HALF-YEAR FINANCIAL REPORT 2012

H1 2012 ····· Order intake significantly increased ····· back to operating profits ····· service business developed ·····

Strong market position maintained

KHD HUMBOLDT WEDAG

Key Figures

in € million	June 30, 2012	June 30, 2011	Variance in %
Order Intake	248.4	87.4	184.2
Revenue	102.5	106.6	–3.8
Gross Profit	20.4	23.7	–14.0
Gross Margin (in %)	19.9	22.3	–10.8
EBIT	2.2	7.2	–69.4
EBIT Margin (in %)	2.1	6.7	–68.7
EBT	3.9	9.5	–58.9
Group Net Profit	(0.2)	6.4	–103.1
EPS in EURO, Cent	0.00	0.14	–100.0
Cash flow from operating activities	(32.8)	(44.8)	26.8
Cash flow from investing activities	(1.8)	(32.8)	94.5
Cash flow from financing activities	14.1	78.0	–81.9
	June 30, 2012	**Dec. 31, 2011**	**Variance in %**
Equity	232.8	233.5	–0.3
Equity Ratio (in %)	54.7	54.1	1.1
Cash	267.1	300.3	–11.1
Order Backlog	439.6	293.7	49.7

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LETTER TO THE SHAREHOLDERS

Dear shareholders, customers, business partners, and friends of the Company,

KHD returned back to operating profits in the second quarter, after the difficult first quarter, reaching an EBIT total of € 2.2 million for the first half year of 2012. Strong order intake in the first half-year and increasing order backlog give us confidence for the future. Overall, we are satisfied with the development in the first half-year and we will continue to implement our long-term strategy based on the four cornerstones:

- Customer focused growth
- Technical leadership
- Operational excellence
- Service business development

When you add these to our highly committed and motivated personnel together with our strategic partners, AVIC and WEIR Minerals the future looks exciting.

The overall economic conditions remained challenging and there was increased uncertainty during the second quarter. India, one of KHD's key markets, remained to be slow and Chinese economic slowdown became more concrete.

Despite the challenging economic and industry conditions, order intake increased to almost € 250 million, with new orders coming from Venezuela, Russia, and Malaysia. This means that we have already exceeded the total volume of new orders achieved for the full year 2011. This is the result of our improved competitiveness and customers' confidence in KHD's capability to engineer and supply high performance products and services.

However, uncertainty in the industry led to slower than anticipated project execution in some of our key projects. This is reflected by a modest decline in revenues in the first half of 2012, compared to same period a year ago.

We have seen a slight increase in capacity utilization rates in some of the markets, which gives us more opportunities in the service business. We have also made good progress in our efforts to expand our service business in areas where we have a sufficient level of installed base. The roller press refurbishment plant close to New Delhi has been in operation since February, and has been running at full capacity from the beginning. This successful service can also be launched in other markets. At the same time, we are gaining strengths in the minerals industry with our partner Weir Minerals, selling high-pressure grinding rolls in Peru and Canada in the first half of 2012.

»Improved competitiveness and growing customer confidence in KHD's ability as an engineering company to supply high performance products and services have paid off.«

KHD continued account management and marketing efforts during the first half of the year. We participated in key industry exhibitions, such as the ones in, Beijing, Kuala Lumpur, Moscow, and Cape Town and hosted over 150 customers at a KHD customer event in Istanbul.

We continued to invest in research and development for our products and services. In fact, we increased our research and development expenditure by more than a quarter compared to the previous year. Our objective is clear: to be the preferred supplier to our customers for cutting-edge, environmentally friendly technology.

Gross profit margin remained on a satisfactory 20% level but lower revenues and higher sales expenses as well as research and development costs resulted in lower EBIT margin compared to half year 2011, going from 6.7% to 2.1%.

Our balance sheet remained strong with an equity ratio of 54.7%. Cash and cash equivalents decreased 11.1%, to € 267 million, due to normal business activities. Order backlog increased to almost € 440 million.

We confirm our outlook for the 2012 financial year of revenues between € 230 million and € 250 million, with an EBIT margin of 2% to 4%.

Cementing a stronger future,

Jouni Salo

INTERIM GROUP MANAGEMENT REPORT

AT A GLANCE

KHD Humboldt Wedag International AG (hereinafter referred to as “KHD” or “Group”) defended its market position with an order intake of almost € 250 million in the first six months of 2012. This means, that the Group already has more new orders in the first half of 2012 than for the full year 2011, despite continuously challenging economic conditions. However, these new orders will begin to have a significant effect on revenue and profit starting in 2013. During the first half of the year, customer-initiated project delays led to an almost 4% drop in revenue. At € 3.9 million, profit before tax (EBT) was also lower in a year-on-year comparison and EBIT margin decreased to just over 2%. This is partially due to higher sales expenses and research and development cost within our efforts to secure a long-term competitive position.

ECONOMIC ENVIRONMENT

The lack of a solution to the sovereign debt crisis continued to dampen economic growth in the first six months of 2012. The International Monetary Fund (IMF) forecasts negative growth of –0.3% for the Eurozone in 2012, although the peripheral countries hardest hit by the debt crisis are expected to bear the brunt of the economic downturn. In its spring report, the European Commission saw early indications that the situation was beginning to stabilize; however, it expects a protracted period of recovery, during which setbacks cannot be ruled out. In the USA there were tentative signs of a return to growth at the beginning of the year, but, in view of the persistently high level of debt, the IMF warned of significant growth risks. The emerging and developing countries also registered low growth rates due to slower economic performance of key trading partners.

