KHD Humboldt Wedag International AG, Cologne, Germany

Interim Report Pursuant to Section 37x of the German Securities Trading Act (WpHG) as of November 14, 2014

ISIN: DE0006578008

German Securities Identification Number (WKN): 657800

Stock Exchange Symbol: KWG

www.khd.com

Summary for the First Nine Months of the 2014 Financial Year

- Continued unsatisfactory order intake in the Capex segment
- Gross profit increase compared with previous period
- Positive EBIT despite higher research and development expenses
- Confirmation of the updated forecast for the 2014 financial year

Key Figures at a Glance

in € million	Jan. 1 – Sept. 30, 2014	Jan. 1 – Sept. 30, 2013	Variance in %
Order intake	80.2	82.8	-3.1
Revenue	173.2	181.5	-4.6
Gross Profit	28.3	24.5	15.5
Gross Profit (in %)	16.3	13.5	20.7
EBIT	3.2	4.1	-22.0
EBIT margin (in %)	1.8	2.3	-21.7
EBT	5.0	5.1	-2.0
Group net profit for the period	3.3	3.6	-8.3
EPS (in €)	0.07	0.07	0.0
Cash flow from operating activities	-19.1	-44.2	
Cash flow from investing activities*	-51.8	-0.6	
Cash flow from financing activities	32.0	-32.8	

in € million	Sept. 30, 2014	Dec. 31, 2013	Variance in %
Equity	229.0	222.5	2.9
Equity ratio (in %)	57.1	53.2	7.3
Cash and intercompany loan*	214.1	228.2	-6.2
Net working capital	33.0	14.3	130.8
Order Backlog**	246.3	339.3	-27.4
Employees	785	757	3.7

* Includes intercompany loan of € 50 million
** Previous year's figure corrected for canceled order in Russia

Please note that differences can result from the use of rounded amounts and percentages.

Market Environment

In the first nine months, the world economy grew weaker than expected. In October, the International Monetary Fund (IMF) revised its growth forecast for 2014 downward by 0.1 percentage points to 3.3% (previous year: 3.3%). For the developing and emerging economies, the IMF now expects growth of only 4.4% in the current year (previous year: 4.7%). Risks arose above all from the geopolitical situation in the Middle East and the Ukraine as well as the again increasing uncertainty in the financial markets. In addition, the continued subdued market dynamics in the Eurozone and weakening growth in the emerging economies had an effect.

KHD Humboldt Wedag International AG's (hereinafter referred to as "KHD" or the "Group") key sales markets were affected by the weak economy in several ways:

- In India, the cement industry continued suffering from low capacity utilization. Nevertheless, there were signs of somewhat stronger economic growth in the third quarter, which had a positive impact on the demand for cement.
- The economic situation in Russia continued to deteriorate in view of the Ukraine crisis and related sanctions. Nevertheless, the consumption of cement increased further due to ongoing infrastructure investments.
- Growth in Turkey has slowed over the course of the year. However, the construction industry has shown stability.
- The USA remains on a path of economic recovery. The demand for cement benefited from high growth rates in the construction industry.
- The cement markets in Latin America continued to be affected by the lack of momentum in Brazil, Mexico, and Argentina.

Business Development

Controlling, monitoring and reporting within KHD have been carried out in the two separate segments Capex (project business) and Parts & Services since January 1, 2014. Comparability with the figures for the 2013 financial year is, however, only provided for the aggregated values.

During the first nine months of 2014, order intake was € 80.2 million, slightly below the previous year's level (€ 82.8 million). The Parts & Services segment contributed € 41.8 million, which is more than half of the total value.

Since the newly won order in Russia (Kaluga region) totaling more than € 90 million could not yet be recorded in order intake, total order intake in the Capex segment amounted to just € 38.4 million.

As a result of the low level of order intake and the execution of existing projects, order backlog as of September 30, 2014 was at € 246.3 million, well below the level at the end of the 2013 financial year (€ 339.3 million).

