KHD Humboldt Wedag International AG, Cologne

Interim Report Pursuant to Section 37x of the German Securities Trading Act (WpHG) as of May 15, 2012

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www.khd.com

Highlights Q1 2012

- Considerable increase in order intake to approximately € 160 million
- Order backlog at its highest level since 2008 at € 404.0 million
- Group revenue falls by 16,9% to € 48,8 million as customers delay execution of projects
- EBIT almost break even: € -0.6 million, EBT of € 0.4 million
- Higher equity ratio, reduction in liquidity
- Confirmation of outlook for the financial year 2012

Key Figures at a Glance

in € million	31.03.2012		31.03.2011	Variance in %
Order Intake	159.1		36.0	341.9
Revenue	48.8		58.7	-16.9
Gross Profit	8.4		11.4	-26.3
EBIT	-0.6		2.9	-120.7
EBT	0.4		4.5	-91.1
Net result	-0.2		2.9	-106.9
EPS in EURO, Cent	0.00		0.06	-100.0
Cash flow from operating activities	-22.0		-17.4	26.4
Cash flow from investing activities	-1.5		-0.9	66.7
Cash flow from financing activities	12.2	*	75.0	-83.7

in € million	31.03.2012	31.12.2011	Variance in %
Equity	233.6	233.5	0.0
Equity ratio (in %)	56.9	54.1	5.2
Cash	277.1	300.3	-7.7
Order Backlog	404.0	293.7	37.6

* Return of restricted cash (collateral for bank guarantees)

Market Environment

The pace of global economic growth slowed during the first three months of the year according to the latest information available. Due to the continued lack of a solution to the sovereign debt crisis and austerity measures in place in the affected EU countries, the euro zone has slipped into a mild recession. This also affected the EU's main trading partners. Additional risks exist in the form of inflationary tendencies in fast-growing economies, which are intensified further by the hike in energy prices.

The general expectation is that growth will pick up again in the second half of the year, provided that the euro crisis does not escalate. The International Monetary Fund (IMF) forecasts global economic growth of 3.5% for 2012 (2011: 3.9%); this rate is expected to reach 5.7% (2011: 6.2%) for developing and emerging economies.

The key sales markets of KHD Humboldt Wedag International AG (hereinafter referred to as “KHD” or “Group”) were affected to varying degrees by the economic slowdown:

- China’s growth rate remains healthy in line with expectations thanks to robust consumer spending and investment, despite slowing slightly to 8.2% compared to the previous year (9.2%). Cement consumption is expected to rise further in spite of a decline in investment in infrastructure. The government initiated reorganization of the cement industry, together with decommissioning of old plants and tighter emission controls, presents a number of opportunities for KHD.
- 6.9% growth is forecast for India (previous year: 7.2%), although there are a number of risks caused by the high rate of inflation. Margins in the cement industry remain under downward pressure and the industry continues to suffer from below-average capacity utilization.
- In other Asian economies, moderately decelerating growth rates are expected. For instance, Malaysia predicts GDP to increase by 4.4% (previous year: 5.1%). However, a rise in building and infrastructure construction projects should stimulate the cement consumption.
- The IMF predicts the growth rate in Russia to slow down to 4.0%. Nevertheless, an increase in infrastructure investments should lift cement consumption back to levels seen before the crisis began (2008).
- Indications are increasingly pointing to a moderate improvement in the US economy, which is also having an effect on the labor market.
- Latin America is less affected by the euro crisis than other regions. IMF economists forecast that the Brazilian and Venezuelan economies will see faster growth rates than in the previous year.

In the medium-to-long term, factors such as ongoing urbanization, demographic trends, and infrastructural needs in developing and emerging economies will continue to drive construction activities and boost cement consumption. The BRIC and IST countries (Indonesia, South Africa, Turkey) in particular have contributed significantly to the growth of the cement market and are forecast to remain key drivers of growth in the future. China remains the largest single market with a 56% share of global cement consumption.

Business Development

Despite signs of encouragement from the long-term trends seen in several markets, adverse economic conditions in KHD’s business troubled the Group in the first quarter of 2012. Muted expectations regarding demand for cement, combined with surplus capacity in a number of regions, resulted in modest investment activity on the part of cement producers. Furthermore, difficult conditions for financing had a negative impact and led to delays in the awarding of orders as in the financial year 2011.

Nevertheless, KHD was able to win new orders with a volume of € 159.1 million. This represents more than a four-fold increase over the unsatisfactory amount of € 36.0 million in the first quarter of the previous year. This jump in new orders was primarily due to KHD's collaboration with, strategic partner and shareholder AVIC International Beijing (AVIC).

- In Malaysia, KHD received an order from Straits Cement to construct a fully integrated cement production facility with a daily production capacity of 5,000 tons and an order volume of € 100 million. KHD's scope of supply comprises of a five stage preheater with a Low-NOx calciner system, PYRORAPID® rotary kiln with PYROJET® burner, PYROFLOOR® cooler, and the energy-efficient COMFLEX® system for grinding limestone and clinker. Roughly 60% of this order will be channeled through to KHD partner AVIC, who will supply the entire steel structure, steel structure erection as well as various electrical and mechanical packages.

- In Venezuela, the AVIC – KHD partnership won its first tender for an EPC plant. The order from Invecem Cement involves installing a new line in the cement plant in San Sebastian with a capacity of 2,400 tons per day. KHD will provide process know-how, key equipment, engineering and supervision services.

