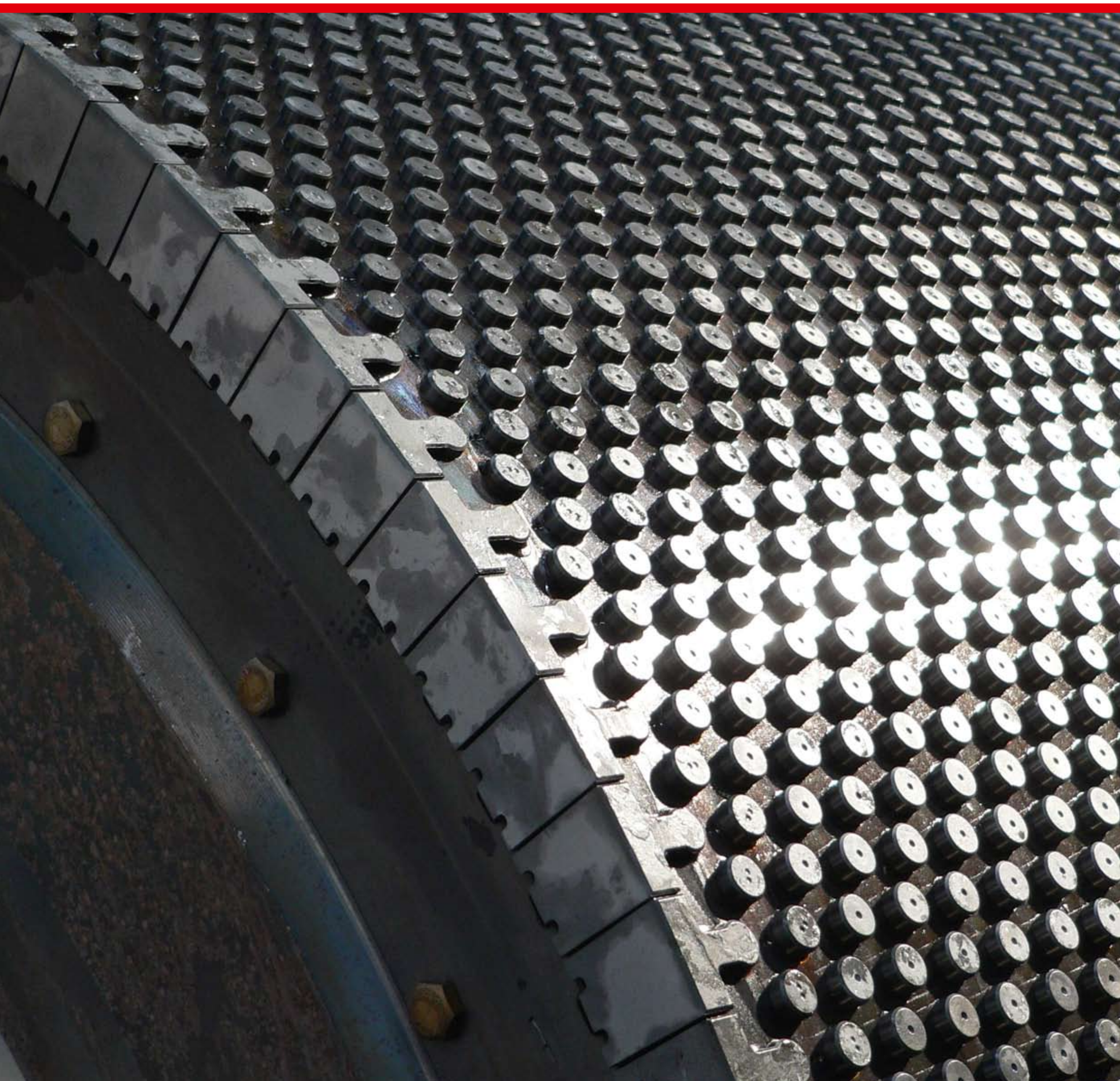
HALF YEAR REPORT

1. January to 30 June 2010

H1

HUMBOLDT WEDAG



H1

HUMBOLDT WEDAG

MISSION

We are one global **KHD** team committed to global excellence as a customer focused equipment supplier and service company providing competitive and environmentally friendly technologies to the cement and mining industries.

OFFER

We offer full line equipment supply for cement plants; single, or packages of, equipment; spare parts; and the full range of associated plant services.

H1 2010 INTERIM RESULTS

- Sales and adjusted profit before tax impacted by slowdown in order intake in 2009
- Order intake has improved significantly compared to the first half of last year (on a like for like basis)
- Benefitting from increasing demand in emerging markets, particularly India
- Strong balance sheet
- Market conditions gradually improving

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1 Introduction of Chief Executive Officer

Dear Shareholders,

We are pleased to report our first half year results as a company listed on the regulated market of the Frankfurt Stock Exchange. The first half of the year, in overall terms, can be summarised by a difficult trading environment, albeit an improvement compared with 2009. We continued to see very divergent trends between strong growth in emerging markets such as India, where we have a considerable presence, and much lower growth in the more mature markets such as Western Europe and North America.

