

# Annual Report

**2023**



## List of Abbreviations

AVIC	AVIC International Holding Corporation, Beijing, People's Republic of China
AVIC Beijing	AVIC International Beijing Company Limited, Beijing, People's Republic of 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., Peachtree Corners / 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 VV	KHD Humboldt Wedag Vermögensverwaltungs-AG, Cologne, Germany
ZAB	ZAB Zementanlagenbau GmbH Dessau, Dessau-Roßlau, Germany

**Annual Report of  
KHD Humboldt Wedag International AG, Cologne,  
for the 2023 Financial Year**

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**1. Combined Management Report of KHD Humboldt Wedag International AG, Cologne,  
and for the Group for the 2023 Financial Year**

The management report and the Group management report of KHD Humboldt Wedag International AG (“KHD AG”), Cologne, are combined in accordance with Section 315, Paragraph 5 of the German Commercial Code (HGB) together with Section 298, Paragraph 2 of the HGB and published in the annual report of KHD AG for the 2023 financial year.

The annual report of KHD AG can be accessed on the Company’s website at (<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, 2023**

<b>Assets</b>	Dec. 31, 2023 € thousand	Dec. 31, 2022 € thousand
<b>A. Fixed assets</b>		
<b>I. Intangible assets</b>		
Software	8	24
	<u>8</u>	<u>24</u>
<b>II. Property, plant, and equipment</b>		
Plant, operating and office equipment	5	4
	<u>5</u>	<u>4</u>
<b>III. Financial investments</b>		
1. Shares in affiliated companies	70,410	70,410
2. Loans to affiliated companies classified as financial assets	60,000	85,000
	<u>130,410</u>	<u>155,410</u>
	<u>130,423</u>	<u>155,438</u>
<b>B. Current assets</b>		
<b>I. Receivables and other assets</b>		
1. Receivables due from affiliated companies	1,674	1,966
2. Other assets	1,251	2,449
	<u>2,925</u>	<u>4,415</u>
<b>II. Bank balances</b>	1,031	1,709
	<u>3,956</u>	<u>6,124</u>
<b>C. Prepayments and deferred expenses</b>	224	84
	<u>134,603</u>	<u>161,646</u>

<b>Equity and liabilities</b>	Dec. 31, 2023 € thousand	Dec. 31, 2022 € thousand
<b>A. Equity</b>		
<b>I. Subscribed capital</b>	49,704	49,704
<b>II. Capital reserves</b>	61,493	61,493
<b>III. Revenue reserves</b>		
1. Legal reserve	1,538	1,538
2. Other revenue reserves	1,768	1,768
	<u>3,306</u>	<u>3,306</u>
<b>IV. Accumulated loss</b>	-8,909	-8,918
	<u>105,594</u>	<u>105,585</u>
<b>B. Provisions and accruals</b>		
1. Accruals for taxes	445	640
2. Other provisions and accruals	1,595	1,766
	<u>2,040</u>	<u>2,406</u>
<b>C. Liabilities</b>		
1. Liabilities to banks	0	25,024
2. Trade payables	75	122
3. Liabilities due to affiliated companies	26,820	28,447
4. Other liabilities	74	62
of which tax liabilities		
€ 56 thousand (previous year: € 43thousand)		
	<u>26,969</u>	<u>53,655</u>
	<u>134,603</u>	<u>161,646</u>

**3. Income Statement of  
KHD Humboldt Wedag International AG, Cologne,  
for the Period from January 1, 2023 to December 31, 2023**

