

Report of the Management Board

Jouni Salo (CEO), Ralph Quellmalz (CFO), Yizhen Zhu, (COO Asia Pacific)



CEMENTING A STRONGER FUTURE

Agenda

Review 2012

Outlook 2013

Going Forward

Review 2012

Full order book

- Increased market share and new orders under difficult market conditions
- KHD and AVIC partnership proves global competitiveness: Orders in Malaysia, Turkey and Venezuela

Leading Technology

- KHD wins order to build one of the most eco-friendly cement plants in Europe in the Lake Garda region
- KHD's Combustion Chamber wins award for 'Most innovative technology for alternative fuels use'

Expanding services

- First roller press service facility in India launched

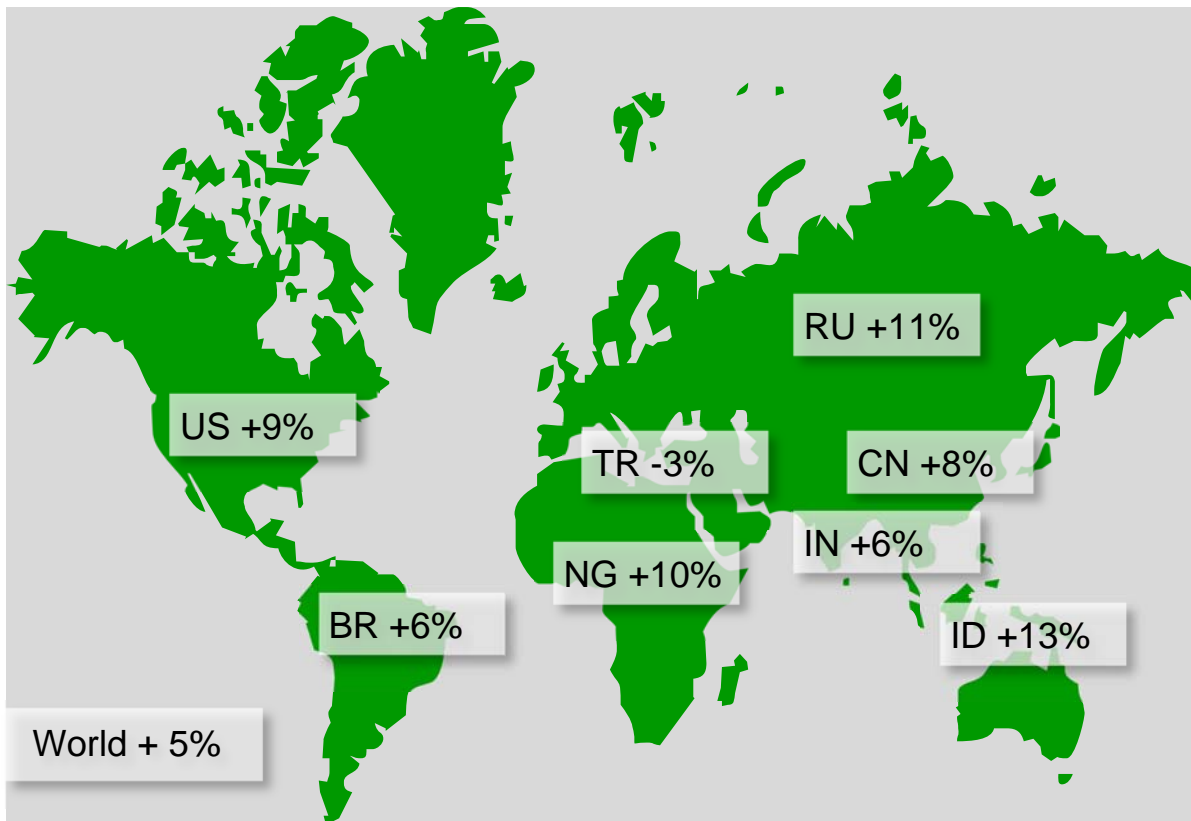


KHD is a leader in environmental technologies for the cement industry

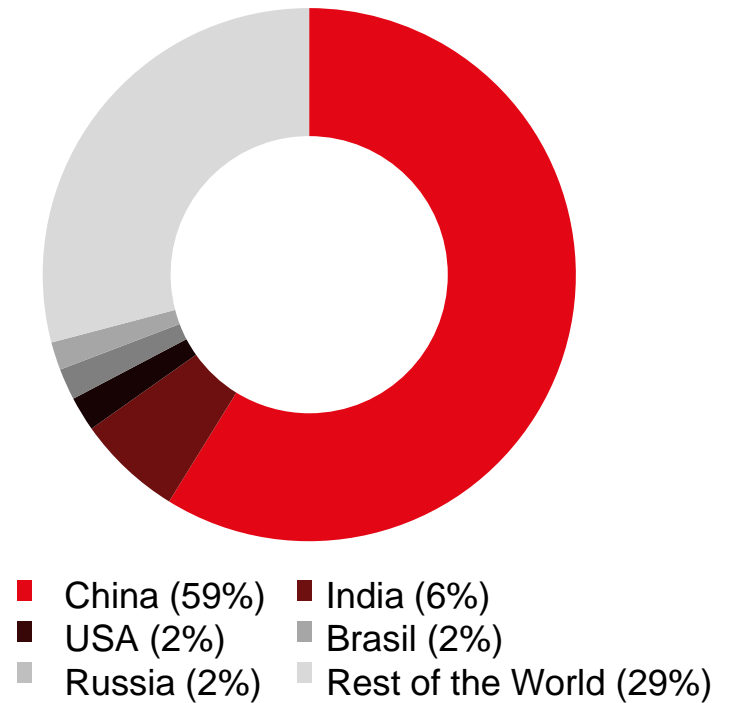
- KHD holds 403 patents, 15 registered designs and 497 for registered trademarks - *23 patents (including six registered designs) in 2012*
- Currently working on over 30 budgeted R&D projects in all areas of the production process, including environmental solutions and standardization
- KHD COMFLEX® system is one of the most energy-efficient grinding processes
- Industry leader in calcining technology with low NOX
- KHD's COMBUSTION CHAMBER wins award for 'Most innovative technology for alternative fuels use' at the 6th Global CemFuels Conference (Feb. 12)



