



China Yuchai International Ltd.

[NYSE: CYD]

Evercore ISI Conference

New York

March 6th, 2018



Safe Harbor Statement

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believe”, “expect”, “anticipate”, “project”, “targets”, “optimistic”, “confident that”, “continue to”, “predict”, “intend”, “aim”, “will” or similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact are statements that may be deemed forward-looking statements.

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The financial information presented herein for the financial year ended 31 December 2016 is audited and 2017 financial information is unaudited.



China Yuchai International Ltd.



Truck and Bus engines applications



Off road and Agriculture applications

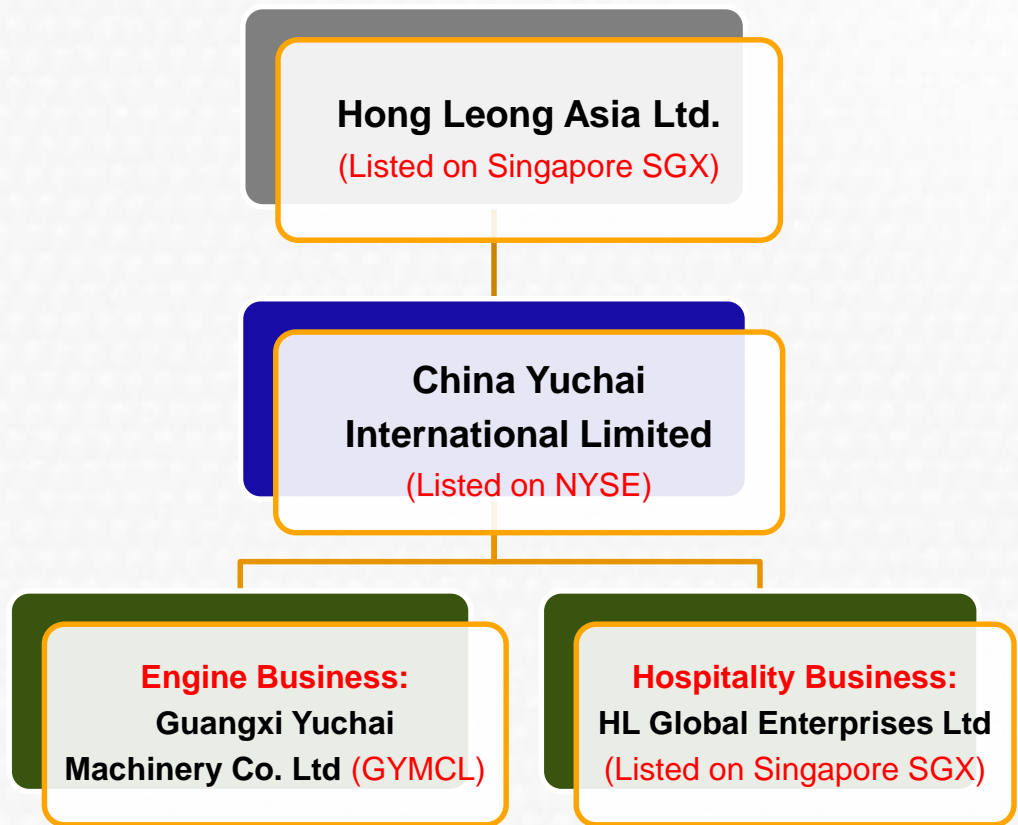


Marine engines applications





Company Structure





Corporate Summary

- **GYMCL was founded in 1951**
- **Leading manufacturer of a wide array of light-duty, medium-duty and heavy-duty engines for various applications**
- **One of the top engine suppliers in annual unit sales as ranked by the China Association of Automobile Manufacturers (“CAAM”)**
- **Operates the largest single facility for the production of commercial automotive and industrial engines in China**
- **Main production base is in Yulin, Guangxi province. Capacity of 500,000 units per annum**
- **World-class R&D program with large patent portfolio**
- **Over 2,800 services stations and 33 regional sales offices throughout China***
- **15 international sales office located across Asia, Europe and Latin America**

* As of 31 Dec 2017



2017 Market Review

Market Statistics

1. China maintained a steady GDP growth for 2017 at 6.9%, increased from 6.7% in 2016
2. According to CAAM, commercial vehicle unit sales (diesel & others):
 - CV industry grew by +17.4% (including Electric Vehicles EV)
 - CV industry grew by +16.9% (excluding EV)
 - Truck Market – YoY change for HD (+52.4%) , MD (+2.6%) and LD (+4.7%) segments (excluding EV)
 - Bus Market – YoY change for HD (+0.1%) , MD (-21.6%) and LD (+3.8%) segments (excluding EV)

Market review – On road

1. HD Truck segment sales exceeded 1.1 million units creating a new record high due to new replacement demand, anti-overloading policy, strong demand from logistics industry and HD trailer sales increased 50% growth from 2016
2. Bus segment was relatively weak in 2017 due to reduced demand for coaches below 10m and public transit buses. EV bus sales continued to grow (total 118k units, 11% growth from 2016), but slowed due to declining government incentives, demand affected for traditional diesel engine sales especially in PT market
3. Natural gas engine sales recorded strong growth in 2017, mainly for truck application

Market review – Off road

1. Agricultural machinery sales declined due to pre-buy in 2016 before higher T-3 emission standard implemented which resulted in high inventory levels in the distribution channel
2. Engines for construction applications grew in segments such as loaders and excavators which may be a sign of recovery after declining over the last few years
3. Marine segment declined but demand for G-drive engine has increased due to export market growth



China Economic Outlook

1. Annual GDP growth rate is expected at approximately 6.5%
2. PBOC may increase interest rates
3. Continued transition of economy towards domestic consumption and service
4. Export engine demand is likely to increase due to *Belt and Road* investments and projects

China Engine Industry Outlook – On-road

1. Truck market will maintain a relatively high demand in 2018 first quarter and expect to slow down through remaining quarters. MD and LD segments are likely to maintain stable demand
2. Bus market will remain weak in 2018 due to sluggish demand in highway coach market, and the public transit segment will continue to be affected by EV
3. Demand for gas-engine trucks will grow due to stricter environmental regulations

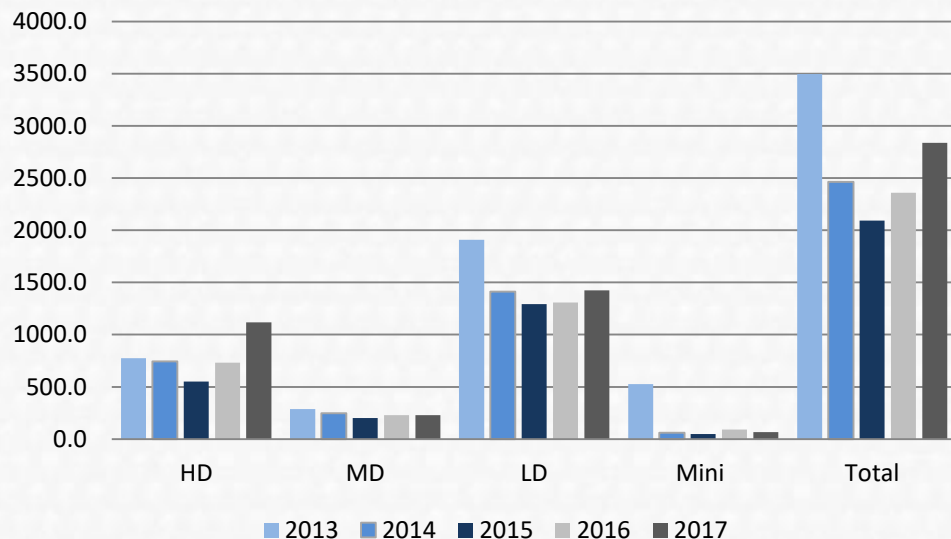
China Engine Industry Outlook – Off-road

1. Agricultural machinery inventory will gradually decline and new demand is expected to recover later this year
2. Construction market is expected to grow following the confirmation of infrastructure projects in China
3. Marine engine requirements will remain weak but the standby powergen market will likely maintain strong demand due to new infrastructure projects

