



## Half-Year Financial Report 2021



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## Summary of the First Half Year 2021

- Good order intake amounting to €118.9 million – significantly above the previous year's figure
- Considerable increase in revenue from €69.5 million to €89.5 million
- Adjusted gross profit within the expected range
- Structural costs slightly below budget due to active cost management
- Group net result improved to €-1.6 million (previous year: €-1.7 million)

## Key Figures at a Glance

<b>in € million</b>	<b>Jan. 1 – Jun. 30, 2021</b>	<b>Jan. 1 – Jun. 30, 2020</b>	<b>Variance in %</b>
Order intake	118.9	28.8	312.8
Revenue	89.5	69.5	28.8
Adjusted gross profit	8.9	9.4	-5.3
<i>Adjusted gross profit margin (in %)</i>	9.9	13.5	-26.7
Adjusted EBIT	-3.8	-3.7	-2.7
<i>Adjusted EBIT margin (in %)</i>	-4.2	-5.3	20.8
EBT	-1.0	-0.9	-11.1
Group net result	-1.6	-1.7	5.9
Earnings per share (in €)	-0.03	-0.03	0.0
Cash flow from operating activities	1.8	-7.6	123.7
Cash flow from investing activities	2.0	1.9	5.3
Cash flow from financing activities	-0.9	-1.1	18.2
<b>in € million</b>	<b>Jun. 30, 2021</b>	<b>Dec. 31, 2020</b>	<b>Variance in %</b>
Equity	88.1	89.1	-1.1
<i>Equity ratio (in %)</i>	30.9	34.4	-10.2
Cash and intercompany loans *	171.9	168.0	2.3
Net working capital **	-52.9	-47.7	10.9
Order backlog	274.1	240.4	14.0
Employees	709	670	5.8

\* Including intercompany loan of €50.0 million with entitlement to call for early repayment by giving 30 days' notice

\*\* Balance of current assets (less cash equivalents) and current liabilities (less short-term loans).

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

# MANAGEMENT REPORT REGARDING THE INTERIM GROUP FINANCIAL STATEMENTS AS OF JUNE 30, 2021

## 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 combined management report of December 31, 2020, p. 12 et seq.) during the first half-year 2021. In 2021, the focus at KHD is to improve development of the Chinese sales and procurement market. Sales activities in the Capex segment are targeted with regard to projects in which KHD’s position as a technology leader is adequately reflected. Additional goals are to increase competitiveness, support a culture of excellence and performance, strengthen the Plant Services segment, and implement targeted research and development activities.

Controlling, monitoring, and reporting within the Group continue to be based on the financial indicators listed below. With respect to the basic determination and calculation of these financial performance indicators, reference is made to the combined management report of December 31, 2020, page 16 et seq. The significant performance indicators of the Group are:

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

For Group management purposes, KHD adjusts EBIT as necessary with regard to special items. The adjusted EBIT for the reporting period is as follows:

in €million	Jan. 1 - Jun. 30, 2021	Jan. 1 - Jun. 30, 2020
<b>EBIT prior to adjustments</b>	<b>-4.0</b>	<b>-4.3</b>
Idle capacity costs	0.2	0.6
<b>Adjusted EBIT</b>	<b>-3.8</b>	<b>-3.7</b>

The adjustments include idle capacity costs of €0.2 million (previous year: € 0.6 million) due to under-utilization of existing capacities.

## **Management and Supervision**

### **Supervisory Board**

Effective upon the conclusion of the Annual General Meeting on May 20, 2021, the previous Chairman, Mr. Shaohua Jin as well as Ms. Yiqiong Zhang, resigned from the Supervisory Board.

At the Annual General Meeting, it was resolved to expand the Supervisory Board from three members to four, effective upon the incorporation of this change to the articles of association into the commercial register on June 22, 2021.

The successors to Mr. Jin and Ms. Zhang and an additional member of the Supervisory Board were appointed with a resolution of the Annual General Meeting on May 20, 2021:

- Mr. Jiayan Gong, Chairman of the Board of Directors, AVIC International Beijing Co., Ltd., Beijing;
- Mr. Xiaodong Wu, Chief Financial Officer of AVIC International Beijing Co., Ltd., Beijing;
- Mr. Jingnan Yang, Executive Vice President of AVIC International Beijing Co., Ltd., Beijing.

Mr. Jiayan Gong was elected as the new Chairman of the Supervisory Board and Mr. Gerhard Beinhauer as Vice Chairman at the constitutional meeting of the Supervisory Board on May 27, 2021.

## **Economic Report**

### **Market Environment**

Due to the effects of the COVID-19 pandemic, the year 2020 and the first six months of 2021 were challenging for the global economy. Following the significant decline in the previous year, the IMF is forecasting an increase in global economic output of 6.0% for the current year (2021). An improvement in global economic output of 4.4% is expected in the coming year 2022. However, the IMF emphasizes that its forecasts are subject to uncertainty due to the unforeseeable course of the COVID-19 pandemic.

According to an analysis by CW Research ("Global Cement Volume Forecast Report 1H2021 update"), the year 2020 was characterized by a strong decline in economic output due to the pandemic. Nevertheless, development in the demand for cement was not as weak as some had feared. Global cement consumption decreased by just 0.8% to a total of 4.08 billion tons. When global cement consumption excluding China is taken into account, the decrease was 2.2%.

Demand for KHD products and services is satisfactory in all of its relevant markets. Good business opportunities are available to the Group, particularly in increasing cement plant efficiency and reducing energy consumption, in the use of alternative fuels and the greater attention paid to environmental issues, and in the area of niche products. Even though the investment tendency of our customers and the financial options available to them for investment projects are still not at completely satisfactory level, the major factors for a future increase in cement consumption remain unchanged. The increase in population, the need for additional housing, infrastructure projects, increasing industrialization, and last, but not least, the greater purchasing power of consumers in emerging and developing countries will contribute to an improvement in the market environment in the medium term.

### **Overall Assessment of the Economic Situation**

The economic development of the Group for the first half-year 2021 as measured by the results for order intake and revenue has improved significantly in comparison with the same period in the previous year. The profitability of KHD, however, remains at an unsatisfactory level. Even though all of the improvement potential has not yet been tapped to its full extent, KHD expects to reach the levels forecast for order intake and revenue as well as adjusted EBIT and adjusted EBIT margin over the entire year.

In the first half-year 2021, order intake was € 118.9 million (previous year: € 28.8 million). At € 89.5 million, revenue was 28.8% higher than in the corresponding period of the previous year (€ 69.5 million). The costs of sales totaled € 80.8 million in comparison with € 60.6 million in the previous year. As a result, the adjusted gross profit was less than the previous year's figure (€ 8.9 million; previous year: € 9.4 million). The adjusted gross profit margin was 9.9% (13.5% in the first half-year 2020). Due to active cost management, structural costs were slightly less than in the previous year, so the adjusted EBIT of € -3.8 million is nearly unchanged in comparison with the previous year's figure (€ -3.7 million).

