

2018 Annual Results Announcement

Shanghai Electric Group Company Limited

(Stock Code: 02727)



April 2019

Disclaimer

This presentation contains forward-looking statements. As non-factual historical statements, forward-looking statements contain statements regarding our views and expectations. In this presentation, any statement in connection with our intention, view, expectation and forecast (as well as underlying assumptions) constitutes forward-looking statements. Such statements are made based on the plans, estimates and forecast of the management of Shanghai Electric Group Company Limited (“Shanghai Electric” or the “Company”). Therefore, such forward-looking statements only represent the statements as of the date hereof, and we are not responsible for any update on such statements based on additional information or any publicly available information in the future.

In nature, the forward-looking statements contain risks and uncertainties, therefore, there may be various significant factors leading to the actual results materially varying from the anticipated results in such statements

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Chapter 01

Annual Financial Results for 2018

Summary of Operating Results

	2018	2017	% Change
(RMB in millions unless otherwise specified)			
Revenue	101,158	79,544	27.2%
Gross profit	18,450	15,842	16.5%
Operating profit	6,282	4,481	40.2%
EBITDA	9,345	8,271	13.0%
Net profit attributable to owners of the Company	2,980	2,627	13.4%
Gross margin	18.2%	19.9%	-1.7 pps
Operating margin	6.2%	5.6%	0.6 pp
EBITDA margin	9.2%	10.4%	-1.2 pps
Net margin attributable to owners of the Company	2.9%	3.3%	-0.4 pp
ROE ⁽¹⁾	5.3%	5.3%	-
EPS (RMB cents)	20.24	18.72	8.1%
Proposed dividend per share (RMB cents)	6.146	9.195 ⁽²⁾	-33.2%

Notes: (1) ROE refers to weighted average return on equity.

(2) The higher dividend payout ratio for 2017 mainly attributable to the inclusion of the dividends which were undistributed for 2015 and 2016 due to material asset reorganizations.

Summary of Balance Sheet

	31 December 2018	31 December 2017 ⁽¹⁾ (Restated)	31 December 2017 (Before restatement)	% Change
(RMB in millions unless otherwise specified)	a	b		c=(a-b)/b
Assets	<u>218,522</u>	<u>199,346</u>	<u>199,346</u>	<u>9.6%</u>
Current assets	<u>151,728</u>	<u>144,357</u>	<u>144,357</u>	<u>5.1%</u>
Cash and cash equivalents	39,195	33,391	33,391	17.4%
Prepayments, deposits and other receivables	18,033	12,170	12,170	48.2%
Bills and trade receivables	24,326	29,504	38,012	-17.6%
Inventories and construction contracts	27,929	27,379	34,474	2.0%
Contract assets ⁽²⁾	12,230	15,602	-	-21.6%
Long-term assets	<u>66,794</u>	<u>54,989</u>	<u>54,989</u>	<u>21.5%</u>
Liabilities	<u>144,885</u>	<u>128,624</u>	<u>128,624</u>	<u>12.6%</u>
Current liabilities	<u>119,623</u>	<u>111,320</u>	<u>111,320</u>	<u>7.5%</u>
Interest-bearing bank and other borrowings	10,351	3,224	3,224	221.1%
Trade payables	38,881	33,740	33,740	15.2%
Contract liabilities ⁽²⁾	36,566	43,650	-	-16.2%
Other payables and accruals	17,166	12,978	56,628	32.3%
Long-term liabilities	<u>25,262</u>	<u>17,304</u>	<u>17,304</u>	<u>46.0%</u>
Interest-bearing bank and other borrowings	9,589	4,144	4,144	131.4%
Bonds	12,749	10,058	10,058	26.8%
Equity	<u>73,637</u>	<u>70,722</u>	<u>70,722</u>	<u>4.1%</u>
Equity attributable to owners of the Company	57,290	55,537	55,537	3.2%
Non-controlling interests	16,347	15,185	15,185	7.7%