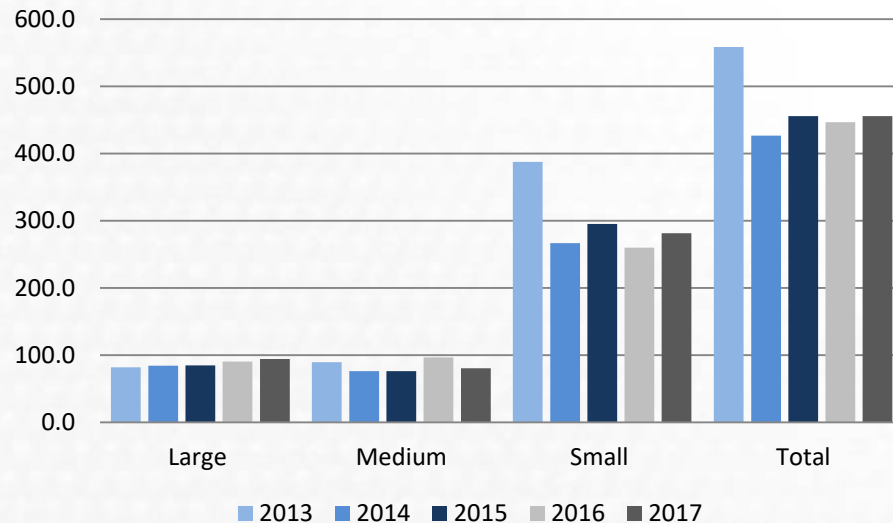


Market Overview: Commercial Vehicles 2013-2017

China Trucks Market



China Buses Market



Source: China Automotive Industry Newsletter
(Powered by Diesel and Others)

China Truck Market Drivers

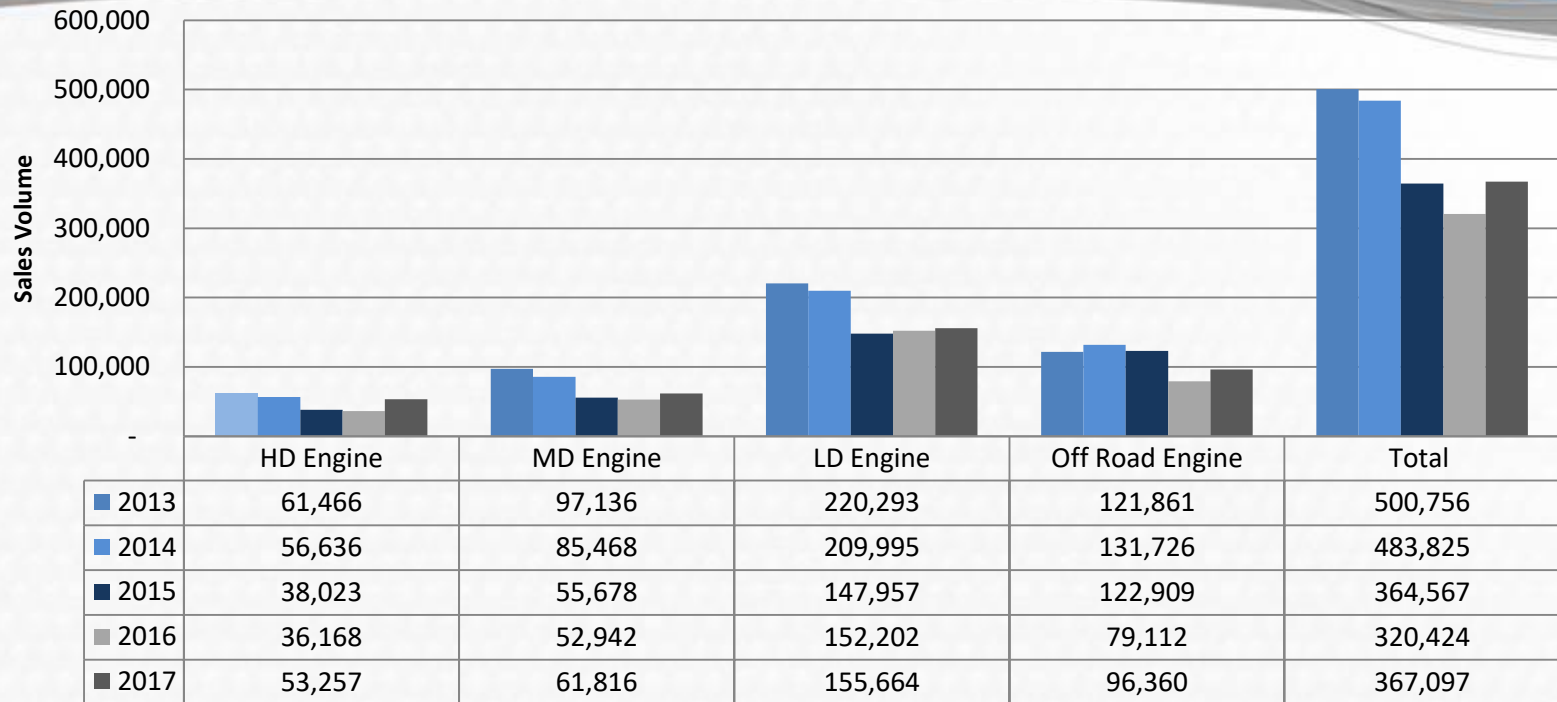
- China's economic growth
- Anti-overloading policies
- Urbanization / logistics networks
- Stringent emission standards

China Bus Market Drivers

- Rapid expansion into rural areas
- Booming tourism
- Continued urbanization
- Demand affected by EV



China Yuchai Unit Sales: 2013-2017



Sales from 2013 to 2017

- National 4 Emission Standard was fully enforced nationwide from 31st December 2014
- National 5 emission standard was fully implemented from 1st January 2018
- Full enforcement of off-road Tier 3 emission standards from December 2016
- National 6 emission standard implementation date is not yet officially announced, but likely to be implemented from 1st July 2020
- Sales of traditional buses were affected by EV sales as a result of aggressive government incentives



China Yuchai Performance 2017



Truck and Trailer – Yuchai has achieved a double digit growth in HD truck and trailer segment, mainly from sales of YC6K engines from our subsidiary Y&C Power; LD sales increased due to increased demand in LD market and logistics trucks

Coach and Bus – The demand for EV buses continued growing despite a decline in government incentives, Yuchai total unit sales affected but we maintained our share in traditional bus segment

Agricultural – A double-digit growth was achieved post the transition to the Tier 3 emission standards, highlighting customers' confidence for Yuchai Tier 3 engine products

Industrial – Yuchai sales recorded double-digit growth mainly for forklift, air compressor and excavator applications, Yuchai sales also benefited from new Tier 3 products

Marine and Powergen – Sales of marine engines were reduced due to industry-wide decline, but sales of G-drive engines was strong especially in export markets



1. Maximize shareholders' value

2. Product Strategy

- Ensure all products meet current stringent emission standards and be among the first with engines compliant with future emission standards
- Expand hybrid power package to share New Energy market demand
- Expand HD products into marine, power gen and construction markets
- Develop full electric system for commercial vehicle drive train

3. Business Strategy

- Grow new markets with new products such as High Horsepower engines for marine and power generation segments
- Nurture strategic alliances with OEM customers
- Grow international business
- Implement cost reductions through Supply Chain and Manufacturing Process improvements
- Explore launching more JV products to sustain future growth



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Operational Overview



GYMCL Strategic Locations





Yulin Facility



Engine Plant No. 5 - HD Engine Assembly Line

- **Yulin facility is the primary manufacturing facility**
- **Independent R&D facilities for engine development and testing**
- **Production of diesel, natural gas and hybrid engines**
- **Production of high horsepower engines for off-road applications**
- **In-house machining plants for all major engine components**



New Foundry



New Foundry Phase 1



Phase 2 Molding Line

- **New Foundry Phase 1 and 2 are in full operation for the casting of engine blocks and heads for all engine models**
- **Large Casting Foundry is fully operational since early 2015, mainly producing the casting for HHP engines**
- **Total annual capacity over 1 million engine cylinder blocks and/or heads**
- **One of the largest foundry and engine casting facilities in China**



High Horsepower Engine Plant



Engine Assembly Line



Gantry CNC milling center

- **Designed for HHP engine (16 liter and above) machining and assembly**
- **HHP engines are mainly used for marine and power generation applications**
- **Installation of Gantry CNC milling centers for cylinder block and head machining**
- **New assembly line with robots and other automated processes ensure top quality standards**
- **Individual automated engine painting line**
- **Individual engine testing stands for comprehensive performance tests**



