

Annual Report 2021



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
HWG	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
KHD AG	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, Germany

Annual Financial Statements of KHD Humboldt Wedag International AG for the 2021 Financial Year

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1. Combined Management Report of KHD Humboldt Wedag International AG and for the Group for the 2021 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 2021 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, Cologne, Germany,
as of December 31, 2021**

Assets	Dec. 31, 2021 € thousand	Dec. 31, 2020 € thousand
A. Fixed assets		
I. Intangible assets		
Software	30	0
	<u>30</u>	<u>0</u>
II. Property, plant, and equipment		
1. Plant, operating and office equipment	5	3
2. Advance payments made	0	21
	<u>5</u>	<u>24</u>
III. Financial investments		
1. Shares in affiliated companies	70,410	70,410
2. Long-term loans to affiliated companies	95,000	100,000
	<u>165,410</u>	<u>170,410</u>
	<u>165,445</u>	<u>170,434</u>
B. Current assets		
I. Receivables and other assets		
1. Receivables due from affiliated companies	1,785	3,484
2. Other assets	2,512	1,231
	<u>4,297</u>	<u>4,715</u>
II. Bank balances	<u>3,809</u>	<u>1,853</u>
	<u>8,106</u>	<u>6,568</u>
C. Prepaid expenses	180	71
	<u>173,731</u>	<u>177,073</u>

Equity and liabilities	Dec. 31, 2021 € thousand	Dec. 31, 2020 € 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	-8,365	-7,102
	<u>106,138</u>	<u>107,401</u>
B. Provisions and accruals		
1. Provisions for taxes	431	78
2. Other provisions and accruals	1,576	1,065
	<u>2,007</u>	<u>1,143</u>
C. Liabilities		
1. Liabilities due to banks	25,020	25,059
2. Trade payables	23	25
3. Liabilities due to affiliated companies	40,529	43,031
4. Other liabilities	14	44
thereof tax liabilities		
€ 0 thousand (previous year: € 44 thousand)		
thereof in the context of social security		
€ 12 thousand (previous year: € 0 thousand)		
	<u>65,586</u>	<u>68,159</u>
D. Deferred tax liabilities	0	369
	<u>173,731</u>	<u>177,073</u>

3. Income Statement

KHD Humboldt Wedag International AG, Cologne for the Period from January 1, 2021 to December 31, 2021

	2021 € thousand	2020 € thousand
1. Revenue	2,151	1,578
2. Other operating income	239	1,148
thereof related to currency translation		
€ 73 thousand (previous year: € 730 thousand)		
3. Cost of materials		
Costs of purchased services	-441	-621
4. Personnel expenses		
a) Wages and salaries	-1,973	-1,088
b) Social security expenses	-72	-52
	<u>-2,045</u>	<u>-1,140</u>
5. Amortization and depreciation of non-current assets and property, plant and equipment	-9	-2
6. Other operating expenses	-3,312	-2,863
thereof related to currency translation		
€ 821 thousand (previous year: € 107 thousand)		
7. Income from loans held as financial assets	4,869	5,676
thereof from affiliated companies		
€ 4,869 thousand (previous year: € 5,676 thousand)		
8. Other interest and similar income	55	31
thereof from affiliated companies		
€ 55 thousand (previous year: € 31 thousand)		
9. Interest and similar expenses	-2,855	-2,981
thereof to affiliated companies		
€ 2,172 thousand (previous year: € 2,198 thousand)		
10. Income taxes and deferred taxes	85	-355
11. Earnings after taxes	<u>-1,263</u>	<u>471</u>
12. Net loss / profit for the year	-1,263	471
13. Loss carried forward from previous year	<u>-7,102</u>	<u>-7,573</u>
14. Accumulated loss	<u>-8,365</u>	<u>-7,102</u>

4. Notes to the Financial Statements for KHD Humboldt Wedag International AG, Cologne, Germany for the 2021 Financial Year

4.1 General Remarks

Combined Management Report:

The management report of KHD Humboldt Wedag International AG ("KHD AG"), 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 2 of the HGB and published in the 2021 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 2021 financial year are submitted to the provider of the Federal Gazette where they are published. The annual financial statements of KHD AG and the Group annual report for the 2021 financial year are also available online at <http://www.khd.com/annual-report.html>.

