

# 2019

## Financial Statements



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## List of Abbreviations

AVIC	AVIC International Holding Corporation, Beijing, People's Republic of China
AVIC Beijing	AVIC International Beijing Company Limited, Beijing, China
AVIC Kairong	AVIC International Kairong Limited, Hong Kong, Hong Kong
Blake	Blake International Ltd., Road Town, British Virgin Islands
HW	Humboldt Wedag GmbH, Cologne, Germany
HW Do Brasil	Humboldt Wedag Do Brasil Servicos Technicos Ltda., Belo Horizonte, Brazil
HW Inc.	Humboldt Wedag, Inc., Norcross / Georgia, USA
HW India	Humboldt Wedag India Private Ltd., New Delhi, India
HW Malaysia	Humboldt Wedag Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia
KHD	KHD Humboldt Wedag International AG, Cologne, Germany
KHD Beijing	KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, People's Republic of China
KHD HW	KHD Humboldt Wedag GmbH, Cologne, Germany
KHD OOO	KHD Humboldt Engineering OOO, Moscow, Russia
KHD VV	KHD Humboldt Wedag Vermögensverwaltungs-AG, Cologne, Germany
ZAB	ZAB Zementanlagenbau GmbH Dessau, Dessau, Germany

**Annual Financial Statements of  
KHD Humboldt Wedag International AG  
for the 2019 Financial Year**

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## **1 Combined Management Report of KHD Humboldt Wedag International AG and for the Group for the 2019 Financial Year**

The management report and Group management report of KHD Humboldt Wedag International AG are combined in accordance with Section 315 Paragraph 5 in conjunction with Section 298 Paragraph 2 of the German Commercial Code (HGB) and published in the annual report of KHD Humboldt Wedag International AG for the 2019 financial year.

The annual report of KHD Humboldt Wedag International AG can be found on the website of KHD Humboldt Wedag International AG (<http://www.khd.com/annual-report.html>).

## 2 Balance Sheet of KHD Humboldt Wedag International AG as of December 31, 2019

<b>Assets</b>	<b>Dec. 31, 2019</b> <b>€ thousand</b>	<b>Dec. 31, 2018</b> <b>€ thousand</b>
<b>A. Fixed assets</b>		
<b>I. Property, plant and equipment</b>		
Operating and office equipment	1	4
	<u>1</u>	<u>4</u>
<b>II. Financial investments</b>		
1. Shares in affiliated companies	63,410	63,410
2. Long-term loans to affiliated companies	100,000	100,000
	<u>163,410</u>	<u>163,410</u>
	<u>163,411</u>	<u>163,414</u>
<b>B. Current assets</b>		
<b>I. Receivables and other assets</b>		
1. Receivables due from affiliated companies	2,367	134
2. Other assets	568	553
	<u>2,935</u>	<u>687</u>
<b>II. Bank balances</b>	<u>2,862</u>	<u>6,947</u>
	<u>5,797</u>	<u>7,634</u>
<b>C. Prepaid expenses</b>	179	310
	<u>169,387</u>	<u>171,358</u>

<b>Equity and liabilities</b>	<b>Dec. 31, 2019</b>	<b>Dec. 31, 2018</b>
	<b>€ thousand</b>	<b>€ thousand</b>
<b>A. Equity</b>		
<b>I. Subscribed capital</b>	49,704	49,704
<b>II. Capital reserves</b>	61,493	61,493
<b>III. Revenue reserves</b>		
1. Legal reserve	1,538	1,538
2. Other revenue reserves	1,768	1,768
	<u>3,306</u>	<u>3,306</u>
<b>IV. Accumulated loss</b>	-7,573	-7,834
	<u>106,930</u>	<u>106,669</u>
<b>B. Provisions and accruals</b>		
1. Provisions for taxes	384	305
2. Other provisions and accruals	768	666
	<u>1,152</u>	<u>971</u>
<b>C. Liabilities</b>		
1. Liabilities due to banks	25,057	25,059
those which have a residual term of up to one year:		
€ 57 thousand (previous year: € 59 thousand)		
2. Trade payables	51	42
3. Liabilities due to affiliated companies	36,168	38,617
4. Other liabilities	29	0
of which tax liabilities		
€ 29 thousand (previous year: € 0 thousand)		
	<u>61,305</u>	<u>63,718</u>
	<u>169,387</u>	<u>171,358</u>