In July, the IMF forecasts global economic growth of 3.5% for 2012 (previous year: 3.9%); this rate is expected to reach 5.6% (previous year: 6.2%) for developing and emerging economies.

KHD’s key sales markets were affected to varying degrees by the economic slowdown.

India, traditionally a key market for KHD, is set to grow at a slower pace, of 6.1% in 2012 (previous year: 7.1%). Other risks continue to stem from the high rate of inflation, which has, in part, been fueled by rising energy and transportation costs. Margins in the cement industry’s second largest market remain under downward pressure, and the industry continues to suffer from below-average capacity utilization. Nevertheless, the outlook brightened somewhat in the first half of 2012, meaning that cement producers have stuck with growth forecasts of between seven and ten percent.

Growth in the world’s largest cement market, China, is expected to be slightly slower than in the previous year (8% vs. 9.2% in 2011). Despite curbed investment in infrastructure, cement consumption is set to continue to go up, although margins here are also being subjected to increased pressure. A number of Chinese cement producers recorded drastic falls in profits during the first half of the year but expect stronger demand in the second half of the year. Overall, the reorganization of the cement industry, called for by the government, along with the decommissioning of old plants and tighter emission controls, presents a number of opportunities for KHD.

In other Asian economies moderately slower growth rates are expected. Malaysia predicts gross domestic product to increase by 4.4% (previous year: 5.1%). A rise in housing and infrastructure projects, in combination with ambitious government development objectives, should breathe new life into the cement market, although cement prices are still expected to remain low as a result of tough competition. There are also opportunities to increase capacities in Malaysia's neighboring country, Indonesia. In 2011, the Indonesian cement market grew by 12.6%. This trend is expected to continue in light of the fast pace of local infrastructure development.

The IMF predicts that the growth rate in Russia will slow down to 3.5%, as a result of the spillover effect of the financial crisis in the Eurozone. However, increasing investment in infrastructure in connection with the 2014 Winter Olympics in Sochi and the 2018 FIFA World Cup along with rising demand for office and residential space, should raise cement consumption to the levels before the crisis (2008). In contrast to other large cement markets, Russia is seeing a rise in cement prices with better margins that follow the increasing consumption. At the same time, the considerable need for modernization offers attractive opportunities for plant engineering companies. Currently, a significant part of the planned investment activities is attributable to the regions of Volgograd and Krasnodar.

Latin America continues to be less affected by the euro crisis than other regions. IMF economists forecast that the Brazilian and Mexican economies will see growth rates similar to the previous year. Brazil is one of only a handful of countries in which cement consumption is rising and new orders are expected.

In Western Europe – notably Greece, Spain, Italy, and Ireland – cement consumption has hit a new low. Strict austerity requirements and high unemployment had an impact on both public and private consumption. By the same token, Eastern Europe, which was considered an important growth market before the crisis, has seen a dramatic fall in the number of new orders.

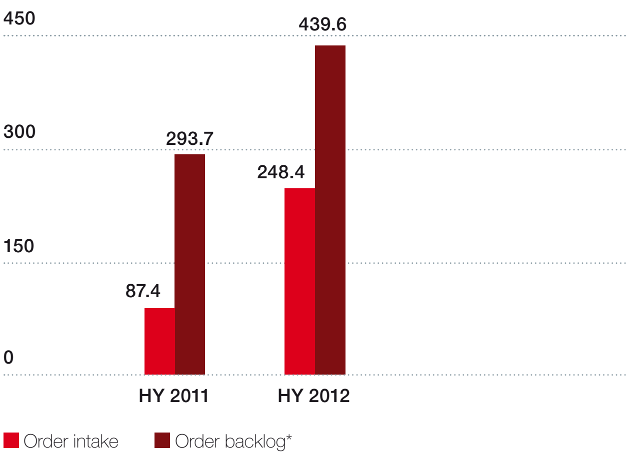
In contrast, there is hope for the US market, in which measures to boost the real estate sector may give positive impetus to the industry.

Africa will see significant growth and not just in the traditionally strong North African markets. In the past 15 years most cement markets south of the Sahara have grown by between 7% and 10%. In less developed countries in West, East, and Central Africa, companies have started to close the gap between cement demand and production by constructing their own production facilities. A particularly good example of this is the construction of several large cement plants in Nigeria, where consumption is expected to rise considerably.

In the medium to long-term, factors such as ongoing urbanization, demographic trends, and infrastructural needs in developing and emerging economies will continue to drive construction activities and, by extension, boost cement consumption. The BRIC and IST (Indonesia, South Africa, and Turkey) countries, in particular, have contributed significantly to the growth of the cement market and are forecast to remain key drivers of growth in the future. China remains the largest single market with a share of well over 50% of global cement consumption.

BUSINESS DEVELOPMENT

Order intake and order backlog
in € million



* Backlog at end of period

Weakening economic growth had a negative impact on KHD's business in the first half of 2012. Muted expectations regarding short-term demand for cement in a number of key markets, combined with surplus capacity in many regions, resulted in modest investment activity on the part of cement producers. By the same token, difficult conditions for financing continued to lead to delays in the awarding and completion of orders, as in the 2011 financial year.

