HUMBOLDT WEDAG

Innovation by tradition

Group Annual Report

2024

khd.com

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For the sake of improved readability, in this report KHD may occasionally make reference to people using grammatically masculine terminology. These references to persons in general apply to all genders equally: masculine, feminine, or other.

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Please note that rounding differences can result from the use of rounded amounts and percentages in accordance with commercial rounding practices.

Key figures at a glance

in € million	2024	2023
Order intake	**175.4**	198.4
Revenue	**218.1**	224.7
Adjusted gross profit	**44.0**	32.0
Adjusted gross profit margin (in %)	**20.2**	14.2
Adjusted EBIT	**10.4**	2.3
Adjusted EBIT margin (in %)	**4.8**	1.0
Earnings before taxes (EBT)	**15.9**	6.4
Group net profit	**10.6**	4.3
EPS (in €)	**0.21**	0.09
Operating cash flow	**13.2**	16.7
Cash flow from investing activities	**0.5**	17.2
Cash flow from financing activities	**-1.8**	-27.2

in € million	2024	2023
Equity	**107.5**	95.0
Equity ratio (in %)	**42.2**	40.0
Cash and intercompany loans *	**140.5**	126.2
Net working capital **	**-32.1**	-29.2
Order backlog	**176.4**	219.5
Employees	**944**	880

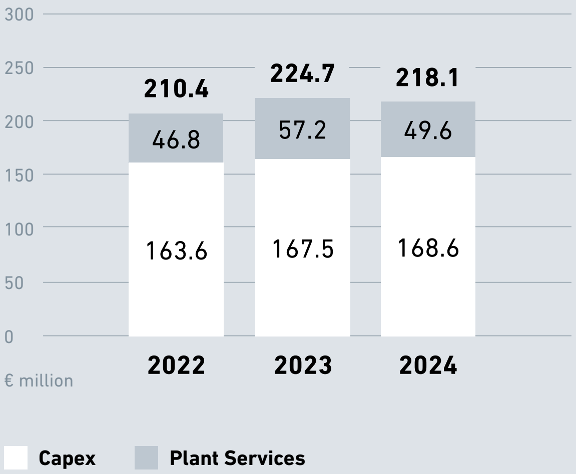
* Including intercompany loan of € 10 million (past year € 10 million) with entitlement to call for early repayment by giving 30 days' notice
** Balance of current assets (less cash and cash equivalents and current loans granted) and current liabilities (less current borrowings

Facts & figures

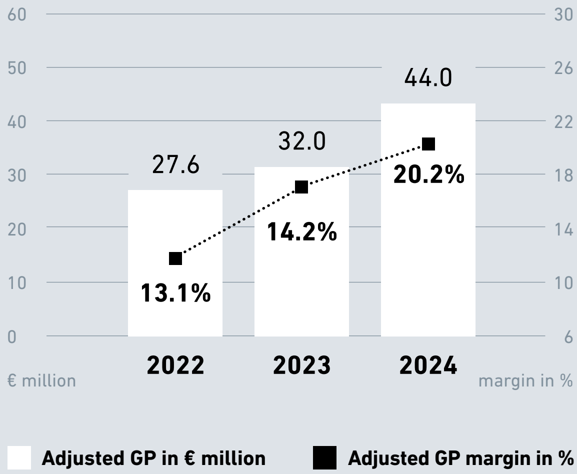
Order intake in € million	Order backlog in € million
175.4	176.4

- Customers' reluctance to invest led to unsatisfactory order intake in the Capex segment
- Fully satisfactory earnings situation – gross profit € 44.0 million and EBIT € 10.4 million
- Equity ratio further improved and ongoing good liquidity

Revenue



Adjusted gross profit



Employees
by region

237	Europe	India	663
22	Americas	China	22

944
worldwide

Foreword by the Management Board

Dear shareholders, customers, business partners and friends of KHD,

The 2024 financial year was again negatively impacted by geopolitical uncertainties such as the ongoing war in Ukraine and the armed conflicts in the Middle East hotspot. In addition, growing tensions between major economies are affecting the development of the global economy. For the KHD Group, these factors were reflected not least in customers' reluctance to make investment decisions. In addition, the markets for green technologies are characterized by uncertainty and restraint and have not yet been able to develop the desired momentum. The green transformation of the cement industry requires our customers to make very high investments, which, from a profitability perspective, are currently often only carried out if subsidies or other incentives are granted.

Due to these adverse conditions the order intake in the Capex segment – with the exception of India, a particularly important market region for KHD – fell short of our expectations. Together with the persistently high pressure on margins, this means that despite good overall performance in the Plant Services segment, KHD can only issue a cautious earnings forecast for the 2025 financial year.

Measured in terms of the key performance indicator of order intake, KHD's business development in 2024 was not fully satisfactory. With a volume of € 175 million, order intake does not correspond to the potential that our products and our sales activities should open up for KHD. The segment Capex was hit by customers' reluctance to invest in CO_2 reduction technologies and a tough price competition. This resulted in an Capex order intake that reached only € 125 million. In contrast, the good order intake of € 50 million in the segment Plant Services is a positive result from our further expanded service orientation and customer proximity. Despite the low order backlog at the end of 2024, we continued to strengthen our workforce in a targeted manner. With 944 employees, we have the highest number of employees since many years. When building up our workforce, we always take into account the necessary balance between securing technological expertise at our headquarters in Cologne and expanding our capacities in an economically viable manner, particularly in India.

Revenue amounted to € 218 million (previous year: € 225 million) and shows that in close coordination with our customers we were able to drive forward execution progress on running projects as planned. Thanks to our good project execution, significant reductions in total estimated costs were achieved for several projects after successful performance tests as well as during project execution. This enabled KHD to achieve a gross profit of € 44.0 million. In the financial year 2024 , KHD generated a very good operating result (EBIT) of € 10.4 million. At the beginning of November 2024, we were able to inform the capital market that KHD was raising its earnings forecast. Earnings before taxes (EBT) improved once again in the financial year 2024, reaching a fully satisfactory level of € 15.9 million (previous year:€ 6.4 million). Despite the cautious earnings forecast for the 2025 financial year, we remain committed to generating a sustainable positive return for our shareholders in the future. Increasing the performance and competitiveness of all KHD companies remains our top priority.

KHD is continuously working on implementing the strategy presented for the first time at the 2023 Annual General Meeting:

1. Benefit from the "Green Transition";
2. Go China/India and improving our presence in selected markets;
3. EPC (engineering, procurement, construction) with strategic partners;
4. Expanding the service portfolio and digitization;
5. Improving cost competitiveness and operational excellence.

Even though we must not neglect our traditional business, we are driving KHD’s transformation towards innovative products, technologies and services with great determination. KHD’s future viability is based on our opportunities in connection with the green transformation of the cement industry. The current reluctance of our customers to invest in green technologies is painful, but will not deter us from our path. KHD has always stood for innovative, cutting-edge technology. In addition, long-term thinking and sustainability are part of our DNA. Despite persistently challenging conditions, we are convinced that we will lead KHD into a successful future.

KHD’s equity ratio of 42% and high liquidity (including bank deposits and financial assets with affiliated companies) of € 140 million provide a good basis for the successful implementation of our strategy and thus sustainable growth. The focus of sales activities remains on projects with new technology (e.g. clay calcination, oxyfuel and Pyrorotor) as well as on expanding our position in the markets relevant to KHD. Although the introduction of new technologies is always associated with higher risks, a balanced opportunity/risk profile remains a key aspect for our projects.

Our investments in research and development – € 5.7 million in the financial year 2024 – are the highest since our IPO in 2010. With innovative products and solutions, KHD underpins its claim to be the technology leader in the cement industry. At KHD, we are proud of our process engineering expertise and our innovative strength, which play a decisive role in helping our customers to transform the cement industry towards climate neutrality. The cement industry keeps focusing on emission reduction, energy efficiency and reduction of operating costs – and KHD offers the right solutions for this.

We would like to thank our customers and business partners for their trust and professional cooperation in the past 2024 financial year. Special thanks go to our employees for their hard work and dedication. We would also like to explicitly thank you, our shareholders – not least our majority shareholder AVIC – , and the Supervisory Board.

As the Management Board, we are committed to leveraging the potential for growth and profitability at KHD associated with the topic of sustainability in the cement industry!

The Management Board – KHD Humboldt Wedag International AG

Report of the Supervisory Board

Dear Shareholders,

The 2024 financial year for KHD Humboldt Wedag International AG was a very successful year, particularly in terms of the profit generated. Unfortunately, the geopolitical crises and uncertainties have by no means disappeared. In addition to the ongoing war in Ukraine and the armed conflicts in the Middle East, tensions caused by different political systems are having an increasing adverse impact on the development of the global economy.

Particularly in the face of persistently difficult general conditions, it is clear how important the efforts of the past with regard to increasing efficiency and optimizing costs were for improving KHD's economic situation and how much consistency and attention must be paid to the further implementation of our strategy.

In the 2024 financial year, the Supervisory Board of KHD Humboldt Wedag International AG carefully and conscientiously 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 significant 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 Chairman 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 Chairman 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

In 2024, the Supervisory Board held four meetings. The meetings on March 8 and May 16 were held in person. The Supervisory Board dealt extensively with all issues of fundamental importance to the KHD Group. In addition, 18 single 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 in person, the meetings by video conference and in passing 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)	4/4	100%	18/18	100%
Mr. Gerhard Beinhauer (Vice Chairman)	4/4	100%	18/18	100%
Mr. Xiaodong Wu	4/4	100%	18/18	100%
Mr. Jingnan Yang	4/4	100%	18/18	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 2023. At the meeting on March 8, 2024, the Supervisory Board held a thorough discussion of the draft of the annual and consolidated financial statements for the 2023 financial year. By resolution on March 14, 2024, the Supervisory Board approve the audited annual and audited consolidated financial statements of KHD Humboldt Wedag International AG for the financial year ended December 31, 2023.

The agendas of the Supervisory Board meetings in March, May, August, and November covered reports on business development, deviations of the actual business development from the budget and forecasts, the 2025 budget and the medium-term planning for 2026-29, discussions of the half-year report prior to publication, changes to the schedule of responsibilities for the members of the Management Board, the assessment of the performance of the members of the Management Board and other Management Board matters, 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, the decision to invite tenders for the audit of the financial statements for the 2025 financial year and organizational matters relating to the Supervisory Board. Particular focal points in the 2024 financial year were the progress in the 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 assessment of target achievement for the 2023 financial year and the definition of bonus targets for the 2024 financial year), 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 2023.

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 2025. This was published on February 6, 2025 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 2024 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 2024 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).

Public invitation to tender for the audit of the financial statements for the 2025 financial year

As published in the Federal Gazette on September 23, 2024, the Supervisory Board has decided, in accordance with Article 16 of Regulation (EU) No. 537/2014, to request proposals for the audit of the separate financial statements (HGB) and consolidated financial statements (IFRS) and the combined management report of KHD Humboldt Wedag International AG for the financial year ending December 31, 2025. The Supervisory Board dealt with the review and evaluation of the tender documents received from auditing firms and regularly exchanged information with the Chief Financial Officer during the tender process. The result of the evaluation of the tender process was documented on the basis of the defined assessment criteria. At the meeting on March 27, 2025, the Supervisory Board resolved to propose BDO AG Wirtschaftsprüfungsgesellschaft to the Annual General Meeting of shareholders for election as auditor of the financial statements and consolidated financial statements for the 2025 financial year.

Annual and Consolidated Financial Statements

The Management Board prepared the annual financial statements of KHD Humboldt Wedag International AG as of December 31, 2024 and the consolidated financial statements as of December 31, 2024 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 2024 financial year. The annual financial statements and the consolidated financial statements, including the combined management report, were audited by EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Cologne office, who were appointed by the Annual General Meeting of shareholders on May 24, 2024. 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 due time. The financial statement documents were already discussed in detail at the Supervisory Board meeting on March 20, 2025.The audit reports were subject to deliberations in the Supervisory Board meeting convened to approve the financial statements on March 27, 2025. The meeting on March 20, 2025 was attended by the auditors as well as 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 2024 financial year and of the consolidated financial statements, including the combined management report, for the 2024 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, 2024, 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 opinion 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 unreasonably high."

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 KHD employees for their active commitment and successful work. Thanks are equally due for the constructive cooperation with the Management Board, which led KHD with great commitment through a financial year that ended with a remarkably positive operating result (EBIT).

Cologne, March 27, 2025

Jiayan Gong
(Chairman of the Supervisory Board)

Members of the Supervisory Board

Jiayan Gong
<u>Chair of the Supervisory Board</u>
Chairman of the Board of Directors of AVIC International Beijing Co. Limited

Gerhard Beinhauer
<u>Vice Chairman of the Supervisory Board</u>
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

Xiaodong Wu
Chief Financial Officer of AVIC International Beijing Co. Limited

Jingnan Yang
President of AVIC International Beijing Co. Limited

COMBINED MANAGEMENT REPORT

This management report comprises both the Group Management Report and the Management Report of KHD Humboldt Wedag International AG (“KHD AG”). This report addresses business development, including the business performance, as well as the position and expected development of the Group and of KHD AG. The information about KHD AG is presented in the economic report in a separate section, with disclosures pursuant to the German Commercial Code (HGB). The German Accounting Standard 20 (DRS 20) "Group Management Report" was applied.

KHD is subject to the non-financial reporting requirements and prepares a separate non-financial Group report in accordance with Section 315b, Paragraph 3 HGB. The non-financial Group report for the 2024 financial year is not integrated into the Group management report, but is instead a separate report that is published on the KHD website at https://www.khd.com/ir/news-reports/#sustainability .

The Compensation Report in accordance with Section 162 AktG for the 2024 financial year is publicly available on the Group’s website (https://www.khd.com/ir/news-reports/#compensation-reports).

FUNDAMENTAL PRINCIPLES OF KHD GROUP

Business Model

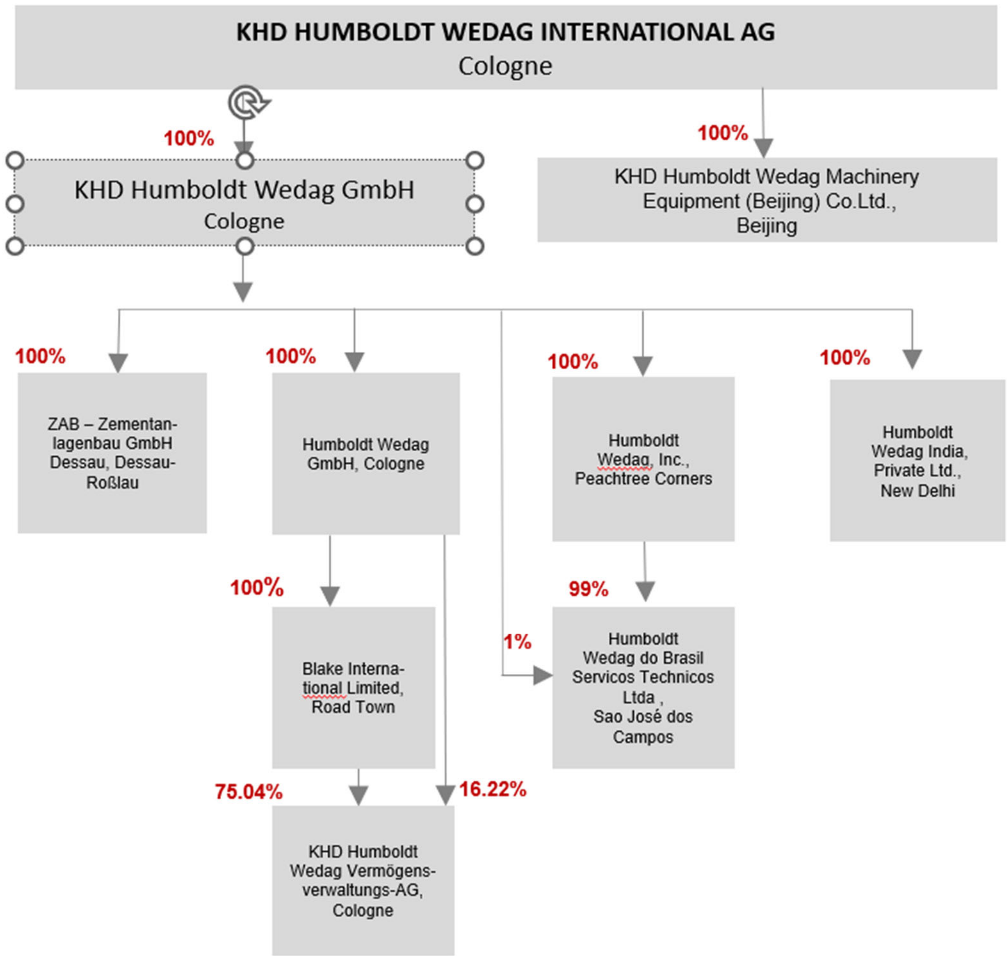
Organizational Structure and Locations

With its subsidiaries in Europe, the Americas, and Asia, KHD Humboldt Wedag International AG (hereafter also referred to as “KHD” or “Group”) based in Cologne, Germany, is a globally active supplier of equipment and services for the cement industry. The scope of services encompasses process know-how and design, engineering, project management, the supply of technology and equipment as well as supervising the erection and commissioning of cement plants and related equipment. It also includes customer services such as supplying spare parts, optimizing, maintaining, and repairing cement plants, conducting studies, and training plant personnel. In selected and individual cases, KHD also provides its customers with EPC (engineering, procurement, construction) solutions. In this context, KHD works with construction and assembly partners in the framework of a consortium or, with smaller EPC projects, takes on the role of a general contractor. In cement plant engineering, KHD focuses mainly on knowledge-intensive areas. The manufacturing of plant equipment is largely outsourced to quality-certified, external manufacturers who work in accordance with KHD’s specifications. Selected products are manufactured with the Group’s own production capacities in Faridabad, India.

In its capacity as the ultimate holding company of the Group, KHD AG holds a 100% investment in KHD Humboldt Wedag GmbH ("KHD GmbH”), Cologne, Germany, which functions as a holding company with no operating business activities. The nine KHD Group companies (previous year: ten) primarily focus on the business segment of industrial plant engineering as well as related services. KHD Humboldt Wedag Vermögensverwaltungs-AG (“KHD VV”), located in Cologne, focuses exclusively on managing its own portfolio. Humboldt Wedag Do Brasil Servicos Technicos Ltda. did not undertake any operational business in the 2024 financial year. Humboldt Wedag Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia, was liquidated in the 2024 financial year.

KHD AG has been a group company of the Beijing-based AVIC International Beijing Co. Limited ("AVIC Beijing") since January 2014. AVIC Beijing is part of the Aviation Industry Corporation of China, a corporate group owned by the People's Republic of China Ltd. AVIC International Engineering Holdings Pte. Ltd. ("AVIC Engineering"), and Max Glory Industries Limited ("Max Glory"), directly hold a 69.02% stake and a 20.00% stake in KHD AG, respectively.

Group Structure



KHD's customer base is made up of cement producers from around the world. Maintaining close contact with this target group is one of the keys to the success of the Group's business activities. Through our targeted sales, we ensure that our customers are served in accordance with their individual needs. We ensure direct customer care through our KHD subsidiaries in the respective sales territories.

The advantage of our structure is the technological leadership by **Humboldt Wedag GmbH** ("HW GmbH") in Cologne, the operating company at the Cologne headquarters, combined with the proximity of the regional subsidiaries to the respective customers and their knowledge of the local market environment. In order to tap into markets in which the Group is not represented by its own sales force, the KHD Group also employs sales agents.

Within the KHD Group, in addition to technological leadership through the Center of Excellence (CoE), HW GmbH assumes important central functions and serves as a contact for specialist and organizational matters. The markets in Europe, the Middle East and North Africa as well as the Asia-Pacific region (with the exception of China) are managed directly from Cologne by HW GmbH. The other regions – India and its neighboring states, the Americas, Russia/CIS, and China – are managed locally by the respective subsidiaries.

Humboldt Wedag India Private Ltd. ("HW India") in New Delhi is responsible for the important Indian market and the neighboring countries of Nepal, Bangladesh, Bhutan, and Sri Lanka as well as Indonesia, Myanmar, and Sub-Saharan Africa. With about 350 engineers as of December 31, 2024, HW India not only executes its own orders, but it also increasingly supports the other KHD subsidiaries. HW India has its own facilities in Faridabad, near New Delhi, for producing key components and for refurbishing roller presses.

ZAB – Zementanlagenbau GmbH Dessau ("ZAB") in Dessau-Roßlau, Germany covers the 15 states of the former Soviet Union as well as Mongolia and Vietnam. In addition to new plants, the focus is on taking advantage of the potential in the region for modernization and expansion investments. Large projects are executed in cooperation with HW GmbH. Business activities in Russia are severely limited due to the war of aggression against Ukraine and the resulting sanctions. The KHD Group has not completely broken off business relationships with Russian customers, but all of the KHD companies are strictly adhering to existing restrictions and sanctions, i.e. booking and executing projects is not possible at this time.

Humboldt Wedag, Inc. ("HW Inc."), with its headquarters in Peachtree Corners, near Atlanta, Georgia in the USA, is responsible for both North and South America. For large project execution, HW Inc. is supported by HW GmbH, HW India, and KHD Nanjing.

KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd. („KHD Beijing“), in Beijing, China, plays an important role in the increasing development of the Chinese sales and procurement markets. In addition to the Beijing site, KHD Beijing operates a site with engineers in Nanjing. Employees of KHD Beijing support other KHD companies in terms of engineering and making use of the cost and efficiency advantages of the Chinese market. Many activities are currently being undertaken together and with support from AVIC Beijing, HW GmbH, and HW India.

Range of Products and Services

The range of KHD products and services includes the Project Business (Capex) and Plant Services segments.

Capex (Project Business)

The scope in the Capex business unit encompasses the process technology, design, engineering, project management, and the supply of technology and equipment (grinding, pyro process, system automation). The supervision of the erection and commissioning of cement plants and related equipment (Field Services) that is directly connected with the project business is also classified under this segment. The KHD Group also organizes training for cement plant personnel. For this purpose, KHD draws on its own e-learning program, SIMULEX®, with which all processes in a cement plant can be simulated and controlled by the course participants. Specialized e-learning programs about the pyro process expand the training options. The Capex segment comprises all of the deliveries and services directly connected with a plant engineering project.

The core product range of the equipment supplied by KHD includes plants for grinding (grinding systems) and pyro processing (pyro systems) and for electrical systems and automation, which are essential elements of every cement plant. Our grinding technology is utilized in raw material, clinker, and clinker substitute grinding, and comprises crushing, grinding, and separation equipment as well as fans. The KHD Group's pyro processing equipment (pyro systems) covers all of the key components of the kiln line, such as preheaters, calciner systems, burners, process fans, rotary kilns, and clinker coolers. With the PYROROTOR®, a further development of traditional calciner technology, KHD is also providing technological solutions with which very coarse and poorly prepared secondary fuels can be used to manufacture cement. With the solutions for the calcination of clay (particularly the Flash Calciner), KHD provides cement manufacturers with a foundation for reducing the clinker factor. Moreover, KHD has developed a number of system automation products which are used together with process control systems to optimize plant performance.

In general, our products are characterized by their low energy consumption, low maintenance costs, reduced vibrations and noise emissions, as well as minimal wear.

Plant Services

KHD's services include the supply of spare and wear parts as well as various plant services. These include maintenance services such as refurbishing roller presses, technical inspections and audits, as well as consulting and assistance services. In this respect, consultation, including the preparation of feasibility studies, on energy efficiency, as well as emissions reduction (particularly CO_2) and reduction of operating costs (e.g. fuel substitution by alternative fuels) when modernizing plants are increasingly important subjects. The portfolio of (digital) service products is undergoing rigorous expansion. KHD ProMax® integrates the existing data and systems of cement plants into our cloud-based suite of digital optimization solutions. KHD ProMax® is based on the most advanced technologies for digital twins and machine learning to enable the optimum operation of cement plants. KHD is rigorously pursuing the goals of lower costs, reduced emissions, and less energy consumption.

Management and Supervision

KHD is governed by the provisions of the German Stock Corporation Act (AktG), capital market regulations, and the rules set out in its articles of association. Pursuant to the dual board system, the Management Board is responsible for managing KHD, while the Supervisory Board carries out advisory and monitoring functions. Both boards cooperate closely for the benefit of the Company. Their common goal is to ensure sustainable value, while taking the interests of the shareholders, employees, and other stakeholders into account.

Management Board

The rules of procedure implemented for the Management Board by the Supervisory Board govern the fundamental principles of the Management Board's work. The assignment of functional responsibilities for individual Management Board members is laid out in the schedule of responsibilities. As of December 31, 2024, the Management Board of KHD continues to consist of four members (previous year: four).

Supervisory Board

The work of the Supervisory Board is governed by the rules of procedure. There were no changes in the Supervisory Board in the financial year under review.

Corporate Governance

The Company is managed and controlled in accordance with the standards set out in the German Corporate Governance Code ("GCGC"). The main aspects of corporate governance at KHD are listed in the Declaration on Corporate Governance that also includes the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG). The Declaration of Compliance and the Declaration on Corporate Governance are available on KHD's website at www.khd.com/ir/corporate-governance/#declaration-of-compliance and www.khd.com/ir/corporate-governance/#corporate-governance-statement. The Declaration on Corporate Governance also include the information required by Section 289 et seq., Paragraph 2, Number 1a of the German Commercial Code (HGB). The Compensation Report for the 2024 financial year, including the Auditor's Report in accordance with Section 162 of the AktG is available at www.khd.com/ir/news-reports/#compensation-reports. A complete description of the compensation system of the Management Board in accordance with Section 87a, Paragraphs 1 and 2, Sentence 1 of the AktG is publicly available as part of the invitation to the Annual General Meeting in the 2021 financial year at www.khd.com/ir/annual-general-meeting/#2021 and the most recent resolution regarding compensation in accordance with Section 113, Paragraph 3 of the AktG can also be found at www.khd.com/ir/annual-general-meeting/#2021.

Objectives and Strategies

KHD identifies itself as a full service provider for cement plants and can offer the essential material key components of a complete cement plant or separate grinding facility with its own products.

Since its establishment more than 160 years ago, KHD has set itself apart with technologically superior machines and plants developed in Germany. In product development, KHD focuses strongly on energy efficiency, clean plants with minimal polluting emissions, long service life and very easy maintenance in addition to the paramount issue of CO_2 reduction.

The KHD Group has a rigorous focus on its work in the five fields of action (previously: six) with regard to strategy implementation which were introduced previously at the Annual General Meeting in May 2023:

1. Benefiting from the “green transition”;
2. Go China/India and improving the Group’s presence in selected markets;
3. EPC (engineering, procurement, construction);
4. Expansion of the service portfolio and digitalization;
5. Improvement of competitiveness on the cost side and excellence in execution.

The strategy package “Modernization / renovation of cement plants” was not continued on its own, but was instead integrated into other packages. The five fields of action are closely integrated with each other and, if executed successfully, they ensure the future viability of the KHD Group. Close cooperation with AVIC Beijing is the case in particular with the Go China initiative and the implementation of our EPC policy.

