



# SORL Auto Parts, Inc.

(Nasdaq: SORL)

January 2010





# Safe Harbor Statement

This presentation contains "forward-looking statements" within the meaning of the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including changes from anticipated levels of sales, future national or regional economic and competitive conditions, changes in relationships with customers, access to capital, difficulties in developing and marketing new products, marketing existing products, customer acceptance of existing and new products, and other factors. Accordingly, although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company has no obligation to update the forward-looking information contained in this presentation.



# Executive Summary

## ***SORL is a leading automobile brake system manufacturer in China***

### Leading Market Position

- Established in 1987, the **largest** air brake system manufacturer for commercial vehicles (trucks & buses) in China \*

### Main Business

- Air brake system used in different types of commercial vehicles (trucks & buses)
- Penetrated into bus and agricultural vehicle markets since 2007

### Strong Distribution Network

- OEM:** 62 OEM customers, covering major Chinese OEM market
- Aftermarket:** nationwide network with 28 authorized distributors and over 800 sub-distributors
- Exports:** selling products to 101 countries with 4 authorized distributors in UAE, Australia, USA and India; working to strengthen global aftermarket network

### Facilities

- Total floor area of over 700,000 square feet
- Located in Wenzhou, Zhejiang Province (one of China's largest regions for automotive parts production)
- Enjoy the benefits of logistics, outsourcing and skilled labor force
- World class manufacturing facilities

### Key Financials

(US\$ M)	<u>2007</u>	<u>2008</u>	<u>3Q08</u>	<u>3Q09</u>
Rev:	\$115.8	\$130.9	\$33.0	\$34.0
NI:	\$10.7	\$12.4	\$2.3	\$3.8

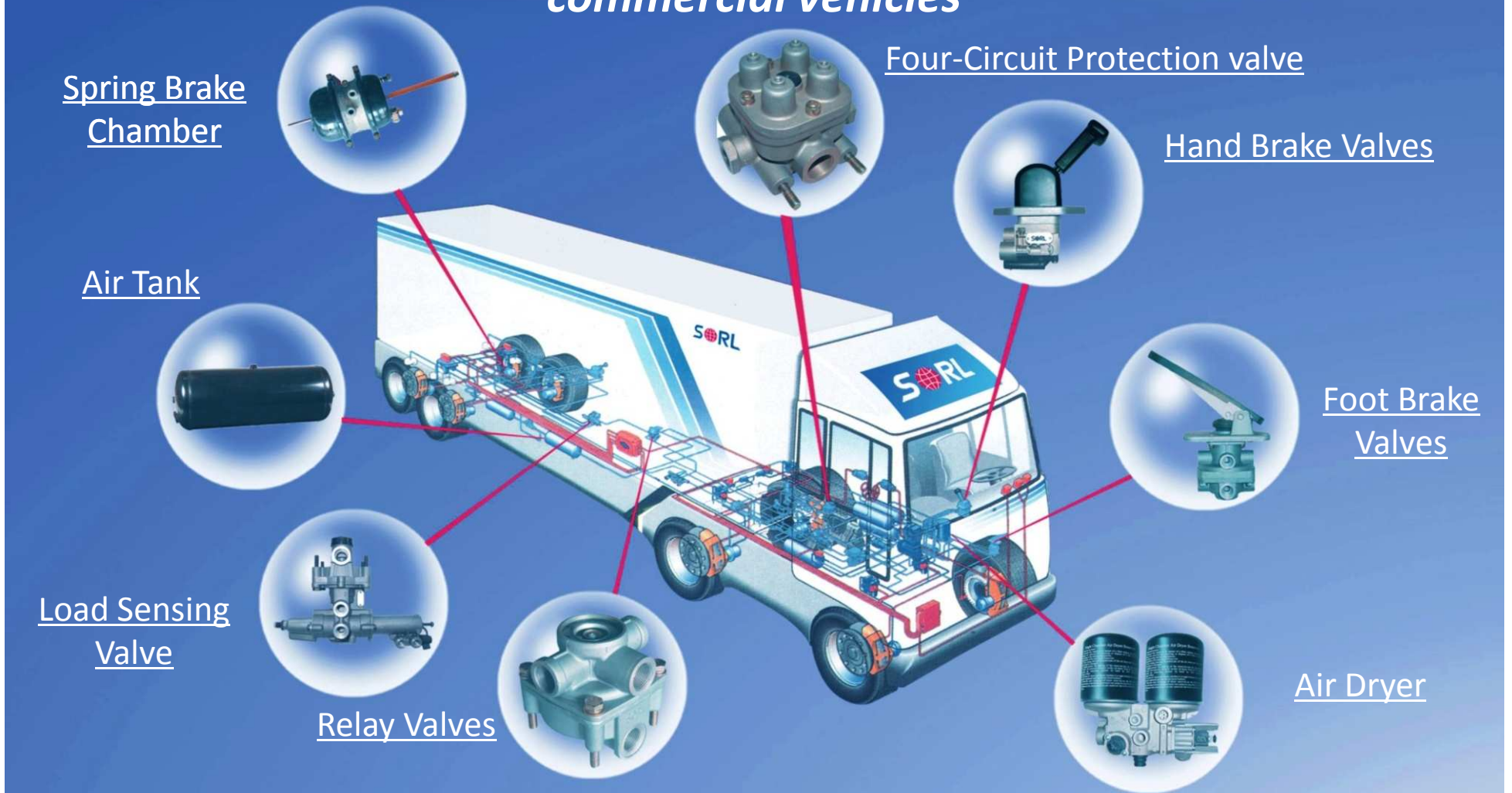
Note: \* Trucks hereby refer to medium-duty and heavy-duty trucks weighing over three tons.