### 3 Income Statement for the Period

from January 1, 2019 to December 31, 2019

	2019 € thousand	2018 € thousand
1. Revenue	1,825	1,993
2. Other operating income	76	912
of which from exchange rate gains		
€ 17 thousand (previous year: € 43 thousand)		
3. Cost of materials		
a) Cost of purchased services	622	344
4. Personnel expenses		
a) Wages and salaries	1,136	1,466
b) Social security expenses	36	31
	1,172	1,497
5. Amortization on fixed assets	2	3
6. Other operating expenses	2,400	1,721
of which from exchange losses		
€ 11 thousand (previous year: € 73 thousand)		
7. Income from long-term loans in financial assets	5,931	5,931
of which from affiliated companies		
€ 5,931 thousand (previous year: € 5,931 thousand)		
8. Other interest and similar income	0	275
of which from affiliated companies		
€ 0 thousand (previous year: € 275 thousand)		
9. Interest and similar expenses	3,018	4,123
of which to affiliated companies		
€ 2,233 thousand (previous year: € 3,330 thousand)		
10. Income taxes	357	552
11. Earnings after taxes	261	871
12. Profit for the year	261	871
13. Loss carried forward from previous year	-7,834	-8,705
14. Accumulated loss	-7,573	-7,834

## **4 Notes to the Financial Statements 2019**

### **4.1 General Remarks**

#### **Combined Management Report:**

The management report of KHD Humboldt Wedag International AG (KHD), Cologne, and the Group management report are combined in accordance with Section 315 Paragraph 3 of the German Commercial Code (HGB) together with Section 298 Paragraph 3 of the HGB and published in the 2019 annual report of the KHD Group. The annual financial statements and the combined management report of KHD together with the Group management report for the 2019 financial year are submitted to the provider of the Federal Gazette where they are published. The annual financial statements of KHD and the Group annual report for the 2019 financial year are also available online at <http://www.khd.com/annual-report.html>.

#### **Accounting**

KHD is registered at the District Court Cologne under the Commercial Register number HRB 36688. The company maintains its head office at Colonia-Allee 3 in Cologne, Germany. The annual financial statements of KHD for the 2019 financial year have been prepared in accordance with the German Commercial Code (HGB) as applicable for large corporations and the provisions of the German Stock Corporation Act (AktG). All amounts, including figures used for comparison, are generally stated in thousands of euros (€ thousand), unless otherwise indicated. All amounts have been rounded according to normal commercial practice. The nature of expense method has been applied to the income statement. KHD is a large corporation in the meaning of Sections 267 Paragraph 3 in conjunction with 264d of the German Commercial Code (HGB).

To improve clarity, some of the legally specified "of which" information in the balance sheet and the income statement is listed in the notes.



## **4.2 Accounting and Valuation Principles**

The following accounting and valuation methods, which have essentially remained unchanged in comparison to the prior year, have been used to prepare the financial statements. The accounting principles are applied on the assumption that business will continue.

### **Fixed Assets**

Property, plant, and equipment are measured at cost and, if depreciable, are depreciated over time. Movable items of property, plant, and equipment are depreciated according to the straight-line method based on the average useful life (between three and ten years) of the respective items. Movable assets with a net cost of acquisition of not more than € 250 are written off completely in the year of acquisition and are notionally removed from the fixed assets register in the year of acquisition. Movable assets with a net cost of acquisition of between €250 and € 1,000 are entered as a collective item in the manner described in Section 6 Paragraph 2a of the German Income Tax Act (EStG) and depreciated straight-line over a period of five years.

Shares in affiliated companies and loans to affiliated companies are recognized at cost. In case of probable permanent impairment, acquisition costs are amortized at the lower fair value. Pursuant to Section 253 Paragraph 3 Sentence 4 of the German Commercial Code (HGB), if impairment is not expected to be permanent, costs are not amortized. The approach to the participation carrying amounts is tested annually for impairment.

The assessment of the recoverability of the reported shares in affiliated companies and interests is based on five-year, medium-term planning. The fundamental planning is based on estimates and assumptions that are subject to uncertainty. To determine the fair values, the estimated future cash flows are discounted to their present value, taking as a basis an appropriate capitalization interest rate. This determination is made according to the principles of IDW RS HFA 10 (a statement of the IDW, the Institute of Public Auditors in Germany) using the German income approach.