Capacity Expansion HHP Marine and Power Gen Engines



YC12VT



YC6C



YC12VC



YC16VC

- **YC6T/6TD** - 16/19.5L with 550 - 900 Ps power rating, available for IMO and T2/T3 standard
- **YC6C/6CL** – 40-54L with 600 - 1520 Ps power rating, available for IMO and T2/T3 standard
- **YC12VT** – 12 cylinders, 33L, rated at 750 - 900 Ps, available for T2/T3 standard
- **YC12VC** – 12 cylinders, 80L, rated at 1680-2700 Ps, available for IMO and T2/T3 standard
- **YC16VC** - 16 cylinders, 106L, rated at 3000-3600 Ps, available for IMO and T2/T3 standard



Wuhu Y&C Power (Chery Trucks)



玉柴機器



Engine Assembly Line



Machining Center

- Latest designed YC6K engines comply with China National 4, 5 and 6 emission standards
- Production and machining lines are fully commissioned
- Existing capacity for 30,000 units per annum (single shift operation)
- Gas version YC6K engine is available for both on-road and off-road applications
- YC6K13 (13L) is available for HD truck market



Our JV partner MTU

- ❑ A diesel engine manufacturer specializing in high-speed, large-rating diesel engines for power generation, oil & gas, railway, marine and mining applications
- ❑ MTU is a wholly owned subsidiary of Rolls-Royce Power Systems

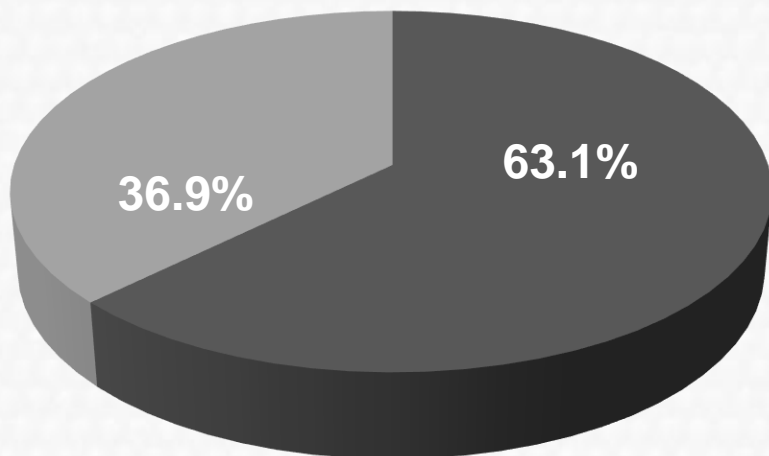
The Joint Venture

- ❑ The Joint Venture ownership of 50:50 between MTU and GYMCL
- ❑ Main manufacturing site will be located in Yulin within present GYMCL facilities
- ❑ JV company was incorporated in January 2017, target to have first production in 2018
- ❑ Total investment of RMB150M in phase 1

