



**Annual General Meeting**  
**KHD Humboldt Wedag International AG**

Gerold Keune, CEO  
Jürgen Luckas, CFO  
Dian Xie, EVP

May 29, 2018





- » Over 160 years of experience in the cement industry.
- » We offer the full line of equipment and engineered solutions for cement plants, including individual machines, spare parts, and associated plant services.
- » Process engineering and project execution.
- » Leader in energy-efficient and environmentally friendly products for the grinding and pyroprocessing sections of cement plants.



# Management Board



**Gerold Keune**, CEO

- › Since 2016 with KHD
- › Study of Industrial Engineering at the Technical University of Berlin
- › More than 20 years of professional experience in German machinery and plant engineering
- › Management responsibility for more than 15 years



**Jürgen Luckas**, CFO

- › Since 2006 with KHD
- › CFO since April 2015
- › Study of Business Administration at the Saarland University
- › Long-term experience as certified auditor and certified tax consultant with an international audit and consulting company



**Dian Xie**, EVP

- › Since 2017 with KHD
- › Study of Engineering at the Northwestern Polytechnical University in Xi'an / China
- › More than 30 years of professional experience in various management positions within the AVIC Group
- › Experience in business development, regional sales and project execution



# Agenda

## **Business Performance 2017**

Financial Performance 2017

First months (Jan. – April) of the financial year 2018

Outlook and Strategy

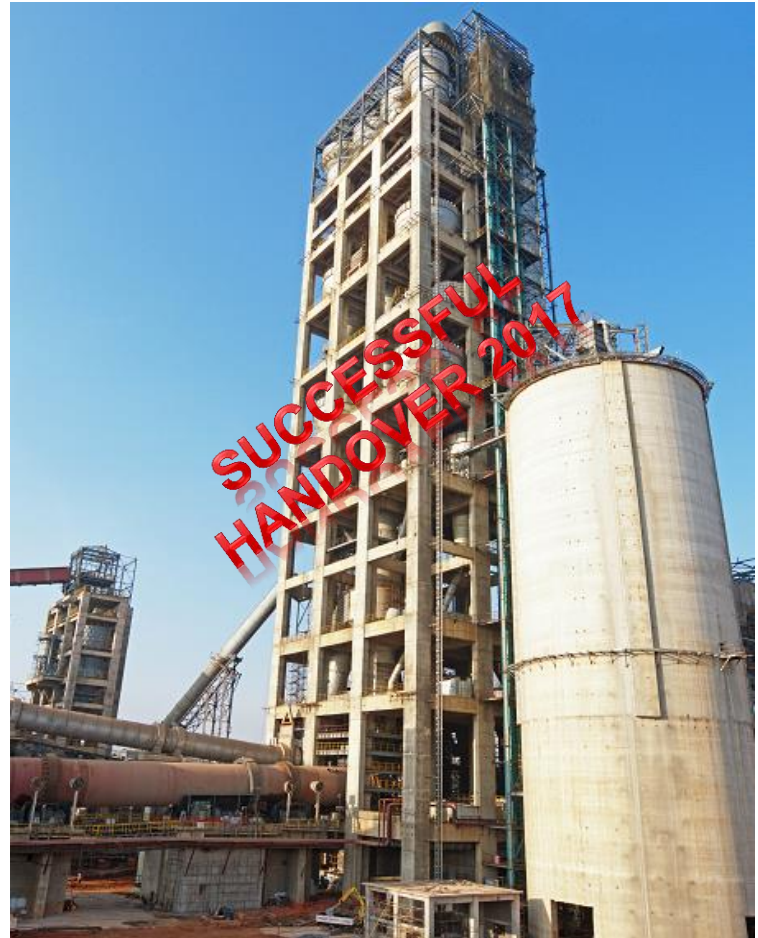
Questions



# ACC Limited Jamul Plant, **Jamul,** **Chhattisgarh, India**

This new 9,000 tpd plant marked KHD's first full-line project with ACC Limited, a major player in the Indian market.

KHD supplied its energy-efficient COMFLEX® technology for the raw material grinding plant, as well as core equipment for pyroprocessing and clinker grinding.





