KHD Humboldt Wedag International AG, Cologne, Germany

Interim Report Pursuant to Section 37x of the German Securities Trading Act (WpHG)

as of November 8, 2013

ISIN: DE0006578008

German Securities Identification Number (WKN): 657800

Stock Exchange Symbol: KWG

www.khd.com

Summary – First Nine Months of 2013

- Continuing slow market conditions lead to decline in order intake
- Revenue up by 26% thanks to ongoing execution of major projects
- Gross profit down compared to previous year, due to lower margin quality in order backlog, pass through revenues with zero margin and several difficulties in project execution
- Increase in EBIT through strict cost control measures; improved earnings per share
- Negative operating cash flow caused by ongoing project execution
- Confirmation of guidance for 2013 financial year

Key Figures at a Glance

in € million	Jan. 1 - Sept. 30, 2013	Jan. 1 - Sept. 30, 2012	Variance 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 profit 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	437.5
Earnings per share (in €)	0.07	0.02	350.0
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	Variance 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
Employees	763	783	-2.4

* Amounts adjusted due to change in accounting policy for pension benefit obligations

Market Environment

The global economy remains sluggish, particularly due to weak growth in key emerging economies. On the other hand, some developed economies are generating positive momentum. Growth in the United States has picked up despite fiscal risks. In the second quarter the Eurozone recorded positive growth for the first time in two years, which mainly reflects the favorable trend in Germany.

In October, the International Monetary Fund (IMF) reduced its forecast for 2013 as a whole to 2.9% (2012: 3.2%). For the developing and emerging economies, the IMF now predicts growth of just 4.5% (2012: 5.1%):

- The development in India was disappointing. The IMF reduced its growth forecast to 3.8% (previous year: 4.0%). The industry is suffering due to the slow pace of infrastructure development as well as regulatory obstacles. Companies and consumers are also struggling due to inflation which remains high.
- The IMF has also significantly cut its growth forecast for Russia, which is now 1.5% (previous year: 3.4%). However, the cement industry is continuing to benefit from the infrastructure investments for the Winter Olympic Games 2014 and the FIFA World Cup 2018 as well as private housing construction.
- The Turkish economy remains in recovery mode and will likely achieve a growth rate of 3.8% (previous year: 2.2%) for the year as a whole. In the period under review, the cement industry has benefited, in particular, from a government investment program backing the construction of earthquake-proof housing.
- The economic trend in Latin America has been curbed by inadequate infrastructure, lower raw materials prices and also, in some cases, by a tightening of monetary policy. For the year as a whole, the IMF predicts growth of 2.7% (previous year: 2.9%).
- The economies of the emerging markets in Southeast Asia, relevant to KHD, slowed down considerably. Indonesia, Malaysia and Thailand are dealing with slower growth rates.
- With a predicted growth rate of 7.6%, China will grow at a slightly slower pace than in the previous year (7.8%).

In the medium-to-long term, factors such as ongoing urbanization, demographic trends, and infrastructural needs in developing and emerging economies will drive construction activities and boost cement consumption. The emerging economies in particular have contributed significantly to the growth of cement consumption and are forecast to remain key drivers of growth in the future. China remains the largest single market with a share of 59% of global cement consumption.

Business Development

In the first nine months of the year, order intake amounted to € 82.8 million (€ 97.3 million without the currency impact), compared to € 282.9 million in the same period in 2012. This clear decrease compared to the previous year's level – which was affected by several major contracts – is attributable primarily to investment restraint in the cement industry. Currency translation differences also had a negative effect amounting to € 14.5 million. In the third quarter of the year, the spare parts and service business once again accounted for a high proportion of the order intake.

The order backlog dropped by € 98.7 million (-20.1%) to € 392.3 million in comparison with December 31, 2012, due to the lower order intake and the ongoing execution of the order backlog.

Results of Operations

Revenue rose by 26.0% compared with the previous year (€ 144.0 million) to € 181.5 million. This increase mainly reflects the ongoing project execution of orders awarded in previous years. Gross profit fell to € 24.5 million in the reporting period (previous year: € 30.2 million). Gross profit margin declined from 20.9% to 13.5%. Income related to the license agreement with Weir Minerals and releases of provisions due to successful work after the completion of deliveries positively affected gross profit margin. However, gross profit margin deteriorated, which was mainly caused by low margin orders in the order backlog that were won under fierce market conditions and high margin pressure. In addition, the execution of a major project in Malaysia had an adverse impact on gross profit margin. A significant portion of this order is for structural steel and general erection works. This scope has been passed through to KHD's strategic partner AVIC with no additional gross profit for KHD. Finally, several difficulties in project execution, including the termination of a contract at our CSC Americas, had an adverse impact on gross profit margin.

KHD is currently focusing its sales and tendering activities on strategically important projects with solid margins in its core markets. Therefore, sales expenses decreased by 32.0% to € 7.0 million (previous year: € 10.3 million).

The Group's strict cost management program is continuing to pay off with regard to general and administrative expenses and other expenses. General and administrative expenses were 7.8% lower than in the previous year at € 11.9 million (€ 12.9 million). This mainly reflects savings in consulting costs. Other expenses declined by 13.5% to € 4.5 million (previous year: € 5.2 million).

Other operating income amounting to € 3.0 million (previous year: € 1.8 million) includes payments of € 2.1 million relating to contingent purchase consideration agreed in 2009 as part of the sale of the workshop in Cologne.

