

ANNUAL REPORT

2022



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 Germany	KHD Humboldt Wedag Vermögensverwaltungs-AG, Cologne, Germany
ZAB	ZAB Zementanlagenbau GmbH Dessau, Dessau, Germany

Annual Report

KHD Humboldt Wedag International AG

for the 2022 Financial Year

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1. Combined Management Report of KHD Humboldt Wedag International AG, Cologne, and for the Group for the 2022 Financial Year

The management report and Group management report of KHD Humboldt Wedag International AG, Cologne, 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 2022 financial year.

The annual report of KHD Humboldt Wedag International AG can be found on the website of KHD Humboldt Wedag International AG (<https://www.khd.com/ir/news-reports/#financial-reports>).

**ANNUAL FINANCIAL STATEMENTS OF KHD HUMBOLDT WEDAG INTERNATIONAL AG,
COLOGNE**

**2. Balance Sheet of KHD Humboldt Wedag International AG, Cologne,
as of December 31, 2022**

Assets	December 31, 2022	December 31, 2021
	€ thousand	€ thousand
A. Fixed assets		
I. Intangible assets		
Software	24	30
	<u>24</u>	<u>30</u>
II. Property, plant, and equipment		
1. Other plant, operating, and office equipment	4	5
	<u>4</u>	<u>5</u>
III. Financial investments		
1. Shares in affiliated companies	70,410	70,410
2. Long-term loans to affiliated companies	85,000	95,000
	<u>155,410</u>	<u>165,410</u>
	<u>155,438</u>	<u>165,445</u>
B. Current assets		
I. Receivables and other assets		
1. Receivables due from affiliated companies	1,966	1,785
2. Other assets	2,449	2,512
	<u>4,415</u>	<u>4,297</u>
II. Bank balances	<u>1,709</u>	<u>3,809</u>
	<u>6,124</u>	<u>8,106</u>
C. Prepayments and deferred expenses	<u>84</u>	<u>180</u>
	<u>161,646</u>	<u>173,731</u>

Equity and liabilities	December 31, 2022 € thousand	December 31, 2021 € 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	-8,918	-8,365
	<u>105,585</u>	<u>106,138</u>
B. Provisions and accruals		
1. Provisions for taxes	640	431
2. Other provisions and accruals	1,766	1,576
	<u>2,406</u>	<u>2,007</u>
C. Liabilities		
1. Liabilities to banks	25,024	25,020
2. Trade payables	122	23
3. Liabilities due to affiliated companies	28,447	40,529
4. Other liabilities	62	14
of which tax liabilities		
€ 43 thousand (previous year: € 0 thousand)		
of which in the context of social security		
€ 0 thousand (previous year: € 12 thousand)		
	<u>53,655</u>	<u>65,586</u>
	<u>161,646</u>	<u>173,731</u>

3. Income Statement

of KHD Humboldt Wedag International AG, Cologne,
for the Period from January 1, 2022 to December 31, 2022

	2022 € thousand	2021 € thousand
1. Revenue	3,245	2,151
2. Other operating income	711	239
of which income from currency translation € 341 thousand (previous year: € 73 thousand)		
3. Cost of materials		
Cost of purchased services	-623	-441
4. Personnel expenses		
a) Wages and salaries	-2,319	-1,973
b) Social security expenses	-97	-72
	<u>-2,416</u>	<u>-2,045</u>
5. Amortization of intangible fixed assets and depreciation of property, plant and equipment	-19	-9
6. Other operating expenses	-3,404	-3,312
of which expenses from currency translation € 599 thousand (previous year: € 821 thousand)		
7. Interest from long-term loans in financial assets	4,708	4,869
of which from affiliated companies € 4,708 thousand (previous year: € 4,869 thousand)		
8. Other interest and similar income	60	55
of which from affiliated companies € 60 thousand (previous year: € 55 thousand)		
9. Interest and similar expenses	-2,676	-2,855
of which to affiliated companies € 1,786 thousand (previous year: € 2,172 thousand)		
10. Income taxes	<u>-139</u>	<u>85</u>
11. Earnings after tax	<u>-553</u>	<u>-1,263</u>
12. Net loss for the year	-553	-1,263
13. Loss carried forward from previous year	<u>-8,365</u>	<u>-7,102</u>
14. Accumulated loss	<u><u>-8,918</u></u>	<u><u>-8,365</u></u>

4. Notes to the Consolidated Financial Statements of KHD Humboldt Wedag International AG, Cologne, for the 2022 Financial Year

4.1 General Remarks

Management Report Summary:

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 2022 annual report of the KHD Group. The annual financial statements and the management report of KHD AG summarized together with the Group management report for the 2022 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 2022 financial year are also available online at <https://www.khd.com/ir/news-reports/#financial-reports>.

