HALF-YEAR FINANCIAL REPORT 2014

KHD Humboldt Wedag International AG, Cologne, Germany

Half-Year Financial Report 2014

ISIN: DE0006578008

German Securities Identification Number (WKN): 657800

Stock Exchange Symbol: KWG

www.khd.com

Key Figures at a Glance

in € million	Jan. 1 – June 30, 2014	Jan. 1 – June 30, 2013		Variance in %
Order Intake	52.0	40.4		28.7
Revenue	114.8	111.5		3.0
Gross Profit	16.0	17.6		-9.1
Gross Profit margin (in %)	13.9	15.8		-11.8
EBIT	-0.9	3.1		-129.0
EBIT margin (in %)	-0.8	2.8		-128.6
EBT	-0.2	4.0		-105.0
Group net profit for the period	-0.6	2.6		-123.1
EPS (in €)	-0.02	0.05		-140.0
Cash flow from operating activities	-2.7	-23.4		88.5
Cash flow from investing activities	-1.2	-0.5		-140.0
Cash flow from financing activities	4.9	-35.3		113.9
in € million	**June 30, 2014**	**Dec. 31, 2013**		**Variance in %**
Equity	223.2	222.5		0.3
Equity ratio (in %)	55.2	53.2		3.8
Cash	228	228.2		-0.1
Order Backlog	276.5	339.3	*	-18.5
Employees	775	757		2.4

*Previous year`s figure adjusted for canceled order in Russia

We draw attention to the fact that the use of rounded amounts and percentage figures may result in differences on account of commercial rounding.

Fundamental Group Principles

KHD Humboldt Wedag International AG (hereinafter also referred to as “KHD” or the “Group”) made no fundamental changes to its business model, strategy or management system (see Group management report p. 16–22) during the first half-year 2014. Reporting at KHD takes place in two separated segments Capex (project business) and Parts & Services since January 1, 2014. However, it is only possible to compare the aggregated figures with the 2013 financial year.

In addition to the systematic expansion of its customer relationships and its competitive position in the business unit Capex as well as the dynamic expansion of its business activities in the segment Parts & Services, KHD continues to focus its strategic development on the cooperation with its majority shareholder AVIC.

Management, monitoring and reporting within the Group are based on the following financial indicators:

- Order intake and order backlog;
- Group revenue;
- Group earnings before taxes and interest (EBIT) as well as the ratio to revenue (EBIT margin); and
- Operating cash flow.

Management and Supervision

At the Annual General Meeting of KHD on May 27, 2014, the shareholders passed a resolution to reduce the number of members on the Supervisory Board from six to three and reappointed the Supervisory Board members Ms. Eliza Suk Ching Yuen and Mr. Hubert Keusch. The shareholders newly appointed Mr. Kangning Zou to the Supervisory Board. At the constitutional meeting of the Supervisory Board which followed the Annual General Meeting, Mr. Keusch was appointed the Chairman and Ms. Eliza Suk Ching Yuen the Deputy Chairperson of the Supervisory Board.

Economic Report

Market Environment

According to current findings, global economic growth was weaker than expected during the first half-year. The recovery in the US was initially slow following unusually cold winter months, while the economy in the emerging nations remained weak and the crisis in the Ukraine hampered development in Eastern Europe. Growth in the Eurozone stabilized at a low level, although significant imbalances remain.

In July, the International Monetary Fund (IMF) forecasted global economic growth of 3.4% for 2014 as a whole (previous year: 3.0%); while an increase of 4.6% (previous year: 4.7%) is forecasted for the developing and emerging economies.

The slow economic movement in the emerging economies overall had a negative impact on cement consumption. This reduced cement manufacturers' willingness to invest.

The demand for new cement plants was also impacted by the merger of Holcim and Lafarge. In light of the disinvestment program announced by the companies, there may be acquisition opportunities for other cement manufactures as an alternative to investments in new plants. Therefore, many investment decisions for new capacity have been postponed.

KHD's most important sales markets were characterized by several trends:

- Following disappointing GDP growth during the first quarter, no change in market development was evident in India. The cement industry, negatively impacted by overcapacities and high pricing pressure, also had to bear a significant rise in costs for railroad transport during the first half-year.
- Russia's economic development was negatively impacted during the first half-year by the reduced demand for oil and gas, as well as by the conflict in the Ukraine. In cement consumption, Russia and the CIS states were among the regions showing the strongest growth. However, the implementation of projects has slowed down due to increased uncertainty.
- In Turkey, the resurgent demand from Europe and investment by the government during the first half-year have led to surprisingly strong growth.
- As expected, economic momentum in the US increased significantly during the second quarter. The North American market currently offers the best opportunities

for cement plant engineering companies; the strong competition however led to significant pricing pressure.

- Development in Latin America was determined during the first half-year by the slow growth in Brazil and Argentina. However, further government infrastructure projects in Brazil in particular created increased demand for cement.

Overall Assessment of the Economic Situation

KHD's economic development in the first half of 2014 was below the forecasted development as a whole. Order intake did not meet the expectations and was only slightly above the previous year's level. Order intake thus reflected the continued dampened trend in the market. Revenue slightly exceeded the figure for the first six months 2013, but again was strongly characterized by a number of low margin projects.

