

**KHD**

**HUMBOLDT WEDAG  
INTERNATIONAL AG**

# **COMPANY PRESENTATION**

April 2011



## 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, 2010.

## Agenda

- I. Overview and company profile
- II. Business model and product portfolio
- III. Market and strategy
- IV. Financials
- V. Share and key investment highlights

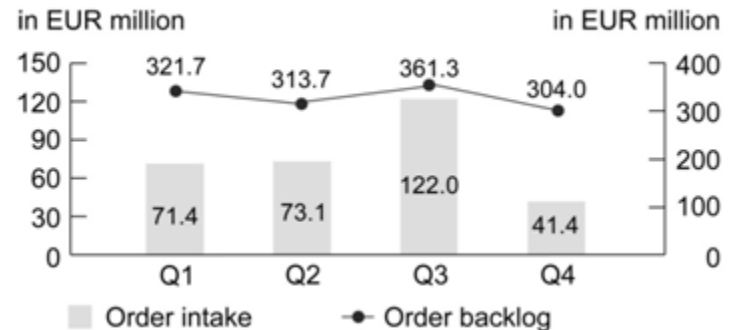
## KHD HUMBOLDT WEDAG INTERNATIONAL AG

### KHD is one of the world's leading suppliers of cement plant equipment

- History of over 150 years of building on new technologies, innovations and high-end processes to meet the global cement industry demand (based in Cologne)
- Technology focused company specialized in process engineering and project execution
- Wide range of services and products for the cement industry
- High competence in eco-friendly and efficient products for pyro processing and grinding
- Worldwide 767 employees
- Presence in emerging markets like India and Russia / CIS as well as in USA and EMEA

Order intake 2010

Order backlog 2010



Order Intake 2010 (after country of origin)



\* Influenced through major order (EUR 85 million)

## Management-Team



### Jouni Salo, CEO

- At KHD since 2008
- President of Construction Materials Division at Metso Minerals Inc. prior to joining KHD
- More than 25 years of experience in the international construction and mining equipment business
- Bachelor of Science for Mechanical Engineering from Technical College, Hameenlinna (Finland)



### Manfred Weinandy, CFO

- Joined KHD in 2003 – appointed CFO 2010
- Began career as auditor and held various senior management positions in the industrial plants sector and in accounting and controlling at Thyssen-Krupp
- More than 20 years of experience in the areas of finance, IT and personnel
- MBA (Diplom-Kaufmann) from the University of Cologne

