KHD Humboldt Wedag International AG, Cologne

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- **Consolidated revenue of EUR 58.7 million in the first three months of 2011**
- **EBIT at EUR 2.9 million**
- **Consolidated net income of EUR 2.9 million in the first quarter of 2011**

Key figures in overview

	legal			Proforma *)		
in EUR million	31.03.2011	31.03.2010	Variance in %	31.03.2011	31.03.2010	Variance in %
Order Intake	36.0	32.2	11.8	36.0	71.4	-49.6
Order Backlog	280.9	301.5	-6.8	280.9	321.7	-12.7
Revenue	58.7	53.4	9.9	58.7	74.4	-21.1
Gross Profit	11.4	11.6	-1.7	11.4	15.8	-27.8
EBIT	2.9	7.5	-61.3	2.9	9.2	-68.5
EBT	4.5	7.6	-40.8	4.5	9.6	-53.1
net result	2.9	2.1	38.1	2.9	3.2	-9.4
EPS in EURO, Cent	0.06	0.06	0.0	0.06	0.1	-40.0
Cash	349.2	191.0	82.8	349.2	224.6	55.5

*) extended group

Operating business development

KHD Humboldt Wedag International AG (KHD or the Group), one of the world's leading provider of equipment and services to the cement industry, has reported a muted start to the new 2011 business year. KHD generated revenues of EUR 58.7 million in the first quarter of 2011. In comparison to prior year gross profit went from EUR 15.8 million (pro forma) to EUR 11.4 million, particularly due to the lower revenue base. This reflects a 19.4% gross profit margin. EBIT of EUR 2.9 million as of 31 March 2011 is within the expected range, and corresponds to a 4.9% margin. When making a year-on-year comparison, it should be noted that the first quarter of the previous year was significantly positively affected by one-time effects, such as the release of provisions for cancelled orders.

Selling and distribution costs rose only slightly compared with the first quarter of 2010 (pro forma). The total of general & administrative expenses and other expenses decreased compared with the previous-year quarter (pro forma). While comparing the two quarters, it should be noted that the costs of the holding functions that had meanwhile been transferred from Terra Nova Royalty Corp., Vancouver, Canada, were not yet completely included in the first quarter of 2010 (pro forma).

Net finance result was markedly positive at EUR 1.6 million (previous year: EUR 0.1 million), which particularly reflected interest income due to the continued good liquidity position, and gains from forward currency transactions. KHD consequently achieved earnings before tax (EBT) of EUR 4.5 million in the first quarter of 2011. The income tax expense amounted to EUR 1.6 million (previous year: EUR 5.5 million), allowing the Group to achieve net income of EUR 2.9 million as of the end of the first quarter of 2011 (previous year: EUR 2.1 million). As a consequence, both diluted and basic earnings per share amounted to EUR 0.06 (previous year: EUR 0.06).

The Group's business development in the first quarter of 2011 was below its expected revenue and earnings targets. This also applies to the order intake of

EUR 36.0 million for the first quarter of 2011 (pro forma comparison: EUR 71.4 million). While KHD's business with roller presses reported a positive trend, the project business reported a comparatively low level of new order intake, which was predominantly caused by customers postponing the awarding of orders.

Total assets increased from EUR 413.3 million to EUR 482.4 million compared with 31 December 2010. Above all, there was a significant increase in equity, from EUR 148.6 million to EUR 224.9 million, as a result of the capital increase that was implemented in the first quarter of 2011. This represents a 46.6% equity ratio, and underscores the Group's sound capital structure. At EUR 49.7 million, there was hardly any change in non-current liabilities compared with 31 December 2010 (EUR 49.2 million). While deferred tax liabilities reduced from EUR 9.7 million to EUR 5.8 million, non-current provisions increased from EUR 10.8 million to EUR 14.3 million. Both changes were attributable to a major order that was invoiced in the first quarter of 2011. Current liabilities fell from EUR 215.6 million to EUR 207.8 million. The greater proportion of the tax liabilities that this item contains are due within the following quarter.

On the assets side of the balance sheet, non-current assets rose from EUR 9.3 million to EUR 22.7 million. The increase results from a major order that was invoiced. Current assets rose from EUR 404.0 million to EUR 459.6 million. This increase is primarily due to the increase in liquid funds from EUR 293.1 million to EUR 349.2 million. Of this amount, EUR 14.6 million comprises restricted cash deposited for bank guarantees. The prime contributor to the increase in cash were the net proceeds from the capital increase of EUR 74.7 million. This was partially offset by operating cash flow of EUR -17.4 million (previous year: EUR 50.5 million), which primarily reflects a decline in down payments received.