Group Earnings Situation

Revenue of € 173.2 million declined slightly by 4.6% compared with the previous year's amount (€ 181.5 million). Within the cost of sales, project costs of approximately € 5.0 million, which were back charged to a subcontractor in the third quarter 2014, had a positive impact. As a result, gross profit for the first nine months was € 28.3 million – 15.5% above previous year's amount (€ 24.5 million). The gross profit margin thus rose from previous year's 13.5% to 16.3%.

Sales expenses rose by 8.6% from € 7.0 million to € 7.6 million in the first nine months of the 2014 financial year. Sales activities remained focused on strategically important projects in KHD's core markets. The increase in general and administrative expenses by 10.9% from € 11.9 million to € 13.2 million was to a large extent attributable to higher personnel expenses, also from the expansion of the Parts & Services segment. Other expenses of € 5.3 million (previous year: € 4.5 million) include research and development expenses of € 3.3 million (previous year: € 2.1 million). The significant increase in research and development expenses from the previous year was due to additional focus on several development projects, which will reinforce KHD's leading technological position. Both the expansion of the Parts & Services business unit and the increased expenses for research and development reflect the continued investment in KHD's strategic growth despite the currently difficult economic environment.

Earnings before interest and taxes (EBIT) amounted to € 3.2 million in the reporting period (previous year: € 4.1 million), which corresponded to an EBIT margin of 1.8% (previous year: 2.3%).

The Group's net finance income of € 1.7 million (previous year: € 1.0 million) improved significantly. Net finance income includes interest income of € 0.6 million resulting from a € 50 million intercompany loan granted in July 2014 to AVIC International (HK) Group Ltd., Hong Kong. Earnings before taxes (EBT) of € 5.0 million were at the previous year's level (€ 5.1 million).

The net profit for the period came to € 3.3 million (previous year: € 3.6 million), which translates into diluted and basic earnings per share of € 0.07 (previous year: € 0.07).

Segment Earnings Situation

Capex segment revenue of € 131.3 million fell short of the budgeted value. In the Parts & Services segment, revenue totaled € 41.9 million, well above the budgeted amount.

Despite back charging project costs of roughly € 5.0 million to a subcontractor, gross profit in the Capex segment of € 16.7 million (gross profit margin: 12.7%) was unsatisfactory. This is, in particular, due to the execution of low-margin projects and margin deterioration in current projects. In contrast, the Parts & Services segment generated gross profit of € 11.6 million (gross profit margin: 27.7%).

Due to the back charging of project costs to a subcontractor in the third quarter of 2014, EBIT in the Capex segment of € -4.9 million improved compared with the amount reported at the end of the first half year. EBIT of € 8.1 million in the Parts & Services segment was able to more than compensate for the negative result in the Capex segment. This underscores the growing significance of this segment for KHD.

Financial Position and Net Assets

KHD’s total cash and cash equivalents fell significantly in the first three quarters by € 64.1 million from € 228.2 million to € 164.1 million. This decrease was, in particular, caused by granting an intercompany loan of € 50 million to AVIC International (HK) Group Ltd., Hong Kong. The loan has a term of three years and bears interest at a rate of 6% per annum. KHD is entitled to call for repayment of the loan at any time prior to its maturity by giving 30 days’ notice.

New Financing Agreements

The previous credit facility agreement with a consortium of banks was canceled in August. KHD has now concluded bilateral bank guarantee credit facilities with the Deutsche Bank AG (€ 40 million) and the Austrian Raiffeisen Bank International AG (€ 38 million). In addition, KHD has, among others, bonding line agreements with the Bank of China and the Industrial and Commercial Bank of China with a total volume of about € 70 million.

Liquidity

Cash flow from operating activities (€ -19.1 million) was adversely affected in particular by the repayment of advance payments following the cancellation of an order in Russia.

Cash flow from investing activities of € -51.8 million was mainly characterized by granting an intercompany loan of € 50 million to AVIC International (HK) Group Ltd., Hong Kong.