Accounting

KHD AG is registered at the District Court Cologne under the Commercial Register number HRB 36688. The company maintains its head office at Von-der-Wettern-Straße 4a in Cologne, Germany. The annual financial statements of KHD AG for the 2022 financial year have been prepared in accordance with the German Commercial Code (HGB) as applicable for large corporations and those 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 "of which" information in the balance sheet and the income statement is listed in the notes in the appendix.

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 based on the assumption that business activities will continue.

Fixed Assets

Purchased intangible assets (software) are amortized based on acquisition cost less scheduled amortization, 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 respective useful life (between three and ten years). In case of probable permanent impairment, acquisition costs are amortized at the lower fair value. Movable assets with a net cost of acquisition that does not exceed € 250 are written off completely in the year of acquisition and are notionally removed from the fixed assets register in the year of acquisition. Movable assets with a net cost of acquisition of between

€ 250 and € 1,000 are entered as a collective item in the manner described in Section 6, Paragraph 2a of the German Income Tax Act (EStG) and depreciated straight-line over a period of five years.

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

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

Current Assets

Receivables and other assets are recognized at the lower of nominal value or fair value. Bank balances are reported at a nominal value.

Prepayments and Deferred Expenses

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

Deferred Taxes

In the balance sheet, deferred tax liabilities are used for the resulting tax expenses from differences between the carrying amounts of assets, debts, prepayments and deferred expenses recognized by commercial law and their respective tax valuations, which will likely decrease in later financial years. We do not exercise the right to use the overall tax benefit generated by such differences and by tax loss carry-forwards as deferred tax assets 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 is equivalent to the amount according to the articles of association and the entry in the commercial register and is recorded at nominal value.

Provisions for Taxes

Advance payments are taken into consideration when establishing provisions for taxes in the amount of the expected subsequent payments.

Other Provisions and Accruals

All identifiable risks and measurable uncertainties as well as contingent losses from pending transactions on the date of the balance sheet are covered by setting up commercially appropriate provisions and accruals.

Liabilities

Liabilities are carried 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 € -170 thousand on the balance sheet date (previous year: € -62 thousand). As pending transactions, derivative financial instruments are not recognized in the balance sheet. They are recognized only if the measurement of the respective financial instrument as of the reporting date is expected to result in a contingent loss.

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

4.3 Explanations Regarding 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, 2022, which is attached as an appendix to the notes to the financial statements.

As in the previous year, the financial assets include the shares in KHD Humboldt Wedag GmbH ("KHD GmbH") in the amount of € 70,410 thousand (previous year: € 70,410 thousand).

On August 14, 2020, KHD AG and AVIC International Engineering Holdings Pte. Ltd., Singapore ("AVIC Engineering"), concluded a share purchase agreement (SPA) and a trust agreement involving 51% of the shares in KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd. ("KHD Beijing"), Beijing, China. These agreements 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 with regard to this 51% shareholding of KHD Beijing between KHD AG (Trustor) and AVIC Engineering (Trustee). Accordingly, KHD AG continues to retain economic ownership.

The long-term loans to affiliated companies include two loans in the amounts of € 50 million and € 35 million to AVIC International Kairong Limited ("AVIC Kairong"), Hong Kong as the borrower. The first loan (€ 35 million, previous year: € 45 million) is due and payable in July 2023 and the second loan (€ 50 million, previous year: € 50 million) is due and payable in November 2023. The loans are secured by a corporate guarantee from AVIC and both have an interest rate of 5% p.a.

2. Receivables and Other Assets

Receivables due from affiliated companies total € 1,966 thousand, which is higher than the previous year (€ 1,785 thousand).