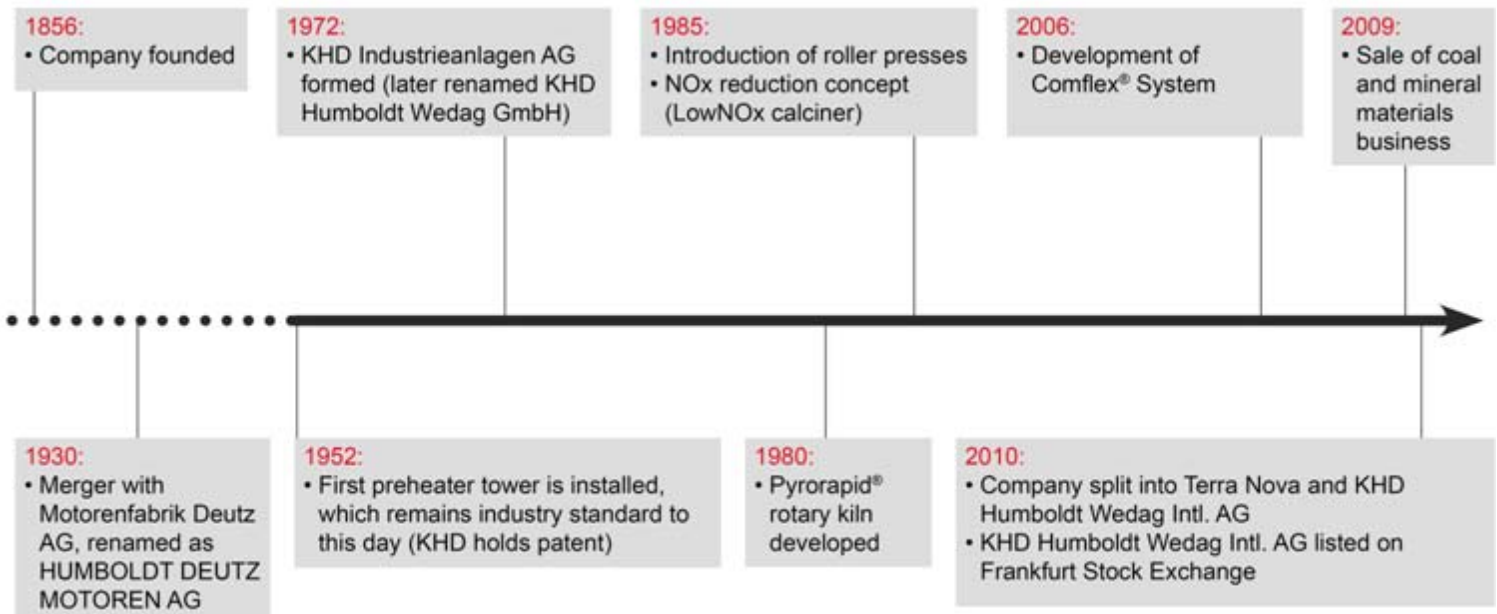


### Yizhen "Mario" Zhu, COO

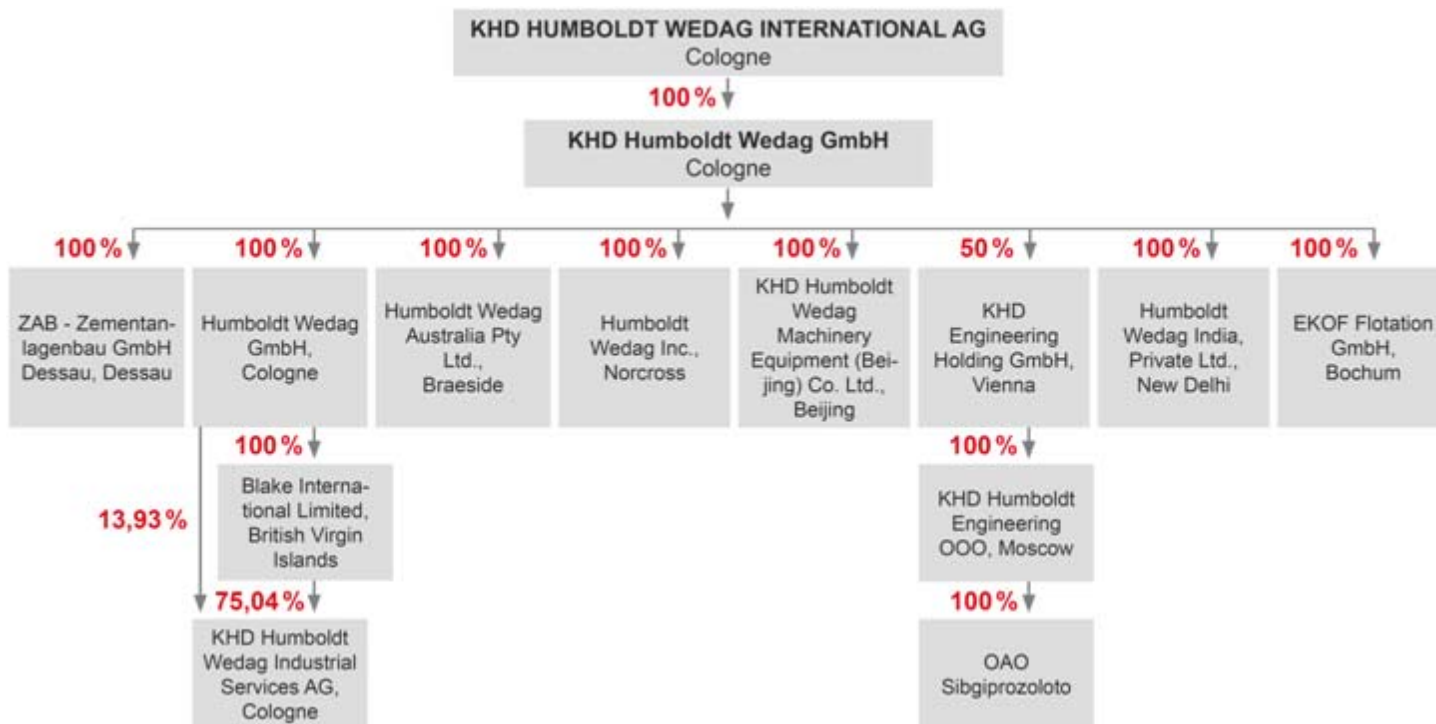
- At KHD since End of March 2011
- Previously Assistant President of cement business of CATIC Beijing Co. Ltd.
- Longstanding experience in working abroad, MBA and Engineering degree
- Will develop global EPC business as well as KHD's new customer service center the Asia-Pacific region