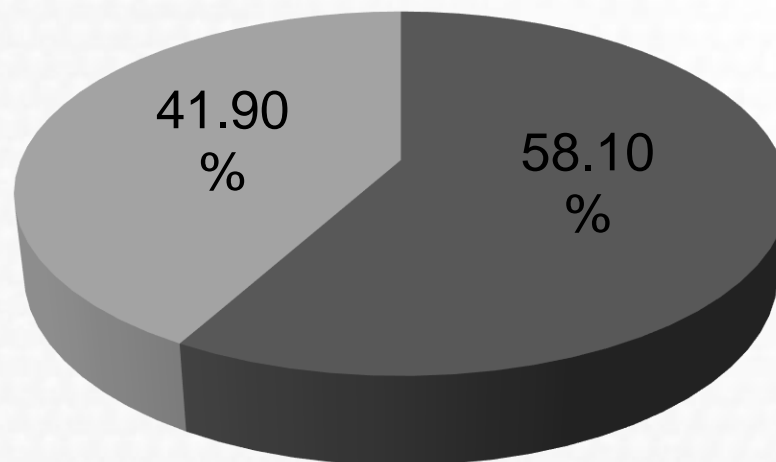


Sales Mix

2016 Full Year



2017 Full Year

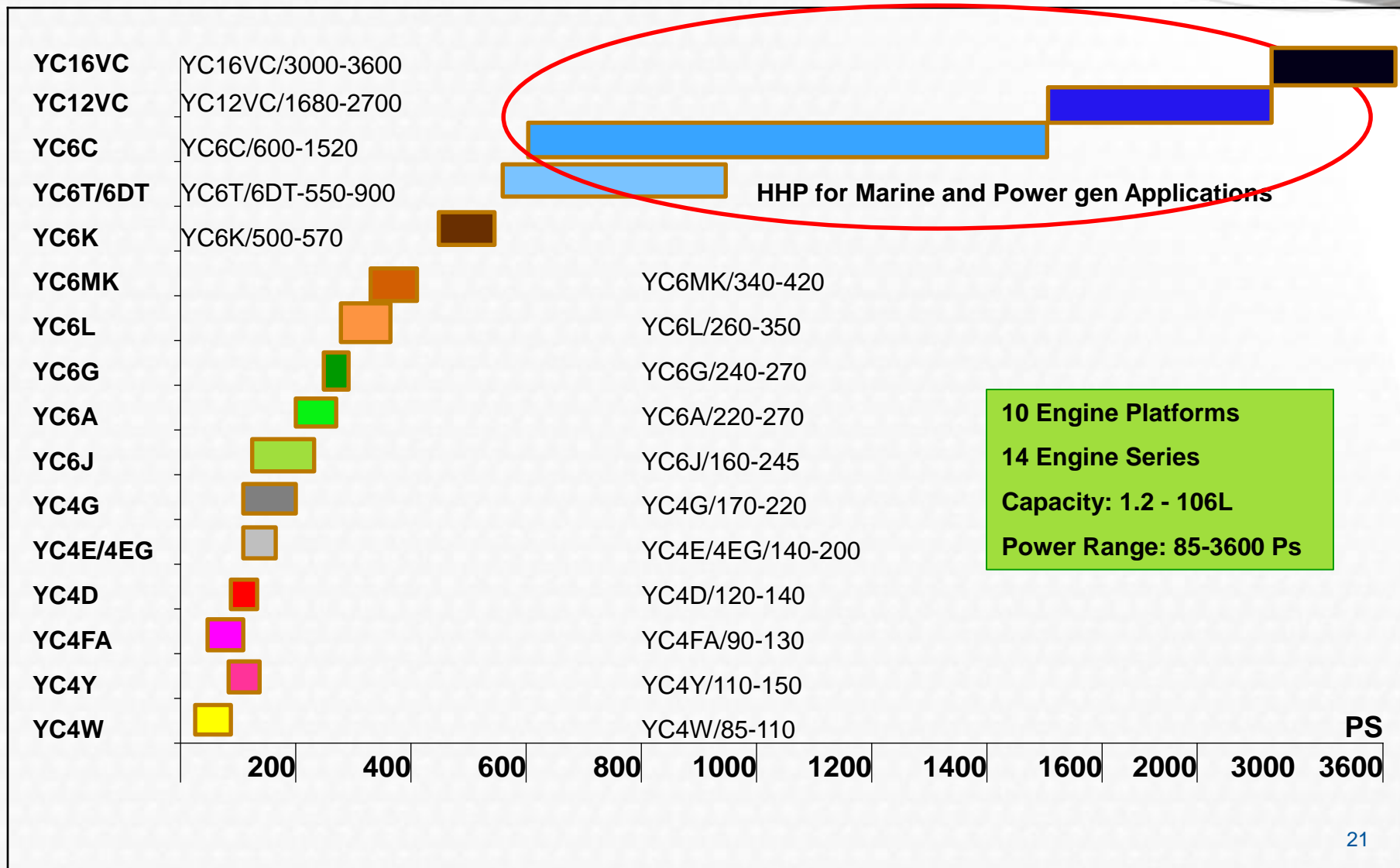


■ 6 Cylinder Engine

■ 4 Cylinder Engine

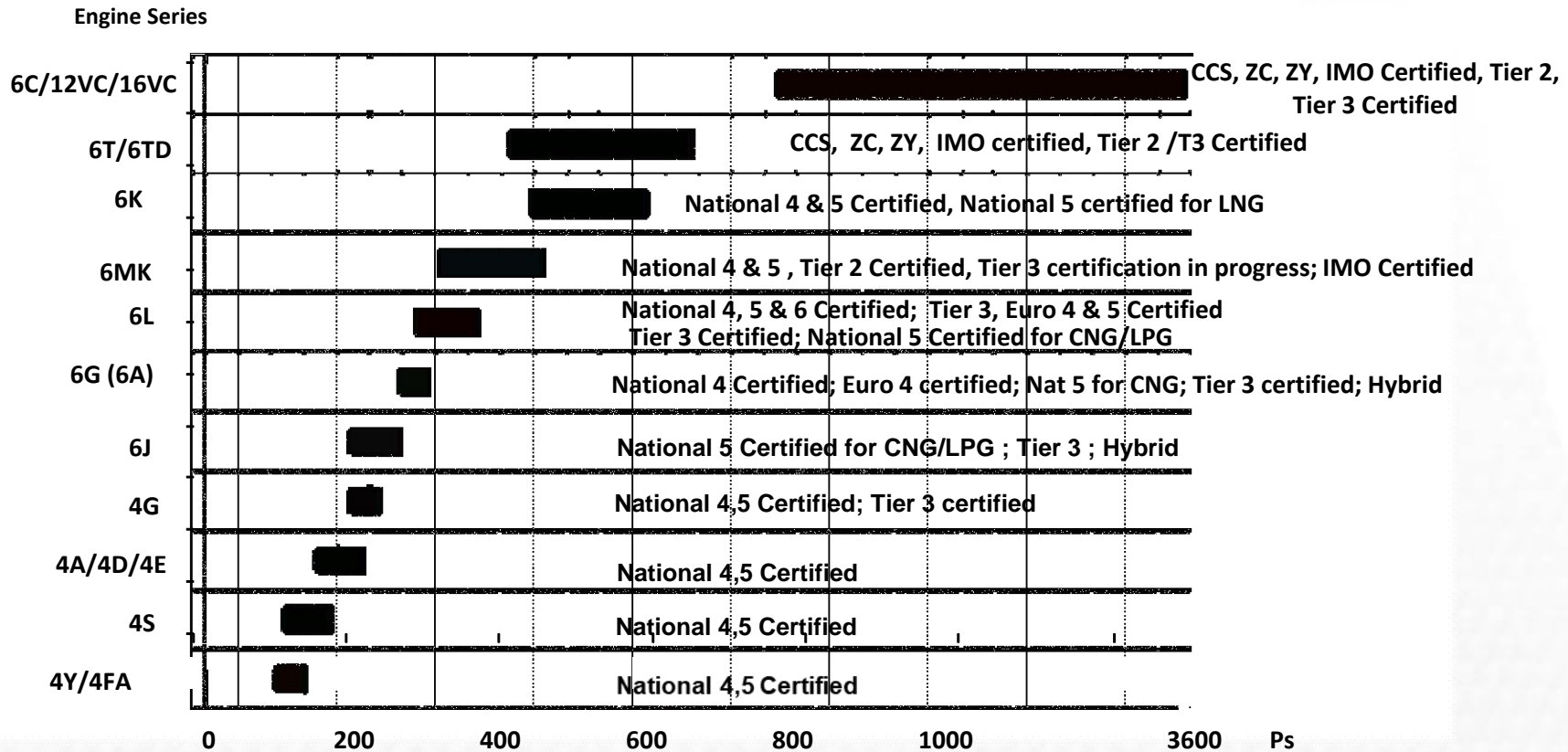


Diesel and Gas Engine Product





Existing Products Meeting Stringent Emissions Standard



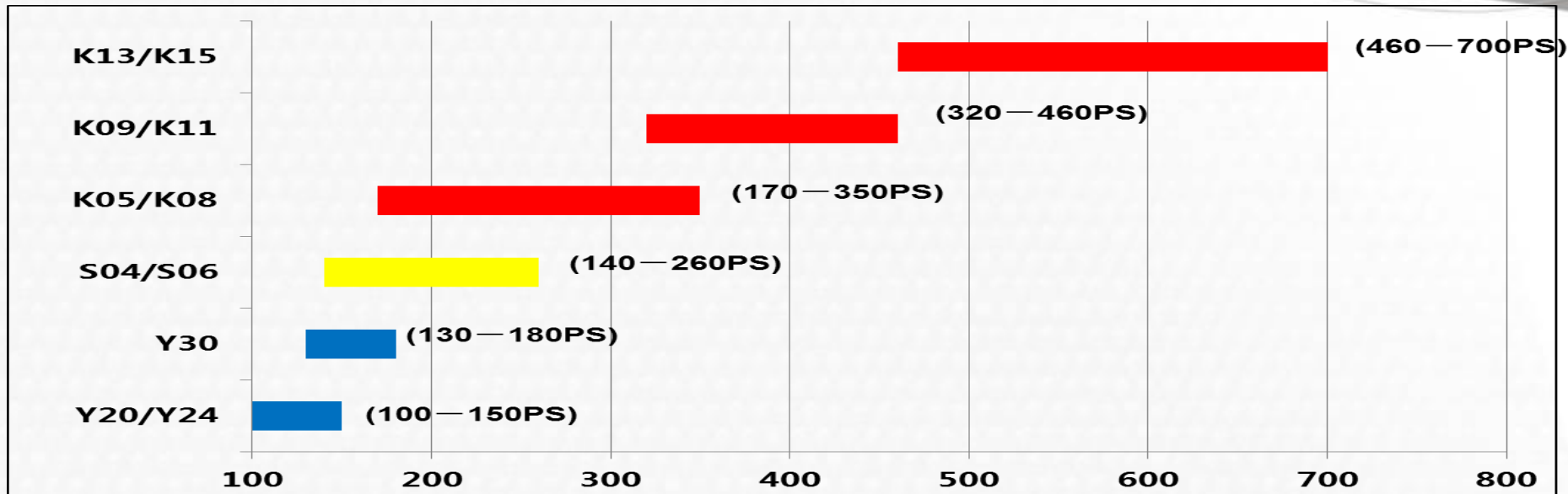
- Implementation of National 5 emission standards nationwide in China starting from January 1, 2017 and fully implemented by January 1st 2018
- Implementation of China T3 emission standard for off-road construction market from April 2016 and agricultural market from December 2016



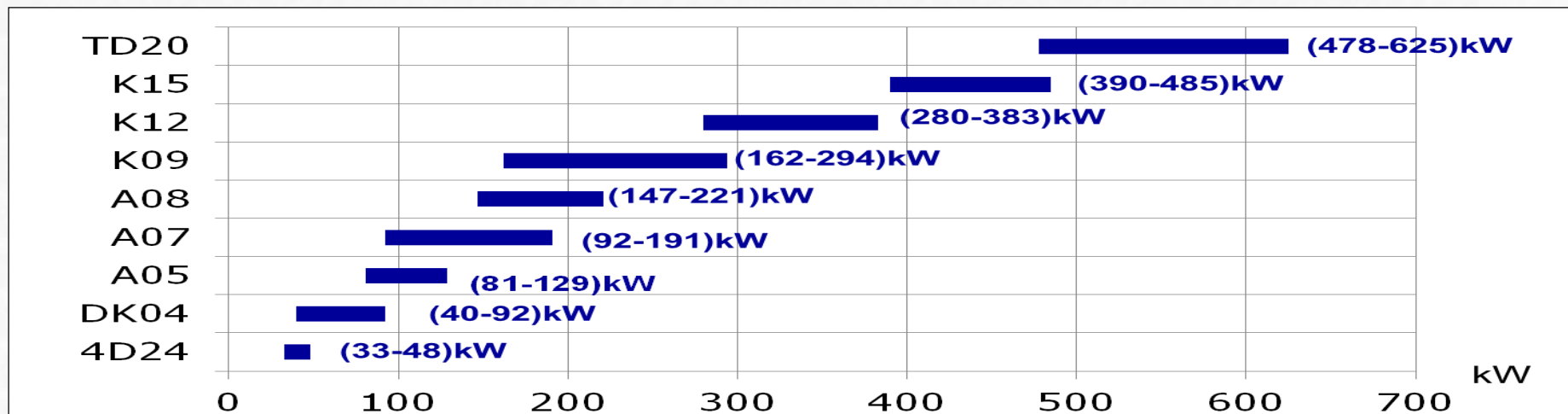
China National 6/Tier 4 Emission Standard Compliant Engine Products (Available 2019)



