

**CLEAN  
TECHNOLOGY**

Cementing a stronger future

# Key Figures

| <b>in € million</b>                 | <b>Jan. 1-<br/>June 30, 2013</b> | <b>Jan. 1-<br/>June 30, 2012</b> | <b>Variance<br/>in %</b> |
|-------------------------------------|----------------------------------|----------------------------------|--------------------------|
| Order intake                        | 40.4                             | 248.4                            | -83.7                    |
| Revenue                             | 111.5                            | 102.5                            | 8.8                      |
| Gross profit                        | 17.6                             | 20.4                             | -13.7                    |
| Gross profit in %                   | 15.8                             | 19.9                             | -                        |
| EBIT                                | 3.1                              | 2.2                              | 40.9                     |
| EBIT in %                           | 2.8                              | 2.1                              | -                        |
| EBT                                 | 4.0                              | 3.9                              | 2.6                      |
| Group net profit for the period     | 2.6                              | (0.2)                            | -                        |
| EPS (in €)                          | 0.05                             | 0.00                             | -                        |
| Cash flow from operating activities | (23.4)                           | (32.8)                           | 28.7                     |
| Cash flow from investing activities | (0.5)                            | (1.8)                            | 72.2                     |
| Cash flow from financing activities | (35.3)                           | 14.1                             | -                        |
|                                     | <b>June 30, 2013</b>             | <b>Dec. 31, 2012</b>             | <b>Variance<br/>in %</b> |
| Equity                              | 226.3                            | 229.3*                           | -1.3                     |
| Equity ratio in %                   | 53.6                             | 52.6*                            | -                        |
| Cash and cash equivalents           | 253.9                            | 282.6                            | -10.2                    |
| Order backlog                       | 419.9                            | 491.0                            | -14.5                    |
| Employees                           | 774                              | 783                              | -1.1                     |

\* Amounts adjusted due to change in accounting policy for pension benefit obligations



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# FOREWORD FROM THE MANAGEMENT BOARD

**Dear shareholders, customers, business partners, and friends of the Group,**

Despite the sustained difficult market conditions for new cement plants and challenging projects in our backlog, KHD managed to improve its EBIT margin from 2.1% in the 2012 first half year to 2.8%.

Thanks to the projects won last year, our order backlog remains high at € 419.9 million. This ensures high utilization of our execution capacity and puts us in a position to carefully evaluate which new orders we want to take. Among our top priorities are to execute our backlog efficiently and increase profitability.

Competition for new projects will remain intense. Thus, we are continuously working on improving our cost competitiveness. We have also implemented a strict policy with regard to scope and expected profitability for tendering new opportunities. In the medium-term, margin quality of our order book should return to a more satisfactory level in line with KHD's growth strategy.

With our strategic initiatives we strive for sustainability, for the benefit of all stakeholders. During the first half of 2013, we have reached several milestones in this direction:

- We continue to focus on growing our spares and service business. We are gearing up to begin managing and reporting services as a separate segment starting in January 2014. This will provide you with more transparency into both projects and services.
- Together with AVIC we are both committed to growing and strengthening the partnership as we continue to learn from each another. AVIC has also added over 100 experienced personnel to its cement business activities.
- During the first half of the year, we have narrowed down our acquisition targets and are in discussions with several companies that would complement KHD's portfolio well. These are in the areas of services, environmental technology and engineering in emerging markets.
- In April we signed a license agreement with Weir Minerals. This allows us to focus on our core business and still participate in the exciting growth story for roller press (HPGR) applications in the minerals industry.
- On April 30, 2013 the Supervisory Board appointed Ralph Quellmalz as CFO. Ralph has gained a wealth of experience about the cement industry and project business and he will be an important factor for a successful implementation of our strategy. In addition, he has already reached out to many shareholders and will intensify active investor relations at KHD.

*»A balanced financial strategy combined with customer focused growth and technical leadership create sustainable growth for all stakeholders.«*

- We have already had success in optimizing our cost structure and you can expect further reductions in overhead expenses. These are mainly associated with a more stringent tendering process as well as lower IT and marketing costs.

Furthermore, customer focused growth and technical leadership remain cornerstones of our strategy. Developing and offering clean technology is increasingly becoming a critical success factor.

We are fully aware that operational excellence and efficiency in project execution can only be achieved by highly committed and motivated personnel. Therefore, we continue to maintain and strengthen an open dialogue with our employees.

During our annual general meeting on June 24, 2013, shareholders voted for a € 0.09 dividend per share. The Management Board took the opportunity to explain KHD's strategy and the recently implemented dividend policy and shared our objective regarding a balanced financial strategy. Combined with our operational strategy, we aim to create sustainable growth for all stakeholders.

Going forward, we will continue to execute our operational and financial strategies. We will also continue our dialogue with investors and look forward to speaking to you at one of our next road shows, investor meetings or in an investor call.

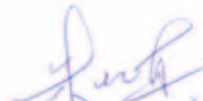
Sincerely,



Jouni Salo



Ralph Quellmalz



Yizhen Zhu

# INTERIM GROUP MANAGEMENT REPORT

## AT A GLANCE

Slower growth in the emerging markets and the recession in Western Europe negatively impacted investment activity in the cement industry in the first half of 2013. The reluctance to award new orders continued, so that KHD Humboldt Wedag AG (“KHD” or the “Group”) was unable to gain any major new orders in contrast to the previous year. On the other hand, the high order backlog from the previous year is beginning to have a positive impact on revenue. KHD is tackling lower margins caused by greater competition by means of strict cost management along the entire value chain. This is reflected by improved profitability during the first half year. Due to the leaner cost structure achieved, the Management Board is expecting a slight increase in the EBIT margin for the full year. Overall, KHD can confirm the outlook it provided in the 2012 Annual Report.

In April, KHD signed a perpetual license agreement with Weir Minerals in order to increase the focus on its core business. As a result, Weir Minerals received direct control over planning, production, and sales of high-pressure grinding rolls (HPGR) for minerals processing applications by using KHD technology in return for payment of license fees. The license agreement replaces the existing partnership model, where Weir Minerals acted as an agent of KHD on a commission basis. Several KHD technical staff, who previously worked in the area HPGR for minerals processing applications, have transferred to Weir Minerals.

At the Annual General Meeting 2013, held in Cologne on June 24, the attendance rate was 53.26%. Shareholders approved all of the resolutions proposed by the Management Board and Supervisory Board with one exception. This exception was related to a counter-motion from a group of major shareholders for a dividend of € 0.09 per share. The € 0.09 dividend represents a distribution of € 4.5 million, which led to a corresponding cash outflow in June 2013. The voting results for the individual items are published on the Company’s Web site.

## MANAGEMENT AND SUPERVISION

On April 30, 2013, the Supervisory Board appointed Ralph Quellmalz (43) as Chief Financial Officer and member of the Management Board of KHD Humboldt Wedag International AG. Mr. Quellmalz previously worked for several years as Global Head of Finance at KHD. Prior to this, he was employed at one of the four major auditing firms. As CFO, Mr. Quellmalz will be responsible for Finance, IT and HR as well as for Investor Relations at KHD.