	2023 € thousand	2022 € thousand
1. Revenue	3,459	3,245
2. Other operating income of which income from currency translation € 445 thousand (previous year: € 341 thousand)	825	711
3. Cost of materials Cost of purchased services	-616	-623
4. Personnel expenses		
a) Wages and salaries	-2,231	-2,319
b) Social security expenses	-108	-97
	<u>-2,339</u>	<u>-2,416</u>
5. Amortization and depreciation of non-current assets and property, plant and equipment	-18	-19
6. Other operating expenses of which expenses from currency translation € 432 thousand (previous year: € 599 thousand)	-2,789	-3,404
7. Interest from loans classified as financial assets of which from affiliated companies € 3,611 thousand (previous year: € 4,708 thousand)	3,611	4,708
8. Other interest and similar income of which from affiliated companies € 59 thousand (previous year: € 60 thousand)	70	60
9. Interest and similar expenses of which to affiliated companies € 1,318 thousand (previous year: € 1,786 thousand)	-2,064	-2,676
10. Income taxes	<u>-130</u>	<u>-139</u>
11. Earnings after tax	<u>9</u>	<u>-553</u>
12. Net profit / loss for the year	9	-553
13. Loss carried forward from previous year	<u>-8,918</u>	<u>-8,365</u>
14. Accumulated loss	<u><u>-8,909</u></u>	<u><u>-8,918</u></u>

## **4. Notes to the Consolidated Financial Statements of KHD Humboldt Wedag International AG, Cologne, for the 2023 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 2023 annual report of the KHD Group. The annual financial statements and the management report of KHD AG combined with the KHD Group management report for the 2023 financial year are submitted to the Company Register. The annual report of KHD AG and the KHD Group annual report for the 2023 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 of 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 2023 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 as defined by Section 267, Paragraph 3 and Section 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 going concern assumption.

#### **Fixed Assets**

Purchased intangible assets (software) are amortized based on acquisition cost less scheduled amortization, amortized according to the straight-line method based on the average useful life. The option to capitalize 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 (from three to 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 depreciated 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 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 classified as financial assets are recognized at cost. In case of probable permanent impairment, acquisition costs are written down to the lower fair value. If impairment is not expected to be permanent, no write-downs are recognized pursuant to Section 253, Paragraph 3, Sentence 4 of the German Commercial Code (HGB). The carrying amounts of investment are tested annually for impairment.

The assessment of the recoverability of shares in affiliated companies and investments recognized in the balance sheet is based on a five-year medium-term planning. The underlying plans are 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 measurement 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 capitalized earnings value 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**

Payments made before the balance sheet date are recognized as prepaid expenses as long as they represent expenses for a specific period after this date.

#### **Deferred Taxes**

In the balance sheet, deferred tax liabilities are used for the resulting tax expenses due to 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 resulting tax expenses are measured using the applicable 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.

#### **Accruals for Taxes**

Advance payments are taken into consideration when establishing accruals 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. 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. As of December 31, 2023, the Company did not hold any derivatives; in the previous year, a provision for contingent losses of € 170 thousand was established due to the fair value of the derivative financial instruments.

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, financial instruments were reported 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, 2023, 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, People’s Republic of 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 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, KHD AG retains economic ownership.

The loans to affiliated companies classified as financial assets include two loans in the amounts of € 50 million and € 10 million to AVIC International Kairong Limited (“AVIC Kairong”), Hong Kong, as the borrower. The first loan (€ 10 million, previous year: € 35 million) is due and payable in July 2024 and the second loan (€ 50 million, previous year: € 50 million) is due and payable in November 2024. The loans are secured by a corporate guarantee from AVIC and both have an interest rate of 5% p. a. The Company intends to extend the terms of these loans beyond the 2024 financial year.

## **2. Receivables and other assets**

Receivables due from affiliated companies amount to € 1,674 thousand, following a total of € 1,966 thousand) on the balance sheet date of the previous year.

The receivables due from affiliated companies as of December 31, 2023 include, in addition to the loan granted to KHD GmbH in the amount of € 1,076 thousand (previous year: € 1,126 thousand), trade receivables in the amount of € 544 thousand (previous year: € 592 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 € 54 thousand (previous year: € 248 thousand).

Other assets total € 1,251 thousand (previous year: € 2,449 thousand). These include claims for reimbursement of VAT in the amount of € 818 thousand (previous year: € 1,120 thousand). Based on the existing VAT consolidation scheme, the subsidiaries Humboldt Wedag GmbH (“HWG”) and ZAB Zementanlagenbau GmbH Dessau (“ZAB”) are entitled to reimbursement in the amount of € 797 thousand (previous year: € 1,093 thousand). For this reason, the same amount is reported under liabilities due to affiliated companies. In addition, primarily advance payments for trade tax and corporate income tax are included.