The cash flow from operating activities totaled € 1.8 million in the first six months (previous year: € -7.6 million). Due to expected payments to suppliers in the second half-year, a negative cash flow in the low, double-digit millions is anticipated for the 2021 financial year.

By taking further measures to increase competitiveness and support a culture of excellence and performance, the KHD Group is convinced that sustainable positive results will be achieved again. In accordance with the original budget, the earnings before tax (EBT) for the current 2021 financial year is slightly negative, but there are still good chances to move the figure into the positive range in the ongoing financial year.

### **Business Development**

Order intake reached a value of € 118.9 million in the first half-year 2021 (previous year: € 28.8 million). Despite ongoing uncertainty due to the COVID-19 pandemic and customer restraint with regard to investment in the cement sector, catch-up effects were evident in some sales regions (particularly in India).

Orders totaling € 100.7 million were placed in the Capex segment in the first half-year 2021, a much higher volume than in the corresponding period in the previous year (€ 17.6 million). Notably, order intake in India made a significant contribution in this regard. To a certain extent, normalization was also evident in the Plant Services segment. The order intake of € 18.3 million was considerably higher than the previous year's figure (€ 11.2 million). The spare parts and services activities thus contributed 15.4% to the overall order intake (previous year: 39.0%).

Due to the pleasing level of order intake, the order backlog as of June 30, 2021 increased by € 33.7 million to € 274.1 million compared with the figure as of December 31, 2020. In contrast to the previous year, there were no adjustments due to the reduction of order values for this reporting period (previous year: € -2.8 million). Effects of exchange rate fluctuations, which are reported as an adjustment to order backlog, amounted to € 4.3 million (previous year: € 1.0 million).

## **Group Earnings Situation**

KHD's revenue of €89.5 million was considerably higher than the previous year's figure (€69.5 million). Significant contributions to revenue in the Capex segment came primarily from projects in the USA, India, and China. The main reason for the increase in revenue by 28.8% is that projects in the backlog are progressing according to schedule, in contrast to the previous year when the pandemic resulted in significant delays in project execution.

The gross profit for the first half-year 2021 of €8.7 million with higher revenue was at about the same level as the previous year (€8.8 million). The cost of sales comprise €0.2 million (previous year: €0.6 million) in idle capacity costs that resulted from under-utilization of existing capacities. Because these costs are not directly associated with the revenues recognized, they were considered when determining adjusted gross profit. Adjusted gross profit for the first half-year 2021 was €8.9 million (previous year: €9.4 million). The adjusted gross profit margin decreased from 13.5% to 9.9%. The focus on markets and products with which KHD offers customers real added value is not immediately evident in the first half-year 2021. Unexpected cost overruns in the execution of older projects impeded greater value creation as well as improvement in the gross profit margin.

In comparison to the first six months of the 2020 financial year, sales expenses increased slightly by 3.3%, from €4.9 million to €5.1 million. This resulted in particular from increased tendering costs due to the greater amount of customer inquiries. The general and administrative expenses of €6.4 million remained at the level of the previous year. Other expenses also remained at about the same level as in the previous year, increasing just slightly from €2.6 million to €2.7 million. In addition to research and development expenses of €1.5 million (previous year: €1.3 million), other expenses also include currency exchange rate fluctuations and changes in market value of derivative financial instruments of €1.0 million (previous year: €0.9 million). Expenses resulting from exchange rate effects were offset by income from exchange rate effects in the amount of €0.7 million (previous year: €0.5 million).

Earnings before interest and taxes (EBIT) is still negative at €-4.0 million, but it did improve slightly in comparison with the corresponding period in the previous year (€-4.3 million). The EBIT margin of -4.5% has also improved in comparison with the previous year's figure of -6.1%. The adjusted EBIT of €-3.8 million (after eliminating idle capacity costs) was at about the same level as the previous year (€-3.7 million).

The Group's net finance income decreased from €3.3 million in the previous year period to €3.0 million in the first half-year 2021. Finance income of €3.4 million (previous year: €4.1 million), which includes interest received in the amount of €2.5 million (previous year: €2.9 million) from two loans extended in the 2017 financial year to AVIC International Kairong Limited ("AVIC Kairong"), Hong Kong, for a total amount of €100.0 million, is offset by finance expenses of €0.4 million (previous year: €0.7 million). The interest rates for these two loans totaling €100.0 million were originally set at 6.0% and 5.7% per annum, respectively. In 2020, the two loans were both extended for another three years until 2023. The interest rates for the loans were adjusted to 5.0% per annum, effective July 23, 2020 and November 14, 2020, respectively.

At the conclusion of the first half-year 2021 the Group net result was slightly negative at €-1.6 million (previous year: €-1.7 million). Basic and diluted earnings per share totaled €-0.03 (previous year: €-0.03).



## **Segment Earnings Situation**

In the first six months of 2021, revenue in the Capex segment reached € 74.1 million, an increase of 30.2% in comparison with the previous year's figure of € 56.9 million. Revenue in the Plant Services segment increased as well in comparison with the same period in the previous year. The segment achieved revenue of € 12.6 million in the first six months 2020; in 2021 revenue was € 15.3 million, an increase of 21.4%. The gradual normalization is having an effect on spare parts and services activities, which resulted in improved order intake and higher revenues in the reporting period. The Plant Services segment contributed 17.2% to the total revenue; during the same period in the previous year, it contributed 18.2%.

The gross profit in the Capex segment totaled € 4.0 million in comparison with € 4.8 million in the previous year. Due to unexpected cost overruns in the execution of old projects, the adjusted gross profit of the Group did not improve, even though revenue was considerably higher. Idle capacity costs in the amount of € 0.2 million (previous year: € 0.6 million) apply only to the Capex segment, so the adjusted gross profit for this segment is € 4.2 million (previous year: € 5.4 million). The adjusted gross profit margin in the Capex segment was 5.7% (previous year: 9.5%). A gross profit of € 4.7 million was achieved in the Plant Services segment, (previous year: € 4.0 million). As such, the gross profit margin of 30.7% was slightly below the previous year's figure of 31.7%.

In the reporting period, EBIT in the Capex segment was € -5.9 million, a decrease of € 0.7 million in comparison with the same period in the previous year (€ -5.2 million). EBIT in the Plant Services segment increased in the first half-year 2021 to € 1.9 million due to greater revenue than in the previous year and lower general, administrative, and sales expenses; in the same period in 2020, EBIT totaled € 1.0 million.

## Financial Position and Net Assets

### Liquidity Statement

Total cash and cash equivalents increased in the first half-year 2021 by €3.9 million, from €68.0 million as of December 31, 2020 to €71.9 million as of June 30, 2021. The primary reason for this increase are positive cash flows from operating activities of €1.8 million (previous year: €-7.6 million) and from investment activities of €2.0 million (previous year: €1.9 million).