On June 25, 2013, Ms. Eliza Suk Ching Yuen resigned from her position as Chairperson of the Supervisory Board with immediate effect. On the same day, the Supervisory Board elected Mr. Hubert Keusch as the new Chairman.

## ECONOMIC ENVIRONMENT

Contrary to expectations, the global economic situation failed to improve in the first half of 2013. In July, the International Monetary Fund (IMF) forecasted global economic growth of 3.1% for 2013 (2012: 3.1%); this rate is expected to reach 5.0% (2012: 4.9%) for developing and emerging economies. The Eurozone recession remains stubbornly persistent. In July, the IMF revised its growth forecast to –0.6%.

The cement industry did not develop as strong as anticipated, partly due to the muted economic development. While Russia and North America have maintained robust growth in cement consumption, Asia has failed to meet expectations. China in particular – the world’s largest cement consumer, with a share of 58% – has had a dampening effect on growth. Due to the restrictive credit policies of Chinese banks hardly any new infrastructure projects are being financed. In Southern Europe cement consumption continued to decrease as consequence of the economic crisis. Overall worldwide utilization of cement production capacity increased only slightly.

**India**, traditionally a key market for KHD, is predicted to grow at a quicker pace of 5.6% in 2013 (previous year: 3.2%). The main problems in the Indian cement industry remain strong margin pressure, an unreliable supply of electricity, and high prices for energy resources. The latter is driving demand for alternative fuel solutions.

In **Russia**, the IMF is expecting growth of only 2.5% due to the Euro crisis, but the country’s cement industry has so far continued its solid growth. The construction industry is benefiting from projects related to major sporting events, as well as infrastructure investments aimed at strengthening raw materials extraction.

The construction industry in **Turkey** is back on the road to recovery after experiencing setbacks in the past year. Numerous infrastructure investments in roads and the energy supply are planned. The largest project on the agenda is the Bosphorus Bridge. Economic growth should also be stronger than in the previous year with 3.5% expected for 2013.

Construction companies in **Brazil** are currently benefiting from investments related to the upcoming FIFA World Cup in 2014 and Olympic Games in 2016. The government has provided further incentives in the form of tax relief. However, high labor costs and the partially unreliable supply of energy are causing some headaches. The country’s growth rate could pick up to 2.5% for the year.

In the medium-to-long term, factors such as ongoing urbanization, demographic trends, and infrastructural needs in developing and emerging economies will continue to drive construction activities and, by extension, boost cement consumption. Emerging economies will continue to play a strong role in the market for increased cement capacity. Increased environmental regulation will also lead to upgrade projects in several markets, like the USA.

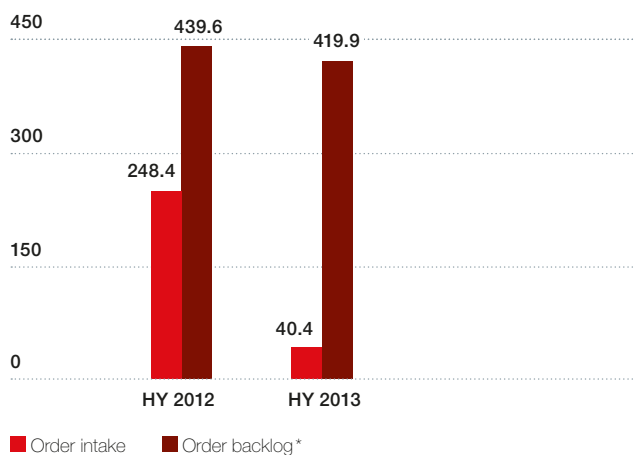
## **BUSINESS DEVELOPMENT**

The continued reluctance to place orders due to the current economic uncertainty had a negative impact on KHD’s business in the first half of 2013. Regional surplus capacities and difficult conditions for financing had an adverse impact and resulted in cautious investment activity on the part of cement producers. Existing surplus cement production capacities also led to delays in order execution, as in the 2012 financial year. According to the CW Group’s *Cement Equipment Order Intake Index*, orders for new cement plant equipment were down by 82%, in comparison to the same period in 2012.



**Order intake and order backlog**

in € million



\*Backlog at end of period

Overall, very few new orders for the construction, expansion, or modernization of cement plants were awarded in the first half of 2013. There were therefore no new orders with volumes comparable to those of the major projects acquired in the previous year in Malaysia, Venezuela, and Russia. Accordingly, order intake in the first six months of 2013 amounted to just € 40.4 million, compared to € 248.4 million in the same period of 2012. The lion's share of orders came via the spare parts and service business.

At € 419.9 million as of June 30, 2013, order backlog remains high, but has decreased by € 71.1 million (– 14.5%) compared to the end of 2012. This is a result of order execution and a low volume of new business.

**RESEARCH AND DEVELOPMENT**

In the first half of 2013, KHD invested € 1.4 million in research and development (previous year: € 2.0 Mio.).

The focus of research and development (R&D) continues to be on standardizing key components and improving the efficiency of cement plants. Other important R&D topics include developing environmentally friendly products, with a particular emphasis on energy efficiency and reducing emissions, as well as using alternative fuels in cement plants.

**SALES AND MARKETING**

Due to the current market conditions, KHD has reduced its participation in trade shows and exhibitions during 2013, but is also increasing its efforts in direct marketing.

**EMPLOYEES**

The KHD Group had 774 employees (excluding apprentices) at the end of June 2013. Compared to the end of the year 2012, the number of employees has decreased by 9.

**RESULTS OF OPERATIONS**

In the first half of 2013, KHD generated revenue of € 111.5 million. The clear increase of 8.8% on the same period in the previous year (€ 102.5 million) mainly resulted from the projects won in the previous year in Malaysia and Venezuela. Other major projects were still in an early stage of execution in late June 2013 and will reach full revenue potential over the remainder of 2013 and in subsequent years.



Gross profit in the reporting period amounted to € 17.6 million (previous year: € 20.4 million). The gross profit margin decreased from 19.9% to 15.8%, in line with expectations. A considerable portion of the orders in the order backlog were won in a highly competitive environment characterized by strong margin pressure. The increase in gross margin to 17.1% in the second quarter of 2013 from 14.0% in the first three months is impacted by a one-off effect.

KHD was able to compensate the decrease in gross profit thanks to strict management of overhead costs. In the first half of 2013 the Group saved € 3.9 million in comparison to the first six months of the previous year.

KHD is focusing its sales and tendering activities on strategically important projects in its core markets with higher likelihood to win and satisfactory margin quality. Sales expenses thus decreased by 32.4% to € 4.8 million (previous year: € 7.1 million).