Smaller orders included the supply of COMFLEX® grinding plants in Malaysia and - in cooperation with Weir Minerals, - the supply of roller presses (HPGR as they are known the minerals industry) for mines in Canada and Peru. The spare parts and service business contributed to the higher order intake compared to the previous year.

As a result of the positive order intake, the order backlog of € 404.0 million was significantly higher than at the end of 2011 (€ 293.7 million).

Results of Operations

In the first three months of 2012, KHD generated revenue of € 48.8 million, which was primarily the result of projects in India and Russia. Revenue declined by 16.9% in a year-on-year comparison (previous year: € 58.7 million). The reason for this is largely customers delaying awarding and execution of projects, due to the uncertain market situation. The new orders in Malaysia and Venezuela will start to contribute to revenues at the earliest in the second half 2012.

In the reporting period, gross profit totaled € 8.4 million (previous year: € 11.4 million), corresponding to a gross margin of 17.2%.

Sales expenses increased by 9.7% to € 3.4 million in the quarter under review (previous year: € 3.1 million), due to increased tendering activities for new cement plants, notably in Malaysia. In contrast, general and administrative expenses declined by 4.5% to € 4.2 million (previous year: € 4.4 million). The increase in other expenses from € 1.5 million to € 2.0 million was, in particular caused by increasing expenses for research and development.

Profit before interest and taxes (EBIT) was almost break even, at € -0.6 million and did not reach the previous year's figure (€ 2.9 million), which was influenced by the execution of a high-margin project.

Net finance income also fell short of the previous year’s figure (€ 1.6 million) at € 1.0 million. The key factor here was lower interest income, which reflected the fall in liquidity and the drop in market interest rates.

Profit before tax (EBT) totaled € 0.4 million (previous year: € 4.5 million), representing a modestly positive result. The net result for the period of € -0.2 million (previous year: € 2.9 million) translates into diluted and basic earnings per share of € 0.00 (previous year: € 0.06).

Financial Position and Net Assets

Unrestricted cash and cash equivalents at KHD decreased by approximately € 11 million to € 276.6 million in the first quarter of 2012. Cash flow from operating activities decreased by € 22.0 million. The execution of construction contracts led to cash outflows of € 17.0 million. On the other hand, customer postponements in awarding new projects led to lower cash inflows.

Cash flow from investing activities was considerably higher than the previous year’s figure of € -0.9 million at € -1.5 million. The primary investment was in the SAP project, which is also evident from the additions to other intangible assets. Cash flow from financing activities totaling € 12.2 million results in particular from a reduction in the restricted cash position, i.e. cash and cash equivalents that have been pledged as collateral for bank guarantees, and therefore, are not freely available. The decrease in current assets and liabilities was the primary cause for the decline in the balance sheet total from € 431.9 million as of the end of 2011 to € 410.8 million, as of March 31, 2012. On the assets side of the balance sheet, the decline in receivables, inventories, and payments made in advance had an impact, aside from the reduction in gross amount due from customers for contract work. These decreases were caused by the lower business volume.

Besides the fall in commitments under construction contracts, declining trade payables and the decrease of provisions had an impact on the liabilities side of the balance sheet.

Equity remained virtually unchanged at € 233.6 million, corresponding to an equity ratio of 56.9%, compared to 54.1% at the end of 2011.

In March 2012, the existing consortium agreement was replaced by a new credit facility with a total volume of € 130 million and a term of three years provided by a consortium of banks led by Deutsche Bank AG and Raiffeisenbank International AG.

Risks and Opportunities

There has been no material change in either the risks or the opportunities facing KHD since publication of the 2011 Group Annual Report.

Outlook

Following the predicted slow start into the 2012 financial year, KHD largely confirms the expectations for the year as a whole as indicated in its 2011 Group Annual Report. We believe that the global economic slowdown will not halt before the middle of 2012, provided that the euro crisis does not escalate and the impact of other risk factors such as inflation and increasing raw materials prices is limited. The long-term outlook for cement markets remains positive, although surplus capacities and financing difficulties continue to hamper construction and modernization projects.

Nevertheless, order intake is expected to exceed the level of the previous year. KHD managed to achieve a good starting position in the first quarter. In contrast, our expectations for revenue are modest, given that the trend among customers to delay project execution is foreseen to continue. As a result, gross profit and EBIT margin will remain under pressure and will not reach the level seen in 2011. The newly acquired projects in Malaysia and Venezuela are not expected to have a material impact on revenue and profit in the current year. However, they will have a positive influence on liquidity.

Developments after March 31, 2012

On April 30, 2012, leading Russian cement producer EUROCEMENT placed an order with KHD for more than € 80 million for a new cement plant to be built in Stavropol, Russia. The Moscow-based EUROCEMENT group is among the top ten cement producing companies in the world.

The contract between Stavropolsky Zavod Stroitelnih Materialov, a member of the EUROCEMENT group, and ZAB Zementanlagenbau GmbH Dessau, a subsidiary of KHD Humboldt Wedag International AG, is for a new cement plant with an annual output of 1.3 million tons.

KHD' scope will cover the EP supply of production equipment, starting from raw material crushing all the way up to cement loading / packing. KHD will also supply automation and control equipment for the new production line. In addition, the companies concluded a separate contract for erection and commissioning supervision services, which is part of the total order volume.

The project will be booked as order intake immediately upon receipt of down payment.

Cologne, Germany, May 15, 2012

The Management Board