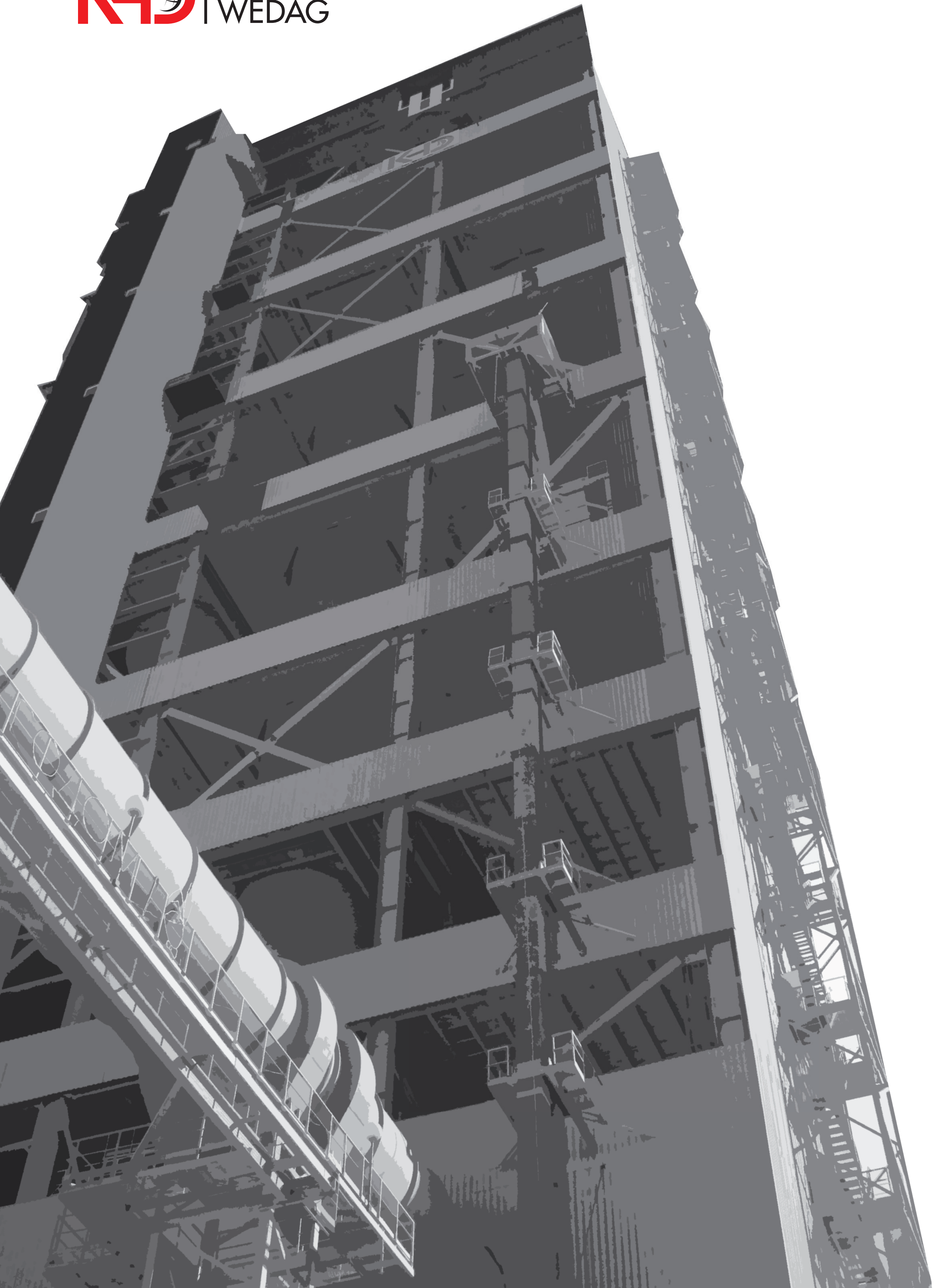
KHD HUMBOLDT WEDAG

HALF YEAR REPORT 2011



FINANCIAL HIGHLIGHTS

in € million	Legal 30.06.2011	Legal 30.06.2010	Variance in %	Legal 30.06.2011	Pro-forma* 30.06.2010	Variance in %
Order Intake	87.4	105.4	-17.1	87.4	144.5	-39.5
Order Backlog	284.4	313.7	-9.3	284.4	313.7	-9.3
Revenue	106.6	114.4	-6.8	106.6	135.4	-21.3
Gross Profit	23.7	21.7	9.2	23.7	25.3	-6.3
EBIT	7.2	9.9	-27.3	7.2	11.6	-37.9
EBT	9.5	9.9	-4.0	9.5	11.9	-20.2
Net result of the period	6.4	3.9	64.1	6.4	5.1	25.5
EPS in EURO, Cent	0.14	0.12	16.7	0.13	0.15	-13.3
Cash/Securities	323.3	240.4	34.5	323.3	240.4	34.5

