

## Investor and analyst webcast presentation

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# CEMENTING A STRONGER FUTURE

September 30, 2013 Results - KHD Humboldt Wedag International AG

November 8, 2013

## Overview first nine months 2013

- Revenue up by 26% thanks to ongoing execution of major projects
- Weak demand results in lower order intake (€ 82.8 million; € 97.3 million without currency effect)
- Lower gross profit (€ 24.5 million) due to lower margin quality in backlog, pass-through revenues with zero margin and several difficulties in project execution
- EBIT (€ 4.1 million) increased through strict cost control measures and a positive one-time effect ; improved earnings per share (€ 0.07)
- Equity ratio and liquidity at comfortable levels

## Agenda

Business and Market

Financial Performance

Outlook 2013

## Global economy remains sluggish – cement producers limit investment

### Market Environment in Q3 2013

- Weak growth in key emerging economies slows global economic growth
- Investments in new capacity remain low due to increased uncertainty

### Medium to long-term perspectives

- Cement consumption boosted by infrastructure construction in developing countries
- Emerging markets and environmental projects are key drivers of future growth

#### India



- Continued low capacity utilization and construction demand
- Slow pace of investment in infrastructure

#### Turkey



- Cement consumption driven by government investments
- Growth will continue

#### Russia



- IMF cuts growth rates
- Cement consumption however boosted by infrastructure projects  
*2014 Winter Olympics / World Cup 2018*

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Financial Performance

Outlook and Actions 2013

## Key Figures

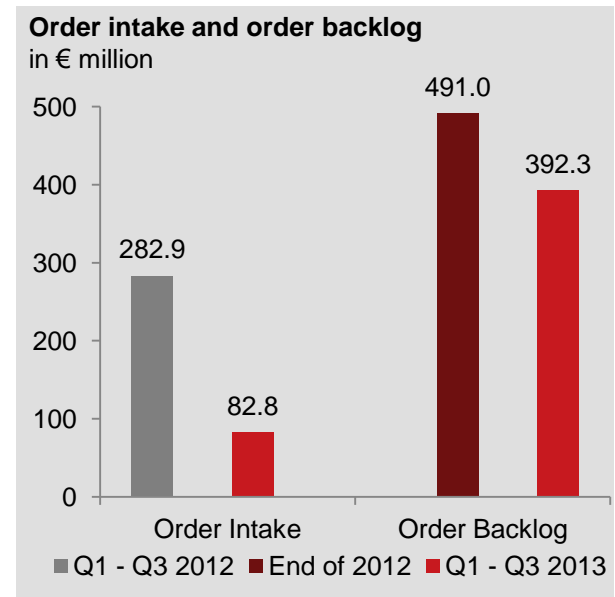
in € million	Jan. 1 – Sept. 30, 2013	Jan. 1 – Sept. 30, 2012	Change in %
Order intake	82.8	282.9	-70.7
Revenue	181.5	144.0	26.0
Gross profit	24.5	30.2	-18.9
Gross margin (in %)	13.5	20.9	
EBIT	4.1	3.5	17.1
EBIT margin (in %)	2.3	2.4	
EBT	5.1	6.1	-16.4
Group net profit for the period	3.6	0.8	
EPS (in €)	0.07	0.02	
Cash flow from operating activities	-44.2	-28.4	-55.6
Cash flow from investing activities	-0.6	-2.6	77.9
Cash flow from financing activities	-32.8	14.9	

in € million	Sept. 30, 2013	Dec. 31, 2012	Change in %
Equity	225.2	229.3*	-1.8
Equity ratio (in %)	54.2	52.6*	3.0
Cash and cash equivalents	231.4	282.6	-18.1
Order backlog	392.3	491.0	-20.1

\*adjusted figures due to change in accounting policy for pension obligations

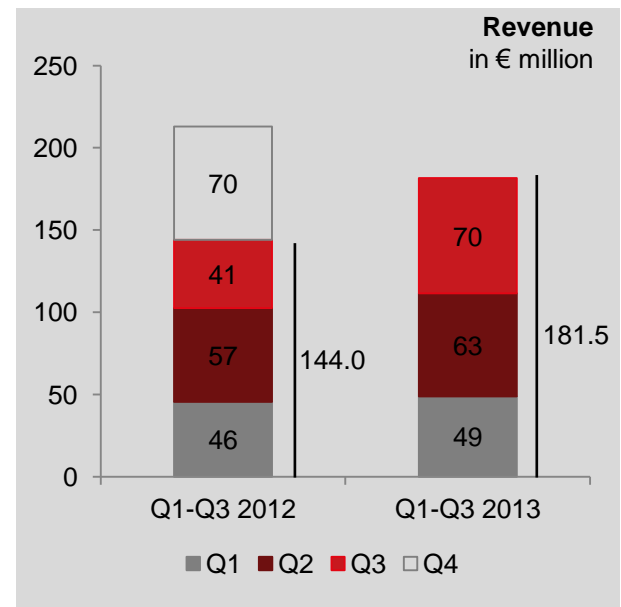
## Order Intake - No major projects booked to date

- No major projects up to September 30, 2013 due to investment restraint in the industry
- Significant portion of order intake comes from spare parts and service business
- Order backlog still on a high level but going down due to lower order intake and the ongoing project execution