Cash flow from financing activities amounted to € 32.0 million. Due to the cancellation of the previous credit facility agreement in August the consortium of banks repaid cash collateral for bank guarantees (restricted cash) amounting to € 28.0 million.

Total Assets

The balance sheet total decreased since the year end 2013 by € 17.4 million from € 418.1 million to € 400.7 million. On the assets side, the significant increase in other financial assets was largely caused by the intercompany loan amounting to € 50 million granted in July 2014. In addition to the payment of the intercompany loan, mainly disbursements from operating activities caused a decline in cash and cash equivalents.

Financing

On the liabilities side, commitments under construction contracts declined by € 13.0 million. This decrease was impacted by the repayment of advance payments following the cancellation of an order in Russia. Due to utilization as well as releases, current provisions fell by € 6.4 million.

Net working capital – the difference between current assets (less cash and cash equivalents and intercompany loans) and current liabilities – rose significantly to € 33.0 million compared with the amount as of December 31, 2013 (€ 14.3 million).

Equity increased by € 6.5 million from € 222.5 million at year end 2013 to € 229.0 million. In addition to the positive Group net profit for the period, this movement was caused by currency translation differences recognized in equity from foreign subsidiaries. As of September 30, 2014, the equity ratio amounted to 57.1%, a further increase compared with the ratio as of December 31, 2013 (53.2%).

Developments after September 30, 2014

On 13 November 2014 KHD has entered into a second € 50 million loan agreement with AVIC International (HK) Group Ltd., Hong Kong, as the borrower. The loan bears interest at a rate of six percentage points per annum and will be granted for a fixed term of three years.

No further developments or events of particular significance occurred after September 30, 2014.

Risk and Opportunities Report

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 specific risks. The risks identified do not pose a threat to the KHD Group as a going concern, either individually or in combination.

As already indicated in the half-year report, risks associated with the economic environment increased over the course of the year, in particular due to the economic situation in Russia following the crisis in the Ukraine. In addition, possible default risks in connection with the loan agreement with AVIC were added, even though this risk is classified as "low."

There has been no other significant change in the assessment of risks and opportunities since December 31, 2013. Please refer to the relevant section in the KHD Group management report as of December 31, 2013 (page 39 ff. of the Group Annual Report).

Outlook

Economic growth in KHD's core markets is not expected to gain momentum in the final quarter. As a consequence the dynamics in the cement markets – with the exception of North America – should also remain limited.

Therefore, the growth rate for worldwide cement consumption will not match the forecasts at the beginning of the year (CW Group: 3.9%; Exane BNP Paribas: 2.9% to 6.5%).

Nevertheless, modernization programs and upgrades to improve efficiency and to meet increased environmental requirements remain important growth drivers. KHD is well positioned in these areas thanks to its efficient and environmentally friendly solutions.

KHD essentially confirms the forecast figures updated in August for the 2014 financial year. Since a large order from Russia could not yet be booked as order intake due to uncertainties related to the crisis in the Ukraine, the Group's order intake is expected to fall slightly short of the level in the previous year (€ 172.4 million). For the Capex segment KHD expects an order intake of no more than € 85 million. However, in the Parts & Services segment, KHD anticipates order intake of at least € 45 million.

Group revenue is expected to decline by up to 10% compared to previous year's figure (€ 249.6 million) due to postponements in order intake and delays in project execution. Revenue in the Parts & Services business unit is forecasted to be at the same level as order intake, whereas revenue in the Capex business unit will likely come in at approximately € 180 million. Despite the postponement of revenue recognition, KHD maintains its EBIT margin guidance for the 2014 financial year. Whilst EBIT in the range of € 7 – 9 million is the target for the Parts & Service segment, the EBIT for the Capex segment will be negative.

KHD also anticipates a stable financial and net assets position for the rest of the year. Profit before tax will to be positively affected by interest income from the intercompany loan granted to AVIC.

Cologne, Germany, November 14, 2014

The Management Board

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