# LafargeHolcim Ravena Plant

## Ravena, NY, USA

- ▶ 5,000 tpd Kiln Line
- ▶ KHD Preheater PR 9067/5 (5-Stage) with Low NO<sub>x</sub> PYROCLON® Calcliner, PYROTOP® Mixing Chamber, PYROLOOP Tertiary Air Mixing system
- ▶ 3 Station Kiln 5.0 m dia. X 75 m long
- ▶ KHD PYROFLOOR Cooler PFC<sup>2</sup> 741 AW
- ▶ KHD PYROJET Kiln Burner
- ▶ PYROBOX Calcliner Burner
- ▶ KHD Process Fans
- ▶ Structural Steel Supply
- ▶ Supply of all auxiliary equipment

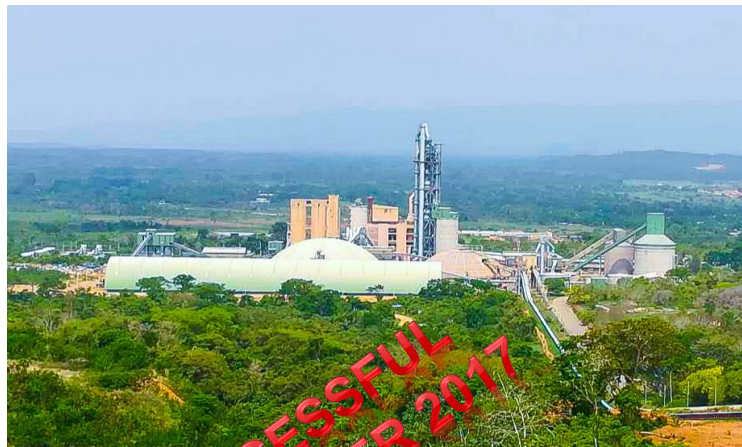




# Cemento Andino, S.A. Plant

## Trujilo, Venezuela

- ▶ 3,500 tpd Kiln Line
- ▶ KHD Preheater PR 8254/5 (5-Stage) with LowNOx PYROCLON® Calciner, PYROTOP® Mixing Chamber, and PYROLOOP Tertiary Air Mixing system
- ▶ 3 Station Kiln 4.4 m dia. X 64 m long
- ▶ KHD PYROFLOOR Cooler PFC<sup>2</sup> 635 AW
- ▶ KHD PYROCRUSHER PRC 360-3-ES





# LafrageHolcim Exshaw Plant

## Exshaw, Alberta, Canada

- › 4,200 tpd Kiln Line
- › KHD Preheater PR 9067/5 (5-Stage) with LowNOx PYROCLON® Calciner, PYROTOP® Mixing Chamber and PYROLOOP Tertiary Air Mixing system
- › 3 Station Kiln 5.0 m dia. X 54 m long
- › KHD PYROFLOOR Cooler, PFC<sup>2</sup>
- › KHD PYROJET Kiln Burner
- › PYROBOX Calciner Burner
- › KHD Process Fans
- › Structural Steel Supply
- › Supply of all auxiliary equipment





# SHAH CEMENT

## Bangladesh

### Grinding Upgrade

- KHD SUPPLY INCLUDES:
  - Roller Press (RPZM-16 (170/180))
  - SKS Separator, V-Separator,
  - Auxiliary Equipments
- HIGHLIGHTS:
  - Entry project in Bangladesh
  - Upgrade of Ball Mill Circuit with Roller Press in Semi finished mode
  - Guaranteed output with lowest power consumption
  - KHD's one of the best operating reference for PCC grinding





# UTCL PATLIPUTRA

## Patliputra, Bihar, India

### Slag Grinding Circuit

- KHD SUPPLY INCLUDES:
  - Roller Press Stud Surface (RPZ 7 (170/90))
  - SKS Separator, V-Separator,
  - Auxiliary Equipments
- HIGHLIGHTS:
  - PG Test completed within 6 months after Commissioning
  - Better output with lower power consumption than guaranteed figures
  - KHD's one of the best operating reference for slag grinding
  - First Slag Grinding Circuit with Ultratech group