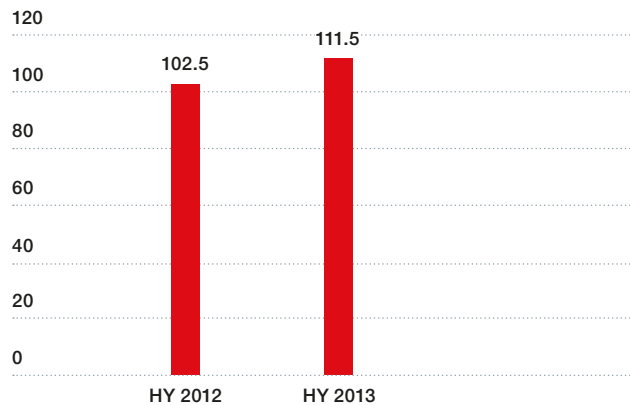
The Group's strict cost management program is also paying off with regard to general and administrative expenses as well as other expenses. General and administrative expenses were 13.6% lower than in the previous year at € 7.6 million (€ 8.8 million). This mainly reflects savings with regard to personnel and third-party costs. Other expenses declined by 15.6% to € 2.7 million (previous year: € 3.2 million).

Due to the cost savings, profit before interest and tax (EBIT) reached € 3.1 million and were € 0.9 million higher than in the previous year (€ 2.2 million). Finance income consists mainly of interest income from the investment of cash and cash equivalents. Due to historically low interest rates and as a result of volume reduction in cash and cash equivalents, net finance income of € 0.9 million is in line with expectations, failed to reach the previous year's figure of € 1.7 million. The profit before tax (EBT) thus amount to € 4.0 million (previous year: € 3.9 million).

The net profit for the period came to € 2.6 million (previous year: € -0.2 million). Diluted and basic earnings per share thus improved to € 0.05 (previous year: € 0.00).

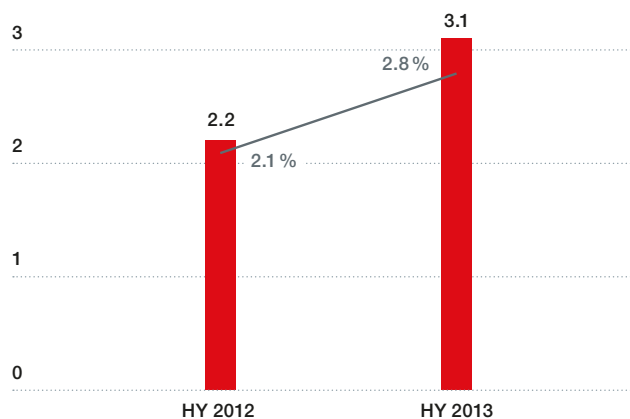
**Revenue**

in € million



**EBIT and EBIT margin (in %)**

in € million



## FINANCIAL POSITION AND NET ASSETS

KHD's cash and cash equivalents fell by € 28.7 million to € 253.9 million in the first half of 2013. This decrease was mainly attributable to a cash outflow of € 37.9 million related to projects, which is part of cash flow from operating activities. This outflow reflects the lower volume of advance payments received due to lower order intake. In addition, a significant portion of existing orders is in an advanced stage of completion; in this phase payments to suppliers regularly exceed payments from customers. The reduction of trade receivables and other receivables of € 7.6 million had a balancing impact. Furthermore the increase of trade and other payables of € 8.3 million also had a positive impact on operating cash flow. In total operating cash flow changed from € –32.8 million (previous year) to € –23.4 million in the first half year 2013.

More detail on cash flow from operating activities in the first half year is provided in the following table:

### in € thousand

|   |                 |
|---|-----------------|
| Cash flow from construction contracts (including progress billings) | (37,861)        |
| Cash flow from current liabilities and incoming invoices            | 7,308           |
| Cash flow from decrease in trade receivables                        | 7,646           |
| Cash flow from utilization of provisions                            | (3,280)         |
| Cash inflow from result of the period (EBITDA)                      | 4,149           |
| Other cash inflows and outflows                                     | (1,400)         |
| <b>Cash flow operating activities</b>                               | <b>(23,438)</b> |

Cash flow from financing activities of € –35.3 million was negative, unlike in the previous year (€ 14.1 million). The negative cash flow primarily reflects the increase in restricted cash (€ 32.2 million) serving as collateral for KHD's existing € 130 million bonding line. Eliminating this effect that did not impact cash and cash equivalents the cash flow from financing activities would have amounted to € –3.2 million. The dividend payment of € 4.5 million led to a cash outflow, whereas proceeds from interest for cash and cash equivalents resulted in a cash inflow.

Cash flow from investing activities (€ –0.5 million) did not have any significant impact on the development of cash and cash equivalents, due to the lower volume of investments compared to the previous year.

## NET ASSETS

On the assets side of the balance sheet, the € 13.6 million decrease in the balance sheet total – from € 435.7 million at the end of 2012 to € 422.1 million as of June 30, 2013 – is mainly characterized by a decline in cash and cash equivalents (€ –28.7 million) and trade receivables (€ –7.6 million). This was countered by the € 20.0 million increase in the gross amount due from customers for contract work.

## FINANCING

On the liabilities side of the balance sheet, the reduced level of advance payments received as well as the advanced stage of completion of several projects is reflected in the lower commitments under construction contracts (€ –13.5 million). In contrast, trade and other payables saw an increase of € 8.3 million due to an increase in project cost incurred in the past months. In overall terms, current liabilities fell to € 153.3 million, compared to € 162.1 million at the end of 2012.

Net working capital – current assets (excluding cash and cash equivalents) less current liabilities – decreased during the first half of 2013 from € –26.5 million to € –1.1 million, mainly caused by the aforementioned change of the net balance of construction contracts.

The € 3.0 million decrease in equity to € 226.3 million results mainly from the dividend payment (€ 4.5 million), the Group net profit for the period as well as from currency translation differences that are shown within equity. Equity as of June 30, 2013 corresponds to an equity ratio of 53.6%, which is almost unchanged from the end of 2012.

### **RISKS AND OPPORTUNITIES REPORT**

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

There has been no significant change in the assessment of risks and opportunities since December 31, 2012. Please refer to the relevant section in the KHD Group management report as of December 31, 2012 (from page 45 of the Group Annual Report).

## OUTLOOK

Despite continuous deterioration of the market conditions at the end of the first half, KHD still confirms the outlook provided in its 2012 Annual Report regarding the economic development of the Group. Nevertheless, postponements in order intake and execution will most likely have a negative impact on cash flow from operating activities.

As KHD executes its order backlog revenues should be positively affected in the second half of the year, with significantly higher revenues expected for the full year in comparison to 2012.

Orders won in a highly competitive environment and under margin pressure will continue to contribute to revenue. Therefore, gross profit margin for the full year should remain roughly equal to that of the first half-year 2013 and thus will not achieve the same gross profit margin as in 2012.

Thanks to continuous cost optimization and improved competitiveness, we still expect an increase in EBIT with stable or slightly improved EBIT margin.