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

## **3. Bank balances**

Bank balances in the amount of € 1,031 thousand as of the reporting date are below the value of the previous year: € 1,709 thousand. The reduction in the figure as of the reporting date was mainly due to the repayment of a loan to an affiliated company.

#### 4. Prepayments and deferred expenses

The prepayments and accrued income amount to € 224 thousand (previous year: € 84 thousand) and primarily represent assured guarantees that represent future expenses only.

#### 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 2023 Financial Year

€ thousand	Subscribed capital	Capital reserves	Legal reserve	Other revenue reserves	Accumulated loss	Total
Status as of Dec. 31, 2022	49,704	61,493	1,538	1,768	-8,918	105,585
Net profit for the year 2023	0	0	0	0	9	9
Status as of Dec. 31, 2023	49,704	61,493	1,538	1,768	-8,909	105,594

The accumulated loss reported as of December 31, 2022 was carried forward to new account. An accumulated loss of € 8,909 thousand as of December 31, 2023 is the result of the net profit of € 9 thousand for the 2023 financial year.

#### 6. Provisions and accruals

	Dec. 31, 2023	Dec. 31, 2022	Change
	€ thousand	€ thousand	€ thousand
Accruals for taxes	445	640	-195
Other provisions and accruals	1,595	1,766	-171
	<u>2,040</u>	<u>2,406</u>	<u>-366</u>

The accruals for taxes take the expected tax expenses for 2017 through 2023 into account. A tax audit for the concluded during the reporting year for the assessment periods from 2017 to 2019 resulted in extra tax expenses of € 278 thousand, which are included in the accruals for taxes.

Other provisions and accruals include mainly accruals for personnel-related expenses (€ 829 thousand; previous year € 956 thousand) and costs for the preparation and audit of annual financial statements (€ 220 thousand; previous year: € 325 thousand) and for outstanding invoices (€ 546 thousand; previous year: € 402 thousand).

## **7. Liabilities**

A loan for € 25.0 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. On October 28, 2022, the term was extended by two years to October 10, 2024. This loan carried a variable interest rate. The Company repaid the loan completely as of June 19, 2023.

The liabilities due to affiliated companies amount to € 26,820 thousand (previous year: € 28,447) and mainly result from loans extended by Group companies amounting to a total of € 25,302 thousand (previous year: € 26,200 thousand) and the related interest incurred in the total amount of € 30 thousand (previous year: € 467 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 € 797 thousand (previous year: € 1,093 thousand) as well as liabilities from the exchange of services (€ 691 thousand; previous year: € 688 thousand).

All liabilities have a residual term of up to one year as of December 31, 2023.

## **8. Deferred Tax Liabilities**

As in the previous year, in this 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. The tax rate for calculating deferred taxes is 45%. It is comprised of trade tax, corporation tax, and the solidarity surcharge.

## **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 € 12.3 million (previous year: € 18.0 million). As of the balance sheet date there were no contingent liabilities arising from sureties or draft and check guarantees (previous year: € 0.3 million).

Furthermore, as of December 31, 2023, € 72.4 million (previous year: € 63.1 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 draft and check guarantees amount to € 0.6 million (previous year: € 2.8 million), and contingent liabilities arising from warranty guarantees amounted to € 71.8 million (previous year: € 60.3 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: € 43 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 include a lease contract (€ 5 thousand; previous year: € 7 thousand) and consulting contracts. These have been concluded for unspecified periods and result in disbursements of € 444 thousand p. a. (previous year: € 264 thousand). The increase of € 180 thousand was primarily due to an amended consulting agreement.

## 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 € 2,893 thousand (previous year: € 2,697 thousand) and financial services pursuant to the bond arrangement agreement in the amount of € 431 thousand (previous year: € 467 thousand) as well as other internal services.