With our lean organization, we have flexibility in dealing with individual customer requirements and can create efficient solutions.

Management and Control System

The strategy of KHD also manifests itself in the way the Group is managed. A uniform system of key financial targets across the Group ensures a common understanding of how to measure success. The primary financial indicators KHD uses to determine target achievement are calculated monthly on the basis of key figures. These performance indicators are determined consistently and continuously to ensure comparability across various periods. In part, these performance indicators are alternative performance measures, which are not defined according to the International Financial Reporting Standards (IFRS).

The primary financial performance indicators are defined and derived as follows:

- **Order intake and order backlog**
  The approval for project execution is important for recording order intake. Here, in addition to the legally binding implementation a customer contract, other conditions must also be routinely met. These conditions include, for example, submission of a payment or the effective opening of a letter of credit. If the respective prerequisites are met, the contract value is recorded in the order intake. With this recording in order intake, the order backlog increases accordingly. This means that the order backlog represents the total of the binding, concluded contracts which are still to be executed by KHD. It changes continually based on the recorded order intake and progressing execution of the existing backlog (revenue recognition according to production progress). Reductions of order values or cancellations of orders as well as effects due to exchange rate fluctuations are shown as changes in the order backlog. In this way, the order intake directly represents the new business gained in the financial year.

- **Group revenue**
  Group revenue is determined pursuant to the regulations of IFRS 15.

- **Adjusted Group earnings before taxes and interest (adjusted EBIT) as well as the ratio to revenue (adjusted EBIT margin)**
  EBIT provides information about the Group's operating profitability and includes all of the components of the income statement that refer to operating performance. It is determined as the Group net result for the year plus the net finance income and income tax expense. The EBIT margin is a relative indicator used to compare operational profitability. A ratio of EBIT to revenue is used to determine this figure. For Group management purposes (though not for the segments), KHD adjusts EBIT as necessary with regard to special effects. Special effects are one-time-items or effects that are special in nature and/or magnitude, e.g. expenses for restructuring, reorganization or litigation, expenses related to under-utilization of capacity or amortization of goodwill. The adjusted EBIT is more suitable for comparing the operating performance across several periods and is determined for the 2024 financial year as follows:

in € million	**2024**	**2023**
EBIT prior to adjustments	**10.4**	**1.9**
Deconsolidation result	0.0	0.4
Adjusted EBIT	**10.4**	**2.3**

- **Operating cash flow**
  Operating cash flow (or cash flow from operating activities) is determined in accordance with generally accepted accounting principles as defined by IAS 7 and includes all cash flows that are not associated with the investment and financing area.

Research and development

In the 2024 financial year, the following trends -- driven in particular by the necessary decarbonization -- continued to define the cement industry:

- Reduction of the CO_2 intensity of the process with the objective of complete decarbonization of cement manufacturing,
- Reduction of the clinker factor by using clinker substitutes,
- Digital solutions and applications for improving operating performance,
- Use of alternative fuels,
- Need for energy-efficient plants to reduce operating costs,
- Higher requirements for emission controls,
- Improvements in cement quality due to better grinding technology.

Research and development activities at KHD are focused on the development of convincing responses to the trends listed above. The expenses for research and development in the 2024 financial year amounted to € 5.7 million (previous year: € 4.1 million). This corresponds to 2.6 % (previous year: 1.8 %) of revenue.

A total of 14 patents (previous year: 10 patents) were applied for in the reporting year. At the end of the year, KHD owned the rights to a total of 1,021 items of intellectual property, of which 439 were patents (previous year: 368), 573 were brands (previous year: 574), and nine were registered designs (previous year: nine).

The development of convincing policies for drastically reducing the CO_2 emissions of cement plants remains tremendously important for the future of the cement industry. To minimize the CO_2 footprint, KHD continues to invest in the development of new technologies. Meaningful progress in this area is demonstrated by participation in two EU-supported projects:

- In the context of the ACCESS project, KHD is working on innovative solutions for CO_2 separation and use. This technology is critically important for reaching the climate goals of the cement industry.
- The ELECTRA project focuses on the electrification of cement and quicklime manufacturing. This pioneering initiative allows KHD to take part in the development of low CO_2 production processes and to continue to expand our expertise in the area of electrical heating in the pyro process.

Important milestones in our research and development activities include the planned commissioning of a clay calcinator on a pilot scale and a new cycle grinding plant in our technical center in 2025. The extensive preparations for this were carried out in the 2024 financial year.

Other main areas of our development activities include:

- Oxyfuel plants,
- Increased use of alternative fuels,
- Recarbonization of used concrete and other mineral substances,
- CCUS (carbon capture, utilization, and storage of CO_2).

In the area of digital solutions and applications, we are focusing on the Real-Time-Optimizer (“RTO”) with the integration of artificial intelligence technologies for improving the operating performance of cement plants, IIOT/Cloud solutions for data utilization and the digitization of engineering lifecycle management. With KHD PROMAX®, KHD can provide customers with a digital twin suite with extensive functions for optimizing production as well as maintenance of the entire cement manufacturing line as well as spare part management.

Increasingly, our customers are requesting solutions that use alternative raw and residual materials to replace classic cement clinker, which is CO_2 intensive, to prevent the very high CO_2 emissions from limestone. The planned commissioning of the clay calcinator in the technical center emphasizes the good position of KHD in this future-oriented area. Based on the advanced technologies of the flow calciners and rotary kilns which have existed for decades, the KHD Group provides solutions for the calcination of alternative substances.

With numerous efficiency enhancing measures, modernization policies, and improvements as well as services for plants, the KHD Group continues to orient itself, based on customer requirements, toward environmentally conscious solutions that simultaneously reduce operating expenses for its customers.

With the PYROROTOR® burning chamber, KHD meets the requirements of the market with regard to an increased use of alternative fuels. The continuous advanced development of this technology, based on increasing knowledge, is among our development efforts along with the development of new sizes of the PYROROTOR®.

ECONOMIC REPORT

Macroeconomic and Sector-related Conditions

According to the outlook of the International Monetary Fund (IMF) in January 2025, growth in the global economy of 3.2% is expected for 2024. According to the outlook of the IMF, growth rates of 3.3% are expected in both 2025 and 2026, based on a cautiously positive forecast. In contrast, the IMF predicted a contraction in the German economy for 2024 in the amount of 0.2% and a slight increase of 0.3% for 2025.

The stability of the global economy is affected by various developments in large national economies. Inflation persists in many countries, which restricts consumer spending. In addition, geopolitical tensions, including the war in the Ukraine and the conflicts in the Middle East, continue to restrict trade and the energy supply. Climate challenges and political uncertainty also hinder economic progress in emerging economies, which also results in considerable risks over the long term.

Industry Environment

According to CW Research ("Global Cement Volume Forecasts Report 2H2024 extended update", published in December 2024), another decrease of 5.7% in global cement demand and an expected volume of 3.8 billion tons are forecast for 2024.

The KHD Group depends indirectly on the development of global cement production and cement consumption. The key markets of the KHD Group demonstrated the following tendencies in relation to cement consumption in the 2024 financial year:

- For western Europe, following a decrease in cement demand of 1.9% in 2023, CW Research is forecasting a decrease (-1.3%) for the 2024 reporting year as well. This is due to the impacts of the war in the Ukraine on some national economies. Due to the weak construction sector in Germany, following a decrease in cement demand in 2023 of 6.6%, a reduction of 4.0% is expected for 2024. The weak construction sector is also the reason for the decrease in cement demand expected in Spain (-4.1%).
- In Turkey, the construction sector is undergoing positive development. Accordingly, CW Research is again expecting an increase in cement demand (+5.5%) in 2024. In 2023, demand increased by 6.0%.

- For the 2024 reporting year, CW Research expects cement demand in India to increase by 7.3% (previous year: 8.0%) to a total volume of 442.1 million tons. The Indian construction sector is again undergoing positive development. It is expected that in the years from 2025 - 2029 demand for cement will undergo positive development, with an average annual growth rate of 6.8%.
- For the USA, cement demand is expected to decrease in the 2024 reporting year by 1.7% to 107.4 million tons. However, over the mid- to long-term, CW Research expects that cement consumption will continue to increase, due to government investments in infrastructure projects.
- Forecasts regarding cement demand in the ASEAN countries in 2024 vary. For the Philippines, growth of 5.0% is expected. In contrast, for South Korea, CW Research expects a reduction in cement demand of 12.3% in 2024, but over the mid-term, however, an average growth rate of 1.2%. A decrease in cement demand is also expected for Thailand in 2024 (-7.1%).
- For China, a reduction in cement demand of nearly 12% is expected for 2024 following a previous decrease in 2023 (-2.9%). China’s aim is to make the country carbon neutral by 2060. Production restrictions enacted by the government due to environmental regulations are having a negative impact. Moreover, the instability of the real estate market negatively affects development in the cement sector. In 2023, China was responsible for 51.6% of the global demand for cement. This proportion is expected to decrease to 48.2% in 2024.

Financial Market Environment

Because of KHD’s global presence, its business performance is subject to currency effects, among others. Particularly relevant for the KHD Group is the development of the Indian rupee and the US dollar.

Compared with the closing rate for the previous year, as of December 31, 2024, the Indian rupee gained 3.56% with regard to the euro. However, at 90.42 rupees to the euro, the average rate was 1.14% below the previous year’s level (89.40 rupees to the euro). Like the Indian rupee, at the end of the year, the US dollar increased in value against the euro (by 6.34%). At 1.08 US dollars per euro, the average rate remained at the previous year’s level (1.08 US dollars per euro). The rate of the Chinese yuan against the euro as of December 31, 2024 was 3.64% higher than the figure at the end of the previous year. In contrast, the average rate was 1.07% below the previous year’s average rate. Due to converting local financial statements into euros in the income statement, the exchange rate changes over the reporting year have had an overall negative impact on the KHD Group.

Overall Assessment of the Results of Operations and Economic Position of the Group

The 2024 financial year was once again negatively affected by geopolitical tensions. In addition to the ongoing war in the Ukraine and the armed conflicts in the troubling flashpoint of the Middle East, tensions due to the variety of political systems are increasingly having a negative impact on global economic development. In most of the key markets for KHD, the reticence of customers to make investment decisions is still significantly noticeable. As measured by the performance indicator of revenue, business development of the Group in 2024 is satisfactory overall and profitability even exceeded our expectations considerably. Adjusted EBIT improved significantly from € 2.3 million in the previous year to € 10.4 million in the 2024 financial year. At € 15.9 million, EBT was also considerably higher than in the previous year (€ 6.4 million). Group net profit totaled € 10.6 million, following € 4.3 million in the 2023 financial year.

Our forecast expected order intake at the same level as the 2023 financial year. However, with a volume of € 175.4 million, order intake was below the previous year's figure of € 198.4 million, due to the weakening of demand. Order backlog as of December 31, 2024 was € 176.4 million, and due to production progress on current projects, it is below the level as the previous year (€ 219.5 million) in accordance with our forecast.

Revenue totaled € 218.1 million, following a figure of € 224.7 million in the previous year, so it was slightly lower than our forecast.

Overall, the Group achieved EBIT of € 10.4 million (previous year: € 1.9 million) and an adjusted EBIT of € 10.4 million (previous year: € 2.3 million). The EBIT margin was 4.8% (previous year: 0.8%) and the adjusted EBIT margin was also 4.8% (previous year: 1.0%). This means that both EBIT and the EBIT margin as well as the adjusted EBIT and the adjusted EBIT margin considerably exceeded the forecast we submitted, which was based on rather conservative planning. A significant driver for achieving EBIT significantly higher than that was planned was the gross profit margin in both segments, which exceeded expectations.

The cash flow from operating activities of € 13.3 million was slightly lower than the previous year's figure (€ 16.7 million) but, because the net working capital was significantly lower than planned, the cash flow figure was considerably higher than our submitted forecast in which we expected negative cash flow from operating activities in the single-digit millions range.

As planned, the financial and net assets position of the KHD Group remains stable, and therefore fully satisfactory due to continuing adequate liquidity and a high equity ratio.

In the Capex segment, order intake totaled € 125.6 million, following a figure of € 157.5 million in 2023 and did not meet the level of our forecast (at about the same level as the previous year). Although revenue for the 2024 financial year in the amount of € 168.6 million was slightly higher than the level of the previous year's figure of € 167.5 million, the considerable increase we expected was not achieved. The adjusted EBIT in the amount of € -0-7 million was, as expected, negative, but did improve quite significantly with respect to the previous year's figure of € -11.1 million. This means that the Capex segment clearly exceeded our forecast for adjusted EBIT (negative, but a few percentage points better than in the 2023 financial year). Due to good project execution, KHD achieved a gross profit margin that was considerably higher than the planned figure. For several projects, significant reductions in the estimated overall costs were realized after successful performance testing or even during execution.

Encouragingly and in contrast to our forecast, order intake in the Plant Services business unit of € 49.8 million was considerably above the level of the previous year (€ 40.8 million). KHD had expected a slight reduction in order intake. At € 49.5 million, the segment's revenue was, as expected, significantly below the volume of the corresponding period in the previous year (€ 57.2 million). The development in the margins in the Plant Services segment was considerably better than expected; although adjusted EBIT decreased to € 11.1 million, following € 13.4 million in the previous year, it was clearly above the figure in our forecast (less than € 5.0 million). In the Plant Services segment as well, the primary reason for good EBIT development, which considerably exceeded our expectations, was that the gross profit margin was significantly better than planned.

Business and Earnings Position

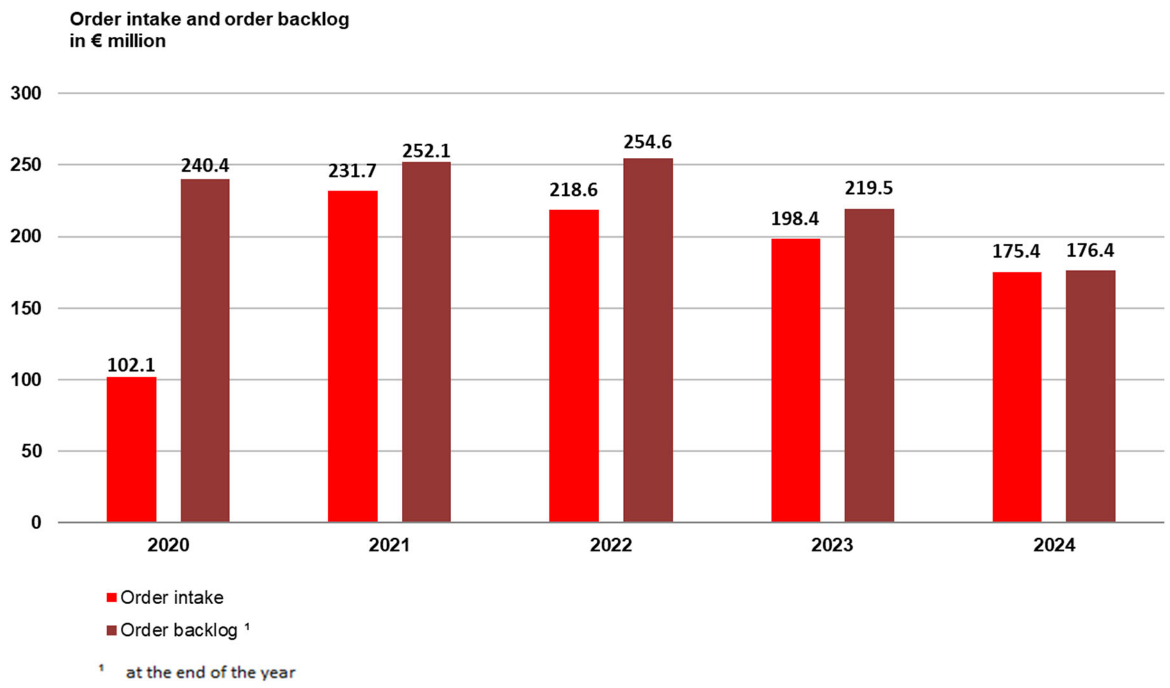
Order Intake and Order Backlog

KHD achieved order intake of € 175.4 million in the 2024 financial year, which was, in contrast with planning, below the volume of the previous year (€ 198.4 million).

In the Capex segment, the Group achieved order intake of € 125.6 million (previous year: € 157.5 million). The markets of HW India (in particular India) again made a significant contribution to order intake in amounts that were considerably above the planned figures. The other regions (EMENA countries, Asia-Pacific region, the Americas, China, and CIS countries) remained below expectations.

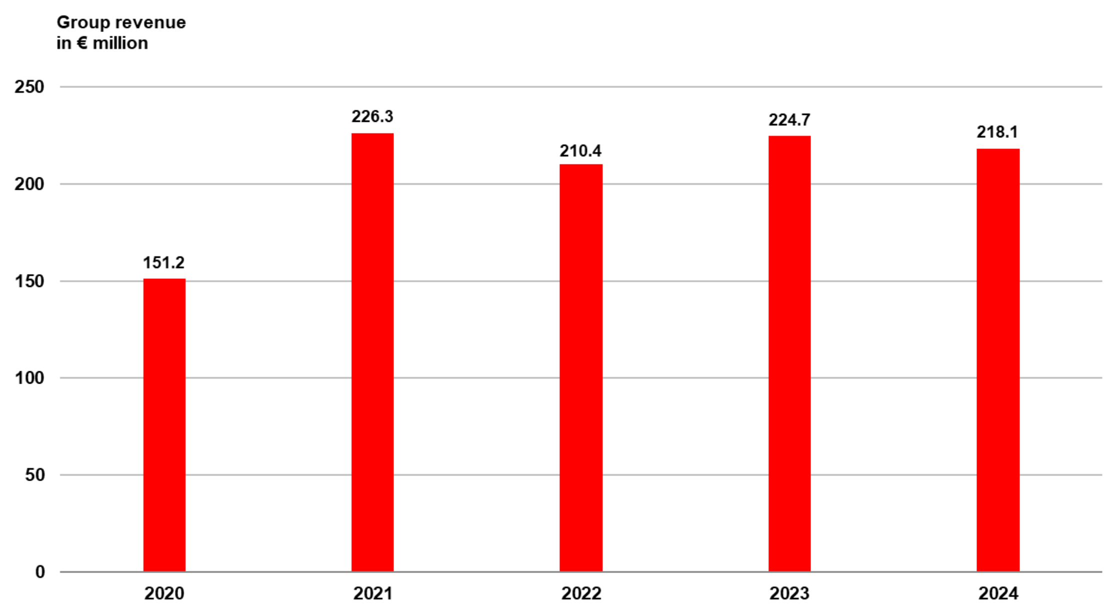
Order intake in the spare parts and service business (Plant Services) of € 49.8 million was considerably higher than the figure of the previous year (€ 40.8 million). This is in particular due to the order intake in the regions of India and EMENA, which was significantly higher than the previous year. The Plant Services segment was responsible for 28.4% of the total order intake (previous year: 20.6%) in the 2024 financial year.

Because revenue of € 218.1 million was considerably higher than order intake (€ 175.4 million), order backlog as of December 31, 2024 decreased to € 176.4 million in comparison with the previous year's figure of € 219.5 million. Adjustments due to the reduction of order values or cancellation of orders, which are reported as an adjustment to order backlog, totaled € 5.9 million (previous year: € 2.2 million). Exchange rate fluctuations impacted order backlog in the amount of € 5.5 million (previous year: € -5.7 million).



Group Revenue

In the 2024 financial year, the Group achieved revenue in the amount of € 218.1 million, following € 224.7 million in the corresponding period in the previous year. As in the previous year, projects in India and the USA were the biggest contributors to revenue



Group Earnings Position

The costs of sales totaled € 174.1 million in the 2024 financial year (previous year: € 192.7 million). Adjusted gross profit for the 2024 financial year in the amount of € 44.0 million was considerably improved in comparison with the previous year (€ 32.0 million). A significant factor here was the gross profit margin in the Capex segment, which was considerably better than in the previous year.

The other operating income of € 2.6 million was lower than the previous year's figure (€ 4.0 million). As in the previous year as well, it also includes income from exchange rate fluctuations in the amount of € 1.6 million (previous year: € 1.7 million).

Sales expenses amounting to € 12.1 million were at approximately the same level of the previous year (€ 12.2 million).

Administrative expenses totaling € 15.8 million were slightly above the figure for the previous year: € 15.0 million). General and administrative costs include, in particular, legal and consulting costs, accounting costs, IT costs, Management Board remuneration, Supervisory Board remuneration, and costs related to the Group's stock exchange listing.

Other expenses totaling € 8.2 million increased in comparison with the previous year's figure of € 7.0 million and include currency exchange rate fluctuations and changes in market value of exchange rate forward contracts for hedging exposure on foreign currency receivables of € 1.7 million (previous year: € 1.8 million) and, in particular, expenses for research and development in the amount of € 5.7 million (previous year: € 4.1 million). The significant increase reflects the greater intensity of research and development activities in the 2024 financial year, illustrating the efforts of KHD Group to continue to expand its technological expertise.

In the 2024 financial year, the Group achieved considerably improved EBIT in the amount of € 10.4 million (previous year: € 1.9 million). The EBIT margin improved from 0.8% to 4.8%.

The Group's net finance income increased from € 4.5 million in the previous year to € 5.6 million in the reporting year. In particular, it includes interest income of € 3.1 million (previous year: € 3.6 million) from the loans granted to AVIC Kairong. As of the balance sheet date, these loans totaled € 60.0 million (previous year: € 60.0 million) and continue to incur interest of 5.0% p.a. Interest income from bank deposits and cash equivalents increased from € 2.1 million to € 3.2 million. The largest items under finance expenses, which totaled € 0.8 million (previous year: € 1.4 million), are the interest related to pension benefit obligations (€ 0.5 million; previous year: € 0.5 million) and interest expenses related to lease liabilities (@ 0.2 million, previous year: € 0.3 million). Due to repayment in the 2023 financial year, the interest expenses reported in the previous year for a bank loan in the amount of € 0.5 million were no longer incurred.

The 2024 reporting year concluded with positive earnings before tax (EBT) in the amount of € 15.9 million, a considerable improvement in comparison with the 2023 financial year (previous year: € 6.4 million).

The Group incurred income tax expenses in the amount of € 5.4 million in the 2024 financial year (previous year: € 2.2 million. The income tax expense is due to the varying profitability of the KHD subsidiaries. Some subsidiaries achieved positive EBT that resulted in income tax expenses, whereas other subsidiaries sustained losses. KHD also capitalized deferred tax assets on temporary differences and tax loss carry-forwards only to a limited extent, so that only a low compensation effect on current income tax expenses could be recognized.

The Group net profit for the year amounted to € 10.6 million (previous year: € 4.3 million). Basic and diluted earnings per share improved to € 0.21 (previous year: € 0.09).

Segment Earnings Situation

Revenue for the Capex segment of € 168.6 million was slightly above the previous year's figure (€ 167.5 million). For several projects, significant reductions in the estimated overall costs were realized after successful performance testing or even during execution. Due to this good project execution, the margins improved so that the adjusted gross profit in the Capex business unit increased considerably from € 12.8 million in the previous year to € 27.4 million in the 2024 financial year. The clearly improved gross profit is reflected in a higher gross profit margin (16.2%, following 7.6% in the previous year).

Other operating income of € 2.6 million (previous year: € 4.0 million) was attributed to the Capex business unit in the 2024 financial year. This includes income from exchange rate fluctuations in the amount of € 1.6 million (previous year: € 1.7 million). The segment's sales expenses amounted to € 9.8 million (previous year: € 9.4 million). Administrative expenses totaled € 12.6 million, following € 11.9 million in the previous year. The KHD Group's other expenses in a total amount of € 8.2 million (previous year: € 7.0 million) were allocated completely to the Capex business unit in the reporting year (previous year: € 6.7 million). EBIT in the Capex segment totaled € -0.7 million following a figure of € -11.2 million in the previous year. The EBIT margin amounted to -0.4% following a figure of -6.7% in the 2023 financial year.

KHD Group revenue in the Plant Services segment totaled € 49.5 million, below the level of the 2023 financial year (€ 57.2 million). The adjusted gross profit in this business unit was € 16.6 million (previous year: € 19.2 million). The sales expenses and general and administrative expenses in the Plant Services segment amounted to € 5.5 million, which was slightly below the figure of the previous year (€ 5.9 million). The Plant Services business unit achieved EBIT of € 11.1 million, following a figure of € 13.1 million in the previous year, and an EBIT margin of 22.4% (previous year: 22.8%).

Financial Position and Net Assets

Fundamentals of the Financing Strategy

The KHD Group's finance strategy continues to be characterized by a robust liquidity position and a strong equity base. A solid financial position is an important basis for the targeted growth, which includes investments in new technologies and an expansion of the business model.

KHD AG controls the Group's financial management and makes sufficient cash available to Group companies where required so that payment obligations can be met in full at all times. The excess liquidity which is not necessary for daily operations has been granted to AVIC Kairong in the form of two loans totaling € 60.0 million.

In accordance with the KHD financial strategy, Group companies are in the first instance responsible for accumulating liquidity surpluses to cover their financing requirements (principle of internal financing). However, KHD provides its subsidiaries with additionally required liquidity as needed.

The project business means that the KHD Group has to cope with a very cyclical market environment that is characterized by individual high-volume orders and varying financing structures. A high liquidity position is necessary in order to have sufficient cash and cash equivalents to meet Group companies' operational financing requirements at all times. Financial security is controlled via the operating cash flow and is largely measured by determining freely available liquidity and by using the equity ratio.

There is a bank guarantee credit facility with Deutsche Bank AG for a total amount of € 70.0 million, which is available for various hedging instruments such as guarantees or letters of comfort. A partial amount of this credit facility totaling INR 4.9 billion (€ 55.3 million) is allocated to HW India. The remaining amount is available to the other operating companies of the KHD Group. HW India has also concluded a local guarantee credit facility for INR 2.0 billion (€ 22.6 million). As of December 31, 2024 the bank guarantee credit facilities have been utilized in a total amount of € 52.5 million (previous year: € 72.4 million).

Contracts with both customers and suppliers are generally concluded in the local currency of the respective KHD company. In principle, foreign exchange rate risks are hedged using exchange rate forward contracts. As of the balance sheet date, there were no exchange rate forward contracts.

Financial Position

Total cash and cash equivalents of € 59.9 million as of December 31, 2024 were above the previous year's figure (€ 46.1 million). Here it must be taken into consideration that as of the balance sheet date, the KHD Group is reporting bank deposits in the amount of € 20.6 million (December 31, 2023: € 20.2 million) that are not shown as cash and cash equivalents under other current financial assets. Liquid funds in the translated amount of € 21.9 million (previous year: € 15.3 million) can only be made available in the form of profit distribution for the Group. Besides the short-term liquidity in the form of cash and cash equivalents and term deposits at banks, KHD can, in case of additional need for liquidity, call in a loan € 10.0 million that was granted to AVIC Kairong for repayment by giving 30 days' notice.

Cash Flow

The cash flow from operating activities in the amount of € 13.3 million (previous year: € 16.7 million) was positive in the 2024 reporting year and reflects the Group's positive operating result.

