

Financial Statements 2020



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 GmbH	Humboldt Wedag GmbH, Cologne, Germany
HWAUS	Humboldt Wedag Australia Pty Ltd., Braeside, Australia
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 GmbH	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-Rosslau, Germany

**Annual Financial Statements of
KHD Humboldt Wedag International AG
for the 2020 Financial Year**

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1. Combined Management Report of KHD Humboldt Wedag International AG and for the Group for the 2020 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 2020 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, 2020

Assets	Dec. 31, 2020 € thousand	Dec. 31, 2019 € thousand
A. Fixed assets		
I. Property, plant and equipment		
Other plant, operating and office equipment	3	1
Plants under construction	21	0
	<u>24</u>	<u>1</u>
II. Financial investments		
1. Shares in affiliated companies	70,410	63,410
2. Long-term loans to affiliated companies	100,000	100,000
	<u>170,410</u>	<u>163,410</u>
	<u>170,434</u>	<u>163,411</u>
B. Current assets		
I. Receivables and other assets		
1. Receivables due from affiliated companies	3,484	2,367
2. Other assets	1,231	568
	<u>4,715</u>	<u>2,935</u>
II. Bank balances	<u>1,853</u>	<u>2,862</u>
	<u>6,568</u>	<u>5,797</u>
C. Prepaid expenses	71	179
	<u>177,073</u>	<u>169,387</u>

Equity and liabilities	Dec. 31, 2020 € thousand	Dec. 31, 2019 € thousand
A. Equity		
I. Subscribed capital	49,704	49,704
II. Capital reserves	61,493	61,493
III. Revenue reserves		
1. Legal reserve	1,538	1,538
2. Other revenue reserves	1,768	1,768
	<u>3,306</u>	<u>3,306</u>
IV. Accumulated loss	-7,102	-7,573
	<u>107,401</u>	<u>106,929</u>
B. Provisions and accruals		
1. Provisions for taxes	78	384
2. Other provisions and accruals	1,065	768
	<u>1,143</u>	<u>1,152</u>
C. Liabilities		
1. Liabilities due to banks	25,059	25,057
those which have a residual term of up to one year € 25,059 thousand (previous year: € 57 thousand)		
2. Trade payables	25	51
3. Liabilities due to affiliated companies	43,031	36,168
4. Other liabilities	44	29
of which tax liabilities € 44 thousand (previous year: € 29 thousand)		
	<u>68,159</u>	<u>61,305</u>
D. Deferred Tax Liabilities	<u>369</u>	<u>0</u>
	<u>177,073</u>	<u>169,387</u>

3 Income Statement for KHD Humboldt Wedag International AG for the Period from January 1, 2020 through December 31, 2020

	2020 € thousand	2019 € thousand
1. Revenue	1,578	1,825
2. Other operating income	1,148	76
of which income recognized in currency translation € 730 thousand (previous year: € 17 thousand)		
3. Cost of materials		
Cost of purchased services	621	622
4. Personnel expenses		
a) Wages and salaries	1,088	1,136
b) Social security expenses	52	36
	<u>1,140</u>	<u>1,172</u>
5. Depreciation on other plant, operating and office equipment	2	2
6. Other operating expenses	2,863	2,400
of which expenses recognized in currency translation € 107 thousand (previous year: € 14 thousand)		
7. Income from loans held as financial assets	5,676	5,931
of which from affiliated companies € 5,676 thousand (previous year: € 5,931 thousand)		
8. Other interest and similar income	31	0
of which from affiliated companies € 31 thousand (previous year: € 0 thousand)		
9. Interest and similar expenses	2,981	3,018
of which to affiliated companies € 2,198 thousand (previous year: € 2,233 thousand)		
10. Income taxes and deferred taxes	355	357
11. Earnings after taxes	471	261
12. Net profit for the year	471	261
13. Loss carried forward from previous year	<u>-7,573</u>	<u>-7,834</u>
14. Accumulated loss	<u><u>-7,102</u></u>	<u><u>-7,573</u></u>

4 Notes to the Financial Statements for KHD Humboldt Wedag International AG, Cologne for 2020

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 2020 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 2020 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 2020 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 2020 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 and 264d of the German Commercial Code (HGB).

In order to improve the clarity of presentation, some the "of which" disclosures required by law in the balance sheet or the income statement are presented 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 reporting principles are applied assuming the continuance of business activities.