The receivables due from affiliated companies as of December 31, 2022 include, in addition to the loan granted to KHD GmbH in the amount of € 1,126 thousand (previous year: € 800 thousand), trade receivables in the amount of € 592 thousand (previous year: € 581 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, which amount in total to € 248 thousand (previous year: € 403 thousand).

Other assets total € 2,449 thousand. These include claims for reimbursement of VAT from affiliated companies in the amount of € 1,120 thousand (previous year: € 1,440 thousand). Based on the existing VAT consolidation scheme, the subsidiaries Humboldt Wedag GmbH ("HWG") and ZAB Zementanlagenbau GmbH Dessau ("ZAB") have claims to reimbursement for a total of € 1,093 thousand (previous year: € 1,382 thousand). For this reason, the same amount is reported under liabilities due to affiliated companies. In addition, advance payments for trade tax and corporate income tax are included in the amount of € 1,321 thousand (previous year: € 1,050 thousand).

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

3. Bank Balances

The reduction in bank balances by € 2,100 thousand to € 1,709 thousand (previous year: € 3,809 thousand) principally resulted from the repayment of the loans to HW Inc. and ZAB.

4. Prepayments and Deferred Expenses

The prepayment and deferred expense assets of € 84 thousand (previous year: € 180 thousand) are considerably lower than in the previous year. It mainly relates to expenses for guarantees granted that will only result in expenses in the future.

5. Equity

The Company's share capital amounts to € 49,703,573 (previous year: € 49,703,573) and is divided into 49,703,573 no-par-value bearer shares.

Changes in Equity in the 2022 Financial Year

€ thousand	Subscribed capital	Capital reserves	Legal reserve	Other revenue reserves	Accumulated loss	Total
Status as of Dec. 31, 2021	49,704	61,493	1,538	1,768	-8,365	106,138
Net loss for 2022	0	0	0	0	-553	-553
Status as of Dec. 31, 2022	49,704	61,493	1,538	1,768	-8,918	105,585

The accumulated loss reported as of December 31, 2021 was carried forward to new account. An accumulated loss of € 8,918 thousand as of December 31, 2022 is the result of the net loss for the 2022 financial year of € 553 thousand.

6. Provisions and Accruals

	December 31, 2022 € thousand	December 31, 2021 € thousand	Change € thousand
Provisions for taxes	640	431	209
Other provisions and accruals	1,766	1,576	190
	2,406	2,007	399

The provisions for taxes take the expected tax expenses for 2019 through 2022 into account.

Other provisions and accruals include mainly provisions for personnel-related costs (€ 956 thousand, previous year € 656 thousand), for the preparation and audit of annual financial statements (€ 325 thousand, previous year: € 153 thousand), for contingent losses from foreign exchange forward contracts (€ 83 thousand; previous year: € 62 thousand) and for outstanding invoices (€ 402 thousand, previous year: € 653 thousand).

7. Liabilities

A loan for € 25 million was granted to KHD AG from the Bank of China Limited, Frankfurt branch effective November 12, 2021. The term of the loan originally expired on October 10, 2022, but on October 28, 2022 the term was extended by two years to October 10, 2024. The loan has a variable interest rate based on EURIBOR plus a fixed premium.

The liabilities due to affiliated companies amount to € 28,447 thousand (previous year: € 40,529) and mainly result from loans extended by Group companies amounting to a total of € 26,200 thousand (previous year: € 38,350 thousand) and the related interest incurred in the total amount of € 467 thousand (previous year: € 461 thousand). The subsidiaries received the same interest rate (5.0% p.a.) that KHD AG obtained from its loan to AVIC Kairong. Moreover, liabilities due to affiliated companies also include liabilities due to HWG and ZAB based on the existing VAT consolidation scheme totaling € 1,093 thousand (previous year: € 1,382 thousand) as well as liabilities from the exchange of services (€ 688 thousand; previous year: € 797 thousand).

As of December 31, 2022, liabilities in the amount of € 28,655 thousand have a residual term of up to one year and liabilities in the amount of € 25,000 thousand a term from one to five years.