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

Revenue based on region	2023 € thousand	2022 € thousand	Change € thousand
India	2,005	1,602	403
USA	694	716	-22
Germany	690	825	-135
China	70	102	-32
	<u>3,459</u>	<u>3,245</u>	<u>214</u>

## 12. Other Operating Income

Other operating income in the amount of € 825 thousand was significantly above the previous year's level (€ 711 thousand). Crucial to this result were primarily exchange rate forward contracts and exchange rate gains in the amount of € 445 thousand (previous year: € 340 thousand). Income from passing on costs to affiliated companies in the amount of € 340 thousand was significantly above the previous year's level (€ 333 thousand). Prior period income totaled € 38 thousand in the financial year (previous year: € 38 thousand).

### 13. Cost of Purchased Services

KHD AG reports expenses for purchased services in the amount of € 616 thousand (previous year: € 623 thousand). These expenses include third-party services relating to intragroup revenue.

### 14. Personnel Expenses

Personnel expenses in the amount of € 2,339 thousand (previous year: € 2,416 thousand) includes the compensation of the members of the Management Board as well as the Company's employees.

### 15. Amortization

Amortization in the 2023 financial year includes amortization of intangible fixed assets and depreciation of property, plant and equipment in the amount of € 18 thousand (previous year: € 19 thousand).

### 16. Other Operating Expenses

Other operating expenses comprise the following:

	2023	2022	Change
	€ thousand	€ thousand	€ thousand
Group charges	708	1,282	-574
Audit fees / tax advisory costs	483	371	112
Exchange rate losses	432	599	-167
Insurances	425	338	87
Legal and consulting costs	305	407	-102
Supervisory Board compensation	180	180	0
Costs related to the stock exchange listing	54	80	-26
Other	202	147	55
	<u>2,789</u>	<u>3,404</u>	<u>-615</u>

The reduction in Group charges of € 574 thousand is primarily due to lower service volume invoiced by KHD GmbH based on the existing service contract. In addition, the effects of exchange rates and exchange rate forward contracts were far less significant.

## 17. Net Finance Income

	2023	2022	Change
	€ thousand	€ thousand	€ thousand
Interest from loans classified as financial assets	3,611	4,708	-1,097
Other interest and similar income	70	60	10
Interest and similar expenses	-2,064	-2,676	-612
	<u>1,617</u>	<u>2,092</u>	<u>-475</u>

The income from loans of financial assets includes interest income in the amount of € 3,611 thousand (previous year: € 4,708 thousand) from two loan contracts concluded with AVIC International Kairong Limited, Hong Kong. The interest rate for both loans is the same: 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 € 924 thousand (previous year: €902 thousand) for the loans granted by ZAB. HWG was credited for interest in the amount of € 100 thousand (previous year: € 475 thousand). This also includes interest expenses totaling € 263 thousand (previous year: € 265 thousand) for the loan granted by KHD VV. HW Inc. was credited with interest of € 31 thousand (previous year: € 144 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 € 525 thousand (previous year: € 557 thousand) as well as bank guarantee fees in the amount of € 210 thousand (previous year: € 334 thousand) are also reported under interest and similar expenses.

## 18. Income Taxes

Income tax in the amount of € 130 thousand was reported in the 2023 financial year (previous year: € 139 thousand).

## 19. Other Information

### Employees

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

### Financial Instruments

The company was not contracting any derivative financial instruments as of December 31, 2023.