<b>Overview</b>	Business model	Market and strategy	Financials	Share
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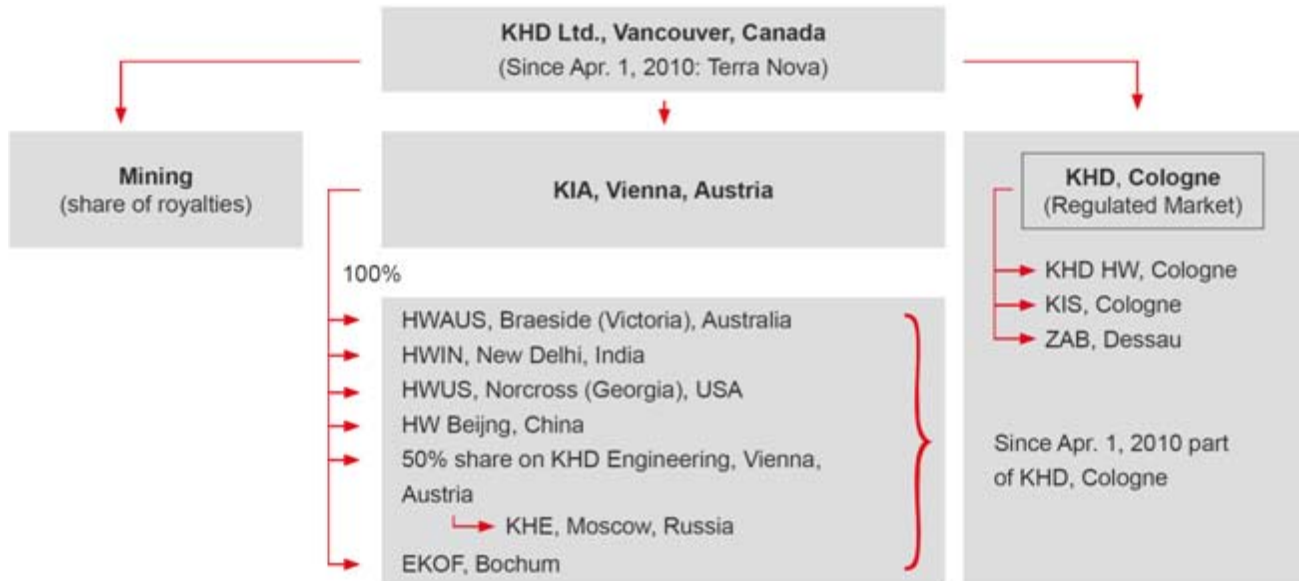
## 150 years of history



## Legal structure



## Restructuring of KHD





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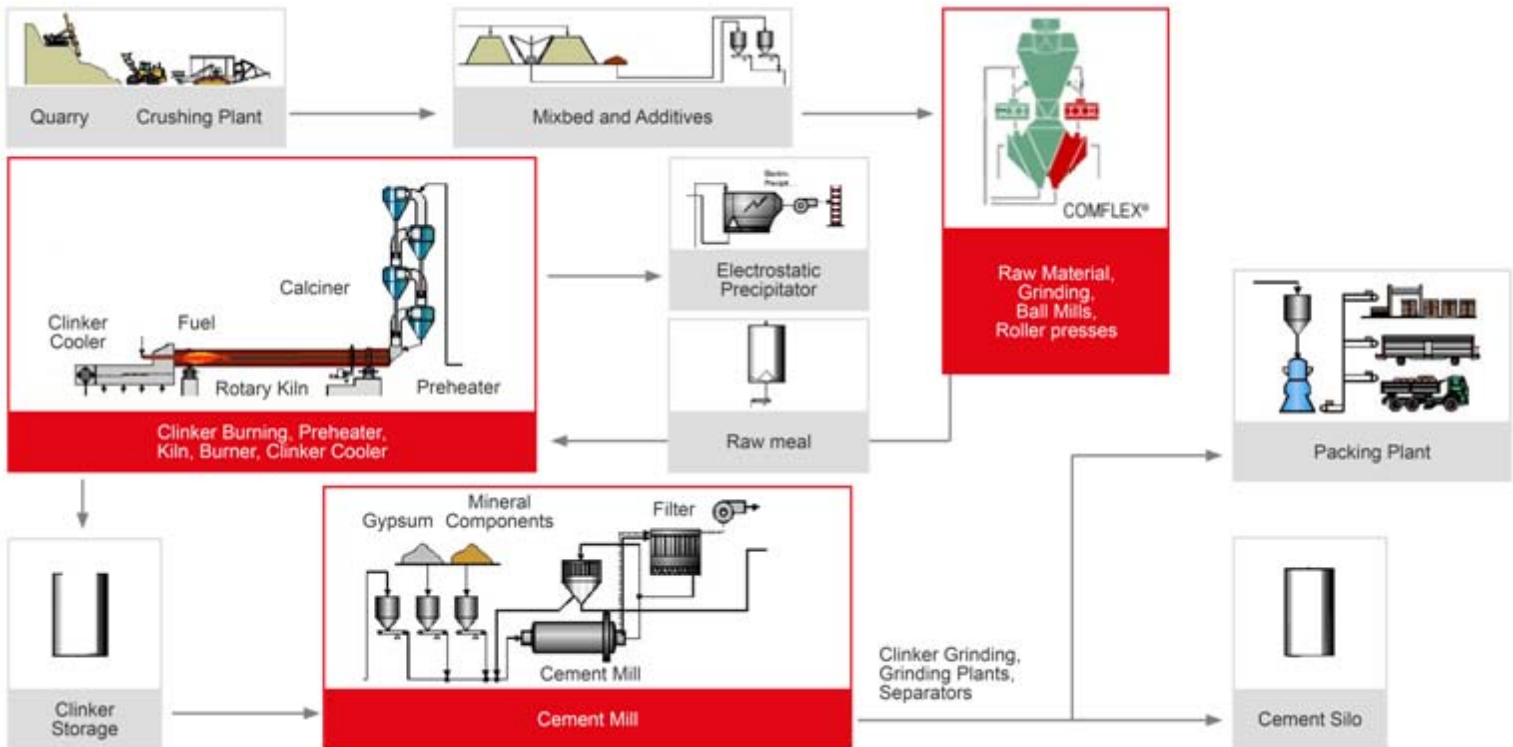
II. Business model and product portfolio