8. Deferred Tax Liabilities

In the reporting year there were no 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 (previous year: € 0 thousand). The tax rate for calculating deferred taxes is 32.45%.

9. Contingent Liabilities

KHD AG has issued a subsidiary with a letter of comfort and provided Group guarantees and securities to affiliated companies in the amount of € 18 million (previous year: € 53.7 million). Thereof contingent liabilities arising from sureties as well as bill and check guarantees amount to € 0.3 million (previous year: € 0.3 million), and contingent liabilities arising from warranty guarantees amount to € 17.7 million (previous year: € 53.4 million).

Furthermore, as of December 31, 2022, € 63.1 million (previous year: € 55.8 million) 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. Thereof contingent liabilities arising from sureties as well as bill and check guarantees amount to € 2.8 million (previous year: € 1.9 million), and contingent liabilities arising from warranty guarantees amounted to € 60.3 million (previous year: € 53.9 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 of the KHD Group it is normal for the parent company to provide guarantees for the contracts of the subsidiaries.

DEUTZ AG, Cologne, Germany, has provided a deed of release of € 43 thousand (previous year: € 51 thousand) to cover subsidiary liability of KHD AG due to Unterstützungsgesellschaft mbH of Maschinenfabrik Fahr AG. HypoVereinsbank AG, Munich, Germany, a company of the UniCredit Group, has provided a letter of comfort that secures fulfillment by DEUTZ AG.

10. Other Financial Obligations

Other financial obligations amounting to € 271 thousand (previous year: € 301 thousand) relate to obligations arising from consulting contracts (€ 264 thousand; previous year: € 294 thousand) and leasing contracts (€ 7 thousand; previous year: € 7 thousand) with a remaining term of up to two 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 € 2,697 thousand (previous year: € 1,728 thousand) and financial services pursuant to the bond arrangement agreement in the amount of € 467 thousand (previous year: € 422 thousand).

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

Revenue based on region	2022 € thousand	2021 € thousand	Change € thousand
India	1,602	758	844
Germany	825	398	427
USA	716	967	-251
China	102	28	74
	<u>3,245</u>	<u>2,151</u>	<u>1,094</u>

12. Other Operating Income

Other operating income in the amount of € 711 thousand was significantly above the previous year's level (€ 239 thousand). A critical factor here was income from charges to affiliated companies in the amount of € 333 thousand, which was not present in the previous year. Additional income includes exchange rate forward contracts and exchange rate gains of € 340 thousand (previous year: € 239 thousand). Prior period income totaled € 38 thousand in the financial year (previous year: € 0 thousand).

13. Cost of Purchased Services

KHD AG reports expenses for purchased services in the amount of € 623 thousand (previous year: € 441 thousand). These expenses include third-party services relating to intragroup revenue.

14. Personnel Expenses

Personnel expenses in the amount of € 2,416 thousand (previous year: € 2,045 thousand) includes the compensation of the members of the Management Board as well as the Company's employees. The Company employed six salaried staff members as of the balance sheet date on December 31, 2022 (previous year: six).

15. Amortization

Amortization in the 2022 financial year includes amortization of intangible fixed assets and depreciation of property, plant and equipment in the amount of € 19 thousand (previous year: € 9 thousand).

16. Other Operating Expenses

Other operating expenses comprise the following:

	2022 € thousand	2021 € thousand	Change € thousand
Group charges	1,282	1,374	-92
Exchange rate losses	599	821	-222
Audit fees / tax advisory costs	371	283	88
Other consulting	308	216	92
Supervisory Board compensation	180	180	0
Legal consulting costs	99	101	-2
Costs related to the stock exchange listing	80	75	5
Other	485	262	223
	<u>3,404</u>	<u>3,312</u>	<u>92</u>

The other operating expenses included a considerable decrease in the effects of exchange rates and the valuation of foreign exchange forward contracts. The reduction in Group charges of € 92 thousand is primarily due to the decrease in services billed by HWG based on the service and cost allocation agreement.