Order intake (on a "like for like" basis* or "LFL") improved considerably in the first half of 2010. Total order intake was € 144.5 million, an increase of 86% compared with the prior period. Order intake (LFL) in the second quarter was € 73.1 million and showed a modest improvement compared to the first quarter (€ 71.4 million). We are pleased to see three quarters now of satisfactory order intake and remain focused on improving our competitive offering to win additional new business.

As a result of the reduction in order intake in 2009, LFL revenues fell by around 12% compared with the prior period. Adjusted Profit before tax fell by around 30% due to the operational gearing of the business.

Financial Highlights

in € million	H1 2009 (actual)	H1 2010 (actual)	Variance in %	H1 2009 (LFL)	H1 2010 (LFL)	Variance in % (LFL)
Order intake	46.40	105.40	+127.2	77.70	144.50	+86.0
Order backlog	430.40	313.70	-27.1	500.20	313.70	-37.8
Revenue	144.10	114.40	-20.6	153.10	135.40	-11.6
Profit before tax (adjusted)*	8.90	8.40	-5.6	15.10	10.40	-31.1
Earnings per share (adjusted in €)*	0.18	0.17	-5.6	0.30	0.21	-30.9
Dividend per share in €	0.00	3.00	N/A	0.00	3.00	N/A
Cash	225.80	239.00	+5.8	242.20	239.00	

* Before restructuring expense of € 11.1 million in H1 2009 and restructuring income of € 1.5 million in H1 2010

For definitions of actual results and LFL please refer to page 5

Corporate Reorganisation / Ownership Structure

During the first quarter we successfully completed the separation of KHD Humboldt Wedag International Ltd., Vancouver, Canada ("KHD Ltd."), into two separate groups and KHD Humboldt Wedag International AG, Cologne, Germany, ("KHD AG", formerly KHD Humboldt Wedag International (Deutschland) AG) became the holding company for all the industrial plant technology, equipment and service business. The other group is Terra Nova Royalty Corporation ("Terra Nova"), a mineral royalty company, which remains listed on the New York Stock Exchange.

KGC Strategische Dienstleistungen UG ("KGC") and KHD Ltd. entered into a voting agreement on March 27th 2010 pursuant to which KHD Ltd. will exercise its voting rights in the shares only in accordance with the determination of KGC. As a consequence, the shares held by KHD Ltd. are attributed to KGC and vice versa.

Pursuant to § 21 WpHG Terra Nova and KGC Strategische Dienstleistungen UG notified that on May 4th 2010 the number of voting rights dropped below 75% and is to this date 74,34%.

The remaining shares of KHD AG are held by a large number of private and institutional investors. Due to the legal separation described above at the end of March 2010, the Company still has a large U.S. shareholder base.

This means that KHD AG has a much simplified holding structure and is now a customer focused equipment supplier and service company providing competitive and environmentally friendly technologies to the global cement and mining sectors, listed on the regulated market on the Frankfurt stock exchange. We are organized into four Customer Service Centers: Americas; Europe, Middle East and Africa ("EMEA"); India; and Russia/CIS. Our headquarters are in Cologne, Germany.

Outlook

The trading environment for our customers is gradually improving after a weak first quarter in developed markets, with much stronger growth prospects in the emerging regions of the world such as India and China. Global economic growth is also gradually improving, again characterised by much lower growth in mature markets and significantly higher growth in emerging markets. For KHD AG, the urbanisation of emerging markets is driving growth for our new equipment supplies and we continue to see the highest level of demand at our Customer Service Center in India.

In our other customer service centers, there are some signs of an improvement in market conditions in Russia and we are expecting a gradual improvement in order intake there. We won a sizeable order in South America, which is very encouraging for our efforts to further develop our market presence in that region, and there are also increased activity levels in North America, albeit from a very low level.

We continue to work hard to improve our competitive position and internal efficiencies, particularly at our Customer Service Center EMEA, and were pleased to announce a strategic partnership with Weir Group plc to market one of our grinding products in global mining markets during the first half of the year. We are in discussions with a number of other strategic partners as we look to expand our product portfolio, on the basis of which we intend to improve our offer to our customers.

2 Interim Financial Report on the Group's State of Affairs

KHD AG publishes today its consolidated interim financial report for the first half year from 1 January to 30 June 2010.

There have been significant changes to the group during the reporting period due to the acquisition of a number of companies on 29 March 2010. This means that the second quarter of 2010 reflects the results of the new enlarged group whereas the first quarter of 2010 and first half year of 2009 only reflect the old group structure. The comparability of the first half of 2010 to the first half of 2009 is therefore limited.