# Our Products Offerings

*SORL's (air) brake system is widely used in different types of commercial vehicles*





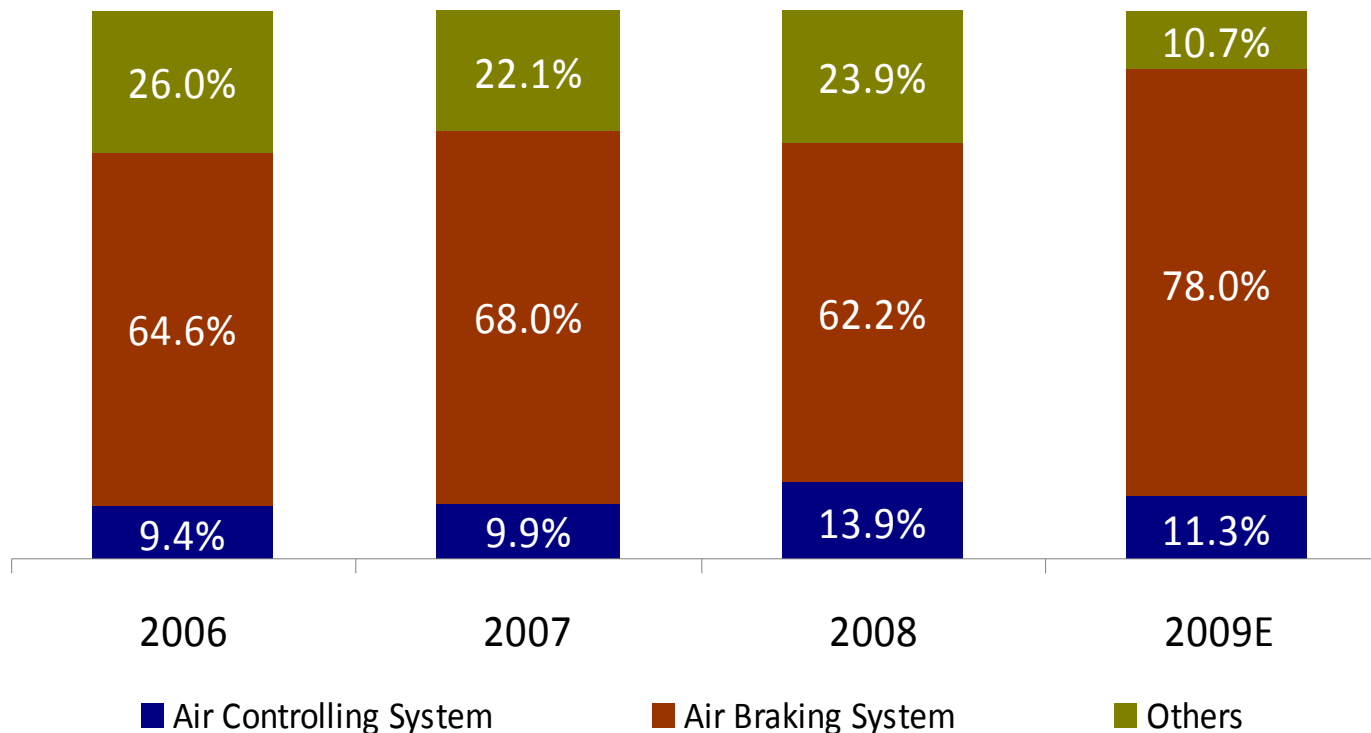


# Our Products Offerings

*We currently have over 40 categories with more than 1,000 specifications in air brake system, air controlling system and others*

