KHD Humboldt Wedag International AG, Cologne, Germany

Interim Report Pursuant to Section 37x of the German Securities Trading Act (WpHG) as of November 13, 2015

ISIN: DE0006578008

GERMAN SECURITIES IDENTIFICATION NUMBER (WKN): 657800

Stock Exchange Symbol: KWG

www.khd.com

Summary of for the First Nine Months of the 2015 Financial Year

- Continued restraint among customers in awarding orders
- Revenue decrease of 26.2% compared with the same period in the previous year to € 125.4 million
- Significantly negative EBIT of € -35.1 million due to a negative gross profit margin caused by cost overruns in some projects.
- Confirmation of the forecast for the financial year 2015 with regard to key financial targets

Key Figures at a Glance

in € million	**Jan. 1 - Sept. 30, 2015**	**Jan. 1 - Sept. 30, 2014**	**Variance in %**
Order Intake	125.8	80.2	56.9
Revenue	125.4	169.9 *	-26.2
Gross Profit	-5.4	25.0 *	
Gross Profit margin (in %)	-4.3	14.7 *	
EBIT	-35.1	-0.1 *	
EBIT margin (in %)	-28.0	-0.1 *	
EBT	-28.8	1.7 *	
Group net result for the period	-32.1	0.0 *	
EPS (in €)	-0.65	0.00 *	
Cash flow from operating activities	-35.3	-19.1	
Cash flow from investing activities	3.6	-51.8	
Cash flow from financing activities	0.0 **	32.0 **	
in € million	**Sept. 30, 2015**	**Dec. 31, 2014**	**Variance in %**
Equity	178.6	211.0 *	-15.4
Equity ratio (in %)	50.9	55.6 *	
Cash	94.0	123.6	-23.9
Intercompany loans ***	100.0	100.0	0.0
Net Working Capital	-0.5	3.3 *	
Order Backlog	207.5	207.1 *	0.2
Employees	745	777	-4.1

* In the Half-Year Financial Report 2015, the KHD Group retrospectively corrected the income statement, the statement of comprehensive income, the balance sheet and the statement of cash flows for the 2014 financial year according to IAS 8.41ff. Due to the correction, the previous year's figures published in this Interim Report differ from the figures published in the Interim Report as of November 14, 2014 and in the Financial Report 2014, respectively. For a detailed explanation of the corrections, please refer to pages 25ff. in the Half-Year Financial Report 2015.

** The interest received is disclosed under cash flow from operating activities or cash flow from investing activities from the 2015 financial year onwards.

*** Including intercompany loan of € 50 million with the entitlement to call for early repayment by giving 30 days' notice

Please note that the use of rounded amounts and percentage figures may result in differences due to commercial rounding.

Market Environment

The International Monetary Fund (IMF) predicts global growth of 3.1% (previous year: 3.4%) for the year overall. The current IMF forecast is 0.2 percentage points lower than the estimate provided in July. The root causes for this decrease are primarily weaker pricing for raw materials, decreasing inflow of capital in developing countries and the related pressure on their respective currencies.

The IMF analysis shows that regional growth rates differ strongly from each other. In contrast to the previous year, a slight recovery is predicted in particular for the developed industrialized countries. However, it is predicted that growth in the developing countries will again remain at a relatively low level for the fifth year in a row.

The key sales markets of the KHD Group (hereinafter referred to as “KHD” or “Group”) demonstrated quite different tendencies with regard to cement consumption:

- In India, cement production has increased, but due to the lengthy monsoon season in the South and the unexpectedly high amount of rain in the North, cement demand has remained behind expectations. In addition, the slow development in industrial sectors that are important for cement sales (including residential construction and infrastructure) has resulted in less than satisfactory development of demand.

- In Russia, the construction sector continues to be hindered by difficult economic conditions – above all, the devaluation of the ruble and the generally weak macroeconomic climate have had a negative effect on infrastructure projects and, therefore, on cement consumption.