For further details regarding operating cash flow, see the following table:

<b>Cash flow from operating activities for the first half-year 2021</b>	<b><u>in € thousand</u></b>
Cash flow from customer contacts with revenue recognition over time	(18,264)
Cash flow from current liabilities/ invoices from subcontractors	22,634
Cash flow from changes in receivables	2,409
Cash flow from changes of provisions and long-term liabilities	681
Cash inflow from result (EBITDA)	(3,194)
Cash flow from tax payments made/ received	(505)
Other cash inflows and outflows	(1,922)
<b>Cash flow from operating activities</b>	<b>1,839</b>

Cash flow from investing activities of €2.0 million was slightly above the previous year's figure (€1.9 million) and primarily included interest payments received for the loans extended to AVIC Kairong (€2.5 million) and cash outflow for investments in fixed assets (€0.5 million). Cash flow from financing activities totaled €-0.9 million (previous year: €-1.1 million) and was significantly affected by cash outflows of €0.7 million related to the reported lease liabilities (previous year: €0.9 million). In addition, as in the previous year, interest payments for a bank loan in the amount of €0.2 million were due and payable. Taking the effects of negative currency exchange rates in the amount of €0.9 million into consideration, cash and cash equivalents as of June 30, 2021 amounted to €71.9 million (December 31, 2020: €68.0 million).

## **Total Assets**

The balance sheet total of the KHD Group increased from the figure at the end of 2020 (€258.9 million) by €25.8 million to a current total of €284.7 million. The Group's non-current assets in the amount of €119.4 million (as of December 31, 2020: €120.1 million) are still dominated by two loans to AVIC Kairong, each for €50 million. The interest rate for both loans is 5% per annum. The figure for rights of use from the application of IFRS 16 was €2.6 million, less than at the end of 2020 (€3.2 million). The increase in current assets from €138.8 million (December 31, 2020) to a current figure of €165.3 million reflects the increase in business volume. Within the current assets, above all the contract assets increased by €12.8 million and the payments made in advance by €10.4 million, while the trade receivables and other receivables decreased by €1.2 million. Cash and cash equivalents increased from €68.0 at the end of 2020 to €71.9 million as of June 30, 2021.

## **Financing**

On the liabilities side, non-current liabilities decreased in comparison with December 31, 2020 by €1.0 million to €25.3 million. Reductions in pension obligations (€-0.6 million) and lease liabilities (€-0.3 million) significantly affected this decrease.

The increase in current liabilities from €143.5 million (December 31, 2020) to €171.3 million is related to the increase in business volume. Trade and other payables increased by €22.8 million from €72.2 million as of December 31, 2020 to €95.0 million. Contract liabilities and advance payments received increased from €21.2 million at the end of 2020 to €25.6 million as of June 30, 2021.

At €-52.9 million, the net working capital – the difference between current assets (less cash and cash equivalents) and current liabilities (less short-term loans) – improved slightly from the figure reported on December 31, 2020 (€-47.7 million).

Equity decreased during the reporting period by €1.0 million from €89.1 (as of December 31, 2020) to €88.1 million. The reasons for this reduction include both the Group net result of €-1.6 million for the first half-year and the differences due to currency translation reported in equity in the amount of €0.5 million. Despite the slight reduction in equity, at 30.9%, the equity ratio remains at a good level.

## **Non-Financial Performance Indicators**

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

Target achievement in relation to non-financial performance indicators is measured with the help of various instruments, such as annual employee appraisal, or the systematic measuring of emissions values and energy consumption of individual products. Value-oriented management in the KHD Group means that, for example, customer satisfaction and the minimization of our products' impact on the environment are more important than short-term profit maximization.

The expenses for research and development in the KHD Group were € 1.5 million in the first half-year 2021 (previous year: € 1.3 million). Despite the ongoing unsatisfactory earnings situation, KHD invested in targeted further development of its technology for cement plants. Crucial R&D topics include developing environmentally friendly products and solution concepts, with a particular emphasis on energy efficiency and emissions reduction, as well as using alternative fuels in cement plants. A particularly important goal is to continue to minimize the CO<sub>2</sub> footprint associated with cement production in addition to reducing nitrogen oxide emissions (NO<sub>x</sub>). In addition, the KHD Group is working on localizing the machine components for procurement and manufacturing in China as well as developing product versions oriented specifically towards Chinese markets. Moreover, improving major plant components and, above all, increasing the efficiency of cement production plants are ongoing subjects of research and development.

The KHD Group had 709 employees (excluding trainees) at the end of June 2021 (end of 2020: 670). The targeted increases in headcount related primarily to the group company in India.

## **Report on Events after the Reporting Period**

There were no substantial developments or events of particular significance after the balance sheet date of June 30, 2021.

## **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 a going concern, either individually or in combination.

In comparison with the balance sheet date 2020, there has been no significant change in the assessment of risks and opportunities as of the date of this half-year report.

For a detailed description of the risks and opportunities, please refer to the relevant section in the KHD Group's combined management report as of December 31, 2020 (page 44 et seq. of the Group Annual Report).

## **Outlook**

In its analysis ("Global Cement Volume Forecast Report 1H2021 update"), CW Research forecasts that global cement demand will grow continuously again until 2025, but at a moderate level. CW Research expects an average annual growth in global cement demand of 1.8%. Without taking China into consideration, the forecast for annual global growth until 2025 is 3.9%.

The KHD Group confirms the outlook provided in the 2020 annual report for the 2021 financial year in its entirety. The expected order intake in the 2021 financial year will be significantly higher than the level of the previous year.

KHD also confirms the outlook with regard to revenue, which will increase considerably with respect to the previous year. The KHD Group expects significant improvement in both EBIT and adjusted EBIT for the 2021 financial year in comparison with the 2020 financial year; however, the figures will remain negative. Even though earnings before tax (EBT) are slightly negative according to the original planning, there are still good chances for achieving

a positive figure already in the ongoing financial year. Due to scheduled project-related cash outflows, KHD continues to expect a negative operating cash flow in the low double-digit millions range in the 2021 financial year, despite the positive operating cash flow in the first half-year 2021.

In accordance with our budget, the KHD Group's financial and net assets position in the 2021 financial year will remain stable and will not change significantly in comparison with the previous year. The liquidity situation and the high equity ratio remain at a comfortable level, which provides KHD with the flexibility needed not only to cope with difficult market phases and the current, unsatisfactory earnings situation, but also to continue to develop its portfolio of products and services on an ongoing basis. The strategy adjustment made to focus on the markets and products with which we offer customers real added value is having a positive effect over the long term. In connection with further measures to increase competitiveness and support the culture of excellence and performance, the KHD Group is convinced that sustainable positive results will be achieved again in the future.