Accounting

KHD AG 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 AG for the 2021 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 AG is a large corporation in the meaning of Sections 267 Paragraph 3 and 264d of the German Commercial Code (HGB).

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

4.2 Accounting and Measurement Principles

The following accounting and measurement 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

Intangible assets (software) purchased are measured with the acquisition costs less accumulated amortization and depreciated according to the straight-line method based on the average useful life. The right to recognize self-produced intangible assets is not utilized. 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 useful life (between three and ten years) of the respective items. In case of probable permanent impairment, acquisition costs are amortized at the lower fair value. 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 according to schedule 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 and other assets are measured at the lower of nominal value or fair value. Bank balances are reported at the nominal 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 and from tax loss carry-forwards 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

Based on the amount, subscribed capital corresponds with 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 as well as contingent losses from pending transactions as of the date of the balance sheet are 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 and amounted to € -62 thousand on the balance sheet date. 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, 2021, which is attached as an appendix to the notes to the financial statements.

The financial assets remain unchanged with respect to the previous year and include the shares in KHD Humboldt Wedag GmbH ("KHD GmbH") in the amount of € 70,410 thousand (previous year: € 70,410 thousand).

KHD AG and AVIC International Engineering Holdings Pte. Ltd., ("AVIC Engineering"), Singapore ("AVIC Engineering") concluded a Share Purchase Agreement (SPA) and a trust agreement regarding 51% of the shares in KHD Humboldt Wedag Machinery Equipment (Beijing) Co., Ltd.

("KHD Beijing"), Beijing, China, on August 14, 2020 which took effect on June 17, 2021. Based on the SPA, AVIC Engineering is the legal owner of 51% of the shares in KHD Beijing. The trust agreement establishes a fiduciary trusteeship between KHD AG (as the trustor) and AVIC Engineering (as the trustee) with regard to the 51% of the shares in KHD Beijing. Accordingly, the economic ownership remains with KHD AG.

The long-term loans to affiliated companies include two loans (€ 50 million and € 45 million, respectively) to AVIC International Kairong Limited ("AVIC Kairong"), Hong Kong. The first loan (€ 45 million (previous year: € 50 million)) is due for payment in July 2023 and the second loan (€ 50 million (previous year: € 50 million)) is due for payment in November 2023. The loans are secured by a corporate guarantee from AVIC and incur interest at 5% p. a.

2. Receivables and Other Assets

Receivables due from affiliated companies total € 1,785 thousand which is significantly less than the previous year's figure (€ 3,484 thousand).

In addition to loan granted to KHD GmbH in the amount of € 800 thousand (previous year: € 1,350 thousand), the receivables due from affiliated companies as of December 31, 2021 include, in particular, trade receivables in the amount of € 581 thousand (previous year: € 1,934 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 € 403 thousand (previous year: € 200 thousand).

Other assets reported include primarily advance payments for trade tax and corporate income tax in the amount of € 1,050 thousand (previous year: € 600 thousand) and VAT reimbursement claims of € 1,440 thousand (previous year: € 226 thousand). Within the tax unity for VAT are amounts payable to the subsidiaries Humboldt Wedag GmbH ("HWG") and ZAB Zementanlagenbau GmbH Dessau ("ZAB") for reimbursement claims totaling € 1,382 thousand (previous year: € 417 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 increase in credit balances at banks by € 1,956 thousand to € 3,809 thousand (previous year: € 1,853 thousand) is principally the result of the decrease in the loans granted to AVIC Kairong by € 5 million.