In order to make a meaningful comparison of the two periods, we have, in specific cases referred to LFL figures. This assumes that the same structure (being the enlarged group) was in place for the first half of 2009 as well as the first half of 2010.

2.1 Introduction

In the first quarter of 2010, the legal separation of KHD Ltd. into two separate groups was completed and KHD AG became the holding company for the entire industrial plant technology, equipment and service business. The second group is Terra Nova, a mineral royalty company, which remains listed on the New York Stock Exchange.

As part of this separation, KHD AG acquired a number of companies from KHD Humboldt Wedag International GmbH, Austria, a wholly owned subsidiary of Terra Nova. These were all companies that are active in the industrial plant technology, equipment and service business. These Companies are:

- Humboldt Wedag Australia Pty. Ltd. (Australia);
- Humboldt Wedag Inc. (U.S.);
- Humboldt Wedag India Private Ltd. (India);
- Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd. (China);
- KHD Engineering Holding GmbH (Austria), 50% share;
- EKOF Flotation GmbH (Germany).

As at the end of the first quarter, a dividend of € 3.00 per share (totalling € 49.4 million) was distributed to the Company's shareholders.

2.2 Business and Operating Environment

The operative business of the Group comprises the following legal entities: Humboldt Wedag GmbH, Cologne/Germany, ZAB Zementanlagenbau GmbH Dessau, Dessau/Germany, Humboldt Wedag India Private Ltd., New Delhi/India, and Humboldt Wedag Inc., Norcross/U.S.

During the period a strategic partnership with Weir Group plc was signed to market one of our grinding products (HPGR or Roller Press) in the global mining markets. This gives KHD AG much greater access to these markets and more importantly improves the service offering to customers for these products through Weir Group’s existing service network.

Operating Environment

Market conditions for cement producers continue to be difficult, particularly in North America and Europe. These regions were adversely affected by poor weather and the related reduced construction activity in the first quarter. There was however an improvement in the second quarter, particularly in North America. The emerging markets recorded, however, continued volume growth particularly in the Asia Pacific region. Excluding China and India, global cement volumes fell by 6% in the first quarter. However, including China and India, volumes increased by 10%. Cement prices have generally remained under pressure, falling by 2% on a global basis in the first quarter (source: Exane BNP Paribas).

This means that most global cement producers remain cautious on the outlook for the remainder of 2010 and continue to focus on reducing fixed costs and borrowings, meaning that the overall level of capital expenditure on cement equipment is subdued. That said, there has been a general improvement in confidence over the last six months and some additional capacity announcements have been made recently.

Order Intake and Order Backlog

Order intake (on a LFL basis) for the second quarter was € 73.1 million and was a slightly improvement compared with the first quarter of 2010 (€ 71.4 million). Order intake in the first half of 2010 of € 144.5 million was a significant improvement compared with the first half of 2009. In our opinion, the second quarter of 2009 was almost certainly the bottom of the current business cycle from an order intake perspective.

Order backlog (on a LFL basis) decreased significantly from € 500.2 million at the end of June 2009 to € 313.7 million at the end of June 2010, mainly due to the low order intake and high level of sales in 2009. As at the end of 2009, the order backlog had already stabilised at around € 300 million. In comparison with the first quarter of 2010, the order backlog rose slightly from € 301.5 million to € 313.7 million on account of an improved order intake situation. It is pleasing to see growth in order backlog again.

Revenues

As a result of the reduction in the order intake due to the downturn in cement markets in 2009 as well as a gradual reduction in the order backlog, revenues decreased from € 144.1 million in the first half of 2009 to € 114.4 million in the first half of 2010. Major contributions to these revenues were made by orders from the Indian and Russian markets.

Capital Investment

Capital investment in the first half of 2010 amounted to € 1.0 million and, similar to 2009, were mainly in IT.

Financial Management

Contracts are predominantly concluded in the local currency of the respective local company. To hedge against currency risks, derivative financial instruments are used. The derivative financial instruments used are exclusively foreign exchange contracts.

During the period, bonding facilities were successfully put in place for the enlarged group. The most important bonding facility is due to be renewed in November 2010.

Research and Development (“R&D”)

R&D activities are almost exclusively carried out in Cologne/Germany. In the first half of 2010, research and development activities focused on grinding and pyro-processing technologies as well as process automation. Another area of particular focus is on developing new environmentally friendly products, such as energy efficiency and emission control.

One of the key goals of our R&D programme is to increase the level of standardisation in our product range so that KHD AG can offer a more standard range of products.

Staff

As at the end of June 2010, the number of employees was 769, excluding apprentices. On a LFL basis, the actual number of employees fell by 16.

2.3 Financial Performance

Results of Operations

Influenced by the downturn in cement markets in 2009, revenues in the first half of 2010 decreased by 20.6% to € 114.4 million (prior year: € 144.1 million) compared with the prior period.

On a LFL basis, revenues decreased from € 153.1 million to € 135.4 million.