The cement market in 2012



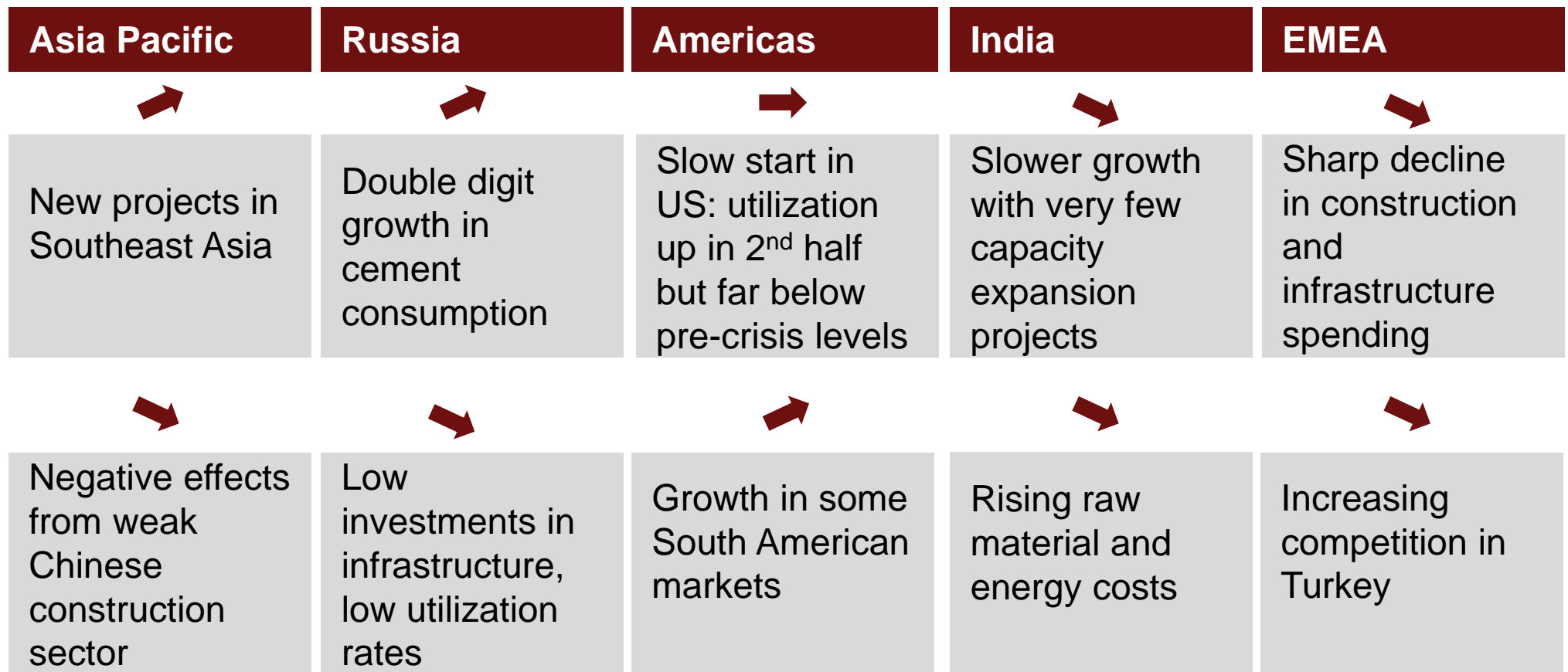
Global Cement Consumption 2012
in %



Sources: BNP Paribas, CW Group Report, KHD

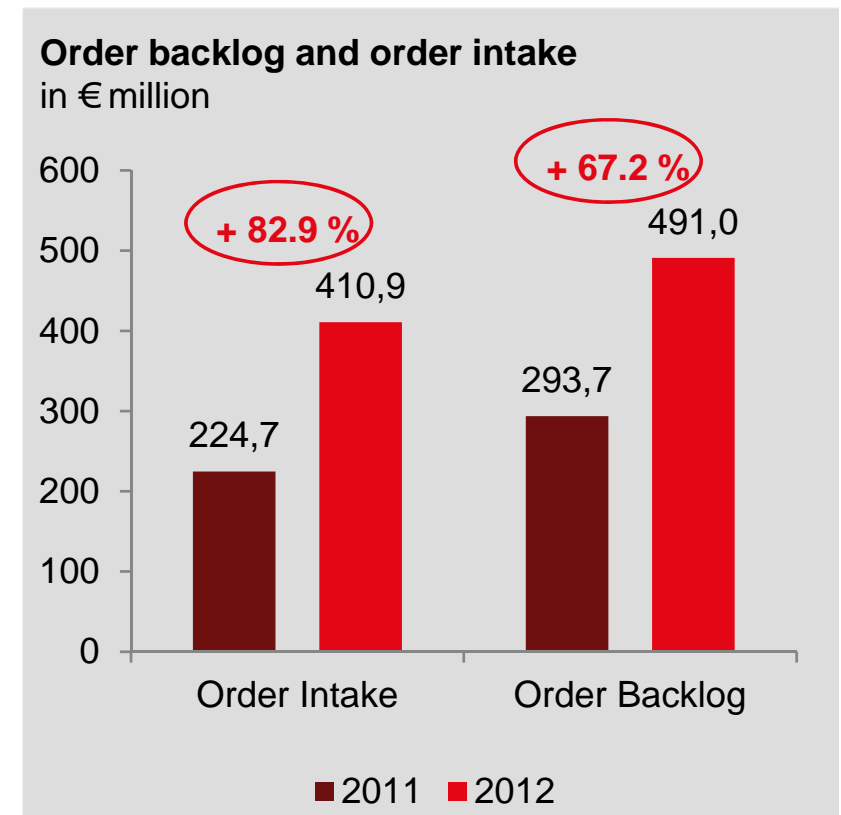
2012 - Mixed performance in our key markets

Lowest amount of new contracts awarded for kiln capacity since 2003 in the global cement industry



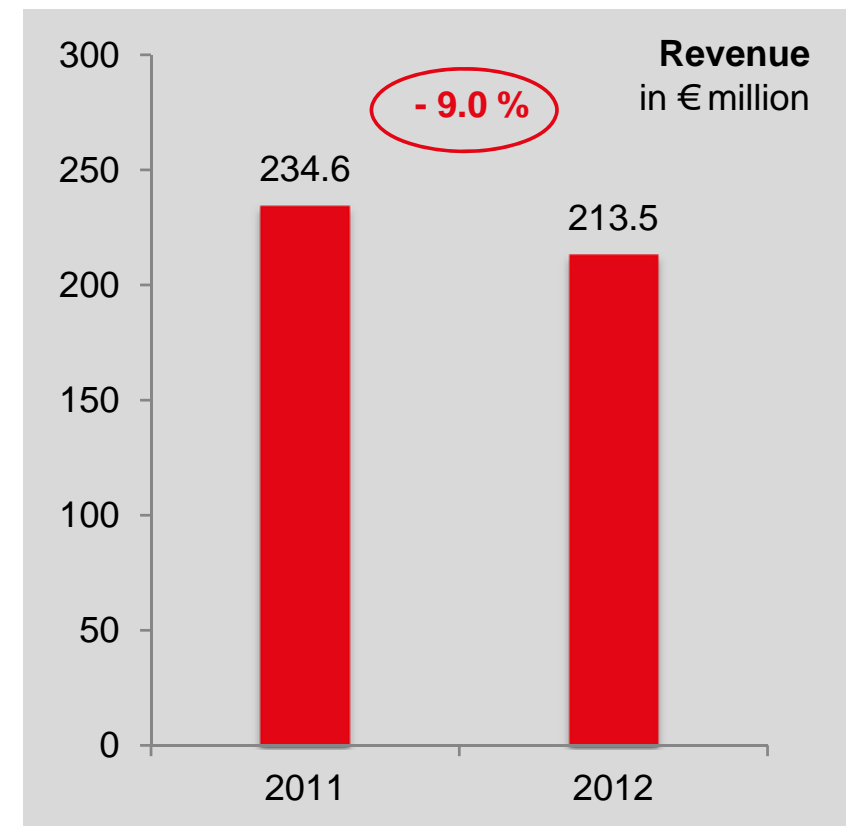
Significant growth in order intake and backlog despite tough market

- AVIC partnership - proof of concept with new orders in Malaysia (YTL Group/ € 100 million), Venezuela (Invecem), Turkey (SÖNMEZ)
- Additional orders in Russia (EUROCEMENT / € 80 million), India (Holcim Jamul / € 69 million) and Italy (Italcementi)
- Service business order intake equaled 12% of total order intake
- Lower demand for HPGR technology in the mining industry resulting in order intake of € 18 million