In spite of the difficult market and margins situation, KHD continued investing in the expansion of its business model. The business unit Parts & Services was strengthened, selling activities intensified and research and development activities continued on a high level. Based on this, the modestly negative EBIT in the first half year 2014 is not fully satisfactory. However, KHD posted a positive EBIT in the second quarter 2014.

The loan agreement concluded with AVIC in July 2014 will lead to significantly higher interest income in the second half of the year (cf. Report on Events after the Reporting Period).

Business Development

During the first half of 2014, order intake was at € 52.0 million which was slightly above the previous year's level (€ 40.4 million), with the Parts & Services segment contributing € 27.4 million, or 52.7%.

In the business unit Capex, KHD won a major order in Russia for a total value of over € 90 million. The project encompasses the delivery of equipment and services for a new cement plant in the Kaluga region with two production lines. Within the context of the crisis in the Ukraine and the resulting uncertainties surrounding the economic development in Russia, KHD has not yet been able to book the order as order intake. Accordingly, Capex segment's order intake figure was just € 24.6 million.

Due to the cancellation of a project from Stavropolsky Zavod Stroitelnih Materialov, a member of the EUROCEMENT Group, in April 2014, order backlog was retroactively corrected by € 74.5 million to € 339.3 million as of December 31, 2013. As a result of the low order intake and the execution of current projects, the order backlog as of June 30, 2014 at € 276.5 million was significantly below the previous year's level.

Group Earnings Situation

With revenue of € 114.8 million, KHD slightly exceeded the figure for the previous year (€ 111.5 million). Significant contributions to this revenue were made by projects won in a highly competitive environment with strong margin pressure. Gross profit was therefore just € 16.0 million during the reporting period (previous year: € 17.6 million). At 13.6%, the gross profit margin did not reach the mid and long term target level, as was also the case in the previous year (15.8%).

Sales expenses increased by 6.3% from € 4.8 million to € 5.1 million compared with the first six months of 2013. The Group's sales activities were still concentrated on strategically important projects in KHD's core markets. The increase in general and administrative expenses of 18.4% from € 7.6 million to € 9.0 million is attributable to a large extent to higher personnel expenses and is also related to the expansion of the Parts & Services segment. Other expenses amounting to € 3.3 million (previous year: € 2.7 million) include research and development expenses of € 2.1 million (previous year: € 1.4 million). This significant increase on the previous year is due to strengthening several development projects which will reinforce KHD's leading technological position. Both the expansion of the business unit Parts & Services as well as the increased expenses for research and development reflect the continued investment in KHD's strategic growth despite the currently difficult economic environment.

Earnings before interest and tax (EBIT) in the reporting period amounted to € -0.9 million (previous year: € 3.1 million). This corresponds to an EBIT margin of -0.8%.

At € 0.7 million, the Group's financial result remained at roughly the same level as in the previous year (€ 0.9 million) due to continuously low interest rates. Earnings before tax consequently decreased from € 4.0 in the previous year to their current level of € -0.2 million. The net profit for the period amounted to € -0.6 million (previous year: € 2.6 million), which corresponds to diluted and basic earnings per share of € -0.02 (previous year: € 0.05).

Segment Earnings Situation

Revenue in the Capex segment in the six-month period at € 87.3 million was slightly down from the budget value. In the Parts & Services segment, revenue amounted to € 27.5 million. This development was mainly due to growing customer demand in the spare parts business.

While gross profit of € 7.6 million in the Capex segment (gross profit margin: 8.7%), especially due to the execution of projects with low margin and margin deterioration in current projects, was unsatisfactory, the Parts & Services segment generated gross profit of € 8.4 million (gross profit margin: 30.5%).

EBIT in the Capex segment of € -7.2 million reflects the difficult economic environment of recent years, unexpected margin deterioration and the increased activities in research and development as mentioned above. The EBIT in the Parts & Services segment of € 6.3 million partly offset the negative results of the Capex segment and underlines the importance of this business unit for KHD.

Financial Position and Net Assets

Liquidity

KHD's cash and cash equivalents changed only slightly in the first six months of the year. As of June 30, 2014 this figure amounted to € 228.0 million (end of 2013: € 228.2 million). Cash flow from operating activities totaled € -2.7 million in the reporting period.

Further details of the operating cash flow are presented in the following table:

Cash flow effect from operating activities for the first half year 2014

Cash flow from contracts in progress (including progress billings)	22,961
Cash flow from current liabilities/ invoices from subcontractors	(7,197)
Cash flow from changes in receivables	(13,812)
Cash flow from changes in provisions and long term liabilities	(5,235)
Cash inflow from result (EBITDA)	59
Cash flow from tax payments made/received	(1,848)
Other cash inflows and outflows	2,395
Cash flow from operating activities	**(2,677)**

Cash flow from investing activities amounting to € -1.2 million can be attributed mainly to the expansion of the service business. Among other investments, a mobile repair unit for roller presses was purchased. The modernization of a crane for KHD’s technical center is also included in the additions to fixed assets as well as continued investments in the expansion of KHD’s IT landscape.

Cash flow from financing activities amounted to € 4.9 million. This includes cash inflows from the sale of treasury stock, interest payments received as well as cash inflow from changes in restricted cash.