Gross profit was € 21.7 million, which represents a gross margin of 19.0%. In the first half year, the gross margin was positively influenced by one-off items, such as, for instance, the resumption of an Indian order that had previously been cancelled.

Other operating income basically relates to release of provisions. The increase in general and administrative expenses primarily relates to KHD AG, which took over several control and administrative tasks of the former KHD Ltd. Group (now Terra Nova Group) as part of the going public of KHD AG Group as of the end of March 2010. The high restructuring expense of the first half year 2009 in the amount of € 11.1 million, which especially related to the originally planned closure of the production facility of Humboldt Wedag GmbH, Cologne/Germany ("HW"), could already be reversed after the disposal of the production facility to an Indian acquirer in the fourth quarter of the financial year 2009.

The minor net finance cost is basically influenced by write-downs of securities as well as low interest income from the Group's liquid funds due to low interest rate levels. Taking into account an income tax expense of € 5.9 million, the total consolidated net profit in the first half year amounted to € 3.9 million.

Net Assets

The total assets of the Company declined from € 429.9 million as at 31 December 2009 to € 424.4 million as at 30 June 2010.

The reduction in non-current assets was mainly due to the full repayment of the loans held as non-current assets totalling € 38.2 million to a former group company in the first half of the year.

The marked increase in current assets was due to the acquisitions made at the end of the first quarter of 2010. This increased amounts due from customers for construction work, trade receivables and prepayments of € 2.8 million, € 25.2 million and € 13.0 million, respectively.

Financial Position

Cash flows from operating activities were € 6.8 million (prior year: € -37.6 million) in the first half of 2010. Cash flows from investing activities increased, mainly due to the repayment of non-current receivables in the amount of € 38.2 million in the first half year 2010 and a net cash inflow resulting from the acquisitions made at the end of the first quarter (balance of purchase consideration less funds received) of € 20.9 million. These cashflows were offset by the distribution of € 49.4 million to shareholders in the first half year 2010.

Cash and cash equivalents amounted to € 239.0 million as at 30 June 2010.

2.4 Risks and Opportunities

KHD AG is a global group and is as such exposed to a number of commercial and financial risks. KHD AG's future risk exposure is assumed not to deviate from the inherent exposure associated with KHD AG's ongoing business operations. For a more in-depth analysis of risks, refer to KHD AG's consolidated financial statements as at 31 December 2009.

There were two developments during the reporting period. Firstly, the litigation with respect to the shareholder action ("Valuation of Companies Sold") was settled by a compromise dated 19 April 2010 before the Cologne/Germany higher regional court. The litigation concerning the application filed by shareholders for appointment of a special auditor was also terminated by concluding a compromise dated 19 April 2010 before the Cologne/Germany higher regional court. The other litigation disclosed in the notes to the consolidated financial statements as at 31 December 2009 remains unchanged. For details, see the related statements in the notes to the consolidated financial statements as at 31 December 2009 (pp. 73).

From today's point of view, there are generally no risks threatening the continued existence of KHD AG Group.

2.5. Outlook

After a generally weak first quarter, the trading environment for our customers is gradually improving. Global economic growth is also gradually improving. In comparison with the mature markets, which continue to experience low growth, the emerging markets are recording significantly higher growth. KHD AG is well positioned to benefit from higher demand for our new equipment, especially as a result of the strong and sustained infrastructure build-up in these emerging countries. This is particularly true of our Customer Service Center in India.

In the Russian market, where we are represented by our Customer Service Center Russia/CIS, we expect a gradual improvement in order intake as market conditions improve.

In the Americas region, we won a sizeable order in South America in the first half of 2010. This is very encouraging for our efforts to further develop our market presence there. There are also increased activity levels in North America, albeit from a very low level.

We continue to work hard to improve our competitive position and internal efficiencies, particularly at our Customer Service Center EMEA.

As already discussed we were very pleased to announce a strategic partnership with Weir Group plc to market one of our grinding products in the global mining markets during the first half of the year. We are currently in discussions with a number of other strategic partners as we look to expand our product portfolio and to improve our offer to our customers.

We do not expect to reach the levels achieved in 2009 when we reported revenues of € 360.3 million and an exceptionally strong net profit of € 53.7 million due to the slowdown in order intake that we experienced last year.

However, we expect total order intake (on a LFL basis) to improve by some 30% to 40% in 2010. Based on our current estimates, we expect order intake of between € 260 million and € 280 million.

There were no major events that occurred after the end of the first half year 2010.

