KHD Humboldt Wedag International (Deutschland) AG

CONSOLIDATED FINANCIAL STATEMENTS

for the Financial Year 2009

(International Financial Reporting Standards)

Table of Contents **Page**

List of Abbreviations

HW	Humboldt Wedag GmbH, Cologne/Germany
KHD	KHD Humboldt Wedag GmbH, Cologne/Germany
CMT	HUMBOLDT WEDAG Coal & Minerals Technology GmbH, Cologne/Germany
KHD ID	KHD Humboldt Wedag International (Deutschland) AG, Cologne/Germany
KIA	KHD Humboldt Wedag International GmbH, Vienna/Austria
KHD Ltd.	KHD Humboldt Wedag International Ltd., Vancouver/Canada
AIP	Altmark Industriepark AG, Arneburg/Germany
ZAB	ZAB Zementanlagenbau GmbH Dessau, Dessau/Germany
ZABIS	ZAB-Industrietechnik & Service GmbH, Dessau/Germany
HWUS	Humboldt Wedag Inc., Norcross (Georgia)/U.S.
HWAUS	Humboldt Wedag Australia Pty. Ltd, Braeside, Victoria/ Australia
HWIN	Humboldt Wedag India Private Limited, New Delhi/India
Blake	Blake International Ltd., Road Town, Tortola / British Virgin Islands
KIS	KHD Humboldt Wedag Industrial Services AG, Cologne/ Germany
KHD SM	KHD Sales & Marketing Ltd., Hong Kong
KHD UAE	KHD Humboldt Wedag International FZE, Ras Al Khaimah/ United Arab Emirates
MFC Corporate Services	MFC Corporate Services AG, Herisau/Switzerland
RZB	Raiffeisen Zentralbank, Vienna/Austria

1 Discussion and Analysis by the Management of KHD Humboldt Wedag International (Deutschland) AG for the Financial Year 2009

1.1 The Group

In its capacity as the managing holding company of the Group, KHD Humboldt Wedag International (Deutschland) AG, Cologne/Germany, (KHD ID) holds a 100% investment in KHD Humboldt Wedag GmbH, Cologne/Germany (KHD). The subsidiaries of KHD, Humboldt Wedag GmbH, Cologne/Germany, (HW) and the 100% share in ZAB Industrietechnik & Service GmbH, Dessau/Germany (ZABIS), which is held via ZAB Zementanlagenbau GmbH Dessau, Dessau/Germany (ZAB), focus on the business segments industrial plant engineering. ZAB and KHD are intermediate holding companies.

Besides HW, KHD holds a 100% investment in ZAB Zementanlagenbau GmbH Dessau, Dessau/Germany (ZAB).

According to the merger agreement dated 6 January 2010 authenticated by a notary public, the ZABIS is intended to be merged as a wholly-owned investment into ZAB as of 1 January 2010.

HW holds a 100% share in Blake International Ltd., Tortola, British Virgin Islands (Blake), whose assets as at 31 December 2009 basically related to a 75.04% share in KHD Humboldt Wedag International Services AG, Cologne/Germany (KIS). Furthermore, HW held a direct investment of 13.31% in KIS as at 31 December 2009. Besides managing its own assets, the activities of this Company focus on the industrial plant engineering segment.

The purpose of business of the Group is developing, producing and distributing all kinds of industrial facilities and machinery and provision of other related technical and commercial services. The range of services covers process engineering, engineering, delivery, assembly and commissioning of plants, mechanical systems and components in the cement plant engineering sector. In addition, the operative group companies provide comprehensive after sales services.

KHD ID is itself a subsidiary of KHD Humboldt Wedag International Ltd., Vancouver/Canada (KHD Ltd.). KHD Ltd. is listed on the New York Stock Exchange. A list of the subsidiaries is presented in note 2 of the notes to the consolidated financial statements.

The treasury function is performed for all operative companies of the Group by the group sister company KHD Humboldt Wedag International GmbH, Vienna/Austria (KIA).

The Group is hereafter referred to as "KHD ID Group".

1.2 Major Events in the Financial Year

Restructurings

Effective 7 October 2009, the Group discontinued its activities in the coal & minerals segment and, as part of this transaction, sold its shares in HUMBOLDT WEDAG Coal & Minerals Technology GmbH, Cologne/Germany, (CMT) to an Indian acquirer.

Effective 7 October 2009, the production operations in the suburb Kalk of Cologne/Germany were sold to the same Indian acquirer. The goal of this disposal was to concentrate the Group's activities on provision of engineering services and to reduce the cost basis for risk minimisation purposes. As part of this disposal, the employees passed to the acquirer under § 613a German Civil Code (BGB). Current orders of the Group are processed by the new owner. The Group has generally reserved the possibility to continue to have construction contracts performed by the acquirer.

Plant Agreements on Capacity Adjustment

On 11 September 2009, HW entered into a capacity adjustment framework agreement with the works council, which is based on the assumption of an overcapacity of up to 80 employees based on the headcount as at 30 November 2008. This agreement specifies that it is possible to give notice of termination for operational reasons with effect from 30 August 2010. The necessary reconciliation of interests is due to be negotiated between the contracting parties of the plant agreement in April 2010. The related necessary deadlines as well as the duration of the negotiations, the applicable social plan and the chairperson of a potential conciliation board have already been firmly agreed since September 2009.

The 12-month short-time working applied for was approved by the responsible German federal labour agency. From the beginning of the financial year 2010, the situation in terms of capacity utilization and order intake will be continuously monitored in view of necessary human resources adjustments.

In 2008, a provision totalling roughly € 9.7 million had been made for the social plan. For this social plan, which related only to the engineering segment as at 31 December 2009 after the production operations had been disposed of, a provision of € 5.5 million was made, taking into account previous employee turnover, non-replacement of retiring employees and the recalculation of anticipated expenses.

Cancelled or Postponed Contracts

In the fourth quarter 2008, there had already been indications that several current contracts will, fully or partly, be cancelled by customers or that their further processing will be strongly delayed. Several cement producers had got into financial difficulties and were affected by a significant underutilization of capacities on account of the strong decline of demand and prices. These trends continued to a lesser extent in the reporting year.

In 2009, the order backlog had to be adjusted by another € 62 million. As at the end of 2009, the risk assessment for the critical orders partly improved. The earnings improvement amounts to € 5.4 million.

Disposal/Valuation of Subsidiaries

As reported in previous years, KIA acquired from KHD as at 31 December 2005 Humboldt Wedag Inc., U.S., Humboldt Wedag (S.A.) (Pty) Ltd., South Africa, Humboldt Wedag India Private Limited, India, Humboldt Wedag Australia Pty Ltd., Australia, and EKOF Flotation GmbH, Bochum/Germany.

The agreed measurement at fair market value was carried out by an audit firm engaged as an external expert in the annual financial statements as at 31 December 2006 of the Company. The shares in the Companies sold were measured in compliance with the regulations of the Institut der Wirtschaftsprüfer (IDW S1). Based on the expert opinion on hand, the parties agreed on a purchase consideration of € 12,200 thousand under the purchase settlement agreement dated 21 December 2006.

In the financial year 2007, another expert opinion including complementary statement of an audit firm engaged as an external expert was obtained in order to secure the purchase consideration. The shares were measured within the scope of this expert opinion also in compliance with the regulations of the Standard IDW S1. Based on the above-mentioned expert opinions, the purchase or sales consideration of € 12,200 thousand agreed between the parties was confirmed.

In addition, as agreed in the purchase agreement, KHD is paid a 30% share in the profits of the years 2006 to 2010 realised by the Companies sold to the extent that these profits exceed a return on investment of 18.75% in relation to the consolidated equity of KHD Ltd. The necessary return on investment was not reached for the financial years 2006 to 2008. KHD's claim for the financial year 2009 will be computed and possibly accounted for in 2010.

Action Brought by Shareholders ("Return of Contributions")

Shareholders have brought actions against the Company for the approved sets of annual financial statements as at 31 December 2002 and 31 December 2003 of the Company to be declared null and void, alternatively to be declared ineffective, as well as for the resolutions according to which the Directors and three Supervisory Board members were to be released from their responsibilities for the business year 2003, which were adopted by the Company's General Meeting of Shareholders held on 29 September 2004, to be declared null and void, alternatively to be set aside.

The subject matters of the actions were fees in the amount of EUR 1,206 thousand ("placement fee") and in the amount of EUR 1,914 thousand ("merchant banking fee"), which had been paid by KHD ID to MFC Corporate Services AG (formerly: MFC Merchant Bank S.A.), Herisau/Switzerland, at the end of 2002 for placement of the capital increase in December 2002 and for provision of merchant bank services. In the plaintiffs' opinion, these payments had been inadmissible because they constituted a return of contributions. Said items of the sets of annual financial statements had been understated due to failure to book a corresponding repayment claim.

Based on the regional court ruling, the Company had already booked with profit and loss impact an account receivable from MFC Corporate Services AG in the amount of the merchant banking fee (€ 1,914 thousand) and asserted this claim against MFC Corporate Services AG in its letter dated 16 February 2006. The court ruling does not address the placement fee.

In view of the actual expenses in the amount of € 1,976 thousand in connection with the services provided for KHD ID under the merchant banking agreement, which have been substantiated in detail by MFC Corporate Services AG, the Company had also already carried a corresponding liability in the prior year's financial statements for the event that, should eventually a claim be asserted by KHD ID, MFC Corporate Services AG assert on its part a reimbursement claim for the expenses incurred.

The regional court allowed the complaints through court ruling dated 4 November 2005. KHD ID has lodged an appeal from this court ruling in due time and due form.

Meanwhile, one of the complaints has been withdrawn. In respect of the complaint still pending, the Company anticipates that there are still good reasons to assume that its appeal will succeed. A corresponding ruling is still outstanding on account of a large number of postponements.

Action Brought by Shareholders ("Valuation of Companies Sold")

In connection with the valuation of the companies sold (see the corresponding statements above), KHD ID was served the complaint of a shareholder on 27 February 2007. The subject matter of this complaint is assertion of nullity of the approved annual financial statements as at 31 December 2005 and of the resolutions according to which the members of the Board of Directors and of the Supervisory Board were released from their responsibilities.

The hearing, which has meanwhile taken place, also did not lead to any changes to the underlying facts and the matter in dispute. Through decision of the regional court dated 27 October 2008, the litigation was suspended pending final decision in parallel proceedings.

In these parallel proceedings, the Company has, after it had lost its case before the Cologne regional court, fully won the action according to the ruling of the Cologne higher regional court dated 9 July 2009. In the meantime, the plaintiff and appellee has lodged a corresponding appeal to the federal supreme court. KHD ID still anticipates that it will win the action in the proceedings on appeal that have meanwhile been opened. Therefore, the Company maintains its motion for dismissal because it still anticipates that the complaints are unfounded because they are non-substantiated.

Application Filed by Shareholders for Appointment of Special Auditor

In connection with establishing the fair present value of the five Companies sold in 2005/2006, an investment fund has, in its capacity as a shareholder of KHD ID, filed an application for the appointment of the special auditor Dr Klaus Lippmann to be ordered in order to examine the transactions in the area of the conduct of affairs of the Board of Directors and the Supervisory Board in connection with the disposal of the Companies in 2005/2006.

Through ruling of the Cologne regional court dated 6 November 2009, the regional court granted the application. Addressing the immediate appeal of KHD ID dated 23 November 2009, the Cologne higher regional court decided through ruling dated 7 December 2009 to suspend execution of the ruling of the Cologne regional court dated 6 November 2009 pending a decision on KHD ID's immediate appeal.

1.3 State of Affairs of the Group

In the financial year 2009, the order intake deteriorated considerably. Beyond a poor order intake, it was necessary to adjust downwards the level of orders on hand on account of customer-side cancellations.

Since order processing is of a long-term nature, it was nevertheless possible to realise a sales growth and an increase in earnings on the basis of the existing order backlog.

Net Assets

The net assets of the Group remained unchanged from the prior year, amounting to € 430 million.

Non-current financial assets went down by around € 20 million to € 55.9 million. This item basically includes the loans extended to KIA, which were reduced by € 22.1 million in the reporting year.

Cash and the loans receivable from KIA total € 273 million, which accounts for 63% of total assets.

On the liability side, the equity rose by € 37.1 million on account of the net profit for the year. It now amounts to € 169.7 million (prior year: € 132.6 million).

The equity ratio rose significantly from 30.8% in the prior year to 39.4% in 2009.

The non-current liabilities rose by € 7.7 million, which is basically due to an increase from € 5.4 million to € 10.0 million in deferred tax liabilities. This increase in deferred tax liabilities was mainly caused by revenue recognition according to the percentage-of-completion method.

In the area of current liabilities, the commitments under construction contracts dropped by € 66 million from € 117 million to € 51 million on account of a marked reduction in advances received from customers. However, the provisions rose by a total amount of € 11.4 million. This is largely due to an increase in order-related provisions. The net decrease in current liabilities was € 43.8 million.

Results of Operations

The strong decline of cement markets in 2009 has not yet impacted on the Group's results of operations. The prior year's results of operations had been characterised by high risk provision, which could partly be reduced during 2009.