Further details of the operating cash flow (in accordance with internal reporting) are presented in the following table:

Cash flow effect from operating activities for the 2024 financial year	in € thousand
Cash flow from customer contacts with revenue recognition over time	7,771
Cash flow from current liabilities/ invoices from subcontractors	6,163
Cash flow from changes in trade receivables	-12,277
Cash flow from utilization of provisions and long term liabilities	5,467
Cash inflow from result (EBITDA)	13,659
Cash flow from tax payments made/ received	-4,733
Other cash inflows and outflows	-2,835
Cash flow from operating activities	**13,215**

The representation above supplies further information regarding cash flow from operating activities which is not distinguishable in this form in the cash flow statement. The figure for "Other cash inflows and outflows" is a total that represents the total cash flow from operating activities.

Cash flow from investing activities of € 0.5 million (previous year: € 17.2 million) mainly results from interest payments received on the loans granted to AVIC Kairong (€ 3.1 million, previous year: € 3.6 million). Short-term financial investments were made in the amount of € 0.5 million (previous year: € 8.8 million). Outgoing payments for ongoing investments in property, plant and equipment and intangible assets resulted in a cash outflow amounting to € 2.1 million (previous year: € 2.7 million). Also included here in the previous year was cash inflow of € 25.0 million from the partial repayment of a loan by AVIC Kairong.

Cash flow from financing activities in the amount of € -1.8 million (previous year: € -27.2 million) is negative and primarily includes principal payments on the lease liabilities recorded in the balance sheet of € -1.8 million (previous year: € -1.6 million). Also included in here in the previous year was cash outflow of € 25.0 million due to the complete repayment of a bank loan.

Total Assets

The balance sheet total of the Group increased from the figure as of the 2023 balance sheet date (€ 237.5 million) by € 17.6 million to € 255.1 million. This increase is primarily due to increases in inventories of € 4.2 million, in trade receivables of € 4.1 million, and in cash and cash equivalents of € 13.8 million. As of the balance sheet date, current assets in the amount of € 169.6 million exceeded non-current assets of € 85.4 million and accounted for 66.7% of the total assets (previous year: 89.3%).

The non-current assets of € 85.4 million are considerably above the figure for the previous year (€ 25.5 million), although property, plant and equipment (€ 14.6 million, previous year: € 13.7 million) and other intangible assets (€ 1.0 million, previous year: € 0.9 million) remain at nearly the same level as December 31, 2023. The loans granted to AVIC Kairong totaling € 60.0 million (previous year: € 60.0 million) were extended by three years to 2027 in the 2024 reporting year. Accordingly, other than in the previous year, they are now reported under non-current assets. The figure for rights of use in accordance with IFRS 16 "Leases” was € 6.0 million as of the balance sheet date (previous year: € 7.6 million).

In addition to short-term financial investments at banks of € 20.6 million (previous year: € 20.2 million) and cash and cash equivalents (€ 59.9 million, previous year: € 46.1 million), current assets include, among other items, trade receivables and other receivables in the amount of € 51.8 million (previous year: € 47.7 million). The contract assets from customer contracts with revenue recognition over time of € 15.6 million were slightly lower than the previous year’s figure (€ 17.8 million) and result from projects for which the costs incurred for these contracts as of the end of 2024 plus proportionate profits recognized exceeded progress billings. The figure as of the reporting date results, in principle, from the execution status as well as the contractually agreed upon conditions of issuing progress billings for these projects. The inventories increased from € 8.1 million to € 12.3 million, while the advance payments decreased in comparison with the previous year’s figure from € 9.6 million to € 7.4 million.

Financing

Group equity increased in comparison with the figure at the end of the previous year (€ 95.0 million) by € 12.5 million to € 107.5 million. Even with a higher balance sheet total, the equity ratio amounted to 42.1%, as of December 31, 2024, following 40.0% in the previous year, so it remains at a completely satisfactory level as of the balance sheet date.

On the balance sheet date, non-current liabilities of € 26.3 million were below the figure of December 31, 2023 (€ 27.6 million). In addition to pension benefit obligations (€ 11.0 million, previous year: € 11.7 million), they primarily include long-term provisions (€ 10.5 million, previous year: € 6.4 million) and lease liabilities (€ 4.9 million, previous year: € 6.4 million).

The current liabilities totaling € 121.2 million increased slightly in comparison with the previous year (€ 114.9 million). This is primarily due to significantly higher trade and other payables (€ 61.9 million, previous year: € 51.7 million) and higher provisions (€ 32.3 million, previous year: € 27.9 million). In contrast, the contract liabilities and advance payments received decreased from € 34.2 million to € 25.5 million.

Net working capital – the difference between current assets (less cash and cash equivalents, bank deposits and current loan receivables) and current liabilities (less short-term bank loans) – improved to € -32.1 million (December 31, 2023: € -29.2 million).

Overall, the net assets, financial position, and result of operations of the KHD Group are completely satisfactory.

Non-financial Performance Indicators

Non-financial performance indicators include employee development, customer satisfaction, the impact of our products on the environment, product quality and individual employee-related performance indicators.

KHD has a standard procedure for employee evaluation and development with which important competencies, such as performance and results orientation, assertiveness and communication are assessed. The results form the basis for a discussion of individual development activities as well as long-term personnel and succession planning. Target achievement in relation to non-financial performance indicators is measured with the help of various instruments, such as annual employee appraisal, the recording of customer satisfaction or the systematic measuring of emissions values and energy consumption of individual products. Value-oriented management in the KHD Group means that, for example, customer satisfaction and the minimization of our products' impact on the environment are more important than short-term profit maximization.

Employees

Personnel Development

As of the 2024 balance sheet date, KHD employed 944 people across the entire Group, 64 more than the previous year's total of 880. Of the total employees, 233 are industrial employees (previous year: 171 industrial employees) whose work is based on temporary contracts. Expenses for these employees is not included in personnel expenses, but is instead reported as part of the costs of sales. While the number of employees at the companies in the USA and China hardly changed, the subsidiary in India in particular added 66 more employees. The number of employees at German sites increased by three. As of the end of 2024, approximately 25% of all employees in the Group worked in Germany and 70% in India.

KHD's personnel expenses in the 2024 financial year totaled € 42.7 million, following a figure of € 41.3 million in the corresponding period in the previous year.

Development of Team and Leadership Skills

Our employees undergo a variety of internal and external training programs. This is intended to ensure that the knowledge, skills, and working practices are adapted to continuously changing conditions and to customers' growing expectations. Internal training also includes seminars for our managers. Internal feedback sessions for the evaluation and development of employees were also carried out in 2024.

ANNUAL FINANCIAL STATEMENTS OF KHD HUMBOLDT WEDAG INTERNATIONAL AG

KHD Humboldt Wedag International AG (KHD AG) is the controlling company of the KHD Group and functions as a holding company with no operating business activities. The Management Board of KHD AG is responsible for managing the company and the Group. This primarily includes determining and implementing the Group strategy and financial management. The annual financial statements of KHD AG were prepared pursuant to the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG); the management report is combined with the Group management report. The individual financial statement is used to determine the net retained profit and the dividend distribution rate.

Business Performance in 2024 and Expected Development in 2025 with Significant Risks and Opportunities

The business development and position of KHD AG is primarily determined by the development of the business and the success of its subsidiaries and, therefore, the development of the KHD Group as a whole. In this respect, reference is made to the corresponding sections of the combined management report.

Liquidity and earnings before tax (excluding the effect of income from investments) are the performance indicators with key relevance. As a management holding company, KHD AG – unlike the operating Group companies – is not additionally controlled based on non-financial performance indicators. Earnings before tax in the amount of € -264 thousand in the 2024 financial year met expectations (loss before tax of less than € 1.0 million, excluding the effect of income from investments). Due to considerably lower revenue resulting from income from services provided to subsidiaries as well as lower other operation income, even though expenses were less in comparison with the previous year, were not fully covered. Accordingly and as expected, the 2024 financial year concluded with a net loss.

The expected development of KHD AG in the 2025 financial year is also determined by the operating success and dividend policy of the direct and indirect subsidiaries and, therefore, the development of the KHD Group. To this extent, the statements in the outlook for the Group also apply indirectly to the future development of KHG AG. With respect to the significant performance indicators, KHD AG expects a negative figure for earnings before tax (excluding the effect of income from investments) in the 2025 financial year (loss < € 1.0 million). Earnings before tax This guidance is based on the assumption that the operating subsidiaries will continue to receive services from the bond arrangement agreement via KHD AG in the planned volume and that the Group charges for the services provided (management tasks performed for KHD subsidiaries) and received do not change significantly. The liquidity and financing of KHD AG continue to be ensured to their full extent.

The risks and opportunities for KHD AG essentially correspond to those of the Group. They are presented in the risk and opportunity report of the combined management report. In addition to the risks presented there, KHD AG is exposed to specific risks in its function as a management holding company. These include equity holding risks, particularly in the form of an impairment of the carrying amount of the investment, but also exposure from legal and contractual contingent liabilities as a result of relationships to the subsidiaries. KHD AG continuously monitors the Group companies' economic development through active controlling of holdings. The remaining risk will continue to be classified as “medium.”

Results of Operations

The revenue generated by KHD AG in the 2024 financial year totaled € 2,552 thousand (previous year: € 3,459 thousand) and resulted exclusively from internal Group services.

Other operating income in the amount of € 207 thousand was significantly below the previous year’s figure (€ 825 thousand). In the previous year, income from exchange rate gains and exchange rate forward contracts totaled € 445 thousand, which were only to be recorded in the reporting year in the amount of € 165 thousand. Furthermore, income from charges to affiliated companies of € 3 thousand was received; in the previous financial year it totaled € 340 thousand.

The expenses for purchased services of € 564 thousand in the reporting year (previous year: € 616 thousand) mainly included, as in the previous year, external consulting services in connection with intra-group revenue.

Personnel expenses totaled € 2,270 thousand (previous year: € 2,339 thousand) and included the compensation of the members of the Management Board as well as the Company’s employees. KHD AG employed six salaried staff members on average during the year (previous year: six).

Due to lower Group charges in the 2024 financial year, among other reasons, other operating expenses decreased significantly from € 2,789 thousand in the previous year to € 1,894 thousand. Considerably fewer effects from exchange rates and exchange rate forward contracts along with lower insurance expenses also contributed to this reduction. In addition to the expenses mentioned, other operating expenses primarily included legal and consulting costs, costs of preparing and auditing the annual financial statements, Supervisory Board compensation, costs related to the Group’s stock exchange listing, and other administrative costs.

Income from long-term loans in financial assets of € 3,050 thousand in the 2024 financial year (previous year: € 3,611 thousand) was equivalent to the interest income from the loans granted to AVIC Kairong. Interest and similar expenses totaling € 1,403 thousand (previous year: € 2,064 thousand) primarily resulted from interest for loans taken out by four subsidiaries (€ 1,255 thousand, previous year: € 1,318 thousand). The net finance income of the previous year was also negatively affected by the interest expenses from a bank loan in the amount of € 525 thousand, which were no longer incurred in the reporting year.

In the 2024 financial year, income taxes in the amount of € 601 thousand (previous year: € 130 thousand) were recorded. These include effects from an audit for the years 2020 and 2021 in the amount of € 229 thousand. After taxes, there was a net loss of € 865 thousand for the financial year under review, after the previous year concluded with a net profit of € 9 thousand.

Financial Position and Net Assets

The assets of the Company, which still functions only as a management holding company, remained as of the balance sheet date at the level of the previous year (€ 134,394 thousand, previous year: € 134,603 thousand) and continue to be dominated by the financial assets (€ 130,410 thousand; previous year € 130,410 thousand).

The most significant assets of KHD AG were – as in the previous years as well – the shares in KHD GmbH in the unchanged amount of € 70.4 million and the two loans granted to AVIC Kairong totaling € 60.0 million as of the balance sheet date on December 31, 2024, unchanged from the previous year. As a result, the financial investments made up 97.0% of the total assets (previous year: 96.9%).

Current assets amounted to € 3,802 thousand on the balance sheet date on December 31, 2024 (previous year: € 3,956 thousand). In this context, other assets decreased from € 1,251 thousand in the previous year to € 514 thousand in the reporting year. Furthermore, securities held as current assets on behalf of a subsidiary in the amount of € 553 thousand were reported (previous year: € 0 thousand).

The 2024 financial year concluded with a net loss for the year in the amount of € 865 thousand (previous year: net profit of € 9 thousand) and, as a result, the equity of KHD AG decreased from € 105,594 thousand to € 104,729 thousand. Accordingly, the equity ratio of the Company totaled 77.9%, following 78.4% as of the balance sheet date of the previous year and remains at a very high level.

Other provisions and accruals, which, as of December 31, 2024 as on the balance sheet date of the previous year, were established primarily for outstanding invoices, profit-based and other bonuses, unused vacation days and for auditing costs, increased from € 1,595 thousand on the balance sheet date of the previous year to € 2,022 thousand as of December 31, 2024. The reason for this increase were higher provisions for profit-based and other bonuses and for unused vacation days as well as for outstanding invoices. Liabilities amounted to € 27,386 thousand on the balance sheet date, following € 26,969 thousand in the previous year, and on December 31, 2024 included almost exclusively liabilities due to affiliated companies in the amount of € 27,335 thousand (previous year: € 26,829 thousand).

The financing of KHD AG continues to be ensured to its full extent due to the available liquidity at the end of 2024, the option to require repayment of the loan granted to AVIC Kairong in the amount of € 10.0 million within 30 days, and the ongoing distribution potential of companies in the KHD Group. As a management holding that provides a central financing function, the Company can use cash and cash equivalents from other Group companies as needed.

Relations with Affiliated Companies

The Management Board of KHD AG has prepared a report on relations with affiliated companies – a dependent company report – in accordance with Section 312 of the German Stock Corporation Act (AktG) for the 2024 financial year. The Management Board of KHD AG issued the following concluding declaration in the Company's dependent company report:

"With respect to the legal transactions listed and in view of the facts known to us at the time at which the legal transactions were made, our Company received appropriate consideration for each legal transaction. Furthermore, with respect to the measures listed and in view of the facts known to us at the time at which the measures were taken, our Company was not disadvantaged. No other legal transactions or other measures at the request of or in the interest of the controlling companies or one of their affiliated companies occurred."

Accumulated loss

The annual financial statements of KHD Humboldt Wedag International AG for the 2024 financial year indicate a net loss for the year of € 865 thousand and an accumulated loss of € 9,774 thousand. Due to the accumulated lost determined according to the German Commercial Code (HGB), no resolution must be passed concerning the appropriation of net retained profit.

Balance Sheet and Income Statement of KHD Humboldt Wedag International AG

The balance sheet and income statement of KHD AG are given in a condensed form.

Assets	**Dec. 31, 2024 € thousand**	**Dec. 31, 2023 € thousand**
Fixed Assets	130,413	130,423
Current Assets		
Receivables and Other Assets	2,052	2,925
Securities	553	0
Bank Balances	1,197	1,031
	3,802	**3,956**
Prepayments and Deferred Expenses	**179**	**224**
Total Assets	**134,394**	**134,603**

Equity and Liabilities	**Dec. 31, 2024 € thousand**	**Dec. 31, 2023 € thousand**
Equity		
Subscribed Capital	49,704	49,704
Reserves	64,799	64,799
Accumulated Loss	(9,774)	(8,909)
	104,729	**105,594**
Provisions and Accruals		
Accruals for Taxes	257	445
Other Provisions and Accruals	2,022	1,595
	2,279	**2,040**
Liabilities		
Liabilities due to Affiliated Companies	27,335	26,820
Other Liabilities	51	149
	27,386	**26,969**
Total Equity and Liabilities	**134,394**	**134,603**

Income Statement	**2024**	**2023**
	€ thousand	**€ thousand**
Revenue	2,552	3,459
Other Operating Income	207	825
Cost of Purchased Services	(564)	(616)
Depreciation and Amortization	(2,270)	(2,339)
Personnel Expenses	(11)	(18)
Other Operating Expenses	(1,894)	(2,789)
Finance Result	1,716	1,617
Income Taxes	(601)	(130)
Net Loss / Profit for the Year	**(865)**	**9**
Loss carried forward from Previous Year	(8,909)	(8,918)
Net Accumulated Loss	**(9,774)**	**(8,909)**

DISCLOSURES PURSUANT TO SECTION 315a OF THE GERMAN COMMERCIAL CODE (HGB)

Composition of Subscribed Capital

The Company's subscribed capital (share capital) amounted to € 49,703,573 as of December 31, 2024, and is divided into 49,703,573 no-par-value ordinary shares. All shares are ordinary bearer shares and grant the same rights. The rights and obligations arising from the shares are derived from statutory regulations.

Restrictions affecting Voting Rights or the Transfer of Shares

There are no restrictions affecting voting rights or the transfer of shares.

Direct or indirect Interests in the Share Capital exceeding 10% of Voting Rights

Direct and indirect interests in the share capital exceeding 10% of voting rights are held by (allocation of voting rights pursuant to the regulations of Section 22 of the German Securities Trading Act (WpHG)):

- AVIC International Engineering Holdings Pte. Ltd., Singapore, Singapore;
- Max Glory Industries Limited, Hong Kong, Hong Kong;
- AVIC International Beijing Co. Limited, Beijing, People's Republic of China,
- AVIC International Holdings Limited, Shenzhen, People's Republic of China;
- AVIC Innovation Holding Limited, Shenzhen, People's Republic of China;
- AVIC International Holding Corporation, Beijing, People's Republic of China;
- Aviation Industry Corporation of China, Beijing, People's Republic of China;
- People's Republic of China, Beijing, People's Republic of China.

AVIC International Engineering Holdings Pte. Ltd. and Max Glory Industries Limited directly hold a 69.02% and a 20.00% stake in the share capital, respectively.

The Management Board was not informed of any other shareholders whose voting rights directly or indirectly exceeded 10% of the total voting rights as of the reporting date December 31, 2024, or at the time of the preparation of the financial statements.

Shares with Special Rights granting Control Authorizations

There are no shares with special rights that grant control authorizations.

Method of Voting Right Control if Employees hold Shares and do not directly exercise their Controlling Rights

There are no shares owned by employees as defined by Section 315a, Paragraph 1, Number 5 of the German Commercial Code (HGB).

Regulations governing the Appointment and Recall from Office of Management Board Members, as well as Regulations governing Changes to the Articles of Association

The Management Board consists of one or more persons whom the Supervisory Board appoints for a maximum of five years pursuant to Section 84 of the German Stock Corporation Act (AktG). Reappointment or an extension of the term of office is permitted. The Supervisory Board may appoint one of the Management Board members to be the Chief Executive Officer. A court may appoint a Management Board member in exceptional cases pursuant to Section 85 of the AktG. The Supervisory

Board may revoke a Management Board appointment or the appointment as Chief Executive Officer pursuant to Section 84, Paragraph 3 of the AktG for good cause.

The articles of association may be changed only by a resolution passed by the Annual General Meeting pursuant to Section 119, Paragraph 1, Number 5 and Section 179 of the AktG. Unless determined otherwise by mandatory statutory provisions, resolutions by the Annual General Meeting are passed with a simple majority of votes submitted and, if required, by a simple majority of the issued share capital represented, pursuant to Section 133 of the AktG and Section 18, Paragraph 2 of the articles of association. The Supervisory Board may pass resolutions to amend the articles of association which relate solely to their wording pursuant to Section 20 of the Articles of Association. Amendments to the articles of association take effect once they have been entered into the Commercial Register in accordance with Section 181, Paragraph 3 of the AktG.

Management Board Authorizations, notably with regard to the Possibility of issuing or repurchasing Shares
The Management Board members are neither authorized nor empowered to issue or repurchase their own shares.

Significant Agreements subject to a Change of Control following a Takeover Bid
Agreements with regard to a change of control have been made in the bilateral bank guarantee credit facilities with Deutsche Bank AG and Austrian Raiffeisen Bank International AG. In the event of a change of control under the agreement, the Company will immediately inform the banks of the change in control and enter into negotiations with the banks concerning the continuation of the bank guarantee credit facilities. The loan contract with the Bank of China Limited stipulates comparable rules. Following notification of a change of control, the bank decides how to continue its involvement.

Compensation Agreements that the Company has entered into with Management Board Members or Employees in the Event of a Takeover Offer
The Company has not entered into any compensation agreements with Management Board members or employees in the event of a takeover offer.

COMPENSATION REPORT

The Compensation Report applicable for German stock corporations in accordance with Section 162 of the AktG, including the Auditor’s Report in accordance with Section 162, Paragraph 3 of the AktG is available in the Company’s website at www.khd.com/ir/news-reports/#compensation-reports.

REPORT ON EVENTS AFTER THE REPORTING PERIOD

In March 2025, HW India signed a project package for a large-scale project with an Indian customer. The contract package refers to a new cement plant with a production capacity of 10,000 tons per day. It includes an order volume of more than € 100 million (after currency translation). There have been no other significant developments or events of particular importance since the reporting date of December 31, 2024.

RISK AND OPPORTUNITIES REPORT

Risk Management

As a globally operating cement plant equipment supplier and service company, the KHD Group is subject to a number of different risks in the course of its business activities. By being prepared to take calculated commercial risks, the KHD Group is able to utilize opportunities to increase the Group's value over the long term.

KHD's Management Board has implemented a comprehensive, systematic, and effective risk management system, which is based on a formal risk policy. Risk management in the KHD Group is based on the COSO-ERM concept. In addition to the systematic approach towards the early identification, recording, and assessment of risks, the essential components of our risk management system include steps to mitigate risk, which means defining and implementing measures in response to risks that have been identified. Risk management is a task performed on an ongoing basis across the Group and forms an integral part of decision-making and business processes throughout the KHD Group.

Identification and evaluation of opportunities is not carried out as a separate category of the risk management system. Nevertheless, risk management in the KHD Group also takes into account the best possible use of opportunities as positive deviation from targets due to successful implementation of the respective measures in addition to reducing impact and probability of negative events. With effective and efficient risk management, we are able to identify and capitalize on business opportunities to the benefit of our shareholders, customers, and employees.

The systematic recording and assessment of risks and opportunities is an essential component in controlling the Group. The corporate strategy and risk management are closely linked with respect to the systematic identification of risks at an early stage. Since the corporate objectives and the corresponding success factors are set as part of the planning process, direct relationships exist between risk management, on the one hand, and strategic planning and medium-term planning on the other. Transactions and measures that could potentially damage business viability are avoided in principle. For the KHD Group, this means in particular that for projects, liability for consequential damages is contractually excluded.

The risk management system in the KHD Group is incorporated into the internal control system. Risk management is not limited to the early risk recognition system set out in Section 91, Paragraph 2 of the German Stock Corporation Act (AktG), as it not only covers business viability risks, but encompasses all substantial risks for the Company or the KHD Group (operational, strategic, financial, and compliance risks). Improving risk management includes regularly evaluating and enhancing the relevant internal controls in order to ensure that the process functions properly and efficiently. Process improvements and amendments are identified and implemented on a continual basis.

Risk Management Organization, Responsibilities, Instruments, and Reporting

The KHD Group makes a distinction between risks that affect the entire Group or that can only be managed at the Group level (Group risks), and risks that are managed by the operating business units (entity risks). Group risks are identified by both local executive management and members of the Management Board and are then managed by risk owners, who are appointed accordingly. The respective risk owners in the operating business units are responsible for handling entity risks in a systematic way.

The KHD Group has appointed employees responsible for risk management at the level of the operating business units in order to help ensure that risks are identified and assessed in the same way across the Group and to coordinate these activities. These risk managers are also in charge of monitoring and tracking how specific measures to mitigate risks are being implemented. Central risk management is directly taken care of by the Chief Executive Officer, who is supported by a risk management coordinator.

All material risks are recorded in risk registers. They also document assessments of the probability of a risk occurring and the extent of potential damage that would be caused by each significant risk, as well as record the risk response measures planned or in place, in a clear and compact format. The risk registers are updated regularly so that decision-makers are provided with an overview of the entire risk situation.

The particular requirements of the project business are accounted for via risk management measures integrated into the operational processes. As part of this, key points are reviewed by the experts in our specialist departments during the tendering phase before signing the respective contracts in order to avoid taking on unexpected or unmanageable risk. Project-related risk management continues in the project execution phase, where project management considers risks relating to exceeding budgeted cost or time, technical difficulties, and financial aspects.

Reporting plays a particularly important role in ensuring effective risk management. It ensures that all significant risks are depicted according to a uniform set of criteria and explained to managers during the decision-making process.

The Chief Executive Officer provides a detailed report on the risk situation every six months to the Supervisory Board, using the risk registers as a basis. In addition, the CEO also reports on the effectiveness of the risk management system to the entire Management Board and the Supervisory Board of KHD. The independent auditors also assess the effectiveness of the risk early warning and internal monitoring system in accordance with Section 317, Paragraph 4 of the German Commercial Code (HGB) and report on the result of their audit to the Management Board and Supervisory Board.

Risk Assessment

The potential impact is classified for each operating business unit on the basis of the local materiality calculated. In order to highlight the risk potential and to raise risk awareness, an assessment of the probability of a risk occurring and its potential impact must be given in the risk register, both with (net risks) and without (gross risks) considering the measures and controls for risk mitigation. Moreover, business viability risks must be identified and recorded accordingly in the risk register for both the Group and the operating business units.

The scale for measurement of the probability of occurrence is presented in the following table:

Class	Probability of Occurrence	Description
1	1 – 10%	Very low/very unlikely
2	11 – 25%	Low/unlikely
3	26 – 50%	Moderate
4	51 – 75%	High/likely
5	76 – 99%	Very high/very likely

The scaling of the probability of occurrence is consistent with the accounting methods applied, i.e. the probability of occurrence of Class 4 corresponds to the accounting terminology “more likely than not.”

The scale for measurement of potential amount of damage is presented in the following table:

Class	Impact	Description
1	Low	Insignificant negative impact
2	Moderate	Limited negative impact below the materiality threshold (€ 1.5 million)
3	Material	Significant negative impact that exceeds the materiality threshold (€ 1.5 million)
4	Very material	Negative impact that exceeds the level of the materiality threshold by two times (€ 3.0 million)
5	Catastrophic	Negative impact potentially threatening to business viability

The summarized risk assessment arises on the basis of the following risk assessment:

Probability of Occurrence Impact	**1**	**2**	**3**	**4**	**5**
1	Low	Low	Low	Low	Low
2	Low	Low	Low	Medium	Medium
3	Low	Low	Medium	Medium	High
4	Low	Medium	Medium	High	High
5	Medium	Medium	High	High	High

Risk Management for Financial Instruments

In its position as a globally operating Group, KHD is exposed to various financial risks (currency, interest rate, default, credit, and liquidity risks) which may have a significant impact on the Group's net assets, financial position, and result of operations. The aim of financial risk management in the KHD Group is to cover or reduce financial risks by making appropriate use of hedging instruments, including derivative financial instruments. As of the balance sheet date of the reporting year there were no derivative financial instruments in the portfolio.