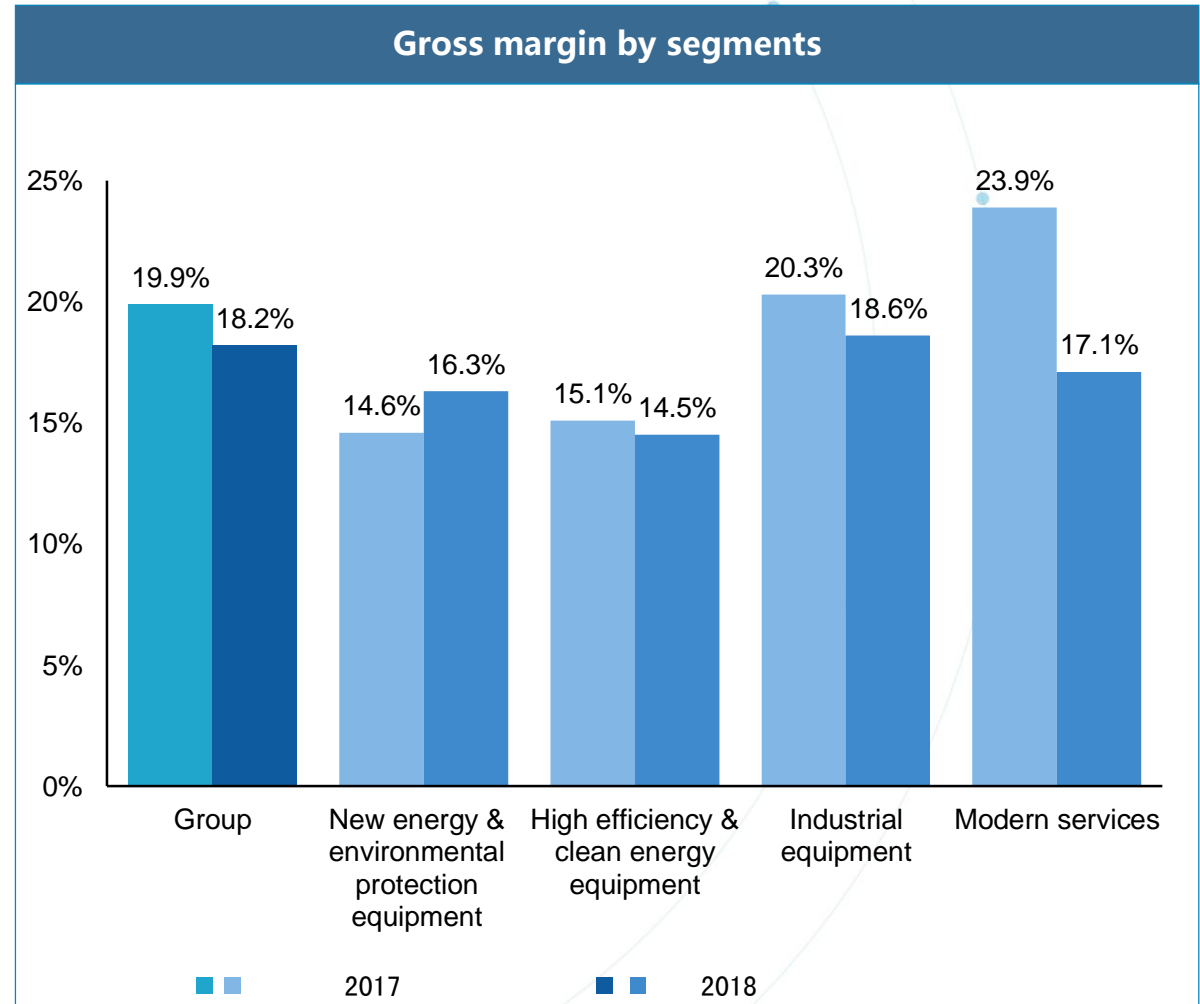
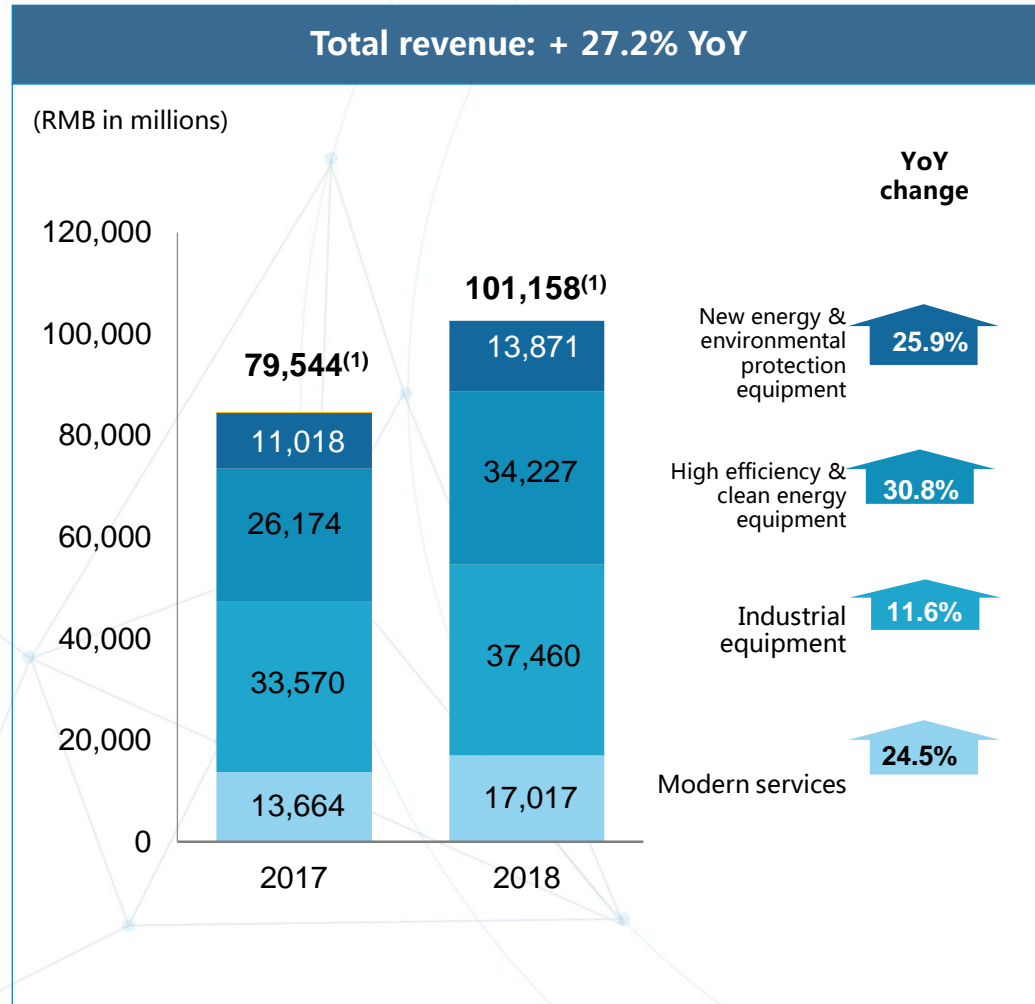
Notes: (1) As the Group adopted the new revenue standard and the new financial instruments standard in 2018, for the purpose of maintaining the comparability of the 2017 data, certain items on the financial statements as at 31 December 2017 were restated, including trade receivable, inventories, contract assets, other payables and accruals, and contract liabilities.

(2) Contract assets and contract liabilities are new accounts created under the newly effective PRC accounting standards, which involve construction contracts and retention money and amounts reclassified from receipts in advance.

Chapter 02

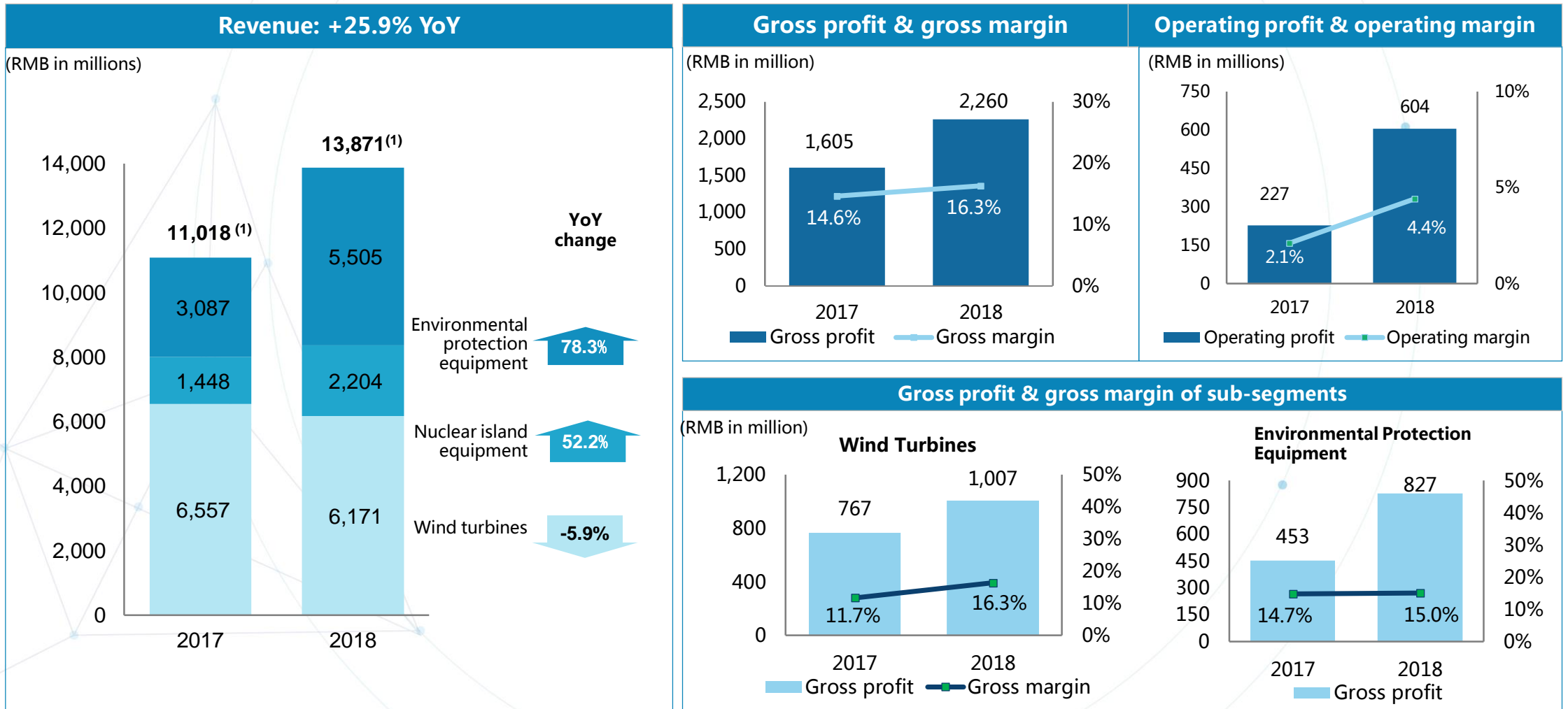
Operating Performance of Business Segments

