

- wise – just – brave – moderate // obedient – diligent – conscientious – humble // faith – hope – love / modesty -

SM 200421

Sany- at the top!

Top in Mind – Top in Choice!

Sany- a healthy mother company of Putzmeister
Market leader in China



Karl Schlecht
Stiftung

... Suchen und Fördern des GUTEN schlechthin

- qualitative ? – innovative ? – prepared ? – flexible ? – competent ? – value conscious ? -

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All Putzmeister and KSG members are happy about the wonderful success of SANY.

Presently, Sany is as sound as it was in 2012 when I - Karl Schlecht- decided to merge with SANY as the founder of KSG. (SM-12011-KS-PUSAN and <http://www.karl-schlecht.de/china/merger-putzmeister-sany>)

SANY thus follows the traditional vision of Putzmeister „Top in Mind- Top in Choice“
(see Putzmeister World Book PWB in <http://www.karl-schlecht.de/lebenserfahrung>)

This is in accordance with the trust ethos that Mr. Karl Schlecht stipulated as a condition and basis for the merger with the acceptance of the trust forming 5 question sample by all parties involved. This is how the same sense of values brought both market leaders together in such a positive form. It is also the solid groundwork of the successful SANY compay culture. This so called „trust code“ between the companies is still valid today, even though Putzmeister is temporarily suffering the temporary effect of the Corona crisis that has already been over-come by SANY in China.

Sany is well ahead and has regained the historic peak and investor confidence of 2012.
At that time, the majority shareholder and founder of SANY (a totally private company in 1985) Mr Liang Wengen, was acclaimed by the press as the richest man in China.



- 1. Is it true ? Am I honest ? 2. Is it fair ? 3. Does it serve goodwill and friendship ? 4. Will it be beneficial to all concerned ?

yellow: Sany- better than ever before! Far ahead in the Shanghai stock market price
purple: Zoomlion- strongest local competitor and CIFA is one of them
green: XCMG- former partner of Liebherr and built Putzmeister concrete pumps on trucks

Sany Heavy Industry, China's largest construction machinery company, surpassed Japan's Komatsu in February 2020 for the first time in terms of total market capitalization and positioned itself on the second place worldwide after Caterpillar from the USA.

In the epicenter of the new coronavirus epidemic, the share price rose due to the impact of the economic stimulus measures of the Chinese government. It outperformed Komatsu, which collapsed due to the new concerns caused by the new coronavirus. Furthermore, the technical strength of Sany Heavy Industry is increasing year by year, and the global construction equipment industry is entering into the phase of the "three strong competitors" Caterpillar, Sany and Komatsu.

The rising share prices of the industry giants mean that the industry as a whole is highly prosperous and that the turnover and profits of the affiliated companies continue to show rapid growth.

Since the second half of 2016, the Chinese construction machinery industry has ended the previous five-year period of significant adjustment and has entered a situation of high prosperity.

According to the financial reports of many companies, factors such as the stimulation of infrastructure demand, the strengthening of national environmental policies, the increasing demand for equipment replacement and artificial substitution effects are important factors for the rapid growth of the construction equipment industry.

