

HARBIN ELECTRIC

NASDAQ: HRBN

**November 18, 2009
New York**



My Power, Your Future

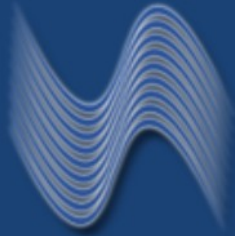
Oppenheimer 4th Annual Industrial Conference

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HARBIN ELECTRIC



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Overview

Welcome to Harbin Electric

- NASDAQ, HRBN
- Headquarters: Harbin, China
- Major Operations
 - Harbin
 - Shanghai
 - Weihai
 - Xi'an
- Founded in 2000



The Largest, Most Diversified, and Leading Chinese Developer & Manufacturer of Electric Motors

Focus on Innovative, Customized and Value-Added Products

Fast Growth

Added large industrial rotary motors
Xi'an - 2009

Added small/medium industrial rotary motors
Weihai - 2008

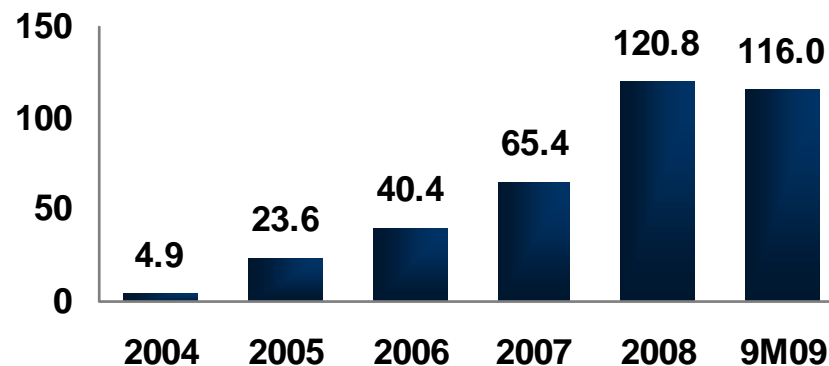
Added specialty micro motors for auto applications
2007

Began sales of linear motors
2004

Began development of linear motors
2000 - 2004

Company founded
Harbin - 2000

Revenue History (\$mm)



Core Businesses

Industrial Rotary Motors

Freight train driving motors
Power plants
Steel mills
Construction equipment
Agriculture equipment
Commercial ventilation systems
Electric pumps

Linear Motors

Post office mail sorting
Industrial conveyor systems
Power switch, Food slicer
Oil pump
Freight train
Subway train

Specialty Micro Motors

Car seat automation
Automatic seat folding
EPS (power steering)
Powered window
Powered trunk opening
Electronic door locks

Investment Highlights (I)

■ Rapid growth in Revenue & Net Income

- ❑ 2008 vs. 2007 → Sales up 85%; Op. Income up 45%; Non-GAAP NI up 50%
- ❑ 3Q09 vs. 3Q08 → Sales up 18%; Op. Income up 24%; Non-GAAP NI up 41%

■ Open-Ended Market Potential; stimulus package

- ❑ Wide range of applications; Potential markets are wide-open

■ Strong Barriers to Entry Help Protect Margins

- ❑ Strong R&D and patented technology
- ❑ Capital intensive
- ❑ Internationally accredited manufacturing facilities and processes
- ❑ Unique product portfolio minimizes domestic competition
- ❑ Diversified product offering minimizes market fluctuation

Investment Highlights (II)

■ Multi Manufacturing Facilities

- ❑ Extensive certification processes (ISO for Quality mgmt; AQA for technical specification of automobile industry)
- ❑ Shanghai Tech Full: auto micro-motors
- ❑ Weihai Simo and Xi'an Simo: rotary motors
- ❑ Harbin Tech Full: linear motors