Sales revenues rose from the prior year by 6% to € 360 million (prior year: € 339 million). Revenue is generated predominantly from processing orders on hand and the corresponding project progress according to the percentage-of-completion method.

Having deducted cost of sales, the gross profit on sales amounts to € 59.7 million, which is a gross margin of 16.6% in relation to sales revenues. The gross margin is, hence, at the level of the prior year (16.3%).

Beyond the gross profit on sales, there are several positive influence factors that led to an increase in the net profit for the year in comparison with the prior year.

a) In the consolidated financial statements as at 31 December 2008, it had been necessary to provide for risks resulting from several cancelled or postponed orders totalling € 15.7 million.

   As at the end of 2009, the impairment losses that had been recognised in 2008 could partly be reduced in connection with cancelled orders. This was, among other things, due to a release of risk provisions for a major order in India. At the end of 2008, the assessment of the stage of the order concerned had led to allowances on receivables, to a write-down of inventories and provisions for further uncovered costs. After a contractual arrangement regarding the continuation of this order was agreed and the customer concerned provided secure financing, the Group had released the related risk provision, which led to a positive earnings effect of € 8.3 million.

b) The disposal of the production facility and of the shares in HW Coal & Minerals Technology GmbH to an Indian acquirer resulted in other operating income of € 2.0 million.

c) In 2008, a total provision of roughly € 9.7 million had been made for the social plan. For this social plan, which related only to the engineering segment as at 31 December 2009 after the production operations had been disposed of during the year, a provision of € 5.5 million was disclosed as at 31 December 2009, taking into account previous employee turnover, non-replacement of retired employees and the recalculation of the anticipated expenses. The Group's results of operations were positively influenced in the amount of € 3.8 million on account of the adjustment of the restructuring provision.

d) The net finance income amounts to € 4.0 million, exceeding the result of the prior year by € 2.0 million.

   The prior year had been characterised by high write-downs of securities as a result of the slump in stock markets (down by € 8.4 million). In 2009, it was, however, possible to recognise as income reversals of € 1.7 million.

The interest received on the liquid funds of the Group fell from € 9.7 million to € 3.7 million on account of the strongly decreased level of interest rates.

e) The income taxes increased on account of a much higher taxable income than in the prior year.

The net profit for the year rose to € 37.1 million, reaching a profit margin of 10.2%. In this context, the influence factors described above have to be taken into account. In the prior year, this margin had still been at 4.5% on account of a large number of extraordinary charges.

Financial Position

Cash and cash equivalents rose by € 22 million to € 225 million in comparison with the prior year.

This increase in cash and cash equivalents is basically due to repayment of loans to KIA, which went down by € 22.1 million.

Based on the current state of the planning, the cash and cash equivalents existing as at 31 December 2009 are sufficient to fulfill the anticipated financial commitments in 2010 and 2011.

1.4 Business Development

The operative business of the Group is performed by the Companies HW, ZABIS and KIS.

Trend of the Industry

The development in cement markets in 2009 was characterized by the worldwide severest recession of the last few decades. The cement industry had to cope with significantly declining demand after an extraordinary boom phase, which had come to a sudden halt in the fourth quarter 2008.

Under a global perspective, the exceptional position of the Chinese market becomes obvious, which had already been the case during the last few years: Chinese consumption reached an increase in the order of 15% in 2009. China accounted for 53% of global consumption in 2009.

While the newly industrializing countries are estimated to be affected by a decline of consumption of roughly 1%, the decline of demand was at almost 14% in the developed countries in 2009.

Anticipating marked declines of demand and a price slump, the cement industry has abruptly stopped a large number of, both on-going and future, capital investment projects. Equipment suppliers were confronted with cancellations and postponements of orders and were now forced on their part to initiate an adjustment of capacities to the expected decline of capacity utilization.

In the second half of the year 2009, there were signs of an emerging slight recovery.

During the next few years, cement consumption will likely increase worldwide. Until 2013, a global annual 4% growth of consumption is anticipated for the cement industry (source: One Stone Report). This growth will no longer predominantly be driven by China, but to a larger extent by other countries, such as, for instance, India and Russia, where HW has a good market share.

However, the markets are expected to generally recover significantly only over a longer term.

Order Intake

Cement production, and as a direct result the market for equipment suppliers of cement producers, had abruptly slumped in the fourth quarter 2008. In 2009, the market situation did not yet improve significantly, though there are tentative signs of a market recovery.

While the prior year's value was still at € 374 million, order intake dropped to € 120 million in 2009.

In addition, it was necessary to reduce the order backlog by € 62 million on account of cancelation of orders that that already been booked 2008. This leads to a computational order intake of € 58 million. One of these orders will probably be continued, on account of which it will presumably be possible to increase again an order intake by € 19 million in 2010.

Sales Revenues and Orders on Hand

The trend of sales in 2009 was not affected by lower order intakes. Recording consolidated sales of € 360 million (prior year: € 339 million), the good prior year's level was again exceeded.

Major sales revenues were generated through orders in the Russian and East European markets as well as the Middle East.

On account of the low order intake and the simultaneous high level of sales, the consolidated order backlog has now decreased strongly from € 530 million to € 213 million.

Capital Investments

The 2009 capital investments amounted to € 0.7 million. Like in prior years, they focused on capital expenditures on IT equipment.

Financing

As in the past, all risks that are related to the complex financing structure are systematically minimised by the Group.

For this purpose, all transactions are, as a general rule, insured through export guarantees of the government against manufacturing and export risks unless these risks can be eliminated through other types of collateralisation, such as, for instance, confirmed letters of credit. The credit risk is thus considerably mitigated.

The goal of project financing is to take orders in under "self liquidating“ conditions, where possible, i.e. that the project cash flow covers project cost.

The contracts are predominantly concluded in euro. Derivative financial instruments are used to hedge against currency risks. The derivative financial instruments used are exclusively foreign exchange contracts.

Research and Development

The research and development activities are almost exclusively performed at the Cologne location. In 2009, research and development expenses were at € 3.1 million (€ 2.8 million).

In 2009, the research and development activities focused again on grinding techniques and pyrotechnics as well as process automation.

In the grinding technology segment, the roller press series was developed and complemented by the expansion of the integrated COMFLEX grinding system, using the new V-sifter family. Further new developments will lead to improved process engineering with corresponding cost advantages for our customers.

In the pyrotechnics segment, the activities focused on the development of heat exchangers, fuel engineering and the Pyrofloor cooler family as a whole.

Process automation focused on developing and optimizing new control sequences both for specific products and the process as a whole.

Another focus was on developing new product strategies that address the future issues which are predominantly characterized by ecological aspects, such as energy efficiency and emission control, but also product standardization.

1.5 Risks and Opportunities of Future Developments

The Group is exposed to the specific risks of the industry. These relate especially to complex technical and logistic difficulties in the fields of planning, production and commissioning within the scope of production of specific facilities, but also to specific commercial and financial conditions of foreign markets with their respective country-related risks.

In order to identify strategic risks at an early stage, all available internal and external sources of information are evaluated. Especially, the strategic development of the Group is supported through the resources of KHD Ltd.

Since mid-2009, the activities performed for identifying, assessing and minimising risks have additionally been performed by an experienced risk manager.

The Group uses a large number of operative control and information tools in order to comprehensively monitor the orders from the bidding phase to operative processing. This includes both technical and commercial aspects of the orders.

Since the shares of KHD Ltd. are listed at the New York Stock Exchange, all major group companies, including the foreign ones, are required to comply with the U.S. regulations under the Sarbanes Oxley Act. The target of these regulations is to ensure the reliability of the entire financial reporting through strict internal controls. The group companies insure compliance with these regulations through internal and external audits.

The Group is exposed to given risks of changing prices, risks of loss, credit or liquidity risks, which are explained in more detail in the notes to the consolidated financial statements. Currency risks in connection with order processing are minimised by using derivative financial instruments. With respect to the other risks, the Group is exposed to the usual market risks.

The risk that the 2002 through 2005 sets of annual financial statements will become null and void ensues from the actions brought by the shareholders described above.

For the financial year 2010, we anticipate sales in the order of around € 240 million based on current planning data. As the sales budgeted for 2010 still relate to a large extent to the order backlog, the sales forecast is relatively certain, unless order processing is delayed. Given an anticipated order intake of around € 130 million, the order backlog as at 31 December 2010 would be around € 103 million. According to our estimate, pretax earnings will be slightly positive in 2010 because the profitability of the orders accounted for will not reach the level of 2009. In addition, earnings may be affected by increased idle capacity cost.

According to the press release of the Board of KHD Ltd. dated 6 January 2010, KHD Ltd. Group is intended to be split into two legally separate subgroups. The effects of the imminent restructuring of KHD Ltd. Group on the cost trend have not yet being taken into account in the budget planning.

For 2011, sales are expected to decrease strongly based on the current planning data, which might lead also to a net loss for the financial year.

Presently, anticipated sales revenues are in the order of around € 170 million. As the demand in global cement markets is expected to recover in 2011, the order intake is anticipated to be within a range from around € 200 million to € 235 million.

This situation is addressed by the Group by cost-side adjustments. Around 70% of the Group's non-order-related costs are personnel expenses. Therefore, a loss situation can be avoided only by reducing personnel expenses. The related costs have been taken into account in the financial statements on hand. In addition, the disposal of the production operations has reduced the Group's fixed cost basis, which may partly mitigate the effects of declining capacity utilisation.

Presently, a government tax audit covering the years from 2005 to 2007 is conducted. This audit focuses on transfer pricing in intercompany trade between HW and its affiliated companies.

According to the current state of the tax audit, it is not possible at present to reliably estimate the tax risk both in terms of amount and due date and with respect to the effect on the net assets, financial position and results of operations. This applies especially to the request dated 14 December 2009 of the Cologne tax office for the audit of large-scale enterprises and groups concerning the submission of transfer pricing documentation under § 90 (3) German General Tax Code (AO) as well as the German regulations governing the documentation of profit allocation (GAufzV) for the fiscal years from 2005 to 2007 regarding cross-border legal relationships with companies affiliated under German company law. According to the current state of the planning, this request will not be complied with until the end of February 2010.

The subject of the on-going tax audit is, among other things, also the tax assessment of the international investments of KHD sold to KIA as at 31 December 2005 and the merchant banking fee. See the statements in Item 1.2.

1.6 Post-balance-sheet-date Events

In a press release of the Board of KHD Ltd. dated 6 January 2010, it was announced that KHD Ltd. Group was intended to be split into two legally separate subgroups. One of these subgroups is intended to perform all cement activities of today's Group. These are intended to be combined under the senior parent company of the previous German Subgroup, KHD ID.

In this context, the shares in the Companies HWIN, HWUS and HWAUS are intended, among other things, to be sold by KIA to a KHD ID Group company. The related negotiations have not been terminated to date. The services previously provided by KIA, including the sales and marketing activities recently performed by KHD UAE, are expected to be provided by KHD ID Group in the future.

The planned change in the circle of shareholders constitutes a risk threatening the deferred tax assets in the amount of € 2.2 million recognised for loss carryforwards.

The shares of the parent company of the newly established group are intended to be listed in the regulated market of the stock exchange in Frankfurt/Germany. Based on the current planning, the listing is due no sooner than in March 2010.

There were no further major post-balance-sheet-date events.

1.7 Representation of the Board of Directors on Relationships with Affiliated Companies

In accordance with § 312 (1) German Stock Corporation Act (AktG), the Board of Directors of KHD ID prepared a report on the relationships with affiliated companies.

The related representation of the Board of Directors is as follows:

In respect of the legal transactions and measures referred to above, our Company has received, for each legal transaction, an appropriate compensation under the circumstances that were known to us at the time the legal transactions were performed or the measures were taken and has not been placed at a disadvantage due to the fact that measures were taken or failed to be taken.

Cologne, 5 February 2010

The Board of Directors

Alan Hartslief   Jouni Salo

2 Group Income Statement for the Financial Year 2009 of KHD Humboldt Wedag International (Deutschland) AG

	Note	2009	2008
		€'000	€'000
Revenue	3	360,295	339,099
Cost of sales		-300,635	-283,804
Gross profit		**59,660**	**55,295**
Other operating income	21	9,038	1,917
Distribution costs		-5,307	-7,082
General and administrative expenses		-8,455	-8,447
Other expenses	22	-8,996	-8,544
Restructuring income/expense	15	3,773	-9,755
Net finance income	23	3,952	1,978
Profit before tax		**53,665**	**25,362**
Income tax expense	24	-16,497	-10,134
Net profit for the year		**37,168**	**15,228**
Of which related to:			
Shareholders of parent company		37,102	15,276
Minority shareholders		66	-48
		37,168	**15,228**

3 Statement of Consolidated Comprehensive Income for the Financial Year 2009 of KHD Humboldt Wedag International (Deutschland) AG

	2009	2008
	€'000	€'000
Net profit for the year	37,168	15,228
Foreign exchange translation differences	0	-53
Comprehensive income	**37,168**	**15,175**
Of which related to:		
Shareholders of parent company	37,102	15,223
Minority shareholders	66	-48
	37,168	**15,175**

Like in the prior year, no income taxes were payable on foreign exchange translation differences.