Notable risks exist in connection with the slow economic recovery. Setbacks may lead to further delays in the Group's order intake and order execution. The focus in the second half of the year will remain on executing existing orders while improving efficiency and profitability. This includes reinforcing our capacities in low-cost regions. In the long term, the aim is to strengthen the premium brand through investments in service and environmental technology as well as through expansion into growth markets.

Starting in 2014, this strategy will be implemented in two different business units. KHD will realign the project business in order to become more competitive in the difficult market environment in its CAPEX segment. In the SERVICE segment, the focus will be on further developing our profitable service business for sustainable growth.



## **EVENTS AFTER THE REPORTING PERIOD**

There were no events of particular significance occurring after June 30, 2013.

The Management Board

Cologne, Germany, August 14, 2013

(s) Jouni Salo

(s) Ralph Quellmalz

(s) Yizhen Zhu

# INTERIM GROUP FINANCIAL STATEMENTS

## GROUP INCOME STATEMENT

for the Period from January 1 to June 30, 2013

| in € thousand                                  | Jan. 1-<br>June 30, 2013 | Jan. 1-<br>June 30, 2012 |
|--|--------------------------|--------------------------|
| Revenue  | 111,451                  | 102,506                  |
| Cost of sales                                  | (93,852)                 | (82,087)                 |
| <b>Gross profit</b>                            | <b>17,599</b>            | <b>20,419</b>            |
| Other operating income                         | 683                      | 803                      |
| Sales expenses                                 | (4,784)                  | (7,091)                  |
| General and administrative expenses            | (7,637)                  | (8,759)                  |
| Other expenses                                 | (2,716)                  | (3,207)                  |
| <b>Profit before interest and taxes (EBIT)</b> | <b>3,145</b>             | <b>2,165</b>             |
| Finance income                                 | 1,462                    | 2,772                    |
| Finance expenses                               | (565)                    | (1,035)                  |
| <b>Net finance income</b>                      | <b>897</b>               | <b>1,737</b>             |
| <b>Profit before tax (EBT)</b>                 | <b>4,042</b>             | <b>3,902</b>             |
| Income tax expense                             | (1,411)                  | (4,077)                  |
| <b>Group net profit for the period</b>         | <b>2,631</b>             | <b>(175)</b>             |
| Of which are attributable to:                  |                          |                          |
| Parent company shareholders                    | 2,610                    | (223)                    |
| Non-controlling interests                      | 21                       | 48                       |
|  | <b>2,631</b>             | <b>(175)</b>             |

## EARNINGS PER SHARE

|  | Jan. 1-<br>June 30, 2013 | Jan. 1-<br>June 30, 2012 |
|--|--------------------------|--------------------------|
| Group net profit for the period attributable to shareholders (in € thousand) | 2,610                    | (223)                    |
| Weighted average number of shares outstanding                                | 49,474,437               | 47,358,307               |
| Basic and diluted earnings per share (in €)                                  | 0.05                     | 0.00                     |

## GROUP STATEMENT OF COMPREHENSIVE INCOME

for the Period from January 1 to June 30, 2013

| <b>in € thousand</b>              | <b>Jan. 1-<br/>June 30, 2013</b> | <b>Jan. 1-<br/>June 30, 2012</b> |
|-----------------------------------|----------------------------------|----------------------------------|
| Group net profit for the period   | 2,631                            | (175)                            |
| Other comprehensive expense       | –                                | (3,113)*                         |
| Currency translation differences  | (1,153)                          | (549)                            |
| <b>Group comprehensive income</b> | <b>1,478</b>                     | <b>(3,837)*</b>                  |
| Of which attributable to:         |                                  |                                  |
| Parent company shareholders       | 1,457                            | (3,885)*                         |
| Non-controlling interests         | 21                               | 48                               |
|                                   | <b>1,478</b>                     | <b>(3,837)</b>                   |

\* Amounts adjusted due to change in accounting policy for pension benefit obligations

## GROUP BALANCE SHEET

as of June 30, 2013

### ASSETS

| in € thousand                                     | June 30, 2013  | Dec. 31, 2012  |
|---|----------------|----------------|
| <b>Non-current assets</b>                         |                |                |
| Property, plant and equipment                     | 2,688          | 2,997          |
| Goodwill  | 5,162          | 5,162          |
| Other intangible assets                           | 3,304          | 3,614          |
| Deferred tax assets                               | 4,855          | 5,691          |
| <b>Total non-current assets</b>                   | <b>16,009</b>  | <b>17,464</b>  |
| <b>Current assets</b>                             |                |                |
| Inventories                                       | 6,039          | 4,963          |
| Gross amount due from customers for contract work | 46,545         | 26,563         |
| Trade and other receivables                       | 57,354         | 65,000         |
| Payments made in advance                          | 33,062         | 28,845         |
| Other financial assets                            | 1,017          | 1,428          |
| Income tax assets                                 | 8,188          | 8,788          |
| Cash and cash equivalents                         | 253,934        | 282,635        |
| <b>Total current assets</b>                       | <b>406,139</b> | <b>418,222</b> |
| <b>Total assets</b>                               | <b>422,148</b> | <b>435,686</b> |



## EQUITY AND LIABILITIES

| in € thousand  | June 30, 2013  | Dec. 31, 2012   |
|--|----------------|-----------------|
| <b>Equity</b>  |                |                 |
| Subscribed capital   | 49,704         | 49,704          |
| Capital reserves   | 59,841         | 59,841          |
| Treasury shares  | (221)          | (221)           |
| Currency translation differences recognized in equity              | (4,363)        | (3,210)         |
| Retained earnings  | 120,389        | 122,232*        |
| Share of equity attributable to shareholders of the parent company | 225,350        | 228,346*        |
| Non-controlling interests  | 952            | 944             |
| <b>Total equity</b>  | <b>226,302</b> | <b>229,290*</b> |
| <b>Non-current liabilities</b>                                     |                |                 |
| Other liabilities  | 6,988          | 7,901           |
| Pension benefit obligations  | 25,579         | 25,903*         |
| Deferred tax liabilities   | 2,966          | 2,915*          |
| Provisions   | 7,046          | 7,571           |
| <b>Total non-current liabilities</b>                               | <b>42,579</b>  | <b>44,290*</b>  |
| <b>Current liabilities</b>   |                |                 |
| Trade and other payables   | 78,783         | 70,516          |
| Commitments under construction contracts                           | 52,434         | 65,965          |
| Income tax liabilities   | 184            | 1,073           |
| Provisions   | 21,866         | 24,552          |
| <b>Total current liabilities</b>                                   | <b>153,267</b> | <b>162,106</b>  |
| <b>Total equity and liabilities</b>                                | <b>422,148</b> | <b>435,686</b>  |

\* Amounts adjusted due to change in accounting policy for pension benefit obligations