## Product Mix Trend

In Percentage of Sales



Source: Company filing and estimate



# Investment Highlights



**A Leading Manufacturer of Auto Parts in China and World**



**Large and Sustainable Growth Opportunity in China and Global Auto Market**



**Ever-Expanding High Quality Customer Base and International Sales Network**



**Strong R&D Capability with Excellent Quality Control System**



**Expansion to International Market and Other Vehicle Markets**



**Experienced Management Team**



**Track Record of Financial Position and Profitability**



# Large and Fast Growing Chinese Auto Market

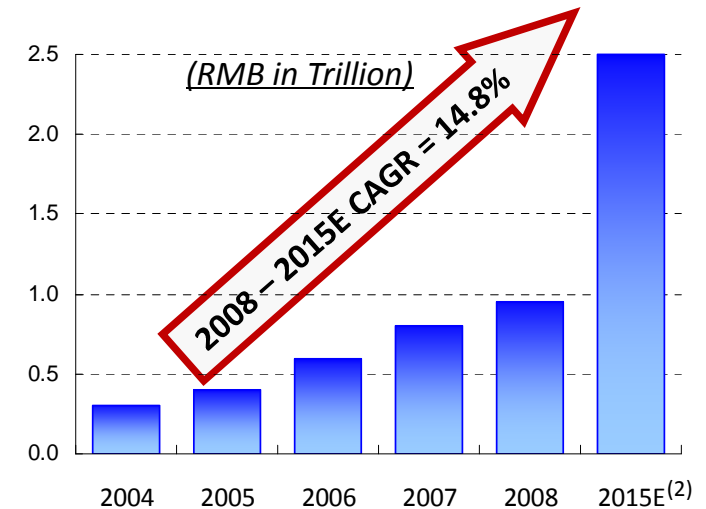
## Large and Fast Growing Chinese Auto Market

- China is now the largest vehicle market in the world
- Annual output of all commercial vehicle in China reached 3.41 million units in the year 2009, or 33% growth over 2008, according to Chinese Automobile Manufacturers Association (CAAM)
- According to China's State Information Center, the commercial vehicle market in China is expected to grow at a long term potential growth rate of 9% by 2020
- China auto parts output value is forecasted to reach RMB2.5 trillion by 2015, or CAGR of 14.8% from 2008

## Key Industry Drivers

- **Global relocation trend toward China** - Foreign OEMs and aftermarket customers looking for parts suppliers in China like SORL that can supply high quality products at lower price
- **China's rapid economic development**
  - Fast growth in infrastructure build-out propels continuous truck demand
  - Urban expansion fuels higher demand for buses
  - Favorable government policy
  - Intensive need for cargo transportation etc.

China Auto Parts Output Value <sup>(1)</sup>



*SORL provides investors with an opportunity to benefit from China's rapidly growing vehicle market and the global trend toward sourcing in low cost countries*

(1) Source: Sinomind; Roland Berger Analysis

(2) Including original equipment supply and aftermarket



# Leading Market Position

As the leader in its segment, SORL has proven with its history of accelerated growth that it has leading market position over others and is able to profit from the favorable market trends



## The No.1 Position in Air Brake Niche Market

- The only braking system supplier in China's top 100 auto parts manufacturers in China

## Leading Distribution Network and Relationships with OEM

- Having long term relationship with **over 60** major OEMs in China
- Established national aftermarket sales network in China: **28** distributors and over **800** sub-distributors
- Continuously expansion in export market: Selling products to **101** countries or regions

## Diversified Customer Base

- Our customers are divided into three groups: OEMs in China, aftermarket distributors in China and international customers