China National 6 Emission Standard Compliant On-Road Engines

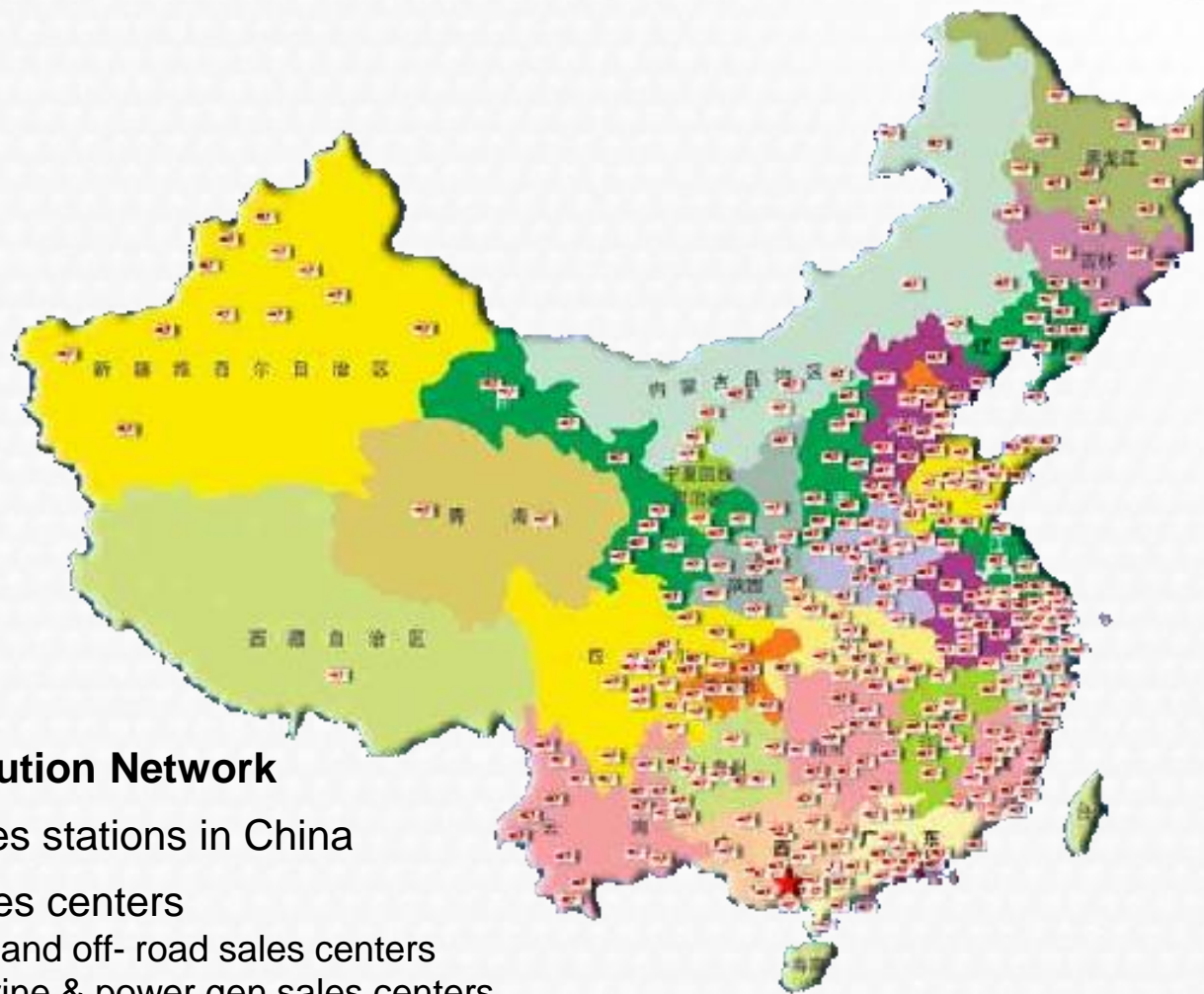


China Tier 4 Emission Standard Compliant Off-Road Engines





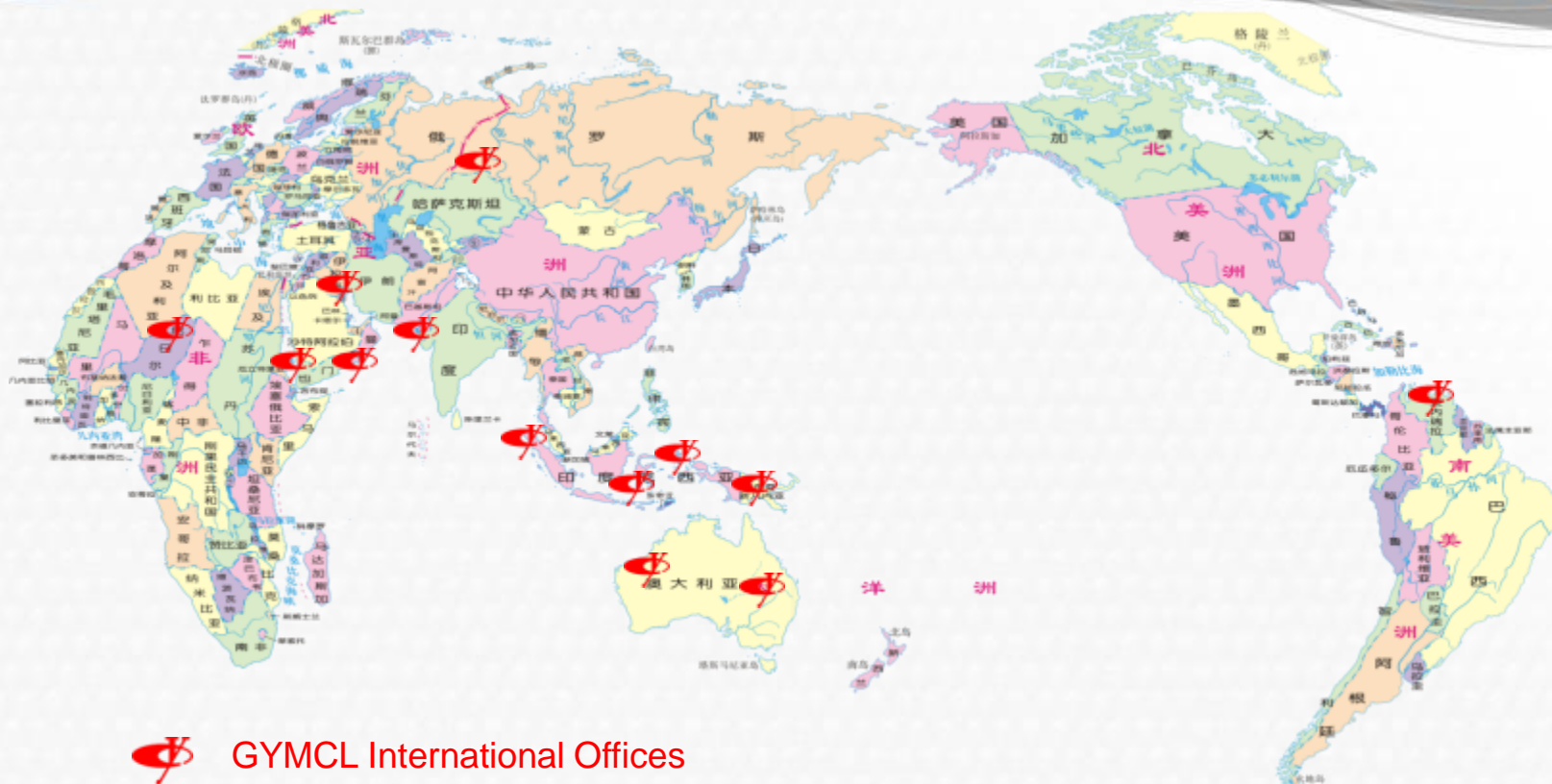
China Distribution Network



China Distribution Network

- 2,826 services stations in China
- Regional sales centers
 - 33 on- and off- road sales centers
 - 10 marine & power gen sales centers

