



WABCO

Dec 13, 2010

RESPONDING TO CHINA'S GROWTH OPPORTUNITIES



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CHAIRMAN & CEO

- China economy; the ongoing phenomenon
- Commercial vehicle industry growth drivers
- A dynamic environment presenting significant opportunities
- Outlining WABCO's response



CHINA: RISING AS A GLOBAL INDUSTRIAL POWERHOUSE

CHINA GDP

- 66% of the world's GDP growth in 2009
- The world's second largest GDP in 2010: \$5,732 billion

AUTOMOTIVE MARKET

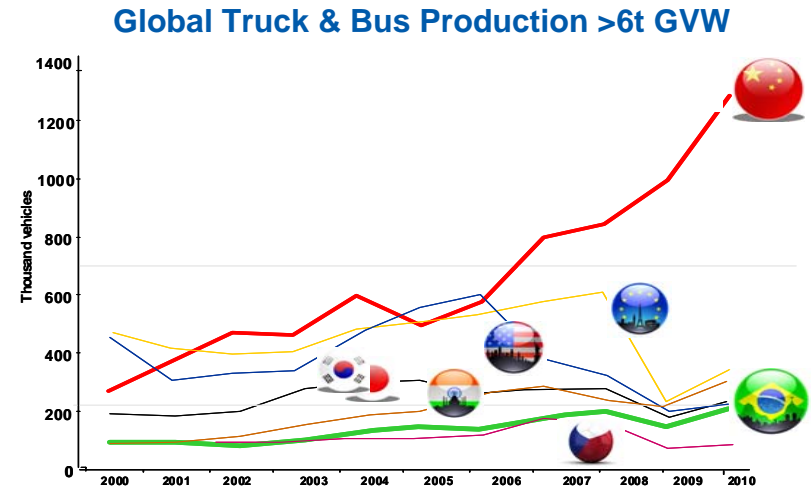
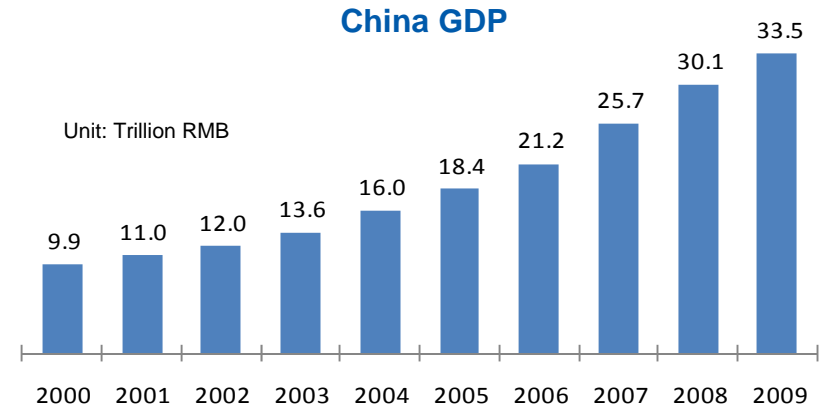
- 13.7 million vehicles in 2009
- Approx 18 million in 2010

INFRASTRUCTURE INVESTMENT

- 4.5 million kilometres of highway to be constructed in next 5 years

COMMERCIAL VEHICLE PRODUCTION

- China accounted for 54% of total global production Jan - June 2010



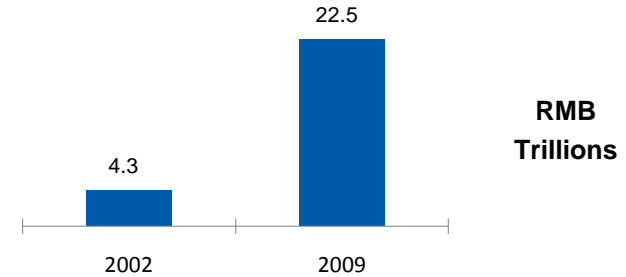
Source: NBS, Dun & Bradstreet, CAAM, WABCO Estimates