## GROUP STATEMENT OF CASH FLOWS

for the Period from January 1 to June 30, 2013

| in € thousand  | Jan. 1-<br>June 30, 2013 | Jan. 1-<br>June 30, 2012 |
|--|--------------------------|--------------------------|
| <b>Cash flow from operating activities</b>   |                          |                          |
| Group net profit for the period  | 2,631                    | (175)                    |
| Income tax expense recognized in the income statement  | 1,411                    | 4,077                    |
| Net finance income recognized in the income statement  | (897)                    | (1,737)                  |
| <b>Earnings before interest and taxes (EBIT)</b>   | <b>3,145</b>             | <b>2,165</b>             |
| Amortization and depreciation of non-current assets  | 1,004                    | 883                      |
| Increase (-)/decrease in trade receivables and financial assets                                  | 7,646                    | 8,470                    |
| Increase (-)/decrease in inventories and gross amount due from customers for contract work       | (21,058)                 | (17,488)                 |
| Increase (-)/decrease in payments made in advance and other financial assets                     | (3,806)                  | (15,594)                 |
| Increase(+)/decrease in trade and other payables and in commitments under construction contracts | (5,265)                  | 4,397                    |
| Increase(+)/decrease in pension benefit obligations  | (324)                    | (209)                    |
| Increase(+)/decrease in provisions and non-current liabilities                                   | (4,125)                  | (7,412)                  |
| Other non-cash transactions  | 249                      | (697)                    |
| Dividends received   | -                        | 47                       |
| Income tax received  | 3,940                    | -                        |
| Income tax paid  | (4,844)                  | (7,398)                  |
| <b>Cash flow from operating activities</b>   | <b>(23,438)</b>          | <b>(32,836)</b>          |
| <b>Cash flow from investing activities</b>   |                          |                          |
| Cash outflow for intangible assets   | (205)                    | (1,166)                  |
| Cash outflow for property, plant and equipment   | (246)                    | (690)                    |
| Cash inflow from the disposal of property, plant and equipment                                   | -                        | 8                        |
| <b>Cash flow from investing activities</b>   | <b>(451)</b>             | <b>(1,848)</b>           |

| in € thousand  | Jan. 1-<br>June 30, 2013 | Jan. 1-<br>June 30, 2012 |
|--|--------------------------|--------------------------|
| <b>Cash flows from financing activities</b>                      |                          |                          |
| Interest received  | 1,296                    | 1,929                    |
| Payment for purchase of shares from non-controlling interests    | (13)                     | (28)                     |
| Dividends paid to parent company shareholders                    | (4,453)                  | –                        |
| Change in restricted cash (collateral for bank guarantees)       | (32,178)                 | 12,189                   |
| <b>Cash flow from financing activities</b>                       | <b>(35,348)</b>          | <b>14,090</b>            |
| <b>Change in unrestricted cash and cash equivalents</b>          | <b>(59,237)</b>          | <b>(20,594)</b>          |
| Opening balance of unrestricted cash and cash equivalents        | 282,182                  | 287,681                  |
| Exchange rate effects  | (1,642)                  | (461)                    |
| <b>Closing balance of unrestricted cash and cash equivalents</b> | <b>221,303</b>           | <b>266,626</b>           |

| in € thousand  | June 30, 2013  | June 30, 2012  |
|--|----------------|----------------|
| <b>Composition of unrestricted cash and cash equivalents</b>     |                |                |
| Bank balances and cash   | 50,311         | 79,338         |
| Short-term bank deposits and restricted cash                     | 203,623        | 187,741        |
| <b>Total cash and cash equivalents</b>                           | <b>253,934</b> | <b>267,079</b> |
| Restricted cash (collateral for bank guarantees)                 | (32,631)       | (453)          |
| <b>Closing balance of unrestricted cash and cash equivalents</b> | <b>221,303</b> | <b>266,626</b> |

## GROUP STATEMENT OF CHANGES IN EQUITY

for the Period from January 1 to June 30, 2013

| in € thousand                         | Issued capital | Capital reserves | Treasury shares |
|---------------------------------------|----------------|------------------|-----------------|
| <b>Dec. 31, 2011</b>                  | <b>49,704</b>  | <b>59,841</b>    | <b>(221)</b>    |
| Changes and correction*               | -              | -                | -               |
| <b>Adjusted Equity Jan. 01, 2012</b>  | <b>49,704</b>  | <b>59,841</b>    | <b>(221)</b>    |
| Group net profit for the period       | -              | -                | -               |
| Other comprehensive result*           | -              | -                | -               |
| Currency translation differences      | -              | -                | -               |
| <b>Group comprehensive income</b>     | <b>-</b>       | <b>-</b>         | <b>-</b>        |
| Other changes                         | -              | -                | -               |
| Purchase of non-controlling interests | -              | -                | -               |
| <b>June 30, 2012</b>                  | <b>49,704</b>  | <b>59,841</b>    | <b>(221)</b>    |
| Group net profit for the period       | -              | -                | -               |
| Currency translation differences      | -              | -                | -               |
| <b>Group comprehensive income</b>     | <b>-</b>       | <b>-</b>         | <b>-</b>        |
| Other changes                         | -              | -                | -               |
| Payment of dividends                  | -              | -                | -               |
| Purchase of non-controlling interests | -              | -                | -               |
| <b>Dec. 31, 2012</b>                  | <b>49,704</b>  | <b>59,841</b>    | <b>(221)</b>    |
| Group net profit for the period       | -              | -                | -               |
| Currency translation differences      | -              | -                | -               |
| <b>Group comprehensive income</b>     | <b>-</b>       | <b>-</b>         | <b>-</b>        |
| Payment of dividends                  | -              | -                | -               |
| Purchase of non-controlling interests | -              | -                | -               |
| <b>June 30, 2013</b>                  | <b>49,704</b>  | <b>59,841</b>    | <b>(221)</b>    |

\* Amounts adjusted due to change in accounting policy for pension benefit obligations



| Currency translation differences recognized in equity | Retained earnings | Equity attributable to shareholders of the parent company | Non-controlling interests | Total   |
|---|-------------------|---|---------------------------|---------|
| (2,229)   | 125,556           | 232,651   | 881                       | 233,532 |
| –   | (1,208)           | (1,208)   | –                         | (1,208) |
| (2,229)   | 124,348           | 231,443   | 881                       | 232,324 |
| –   | (223)             | (223)   | 48                        | (175)   |
| –   | (3,113)           | (3,113)   | –                         | (3,113) |
| (549)   | –                 | (549)   | –                         | (549)   |
| (549)   | (3,336)           | (3,885)   | 48                        | (3,837) |
| –   | 10                | 10  | –                         | 10      |
| –   | –                 | –   | (28)                      | (28)    |
| (2,778)   | 121,022           | 227,568   | 901                       | 228,469 |
| –   | 7,146             | 7,146   | 57                        | 7,203   |
| (432)   | –                 | (432)   | –                         | (432)   |
| (432)   | 7,146             | 6,714   | 57                        | 6,771   |
| –   | 1                 | 1   | –                         | 1       |
| –   | (5,937)           | (5,937)   | –                         | (5,937) |
| –   | –                 | –   | (14)                      | (14)    |
| (3,210)   | 122,232           | 228,346   | 944                       | 229,290 |
| –   | 2,610             | 2,610   | 21                        | 2,631   |
| (1,153)   | –                 | (1,153)   | –                         | (1,153) |
| (1,153)   | 2,610             | 1,457   | 21                        | 1,478   |
| –   | (4,453)           | (4,453)   | –                         | (4,453) |
| –   | –                 | –   | (13)                      | (13)    |
| (4,363)   | 120,389           | 225,350   | 952                       | 226,302 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as of June 30, 2013

