



**China Yuchai International Ltd.**

**[NYSE: CYD]**

**June 2012**

March 2012



## China Economic Outlook

- Chinese economy undergoing a soft landing
- Overall trade volume will decrease due to worldwide economic climate
- Monetary easing to boost domestic consumption
- Change of leadership and new incentives

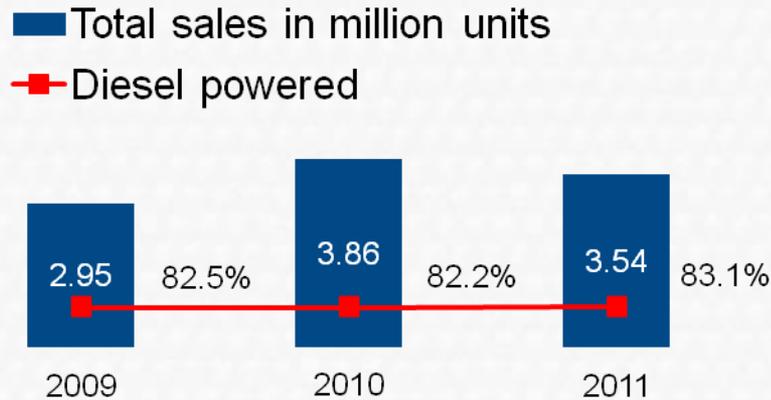
## Diesel Engine Industry Outlook

- Truck market expected to remain weak especially the HD segment
- A moderate growth in coach & bus market and focus on HD/LD segments
- Construction engine market remains optimistic but may not be as strong as 2011
- Marine engine market remains strong, but power generation less so.



# Market Overview: Commercial Vehicles

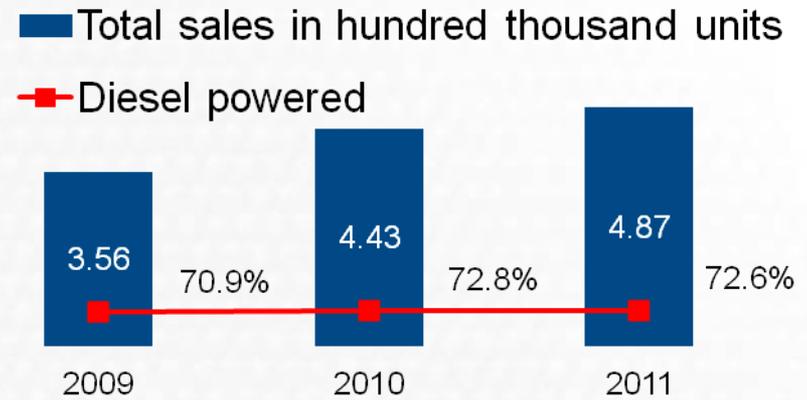
## China Truck Market



### Truck Market Drivers

- China's economic growth
- Infrastructure projects
- Urbanization
- Logistics Networks
- Stringent emission standards

## China Bus Market

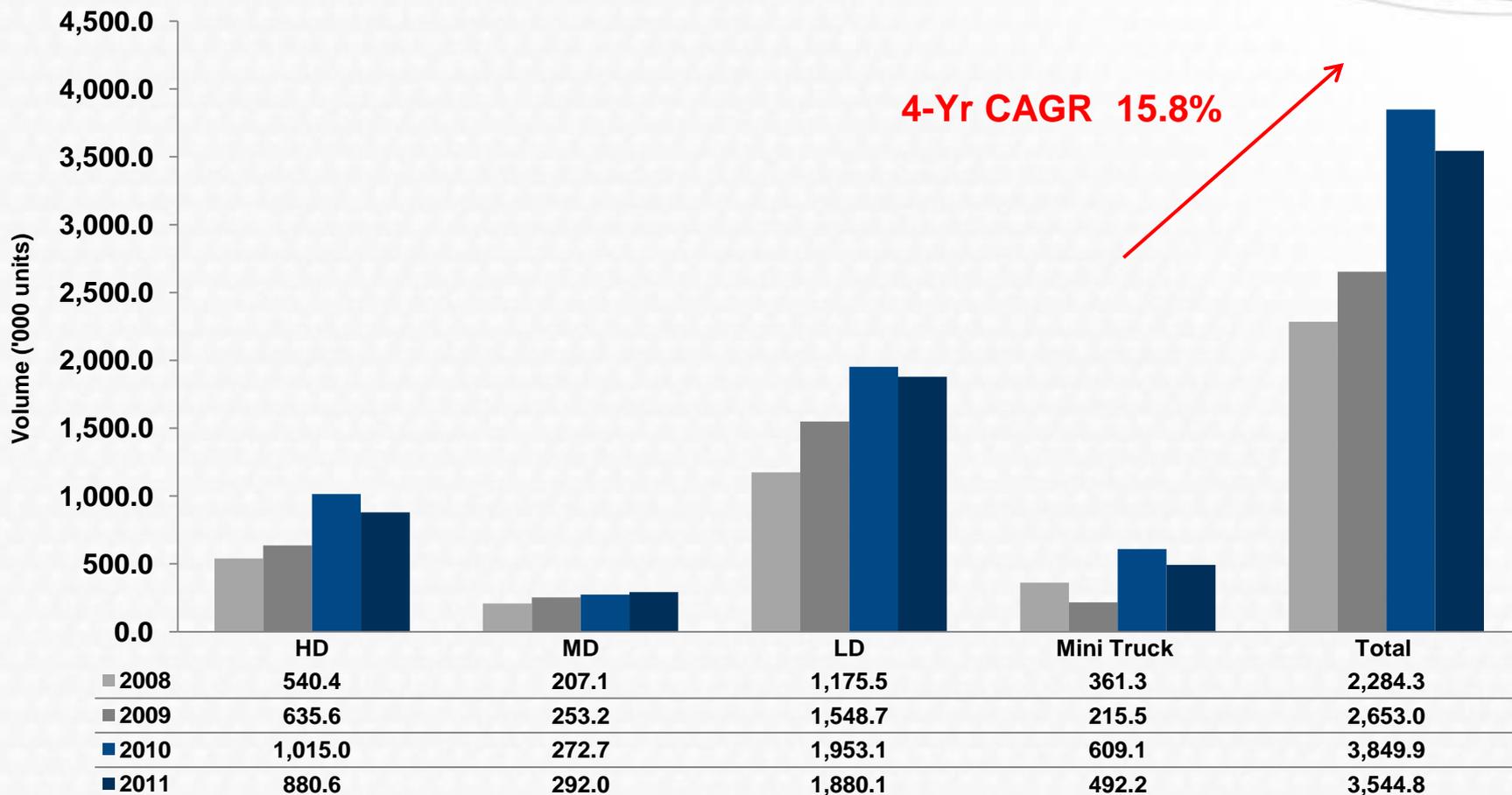


### Bus Market Drivers

- Rapid expansion into rural areas
- Booming tourism
- Highway expansion
- Continued Urbanization
- Growing number of major events