* extended group

COMPANY PROFILE

- Global supplier of equipment and services for the cement industry with headquarter in Cologne
- History of over 150 years of building on new technologies, innovations and high-end processes to meet the global cement industry demand
- Technology focused company specialized in process engineering and project execution
- Wide range of services and products for the cement industry
- High competence in eco-friendly and efficient products for pyro processing and grinding
- Worldwide 752 employees
- Presence in emerging markets like India, Russia / CIS, as well as in USA and EMEA

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LETTER TO THE SHAREHOLDERS

**Dear shareholders,
colleagues and business partners,**

After winning several new jobs in Turkey, where KHD is market leader, KHD Humboldt Wedag International AG (KHD) was able to regain strength in the second quarter and booked an order intake of € 51,4 million after a slow start in the first quarter 2011, with an order intake of € 36 million.

We expect major improvements in order intake to continue during the second half of 2011. To underline this KHD just booked a major order of over € 80 million for two cement lines in July 2011.

During the course of 2011 KHD will continue to expand its global sales and service presence by opening sales and service offices in Istanbul, South Africa and Brazil, which will bring us even closer to our customers.

Our engineering teams continue to work on standardizing our product portfolio, which will bring long-term cost and efficiency benefits to the company. We are also very pleased with progress of our partnership with China based AVIC International Beijing Company Ltd. (AVIC). The cooperation agreement with AVIC was signed in February and witnessed by both the Chinese and German trade ministers. KHD and AVIC immediately began working together and in April Yizhen “Mario” Zhu joined the KHD Management Board in Cologne as COO Asia Pacific. During the same month KHD and AVIC joined forces at the CemenTech in Beijing - China’s largest trade show in the cement industry. The KHD/AVIC stand was visited by many major players in the industry. The hard work continued and in May the teams from both companies were able to open a joint procurement centre, which already began to improve KHD’s cost structure. Engineering teams from KHD and AVIC are also working very closely with one another on proposals in Asia, South America and Africa.

Our Customer Service Centre Asia Pacific, launched in June, will also allow us to focus even more on the needs of our customers in this region.

In addition to the successful partnership with AVIC, KHD has high expectations for the cooperation with the mining machinery and service experts from Weir Group PLC (WEIR). KHD owes a large part of the order intake in the first quarter to this cooperation. The equipment sales and parts and service business generated by the partnership continues to play an ever increasing role in KHD order intake. The work with the service professionals at WEIR has proven itself already. In the first quarter KHD machines underwent major refurbishment works directly on site in both Chile and Australia. In earlier times this type of work would have had to be done in Germany. Due to the transportation time KHD would have most likely missed out on this business. During 2011 KHD and WEIR have had joint stands at some of the most prominent trade exhibitions in the mining industry in Chile, Australia, the USA, South Africa and India. KHD and WEIR will also be present at China’s next major mining exhibition.

After a somewhat slow start into the year our market has gained momentum and contracts are again being awarded and KHD looks forward to winning more projects, becoming more efficient and utilizing our strategic partnerships and new sales offices to better serve our customers and win new business. We also look forward to keeping you up to date on all of these exciting aspects of our business as the year continues.

Jouni Salo
CEO

Manfred Weinandy
CFO

Yizhen Zhu
COO Asia Pacific

INFORMATION ON THE SHARE

Share price

Period: 1.1.2011 until 15.7.2011

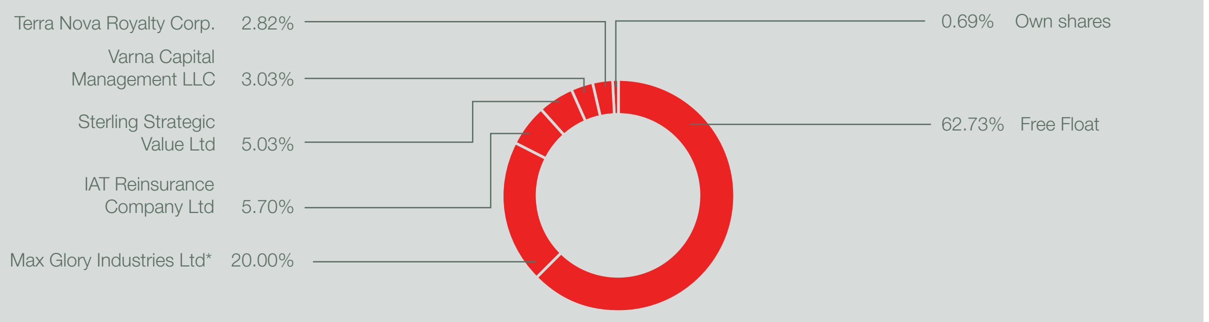
Key data

ISIN	DE0006578008
German Securities Identification Number (WKN)	657800
Ticker symbol	KWG
Economic sector	Industrial plant and services
Stock market sector	Plant engineering
Trading segment	Regulated Market of the Frankfurt Stock Exchange (General Standard)
Currency	Euro
Initial listing in the Regulated Market	31 March 2010
Issued capital as of 30 June 2011	€ 49,703,573
Number of shares as of 30 June 2011	49,703,573
Type of shares	Ordinary bearer shares
Designated Sponsor	Lang & Schwarz
Financial year-end	31 December
2011 share price high	€ 8.24
2011 share price low	€ 5.56
Closing price year as of 30 June 2011	€ 5.88

