KHD Humboldt Wedag International AG, Cologne, Germany

Interim Report as of May 13, 2016 corresponding to Section 51 BörsO (Stock Exchange Regulations issued by the Frankfurt Stock Exchange)

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GERMAN SECURITIES IDENTIFICATION NUMBER (WKN): 657800

Stock Exchange Symbol: KWG

www.khd.com

Summary of the 1st Quarter 2016

- Continued restraint among customers in awarding orders
- Revenue decrease of 31.4% with respect to the first quarter of the previous year to € 34.8 million
- EBIT in the amount of € -8.0 million, due to lower revenues, additional costs in some projects and under-utilization of existing capacities
- Adjustment of key financial targets in the forecast for the financial year 2016

Key Figures at a Glance

in € million	Jan. 1 - Mar. 31, 2016		Jan. 1 - Mar. 31, 2015	
Order Intake	-1.1		58.3	
Revenue	34.8		50.7	
Adjusted Gross Profit	2.6		4.8	
Adjusted Gross Profit margin (in %)	7.5		9.5	
EBIT	-8.0		-5.5	
EBIT-Margin (in %)	-23.0		-10.8	
EBT	-6.2		-3.0	
Group net result for the period	-6.5		-4.2	
EPS (in €)	-0.13		-0,08	
Cash flow from operating activities	-14.7	*	-12.3	*
Cash flow from investing activities	1.2	*	1.3	*
Cash flow from financing activities	0.0		0.0	
in € million	**Mar. 31, 2016**		**Dec. 31, 2015**	
Equity	195.6		203.4	
Equity ratio (in %)	51.5		51.8	
Cash and Intercompany loans **	197.6		212.7	
Net Working Capital	32.1		25.1	
Order Backlog	148.0		183.8	
Employees	744		735	

* The disclosure of interest received under cash flow from operating activities or cash flow from investing activities from 2015 financial year onwards.

** Intercompany loans amounting to € 100 million, including intercompany loan of € 50 million with 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.

Management of the KHD Group

Mr. Tao Xing was appointed as an additional member of the Management Board of KHD Humboldt Wedag International AG (hereafter also referred to as “KHD” or “Group”) effective January 1, 2016. With his many years of experience in the cement industry, the primary focus of his work includes expanding KHD’s business activities in China, Asia Pacific and America. Mr. Tao Xing was a member of KHD’s Supervisory Board from June to December 2015.

On March 11, 2016, Mr. Johan Cnossen resigned from his office as Chief Executive Officer (CEO) and member of the Management Board with immediate effect. After the former CEO’s resignation the Management Board re-organized its responsibilities in agreement with the Supervisory Board for an interim period. The Chief Financial Officer (CFO), Mr. Jürgen Luckas, took over the role of spokesman for KHD’s Management Board.

Market Environment

The International Monetary Fund (IMF) predicts global growth of 3.4% (previous year: 3.1%) for the year overall. In the emerging economies growth is predicted to be the lowest since 2008 at just 4.0%. Growth in the advanced industrialized economies is expected to increase to 2.1% (previous year 1.9%).

According to the CW Group global cement consumption decreased by 1.7% in 2015, which was primarily caused by the slowdown in China, geopolitical turmoil as well as low oil and commodity prices. Global cement consumption will again contract by 1.2% in 2016. Nevertheless, cement consumption excluding China is expected to grow by 4.2%. KHD’s markets demonstrated varying tendencies with regard to expected cement consumption:

- In India, although the government expects overall growth of 7.5%, infrastructure projects are not going as fast as expected. Nevertheless, 10,000 km of highways are in discussion and cement consumption is expected to grow by 6.0% through 2016.
- Russia continues to be impacted by the sanctions as well as low oil prices. Construction declined by 7.5% in 2015 and another decline is expected for 2016. This will result in a predicted 5.0% contraction in cement consumption.

- Slower economic growth in Turkey will lead to an expected 1.0% decline in cement consumption in 2016.
- In the USA cement production capacity did not grow in 2015 and only 1.5 million tons of additional capacity is expected in 2016. Nevertheless, investment in residential housing is set to increase by 16%. Lower energy prices have also sparked investment so that a 5.0% increase in cement consumption is expected for 2016 on top of 3.3% growth in 2015.

Business Development

Order intake in the first quarter of 2016 was negative at € -1.1 million. This is due to the low level of new business (€12.8 million), order cancellations and reductions (€-9.1 million) as well as the effects of currency exchange rates on the order backlog. These changes in the order backlog are adjusted by changing the order intake. The adjusted order intake (€12.8 million) is considerably lower than both the order intake in the first quarter of the previous year and budgeted order intake for the first quarter of 2016. This disappointing start into 2016 is primarily due to ongoing customer delays in awarding new orders.