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# Cement production process



## Selected products of KHD (I)



### PYROCLON® Calciner

- High calcination rate
- NOx Reduction
- Modular Set-Up e.g. Combustion Chamber
- Processes alternative fuels
- Complete Burn-Out



### PYRORAPID® 2-pier Kiln

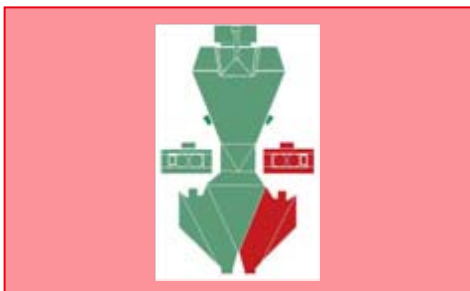
- Ratio Ø: length = 1: 11 - 12
- Precalcination 95%
- Increase of production
- NOx-emission lower due to no build up of Thermal NOx at the PYROCLON
- Lower construction costs with only two piers



### Preheater

- Flexibility
- Low waste gas temperature
- High dust separation efficiency
- Low power demand
- Built first preheater in the world in 1952
- KHD still recognized as industrial leader for this technology

## Selected KHD products and services (II)



### Comflex® System

- Modular compact all around grinding system
- Low energy requirements
- Little maintenance requirements
- Suitable for abrasive materials



### Roller Presses

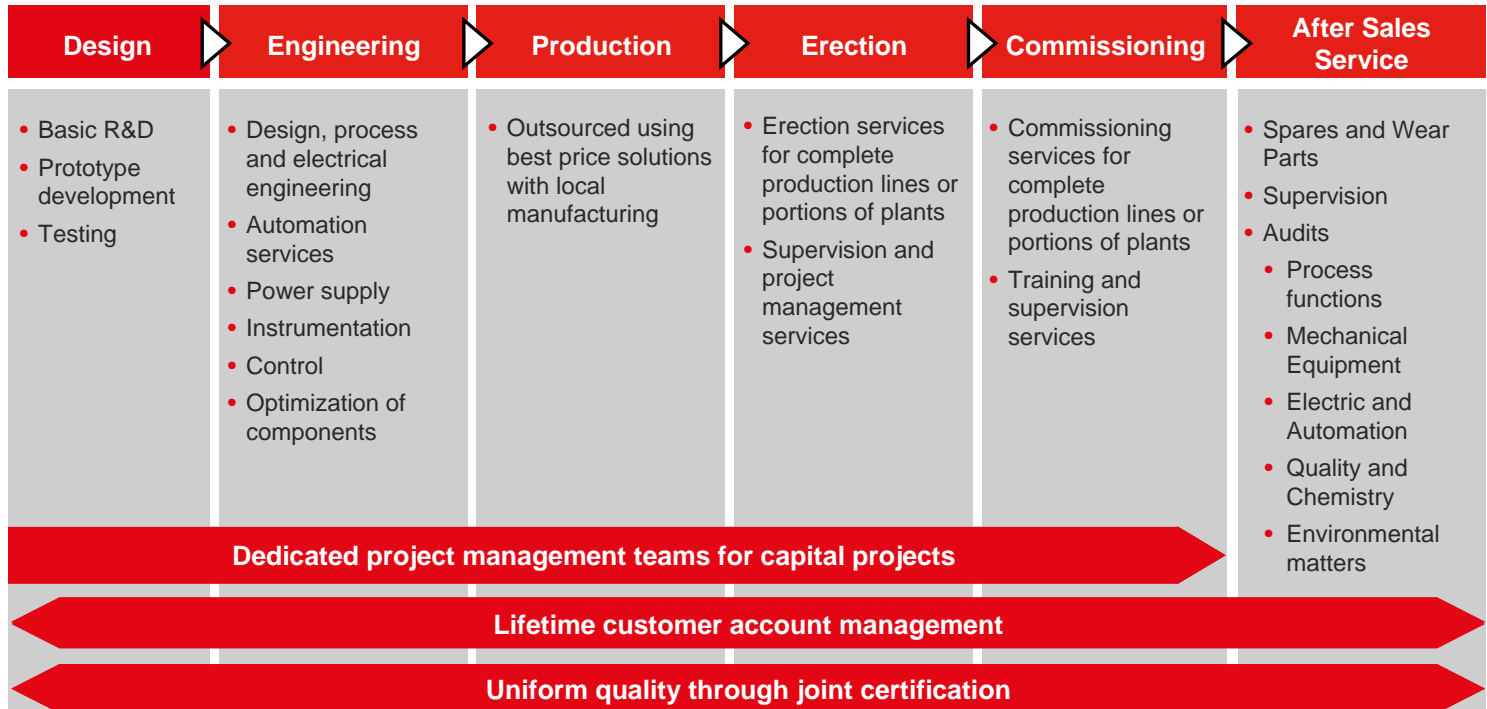
- Low energy consumption
- Low maintenance requirements
- Low space requirements
- Low vibration and noise
- High availability, >95%
- High wear surface life