### **Opportunities and Risks Relating to the Outlook for the Second Half-Year 2021**

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

There are significant risks, but also opportunities with regard to the predicted figures for order intake, particularly in the Capex segment. The awarding of individual large projects to the KHD Group can significantly affect the order intake in the second half of the 2021 financial year. Despite close collaboration with customers during the tendering process, customer investment decisions and the awarding of individual projects to the KHD Group can only be forecast with substantial uncertainty, which can lead to either higher or lower order intake.

The revenue and earnings forecast is mainly based on order backlog in the Capex segment and on the planning of business in the Plant Services segment, which is significantly less cyclical. The risks and opportunities relating to the planned revenue and earnings figures are nevertheless significant in the second half-year of the 2021 financial year as well, since

delays or accelerations in project execution, postponement of awarding projects included in the planned order intake, and unexpected changes in the results of specific projects can affect these figures.

Cologne, Germany, August 13, 2021

The Management Board

(s) Jianlong Shen  
(Chairman)

(s) Jürgen Luckas

(s) Dr. Matthias Jochem

(s) Tao Xing

(s) Matthias Mersmann

# INTERIM GROUP FINANCIAL STATEMENTS

## 1 GROUP INCOME STATEMENT of KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2021

in € thousand	<u>Jan. 1 – Jun. 30, 2021</u>	<u>Jan. 1 – Jun. 30, 2020</u>
Revenue	89,475	69,480
Cost of sales	<u>(80,771)</u>	<u>(60,646)</u>
<b>Gross profit</b>	<b>8,703</b>	<b>8,834</b>
Other operating income	1,461	868
Sales expenses	(5,091)	(4,926)
General and administrative expenses	(6,368)	(6,433)
Other expenses	<u>(2,689)</u>	<u>(2,599)</u>
<b>Earnings before interest and taxes (EBIT)</b>	<b>(3,985)</b>	<b>(4,256)</b>
Finance income	3,405	4,089
Finance expenses	<u>(431)</u>	<u>(751)</u>
<b>Net finance income</b>	<b>2,974</b>	<b>3,338</b>
<b>Earnings before taxes (EBT)</b>	<b>(1,011)</b>	<b>(918)</b>
Income tax expense	<u>(560)</u>	<u>(808)</u>
<b>Group net result</b>	<b><u>(1,571)</u></b>	<b><u>(1,726)</u></b>
Of which are attributable to:		
Parent company shareholders	(1,582)	(1,728)
Non-controlling interests	<u>11</u>	<u>2</u>
	<b><u>(1,571)</u></b>	<b><u>(1,726)</u></b>
<b>Earnings per share (in €)</b>		
	<u>Jan. 1 - Jun. 30, 2021</u>	<u>Jan. 1 - Jun. 30, 2020</u>
Net profit attributable to shareholders (in € thousand)	(1,582)	(1,728)
Weighted average number of shares outstanding	49,703,573	49,703,573
Basic (undiluted) and diluted earnings per share (in €)	(0.03)	(0.03)



**2 GROUP STATEMENT OF COMPREHENSIVE INCOME for  
KHD Humboldt Wedag International AG  
for the Period from January 1 to June 30, 2021**

in €thousand	<u>Jan. 1 – Jun. 30, 2021</u>	<u>Jan. 1 – Jun. 30, 2020</u>
<b>Group net result</b>	<b>(1,571)</b>	<b>(1,726)</b>
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>		
Currency translation differences	526	(2,673)
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Actuarial gains and losses related to defined benefit obligations less deferred taxes related thereto	<u>0</u>	<u>900</u>
<b>Other comprehensive income</b>	<b>526</b>	<b>(1,773)</b>
<b>Group comprehensive income</b>	<b><u>(1,045)</u></b>	<b><u>(3,499)</u></b>
Of which are attributable to:		
Parent company shareholders	(1,056)	(3,501)
Non-controlling interests	<u>11</u>	<u>2</u>
	<b><u>(1,045)</u></b>	<b><u>(3,499)</u></b>

As in the previous year, no income taxes on currency translation differences were applicable. As in the previous year, there are no deferred tax assets or liabilities related to actuarial gains and losses.

**3 GROUP BALANCE SHEET of  
KHD Humboldt Wedag International AG  
as of June 30, 2021**

<b><u>ASSETS</u></b>	<b>Jun. 30, 2021</b>	<b>Dec. 31, 2020</b>
	<hr/>	<hr/>
<b>in €thousand</b>		
<b>Non-current assets</b>		
Property, plant, and equipment	9,334	9,330
Goodwill	3,851	3,851
Other intangible assets	1,166	1,278
Rights of use	2,619	3,214
Trade and other receivables	1,024	1,012
Other financial assets	100,000	100,000
Deferred tax assets	1,420	1,447
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>119,414</b>	<b>120,132</b>
<b>Current assets</b>		
Inventories	3,997	3,819
Contract assets	30,002	17,225
Trade and other receivables	28,790	29,971
Payments made in advance	28,322	17,943
Other financial assets	1,190	992
Income tax assets	1,083	806
Cash and cash equivalents	71,944	68,035
	<hr/>	<hr/>
<b>Total current assets</b>	<b>165,328</b>	<b>138,791</b>
<b>Total assets</b>	<b><u>284,742</u></b>	<b><u>258,923</u></b>

<b><u>EQUITY AND LIABILITIES</u></b>	<b>Jun. 30, 2021</b>	<b>Dec. 31, 2020</b>
	<hr/>	<hr/>
<b>in €thousand</b>		
<b>Equity</b>		
Subscribed capital	49,704	49,704
Capital reserves	61,097	61,097
Currency translation differences recognized in equity	(12,606)	(13,132)
Other Reserves	(10,610)	(9,028)
	<hr/>	<hr/>
Shares of equity attributable to shareholders of the parent company	87,585	88,641
Non-controlling interests	506	495
	<hr/>	<hr/>
<b>Total equity</b>	<b>88,091</b>	<b>89,136</b>
<b>Non-current liabilities</b>		
Other liabilities	2,795	2,794
Lease liabilities	1,829	2,145
Pension benefit obligations	17,727	18,328
Deferred tax liabilities	0	69
Provisions	3,000	2,997
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>25,350</b>	<b>26,333</b>
<b>Current liabilities</b>		
Trade and other payables	95,017	72,212
Contract liabilities and advance payments received	25,605	21,222
Loans	25,000	25,000
Income tax liabilities	626	644
Provisions	25,053	24,376
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>171,301</b>	<b>143,454</b>
<b>Total equity and liabilities</b>	<b><u>284,742</u></b>	<b><u>258,923</u></b>