■ Multi-Faceted Growth Strategy

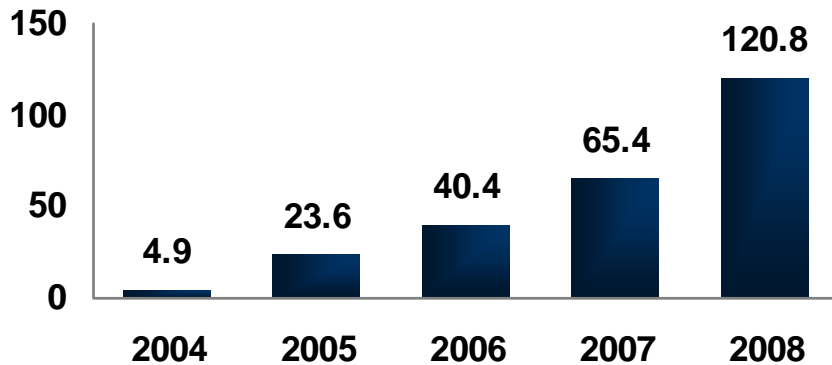
- ❑ New Products
- ❑ New Industries
- ❑ New Markets

Ranked No. 3 by Forbes Magazine

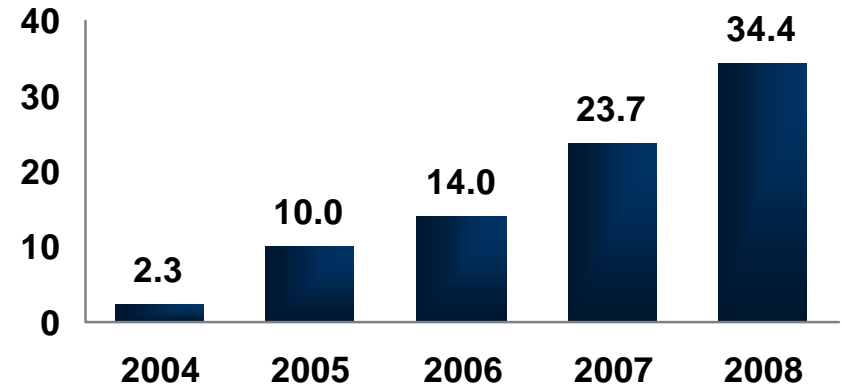
~ China's Most Promising Small & Medium-Sized Enterprises ~

Historical Financial Highlights

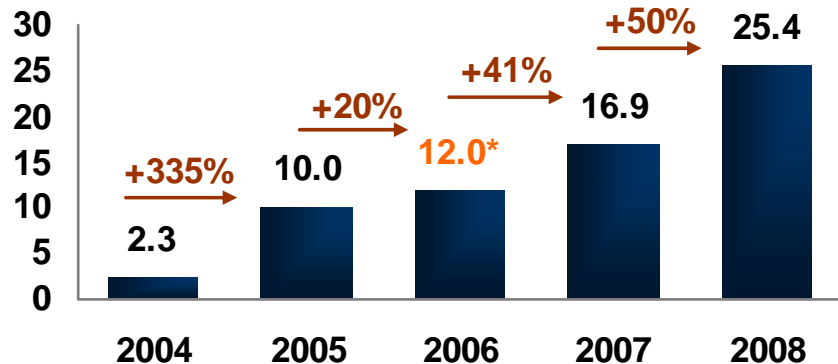
Revenues (\$mm)



Operating Income (\$mm)