# Truck Market Sales Breakout

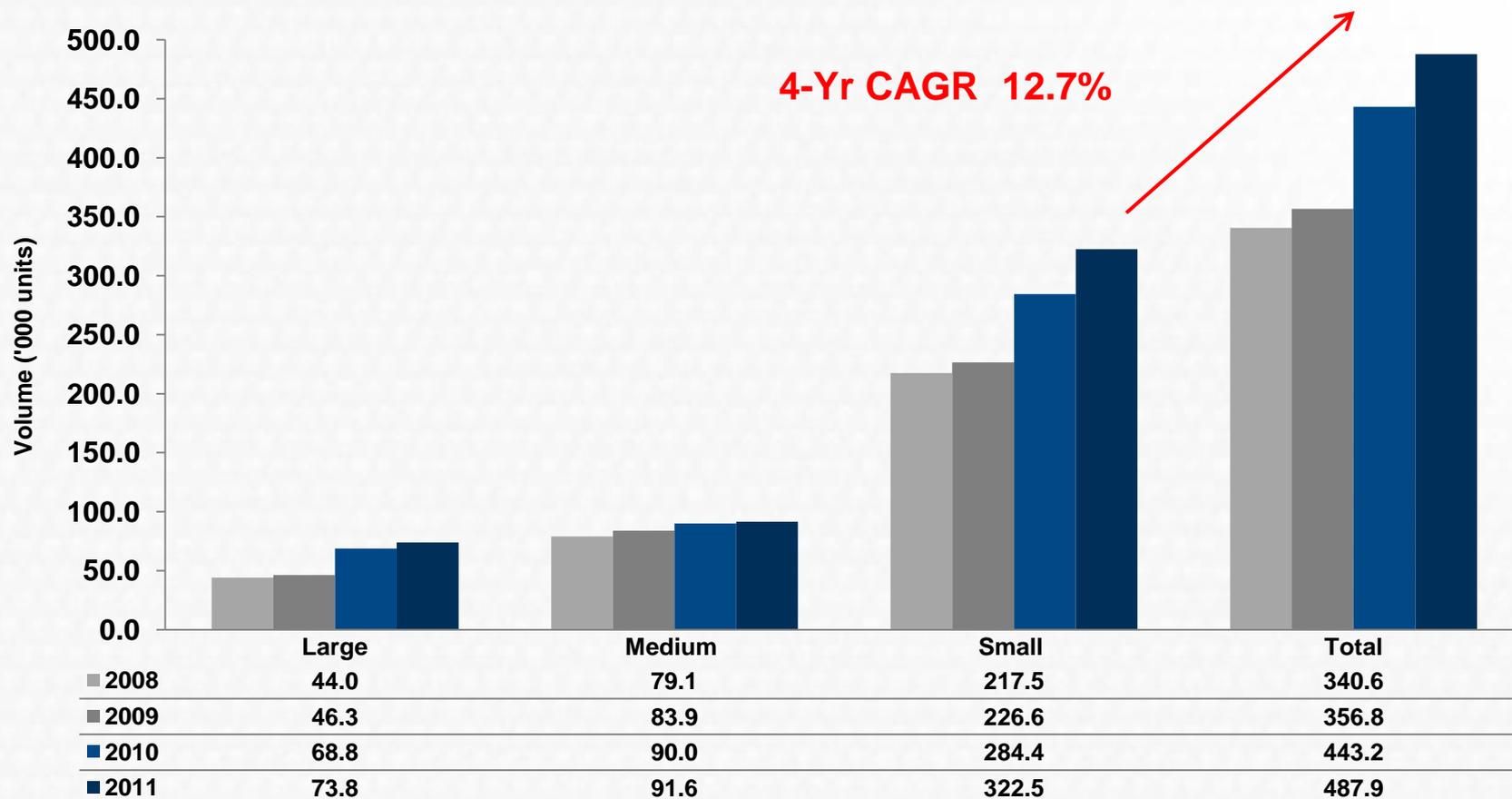


**China Truck Market 4-Year CAGR at 15.8%. MD Truck increased 4 years in a row.**

*Source: China Automotive Industry Newsletter*



# Bus Market Sales Breakout



- China Bus Market 4-Year CAGR at 12.7%
- Small bus posted largest increase in 2011, Large bus posted 67.7% growth 2008-2011

Source: China Automotive Industry Newsletter



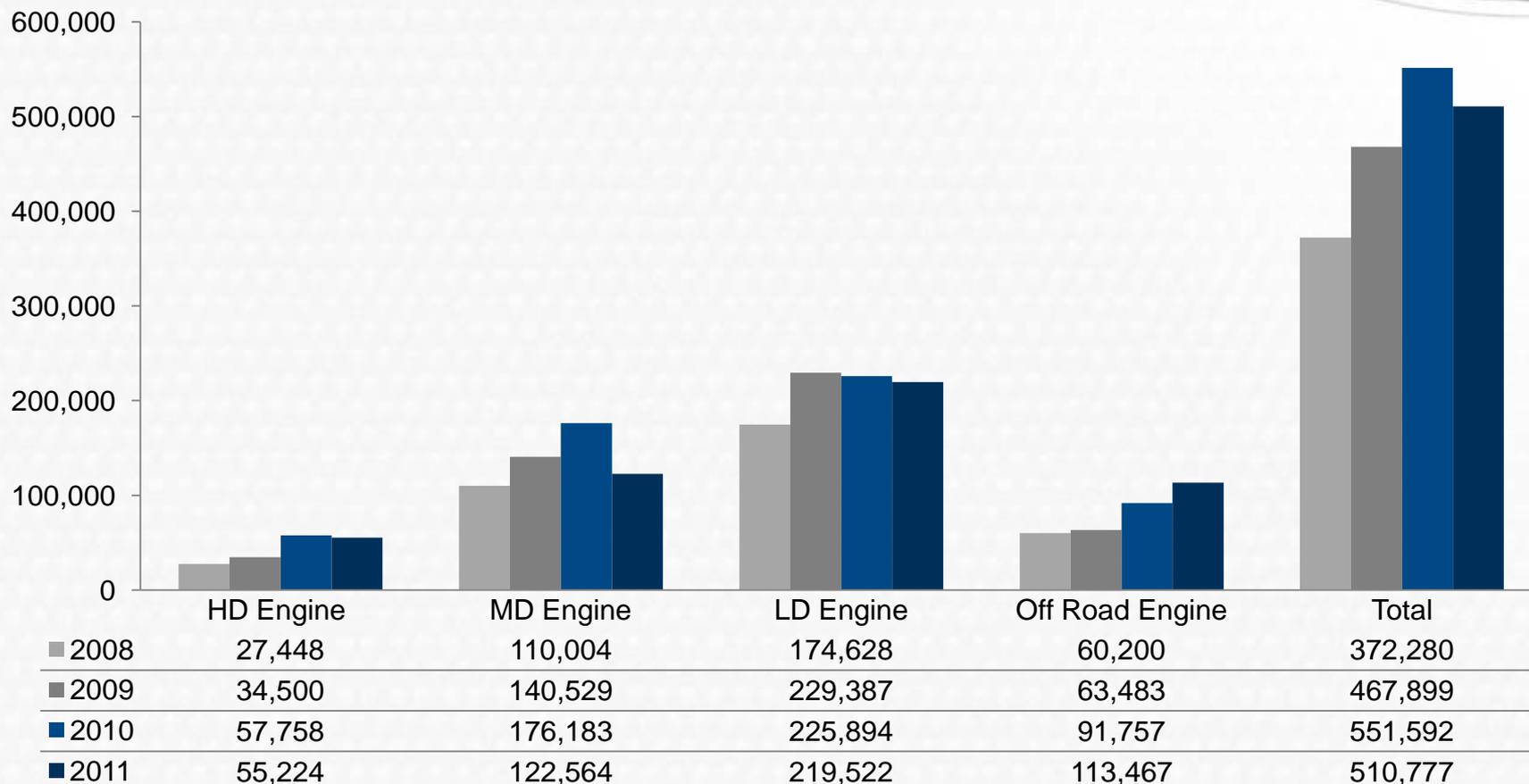
# Corporate Summary



- GYMCL was founded in 1951
- Leading manufacturer of a wide array of light-duty, medium-duty and heavy-duty diesel engines in China and overseas
- Consistently ranked No. 1 for unit sales by the China Association of Automobile Manufacturers
- Operates the largest single facility for commercial automotive diesel engines in China
- Main production base is in Yulin, Guangxi province. Capacity of 600,000 units
- World-class R&D program with large patent portfolio
- Over 2,800 services stations and 32 regional sales offices throughout China



# Unit Sales: 2008-2011

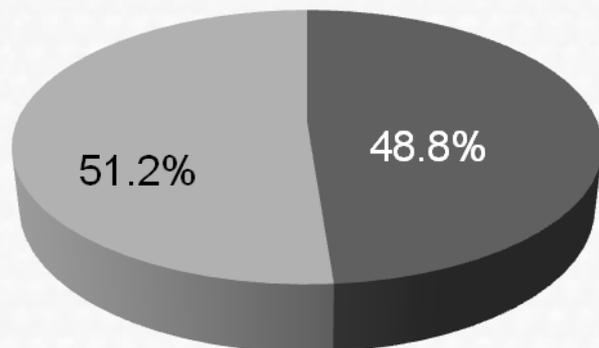


- HD increased 26% from 2008 to 2011
- 2011 Off-road engines increased 24%, mainly from construction and power generation