Total Assets

In comparison with the end of 2013 at € 418.1 million, the balance sheet was reduced by € 13.6 million to € 404.5 million. This was primarily the result of progress billings for projects with gross amounts due from customers. Compared with the 2013 balance sheet the gross amount due from customers for contract work decreased by € 10.0 million from € 59.1 million to € 49.1 million. Inventories fell by € 2.0 million from € 5.3 million to € 3.3 million, which can essentially be attributed to the sale of a roller press that had been capitalized as inventory in the previous year. Other current and non-current assets changed only slightly.

Financing

On the liabilities side, trade payables and other liabilities decreased by € 7.6 million to € 77.3 million and current provisions by € 4.7 million to € 19.0 million. In overall terms, current liabilities fell to by € 12.8 million to € 147.5 million, in comparison with the end of 2013 at € 160.3 million.

At € 13.7 million, net working capital – the difference between current assets (less cash and cash equivalents) and current liabilities – remains virtually unchanged from its value as at December 31, 2013 of € 14.3 million.

Equity increased by € 0.7 million from € 222.5 million to € 223.2 million. The increase is primarily caused by an increase in capital reserves due to the acceptance of the takeover offer for treasury shares, the decrease in the currency translation difference recognized in equity as well as the reduction in retained earnings due to actuarial losses and the negative result for the period. The equity ratio as of June 30, 2014 was 55.4%.

Non-Financial Performance Indicators

KHD spent € 2.1 million on **research and development** in the first half of 2014 (previous year: € 1.4 million). The focus of research and development (R&D) continues to be on standardizing key components and improving the efficiency of cement plants. Other important R&D topics include developing environmentally friendly products, with a particular emphasis on energy efficiency and reducing emissions, as well as using alternative fuels in cement plants.

The KHD Group had 775 **employees** (excluding apprentices) at the end of June 2014 (end of 2013: 757). While the number of employees in the Capex segment remained virtually constant, employees were added to Parts & Services, mostly in sales. The segment also employed additional freelance engineers.

In view of the market situation, KHD's **sales and marketing** team primarily focused on strategically important projects and selected markets. Emphasis in the second quarter remained on KHD's spare parts and services offerings and on marketing of clean technology solutions in China. KHD had presented both of these topics together with AVIC at the 13th China International Cement Industry Exhibition in Beijing.

Report on Events after the Reporting Period

In July, KHD granted AVIC International (HK) Group Ltd., Hong Kong, a loan amounting to € 50 million over a term of three years. The loan bears interest at 6% per annum. KHD is entitled to call for repayment of this loan at any time prior to its maturity by giving 30 days' notice.

On August 25, 2014 KHD has cancelled its existing bonding line facility with a consortium of banks, which had issued bank guarantees of over € 80.3 million as per December 31, 2013. The Group replaced this facility with two bilateral bonding line agreements with the Deutsche Bank AG (€ 40 million) and the Raiffeisen Bank International AG, Wien (€ 38 million).

There were no further developments or events of particular significance after the balance sheet date June 30, 2014.

Risk and Opportunities Report

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

In terms of the risks associated with the economic environment, the risks to the global economy have increased due to the political situation. For KHD, increased political risks are primarily inherent in the possible escalation of tension between Russia and the Western nations, which may result in an accelerating spiral of sanctions and counter-sanctions. KHD maintains close contact with its customers in the Russian market and provides them with support for project financing. The residual risk is classified as "high" in view of KHD's limited influence over events and the significance of the Russian market for KHD's order intake.

Following the balance sheet date of June 30, 2014, KHD concluded a € 50 million loan agreement with AVIC International (HK) Group Ltd. as the borrower. Possible default risks are effectively minimized through continuous monitoring of the borrower's credit standing as well as a Group guarantee for KHD. In addition, KHD may require repayment of this loan at any time prior to the due date, with 30 days' notice. The remaining risk is classified as "low."

There have been no further significant changes since December 31, 2013 in the assessment of KHD's risks and opportunities. Please refer to the relevant section in the KHD Group management report as of December 31, 2013 (page 39 ff. of the Group Annual Report).

Outlook

The overall economic growth in KHD's core markets is likely to remain at a low level in the second half of the year. For the moment, the slow recovery of the industrial nations is not expected to significantly impact the cement market.

The market research firm CW Group expects an increase in cement consumption of 3.9% for 2014. The largest growth in demand is likely to come from North America. The CW Group also expects relatively high growth rates for the rest of Asia (excluding China), Latin America, Africa and the Middle East in 2014. At the beginning of the year, the investment bank Exane BNP Paribas forecasted growth in global cement consumption of between 2.9% and 6.5%.

Modernization programs and upgrades to improve efficiency and to meet increased environmental requirements remain important growth drivers. KHD is well positioned in these areas thanks to its efficient and environmentally friendly solutions.

In the course of updating the annual budget, KHD adjusted the forecast values for the 2014 financial year that had been disclosed in the outlook on the Group's economic development described in the 2013 Annual Report. While the Parts & Services segment is expected to perform significantly better than originally planned, the Capex segment has been affected by risks arising from economic and the current political conditions.