In the first quarter of 2016 the Capex segment generated orders with a total volume of € 3.7 million (previous year € 47.5 million). Order intake in the Plant Services segment reached € 9.1 million. This was below the previous year figure of € 10.9 million, but close to the budgeted amount.

As a result of the unsatisfactory level of order intake volume, order backlog as of March 31, 2016 was at € 148.0 million. This shows a considerable decrease of € 35.8 million compared to the amount recorded on December 31, 2015. The current order backlog no longer ensures the full utilization of existing capacities. Despite major improvements in order intake expected later in the year, capacity adjustments at individual subsidiaries of KHD Group are being carefully evaluated.

Group Earnings Situation

In comparison with the previous year's first quarter revenue (€ 50.7 million), revenue for this quarter decreased by 31.4% to € 34.8 million. Primarily projects in India, North America and Russia contributed to this total. Gross profit for the first quarter of 2016 was € 0.7 million (previous year: € 3.7 million). Cost of sales include € 1.9 million of idle capacity costs (previous year: € 1.1 million) because existing capacities could not be fully utilized. As these costs are not directly associated with the revenue recognized, they were corrected when the adjusted gross profit was calculated. The resulting adjusted gross profit for the first quarter of 2016 amounted to € 2.6 million (previous year: € 4.8 million). The adjusted gross profit margin decreased by 2 percentage points to 7.5%. Hence, adjusted gross profit margin remains on an unsatisfactory level and is still negatively affected by impacts related to the execution of orders won in previous years against strong competition and under high margin pressure. Furthermore, exceptional challenges in order execution resulted in additional costs in the execution of certain large projects.

In contrast to the first three months of 2015, sales expenses increased by 6.5%, from € 2.5 million to € 2.7 million. Despite the difficult market environment, KHD is purposely investing in Account Management and in expanding its sales activities. Sales activities continue to focus on strategically important projects in KHD's core markets. In one of KHD's traditionally strong markets, Iran, KHD has substantially expanded its sales office at the beginning of 2016, after several years of embargo. This assures competent and efficient on-the-spot customer support. In contrast to the previous year, general and administrative costs of € 3.9 million decreased considerably by 16.1% (previous year: € 4.7 million). This reduction attributed to the success of continual cost management efforts within the Group. Other operating expenses also decreased considerably to € 2.8 million (previous year: € 6.1 million). In addition to € 1.1 million in expenses for research and development (previous year: € 1.2 million), other operating expenses also include expenses from exchange rate effects of € 0.3 million (previous year: 0.6 million) and expenses based on foreign exchange forward contracts to hedge foreign currency receivables and payables of € 0.3 million (previous year: € 3.8 million). From an economic perspective, income resulting from the effects of currency exchange rates on the foreign currency receivables and payables amounting to € 0.5 million (previous year: € 4.0 million) should be offset against the expenses.

Profit before interest and taxes (EBIT) in an amount of € -8.0 million is below the previous year's figure (€ -5.5 million). Low revenue volume, unsatisfactory gross profit and the above mentioned special effects led to an EBIT margin of -23.0% (previous year: -10.8%).

Net finance income decreased to € 2.1 million (previous year: € 2.7 million), whilst finance expenses rose from € 0.1 million to € 0.3 million. The financial result in total decreased to € 1.8 million (€2.5 million). As in the previous year, net finance income included interest income of € 1.5 million from two loans made to AVIC International (HK) Group Ltd. in 2014. This resulted in profit before taxes (EBT) of € -6.2 million (previous year: € -3.0 million).

The group net profit for the period was € -6.5 million (previous year: € -4.2 million), which translates into diluted and basic (undiluted) earnings per share of € -0.13 (previous year: € -0.08).

Segment Earnings Situation[1]

Due to the low order backlog at the beginning of the year, the Capex segment contributed just € 24.8 million to revenue in the first quarter of 2016 (previous year: € 42.1 million). Plant Services revenue totaled € 10.0 million (previous year: € 8.6 million). Adjusted gross profit in the Capex segment of € -0.5 million (previous year: € 2.4 million) was disappointing, whereas the Plant Services segment achieved € 3.2 million in adjusted gross profit (previous year: € 2.4 million). This translates to an adjusted gross profit margin figure of -2.0% (previous year: 5.7%) for the Capex segment, whereas the Plant Services segment achieved an adjusted gross profit margin of 31.7% (previous year: 27.6%).