4 Group Balance Sheet as at 31 December 2009 of KHD Humboldt Wedag International (Deutschland) AG

	Note	31 Dec. 2009	31 Dec. 2008
		€'000	€'000
ASSETS			
Non-current assets			
Property and equipment	4	1,526	2,624
Goodwill	5	2,127	2,127
Other intangible assets	5	316	445
Deferred tax assets	7	237	701
Non-current financial assets	6	51,741	70,332
Total non-current assets		**55,947**	**76,229**
Current assets			
Inventories	8	13,663	6,241
Gross amount due from customers for contract work	9	38,413	47,863
Trade and other receivables	6	49,387	43,482
Intercompany receivables	6	3,678	19,085
Payments made in advance		26,235	29,052
Other financial assets	10	5,260	3,565
Income tax assets		11,461	-
Cash and cash equivalents	11	225,844	204,636
Total current assets		**373,941**	**353,924**
Total assets		**429,888**	**430,153**

	Note	31 Dec. 2009	31 Dec. 2008
		€'000	€'000
EQUITY AND LIABILITIES			
Equity			
Issued capital		33,142	33,142
Capital reserves		1,776	1,776
Treasury shares		-221	-221
Currency differences		-53	-53
Undistributed profit carryforward		134,428	97,319
		169,072	131,963
Minority interest		659	638
Total equity	12	**169,731**	**132,601**
Non-current liabilities			
Other liabilities	16	7,558	5,994
Pension benefit obligations	14	21,159	21,926
Deferred tax liabilities	7	9,755	5,446
Provisions	15	7,748	5,405
Total non-current liabilities		**46,220**	**38,771**
Current liabilities			
Trade and other payables	16	100,791	95,001
Intercompany liabilities	16	4,914	6,107
Financial liabilities	13	3,552	1,167
Gross amount due to customers for contract work	17, 9	51,136	117,466
Income tax liabilities		10,970	6,592
Provisions	15	42,574	32,448
Total current liabilities		**213,937**	**258,781**
Total equity and liabilities		**429,888**	**430,153**

5 Statement of Consolidated Cash Flows for the Financial Year 2009 of KHD Humboldt Wedag International (Deutschland) AG

	2009	2008
	€'000	€'000
Cash flows from operating activities		
Net profit for the year	37,168	15,228
Income tax expense recognised in the income statement	16,497	10,134
Net finance cost recognised in the income statement	-3,952	-1,978
Profit before tax and interest	**49,713**	**23,384**
Amortisation, depreciation and write-downs of non-current assets	1,087	1,104
Book gain on disposal of fixed assets	-2,029	-
Decrease/increase in trade receivables and financial assets	7,102	-14,798
Decrease/increase in inventories and gross amount due from customers for contract work	-883	1,822
Increase in payments made in advance and other financial assets	944	-3,154
Increase/decrease in trade and other payables and in gross amount due to customers for contract work	-55,979	26,983
Decrease in pension provisions	55	-177
Increase in provisions	12,597	19,975
Cash inflows from operating activities	**12,607**	**55,139**
Other non-cash transactions	67	-2,562
Dividends received	68	106
Interest paid	-	-82
Income tax paid	-17,200	-7,404
Net cash inflows from operating activities	**-4,458**	**45,197**
Cash flows from investing activities		
Interest received	650	2,108
Cash outflows for intangible assets	-112	-351
Cash outflows for property, plant and equipment	-616	-934
Gain on disposal of property, plant and equipment	132	9
Gain on disposal of consolidated companies and other business units less funds transferred	2,642	-
Cash inflows from repayment of non-current receivables	18,591	14,763
Net cash outflows from investing activities	**21,287**	**-13,931**
Cash flows from financing activities		
Interest received	3,092	7,578
Payment for share repurchase from minority shareholders	-45	-704
Net amount of loans raised and repaid	2,385	-238
Variance in non-available funds	1,006	704
Net cash flows from financing activities	**5,385**	**7,340**
Increase in cash and cash equivalents	22,214	38,606
Opening balance of cash and cash equivalents	202,969	164,310
Exchange rate effects	-	53
Closing balance of cash and cash equivalents	**225,183**	**202,969**

	31 Dec. 2009	31 Dec. 2008
	€'000	€'000
Analysis of cash and cash equivalents		
Bank balances and cash	91,210	18,770
Short-term bank deposits	134,634	185,866
Total cash and cash equivalents	**225,844**	**204,636**
Cash with restriction on disposal, encumbrance and/or alienation for collaterals and guarantees	-661	-1,667
Closing balance of cash and cash equivalents	**225,183**	**202,969**

In 2009, the statement of consolidated cash flows showed cash and cash equivalents which increased by € 22.2 million to € 225 million. This increase in cash and cash equivalents is basically due to repayment of loans extended to KIA and to collaterals for furnished guarantees.

6 Changes in Consolidated Equity in the Financial Year 2009 of KHD Humboldt Wedag International (Deutschland) AG

	Issued capital	Capital reserves	Treasury shares	Currency differences	Undistributed profit carryforward	Minority interest	Total
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
31 Dec. 2007	**33,142**	**1,776**	**-221**	**-**	**81,874**	**1,439**	**118,010**
Net profit for the year	-	-	-	-	15,276	-48	**15,228**
Accumulated translation difference	-	-	-	-53	-	-	**-53**
Consolidated comprehensive income	-	-	-	-53	15,276	-	15,175
Successive acquisition	-	-	-	-	-169	-753	-584
31 Dec. 2008	**33,142**	**1,776**	**-221**	**-53**	**97,319**	**638**	**132,601**
Net profit for the year	-	-	-	-	37,102	66	**37,168**
Consolidated comprehensive income	-	-	-	-	37,102	66	37,168
Successive acquisition	-	-	-	-	7	-45	**-38**
31 Dec. 2009	**33,142**	**1,776**	**-221**	**-53**	**134,428**	**659**	**169,731**

7 Notes to the Consolidated Financial Statements for the Financial Year 2009 of KHD Humboldt Wedag International (Deutschland) AG

1. Summary of Major Accounting and Measurement Rules

A. Basis of Preparation and Other Notes

The parent company of the Group is KHD ID, with registered office in Colonia-Allee 3, 51067 Cologne/Germany, entered with the number 36688 in the Cologne Commercial Register, Department B. The Group is hereafter referred to as "the Group" or "KHD ID Group".

The majority shareholder of the Company is KHD Ltd., which held a direct investment of 74% in the Company as at 31 December 2009. The sets of annual financial statements of KHD ID and its subsidiaries have been included in the consolidated financial statements of KHD Ltd. The consolidated financial statements are filed with the United States Securities and Exchange Commission (SEC).

The shares of the Company are traded in the open stock market. The Company is, hence, not listed within the meaning of § 3 (2) German Stock Corporation Act (AktG), though not a publicly listed firm as defined under IFRS 8.2.

The financial year of KHD ID and its subsidiaries included in the consolidated financial statements corresponds to the calendar year.

The consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) as applicable in the European Union, that are required to be applied as at the balance sheet date. The IFRS comprise the IFRSs newly adopted by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) as well as the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC). The Group is in compliance with the supplementary provisions under § 315 a German Commercial Code (HGB) regarding supplementary disclosures in the notes to the financial statements as well as under § 315 German Commercial Code (HGB) regarding the discussion and analysis by management.

The consolidated financial statements are prepared in euro. All amounts are, as a general rule, stated in thousands of euros (€'000).

The group income statement is prepared according to the cost of sales format.

To the extent that affiliated companies are mentioned in the notes to the consolidated financial statements under receivables or liabilities, these are KHD Ltd. Group companies which are not part of the group of entities consolidated by KHD ID Group.

B. Consolidation

Subsidiaries are companies where KHD ID 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 ID and are no longer consolidated from the date when control is discontinued. All intercompany transactions, balances and unrealised profits or losses on intragroup transactions are eliminated. The accounting and valuation methods applicable to subsidiaries under local law are adjusted in order to ensure consistency with the accounting rules of KHD ID. Minority interest is addressed separately.

The subsidiaries of the Group are listed in note 2.

C. Foreign Currency Translation

Monetary items denominated in foreign currencies are translated at the rate in effect at the date of acquisition in the sets of individual financial statements and adjusted to the respective rate in effect at the balance sheet date at each balance sheet date. Resulting translation differences are recognised in the income statement.

Sets of individual financial statements prepared by the foreign subsidiaries are translated into euro according to the functional currency concept. The equity is translated at historical rates, assets and liabilities are translated at the rate in effect at the balance sheet date, income and expenses at average rates. The functional currency of the Group is the euro.

D. Intangible Assets

Goodwill

In the first-time consolidated financial statements under IFRS, goodwill was taken over, on account of the reduced disclosure rules under IFRS 1, at the carrying amounts that have been computed according to previously applied accounting principles (§ 301 German Commercial Code (HGB)).

The goodwill corresponds to the positive difference between the acquisition cost of a business combination and the acquired remeasured assets and liabilities, which remains after allocating a purchase consideration, especially after identifying intangible assets. Goodwill is disclosed under intangible assets. It is subject to impairment tests, which are carried out at annual intervals and on specific occasions, and is accounted for a cost less write-downs to the lower fair value.

Licenses

Licenses are accounted for at amortised costs. Software licenses are amortised on a straight-line basis over a useful life of three years. No development costs required to be capitalised were incurred in the reporting year.

E. Property, Plant and Equipment

Property, plant and equipment are measured at cost less straight-line depreciation. The useful life of operating and office equipment and of other equipment is normally 3 to 10 years. Leasehold improvements are depreciated over the term of the lease. Gains on, and losses from, disposal of property, plant and equipment are determined with reference to their carrying amount and accounted for in the income statement.

Cost of repair of property, plant and equipment is, as a general rule, recognised as an expense. Expenses are regularly expensed as incurred. All major expenses for renewals and improvements are capitalised if it is probable that future economic benefit will flow to the Group in addition to the performance standard of the existing property, plant or equipment. Every following expense for repair and maintenance is expensed as incurred.

Property, plant and equipment is not remeasured according to the option under IAS 16. Under the leases concluded, the major risks and benefits from the leased asset remain at the level of the lessor. All leases constitute, hence, so-called "operating leases“. Therefore, payments made within the scope of operating leases are recognised as an expense in the income statement.

F. Borrowing Costs

Borrowing costs are capitalised by KHD ID Group if they relate to acquisition or production of qualifying assets. Otherwise, these costs are recognised under net finance income/cost in the income statement.

G. Impairment Test of Long-lived Assets

Long-lived assets and intangible assets with a limited useful life are tested for impairment as soon as events or changes in circumstances give rise to assume that the carrying amount of such assets is no longer realisable. If the carrying amount is higher than the estimated realisable amount, an asset is written down to its realisable amount.

H. Investments and Other Financial Assets

Financial assets within the meaning of IAS 39 at the level of KHD ID Group relate either

- to financial assets that are measured at fair value and recognised as income, or to
- loans and receivables

and are classified accordingly. Financial assets are measured at fair value at the time of initial recognition. In the case of investments other than those classified as measured at fair value and recognised as income, this item includes also transaction costs that are directly attributable to the acquisition of the asset concerned.

Financial assets are allocated to the measurement categories at the time of initial recognition. Except for derivatives held for trading, all arm's-length acquisitions and disposals of financial assets are accounted for at the settlement date, i.e. at the date when an asset is delivered to or by the Group. Derivatives are accounted for at the trade date, i.e. at the date when the Group entered into the commitment to purchase or sell an asset. Arm's-length acquisitions or disposals are acquisitions or disposals of financial assets that require delivery of an asset within a period defined by arm's-length rules or standards.

Financial Assets Measured at Fair Value and Recognised as Income

At the level of KHD ID Group, the category of financial assets measured at fair value and recognised as income includes the financial assets held for trading. KHD ID Group has not taken advantage so far of the option to designate financial assets as financial assets to be measured at fair value and to be recognised as income at the time of initial recognition.

Financial assets are classified as held for trading if they are acquired for the purpose of disposal in the near future. Derivatives are always classified as held for trading.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or identifiable payments that are not listed in an active market. This category includes trade receivables as well as other receivables and assets. They arise if money, goods or services are directly provided to a debtor by KHD ID Group. They are classified as current assets, except for those that are due only after 12 months from the balance sheet date or that are classified as non-current on account of their economic nature. The latter are disclosed as non-current assets. After initial recognition, loans and receivables are measured at amortised cost by application of the effective interest method less impairments, if any. Gains and losses are recognised in accounting income if loans and receivables have been derecognised or impaired as well as within the framework of amortisation.

Impairment of Financial Assets

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

If there are objective indications that an asset accounted for at amortised cost has been impaired, the amount of the impairment loss is the difference between the carrying amount of the asset concerned and the present value of the anticipated future cash flows (except for anticipated future loan default), discounted at the original effective interest rate of the financial asset, i.e. at the effective interest rate determined at the time of initial recognition. The impairment loss is recognised as an expense as incurred.

If the amount of the write-down decreases in the following reporting periods and if this decrease can be objectively ascribed to an item that arose after the impairment had been recognised, the write-down previously recognised is reversed. The new carrying amount of the asset concerned must, however, not exceed amortised cost at the time of the reversal. The reversal is recognised in the income statement.