4. Prepaid Expenses

The prepayment and deferred expense assets of € 180 thousand (previous year: € 71 thousand) are higher 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 2021 Financial Year

€ thousand	Subscribed capital	Capital reserves	Legal reserve	Other revenue reserves	Accumulated loss	Total
Status as of Dec. 31, 2020	49,704	61,493	1,538	1,768	-7,102	107,401
Net loss for 2021	0	0	0	0	-1,263	-1,263
Status as of Dec. 31, 2021	49,704	61,493	1,538	1,768	-8,365	106,138

Following the resolution of the Annual General Meeting of May 20, 2021, the accumulated loss reported as of December 31, 2020 was carried forward to new account. An accumulated loss of € 8,365 thousand as of December 31, 2021 is a result of the net loss in the 2021 financial year of € 1,263 thousand.

6. Provisions and Accruals

	Dec. 31, 2021	Dec. 31, 2020	Change
	€ thousand	€ thousand	€ thousand
Provisions for taxes	431	78	353
Other provisions and accruals	1,576	1,065	511
	2,007	1,143	864

Tax provisions take the expected tax expenses for the period from 2018 through 2020 into account.

Other provisions and accruals include mainly provisions for personnel-related expenses (€ 656 thousand; previous year € 372 thousand), costs for the preparation and audit of annual financial statements (€ 153 thousand; previous year: € 123 thousand), provisions for contingent losses from exchange rate forward contracts (€ 62 thousand; previous year: € 0 thousand), and for outstanding invoices (€ 653 thousand; previous year: € 571 thousand).

7. Liabilities

The loan disbursed to KHD AG in November 2018 from the Bank of China Limited, Frankfurt branch, was repaid in full when it was due in October 2021. A new loan for € 25 million from the Bank of China Limited, Frankfurt branch, was disbursed to KHD AG on November 12, 2021. The initial term of this loan runs to October 10, 2022, but if specific, primarily administrative conditions exist, it can be extended twice, each time for one year respectively. The interest rate agreed to for the loan is significantly lower than that obtained by KHD AG for the two loans granted to AVIC Kairong.

The liabilities due to affiliated companies amount to € 40,529 thousand (previous year: € 43,031) and mainly result from loans extended by ZAB and HWG amounting to a total of € 33,100 thousand (previous year: € 26,800 thousand). The subsidiaries were allowed the same interest rate (5% p. a.) that KHD AG obtained from its loan to AVIC Kairong. In addition, KHD Humboldt Wedag Vermögensverwaltungs-AG ("KHD VV") granted KHD AG a credit line of € 7 million, of which € 5,250 thousand was utilized as of the balance sheet date (previous year: € 5,000 thousand). Utilizing this credit line incurs interest at 5% p. a. KHD AG, as a borrower, concluded a credit line with Humboldt Wedag Inc. ("HW Inc."), Norcross, USA, effective June 1, 2020. The original amount of the credit line was USD 16 million. Effective December 13, 2021, the credit line was reduced to USD 6 million and the term extended to May 31, 2022. Drawing from this credit line incurs interest at 5% p. a. As of December 31, 2021, the credit line had not been utilized (previous year: € 11.8 million). Moreover, liabilities due to affiliated companies also include liabilities due to HWG and ZAB arising from the tax unity for VAT totaling € 1,382 thousand (previous year: € 417 thousand) as well as liabilities from the exchange of services (€ 797 thousand; previous year: € 1,166 thousand).

All liabilities have a residual term of up to one year as of December 31, 2021.

8. Deferred Tax Liabilities

In this reporting year there were no tax expenses resulting 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 (previous year: € 369 thousand). The tax rate for calculating deferred taxes is 32.45%.

9. Contingent Liabilities

KHD AG has provided € 53.7 million (previous year: € 37.9 million) to affiliated companies in the form of Group guarantees, letters of comfort, and securities. Thereof contingent liabilities arising from sureties as well as bill of exchange and check guarantees amount to € 0.3 million (previous year: € 0.3 million), and contingent liabilities arising from warranty guarantees amount to € 53.4 million (previous year: € 37.6 million).