•As of 31 December 2017



Global Sales and Service Network

- 15 international offices
- 166 authorized overseas service stations

* As of 31 December 2017



Green Technology

- **National 6 Emission Standards (Equivalent to Euro VI)**
 - YC6L National 6-compliant Diesel Engines delivered to Beijing Public Transit Fleet in mid-2015
 - New engine platforms compliant with National 6 under development, 14 prototype engine models were available in 2017 for testing and ready for road test in 2018
- **National 5 Emission Standards (Equivalent to Euro V)**
 - National 5 Diesel and Gas Engines in operation for commercial vehicles since 2016
- **National Tier 3 Emission Standards for off-road applications**
 - Newly launched Tier 3 Diesel Engines are available for construction, agricultural and power generation markets
- **Hybrid Diesel Power Train**
 - Over 6,000 hybrid systems used in Public Transport Systems, including GYMCL's self-developed Hybrid power train
 - Second-generation Gas engine plug-in hybrid was commercially launched in mid-2014
- **Natural Gas (CNG, LNG)**
 - Gas Engine Development Center in service since early 2013
 - Completion of Gas Engine testing center in January 2015
 - Developed complete line of gas engines to complement diesel engines
 - Commercially launched YC6C Dual Fuel marine engine in 2016
 - Gas Engine Sales of 26,298 units in 2017



Gas Engines



GYMCL's YC4G



GYMCL's YC6J



GYMCL's YC6MK

- Gas pipeline infrastructure in place to support the nationwide gas distribution, but refueling infrastructure is still under development
- Gas Engine Development Centre in operation to develop and manufacture full portfolio of gas engines for all applications
- Gas Engine Sales was 26,298 units in 2017
- Four prototype gas engines compliant with National 6 emission standards in testing phase in early 2018



R&D Leadership

R&D capability

- ❑ Approximately 700 engineers including PhDs and Master Degree holders in the R&D team
- ❑ Over 1,000 patents have been registered since 2004
- ❑ Nanning R&D Institute commenced operations from October 2013

Engine innovations

- ❑ Oct 2010: National 5-compliant engine YC6J was commercially launched
- ❑ Late-2010: 1st hybrid power system launched for PT market with 4,000+ in operation; Gas engine plug-in hybrid launched mid-2014 for PT market;
- ❑ Jan 2015: Commercially launched National (Euro) 6 prototype engine YC6L for bus market
- ❑ Late 2015: Self-developed V-configured engine 12VC in production for marine and power generation applications
- ❑ Early 2016: Commercially launched Tier 3 off-road engines for both agricultural and construction markets
- ❑ Mid 2016: First gas plug-in hybrid system for HD truck application launched
- ❑ 2017: Newly developed National 6 and Tier 4 compliant engines are available for performance testing and OEM trial run
- ❑ Late 2017: YC20VC (over 4000 Ps) prototype engine marked first ignition on test stand
- ❑ Early 2018: 14 prototype engines introduced compliant with National 6 and Tier 4



Cost & Technology Improvement

Lean Manufacturing

- Promote lean manufacturing across all machining shops and engine assembly plants
- Reorganized the machining and assembly shops for better labour utilization and facilities management
- Machining processes outsourced to reduce capital investment

Supply Chain Improvement

- Reduced number of suppliers through stringent vendor selection policy and established long-term partnership program to achieve cost saving
- Improve component sourcing standards through total quality commitment program, new standards in 2017 require stricter quality at component suppliers that eliminated component inspection and cleansing processes prior to engine assembly, for better utilization of manpower

Intelligent Manufacturing

- Implemented Intelligent Manufacturing SAP projects throughout all factories, foundry and testing centres
- Tailor-made SAP system was implemented in finance, supply chain, logistics and R&D departments

V Configuration for HHP engines

- Developing the 12VT (33L), 12VC (79L), 16VC(106L) and 20VC(132L) engines to extend HHP engines power range



2017 Awards & Recognitions

- **GYMCL Engine Testing Centre renews its Accreditation Certificate from China National Accreditation Service Conformity Assessment (CNAS)**
- **GYMCL won the “China’s Export Quality and Safety Demonstration Enterprise” award from the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China**
- **YC6K50 won the prize of “The Most Reliable Commercial Vehicle Power”**
- **GYMCL and Sichuan Hyundai Motor signed the Strategic Partnership Framework Agreement for co-operation in National 5/6 commercial vehicle development**
- **YC4A and YC6J engines won the award of “Gold Medal Product” and “Market Performance” from China Association of Agricultural Machinery Manufacturers (CAAMM)**
- **GYMCL launched 14 models National 6 and Tier 4 emission standard compliant engines in January 2018**



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Business and Finance Overview



Financial Performance Review



	Y2013	Y2014	Y2015	Y2016	Y2017 Unaudited
Engines sold (units)	500,756	483,825	364,567	320,424	367,097
Revenue (RMB Million)	15,902	16,436	13,733	13,665	16,222
EPS (US\$ per share)	\$3.07	\$3.14	\$1.35	\$1.87	\$3.58

Sales units:

- **Y2013 @ 500.8K units.** Rebounded due to pre-buy as a result of implementation of NAT4 emission standards from 1st July 2013
- **Y2014 @ 483.8K units:** Affected by final nationwide enforcement of NAT 4 (31st December 2014)
- **Y2015 @ 364.6K units.** Declined by 24.6% due to overall economic weakness and slow down of commercial vehicle market
- **Y2016 @ 320.4K units.** Declined by 12.1% due to overall flat economy and slow down in the non-electric bus segment and agricultural segment of Teir-2 to Teir-3 transition – completed on December 2016
- **Y2017 @ 367.1K units.** Increased by 14.6% due to high demand in HD truck engines – anti-overloading enforcement, fleets replacement and increase in logistics services

Our product offerings

- Wide variety of engines
- Continual improvement of engines / emission standards
- Development of natural gas and hybrid engines
- Increasing sales to off-road markets - marine gen-set applications

We are a leading engine manufacturer.

- Consistently ranked as one of the top engine manufacturers by “China Association of Automobile Manufacturers”

Chart 1: Engine unit sales (Unit)

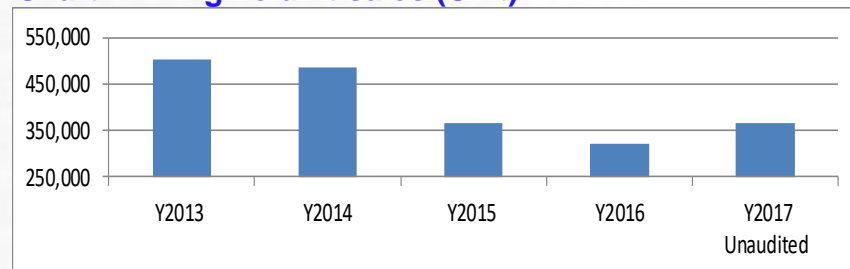


Chart 2: Sales Revenue (RMB million)

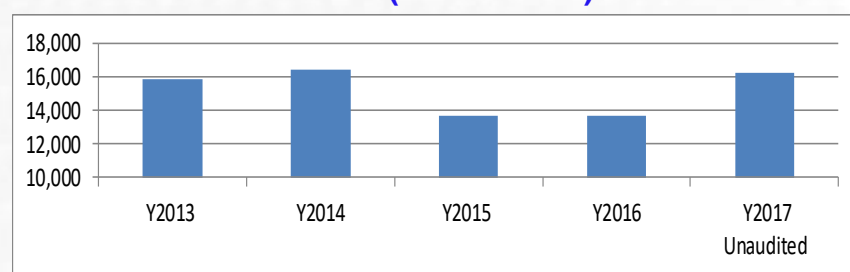
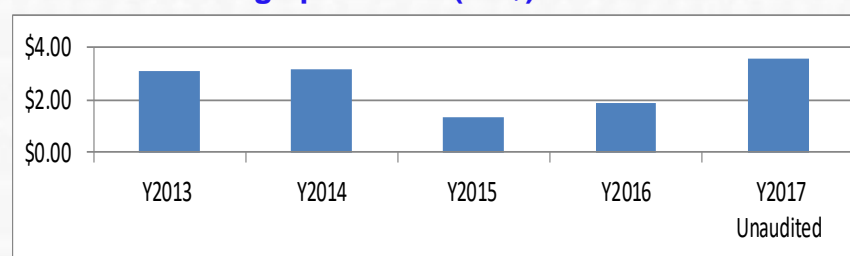