If there are objective indications with respect to trade receivables that not all amounts due will be received in accordance with the originally agreed terms stated on the invoice (such as, for example, an insufficient credit rating of a debtor, disagreement on the existence or amount of an account receivable, lack of enforceability of an account receivable for legal reasons, etc.), the impairment is made by use of an allowance account. Receivables are derecognised if they are classified as irrecoverable.

Impairments of other receivables and assets are taken into account by directly writing down the related carrying amounts.

Cash and Cash Equivalents

Cash and cash equivalents include cash as well as bank balances immediately available, call deposits at banks and money market investments, excluding overdraft facilities, with an original term to maturity of up to three months that are accounted for at nominal value. Cash that is not freely available is separately disclosed. Cash and bank balances are measured at amortised cost.

Financial Liabilities

Financial liabilities within the meaning of IAS 39 relate to financial liabilities that are measured at amortised cost.

The financial liabilities at the level of KHD ID Group basically relate to

- financial liabilities (liabilities to banks and intercompany liabilities); and
- trade payables and other liabilities.

Financial liabilities are classified as current if KHD ID Group is not entitled to settle the financial liability concerned only at least 12 months from the balance sheet date.

At the time of initial recognition, financial liabilities are measured at fair value including transaction costs. In the following periods, they are measured at amortised cost according to the effective interest rate method.

Derivative Financial Instruments and Hedges

At the level of KHD ID, derivative financial instruments are regularly used for mitigating the foreign currency risk of recognised assets and liabilities or of planned transactions denominated in foreign currency. All contracts concluded are foreign exchange contracts.

These are initially recognised at fair value at the date the contract is concluded and carried forward at fair value subsequent to initial recognition in the following periods. The fair value of derivatives is measured based on listed prices. If no such prices are available, advantage is taken of discounted flow analyses, using corresponding yield curves for the term to maturity of the instruments concerned.

As the derivative financial instruments concluded do not meet the strict hedge accounting requirements, changes in value are recognised in the income statement as incurred.

I. Inventories

Inventories have been recognised at the lower of cost or net realisable value. Cost is determined on a case-by-case basis. The net realisable value is composed of the estimated selling price in the course of ordinary transactions less estimated cost of completion and costs to sell.

J. Construction Contracts

Revenue and profits under long-term construction contracts are realised according to the stage of completion under IAS 11. The stage of completion depends on the relation of contract costs incurred already as at the end of the financial year to the estimated total contract cost as at the end of the financial year. Losses under long-term contracts are fully recognised as incurred irrespective of the stage of completion reached in the financial year in which the losses become identifiable. Long-term contracts which are measured according to the percentage-of-completion method are disclosed under gross amounts due from or to customers for contract work depending on the amount of requested payments in advance. They have been measured at cost plus a proportionate profit depending on the reached stage of completion. To the extent that the accumulated asset (contract cost and contract revenue) exceeds the specific payments in advance invoiced, construction contracts are disclosed on the asset side under gross amount due from customers for contract work. If there is a negative balance after deducting payments in advance, this balance is disclosed as gross amount due to customers for contract work on the liability side. Anticipated contract losses are covered through write-downs or provisions. In determining these losses, identifiable risks are taken into account.

K. Pension Commitments and Retirement Benefit Plans

The provisions for pensions disclosed in the balance sheet constitute the present value of the defined-benefit commitment as at the balance sheet date. The present value of the defined-benefit commitment is determined annually by independent actuaries according to the projected unit credit method. The present value of the defined-benefit commitment is determined by discounting the estimated future cash outflows by means of interest rates of high-grade industrial bonds. The Group takes advantage of the so-called corridor method under IAS 19. According to this method, profits or losses from measurement of a pension commitment are not required to be recognised if they are due only to a change in actuarial parameters and the change varies within a corridor of 10% above or below the scope of the commitment recognised in the prior year. Excessive amounts are realised over the anticipated average working life of the employees under the respective pension plan. Since 1996, the Group has no longer entered into new pension commitments.

For the individual, defined-benefit pension commitments, the Group pays contributions out of the salaries of the employees concerned to public or private pension insurers on a contractual basis.

L. Provisions

Provisions are made if the Group has legal or factual commitments towards third parties as a result of past events and the amount of the commitment can be reliably estimated.

The scope of liability for all products covered by warranty agreements is estimated by the Group as at the balance sheet date. The provision is made on the basis of services provided in the past. The enterprise is party to various legal disputes. The Board of Directors expect that the outcome of these legal disputes will not have a material effect on the financial position, results or cash flows.

M. Deferred Income Tax

Deferred tax is accounted for and measured under IAS 12. Deferred tax assets and liabilities are shown as separate balance sheet items in order to take into account the future tax effect of timing differences between the amount of assets and liabilities recognised in the balance sheet and the amount to be recognised for tax purposes.

Deferred tax assets for tax loss carryforwards are recognised only if they are likely to be realised in the near future. Deferred tax assets and liabilities are taken into account in the amount of the anticipated tax expense or benefit of subsequent financial years, using the tax rate applicable at the time of realisation.

N. Realisation of Income and Expenses

Sales revenues and other operating income are, as a general rule, realised only if the service has been provided or the goods or products have been delivered and the risk has, hence, passed to the customer. Operating expenses are recognised as an expense upon receipt of the service or at the time they are incurred.

Interest is recognised as expense or income on the accrual basis of accounting.

With respect to long-term construction contracts in the industrial plant engineering segment, income and expenses are recognised according to the percentage-of-completion method.

The cost of sales include primarily cost of purchased merchandise and services, transport costs, wages and salaries, overheads, commission and customs duties.

O. Estimates and Assumptions

The assumptions made and estimates used in preparing the consolidated financial statements have had an influence on the recognition and amount of the assets, liabilities, income, expenses and contingent liabilities recognised. These assumptions and estimates basically refer to uniform determination of economic useful lives at group level, to the determination of the stage of completion for construction contracts, the assumption concerning the recoverability of goodwill and investments, the measurement of provisions and the recoverability of future tax benefits. In specific cases, actual amounts can deviate from the underlying assumptions and estimates. Changes are normally taken into account in the income statement at the time of better knowledge.

P. Applying New or Revised International Financial Reporting Standards

1.1 Standards and Interpretations Required to Be Applied in the Reporting Period

In the reporting period, the Group applied all new and revised standards and interpretations that were published by the International Accounting Standards Board (IASB) and by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB to the extent that these had taken effect for reporting periods beginning on 1 January 2009. Except for IAS 23, the adoption of these revised standards and interpretations had no impact on the consolidated financial statements. They led, however, to changes in the presentation of financial information as well as partly to changes in accounting and measurement methods.

- Change to IFRS 1 and IAS 27 concerning the determination of the cost of a subsidiary in individual financial statements (applicable for financial years beginning on or after 1 January 2009);
- Change to IFRS 2 concerning vesting conditions and cancelations (applicable for financial years beginning on or after 1 January 2009);
- Change to IFRS 7 concerning the improvement of disclosures on financial instruments (applicable for financial years beginning on or after 1 January 2009);
- IFRS 8, Business Segments (applicable for financial years beginning on or after 1 January 2009). The clarifications concerning IFRS 8 made within the framework of improving the IFRSs (2007 to 2009) that the amount of accumulated assets per reportable segment is not a minimum disclosure within the scope of segment reporting and that these disclosures are only required to be made to the extent that disclosures concerning the amount of the segment assets are regularly the subject of internal reporting to the primary decision-taker of the undertaking will have no impact on the presentation of the segment reporting because this had already

been interpreted accordingly by the Group in adopting IFRS 8;

- Change to IAS 1 concerning the revised requirements for presentation of some sets of financial statements and revised wording (applicable for financial years beginning on or after 1 January 2009);
- Revision of IAS 23, Borrowing Costs (applicable for financial years beginning on or after 1 January 2009);
- Changes to IAS 32 and IAS 1 concerning terminable financial instruments and obligations arising upon liquidation (applicable for financial years beginning on or after 1 January 2009);
- Change standard within the framework of the annual IFRS improvement process (May 2008), minor changes to various IFRSs (mostly applicable for financial years beginning on or after 1 January 2009);
- Change to IAS 39 and IFRIC 9 concerning embedded derivatives (applicable for financial years ending on or after 31 December 2008);
- IFRIC 13, Customer Loyalty Programmes (applicable for financial years beginning on or after 1 July 2008).

The application of these changed requirements had no impact on the Group's results of operation and financial position.

1.2 Published Standards and Interpretations That Are Not Yet Applicable

The following standards or changes to, and revisions of, standards as well as interpretations had not yet been mandatorily applicable:

- Revision of IFRS 1, additional exceptions concerning retroactive application of the IFRSs (applicable for financial years beginning on or after 1 July 2009);
- Revision of IFRS 3 as well as change to IAS 27 concerning the changed presentation of given aspects of business combinations in consolidated financial statements (applicable for financial years beginning on or after 1 July 2009). As, from today's point of view, there will be no business combinations at the level of the Group in the financial year of adoption, the application of this Standard is not expected to impact the consolidated financial statements;

- Change to IAS 39 concerning qualifying hedged items (applicable for financial years beginning on or after 1 July 2009);
- IFRIC 12, Service License Agreements (applicable for financial years beginning on or after 29 March 2009);
- Changes to IFRIC 14, Advance Contributions under Minimum Funding Requirements (applicable for financial years beginning on or after 1 January 2011);
- IFRIC 15, Agreements on Establishment of Properties (applicable for financial years beginning on or after 1 January 2010);
- IFRIC 16, Hedging Net Investments in Foreign Operations (applicable for financial years beginning on or after 30 June 2010);
- IFRIC 17, Distributions in Kind to Owners (applicable for financial years beginning on or after 1 July 2009);
- IFRIC 18, Transfer of Assets by Customers (applicable for financial years beginning on or after 1 July 2009).

In addition, the following standards or changes to, and revisions of, standards as well as interpretations that also had not yet been mandatorily applicable were issued in 2009:

- Change standard within the framework of the annual IFRS improvement process (April 2009), minor changes to various IFRSs (mostly applicable for financial years beginning on or after 1 January 2010);
- Change to IFRS 1 concerning additional exceptions regarding retroactive application of the IFRSs (applicable for financial years beginning on or after 1 January 2010). This change introduces additional exceptions regarding mandatory retroactive application of all standards and interpretations applicable as at the balance sheet date of the first set of financial statements under IFRS;
- Change to IFRS 2 concerning intragroup share-based payments (applicable for financial years beginning on or after 1 January 2010). This change clarifies the accounting for share-based payments at group level, especially in cases where the enterprise that receives goods and services deviates from the enterprise that has granted the commitment;
- Change to IAS 32, Financial Instruments: Presentation – Accounting for Subscription Rights (applicable for financial years beginning on or after 1 February

2010). If an enterprise grants subscription rights, options or warrants for a given number of treasury shares in a currency other than its functional currency, these are required to be disclosed as equity instruments as long as these are proportionately granted to all existing shareholders of the same class;

- Change to IAS 24, Related Party Disclosures – Government Enterprises and Definition of a Related Party (applicable for financial years beginning on or after 1 January 2011). Especially the definition of related parties under IAS 24.9 was fundamentally revised. Another major focus of the revision is the introduction of a reduced disclosure requirement for enterprises that are under the control, joint control or significant influence of the government;
- IFRS 9, Financial Instruments (applicable for financial years beginning on or after 1 January 2013). This Standard fundamentally changes the requirements with respect to classification and measurement of financial instruments, with its scope being initially restricted to financial assets. Financial liabilities are excluded from the scope of application for the time being.
- IFRIC 19, Repayment of Financial Liabilities through Equity Instruments (applicable for financial years beginning on or after 1 July 2009). This interpretation is applicable if the newly negotiated contractual conditions of a financial liability permit the debtor to, fully or partly, repay a financial liability by issuing own equity instruments (so-called debt for equity swaps). This interpretation addresses exclusively the accounting at the level of the debtor, i.e. of the issuer of the equity instruments, and furthermore assumes that the creditor is an unrelated third party. Anticipated effects on the consolidated financial statements depend on whether financial liabilities are repaid through equity instruments.
- Changes to IFRIC 14 and IAS 19 concerning the limitation of a defined-benefit asset, minimum funding requirements and their interaction (applicable for financial years beginning on or after 1 January 2011). The purpose of the changes is to permit enterprises under given circumstances to recognise as an asset given types of advances within the scope of minimum funding contributions.

The Group anticipates that, except for additional disclosure requirements, the application of the publications referred to above, to the extent that these are applicable to the Group's business activities, will have no major impact on the consolidated financial statements in the period of adoption.