**Current Assets**

Receivables, other assets, and bank balances are measured at the lower of nominal value or fair value.

**Prepaid Expenses**

As prepaid expenses, the payments before the balance sheet date are recognized as long as they represent expenses for a certain period after this date.

**Deferred Taxes**

In the balance sheet, deferred tax liabilities are used for the resulting tax expenses from differences between the carrying amounts of assets, debts, prepayments and deferred expenses recognized by commercial law and their respective tax valuations, which will likely decrease in later financial years. The right to use the overall tax benefit generated by such differences as deferred tax assets is not exercised in the balance sheet. The valuation of the tax expenses is carried out using the company-specific tax rates at the time that the differences are reduced.

**Equity**

Subscribed capital corresponds to the articles of association and the entry in the commercial register and is recorded at nominal value.

**Provisions for Taxes**

Tax provisions are recognized in an amount corresponding to expected additional payments by taking into account the advanced payments.

**Other Provisions and Accruals**

All identifiable risks and measurable uncertainties on the date of the balance sheet were covered by setting up commercially appropriate provisions and accruals.

**Liabilities**

Liabilities are recognized at the amount at which they will be repaid.

## **Currency Translation**

Liabilities denominated in foreign currencies with residual terms of one year or less are generally measured at the spot exchange rate prevailing on the date of the balance sheet. All other foreign currency liabilities are generally measured using the higher of the exchange rate prevailing on the transaction date or the spot exchange rate on the date of the balance sheet.

Receivables denominated in foreign currencies with residual terms of one year or less are generally measured at the spot exchange rate prevailing on the date of the balance sheet. All other foreign currency receivables are generally measured using the lower of the exchange rate prevailing on the transaction date or the spot exchange rate on the date of the balance sheet.

## **Derivative Financial Instruments**

Derivative financial instruments are used to hedge currency risks. The fair value of the derivatives is calculated based on discounted cash flow analyses using the corresponding yield curves for the term of the respective instruments. As pending transactions, derivative financial instruments are not recognized in the balance sheet. They are recognized only if the measurement of the respective financial instrument as of the reporting date is expected to result in a contingent loss.

The Company did not use the option to combine derivative financial instruments with underlying transactions as a single valuation unit in accordance with Section 254 of the German Commercial Code (HGB). As a result, the reporting for financial instruments is done in accordance with the general accounting and valuation principles.

## **4.3 Notes to the Balance Sheet and Income Statement**

### **1. Fixed Assets**

Please refer to the statement of movements in fixed assets between January 1 and December 31, 2019, which is attached as an appendix to the notes to the financial statements.

The financial assets include the shares in KHD Humboldt Wedag GmbH in the amount of € 63,410 thousand (previous year: € 63,410 thousand).

The long-term loans to affiliated companies include two loans in the amount of €50 million each to AVIC International Kairong Limited (AVIC Kairong), Hong Kong. The loans were granted in July and November of 2017 and each has a term of three years. Both loans are secured by a corporate guarantee from AVIC.

## **2. Receivables and Other Assets**

Receivables due from affiliated companies total €2,367 thousand (previous year: €134 thousand) and have increased considerably in the 2019 financial year primarily as a result of the outstanding interest receivables due from AVIC Kairong in the amount of €1,495 thousand as of the reporting date.

The rest of the receivables due from affiliated companies primarily relates to both trade receivables and receivables for services invoiced due from companies of the KHD Group as of December 31, 2019, based on the service and cost allocation agreement as well as the bond arrangement agreement amounting in total to €52 thousand (previous year: €44 thousand).

Other assets include a VAT credit in the amount of €568 thousand (previous year: €552 thousand). Within the tax unity for VAT are amounts payable to the subsidiaries HW and ZAB for reimbursement claims totaling €543 thousand (previous year: €535 thousand). Consequently, an identical amount is reported under liabilities due to affiliated companies.

All amounts have a residual term of up to one year.

## **3. Bank Balances**

The reduction in credit balances at banks by €4,085 thousand to €2,862 thousand (previous year: €6,947 thousand) is principally the result of partial repayments of loans received.

#### 4. Prepaid Expenses

The prepayment and deferred expense assets of € 179 thousand (previous year: € 310 thousand) are slightly lower than in the previous year. These primarily represent assured guarantees that represent future expenses only.