# GHORAH CEMENT LTD, Dang, Nepal

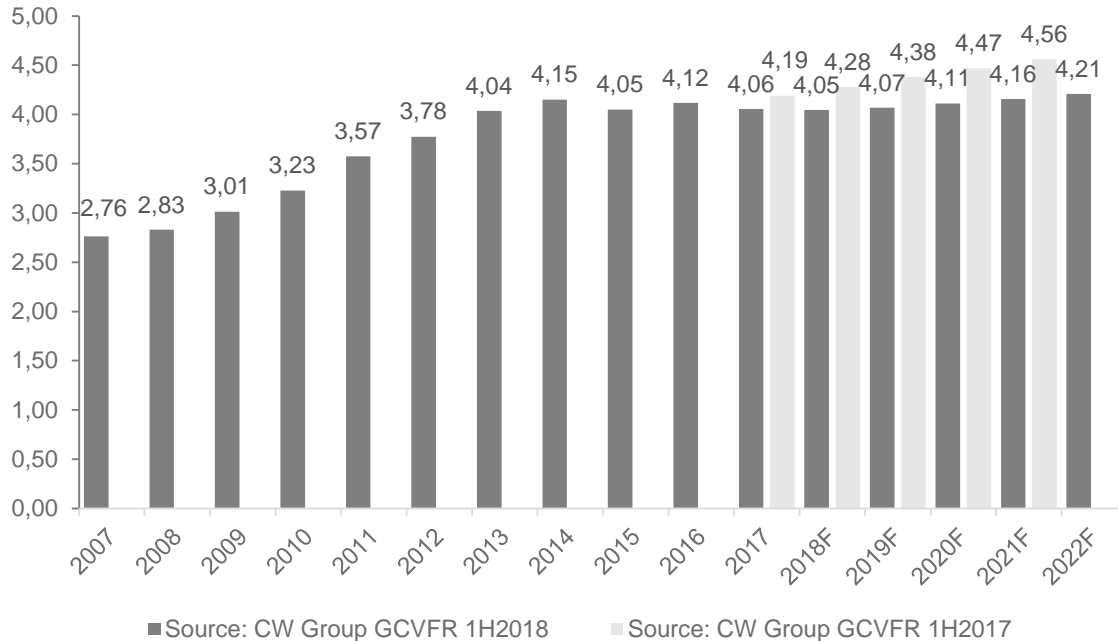
## 102 TPH OPC Grinding

- KHD SUPPLY INCLUDES:
  - Roller Press - RPZ 7 – 170/90,
  - SKS Separator, V-Separator,
  - Auxiliary Equipments
- HIGHLIGHTS:
  - Fast track project, commissioned within 15 months from contract signing date





# Global Cement Consumption (billion tons)

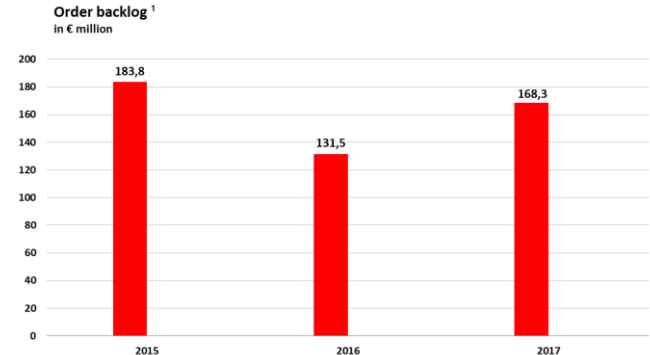
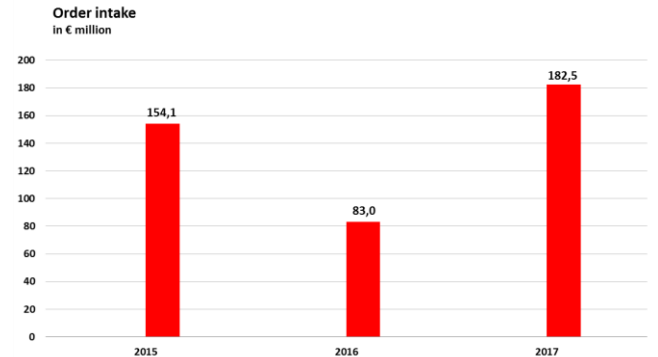


- Weak year 2017 with worldwide decrease in cement consumption.
- Lateral movement of the overall market, but growth continues in selected individual markets.
- Demand for stand-alone grinding units will continue to increase especially in US and Sub-Saharan region.
- Ongoing chances for modernization and upgrade projects in the market.



# Order Intake

- Total order intake of € 182.5 million was significantly higher than in the previous year (€ 83.0 million).
- After two years of declining order intake an important turnaround was achieved in the 2017 financial year.
- The Capex segment achieved order intake of € 140.7 million, significantly above the prior year figure of € 46.4 million. Plant Services contributed € 41.8 million (previous year: € 36.6 million) and made a contribution of 22.9% to the total order intake.
- With an order backlog as of December 31, 2017 of € 168.3 million (previous year: € 131.5 million) it was possible to ensure almost full capacity utilization in the fourth quarter of 2017.



<sup>1</sup> at the end of the year



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**Financial Performance 2017**

