KHD Humboldt Wedag International AG, Cologne, Germany

Interim Report Pursuant to Section 37x of the German Securities Trading Act (WpHG) as of May 15, 2015

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Stock Exchange Symbol: KWG

www.khd.com

Summary of First Quarter of 2015

- Continued restraint among customers in awarding new orders
- Revenue decrease of -15.4% to € 50.7 million compared to the first quarter of the previous year
- EBIT of € -5.5 million due to decreasing gross profit margin
- Guidance for the key performance indicators for the 2015 financial year confirmed

Key Figures at a Glance

in € million	Jan. 1 - Mar. 31, 2015	Jan. 1 - Mar. 31, 2014	*Variance in %*
Order intake	58.3	25.3	*130.4*
Revenue	50.7	59.9	*-15.4*
Gross profit	3.7	7.0	*-47.1*
Gross profit margin (in %)	7.3	11.6	*-37.1*
EBIT	-5.5	-1.7	*-223.5*
EBIT margin (in %)	-10.8	-2.8	*-285,7*
EBT	-3.0	-1.3	*-130.8*
Group net result for the period	-4.2	-1.2	*-250.0*
EPS (in €)	-0.08	-0.02	*-300.0*
Cash flow from operating activities	-13.5	21.4	
Cash flow from investing activities	-0.2	-0.3	
Cash flow from financing activities	2.7	-0.7	
in € million	**Mar. 31, 2015**	**Dec. 31, 2014**	***Variance in %***
Equity	225.8	225.9	*0.0*
Equity ratio (in %)	56.8	57.3	*-0.9*
Cash and cash equivalents	119.2	123.6	*-3.6*
Intercompany loans*	100.0	100.0	*0.0*
Net working capital	22.4	18.1	*23.8*
Order backlog	203.1	195.4	*3.9*
Employees	752	777	*-3.2*

* Including intercompany loan of € 50 million with the option for early repayment with 30 days notice

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

Management of the KHD Group

In the first few months of the 2015 financial year, KHD Humboldt Wedag International AG has resituated itself to meet future challenges with a new top management team. Since January 1, 2015, Daniel Uttelbach, who is in charge of Sales & Technology, is now a member of the Management Board.

In February, Johan Cnossen was appointed to the Management Board, effective May 1, 2015. Mr. Cnossen is taking over the position of Chief Executive Officer (CEO) previously held by Jouni Salo, who resigned from the Management Board as of April 30, 2015.

Effective April 10, 2015, Jürgen Luckas has been appointed to the Management Board. Mr. Luckas took over the position of Chief Financial Officer (CFO) previously held by Ralph Quellmalz.

Market Environment

The overall economic environment did not change significantly in the first quarter of 2015 with respect to the previous year. In April, the International Monetary Fund (IMF) confirmed its global growth forecast of 3.5% (previous year: 3.4%) for the year overall. There are indications of greater momentum in the industrial countries, which are benefiting to a large extent from the low crude oil prices. For 2015, the IMF is forecasting growth of 2.4%, in contrast to 1.8% in the previous year. On the other hand, a lower growth rate of 4.3% is expected in the emerging and developing countries (previous year: 4.6%), which is a result of weaker development in China, South America and Russia.

The expansionary monetary policy of the European Central Bank (ECB) has resulted in a weakening of the euro with respect to other currencies that are significant for KHD. The quarterly average exchange rate for the euro with respect to the U.S. dollar was 17.8% lower than the rate for the same period last year; with respect to the Indian rupee, the euro is down 17.1%. In contrast, the Russian ruble was subjected to a strong downward trend, its value decreasing by an average of 47.8%.

There is still no indication of a significant recovery in the cement markets. In its forecast published in February, market research institute CW Research predicts an increase in global cement consumption of 2.9% in the current year (previous year: 2.6%).

Changes in the key sales markets of the KHD Group (hereinafter referred to as “KHD” or “Group”) are detailed below:

- In the first quarter, India continued to benefit from low crude oil prices and an improved investment environment. In the current year, CW Research is expecting a 6% increase in cement consumption and an increase in capacity of 4%.
- According to currently available information, economic sanctions and the falling oil price have resulted in an economic downturn in Russia. In February, CW Research adjusted the forecast for cement consumption downward, now expecting cement consumption to decrease by 10%.
- Economic activity showed weak development in Turkey during the first quarter. Nevertheless, CW Research predicts a 5% increase in cement consumption over the entire year.
- Based on current estimates, in the USA, growth in the first quarter was less than expected. However, the IMF continues to expect robust growth of 3.1% for the year overall. For cement consumption in 2015, CW Research predicts an increase of 7%.
- In Latin America there were no signs of recovery in the first quarter. In particular, another slowdown is expected in Brazil this year. However, cement production in Mexico showed growth, which benefited from good economic development in the USA.
- In China, economic growth continued to slow in the first quarter, which may affect cement demand. In the current year, CW Research is expecting just a 3% increase in cement consumption.