Furthermore, as of December 31, 2021, € 55.8 million (previous year: € 46.3 million) is attributable to contingent liabilities to banks resulting from bank guarantees that the Company has provided to KHD Group companies under existing bank guarantee credit facilities. Thereof contingent liabilities arising from sureties as well as bill of exchange and check guarantees amount to € 1.9 million (previous year: € 3.6 million), and contingent liabilities arising from warranty guarantees amount to € 53.9 million (previous year: € 42.8 million).

Based on the corporate planning for the respective KHD Group companies, it is not to be expected that these guarantees will be drawn upon. In the context of the business model for KHD companies it is usual for the parent company to provide guarantees for the contracts of the subsidiaries.

DEUTZ AG, Cologne, Germany, has provided a deed of release of € 51 thousand (previous year: € 55 thousand) to cover the subsidiary liability of KHD AG with regard 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 € 301 thousand (previous year: € 304 thousand) relate to obligations arising from consulting contracts (€ 294 thousand; previous year: € 294 thousand) and leasing contracts (€ 7 thousand; previous year: € 10 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 € 1,728 thousand (previous year: € 1,166 thousand) and financial services pursuant to the bond arrangement agreement in the amount of € 422 thousand (previous year: € 412 thousand).

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

Revenue based on region	2021 € thousand	2020 € thousand	Change € thousand
USA	967	757	210
India	758	410	348
Germany	398	392	6
China	28	25	3
Russian Federation	0	-6	6
	<u>2,151</u>	<u>1,578</u>	<u>573</u>

12. Other Operating Income

Other operating income of € 239 thousand was significantly below the previous year's level (€ 1,148 thousand). Significant here were exchange rate forward contracts and exchange rate gains (€ 239 thousand; previous year: € 1,136 thousand). There was no income relating to other periods in the financial year (previous year: € 0 thousand).

13. Costs of Purchased Services

KHD AG reports expenses for purchased services in the amount of € 441 thousand (previous year: € 621 thousand). These expenses include third-party services relating to intragroup revenue.

14. Personnel Expenses

Personnel expenses in the amount of € 2,045 thousand (previous year: € 1,140 thousand) include the compensation of the members of the Company's Management Board and employees. As of the balance sheet date on December 31, 2021, the Company had six employees (two employees in the previous year).

15. Amortization

Amortization in the 2021 financial year includes depreciation on intangible assets and plant, operating, and office equipment in the amount of € 9 thousand (previous year: € 2 thousand).

16. Other Operating Expenses

Other operating expenses comprise the following:

	2021	2020	Change
	€ thousand	€ thousand	€ thousand
Group charges	1,374	1,615	-241
Exchange rate losses	821	107	714
Auditing fees/tax consulting fees	283	252	31
Other consultation	216	321	-105
Supervisory Board compensation *	180	163*	17
Legal consultation fees	101	90	11
Stock exchange listing fees	75	64	11
Other	262	251	11
	<u>3,312</u>	<u>2,863</u>	<u>449</u>

* The previous year's figure for Supervisory Board compensation was adjusted from € 248 thousand to € 163 thousand

The other operating expenses included a considerable increase in exchange rate effects and the valuation of exchange rate forward contracts. The reduction in Group charges of € 241 thousand is primarily due to fewer services invoiced by HWG based on the Service & Cost Allocation Agreement.

17. Net Finance Result

	2021	2020	Change
	€ thousand	€ thousand	€ thousand
Interest from long-term loans in affiliated companies	4,869	5,676	-807
Other interest and similar income	55	31	24
Interest and similar expenses	-2,855	-2,981	-126
	<u>2,069</u>	<u>2,726</u>	<u>-909</u>

The income from long-term loans in financial assets includes interest income in the amount of € 4,869 thousand (previous year: € 5,676 thousand) from two loan contracts concluded with AVIC International Kairong Limited, Hong Kong. Since July 23 / November 14, 2020 (respectively), the interest rate for both loans is the same: 5% p. a. The KHD Group is also entitled to call for the repayment of one of the loans at any time prior to its maturity by giving 30 days' notice.