World's largest commercial vehicle market in the world's most dynamic economy

DRIVERS OF COMMERCIAL VEHICLE GROWTH

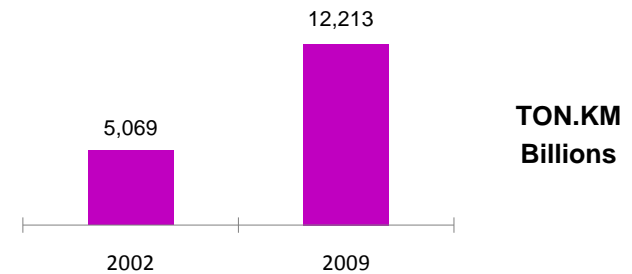
FIXED ASSET INVESTMENT

- Trend is stable and strong driven by industrialization and urbanization
- Will continue for next 20 years - but at lower levels



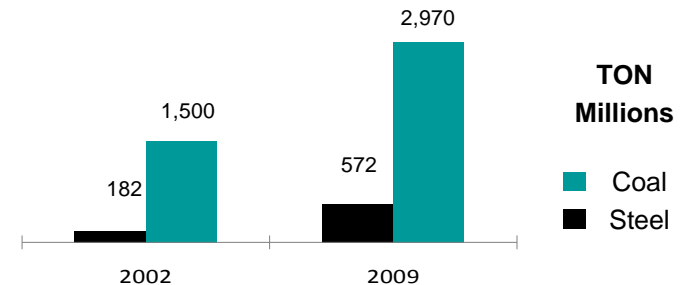
ANNUAL CARGO FREIGHT

- Doubled between 2002 and 2009 along with the rapid development of China's national highway system
- Logistics industry is a priority for the next decade



COMMODITY PRODUCTION

- The "global factory" drives commodity demand



Source: NBS

OPPORTUNITIES IN A DYNAMIC BUSINESS ENVIRONMENT

REGULATION

- Euro IV emission mandate by 2012
- Increasing safety regulation and enforcement creates a pull for new technology (ABS, Air Disc Brakes, others)
- Increasing emphasis on new-energy vehicles

GLOBALIZATION OF OEMs

- Daimler-Foton joint venture
- CNHTC-MAN relationship
- *“We will be selling trucks to both emerging markets and mature markets like Europe.”*
- CEO of a major truck OEM

DIFFERENTIATION

- Fragmentation arising from entrepreneurial ambition
- Government policies driving consolidation
- Fierce competition between established players and new rising stars