Business Development

In the first quarter of 2015, order intake was € 58.3 million. This is considerably higher than the level reached in the first quarter of the previous year (€ 25.3 million), but is still not entirely satisfactory. Several investment decisions were delayed until the second half of 2015 by individual customers in the Capex segment. Orders with an overall volume of € 47.5 million were placed in the Capex business unit in the first quarter of 2015 (previous year: € 13.3 million). The spare parts and service business (Parts & Services segment) had a restrained start into the 2015 financial year with an order intake of € 10.9 million (previous year: € 12.0 million).

As a result of an improved order intake volume, the order backlog as of March 31, 2015, at € 203.1 million, showed a slight increase of € 3.9 million over the amount recorded on December 31, 2014.

Group's Results of Operations

In comparison with the first quarter revenue in previous year (€ 59.9 million), revenue for the first quarter 2015 sank by 15.4% to € 50.7 million. Primarily projects in Russia and North America contributed to revenue in this period. The gross profit for the first quarter of 2015 was € 3.7 million (previous year: € 7.0 million) and as a result, the gross profit margin decreased from 11.6% to 7.3%. The margin decline reflects both the effects related to the execution of projects won in previous years against strong competition and under high margin pressure and special challenges in project execution that resulted in additional costs for certain large projects.

In contrast to the first three months of 2014, sales expenses decreased slightly by 2.4%, from € 2.6 million to € 2.5 million. Sales activities remain focused on strategically important projects in KHD's core markets. In comparison with the previous year, general and administrative expenses of € 4.7 million have remained nearly constant (previous year: € 4.6 million). Other operating expenses increased considerably to € 6.1 million (previous year: € 1.6 million). In addition to € 1.2 million in expenses for research and development (previous year: € 1.0 million), these other operating expenses include, in particular, expenses due to fair value adjustments of foreign exchange forward contracts amounting to € 3.8 million (previous year: € 0.0 million). The foreign exchange forward contracts have been concluded for hedging foreign currency receivables. From an economic perspective, other income in an amount of € 4.0 million (previous year: € 0.0 million) resulting from exchange rate fluctuations of the corresponding foreign currency receivables should be offset against the expenses from foreign exchange forward contracts.

Earnings before interest and taxes (EBIT) amounted to € -5.5 million, significantly lower than the previous year's figure (€ -1.7 million). As a result, the EBIT margin was -10.8% (previous year: -2.8%).

The Group's net finance income of € 2.5 million improved significantly over the previous year (€ 0.3 million). The primary reason for this is the interest income of € 1.5 million resulting from two loans granted in the 2014 financial year to AVIC International (HK) Group Ltd. in a total amount of € 100 million. Earnings before taxes (EBT) amounted to € -3.0 million (previous year: € -1.3 million).

The net result for the period was € -4.2 million (previous year: € -1.2 million), which translates into diluted and basic earnings per share of € -0.08 (previous year: € -0.02).

Segments' Results of Operations

Due to the low order backlog at the beginning of the year, the Capex segment contributed merely € 37.5 million to revenue in the first quarter of 2015 (previous year: € 46.9 million). The Parts & Services segment revenue totaled € 13.2 million (previous year: € 13.0 million). While the gross profit in the Capex segment at € 0.4 million, was unsatisfactory (previous year: € 3.1 million), the Parts & Services segment achieved a gross profit of € 3.3 million (previous year: € 3.9 million). This resulted in a gross profit margin in the Parts & Service segment of 25.3% (previous year: 29.8%); in contrast, the gross profit margin in the Capex segment was just 1.0% (previous year: 6.6%).

While EBIT in the Capex segment that amounted to € -7.7 million (previous year: € -4.5 million) was unsatisfactory, the Parts & Services segment achieved EBIT of € 2.2 million (previous year: € 2.8 million).