The Board of Directors

Cologne/Germany, 17 August 2010

Jouni Salo Manfred Weinandy

3 Group Income Statement for the Period from 1 January to 30 June 2010 of KHD Humboldt Wedag International AG

	1 Jan. to 30 June 2010	1 Jan. to 30 June 2009
	€'000	€'000
Revenue	114,368	144,115
Cost of sales*	(92,632)	(122,593)
Gross profit on sales	**21,736**	**21,522**
Other operating income	4,639	1,837
Distribution costs	(5,093)	(6,804)
General and administrative expenses*	(8,054)	(5,355)
Other expenses*	(4,869)	(4,232)
Restructuring income/expense	1,531	(11,142)
Net finance cost/income	(33)	1,343
Earnings before tax	**9,857**	**(2,831)**
Income tax expense	(5,910)	734
Net profit for the year	**3,947**	**(2,097)**
Of which related to:		
Shareholders of parent company	3,906	(2,088)
Minority shareholders	41	(9)
	3,947	**(2,097)**

* Prior year adjusted on account of changed disclosures

Earnings per share

	30 June 2010	30 June 2009
Net profit attributable to shareholders (in €)	3,906,000.00	-2,088,000.00
Weighted average number of issued ordinary shares	32,913,416	16,456,708
Basic and diluted earnings per share	0.12	-0.13

4 Statement of Consolidated Comprehensive Income for the Period from 1 January to 30 June 2010 of KHD Humboldt Wedag International AG

	30 June 2010 €'000	30 June 2009 €'000
Net profit/loss for the year	3,947	-2,097
Foreign exchange translation differences	1,236	0
Comprehensive income	**5,183**	**-2,097**
Of which related to:		
Shareholders of parent company	5,142	-2,088
Minority shareholders	41	-9
	5,183	**-2,097**

5 Interim Group Balance Sheet as at 30 June 2010 of KHD Humboldt Wedag International AG

	30 June 2010	31 Dec. 2009
	€'000	€'000
ASSETS		
Non-current assets		
Property and equipment	2,579	1,526
Goodwill	2,127	2,127
Other intangible assets	856	316
Deferred tax assets	952	237
Non-current financial assets	4,102	51,741
Total non-current assets	**10,616**	**55,947**
Current assets		
Inventories	13,008	13,663
Gross amount due from customers for contract work	46,034	38,413
Trade and other receivables	73,828	49,387
Intercompany receivables	-	3,678
Payments made in advance	37,588	26,235
Other financial assets	1,430	5,260
Income tax assets	2,913	11,461
Cash and cash equivalents	239,000	225,844
Total current assets	**413,801**	**373,941**
Total assets	**424,417**	**429,888**

	30 June 2010	31 Dec. 2009
	€'000	€'000
EQUITY AND LIABILITIES		
Equity		
Issued capital	33,142	33,142
Capital reserves	1,776	1,776
Treasury shares	(221)	(221)
Currency differences	1,183	(53)
Undistributed profit carryforward	100,796	134,428
	136,676	169,072
Minority interest	685	659
Total equity	**137,361**	**169,731**
Non-current liabilities		
Other liabilities	8,890	7,558
Pension benefit obligations	21,472	21,159
Deferred tax liabilities	12,378	9,755
Provisions	18,776	7,748
Total non-current liabilities	**61,516**	**46,220**
Current liabilities		
Trade and other payables	98,933	100,791
Intercompany liabilities	-	4,914
Financial liabilities	-	3,552
Gross amount due to customers for contract work	93,589	51,136
Income tax liabilities	12,225	10,970
Provisions	20,793	42,574
Total current liabilities	**225,540**	**213,937**
Total equity and liabilities	**424,417**	**429,888**

6 Statement of Consolidated Cash Flows for the Period from 1 January to 30 June 2010 of KHD Humboldt Wedag International AG

	1 Jan. to 30 June 2010	1 Jan. to 30 June 2009
	€'000	€'000
Cash flows from operating activities		
Net profit for the year	3,947	(1,481)
Income tax expense recognised in the income statement	5,910	(734)
Net finance income/cost recognised in the income statement	33	(1,959)
Earnings before tax and interest	**9,890**	**(4,174)**
Amortisation, depreciation and write-downs of non-current assets	494	585
Decrease/increase (-) in trade receivables and financial assets	26,515	28,880
Decrease/increase (-) in inventories and gross amount due from customers for contract work	(1,403)	(2,204)
Increase/decrease (-) in payments made in advance and other financial assets	5,412	(145)
Increase/decrease (-) in trade and other payables and in gross amount due to customers for contract work	(14,197)	(32,810)
Increase/decrease (-) in pension provisions	(220)	(95)
Increase/decrease (-) in provisions	(17,349)	(21,389)
Cash inflow/outflow from operating activities	**9,142**	**(31,352)**
Other non-cash transactions	(735)	(1,137)
Dividends received	6	-
Income tax paid	(1,568)	(5,156)
Net cash inflow/outflow from operating activities	**6,845**	**(37,645)**
Cash flows from investing activities		
Interest received on advances to affiliated enterprises	37	414
Cash outflows for intangible assets	(658)	-
Cash outflows for property, plant and equipment	(382)	-
Gain on disposal of property, plant and equipment	56	-
Cash outflows from addition of consolidated companies and other business units less funds received, less funds transferred	20,881	-
Cash inflows from repayment of non-current receivables	38,205	4,131
Net cash inflow from investing activities	**58,139**	**4,545**