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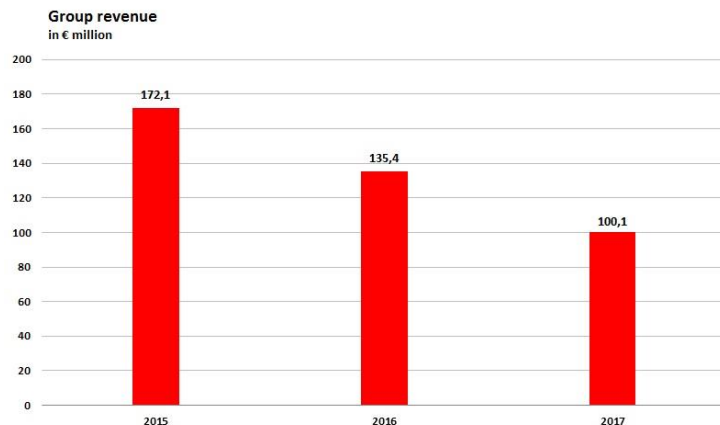
## Key Figures at a Glance

in € million	2017	2016	Difference
Order Intake	182.5	83.0	99.5
Revenue	100.1	135.4	-35.3
Adjusted Gross Profit	12.4	7.6	4.8
<i>Adjusted Gross Profit Margin (in %)</i>	<i>12.4</i>	<i>5.6</i>	<i>6.8</i>
Adjusted EBIT	-19.5	-27.3	7.8
<i>Adjusted EBIT-Margin (in %)</i>	<i>-19.5</i>	<i>-20.2</i>	<i>0.7</i>
EBT	-16.9	-25.1	8.2
Group net loss for the year	-19.4	-29.2	9.8
Earnings per share (in €)	-0.39	-0.59	0.2
Operating cash flow	5.3	-39.4	44.7
Cash flow from investing activities	3.7	4.9	-1.2
Cash flow from financing activities	-0.5	-0.5	0.0



# Revenue

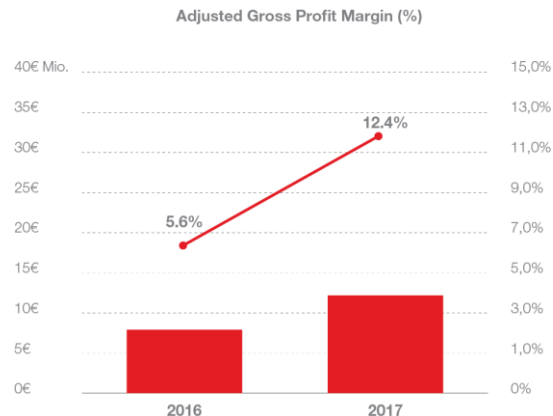
- Low order backlog at the beginning of FY 2017 led to revenue of € 100.1 million – a 26.1% decrease in comparison with previous year (€ 135.4 million).
- Revenue of the Capex segment amounting to € 62.2 million was significantly below previous year (€ 96.2 million).
- Revenue of the segment Plant Services declined to € 37.9 million (previous year: € 39.3 million).





# Group earnings

- Adjusted gross profit\* increased from € 7.6 million in 2016 to € 12.4 million in 2017, despite the absolute decline in revenue. In the previous year, the adjusted gross profit was affected by high additional costs due to difficulties in the execution of several large projects.
- Low order backlog in the first half of 2017 led to an underutilization of capacities. The idle capacity costs amounted to € 4.9 million (previous year: € 5.9 million).
- Unsatisfactory adjusted EBIT\* of € -19.5 million (€ -27.3 million in FY 2016) / EBIT-margin of -19.5% (previous year: -20.2%).
- EBT € -16.9 million (€ -25.1 million in FY 2016).



## \* Adjustments (only Capex segment):

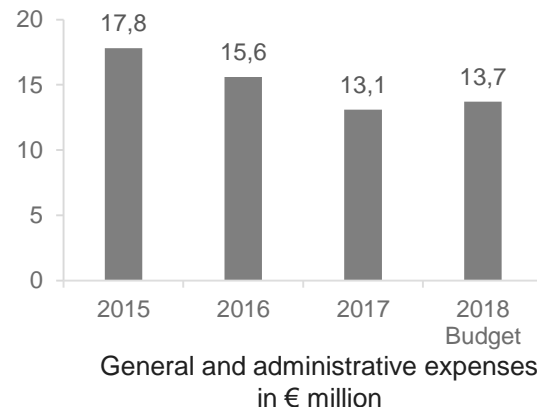
- Cost of Sales  
FY 2017: € 4.9 million idle capacity costs;  
FY 2016: € 5.9 million idle capacity costs
- Other operating expenses  
FY 2017: € 1.2 million costs of staff adjustment measures



# Group earnings – Sales and general & administrative expenses

## ■ General & administrative expenses

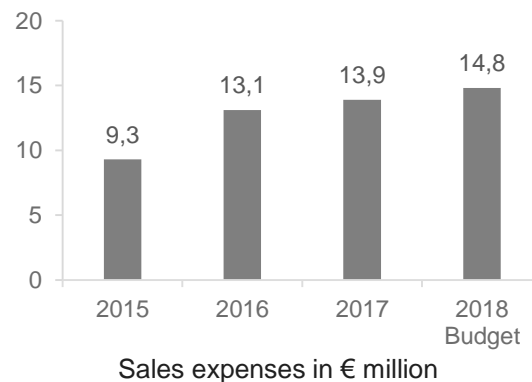
Continuous cost reduction measures resulted in a significant reduction in G&A costs within a multi-year comparison.