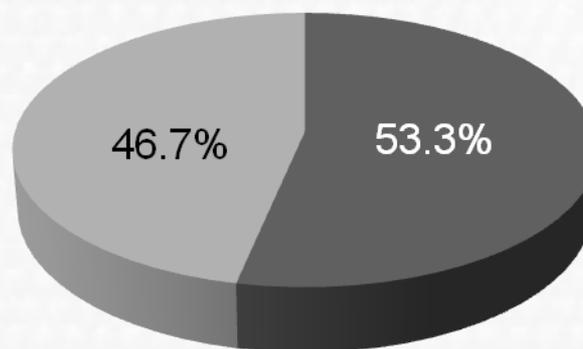


# Sales Mix

## 2010 Sales Mix



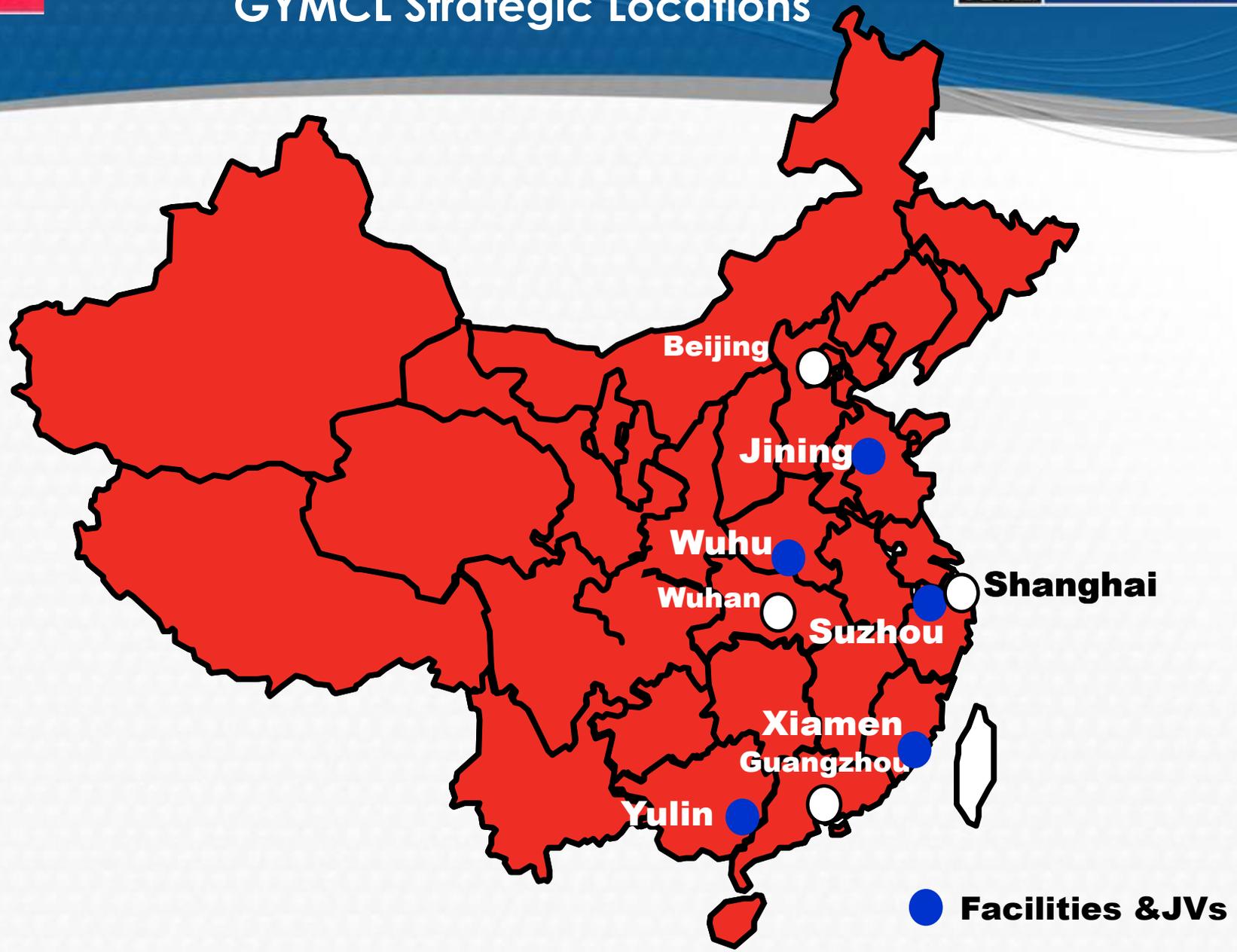
## 2011 Sales Mix



- 4 Cylinder
- 6 Cylinder



# GYMCL Strategic Locations





# New Foundry Center in Yulin



**New Foundry Phase 1**

**Phase 2 Molding Line**

- Phase 1 in full operation
- Production of 500 molds per shift
- Phase 2 expected to begin operations in late Q2 2012
- Total annual capacity of 1M engine heads/blocks in 3 phases
- Among the largest foundry and engine casting facility in China



# Xiamen Yuchai facility



## Xiamen Yuchai Factory and Assembly Line

- Started in September 2009 at Xiamen
- Ramping up production to supply engines to customers in South-Central China
- Capacity to maintain at 100K units beyond 2012

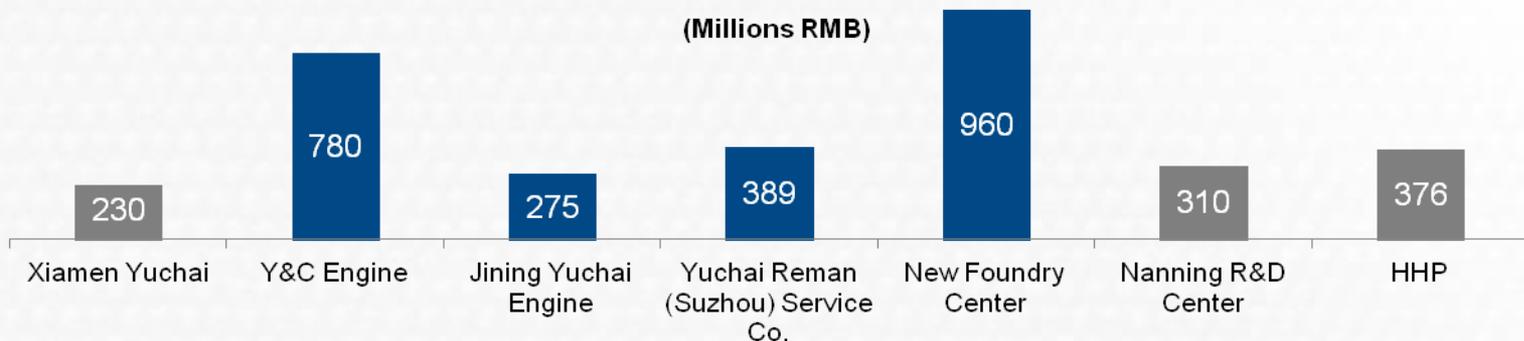
## Capacity in Xiamen





# Strategic Partnerships

## Major Projects Investment



	<b>Y&amp;C Engine Co Ltd</b>	<b>Jining Yuchai</b>	<b>Yuchai Caterpillar Remanufacturing JV</b>
<b>JV Partner</b>	<b>CIMC-Chery</b>	<b>Geely</b>	<b>Caterpillar China</b>
<b>Location</b>	Wuhu City Anhui Province	Jining City Shandong Province	Suzhou Industrial Park Jiangsu Province
<b>Products</b>	YC 6K, 12/13L 380-550PS HD	4D20, 2/3L 90 -140 PS LD	Remanufacturing components / engines
<b>Production Date</b>	Early 2011	2013	July 2011
<b>Ownership</b>	45% GYMCL	70% GYMCL	51% Yuchai



# Suzhou Remanufacturing (JV with Caterpillar)



**Operation at Temp Workshop**

**Factory under Construction**

- Trial production started from Q3 2011
- First Reman engine was delivered in Sept 2011
- Construction of factory expected to complete in 2<sup>nd</sup> half of 2012
- Full operation targeted at the end of 2012.