Capital increase

On 16 February 2011, KHD successfully concluded a capital increase according to the resolution passed on 21 December 2010. The new ordinary bearer shares, each with a notional amount in the share capital of € 1.00 per share, were issued at a price of € 4.53 per share. Existing shareholders subscribed for a total of 6,620,306 shares. Max Glory Industries Ltd. (MGI) acquired unsubscribed shares in the amount of 9,940,715 shares and now holds 20 % of the KHD shares. MGI is an indirect subsidiary of AVIC. With the conclusion of this transaction KHD's share capital increased by € 16,561,021 from € 33,142,552 to € 49,703,573. The gross issue proceeds from the transaction amounted to approximately € 75 million. The new shares began trading on 21 February 2011.

Shareholder Structure (as of 31 July 2011)



* Max Glory Industries is a 100% subsidiary of AVIC International Beijing Company Ltd.

Financial calendar 2011

The interim announcement for the third quarter of 2011 will be published on 10 November 2011.

INTERIM GROUP MANAGEMENT REPORT

BUSINESS OPERATIONS AND BUSINESS ENVIRONMENT

Business environment

In the first half of 2011, the cement industry showed little growth in overall terms. The consequences of the continued violent disturbances in North Africa and the Middle East also had tangible impacts on the cement business. Major uncertainty persists for the entire region, which has led to delays in awarding and executing projects.

On the positive side cement consumption is forecasted to increase by 6 % in both 2011 and 2012, according to recent market analyses from Exane BNP Paribas. Market reports show that the BRIC states and Turkey, in particular, will be the main drivers of this growing demand. Factors such as urbanisation, demographic trends and infrastructure requirements should trigger higher construction activity levels in these emerging economies, according to the IMF. Growth rates of between 5 % and 10 % are anticipated for these markets, and in excess of 10 % for the Russian market.

Business operations

Order intake and order backlog

At € 87.4 million, order intake in the first half of 2011 was behind expectations. Compared with a weak first quarter with new orders of € 36.0 million, the second quarter 2011 registered growth, with order intake going up to € 51.4 million. While the business with roller presses for the minerals industry reported a positive trend, the capital projects for the cement business reported a comparatively low level of order intake, which was predominantly due to customers postponing new projects. Strongest single market in the first half of the year was Turkey.

KHD still has a strong order backlog amounting to € 284.4 million as of 30 June 2011, which is slightly below the order backlog level at the end of 2010 (€ 303.5 million). Again this is chiefly due to the lower order intake in the first half of 2011.

Financial management

Contracts are largely concluded in the local currency of the respective KHD entity. Derivatives are used to hedge against currency risks. The derivative financial instruments utilised exclusively comprise of foreign exchange forward contracts.

A credit facility of € 150 million for various hedging instruments such as bank guarantees, letters of credit or payment securities is available to all KHD Group companies through a bank consortium.

Research and development (R&D)

The research and development activities are almost exclusively performed at the Cologne location. R&D activities continued to focus on standardising major components and boosting the efficiency of cement manufacturing plants. Along with developing eco-friendly products by focusing on high energy efficiency and reduction of emissions, further important R&D topics include the utilisation of alternative fuels.

Employees

As at the end of June 2011, the number of employees within the KHD Group stood at 752 members of staff, excluding trainees. The number of employees has dropped by a total of 17 individuals compared with the previous year.

NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Net assets

Total assets amounted to € 461.6 million as of 30 June 2011 balance sheet date which reflects an increase of 12 % over the value of € 413.3 million as of 31 December 2010. The capital increase in the first quarter of 2011 resulted in a significant rise in equity. The equity ratio was 49.4 % as per the balance sheet date and underscores the Group‘s continued healthy capital structure.

Within current assets, cash and cash equivalents underwent a slight reduction compared to 31 December 2011. In this context, it should be noted that approximately € 31 million of short-term fixed-interest securities were acquired in the second quarter of 2011, which are presented as other financial assets. Of the total cash balance, € 13.2 million comprises restricted cash deposited for bank guarantees. Net proceeds of € 74.7 million from the capital increase contributed to an increase in cash and cash equivalents which was partly offset by negative cash flow from operating activities of € 44.8 million.