- On the Turkish cement market, prospects are declining. The reasons for this decline include excess capacities in cement production, decreasing cement exports to the Middle East and North Africa due to geopolitical tensions, and the recession in Russia. Despite these conditions, several cement manufacturers have announced expansion investments.

- In the USA, cement consumption continues to increase and, for this reason, a further increase in cement prices is expected.

Significant Events and Business in the Reporting Period

- New orders from Russia

On September 11, 2015, ZAB Zementanlagenbau GmbH Dessau ("ZAB"), Dessau, Germany, a subsidiary of KHD Humboldt Wedag International AG has signed contracts for a total value of over € 100 million for providing equipment and services for a new cement plant. The plant will have a production capacity of 4,500 tons of cement clinker per day and will be built in the Northern Caucasus region in Russia. The projects will be booked as order intake as soon as the pre-conditions for commencing project execution are fulfilled.

- Loan contract with the Bank of China Limited, Frankfurt Branch

On September 30, 2015, KHD Humboldt Wedag International AG and the Bank of China Limited, Frankfurt Branch signed a loan contract for € 25 million. The bank loan has a fixed term and is due for repayment in October 2018. It will be used to strengthen the business operations of the US subsidiary.

The interest rate for this loan from the Bank of China is significantly lower than the interest rate that KHD obtains on the loans granted to AVIC International (HK) Group Ltd.

General Business Development

In the first three quarters of 2015, order intake was € 125.8 million. This is considerably higher than the level reached in the same period in the previous year (€ 80.2 million), but is still not satisfactory. In the Capex segment, several customer investment decisions have been postponed until the first quarter of 2016. Due to the challenging business environment KHD expects order intake in the final months of the financial year to be below original targets. Due to the postponement of the award of contracts the order intake forecast for financial year 2015 will not be reached. In the first three quarters of 2015, orders with an overall volume of € 91.8 million were won in the business unit Capex. This is an increase of 139.1% compared with the same period in the previous year (€ 38.4 million). Spare parts and services (Parts & Services segment) continued to make a solid contribution, with an order intake of € 34.0 million; however, the segment did not reach the previous year's figure of € 41.8 million.

Order intake for the first three quarters of the financial year nearly matches the revenue recognized from the execution of ongoing projects in the amount of € 125.4 million. This means that order backlog as of September 30, 2015 (€ 207.5 million) is at a similar level as at December 31, 2014 (€ 207.1 million) and – in contrast to June 30, 2015 – has again reached a value over € 200 million.

Group Earnings Situation

In comparison with the previous year's revenue (€ 169.9 million), revenue decreased by 26.2% to € 125.4 million. The root cause for this decrease is the low order backlog at the beginning of the financial year. Significant contributions to revenue in this reporting period came primarily from projects in Russia and North America. Due to unexpected challenges and the related cost overruns in the execution of some large projects, the gross profit margin decreased considerably to the current figure of € -5.4 million (previous year: € 25.0 million). KHD is currently negotiating with individual customers and suppliers on variation orders and/or back charges for these cost overruns. These negotiations provide the opportunity to be compensated for some of the additional costs incurred, which would improve the KHD Group's net result for the period. Some of these negotiations should have reached an advanced stage by the end of the financial year 2015, which will provide evidence about the probability of the outcome and thus have an effect on the Group Financial Statements for 2015. Overall, the margin quality of the order backlog, which has been won in previous years in a highly competitive environment with strong margin pressure, is not satisfactory.