#### 5. Equity

As in the previous year, the Company's share capital amounts to € 49,703,573 and is divided into 49,703,573 no-par-value bearer shares.

##### Changes in Equity in the 2019 Financial Year

€ thousand	Subscribed capital	Capital reserves	Legal reserve	Other revenue reserves	Accumulated loss	Total
Status as of Dec. 31, 2018	49,704	61,493	1,538	1,768	-7,834	106,669
Net profit for the year 2019	0	0	0	0	261	261
Status as of Dec. 31, 2019	49,704	61,493	1,538	1,768	-7,573	106,930

Following the resolution of the Annual General Meeting of May 28, 2019, the accumulated loss reported as of December 31, 2018 was carried forward to new account. An accumulated loss of € 7,573 thousand as of December 31, 2019 is the result of the net profit for the year of € 261 thousand.

#### 6. Provisions and Accruals

	Dec. 31, 2019 € thousand	Dec. 31, 2018 € thousand	Change € thousand
Provisions for taxes	384	305	79
Other provisions and accruals	768	666	102
	<u>1,152</u>	<u>971</u>	<u>181</u>

Other provisions and accruals include mainly provisions for personnel-related costs (€ 254 thousand, previous year € 119 thousand), for the preparation and audit of annual financial

statements (€ 82 thousand, previous year: €61 thousand) and for outstanding invoices (€432 thousand, previous year: €486).

## **7. Liabilities**

Under liabilities due to banks, KHD includes a loan taken out in November 2018 in the amount of €25 million. The loan has a fixed term and is due for repayment by 2021.

The liabilities due to affiliated companies amount to €36,168 thousand (previous year: €38,617) and mainly result from loans extended by ZAB and HW amounting to a total of €24,300 thousand (previous year: €26,300 thousand). The loans taken out by the subsidiaries are used to finance a loan for €50,000 thousand granted from KHD itself to AVIC Kairong. The subsidiaries were allowed nearly the same interest rate (6% per annum) that KHD obtained from its loan to AVIC Kairong. In addition to these two loans, further loans and credit lines were granted to KHD in the 2016 financial year by subsidiaries. KHD VV granted KHD a credit line of €7 million in the 2016 financial year, of which €5 million was utilized. Utilizing the credit line incurs interest at 6% p.a. In addition, KHD HW extended KHD a credit line in the amount of €12 million, of which €5.9 million was utilized as of December 31, 2019. Utilizing the credit line incurs interest at 5.7% p.a. Moreover, liabilities due to affiliated companies also relate to liabilities due to HW and ZAB arising from the tax unity for VAT as well as liabilities from the exchange of services.

In accordance with the previous year, liabilities due to banks in the amount of €25 million have a remaining term of more than one year and less than five as of December 31, 2019. As in the previous year, all other liabilities had a remaining term of up to one year.

## **8. Contingent Liabilities**

KHD has provided €40.3 million (previous year: €13.9 million) to affiliated companies in the form of Group guarantees, letters of comfort, and securities. Thereof contingent liabilities arising from sureties as well as draft and check guarantees amount to €0.3 million (previous year: €0.3 million), and contingent liabilities arising from warranty guarantees amount to €40.0 million (previous year: €13.6 million).

Furthermore, as of December 31, 2019, €44,875 thousand (previous year: €45,290 thousand) relate to contingent liabilities to banks resulting from bank guarantees that the Company has provided to KHD Group companies under existing bank guarantee credit facilities. The contingent liabilities to banks comprised of sureties as well as draft and check guarantees amount to €3,651 thousand (previous year: €2,718 thousand), and contingent liabilities arising from warranty guarantees amount to €41,224 (previous year: €42,572 thousand).

Based on the corporate planning for the respective KHD Group companies, it is not to be expected that these guarantees will be drawn upon.

DEUTZ AG, Cologne, Germany, has provided a deed of release of €56 thousand (previous year: €68 thousand) to cover KHD's subsidiary liability due to Unterstützungsgesellschaft mbH of Maschinenfabrik Fahr AG. Arising from this matter, HypoVereinsbank AG, Munich, Germany, a company of the UniCredit Group, has provided a letter of comfort that secures the settlement by DEUTZ AG.