### Services & Engineering

- Spares and Wear Parts
- Supervision
- Audits
  - Process functions
  - Mechanical Equipment
  - Electric and Automation
  - Quality and Chemistry
  - Environmental matters
- 2011: Business Unit Expansion

## Business model

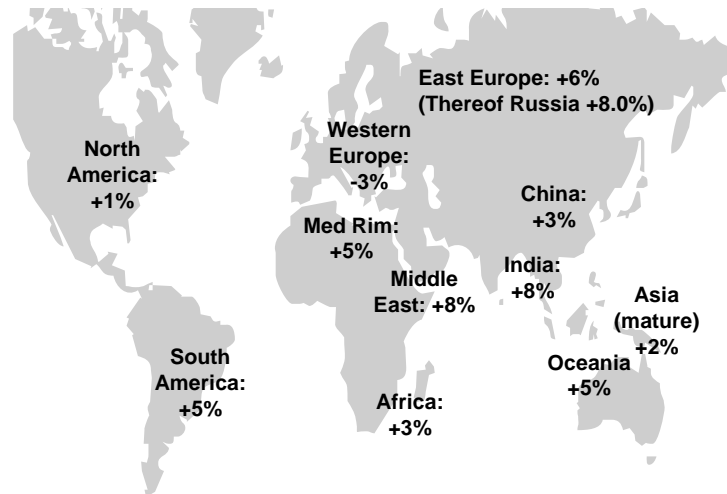


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## Global cement market (I)

### Outlook: Expected volume trends 2011



- Global market growth: +3%
- Emerging markets' volume growth: +4%

Source: Exane BNP Paribas (2010)

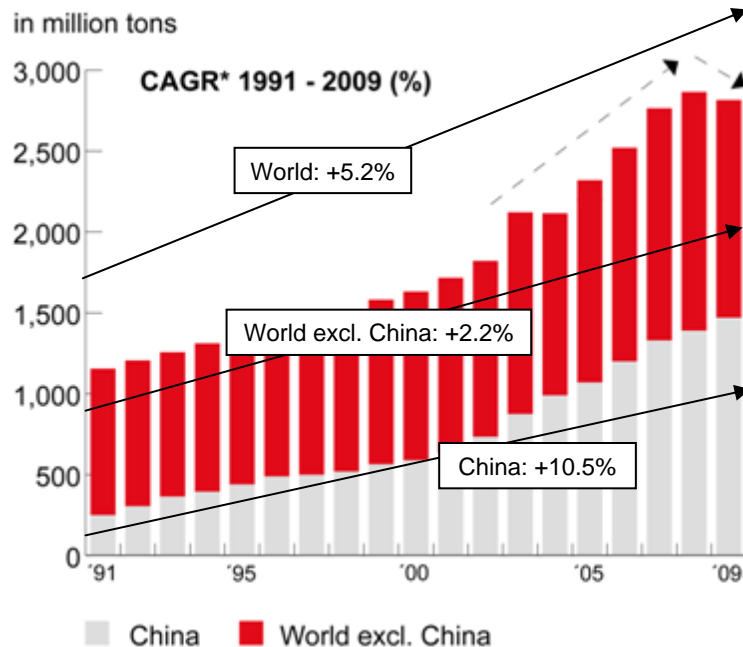
### Global cement consumption: 3 bill. tons



Source: Global Cement Report, 8. Edition (2009)

- Significant regional differences – BRIC countries have a large backlog of demand in comparison to developed countries
- Because of the volumes, cement is a local business
- Mature markets in Europe and the USA. Growth expected in the BRIC countries
- Installed plants do not give an indication about actual demand in a certain country. (in the developed nations cement plants are running at only 50% capacity)
- Strong financial position of larger cement producers in the BRIC countries which will allow them to make investments in new capacity and modern technology there

## Global cement market (II)



Source: Global Cement Report, 8. Edition (2009)

\*CAGR: **C**ompound **A**nnual **G**rowth **R**ate

- Significant difference between China, developed markets, emerging economies and rest of the world
- Empirical past experience: cement consumption grows 1.6 times faster than GDP
- Continuous annual cement consumption growth over past decades (2009 is sole exception)