**4 GROUP STATEMENT OF CASH FLOW for  
KHD Humboldt Wedag International AG  
for the Period from January 1 to June 30, 2021**

in €thousand	<u>Jan. 1 – Jun. 30, 2021</u>	<u>Jan. 1 – Jun. 30, 2020</u>
<b>Cash flow from operating activities</b>		
Group net result	(1,571)	(1,726)
Income tax expense recognized in the income statement	560	808
Net finance income recognized in the income statement	<u>(2,974)</u>	<u>(3,338)</u>
<b>Earnings before interest and taxes (EBIT)</b>	<b>(3,985)</b>	<b>(4,256)</b>
Amortization and depreciation of non-current assets	1,336	1,355
Increase(-)/decrease in trade receivables and financial assets	1,554	6,002
Increase (-) / decrease in inventories and contract assets	(12,955)	(5,170)
Increase (-) / decrease in payments made in advance and other financial assets	(10,577)	(5,662)
Increase (+) / decrease in trade and other payables and contract liabilities and advance payments received	27,036	4,944
Increase (+) / decrease in pension benefit obligations	(601)	(601)
Increase (+) / decrease in provisions and non-current liabilities	681	(3,748)
Other non-cash-transactions	(586)	329
Other translation differences	(422)	(774)
Interest received	988	872
Interest paid	(119)	(3)
Income tax received	0	0
Income tax paid	<u>(505)</u>	<u>(896)</u>
<b>Cash flow from operating activities</b>	<b>1,839</b>	<b>(7,608)</b>
<b>Cash flow from investing activities</b>		
Cash outflow for intangible assets	(73)	(254)
Cash outflow for property, plant and equipment	(411)	(778)
Cash inflow from the disposal of property, plant and equipment	1	0
Interest received from intercompany loans	<u>2,514</u>	<u>2,974</u>
<b>Cash flow from investing activities</b>	<b>2,031</b>	<b>1,942</b>

in €thousand	<u>Jan. 1 – Jun. 30, 2021</u>	<u>Jan. 1 – Jun. 30, 2020</u>
<b>Cash flow from financing activities</b>		
Dividends paid	0	0
Interest paid for loans	(240)	(240)
Lease payments	(669)	(871)
<b>Cash flow from financing activities</b>	<u>(909)</u>	<u>(1,111)</u>
<b>Change in unrestricted cash and cash equivalents</b>	<b>2,961</b>	<b>(6,777)</b>
Opening balance of unrestricted cash and cash equivalents	<b>68,035</b>	<b>82,622</b>
Exchange rate effects	948	(1,898)
<b>Closing balance of unrestricted cash and cash equivalents</b>	<u><b>71,944</b></u>	<u><b>73,947</b></u>

in €thousand	<u>Jun. 30, 2021</u>	<u>Jun. 30, 2020</u>
<b>Composition of unrestricted cash and cash equivalents</b>		
Current bank accounts and cash	39,012	45,411
Short-term bank deposits and restricted cash	32,932	28,536
<b>Total cash and cash equivalents</b>	<u><b>71,944</b></u>	<u><b>73,947</b></u>
<b>Closing balance of unrestricted cash and cash equivalents</b>	<u><b>71,944</b></u>	<u><b>73,947</b></u>

## 5 GROUP STATEMENT OF CHANGES IN EQUITY for KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2021

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
<b>Dec. 31, 2019 / Jan. 1, 2020</b>	<b>49,704</b>	<b>61,097</b>	-	<b>(8,453)</b>	<b>(1,297)</b>	<b>101,051</b>	<b>489</b>	<b>101,540</b>
Group net result	-	-	-	-	(1,728)	(1,728)	2	(1,726)
Actuarial gains and losses	-	-	-	-	900	900	-	900
Currency translation differences	-	-	-	(2,673)	-	(2,673)	-	(2,673)
<b>Group comprehensive income</b>	-	-	-	<b>(2,673)</b>	<b>(828)</b>	<b>(3,501)</b>	<b>2</b>	<b>(3,499)</b>
Other changes	-	-	-	-	1	1	-	1
<b>Jun. 30, 2020</b>	<b>49,704</b>	<b>61,097</b>	-	<b>(11,126)</b>	<b>(2,124)</b>	<b>97,551</b>	<b>491</b>	<b>98,042</b>
Group net result	-	-	-	-	(7,136)	(7,136)	3	(7,133)
Actuarial gains and losses and other effects on the group comprehensive income	-	-	-	-	232	232	-	232
Currency translation differences	-	-	-	(2,006)	-	(2,006)	-	(2,006)
<b>Group comprehensive income</b>	-	-	-	<b>(2,006)</b>	<b>(6,904)</b>	<b>(8,910)</b>	<b>3</b>	<b>(8,907)</b>
Other changes	-	-	-	-	-	-	1	1
<b>Dec. 31, 2020</b>	<b>49,704</b>	<b>61,097</b>	-	<b>(13,132)</b>	<b>(9,028)</b>	<b>88,641</b>	<b>495</b>	<b>89,136</b>
Group net result	-	-	-	-	(1,582)	(1,582)	11	(1,571)
Currency translation differences	-	-	-	526	-	526	-	526
<b>Group comprehensive income</b>	-	-	-	<b>526</b>	<b>(1,582)</b>	<b>(1,056)</b>	<b>11</b>	<b>(1,045)</b>
<b>Jun. 30, 2021</b>	<b>49,704</b>	<b>61,097</b>	-	<b>(12,606)</b>	<b>(10,610)</b>	<b>87,585</b>	<b>506</b>	<b>88,091</b>

## **6 NOTES TO THE GROUP FINANCIAL STATEMENTS of KHD Humboldt Wedag International AG as of June 30, 2021**

### **1. Group Structure and Affiliated Companies**

KHD Humboldt Wedag International AG (“KHD” or “Group”) 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 of June 30, 2021, unchanged since December 31, 2020. The core business areas of KHD’s 11 Group companies are industrial plant engineering and providing related services. The strategic and operational focus of the Group entities is on the design and supply of equipment for the construction of plants for the cement industry and providing a comprehensive range of services.

### **2. Reporting Principles**

The interim financial statements of KHD are prepared using uniform accounting principles. The interim financial statements of KHD and 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 of the information and notes to the financial statements that the IFRS requires for consolidated financial statements at the end of a financial year.

These consolidated financial statements and the Group management report for the first half-year 2021 were neither audited pursuant to Section 317 of the German Commercial Code (HGB) nor were they subjected to an auditor’s review.

The recognition and measurement methods applied in these interim financial statements are consistent with those applied as of December 31, 2020, unless changes are described. The methods are described in detail in KHD’s Group Annual Report on the IFRS consolidated financial statements as of December 31, 2020 on page 65 et seq.

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 made that impact the assets, liabilities, provisions, deferred tax assets, and liabilities as well as income and expenses. Over time, the estimates and assumptions can change and significantly affect the net assets, financial position, and result of operations of KHD. Although the estimates and assumptions are made carefully and conscientiously, it cannot be ruled out that the actual amounts might deviate from the estimates used in the interim financial statements.

The assumptions and estimates apply for the most part to the group-wide determination of economic useful life, the assumptions for the impairment test of goodwill, the measurement of provisions, and the usability of tax loss carryforwards as well as the estimation of project costs and the stage of completion in case of customer contracts with revenue recognition over time.