Changes in revenue and gross margin by segments



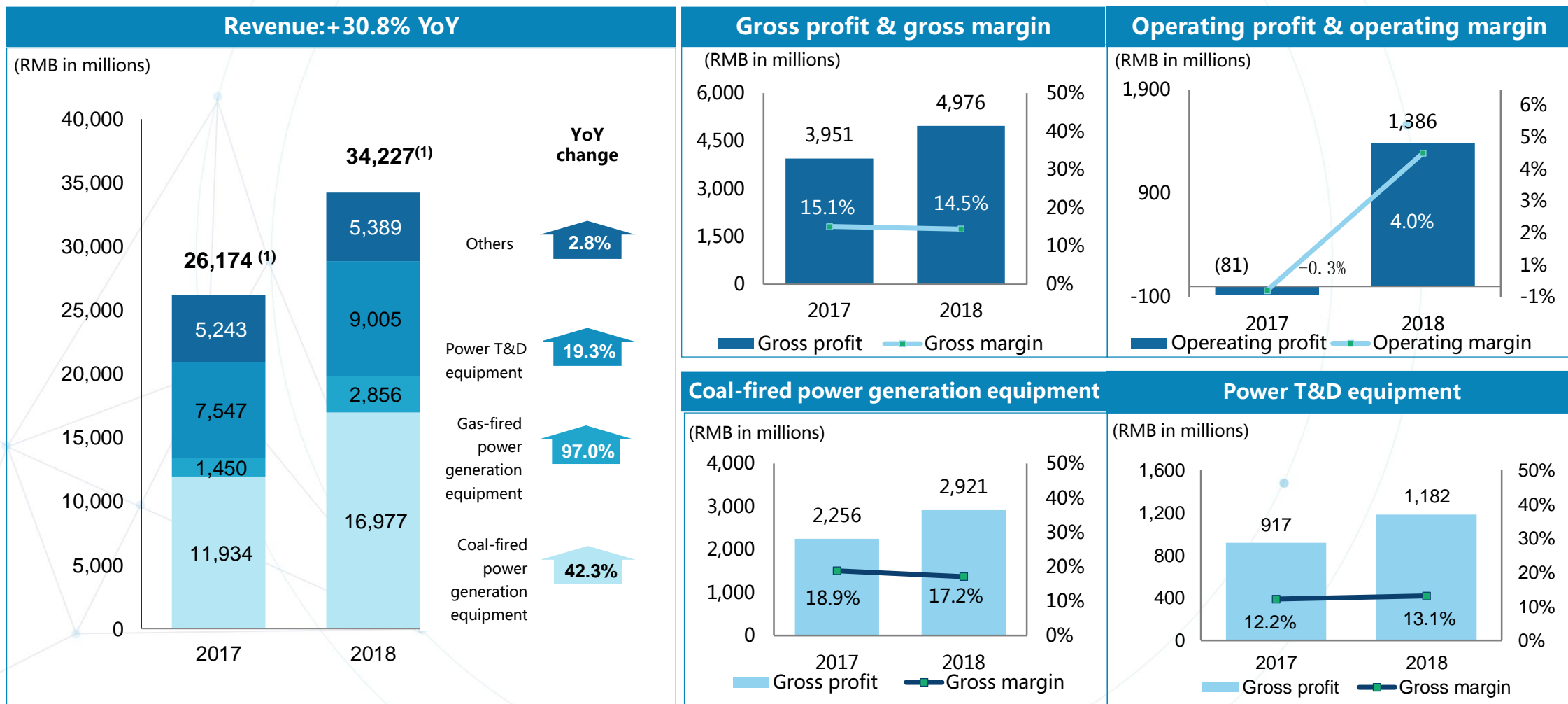
Note: (1) Total revenue is net amount after inter-segment elimination and segment revenues are before inter-segment elimination but after intra-segment elimination