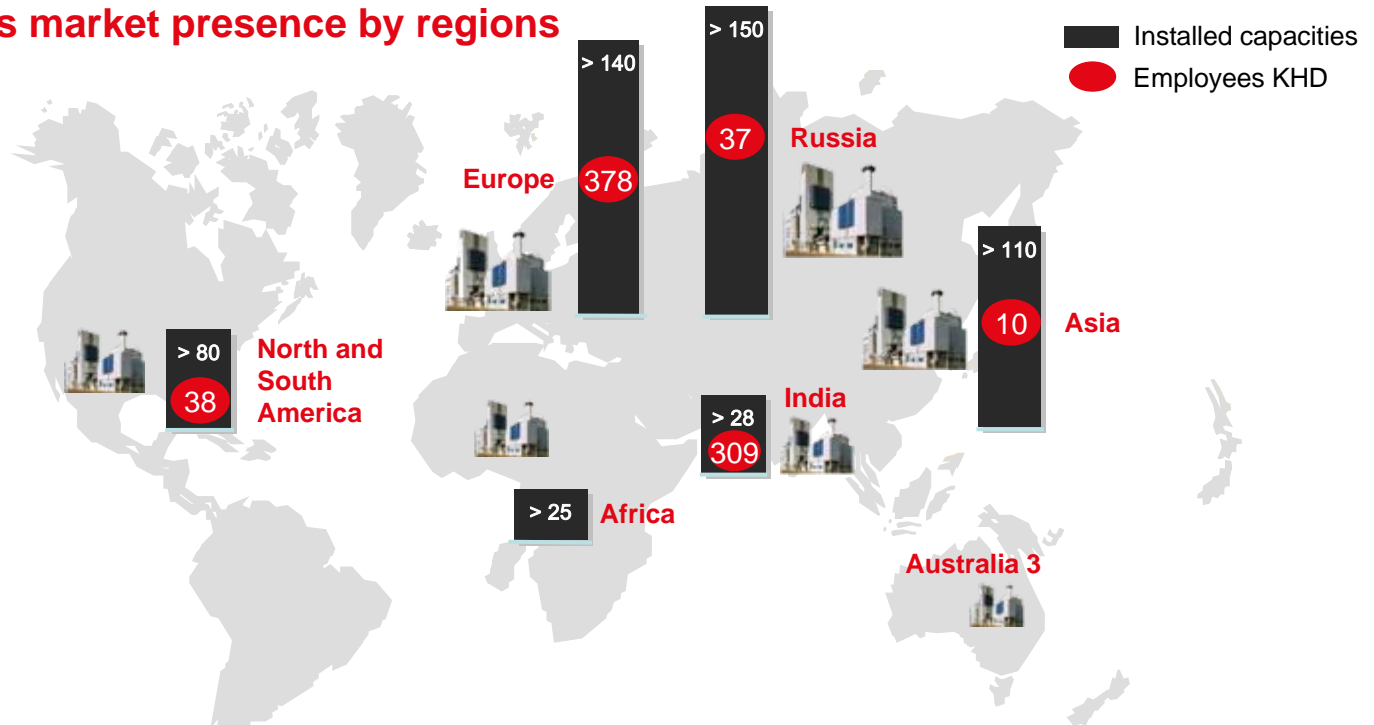
### Per capita cement consumption

Developed countries:	300 kg / per capita
Underdeveloped countries:	50 kg / per capita
Emerging markets:	600 kg / per capita

- Underdeveloped and highly developed countries have low per capita cement consumption. Cement consumption growth rates are significantly higher in emerging markets
- Demand increases in line with speed of urbanisation and industrialisation
- Strong catch-up potential in BRIC countries (particularly India)



## KHD's market presence by regions



- The larger the installed base, the greater the potential for aftersales service
- KHD has installed more than 500 plants worldwide to date

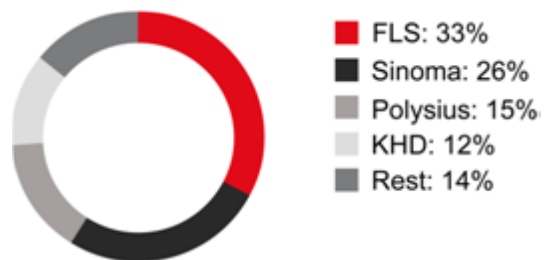
## Market share and competitors

### Competitors operate at two levels:

- **Full-range providers**, e.g. FLSmidth A/S (Denmark), Sinoma International Engineering Company Ltd. (China), Polysius AG (Germany)
- **Individual equipment suppliers**, e.g. in Germany: Claudius Peters Group GmbH, Loesche GmbH, Gebr. Pfeiffer AG, IKN GmbH

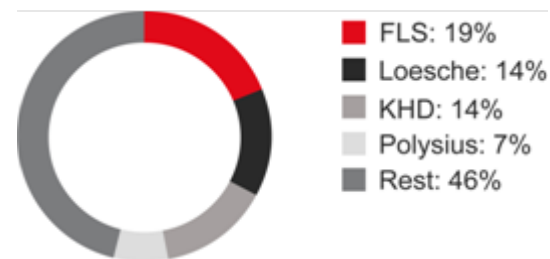
### Global market shares of significant products (excluding China):