In the case of exchange rate risks, a differentiation should be made on the one hand between currency risks related to the execution of projects in different currency areas and from the extension of loans in a currency different from the functional currency, and risks arising from the translation of individual Group companies' financial statements denominated in a foreign currency at various reporting dates on the other. As part of the execution of projects and extension of loans, exchange rate risks are generally determined on the basis of planned cash flows and minimized by using derivative financial instruments. The derivative financial instruments currently in use include only exchange rate forward contracts. Since the derivative financial instruments used by the KHD Group do not meet the strict requirements of hedge accounting, the economic hedge relationship is not reflected by using hedge accounting in the annual financial statements or consolidated financial statements. As of December 31, 2024, KHD did not have any derivatives in its portfolio.

Interest rate risks arise through market-related fluctuations in interest rates. As of the balance sheet date, the KHD Group reports a continuous high level of cash and cash equivalents and large loans granted to the AVIC Group and no significant interest-bearing liabilities. The interest rates for the loans to the AVIC Group have been firmly agreed for the applicable term. This means that there is no interest rate risk for the loans.

The risk of credit concentration with regard to receivables is generally diminished as receivables are spread out worldwide, reflecting the Group's customer structure. Long-term business relationships are maintained with important customers. In the past, these customers have not been involved in bad debt losses based on credit rating. In addition, there are no current indications of increase credit rating risks. Credit risk is also mitigated through the payment terms the Group agrees with its customers, notably progress billings and advance payments, to avoid excessively high levels of outstanding receivables. Internal guidelines ensure that products are generally only sold to customers with appropriate credit ratings. The risk of counterparty default is managed through regular analyses of the trade receivables and the structure of receivables. At the KHD Group, receivables from export contracts are to a large extent secured against default risks by confirmed and unconfirmed letters of credit, as well as through letters of comfort, guarantees, and cover notes, which also include export credit agencies (e.g. Hermes).

The KHD Group has been pursuing a conservative, forward-looking policy of liquidity hedging for many years and has a solid level of cash and cash equivalents. By means of financial and liquidity planning, cash and cash equivalents are available in such a way that the Company or the KHD Group is at all times able to fully meet its payment obligations. Guarantee credit facilities arranged with banks allow individual KHD Group companies to provide bank guarantees for its customers worldwide.

Accounting-related Internal Control System

Along with the risk management system, the KHD Group's internal control system (ICS) also includes, in particular, extensive control activities to secure proper and reliable accounting and financial reporting. The ICS is oriented toward ensuring compliance with relevant laws and standards, as well as the commercial efficiency of operating processes. Both KHD Group's internal control system and risk management is based on the COSO-ERM concept.

The Management Board is responsible for the establishment, monitoring, and further development of the ICS, as well as for ensuring its effectiveness. All consolidated subsidiaries are included in KHD's ICS.

The control activities for ensuring proper and reliable accounting primarily comprise both automated control processes, such as system access controls based on a user authorization policy or programmed plausibility checks for financial figures, and manual control processes such as deviation and trend analyses on the basis of defined key performance indicators and comparisons with budget figures.

The entire accounting-related ICS is documented both at KHD and in the significant subsidiaries by means of process descriptions (narratives). In this context, key controls are identified for each process and summarized in a risk control matrix (RCM). The responsible process owners monitor the operating effectiveness of all key control activities on an ongoing basis and ensure that appropriate documentation is prepared.

KHD and its subsidiaries are responsible for recording accounting transactions. The ICS measures that focus on proper and reliable Group accounting practices ensure that business transactions are recorded completely and in a timely manner in compliance with legal and other regulatory requirements. Furthermore, care is taken to ensure that assets and liabilities are recognized, measured, and presented appropriately. Other core principles of the ICS in the KHD Group are the dual control principle and the segregation of duties; in this way, the possibility of fraudulent behavior is also reduced.

The locally prepared monthly financial reporting is combined with supplementary information in order to produce a Group reporting package, which is then submitted to the central consolidation department using a Group-wide standardized reporting system. The process for preparing the Group financial statements is performed and monitored centrally. Uniform Group guidelines for accounting, measurement, and reporting ensure compliance with legal regulations.

Summary of the Company's and KHD Group's Risk Position

In summary, it may be concluded that the risks identified do not pose a threat to the Company and to the KHD Group as a going concern, either individually or in combination. From an organizational standpoint, the foundations have been laid to ensure that changes in the risk position are recognized in good time. Overall the risk position has not changed significantly compared with the previous year. With regard to measurable specific risks, valuation allowances and balance sheet provisions have been set up to the extent required in the 2024 financial year.

Risk Areas

The following section describes the key risk areas, the strategy for risk mitigation, and the summarized risk assessment (“high”, “medium”, and “low”) taking into account the measures and controls for risk mitigation (net risks). The risk areas combine a large number of individual risks. The risk mitigation strategy presented below comprises a large number of specific individual measures and activities. The risk areas principally cover the Capex and Plant Services segments, although the procurement, innovation, and project risks are of much higher significance for the Capex business unit. As long as there is no explicit reference within the relevant risk areas, the net risks remain unchanged in comparison to prior year.

Risks from Underlying Economic Conditions

In its position as a globally active group, the KHD Group is affected by changes in the global economy. As a supplier of technical equipment for cement plants, the Group is particularly dependent on cyclical trends in the demand for cement. Moreover, there is also a risk of losing market share and of decreasing margins as a result of tough competition.

The KHD Group operates as a plant engineering company in many countries and regions, meaning that risks are lessened to a certain extent due to geographic diversification. Risks are to be mitigated by concentrating on expanding our service business (including spare parts) as well as systematically developing our position in growth markets and in markets where we have had a low presence up until now. We counter the risk posed by the competition by analyzing our market environment and the situation of our competitors on an ongoing basis. Maintaining constant customer contact, together with enhancing our sales area and the resulting proximity to the market, provides us with important information about the needs of our customers. The information gathered here enables us to develop and offer suitable products as well as to strengthen our competitive position. The remaining risk is classified as "medium” (previous year: “medium”).

Country Risks

As a globally operating group, the KHD Group is exposed to country risks. These include legal risks, capital transaction prohibitions, other regulatory restrictions, defaults on trade receivables, war, and other social unrest. Country risks impact the KHD Group due to the continuing high degree of political risks.

From as early as the tendering phase, individual projects are assessed, taking such country risks into consideration. Risks of defaults on export business are assessed and if necessary limited by covenants provided by cover notes provided from export credit agencies (e.g. Hermes guarantees). Remaining country risks are principally classified as “low”. The Russian war of aggression against Ukraine is resulting in severe limitations of the supply and service relationships with customers and suppliers in Russia. KHD business activities in Russia are currently at a low level in the context of a multi-year comparison. KHD does not see discontinuing the business relationships with Russian customers as responsible behavior. However, all of the KHD companies are strictly adhering to existing restrictions and sanctions. In view of the KHD Group’s minimal ability to influence future developments and given the potential significance of the Russian market for the KHD Group’s order intake, the remaining risk for Russia is classified as “high” (previous year: “high”), as it has been since the 2014 financial year, despite its rather low significance for the business activities of the KHD Group.

Procurement Risks

The reliable availability of products and services in an appropriate quality, quantity, and at competitive prices is a decisive factor for success. Disruptions in the procurement process therefore represent a significant risk to the KHD Group.

In order to minimize this risk, purchasing follows a global strategy based on the systematic analysis of the quality, delivery performance, and pricing structure of existing and potential new suppliers. The purchasing organizations of the operating business units are integrated into a Global Supply Chain Management in order to utilize available knowledge about local markets when developing the purchasing strategy. This is supported by strategic procurement elements that are applied across the Group. The remaining risk is classified as "medium” (previous year: “medium”).

Innovation Risks

Excellence in innovation is a crucial factor of success for a technology-focused group such as the KHD Group. Besides customer requirements, it is important in this context to also consider growing environmental protection requirements in the development of our products. Furthermore, our research and development activities focus particularly on improving and reducing the cost of existing products that can be used for customer-specific solutions.

Research and development activities are linked to the market as closely as possible by maintaining constant communication with the sales department and by setting up cross-departmental teams. A development process with defined milestones and a given budget for individual research and development projects identifies potential deviations from targets as early as possible and triggers corresponding corrective measures. The remaining risk is classified as "medium” (previous year: “medium”).

Project Risks

Complex, large-scale cement plant construction projects present particular challenges for our risk management. Our projects regularly entail contractual periods significantly longer than twelve months. The contract value of individual orders can be significant for the subsidiaries concerned, but may also be significant from the perspective of the KHD Group. Such large-scale projects typically comprise all activities relating to the planning, engineering, and delivery of the important components of cement plant equipment. Potential project risks arise here with regard to the uncertainties entailed in project cost estimates, unexpected technical problems, supply bottlenecks or quality problems at suppliers of important components, delays in project execution, delays of budgeted cash flows, and unforeseeable developments during the erection and commissioning phase on site. There are also warranty risks after the commissioning of the plant. Essentially, in recent years we have faced a growing complexity of contractual obligations combined with an expansion of service requirements and growing customer demands.

It is especially important for risk management to identify possible cost variances in an early stage in order to estimate the effect on the costs to complete and to take countermeasures in a timely manner. From as early as the tendering phase, we employ proven methods to manage such project risks, in order to prevent entering into risks that cannot be calculated or managed. In the project execution phase, the risk factors identified and assessed before the contract is signed are systematically processed and minimized. Together with organizational and procedural provisions, the methods used in project management and project controlling to identify, assess and minimize risks are subject to a continuous improvement process. Provisions are set up on the face of the balance sheet to cover any defects that might arise during the warranty phase. The risk remaining after risk mitigation is classified as "medium" (previous year: "medium").

Personnel Risks

The KHD Group is distinguished by a corporate culture based on trust. At the forefront of this culture is the responsible and entrepreneurial way of thinking and acting demonstrated by our employees. The success of the KHD Group is directly dependent on the dedication, motivation, and capabilities of its employees, as well as on efficient and effective leadership. Risks also exist if management positions cannot be filled promptly and with qualified candidates.

We mitigate personnel risks through identification and promotion, especially of high-performing individuals. The KHD Group aims to ensure that its managers and employees remain committed and loyal to the Group over the long term. We develop individual personal development measures on the basis of systematic competency assessment. The risk remaining after risk mitigation is classified as "medium" (previous year: "medium").

Legal Risks

As an internationally active company, the KHD Group is exposed to a large number of legal risks. These may include risks concerning warranties, breach of contractual terms, competition and patent law, and tax law. Risks consist of judicial, arbitrational, and extrajudicial disputes. Furthermore, risks can result from administrative proceedings. Due to the uncertainties that are always related to legal disputes, in most cases the outcome of currently pending or future legal proceedings cannot be predicted with a reasonable degree of security.

Existing and pending litigation is identified and analyzed continuously, and potential juridical and financial consequences are qualitatively and/or quantitatively assessed. Based on this assessment, management implements appropriate measures in good time and establishes balance sheet provisions for such risks if necessary, in case of a negative outcome. The remaining risk is classified as "medium" (previous year: "medium").

Tax Risks

The companies in the KHD Group are required to take a large number of international and country-specific laws and tax regulations into consideration. Fiscal risks may arise if tax authorities are of the opinion that tax laws and other regulations have not been complied with, or have not been fully complied with. In particular, tax audits may result in charges due to retrospective tax payments, interest payments, and penalties.

The KHD Group mitigates tax risks by permanently monitoring the current and evolving tax legislation as well as by consulting with external tax advisors. Balance sheet provisions are established for such tax risks to the extent that these can be measured reliably. The remaining risk is classified as "medium" (previous year: “medium”).

IT Risks

All key business processes (accounting and controlling, project management, purchasing, engineering, sales, etc.) within the KHD Group depend on the functionality and availability of the IT systems used. Thus, disruptions of system operations entail disruptions to the workflow as well as to business and operational processes. In addition, the number of attacks on the IT infrastructure (“cyber threats”) continues to increase.

In order to safeguard uninterrupted and trouble-free operations, particular attention is paid to the availability of IT resources and IT systems. To defend against attacks on our IT infrastructure, the security technologies we use have undergone rigorous development. Furthermore, we are continually mindful of ensuring the integrity and confidentiality of significant information (data protection). In addition, we continuously monitor the effectiveness and efficiency of the software solutions deployed within the KHD Group with respect to our business processes. Measures to update and replace software solutions and hardware are determined as part of our IT strategy. The remaining risk is classified as “low” (previous year: “low”).

Default Risks on Loans Extended

In the 2024 financial year, the KHD Group extended the terms of two loan agreements concluded with AVIC Kairong as the borrower in the 2017 financial year, initially due in the 2024 financial year, by three years to 2027. These two loans totaled € 60.0 million as of December 31, 2024 (previous year: € 60.0 million).

Possible default risks are effectively minimized by continuous monitoring of the credit worthiness of the borrower and by a Group guarantee issued to the KHD Group by a holding company of the AVIC Group. The remaining risk after effective risk mitigation is classified as “low” (previous year: “low”).

Opportunities

Generally speaking, the risks indicated here represent opportunities for the future growth of the KHD Group if the appropriate measures are implemented successfully. These opportunities arise from an improvement in the market and competitive position owing to the development of more cost-effective products, the optimization of procurement activities or our project execution, for instance. By the same token, the expansion of our service business (including the spare parts business) as well as systematically developing our position in growth markets and in markets where we have had a low presence up to now represent key opportunities. To take advantage of the opportunities, the KHD Group rigorously focuses it work in the five fields of action (previously: six) with regard to strategy implementation which were introduced previously at the Annual General Meeting in May 2023:

1. Benefiting from the “green transition”;
2. Go China/India and improving the Group’s presence in selected markets;
3. EPC (engineering, procurement, construction) with strategic partners;
4. Expansion of the service portfolio and digitalization;
5. Improvement of competitiveness on the cost side and excellence in execution.

In the section below, we will examine the individual aspects of significant opportunities and potential for future development. The development of convincing policies for drastically reducing the CO_2 emissions of cement plants remains tremendously important for the future of the cement industry. To take advantage of opportunities, KHD continues to invest in the development of new technologies for minimizing the CO_2 footprint. KHD primarily sees considerable market potential for the following new technologies:

- Techniques for the calcination of alternatives to limestone, such as clay, which are more advantageous with respect to CO_2, particularly the calcination of clay,
- Oxyfuel plants,
- Electrification of cement and quicklime manufacturing,
- CCUS (carbon capture, utilization, and storage of CO_2),
- Recarbonization of used concrete and other mineral substances.

Furthermore, we regard rising regulatory requirements for reducing the environmental impact of cement plants, such as the focus on environmental aspects in China’s current five-year plan, as opportunities. The KHD Group offers its customers environmentally conscious solutions by considering the environmental impact of the cement production process as early as in the tendering phase. We are also constantly developing our products with regard to environmental aspects. In this context, we concentrate on achieving lower emission levels as well as the efficient use of resources, materials, and energy.

The KHD Group continually invests in the development of new technologies and the improvement of existing technologies, products, and services which, in our view, meet the current and future needs of our customers to the fullest extent possible. By taking the efficiency, reliability and availability of equipment, environment and climate protection, standardization, and user-friendliness into account, the KHD Group generates significant opportunities as early as in the development phase.

The KHD Group entered into a strategic partnership with AVIC back in December 2010. Following the successful conclusion of the takeover by AVIC there is a stable shareholder structure with a very significant majority. The partnership with AVIC has resulted in great advantages in the implementation of our “Go China” strategy and significant opportunities for the expansion of our market activities in China. In addition, better opportunities for cooperation with inexpensive, high-quality manufacturing facilities in China are in progress. Over and above the cost advantages of manufacturing of existing products, further opportunities result from adapting KHD Group products to local manufacturing materials and standards.

With the typical time delay, global economic growth is having an impact on the markets for long-term capital goods. There is a growing demand for cement, especially in emerging economies, due to advancing urbanization and efforts to promote infrastructure development. Production capacities are being augmented and cement plants modernized and/or expanded. Thanks to a strong market position, the KHD Group sees opportunities for growth, particularly in India as well as in neighboring countries.

The KHD Group constantly endeavors to strengthen its position as a leading technology company, develop additional market potential, and expand its portfolio of products and services. We monitor our current and future markets in order to identify opportunities for strategic acquisitions or cooperations which may complement our organic growth.

OUTLOOK

Projected Market Environment

In its World Economic Outlook[1] for 2025 and 2026, the IMF expects estimated growth in global economic output of 3.3%. According to the IMF, the global inflation rate will decrease to 4.2% in 2025 and 3.5% in 2026.

According to CW Research, global growth in cement consumption of 1.4% is expected for 2025. However, if China is not taken into account, global growth in cement consumption of 3.7% is forecast. In the regions and countries we take into consideration, greater demand for cement can be expected in general for 2025, but in various forms. Expected growth rates are 0.9% for western Europe, 3.3% for central and eastern Europe, and 5.8% for Turkey. While an increase in cement consumption of 2.9% is forecast for the Middle East, only moderate growth is expected in North America (1.9%) and Latin America (1.7%). In Asian countries such as India, CW expects a growth rate of 6.7% and for the Philippines 5.5%. An increase of 3.0% in cement consumption is expected for Russia, but this market is currently unavailable to KHD.

Expected Business Development

KHD plans to achieve a slightly positive result for earnings before tax for the 2025 financial year. Since the 2019 financial year, the foundation for achieving positive financial results again over the long term was gradually established, which has manifested in a positive result for earnings before tax since the 2021 financial year.

KHD will implement its sales activities again in 2025 in a targeted manner with regard to business opportunities in which KHD’s technology standing can be applied appropriately. Overall, the intensity of sales activities continued to increase as in the previous financial years. We are expecting order intake for the 2025 financial year that is more than 30% above the level of the 2024 financial year (€ 175 million). According to our planning regarding revenue, which is less than 10% below the figure of the 2024 financial year, the order backlog at the end of 2025 should be more than 30% above the figure as of December 31, 2024 (€ 176 million).

[1] Accessed on February 7, 2025 at https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025

Because a highly competitive environment and margin pressure remain, from KHD’s perspective, neither the order volume nor the margin quality of the projects newly acquired in the 2024 financial year is completely satisfactory. According to our planning, in 2025, due to the low order backlog at the beginning of the financial year, revenue will be less than 10% lower than the level of the previous year (€ 218 million). The KHD Group expects an adjusted gross profit margin that is still not entirely satisfactory. In the 2025 financial year, we will not be able to achieve he very good gross profit margin of 20% from the 2024 financial year, which was impacted by some positive special effects.

According to our planning, the gross profit from the profit margins in the current order backlog, which are still not entirely satisfactory from the perspective of KHD, will not be sufficient to cover all of the costs of the KHD Group. For this reason, planning regarding the operating result of the 2025 financial year with respect to EBIT reflected slightly negative figures (better than € -5 million). Accordingly, expectations for the EBIT margin are slightly negative. Taking the positive net finance income into account (about € 5 million) our planning indicates a positive result for earnings before taxes (EBT) which will remain in the lower single-digit million euro range.

For operating cash flow in 2025 we expect a negative figure in the single-digit millions. The main reason for the planned operating cash outflows is that the net working capital is not expected to remain at the very good level as at the end of the 2024 financial year.

Overall, because market conditions remain challenging, KHD expects that the result of operations for the 2025 financial year will not be entirely satisfactory. Following the significantly positive operating result in the financial year under review, a slightly negative EBIT in the 2025 financial year is unsatisfactory. However, our planning demonstrates potential for another positive operating result. In order to achieve positive results over the long term for EBIT, further improvement in margin quality with regard to order intake as well as good processes in project execution are crucial along with rigorous and successful implementation in the five fields of action of our strategy.

In line with our forecast, KHD’s financial and net assets position will remain stable and will probably not change significantly in the 2025 financial year (compared to the financial year under review). The continuing, sufficient liquidity position combined with our high equity ratio, allows us to implement our strategy, continue to develop our portfolio of products and services, and to make the most of opportunities for internal and external growth.

Expected Economic Development of the Capex Segment

The investment budgets of many customers for the traditional technology for cement plants are often being cut; moreover, a strong reticence remains – with the exception of India – with regard to new plants and the expansion of existing plants. Despite this difficult environment, due to very good order intake in the first two months in the Capex segment, we expect order intake that is more than 40% above the level of the previous year (€ 126 million). In 2025, KHD will again use the business opportunities it is offered in a targeted manner with regard to the projects in which our position as a technology leader can be applied appropriately. However, customers' investment decisions remain subject to uncertainty due to economic, financial, and political unpredictability. Based on order intake planning and revenue recognition related to planned production progress, the order backlog at the end of 2025 is expected to be quite significantly (more than 30%) above the level of the previous year (€ 151 million).

Due to current order backlog and the expected order intake, the KHD Group expects revenue in the Capex segment for the 2025 financial year to remain at approximately the level of the 2024 financial year (€ 168 million).

Despite the measures implemented in previous years toward cost optimization, our planning expects negative EBIT and a negative EBIT margin in the Capex segment, due in particular to the low margins in the order backlog. Because EBIT of € -0.7 million and the EBIT margin of -0.4% in the 2024 financial year under review were considerably above the original planning, KHD expects an EBIT margin in the current financial year that is a few percentage points worse.

Expected Economic Development of the Plant Services Segment

With regard to spare parts and services, KHD plans to defend its market position in this area successfully in the 2025 financial year. However, in the spare parts area, the competition is increasingly gaining attention with cheap providers and copied parts so that we can no longer achieve the very good figures reached in the financial year under review. According to our planning, for the Plant Services segment we are expecting a reduction in order intake in the range of 10-20% in comparison with the tremendous figure (€ 50 million) reported in the 2024 financial year.

Based on the order backlog at the beginning of 2025 and an order intake in the 2025 financial year that is expected to decline, our planning in the Plant Services segment in the 2025 financial year is for a considerable reduction in revenue of more than 10%. In turn, clearly positive EBIT in the single-digit millions is expected in the Plant Services business unit, which is nevertheless expected to be considerably below the extraordinary figure for the 2024 financial year (€ 11.1 million).

Opportunities and Risks Relating to the Outlook for the 2025 Financial Year

While the risk management system is, in principle, oriented toward the medium and long term, special consideration is given in the budget preparation process to the opportunities and risks that can have an effect within the outlook period. Due to the special characteristics of long-term plant engineering, risks and opportunities can also lead to significant deviations from planned figures in the short-term outlook.

Significant risks and opportunities regarding the budget values exist for order intake, particularly in the Capex segment. The awarding of individual large contracts to the KHD Group can significantly affect the order intake in the 2025 financial year. Despite close collaboration with customers during the tendering process, customer investment decisions and the awarding of individual projects to KHD can only be forecast with substantial uncertainty, which can lead to either a significantly higher or significantly lower order intake.

The revenue outlook is mainly based on the order backlog as of December 31, 2024, on expected order intake for the initial months of the 2025 financial year in the Capex segment, and on the planning of business in the Plant Services segment. Particularly with regard to expected order intake in the first six months of the 2025 financial year there are significant risks and opportunities in terms of the planned revenue figures. Delays or accelerations in project execution can directly affect the planned revenue figure for the financial year in addition to the risk that projects reflected in planned order intake do not materialize or are postponed and the possibility that additional projects not included in the budget are awarded to KHD.

In addition to sales volume effects, the forecasted result (EBIT) is materially affected by project-related risks. These arise from unexpected technical problems, supply bottlenecks or quality problems at suppliers of important components, delays in project execution, legal disputes and unforeseeable developments during the erection and commissioning phase on site. There are also warranty risks after the commissioning of the plant. On the other hand, improved project execution, negotiations with customers and suppliers with regard to increasing order values and backcharging cost overruns, and a reduction of expenses during the warranty phase result in opportunities for significantly improving the planned EBIT.

Cologne, Germany, March 21, 2025

The Management Board

Jianlong Shen (Chairman)	Jürgen Luckas	Dr. Matthias Jochem

Matthias Mersmann

Mr. Mersmann is unable to provide his signature for the foreseeable future due to force majeure.

Group Income Statement for KHD Humboldt Wedag International AG, Cologne, Germany, for the 2024 Financial Year

in € thousand	Note	2024	2023
Revenue	20	218,130	224,677
Cost of sales	21	(174,089)	(192,719)
Gross profit		**44,041**	**31,958**
Other operating income	22	2,585	3,987
Sales expenses	23	(12,144)	(12,224)
General and administrative expenses	24	(15,792)	(14,956)
Other expenses	25	(8,180)	(6,984)
At equity results and impairment		(116)	116
Profit before interest and taxes (EBIT)		**10,394**	**1,897**
Finance income	26	6,326	5,947
Finance expenses	26	(776)	(1,405)
Net finance income		**5,550**	**4,542**
Profit before tax (EBT)		**15,944**	**6,439**
Income tax expense	27	(5,359)	(2,159)
Group net profit		**10,585**	**4,280**
Of which are attributable to:			
Parent company shareholders		10,570	4,275
Non-controlling interests		15	5
		10,585	**4,280**

		2024	2023
Net profit attributable to shareholders (in € thousand)		10,570	4,275
Weighted average number of shares outstanding		49,703,573	49,703,573
Basic (undiluted) and diluted earnings per share (in €)	28	0.21	0.09

Group Statement of Comprehensive Income for KHD Humboldt Wedag International AG, Cologne, Germany, for the 2024 Financial Year

in € thousand	2024	2023
Group net profit for the year	**10,585**	**4,280**
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Currency translation differences	1,942	(1,541)
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains and losses related to defined benefit obligations less - deferred taxes related thereto	32	(162)
Other comprehensive income	**1,974**	**(1,703)**
Group comprehensive income	**12,559**	**2,577**
Of which attributable to:		
Parent company shareholders	12,544	2,572
Non-controlling interests	15	5
	12,559	**2,577**

As in the previous year, no income taxes on currency translation differences were applicable.

The actuarial gains and losses recognized in other comprehensive income are always reduced to the related deferred tax assets and deferred tax liabilities, which are also recognized in other comprehensive income in their entirety, without affecting profit and loss. The actuarial gains and losses do not include any deferred taxes in either the financial year or the previous year.