In connection with the crisis in the Ukraine and the resulting uncertainties, a large order in Russia will most likely not be considered as order intake for the current year. The award of this order with an originally volume of over € 90 million was announced by an ad hoc disclosure in April 2014. However, KHD has not yet been able to book this order as order intake. As a result of this, the Group now expects order intake for the 2014 financial year to reach just below the 2013 order intake level, which amounted to € 172.4 million. While the planned order intake in the business unit Parts & Services now will reach at least € 45 million which is above the budget figure, order intake for the business unit Capex will be below the budgeted figure approximately by an amount similar to the value of the above mentioned Russian order.

The postponements in order intake also means that KHD will not receive the forecasted down payments for the project in Russia and therefore operating cash flow for the 2014 financial year is now forecasted to be significantly negative.

The reported postponements in order intake as well as further delays in project execution are also having an impact on expected revenues. For the 2014 financial year, KHD is now forecasting a drop in revenue of up to 10% compared to the previous year (€ 249.6 million). Revenue in the business unit Parts & Services is now forecasted to be at the same level as order intake, whereas revenue in the business unit Capex will likely be approximately € 25 million below the previous forecast. However, KHD maintains its latest EBIT margin guidance for the 2014 financial year. While an EBIT in the range of € 7 – 9 million is the target for the Parts & Service segment, the EBIT for the Capex segment will be negative.

KHD anticipates a stable financial and net assets position also for the rest of the year. Since its liquidity situation remains comfortable, KHD has been able to extend a loan to AVIC with attractive interest terms. This will have a positive influence on the earnings position (profit before tax) in the further course of the year.

Opportunities and Risks Relating to the Forecast for the Second Half of the 2014

Due to the special characteristics of long-term plant engineering, risks and opportunities can also lead to significant deviations from planned figures in short-term forecasts. While the Group’s Parts & Services segment is relatively stable, the figures envisaged for the end of the financial year in its Capex segment remain subject to considerable risks and opportunities. The awarding of major individual contracts may have a significant impact on KHD’s order intake during the second half of 2014. The risks and opportunities relating to the forecasted revenue figures are also significant, particularly since delays or accelerations in project execution may arise here.

Cologne, Germany, August 28, 2014

The Management Board

(s) Jouni Salo (s) Ralph Quellmalz (s) Yizhen Zhu

INTERIM GROUP FINANCIAL STATEMENTS

1. Group Income Statement of KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2014

in € thousand	Jan. 1- June 30, 2014	Jan. 1- June 30, 2013
Revenue	114,809	111,451
Cost of sales	(98,805)	(93,852)
Gross profit	**16,004**	**17,599**
Other operating income	488	683
Sales expenses	(5,133)	(4,784)
General and administrative expenses	(8,960)	(7,637)
Other expenses	(3,262)	(2,716)
Profit before interest and taxes (EBIT)	**(863)**	**3,145**
Finance income	1,383	1,462
Finance expenses	(689)	(565)
Net finance income	**694**	**897**
Profit before tax (EBT)	**(169)**	**4,042**
Income tax expense	(471)	(1,411)
Group net profit for the period	**(640)**	**2,631**
Of which are attributable to:		
Parent company shareholders	(754)	2,610
Non-controlling interests	114	21
	(640)	**2,631**

Earnings per share

	Jan. 1- June 30, 2014	Jan. 1- June 30, 2013
Group net profit for the period attributable to shareholders (in € thousand)	(754)	2,610
Weighted average number of shares outstanding	49,703,573	49,474,437
Basic and diluted earnings per share (in €)	(0.02)	0.05

2. Group Statement of Comprehensive Income of KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2014

in € thousand	**Jan. 1 - June 30, 2014**	**Jan. 1 - June 30, 2013**
Group net profit for the year	(640)	2,631
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Currency translation differences	809	(1,153)
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains and losses related to defined benefit obligations	(871)	-
Other comprehensive income	**(62)**	**(1,153)**
Group comprehensive income	**(702)**	**1,478**
Of which attributable to:		
Parent company shareholders	(816)	1,457
Non-controlling interests	114	21
	(702)	**1,478**

3. Group Balance Sheet of

KHD Humboldt Wedag International AG as of June 30, 2014

ASSETS	**June 30, 2014**	**Dec. 31, 2013**
in € thousand		
Non-current assets		
Property, plant and equipment	3,150	2,576
Goodwill	5,162	5,162
Other intangible assets	2,364	2,680
Deferred tax assets	4,637	4,908
Total non-current assets	**15,313**	**15,326**
Current assets		
Inventories	3,266	5,318
Gross amount due from customers for contract work	49,074	59,050
Trade and other receivables	84,750	84,802
Payments made in advance	17,686	19,480
Other financial assets	1,147	1,253
Income tax assets	5,239	4,687
Cash and cash equivalents	228,028	228,169
Total current assets	**389,190**	**402,759**
Total assets	**404,503**	**418,085**