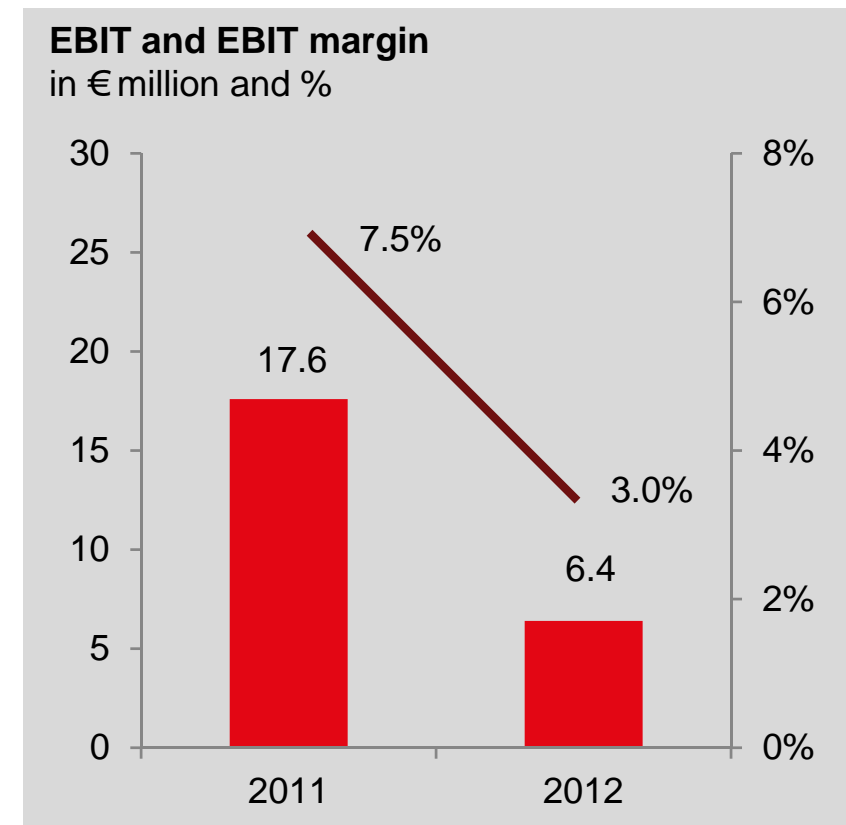
Delays in project execution continue to impact revenue

- Unsatisfactory order intake from previous years led to lower revenues
- High order backlog does not immediately translate into revenue
- Financing conditions remained difficult for some customers and regions
- Biggest revenue contribution from India, followed by Turkey and Russia



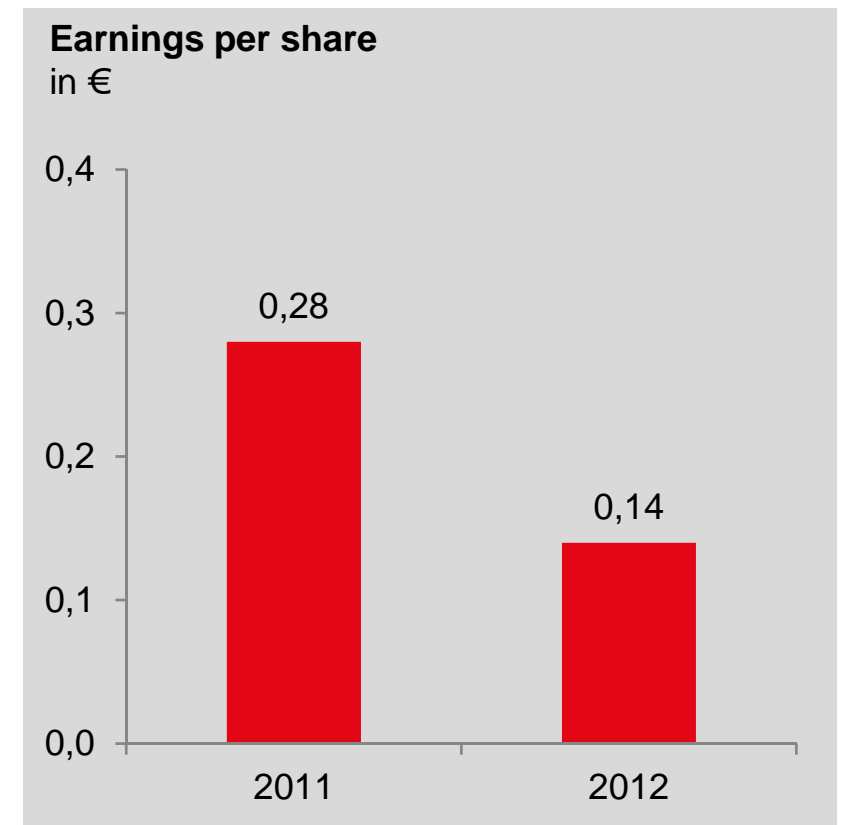
Earnings before interest and taxes and margin in within guidance

- Gross profit declined from € 52.5 million to € 43.8 million
- Gross profit margin remained on satisfactory level of 20.5%
- Sales expenses of € 13.6 million as well as R&D costs of € 3.6 million on similar level as in previous year
- Administrative expenses of € 18.5 million remain virtually unchanged compared to 2011