Group Balance Sheet of KHD Humboldt Wedag International AG, Cologne, Germany, as of December 31, 2024

ASSETS	Note	Dec. 31, 2024	Dec. 31, 2023
in € thousand			
Non-current assets			
Property, plant and equipment	5	14,572	13,700
Goodwill	6	2,127	2,127
Other intangible assets	6	1,046	934
Right of use	6	5,956	7,555
Trade and other receivables	7	145	44
Other financial assets	7	50,000	-
Financial assets accounted at equity method	11	-	116
Future Income Tax Assets	8	1,581	1,049
Total non-current assets		**75,427**	**25,525**
Current assets			
Inventories	9	12,322	8,118
Contract assets	10	15,571	17,762
Trade and other receivables	7	51,792	47,690
Payments made in advance	10	7,423	9,634
Other financial assets	7	32,281	81,296
Income tax assets		372	1,379
Cash and cash equivalents	12	59,877	46,050
Total current assets		**179,638**	**211,929**
Total assets		**255,065**	**237,454**

EQUITY AND LIABILITIES	Note	Dec. 31, 2024	Dec. 31, 2023
in € thousand			
Equity			
Subscribed capital		49,704	49,704
Capital reserves		61,097	61,097
Currency translation differences recognized in equity		(12,498)	(14,440)
Retained earnings		8,710	(1,891)
Shares of equity attributable to shareholders of the parent company		107,013	94,470
Non-controlling interests		504	502
Total equity	13	**107,517**	**94,972**
Non-current liabilities			
Other liabilities	16	-	3,023
Lease liabilities	16	4,906	6,404
Pension benefit obligation	14	10,958	11,664
Provisions	15	10,475	6,422
Deferred tax liabilities	8	-	41
Total non-current liabilities		**26,339**	**27,554**
Current liabilities			
Trade and other payables	16	61,912	51,720
Contract liabilities and advance payments received	17	25,486	34,150
Income tax liabilities	16	1,525	1,178
Provisions	15	32,286	27,880
Total current liabilities		**121,209**	**114,928**
Total equity and liabilities		**255,065**	**237,454**

Group Income Statement for KHD Humboldt Wedag International AG, Cologne, Germany, for the 2024 Financial Year

in € thousand	Note	2024	2023
Cash flow from operating activities			
Group net gain/ loss for the year		10,585	4,280
Income tax expense recognized in the income statement		5,359	2,159
Net finance income recognized in the income statement		(5,550)	(4,542)
Earnings before interest and taxes (EBIT)		**10,394**	**1,897**
Amortization and depreciation of non-current assets		3,264	3,095
Book gain (-) / loss on disposal of fixed assets		(7)	1
Changes in valuation of investments accounted for using the equity method		116	(116)
Increase(-) / decrease in trade receivables and financial assets		(3,910)	(2,315)
Increase (-) / decrease in inventories and contract assets		(2,013)	3,261
Increase (-) / decrease in payments made in advance and other financial assets		1,704	3,543
Increase (+) / decrease in trade and other payables and contract liabilities and advance payments received		1,615	(5,455)
Increase (+) / decrease in pension benefit obligations		(1,155)	(1,199)
Increase (+) / decrease in provisions and non-current liabilities		5,431	13,327
Changes in the scope of consolidation		-	415
Other non-cash-transactions		(175)	578
Other translation differences		67	(800)
Interest received		2,890	1,956
Interest paid		(274)	(326)
Income tax paid		(4,733)	(1,235)
Cash flow from operating activities		**13,214**	**16,627**
Cash flow from investing activities			
Dividends received		50	30
Cash outflow for intangible assets		(495)	(282)
Cash outflow for property, plant and equipment		(1,636)	(2,458)
Cash inflow from the disposal of property, plant and equipment		12	215
Interest payments received from loans granted to related companies		3,050	3,611
Cash proceeds from repayments of loans granted to related companies		-	25,000
Disbursements due to investments in short-term deposits		(478)	(8,839)
Cash flow from investing activities		**503**	**17,277**

in € thousand	Note	2024	2023
Cash flow from financing activities			
Cash outflow from repayment of bank loans		-	(25,000)
Cash outflow for the redemption portion of lease liabilities		(1,752)	(1,645)
Dividends paid to parent company shareholders		(13)	-
Interest paid for loans		-	(550)
Cash flow from financing activities		**(1,765)**	**(27,195)**
Change in unrestricted cash and cash equivalents		**11,952**	**6,709**
Opening balance of unrestricted cash and cash equivalents		**46,050**	**40,670**
Changes to the cash and cash equivalents due to changes in the scope of consolidation		-	(198)
Exchange rate effects		1,875	(1,131)
Closing balance of unrestricted cash and cash equivalents	12	**59,877**	**46,050**

in € thousand		Dec. 31, 2024	Dec. 31, 2023
Composition of unrestricted cash and cash equivalents			
Current bank accounts and cash		31,939	34,456
Short-term bank deposits		27,938	11,594
Total cash and cash equivalents		**59,877**	**46,050**
Closing balance of unrestricted cash and cash equivalents	12	**59,877**	**46,050**

Group Statement of Changes in Equity for KHD Humboldt Wedag International AG
for the 2024 Financial Year

in € thousand	Note	Subscribed capital	Capital reserves	Currency translation differences recognized in equity	Retained earnings	Euqity attributable to shareholders of the parent company	Non-controlling interests	Total
Dec. 31, 2022 / Jan. 1, 2023		**49,704**	**61,097**	**(12,899)**	**(6,003)**	**91,899**	**497**	**92,396**
Group net profit for the year		-	-	-	4,275	4,275	5	4,280
Actuarial gains and losses and other effects on the group comprehensive income		-	-	-	(162)	(162)	-	(162)
Currency translation differences		-	-	(1,541)	-	(1,541)	-	(1,541)
Group comprehensive income		**-**	**-**	**(1,541)**	**4,113**	**2,572**	**5**	**2,577**
Other changes		**-**	**-**	**-**	**(1)**	**(1)**	**-**	(1)
Dec. 31, 2023 / Jan. 1, 2024		**49,704**	**61,097**	**(14,440)**	**(1,891)**	**94,470**	**502**	**94,972**
Group net profit for the year		-	-	-	10,570	10,570	15	10,585
Actuarial gains and losses and other effects on the group comprehensive income		-	-	-	32	32	-	32
Currency translation differences		-	-	1,942	-	1,942	-	1,942
Group comprehensive income		**-**	**-**	**1,942**	**10,602**	**12,544**	**15**	**12,559**
Other changes		**-**	**-**	**-**	**(1)**	**(1)**	**-**	(1)
Dividend payments		-	-	-	-	-	(13)	(13)
Dec. 31, 2024	13	**49,704**	**61,097**	**(12,498)**	**8,710**	**107,013**	**504**	**107,517**

Group Notes to the Consolidated Financial Statements of KHD Humboldt Wedag International AG, Cologne, Germany, for the 2024 Financial Year

1. Summary of Major Accounting and Measurement Principles

Basis of Preparation and Other Notes

KHD Humboldt Wedag International AG with registered offices in Von-der-Wettern-Straße 4a, 51149 Cologne, Germany is entered in the Cologne Commercial Register, Department B, with the number 36688. The company's shares are traded on the regulated market (general standard) at Frankfurt Stock Exchange.

KHD and its subsidiaries are hereinafter referred to as the "Group" or the "KHD Group". The directly controlling parent company of KHD is AVIC International Engineering Holdings Pte. Ltd. (AVIC Engineering), Singapore, Singapore, which holds 69.02% of the shares of KHD. To the knowledge of the Management Board, AVIC Engineering itself does not publish consolidated financial statements. The ultimate parent company of the KHD Group is Aviation Industry Corporation of China, Beijing, People's Republic of China, which itself is owned by the People's Republic of China.

KHD's group financial statements have been prepared according to uniform accounting and measurement principles. The group financial statements have been prepared in accordance with prevailing IFRS Accounting Standards (IFRS) and their related interpretations as applicable in the EU, and are in line with the statutory obligations that are applicable to companies which are required to submit mandatory reports to the capital markets pursuant to Section 315e, Paragraph 1 of the German Commercial Code (HGB) together with Article 4 of the Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002, relating to the application of current international accounting standards in their current version (IAS Regulation). These group financial statements have been prepared in euros. All amounts, including figures used for comparison from the previous year, are generally stated in thousands of euros (€ thousand). All amounts have been rounded according to normal commercial practice. The Group income statement has been prepared using the nature of expense method. The financial year of KHD and of its subsidiaries and joint ventures included in the group financial statements corresponds to the calendar year. One exception to this is Humboldt Wedag India Private Limited ("HW India"), New Delhi, India, for which the financial year runs from April 1 to March 31. However, for the purpose of composing the KHD Group financial statements, HW India issues interim statements on December 31.

Consolidation

Subsidiaries are investees over which KHD has the power to control, is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This is regularly the case if KHD holds, directly or indirectly, more than 50% of the voting rights, or controls the business activities in another manner. These companies are, as a general rule, consolidated. Subsidiaries are consolidated from the date when actual control is transferred to KHD and are deconsolidated from the date when control no longer exists.

All intercompany transactions, balances, and unrealized profits or losses on intra-group transactions are eliminated. The accounting and measurement principles applicable to subsidiaries pursuant to statutory law are adjusted in order to ensure consistency with the accounting and valuation principles of the KHD

Group. Non-controlling interests are presented and commented on separately. The Group's subsidiaries are listed under Note 2 in the notes to the group financial statements.

Currency Translation

Monetary items denominated in foreign currencies are translated in the individual financial statements at the rate effective as of the transaction date and adjusted to the relevant rate prevailing on each reporting date. Resultant currency translation differences are recognized in the income statement.

The individual financial statements prepared by the foreign subsidiaries are translated into euros in line with the functional currency principle. Equity is translated at historical rates, assets and liabilities at the rate in effect on the balance sheet date, and income and expenses at the average rates. The Group's functional currency is the euro.

The applicable exchange rates are set out in the table below:

		Closing rate	Average rate
	Currency	As of Dec. 31, 2024	Jan. 1 to Dec. 31, 2024
	1 Euro =		
India	**INR**	88.6304	90.4177
USA	**USD**	1.0351	1.0794
Malaysia	**MYR**	4.6300	4.9227
Brazilia	**BRL**	6.4018	5.8956
China	**CNY**	7.5556	7.7629
Russia	**RUB**	117.7426	101.5775

Exchange rates used in the preceding financial year:

		Closing rate	Average rate
	Currency	As of Dec. 31, 2023	Jan. 1 to Dec. 31, 2023
	1 Euro =		
India	**INR**	91.8935	89.4023
USA	**USD**	1.1052	1.0827
Malaysia	**MYR**	5.0718	4.9395
Brazilia	**BRL**	5.3628	5.3996
China	**CNY**	7.8414	7.6809
Russia	**RUB**	98.9635	93.0817

Intangible Assets

Goodwill

In line with IFRS 1 exemptions, goodwill was included in the first IFRS group financial statements at the carrying amounts which were determined according to the previously applicable accounting principles (Section 301 of the German Commercial Code [HGB]).

For all acquisitions subsequent to this date, goodwill corresponds to the positive difference between the acquisition costs for a business combination and the acquired remeasured assets, liabilities, and contingent liabilities which remains after performing a purchase price allocation, in particular, the identification of intangible assets. Goodwill is presented as a separate item under non-current assets. It is subject to impairment tests, which are performed annually and/or following triggering events, and is measured at the lower of cost and recoverable amount (cost less impairment losses).

Rights of Use

Since the lease reporting according to IFRS 16 took effect as of January 1, 2019, rights of use from leases are reported in the balance sheet if a contract provides authorization to control the use of an identified asset for a specified period in return for the payment of a fee. Rights of use are measured based on the amortized costs less all accumulated amortization and impairment expenses and corrected by each revaluation of the lease liability. The costs of the rights of use include the reported lease liabilities and the initial direct costs generated as well as the lease payments made during or before the provision of the rights of use less any lease incentives received. Rights of use are regularly amortized straight-line over the shorter of the two terms and the expected useful life of the lease.

The KHD Group is using the transitional provisions of IFRS 16 on short-term lease contracts and leases for assets with low value. Rights of use are not capitalized for these leases; instead, lease expenses are recognized straight-line over the term of the lease.

Corresponding with the approach of a right of use, the KHD Group reports lease liabilities at the present value of the lease payments that must be made over the term of the lease. KHD uses the incremental borrowing rate to calculate the present value of the lease liability because the underlying interest rate cannot be readily determined. In the context of the subsequent measurement, the lease liability is increased in order to take greater interest expense into account and decreased to take the lease payments made into account. Furthermore, the carrying amount of the lease liabilities is remeasured if the lease is changed, if the term of the lease is changed, or if the lease payments change.

Other Intangible Assets

Other intangible assets are recognized at cost less scheduled amortization. Software licenses are amortized using the straight line method over an estimated useful life of three to ten years.

Development costs are capitalized in the KHD Group to the extent that they meet the requirements for capitalization. As in the previous year, development costs that require capitalization were not incurred. Research costs are recognized as an expense through the income statement in the period in which they are incurred.

Property, Plant, and Equipment
Property, plant, and equipment is measured at cost less scheduled, straight-line depreciation. In addition to the purchase price, acquisition costs also include costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The useful life of operating and office equipment and of other plants is generally between three and ten years. The properties are not depreciated straight-line. Leasehold improvements are depreciated over the term of the lease. Gains and losses on the disposal of property, plant, and equipment are measured by reference to their carrying amount and are recognized in the income statement.

Costs for the repair of property, plant, and equipment are generally expensed in the period when incurred. Major expenses for renewals and improvements are capitalized if it is likely that the Group will derive future economic benefit in addition to the originally recorded performance standard of the existing item of property, plant, or equipment.

Impairment Test on Non-current Assets
Non-current assets, including intangible assets with a limited useful life, are tested for impairment as soon as events or changes in circumstances indicate that the carrying amount of such assets is no longer recoverable. If the carrying amount is higher than the calculated recoverable amount, the asset is written down to its recoverable amount.

Financial Instruments
In accordance with IFRS 9, financial assets are classified and measured based on the characteristics of the cash flow accompanying the financial assets (cash flow conditions) as well as the underlying business model (business model condition). This results in three possible measurement categories:

- Measurement based on amortized costs for debt instruments,
- Measurement at fair value without affecting profit and loss for debt instruments (with recycling) and for equity instruments (without recycling),
- Measurement at fair value through profit or loss for debt instruments, derivatives, and equity instruments.

Financial assets are allocated to a measurement category at the time of initial recognition. Financial assets are measured at fair value on initial recognition. The subsequent measurement is performed according to the rules of the respective measurement category. At the KHD Group, the majority of the financial assets are measured at amortized cost. Only those financial assets held for trading, the shares in other companies over which there is no effective control, and the derivatives acquired for hedging purposes are allocated to the category "measured at fair value through profit or loss". To date, the Group has not utilized the fair value option.

In the KHD Group, financial assets are generally cash and cash equivalents, loans and receivables, equity instruments, and derivative financial instruments for hedging purposes.

- Cash and cash equivalents
  Cash and cash equivalents are primary financial assets. Cash and cash equivalents include cash on hand as well as bank balances immediately available, call deposits at banks, and money market investments, excluding overdraft facilities with an original term to maturity of up to three months that are accounted for at nominal value. To the extent that they are due for repayment in the short term, draft facilities are included in the cash equivalents. Restricted cash is reported under “Other financial assets”. Cash on hand and bank balances are measured at amortized cost.

- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments and which are not quoted in an active market. They include receivables from loans, trade and other receivables as well as other assets. They arise if the KHD Group provides money, goods, or services directly to a debtor. They are classified as current assets, except for those that come due more than twelve months after the balance sheet date, or which are classified as non-current on the basis of their economic structure. These are reported as non-current assets. After initial recognition, loans and receivables are measured at amortized cost by applying the effective interest rate method less any impairment. Gains and losses are recognized in the net profit for the year when loans and receivables are derecognized or impaired as well as in the context of the amortization process.

- Equity instruments
  The Group holds a limited amount of financial assets for trading as well as shares in other companies that are measured at fair value through profit or loss.

- Derivative financial instruments and hedges
  The Group regularly utilizes derivative financial instruments to mitigate the foreign currency risk of recognized assets and liabilities or of planned transactions denominated in foreign currencies. All derivative contracts are exclusively exchange rate forward contracts. These are initially recognized at fair value on the date the contract is concluded and measured at fair value in subsequent periods. The fair value of derivatives is calculated on the basis of discounted cash flow analyses, using corresponding yield curves for the term to maturity of the instruments concerned. Economic hedges are not depicted as balance sheet hedges in the context of hedge accounting. The option to use IFRS 9 for reporting hedges in the balance sheet is not utilized. As a result, the changes in value of the derivative financial instruments concluded by KHD are recognized directly in the income statement.

Financial liabilities as defined by IFRS 9 relate to financial liabilities that are measured at amortized cost. Financial liabilities are measured at fair value, including transaction costs, at the time of initial recognition. In the following periods, they are measured at amortized cost using the effective interest rate method. A valuation of financial liabilities with regard to their effect on net income is only performed for derivative financial instruments. The fair value option is not utilized.

Impairment of Financial Assets

In the impairment model of IFRS 9, not only losses that have occurred, but also losses that have already been expected are reported (expected loss model). The KHD Group determines the expected credit default based on information that is externally available regarding the credit worthiness of the respective debtor and the credit rating of external credit agencies.

Except for financial assets measured at fair value through profit or loss, financial assets are examined at each balance sheet date for indications of impairment (such as considerable financial difficulties of a debtor, a high probability of insolvency proceedings against a debtor, the disappearance of an active market for a financial asset, a major change in the technological, economic, or legal environment as well as in the market environment of an issuer, or a persisting decline in the fair value of a financial asset below the amortized cost).

If there is evidence that a financial asset accounted for at amortized cost has been impaired, the amount of the impairment loss is calculated as the difference between the carrying amount of the asset concerned and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is recognized through profit and loss.

If, in subsequent reporting periods, the amount of impairment loss decreases and this decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. However, the new carrying amount of the asset concerned must not exceed the amortized cost at the time of the reversal. The amount of the reversal is recognized through profit and loss.

If there is objective evidence with respect to trade receivables and other receivables that not all amounts due will be received in accordance with the originally agreed terms stated in the invoice (such as doubtful solvency of a debtor), a valuation allowance is made by using an allowance account. Receivables are derecognized if they are considered to be irrecoverable. Impairments of other financial assets are taken into account by directly writing down the respective carrying amount.

Inventories

Inventories are recognized on the reporting date at either cost and net realizable value or cost of sales and net realizable value, whichever is lower. Inventories are recognized on the reporting date at either cost and net realizable value or cost of sales and net realizable value, whichever is lower. In general, raw materials, consumables, and supplies are measured at moving average cost. The net realizable value is composed of the estimated selling price in the ordinary course of business less the estimated cost of completion and costs necessary to make the sale. In case of an increase in net realizable value of inventories that have been written-down the compulsory reversal of write-down is recognized as a reduction in the amount of inventories recognized as an expense.

Contract Assets and Contract Liabilities from Customer Contracts with Revenue Recognition over Time

Claims or obligations from customer contracts with revenue recognition over time are determined according to the rules of IFRS 15. In these cases, the KHD Group specifies the result and revenue based on the stage of completion of the respective customer contract based on the proportion of project costs already incurred to the estimated overall project costs. In this way, revenue recognition over time is equivalent to profit recognition according to performance progress. Expected losses from customer contracts are immediately recorded in their entirety as an expense. Customer contracts with revenue recognition over time are reported under contract assets or under contract liabilities and advance payments received, depending on the amount of progress billings. They are measured at cost incurred plus a proportionate profit depending on the stage of completion. To the extent that contract revenue (contract costs incurred plus recognized contract profits) exceeds the progress billings, customer contracts are reported under contract assets. If there is a negative balance after deducting progress billings, this balance is reported as a liability under contract liabilities and advance payments received. Expected contract losses are covered by valuation allowances or loss order provisions and all identifiable risks are taken into consideration in determining them. Losses from onerous customer contracts are reported exclusively according to the rules of IAS 37 and not as part of contract assets or contract liabilities.

Pension Benefit Obligations and Retirement Benefit Plans

The pension benefit obligations recognized in the balance sheet are based on the present value of the obligations from defined benefit plans as of the balance sheet date. The present value of the defined benefit obligations is determined annually by independent actuaries using the projected unit credit method. When calculating the present value, the expected, future retirement trend is considered in addition to the expected mortality of the persons entitled to the pension. Revaluations, consisting of actuarial gains and losses, are directly recognized in other comprehensive income and thus directly included in the balance sheet. The revaluations recognized in other comprehensive income are part of retained earnings and will not be reclassified to the income statement in subsequent periods.

Personnel expenses of some subsidiaries include contributions for defined contribution plans. Payments are made to pension insurance funds on a contractual basis. The Group companies enter into no obligations beyond the rendering of contribution payments. The Group companies do not enter into any obligations beyond the rendering of contribution payments. No (specific) net assets are established for defined contribution plans.

In addition, there is a defined contribution plan for all employees of the Group companies in Germany within the scope of the German statutory pension scheme, with an employer contribution rate of 9.30% that remains unchanged for 2024 (previous year: 9.30%).

Provisions and Accruals

Provisions are recognized if the Group has a present legal or constructive obligation towards third parties as a result of past events and the amount of the obligation can be reliably estimated.

Provisions for contingent losses from onerous contracts are established if the expected economic benefit resulting from the contract is less than the costs that are unavoidable for contract fulfillment.

Provisions are measured at the expected settlement value, taking into consideration all recognizable risks. The settlement value is determined based on a best possible estimate. The expected outflow of resources embodying economic benefits for all products covered by warranty terms is estimated by the Group as of the balance sheet date. In the calculation of provisions, individual warranty obligations for which the probability of occurrence is greater than 50% are considered. In addition, provisions are measured on the basis of expenses incurred in the past combined with current estimates of the warranty risk.

Provisions are discounted if this effect is significant. Reimbursement claims are not balanced with provisions; instead, if their realization is virtually ensured, they are capitalized separately.

Income Tax Expenses

Income taxes include both actual income taxes as well as deferred taxes. Current tax liabilities and tax assets primarily include obligations and refund claims related to domestic and international income taxes. Current taxes comprise obligations and refund claims from the current year as well as from previous years. Tax liabilities and assets are calculated on the basis of respective local tax law and regulations.

Deferred taxes are recognized and measured in accordance with IAS 12. Deferred tax assets and deferred tax liabilities are shown as separate balance sheet items in order to account for the future tax effect of deductible temporary differences between the carrying amount of the assets and liabilities recognized in the balance sheet and the tax base of the respective assets and liabilities.

Deferred tax assets for tax loss carry-forwards are only recognized if they are likely to be realized in the future or with regard to deferred tax liabilities that can be offset. Deferred tax assets and liabilities are measured at the amount of the expected tax expense or benefit of subsequent financial years, taking into account the tax rates applicable at the time of realization.

Recognition of Income and Expenses

Revenue and other operating income are generally recognized based on a specific point in time and only if the service has been provided or the goods or products have been delivered and the risk has therefore passed to the customer. Revenue from rendering of services is recognized according to performance progress and revenue from licenses is recognized straight-line over the period of the relevant agreement. Operating expenses are recognized as an expense upon receipt of the service or at the time they are incurred.

Interest is recognized as expense or income on an accrual basis.

Project income and expenses arising in connection with customer contracts that meet the requirements for revenue recognition over time in accordance with IFRS 15.35 are recognized according to performance progress as of the balance sheet date as revenue and expenses, respectively. An expected loss on a construction contract is recognized as an expense immediately. Due to the high degree of customer individuality, the contracts generally meet the requirements of IFRS 15.35b. Some of the contract also meet the requirements of IFRS 15.35c.

In both project business and the spare parts business, KHD grants mechanical guarantees based on performance as well as wear-related guarantees. With respect to duration and scope, the guarantees granted do not go beyond the legal and/or general industry standards and generally do not include any performance obligations that must be reported separately as defined by IFRS 15.

In cases in which KHD grants the customer significant rights based on an option, these are shown as a separate performance obligation. Based on the relative individual sales prices the transaction price is distributed across the performance obligations.

Cost of sales primarily includes costs of purchased materials and services, transportation costs, wages and salaries, production-related overheads, commission, and customs duties as well as expected warranty expenses.

Estimates and Assumptions

To a certain extent, the preparation of the group financial statements in accordance with IFRS requires estimates and assumptions, which affect the recognition, measurement and presentation of assets and liabilities, the disclosure of contingent liabilities as of the balance sheet date, and the presentation of income and expenses. The estimates made include complex and subjective assessments as well as the utilization of assumptions, some of which concern circumstances that are uncertain by nature and that can be subject to change. Such estimates can change over time and significantly affect the net assets, financial position, and result of operations of the KHD Group. In the evaluation of these estimates and assumptions, the KHD Group made all discretionary decisions based to the best of its knowledge and belief in order to disclose a true and fair view of the actual net assets, financial position, and result of operations. The estimates and assumptions that comprise a significant risk in the form of possible adjustments of the carrying amounts of assets and liabilities within the next financial year are explained in the following:

Completion Date of Performance Obligations for Customer Contracts with Revenue Recognition over Time

The KHD Group operates in the area of long-term plant engineering and determines the completion date of performance obligations for customer contracts with revenue recognition over time according to performance progress. The point in time that revenue and profit are recognized is based on the stage of completion. At the KHD Group, the determination of the stage of completion is made based on the cost-to-cost method, which calculates the stage of completion from the proportion of contract costs incurred to the estimated total contract costs. According to management's estimation, the determination of performance progress based on the input oriented cost-to-cost method provides a realistic and faithful illustration of the transfer of goods and services to customer because the costs applied correspond to the output provided to the customer.

With the cost-to-cost method, the estimate of the stage of completion is particularly important; moreover, it can include estimates with regard to the scope of deliveries and services required to meet the contractual obligations. These significant estimates also include the overall contract revenues, the overall project costs, the contract risks, and other relevant figures.

At the KHD Group, the overall contract revenues are a result of the fixed price contracts agreed upon. Here the contract value can decrease due to agreed upon liquidated damages (lump-sum damage compensation). In general, there are no other variable revenue arrangements which are influenced by estimation. An allocation of the total revenue to several service components might not be carried out due to the specific features of the KHD Group's plant engineering business because the individual components of a plant cannot be identified separately as goods and services as defined by IFRS 15.

The estimation of the total contract costs and the project risks is given special significance. The estimation of total contract costs is influenced to a high degree by the technical and expert estimates of the employees responsible for the project. Changes in estimates can lead to an increase or decrease in revenue. The KHD Group regularly checks and, if necessary, adjusts all of the estimates in connection with such customer contracts. The respective estimates by the employees responsible for the projects are checked by persons not connected with the project for plausibility and reliability in a standardized process and are constantly adjusted.

For customer contracts for which there is a specific completion date of performance obligations, revenue is recognized when control of the assets is transferred based on delivery documentation. In principle, there is no significant discretionary decision-making associated with these projects.

Impairment of Goodwill

Once a year or when appropriate, the KHD Group reviews goodwill for possible impairment in compliance with the rules of IAS 36. The measurement of the recoverable amount of the respective cash generating units to which goodwill was allocated is subject to estimates of future cash flows and related discounting as well as future growth rates. The recoverable amount based on these estimates is affected by the volatility on the capital markets and expected economic developments, among other factors. The determination of this recoverable amount as defined by IAS 36.30 et. seq. is carried out based on discounted cash flow valuation. These discounted cash flows are based on five-year, medium term planning supported by financial forecasts. The forecasts of future cash flows take past experiences into account and are based on the best possible estimate of future developments. Cash flows beyond the planning period are extrapolated from growth rates. The most important assumptions upon which the determination of the recoverable amount is based include estimated growth rates, weighted average capital cost rates, and tax rates. These estimates and the methodology they are based on can significantly influence the respective figures for the recoverable amount and, ultimately, the amount of a possible impairment of goodwill.

