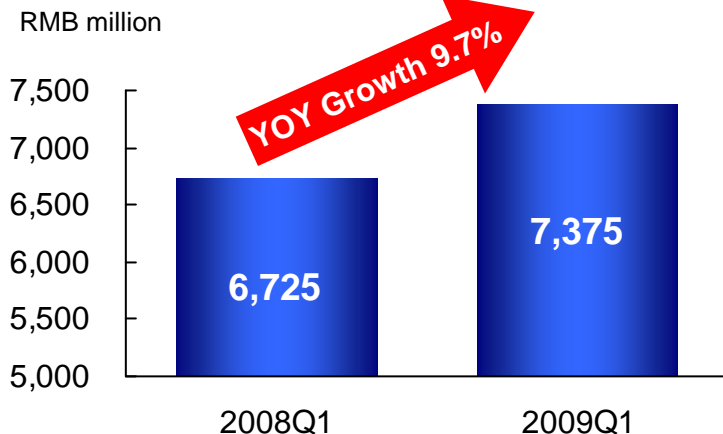


Source: China Statistical Yearbook, Company Estimates

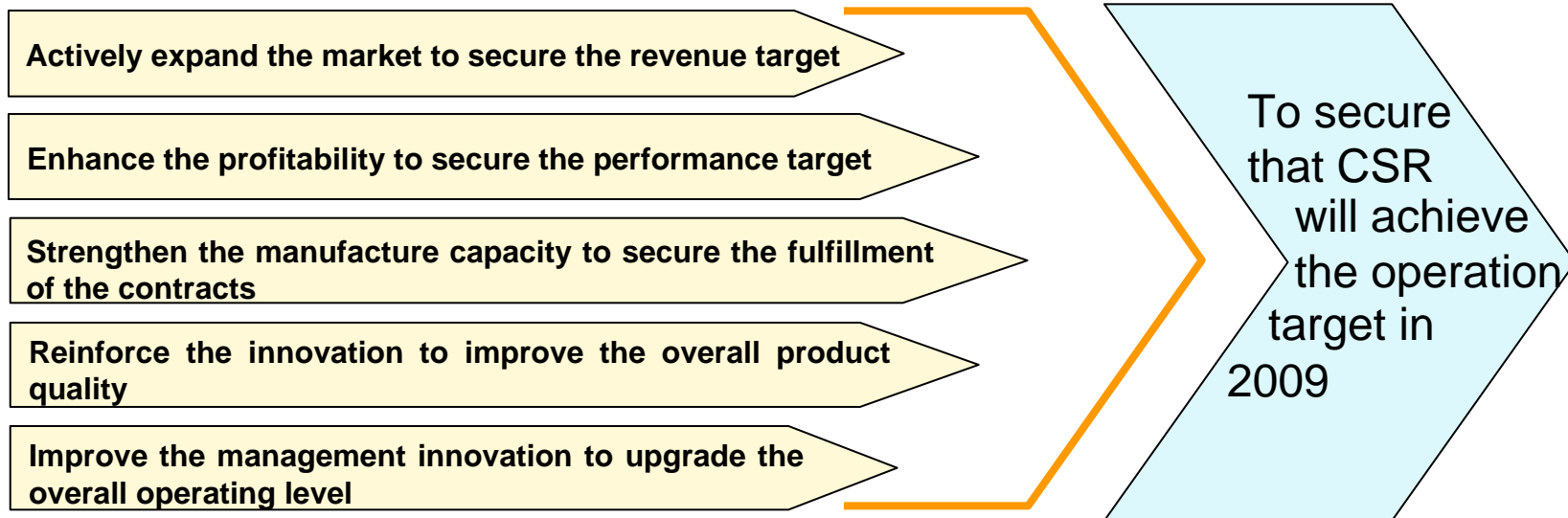
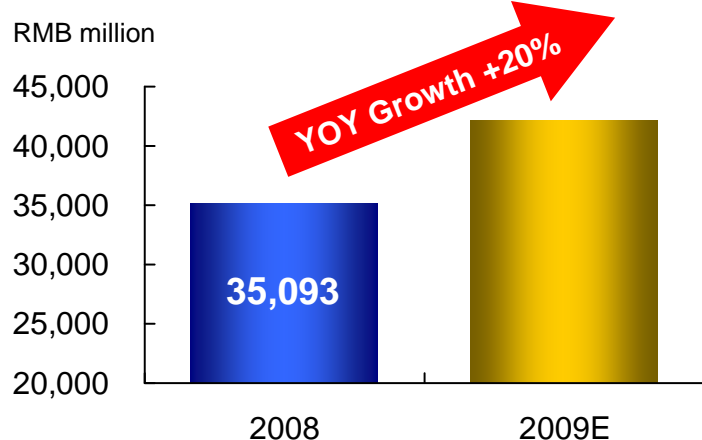


# 2009 Q1 Performance & 2009 Outlook

## 09Q1 revenue increased by 9.7% (YOY)



## 09 revenue is expected to grow by +20%



# Challenges for 2009

- **The negative impact on railway industry from the economic downturn has not yet hit the bottom.** The global economic recession inevitably placed a negative impact on railway industry—a barometer of economy, which has resulted in a softened demand on transportation equipment.
- **Freight wagons will significantly decrease.** The sliding railway freight volume has weakened the freight train demand. It is unpredictable that when it will recover to 2008 level and resume increasing.
- **There are still a large number of uncertainties around the market.** As the modernization of railway equipment manufacturing speeds up, CSR's ability to maintain its advantages in MUs and locomotives remains uncertain. Meanwhile, whether it will continue to hold over 60% of the RTV market share remains uncertain.
- **Huge pressure on price and profitability.** As the two large locomotives and rolling stock manufactures continue to expand, their gaps regarding products, technologies, and resource are being narrowed, resulted in unprecedented pressure on price and profitability for CSR amid the intensified competition.
- **Overseas revenue suffers from the higher foreign exchange risk.** With more export orders, CSR will suffer more from foreign exchange risk.

# CSR's Business Plan in the Next Few Years

## Locomotives

- Electric locomotives: based on railway industrial trends “high speed and heavy load”, CSR will focus on its development of high-power locomotives, which plans to establish a world-leading base for R&D, testing, and manufacturing.
- Diesel locomotives: integrated with the world advanced level in the industry, CSR will further adjust its business size and structure.

## MUs & Passenger Carriages

- CSR will carry out the integrated planning for MU and passenger carriages business, based on the guideline of “extend the scale, increase the quality, optimize the structure, and exert the advantages”.

## Freight Wagons

- CSR will remain the current manufacturing capacity for freight wagons and readjust the resource deployment.
- CSR will fully develop the products with high speed and heavy load, enhancing the R&D capacity for specialized railway freight products.

## Rapid Transit Vehicles

- Overall principle: diversify the products, expand the manufacturing capacity, and enhance the global competitiveness;
- Reinforce the technical updating efforts and establish a world-leading and China's top R&D, testing, and manufacturing base.

## Derivative Businesses

- By fully utilizing the technology capabilities and advantages, CSR will focus on the development of wind-power related equipment, electric cars, gear drive system, automobile supercharger, generators/its components, electric motor and other proprietary derivatives.



**Thank You!**