### 01 GROUP STRUCTURE AND AFFILIATED COMPANIES

KHD is one of the world's leading providers of equipment and services for cement producers. In its capacity as the managing holding company of the Group, KHD holds a 100 % interest in KHD Humboldt Wedag GmbH, Cologne/Germany, as was the case of December 31, 2012. The core business areas of KHD's 15 Group companies are industrial plant engineering and providing related services. The strategic and operational focus of the Group entities is on planning and constructing plants for the cement industry, as well as on providing a comprehensive range of services.

### 02 REPORTING PRINCIPLES

The interim financial statements of KHD and interim financial statements of the subsidiaries that are included in the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the related interpretations of the International Accounting Standards Board (IASB), as applicable pursuant to Regulation No. 1606/2002 of the European Parliament and Council concerning the application of International Accounting Standards in the EU for interim financial reporting. In accordance with IAS 34, this interim report does not contain all information and notes to the financial statements that IFRS requires for consolidated financial statements at the end of a financial year.

These consolidated financial statements and Group management report for the first half of 2013 were neither audited pursuant to Section 317 of the German Commercial Code (HGB), nor were they subjected to an auditor's review.

The accounting and measurement methods applied in these interim financial statements are consistent with those applied as of December 31, 2012, unless changes are described. The accounting and measurement methods applied are described in detail in KHD's Group Annual Report on the IFRS consolidated financial statements on pages 66ff.

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

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

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

### 03 CHANGES IN ACCOUNTING POLICIES

In the current financial year KHD has started using the present value of the defined benefit obligation at the reporting date to account for pension benefit obligations. In previous years the Group applied the so-called corridor method under IAS 19. According to this method, actuarial gains or losses from the valuation of pension benefit obligations were not recognized if they were due only to changes in actuarial parameters and the cumulative unrecognized actuarial gain or loss varied within a corridor of 10 % above or below the present value of the defined benefit obligation at the end of the previous reporting period. Excess amounts were recognized over the expected average remaining working lives of the employees participating in the respective pension plan.

Among other things, the amendment to IAS 19 has done away with the corridor method for the recognition of actuarial gains and losses. The amended standard stipulates that all actuarial gains and losses (net of tax effects) must be directly recognized in other comprehensive income and retained earnings in the year in which they occur. The effects from the change in accounting policy were applied retroactively in accordance with IAS 8.22. As a result, the opening balance as of January 1, 2012, has been prepared as if the change in accounting policy had already been applied in the past.

The effects from the change in accounting policy for pension benefit obligations are given in the following tables:

#### GROUP BALANCE SHEET

| in € thousand  | Jan. 1, 2012   | Jan. 1, 2012<br>(adjusted) |
|--|----------------|----------------------------|
| Retained earnings  | 125,556        | 124,348                    |
| Share of equity attributable to shareholders of the parent company | 232,651        | 231,443                    |
| <b>Total equity</b>  | <b>233,532</b> | <b>232,324</b>             |
| Pension benefit obligations  | 19,960         | 21,749                     |
| Deferred tax liabilities   | 5,245          | 4,664                      |
| <b>Total non-current liabilities</b>                               | <b>53,067</b>  | <b>54,275</b>              |

| in € thousand  | Dec. 31, 2012  | Dec. 31, 2012<br>(adjusted) |
|--|----------------|-----------------------------|
| Retained earnings  | 126,553        | 122,232                     |
| Share of equity attributable to shareholders of the parent company | 232,667        | 228,346                     |
| <b>Total equity</b>  | <b>233,611</b> | <b>229,290</b>              |
| Pension benefit obligations  | 19,505         | 25,903                      |
| Deferred tax liabilities   | 4,992          | 2,915                       |
| <b>Total non-current liabilities</b>                               | <b>39,969</b>  | <b>44,290</b>               |

## GROUP STATEMENT OF COMPREHENSIVE INCOME

| in € thousand  | Jan. 1-<br>June 30, 2012 | Jan. 1-<br>June 30, 2013<br>(adjusted) |
|--|--------------------------|--|
| Other comprehensive income                           | –                        | (3,113)                                |
| <b>Group comprehensive income</b>                    | <b>(724)</b>             | <b>(3,837)</b>                         |
| Of which attributable to parent company shareholders | (772)                    | (3,885)                                |

### 04 APPLYING NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the reporting period, the Group applied all mandatory standards published by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC), providing they have already been endorsed into EU law.

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

- IFRS 13: Fair Value Measurement  
(effective for annual periods beginning on or after January 1, 2013)
- Amendment to IAS 1: Presentation of items of other comprehensive income  
(effective for annual periods beginning on or after July 1, 2012)
- Amendment to IAS 12: income taxes – recovery of underlying assets  
(effective for annual periods beginning on or after January 1, 2013)
- Amendment to IAS 19: Employee Benefits Measurement  
(effective for annual periods beginning on or after January 1, 2013)
- Amendment to IFRS 7: Financial instruments – Disclosures – Offsetting Financial Assets and Financial liabilities (effective for annual periods beginning on or after January 1, 2013)
- Annual Improvements (May 2012):  
(effective for annual periods beginning on or after January 1, 2013)
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine  
(effective for annual periods beginning on or after January 1, 2013)
- Amendment to IFRS 1 – Removal of fixed dates for first-time adopters of IFRS  
(effective for annual periods beginning on or after January 1, 2013)
- Amendment to IFRS 1 – Severe Hyperinflation  
(effective for annual periods beginning on or after January 1, 2013)
- Amendment to IFRS 1 – Government loans  
(effective for annual periods beginning on or after January 1, 2013)

With the exception of the amendment to IAS 19 the application of these revised requirements has no material effect on the Group's net assets, financial position, and result of operations. Due to the discontinuation of the corridor method, all actuarial losses are now recognizable within pension benefit obligation.