Income Tax Expenses

The respective, local tax regulations and the relevant administrative opinions are taken into consideration when determining the tax asset and liability items recorded in this financial statement and, due to their complexity, these items are possibly subject to differing interpretations, by the taxpayer, on one hand, and the local tax authority, on the other. Subsequent tax payments for previous years can be required due to differing interpretations of tax regulations resulting from audits. Deferred tax assets are recognized to the extent to which it is probable that a future, taxable result will be available. In this case, the planned results from ordinary activities are included, along with the effects of the reversal of temporary differences that are to be taxed and tax planning possibilities, among others. Based on the planned, future, taxable results, the KHD Group assesses the impairment of deferred tax assets as of the respective balance sheet date. Because future business developments are uncertain, assumptions are required to estimate the future, taxable income as well as the realization of deferred tax assets after that date. Estimates are adjusted for periods for which sufficient information exists in order to adjust them.

Accounting for Employee Benefits

Benefits after the term of employment ends in the form of obligations for pensions and other benefits are determined in accordance with actuarial assessments. These assessments are based on significant assumptions, including discount rates, salary and retirement trends, and mortality rates, among others. The discount rates applied are determined based on the returns obtained at the end of the reporting period for blue-chip, fixed-interest corporate bonds with a corresponding term. Due to changing market, economic, and social conditions, the assumptions upon which the assessments are based can differ from actual developments. This can significantly impact the obligations for pensions and other benefits after the term of employment ends. The resulting differences are recorded in their entirety, without affecting profit and loss, in the period in which they are generated.

Provisions and Accruals

To a considerable degree, the assessment of provisions for contingent losses from orders, of guarantee provisions, and of provisions for litigation is connected with estimates. The KHD Group establishes provisions for contingent losses from orders if the currently estimated overall costs exceed the expected revenue from the respective contract. As a result of new information available as the project progresses, these estimates can change. The KHD Group identifies orders that will lose money in the initial calculation and by continuously controlling project progress and updating the calculated overall costs. In the assessment of guarantee provisions, estimates are required to a considerable degree regarding future expenses for repairs, renovations, or other services.

The KHD Group can be confronted with litigation and regulatory proceedings in various jurisdictions. As a result of these proceedings, the Group could be subject to possible criminal or civil sanctions, fines, claims for damages or other claims or disgorgement of profits. The KHD Group establishes provisions for litigation if an obligation is likely to arise in connection with these proceedings and if the obligation is likely to result in cash outflows, the amounts of which can be reliably estimated. Litigation is frequently based on complex, legal issues associated with considerable uncertainty.

Accordingly, the assessment as to whether or not a current obligation has resulted from an event in the past as of the reporting date, and as to whether or not a future cash outflow is likely and the obligation can be reliably estimated, is based on considerable discretion. The KHD Group regularly assesses the respective status of a legal procedure with the involvement of experts as well as internal and external lawyers. An assessment can change due to new information. It can become necessary to adjust the amount of a provision for ongoing proceedings in the future based on new developments. Changes in estimates and assumptions can significantly impact the future results of operations over the course of time.

Change in Accounting Policy at KHD OOO

Even though the KHD Group continues to hold 100% of the shares in KHD OOO, the Group no longer exercises substantial influence because the existing sanctions and restrictions have eliminated the ability to participate in financial and business policy decision-making processes. The shares in this company will no longer be reported and measured, respectively, as an associated company according to the equity method, but instead measured at fair value and reported under other non-current financial assets.

Initial Application of Accounting Standards

In the reporting period, the Group applied all IFRS Accounting Standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations required to be applied, providing that the standards and interpretations have already been endorsed by the European Union (EU).

Initial Application of Recently Published Standards

The following rules and amendments in EU law were adopted in the 2024 financial year:

- Amendments to IAS 1: Classification of Liabilities as current or non-current, published in January 2020, initial application in the 2024 financial year.
- Amendment to IAS 1: Amendment regarding the classification of debt with covenants, published in October 2022, initial application in the 2024 financial year.
- Amendments to IAS 7 and IFRS 7: Amendments related to supplier financing agreements, published in May 2023, initial application in the 2024 financial year.
- Amendment to IFRS 16: Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions, published in September 2022, initial application in the 2024 financial year.

The application of these rules and amendments does not result in any significant effects on the Group's net assets, financial position, and result of operations.

Published Standards for which Application is not yet required

In the current reporting period, the IASB has published a variety of standards, interpretations and changes to standards and interpretations, the application of which is not yet mandatory and, in part, still require endorsement into EU law.

- Amendments to IFRS 7: Amendments related to the classification and measurement of financial instruments, published in May 2024, initial application in the 2026 financial year.
- Amendment to IFRS 9: Amendments related to the classification and measurement of financial instruments, published in May 2024, initial application in the 2026 financial year.
- IFRS 18: Presentation and disclosures in financial statements, published in April 2024, initial application in the 2027 financial year.
- IFRS 19: Subsidiaries without public accountability: Disclosures, published in May 2024, initial application in the 2027 financial year.

The KHD Group will apply these standards when they take effect. The Group does not expect these amendments or the costs of introducing these standards to result in any significant effects on the Group's net assets, financial position, and result of operations.

The new standard IFRS 18 replaces IAS 1 and must be applied for the first time for financial years beginning on or after January 1, 2027. KHD is not planning to apply the standard earlier. In particular, IFRS 18 requires additional subtotals in the income statement as well as reconciliations with the performance measures determined by company management. The initial application of IFRS 18 will also impact KHD, although the specific extent of the effects has not currently been analyzed.

2. Subsidiaries of KHD Humboldt Wedag International AG as of December 31, 2024

Name of company	Registered office	Main Buisness	Capital and voting rights in % Dec. 31, 2024	Capital and voting rights in % Dec. 31, 2023		Currency	Subscribed capital Dec. 31, 2024	Subscribed capital Dec. 31, 2023
KHD Humboldt Wedag GmbH	Cologne, Germany	Holding function	100.00	100.00	D	€	15,339,300	15,339,300
Humboldt Wedag GmbH	Cologne, Germany	Plant engineering	100.00	100.00	I	€	7,000,000	7,000,000
ZAB Zementanlagenbau GmbH Dessau	Dessau-Roßlau, Germany	Plant engineering	100.00	100.00	I	€	2,000,000	2,000,000
Blake International Ltd.	Road Town, British Virgin Islands	Holding function	100.00	100.00	I	USD	1,000	1,000
KHD Humboldt Wedag Vermögensverwaltungs-AG	Cologne, Germany	Asset management	91.26	91.26	I	€	3,600,000	3,600,000
Humboldt Wedag Inc.	Peachtree Corners, USA	Plant engineering	100.00	100.00	I	USD	1,000	1,000
Humboldt Wedag India Private Ltd. *	New Delhi, India	Plant engineering	100.00	100.00	I	INR	19,200,000	19,200,000
KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd	Beijing, China	Plant engineering	100.00	100.00	D	USD	2,100,000	2,100,000
Humboldt Wedag Do Brasil Servicos Technicos Ltda	São José dos Campos, Brazil	Sales	100.00	100.00	I	BRL	801,847	801,847

D = directly owned
I = indirectly owned

* Subscribed capital of HW India as of March 31, 2024 and March 31, 2023, respectively

On August 14, 2020, KHD and AVIC International Engineering Holdings Pte. Ltd., ("'AVIC Engineering"), Singapore, 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"). 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 (Trustor) and AVIC Engineering (Trustee). Accordingly, KHD retains 100% of the economic ownership.

The scope of consolidation includes four domestic subsidiaries (previous year: four) and five foreign subsidiaries (previous year: six) in addition to KHD as of December 31, 2024. The liquidation of Humboldt Wedag Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia, was completed in the 2024 financial year.

The only Group company in which there are non-controlling interests is KHD Humboldt Wedag Vermögensverwaltungs-AG („KHD VV"):

		Interest and voting rights share of non-controlling interests		Gain or loss attributable to non-controlling interests		Accumulated attributable to non-controlling interests	
Name of the company	**Registered office**	**Dec. 31, 2024 in %**	**Dec. 31, 2023 in %**	**Dec. 31, 2024 in € thousand**	**Dec. 31, 2023 in € thousand**	**Dec. 31, 2024 in € thousand**	**Dec. 31, 2023 in € thousand**
KHD Humboldt Wedag Vermögensverwaltungs-AG	Cologne, Germany	8.74	8.74	15	5	504	502

3. Changes to the Scope of Consolidation

Regarding the change to the scope of consolidation of KHD, reference is made to point 2 of the Notes.

4. Segment Reporting

For KHD, reporting is done in two separate segments. The Capex segment (project business) is differentiated from the Plant Services segment. Segment reporting is oriented towards internal Group management control and internal financial reporting (management approach).

The business activities of the two reportable segments as of December 31, 2024 include the following activities and services:

- **Capex (Project Business)**
  In the Capex segment, the KHD Group reports all revenues and expenses resulting from supplying equipment for cement plants and providing services directly linked to the equipment supply. This encompasses process technology, design, engineering, project management and the supply of technology and equipment on one hand. On the other hand, supervision of erection and commissioning of cement plants are allocated to this segment. General and administrative expenses, sales expenses, and other expenses (in particular research and development costs) are allocated to this segment, accordingly.

- **Plant Services**

  The Plant Services segment comprises all revenues and expenses resulting from supplying spare parts and providing services to existing cement plants. Services include optimizing cement plants, maintenance services, carrying out plant audits, advance engineering, creating feasibility studies and optimization concepts, and training plant personnel. General and administrative expenses, sales expenses and other expenses are allocated to the segment accordingly.

Management and controlling of the KHD Group is based in particular on key figures for the balance sheet and income statement. However, for the operating segments, key figures are determined only for the income statement and for order intake, but not for the balance sheet. In its function as the chief operating decision maker, the Management Board assesses the profitability of the segments based on the operating result (earnings before interest and taxes – EBIT).

The following table provides an overview of the business for the 2024 and 2023 financial years:

in € thousand	Capex Jan. 1 - Dec. 31, 2024	Plant Services Jan. 1 - Dec. 31, 2024	Total Group Jan. 1 - Dec. 31, 2024	Capex Jan. 1 - Dec. 31, 2023	Plant Services Jan. 1 - Dec. 31, 2023	Total Group Jan. 1 - Dec. 31, 2023
Order intake	125,604	49,815	175,419	157,544	40,808	198,352
Revenue	168,594	49,536	218,130	167,460	57,217	224,677
Cost of sales	(141,198)	(32,891)	(174,089)	(154,700)	(38,019)	(192,719)
Gross profit	27,396	16,645	44,041	12,760	19,198	31,958
Other operating income	2,585	-	2,585	3,987	-	3,987
Sales expenses	(9,835)	(2,309)	(12,144)	(9,381)	(2,843)	(12,224)
General administrative expenses	(12,611)	(3,181)	(15,792)	(11,938)	(3,018)	(14,956)
Other expenses	(8,180)	-	(8,180)	(6,725)	(259)	(6,984)
At equity result and impairment	(58)	(58)	(116)	58	58	116
Earnings before interest and taxes (EBIT)	(703)	11,097	10,394	(11,239)	13,136	1,897
Net finance income			5,550			4,542
Profit before tax			15,944			6,439
Income tax expense			(5,359)			(2,159)
Group net profit			10,585			4,280
for information:						
depreciation and amortization			*(3,264)*			*(3,095)*

The recognition and measurement principles used for the reportable segments are in line with the IFRS Accounting Standards described above that are used for the Group financial statements. Revenue and segment-related expenses are directly allocated to the respective segment. Expenses and income which cannot be allocated directly to the segments (e.g. general and administrative expenses) are allocated to the segments using appropriate allocation keys. Scheduled amortization allocated to the Capex segment totaled € 3,139 thousand (previous year: € 2,923 thousand). For the Plant Services segment, it amounted to € 125 thousand (previous year: € 172 thousand).

Measurement of revenue in the segments:

- **Capex (Project Business)**
  Due to the contract conditions, the revenue realized in the Capex segment is primarily related to revenue that is recognized over time based on the stage of completion using the cost-to-cost method. For this reason, revenue is realized depending on the progress in services rendered by KHD, which is determined methodically based on the proportion of the internal and external costs incurred to the overall costs. The payment conditions in project business are linked to contractually agreed upon milestones. When the agreed upon milestones are reached, KHD issues partial billings that are due for payment within 14 to 90 days, depending on the individual contract.

- **Plant Services**
  The revenue in the Plant Services segment is attributable to both the spare parts business and services. Revenue in the spare parts area is realized either over time or based on a specific point in time. Spare parts business individualized per customer sometimes meets the requirements for revenue recognition over time. For spare parts business with standardized products, however, revenue is always recognized at a specific point in time when control is transferred to the customer. Services in the Plant Services segment are realized at a specific point in time to the extent that the service has been provided. The payment conditions for spare parts supply and services are agreed upon individually with customers and vary from advance payment agreements to terms of payment of 90 days.

KHD only reports revenue from external customers in its segment reports, i.e. revenue generated from transactions between two segments is already eliminated. Due to the segment structure, as in the previous year, the Plant Services segment did not recognize any revenue from transactions with the Capex segment in this financial year. And as in the previous year, the Capex segment did not recognize any revenue with the Plant Services segment.

The following project data was allocated to the different geographical areas according to the place of performance or delivery of the products and services.

	Revenue		Non-current assets	
in € thousand	**2024**	**2023**	**2024**	**2023**
India	147,153	117,960	13,581	13,032
North America	24,029	44,847	414	559
Rest Asia	18,986	24,043	-	-
Rest of Europe	9,770	9,269	-	-
Africa	4,407	1,471	-	-
Australia	4,231	657	-	-
Middle East	4,024	16,183	-	-
China	2,742	2,675	26	41
Germany	2,610	1,524	9,680	10,684
South America	178	2,248	-	
Russia	-	3,800	-	116
	218,130	**224,677**	**23,701**	**24,432**

Together, the non-current assets allocated to the segments (€ 23,701 thousand), in addition to non-current trade receivables in the amount of € 145 thousand, other financial assets of € 50,000 thousand, and deferred tax assets (€ 1,581 thousand) yield the total of the Group's non-current assets in the amount of € 75,427 thousand).

	Order Intake		Order Backlog	
in € thousand	**2024**	**2023**	**2024**	**2023**
India	121,715	134,788	113,947	135,236
Africa	12,582	2,924	14,775	6,597
North America	10,890	15,868	4,165	16,027
Rest of Asia	9,399	13,922	19,713	28,506
Middle East	6,093	4,115	7,945	5,876
Rest of Europe	5,851	15,460	7,359	11,438
Australia	4,087	1,332	1,646	1,789
Germany	3,625	1,574	2,332	1,317
China	926	5,719	4,358	6,162
South America	251	2,188	131	1,470
Russia	-	462	-	5,120
	175,419	**198,352**	**176,371**	**219,538**

Order backlog, or the amount of the revenue from the respective contracts that is not yet reported, totaled € 176,371 thousand as of December 31, 2024 (previous year: € 219,538). Of this, an order backlog of € 151,184 (previous year: € 192,323 thousand) is attributable to the Capex segment and an order backlog of € 25,187 thousand (previous year: € 27,215 thousand) to the Plant Services segment. KHD will realize the existing order backlog as revenue to the extent that the project-specific deliveries and services are provided. In the Capex segment, according to planning, approx. 75-85% of the order backlog in the next twelve months will be realized as revenue. Revenue recognition for the remaining 15-25% is expected within the following 24 months. For the Plant Services segment, revenue recognition for more than 90% of the current order backlog is expected within the next twelve months. KHD did not utilize the practical workaround for IFRS 15.121.

Contract assets and contract liabilities are attributed to the segments as follows:

in € thousand	**Capex Dec. 31, 2024**	**Plant Services Dec. 31, 2024**	**Total Group Dec. 31, 2024**	**Capex Dec. 31, 2023**	**Plant Services Dec. 31, 2023**	**Total Group Dec. 31, 2023**
Contract assets	15,531	40	15,571	17,568	194	17,762
Contract liabilities	(21,791)	(371)	(22,162)	(24,494)	(217)	(24,711)

Information about Key Customers

In the financial year, revenue of € 58.3 million was attributable to a single customer with which at least 10% of the Group revenue was earned (previous year: revenue with a four customers in the amount of € 160.9 million). Legally independent companies of a Group are combined into a main customer. Revenue with the key customers was generated in both segments and is distributed as follows:

Customer 1: € 58,263 thousand

In the previous year, the distribution was as follows:

Customer 1: € 63,979 thousand
Customer 2: € 48,274 thousand
Customer 3: € 25,173 thousand
Customer 4: € 23,448 thousand

5. Property, plant, and equipment

in € thousand	Land	Buildings and leasehold improvements	Property, plant and equipment	Total
COST				
Dec. 31, 2022 / Jan. 1, 2023	**4,989**	**3,722**	**13,756**	**22,467**
Additions	-	827	1,631	2,458
Disposals	**-**	**(182)**	**(94)**	**(276)**
Foreign currency translation and reclassification	(194)	(104)	(225)	(523)
Dec. 31, 2023	**4,795**	**4,263**	**15,068**	**24,126**
Additions	-	43	1,593	1,636
Disposals	-	-	(214)	(214)
Foreign currency translation and reclassification	177	136	310	623
Dec. 31, 2024	**4,972**	**4,442**	**16,757**	**26,171**
ACCUMULATED DEPRECIATION				
Dec. 31, 2022 / Jan. 1, 2023	**-**	**1,014**	**8,496**	**9,510**
Additions	-	180	904	1,084
Disposals	-	-	(60)	(60)
Currency differences	-	(21)	(87)	(108)
Dec. 31, 2023	**-**	**1,173**	**9,253**	**10,426**
	-	**-**	**-**	**-**
Additions	-	212	985	1,197
Disposals	-	-	(210)	(210)
Foreign currency translation and reclassification	-	39	147	186
Dec. 31, 2024	**-**	**1,424**	**10,175**	**11,599**
CARRYING AMOUNT				
Dec. 31, 2023	**4,795**	**3,090**	**5,815**	**13,700**
Dec. 31, 2024	**4,972**	**3,018**	**6,582**	**14,572**

As in the previous financial year, the additions to property, plant, and equipment in the financial year in the amount of € 1,636 thousand primarily result from investments in installations and expansions in leased buildings, technical equipment, and machinery in the production facilities in India as well as replacement investments in IT hardware.

6. Goodwill and Other Intangible Assets

in € thousand	Goodwill	Other intangible assets	Rights of use	Total
COST				
Dec. 31, 2022 / Jan. 1, 2023	**5,162**	**9,438**	**14,641**	**29,241**
Additions	-	282	214	496
Disposals	(3,035)	-	(1,978)	(5,013)
Foreign currency differences and reclassification	-	(35)	(105)	(140)
Dec. 31, 2023	**2,127**	**9,685**	**12,772**	**24,584**
Additions	-	495	78	573
Disposals	-	(54)	(71)	(125)
Foreign currency differences and reclassification	-	24	223	247
Dec. 31, 2024	**2,127**	**10,150**	**13,002**	**25,279**
ACCUMULATED IMPAIRMENT/ AMORTIZATION				
Dec. 31, 2022 / Jan. 1, 2023	**2,933**	**8,476**	**5,523**	**16,932**
	-	**-**	**-**	**-**
Additions	-	310	1,701	2,011
Disposals	(2,933)	-	(1,939)	(4,872)
Foreign currency differences and reclassification	-	(35)	(68)	(103)
Dec. 31, 2023	**-**	**8,751**	**5,217**	**13,968**
Additions	-	383	1,684	2,067
Disposals	-	(54)	(29)	(83)
Foreign currency differences and reclassification	-	24	174	198
Dec. 31, 2024	**-**	**9,104**	**7,046**	**16,150**
CARRYING AMOUNT	**-**	**-**	**-**	**-**
Dec. 31, 2023	**2,127**	**934**	**7,555**	**10,616**
Dec. 31, 2024	**2,127**	**1,046**	**5,956**	**9,129**

As was the case in the previous year, the additions to other intangible assets include primarily investments in software. Rights of use are reported with the application of IFRS 16.

The reported rights of use are primarily attributable to the rights of use with regard to leased real estate. Rights of use for factory and office equipment are also reported. The carrying amounts of the rights of use reported in the balance sheet developed as follows in the financial year:

in € thousand	Other property, plant and equipment	Real estate	Total
COST			
Dec. 31, 2023	373	12,399	**12,772**
Addition	19	59	**78**
Disposals	(21)	(50)	**(71)**
Foreign currency translation and reclassification	2	221	**223**
Dec. 31, 2024	**373**	**12,629**	**13,002**
ACCUMULATED DEPRECIATION			
Dec. 31, 2023	119	5,098	**5,217**
Addition	84	1,600	**1,684**
Disposals	(21)	(8)	**(29)**
Foreign currency translation and reclassification	-	174	**174**
Dec. 31, 2024	**182**	**6,864**	**7,046**
CARRYING AMOUNT Dec. 31, 2024	**191**	**5,765**	**5,956**

The lease contracts for the factory and office equipment are depreciated over a period of up to six years. The leases for real estate have contract terms of up to ten years.

Depreciation of rights of use totaling € 1,684 (previous year: € 1,701 thousand) were recognized under expenses in the operating result in the 2024 financial year. In addition, the interest expenses for lease liabilities were € 222 thousand (previous year: € 323 thousand). Expenses for short-term leases and leases for assets of low value are of minor importance in the financial year. The total expenses in connection with leases recognized in profit or loss totaled € 1,906 thousand (previous year: € 2,024 thousand).

The Group's cash outflows for leases amounted to € 1,752 thousand in the 2024 financial year (previous year: € 1,645 thousand).

The extension options available during the financial year for individual leases for real estate that favor the KHD Group were not taken into consideration in the determination of the period of rights of use as of December 31, 2024 because the likelihood of exercising the extension options was considered insufficient. The undiscounted potential future lease payments for periods at the point in time that the extension option is exercised amounted to approx. € 4.3 million (previous year: € 4.5 million).

Goodwill

The annual impairment analysis at the end of the year did not indicate goodwill impairment (previous year: € 0 thousand). The net book value of goodwill totals € 2,127 thousand (previous year: € 2,127 thousand). As of December 31, 2024, goodwill is attributable to one cash generating unit:

CGU	Carrying amount of goodwill allocated to CGU in € thousand	Proportion of total goodwill	Discounting interest rate (before tax) in %	Growth rate in %	Description of key assumptions of company valuation	Procedure used to determine key assumptions
Plant Services HWG	2,127	100.0%	10.0%	1.0%	- Growth rates of the respective markets - Industry-specific cycles - Selling prices - Procurement prices	- Intercompany estimate of the responsible sales and purchasing departments - Economic conditions expected by KHD AG and external market research

Towards the end of the financial year, goodwill is subjected to an annual impairment test as part of the preparation of the financial statements. This is done by comparing the carrying amount of the respective cash generating unit (including goodwill) with its recoverable amount. The recoverable amount is calculated as the value in use based on the discounted cash flow method in the form of the flow-to-equity-approach.

The (pre-tax) cash flows accounted for are based on the management-approved medium-term planning, which includes a five year period. The capitalization rates were derived from market data, taking into account the risk situation of the respective cash generating unit, while taking various risk premiums for country risks into consideration.

A change in the key measurement parameters in the form of a reduction in the expected cash flows by 10% or an increase of the capitalization rate by 20% would not require the recognition of an impairment for the cash generating unit “Plant Services HWG”.

7. Receivables and Financial Assets

in € thousand	Dec. 31, 2024	Dec. 31, 2023
Current financial assets		
Trade receivables	48,200	44,809
Less valuation allowances for impairment of receivables	(2,385)	(2,672)
Trade receivables - net	45,815	42,137
Intercompany receivables	2,101	1,097
Other financial assets	32,281	81,296
Financial receivables	3,114	2,820
Current financial assets	**83,311**	**127,350**
Other receivables	762	1,636
Current financial assets and other receivables	**84,073**	**128,986**
Non-current financial assets		
Trade receivables	145	44
Other financial assets	50,000	-
Financial assets accounted at equity method	-	116
Non-current financial assets	**50,145**	**160**

Trade receivables (gross amount – before deducting valuation allowances) increased in the financial year by € 3,391 thousand from € 44,809 thousand to € 48,200 thousand. Intercompany receivables increased by € 1,004 thousand, from € 1,097 thousand to € 2,101 thousand as of December 31, 2024.

The largest share of the valuation allowances relate to customers from India (previous year: Argentina, Nepal, and Russia). For trade receivables that are not overdue and for which no valuation allowance has been provided, the Group does not foresee any impairment due to the credit rating of the debtors.

As in the previous year, intercompany receivables primarily result from delivery of goods and services to AVIC Group companies. Current intercompany receivables include foreign currency receivables (CNY and USD) due from an indirect parent company in the amount of € 1,995 thousand (previous year: € 937 thousand).

Primarily bank deposits with an original maturity of more than three months up to one year in the amount of € 20,640 thousand (December 31, 2023: € 20,161 thousand) that are not shown as cash and cash equivalents are reported under other current financial assets.

Financial receivables increased by € 294 thousand, from € 2,820 thousand to € 3,114 thousand. Financial receivables as of December 31, 2024 mainly comprise prepayments and deferred expenses, license revenues that have not yet been invoiced, receivables from compensation claims, interest receivables, securities, and other financial receivables. Other receivables in the amount of € 762 thousand (previous year: € 1,636 thousand) arise from reimbursement claims for value-added tax.

A loan to AVIC Kairong for € 50,000 thousand and (previous year: € 0 thousand) that was reported under other current financial assets in the previous year is now reported under non-current financial assets. The second loan for € 10,000 thousand is reported under other current financial assets (previous year: € 60,000 thousand). The loans were originally due and payable in the 2024 financial year, but were each extended by three years, respectively. The two loans are now due and payable in 2027. Each of the loans incurs interest at 5% p.a. KHD has the right to demand full or partial repayment of the loan for € 10.0 million at any time before the due date with a notification period of 30 days. Both loans are secured by a corporate guarantee of a holding company of the AVIC Group. The non-current financial assets also include trade receivables in the amount of € 145 thousand (previous year: € 44 thousand).

Age Structure of Overdue Receivables

in € thousand	Dec. 31, 2024	Dec. 31, 2023
61 to 90 days	2,945	2,898
91 to 180 days	5,064	2,610
181 to 365 days	1,892	1,894
Over 365 days	978	1,516
Total	**10,879**	**8,918**

Trade receivables in the amount of € 10,879 thousand that are more than 61 days overdue as of the balance sheet date (previous year: € 8,918 thousand) remain after offsetting with established valuation allowances. Overdue receivables are reviewed at monthly intervals. If there is objective evidence of impairment, specific bad debt reserves (valuation allowances) are recognized. The additional valuation allowances according to the expected credit loss model are determined based on the overdue period in days. No valuation allowances were established for the net amount of € 10,879 thousand because no material change in the credit standing of these debtors was identified and the outstanding amounts are expected to be recoverable. For further details, refer to section 31.

in € thousand	2024	2023
Valuation allowances as of Jan. 1	2,672	2,728
Addition	1,939	1,809
Utilization	(892)	(928)
Currency translation differences	(89)	(48)
Reversal	(1,245)	(889)
Valuation allowances as of Dec. 31	**2,385**	**2,672**

Valuation allowances correspond to the net value (excluding VAT) of the respective impairment of the impaired receivables. In the financial year under review, KHD recorded valuation allowances on receivables due to expected credit losses according to IFRS 9 in the amount of € 188 thousand (previous year: € 260 thousand).