New energy and environmental protection equipment



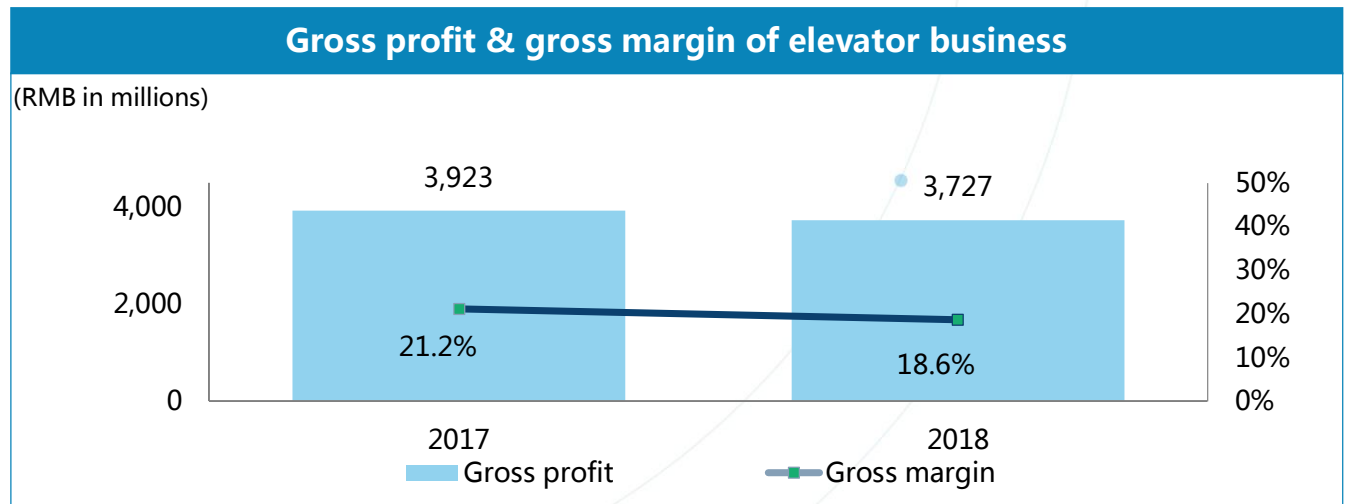
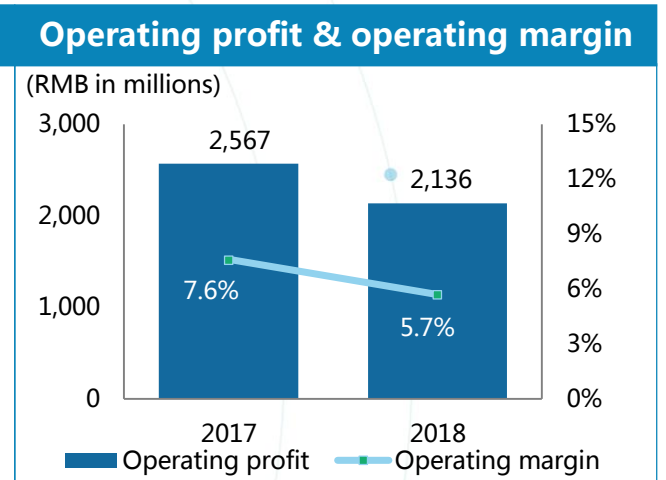
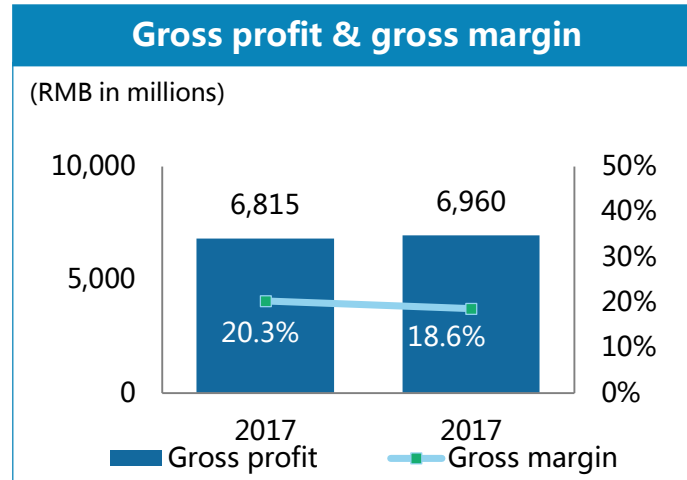
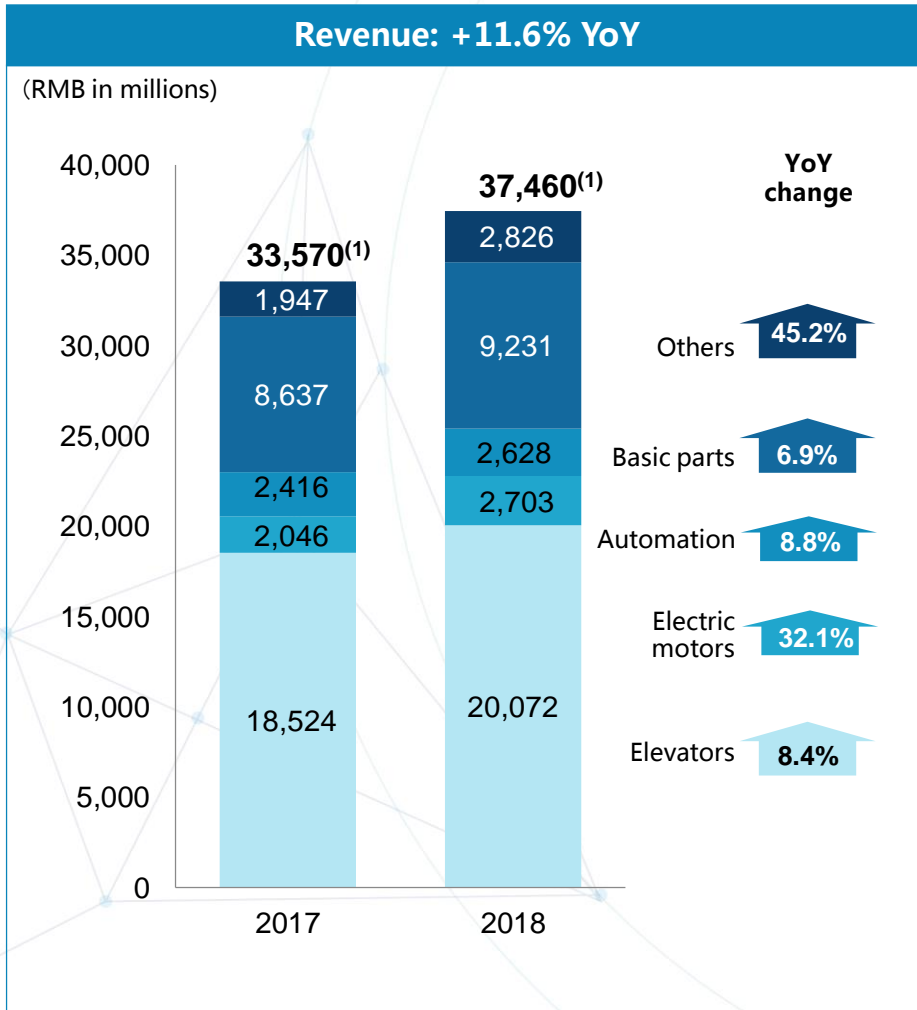
Note: (1) Individual segment revenue is stated before inter-segment offset, but after intra-segment offset