EQUITY AND LIABILITIES	June 30, 2014	Dec. 31, 2013
in € thousand		
Equity		
Subscribed capital	49,704	49,704
Capital reserves	61,097	59,841
Treasury shares	-	(221)
Currency translation differences recognized in equity	(5,770)	(6,579)
Retained earnings	117,180	118,797
Shares of equity attributable to shareholders of the parent company	222,211	221,542
Non-controlling interests	955	908
Total equity	**223,166**	**222,450**
Non-current liabilities		
Other liabilities	5,634	6,183
Pension benefit obligations	25,560	24,690
Deferred tax liabilities	242	2,079
Provisions	2,407	2,358
Total non-current liabilities	**33,843**	**35,310**
Current liabilities		
Trade and other payables	77,329	84,916
Commitments under construction contracts	50,296	51,210
Income tax liabilities	822	417
Provisions	19,047	23,782
Total current liabilities	**147,494**	**160,325**
Total equity and liabilities	**404,503**	**418,085**

4. Group Statement of Cash Flows of KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2014

in € thousand	Jan. 1- June 30, 2014	Jan. 1- June 30, 2013
Cash flow from operating activities		
Group net profit for the period	(640)	2,631
Income tax expense recognized in the income statement	471	1,411
Net finance income recognized in the income statement	(694)	(897)
Earnings before interest and taxes (EBIT)	**(863)**	**3,145**
Amortization and depreciation of non-current assets	922	1,004
Book gain on disposal of fixed assets	(3)	-
Increase(-)/decrease in trade receivables and financial assets	52	7,646
Increase(-)/decrease in inventories and gross amount due from customers for contract work	12,028	(21,058)
Increase(-)/decrease in payments made in advance and other financial assets	2,384	(3,806)
Increase(+)/decrease in trade and other payables and in commitments under construction contracts	(8,985)	(5,265)
Increase(+)/decrease in pension benefit obligations	(420)	(324)
Increase(+)/decrease in provisions and non-current liabilities	(5,235)	(4,125)
Other non-cash-transactions	(756)	249
Dividends received	47	-
Income tax received	-	3,940
Income tax paid	(1,848)	(4,844)
Cash flow from operating activities	**(2,677)**	**(23,438)**
Cash flow from investing activities		
Cash outflow for intangible assets	(186)	(205)
Cash outflow for property, plant and equipment	(1,002)	(246)
Cash inflow from the disposal of property, plant and equipment	7	-
Cash flow from investing activities	**(1,181)**	**(451)**

in € thousand	Jan. 1- June 30, 2014	Jan. 1- June 30, 2013
Cash flows from financing activities		
Interest received	1,336	1,296
Payment for purchase of shares from non-controlling interests	(67)	(13)
Cash inflow from sale of treasury shares	1,477	-
Dividends paid to parent company shareholders	-	(4,453)
Change in restricted cash (collateral for bank guarantees)	2,106	(32,178)
Cash flow from financing activities	**4,852**	**(35,348)**
Change in unrestricted cash and cash equivalents	**994**	**(59,237)**
Opening balance of unrestricted cash and cash equivalents	200,066	282,182
Exchange rate effects	971	(1,642)
Closing balance of unrestricted cash and cash equivalents	**202,031**	**221,303**

in € thousand	June 30, 2014	June 30, 2013
Composition of unrestricted cash and cash equivalents		
Bank balances and cash	103,021	50,311
Short-term bank deposits and restricted cash	125,007	203,623
Total cash and cash equivalents	**228,028**	**253,934**
Restricted cash (collateral for bank guarantees)	(25,997)	(32,631)
Closing balance of unrestricted cash and cash equivalents	**202,031**	**221,303**

5. Group Statement of Changes in Equity of KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2014

in € thousand	Subscribed capital	Capital reserves	Treasury shares	Currency translation differences recognized in equity	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total
Dec.31, 2012	**49,704**	**59,841**	**(221)**	**(3,210)**	**122,232**	**228,346**	**944**	**229,290**
Group net profit for the year	-	-	-	-	2,610	2,610	21	**2,631**
Currency translation differences	-	-	-	(1,153)	-	(1,153)		**(1,153)**
Group comprehensive income	**-**	**-**	**-**	**(1,153)**	**2,610**	**1,457**	**21**	**1,478**
Payment of dividends	**-**	**-**	**-**	-	(4,453)	(4,453)	-	**(4,453)**
Purchase of non-controlling interests	-	-	-	-	-	-	(13)	**(13)**
Jun.30, 2013	**49,704**	**59,841**	**(221)**	**(4,363)**	**120,389**	**225,350**	**952**	**226,302**
Group net profit for the year	-	-	-	-	(1,877)	(1,877)	(18)	**(1,895)**
Other comprehensive result	-	-	-	-	299	299	-	**299**
Currency translation differences	-	-	-	(2,216)	-	(2,216)		**(2,216)**
Group comprehensive income	**-**	**-**	**-**	**(2,216)**	**(1,578)**	**(3,794)**	**(18)**	**(3,812)**
Other changes	**-**	**-**	**-**	-	(14)	(14)		**(14)**
Purchase of non-controlling interests	-	-	-	-	-	-	(26)	**(26)**
Dec.31, 2013	**49,704**	**59,841**	**(221)**	**(6,579)**	**118,797**	**221,542**	**908**	**222,450**
Group net profit for the year	-	-	-	-	(754)	(754)	114	**(640)**
Other comprehensive result	-	-	-	-	(871)	(871)	-	**(871)**
Currency translation differences	-	-	-	809	-	809		**809**
Group comprehensive income	**-**	**-**	**-**	**809**	**(1,625)**	**(816)**	**114**	**(702)**
Other changes	**-**	**-**	**-**	-	8	8		**8**
Sale of treasury shares	**-**	**1,256**	**221**	-	-	1,477	-	**1,477**
Purchase of non-controlling interests	-	-	-	-	-	-	(67)	**(67)**
Jun.30, 2014	**49,704**	**61,097**	**-**	**(5,770)**	**117,180**	**222,211**	**955**	**223,166**

6. Notes to the Consolidated Financial Statements of KHD Humboldt Wedag International AG as of June 30, 2014

1. 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, 2013. 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.