# Wuhu Y&C Power (Chery Trucks)



**Engine Assembly Line**



**Machining Center**

- Trial production started in 2011
- Production line was fully commissioned
- Existing capacity 15,000 units
- YC6K engines rated one of the best



# YC6K Engine

- JV Engine at Y&C Engine Co. Ltd. (CIMC-Chery)
- 12L/13L capacity
- Rated 380 ~ 550Ps
- National 3,4,5 certified
- Compliant up to Euro VI emissions standard
- Designed for 21 models/ 600 series Jirui heavy-duty trucks





# Capacity Expansion HHP Marine and Power Gen Engines



**YC6C**

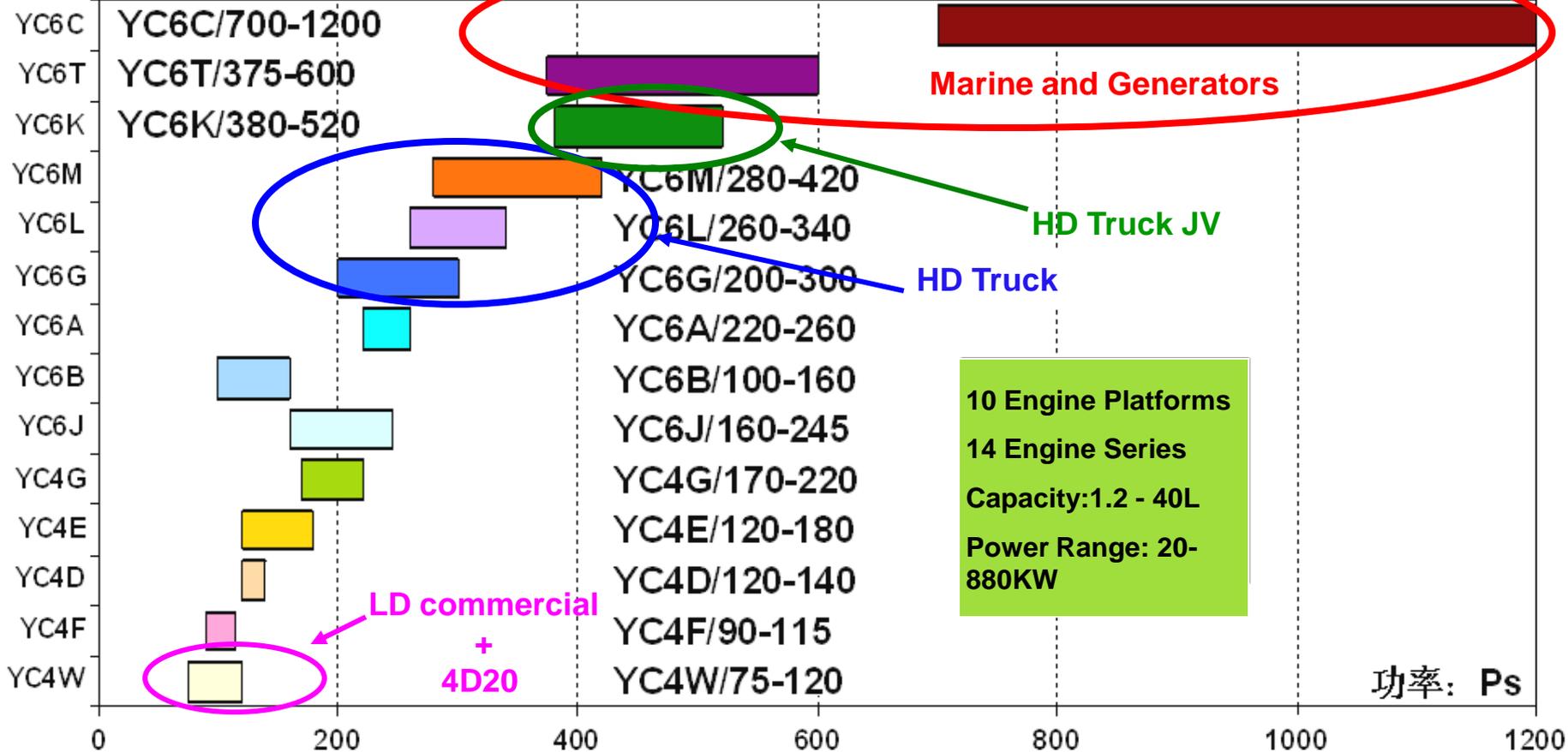


**YC6T**

- YC6T - 16L with 350 - 550 bps power rating, available for IMO/T2 standard
- YC6C - 40L with 600 - 950 bps power rating, limited production at present
- YC12VT - 33L with 750 - 1,000 bps power rating, to be launched in late 2012
- YC8C - 53L with 1,000 bps and above power rating, to be launched in 2013.