Capital increase and cooperation with AVIC (formerly CATIC)

On 16 February 2011, KHD successfully concluded the capital increase that it had announced on 21 December 2010. This transaction was the pre-requisite for the effectiveness of an agreement with Beijing-based AVIC International Beijing Company Limited (AVIC) concerning the strategic partnership between the two companies. As part of this transaction, KHD's share capital increased by EUR 16,561,021, from EUR 33,142,552 to EUR 49,703,573. The 16,561,021 new ordinary bearer shares, each with a notional amount of EUR 1.00 per share, were issued at a price of EUR 4.53 per share. They carry dividend entitlement from 1 January 2010. The gross issue proceeds from the transaction amounted to EUR 75,021,425.13. As a result, AVIC, via its Hong Kong-based subsidiary Max Glory Industries Ltd. (MGI), now holds 20% of KHD's share capital. The new shares were included in trading on 21 February 2011. KHD and AVIC aim to strengthen their position as a market leader in the cement plant engineering area by jointly tendering for a large number of projects, particularly for turnkey plants. KHD has not participated in such tenders in the past. The cooperation will allow KHD and AVIC to enjoy better access to orders for leading cement manufacturers in the future. The cooperation also comprises the procurement area, as well as the opportunity for KHD and AVIC to jointly invest in an engineering company in China. KHD anticipates that the cooperation will strengthen its presence and business development in the world's largest cement market, China, as well as in other countries and regions.

Market environment
In overall terms, the market environment continued to develop positively for the Group over recent months. As the world rebounded from the economic crisis, global cement production recovered by 7.2% in 2010. Annual production is expected to continue to rise by an average 4% per year, increasing to 3,447 million tonnes by 2013, according to the "Global Cement Report". The IMF is forecasting that emerging economies will continue to experience a strong uptrend. For the future, market experts are anticipating the highest growth potential particularly in the BRIC nations, where KHD is already well positioned in India and Russia. Factors such as urbanisation, demographic trends and infrastructure requirements should feed through to higher construction activity levels in the emerging markets. The Chinese market, to which around one half of global cement consumption was attributable in 2009, should gain increasing significance for KHD as a consequence of the cooperation with AVIC. Due to the global business activities with AVIC, KHD also anticipates additional orders from regions such as the USA, Africa and India.

Nevertheless, day-to-day political events and economic trends in individual markets are not without significance for KHD. The consequences of the continued violent disturbances in North Africa and the Middle East are also having tangible impacts on the cement business. In its ninth edition, the "Global Cement Report", a specialist publication, identifies great uncertainty for the entire region. There are delays to projects, and to the project execution, within this region. KHD identifies margin pressure trends on the Indian market due to a more intense competitive situation, although growth prospects remain good. According to the "Global Cement Report", such sustained positive trend is underpinned by the infrastructure sector, whose growth in January 2011 was around 7% ahead of expectations. The Russian market also continues to report positive trends. Here, KHD anticipates significant growth in its business and new orders. In the assessment of the "Global Cement Report", the expected economic growth of more than 4% for 2011/12 should be accompanied by further essential infrastructure and residential construction projects. As a consequence, the prospects remain positive for KHD as a globally leading equipment supplier for cement plants.

Outlook
Despite a restrained start to the new business year, the Management Board is assuming that it can still achieve its full-year targets. The positive economic trend accompanied by higher cement consumption, particularly in the BRIC states that are important for the Group, provide a good basis for this. At the same time, the successful development in the joint marketing of roller presses with Weir Group PLC, Glasgow, Great Britain, is delivering new impulses for further growth. As a consequence, the KHD Management Board anticipates that order intake and revenues in the current financial year will be at approximately the previous year's level. Further delays in order intake along the timeline will nevertheless make it increasingly difficult for the 2011 revenue target to be attained. In 2011, continuing price pressure following the economic and financial crisis will be reflected in a lower EBIT margin compared with 2010. Further economic recovery, and especially the first positive effects of the cooperation with AVIC, provide the opportunity to deliver revenue and earnings growth from 2012 onwards.

Cologne, 12 May 2011

The Management Board