Interest and similar expenses include interest expenses in the amount of € 1,793 thousand (previous year: € 1,477 thousand) for the loans granted to HWG and ZAB. The subsidiaries were allowed the same interest rate (5% p. a.) that KHD AG obtained from its loan to AVIC Kairong. This also includes interest expenses in the amount of € 263 thousand (previous year: € 281 thousand) for a loan granted by KHD VV. One of the loans granted by KHD GmbH was already repaid in full in the previous year. Accordingly, there were no interest expenses for this loan (previous year: € 0 thousand). For utilizing a credit line agreed to with HW Inc., HW Inc. was credited with interest in the amount of € 115 thousand (previous year: € 280 thousand). The interest expenses from a bank loan (€ 402 thousand; previous year: € 489 thousand) as well as bank guarantee fees in the amount of € 281 thousand (previous year: € 295 thousand) are also reported under interest and similar expenses.

18. Income Taxes and Deferred Taxes

Income from the reimbursement of income tax in the amount of € 85 thousand was reported in the 2021 financial year, while an expense for income tax and deferred tax totaling € 355 thousand was recorded in the previous year.

19. Other Information

Employees

The Company employed five salaried staff members on average during the year (previous year: two). 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 USD 1,840 thousand as of December 31, 2021. The maturity dates occur between November 2023 and December 2023. 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
<u>Subsidiaries</u>					
KHD Humboldt Wedag GmbH, Cologne	<i>direct</i>	100.00	€ thousand	52,461	7,699
Humboldt Wedag GmbH, Cologne	<i>indirect</i>	100.00	€ thousand	-13,289	-6,582
ZAB Zementanlagenbau GmbH Dessau, Dessau	<i>indirect</i>	100.00	€ thousand	17,419	751
Blake International Ltd., Road Town, British Virgin Islands	<i>indirect</i>	100.00	€ thousand	4,134	108
KHD Humboldt Wedag Vermögensverwaltung-AG, Cologne, Germany	<i>indirect</i>	91.26	€ thousand	5,541	242
Humboldt Wedag Inc., Norcross, USA	<i>indirect</i>	100.00	€ thousand	-2,327	-1,770
Humboldt Wedag India Private Ltd., New Delhi, India *	<i>indirect</i>	100.00	€ thousand	43,127	1,884
KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, People's Republic of China	<i>direct</i>	100.00	€ thousand	1,222	354
KHD Humboldt Engineering OOO, Moscow, Russia	<i>indirect</i>	100.00	€ thousand	416	204
Humboldt Wedag Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	<i>indirect</i>	100.00	€ thousand	51	0
Humboldt Wedag Do Brasil Servicos Technicos Ltda, Belo Horizonte, Brazil	<i>indirect</i>	100.00	€ thousand	-46	0

* Financial statements as of March 31, 2021

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

Spot exchange rate as of December 31, 2021

1 Euro corresponds to:

INR	84.4200
USD	1.1372
RUB	85.3582
CNY	7.2499
MYR	4.7410
BRL	6.3375

4.4 Members of the Supervisory Board and Management Board

Personnel Changes in the Supervisory Board

In correspondence dated March 31, 2021, Supervisory Board members Mr. Shaohua Jin and Ms. Yiqiong Zhang, resigned from the Supervisory Board, effective upon the conclusion of the Annual General Meeting on May 20, 2021.

At the Annual General Meeting on May 20, the following members were elected to the Supervisory Board:

- Mr. Jiayan Gong, Chair of the Board of Directors, AVIC International Beijing Co. Ltd., resident of Beijing, People's Republic of China
- Mr. Xiaodong Wu, Chief Financial Officer of AVIC International Beijing Company Limited, resident of Beijing, People's Republic of China
- Mr. Jingnan Yang, Executive Vice President of AVIC International Beijing Company Limited, resident of Beijing, People's Republic of China

In a resolution of the Annual General Meeting on May 20, 2021, Section 10 Paragraph 1 of the articles of association was modified to increase the amount of Supervisory Board members from three to four. The election of Mr. Yang as a member of the Supervisory Board became effective when the amendment to the articles of association was entered into the commercial register on June 22, 2021.