2006



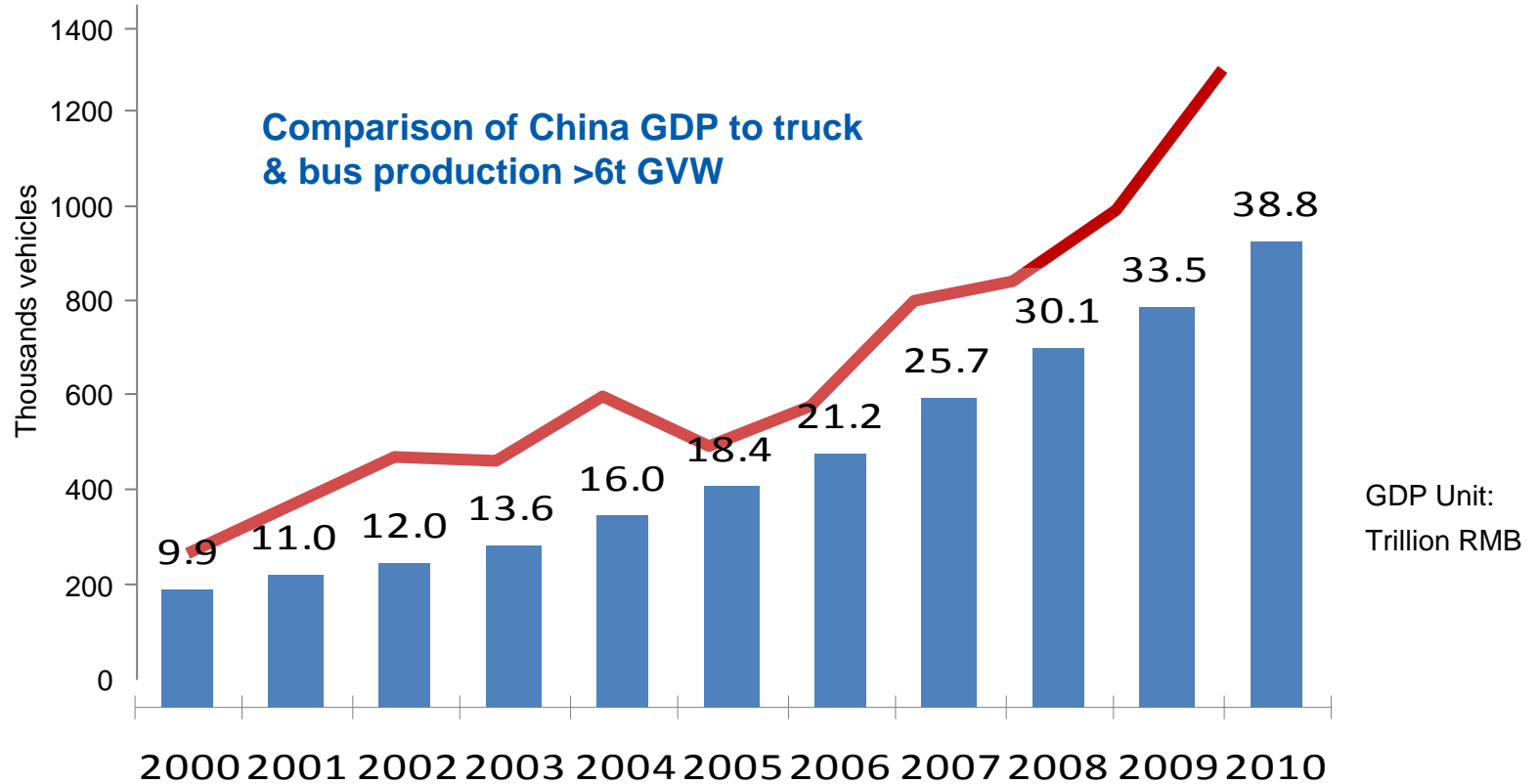
INCREASINGLY ADVANCED TECHNOLOGY

GREATER FOCUS ON RELIABILITY, QUALITY AND SERVICE

2010

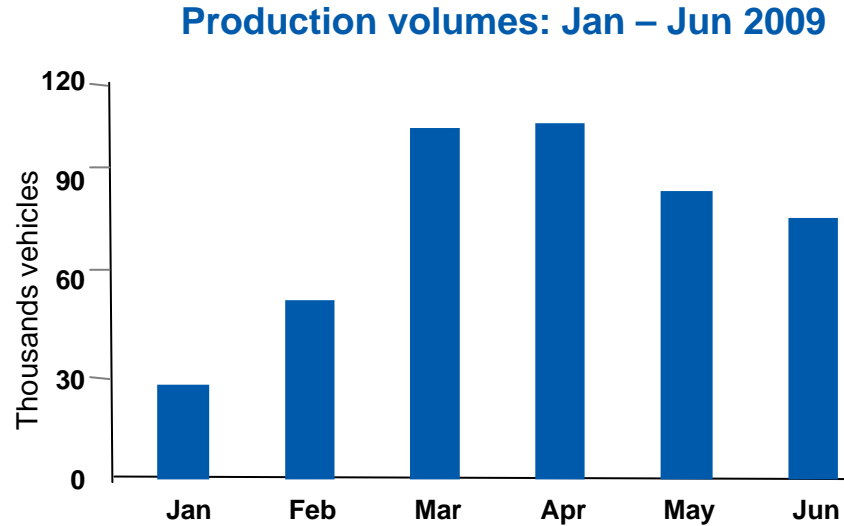


Convergence of multiple forces is generating extensive opportunities



Long term: strong **POSITIVE** correlation is driving growth

Demands continuous expansion of capacity across the supply chain



Short-term: market is erratic and **UNPREDICTABLE**

“Suppliers need to be fully prepared with
+/-30% buffer to meet our demand.”
- WABCO customer

OPPORTUNITIES WITHIN CHINA'S NATIONAL 12TH FIVE-YEAR PLAN ...