## ■ Sales expenses

KHD actively invests in market development and strengthening of customer relationship.

Sales expenses also include expenses for tendering as well as costs for customer events and trade fairs.





# Segment earnings

## Segment Capex

- Revenues of € 62.2 million were significantly lower than previous year (€ 96.2 million).
- Adjusted gross profit of € 2.8 million (€ -3.0 million in FY 2016); adjusted gross profit margin of 4.5% (-3.1% in FY 2016 ).
- Adjusted EBIT amounted to € -22.8 million (previous year: € -31.0 million).

## Segment Plant Services

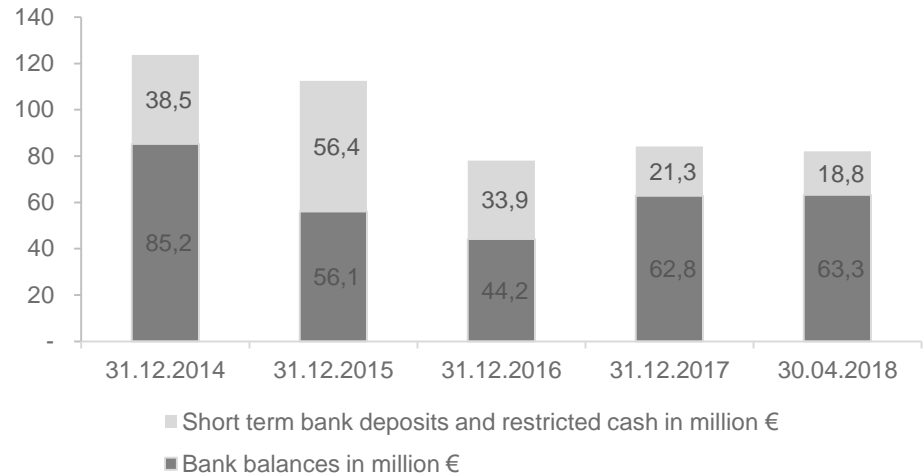
- Revenue of € 37.9 million decreased compared to the previous year (€ 39.3 million)
- Satisfactory gross profit of € 9.6 million (€ 10.6 million in FY 2016); Gross profit margin of 25.4% slightly below previous year figure.
- Significantly positive EBIT of € 3.3 million (previous year: € 3.7 million).



# Financial Position

- Total assets of € 282.6 million (€ 330.1 million in FY 2016), thereof:
  - Cash and cash equivalents of € 84.1 million (previous year: € 78.1 million),
  - Loan to AVIC of € 100 million (previous year: € 100 million).