	1 Jan. to 30 June 2010	1 Jan. to 30 June 2009
	€'000	€'000
Cash flows from financing activities		
Interest received	1,109	1,236
Payment for share purchase from minority shareholders	(15)	(14)
Net amount of loans raised and repaid	(3,552)	683
Dividends paid to shareholders of parent company	(49,370)	-
Variance in non-available funds	(7)	(781)
Net cash outflow/inflow from financing activities	**(51,835)**	**1,124**
Increase in cash and cash equivalents	13,149	(31,976)
Opening balance of cash and cash equivalents	225,183	202,969
Closing balance of cash and cash equivalents	**238,332**	**170,993**

	30 June 2010	30 June 2009
	€'000	€'000
Analysis of cash and cash equivalents		
Cash and bank balances	83,524	38,959
Short-term bank deposits	155,476	132,920
Total cash and cash equivalents	**239,000**	**171,879**
Cash with restriction on disposal, encumbrance and/or alienation for collaterals and guarantees	(668)	(886)
Closing balance of cash and cash equivalents	**238,332**	**170,993**

7 Statement of Changes in Consolidated Equity as at 30 June 2010 of KHD Humboldt Wedag International 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**
Changes from net profit for the year	-	-	-	-	15,276	(48)	**15,228**
(predominantly successive acquisition)					169	(753)	**(584)**
Accumulated translation difference	-	-	-	(53)	-	-	**(53)**
Consolidated comprehensive income	-	-	-	(53)	15,445	(801)	14,591
31 Dec. 2008	**33,142**	**1,776**	**(221)**	**(53)**	**97,319**	**638**	**132,601**
Changes from net profit for the year	-	-	-	-	37,102	66	**37,168**
Other changes (predominantly successive acquisition)					7	(45)	**(38)**
Accumulated translation difference	-	-	-		-	-	**-**
Consolidated comprehensive income	-	-	-	-	37,109	21	37,130
31 Dec. 2009	**33,142**	**1,776**	**(221)**	**(53)**	**134,428**	**659**	**169,731**
Changes from net profit for the year	-	-	-	-	3,906	41	**3,947**
Other changes (predominantly successive acquisition)							**-**
Dividends paid					(49,370)		**(49,370)**
Change in equity from acquisition					11,832		**11,832**
Successive acquisition						(15)	**(15)**
Accumulated translation difference	-	-	-	1,236	-	-	**1,236**
Consolidated comprehensive income	-	-	-	1,236	(33,632)	26	(32,370)
30 June 2010	**33,142**	**1,776**	**(221)**	**1,183**	**100,796**	**685**	**137,361**

8 Notes to the Interim Consolidated Financial Statements as at 30 June 2010 of KHD Humboldt Wedag International AG

1. Bases of Reporting

The interim financial statements of KHD Humboldt Wedag International AG, Cologne/Germany ("KHD AG" or "the Group") and the sets of interim financial statements of the subsidiaries included in the consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the related Interpretations of the International Accounting Standards Board (IASB), as applicable to interim reporting in the EU in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council on the application of International Accounting Standards. In compliance with IAS 34, the interim financial report does not include all information and notes to the financial statements that are necessary for consolidated financial statements as at the end of the financial year under IFRS.

The consolidated financial statements and discussion and analysis by the management of the Group as at the first half of the year 2010 on hand were neither audited by appropriate application of § 317 German Commercial Code (HGB) nor subject to a limited review by a professionally qualified auditor.

The accounting and measurement methods applied to the interim financial statements on hand are consistent with those applied as at 31 December 2009, unless changes are described, and are described in detail on pp. 25 of the annual report on the consolidated financial statements under IFRS of KHD AG.

Bidding expenses incurred in the financial year in the amount of € 2,191 thousand (prior year: € 3,775 thousand) are included in distribution costs; in the financial year 2009, these were disclosed under cost of sales. Management fees in the amount of € 451 thousand disclosed under other expenses in the prior year are disclosed for the first time under general and administrative expenses in the financial year 2010. The prior year's figures have been adjusted accordingly.

The interim financial statements convey a true and fair view of the net assets, financial position and results of operations in the reporting period.

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

The interim financial statements have been prepared in Euro. All amounts, including comparative figures, are stated in €'000. All amounts have been commercially rounded.

2. Group of Consolidated Entities

Besides KHD AG, the group of entities consolidated as at 30 June 2010 includes five (31 Dec. 2009: five) domestic and six foreign subsidiaries (31 Dec. 2009: one foreign subsidiary). Effective 29 March 2010, five companies were fully consolidated for the first time due to the acquisition of the international investments as described in the discussion and analysis by management and two joint ventures were for the first time included in consolidation within the scope of proportionate consolidation. One company was liquidated.