Despite the difficult market conditions, KHD was still able to generate new orders with a volume of € 248.4 million as of June 30, 2012. This represents almost a three-fold increase in order intake in comparison with € 87.4 million at half-year 2011. This increase in new orders was particularly due to KHD's collaboration with strategic partner and shareholder, AVIC International Beijing (AVIC), as well as intensified sales activities in established markets:

- In March, KHD received a € 100 million order from Straits Cement to construct a fully integrated cement production facility in Malaysia, with a daily production capacity of 5,000 tons. KHD's scope comprises of a five stage preheater with a Low-NOx calciner system, PYRORAPID® rotary kiln with PYROJET® burner, PYROFLOOR® cooler, and energy-efficient COMFLEX® system for grinding limestone and clinker. As KHD's partner, AVIC will supply and construct the entire steel structure as well as provide various electrical and mechanical packages, which represents approximately 60% of the above order value.

- In Venezuela, the AVIC – KHD partnership was awarded its first turnkey (EPC) contract. Invecem Cement has chosen AVIC as the general contractor for a new 2,400 tons per day line at the San Sebastian cement plant. As AVIC's subcontractor, KHD will supply process expertise, key equipment components, as well as engineering and supervision services.

- In April, KHD won an over € 80 million order from leading Russian cement producer, EUROCEMENT, for a new cement plant in Stavropol, Russia. The plant is expected to achieve an annual production capacity of 1.3 million tons. KHD's scope of supply includes engineering services and cement production equipment, ranging from raw material crushing up to cement packaging facilities. KHD will also equip the new production line with automation and control systems.

- Smaller orders included the delivery of COMFLEX® grinding facilities in Malaysia, and high-pressure grinding rolls to process ore, in Canada and Peru, in cooperation with Weir Minerals. The spare parts and service business recorded a slightly lower order intake compared to half-year 2011.

However, as a result of the positive order intake, the order backlog of € 439.6 million as of June 30, 2012 is almost 50% more than it was at the end of 2011 (€ 293.7 million) and is at its highest level in last several years.

RESEARCH AND DEVELOPMENT

In the first half of 2012, the Group spent 26% more on research and development activities than in the same period last year. This corresponds to 1.9% of Group revenue.

The focus of research and development (R&D) continues to be on standardizing key components and improving plant efficiency. Other important R&D topics include developing environmentally friendly products, with a particular emphasis on energy efficiency and lower emissions, and the use of alternative fuels in cement production.

SALES AND MARKETING

Customer relationships in the cement and mineral industries were also areas of focus and growth during the period under review. Noteworthy examples include:

- Presentation of KHD's scope of services during the key industry trade shows Cemtech (Beijing) and AFCM (Petaling Jaya, Malaysia), with strategic partner, AVIC

- Attending PetroCem in Moscow

- KHD customer event in Istanbul, attended by over 150 customers and cement industry representatives

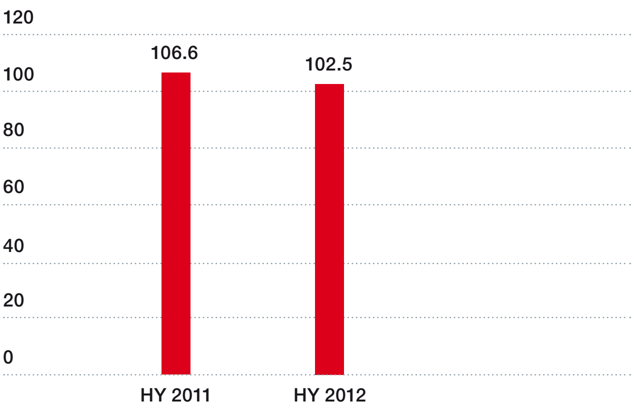
- Participation in the International Communition Symposium in Cape Town, with strategic partner, Weir Minerals.

EMPLOYEES

At the end of June 2012, KHD Group had 765 employees. Compared to June 30, 2011, the number of employees has increased by 13.

RESULTS OF OPERATIONS

Revenue
in € million

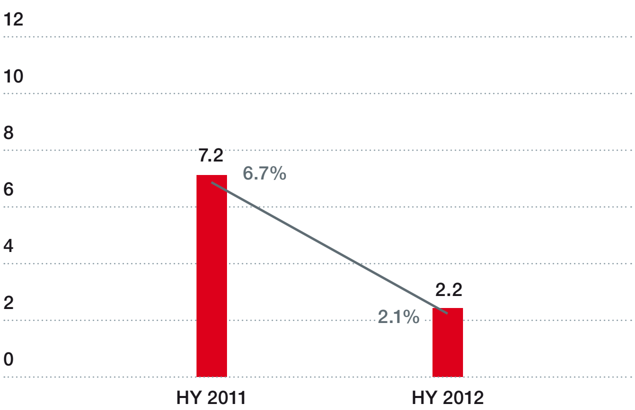


In the first half of 2012, KHD generated revenue of € 102.5 million, which was primarily the result of projects in India, Russia, the Middle East, and South America. Revenue thereby declined by 3.8% in a year-on-year comparison (previous year: € 106.6 million). This drop is the result of continued customer delays in the awarding and execution of projects, brought on by the uncertain market situation and difficult financing conditions. The new orders landed in Malaysia, Venezuela, and Russia will begin to be reflected in revenue during the second half of the year, and will show a significant effect in 2013.

The decline in revenues during the period under review pushed gross profit down to € 20.4 million, 14.0% lower as of June 2011 (€ 23.7 million). This corresponds to a still-acceptable gross profit margin of 19.9% (previous year: 22.3%).

Sales expenses for the half-year under review, rose by 11.5% to € 7.1 million (previous year: € 6.4 million), primarily as a result of an increase in tendering activities for new cement plants. General and administrative expenses remained largely unchanged at € 8.8 million (half-year 2011: € 8.7 million). The rise in other expenses, from € 2.7 million to € 3.2 million, is mainly due to higher costs for research and development.