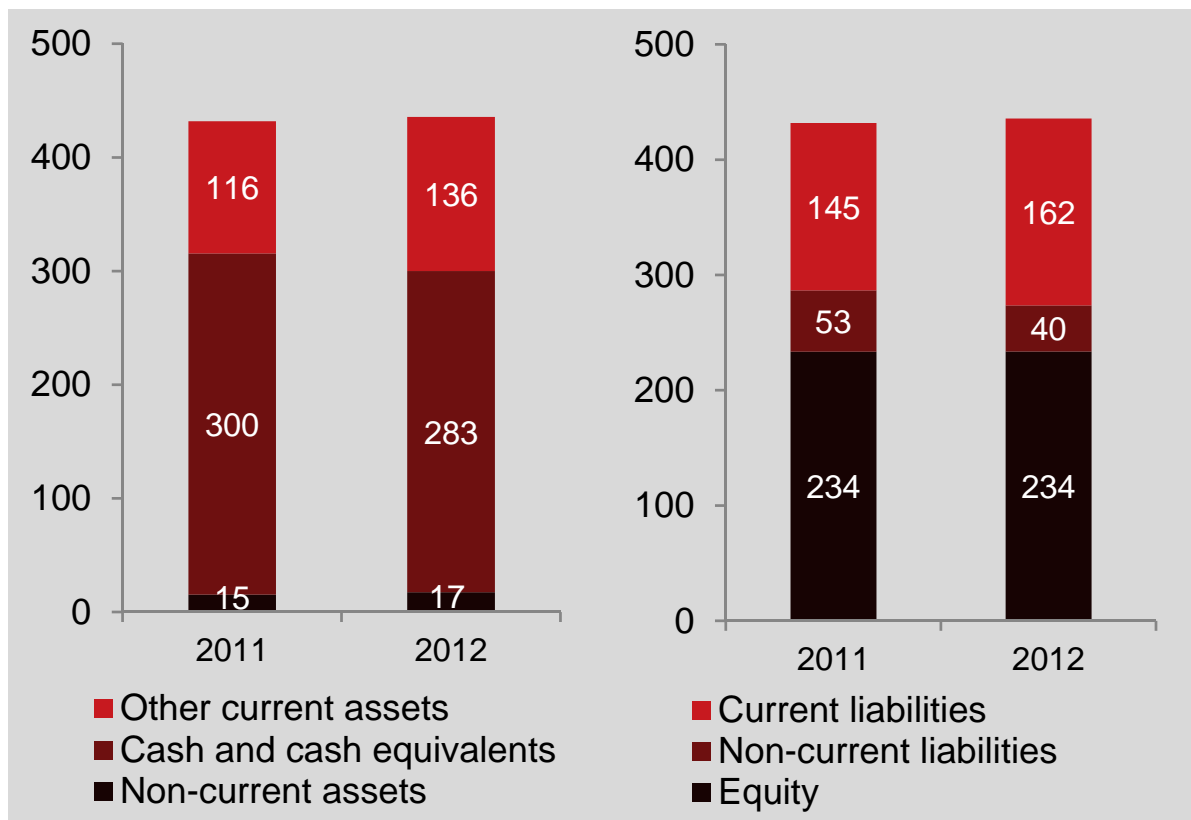


Group net results and dividend proposal

- Group net profit at € 7.0 million
- EPS 14 cents per share
- Proposal to distribute € 3.0 million of the Company's € 4.8 million net retained profits as a dividend to shareholders
- Dividend proposal corresponds to 6 cents per share
- The Company's remaining net retained profits of € 1.8 million to be carried forward



Balance Sheet: Continued high levels of equity and liquidity



- Increase in current assets of € 20 million corresponds to € 17 million increase in current liabilities
- Operating cash flow amounted to negative € 11.3 million
- Stable equity that corresponds to equity ratio of 53.6 %

Cash flow KHD Group 2012

Cash flow from operating activities	-11,3
Cash flow from investing activities	-2,9
Cash flow from financing activities	9,7
Change in unrestricted cash and cash equivalents	-4,5

mio €

Cash flow effect from operating activities	mio €
Positive cash flow from contracts in progress	2,4
Cash in, from receivables:	2,8
Cash out from liabilities and provisions	-16,7
Cash in from result (EBITDA)	8,9
Tax payment	-8,2
<u>other cash decrease/increase</u>	<u>-0,5</u>
Operating cash flow	-11,3

Keeping investors up to date

- Regular investor relations activities
 - AGM
 - Quarterly Reporting
 - Quarterly Investor Telco/Webcasts

- Other Activities in 2012
 - Over 150 investor calls
 - Numerous investor meetings
 - Road shows in Germany, Denmark, Switzerland and USA

In the last 12 months KHD has also spoken to all shareholders, no matter how large or small, who have requested a discussion with management

A CLEAN PROCESS – IN EVERY RESPECT

Through innovations such as KHD's preheater tower, Low-NOx calciner system, and COMFLER® grinding system, KHD is a leader when it comes to environmentally friendly technologies in the cement industry. KHD's environmental manager, Dr. Heiko Schürmann, has coordinated 13 years' research projects since 2001.