One subsidiary and one joint venture were not included in consolidation because their influence on the Group's net assets, financial position and results of operations is not material.

Besides KHD AG, the group companies include:

Name of entity	Registered office	Share in %		Primary activity		Capital stock / share capital
Subsidiaries						
KHD Humboldt Wedag GmbH	Cologne/Germany	100.00	D	Holding company	EUR	15,339,300
Humboldt Wedag GmbH	Cologne/Germany	100.00	I	Cement plant engineering	EUR	7,000,000
ZAB Zementanlagenbau GmbH Dessau	Dessau/Germany	100.00	I	Cement plant engineering	EUR	2,000,000
Blake International Ltd.	Tortola/BVI	100.00	I	Holding company	USD	1,000
KHD Humboldt Wedag Industrial Services AG	Cologne/Germany	88.62	I	Cement plant engineering	EUR	3,600,000
Erz- u. Kohleflotation GmbH	Bochum/Germany	100.00	I	Cement plant engineering	EUR	51,129
HIT Paper Trading GmbH	Vienna/Austria	88.62	I	In liquidation	EUR	35,000
Paper Space GmbH	Cologne/Germany	88.62	I	Inactive	EUR	25,000
Humboldt Wedag Australia Pty Ltd.	Victoria/Australia	100.00	I	Cement plant engineering	AUS	200,002
Humboldt Wedag Inc.	Norcross, Georgia/U.S.	100.00	I	Cement plant engineering	USD	1,000
Humboldt Wedag India Private Ltd.	New Delhi/India	100.00	I	Cement plant engineering	INR	19,200,000
KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd.	Beijing/China	100.00	I	Cement plant engineering	USD	780,000
Joint ventures						
KHD Engineering Holding GmbH	Vienna/Austria	50.00	I	Holding company	EUR	100,000
KHD Humboldt Engineering OOO	Moscow/Russia	50.00	I	Cement plant engineering	Rouble	3,350,000

D = directly owned
I = indirectly owned

3. Acquisitions

In connection with the legal separation of KHD Humboldt Wedag International Ltd. into two separate groups in the first quarter 2010, as part of which KHD AG became the holding company of the entire plant engineering operations including related services, KHD AG acquired several companies from KHD Humboldt Wedag International GmbH ("KIA"), Vienna/Austria, for a purchase consideration totalling € 12,621 thousand with effect from 29 March 2010. These are exclusively companies operating in the segment of plant engineering including related services, namely Humboldt Wedag Australia Pty. Ltd. (Australia), Humboldt Wedag Inc. (U.S.), Humboldt Wedag India Private Ltd. (India), Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd. (China) as well as a 50% share in KHD Engineering Holding GmbH (Austria). Furthermore, EKOF Flotation GmbH (Germany) was acquired.

The following assets, liabilities and equity as at 29 March 2010 relate to the companies newly acquired as part of the business combination as at this time:

ASSETS	€'000
Current assets	81,350
Non-current assets	1,595
Total assets	82,945
EQUITY & LIABILITIES	
Current liabilities	57,223
Non-current liabilities	1,268
Equity	24,454
Total equity & liabilities	82,945

The revenues and results for the year of the companies acquired as part of the business combination can be analysed as follows:

	1 Jan. to 31 Mar. 2010	1 Jan. to 30 June 2009
	€'000	€'000
Revenue	21,184	41,076
Net profit for the year	1,149	2,574

Acquisition costs amounted to € 12,621 thousand. They are matched by net assets in the amount of € 24,454 thousand. The acquisition constituted a transaction under common control, with negative goodwill in the amount of € 11,833 thousand being allocated to the undistributed profit carryforward.

4. Construction Contracts

Claims and commitments under construction contracts are accounted for by disclosing the recognised profits and costs after netting progress billing and onerous contracts.

	30 June 2010	31 Dec. 2009
	in €'000	in €'000
Costs previously incurred for work in progress	297,201	127,644
Proportionate profits under these contracts previously recognised	60,662	41,702
Total costs incurred and profits disclosed	357,863	169,346
Less allocated onerous contracts and provisions	(2,216)	(1,772)
Less progress billing	(390,079)	(176,574)
Balance of construction contracts	(34,432)	(9,000)
This amount is disclosed in the balance sheet as follows:		
Gross amount due from customers for construction work	46,034	38,413
Gross amount due to customers for construction work with service provision	(80,466)	(47,413)
	(34,432)	(9,000)
Gross amount due to customers for construction work with service provision	(80,466)	(47,413)
Advances received under construction contracts without service provision	(13,123)	(3,723)
Commitments under construction contracts	(93,589)	(51,136)

Like in the prior year, all sales revenues of the first half year 2010 result from construction contracts and services provided in the after sales segment.