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 from €250 to €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 carrying amount of investments 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

Payments before the balance sheet date are recognized as prepaid expenses to the extent that 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 does 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, 2020, 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 € 70,410 thousand (previous year: € 63,410 thousand). In the course of the recapitalization of HW GmbH, the subsidiary KHD GmbH, a 100 % shareholder, decided on June 15, 2020 to make a cash contribution of € 15 million into the capital reserves of HW GmbH by June 30, 2020. In turn, KHD, a 100 % shareholder of KHD GmbH, decided on June 15, 2020 to make a cash contribution of € 7 million into the capital reserves of KHD GmbH by June 30, 2020 and to provide KHD GmbH with another € 8 million as a loan at an interest rate of 5.0 % p.a.

In accordance with the Share Purchase Agreement of December 6, 2019, effective January 1, 2020 KHD acquired the shares in KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, China from KHD GmbH for the purchase price of € 1. The purchase price is equivalent to the carrying amount of the subsidiary as previously reported by KHD GmbH.

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. Both loans were originally granted in July and November 2017, respectively with terms of three years. In the 2020 financial year, the two loans were both extended for another three years to 2023. The loans are secured by a corporate guarantee from AVIC.

2. Receivables and Other Assets

Receivables due from affiliated companies total € 3,484 thousand (previous year: € 2,367 thousand) and have increased considerably in the 2020 financial year primarily as a result of a loan receivable due from KHD GmbH in the amount of € 1,350 thousand as of December 31, 2020.

The rest of the receivables due from affiliated companies as of December 31, 2020 include trade receivables in the amount of € 1,934 thousand (previous year: € 2,314 thousand) and receivables for services invoiced due from companies of the KHD Group based on the service and cost allocation agreement as well as the bond arrangement agreement amounting in total to € 200 thousand (previous year: € 52 thousand).

Other assets include foreign exchange forward contracts in the amount of € 407 thousand (previous year: € 0 thousand) and a VAT credit receivable in the amount of € 226 thousand (previous year: € 571 thousand). Within the tax unity for VAT are amounts payable to the subsidiaries HW GmbH and ZAB for reimbursement claims totaling € 417 thousand (previous year: € 543 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 € 1,009 thousand to € 1,853 thousand (previous year: € 2,862 thousand) is principally the result of partial repayments of loans received.

4. Prepaid Expenses

The prepayment and deferred expense assets of € 71 thousand (previous year: € 179 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 2020 Financial Year

€ thousand	Subscribed capital	Capital reserves	Legal reserve	Other revenue reserves	Accumulated loss	Total
Status as of Dec. 31, 2019	49,704	61,493	1,538	1,768	-7,573	106,930
Net profit for the year 2020	0	0	0	0	471	471
Status as of Dec. 31, 2020	49,704	61,493	1,538	1,768	-7,102	107,401

Following the resolution of the Annual General Meeting of October 6, 2020, the accumulated loss reported as of December 31, 2019 was carried forward to new account. An accumulated loss of €7,102 thousand as of December 31, 2020 is the result of the net profit for the year of €471 thousand.

6. Provisions and Accruals

	Dec. 31, 2020 € thousand	Dec. 31, 2019 € thousand	Change € thousand
Provisions for taxes	78	384	-306
Other provisions and accruals	1,065	768	297
	<u>1,143</u>	<u>1,152</u>	<u>-9</u>

Other provisions and accruals include mainly provisions for personnel-related costs (€372 thousand; previous year €254 thousand), for the preparation and audit of annual financial statements (€123 thousand; previous year: €82 thousand) and for outstanding invoices (€571 thousand; previous year: €432).

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 October 11, 2021.

The liabilities due to affiliated companies amount to €43,031 thousand (previous year: €36,168) and mainly result from loans granted by ZAB and HW GmbH amounting to a total of €26,800 thousand (previous year: €24,300 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 (5 % p.a.) 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 5 % p.a. In addition, KHD GmbH extended KHD a credit line in the amount of € 12 million which was not utilized as of December 31, 2020. HW Inc. extended KHD a credit line in the amount of USD 16 million, of which USD 11.8 million was utilized as of December 31, 2020. The credit line incurs interest at 5 % p.a. Moreover, liabilities due to affiliated companies also include liabilities due to HW GmbH and ZAB arising from the tax unity for VAT in the amount of € 417 thousand (previous year: € 543 thousand) as well as liabilities from the exchange of services.