High efficiency and clean energy equipment segment



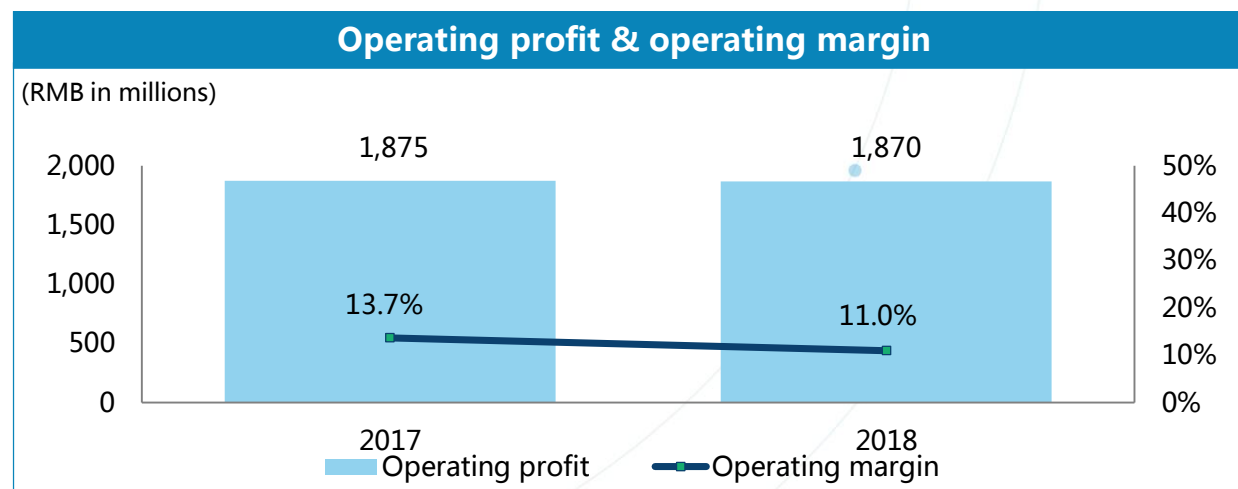
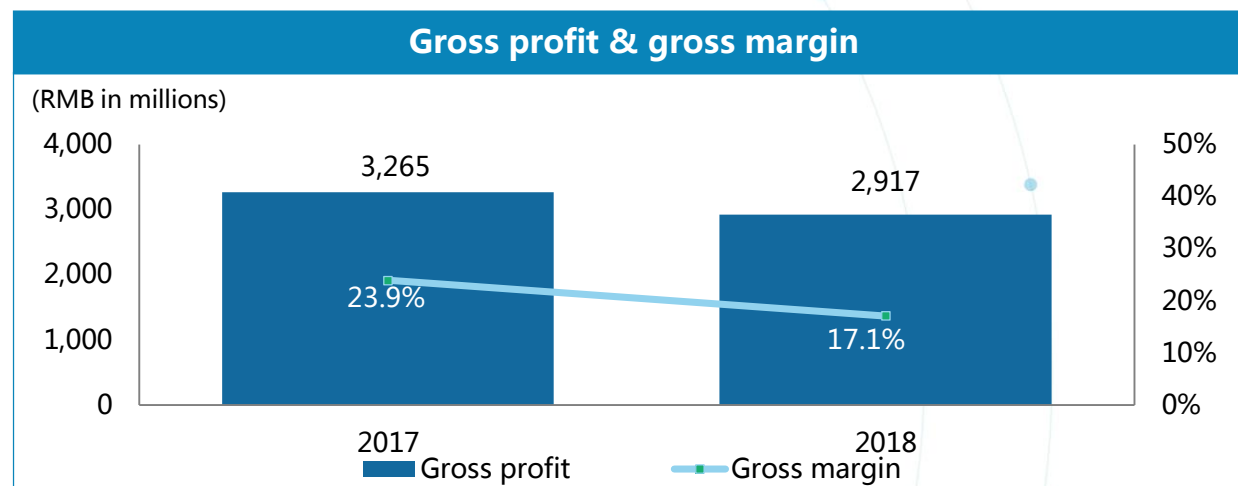
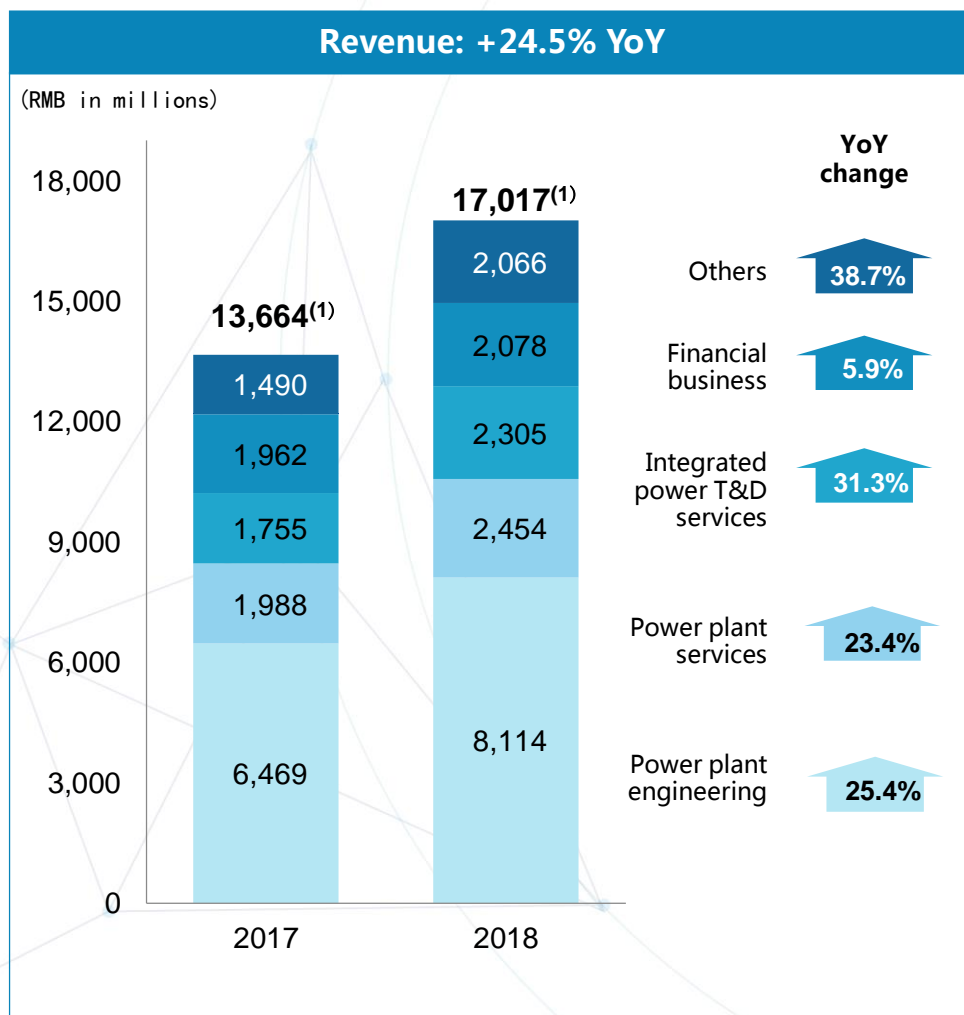
Note: (1) Individual segment revenue is stated before inter-segment offset, but after intra-segment offset

Industrial equipment



Note: (1) Individual segment revenue is stated before inter-segment offset, but after intra-segment offset

Modern services



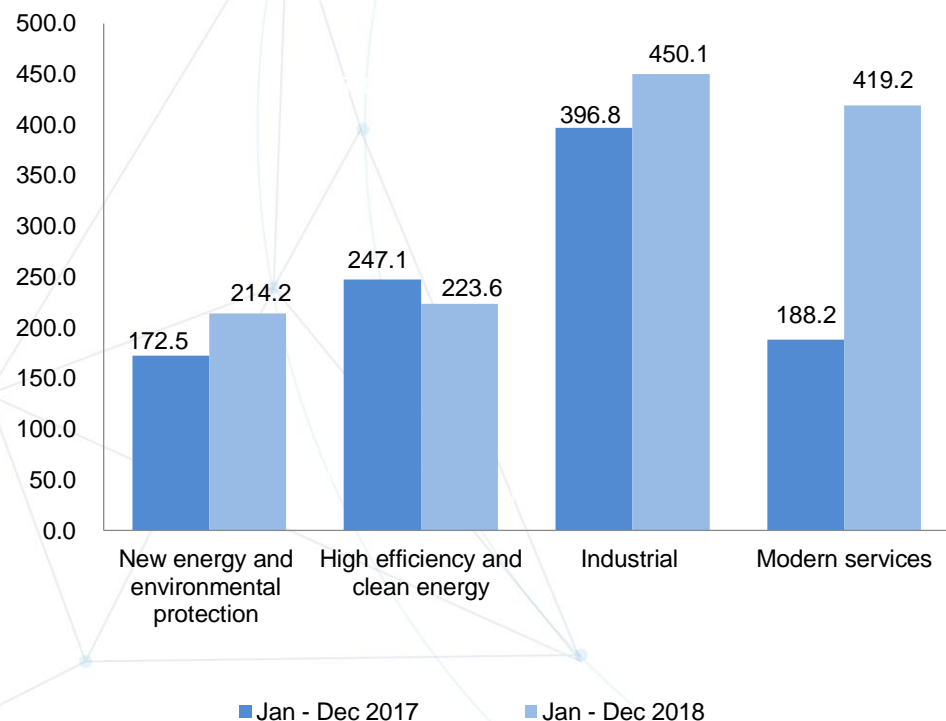
Note: (1) Individual segment revenue is stated before inter-segment offset, but after intra-segment offset

Business Orders

New orders amounting to RMB130.71 billion

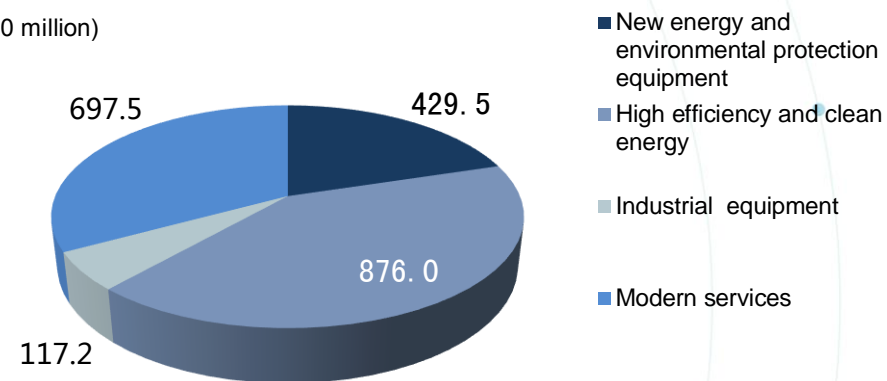
(RMB'00 million)