In comparison to the first nine months of 2014, sales expenses decreased by 7.9%, from € 7.6 million to € 7.0 million. Sales activities remain focused on strategically important projects in KHD's core markets. Despite cost increases due to one-time effects, general and administrative expenses of € 13.5 million have remained nearly constant (previous year: € 13.2 million). Other expenses increased considerably to € 12.7 million (previous year: € 5.3 million). In addition to € 3.6 million in expenses for research and development (previous year: € 3.3 million), this total includes, in particular, idle capacity costs of € 2.7 million (previous year: € 0.0 million), expenses due to changes in market value of foreign exchange forward contracts for hedging exposure on foreign currency receivables (€ 2.4 million; previous year: € 0.0 million) and from currency exchange rate fluctuations (€ 2.1 million; previous year: € 0.4 million). From an economic perspective, the income resulting from the effects of currency exchange rates on the foreign currency receivables (€ 3.1 million, previous year: € 0.4 million) should be offset against the expenses from fair value adjustments of foreign exchange forward contracts and currency exchange rate fluctuations. As a result of low order backlog, the capacity of the operational departments was not fully utilized in the first nine months of the year; the resulting idle capacity costs of € 2.7 million were reclassified from the cost of sales to other expenses.

Earnings before interest and taxes (EBIT) amounted to € -35.1 million, significantly lower than the previous year's value (€ -0.1 million). As a result, the EBIT margin was -28.0% (previous year: -0.1%).

The Group's net finance income of € 6.3 million improved significantly over the previous year (€ 1.7 million). The primary reason for this includes interest income of € 4.6 million from two loans granted in the 2014 financial year to AVIC International (HK) Group Ltd. for a total amount of € 100 million. The profit before taxes (EBT) amounted to € -28.8 million (previous year: € 1.7 million).

The group net loss for the period was € -32.1 million (previous year: € -0.0 million), which translates into diluted and basic (undiluted) earnings per share of € -0.65 (previous year: € 0.00).

Segment Earnings Situation

Due to low order backlog at the beginning of the year, the Capex segment contributed just € 87.2 million to revenue in the first nine month of 2015 (previous year: € 131.3 million). The Parts & Services segment revenue totaled € 38.2 million (previous year: € 41.9 million).

While gross profit of € -13.9 million (previous year: € 16.7 million) in the Capex segment was unsatisfactory due to the execution of projects with low margins, and particularly due to high unexpected cost overruns in some projects, the Parts & Services segment generated gross profit of € 8.5 million (previous year: € 11.6 million). As a result, the Parts & Services segment achieved a positive gross profit margin of 22.3% (previous year: 27.7%), whereas the gross profit margin in the Capex segment was significantly negative, -15.9% (previous year: +12.7%),

EBIT in the Capex segment of € -39.9 million (previous year: € -4.9 million) reflects the difficult economic environment of recent years, high unexpected margin deterioration and idle capacity costs, which resulted from under-utilization of existing capacities. The EBIT in the Parts & Services segment of € 4.8 million (previous year: € 8.1 million) only partly offset the markedly negative result of the Capex segment.

Financial Position and Net Assets

Liquidity

In the first nine months of the financial year, the total cash and cash equivalents decreased significantly from € 123.6 by € 29.6 million to € 94.0 million. The main reason for this development is the notable decrease in cash flow from operating activities, which amounted to € -35.3 million, another significant decline from the previous year period (€ -19.1 million). The root causes for the significant outflow of funds in the operational business included not only unexpectedly high payments to suppliers as a result of cost overruns on some large projects, but also payment delays by customers for projects with particular challenges in execution.

Cash flow from investing activities amounting to € 3.6 million (previous year: € -51.8 million) can be attributed to both the outflow of funds for investments in the expansion of the IT environment and the inflow of funds due to interest received. The interest received results from the two loans in a total amount of € 100.0 million, which were granted to AVIC International (HK) Group Ltd. in the financial year 2014. In the previous year, the interest received was disclosed under cash flow from financing activities. Taking into consideration the effects of currency exchange rates in the amount of € 2.1 million, the cash and cash equivalents as of September 30, 2015 now total € 94.0 million.

Total Assets

In comparison with the end of 2014 (€ 379.4 million), the balance sheet total was reduced by € 28.6 million to € 350.8 million. This was primarily the result of the decrease in cash and cash equivalents by € 29.6 million. While the gross amount due from customers for contract work increased considerably from € 10.1 million to € 46.1 million, receivables decreased by € 7.6 million. Other current and non-current assets changed only slightly.