# Strong Relationship with Major OEMs

## SORL is the Leading Supplier to China's Major Truck and Bus Manufacturers

- **62** OEM customers in China, including all major truck and bus manufacturers
- SORL has maintained and is continuously increasing its market shares from major customers
- SORL has been able to meet the Chinese OEMs critical requirements on quality, delivery, inventory and technical support

**SORL's Leading OEM Customers**



**FAW**



**FOTON**  
福田汽车



**DFM**



**GAC**



**JAC**



**青特集团**  
QINGTE GROUP

Ranking	Top 3 Commercial Vehicle (Truck & Bus) Manufacturers in China	Market Share in 2009 <sup>(1)</sup>	% of Main Products Supplied by SORL Out of the Same Category <sup>(2)</sup>
1	Beiqi Foton	17.8%	75%-85%
2	Dongfeng	13.6%	23%-36%
3	FAW	9.2%	20%-100%

(1) Source: Chinese Automobile Manufacturers Association (CAAM); market share data is defined as % of total units of commercial vehicles sold in China

(2) Source: Company's statistics



# Nationwide Aftermarket Sales Network

## Leading Aftermarket Network That Is Difficult To Duplicate

- **Nationwide Aftermarket Network - 28** distributors and over **800** sub-distributors, covering **7** regions nationwide
- **Aftermarket/OEM Synergy:** OEM business feeds aftermarket business as owners generally prefer to replace original parts with the same brand
- **No Competitor's Network Comparable to SORL's**
- **High barrier to Entry:** Nationwide aftermarket sales network as a barrier to entry and an asset which can be leveraged to support additional parts that may be developed or acquired

We are one of the few companies who have established both a nationwide aftermarket sales networks and close relationships with leading OEM





# International Aftermarket Sales Network

## Continuously Expanding International Aftermarket Sales Network

- Selling products to **101** countries or regions
- Export revenues doubled in last three years from \$23.4M in 2005 to \$46.4M in 2008
- The export sales is accounted for 35.5% of total revenue in 2008



## New Joint Venture Established with Leading Sales Team

- Attracted world-class sales experts from leading international firm to join us and established a new joint venture in Hong Kong, which is working to expand SORL international sales network
- Based in Hong Kong, the JV will open up and establish channels of distribution in international markets with SORL's primary products

## Growing Investment in Establishing Global Sales Network Would Be a Main Point in Future

*SORL 's Target Is to Be a Global Leader in the Industry*



# Manufacturing Process – Efficiency and Quality Control



## High Efficiency Manufacturing Process

- Reorganized production lines from traditional straight-line layout to U-shape track
- Shortening total cycle time and enabling quick adjustments to production
- Output per person has increased **40%** over the last 4 years – based on revenue per employee



## Certifications & Quality Audit

- ISO/TS16949 Quality Management System, OHSAS18001 System, and ISO14001 Environmental Management System
- **Never failed a quality audit as a supplier,** which is crucial in developing OEM business





# Strong R&D Capabilities

## Dedicated R&D Center

- Technical staff of 113 people, including 43 engineers or senior engineers

## Collaboration with Leading Universities

- Cooperate with leading universities in China



Tsinghua University



Tongji University



Zhejiang University



Harbin Institute of Technology

## R&D Projects Outsourced by OEM Customers

- 9 R&D projects outsourced by OEM customers in 2009






















- Currently own 23 patents, 26 pending patent applications in China and 2 additional in US
- Proactive R&D initiatives to ensure future growth
  - Focus on upgrading traditional air brake products and developing electronic control products
  - Closing the gap with foreign suppliers by constantly improving products
  - OEM partnership in developing new product innovation & specifications to deliver customized products to OEMs

*SORL has been enhancing R&D efforts that will help increase margins, generate future growth and bring a flow of major new products to market in coming years*



# Competitive Advantages

		International Competitors	Chinese Competitors
Close Relationship with Big OEMs			
Nationwide Sales Network			
Cost Competitiveness			
Brand Recognition			
R&D Capability			
Delivery and Customer Services			

## Advantages over International Competitors

- Nationwide sales network and close relationship with big OEMs
- Lower cost structure with competitive product performance
- China-based R&D efforts, closer to end market
- Timely delivery and superior customer services

## Advantages over Chinese Competitors

- Nationwide sales network and close relationship with big OEMs
- Higher product quality with competitive cost structure
- Well-known brands with 10+ years experience
- Strong R&D capabilities
- Timely delivery and superior customer services