## **9. Other Financial Obligations**

Other financial obligations amounting to €308 thousand (previous year: €256 thousand) relate to obligations arising from consulting contracts (€294 thousand; previous year: €231 thousand) and leasing contracts (€14 thousand; previous year: €25 thousand) with a remaining term of up to three years.

## **10. Revenue**

Revenue includes income from charges for the supply of centralized services to affiliated companies pursuant to the service and cost allocation agreement in the amount of €1,419 thousand (previous year: €1,411 thousand) and financial services pursuant to the bond arrangement agreement in the amount of €406 thousand (previous year: €582 thousand).

The revenue is generated with Group companies that have their location in the following geographic markets:

Revenue based on region	2019 € thousand	2018 € thousand	Change € thousand
India	816	690	126
Germany	748	1,015	-267
USA	197	269	-72
China	57	15	42
Malaysia	5	2	3
Russian Federation	2	2	0
	<u>1,825</u>	<u>1,993</u>	<u>-168</u>

### **11. Other Operating Income**

Other operating income primarily includes prior period income from the release of other provisions in the amount of € 42 thousand (previous year: € 251 thousand) and exchange rate gains of € 17 thousand (previous year: € 43 thousand). Exchange rate forward contracts in the amount of € 600 thousand were reported in this position in the previous year.

### **12. Cost of Purchased Services**

KHD reports expenses for purchased services in the amount of € 622 thousand (previous year: € 344 thousand). These expenses include third-party services relating to intragroup revenue.

### **13. Personnel Expenses**

Personnel expenses primarily have to do with the compensation of the members of the Company's Management Board.

### **14. Amortization**

Amortization in the 2019 financial year includes depreciation on fixed assets in the amount of € 2 thousand (previous year: € 3 thousand).



## 15. Other Operating Expenses

Other operating expenses comprise the following:

	2019 € thousand	2018 € thousand	Change € thousand
Group charges	1,298	831	467
Audit fees / tax advisory costs	200	209	-9
Supervisory Board compensation	180	180	0
Legal and consulting costs	93	97	-4
Exchange rate losses	10	73	-63
Investor relations	166	30	136
Other	453	301	152
	<u>2,400</u>	<u>1,721</u>	<u>679</u>

The increase in Group charges of € 467 thousand to € 1,298 thousand is primarily due to greater expenses calculated by HW for the services provided, based on the Service & Cost Allocation Agreement as well as due to additional consulting services in connection with the strategic alignment of the Group.

## 16. Interest Income/Expense

	2019 € thousand	2018 € thousand	Change € thousand
Interest from long-term loans in financial assets	5,931	5,931	0
Other interest and similar income	0	275	-275
Interest and similar expenses	-3,018	-4,123	1,105
	<u>2,913</u>	<u>2,083</u>	<u>830</u>

The income from long-term loans in financial assets includes interest income in the amount of € 5,931 thousand (previous year: € 5,931 thousand) from two loan contracts of € 50 million each, which KHD concluded with AVIC Kairong in July and November, respectively, in the 2017 financial year. The loans bear interest of 6% and 5.7% p.a., respectively, and both have a term of three years. For the loan extended in July 2017, KHD has the right to demand repayment at any time before the due date with a notification period of 30 days.

In the previous year, other interest and similar income included interest from the deferral agreement concluded with AVIC Beijing in the 2016 financial year in the amount of € 275 thousand.

Interest and similar expenses include interest expenses in the amount of €1,557 thousand (previous year: €2,658 thousand) for the loans granted to HW and ZAB in the 2014 financial year. The subsidiaries were allowed nearly the same interest rate (6% per annum) that KHD obtained from its loan to AVIC Kairong. This also includes interest in the amount of €300 thousand (previous year: €322 thousand) for an additional loan granted by KHD VV. An additional credit line in the amount of €12 million was concluded with KHD Humboldt Wedag GmbH (KHD HW) in October 2018. KHD utilized €6.9 million of the credit line from KHD HW in October 2018 and the loan amounted to €5.9 million as of the 2019 reporting date. This loan shall also incur interest of 5.7% until further notice. KHD HW was credited with interest of €377 thousand (previous year: €92 thousand) for this loan. The interest expenses from a bank loan in the amount of €482 thousand (previous year: €475 thousand) as well as bank guarantee fees in the amount of €303 thousand (previous year: €309 thousand) are also reported under interest and similar expenses.