EBIT and EBIT margin (in %)
in € million



Earnings before interest and taxes (EBIT) amounted to € 2.2 million, falling short of the previous year's level (€ 7.2 million). Last year's EBIT was boosted by the successful execution of a high-margin order.

At € 1.7 million, net finance income also fell short of the previous half-year figure (€ 2.3 million). Finance income consists mainly of interest income from the investment of cash and cash equivalents. The largest single item under finance expenses was the interest related to pension benefit obligations and provisions, as in the previous year.

Earnings before tax (EBT) came to € 3.9 million (previous year: € 9.5 million). This fall of 59% was due to the drop in revenue as well as costs for intensified sales activities and higher expenses for research and development. Almost 90% of the Group's half-year EBT was achieved in the second quarter.

Tax expenses, in a total amount of € 4.1 million (previous year: € 3.1 million), were affected by the tax audit for the years between 2008 and 2010. The net result for the period of € –0.2 million for the period (previous year: € 6.4 million), translates into diluted and basic earnings per share of € 0.00 (previous year: € 0.14).

FINANCIAL POSITION AND NET ASSETS

LIQUIDITY POSITION

Unrestricted cash and cash equivalents shrank by € 21.1 million to € 266.6 million in the first half of 2012. This was primarily due to cash flow from operating activities, amounting to € –32.8 million, related to key orders that are currently in an advanced execution stage. In this phase, cash outflows for trade liabilities and advance payments to suppliers exceed cash inflows from progress billings to customers.

Cash flow from investing activities totaled € –1.8 million in the first half of 2012. This is largely attributable to investments related to the SAP project, which are shown in other intangible assets.

Cash flow from financing activities, amounting to € 14.1 million, stemmed mainly from the recovery of restricted cash, i.e. cash and cash equivalents that were held as collateral for bank guarantees and therefore not freely available. In March 2012, the existing agreement with a consortium of banks was replaced with a new bonding facility. This new bonding line has a total volume of € 130 million for a term of three years and is provided for by a consortium of banks led by Deutsche Bank AG and Raiffeisen Bank International AG.

NET ASSETS

Total assets changed from € 431.9 million at the end of 2011 to € 425.9 million as of June 30, 2012. Within current assets cash and cash equivalents, receivables and inventories declined. On the other hand the gross amount due from customers for contract work stemming from unbilled contract costs and advance payments to suppliers increased.

Additions to intangible assets and property, plant, and equipment reflect the successful completion of the SAP project, investments in IT infrastructure and the roller presses refurbishment workshop in India.

FINANCING

Current liabilities fell to € 141.8 million, compared to € 145.3 million at the end of 2011. This is the result of a drop in trade payables and a reduction in both tax liabilities and provisions. At the same time commitments under construction contracts increased. Non-current liabilities declined slightly from € 53.1 million to € 51.3 million.

Equity amounts to € 232.8 million, corresponding to an equity ratio of 54.7%, which is virtually unchanged from the end of 2011.

RISKS AND OPPORTUNITIES

KHD's approach to risk management ensures that changes in the risk position are identified. To the extent required, provisions are set up for known risks. The risks identified do not pose a threat to KHD Group as a going concern, either individually or in combination.

An arbitration court submission from Mustagheem AG was sent to Humboldt Wedag GmbH ("HW") through the Vienna Court of Arbitration, on April 28, 2011. HW was being sued in connection with the payment of outstanding commission. In this case, HW argued that it has no contractual arrangement in connection with the claim in question. The Court of Arbitration comprehensively rejected the lawsuit brought by Mustagheem AG in its decision handed down at the beginning of the second quarter of 2012.

In view of the fact that there has been no significant change in the assessment of risks and opportunities since December 31, 2011, please refer to the relevant report in the KHD Group management report as of December 31, 2011 (from page 49 of the Group Annual Report).

OUTLOOK

Despite the encouraging development of order intake and order backlog, revenue and profit for the full year remain challenged. The economic risks associated with the euro crisis have not disappeared and will continue to have an impact on core markets. The long-term outlook for cement markets remains positive, although current surplus capacities and financing difficulties continue to hamper customers' decisions to construct new capacity. While the new projects in Malaysia, Venezuela, and Russia are expected to have a positive impact on KHD's liquidity situation, their impact on revenue and profit only will have a significant impact rom 2013 onwards.

This means that gross profit and EBIT margin will remain under pressure and not achieve the levels seen in the 2011 financial year. Based on current forecasts, KHD expects to be able to achieve Group revenue of between € 230 million and € 250 million, with an EBIT margin of between 2% and 4% in 2012.

EVENTS AFTER THE REPORTING DATE

The arbitration proceedings launched by Humboldt Wedag GmbH and Humboldt Wedag India Private Ltd., New Delhi, India, against Dalmia Cement Ventures Limited were brought to an end with a settlement effective from July 3, 2012. The settlement has no negative effect on KHD Group's net assets, financial position, or result of operations.

There were no further events of particular significance occurring after June 30, 2012.

KHD will hold its Annual General Meeting on October 5, 2012.