While EBIT in the Capex segment, € -8.7 million (previous year: € --6.7 million), was very unsatisfactory, the Plant Services segment achieved EBIT of € 0.7 million (previous year: € 1.2 million).

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1 As of October 1, 2015, KHD has changed its internal reporting due to a change in the classification of the two reporting segments. To ensure comparability, segment figures for the first quarter of 2015 were adjusted with respect to the structure that was implemented starting on October 1, 2015. For this reason, the amount reported for the previous year differs from that published in the Interim Report of May 15, 2015.

Financial Position and Net Assets

In the first quarter of 2016, total cash and cash equivalents declined by € 15.0 million to € 97.6 million. The main reason for this development was cash flow from operating activities, which amounted to € -14.7 million, which was lower than the first quarter of the previous year (€ -12.3 million). The outflow of funds in the first quarter was primarily due to a lack of advance payments from customers as a result of the low order intake as well as low progress payments, due to the advance stage of completion of the major orders in the order backlog. Cash flow from investing activities of € 1.2 million (previous year: € 1.3 million) mainly results from the interest payments received from the loans granted to AVIC. Taking the effects of currency exchange rates in the amount of € -1.5 million into consideration, cash and cash equivalents as of March 31, 2016 now total € 97.6 million (December 31, 2015: € 112.6 million).

In comparison with the end of 2015 (€ 392.3 million), the balance sheet total decreased by € 12.3 million to € 380.0 million. On the asset side there were major increases in trade receivables (+ € 2.1 million), gross amounts due from customers for contract work (+ € 2.0 million) as well as income tax assets (+ € 2.0 million). However, a decrease was recorded for advance payments made (- € 3.5 million) and cash and cash equivalents (- € 15.0 million). Other current and non-current assets changed only slightly.

On the liabilities side, trade payables decreased by € 5.6 million and provisions by € 0.9 million, while commitments under construction contracts increased by € 2.8 million. Other current and non-current liabilities changed only slightly.

Net working capital – the difference between current assets (less cash and cash equivalents) and current liabilities – increased from the total on December 31, 2015 (€ 25.1 million) to € 32.1 million.

Equity was at € 195.6 million, down € 7.8 million compared to the end of 2015 (€ 203.4 million). The reasons for this decline included both the negative net result of the period of € 6.5 million and € 1.3 million in currency translation differences recognized in equity resulting from converting the balance sheets of foreign Group subsidiaries. Thus, the equity ratio as of March 31, 2016 was 51.5%, and remained virtually unchanged with respect to the amount reported as of December 31, 2015 (51.8%).

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 a going concern, either individually or in combination.

In comparison with the balance sheet date in 2015, 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, 2015 (page 55 ff. of the Group Annual Report).

Outlook

Political uncertainties, low commodity prices, the slowdown in China as well as consolidation in the cement industry will continue to have a significant impact on business throughout 2016 and most likely 2017. Chinese cement consumption is expected to contract by 5% per year before growth returns in 2019. For Sub-Saharan African as well as in the USA cement imports will play a major role, so that despite growing cement demand, only limited investment in new cement capacity is expected. Due to the difficult investment environment in Russia, decisions for new cement plants or for modernizations and expansions will continue to be postponed. Some markets, where KHD is well-positioned will see continued growth. This includes in particular India, where cement demand is expected to grow by 6.8% p.a. through 2020. Pricing for the projects that will be awarded in the near future will remain under pressure due an extremely high level of competition in all markets.

A crucial part of the outlook provided in the 2015 Annual Report was the expectation of a significant increase in order intake over the previous year, especially in the first quarter of 2016. KHD continues to expect a considerably higher volume of new orders in the 2016 financial year than in the previous year. Thus, the reported outlook for the order intake remains unchanged. However, KHD will not reach the revenue and EBIT targets for the current financial year. This is mainly due to the lack of order intake in the first quarter in the Capex segment. According to the current forecast, KHD is expecting revenues for the 2016 financial year that will be approximately 10% lower than in the previous year. EBIT is expected to be significantly lower than in the 2015 financial year.

With the expectation that the planned order intake for the remaining three quarters of the financial year will be achieved, KHD confirms that the forecasted significant increase in order backlog and a balanced operating cash flow can still be achieved.

Despite the current challenges, KHD has a solid equity and liquidity position, which can also help it master especially difficult market conditions in the cyclical business of cement plant engineering. The Group continues to anticipate a stable financial position and net assets situation for the financial year 2016.

Cologne, Germany, May 13, 2016

The Management Board

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

(s) Tao Xing