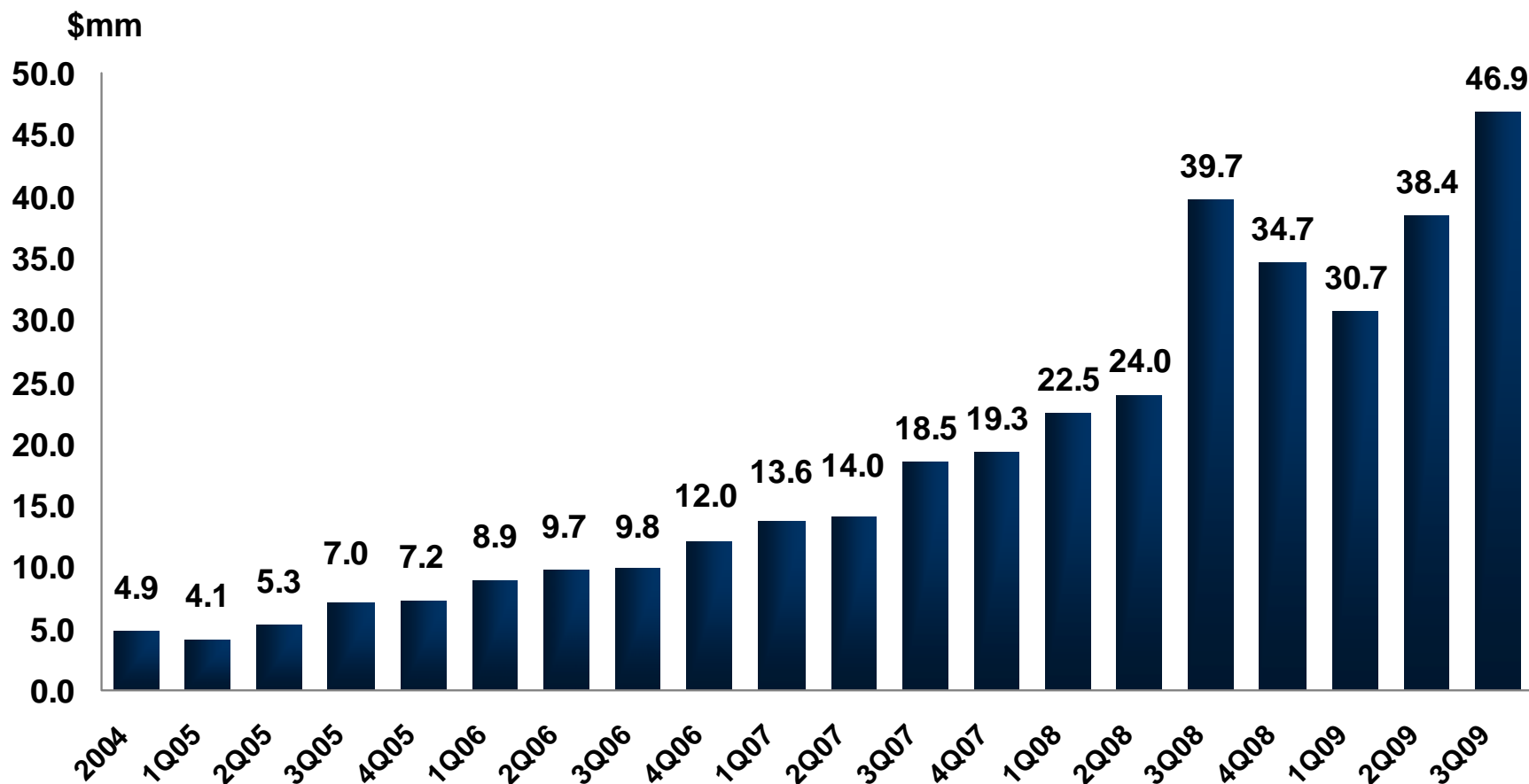
Net Income* (\$mm)



**Rapid Growth in
Revenues and Earnings**

*Excluding special non-cash and non-recurring items

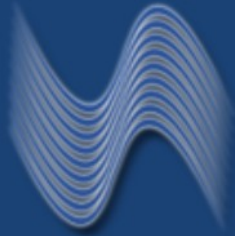
Quarterly Sales Trend



Strong Balance Sheet

	<u>December 31,</u> <u>2008</u>	<u>September 30,</u> <u>2009</u>
Cash*	48.4 MM	154.9 MM
Working capital	83.7 MM	180.2 MM
Total debt	46.0 MM	9.1 MM
Shareholders' equity	174.6 MM	309.8 MM