#### **17. Income Tax Expense**

Income tax expense amounts to €357 thousand (previous year: €552 thousand). It includes tax income from previous years amounting to €0 thousand (previous year: income tax expense of €48 thousand).

#### **18. Other Information**

##### **Employees**

The Company employed one salaried staff member on average during the year (previous year: 1). The Company does not have any blue-collar employees.

**Financial Instruments**

The Company contracted derivative financial instruments in the form of exchange forward contracts for the sale of expected cash inflows in USD in the total amount of \$ 17,737 thousand as of December 31, 2019. The maturity dates occur between January 2020 and November 2023. The financial instruments that expired during the 2019 financial year were only utilized to mitigate the foreign currency risk of recognized assets and liabilities denominated in foreign currencies. The payment conditions specified in the respective derivative contract stipulated the regular settlement of the underlying transaction in cash at a specified time. The amount of the cash inflow or outflow fluctuated depending on changes in the exchange rate.

## 12. Shareholdings

Company		Capital share in %	Currency	Equity	Net result for the year
<b><u>Subsidiaries</u></b>					
KHD Humboldt Wedag GmbH, Cologne	direct	100.00	€ thousand	59,680	10,847
Humboldt Wedag GmbH, Cologne	indirect	100.00	€ thousand	0	-15,538
ZAB Zementanlagenbau GmbH Dessau, Dessau	indirect	100.00	€ thousand	18,783	1,347
Blake International Ltd., Road Town, British Virgin Islands	indirect	100.00	€ thousand	4,078	7,193
KHD Humboldt Wedag Industrial Services AG, Cologne	indirect	91.26	€ thousand	5,311	177
Humboldt Wedag Inc., Norcross, USA	indirect	100.00	€ thousand	-875	-903
Humboldt Wedag India Private Ltd., New Delhi, India	indirect	100.00	€ thousand	39,610	3,388 *
KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, People's Republic of China	indirect	100.00	€ thousand	-841	-442
KHD Humboldt Engineering OOO, Moscow, Russia	indirect	100.00	€ thousand	557	-352
Humboldt Wedag Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	indirect	100.00	€ thousand	-171	-117
Humboldt Wedag Do Brasil Servicos Technicos Ltda, Belo Horizonte, Brazil	indirect	100.00	€ thousand	-9	-4

\*Financial statements as of March 31, 2019

The equity and net result for the year presented in foreign currencies – Blake (USD), HW Inc. (USD), HW India (INR), KHD Beijing (CNY), KHD OOO (RUB), HW Malaysia (MYR), and HW Do Brasil (BRL) – were translated using the spot exchange rate on the date of the balance sheet.

Spot exchange rate as of December 31, 2019

1 euro corresponds to:

INR	80.0700
USD	1.1219
RUB	69.6111
CNY	7.8152
MYR	4.5891
BRL	4.5095

#### **4.4 Members of the Supervisory Board and Management Board**

##### **Personnel Changes in the Management Board**

Mr. Dian Xie resigned from the Management Board effective June 30, 2019. With a resolution of the Supervisory Board dated May 31, 2019, Dr. Matthias Jochem was appointed as a further member of the Management Board, effective June 1, 2019. On December 18, 2019 the Supervisory Board resolved to appoint Mr. Matthias Mersmann as a further member of the Management Board, effective February 1, 2020.

##### **Members of the Supervisory Board**

###### **Shaohua Jin**

###### Chairman of the Supervisory Board

Vice President of the International Business Division of AVIC International Holding Corporation

###### **Gerhard Beinhauer**

###### Deputy Chair of the Supervisory Board

Managing Director of BBI Beteiligungs- und Handelsgesellschaft mbH

Membership in supervisory boards and other governing bodies:

- BIEGLO Holding GmbH & Co. KGaA, Hamburg, Chairman of the Supervisory Board
- Gold Cache Inc., Thunder Bay, Canada, non-executive Member of the Board

**Yiqiong Zhang**

Chief Financial Officer of AVIC International Beijing Co. Limited

**Members of the Management Board****Yizhen Zhu, Engineer**

Chair of the Management Board of KHD

- Member of the Supervisory Board of KHD Humboldt Wedag Vermögensverwaltungs-AG (since July 16, 2019)