WABCO



DEVELOP ALTERNATIVE-ENERGY VEHICLES AS FOREMOST PRIORITY

- Focus on hybrids and electric vehicles
- Targets over 1 million units of alternative-energy vehicles by 2015
- 10-year, 100 billion yuan (\$15 billion) investment to become the world's largest alternative-auto producer within the next decade



SUPPORT AUTO INDUSTRY CONSOLIDATION

- Evolving to 2 or 3 domestic mega-auto groups producing over 3 million units each
- Establish 3 to 5 mega-manufacturers with a consolidated market share of over 60% to supply alternative-auto platforms with power and electric parts

IMPROVE MARKET POSITION OF LOCAL AUTO BRANDS

- Export over 10% of domestic auto brands by 2015
- Establish world-class R&D capability to support domestic vehicle manufacturers and key components production



Driving opportunities for technology advancement and industry consolidation

LOCAL SUPPLIERS HAVE BUILT SUCCESS ON...

- Entrepreneurial mindset
- Leverage speed and low cost
- Applying “reverse engineering”

.... AND ARE RAPIDLY ADAPTING TO NEW MARKET REQUIREMENTS...

- Increasing focus on technology, quality, reliability
- Increasing intellectual property protection

... BUT ARE STILL BEHIND GLOBAL SUPPLIERS IN TECHNOLOGY

GLOBAL SUPPLIERS NEED TO

- Build speed and flexibility beyond their Western standards
- Localize the value chain to align with market specificity
- Continue to pioneer new technologies
- Leverage global capabilities to support local manufacturers to grow on a global scale

WABCO IS WELL POSITIONED WITHIN THE OPPORTUNITY PIPELINE



FULL CONNECTIVITY TO THE MARKET

TECHNOLOGY

QUALITY AND RELIABILITY

FLEXIBILITY AND SPEED

BRINGING VALUE TO LOCAL CUSTOMERS

- Local management team fully staffed with local talents
- 1,200 employees in 5 locations
- Extending reach into aftermarket/product support
- Developing strategic partnerships with leading OEMs

PIONEERING TECHNOLOGY

- Anti-lock Braking Systems (ABS)
- Transmission automation (OptiDrive™)
- Twin-cylinder air compressor technology
- Hybrid concept tailored for China market

WORLD-CLASS MANUFACTURING

- Leading performer within WABCO global network
- Powered by commitment to Lean philosophy

VALUE CHAIN SATIFYING MARKET SPECIFICITY

- Regional product development team of 200 engineers
- Optimal flexibility built into supply chain

NEW TECHNOLOGY INTRODUCTION

“TWO EXAMPLES”

WABCO INTRODUCED ABS TO CHINA

- Positioned as an integrated solution provider
- Localized supply chain
- Leading market share
- Opening the door to the stability control functionality
- Aligned to safety regulation and market education



NOW PIONEERING AUTOMATED MANUAL TRANSMISSIONS (OptiDrive™)

- Immediate localization of supply chain
- Leveraging global engineering capability
- Launched with CNHTC
- Triggered considerable interest across the market



A growing track record of successful technology introductions

LEVERAGE a superb infrastructure in China to supply WABCO **GLOBALLY**

- One million ABS components supplied to North America each year

Made in **CHINA** with **QUALITY**

- ABS achieves single digit PPM: less than 10 defective parts-per-million produced

Building a local **INNOVATION CENTER**

- Increasingly favorable environment for Intellectual Property (IP) protection
- Expanding local engineering capability



The world's most dynamic and challenging market demands ...