2. 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 2014 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, 2013, 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 as of December 31, 2013 on pages 62ff.

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 might deviate from the estimates used in the interim financial statements.

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

3. Applying new or revised International Financial Reporting Standards

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

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

- IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after January 1, 2014)
- IFRS 11 “Joint Arrangements” (effective for annual periods beginning on or after January 1, 2014)
- IFRS 12 “Disclosure of Interests in Other Entities” (effective for annual periods beginning on or after January 1, 2014)
- IAS 27 “Separate Financial Statements” (effective for annual periods beginning on or after January 1, 2014)
- IAS 28 “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after January 1, 2014)
- Amendments to IFRS 10, IFRS 12, and IAS 27 (2011): “Investment Entities” (effective for annual periods beginning on or after January 1, 2014)

- Amendment to IAS 32 “Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities” (effective for annual periods beginning on or after January 1, 2014)
- Amendments to IFRS 10, IFRS 11, and IFRS 12: Transitional Guidance (effective for annual periods beginning on or after January 1, 2014)
- Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting” (effective for annual periods beginning on or after January 1, 2014)
- IFRIC 21 “Levies” (effective for annual periods beginning on or after January 1, 2014).

These revised requirements have no material effect on the Group’s net assets, financial position, and result of operations. In particular, the first time application of the consolidation package (IFRS 10, IFRS 11 and IFRS 12), did not have any impact on the Interim Group Financial Statements. The requirements of IFRS 12 have only impact on the consolidated financial statements as of 31 December 2014.

The following standards or amendments and reviews of standards and interpretations were not required to be applied yet and were also not voluntarily applied early.

- IFRS 9 “Financial Instruments: Classification and Measurement of Financial Assets” (effective for annual periods beginning on or after January 1, 2018)
- Improvements to IFRS 2010-2012 (December 2013) (effective for annual periods beginning on or after July 1, 2014)
- Improvements to IFRS 2011-2013 (December 2013) (effective for annual periods beginning on or after July 1, 2014)
- Amendment to IAS 19 “Employee Contributions” (effective for annual periods beginning on or after July 1, 2014)
- Amendments to IFRS 11: Amended by Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after January 1, 2016)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization (effective for annual periods beginning on or after January 1, 2016)
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2017)

- Amendments to IAS 16 and IAS 41: Agriculture - Bearer Plants (effective for annual periods beginning on or after January 1, 2016)
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after January 1, 2016)
- Amendments to IAS 27: Equity method in separate financial statements (effective for annual periods beginning on or after January 1, 2016)

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

4. Consolidation

Subsidiaries are controlled, if KHD has power over the investee, has an exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of KHD’s returns. At KHD this is regularly the case when 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.

One subsidiary and one joint venture are not included in the scope of consolidation since their influence on the Group’s net assets, financial position, and result of operations is not significant.

Besides KHD AG, the Group includes:

Name of company	Registered office	Shareholding in %			Capital stock / share 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	89.98	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
OOO KHD Humboldt Engineering Co., Ltd.	Moscow, Russia	100.00	I	RUB	3,350,000
Humboldt Wedag Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	100.00	I	MYR	500,000
Humboldt Wedag Do Brasil Servicos Technicos Ltda	Belo Horizonte, Brazil	100.00	I	BRL	200,000

D = directly owned
I = indirectly owned

5. Segment reporting

External reporting at KHD takes place the two separated segments Capex (project business) and Parts & Services since January 1, 2014. However, it is only possible to compare the aggregated figures with the 2013 financial year.

Segment reporting is based on the management approach, i.e. it is aligned to internal Group control and internal financial reporting. In the past the Group had only a single reportable segment. Since financial year 2014 the management of the Group is performed in the two operating segments - Capex (project business) and Parts & Services. The change of the internal system for managing and controlling the Group by forming a separate segment Parts & Service is in line with management's strategy to grow the high-margin service business.

The business activities of the two operating segments include the following activities and services:

- **Capex (project business)**

In the segment Capex KHD reports all revenues and expenses resulting primarily from supplying equipment for cement plants. This encompasses process technology, design, engineering, project management and the supply of technology and equipment. General and administrative expenses, sales expenses and other expenses (primarily research and development costs) are allocated to the segment, accordingly.

- **Parts & Services**

The segment Parts & Services comprises all revenues and expenses resulting from supplying spare parts and providing services to cement plants. Services include supervising the erection and commissioning of cement plants and related equipment, optimization of cement plants, plant audits, and training plant personnel. General and administrative expenses, sales expenses and other expenses are allocated to the segment accordingly.