The Management Board

Cologne, Germany, August 15, 2012

(s) Jouni Salo (s) Yizhen Zhu

INTERIM GROUP FINANCIAL STATEMENTS

GROUP INCOME STATEMENT

for the Period from January 1 to June 30, 2012

in € thousand	Jan. 1 – June 30, 2012	Jan. 1 – June 30, 2011
Revenue	102,506	106,591
Cost of sales	(82,087)	(82,858)
Gross profit	**20,419**	**23,733**
Other operating income	803	862
Sales expenses	(7,091)	(6,358)
General and administrative expenses	(8,759)	(8,662)
Other expenses	(3,207)	(2,734)
Restructuring income	–	329
Earnings before interest and taxes (EBIT)	**2,165**	**7,170**
Finance income	2,772	3,595
Finance expenses	(1,035)	(1,272)
Net finance income	**1,737**	**2,323**
Profit before tax	**3,902**	**9,493**
Income tax expense	(4,077)	(3,076)
Group net profit for the period	**(175)**	**6,417**
Of which attributable to:		
Parent company shareholders	(223)	6,382
Non-controlling interests	48	35
	(175)	**6,417**

EARNINGS PER SHARE

	June 30, 2012	June 30, 2011
Group net profit for the period attributable to shareholders (in € thousand)	(223)	6,382
Weighted average number of shares outstanding	47,358,307	45,311,557
Basic and diluted earnings per share (in €)	0.00	0.14

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the Period from January 1 to June 30, 2012

in € thousand	Jan. 1 – June 30, 2012	Jan. 1 – June 30, 2011
Group net profit for the period	(175)	6,417
Currency translation differences	(549)	(1,825)
Group comprehensive income	**(724)**	**4,592**
Of which attibutable to:		
Parent company shareholders	(772)	4,557
Non-controlling interests	48	35
	(724)	**4,592**

GROUP BALANCE SHEET

as of June 30, 2012

ASSETS

in € thousand	June 30, 2012	Dec. 31, 2011
Non-current assets		
Property, plant and equipment	3,138	2,948
Goodwill	5,162	5,162
Other intangible assets	4,063	3,286
Deferred tax assets	3,642	3,930
Total non-current assets	**16,005**	**15,326**
Current assets		
Inventories	5,594	7,882
Gross amount due from customers for contract work	40,957	21,181
Trade and other receivables	59,278	67,748
Payments made in advance	29,105	13,792
Other financial assets	1,169	888
Income tax assets	6,749	4,782
Cash and cash equivalents	267,079	300,323
Total current assets	**409,931**	**416,596**
Total assets	**425,936**	**431,922**

EQUITY AND LIABILITIES

in € thousand	June 30, 2012	Dec. 31, 2011
Equity		
Issued capital	49,704	49,704
Capital reserves	59,841	59,841
Treasury shares	(221)	(221)
Currency translation differences recognized in equity	(2,778)	(2,229)
Retained earnings	125,343	125,556
Share of equity attributable to shareholders of the parent company	231,889	232,651
Non-controlling interests	901	881
Total equity	**232,790**	**233,532**
Non-current liabilities		
Other liabilities	11,172	11,142
Pension benefit obligations	19,751	19,960
Deferred tax liabilities	5,853	5,245
Provisions	14,570	16,720
Total non-current liabilities	**51,346**	**53,067**
Current liabilities		
Trade and other payables	59,319	71,880
Commitments under construction contracts	59,317	42,359
Income tax liabilities	932	3,560
Provisions	22,232	27,524
Total current liabilities	**141,800**	**145,323**
Total equity and liabilities	**425,936**	**431,922**

GROUP STATEMENT OF CASH FLOWS

for the Period from January 1 to June 30, 2012

in € thousand	Jan. 1 – June 30, 2012	Jan. 1 – June 30, 2011
Cash flow from operating activities		
Group net profit for the period	(175)	6,417
Income tax expense recognized in the income statement	4,077	3,076
Net finance income recognized in the income statement	(1,737)	(2,323)
Earnings before interest and taxes (EBIT)	**2,165**	**7,170**
Amortization and depreciation of non-current assets	883	633
Increase (–)/decrease in trade receivables and financial assets	8,470	(10,113)
Increase (–)/decrease in inventories and gross amount due from customers for contract work	(17,488)	(7,563)
Increase (–)/decrease in payments made in advance and other financial assets	(15,594)	(128)
Increase (+)/decrease in trade and other payables and in commitments under construction contracts	4,397	(8,868)
Decrease in pension benefit obligations	(209)	(225)
Increase (+)/decrease in provisions and non-current liabilities	(7,412)	(2,965)
Other non-cash transactions	(697)	68
Dividends received	47	–
Income tax paid	(7,398)	(22,848)
Cash flow from operating activities	**(32,836)**	**(44,839)**
Cash flow from investing activities		
Cash outflow for intangible assets	(1,166)	(1,772)
Cash outflow for property, plant and equipment	(690)	(81)
Cash inflow from the disposal of property, plant and equipment	8	121
Cash outflow relating to the short-term financial management of cash investments	–	(31,033)
Cash flow from investing activities	**(1,848)**	**(32,765)**

in € thousand	Jan. 1 – June 30, 2012	Jan. 1 – June 30, 2011
Cash flow from financing activities		
Cash inflow from issue of shares	–	74,659
Interest received	1,929	2,752
Payment for purchase of shares from non-controlling interests	(28)	–
Change in restricted cash (collateral for bank guarantees)	12,189	578
Cash flow from financing activities	**14,090**	**77,989**
Change in unrestricted cash and cash equivalents	**(20,594)**	**385**
Opening balance of unrestricted cash and cash equivalents	287,681	279,332
Exchange rate effects	(461)	(2,180)
Closing balance of unrestricted cash and cash equivalents	**266,626**	**277,537**

in € thousand	June 30, 2012	Dec. 31, 2011
Composition of unrestricted cash and cash equivalents		
Bank balances and cash	79,338	35,601
Short-term bank deposits and restricted cash	187,741	255,086
Total cash and cash equivalents	**267,079**	**290,687**
Restricted cash (collateral for bank guarantees)	(453)	(13,150)
Closing balance of unrestricted cash and cash equivalents	**266,626**	**277,537**