## 20. Shareholdings

Company		Capital share in %	Currency	Equity	Net result for the year
<b><u>Subsidiaries</u></b>					
KHD Humboldt Wedag GmbH, Cologne	<i>direct</i>	100.00	€ thousand	39,860	-13,078
Humboldt Wedag GmbH, Cologne	<i>indirect</i>	100.00	€ thousand	-15,514	553
ZAB Zementanlagenbau GmbH Dessau, Dessau-Roßlau	<i>indirect</i>	100.00	€ thousand	18,062	1,738
Blake International Ltd., Road Town, British Virgin Islands	<i>indirect</i>	100.00	€ thousand	4,357	0
Humboldt Wedag Vermögensverwaltungs-AG, Cologne	<i>indirect</i>	91.26	€ thousand	5,520	91
Humboldt Wedag Inc., Peachtree Corners, USA	<i>indirect</i>	100.00	€ thousand	-1,899	2,093
Humboldt Wedag India Private Ltd., New Delhi, India*	<i>indirect</i>	100.00	€ thousand	47,524	4,191
KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, People's Republic of China	<i>direct</i>	100.00	€ thousand	222	-612
Humboldt Wedag Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia, <i>in liquidation</i>	<i>indirect</i>	100.00	€ thousand	6	0
Humboldt Wedag Do Brasil Servicos Technicos Ltda, Belo Horizonte, Brazil	<i>indirect</i>	100.00	€ thousand	7	0

\* Annual Financial Statements as of March 31, 2023

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

Spot exchange rate as of December 31, 2023

1 euro corresponds to:

INR	91.8935
USD	1.1052
CNY	7.8414
BRL	5.3628

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

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

###### **Jiayan Gong**

Chairman of the Supervisory Board

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

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

Deputy 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, 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

Chairman 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, People's Republic of China
- Chairman of the Board of Directors of Humboldt Wedag, Inc., Peachtree Corners / Georgia, USA
- Managing Director of Humboldt Wedag GmbH, Cologne

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

Chief Operating Officer of KHD AG

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

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

Chief Technology Officer of KHD

**Tao Xing** (until November 30, 2023), Engineer

Executive Vice President of KHD AG

- Chairman of the Board of Directors of Humboldt Wedag, Inc., Peachtree Corners / Georgia, USA (until November 30, 2023)
- Chairman of the Board of Directors of KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, China (until November 30, 2023)

### **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 € 1,312 thousand in the 2023 financial year (previous year: € 1,261 thousand). Compensation paid out in the financial year under review, but not reported previously in any annual financial statements totaled € 0 thousand (previous year: € 0 thousand).

The total compensation of € 180 thousand paid out to members of the Supervisory Board for their work in the 2023 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**

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**

KHD AG prepares consolidated financial statements for the smallest scope of consolidated companies which can be accessed in the company register. Aviation Industry Corporation of China, Beijing, People's Republic of China, prepares consolidated financial statements for the 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**

Written notifications in line with Section 33 WpHG (German Securities Trading Act) received by the Management Board indicate the following ownership interests 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 China<sup>1</sup>, Beijing, China notified us that on January 7, 2014, its voting rights had exceeded the thresholds of 50% and 75% and that its voting rights amounted to 76.47% (equivalent to 38,004,767 voting rights). The voting rights of the following companies are allocable to the People's Republic of China:

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

<sup>1</sup> The notification of January 16, 2014, pursuant to Section 23, Paragraph 1, Sentence 1, Number 3 of the German Securities Acquisition and Takeover Act (WpÜG) communicated that the voting rights share totaled 89.02% (equivalent to 44,244,113 voting rights). The Management Board was informed that Max Glory Industries Limited holds 20.00% (equivalent to 9,940,715 voting rights) and AVIC International Engineering Holdings Pte. Ltd. holds 69.02% (equivalent to 34,303,398 voting rights) pursuant to Section 21, Paragraph 1 of the German Securities Trading Act (WpHG). The voting rights not directly held are allocated to those subject to disclosure pursuant to Section 22 Paragraph 1 WpHG.

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

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

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

#### **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, 2024 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 2023 financial year indicate a net profit for the year of € 9 thousand and an accumulated loss of € 8,909 thousand. The Management Board and the Supervisory Board will propose to the Annual General Meeting to be held on May 24, 2024, to carry forward the net profit for the year (determined in accordance with the German Commercial Code – HGB) of KHD Humboldt Wedag International AG to the new account.