Members of the Supervisory Board

Jiayan Gong

Chairman of the Supervisory Board (Member of the Supervisory Board since May 20, 2021)

President of the Board of Directors of AVIC International Beijing Co. Limited

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

Xiaodong Wu

(Member of the Supervisory Board since May 20, 2021)

Chief Financial Officer of AVIC International Beijing Co. Limited

Jingnan Yang

(Member of the Supervisory Board since June 22, 2021)

Vice President of AVIC International Beijing Co. Limited

Shaohua Jin

(Member and Chairman of the Supervisory Board until May 20, 2021)

Retired

Yiqiong Zhang

(Member of the Supervisory Board until May 20, 2021)

Retired

Members of the Management Board

Jianlong Shen, Engineer

Chair of the Management Board of KHD AG

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

Chief Financial Officer of KHD AG

- 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, Doctorate in Engineering

Chief Executive Officer of KHD AG

- Deputy Chair of the Supervisory Board of KHD Humboldt Wedag Vermögensverwaltungs-AG

Tao Xing, Engineer

Executive Vice President of KHD AG

- 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 AG

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 AG Management Board in the 2021 financial year pursuant to Section 285 Number 9a of the German Commercial Code (HGB) in the amount of € 1,147 thousand (previous year: € 881 thousand) was reported as an expense. Total compensation for work performed in the financial year amounted to € 1,147 thousand (previous year: € 866 thousand) was reported as an expense. Compensation paid in the financial year, but which has never previously been reported in the annual financial statement totaled € 0 thousand (previous year: € 15 thousand).

Total compensation for work performed by members of the Supervisory Board in the 2021 financial year amounted to € 180 thousand (previous year: € 163 thousand) was reported as an expense.

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 report is publicly available on the Company's website at <https://www.khd.com/compensation-report>.

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

Aviation Industry Corporation of China, Beijing, People's Republic of China prepares consolidated financial statements for the smallest and largest scope of the companies requiring consolidation. The consolidated financial statements 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 AG issued the declaration of compliance required pursuant to Section 161 of the German Stock Corporation Act (AktG) on February 4, 2022 and also made it – as well as statements from previous years – permanently publicly available to shareholders on the Company's website (www.khd.com/declaration-of-compliance).

4.11 Appropriation of Net Retained Profit

The annual financial statements for the 2021 financial year indicate a net loss in the amount of € 1,263 thousand and an accumulated loss of € 8,365 thousand. The Management Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 27, 2022 to carry forward the net loss for the financial year (determined in accordance with the German Commercial Code (HGB)) of KHD Humboldt Wedag International AG to the new account.

Cologne, Germany, February 28, 2022

The Management Board

Jianlong Shen
(Chairman)

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, 2021 to December 31, 2021

	Acquisition Cost			Accumulated amortization, depreciation, and write-downs				Net book value		
	Balance as of Jan. 1, 2021	Additions	Disposals	Balance as of Dec. 31, 2021	Balance as of Jan. 1, 2021	Additions	Disposals	Balance as of Dec. 31, 2021	Balance as of Dec. 31, 2021	Dec. 31, 2020
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
I. Intangible Assets										
Software	0	36	0	36	0	6	0	6	30	0
	<u>0</u>	<u>36</u>	<u>0</u>	<u>36</u>	<u>0</u>	<u>6</u>	<u>0</u>	<u>6</u>	<u>30</u>	<u>0</u>
II. Property, plant and equipment										
1. Other plants, operating and office equipment	16	5	0	21	13	3	0	16	5	3
2. Advance payments made	21	0	21	0	0	0	0	0	0	21
	<u>37</u>	<u>5</u>	<u>21</u>	<u>21</u>	<u>13</u>	<u>3</u>	<u>0</u>	<u>16</u>	<u>5</u>	<u>24</u>
III. Financial investments										
1. Shares in affiliated companies	70,410	0	0	70,410	0	0	0	0	70,410	70,410
2. Long-term loans to affiliated companies	100,000	12,000	17,000	95,000	0	0	0	0	95,000	100,000
	<u>170,410</u>	<u>12,000</u>	<u>17,000</u>	<u>165,410</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>165,410</u>	<u>170,410</u>
	<u>170,447</u>	<u>12,041</u>	<u>17,021</u>	<u>165,467</u>	<u>13</u>	<u>9</u>	<u>0</u>	<u>22</u>	<u>165,445</u>	<u>170,434</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 KHD Humboldt Wedag International AG, 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, 2022