GROUP STATEMENT OF CHANGES IN EQUITY

for the Period from January 1 to June 30, 2012

in € thousand	Issued capital	Capital reserves	Treasury shares
Dec. 31, 2010	**33,142**	**1,776**	**(221)**
Group net profit for the period	–	–	–
Currency translation differences	–	–	–
Group comprehensive income	**–**	**–**	**–**
Other changes	–	(364)	–
Capital increase	16,562	58,461	–
Purchase of non-controlling interests	–	–	–
June 30, 2011	**49,704**	**59,873**	**(221)**
Group net profit for the period	–	–	–
Currency translation differences	–	–	–
Group comprehensive income	**–**	**–**	**–**
Other changes	–	(32)	–
Purchase of non-controlling interests	–	–	–
Dec. 31, 2011	**49,704**	**59,841**	**(221)**
Group net profit for the period	–	–	–
Currency translation differences	–	–	–
Group comprehensive income	**–**	**–**	**–**
Other changes	–	–	–
Purchase of non-controlling interests	–	–	–
June 30, 2012	**49,704**	**59,841**	**(221)**

Currency translation differences recognized in equity	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total
544	**112,473**	**147,714**	**841**	**148,555**
–	6,382	6,382	35	**6,417**
(1,825)	–	(1,825)	–	**(1,825)**
(1,825)	**6,382**	**4,557**	**35**	**4,592**
–	–	(364)	–	**(364)**
–	–	75,023	–	**75,023**
–	8	8	(8)	**–**
(1,281)	**118,863**	**226,938**	**868**	**227,806**
–	7,074	7,074	14	**7,088**
(948)	–	(948)	–	**(948)**
(948)	**7,074**	**6,126**	**14**	**6,140**
–	(382)	(414)	–	**(414)**
–	1	1	(1)	**–**
(2,229)	**125,556**	**232,651**	**881**	**233,532**
–	(223)	(223)	48	**(175)**
(549)	–	(549)	–	**(549)**
(549)	**(223)**	**(772)**	**48**	**(724)**
–	10	10	–	**10**
–	–	–	(28)	**(28)**
(2,778)	**125,343**	**231,889**	**901**	**232,790**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as of June 30, 2012

01 GROUP STRUCTURE AND AFFILIATED COMPANIES

KHD is one of the world's leading providers of equipment and services for cement producers. In its capacity as the managing holding company of the Group, KHD holds a 100% interest in KHD Humboldt Wedag GmbH, Cologne/Germany, as was the case of December 31, 2011. The core business areas of KHD's 14 Group companies are industrial plant engineering and providing related services. The strategic and operational focus of the Group entities is on planning and constructing plants for the cement industry, as well as on providing a comprehensive range of services.

02 REPORTING PRINCIPLES

The interim financial statements of KHD and interim financial statements of the subsidiaries that are included in the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB), as applicable pursuant to Regulation No. 1606/2002 of the European Parliament and Council concerning the application of International Accounting Standards in the EU for interim financial reporting. In accordance with IAS 34, this interim report does not contain all information and notes to the financial statements that IFRS requires for consolidated financial statements at the end of a financial year.

These consolidated financial statements and Group management report for the first half of 2011 were neither audited pursuant to Section 317 of the German Commercial Code (HGB), nor were they subjected to an auditor's review.

The accounting and measurement methods applied in these interim financial statements are consistent with those applied as of December 31, 2011, unless changes are described. The accounting and measurement methods applied are described in detail in KHD's Group Annual Report on the IFRS consolidated financial statements on pages 70ff.

These interim consolidated financial statements give a true and fair view of the net assets, financial position, and result of operations during the reporting period.

The preparation of interim financial statements requires that estimates are used and assumptions are made that have an impact on the assets, liabilities, provisions, deferred tax assets, and liabilities, as well as income and expenses. Although the estimates and assumptions are made carefully and conscientiously, it cannot be excluded that the actual amounts deviate from the estimates used in the interim financial statements.

These interim consolidated financial statements have been prepared in euros. All amounts, including figures used for comparison, are stated in thousands of euros (€ thousand). All amounts have been commercially rounded.

03 APPLYING NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the reporting period, the Group applied all mandatory standards published by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC), providing they have already been endorsed into EU law.

The following standards and interpretations were applied for the first time:

- Amendment to IFRS 7 "Additional Information for the Derecognition of Financial Assets" (applicable for financial years commencing on or after July 1, 2011)

The application of these revised requirements has no material effect on the Group's net assets, financial position, and result of operations.