8. Deferred Tax Assets and Liabilities

The Group accounts for deferred taxes arising from temporary differences between the IFRS amount and the tax base as well as tax assets on tax loss carry-forwards. Deferred tax assets and liabilities are calculated on the basis of local tax rates. Deferred tax assets are recognized to the extent to which it is probable that a future, taxable result will be available. In compliance with the accounting standard IAS 12, the extent to which convincing, substantial indications of future, taxable profits exists is taken into account.

As of December 31, 2024, the KHD Group has a total amount of tax loss carry-forwards of € 144.3 million (previous year: € 165.5 million) for corporate income tax and comparable foreign income taxes. For trade tax, the total amount of tax loss carry-forwards is € 104.6 million (previous year: € 103.6 million). To the degree that it is probable that future, taxable results will be available, deferred tax assets are capitalized to the extent that based on the five-year business planning, future taxable results will be available. Deferred tax assets, however, are capitalized at least to the extent that corresponding deferred tax liabilities are recognized. In the reporting of deferred tax assets as of December 31, 2024, tax loss carry-forwards of € 1.5 million (previous year: € 3.7 million) for corporate income tax and comparable foreign income taxes as well as € 1.4 million (previous year: € 3.5 million) for trade tax were recognized.

The probable taxable profit in the future is determined for the respective subsidiary based on business planning done for Group purposes. The temporary differences, for which no deferred tax assets were recognized, totaled € 0.0 million (previous year: € 0.0 million). No deferred tax assets were recognized with regard to the tax loss carry-forwards listed above, for which future utilization is not sufficiently probable. In principle, the tax loss carry-forwards of the German companies can be carried forward with no time limit. The utilization of tax loss carry-forwards for foreign companies is subject to some time limits. Unutilized loss carry-forwards for foreign companies in the amount of € 27,452 thousand will expires in the years from 2037 through 2038 (previous year: expiration of € 54,350 thousand in the years from 2032 through 2043).

The deferred tax assets on actuarial losses related to a revaluation of pension plans which were previously recorded in other comprehensive income amount to € 307 thousand as of December 31, 2024 (previous year: € 307 thousand).

For temporary differences amounting to € 14.3 million (previous year: € 18.9 million) which are linked to shares in subsidiaries and which will not reverse in the foreseeable future, no deferred tax assets or liabilities were recognized.

Deferred tax assets and liabilities arise from the following items:

in € thousand	Dec. 31, 2024	Dec. 31, 2023
Deferred tax assets		
Provisions	2,428	2,016
Resulting from tax loss carry-forwards	234	586
Offset with deferred tax liabilities	(1,081)	(1,553)
	1,581	**1,049**
Deferred tax liabilities		
Construction contracts / PoC method	(1,081)	(1,594)
Offset with deferred tax assets	1,081	1,553
	-	**(41)**

Of the reported deferred tax assets on provisions in the amount of € 2,428 thousand, € 1,081 thousand relate to deferred tax assets for pension benefit obligations.

In general, KHD recognizes deferred tax assets and deferred tax liabilities if KHD has a right to offset them and if the deferred tax assets and deferred tax liabilities relate to the same tax authority.

9. Inventories

in € thousand	Dec. 31, 2024	Dec. 31, 2023
Raw materials, consumables, and supplies	11,259	6,765
Work in progress	5,059	3,260
Finished goods and merchandise	50	19
Write-down to net realizable value	(4,046)	(1,926)
	12,322	**8,118**

In the financial year, inventories in the amount of € 12,550 thousand (previous year: € 10,878 thousand) were recorded as part of cost of sales. Write-downs to net realizable value of the inventories amount to € 4,046 thousand as of December 31, 2024 (previous year: € 1,926 thousand). These write-downs relate to raw materials, consumables, and supplies, the gross carrying amount of which is € 4,370 thousand (previous year: € 2,021 thousand).

10. Contract Assets and Contract Liabilities, Advance Payments Made and Advance Payments Received

Claims or obligations from customer contracts with revenue recognition over time are reported under the item contract assets or contract liabilities and advance payments received.

Contract assets represent conditional claims to a payment from the customer for satisfying contractual performance obligations. Receivables are recorded only after the claim to receipt of the payment becomes unconditional. This is usually the case if contractually agreed upon milestones for settlement are reached. When these milestones are reached, the contract assets are reclassified under receivables in the amount of the respective progress billings.

Contract liabilities arise when customer payments based on the agreed upon milestones exceed the performance obligations that have already been satisfied. The contract liabilities are recorded as revenue when KHD provides the contractual performance. Revenue in the amount € 22,956 thousand (previous year: € 18,512 thousand), which was included in the balance of the contract liabilities at the beginning of the period, was recorded in the 2024 financial year.

Costs incurred plus a proportionate profit depending on the stage of completion less progress billings are taken into consideration in the measurement of the contracts with revenue recognition over time.

The development of the contract balances from customer contracts is shown as follows:

in € thousand	Dec. 31, 2024	Dec. 31, 2023
Balance of contract assets and contract liabilities		
Contract assets	15,571	17,762
Contract liabilities	(22,162)	(24,711)
	(6,591)	**(6,949)**
Contract liabilities	(22,162)	(24,711)
Advance payments received	(3,324)	(4,747)
Contract liabilities and advance payments received	**(25,486)**	**(29,458)**
Advance payments made	**7,423**	**9,634**

In general, the customer contracts are designed such that the completion date of performance obligations corresponds with the contractually agreed upon progress billings and customer payments. As of the reporting date, projects demonstrate a contract asset or contract liability due from the respective customer in the balance depending on the respective project status in addition to the individually agreed upon settlement schedule.

As of the reporting date, December 31, 2024, the balance of the contract assets and contract liabilities changed by € 358 thousand from € -6,949 thousand to € -6,591 thousand due to progress in project execution and recognized progress billings.

Of the revenue recognized in the reporting period in the amount of € 218,130 thousand (previous year: € 224,677 thousand), € 166,451 thousand (previous year: € 175,489 thousand) is attributable to customer contracts for which revenue was recognized based on stage of completion.

Impairment losses on contract assets for expected credit-related losses according to IFRS 9 are of minor significance.

Advance payments made decreased by € 2,211 thousand, from € 9,634 thousand to € 7,423 thousand. The advance payments made are primarily payments to suppliers in project business.

11. Financial Investments Reported according to the Equity Method

The shares in KHD OOO in the amount of € 116 thousand reported in the previous year according to the equity method are disclosed in the Group balance sheet for this financial year under “Other non-current financial assets” because substantial influence is no longer exercised. The measurement was based on a memo value of € 1.

12. Cash and Cash Equivalents

The Group reports cash and cash equivalents in the amount of € 59,877 thousand (previous year: € 46,050 thousand).

in € thousand	Dec. 31, 2024	Dec. 31, 2023
Bank balances and cash on hand	31,939	34,456
Short-term bank deposits	27,938	11,594
	59,877	**46,050**

After currency translation, cash and cash equivalents at HW India in the amount of € 21,935 thousand (previous year: € 15,271 thousand) can only be made available for the Group in the form of profit distribution. Distributions of profit are subject to customary national taxation.

The cash outflow related to financial investments in the context of short-term financial planning in the amount of € 478 thousand and reported in cash flow from investment activities (previous year: € 8,839 thousand) has to do with bank deposits with a term of more than three months up to one year.

13. Equity

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

Capital reserves comprise the additional paid-in capital resulting from the issuing of shares by KHD Humboldt Wedag International AG.

There are no authorizations to purchase the company's own shares.

Retained earnings amounting to € 8,710 thousand (previous year: € -1,891 thousand) comprise revenue reserves and accumulated Group profit as well as items of other comprehensive income from the revaluation of defined benefit plans that will not be reclassified subsequently to profit or loss. Other items of other comprehensive income relate to currency translation differences from the translation of foreign currency financial statements. This is presented as a separate item within equity.

The non-controlling interests of 8.74% (previous year: 8.74%) relate solely to the minority shareholders at the subsidiary KHD Humboldt Wedag Vermögensverwaltungs-AG.

14. Pension Benefit Obligations

The pension benefit obligations from the pension scheme granted to employees in the Group relate as of December 31, 2024 exclusively to two Group companies in Germany. The pension scheme is granted under defined benefit plans, which are covered by setting up pension benefit obligations. After the pension plans were frozen in 1996, it is no longer possible for employees to acquire additional vested rights to future pensions. The claims to payment of committed, non-forfeitable pension benefit obligations under the pension plans arise upon application by the beneficiaries, and through the provision of supporting evidence that the statutory pension may be drawn. The pension plans of the two Group companies are identical. They are designed as benefits for old-age pension, early retirement pension, and pension benefits to widows and orphans. Benefits to respective employees are dependent on date of entry, length of service, and income.

As of December 31, 2024, the Group’s pension benefit obligations amounted to € 12,214 thousand (previous year: € 12,952 thousand). Of this amount, € 1,256 thousand are reported under the current provisions (previous year: € 1,287 thousand).

The pension plans typically expose the Group to the following actuarial risks:

Inflation risk:	An increase in inflation in the medium term leads to an increase in the plan obligation
Interest rate change risk:	A decrease in the loan rate leads to an increase in the plan obligation.
Longevity risk:	The present value of the defined benefit obligations arising from the plan is determined on the basis of the best possible estimate of the expected mortality of the employees participating in the plan, both during the term of the employment contract as well as after the end of the employment. An increase in the life expectancy of the employees participating in the plan leads to an increase in the plan obligation.

The pension benefit obligations are not funded by a separate fund or in the form of plan assets, but are financed exclusively internally.

The most important actuarial assumptions made are as follows:

in %	**Dec.31, 2024**	**Dec.31, 2023**
Discount rate	3.50	3.65
Pension trend	2.20	2.20
Employee turnover rate	0.00	0.00

For the financial year, the unchanged mortality tables 2018 G by Dr. Klaus Heubeck form the biometric basis for calculating these obligations. As a result of using the mortality tables, there were no actuarial losses due to demographic changes in the financial year (previous year: € 0 thousand).

The assumptions shown above reflect realistic expectations at the respective reporting date. A change in the parameters named above can lead to changes in the measurement. The effects of changes to the material actuarial assumptions on the amount of the obligation at the reporting date can be clarified using the following sensitivity analyses:

- If the discount rate increases by 0.5%, the pension benefit obligations decrease by € 436 thousand (previous year: € 472 thousand). If, however, the discount rate instead falls by 0.5%, the pension benefit obligations increase by € 467 thousand (previous year: € 506 thousand).
- If the pension trend increases by 0.25%, the pension benefit obligations rise by € 231 thousand (previous year: € 251 thousand). If the pension trend decreases by 0.25%, the pension benefit obligations are reduced by € 224 thousand (previous year: € 243 thousand).
- If life expectancy increases by one year for both men and women, the benefit obligation increases by € 760 thousand (previous year: € 775 thousand).

The sensitivity analyses above cannot be taken as representative of the actual change in the defined benefit obligation. It is unlikely that deviations from the assumptions made will arise independently of one another because the assumptions are partly related to each other.

In addition, the present value of the defined benefit obligations in the sensitivity analyses above was determined as of the reporting date using the projected unit credit method, the same method used to calculate the benefit-related obligation presented on the face of the Group balance sheet.

The change in the present value of the defined benefit obligation is as follows:

in € thousand	2024	2023
Defined benefit obligation on Jan. 1	12,952	13,469
Interest cost	449	520
Benefits actually paid (total)	(1,155)	(1,199)
Losses / (gains) due to experience adjustments	134	390
Actuarial (gains) / losses due to change in actuarial assumptions	(166)	(228)
Defined benefit obligation on Dec. 31	**12,214**	**12,952**

Since there are no plan assets, the present value of the defined benefit obligations corresponds to the net debt as of the reporting date.

As of December 31, 2024, of the total obligations of € 12,214 thousand (previous year: € 12,952 thousand), an amount of € 35 thousand is attributable to active employees (previous year: € 61 thousand), € 777 thousand to former employees (previous year: € 816 thousand), and € 11,402 thousand to pensioners and surviving dependents (previous year: € 12,075 thousand).

in € thousand	Dec. 31, 2024	Dec. 31, 2023
Opening balance - cumulative remeasurement gains (-) / losses	4,976	4,814
Actuarial gains (-) / losses	(32)	162
Closing balance - cumulative remeasurement gains (-) / losses	**4,944**	**4,976**

As of December 31, 2024, the average term of the defined benefit obligation was 7.19 years (previous year: 7.41 years).

in € thousand	Dec. 31, 2024	Dec. 31, 2023
Defined benefit costs		
Net interest expense	**449**	**520**
Actuarial (gains) / losses due to experience adjustments	134	390
Actuarial (gains) / losses due to change in actuarial assumptions	(166)	(228)
Actuarial (gains) / losses recognized in other comprehensive income	**(32)**	**162**
Defined benefit costs	**417**	**682**

Interest expenses on pensions of € 449 thousand (previous year: € 520 thousand) were recognized under finance expenses for the financial year.

Expected benefit payments

in € thousand	2024	2023
in 2024	-	1,291
in 2025	1,256	1,249
in 2026	1,210	1,202
in 2027	1,156	1,151
in 2028	1,099	1,097
in 2029	1,040	-
2030 onwards (prior year: 2029 onwards)	6,453	6,962

The defined benefit plans are financed out of current cash flow.

The portion of pension benefit obligations expected to be paid out in the following financial year in the amount of € 1,256 thousand is reported in the current provisions (previous year: € 1,291 thousand).

15. Provisions

in € thousand	Warranty	Tax and litigation risks	Impending losses	Pension benefit obligations	Total
Provisions as of Jan.1, 2024	31,563	1,077	375	1,287	34,302
Additions	13,294	-	1,505	-	14,799
Release	(5,445)	-	(299)	-	(5,744)
Currency translation effects	1,394	17	12	-	1,423
Utilization	(2,666)	(595)	(56)	(31)	(3,348)
Reclassification	1,329	-	-	-	1,329
Provisions as of Dec. 31, 2024	**39,469**	**499**	**1,537**	**1,256**	**42,761**

in € thousand	Dec. 31, 2024	Dec. 31, 2023
Non-current (warranty)	10,475	6,422
Current	32,286	27,880
	42,761	**34,302**

The provisions for warranties cover all identifiable risks which relate to guarantee or warranty commitments. The provisions are measured on a contract-by-contract basis according to the best estimate. The amounts reported as non-current incorporate warranty commitments for a term of more than one year. The remaining expected maturities are between one and four years. The interest effect related to the discounting of accruals is reported in the net finance income.

The effects from currency translation of € 1,423 thousand (previous year: € -321 thousand) are, as in the previous year, mainly attributable to the translation of the local currencies of HW India and HW Inc.

16. Liabilities

in € thousand	Dec. 31, 2024	Dec. 31, 2023
Current financial liabilities		
Trade payables	51,096	40,271
Liabilities due to affiliated companies	96	257
Current financial liabilities	-	1,528
Other current liabilities	8,612	7,466
Lease Liabilities	1,586	1,673
Current financial liabilities	**61,390**	**51,195**
Other liabilities		
Tax and social security	522	525
Income tax liabilities	1,525	1,178
Other liabilities	**2,047**	**1,703**
Current liabilities	**63,437**	**52,898**
Non Current financial liabilities		
Lease Liabilities	4,906	6,404
Bank loan	-	-
Non Current financial liabilities	**4,906**	**6,404**
Other non current liabilities		
Other non current liabilities	-	3,023
Other non current liabilities	**-**	**3,023**
Non current liabilities	**4,906**	**9,427**

Trade payables recognized as of the balance sheet date are subject to the usual retentions of title.

Other non-current liabilities as of December 31, 2024 include lease liabilities in accordance with IFRS 16 in the amount of € 4,906 thousand (previous year: € 6,404 thousand).

The carrying amounts reported as of the reporting date generally correspond to the fair values.

17. Contract Liabilities and Advance Payments Received

This item contains the contract liabilities from customer contracts which are determined with the application of IFRS 15 and presented in Note 10. Furthermore, this item includes advance payments recognized in accordance with IFRS 15, i.e. advance payments made by customers after acceptance of the contract as long as KHD is not expected to already have provided services with respect to the respective project.

18. Personnel Expenses

in € thousand	2024	2023
Wages and salaries	36,606	35,665
Social security contributions and costs, including pension costs	6,064	5,601
	42,670	**41,266**

As of December 31, 2024, the number of employees was 944 (previous year: 880). In the financial year under review, the average number of employees was 929, of whom 233 were industrial employees (previous year: 827 employees, of whom 171 were industrial). The industrial employees are employed based on temporary contracts. For this reason, expenses for these employees is not included in personnel expenses listed above, but is instead reported as part of the costs of sales.

Personnel expenses include employer contributions to statutory pension insurance in the amount of € 1,765 thousand (previous year: € 1,701 thousand) and expenses for other contractually defined contribution plans in the amount of € 875 thousand (previous year: € 801 thousand).

19. Compensation of Current and Former Members of the Management Board and the Supervisory Board (Key Management Personnel in Accordance with IAS 24)

Compensation for key management personnel – consisting of the Management Board and the Supervisory Board – amounted to € 1,644 thousand in the 2024 financial year (previous year: € 1,802 thousand).

Compensation for members of the KHD Management Board in the 2024 financial year amounted to € 1,464 thousand (previous year: € 1,622 thousand). It can be attributed to the following categories in accordance with IAS 24.17:

- € 1,193 thousand (previous year: € 1,387) – short-term benefits,
- € 271 thousand (previous year: € 235 thousand) – other long-term benefits.

Total compensation according to Section 314, Paragraph 1, Number 6a of the German Commercial Code (HGB) for members of the Management Board of KHD amounted to € 1,464 thousand in the 2024 financial year (previous year: € 1,622 thousand). There was no compensation paid out in the financial year under review that has not been reported previously in any Group financial statements (previous year: € 0).

The compensation of the members of the Management Board includes expenses for establishing provisions of € 625 thousand (previous year: € 512 thousand) for variable compensation as well as voluntary profit-based bonuses. As of December 31, 2024, as was the case on the balance sheet date of the previous year as well, the amount outstanding for payment of the compensation of the Management Board for the respective financial year is equivalent to the expenses for establishing provisions for variable compensation and for voluntary profit-based bonuses.

Dr. Matthias Jochem shall not receive any Management Board compensation. KHD concluded a consulting contract in the 2019 financial year with 4-stream consulting GmbH, Roetgen, a company related to Management Board member Dr. Matthias Jochem as an affiliated company. In accordance with the contractual agreement, KHD reported € 295 thousand in the 2024 financial year (previous year: € 284 thousand) as expenses for consulting services.

The remuneration granted to members of the Supervisory Board for performing their duties in the 2024 financial year of € 180 thousand (previous year: € 180 thousand) was recorded as expenses. The compensation of Supervisory Board members in the 2024 financial year amounting to € 180 thousand (previous year: € 180 thousand) is completely attributable to short-term benefits. As of December 31, 2024, a total amount of € 421 thousand (previous year: € 306 thousand) of the remuneration of members of the Supervisory Board is outstanding for payment. Of the amounts outstanding for payment, € 135 thousand are attributable to the respective financial year (previous year: € 140 thousand).

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

The Compensation Report contains further details about Management Board and Supervisory Board remuneration. The Compensation Report also describes the main aspects of the compensation system. The Compensation Report for KHD for the 2024 financial year is publicly available on the Group's website (https://www.khd.com/ir/news-reports/#compensation-reports).

20. Revenue and Recording Revenues

The revenue in the 2024 financial year amounts to € 218,130 thousand (previous year: € 224,677 thousand) which can be divided into the Capex segment (project business) with € 168,594 thousand (previous year: € 167,460 thousand) and the Plant Services segment with € 49,536 thousand (previous year: € 57,217 thousand). The revenue in the Capex segment includes license revenue in the amount of € 2,062 thousand (previous year: € 1,426 thousand). For further classification of the revenue, reference is made to the segment report in section 4.

To determine and classify revenue, KHD uses a practical workaround. In this way, KHD foregoes the capitalization of the costs of contract initiation if the respective project period is not greater than one year. These contract initiation costs are recorded directly as expenses at the point of time they are incurred.

21. Cost of Sales

The cost of sales amounted to € 174,089 thousand in the 2024 financial year (previous year: € 192,719 thousand).

in € thousand	2024	2023
Normal cost of sales	174,089	192,719
	174,089	**192,719**

22. Other Operating Income

in € thousand	2024	2023
Exchange gains and income from derivatives	1,600	1,707
Other income	985	2,280
	2,585	**3,987**

Other operating income includes exchange gains in the amount of € 1,600 thousand (previous year: € 1,707 thousand from exchange rate gains and exchange rate forward contracts). The exchange gains mainly resulted from exchange rate fluctuations for the US dollar and the Indian rupee related to the euro. Exchange gains include both realized and unrealized exchange rate effects.

23. Sales Expenses

Sales expenses decreased in comparison with the previous year by € 80 thousand, from € 12,224 thousand to € 12,144 thousand. Sales expenses include costs for tendering of € 6,564 thousand (previous year: € 6,725 thousand). Furthermore, sales expenses include costs for the sales force, trade show appearances and customer events as well as sales-related expenses.

24. General and Administrative Expenses

Administrative expenses increased by € 836 thousand from € 14,956 thousand in the previous year to € 15,792 thousand in the current financial year. Aside from the costs of general administration, general and administrative expenses include in particular costs for Management Board compensation, legal and consulting costs, costs of preparing and auditing financial statements, Supervisory Board remuneration and investor relations costs.

25. Other Expenses

in € thousand	2024	2023
Research and development	5,660	4,088
Exchange rate losses	1,716	1,798
Result from the deconsolidation of the company	-	415
Miscellaneous expenses	804	683
	8,180	**6,984**

Other expenses increased in comparison with the previous year by € 1,196 thousand from € 6,984 thousand to € 8,180 thousand. Included here are expenses for exchange rate losses, which decreased by € 82 thousand from € 1,798 thousand in the previous year to € 1,716 thousand.

Expenses for research and development increased by € 1,572 thousand, from € 4,088 thousand in the previous year to € 5,660 thousand. A clear focus on expanding and improving the product portfolio (particularly as relates to CO_2 reduction) and other promising development projects continued in the 2024 financial year as well.

Other miscellaneous expenses increased by € 121 thousand from € 683 thousand to € 804 thousand. Miscellaneous expenses primarily include expenses for non-recoverable taxes, fees, services, and insurance premiums.

26. Net Finance Income

Net finance income is composed as follows:

in € thousand	2024	2023
Interest income	6,235	5,766
Total interest income	**6,235**	**5,766**
Dividend income	50	30
Gains on securities	41	151
Finance income	**6,326**	**5,947**
Interest related to pension benefit obligations, provisions and other non-current liabilities	(502)	(527)
Interest expense of leasing liabilities	(222)	(323)
Interest expense	(52)	(555)
Finance expenses	**(776)**	**(1,405)**
Net finance income	**5,550**	**4,542**

Total interest income increased by € 469 thousand from € 5,766 thousand to € 6,235 thousand. Interest income is attributed to financial assets that are measured at amortized cost. Due to price development, the fair value measurement of listed shares held as financial assets gains on securities resulted in a profit of € 41 thousand (previous year: profit of € 151 thousand) in the financial year. Interest income mainly includes interest income from bank deposits and cash equivalents of € 3,164 thousand (previous year: € 2,155 thousand) and interest income from loans to a related company of € 3,050 thousand (previous year: € 3,611 thousand).

Finance expenses include interest related to pension benefit obligations in the amount of € 449 thousand (previous year: € 520 thousand). In the financial year, interest expenses of € 52 thousand (previous year: € 7 thousand) were incurred due to interest on provisions and other non-current liabilities. Interest expenses in the amount of € 0 thousand (previous year: € 525 thousand) were recorded for a bank loan.

27. Income Tax Expenses

The income tax expense of € 5,359 thousand incurred in the 2024 financial year (previous year: € 2,159 thousand) is composed as follows:

in € thousand	2024	2023
Current tax expense	(5,891)	(2,092)
Deferred tax expense / income	532	(67)
Tax expense for the year	**(5,359)**	**(2,159)**

The expected tax expense is reconciled to actual tax expense as follows:

in € thousand	2024	2023
Earnings before income tax	15,944	6,439
Expected tax result while applying an average tax rate of 32.45% (previous year: 32.45%)	(5,174)	(2,089)
Effects of tax-free income	120	108
Effects of non-tax-deductible expenses	(773)	(75)
Effects of unutilized deferred tax losses not recognized as deferred assets recognized tax losses and offset possibilities	1,238	(21)
Effects of originally unrecognized unutilized tax losses and offset possibilities, which are now reported as deferred tax assets and effects arising from changes to tax loss carryforwards	-	(9)
Effects of subsidiaries' divergent tax rates	971	358
Adjustments for previous years' taxes recognized in the current period	(1,119)	200
Other non-tax-effective additions and deductions	(622)	(631)
Tax expense for the year	**(5,359)**	**(2,159)**

Tax rates that differ from the average Group tax rate primarily relate to the subsidiaries in the USA and India as in the previous year.

The effective Group taxation rate is 33.61% (previous year: 33.53%).

The income tax expense is due to the varying profitability of the subsidiaries. While some subsidiaries achieved taxable profits, other subsidiaries recorded tax losses.

28. Earnings and Dividends per Share

Earnings per Share

As in the previous year, the number of ordinary shares issued amounts to 49,703,573.

	2024	2023
Group net gain for the year attributable to shareholders (in € thousand)	10,570	4,275
Weighted average number of shares outstanding	49,703,573	49,703,573
Basic (undiluted) and diluted earnings per share (in €)	0.21	0.09

Dividend per Share

According to the articles of association, KHD's Annual General Meeting of shareholders passed a resolution concerning the appropriation of net retained profit pursuant to the German Commercial Code (HGB). The annual financial statements of KHD Humboldt Wedag International AG for the 2024 financial year indicate a net loss for the year of € 865 thousand and an accumulated loss of € 9,774 thousand. For this reason, no resolution must be passed concerning the appropriation of net retained profit.

29. Total Fees Charged by the Auditors for the Financial Year

As in the previous year, the auditor for the 2024 financial year is EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (previously: Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft).

The total fees charged by EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft for the 2024 financial year are comprised as follows:

in € thousand	2024	2023
Financial statement audit services	536	562
	536	**562**

The total remuneration for the auditor for the 2024 financial year is € 536 thousand (previous year: € 562 thousand). The financial statement audit services mainly include the fees for the audits of the annual financial statements and consolidated financial statements of KHD AG as well as the audits of the annual financial statements for two other German subsidiaries. Expenses in the 2024 financial year include auditing services in the context of the audit of the annual financial statements for the 2023 financial year in the amount of € 50 thousand (previous year: € 113 thousand related to the audit of the annual financial statements for the 2022 financial year).