Cologne, March 13, 2024

The Management Board

Jianlong Shen  
(Chairman)

Jürgen Luckas

Dr. Matthias Jochem

Matthias Mersmann

## Appendix to the Notes

### Movements in Fixed Assets in the for the Period from January 1, 2023 to December 31, 2023

	Acquisition Cost			Accumulated Depreciation			Net Book Value			
	Balance as of Jan. 1, 2023	Additions	Disposals	Balance as of Dec. 31, 2023	Balance as of Jan. 1, 2023	Additions	Disposals	Balance as of Dec. 31, 2023	Balance as of Dec. 31, 2023	Balance as of Dec. 31, 2022
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
<b>I. Intangible Assets</b>										
Software	46	0	0	46	22	16	0	38	8	24
	<u>46</u>	<u>0</u>	<u>0</u>	<u>46</u>	<u>22</u>	<u>16</u>	<u>0</u>	<u>38</u>	<u>8</u>	<u>24</u>
<b>II. Property, plant and equipment</b>										
Plant, operating and office equipment	23	3	0	26	19	2	0	21	5	4
	<u>23</u>	<u>3</u>	<u>0</u>	<u>26</u>	<u>19</u>	<u>2</u>	<u>0</u>	<u>21</u>	<u>5</u>	<u>4</u>
<b>III. Financial investments</b>										
1. Shares in affiliated companies	70.410	0	0	70.410	0	0	0	0	70.410	70.410
2. Loans to affiliated companies classified as financial assets	85.000	0	25.000	60.000	0	0	0	0	60.000	85.000
	<u>155.410</u>	<u>0</u>	<u>25.000</u>	<u>130.410</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>130.410</u>	<u>155.410</u>
	<u>155.479</u>	<u>3</u>	<u>25.000</u>	<u>130.482</u>	<u>41</u>	<u>18</u>	<u>0</u>	<u>59</u>	<u>130.423</u>	<u>155.438</u>

## **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 13, 2024

The Management Board

Jianlong Shen  
(Chairman)

Jürgen Luckas

Dr. Matthias Jochem

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 2023, and the income statement for the fiscal year from 1 January 2023 to 31 December 2023, 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 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement pursuant to Sec. 289f HGB ["Handelsgesetzbuch": German Commercial Code], which is published on the website stated in the management report and is part of the management report. Furthermore, we have not audited the content of the disclosures extraneous to management reports contained in the "Corporate Governance" section of the management report. Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 289, 289a HGB or Secs. 289b to 289f HGB.

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 2023 and of its financial performance for the fiscal year from 1 January 2023 to 31 December 2023 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 "Corporate Governance" section of the management 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 2023 to 31 December 2023. 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 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 4.2 "Recognition and measurement policies."

The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration of compliance with the German Corporate Governance Code pursuant to Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act], which is part of the corporate governance statement, and for the remuneration report pursuant to Sec. 162 AktG. In all other respects, the executive directors are responsible for the other information. The other information comprises the corporate governance statement mentioned above and the disclosures extraneous to management reports contained in the "Corporate Governance" section of the management report mentioned above. In addition, the other information comprises the non-financial report, of which we obtained a copy prior to issuing this auditor's report. 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 in conjunction with Sec. 297 (2) Sentence 4 HGB
- "Key Figures at a Glance," "Facts & Figures" as well as the Foreword by the Management Board and
- the Report of the Supervisory Board.

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

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 [2023\_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 2023 to 31 December 2023 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 12 May 2023. We were engaged by the Supervisory Board on 7 September 2023. 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 Hans Jörg Galden.”

Cologne, 13 March 2024

EY GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft

Galden

Wirtschaftsprüfer

[German Public Auditor]

Ormanns

Wirtschaftsprüfer

[German Public Auditor]

## **7. Report of the Supervisory Board**

Dear Shareholders,

The 2023 financial year of KHD Humboldt Wedag International AG was a successful year full overall. Unfortunately, the geopolitical crises and uncertainties have by no means disappeared and have even escalated further in the Middle East. For the KHD Group, the geopolitical crises have had the effect of making some customers reluctant to invest.