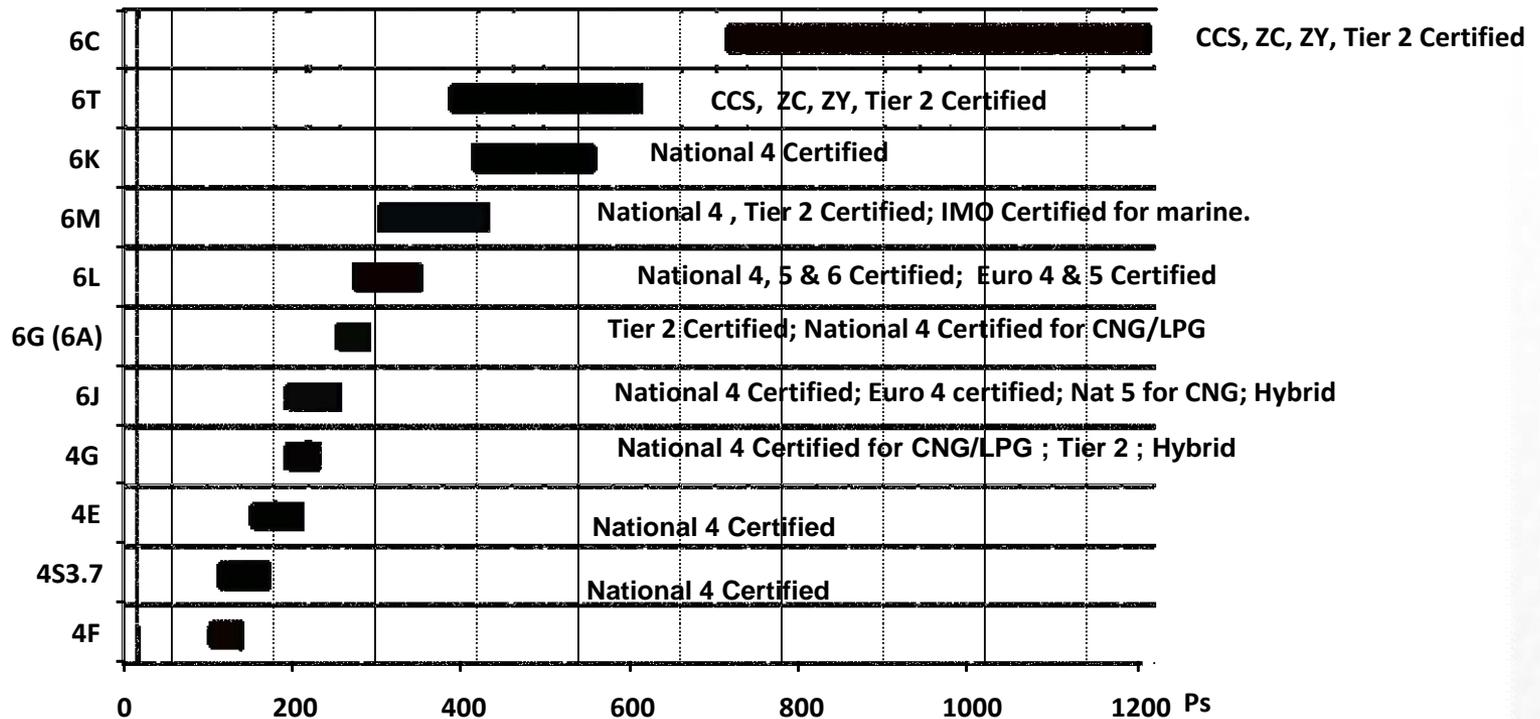
# Products





# Meeting Stringent Emissions Standards

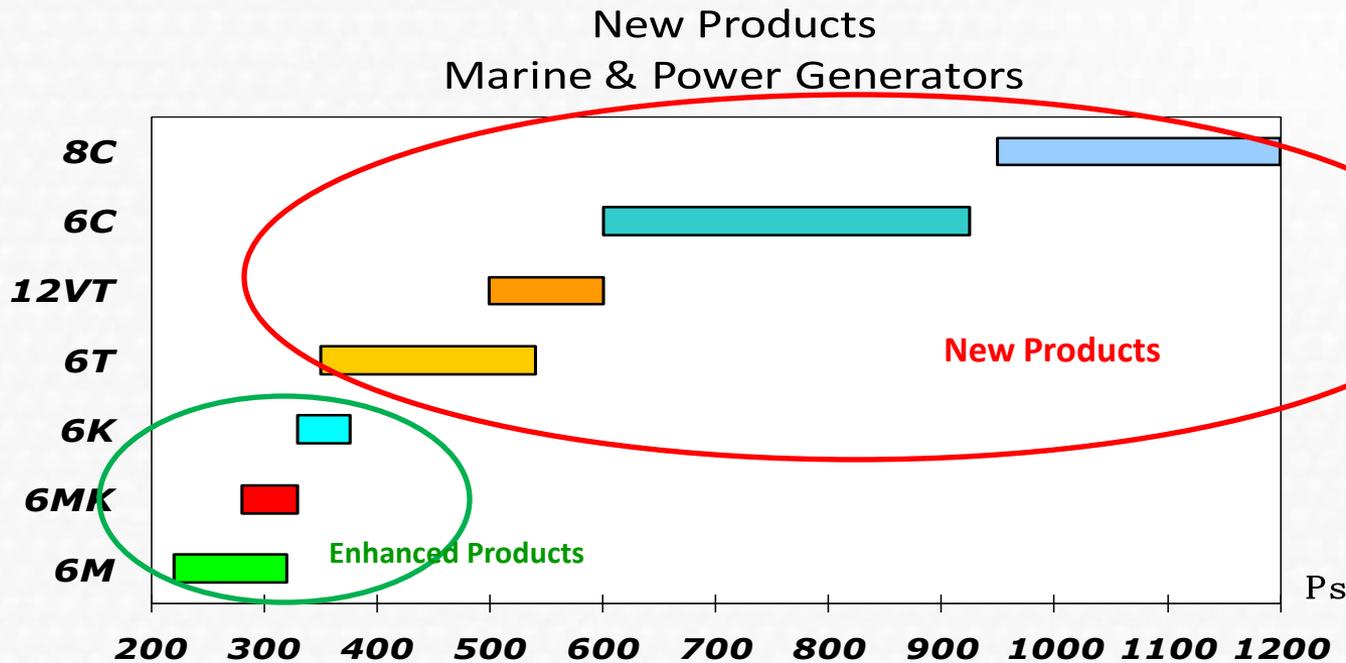
Engine Series



- National 4 emission standards is anticipated to be introduced nationwide in China in July 2013
- Beijing, Shanghai, Guangzhou and Shenzhen have already adopted National 4 emissions standard.



# Heavy Duty Products



- New Engine Products up to 53 liters with maximum rating at 1200 Ps (900KW).
- Use of existing engine configuration to extend to other applications.
- 6M, 6MK, 6L and 6K are for Heavy-Duty Truck applications.



## China Distribution Network

- 2,800 services stations in China
- 32 regional sales center

\* As March 2012

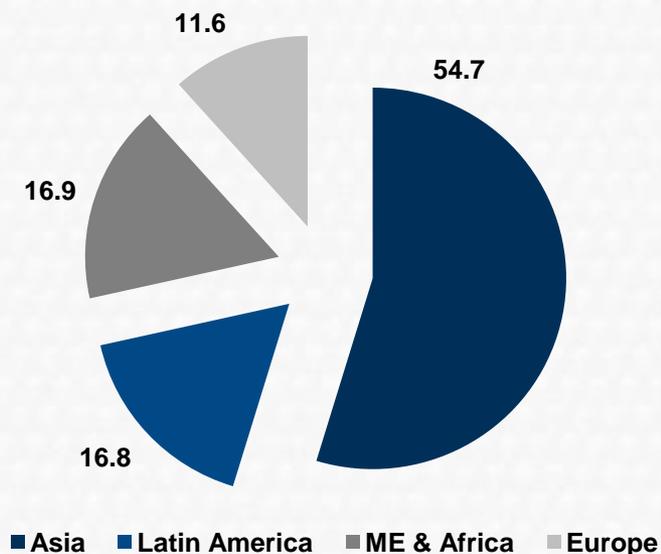




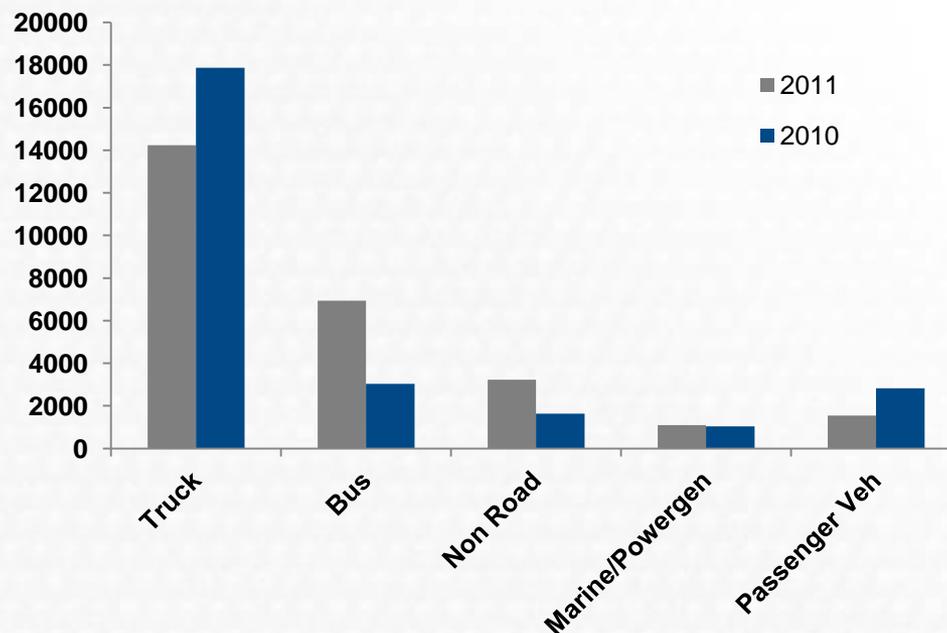
# Yuchai Engine Export Market



2011 Regional Sales  
Total Volume 27033 units



Export By Segment  
2011 YoY increment 2%



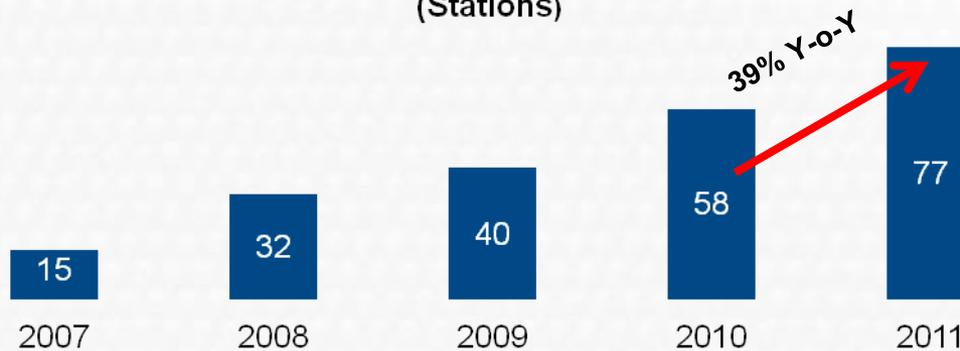
- Total export volume increased 2% Year-on-Year in 2011
- Truck engines were the largest export by volume
- Bus engine exports increased by 129% Year-on-Year in 2011



# International Service Support Network

## Expanding Service Network

(Stations)



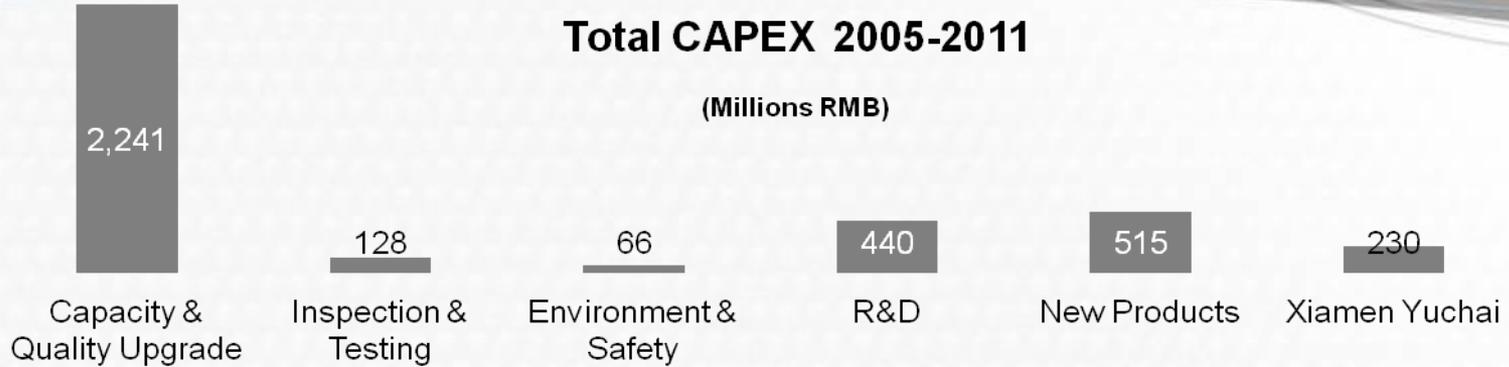
- Yuchai engines are sold to a total of 24 countries
- Engine population of over 144K units
- In 2011, there were 77 service dealers worldwide.