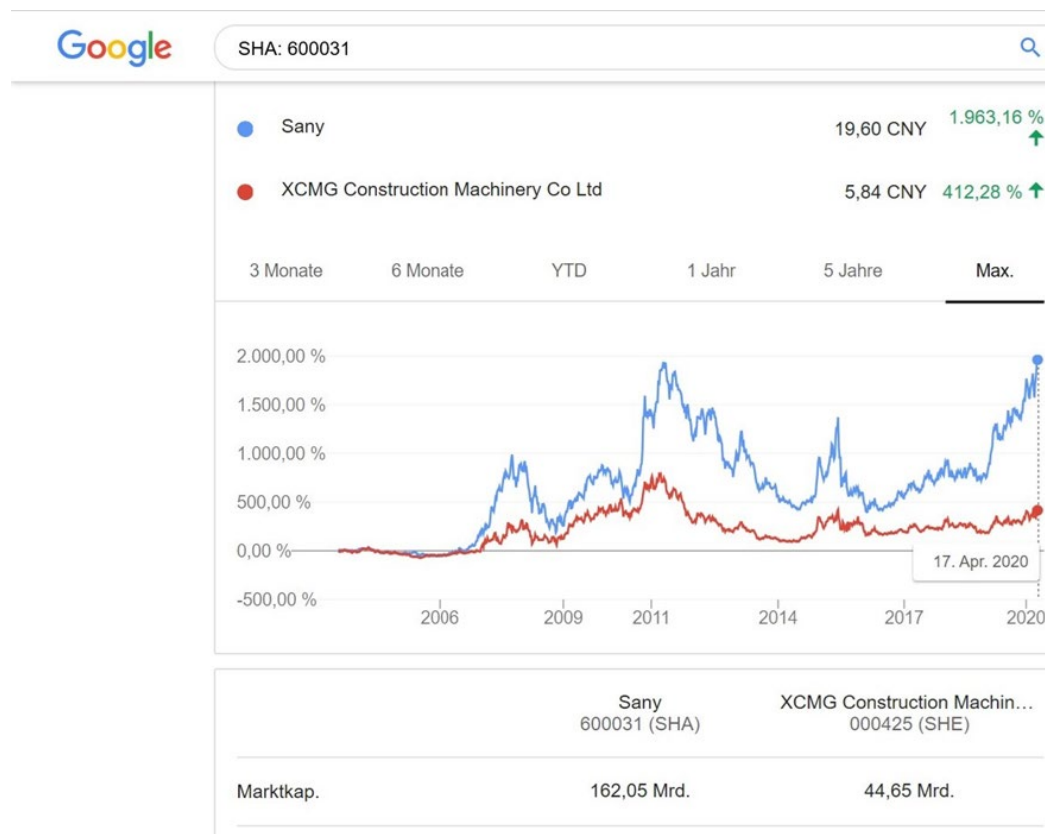
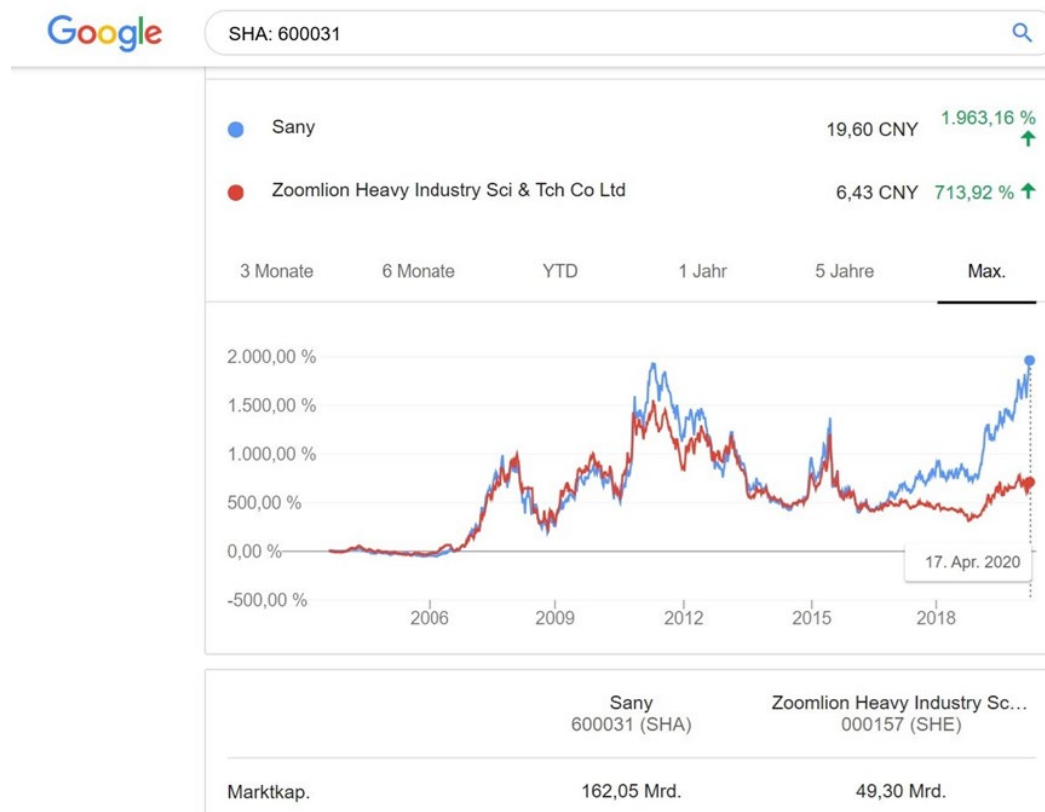
Previously, Xiang Wenbo, president of Sany Heavy Industry, said in an interview with reporters that the operating conditions of Sany Heavy Industry are still in good condition without problems regarding capital and cash flow.