*Used \$84 mm in October to pay for Xi'an Simo acquisition



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Competitive Strengths

Competitive Advantage

■ Over Foreign Competitors

- ❑ Lower cost – system wide
- ❑ Closer customer contact & partnerships
 - Geography
 - Culture
 - Language
- ❑ Easier understanding of customer needs
- ❑ Diversified customer base
- ❑ Faster development cycle
- ❑ Flexibility
- ❑ Government support

Competitive Advantage

■ Over Domestic Competitors

- R&D focused
- Diversified product offering
- Award winning brand names
- High quality products
- Economies of scale
- Multi manufacturing locations
- Internationally advanced manufacturing technologies and processes
- Highly efficient corporate structure and management team
- Access to capital

Most Diversified Manufacturer of Industrial Rotary Motors

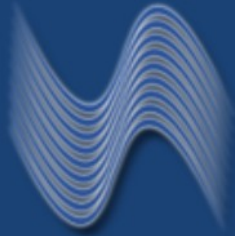
- Acquired Xi'an Simo (2009) to build on Weihai Simo (acquired in 2008)
- Strengthened competitive position in China's rotary motor industry
- Leading and most diversified electric motor developer & manufacturer in China
- Expanded rotary motor product offerings include some specialized and large-sized industrial rotary motors; very few companies in China have the capabilities to produce some of these motors.
- Synergies through economies of scale
 - Raw material purchasing
 - Manufacturing, R&D, management efficiency through consolidation and streamlining
 - Expanded customer base offers sales growth opportunities
 - Expansion of solid manufacturing platform across all core business lines
- Xi'an Simo to contribute to revenues and profits immediately (4Q09)
- Poised to become a global leader in the electric motor industry

Leader in Linear Motor (LM) Technology

- **First in China to enter linear motor (LM) market**
 - Focus on technical innovation, creativity & value-added products
- **In most cases, we are the only supplier of LMs to our clients**
 - Majority of our sales come from customized products & solutions
- **First and only Chinese firm developing LM subway and coal transportation trains**
 - Developing the first LM driven train for an urban mass transportation system in China
 - Developing the first LM driven coal transportation line in China
- **Only Chinese firm exporting LMs to blue chip US companies**

One of a Kind in Specialty Micro Motors

- **Focus on product development and original design**
- **Integrated development and manufacturing capability**
- **Brand new and internationally accredited manufacturing facility**
- **Potentially largest production capacity for automotive specialty micro motors**
- **Serving both domestic and foreign car manufacturers**



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3

Growth

General Growth Drivers

Continued economic growth in China

Accelerated industrialization across the nation

Development Focus



Rural and agricultural

Industrial sector

Energy sector

Transportation

Growth Opportunities – Rotary Motors

Strong demand fueled by economic growth

New market penetration

Customer base expansion

New product development/Product upgrades

Capacity expansion

Growth Opportunities – Linear Motors

Expected continued growth in oil pumps

Freight trains for coal transportation

Expected launch of linear motor subway trains

Other new products in pipeline

Export – continued recovery of global economy

Growth Opportunities – Specialty Micro Motors

Continued growth in auto sales in China

Expected new product launch

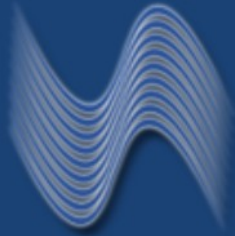
Signs of improvement in order volumes

Other new products in pipeline

Export – continued recovery of US auto industry

Looking Ahead

- **China continues to grow**
- **Massive economic stimulus package and continued industrialization drive the demand growth for our products**
- **We are strongly positioned to grow in domestic market with potential to grow in international market**
- **Our strategy is geared to advanced engineering and proprietary technology**
- **Our vision is to develop a global brand and world-class enterprise**



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Thank you for your interest
谢谢

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