# Growth Strategy

- Further expansion into light-duty trucks and agriculture vehicle markets along with focused efforts in the medium & heavy-duty trucks and bus markets
- Expansion from commercial vehicle market to passenger vehicle market
- Expansion to railway transportation and other vehicle market
- Further expansion of international sales network and increasing exports
- Continuously focus on R&D efforts, accelerating new products innovation to keep the leading position in the market
- Production capacity increasing to meet the growing demand in the Chinese market and to support future international expansion plans

***SORL Aims to Be a Leading Global Supplier of Auto Brake System and Related Products***



# Experienced Management Team

**Mr. Xiaoping Zhang**  
*Chairman and CEO*

- Founder, CEO & Chairman of the Board since Company's inception in 1987
- Over 20 years of experience in the auto parts industry
- Vice President of China Federation of Industry and Commerce Auto & Motorbike Parts, which is the biggest association of auto parts industry in China
- President of the Wenzhou Auto Parts Association

**Mr. Baojian Tao**  
*COO*

- COO since January 2010
- Corporate Secretary and Senior VP from 2004 to January 2010
- Over 20 years of experience in the auto parts industry
- Standing Committee Member of the International Trade Coordinating Committee of China Association of Automobile Manufacturers, Vice president of SAE-Zhejiang province

**Ms. Zongyun Zhou**  
*CFO*

- CFO of the Company since 2004
- 2002-2004 worked as Financial Controller of Shanghai Huhao Auto Parts Manufacturing Company Limited
- 1996-2002 worked for the Auditing Department of Anhui Province, China, in charge of auditing state-owned companies in Anhui Province

**Mr. Jinrui Yu**  
*Production & Export VP*

- Production & Export VP
- Graduation from Bachelor of English of Fudan University

**Mr. Ben (Zili) Chen**  
*Corporate Secretary  
& IR Director*

- Corporate Secretary and IR Director
- Former GM of Eastern Stone Import&Export Co
- M.A. Management of Durham University (UK)

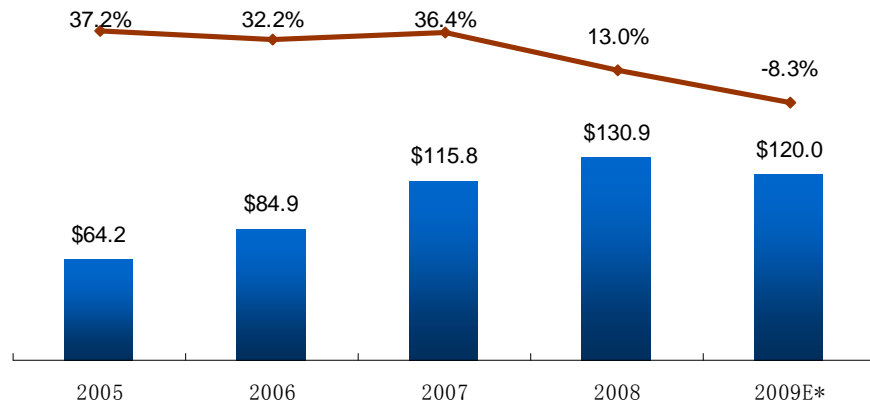




# Proven Financial Track Record

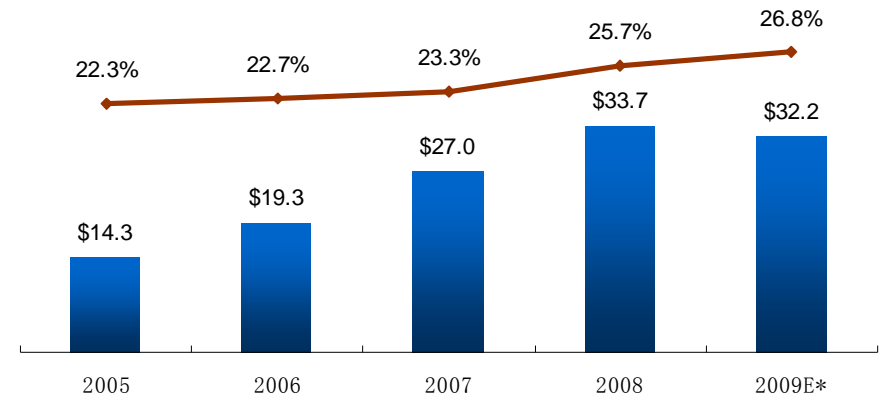
## Revenue / Growth Rate

(US\$ in million)