Financial Position and Net Assets

Total cash and cash equivalents decreased in the first quarter of 2015 by € 4.4 million to € 119.2 million. This decrease was mainly attributable to the reduction in cash flow from operating activities, which at € -13.3 million represents a significant decline from the first quarter of the previous year (€ 21.4 million). The reasons for the outflow of funds in the first quarter primarily include payments to suppliers for which there were no corresponding incoming payments from customers. The cash flow from investment activities of € -0.2 million (previous year: € -0.3 million) primarily includes investments in the group's property, plant and equipment. The cash flow from financing activities of € 2.7 million (previous year: € -0.7 million) includes cash inflow from interest income in particular. Taking into consideration the effects of changes in currency exchange rates in the amount of € 6.4 million, cash and cash equivalents as of March 31, 2015 now total € 119.2 million (December 31, 2014: € 123.5 million).

The balance sheet total of € 397.7 million changed only slightly from the figure at the end of 2014 (€ 394.3 million). The increase in trade receivables (€ 1.6 million) as well as the increase in the gross amount due from customers for contract work (€ 6.6 million) is partially offset by the decrease in cash and cash equivalents (€ -4.4 million). Other current and non-current assets changed only slightly.

On the liabilities side, commitments under construction contracts increased by € 8.3 million, while trade and other payables decreased by € 4.8 million.

The net working capital – the difference between current assets (less cash and cash equivalents) and current liabilities – increased from € 18.1 million as on December 31, 2014 to an amount of € 22.4 million.

Equity amounted to € 225.8 million, hardly changed from the figure at the end of 2014 (€ 225.9 million). The positive result from currency translation differences of the balance sheets of foreign subsidiaries nearly compensated for the negative net result for the period. As a result, the equity ratio as of March 31, 2015 was 56.8% and decreased only slightly compared with the figure as of December 31, 2014 (57.3%).

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

In comparison with the balance sheet date in 2014, there has been no significant change as of the date of this Interim Report in the assessment of risks and opportunities. Please refer to the relevant section in the KHD Group management report as of December 31, 2014 (page 39 ff. of the Group Annual Report).

Outlook

In the 2015 financial year, weak economic activity in the emerging countries will likely take the shape of continued restrained growth in cement consumption. Moreover, geopolitical insecurity in Russia and in the Middle East will result in only slow capacity expansion. Even though CW Research does expect a slight increase in global capacity utilization rates, it has to be considered that sufficient reserve capacity is available in most markets. Opportunities for cement plant engineering companies are found mainly in India, in a few markets in Southeast Asia, in Turkey and in Northern Africa.

In the medium to long term, a return to accelerated growth in cement consumption is expected in all core markets. Surplus capacities in some markets continue to limit the opportunities for capacity expansions; however, modernization programs and upgrades to improve efficiency and to meet increased environmental requirements are important growth drivers. Due not only to its efficient and environmentally friendly solutions, KHD is well positioned in these areas. The margins in cement plant engineering will likely remain under severe pressure for the foreseeable future.

At the close of the first quarter of 2015, KHD confirms the outlook regarding the market environment and economic development of the Group and essentially maintains the guidance for the key performance indicators relevant for KHD as described in its 2014 Annual Report n.

The Group continues to expect a significantly higher volume of new orders for 2015. Consequently, KHD aspires to achieve at least a doubling of the order intake. However, due to economic and political uncertainties – particularly the effects of the Ukraine crisis on the Russian market – the predicted order intake in the Capex segment continues to be a afflicted with a great deal of uncertainty.

Due to the low order backlog at the beginning of the financial year, revenues in 2015 will remain significantly below the level of the previous year. The gross profit margin will also remain at an unsatisfactory level due to low margin projects currently in execution. Despite the cost optimization measures introduced in recent years, significantly negative earnings (EBIT) are expected for the 2015 financial year.

As a consequence of the difficult economic and political environment, challenges in project execution and the resulting significantly negative EBIT, KHD expects a negative result before taxes for the 2015 financial year – despite a considerable improvement in the financial result.

Due to its solid equity and liquidity position, KHD also anticipates a stable financial and net assets position for the 2015 financial year.

The Group also confirms the guidance about the expected future development of the Capex and Parts & Services segments provided in its 2014 Annual Report.

Cologne, Germany, May 15, 2015

The Management Board

(s) Johan Cnossen (s) Jürgen Luckas (s) Yizhen Zhu (s) Daniel Uttelbach