Management and controlling of the Group is based in particular on balance sheet and income statement key figures. For the operating segments key figures are determined only for the income statement, but not for the balance sheet. 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 2014 and 2013:

in € million	**CAPEX**	**Parts & Service**	**Total Concern**	**Total Concern previous year**
	Jan. 1- June 30, 2014	**Jan. 1- June 30, 2014**	**Jan. 1- June 30, 2014**	**Jan. 1- June 30, 2013**
Order intake	25	27	52	40
Revenue with external customers	87	28	115	112
Cost of sales	(79)	(20)	(99)	(94)
Gross profit	8	8	16	18
Expenses / other income (net)	(15)	(2)	(17)	(15)
Earnings before interest and taxes (EBIT)	(7)	6	(1)	3

KHD reports segment revenue from external customers, i.e. revenues between the two segments have already been eliminated. The revenue from the segment Parts & Services to the segment Capex amounts up to € 4.7 Mio. The segment Capex has not provided any sales to other segments.

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

in € thousand	Revenue Jan. 1- June 30, 2014	Revenue Jan. 1- June 30, 2013	Non-current assets June 30, 2014	Non-current assets Dec. 31, 2013
Germany	2,635	1,967	6,662	6,451
Russia	15,816	4,534	3,043	3,049
Rest of Europe	4,778	9,255	-	-
North America	21,185	3,462	89	85
South America	6,377	14,689	25	25
Middle East	11,814	4,759	-	-
India	35,301	15,121	813	770
China	734	4,533	21	23
Rest of Asia	11,525	39,275	23	15
Africa	2,177	6,141	-	-
Other	2,467	7,715	-	-
	114,809	**111,451**	**10,676**	**10,418**

in € thousand	Order Intake Jan. 1- June 30, 2014	Order Intake Jan. 1- June 30, 2013	Order Backlog* June 30, 2014	Order Backlog* Dec. 31, 2013	
Germany	6,878	1,839	7,143	2,900	
Russia	8,676	4,861	74,322	81,962	*
Rest of Europe	3,098	4,863	6,393	8,073	
North America	8,114	1,347	74,299	87,370	
South America	1,098	5,392	5,800	11,079	
Middle East	10,530	10,011	26,992	28,276	
India	7,817	5,920	50,215	77,699	
China	55	(601)	390	1,069	
Rest of Asia	964	1,947	27,751	38,312	
Africa	2,329	3,590	2,631	2,479	
Other	2,442	1,197	587	112	
	52,001	**40,366**	**276,523**	**339,331**	

*Previous year`s figure adjusted for canceled order in Russia

6. 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, 2014**	**Dec.31, 2013**
Costs incurred to date for construction contracts	364,122	341,449
Proportionate profits under these contracts recognized to date	40,631	43,008
Total costs incurred and profits recognized	404,753	384,457
Less recognized contract losses	(2,437)	(2,007)
Less progress billings	(392,075)	(368,991)
Balance of construction contracts account	**10,241**	**13,459**
This amount is comprised as follows:		
Gross amount due from customers for contract work	49,074	59,050
Gross amount due to customers for contract work	(38,833)	(45,591)
	10,241	**13,459**
Gross amount due to customers for contract work	(38,833)	(45,591)
Advances received under construction contracts (before related work is performed)	(11,463)	(5,619)
Commitments under construction contracts	**(50,296)**	**(51,210)**

The balance of the construction contracts decreased from € 13.459 thousand by € 3.218 thousand to € 10.241 thousand. Of the revenue of € 114.809 thousand recognized in the period under review (as of June 30, 2013: € 111,451 thousand), € 101.268 thousand (as of June 30, 2013: € 97,274 thousand) is attributable to construction contracts for which revenue was recognized on the basis of the percentage of completion.

7. Cash and cash equivalents

The Group reports cash and cash equivalents in the amount of € 228.028 thousand (as of Dec. 31, 2013: € 228,169 thousand). Of this amount, € 25,997 thousand (as of Dec. 31, 2013: € 28,103 thousand) is pledged as collateral for utilization of the existing bonding line.

in € thousand	June 30, 2014	Dec.31, 2013
Bank balances and cash on hand	103,021	77,222
Short-term bank deposits	99,010	122,844
Restricted Cash (collateral for guarantees)	25,997	28,103
	228,028	**228,169**

8. Income tax

Income tax expense includes tax expenses related to the prior year. This resulted in an elevated tax rate.

The income tax expense of first half year 2014 amounts to € 471 thousand (as of June 30, 2013: € 1,411 thousand). The income tax expense is composed as follows:

in € thousand	Jan. 1 - June 30, 2014	Jan. 1 - June 30, 2013
Current tax expense	(1,582)	(652)
Deferred tax income/expense	1,111	(759)
Tax expense for the period	**(471)**	**(1,411)**

The taxes recognized in the interim period were calculated using the estimated effective tax rate of the respective company.