Cash and Cash Equivalents

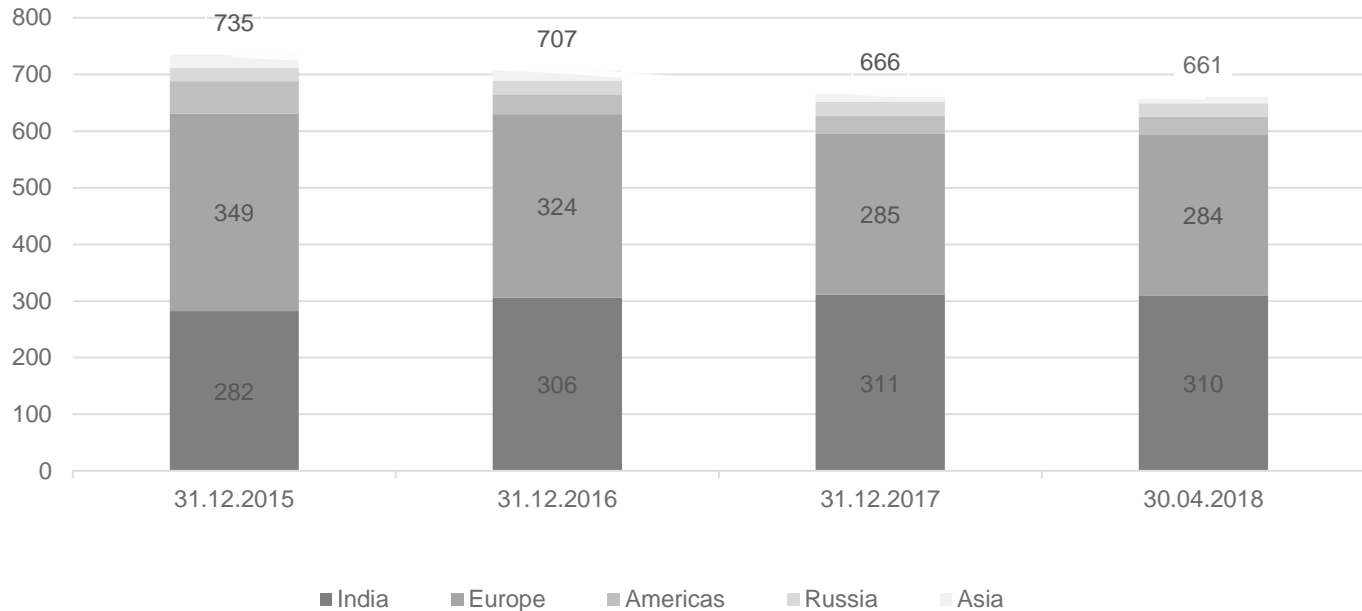


- KHD with robust liquidity and equity of € 149.8 million (equity ratio of 53.0%).
- Improvement in the net working capital (€ -9.0 million vs. € 13.4 million end of 2016).



# Employees

- 666 employees by the end of 2017 (end of 2016: 707 employees).





## Key Figures at a Glance

in € million	Dec. 31, 2017	Dec. 31, 2016	Difference
Equity	149.8	172.2	-22.4
<i>Equity ratio (in %)</i>	<i>53.0</i>	<i>52.2</i>	<i>0.8</i>
Cash and intercompany loan *	184.1	178.1	6.0
Net working capital **	-9.0	13.4	-22.4
Order Backlog	168.3	131.5	36.8
Employees	666	707	41

\* Intercompany loan of € 100 million, thereof € 50 million with entitlement to call for early repayment by giving 30 days' notice.

\*\* Balance of current assets (less cash and cash equivalents and current loans granted) and current liabilities.



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**First months (Jan. – April) of financial year 2018**

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# Key Figures Jan. – April 2018

in € million	30.04.2018	30.04.2017	Difference
Order Intake	75.4	66.5	8.9
Revenue	37.7	32.3	5.4
Adjusted Gross Profit *	5.0	6.0	-1.0
<i>Adjusted Gross Profit Margin (in %)</i>	13.3	18.6	-5.3
Adjusted EBIT *	-4.4	-5.1	0.7
<i>Adjusted EBIT Margin (in %)</i>	-11.7	-15.8	4.1
EBT	-3.0	-5.2	2.2
Group net loss for the period	-3.8	-6.2	2.4
Earnings per share (in €)	-0.08	-0.12	0.04

\* Adjustments:

2018: € 0.8 million idle capacity costs

2017: € 1.8 million idle capacity costs,  
€ 1.3 staff adjustment measures



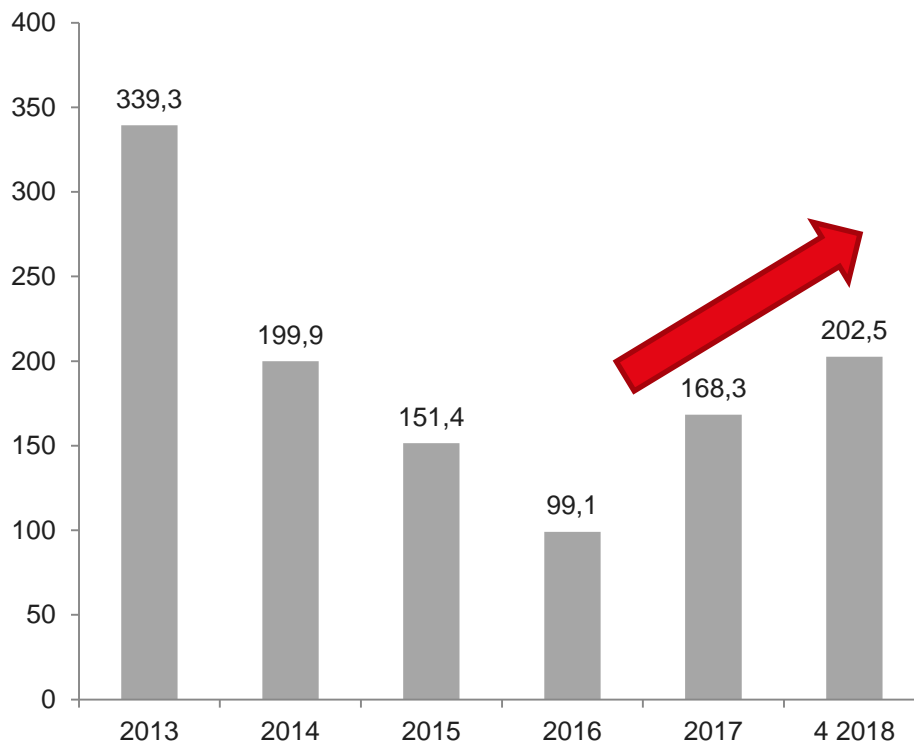
## Key Figures Jan. – April 2018

in € million	30.04.2018	30.04.2017	Difference
Operating cash flow	-1.3	-3.8	2.5
Cash flow from investing activities	0.6	1.7	-1.1
Cash flow from financing activities	-0.2	-0.1	-0.1