At € 51.5 million, total non-current liabilities remained at a stable level (31 December 2010: € 49.2 million). Trade payables of € 82.7 million (31 December 2010: € 92.4 million) were lower due to lower business volume. Income tax liabilities of € 4.9 million were significantly lower than the € 20.9 million as of 31 December 2010 due to tax payments primarily for the financial year 2010.

Financial position

Cash and cash equivalents amounted to € 290.7 million as of 30 June 2011 (31 December 2010: € 293.1 million). Adding approximately € 31 million of short-term securities gives a total figure of € 323.3 million.

Cash flow from operating activities amounted to € -44,8 million in the first half of 2011, particularly taking € 22.5 million of income tax paid into account. At € 74.7 million, cash flow from financing activities relates to cash inflow arising from the issuing of shares in connection with the capital increase that was carried out in the first quarter of 2011.

Cash flow from investing activities primarily reflects cash outflow for the purchase of approximately € 31 million in short-term securities.

Results of operations

Particularly due to the lower level of order intake in the 2009 recession year, revenue in the first half of 2011 was down by 6.8 % year-on-year to € 106.6 million (€ 114.4 million) on a legal basis. On a pro-forma basis revenue decreased by 21.3 %, from € 135.4 million to € 106.6 million.

Particularly due to the lower revenues, gross profit declined on a year-on-year comparison (pro-forma), from € 25.3 million to € 23.7 million. This represents a gross margin of 22.2 %. The EBIT of € 7.2 million as of 30 June 2011 is slightly above the expected range for the half year reporting period and corresponds to a 6.8 % margin. When making a year-on-year comparison, it should be noted that the first half of 2010 was positively affected by special effects, such as the release of provisions for cancelled contracts.

Sales expenses increased compared with the first half of 2010 (pro-forma). This is particularly due to a higher level of tenders being prepared and submitted. While general and administrative expenses fell slightly year-on-year on a pro-forma basis, other expenses underwent a major reduction compared with the first half of 2010 (pro-forma). This primarily relates to expenses incurred in the first half of the previous year for short-time working at the Group company Humboldt Wedag GmbH in Cologne.

Net finance income was notably positive at € 2.3 million (previous year on a pro-forma basis: € 0.3 million), which particularly reflected interest income due to the continued good liquidity position, and gains from forward currency transactions. As a consequence, KHD achieved earnings before tax (EBT) of € 9.5 million in the first half of 2011 (previous year on a pro-forma basis: € 11.9 million). The income tax expense of € 3.1 million was significantly lower than the previous year`s figure of € 6.8 million (pro-forma). The Group achieved net income of € 6.4 million in the first half of 2011 (previous year on a pro-forma basis: € 5.1 million). Both diluted and basic earnings per share amounted to € 0.14 (previous year: € 0.12).

RISKS AND OPPORTUNITIES

Since there has been no significant change in the assessment of risks and opportunities compared with 31 December 2010, please refer to the related report contained in KHD Group management report as of 31 December 2010 (page 28 ff of the annual report 2010).

OUTLOOK

Along with rising cement consumption, demand for state-of-the-art equipment continues to be driven by rising energy costs and ever stricter emissions reduction requirements for the cement industry. Major cement producers have meanwhile largely recovered financially, and are now increasing their investment volumes.

Management expects a significant increase in order intake in the second half of the year and KHD has already booked a major order of € 80 million in July 2011 for two new cement lines.

Revenue in the 2011 financial year will not reach the € 300 million threshold. This is due to the fact that the planned order intake will shift from the first to the second half of 2011. These orders will therefore make only a minor contribution to revenue for the financial year 2011. As a consequence, the expected Group revenue now lies at the level of approximately € 270 million.

We therefore anticipate an EBIT margin of between 6 % and 7 % for the current financial year 2011.

With a view to the 2012 financial year, the company anticipates a positive market environment in almost all regions of the world.

REPORT ON POST BALANCE SHEET DATE EVENTS

A member of the KHD group of companies has entered into contracts with an undisclosed cement producer for two new cement production lines. The total value of the contracts is in excess of € 80 million and includes basic and detailed engineering, equipment supply and advisory supervision services. The execution of these contracts has already started.

There were no further events of particular significance that occurred after the conclusion of the first half of 2011.