17. Net Finance Income

	2022 € thousand	2021 € thousand	Change € thousand
Interest from long-term loans in financial assets	4,708	4,869	-161
Other interest and similar income	60	55	5
Interest and similar expenses	-2,676	-2,855	-179
	<u>2,092</u>	<u>2,069</u>	<u>-335</u>

The income from long-term loans in financial assets includes interest income in the amount of € 4,708 thousand (previous year: € 4,869 thousand) from two loan contracts concluded with AVIC International Kairong Limited, Hong Kong. Since July 23/ November 14, 2020, respectively, the interest rate is the same for both loans at 5.0% p.a. The KHD AG is entitled to call one of the loans for repayment at any time prior to its maturity by giving 30 days' notice.

Interest and similar expenses include interest expenses in the amount of € 902 thousand (previous year: €935 thousand) for the loans granted by ZAB. HWG was credited for interest in the amount of € 475 thousand (previous year: € 858 thousand). This also includes interest expenses totaling € 265 thousand (previous year: € 263 thousand) for the loan granted by KHD VV. HW Inc. was credited with interest of € 144 thousand (previous year: € 115 thousand) for drawdowns during the year from a credit line agreed with HW Inc. The subsidiaries received the same interest rate (5.0% p.a.) that KHD AG obtained from its loan to AVIC Kairong. The interest expenses from a bank loan of € 557 thousand (previous year: € 402 thousand) as well as bank guarantee fees in the amount of € 334 thousand (previous year: € 281 thousand) are also reported under interest and similar expenses.

18. Income taxes

Income taxes of € 139 thousand were reported in the 2022 financial year, while in the previous year, income from income tax refunds in the amount of € 85 thousand was reported.

19. Other Information

Employees

The Company employed six salaried staff members on average during the year (previous year: five). The Company does not have any industrial employees.

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, 2022. The maturity dates occur between November 2023 and December 2023. The payment conditions specified in the respective derivative contract stipulate the settlement of the underlying transaction in cash at a specified time. The amount of the cash inflow or outflow fluctuates 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	51,452	-1,010
Humboldt Wedag GmbH, Cologne	<i>indirect</i>	100.00	€ thousand	-16,067	-2,778
ZAB Zementanlagenbau GmbH Dessau, Dessau	<i>indirect</i>	100.00	€ thousand	16,488	-884
Blake International Ltd., Road Town, British Virgin Islands	<i>indirect</i>	100.00	€ thousand	4,511	107
KHD Humboldt Wedag Industrial Services AG, Cologne	<i>indirect</i>	91.26	€ thousand	5,429	33
Humboldt Wedag Inc., Norcross, USA	<i>indirect</i>	100.00	€ thousand	-4,177	-1,724
Humboldt Wedag India Private Ltd., New Delhi, India*	<i>indirect</i>	100.00	€ thousand	45,058	3,838
KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, People's Republic of China	<i>direct</i>	100.00	€ thousand	818	-492
KHD Humboldt Engineering OOO, Moscow, Russia	<i>indirect</i>	100.00	€ thousand	408	-307
Humboldt Wedag Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	<i>indirect</i>	100.00	€ thousand	6	58
Humboldt Wedag Do Brasil Servicos Technicos Ltda., Belo Horizonte, Brazil	<i>indirect</i>	100.00	€ thousand	-46	0

* Annual Financial Statements as of March 31, 2022

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, 2022

1 euro corresponds to:

INR	88.3259
USD	1.0674
RUB	77.9165
CNY	7.4224
MYR	4.7022
BRL	5.6425

4.4 Members of the Supervisory Board and Management Board

Members of the Supervisory Board

Jiayan Gong

Chair of the Supervisory Board

Chair 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

Chief Financial Officer of AVIC International Beijing Co. Limited

Jingnan Yang

President of AVIC International Beijing Co. Limited

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

- Chair 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 Operating 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

- Chair of the Board of Directors of Humboldt Wedag, Inc., Norcross, USA
- Chair 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

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

Total compensation according to Section 285, Number 9a of the German Commercial Code (HGB) for members of the Management Board of KHD AG amounted to € 1,261 thousand in the 2022 financial year (previous year: € 1,147 thousand). For work performed in the financial year, total compensation in the amount of € 1,261 thousand (previous year: € 1,147 thousand) were reported as an expense. Compensation paid out in the financial year under review, but not reported previously in any annual financial statements totaled € 0 (previous year: € 0).