30. Other Financial Commitments and Contingent Liabilities/Contingent Assets

Commitments for Operating Leases

Future minimum payments for non-cancellable operating leases and rent contracts primarily result from lease contracts for buildings:

in € thousand	Dec. 31, 2024	Dec. 31, 2023
Within one year	2,731	1,843
Between two and five years	4,639	4,144
After five years	2,098	2,379
Total lease and rental commitments	**9,468**	**8,366**

Expenses for leased and rented office space and office equipment recognized in the Group income statement amount to € 2,137 thousand in the 2024 financial year (previous year: € 2,157 thousand).

Other Commitments

There were commitments for the purchase of property, plant and equipment and intangible assets in the amount of € 1,024 thousand as of December 31, 2024 (previous year: € 560 thousand). Other contingent liabilities from current contracts amount to € 524 thousand (previous year: € 494 thousand). The previous year's figures have been adjusted accordingly.

Contingent Liabilities

Contingent liabilities of the KHD Group are commitments that do not meet the criteria for recognition as a provision, but the possibility of an outflow of resources is more than remote.

As of the reporting date, contingent liabilities result from a possible calling of guarantees and from other claims against the KHD Group that exceed the amounts covered by provisions. The claims against the KHD Group also include judicial, arbitrational, and extrajudicial disputes. As of the balance sheet date, there were no judicial, arbitrational, and extrajudicial disputes that could have a significant impact on the Group. For further details regarding the contingent liabilities, refer to the explanations under “Liquidity Risk” in section 31.
Pursuant to IAS 37.91, no disclosure is made for the required information in accordance with IAS 37.86 regarding the type of commitment, uncertainty with respect to the amount and the timing of the cash outflow.

Contingent Assets

Contingent assets are claims by the KHD Group for which the realization of income is not virtually certain, but the inflow of economic benefits is probable.

Contingent assets arise from claims against customers due to subsequent scope changes of projects and cost overruns caused by customers as well as from claims for backcharges against subcontractors.

The development of both contingent assets and contingent liabilities are monitored continuously. As soon as the corresponding claims and commitments are substantiated, they are recorded in profit and loss for the period. For reasons of practicality, no amount is listed here.

31. Additional Notes on Financial Instruments

Financial Risk Factors

In its position as a globally operating Group, KHD is exposed to various financial risks (currency, interest rate, default, credit, and liquidity risks) which may have a significant impact on the Group's net assets, financial position, and result of operations.

Capital Management

The primary objective of capital management at the KHD Group is to ensure that the Group's ability to service debts is maintained in the future and that its financial standing is preserved.

Financial security is largely measured using the equity ratio. The components of this key performance indicator are equity and total assets as reported in the group financial statements. The equity ratio is used as a key performance indicator to communicate with investors, analysts, banks, and rating agencies.

KHD can generally manage its capital structure through distributing dividends, reducing capital and/or issuing new shares, and through issuing financial instruments qualified as equity in accordance with IFRS. The aim is to achieve a capital structure that is appropriate to the business risk.

KHD is subject to the minimum capital requirements applicable to German stock corporations. Compliance with these requirements is monitored continuously. KHD was in compliance with these requirements in 2024.

in € thousand	Dec. 31, 2024	Dec. 31, 2023
Equity	107,517	94,972
Total assets	255,065	237,454
Equity ratio (in %)	42.2	40.0

The equity ratio increased by 2.2 percentage points compared with the previous year from 40.0% to 42.2%.

MARKET RISK

Currency Risk

In the case of foreign exchange risks, a differentiation should be made between currency risks related to the execution of projects in different currency areas and risks arising from translation of individual Group companies' financial statements denominated in a foreign currency at various reporting dates. As part of the execution of projects, exchange rate risks are determined on the basis of planned cash flows and minimized by using derivative financial instruments. Exchange rate forward contracts are the only derivative financial instruments used.

The Group recognized assets and liabilities denominated in foreign currencies translated to a carrying amount of € 1,944 thousand (previous year: € 4,746 thousand). In this context, foreign currency denotes that a company of the KHD Group holds assets and liabilities in a currency that is not the respective functional currency of the subsidiary. A 10% variance in exchange rates would change Group earnings/ comprehensive income by € 131 thousand (previous year: € 321 thousand).

The individual financial statements prepared by the foreign subsidiaries are translated into euros in line with the functional currency principle. The Group's functional currency is the euro. Assets and liabilities are translated at the balance sheet closing rate. Currency translation differences resulting from translating the assets and liabilities of foreign subsidiaries denominated in local currencies into the Group's functional currency may have an impact on Group equity. A 10% change in foreign currency exchange rates would change Group equity by € 5,947 thousand (previous year: € 4,773 thousand).

Price Risk

The Group reports securities in its balance sheet and is exposed to standard market price risk with respect to securities. In view of the fact that price and performance are set out in individual contracts, the Group is not exposed to commodity price risk.

CREDIT AND DEFAULT RISK

In general, the risk of credit concentration with regard to trade receivables is geographically dispersed all over the world, due to the Group's customer structure. Long-term business relationships are maintained with important customers. In the past, these customers have not been involved in bad debt losses based on credit rating. In addition, there are no current indications of increased credit rating risks. Credit risk is also mitigated through the payment terms the Group agrees with its customers, notably progress billings and advance payments, to avoid excessively high levels of outstanding receivables. Internal guidelines ensure that products are only sold to customers with appropriate credit ratings. The risk of counterparty default is managed through regular monitoring and reviews of the trade receivables and the structure of receivables. At the KHD Group, receivables from export contracts are to a large extent secured against default risks by letters of credit, as well as through guarantees and cover notes, which also include export credit agencies (e.g. Hermes).

No securities for receivables were reported in the financial year (previous year: € 0 thousand).

As of December 31, 2024, the KHD Group reported two loan receivables, one for € 10.0 million and one for € 50.0 million, from AVIC International Kairong Limited as the borrower. Possible default risks are effectively minimized by continuous monitoring of the credit worthiness of the borrower and by a Group guarantee issued to the KHD Group by a holding company of the AVIC Group. The KHD Group is also entitled to call the first loan of € 10.0 million for repayment at any time prior to its maturity by giving 30 days' notice.

In principle, the default risk arising from financial assets consists of the risk of counterparty default and is therefore limited to a maximum of the respective positive carrying amount. This risk is addressed through valuation allowances made for outstanding receivables that have become doubtful.

LIQUIDITY RISK

The KHD Group has been pursuing a conservative, forward-looking policy of liquidity hedging for many years and has a sufficient level of cash and cash equivalents.

In order to avoid financial risks from the plant engineering business, construction contracts are executed through progress billings and customer payments made in advance, which largely financed projects in progress as of the balance sheet date. By means of financial and liquidity planning, cash and cash equivalents are available in such a way that the KHD Group is at all times able to fully meet its payment obligations. The majority of current trade and other payables reported as of the balance sheet date in the amount of € 51,192 thousand (previous year: € 40,528 thousand) are payable within 60 days.

With regard to the maturity of the pension benefit obligations, refer to section 14. Other liabilities and provisions that are recorded within non-current liabilities have residual terms of up to five years. The terms of these liabilities are substantially determined by the warranty periods.

Within the scope of its normal business transactions, the Group has commitments due to advance guarantees, performance bonds, and guarantees for warranty obligations. Besides the reported provisions, the KHD Group does not anticipate any material liabilities due to these commitments. The arranged bank guarantee credit facilities in the amount of € 92.6 million (previous year: € 82.0 million) allow individual KHD Group companies to provide bank guarantees for its customers worldwide. As part of these guarantee facilities, the Group has provided bank guarantees within the scope of its normal business activities in the amount of € 52.5 million (previous year: € 72.4 million).

INTEREST RATE RISK

The Group holds assets that are affected by changes in market interest rates over the course of time in the case of reinvestment. In the event that market interest rates had risen or fallen by 50 basis points, Group earnings as of December 31, 2024, would have been € 202 thousand (previous year: € 156 thousand) higher or lower, respectively. A fixed interest rate has been agreed for each of the three-year loans extended to AVIC Kairong, so there is no risk from interest rate changes with regard to these loans.

Net Earnings per Category

The net earnings per category of financial assets and liabilities are as follows:

2024 in € thousand	Financial assets			Financial liabilities	Total
	Held for trading	Equity instruments at fair value through profit or loss	Loans and receivables	Amortized cost	
Expenses due to valuation allowances on financial assets	-	(116)	(1,939)	-	(2,055)
Interest Income / expense	-	-	6,235	(52)	6,183
Other net earnings	41	-	1,136	-	1,177
Net earnings	**41**	**(116)**	**5,432**	**(52)**	**5,305**

2023 in € thousand	Financial assets			Financial liabilities	Total
	Held for trading	Equity instruments at fair value through profit or loss	Loans and receivables	Amortized cost	
Expenses due to valuation allowances on financial assets	-	-	(1,809)	-	(1,809)
Interest Income / expense	-	-	5,764	(553)	5,211
Other net earnings	317	-	632	-	949
Net earnings	**317**	**-**	**4,587**	**(553)**	**4,351**

Net earnings include in particular interest income and expense, income and expenses from translating monetary items denominated in foreign currency, market value changes of securities, and expenses for valuation allowances on financial assets.

Dec. 31, 2024	Financial assets Measurment according to IFRS 9				Financial liabilities Measurment according to IFRS 9				
in € thousand	Fair value through OCI	Fair value through P&L	Amortized cost	Not in IFRS 9 application area	Fair value through P&L	Amortized cost	Not in IFRS 9 application area	Carrying amount Dec. 31, 2024	Fair value Dec. 31, 2024
Non-current financial assets	-	-	50,145	-	-	-	-	50,145	50,073
Trade receivables	-	-	45,815	-	-	-	-	45,815	-
Related party receivables	-	-	2,101	-	-	-	-	2,101	-
Other financial assets	-	1,442	30,839	-	-	-	-	32,281	11,571
Other receivables	-	-	3,114	762	-	-	-	3,876	-
Cash and cash equivalents	-	-	59,877	-	-	-	-	59,877	-
Total financial assets	**-**	**1,442**	**191,891**	**762**	**-**	**-**	**-**	**194,095**	**61,644**
Other liabilities	-	-	-	-	-	8,612	-	8,612	-
Trade payables	-	-	-	-	-	51,192	-	51,192	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**59,804**	**-**	**59,804**	**-**

Dec. 31, 2023	Financial assets Measurment according to IFRS 9				Financial liabilities Measurment according to IFRS 9				
in € thousand	Fair value through OCI	Fair value through P&L	Amortized cost	Not in IFRS 9 application area	Fair value through P&L	Amortized cost	Not in IFRS 9 application area	Carrying amount Dec. 31, 2023	Fair value Dec. 31, 2023
Non-current financial assets	-	-	44	-	-	-	-	44	-
Trade receivables	-	-	42,137	-	-	-	-	42,137	-
Related party receivables	-	-	1,097	-	-	-	-	1,097	-
Other financial assets	-	849	80,447	-	-	-	-	81,296	58,273
Other receivables	-	-	2,826	1,636	-	-	-	4,462	-
Cash and cash equivalents	-	-	46,050	-	-	-	-	46,050	-
Total financial assets	**-**	**849**	**172,601**	**1,636**	**-**	**-**	**-**	**175,086**	**58,273**
Financial liabilities		-	-	-	-	1,528	-	1,528	-
Other liabilities	-	-	-	-	-	7,466	3,023	10,489	-
Trade payables	-	-	-	-	-	40,528	-	40,528	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**49,522**	**3,023**	**52,545**	**-**

The carrying amounts reported as of the reporting date generally correspond to the fair values as long as no other explicit information is given.

The fair value in the amount of € 50,073 thousand in the non-current financial assets and in the amount of € 10,129 thousand in the other financial assets (previous year: € 58,273 thousand in the other financial assets) resulted from the measurement of loan receivables reported in the balance sheet in the amount of € 50,000 thousand (previous year: € 0 thousand) and € 10,000 thousand (previous year: € 60,000 thousand).

The fair values of financial assets and financial liabilities held for trading were determined according to the following procedure:

- The fair values of the listed securities that are held for trading are determined by reference to quoted market prices.

Financial assets and financial liabilities	Fair value		Level	Measurement method	significant unobservable input(s)
	Dec. 31, 2024	Dec. 31, 2023			
Securities	Financial assets: € 1,442 thousand	Financial assets: € 849 thousand	Level 1	Listed price on active market	N/A

Securities Held for Trading
The fair value of the securities held for trading amounted to € 1,442 thousand (previous year: € 849 thousand). A 10% variance in the market price would change Group earnings by € 137 thousand (previous year: € 81 thousand).

Receivables
Overdue Group receivables, including receivables for which valuation allowances were made, amounted to € 12,614 thousand (previous year: € 10,853 thousand). After deducting securities (letters of credit and Hermes coverage), the Group values the resulting risk at € 12,614 thousand (previous year: € 10,853 thousand). The receivables for which valuation allowances have been made are generally more than 90 days overdue.

Offsetting
In the KHD Group there are offsetting agreements with the corresponding banks for derivative financial instruments. In accordance with these framework agreements, the amounts owed by each respective party with respect to transactions in the same currency that are still outstanding on a specific date of maturity are offset to reach a net amount.

32. Related Party Disclosures

As defined by IAS 24, in addition to the subsidiaries of KHD, the related companies also include those companies that have a controlling or joint management interest in KHD or exercise substantial influence as well as those other related companies of AVIC Group that are affiliated with these. As business transactions between KHD and its consolidated subsidiaries were eliminated in the consolidation process, the following presents only the transactions with respect to direct and indirect parent companies of KHD and the other related companies or persons that were not eliminated. These are primarily business transactions with companies of the AVIC Group and the members of the Management Board and Supervisory Board. Transactions with indirect parent companies relate to AVIC INTL and AVIC Beijing. Transactions with other affiliated companies took place with AVIC Kairong.

Relations with Affiliated Companies

There has been a cooperation agreement with AVIC Beijing since 2010, reinforced since February 2011 by the capital interest in KHD amounting to 20% that is held by Max Glory Industries Limited (Max Glory), an AVIC Beijing group company. As a consequence of a public takeover offer, AVIC Beijing further increased its indirect share in KHD in the 2014 financial year. As of December 31, 2024, AVIC Beijing indirectly holds the majority of KHD shares with 89.02% (unchanged from the previous year). The strategic partnership between AVIC and KHD resulted in numerous joint projects in various sales regions all over the world. The emphasis of the cooperation in recent years was the increasing development of the Chinese market for the technology of the KHD Group.

Following the loss of substantial influence in the Russian company KHD OOO, which was included in the Group Financial Statements in the previous year according to the equity method, the shares are recorded in this reporting year under other non-current financial assets. In the previous financial year, KHD OOO was considered an affiliated company.

KHD concluded a consulting contract in the 2019 financial year with 4-stream consulting GmbH, Roetgen, a company related to Management Board member Dr. Matthias Jochem as an affiliated company. In accordance with the contractual agreement, KHD reported € 295 thousand in the 2024 financial year (previous year: € 285 thousand) as expenses. The liabilities due to 4-stream consulting GmbH amounted to € 21 thousand as of December 31, 2024 (previous year: € 48 thousand). The other financial obligations from consultancy agreement with 4-stream consulting GmbH amount to € 260 thousand p.a. (previous year: € 230 thousand p.a.).

Other Transactions with Affiliated Companies of the AVIC Group

As of December 31, 2024, the KHD Group reported two loan receivables, one for € 10,000 thousand (previous year: € 10,000 thousand) and one for € 50,000 thousand (previous year: € 50,000 thousand) from AVIC International Kairong Limited as the borrower. The interest on the two loans remains unchanged from the previous year and amounts to 5% p.a.

KHD has the right to demand full or partial repayment of the first loan (€ 10,000 thousand) at any time before the due date with a notification period of 30 days. Both loans are secured by a corporate guarantee of a holding company of the AVIC Group.

The following business transactions with affiliated companies of the AVIC Group took place during the reporting year:

Income

in € thousand	**2024**	**2023**
Indirect parent company	6,072	2,550
Other related companies	3,050	3,611
	9,122	6,161

Income with indirect parent companies amounted to € 6,072 thousand in the financial year (previous year: € 2,550 thousand). Income in the current year largely relates to income generated from project business. Interest income from the loans extended to AVIC Kairong in the amount of € 3,050 thousand (previous year: € 3,611 thousand) is reported under income with other affiliated companies.

Expenses

in € thousand	2024	2023
Indirect parent company	1,500	-
Associates	-	230
	1,500	230

Expenses with indirect parent companies amounted to € 1,500 thousand in the financial year (previous year: € 0 thousand). Expenses with associated companies amounted to € 0 thousand in the financial year (previous year: € 230 thousand).

Current Assets

In the financial year under review, there were current assets due from companies of the AVIC Group in the amount of € 2,087 thousand (previous year: € 1,087 thousand). These are exclusively the result of receivables in the context of project business. In the previous year, these resulted exclusively from receivables in the context of project business and interest receivables.

in € thousand	2024	2023
Indirect parent company	2,087	1,087
Associates	-	14
	2,087	1,101

In addition, two loans to affiliated companies, one in the amount of € 50,000 thousand under non-current assets and one in the amount of € 10,000 thousand under other financial assets (previous year: € 60,000 thousand under other financial assets) were reported as of the balance sheet date.

Liabilities, Advance Payments Received and Provisions

Contract liabilities in the amount of € 812 thousand from affiliated companies (previous year: € 0 thousand) are reported under liabilities from project contracts. Liabilities and provisions in the amount of € 1,682 thousand (previous year: € 3,997 thousand) are reported as due from indirect parent companies.

in € thousand	2024	2023
Indirect parent company	2,494	3,997
Associates	-	90
	2,494	4,087

Relationships with Associated Persons

Associated persons include the current members of the Management Board and Supervisory Board of KHD and their family members.

Compensation for key management personnel in accordance with IAS 24 includes the compensation of the active members of the Management Board and Supervisory Board. With regard to the current compensation of members of the Management Board and Supervisory Board and with respect to termination benefits for former Management Board members, reference is made to section 19.

33. Corporate Governance

The Management Board and Supervisory Board of KHD issued the statement required pursuant to Section 161 of the German Stock Corporation Act (AktG) on February 6, 2025, and also made it permanently publicly available to shareholders on the Company's website at (http://www.khd.com/declaration-of-compliance.html).

Furthermore, the Management Board and Supervisory Board of the publicly listed Group company KHD VV issued the statement required pursuant to Section 161 of the German Stock Corporation Act (AktG) on January 24, 2025, and also made it permanently publicly available to shareholders on the KHD VV website (https://www.khdvv.de/corporate-governance).

34. Events after the Reporting Period

In March 2025, HW India signed a project package for a large-scale project with an Indian customer. The contract package refers to a new cement plant with a production capacity of 10,000 tons per day. It includes an order volume of more than € 100 million (after currency translation). There have been no other significant developments or events of particular importance since the reporting date of December 31, 2024.

35. Approval by the Supervisory Board

The Supervisory Board approval of the prepared Group financial statements is due to be issued at the Supervisory Board meeting on March 27, 2025.

Cologne, March 21, 2025

The Management Board

Jianlong Shen (Chairman)	Jürgen Luckas	Dr. Matthias Jochem

Matthias Mersmann

Due to force majeure, Mr. Mersmann's signature cannot be obtained for the foreseeable future.

36. Responsibility Statement

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

Cologne, March 21, 2025

The Management Board

Jianlong Shen (Chairman)	Jürgen Luckas	Dr. Matthias Jochem

Matthias Mersmann

Due to force majeure, Mr. Mersmann's signature cannot be obtained for the foreseeable future.

Independent Auditor's Report

Reproduction of the auditor's report

To KHD Humboldt Wedag International AG

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of KHD Humboldt Wedag International AG, Cologne, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2024 to 31 December 2024, the consolidated statement of financial position as at 31 December 2024, consolidated statement of cash flows and consolidated statement of changes in equity for the fiscal year from 1 January 2024 to 31 December 2024, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of KHD Humboldt Wedag International AG, which was combined with the management report of the Company, for the fiscal year from 1 January 2024 to 31 December 2024. 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. 315, 315a HGB or Secs. 315b to 315d HGB or German Accounting Standard (GAS) 20.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards) and adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2024 and of its financial performance for the fiscal year from 1 January 2024 to 31 December 2024, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated 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 consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group 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 consolidated financial statements and of the group management report” section of our auditor’s report. We are independent of the group entities 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 consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2024 to 31 December 2024. These matters were addressed in the context of our audit of the consolidated 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:

1. **Long-term construction contracts: Revenue recognition and measurement of provisions for obligations under onerous contracts**

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

Revenue from long-term construction contracts is recognized over time depending on the stage of completion, which is determined as the ratio of contract costs actually incurred to the planned total costs (“cost-to-cost method”). In particular, the determination of the expected total costs requires estimates and assumptions to be made by the executive directors. If the planned total costs exceed the achievable total revenue, provisions for potential losses from obligations under onerous contracts are recognized.

Due to possible estimation uncertainties and the related risks of material misstatement arising from the determination of the stage of completion of long-term construction contracts and the measurement of contract revenue and contract costs, the recognition of revenue and the measurement of provisions for obligations under onerous contracts in connection with long-term construction contracts was a key audit matter.

Auditor’s response

During our audit, we examined the processes established by the Company for the Group to determine the stage of completion of long-term construction contracts. We obtained an understanding of the amount and the substantive allocation of the actual costs, which mainly comprise material and wage costs, by taking into consideration materiality levels and inspecting a sample of third-party confirmations and vouchers gathered using statistical selection criteria and comparing these to job order costing. We assessed the amount and the recognition of the planned total costs of individual orders on a sample basis by inspecting contracts and project costings and by discussing with project managers the progress of projects and the estimated costs until completion. In addition, we analyzed the measurement of and the need to make allocations or adjustments to a provision for obligations under onerous contracts for such construction projects in which the stage of completion, expected project costs or planned margins differ significantly from the original project costings. In this context, we compared the original project costings with the current, ongoing project costings and discussed any ensuing deviations with the project managers. Furthermore, we checked the clerical accuracy of project costings on a sample basis and compared the amount of revenue to be recognized and the provisions for obligations under onerous contracts with the Company’s financial accounting. By comparing the project costings with documents from the prior year, we also analyzed whether the methods used were applied consistently over time.

Our procedures did not lead to any reservations regarding the recognition of revenue or the measurement of provisions for obligations under onerous contracts for long-term construction contracts.

Reference to related disclosures

The Company’s disclosures on revenue recognition and the measurement of provisions for obligations under onerous contracts are included in sections 1 “Summary of Major Accounting and Measurement Principles” under “Contract Assets and Contract Liabilities from Customer Contracts with Revenue Recognition over Time” and 20 “Revenue and Revenue Recognition” of the notes to the consolidated financial statements.

2. Impairment testing of goodwill

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

The executive directors test goodwill for impairment at least once a year. In this context, the carrying amount of goodwill is compared with the recoverable amount, which corresponds to the present value of expected future net cash flows before tax determined using a discounted cash flow model and taking into account expectations regarding future market development and assumptions about trends in macroeconomic factors and growth rates. A weighted average cost of capital rate (before tax) is used for discounting.

The result of this measurement is highly dependent on the executive directors’ estimate of future cash flows and the respective discount and growth rates used and therefore involves significant uncertainty. In light of this and due to the high level of complexity of impairment testing, the judgment exercised during measurement and the estimation uncertainty, goodwill, which is a significant item of the statement of financial position, was a key audit matter.

Auditor’s response

As part of our audit, we examined the definition of the cash-generating unit and the Company’s forecast process.

In addition, we obtained an understanding of the method used to determine the recoverable amount of the cash-generating unit. In this context, we assessed in particular whether the calculation of the values in use using discounted cash flow methods complies with the requirements of IAS 36 Impairment of Assets.

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. Moreover, the planning was checked for consistency with the information provided by the executive directors in the forecast section of the management report. We also obtained an understanding of the methods used and checked the mathematical accuracy of the discounted cash flow valuation model used to determine the recoverable amount.

We analyzed the accuracy of the forecasts and the planning by comparing the future cash flows forecast in prior periods with the actual results. Based on our understanding that even relatively small changes in the discount rate used can have significant effects on the amount of the value in use of the cash-generating unit, we obtained an understanding of the methods used and examined whether the inputs used correspond to external market data.

Our procedures did not lead to any reservations relating to the impairment testing of goodwill.

Reference to related disclosures

The Company’s disclosures on the impairment testing of goodwill are included in the notes to the consolidated financial statements, note 6 “Goodwill and Other Intangible Assets.”

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 ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the group 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 and the disclosures extraneous to management reports contained in the "Corporate Governance" section of the management report referred to 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 and Sec. 315 (1) Sentence 5 HGB,
- "Key Figures," "Facts & Figures" as well as the "Foreword of the Management Board" and
- the Report of the Supervisory Board

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

Our opinions on the consolidated financial statements and on the group 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 consolidated financial statements, with the group 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 consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated 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 consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 consolidated financial statements and of arrangements and measures relevant to the audit of the group 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 the Group's internal control and of such arrangements and measures.

- 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 Group'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 consolidated financial statements and in the group 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 Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets and liabilities, financial position and financial performance of the Group in compliance with the IFRS Accounting Standards as adopted by the EU.

- Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and review of the work performed for the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group 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 consolidated 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 consolidated financial statements and the group 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 consolidated financial statements and the group management report (hereinafter the “ESEF documents”) contained in the attached file (2024_KHD_AG_Konzernabschluss-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 consolidated financial statements and the group 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 consolidated financial statements and the group 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 consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2024 to 31 December 2024 contained in the “Report on the audit of the consolidated financial statements and of the group 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 consolidated financial statements and the group 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 "Group 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 QMS 1 (09.2022)).

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 consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 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.

Group 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 consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

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

We were elected as group auditor by the Annual General Meeting on 24 May 2024. We were engaged by the Supervisory Board on 1 August 2024. We have been the group 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 consolidated financial statements or in the group 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 consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group 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 consolidated financial statements and the audited group 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, 26 March 2025

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Galden	Ormanns
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

List of Abbreviations

AVIC Beijing	AVIC International Beijing Co. Limited, Beijing, People's Republic of China;
AVIC Kairong	AVIC International Kairong Limited, Hong Kong, Hong Kong
AVIC Engineering	AVIC International Engineering Holding Pte. Ltd., Singapore, Singapore
AVIC INTL	AVIC International Holdings Limited, Shenzhen, People's Republic of China
HWG	Humboldt Wedag GmbH, Cologne, Germany
HW Inc.	Humboldt Wedag, Inc., Peachtree Corners (Georgia), USA
HW India	Humboldt Wedag India Private Ltd., New Delhi, India
KHD	KHD Humboldt Wedag International AG, Cologne, Germany - Group
KHD AG	KHD Humboldt Wedag International AG, Cologne, Germany
KHD Beijing	KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, People's Republic of China
KHD GmbH	KHD Humboldt Wedag GmbH, Cologne, Germany
KHD OOO	KHD Humboldt Engineering OOO, Moscow, Russia
KHD VV	KHD Humboldt Wedag Vermögensverwaltungs-AG, Cologne, Germany
Max Glory	Max Glory Industries Ltd., Hong Kong, Hong Kong
SPA	Share Purchase Agreement
ZAB	ZAB Zementanlagenbau GmbH Dessau, Dessau-Roßlau, Germany