#### Pyro processes



Source: One Stone Reports (2009)

#### Grinding process



Source: One Stone Reports (2009)

Overview	Business model	<b>Market and strategy</b>	Financials	Share
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## Typical customers



## Targets and strategy

### Objectives

- Further develop a position as a leading supplier of environmentally friendly technologies
- Continue to improve competitiveness and procurement
- Capitalize on KHD's existing market position in emerging markets such as India and Russia; gain market entry in China and South America (especially Brazil)
- Strong focus on Global Players – be the preferred supplier
- Develop a service offering in order to reduce the cyclical business and improve the sustainability of earnings

### Strategy

- Broaden KHD's product offering via strategic partnerships
- Improve competitiveness through standardization
- Strong focus on key accounts
- Offering customers attractive customer solution packages with regard to price, products and services
- Intensify service offering in the areas of spare parts, technical assistance, plant audits and training

## Cooperation with WEIR Group

- Exclusive global long-term sales agreement with Weir Minerals to grow KHD's market share in the minerals sector
- Weir Minerals is KHD's agent, as well as aftermarket partner in the mining industry
- Weir Minerals and KHD complement one another very well. KHD's HPGR (roller press for minerals) product is becoming increasingly accepted for minerals applications. However local service is becoming more and more a requirement for selling capital equipment in the minerals sector
- Weir Minerals has access to the main minerals customers and a strong sales and service network in all the major mining markets as well as a strategic interest to develop other products



Win-Win situation for both companies



### WEIR Group company profile

Head office: Glasgow  
 Listed: London Stock Exchange  
 Branches: worldwide  
 Employees: > 9,000

### Core competencies:

The company constructs and develops equipment for the mining processing industry. Stronger focus on services than on equipment

## Cooperation with CATIC

- Agreement for a strategic partnership with Chinese government-owned CATIC Beijing Company Ltd in December 2010
- Long-term commitment from CATIC by acquiring 20% of KHD share capital through a capital increase
- Successful completion of the capital increase in February 2011
- Chance for KHD: Opportunity to participate in the important Chinese market
- Cooperation in turn-key-plants: KHD exclusively provides technical equipment to CATIC
- Working together on common projects has already started



Win-Win situation for both companies



### **CATIC Group company profile**

Head office: Beijing, China  
 state-owned industrial conglomerate  
 Branches: 56 overseas subsidiaries  
 in more than 30 countries

### **Core competencies:**

Well-established sales network around the globe.  
 Group subsidiary CATIC Beijing Co., Ltd enjoys partnerships with numerous design institutes, suppliers and fabricators. The company has already proven itself as a competent partner for international turn-key cement plant projects.

## Agenda

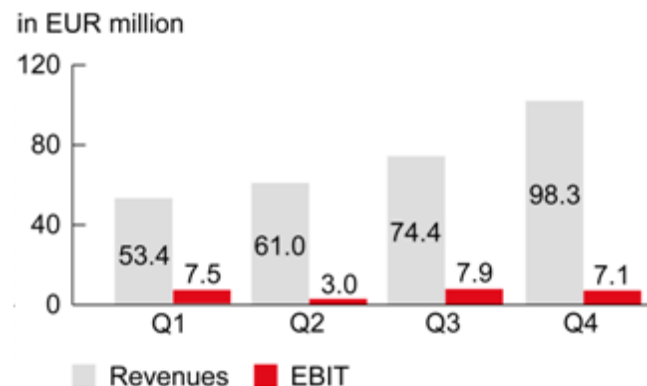
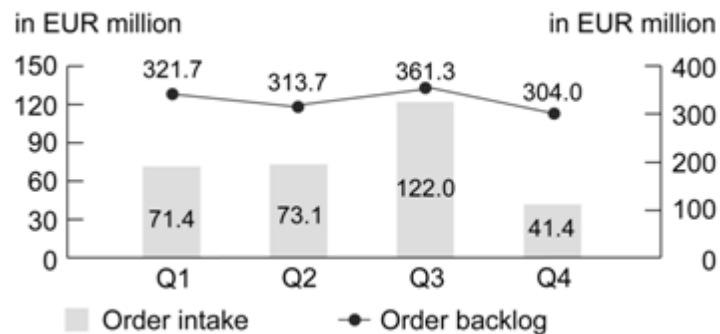
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## Key figures 2010

### Order intake

### Order backlog

### Revenues / EBIT



- New order intake is the most important indicator for business trends
- Major order received from UltraTech Cement (India) at end-September 2010 (EUR 85 million)