in € million	30.04.2018	Dec. 31, 2017	Difference
Equity	144.2	149.8	-5.6
<i>Equity ratio (in %)</i>	<i>50.7</i>	<i>53.0</i>	<i>-2.3</i>
Cash	82.1	84.1	-2.0
Intercompany loan	100.0	100.0	0.0
Net working capital	-13.8	-9.0	-4.8
Order Backlog	202.5	168.2	34.2
Employees	661	666	-5



## Development of order backlog in € million



\* Order backlog has been retroactively corrected for project reversals or cancellations.



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# Outlook – markets 2018

- The International Monetary Fund expects a growth rate of the global economy of 3.7% in 2018 (3.6% in 2017).
- Worldwide medium-term increase in cement consumption (excluding China) is based on expectations of a continuing recovery in the US, a broad recovery in Europe and improved demand in developing and emerging countries.
- For 2018, cement production is expected to increase by 2.6% (previous year: -0.1%).
- As a result of the global uncertainties and ongoing mergers and acquisitions led to investments cuts for the cement producers. In the future, however, a slight increase in investment activities is expected for individual manufacturers.
- Demographic trends as well as the need to expand the infrastructure are expected to result in a growing demand for cement, especially in Africa, India and Southeast Asia.
- The actions of the US government in relation to Russia and Iran are not conducive to the business development of KHD.



# Business Strategy at KHD (1)

Strategy / objectives	Actions to be taken
Leadership in technology	<ul style="list-style-type: none"><li>• Ongoing product development through investment in R&amp;D</li></ul>
Quality leadership through excellence in project execution	<ul style="list-style-type: none"><li>• Global engineering for optimal use of capacities with focus on the Indian location.</li><li>• Optimization of order processing.</li></ul>
Grow market share through sales initiatives	<ul style="list-style-type: none"><li>• Intensification of customer service (e.g. opening of a sales office in East Africa)</li><li>• Personnel increase in sales functions with a focus on Africa and Southeast Asia.</li></ul>



## Business Strategy at KHD (2)

Strategy / objectives	Actions to be taken
Generate additional business volume in Plant Services and Capex through service initiatives	<ul style="list-style-type: none"><li>• Strengthening the advisory function for our customers (Plant Audits)</li><li>• Development of service concepts</li><li>• Significant expansion of customer-oriented service staff</li></ul>
Improvement of profitability through cost-cutting measures	<ul style="list-style-type: none"><li>• Reduction of structural costs through staff reduction in USA and Germany completed in 2017</li><li>• Project cost reduction:<ul style="list-style-type: none"><li>– Strengthening the global supply chain, in particular through intensive use of the Chinese and Indian procurement markets</li></ul></li></ul>



# Strengthening Sales Activities



- Our initiatives to strengthen sales include important building blocks:
  - Intensification of customer care
  - Expansion of local sales offices, among others through new sales office in East Africa
  - Strengthening the worldwide representative network
  - Increase of the tender activities
  - Regular hosting of regional Technology Summits (amongst others in Bangladesh in 2017)

Sales expenses	million. €
2015	9,3
2016	13,1
2017	13,9
2018 Budget	14,8



# Workshop in India

- Expansion of manufacturing capacity in India by construction of a new workshop in Faridabad; size of total plot approx. 16,000 m<sup>2</sup>.
- At the new location, about 70 employees will work on the production of KHD's core products (including roller presses).
- KHD achieves more than a doubling of its own production capacities and can guarantee high quality standards.