# Product Development and R&D

## Total CAPEX 2005-2011

(Millions RMB)



## Major Projects

(Millions RMB)



- Total Capex for last 7 years: 4.6B RMB
- Total JV investment: 1.6B RMB
- R&D and New Products: 15.4% total Capex and JV investments



# Green Technology

- **National 6 Emission Standard (Equivalent to Euro IV)**
  - YC6L-60 National 6 Engine was launched in October 2011
- **National 5 Emissions (Equivalent to Euro V)**
  - National 5 Diesel Engine in operation at Public Transit Systems in major cities
  - National 5 Gas Engine in operation for both truck and Bus.
- **Hybrid Diesel Power Train**
  - Over 1,000 hybrid systems in operation at Public Transit Systems, including Yuchai's self developed Hybrid power train
- **Natural Gas (CNG, LNG) and LPG engines**
  - Delivered over 13,000 Gas Engines in 2011
  - New Gas Engine Development Centre will be in service by early 2013



# Green Technology Hybrid Engines



**Yuchai engine coupled to Electric Motor Drive**

**Yuchai hybrid engine in OEM Bus**

- Hybrid engines are available in 4G, 6G and 6J series engines
- Over 1000 systems in operation at public transit fleets in cities of Tianjin, Kunming, Hangzhou and Chongqing
- expected to reduce fuel consumption by 25-30%



# Gas Engine



**Yuchai YC6J  
CNG Engine**

- Central Government promoting the use of Natural Gas in both truck and bus segments in the 12<sup>th</sup> 5-year plan.
- Gas pipeline infrastructure in place to support the nationwide gas distribution.
- Gas engine is environmental friendly – less contaminant from combustion.
- New Gas Engine Development Centre in operation by early 2013, to develop and manufacture full portfolio gas engine for all applications.
- Yuchai has sold over 13,000 gas engines in 2011 and plans to double the volume in 2012.



## R&D Leadership

- 473 engineers including **22 PhDs** and 104 Master Degrees in the R&D team
- Total **1,053 patents** including **209 patent for Invention**
- 140+ research projects in 2011 for product and technical development
- Nation 6 (Euro 6) engines YC6J launched in late 2011
- Euro 5 engines YC6J commercially launched for Public Transit (PT) market in Oct 2010
- **1<sup>st</sup> hybrid power system** launched in late 2010 for PT market, now **1,000+** in operation
- China Classification of Shipping (CCS) authorized product inspection and testing center
- New Nanning R&D center expected to begin operations in late 2012



## R&D Leadership

- Developed **China's first self-developed National 6 (Euro 6)** diesel engine
- Developed YCECU (Engine control unit) with independent IP rights
- **Leading factory with Euro 5** engine production in China
- Developed **first EGR+POC diesel engine (National 4) for passenger vehicle**
- Produced China's first Euro 4 emission standard diesel engine
- Developed China's first Euro 5 electronic-controlled diesel engine
- China's first 4-cylinder Integrated Starter/Generator (ISG) hybrid diesel bus engine
- China's **first Regenerative Hybrid engine** launched for public bus market in 2010.



# Cost & Technology Improvement

## **Lean Manufacturing**

- Promote lean manufacturing across all machining shops, engine assembly plants

## **Gas Engine Development**

- Complete range of gas engines suitable for LNG, CNG and LPG gaseous fuel

## **V Configuration for HHP engines**

- Developing the 12VT engines to extend engine power range

## **New Foundry**

- Rejection rate reduced to below 1.0%.
- Saves 5% material cost due to accurate molten iron measurement and placement



## 2011 Awards & Recognitions

- 2011 China Top 500 Enterprise - No. 215
- 2011 China Top 500 Manufacturing Enterprise - No. 19
- YC6L wins 2011 Outstanding Commercial Vehicle Engine Award
- Launch first National 6 (Euro 6) Emission Standard Diesel Engine
- National Engineering Laboratory for “High Efficient Energy Saving Environmental Diesel Engine”
- 2011 Diesel Engine and Accessories Manufacturing First Tier Company



# Moving Forward

- Expand into HD Products, construction, marine and power generators markets
- Grow international business
- Launch new gas engines to address increasing gas application demand
- Continue to meet stringent emissions across all products
- Launch JVs product to support future profitable growth
- Implement improvements and cost reductions through Lean Six Sigma manufacturing
- Maximize our shareholders' value



## Key Financials

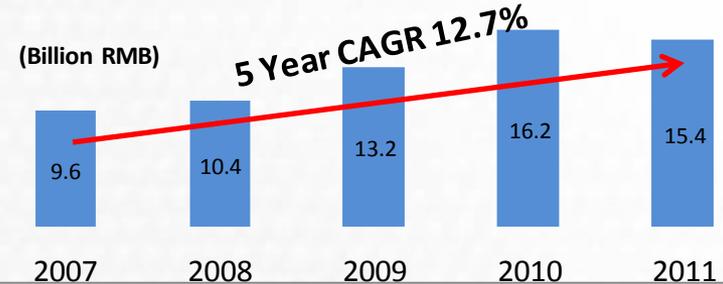
- **1Q 2012\***
  - Revenue RMB 3.7 Billion
  - 131,697 units of engine sold
  - Gross margin 21.2%
  - Operating (EBIT) margin 9.4%
  - EPS \$0.72 (RMB 4.50)
  - Free-Cash-Flow generated

*\*unaudited*

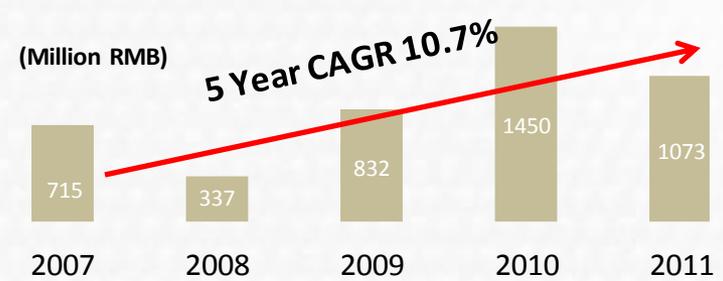
- **2011**
  - Revenue RMB 15.4 Billion
  - 510,777 units of engine sold
  - Gross margin 22.3%
  - Operating (EBIT) margin 10%
  - EPS \$3.49 (RMB 21.96)
  - Free-Cash-Flow generated

- **2010**
  - Revenue RMB 16.2 Billion
  - 551,592 units of engine sold
  - Gross margin 24.7%
  - Operating (EBIT) margin 12%
  - EPS \$ 4.57 (RMB 29.98)
  - Free-Cash-Flow generated