Chart 3: Earnings per share (US\$)





Financial Performance Review



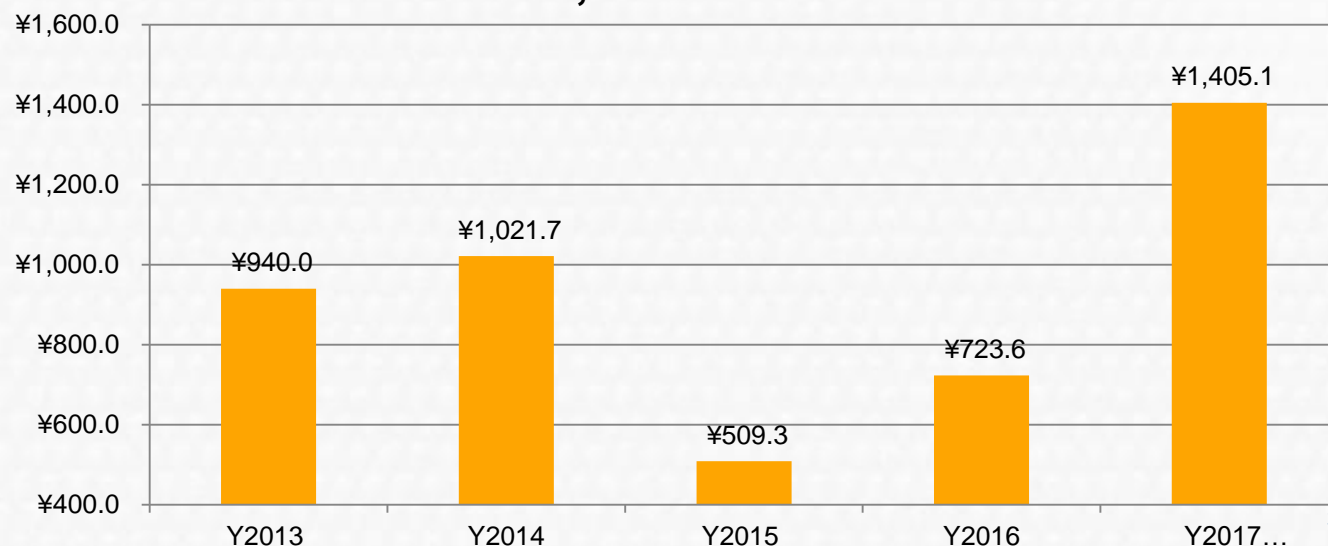
		Y2013	Y2014	Y2015	Y2016	Y2017 Unaudited
Engines sold	Units	500,756	483,825	364,567	320,424	367,097
Revenue	RMB Million	15,902	16,436	13,733	13,665	16,222
Gross Profit	RMB Million	3,265	3,291	2,791	2,964	3,515
Operating Profit	RMB Million	1,402	1,293	805	967	1,716
PAT	RMB Million	940	1,022	509	724	1,405
PATMI	RMB Million	¥700.4	¥730.3	¥341.1	¥515.7	¥953.9
PATMI	US\$ Million	\$114.4	\$118.6	\$52.1	\$75.0	\$146.0
EPS	US\$ per share	\$3.07	\$3.14	\$1.35	\$1.87	\$3.58
Return on Equity	%	11.0%	10.4%	4.7%	6.7%	11.4%

* 2017 Operating profit and PAT include extraordinary and one-time events

Review of Performance

- We consistently maintain profitability
- Consistent earnings reflect Company's capabilities and potential

PAT , RMB Million





Financial Indicators Review

Currency: RMB Million	Y2013	Y2014	Y2015	Y2016	Y2017 Unaudited
Operating Profit	1,402.4	1,292.6	805.2	967.2	1,715.6
EBITDA	1,712.4	1,678.1	1,233.3	1,388.4	2,054.7
Gross Profit %	20.5%	20.0%	20.3%	21.7%	21.7%
Operating Profit %	8.8%	7.9%	5.9%	7.1%	10.6%
PAT %	5.9%	6.2%	3.7%	5.3%	8.7%

Cash flow:

Strong historical cash flow

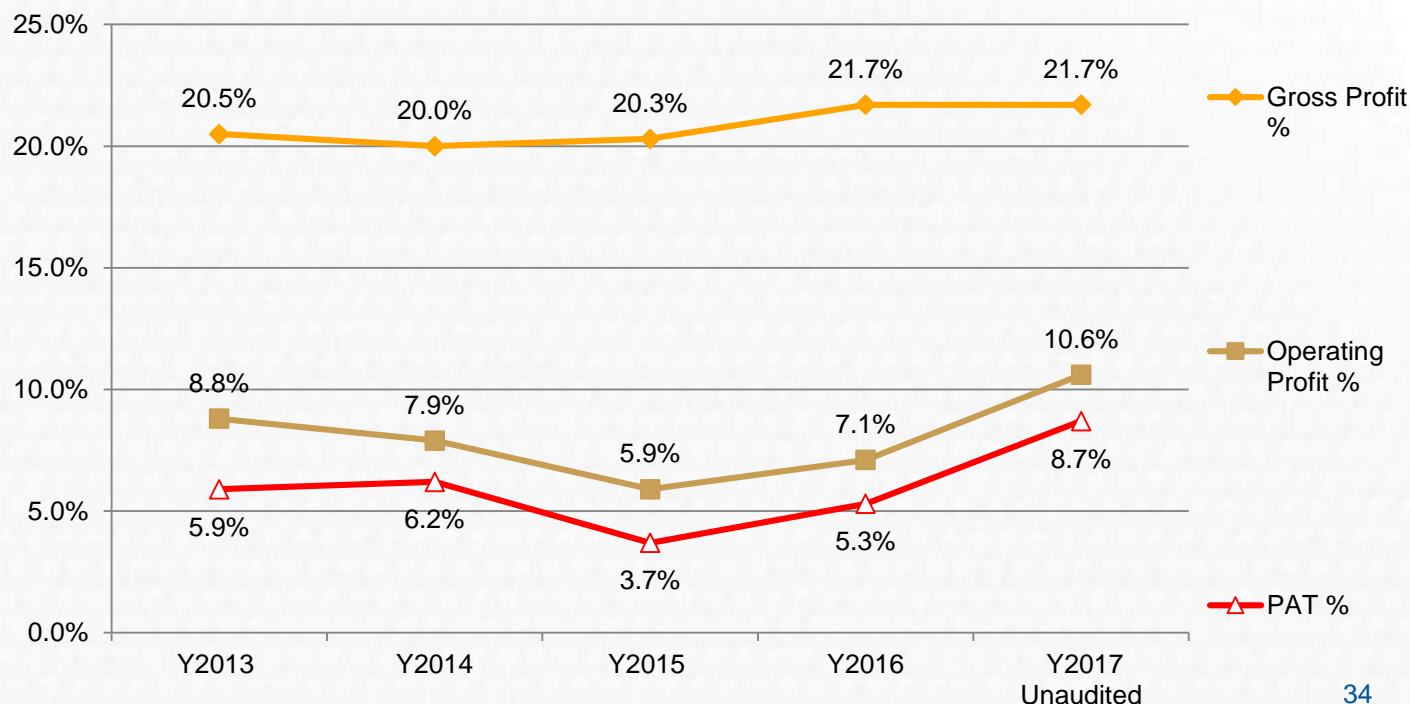
EBITDA:

- RMB 2.2 Billion (2017)
- RMB 1.4 Billion (2016)
- RMB 1.3 Billion (2015)

Gross profit margin:

Consistent

- GP% = 21.7% (2017)
- GP% = 21.7% (2016)
- GP% = 20.3% (2015)