# Further Development of Products and Services

## Products

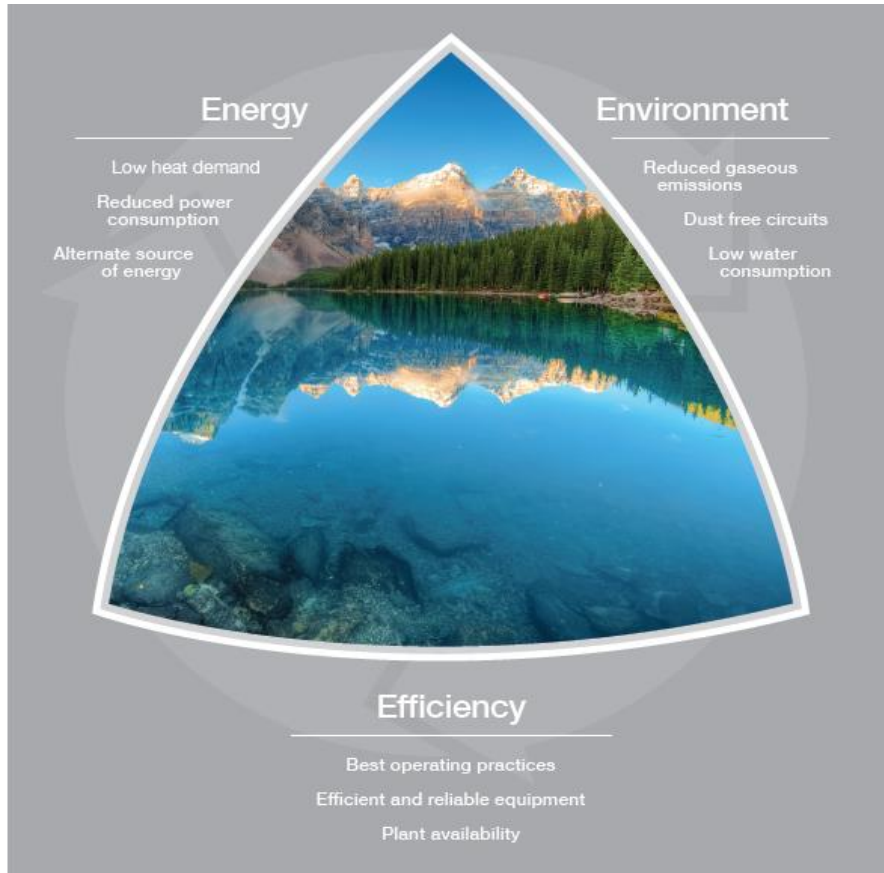
- Strengthening the KHD product portfolio through application-related product development with a special focus on roller presses, ball mills and environmentally friendly solutions.
- Integration of KHD Know how into global solutions: Modernization and expansion of EP and EPC-based kiln lines and grinding plants (including ongoing projects in Austria and Argentina).

## Services

- Expansion of the service business (spare parts, plant audits, maintenance, training, plant optimization) through increased customer visits and development of customized solutions.
- Strengthening of service site personnel through new hires in 2018.

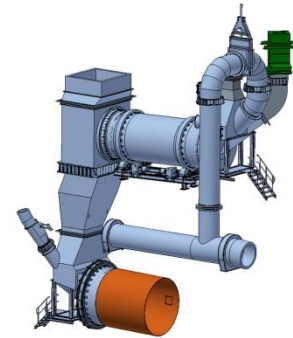


# R & D at KHD – based on Energy, Environment and Efficiency



## **PYROROTOR®** Technology

(first order in Austria)



- ✓ Rotary Drum Reactor for burning of coarse alternative fuels.
- ✓ PYROROTOR® Technology for new plants as well as for plant modifications.
- ✓ Mechanical fuel transport through reactor with sufficient fuel residence times.
- ✓ Suitable for coarse fuel sizes.
- ✓ Due to high temperature process and longer residence time suitable for nearly all types of coarse alternative fuels.
- ✓ Therefore saving of fuel pre-treatment costs.
- ✓ Resulting in significant fuel cost reduction.



# Corporate Social Responsibility at KHD

First-time publication of a group-wide sustainability report for the 2017 financial year (<http://www.khd.com/csr-bericht.html>) in addition to the regular financial reporting.

- ▶ Sustainability at KHD is embedded in the group-wide Code of Conduct.
- ▶ Sustainability focuses on environmental aspects in technology development, the respect of employee concerns, the prevention of corruption as well as social and corporative commitment with a conscious focus on our location in India.
- ▶ KHD's subsidiary in India donated about € 122 thousand to the non-governmental organization "Swecha - We for Change Foundation" in 2017 . Supported measures include:
  - ▶ Conducted workshops, various excursions and a summer school for children and women from the Jagdamba slum in New Delhi.
  - ▶ Planting of about 700 tree seedlings on the grounds of state schools in New Delhi.





## Summary: Continuation of Business Strategy 2020

- KHD is investing in its future despite a difficult market environment through headcount increase in the areas of sales, product development and site services.
- KHD reduces costs and increases product quality by strengthening standardized engineering and expansion of its own manufacturing capacity in India.
- KHD invests future-oriented technologies and sales activities without losing sight of the cost situation.
- In the medium term, both income should be increased and costs reduced in order to return to a positive earnings situation.
- The 2018 financial year will be a transitional year, the same as 2017. From 2019 onwards, the break-even point should be achieved again based on a significant increase in business volume.



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**Questions**



# Questions





## 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, 2017.