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

8. Deferred Tax Liabilities

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, resulted in deferred tax liabilities in the amount of € 369 thousand (previous year: € 0 thousand).

9. Contingent Liabilities

KHD has provided € 37.9 million (previous year: € 40.3 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 € 37.6 million (previous year: € 40.0 million).

Furthermore, as of December 31, 2020, € 46,315 thousand (previous year: € 44,875 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 € 3,563 thousand (previous year: € 3,651 thousand), and contingent liabilities arising from warranty guarantees amount to € 42,752 (previous year: € 41,224 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 € 55 thousand (previous year: € 56 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.

10. Other Financial Obligations

Other financial obligations amounting to € 304 thousand (previous year: € 308 thousand) relate to obligations arising from consulting contracts (€ 294 thousand; previous year: € 294 thousand) and leasing contracts (€ 10 thousand; previous year: € 14 thousand) with a remaining term of up to three years.

11. 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 € 1,166 thousand (previous year: € 1,419 thousand) and financial services pursuant to the bond arrangement agreement in the amount of € 412 thousand (previous year: € 406 thousand).

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

Revenue based on region	2020 € thousand	2019 € thousand	Change € thousand
USA	757	197	560
India	410	816	-406
Germany	392	748	-356
China	25	57	-32
Malaysia	0	5	-5
Russian Federation	-6	2	8
	<u>1,578</u>	<u>1,825</u>	<u>-247</u>

12. Other Operating Income

Other operating income primarily includes exchange rate gains of € 730 thousand (previous year: € 17 thousand). There was no prior period income from the release of other provisions (previous year: € 42 thousand). Income from foreign exchange rate forward contracts totaled € 406 thousand.

13. Cost of Purchased Services

KHD reports expenses for purchased services in the amount of € 621 thousand (previous year: € 622 thousand). These expenses include third-party services relating to intragroup revenue.

14. Personnel Expenses

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

15. Depreciation

Depreciation in the 2020 financial year includes depreciation on other plant, operating, and office equipment in the amount of € 2 thousand (previous year: € 2 thousand).

16. Other Operating Expenses

Other operating expenses comprise the following:

	2020	2019	Change
	€ thousand	€ thousand	€ thousand
Group charges	1,615	1,298	317
Audit fees / tax advisory costs	252	200	51
Supervisory Board compensation	248	180	68
Exchange rate losses	107	10	97
Legal and consulting costs	90	93	-3
Investor relations	64	166	-102
Other	487	453	34
	<u>2,863</u>	<u>2,400</u>	<u>463</u>

The increase in Group charges by € 317 thousand from € 1,298 thousand to € 1,615 thousand is primarily due on one hand to greater expenses calculated by HW GmbH for the services provided, based on the Service & Cost Allocation Agreement, and on the other hand to additional consulting services in connection with the strategic alignment of the Group.

17. Interest Income/Expense

	2020	2019	Change
	€ thousand	€ thousand	€ thousand
Income from loans held as financial assets	5,676	5,931	-255
Other interest and similar income	31	0	31
Interest and similar expenses	-2,981	-3,018	37
	<u>2,726</u>	<u>2,913</u>	<u>-187</u>

The income from long-term loans in financial assets includes interest income in the amount of € 5,676 thousand (previous year: € 5,931 thousand). KHD concluded two loan agreements, each worth € 50 million, with AVIC International Kairong Limited, Hong Kong, as the borrower, effective July 22, 2017 and November 13, 2017, respectively. The interest on the loans was set at 6 % and 5.7 % per annum, respectively. Both loans originally had terms of three years. In the 2020 financial year, the two loans were both extended for another three years to 2023. Since July 23 / November 14, 2020 (respectively), the interest rate for both loans is the same: 5 % p.a. For one of the loans extended to AVIC Kairong, KHD has the right to demand repayment at any time before the due date with a notification period of 30 days.

KHD received interest in the amount of € 31 thousand (previous year: € 0 thousand) in the financial year under consideration for the loan for € 4 million provided to KHD GmbH.