Dr. Schürmann, why does KHD need an environmental manager? For all, our environmentally friendly technologies have always been a part of research and development.

This is true, environmentally friendly technologies play a role in almost all of our research projects. Our primary aim is always to lower energy costs and to comply with emission standards. My task is to bring people and mechanical processes engineering together and to develop an integrated concept for our clean technology components. We proceed in accordance with our position as a technology supplier and expert in this field.

Could you provide some examples of current research projects at KHD?

At the moment, we are focusing on the handling of alternative fuels. We have already identified the optimal combustion process for these fuels. The goal now is to improve their storage and transportation to the combustion line. With such a wide range of materials, including anything from car tires and agricultural residues, to wood household waste, this presents a special challenge. Moreover, waste is not separated and mixed like refuse in every country. In general, application of alternative fuels is highly project specific and depends on the raw materials used, the fuels, the type of cement produced, the plant layout, and many other factors. There is no single, standard solution for everyone.

Several research projects are currently seeking to develop an increasingly friendly alternative to conventional cement. Is cement on the way out?

No at all. Cement will remain just as important in the decades to come. The trouble with new construction materials is that their long-term durability is unknown. It remains to be seen whether a bridge built with them will still be standing in 50 or 100 years. New construction materials are generally brought onto the market in very small steps, making a lengthy process.

"Every energy savings is a gain for the producer."

DR. HEIKO SCHÜRMAN, ENVIRONMENTAL MANAGER

Agenda

Review 2012

Outlook 2013

Going Forward

Challenges remain: Slow start in Q1

Industry

- Strong competition and margin pressure
- Continued project delays and postponements

Business

- No major order intake
- Decline in revenue
- Fierce competition affected EBIT margin

Financials

- Solid liquidity: Cash and cash equivalents show slight decline, but remain strong
- Stable equity > 50%

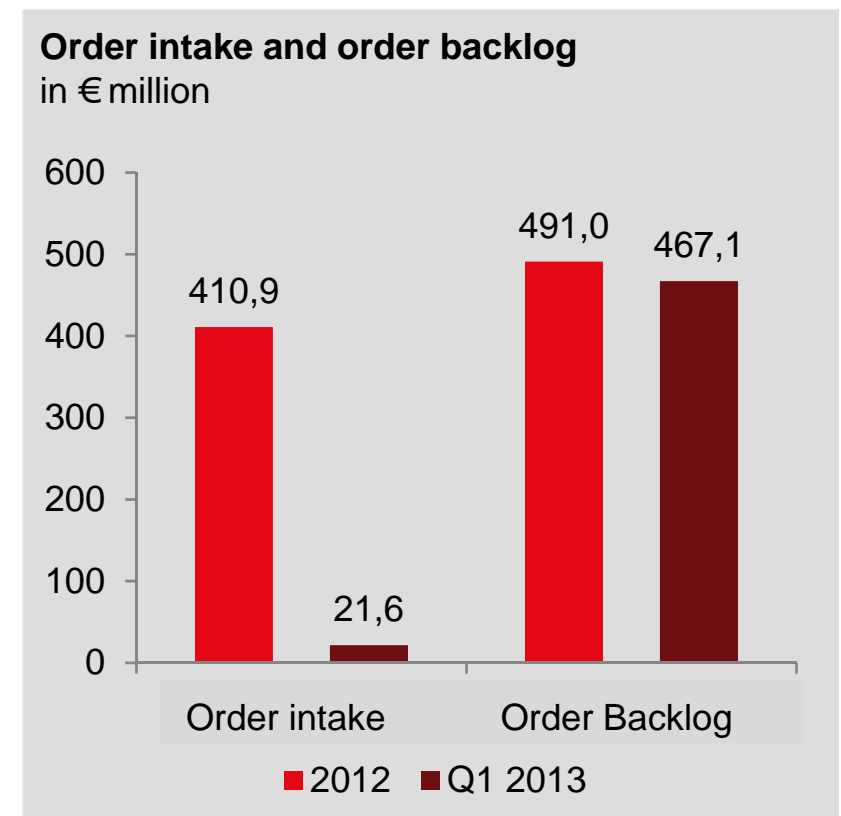
Outlook for our key markets in 2013

Asia Pacific	Russia	Americas	India	EMEA
<p>Project Activity slowing down</p>	<p>New projects expected, including modernization projects</p>	<p>Modernization projects in the US due to environmental legislation</p>	<p>Timing of market comeback still questionable</p>	<p>Recession in Europe continues and affects growth in Turkey</p>
<p>Consolidation and environmental requirements continue to shape Chinese cement industry</p>	<p>Access to financing still an issue</p>	<p>Markets in South America gaining strength, Brazil development uncertain</p>	<p>70% utilization predicted for 2013</p>	<p>Utilization 60% - 70% predicted</p>