The KHD Group is responding to the ongoing challenges with the six fields of action for strategy implementation, which the Management Board presented at the Annual General Meeting in May 2023. Especially in times of crisis, it becomes clear how important the efforts of the past were in terms of improving the economic situation and how much consistency and attention must be paid to the further implementation of our strategy.

In the 2023 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. In addition, information on sustainability issues is becoming increasingly important in discussions with the Management Board.

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.

### **Changes to the Management Board**

With effect from November 30, 2023, Mr. Tao Xing resigned from his position as Executive Vice President and member of the Management Board. The Supervisory Board is particularly indebted to Mr. Xing for the work he has done in recent years. Due to his expertise and enormous commitment, Mr. Xing made a significant contribution to our positive development, particularly in the successful execution of our major project Mitchell in the USA, in the coordinated use of our engineering resources throughout the KHD Group and in the improved utilization of the Chinese procurement market.

### Meetings and Resolutions of the Supervisory Board

In 2023, the Supervisory Board held five meetings. The meetings on March 8 and June 23 were held in person. The Supervisory Board dealt extensively with all issues of fundamental importance to the KHD Group. In addition, 15 resolutions were passed by telephone/video conference. The Supervisory Board also exchanged views on individual topics in the two face-to-face meetings and 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	Number	Participation Rate
Mr. Jiayan Gong (Chairman)	5/5	100%	15/15	100%
Mr. Gerhard Beinhauer (Vice Chairman)	5/5	100%	15/15	100%
Mr. Xiaodong Wu	5/5	100%	15/15	100%
Mr. Jingnan Yang	5/5	100%	15/15	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 2022. At the meeting on March 8, 2023, the Supervisory Board held a thorough discussion of the draft of the annual and consolidated financial statements for the 2022 financial year. At the meeting convened to approve the financial statements on March 15, 2023, the Supervisory Board held a discussion of the audited annual and audited 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 election of the independent auditors by the Annual General Meeting of shareholders.

The agendas of the Supervisory Board meetings in March (two meetings), June, August, and November covered reports on business development, deviations of the actual business development from the budget and forecasts, the 2024 budget and the medium-term planning for 2025-28, 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 2023 financial year were the progress in the six fields of action for strategy implementation, the research and development program and KHD's strategy relating to major tenders. In addition, the improvement of competitiveness and development prospects were once again discussed with the Management Board. In terms of operational issues, the focus was particularly on risk management in relation to major projects.

The resolutions passed by telephone/video conference concerned transactions requiring approval by the Supervisory Board, personnel issues relating to the members of the Management Board (including the extension of appointments and the revision of Management Board service contracts), 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 2022.

### **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 2024. This was published on February 6, 2024 and made permanently available to shareholders on the Company's website at [www.khd.com/ir/corporate-governance/#declaration-of-compliance](http://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 2023 financial year, content and duties of the Supervisory Board in relation to sustainability issues were explained in particular. The focus was on implications of the Corporate Sustainability Directive (CSRD).

### **Separate Non-financial Group Report**

The Management Board prepared the separate non-financial Group report for the 2023 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, 2023 and the consolidated financial statements as of December 31, 2023 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 2023 financial year. The annual financial statements and the consolidated financial statements, including the combined management report, were audited by EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (previously: Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft), Cologne office, who were appointed by the Annual General Meeting of shareholders on May 12, 2023. 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 financial statement documents and the audit reports were sent to all members of the Supervisory Board in good time. The documents relating to the financial statements were already discussed in detail at the Supervisory Board meeting on March 8, 2024. The audit reports were subject to intensive deliberations in the Supervisory Board meeting convened to approve the financial statements on March 14, 2024. The meeting on March 8, 2024 was attended by the auditors 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 2023 financial year and of the consolidated financial statements, including the combined management report, for the 2023 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 EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft. The Supervisory Board approves the annual financial statements and the consolidated financial statements as of December 31, 2023, 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 persistently 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 positive operating result (EBIT).

Cologne, March 14, 2024

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