Thanks to overhead cost savings amounting to € 5.1 million, earnings before interest and tax (EBIT) reached € 4.1 million and were € 0.6 million higher than in the previous year (€ 3.5 million).

Finance income consists mainly of interest income from the investment of cash and cash equivalents. As expected net finance result of € 1.0 million failed to reach the previous year's level of € 2.6 million, due to historically low interest-rates as well as the declining liquidity volume. Earnings before tax (EBT) thus amount to € 5.1 million (previous year: € 6.1 million).

Net profit for the period came to € 3.6 million (previous year: € 0.8 million). The net profit for the period translates into diluted and basic earnings per share of € 0.07 (previous year: € 0.02).

Financial Position and Net Assets

Total cash and cash equivalents fell by € 51.2 million to € 231.4 million in the first nine months of 2013. This decrease was mainly attributable to the cash flow from operating activities in the amount of € -44.2 million (previous year: € -28.4 million). On the one hand, this resulted from the lower volume of advance payments received, due to the low volume of new business. On the other hand, a significant proportion of orders is close to completion; in this phase, payments to suppliers normally exceed incoming payments from customers.

The decline in trade receivables and a simultaneous increase in current liabilities had the opposite effect.

Further details of the operating cash flow in the first nine months of the year are presented in the following table:

in € thousand	
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	(5,831)
Cash inflow from result of the period (EBITDA)	5,831
Other cash inflows and outflows	(2,718)
Cash flow from operating activities	**(44,193)**

Cash flow from financing activities in the amount of € -32.8 million (previous year: € 14.9 million) mainly reflected the use of cash with a volume of € 30.2 million as collateral within the scope of the existing € 130 million bonding line. Excluding this effect – which had no impact on total cash and cash equivalents – the cash flow from financing activities amounted to € -2.6 million. This includes cash outflows resulting from the dividend payment of € 4.5 million.

Cash flow from investing activities (€ -0.6 million) did not have any significant impact on the development of cash and cash equivalents.

On the assets side of the balance sheet, current assets decreased by € 18.9 million to € 399.3 million. This decline resulted primarily from the reduction in cash and cash equivalents (€ -51.2 million), which contrasted with an increase in the gross amount due from customers for contract work (€ 41.0 million).

The liabilities side of the balance sheet was characterized by a decrease of € 19.3 million in the commitments under construction contracts and a reduction of equity by € 4.1 million. In contrast, accounts payable and accrued expenses increased by € 9.9 million. The decrease in equity to € 225.2 million has resulted mainly from the € 4.5 million dividend payment.

As of September 30, 2013, the Group's equity corresponds to an equity ratio of 54.2% (December 31, 2012: 52.6%).

Risks and Opportunities

KHD's approach to risk management ensures that changes in the risk position are promptly identified. To the extent required, provisions are set up for known risks. The risks identified do not pose a threat to the KHD Group as a going concern, either individually or in combination.

There has been no significant change in the assessment of risks and opportunities since December 31, 2012. Please refer to the relevant section in the KHD Group management report as of December 31, 2012 (page 45 ff. of the Group Annual Report).

Outlook

The IMF envisages that many emerging economies will face lower growth levels not just over the next few years, but also in the longer term. However, the analysts of the CW Group expect that cement consumption will pick up in 2014 in all of KHD's Customer Service Center regions, with the exception of Europe. Nevertheless, cement producers are expected to remain cautious in expanding their capacities, since market trends are currently difficult to foresee and many regions are characterized by surplus capacities and low utilization rates in existing plants.

For KHD notable risks exist in connection with the slow economic recovery. Setbacks may lead to further delays in the Group's order intake and order execution. The focus in the fourth quarter and the following year will remain on executing existing orders while improving efficiency and profitability.

Despite continuous deterioration of the market conditions, KHD basically confirms the outlook provided in its 2012 Annual Report regarding the economic development of the Group. However, postponements in order intake and execution had a negative impact on cash flow from operating activities and on the order backlog.

As KHD executes its order backlog revenues will continue to be positively affected. As already visible for the first nine months KHD expects significantly higher revenues for the full year 2013 in comparison to 2012. 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.

Orders won in a highly competitive environment and under margin pressure will continue to contribute to revenue. Therefore, gross profit margin for the full year should be roughly equal to that of the first half-year 2013 and thus will not achieve the same level as in 2012.

Thanks to continuous cost optimization, we still expect an increase in EBIT with an EBIT margin approximately at previous year’s level.

Developments after September 30, 2013

AVIC International Engineering Holdings Pte. Ltd., Europe Project Management Pte. Ltd., Europe Technology Investment Pte. Ltd. and Europe Engineering Holdings Pte. Ltd. provided notice on October 11, 2013 – pursuant to Section 10 of the German Securities Acquisition and Takeover Act (WpÜG) – of their decision to submit a joint voluntary public takeover offer to all of the shareholders of KHD Humboldt Wedag International AG, to acquire their ordinary bearer shares against payment of € 6.45 per share. The Supervisory Board and Management Board of KHD Humboldt Wedag International AG will examine this offer upon its receipt and publish a statement for the shareholders of KHD Humboldt Wedag International AG pursuant to Section 27 WpÜG.

The Management Board

Cologne, Germany, November 8, 2013

(s) Jouni Salo (s) Ralph Quellmalz (s) Yizhen Zhu