The KHD Group operates in the area of plant engineering and construction. Contracts in this area are frequently customer contracts with revenue recognition over time. In these cases, KHD determines the result and revenue according to the stage of completion based on the proportion of contract costs already incurred for the project to the estimated total contract costs, i.e. an input method is applied. In the result, the revenue recognition over time for customer contracts is equivalent to the recognition of profit based on the stage of completion. An expected loss from customer contracts with revenue recognition over time is immediately recorded in full as an expense. When revenue is recognized over time, the estimate of the stage of completion is particularly important. Significant estimates include, in particular, the overall project costs, overall contract revenues, contract risks, and other relevant figures. When revenue is recognized over time, changes in estimates can lead to an increase or decrease in revenue.



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

### **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, provided that the standards and interpretations have already been endorsed by the European Union (EU).

#### **Initial Application of Recently Published Standards**

The following rules and amendments in EU law were adopted in the first half-year 2021:

- “Interest Rate Benchmark Reform” (Phase 2); published in April 2020, initial application in the 2021 financial year, endorsed into EU law in August 2020.
- IFRS 16 “Covid-19-Related Rent Concessions”, published in May 2020, endorsed into EU law in June 2020.

The application of these rules and amendments does not significantly affect the Group's net assets, financial position and result of operations.

### **Published Standards for Which Application is Not Yet Required**

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

- Amendments to IFRS 3, IAS 16, and IAS 37: Published in May 2020, initial application in the 2022 financial year, endorsement into EU law still pending;
- Amendments to IAS 1: "Classification of liabilities as current or non-current", published in January 2020, initial application in the 2022 financial year, endorsement into EU law still pending.

KHD does not expect these amendments to result in any significant effects on the Group's net assets, financial position, and result of operations.

### **4. Consolidation**

Subsidiaries are the companies in which investments are held and in which 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, 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.

**Besides KHD AG, the Group includes:**

<u>Name of company</u>	<u>Registered office</u>	<u>Main business</u>	<u>Voting rights and equity interest in % Jun. 30, 2021</u>	<u>Voting rights and equity interest in % Dec. 31, 2020</u>		<u>Currency</u>	<u>Subscribed capital Jun. 30, 2021</u>	<u>Subscribed capital Dec. 31, 2020</u>
KHD Humboldt Wedag GmbH	Cologne, Germany	Holding	100.00	100.00	D	€	15,339,300	15,339,300
Humboldt Wedag GmbH	Cologne, Germany	Plant engineering	100.00	100.00	I	€	7,000,000	7,000,000
ZAB Zementanlagenbau GmbH Dessau	Dessau-Rosslau, Germany	Plant engineering	100.00	100.00	I	€	2,000,000	2,000,000
Blake International Ltd.	Road Town, British Virgin Islands	Holding	100.00	100.00	I	USD	1,000	1,000
KHD Humboldt Wedag Vermögensverwaltungs-AG	Cologne, Germany	Asset management	91.26	91.26	I	€	3,600,000	3,600,000
Humboldt Wedag Inc.	Norcross, USA	Plant engineering	100.00	100.00	I	USD	1,000	1,000
Humboldt Wedag India Private Ltd.	New Delhi, India	Plant engineering	100.00	100.00	I	INR	19,200,000	19,200,000
KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd	Beijing, China	Sales	100.00	100.00	D	USD	2,100,000	2,100,000
KHD Humboldt Engineering OOO	Moscow, Russia	Plant engineering	100.00	100.00	I	RUB	3,722,222	3,722,222
Humboldt Wedag Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	Sales	100.00	100.00	I	MYR	500,000	500,000
Humboldt Wedag Do Brasil Servicos Technicos Ltda.	Belo Horizonte, Brazil	Sales	100.00	100.00	I	BRL	801,847	801,847

D = directly owned

I = indirectly owned

## 5. Segment Reporting

For KHD, reporting is done in two separate segments. The Capex segment (project business) is differentiated from the Plant Services segment (after sales business). Segment reporting is oriented towards internal Group management control and internal financial reporting, i.e. it is based on the management approach. The business activities of the two reportable segments include the following services:

- **Capex (Project Business)**

In the Capex segment, the KHD Group reports all revenues and expenses resulting from supplying equipment for cement plants and providing services directly linked to the equipment supply. This encompasses process technology, design, engineering, project management, and the supply of technology and equipment. In addition, the supervision of erection and commissioning of cement plants is allocated to this segment. General and administrative expenses, sales expenses and other expenses (particularly research and development costs) are allocated to this segment accordingly.

- **Plant Services**

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

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

The following table provides an overview of business development for the 2021 and 2020 financial half-years.

in €thousand	Capex Jan. 1 – Jun. 30, 2021	Plant Services Jan. 1 - Jun. 30, 2021	Total Group Jan. 1 - Jun. 30, 2021	Capex Jan. 1 - Jun. 30, 2020	Plant Services Jan. 1 - Jun. 30, 2020	Total Group Jan. 1 - Jun. 30, 2020
Order intake	100,662	18,274	118,936	17,581	11,231	28,812
Revenue	74,129	15,345	89,475	56,861	12,619	68,480
Cost of sales	(70,133)	(10,638)	(80,771)	(52,045)	(8,601)	(60,646)
Gross profit	3,996	4,707	8,703	4,816	4,018	8,834
Other operating income	1,461	-	1,461	868	-	868
Sales expenses	(3,506)	(1,585)	(5,091)	(3,153)	(1,773)	(4,926)
General and administrative expenses	(5,115)	(1,254)	(6,368)	(5,176)	(1,257)	(6,433)
Other expenses	(2,689)	-	(2,689)	(2,599)	-	(2,599)
Earnings before interest and taxes (EBIT)	(5,853)	1,868	(3,985)	(5,244)	988	(4,256)
Net finance income			2,974			3,338
Profit before tax			(1,011)			(918)
<i>For informational purposes:</i>						
<i>Depreciation and amortization</i>			(1,336)			(1,032)

The recognition and measurement principles used for the reportable segments are in line with the IFRS principles described above that are used for the Group financial statements. Revenue and segment-related expenses are directly allocated to the respective segment. Expenses and income which cannot be allocated directly to the segments (e.g. general and administrative expenses) are allocated to the segments using appropriate allocation keys.

KHD only reports revenue from external customers in its segment reports, i.e. revenue between the two segments is already eliminated. Currently, the segments do not recognize revenue with the respective, other segment. Transactions between the two segments are in line with market conditions.