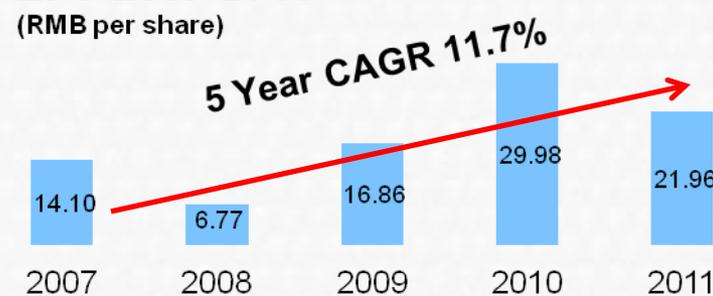
### Total Revenue 2007-2011



### Net Income 2007-2011



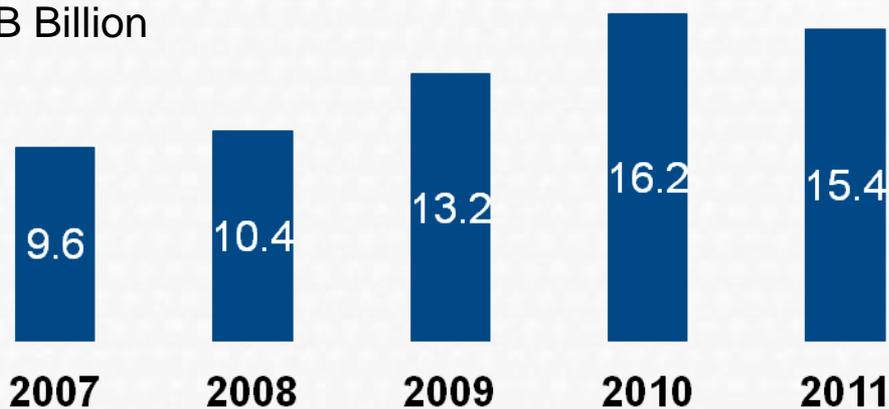
### EPS 2007-2011





# Revenue

RMB Billion



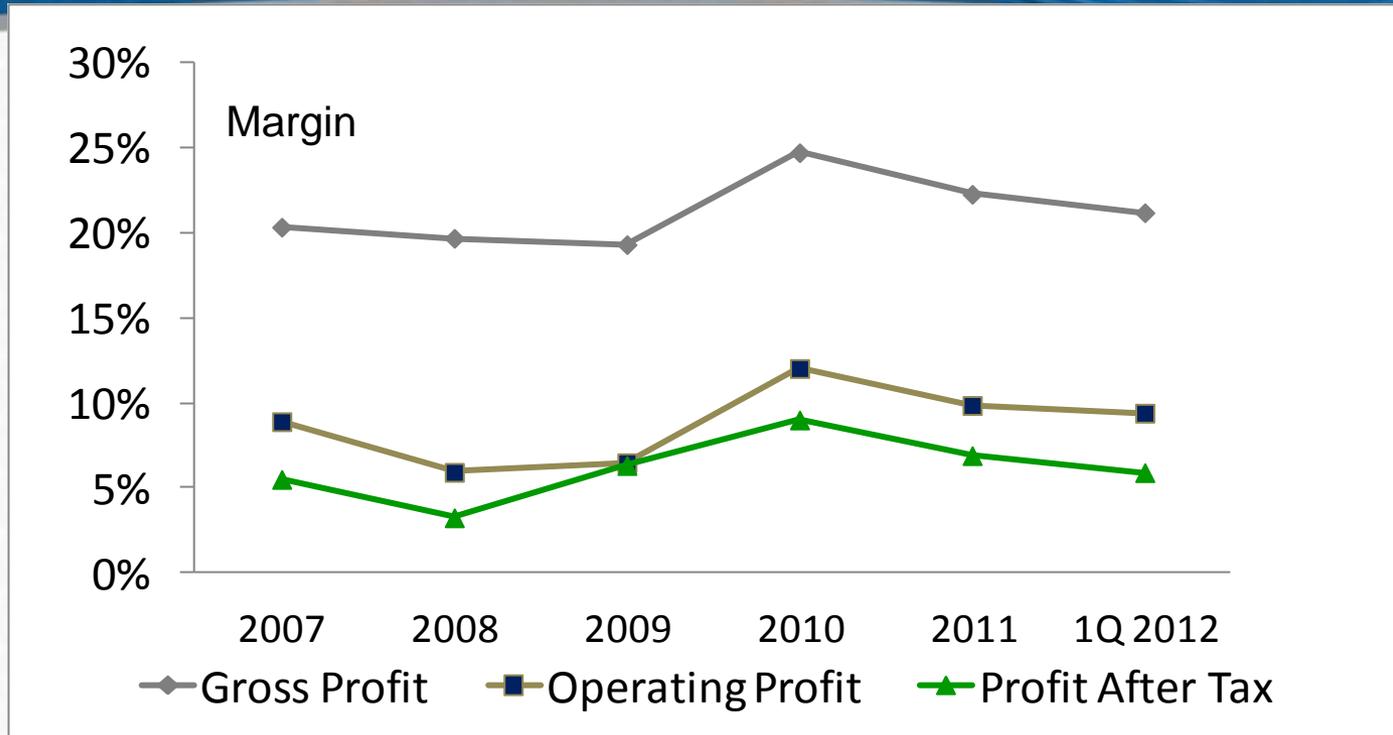
Unit Sales

383,667	372,280	467,899	551,592	510,777	131,697
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- 5 year revenue CAGR 12.7%
- 5 year unit sales CAGR 7.4%
- ASP maintained
- Ranked number 1 for unit sales by China Association of Automobile Manufacturers



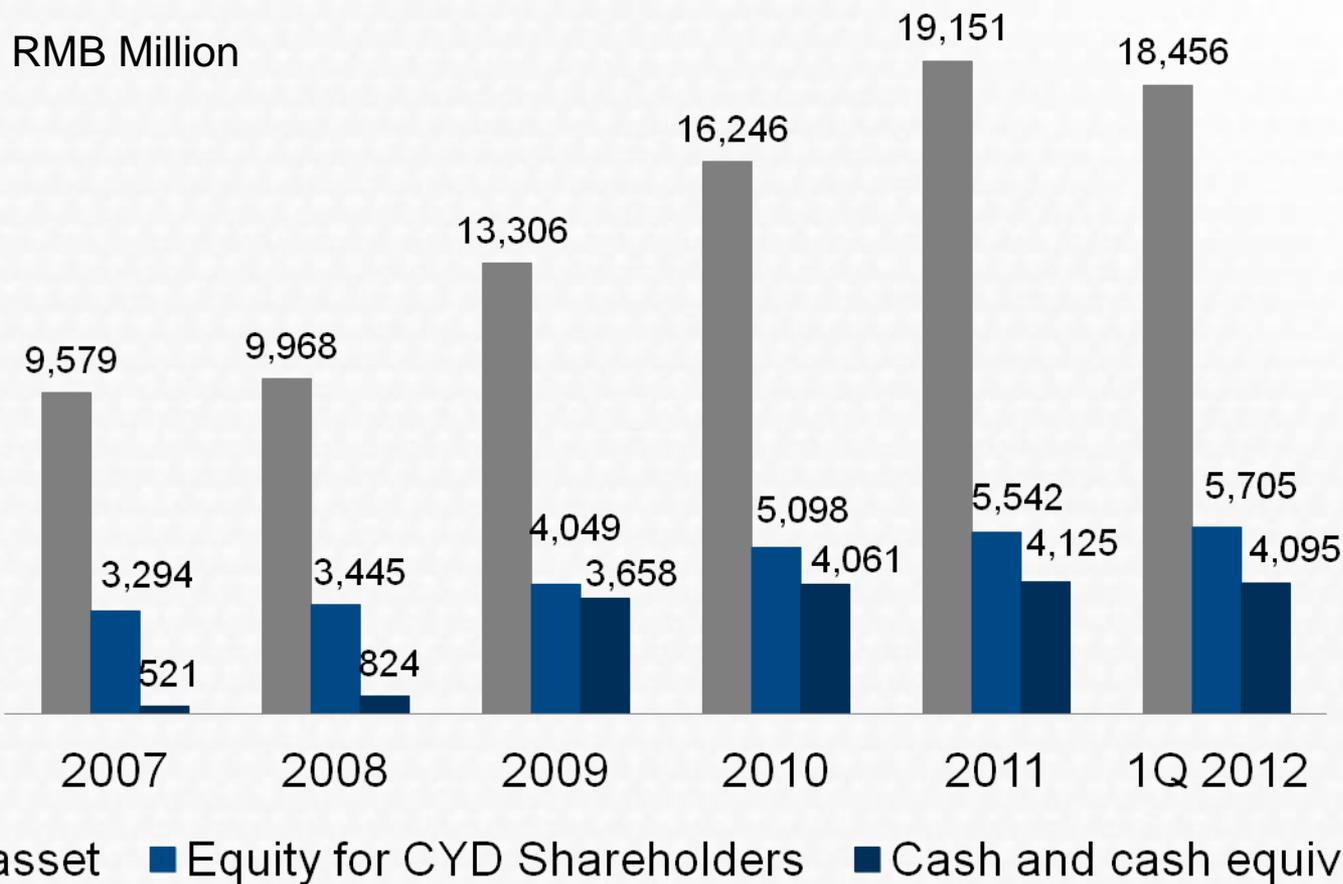
# Profitability Indicators



	Y2007	Y2008	Y2009	Y2010	Y2011	Y2012.Q1
Gross Profit	20.4%	19.7%	19.3%	24.7%	22.3%	21.2%
Operating Profit	8.9%	5.9%	6.5%	12.0%	9.9%	9.4%
Profit after Tax	5.5%	3.2%	6.3%	9.0%	6.9%	5.9%