It was not yet mandatory to apply the following standards or changes to, and revisions of, standards and interpretations:

- IFRS 9 Financial Instruments: Classification and measurement of financial assets (effective for annual periods beginning on or after January 1, 2015)
- Amendments to IFRS 9 and IFRS 7: Mandatory effective date and transitions disclosure (effective for annual periods beginning on or after January 1, 2015)
- IFRS 10: Consolidated financial statements (effective in the EU for annual periods beginning on or after January 1, 2014; effective date in accordance with IASB: January 1, 2013)
- IFRS 11: Joint Arrangements (effective in the EU for annual periods beginning on or after January 1, 2014; effective date in accordance with IASB: January 1, 2013)
- IFRS 12: Disclosure of interests in other entities (effective in the EU for annual periods beginning on or after January 1, 2014; effective date in accordance with IASB: January 1, 2013)
- IAS 27: Separate financial statements (effective in the EU for annual periods beginning on or after January 1, 2014; effective date in accordance with IASB: January 1, 2013)
- IAS 28: Investments in Associates and joint ventures statements (effective in the EU for annual periods beginning on or after January 1, 2014; effective date in accordance with IASB: January 1, 2013)
- Amendments to IFRS 10, IFRS 12 und IAS 27 (2011): Investment Entities (effective for annual periods beginning on or after January 1, 2014)
- Amendment to IAS 32: Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014)
- Amendments to IFRS 10, IFRS 11 und IFRS 12: Transition Guidance (effective in the EU for annual periods beginning on or after January 1, 2014; effective date in accordance with IASB: January 1, 2013)
- Amendments to IAS 36: Recoverable Amount Disclosures for non-financial assets (effective for annual periods beginning on or after January 1, 2014)
- IFRIC 21: Levies (effective for annual periods beginning on or after January 1, 2014)
- Amendments to IAS 39: Novation of Derivates and Continuation of Hedge Accounting (effective for annual periods beginning on or after January 1, 2014)

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

## 05 CONSOLIDATION

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

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

#### BESIDES KHD AG, THE GROUP INCLUDES:

| Name of company   | Registered office                 | Shareholding in % | Currency | Subscribed capital |
|---|-----------------------------------|-------------------|----------|--------------------|
| <b>Subsidiaries</b>                                       |                                   |                   |          |                    |
| KHD Humboldt Wedag GmbH                                   | Cologne, Germany                  | 100.00 D          | €        | 15,339,300         |
| Humboldt Wedag GmbH                                       | Cologne, Germany                  | 100.00 I          | €        | 7,000,000          |
| ZAB Zementanlagenbau GmbH Dessau                          | Dessau, Germany                   | 100.00 I          | €        | 2,000,000          |
| Blake International Ltd.                                  | Road Town, British Virgin Islands | 100.00 I          | USD      | 1,000              |
| KHD Humboldt Wedag Industrial Services AG                 | Cologne, Germany                  | 89.71 I           | €        | 3,600,000          |
| EKOF Flotation GmbH                                       | Bochum, Germany                   | 100.00 I          | €        | 51,129             |
| Humboldt Wedag Australia Pty. Ltd.                        | Braeside, Australia               | 100.00 I          | AUD      | 200,002            |
| Humboldt Wedag Inc.                                       | Norcross, USA                     | 100.00 I          | USD      | 1,000              |
| Humboldt Wedag India Private Ltd.                         | New Delhi, India                  | 100.00 I          | INR      | 19,200,000         |
| KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd. | Beijing, China                    | 100.00 I          | USD      | 1,050,000          |
| OOO KHD Humboldt Engineering                              | Moscow, Russia                    | 100.00 I          | RUB      | 3,350,000          |
| Humboldt Wedag Malaysia Sdn. Bhd.                         | Kuala Lumpur, Malaysia            | 100.00 I          | MYR      | 500,000            |
| Humboldt Wedag do Brasil Servicos Technicos Ltda.         | Belo Horizonte, Brazil            | 100.00 I          | BRL      | 200,000            |
| <b>Joint Ventures</b>                                     |                                   |                   |          |                    |
| KHD Engineering Holding GmbH                              | Vienna, Austria                   | 50.00 I           | €        | 180,000            |

D = directly owned

I = indirectly owned

## 06 SEGMENT REPORTING

External segment reporting is based on intra-Group 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 based in particular on balance sheet and income statement figures. The revenue figure analyzed is comprised of revenue under construction contracts and from service revenue. The main business activity of the Group is the development, production, and distribution of industrial plant equipment, in particular for cement plants. The measurement principles used for Group segment reporting are in line with the IFRS principles used for the consolidated financial statements. In its function as the chief operating decision maker, the Management Board assesses the profitability of the segment based on the operating result (profit before finance result and tax).

The following table provides an overview of the business for the half-years 2013 and 2012:

| in € million                                      | Jan. 1-<br>June 30, 2013 | Jan. 1-<br>June 30, 2012 |
|---|--------------------------|--------------------------|
| Order intake                                      | 40                       | 248                      |
| Order backlog (June 30)                           | 420                      | 440                      |
| Revenue   | 112                      | 103                      |
| Cost of sales                                     | (94)                     | (82)                     |
| Gross profit                                      | 18                       | 20                       |
| Expenses/other income (net)                       | (15)                     | (18)                     |
| Earnings before interest and taxes (EBIT)         | 3                        | 2                        |
| Net finance income                                | 1                        | 2                        |
| Profit before tax                                 | 4                        | 4                        |
| Changes in unrestricted cash and cash equivalents | (61)                     | (21)                     |
| <b>Total assets (June 30)</b>                     | <b>422</b>               | <b>426</b>               |
| Liquidity (June 30)                               | 254                      | 267                      |
| Liabilities (June 30)                             | 196                      | 193                      |

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

| in € thousand  | Revenue                  |                          | Non-current assets |               |
|----------------|--------------------------|--------------------------|--------------------|---------------|
|                | Jan. 1-<br>June 30, 2013 | Jan. 1-<br>June 30, 2012 | June 30, 2013      | Dec. 31, 2012 |
| Germany        | 1,967                    | 5,726                    | 6,977              | 7,457         |
| Russia         | 4,534                    | 15,131                   | 3,282              | 3,281         |
| Rest of Europe | 9,255                    | 2,926                    | –                  | –             |
| North America  | 3,462                    | 4,964                    | 87                 | 86            |
| South America  | 14,689                   | 11,853                   | 32                 | 1             |
| Middle East    | 4,759                    | 15,259                   | –                  | –             |
| India          | 15,121                   | 28,898                   | 767                | 909           |
| China          | 4,533                    | 4,817                    | 2                  | 36            |
| Rest of Asia   | 39,275                   | 6,692                    | 7                  | 3             |
| Africa         | 6,141                    | 5,602                    | –                  | –             |
| Other          | 7,715                    | 638                      | –                  | –             |
|                | <b>111,451</b>           | <b>102,506</b>           | <b>11,154</b>      | <b>11,773</b> |

| in € thousand  | Order intake             |                          | Order backlog  |                |
|----------------|--------------------------|--------------------------|----------------|----------------|
|                | Jan. 1-<br>June 30, 2013 | Jan. 1-<br>June 30, 2012 | June 30, 2013  | Dec. 31, 2012  |
| Germany        | 1,839                    | 1,582                    | 1,690          | 1,818          |
| Russia         | 4,861                    | 77,787                   | 86,688         | 86,361         |
| Rest of Europe | 4,863                    | 2,088                    | 32,317         | 36,709         |
| North America  | 1,347                    | 6,812                    | 638            | 2,753          |
| South America  | 5,392                    | 24,913                   | 10,115         | 19,412         |
| Middle East    | 10,011                   | 2,118                    | 25,212         | 19,960         |
| India          | 5,920                    | 7,102                    | 110,888        | 120,089        |
| China          | (601)                    | 6,213                    | 1,082          | 6,216          |
| Rest of Asia   | 1,947                    | 116,500                  | 66,908         | 104,236        |
| Africa         | 3,590                    | 2,090                    | 9,374          | 11,925         |
| Other          | 1,197                    | 1,167                    | 75,037         | 81,555         |
| <b>Total</b>   | <b>40,366</b>            | <b>248,372</b>           | <b>419,949</b> | <b>491,034</b> |