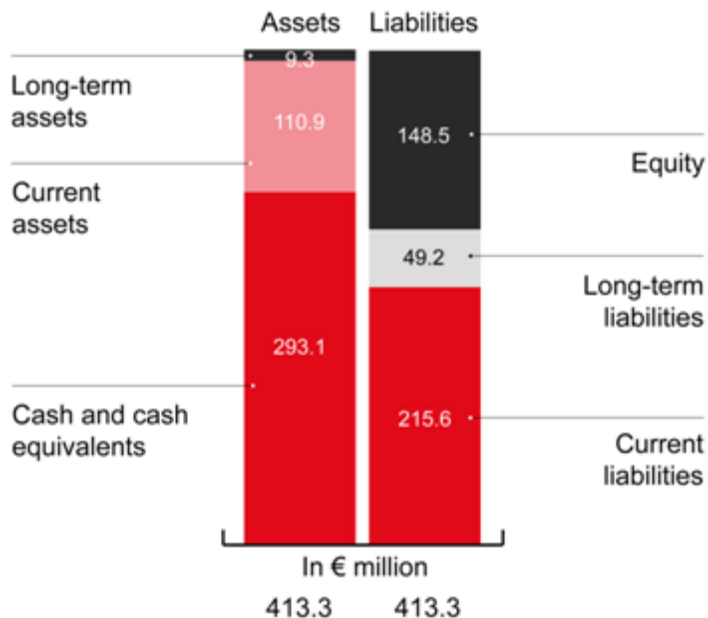
## Income statement (2010)\*

In EUR thousand	Dec. 31, 2010	Dec. 31, 2009
Sales	286,890	360,295
Cost of sales	(229,477)	(294,285)
<b>Gross profit</b>	<b>57,413</b>	<b>66,010</b>
Expenses/other operating expenses	(38,804)	(29,108)
Restructuring	2,881	3,773
Finance result	3,364	5,505
<b>EBT</b>	<b>26,021</b>	<b>53,665</b>
Income tax expense	(10,221)	(16,497)
Earnings attributable to parent company shareholders	15,583	37,102
Earnings attributable to minority shareholders	217	66
<b>Net profit for the year</b>	<b>15,800</b>	<b>37,168</b>

- Revenue cycle 12-24 months  
=> 2010: impact from low order intake 2009
- Order backlog: € 304 million
- EBIT margin: 8.7% (legal und proforma)
- Guidance: 7-8%
- Key effects vs. 2009
  - Revenues suffered from low order intake 2009
  - Gross profit: 20%
  - SG&A increased from taking over cement activities and group functions
  - EpS € 0,47 from € 1,13 in 2009

\*On pro forma basis

## Balance sheet (as of Dec 31, 2010)



- Asset light model
- Cash rich
- Working capital negative
- Equity ratio decreased from 39.5% to 35.9% due to € 49.4 million dividend
- Retained earnings at € 112.5 million

## **Agenda**

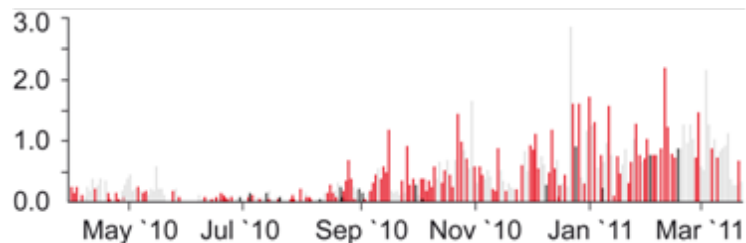
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## Share

EUR



Trading volume in EUR million



(March 31, 2011)

### Shareholder structure (March 31, 2011)



Free Float:	64.22%
CATIC Beijing Co. Ltd.*:	20.00%
Terra Nova:	6.56%
Peter Kellogg**:	5.70%
Sterling Strategic Value Ltd:	3.06%
Own shares:	0.46%

\* via Max Glory Industries Ltd.  
\*\* as of 16 June 2010

### Basic Data

ISIN	DE0006578008
Security Identification Number (WKN)	657800
Ticker symbol	KWG
No. of shares (Dec. 31, 2010)	33,142,552
No. of shares (Mar. 31, 2011)	49,703,573
Stock exchanges	Regulated Market, Frankfurt (General Standard)
Designated sponsor	Lang & Schwarz
Market capitalization March 31, 2011	€ 358.4 million

## Key investment highlights

- KHD is one of the worldwide leading equipment suppliers for cement plants and services
- KHD is a technology focused company with 110 patent families consisting of over 370 patents or corresponding applications and is a market leader, especially for pyro processing and grinding equipment with energy-efficient and eco-friendly products
- KHD is focused on serving customers with customer service centers in India, EMEA, Russia / CIS and the Americas
- KHD has been convincing customers with high quality engineering products and services for over 150 years
- Compared to the competition, KHD completely outsources its production which allows for a highly flexible cost structure
- KHD has a strong presence in important emerging markets like India or Russia and will strengthen its positions in these areas in the future as well as gain entry into China and South America
- KHD is in a strong financial position: no debt with liquidity for further operational growth
- KHD's management team has long-term experience in the cement industry
- KHD has gained a new customer base in the mining sector through its cooperation with Weir Minerals, offering KHD further growth potential in a prospering market
- The strategic partnership with CATIC offers customers an attractive EPC option for cement plant projects and opens the Chinese market to KHD

**Thank you!**

## **KHD HUMBOLDT WEDAG INTERNATIONAL AG**

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