Comparisons on new orders



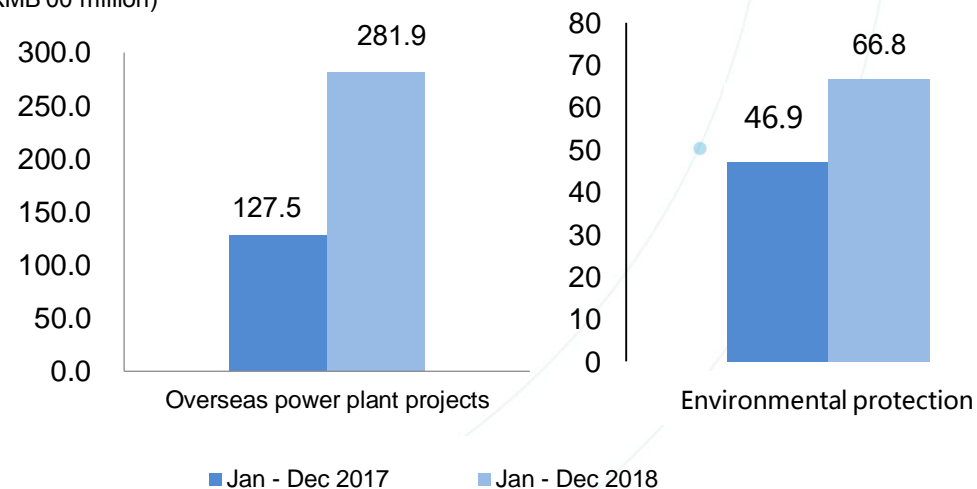
Orders on hand amounting to RMB206.99 billion (including orders of RMB86.21 billion not yet coming into effect)

(RMB'00 million)



Comparisons on new orders of certain business segments

(RMB'00 million)



Chapter 03

Operating Highlights

Sci & Tech – productive force
Brand – influence
Land – base support

Value Growth



Business Model

Marketing strategy
Cross-segment synergies



Transformation & Innovation

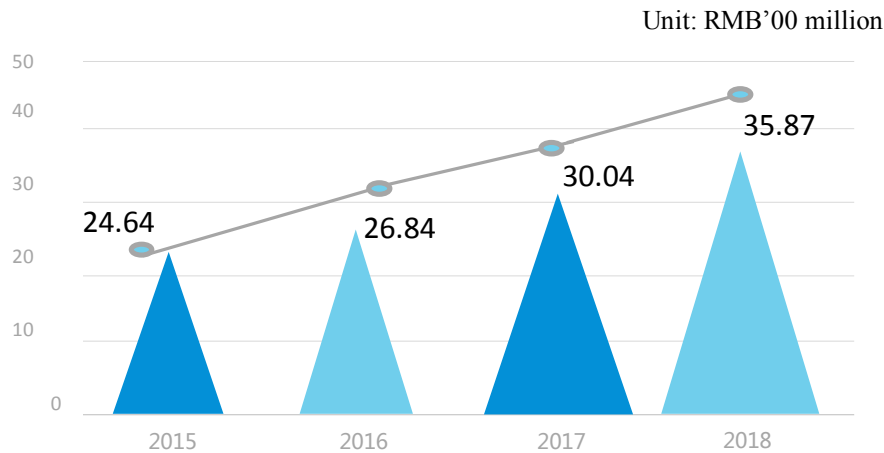
Transformation – growth driver
Mechanisms – creativity
Interconnection – competitiveness



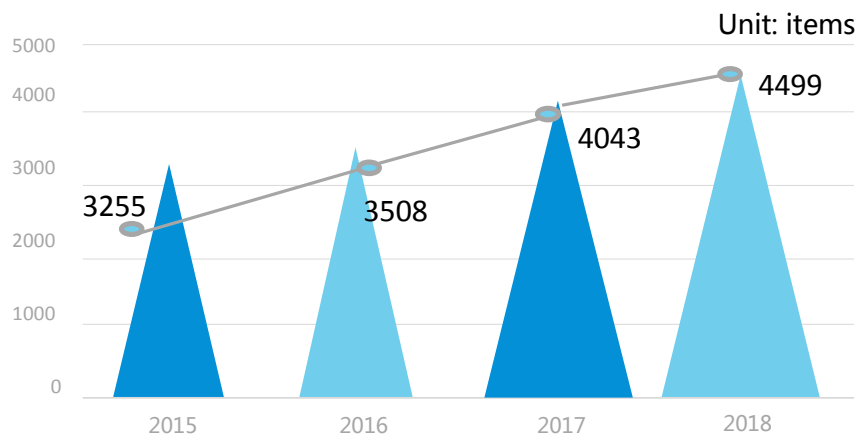
Value Growth

Sci & Tech – productive force

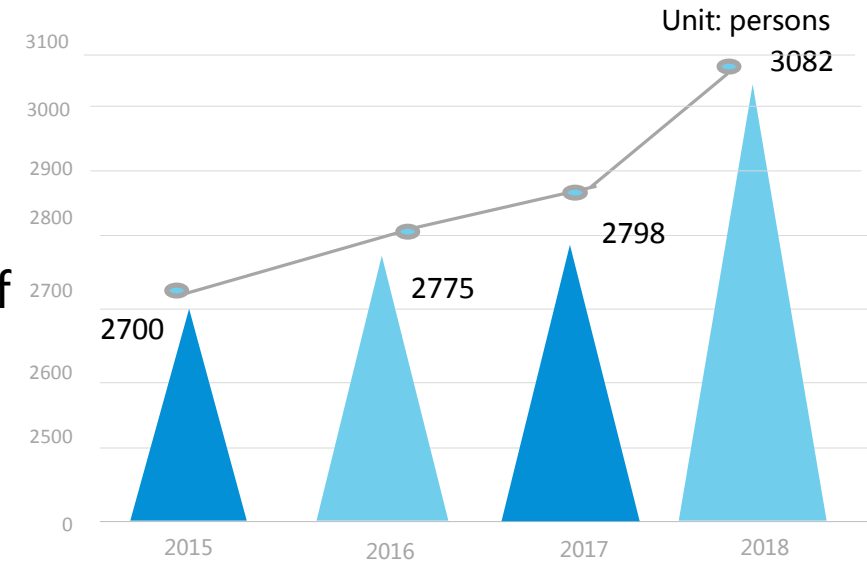
R&D
Input



Valid
Patents



R&D Staff



National Sci & Tech Progress Awards (Second Class)

Key Technology for Designing Damping Blades for Steam Turbines and Its Application, Application Development and Engineering of Domestically-made Amorphous Strips in Power Systems

First Prizes of 2018 China Machinery Industry Science and Technology Award

Development of 1000 MW Ultra-supercritical Second Reheat Steam Turbine And Boiler, Key technology for Composite Laser Surface Modification in Energy Field and Its Application