It was not yet mandatory to apply the following standards or changes to, and revisions of, standards and interpretations:

- IFRS 9 Financial Instruments: Classification and Measurement of Financial Assets (applicable for financial years commencing on or after January 1, 2015) and Accounting for Financial Liabilities (applicable for financial years commencing on or after January 1, 2015)
- IFRS 10 "Consolidated Financial Statements" (applicable for financial years commencing on or after January 1, 2013)
- IFRS 11 "Joint Arrangements" (applicable for financial years commencing on or after January 1, 2013)
- IFRS 12 "Disclosure of Interests in Other Entities" (applicable for financial years commencing on or after January 1, 2013)
- IAS 27 "Consolidated and Separate Financial Statements" (applicable for financial years commencing on or after January 1, 2013)
- IAS 28 "Investments in Associates and Joint Ventures" (applicable for financial years commencing on or after January 1, 2013)
- IFRS 13 "Fair Value Measurement" (applicable for financial years commencing on or after January 1, 2013)
- Amendment to IAS 1 "Presentation of Other Comprehensive Income" (applicable for financial years commencing on or after July 1, 2012)
- Amendment to IAS 12 "Incomes Taxes" (applicable for financial years commencing on or after July 1, 2012)
- Amendment to IAS 19 "Employee Benefits" (applicable for financial years commencing on or after January 1, 2013)
- Amendment to IAS 32 "Financial Instruments: Presentation" (applicable for financial years commencing on or after January 1, 2014)
- Amendment to IFRS 7 "Financial Instruments: Disclosures" (applicable for financial years commencing on or after January 1, 2013)
- Improvements to IFRS (May 2012) (applicable for financial years commencing on or after January 1, 2013)
- Amendments to IFRS 10, IFRS 11, and IFRS 12: Transitional rules (applicable for financial years commencing on or after January 1, 2013)

KHD is currently assessing the extent to which applying the new standards and interpretations will affect the Group's net assets, financial position, and result of operations.

04 CONSOLIDATION

Subsidiaries are companies in which 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, fully 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 KHD. Non-controlling interests are presented and commented on separately.

Joint ventures are included in the consolidated financial statements on a proportional basis. The proportional assets and liabilities, and proportional income and expenses, of joint ventures that are attributable to the Group are summarized in the corresponding items in the consolidated financial statements. The consolidation principles detailed above are otherwise applicable.

BESIDES KHD AG, THE GROUP INCLUDES:

Name of company	Registered office	Shareholding in %		Currency	Subscribed capital
Subsidiaries					
KHD Humboldt Wedag GmbH	Cologne, Germany	100.00	D	€	15,339,300
Humboldt Wedag GmbH	Cologne, Germany	100.00	I	€	7,000,000
ZAB Zementanlagenbau GmbH Dessau	Dessau, Germany	100.00	I	€	2,000,000
Blake International Ltd.	Road Town, British Virgin Islands	100.00	I	USD	1,000
KHD Humboldt Wedag Industrial Services AG	Cologne, Germany	89.08	I	€	3,600,000
EKOF Flotation GmbH	Bochum, Germany	100.00	I	€	51,129
Humboldt Wedag Australia Pty. Ltd.	Braeside, Australia	100.00	I	AUD	200,002
Humboldt Wedag Inc.	Norcross, USA	100.00	I	USD	1,000
Humboldt Wedag India Private Ltd.	New Delhi, India	100.00	I	INR	19,200,000
KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd.	Beijing, China	100.00	I	USD	1,050,000
KHD Humboldt Engineering OOO	Moscow, Russia	100.00	I	RUB	3,350,000
Humboldt Wedag Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00	I	MYR	500,000
Joint Ventures					
KHD Engineering Holding GmbH	Vienna, Austria	50.00	I	€	180,000

D = directly owned
I = indirectly owned

In the first half of 2012, KHD founded Humboldt Wedag Malaysia Sdn. Bhd., based in Kuala Lumpur, Malaysia. Since April 1, 2012, the company has been a fully owned subsidiary of KHD and is fully consolidated.

05 SEGMENT REPORTING

External segment reporting is based on intra-Group management control as well as internal financial reporting depending on the nature of the products and services offered. The Group has only a single reportable segment because it almost exclusively operates in the industrial plant engineering business. The activities related to the holding function are not a separate part of internal financial reporting and are neither reviewed separately with regard to performance nor with regard to allocation of resources. Management control is based in particular on balance sheet and income statement figures. The revenue figure analyzed is comprised of revenue under construction contracts and from service revenue. The main business activity of the Group is the development, production, and distribution of industrial plant equipment, in particular for cement plants. The measurement principles used for Group segment reporting are in line with the IFRS principles used for the consolidated financial statements. In its function as the chief operating decision maker, the Management Board assesses the profitability of the segment based on the operating result (profit before finance result and tax).

The following table provides an overview of the business for the half-years 2012 and 2011:

in € million	June 30, 2012	June 30, 2011
Order intake	248	87
Order backlog	440	284
Revenue	103	107
Cost of sales	(82)	(83)
Gross profit	20	24
Expenses/other income (net)	(18)	(17)
Earnings before interest and taxes (EBIT)	2	7
Change in unrestricted cash	(21)	0
Total assets	426	462
Liquidity	267	291
Liabilities	193	233

The 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	**Jan. 1- June 30, 2012**	**Jan. 1- June 30, 2011**	**June 30, 2012**	**Dec. 31, 2011**
Germany	5,726	5,024	7,293	6,093
Russia	15,131	28,841	3,893	4,039
Rest Europe	2,926	2,737	–	–
North America	4,964	2,154	75	–
South America	11,853	5,745	–	73
Middle East	15,259	10,621	–	–
India	28,898	44,689	1,098	1,189
China	4,817	1,139	2	2
Rest of Asia	6,692	2,975	2	–
Africa	5,602	1,277	–	–
Other	638	1,389	–	–
Sum	**102,506**	**106,591**	**12,363**	**11,396**