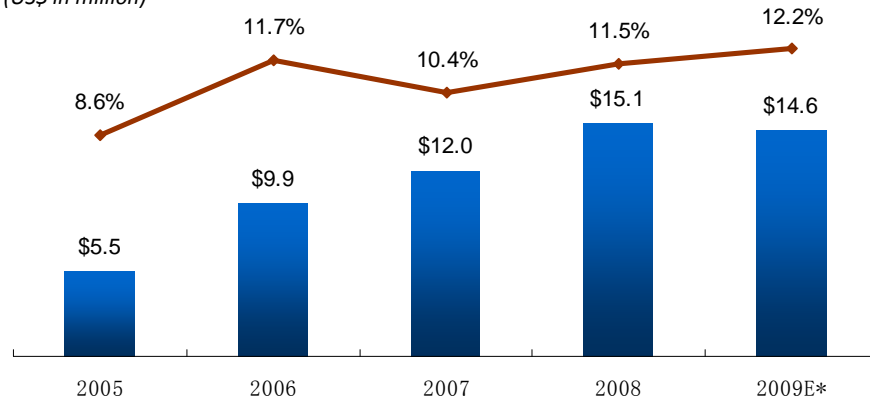
## Gross Profit / Margin

(US\$ in million)



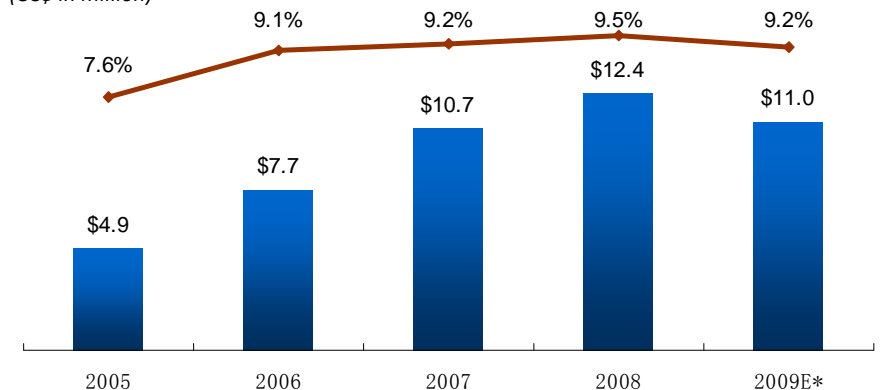
## Operating Profit / Margin

(US\$ in million)



## Net Profit / Margin

(US\$ in million)



Note: \* 2009 financial data are based on Wall Street research estimates.



# Healthy Balance Sheet

## Summary Balance Sheet

## Highlights

(US\$ In million)

	<i>As of</i>	
	Sep. 30, 2009	Dec. 31, 2008
<b>Assets</b>		
Cash and cash equivalents	\$12.5	\$7.8
Accounts Receivable, Net of Provision	42.6	35.8
Notes Receivable	11.3	7.5
Inventory	15.9	19.1
<b>Total current assets</b>	<b>88.9</b>	<b>75.7</b>
Property, plant and equipment, net	23.4	24.0
Land Use Rights, Net	14.3	14.5
Intangible Assets, Net	0.1	0.1
<b>Total assets</b>	<b>\$127.5</b>	<b>\$114.5</b>
<b>Liabilities &amp; Shareholders' Equity</b>		
Accounts Payable and Notes Payable	\$6.7	\$4.6
Deposit Received from Customers	6.2	6.3
<b>Total Current Liabilities</b>	<b>18.3</b>	<b>14.1</b>
Non-Current Liabilities	0.2	0.1
<b>Total Liabilities</b>	<b>18.5</b>	<b>14.2</b>
<b>Total Stockholders' Equity</b>	109.0	100.3
<b>Total Liabilities &amp; Equity</b>	<b>\$127.5</b>	<b>\$114.5</b>

- Maintained consistent financial flexibility to capitalize on attractive market opportunities
- Sustainable development has been the guidance during economic crisis to avoid large investments and potential risks
- Sufficient cash flow ensures daily operations and corporate development



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THANK YOU!



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