9. Related party disclosures

As a result of a public takeover offer AVIC holds as of June 30, 2014 through AVIC International Engineering Holdings Pte. Ltd, Europe Project Management Pte. Ltd., Europe Engineering Holdings Pte. Ltd., Europe Technology Investment Pte. Ltd., and through Max Glory Industries Ltd. (MGI) a 89.02 % stake in KHD. Pursuant to the cooperation agreement with AVIC, joint projects in Malaysia, Venezuela and Turkey are in process. As a result from these projects and the procurement center in Beijing, KHD has the following receivables, liabilities, income and expenses with AVIC:

Income and expenses from transactions with AVIC

in € thousand	Jan. 1 - June 30, 2014	Jan. 1 - June 30, 2013
Income	1,485	8,608
Expenses	8,313	6,790

in € thousand	June 30, 2014	June 30, 2014
Current assets	4,024	7,217
Liabilities	894	1,671

For further transactions with AVIC please also refer to the subsequent event reporting within the management report of the interim financial statements as of 30 June 2014.

Relationships with Associated Persons

In the 2013 financial year, KHD concluded a consultancy contract with NASENDA, Douglas, Isle of Man, a company whose shares are held by Seppo Kivimäki (member of the Supervisory Board till May 27, 2014). In accordance with the contractual agreement, € 75 thousand (previous year: € 0 thousand) was recorded by KHD as an expense for consulting services in the first six months of the 2014 financial year. Including a liability of € 15 thousand that had been accrued as of December 31, 2013, an amount of € 90 thousand was paid out.

As of June 30, 2014, liabilities to NASENDA amount to € 0 thousand (previous year: € 0 thousand).

10. Additional Notes on Financial Instruments

NET EARNINGS PER CATEGORY

June 30, 2014	Financial assets			Financial liabilities				
in € thousand	Fair value through profit or loss	Amortized cost	Not in IAS 39 application area	Fair value through profit or loss	Amortized cost	Not in IAS 39 application area	Carrying amount	Fair value
Trade receivables	-	76,316	-		-	-	76,316	-
Other financial assets	1,057	90	-		-	-	1,147	1,057
Other receivables	-	6,951	1,483		-	-	8,434	-
Cash and cash equivalents	-	228,028	-		-	-	228,028	-
Total financial assets	**1,057**	**311,385**	**1,483**		**-**	**-**	**313,925**	**1,057**
Other liabilities	-	-	-		6,553	5,634	12,187	-
Derivatives				105			105	105
Trade payables	-	-	-		70,671	-	70,671	-
Total financial liabilities	**-**	**-**	**-**	**105**	**77,224**	**5,634**	**82,963**	**105**

Dec.31, 2013	Financial assets			Financial liabilities				
in € thousand	Fair value through profit or loss	Amortized cost	Not in IAS 39 application area	Fair value through profit or loss	Amortized cost	Not in IAS 39 application area	Carrying amount	Fair value
Trade receivables	-	74,575	-		-	-	74,575	-
Other financial assets	1,163	90	-		-	-	1,253	1,163
Derivatives	191	-	-		-	-	191	191
Other receivables	-	7,118	2,918		-	-	10,036	-
Cash and cash equivalents	-	228,169	-		-	-	228,169	-
Total financial assets	**1,354**	**309,952**	**2,918**		**-**	**-**	**314,134**	**1,354**
Other Liabilities	-	-	-		6,457	6,183	12,640	-
Derivatives				144			144	144
Trade payables	-	-	-		77,868	-	77,868	-
Total financial liabilities	**-**	**-**	**-**	**144**	**84,325**	**6,183**	**90,652**	**144**

Financial assets and liabilities that are carried at fair value or for which a fair value is disclosed in the notes are classified within the fair value hierarchy described below. Relevant for the classification in the levels of fair value hierarchy is the underlying input data:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table shows the classification of financial assets and liabilities in the fair value hierarchy:

Financial assets and financial liabilities	Fair value		Level	Measurement method	significant unobservable inputs(s)	relationship of significant unobservable inputs
	June 30, 2014	Dec. 31,2013				
Derivatives	Financial assets: € 0 Financial liabilities: € 105 thousand	Financial assets: € 191 thousand Financial liabilities: € 144 thousand	level 2	Discounted cash flow: derivative are measured based on interest yield curves, which are derived from interest rates with corresponding terms and conditions.	N/A	N/A
Securities	Financial assets: € 1,057 thousand	Financial assets: € 1,163 thousand	level 1	listed price on active market	N/A	N/A

There was no change between level 1 and level 2 in the actual reporting period.

Unchanged to December 31, 2013 KHD also recognized 50% of the shares in KHD Engineering Holding GmbH under financial assets. KHD Engineering Holding GmbH, an inactive company with no operating business activities, is valued at amortized cost of € 90 thousand as of June 30, 2014. According to the assessment of the Management Board, the amortized costs correspond to the fair value of the company on the reporting date,

11. 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 € 85,9 million (as of Dec. 31, 2013: € 93,5 million) within the scope of its normal business activities.

In relation to events after the reporting period we refer to the corresponding paragraph in the interim group management report.

12. Responsibility statement

To the best of our knowledge we assure that, in accordance with the applicable reporting standards for interim financial reporting, the interim consolidated financial statements, in accordance with the accounting standards generally accepted in Germany, 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 for the remainder of the financial year.

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 IFRS Interpretations Committee.

Cologne, Germany, August 28, 2014
The Management Board

(s) Jouni Salo | (s) Ralph Quellmalz | (s) Yizhen Zhu