Interest and similar expenses include interest expenses in the amount of € 1,477 thousand (previous year: € 1,557 thousand) for the loans granted to HW GmbH and ZAB in the 2014 financial year. The subsidiaries were allowed nearly the same interest rate (6 % p.a. and 5 % p.a., respectively) that KHD obtained from its loan to AVIC Kairong. This also includes interest in the amount of € 281 thousand (previous year: € 300 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 GmbH) in October 2018. This loan has been repaid in full. KHD GmbH was credited with interest of € 160 thousand (previous year: € 377 thousand) for this loan. An additional credit line in the amount of \$ 16 million was concluded with HW Inc. in June 2020. The credit line of HW Inc. amounts to \$ 11.8 million as of the 2020 reporting date. For this loan, HW Inc. was credited with interest of € 280 thousand. The interest expenses from a bank loan in the amount of € 489 thousand (previous year: € 482 thousand) as well as bank guarantee fees in the amount of € 295 thousand (previous year: € 303 thousand) are also reported under interest and similar expenses.

Effective March 25, 2020, a short-term loan in the amount of € 5.0 million with a limited term (due June 30, 2020) was concluded between ZAB and KHD, with KHD as the borrower. The short-term loan, for which an interest rate of 5.7 % p.a. was agreed, was repaid according to the contract in June 2020. Interest in the amount of € 54 thousand (previous year: € 0 thousand) was credited in connection with the loan.

18. Income Tax Expense

Income tax expense amounts to € 355 thousand and mainly comprises deferred taxes (previous year: € 357 thousand) There was no tax income or tax expenses from previous years.

19. Other Information

Employees

The Company employed two salaried staff members on average during the year (previous year: one). The Company does not have any non-salaried staff.

Financial Instruments

The Company contracted derivative financial instruments in the form of exchange forward contracts to sell expected cash inflows in USD in the total amount of \$ 21,634 thousand as of December 31, 2020. The maturity dates occur between January 2021 and November 2023. The financial instruments that expired during the 2020 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.

20. Shareholdings

Company		Capital share in %	Currency	Equity	Net result for the year
Subsidiaries					
KHD Humboldt Wedag GmbH, Cologne	<i>direct</i>	100.00	€ thousand	44,762	-21,918
Humboldt Wedag GmbH, Cologne	<i>indirect</i>	100.00	€ thousand	6,707	-10,049
ZAB Zementanlagenbau GmbH Dessau, Dessau-Rosslau	<i>indirect</i>	100.00	€ thousand	16,666	-1,754
Blake International Ltd., Road Town, British Virgin Islands	<i>indirect</i>	100.00	€ thousand	3,740	0
KHD Humboldt Wedag Vermögensverwaltung-AG, Cologne	<i>indirect</i>	91.26	€ thousand	5,442	131
Humboldt Wedag Inc., Norcross, USA	<i>indirect</i>	100.00	€ thousand	786	-269
Humboldt Wedag India Private Ltd., New Delhi, India*	<i>indirect</i>	100.00	€ thousand	38,981	3,472
KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, People's Republic of China	<i>direct</i>	100.00	€ thousand	795	1,617
KHD Humboldt Engineering OOO, Moscow, Russia	<i>indirect</i>	100.00	€ thousand	256	-172
Humboldt Wedag Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	<i>indirect</i>	100.00	€ thousand	157	-258
Humboldt Wedag Do Brasil Servicos Technicos Ltda, Belo Horizonte, Brazil	<i>indirect</i>	100.00	€ thousand	-45	0

*Financial statements as of March 31, 2020

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, 2020

1 euro corresponds to:

INR	89.3178
USD	1.2232
RUB	90.4599
CNY	7.9914
MYR	4.9203
BRL	6.3532

4.4 Members of the Supervisory Board and Management Board

Personnel Changes in the Management Board

With a resolution of the Supervisory Board dated December 18, 2019, Mr. Matthias Mersmann was appointed to the Management Board, effective February 1, 2020. Mr. Yizhen Zhu resigned as Chair and member of the Management Board of KHD Humboldt Wedag International AG, effective September 30, 2020. With a resolution of the Supervisory Board dated September 18, 2020, Mr. Jianlong Shen was appointed as Chair of the Management Board (CEO), effective October 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

Jianlong Shen, Engineering Degree – (since October 1, 2020)

Chair of the Management Board of KHD

Yizhen Zhu, Engineer – (until September 30, 2020)

Chair of the Management Board of KHD (until September 30, 2020)

- Member of the Supervisory Board of KHD Humboldt Wedag Vermögensverwaltungs-AG (until September 30, 2020)

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

Dr. Matthias Jochem, Doctoral Degree in Engineering (Dr.-Ingenieur)
Chief Executive Officer of KHD

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 (since February 1, 2020)

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

The total remuneration for members of the KHD Management Board in the 2020 financial year pursuant to Section 285 Number 9a of the German Commercial Code (HGB) amounted to € 881 thousand (previous year: € 995 thousand). For work performed in the financial year, total compensation amounted to € 866 thousand (previous year: € 995 thousand). Compensation paid in the financial year, but which has never previously been reported in the annual financial statement totaled € 15 thousand (previous year: € 0 thousand).