	Order Intake		Order Backlog	
in € thousand	**Jan. 1- June 30, 2012**	**Jan. 1- June 30, 2011**	**June 30, 2012**	**Dec. 31, 2011**
Germany	1,582	2,060	1,928	6,072
Russia	77,787	3,228	99,670	37,014
Rest Europe	2,088	2,548	1,463	2,301
North America	6,812	10,346	4,855	3,007
South America	24,913	15,100	31,099	18,039
Middle East	2,118	24,664	15,168	28,309
India	7,102	22,699	54,228	76,024
China	6,213	1,868	11,179	9,783
Rest of Asia	116,500	(579)	123,014	13,206
Africa	2,090	6,187	9,316	12,828
Other	1,167	(746)	87,635	87,106
Sum	**248,372**	**87,375**	**439,555**	**293,689**

06 CONSTRUCTION CONTRACTS

The gross amount due from or due to customers for contract work is recognized at contract cost incurred plus proportionate profits depending on the stage of completion less progress billings and recognized contract losses.

in € thousand	June 30, 2012	Dec. 31, 2011
Costs incurred to date for construction contracts	269,430	246,190
Proportionate profits under these contracts recognized to date	44,120	40,662
Total costs incurred and profits recognized	313,550	286,852
Less recognized contract losses	(870)	(1,021)
Less progress billings	(308,547)	(300,946)
Balance of construction contracts account	**4,133**	**(15,115)**
This amount is comprised as follows:		
Gross amount due from customers for contract work	40,957	21,181
Gross amount due to customers for contract work	(36,824)	(36,296)
	4,133	**(15,115)**
Gross amount due to customers for contract work	(36,824)	(36,296)
Advances received under construction contracts (before related work is performed)	(22,493)	(6,063)
Commitments under construction contracts	**(59,317)**	**(42,359)**

Of the revenue of € 102,506 thousand recognized in the period under review (as of June 30, 2011: € 106,591 thousand), € 91,527 thousand (as of June 30, 2011: € 92,580 thousand) is attributable to construction contracts for which revenue was recognized on the basis of the percentage of completion.

07 CASH AND CASH EQUIVALENTS

The Group reports cash and cash equivalents in the amount of € 267,079 thousand (as of Dec. 31, 2011: € 300,323 thousand). Of this amount, € 453 thousand (as of Dec. 31, 2011: € 12,642 thousand) is pledged as collateral for bank guarantees.

in € thousand	June 30, 2012	Dec. 31, 2011
Bank balances and cash	79,338	154,236
Short-term bank deposits	187,288	133,445
Restricted cash (collateral for bank guarantees)	453	12,642
	267,079	**300,323**

08 INCOME TAX

The Group taxation rate was 33.30% in the interim reporting period (as of June 30, 2011: 32.40%), adjusted for special effects arising from the tax audit for the years from 2008 to 2010.

The income tax expense of € 4,077 thousand incurred in the first half of 2012 (as of June 30, 2011: € 3,076 thousand) is composed as follows:

in € thousand	Jan. 1 – June 30, 2012	Jan. 1 – June 30, 2011
Current tax expense	(3,181)	(6,356)
Deferred tax income/expenses	(896)	3,280
Tax expense	**(4,077)**	**(3,076)**

09 RELATED PARTY DISCLOSURES

As of June 30, 2012, AVIC holds a 20% stake in KHD through its wholly-owned subsidiary Max Glory Industries Ltd. (MGI). A cooperation agreement has existed with AVIC since February 2011. Receivables due from AVIC mainly from advanced payments as of June 30, 2012, amount to € 20,102 thousand (as of Dec. 31, 2011: € 50 thousand) and liabilities due totaled € 11 thousand (as of Dec. 31, 2011: € 188 thousand). The income statement for the first half of 2012 contains income from AVIC in the amount of € 2,283 thousand (as of June 30, 2011: € 0 thousand) and expenses totaling € 703 thousand (as of June 30, 2011: € 0 thousand).

10 OTHER DISCLOSURES

Within the scope of its normal business activities, the Group has contingent liabilities due to advance guarantees, performance bonds, and guarantees for warranty obligations. The Group does not anticipate any material liabilities due to these commitments. As part of normal business activities, the Group has provided bank guarantees in the amount of € 114.7 million (as of Dec. 31, 2011: € 96.6 million) within the scope of its normal business activities.

11 EVENTS AFTER THE REPORTING PERIOD

The arbitration proceedings launched by Humboldt Wedag GmbH and Humboldt Wedag India Private Ltd., New Delhi, India, against Dalmia Cement Ventures Limited were brought to an end with a settlement effective from July 3, 2012. The settlement has no negative effect on KHD Group's net assets, financial position, or result of operations.

There were no further events of particular significance occurring after June 30, 2012.

12 RESPONSIBILITY STATEMENT

To the best of our knowledge we assure that, in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position, and result of operations of the Group, and the interim Group 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.

In addition, we assure that the interim financial report complies with the regulations of IAS 34, as well as the further applicable International Accounting Standards and the applicable interpretations of the Standing Interpretations Committee.

The Management Board

Cologne, Germany, August 15, 2012

(s) Jouni Salo (s) Yizhen Zhu

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This half-year report is published also in German. In the event of any discrepancies, the German version prevails.

FORWARD-LOOKING STATEMENTS AND FORECASTS

This report contains forward-looking statements. These statements are based on the current experiences, assumptions, and forecasts of the Board of Management, as well as on the information currently available. The forward-looking statements do not constitute a guarantee for the future developments and results detailed therein. Future developments and results depend heavily on a range of factors. They comprise various risks and uncertainties and are based on assumptions that may turn out to be inaccurate. These risk factors include in particular the factors detailed in the risk report on pages 10. We undertake no obligation to update the forward-looking statements made in this report.

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