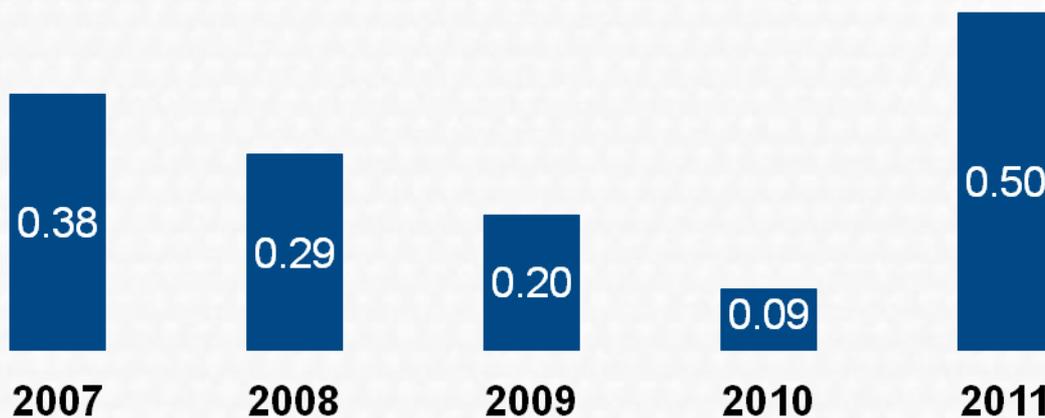
# Asset & Equity



(1Q 2012 unaudited)



# Gearing



Gearing Ratio = Short-term and Long-term Loans / Total shareholder's Equity



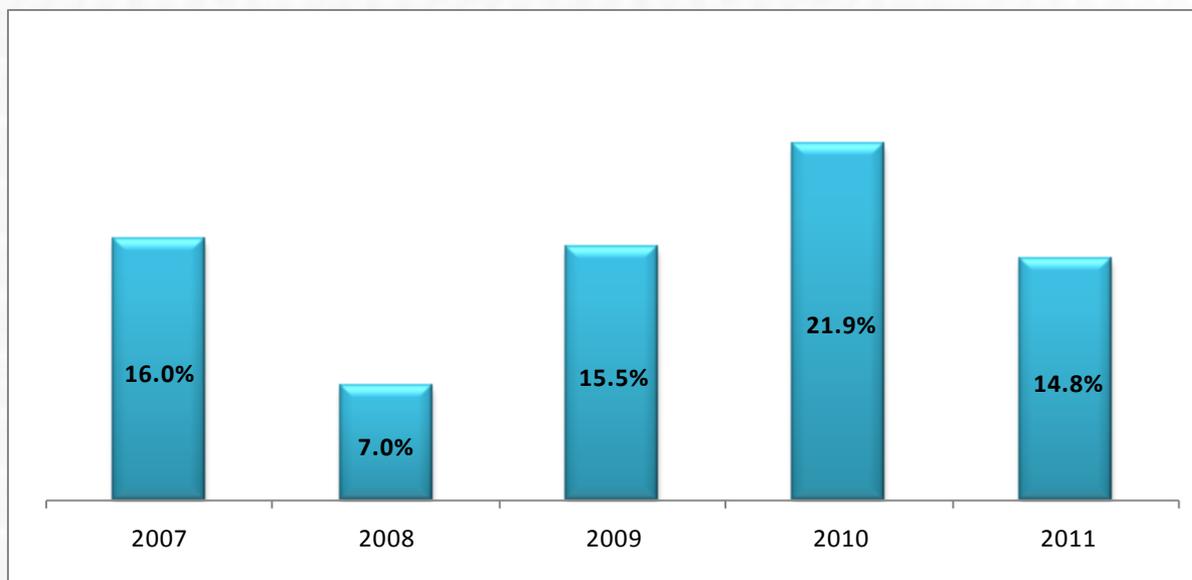
# Current & Inventory Ratios

RMB Million	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Current Assets	5,696	6,135	8,679	11,381	13,906
Current Liabilities	<u>4,667</u>	<u>5,158</u>	<u>7,249</u>	<u>8,893</u>	<u>11,236</u>
<b>Current Ratio</b>	<b>1.22</b>	<b>1.19</b>	<b>1.20</b>	<b>1.28</b>	<b>1.24</b>
Inventory	1,647	2,250	2,130	2,633	2,416
Cost of Sales	<u>7,612</u>	<u>8,356</u>	<u>10,630</u>	<u>12,199</u>	<u>12,002</u>
<b>Turnover Days</b>	<b>79</b>	<b>98</b>	<b>73</b>	<b>79</b>	<b>73</b>

(2011 audited)

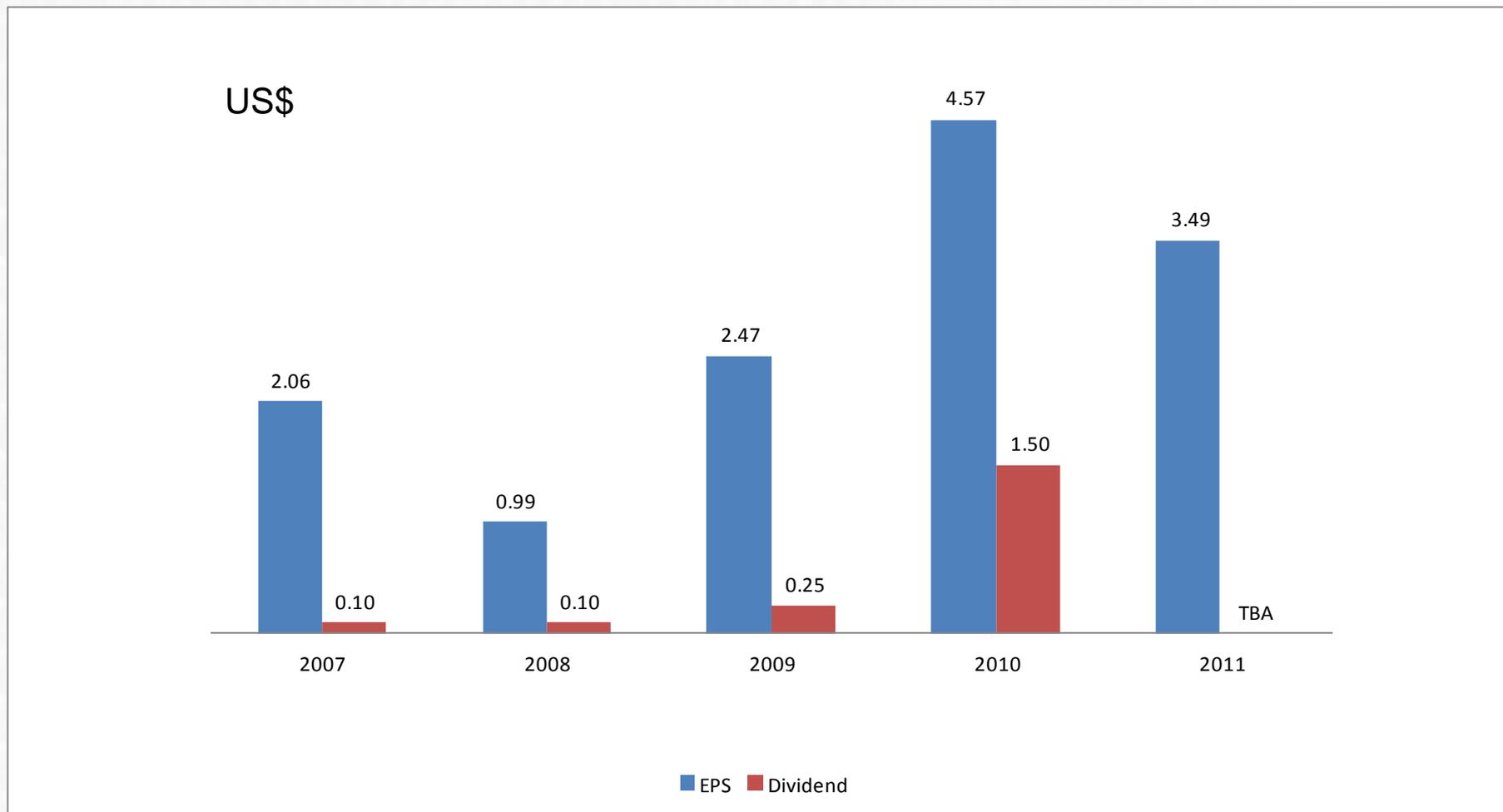


# Return on Equity





# EPS & Dividend



(2011 audited)



# Safe Harbor



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*Thank You*