The Management Board

Jianlong Shen
(Chairman)

Jürgen Luckas

Dr. Matthias Jochem

Tao Xing

Matthias Mersmann

7. 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 2021, and the income statement for the fiscal year from 1 January 2021 to 31 December 2021, 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 2021 to 31 December 2021. In accordance with the German legal requirements, we have not audited the company information that is provided outside of the annual report, the content of the management declaration (statement on corporate governance) pursuant to Sec. 289f HGB and the remuneration report pursuant to Sec. 162 AktG ["Aktengesetz": German Stock Corporation Act], which are published on the website stated in the group management report and are part of the group 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 2021 and of its financial performance for the fiscal year from 1 January 2021 to 31 December 2021 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 2021 to 31 December 2021. 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 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

but not the annual financial statements, not the management report disclosures whose content is audited and not our auditor's report thereon.

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

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached file "KHD_AG_JAuLB_ESEF-2021-12-31.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 work extends only 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 within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the accompanying management report for the fiscal year from 1 January 2021 to 31 December 2021 contained in the "Report on the audit of the annual financial statements and of the management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410 (10.2021)). Our responsibility in accordance therewith is further described in the "Auditor's responsibilities for the assurance work on the ESEF documents"

section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (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 rendering 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 determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

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 intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also: □

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, 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 file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering 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 20 May 2021. We were engaged by the Supervisory Board on 24 September 2021. 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).

Other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the *Bundesanzeiger* [German Federal Gazette] – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

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

Cologne, 28 February 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Zwirner
Wirtschaftsprüfer
[German Public Auditor]

Ormanns
Wirtschaftsprüfer
[German Public Auditor]

8. Report of the Supervisory Board

Dear Shareholders,

The second year of the COVID-19 pandemic was another year full of challenges for KHD Humboldt Wedag International AG, but especially the year in which past efforts to improve the economic situation demonstrably bore fruit. The KHD Group shows positive earnings before taxes again!

In the 2021 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. In doing so, the Supervisory Board was guided by the German Corporate Governance Code. It monitored and advised the Management Board on a continual basis and consulted with the Management Board in meetings and in numerous 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 Supervisory Board

At the end of the Annual General Meeting on May 20, 2021, the long-standing members of the Supervisory Board, Mr. Shaohua Jin and Ms. Yiqiong Zhang, resigned from their office as member of the Supervisory Board of KHD Humboldt Wedag International AG. The Supervisory Board owes an extraordinary debt of gratitude to the former Chairman, Mr. Jin, and to Ms. Zhang, who served as a financial expert for many years, for their work. At the Annual General Meeting on May 20, 2021, the shareholders elected Mr. Jiayan Gong, Mr. Xiaodong Wu and Mr. Jingnan Yang as new members of the Supervisory Board. The election of Mr. Yang became effective upon registration of the amendment to the Articles of Association relating to the expansion of the Supervisory Board in the commercial register on June 22, 2021. At the constituent meeting on May 25, the Supervisory Board elected Mr. Gong as Chairman and Mr. Beinhauer as Vice Chairman.

Meetings and Resolutions of the Supervisory Board

The restrictions associated with the COVID-19 pandemic did again not allow for any physical meetings in the 2021 financial year. In 2021, the Supervisory Board held five meetings via video

conference, at which it dealt extensively with all issues of fundamental importance to the KHD Group. In addition, 18 resolutions were passed by telephone/video conference or by circulation procedure. The Supervisory Board also exchanged views on individual topics in video or telephone conferences without members of the Management Board. All members of the Supervisory Board participated in the meetings by video conference and in the resolutions. The participation rate of the members of the Supervisory Board was 100% overall in the reporting year.