The Management Board

Cologne, 12 August 2011

Jouni Salo	Manfred Weinandy	Yizhen Zhu
CEO	CFO	COO Asia Pacific

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

GROUP INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2011 OF KHD HUMBOLDT WEDAG INTERNATIONAL AG

in € ´000	1 Jan. to 30 June 2011	1 Jan. to 30 June 2010
Revenue	106,591	114,368
Cost of sales	(82,858)	(92,632)
Gross profit	**23,733**	**21,736**
Other operating income	862	4,639
Sales expenses	(6,358)	(5,093)
General and administrative expenses	(8,662)	(8,054)
Other expenses	(2,734)	(4,869)
Restructuring income	329	1,531
Profit before tax and financial result	**7,170**	**9,890**
Finance income	3,595	1,135
Finance expenses	(1,272)	(1,168)
Profit before tax	**9,493**	**9,857**
Income tax expense	(3,076)	(5,910)
Net profit for the period	**6,417**	**3,947**
Of which are attributable to:		
Parent company shareholders	6,382	3,906
Non-controlling interests	35	41
	6,417	**3,947**

EARNINGS PER SHARE

in € '000	30 June 2011	30 June 2010
Net profit attributable to shareholders	6,382	3,906
Weighted average number of shares outstanding	45,311,557	32,913,416
Basic (undiluted) and diluted earnings per share in €	0.14	0.12

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2011 OF KHD HUMBOLDT WEDAG INTERNATIONAL AG

in € ´000	1 Jan. to 30 June 2011	1 Jan. to 30 June 2010
Net profit for the period	6,417	3,947
Foreign currency translation differences	(1,825)	1,236
Comprehensive income	**4,592**	**5,183**
Of which are attributable to:		
Parent company shareholders	4,557	5,142
Non-controlling interests	35	41
	4,592	**5,183**

GROUP BALANCE SHEET AS OF 30 JUNE 2011 OF KHD HUMBOLDT WEDAG INTERNATIONAL AG

Assets

in € ´000	30 June 2011	31 Dec. 2010
Non-current assets		
Property, plant and equipment	4,252	3,045
Goodwill	2,127	2,127
Other intangible assets	805	913
Deferred tax assets	3,504	3,191
Non-current financial assets	12,752	16
Total non-current assets	**23,440**	**9,292**
Current assets		
Inventories	10,090	8,267
Gross amount due from customers for contract work	26,899	21,159
Trade and other receivables	54,825	57,448
Payments made in advance	21,583	21,203
Other financial assets	32,638	1,857
Income tax assets	1,407	1,046
Cash and cash equivalents	290,687	293,060
Total current assets	**438,129**	**404,040**
Total assets	**461,569**	**413,332**

Equity and liabilities

in € ´000	30 June 2011	31 Dec. 2010
Equity		
Issued capital	49,704	33,142
Capital reserves	59,873	1,776
Treasury shares	(221)	(221)
Currency translation differences	(1,281)	544
Retained earnings	118,863	112,473
Shares of equity attributable to parent company shareholders	226,938	147,714
Non-controlling interests	868	841
Total equity	**227,806**	**148,555**
Non-current liabilities		
Other liabilities	8,459	8,318
Pension benefit obligations	20,163	20,388
Deferred tax liabilities	6,658	9,681
Provisions	16,218	10,772
Total non-current liabilities	**51,498**	**49,159**
Current liabilities		
Trade and other payables	82,741	92,381
Commitments under construction contracts	63,820	63,048
Income tax liabilities	4,931	20,864
Provisions	30,773	39,325
Total current liabilities	**182,265**	**215,618**
Total equity and liabilities	**461,569**	**413,332**

GROUP STATEMENT OF CASH FLOW FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2011 OF KHD HUMBOLDT WEDAG INTERNATIONAL AG

in € ´000	1 Jan. to 30 June 2011	1 Jan. to 30 June 2010
Cash flow from operating activities		
Net profit for the period	6,417	3,947
Income tax expense recognised in the income statement	3,076	5,910
Net finance cost recognised in the income statement	(2,323)	33
Earnings before interest and tax (EBIT)	**7,170**	**9,890**
Amortisation, depreciation and write-downs of non-current assets	633	494
Increase(-)/Decrease in trade receivables and financial assets	(10,113)	26,515
Increase(-)/Decrease in inventories and gross amount due from customers for contract work	(7,563)	(1,403)
Increase(-)/Decrease in payments made in advance and other financial assets	(128)	5,412
Increase(+)/Decrease in trade and other payables and commitments under construction contracts	(8,868)	(14,197)
Increase(+)/Decrease in pension benefit obligation	(225)	(220)
Increase(+)/Decrease in provisions	(2,965)	(17,349)
Other non-cash transactions	68	(735)
Dividends received	-	6
Income tax received	(361)	-
Income tax paid	(22,487)	(1,568)
Cash flow from operating activities	**(44,839)**	**6,845**
Cash flow from investing activities		
Interest received from Intercompany loans	-	37
Cash outflow for intangible assets	(1,772)	(658)
Cash outflow for property, plant and equipment	(81)	(382)
Cash inflow from disposal of property, plant and equipment	121	56
Cash outflow from addition of consolidated companies and other business units less cash received	-	20,881
Cash inflow from repayment of non-current receivables	-	38,205
Cash outflow relating to the short term financial management of cash investments	(31,033)	-
Cash flow from investing activities	**(32,765)**	**58,139**