The total remuneration granted to members of the Supervisory Board for their work amounted to € 163 thousand in the 2019 financial year (previous year: € 180 thousand).

No benefits were granted to former Management Board or Supervisory Board members or their remaining dependents after their resignation from the respective board. There are no pension commitments with respect to this group of individuals.

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 is published on its website (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 submitted to the Management Board pursuant to Section 33 WpHG (German Securities Trading Act), the following are the participating interests in KHD Humboldt Wedag International AG, Colonia-Allee 3, 51067 Cologne, Germany as defined by Section 160 Paragraph 1 Number 8 AktG (German Stock Corporation Act):

The People's Republic of China¹, 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 China¹, Beijing, People's Republic of China,
- AVIC International Holding Corporation¹, Beijing, People's Republic of China,
- AVIC International Shenzhen Company Limited¹, Shenzhen, People's Republic of China,
- AVIC International Holdings Limited¹, Shenzhen, People's Republic of China,
- AVIC International Beijing Co. Limited¹, Beijing, People's Republic of China,
- AVIC International Kairong Limited¹, Hong Kong, Hong Kong,
- Kaihang Industrial Limited¹, Road Town, British Virgin Islands,
- Golden Prosperity Group Limited¹, Road Town, British Virgin Islands,
- Goldimax Group Limited¹, Road Town, British Virgin Islands,
- AVIC International Engineering Holdings Pte. Ltd.¹, Singapore, Singapore,
- Max Glory Industries Limited¹, Hong Kong, Hong Kong.

¹ 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 5, 2021 and also made it – as well as statements from previous years – permanently publicly available to shareholders on the Company's website (<http://www.khd.com/declaration-of-compliance.html>).

4.11 Appropriation of Net Retained Profit

The annual financial statements for the 2020 financial year indicate a net profit of €471 thousand and an accumulated loss of €7,102 thousand. The Management Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 20, 2021 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, March 4, 2021

The Management Board

Jianlong Shen
(Chairman)

Jürgen Luckas

Dr. Matthias Jochem

Tao Xing

Matthias Mersmann

5 Appendix to the Notes

	Acquisition Costs			Accumulated amortization, depreciation and write-downs				Net book value			
	Balance as of		Balance as of	Balance as of		Balance as of	Balance as of				
	Jan. 1, 2020	Additions	Disposals	Dec. 31, 2020	Jan. 1, 2020	Additions	Disposals	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019	
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	
I. Property, plant and equipment											
1.	Operating and office equipment	13	3	0	16	11	2	0	13	3	1
2.	Advance payments made and plants under construction	0	21	0	21	0	0	0	0	21	0
		<u>13</u>	<u>24</u>	<u>0</u>	<u>37</u>	<u>11</u>	<u>2</u>	<u>0</u>	<u>13</u>	<u>24</u>	<u>1</u>
II. Financial Investments											
1.	Shares in affiliated companies	63,410	7,000	0	70,410	0	0	0	0	70,410	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>7,000</u>	<u>0</u>	<u>170,410</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>170,410</u>	<u>163,410</u>
		<u>163,423</u>	<u>7,024</u>	<u>0</u>	<u>170,447</u>	<u>11</u>	<u>2</u>	<u>0</u>	<u>13</u>	<u>170,434</u>	<u>163,411</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, March 4, 2021

The Management Board

Jianlong Shen
(Chairman)

Jürgen Luckas

Dr. Matthias Jochem

Tao Xing

Matthias Mersmann

7 Auditor's opinion

Independent auditor's report

To KHD Humboldt Wedag International AG

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of KHD Humboldt Wedag International AG, Cologne, which comprise the balance sheet as at 31 December 2020, and the income statement for the fiscal year from 1 January 2020 to 31 December 2020, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of KHD Humboldt Wedag International AG, which was combined with the group management report, for the fiscal year from 1 January 2020 to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the management declaration (statement on corporate governance) pursuant to Sec. 289f HGB which is published on the website stated in the management report and is part of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the fiscal year from 1 January 2020 to 31 December 2020 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of

the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matter:

Valuation of shares in affiliates

Reasons why the matter was determined to be a key audit matter

The shares in affiliates represent a significant part of the Company's assets. The valuation of shares in affiliates for commercial law purposes is based on the acquisition cost or lower net realizable value. The fair values were determined as the present values of expected future income disclosed in the forecasts prepared by the executive directors using the capitalization of earnings method. The forecasts also take into account expectations regarding future market development and assumptions about trends in macroeconomic factors. The individually calculated cost of capital of the financial assets is used for discounting.