## Increased revenue due to execution of order backlog

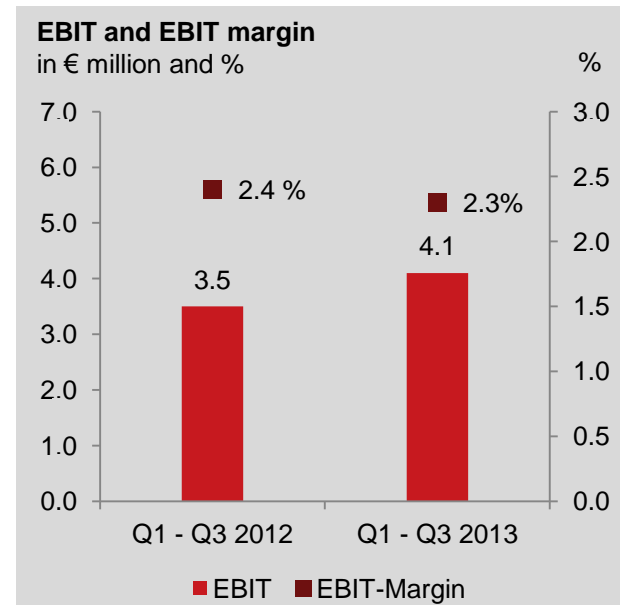
- Revenue up by 26% mainly reflects the ongoing project execution of orders awarded in previous years – especially Malaysia
- Parts and services contributed 15.7% to revenue in first three quarters





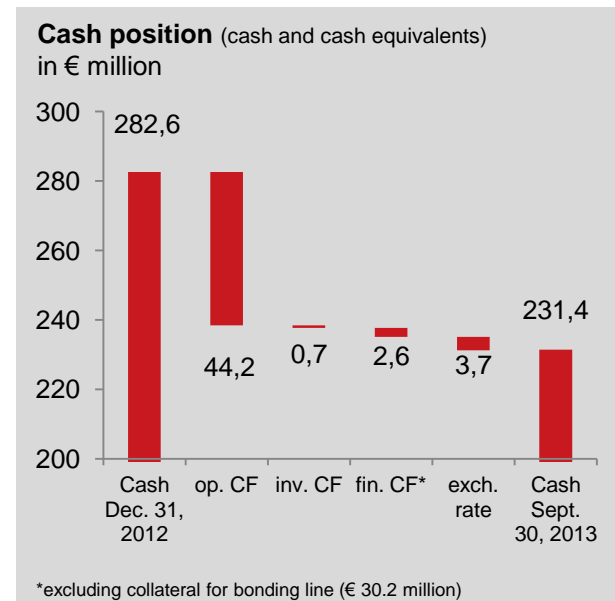
## Lower margin projects affect gross profit

- Lower gross profit (€ 24.5 million) due to
  - Lower margin quality in backlog
  - Pass-through revenues from joint project with AVIC in Malaysia – *general erection and steel works*
  - Several difficulties in execution, including contract termination at CSC Americas
- Gross profit margin decreased from 20.9% to 13.5%
- Overhead **cost savings outweigh** margin decrease: EBIT up 17% to € 4.1 million.
- Net result of € 3.6 million (previous year: € 0.8 million) translates to EPS of € 0.07 (previous year: € 0.02)



## Negative operating cash flow further reduces liquidity

- Operating cash flow (€ -44.2 million) reflects lower level of advance payments received (due to lower order intake) as well as payouts to suppliers for projects which are close to completion (previous year: € -28.4 million)
- Financial cash flow (€ -32.8 million; previous year: € 14.9 million) mainly reflects collateral for existing bonding line (€ 30.2 million) and dividend payment (€ 4.5 million).
- Collateral for bonding line does not impact cash position



## Cash flow from operating activities in detail

### In T €

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Cash flow from construction contracts (including progress billings)	-60,053
Cash flow from current liabilities and incoming invoices	11,593
Cash flow from decrease in trade receivables	6,985
Cash flow from utilization of provisions	-5,832
Cash flow from result of the period (EBITDA)	5,831
Other cash inflows and outflows	-2,717
<b>Cash flow operating activities</b>	<b>-44,193</b>

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## Outlook 2013

- Market uncertainty remains as overall economic growth declines in many emerging markets
- Overcapacities in many regions limit investments in new projects
- High level of order backlog should trigger increase in revenue for full year
- Lower gross profit margin due to execution of lower margin projects and pass-through effects
- Ongoing cost optimization should stabilize EBIT margin
- KHD expects the cancellation of a major order by the end of 2013. This will adversely affect the order backlog as well as operational performance in 2014

### Outlook 2013

Basic confirmation of outlook for the economic development of the Group as per 2012 Annual Report

## Voluntary Public Takeover Offer

- Announcement of Voluntary Public Takeover by AVIC Engineering and other parties
- Offer to all shareholders to acquire ordinary bearer shares against payment of € 6.45 per share
- Submission of takeover offer document has not yet taken place. After submission, the Management and Supervisory Boards of KHD Humboldt Wedag International AG will evaluate the offer and will publish their statement in accordance with Sec. 27 of the Securities Acquisition and Takeover Act in due time.
- Please note that we are not in a position to comment on the offer prior to submission.

## 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.