in € ´000	1 Jan. to 30 June 2011	1 Jan. to 30 June 2010
Cash flow from financing activities		
Cash inflow from issue of shares	74,659	-
Interest received	2,752	1,109
Payment for purchase of shares from non-controlling interests	-	(15)
Net amount of loans raised and repaid	-	(3,552)
Dividends paid to parent company shareholders	-	(49,370)
Change in restricted cash (collateral for bank guarantees)	578	(7)
Cash flow from financing activities	**77,989**	**(51,835)**
Change in unrestricted cash and cash equivalents	**385**	**13,149**
Opening balance of unrestricted cash and cash equivalents	279,332	225,183
Exchange rate effects	(2,180)	-
Closing balance of unrestricted cash and cash equivalents	**277,537**	**238,332**

in € ´000	30 June 2011	30 June 2010
Composition of cash and cash equivalents		
Bank balances and cash	35,601	83,524
Short-term bank deposits and restricted cash	255,086	155,476
Total cash and cash equivalents	**290,687**	**239,000**
Restricted cash (collateral for bank guarantees)	(13,150)	(668)
Closing balance of unrestricted cash and cash equivalents	**277,537**	**238,332**

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2011 OF KHD HUMBOLDT WEDAG INTERNATIONAL AG

in € ´000	Issued capital	Capital reserves	Treasury shares
31 Dec. 2009	**33,142**	**1,776**	**(221)**
Net profit of the period	-	-	-
Currency translation differences	-	-	-
Comprehensive income	-	-	-
Dividend payments	-	-	-
Change in equity due to acquisition of Group entities	-	-	-
Purchase of non-controlling interests	-	-	-
30 June 2010	**33,142**	**1,776**	**(221)**
Net profit of the period	-	-	-
Currency translation differences	-	-	-
Comprehensive income	-	-	-
Purchase of non-controlling interests	-	-	-
31 Dec. 2010	**33,142**	**1,776**	**(221)**
Net profit of the period	-	-	-
Currency translation differences	-	-	-
Comprehensive income	-	-	-
Issue of shares	16,562	58,460	
Transaction costs for issue of shares		(363)	
Purchase of non-controlling interests	-	-	-
30 June 2011	**49,704**	**59,873**	**(221)**

Currency translation differences	Retained earnings	Equity attributable to parent company shareholders	Non-controlling interests	Total
(53)	**134,428**	**169,072**	**659**	**169,731**
-	3,906	3,906	41	3,947
1,236	-	1,236		1,236
1,236	3,906	5,142	41	5,183
-	(49,370)	(49,370)	-	(49,370)
-	11,832	11,832	-	11,832
-	-	-	(15)	(15)
1,183	**100,796**	**136,676**	**685**	**137,361**
-	11,677	11,677	176	11,853
(639)	-	(639)		(639)
(639)	11,677	11,038	176	11,214
-	-	-	(20)	(20)
544	**112,473**	**147,714**	**841**	**148,555**
-	6,382	6,382	35	6,417
(1,825)	-	(1,825)		(1,825)
(1,825)	6,382	4,557	35	4,592
		75,022		75,022
		(363)		(363)
-	8	8	(8)	-
(1,281)	**118,863**	**226,938**	**868**	**227,806**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF KHD HUMBOLDT WEDAG INTERNATIONAL AG AS OF 30 JUNE 2011

1. Group structure and affiliated companies

KHD is one of the world's leading providers of equipment and services for cement producers. In its capacity as the managing holding company of the Group, KHD holds a 100 % interest in KHD Humboldt Wedag GmbH, Cologne / Germany, as was the case as of 31 December 2010. The core business areas of KHD's 13 Group companies are industrial plant engineering and providing related services. In its strategic and operative alignment, the Group entities are focused on planning and constructing plants for the cement industry as well as on providing an extensive package of services.

2. Reporting principles

The interim financial statements of KHD and interim financial statements of the subsidiaries that are included in the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB), as applicable pursuant to Directive Number 1606 / 2002 of the European Parliament and Council concerning the application of International Accounting Standards in the EU for interim financial reporting. In accordance with IAS 34, this interim report does not contain all information and notes to the financial statements that IFRS requires for consolidated financial statements at the end of a financial year.

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

The accounting and measurement methods applied in these interim financial statements are consistent with those applied at 31 December 2010, unless changes are described. The accounting and measurement methods applied are described in detail in KHD's annual report on the IFRS consolidated financial statements on pages 60 ff.

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

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

The interim financial statements have been prepared in Euro. All amounts, including comparative figures, are stated basically in thousands of Euro (€ ´000). All amounts have been commercially rounded.

3. Applying new or revised International Financial Reporting Standards

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 were relevant for the Group's operating activities, and to the extent that these had taken effect for the reporting period.