2. Subsidiaries of KHD Humboldt Wedag International (Deutschland) AG as at 31 December 2009

The group companies include:

Name of Company	Based in	Shareholding in %		Major activity		Capital stock / share capital
KHD Humboldt Wedag GmbH	**Cologne**	**100.00**	**D**	**Holding company**	**€**	**15,339,300**
Humboldt Wedag GmbH	**Cologne**	**100.00**	**I**	**Construction of cement plants**	**€**	**7,000,000**
ZAB Zementanlagenbau GmbH Dessau	**Dessau**	**100.00**	**I**	**Holding company**	**€**	**2,000,000**
ZAB-Industrietechnik und Service GmbH	**Dessau**	**100.00**	**I**	**Construction of cement plants**	**€**	**80,000**
Blake International Ltd.	**Tortola/BVI**	**100.00**	**I**	**Holding company**	**USD**	**1,000**
KHD Humboldt Wedag Industrial Services AG	**Cologne**	**88.35**	**I**	**Construction of cement plants**	**€**	**3,600,000**
HIT Paper Trading GmbH	**Vienna**	**88.35**	**I**	**In liquidation**	**€**	**35,000**
Paper Space GmbH	**Cologne**	**88.35**	**I**	**Inactive**	**€**	**25,000**

D = directly owned
I = indirectly owned

Except for Paper Space GmbH, which is insignificant for the Group's results of operation and financial position, all Companies are fully consolidated.

Effective 7 October 2009, KHD ID sold its investment in HUMBOLDT WEDAG Coal & Minerals Technology GmbH, Cologne/Germany, (CMT) to an Indian acquirer.

As reported in previous years, the group sister company KIA acquired from KHD as at 31 December 2005 the shares in HW U.S., Humboldt Wedag (S.A.) (Pty) Ltd., South Africa, Humboldt Wedag India Private Limited, India, Humboldt Wedag Australia Pty Ltd., Australia, and EKOF Flotation GmbH, Bochum/Germany.

The contractually agreed measurement at fair market value had already been carried out by a professionally qualified auditor engaged as an external expert as at 31 December 2006. The shares in the Companies sold were measured in compliance with the regulations of the Institut der Wirtschaftsprüfer (IDW S1). Based on the expert opinion on hand, the parties agreed on a purchase consideration of € 12,200 thousand under the purchase settlement agreement dated 21 December 2006.

In the financial year 2007, another expert opinion including complementary statement of an audit firm engaged as an external expert was obtained in order to secure the purchase consideration. The Companies were measured within the scope of this expert opinion also in compliance with the regulations of the Standard IDW S1. Based on the above-mentioned expert opinions, the purchase consideration of € 12,200 thousand agreed between the parties was confirmed.

In addition, as agreed in the purchase agreement, KHD is paid a 30% share in the profits of the years 2006 to 2010 realised by the Companies sold to the extent that these profits exceed a return on investment of 18.75% in relation to the consolidated equity of KHD Ltd. The necessary return on investment was not reached for the financial years from 2006 to 2008. KHD's claim for the financial year 2009 will be computed, and possibly accounted for, in 2010.

3. Segment Reporting

External segment reporting is based on intragroup management control as well as internal financial reporting depending on the nature of the products and services offered. The Group is a one-segment enterprise because it almost exclusively operates in the industrial plant engineering sector. The activities, which are comprised of asset management and holding activities, are not separately analysed in the internal financial reporting and are therefore not used for assessing segment performance and for the purpose of resource allocation. Management control is especially based on the variables of the balance sheet and income statement. The sales variable analysed is comprised of revenue under construction contracts and from services in the after sales segment. These are not separately analysed.

The major business activity of the Group is development, production and distribution of industrial facilities, especially cement plants. The range of the services offered by the Group includes the following components:

- Process engineering;

- Engineering (delivery, assembly and commissioning of plants, mechanical systems and components in the cement plant engineering sector);
- After sales services.

These components are not analysed in detail within the internal financial reporting. The measurement rules applied to the segment reporting of the Group are based on the IFRS rules applied in the consolidated financial statements.

The Board of Directors in its capacity as the senior decision-taking body assesses the earning capacity of the segment by means of the result from operations (profit/loss before tax).

The following table provides an overview of the Group's segment for the financial years 2008 and 2009:

	2009 € million	2008 € million
Order intake	58	374
Orders on hand*	213	530
Revenue	360	339
Cost of sales	301	284
Gross profit	59	55
Expenses	23	34
Profit before tax	54	25
Increase in cash and cash equivalents	22	39
Total assets*	430	430
Liquidity*	226	205
Liabilities*	260	298

* Figures refer to respective values as at 31 December of the financial years stated

Notes on Geographical Segments

The Group operates worldwide. The sales revenues of the Group from transactions with external customers as well as information about the segment assets (non-current assets excluding deferred tax assets and financial assets) can be classified by geographical segments as follows:

	Revenue		Non-current assets	
	2009	2008	2009	2008
	in €'000		in €'000	
Europe	29,157	33,716	3,969	5,196
Of which Germany	19.935	14,173	3,969	5,196
Eastern Europe and Russia	162,687	97,198		
North America/Canada	2,188	14,986	-	-
Middle East	99,192	110,030	-	-
India	28,179	31,609	-	-
Asia	32,980	48,984	-	-
Other	5,912	2,576	-	-
	360,295	339,099	3,969	5,196

The revenues were allocated to the different geographical segments according to the contract site of the deliveries and services.

Notes to Key Accounts

The key accounts of the Group account for around € 197 million (prior year: € 140 million) of consolidated revenue, which amounts to € 360 million (2008: € 339 million). An analysis is as follows:

	2009	2008
	€ million	€ million
Customer 1	62	46
Customer 2	41	39
Customer 3	39	25
Customer 4	28	17
Customer 5	27	13

The above table shows the biggest customers in the respective years stated.

4. Property, Plant and Equipment

	Leasehold improvements / re-establishment of previous structural conditions in €'000	Plant & equipment in €'000	Total in €'000
Cost			
31 Dec. 2007	**717**	**17,999**	**18,716**
Additions	**-**	934	934
Disposals	**-**	-303	-303
31 Dec. 2008	**717**	**18,630**	**19,347**
Additions	**-**	627	627
Disposals	**-657**	-12,887	-13,544
31 Dec. 2009	**60**	**6,370**	**6,430**
Accumulated depreciation and write-downs			
31 Dec. 2007	**449**	**15,659**	**16,108**
Additions	56	853	909
Disposals	-	-294	-294
31 Dec. 2008	**505**	**16,218**	**16,723**
Additions	42	804	846
Disposals	-520	-12,145	-12,665
31 Dec. 2009	**27**	**4,877**	**4,904**
Net carrying amount			
31 Dec. 2008	**212**	**2,412**	**2,624**
31 Dec. 2009	**33**	**1,493**	**1,526**

The disposals of the financial year 2009 include net carrying amounts that relate to the disposals of CMT and of the production operations in the amount of € 159 thousand and € 577 thousand, respectively.

5. Goodwill and Other Intangible Assets

	Goodwill	Licenses	Total
	€'000	€'000	€'000
Cost			
31 Dec. 2007	**2,127**	**1,890**	**4,017**
Additions	-	351	351
Disposals	-	-	-
31 Dec. 2008	**2,127**	**2,241**	**4,368**
Additions	-	106	106
Disposals	-	-90	-90
31 Dec. 2009	**2,127**	**2,257**	**4,384**
Accumulated amortisation and write-downs			
31 Dec. 2007	**-**	**1,601**	**1,601**
Additions	-	195	195
Disposals	-	-	-
31 Dec. 2008	**-**	**1,796**	**1,796**
Additions	-	241	241
Disposals	-	-96	-96
31 Dec. 2009	**-**	**1,941**	**1,941**
Net carrying amount			
31 Dec. 2008	**2,127**	**445**	**2,572**
31 Dec. 2009	**2,127**	**316**	**2,443**

The licenses have basically been accounted for at the level of HW. The predominant portion of amortisation and write-downs are included in cost.

Goodwill

Like in the prior year, the goodwill disclosed as at 31 December 2009 results from the acquisition of HW. The carrying amount is regularly examined for impairment through comparison with its value in use. This calculation is based on the medium-term planning approved by management, which covers a 5-year period. To determine the value contributed by perpetuity (value contributed after expiration of the detailed planning period), operative, sustained cash flows are extrapolated, using a growth rate of 2.0% p.a. This growth rate reflects management's long-term expectation. The discounting factor was developed on the basis of market data and amounts to 12.01% before tax (prior year: 14.05%). As the value in use exceeded the carrying amount, no write-downs had to be made under IAS 36.

A respective reduction of the cash flows and a respective increase in the discounting rate and, hence, the major measurement parameters of 1.0% do not lead to a material reduction that would cause a write-down requirement.

6. Receivables and Financial Assets

	31 Dec.	
	2009	**2008**
	in €'000	in €'000
Current financial assets		
Trade receivables	42,264	33,909
Less allowances for impairment of receivables	-652	-762
Trade receivables, net	41,612	33,147
Intercompany receivables	3,678	19,085
Other financial assets	5,260	3,565
Other receivables	7,775	10,335
Current receivables	**58,325**	**66,132**
Non-current financial assets		
Long-term borrowings to affiliates	47,676	69,736
Other non-current financial assets	4,065	596
Non-current financial assets	**51,741**	**70,332**

The current and non-current loans and intercompany receivables fell by € 37,467 thousand from € 88,821 thousand in the prior year to € 51,354 thousand. The free liquidity transferred by the Group to the group sister company KIA, which performs the treasury function for all operative Companies of KHD ID Group, amounted to € 47,676 thousand (prior year: € 69,736 thousand). Although all underlying contracts have a short term, the amounts are disclosed under non-current financial assets on account of their economic use. They include deposits in the amount of € 16,750 thousand (prior year: € 17,866 thousand) within the framework of drawings on the guarantee line granted by Raiffeisen Zentralbank, Vienna/Austria, (RZB) that exists at the level of KIA. The related receivables have been secured by KHD Ltd. in its capacity as the parent company of the Group as a whole.

The other receivables include assets that result from input tax claims in the amount of € 4,929 thousand (prior year: € 2,504 thousand). The increase in other non-current financial assets results from deferral of an account receivable from a customer in the amount of € 3,251 thousand until 30 August 2011, which accrues interest at a rate of 4% p.a. The interest is payable on each 31 December / 30 June in a year.

No allowances were made for trade receivables in the amount of € 1,492 thousand (prior year: € 2,451 thousand) which had been overdue at the repayment date because no material change in the credit standing of these debtors was identified and the outstanding amounts are expected to be settled on a timely basis.

Age Structure of Overdue, But Non-impaired Receivables

	31 Dec. 2009	**31 Dec. 2008**
	in €'000	in €'000
60 to 90 days	241	708
90 to 120 days	20	674
More than 120 days	1,231	1,069
Total	1,492	2,451

Overdue receivables are monitored at monthly intervals. Specific allowances are made on the basis of this monitoring if there are corresponding objective indications.

Movements in Allowances

	2009	**2008**
	in €'000	in €'000
Allowances at the beginning of the year	762	1,012
Addition	405	452
Utilisation	-377	-554
Reversal	-138	-148
Allowances at the end of the year	652	762

7. Deferred Tax Assets and Liabilities

The Company has recognised deferred taxes from temporary differences between the IFRS and tax balance sheets. As in the prior year, the underlying tax rate is 31.6%. This basically corresponds to the German income tax rates.

Deferred income tax assets are recognised for tax loss carryforwards only to the extent that a future tax benefit is probable.

The total amount of the non-forfeitable loss carryforwards at group level is € 57.4 million (prior year: € 97.9 million) for corporate income tax and € 62.4 million (prior year: € 75.6 million) for municipal trade tax, with corresponding corporate income tax loss carryforwards of € 8.9 million (prior year: € 47.2 million) being used for determining deferred taxes. No deferred taxes were capitalised for corporate income and trade tax loss carryforwards in the amount of € 48.5 million (prior year: € 50.7 million) and € 62.4 million (prior year: € 54.6 million), respectively.

The significant decrease in deferred tax assets from the prior year is primarily due to tax loss carryforwards realised in the financial year.

Deferred tax assets and liabilities arise from the following items:

	31 Dec.	
	2009	**2008**
	in €'000	in €'000
Deferred tax assets		
Provisions	1,143	1,194
Tax loss carryforwards	2,155	10,810
Netted with deferred tax assets	-3,061	-11,303
	237	701
Deferred tax liabilities		
Work in progress / POC method	-12,816	-16,749
Netted with deferred tax liabilities	3,061	11,303
	-9,755	-5,446

8. Inventories

	31 Dec.	
	2009	**2008**
	in €'000	in €'000
Raw materials, consumables and supplies	9,056	9,140
Work in progress	7,609	40
Write-downs to net selling price	-3,002	-2,939
	13,663	6,241

In the financial year, inventories in the amount of € 5,893 thousand (prior year: € 4,669 thousand) were expensed. The write-downs to net selling amounts in the financial year amounted to € 1,923 thousand (prior year: € 181 thousand). These write-downs exclusively relate to raw materials, consumables and supplies, whose carrying amount is € 6,624 thousand (prior year: € 2,939 thousand). The increase in work in progress results from the measurement of components of cancelled orders that are suitable for disposal. These components are measured at the expected selling price realisable in the market.

9. Construction Contracts

In accounting for claims or commitments under construction contracts, the profits and costs recognised are disclosed after netting progress billing, advances and loss-making contracts.