**Jürgen Luckas, Master's Degree in Economics (Dipl.-Kaufmann)**

Chief Financial Officer of KHD

- Chairman of the Supervisory Board of KHD Humboldt Wedag Vermögensverwaltungs-AG
- Member of the Board of Directors of Humboldt Wedag India Private Ltd., New Delhi, India
- Member of the Board of Directors of KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, China
- Member of the Board of Directors of Humboldt Wedag, Inc., Norcross, USA

**Dian Xie, Engineer**

Executive Vice President of KHD (until June 30, 2019)

- Member of the Supervisory Board of KHD Humboldt Wedag Vermögensverwaltungs-AG (until June 30, 2019)
- Member of the Board of Directors of Humboldt Wedag India Private Ltd., New Delhi, India (until June 30, 2019)
- Member of the Board of Directors of Humboldt Wedag, Inc., Norcross, USA (until June 30, 2019)

**Dr. Matthias Jochem, Doctoral Degree in Engineering (Dr.-Ingenieur)**

Chief Operating Officer of KHD (since June 1, 2019)

**Tao Xing**, Engineer

Executive Vice President of KHD

- Chairman of the Board of Directors of Humboldt Wedag, Inc., Norcross, USA
- Chairman of the Board of Directors of KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, China

**Matthias Mersmann**, Master's Degree in Engineering (Dipl.-Ing.)

Chief Technology Officer of KHD (starting February 1, 2020)

#### **4.5 Total Remuneration of Current and Former Members of the Management Board and of Members of the Supervisory Board**

The 2019 financial year total remuneration for the active members of the KHD Management Board was € 995 thousand (previous year: € 1,225 thousand). For work performed in the financial year, total compensation amounted to € 985 thousand (previous year: € 1,225 thousand). Total compensation for previous members of the Management Board came to € 10 thousand (previous year: € 0 thousand).

The total remuneration granted to members of the Supervisory Board for their work amounted to € 180 thousand in the 2019 financial year (previous year: € 180 thousand). No compensation was paid to former Supervisory Board members or their remaining dependents following their resignation from the body.

There are no pension commitments with respect to previous members of the Management Board or Supervisory Board.

The compensation report contains further details about Management Board and Supervisory Board remuneration. The compensation report forms part of the combined management report and also describes the main aspects of the compensation system.

#### **4.6 Report on Events after the Reporting Period**

No events of special significance occurred after the conclusion of the financial year that could affect the result of operations, financial position, and net assets.

#### **4.7 Parent Company and Consolidated Financial Statements**

AVIC International Holdings Limited, Shenzhen, People's Republic of China, prepares the consolidated financial statements for the smallest scope of companies requiring consolidation. AVIC International Holdings Limited's consolidated financial statements for the smallest scope of companies requiring consolidation will be published on its website ([www.avic161.com](http://www.avic161.com)). Aviation Industry Corporation of China, Beijing, People's Republic of China, prepares the consolidated financial statements for the largest scope of the companies requiring consolidation. The consolidated financial statements for the largest group are available at the registered office of this company in Beijing.

#### **4.8 Reported Shareholdings**

According to the written notifications in line with Section 21 WpHG (German Securities Trading Act) received by the Management Board, there are the following investments as defined by Section 160 Paragraph 1 Number 8 AktG (German Stock Corporation Act) in KHD Humboldt Wedag International AG, Colonia-Allee 3, 51067 Cologne, Germany:

The People's Republic of China<sup>1</sup>, Beijing, China notified us that on January 7, 2014, its voting rights had exceeded the thresholds of 50% and 75% and that its voting rights amounted to 76.47% (equivalent to 38,004,767 voting rights). The voting rights of the following companies are allocable to the People's Republic of China:

- Aviation Industry Corporation of China<sup>1</sup>, Beijing, People's Republic of China,
- AVIC International Holding Corporation<sup>1</sup>, Beijing, People's Republic of China,
- AVIC International Shenzhen Company Limited<sup>1</sup>, Shenzhen, People's Republic of China,
- AVIC International Holdings Limited<sup>1</sup>, Shenzhen, People's Republic of China,
- AVIC International Beijing Co. Limited<sup>1</sup>, Beijing, People's Republic of China,
- AVIC International Kairong Limited<sup>1</sup>, Hong Kong, Hong Kong,
- Kaihang Industrial Limited<sup>1</sup>, Road Town, British Virgin Islands,
- Golden Prosperity Group Limited<sup>1</sup>, Road Town, British Virgin Islands,
- Goldimax Group Limited<sup>1</sup>, Road Town, British Virgin Islands,
- AVIC International Engineering Holdings Pte. Ltd.<sup>1</sup>, Singapore, Singapore,
- Max Glory Industries Limited<sup>1</sup>, Hong Kong, Hong Kong.