- Amendment of IAS 24, Related Party Disclosures – Government Business Enterprises and Definition of a Related Party (applicable for financial years beginning on or after 1 January 2011)
- Amendment of IAS 32 Financial Instruments: Presentation - accounting treatment of rights issues (applicable for financial years commencing on or after 1 February 2010)
- Amendment of 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)
- Change standard within the framework of the annual IFRS improvement process (May 2010), minor changes to various IFRSs (mostly applicable for financial years beginning on or after 1 January 2011).

The application of these revised standards has no material effect on the net assets, financial position and results of operations.

4. Consolidation

Subsidiaries are companies where KHD holds, directly or indirectly, more than 50 % of the voting rights, or controls the business activities in another manner. These companies are, as a general rule, consolidated. Subsidiaries are consolidated from the date when actual control is transferred to KHD, and are deconsolidated from the date when control no longer exists. All intercompany transactions, balances and unrealised profits or losses on intragroup transactions are eliminated. The accounting and measurement principles applicable to subsidiaries under statutory local law are adjusted in order to ensure consistency with the accounting and measurement principles of KHD. Non-controlling interests are presented and commented upon separately.

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

Besides KHD AG, the Group companies comprise:

Name of company	Based in	Share-holding in %		Currency	Capital stock / share capital
Subsidiaries					
KHD Humboldt Wedag GmbH	Cologne	100.00	D	€	15,339,300
Humboldt Wedag GmbH	Cologne	100.00	I	€	7,000,000
ZAB Zementanlagenbau GmbH Dessau	Dessau	100.00	I	€	2,000,000
Blake International Ltd.	Tortola	100.00	I	USD	1,000
KHD Humboldt Wedag Industrial Services AG	Cologne	89.07	I	€	3,600,000
EKOF Flotation GmbH	Bochum	100.00	I	€	51,129
Humboldt Wedag Australia Pty Ltd.	Braeside	100.00	I	AUD	200,002
Humboldt Wedag Inc.	Norcross	100.00	I	USD	1,000
Humboldt Wedag India Private Ltd.	New Delhi	100.00	I	INR	19,200,000
KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd	Beijing	100.00	I	USD	1,050,000
Joint ventures					
KHD Engineering Holding GmbH	Vienna	50.00	I	€	100,000
OOO KHD Humboldt Engineering	Moscow	50.00	I	RUB	3,350,000

D = directly owned
I = indirectly owned

5. 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 has only a single reportable segment because it almost exclusively operates in the industrial plant engineering business. The activities related to the holding function are not a separate part of internal financial reporting and are neither reviewed separately with regard to performance nor with regard to allocation of resources. Management control is especially based on balance sheet and income statement figures. The revenue figure analysed is comprised of revenue under construction contracts and from service revenue. The major business activity of the Group is the development, production and distribution of industrial equipment, especially for cement plants. The measurement principles used for the internal reporting are in line with the IFRS principles used for the consolidated financial statements. The Management Board as chief operating decision maker assess the profitability of the business based on operating results (profit before tax).

The following table provides an overview of business for the half-years 2011 and 2010:

in € million	2011	2010
Order intake	87	105
Orders backlog*	284	314
Revenue	107	114
Cost of sales	-83	-92
Gross profit	24	22
Expenses	-14	-12
Profit before tax	10	10
Increase in cash and cash equivalents	0	13
Total assets*	462	413
Liquidity*	291	293
Liabilities*	233	265

*as of 30 June of each year

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

	Revenue		Non-current assets	
in € ´000	1 Jan. to 30 June 2011	1 Jan. to 30 June 2010	30 June 2011	31 Dec. 2010
Germany	5,024	7,847	19,004	5,104
Russia	28,841	29,508	8	8
Rest Europe	2,737	3,535	-	-
North America	2,154	1,552	56	94
South America	5,745	350	-	-
Middle East	10,621	12,995	-	-
India	44,689	35,716	849	878
China	1,139	8,270	1	1
Rest Asia	2,975	1,133	-	-
Africa	1,277	12,210	-	-
Other	1,389	1,252	-	-
Sum	**106,591**	**114,368**	**19,918**	**6,085**

in € ´000	Order intake 1 Jan. to 30 June 2011	1 Jan. to 30 June 2010	Order backlog 30 June 2011	31 Dec. 2010
Germany	2,060	2,480	134	3,012
Russia	3,228	23,755	50,776	72,357
Rest Europe	2,548	446	2,454	2,641
North America	10,346	1,746	9,263	1,947
South America	15,100	14,076	21,145	10,959
Middle East	24,664	17	43,444	29,398
India	22,699	44,302	112,819	133,201
China	1,868	302	5,798	5,070
Rest Asia	(579)	15,357	25,114	30,059
Africa	6,187	-	7,797	6,950
Other	(746)	2,929	5,668	7,936
Sum	**87,375**	**105,410**	**284,412**	**303,530**