Financing

On the liabilities side, commitments under construction contracts increased by € 15.5 million from the total at the end of 2014, while provisions shown as current liabilities, trade payables, and other payables decreased by a total of € 11.1 million.

The net working capital – the difference between current assets (less cash) and current liabilities – improved from the figure reported on December 31, 2014 (€ 3.3 million) to a current amount of € -0.5 million. The main reasons for this positive development are the decrease in trade receivables and the increase in commitments under construction contracts.

Equity was at € 178.6 million, a significant decrease from the figure at the end of 2014 (€ 211.0 million). The primary reason for this decrease is the negative group net result for the period of € 32.1 million. As a result, the equity ratio as of September 30, 2015 was 50.9%, a decrease with respect to the value as of December 31, 2014 (55.6%).

Risks 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 an ongoing concern, either individually or in combination.

As already described in the Half-Year Report 2015 and in the Financial Report 2014, project risks represent one of KHD's primary risk areas, due to the growing complexity of the contractual obligations combined with the expansion of performance obligations and rising customer demands. Even after taking risk mitigating measures into consideration, project risks remain at a high level. To mitigate project-related risks, KHD management has established improvements in project execution, including project management and controlling.

Over the financial year, KHD has had to accept considerable cost increases in several projects. KHD is currently negotiating with individual customers and suppliers about variation orders and/or back charges for these cost overruns. These negotiations provide the opportunity to be compensated for some of the additional costs incurred, which would improve the KHD group net result for the period. Some of these negotiations should have reached an advanced stage by the end of the financial year 2015, which will provide evidence about the probability of the outcome and thus have an effect on the Group Financial Statements for 2015.

In comparison with the Financial Report 2014 and the Half-Year Financial Report 2015, there have been no significant changes as of the date of this Interim Report in the assessment of risks and opportunities. Please refer to the relevant sections in the KHD Group management report as of December 31, 2014 (page 39 ff. of the Group Annual Report) and to the half-year version of the KHD Group management report of June 30, 2015 (page 12 of the Half-Year Financial Report).

Outlook

Growth in KHD's core markets will remain at a moderate level over the medium term. The market research firm CW Group expects a decrease in global cement demand in 2015 of 2.7% (previous year: +2.6%) to 4.0 billion tons (previous year: 4.1 billion tons). In particular, the Chinese cement market is proving difficult. The CW Group is predicting that it will take until 2020 for demand for cement in China to reach the 2014 level again. As a result, it is expected that despite sustainable growth in the USA, global cement demand will decrease. Positive signs for growth in cement consumption over the medium term can be expected from India, Southeast Asia and Iran – assuming sanctions will be lifted.

After the close of the third quarter of 2015, KHD confirms the outlook regarding the market environment and economic development of the KHD Group and maintains the updated forecast (published in the Half-Year Financial Report 2015) with regard to the relevant parameters, except for the order intake that is estimated to be 60 – 70% above the value of the 2014 financial year.

Conformance with the submitted earnings forecast is affected by the ongoing negotiations with individual customers and suppliers on variation orders and/or back charges for cost overruns in several large projects. The progress / outcome of these negotiations can significantly affect the forecast figures for revenue, gross profit, EBIT, EBIT margin and EBT.

Regardless of the progress of these negotiations and despite the considerably negative impact on earnings and liquidity, KHD's financial and net asset position will remain solid. As the liquidity situation and the high equity ratio remain comfortable, this provides us with the flexibility to successfully cope with difficult market phases as well as the current, unsatisfactory earnings situation. In spite of the difficult market and margin situation, KHD is convinced that the Group will achieve a successful economic turnaround in the medium term.

We will continue to develop our service and product portfolio and use opportunities for internal and external growth.

Cologne, Germany, November 13, 2015

The Management Board

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

Disclaimer:

This Interim Report contains statements regarding future and/or expected developments. These statements are based on current estimate and are naturally associated with risks and uncertainties. Actual results may differ from the statements included here.