Third Prizes of 2018 China Machinery Industry Science and Technology Award

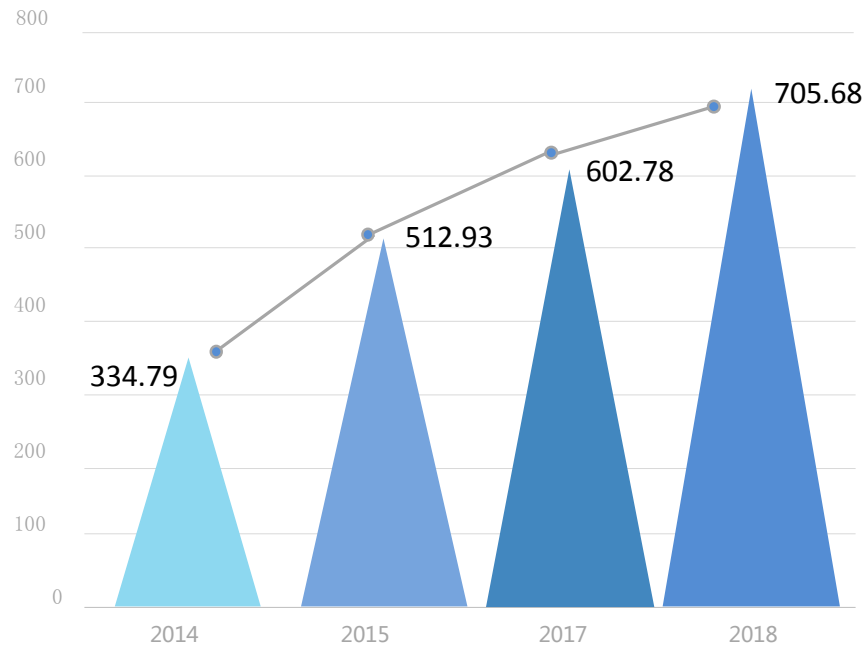
Development of Million-kilowatt Full-capacity Feed Pump for Steam Turbines , Development of Million-kilowatt Nuclear Power Condensers and other five R&D projects

Value Growth

Brand – influence

Brand Value

Unit: RMB'00 million



Source: World Brand Lab

Note: Company not joining program in 2016

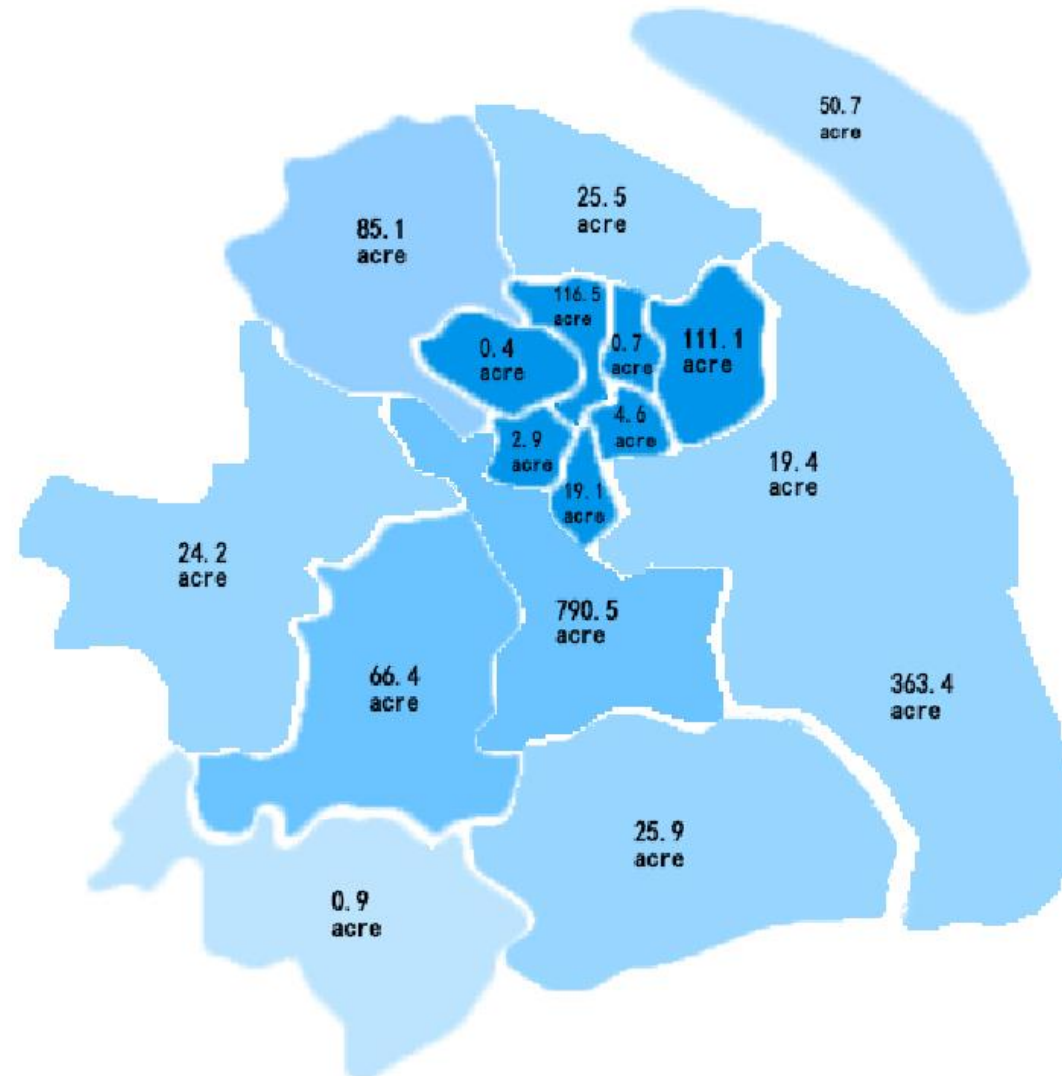
Ranking among China's 500 Most Valuable Brands

- Following its brand value exceeding RMB60 billion in 2017, in **2018**, Shanghai Electric, with a brand value of RMB70.568 billion, **ranked 49th among "China's 500 Most Valuable Brands", once again demonstrating its leading position in China's machinery industry.**
- For several consecutive years, Shanghai Electric repeatedly appeared on the list which was a ranking list highly recognized worldwide and by industry players.

Value Growth

Land – base support

- Shanghai Electric has land parcels with an aggregate area of approx. 1,713 acres in Shanghai
- Keep R&D and sales functions in Shanghai and move production premises to places with lower labor costs
- Make the utmost of land resources through reasonable planning and arrangement



Notes: Shanghai Map

Business Model

Product + Engineering + Service + Maintenance

Fully-integrated Value Chain

1

Urban Marketing

Effectively utilize Shanghai Electric's resources and market influence

Demonstrate the overall strength of Shanghai Electric

Create synergies from group-wide cooperation



2

Key Account Marketing

Big-picture thinking of virtual team

Information and resource sharing

Driving the growth of relevant services of the Group



Transformation & Innovation

Transformation – smart growth driver



Intelligent Manufacturing

Industrial robots, 3D printers, automated control

ERP implementation and industrial interconnection

Provide solutions for aircraft intelligent manufacturing, auto assembly lines and food processing



Smart Energy

Most technologically advanced energy equipment and UHV power T&D equipment in the world
Smart energy planning software, Big Data equipment O&M management platform

Total solutions and full lifecycle services ranging from equipment to cloud platform management



Smart Cities

Smart elevators, monitoring and security

Biomass power generation, urban and rural wastewater treatment, smart utility tunnels