Furthermore he commented that the government has introduced more proactive measures to ensure growth and thus overall demand. Although there is a delay, overall demand will not suffer significantly.

Founder Securities pointed out that in the second quarter of 2020 the growth rate of the construction equipment industry will maintain greater flexibility. In view of the entire year, the new demand is guaranteed by guidelines. Along with the growth of equipment upgrades and exports, the boom in the dredging industry will continue. As a result, the overall situation is expected to decline in the off-season and then increase rather than decrease, showing positive growth throughout the year.

The analysis of CITIC Securities assumes that the domestic epidemic has already reached a turning point in February. At the same time, the central government has set the political direction for stable economic growth together with monetary and fiscal policies to support counter-cyclical adjustments that will benefit the demand for machinery.

The estimated net profit of Sany Heavy Industry in 2019 (approximately EUR 1.5 billion) is almost EUR 390 million higher than the net profit sum of Zoomlion and XCMG.



In the overall year, the growth rate of the three big companies was rated at more than 75%. This rapid growth has resulted in the good development of the domestic construction machinery.

In terms of growth, Sany's strong areas are mainly excavators, concrete pumps, cranes and road machines, whilst Zoomlion's strong products are predominantly concrete pumps and crane machines.

The main reason why Sany can benefit from an advantageous position is that Sany Heavy Industry has a big lead in the excavator sector and this category has a big gross profit margin, so there is a big gap to XCMG and Zoomlion.

According to the available data Sany Heavy Industry's small, medium and large-volume excavators accounted for 27%, 23% and 26% of the domestic market in 2019, an increase of 2.2, 2.4 and 5 percentage points over the previous year in 2018. In the sales structure, the sales quotas of medium and large machines with a capacity of more than 20 tons are also steadily increasing. Currently, the share of large digging products with a high excavation volume has increased from less than 10% to about 14%.

In addition, Sany's pumping machines take more than 45% of the domestic market share and take full advantage of the rapidly growing market dividends. At the same time, Sany's innovation in the technical field has continuously improved the product quality by enhancing the brand image and reputation.

In the first half of 2019, the business structure of Sany Heavy Industry shows that excavators, concrete pumps and their equipment basically account for three thirds of sales. The business structure is healthy. The company's business structure has changed significantly, especially the share of dredging products and cranes has increased significantly.

Among the three main product lines of Sany Heavy Industry, concrete pumps have consistently occupied the number one market share in the domestic market. The market share of concrete pumps has reached 50%, and the market share of excavators has increased from 11% in 2011 to 25% in 2019. At a rate of 2 points per year, the market share of cranes has increased from 3% to 26%.

From 2.7% to 16%: this is the increase of the global market share of Chinese construction equipment manufacturers.

In the list of the world's top 50 construction equipment companies published by the leading British KHL Group in the financial year ending 31 March 2019, sales of equipment of the 50 largest companies reached 184 billion US dollars, an increase of 13.5% over the previous year.

Caterpillar and Komatsu still occupy the top two places, and John Deere bought the 14th Wirtgen Group (Wirtgen Group) last year and moved up to the third place. The ten largest companies have a global market share of over 60%.

The total share of US companies in the top 50 global companies fell to 24.5%, Japan to 25.4% and China to 16.0%.

More than 10 years ago in 2004, American companies had 44.9% of global market share in the list, Japanese companies accounted for 20%, Chinese companies only 2.7%.

The market share of Sany (4.6%), which now ranks among the top 10 construction equipment companies in the world, far exceeded the total market share of Chinese companies in the world market in 2004 (2.7%).

Due to the enormous size of the domestic infrastructure market, Chinese construction machinery companies have further improved their own technology and expanded their business scope through acquisitions. Although there is still a huge gap to leading international construction equipment companies such as Caterpillar and Komatsu with a turnover of more than \$20 billion, Sany is now already on the same level as John Deere, Hitachi Construction Machinery and Volvo Construction Equipment, which are ranked third to fifth position. It won't be long until companies such as John Deere are caught up and the leading positions of Caterpillar and Komatsu are challenged.

A look back from 2020:

The decision of the company founder to join forces with SANY in 2012 to guarantee a successful future for Putzmeister on the grounds of mutually shared values built on trust was totally correct.



The shared values cultivated by both company founders on the grounds of the 5-question probe were thus kept alive. This also qualified the corporate culture and set the basis for the exceptional SANY success. PM employees can be glad to have such a powerful mother company. In today's corona crisis, PM customers should also recognise this and therefore strengthen customer loyalty towards Putzmeister.