The result of this valuation is highly dependent on the executive directors' estimate of future cash flows and the respective discount and growth rates used. The valuation of shares in affiliates therefore involves significant uncertainty. In light of this and due to the high level of complexity of the valuation, it was a key audit matter.

Auditor's response

As part of our audit, we examined the Company's forecast process and obtained an understanding of the method of determining the fair values. In this context, we assessed in particular whether the calculation of the fair values of shares in affiliates using the capitalization of earnings method comply with the relevant measurement standards. With the support of our valuation specialists, we discussed the key value drivers with the executive directors and compared them to general and industry-specific market expectations. We also compared the Company's budget for the subsequent year and its medium-term planning with the budget approved by the Supervisory Board as well as the approved medium-term planning. In addition, the planning was compared in terms of consistency with other expectations of the Management Board, such as the forecasts in the management report. Furthermore, we analyzed the accuracy of the forecasts by comparing the planning prepared in past periods with the results actually achieved. Based on our understanding that even relatively small changes in the discount rate used can have significant effects on the amount of the capitalized earnings value of the affiliates, we reperformed the calculations and examined whether the parameters included correspond to external market data. We also checked the clerical accuracy of the calculation method on a sample basis.

Our procedures did not lead to any reservations relating to the valuation of shares in affiliates.

Reference to related disclosures

The Company's disclosures on the valuation of shares in affiliates are included in the notes to the financial statements, section 3.2 "Recognition and measurement policies."

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG ["Aktengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the statement on corporate governance. In all other respects, the executive directors are responsible for the other information. The other information comprises the statement on corporate governance referred to above. Furthermore, the other information comprises additional parts to be included in the annual report, of which we obtained a version prior to issuing this auditor's report, in particular:

- The responsibility statement required under Sec. 264 (2) Sentence 3 HGB
- The declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG

but not the annual financial statements, the management report disclosures included in the substantive audit or our related auditor's report.

Furthermore, the other information includes all remaining parts of the annual report, which we expect to be provided with after the auditor's report has been issued, in particular:

- The report of the supervisory board pursuant to Sec. 171 AktG

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities,

financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the annual financial statements and the management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached electronic file "KHD_AG_JA+LB_ESEF-2020-12-31.ZIP" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the fiscal year from 1 January 2020 to 31 December 2020 contained in the "Report on the audit of the annual financial statements and of the management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the annual financial statements and the management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AuS 410). Our responsibilities under that standard are further described in the "Auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the standards for the quality assurance system set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and the audited

management report as well as other documents to be published to the operator of the *Bundesanzeiger* [German Federal Gazette].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 6 October 2020. We were engaged by the Supervisory Board on 20 October 2020. We have been the auditor of KHD Humboldt Wedag International AG without interruption since fiscal year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Titus Zwirner.

Cologne, 9 March 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Zwirner	Esbach
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

8 Report of the Supervisory Board

Dear Shareholders,

In the 2020 financial year, the Supervisory Board of KHD Humboldt Wedag International AG comprehensively performed supervisory and advisory functions as required by law, the articles of association, and the rules of procedure. It monitored and advised the Management Board on a continual basis and consulted with the Management Board in numerous meetings and in discussions outside of these meetings. The Supervisory Board requested the Management Board to report regularly, in a timely manner, and comprehensively, both in writing and verbally, about intended business policy and strategy, fundamental issues concerning financial, investment, and personnel planning, the course of business and the profitability of the Group and of the material Group companies. The Management Board also reported on the strategic alignment of the Group and the status of strategy implementation.

The Supervisory Board was involved in all decisions of fundamental importance to the KHD Group.

Cooperation between the Management Board and the Supervisory Board has always been constructive. The Chair of the Supervisory Board was in regular contact with the Management Board and particularly the Chief Executive Officer over and above the regular meetings and discussed the Group's strategy, risk situation, and risk management. The Chief Executive Officer immediately notified the Chair of the Supervisory Board of any important events, which were essential for assessing the situation and development of the KHD Group.