5. Cash and Cash Equivalents

The Group discloses cash and cash equivalents in the amount of € 239,000 thousand (prior year: € 225,844 thousand), of which € 668 thousand (prior year: € 661 thousand) were deposited as a collateral for furnishing guarantees at banks.

	30 June 2010	**31 Dec. 2009**
	in €'000	in €'000
Bank balances and cash on hand	83,524	91,210
Current bank deposits	154,808	133,973
Cash with restriction on disposal, encumbrance and/or alienation for collaterals and guarantees	668	661
	239,000	225,844

6. Taxes on Income

The government tax audit covering the fiscal years 2005, 2006 and 2007 at the level of the German KHD AG Group companies, which had already been opened in the prior year, was terminated in the first half year 2010. This tax audit will result in payment of taxes for prior years totalling roughly € 2.3 million, which have already been taken into account or provided for in the interim financial statements of the Group. These taxes are due to be payable in the third quarter of 2010.

Adjusted for the special effects referred to above, the tax rate for the Group was 33.39% in the interim reporting period (prior year: 33.13%).

The income tax expense in the amount of € 5,910 thousand booked in the current financial year 2010 (prior year: tax asset of € 733 thousand) can be analysed as follows:

	1 Jan. to 30 June 2010	**1 Jan. to 30 June 2009**
	in €'000	in €'000
Current tax expense	(3,619)	(132)
Deferred tax expense	(2,291)	865
Annual tax expense	**(5,910)**	**733**

7. Related Party Disclosures

KGC Strategische Dienstleistungen UG ("KGC") and KHD Ltd. entered into a voting agreement on March 27th 2010 pursuant to which KHD Ltd. will exercise its voting rights in the shares only in accordance with the determination of KGC. As a consequence, the shares held by KHD Ltd. are attributed to KGC and vice versa.

Pursuant to § 21 WpHG Terra Nova and KGC Strategische Dienstleistungen UG notified that on May 4th 2010 the number of voting rights dropped below 75% and is to this date 74,34%.

The income and expenses are basically related to industrial plant engineering orders and selling, marketing and financing activities within KHD AG Group.

As at the end of March 2010, the following contracts existing between KHD AG Group companies and subsidiaries of Terra Nova Group were terminated:

- Treasury agreements / service and cost allocation agreements;
- Loan offer agreements;
- Asset and portfolio management agreement;
- Framework agency agreement;
- Technology licence agreement.

The bond arrangement agreement, which had been concluded under the lead management of Raiffeisen Zentralbank, Vienna/Austria, with original effect from 1 December 2006 which provides for detailed regulations governing the services provided by KIA, a direct subsidiary of Terra Nova, with respect to the provision and collateralisation of a guarantee line for all industrial plant engineering companies of KHD AG Group, remained unchanged as at the 2010 financial year end.

Acquisitions

For details, see the related statements under Item 3.

Revenue

The revenue from related parties amounts to € 111 thousand (prior year from 1 January to 30 June 2009: € 3,583 thousand). It relates exclusively to revenue generated with Terra Nova Group.

Costs

The costs of transactions with related parties can be analysed as follows:

	1 Jan. to 30 June 2010	1 Jan. to 30 June 2009
	in €'000	in €'000
Terra Nova Group companies	1,336	23,836
	1,336	**23,836**

Receivables

The Group discloses the following receivables from related enterprises as at 30 June 2010:

	30 June 2010	31 Dec. 2009
	in €'000	in €'000
Terra Nova Group companies	9,472	51,137
	9,472	**51,137**

Like in the prior year, the receivables from the Terra Nova Group companies basically relate to advances to KIA.

The liabilities include the following current items:

	30 June 2010	31 Dec. 2009
	in €'000	in €'000
Terra Nova Group companies	493	8,314
	493	**8,314**

8. Post-balance-sheet-date Events

There were no major events after the end of the half year.

9. Assurance of Legal Representatives

To the best of our knowledge, we assure that, in accordance with the accounting principles applicable to the interim reporting, the interim consolidated financial statements convey a true and fair view of the Group's net assets, financial position and results of operations and the business development including the operating result and the Group's state of affairs are presented in the interim discussion and analysis by the management of the Group in such a way that a true and fair view is conveyed as well as that the major risks and opportunities of the Group's anticipated development are described in the interim discussion and analysis by the management of the Group.

Furthermore, we assure that the interim financial report is in compliance with the regulations under IAS 34 as well as the further applicable International Accounting Standards and the applicable Interpretations of the Standing Interpretations Committee.

The Board of Directors

Cologne/Germany, 17 August 2010

Jouni Salo Manfred Weinandy

KHD Humboldt Wedag International AG
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KHD HUMBOLDT WEDAG – GLOBAL EXCELLENCE

KHD is a customer focused equipment supplier and service company providing competitive and environmentally friendly technologies to the cement and mining industries. **KHD** is listed on the Frankfurt stock exchange and has been providing industrial plant equipment and services for over 150 years.