	31 Dec.	
	2009	**2008**
	in €'000	in €'000
Cost previously incurred for work in progress	127,644	164,811
Proportionate profits under these contracts previously recognised	41,702	43,378
Total costs incurred and profits disclosed	169,346	208,189
Less netted contract losses and provisions	-1,772	-1,329
Less process billing and advances received	-176,574	-272,326
Balance of construction contracts	-9,000	-65,466
This amount is disclosed in the balance sheet as follows:		
Gross amount due from customers for contract work	38,413	47,863
Gross amount due to customers for contract work	-47,413	-113,329
	-9,000	-65,466
Gross amount due to customers for contract work	-47,413	-113,329
Advances received under construction contracts without services rendered	-3,723	-4,137
Commitments under construction contracts	-51,136	-117,466

Like in the prior year, all sales revenues of the financial year 2009 result from construction contracts and service provision in the after sales segment.

10. Other Financial Assets

The increase in other financial assets from € 3,565 thousand to € 5,260 thousand is due to exchange gains as at 31 December 2009.

11. Cash and Cash Equivalents

The Group discloses cash and cash equivalents of € 225,844 thousand (prior year: € 204,636 thousand), of which € 661 thousand (prior year: € 1,667 thousand) were deposited with banks as collaterals for furnishing guarantees.

	31 Dec.	
	2009	**2008**
	in €'000	in €'000
Bank balances and cash	91,210	18,770
Short-term bank deposits	133,973	184,199
Cash with restraint on disposal, encumbrance or alienation for collateralisation or guarantees	661	1,667
	225,844	204,636

12. Equity

Given an unchanged capital stock of KHD ID of € 33,142,552.00, the number of ordinary shares subscribed for and fully paid up totals 16,571,276 shares with a par value of € 2.00 per share. The shares are made out to bearer. KHD Ltd. advised that it owned more than one fourth of the shares of KHD ID and additionally a majority shareholding under § 16 (1) German Stock Corporation Act (AktG). As in the prior year, the total capital share of KHD Ltd. is roughly 74%.

During the last few years, KHD ID acquired 114,568 of its treasury shares through purchase. The historical cost of the treasury shares amounts to € 221 thousand. These shares are carried as "treasury shares". The Company can re-issue these shares at a later date.

The minority interest relates to the minority shareholders of KIS as at 31 December 2009 (11.65%; prior year: 12.34%). The prior year's minority interest in Blake of 0.01% was acquired in the reporting year.

Successive acquisitions are presented according to the partial remeasurement method.

Approved Capital

The Ordinary Meeting of Shareholders held on 29 September 2004 authorised the Board of Directors, with the approval of the Supervisory Board, to increase the Company's capital stock once or repeatedly by a total amount of up to € 14,400,000 until 31 May 2009 inclusive by issuing up to 7,200,000 new no par value shares made out to bearer against cash contributions. After the 2004 and 2006 capital increases, the approved capital decreased to € 10,079,392 through issue of up to 5,039,696 shares made out to bearer.

The deadline referred to above expired as at the time the consolidated financial statements were prepared, without any new shares being issued.

13. Financial Liabilities

	2009	**2008**
	in €'000	in €'000
Current financial liabilities		
Loans granted by banks or third parties	152	1,167
Loans granted by affiliated companies	3,400	-
	3,552	1,167

14. Pension Commitments

The retirement benefits paid at group level relate exclusively to the domestic territory. They are paid under defined-benefit pension plans, which are funded by making pension provisions. After the pension plans had been frozen in 1996, it is no longer possible for the employees to acquire additional vested rights to future pensions. The claims to promised and vested benefits under the pension plans arise upon application of the beneficiaries, providing supporting evidence of receipt of legal pensions.

Interest expenses of € 1,219 thousand (prior year: € 1,142 thousand) are disclosed in the income statement of the financial year. The employer's proportionate pension insurance contributions amount to € 2,408 thousand (prior year: € 2,470 thousand).

Both in 2009 and in the prior year, the Group took advantage of the so-called corridor method under IAS 19. According to this method, profits or losses from measurement of the pension commitment are not required to be recognised if they are due only to a change in actuarial parameters and the change varies within a corridor of 10% above or below the amount previously recognised (DBO). The equivalent amount of the pension commitments has not been deposited in a fund or in the form of plan assets.

The major actuarial assumptions made are as follows:

	31 Dec.		**31 Dec.**		**31 Dec.**
	2009	**2008**	**2007**	**2006**	**2005**
Discounting rate	5.30%	6.00%	5.34%	4.75%	4.75%
Variance in pensions due to linkage with earnings	2.00%	2.00%	1.50%	1.50%	1.50%
Employee turnover	0%	0%	0%	0%	0%

	31 Dec.		**31 Dec.**		**31 Dec.**
	2009	**2008**	**2007**	**2006**	**2005**
	in €'000	in €'000	in €'000	in €'000	in €'000
Defined benefit obligation	21,656	21,374	22,080	23,073	23,222
Empirical adjustments	-197	-81	-	-	-

No empirical adjustments were determined for the years from 2005 to 2007.

Defined Benefit Obligation

Amount Required to Be Disclosed in the Balance Sheet

	31 Dec. 2009 €'000	31 Dec. 2008 €'000
Defined benefit obligation (unfunded)	21,656	21,374
./. unrecognised actuarial (gains)/losses	1,311	44
Amount required to be disclosed in the balance sheet	20,345	21,330
Deferred compensation	814	596
Amount carried on the balance sheet	21,159	21,926

Reconciliation of Present Value of Commitment (Beginning/End of Year)

	31 Dec. 2009 €'000	31 Dec. 2008 €'000
Defined benefit obligation as at 1 Jan.	21,374	22,080
Current service cost	0	0
Interest cost	1,219	1,142
Benefits actually paid (total)	-1,377	-1,367
Transfer	-777	-
Gains due to empirical adjustments	-197	-81
Actuarial gains due to variances in parameters	1,414	-400
Defined benefit obligation as at 31 Dec.	21,656	21,374

Future Benefits

Expected pension payments	€'000
in 2010	1,444
in 2011	1,505
in 2012	1,540
in 2013	1,570
in 2014	1,594
2015 to 2019	7,975

15. Provisions

	Guarantee	Risk of litigation	Restruc-turing	Potential loss	Total
	€'000	€'000	€'000	€'000	€'000
Provisions as at 1 Jan. 2009	17,798	407	9,755	9,893	37,853
Provisions made	20,903	0	239	5,090	26,232
Provisions released	-1,932	-288	-4,012	-3,934	-10,166
Provisions utilised/reclassified	1,467	-17	-532	-4,366	-3,448
Retirement from group of consolidated entities	-149	0	0	0	-149
Provisions as at 31 Dec. 2009	38,087	102	5,450	6,683	50,322

	31 Dec. 2009	2008
	€'000	€'000
Non-current (guarantee)	7,748	5,405
Current	42,574	32,448
	50,322	37,853

The provisions for guarantees cover all risks identifiable as at the balance sheet date that relate to guarantee and warranty commitments. The provisions are measured on a contract-by-contract basis according to best estimate. The amounts disclosed as non-current include warranty commitments of more than one year. The anticipated maturities range between one and four years.

The increase in non-current provisions is primarily due to accounting-related additions to warranty provisions in the amount of € 20.9 million.

The calculation of the restructuring provision in the amount of € 9.7 million made in 2008 was based on an assumed workforce reduction in the engineering segments and administrative as well as production functions. Due to the disposal of the production operations, the portion of the provision that had been made for staff of the production operations was no longer necessary. In addition, lower provisions were necessary in the other areas due to employee turnover.

The recalculation of the restructuring provision disclosed a total amount of € 5.5 million. The amount of € 3.8 million released has been separately disclosed as restructuring income. The provision for restructuring and staff termination cost is based on best estimates of the Board of Directors with respect to the expenses directly related to the restructuring. These were calculated on the basis of the social plan adopted in the financial year 2009. The expenses solely include post-employment benefits.

16. Liabilities

	31 Dec. 2009	31 Dec. 2008
	in €'000	in €'000
Trade payables	96,622	90,290
Intercompany liabilities	4,914	6,107
Tax and social insurance contributions	58	-
Non-current other liabilities	7,558	5,994
Current other liabilities	4,111	4,711
	113,263	107,102

The other non-current liabilities include commitments due to warranties already acknowledged in the amount of € 7,558 thousand (prior year: € 5,994 thousand).

The trade payables disclosed as at the balance sheet date are subject to the usual retentions of title. The intercompany liabilities exclusively relate to net trade payables to KIA. The item current liabilities includes a liability of € 1,976 thousand for the reimbursement claim of MFC Corporate Services AG in the amount of the expenses it incurred for services provided to KHD ID.

The carrying amounts disclosed as at the balance sheet date basically correspond to fair values.

17. Commitments under Construction Contracts

This item includes the commitments under construction contracts which are disclosed by application of IAS 11. This commitment constitutes the liability-side balance of the amounts analysed in note 9. In addition, this item includes received advances required to be recognised under IAS 11 which are paid by customers at the time orders are accepted and which are not yet matched by work performed by KHD ID Group.

18. Staff Costs

	2009	2008
	in €'000	in €'000
Wages and salaries	34,742	36,054
Social security contributions and costs	5,460	5,884
Pension cost included in staff costs	-	-
	40,202	**41,938**

In the financial year, the number of employees fell from 600 to 391.

	as at 31 Mar. 2009	as at 30 Jun. 2009	as at 30 Sept. 2009	as at 31 Dec. 2009
Administrative	471	458	461	391
Industrial	103	103	103	0
Total	574	561	564	391

In the financial year, the average number of employees was 522, of whom 73 industrial employees (prior year: 583 employees, of whom industrial: 100 employees).

19. Total Emoluments Paid to Supervisory Board

The members of the Supervisory Board are paid no emoluments for their activity. All emoluments for the activities performed by the Supervisory Board members are paid under the service and cost allocation agreement. In the reporting year, the Group was charged expenses totalling around € 1.4 million (prior year: € 1.2 million).

There are no pension commitments towards former members of the Supervisory Board and their surviving dependants. Furthermore, no contingent liabilities were incurred for this circle of persons. There were no receivables due to loans or advances to members of the Supervisory Board as at 31 December 2009.

20. Total Emoluments Paid to Directors and Former Directors

As in the prior year, the Board of Directors of KHD ID were paid no direct emoluments. All emoluments for the activities performed by the Directors are paid under the service and cost allocation agreement. In the reporting year, the Group was charged expenses totalling around € 1.4 million (prior year: € 1.2 million).

There are no pension commitments towards former members of the Board of Directors and their surviving dependants. No emoluments were paid to former Directors.

21. Other Operating Income

	2009	2008
	in €'000	in €'000
Exchange gains	67	421
Gains on disposal of fixed assets	2,029	-
Income from cancelled orders	-5,366	-
Other income	1,576	1,496
	9,038	1,917

The gains on disposal of fixed assets relate to the disposals of the production operations and of CMT.

22. Other Expenses

	2009	2008
	in €'000	in €'000
Research and development	3,090	2,928
Exchange loss	-	135
Charged by affiliated companies	3,758	4,890
Other expenses	2,149	591
	8,997	8,544

The item "charged by affiliated companies" includes, among other things, charges in connection with the functions taken over and charged by the group sister company KIA, especially for the function as the treasurer for all operative Companies of KHD ID Group.

23. Net Finance Income

The net finance income can be analysed as follows:

	2009	2008
	in €'000	in €'000
Interest income	3,092	7,578
Interest received from affiliated companies	650	2,108
Total interest income	**3,742**	**9,686**
Exchange gains from securities	1,695	-
Dividend income	68	106
Income from foreign currency translation	-	1,400
Other	-	368
Finance income	**5,505**	**11,560**
Exchange loss from securities	-	-8,358
Other finance cost	-332	-
Interest cost	-1,121	-1,224
Finance cost	**-1.553**	**-9,582**
Net finance income	**3,952**	**1,978**

The interest income basically includes interest income from loans, bank balances and cash equivalents. A partial amount of € 1,715 thousand relates to term deposit investments. The decrease in interest income by € 5,944 thousand to € 3,742 thousand is basically due to a strong decrease in capital market yields. Like in the prior year, the interest income exclusively relates to financial assets which are not measured at fair value with profit and loss impact.

The interest cost includes the accumulation of the pension provisions in the amount of € 1,219 thousand (prior year: € 1,142 thousand). The interest cost includes financial liabilities in the amount of € 2 thousand (prior year: € 82 thousand) which are not measured at fair value with profit and loss impact.

24. Taxes on Income

The income tax expense in the amount of € 16,497 thousand booked in the financial year 2009 (prior year: € 10,134 thousand) can be analysed as follows:

	2009	2008
	in €'000	in €'000
Current tax expense	-11,724	-2,396
Deferred tax expense	-4,773	-7,738
Tax expense of the year	**-16,497**	**-10,134**

The anticipated tax expense is reconciled to the current tax expense as follows:

	2009	2008
	in €'000	in €'000
Profit before taxes on income	53,665	25,362
Average tax rate	31.60%	31.60%
Anticipated tax expense	-16,958	-8,014
Variance in deferred tax on loss carryforwards	-	-3,047
Other amounts allocated and deducted without tax impact	461	927
Tax expense of the year	**-16,497**	**-10,134**

The effective tax rate at group level is 30.74% (prior year: 39.96%).