## 07 CONSTRUCTION CONTRACTS

The gross amount due from or due to customers for contract work is recognized at contract cost incurred plus proportionate profits depending on the stage of completion less progress billings and recognized contract losses.

| in € thousand   | June 30, 2013   | Dec.31, 2012    |
|---|-----------------|-----------------|
| Costs incurred to date for construction contracts                                 | 270,772         | 246,311         |
| Proportionate profits under these contracts recognized to date                    | 37,814          | 40,405          |
| Total costs incurred and profits recognized                                       | 308,586         | 286,716         |
| Less recognized contract losses   | (2,007)         | (967)           |
| Less progress billings  | (307,475)       | (317,465)       |
| <b>Balance of construction contracts account</b>                                  | <b>(896)</b>    | <b>(31,716)</b> |
| This amount is comprised as follows:  |                 |                 |
| Gross amount due from customers for contract work                                 | 46,545          | 26,563          |
| Gross amount due to customers for contract work                                   | (47,441)        | (58,279)        |
|   | <b>(896)</b>    | <b>(31,716)</b> |
| Gross amount due to customers for contract work                                   | (47,441)        | (58,279)        |
| Advances received under construction contracts (before related work is performed) | (4,993)         | (7,686)         |
| <b>Commitments under construction contracts</b>                                   | <b>(52,434)</b> | <b>(65,965)</b> |

The balance of the construction contracts increased from € –31,716 thousand by € 30,820 thousand to € –896 thousand. Of the revenue of € 111,451 thousand recognized in the period under review (as of June 30, 2012: € 102,506 thousand), € 97,274 thousand (as of June 30, 2012: € 91,527 thousand) is attributable to construction contracts for which revenue was recognized on the basis of the percentage of completion.



## 08 CASH AND CASH EQUIVALENTS

The Group reports cash and cash equivalents in the amount of € 253,934 thousand (as of Dec. 31, 2012: € 282,635 thousand). Of this amount, € 32,631 thousand (as of Dec. 31, 2012: € 453 thousand) is pledged as collateral for utilization of the existing bonding line of € 130 million.

| in € thousand                               | June 30, 2013  | Dec.31, 2012   |
|---|----------------|----------------|
| Bank balances and cash on hand              | 80,383         | 125,719        |
| Short-term bank deposits                    | 140,920        | 156,463        |
| Restricted Cash (collateral for guarantees) | 32,631         | 453            |
|   | <b>253,934</b> | <b>282,635</b> |

## 09 PENSION BENEFIT OBLIGATIONS

For the pension benefit obligations KHD for the first time applied the amended IAS 19. Due to the discontinuation of the corridor method, all pension benefit obligations are accounted at present value at the reporting date. The effects from the change in accounting policy were applied retroactively in accordance with IAS 8.22.

## 10 INCOME TAX

The Group tax rate was 34.9% for the first six months of 2013 (as of June 30, 2012: 33.3% – adjusted for special effects arising from the tax audit for the years from 2008 to 2010).

The income tax expense of € 1,411 thousand incurred in the first half of 2013 (as of June 30, 2012: € 4,077 thousand). The previous period includes effects from tax audits. The income tax result is composed as follows:

| in € thousand        | Jan. 1-<br>June 30, 2013 | Jan. 1-<br>June 30, 2012 |
|----------------------|--------------------------|--------------------------|
| Current tax expense  | (652)                    | (3,181)                  |
| Deferred tax expense | (759)                    | (896)                    |
| <b>Tax expense</b>   | <b>(1,411)</b>           | <b>(4,077)</b>           |

## 11 RELATED PARTY DISCLOSURES

As of June 30, 2013, AVIC holds a 20% stake in KHD through its wholly-owned subsidiary Max Glory Industries Ltd. (MGI). A cooperation agreement has existed with AVIC since February 2011. In the 2012 financial year the cooperation with AVIC yielded joint projects in Malaysia, Venezuela and Turkey. As a result from these projects and the procurement center in Beijing KHD has the following receivables, liabilities, income and expenses with AVIC:

**INCOME AND EXPENSES FROM TRANSACTIONS WITH AVIC**

| in € thousand | Jan. 1-<br>June 30, 2013 | Jan. 1-<br>June 30, 2012 |
|---------------|--------------------------|--------------------------|
| Income        | 8,608                    | 2,283                    |
| Expenses      | 6,790                    | 703                      |

**CURRENT ASSETS AND LIABILITIES DUE FROM/TO AVIC**

| in € thousand  | June 30, 2013 | Dec. 31, 2012 |
|----------------|---------------|---------------|
| Current assets | 25,705        | 19,178        |
| Liabilities    | 4,210         | 1,281         |

**12 OTHER DISCLOSURES**

Within the scope of its normal business activities, the Group has contingent liabilities due to advance guarantees, performance bonds, and guarantees for warranty obligations. The Group does not anticipate any material liabilities due to these commitments. As part of normal business activities, the Group has provided bank guarantees in the amount of € 105.7 million (as of Dec. 31, 2012: € 114,7 million) within the scope of its normal business activities.

**13 EVENTS AFTER THE REPORTING PERIOD**

There were no events of particular significance occurring after June 30, 2013.

**14 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 net assets, financial position, and result of operations of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

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, Germany, August 14, 2013

(s) Jouni Salo

(s) Ralph Quellmalz

(s) Yizhen Zhu

## **IMPRINT**

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This half-year report is published also in German. In the event of any discrepancies, the German version prevails.

### **FORWARD-LOOKING STATEMENTS AND FORECASTS**

This report contains forward-looking statements. These statements are based on the current experiences, assumptions, and forecasts of the Board of Management, as well as on the information currently available. The forward-looking statements do not constitute a guarantee for the future developments and results detailed therein. Future developments and results depend heavily on a range of factors. They comprise various risks and uncertainties and are based on assumptions that may turn out to be inaccurate. These risk factors include in particular the factors detailed in the risk report on pages 45 to 52. We undertake no obligation to update the forward-looking statements made in this report.

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