Prefab buildings, solid waste treatment

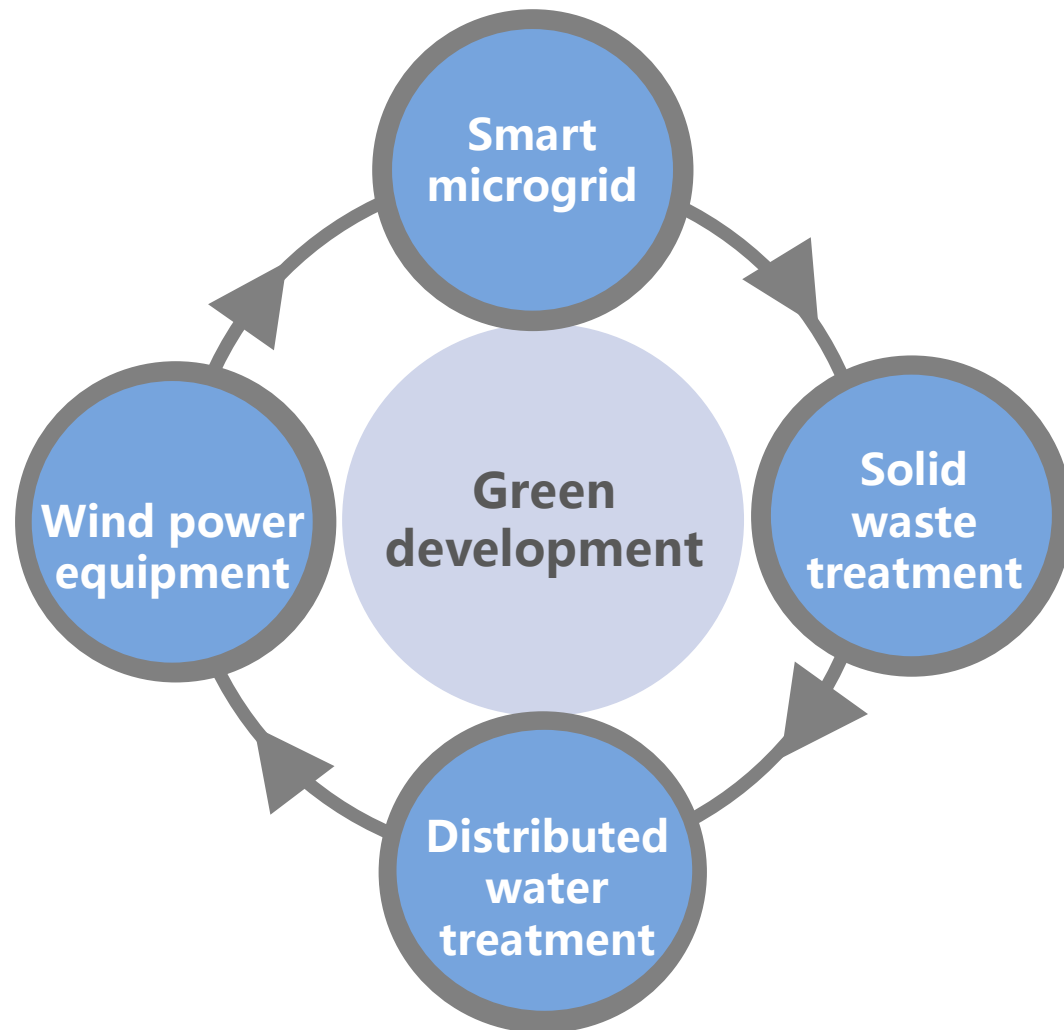


Smart Transportation

Rail automation systems
Rail transit signal systems
Streetcars

Transformation & Innovation

Transformation — green development force



● Smart microgrid

- Undertaking the smart energy demonstration project system integrating "wind and solar power generation, energy storage and EV charging" in Sanxing Town of Chongming, Shanghai

● Solid waste treatment

- Capable of carrying out independent design and R&D for solid and hazardous wastes treatment projects, with emission factors reaching EU2000 standard.
- Domestic waste incineration projects in Nantong of Jiangsu, Dandong of Liaoning and other regions are well underway.

● Distributed water treatment

- Rural distributed water treatment equipment swiftly captured the markets in Jiangsu, Anhui, Sichuan, Hainan, Shandong and other places

● Wind power equipment

- Ranked top in China in 2018 in terms of installed capacity of offshore wind power equipment
- The offshore wind power equipment manufacturing base in Putian officially put into operation

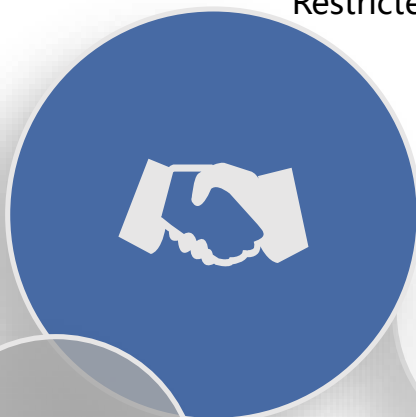
Transformation & Innovation

Mechanisms – creativity

Directors, senior and mid-level management and core technical (business) staff

Restricted A-shares incentive scheme

Business groups
Contribution-based pay



Senior executives of business groups

In-office performance appraisal + limited term of office



New business lines
Market-based staffing + contractual management



Mixed ownership

State-holding + private capital
“Double-hundred Action” SOE reform
Double-hundred Action



Core staff

Market-based pay + long-term incentives



T5 incentive scheme

Joint responsibility, concerted growth, win-win, co-creation and sharing

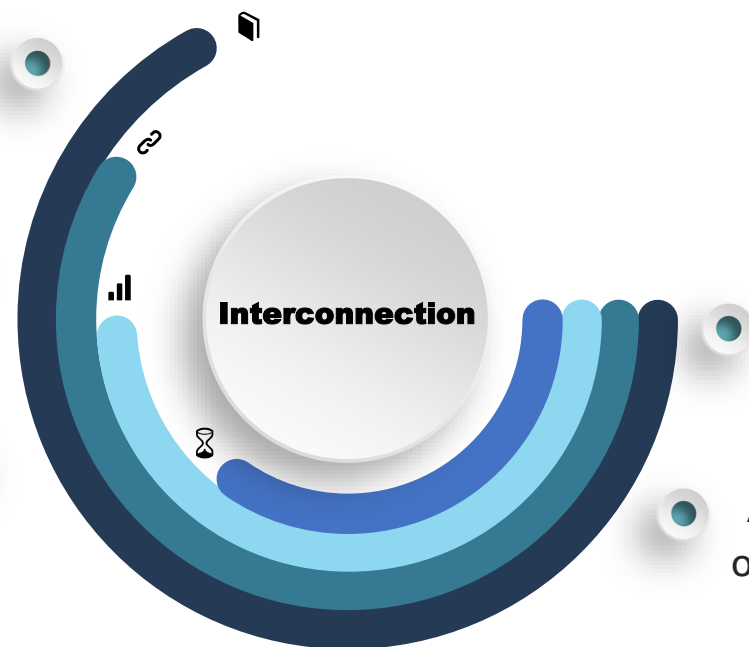
Transformation & Innovation

Interconnection – competitiveness

Provide a data platform for application scenarios of the industrial Internet

Provide competitive basic data for intelligent manufacturing

Build a cross-industry and cross-regional industrial Internet platform



Data on industrial manufacturing process

Application demand and data of end customers of industrial equipment

能动全球工业 智创美好生活

Empower global industry Make life smarter

THANK YOU



w w w . s h a n g h a i - e l e c t r i c . c o m