The total compensation of € 180 thousand paid out to members of the Supervisory Board for their work in the 2022 financial year (previous year: € 180 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/ir/news-reports/#compensation-reports>.

4.6 Report on Events after the Reporting Period

The bank guarantee credit facility concluded with the Deutsche Bank AG in the 2022 financial year was increased by € 15 million from € 55 to € 70 million, effective February 2023. No other 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 in line with Section 33 WpHG (German Securities Trading Act) received by the Management Board, there are the following investments as defined by Section 160 Paragraph 1 Number 8 AktG (German Stock Corporation Act) in KHD Humboldt Wedag International AG, Von-der-Wettern-Str.4a, 51149 Cologne, Germany:

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 6, 2023 and also made it – as well as statements from previous years – permanently publicly available to shareholders on the Company's website <https://www.khd.com/ir/corporate-governance/#declaration-of-compliance>).

4.11 Appropriation of the Accumulated Loss

The annual financial statements for the 2022 financial year indicate a net loss for the year of € 553 thousand and an accumulated loss of € 8,918 thousand. The Management Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 12, 2023, to carry forward the net loss for the year (determined in accordance with the German Commercial Code – HGB) of KHD Humboldt Wedag International AG to the new account.

Cologne, March 6, 2023

The Management Board

Jianlong Shen
(Chair)

Jürgen Luckas

Dr. Matthias Jochem

Tao Xing

Matthias Mersmann

Appendix to the Notes

	Acquisition Cost			Accumulated amortization, depreciation, and write-downs				Net book value	
	Balance as of Jan. 1, 2022 € thousand	Additions € thousand	Disposals € thousand	Balance as of Dec. 31, 2022 € thousand	Balance as of Jan. 1, 2022 € thousand	Additions € thousand	Disposals € thousand	Balance as of Dec. 31, 2022 € thousand	Balance as of Dec. 31, 2021 € thousand
I. Intangible Assets									
Software	36	9	0	46	6	16	0	23	30
	36	9	0	46	6	16	0	23	30
II. Property, plant and equipment									
Plant, operating and office equipment	21	1	0	23	16	3	0	18	5
	21	1	0	23	16	3	0	18	5
III. Financial investments									
1. Shares in affiliated companies	70,410	0	0	70,410	0	0	0	0	70,410
2. Long-term loans to affiliated companies	95,000	0	10,000	85,000	0	0	0	0	85,000
	165,410	0	10,000	155,410	0	0	0	0	155,410
	165,467	10	10,000	155,479	22	19	0	41	155,438
									165,445

5. 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, March 6, 2023

The Management Board

Jianlong Shen
(Chair)

Jürgen Luckas

Dr. Matthias Jochem

Tao Xing

Matthias Mersmann

6. Independent Auditor's Report

Reproduction of the auditor's report

We issued the following auditor's report on the annual financial statements, the management report, which was combined with the group management report, and the ESEF documents:

"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 2022, and the income statement for the fiscal year from 1 January 2022 to 31 December 2022, 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 2022 to 31 December 2022. We do not express an opinion on the corporate governance statement pursuant to Sec. 289f HGB, which is published on the website stated in the management report, or on the remuneration report pursuant to Sec. 162 AktG ["Aktiengesetz": German Stock Corporation Act], both of which are 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 2022 and of its financial performance for the fiscal year from 1 January 2022 to 31 December 2022 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. We do not express an opinion on the corporate governance statement referred to above or the remuneration report referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, 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 2022 to 31 December 2022. 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 matters:

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 complies 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 reformed 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. 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 corporate governance statement. In all other respects, the executive directors are responsible for the other information. The other information comprises the corporate governance statement referred to above. The other information also comprises additional parts to be included in the annual report, of which we obtained a copy prior to issuing this auditor's report, in particular:

- the responsibility statement pursuant to 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.