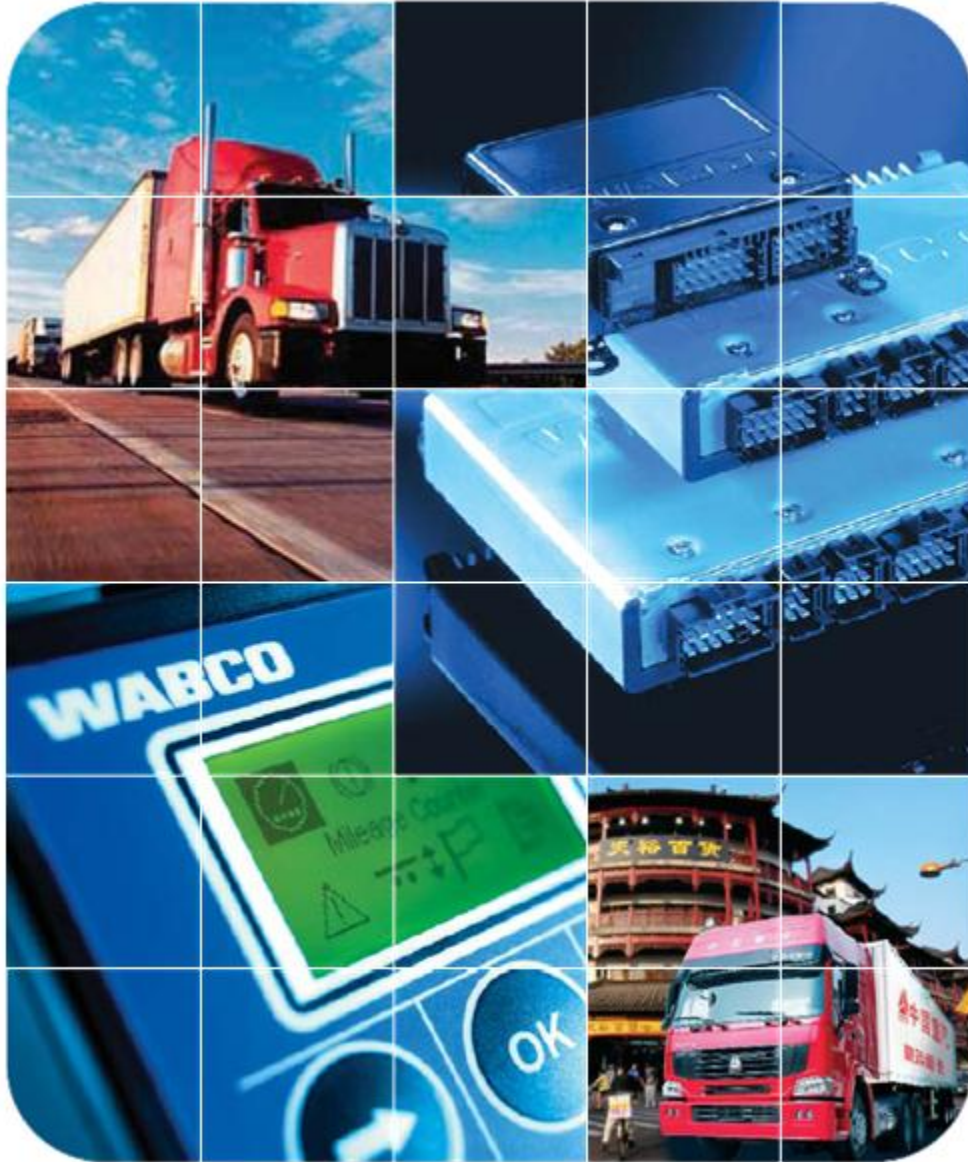
TECHNOLOGY

**QUALITY, RELIABILITY
AND SERVICE**

**FLEXIBILITY
AND SPEED**

There is a multitude of opportunities.....but to be successful, suppliers need to:

- **Constantly anticipate market needs, and**
- **Respond through differentiation in technology, quality, and flexibility**



WABCO

PASSION