25. Earnings and Dividend per Share

Earnings per Share

The basic and diluted earnings per share amount to € 2.25 (prior year: € 0.93) per share.

	2009	2008
Net earnings attributable to shareholders (in €)	37,102,000	15,276,000
Weighted average number of issued ordinary shares	16,456,708	16,456,708
Basic and diluted earnings per share (in €)	2.25	0.93

Dividend per Share

According to the Statutes, the decision on the appropriation of an accumulated profit is taken by KHD ID's General Meeting of Shareholders.

25a. Total Fees Charged by the Auditors for the Financial Year

The auditors of the consolidated financial statements charged total fees for costs of the audit of the 2009 financial statements in the amount of € 409 thousand (prior year: € 284 thousand). In addition, an amount of € 73 thousand was charged for current tax advise to the group companies by the auditors of the consolidated financial statements in the financial year 2009 (prior year: € 107 thousand).

Like in the prior year, the auditors of individual subsidiaries included which were not audited by the auditors of the consolidated financial statements were charged to the respective group companies cost of the audit of the financial statements in the amount of € 20 thousand as well as costs for tax advise of € 15 thousand (prior year: € 10 thousand).

The subsidiaries included in the consolidated financial statements did not make the corresponding disclosure concerning the audit fees in the notes to the sets of individual financial statements, to the extent that this was required under the law.

26. Commitments and Contingent Liabilities/Assets

Commitments in the Area of Operating Leasing

The total amount of future minimum payments for non-cancellable operating and other leases basically results from leases for buildings.

	31 Dec.	
	2009	**2008**
	in €'000	in €'000
Within 1 year	1,435	2,108
Within 2 to 5 years	1,425	3,014
After 5 years	-	-
Total rental commitments	2,860	5,122

The expense for leased and rented office space and office equipment in the financial year that was booked in the income statement amounts to € 2,554 thousand (prior year: € 1,745 thousand).

Contingent Liabilities

Through orders dated 7 July 2009, the Cologne tax office for the audit of large-scale enterprises and groups opened the government tax audits covering the fiscal years 2005, 2006 and 2007 (hereafter referred to as "tax audit") of

- KHD Humboldt Wedag International (Deutschland) AG, Cologne/Germany (KHD ID);
- Humboldt Wedag GmbH, Cologne/Germany (HW);
- KHD Humboldt Wedag GmbH, Cologne/Germany (KHD);
- Humboldt Wedag Coal and Minerals Technology GmbH, Cologne/Germany (CMT); and
- KHD Humboldt Wedag Industrial Services AG, Cologne/Germany (KIS AG).

Through a letter dated 14 December 2009, the Cologne tax office for the audit of large-scale enterprises and groups requested the Companies referred to above to submit transfer pricing documentation under § 90 (3) German General Tax Code (AO) as well as the German regulations governing the documentation of profit allocation (GAufzV) for the fiscal years from 2005 to 2007 regarding cross-border legal relationships with companies affiliated under German company law. Furthermore, the tax audit covering the fiscal years from 2005 to 2007 was opened by the Dessau-Roßlau tax office with respect to ZAB Zementanlagenbau Dessau GmbH, Dessau-Roßlau/Germany (ZAB) and ZAB Industrietechnik & Service GmbH, Dessau-Roßlau/Germany (ZABIS), according to a letter dated 9 October 2009. Within the scope of this tax audit, the tax auditors forwarded to ZABIS a general questionnaire appended to the letter dated 20 November 2009 regarding the preparation of a function and risk analysis for auditing the income segregation between related parties, requesting a reply of the Company.

Transfer Pricing Concept of the Group

In comparison with the prior year, the transfer pricing system of the group companies covered by the on-going tax audit as at 31 December 2009 for netting cross-border services provided within KHD ID Group has not changed materially on the merits. Solely the amount of the transactions realised varies depending on the services provided or received. Basically, the related-party transactions are service and financing relationships. For details, see note 29.

Tax Risk Assessment

There is an on-going tax audit covering the years from 2005 to 2007. The subjects of this audit are, among other things, the transfer prices in intercompany trade between HW and its affiliated companies as well as the tax assessment of the international investments of KHD sold to KIA as at 31 December 2005 and the merchant banking fee. See the related statements in Item 1.2 of the discussion and analysis by management.

According to the current state of the tax audit, it is not possible at present to reliably estimate the tax risk both in terms of amount and due date and with respect to the effect on the net assets, financial position and results of operations.

Within the framework of the tax audit, there is, among other things, a request to submit transfer pricing documentation under § 90 (3) German General Tax Code (AO) as well as the German regulations governing the documentation of profit allocation (GAufzV) for the fiscal years from 2005 to 2007 regarding cross-border legal relationships with companies affiliated under German company law. According to the current state of the planning, this request will not be complied with until the end of February 2010.

Contingent Assets

As part of the disposal of HW's production facility in the suburb Kalk of Cologne/Germany to an Indian acquirer as at 7 October 2009, a contingent maximum purchase consideration of € 2,850 thousand was agreed beyond the purchase consideration paid. This contingent purchase consideration depends on given utilisation-related criteria. The potential maximum purchase consideration, which is due after four years from the time of disposal, was not taken into account on the basis of the measurement in the group balance sheet as at 31 December 2009.

27. Additional Notes on Financial Instruments

a) Financial Risk Factors

The Group is exposed to the specific risks of the industrial plant engineering sector. These especially relate to complex technical and logistic difficulties in the fields of planning, production and commissioning within the scope of production of specific facilities, but also to specific commercial conditions of foreign markets and the respective country-related risks.

In order to identify strategic risks at an early stage, all available internal and external sources of information are evaluated. In addition, the risk analysis and strategic development of the Companies are intensively supported through the resources of KHD Ltd.

The group companies use a large number of controlling instruments in order to comprehensively monitor the contracts during the entire phase of operative processing. This includes both technical and commercial aspects of the contracts.

Since the shares of KHD Ltd. are listed on the New York Stock Exchange, all major group companies are required to comply with the U.S. regulations under the Sarbanes Oxley Act (SOX). The target of these regulations is to ensure the reliability of the entire financial reporting through strict internal controls. The KHD ID Group companies ensure compliance with these regulations through internal and external audits. SOX compliance was audited within the framework of the audit of KHD Ltd. Group in 2009.

Through its business activities, the Group is exposed to a large number of financial risks, which are addressed below.

b) Capital Management

The primary goal of the capital management of KHD ID Group is to ensure that the ability to pay debts and the financial substance are maintained also in the future.

Financial security is basically measured by means of the equity ratio. The components of this ratio are the total assets disclosed in the consolidated balance sheet as well as the equity disclosed in the group balance sheet, which constitutes also the capital within the meaning of IAS 1 at the level of KHD ID Group. The equity ratio is used as a key ratio towards investors, analysts, banks and rating agencies.

The capital structure can, as a general rule, be controlled by KHD ID by distributing dividends, reducing the capital or issuing new shares as well as by issuing financial instruments, which are classified as equity under IFRS. The Group seeks to reach a capital structure that is appropriate to the business risk.

KHD ID comes under the minimum capital requirements applicable to stock corporations. Compliance with these requirements is continuously monitored. In 2009, the Group was in compliance with these requirements.

	31 Dec.	
	2009	**2008**
Equity in €'000	169,731	132,601
Total assets in €'000	429,888	430,153
Equity ratio in%	39.48	30.83

The equity ratio of the Group increased on account of the net profit for the year.

KHD ID intends to distribute around € 45 million to the shareholders in the first quarter 2010. The equity ratio would be at 32,41% after the distribution.

c) Market Risk

Currency Risk

The Group operates internationally and is, hence, exposed to currency risks in connection with performing its contracts. Currency risks arise from future business transactions and from recognised assets and liabilities. These are minimised by using derivative financial instruments. The derivative financial instruments used are exclusively foreign exchange contracts. Currency risks are mitigated at group level by performing major transactions in euro.

Price Risk

The securities disclosed in the Group's balance sheet are exposed to the market price risk. As performance and price are laid down in individual contracts, the Group is not exposed to a commodity price risk.

d) Credit and Non-payment Risks

The Group is not exposed to significant credit risks. Internal guidelines ensure that products are sold to customers with an appropriate credit history or that export insurance, letters of credit or sufficient bank guarantees are available (€ 10,503 thousand; prior year: € 11,740 thousand).

The Group has fixed-interest assets, which are influenced by changes in market interest rates in the course of time.

The non-payment risk arising from financial assets consists in the risk of default of a counterparty and is, hence, limited to the maximum amount of positive carrying amounts.

This risk is addressed through allowances made for loss of receivables outstanding. The credit risk with respect to trade receivables is generally geographically diversified worldwide on account of the structure of the Group's clientele. Furthermore, credit concentration is avoided by the terms of payment, especially advances, agreed by the Group with its customers that avoid a high level of receivables.

e) Liquidity Risk

Besides the liabilities of the Group, liquidity risk management covers also the holding of sufficient liquidity. Given the dynamic nature of the underlying business activities, the Group seeks to remain flexible with respect to financing through sufficient available credit lines held at the level of KIA. To avoid financial risks of the plant engineering business, the contracts are settled through customer payments made in advance, which led to a cash inflow as at the balance sheet date. Most of the current liabilities and debts disclosed as at the balance sheet date are payable within 60 days.

Within the scope of its normal business transactions, KHD ID Group has commitments due to advance guarantees, performance bonds and guarantees for warranty obligations. The Group does not anticipate any material liabilities due to these commitments. Within the scope of its normal business activities, the Group has furnished guarantees in the amount of € 83.5 million (prior year: € 171.9 million), especially via guarantees furnished by KIA. Within the scope of a total facility of € 228 million (prior year: € 340 million), KIA provides KHD ID Group with the necessary credits by way of bank guarantee.

f) Cash Flow and Fair Value Interest Rate Risk

Since the major loans and assets of the Group accrue interest at variable rates, changes in market interest rates impact on net interest income/cost. An increase or reduction in the market interest rate level as at 31 December 2009 by 50 base points would have increased or decreased, respectively, the net interest income by € 947 thousand (prior year: € 940 thousand).

g) Net Earnings per Category

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

2009	Financial assets		Financial liabilities		Total
in EUR'000	recognised as income at fair value	at amortised cost	recognised as income at fair value	at amortised cost	
Net earnings	**1,431**	**3,542**	**0**	**-2**	**4,971**

2008	Financial assets		Financial liabilities		Total
in EUR'000	recognised as income at fair value	at amortised cost	recognised as income at fair value	at amortised cost	
Net earnings	**-13,645**	**11,364**	**0**	**-10**	**-2,291**

The net earnings especially include interest income, interest cost, income and expenses from translating monetary foreign currency items, fair value changes of securities as well as impairment losses of financial assets.

h) Listing of Financial Assets and Liabilities Classified by Categories

31 Dec. 2009	Financial assets			Financial liabilities			
in EUR'000	recognised as income at fair value	at amortised cost	not within the scope of IAS 39	at amortised cost	not within the scope of IAS 39	Carrying amount	Fair value
Non-current financial assets		51,741				51,741	
Trade receivables		41,612				41,612	
Intercompany receivables		3,678				3,678	
Other financial assets	5,260	0				5,260	5,260
Derivatives	176					176	176
Other receivables		2,670	4,929			7,599	
Cash and cash equivalents		225,844				225,844	
Non-current financial liabilities				0		0	
Other liabilities				4,111	7,588	11,696	
Trade payables				96,622		96,622	
Intercompany liabilities				4,914		4,914	
Derivatives						0	
Current financial liabilities						0	
	5,436	**325,545**	**4,929**	**105,647**	**7,588**	**449,115**	**5,436**

31 Dec. 2008	Financial assets			Financial liabilities			
in EUR'000	recognised as income at fair value	at amortised cost	not within the scope of IAS 39	at amortised cost	not within the scope of IAS 39	Carrying amount	Fair value
Non-current financial assets		70,332				70,332	
Trade receivables		33,147				33,147	
Intercompany receivables		19,085				19,085	
Other financial assets	3,565					3,565	3,565
Derivatives	793					793	793
Other receivables		5,325	4,217			9,542	
Cash and cash equivalents		204,636				204,636	
Non-current financial liabilities				0		0	
Other liabilities				4,711	5,994	10,705	
Trade payables				90,290		90,290	
Intercompany liabilities				6,107		6,107	
Current financial liabilities				1,167		1,167	
	4,358	**332,525**	**4,217**	**102,275**	**5,994**	**449,369**	**4,358**

The fair values of financial assets and financial liabilities were determined according to the following hierarchy:

- The fair values of the listed shares that are held for trading are determined by reference to listed market prices.
- The fair value of derivative instruments is calculated at listed prices. If such prices are not available, the calculation is based on discounted cash flow analyses, using corresponding yield curves for the term to maturity of the derivative instruments.