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

in € thousand	Revenue		Non-current assets	
	Jan. 1 – Jun. 30, 2021	Jan. 1 – June 30, 2020	Jun. 30, 2021	Dec. 31, 2020
North America	44,730	35,354	789	754
India	17,662	8,051	8,278	8,364
Rest of Asia	8,730	8,829	-	-
China	6,875	5,205	156	229
Russia	2,670	1,122	1,728	1,727
Other	2,268	503	-	-
Rest of Europe	2,266	1,841	-	-
Middle East	2,033	1,866	-	-
Africa	1,075	924	-	-
South America	629	830	-	-
Germany	537	4,955	5,986	6,617
Other	2,268	503	-	-
	<b>89,475</b>	<b>69,480</b>	<b>16,937</b>	<b>17,673</b>

  

in € thousand	Order intake		Order backlog	
	Jan. 1 – Jun. 30, 2021	Jan. 1 – June 30, 2020	Jun. 30, 2021	Dec. 31, 2020
India	86,454	3,872	119,256	49,921
Rest of Asia	9,305	2,734	14,052	13,484
North America	8,061	8,187	103,950	137,571
Rest of Europe	5,103	952	5,219	2,382
Middle East	3,655	1,429	5,746	4,125
China	2,094	8,738	8,202	12,340
Russia	2,094	728	8,231	8,770
South America	1,020	303	825	432
Germany	532	1,133	1,604	1,609
Other	466	65	1,944	3,744
Africa	153	671	5,092	6,014
Other	466	65	1,944	3,744
	<b>118,937</b>	<b>28,812</b>	<b>274,121</b>	<b>240,392</b>

## 6. Contract Assets and Contract Liabilities and Advance Payments Received

The measurement of customer contracts with revenue recognition over time takes the cost of sales plus proportionate profits depending on the stage of completion less progress billings into consideration. Expected contract losses from ongoing customer contracts are reported in the provisions.

in €thousand	<u>Jun. 30, 2021</u>	<u>Dec. 31, 2020</u>
Costs incurred to date for construction contracts with realization of revenues over time	209,378	154,769
Proportionate results under these contracts recognized to date	<u>8,562</u>	<u>6,528</u>
Total costs incurred and profits recognized	217,940	161,297
Less progress billings	<u>(207,273)</u>	<u>(159,235)</u>
<b>Balance of contract assets and contract liabilities</b>	<b><u>10,667</u></b>	<b><u>2,062</u></b>

This amount is comprised as follows:

Contract assets	30,002	17,225
Contract liabilities	<u>(19,335)</u>	<u>(15,163)</u>
	<b><u>10,667</u></b>	<b><u>2,062</u></b>

Disclosure on the liabilities side of the balance sheet

Contract liabilities	(19,335)	(15,163)
Advance payments received from customer contracts without work performed	<u>(6,270)</u>	<u>(6,059)</u>
<b>Contract liabilities and advance payments received</b>	<b><u>(25,605)</u></b>	<b><u>(21,222)</u></b>

The net position of contract assets and contract liabilities and advance payments received decreased by € 12,729 thousand from € 2,062 thousand to € 10,667 thousand. Of the revenue of € 89,475 thousand recognized in the reporting period (as of June 30, 2020: € 69,480 thousand), € 73,732 thousand is attributable to customer contracts with revenue recognition over time based on the stage of completion (as of June 30, 2020: € 57,498 thousand).

The impairment of contract assets for expected credit rating losses recognized in the reporting period is insignificant.

The measurement of customer contracts with revenue recognition over time is affected by estimations with respect to project revenue and project costs. Here particularly costs to complete and, therefore, total estimated costs are subject to changes in estimates. Changes in estimates for projects are included in the calculation of the amount of revenue and expenses recognized in profit or loss for the period in which the change was made as well as in the following periods. In this way, changes in estimates directly affect the recognized result from customer contracts with revenue recognition over time.

## 7. Cash and Cash Equivalents

The Group discloses cash and cash equivalents in the amount of €71,944 thousand (as of December 31, 2020: €68,035 thousand).

in €thousand	<u>Jun. 30, 2021</u>	<u>Dec. 31, 2020</u>
Bank balances and cash on hand	39,012	35,588
Short-term bank deposits	32,932	32,447
	<u><b>71,944</b></u>	<u><b>68,035</b></u>

## 8. Other expenses

in €thousand	<u>Jan. 1 – Jun. 30, 2021</u>	<u>Jan. 1 – Jun. 30, 2020</u>
Research and development	1,467	1,264
Exchange rate losses and expenses from derivative financial instruments	1,008	940
Miscellaneous expenses	214	395
	<u><b>2,689</b></u>	<u><b>2,599</b></u>



## 9. Income tax expenses

The expenses recognized in the first half-year 2021 for income taxes amount to €560 thousand (as of June 30, 2020: € 808 thousand). The income tax expense is composed as follows:

<b>in €thousand</b>	<b>Jan. 1 – Jun. 30, 2021</b>	<b>Jan. 1 – Jun. 30, 2020</b>
Current tax expense	(519)	(1,008)
Deferred tax expense (-) / income (+)	(41)	200
<b>Tax expense for the year</b>	<b>(560)</b>	<b>(808)</b>

The taxes disclosed in the interim period are calculated using the estimated effective tax rate of the respective KHD Group company.

## 10. Transactions with Related Parties

As defined by IAS 24, in addition to the subsidiaries of KHD, the related companies also include both those companies that have a controlling or joint management interest in KHD or exercise considerable influence as well as those other related companies of AVIC Group that are affiliated with the aforementioned companies. Because business transactions between KHD and its consolidated subsidiaries were eliminated in the consolidation process, the following presents only the transactions with respect to direct and indirect parent companies of KHD and the other related companies or persons that were not eliminated.

### Relationships to Indirect Parent Companies

There has been a cooperation agreement with AVIC Beijing since 2010, reinforced since February 2011 by the capital interest in KHD amounting to 20% that is held by Max Glory Industries Limited (Max Glory), an AVIC Beijing group company. As a consequence of a public takeover offer, AVIC Beijing further increased its indirect share in KHD in the 2014 financial year. As of June 30, 2021, AVIC Beijing continues to hold the majority of KHD shares indirectly (89.02%).

## Relationships to other Related Companies

KHD concluded a consulting contract in the 2019 financial year with 4-stream consulting GmbH, Roetgen, considered a related party because of its connection to Dr. Matthias Jochem (Management Board member since June 1, 2019). According to the contractual agreement, € 171 thousand was recorded by KHD as expenses for consulting services provided in the period from January 1 through June 30, 2021. Liabilities due to 4-stream consulting GmbH as of June 30, 2021 amounted to €24 thousand (as of December 31, 2020: €24 thousand).

KHD granted two loans to AVIC International Kairong Limited (AVIC Kairong), Hong Kong, each for € 50,000 thousand, in the 2017 financial year. According to the contractual agreement of June 30, 2020, the term of the two loans was extended by three years. Interest on the two loans as of the beginning of the extended terms (July 22, 2020 and November 13, 2020) amounts to 5% per annum.