In addition, the other information comprises 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 the risk of not detecting a material misstatement 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 file [2022_KHD_AG_Jahresabschluss-Lagebericht.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 2022 to 31 December 2022 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 (06.2022)). 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 27 May 2022. We were engaged by the Supervisory Board on 6 September 2022. 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).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the annual financial statements or in the management report:

- Audit of the remuneration 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 *Unternehmensregister* [German Company Register] – 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, 13 March 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Zwirner
Wirtschaftsprüfer
[German Public Auditor]

Ormanns
Wirtschaftsprüfer
[German Public Auditor]

7. Report of the Supervisory Board

Dear Shareholders,

The 2022 financial year of KHD Humboldt Wedag International AG was a year full of (unplanned) challenges. The start of the war in Ukraine on February 24, 2022 is not only to be seen as a turning point in geopolitical terms, its indirect effects – not least in the form of impairment of goodwill for our Russian subsidiary – unfortunately also left deep marks on the financial statements of KHD Group. Massive disruptions in the supply chain, a significant increase in procurement costs, and the very sharp rise in inflation can also be seen in connection with the war in Ukraine.

Especially in times of crisis, it becomes clear how important the efforts of the past were and still are in terms of improving the economic situation. In a difficult environment, the KHD Group once again achieved positive earnings before taxes (EBT) and, for the first time since the 2013 financial year, a Group net income!

In the 2022 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.

Meetings and Resolutions of the Supervisory Board

The restrictions on the granting of visas to Chinese members of the Supervisory Board, combined with the restrictions on travel to and from China, did again not allow for meetings in person in the 2022 financial year. In 2022, the Supervisory Board therefore convened for the four meetings by video conference. It dealt extensively with all issues of fundamental importance to the KHD Group. In addition, 14 resolutions were passed by telephone/video conference. 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)	4/4	100%	14/14	100%
Mr. Gerhard Beinhauer (Vice Chairman)	4/4	100%	14/14	100%
Mr. Xiaodong Wu	4/4	100%	14/14	100%
Mr. Jingnan Yang	4/4	100%	14/14	100%

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 2021. At the meeting convened to approve the financial statements on March 8, 2022, 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, 2021 and approved the financial statements. 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 2023 budget and the medium-term planning for 2024-27, discussions of the half-year report prior to publication, setting bonus targets for the Management Board, assessing the performance of the Management Board members and 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. Particular focal points in the 2022 financial year were the research and development program and KHD's strategy relating to major tenders.

The resolutions passed by telephone/video conference concerned transactions requiring approval by the Supervisory Board, determination of the bonus for Management Board members, 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 2021.

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 2023. This was published on February 6, 2023 and made permanently available to shareholders on the Company's website at www.khd.com/ir/corporate-governance/#declaration-of-compliance. 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 April 28, 2022), 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 2022 financial year, new developments were explained in particular. The focus was on implications of the amended German Corporate Governance Code and the Corporate Sustainability Directive (CSRD).

Separate Non-financial Group Report

The Management Board prepared the separate non-financial Group report for the 2022 financial year in accordance with Section 315b Paragraph 3 of the German Commercial Code (HGB). Before its publication, the Supervisory Board audited 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, 2022 and the consolidated financial statements as of December 31, 2022 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 2022 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 27, 2022. 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 documents relating to the financial statements were already discussed in detail in the Supervisory Board meeting on March 8, 2023. The documents relating to the financial statements and the audit reports were subject to extensive deliberations in the Supervisory Board meeting convened to approve the financial statements on March 15, 2023. Both the meeting on March 8, 2023 and the Supervisory Board's meeting to approve the financial statements on March 15, 2023 were attended by the auditor and the Management Board. The auditors reported on the scope, the focus, and the main findings of the audit, addressing in particular the key audit matters. During the Supervisory Board meeting, the auditors were available to provide further information and answer questions.

The Supervisory Board conducted its own examination of the annual financial statements for the 2022 financial year and of the consolidated financial statements, including the combined management report, for the 2022 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, 2022, as prepared by the Management Board. The annual financial statements of KHD Humboldt Wedag International AG are therefore adopted.

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 (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 year full of challenges, which could be concluded with a Group net income.

Cologne, March 15, 2023

Jiayan Gong
(Chairman of the Supervisory Board)

Members of the Supervisory Board

Jiayan Gong

Chair of the Supervisory Board

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

Chief Financial Officer of AVIC International Beijing Co. Limited

Jingnan Yang

President of AVIC International Beijing Co. Limited

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