Non-current financial assets accrue interest at arm's-length conditions.

i) Securities Held for Trading

The securities held for trading amount to € 5,260 thousand (prior year: € 3,565 thousand). A variance in the market price by 10% would lead to a variance of € 526 thousand (prior year: € 356 thousand) in the Group's profit before and after tax.

j) Receivables

The overdue receivables, including receivables on which allowances were made, (amounts due for more than 60 days) account for € 1,978 thousand (prior year: € 3,171 thousand) of the Group's total receivables. After deducting collaterals (letters of credit and Hermes cover), the resulting risks are estimated by the Group at € 485 thousand (prior year: € 762 thousand). A variance in the risk amount of 10% is insignificant for the Group. The receivables on which allowances were made are overdue for more than 90 days.

k) Derivatives

The derivative financial instruments used are exclusively foreign exchange contracts. They have been recognised at fair value in the balance sheet in accordance with IAS 39.

Foreign exchange contracts have been measured at the forward exchange rate and by means of the yield curves which have been derived from the listed interest rates of corresponding terms to maturity. The fair value of the derivatives amounts to € 176 thousand (prior year: € 793 thousand). A variance in the fair value by 10% would influence the net profit after tax by € 12 thousand (prior year: € 64 thousand).

28. Litigation

Action Brought by Shareholders ("Return of Contributions")

Shareholders have brought actions against the Company for the approved sets of annual financial statements as at 31 December 2002 and 31 December 2003 of the Company to be declared null and void, alternatively to be declared ineffective, as well as for the resolutions according to which the Directors and three Supervisory Board members were to be released from their responsibilities for the business year 2003, which were adopted by the Company's General Meeting of Shareholders held on 29 September 2004, to be declared null and void, alternatively to be set aside.

The subject matters of the actions were fees in the amount of € 1,206 thousand ("placement fee") and in the amount of € 1,914 thousand ("merchant banking fee"), which had been paid by KHD ID to MFC Corporate Services AG (formerly MFC Merchant Bank S.A.), Herisau/Switzerland, at the end of 2002 for placement of the capital increase in December 2002 and for provision of merchant bank services. In the plaintiffs' opinion, these payments had been inadmissible because they constituted a return of contributions. Said sets of annual financial statements had been understated due to failure to book a corresponding repayment claim.

Based on the regional court ruling, the Company had already booked with profit and loss impact in its sets of financial statements for prior years, an account receivable from MFC Corporate Services AG in the amount of the merchant banking fee (€ 1,914 thousand) and asserted this claim against MFC Corporate Services AG in its letter dated 16 February 2006. The court ruling does not address the placement fee.

In view of the actual expenses in the amount of € 1,976 thousand in connection with the services provided for KHD ID under the merchant banking agreement, which have been substantiated in detail by MFC Corporate Services AG, the Company had also already carried a corresponding liability in the prior year's financial statements for the event that, should eventually a claim be asserted by KHD ID, MFC Corporate Services AG asserts on its part a reimbursement claim for the expenses incurred.

The regional court allowed the complaints through court ruling dated 4 November 2005. KHD ID has lodged an appeal from this court ruling in due time and due form.

Meanwhile, one of the complaints has been withdrawn. In respect of the complaint still pending, the Company anticipates that there are still good reasons to assume that its appeal will succeed. A corresponding ruling is still outstanding on account of a large number of postponements.

Action Brought by Shareholders ("Valuation of Companies Sold")

In connection with the valuation of the companies sold (see the corresponding statements above), KHD ID was served the complaint of a shareholder on 27 February 2007. The subject matter of this complaint is assertion of nullity of the approved annual financial statements as at 31 December 2005 and of the resolutions according to which the members of the Board of Directors and of the Supervisory Board were released from their responsibilities.

The hearing, which has meanwhile taken place, also did not lead to any changes to the underlying facts and the matter in dispute. Through decision of the regional court dated 27 October 2008, the litigation was suspended pending final decision in parallel proceedings.

In these parallel proceedings, KHD ID has, after it had lost its case before the Cologne regional court, fully won the action according to the ruling of the Cologne higher regional court dated 9 July 2009. In the meantime, the plaintiff and appellee has lodged a corresponding appeal to the federal supreme court. KHD ID still anticipates that it will win the action in the proceedings on appeal that have meanwhile been opened. Therefore, the Company maintains its motion for dismissal because it still anticipates that the complaints are unfounded because they are non-substantiated.

Application Filed by Shareholders for Appointment of Special Auditor

In connection with establishing the fair present value of the five Companies sold in 2005/2006, an investment fund has, in its capacity as a shareholder of KHD ID, filed an application for the appointment of the special auditor Dr Klaus Lippmann to be ordered in order to examine the transactions in the area of the conduct of affairs of the Board of Directors and the Supervisory Board in connection with the disposal of the Companies in 2005/2006.

Through ruling of the Cologne regional court dated 6 November 2009, the regional court granted the application. Addressing the immediate appeal of KHD ID dated 23 November 2009, the Cologne higher regional court decided through ruling dated 7 December 2009 to suspend execution of the ruling of the Cologne regional court dated 6 November 2009 pending a decision on KHD ID's immediate appeal.

29. Disclosure of Related Party Transactions

KHD Ltd. holds a direct majority interest in KHD ID. Besides KHD Ltd., the major related parties are its subsidiaries not included in the consolidated financial statements of KHD ID. The income and expenses are basically related to orders of the industrial plant engineering segment, the distribution, marketing and financing activities within KHD Ltd. Group.

Treasury Agreements / Service and Cost Allocation Agreements

The agreements concluded relate to all tasks of KHD Humboldt Wedag International GmbH, Vienna/Austria, (KIA) in connection with treasury and risk control in its widest sense. These include, among others, consulting in all issues of financing and credit procurement, consulting and support for potential acquisitions as well as commercial risk control and minimisation.

In addition, KIA provides central services for the companies of the German Group. Besides general management services, these include above all also support in the areas of finance and accounting as well as general administration. Effective 1 January 2008 the treasury agreements were terminated and replaced by corresponding service and cost allocation agreements.

The figures stated in the following tables are amounts in €'000.

Company	Agreement	2009	2008	2007
	Treasury agreement / service and costs allocation agreements			
HW		1,280	1,213	936
KHD ID		0	69	71
ZAB		0	29	144
ZABIS		425	237	571
KIS		11	30	0
Total expense		1,716	1,578	1,722

Loan Offer Agreements

Under these agreements, KIA offers to raise as loans excessive liquidity of HW and ZAB. As at 31 December 2009, HW and ZAB provided amounts of € 25.0 million (prior year: € 35.0 million) and € 12.9 million (prior year: € 12.9 million), respectively, as loans to KIA. In the first quarter of 2009, these amounts had accrued interest at an effective interest rate of minus 1%. On account of the marked decrease in market interest rates, interest calculation was changed to an effective interest rate of minus 15% of the effective interest rate from the second quarter 2009. The repayment of the loans is guaranteed through KHD Ltd. The loan of € 4.0 million existing between KHD Humboldt Wedag GmbH (KHD) and KIA since the prior year was fully repaid with effect from 23 December 2009.

Company	Agreement	2009	2008	2007
	Loan offer agreement			
HW		37	40	207
KHD HW		466	1,450	1,508
ZAB		13	13	11
Total expense		516	1,503	1,726

Asset and Portfolio Management Agreement

This goal of this asset management agreement is to reach a higher return on longer-term excessive liquidity. For this purpose, KIA has been authorised as the treasurer to enter into a higher risk level by using various types of capital investments. The so-called management fee amounts to 0.0625 (prior year: 0.125) percent per month. For an increase in the value of the portfolio potentially reached in the calendar year, the agreement provides for an additional charge ("performance fee") in the amount of 15% (prior year: 20%) on the increase in value reached.

Company	Agreement	2009	2008	2007
	Asset and portfolio management agreement			
HW		885	1,565	690
ZABIS		739	994	524
Total expense		1,624	2,559	1,214

Bond Arrangement Agreement

With original effect from 1 December 2006, this agreement provides for comprehensive regulations that are applicable to the services of KIA in respect of provision and collateralisation of a guarantee line. All Companies of the industrial plant engineering segment of KHD Ltd. Group have entered into this agreement.

Under the lead management of Raiffeisen Zentralbank, Vienna/Austria (RZB), there is a guarantee facility with a group of banks in the amount of € 195 million as at 31 December 2009 (prior year: € 300 million). This facility is available for various hedging instruments, such as guarantees, letters of credit or sureties.

For the guarantee of the facility through KHD Ltd., the participating Companies pay to KIA a so-called guarantee fee in the amount of 1.0% on the respective drawings on the line. In addition, the guarantee fees that are charged by RZB to KIA as the other party to the agreement are recharged by KIA to the participating Companies via a so-called bond arrangement fee with a mark-up of 50% for covering the own administrative expense.

Company	Agreement	2009	2008	2007
	Bond arrangement agreement			
HW		1,846	1,950	1,005
ZABIS		244	614	238
CMT		86	112	37
Total expense		2,176	2,676	1,280

Framework Agency Agreement

The sales and marketing activities of the industrial plant engineering segment of KHD Ltd. Group have been put on a new basis from the beginning of the financial year 2006.

KHD Humboldt Wedag International FZE with registered office in Ras Al Khaimah, United Arab Emirates (KHD UAE; until 21 October 2007 KHD Sales and Marketing Ltd. (KHD SM), Hong Kong), coordinates and strengthens the worldwide sales and marketing activities of the cement plant engineering companies.

The local agents account for their services to KHD UAE, which charges in turn the corresponding services received to the plant engineering companies.

Company	Agreement	2009	2008	2007
HW	Framework agency agreement	1,848	7,705	9,845
Total expense		1,848	7,705	9,845

Technology Licence Agreement

HW granted to KIA a worldwide license for using the technology of HW for a 7-year period.

Company	Agreement	2009	2008	2007
HW	Technology licence agreement	250	250	250
Total expense		250	250	250

Revenue

The revenue from related parties amounts to € 7,535 thousand (prior year: € 15,438 thousand) and solely relates to revenue realised with the KIA Subgroup. This revenue is comprised of sales revenue as well as income from loans granted to KIA, which amounted to € 650 thousand in 2009 (prior year: € 2,108 thousand). For the contractually agreed interest payment, we refer to Note 29 (Loan Offer Agreements).

Expenses

The expenses incurred due to related party transactions can be analysed as follows:

	2009	2008
	in €'000	in €'000
KIA Subgroup	35,139	23,598
KHD Ltd. and associated companies	0	195
	35,139	23,793

Shares in KHD Ltd.

Like in the prior year, KHD ID holds 295,490 shares in KHD Ltd. for trading purposes. The value quoted of the shares as at 31 December 2009 was € 2,782 thousand.

Receivables

As at 31 December 2009, the Group disclosed the following intercompany receivables:

	31 Dec.	
	2009	**2008**
	in €'000	in €'000
KIA Subgroup	51,137	88,821
KHD Ltd.	217	-
	51,354	88,821

Like in the prior year, the accounts receivable from KIA Group basically relate to the loans granted to KIA.

The liabilities include the following current items:

	31 Dec.	
	2009	**2008**
	in €'000	in €'000
KIA Subgroup	8,314	5,956
KHD Ltd.	0	86
	8,314	6,042

30. Post-balance-sheet-date Events

In a press release of the Board of KHD Ltd. dated 6 January 2010, it was announced that KHD Ltd. Group was intended to be split into two legally separate subgroups. One of these subgroups is intended to perform all cement activities of today's Group. These are intended to be combined under the senior parent company of the previous German Subgroup, KHD ID.

In this context, the shares in the Companies HWIN, HWUS and HWAUS are intended, among other things, to be sold by KIA to a KHD ID Group company. The related negotiations have not been terminated to date. The services previously provided by KIA, including the sales and marketing activities recently performed by KHD UAE, are expected to be provided by KHD ID Group in the future.

The planned change in the circle of shareholders constitutes a risk threatening the deferred tax assets in the amount of € 2.2 million recognised for loss carryforwards.

The shares of the parent company of the newly established group are intended to be listed in the regulated market of the stock exchange in Frankfurt/Germany. Based on the current planning, the listing is due no sooner than in March 2010.

There were no further major post-balance-sheet-date events.

31. Release for Disclosure through the Board of Directors

The set of consolidated financial statements on hand was released for disclosure through resolution of the Board of Directors dated 5 February 2010.

The Board of Directors

Cologne, 5 February 2010

Alan Hartslief   Jouni Salo

[Independent] Auditors' Report

We have audited the consolidated financial statements prepared by KHD Humboldt Wedag International (Deutschland) AG, Cologne/Germany, - comprising the income statement, the balance sheet, the cash flow statement, the statement of changes in equity and the notes to the financial statements - and the discussion and analysis by the management of the parent company for the business year 2009. The preparation of the consolidated financial statements and the discussion and analysis by the management of the parent company in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent company's Board of Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the discussion and analysis by the management of the parent company based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB ("German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the discussion and analysis by the management of the parent company are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the discussion and analysis by the management of the parent company are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements and the discussion and analysis by the management of the parent company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of KHD Humboldt Wedag International (Deutschland) AG, Cologne/Germany, comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The discussion and analysis by the management of the parent company are consistent with the consolidated financial statements and as a whole provide a suitable view of the Group's position and suitably present the opportunities and risks of future development.

Düsseldorf, 5 February 2010

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Graetz	Signed: Rosenfeld
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]