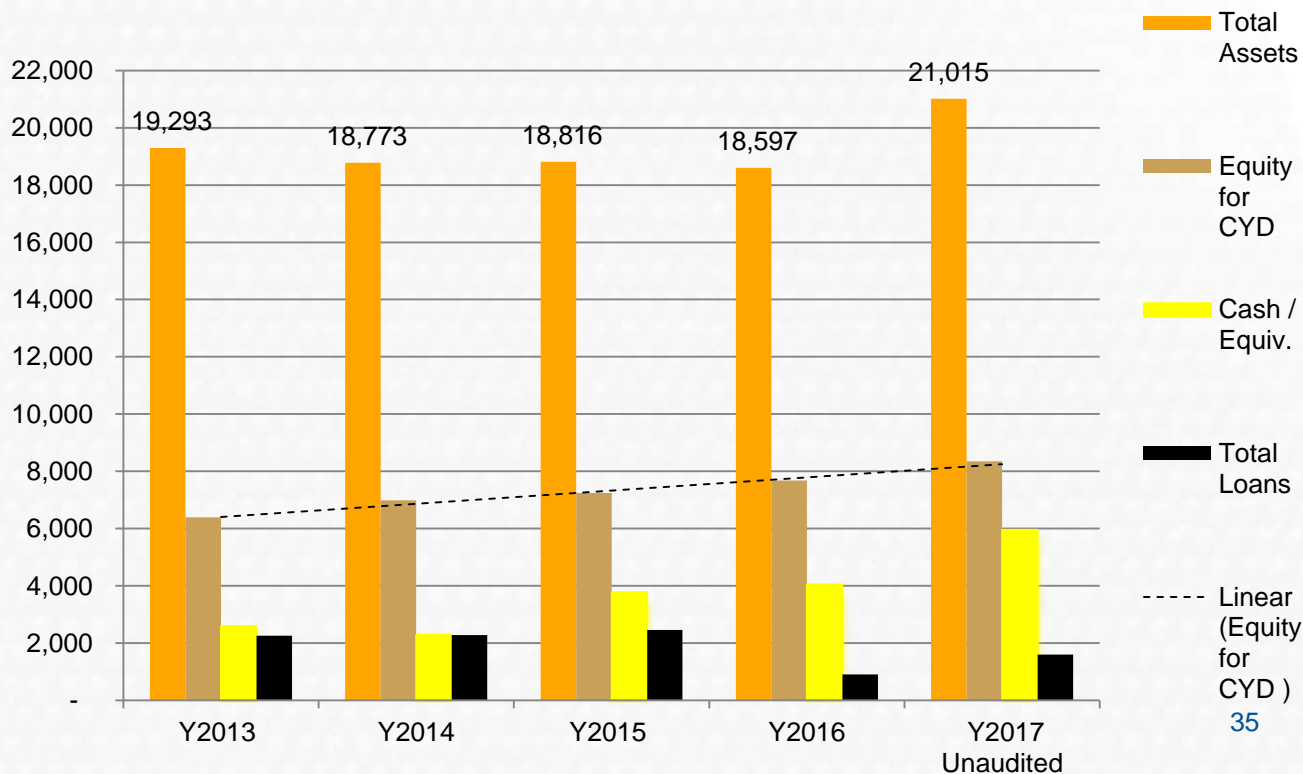


Balance Sheet Review

Currency: RMB Million	Y2013	Y2014	Y2015	Y2016	Y2017 Unaudited
Total Assets	19,293	18,773	18,816	18,597	21,015
Equity for CYD	6,392	6,988	7,240	7,684	8,348
Cash and balance balances	3,562	2,509	3,842	4,053	6,029
Total Loans	2,259	2,287	2,456	910	1,626
Gearing Ratio [Total Loans / Total Equity]	26.8%	25.0%	26.0%	9.1%	14.8%
Current Ratio	1.47	1.62	1.50	1.66	1.70
Inventory Turnover days	67	53	57	57	74

Healthy Balance Sheet

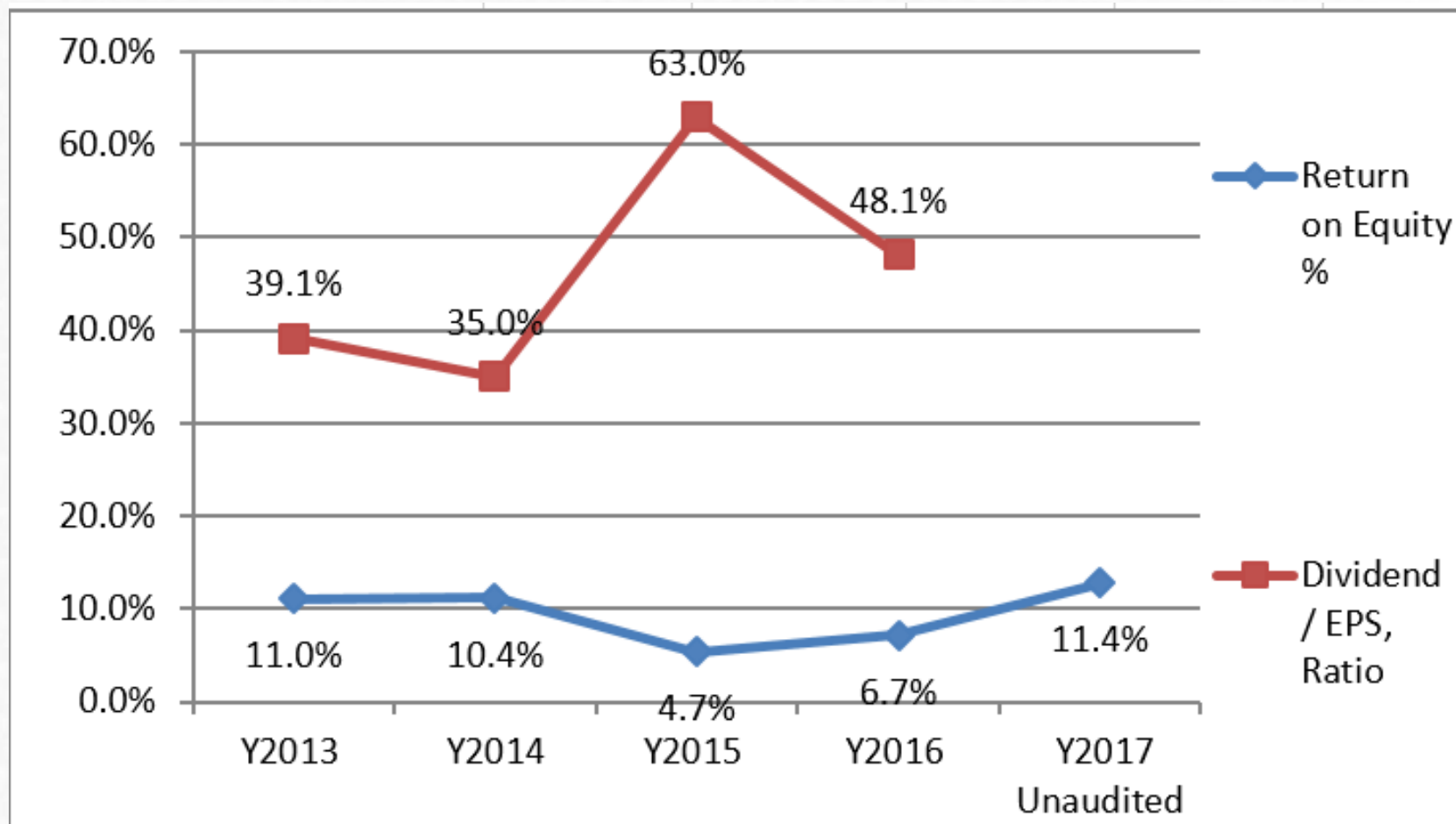
- Strong cash position
- Positive net cash position
- Healthy Gearing at 14.8% (Y2017), 9.1% (Y2016), & 26.0% (Y2015)
- Healthy current ratio 1.70 (Y2017), 1.66 (Y2016), & 1.50 (Y2015)
- Equity for CYD grew to RMB 8.3Bn (Y2017), RMB 7.7Bn (Y2016), & RMB 7.2Bn (Y2015)





Financial Return Review

	Y2013	Y2014	Y2015	Y2016	Y2017 Unaudited
Return on Equity %	11.0%	10.4%	4.7%	6.7%	11.4%
Dividend / EPS, Ratio	39.1%	35.0%	63.0%	48.1%	NA
EPS, US\$ per share	\$3.07	\$3.14	\$1.35	\$1.87	\$3.58
Dividend, US\$ per share	\$1.20 #	\$1.10 #	\$0.85 #	\$0.90 #	NA



Note #
Shareholders
can elect to
receive
dividend in
cash or
shares



China Yuchai International [NYSE: CYD]

Thank You