Personnel Changes in the Management Board

On December 18, 2019, the Supervisory Board appointed Matthias Mersmann as a further member of the Management Board with effect from February 1, 2020. As Chief Technology Officer, Mr. Mersmann is responsible in particular for expanding the leading technology position of the KHD Group. Effective September 30, 2020, Mr. Yizhen Zhu resigned from his position as Chairman and member of the Management Board. By resolution of the Supervisory Board on September 18, 2020, Mr. Jianlong Shen was appointed as Chairman of the Management Board effective October 1, 2020. As Chief Executive Officer (CEO), Mr. Shen focuses on the consistent implementation and further development of the Group's strategy. In addition, due to his good network with Chinese cement producers, he plays a decisive role in the further development of the Chinese markets in close cooperation with our parent company AVIC.

Meetings and Resolutions of the Supervisory Board

The restrictions associated with the COVID-19 pandemic did not allow for any physical meetings in the 2020 financial year. In 2020, the Supervisory Board held four meetings via video conference, at which it dealt extensively with all issues of fundamental importance to the KHD Group. In addition, 14 resolutions were passed by circulation procedure. All members of the Supervisory Board participated in the meetings by video conference as well as the resolutions by circulation procedure. At one of the meetings by video conference, two members of the Supervisory Board participated by submitting their written votes.

The Supervisory Board concerned itself with the monitoring of the financial reporting process and, in the presence of the auditors and the Management Board, with the annual and consolidated financial statements for 2019. At the meeting convened to approve the financial statements on March 10, 2020, the Supervisory Board held a thorough discussion of the annual and consolidated financial statements of KHD Humboldt

Wedag International AG for the financial year ended December 31, 2018. The Supervisory Board approved the financial statements and the proposal for the appropriation of net retained profit. In addition, the Supervisory Board discussed its proposal for the selection of the independent auditors by the Annual General Meeting of shareholders.

The agendas of the Supervisory Board meetings via video conference in March, June, August, and October covered reports on business development, deviations of the actual business development from the budget and forecasts, the 2021 budget and the medium-term planning for 2021-25, discussions of the half-year report prior to publication, discussion of proposed resolutions for the Annual General Meeting of shareholders, the internal control system, the risk management system as well as discussions related to Corporate Governance and organizational matters of the Supervisory Board. In addition to the impact of the COVID-19 pandemic, the Supervisory Board in the 2020 financial year once again focused on the discussion of the strategic development of the Group, improving competitiveness and development perspectives, organizational changes, and further operational issues.

The resolutions made by circulation procedure concerned transactions requiring approval by the Supervisory Board, the appointment of Management Board members, management service contracts for members of the Management Board and the termination of such contracts, as well as the approval of the Declaration of Compliance with the German Corporate Governance Code and the separate non-financial Group report (CSR report) for 2019.

Responsibilities as Defined by Section 107 Paragraph 3 of the German Stock Corporation Act (AktG)

Responsibilities that would otherwise be passed on to an Audit Committee have been carried out by the full Supervisory Board. The Supervisory Board issued the audit mandate to the auditors and discussed and agreed upon the focal points of the audit as well as the audit fees. Furthermore, the Supervisory Board monitored the independence, qualification, rotation, and efficiency of the auditors as well as the services provided in addition to the audit of financial statements. The Supervisory Board also dealt with issues of corporate governance, including the preparation of the Declaration of Compliance with the German Corporate Governance Code. Based on reports from the Management Board, the Supervisory Board concerned itself with the internal control system and was informed about the effectiveness and further development of the Group-wide risk management system. Significant opportunities and risks, including the risk situation, risk identification, and risk monitoring as well as the compliance structure and compliance issues within the KHD Group were discussed. The Supervisory Board assessed the effectiveness of the internal control system and the risk management system.

Corporate Governance and Declaration of Compliance

There were no conflicts of interest among the members of the Supervisory Board or Management Board during the reporting year. According to its own assessment, the Supervisory Board included an appropriate number of independent members as defined by the German Corporate Governance Code at all times during the reporting year.

The Supervisory Board monitors the development of corporate governance standards on a continual basis, as well as the implementation of the recommendations of the German Corporate Governance Code at KHD Humboldt Wedag International AG. The Management Board and Supervisory Board issued the annual declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) in February 2021. This has since been published and made permanently available to shareholders on the Company's website at www.khd.com. Further information on corporate governance can be found in the Corporate

Governance Statement (within the meaning of the German Corporate Governance Code as amended on December 16, 2019), which has also been published on the Company's website.