<sup>1</sup> The notification of January 16, 2014, pursuant to Section 23 Paragraph 1 Sentence 1 Number 3 of the German Securities Acquisition and Takeover Act (WpÜG) communicated that the



voting rights share totaled 89.02 % (equivalent to 44,244,113 voting rights). The Management Board was informed that Max Glory Industries Limited holds 20.00 % (equivalent to 9,940,715 voting rights) and AVIC International Engineering Holdings Pte. Ltd. Holds 69.02 % (equivalent to 34,303,398 voting rights) pursuant to Section 21 Paragraph 1 of the German Securities Trading Act (WpHG). The voting rights not directly held are allocated to those subject to disclosure pursuant to Section 22 Paragraph 1 WpHG.

Mr. Peter Kellogg notified us that his voting rights share had exceeded the 3 % and 5 % thresholds of voting rights, and that as of June 16, 2010, 5.70 % of the voting rights (equivalent to 1,888,314 voting rights) were attributable to him via IAT Reinsurance Company Ltd., Hamilton, Bermuda.

#### **4.9 Auditor's Fee**

The total auditor's fees for the financial year under review are disclosed in the consolidated financial statements.

#### **4.10 Corporate Governance**

The Management Board and Supervisory Board of KHD issued the statement required pursuant to Section 161 of the German Stock Corporation Act (AktG) on February 7, 2020 and also made it – as well as statements from previous years – permanently publicly available to shareholders on the Company's website (<https://www.khd.com/declaration-of-compliance.html>).

#### **4.11 Appropriation of Net Retained Profit**

The annual financial statements for the 2019 financial year indicate a net profit of € 261 thousand and an accumulated loss of € 7,573 thousand. The Management Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 12, 2020 to carry forward the accumulated loss (determined in accordance with the German Commercial Code – HGB) of KHD Humboldt Wedag International AG to the new account.

Cologne, Germany, February 28<sup>th</sup>, 2020

The Management Board

Yizhen Zhu

Jürgen Luckas

Dr. Matthias Jochem

Tao Xing

Matthias Mersmann

## 5 Appendix to the Notes

### Movements in Fixed Assets in the for the Period from January 1, 2019 to December 31, 2019

	Acquisition Costs			Balance as of Dec. 31, 2019 € thousand	Accumulated amortization, depreciation, and write-downs			Balance as of Dec. 31, 2019 € thousand	Net book value	
	Balance as of Jan. 1, 2019 € thousand	Additions € thousand	Disposals € thousand		Balance as of Jan. 1, 2019 € thousand	Additions € thousand	Disposals € thousand		Balance as of Dec. 31, 2019 € thousand	Dec. 31, 2018 € thousand
<b>I. Property, plant and equipment</b>										
Operating, and office equipment	16	0	3	13	12	2	3	11	1	4
	<u>16</u>	<u>0</u>	<u>3</u>	<u>13</u>	<u>12</u>	<u>2</u>	<u>3</u>	<u>11</u>	<u>1</u>	<u>4</u>
<b>II. Financial investments</b>										
1. Shares in affiliated companies	63,410	0	0	63,410	0	0	0	0	63,410	63,410
2. Long-term loans to affiliated companies	100,000	0	0	100,000	0	0	0	0	100,000	100,000
	<u>163,410</u>	<u>0</u>	<u>0</u>	<u>163,410</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>163,410</u>	<u>163,410</u>
	<u>163,426</u>	<u>0</u>	<u>3</u>	<u>163,423</u>	<u>12</u>	<u>2</u>	<u>3</u>	<u>11</u>	<u>163,411</u>	<u>163,414</u>

## **6 Responsibility Statement**

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the net assets, financial position, and result of operations of the Company, and the combined management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Cologne, Germany, February 28<sup>th</sup>, 2020

The Management Board

Yizhen Zhu

Jürgen Luckas

Dr. Matthias Jochem

Tao Xing

Matthias Mersmann