Sources: BNP Paribas, CW Group Report, KHD

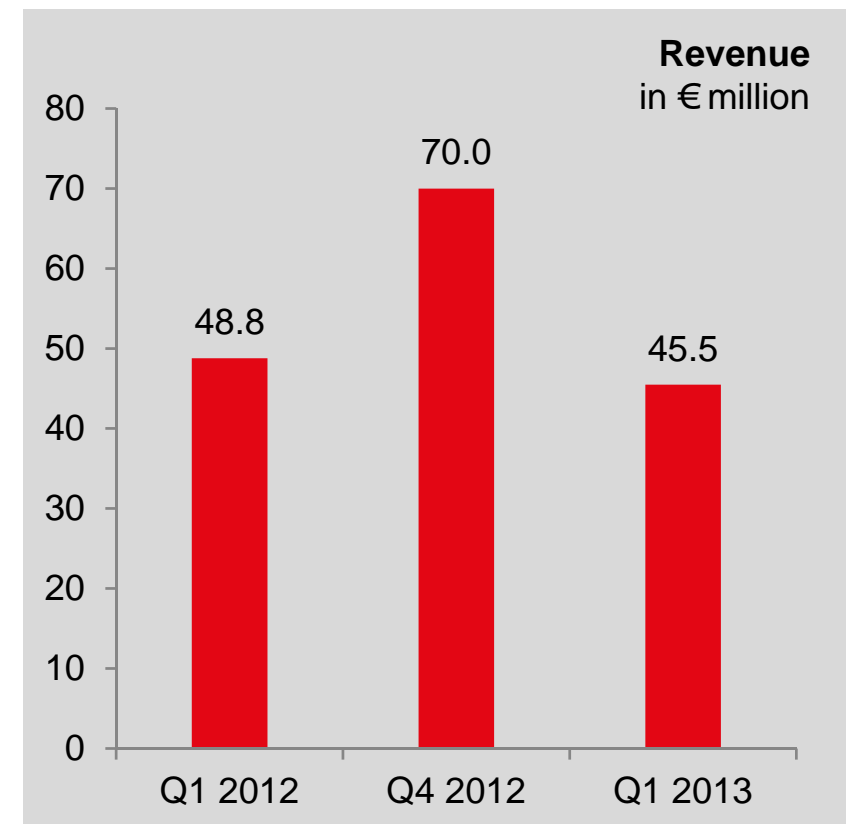
Order backlog remains high at end of Q1

- Continued high level of order backlog mainly from previous year's orders in Malaysia, Russia, India and Italy
- No new major projects in Q1 2013 order intake - *Previous year's figure impacted by orders from Malaysia and Venezuela*
- Increase in order intake expected later in 2013 – *KHD is well-positioned in tenders for strategic projects in several important regions*
- Major portion of order intake in Q1 2013 comes from spare parts and service business



Q1 revenues impacted by delays in project execution

- Significant revenue contributions from projects in Malaysia and Venezuela as well as from the parts and services business
- Other major projects still in early stages of execution, with full revenue potential during the remainder of 2013 and in the following years
- Increase in revenue expected in remaining quarters of the 2013 financial year



Focus on core business: License agreement with Weir Minerals

- Exclusive and perpetual license agreement with Weir Minerals – *Replaces previous agency setup*
- Several KHD technical staff have transferred to Weir
- KHD to receive royalty payments on equipment and spare part sales.
- Allows KHD to participate in the HPGR growth story in minerals without the cost – *KHD can concentrate on core business*



AVIC partnership well under way

- AVIC is focusing on long-term growth KHD – *investment = commitment*
- Best of East and West cooperation well-received in the market – *more demand than supply*
- Focusing on execution of current projects
- Partnership still very young and growing



Unchanged Outlook for 2013

Business

- Solid order intake – driven mainly by Russia and Americas
- High level order backlog should trigger increase in revenue for full year

Earnings

- Lower gross profit projected in 2013 due to execution of lower margin projects
- Slight increase in EBIT margin resulting from revenue growth and cost reductions



Agenda

Review 2012

Outlook 2013

Going Forward

Strategic roadmap 2013 and onwards

- Strong emphasis on project execution and profitability
- Continued development of KHD competitiveness by strengthening our resources and capabilities in low-cost regions
- Major reduction in SG&A costs
- Long-term global investments to enhance our premium brand in the areas of
 - Services
 - Environmental technology and
 - Engineering and operations in our key emerging markets



Strategic roadmap 2013 and onwards

- Going forward with two separate business units starting in January 2014
 - CAPEX business unit – renewal of project business to increase competitiveness and profitability in ever tougher markets
 - Service business unit - logical next step in implementing our strategic vision to capture profitable, long-term service growth
 - Aligns operational and legal structure