6. Construction contracts

The gross amount due from or due to customers for construction contracts is presented as the net amount of costs incurred plus recognised profits less progress billings and recognised losses.

in € ´000	30 June 2011	31 Dec. 2010
Costs incurred to date for construction contracts	210,934	245,071
Proportionate profits under these contracts recognised to date	40,887	43,541
Total costs incurred and profits recognised	251,821	288,612
Less recognised contract losses	(921)	(1,833)
Less progress billings	(273,951)	(311,794)
Balance of construction contracts	**(23,051)**	**(25,015)**
This amount is reported in the balance sheet as follows:		
Gross amount due from customers for contract work	26,899	21,159
Gross amount due to customers for contract work	(49,950)	(46,174)
	(23,051)	**(25,015)**
Gross amount due to customers for contract work	(49,950)	(46,174)
Advances received for construction contracts (before related work is performed)	(13,870)	(16,874)
Commitments under construction contracts	**(63,820)**	**(63,048)**

Of the revenue of € 106,591 thousand booked in the period under review, € 92,580 thousand (previous year 30 June 2010: € 114,368 thousand) is attributable to construction contracts for which revenue was recognised on the basis of the percentage of completion.

7. Cash and cash equivalents

The Group reports cash and cash equivalents of € 290,687 thousand (previous year: € 293,060 thousand). Of this amount, € 13,150 thousand (previous year: € 668 thousand) is deposited as collateral for bank guarantees.

in € ´000	30 June 2011	31 Dec. 2010
Bank balances and cash	35,602	74,513
Short-term bank deposits and cash equivalents	241,935	204,819
Restricted cash (collateral for guarantees)	13,150	13,728
	290,687	**293,060**

8. Income tax

The tax quote was 32.40 % in the interim reporting period (prior year till 30 June 2010: adjusted for special effects 33.39 %).

The income tax expense of € 3,076 thousand booked in the first half year 2011 (previous year: tax expense of € 5,910 thousand) is composed as follows:

in € ´000	1 Jan. to 30 June 2011	1 Jan. to 30 June 2010
Current tax expense	(6,356)	(3,619)
Deferred tax income / expense	3,280	(2,291)
Tax expense of the period	**(3,076)**	**(5,910)**

9. Related party disclosures

As 30 June 2011, AVIC holds a 20 % stake in KHD through its wholly-owned subsidiary interest in Max Glory Industries Ltd. (MGI). A cooperation agreement with AVIC is effective since February of this year.

10. Other disclosures

On 16 February 2011, KHD successfully concluded a capital increase according to the resolution passed on 21 December 2010. The new ordinary bearer shares, each with a notional amount in the share capital of € 1.00 per share, were issued at a price of € 4.53 per share. Existing shareholders subscribed for a total of 6,620,306 shares. Max Glory Industries Ltd. (MGI) acquired unsubscribed shares in the amount of 9.940.715 shares and now holds 20 % of the KHD shares. MGI is an indirect subsidiary of AVIC. With the conclusion of this transaction KHD's share capital increased by € 16,561,021 from € 33,142,552 to € 49,703,573. The gross issue proceeds from the transaction amounted to approximately € 75 million. The new shares began trading on 21 February 2011.

Within the scope of its normal business transactions, the Group has contingent liabilities due to advance guarantees, performance bonds and guarantees for warranty obligations. The Group does not anticipate any material liabilities due to these commitments. As part of normal business activities, the Group has furnished guarantees in an amount of € 100.9 million (previous year 31 December 2010: € 106.7 million).

11. Report on post balance sheet date events

A member of the KHD group of companies has entered into contracts with an undisclosed cement producer for two new cement production lines. The total value of the contracts is in excess of € 80 million and includes basic and detailed engineering, equipment supply and advisory supervision services. The execution of these contracts has already started.

There were no further events of particular significance that occurred after the conclusion of the first half of 2011.

12. Responsibility statement

To the best of our knowledge we assure that in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and results of operations of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

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

The Management Board

Cologne, 12 August 2011

Jouni Salo	Manfred Weinandy	Yizhen Zhu
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This half year report is published in German and English. In the event of any discrepancies, the German version prevails.

Legal disclaimer

This half year report contains forward-looking statements concerning KHD's future developments, its business, and its net assets, financing position and results of operations. These forward-looking statements are based on the management's current assessments. Such statements are characterised by words such as „foresee", „believe", „expect", „predict", „plan", „estimate", „assume", „can/could", „should" and similar formulations. These statements are based exclusively on circumstances on the date of their publication, and are consequently subject to certain risks and uncertainties. Should these risks be realised either wholly or partially, should one or several of the uncertainties occur, or should the assumptions underlying the statements prove incorrect, actual results may diverge significantly from the expectations referred to, or from the expectations that have been expressed implicitly. We do not intend, nor do we assume the responsibility, to update forward-looking statements continuously. This annual report is published in both German and English. The German version is the authoritative version.

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