KHD has the right to demand full or partial repayment of a loan at any time before the due date with a notification period of 30 days. Both loans are secured by a corporate guarantee from AVIC. Because the remaining term of the loans is longer than 12 months, they are reported under other non-current financial assets.

The following transactions took place with related companies in the first half-year 2021:

### Income

<b>in €thousand</b>	<b>Jan. 1 – Jun. 30, 2021</b>	<b>Jan. 1 – Jun. 30, 2020</b>
Indirect parent companies	5,377	3,500
Other affiliated companies	2,514	2,958
	<b>7,891</b>	<b>6,458</b>

The income with indirect parent companies relates exclusively to income from project business. Only interest income from the loans extended to AVIC Kairong in the amount of € 2,514 thousand (previous year: € 2,958 thousand) is reported under income with other affiliated companies.

## Expenses

In the first half-year 2021 like in the previous year there were no expenses from transactions with indirect parent companies.

## Current assets

<b>in €thousand</b>	<b>Jun. 30, 2021</b>	<b>Dec. 31, 2020</b>
Indirect parent companies	7,022	3,752
Other affiliated companies	1,263	1,321
	<b>8,285</b>	<b>5,073</b>

As of June 30, 2021, current assets due from the companies of the AVIC Group amounted to €8,285 thousand (as of December 31, 2020: €5,073 thousand). These are the result of receivables from projects and interest receivables.

## Non-current assets

Non-current assets include loans granted to AVIC Kairong in the amount of €100,000 thousand (as of December 31, 2020: €100,000 thousand).

## Liabilities

Liabilities due to indirect parent companies amount to € 2,441 thousand (as of December 31, 2020: €2,213 thousand).

## 11. Additional Notes on Financial Instruments

### List of the Financial Assets and Liabilities by Category

Jun. 30, 2021	Financial assets Measurement according to IFRS 9				Financial liabilities Measurement according to IFRS 9			Carrying amount Jun. 30, 2021	Fair value Jun. 30, 2021
	Fair value through OCI	Fair value through P&L	Amortized cost	Not in IFRS 9 application area	Fair value through P&L	Amortized cost	Not in IFRS 9 application area		
Non-current financial assets	-	-	101.024	-	-	-	-	101.024	100.087
Trade receivables	-	-	16.783	-	-	-	-	16.783	-
Related party receivables	-	-	8.285	-	-	-	-	8.285	-
Contract assets	-	-	30.002	-	-	-	-	30.002	-
Other financial assets	-	864	326	-	-	-	-	1.190	864
Derivatives	-	13	-	-	-	-	-	13	13
Other receivables	-	-	2.056	2.694	-	-	-	4.750	-
Cash and cash equivalents	-	-	71.944	-	-	-	-	71.944	-
<b>Total financial assets</b>	-	<b>877</b>	<b>230.420</b>	<b>2.694</b>	-	-	-	<b>233.991</b>	<b>100.964</b>
Financial liabilities	-	-	-	-	-	58	-	58	-
Loans	-	-	-	-	-	25.000	-	25.000	25.000
Contract liabilities	-	-	-	-	-	36.429	-	36.429	-
Other liabilities	-	-	-	-	-	4.739	2.795	7.534	-
Derivatives	-	-	-	-	-	-	-	-	-
Trade payables	-	-	-	-	-	88.302	-	88.302	-
<b>Total financial liabilities</b>	-	-	-	-	-	<b>154.528</b>	<b>2.795</b>	<b>157.323</b>	<b>25.000</b>

Dec. 31, 2020	Financial assets Measurement according to IFRS 9				Financial liabilities Measurement according to IFRS 9				
	Fair value through OCI	Fair value through P&L	Amortized cost	Not in IFRS 9 application area	Fair value through P&L	Amortized cost	Not in IFRS 9 application area	Carrying amount Dec. 31, 2020	Fair value Dec. 31, 2020
Non-current financial assets	-	-	101.012	-	-	-	-	101.012	100.346
Trade receivables	-	-	21.807	-	-	-	-	21.807	-
Related party receivables	-	-	5.072	-	-	-	-	5.072	-
Contract assets	-	-	17.225	-	-	-	-	17.225	-
Other financial assets	-	758	234	-	-	-	-	992	758
Derivatives	-	460	-	-	-	-	-	-	460
Other receivables	-	-	944	1.688	-	-	-	2.632	-
Cash and cash equivalents	-	-	68.035	-	-	-	-	68.035	-
<b>Total financial assets</b>	-	<b>1.218</b>	<b>214.329</b>	<b>1.688</b>	-	-	-	<b>216.775</b>	<b>101.564</b>
Financial liabilities	-	-	-	-	-	59	-	59	-
Loans	-	-	-	-	-	25.000	-	25.000	25.000
Contract liabilities	-	-	-	-	-	21.222	-	21.222	-
Other liabilities	-	-	-	-	-	5.198	2.794	7.992	-
Derivatives	-	-	-	-	-	-	-	-	-
Trade payables	-	-	-	-	-	65.235	-	65.235	-
<b>Total financial liabilities</b>	-	-	-	-	-	<b>116.714</b>	<b>2.794</b>	<b>119.508</b>	<b>25.000</b>

The carrying amounts reported as of June 30, 2021 are equivalent to the fair values in the instances where there is no explicit disclosure.

The fair values for the financial assets and liabilities held for trading purposes and for the long term guaranteed loan to AVIC Kairong accounted for with respect to amortized costs are classified within the hierarchy described below:

- The fair values of the listed securities that are held for trading are determined by reference to quoted market prices.
- The fair value of derivatives is calculated on the basis of discounted cash flow analyses, using corresponding yield curves for the term to maturity of the instruments concerned.

Financial assets and financial liabilities	Fair value		Hierarchy	Measurement method	Significant unobservable input(s)
	Jun. 30, 2021	Dec. 31, 2020			
Derivatives	Financial assets: € 13 thousand Financial liabilities: € 0 thousand	Financial assets: € 460 thousand Financial liabilities: € 0 thousand	Level 2	Discounted cash flow	N/A
Securities	Financial assets: € 864 thousand	Financial assets: € 758 thousand	Level 1	Listed price on the active market	N/A

There was no reclassification between levels 1 and 2 in the current reporting period.

## 12. Other Information

Within the scope of its normal business activities, the KHD 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. The arranged bank guarantee credit facilities allow individual KHD Group companies to provide bank guarantees for its customers worldwide. As part of these guarantee facilities, the Group has provided bank guarantees within the scope of its normal business activities in the amount of € 50.2 million (as of December 31, 2020: € 46.3 million).

### **13. 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 along 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 in addition to further applicable International Accounting Standards and the applicable interpretations of the IFRS Interpretations Committee.

Cologne, Germany, August 13, 2021

The Management Board

(s) Jianlong Shen  
(Chairman)

(s) Jürgen Luckas

(s) Dr. Matthias Jochem

(s) Tao Xing

(s) Matthias Mersmann