KHD Operational Strategy



Share price development compared with competition – 24 months

KHD HUMBOLDT WEDAG

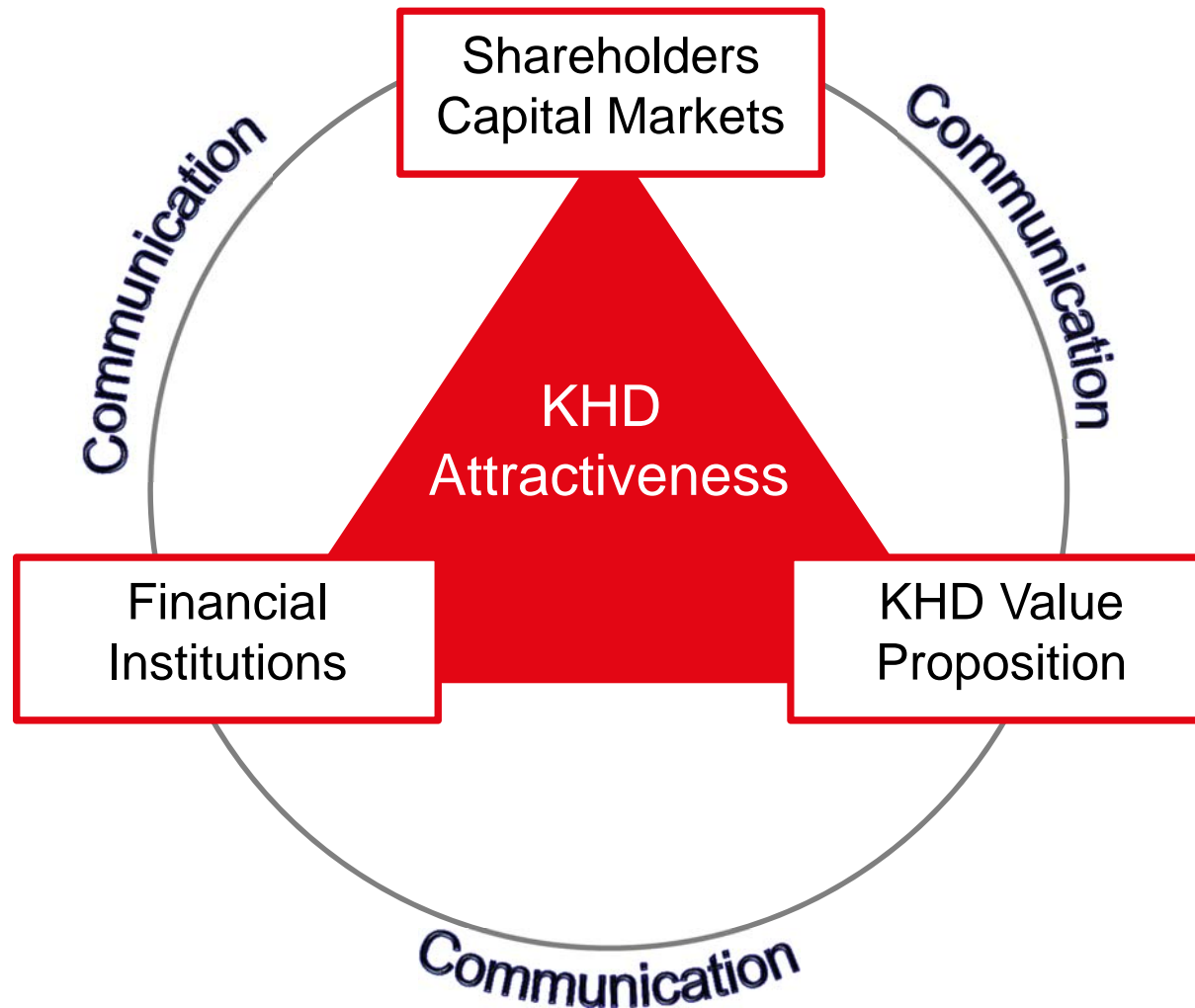
■ KWG.DE ■ FLS.CO

20 Jun, 2013



© Yahoo!

KHD Balanced Financial Strategy



Aligning interest



Operational Strategy

+



Balanced Financial Strategy

=



Dividend policy

Dividend

- €6 million distributed in 2012
- €3 million distribution proposed at AGM 2013

Cornerstones of KHD Dividend policy

- KHD to distribute 40 – 60 % of its Group net profit to its shareholders
- In case of a Group net loss in previous years a dividend should only be proposed after all losses from previous years have been compensated
- Maintain equity ratio at KHD Group at a level above 45 %

THANK YOU!



CEMENTING A STRONGER FUTURE

Disclaimer for Forward-Looking Information

This document contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. Forward-looking statements are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of the Company to differ materially from the expectations of the Company include, among other things, general business and economic conditions globally, commodity price volatility, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation, labor relations and work stoppages, changes in political and economic stability, the failure to meet certain conditions of the offer and/or the failure to obtain the required approvals or clearances from regulatory and other agencies and bodies on a timely basis or at all, the inability to successfully integrate the operations and programs of businesses and/or companies acquired with those of the Company, incurring and/or experiencing unanticipated costs and/or delays or difficulties relating to integration of acquired businesses, disruptions in business operations due to reorganization activities and interest rate and currency fluctuations. Such forward-looking statements should therefore be construed in light of such factors. Other than in accordance with its legal or regulatory obligations, the Company is not under any obligation and the Company expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additional information about these and other assumptions, risks and uncertainties are set out in our financial statements for the year ended December 31, 2012.