Individualized disclosure of Supervisory Board members' attendance at meetings

	Supervisory Board Meetings		Supervisory Board Resolutions	
	Number	Participation Rate	Anzahl	Participation Rate
Mr. Jiayan Gong (Chairman)	3/3	100%	9/9	100%
Mr. Gerhard Beinhauer (Vice Chairman)	5/5	100%	18/18	100%
Mr. Xiaodong Wu	3/3	100%	9/9	100%
Mr. Jingnan Yang	2/2	100%	8/8	100%
Mr. Shaohua Jin (former Chairman)	2/2	100%	9/9	100%
Ms. Yiqiong Zhang (former Member)	2/2	100%	9/9	100%

In its meeting on March 27, 2021, the Supervisory Board decided on the compensation system for the Management Board. The compensation system promotes the implementation of our business strategy and the sustainable, long-term development of KHD. It was presented to the Annual General Meeting on May 20, 2021 for the first-time resolution in accordance with Section 120a of the German Stock Corporation Act (AktG) and adopted with a majority of 99.64%.

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 2020. At the meeting convened to approve the financial statements on March 11, 2021, 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, 2020. 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 January, March, May, August, and November covered reports on business development, deviations of the actual business development from the budget and forecasts, the 2022 budget and the medium-term planning for 2023-26, discussions of the half-year report prior to publication, the compensation system for the Management Board, the determination of bonus targets for the Management Board as well as other Management Board matters, the discussion of the agenda 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. The Supervisory Board in the 2021 financial year once again focused on the

discussion of the strategic development of the Group, improving competitiveness and development prospects. Operational topics focused in particular on risk management in relation to major projects and the impact of the COVID-19 pandemic.

The resolutions made by circulation procedure concerned transactions requiring approval by the Supervisory Board, revisions of management service contracts for members of the Management Board, proposed resolutions for the Annual General Meeting, 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 2020.

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 2022. 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 2021 financial year, training measures were only possible to a limited extent due to the restrictions resulting

from the COVID-19 pandemic. In particular new developments were explained. The focus was on implications of the Financial Market Integrity Strengthening Act (FISG).

Separate Non-financial Group Report

The Management Board prepared the separate non-financial Group report for the 2021 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, 2021 and the consolidated financial statements as of December 31, 2021 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 2021 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 May 20, 2021. 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 8, 2022. 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 2021 financial year and of the consolidated financial statements, including the combined management report, for the 2021 financial year, as well as of the Management Board's proposal on the appropriation of net retained profit for the 2021 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, 2021, 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.

Compensation Report

The Management Board and Supervisory Board have jointly prepared the compensation report in accordance with the requirements of Section 162 of the German Stock Corporation Act (AktG). The compensation report was separately audited by the auditor in accordance with the formal audit required by law (disclosures pursuant to Section 162 (1) and (2) AktG). The compensation report together with the auditor's report is published on the Company's website.

Management Board's report on the relationships with affiliated companies

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 employees for their successful work in a challenging business environment. Equal thanks are due to the Management Board, which has led KHD with great commitment through a challenging year that ended with positive earnings before taxes.

Cologne, March 8, 2022

Jiayan Gong
(Chairman of the Supervisory Board)

Members of the Supervisory Board

Jiayan Gong

Chair of the Supervisory Board (Member of the Supervisory Board since May 20, 2021)

Chairman of the Board of Directors of AVIC International Beijing Co. Limited

Gerhard Beinhauer

Vice Chairman 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

Xiaodong Wu

(Member of the Supervisory Board since May 20, 2021)

Chief Financial Officer of AVIC International Beijing Co. Limited

Jingnan Yang

(Member of the Supervisory Board since June 22, 2021)

Vice President of AVIC International Beijing Co. Limited

Shaohua Jin

(Member and Chairman of the Supervisory Board until May 20, 2021)

Retired

Yiqiong Zhang

(Member of the Supervisory Board until May 20, 2021)

Retired