KHD supports the members of the Supervisory Board upon their appointment by explaining a list of key tasks and handing over important core documents, for example the Rules of Procedure for the Supervisory Board as well as for the Management Board and the list of transactions requiring Supervisory Board approval. The Company generally supports the members of the Supervisory Board in training and development measures. In the 2020 financial year, training measures were only possible to a limited extent due to the restrictions resulting from the COVID-19 pandemic. Due to the already high level of expertise and experience of the Supervisory Board members, in particular new developments were explained. The focus was on the German Corporate Governance Code as amended on December 16, 2019 and the changes to Management Board compensation system resulting from ARUG II.

Separate Non-Financial Group Report

The Management Board prepared the separate non-financial Group report for the 2020 financial year in accordance with Section 315b Paragraph 3 of the German Commercial Code (HGB). Before its publication, the Supervisory Board reviewed the separate non-financial Group report in accordance with Section 171 Section 1 of the German Stock Corporation Act (AktG).

Annual and Consolidated Financial Statements

The Management Board prepared the annual financial statements of KHD Humboldt Wedag International AG as of December 31, 2020 and the consolidated financial statements as of December 31, 2020 in a timely manner and in accordance with principles set out in the German Commercial Code (HGB), in accordance with IFRS as adopted by the European Union, including the combined management report for the 2020 financial year. The annual financial statements and the consolidated financial statements, including the combined management report, were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Cologne office, who were appointed by the Annual General Meeting of shareholders on October 6, 2020. The auditors issued an unqualified audit opinion on both sets of financial statements. Furthermore, the auditors confirmed that the early risk recognition system complies with the legal requirements set out in Section 91 Paragraph 2 of the German Stock Corporation Act (AktG); no risks that might affect the viability of the Company as a going concern were identified. The auditors did not report any significant weakness in the internal control system.

The documents relating to the financial statements and the audit reports were issued to all members of the Supervisory Board in a timely manner. They were subject to extensive deliberations in the Supervisory Board meeting convened to approve the financial statements on March 9, 2021. Both the auditors and the Management Board participated in these Supervisory Board meetings that dealt with the approval of the financial statements. The auditors reported on the scope, the emphases, and the significant results of the audit, going into particular detail with regard to key audit matters. During the Supervisory Board meeting, the auditors were available to provide further information and to answer questions.

The Supervisory Board conducted its own examination of the annual financial statements for the 2020 financial year and of the consolidated financial statements, including the combined management report, for the 2020 financial year, as well as of the Management Board's proposal on the appropriation of net retained profit for the 2020 financial year, taking into account the auditors' reports. In its audit, the Supervisory Board concerned itself in particular with the key audit matters. After considering the final results of the Supervisory Board's review of the documents submitted by the Management Board and the auditors, the Supervisory

Board has no objections to raise and concurs with the result of the audit carried out by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft. The Supervisory Board approves the annual financial statements and the consolidated financial statements as of December 31, 2020, as prepared by the Management Board. The annual financial statements of KHD Humboldt Wedag International AG are therefore adopted. The Supervisory Board consents to the appropriation of net retained profit proposed by the Management Board.

The Management Board's report on the relationships with affiliated companies (Dependent Company Report) was audited by the auditors and issued with the following unqualified audit opinion:

"Based on our audit performed in accordance with professional standards and our professional judgment, we confirm that:

1. The factual statements contained in the report are correct.
2. The consideration paid by the Company for the legal transactions stated in the report was not excessive."

The Management Board presented the Dependent Company Report to the Supervisory Board, which also reviewed the Dependent Company Report. After considering the final results of its own review, the Supervisory Board has no objections to raise with respect to the Management Board's final declaration in the Dependent Company Report or with respect to the result of the audit by the auditors.

Expression of Thanks

The Supervisory Board would like to thank all staff members and the Management Board for their work in a challenging business environment.

Cologne, March 11, 2021

Shaohua Jin
(Chairman of the Supervisory Board)

Members of the Supervisory Board

Shaohua Jin

Chair 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, Chair of the Supervisory Board
- Gold Cache Inc., Thunder Bay, Canada, non-executive Member of the Board

Yiqiong Zhang

Vice President of AVIC International Beijing Co. Limited